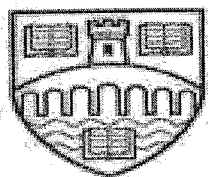# UNIVERSITY OF STIRLING

DEPARTMENT OF MARKETING

VINYU VEERAYANGKUR

STRATEGIC PLANNING IN RETAILING: CASES FROM THAI RETAILING

Submitted in fulfilment of the Degree of Doctor of Philosophy

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ABSTRACT

Preliminary desk researches suggested that strategic planning and management needs empirical evidence to broaden its application to different industries. The purpose of the study is to examine the practical framework for the planning and development of strategy and strategic plans from the current practice of retail operations in Thailand. Theoretical reviews were carried out at early stage of the research on strategic decision making, planning systems, strategy and retailing to build a framework for research objectives and to form research questions. The main objective of the research is, therefore, to examine forms of strategy development process and the influence of marketing concepts to the planning processes of selected organisations. Fieldwork was planned to investigate at several modern retailers in Thailand, where retail competition has been intensive. Five retailers allowed their co-operation, and several methods of data collections, such as different types of interviews, observations and the analysis of achieval record, were employed to generate five case studies.

The main conclusion drawn from the study would indicate that the term "strategic planning process", together with budgeting and long-range planning systems, are embedded in yearly periodical planning systems that react to external environment challenges only in the short term. The yearly periodical planning system together with an administrative system forms an on-going planning cycle. The strategic management process, on the other hand, is future-oriented planning process that has a time-span of more than a year. Strategic decisions generated by the strategic management process together with the outcome of other strategic decision-making are the inputs to both components of the on-going planning cycle. Therefore, short-term and long-term strategy development processes are distinct processes that require different approaches. However, the two processes are linked and both should be embedded within the overall strategic development process. The study also suggests that Thai retailers have to strengthen their strategy development process to be able to encourage learning and understanding of key business environments, business concepts and strategies before generating their own "winning formula".

The outcome from the thesis is, therefore, a practical framework for the planning and development of strategy and strategic plans from the current practices of retail operations in Thailand that can be applied as a checklist for monitoring and evaluation in large-to-medium sized retailing organisations in similar trading environments.

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DECLARATION OF AUTHENTICITY

This thesis is submitted in fulfilment of the requirements of the Degree of Doctor of

Philosophy (by research) at the University of Stirling.

I hereby declare that this thesis has been composed entirely by myself and is the result

of my own investigations. It has not been previously submitted for any other higher

degree or qualification.

The work of which it is a record has been performed by myself, and all sources of

information have been specifically acknowledged by reference.

Vinyu Veerayangkur

Date...March 2003

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CHAPTER ONE

Introduction

1.0 Introduction

The intention of the study is to fulfil past inspiration. This inspiration comes from my experience at different stages of life. At first I wanted to know more about retailing stores, when I visited many different stores in Bangkok. I experienced a very exciting atmosphere of new innovations, when new stores, such as shopping malls, shopping centres, superstores and convenience stores were newly opened. Later, I developed a great interest in the field of strategy, while studying for my first degree in management. The combination of two experiences focuses my concentration on the choices of research fields at the early stage of pursuing this higher education. Preliminary reviews of literature gave a tremendous amount of knowledge that broadened my view on both subjects. This chapter, therefore, is to firstly introduce research problems that were suggested by scholars contributing to the research theme. Next, the author defines the purpose of the research. Later, the approach of the research is identified. Finally, there is an overview of the structure of the thesis at the end.

1.1 Background of the Research Problem

The background of the problem is twofold. In the first part, there is a discussion on the need for studying strategic planning and management. The second part introduces Thailand's retailing where the fieldwork of the study takes place.

Generally, management has an increasing level of complexity when organisation structures increase in size due to the development of businesses. Businesses can develop

from small businesses to regional, national, international and multinational businesses. The complexities and difficulties of handling management begin to increase as the businesses develop. The individual can find it difficult to handle complex situations successfully when faced with a heavy workload and changing circumstances. As the business develops partnerships, colleagues, and subordinates are introduced and reported to by managers, and hierarchy and bureaucracy inevitably develop. Work is distributed systematically to different people who may play their roles differently. Managers and workers, who are at different levels, have different perspectives of their environment. Their perspectives and ways of thinking are sometimes different, because of their understanding of surrounding information and the nature of their job. The larger an organisational structure becomes, the more its managers and workers have difficulties in communicating and exchanging information and perspectives.

Now, there is a simple question. "How can they work together as a company?". The answer is that they must decide what to achieve in advance. For example, they have to agree what to do in different time scales such as a week, next week, next month, next year, next three years, and so on. Decisions have to be made and planned for different levels of management; top, middle and operations management need to make in their role as managers. Regular or routine meetings and planning are required between management level and between different management levels. Meeting and planning bind people together in order to achieve the objectives of the organisation, such as solutions to problems, desired goals, and plans related to competition.

Furthermore, the rapid change of environment in which businesses operate seems to occur when there is increasing competition and distractions from unexpected events; such as low consumer spending, political influences and economic upheaval. Today's market requires a cautious mind to screen risky events, recognise opportunities

and create visions and strategies for the future. To achieve these things, top managements of organisation endeavour to produce plans in relation to available resources and management styles.

Since the 1950s researchers have constructed concepts and frameworks of planning systems that help managers in dealing with their future and competition. So far, management researchers and students have been familiar with four planning systems; budget planning, long range planning, strategic planning and strategic management (Hussey, 1990). However, the last two systems have been widely debated in the last three decades. A planning system should not only lead the organisation as a whole with a clear and sustainable direction, but also encourage individuals and teams to explore opportunities and threats, and achieve their goal. The role of the planning system is to direct the activities of organisations to be competitive and responsive to the external environment.

However, a particular type of planning system is not a right answer for every organisation. Different industries and business types have different working environments and management styles. Many management textbooks and journals have mentioned and clarified this argument when they examine the application of planning systems to particular industries. Therefore, a theory or a concept is hardly ever utilised in different environments without an adjustment to its application. Retail industry, which is one of the most competitive industries, is no exception due to very strong competition that needs strategic responses on a short-term basis.

Highly competitive industries with a large number of similar providers or substitutes face a highly competitive market that requires responsive strategies on a short-term basis. Food retailing is a good example of a business that offers products of a similar standard. Consumer products, which are supplied by retailers, can be bought

freely by customers at any store. The industry is always in a very competitive situation because of the low switching costs. Thus the management styles of retailers have to be flexible and highly responsive to threats and changes. This can be observed from strategies that are generated to close the gap quickly between one company and its major competitors. For example, they virtually pursue the same tactics or strategy as each other on seasonal basis, such as competitive price-cutting, sale promotion and free gifts.

Retailers in Thailand provide a good example as follows. One of their obvious strategies is to improve the total offer of package which customers perceive from shopping at a particular retailer. All in one or one stop shopping concepts have been very well applied to their business format for the past two decades. Changes to their offerings have been introduced due to the recognition of changes in their customers' expectations although many initiatives come from their competitors' strategies. In such competition, any Thai retail group, which does not change its offering to match customers' expectation, is easily threatened by its closest competitors.

Different Thai retailers direct their effort to a specific target group although the goods, provided by them, are bought by all target market sectors. The reason for this is that the creation of a unique image can reduce the total impact of direct confrontation in terms of price-cutting and customers' expectation. Many Thai retailers are successful in capturing their target groups, but there are battles going on among them to gain more customers to achieve their other objectives, such as increasing market share, turnover and profit. Therefore, retailing in Thailand has been regarded as a tough market for foreigners that are not familiar with their local competitors and consumers' behaviour.

On one hand, several Chinese families built their retail businesses prosperously for the past fifty years. Strong Chinese styles of management, which is hard working, practical, visionary and decisive, proved to be a key success factor for their past successes.

Their lessons and management styles were taught to later generations. However, the picture of retailing in Thailand moved to a more competitive market than ever at the end of 1990s. There is still a strong "family business" influence on the management of many Thai companies. Their management capability and style does not cope with a demand for building a strategic position and advantage for long-term strategy. Although many of the middle management and junior management are experienced and well aware of western management styles, they do not have power in decision making. Thai retailers have tried very hard to learn western-styles of management and philosophy, but they could not change rapidly enough. For example, the substantial over-staffing of Thai department stores and supermarkets and failure to try new retailing concepts that are already accepted practices in the West.

On the other hand, new foreign retailers, which are operating a superstore format, have competed successfully on price strategy due to their low cost structure. However, they also have adjusted themselves well to local customers' behaviour. Strategies, which offer entertainment and relaxation to customers, were implemented to create all in one shopping experience, for example, rental space in store is allocated for fast food restaurants, video rental and other services. Furthermore, promotional activities have been introduced to draw their customers into particular stores.

This is a difficult market for both Thai and foreign modern retailers with intense competition. However, there are other important factors, apart from competition, that can influence their operation. Retail business environment is affected by several factors, such as the ability of consumers to pay, the economic climate, government policies, and the changing patterns of customers' life style. Some of these factors can even disrupt strategy intent for long-term implementation. For example, possible intervention of the government to save traditional stores by controlling superstore format expansion, might

lead to many problems such as the limitation of store development and market expansion. This means that organisations operating in the retailing environment need to change and adapt their strategy quickly to meet changing circumstances.

1.2 Statement of the Problem.

The purpose of the research is to examine the planning and development of appropriate strategic plans in Thai retailing and in a changing competitive environment. So far I have pointed out a possible area of research. However, the problem of research has not been identified clearly. The area needs to be explored and researched in more detail as follows. After the literature in general management on strategic decision-making and planning system was reviewed at the early stage of the study, it became clear that there is a close relationship between the two literatures. For example, planning system is a rational approach that can be classified as a method for managers to reach strategic decisions. When looking closely at the fields, we can see that both of them are aimed at explaining the formation of strategy.

Approaches for strategic decision making separate into two types, according to Mintzberg (1991); literature, which is based on behavioural science, is descriptive, the other, which suggests what managers should do, is prescriptive. Both create a number of concepts and vocabularies to help us to understand and label certain activities that happen in organisations. Although this study is devoted to solving a problem on the prescriptive side, the descriptive side is used to support discussion in relevant places. Essentially, the descriptive side will help in explanations where planning systems are not recognised and practised in organisations. The problem of the present theme, on which contributors have been working, is related to the failure of strategic planning systems, as a means of strategic decision making since 1980. Many researchers have

been trying to offer evidence for or against through their research findings. Many of them suggest a new form of strategic planning process that has different applications to its components. This also includes the use of strategic management as a new planning system to replace strategic planning. However, the application of planning systems in different firms is dependent on size, business environment and the willingness of firms as well. The use of strategic planning process must be varied and in doubt. The following is a detailed discussion to highlight the research problem.

Strategic planning was born, and had the most prosperous time during 1960s-1970s (Porter, 1987). Management researchers see the statement in different meanings. It is suggested that the planning has gone out of favour with many companies (Porter, 1987). Some of them argue that it still survives in different forms (Glaister and Falshaw, 1999, Wilson, 1994). These statements are mentioned without advancing any proof. Both sides have presented empirical evidence from their research findings since the 1970s. The suitable form of strategic planning system is the current research theme, which researchers try to pursue. At the same time, other researchers have made contributions towards a research theme that concerns the practice of strategic planning processes. Those scholars have generated many applications of models, techniques for planning and analytical tools. This creates a wide range of applications of strategic planning to various industries, and also raises many interesting research problems.

At this stage three research questions are explored. First, is a planning system the preferred means to formulate strategy in selected organisations? Second, what is the form of the planning system in selected organisations, when it says it has one? Third, how has the planning system there been practised? My aim is to find a researchable topic in the literature, which is related to strategic planning in the field of retailing. The study of past research in the area developed a research theme. Therefore, the following

paragraphs are devoted to the research problem surrounding the developing research theme.

In 1980 Rosenbloom wrote in a number of areas about strategic planning in retailing; for example, the nature of strategic planning, the role of strategic planning, and the implementation of strategic planning in the retailing section. The work can be seen as a framework for later researchers since the topics can be found in a number of later works (Gilligan and Sutton, 1987). Moreover, Rosenbloom (1980) highlighted four areas of future research related to strategic planning and retailing. First, surveys of strategic planning in retailing. Second, particular planning problems faced by retailers. Third, adaptations of strategic planning methods to retailing. Fourth, special planning methods for retailers

Gilligan and Sutton (1987) suggest that large retailers should be more proactive to changes in the business environment. They conducted postal questionnaires to a number of retail organisations, such as groceries and DIY retailers. The outcome of the research suggests that 34 out of 37 respondents used some form of strategic planning. The reasons of those who did not engage in strategic planning was related to their size and form of management such as a family business. They claimed that most of the respondents began to engage in strategic planning during the late 1970s or early 1980s. They highlighted that the forms of strategic planning, which retailers used, are limited to the financial aspects of the planning. Long term consideration is frequently ignored by management, because of *"the volatility of the markets and the changing structure of competition"* (Gilligan and Sutton, 1987, p.189). Gilligan and Sutton (1987, p.188) summarised four factors that affected the forms of strategic planning. These include as follows.

"the relatively short period of time for which many organisations have been engaged in strategic planning; a relatively narrow perception of how strategic planning should be conducted; a lack of confidence in the ability of managers further down the organisational hierarchy to make a truly valid contribution; and the length of time needed to gather together views from other functional areas."

Earlier research shows that strategic planning began quite late in the retailing industry compared to manufacturing. By the time the research was conducted, many organisations did not make full use of strategic planning or strategic management. However, as the failure of strategic planning became clear to corporations since the early 1990s, the use of such planning might not be received with much support by the management of retailing organisations. This raises a significant question. How are the planning system concepts applied to managerial functions of retail organisations now? So far the answer to the question has not been produced. The question should be placed as a potential researchable topic. The main interest of solving the research questions should answer how much planning is significant to strategy formation and formulation in reference to retailing firms. Therefore, the problem, which is going to be at the heart of my research project, concerns planning systems and retailing.

1.3 Research Aim and Objectives

The ultimate aim of the study is to make a possible contribution to the field of strategy development and retailing in Thailand. The aim of the study is to examine the planning and development of strategy and strategic plans from the current practice of retail operations in Thailand. The study will focus its attention on what and how strategy development has been practised by retail operators in Thailand.

The result of the examination is a possible practical framework of strategy development process of retailer operators in Thailand. The uncertainty of the form of strategic planning is the reason why the scope of the study should expand from strategic

planning to strategy development. This will open room for different types of decision making and planning concepts to form the practical framework. The result should help in finding the appropriate form of strategic planning system in retail organisations. There are a number of reasons why the fieldwork of the study has to be in Thailand. Firstly, there is a possibly significant contribution on strategy development of Thai retail operators where the research on Thai retailing is also rare. Secondly, the country offers the best chance of completing the study for the author, who is also a native Thai. Finally, the contribution is made by transferring knowledge of the local scholars to wider research communities. In addition, the invaluable knowledge gained from the study will be a tremendous advantage to the author in pursuing a future career in Thailand.

The early stage of the research is focused on two objectives in reviewing the literature of management and retailing. Firstly, the studies of strategic decision-making, planning and strategy in modern business organisations hope to provide a theoretical framework for building research questions. Secondly, the study should help to build the bridge between the literature in management and retailing to formulate more research questions. The review of literature also extends to investigate practical framework or application of the strategy development process

The literature review suggests a framework for the research as follows. Strategy development process consists of two different processes that run along side each other and sometimes overlap. First, the strategic decision-making process, which has the nature of problem solving, proposes short-term strategy development. Second, three defined types of formalities propose long term strategy development. In addition, marketing concepts are suggested to propose the modification to strategy development in retail organisations.

In order to fulfil the purpose of the thesis the following objectives have to be accomplished.

- To understand the development of Thai retailing industry

- To examine short term strategy development process by producing case studies on participating retail companies in Thailand

- To examine long term strategy development process by producing case studies on participating retail companies in Thailand

- To learn how marketing influences the concept of strategy development by producing case studies on participating retail companies in Thailand

The overall objective of the research is to examine forms of strategy development process and influence of marketing concepts to the processes in participating organisations. The solution of the research objectives should help to answer how significant planning systems and marketing concepts are to strategy formation or formulation of strategy in reference to retailing firms in Thailand.

1.4 Research Undertaken

Preliminary desk research was conducted, which helped to broaden the author's overview of the area of study. The contribution of empirical evidence by conducting primary research will fill the knowledge gap. Without knowing enough about the field of research, the focus of the research would be very narrow and offer very little benefit for research contribution.

Prior to 2000, the economic crisis had put a lot of pressure on retail operators. Any request by any field researcher would not be fruitful as personnel would rather concentrate on their own crucial problems rather than give co-operation to an

independent researcher. By early 2000, however, the Thai economic situation had improved after the national economic and financial measures taken had paid off. Public confidence had risen providing more public spending available for the retail market. Retail operators also had successfully stabilised their financial upheavals. Successful management of tactics to resolve short-term difficulties certainly increased the willingness of respondents to allow access and provide information. Therefore, an extensive review of literature in a number of research fields undertaken at the early stage of the study. Desk research separated into two stages.

The purpose of the literature review in the first stage was to generate a framework that helps to define clear research objectives and research questions. The first stage includes studying the relevant research topics, learning more about Thai retailing and deciding on suitable methodology. On one hand, desk research on decision-making, planning systems, strategies, and retailing, were required to develop an understanding of the theoretical aspects. The study materials of the research come mainly from the university library. The library provides convenient access on a large volume of research materials in both actual copies and electronic ones. Furthermore, inter library loan service is also made available for requests. The extensive study on Thai retailing began by the early 2000. The departmental resource room offered a selection of journals and magazines on retailing and Asian retailing in particular. Apart from all this, some study materials on Thai retailing were sent by the author's family members from time to time. On the other hand, cross-examination of the planning and retailing with the context "Thailand" showed that articles and reports on the subject are very rare. A small number of them can be obtained from sources in the UK. The lack of internationally recognised publishing and language barrier of Thai scholars is the reason

of their limited number. A cross-examination can be achieved between strategic planning and its application in retailing context only.

To provide a comprehensive picture of Thailand retailing in the second stage, extensive desk research was conducted in Bangkok at the early stage of the fieldwork. Research materials on Thai retailing and particular companies were collected from libraries of major public universities, newspaper publishers, major banks, and government owned organisations. At the same time, the desk researches took a major part in constructing the background of case companies.

The primary research adopted a qualitative approach. The reason for this is that qualitative research is suitable when there are many uncertain variables to study. There has been no previous study on the strategy development process in Thai retailing. So far precise research hypotheses can not be pre-designed by the literature review. Case study design is the overall strategy of the research. Under case study, several methods of data collections can be applied to the fieldwork. The major method is personal interview that separates into structured interview, semi-structured interview and unstructured interview. In addition, the analysis of archival record and observation are used to support the interviews. The field research had been conducted in Thailand from April to August 2000. The contact of three companies was made prior the field trip. Two more companies were contacted during the field research. The exchange of letters and e-mail was continued and used in Thailand until the first interview of each company was made. Then the telephone was used to appoint the next interviews instead. The findings are reported in the form of descriptive writing and summarised form of tables. Later, the analyses of the findings and discussions lead to a high value conclusion.

In conclusion, field researches are conducted to obtain the primary data needed to solve the research problem. Desk research has to be done through the review of literature.

The benefit of the review helps to set a framework for field research. Therefore, both secondary research and primary research were conducted for the completion of the thesis during the period of the study. The former was used mainly to set the stage for the conduct of the latter.

1.5 Thesis Structure

This thesis structure separates into introduction, literature review, methodology, findings, discussion and finally conclusion. In the first section, the author aims to introduce readers to the background of the research problem, the research problem itself and its objectives in Chapter one. Furthermore, an overview of the research approach of the study is presented after that.

The literature section includes four chapters that aim to examine past researches. The review aims to help the clarification of research objectives in a later stage. The ultimate aim of the research is to understand and possibly improve strategic planning in management with references to retail organisations.

According to Johnson and Scholes (1997), their opinion on strategic management process is that not every organisation has planning processes for strategy formation. The formation of strategy can happen in the other organisations that do not have any planning system apart from an administrative system. Therefore, other means of strategy formation will have to be studied as well.

Their suggestions inspire me to generate a suitable framework for the study of the following literature review. Firstly, the focus of this study should not be limited to planning systems; other means of strategy formation must be identified. Secondly, the concepts of strategic planning for strategy formation are reviewed in great detail. Thirdly, the study must seek how the concepts of strategic planning have been applied in retailing.

Finally, the study must extend to the background knowledge of the retailing industry where the case studies come from. Therefore, there is an important need to review literatures in many fields of management such as, decision making, planning systems and retailing; and to see how theories and concepts have been explained through-out the decades. This review will also include the applications of the three concepts, which normally try to suggest how to do things by using knowledge, that has been explained in other fields.

Therefore, the reviews of literature for the second section of the thesis are designed, and the investigation on secondary data started from Chapter two to Chapter four. The outcome of the reviews provided the author a theoretical framework that helps to define research problems and questions in the next section. Each chapter has very different themes, but all of them are connected in order to generate the framework of strategy development in retail organisations.

Chapter two examines the relationship among three research topics, strategic decision making process, strategic decision process and planning. The review suggests that the models of strategic decision processes could connect to the model of strategic decision making process in the first section of the chapter. A research work of Minztberg (1992) on *'Ten schools of thought'* offers a theoretical link between strategic decision processes and planning systems before the end of the section. The second section begins at the introduction of planning systems. Later, the focus moves to highlighting the problems of strategic planning and solutions of the problems that have been put forward by scholars. The review of the chapter suggests that planning, which is prescribed by scholars, is not the only accepted approach of strategic decision process. Furthermore, the models of planning systems, which are used to generate the planning of strategy, are not clearly

defined due to their failure in practice. The issue on the levels of formality of strategic planning process will be raised.

Chapter three provides the review of the theoretical development on strategic content. The chapter splits into three sections. Firstly, the model of strategy formation and implementation will be reviewed. Secondly, analytical tools and planning techniques will be reviewed. Finally, strategic choices, which have been studied and suggested by scholars, will be summarised. The aim of the chapter is to define the prescriptions of strategic contents that are keys to determine the level of formality in planning. The next chapter aims to study the application of the framework and concepts reviewed in the previous two chapters to the field of retailing. The chapter is twofold. First, a milestone of a research theme on strategic planning in retailing, which has been contributed by scholars, such as Rosenbloom (1980), Gilligan and Sutton (1987) and Moyer (1983), in the UK, will be reviewed. Second, the applications of the planning concepts in retailing will be reviewed in the later section of chapter four. This is the end of the section for literature review.

The primary methodology of this thesis, which is the third section of the thesis, is in chapter five. The chapter starts by defining research problems, and then identifying research questions. Next, principles and philosophy of research are studied thoroughly before the decisions on the approach of this thesis are made. The next section contains findings and discussion. Thai retailing, which is the background of the case studies, is in Chapter six. Chapter seven is twofold. Firstly, the backgrounds of company cases will be presented. Secondly, the findings will be presented descriptively with a summarised version in case-level display tables. The additional aim is to conduct the analysis and interpretation of the findings that are the key issues for the later discussion. The aim of Chapter eight is to bring the findings from different cases together for the purpose of

discussion. The ultimate aim is to generate discussions that have the intention of bringing the analysed findings to answer the pre-designed research questions. Chapter nine, which is the last chapter of the thesis, provides an overview and the results of the study, and then implications of the study are discussed and concluded. Furthermore, limitations of the study are presented before recommendations for future research are made as the final part of this thesis. Therefore, the structure of the thesis is close to the style *'linear-Analytic Structures'* (Yin, 1994) that can be illustrated as follows.

Figure 1.1 Thesis Structure

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│ SECTION 1               │
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│ CHAPTERS 2 - 4          │
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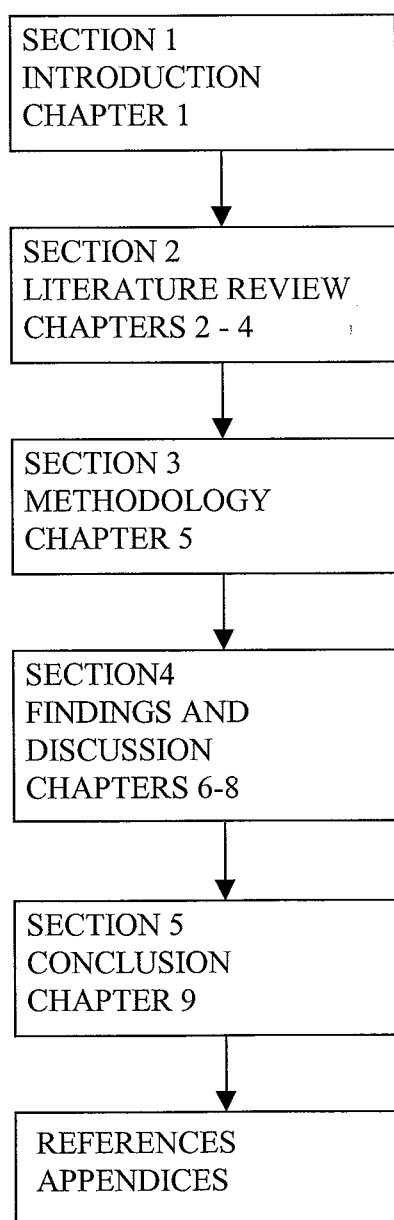
CHAPTER TWO

Strategy development processes

2.0 Introduction

There is large amount of relevant literature on strategy development in management literature. Despite this, Feurer and Chaharbaghi (1995, p.11) point out that until now there has been "no single definition for strategy development" that leads to a wide range of conceptual frameworks relevant to strategy development. Many of the strategy development concepts today are based on concepts formed in 1930s, after the Second World War and in the 1950s (Feurer and Chaharbaghi, 1995). Although the concept of strategy has its origin dated back to 550 BC during the time of Greek states (Burnes, 1996, Evered, 1983), the significantly clear concept of strategy in business management has its starting point in the 1960s (Evered, 1983). Moreover, these are various meanings and interpretation of scope (McGoldrick, 2002, Johnson and Scholes, 1999, Whittington, 1993 and Mintzberg, 1987, 1988). For example, Mintzberg (in Quinn et al., 1988 pp.13-18 and Burnes, 1996 pp.140-141) classifies the word 'strategy' into five 'Ps' as the following. Firstly, strategy is a Plan, a direction, a guide or source of action for the future. Secondly, strategy is a Pattern of behaviour over time, such as innovating or following. Thirdly, strategy is a position in the market, such as up-market. Fourthly, strategy is Perspective, a way of doing things, a business concept. Finally, strategy is a Ploy, a specific manoeuvre to outwit a competitor.

This leads to a question about the choice of its development process. Would one development process or system generate different types of strategy in different needs and situations of business organisation? Milestones of development since the 1960s led

to the generation of two main research themes of strategy development; descriptive and prescriptive. Both themes are connected and overlapped. In order to cover details of both themes the following concepts are reviewed; strategic decision-making process and its approaches and planning systems in this chapter. In addition, the chapter covers two important concepts on Patterns of Strategy Development as well. The purpose is to increase understanding of the subject.

By the end of Chapter Two, the literature review will move on Chapter three in order to explore strategic planning and management in retailing literature. The comparisons of strategic concepts between literature in general and retailing are made to increase the understanding of the subject in a retailing context. The structure of the comparisons is similar to research in the field of strategic management. Regarding the field of strategic management, researchers have mentioned two important themes of research, such as 'process' and 'content' (Rajagopalan, Rasheed and Datta, 1993, Schwenk, 1995). The first theme is strategic process, 'which examines the strategic decision process and the factors that affect it' (Schwenk, 1995, p.471). The second is strategic content, which provides 'rules and guidelines on the types of strategies' (Schwenk, 1995, p.471). The review of retailing literature on the subject will take similar approach. The literature review on the field is split into two chapters. The strategic process, such as formulation and operation of models, will be dealt with in Chapter three, and the strategic content, such as analytical methods for development of strategic plans, and strategies is dealt with in Chapter four.

2.0.1 A link between two important streams in Strategic Process

As mentioned above, the chapter will highlight two main streams in strategic process; strategic decision-making and planning systems. There are three reasons why

both streams must be reviewed together as follows. Firstly, it cannot be denied that formal planning is not the only option for strategy development. There are other organisational processes that can generate business strategy as well. Therefore, we need to study all of the processes.

Secondly, there has been a debate on the approaches of strategic decision making process called 'strategic decision processes' that are 'patterns of behaviour' developed in every organisation (Fredrickson and Mitchell, 1984, p.400). There are two opposite processes, incremental and planning/synoptic (Fredrickson and Mitchell, 1984, p.401), and these processes will be defined in the later section. In fact, it is not clear which one has more impact on success in dealing with the changes in business external environment. Furthermore, the roles of strategic decision-making on day-to-day mangement and planning systems are not well concluded. According to Fredrickson and Mitchell (1984), both processes need strategic decision making in the processes. They suggest that strategy formulation process could be a decision making process that has a 'decision-based' view of strategy development (Fredrickson and Mitchell, 1984).

Finally, authors, such as Mintzberg (1991) or Fredrickson and Mitchell (1984), in the field of strategic decision process, always mention that planning systems are one of the approaches to strategic decisions. This supports the idea that planning, such as long range planning, strategic planning, and strategic management can be classified as one of the approaches in strategic decision making. Therefore, there is a need to review the subjects as relevant and related to find any links between them. Before moving on further, there is an important issue to be clarified as follows. The literature review of strategic process separates into two main parts. The first one is strategic decision making process and its approaches. The second is planning systems.

Part 1

2.1 Strategic Decision Making Process and its Approaches

Harrison (1995a p.4, 1996 p.46) suggests that *"a decision is defined as a moment, in an ongoing process of evaluating alternatives for meeting an objective, at which expectations about a particular course of action impel a decision maker to select that course of action most likely to result in attaining the objective"*.

However, a strategic one requires not just a means to attain any objectives. Strategic decision making is the concept that helps to explain how humans make their decisions for the future or a very important direction. It can be applied to organisations as well in order to define how a strategic decision has come to a final conclusion. The outcome of the process is strategic decisions that, must concern with the long-term direction and success of the organisation, clarifying the scope of the organisation's activities, and matching its activities to the changes in business environment and resources (McDonald, 1992, Wilson, 1991, Johnson, 1987).

In addition to the model of strategic decision making, researchers have tried to identify and describe the major types or categories of 'strategic decision' (Schwenk, 1995). There are many types and categories known by scholars, they can be referred to by the term "approaches of strategic decision making". Their applications are dependent on the sizes of organisations; small, medium and large types of management; family businesses or professional executives and the culture of organisations. It is very important to review all these in order to define important concepts, then we can see to what extent the literature in retailing has been covered.

2.1.1 Strategic Decision Making Process

This section will examine the model of strategic decision making closely. According to Schwenk (1995), it was Mintzberg, Raisinghani, and Theoret (1976) who made an early contribution by *"modelling the process of strategic decision making and identified three major phases with subroutines or subphases within each"*. The model was derived from *"a study of twenty-five strategic decision making processes drawn from a wide spectrum of organisations including manufacturing, service and government agencies and literature review"* (Jennings and Wattam (1998, p.10).

The major phases include identification phase, development phase and selection phase (Schwenk, 1995). *"This linearity, though, was disturbed by interruptions, repeats, and discontinuities"* (Davies and Ward, 2002 pp.266). Later, more research scholars proposed various modifications on the model. In reviewing the literature, there will be two different models in strategic decision making discussed. The models clearly offer a framework that can generally be applied to any approach to strategic decision processes. The models generally indicate to us that decision-makers should be involved in a number of phases before reaching strategies or strategic decisions.

There have been a number of models suggested by researchers. However, it would be a difficult and largely unrewarding task to present all the models. Therefore, one model has been selected and illustrated in Table 2.1.1. Niels Noordrehaven (1995) developed a model in his work that is derived from the many existing models such as Harrison (1987) and Mintzberg *et al.*, (1976). His model consists of three phases; Awareness, Analysis, and Action as seen in the Table 2.1.1.

Table 2.1.1 The model of Strategic decision making process

Awareness	
Recognition	
- Paying attention	Decision-makers feel the need to be aware of opportunities, problems and important business issues. This leads them to prepare and arrange both formal and informal activities for issue recognition.
- Interpretation of signals	The highlighted issues are going into a pre-defining process. They have to be interpreted clearly, while their relevant information is collected from planned sources. For example, companies can engage in periodical SWOT analysis and self-strategic questions. The purpose is to see in what way the issues are important to the organisation.
Formulation	Problem formulation will help decision-makers to define the issues
Analysis	
Goal setting	Setting desired destinations such as mission statements, goals and objectives; play a major role in relation to the generation and evaluation of options. A solution can only be concluded when it meets the requirement of destinations.
Generating options	Decision makers have to search for a solution, preferably more than one. More than one may reduce risk involved in relying on one possible solution.
Evaluating options	Strategists assess options by using necessary criteria in relation to set goals.
Action	
Choice	Authorised decision makers make decisions on evaluated options. They have to formally choose an option as their choice for the next step.
Implementation	The organisation brings life to any chosen option by programming and acting out planned activities.
Control	The organisation needs to set up goals or objectives for actors of the plan and allow feedback.

Source: Noorderhaven (1995, p. 20).

Another work discussed here, is Higgins and Vincze's model (1986, p.160). The model consists of Recognition, Identification, Solution, and Implementation. They offer a model with four phases, because they have Identification, which is normally included in Recognition, as the second phase. What is special about this model is that it offers a link between a decision making model and the approaches of strategic decision processes. In the Solution phase, they introduce three types of decision-makers with non-rational aspects of decision making. It might be assumed that the approach or a combination of the approaches could fit in the Solution phase. The approaches of

strategic decision making is a part of the decision making model. Moving back to Noorderhaven's model, we can replace the Analysis phase with any approaches of the decision making. By this way, Higgins and Vincze's model (1986, p.160) helps to link two related literatures together. The model of strategic decision making would not be limited, and could provide flexibility to the application of social contexts as well as the institutional and political context. A similar view, which is based on Hickson *et al.* (1986)'s three decision processes, is also suggested by Davies and Ward (2002). These processes, which are constricted, fluid or sporadic, are generated from observations made in a large sample of companies. Davies and Ward (2002) suggest that these decision processes consist of the characteristics of the rational and the incremental approaches. It suggests that a linear process similar to strategic decision making process cannot be truly rational. Somewhere the process may have other characteristics as a mixture. Therefore, the next section is devoted to gain more understanding of approaches in strategic decision making process.

2.1.2 Approaches in Strategic Decision Making Process

Although the modifications of strategic decision making process vary, there is not much difference between one model and another. In contrast, its types or approaches, which have been generally recognised as strategic decision processes (Fredrickson and Mitchell, 1984, Rajagopalan *et al.*, 1993) or strategy making processes (Hart, 1991, 1992), have been widely studied by scholars. Various models have been defined and described and many of them are either similar or overlapping. In fact, they have the same meaning as the term "the approaches of strategic decision making", mentioned earlier. The review of literature suggested that the following works of authors can be classified in two levels. The first level concerns only an individual and a group of

decision-makers. It might be said that the individual or the group of people have the right and the responsibility to make decisions on the issues raised. This shows no relationship with other levels of management in their organisation. This level only explains possible approaches that an individual or a group of individuals chooses or is forced to use. The authors offering works in this level are Jauch and Glueck (1988); They normally give the definition of each approach on how managers make decision individually.

Jaunch and Glueck (1988, pp.20-22) define three approaches about decision making that decision-makers always take. Being rational-analytical is to be well prepared to make decisions with full awareness of the options and their consequences. Being intuitive-emotional is likely to use experience, tips, formula of management, and own perspective in decision making. Being political-behavioural, managers need to consider stakeholders' demand and compromise the demand from various groups. In addition, they give very important arguments about how we use the mentioned approaches. Firstly, human behaviour is a combination of the rational and the emotional. Secondly, the environment around us is a combination of three variables; "the analysable change, chaotic change, and pressure" (Jaunch and Glueck, 1988, p.22). Finally, three approaches are included in management of organisations. However, each organisation emphasises a different mixture due to individuals, the environment where the organisation belongs, and its culture. Therefore, it might be said that they also support the assumption that the mixtures or 'synthesis' (Jaunch and Glueck, 1988 p.22) of strategy development does exist at the level of individuals as well.

The second level is the strategic decision process concerning the organisational structure that has levels of management, not only individuals or groups of individuals. This shows some dimensions of relationship and where strategies are evolved inside

organisations. It can be said that authors who work on this level try to explain the strategic decision making process of organisations rather than that of individuals or a group of individuals.

The framework of the literature reviewed is based on two authors' six characteristics of strategy development processes although many scholars have defined and modelled strategic decision processes before them. The reason for this is that those authors can clarify and cover all the varieties of concepts since the concepts were developed. The two authors are Johnson and Scholes (1997). They define six dimensions to form configuration of strategy development processes. The dimensions can be identified as Planning, Command, Incrementalism, Cultural, Political, and Enforced choice. The discussion of six dimensions will be based on Johnson and Scholes' explanations that are classified in three categories.

"First the strategies develop as a result of deliberate managerial intent; second, that strategies can be better explained as the outcome of cultural and political processes in and around organisations; and third, that strategy development is imposed on organisations" (Johnson and Scholes, 1997 p.39).

These explanations go hand in hand with the previous level of strategic decision process. As Jaunch and Glueck mention in their book "most writers focus on three approaches: rational-analytical, intuitive-emotional, and behavioural-political" (1988, p.20). Johnson and Scholes' explanations have some links with Jaunch and Glueck's. For example, three of the six explanations; Planning, cultural, and political, can be classified as the same-root concepts to Jaunch and Glueck's. Others explanations come from the conditions of real life businesses that are complex, uncertain, and uncontrollable. However, the following paragraph will be discussion based not only on Johnson and Scholes', but it will include some views of other researchers as well.

Generally, there are many aspects of the strategic decision processes or strategy making processes that should be discussed. Firstly, there are two main contrasting themes. The former is rational; the latter is political/behavioural. All models, approaches, and modes are normally ranged from rational theme to political/behavioural theme. Secondly, the development of the first three concepts; Planning, Command, and Incrementalism, can be rooted from rationality according to Hart (1992). The reason for this is that the approaches can be ranged by the level of 'comprehensiveness' (Fredrickson and Mitchell, 1984). There are a number of researchers that use the theme in explaining strategy-making processes. However, the time and purpose of each researcher affects some differences and overlapping of the concept. Therefore, the following approaches will include definition of each approach and references to other researchers' work.

First, 'Planning' which is likely to be formal planning, is originally from many writers in the milestone of strategic management. This approach of strategy development requires a department that is responsible for providing a full awareness of alternatives from highly intensive analyses of data and information, to setting up objectives and goals. According to Noorderhaven (1995) the associated authors with the formal planning are Ansoff (1965), Hofer and Schendel (1978), Lorange (1980), and Steiner (1969). Noorderhaven (1995) explains well about the assumptions of the approach. First, it is possible to control the long-term direction of organisations. Second, the future of industry movement can be trended or predicted, although the discussion is based on Mintzberg (1994d) in Noorderhaven (1995). Mintzberg (1973, Quinn, Mintzberg and James, 1988) himself also gives his evidence in strategy making by proposing three modes. One of the modes, called planning mode, encourages the use of formal analysis explicitly to obtain strategies for the future. His planning mode can be used to explain the discussed approach as the same as linear (Chaffee, 1985), systematic

(Ansoff, 1987), systemic bureaucracy (Shrivastava and Grant, 1985), deductive (Nonaka, 1988) in Hart (1992), and synoptic process approaches (Fredrickson and Mitchell, 1984).

Second, 'command' approach can be found where managers or top management team has almost sole responsibility for the direction of a company. They personally handle the strategy development of an organisation, and direct others to implement strategies. Therefore strategies often come from the vision of a leader and adaptation to new opportunities. The approach also appears to be relevant to much literature such as Entrepreneurial mode (Mintzberg, 1973), commander (Bourgeois and Broadwin, 1984), and managerial autocracy (Shrivastava and Grant, 1985) in Hart (1992).

Third, 'Incrementalism' works with an assumption that a full picture of changes and details of environment cannot be detected. It is a difficult situation where managers are able to choose the best possible option from well analysed-alternatives. They are more likely to have a limited choice with unclear future. The moves of organisations have to be done in serial steps by making experiments. Each step introduce small changes to their environment. They always review the feedback, and set the overall direction of the organisation to the desired destination. Incrementalism is introduced in a number of concepts that were closely developed to each other such as adaptive (Mintzberg, 1973), and logical incrementalism (Mcdonald, 1992, Quinn et al., 1988, Hart, 1992), and incremental process (Fredrickson and Mitchell, 1984).

Fourth, 'cultural' explains how strategies are developed with influences of paradigms built up over years in organisations such as departments, divisions, and companies. The paradigm can be defined as shared assumptions, values, beliefs and perception of organisation members toward their business environment. Interpretative

mode (Chaffee 1985, Mcdonald, 1992, Noorderhaven 1995) is closely related to the approach since many much of the explanations are almost the same.

Fifth, 'political' is built up on an assumption that stakeholders of an organisation influence a developed strategy. Different groups have different expectations, information and objectives that lead to co-operation or disputation. Different groups can influence an organisation in different ways. For example, middle managers are able to produce information in their self-interest. Major shareholders or a member of a top management team can demand that a company tailor its objectives and goals in their favour. The outcome or strategies come from the process of bargaining and negotiation. The similar concepts, which support this approach, are political expediency model (Shrivastava and Grant, 1985), and political (Mcdonald 1992) (Rajagopalan, Rasheed and Datta, 1993).

Sixth, 'enforced choices' mean that managers or top management team face a very limited choice from strategic issues they are facing. The issues might come from any changes in external environment such as new government regulations. However, it also includes that the way an industry has been developed, and forces managers to pursue a strategy in the same direction. Mintzberg (1988), gives a view on this approach. He argues that the external environment rules out strategies through direct forces from important shareholders or customers, and indirect forces from constraints inside industries. Mcdonald's (1992) ecological model supports this idea.

Before the review is moved on to the next section, configurations of strategy development, it is essential to review another work from Hart (1991, 1992). The work is an integrated framework of strategic decision process or strategy making process. Hart (1992) captures three important themes that occur in past works of the field. The three important themes include rationality, vision, and involvement. From these themes he

builds up a framework by interrelating top managers' role and organisational members' role. He classified those scholars' works or models into the new framework as can be seen in Table2.1.2. The outcome is five modes of strategy-making process as follows; command mode, symbolic mode, rational mode, transactive mode, and generative mode. Each mode has a unique definition as shown in the Table 2.1.3 containing a short explanation of each mode. Furthermore, the Table 2.1.4 shows the main idea of the framework such as style of management and the interrelationships between top managers and organisational members.

Table 2.1.2 Mapping the Typologies on the Integrative Framework

Citation	Command	Symbolic	Rational	Transactive	Generative
Allison (1971)			Rational	Organizational; Bureaucratic	
Nutt (1981), (1984)	Normative		Bureaucratic	Behavioral; Group; Adaptive	
Mintzberg (1973, 1978)	Entrepreneurial		Planning	Adaptive	
Chaffee (1985)		Interpretive	Linear	Adaptive	
Mintzberg (1987)		Perspective	Linear	Adaptive	
Bourgeois & Broadwin (1984)	Commander	Cultural	Change; Collaborative		Crescive
Nonaka (1988)		Compressive	Deductive		Inductive
Ansoff (1987)			Systematic	Ad hoc reactive	Organic
Grandori (1984)		Cybernetic	Optimizing	Satisficing; incremental	Random
Shrivastava & Grant (1985)	Managerial autocracy		Systematic bureaucracy	Adaptive planning	Political Expediency
Mintzberg & Waters (1985)	Entrepreneurial	Ideological; Umbrella	Planned	Process; Consensus	Unconnected Imposed

Source: Hart (1992, p. 336).

Table 2.1.3 The Description of each mode in Hart's Integrative Framework

Command mode:	Leader or top managers with full formulated strategies analysis of alternatives. The centralised structure controls strategic implementation.
Symbolic mode:	Strategies are formulated by the vision of leaders as a shared belief of the whole organisation. A mission statement is needed to inspire members.
Rational mode :	Strategies are formulated by a system of formalised planning. A group of organisational members goes through a series of analysing tools before a competitive strategy comes out.
Transactive mode:	Strategies are formulated by 'cross functional communication' and adaptation.
Generative mode :	Strategies are formulated by the initiative of organisational members with free experimentation and risk taking by individuals

Source: Adapted from Hart and Banbury (1994, p.251-269)

Table 2.1.4 An Integrative Framework of Strategy-making Processes

Descriptors	Style	Role of top management	Role of organisational members
Command	**Imperial** Strategy driven by leader or small top team	**Commander** provide direction	**Soldier** obey orders
Symbolic	**Cultural** strategy driven by mission and a vision of the future	**Coach** motivate and inspire	**Player** respond to challenge
Rational	**Analytical** strategy driven by formal structure and planning systems	**Boss** evaluate and control	**Subordinate** follow the system
Transactive	**Procedural** strategy driven by internal process and mutual adjustment	**Facilitator** empower and enable	**Participant** learn and improve
Generative	**Organic** strategy driven by organisational actors' initiative	**Sponsor** endorse and sponsor	**Entrepreneur** experiment and take risks

Source: Adapted from Hart and Banbury (1994, p.254)

Hart (1992) points out that prior works of scholars have focused on different perspectives, and based their models on a limited set of themes or organisational actors. Hart (1992, p.327) insists that these models seem to be 'incomplete and overlapping conceptual models'. None of them has actually covered 'the full range of content associated with the phenomenon'. Although Hart's model (1992) is claimed to be complete, could it substitute Johnson and Schole' model (1997) for Strategic decision process?

2.1.3 Configuration of Strategic Decision Processes

It has been mentioned before how close the two concepts between the two levels of strategic decision making, individual and organisation, are. It might be said that the mixture or the 'synthesis' (Jaunch and Glueck, 1988 p.22) of strategic decision making for the individual is compatible to what is going to be explained as well. With a number of works on the issue, it can be seen that we can identify patterns of the mixture at organisation level. Configuration is used to explain that different organisational structures that do have different types of configuration. Mintzberg (Asch and Bowman, 1989, Johnson and Scholes, 1997) classifies five structural configurations; the simple structure, the machine bureaucracy, the professional bureaucracy, the divisionalised structure, and the adhocracy. They identify each configuration with six aspects. One of them is strategic decision making which is varied by structural differences. However, the explanation of strategic decision making is not conceptualised as what was reviewed in the previous section. There is an attempt by Miller (1989) to link them with common strategies, such as generic competitive strategies to investigate configurations between them, but it concerns implementation of strategy rather than strategy development. Thus,

the configurations suggest no connection to the approaches of strategic decision making or strategic decision process that are reviewed earlier.

In contrast, Johnson and Scholes (1997) explain the concept of configuration that helps us to use the approach on how strategic decision making works in organisations. They give us an explanation that different firms, especially within different industries, have different approaches to making strategic decisions. In addition, firms have not only one approach, but also have many approaches mixed together as in Table 2.1.5.

Table 2.1.5 Configurations of strategy development.

Types of Configuration	Dominant dimensions	Characteristics
Logical incrementalism	Planning Incrementalism	• Standardised planning procedures with systematic data collection and analyses. • On-going adjustment of strategy with step-by-step and small-scale change
Rational command	Planning Command	• Analysis and evaluation of environments with clear plan. • Strong vision or mission with definite and precise objectives. • Senior figure determines and directs strategy
Muddling through	Cultural Political Incremental	• Bargaining, negotiation and compromise accommodate conflicting interests of groups. • Standardised routines and procedures. • Deeply rooted beliefs and assumptions with strong resistance to change • Gradual adjustments to strategy
Externally dependent	Enforced choice Political	• Strategy is imposed by external forces. • Political activity within organisation and between environment likely

Source: Adapted from Johnson and Scholes (1997, p. 64-65).

All the approaches are rooted in every organisation. The mixture can be varied due to many reasons. The reasons can be from size of organisations, style of management, and stakeholders. These cause one approach to be more important than the others. However, there are a few approaches that will be dominant to form a configuration. Furthermore, they illustrate how the dimension can form a particular configuration.

On this topic, Hart (1992, Hart and Banbury, 1994) also gives his view that his modes of strategy-making processes appear as basic modes of the strategy making process. They should be able to produce different combinations or configurations in organisations. However, not every mode should be combined in order to get better performance. There will be some combinations from a few modes to form a successful combination of strategy-making modes. It might be assumed for an organisation that some modes can be used at the same time, but some have to be used at different times depending on its resources, politics, culture and turbulence of environments.

Therefore, Johnson and Scholes (1997), and Hart (1992), present significantly different views of strategy development. Johnson and Scholes try to explain how a strategy is created or emerges. Hart uses the roles in the strategy making of top management and lower level managers for explanations. Although they use a different basis to explain the meaning of the views, they come up with the same conclusion that organisations use a mixture of different modes of strategy development in management. Organisations in different industries use different development processes as Johnson and Scholes' explain in configurations of strategy development process. Organisations should use more than one mode of strategy development called by Hart (1992, p.374) "multiple strategy-making process". The study of the configuration of strategy

development will eventually be the base for identifying how strategy evolves in retailing.

2.1.4 Other Aspects of Strategy Development

Those reviews are not the only aspect of strategy development that has been studied by many researchers. There are two more aspects of strategy development that Johnson and Scholes (1997 p.41) refer to as 'Patterns of strategy development' as shown in Figure 2.1.1. The first one (Figure 2.1.1a.) is the explanation of strategy changes in relation to environmental changes. The pattern of strategy changes start from the continuity of remaining strategy to incremental changes of strategies. The changes are coping with external changes of the firm. The firm tries very hard to find the direction of a new competitive strategy due to threatening changes in competition. At this stage the direction of the strategies will still be uncertain and fluctuate. Then some experiments of particular directions are needed. After the direction of strategy development has been made clear, the transformation of the firm can begin to take place. The assumption behind the concept is that the changes of strategies are not likely to happen in one major change.

The second aspect of strategy development is that the outcome of strategy development is unlikely to be only the intended one. The outcomes not only come from planning, but also comes from political compromise, organisational beliefs or paradigms, and environmental constraints. There might be many failed strategies, and there will be only one realised. The following illustrations are two pieces of work that show the patterns of strategy development in this aspect. The first one belongs to Mintzberg (1988) (Figure 2.1.1b.), the second one belongs to Johnson and Scholes (1997) (Figure 2.1.1c.).

Figure a.

Continuity   Incremental   Flux   Transformational
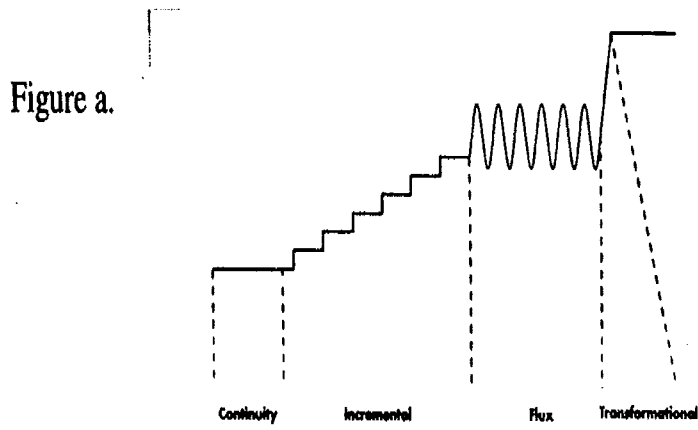
Sources: Johnson, G. and K. Scholes, 1997, p.41

Figure b.   Figure c.
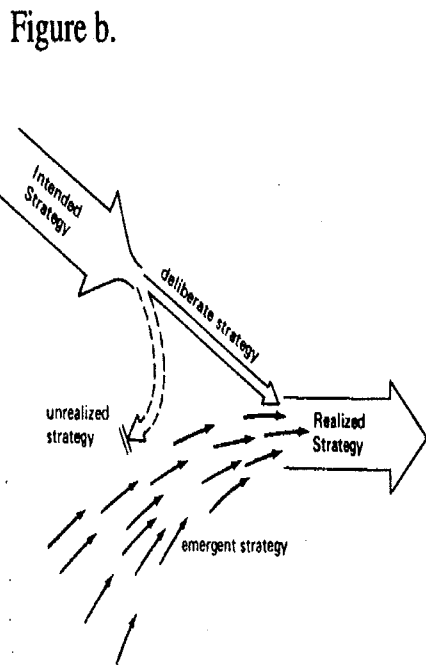
Sources: Mintzberg, H.,(1988), p. 15   Sources: Johnson, G. and K. Scholes, 1997, p. 45
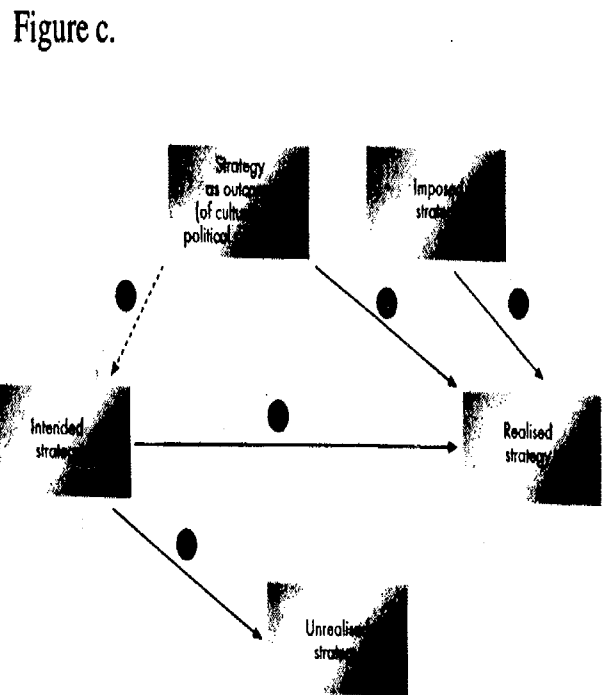
Figure 2.1.1 Patterns of Strategy Development

2.1.5 Strategy Formation: Schools of Thought

So far a great deal of literature on strategy development has been reviewed to increase understanding about the subject. However, one problem, which seems to appear repeatedly, is the differences and overlapping of different literature. It would be necessary to review a work that can strengthen the previous literature. The following review is a work of Mintzberg (1991) in the first publication in Perspectives on Strategic Management. Later, another version of his work also appeared in Strategy Safari (Mintzberg et. al, 1998). He reviews and classifies other researchers' work to produce a collection of approaches of strategy formation.

Mintzberg's work on ten schools of thought (1991) gives a good focus to recognising styles in strategy formation as well. The styles which researchers have contributed to the study of strategy vary from each other, but some are closely related. It can be said that all have played their role significantly in the current 1980-90's literature of strategic management. The 'Ten schools of thought' can be classified into three groups by the nature of their concepts. The first group was originally developed by operational researchers, economists, and management scientists. It concerns how strategies should be formulated. The second group was developed by behavioural scientists. It deals with the alternative formation of strategies. The third group is developed by integrating the concepts of the other schools to generate different configurations. The Table 2.1.6 summarises the name of the schools and their main theme. Later, the main details of concepts in which each school believes are explored.

Nature	List of schools	Main theme of each school
Prescriptive	*Design School*	Strategy formation as a conceptual process
	Planning School	Strategy formation as a formal process
	Positioning School	Strategy formation as an analytical process
Descriptive	*Entrepreneurial School*	Strategy formation as a visionary process
	Cognitive School	Strategy formation as a mental process
	Learning School	Strategy formation as an emergent process
	Political School	Strategy formation as a power process
	Cultural School	Strategy formation as an ideological process
	Environmental School	Strategy formation as a passive process
Integrative	*Configuration School*	Strategy formation as an episodic process

Table 2.1.6 Ten schools of thought

Source: Adapted from Mintzberg in (Fredrickson, 1991, p.108)

'The design school'

There were early scholars, such as Philip Selznick and Alfred D. Chandler, that were influential to the school's origin through their work in 1957 and 1962 respectively. However, the design school appeared in full form for the first time in 1982, when the General Management group at the Harvard Business School published its textbook 'Business Policy: Text and Cases'. The Authors of the textbook included Christensen, C. R., Andrews, K. R., Bower, J. L., Hamermesh, G., and Porter, M.E. (1982). The school suggests that strategy formation should not be developed through 'intuitive style' and 'emergent fashion' (Mintzberg, 1991 p.113). The formation must be a process that is full of deliberateness, control, and consciousness with formal preparation. The chief executive officers as strategists are responsible for the control and consciousness of the process. The model of the process consists of a number of essential concepts to produce important strategies. The most important concept is the match of internal constraints to the external environment to 'establish fit'. The process should be simple, informal and as uncomplicated as possible. The outcome of the process should be creative, inimitable,

fully formulated options. The strategies have to be described explicitly and simply in terms of purpose, and possibly articulated. This shows that there is a clear separation of thinking between strategy formulation and strategy implementation.

'The planning school'

Igor Ansoff (1965) became the founder of the school when he first published his book, Corporate Strategy. The planning school came along in the same period as the design school. The earliest publication was in 1965. However, the approach became widely accepted in the field in the 1970s. The main concepts of the planning school can be summarised into three as the following. Strategy formation process should be a highly formal one that is fully controlled and conscious. The process is detailed and well organised into many different steps supported by checklists and techniques. The chief executive is responsible for the overall process, but the staff planners are responsible for the operation of the process. The emerged strategies from the process have to be completed as a set of written plans for corporate, functional, and operational uses, and the purposes for communication, implementation, and control. Each plan must consist of objectives, strategies, budget programmes and operational programming. The school therefore offers the idea of having a complete, integrated set of plans in relation to the hierarchies of an organisation.

'The positioning school'

Michael Porter (1980), who is an economist, introduces a number of important concepts. The positioning school had a great impact on the interests of scholars, when he published Competitive Strategy in 1980. The school gathered and supported the idea of the previous schools on the formation process as well. The process must be a

conscious, detailed and formal process with control to generate complete strategies. The strategy formation process is narrowed to the analysis of the industry and competition. The formal data will be analysed, and much of this is based on calculation. The school believes that the role of the analysts is important to the provision of calculated results. Managers can make official decisions on their strategic choices based on the supporting results. The outcome of the process is strategies that are fully formulated. It could be said that the school suggests the idea of selecting available strategies rather than formulating new ones. After that, it would be detailed in preparation of implementation. According to Mintzberg (1991), Dan Schendel, Arnold Cooper and their doctoral students at the Purdue University Krannert School produced earlier work that influences later Porter's work on the subject.

'The Entrepreneurial School'

The strategy formation process is "semiconscious" in the mind of a single leader, which relies on his experience and intuition (Mintzberg, 1991 p.139). Strategy belongs to the individual leader as his or her own perspective which is related to ideas about long term direction or a vision of the organisation's future. The leader is closely responsible for both strategy formation and implementation. The feed back of implementation plays a major role in working out both functions. The vision is easily influenced and changed by the leader himself, because the leader normally has sole power in directing his organisation. However, the replacement of leadership is also one way to cope with a time of great trouble. The main authors associating with the school are Schumpeter (1934), Cole (1959), and others in economics.

'The cognitive school'

Strategic formation happens at the mental process of the decision-maker as a cognitive process. The characteristic of strategies, which forms in an individual's mind, is perspective or conceptual. The process of strategy formation is easily influenced by restricted and biased information. The reason for this is that the environment is very complex so that an individual's cognitive capabilities, which are limited, cannot cope. The styles of strategy formation in each strategist are varied, because each one has 'individual cognitive make ups' (Mintzberg, 1991 p.145). Mintzberg (1991) concludes that if we would like to understand strategy formation, the school suggests we understand human cognition. The key authors of the school are Simon (1945, 1957), March and Simon (1958).

'The learning school'

The school started by the initiative of Chales Lindblom (1959) with his publication "The Science of Muddling Through". The article describes familiar behaviour that is happening in the workplace such as in order. However, the works are not most significant to the latter literature. James Brian Quinn (1980) published the literature, which gives the light to the mainstream, in 1980. The school believes that people working in an organisation develop their ideas, as the organisation's environment is dynamic. Therefore, strategy formation also attaches to the learning process of the people. This strategy formulation and implementation cannot be a separate process. The learning school suggests that members of the organisation, working as a team, learn to be strategists. However, it could be only the leader that learns to be the sole strategist. The learning process normally starts in response to external stimulation and outside

forces. The external pressure stimulates practical thinking in the early stage of strategy. The role of leaders should be redirected to encourage the efficiency of strategic learning process rather than strategy formulation. Top senior managers should manage the learning system with special attention. They are responsible both for the facilitation of the process, and recognition of the emerged result. The adjustment or change in the result comes from the learning experience of the implementation of the strategy during strategic implementation taking place. This can be call 'crafting strategies'. The additional works of other authors are Cyert and March (1963) and Weick (1969).

'The political school'

The concepts, which they believe in, lie in the following; Political strategy is likely to be a type of strategy that helps companies to sustain strategic advantages or to gain advantages over competitors whether as a result of a deliberate process or emergent style. Micro politics is likely to happen in the organisations that have no individually strong leadership. There normally are a number of strong actors politically trying to control organisational outcome. There can be a vulnerable leader with challenging actors as well. Strategy formation in micro politics normally takes place during a time of major change. The major change can come from either imposed external influences or internal change of power structure. For macro politics, the organisation achieves its well-being by having deliberate strategies and doing them politically. The influential works of the school are Allison (1971) on micro level; and Perrow, 1970, Pfeffer and Salancik, (1978) on macro level.

'The cultural school'

Strategy formation based on the cultural school is a result of people working together with shared beliefs. The 'internal belief system' which is influenced by shared beliefs plays a major role in setting up the rules or ways its members work such as co-ordination and control (Mintzberg, 1991 p.167). The organisation has a proactive approach to the external environment due to strong 'internal belief system' (Mintzberg, 1991 p.167). The change of strategy is likely to be limited to where the organisation locates itself in its environment. The strategy based on the shared belief is not easily changed unless the way, in which the members of the organisation perceiving the world, is altered. This can also be called "resisting forces" when there is a demand for change in current strategy. The origin of the school came from the work of Rhenman (1973) and Normann (1971) late 1960s in Sweden.

'The environmental school'

The environmental school suggests that business environment contains a group of 'abstract forces' (Mintzberg, 1991 p.174). The forces, which are important to the survival of a business, determine the strategies of the organisation. The reason for this is that if a company wants to ultimately survive in its environment, it must find a way to match itself to the environment. For example, a company may have such an advantage of a unique technology of production that no one can copy its complex method. The school suggests that there are no real strategists, strategic decision processes, and leadership as described in strategic management and other literature. Strategies are the ways an organisation locates itself to gain competitive advantage and match the forces in the environment. The organisation should survive until the advantage benefiting it

runs out. According to Mintzberg (1991), Hannan and Freeman (1977), Aldrich and Pfeffer, (1976) on contingency theorists were the main influences of the school.

'The configuration school'

The school believes that strategy formation of the organisation should be described as configuration. This means that in a particular state and time the organisation needs to have a combination of various parts that are suitable to its own environment. The configuration contains a number of distinctive behaviours and 'integrated clusters of dimensions' (Mintzberg, 1991 p.182). Moreover, strategy formation, which is not a regular process, takes a particular form in relation to the type and structure of the organisation. The form of strategy formation can be as the previous schools' characteristics, but each must be separately found or used to match each particular type of environment. The main influence of the school are Chandler (1952), McGill group (Miller, Mintzberg, etc.) in late 1970s, Miles and Snow, 1978.

2.1.6 Summary of Part one

So far, this chapter has provided a thorough review of strategic process in the aspects of strategic decision making process, its approaches and other relevant researches. These began by reviewing the models of strategic decision making. The models suggest a number of steps that bring strategists to reach a solution of a strategic problem. The purpose of the review also highlights where the approaches to strategic decision making process or strategic decision processes are a part of the models. Next, the approaches of strategic decision making process are identified by the introduction of works of different researchers. The individuals' approaches are discussed and the

organisation's approaches are dealt with in the same way. Later, the concept of configuration is also introduced, as has also been done by other researchers. Then, two patterns of strategy development are reviewed to strengthen the review framework. Finally, the work of Minzberg called "Ten schools of thought" is brought to the review in order to clarify the terms used. The purpose of the attempt is to cover all aspects of strategic decision process in organisations. The review of Minzberg's work has produced a sound basis for the literature review in the next section by giving a link between the two streams in strategic process. Now, four questions can be accounted for at the end of part one. Firstly, have the concepts of decision making process been applied in retailing literature before? Secondly, if this exists, can we identify its pattern or compare it with ones in previous literature? Thirdly, what is the possible mode of strategy making process for retailing organisation and multiple retailers? Finally, does the configuration of the strategy development process exist in retailing organisations and multiple retailers?

As suggested in Chapter one, the ultimate aim of Chapter two is to identify a conceptual framework regarding all aspects of strategic process for further investigation in the field of retailing literature. Therefore, the remainder of Chapter two has focused on strategic process in the aspects of planning systems and their roles in deliberate strategy development. By reviewing large amounts of discussion and arguments made by scholars since early 1970s, it is suggested to generate a conceptual framework for further investigation in the field of retailing literature.

Part 2

2.2 Deliberate strategy development

As mentioned earlier, this chapter reviews two important streams in strategic processes. In part one, strategic decision making was reviewed covering its process and approaches, and other relevant issues. The review in the previous part of this chapter gave a very good explanation of individuals' and organisation's decision processes. Configurations, synthesis and the mixture of strategic decision processes were studied. Three patterns of strategy development were identified. Moreover, the review of Mintzberg (1991)'s "ten schools of management" helps to clarify those approaches and provides a good link to the stream of planning systems. The work is of great use to other researchers in terms of illustrating major influencing themes in the strategic management field. In this part, the focus is planning systems covering types, developments and its failures and modifications. The conflicting arguments about the management of strategic planning are focused to define its form for long-term strategy development.

2.2.1 Historical Overview of Planning Systems

For fifty years different terms have been introduced to clarify several types of planning systems that have been used to represent certain activities of people working in organisations, especially in managerial work. The development of all planning concepts has progressed in relation to the increasingly complex and competitive business. However, we need to discuss about their modification to clarify the terms correctly as well. The reason for this is that the development of the planning has been done by the introduction of new concepts and tools over many decades.

We can identify planning systems generally into four systems that can be found in business today. It was firstly identified by Gluck, Kaufman and Walleck (1992) in 1980 during a study of developments in planning systems (Hussey, 1990). The first planning systems have existed in organisations since the 1900s. Later the second ones emerged from the developments in programme planning and budgeting that came out of the Second World War. Then there are two more planning systems. All together there are four planning systems. These can be distinguished respectively, such as budgeting and financial control, long-range planning, strategic planning and strategic management. The time they began to develop in practice can be seen from Table 2.2.1 "Evolution of planning systems". According to many researchers, such as Ansoff (1991), Hax and Majluf (1984), and so on, they have identified causes that force organisations to invent new planning systems. The first one is the turbulent level of competition. The second is the complexity of the organisation's business such as size and the number of products and services.

2.2.2 The main difference among different planning systems.

Before we go into that, the word "planning" should be discussed. What is the appropriate meaning of the word? Planning, in fact, is an important element of an individual human being. Planning includes thinking, decision-making, and programming. However, organisations cannot do it as simply as human beings do since they are more complex with a huge series of jobs or work. Planning in organisations needs to involve a number of people that have different perspectives, especially when they come from different jobs. Simple processes cannot bear enough efficient outcomes to secure the prosperity of the organisations. Gilligan and Sutton (1987), and Papadakis (1995) suggest that Mintzberg (1981)'s four possible definitions of "planning" for organisations should be :-

1. Planning as future thinking
2. Planning as integrated decision-making
3. Planning as formalized procedure and articulated result
4. Planning as programming

As can be seen above, planning can mean four different definitions combined together or only one definition. We can say that each definition represents the meaning of planning in different situations. For example, if planning is conducted in strategists' mind, we might say that strategists do planning in their mind in a number of ways as well. These can be such as what to do or achieve in the different ranges of time, making a number of decisions in a related way to obtain some targets, and producing decisions, details and activities.

On one hand, considering the previous definition, we can say that every type of planning in organisations should share some definitions as common ground. Planning, such as budgeting planning, long-range planning, strategic planning and strategic management, should pose a number of or all of the characteristics of the suggested definitions.

On the other hand, the meaning of planning systems is the act of matching of two factors only. According to Hax and Majluf (1984), an 'effective planning system' mainly responds to two major works in organisations. External environment, in which firms have to be very adaptive in responding to changes, is the first one. Internal resource, in which firms should develop cleverly to gain the firms' competitive advantages, is the second one. Planning systems, therefore, have to be improved in the same direction as the changes in both external and internal environments of organisations (Steiner *et al.*, 1983). Now we can move on to the next topic that will give a full picture of each planning system. The following section is to detail what the systems are and how they developed. However, many points, which might not be

discussed explicitly in the following paragraphs, will be summarised in Table 2.2.1. "Evolution of planning systems".

2.2.3 Evolution of planning system

<u>The Budgeting and financial control system</u>

The Budgeting and financial control system is the earliest type of planning system that appeared in the early 1900s (Aaker, 1992). The system works on an annual basis, and starts from the forecast of revenues and the calculation of total costs with the use of historical data (Kerin, Mahajan, and Varadarajan, 1990). The budget is normally called a master budget that includes financial details about sales, production, administration, investment, and cash management (Hax and Majluf, 1984).

The budget is also used as a standard of comparison with the actual cost, apart from the allocation of financial resources. With the help of accounting systems in organisations, managers can track down the changes of sales and costs on a monthly basis. This helps managers to be in control. However, the system allows small changes in strategic directions, and strategic thinking is likely to occur outside the system (Hussey, 1990). Strategies normally come from informal planning of top management, but can be formalised by using Management by Objectives (Hax and Majluf, 1994). The strategies are reactive and implicit about the future. The planning works well where the situation is changing very little (Ansoff *et al.* (1976) in Hussey, 1990).

<u>The long-range planning system</u>

The long-range planning system was introduced in 1950s (Aaker, 1992, Greenly, 1989). It aims to respond to the high growth of industries after World War II. There was a need to plan beyond the yearly budget (Hussey, 1990). Accurate forecasting is assumed as a way to better planning (Hussey, 1990). The beginning point for planning

is the production of a long-term forecast of sales growth, normally a five-year period. The company will promote clear objectives, goals, and policies at all levels (Bryson, 1988). Managers will use the projection of 5 years' forecasting to begin the usual financial plan and budgeting (Markus, 1989). For some industries, five years for long range planning may be not appropriate compared to some industries that need much longer forecasts.

The system encourages bottom-up approach for middle managers to participate in goal setting (Kerin, Mahajan, and Varadarajan, 1990, Markus, 1989). The important tools for planning are pay-back and discounted cash flow (Hax and Majluf, 1984). The tools normally help managers to make decisions on the most suitable of proposed projects. Portfolio analysis and planning to allocate resources began to be used widely (Hussey, 1990). The system works well where the present trend can be forecasted and predictable (Ansoff *et al.* (1976) in Hussey, 1990).

The strategic planning system

The strategic planning system which was introduced in the 1960s (Aaker, 1992, Greenley, 1989) or precisely mid 1960s (Mintzberg, 1994a), and the planning developed 'a structure, staffing and technique' (Koteen, 1997, p. 23) at the same time. It replaced long-range planning in 1970s (Robson, 1994). It comes to focus on external environment by an increasing understanding of markets, such as change, new opportunities, threats, and competitors (Bryson, 1988). The projection of historical growth and accurate forecasting is rarely relevant to this new type of system since changes occur more often and more severely (Hussey, 1990, Markus, 1989). Planning for alternative strategies, such as scenario based planning and contingency planning become relevant to survive in turbulent markets (Hussey, 1990). Strategic business units emerged to allow more flexibility and dynamic resource allocation (Hussey, 1990).

However, a common factor with previous systems is that there is a planning cycle (Aaker, 1992). The planning will be done on an annual basis (Greenley, 1989). For example, managers begin to work on their planning in spring, and programme annual operating plan and budget during the fall (Aaker, 1992). Again a strategic planning system needs the previous system to help in strategic implementation. The system works well where change can be sensed (Ansoff *et al.* (1976) in Hussey, 1990).

The strategic management system

The strategic management system is the latest development for organisations to solve many problems that occur in strategic planning. Igor H. Ansoff introduced the system mid 1970 when competition became more intensive in highly competitive markets. Threat and challenges occur frequently. Clear differences between strategic planning and strategic management were later defined by Ansoff, Declerk and Hayes (1976). Internal essential factors of organisations, social and political aspects, implementation and control are the key factors added to the new system (Hussey, 1990). The aim of the system is to establish sustainable long-term competitive advantage (Butcher and Mainelle, 1990). The system needs the participation of strategic managers in dealing with planning, implementation and control as a whole process (Montanari *et al*, 1990). The aim of the planning is for managers to learn about their market continuously, and to find a strategy that can sustain strategic advantage for competition in the long-term. This will eliminate the problem that lies between planners and implementers. In addition, the system includes many techniques such as refinements to attack the uncertainty that fails planning cycle or periodical planning. It encourages an ongoing process rather than a yearly planning cycle (Koteen, 1997).

According to Aaker (1992); strategic management should include four elements into its system; budgeting and control system, the projection-based approach of long-

range planning, the elements of strategic planning, and 'refinements' needed to adapt strategic decision making efficiently. The system works well where change is fast and continuous (Koteen, 1997), Ansoff *et al.* (1976) in Hussey, 1990). Table 2.2.1 shows the evolution of planning systems from the first accepted ones to the present ones. The changes and developments are caused by higher competition, the complexity of businesses, and the growth of firms' resources. There are six important issues to be addressed to show the differences of each planning system.

Table 2.2.1 Evolution of planning systems

	Budgeting/ Control	Long-Range Planning	Strategic planning	Strategic management
Purpose	Control budget deviation	More effective planning for growth	Increasing response to markets and competition	Emphasising all resources to gain competitive advantage and to cope with competitors' strategies
Basic assumption	1. The past repeats 2. hardly changed	1. Past trends continue into future 2. Possibly extrapolative forecasting	1. New trends and discontinuities 2. Considerable change, but can be sensed	1. Planning cycles are unsuitable 2. Uncertainty of change
Level of environmental turbulence	Low	Medium	High	Extremely high
Time period associated with its organisation	From 1990s	From 1950s	From 1960s	From mid-1970s
Value system	1. Too concerned on short-term profitability 2. Fragmented action 3. Meet the budget	1. Decision making much concern profitability 2. Over optimistic about growth; long-term sales forecast 3. Predict the future	1. Think strategically	1. Create the future 2. Including operational or implementation planning
Direction of goal setting	Top-down	Bottom-up	Mixed mode (leaning to top-down)	Mixed mode (leaning to bottom-up)

Sources: Adapted from Aaker (1992) Ansoff (1980), (1991) Bryson (1988), Burnes (1996). Fahey (1989), Hussey (1990) and Koteen (1997)

2.2.4 The Development of Strategic Planning

The section focuses on the development of concepts that construct strategic planning and strategic management system. The following paragraphs aim at highlighting a number of discussions made by researchers about the strategic planning in the 1970s. Strategic planning has been developed since the 1960s as mentioned earlier in this chapter. The planning was quickly successful, no company could operate without it (Porter, 1987). It emerged from two different streams, which Porter (1987, p.21) detailed as the following.

"The first was the development in programme planning and budgeting that came out of the second world war... A second stream of thought, pioneered in the 1950s at the Harvard Business School, highlighted the importance of having an overall corporate strategy".

It can be said that the second stream was later called "design school" by Mintzberg (1991). However, there were many developments in the field with new concepts, analytical tools, and practices during the 1960s and 1970s.

According to Mintzberg (1991), strategic planning systems are prescriptive in their nature, because scholars suggest that it is what managers should do for effective management. Mintzberg (1991) defines this into three different schools, such as design school, planning school and positioning school. The approach is classified by Mintzberg *et al.*, (1998) as a group in ten schools of thought which concern strategy formation. The significance of this is that it builds up concepts and vocabularies for later scholars to use. The first group including design school, planning and positioning school are most closely related to each other. The reasons for this can be stated in the following. First, all schools aim at finding strategy by conscious and deliberate processes. Second, many former concepts and vocabularies of the design school had been used to support the newer tools, techniques, and frameworks of later schools. Third, all of them are rooted from the works of researchers that are associated with Harvard Business School.

It can be said that many of the contents of strategic management textbooks developed their concepts, techniques, and analytical frameworks from the first group. Now, there are a number of researchers who describe the relationship among the three schools. The first person is Teece (1991) who stated that from the work of Mel Horwith (1988) he can provide the history of the strategic management field. The history is divided into two periods.

The first era which is called Pre-analytical Era, ended in 1970. Strategic management was called business policy. It deals with general management that is concerned with 'making decisions, actions, structures, and systems' (Teece, 1991). However, the roles of analyses such as 'economic analysis' and 'strategic planning techniques', were not obvious. CEOs and the ways that they direct the organisations were the first agenda of research during the era. During this period some concepts of design school appeared in print according to Mintzberg (1991).

The second era which is called analytical era, influenced the field from the late 1960s to 1980. There are three important themes that dominated the field. The first theme is the wide utilisation of analytical tools such as portfolio analysis and the experience curve. These tools emerged in the 1970s as products of consulting firms. The tools are classified as a second wave of Mintzberg's positioning school (Mintzberg *et al.*, 1998). The second theme is the wide acceptance of specialists working in strategic planning departments. Many of the concepts were influenced by the planning school, which dominated the field in the 1970s, although ANSI's book was published in 1965.

The third theme is the introduction of new borne concepts for analysing industries and competitors by Porter (1980). Porter's work was considered to be the third wave of the analytical era and Mintzberg's positioning school (Mintzberg *et al.*, 1998). It can be said that these schools had dominated the field of strategic management

as a way to formulate strategy deliberately. It can also be said that three schools of thought had dominated the field mostly in the three decades.

2.2.5 From Strategic Planning to Strategic Management

The section of the review will focus on "the rise and fall of strategic planning" (Mintzberg, 1994d) that highlights how many of the dominating themes in the era were attacked by researchers later in the 1980s. This is especially so of portfolio management and planning specialists (Koteen, 1997, Porter, 1987).

As mentioned before in section 2.2.4, there were three themes dominating the strategic management field between the 1960s and 1980s. However, two of them dominated the field differently from the other in the 1980s. First, the use of a staff planner prescribed by the planning school encouraged organisations to set up planning departments as a function. Second, the application uses of techniques supported by the planning school were generated by consultants. Scholars, such as Aaker (1992) and Day (1986), provide a good description of strategic planning. Most details concern the analytical tools that dominated the field during the 1970s and 1980s. The work gives evidence about the tools that were used in the 1970s and after the 1970s. The reasons for the change are in the tools. There were three important planning concepts in the 1970s. Those concepts included the experience curve, the strategic business unit, and portfolio planning (Hussey, 1990).

The use and popularity of both themes were significant in the 1970s. In contrast, both faced a serious criticism in the 1980s, although there was a great deal of development of their practices as later discussed in this review.

2.2.5.1 Problems unfolded

After the 1970s period, new concepts came to light such as the new generation of portfolio planning, Porter's industry structure model, and value-based planning. These new concepts were to rescue the unsuitable type of strategic planning in the 1970s.

The following is intended to gather a number of critical arguments about the criticisms. The growing criticisms had been made when 1970s type-strategic planning failed to deliver the desired result. Then the planning was abandoned by organisations at some points (Porter, 1987; Mason, 1986). The criticism can be described as the following. First, the planning was criticised for being narrow, because the planning only worked on product market strategy and on the financial implications of that strategy (Mason, 1986). The strategic planning ignored other important key success factors of business (Porter, 1987).

Secondly, early planning techniques cannot be reliable in the present situation. Porter (1987, p.22) criticises that *"early techniques, such as the experience curve, product-cycle theory and portfolio planning, promised easy answers based on simple concepts of competition"*. His main reason for this argument is based on the failure of using particular criteria to measure the value of a particular market.

Third, Porter (1987, p.21) highlighted about the planning that *"strategic planning in most companies has not contributed to strategic thinking"*. The reason for this is that the processes of planning in those companies were not encouraging strategic thinking for executives and line managers (Wilson, 1994). The roles of specialists only concentrated on using strict planning procedures, techniques and models to produce a great deal of analyses (Wilson, 1994). The gap between line managers, such as CEO and middle management and specialists in terms of perspective and perception was enormous (Brown, 1983).

Porter (1987) suggests the solution that planning techniques and organisational processes have to be changed to improve strategic planning with a formal approach. The reason for this is that both the techniques and organisational processes have been under criticism, not the strategic thinking. In his view the value of strategic planning can be seen when it is used as a central tool to bind other key success factors of a business.

2.2.6 Directions for Strategic Planning Process post 1970s

After the failure of strategic planning, both researchers and practitioners were looking for explanations and new directions for the process. This section is intended to identify directions of the improvement of concepts and ideas concerning the process.

2.2.6.1 Issues on Formality

So far the review of strategic planning shows that there are many problems occurring in the use of the planning. The type of strategic planning in the 1960s-1970s became unacceptable and was accused of non-strategic thinking (Liedtka, 1997). Most arguments attacked two elements; the organisational processes and the planning tools, which discourage 'strategic thinking'. There were more adjustments and improvements during the mid 1970s and 1980s. These adjustments came in the same period as the use of the term "strategic management".

Strategic management, which Ansoff introduced in the middle of the 1970s, was strengthened by many improvements in relation to the previous problems of strategic planning. The concept extends strategic planning to include implementation, evaluation and control. The use of periodical planning of line managers was changed to an on-going process with extra channels of communication from day-to-day operations.

However, the formality and planning techniques, which were widely criticised by scholars, could still be a significant part in strategic planning or strategic formulation of strategic management. It can be said that strategic management still carries the same problem. The only problem that strategic management proposes to deal with is the recommendation for the failure of periodical planning that does not respond to very highly competitive markets. The concepts of strategic management promised planners and researchers that it would encourage strategic thinking and solve many of the other problems. The review of those debates suggests that it is not the ultimate solution. The purpose of the study now should aim at the form of strategic planning or strategic formulation in strategic management. Therefore, the form of strategic planning will be clarified and discussed in depth in the following.

Many researchers have been researching and debating on the matter over and over for the past 20 years. At this stage, the further researches, which will be reviewed in the following, aim to tackle problems of formality in the strategic planning process. These works are believed to provide new directions for strategic management since the failure of 1970s strategic planning. The review will start at views from Porter (1987), Davids (1994), Blass (1983) and Keen (1994).

Porter (1987) suggested many critical ideas for new strategic planning. In addition, there is more evidence of later researches and practices. Many researchers and planners have identified new forms of organisational processes. The following is the recommendation for constructing organisational processes. Firstly, strategic planning system should have a number of proper processes that lead managers to strategic thinking. The matter should be the first initiative discussed, even before talking about the planning department (Davids, 1994).

Secondly, line managers should be in charge of strategic planning (Porter, 1987). Planning department staff should include rotated line managers and planning

specialists. The line managers have the inside knowledge and line experience, and have an understanding of managers' needs. Planning specialists can act as translators for analysis or give opinions from their own perspectives (Blass, 1983). They both act as 'facilitators and integrators' (Porter, 1987). Therefore, other line managers should be encouraged to think strategically throughout the planning process. The other line managers can demand information and facilities from the planning staff to support their good strategic thinking (Blass, 1983). These planners should act as thinkers, translators, facilitators and integrators (Porter, 1987). They play a major part to help operate the planning process and prepare for discussion sessions (Davids, 1994).

Thirdly, planning guidelines should not restrict participation (Porter, 1987). The planners should not restrict what line mangers do, but give support to what the managers are doing (Davids, 1994). However, they might need to acknowledge that line managers know why something needs to be done. For example, they should advise what sort of information is needed to be in their hands before the discussion session.

Fourthly, the planned evaluation should make key managers able to concentrate on asking and evaluating questions about the value and possibility of the plan (Porter, 1987). Participants must previously study the written plan before the meeting.

There are further useful ideas in addition to the four issues that are raised earlier. The additional ideas are more detailed and should be classified as operational issues, when the design of the planning processes is taking place. Some points in the second source will give more details of how a number of points in the first source can be practised. Both of them should give us ideas of how strategic planning processes and planning departments might be shaped in many organisations.

Keen (1994) is one of the scholars that suggested many issues called 'Tips for effective planning' to strategic planning that has six key components, such as, internal

scan, external scan, vision and purpose statements, strategic objectives, action plan and evaluating progress.

There are seven of the tips that planners should take into account about strategic planning. First, the discussion during planning sessions should be given importance in such a way that a planning facilitator or an outside facilitator (Napuk, 1996) is required to provide an appropriate structure to the planning process. Second, the planning process must acquire the use of future intelligence to detect changes in the external environment. Third, vision statement should concern the well-motivated issues that challenge the effort of the organisation's members. Fourth, key objectives must be stated clearly and concisely in a single sentence of things to be achieved. Fifth, examining and challenging its current business assumptions would help the team avoid choosing familiar current strategy. Sixth, the progress of strategic implementation must be evaluated, and adjusted where needed. Seventh, the planning team must update key issues, business assumptions and changes in the business environment.

In contrast, the improvement of planning techniques cannot be found explicitly in each tool. The most frequently improved techniques are portfolio management tools. The changes in terms of used variables and ways to construct matrixes are obvious. For example, the use of market growth in growth matrix was changed to market attractiveness in GE matrix and product life cycle in Hoffer's matrix. However, there have been new planning techniques born and concepts that help managers cope with future uncertainty. They are used in assessing the business environment.

Firstly, PEST analysis is an analysis to investigate the changes in the macro environment. Secondly, Porter (1980)'s five forces behind industries is an important tool to investigate the relationship of important parties in a market or an industry in order to determine successful strategy for long-term competition. Third, Tows matrix, which originated from SWOT analysis, helps managers to conclude important issues

from their strategic thinking about the business environment, competitors and its organisations. Fourth, scenario analysis is a tool of strategic thinking to cope with future uncertainty. The result of the analysis is a number of scenarios from which managers can formulate strategies. Finally, there are other frameworks of internal environmental analysis. The uses of planning tools have been emphasised on the use of a wider range of tools. Planners would not rely on a major tool, but use many tools in different ways that suit them.

Now the review will focus on "when do we use formality in planning process or strategy formulation". A number of researchers argued that the formal planning benefits strategy formulation enormously. Firstly, Hax and Majluf (1984) suggested that formality should be used intentionally when the company is trying to introduce strategic planning in the workplace. After experience, subordinates are capable of participating in strategic planning systems, then the level of formality can be reduced. Secondly, Michael Porter, an economist, introduces a number of important concepts. Porter published his book, Competitive Strategy in 1980 and these concepts replaced many concepts of the previous schools. Porter (1987) also mentioned that formality helps managers to be less concerned about day to day issues when they are conducting a strategic plan. So what could be the role for formal strategic planning. A similar view is shared by Forman (1988) who agrees that a formal planning session for strategic thinking must be conducted away from normal working environment.

Before any conclusion or suggestion can be given, the work of Lenz (1987) "Managing the Evolution of the Strategic Planning Process" will be discussed. The work should support some arguments that have been made. Lenz tries to give an answer about why strategic planning processes fails to do as well as expected. He suggests that the implementation of strategic planning process should have three stages.

The stages include Introduction phase, Consolidation phase, and Fork in the Road. During a few years of introduction phase, the design of the strategic planning process and the introduction of basic planning concepts should be conducted together. At the end of stage one, the line and staff managers who understand well the concepts of planning must be able to produce good strategic plans. An information system, which is designed to provide necessary information, should be in place.

During the second phases all aspects of the strategic planning process will be strengthened by moving it towards the existing organisation. A planning culture begins to develop among planning managers early on. Then the managers will introduce systematically some basic planning concepts to subordinates. Later, the number of managers, who get involved with the process, becomes higher. Administrative processes will become more involved with strategic planning activities. Therefore, existing or new organisational decision processes have to refer to what has been decided during strategic planning activities.

Fork in the road stage often shows up after the success of the implementation comes to its peak. Later the success can be split into two different outcomes. Firstly, Self-Perpetuating Bureaucracy is defined by Lenz (1987, p.38) as follows.

'Planning system that evolves toward self-perpetuating bureaucracies that tend to be mechanistic in nature. The focal points of planning are simply the annual preparation of a document (the strategic plan), and the development of budgets for controlling implementation. Meetings are routine, often rather formal, and usually dominated by numbers-oriented presentations.'

Secondly, Lenz, (1987, p.38) defined the others as follows.

'self-reflective learning, in contrast, it is usually more open and less formalized. Discussions concern a firm's overall competitive position. Words, not numbers, are the medium for explaining strategic issues and organizational responses. By encouraging probing evaluations of manager's understandings and opening the door to entirely new courses of action, a process of the sort fosters learning.'

Lenz (1987, p.38-39) suggests key factors to help managers conduct the process successfully to self-reflective learning.

- The strategic planning process should be simple, less routine, and use non-formal planning language.

- Facilitators must avoid routine settings such as the planning calendar, and change settings where possible to stimulate creativity. However, it may not appear to be common and accepted by senior managers in some culture where social status and seniority are important.

- Managers must be encouraged to present their strategy in word-oriented plans with numbers as back-up material.

- The planning review session must be an action oriented session for decision making. Its discussion should include the three following topics; *'Determining a manager's understanding of his or her competitive situation, Identifying strategic issues confronting the organisation; and Defining how these issues are going to be resolved.'*

- The process must encourage thinking and action that challenges the business assumptions underlying current corporate strategy. If strategy does not show a reliable outcome, the cause must be defined.

- A strategic problem which is complicated and has an unclear structure, must not be simplified by any kind of techniques that generally leave out relevant aspects and

dimensions of strategic issues, and alternative solutions outside the analytical options
of techniques.

- The role and purposes of Strategic planning must be understood as a part of corporate culture.

- The evaluation of the strategic planner's performance should be done on the basis of how many relevant insights the person offers.

- When there is a planner demonstrating an understanding of planning as a self-reflective process for learning and action, the person must be recognised by others as a good example.

- The end state of the evolution of a strategic planning process is dependent on how the process is managed during the phases in the evolution process.

Our next issue is relevant to the adaptation of strategic planning concepts in practice. So far there is a theme of several researches that aims to provide empirical evidence of the practice of formal strategic planning from various industries in countries, such as multinational companies (Witcher and Butterworth, 1999, Akers and Porter, 1995, Nakahara and Isono, 1992), the UK (Glaister and Falshaw, 1999, Hussey, 1992, Reid and Hinkley, 1989), Hongkong (Reid and Hinkley, 1989), Singapore (Sirpal, 1995), Japan (Wilson, 1994) and USA (Hussey, 1992, Steiner *et al.*, 1983). The roles of formal strategic planning have been studied in a number of aspects, such as the application of strategic planning, tools and techniques of strategic planning and its benefit to company performance. In general the results suggest that some forms of

formal planning have been practised by business organisations in these countries. However, the rate of success and contribution of formal planning has not been successfully measured although attempts have been made to do so.

Research on the contribution of formal planning systems to strategic investment decisions by Papadakis (1995) is a good example of a research problem regarding the role of formality. It highlights a question on the role of formal planning system in strategic decision making. The conclusion of the research suggests that formal planning system may have some influences as an input to strategic decision making process and strategic decision taken. Papadakis also recommends that it will be wiser to study the effect of formal planning system to strategic decision making rather than financial performance. The movement of the research theme seems to be toned down recently in my opinion.

2.2.6.2 Issues on the Roles of Formal Strategic Planning

There is a conclusive question. What exactly is strategic planning? A rough hint can come from the previous two reviews of Porter's and Meryl Davids's together with Ansoff's. We can see that strategic planning in the 1960s-1970s is highly formalised by a periodical and systematic process. Once it failed to deliver a satisfied result in the 1980s, then we began to have people like Porter (1987), Hax and Majluf (1984), and Davids (1994). They came out and highlighted the idea of having less formalised procedures. Mintzberg (1994b p.22) also makes his assumption on strategy making processes that line managers *'will never be able to do so through a formalized process'*. Strategies are not developed from analysis (Mintzberg, 1994c). So the use of strategic planning must be studied on how line managers behave in strategy making processes or strategic decision processes.

This may be related to the one of the above points which discusses the use of structured discussion instead of strict guidance (Lenz, 1987). It might be added that efficient strategy making processes cannot be more formalised than structured discussion, rough options and agreements during meetings. Everything else should be done behind the scenes. On this matter, planners can analyse information and data, arrange discussions and meetings, generate written documents detailed from the meetings, and format written action plans (Mintzberg, 1994b). Mintzberg (1994c) who disagrees with getting strategies by formal planning processes, gives arguments in his work as follows. He opposed the idea of formal planning, which is run as a system. His main reason is that a complete strategy cannot be formed effectively in the limited time of a few meetings. He suggested that the formal planning should be used to programme action plans for already formulated strategy. Mintzberg (1994c) argued that formality helps humans to get many things done, but it should be limited and arranged as far as humans' creativity is concerned.

At this stage an opinion on work of Mintzberg will be given by the researcher. A new concept defined by Mintzberg as 'strategic programming' (1994b, 1994c) suggests that the strategic programming is another type of planning that is different from strategic planning. Strategic programming is not a tool to find strategy for organisations as strategic planning does. The planning is fully aimed at developing the existing strategy that has been recognised or intended by line managers. The definition of Minzberg's planning is very close to the strategic implementation and control stage of strategic management. The role of planning by his description is very much related to the construction of a strategic plan, and other types of plans.

Furthermore, this is shown in the description for the role of plans that concern communication media and control devices. These show that his intention of planning is to construct plans for implementation and control, nothing to do with looking for

strategy. Although there are also a large number of ideas on the role of planners that concern working around strategy formation, he did not support planning as an effective way of strategy making. His strategic programming concept does not substitute for strategic planning. The concept of strategic planning should be developed. By putting it another way, the form of strategic planning which is an important part of strategic management, has not been clarified in the terms used, due to the failure of the earlier developed concept.

However, Igor Ansoff who is the inventor of strategic planning and strategic management, has a comment on Mintzberg's work (1994a, 1994b, and 1994c). Ansoff argues that Mintzberg's work (1994a, 1994b, and 1994c) opposes against strategic planning in the type of the 1960s-1970s concepts, not the recent development of strategic management. Mintzberg (1994a, 1994c) does not include the later series of developments in the concepts of strategic management. Ansoff's comment should be accepted. The following would highlight important points of strategic management concepts in Ansoff's latest version of his work by beginning to review Ansoff's latest work by highlighting a number of his definitions used.

Firstly, Ansoff (1994) gives the name 'strategy formulation' for the analytical part of strategic management. Secondly, Ansoff gives the name 'strategic planning' to the process or activity by which managers formulate strategy'. I would like to use the word "strategy planning process or strategy development process" to represent the process that managers conduct to formulate strategy. Here it shows that strategic planning cannot substitute strategic formulation, and strategic programming or strategic implementation. By this understanding, any models in strategic planning or strategic management must have strategy-making process (Wall and Wall, 1995) or strategy development process as a main component that operates under its own assumption (see Table2.2.1).

The following is the expansion of the issue made by Ansoff (1994). Generally, strategic planning 'is criticized for engendering bureaucracy and short-sightedness' (Liedtka, 1997 p. 8). However, all of these critiques are not all that disagree with formal strategic planning in the 1960s-70s. There is another theme of researches that bring the matter to a higher level of complication. Liedtka, (1998) also points out a need to solve the problem clearly. Apart from the issue on the type of formality or comprehensiveness of strategic planning, the question on strategic thinking becomes another key problem area. What is the meaning and scope of strategic thinking in strategy development? Mintzberg (1994c p.107) gives his view that "strategic planning isn't strategic thinking. One is analysis, and the other is synthesis." This is a dismissal of formal planning as a means for strategy development. On the other hand, there are a number of scholars, such as Carlson (1978), Mason (1986), Forman (1988), Reid and Hinkley (1989), Markus (1989), Hamel and Prahalad (1994), Drake (1996), Harrison (1995b) and Gaddis (1997), who support strategic thinking as forward planning and long-term future thinking rather than a reactive perspective. This type of strategic thinking is the need to build long-term competitive advantages and survival of organisations.

At this stage, the confusion exists between long-term or future oriented management and short-term or reactive oriented management. Carlson's long-range strategic planning (1978) is a good example of the need to emphasise long-term view for proactive strategic planning. In other words, the confusion exists between strategic planning and strategic management that both of them base themselves on different assumptions. Strategic management is a new version of strategic planning to tackle long-term need (Mason, 1986).

The study will have a tight relationship to strategic decision making approach reviewed in Section one. An additional answer is "Do companies design, or control

strategic decision making processes and strategy-making processes?" After this we can conclude what strategic planning should be.

2.2.7 Summary of Part Two

A great deal of literature in planning systems has been reviewed by starting at defining the term 'planning' to provide a basis for later discussions. Next, different planning systems described their characteristics, and their basis of assumptions. After that, the focus of the review was on strategic planning system that was regarded as an essential key to strategy development. The discussion started at its origin and continued to highlight its failure.

Most of those arguments were made on the organisational processes and the planning tools. Later, several discussions on recommendations by scholars lead to a conclusion that types of formality or 'comprehensiveness' (Fredrickson and Mitchell, 1984) of strategic planning process were the keys to success for long-term strategy development.

Which types of formality should the strategic planning process be? Plenty of arguments try to suggest one is better than another is. The reason for this is that we simply standardise a particular process to take on two different types of job requirement. The limitations of human capacity allow us to only concentrate on a particular one if we want to achieve a complicated task. In the past we solve the limitation by employing different types of personnel to work differently on operations, planning and decision-making. One was a problem solver, another was a strategic thinker, and they could not work together. This was an unworkable situation resulting in 1970s model of strategic planning to be seen as a failure. Still researchers are suggesting managers do every job in one process or system. Furthermore, there would seem to be confusion of the terms and definitions of strategic planning and strategic management

that leading scholars, such as Ansoff and Mintzberg, use. This is a need to clarify and agree the use of these terms to avoid confusion. Strategic planning and strategic management are planning systems that have their own assumptions and concepts (See Table 2.2.1). One cannot be a part of another. There is a need to decide on the form or formality of their strategy making process (a planning process as a component of both systems).

So far it has been suggested that the roles of strategy making process are split into two directions. In the first way, the planning process becomes less formalised without the strict involvement of linear periodical planning. The development process must be guided by the assumptions of strategic management concepts to produce long-term strategy. High formality must be avoided in the system of its strategy development process. Instead a series of meaningful discussions regarding business issues may be conducted to continue forward planning. The planning process must encourage creativity and strategic thinking.

In the second way the planning process with formalised procedure based on the assumption of strategic planning system. The process is conducted on a yearly basis. Strategic planning is aimed at being more analytical, evaluative and programmable for operational sense. Some kinds of strategic thinking are there, but less creative. The purpose of the planning is to use strategic thinking in evaluating the present directions of the organisations in relation to foreseeable external business environments. The purpose also includes making communication of top management's commitment or chosen directions to lower levels of management.

Should we force the two different characteristics of strategic planning into one planning system? Can we use them separately for their own strengths and limitations in order to provide a strategic management or overall strategic development system?

2.3 Conclusion

The purpose of this chapter is to increase understanding of the subjects that are linked to strategies and planning. So far some useful aspects of strategic process have been reviewed in Chapter 2. These include the strategic decision making processes and planning systems. Firstly, the review of many researchers working on strategic decision making processes gives many explanations of how strategies are created. Secondly, the review of planning systems gives an overview of the development in planning systems. This is a basis to understand the planning for firms' future and competitive actions. This includes the differences of each planning system and the motivation and assumptions of the development. Furthermore, trying to deal with the long-term problem of strategic planning produces an insight of its debating issues. Finally, Chapter Two leads us to the ultimate attempt to produce a research framework for the study.

The conflicting arguments upon the strategy development will be focused as follows. So far the review suggests that strategic decision making is issue oriented, because it is suited for problem solving. It is responsive or reactive, and it could be said that its outcome is emergent rather than deliberate. On the other hand, the main focus of this research is to study deliberate strategy development, but not to ignore the rest. The major factor, which has a very important argument to strategic planning system, is its degree of formality and deliberation. The range between formality and informality affects the process of strategic planning. Therefore, strategic decision making must be distinguished from the long-term strategy development of any organisation. The focus of the study separates into twofold at this point. The focus of the literature review will move on to retailing that is the second area of the research. The next chapter will focus on exploring the forms of strategic planning and management process in retailing literature. This can be a helping hand if past research in the retailing literature can provide a framework on the form of strategic planning. The chapter aims to answer if

these concepts reviewed in the Chapter Two been applied in retailing literature before and if so, how has this been achieved.

CHAPTER THREE

The form of strategic planning in retailing literature

3.0 Introduction

In Chapter Two, all approaches to strategy formation or the strategy-making processes, which have been identified in management literature, were reviewed. These assist in identifying possible types of strategy formation in organisations. So far the way a strategy is developed, how strategic decisions are made and the assumptions about the patterns of strategy development have been explored. Although it has been shown that humans make decisions by using a combination of three elements; rational, political, and intuitive, there is still much to explain about how organisations make strategic decisions. The reason for this is that organisations are complex and have many different perspectives from different functional workers.

Furthermore, the review of planning systems in Part Two of Chapter Two helps us to understand how organisations can cope with the turbulence of competition, and dramatic changes in the business environment. The role of formality in strategic planning was discussed in identifying the need to study the levels of formality that determine the form of strategic planning in organisations. The reason for this is that the review in the second part of Chapter Two gives a focus on problems in finding the form of strategic planning.

The aim of this chapter is to find a theoretical answer for the question 'What is the form of strategy planning in retailing organisations'. This leads to the full discussion of the intention of the research. In the first section, the review moves to the study of the form of strategic planning and management in the retailing literature. The research

theme of strategic planning in retailing, which has been developed by a group of researchers, will be reviewed. This also helps to establish a literature link between strategic planning in general and strategic planning in retailing, which is the second area of the research. In the second section, the review seeks to understand the prescriptions given to the strategic planing process in retailing. This will establish an adequate research framework for strategic planning process in real life organisations. Components of strategic management processes are reviewed to give a basis for the comparison of strategic formulation processes in different literatures, such as general management, marketing and retailing.

3.1 The Use of Strategic Planning and Strategic Management in Retailing

This section is intended to explore the attitude and behaviour of retail organisations to strategic planning. The search for literature on the subjects will be mostly in research articles in print. The reason for this is that textbooks mostly contain explanations and descriptions on the application of the planning, but rarely discuss about the attitude and behaviour of the organisations in the involvement of strategic planning in practice. Due to the lack of research works available in the field of strategic planning and retailing in Thailand, research works elsewhere must be used to enable the purposeful review to be carried out. Therefore, most sources for this section come from arguments in articles that are printed in journals and other prints in the UK. Most sources come from the library of the University of Stirling and the resource room located in the Department of Marketing at the University of Stirling.

There are few articles about strategic planning in retailing. There are a small number of quotes from researchers that were studying from the late 1970s-1980s. It is likely that the theme started from Arnold Becker (Becker, 1977) who produced an article on "Development of Retail Store Strategies" in 1977. Moyer's work on Marketing Planning in Retailing; Making the Basic Work (Moyer, 1983) presented similar views. Quotes in later work are keen to highlight their comment on the attitude and behaviour of retailers towards strategic planning. The agreed opinion related to the matter is that retail executives are likely to rely on quick reactive ability and short-term problem solving in competitive and changing environments. On the other hand, there are others who support the argument, such as Rosenbloom (1980), and Gilligan and Sutton (1987). In the same period, David N. Burt (1978) produced an article on "Planning and Performance in Australian Retailing". He suggested that high quality planning is often associated with high level performance. However, there is another piece of research work that partly supports the argument, and tries to make exceptions in some situations. Pitt and Johnson (1987) argue that in some circumstances the analytical approach plays a major role in gaining insights about the industry environment. Multiple retailers should not ignore strategic management although the retailers believe in responding to changes.

3.1.1 What the Planning Process Could do for Retailing Organisations

Rosenbloom (1980) recommends that the strategic planning process can help retailers to achieve a 'more flexibility and adaptive retailing organisation' in at least four areas. Firstly, the process generates important strategic questions by recognising strategic issues. Secondly, it helps retailers to consider various future scenarios when alternative strategies or contingency plans are dealt with. Thirdly, it provides a basis for built-in

flexibility against changing market conditions, when a concept of portfolio management is applied to the business. Finally, the planning creates a need for an ongoing monitoring system to sustain strategic planning processes. It can be added that Rosenbloom sees the form and role of the planning system as a way to stimulate strategic thinking of members in a retailing organisation.

In addition, Rosenbloom also provides some suggestions for implementing strategic planning in retailing. His three recommendations are intended to solve particular problems in running the planning process. Firstly, the content of the planning process should be devoted to suit unique needs and retailers' problems. Secondly, methods and techniques of planning and analysis must relate to retailing principles such as flexibility to respond. Thirdly, strategic planning can begin with small scale of operations with help from a third party, such as consultants. The planning project can be guided towards the achievement of particular objectives.

Johnson (1987) also suggested a number of roles that strategy plays in retailing. Later, McGoldrick (1990) regarded them as the scope of strategic planning in a retail organisation. Firstly, strategy is concerned with the scope of an organization's activities. Secondly, strategy is about matching an organization's activities to its business environment. Thirdly, strategy is concerned with matching the activities of a business to its resource capability. Fourthly, strategic decisions usually involve the major allocation or relocation of resources. Fifthly, the strategy of a business is concerned with its long-term direction. Strategic decisions are therefore likely to have implications throughout the organization and be complex in nature.

In conclusion, the above section is to highlight the benefits of using strategic planning or strategic management in retailing organisations. The key variables mentioned in the section would be used to test retailers' attitude towards the subjects

and how they affect the form of strategic retailing management.

3.1.2 The Situation of Planning in Retailing during Late 1970s-1980s

Gilligan and Sutton (1987) suggest that large retailers should be more proactive to changes in the business environment. They conducted postal questionnaires to a number of retail organisations, such as in the grocery and DIY fields. The outcome of the research suggests that 34 out of 37 respondents use some form of strategic planning. The reason for those who did not engage in strategic planning is related to their size and form of management such as family business. Their results indicate most of the respondents began to engage in strategic planning during late 1970s or early 1980s. They highlight that the forms of strategic planning, which retailers used, are limited to the financial aspects of the planning. Management, because of *'the volatility of the markets and the changing structure of competition'* frequently ignore long term considerations.

Gilligan and Sutton (1987 p.188) summarised four factors that affect the forms of strategic planning. These include

'The relatively short period of time for which many organisations have been engaged in strategic planning; a relatively narrow perception of how strategic planning should be conducted; a lack of confidence in the ability of managers further down the organisational hierarchy to make a truly valid contribution; and the length of time needed to collect together views from other functional areas.'

The research shows that the strategic planning began quite late in the retailing industry compared to manufacturing industry. By the time the research was conducted, many organisations did not make full use of strategic planning or strategic management. This raises a significant question? How can the strategic planning concepts be applied to

managerial functions of the organisation now? The recommendations from Rosenbloom (1980) and Johnson (1987) which were mentioned earlier, are important; but this may not be practical for grocery retailers. This could be a potential research area. There is a need to find out more if there is other evidence of the study on strategic planning process and strategic management process.

In 1994 a report by Hodgkinson and Johnson (1994) on research reveals an attempt to study levels of consensus within and between organizations in the UK grocery retailing industry. Using a variant of the cognitive taxonomic interview procedures on twenty three managers from two retail organizations, their finding is a useful approach to study the analysis of strategic groups, but may not be very useful in increasing the understanding of the strategic management process.

In the year 2000 there is another report from a study of an UK multiple superstore retailer's executive on their insights into the location influence affecting store performance. The research carried out by Clarke, Horita and Mackaness (2000 p.271, 273) shows a means that can assist strategic decision making process by generating cognitive mapping for decision makers in order to reach consensus more comfortably. It was one of the cognitive methods that was used to produce a composite cognitive map that represents *'a pragmatic way of assembling conceptual inputs'* by participants.

However, there is also a quantity of important evidence that retailing organisations in the grocery industry had been using strategic planning in particular for the purposes of strategy development. There is no evidence of continuous official planning processes. The following will be some discussion on evidence that UK grocery retailers do strategic planning. This will include ASDA Group PLC, and Sainsbury PLC. Firstly, ASDA had a five-year strategic plan drawn up in 1985 to put huge effort on restructuring its competitiveness (Economist Intelligence Unit, 1990, Mirabile, 1990).

ASDA began to reposition itself by reorganisation, according to Keri Davies and Leigh Sparks (Davies and Sparks, 1986). For example, key personnel on merchandising and marketing were employed with large expansion of 'head-office staff' (Davies, 1993). They established a corporate marketing department with marketing directors separate from merchandising activities, because ASDA attempted to develop long term marketing decisions from planning that was based on selective marketing research (Walters, 1989). A group of ASDA's senior marketing staff met in early 1985 with the outcomes of its consumer survey to develop long-term marketing strategy (Cook and Walters, 1991). It suggests that formal planning was used at ASDA's functional level in order to implement strategic decisions from its corporate management. However, these do not suggest how the strategic decisions at corporate level were reached. The approach of strategic decision making for the organisation is still not revealed.

Secondly, Sainsbury at one point was involved in a strategic planning project. According to Ormerod (1996), J Sainsbury is one of a number of major organisations that adopted soft operation research to develop strategy for its information systems strategy development. Ormerod himself worked as lead consultant to design and manage the strategy development process. The project involved 16 senior managers who worked on a five-phase process of strategy development. Three soft OR (operation research) methods, which included Cognitive mapping, Soft systems methodology and Strategic choice, were used in the five-phase process. The process took nine months to develop a $73 million investment strategy by the end of 1989. This is one piece of evidence that a certain technique has been used in a process of strategic decision making, for group decision making. The use of consultants in strategy development has been obvious for a long time from medium sized organisations to large corporations.

In contrast, Mintzberg (1994b) gave a different view on planning to support one of his arguments. He raised an example relating to a supermarket chain that he and his colleague studied. Strategic vision of the leaders played a very important role in later strategy development. Formal scheduled planning did not give strategy, but developed it into greater operational detail. Should it be said that formal strategy development only begins after having a strategic direction, and exists in functional levels of management? Is this the only formal process for strategy development apart from the administrative system run in organisations? The following section is intended to establish a framework of strategic decision process in retailing organisations. This begins with the review of components for the development of strategic plans. Next, the review emphasises on differences of models for strategic planning processes in general and retailing literature.

3.2 Components for the Development of Strategic Plans for retailers

The highlighted problems in the previous section suggest strongly that the application of strategic planning concepts have not been clearly detailed empirically. The section, therefore, is devoted to the review of evidences in print, especially in retailing literature. However, the outcome of the attempt is rather disappointing. The lack of the detailed and practical frameworks of planning processes is obvious in comparison to the literature in strategic planning and management. It can be suggested that the frameworks often showned in retailing literature are summarised versions of planning processes. The literature, in contrast, offers abundant of strategic "content" and key concepts in retailing. The issue is significant that the review of strategic planning in retailing literature, such as Berman and Evan, 2001, Levy and Weitz, 2001, Lewison, 1998, Cox and Brittain, 1993, and Harris and Walters 1992, will not be enough to build a solid framework for the research. It is rather appropriate to look for a solid framework

for other field of literature, such as strategic planning, strategic management, marketing and general management.

The work of Mintzberg (1991) in Chapter Two is used as a starting point for this section. According to Mintzberg (1991), there are three schools of thought that greatly influence the modern day literature of strategic planning and management. Most of these textbooks written by academics have taken concepts suggested by the schools even though newly developed concepts begin to replace some of these concepts. As commented by Mintzberg (1991), the concepts are prescriptive by nature, because they are suggested as the best approach of how strategy should be formulated and how management is dealing with running business competitively. Managers were made to believe that they should adopt the rational approach to ensure the prosperity of their business in the long-term. However, 'a co-ordinated, planned business strategy' cannot lead to a definite success, but it can help to decrease 'the risk of organisational failure'. This is a view suggested by Freathy and Harris (1998, p.2).

Apart from being prescriptive by its nature, the group can be described as the rational, planning, or formal approach to strategy formation processes. This group contains three schools of thought. These schools of thought play an important role in the literature in most of the strategic management textbooks. This important role is especially to be found in strategy formulation processes, and strategies. These schools are design school, planning, and positioning school. Next, the contribution of each school to strategic management will be detailed in the following paragraphs.

The design school originated from the working group at Harvard business school. According to Mintzberg (1991), Kenneth Andrew's textbook gives a clearer view of their concepts. The main contribution of the school, which has remained widely

used, is a number of concepts that generate useful vocabularies to the field. The most famous one is the concept of fit, SWOT analysis.

The planning school has Igor Ansoff as a founder of the school. Some of his ideas and concepts still survive in the strategic management textbooks, although they are changed and applied by different authors. The most famous one is the product-market growth matrix, which generates four important strategies for managers. The other is the use of planning techniques.

The positioning school offers analytical process. Porter (1980, 1987) helps strategists in a number of ways to analyse business environment and to choose strategy. Firstly, Porter offers a way to analyse business environment and to choose strategy. Secondly, he suggests a value chain analysis that presents a source for strategic advantages. Thirdly, he offers a group of complete competitive strategies that strategists can choose to implement.

Those are the origins of how planning or rational approach becomes the literature of strategic planning and strategic management. Now the review will focus on the outcome of this long period of development. A view suggested by Freathy and Harris (1998 p.12) suggests that there is no *single method for understanding the strategic management process*, because each textbook adopts slightly different approaches to cope and react to business environmental change. This issue, therefore, will be solved by examining available sets of textbook on the field. After a number of textbooks on strategic management have been reviewed, they can possibly be classified by clarifying the starting point of the models suggested by management academics. There are three models of strategic management processes that have been taken by authors. The first approach suggests that the pressures and changes in the business environment are reviewed. The second approach starts from identifying the aims and

purposes of the later plan. The last one recommends that there should not be a process of strategic management, but there should be three areas that should be taken care of, such as strategic analysis, strategic choices and strategy implementation. The reason for this is that all of them can be the starting point of strategic management. A close support of ideas for the above discussion can be found in a strategic management textbook, authored by Greenley (1989). He suggests three definitions of strategic management; environmental approach, aims and means approach, and action approach. Each of them suggests different starting points that are almost similar to the above discussion. The issue is significant that the review of strategic planning in retailing literature, such as Berman and Evan, 2001, Levy and Weitz, 2001, Lewison, 1998, Cox and Brittain, 1993, and Harris and Walters 1992, is suggesting the similar options.

Next, the focus of the review moves on to defining major components of strategic planning and management process. According to Greenley (1989), his model is the outcome of studying other scholars' work on the process of management, such as Ansoff and Brandenburg (1967), and the nature of decision making process (Stoner, 1982). He suggests four components, such as analysing the environment, planning direction, planning strategy and implementing strategy. Certo and Peter (1990) also suggest a similar framework, including environmental analysis, establishing organizational directions, strategy formulation, strategy implementation and strategic control.

Furthermore, Johnson and Scholes' models up to the third edition (1993), which is regarded as the example of 'action approach' by Greenley (1989), are less applicable, because they added a section on 'corporate purpose and aspirations' to their strategic choice component. The structure of the model then becomes similar to the environmental approach that favours the environmental scan as its starting point.

Johnson and Scholes (1993 p.14) still stand firm that strategic management is not just *'the management of the process of strategic decision making'*. However, Lynch (2000) suggests the emergent approach along with prescriptive strategic process in which strategic process cannot be a linear process and rather is a process containing related components. Therefore, action approach is still applicable.

In contrast, Day (1984) suggests a different model of six basic steps that are widely used by scholars. Day (1984 p. 48) comments on this that *"Good illustrations are Andrews (1971) and Steiner (1979)'*. *More complex process models are described in Hofer and Schendel (1978). Further variants can be found in Gluck, Foster, and Forbis (1976), Rothschild (1976) and Vancil and Lorange (1977)"*. The six basic steps include *'business definition, situation assessment, preliminary performance objectives, strategy development, implementation and monitoring"* (Day, 1984 p. 48-49).

Furthermore, Freathy and Harris (1998, p.12) provide a recent version of these basic steps and recommend that there is some agreement on the components that construct strategic planning. Those components include *"the development of mission statements, undertaking a strategic analysis, objective setting (review objectives), the choice of strategic and tactical courses of action, the implementation of strategy and the monitoring and review of the chosen strategy"*. The process can be regarded as a practical method for strategy development, because it helps decision-makers to focus the intention of the company, and helps them to find the boundary of strategic analysis.

The previous examples can be considered as the repetition of the earlier mentioned issue on the starting point of the strategic management process. The choice of the starting points of the process can be flexible to suit different stages and needs of each organisation. The following review will adopt the environmental approach due to two reasons. Firstly, starting the process with the analysis of environment encourages

the process of understanding and learning changes by strategists, planners or decision-makers together as priority. Secondly, it also encourages the analysis and question marks on present business thinking on current mission, objectives, strategy and financial status. However, views and opinions from other approaches will not be omitted, and be placed where it is appropriate. Therefore, the following are four major components that have the nearly similar structure to the planning models in Berman and Evan (2001), Thompson (1995), Montanari, Morgan and Bracker (1990), Certo and Peter (1990), Johnson and Scholes (1997, 1999) and Greenley (1989). The review will include sources from literatures in the field of strategic planning, strategy and retailing.

3.2.1 Conducting Environmental Analysis

Organisations must conduct the analysis of data and information that comes from day to day operations and purposeful collection. The purpose of the analysis is to set frameworks for later strategic decision making (Greenly, 1989). In this phase, strategic key issues are the most desirable outcome of the process in order to progress to the next stage.

As a common rule, the first stage of the planning process must aim at producing and highlighting key issues for strategic decision making. Two contrasting examples are introduced to show how the analysis of business environment can be conducted. The first example is non-use of analytical concepts apart from SWOT analysis. The input of the process normally includes four areas of different strategic data. The four areas are external environment, internal environment, past performance and business definition as shown in Table 3.1 (Day, 1994). The benefit of the framework is that it gives a framework of important components for environmental assessment. This leads to the determination of key issues and strategy options. The assessed components include

environmental analysis, competitor analysis, and resources and competencies. Each type of the analysis produces assumptions, such as environmental assumptions, competitive assumption and resource assumption respectively. These assumptions become key issues for later SWOT analysis. SWOT analysis in which key strategic issues are concluded, includes the analyses of strengths, weaknesses, opportunities, and threats (Cox and Brittain, 1993).

Furthermore, there are two additional components in the process as well. The first component is corporate expectation. The second component is the analysis of past performance. These strategic key issues and the outcome of SWOT analysis are input for strategic thinking. The strategic thinking can be taken in many forms such as formal planning, social events, individual creativity. However, Day's framework does not include many valuable frameworks that help decision-makers with what to look for in the business environment.

The second example is full use of well-known analytical concepts. Authors, such as Johnson and Scholes (1997, 1999) use well-known concepts to set frameworks for monitoring, analysing, and highlighting key issues. These concepts or techniques are PEST analysis, Porter's five forces, scenarios, value chain analysis, and SWOT analysis. Johnson and Scholes (1997) give emphasis to three major areas for strategic analysis. This includes analysis of three elements; environment, strategic capability, and stakeholders.

In contrast to Day, each area uses many frameworks and concepts for the analysis as in Table 3.2. The first part is the analysis of the external environment, which is normally associated with PEST analysis (macro economic assessment), and Porter's five force analysis (competitive analysis). Furthermore, scenario analysis can be a part which helps construct strategic key issues for strategy formulation to serve long-term

development and unpredictable change. The second part is the analysis of the internal environment, which is normally associated with value chain analysis, and portfolio analysis. The final part is analysis of stakeholders that can be classified into two parts; stakeholders' expectation and organisational purposes.

Although, there is no guarantee that these have been used widely in most businesses, these should be the broad frameworks of things that strategic decision-makers should have in mind. However, it might be said that different industries have different sets of influencing factors. For example, the emphasis on monitoring political influences for firms selling imported products is far more important than firms selling home products. In retailing literature, situation analysis is the word that describe the activity in the process of strategic planning. Concepts, which are similar to SWOT analysis are recommended by most of the authors, such as Berman and Evan, 2001, Levy and Weitz, 2001, Lewison, 1998, Cox and Brittain, 1993. Other analysis, such as PEST analysis (macro economic assessment) and Porter's five force analysis (competitive analysis), are not suggested. Therefore, there is a need to produce more cautious details for a certain industry. This will eventually strengthen concepts and theories when they are applied.

Table 3.1   Day's framework   **Table 3.2**   Johnson and Scholes'
                                                              framework

Environmental analysis	**Macro environment** political/regulatory economic societal technological	**Analysis of external environment**	**PEST or Step analysis** political/legal economic factors socio-cultural factors technological
	Market/ Industry environment market size and potential customer behaviour segmentation suppliers distributors		**Porter's five forces analysis** the threat of entry the power of buyers the power of suppliers the threat of substitutes competitive rivalry
Competitor analysis	- direct competitors - potential competitors - substitute products - forward integration by suppliers - backward integration by customers		**Competitive position** Strategic group analysis Market Segmentation Market attractiveness and business strength
Resources, competencies, and strategic Capability **Then**	- ability to conceive/design - ability to produce - ability to market - ability to finance - ability to manage	**Analysis of internal environment**	**Resource audit** **Competence and core competence analysis** Identifying competencies - value chain analysis
Each type of above analysis produces assumptions, such as environmental assumptions, competitive assumption and resource assumption respectively	These assumptions become key issues for later SWOT analysis. After that the SWOT analysis will be included with Business definition and analysis of past performance for strategic thinking process.		**Comparative analysis and benchmarking** historical analysis comparison with industry norms benchmarking financial analyses **Assessing the balance of the organisation** portfolio analyses
Business definition	Preliminary objectives	**Identification of key issues**	**SWOT analysis**
Analysis of past performances	Present strategy Financial performance in relation to objectives	**Analysis of Stakeholders'**	- **Expectation of stakeholders** - **Mission and vision Goal and objective**

Source: Day (1984, p.4)   Source: Johnson and Scholes (1997, 1999)

3.2.2 Setting destination

In the previous stage the analysis of those components was to develop a basis of strategic thinking and to highlight key strategic decisions. This leads decision-makers to set their framework about the business environment. Before moving on to strategy formulation, the decision-makers need to have a base for strategic options to be built. At this stage the company needs to have directions such as desired destinations, broad direction, specific achievements and the purpose of the strategic plan. The analysis of key issues in the framework will help decision-makers to form the purpose of the plan in relation to the results of strategic thinking. Strategic thinking which is carried out by activities in the form of formal meetings, social events, and individual efforts, should occur throughout the process. Some strategic decisions should be made after the analysis of strategic key issues. This will give a broad framework for strategy formulation to be built.

Creating these strategic decisions is to revise mission, a strategic vision (Lynch, 2000) or strategic intent (Hamel and Prahalad, 1989) and objectives if the company has already had one. Otherwise, the management must generate them to provide a basis for strategy formulation. Firstly, revising mission and vision is the priority after identifying strategic issues (Montanari, Morgan and Bracker, 1990). Mission is *'a general expression of the overall purpose of the organisation'* (Johnson and Scholes, 1997 p.12) The statement needs to contain 'business definition' (Day, 1984, Jaunch and Glueck, 1988), long term objectives (Thompson, 1995), the values and expectations of major stakeholders (Johnson and Scholes, 1997). Secondly, vision or strategic intent is *'the desired future state of the organisation'* (Johnson and Scholes, 1997 p.15) that top management positions its business in responding to strategic issues and to focus the company's energy on. Vision normally concerns rough ideas about the nearest target of

the company that gives the immediate purpose of the company's strategic moves in a given period of time (Hamel and Prahalad, 1989).

Thirdly, the management must set up key issues to be achieved by later formulated strategy (Berman and Evans 2001). There are two different types of key issues, such as financial and operational purposes, and strategic purposes. The first one is setting up objectives for corporate level, business level and operational level. It can be called objectives, goals and target respectively (Davies and Brooks, 1989). The company has to clarify its objectives, goals and targets that are the key issues to measure the success or failure of its later strategy and operation. The success of objectives is related to the success of goals and targets. For example, these key issues can be identified respectively as return on capital or profit, market share or turnover and sales per employees or selling space.

The second type was Johnson and Scholes (1997) suggestion that goals and objectives must lead organisations in directions to pursue its mission and strategic intent. Goals are more practical statements of aims to achieve strategic intent. On the other hand, objectives are more precise statements of aims with specific numbers attached to them. The second type is clearly useful when there is a significant change in strategic directions of the company. Issues, such as retail image (Berman and Evans, 2001, Lewison, 1998) and customer loyalty (Lewison, 1998), become important to objectives of retail organisations. This is a significant point that must be noted.

3.2.3 Creating Strategy and Evaluation

The emphasis on some key decisions is to set some directions and targets for strategy formulation. The numbers of people, who help to conclude strategic decisions, are limited to the Figures heads of executives, strategic business units (SBUs), and

divisions. There will be a more limited number when the discussion occurs during less formal meeting. After some important decisions have been made to set mission, goals, and objectives through formal and informal processes, the decisions in the form of mission, goals, and objectives have to be communicated to larger numbers of the managers who are responsible for strategy formulation. The organisation needs strategy at every level of management.

Strategies can be classified into four levels (Hill and Jones, 1995). However, the boundary of strategies can be unclear, because higher levels of management can influence lower levels of management in strategy formulation process. The first level is functional-level strategy, which an organisation uses to increase competence and resources for competitive advantages. The second level is business-level strategy, which an organisation uses as the way to position itself in competition by achieving competitive advantage. The third one is global-level strategies, which are essential to achieve a competitive advantage and maximise the company's performance in international markets. However, the strategies will not be discussed here, because the focus of the study does not include the operation of case companies outside Thailand. The last one is corporate-level strategy, which should be able to maximise the long-term profitability of the firm based on portfolio and financial management. The formulated strategy will normally have a series of strategic decisions to be made. Each decision should have alternatives. The following paragraph is the characteristics of strategy in different levels.

Functional level strategy

Functional-level strategy plays the most important part in creating and sustaining a competitive advantage (Hill and Jones 1995). The reason for this is that each function

is specialised in its area. It must adopt suitable operational methods to serve its strategic moves in achieving its objectives. The development of efficiency or other targets comes in four forms; superior efficiency, quality, innovation, and customer responsiveness, according to Hill and Jones (1995). For example, managers in production are experts in their area. They reflect company's goals, objectives, and other business level strategies by developing new ways of working, adopting new technology, and adopting new packages, such as Total Quality Management (TQM). Their purpose is to develop long term direction to help achieve their objectives. Although they have no direct power to change, they can be a part of technical improvement and initiation.

Business level strategy

Strategic business unit's strategy has a very close link to corporate strategy (Johnson and Scholes, 1997). There must be some co-operation and interaction between both corporate and business levels of management in deciding each strategic business unit's strategy. Philosophy and techniques in strategy planning are likely to have closely similar bases. This begins by choosing generic strategy for pursuing competitive advantages, and using a different investment strategy in different market situation, such as portfolio management (Hill and Jones, 1995). The important thing is that SBU only concentrates on a particular industry and how functional operations can be used to achieve its aims. The purpose of the strategy, therefore, is to achieve the business's objective, and to fight competition in a particular industry. The most obvious strategy is normally related to where the business competes and how the company competes. Apart from the strategy, SBUs have to decide what functions will be more encouraging as a strategy to compete (Certo and Peter, 1990).

Corporate level strategy

After decision-makers at corporate level conduct the analysis of environment, and decide on areas that are so called "bases of strategic choice" (Johnson and Scholes, 1997). These areas include corporate purpose and aspirations, SBU generic competitive strategies and the role of corporate parent. They also make decisions on business involvement for long term development of the companies including alternative directions and alternative methods. The decisions on the matter will influence strategic choices at both corporate and SBU level. It might be said that corporate level management uses the same principles of management as SBUs level such as portfolio management, generic strategies, and growth strategies. However, the role of corporate level management will be more concerned with achieving financial objectives, such as share prices and corporate profit. Therefore, they concentrate on investment, financial exploration, and competitive advantages in managing its resources for business in their portfolio.

3.2.4 Programming strategy Implementation

After every level of management has formulated strategies for its own level, they must be prepared to implement strategies by designing programmes. At this stage the company has to bring strategies to life by programming elements. The information in the previous stages will be used and adjusted as bases for programming. The reason for programming can be explained as the following. Firstly, the details, especially in the stage of strategy formulation and strategy evaluation should be reproduced in a suitable form for implementation. Secondly, decision-makers need communication and solid contribution from a bigger group of subordinates if they want to implement the strategy properly. Lastly, the programming guarantees that strategies are implemented in the

right direction, and in controllable sequence. The programmes based on authors (Freathy, 1998, Johnson and Scholes 1997, Thompson 1995) in general, give a significant emphasis on three necessary areas. These areas include organisation structure design, designs of resource allocation and control, and strategic change implementation as major elements.

Organisation structure design

The change in the strategy of a company sometimes requires some changes at all levels of management, operation and administration. For example, a new strategy requires the right personnel to carry out jobs or tasks necessary for the implementation of the new strategy. There are new tasks that need to be achieved and former tasks to be scrapped. The design of a suitable structure for an organisation can support the change of strategy and enhance the success of new strategy implementation (Johnson and Scholes, 1997). There are two frameworks that have been widely accepted for initiating ideas of organisation structure design. The first one is the concept of the configuration of the organisation structure. The purpose of using this concept is to adjust organisation structure to suit its organisation's purpose. Designers create a suitable structure based on other successful organisations and the characteristics of their businesses. Minzberg in Johnson and Scholes (1997), Asch and Bowman (1989) and Quinn et al., (1988) suggests his view on co-ordinating mechanisms through six basic building blocks representing six basic parts of organisation. His recommendation on ten parameters of organisational design is the framework that is useful to the adjustment of organisation structure. These basic parts also play a major role in forming configuration and are shown in Figure 3.1. Mintzberg (Quinn et al., 1988) suggests six defined types of organisation configurations; simple structure, machine bureaucracy, professional

bureaucracy, divisionalized form, adhocracy and missionary. However, it is Miller (1989) who suggests a new method of relating Porter's generic strategies to these organisation configurations. The second one is McKINSEY's 7S framework' (Peters and Waterman, 1989), which is related to seven factors as in Figure 3.2.
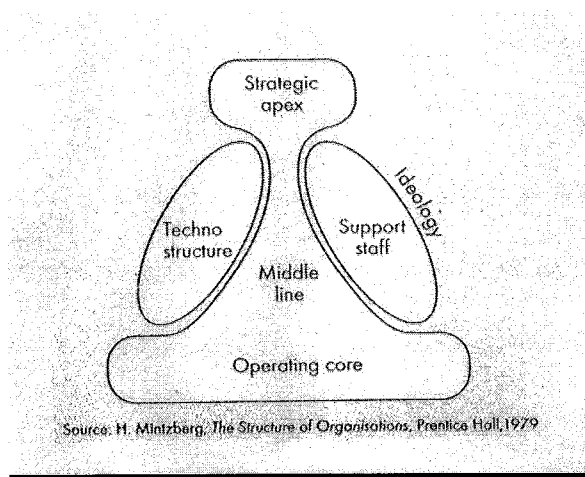
Figure 3.1 The six Building Blocks of Organisations

Source: Johnson and Scholes (1997, p.397)
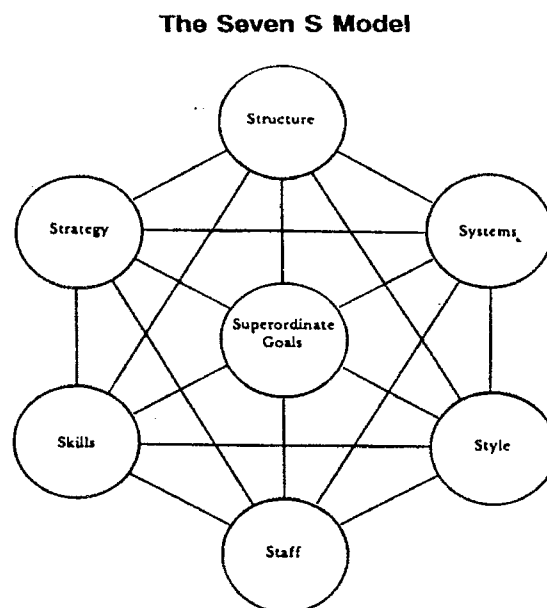
Figure 3.2 The Seven-S Model

Source: Waterman *et al.* (1988, p.272)

The framework defines seven elements that form a successful working organisation. The framework can be used as a starting point in the design of an organisation when there is a change. The factors have to be designed in relation to each other, if the company wants to obtain a successful achievement of its goals.

Designs of resource allocation and control

After dealing with human resources, the company moves on to allocate other types of resources for creating competence. The second type of design will be separated into two parts. The first part is resource planning at corporate level that concerns with the allocation of resources between the various parts of the organisations. There are three approaches of allocation at the level suggested by Johnson and Scholes (1993).

Firstly, few resource changes, in which allocation will be carried out *'on an historical basis'* (Freathy, 1998 p.3), require two methods, such as formulation in resource distribution and bargaining. Secondly, allocation during growth, which *'requires the organisation to establish new areas of priority'* (Freathy, 1998 p.4), allows three methods, such as centralised allocation, open competition for additional resource and constrained bidding on additional resource with in limited policy. Thirdly, allocating resources in static or declining situations, which involves *'the reallocation of existing resources'* (Freathy, 1998 p.4), can apply similar methods as allocation during growth, but it can involve lowering costs, sharing resources and merging or closing down of units.

The second part is resource planning at business level that must identify resources and competence, in which the business needs to have in relation to strategies for the future. 'Value activities' and 'requirements throughout the value chain' must be planned to fit into operational activities (Johnson and Scholes, 1993, p.320). Johnson

and Scholes (1993) suggest that there are a number of planning tools to allocate resource, but three of them are the most commonly used tools including budgets, financial plans and network analysis.

Furthermore, Lynch (2000 p.780) agrees with Mintzberg (1994d) on the role of strategic planning as strategic programming, then suggests that strategic planning is a useful device for 'making strategy operational' in the resource allocation process. Strategic, functional and tactical plans later become the communication and control device for operational activities. The control of resource allocation and performance must be a system, which supports and keeps the company in line with goal achievements.

Strategic change implementation

After the designs of the previous two parts are programmed as the desired future state, decision makers must prepare the procedures of strategic changes. They must identify things that have to be removed from the system and things that have to be implemented. The obstacles in the workplace should be identified in relation to the operations for changes. The most important issue is to inform subordinates to be ready and not to obstruct the procedures. If subordinates understand the need for changes and are motivated to the outcome, strategic change will be achieved. Hill and Jones (1995) suggest a process of strategic change management involving *'a series of distinct steps that managers must follow if the change process is to succeed'*.

The steps are as the follows. Firstly, determining the need for change from strategic issues and decisions facing the company. Secondly, determining the obstacles to change from every level of management. Thirdly, implementing change with the

involvement of essential personnel plus plans for a smooth process. Finally, evaluating change for the effects on organisational performance.

3.3 Models of Strategic Management Process in Retailing Literature.

The review of literature in Section 3.1 suggests that there is an inadequate amount of empirical research on strategic retail planning in practice. The process of strategic planning being conducted in retail organisations is rarely found in the literature. This would be one of the key questions that must be answered by the research. Therefore, it is necessary to review planning models prescribed by retail scholars in order to assist the establishment of framework. The purpose of this section, therefore, is to review the strategic planning process that has been identified in the literature of retailing. A collection of the relevant materials has been obtained by a thorough search of literature in retailing and retail management.

Much of the literature in retailing has been related to strategic planning, marketing management (Wilson and Gilligan, 1997, Cravens, 1991) and strategic management. The literature includes retail marketing, retail operations, and retail management. They relate to planning either the model of strategy formulation or formulated strategy and management of retail functions. In addition, the review will serve the purpose of identifying the differences and similarities when the comparisons of models are made.

The model of strategic formulation is much influenced by the conceptual model of strategic formulation by Andrews, especially the concept of "fit". The model was well defined in Chapter 2. Moreover, the description of the process and its components was also made in the Section 3.2 in order to clarify the terms that are used. Therefore, the following review is intended to present the commonly found models of strategic

formulation in retailing textbooks. Firstly, the model of formulation mostly starts from focusing on mission, which later becomes the mission statement and objectives. Secondly, environmental or business situation analysis is conducted to search for strategic key issues or SWOT. Next, clearer decisions on directions, goals, and objectives should be decided. Fourthly, strategic options are formulated in relation to the objectives, and then are evaluated by the previously set up objectives. Fifthly, a strategic option is chosen, and the programming of strategy implementation and control can be started. Finally, performance will be evaluated in relation to mission, goals and objectives of the strategic retail plan. Some adjustments to the plan may take place in the process. It can be said that the development of the literature in the field of retailing is at the same level as that in strategic management. The reason for this is that the basic framework of the process is applied widely in the literature.

Based on the simple process of strategic planning process, the clarification of other dominating concepts would help to set a framework for further field research. The following section will identify how some concepts are applied, and how other concepts could be applied. The two following tables (Table 3.3 and 3.4) contain the review of books on retailing. The authors' names are shown in the left column vertically. The suggested items for strategic planning process are shown in the first row horizontally. The mark (x) is used to present the chosen items.

Table 3.3 The process of strategic management in the retailing literature: without the marketing dominance

Steps in strategic planning process	Mission statement	Objective identification 1	External and internal environment analysis or situation analysis	Swot / X2 = Gap analysis	Objective identification 2	Portfolio analysis	Strategic options	Strategic evaluation	Objective identification 3	Implementation, evaluation and control
Freathy and Harris (1998)	X		X		X		X			X
Lewison and DeLozier (1989)	X		X		X		X			
Arnold (1983)	X	X	X	X2		X	X	X		X
Levy and Weitz (1995)	X		X				X	X	X	X
Cox and Brittain (1996)	X		X	X	X		X	X		X
Mason and Mayer (1981)	X	X	X	X2		X	X			X
Howe (1992)	X	X	X				X	X		X
Allen (1984)	X	X	X				X	X		X

Table 3.4 The process of strategic management in the retailing literature with marketing dominance

Steps in strategic planning process	External and internal environment analysis 1	Mission statement	Objective identifica-tion 1	External and internal environment analysis 2	Target segments	Positioning or formulate desired image (X2)	Objective identifica-tion 2	Critical success factors & key variables	Strategic options	Strategic evaluation	Implementation, evaluation and control
Mason, Mayer, and Ezell (1991)		X	X	X	X	X			X		X
James, Walker and Etzel (1981)	X	X	X		X	X2			X		
Berman and Evans (1995)		X		X	X	X	X		X		X
Harris and Walters (1992)	X	X				X	X	X	X	X	X

Table 3.5 The marketing planning process

Steps in Strategic Marketing Planning Process	Market situation analysis	Market segmentation	Target market	Positioning	Formulating marketing srategy for different situations	Implementation, evaluation and control
Drummond and Ensor (1999	X	X	X	X	X	X
Walker, Boyd and Larreche (1992)	X	X	X	X	X	X
Craven (1991)	X	X	X	X	X	X
Kotler (1991)	X	X	X	X	X	X

The presentation of the review comes out in Table 3.3 and Table 3.4. Both Tables show the steps in the strategic planning process and strategic management process of retail management. The order of the steps or components in the process varies significantly. For example, objective identification stage firstly appears in two similar components that locate in a different order, in Table 3.3 and Table 3.4. Secondly, external and internal environment analysis stages appear in two similar components, which locate in a different order in Table 3.4. The explanation for this is that different authors give different importance to having the priority of environmental scan. In my opinion, these imply that there is an influence from the different roles of organisational culture, such as proactive and reactive culture.

The possible explanation of the statement can be made by the use of the words "vision" and "problem solving", if these two concepts are the reason behind the different practices. In proactive culture, top managers or CEOs are possibly keen on developing long-term vision for their subordinates, Mission statement and objectives

must be built towards desired vision. In reactive culture, top managers or CEOs might prefer problem solving rather than the other approaches. Environmental scans are likely to be useful to narrow down strategic issues and problems. Mission statement and objectives are created to solve problems, threats, and needs in the long term.

These are not the most important points of the study. The study of the steps in the strategic planning process is to find additional concepts applied to the process. The difference between Table 3.3 and Table 3.4 is the application of marketing to the planning process. The split between the two Tables is made by an intention to show an important point, which emerges from the review of retailing literature. The first Table contains a number of author names and the suggested items without the influence of marketing concepts. It can be said that the models of the process are derived from the general models found in manufacturing organisations. The use of marketing is down to the responsibility of the management at the functional level. At the top management the focus is more on research and development, return on investment, and other strategic issues.

In contrast, the second Table does show the influence of marketing concepts in the models. These marketing concepts are shown in Table 3.5. by the presentation of the marketing planning process. The organisations, which adopt these models, are likely to be more involved in marketing themselves to suit customers. The top management of these firms would be highly concerned on how the image of the companies is presented. A number of marketing concepts have been introduced to the process here as well.

In other words, authors in Table 3.4 have applied market segmentation and positioning to the process of strategic management in their literature, but authors in Table 3.3 have not. Although this does not mean that authors in Table 3.3 do not apply marketing in other parts of their literature, this shows that strategic planning process of

retail business can have its own characteristics. The process in retailing organisations would be marketing dominance as well. The purpose of this is to show how strategic retailing management differs from strategic management.

In fact strategic retailing management includes concepts from three different sources. Firstly, strategic management concepts, such as the concepts of 'fit', competitive advantages and implementation, are the bases of the strategic retail management. Secondly, marketing concepts, which are applied to the marketing literature at a 'product level' (Jobber, 1998) rather than a 'business level' (Jobber, 1998), include market segmentation, target market, and market positioning. Finally, retailing strategy is the arrangement of retailing mix, such as locations, store atmosphere and merchandising mix. The question is 'why are the marketing concepts applied to the process of strategic retailing management?.

The answer for this might be that a retail organisation could be seen as one brand name of a product or a service in customers' perception. The nature of the retail industry forces them to look closely at where it stands in the customers' mind, even though one retailer sells a lot of products from different brand names. What is special to retailers, more than other businesses, is that they deliver products and services through their own distribution channel. The core value of the business is that they provide adequate products and services from one premise to customers living in the area. The value added includes the store decoration creating the right image, expected quality of products sold and customer services, convenience and others. Strategic management now emphasises on the positioning of the company to competitors in terms of overall strategy.

3.4 The discussion on the dominance of marketing concepts

Before continuing the discussion on the dominance of marketing concepts, this section begins by mentioning Johnson and Scholes (1997) view on strategic management in different manufacturing and service organisations. The levels of tangibility of what the organisations are offering to the customers determine different approaches to competitive advantage. In a manufacturing firm, the produced 'tangible' (Levitt, 1986) products are most important to satisfy consumers, although after sales services are essential. The repeated use of the products gives consumers satisfaction as long as they can be used. In a service organisation, the point of sale or point of delivery is most important. Customers can be effectively satisfied by services that are 'intangible products' (Levitt, 1986).

When looking back at retail businesses, it can be seen that they provide both physical products and services. Things become more complicated for the retailers. The satisfaction of consumers in buying merchandises from a retailer mostly come from the services provided in store. However, the satisfaction of consuming the purchased products can affect the their total satisfaction. This certainly influences the choices of retailers and manufacturers made by customers. Therefore, competitive strategy must also be build up around merchandises and services that a retailer offers.

A somewhat similar view was expressed by Gilbert (1999, p.74) that retailing in fact provides a service product although the sale of goods is involved, because the service provided by retailers is *"a core part of the transaction"*. Retailing is regarded as a mixture of intangible and tangible product that has more intangible character. This is illustrated by his model of intangible–tangible product continuum or tangibility spectrum that rates traditional retail as 'a mixture or amalgam of service and goods' (Gilbert,1999, p.74). According to Gilbert (1999), retailing should be on the service end

of the continuum even though the satisfaction of consuming the purchased products must not be omitted from the total customer's satisfaction.

To expand the above point, the perception of consumers towards retailers should be explored. A retailer's brand name, which is intangible, becomes an image in the customers' perception, when the perception of the brand name is related to the customer's past experience. The experience relates to their activities associated with the products and services that a branded organisation offers. The image of an organisation's brand name is regarded as the benefit of a product that can be perceived by customers.

In other words the benefit of the service provided by retailers is considered a product offered to customers. The product must be managed properly for both tangible and intangible benefit or the benefit received from goods sold and services provided in other words. To manage this successfully, executives and senior managers must manage effective strategy to sustain the competitiveness of the distinguishable 'service products' (Gilbert, 1999). Even though they do not intend to engage in the marketing strategy called 'brand building' (Gilbert, 1999). Gilbert (1999 P.258) also adds to the point that

> "There is a school of thought that believes that brand building will increasingly mean developing the whole company as the brand. The service industries, which include retail, are ideally placed to produce this change because it is difficult for them to sustain a differentiated, competitive product advantage over their competitors. Thus, it will become increasingly important to position organisations as 'brands' in the minds of actual and potential customers".

At this point, the above discussion can help to clarify the question of "why should strategic retailing management be different from strategic management suitable for manufacturing firms?". First of all, a retailer's services offered to consumers can be viewed a distinguishable 'service product' (Gilbert, 1999) from other 'service products' (Gilbert, 1999) offered by other retailers. The names of retailers, Tesco, Sainsbury, and Safeway, represent brand names of products in customers' perception. On the other hand, the benefits of company names is not utilised by manufacturers necessarily. The

'multi-brand' names (Drummond and Ensor, 1999), which they use for their products, are more important than their company's 'corporate brand' name (Drummond and Ensor, 1999). This assumption can be suitably applied to manufacturers of grocery and consumer products.

Generally, many of these manufacturing firms produce different lines of products with different brand names, and sell to different target markets as well. These firms would emphasise these strategic marketing management at their functional level. The products under different brand names will be marketed separately. At the top management level of the firm, the influence of marketing concepts, such as target market and positioning, to the business and corporate activity will be less important.

Portfolio management, other financial investment analyses, and research and development would be more influential at this level. However, this does not include the manufacturing firms, such as the producers of cars, computers and printers that exploit the benefit of their successful corporate names by using them on their products. These organisations must apply marketing concepts to the management at the business and corporate level too. Therefore, those arguments are the reasons why marketing concepts are embedded in strategic retailing management.

Secondly, there are a number of unique components of retailing businesses that need extra strategic decision-making due to the nature of trade. The decisions for the components make strategic retailing management different to strategic management, but closely similar to strategic marketing management in some ways. However, the similarity is limited to the application of market segmentation, target market and positioning. The reason for this is marketing mix (4P) is suitable for manufactured products (Gilbert, 1999) not for retail services. Even though both strategic retailing management and strategic marketing management requires target market and

positioning that influence on strategy mix, such as marketing mix (Craven, 1991) or retailing mix. For example, executives need to decide on investments in their own distribution network and branches rather than deciding on distribution channels or intermediates.

Ring and Tigert (1997, Arsasongtham, 2000, Tungrathpahn, 1998) have gone further to identify eight ways to win in retailing. These ways are key retailing mix that can replace four marketing mix. The retail mix can be classified into two groups. The first group has five external factors that encourage differentiation, including Place, Product, Communication, Value, and People (Tungrathpahn, 1998). The second group has three internal factors that encourage low cost leadership, including System, Logistics and Suppliers (Tungrathpahn, 1998).

Therefore, strategic retailing management has a combination of strategic management of the corporate level and strategic marketing management of the functional level to add to the existing retailing concepts. The reason for this is that the nature of multiple retailing businesses requires both finance and dominating marketing concepts in the management at the highest level of management. The investigation of literature in retailing must give more weight to both strategic management concepts and strategic marketing concepts in strategic retailing management.

So far the domination of marketing concepts in retailing has been illustrated by the review of the literature. To support the discussion, Gilbert's view on marketing influences is summarised as follows: Gilbert (1999, P.25) adds four important factors that reveal the significance of marketing to retailing. Firstly, there is *an oversupply of retail outlets'*, which led to the highly competitive retail market, and increased the use of marketing as a winning strategy for retailers. Secondly, consumer's attention changes toward other characteristics of merchandise rather than price alone. The use of

marketing strategies and tactics to *'customer attitude and beliefs'* becomes very essential. Thirdly, marketing research, which is an important tool of marketing, becomes crucial where *'the distance between the retailer and consumer had been continuously increasing'*. Finally, mass markets became fragmented 'as society developed' with different lifestyles and preferences of consumers. Segmentation, positioning and other marketing strategies are significant to retailers trading in the market that have such diversity.

3.5 Conclusion

This chapter was separated into three sections. The first section gives details on the development of a research theme that suggests retailers are participating in a form of strategic planning or strategic management. The possible use of planning was described well, but needs to be researched further. Some researches from the UK grocery retailing were brought in to the discussion for the possible explanation of strategy development in real practice.

The second one is about formulation and operation for the development of strategic plan. The process has four stages including conducting environmental analysis, setting destination, creating strategy and evaluation, and programming strategy implementation. The process gives a basic idea of how decision-makers can deliberately build their analysis frameworks and develop strategic thinking throughout the process.

The last part of the chapter focussed on the application of strategic management concepts and processes to the retailing literature and how strategic retailing management is constructed. The major finding suggested that the retailing literature developed with very close links to marketing concepts. The structure of strategic retailing management process has some similarities to strategic marketing management. Therefore, many

concepts in strategic retail management were added by marketing concepts. Field research is now needed to shape strategic retailing management into a form that might be used in retailing organisations.

CHAPTER FOUR

Current application of concepts in strategic planning for retail operations

4.0 Introduction

The review of Chapter two and Chapter three suggests a significant framework of how strategy can develop in organisations. The review also extends to retailing literature. Chapter two gives us the clarification of all possible approaches of strategy development that can embed in every type of organisations. The literature suggests that the deliberate approach is a successful key to strategy development in complex organisations, although we need to discover its form in such organisations. Therefore, Chapter three helps us to understand what scholars have prescribed as a guide to the processes of deliberate strategy development in general business and retailing literature, and the models of planning process from literature in strategic management, marketing and retailing are compared. The review suggests that important marketing concepts are applied to strategic retailing management.

The purpose of this chapter is to identify another major theme of strategy development, and to produce a useful framework for studying strategy development in retailing organisations. The main topic to be discussed is the strategic content, one of the important themes in the field of strategies. The framework of the chapter is derived from previous works including Positioning Strategy in Retailing, 1989), Developing Retailing Strategy (Omura, 1986), Cost effective differentiation: and application of strategic concepts to retailing (Warnaby and Woodruffe, 1995) and Retailier Strategies in the UK (McGee, 1987).

This section focuses on the analytic method for strategic development and strategic choices in retailing literature. The chapter examines then how the retailing literature has put the concepts of strategic management into the retailing context. As strategic planning and strategic management were originally developed in manufacturing businesses, the concepts should have some adaptations when they are applied to retail businesses. As there does not appear to be any relevant past research conducted in Thailand, the following review relies on past research conducted in the UK due to the limited resources available for the period of the study.

The chapter is presented in three sections. The first section reviews well known analytic methods for strategic development and their application to retailing literature. Several of the analytic methods mentioned in the first section of the chapter are described in depth with regard to their operation, benefit and importance. The second section focuses on planning tools for strategy formulation describing planning tools from the field of strategic management and their application in the field of retailing. The third section planning concepts from other management areas are explored, and their usefulness in a retailing environment evaluated. The last section is about strategy that has been used widely in corporate and SBUs levels, described in terms of the usage and benefit. The review therefore develops an understanding of strategy development in general management. The section will help in reviewing strategy development in the field of retailing.

4.1 Analytic Method for Strategic Development

There are a number of analytic frameworks that have been long practised by business companies since the early stage of strategic planning process. Scholars, such as Johnson (1987), Walters and Hanrahan (2000) and McGoldrick (2002) suggest that

many retail companies have now applied them for auditing and analysing the external and internal environments. These methods themselves do not suggest strategies, but do provide bases for crucial insights of the company's environment.

4.1.1 PEST analysis

Political/legal	Economic factors
Changes of legislation	Unemployment and Inflation
Taxation policy	Government spending, GNP and GDP
Changes of political policies	Money supply and Interest rates
Sociocultural factors	**Technological**
Population demoographics	New discoveries/development
Income distribution	Speed of technology transfer
Lifestyle changes	Application of available technology

Figure 4.1   Factors in the Pest analysis

Source: Adapted from Johnson and Scholes (1997, P.96)

PEST analysis is mentioned in the environmental analysis. The purpose of the analysis is to give a framework for decision-makers in conducting macro environmental analysis. The analysis gives them ideas about the areas that should be audited. There are four main areas: Political/legal, Economic factors, Socio-cultural factors, and technological factors. The factors are normally audited separately to identify issues, which influence the industry or the business. However, there can be major issues that influence these factors at the same time, for example, UK public health issues such as the BSE crisis, food and mouth disease and the outbreak of Ecoli 0501. In addition, the framework can encourage 'a valuable brainstorming exercise' for the management to explore the environment beyond its market competition (McGoldrick, 2002, pp. 136). The figure 4.1 shows a number of issues that can be classified in each factor.

Pest analysis is widely used in most of the literature in strategic management, and is useful for assessing the external environment of retailers. The four factors are have proved to be very crucial to the development of trends in a particular industry. The literature in strategic retailing management emphasises Pest as an useful method of analysing a company's environment. However, the method must be supported by the analysis of competitors, and other firms involved in the industry.

4.1.2 Porter five force analysis

Porter (1980) gives a framework for the analysis of competitive industry. The tool was developed to deal with real economic condition in the 1980s when the market was declining (Davies and Brooks, 1989). Porter (1980 pp.3-29) defines five major significant groups that influence the development of an industry as shown in Figure 4.2. The analysis of these major groups can help decision-makers identify the relationship of the forces in an industry, and the way that the market is evolving. The company can use the framework to initiate ideas for industrial analysis, such as key trends and dynamics in its industry (Kare-Silver, 1997). In processing the analysis, they need to identify issues into each force. The prediction of what others might do also plays a major part of the analysis. Therefore, the analysis is a major tool in identifying the way an industry is developing

However, there are some arguments with regard to Porter's work. Firstly, the analysis seems to be a cumbersome tool. Ruocco and Proctor (1994) look at strategic management planning in practice, and highlight negative aspects of the tool application; the analysis requires a great amount of detailed information, which may always not be available. Moreover, the use of the analysis is so time consuming that it can lead to boredom and lesser enthusiasm. It might be said that the framework is very complex,

and needs a firm establishment to obtain an insightful analysis. Secondly, there is also a problem with the underlying assumptions of the tool's framework. For example, some assumptions have changed from those in the 1970s-1980s, and thus some recommended conditions for each force must be changed before analysts try to conclude the bargaining power of each group.

Figure 4.2 Porter's five forces Theory of Industry Structure

Source: Porter (1988, p.59)

DETAILED
Porter's Five Forces Theory of Industry Structure

Entry Barriers
Economies of Scale
Proprietary product differences
Brand identity
Switching costs
Capital requirements
Access to distribution
Absolute cost advantages
  Proprietary learning curve
  Access to necessary inputs
  Proprietary low-cost product design
Government policy
Expected retaliation

Rivalry Determinants
Industry growth
Fixed (or storage) costs/value added
Intermittent overcapacity
Product differences
Brand identity
Switching costs
Concentration and balance
Informational complexity
Diversity of competitors
Corporate stakes
Exit barriers

New Entrants

Threat of New Entrants

Bargaining Power of Suppliers

Suppliers

Industry Competitors

Intensity of Rivalry

Bargaining Power of Buyers

Buyers

Determinants of Supplier Power
Differentiation of inputs
Switching costs of suppliers and firms in the industry
Presence of substitute inputs
Supplier concentration
Importance of volume to supplier
Cost relative to total purchases in the industry
Impact of inputs on cost or differentiation
Threat of forward integration relative to threat of backward integration by firms in the industry

Threat of Substitutes

Substitutes

Determinants of Substitution Threat
Relative price performance of substitutes
Switching costs
Buyer propensity to substitute

Determinants of Buyer Power

Bargaining Leverage
Buyer concentration versus firm concentration
Buyer volume
Buyer switching costs relative to firm switching costs
Buyer information
Ability to backward integrate
Substitute products
Pull-through

Price Sensitivity
Price/total purchases
Product differences
Brand identity
Impact on quality/performance
Buyer profits
Decision makers' incentives

Therefore, before it is applied to an industry; analysts must give full consideration of the industry nature, and adjust those recommended conditions. Nonetheless, McGoldrick (2002, pp.138) suggests that the use of the framework can

provide 'a diagnostic/ predictive checklists' that can act as 'an audit tool' for retailers. So far the analysis is clearly mentioned in retailing literature, such as Davies and Brooks (1989), McGoldrick (2002).

4.1.3 Swot analysis and Tows matrix

According to Hill and Westbrook (1997), SWOT analysis was developed at Harvard Business School and other American business schools from the 1960s. Furthermore, they highlight the work of Kenneth Andrews as an important influence to SWOT analysis as the follows:-

"Good strategy means ensuring a fit between the external situation a firm faces (threats and opportunities) and its own internal qualities or characteristics (strengths and weaknesses)." (Hill and Westbrook, 1997 p.47)

McGoldrick (2002, p.139) comments that the framework is 'a systematic evaluation' of both external and internal environment to generate business situation analysis. In addition, retailers can develop a complex analysis from the analytic method if information systems have been adopted.

This work seems to give a useful framework to later development and application in the field of strategy, but it was not until 1982 that a clearer picture of SWOT as a tool for strategy formulation was proposed by Heinz Weihrich (1982). TOWS matrix is the extra use of SWOT analysis which is often used to conclude key issues at the end of business environment analysis (see Figure 4.3).

Step 1. * Prepare an Enterprise Profile: (a) the Kind of Business; (b) Geographic Domain; (c) Competitive Situation; (d) Top Management Orientation			
	Step 4. Prepare a SW Audit in: (a) Management and Organization; (b) Operations; (c) Finance; (d) Marketing; (e) Other		
Internal Factors	Step 5. Develop Alternatives. Step 6. Make Strategic Choices. Consider: Strategies, Tactics, Action. Steps 1 to 6. Test for Consistency. Also Prepare Contingency Plans. (Step 7)	List Internal Strengths (S): (1)	List Internal Weaknesses (W): (1)
External Factors			
Step 2. Identify and Evaluate the Following Factors: (a) Economic, (b) Social, (c) Political, (d) Demographic, (e) Products and Technology, (f) Market and Competition Step 3. Prepare a Forecast, Make Predictions and Assessment of the Future	List External Opportunities (O): (Consider Risks Also) (1)	SO: Maxi—Maxi	WO: Mini—Maxi
	List External Threats (T): (1)	ST:Maxi—Mini	WT: Mini—Mini

Figure 4.3 TOWs Matrix

Source: Weihrich, H. (1982, p.60)

The outcome of a SWOT analysis identifies the strengths and weaknesses of its internal environment, and opportunities and threats in the external environment (Proctor, 1992). Weihrich (1982) suggests that TOWS matrix will help to organise different strategic choices systematically. The combination of matrix variables will help decision-makers concentrate on strategic thinking of a particular group of variables. The

illustration of these can be seen in the following. The outcome of strategic thinking is the possible alternatives that can be selectively used or combined together. There is evidence on the usefulness of SWOT analysis and Tows matrix in Ruocco and Proctor's work. SWOT analysis helps the management team of a company to agree on the points, which show the state of the company (Ruocco and Proctor, 1994). The aim of Tows matrix is to create various strategies for consideration (Ruocco and Proctor, 1994). Furthermore, Hill and Westbrook suggest a way that the list of SWOT should be given 'weighting and commenting' (1997). The best sample of rating and weighting for SWOT analysis is the work of Jacobs, Shepherd and Johnson (1998). By rating and weighting the value of each SWOT factor against a set of important future trend. Therefore, the rating and weighting method is similar to Industry attractiveness-Business strength matrix.

However, the rating system is done by the comparison of one factor against another. First, a basic SWOT analysis is done by the comparison of items in external environmental (Opportunities and threats) and internal environment (Strengths and Weaknesses). A positive score means that opportunities and threats can be overcome by strengths, and weaknesses can be compensated. A negative score means strengths would be decreased, and weaknesses would obstruct a company from coping with change. A zero score means external environmental change would have no effect on strengths and weaknesses. The same analysis can be used to assess its competitors as well. Moreover, they suggest a suitability analysis of strategies against SWOT items. These represent the development of the concept on the academic side.

On the other hand, the TOWS matrix only supports the production of different strategies in one situation. It can not offer different strategies in other given situations. Proctor suggests that the method must be applied with other methods, such as

brainstorming, to become 'a very powerful management tool' (Proctor, 1992, pp.21).
The use of spreadsheet software, such as Lotus and Microsoft Excel, can assist in such group decision-making situation.

However, the recent outcome of research on the topic sheds some light on problems when the Swot is used. Hill and Westbrook (1997) present an article on SWOT analysis, and call on 'It's time for a product recall'. The research gives the findings of an investigation of the use of SWOT analyses in 20 small and medium sized manufacturing companies. The research was conducted along an UK government initiative called the Manufacturing Planning and Implementation (MPI) to encourage strategy planning. Fourteen consulting companies are involving as initiators in the programme. Hill and Westbrook (1997) concluded problems to a few points as follows. Firstly, the process used for producing SWOT is not a thoughtful analysis as there is inadequate information, it is too intuitive rather than rational. Secondly, the outcome of the analysis is crude, descriptive, and unclear general statement. Thirdly, the treatment mentioned above such as weighted factors, and Tows matrix was not used. The tone of the implication suggests that Swot needs improvements in a number of ways. The reason for this is that the original concept of Swot analysis is too simple to cope with the complications of 90s businesses. Since SWOT analysis has become very accepted,

SWOT analysis is widely found in retailing literature too. It is recommended as a technique to analyse external and internal environment into crucial strategic issues. The issues are further analysed and solved by strategic decision making process. However, there has not been any application of TOWS matrix in retailing literature. The recommendation of matching strategic issues between the categories so far has not been supported in retailing.

4.2 Planning Tools for Strategy Formulation

This section intends to illustrate two planning techniques that have more impact on how strategy can be formulated than the analytic frameworks examined in section 4.1.

4.2.1 Gap analysis

The use of Gap analysis, which was once highly accepted, is the work of Igor Ansoff, who gave us the term "strategic management". Its use is beneficial to recommend specific growth strategies. According to Billsberry (1998), there are three basic questions to start the performance gap analysis; Where are we now?, Where do we want to get to? and How can we get there?. Once a company sets out its objectives, it must compare them with the performance of the present position to find the size of the performance gap. According to Davies and Brooks (1989), redefining financial objectives and business definition, which help to define objectives, is the first step to using the technique. The bigger the gap, the more risky the strategy is required. Next, key result areas are identified to fill the planning gap. Moreover, brainstorming can be used to identify SWOT factors of the company toward the key result areas. After the yearly performance indicators failed to guarantee a long-term survival of the company, a better and more reliable technique was needed to help planners find strategic direction. The technique began to disappear from the literature, including retailing. It is no longer applied directly to planning processes, however, the concept survives in several modified forms. The survival takes a supportive role to later planning concepts, such as illustration of risks for retail growth strategies, critical success factor and business redefinition. These concepts are shown in later retail literature, such as Knee and Walters (1985), McGoldrick, (2002), Davies and Ward, (2002).

4.2.2 Scenario analysis

Scenario planning was first introduced to the top and middle managers at Royal Dutch/Shell in the 1970s (Wack, 1985a, and Mercer, 1995). The result of adopting this type of planning helped the company prepare more suitable strategies, while the oil industry was in a time of dramatic change in a turbulent business environment. Wack who himself participated in shaping the planning in the 1970s, detailed the event and techniques of the planning development in 1985. The benefits of scenario planning can be described as the following.

Firstly, the planning primarily reminds managers to recognise and review 'drivers of changes' in its environment (Wack, 1985b). Secondly, scenario planning encourages managers to extend their view beyond current concerns (Mercer, 1995). However, different adopting companies and consultants have varied techniques of scenario planning development. Literature on the subject is mainly derived from case studies of adopting companies such as Royal Dutch/Shell (Wack, 1985a, 1985b), Anglo-American (Schoemaker, 1995), Aerospace and Defence (Millett and Randles, 1986), Interpublic Group (Schoemaker, 1995), and British Airways (Moyer, 1996).

There are a number of methods of conducting the scenario analysis that have been introduced by researchers and consultants. Many of them have based their frameworks on the practice in real life companies. There are two broad ways of constructing scenarios. The first method is likely to be close to the original scenario planning that Wack (1985b) took part in developing. The following procedures are used to construct scenarios. Firstly, time frame and scope of analysis are identified. Secondly, it requires the identification and understanding of changes in the past, major stakeholders, basic trends of external environment, and key uncertainties of events (Wack, 1985b), (Schoemaker, 1995). Basic trends will have to be highly accepted by

stakeholders (Wack, 1985b). Later, key uncertainties are identified to challenge the outcome of basic trends. Next, the key uncertainties will be grouped to 'construct initial scenario themes' by finding the interrelationships among them (Schoemaker, 1995, pp. 29). More techniques such as 'probabilities and cross-impact relationships' will be brought in to test 'consistency and plausibility' (Schoemaker, 1995, pp.29).

The construction is rather difficult and complicated. To make a final set of scenarios, further research quantitative works are needed to produce a thorough analysis of such scenarios. However, Leffler (1995) comments that a good starting point of the process must involve the management of companies by the conducting of in-depth interviews. This will balance the view of perceptions of decision-makers and explore facts before the process of constructing scenario begins.

The second method attempts to simplify things by allowing participants to identify key uncertainties and alternative outcomes of each issue. After that they bring them together by grouping them, then they construct a scenario from the variables. Scenario analysis is normally constructed on a limited number of variables, which are highly important to the industry in question and highly uncertain. Therefore, decision-makers have to conduct environment analysis before choosing key variables. Mercer (1995) suggests that the key variables should relate to changes in a particular industry and should be called 'drivers for change'. Johnson and Scholes (1997) suggest that the variables can come from the factors in PEST analysis such as development of market, consumer perception, government policy, and cost. After this decision-makers identify different expected outcomes of each variable. Next scenarios can be constructed from putting variables and their outcomes together by using imagination. There could be as many scenarios as three. Furthermore, Johnson and Scholes (1997) suggest that the

number of scenarios is related to the number of factors. If there are a large number of factors, the number of scenarios should be limited to two opposite scenarios.

In conclusion, a scenario is an efficient way to fight the uncertainty of dramatic change. The analysis has to be extensive and has insight. Learning from severe changes in the past helps to determine a number of factors that are important and uncertain against the current business circles and trends. Businesses are aiming at two different aspects. The first one is looking at opportunities from uncertainties in the future. If a company is prepared to change itself proactively rather than reactively, it should be able to get ahead of its rivals in the new environment. The second is looking at threats from the future uncertainties. A company looks seriously at uncertainty as a threat to its present strategy. Scenario analysis, therefore is proposing changes in a long time span of a business circle.

4.2.2.1 Scenario analysis in retailing literature

The analysis has a close link to the outcome of external analysis, as the analysis needs to be constructed by strategic variables facing companies' executives. The outcome of external analysis can identify reliable and strategically important issues. In addition, the use of the technique can help planners to create contingency plans. The variables could be focused on hostile environment, such as a dramatic rise in the price of operating costs. The managers can prepare some guidelines of activities or use as a part of training session on strategy development. So far there has been no suggestion to the use of scenario analysis in the retailing literature shown on Table 3.3 and 3.4. However, there is an attempt to establish the use in retailing in work undertaken by Erhard K. Valentin (1991). His article focused on constructing scenarios for retailing formats in the growth stage of the life cycle. The way, in which his scenario was constructed, is

very similar to the simple way that was mentioned earlier in this chapter four. The key variables of the normative structure scenarios come from a set of the possible future competitive environment at the mature stage of the innovative retailing format's life cycle. Later, each variable was described into four categories with predicted characteristics. Those predicted characteristics are imaginative, but based on available theoretical and empirical research. The most convincing scenario would be chosen along with a contingency one to be evaluated for the most suitable one. Once a targeted scenario is chosen, the gap of the future operating configuration and the existing operating configuration can be examined. It can be said that the most beneficial aspect of this technique is long term future strategy development. The technique works well in constructing a picture or framework of relating ideas and issues. Retailers can use the techniques to develop strategy for long term future and possible hostile situations.

4.2.3 Portfolio Management

Businesses and researchers, such as the Boston Consulting Group, McKinsey & Co. and Arthur D. Little (Coate, 1983), have created many tools to classify situations of products and services in relation to markets and competitors. Each situation has its own characteristics and details that can lead to the development of strategy formulation (Proctor and Kitchen, 1990). These models generate visual display to assist decision making in allocating resources and funding (Wind and Mahajan, 1981). This kind of framework is a part of strategic thinking, but requires insight analysis and knowledge of the market. Furthermore, leading businesses and researchers, such as Hax and Majluf (1984) define creative strategies for each situation. The following is an attempt to investigate the use and value of tools, such as Growth Share Matrix, Industry Attractiveness-Business Strength, and Life Cycle Matrix. According to Coate (1983),

these models develop the foundation of various portfolio models that construct the process of strategic planning of companies in 1970s.

4.2.3.1 Growth share matrix

Boston Consulting Group (BCG) developed the Growth Share Matrix to visualise the role of businesses in terms of contribution to growth and profitability (Hax and Majluf, 1984). It was developed in 1969 as an effective display during a business project with Mead Corp (Kiechel, 1981). The purpose of the matrix according to Hax and Majluf (1984) is threefold. First, the matrix offers a graphic display of a company's portfolio. Second, it reveals roughly the generation of cash and requirement of cash in each business unit to help the balance of cash flow. Third, it classifies products and services or even SBUs to unique characteristics that can suggest a 'strategic direction'. It has 'the attraction of its simplicity' (Faulkner, 1998) The matrix has two variables; market growth and market share (Proctor and Kitchen, 1990). One is plotted on the vertical axis, the other is on the horizontal axis. This leads to the production of four quadrants that give classifications for the matrix.

There are four classifications in the matrix as shown in the following figure 4.4. The first one is "question mark" which represents a low market share and a high market growth. The market is very attractive, but the company is not doing well in comparison with a major competitors. The products or services need more cash flow desperately. The second one is "star" which represent a high market share and a high market growth.

The products or services have a successful establishment in a growing market but still need a considerable amount of resources to sustain their position. The third one is "cash cow" which represent a high market share and a low market growth. The products and services have a high proportion of a mature market. They will generate a

large sum of cash for the company. The last one is "dog" which represent a low market

share and a low market growth. The products or services have low share in a declining

market. The cash return is likely to be used to maintain their operation. Furthermore, the

circles representing each business are used to plot in each classification. They have

different sizes to show the proportion of its contribution to total turnover of the firm

usually based on sale figures.

Market Growth Rate X year $=$ $\dfrac{\text{Total Market X year - Total Market previous year}}{\text{Total Market of previous year}} \times 100$

Relative Market share X year $=$ Business Sales X year $\div$ Leading Competitor's Sales X year
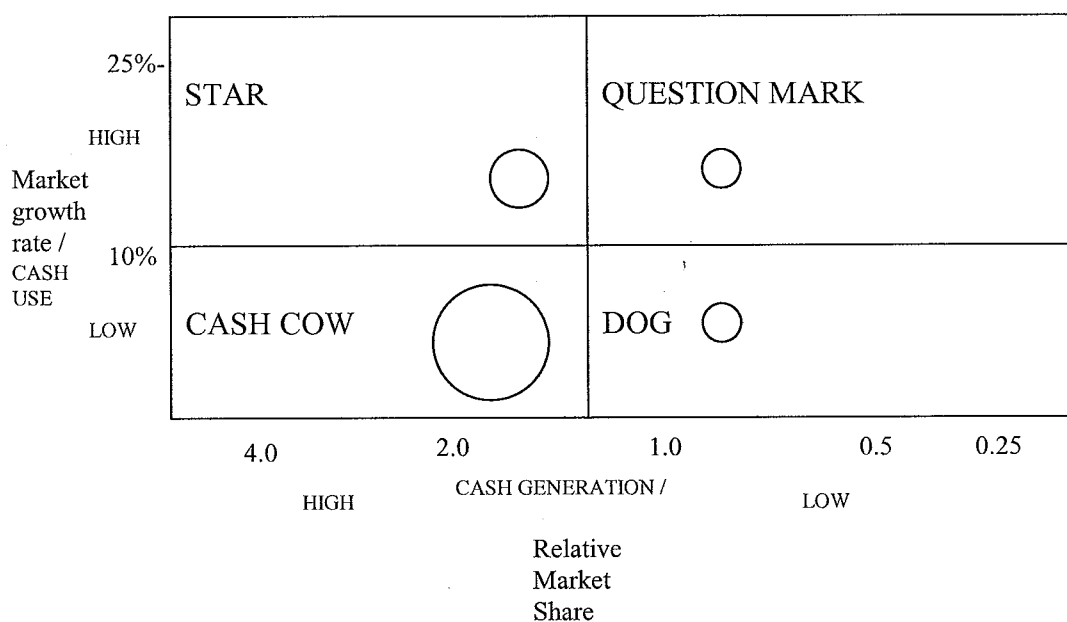
Figure 4.4 Growth-Share Matrix

Source: adapted from Hax and Majluf (1994, p.128)

The method focuses on maintaining long-term growth and opportunities by

allocating funds and resources to future profitable business (Coate, 1983). On the other

hand, the matrix is suitable for high growth industries, not slow growth ones (Faulkner,

1998, Kiechel, 1981). There are a number of other negative arguments towards the

approach. Firstly, relative market share does not represent adequately competitive position and relative cost (Hofer and Schedel, 1978, Wheelen and Hunger, 1989 and Porter, 1980). Secondly, market growth alone cannot represent the attractiveness and profitability of a market (Hofer and Schedel, 1978, Wheelen and Hunger, 1989 and Porter, 1980). Thirdly, the use of highs and lows to categorise a four-cell matrix is criticised as too simplistic (Hofer and Schedel, 1978), (Wheelen and Hunger, 1989). Fourth, relative market share to a main competitor might be useless, if there are other small competitors with fast increasing market share (Wheelen and Hunger, 1989). The matrix can help to get a rough idea about the current situation of SBUs or products and services as a business portfolio.

According to Davies and Brooks (1989), the tool is intended to simplify complex situation to encourage clear cut decision-making and introduce market factors. They argue from retail perspective that the method cannot cope with the business environment after 1970 era. Ideally, the matrix should be the most variable when it is applied to one industry with a range of products such as consumer products. One target group consist of many segments is the most suitable, because the growth of each product and market can be correctly and regularly estimated to construct the matrix. Furthermore, the concept is likely to benefit retailers in the management of their product assortment in scarce shelving space.

4.2.3.2 Industry Attractiveness-Business Strength

The matrix was introduced after BCG matrix. General Electric 'with the help of the McKinsey and Company consulting firm' (Wheelen and Hunger, 1989) developed a nine cell 'business screen' that ignored the problems of Growth share matrix (Hofer and Schendel, 1978) in the early 1970s (Proctor and Kitchen, 1990). The purpose of the

matrix is, according to Hax and Majuf (1984), to use more criteria or '*more realistic*

multidimensional axes' (Faulkner, 1998 p.207) to determine the value of the matrix

variables. Therefore, decision makers need to evaluate a number of criteria in two major

area. The first is external environment in relation to a market, the second is internal

environment in relation to its rivals. Obviously, environmental analysis and the

application of SWOT analysis may be a benefit in identifying these key factors. After

identifying and defining the factors, decision-makers carry out the assessment of each

type of factor.

Hax and Majluf (1984) give methods as the following. Market factors are ranged

from extremely attractive to extremely unattractive. Business strength factors are ranged

from great competitive advantage to severe competitive disadvantage. Each choice has

its face value. The outcome, which is in number form 1-5, will be weighted by the

expected significance that it has to market factors and business strength factors. Later,

the total score of each variable will be marked to the matrix as shown in figure 4.5. The

result is transferred to the matrix with its implication. The matter of calculation can be

easily overcome by the use of computer spreadsheet, such as Lotus 123 or Microsoft

Excel, according to Proctor and Kitchen (1990).

Table 4.1 Weighted score approach

Attractiveness Criterion	Weight	Rating	Score	Critical success factors	Weight	Rating	Score
Growth	0.3	*	**	Market share	=	-	*
profitability	0.3	*	**	R&D position	=	-	*
Competition	0.2	*	**	Cost advantages	=	-	*
Customer financials	0.2	*	**	Effectiveness of marketing tools	=	-	*
	1.0		***		1.0		*

Source: Adapted from Hax and Majluf (1994, p. 164)

Table 4.2   Strategic Implications from the Attractiveness- strength Matrix

Industry Attractiveness

		High	Medium	Low
Business Strengths	High	- Grow - Seek dominance - Maximize investment	- Identify growth segments - Invest strongly - Maintain position elsewhere	- Maintain overall position - Seek cash flow - Invest at maintenance level
	Medium	- Evaluate potential for leadership via segmentation - Identity weaknesses - Builds strengths	- Identify growth segments - Specialize - Invest selectively	- Prune lines -Minimize investment - Position to divest

	Low	- Specialize
		- Seek niches
		- consider acquisitions
			- Specialize
			- Seek niches
			- Consider exit
				- Trust leader's
				  statesmanship
				- Sic on competitor's cash
				  generators
				- Time exit and divest

Source: Hax and Majluf (1994, p. 175)

However, the calculation and the given value of the factors could be a major argument since it can be varied from one person to another (Faulkner, 1998, Wheelen and Hunger, 1989). Furthermore, the matrix does have one major weakness according to Hofer and Schendel (1978). The weakness is related to its application made to new starting businesses in new industries. The matrix will not have adequate information to operate. For example, if decision-makers only concentrate on obvious growth and profitability. This could lead to a bad judgement on the value. Possibly, the problem could be overcome by considering a number of criteria. The new criteria must assess the attractiveness of the new business better than routine criteria. Driving forces of industries which are emerging such as the support of new legislation.

Product/Market Evolution Portfolio Matrix
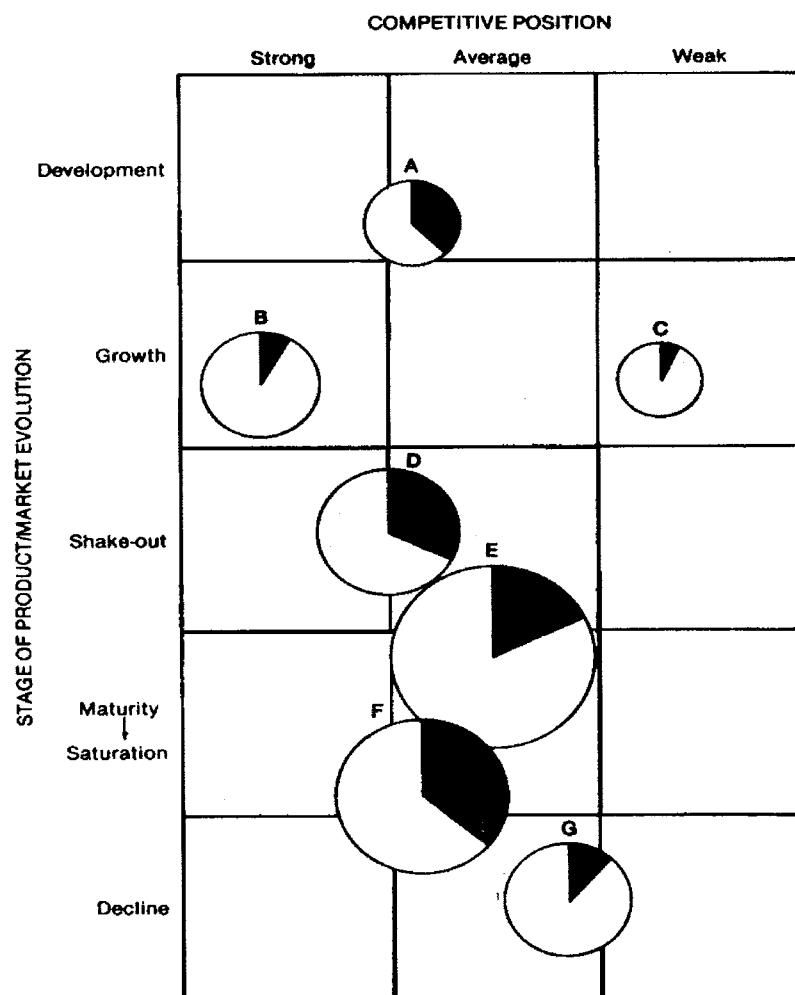
Figure 4.5 Product/Market Evolution Portfolio Matrix

4.2.3.3 Life cycle matrix

In order to solve the weaknesses of GE matrix Hofer and Schendel (1978) suggest that it might be better to use a matrix that indicates 'the stage of product / market evolution' in place of industry attractiveness. However, they still apply competitive positions into the other variable. The matrix can be seen in the Figure 4.4

That is not the only attempt that researchers have tried to improve the effectiveness of this type of matrix. The following is another matrix that used product

life cycle concept as one of the variables (Coate, 1983). The work is also done by Hax and Majluf (1984) in relation to Auther D. Little's work (1974, 1979, 1980). Life cycle Matrixes have much similarity to Industry Attractiveness-Business Strength. The matrixes are developed by using the Product Life Cycle concept in replacement of market attractiveness.

In contrast, business strength is applied to both matrixes. Business strength is replaced by competitive position of the business. The perception of how decision makers see market and competition, play a major role in the usage of the new matrix. Regarding the issue, there is another weakness of the matrice on *how quickly the maturing process will take place, or indeed whether it will take place at all* (Faulkner, 1998 p. 210).

The reason for this is that two variables have many classifications in each of them. The clarification of the classifications is not clear enough to make strict rules. However, there are some ideas about characteristics of each classification. Hax and Majluf define four stages of industry life cycle and six competitive positions of a business as the figure 3.10. Furthermore, Hax and Majluf (1994) identify that Auther D. Little (1980) suggests eight external factors market growth rate, market growth potential, breadth of the product lines, number of competitors, distribution of market share among competitors, customer loyalty, entry barriers, and technology. These factors help to determine the stage of a SBU in life cycle.

Figure 4.6 Criteria for Classification of Competitive Position

1. "Dominant": Dominant competitors are very rare. Dominance often results from a quasi monopoly or from a strongly protected technological leadership.
2. "Strong": Not all industries have dominant or strong competitors. Strong competitors can usually follow strategies of their choice, irrespective of their competitors moves.
3. "favorable": When industries are fragmented, with no competitor clearly standing out, the leaders tend to be in a favorable position.
4. "Tenable": A tenable position can usually be maintained profitable through specialization in a narrow or protected market niche. This can be a geographic specialization or a product specialization.
5. "Weak": Weak competitors can be in intrinsically too small to survive independently and profitable in the long term, given the competitive economics of their industry, or they can be larger and potentially stronger competitors, but suffering from costly past mistakes or from a critical weakness.

Source: Arthur D. Little, (1980) in Hax and Majluf (1984 p. 192)

Table 4.3 Life cycle approach matrix

| | | Maturity | | | |
		Embryonic	Growth	Mature	Ageing
Competitive position	Dominant	+	+	+	+
	Strong	+	+	+	=
	Favourable	+	+	=	-
	Tenable	+	=	-	-
	Weak	=	-	-	-
	Nonviable	-	-	-	-

+ wide range of strategic options   = caution selective development   - danger, withdraw to market niche, divert or liquidate

Source: Adapted from Hax and Majluf (1984, p.185)

After the matrix is constructed by using two variables, there will be a six by four matrix as the above figure. So far the review suggests that the models are intended to assist the management of companies on how to maximize the long term performance of the firm (Coate, 1983). However, Coate(1983) insists that the models are only suitable for growing industries, because their assumptions can not be dealt with other situations.

Adjustment of Portfolio Management

Based on the earlier mentioned models of strategic management, there are some variations in the models provided in the Table 3.3. According to the Table 3.3, Lewison

(1994), Arnold (1981), and Mason and Mayer (1981) propose the idea of using Portfolio Management. For example, Arnold (1981) suggests that the analysis of the retailers' portfolio could lead to the recommendation of strategies in relation to the position of the company in the matrix. The approaches include BCG portfolio and GE portfolio. He suggests that these methods should be used to evaluate two indicators such as market share and market growth, or market attractiveness and competitive position. The result of evaluation is future optional strategy related to the match of two indicators. Its application to retailing is also offered by Walters and Laffy (1996). They add that the Growth/Share Matrix and Product Life Cycle can provide analytical tool for managing retail productivity.

So far there are no other portfolio approaches appearing in the retailing literature from Table 3.3 and 3.4. It can be said that the techniques have fallen out of planners' favour. However, they can not be written off as the techniques are still recommended as a way of deriving strategies in strategic marketing management. Moreover, techniques, such as Retailing Life Cycle, are recommended as being helpful in suggesting strategies.

Finally, the most important use of these techniques is that they help planners to bind important issues of managerial problems into particular systematic frameworks. These frameworks can help planners and managers to relate things into pictures or models. Once planners can understand the relationship of elements in their problems, the problems can be solved systematically. In the other word, the human brain can work to full capacity when things are less complicated and a systematic picture is apparent. However, these frameworks and techniques must be dealt with cautiously.

In conclusion, the tools of strategy formulation might not be useful enough in the complex situations of the current business environment. However, they can not be totally abandoned especially the core principles behind the frameworks and figures. The

reason for this is that these tools are actually derived from the thoughts of successful decision-makers in certain periods and this kind of thinking is still appropriate in today's working environment. However, some aspects may have to be modified to account for changes in the current operational environment. Rather than going through these planning tools with fragmented thought, the management must has high level of understanding and insights of their business environment before attempting to use the tools. The future attempt of the research should aim at finding the current thinking of strategy formulation. This would allow frameworks and tools to be derived.

4.3 Other Concepts in the Models of Strategic Retailing Management

There are two main planning concepts that have provided a solid contribution to the development of retail strategy. Scholars, such as Peter McGoldrick and David Walters, include two concepts in their textbook as keys for retail strategy development. However, it is Walters who has provided a significant development. Both concepts are blended to the mainstream of retail strategy development in many books that David Walters, for example Walters and White (1987) and Walter and Harris (1992), has taken part as a co-author.

Firstly, Critical Success Factors contribute to the process in two different ways: one is to find a focus on the factors that matter to the success of a retail company; the other is to support the implementation of a retail company's objectives. Secondly, Market Positioning, which is originally from marketing, become crucial to develop retail strategy, and now is suggested with porter's generic competitive strategies to generate a new concepts called 'Strategic Positioning' (Walters and Hanrahan, 2002).

4.3.1 Critical Success Factors (CSF)

Sometimes the concept is called Key Success Factors. According to Bullen (1996), the method helps top management to think through complexity, and focus on those factors that important to the success of their business. However, there are some differences when it comes to the application in retailing. There is more than one application of the concept to retailing businesses. Bullen (1996) suggests the first procedure as the following. Firstly, the objectives, which determine the success of a company, must be defined before the identification of the relevant and important factors to each objective can be listed. Secondly, the management must analyse huge number of issues and activities before selecting crucial ones to manage with different priorities (Bullen, 1996). Finally, the measurement of the critical success factors must be decided for implementation, evaluation and control.

On the other hand, the concept of CSF can be used to encourage the strategy development process from top management to operation, especially strategy at functional and operational level. CSF helps to programme formal plans of action and strategy. CSFs was suggested by Harris and Walters (1992) that the factors can be expanded to objectives for lower level of management in operational strategy development. The factors can be determined in two steps.

The first step involves the setting up of key variables that are related to business objectives in both qualitative and quantitative style. The second step is the construction of the factors, which will be grouped or matched under the two key variables. The relationship between two variables must be linked, so that one is dependent on others. The created factors can be dependent or independent of each other. The use of critical success factors is related to strategy in different level of management from corporate to operational level. However, the technique in the way is used in terms of planning

operational activities rather than formulating strategy for retailing literature. This acts as a guideline for planners or managers in different level to expected directions. The planners or managers then act and generate strategy in relation to the guideline. In addition, this can be used as a control during planning process as well as strategic implementation.

4.3.2 Marketing concepts: Market segmentation, Targeted market, and Positioning

At the early stage of retail strategy development, marketing and strategic concepts were combined in the literature, but not fully integrated. The two approaches aimed to give retailers good positions in market and competition. On one hand, scholars, such as Davies and Brooks (1989) and Davies and Ward (2002), agree that the positioning of retail image is a very important concept in building market position, mostly based on quality and price.

On the other hand, the concept with Porter's generic competitive strategies is to build competitive advantage based on cost and differentiation from competition. At the early stage of the literature review, confusion emerges. The outcome of pursuing each concept is actually the positioning of a company in a market and competition. The question is which of these two positioning concepts a retail company must pursue and maintain. Ring and Tigert (1997, Arsasongtham, 2000, Tungrathpahn, 1998, Sriprapie, 1995) have gone further to identify eight ways to win in retailing. (For marketing, the retail mix is related directly to market positioning). The eight ways to win can be classified into two groups for Porter's generic competitive strategy as well. The first group has five external factors that encourage differentiation, including Place, Product, Communication, Value, and People (Tungrathpahn, 1998). The second group has three internal factors that encourage low cost leadership, including System, Logistics

and Suppliers (Tungrathpahn, 1998). They are suggesting that both positioning can be combined to give the best strategy for retail organisation. This view seems to be supported by Harris and Walters (1992) as well, when their "market-led differentiation" and "productivity-led differentiation" are considered as a combination of Porter's two main generic competitive strategies.

However, the confusion was eliminated by Walters and Hanrahan (2002)'s most recent work on retail strategy that combine both concepts into a new strategic concept for developing retailing strategy. This concept is called Strategic Positioning. It is defined by Walters and Hanrahan (2002 pp.44) as the following.

Strategic positioning is the long-term position sought by the organisation and reflects a combination of customer value and product and market decisions. The objective of strategic positioning is to create an identity which is distinctive and sustainable. Strategic positioning has two functions. The first is to make a statement to the target customer concerning the value proposition, or retail offer, that is beting made. The second function is to make very clear to operating management, employees and suppliers the contributions expected of them by the executives.

However, the literature review is intended to review the root of the new development. The section began by examining market positioning before moving on to competitive strategy. Marketing segmentation, target market and positioning is a group of concepts that is originated in the field of marketing. The purpose of the concepts is to help planners to look at a market closely when customers become ' varied in their buying requirement' and the market becomes competitive and crowded with competitors (Kotler, 1991 pp.263).

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┌─────────────────────────────────┐
│ Market segmentation             │          ┌──────────────────────────────┐
│ 1.  Identify segmentation       │          │ Market Targeting             │
│     variables                   │          │ 3. Evaluate the attractiveness of │
│     and segment the market      │─────────▶│ each segment                 │
│ 2.  Develop profiles of resulting│         │ 4. Select the target segments│
│     segments                    │          └──────────────────────────────┘
└─────────────────────────────────┘                        │
                                                            ▼
                              ┌──────────────────────────────────────────┐
                              │ Product Positioning                       │
                              │ 5. Identify possible positioning concepts for │
                              │ each target segment                       │
                              │ 6. Select, develop and communicate the chosen │
                              │ positioning concept                       │
                              └──────────────────────────────────────────┘
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Figure 4.7 Steps in Market Segmentation, Targeting and Positioning

Source: Kotler (1991, p.263)

These concepts are recognisable in most of the retailing literature. This can be confirmed by the maps of many UK multiple chains positioned among others that have been used as illustration in many literatures. The positioning, which is the outcome of the process, is a clear and significant intention of retailers that should regard it as a second important decision after identifying the retailers' mission. Positioning is originally a marketing concept that is established on 'a market position of image, price and quality rather than geographical position' (Gilbert, 1999 pp.19). Harris and Walters (1992) suggested the meaning of the concept as the following.

A company selects its market position as its response to its understanding of the needs, desires and behavioural characteristics of its targeted customers. This requires a coordinated 'Statement' to be made to the customer through merchandise selection, trading format, customer services and customer communication. The more closely the offer identifies with the customer, the more 'comfortable' the customer will be; the better will be the response in terms of shopping frequency; the higher the size of spend per visit; and the greater the proportion of total spend allocated to the favoured store rather than its competitors. (p.3)

The above statement not only recommends the meaning and use of positioning, but emphasises on the need of understanding consumers. This process can begin at the recognition of segmentation inside a particular industry. A particular market can be separated into a number of different segments by considering the needs, desires and behavioural characteristics of consumers (Harris and Walters, 1992). Having grouped them, retailers can make a profile of each group and later evaluate them one by one. A business can target a group of customers by choosing to learn more and operate in a segment or a number of segments. After understanding crucial factors related to the targeted group's expectation or need, the company needs to design or adjust its offer to suit the requirement of targeted customers. According to Harris and Walters (1992), there are four areas a retailer can exercise to position itself through merchandise selection, trading format, customer services, and customer communication.

For example, the UK grocery retailing industry can be segmented by customers' characteristics, such as demographic, geographic, behavioural, and psychographic variables. We can clearly see segmentation by the types of food stores. Different types have different usage, such as neighbourhood stores, convenience stores, petrol forecourts, high street supermarkets, edge of town supermarkets, and out of town superstores. These can be segmented by customers' behaviour of usage in terms of duration of shopping time, amount and range of needed products, and means of transportation. Furthermore, income groups are brought into consideration of segmentation as well. Therefore, market positioning becomes a very important part of marketing the business brand name. Finally, business mission and market positioning later have a crucial role in setting up the company objectives that lead to the generation of strategy in different levels of management.

4.4 Strategic Choices

This section is intended to identify possible strategic options of retailing business from available literature. The strategic choices are classified into three main groups in relation to the Johnson and Scholes' approach (1997), which is used for the review of Strategic Choices in Chapter 3. The groups include bases of strategy, strategic direction, methods of strategy development. Each of the approaches has a number of strategies that has been used by planners and managers widely. However, a number of researchers in the field of retailing see a gap of the differences between the management in manufacturing and that in retailing organisations, and began their effort to put the strategy into the retailing context. It can be said that strategy is the most significant part in theoretical development next to the application of marketing concepts to retailing. The following review will give more discussion about the work of different authors in the table 3.5 (a) and (b) of the Chapter 3. The aim of the following review is to point out some application of the strategic choices in retailing literature.

4.4.1 Competitive Strategies (Bases of Strategy)

Ellis and Kelley (1992 P.381) suggest that the achievement of a competitive advantage is "one means of ensuring the long-term survival of a retail firm". This section begins with what Johnson and Scholes (1997) call "bases of strategy" that can help retail firms reaching a competitive advantage. The strategies in this category are for long-term commitment, and affect the way that an entire organisation can behave. The strategies would have effects on other strategy in different levels of management. Porter (1980)'s generic strategies represent a set of competitive strategy. The strategies themselves are classed as a long-term direction for competition. There are three additional rules to work out the strategies. A company, which pursues one of the

strategies firstly, will have to shape itself in all functions, and secondly continue all the improvements along with the changes of environment and industry. Then, at the same time, it must concentrate on developing customers' perception as the strategies that they pursue. The customers' perception will be the result of all the hard work behind the scene. The practice of the chosen strategy can be carried out through adjusting operations related to value chain elements. Porter (1980 p.34) suggests that the choice of the strategies would lead the organisation to achieve competitive advantage over its rivals. Generic strategies are classified in three forms. The strategies, which are called Competitive Advantage Strategies, include Cost Leadership, Product Differentiation and Focus Strategy.

The first strategic option is overall Cost Leadership. The pursuing company will try to gain extra profit from reduced cost. The purpose of the strategy is to be the lowest cost generator in the industry. However, the company has to maintain acceptable products and services compared with market benchmarks. The explanation of this can be expanded as the follows. The perception of customers is built by high value at reasonable price. The image of the company's products and services will be better than the benchmark of the industry, and have the same price or be even cheaper than competitors'. The company increases their margin by reducing its cost. To do this, companies have to work hard at the functional level. The method is varied by obtaining new technology and increasing the efficiency of the workforce. The purpose of this strategy is to find ways of doing things at a lower unit cost. In addition, the company needs to keep track of industrial development and new invention of technology. This will sustain the customer's perception of the company's products and services.

The second strategy is Differentiation. The companies, which pursue this strategy, need to build up a superior image for their products and services by developing

unique products and services bases method of the strategy. The company can make a profit by charging premium price. The key success is that products and services have to be uniquely different from competitors. Again the customers' perception also plays a major role here. For example, customers should realise the differences of product value between the company's and competitors'. Therefore, companies have to concentrate on research and development, and the image of its brand name.

The last one is Focus Strategy, which concerns the 'scope of activity'. The company concentrates on a particular segment of the market. The segment of the market should have long term prospects with special needs. Typical characteristics of the segment are needed such as 'unusual need', small production size, and unique delivery system. There are many reasons that make big players of an industry ignore the segment. The segment may only be big enough for one player or it needs an investment in a new distribution system, new technology, and skills; in which the big players are not specialised. However, the company, which chooses focus strategy, still has to choose between cost leadership or differentiation within this strategy.

Table 4.4   Three Generic Strategies

		Competitive	**Advantage**
		Lower Cost	Differentiation
Competitive	Broad Target	1. Cost Leadership	2. Differentiation
Scope	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Porter (1985, p.12)

4.4.1.1 Adjustment for retailing

According to McGoldrick (1990), Porter's work specified characteristics of each strategy in terms of manufacturing industries. Therefore, McGoldrick seeks to specify characteristics of each strategy in relation to the retail context, to show the part of the retail operations that can be adjusted to Porter's recommended strategies. The following paragraphs include Porter's and his own.

'The overall cost leadership position is typically associated with sustained investment and access to capital, intense supervision of labour, low-cost distribution and tight control system. In the case of retailing, the required attributes would also be likely to include strong buying, merchandising expertise and highly efficient store management systems. This 'productivity-led' form of competitive advantage may be translated in to strict range control and a price leadership position.' (1990 p.98, 2002 p.143)

'Competitive advantage through differentiation is likely to be associated with strong marketing abilities, creative flair and a good reputation of quality and /or innovation. In retailing, this may translate in a particular advantage in terms of product range, locations, store design/ambience, services and/or promotion.' (1990 p.98, 2002 p.143)

'A focus strategy is likely to involve some of cost leader or differentiation attributes, but directed at a particular target market segment.' (1990 p.98, 2002 p.143)

In particular industries such as the UK food retailing industry, the major players can be easily classify by their nature, such as multiples, convenience store or discounting store. It might be said that the first two do pursue the differentiation strategy. The last one pursues the overall cost leadership. To seek a better picture of differentiation in retailing, it might be of greater benefit to talk about the application of differentiation' in relation to retailing. McGoldrick (1990) introduces the value chain that Porter (1985) suggests is the appropriate way to examine competitive advantage. This means that the matrix presents a logical element of operational elements and the major corporate function.

'Each of the many elements of the value chain can serve to increase value, real or perceived, and therefore can contribute to differentiation. A particular merit of the value chain concept is in helping to highlight the specific components of differentiation, their relative contributions to the process and their relative costs. It also emphasises that the elements must not be in conflict but must combine to produce effective differentiation' (McGoldrick, 1990 p.99).

However, Harris and Walters (1992) argued that retailers could do well by continuously improving their cost structure to be able to offer a cheaper price, which can be regarded as a price leader. At the same time, the improvements of the products offered to consumers were contributing to the fact that they were trying to differentiate themselves from rival through better quality of merchandise and services. They called the strategy productivity-led differentiation. The following table is the description of two types of differentiation strategies by Harris and Walters (1992).

The adaptation of the strategies undertaken by Harris and Walters (1992) suggests that it might be not a clear-cut strategy that helps to achieve competitive advantage. After all, both productivity and marketing-led differentiation has become very important in the UK and retailers try to differentiate themselves. In Davidson's opinion (Davidson *et al*, 1984), this is a characteristic of competition in retailing, retailers continually make every effort to gain differential advantage. The management with flexibility in strategy formulation must identify necessary competitive advantage to generate its own winning formula. So far a number of scholars, such as Bradley and Taylor (1992) and Davies and Brooks (1989) have been able to define several areas of retail competitive advantages. Davies and Ward (2002) highlights these retail competitive advantages as technology and systems, warehousing and distribution, sites and location, design and merchandising and finally personnel and human resources.

Figure 4.8 Characteristics of differentiation in retailing
Productivity-led differentiation Effective cost management of total operation to maximize contribution by using information technology to manage operations and tightly controlled budgets Design of distribution system that offer customers high levels of service, product availability, quality, etc., by operating at optimal levels of performance Well-developed supplier/retailer relationships and supply chain management Design of optimal stores Use of economies of scale
Marketing-led differentiation Use of information technology to refine customer database and purchasing behaviour Product range characteristics that match customer profile requirements Pricing policy Customer services Unique market positioning Strong customer franchise Location advantage Cost-effective customer service packages that add value to the overall offer Market share volume that discourages competitive challenges
Source: Harris and Walters (1992, p.7)

So far the review of the literature shows that the strategy for creating strategic advantage may be varied to different situations. It can be said that the versions of the 'bases' strategies cannot be judged to be right or wrong. The discussion should be shifted to the situation where the strategy is applied. The discussion of the category come to an end that the benchmark of consumers' perception to a product or a service is the key to success of the chosen strategy. Consumers can change their benchmark from an existing one to a new one. It is up to a company to find out what customers want,

then provide it. It is difficult to determine exactly what causes consumers to change their mind, but the continuous observation of environmental factors surrounding consumers should help retailers to spot incoming changes. The highly competitive market and low switching cost in retailing make this fact extremely important. For example, the trend of the changing benchmark sometimes can be spotted by the observation of a more developed country. It is a matter of time when consumers in lesser-developed countries will be ready for newer innovation from more developed ones. According to Davies and Ward (2002), scholars have spotted the change of trade environment in consumer products and retail consumption since 1990s. A research theme in marketing context reveals that marketers have been less concern with traditional step by step strategy development. Different concepts for the new trade environment are needed. Therefore, socio-cultural factors of the consumers must be examined in order that retailers can keep up with the changing trend. The 'bases' strategy for 1980s era, which leads to a sustainable competitive advantage, must be subjected to more adjustment in the near future.

4.4.2 Growth matrix (strategic direction)

The original Ansoff matrix can be applied at both corporate levels and SBUs level. The Ansoff matrix can be called the growth matrix, because it shows the relationship of two important terms between products and markets. Basically, the matrix specifies the scope and direction of the company. The matrix is a logical framework of thinking in terms of further development of the organisation. The two variables in the matrix have two options as shown in the figure 4.5. The first option is "present", the second is "new" as in the figure 4.5. The matrix, therefore, is giving four alternatives. The following paragraph is the description of the four alternatives.

Market Penetration

The company, which wants to pursue this strategy, must concentrate on achieving its objectives in the present market. One of the objectives normally is a desired share of the market. The company still uses the same products and services. There will be many activities on marketing strategies. For example, the company adjusts its 4P strategies (Product, Price, Place, and Promotion). This is a relatively cheap and low risk strategy as the company already has experience in the market and an awareness of competitors.

Market Development

The company pursuing Market development is wishing to explore new opportunities for its present products and services. The company expands the business to other prosperous markets geographically. The value of the products will not be changed, although packaging and labelling have to be replaced with more suitable ones. For example, a food producer is considering launching its products in a neighbouring country. The company will have more risk, because new markets have different characteristic in terms of customers and competitors and general operating environment.

Product Development

In choosing Product development the company produces a newly developed product that has extra or different benefit from the current one. However, the company still remains active in the present market only. The purpose of the strategy is to gain extra sales and market share. For example, superstores made a move to sell petrol at its

branches. The risk of the strategy increases, because the strategy requires more investment and different expertise.

Diversification

A company choosing diversification is aiming to extend its business to other industries, which they have not previously specialised. The objective of the company is to invest in a highly profitable or fast growing industry. For example, a retailing company may invest in the banking business. The risk of the strategy is the greatest one of all alternatives. The reason for this is that the company has to spend a great deal of resources in a new area in which they have less experience.

These are the core strategies, which give an important framework for other strategies to emerge inside each outcome of the matrix. However, there is another classification of strategy which is related to more situations, rather than growth strategies. Rue and Holland (1989) suggest four classifications of strategies (See figure 4.13)

Table 4.5 Growth Vector Components

Mission \ Market	Present	New
Present	Market Penetration	Product development
New	Market Development	Diversification

Source: Ansoff (1987, p.109)

Table 4.6   Types of strategy

Growth strategies		Stability strategies	Defensive strategies
Concentration - concentrate in present industry • Market development - expand the markets of the current business. • Product development - add new related products to the current business. • Horizontal integration - obtain other organisations to increase capacity of its current businesses	**Vertical Integration** -obtain businesses from different functions in the same supply chain such as manufacturers, retailers and distributors. **Diversification** - move into new businesses that are clearly altered from the current one • Concentric diversification - make expansion into related, but different area, such as a move to stand alone petrol retailing of food retailers or a move to a different country. • Conglomerate Diversification - make expansion into an entirely new industry for an attractive return on investment.	**Harvesting** - maximise short term profit and cash flow and limit further investment.	**Turnaround** - return profitability by reducing cost or unprofitable activities **Divestiture** - sell a business or a part of its business **Liquidation** - sell all businesses and all asset of its organisation **Filing for Bankruptcy** - obtain protection from bankruptcy law to get a chance of recovery **Becoming a captive** - give up decisions in some areas such as price, to receive financial help or contracts from other organisations.

Source: Rue and Holland (1989)

Adjustment for retailing

The literature review started from a strategy matrix. Ansoff introduced this 2*2 matrix called "Product-market strategies" as a logical framework for strategic options. The variables of the matrix include Present market, New Market, Present products and New products. However, the development of the strategies was not stopped at the work

of Ansoff. There have been a large number of concepts defined under the category of strategic direction. Under the one umbrella, there are three sub categories that contains many strategies. The sub categories include Growth Strategies, Stability Strategies and Defensive Strategies. However, the review of the books mentioned in the table 3.3 and 3.4 show that only Growth strategies are regularly mentioned, the other two sub category are only mentioned in a couple of books. The movement of theoretical development can only be spotted at Growth strategies. Many concepts in strategic management have not been applied to the retailing literature. On the other hand, the structure of the literature on strategic retailing management is very much similar to that of strategic marketing management.

With the same idea, the matrix can be applied to more specific usage. In retailing, a number of researchers have adapted the variables, for example Cox and Brittan (1993, 1996), McGoldrick (1990, 2002), and Knee and Walters (1985) respectively. Cox and Brittan (1993, 1996) supported that *'Growth can be achieved by pursuing a number of different routes. These may be described in terms of the merchandise offered and customers chosen as the target market'* (1996, p.35). They suggest the terms of merchandise - customers instead of Ansoff's product - mission matrix. To support this statement specific examples are given from the major UK retailers.

Firstly, Sainsbury aims at increasing market share by directly taken it from *'direct competitors such as the small grocer and the Co-ops'*. (Cox and Brittan, 1996 p.35) Secondly, Marks & Spencer which saw the limitation of growth in penetrative strategies, moved into food retailing, and furniture to generate extra sales from their regular customers. Thirdly, there are some other applications as well. If a company would like to pursue the Market development, the company will have two choices,

geographic areas and new customers in the same geographic areas. Finally, the diversification which he mentions as *'the most expensive strategy'*, is the way companies go to new businesses as we see Marks & Spencer joining in financial services. These are shown in the following figure 4.15.

Table 4.7 Assortment-market segment matrix

Assortment ⟍ Segments	Existing Assortment	New Assortment
Existing segments	Increased share of market	Expansion, product development
New Segments	Expansion, market development	Diversification

Source: McGoldrick (1990, p.96)
derived from Kristenson (1983, p.47)

Table 4.8 Growth strategies

Customer ⟍ Merchandise	Existing	New
Existing	Market penetration	Market development
New	Merchandise development	Diversification

Source: Cox and Brittan (1993, p. 31)

However, there are other adaptations of the matrix as well. According to McGoldrick (1990) the adaptation of Ansoff's matrix to strategic planning in retailing has been done by Kristenson (1983) (see figure 4.7). The adapted matrix still maintains an essential feature of Ansoff's original matrix. The product dimension is replaced by the assortment, including existing assortment and new assortment. The mission (or market) dimension is replaced by segments, including existing segments and new segments.

It can be said that the previous two samples use the specific term in retail to explain the same concept as Ansoff does. The term of product is shifted from manufacture to the retail context. Assortment, therefore, represents the nature of retail business. However, there are major changes of the matrix in retailing. The application is advanced and has a strong link to retail. According to Mudambi (1994), there are three

different models suggested by Knee and Walters (1985), Robinson and Clarke-Hill (1990) and Duke (1991). All of the models are similar. However, Knee and Walters (1985) produce very good description for their models, especially Walters who published more work for the model with other co-authors, for example, Walters and White (1989), and Harris and Walters (1992). Therefore, Walters' model will be reviewed.

Walters (1989. P. 40) argues there are a few concepts in Ansoff's matrix that he does not agree with in terms of application to retail. Firstly, the different meanings of business are approached as follows: Ansoff describes a company by its product line characteristics or by customer type, but Walters argues that it should be described in terms of *'customer segments'* and *'customer needs'* for the context of retailing. (1989, p. 40) Therefore, he suggests that 'in the development of a product market scope or strategy, a common thread should specify the particular product groups and market segments to which the firm will confine its activities.' (1989, p. 41) This means that "product market positioning" is originated by two factors, "particular product groups" and "market segments" which have an effect on his modification to Ansoff' growth vector matrix. Any development can be done in the company' s existing positioning, unless the company identifies itself in a new position. For example, the position in UK food market of Kwik Save is good value, but cheaper. The development of product ranges has to be done under the concept, unless the new marketing director decides on a new positioning due to the squeeze by its major rivals (Lee, 1996, p. 1).

Secondly, his arguments are based on retail characteristics such as trading style and product range or assortment. The 'product' dimension of Ansoff is replaced by a 'retailing product package'. The Ansoff's 'mission of customer need' is replaced by customer based/market segments. In addition, there are three sets of options in each

dimension. These consist of 'existing', 'related' and 'new'. The following paragraphs

give details about available strategic options in a new vector, which should be brought

to replace what Johnson and Scholes (1997) mean by "Alternative Directions".

Table 4.9 Retail Product-Market Strategic Option

CUSTOMER BASE / MARKET SEGMENTS
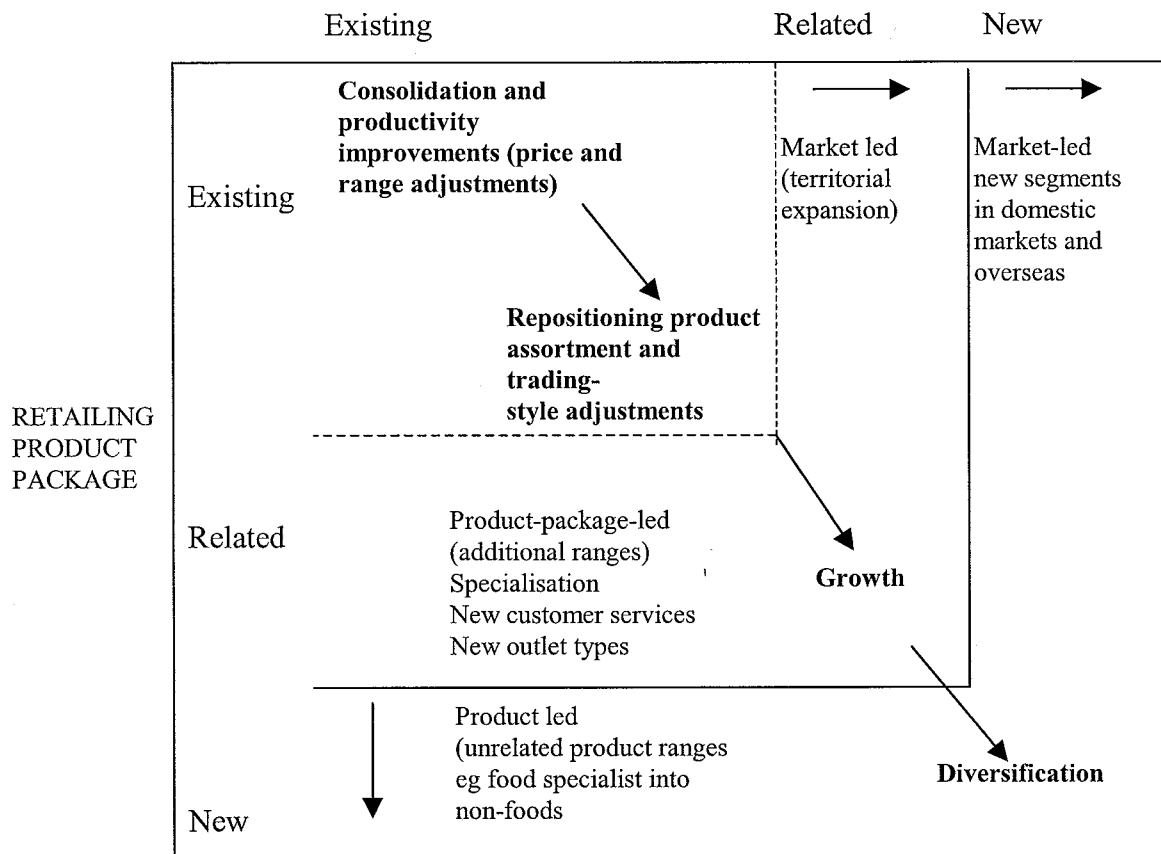
Source: Knee and Walters (1985, p.12)

Consolidation and Productivity Improvements

Strategies are aimed at increasing the performance and profitability from the

existing company's resources by *'enchancing margin, increasing volume and improving*

the utilization of asset' (Harris and Walters, 1992 pp.26). The strategies are intended to

increase market share, which creates a loss in its rival's market share. The tactic for this

include increasing staff productivity by improving jobs and work practices, 'pricing adjustments' and 'product range adjustments' and 'outlet rationalisation' (Harris and Walters, 1992). Tesco's Operation checkout in the late 1970s and Checkout' 82 (Seth and Randall, 2001) give us an example for this strategy. However, any activities have to be done within the retailer' s existing product package and customer segment. Otherwise, this will spoil the retailer' s positioning (Walters and White, 1989).

Repositioning

To pursue the strategies, adjustments in product assortment and /or trading style can be made to match *the changing needs of customers or to increase customer appeal'*. The strategies are also important in seeking a better position in the competition among its rivals (Walters and White, 1989, p. 52). If a company plans to reposition itself as a quality retail provider, the management must improve quality of products and services in stores instead of wider range of products or services (Harris and Walters, 1992). For example, ASDA was facing a decline in revenue and profitability due to the growth of its rivals, such as Sainsbury and Tesco in the 1980s. In early part of 1990s, new management teams supported by 'market research and teams of consultants' went through 'a thorough situation analysis' to 'identify four key issues', and later the retailer had a ten point strategic plan to reposition itself to higher market image due to the change in UK consumers' shopping behaviour (Seth and Randall 2001).

Growth

The company expands additional activities to the areas related to product package or customer base. The addition or increase, therefore, might be of concern in two different ways. The first one is increasing ranges of the 'existing assortment' or

increasing the selling space at the existing location (Walters and White, 1989). The clear

development of the strategy came along in the 1950s after the self-service concept gave

more flexibility to the increase of selling space. The second one is 'geographical

expansion' or new customers who have a different requirement from the existing ones

(Harris and Walters, 1992). The strategy was pursued aggressively since the birth of

multiple stores as a core concept. Risk begins to be involved significantly (Walters and

White, 1989, p. 52).
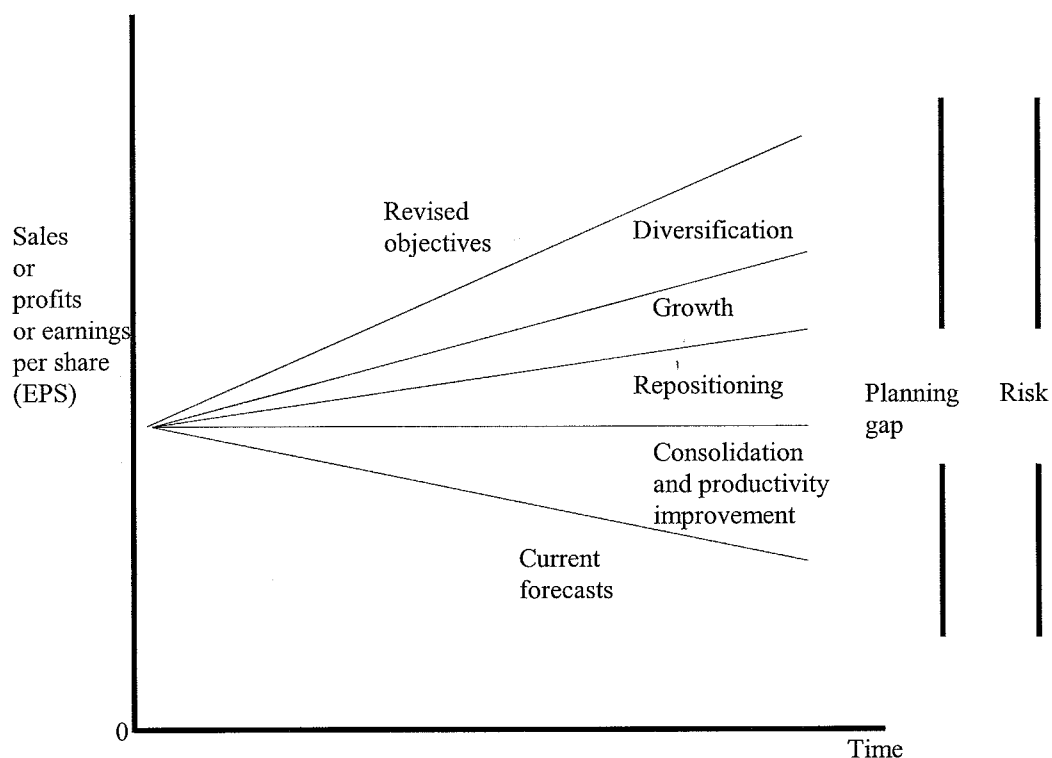
Figure 4.9 Alternative methods of filling the planning gap -1

Sources: Knee and Walters, op. cit. in Walters and White,

1989 p.49

Diversification

The company, which is seeking to pursue the strategy, will move into totally new

areas in order to increase profitability or take opportunities in relation to future vision.

The market must require differently specialised skills to the current ones (Harris and Walters, 1992). There might be changes in both the retailing product package and the customer base totally. The new activities, which are not related to those of the current business, might include skills, strategy and philosophy. The high degree of risk will be a major threat until the new business becomes professional (Walters and White, 1989, p.52). According to UK food multiple chains' history, the strategy appears in forms of backward integration with food manufacturers, selling non-food merchandises, moving to petrol selling (Pretious, 1997), and financial services.

However, Knee and Walters (1985) still supports Ansoff's idea about "the planning gap". They apply the same theory to the advanced matrix for retailing. The gap, which is related by risk, represents the distance between the chosen 'strategic option' and 'the existing base of knowledge and expertise'. The risk of operation will be increased, if the gap is wider. The following illustration will show the indication of risk related to the strategic options. (Walters and White, 1989)

This modification to Ansoff's growth matrix is not actually the end for retailing application. After a five-year period of a study on major retailing companies in the UK, Walters and Laffy (1996) further modifies the model, and they classify the strategies into two groups; strategic decisions and operational decisions. They assume that most retail businesses are 'managing their activities at operational and strategic level'. The recommended strategies of the revised model include consolidation and productivity, operational repositioning, product-market-related growth, market development for operational decisions. The strategic decisions include strategic repositioning, new format growth and diversification. In addition, there is a new dimension to the previous strategies generated by two additional strategies, including operational resource allocation and rationalisation and strategic resource allocation and rationalisation.

The revised model also helps us to reflect on the idea of short-term and long-term strategy development. It is the first time that growth strategies are classified into two groups that may suggest the possibility of creating separate roles and attention between top and middle management. Would this act of separation is a part of strategy development in retail companies?

4.4.3 Methods for growth development

After the strategies are derived from the growth matrix. Decision-makers have to decide on methods of developing the strategies. There are three groups of additional strategies to implement the growth strategies as shown in the following table 4.10.

The first one is "internal development" or "organic development". It means that the company will use its own strengths and resources to achieve the growth strategies. The second one is Acquisitions and Mergers. The company, which likes to use the method, prepares to have the ownership of other interested organisations. The purpose is to gain access to new resources and competence by taking part in the management of the new company. The last one is Joint developments and strategic alliances. The purpose of this strategy is to share resources and competencies with other independent firms.

The figure 4.18 gives the types and characteristics of methods for development. There is evidence in various retailing literature, particularly case studies drawn from actual business practices that the strategies, which retailing organisations use in order to implement the strategies in the two previous categories, include Internal development, Mergers, Acquisitions, Joint development & Strategic alliance. These strategies are well-known to retailers who plans to expand their market or territories and increase their competitiveness.

Table 4.10   Methods of development

Internal development	- is the best way to acquire knowledge of doing the job. - might be slower development or changes, and more expensive, but the cost can be instalments
Mergers	- to let organisations to be one organisation voluntarily. - to obtain a competitive position in relation to opportunities and threats
Acquisitions	- to take over another organisation by buying shares to gain managerial power - is a fast way of entering a new product or a new territory - to gain a new knowledge which is difficult to obtain by internal development - to avoid competition by buying competitors - to make profit from buying and selling undervalued asset.
Joint development & strategic alliances	Formalised inter-organisational relationships - Joint venture company is a new organisation that parent companies set up by sharing resources. - Consortia is a venture or project that two or more organisations jointly develop. Informalised interorganisational relationships - Network is an informal relationships of sharing facilities among network organisation. - Opportunistic alliances is not highly formalised relationship of a particular venture such as housing estate construction by using separated facilities and resources. Intermediate arrangements - Franchising is to allow another party to use its brand name and operating knowledge in exchange for regular fee - Licensing is to allow other organisations to produce its patented product in exchange for a fee - Subcontracting is to hire a third party to carry out tasks from a major contract

Source: Johnson and Scholes (1997)

There are examples from UK multiple retailers. First, merger talks between Asda and Safeway in 1997 (Seth and Randall, 2001), is an example of two firms that were interested in increasing their competitiveness against leaders of the market. Second, Tesco took over Lotus, a chain of Thai retail superstore, by acquiring a sole control of its share to establish in Thai retail market. The strategy helps Tesco to move into the

market quickly. Third, a joint venture development between Littlewoods and local Russian partners, such as Gostinyi Dvor (a leading department store) and Mayak tailoring Association (a St. Petersberg clothing manufacturer) to open Littlewoods stores in Russia on 10 October 1991 (Holden, 1994). However, the strategies of the category seem to be abandoned by scholars, as they have not appeared in any literature illustrated in table 3.5 (b). They are generally mentioned and discussed separately in the retailing literature, but there is no adjustment to retailing context. It may be considered that the strategies are generally accepted to be used in all industry.

4.5 Conclusion

This chapter has identified planning concepts and tools in strategy development. The analytic tools attached to a rational approach allow decision-makers to have full awareness of options and their consequences. The use of these tools during the planning process represents the level of formality of the process. The issue becomes important to managers in competitive competition. As we know managers can be intuitive and political decision makers when they are engaged in problem solving. Situations like that occur frequently when a problem repeats itself. The chapter therefore has described and discussed widely accepted analysis tools and strategy. Their application to retailing has been examined from the retailing literature putting the concepts of strategic management into the retailing context. However, would the retailing organisations use the same concepts and frameworks as has been said in the strategic management and retailing literature?

In addition, the dominance of marketing concepts make the structure of strategic marketing management to have more influence to retailing in comparison to that of strategic management. The review also confirms that the domination of marketing

concepts to strategic retailing management process is significant and has a role in various part of the process.

CHAPTER FIVE

Methodology

5.0 Introduction

This chapter provides a crucial link between theoretical review and fieldwork. The aim of the chapter is to identify the focus of the thesis that is a gap of research derived from theoretical review. This can only begin by firstly defining my research problems that have emerged from the study of literature in the previous chapters. The nature of the research is a 'pure research reflection' (Easterby-Smith, *et al.,* 1991) that existing theoretical frameworks can be reconsidered in a different context, such as retailing. Secondly, the available options of methodology will be clearly studied and defined before a choice is made. Thirdly, the chapter should detail research design and how the research must be conducted in order to gain solutions to research problems. Finally, the report of later fieldwork is presented in the style of chronicle and descriptive research methods. Therefore, this chapter begins by defining research problems and moving on to research paradigms, the choice of research strategies and the choice of research methods.

5.1 Research Problems

In Chapter Three, a research theme, which has been contributed to by several scholars, was defined. The comparisons between several concepts of strategic management in general and retailing were made there. The research problem of the thesis is to solve the previous unclear outcome of the research theme. It can be concluded that the process of strategic planning and management in retailing organisations was far from having any practical evidence of its presence. The reason for

this is that the previous researchers, such as Gilligan and Sutton, (1987, P.188) have not succeeded in obtaining sufficient data to complete their intention. The reasons are as follows.

- *The relatively short period of time for which many organizations have been engaged in strategic planning;*

- *A relatively narrow perception of how strategic planning should be conducted;*

- *A lack of confidence in the ability of managers further down the organizational hierarchy to make a truly valid contribution; and*

- *The length of time needed to gather together views from other functional areas.*

(Sutton and Gilligan, 1987, p.188)

However, the focus of the research problem would not be narrowed down to solve the problems highlighted by the previous researchers only. The reviews of literature from Chapter two to Chapter four suggested that the research problem should be expanded to study strategic development process in retailing practice. Therefore, the need for collecting primary data to solve the problem should be emphasised in studying strategy development processes and marketing influences in retail organisations.

The following are the research problems that are derived from the review of literature from Chapter two to Chapter four. The research problems will be separated into two sections. The first section contains the research problems on strategy development processes. The second section contains the research problems on the influence of marketing concepts.

5.1.1 Strategy development processes

In Chapter three and four, the idea of distinguishing short-term problem solving from long term strategic development is proposed. It is hard to believe that these two different activities can be done within the same process of management. They are two different processes that have different procedures. However, the overlap of these two processes occurs, and each process supports one another. As Davies and Ward (2002) reflect on Mintzberg's opinion, emergent strategy and deliberate strategy must be mixed to generate effective strategies that both intuition and analysis are the keys for effective strategy development. However, strategic planning in the 1970s gave too much emphasis on specialists who have no concern with day to day problems. It appeared that two different groups of people took control of two different processes separately. The failure of strategic planning suggests that only one group of managerial workers should manage these two different processes. Line managers are expected participate in both processes, but how can they achieve this?

These two particular processes would be linked together, and merge them as strategy development processes in business organisations. The following conceptual frameworks, which were reviewed in Chapters two to four, helps me to study in depth an organisation's strategy development processes. The model of strategic decision making process will be placed as a process of short-term strategic problem solving. The model of strategic management process is used as long term strategic development. The frameworks together are proposed as processes that should represent strategy development processes.

5.1.1.1 Strategic decision making process

Chapter Four established that a number of researchers believe that the decision making of retailers is likely to be very quick. Such an opinion is held, because retail executives are likely to rely on quick reactive ability and short term problem solving in a competitive and changing environment (Becker, 1977, Moyer, 1983). Such statement must be investigated by finding out if retailers prefer using short-term problem solving to long term strategy development. In this case, the first step is to find out how strategic decisions are made. Therefore, the first research question is *"How do retailers reach their strategic decision-making?"* This is to establish if the process of strategic decision making is recognised and embedded in the administrative system of the company or if it is hidden in the administrative system. The model of strategic decision making modified by Noordrehaven (1995) will be used to design details for data collection as the model encourages problem solving by beginning with the awareness of facing issues.

The second research question aims at the finding of a possible solution. In Chapter two, a link between strategic decision making process and its approaches was made. The next three questions will be included to study how retailers make their decisions .

How many types of approaches in strategic decision making do retailers recognise, and use or practise? (Frequently use or regard as an important one)

This is followed by *"Why is any one of the approaches more acceptable than the others for retailers?"*

The last question is *"How much do they rely on this type of strategy development process?"*

The answers to these questions should bring forth the framework of strategy development for day to day operations.

5.1.1.2 Long term strategy development and management (formal or informal)

As mentioned earlier in the chapter, the processes of short-term problem solving and long-term strategy development run separately although the overlap of the first process and this second process occurs. The model of strategic decision making should not be applied here. Deliberate planning is an answer. Although it plays the most important role for this long-term strategy development process, its form and practice are not known. The key issue of the research problem is the formality of deliberate strategy development process. The level of formality controls the form of a strategy making process that is a major component of strategic planning and strategic management system. However, the review in part two of chapter two suggests that long term strategy development needs future oriented strategic thinking rather than tactical strategic thinking. The concepts of strategic management system must be the choice for the strategy development. The literature suggests that there will be at least three types of formality based on the review from Chapter two to four. Thompson (1995) also provides a very interesting framework of strategy development that has clear explanations with rich conceptual vocabularies. The types of the following framework are based on his descriptions and of the literature relating to long-term strategy development. These include formally deliberate planning, learning process and informally visionary achievement.

First, formally deliberate planning adopts strategic management concepts and planning techniques to create a formal planning system. The exact schedules of planning activities are designed in advance to smooth the progress of the process. The interactions between different functions are created to produce a strategic plan. The beginning dates and deadlines of the process are formally set.

Secondly, learning process is discussed in the beginning of chapter four. The process can be defined almost exactly the same as formal planning system. Strategic management concepts and planning tools must be introduced to managers. Some planning activities can be planned to develop understanding and ideas of participants. However, there is no beginning and no end in the process. The discussion of ideas will be done mostly informally in social groups, but some group discussions or meetings to create interaction among different functions are required. The progress of strategy development depends on shared understanding, belief and confidence.

Finally, informally visionary achievement is normally created by top management and senior managers. Talking during social activities and general discussions are the driving forces toward the achievement of the shared vision. There is no time barrier as well. Instant analysis of data and information from specialists and subordinates is used as soft input in creating discussion on strategic issues. This approach of the strategy development process needs a lot of reliable information as input to the process. Therefore, this leads to the following research questions.

The first question is *"Which forms of formality for long-term strategy development create strategic thinking in retailing organisations"*. The model of formal planning, such as long-range planning, strategic planning and strategic management will be used to examine the level of formality.

The next step is to find out if the long-term strategy development can be defined as a process. *What is the long-term strategy development and management process in retailing organisations?*

Thirdly, the focus of research problems will turn to the planning concepts and techniques. *Do retailers encourage the use of planning concepts and techniques? Which ones and how do they encourage them? Are there other planning concepts used apart from the previously known concepts and techniques of planning?* Finally, the last question of this section is to find out if the result from each retailer or all retailers can give a conclusion regarding the configuration of these approaches. *Can the common choices of these approaches generate the configuration of these two strategy development processes?*

5.1.1.3 The influence of marketing concepts in strategic retailing management

The literature review in chapter Three ' suggested that researchers apply marketing concepts to strategic management, because the business, which a retailer is conducting, can be viewed as a branded product or service in customer perception. The business or the product has its core benefits, its value and other components that customers can recognise one among others. The reasons for shopping at one particular place, not others, in a highly competitive market can be very crucial. Customers, in fact, have low switching cost in highly competitive retail market. However, the reasons mentioned earlier can help retailers keep their targeted groups of customers in its stores. Therefore, marketing concepts and marketing techniques are not only beneficial to tangible products and services, but to retailing businesses as well. The following are the research questions defined to find out the use of marketing concepts and techniques at the corporate level of retailing organisations.

Do retailers view their business as branded products or services in customer perception?

Do retailers believe that they must do marketing for their firms as clearly positioned choices of service providers in customers' perception?

How are marketing concepts and techniques such as market segmentation, targeted market and market positioning, applied at the corporate level planning of retailing organisations?

How does the retailing context influence the application of other planning techniques and corporate strategy in retailers' practice?

The first section of this chapter comes to an end after research problems in three main areas are defined. The questions should contribute a great deal to research materials when later field research is conducted. They must guide the fieldwork with my great determination to solve the research problems.

5.2 Options in research paradigm

Before the choices on research design will be made, it is wiser to understand 'philosophical issues' (Easterby-Smith, *et al.*, 1991) around them. Easterby-Smith, *et al.* (1991) outline three benefits of doing so. Firstly, the study helps researchers understanding the overviews of research design components and procedures. Secondly, it helps researchers to make the right choices that work well with research problems. Finally, learning about philosophy can improve confidence and competencies of researchers where they do not have past experience. Therefore, the main part of the

second section in this chapter will explain the methodology of the research. The following definition of the word "methodology" gives the scope of the discussion through out the chapter.

Methodology refers to the principles and philosophy on which researchers base their procedures and strategies, and to the assumptions that they hold about the nature of the research they carry out. It consists of the ideas underlying data collection and analysis. Methodology is more than method. The latter merely involves the procedures and techniques adopted by the researcher. (Holloway, 1997, p.105)

According to the above definition and discussion, it is essentially to clarify the approach that the researcher has taken to solve the research problems. The words "principles" and "philosophy" in research become relevant since science was established firmly.

So far we have two distinctive approaches; 'quantitative' and 'qualitative' (Punch, 1998, Creswell, 1994, Denzin and Lincoln, 1994). Both have firm practices and have evolved throughout recognised human's history. Before being defined in greater detail, the approaches are reviewed historically on their possible roots. Although both of them developed long time ago in human history, they were recognised and noted in various terms. According to G. H. von Wright (1993), there were two main traditions that can be identified in the history of human's idea about the conditions of explanation in terms of being scientifically respectable. The former one has a very ancient root that is sometimes called "Aristotelian". The characteristics of the tradition are that *'the Aristotelian tradition with his efforts to make facts teleologically or finalistically understandable'* (1993, p.9). The second one is named 'Galilean' that has more recent origin, but arguably can be related to Plato. Galilean tradition in science provided *'the*

advance of the causal-mechanistic point of view in man's efforts to explain and predict phenomena' (1993, p.9). The traditional approaches are viewed as a tool to understand the existence of the different sets of *'methodological thinking'* (1993, p.10).

After some background has been raised, the modern terms of the two approaches should be reviewed in greater extent concerning social science. Natural science was established firmly with its own principles, philosophies and methods of science long before the humanistic studies. The term was invented as "positive philosophy" by Auguste Comte, and was later shortened to "Positivism" according to Tesch (1990) and Kolakowski (1993). It can be regarded as *'a collection of rules and evaluation criteria referring to human knowledge'* (Kolakowski, 1993, p.2).

Early natural science contributed greatly to the positivists who believe in universal laws and insistence on objectivity and neutrality. Testing theories and hypotheses which is natural science research methods, particularly Physics, have been adopted to the emerging social science during the 19th century. Therefore, social sciences and psychology were early influenced by methodology and philosophy of natural science (Flick, 1998). However, a group of researchers argued later that the outcomes of such research did not pose any significant result (Holloway, 1997). The methodology and philosophy of natural science were criticised by the group (Holloway, 1997). This started from stances to traditional views of science in biology and psychology that were later called 'neo-positivist and post-positivist' (Holloway, 1997, p.13). Another group called 'interpretivists' has gone even further in its stance against the tradition.

After that there was an emerging theme that includes new philosophy and methodology. Both themes are considered generally opposite with a long argument from both sides of researchers. The reason for this is that the way the second theme emerged from the attack on the weakness of the former theme. A lot of argument was made to

defend one against the other. However, the new theme was fragmented, because the development of philosophy, methodology and procedure came from different origins such as psychology, sociology and other subjects in social science. Many terms were defined to conceptualise evolutionarily the same ideas of the new assumptions and new philosophies.

Recently, the word "paradigm" has begun to be used widely in many different ways among the social research community (Easterby-Smith et. al, 1991). In research, paradigm is used to group different components of research principles, philosophies and methods into two most widely used approaches of methodology (Creswell, 1994, Maykut and Morehouse 1994, Holloway, 1997). One paradigm insists on the main principle and philosophy, strategies, methods, procedures and the ways or types of analysis. Morgan (1979) proposed how a research paradigm should guide researchers in three levels; the philosophical, social, and technical level (Easterby-Smith et. al, 1991). At the philosophical level, researchers learn a unique way to reflect basic beliefs about the world. At the social level researchers are provided with guidelines about how to conduct the research. At a technical level, it should provide ideal methods and techniques associated with the involved philosophy in conducting research.

5.2.1 Definition of two different paradigms

This section defines the mentioned research paradigms and also highlights points relevant to both paradigms. According to Lee (1999), there are many definitions and characteristics for each paradigm that have been suggested by scholars, such as Creswell (1994), Cassel and Symon (1994), Kvale (1996) and others. The following is the definitions of quantitative study, which were recently defined by Creswell (1994). Although his definitions are not considered to be outstandingly better than the others, he is one of the recent authors who has begun to use the term 'paradigm' in their work. In

addition, a work of Smith (1983) will be used to introduce some others that share a similar definition, and were proposed by different researchers. The crucial characteristics and research strategy associated with each paradigm are presented to support the review. Under the same section, the qualitative study is defined and highlighted in the same way.

5.2.1.1 Quantitative study

A quantitative study, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the predictive generalization of the theory holds true. (Creswell, J. W., 1994, p2.)

The approach also has other names that were proposed by researchers from a number of different associated subjects. The other names of quantitative paradigm can be *'termed the traditional, the positivist, the experimental, or the empiricist paradigm'* (Creswell, 1994, p.4) or hypothetical-deductive (Henwood and Pidgeon, 1992). The origin of *'quantitative thinking comes from an empiricist tradition established by such authorities as Comte, Mill, Durkheim, Newton, and Locke (J. Smith, 1983)'* (Creswell, 1994, p.4). The method concerns the application of *'standard measures'* to large number of people by using *'a limited number of predetermined response categories'* (Patton, 1999, p.143). The validation of the research can be achieved when its instrument are careful constructed and carried out in *'an appropriate, standardized manner according to prescribed procedures'* (Patton, 1999, p.143). Many scholars in the 'quantitative tradition', such as Campbell and Stanley (1963), seek the ultimate aim of designing research as the production of 'abstract generalization' even though 'internal validity' is regarded as a more important thing (Schofield, 1993, 2000).

Table 5.1   The characteristics of the Quantitative paradigm

Ontological Assumption	What is the nature of reality?	Reality is objective and singular, apart from the researcher.
Epistemological Assumption	What is the relationship of the researcher to that researched?	Research is independent of what is being researched
Axiological Assumption	What is the role of values?	-Value-free and unbiased -Objective criteria to determine research conducting
Rhetorical Assumption	What is the language of research?	-Formal -Based on set definitions -Impersonal voice -Use of accepted quantitative words
Methodological Assumption	What is the process of research?	-Deductive process hypothetico-deductive science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observation will demonstrate the truth or falsity of these hypotheses -Cause and effect -Static design-categories isolated before study -Context-free -Generalizations leading to prediction, explanation, and understanding in order to be able to generalise about regularities in human an social behaviour it is necessary to select samples of sufficient size -Accurate and reliable through validity and reliability

Source: Creswell (1994, p.9)

Quantitative research strategies

According to most of the literature on research design, there are two types of quantitative strategies.

Experiments

The experimental approach is a research strategy that is less concerned by the way in which data is collected. The purpose of investigation and its design are more important than the research method. According to Keppel (1991), the approach includes two types of experiments. The first one is *'true experiments with the random assignment of subjects to treatment conditions'* (Creswell, 1994, p.10). The second one is *'quasi experiments that use non-randomized designs and single-subject designs'* (Creswell, 1994, pp.10-11).

Surveys

The survey approach is a research strategy for data collection that incorporates a number of research methods, such as questionnaires or structured interviews. According to Babbie (1990), the approach includes 'cross-sectional and longitudinal studies...with the intent of generalizing from a sample to a population' (Creswell, 1994, p.11).

5.2.1.2 Qualitative study

A qualitative study is designed to be consistent with the assumptions of a qualitative paradigm. This study is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. (Creswell, J. W. 1994, pp.1-2)

The following are the various names given by other researchers, which appeared in their associated academic subjects. According to Creswell, (1994, p.4, 1998), the list includes *'the constructivist approach or naturalistic (lincoln & Gaba, 1985), the interpretative approach (J. Smith, 1983), the postpositivist or postmodern perspective (Quarntz, 1992)'*. Each of them does not clearly regard them as totally similar definitions, because they had been developed separately in different periods of time. The paradigm *'began as a countermovement to the positivist tradition in the late 19th century through such writers as Dilthey, Weber, and Kant (J.Smith, 1983)'* (Creswell, 1994, p.4). As Henwood and Pigeon (1993, p.15) notes that *'it is the result of a long history of critique of the positivist scientific method as the sole basis for understanding human activity'*. Since the early 1970s, the growth of interest in a new approach called 'interpretative' or 'qualitative' became considerable (Bryman, 1989). The supporters of the new approach criticised strongly against much quantitative research *'which they see as based on a misunderstanding about how people should be studied'* (Bryman, 1989, p.24). The research allows in depth and detailed study on interested issues by *involving 'a much smaller number of participants and cases'* (Patton, 1999, p.143). The validity of the research greatly depends on *'the skill, competence and rigor of the person doing fieldwork'* (Patton, 1999, p.143).

Under the qualitative paradigm, a number of philosophies, research strategies, methods and procedures can be found. These consist of *'various types of ethnography, grounded theory, phenomenology, qualitative case-study methods, many types of textual analysis (for instance conversation analysis and discourse analysis), as well as some forms of action research and feminist standpoint research'* (Holloway, 1997, p.131). Indeed these different approaches are not always wholly separate but may overlap. However, all these methods of inquiry are part of the interpretative approach.

Table 5.2 The characteristics of the qualitative paradigm

Ontological Assumption	What is the nature of reality?	Reality is subjective and multiple as seen by participants in a study
Epistemological Assumption	What is the relationship of the researcher to that researched?	Researcher interacts with that being researched
Axiological Assumption	What is the role of values?	Value-laden and biased
Rhetorical Assumption	What is the language of research?	Informal Evolving decisions Personal voice Accepted qualitative words
Methodological Assumption	What is the process of research?	Inductive process Mutual simultaneous shaping of factors Emerging design-categories identified during research process Context-bound Patterns, theories developed for understanding Accurate and reliable through verification

Source: Creswell (1994, p.9)

Qualitative research strategy

It is very difficult to discuss about all research strategies in the qualitative paradigm. Different fields, such as education, nursing and social science, have their own strategies. Even in the same field, authors propose a number of different approaches. A set of research strategies must be chosen in relation to the application in the field of management. In this case a set of the strategies should be disciplined in social science. Table 5.2 shows a set of qualitative traditions in the field of social science proposed by Denzin and Lincoln (1994). A decision was made from the strategic options. However, Creswell (1994) suggests that there are four of them that are frequently found. A number

of strategies from the set of research strategies will be introduced for some discussions based on Creswell (1994) and Holloway (1997). This will help to identify some possible options to solve the problem of the research.

Table 5.3 A set of qualitative traditions in the field of social science

Author	Qualitative Traditions	Discipline/Field
Denzin & Lincoln (1994)	Case study Ethnography, participant observation Phenomenology, ethnomethodology Grounded theory Biography method Historical method Action and applied research Clinical research	Social Sciences

Source: Denzin and Lincoln (1994, p. 12)

Ethnography

According to Holloway (1997), Ethnography is regarded as the oldest one of the qualitative methods. Its usage has been since the Greeks and Romans time. The descriptions of other cultures were written when they did their travels and wars (Holloway, 1997). Therefore, the research is to study human behaviour in the context of a particular culture for a period of time. The result might not be regarded in highly practical usage, but provide an understanding of the cultural phenomenon being studied. A similar view is expressed by Hammersley and Atkinson (1983) that some scholars views the findings of the strategy are subjective and are not suitable for rigorous scientific analysis. The modern history of the strategy started at around 1920s and 1930s.

The usage of this is to preserve the understanding of non-western culture in disappearing tribes. However, the modern development of strategy came after the members of the Chicago School of Sociology used the strategy to study subculture in human societies. There are two main types of Ethnography. The first one is Descriptive ethnography that *'focuses on the description of cultures or groups and, through analysis, uncovers patterns, typologies and categories'* (Holloway, 1997, p.61). The second one is Critical ethnography that *'involves the study of macro-social factors such as power, and examines common-sense assumptions and hidden agendas'* (Holloway, 1997, p.61).

Grounded Theory

Grounded Theory, which was developed by Barney Glaser and Anselm Struss in the 1960s, *'is a strategic approach to data collection and data analysis'* (Holloway, 1997, p.80). Its origin begins with Sociology (Holloway, 1997). The usage of the strategy is to allow the researcher to develop theory from the collected data. Grounded theory uses 'constant comparison' intensively throughout the data collection process (Holloway, 1997, p.81). It can be said that the collection process and the analysis process are combined in the same moment. The aim of the comparison of each recorded data set is to find *'similarities, differences and connections'* by putting data into themes and categories with links explaining connections (Holloway, 1997, p.82). The end product could be a number of theories, which are relationships, patterns, and links between concepts or variables. The use of hypothesis also takes place after there are some developing relationships or patterns as working hypothesis.

Case study

Holloway (1997, pp.30-31) defines that *"case study research is a way of exploring the phenomenon in its context"*. Researchers combine a number of sources in their data collection, for example observation, documents and interviews (Eisenhardt, 1989), so that the case can be investigated (Holloway, 1997). Holloway (1997, p.31) adds that *"there is no specific method for data collection or analysis; the researcher can apply ethnographic, phenomenological approaches or grounded theory"*. Holloway (1997, p.31) further suggests that *'the analysis of qualitative case studies involves the same techniques as that of other qualitative methods: the researcher categories, develops typologies and themes and generates theoretical ideas'*. However, Scholars such as Yin (1994), Gummesson (2000) and Gomm *et al.* (2000) argue and provide guidelines and procedures that allows it to become a powerful research strategy that has its own foundation for scientific analysis.

Phenomenology

Phenomenology which is a philosophical approach, is aimed to study *'phenomena (appearance) and human experience'* (Holloway, 1997, p.116). The research strategy has been employed to *'explore the lived experience of people'* (Holloway, 1997, p.116). The method began to be developed since 1838 by Franz Brentano, although it was not in full form, and had a different name (Holloway, 1997). From there, the approach had been developed by many scholars in at least two phases of major improvement. Interview is the main method for data collection, but narratives of the participants, such as language, facial expressions and gestures, are also important and must be recorded for later analysis. The following table shows the comparisons of these four researches in five different dimensions. The table helps to highlight the key differences of each tradition that can affect to the choice of a research design.

Table 5.4 Dimensions for comparing Four Research Traditions in Qualitative Research

Dimension	Phenomenology	Grounded Theory	Ethnography	Case Study
Focus	Understanding the essence of experiences about a phenomenon	Developing a theory grounded in data from the field	Describing and interpreting a cultural and social group	Developing an in-depth analysis of a single case or multiple cases
Discipline origin	Philosophy, sociology, Psychology	Sociology	Cultural anthropology Sociology	Political science, Sociology, Evaluation, urban studies, other social sciences
Data collection	Long interviews with up to 10 people	Interviews with 20-30 individuals to "saturate" categories and detail a theory	Primarily observations and interviews with additional artefacts during extended time in the field (for example, 6 months to a year)	Multiple sources- documents, archival records, interviews, observations, physical artefacts
Data analysis	Statements Meanings, Meaning themes, General description of the experience	Open coding, Axial coding, Selective coding, Conditional matrix	Description, Analysis, Interpretation	Description Themes Assertions
Narrative form	Description of the "essence" of the experience	Theory of theoretical model	Description of the cultural behaviour of a group or an individual	In-depth study of a "case" or "cases"

Source: Adapted from Creswell (1994, p.65)

5.2.2 Choosing a research paradigm, its strategy and data collection method

After the research paradigms have been discussed as above, we can see that the principle and philosophy of each paradigm has a different perspective on social reality. For example, Holloway gave an opinion on this by referring to Corner (1991) that *'while early positivism is based on the belief that reality has existence outside and independent of individuals, interpretivists often claim that social reality, at least, is constructed and does not have independence from the people creating it'* (Holloway, 1997, p.14). At this stage the basic assumptions and relevant details of the research paradigm have been studied. Some researchers might have a strong feeling about pursuing a paradigm by personal reasons, such as crucial limitations in the environment of the research problems, the feeling of confidence in certain research practices, and personal beliefs. A rough decision and special attention can be given to a particular paradigm. Before deciding on the choice of research paradigm for this research, some highlighted critique on quantitative research should be mentioned as follows.

Firstly, interpretation of quantitative research is mostly based on pre-set parameters that are created earlier according to their previous study and their interest (Bryman, 1989). The context of each research site, especially organisational reality, is given less attention by quantitative studies (Bryman, 1989, Silverman, 2000). It also ignores the interest of their participants. Furthermore, technical term and perspectives of researchers might not be easily familiar by the participants as well.

Secondly, quantitative researches seem to isolate parts of organisational process study (Bryman, 1989). Interested variables will be limited and tested for the research, but there might be variations of the way work processes are conducted in each organisation. Therefore, it is less benefit to study 'the processual aspects of

organisational reality. On the other hand, qualitative research aim to deal with organisational processes and not to emphasise on the prediction of finding (Lee, 1999).

Next, quantitative research often assumes that there is a natural order of slow changeable substances of 'organisational reality' and aims at investigating facts like natural scientists (Bryman, 1989). The strict preparation of a pre-framework must be achieved before data is collected for quantitative research (Lee, 1999). On the other hand, pre-framework for qualitative research does not include the development of hypothesis. Living hypothesis can emerge during the field research and later.

Finally, qualitative researchers tend to remain close rather than keeping their distance when compared to quantitative research (Bryman, 1989). The reason for this is that qualitative researchers must seek to understand and interpret what participants act or reveal, but quantitative researchers plan to test prepared framework and must not interfere with participants (Denscombe, 1998).

As we can see from the points illustrated above, the difference between both research paradigms became clear in many areas. Nevertheless, there is some overlap between the two paradigms regarding the use of data collection methods. Therefore, we should not take the differences point by point without considering the greatest of all, their origin and philosophy. Maxwell (1996, p.17) adds that the paradigms are not just two *'different ways of doing the same things'*, the paradigms have unique strengths and logic that must be applied to different research questions and purposes.

However, there are other factors that determine which paradigms will be pursued. The most influential factor is the research strategy. The next one is the research method. Each research strategy has different practices and limitations. Both practices and limitations are related to a suitable condition and situation of what is being studied. In addition, the research methods are related to the competence of each researcher and the possibility of obtaining data. Therefore, the environment surrounding the researchers

and what is to be researched crucially impact the choices of the pursued research paradigm. The development of research strategy has been with full details and instruction. Each of them mostly refers to their supporting perspectives when their instructions were illustrated by authors. There is a clear picture that one specified research strategy is classified into one theoretical paradigm. Therefore, the determination of the research methodology used in this study will be explained in relation to the suitability of research strategy rather than emphasising reasons on the choice of research paradigm.

So far the review of literature on research methodology has revealed many important components of principles and philosophies. Two distinctive methods of research, which have been clearly defined with some details and discussion, are in the field of social science. However, the principles, philosophies and research strategies of social science share similarities and differences to the other fields, such as sociology and psychology. This statement must apply to organisational research and management research as well. The reason for differentiating organisational research from the other social sciences is the working conditions and environment in organisations. These conditions differ organisations from individuals and social groups. There are also popular or frequently used sets of research strategies and methods in organisational research. The following table 5.5 will illustrate the frequently used research designs and methods in organisational research. It is Bryman (1989) who suggests this guidance that might help focus on choice of research design and method.

For the organisational research, case study has been more widely used and familiar to scholars than any other strategy of qualitative paradigm. More supportive reasons for case study are revealed in the following paragraphs.

Table 5.5 Frequently used research designs and methods in organisational research

Designs	Methods
Quantitative research -Experiment (major distinctions: laboratory and field experiments; experiments and quasi-experiments) - Survey (including longitudinal survey design)	Self-administered questionnaire
Qualitative research Case study Action research	Structured interview Participant observation Unstructured interviewing Structured observation Simulation Archival sources of data

Source: Bryman (1989, p.29)

5.2.3 Decisions regarding the research design.

The following is the summing-up part of this section. The reasons of decision making on designing the methodology of the research are emphasised. The need for solving the research problems is related to the process of strategic management in retailing organisations, particularly multiple retailers in Thailand. There are two major areas of decision making which should be made prior to data collection. The first area is the decision concerning the options between quantitative or qualitative approach as the pursued research paradigm. The nature of the research problem can determine the choice as in the following two reasons.

Firstly, the number of the firms in the industry, which is relatively low in number, gives a significant weight of choosing the qualitative approach as a research paradigm, because a large data source is needed by quantitative research. Furthermore, organisational process can be varied from one company to others. "Scientific generalization" (Stake, 2000) might ignore the richness of useful information. The study

should be designed to capture the differences that can be considered as the uniqueness of each organisation. Secondly, there is no previous sufficient research work on the research theme to determine a clear framework of quantitative research. Thirdly, the need for obtaining a huge amount of data with an unclear direction makes things difficult to determine efficient variables for quantitative research. The research problems suggest that the form of strategic planning and management is unclear. It is important to request data that is familiar to participants and in their interest. Strict pre-set parameters might be an obstacle to achieve such data. Therefore, qualitative approaches to the research problem are more favourable.

The second area of decision making in the matter is the choosing of research strategy. Multiple case studies are chosen to generate end products before their analysis and conclusion. The success of finding out the answer of the problem concerns the efficient communication and co-operation from the Thai based retailers. Each retailer would be contacted for data collection with suitable arrangements from both sides. The end product of each data collection, of each organisation, will be a case study that is analysed later. The tone of each case study may be different and dependent on the source of data and participants. There are reasons for the choice as follows. Firstly, the possible number of firms and the accessible participants is too low to gain firm saturation of survey or grounded theory. Case study can benefit well in a low number of research sites. Secondly, case study allows the mixture of the methods of data collection and background information of the organisations and participants can be comfortably added into the cases. It may help to capture complex relationship of management processes. Thirdly, the research strategy is flexible to the situations where researchers have limited control over events because it allows researchers to investigate phenomena as things naturally occur in the targeted company. Fourthly, the aim of the research is devoted to the study of strategic management process rather than human behaviour,

culture and history alone. Case study is normally a well known choice for organisational research according to Bryman (1989). The next section will give us more understanding on case studies as research strategy.

5.2.3.1 Case studies as research strategy

5.2.3.1.1 The definition of Case study

Case study is a method of research enquiry that is aimed to describe and explain a particular phenomenon in its own context. The research can be done for the investigation of an organisation, an event, a process (Gummesson, 2000), and/or an individual. The method normally requires no control over behavioural events, and focuses on contemporary events (Yin, 1994). The research strategy helps researchers in an effort to *derive general conclusions from a limited number of cases'* (Gummesson, 2000, p.84). Recently, case study becomes popular in management research that many doctoral theses carried out in many universities use the research strategy (Gummesson, 2000). Although the aims of the study are intended to identify the process of strategy development in retailing organisations, it has the type of theory testing (Yin, 1994, Gummesson, 2000) that existing theories, models and theoretical framework are tested and refined. Denscombe (1998) suggested the summarised characteristics of case study in table 5.6.

Therefore, the characteristics determine the advantages and disadvantages when the method is compared with other research methods. These are summarised in the following sections.

Table 5.6 Distinctive characters of case study

In depth of study: Case study looks for one instance providing some valuable and unique insight by investigating things in details
The particular: There will be only one instance of the thing that is investigated
Relationships / processes: The method offers researchers to detail interconnection and interrelation of parties based on how and why question.
Holistic view: Holistic view shows strong influences to the method than isolated factors
Natural settings: The investigation of something that already exists in natural social setting
Multiple sources and multiple methods: The allowance of various sources, a variety of types of data and a variety of research methods.

Source: Adapted from Denscombe (1998, p.32)

Advantages

Each case study intends to focus only one or a few instances to capture complex social processes (Denscombe, 1998). It works well in real-life social situations where the boundaries between phenomenon and context are not clearly defined (Yin, 1994).

The unique need for case studies comes from the effort to understand complex relationships and social processes. The research strategy offers a 'comprehensive' approach in describing and analysing the richness of events (Jankowicz, 2000). By using various methods of data collection, especially multiple methods, complex social phenomena can be carefully captured (Denscombe, 1998).

Case study allows researchers to study 'a contemporary set of events' in which the person prefers very little or no influence to phenomena as they naturally occur. In this case "how and why" questions are recommended for the research (Yin, 1994).

The use of multiple resources in case study benefits greatly in validating data through triangulation (Denscombe 1998). Case study allowed researchers to use different sources of data in constructing a case (Bryman, 1989). This is the technique that help to generate 'internal validity' of findings (Yin 1994), but can not validate or

verify findings (Bloor, 1997). At the same time, certain information or data can be proven of their value by different sources of data.

Case study can benefit greatly to theory-building and theory testing research. The strategy fits very well to small-scale research that is restricted to one research site or a few sites (Denscombe, 1998).

Caution

Case study is aimed at focusing on social process rather than isolated factors. It relies on interpretation of qualitative data that is often branded as "soft data". Therefore, weak evidences or bias opinions should be avoided in constructing the case study (Denscombe, 1998).

The findings from case studies are likely to be criticised in providing weak basis to scientific generalisation. However, the generalisation of case studies can be achieved under a particular context. Case studies must be carefully analysed in order to build theoretical propositions.

The case study can produce one serious problem to the owner due to the length of the particular case. There is no clear cut or absolute guideline to decide what sorts of data are to be included (Denscombe, 1998). The content of case study can be influenced by too many day-to-day activities and issues (Jankowicz, 2000). This could result in spending too long a time, and end in 'massive and unreadable documents' (Yin, 1994, p.10).

Due to the in depth study, case study demands researchers to negotiate the access to the site. In some cases, situations regarding confidentiality can worsen the relationship between both parties. The permission might be withdrawn, if the matter is not handled carefully (Denscombe, 1998).

The presence of researchers might affect the way that normal situations occur. The reason for this is that the behaviour of people being studied might be different once they know they are being studied (Denscombe, 1998).

5.3 Proposed design of research methods

So far knowledge regarding case study was mentioned earlier. The nature of case study research is classified as 'instrumental case study' (Stake, 1994). Initially, the choice of the research fields come from my own interest as mentioned in the introduction chapter. However, the need to increase the understanding of strategic planning context requires each case to provide 'a supportive role' (Stake, 1994). Next, research methods will be designed to obtain necessary data for the solution of research problems. The research strategy, which is used, is called multiple case studies (Yin, 1994) or collective case study (Stake, 1994). According to Stake (1994), collective case study is multiple instrumental case study that require more than one case to be conducted. Several methods of data collection are conducted to obtain data from a number of large multiple retailers in Thailand where the retailing industry has faced several dramatic changes and is in a highly competitive situation.

In relation to the earlier mention research problem, multiple case design requires three units of analysis (Yin, 1994, Lee, 1999). The units include three main areas of crucial research questions, including short-term strategy development, long-term strategy development and the influence of marketing concepts. It means that the design must be termed as "embedded multiple case study" (Yin, 1994). Although the research does not provide propositions to guide the later fieldwork, sub-level research questions are used to narrow down the focus of the interest. The cause of absence of such propositions is due to insufficient research framework in previous empirical researches

in retailing literature. However, the theoretical concepts and framework in the literature review section can play a major part in the analytical technique of the later finding, such as pattern matching (Lee, 1999).

The generalisation of the multiple case study design need 'replication logic' (Yin, 1994) to strengthen 'naturalistic generalisation' (Stake, 2000). The replication means the comparison made between case studies in 'a systematic way' that the explorations of different stances to the examined issues are made (Jankowicz, 2000). In the other word, the 'naturalistic generalization' come from generalization made 'to a similar case rather than generalization to a population of cases' (Stake, 2000, p.23).

A similar view was expressed by Schofield (1993, 2000) that 'Multisite Studies' could be an alternative to boost 'generalizability of qualitative research'. The only draw back of the method is that it can be costly and time consuming if the study took more number of sites and very different setting (Schofield, 1993, 2000). Although 'the study of several very similar sites' generate less understanding of various other sites according to Kennedy (1979), it is certainly less expensive and time consuming.

Therefore, the strategy requires the construction of a number of case studies. Initially, the decision is to obtain at least four to five case studies that can represent roughly one-third of the number of large and medium sized retailers in Thailand. Schofield (1993 p.207, 2000 p.75) concludes shared views by many researchers that *"generalizability in the sense of producing laws that apply universally is not a useful standard or goal for qualitative research"*. Gummesson (2000) agrees with this view. She (1993 p.207, 2000 p.76) further suggests on this that *'studies in one situation can be used to speak to or to help form a judgement about other situation'*. Long descriptions of different sites must be achieved to *'search for the similarities and differences between the situations'* (Schofield, 1993 p.207, 2000 p.76). The finding of the research

must be regarded as 'working hypothesis' (Kennedy, 1979 in Schofield, 1993, 2000) that can be used to generate greater understanding to other situations.

Similar to other types of researches, there is a critical question to be answered. How do you choose suitable cases for the qualitative research? Patton (2002, p.230-242) suggests sixteen approaches of purposeful sampling strategies for the matter. The last approach is actually the suggestion for 'combination or mixed purposeful sampling'. According to Creswell (1998), Miles and Huberman (1994, p.28) also suggests a closely similar 16 strategies for purposeful sampling called typology of sampling strategies in qualitative inquiry. However, we must understand the purpose of doing the sampling before going to more detail.

There are four purposes for purposeful sampling according to Maxwell (1996, p.71). Firstly, *representativeness or typicality of the settings, individuals or activities selected'* can be accomplished by selecting particular appropriate approaches. Secondly, some types of purposeful sampling aims to seek cases from *'entire range of variation'* instead of *'the typical members or some subset of this range'*. Thirdly, the logic of sampling approaches can help to select *'cases that are critical'* for the theory building and testing. Finally, the sampling can help to eliminate the *'differences between settings or individuals'* for case comparisons. The key success of purposeful sampling is to select *'information-rich cases'* for study in depth (Patton, 2002, p.242).

There are three types of Patton's strategies that can be applied to the case study research. Firstly, criterion sampling allows all cases that *'meet some predetermined criteria of importance to be checked and studied'* (2002, p.238). The major reason of selecting only large and medium sized retailers, likely to be large sized operators, is the concern and doubt that smaller operators do not have enough ability and resources to possess any complex planning process. They are unlikely to provide any evidence to answer the research problem. The likeliness, which larger and more complex

organisations can provide more evidence, is greater. They represent essential similarities to cases of interest.

Secondly, Silverman (2000) adds that the problem of case study regarding generalisation is concerned by many qualitative researchers. He suggests four different ways to deal with generalizability of case study. One of them offers the best explanation of my intention. *'Purposive sampling guided by time and resources'* (Siverman, 2000) or *'purposeful random sampling'* (Patton, 2002) is similar to what I have in mind. Although time and resources are not really the issue for my Phd research, it guides the choice of sample case carefully by considering the nature and structure of the industry. I am well aware of the need to obtain sufficient data from Thailand's modern retailing operators.

It is my intention to ensure the balance of data by gaining access to every segment of Thai modern retailing market, but also there is the need to make a convenient choice due to hard negotiation for the access. However, it is not the intention to generate 'representativeness' similar to a 'representative random sample' (Patton, 2002). The ultimate aim is to increase credibility of a small random sample (Patton 2002). So far the purposeful sampling of the research are drawn from the logic of three different types of the strategies, Criterion sampling, Purposeful random sampling and Convenience sampling.

5.4 The selection of company

Each company is counted as one site of data collection that constructs one case study. The criteria of selecting the companies are as follows.

The Thai retailers must

- be large multiple retailers that operate more than one branch under one headquarters.

- have their own marketing department or corporate planning department.

Moreover, half of the total number of the companies selected should be owned by Thai shareholders as a majority. The criteria will help us to select suitable companies that have ability to conduct strategic planning and management. Furthermore, the limitation of a number of foreign companies is aimed to focus on the uniqueness of Thai operators in Thai retailing.

Gaining access

For Asian culture, the relationship between gatekeepers and the researcher is very important to the success of the fieldwork. Sometimes the researcher also needs a supporter who works in the organisation to make a contact with a gatekeeper. Losing face and owing gratitude are the situations that Thais and company personnel in Thailand prefer to avoid. Therefore, they are reluctant to give co-operation to any unknown parties and prefer to offer help to the parties that could benefit the relationship. Without a recommendation from a well-known or trustful person to the gatekeepers or supporters, permission for access and good co-operation of the participants are unlikely.

So far the researcher has received good news that his sponsor in Thailand are able to make contact with the president of Thai Retailers' Association through a member of the association. Recommendations from the presidents to the gatekeepers in Thai retail operators can help to establish the access. With the high possibility of gaining very good co-operation from the access, work can be planed as follows. The data collection of one case study will be done at a particular retailer for a period of time. I anticipate the retailers can arrange a desk that I can work for my project during the time I visit the company. The construction of the case should be done simultaneously as the collection of data. The gap of information in the case can be quickly spotted and closed by an immediate request to whom it may concern. The duration of the data

collection period can be prearranged with the company. This may require at least two or three weeks. However, the duration can be varied due to the schedule of interviews and different arrangement of other data collection methods.

Data collection methods

There is a significant number of research works published on strategic planning process. One of the popular research topics is the process in the real life company. The name of the process includes long range planning, strategic planning and strategic management. The amount of data, which is collected to construct an article, varies according to the willingness to release data by the participating companies.

A sample of data collection method is used to give some idea to the researcher. The article provides small cases of five world class companies. The type of interview is semi-structured interviews that use open-ended questions in a number of topics. The sequence of topics and questions does not need to be in strict order. The interviewee can develop ideas freely and talk widely on the topics raised by interviewer. As Patton (1999, p.151) explains *"open ended question is to enable the researcher to understand and capture points of view of other people without predetermining those points of view through prior selection of questionnaire categories"*. Apart from the mentioned benefits, there are a number of advantages of interview. Firstly the information which is obtained from the methods, provides insight data in depth and in detail. Secondly, the method is a suitable way to gain priority, opinions and ideas. Thirdly, the method gives flexibility and validity during an interview. Fourthly, the interview can create a nice feeling for informant when it is compared to other methods.

However, the use of interview for an individual alone would give a wide view of what activities looked like, but the weight of the data might not be balanced. Other methods of data collection can be used to support. There are three main methods that are

used to collect data to construct an individual case study. These include interview, observation and document analysis. The arrangement of data collection in each company is done after an interview with a senior manager or an authorised representative of the company. The interview should supply an overview of the company's activities related to the research topics and questions. Once the interview is briefly analysed, a plan and schedule of other data collection can be produced. The schedule of my fieldwork can be arranged with an authorised person from the company.

Interview

This interview is the main method of data collection in the research project. The method can be used in two stages. Together these two stages should include at least five interviews with five different people from various departments. The first stage is outlineded earlier in the previous paragraph. At the second stage, semi-structured interview is used to provide an overview of the company's activities related to the research topic. The interviews very much support the structure of data collection. During this second stage, the interview is used both on its own and in conjunction with the other types of data collection methods. The following are different types of interview that can be conducted to serve different purposes.

Semi-structured interview

This type of the interview is firstly used to get a wide view of the company's activities that are related to the research topics. In the second stage, three to four interviews will be conducted based on the use of this type of interview method. The characteristics of the interview would be structured with open-response in order to obtain sufficient data (Denscombe, 1998). The expected outcomes of this type of data collection include the description of factual information on the topic, and opinions that

are previously unknown and can not easily be quantified. The interviewing method would be use intensively as a main method. The area of questioning with some details would be made and sent to the participant prior the interview. This should help to notify the interviewees in advance of interviewing topics.

Structured Interview

This type of the interview method will be used at least once from all interviews in each case. So the interview should be structured with the help of using the questionnaire form (Denscombe, 1998). The benefit of this is to make sure that some important information would be gathered as well as participants' opinion. The reason for this is that there are specific details needed to be obtained. The type of questions, which are more specific for the collection of fact, would lead to short answers or multiple choices. Sometimes open-ended questions might be used, but occasionally.

Unstructured Interview

This interview would be used in conjunction with other means of data collection. For example, observation, which is done at a particular site, might require short interviews to the participants regarding their activities. The other use of unstructured interview might be used when there is a gap of knowledge by asking any available personnel.

Observation

The observation will be carried out with the permission of the company on certain sites. Two types of observations are direct observation and participant observation. The first type would require the observation of activities held within the company. The purpose of the activities could be from formal meeting, training or

discussion. The second type of the observation would require the participation of the researcher in the company 's activities, such as training. Short note taking would be used to describe the observed events rather than other means of recording

Documentation and Archival Records analysis

The analysis of the documents and records would be done intensively to supplement other means of data collection and construct the case study. The interview is conducted with the senior managers prior to the arrangement of later data collection with the company. The request of viewing documents and records would be made to an authorised person during my presence. The documents and records could increase understanding of the company's activities such as an organisation chart of the company being visited, internal announcement or circulated letters etc. These would help the research to progress to further steps in both planning on data collection and designing further interviews. More documents and records might be requested during the interviews with other interviewees. The other types of data collection should also lead to the request of document copies.

Leaving the site

Leaving a particular company will depend very much on the arrangement with the company. The schedule of interviews and other data collection methods would be dependent on the analysis of the first interview. The careful plan of data collection would help enormously in determining an exact date of leaving the site. However, the progress of constructing the case study should be a crucial factor before deciding to leave the site.

5.5 Fieldwork

Since late 1997, Thai retailers had struggled to cope with Thailand's financial crisis. It was not until early of the year 2000 that business began to recover to normal. The fieldwork, which was conducted in the summer of 2000, would not be possible if conducted earlier. Prior to the fieldwork, several contacts were made to the present president of Thai Retailer's Association by an official letter from the Department of Marketing and electronic mails. The replies from the president gave the further details of key persons to be contacted for the potential companies. The criteria in selection of company were considered before any contact was made.

Later, three follow-up letters were sent to three key personnel of different companies. Each letter included a headed letter, a copy of my research problems and a copy of the proposed design of research method. The purpose of including the documents was to establish similar understanding of the nature of the research. This would also support the request for proper arrangement that would fit the research design. Headed papers of the department were used every time when formal letters would be delivered to the companies.

To begin the fieldwork in Thailand, Telephone calls were made to the key personnel for appointment in late April 2000. The fieldwork to each site was planned to be done one by one, and more companies would be contacted thereafter. The first visit to one of the companies was intended to develop good communications and get brief data on the company's activities by semi-structured interview. The brief interview was made to higher-ranking personnel of the company. I was experiencing some difficulties, because the prepared interview questions were rather wide in the scope for the informant that the person felt uncomfortable to release huge amounts of information. However, the key personnel suggested the use of structured questionnaire, so that they would be able to understand the nature of the research, and can pass them to the right

personnel. The proposed plan of receiving the overview data proved to be less efficient when one of the companies turned down the request. There was some reluctance of giving detail on co-operations in some contact made.

This led to a major adjustment of the proposed plan. No further contact would be made to the last company. Four different sets of questions would be developed for conducting interviews. At the same time, the new contacts were made to other potential companies via their personnel known well by my sponsor. The consideration of selected criteria was used once more. By late May 2000, four sets of questions were completed, and sent to senior managers, corporate planning departments, marketing departments and human resource departments via key personnel of five different companies. The following three months were spent on interviews, observations, and analysis of primary and secondary documentation. In addition, one crucial factor, which deters the previous plan of data collection, was some overlapping schedule of the participants due to their availability and busy agenda. The empirical idea of leaving one site to another was not actually accomplished due to the overlapping schedule and earlier turn down of request. However, this can be regarded as a successful fieldwork due to the maintained number of company cases and participants. All of the companies meet the selection requirement. The key success factor of receiving permission is the contact made via known companies' personnel.

Interview

This method was used extensively to gain data from the informants. The device, which was developed to support the interview, was four sets of questions. Each set of questionnaires was used to target different personnel by using semi-structured and structured format. The formats, therefore, influenced the style of the interview. In addition, the questions in every set were intended to have overlapping content. The

purpose of this intention was to encourage triangulation of data.

Semi-structured interview

This type of the interview was used widely in most of the interviews. With pre-delivered open-ended questions, the participants had good understanding of its content. Some of the participants went through the questions and gave answers freely one by one. The others preferred to respond in long description in relation to the whole set of questions. Nonetheless, the interviewers were involved greatly by asking different types of questions that led to discussion with both styles of interviewees. The types of questions included prearranged questions, changing topic questions and reassuring questions. All of the semi-structure interviews were done at the back office of each company. Most of them were at the office of the informants. There was one occasion that the interview was conducted in a departmental meeting room. In addition, one telephone interview was employed due to the preference of the participants. Several follow-up short interviews were done via telephone before leaving the sites.

Structured interview

This type of interview was employed in one of four interviews that were made to participants of each company. The questions for the interview were fully formulated with answers, such as 'yes' or 'no', multiple choices, and ranking importance. The structured questions also encouraged the triangulation of data. Therefore, its content had major overlapping to the content of other sets of questionnaires. However, the participants from three out of five companies later refused to answer the structured questions, but preferred to have semi-structured interview instead. Nonetheless, some questions were taken into the interviews when these questions were appropriate.

Unstructured interview

The interviews were used in conjunction with observation. The questions, which are used to ask informants, are not pre-formulated. Most of the questions were related to the surrounding activities of the people at the scene. This type of interview was employed twice. The first one was employed while I was observing training at the training centre in SM's branch. The second one was employed while I was observing operations at a convenience store of CS. The interview proved to be useful when it was used in conjunction with observation that the questions should be related to the activities and surroundings, and are difficult to be pre-formulated.

Observation

Observations, which were designed as one of main methods of data collection, suffered greatly from the changing of access to companies. Nonetheless, observations were done either by brief observation or full observation. The brief observations were always done each time that the interviews were arranged. The observations were done on front operation and back office, while waiting for the informants. Notice boards and surroundings were the main target of the observations when the observations took place at the back offices. The full observation was employed by the permission of two companies on two occasions. The first one was the observation of a training course and training area of SM. The second one was the observation at one convenience store of CS on front operation, back office and an inventory room. The observation was very useful in providing and confirming several issues regarding the companies' activities and management. This method supported the research well in conducting triangulation of data.

Documentation and archival records analysis

This part of the analysis was an on going process that began prior to the fieldwork until the writing up stage of the research. Different types of documentation and records were collected and used in the construction of interviewing questions. The data from this method supported other types of data collection very well, especially at the preparation stage of the others. During the fieldwork, several documents from the companies were loaned to me or allowed by them to be taken in the form of short notes. However, most of the documents published by the companies and third parties were collected from public publishers.

5.6 Conclusion

This chapter separates into three large sections. The first one is research problems that the focus of the research was defined clearly into three major topics. Each topic contains a number of research questions. The second one is options in research paradigms where two different paradigms, quantitative and qualitative, were studied. Research strategies and methods of both paradigms were described. A thorough review of disadvantages of quantitative research suggests that it is not suitable for organisational process study. Then the choice of research methodology for the thesis was decided. Several reasons, which support the use of qualitative research and case study as research methodology, were described. After the review and the choice was made; case study strategy and a proposed design of research methods for the fieldwork were recorded as the third part of the chapter. This is the end of the third section of the thesis. The next section of the thesis is a chapter on Thai retailing, the research findings and discussion that are the result of the fieldwork.

CHAPTER SIX

Finding: Thai retailing

6.0 Introduction

From the chapter six, the study begins a new section of this thesis, the findings. The data of findings comes from desk research and a series of interviews conducted during the fieldwork in 2000. The findings of the study separate into two chapters, and starts from a chapter on Thai retailing to give background of Thai modern trade retailing. The latter chapter separates into two parts. The first part presents findings on Thai retailing. The second part presents case findings with interpretation drawn from researches on five cases of retail operators in Thailand.

The five retail operators include a shopping centre chain, a shopping mall chain, a department store chain, a convenience store chain and a super-centre chain. All of them operate with branches in more than one region of Thailand. All of them have their headquarters in Bangkok where corporate planning has been conducted. Their management levels include Board of directors, Executive committees, middle management and junior management. The choices are made in relation to the criteria in case selection in chapter five to ensure the findings of research answers on long-term strategy development.

The chapter aims to give background information of retailing sector in Thailand, where the fieldwork of the research is conducted. There are several parts that intend to explain how the retailing in Thailand evolved. Furthermore, the chapter also contains the analysis of key sectors and key issues that aim to provide the developing picture of Thailand retailing.

6.1 Historical development of retailing format in Thailand

The following section is to give a timeline of Thai retailing development in terms of retail format. The section will classify the development of Thai retailing into nine periods that reveals the emergence of retail format in each period. The classification of period is produced by a study of several articles in leading journals published in Thailand. One of them, Leukunwatanachai (1993), clearly provides a framework of periods of Thai modern trade. His classification of each period is clear and the most up to date compared to others, although there are several overlapping times among the following periods of development. Therefore, the following intends to capture fact from different articles to clarify timeline accurately. Furthermore, to provide the definition of the terms used for each retail format, a section (1) in appendix is provided.

1st period Ayuthaya (Latest ancient kingdom before Bangkok) – 1850s

In the past retailing in Thailand could take place in several forms dependent on geography of each region of the country. In dry land, animals were used to carry goods for sells or exchange with other goods that horses and cows were used to travel at different distances (Tharppietoon, 2002). Meeting places at particular times became markets that we call today (Tharppietoon, 2002). Communities were larger, retail trade used cash and credit in trading since the early period of Ayuthaya (Tharppietoon, 2002). In the central part of the country, Thai people like to settle themselves by the river and travel by boats. This means of travelling was far better than the ground that was always covered with water during rainy season (Tharppietoon, 2002, Leukunwatanachai, 1993). The difficulty in transportation had a major impact on the

forms of retailing. This can be explained in three different ways. First, merchandise from farm and fruit or vegetable gardens were normally loaded into various sized boats. Sometimes they sold their merchandise to every house they passed by, but mostly they brought everything to a pier with market stalls on ground and a water market (the market where sellers stay in their boats). Second, hardware goods were normally sold by the people who made them (Polnikorn, 1993; Kookhang, November 1983). For example, each different village in a city could produce a different kind of merchandise only (Polnikorn, 1993). Either customers or producers might have to travel by water to trade such items. Third, there was a type of retailer that spent their life in their boats and travelled from place to place on a regular basis. A retailer bought different types of goods and stocked them in the big boat, then sold them to any household by the river they passed. This shows that producers and retailers were the same person in many cases (Kookhang, November 1983). These forms of retailing remained very well practised for a long time until the early 1990s. From the second half of Ayuthaya period, trade with foreigners was prosperous, especially China, Portugal, England and France, However, the trade was monopolised by state and its representatives. Most goods are sold to the state before the goods can be retailed by the state representatives to aristocrats.

After Bangkok became the capital of the country 1782, market stalls and travelling by boats were still a common scene at the time. A major Chinese trading site called "Sampeng" was the same. Around one and a half million Chinese migrated to Bangkok during 1782-1868 (Tharppietoon, 2002). Retail trade became prosperous and expanded rapidly due to the Chinese traders. They became retailers that lived in boats by rivers and used a pole or a cart to carry goods and sell directly to customers widely in the same period (Tharppietoon, 2002, Kookhang, November 1983). Some forms of retailing in premises began by Chinese merchants around 1800, but did not appear

widely (Supasorn and Wootticharn, 1997). They sold expensive imported goods to Thai aristocrats that were attracted by modern merchandises (Supaporn and Wootichan, 1997). By 1818, Western traders from several countries began to trade with the kingdom more often. Two English men later opened a western-style store called 'Hunter and Hess' in 1824 during the reign of King Rama III (Kanasarwat, 2001a). This was a slow change in the early development of modern trade. However, the demolition of state monopoly in trade with foreigners took place in 1855 by King Rama IV (TDRI, 1999, Kanasarwat, 2001a). Open economy began and led to the start of free trade in commodity products (TDRI, 1999). More consumer goods from abroad were imported and sold freely by foreign companies, such as East Asiatic from Denmark (TDRI, 1999). This was the starting point of modern-trade in the history of Thai retailing when the way of living began to change due to the involvement with Western influence (TDRI, 1999).

2nd period (Traditional shop-house) after 1855 - 1957

After the period of change at the start of open economy, foreign influence led to the change of Thai lifestyle and way of life. More western-style stores were opened, and expensive goods from western countries were imported and sold by western merchants to upper class Thais (Kanasarwat, 2001a). By the time of King Rama V, the emergence of modern transportation resulted in a major change to the form of retailing. The development of roads for modern vehicles opened a lot of opportunities for trade along these roads (Leukunwatanachai, 1993). Later, more and more speciality stores for clocks, jewels, medicine, spectacles, books and clothes were opened in more modern buildings along the road (Kanasarwat, 2001a).

At the same time, grocery and consumer goods retailing were taking the new retail format as well. According to Feeny *et al.* (1996), market stalls became traditional

shops in premises along both sides of the roads for the local people. The stores took the form of shop-houses that had one or two storeys. The ground floor was used for the retailing business and merchandise stocking, and the upper floor was used for the members of the family to live. The shelving of merchandise was aimed to give convenience to the salesperson rather than its customers. Customers mostly needed the assistance of the sales person to reach or pack the merchandises. Bargaining and negotiation for the price and the terms of payment were always the issue of the trade. The merchandise can be categorised as every day use, such as groceries, clothes, tools and building materials (Supasorn and Wootticharn, 1997, Polnikorn, 1993). The traditional retail store was originally a Chinese-Thai family business. This type of retailing expanded rapidly between 1947 - 1952 (Leukunwatanachai, 1993). Generally, the growth of this business became very important to small communities in Thailand and Southeast Asian region.

Later, some trading sites became famous, and attracted particular customers, because the sites specialised in providing a particular line of products such as clothes, steel or engines, and imported goods (Polnikorn, 1993, Kookhang, November 1983). Retail sites, Wang Burapa, Pahurat and Banglumpu were developed (Kookhang, November 1983), and shops were organised into groups to give more convenience to shoppers (Kanasarwat, 2001a). Later, the stores, which were located on the road, began to find the prearranged sites to attract shoppers with variety of stores (Satitsriwong, 1992). An early form of small department stores (Kookhang, November 1983) or shopping centres (Kanasarwat, 2001a), such Tai-pha, Maew-dum and Pacific store (Kookhang, November 1983) emerged at these trading sites. The development of high street shopping or open air shopping centres, which contained a lot of different independent stores, restaurants and entertainment within different units or premises in one area, began to emerge almost at the end of the period. For example, Wangburapa is

considered 'the first trade centre of Bangkok' (Kookhang, November 1983). These speciality stores were also located with attractions, such as cinemas (Kookhang, November 1983). The stores were no longer considered as traditional shop house, because they had a larger space, better organised shelving and did not provide accommodation for traders. Most of the stores during the period sold imported goods that were and still are expensive.

3rd period (Supermarket, Department stores and Co-operative) 1952 - 1969

In this period many modern forms of retailing began. Three forms of retailing accounted for the development in this period. Research department of Thai Farmer banks (TFRD, March 1988) defined three types of retail formats in this period as supermarkets (CA International, 1999), department stores (CA International, 1999), and co-operatives (TFRD, March 1988) respectively. The first one is Supermarkets that came into Thai people's life style earlier than the others. They were developed directly from previous traditional grocery shops (TFRD, March 1988; Polnikorn, 1993). However, the early development of supermarkets was limited to a small group of customers that were foreigners and Thai aristocrats. **"Kangaroo"** was the first Thai supermarket that was opened in 1964 (Tharppietoon, 1964) and sold fresh foods, consumer goods and kitchen tools (Chaisanit, 1982). Seventy percent of goods were imported to sell to customers that were foreigners which accounted for 80 percent of total customers. The growth and development of supermarkets were in the form of independents and not wide spread due to expensive pricing.

Later, the second form of retailing, department stores began when the first department store was opened in an open-air shopping centre, Wang Burapa, Bangkok (Kanasarwat, 2001a). The owner was a Chinese-Thai who was involved in export and import of products from abroad. Their connection to other businesses outside the

country supported them to obtain new and modern merchandise for Thai people who were excited about new lifestyle. Central department store, which was opened in 1956, was the first to introduce fixed pricing on each item to the community (Feeny *et al.*, 1996). However, it was a Japanese department store that set out a new standard for later department stores, such as consignment products (Kookhang, November 1983). Thai Daimaru was opened at Rathchaprasong, a new open air shopping site, in 1964 with modern design, escalators and air conditioning (Kanasarwat, 2001a, Kookhang, November 1983, Satitsriwong, 1992). A much bigger shopping centre with three cinemas called Siam sqaure, which had more than five hundred retail units (Kookhang, November 1983), also opened in 1967 (Satitsriwong, 1992). It also has banks, hotels and restaurants (Polnikorn, 1993). In 1968 Central also opened its second branch on the end of Silom road due to lower popularity of Wangburapa (Kookhang, November 1983). These department stores also began to introduce dry grocery products in their supermarkets (Supasorn and Wootticharn, 1997). At the early stage, the image of supermarkets to ordinary Thai people was very high and expensive. Like supermarkets, the stores appealed to high class and wealthy people.

In this period, another type of retailing emerged as the third modern retailer that expands itself to wider community independently. The formats of both supermarkets and department stores (Supasorn and Wootticharn, 1997) were used for the operation of co-operatives that emerged as the latest modern retailers in the period. The popularity of the self-service supermarkets grew with the expansion of the Thai middle class. This group of people, whose life style began to change, were fascinated by cleanliness, freedom of shopping and better access to products. Shares of their profits also attracted its members to shop more with co-operatives (Kookhang, 1983).

At the beginning of this development, supermarkets, department stores (Supasorn and Wootticharn, 1997) and co-operatives were not in direct competition, and

there was little impact to traditional grocery stores. Until the location and expansion of these retail formats became very fast and side by side, the competition among them got very strong (TFRD, March 1988). In the centre of Bangkok, traditional shop-house stores were the casualty of price wars. However, there was a turning point in Thai food retailing that stopped the rapid growth of independent supermarkets and co-operatives. Their number and popularity decreased steadily over the next period. The structure of the retail industry changed because of strong competition in the sector of department stores in the next period.

4th period (Under one roof shopping centre or shopping mall) 1969 - 1985

The previous shopping centres, such Wangburapa, Rathchprasong and Siam square, are still open-air centres with plenty of shops and cinemas in one area (Kookhang, November 1983). The additional form of retailing emerging during the period resulted from the continued development of the previous retailing format. Under one roof shopping centres, which include department stores and speciality stores in the same premise, emerged (CA International, 1999, Kookhang, November 1983). It began with the opening of Ram indra shopping centre in 1969 and Pleonjit Arcade in 1970 (Kookhang, November 1983). In 1972, Thai Daimaru moved to open in Rachadumri Arcade (Satitsriwong, 1992; Kanasarwat, 2001a). The store is regarded as the perfect shopping centre, including department stores, retail stores, restaurant, supermarket and etc., in one premise (Supasorn and Wootticharn, 1997). The shopping centre became the model for later shopping centres built by the locals (Gobkaew, 1999). In 1974, Siam Centre was opened, Central also opened the third branch to compete with Thai Daimaru at a better location in Chitlom. Later, more shopping centres and department stores were opened on business streets alongside other premises. Although they could not match the leaders like Thai Daimaru and Central, they managed to target middle class customers.

They improved and expanded branches to gain market share (Gobkaew, 1999). They learned to understand customers and improve relationships with their suppliers better than the Japanese retailers do (Gobkaew, 1999).

The development was still in the central part of Bangkok until 1980. After that period, more development was expanded to newly populated areas (Kanasarwat, 2001a). The growth of shopping centres or sites was related to the growth of Bangkok in every direction, such as the expanding middle class, population, new housing estates, and transportation (Euromonitor, 1993, Leukunwatanachai, 1991). The growth of the independent supermarkets and co-operatives came to be seen as a fast growing trend at the same time. Thai retailers, who were keen on property development, had a vision of the developing trend, and developed larger modern shopping sites. A group of department stores, which were earlier developed and prosperous, began to strengthen their format to one roof shopping centre or shopping malls that included parts of department stores, speciality retailers and supermarkets. The concept of one stop shopping seemed to be well implemented by big retail players as their main strategy (Satitsriwong, 1992). The policy of providing a wide range of merchandise as well as other attractions had been emphasised to their retail formats. The administrators of shopping malls and shopping centres were keen to arrange the mixture of attractions in their site. Some of them began to build shopping complexes that have department stores, retail shops, offices, hotels, cinema, restaurants and entertainment venue (Tharppietoon, 2002, CA International, 1999, Supasorn and Wootticharn, 1997).

During 1982-1984 the competition among shopping malls and department stores became high after the boom in the number of stores since 1975 (Tharppietoon, 2002). It led to severe competition during 1985-1986 (Tharppietoon, 2002). New department stores, such as The Mall, Metro and Robinson, were opened in the area near Rathchadamri Arcade. Retail operators used advertisements and new promotion

activities, such as sales, exhibitions and free products or services in stores (Kookhang, November 1983).

The strategy of cheaper price in grocery products was widely used and created price wars (TFRD, March 1988). Moreover, the development of modern design in retail premises provided attractions, such as abundant parking space, by medium-sized retail operators. Customer services were another strategy used to win over customers. The successful strategy of leading operators, which went on through out the 1980s and 1990s, was to become shopping complexes or trade centre (Kookhang, November 1983, CA International, 1999) that offered entertainment and other significant attractions rather than price-cutting. These led to the closing down of many small department stores due to lower revenue and higher operating costs at lower demand for services (Supasorn and Wootticharn, 1997). At the same time the competition further drove out traditional shop-houses, independent supermarkets and co-operatives from prime locations (Supasorn and Wootticharn, 1997). During 1992-1995, the expansion of shopping centres reached the highest point when the rate of expansion increased to thirty percent a year (Sri-Ayuthaya, 1997). Those new locations were newly populated areas surrounding central Bangkok. New investors were looking now to new retail formats to avoid the saturated retail sector (TFRD, June 1993). The expansion also reached growing big cities, such as Chaingmai, Hattyai and Chonburi at the same time.

5th period Discount store and Superstores 1985 - present

In 1984 a Japanese company, Jusco, opened its store with a discount concept (TFRD, March 1988). The emergence of a new type of retailing format put a lot of pressure on shopping malls that included supermarkets within their premises. Major Thai retailers responded in different ways. Some strengthened their shopping complex format. Central was the first to open its discount stores in 1987. However, the pioneers

were still ahead of their customer's lifestyle, but the popularity of the concept was limited. Even the operators still had to adjust themselves to the new concepts. In 1989 CP group made a joint venture with the Netherlands-based Makro (SHV) Group to operate cash and carry superstores, and opened their first store in fast growing suburbs of Bangkok (Feeny *et al.*, 1996). Its membership was offered widely to many members of organisations. Then, the competition in this sector became intensive, because the store became very popular among middle class consumers as well as small retailers and organisational buyers. Major retailers, which previously operated in department and shopping centres, noticed the developing trend and moved into this new area.

Their locations were out of town or suburbs of Bangkok. More middle class consumers with their own transport changed to buy groceries from the new retail formats. This helps them to avoid traffic jams in the centre of Bangkok and have comfortable parking spaces. The key success of discount stores, which later became Supercenters and hypermarkets, were cheaper prices due to buying at higher volume and lower operating costs (Suthiranart, 1997). Supermarkets at shopping malls became less profitable due to the loss of market share. Shopping malls and shopping centres became businesses that provided products and services for pleasure by hosting different types of speciality stores and attractions. Therefore, the owners who previously operated as shopping malls and shopping centres expanded their businesses to invest in various sizes of discount stores, such as superstores, supercentres and hypermarkets. The aim was to have market share in a new emerging market and regain the loss in revenues of their in-store supermarkets. Later, major foreign operators of European retailers were made as business partners in order that they could expand the new business as quickly as possible. The help of these foreigners was in terms of new capital, expertise, and technology. The move was a very competitive strategy and a quick response to the changing competitive environment. This development in the

retail format generated more trouble for traditional shop houses in suburbs of Bangkok as much as shopping centres.

6th period Convenience stores 1987 – 1994

Convenience stores and Mini-marts came into the retail market after traditional shop-houses began to disappear from prime locations in urban areas, especially in Bangkok (Supasorn and Wootticharn, 1997). The preference of consumers in urban areas changed toward tidiness, cleanliness and convenience. The type of store firstly emerged in 1980s when the boom of the Thai economy began to surface, but the success was low (Feeny *et al.*, 1996). In 1987, Central Minimart was opened by Central Department store, the leading retail operator (Kittaveerart, 1992, Leksukoom, 1996, Srijanya, 1988). Although the introduction of the first branded convenience stores came in the mid-1980s, the firm development of the sector only appeared in 1989. The opening of 7-11 by Charoen Pokphand (CP) was well timed when Thai lifestyle changed during the booming economy. The new format offers ready-to-eat foods, such as soft drinks, snacks, cooked foods as well as limited lines of frozen foods and groceries. The format clearly acquires both advantages from traditional shop-houses and supermarkets. Moreover, the long operating hours suits the Thai life style very well. The success of this retail format is clearly significant by the fact that more chains were introduced to the market by new investors. The chain expanded out of Bangkok to other major cities by having both franchisees and owned branches. There are now more than 1,700 stores in Thailand.

7th period before a major turning point 1994-1997

There were two different strategies that players in department stores and shopping centres used to counter the growth in the new retail formats, discount stores

and convenience stores. The first one was to participate in the new trend. As competition grew stronger, players in Thai department stores and shopping centres adjusted themselves by investing seriously into discount stores and convenience stores. Big retail players in department stores and shopping centres made partnerships with worldwide retail players (Kanasarwat, 1997). Smaller retail operators adjusted and pioneered a limited number of discount stores. However, the expansion rate was slower than that of the leading players under the CP group. The second strategy was to reposition itself to find a niche market (Supasorn and Wootticharn, 1997). The segmentation of their market was not clear until the competition was much higher in the second half of the 1990s. More shopping centres were located in the same area. Market segmentation was done through differentiating products and services sold at a particular site. A strong image of a particular store was used to keep the loyalty of targeted customers. This phenomenon seemed to widely appeal to the general market. Avoiding direct competition by avoiding a price war was seen as a crucial strategy. However, clear positioning could be found in niche markets, such as computer-related merchandises and prestige fashion merchandises for high-class market (Kanasarwat, 2001b). By the end of the period, the Thai economy showed a strong sign of slowing and downturn that consumers became price conscious and had less buying power (Supasorn and Wootticharn, 1997)

8th period the major turning point

The prospect of the new strategy came to an end by the eruption of the late 1990's financial crisis in Asia and Pacific. The cause of the crisis in Thailand is as follows. Since the boom of the Thai economy took place in the early 1990's, government had relaxed its financial measures in controlling financial institutions and to encourage the growth of the economy. Then many financial institutions lost their

self-disciplines that led to the mistakes of the Thai banking and financial system as a whole (Pbanprasong, 1998). Firstly, financial institutions widely allowed the use of customers' saving to invest in Thai stock market. Secondly, it is the fact that banks and financial institutions had incurred bad risks by lending to people in power and influence without adequate collateral to cover the loans. Finally, Thai entrepreneurs relied on foreign loans without adequate measures to hedge themselves against currency risk. These are the real causes that led Thailand to the crisis after currency speculators attacked Thailand in 1997.

The Bank of Thailand lost most of its foreign reserves in the fight defending the value of the Thai Baht. Then, Thailand announced a floating exchange system on July, 2, 1997 for its currency that led to huge and rapid devaluation of its currency (Pbanprasong, 1998, Kositwanarart, 1998). At the same time the value of the Thai stock market also plunged very low. However, there was speculation just before this period by several economic analysts in commercial financial institutions that many Thai stocks were overvalued. Most companies lost their source of capital and the value of their companies. Financial institutions were closed due to huge amounts of bad loans and lack of liquidity (Soporo., 1998). The government, which tried to defend itself and pull itself from the failure, asked the IMF for an emergency fund of US $17 billion (Kositwanarart, 1998). Many economic measures were implemented to lift the confidence of foreign investors in Thailand's currency and stock market (Soporo., 1998). The measures were to increase the creditability of the Thai financial system as a whole (Soporo., 1998). The government's measures came to attack the ability of the banking system to support the liquidity of ailing major Thai businesses (Pujadkarn, 22-28 May 2000). In addition, the banks were told to maintain high reserves with the Bank of Thailand and recover their loans from businesses that already had lack of

liquidity. Most companies, including retailing organisations were desperate for fresh capital to pay back to the financial creditors and fight the ailing economy.

Moreover, the crisis also caused the decrease of public confidence in retail spending (TFRC, August 2001, Kositwanarart, 1998, Gobkaew 1999), and caused inflation to rise by 8 percent around one year after the crisis started (Bangkok Post, 1998, Davies, 2000). Value added Tax also rose from seven to ten percent on September 16, 1997 (Kositwanarart, 1998, Pbanprasong, 1998, TFRC, May 1998). Duties taxes were also increased in February 1998 (Davies, 2000). The economy in 1998 had not recovered from the crisis in 1997 and continued to slow down (Gobkaew, 1999, Thai Chamber of commerce University, December 1998). This later affected total retailing sales of retailers negatively (Kositwanarart, 1998). The instability of exchange rate and inflation occurred during the first half of 1998. Strong economic measures from the government are still in place (Thai Chamber of Commerce University, December 1998). Therefore, the problem of liquidity was worsening (Gobkaew, 1999, Thai Chamber of Commerce University, December 1998). There were several strategies that Thai retailers used to recover themselves, according to Urath (1998). The early strategy was the reduction of operating costs and expenses (Urart, 1998). Most of the companies also postponed or abandoned their earlier investment or expansion plans (Urart, 1998, TFRC, May 1998). Closing down the business units, which were not part of its main business, was used to eliminate the business units that yield very low or no profit (Bangkok Post, 1998, Nopparn, 2000). Promotional activities were used to stimulate consumers' spending according to Kositwanarart (1998). The discount price of goods, such as loss leaders, was used to attract customers to stores The types of media, which were used for promoting events, also changed from mass media to cheaper strategies, such as billboard and leaflet. At some points during the prolonged effect of the crisis, many modern retailers postponed

their payment to suppliers as late as 6 months. This led to the loss of credit and image of medium sized department stores and some other smaller department stores due to the later removal of merchandising by suppliers (Bangkok Post, 1998, TFRC, May 1998). Some had to close down their less competitive and low profit branches to increase overall profits (Kanasarwat, 1997, Interest, February 2000). For other major players, there was no option other than allowing foreign investors to hold major shares and inject fresh capital to their organisations (Kositwanarart, 1998, Nopparn, 2001). If not, then they had to sell parts of their businesses to gain cash in hand (Interest, January 2001). Central group and CP group, which earlier diversified their business enormously by loans, were the two examples of the forced selling for survival (Kositwanarath, 1998, Interest, January 2001). By the year 1999, retailers in Thailand were facing five problems including liquidity, decreasing buying power, limitation of new loans, financial instability and the shrinkage of Asian wide economy (Gobkaew, 1999).

9th period (the expansion of foreign companies) 2000-present

All these brought Thai personnel to a new era. Most organisations, which were taken over by international retailers, were in the sectors of superstores and supermarkets (Kanasarwat, 2001b). For retailing organisations taken over, foreign top management directly transfers technology, knowledge and management to its company at a faster rate (Rathananuban and Jarurathanachai, 2000). The reason for this is that foreign investors now have major control over the ownership of the businesses since the relaxation of relevant legislation on ownership in 1999 (Chareonrathpak, 2001; Chaiyasoot, 2001; TFRC, September 1998). The expansion of the retailing business in Thailand will be well planned and quick due to a clear direction of the expansion model and facilities that had been previously implemented

elsewhere. The new retailers, who had strong financial resources, could expand themselves at a faster rate than Thai retailers (Bangkok Post, September 21, 2000). Their strategies are to compete in occupying prosperous sites and building effective distribution networks. The effective management and in-store technology would help them to achieve competitive advantage over their major foreign rivals. So far the economy began to recover since the beginning of 2000, and food sales are getting better, the sale of non-food items also recovered well (Noppan and Aksornmart 2001). The increasing numbers of new supercentres or superstores have been obvious as important long-term strategies (Nopparn and Aksornmart 2001). However, the direction of business environment from 2001 can influence the success of the competitive strategy. Two major factors, which will determine the rate of this expansion, are the health of the Thai economy and the power of consumer spending (Bangkok Post, 2000).

6.2 The history of Thai's distribution system (Wholesale and retail trade)

The origin of modern trade can be officially recounted since 1855, when State monopoly in trade was abolished by the first trade agreement with England to avoid political conflict (Tharppietoon, 2002), Later, such trade agreement were made the same to any other western countries (TDRI, 1999, Kanasarwat, 2001a). This agreement changed its traditional trade to open economy. Chinese Thai merchants are also benefit from this by involving in trade with foreigners directly. Since then, it was also benefit to the expansion of trade in some country's export products, such as rice and sugar (Tharppietoon, 2002). However, the evolution of free trade in consumer products began gradually. At the beginning, the supply of these products were imported and in the

hands of western trading companies (Kanasarwat, 2001a). Many speciality stores and department stores were opened by westerners in Bangkok (Tharppietoon, 2002). The trade was still limited, but expanded gradually until it was interrupted by the recession at the end of World War I and the period of World War II (TDRI, 1999). Since the end of World War I, Chinese Thai began to own speciality stores and sell imported goods (Tharppietoon, 2002). After the World War II was ended, the trade recovered, and began its modern era. The power in controlling the trade and pricing was in the hands of Chinese-Thais, who ran their wholesale and retail business at "Sampeng" in Central Bangkok (TDRI, 1999). They were operating on wholesaling of imported products, which they acquired from good connections with Chinese traders and foreign traders operating in Southeast Asia (Tharppietoon, 2002). For example, Western-trading companies would sell goods in large volume to Chinese wholesalers who were stocking many different types of goods. Retailers and consumers must come to buy goods themselves that normally are in large quantity to get a good discount (TDRI, 1999).

From 1952, the economy began to grow with more buying power from consumer side. "Sampeng" had around 80% of the market share in the wholesale market during 1952-1958 (Leukunwatanachai, 1993, Tosomboon, 2000). More trading sites were set up in central Bangkok (Tharppietoon, 2002). The expansion and competition of the trading increased, and led to the use in sales promotion by leaders of the market (TDRI, 1999). Later, Chinese entrepreneurs began to be involved in financial businesses, such as, banking, and fund investment in private sector (TDRI, 1999). This helped wholesalers and retailers in the expansion of their businesses to give 15 or 30 days credit to customers (TDRI, 1999). Since then, the wholesalers, who can offer credit, became suppliers for other wholesalers, and had power in selling goods and pricing them (TDRI, 1999). The power of suppliers was increasing, once important infrastructures were established as planned by government. The first development plan

of Thailand was also in place by early 1957 (TDRI, 1999). The development in terms of road, radio, and television, was planned to be implemented within two decades (Tharppietoon, 2002). The development of a road system enabled suppliers to establish their distribution of goods directly to retailers trading elsewhere. The development of media supported the suppliers that were sole distributors of goods with various brand names generated by suppliers (TDRI, 1999). Furthermore, the government's policy was encouraging the manufacturing sector to produce goods to replace imports in the late 1950's (Tharppietoon, 2002, TDRI, 1999). Therefore, large suppliers, who could produce their own goods, had power in pricing. These crucial factors resulted in changing the look of modern wholesaling and retailing in Thailand.

The power shifted to manufacturers and suppliers when the Thai government encouraged the production of consumer goods in Thailand (TDRI, 1999). At the same time, small Chinese wholesalers moved to be modern suppliers and distributors that acquire goods from western manufacturers (Tharppietoon, 2002). There was no influence from the government's policy in controlling new entrance to the markets. By the end of the 1980s, the Thai economic boom happened with major changes in the country, such as new Thai lifestyle, a growing population, increasing per capita income and growing tourist industry (Euromonitor, 1993, TFRC, April 2000). This increased the growth of retailing sectors in the market that consumers were looking for luxury goods (Euromonitor, 1993).

The capital market was freely opened in 1991, while the boom of Thailand's economy was starting to slow down since the Gulf War (Euromonitor, 1993). Retailers could quickly accumulate long term loans with low interest rates from abroad (TDRI, 1999). This resulted in the continuing expansion in the number of department stores and large shopping centres during the first half of the 1990s (Euromonitor, 1993). However, there were only a number of major players that had acquired economy of scale through

store expansion. Their major source of income came from rental space in shopping centres. Suppliers had not lost their power in pricing goods in this period (TDRI, 1999). However, in the next period of modern retailing, suppliers would lose their power in pricing goods.

From the early 1990s, modern retail formats from developed countries, such as European countries and USA, played a major part in this new era of Thai retailing. The leaders of retailing markets, who foresaw threats from world leading retailers moving to Asian markets, were experimenting with different types of retail format, such as discount stores and convenience stores. The success and the growth of experiment was very limited due to the lack of know-how and adequate technology. The new trend started when a Thai conglomerate, Chareon Pokapan, moved into the retailing industry by opening its convenience store chain, cash and carry, and supermarket (Kanasarwat, 1997). With a good joint venture with a foreign counterpart, CP acquired technology and know-how that was more efficient than Central and The Mall (TDRI 1999). The success of the move was down to the free capital market that supported rapid expansion of branches and good retail management. However, the local leaders, which were struggling to compete with the successful move of CP, began successfully to find their foreign counterparts (Kanasarwat, 1997). The competition of the new segment, therefore, was strong and intensified by new entrants from abroad and local players.

This new retail format is pursuing economy of scale by increasing its selling space and turnover, and retailers now expand their branches and build their own distribution centres (Noppan and Aksornmart 2001). The new formats also acquire the application of technology that supports good inventory and distribution management in terms of quick adjustment to customer's demands. The policy of lower operating cost allows low pricing policy to encourage higher turnover (Ratananuban and

Jarurathanachai, 2000). Later, they can demand suppliers to give lower prices for high turnover of goods. Therefore, the power of pricing is no longer with suppliers since this period. Furthermore, customers, who prefer to buy quality products at cheaper price from this type of retailers (Noppan and Aksornmart 2001), increase the bargaining power of the retailers to suppliers.

The following figure (6.1) shows different types of distribution channels that have been developed throughout the last fifty years. From right to left, each channel evolved in Thailand one by one in relation to the changes in economical and socio-cultural factors, such as infrastructure, lifestyle and income distribution. All channels still exist in Thailand, although some of them are less important than the others in various areas. For example, producers or manufactures would be likely to be involved with the third and fourth channel, when they distribute trade goods with retailers located in the areas of Bangkok and other major cities. On the other hand, the first and second channel would be more common in smaller cities and rural areas. There is a significant trend that the proportion of traditional distribution channels in the total trade has been shrinking enormously (Tharppietoon, 2002). For example, Sampeng is losing its role in Thailand's wholesaling trade (Thansetakit, 21 March 2001). Lower sales volume widely appears to the local traders so that some have moved to new business. Many traders come together to establish buying groups (Tharppietoon, 2002).

The next figure (6.2) shows the retail trade sectors, which are operating in Thailand, as a part of Thailand's modern retailing trade that is the growing market compared to the traditional one. On one hand, stores in traditional trade are normally family businesses that arrange stores for their own convenience, not their customers. Store designs, lighting and shelving are simple. The number of the traditional retailers is decreasing dramatically and that has become a significant trend in recent years and for

years to come (Rathananuban and Jarurathanachai, 2000). On the other hand, stores in modern trade are arranged neatly for customers' convenience (Econnews, 30 April 2001). So far there are seven types of modern retail formats that are competing in the Thai market. As mentioned earlier in the previous section, each format emerged at a different time due to the dynamic change of lifestyle subjected to foreign influences, such as technology, culture, taste and capitals (Gobkaew, 1999). Superstore format is currently the fastest expanding sector of all. This is followed by convenience stores and supermarkets. Department stores will be the casualty of superstore competition in the incoming years. Their market share will be decreased significantly due to the growth of the other sectors. Category killers and speciality stores are predicted to be the prosperous sector in long term due to their accessibility. In recent years a lot more pressure has been put on small traditional retailers than ever before. Now there are many major players with large capital at main trading sites of Bangkok, and they are expanding out of central Bangkok that is reaching the saturation of selling space (Euromonitor, 2000). Many traditional trading sites in those less important areas have been affected hard due to the significant lower sales per day (Thansetakit, 31 March 2001, Vonglorsaichon, 2001). Due to the concern of the present government, there are processes to introduce a new legislation to control the expansion of modern retailers (Thansetakit 24 -27 December 2000). Various parties have been trying to find conclusions that help them find adequate solutions for every party (Tharppietoon, 2002). The progress has been slow so that more small retailers have gone out of business .

Figure 6.1 Different types of distribution channels in Thailand
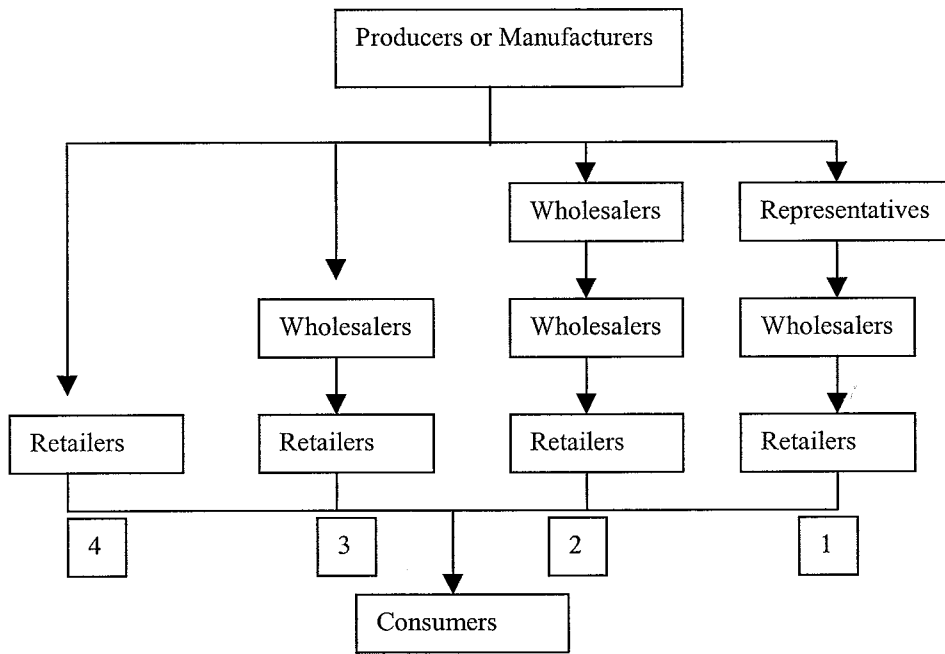
Source: CA International (1999, p.8)

Figure 6.2 Trade sectors in Thai retailing
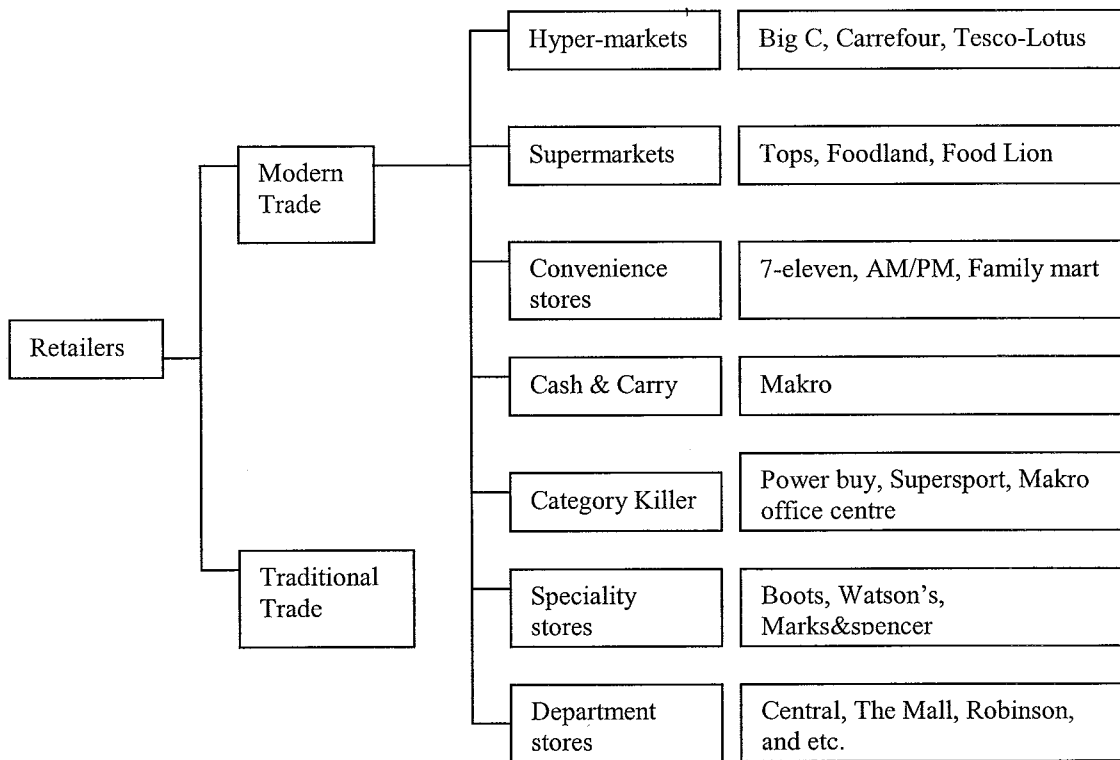
Source: CA International information (1999, p.11)

Rathananuban and Jarurathanachai 2000

Figure 6.3 Gross National Product at 1988 Prices by Industrial Origin

(Millions of Baht)

	1993	1994	1995	1996	1997	1998	1999p
Agriculture	292,296	308,014	318,976	331,068	328,852	318,669	326,848
Crops	167,206	175,699	184,415	195,889	197,869	191,603	200,490
Livestock	31,572	31,445	31,671	32,315	33,031	30,662	31,350
Fisheries	45,547	49,804	50,731	49,998	47,546	48,649	46,776
Forestry	5,186	4,558	5,919	5,769	4,550	3,345	3,424
Agricultural Services	8,792	9,030	9,016	9,183	8,971	8,406	8,277
Simple Agricultural Processing Products	33,993	37,478	37,224	37,914	36,885	36,004	36,531
Mining and Quarrying	40,770	43,841	44,750	52,879	59,950	56,242	61,309
Manufacturing	747,943	817,886	919,740	981,463	997,011	882,917	988,202
Construction	150,710	172,036	183,986	196,619	144,702	88,336	83,585
Electricity and Water Supply	62,253	68,911	79,083	83,091	87,482	85,962	89,134
Transportation and Communication	191,420	213,273	239,090	267,076	279,657	254,244	270,544
Wholesale and Retail Trade	408,364	445,939	489,188	496,812	478,563	411,821	424,963
Banking, Insurance and Real Estate	183,095	210,505	223,726	231,849	204,650	142,578	88,638
Ownership of Dwellings	69,479	73,743	78,616	84,101	89,693	93,654	98,322
Public Administration and Defence	68,130	70,114	78,494	83,492	86,231	92,384	93,750
Services	259,477	271,151	290,603	311,171	317,737	316,553	333,864
Gross Domestic Product, (GDP)	2,473,937	2,695,413	2,946,252	3,119,621	3,074,528	2,743,360	2,859,159
Plus : Net Factor Income Payment from the Rest of the World	-46,302	-38,241	-40,986	-58,250	-64,300	-72,188	-56,890
Gross National Product, (GNP)	2,427,635	2,657,172	2,905,266	3,061,371	3,010,228	2,671,172	2,802,269
Per Capita GNP (Baht)	41,848.56	45,256.96	48,909.38	51,020.3	49,672.09	43,645.89	45,339.76
Population (1,000 Heads)	58,010	58,713	59,401	60,003	60,602	61,201	61,806

Source: Bank of Thailand

The table shows that wholesale and retail trades are the second most important sector contributing to GDP of Thailand. Thai officials keep statistics and generate data for wholesale and retail trade in comparison to its GNP and GDP. The statistics shows that this trade has been a major industry that has been contributing to the Thai economy. It accounts for 11% of the whole GDP. The sector is in the same trend as the growth of GDP. This affirms the claim that the sector has been relying and reflecting on the growth and changes of its economy. The growth of wholesale and retail trade is reflecting the growth of public wealth. In addition, the figure shows that the impact of the crisis in 1997 affected the country's economy severely in 1998. The decrease in trade of wholesale and retail sectors was very significant in the same line as the others. The estimated figure by the Bank of Thailand of 1999 shows the sign of recovery in line with some sectors.

In addition, the Bank of Thailand also offers different reports that give a better view on the trade of the sector between 1998 to early 2000. The following figure reveals that the sign of severe economic downturn began to show in early 1998 in comparison to the figure in 1997. The decrease of retail sales is down from minus 20 percent in April to minus 45 percent in November 1998. However, the contraction of the total yearly figure in 1998 was down by 14.6% compared to the previous year.

From there, the recovery from the economic crisis began, and the increase of sales is steady through out 1999. The situation of retail trade improved mainly in the second half of the year. The department store sales in 1999 reached Baht 108,691 million, up by 2.2 percent compared with a contraction of 7.2 percent in the previous year. The recovering growth in retail trade was due to the entry of the major international large retailers from England, the Netherlands and France into Thailand. By merging and taking-over the previous locals or partners, they could securely form their retail-trade base in Asian region since 1998. The abundance of fresh capital and

investment resulted in more intense competition. In addition, many existing retailers accelerated their branch expansion and sales promotions in several forms to increase market share and to prepare for consumption growth when the overall economy recovered. The total output of the trade sector increased by 5.5 percent because of the expansion in related production sectors, domestic expenditure and exports that are a result of government measures to tackle the crisis.

In the year 2000 the sales figures were stable compared to the figure of the same period in 1999, although there was the increase of 20 percent in many months. The improvement in economic situation had a direct result in the overall growth of Thailand's retail trade (Bangkok Post, 1 June 2000). The additional reasons for the growth are the wide use of sales promotions by retail operators, and continuing branch expansion by discount stores, supercentres, supermarkets and convenience stores. However, the increases in the future are predicted to be lower due to three reasons; the rising of oil prices, baht depreciation and consumers' negative sentiment.

Figure 6.4 The sign of severe economic downturn

Retail Sale (Real-Term)

Source : Bank of Thailand
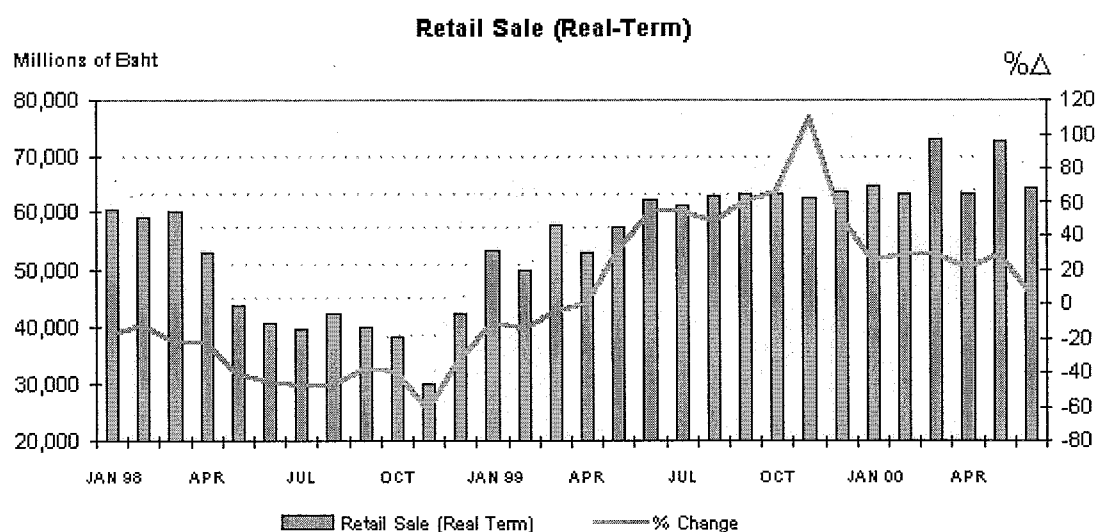
6.2.1 Inside the industry

Wholesaling and retailing in Thailand have been widely classified into traditional trade and modern trade. Since 1967, modern trade became a significant part of the total sector. The total sales of modern trade have been increasing gradually. There has been no evidence of any field study to comment regarding the proportion between the two different trades. However, there were several sources, such as scholars and retail personnel that offered several estimated various numbers as shown in the following figure. By 2001 the figure should stand approximately at 46.81: 53.19% between traditional and modern trade (Thansetakit, January 2002). It is also estimated by the Bank of Thailand that the proportion would increase to 30:70%, if this trend continued.

Figure 6.5 The proportion between traditional and modern trade of Thai retailing
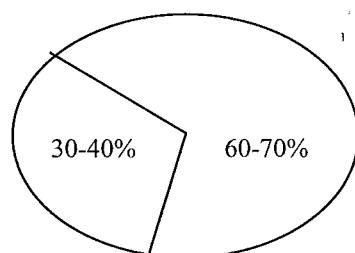
Source: Sarowart, S. in TDRI (1999)

Since the first half of the 1990s, the new comers, who have brought a number of retail formats from abroad, began to boost their share in the market. To the whole market, the expansion has been driving away traditional stores, and decreased the share of department stores. However, convenience stores, speciality stores and supermarkets can be seen as fast growing areas in terms of store expansion. Discount stores or superstores have been making a bigger impact on the decrease in sales of department stores directly that were the strongest segment in the previous decade. By the year 2000,

it was estimated by Thai commerce research that discount stores would acquire around 40 percent of modern trade (Pbarnprasong, 2000).

Figure 6.6 The market share of different retail formats in modern trade by 2000
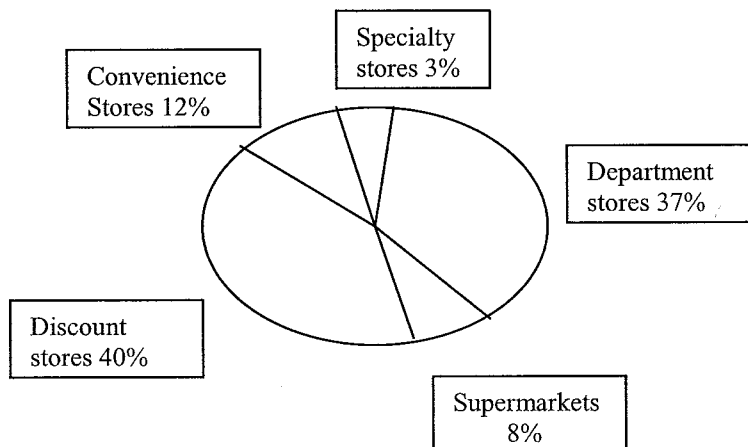
Source: Pbanprasong (2000, p.7)

It was predicted that department stores would decrease their share to 37 percent (Pbarnprasong, 2000). If the growth of discount stores' expansion continues at the same pattern, they would account for 47 percent of modern trade sector by the year 2004 at the direct expense of department stores.

Figure 6.7 The market share of different retail formats in modern trade by 2004
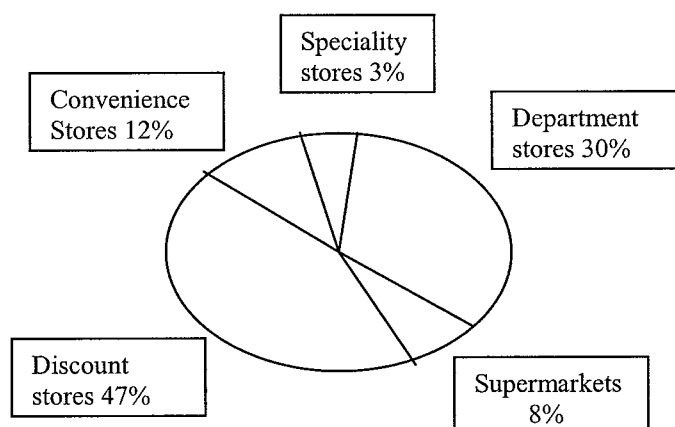
Source: Pbanprasong (2000, p.7)

In the next section, the differences or any similarities of each sector will be highlighted in several categories. This intends to clarify the boundary of each modern

trade retailer in Thailand. In the figure, each type of modern trade is classified by their gross margin and costs and expenses. Department stores do operate at high costs, but gain more gross margin than the others. On the other hand, cash & carry, which is on another end, has much lower costs, but could not earn high gross margin. Furthermore, the illustrations also reveal the margin between the gross margin and cost and expenses. From left to right, the proportion or margin between them has gradually decreased from 5% down to 3%. The reason, which could explain this, should relate to retail strategy adopted by different retail formats. Discount stores and cash and carry would aim at profiting on high sales volume by selling at low prices and keeping the costs down. Department stores have to sell at high prices and spending high costs to attract customers. That is why they are profiting on better margin to cover lower sales volume.

Figure 6.8 Modern Trade Costs & Margins Comparison

% Department Store

Gross Margin

| Department Store 40-45 | Discount Department Stores |
| Category Killers 35-40 |
| 30-35 Supermarkets |
| 20-25 Superstores |
| 16-18 Cash &Carry |
| 11-13 |

| 35-40 | 30-35 | 25-30 | 16-22 | 13-15 | 8-10 |

COSTS & EXPENSES
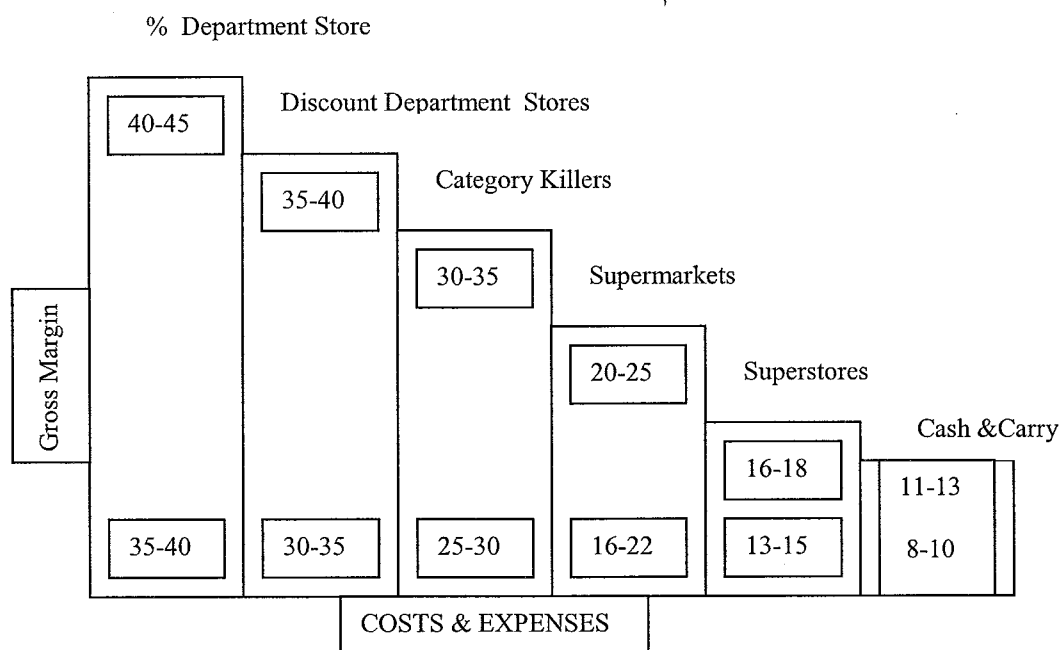
Source: Adapted from Siam Makro and Bank of Thailand

The next figure shows the strategy pursued by different types of retailers on various issues. These issues show the characteristics of each retail format that retailers

are pursuing as their business principles. Some issues are related to each other, because they originate from a strategic decision. For example, the choice of target group is linked to later decisions on the choices of merchandise, location, area, and services.

Table 6.1 Strategy pursued by different types of retailers on various issues

Strategy	1. Department stores	2. Super stores	3. Super markets	4. Convenince stores	5. Category killers	6. Cash and Carries	7. Specialty stores
Target group	High income	Medium income to low	General	General	Medium income to low	Bulk buyer or business	General
Goods sold	Fashionable products, various brands, high quality	Necessity products, consumer products at cheap price	Daily consumer products	Small-sized consumer products higher prices	Specific products, medium quality	Large-sized products in packages	Specific products, high quality
Stock turnover	2-3 months	30-45 days	10-15 days	15-20 days	7 days	1 month	1 month more for import
Service	Salesman service	Self service	Self service	Self service	Salesman service	Self service	Salesman service
Area and (number) of products	20,000-30,000 >50,000	10,000-15,000 ~70,000	2,000-5,000 5/8,000	16-100 <1,000	200-1000 -	10,000-15,000 ~70,000	200-1000 -
Land ownership	Owned as majority	Rented as majority	Rented as majority	Rented as majority	Rented as majority	Rented as majority	Rented as majority
Price setting	Higher than (2) and (6)	Lowest possible	Various pricing	Higher than (3)	Lower than (7)	Wholesale price	High price

Source: Adapted from Big C's Annual report year 1995

Rathananuban and Jaruvatanchai, (2000, p.50)

6.3 Key sectors analysis

Table 6.2 Important multiple retailers in modern trade sector of Thai retailing

Trading formats	Trade name of businesses	No. of Stores: 1996	No. of Stores: 1999	No. of Stores: 2000	No. of stores: end of 2001
1. Cash & Carry	Makro, Safeco	14	17	19	20
2. Department Store	Central, The Mall group Robinson	7 7 17	14 9 20	14 10 19	12 6 18
3. Supermarket	Tops, Sunny, Foodland Villa Jusco Food Lion	11 5 7	40 10 13	44(40) - 7 7 10 19(20)	51(53) 43 8 - 10 21(29)
4. Super Center	Big C, TESCO Lotus	11 5	20 17	23 24	29 33
5. Hyper Market	Carrefour, Ochong	6 -	9 1	11 0	15 0
6. Convenience Store	7-11, AM/PM, Family Mart	715 190 15	1,200 330 93	1520 - 100	1722 256 167
7. Category Killer	Power Buy, Office Depot, Super Sports, Makro Office Center	- - 34 4	24 - 35 6	35 35 7	33 2 31 8
8. Speciality Store	Watson, Mark& Spencer, Boots	6 3 6	31 7 31	40 - 35	71 10 67

Sources:

CA International (1999)

Thansetakit (January, 2002)

6.3.1 Department store or Shopping centre

After almost five decades of continued development, the sector became saturated since the early 1990s (Sri-Ayuthaya, May 1997). The sector now takes the heaviest impact from competition in new segments of the retail market and the financial crisis in 1990s (Kanasarwat 1997). Most of the organisations in the sector have been experiencing the lack of liquidity (Pujadkarn, 22-28 May 2000). For shopping centres, vacancies of retail space become high, because its small retailers cannot carry on their business in low consumer spending market (Bangkok Post, 12 March, 1998).

The reasons for this are the direct result of the financial crisis in the late '90s and the over supply of retail space (TPRC, 2001). First, the source of their capital in many cases are loans from financial institutions that were facing huge amounts of NPL (non-performing loan) of bankrupt organisations. Thus, further loans were made impossible for them. Financial liquidity, therefore, is their major problem (Sri-Ayuthaya Bank, 1999, Pujudkan, 22-28 May 2000). Medium and small size department stores, which supercentres open near by, are the most vulnerable, because they do not have strong management and positioning, and have weak financial status even before the financial crisis (Jeywisitkul and Kingkaew in Noppan and Aksornmart 2001).

Second, consumers were panicking, and decreased spending to the point that sales figures of the sector dropped dramatically in 1998 (TFRC, May 1998). This sector took most of the effect, because the retailers sell more luxurious products that other sectors. Many of them were unable to pay for the merchandise and tried to extend the date of payment to suppliers. In many cases, the merchandise was recovered back by suppliers that left the retailers out of operation (Kanasarwat, 1997,

TFRC, May 1998). Some had to find new partners that could can provide capital, and found new positioning to avoid mainstream competition (Interest, February 2000).

The most widely used strategy was the tighter control of operating costs. Many unnecessary costs, such as the expenses of transportation, energy, and telephone and faxes, were cut down. This also included the use of mass media for marketing purposes. Therefore, they used different promotional strategies, such as leaflets, display, trial products, to boost short-term sales on a seasonal basis instead of mass media. Furthermore, many small businesses of retailers were shut down to increase the companies' liquidity (Kositwanarart, 1998).

In terms of market conditions and expansion, the sector is the casualty of wars in the present market situation when the economy expanded slightly in 2000. No new project was added to the oversupply of department stores apart from a newly completed The Mall 8 in Nakornrachaseema. Middle and small sized ones are experiencing threats from the growing competition with discount stores. Some had closed down, and stores were converted to other retail formats, such as discount stores and supermarkets (Kanarsawat, 1997). Unlike the small ones, the big players of the market have been performing well to boost sales figures and their profit. Several strategies have been implemented deliberately by the tactical use of sales promotion to target upper class (Prachachart Business, 22 March 2001, TPRC, 2001).

This sector now is predicted as the loser of the changing face of the market. There are many predictions that its market share would shrink gradually due to the expansion of superstore sector, because they would not be able to keep up with the same rate of expansion. The expansion rate would be slow due to carefully selective approach and strong competition in acquiring retail sites.

6.3.2 Convenience store

The convenience store has now proved to be a modern replacement of traditional shop-houses on the street corner in Thailand (Tosomboon, 2000). Bright lighting, cleanliness, and easy access to goods with self-service concept are included in the new format's strategy to attack the weaknesses of the traditional ones. Convenience Stores mainly prefer sites close to bus stops or where pedestrians exceed 10,000 per day suggesting their target is lower income groups who do not have their own transport. Convenience Stores admit that their pricing strategy is to be above market norms to make customers pay for their convenience shopping. The franchise not only attracts new investors, but also attracts many traditional stores to convert themselves to the new format (Thai Tanu Bank, 1993). The growing trend implies the possibility of a sharp decline in the number of the traditional shops. Moreover, most retail oil companies attach the format of convenience stores to petrol stations (Leksukoom, 1996). By 2001, more than two hundred petrol stations have convenience stores attached to them (TFRC, April 2000). This shows the popularity and the potential growth of convenience stores in Thailand (Kittaveerath, 1992).

7-11 under the master franchise of CP has been a highly successful operation. The expansion of its network had gone up to 500 stores in only six years. By the year 2000, it grew to 1,500 stores covering the whole country. The chain has grown very big for the other chains like AM/PM, Family mart and Central mini-mart to compete. During 1997 and 2000, the expansion of every company slowed down and was short of planned targets.

Furthermore, the direction of competition in the sector has been showing huge steps in improving products and services. Convenience stores are moving toward 'neighbourhood service centres' (Tosomboon, 2000). The extension of their services will cover food store, pay point, ticket seller, post office, mail order and e-commerce.

7-11 of CP, which is the leading player of the sector, has frequently announced its intention in recent years. Pay point is the only services that 7-11 has accomplished, so far only one competitor is trying to accomplish pay point service for its customers. However, strong expansion and competition in supercentres and supermarkets also affects significantly the sales of convenience stores in the line of fast grocery products. This leads to the reduction of such items on the shelves.

For the year 2000, Prachachart Business (21 December 2000) suggests that the expansion of the sector has been affected by the slow economy and the oversupply of branches in urban areas. The main reason is that new franchisees are not confident in the slow economy, although the requirement of investment was reduced by franchisers. The franchisers are also reluctant to expand organically. New prime sites are difficult to find in explored urban areas. Central's Minimart was closed due to it long losses, and the stores were taken over by Family Mart (Prachachart Business, 13 November 2000). Furthermore, many of the convenience stores in petrol stations were closed at the same time due to the troubled economy (TPRC, 2001).

6.3.3 Supermarkets

The format of self-service stores, which provide groceries and household products, has emerged since 1950s throughout major cities in Thailand. They received considerable amount of popularity by middle class customers. However, the sector should be regarded as a sector at an early stage. The reason for this is the major set back that occurred during the late '70s, and '80s when the shopping centre and all-in-one concepts were booming. The growth was undermined by department stores that attached supermarkets as a part of the new format, shopping centre. Stand alone supermarkets and co-operatives were driven out of business by the in-store ones.

Stand-alone supermarkets, which are either independent or part of a multiple, are rare and slow in growth. There were only three stand-alone supermarket chains, Foodland, Villa and Jusco, that each had seven outlets providing grocery products and other services. Another group of small supermarkets is co-operatives located in universities, some government's premises etc. They survive the competition by relying on regular customers working in the small neighbouring communities.

Slightly prior to 1997, there was a huge change for the in-store supermarkets. Tops was set up by the co-operation between Royal-Ahold and Central group to transform the in-store supermarkets to a new chain store that would be able to open stand alone ones as well. At almost the same period, the Mall group also set up Food Lion. By 2001, there were several players, but just two of them, Tops and Food Lion, are moving to be national chain stores. Furthermore, both of them began the trade in the late 1990s. The previous top players, such as Villa, Jusco and Food land, become the second league players due to the lack of expansion in recent years (Jitpleecheep, 2000). Now the huge market share is still created by the department stores attached to department stores and shopping centres, but it would not be long before the new stand-alone branches could catch up (Arsasongdhram, 2000).

The recent analysis of an industry executive gave a view on the competition among discount stores (Dangintawat, 12 April 2000), convenience stores and supermarkets that supermarkets would face a tough challenge from the others (Jitpleecheep, 2000). According to the projection of store expansion over the next decade, each store format will grow at a double rate to supermarkets. Customers would be reluctant to visit local supermarkets when they do major shopping at discount stores or emergency buying at convenience stores easily due to the abundance of stores (Jitpleecheep, 2000). To cope with the new trend, Tops plans to introduce new stand-alone format that has 4,000-5,000 square metres (Prachachart Business, 19

February 2001). The store size is smaller than supercentres, but bigger than general supermarkets to offer better merchandises.

6.3.4 Discount stores and superstores

These types of stores emerged recently. However, they made a significant impact on Thai retailing. Their successes are clearly due to the change of Thai consumers' behavior that prefers cheaper products to expensive branded ones (Gobkaew, 1999). The format changed consumer behaviour from one stop shopping to selective shopping. Customers now spend most of their food shopping money at the new stores that give lower price. The major group of their customers is middle class Thai who prefer quality products at cheap price to brand loyalty. Supermarkets in department stores or shopping centres lost their strong hold of customers with their own transport. Since the base of middle class customers with their own transport has expanded after the boom of the economy in the 1980s, these stores grew from gradual to very rapid growth. Not only in Bangkok, the expansion now covers many regions of the country. Big cities with promising local economy and highly populated areas are the main targets of these stores. The competition of extending branches had been very high between 4 rival chains, such as Carrefour, Lotus, Siam Makro, and Big C during 1994 – 1997. All discount store chains were the outcome of co-operation between major Thai retailers and their partners. By the end of 1997, the companies experienced a major reduction of sales figures and operations due to the impact of the financial crisis (TFRC, September 2000). Many expansion projects were stopped, operation costs were cut down. The extension of credit payments was made to suppliers. These were due to the lack of liquidity for the Thai companies, such as Big C and Lotus. Furthermore, both companies had been affected by the change in the exchange rate of Thai Baht due to earlier heavy loans from abroad (Pbanprasong, 2000). By May 1998,

Lotus of CP group was sold to Tesco PLC, and Big C was sold later in May 1999 to Casino Guichard Perrachon SA (Euromonitor, 2000; TFRC, September 2000). Carrefour and Makro were hardly affected by the problems, but they too were experiencing the fall of customers' spending during late 1997 to the end of 1998 (Pujadkarn, 22-28 May 2000).. Therefore, all of the players, who are trading in the sectors now, are actually owned by foreign companies as a majority (Bangkok post, 21 September 2000). The market condition, in which consumers are willing to pay less, is suited to the expansion of discount stores. The sector was forecasted to grow at four hundred percent over the next decade (Jitpleecheep, 2000), and might account for fifty percent of Thailand modern retailing in five years.

In 2000 the sector was expanding very quickly, because, all players have the sufficient capital transferred from foreign holding companies (Pujadkarn, 22-28 May 2000). Especially, Big C, Tesco Lotus and Carrefour has been expanding aggressively to occupy strategic retail locations that sometimes have their branches nearby each other (Prachachart, 1 January 2001). This type of store requires lower cost for store decoration and less time to build when compared to department stores (TFRC, May 1998). The impact of their expansion and price competition (Interest, January 2001, Euromonitor, 2000) had forced out small retailers that led to the growing pressure with retailers, and national and local suppliers in the distribution system (Chareonrathpak, 2001). These groups attempt to pressure the government in one way or another to introduce new trade legislation that will limit the competition from discount stores. Furthermore, their bargaining power and own label merchandises are becoming a major role in the competition in the sector. The strategies have increased pressure to national suppliers (Jitpleecheep, 13 February 1998).

6.3.5 Speciality stores

This type of retailer has long been with Thai retailing since the beginning of modern retailing started in Thailand. We can say that speciality stores came from the origin of market stalls that sell a limited range of product lines, such as only vegetables, only fruits, and only clothes. These market traders once they become prosperous, expand their business to better premises that give larger size. Sometime later they become multiple retailers with many branches under an ownership and the same trading name. However, licensing can be used to allow small business entrepreneurs to do business under the same trading name. Nowadays, more than half of the well-known stores are using trading names of foreign multiple chains. These retailers are normally located in other popular trading areas, such as shopping arcades, shopping malls, and shopping centres. Although stand-alone stores expand to crowded streets of Bangkok, they are rather expensive compared with traditional shops. Together, many different speciality stores can attract customers far better than stand-alone stores.

6.4 Key issues for business

Barriers to entry

The barriers to entry for modern trade are high due to the competition in every sector of the market. Although the room for more major players is available, the existing players reaching high economies of scale have already gained knowledge of the market. They have reached their break-even points after losses in the last few years (Kingkaew in Nopparn and Aksornmart, 2001). Moreover, many trading sites and growing populated areas in Bangkok and major cities have been occupied by previous players (CA International, 1999) due to the rapid expansion prior the crisis. Many sites have more than three major players in the nearby area.

The saturation of retailing increased immensely after the financial crisis, because consumer spending was low after the crisis (Gobkaew, 1999). Most of the retail sectors were facing the same problems regarding temporary saturation. In existing major cities, the saturation of department stores and shopping centres has been obvious with high vacancy of retail space in many stores. However, convenience stores, which require less capital to expand in new areas, could recover and open many new branches again in 1999. Supermarkets and superstores, which require at least 8-10 million pounds for the construction of a store (CA International, 1999), began to recover in 2000. With fresh capital and know-how from their parent companies, both of the retail formats are dominating the new investment.

Every sector of Thai retail trade was now reaching temporary saturation in their existing market. The market became highly competitive, and would be difficult to enter (Kingkaew in Nopparn and Arksornmart, 2001). Although other developing areas or cities were given opportunities by these major retailers (Euromonitor, 2000), the wealth of their population is rather low for the expansion of these modern retailers. Taking over or finding business partners would be a wise strategy to enter the market without facing high barriers due to temporary saturation (Kingkaew in Nopparn and Aksornmart, 2001).

The bargaining power to suppliers

Major retailers in Thailand now are moving towards the concepts of multiple chain stores that have their own effective distribution system. Each order or delivery would be at a high amount that retailers could demand higher discount from the suppliers (Tharppietoon, 2002, CA International, 1999). Cheaper price would also be asked by multiple retailers if they provide their own distribution. Moreover, suppliers were always asked for longer credit terms of payment by foreign retailers (Advanced

Business, October 2001). Convenience stores, supermarkets, and superstores are the examples of the retail formats that would gain higher bargaining power in dealing with major worldwide suppliers. The bargaining will be more intense due to low loyalty of consumer products in general. Therefore, these types of retailers can keep only a few top brands in stores. More often that, suppliers have to pay entrance fee and promotional fees to these multiple retailers (Jitpleecheep, 13 February 1998, Exporters review, May 2001). Furthermore, these multiple retailers begin to develop house brand or private label products, and become competitive on pricing (Jitpleecheep, 13 February 1998, TFRC, August 2001, Prachachart business, 16 November 2000). Therefore, major Thai suppliers in Thailand begin to support traditional distribution channels that consists of local wholesalers and small retailers, because this will maintain their bargaining power with large multiple retailers (Jitpleecheep, 13 February 1998, Srijantra, 2001).

Threat of substitute products

The retailing industry does not have its substitute, but there has been intensive competition between sectors of the industry. Every sector can substitute their products for consumers, because they normally supply similar goods that sometimes come from the same suppliers (CA International, 1999). In the past department stores and shopping centres apply one stop-shopping concept to their businesses (Satitsriwong, 1992). The threat was low due to weak competition from other retailer formats. After the emergence of superstores and convenience stores took place since the early 1990s, the market share of department stores has decreased significantly. Nowadays, the retailing trade is a diversified market that has more strong sectors with major players. In response to strong competition, retailers are differentiating their value added to their services in order to generate loyal customers. Although different retailing formats have unique trading concepts that would supply goods differently, it is still up to the choice of

customers. Furthermore, there is also an attempt to revise traditional distribution networks by suppliers to maintain their profits and bargaining power against chain stores in modern trade sector (Jitpleecheep, 13 February 1998).

Buyer bargaining power

To major retailers, consumer bargaining power would always be unclear in real terms. The real terms mean that the negotiation of prices happens in the process of sales. Consumers can bargain prices with traditional shop-house retailers before purchasing. Modern retailing also has a problem when it comes to realising consumers' needs and demands, because, customers cannot bargain with price fixing to the items. With the present market situation, Thai consumers are still very conscious of their spending.

At the same time, major retailers in the market become more competitive to secure their sales volume in a recovering market. The bargaining power of buyers is shown naturally with price cutting of these retailers, although they also differentiate themselves to avoid direct competition. However, consumers would change their preferences once the economy recovered. Better economy should provide people with more employment and stable income. Their spending would be higher with less sensitivity to price. The different bargaining would force retailers to react to new demands on innovation and services.

Competitive situation

Since the end of 1999, the ailing economy has been recovering slowly. For year 2001, these retailers estimated five to ten percent growth conservatively due to the uncertainty of the local economy and consumer behaviour (Rungfapaisan, 2001). Every sector of modern trade retailing has been investing more capital and implementing strategy in many different ways.

This highly competitive situation was in the sector of superstores and supermarkets. Foreign players with fresh capital from hard currency are investing huge amounts of money in building up competitive advantages, such as locations, distribution systems, and managerial support over its rivals. Foreign companies like Big C, Tesco Lotus, and Carrefour, moved to high growth areas of Bangkok and sometimes made a few superstores alongside each other. The expansion also took a major step further forward to newly developing urban areas of other provinces (Leukunwatanachai, 1991, 1993).

Furthermore, these superstores are investing money for appropriate store format by designing to increase store's attraction toward one stop shopping concepts (Krungthepturakit, 21 June 2000). Even Cash and Carry, Makro, also had to relax its rule that target organisation buyers to general consumers, and adjusted their store format to household consumers (Mission Thailand, 10-16 April 2000). In addition, Makro plans to expand to smaller communities by reducing the size of stores to suit buying powers of local customers (Chaiyasoot, 2001). Supermarkets, such as Tops, Food Lion, Villa, Jusco and Foodland, will face tough competition from superstores and convenience stores in store expansion. However, Tops and Food Lion, key top players, are projecting to expand themselves aggressively at prime locations of urban areas. Tops alone plans for larger supermarket stores to increase its competitiveness against those supercentres (Jitpleecheep, 13 December, 2000).

In the sector of department stores and shopping centres, major players and medium-size ones have been adjusting themselves lately to counter low public spending and their decreased sales figures. Now they are moving strategically to either differentiate or focusing on niche markets in order to avoid direct competition in grocery retailing and consumer products. Their positioning would aim at building image of entertainment, leisure, and a wide range of services. The projects for store renovation

to counter discount stores have been very important recently for strengthening their positioning and refreshing customers' memory (Krungthepturakit, 21 June 2000). The impact of growth and expansion in superstore sectors to department store is strong. Therefore, major department stores have to avoid such strong competition by having appropriate business concepts and positioning for the right target group (Kingkaew in Nopparn and Aksornmart 2001).

In the sector of convenience stores, only a few strong players expand themselves gradually to gain territory. Their advantage is the size that would be flexible into newly growing urbans areas. Their accessibility to communities is high when the problem of traffic jam in urban area become more crucial to consumers (Kittaveerart, 1992, Leukunwatanachai 1991, Srijanya, 1988). Unlike superstores, convenience stores made less threat to department stores, but more threat to traditional shop-houses (Kithaveerart, 1992). The rest of the players had been in trouble during the crisis, and still adjust their operations to tackle strong competition.

In the sector of speciality stores, the flexibility in acquiring location of small store size is a key success of the sectors. Their presence has a major impact on traditional retailers that are not chain stores. The competition between rivals in this sector is not strong, because, major players have big differences of product range. In addition, there are plenty of trading sites to expand. More competitive players, which are major companies from aboard, such as Boots and Watsons, are expanding fast due to their strong investment. The segment is considered as the potential growth of Thai retailing market. Major Thai players also diversify themselves well, although some distraction from under funding delayed their expansion plans.

In general, retail scene in Thailand becomes highly competitive with store expansion and price competition for market share (Thansetakit, January 2002). Major players in every sector seem to be very adaptive and invest more to maintain their

competitive advantages (Rathananuban and Jarurathanachai, 2000). The retail market becomes clearly segmented by different business concepts and differentiation of each segment. However, competition on pricing and sales promotion campaigns are used widely by major retailers to protect their market share. For example, department stores and shopping centres began to use loss leader pricing and price guarantees that are normally used by discount stores, and discount stores organise funfair and exhibition as promotional events that are traditionally used by shopping centres to increase traffic of customers (Chaiyachoot, 2001).

On the other hand, Thai traditional retailers will be sacrified for the competition and growth of modern trade (Tharppietoon, 2002). There is an increasing pressure from Thai entrepreneurs to the public sector in protecting small business from severe competition in discount store sector (Rathananuban and Jarurathanachai, 2000). To protect small retailers from the competition among large retailers, the government currently considers new retailing legislation (Tharppietoon, 2002). The progress of launching new legislation has been very slow at the moment (Prachachart business, 25 January 2001). There are also policies to introduce new legislation to arrange town planning and new premise control as a quick measure (TFRC, August 2001). However, the delay of government action on implementing these initiatives is a direct cost for small retail businesses (Econnews, 6 August 2001).

Pleasure and relaxation

The pleasure and relaxation played a major role in the decision making of Thai consumers (Tharppietoon, 2002). Since the development of the earliest modern retailing format, customer attraction has been one of the most important mixtures of a particular retailing site (Satitsriwong, 1992). The first thing has been to have a right mixture of merchandise lines that can attract customers. However, there were other

kinds of attractions that hardly concerned merchandises they sold. One of the earliest attractions has been the cinema or movie theatre. To make a retailing site become popular, the administrators of the site must build a cinema nearby to attract customers, especially teenagers (Econnews, 1 October 2001). Later, shopping malls introduced mini cinema theatres in their premises to attract customers that are searching for entertainment.

The second one was the use of air conditioning in their premise. Due to the hot weather in Thailand, customers were drawn to the cooler temperature in retail premises. Next, parking space was difficult to find in the heart of the capital area. Retailers must build their own parking areas for its customers. Therefore, adequate parking space makes a retailing site more attractive as well. It is free for most places, but some may charge for parking. Later, children' activities in playground, fun areas, amusements, and swimming pools were also included in the retail premises as well. It can attract customers with young children. Parents also are happy that they can relax with their children, and do not need to travel very far from their daily lifestyle.

The first three attractions are the most regular found to attract customers in present day retailing, especially at shopping malls and shopping centres. The last type of attraction is normally used by retail operators to differentiate themselves from competitors. Generally, Thais prefer to relax themselves during their free time at places where they can escape from the hot temperature. Shopping malls can be very crowded with teenagers and families with children at weekends (Tharppietoon, 2002).

This assumption appears to be applied generally to the whole year, especially in Bangkok. The criterion for choosing a regular place to shop may concern traffic jam, parking prices and variety of products and services. However, a place, which can provide pleasure and relaxation for individuals and members in a family group, seems important too. Sometimes increasing the value of the total offer rather than offering

low price can reduce the pressure on the expense of consumers' shopping baskets. Initially, the strategy was used to differentiate a particular store from the rest of the market. The attraction therefore was used to increase the value of shopping at one particular store.

6.5 Conclusion

So far the chapter has given background information of Thailand where the fieldwork of the research was conducted. The chapter starts at describing historical development of retailing format in Thailand. A timeline of Thai retailing development is clarified. This helps us to understand the background of the present retail scene of Thai retailing that has become a highly competitive market.

Then the chapter moves to concentrate on the evolution of wholesale and retail system and modern retailing in Thailand. The section offers a view of dominant power of various organisations at different times and the industry structure. Several aspects of retailing in Thailand are explored by the review of information received from respectable institutions, such as the Ministry of Commerce and the Bank of Thailand. This is followed by key sector analysis of important sectors of modern trade in Thailand. The section emphasised on detailing the recovery and development scene after the financial crisis and new trend between the years 2000-2001. Later, key issues of the industry are defined as the final part of the chapter.

The chapter ends by giving the analysis of key issues and the various bargaining powers of concerned groups in the retail industry. The first part of the research findings suggest that there is a complex market with mix and different formats of retailing, rapid change, competitive nature and incoming retailers. These are key issues in Thai retailing. The development process of successful strategy, such as strategic planning process, is a key success factor for the retailing organisations to cope with these key

issues. The presentation of finding is now focussed on how the retailers do the management of strategy development.

CHAPTER SEVEN

<u>Case findings and interpretation of the case studies</u>

7.0 Introduction

The chapter aims to report the outcome of the fieldwork. It separates into two parts. The first part is descriptions of case companies's nature. They are presented one by one in random order. This part is called background information of the case studies. The second part is the presentation of findings that are generated from the fieldwork. The results are presented in the form of tables 'called case-level display' (Miles and Huberman, 1984). The report of multiple case studies does not show 'the traditional narrative' (Yin, 1994) of data gained from the interviews. The process of data reduction comes to help on this aspect, and the data is presented by organising data from each case in the same table according to topics. The chapter starts by giving the description of procedures in data reduction and interpretation.

7.0.1 Procedures in data reduction and data interpretation

From research questions, semi-structured interview questions were developed to give participants more understanding of the nature of research. It also helps to construct the theme of the interview. Patterns of the participants' activities emerges in each case study . The semi-structured interview questions, therefore, are a sufficient device in cooperation with research questions to bind the themes of the interview.

To write the report on the case study, there are two types of data obtained during the fieldwork in Thailand. The first is primary data that was obtained by interview and observation. The second is secondary data that was obtained by collecting prints from the companies and media throughout the fieldwork.

For each interview, there were two methods to record data. The first device was a minidisc recorder that contain a 148 minute disc on mono mode. The device has proved to be a great asset for efficient recording and playback that produces much clearer sound than a cassette recorder. It provides good quality playback for transcription. The second one was short-notes produced by the reseachers. The method helps the researchers to summarise key points of each interview, and acts as a reminder of topics and points taken or made. Moreover, quick reminders of key points assist validation of data when the researchers move on to the next interview.

On one hand both methods of data recording are later used for the analysis and the interpretation of case finding. The transcription of interviews and short notes are read and reviewed in conjunction with research questions and interview questions. On the other hand, data from secondary sources is used to construct the background information of each case study. Some of the key points gained from the secondary data are used in the discussion chapter.

To prepare the data for qualitative analysis, I started it with reading the transcripts and the notes. Then I went back to the research questions and interview questions. Rough ideas of isssues and key points came to my mind. Some codes and categories simply came up and were taken down on paper. Significantly, categories derive from the research questions. Codes appeared from the review of transcripts and notes. Next, I went back to the transcripts and notes. I began to apply 'codes' or 'lablels' to exstracts of the materials (Punch, 1998). This process is called 'Coding' by Punch (1998). New codes also appeared as the work progressed. I went back to research questions and categories sometimes to match the codes to the categories. The work became saturated with coding on the transcripts and notes. Several categories formed with codes under them. I began to put the categories and codes into tables on computers. Categories become the topic of each table .

"Case level tables" was made by arranging the companies' names on the vertical axis and codes on the horizontal axis. Once it was completed, I began to finsh the process of 'data reduction' by 'paraphasing' and 'summarising' them into shortened versions of descriptions that can be transferred into each cell on the table (Miles and Huberman, 1984, Punch, 1998). Reviews and evaluations on all materials and cells were made to complete 'data display' (Miles and Huberman, 1984).

The process of data reduction could not be achieved in adequate time if the fieldwork had not been guided by the research questions and the interview questions that provide the basis for semi-structured interviews.

Part 1 Background information of the case studies

7.1.0 Introdution

The purpose of this section is to provide readers with the nature of the company business and their business status. The source of the information comes from their annual reports covering three to five year information and well-known press and business magazines. The information also provide triangulation (Miles and Huberman, 1984, Yin, 1994, Denscombe, 1998) of data to validate the data gained from the interview. By request the company names have been kept anonymous.

7.1.1 The corporate background of SM Group

History

SM Group was founded in 1979 by two families that were property development entreprenuers. The founders together opened a department store in Rajdumri. The business was new to one of the key members, who gave a comment to a local business newspaper in Thailand.

'The location was good, but we don't have experience. At that time nobody taught us and nobody told us. We learn by ourselves 100%.'

The business of the first department store went into failure, However, the companies moved on, and created the business with the new concepts, shopping mall and one stop shopping, in 12 years. The first of the retail developments opened in 1981 in Rajprasong. The store had department store and rental space. The uses of advertising and promotional activity were the main strategies to create success in its early days. However, the concept was not clear until the building of branch No.2. SM No.2 has department store and rental space combined together. The project allowed the concepts of one stop shopping to be implemented in 1983. In 1986, SM No.3, which has shopping centre format, was attached to SM No. 2, the department store. Furthermore, SM No. 4 Food Street and Entertainment Centre was added. The success of these developments provided a new retail format of a full retail and entertainment complex. The development of later Mall went straight to the 'all-in-one format', and was added by amusement and water parks since SM No. 5 was opened at Thonburi in 1989. It was Thailand's first all-in-one shopping and entertainment complex under one roof. With the same all–in-one concept, a new store was opened as SM No.6 in Ngamwongwan. In 1994, SM No.7 and No.8, which is the biggest stores of SM opened, and added theme park and convention center or multipurpose hall, in

the same time in two different areas of Bangkok, Bangkhae and Bangkapi. In 1997, the company opened a shopping centre and department store with a new concept to serve high income customers and tourists. The shopping centre acquires its tenants that provide high class and well known products world wide. The most recent project was SM No. 9 that is located in North-Eastern of Thailand. It is aimed to serve customers from ten provinces. Although the original focus of SM group was retail development, the group has been involved in other businesses as well, such as entertainment, import/export trading, real estate and financial investments to its suppliers. Finally, the success of SM is one more reason that should be noted. Although the management has a strong family business background, they open wide opportunities for professional managers at middle level of management to get high posts in recent year.

Financial history

The company has built itself for almost 20 years. The speed of its expansion is slower than its main competitior. Its business is less diversified. The first four shopping centers are small size trading spaces that are connected to each other. They were built at different times in order to acquire all in one concept. Financially, this shows that the company's investment have been very coucious. Although later projects were built with enormous trading space and other facilities, the speed of expansion has not been aggressive. Once the financial crisis had its impact on Thai retail market, most Thai retail operators in Thailand had been experiencing a common major problem with liquidity management. The company has been regarded as one of the most reliable ones in terms of financial stablility by suppliers. There are reasons for this. Firstly, the management of the company has a good vision to build a unique selling point for their business concepts. Secondly, the company

has conservative financial management by arranging forward currency provisions to raise funds from foreign sources, so that it can receive creditability and good cooperation from financial institutions. Moreover, the company had been very successful in implementing sales promotion strategies to keep customers loyal and high turnover during the prolonged economic downturn.

Organisation structure

The organisation chart is taken from prints given by the company to public and the author privately.

Figure 7.1.1 Organisation Chart (SM)

Group Structure

Board of Directors

President

Board of Management

Retailing
Division
SVP

SVP
Human
Resources

SVP
Merchandise
Management

SVP
Marketing

SVP
Operation

Entertainment
Division
EVP

Real Estate
Development
Division
EVP

SVP Business
Development

Import/Export
Division
EVP
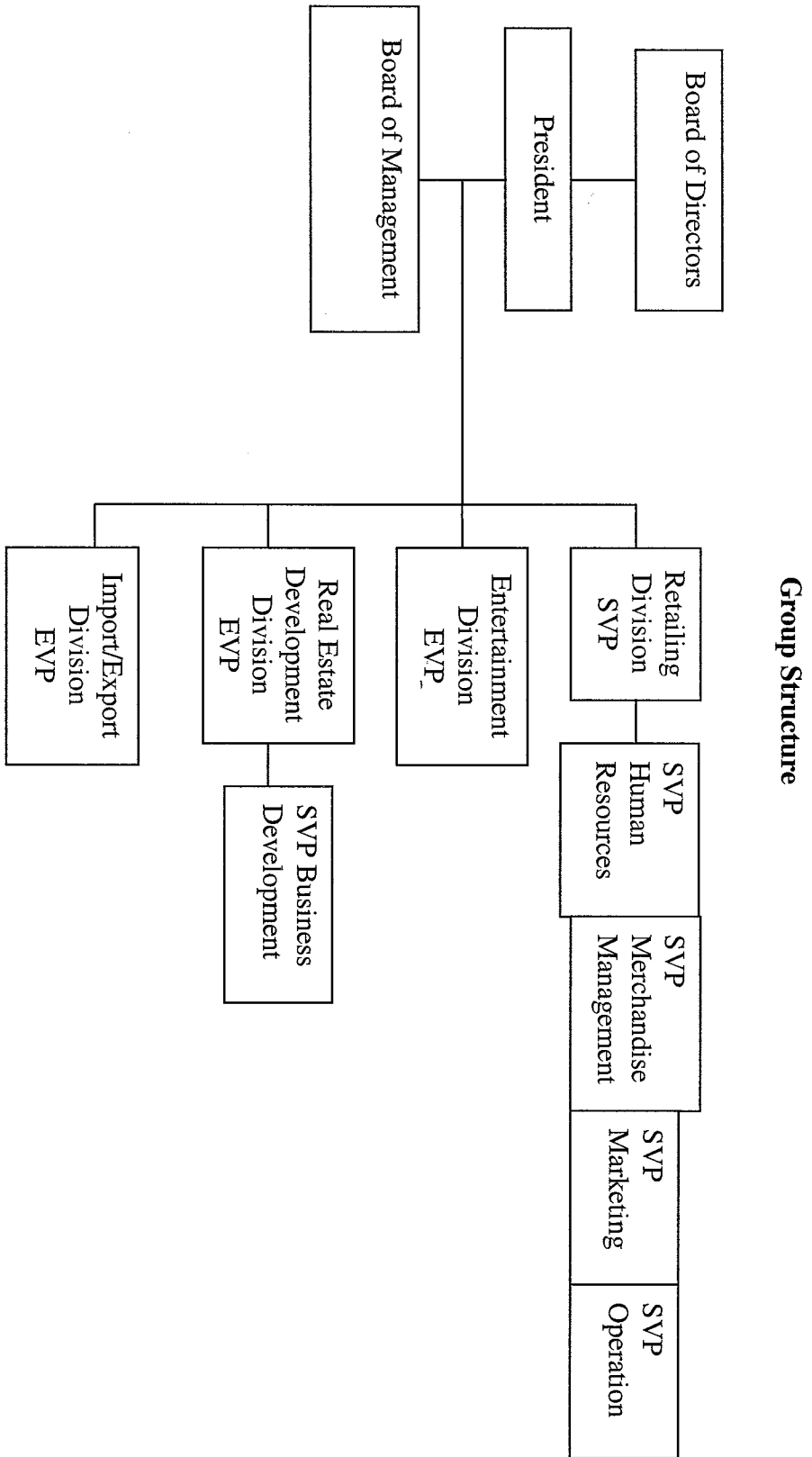
Figure 7.1.2 Organisation chart of Marketing department


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                          ┌─────────────────┐
                          │ Marketing directors │
                          └─────────────────┘
        ┌──────────────┬──────────────┬──────────────┐
┌──────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ Advertising  │ │ Marketing    │ │ Marketing    │ │ Art          │
│ Marketing PR │ │ support      │ │ activity     │ │              │
└──────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
┌──────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ AD1          │ │ In House     │ │ Activity     │ │ Promotion    │
│              │ │              │ │ Operator     │ │ Design       │
└──────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
┌──────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ AD2          │ │ Card         │ │ Business     │ │ Activity     │
│              │ │ Member       │ │ Relations    │ │ Design       │
└──────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
┌──────────────┐                                   ┌──────────────┐
│ AD3          │                                   │ Campaign     │
│              │                                   │ Design       │
└──────────────┘                                   └──────────────┘
┌──────────────┐                                   ┌──────────────┐
│ M PR         │                                   │ Art Operator 1 │
└──────────────┘                                   └──────────────┘
                                                   ┌──────────────┐
                                                   │ Art Operator 2 │
                                                   └──────────────┘
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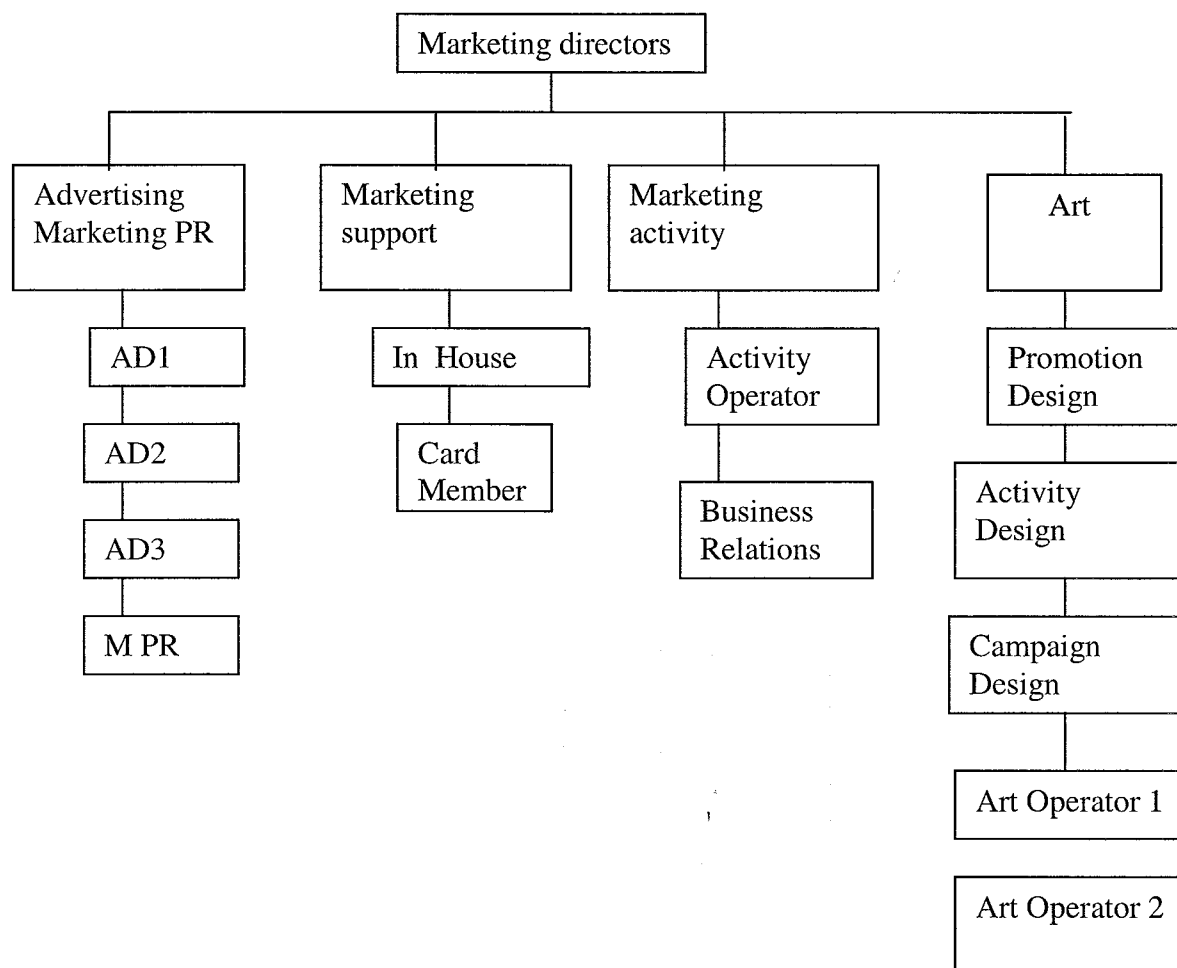
SM's strategy

- Product policy

All in one concept or one stop shopping is the framework of their business concept since the beginning. Different types of attractive products and services are brought in to increase attractiveness or magnet of its retail sites. The concept was developed through time and shown successfully by their retail format. The branches generally include its own department stores, leasing and renting areas, its own modern supermarkets. However, each branch has a selecton of entertainment facilities such as theme parks, convention halls and a wide range of amenities, such as multiplex cinemas, an olympic size ice skating rink, computerised bowling alleys and a number of snooker halls. Therefore, SM has positioned itself as Mega retail and entertainment complexes.

- Retail format

As mentioned earlier SM came to 'all in one format' or 'one stop shopping centre' in 1986. The 'full retail and entertainment complex' includes department stores, supermarkets, shopping centre complex and entertainment complex. From there SM seemed to have only one retail format. More stores were built with the similar concepts, but bigger in size of the space to satisfy customers with variety. The growth strategy of the company was the expansion of branches in prime locations. Later in 1996 there was a shift in the group's policy, the group planed to diversify its retail format into power center, stand alone supermarkets, and hyper-markets. However, the economic crisis which happened to Thailand in 1996, distracted the ambition and other expansion plans as well. During the year 2001, the company wants to emphasize its unique selling point once more by refreshing its entertainment facilities. So far SM and its new business partners, such as fun-

park operators and theatre group. It invests around ten to fifteen million pounds to renovate its facilities. The new store will maintain the concept of entertainment complex for family.

Sales figures of its retail operations came under target due to the economic down turn. Major decisions were taken to revive the situation. The first decision was to reduce the total cost, especially reducing stock from 1000 down to 300-400 million baht . The second one was to adjust the space management and increase the rental price. For example, the company made changes to some product groups to have specialty store format with a wider and deeper range of merchandising. The last one was to increase marketing activities by using 'integrated marketing power' to promote in-house events during traditional Thai holidays. The integrated marketing such as activities, entertainment, sales promotion and marketing, were mixed to create events that attracted customers during 1997-1998. 'SM spent at least 400-500 million baht (8 million pounds) or arround 5% of the group's total sales to increase sales figures.

Ex Supermarket Ltd, was set up independently from the SM group to operate a chain of stand alone supermarkets operating 24 hours. The chain later attracted two other partners, one of them is a supermarket chain from Belgium. The chain's tradename was changed to FL. The expansion to other major cities of one stop shopping centre was delayed. However, a project, which would have attracted a new group of customers, survived through the econnomic crisis. The project, which has a new retail format, still keep their main store concepts of 'all in one'. The target group of customers was the only factor to separate two retail formats. The SM targets middle class incomers downward and family customers. On the other hand, EP is aimed to attract high income earners to generate sales around 15,000 million bahts in 1997.

Marketing Strategy at SM

The conduct of sales promotion at SM is based on three major policies that were implemented three years ago. The first policy called Total Communication originated from the change of structure of the marketing department. The merging of teamwork between mass communications (media) and in house marketing decreased personnel from 400 to 300. Under one project, different types of media, such as newspaper, television, directmail would be used effectively together , not separated into different projects.

The second policy called Event Marketing would be implemented during many Thailand national holidays and festivals throughout each year. The activities include concerts, international and tv shows, sports etc. The important purposes of creating these activities are drawing the shoppers to its branches, presenting the chain's image and boosting sales figures.

The third policy called "segmentation" is to have event marketing to suit target customers in each branch. It is a fact that branches are located in the area, which has different socio-cultural backgrounds in terms of ages, income levels and lifestyle. In addition, the company uses lost leaders for a pricing strategy on limitted product items. The use of this strategy is to attract customers and change their attitude towards shopping during the troubled economy. Since the year 2001, the company began to use two promotional campaigns similar to discount stores. The first one is price guarantee that refunds the difference of price compared with retailers elsewhere. The second one is loss leaders that at least sixty-seventy items in supermarkets are discounted each week. Its sales figures increased in around three months.

Human resource development

The company is regarded as the best operator that invests its resources to develop its staff.

The company arranges modules and courses for each career path. Its staff must attend its

seminar and training as they continue working for the company as illustrated in Table 7.1.1.

Furthermore, the company emphasises on building strong teamwork with training and

activities.

Table 7.1.1 SM's training course

Commando 1 The format of retailers Human relationship Impression in service Effective communication Success at work Principle of Service Document organising and storage	Commando 3 Assignment and evaluation of work Negotiation Problem solving and Decision making Internal audit Principle of speech Presentation Effective leadership
Commando 2 Training Planning and work control Interview and Job evaluation Leadership Psychology of Supervisor Project management Basic computer	Commando 4 Time management Counselling and changing subordinates' behaviour Organisation and team development Information system management Manner in Social events Conflict Management
Mall Management Organisation design and lines of authorisation Human resource management Human development Property development Information system management The management and development of shopping centre Accounting management Financial management	Mall retailing The forms of modern retailing Tactic and management of promotion Merchandising management Sale estimation and the analysis of the outcome The preparation of sale area and shelving Customer satisfaction Store image and good atmosphere in store Safety in store Teaching subordinate Retailing trend

7.1.2 The corporate background of Convenience store Public Company Limited

History

A company called CS Ltd., was founded in Thailand on 2nd November, 1988, after the study of the project had been made for almost one year. The holding company of CS Ltd became involved officially with a convenience store chain from USA I on 7th November , 1988, when the holding company bought a license to operate a chain of convenience stores under tradename "CS" from the licensers. A team of pioneers from the holding company and new recruits was set up in 1989. Later in the same year, the capital of the company was raised from 1 to 20 million baht.

More study was taken abroad by travelling to oversee the operations in other Asian countries. Lessons and strategies, such as store location and product line, was learned from the success and failure examples. The first branch was opened on 1st June 1989 on Patpong Road., one of the most crowded areas of Bangkok. In six months, the company expanded to 7 stores organically on crowded streets of Bangkok. This gave more confidence to both consumers and suppliers. Later, the expansion of the chain stores has been done gradually by several strategies, such as its own expansion, franchising and sub area license.

By the end of 1991, the company had 60 stores, plus 10 franchisee and one sub-area licensee. From there, each expansion strategy had helped the company to grow with great acheivement that no other competitors could match them. The proportion of growth by each strategy were rather even until the end of 1997. The economic crisis started at the end of the year, and brought troubles to franchisees and sub-area operators. Their numbers reduced dramatically that the company had to buy back a lot of branches during 1998 and 1999. Its own expansion became necessary to reach its target. By the end of 2001, the company had 1,585 stores, including 1,185 own branches, 317 franchisees and 83 sub-area licensees.

Organisational structure

The organisation chart is taken from prints given by the company to the public and the author privately. Before the chart will be shown on the next page. The following table shows the details of operation personnel in different ranks and their resposibility.

Table 7.1.2 CS's operation personnel in different ranks and their resposibility

Operation hierarchy	Branches in control	Promoted from
Cashier registers	-	Crew members
Assistance Managers	-	Cashier registers
Store Managers	1 Branch	Assistance Managers
Field counsellor	3 Branches	Undergraduate
Area Managers	10 Branches	Field counseollor
Regional Managers	30 Branches	Area managers
General Managers	100 Branches	Regional manager

Figure 7.1.3 Organisation Chart (CS)

ORGANISATION CHART
2000

BOARD OF
DIRECTORS

CEO

Deputy
CEO

CEO &
PRESIDENT

VP
FINANCE

VP
INFORMATION
TECHNOLOGY

VP
OPERATION

VP
MARKETING

VP
CORPORATE

VP
HRM

VP
PURCHASING
&
DISTRIBUTION
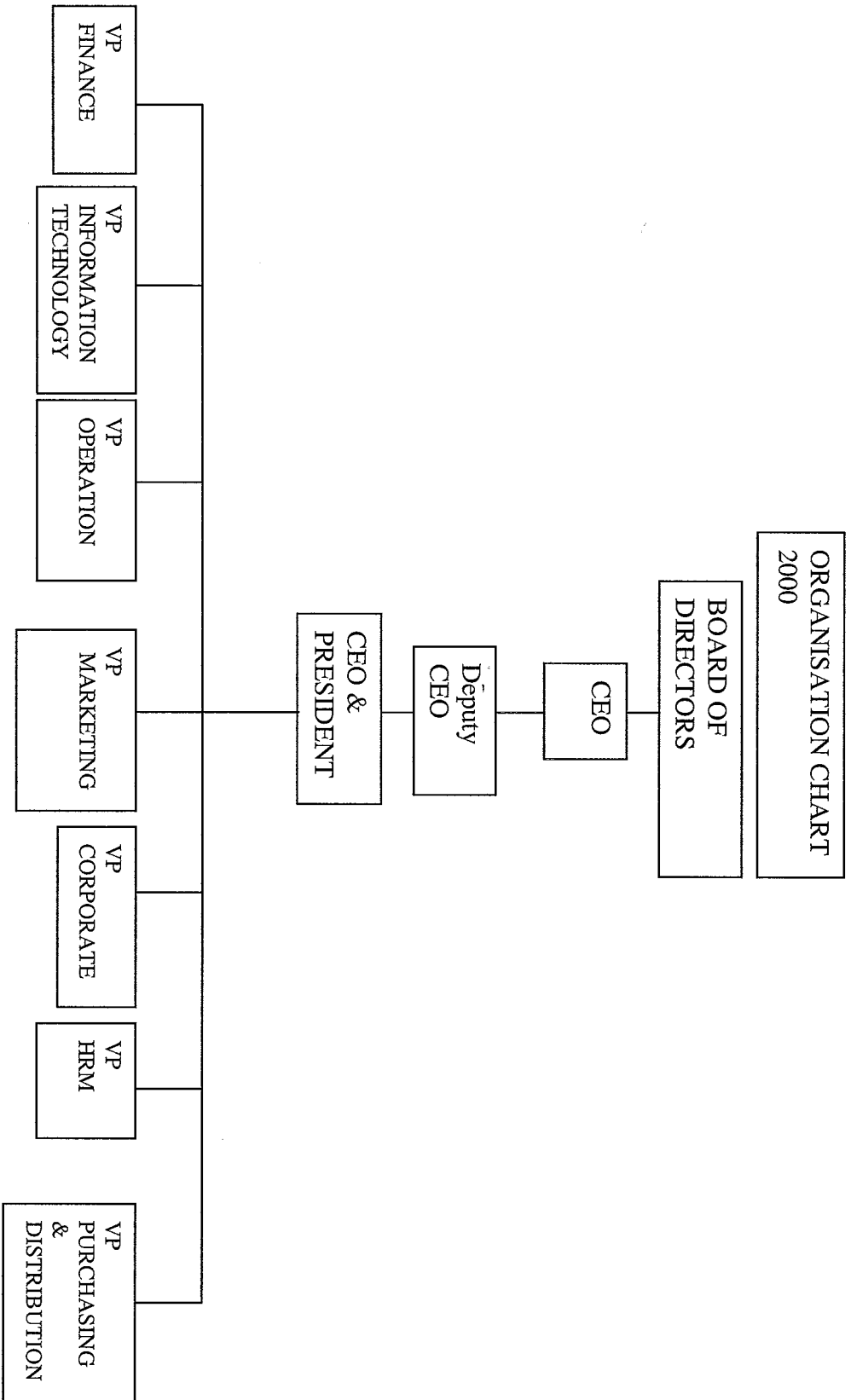
Financial history

In the early days, the company had good support from its holding company. Its capital had been increased in relation to its expansion plan. However, the failure of not achieving their expansion goal showed at one point. A change of policy was taken to reduce the fixed cost of opening a store. Renting the premises was the solution that helped them financially and later supported them to reach economy of scale.

The turnover and volume of products sold have been incresed in relation to the growing number of stores. Franchising also increased a higher rate of expansion and benefit from fees paid by franchisees. In addition, large volumes of products sold through the chain stores gave the company huge bargaining power that suppliers had to spend more money in terms of entrance fees and exclusive brand and promotional fees.

Every thing was well until the financial crisis in 1997 when the company took several measures to survive with decreasing buying power. During 1998-2000, CS has done well and managed to open plenty of stores. The outcome of this is its operation and financial status is strong. Furthermore, CS prepared itself to be listed in stock market through out year 2001. The management confirms that the company will be listed in 2002.

Marketing department consists of 4 major sub units

1. Merchandising: analyse and study product idea, and provide goods to satisfy customers' need.

2. Marketing research: study customer needs

3. Advertising manages advertising by different types of medias

4. Sale Promotion: generate annual promotion plan and plan public relation

Products sold in CS

The products can be classified three groups.

1. General merchandise separated into two groups

1.1 Daily foods, such as, rice, milk and eggs etc.

1.2 Household use, such as, toilet paper, toiletry and toothbrushes

2. Fastfood, such as, dessert, dumpling, ice cream and bakery

3. Special items, such as, beverages, food

So far the company has expanded aggressively to increase numbers of stores. By 2001 the company estimated that they would exceed 1,700 stores. The figure will be 1,900 by the end of year 2002. The following figure also shows a downward trend of store numbers of franchisees and sub-area licensees that started from 1998 and stopped by the end of year 1999. Thus, three years after the financial crisis, these numbers begin to rise again, but they cannot match the speed of the company's own stores.

Table 7.1.3 The number of CS Branches

The number of CS Branches classified by types of expansion Year 1989-2001			
Year	Company	Franchise	Sub-Area	Total
1989 (2532)	7	-	-	7
1990 (2533)	27	-	-	27
1991 (2534)	60	6	4	70
1992 (2535)	130	15	133	158
1993 (2536)	202	36	33	271
1994 (2537)	254	87	58	399
1995 (2538)	288	179	88	555
1996 (2539)	350	265	100	715
1997 (2540)	420	350	110	880
1998 (2541)	717	296	92	1,105
1999 (2542)	959	291	74	1,324
2000 (2543)	1,137	303	81	1,521
2001 (2544)	1,185	317	83	1,585

Source: CS public company limited

CS Strategy

Target customers

The company aims at customers that do not plan their shopping in advance. They do not have their own vehicles, and travel by public transport. Customers prefer to have limited stock and make a low volume of purchase.

Product policy

The company policy is to build its own image to customers, and encourage less loyalty to branded products sold. The policy on consumer preferences to some items, such as, cigarettes. More brands would be stocked on the shelf. The company frequently evaluates performance of every product, and takes off or replaces the shelves if it does not sell well. Thus, the company is operating with high turnover of different branded goods. By the year 2001, it became clear that the expansion of discount stores affects the sales figures of CS's stores. Consumer products, which are similar to discount stores, such as canned food, cooking oil and toothpaste, will be reduced. Entertainment products, such as snacks, magazines and goods for teenagers, will replace them. Apart from being a community center, CS needs to become food stores and entertainment center due to the pressure from the expansion of discount stores.

The shift of products sold in the stores was changed between consumer goods and food. The continuous market research led to the development of new products, especially fast food. Prior to 1999 the proportions of consumer goods and food were 80:20. Later, the proportion changed to 70:30. Moreover, fast food products have shown an increasing proportion in food departments. On the other hand, CS will provide a new catalogue at its store for its mail order business. To increase efficiency in merchandising and stock management, CS also plans to install point of sale system to remaining stores in two years.

Price

The company does not initiate price-cutting, and prefers maintaining reasonable pricing policy. Furthermore, many of its suppliers preferred to raise more profit.

Place

There are three criteria used in the selection of proper locations. The first one is population density in the area of 500m.-1km., that should have more than 3,000 households or 10,000 pedestrians in other words, The second one is the considaration of income level of people in the area. The last criteria is the traffic pattern in the area. From here, trade zone must be defined in the target area. In trade zone, mapping will be conducted to map the area's landscape and people' traffic. Next, the survey will be used to find out more about types of places, buildings and businesses in the area. One strategy, which influence the decision, is finding strategic sales points near bus stops, traditional markets and bus stations. After that, trade zones must be clarified into a location of each store and the number of stores. Once a possible number of stores in one trade zone is decided, more stores will be opened to block competitors. The strategy is called "attacking yourself", because it decreases the profit level of the previous stores in the area.

Promotion

CS has several strategies to conduct sales promotion. Firstly, the promotions are mostly done to new products in introductory period. In addition, products, which suppliers want to do promotional package for nation wide, will be done as well. Secondly, the use of coupons instead of cutting price is to encourage customers to buy or come in again.

Growth strategy

The company has used three different types of strategy for its expansion. At first CS expanded itself organically and quickly to gain confidence from customers, suppliers and the public. The more number of stores were opened, the more volume of products were

sold. Attractiveness of the company is increasing in dealing with suppliers. Suppliers gave more respect and would like to trade with the company.

After the success in building public confidence, hugely organic investment could not be sustained due to financial constraints and growing competition, so franchising was introduced to small investors to expand itself quicker without pressuring its own investment.

The new growth strategy, which was employed to give the company several advantages, were licensing other operators to conduct in limited areas. Firstly, sub-area licencer, which supply merchandise by themselves, were used where the area is far away from its existing operation. The company was facing huge investment if it wanted to use the former growth stategy. Thus, the investment of regional investors would help the company blocking the growth of its new competitors. Secondly, the strategy turned local competitors, who were keen in their market, to became its allies in many cases. Thirdly, the company would receive money and loyalty fee from the buyer of sub-area license in return for providing tradename, knowhow and personnel training. This helped the company write off their net loss of the previous years.

However, two later strategies were significantly disrupted by the economic downturn. In 1998, the number of entreprenuers, who would like to take up franchise, were very slim. Moreover, many existing franchisers and sub-area licensers were closed down The company had to expand itself organically and take back a number of franchises and sub-area licenses.

Harvesting strategy

The company ran into a very bad debt, because of its ambitious expansion and a double edged sword of a policy. In order to build wide acceptance and public confidence, the company expanded itself organically and quickly. Its policy was to buy a perfect premise and own the property, not in another way. The capital of the company was tied up to premises that led to later trouble in performance. Although the policy was changed, and things were getting better. Its revenue was too low to clear off its debts in the short term. Thus, the company had to exploit its value by beginning to charge suppliers with an entrance fee for new goods.

The entrance fee will be asked from suppliers due to the limited shelf space. The fee would be spent to cover the cost of stocking products on the shelf and taking off the shelf. More fees will be charged if a particular branded product will be placed at the front end of shelf. There are several shelf spaces that have more value, because of visual ability. Moreover, CS might choose one of the leaders offering a highest bid as one exclusive brand if consumers have little loyalty in brand selection. Thus, there would be only one exclusive brand of goods available in stores nationwide. On the other hand, the fee and charge will generate enormous income apart from the margin of the sold products.

Important strategies used after Thailand's economic crisis

Cost reduction

The company was affected by the crisis later than businesses in other sectors, and the reason for this is that it sells goods for every day use or need. However, the prolonged effect of the crisis changed its customer's buying behaviour, and the sales figures decreased to a low level. The company needs to sustain its profit level and cash flow to continue its

expansion plan. Moreover, its parent company was no longer able to support due to the loss made by the change of foreign exchange rate. At the same time, the company plans to sell economic goods when customers' buying power was changing. Thus, a support strategy would be required to sustain the company's profit.

The first strategy is to reduce costs and prepare for the situation. With the strong leadership of the CEO, previous found sub-committes was given important missions. A team called Ant mission was requested to find any possible way to cut costs. They came up with an idea that saved cost by reducing the size of customers' sales slip down 1 centimetre. The other type of committees called Bee Mission was grouped into twelve teams to tackle pre-designed issues, such as rent reduction and operating costs. In six months, they can save more than 750,000 pounds. Moreover, the company changed its policy in two crucial areas that would affect the cost structure of its business in the long run. The first issue was the encouragement of part timers and reduce full timers. For example, reducing full timers from 12 down to 10 people would increase part timers by 4 people . Part timers, which would work at the crowded time, would replace more full timers. The second issue is the improvement of stock management. The life of stock was reduced to half at 15 days. The loss of products was more strictly in place. At the end of these cost reductuons the company saved its money more than 1.1 million pounds.

The second strategy was to adjust the goods in stores. Economic products with cheaper price replaced more expensive goods in stores. Small quantities of consumer goods became popular during the economy downturn as well. More food and fast food was developed due to its strong sales and high margin. Goods, which have low movement of sales after 6 months, must be taken out to let others in. New merchandises must be selected carefully in a way that they will serve many groups of customers. Moreover, newly

launched merchandise must be supported well by TV advertisement and sales promotion, if it wanted to be accepted by the company.

Strategy during recovery period of Thai economy.

During 1997-1998, the economy was very weak, the consumers' buying power was very low. Payment terms between retailers and suppliers was extended by retailers' request. CS was also facing low turnover of each store, although total sales figures were increased due to the expansion of new stores. CS became an important distribution channel, because of the increasing total sales. Thus, the company negotiated with suppliers for longer terms of payment from 30 to 60 days. Next more margin from sales was asked from suppliers on the grounds that larger volume was ordered due to more stores. In the beginning of 1999, higher entrance fees for new products was asked to cover hidden costs, such as distribution cost, information tranfer, planning for introductory sales and taking out products from shelf. So far the strategies had helped the company in sustaining its growth and increasing its liquidity.

Although the company achieved its objective of reducing costs and expenses, they faced criticism and pressure from suppliers, trading partners, media and public too. Some implemented cost reduction programs had pushed the burden of expenses to trading partners and consumers. The company were criticised publicly by the media. However, the economic crisis had been prolong, it damaged consumers' spending severely. Its sales per store were still lower than the previous period. More creative approaches to consumers were desperately needed.

Sales promotion used to increase customers' spending

The aim of promotion was to increase the frequency of customers in store visit, and new groups of regular customers. Promotion must be in favour of customers, modern, and suitable to teenagers that are an important target. Most of the products were in the line of food and beverage, because they have high profit margin and are produced by the company. For other goods, co-promotion with suppliers was used to reduce the cost of promotion. The company only paid half of the total cost by using the strategy. One of the methods which was used to distribute these promotions, is discont coupon via different devices. One of the first devices is the giving of discounts of the back of ATM (Banks' Auto Teller Machine) slips that can be used to deduct the price of products in CS stores. Later, the device was coupons distributed with newspapers and magazines to attract new customers and increase the frequency of visits by existing customers. Moreover, the company introduced premium goods, such as toys and stickers to increase sales, frequency of visits and loyalty of children to its store. Sometimes the company sold low margin products that can be bought at CS stores only.

Future and Long term strategy

Its long term strategy is to expand stores at a high rate gradually. However, the proportion of the stores opened by franchising became very low. The company was facing high investment and higher operating costs.

So far the economic crisis had given the company many difficult problems, the company solved them and learnt more of the direction of its future. The company find out that some product lines do well, generate high margin and suits the behaviour of consumers in low public spending. The company realised that its store can be seen as fast food

restaurant and coffee shop, not just convenience stores. More customers visit the stores to have take away food many times. Thus the company is aiming to develop the product line to serve meals to customers as much as five times a day. The company is now implementing several investment efforts as follows. First, Combined Distribution Centre for fresh food products, is set up to serve the product development in food line. By the year 2001, the company will have around 1,800 square meters of warehouse areas. It plans to increase the size up to 8,000 to 10,000 square meters in a few years time. Second, the development of new products will be encouraged fully and subjected to product testing, and market reseach. The company's ultimate aim is to have unique menus that cannot be purchased any where else. Third, the company now would prepare to change the proportion of goods between food and dry stock. More food products would be on shelves and take good positions in the store.

The company saw that its business needed to have attractions to draw customers in. So far the company has used some goods in food line with different sales promotion to attract young customers. With the vision from the president of its holding company, an ailing service business was brought in and transferred to the company. The service has been providing customers with new outlets to made payment for bills, such as, water, electricity, telephone and 30 other types of bills. The strategy would generate more customers and increase customers' visits to stores. It also generates profit to the company due to the little cost it has to pay for operation in its own stores. The service was successful since it provided the important services to regular billings like telephones. However, the future aims of the services will be increasing the attraction for customers to visit stores and purchase goods.

Thus, the company was aiming its future as a center of community that served community needs. Customers could come for meals or goods any time and frequently. Services like banks and mailing services could be served at CS. By year 2002 it planned to issue a new service called digital purse by cooperation with other partners, such as banks. The card will help the company in cash management by reducing trouble, time and cost in handling cash transactions.

Strategy on human resource

For a few years the company has had a firm partnership with colleges to provide training. Furthermore, the company also provides scholarship for new students entering a college. The students can work and earn income during their education. By allowing students to have a real working experience, the company is boosting its supply for store expansion.

7.1.3 The corporate background of Superstore Public Company Limited

History

The company is the production of the merger between two modern Thai retailers. They are the early companies to be found in Superstore format after the successful launch of Siam Makro plc. The successful launch of Makro in Thailand showed that Thai consumers are ready for the new retailing format. Siam Makro Plc. is in cash and carry business and prefers to sell its products to organisational buyers rather than end consumers. However, the low price and its concepts attract general shoppers that can get their hand on the membership card. Siam Makro is growing very fast, and this attracts other types of modern retailers to quickly develop their format into the new business.

A number of players in department store sector began to develop the superstore format at different times. One party of the merged company is a group of investors, who had been running successful modern retailers. They converted one of its department stores to discount store format. Customers can visit and do self-service to shop for various types of products, not only food. The business proved to be successful, although the space of the store was too small at the time. This concept became clearer when its second store was opened with a number of units of rental space for other types of businesses, such as restaurants, fast-food, etc. The new format became supercentre with one-stop shopping concepts. The company so far tries to maintain the image of Thai company by paying revenue tax to local authority of each store and appointing two Thai executives. The first one is vice president of financial division. The second one is senior vice president of business development and real estate.

Another party later developed its own similar format, but without much space for rental. Therefore, the incoming new company has some differences in terms of store layout and the types of products for sale. During the merger, DS Plc. was found as a holding company of other companies that were merged. All stores began to use the same trade name since then. The company expanded rapidly after the merger between two big players in Thai retailing. In two years, at least ten stores were opened by the end of December 1997.

In 1998, the business environment was dramatically changed due to the start of economic crisis in Thailand that later proceeded to Asian economic crisis. SS Plc was hit hard by two major problems. The first one is the loss from the expensive foreign currency exchange rate. The company had to pay back loan and interest in foreign currency that was once cheaper in Thai bahts. The amount of loan was high due to aggressive store expansion in the past five years. Secondly, the economic crisis in Thailand brought down spending power of Thai consumers to a very low level. These factors decreased current assets of the company in the way that it could not pay back the loan and interest. Moreover, the company was facing the situation that it could not operate as usual due to the lack of funds.

Organisation structure

The organisation chart is taken from prints given by the company to the public. However, the detailed positions of personnel had to be rearranged by one of the participants for a fully illustrated structure.

Figure 7.1.4 Organisation Chart (SS)
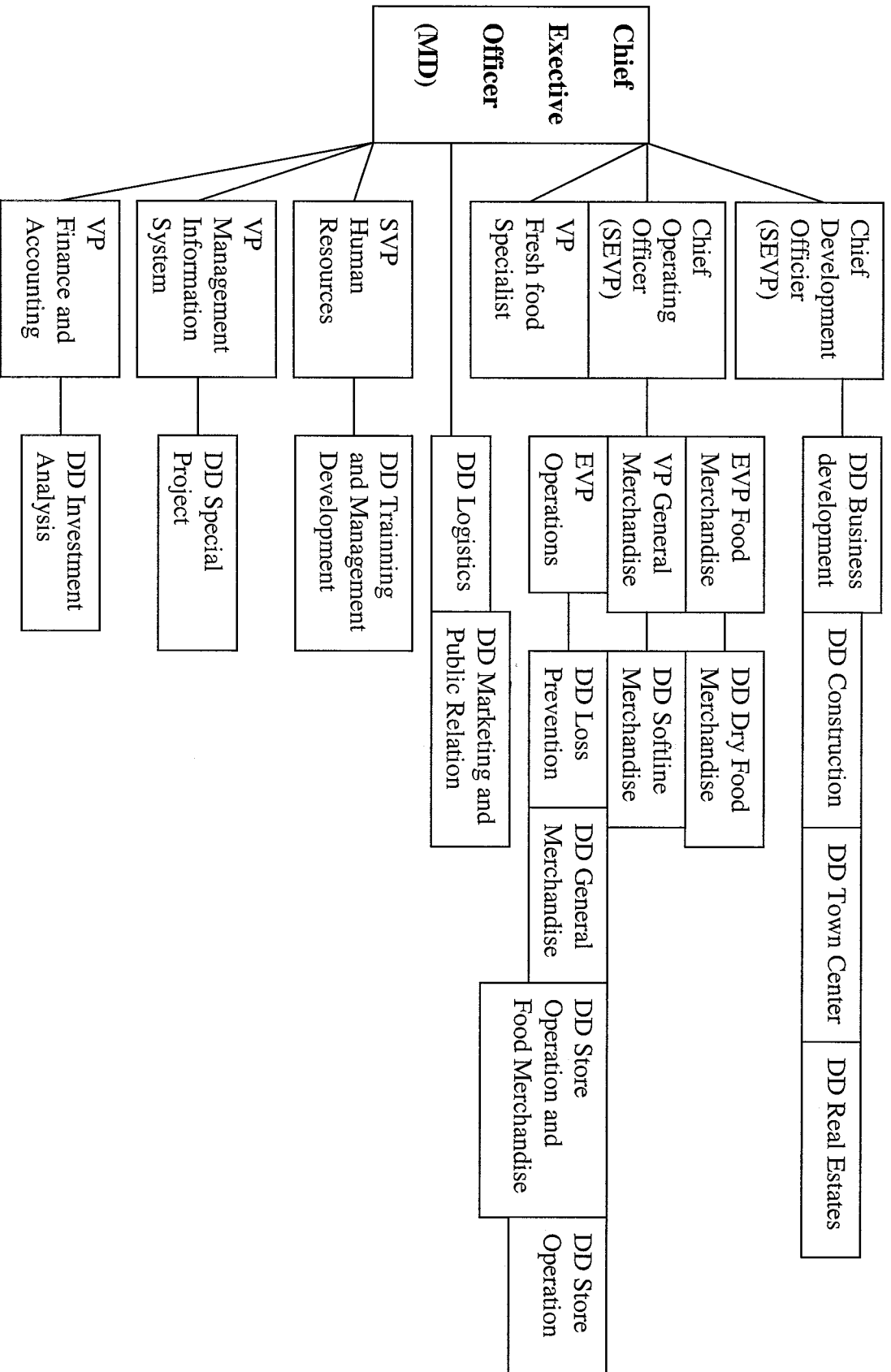
Financial history

Its holding company is a part of the biggest retailer group in Thailand. The company has strong support from its holding company since the early days. It can be said that the company is a family business. It grew slowly at first during the pioneer years. After the management was confident about consumer's response to superstore sectors, the company began to employ more professionals for business expansion. With the creditability of the family clan and the boom of the economy, the company was able to seek long-term loan to fund its expansion plan. The speed of expansion was high since the company was running into a third year. The sectors were booming due to the number of consumers visiting the stores increased incredibly compared to that of other types of retail format. Due to the expansion the company became very ambitious and aggressive to locate its branches at strategic points in Bangkok and major provinces. At the same time the company had been paying huge interest to its foreign creditors from its high level of revenues. However, the economc crisis, which emerged on the scene in 1997, was the one to blame of its downfall. The company also made huge losses due to the devaluation of local currency of more than 50%. The exchange rate of Thai currency against other hard foreign currencies required more local currency to settle their loans and interest. In addition, the high level of revenues shrank after consumers slowed down their spending. The owner of the company, then had to look for other foreign retailers to inject fresh capital into the business.

Since the transformation of the company ownership in 1999, it has sufficient funds for store improvement and expansion. The net profits of the company has grown gradually each year. The growth of net profits each year is closely related to the growth of selling space and market share when new stores are opened. For the number of stores it own, it has the higher turnover and net profits that it can make. The company had an accumulated loss

at 1.5 billion Bahts by September 2001. The company also has planned to clear the loan during the following eighteen months. By the end of year 2001, the company had received long-term loans of at least one hundred million Euro from its foreign shareholder.

Nature of products or services

The concept of SS business is targeting a different group of consumers from other types of retailing. The business aims to sell basic products and consumer goods for every day usage to every member of a family that has low level to medium level of income. The stores, which are located in populated communities, should have the size of 10,000-15,000 square metres. Each store normally has 60,000-70,000 products, and is managed at the lowest possible operating cost. The company classifies its products into four categories as follows.

Products in supermarket department had 60 percent of the total sales in 1999, and 57 percent in 2000. The department can be divided into fresh food and dry food. The products in fresh food include meats, seafood, vegetables, ready-to-cook food, ready-to-eat food, dairy products, frozen food, and ingredients such as eggs, chicken, pickled vegetables and soya bean cake, products processed from pork and chicken such as sausage and fermented pork, dessert and bakery. The products in Fresh food contribute 10 percent of the total sales. The products in dry food include ready-make food, condiments, beverages, snacks, liquor, personal effects, chemical products for cleaning, food, and general articles for pet animals, toilet paper and sanitary towels and whole-package-sold products. The products in dry food contribute 50 percent of the total sales in 1999, and 48 percent in 2000. Furthermore, the company plans to distribute local homemade products that have been supported by local authority and Thai government.

1. Products in the soft line department, such as clothes, dress, cosmetics and shoes, are 15 percent of the total sales in 1999 and 14 percent in 2000.

2. Products in the hard line department, such as, electric goods, televisions, video players, radios, office machines, telecommunications etc., are 12 percent of the total sales.

3. Products in the home line department, such as bedding, appliances, kitchenware, furniture sports equipment, car accessories, toys and mending equipment, are 13 percent of the total sales.

Both hard line and home line together accounted for 28 percent of the total sales in 2000. The company aims to provide goods with quality at cheap prices. Products in Supermarkets can make basic profit at 6-7%. Products in the soft line can make basic profit at 23-25%. Products in the hard line can make basic profit at 12-15%. Products in the home line can make basic profit at 19-20%. Therefore, the lower operating costs must be implemented as an important strategy in every possible way.

Table 7.1.4 SS's Revenue structure of the Company and subsidiaries

Items	2000	%	1999	%
Sale of goods within SS	25,591	93.4	22,314	93.9
Rental space and service income of store body	719	2.6	648	2.7
Other Income, such as fees and compensation	1,096	4.0	795	3.4
Total revenue	27,406	100	23,757	100

The influence of sales season is low to the business of the company because its products are basic goods for consumers every day usage. However, the sale of some

product lines, such as dresses, presents, and electric goods, can be high during the festive season.

Management policies

The company has two types of business plans. The first one is a short-term business plan for one year range. The second one is a long-term business plan for three year range. Both of them are generated in conjunction with budget plans. The short-term plan must be announced to the management of every level every year. The monitoring and evaluation its operations has been done continuously. There is a meeting session every month that the performance and operating results reported to the management. Later, the presentation to the Company board of Directors is held on a quarterly basis. In addition, the company has an internal audit unit for internal control. The unit independently reports directly the audit results and the performance of routine works to the company's executive officer chairman.

Marketing policies

The main customer group, which the company tries to target, is the consumers that are medium to low income earner. This group is the biggest proportion of the Thai population. Therefore, the company aims its policy to expand its branches to cover communities over every parts of Thailand. By early 2000, the company had 8 branches in Bangkok and 12 branches in other provinces.

Table 7.15 SS's location of branches

Bangkok	ChaengWattana, Rathburana, Wongsawang, Rangsit, Rajdamri, RamaII, Bangplee, Rattanatibet, Huamark
Other regions North South East Middle Northeast	Pitsanulok, Chiangrai, Lampang, Petchburi, Sura thani, Hat Yai Pattaya, Rayong, Bangphli, Nakornpathom, Lopburi, Samutprakarn Udonthani, Nakornratchsrima, Khon-kaen,

Competitive strategies of SS

1. Location selection is a very crucial for retailing. The company aims to locate its stores near to the main target group as priority. The consideration of store location can be influenced by a number of other important factors, such as the accessibility and transportation of customers, the cost of land and construction cost. Moreover, long term leasing is used as the most appropriate strategy in the recovering economy. This helps the company in reducing investment funds and interest from loans.

2. The control of operating costs is one important element of the supercentre concepts. The effective management, which has been used by the company, helps in reducing operating costs. For example, the control of inventories and the movement of in-store products are important to increase turnover and to keep the costs down. In addition, the business concept of the company allows customers to have self-service. This helps the company control the number of front personnel to a low level.

3. The pricing of goods is another element of the supercentre concepts. The company targets the group of medium to low income earners. Selling quality goods at the cheap price is the main image that the company tries to impresss on consumers. In addition, a price quarantee policy by returning the difference of the price if customer bought any goods purchased from the company and finds that they are more expensive than a competitor's. Apart from keeping the operating costs down, the bargaining power of the company, when large quantities of orders are made, is playing a crucial part in keeping to the lowest possible prices. Furthermore, the company guarantees to compensate five times of the price difference if is shoppers can get cheaper price of goods elsewhere. This will increase consumer's loyalty psychologically.

4. Promotion is used to increase the recognition of the company's services and the loyalty of consumers in smaller catchment area. To communicate with the target group of customers, the company sends brochures that advertise goods with quoted price. Advertisements are also used in various media, such as newspapers and radio. In addition, promotion, such as special sets of products as a sole package, is used during the festive season for the convenience of consumers. Most of the campaigns are aimed to motivate the target group to shop at the stores regularly, especially at competitive locations. In addition, the company is offering a new store service that large-size goods can be delivered to the customer's home.

Expansion

Apart from the previous strategy, the company has set up its long term goals to acheive the competitive advantage over competitors. Teritory expansion has been the grand

strategy that the company pursues in competitive environments. Searching for perfect location and continuing store expansion is regarded as continuing activities. Moreover, facilities such as distribution centres and information system, have to be improved or built to suit the demands from the store's expansion program. Their aggressive expansion plan was interrupted by the economic crisis and the transformation of company's ownership between late 1997 until the end of 1999.

So SS began their expansion plan aggressively again from year 2000 by acquiring more funds from its foreign shareholders. Furthermore, the service hours for customers have been extended from originally 10.00 − 22.00 to 08.00 − 24.00 by many of its stores. Still by the end of year 2001, SS is the number two in Supercentre sector in terms of its store numbers and turnover. SS has 29 stores by the year 2001 and will increase to 33 by the year 2002. One major rival has taken its number one place by increasing the number of stores to gain more turnover and net profit. Apart from building new stores the company also took over stores from ailing retailers for a quick expansion to boost its turnover.

Technology

SS prepared to operate new software that controls goods management and a purchase system by the end of the year 2001. The software improves correctness and speed in managing information that is crucial in intensive business competition. The preparation for the new system was planned and implemented from year 2000.

Strategy on human resource

In the year 2001 the company has a firm partnership with colleges to provide training for their college students. This also includes seminars and field trips for their teachers. Furthermore, the company also provides income for students as well as knowledge. By allowing students to have real working experience one semester out of two each year, the company is increasing staff force for store expansion services.

For its own staff, the company is currently developing career path. By arranging qualifications for each position, its staff must attend necessary training, examination and interview for higher levels of work.

7.1.4 The corporate background of Department Store Public Company Limited

History

The business of DS began twenty years ago by the opening of its first store in 1979. The first store, which had a selling space of 800 square metres approximately, was opened near one of the most important sites of public transportation in Bangkok. The roundabout provides the central distribution of public buses to other parts of Bangkok, and is surrounded by important public facilities such as hospitals. The location, which is a very huge roundabout, could be ranked as one of the most crowded areas, both pedestrians and cars. The founder of the company was a group of 6 pioneers that share cooperation and management. The pioneers and professional management team lead the company to gradual growth and wide acceptance of consumers by keeping in line with the changes of the economy and the competition of the retail industry. One of the successes was that DS was the first department store to be listed on Thailand's stock exchange in 1992. Three years later, the company became a joint venture with other retailers in the same businesses. The results have allowed the company to expand itself faster and farther away from Bangkok easier than it had done before. During year 1997-2000, the company tried to re-position its stores. Strategies, such as the adjustment of merchandise mix and rearrangement of store attraction, had been implemented. By year 2000, the company has more stores than any other department stores. Eleven stores are located in Bangkok, and nine stores are located in other provinces in different regions. However, its store number can not match the strong expansion in discount store sector by the end of 2001.

Organisation Structure

The organisation chart is taken from prints given by the company to public and to the author privately.

Figure 7.1.5 Organisation Chart (DS)
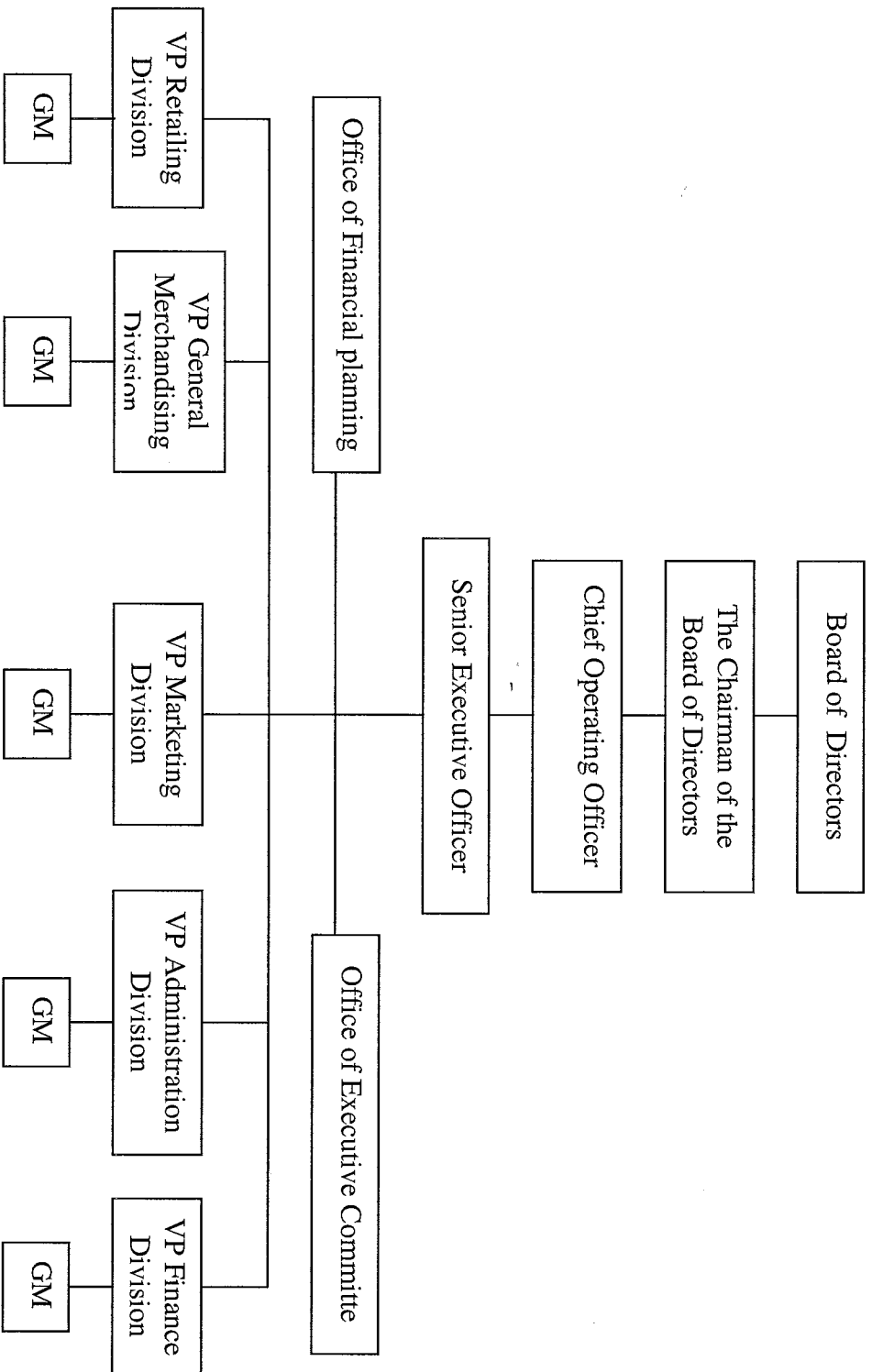
Financial history

The company was engaged in aggressive expansion in the past. Their expansions were funded by long-term loans from foreign sources. The financial status of the company had not been well even before the financial crisis happened in late 1997. The company was merged with another leading retail operator to form a holding company in early 1997.

The company then gained a better financial status and expanded widely via joint venture with local medium sized retailers in several major cities of Thailand. Although the company can expand without raising capital, the company cannot find the right positioning of retail mix that can increase customer traffic. Its store locations become less attractive and smaller when compared to other trading sites. The financial situation of the company was not improved.

In 2000, different teams of management were brought in with the permission of its creditors. With different teams of management, the company has been working to find the right mixture of services for customers, and so far the creditors have been supportive of the present operations. Furthermore, recovery plans have been made and agreed by stakeholders. Throughout year 2001, creditors, major shareholders and the management have been negotiating and cooperating to recover the business. Loans have been transformed into cash payments and shares for creditors. There are some loans that will be paid regularly in the next five-year period. Since the restructuring of debt, the company has regained its strength to compete and is able to raise more capital by issuing debentures.

Business policies

Marketing

Target customers

Men 30% and Women 70%

Age: 25-35 years old

Education: Graduated from universities, and working in companies.

Income: 15,000 to 50,000 Baht per month

Lifestyle: Modern families with young children aged 2-10 years

Preferences: Do shopping cautiously nearby homes and offices.

Secondary targeted customers: Women aged 14 - 24 and 36 - 44 years old.

They can be further classified in to three groups as members of its loyalty card, general customers and tourists. Furthermore, the company has 680,000 members, and 35 percent of the members do shopping with DS regularly to generate around 40 percent of its total sales.

Products in stores

DS Public Company Limited has been carrying on retail business of the department store as a major business by distributing products to consumers directly. The products sold in the department store were divided into three groups as follows

1. Soft Line Products: consisting of major products for gentlemen, ladies and children, such as, clothes, garments, lingeries, cosmetics, ornaments and accessories.

2. Hard Line Products: consisting of major products, such as home furnishing, stationery, child and teenage products, car accessories, interior accessories, kitchenware, bedware, electrical appliances.

3. DS's Products (Private label): consists of products developed by the company under the names set by the company, such as clothes and products used in kitchens, bedrooms and bathrooms, and home interiors.

4. Foods

The company develops products by using researches conducted to select and develop its product range.

Sources of Products

At present DS Department Store sells more than 200,000 items of goods from more than 2,500 suppliers who have been trading with the company for over 20 years. The company's supplies are divided into three major groups as follows:

1. Consignments are products which suppliers bring into the department store for sale and the company receives remuneration in a form of percentage of profit from such sales. The suppliers are responsible for stock of products and their salespersons.

2. Credit are products which the company buys in a form of purchase. The company selects the goods and takes care of stock. The sources of goods are from both overseas and local suppliers.

3. Private labels are products developed by the company and their qualities are controlled to be consistent with the standard fixed by the company. Thus, the company hires experts for each type of product to take care of the manufacture.

DS's Strategy

The company has been well aware of the serious competition of modern trade in Thailand. The company tries to cope with change and improve itself continuously. Various strategies have been used to strengthen its position in competition as follows.

Cost Reduction strategy

The company began by analysing the cost of operations, and then programmed a plan on cost and expenses reduction. Different projects were arranged and campaigned at all levels of staff to achieve the goal of each project. The example of the projects include the duration of keeping stock was reduced from 5 to 3 months, energy saving projects and decrease of number of damaged goods project.

Product policy

DS considers the customer need as a key success in the selection of products. The analysis of markets has been carried out continuously to provide bases for adjustment. Each group of products must be analysed particularly in order to select the potential goods that fitted with the customer's need as much as possible. In general, the products must be modern, with varieties of selection and good quality at the right price. In addition, DS has been sending its staff for overseas business trips for education and survey in order to see the developing trend of modern retailing and catch up with changes in fashion around the world. Tracking the development of new products and new sources of goods is still a main focus of the policy although this policy has been in trouble with the cut-down on operating costs. The company also seeks co-operation with suppliers to have joint goals on marketing plans, target customers and revenue.

Pricing policy

Two pricing policies have been used at the same time for different types of products.

Consignment products: trade partners set the price as standard for every one of DS's stores. DS will receive a certain percentage of the selling price.

Credit products and Private label: DS sets the price in relation to the company's pricing policy from its database and competitors' pricing policy.

However, the company also has undertaken a series of researches to do price testing on different products. The pricing will be more realistic in relation to customers' need. In the long-term, the company is introducing a new range of merchandises that have basic everyday goods at cheap price in different areas from others.

Store improvement

The company had decided to improve one store in Radchadapisek and that improvement was finished successfully in 1999. The improvement helped the company to be more competitive and have a better image. This leads to a policy of more improvement to the rest of the stores, one by one. The improvement areas generally include selling space, products sold and interior to suit targeted customers. In general, the branch must be modern, convenient, clean and beautiful. The future policy about branches is aimed at searching for proper locations to expand more branches. At the same time the company intends to close some branches that have low performance in order to reduce the expenses and increase profits. Area management is also managed by adjusting more merchandise to vacant areas.

Recently, DS found out a possible new strategy that will draw customers into its stores. It started when one of their stores had a discount store opened along side. The

trading site become more attractive for shoppers that prefer one-stop shopping. The turn over of this store has become better gradually, because more shoppers visit its store for fashion clothes, leather and stationary and visit discount stores for grocery shopping and electronics. There is a trend that its management will seek more cooperation with next door rivals to develop their retail sites together.

Sales Promotion

DS is using sales promotion through out the trading year. Different campaigns are used at different periods to increase the number of shoppers and turnover. The co-operation from trading partners is encouraged always to lower the cost of marketing activities. The campaign is done by several departments that have the same target group, such as women. During the campaign, supporting or entertaining activities are used to draw more customers, because, the department store format does not have any other magnet or attractions like other retailers. The future plan is to conduct joint promotion and support of social activities continuously with a policy on creation of a happy society. The future project is to arrange marketing plans and sales promotion for each branch to fit with local customers' needs. Each branch will have teamwork, including marketing, operations and buyers, to select merchandises and do sale promotions for particular needs of local customers. Every day low price has been launched to counter the loss of market share taken by discount stores or supercenters.

Furthermore, DS plans to provide customers with new merchandise for seasonal sale that will be available for a period of time. The merchandise will be new and different to the market. During year 2001 the company used two types of promotional campaign. The first one was selling discount sales on selected items that were held for ten days each

month. The second one was selling quality products at cheap price on separated corners of every department.

Social role and public relations

DS continuously gives support and promotes social activities for good health, for communities and children, such as sponsoring running competitions, aerobic exercises for kindergarten students, for DS Junior Exercise Award by aiming at creation of family relationship. In addition, the company helps to publicize tourist places and traditional celebrations of provinces in Thailand in its magazines that are circulated to its members.

Media

The use of expensive media is in decline due to the high cost compared to sales figures. The investment proved to be ineffective after the company had done a study on the use of media in comparison to its rivals. The company decided to use other types of media that are more effective to reach its target consumers. At the moment, the company aims to advertise by using print, such as leaflets or brochures and newspapers. These types of media help the company raise the same level of sales with lower cost. Print will be used to create continuous loyalty of its target group and its member cardholders. These media will be used nationwide with the same standard to build the company image into the same desired directions. The company plans to increase the number of members in its club to 1 million holders by 2001, and increase customers' spending by using events and sales promotions.

Human resource policy

The company realizes the role and significance of all staff. Therefore, it gives support to activities that will create knowledge and encourage staff to gain wider vision and knowledge in various fields. The policy is continuously implemented by hiring foreign teachers to teach foreign language to staff, posting a notice board of publication of significant news at certain periods, and sending staff for overseas business trips. Arrangements of managerial workshops are encouraged in and between divisions to increase individual's ability and teamwork.

Responsibilities of Human Resources Division- Administration

1. Managerial Training is focusing on training administrative officers of the Company on management/administration.

2. People Training is focussing on training managerial department officers on working as a team and building up strong working teams.

3. Supervisory Training is focusing on training managerial section officers on supervision and direction of staff.

4. Functional Training for retail business segment in order to arrange course description and training process for development of floor managers, shop masters and sales staff so that they can gain knowledge, understanding and skills in performing duties in compliance with the work plan and policy of the company productively.

5. Computer Skill & JDA training focusing on learning and skills in using computers for working for executive officers, as well as refreshments for staff of divisions relating to JDA, by coordinating with RIS and BPR for training of those two kinds.

6. Orientation Training is focusing on increasing knowledge and understanding for new staff and executive officers who work for central office and 11 Branches in Bangkok so that all new staff can know its structure, work rules and regulations and all rights and benefits.

7. Consignment Training is the training for PC/BA (Sales representatives) of 11 branches in Bangkok so that they can understand the sales system and services and perform in accordance with the company's rules.
   - Responsibilities of general product management segment, marketing segment, financial segment and administration division of management segment.
   - They are responsible for arrangement of course description and training process (Functional Training) for staff of responsible professional field of relevant divisions, both internal and external lines, So that staff of all fields are trained for development and gain knowledge and skills on performance of work in each field productively.

Technology

The company has recently set up a re-engineering plan. The first project is taking up Software JDA for the use in procurement management and stock supervision. By 1999, 17 branches had completely implemented the system. The project will be continued to the remaining branches. In addition, the company is considering investing in obtaining a new software OLAP (Online Analytical Processing) for assistance in analysis and efficient management of the company.

7.1.5 The corporate background of Shopping Centre Public Company Limited

History

SC is a part of a retailer group that involves in three major businesses. The first one is retail business, such as department stores, superstores and convenience stores. The second one is real estate that sells or rents developed retail space, such as shopping centre and offices. The third one is hotel business, such as hotel, convention hall, and catering. SC was founded on June 17, 1980 as a limited company. The company, which is run by family members from the retail group, is expected to pursue a prosperous future in real estate business. The company had its first registered capital of 300 million bahts from three major shareholders and other small investors. The objective of the company was to invest its capital in the construction of shopping centre complexes. The projects were aimed to respond to the expansion of new developing area in Bangkok.

One year later, the first project was constructed, and consists of shopping centre, convention hall, office, and parking space. Moreover, the company also takes close associate partners to develop a department store and a hotel in the same area of the project. This helped the shopping centre, department store and hotel, to increase the magnet and customer traffic of shopping centre. The project can be regarded as the first all-in-one shopping centre in Thailand.

Although the company involves in real estate, it is holding shares in several businesses that separate into five divisions. Firstly, its main business is to operate six shopping centers. Secondly, the same management operates two commercial offices located in its shopping centers. Thirdly, its subsidiary is operating one residential condominium. Fourthly, its food and beverages has two types of businesses including food centers, and a

chain store of soft pretzels and beverages. Finally, it has shopping centre services including common utilities, security and cleaning services that are run by its subsidiaries.

Financial History

The company has a strong family business background. They are very experiences retail operators. The founders are the part of the family that pioneered their department store when Thai modern retailing was founded more than fifty year ago. They learned how to handle modern retail operations from foreign operators, such as Thai Daimaru. With such experience, they gained support from other investors and financial institutions. The first project of the company was a huge success and widely regarded as the best shopping centers in Bangkok for a long time. With the success of the first project, the company has aggressively expanded to several projects in both Bangkok and other big urban cities. The company has been very stable with their new projects and construction, because the company became a public company listed on the stock exchange of Thailand in 1994.

By 1995 its business expanded into four major areas, such as developments of shopping centers, offices, accommodations and services related to real estate. SC has expanded gradually with regular investment plans that increase good revenue and yield sufficient return on investment. However, the financial crisis affected its competitiveness and liquidity in 1997. The company found difficulty to pay back loans that funded its past investment. Furthermore, a number of new projects in process had to be postponed or canceled, because of difficulties in acquiring new loan through out the year. Since then SC has been looking for new investors or partners to fund the projects in process.

Some of its diversified businesses were sold to gain cash in hand. During the same period the company made a loss on exchange rate when they returned due loans. The loss

caused a loss in the annual results for a couple of years. Since the year 2000, the company has recovered well with strong improvement plans to increase revenue by arranging more rental space and redecorating its stores to strengthen its image and positioning. The company, which is successful in increasing revenue from the rent, made good profit after a couple years of losses. The company revenue comes from three main areas, such as 80 percent from shopping centres, 5 percent from the leasing of offices and eight percent from food centres and catering.

However, there are short-term and long- term loans to be paid during two to five year time. This decreases its competitiveness to expand new stores. Recently, its management plans to raise fund by issuing debentures for new projects. In addition, the management tries to take over existing failed shopping centres that require less investment than making new projects.

Organisation structure

The organisation chart is taken from prints given by the company to the public by annual reports and to the author privately. There are senior vice presidents added to the new structure when it is compared to the structure in 1994. Retail division is located under Senior Vice President operations Management in the year 2000.

Figure 7.1.6 Organisation Chart (SC)

Board of directors

Board of Executive
Directors

President & CEO

Office of the President

Executive Vice
President & COO

Legal Department

Senior Vice President
Operations Management

Senior Vice President
Development &
Construction

Human
Resources

New business
Development

Retail
1999

Information
Technology

Senior Vice President
Finance & Accounting

Shopping
Centre Opt.

Retail
2000

Sales
Promotion
Department

Leasing &
Marketing

System
Support &

System
Development

Finance &
Accounting

The business nature of the company

SC Public Co. has a policy to run the development and real estate business by concentrating on the development of shopping centres in the areas that yield a sufficient return on investment to the company. The company operates by acquiring suitable land to develop a project by buying, renting or other methods that give the greatest benefit to the company. Furthermore, the company is holding major shares of various sized companies involved in property development and services. However, the major business revenue comes from the fee from short-term and long-term leasing in the developed shopping centres. Therefore, the main product of the company is the projects of different shopping centres. The products are aimed to both business customers and general consumers. Marketing and public relations are used to serve both groups of customers as the following sections. The information given in the sections comes from its annual report 1994.

Production

1. Land search

The criteria of land development

1.1 Location of land, vehicle traffic and the usage of surrounding land

1.2 Size, shape and the ownership of land

1.3 Infrastructure to facilitate the project

1.4 Legislation or government policy over the land

1.5 The growing trend of development and modern lifestyle, such as the trend of consumer density, consumer behaviour and their income level

1.6 Land price and the methods of obtaining the land with high potential.

      A. Purchasing, when the land price is affordable

B. Leasing when the owner does not wish to sell,

the land price is too high or the owner is not interested in joint venture

C. Create joint venture with the landowner, when the owner requires the joint venture and the potential and prospect of the land is high.

However, the land must be the best site of the area, and the price must not be more expensive than the market price.

2. The study of project possibility

The study of prospect of new developing projects

2.1 The analysis of market prospect

The aim of analysis is to reduce risk to the lowest level, and to ensure fast return of profit. The company will market segment, competitors, and future trends of the market, such as customers' need, supply of goods and services and pricing policy in relation to marketing plans.

2.2 The analysis of technical aspects of each project

The analysis is the study of project structure, such as premises, decoration and interior, that should be modern, beautiful and acceptable to investors and consumers. This will lead to the setting of components in the projects.

3. The company will hire constructors that have good experience and expertise. The company will offer closed bids, and require at least three companies to bid. The executive committee will do the selection of the most appropriate constructors.

4. The company will hire engineers to oversee the construction in terms of techniques, processes and procedures.

5. The company will contact local authorities to receive advice and permission regarding the negative effects of its construction project to the environment. This aims to minimise the effects to the environment surrounding the project.

Marketing for shopping centres

1.Product policy

- Location: the company has experienced marketing teamwork to survey and research in the selection of location. The location must be in the area that has high buying power or has prosperous trend. The impact of competitors in the same area must be considered especially for all in one shopping centre.

- The joint venture with other well known department stores: the strategy of having leading department stores under the same roof has been very successful in attracting consumers.

- The design of shopping centres and projects: SC has a long and excellence experience in designing the plant of shopping centre to achieve efficiency of space.

- Sales promotion: the company with its teamwork is keen on holding the promotional events. In addition, the company receives co-operation from tenants in holding many promotional events together.

- Theme of retail site: SC set theme for different branches in relation to their location and the types of premises. Public relation is used to highlight the interesting theme to attract customers.

- The management and services of shopping centres: SC has been committed to its policy to provide customers with facilities, convenience, cleanliness and polite manner of sales people. This helps to generate customers' loyalty and attract new customers.

- Maintaining good reputation and quality of previous projects: this will help to keep existing tenants' confident in new developing projects.

Channel of sales distribution

- Salesperson: fully trained personnel by the company

- Advertising: the media is newspaper, brochure, catalogue, and billboard at the project site. These also help to boost confidence and trust of potential tenants.

- Continuous and regular public relations: SC always holds exhibition at the convention hall of its shopping centres.

The characteristics of customers

The company has its policy to screen the quality of customers to maintain high confidence from existing customers. The potential tenants of the company must be able to run their business properly and have ability to manage and develop their own business. The type of business must be appropriate to the format and style of shopping centre.

To keep low turnover of tenants, the company has two units, public relations and customer services, to give customers advice since the beginning of the new projects. The following sections are the information regarding its recent operation that is given in annual report in 1999 and 2000.

Branches

At the moment the company is operating in seven branches that vary in size. Five of them are located in Bangkok. The others are in Chiangmai and Pattaya. The company recently plans to build two new projects that have already been announced to the public in

2000. In 2000, the company presents number of customers using each branch. This can be shown in the following table.

Table 7.1.6 SC's branches

Branches	Consumers	Branches	Consumers
Lardprao, Bangkok	23 Millions	Ram-Indra, Bangkok	5 Millions
Pinklao, Bangkok	20 Millions	Chiangmai	3 Millions
Bangna, Bangkok	15 Millions	Pattaya	7 Millions
Rama 3, Bangkok	10 Millions		

For the future projects, the company plans to invest money into two projects. The first one is a shopping centre located on Rama 2, Bangkok, with the total space of 200,000 sq.m. The second one is phase 2 of airport shopping centre, Chiangmai, with total space of 130,000 sq.m.

SC's Strategy

Since the financial crisis started at the third quarter of 1997, the company has been working on four particular areas to maintain financial strength and its competitiveness. The first area is cost and expenditures control that includes introducing maintenance cost control and energy conservation policy. The second area is utilizing space to increase revenues by changing existing space into more profitable businesses that also increase the attraction for shoppers. The third one is offering improvements and better services in all existing facilities that involve standardisation of service towards ISO 9002 certificate, junior and mid-level management training and upgrading of corporate image to world class shopping centre. The final one is developing management information system of all centres

that includes Executive Information System (EIS), E-Space management, POS, Internet system for management and the company's homepage.

Sales Promotion

The company has engaged in strategic planning to work against prolonged economic instability. In order to maintain high levels of customers' traffic to shopping centres, the company encourages social activities from a wide range of organisations, and to generate more social activities with trendy look, continuity and space utilization of each common area. Under the wing of the Sales Promotion Department, there are two separate divisions working together. First, Public Relations Department is to work as a part of the department in generating special activities, and to communicate well to the public. Second, the customer relations division's duties include creating good relationships between tenants and the company by organising a series of seminar.

Organisation development policy

The company has been organising Annual Management Conferences for several years. In September 2000, it was their sixth annual conference. The management participates in the event to brainstorm the strategic ideas for organisation improvement. The Board of Directors has selected to focus on 12 from 58 strategic issues, such as productivity excellence, benchmarking and the digital architecture, in their organisation's master plan.

Human resource policies

Since the economic crisis, the company aim to maximize their efficiency at the lowest cost and highest customer's satisfaction. Several policies have been implemented.

Firstly, the improvement of its internal administration can be done by hiring outsourcing companies for labour intensive jobs, such as security guard and cleaning services. Integreating related job divisions into one division can decrease the cost and expenditure. For example, it has merged the Accounting Division and the Finance Division into Finance and Accounting Division.

Secondly, the company has introduced continuous development of the organisation and human resources. The Human Resource Department has been operating BEST Quality 2000 contest that branches compete in internal administration, and service excellence to both tenants and customes, community projects and environmental programme.

Finally, the company seeks to increase efficiency and effectiveness of administration by establishing work process quality system that leads to obtain ISO 9001. The programme began by investigating Head Offices and hopes to achieve the ISO 9001 at the end of the year 2001.

In the year 2000, there were 37 in-house training courses conducted to provide three different types of training purposes, such as Human Development by Position, Professional Development and development by the company objective including external training programs and overseas. For example, a specially designed three-month Executive Development course for mid-level management upwards was set up with the co-operation of the Faculty of Commerce and Accounting, Chulalongkorn University. There were more minor development projects that took place in the year 2000 as well. This includes redeveloping personnel qualification standard for new recruitment and a new bar code system, new staff identification badge and new software for the time daily control of staff.

Part 2 Data display and interpretation of finding

7.2.1 Introduction

As suggested earlier in the beginning of this chapter, the findings of the five case studies came from both desk researches and the interviews made with the key personnel of each company. In this section, the analysis of findings will be detailed in the form of cases, not each interviewee. The need to clarify and analyse all the findings together is crucial to the development of later discussion. The findings will be illustrated by the use of tables. The tables are regard as, "case level display" (Miles and Huberman, 1984) on various topics. In each table the issues will be displayed horizontally, and the cases vertically. The important findings, which will be highlighted, are suggested as follows.

7.2.2 Types of organisational personnel at different levels of management

The first display is aimed to give a better view of the case in terms of its organisational players at different levels of management. The levels of management include Boards of directors, executive committees, middle management, and junior management. The types of organisational personnel at different levels of management are varied between family members and employees. The findings in case level display No.1 shows that there are two family businesses, SM and SC, out of five cases. The family members of both cases largely dominate at the boards of directors and executive committees. In both cases, family members, who are executive members, also have seats at the board of directors. There are no family members at the middle management in all cases. However, there are some family members of the third generation with one at the level of junior management. Employees with professional skills dominate at the level of middle management that is referred to as heads of functional areas, such as marketing, finance, operations etc. There are three other companies which do not

operate as family business. SS was previously found and run by family members before selling to a foreign retail company. CS was founded by a local conglomerate that employed its personnel from existing employees as pioneers. DS was found by six pioneers before merging with another local company. Its executives are now professional employees.

The origin of the Thai retailers begin mostly from family businesses, in which every member was responsible for the work that is given to them. As the businesses grow to become complicated, and with high competition, more professional personnel are being employed by the businesses. As a strategy, they employ professional personnel to help them accomplish complicate tasks. Thus, the development of strategy is influenced by the vision of leaders and these experts at the functional level. The relationship between the family members and employees are due to formal obligation.

On the other hand, the relationship between family members can influence the formal obligation regardless of their position in each company. Each company has experienced two different working cultures of executive committees and middle management. However, not all the companies have the same origin. A conglomerate that expanded to many business lines found CS, which is the only example out of five cases. Therefore, most of the key pioneers were pre-employed personnel working in the conglomerate before being moved to the newly found company. DS was run by six pioneers that previously work as professional managers elsewhere.

Three out of five retailers have background of being family business. There were changes after the economic crisis in Thailand in 1997. One of the companies, SS, was sold to a foreign partner. All of the family members at the top management resigned their position immediately after the deal was closed. Two out of five cases, which are now run by family members at the level of executive committee, are SM and SC.

Table 7.2.1 Case-level display No.1

	Boards of Directors	Executive Committees	Middle Management	Junior Management
SM	The members of two property development families and the second generation members	The second generation members of the founders' families, plus two experienced professional employees,	Employees with experienced professionals in their functional areas. (called Vice president)	Employees with experienced background in each function, plus a few junior members of the families
CS	Chairman of the company is the same person of its holding company, CEO, and outsiders	CEO plus executives with experienced professionals in their divisions	Employees with experienced professionals in their function	Employees with experienced professionals in their function
SS	Previously family members, Chairman of the company is a representative of its new holding company, CEO, and outsiders	CEO, plus executives with experienced professionals in their divisions	Employees with experienced professionals in their function	Employees with experienced professionals in their function
DS	Previously run by 6 pioneers, but later merged with another to create a new holding company	CEO, plus executives with experienced professionals in their divisions	Employees with experienced professionals in their function	Employees with experienced professionals in their function
SC	The founder of the company and the member of his families in property development business	Five members are family members. One executive with experienced professionals in management	Employees with experienced professionals in their function	Employees with experienced professionals in their function Plus a few junior members of the families

Both of the cases show that some of the key family members are the member of executive committees and retain the seat at the board of directors as well. This shows an unclear picture of where strategic decision making and strategic development process take place.

The negative side of family run business is that the members do not gain enough experience in different types of business practice and management. Although they have

received formal education, some junior members do not possess a wider perspective of modern management in other companies before beginning their career at high position. Although a comment was made only by one of the interviewees from SS, the comment might be applied to SM that none of its family members have work experience in modern management elsewhere.

7.2.3 Administrative system

The case level display no.2 aims to provide a view of the administrative system of each company at different levels of management. This also provides the information of the types of meetings and their members. The findings from the case studies show that there are different levels of meetings and each level has different practices. The meetings at a high level of management require formality, pre-arranged agenda and records of meeting. Inter-functional and sub-unit meetings can be less formal without official records of the meetings. Moreover, due to the roles of different participants, the issues and agenda may vary.

A regular or routine meeting is made up by pre-arranged schedule. Key personnel would act according to the role of his/her position in the meeting. However, there are more than one meeting to be attended in relation to hierarchy and company's organisation structure. Each unit must have its own meeting for the purpose of administration. To join other meetings at a higher level or the same level of management, the person must be a leader or head on an organisational level. For example, a marketing director would have regular meetings with heads of sub-unit inside the marketing department. The directors also have to attend meetings with other functional directors, such as operations and merchandising.

Table 7.2.2 Case-level display No.2

	Levels of management	Interaction among the groups of management
SM	- Board of directors - EC meeting - Board of management - EC+BoM - Functional meeting	: Regular meetings are set regularly, but more meetings are called in relation to work load : Regular meetings are set once a month, but more meetings are called in relation to work load : Regular meetings are set once a month, but more meetings are called on adhoc basis, "urgent meeting" : Regular meetings are set once a month but more meetings are called on adhoc basis, "urgent meeting" : Regular meetings are scheduled once a month, but has open door policy.
CS	- Board of directors - EC meeting - Functional meeting	: Regular meetings are set regularly : Meetings are set regularly, but more meetings are called in relation to work load : Meetings are set regularly, but more meetings are called on adhoc basis, "urgent meeting"
SS	- Board of directors - EC meeting - Inter-functional meeting - Functional meeting	: Regular meetings are set regularly : Regular meetings are set twice a month, but more meetings are called in relation to work load : Regular meetings are set once a month, but more meetings are called on adhoc basis, "urgent meeting" : Regular meetings are set once a week but more meetings are called on adhoc basis, "urgent meeting"
DS	- Board of directors - EC meeting - Inter-functional meeting - Functional meeting	: Regular meetings are set on a quarterly basis : Regular meetings are set once a month, but more meetings are called in relation to work load : Regular meetings are set once a month but more meetings are called on adhoc basis, "urgent meeting" : Regular meetings are scheduled once a month, but has open door policy.
SC	- Board of directors - EC meeting - EC+BoM - Functional meeting	: Regular meetings are set regularly, but more meetings are called in relation to work load : Regular meetings are set once a month, but more meetings are called in relation to work load : Regular meetings are set once a month but more meetings are called on adhoc basis, "urgent meeting" : Regular meetings are scheduled once a month, but has open door policy.

In general, the meeting is a very crucial part of the administrative system. It helps to encourage and control for smooth operation. By having the regular meetings, the communication can be made efficient, and information flow to other parts of the organisations. The activities support the decision making process by using the interaction among the members of the meeting. This decreases the use of paper work.

This claim is supported by a comment of one interviewees who stated that he/she does not work by papers. Another reason for this is the improving technology in information systems, such as, computer network and Internet, which provides email facility, have been invested in. The key personnel have their own e-mail address. In a particular event, an interviewee from SS showed me his e-mail account. He also added that most of the mail comes from his superiors and his colleagues. They are sales figures, meeting reports, memos, and comments.

The findings suggest that strategic development should be built around their existing administrative system. There is no evidence that extra planning system has been working along with day to day administrative system in any of the cases. On the other hand, the administrative system, which consists of regular meetings and urgent meetings, provides benefits in problem solving as well as strategic decision making for the long term. Moreover, the system has the flexibility to react to different workloads. More meetings can be called, if the workload is high.

7.2.4 Styles of management

During the interviews several questions have led to the conversations to see the way the companies are managed. Different types of responses were given describing the way things happen in their companies. The following table, which is case level display No. 3, is used to illustrate four main categories that the findings fit. The report of the findings will be done one by one.

The findings shows that decision making styles rely on teamwork with initiative from organisational actors. The issues, solutions and proposals from an individual are important input to create discussion and sharing vision among participants during regular and urgent meetings. The findings from SM and SC highlight that experiences from their expertise, general knowledge and development elsewhere of related business

sectors, are most important to an individual decision maker. In other words, knowledge and understanding of their work, organisation and role are rated as the most of important factors of key personnel. This is also supported by the encouragement of the company, such as DS, to send their personnel visiting exhibitions or suppliers aboard. Here, the individuals must have the ability to communicate well with others and to help each other reach a conclusion. This means that discussions help to compromise different standing points. On the other hand, the ability to do formal analysis is rated as the last necessary step for decision-makers.

Table 7.2.3 Case-level display No.3

	Decision makers	Working style	Encouragement of competition
SM	-Experience is the most important element. -Compromising skill is given second importance. Analysis ability is given the least importance	-Different styles of management: High rank employees with experience in modern management. Owners (Asian culture) like to involve with operations, and work hard.	- Encourage competition between team work, but not individuals
CS	- The company is encouraging the development of vision and life of high rank employees.	- Subordinates must follow policies and try to achieve vision that is given by direct leader.	- Competition is very much encouraged between teamwork (branches), but not individuals.
SS	- Idea and vision can be developed, and should be proposed from every way, because the retail organisation is huge. Nobody can see it all.	- Some functions, such as Merchandise, Marketing and Store operations, must work closely. Each function prepares goals and figures with their own approaches, but agreement among them must be reached.	- No competition among individuals
DS	-Compromise and exchange ideas - Detail work is normally handles by the same person with decision makers	- The company is encouraging the development of vision from work and travelling abroad to attend exhibitions.	-No competition among individuals
SC	-make their own decisions with their own experience and expertise - need little back up analysis and research	-Different styles of management: High rank and junior employees with experience in modern management. -Owners (Asian culture) like to involve with operations, and work hard.	- Competition is very much encouraged between teamwork(branches), but not individuals.

In the case of family businesses, the style of organisational players at top management also prefer to be involved with day to day operations. For example, a member from SM commented that executives prefer to have their opinion on jobs for the advertisement and promotional events. Another example came from a comment made by an employee from SC, who said that executives are too concerned about the operation of the branch. The executives always take time to investigate the operations every day.

SC and CS commented that competition is promoted to encourage recognisable groups or teamwork at operational level, such as, branches and stores, in the aspects of cleanliness, and store performance. The competition is used to motivate operators to keep their operations at high standard. In relation to strategic development, only SC identifies that competition is promoted during yearly conferences. Teams are organised and headed by senior personnel to tackle pre-designed issues or topics. The participants would be divided into small teams and give ideas to everybody during the meeting. The process generates enthusiasm and recognition of their own abilities. On the other hand, the competition between the individuals did not appear during the interview openly. SM, CS and SS also commented that they do not promote the competition between individuals.

Furthermore, SS commented that heads of division from merchandising, marketing and store operations must work together and exchange information. Although this was commented in the interview with SS alone, it can be suggested that this kind of teamwork is common in the other companies as well. The organisation chart of each company shows that group different departments or units work together as teamwork.

7.2.5 Human resource policy on training

During the interviews with representatives from human resource departments, several questions were asked if the companies encourage planning system or develop planning activities through HRM. The aim is to discover if there is any evidence that the use of managerial training to encourage strategic planning exists in their organisations. The findings, which are summarised in case level display no.4, shows that the companies were involved with different types of training that can be distinguished into two types.

The first type is the training of functional duty that each employee is likely to participate in at the early stage of his/her employment. This type of training is suitable for the improvement at operational levels. The second type is the training of career development that increases ability of their personnel to work better and promote their personnel to higher responsibilities. It is in this type of planning that managerial subjects, such as project management, is taught in classroom, work shop or seminar style. This type of training aims to encourage the development at managerial levels.

Moreover, companies, such as SM, CS, SS and SC, emphasise on holding seminars outside their premises. The activities are carefully designed to encourage communications, teamwork and brainstorming among participants from different functions. Above all, there is a significant finding that top management do not involve with the arrangements done by HR department. The type of top management's training is limited to occasional seminars on very important topics.

Table 7.2.4 Case-level display No.4

Case	Types of Training	Functional duty	Career Development	Purpose of out of office seminars
SM	- Functional duty - Career Development - Out of office seminars	-Orientation -On job training for functional areas	-Classroom training and practice (See section 7.1.1)	- Emphasise on building smooth co-operation between functions at top management, and better communication
CS	-Functional duty -Career Development -Out of office seminars - Improving vision workshop for the management higher than GM	-Orientation of its company and philosophy -On the job training by functional areas -Day to day advice from senior members	- Functional training and examination by in-house facilitators -Classroom training and practice by hired outside professionals. - Keeping each individual's record	-Practising teamwork -Emphasise on improving communication to solve managerial problems
SS	-Functional duty -Career Development -Out of office seminars	-On the job training by functional areas *A new director on management training and development was just appointed.	- Developing curriculum for classes for management, section chief (Departmental managers) and store staff.	- Emphasise on improving communication to reduce managerial problems
DS	-Functional duty -Career Development -Out of office seminars	-Orientation by HR -Technical training -Functional training -Consignment training by HR	-People training by hired outside professionals. -Management training by hiring or attending outside professionals, matching its own survey	
SC	- Functional duty - Career Development - Out of office seminars	-On the job training for functional areas -Training session for skill improvement	-Classroom training on leadership, ISO9000 reengineering, computer technology	-Emphasise on brainstorming and building functional and tactical strategy to support corporate strategy

7.2.6 The roles of organisational players at different levels of management

Generally, the findings from the five cases are suggesting similar details of roles, performed by the different levels of management. The findings, which are presented in case level display no.5, suggest that different levels of organisational players have different concerns to the running of their company. At the board of directors' level, the role of the directors is to approve the proposal from executive committees. However, two out of five cases are highlighting the point that businesses run by family members normally have its members taking seats in both boards of

directors and executive committees as a majority. This leads to the unclear picture of where and how the strategy development occurs. In contrast, non-family business cases show that the role of the board involves in several areas, such as, vision development, investment decisions and the approval of executive committees' proposed plans.

At the same time, there are three different roles for the executives on the executive committees. The first one is to make evaluation towards business environment by evaluating external environment and the company performance on a regular basis. Moreover, they have to evaluate its performance against its plans and business environment at half-year point. The evaluation of external environment could take the form of general discussion to share the same vision, but the latter should be a regular and formal activity. This also includes the review of company situation after plans were implemented at half-year point.

The second role is to make strategic decisions and set out long-term directions for the companies. The role can separate into two purposes. One is finding solutions to managerial problems. The other is defining and deciding the direction of its company. Each executive shares the same goals and attempts to develop strategy for their own divisions or functions to help the company reach the directed goals. The final role is to control the implementation of actions and tactical plans. The role also includes solving problems when the plans or operations have obstacles that require their decisions.

At the level of functional areas, heads of functions are more concerned about short-term and day to day operations than executives. Their role in strategy development is vital, because they are responsible for the implementation of policies made by executive committees. They are involved with the operations in relation to the yearly plans that they generate every year. Each action or tactical plan is a rough one at first, and later a more detailed one is developed with the support of their sub-units as its implementation process is carried on. Later, they are responsible in the control of

implementation and report to the higher level of management. The leaders at this level must co-ordinate both their own units and their colleagues other functions.

At the sub units, junior managers must follow the policies related to action or tactical plans that are generated by the heads of the functions. However, by using their own expertise they can participate, when the build up of details are done to the plans and during the implementation of the plans. The relationship between them and heads of the functions are like between colleagues and are less formal. In addition, junior managers prepare a yearly budget and other plans in relation to their routine duty and pre-arranged plans from higher authority. They are involved very much with daily operations, thus they are required to implement and report the progress of the jobs to the heads of functions.

Table 7.2.5 Case-level display No.5

	Roles of Boards of Directors	Roles of Executive committees	Roles of Middle Management	Roles of Junior Management
SM	- Approve strategic decisions made by EC - Make official decisions on 90% of all investment	- Make important decisions regarding confidentiality - Make decisions for strategic directions of the company - Evaluate and control the operations and results of the company - Review and adjust plans at half year	- Look after their function - Co-ordinate with other functions - Implement action plans - Control and report the operation in relation to action plans - Review and adjust plans at half year	- Follow the plans made by middle managers - Implement and report the operation in relation to designed work
CS	- Approve strategic decisions made by EC - Provide vision and interest of its holding company	- Solve managerial problems with open discussion - Evaluate and control against proposed goals and action plans - Define and decide the direction of the company - Provide vision	- develop vision in to more detailed development - Co-ordinate with other functions - present vision of top management to subordinates in their own function.	- Follow the decisions made by middle managers - Implement and report the operations in relation to designed work
SS	- Approve strategic decisions made by EC - Provide vision and interests of its holding company	- Senior leadership of the company - Solve managerial problem against proposed goals and action plans - Define and decide the direction of the company - Evaluate and control the operations and results of the company - Review and adjust plans at half year	- Look after their function - Co-ordinate with other functions - Implement action plans - Control and report the operations in relation to action plans - Review and adjust plans at half year	- Follow the decision made by middle managers - Implement and report the operations in relation to designed work
DS	- Approve strategic decisions made by EC - Provide vision and interests of its holding company	- Solve managerial problem reported from functional areas - Make decisions and discuss new issues - Evaluate and control the operations and results of the company - Review and adjust plans at half year	- Co-ordinate with other functions - Implement action plans - Control and report the operations in relation to action plans - Review and adjust plans at half year	- Follow the decision made by middle managers - Implement and report the operations in relation to designed work
SC	- Approve strategic decisions made by EC - Provide vision and interests of its holding company	- Solve managerial problem against proposed goals and action plans - Define and decide the directions of the company - Evaluate and control the operations and the company's performance - Review and adjust plans at half year	- Look after their function - Co-ordinate with other functions - Implement action plans - Control and report the operations in relation to action plans - Review and adjust plans at half year	- Follow the decisions made by middle managers - Implement and report the operations in relation to designed work

7.2.7 Type of Executives committees

The findings, which are summarised in case level display no.6, shows that the five cases can be classified into two groups by using types of organisational players at the executive committee. The companies in the first group, which are run by family members taking their seats at the Board of directors, are SC and SM. They do not posses any other work experience elsewhere. They built up their own expertise with their current business and inspiration of other successful players in other foreign markets. Later, employing professional personnel to take care of several functions, but also like to be involved in other general operations. They like to work with vision and good ideas emerging from subordinates or good examples elsewhere. On the other hand, the companies in the second group employed professional employees who have working experience in modern management elsewhere. The executives in the companies show that their objectives for the long-term period are more defined and clearer.

Table 7.2.6 Case-level display No.6

Partially Order Meta-Matrix: Type of Executives committees

Type of Executive committee Vs other variables	Family business	Professional employees
Relationship to the board of Directors	The same group of personnel seated at the board level	Professional employees with experience of work elsewhere.
Defining Strategic direction by EC	Trend	More defined directions
Company	SC, SM	SS, DS, CS

7.2.8 Yearly strategy development

The findings from every case shows that every company has a yearly planning cycle as summarised in case level display No. 7. None of them gave any details regarding the existence of any other formal planning. At the same time, two types of

planning are carried out to smooth the next year's operation. The first one is strategic planning that would ensure the companies reach the desired direction in a highly competitive environment. The second one is budget planning that facilitates the plans and the operations of each function.

However, the planning cycles benefits each level of management differently in relation to their roles. For executives, the planning cycles give a chance to evaluate their business environment and the directions of the company before confirming subordinates of the business directions in the next year. In fact the strategy development has been carried out dynamically through-out the year. Therefore, the planning supports the clarification of mission, objectives, and goals that must be accomplished and announced to the lower level of management. Executives have another crucial role to play when heads of functions present their proposed plans. Rough action or tactical plans would be judged in terms of serving the company's directions and its competitiveness. Once the ready plans came out from the process as written documents, they would pass them as proposals to the board of directors to get approval.

For heads of functional areas, the planning gives an opportunity to plan ahead all the action and tactical plans to be implemented in the next year. Some preparation can be done early before the official announcement of the business directions. Every individual must prepare his/her own idea and rough plans. Some of the functional areas together must come to agree on estimated figures that are basic assumptions of their planning. Heads of units or junior managers, will be given supporting roles in the planning to functional leaders. In constructing the plans and budgets, they are subjected to supply of required information, ideas and opinions. In two out of five cases, SM, SC and DS, the roles of junior managers are defined as a teamwork of functional leaders in the presentation of plans. There is evidence that they participate fully in the preparation of the planning and the planning session itself.

The findings show that the planning process is a top-down approach that lower levels of management have to follow the strategic directions decided by top management. However, the dynamic of business can lead to the emergence of strategic directions prior to the formal planning process. The interaction between individuals and the rest of the groups or leaders happens continuously during day to day work. Individuals are likely to begin their own preparation freely. By evaluating the current year plan and capturing information around them during regular and urgent meetings, self-planning can begin. New ideas and opinions generate a rough framework of tactical plans. Creativity takes place in individuals' thinking and might be informally exchanged between colleagues and subordinates.

When the official call from executive committee is made, each individual can begin to talk in detail with their colleagues. This can solve the differences before the official interactions which occurs between them and the top management, to clarify the directions of the company. Moreover, the review at half-year point is used widely to evaluate the company performance against plans and the business environment. This is the most common activity that can be found from the case companies. Both levels of management will have different roles in the process.

Table 7.2.7 Case-level display No. 7

	Roles of Boards of Directors	Roles of Executive committees	Roles of Middle Management	Roles of Junior Management
SM	- Approve the plan proposed by EC - Make official decisions on 90% of all investment	- Provide 2-3 year vision or "trend" of the business environment - Set out mission and objectives and goals for the coming year - Approve the action plan made by middle and junior management	- Capture the right vision and strategic decisions during regular meetings - Co-ordinate with other functions - Set out their own functional mission, objectives and goals - Assemble yearly action plans and budget plans of their own functions	- Help to construct the plans made by middle managers - Take part in presenting the yearly action plan
CS	- Approve the plan proposed by EC - Provide vision and interests of its holding company, especially from its chairman to CEO	- Provide vision - Set out mission and objectives and goals for the coming year (target of new branches) without waiting for financial figures - Approve the action plan made by middle and junior management	- Co-ordinate with other functions	
SS	- Approve the plan proposed by EC - Provide vision and interest of its holding company	- Senior leadership of the company - Set out mission and objectives and goals for the coming year - Plan second and third year plan based on the current vision and decisions made today. - Approve the action plans made by middle and junior management	- Capture the right vision and strategic decisions during regular meetings - Co-ordinate with other functions - Set out their own functional mission, objectives and goals - Set out their own individual goals - Assemble yearly action plans and budget plans of their own functions	- Take part in later conference for presentation of yearly action plan

DS	- Approve the plan proposed by EC - Provide vision and management - interests of its holding company	- Set out mission and objectives and goals for the coming year - Determine strategy from available choices - Approve the action plan made by middle management	- Capture the right vision and strategic decisions during regular meetings - Co-ordinate with other functions - Set out their own functional mission, objectives and goals - Assemble yearly action plans and budget plans of their own functions	- Take part in the annual seminar for strategic planning
SC	- Approve the plan proposed by EC	- Provide 3-5 year vision or "trend" of the business environment (Sweet talk) - Set out mission and objectives and goals for the coming year - Approve the action plans made by middle and junior management - Begin to work on strategic planning	- Capture the right vision and strategic decisions during regular meetings - Co-ordinate with other functions - Set out their own functional mission, objectives and goals - Assemble yearly action plans and budget plans of their own functions	- Follow the plans made by middle managers

7.2.9 Procedures in formal planning session

The following case level display No. 8 consists of two important procedures of yearly strategic planning. The first column is the name of companies that participated in the research. The second column is the general procedure in developing yearly plans and annual budgets. It describes how the process starts and carries on to the end. The third column is the activities that formally are used during the planning session.

The formality of the process is visible when two activities occur. Although not every company of the cases practises or give the same emphasis on formality to both events, they can be defined as follows. The first activity occurs when the business direction was announced to heads of functional areas that are responsible for the generation of action or tactical plans. At the same time the interaction between both levels of management generate agreement in terms of business assumptions, business directions and figures. The second activity occurs when each head of functional areas has finished the plans, and present their plans for the next year. Sometimes the presentation can be an oral one which has to be conducted formally.

Overall, the findings imply that the planning cycle is a routine activity that the experienced participants will not view it as a very difficult task. Talks and discussions of the possible directions happen naturally along with other working responsibilities. However, the form of the activities described by the interviewees suggests that these activities are varied significantly in their importance. The level of formality, which, can be varied due to a number of factors influencing each company, such as company structure, its policies and culture. There are two unique classifications. First, the structures of the companies, such as DS and CS, have the lesser number of top managerial personnel. All heads of functional areas become the members of executive committees. Therefore, the first activity is rather less formal, and is using current administration system. The regular meetings of the executives are used to set strategic

directions, such as, mission, objectives and strategy. Each executive, then, generates the framework of functional plans. The second activity, which is workshop, is more formal, and entails more personnel from sub-units to generate rough action plans. The personnel can participate by presenting ideas, and put items together according to pre-determined strategic directions. The end product, which is in fully detailed format, is written action plans that will be submitted to the executive committees and the boards of directors. The plans will have little correction and no series of presentation.

The companies in the second group, such as SM, SS and SC, have different types of organisational structure. The majority of heads of functional areas are not in the executives committee. The majority of members seated at executive committee are also the members of board of directors. Although SS do have more employed personnel at the executive committee, the structure of the company is more similar to the other companies in this group than the previous group. Therefore, the majority of the heads of functional areas do not set the goal of the companies. The preparation of the two levels of the management can be done separately. When the formal interaction between the personnel at both levels occurs, the agreement of strategic directions, such as, mission, objectives, goals and strategy, are achieved. After receiving the official policies from the executive committee, heads of functional areas work out the detail plans with their team and heads of sub-units. At the same time, the plans from one functional area must co-ordinate with the other functional areas by sharing details and information. Once the presentation is due, heads of the functional areas together with their teams take turns to present their action or tactical plans. The process can be very complicated, when changes and corrections is called by the EC members. The presentation can be extended and very time consuming more than the workshop of the first type of organisation structure. Sometimes the change of plans in one team can affect the already-achieved plans of the other teams or functions. This results in a series of presentations.

Table 7.2.8 Case-level display No. 8

	Procedure of developing yearly plans and annual budgets	Procedure during formal period
SM	-With financial figure of 9 months, the comparison between the present year's figures and expected figures of the coming year and competition help to define mission, objectives and targets in September. In October, the plan is constructed by deciding activities or tactical plans first. The finished plan is presented to the Board of Directors in November	-The presentation of all function is in November by VP of each function to EC, but their teamwork will take supporting roles in presentation. The presentation takes three days. Written documents are later produced to be shared by different functions.
CS	- Without the official result of its performance, the process begins in July. Executives prepare their directions. Middle management prepares data and ideas. Presentation will be in September. All parties meet. By October the plans from each function must be achieved and ready to be presented to Board of Directors in November.	-The presentation of all function and executives is in September. Executives will brief vision, objectives and goals for the coming year.
SS	- The process begins in July that everybody prepares themselves. In August, talks and discussions begin between functions, and different levels. - Directions should emerge and lead to draft plans in September. - A series of presentations will be done and finalise the plans in October.	- After an annual plan is accomplished, a conference will be held outside. The level of participants are managers onward. Goals, policies and supports are briefed to the participants. The requirements from managers to succeed with the plan is specified, plus social gathering.
DS	- The frameworks and concepts of plans are mostly agreed earlier during EC regular meetings -begin in November as a series of seminars and workshop - one day annual seminar is held in order that action plans can be put together.	- One day annual seminar is held in order that action plans can be put together by a VP and some GM participate to set mission, objectives and strategy including brief action plans - The number of participants are between 40-50 personnel.
SC	- begins in August when EC sets out mission and goals by revealing three-five year vision. During the month, top line management prepare themselves for new ideas and action plans. - An annual conference is held outside the company once a year in early September, - Come back and prepare action plans and budget plans for the coming year	- The annual conference is aimed for top line management. There are two different activities to be accomplished. First, participants will be grouped into a number of groups to complete in brainstorming their ideas on the long-term future of the company. Second, top-line managers come together to put a framework of action plans for the incoming year.

The following figure is generated from the data received from the previous two topics; roles of different organisation players in strategy development and procedures in formal planning session. Data from the previous two case level displays were merged to

generate the chart. The figure shows the further analysis of data, and illustrates a full process of formal routine strategy development. In constructing the chart, the appearances of keywords during interview were counted in total. In addition, the number of company cases, which the key words appear, are shown as well.

The process generally has a number of stages consisting of inputs, processing and presentation for approval. The chart shows that there are two main groups of personnel from different levels of management participating in the process. They are the members of Executive members and middle level management. However, Board of directors and junior of management also take part in the process though giving input to the previous two groups of management. Personnel of each level worked separately in strategic thinking to different inputs. Self-preparation can begin up on the individuals, because the process is a periodical activity that personnel are familiar with the start and finish date. At the second stage the process is called by EC, then EC and heads of divisions or departments conducts their own planing. The interaction between two sides will be held later on. Agreements or decisions and direction on issues will be dealt with during the meeting. Although the process is interactive, the style of the process is Top-down approaches that decisions and policies of higher management play a major part of the process. After the meeting, heads of divisions, functions or departments work to put more details into the plans before presenting it to Executive committees. This activity is a finalising period for the plan. The later presentation of the plan can be in the forms of extra meeting or just submission of the written plan. Executives will seek approval from Board of Directors.

Figure 7.2.1 The model of strategic operation planning of 5 Thai modern retailers

Input

Board of directors
(n 3, c 3)

Financial performance/
Business
environmental change
(n 6, c 4)

Decisions made by EC
During regular meeting
(n 5, c 3)

Talks, discussion,
ideas, consensus, and
share vision during
regular meetings
(n 9, c 5)

Individual
preparation
of Executive
members
(n 3, c 3)

Individual
preparation of
functional key
players
(n 4, c 3)

(−)

EC makes
decisions about
mission,
objectives and
goals (n 6, c 4)

Rough
action plans and
budgets from
functional key
players
(n 3, c 3)

(−)

Associating
functions
(n 7, c 3)

Processing

Associating
members
(n 5, c 2)

Projection plan
for 2–3 years
(n 2, c 1)

Seminar:
- Briefing of
2–3 year
vision,
- Setting
mission,
objectives,
goals
- Putting
action plans
together
(n 4, c 3)

Finalising
period for
the annual
strategic
plan
(n 5, c 4)

Presentation for approval

Presentation
with later
correction
(n 5, c 3)

Non-
compulsory
Presentation
(n 2, c 2)

Presentation
to Board of
directors for
approval
(n 2, c 2)

Annual
Conference
(n 1, c 1)

N = the number of words mentioned; S = the number of cases having the words; (−) inverse relationship

7.2.10 The influence of marketing concepts

Business concepts

The findings from the interviews, which are summarised in case level display No.9, suggest that the improvement of retail concepts in Thailand have been driven by strong competition throughout its history. Both the existing and the new entry operators are keen to look elsewhere for new ideas or concepts for modern retailing. They regard these innovations as a crucial factor in competition. The following will be the interpretation of how these businesses have developed.

Most of the modern retailing businesses run by Thai operators have gradually developed in relation to the development of Thailand. Modern trade of retailing in Thailand is very young, and is expanding compared with other Asian markets, which have a lot of good examples. Most of Thai operators are the families of Thai-Chinese entrepreneurs, who began the business by self teaching and looking for a good inspiration elsewhere. The business developed slowly until they felt confident that their business was working well in the market. The later expansions were the repetitions of the earlier successful business concept. SC and SM are the most suitable example for the aspect. Once SM found its business concept, it confidently expanded to other areas of Bangkok. SC with its long history of competing foreign operators, always learn and improve itself to catch up with market leaders.

In the past, department stores used to be the door to the new innovation from other places to high-income earners and young people that are eager to change to a new life style. When the fast expansion of the middle class consumer was rapidly developing in many areas of Bangkok, department stores and shopping centres were growing at every corner of Bangkok. Moreover, one significant success factor of the trade is the use of attractions in stores by Thai retailers. Retailers generate their success since the foundation, was laid, such as the characteristics of location, the size of the branches, and

the concepts of attraction in their retailing sites. The concepts of retailing format adopted by Thai operators have been significantly adapted to Thai culture. Social gatherings, such as family and friends for relaxation and entertainment is frequently seen as a part of Thai life style. The concepts of Thai retail business are clearly influenced by Thai consumer life style. SM has been regarded as the leader of entertainment providers via in-house activities and its indoor facilities. Although other of the operators do not pose themselves as entertainment providers seriously, there are elements of leisure and entertainment in their offering and promotional campaigns. Therefore, the use of different types of attraction helps to increase the consumer traffic of a retailing site.

Thai retailers recognised the need to understand the change in Socio-cultural factors. The target customers of Thai retailers seem to change significantly through out the history of modern trade. They were the experts that recognise the change of Thai consumers in general and in particular, by observation. Once the life style of Thai consumers changed to the obvious pattern of new life style. They introduce consumers to the new innovation at the right time, not too early more than the acceptance of consumers or later than competitors. For example, DS, SM and SC reveal that they need to re-innovate stores and facilities to maintain fresh and modern image of their business. It has been often that new introduced facilities and services are provided to serve new emerging lifestyle. SC particularly claims that it repositioning its branches every six years to give a fresh look. In contrast, SS pursues strong sales on seasonal basis. It tries to recognise lifestyle and preference of customers at different period of time during the year. CS is pursuing to develop effective electronic services that customers can pay different types of bills, such as electricity, telephone and water bills at its stores, because it recognises busy lifestyle of customers and inefficiency of civil services.

Furthermore, SM mentioned that they recognise the need to study the change and movement of demography in each catchment area at different stores. The ageing of populations and the proportion of age groups play an important part in choosing products and services that SM tries to offer. This clearly influences the choice of its campaigns and publicity. With their original philosophy, business concepts of Thai retailing were re-launched by using the adaptation of the new innovation to refresh their offerings and keep up the desired image. Thai pioneers were keen to adopt new technology and concepts onto their existing foundation.

Later, the intensive competition during the 1980s drove the existing and new investors to explore the use of marketing concepts and practices. Big players in particular began to acquire professional personnel that can bring in new ideas and methods for competitive edge. During the 1990s the application of marketing practices have been widely recognised among major retailers. The personnel at functional levels have more knowledge about marketing. Different marketing practices, such as marketing researches have been implemented to understand more of their customers in each segmented group and each branches. Customer profiles, such as lifestyle, behaviour, attitude and expectation, are generated for their targeted customers. Apart from CS, most of the companies claim that they have used different research methods, such as survey, interview and focus group to handle the matter. The outcome is used wisely by the operators to adjust their retail mix. SS uses survey to re-check its customers and non-customers of branches' catchment area. SM also extends its marketing research to evaluate the success of promotional media and campaign. From the year 1998, the competition among different segments of the market has been intensified so that each company now sees the need to find the right positioning to generate differentiation and maintain customer loyalty.

Table 7.2.9 Case-level display No.9

	Branded products clearly positioned choices	The mention of key marketing concepts and techniques	Role of marketing research	Type of marketing research
SM	- Concepts which proved to work - modern family - happiness - life style	-Market segmentation -Target group -positioning	-Study customer profile -Usage & Attitude -Accessibility or catchment area -Expectation - Evaluate its campaign and promotion	-In house survey -Hire outside agency to survey -Focus group or group discussion
CS	-Business concept provided by its licenser	-The provided concepts determine much of the marketing concepts	-Having marketing research unit to study consumer behaviour as a part of Marketing department	
SS	-Business concept determine the services they provide to customers, layout, town centre that different to department store	-Market segmentation -Target group -positioning	-Determine catchment area -Create customer profile -Customer satisfaction	-In house survey -Sending out people to conduct survey in catchment area of competitive locations -Hire independent agencies
DS	-Business concept does not change much, but strategy must be adjusted or changed to suit new business environment	-Market segmentation in modern trade must be clear -Target group -positioning	-Study catchment area -Study customer behaviour -Study customer expectation towards promotion events	-Focus group -Interview with open ended questionnaire -Interview structure
SC	-Property development -Location is the most important key variable to building up business over year.	-Repositioning of its branch every 6 years	-Study its catchment area at the early stage of development project. -Recheck consumer behaviour, lifestyle and age group.	-Marketing survey research

Throughout the interviews, marketing terms were used by every marketing personnel to clarify the direction of their businesses. It is obvious that marketing research was used extensively to confirm their business assumptions. The researches were done by both in-house personnel and outsiders. They are very oriented towards the benefits of marketing. The reason for this is that the understanding of their markets and customers has already existed and increased over time. The researches helped the companies to discover their existing and loyal customers, and customers' perceptions

and expectations. This leads to a clear definition of the segmentation of markets. Then, the target group of consumers is chosen, and this helps the company to concentrate their energy and resources.

7.3 Conclusion

This chapter has presented in detail several areas of findings. In the first section, background information of the case companies are presented in descriptive styles on several topics, such as history, financial details, organisation structures, business format and strategy. The findings of the background information are derived from prints given by the companies to public and secondary data from media. In the second section, the findings are derived from the interviews made during the fieldwork in Thailand. The structure of the presentation was separated into several topics. Each topic contained descriptive analysis and interpretation of the findings. There was also the summarised data in a table called case-level display at the end of each topic. These topics were organised with the consideration of research questions and application for further discussion. The main outcomes of the findings, which were intended to answer the research questions, are presented as follows.

Various types of managerial personnel were illustrated to show that different types of personnel are being employed at different levels of management. This factor affects the styles of management and organisation culture. The reason for this is the difference in types of their founders and present ownership.

The finding presents the official communication channels among different levels of management. Each group has communications and interactions among its members regularly with routine schedules, but can be called on adhoc basis as well. Furthermore, particular committees can be found to handle managerial issues. Information

technology, such as Internet and e-mail are employed to increase efficiency, and reduce the circulation of paper work.

The findings on style of management suggest that organisational players, whom the companies rely on their individual expertise, need experience, judgement and intuition in their decision making. Political and analytical approaches are involved when more than an individual takes part in the decision making. For example, executives from two cases are involved with outcomes of the operations and use their own experience in judging its quality. Furthermore, encouraging competitions among teams can be found commonly by these operators to motivate their personnel in the provision of best quality services and cost control.

The companies involve two levels of training that intends to improve the operation and management of the businesses. Functional duty training is intended to train their personnel to perform their functions effectively since the start of their employment. Career development training is intended to improve managerial ability and prepare personnel for higher posts. This also includes out of office seminars to encourage informal communications channels and teamwork among middle and junior management of different branches.

Different levels of management have different roles in the strategic management process. Generally, it is quite clear that executive committees are the main strategists of the companies. Approval of investment decision is the boards of directors' responsibility. Functional strategy is generated by the efforts of middle management. Junior management generally follows the strategic directions given by higher management, but also participates in building details of operations or discussions.

Two types of management can be defined by the types of personnel at the level of executive committee. This classifies the case companies into two groups. SM and SS were classified as family businesses that have family members controlling the executive

committees. Vision of the business environment was communicated downward to middle management. SS, DS and CS were classified in the second group that has professional employees as executives. More defined direction of the companies, such as branch expansion, are clear to lower level management.

Each company has yearly periodical planning that they operate, strategic planning process and budgeting. Long-range planning was mentioned in only one of the case companies. The findings show different types of roles performed by four levels of management in the yearly planning cycle. The process normally starts three months before the end of each financial year. Formal activities began by the call of executive committees. However, individual's preparation can begin as they wish.

The formal procedures of each company are arranged differently to suit their administration system and organisation structure. Formality is applied to the process when the interaction between levels of management is needed. The outcome of the process is a strategic plan with series of less detailed active plans that have to be examined by Executive committees and approved by boards of directors.

At the preparation stage different levels of management have to conduct planning separately. Their information inputs come from the outcome or discussion of issues during day to day administration. Interactions start with top-down approach. Executives begin to give strategic direction and vision. Then middle management can prepare rough plans, and present to the committees and other functional areas. Changes have to be made to generate harmony to executives' policy and other functional plans.

Finding Business or retail concepts is similar to finding product concepts that has been practised in marketing consumer products. Thai operators have understood the need to find the right mixture of retail format for Thai consumers. As competition becomes more intensive, the operators employed the application of marketing concepts and tools to know more about their customers. For example, marketing researches have

been employed to understand customers in the catchment area of each branch. However, the conduct of the researches is rather selective, because of time consuming and easily to be out of date. Marketing activities to promote sales have been frequently held and publicised via televisions, radios, brochures or leaflets. Superstores and cash and carry are the leading sector to spend budgets on brochures and leaflets

CHAPTER EIGHT

Discussion

8.0 Introduction

The purpose of this section is for the discussion of the case study to answer the research questions set earlier. The findings from the previous chapter are discussed along with the reviews of the literature in the early chapters. The following discussions have the intention of bringing the analysed findings to answer the pre-designed research question.

In chapter five, the problems expanded from the previous research. The focus of the research moved from an unclear picture of strategic planning in retailing organisations to the forms of strategy development in retailing organisations. The reason for this is that the reviews of the literature in chapters two and four show the wider perspective of how strategy could be developed in general and in retailing practice. Therefore, the strategic planning should not be used to focus on the research problems. In chapter eight, the structure of research problems are divided into two sections to discuss and answer research questions set prior the field research. The first section containing the research discussion on strategy development process is again split into two distinctive topics. The first part is the discussion on strategic decision making process. The second part is the discussion on long term strategy development. These leave discussion on the influence of marketing concepts in strategic retailing management as the third part of the discussion.

8.1 Strategic Decision Making Process

In chapter four I pointed out that a group of researchers believe that the decision making of retailers is likely to be very quick. *The agreed opinions related to the matter are that retail executives are likely to rely on quick reactive ability and short term problem solving in a competitive and changing environment.* The approval of this statement can be done only by learning if retailers prefer using short-term problem solving to long term strategy development. However, the first step is to learn how strategic decisions are made. The first research question is *"How do retailers reach their strategic decision-making?"* This is to see if the process of strategic decision making is recognised and embedded in the administrative system of the company or is hidden in the administrative system. The model of strategic decision making modified by Noordrehaven (1995) will be used to design details for data collection. The reason for this is that the model encourages problem solving by beginning the model with the awareness of facing issues. The second question proceeds to the findings of a possible solution. Chapter two made a link between strategic decision making process and its approaches. The next three questions will be included to study how retailers make their decisions.

How many types of approaches in strategic decision making do retailers recognise, and use or practise? (Frequently use or regard as an important one)

This is followed by *"Why is any one of the approaches more accepted than the others for retailers?"*

The last question is "How much do they rely on this type of strategy development processes?"

It is assumed that the answers to these questions would bring forth the framework of strategy development for day to day operation.

8.1.1 Discussion on Strategic decision making

I would like to discuss the finding from these five cases. Only the SS case identifies that they have a process of decision making that is equivalent to the model of strategic decision making in the chapter two. SS shows that decision making could be done step by step. The process begins from the awareness of a problem, and ends at decision making. In most of the cases, strategic decisions are made during day to day management rather than a particular process for planning. The key factors of this activity are the standardised routine and procedure of administration. The most obvious factor is the meeting of managerial personnel that uses a significant proportion of every day work. The system of routine is the key in creating interaction between individuals. Therefore, the channel of communication has a very significant role in decision making, implementation and controls. Every time managerial personnel can meet according to their routines and the procedure of work. The result of operations would be reported and commented by the participants of the meeting. The higher level of management requires pre-arranged agenda and recording of the meeting. The lower level of management might choose to decide and order its agenda at the beginning of the meeting and make a short note individually regarding facts, assigned work, decisions, and comments. The co-ordination between functions or players is done regularly to smooth its operations and assure the same purpose. The size of a meeting is varied, depending on the role and the jobs that are assigned for that group meeting. For example, some functions are required to work together regularly. In the cases of SS and

DS, there are three functional personnel, such as merchandising, operations and marketing that have to work together.

The regular meetings of the management are the processes of strategy making although decisions might be made outside the meetings and less official. Agenda and decision making procedure of meetings is the key success factor for a group of personnel to reach decisions officially. Moreover, urgent meetings are often called when there are issues that require attention or decision-making. Therefore, the most official form of strategic decision making process is embedded in the regular managerial meetings rather than planning sessions or informal meetings for Thai retailers.

8.1.2 Approaches in strategic decision process at level of individual or a group of individuals

Moving on to the next issue, the investigation of how individuals or a group of individuals make their decisions is very difficult. In chapter two, a set of approaches or types of decision-makers are defined. Being rational-analytical, a decision-maker should be well prepared, to make decisions with full awareness of the options and their consequences. Being intuitive-emotional is to use experience, working ideas, formula of management and one's own perspective in decision making. Being political-behavioural, managers need to consider stakeholders' demands and to compromise the demands from various groups. In addition, they give a very important argument about how we use the mentioned approaches. Firstly, human behaviour is a combination of rational and emotional. Secondly, the environment around us is a combination of three variables; "the analysable change, chaotic change, and pressure". Finally, three approaches are included in management of organisations. However, each organisation emphasises on a different mixture due to the

individuals, the environment where the organisation belongs, and its culture. Therefore, it might be said that scholars also support an assumption that the mixtures or 'synthesis' of strategy development do exist in the level of individuals as well.

In SS case the EC members are described as well qualified professionals who have sufficient experience and adequate skills to work at that level. This implies that being an executive needs more than one particular approach to be professional. This supports that individual executives have the mixtures or synthesis of decision-making approaches. However, in some cases it shows that one or two approaches are in favour more than the others for individuals or a group of individuals. The reason for this could be the working experience of individuals, the work they are doing and roles they are playing and their working environment. In SC and SM cases, EC is made up of family members that acquire their expertise throughout their career. Starting their work, they have never been in any other companies as employees. Much of their investment decisions come from the awareness and recognition of the prosperity emerging from growing community. They rely on their own judgement from working concepts, experience, awareness, shared vision and instinct. However, they are keen to see new things that encourage their vision for the future. DS is encouraging the personnel to develop their vision by sending them abroad. After attending activities, such as exhibitions, the personnel must present the details of the trip and share it with others. They prefer reliable sources of ideas, helpful tips and well-analysed information. In SC case, key executives receive a lot of fresh ideas from managers that attend seminars and workshops held during their three days conference. Moreover, the new recruitment with different expertise at the board of directors in the company is for helping them to transform the way they work at top management level. In SM case, the use of consultancy comes to attention to provide analysis is realised at the top level of

management. These show that being intuitive-emotional is to learn and keep in touch with changes at their own speed.

8.1.3 Approaches in strategic decision process At Organisational level

Moving on to the higher level of approaches in strategic decision process, the way which decisions or strategy are developed, will be examined. The earlier research suggested a number of approaches that define and explain how decisions or strategy are progressed. The following analysis of the results is not about to change or develop more definition of the approaches. The results of the findings would help to strengthen the application of the well-defined concepts. The findings from the five cases are highlighting a theme which to be explored, although the evidence is fragmented in every level of management. As they are shown in the case level table 7.2.2, the communications channel of day to day operation is affected by the hierarchy of the management. Officially, the CEO in SM would not have a direct communication with heads of divisions or functions. His/her executives also would not communicate with the functional managers directly. Occasionally, both sides and others would attend big events to perform their roles. Moreover, each level of management needs its leaders to act as communications facilitators between levels of management. The theme of these issues shows that each level of management might have different types of leadership. In each company the design of communications channel suggests that a leader or a representative of a lower group is also able to become a member of another higher level of management. For example, a modern retailing company might have from the top Board of directors, Executives committees, heads of divisions (VP), key functional players (GM).

A CEO is a member of the board of directors. He/she is in the level below the head of the board which is the highest commanding level. It depends on the head of the board to determine the kind of role and relationship between them. The CEO himself/herself is a leader in the executive committee. He/she also has to choose the role he/she must play to his/her EVP fellow. His/her executive fellows are also leaders of a few divisions. Each division runs by a VP who is a leader of a number of functions grouped together. The divisional actors have GMs as subordinates. Therefore, each individual leader can play different kinds of role to the personnel under their leadership (as suggested by Hart, S. L. in table 8.1). However, the choice can be very restricted due to other influencing factors, such as types of responsibility, company's culture and policy as a whole. Two clear examples from two out of our five cases are that CEO or President is related to EVP as a family member or a relative. The role and relationship between them could be different from other companies where everyone is employed with no other personal relationship. We might assume that he might adopt an organic approach. On the one hand, other levels of leadership in the same company might take this differently. His/her vice presidents, who are taking care of one's function such as operations, could adopt Boss approach to make sure everything get done. On the other hand, his/her marketing colleagues might take another method with less formal approach by coaching subordinates.

The theme found is suggesting that different levels of management might possess different approaches to strategy-making processes when the findings are placed in comparison to Hart's integrative framework. Although the framework shows the relationship between the role of the top management and the role of the organisation members, it gives the precise definition of each approach matching some approaches identified in the findings. Hart's framework should be placed to explain the ways in which

decisions or strategy are made for day to day operations. Even on the same level of management, different functional areas might have different approaches to strategy development. Individuals and the company policies are influencing the process as significant factors. The benefit of the findings is leading us to see that there is a mixture or synthesis of strategy-making processes in the retailing companies. Hopefully, the mixture might be configured as a common configuration in retailing companies in Thailand.

Figure 8.1 the level and hierarchy of the management affects the communication channel

```
┌─────────────────┐        ┌─────────────────────┐
│   Chairman      │        │ A leader or a head of a │
│                 │        │ higher group          │
└─────────────────┘        └─────────────────────┘
       ▲                    ┌────┐  ┌────┐    ┌────┐
┌─────────────────┐         │ A. │  │ B. │    │ D. │
│   CEO           │         └────┘  └────┘    └────┘
│                 │              ┌─────────────────┐
└─────────────────┘              │ A head of a low │
       ▲                         │ group           │
┌─────────────────┐              └─────────────────┘
│   Executives    │          ┌────┐        ┌────┐ ┌────┐
│                 │          │ A. │        │ C. │ │ D. │
└─────────────────┘          └────┘        └────┘ └────┘
       ▲                         ┌─────────────────┐
┌─────────────────┐              │ A head of a     │
│   Division      │              │ lower group     │
│                 │              └─────────────────┘
└─────────────────┘          ┌────┐ ┌────┐ ┌────┐ ┌────┐
       ▲                     │ A. │ │ B. │ │ C. │ │ D. │
┌─────────────────┐          └────┘ └────┘ └────┘ └────┘
│   Function      │
│                 │
└─────────────────┘
```
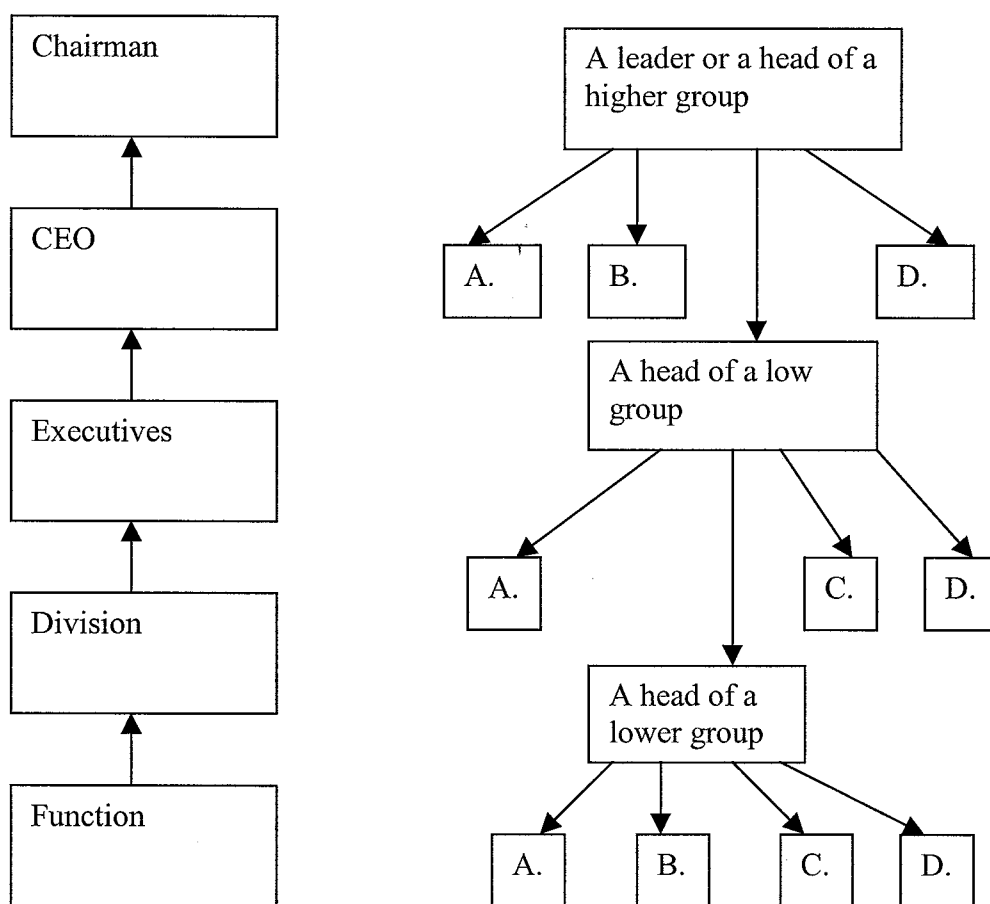
Source: Derived from the findings

Table 8.1 An integrative framework of strategy-making processes

Descriptors	Style	Role of top management	Role of Organisational members
Command	**Imperial** Strategy driven by leader or small top team	**Commander** provide direction	**Soldier** Obey orders
Symbolic	**Cultural** strategy driven by mission and a vision of the future	**Coach** motivate and inspire	**Player** Respond to challenge
Rational	**Analytical** strategy driven by formal structure and planning systems	**Boss** evaluate and control	**Subordinate** Follow the system
Transactive	**Procedural** strategy driven by internal process and mutual adjustment	**Facilitator** empower and enable	**Participant** Learn and improve
Generative	**Organic** strategy driven by organisational actors' initiative	**Sponsor** endorse and sponsor	**Entrepreneur** Experiment and take risks

Source: Adapted from Hart, S. L., 1992, P.254

The discussion on approaches in strategic decision process between levels of management seems settled and fits the purpose of further interpretation of the findings. However, a return to the previous theoretical reviews highlighted a significant problem between two parts, theoretical reviews and discussions. A question surfaced. It was about what went wrong with Johnson and Scholes' six characteristics of strategic development process. The six characteristics were reviewed extensively, and were used as a framework of reviewing other research works. Although the work is very similar to the later one of

Hart, they should not be a substitute for one another when being closely compared again. There is a point that could explain the difference between them.

Johnson and Scholes' approaches seek to explain how strategic decisions can be developed for one level of management, but Hart's work offers different types of relationship between two levels of management. Thus, the application of two concepts should be proposed dissimilarly. This thought leads to a conflict with the earlier work on the literature reviews and earlier discussions of the chapter. This starts by highlighting the problems related to the first issues. Firstly, Jaunch and Glueck's three approaches about decision making were placed to be the concern of an individual and a group of individuals. Finally, the work of Johnson and Scholes' was placed to be the approach for organisations as a whole. In addition, Hart's work was placed to be a substitute to Johnson and Scholes'. The previous unclear arrangement, therefore, is not applicable to the findings and discussions.

Returning to the earlier discussion, we see that the model developed from findings. The model is the outcome of the discussion on the relationship between a member of higher management and his subordinates at a particular level of management. The types of relationships developed by Hart were proposed to be used as explanations. Now, there is a need to introduce other works of Johnson and Scholes' to the discussion. Therefore, the intention to bring in the other approaches, such as Jaunch and Glueck's and Johnson and Scholes', would lead to the modification of the earlier model.

The rethinking suggests that there would be three levels of approaches of strategic decision making by applying three types of approaches suggested by the different authors. Firstly, Jaunch and Glueck's three approaches about decision making should be placed as the choices for an individual. Secondly, the work of Johnson and Scholes' should be placed

as the approaches for a group of individuals. Finally, Hart's work would be placed as styles

of relationship between higher management and lower management

Figure 8.2 the model of integrated decision making approaches in organisational

hierarchy

I = An individual that has three approaches of strategic decision making

J = A group of individuals that have six approaches of strategic decision making

H = Six styles of relationship between higher management and lower management

Source: Derived from the findings
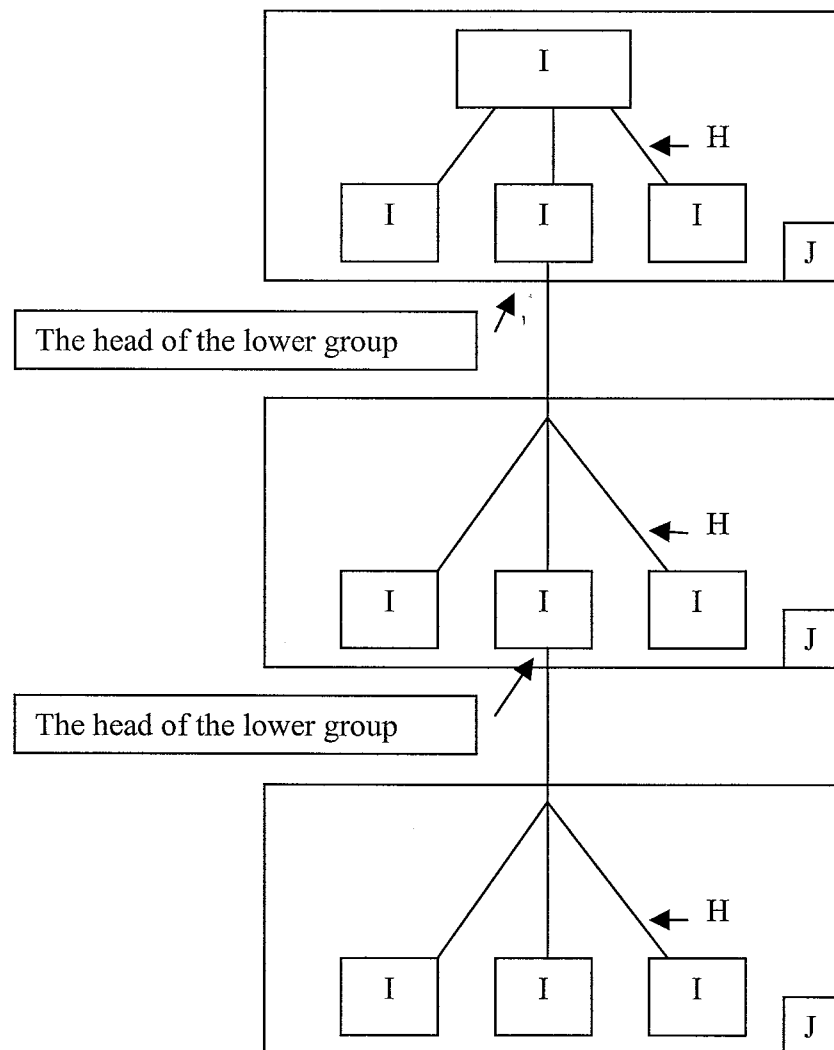
Source: Derived from the findings

8.2 Long term strategy development and management (formal or informal)

As mentioned earlier, the processes run separately although the overlap of the first process and this second process occurs. The model of strategic decision making should not be applied here. Strategic management model is one of several answers, although it plays the most important role for this type of strategy development process. The key or the crucial factor of the research problem is the formality of long term strategy development. The level of formality controls the form of strategic management process. At the moment, I assume that there will be at least three types of formalities. These include formal deliberate planning, learning process, and informal visionary achievement.

Firstly, formal deliberate planning adopts strategic management concepts and planning techniques to create formal planning system. The exact schedules of planning activities are designed in advance to smooth the progress of the process. The interactions between different functions are created to produce a strategic plan. The beginning date and deadline of the process are formally set.

Secondly, learning process is discussed in the beginning of chapter four. The process can be defined almost exactly the same as formal planning system. Strategic management concepts and planning tools must be introduced to managers. Some planning activities can be planned to develop understandings and ideas of participants. However, there is neither beginning nor end in the process. The discussion of ideas will be done mostly informally in social groups, but some group discussions or meetings to create interaction among different functions are required. The progress of strategy development depends on shared understandings, beliefs and confidence.

Finally, informal visionary achievement is normally created by top management and senior managers. Talking during social activities and general discussions are the driving forces towards the achievement of the shared vision. There is also no time barrier. Instant analysis of data and information from specialists and subordinate is used as soft input in creating discussion on strategic issues. This approach of the strategy development process needs a lot of reliable information as input to the process. This, therefore, leads to the following research questions.

The first question is *"Which forms of the formality for long-term strategy development create strategic thinking in retailing organisations"*. The model of formal planning, such as long-range planning, strategic planning and strategic management will be used to examine the level of formality.

The next step is to learn if the long-term strategy development can be defined as a process. *What is the long-term strategy development and management process in retailing organisations?*

Thirdly, the focus of research problems will concentrate on the planning concepts and techniques. *Do retailers encourage the use of planning concepts and techniques? Which ones and how do they encourage them? Are there any other planning concepts used apart from the previously known concepts and techniques?* Finally, the last question of this section is to discover if the result from each retailer or all retailers can give a conclusion regarding the configuration of these approaches. *Can the common choices of these approaches generate the configuration of these two strategy development processes?*

8.2.1 Discussion on Long term strategy development

The research problems on the topic should be answered by using the findings from the previous chapter. The crucial findings suggest that the form of long-term strategy development should not be limited to only one approach as earlier assumed before the field research. Three defined approaches are possible in one place in certain circumstances. The following will clarify how the approaches are applied in these companies and the relationship between three approaches; visionary achievement, learning organisation and formal deliberate planning.

8.2.1.1 Visionary achievement

Long term strategy in Thai retailers can be found at the high level of management. At the board of directors, its members are very involved in most of the investment decisions proposed by the executive committee. SM identified that more than 90% of the investment decisions come from the board of management's decisions. This might look a lot different from the other companies because most of the board members are family members. Their second generations work on both board of directors and executive committee. The relationships between family members can be informal as well as formal regarding their post. Shared vision might be achieved by talks and discussions in less formal settings.

Therefore, employees who are heads of their divisions, make proposals rather than decide on investment. However, it can be suggested that the weight of decision making power would be in the hands of their second generations that control most of the seats in the executive committees. This also corresponds to the findings from the other cases that the members of executives have a duty to make strategic proposals for investments. SS

gave a confirmation on this point by assuring that the board of directors will mostly accept the decisions or proposals made by its executive committee "senior leadership of the company". Still, shared beliefs and visions between boards of directors and executive committees influence strategic decisions that shape lower level strategy. The next paragraph will deal with the issue in a practical way from a key finding.

The findings also show that Thai retailers believe their business environments are changing significantly. Every 3 to 5 years the life style of Thai customers can change dramatically. They must observe the changes from the existing and potential competitors, and the changes in consumer life styles. "Trend" is the word that seems to be very commonly used in retail firms. The word is explained as pictures and directions of retail businesses within 1-3 years. It is used in communications between top management and middle management when talking about the direction of their business. The communication is referred to both during regular meetings and planning sessions. Therefore, the directions and the dynamics of the industry is explained and described to lower management from what they can foresee in the near future. It is the thing that justifies management decisions in defining missions, objectives, and goals.

This helps executives to create shared vision among the key personnel. The formalisation of "Trend" or vision is very doubtful, if it exists at all in Thai retailing companies due to the lack of access to the top decision-makers from four out of five cases. SS is the only case that gives us some view on the issue. SS identified that they do preliminary planning formally for 2-3 years and by using the projection of year one. DS admitted they do not plan formally, but some investment projects can take more than one year and need to be planed for the year two or three as well.

In addition, these lead to another issue that this research tries to answer. *"Retail executives are likely to rely on quick reactive ability and short term problem solving in competitive and changing environment"*. At least three out of five companies identified that many changes will occur after 3-5 years. Their business environment is changing and is very competitive. Therefore, there is no point that executives should plan for anything longer than that. However, there should be a question that the time span would be shortened or not, if the environment becomes really turbulence. However, major international retailers such as Tesco Lotus probably use a longer planning horizon when we consider their aggressive branch expansion to gain competitive advantage.

8.2.1.2 Learning process

Unlike the previous approach, the personnel involved in the process must be part of the administrative system on a day to day basis. This means the level of executives downward to heads of sub-units. Communication channels generated during routine meetings and urgent meetings on ad hoc basis are the keys to the learning process. The strategy development of the process is problem solving and short-term in nature, but also leaves rooms for strategic or future thinking. The following paragraph will be more precise on the issues.

Administrative system

SS makes one major contribution on how the executive committees work and that one of their regular meeting is for reviewing the company performance and financial figures, the other is for individuals to propose issues for consideration and consultation. This means that co-operation between organisational actors and individual initiatives are

important to the running of the company. These meetings with different levels of management occupy most of their managerial time. One significant issue, which highlights the activities is the purpose of their meetings. Although DS and SM admit that they do not separate their meetings into two different purposes, each meeting contains different types of agenda. The agenda itself can become a crucial instrument for a leader to control the interest of its members. Although there is no certain comment that any series of meetings are planned for the development of strategy along with day to day operations, the urgent meetings, is often happen.

The findings show that strategy development in these retailers relies very much on organisational actors and the structure of the companies. Strategy of short term and long-term can come from the same source that are embedded in their administration. Each company has executive committees as its main strategists. Executives, which could come from different expertise, such as construction, marketing or finance, must possess wide knowledge of general management and have a great understanding of its business and the external business environment. They can be both proactive and reactive to the competition due to circumstances and their organisational culture.

Incremental and learning style of strategy development can be found in general. They are the ones responsible for running the company forward, once they agree on the strategic directions they aim to do. Each of them does their role to ensure they would arrive at the desired direction. Not everybody does the same types of job. Some of them might be involved in long-term prospects of the company, such as territory expansion. The others might be involved in shorter term or day to day operations. The evidence provided for this issue can be observed from types of its divisions and functional areas under each executive in organisation charts. For example, the most basic role of executive committee concerns

the long-term aspect of the company more than of the subordinates, who are involved with short-term prospects on yearly planning basis. The findings from four out of five cases reveal significantly that executives will be concerned about the same things at 1-2 year span in relation to yearly planning.

Styles

The research shows that different groups of players in the retailing organisations have different roles to play. Standardised routines and procedures of administrative system bring these players together to create interactions that lead to the achievement of the same goals. Strategies at different levels are originated distinctively due to available information and roles. Strategies can come as ideas from different players through channels of interaction. There is no sign of a clear strategic planning system working along with day to day administration. Therefore, sharing vision, compromising, bargaining and negotiating are devices in the interaction activities that occur normally at the same level, especially at the Executive committees. At lower levels of management, heads of certain divisions, such as marketing, store operations and merchandising, are grouped together for the necessary co-operation. Strategy also comes from lower management, if their responsibility allows them to do so.

At different levels of management, the official communication channel needs the head of each level to pass on information from one level to another with in organisational hierarchy. However, the companies sometimes try to build other types of communication channel as well. For example, SM holds training for their managers with a series of social events to develop new communications networks and understanding. By holding yearly conferences managers would be introduced to each other, to learn and to share problems

and experience. This later helps to improve the communications across branches of the same level of management. SS also have annual conferences with the same purpose as SM.

Structure

After examining these companies structure at executive committees, heads of divisions and heads of functions, there is a significant outcome. The findings show that each executive, who is a head of divisions, has his/her own separate role in relations to his/her expertise, such as operations, store expansion, human resource development and finances. Each executive would have a particular function reporting directly to him/her.

The companies have set up divisions, functions and sub-departments for their expansion as well as day to day functions of running their stores. Functions such as store expansion or business development contribute to the development of long-term strategy and the future of the companies. Corporate strategies can be observed from the existence of these functions and their roles. The roles of organisational actors are the keys for long term strategy of the companies. One crucial example on this issue is that a senior personnel with specialised skill in finding suitable sites for store location would move from one company to another. Therefore, the players of these key positions represent the ways the retailing firms control their strategic directions.

Heads of functional areas, which are under the command of the members of executive committee, are the main supporters of executives. They play a crucial role on day to day management and the development of functional strategy. They are the planners that put strategic decisions into operational plans. They propose the plan on a yearly basis in relation to the budget of its department. Later, they would be the key personnel in the implementation of those plans.

8.2.1.3 Summary

Regarding three models of the formality of strategy development for non-routine planning, the case findings reveal types of formality is related to the non-routine planning system mentioned earlier. Originally, the aim of the research is to uncover what types of formality perform in modern retail organisations, and how they are involved in strategy development process. The findings show that two types of the formality can be found in these organisations, although separately.

First, visionary leaders can be found at the top level or on the board of directors. They are far a way from day-to-day operations. Any strategic decisions coming out from the board are likely based on judgement, shared vision, and analysed or soft information provided by its members, executive committees and consultants. These directors rely on their own judgement which is based on experience, shared vision among them, and prepared information from EC.

Finally, learning organisation can be found at executive committees, and also at their subordinates through their communications channels. The groups of executives normally are involved very much in the direction of the company. They are working one level up from day to day operations. Their administration system, such as regular meetings and urgent meetings can be arranged to perform strategic problem solving sessions, future-oriented planning and transformation. Leadership, agenda and adequate support system, such as information system can help the routine (ongoing) system to perform. It is important that the members of the groups share the sense of necessity at the right time.

8.2.1.4 Formally deliberate planning

The ultimate approach of strategy development also involved the same group of personnel, but the roles of individuals are different to those of the previous approach. The process encouraged continuous issues and developing vision in the sense that the process would settle various opinions and visions to reach the same corporate strategy or strategic decisions. In addition, it should involve personnel to programme the implementation of strategy that has been evolved from day to day operation.

Call to start the planning process

The yearly planning found in Thai retailers is planning cycles that have evaluation at half year to adjust the plans. The plans are normally done at the same time as budgeting. Both activities link in one process. The process is like a cycle that might be the same every year for some participants. Others think it is time to improve functional strategy for the new year. The beginning of the process depends on the decision made by senior leaders of the company. However, it is up to individuals to react to the time schedule that is almost the same every year. Therefore, the indication to start individual preparation can be just an informal reminder during regular meetings. Later, a formal schedule is arranged together with day to day operations.

Preparation

It is quite clear that executive committees and heads of division are working separately at the preparation stage. At the committees level, there are many business factors, such as, company performance, external business environment, shared vision and strategic directions to be considered. CEO is the communication channel between the board

of directors and the rest of the executives that are not the members of the board. Each member of the executives have to prepare themselves, and together outline strategic directions for their companies. SS made it clear that the work at that stage must be official, by creating a detailed plan for the incoming year and less detailed plans for year two and three. For other companies, strategic directions of the companies do not appear as a plan, but a brief of business trend and directions. On the other hand, experienced heads of divisions would begin the planning against the previous year plans. The adjustments are done due to influencing factors, such as decisions, policies, and shared vision during regular meetings and company performances. Some heads of divisions might have to co-operate with a number of associating divisions. For example, marketing directors have to collaborate with heads of merchandising and operations. This would assure the smooth operation of the incoming year because their plans are built on the same assumptions.

Interaction

When the seminars or workshops are arranged, the interactions between both sides generate the agreed directions of the companies. Senior leaders of the companies present a policy regarding the company directions to lower level management. The policy has a rough three-year trend. Expected missions, objectives and goals are announced, but must be agreed together with the lower management. After that, rough plans and budget are put together from several divisions. Information and written plans must be shared among related functions. The plans would not be in full details, but they would have the same aim. Once the process is finished, each planner must go back to generate and finalise his/her plans in full details. The presentation of the plans will be demonstrated to the EC, before the plans would receive the approval from the board of directors.

Board of directors
(n 3, c 3)

Financial performance/
Business
environmental change
(n 6, c 4)

Decision made by EC
During regular meeting
(n 5, c 3)

Talks, discussion,
ideas, consensus, and
share vision during
regular meeting
(n 9, c 5)

Individual
preparation
of Executive
members
(n 3, c 3)

Individual
preparation of
functional key
players
(n 4, c 3)

(-)

Associating
members
(n 5, c 2)

**EC makes
decisions about
mission,
objectives and
goals (n 6, c 4)**

**Rough
action plans and
budgets from
functional key
players
(n 3, c 3)**

(-)

Associating
functions
(n 7, c 3)

Projection plan
for 2-3 year
(n 1, c 1)

Seminar:
- Briefing of
2-3 year
vision,
- Setting
mission,
objectives,
goals
- Putting
action plans
together
(n 4, c 3)

Finalising
period for
the annual
strategic
plan
(n 5, c 4)

Presentation
With later
correction
(n 5, c 3)

Non-
compulsory
Presentation
(n 2, c 2)

Presentation
to Board of
directors for
approval
(n 2, c 2)

Annual
Conference
(n 1, c 1)

Figure 8.3 The model of strategic operation planning of 5 Thai modern retailers

N = the number of words mentioned; S = the number of cases having the words; (-) inverse relationship

Source: Derived from the findings

8.2.1.5 Put into the context of strategic process

In this section, two main streams of strategic process; strategic decision-making and planning systems, would be brought together in the same place. Based on the theoretical review in chapter two, the findings and the earlier discussions and the strategy development process should be described and explained as follows.

In one company, its strategic process might be able to be separated into two different work systems. The first one is an on-going administrative system, the second one is periodical planning system. Both systems are overlapping and connected as a cycle. Furthermore, the finding shows that two types of strategy development process have overlapping activities in both systems. For example, an executive committee spends managerial time in conducting less formal planning during on-going administration to produce long-term strategies. Later, they expand the strategies into action during formal periodical planning.

Both short-term and long-term different functions in retailing companies require different mixtures of the different planning systems. Some departments like HR can hugely rely on routine planning on a yearly basis. Other departments like marketing, operations and merchandising needs the yearly routine planning for smooth co-operation and adequate budgeting for their operations, but they are subjected to a more hostile environment. Strategy development during administrative system is more crucial to them in highly competitive situation. The following figure shows how the two systems are related to each other.

The following is the detailed discussion of the above points. The first type of work system is not a yearly or periodical planning, but it is an ongoing process that cannot specify the time range. The process encourages the members to have access on information

needed for strategic decision making by interaction through communication channels, when

the changes in competitive environment can be seen. Short-term strategy development

process, which is problem solving and issue oriented, would take form as strategic decision

making process with different choices of approaches. The aim to solve formulated

managerial problems is the key success in focussing the attention of organisational actors.

The model of strategic decision making process and approaches, which was reviewed in

chapter two, should be applied for suitable explanation.

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┌─────────────────────────────────────────┐
│       Strategy Development Process       │
└─────────────────────────────────────────┘

┌──────────────────────┐   ┌──────────────────────┐
│ (Work system 1)      │   │ (Work system 2)      │
│ On going             │   │ Routine (periodical) │
│ Administrative       │   │ Planning System      │
│ System               │   │ -  Budgeting         │
│ -  Visionary         │   │ -  Long range        │
│    achievement       │   │    planning          │
│ -  Learning process  │   │ -  Strategic planning│
│ -  Problem solving   │   │                      │
└──────────────────────┘   └──────────────────────┘
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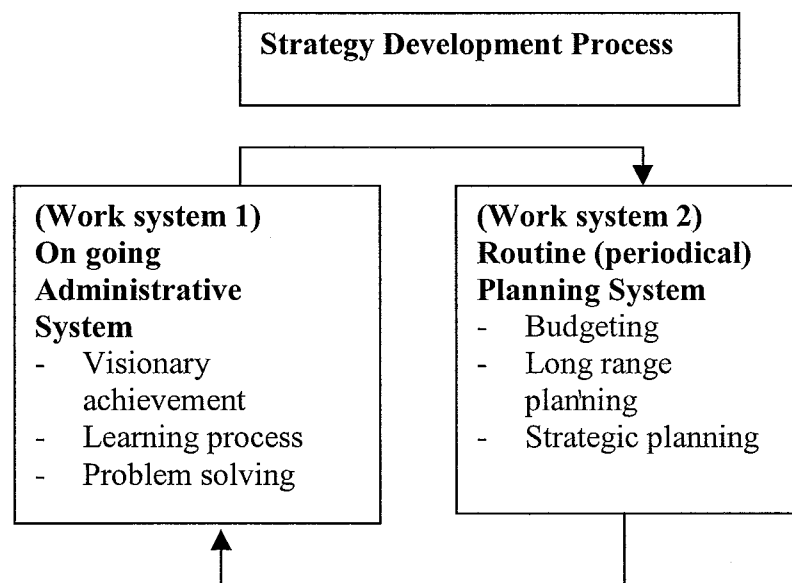
Figure 8.4 Strategy development process

Source: Derived from the findings

Furthermore, the work system is also a home of long-term strategy development.

Long-term strategy development, which is deliberate in its nature, takes form as strategic

development process with less formality and comprehensiveness. The level of formality

and types of support system during the process determine whether it is visionary

achievement or learning process. The model suggests that the awareness of long-term

prospects of the company is the starting point of the ongoing process. Strategic thinking

must encourage creativity and long-term future thinking. The administrative system helps

organisational actors to be able to turn around the company with full details of strategy and implementation. This is the system that may generate strategic thinking for rapidly changed environments and highly competitive markets in comparison to periodical planning. Scholars, such as Drake (1996), suggest on-going strategic thinking to replace periodical strategic planning for management in the future. Later the plans, which are generated by the system, are transferred to the routine or periodical planning system at the half-year point or the beginning of the new cycle. Then, new strategy or projects will be united both financially and operationally to the main business direction.

The second type of planning system is periodical strategic planning that is analytical, evaluative and programmable. More and more research findings show that planning systems, like budgeting, long range planning, yearly strategic planning might be adopted to the organisations at the same time. The usage of each planning system is different due to the benefit that they offer to different groups of personnel. Budgeting and yearly strategic planning are used together from the divisional level downward. Long range planning is used in conjunction with yearly strategic planning at the executive committees to participate in the projection trend. Yearly strategic planning itself is used to ensure that its organisation moves into a desired direction.

This is called "coexistence" of planning systems (Hussey, 1998, 1990, Ansoff and McDonnell, 1990). However, the findings and discussions suggest that the planning systems suit periodical activities that have a fixed range of time. The systems serve operational and financial purposes well. The planning also opens an opportunity to rethink the recent direction of strategy and reassess future trading environment. After some clarification and adjustment of business direction, this is where organisational actors make their commitment rather than encouragement of high level creativity. Frequently, plans are

generated from ongoing strategic decisions made previously. Therefore, the periodical planning should not be taken too far for creative strategic formulation in highly competitive business environments.

The findings do not yield any evidence related to the non-routine planning that any formal planning system is installed to handle long range planning and business environmental change. Therefore, long term strategy development is a continuous process that is informally embedded in their administrative system. The administrative system creates interaction for smooth operation of their business, but also allows future thinking, problem-solving and sharing information. The findings show that these companies rely very much on the expertise and vision of organisational players. However, the process is not formally separated or recognised. Individual initiative, shared concern and vision are the starting point of strategy development process. An on-going formal planning system, which has a designed interaction system for long term strategy, does not appear in Thai retailers.

On the other hand, the companies use the routine planning system on an annual basis to evaluate and strengthen their vision on their business environment and the company direction. This is done by the executives only, heads of functional areas are involved in the system for the preparation of incoming year. The activities, which happen during the yearly planning, reflect or proceed issues and decisions from the interaction system of day to day operations. The process helps to clarify, tidy and programme operational issues for the smooth run of the businesses.

In conclusion, both processes exist apparently in retailing organisations. They are related and overlapped although they are different in nature. Careful management of both processes can support the development of strategy enormously. The issues, in fact, are similar to those identified by Heracleous (1998). According Graetz (2002 p.460),

It recognises that strategic thinking and planning are "distinct, but interrelated and complementary thought processes" (Heracleous, 1998, p. 482), that must sustain and support each other for effective strategic management.

It can be suggested that Heracleous (1998) also sees differences between them and supports the coexistence and co-operation of both. Heracleous (1998, p.486) comments further on this that

"strategic thinking and strategic planning are both necessary and none is adequate without the other. Creative, ground-breaking strategies emerging from strategic thinking still have to be operationalised through convergent and analytical thought (strategic planning), and planning is vital but cannot produce unique strategies which can chalenge industrial boundaries and redefine industries (unless it stimulates the creative mindset in the process, as in the case of using alternative scenario for the future)."

Based on the research finding, more discussion will be expanded to cover the form of planning process for two different managerial systems.

8.2.1.6 The form of strategic planning during on-going administrative system

Deliberate strategy development should be encouraged for managers at all levels. The formulation process also should not be restricted to time barriers, it should be a part of a learning process and long term commitment. The role of the formal process for the grand strategy formulation should be used to create a learning process. The learning process should build up the shared understanding of business environmental factors and key issues. However, incremental strategy development should be encouraged to develop in working teams and individuals when day to day problem solving is still needed. The managerial concepts in strategic management should be embedded in the administrative system of the organisation. The form of the process should be dynamic in relation to the changes in the environment, and enhance long term competitiveness. More formal process with designed time schedule could be used in parallel with on-going administration system, if clear

purposes or objectives of the planning, plus strategic decisions are made prior for its planners.

During the process any approaches to strategy development should be allowed as a driving force to run the process. Different types of planning techniques should be introduced and selectively used in relation to their suitability. Once the understanding of trends, developments and changes reaches maturity, shared strategic decisions are made confidently among participants. Any strategy, which is developed from the techniques, must be derived from the construction of believed frameworks. The detailed documents, such as strategic plans, memorandum and others, should be generated to wider managerial audiences.

The most considerable caution of planning is that the plan must be accepted and motivated by key managers who influence the success or failure of the plan. These decision outcomes will not be as detailed as the operational plans, which are programmable. However, they will provide strategic directions for other more operational plans such as corporate plans, and functional plans. In some cases, the strategic decisions have never been written as strategic plans, but all key-managers realised them through both formal and informal contacts. However, evidence can be tracked by investigating the programmed corporate and functional plans. Therefore, the strategic planning and strategic plan should be the fruits of creativity and strategic thinking.

8.2.1.7 The form of strategic planning during periodical planning system

Periodical strategic planning is a means of generating important strategic decisions to achieve the purposes of an organisation. The aim of the strategic planning is to set desired and inspiring purposes, various strategies and implementation for the organisation in relation to external dynamic and internal capability (Steiner, Harry and Kunin, 1983).

The clarification of a company's directions is a means to guarantee that an organisation should always be highly competitive, healthy and survive. The purposes of the organisation can be divided into different groups such as endless purposes, long term purposes, and short-term purposes. For example, endless purposes can be found commonly in every nation's military, in terms of protecting sovereignty of its country. In businesses, firms also try to encourage employees to recognise organisations' ultimate aims such as being the leader of chosen industries or markets.

Therefore, the management of organisations have to make strategically important decisions to generate or adjust their direction every year. The strategic decisions include mission, vision, objectives, goals, strategy, and strategic implementation. The means of producing them are dependent on each planning process and applied planning tools, which are varied by the needs of different organisations.

The process requires more formal arrangement with time schedule. The process is likely to be repeated again every year. The process itself can be analytical in evaluating different types of issues, such as past performance, strategic decisions made earlier and foreseen changes in business environment. These are the input to the process that various strategies will be based on. The strategy comes from strategic thinking and creativity that is continued from strategy development during on-going process. Intended strategy is realised by interaction of organisational actors during the process. The outcomes are action plans

that concern short-term rather than long-term perspective. The reason for this is that the process needs to generate strategy and plans for operation of the coming year. Longer-term plans can be done by projecting from the current business direction, but they are not detailed plans.

8.3 The influence of marketing concepts in strategic retailing management

The literature review in chapter four suggested that researchers apply marketing concepts to strategic management, because the business, which a retailer is conducting, can be viewed as a branded product or service in customer perception. The business or the product has its core benefit and its value that customers can recognise one among others. The reasons for shopping at one particular place, not others, in highly competitive markets can be very crucial. Customers, in fact, have low switching cost in highly competitive environment of retailers. However, the reasons mentioned previously can help a retailer keep their targeted groups of customers in its stores. Therefore, marketing concepts and marketing techniques are not only beneficial to tangible products and services, but to retailing businesses as well. The following is the research questions defined to learn the use of marketing concepts and techniques at the corporate level of retailing organisations.

Do retailers view their business as branded products or services in customer perception?

Do retailers believe that they must do marketing for their firms as clearly positioned choices of service providers in customers' perception?

How do marketing concepts and techniques such as market segmentation, targeted market and market positioning, apply at the corporate level planning of retailing organisations?

How does the retailing context influence to the application of other planning techniques and corporate strategy in retailers' practice?

8.3.1 Branded products

So far the marketing for Thai retailers can be divided into two levels. The first one is the level of business concept and the second is the level of sales promotion. The former is the mixture of products and services that retailers acquire to be in their retail sites. This also includes facilities and atmosphere inside the stores and their location. The latter is the entertainment activities that have been created to draw the traffic of customers and to promote sales. Together they help retailers to create an impressive store image in a customer's perception. Retailers in Thailand sell not only products, but also the services, such as entertainment, and relaxation.

In fact, it could be said that entertainment and relaxation are one of the key success factors of modern retailing in Thailand. In the past, retailers struggled to develop their business concepts. For example, SM spends a lot of time to find their way before developing other attraction along with the department store section. SM had to build three connecting premises to fulfil their vision of how the concepts should be. Recent branches were large and possess the entire new business concept.

"Business concept" is the word that has been mentioned clearly in two out of five cases. It was mentioned as a way to survive in a competitive market. The first case is a chain of shopping malls. SM comment that "they would not do it small, only do it big".

The concepts of one stop shopping works well with entertainment concepts for SM. Their later projects since 1991, need to acquire premises with huge space for merchandising and services up to 200-400 thousand square metres. The second one is a chain of 20 department stores. DS comments that they have business concepts as a framework for running the business. Other planning, such as yearly planning, must follow the business concepts. Any adjustments of the concepts are normally made before the planning cycle begins. In addition, one of the other cases, which is a chain of discount stores, gives an example of how services should be conducted in their opinion in relation to the discount store format. The types of their stores do not require extensive salespersons like department stores. Their services are to make sure that their customers feel comfortable and convenient with the surroundings, such as store design and format. The assistants on the floor are required to give the right direction to the location of merchandise at customers' requests. This is the reason to confirm that they are very competitive on price. Another example, CS which is a chain of convenience stores, also proves that its business concepts can draw customers to its stores, even if their prices are dearer than shop-house stores or other modern trade retailers. Nowadays, they differentiate themselves to a clear positioning by exploiting their business concepts. SM is reinventing itself inside family entertainment concepts that it established a decade ago. SC and DS are doing the same in adjusting their concepts with new strategies to serve their target group. CS and SS are the new comers of the 90s with its multiple concepts. They provide more choices for consumers with convenience and low cost appeal. Customers' loyalty is becoming an issue that needs attention by retailers. Business concepts of these retailers are tested by strong competition.

8.3.2 Clearly positioned choices

At the level of business concept, the businesses had a clear picture that the Thai market belonged only to department stores and shopping centres. They had acquired supermarkets and everything else inside. Each store or centres represents one retail site. However, the market had new players since the emergence of Makro in 1990. The arrival of new competitors, which possess new business concepts from abroad, results in clearer segmentation in Thai modern retailers. The new types, pose threats due to the ability in territory expansions. Centralisation and standardised retail format facilitates their fast expansion. Superstores or discount stores are becoming a fast growing sector in consumer goods retailing. At first the main attraction of the superstore was the competition of price. The new retail formats can offer a lower price compared to the existing retailers, mainly department stores and shopping centres. Nowadays, they also offer the rental area for other types of businesses, such as fast foods, and video rentals as another main attraction. The relaxation and eating out habits, which the new retailers are offering to customers, move them towards one stop shopping concepts to suit Thais' lifestyle and preferences. Moreover, the convenience offered by store format also impresses customers with busy life style.

On the other hand, the previous players, who have already developed much firmer one-stop shopping concepts, are now beginning to create loyalty by concentrating more on keeping the customers in their catchment area loyal. Marketing researches have been used to identify its true target market and study their customer's behaviour. The changes in socio-cultural factors are understudied. SM, which has discovered their key business concepts for a long time, is exploiting their business very well, but still maintains the

changing of their consumers' geography and lifestyle in the catchment area. DS is now struggling to find their new format. DS is trading in the form of department stores that are pressurised by the other retailing formats. Most of their branches are smaller than their competitors. The concept of one stop shopping is less obvious here. In the last couple of years, it tried to develop its own brand to secure their image, but the recovering economy is slowing down the project. SC is expanding their new concepts that are proven to successfully suit their target group's life styles from one store to the others.

The findings, therefore, show that their positioning or images, which were proposed to customers, were a series of pioneers and experiments based on the presumed knowledge of Thai markets. The applications of business innovation elsewhere were adjusted and trialled by the retail operators. The successful ones were configuring the main strategy for later replication in different stores. Furthermore, business concepts like one stop shopping and entertainment, which suit Thais' life style is the unavoidable factor that any modern retailers need to consider as key success factors of their business.

Summing up

For the retailers, the word "business concept" should be the image they like the customers to perceive. This will eventually differentiate one retailer from another. This evidence shows that only strong business concepts, which have a clearly defined target group, can survive in a hostile environment. Repetition of its strong business concepts by using different strategies over time can build the desired image of their trade name in customers' perception.

8.3.3 Marketing concepts and techniques at the corporate level planning

As mentioned earlier in the previous topic, the executive committees are a group of people that have power to control the direction of the companies. They have a wide knowledge of management across functions. Each one of them must have a very good understanding of its business concepts. The competition is pressurising them to position themselves well to maintain the loyalty of the customers. They are the people that involve with the marketing concepts of the business at the corporate level.

It is very difficult to specify how their business concept was developed and prospered. Were marketing concepts involved since the beginning of the businesses? In fact that was not the case in the early stage of modern Thai retailing. The recognition of key success factors of modern retail operation was the starting point of building their business concepts. Thai retailers like SM and SC should be regarded as property developers as well as successful retailers. SM and SC made investment decisions for new development projects by judging from the recognition of other factors, not much from the marketing point of view. Other factors, like locations, the types and development of the surrounding areas, land cost and competition, are the key success factors in decision making. Once the project has been decided and completed by the replication of previous business concepts, marketing is later applied to learn more about their customers in each catchment area.

However, Thai retailers found a way to protect themselves once the competition came strong in the early 1990s. One thing was that they try to understand their businesses and customers better than before. From there, marketing research was used to find out segmentation of market, targeted customers, profile of customers, and their expectations. The adjustment of business concepts is aimed to suit the target group in a catchment area.

These also help the marketing in term of promotional activities as well as the adjustment of business concepts.

With long term business concepts, the retailers need to relaunch the products and services they offer regarding the dynamics of business environment. This is normally done by the co-operation of marketing, store operations and merchandising departments in most of the cases. Many ideas might come from visions emerging in day to day operation from every function. However, marketing research is important to solve a puzzle about customer life style. The strength of their philosophy is to use different types of strategy to repeat their business concepts in customer perception. The use of marketing tools was used in both understanding customers and keeping them loyal.

8.3.4 Retailing context

So far solving problems and generating vision seems to be the obvious style of retail decision-makers. Successful introduction of retail concepts has been done under the pressure of high competition. The reaction to threats was quickly achieved to keep customers' loyalty.

The findings show that meetings are a crucial part of managerial work. For retailing firms, regular meetings are important for communications, co-operation and co-ordination. The activities seem to help personnel move in the same direction. It is also important to the conduct of any planning done by individuals or a group of individuals at different levels of management. Moreover, the number of meetings can be increased due to the workload as well.

However, urgent meetings are another key activity of retailing firms as well. There are more than 5 times that "urgent meeting" was mentioned in each case study. The urgent

meeting is frequently called by executives or heads of divisions once there are new issues to be addressed. The reason for this are related to the type of competition they are facing, especially the use of the tactical plans. For example, the promotions during trade season are a factor that forces retailers to act to keep customer loyal. Apart from the firm business concepts, which are a competitive selling point, promotional events are required to attract customers. The issues related to competition or day-to-day operations are important as much as routine activities. The change of tactical plans might be done suddenly and lead to a totally different campaign. That might help to explain why retailers rely on their reactive ability. On the other hand, this might also suggest that the need for frequent 'urgent' meeting may be a result of a lack of systematic market prediction, insight market understanding and contingency planning.

The previous point leads to the way yearly planning has been handled by heads of functional areas. The personnel have a crucial part in generating tactical plans at different trade seasons. For example, marketing directors, who are in charge of generating tactical plans for promotions, these directors will produce a rough plan including idea and concepts of a particular tactical plan with an estimated budget rather than a detailed one. The set up of the budget in advance with rough plans helps in co-operation and co-ordination with other functions, especially store operations and merchandising. Each tactical plan will be prepared and implemented as planned in detail. The quick change of planned activities might happen if executives ask them to do so. Moreover, at half year, company performance and business environments are evaluated against plans. This leads to the revision of plans for the second parts of the year.

8.4 Conclusion

This chapter has discussed in detail three major areas, such as short-term strategy development process, long-term strategy development process and the influences of marketing concepts. This chapter brought three parts of the study together. The parts include literature reviews from chapters two to four, research problems from chapter five and finding from chapter six to seven. The structure of this chapter was organised by using the order of three major research questions. Then the findings were discussed in relation to the theoretical framework reviewed in chapters two to four. The main outcomes of the chapter, which are intended to answer the research questions, are presented as follows.

The retail operators reach their strategic decision-making by the process that is embedded in their administration system. Standard routine procedures during meetings and the interaction made during different meetings are the key factors in strategic decision making process of these companies. Although ideas and decisions are made outside meetings and less official, they must be formalised by presenting during the meeting. The duration time, which decision-makers spend for each decision is dependent on the significance and complexity of issues.

An individual decision-maker has different types of skills and relies on different approaches of strategic decision making. The mixture of different approaches is recognisable, but experience and their own formula of management is regarded as the most important in comparison to rational approach and political approach respectively.

The companies consider employing experts that have experiences in their own work to fulfil their strategic direction. They are also open-minded for new ideas and opinions from colleagues, subordinates and consultants. Therefore, the handling of work by individuals needs their own expertise and experience, but rational and political approach

comes to light when individuals must work together in identifying and agreeing options and making choices.

Hierarchy of management and the arrangements of meetings have a major impact on the arrangement of communication channels. This adds more complexity to the types of approaches in strategic decision making process. The finding and discussion cannot yield the answer for the most favourable approach, but suggests that different level of management or department might have different approaches due to individual's preference and work environment. However, they benefit different issues as follows. Each meeting contains a group of decision-makers that is also a member of other level meetings. A leader of a lower group is a member of a higher group of decision-makers. The discussion suggested that there are two types of approaches in organisational decision-making. The first one is approaches for a group of individuals sharing a particular level of meeting. The second one is approaches for the relationship between a member of a higher management and his/her subordinate in lower management.

Short-term strategy development via strategic decision making process is important to day-to-day administration of the companies. The process reflects the changes in the business environment dynamically. Urgent and routine meetings are used as official communication channels in operating the strategic decision making process. The benefits of the process are suitable for finding solutions to managerial problems.

Long-term strategy development is regarded as a deliberate and proactive rather than short-term strategy development that is reactive to changes in business environment. Three types of formality are proposed as the styles of long-term strategy development. On one hand, discussion suggests that there are two types of formality for long-term strategy development that exist in these companies. The first one is informal visionary achievement

found at the Board of Directors. The second one is learning process found at the level of Executive committees.

On the other hand, formal deliberate planning does not exist as a full planning system that participants recognise. The obtained data on planning techniques is insufficient. Technical terms of these planning techniques, which is the research device, might not be familiar to participants. The further reason for this is twofold. The first is line management might not be involved in such thorough analysis. The second is the unwillingness to release confidential information. Nevertheless, their understanding of some techniques implies their involvement at a certain level. Managerial training plays a major part to the development of their understanding. There is also an evidence that there are planning concepts and tools, such as brainstorming and benchmarking, that are practised by one of the companies.

However, there is a periodical system that has a formal procedure and planed schedule. The process encourages the evaluation of strategic direction and business environment. Long-term perspective was considered by top management and communicated to lower level of management. Then strategic and tactical plans will be constructed for the coming year.

The discussion suggests that one type of formality is not the only source of strategy. The existence of each type at different levels of management is the mixture that should be strategy development of every organisation in general. Indeed, informal visionary achievement and learning process must work together with a periodical planning process as a total process of long-term strategy development. Furthermore, the total process of strategy development must include the outcome from the strategic decision making process. Then the entire outcome will become the input of periodical planning system. Therefore, there

are two types of planning system. The first one is the administrative planning system that runs during day-to-day operations. The second one is the periodical planning system that is scheduled at the end of each financial year and half term. It can not be easily said where the effort of generating both short-term and long-term strategy development processes occurs. The overlapping of these activities can appear to both administrative planning system and periodical planning system.

Regarding the influence of marketing concept, there are two levels of management that marketing is involved with. The first one is the level of business concepts that the management has to find the mixture of products and services that retailers acquire to be in their retailing sites. The second one is the level of sales promotion that increases the traffic of customers and to promote sales. For Thai customers, the all-in-one concept has been very popular in the previous two decades. This increased enormous growth to the shopping centre sector. The leaders of the market tried to differentiate and re-launch by providing new innovation of products and services in stores. This is also to keep up with the change in customers' lifestyle and expectation. So far they were successful in building unique store image and retail image in customers' perception. However, new types of retail format that came to the market during 1990s have increased the intensity of the competition in the industry. These companies are now positioning themselves in order to maintain market share and increase customers' loyalty. They have to position themselves against not only competitors in the same sector. Other retail formats must be monitored too.

The applications of various marketing concepts, tools and techniques have worked well with the management of the retail operators in the 1990s. Marketing researches were done on a regular basis to learn more about their customers in various aspects. This also includes the use of marketing research to evaluate the success of their marketing

campaigns. The intense competition forced the retail operators to consider dynamics and shares of the market closely. Precise segmentation and targeting of the market helped positioning and finding the right mixture of products and services at each retail site.

The influence of retailing context in planning is the answer to their reactive approach. The retailing competition is usually regarded as day to day and seasonal. The strategy for increasing turnover is crucial for their trade. Each competitor cannot ignore the strategies of their competitors. Quick evaluating and reacting to threats is important to increase turnover and market share. Interaction in day to day management might be for short-term strategy development, but it is essential to the intense competition. However, long-term strategy development should be encouraged to generate sustainable competitive advantage and strategy. Such good planning should anticipate and prepare strategies to counter threats.

CHAPTER NINE

Conclusion

9.0 Introduction

This final chapter has four sections for the conclusion of this thesis. The first section aims to present an overview of this thesis and data generation from the fieldwork. Firstly, an overview of this thesis giving a short description of the aim of the thesis then data from the fieldwork is presented giving a description of research undertaken and presenting the result. The second section summarises the results of the study. The third section presents issues that concern implications, contributions and limitations of the study. The fourth section is to identify the potential areas for future research in the light of the study finding.

9.1 Conclusion of the Study

9.1.1 Overview of Thesis

This thesis was concerned with finding a practical framework for the development and planning of strategy and strategic plans in retail organisations for the purpose of theoretical development. The practical framework is the outcome of reviewing the extensive body of literature on strategic planning and the current practice of retail operations in Thailand.

With the complexity of the research subjects, there are many key issues to concentrate on. To tackle the research problem well, the pre-study of several research fields was undertaken to generate a focus. The literature review played a major part in the research in helping to generate a theoretical framework. The theoretical framework allowed the author to organise his thoughts and concentrate on crucial issues.

The focus of the study separated into three areas in order to construct the practical framework. Firstly, this study examined models of strategic decision making process and strategic decision process were proposed as the first type of strategy development process and short-term strategy development that is issue or problem oriented. Secondly, this study looked at three types of formalities in planning that were proposed as, the second type of strategy development process, long-term strategy development that is deliberate in its nature. Finally, the influences of marketing concepts were proposed as the modification to this strategy development of retail organisations.

9.1.2 Data Generation

The fieldwork in Thailand during the summer of year 2000 had two elements. There were two types of research undertaken at roughly the same time. The first one was secondary research that intends to construct background information for the case studies. Articles were collected from various types of print and media available in Thailand, such as journals, business magazines and newspapers and government reports. The result of the collection was high in local language, but low in English content: Referencing systems are not widely used in such data. There were some difficulties in searching for more articles and validating the value of the data in a short period of time. Therefore, a lot of time was allocated to the collection throughout the period of the fieldwork. More data for triangulation purposes was collected and delivered by post although the early stage of writing up had started already in the UK.

The second type of research was primary research mainly based on interviews with companies and printed information supplied by them. There were difficulties regarding access to the interviewees before the primary data was obtained. To gain the access to targeted companies, contact was made with the president of the retailer

association. The president suggested key personnel in three different retailers. A letter was posted to each of them from the UK to establish communications. The later fieldwork faced a major set back after only one interview was made out of three companies. A set of thorough questionnaires, which had to be expanded from earlier open-end questions, had to be made before any more interviews could be made. However, just before the questionnaires were completed, the problem regarding the access had been solved. Two more companies also granted access. During the interviews, questions on planning techniques and tools often received insufficient answer for data generation. The interviewees were not familiar with the terms used for each tool or technique and were reluctant to release any information.

After returning from the fieldwork, the presentation of data was constructed into two chapters. The Thai retailing industry, which was the background of the case studies, is described in Chapter Six. The findings from the interviews and prints were presented in Chapter Seven in two sections. Firstly, the backgrounds of the company cases were presented descriptively. Secondly, the findings were presented descriptively with a summarised version in case-level display tables. There are benefits behind the decision of presenting summarised versions of data. Firstly, readers can find it easier to follow the key issues that are important to the study. Secondly, the case-level display tables assists enormously in making thorough analysis, interpretation and later discussion. Finally, the additional aim was to conduct the analysis and interpretation of the findings, which were the key issues for the later discussion, at the same time with presenting them in tables. The next chapter is for the discussion of the key findings. The aim of Chapter Eight was to bring the findings from different cases together for the purpose of discussion. The ultimate aim was to generate discussions that the interpreted findings in Chapter Seven can be analysed to answer the pre-designed research questions.

9.2 The Results of the Study

9.2.1 Secondary-Research Results

The section starts by providing the conclusion of results on Thai retail market. The secondary researches on both Thai retailing and companies' background helps to generate the understanding of the subject in the context of "Thailand" retail environment. Later, the following sections will be continued by the presentation of the primary-research results.

9.2.1.1 Market aspect

The Thai retail chapter provides an insight into the direction and trends of Thai retailing. It shows that Thai modern trade market has been catching up with the retail markets in other developed countries. The Thai retail market had been dominated by department stores and shopping centres operated by Chinese-Thai families. Their all-in-one concepts had undermined the growth of independent supermarkets and co-operatives, and slowly drove out small traditional retailers from prime locations of urban city. However, the market has now become fragmented with different segments.

The process of creating new market segments was initiated in the early 1990s by Chinese-Thai entrepreneurs. They were visionary leaders who recognised the opportunities and threats to the Thai modern retailing market. They recognised the growth and buying power of the middle class Thai. Trends of emergent new retail formats can be seen neighbouring countries and more developed markets. The recognition of the limitation of shopping centres to expand due to high cost of construction encouraged moves into new retail formats. After deciding to diversify to the emerging segments, such as discount stores and convenience stores, different companies pursued different methods of development. Many tried to develop the new operations organically, and some sought foreign partners for joint venture projects.

This was a start of new era as European retail operators entered to Thai retail grocery market. The race to win market share and establish advantages over rivals lead to aggressive expansion to reach economies of scale. Unfortunately, the economic crisis happened too soon for the Thai operators. The devaluation of Thai currency increases the cost of the loans from foreign sources enormously. Most of Thai retail operators began to experience financial liquidity problem when consumer spending also began to plunge dramatically due to the panic of the worsening economic crisis. Several strategies, such as reducing cost and marketing promotion, were used at first, but later the earlier diversified businesses in superstores and supermarkets were sold to liquefy assets.

With relaxing of the law on foreign ownership, foreigner retail operators bought these retail companies and pursued their strategic intent in the Thai market strongly. The store expansions and effective distribution system were invested in to open new outlets at key strategic retail sites of major cities and Bangkok. The competition in superstore sector has affected other types of retail format significantly. Department stores have suffered greatly with lower numbers of customers.

In order to generate income, they reduce their own retail space and rented it for speciality stores. They tried to differentiate by becoming specialists of some product lines, such as computing and low price imported goods. Selling spaces was converted to rental areas. Shopping centres differentiate themselves as entertainment and leisure complexes to maintain customers. Education became a significant attraction for teenagers who seek extra tuition on foreign languages, music and other important school subjects, therefore, rental space has been rented out to tuition schools in recent years. Supermarkets have begun to increase stand-alone branches that are bigger than the normal size, but slightly smaller than superstores. The speed of their store expansion is essential to remain competitive with superstores. Convenience stores adjusted their

product assortments by taking off lines of grocery products that are used in the promotional sales of superstores.

Retail formats, such as superstores, convenience stores and supermarkets, clearly pursue different types of competitive strategy than department stores and shopping centres. Economies of scale, effective stock management and own distribution system are the keys to lower cost and increased margins. Then the correct positioning of these retail formats must be made to appeal to the right group of customers against other close rivals.

The Thai retailing market also shows that department stores and shopping centres need to differentiate themselves rather than pursuing cost leadership through economies of scale. The reason for this is that they have cost of construction and operating costs significantly higher than the new retail formats. Maintaining low cost structure is essential in every retail format to compete in highly competitive markets, but it cannot cope with segmented markets. Clear differentiation of merchandises and of services become very essential to the retail formats, such as department stores and shopping centres.

An obvious key strategy in Thai retailing market is still all-in-one or one-stop-shopping. It has shaped the ways product assortments and services are provided by each retail operator. For leaders in the market, it is not really an obstacle if they have financial strength. However, medium sized operators find it hard both financially and operationally to build all-in-one outlets that are attractive and competitive. There is a strong possibility that more than one medium sized firm will develop a partnership to develop their retail sites if their stores are located side by side. For example, they will share customers' car park, and entrances will be modified for customers' convenience. Their merchandise assortment will be adjusted to differentiate, but together they can offer one stop shopping experiences for customers.

Competition leads to the adjustment of merchandise and services among segments in modern trade. Each retail operator is likely to survive and separately pursue profitable the long term. However, the growth of superstores and supermarkets are likely to affect traditional markets and traditional retailers more in the long term. The market is driven by customer needs, and the customers are clearly saying that they prefer the new formats, in which case the local suppliers and traditional stores should adapt to customers' requirements in order to give customer satisfaction.

Regarding low financial and knowledge resources, they are unlikely to step up any significant improvement to their stores and supplies. The opening of new branches of superstores, supermarkets and convenience stores is normally followed by reports of significantly lower sales in nearby traditional retail sites. The matter has attracted political attention and government concern. However, more and more local suppliers and traditional stores in traditional systems have been driven out of business due to the complexity of problems in the new law introduction.

9.2.1.2 Planning aspect

Throughout the 1980s and 1990s some Thai retailers have engaged in the use of strategic planning concepts and caught up with the changes of their business environment. Formality has been used to arrange series of meeting to produce strategic and functional plans. Periodical planning helps them to leave their day-to-day work. The process allows different levels of management to plan separately regarding their roles. The process helps them to learn new knowledge of the market from sharing information and views. It leads to share understanding and agreement between levels of management. Commitments are made via objectives, goals and targets. Rough functional plans and tactical plans of each function are put together as a well-connected strategic plan for the purposes of agreement, communication and later effective

operation.

The process has been interrupted from time to time by a strong strategic intent based on own understanding of organisational leaders. Sometimes well-formulated and ambitious vision from the leaders of Thai operators made the companies become pioneers in exploring the markets. Concepts of marketing have been well understood by Thai retailers in finding out their target markets and loyal customers, but the effectiveness and consistency of applying marketing research techniques must be further questioned

However, their strategic processes may be flawed. Many Thai businesses are led by top management who finished business school maybe 30 years ago, and may have neglected to keep themselves up to date with modern trends in management from elsewhere. It is possible to believe that top and middle management are not involved in thorough strategic analysis themselves. They normally rely on independent consultants to produce market reports and key strategic issues. Such information feeds them some understanding of the changes in the markets. Not much of privileged information is shared equally between top and middle management as well.

It can be said that this working practice is likely to produce visionary leaders and top-down approach, rather than building their strategic advantages for long term, they look for problems to be solved, good ideas to be put in place and opportunities to be pursued. It is not that strategic advantages cannot be achieved, but it will take too long for those to emerge and officially be realised by the management. Reactive strategy development is the best description to their strategy development process. It can be concluded that there is evidence of strategic planning assumptions in their strategy development process. However, the lack of strategic analysis by line management decreases the effectiveness of long-term strategic thinking.

There are signs of improvement towards strategic management in recent years.

Concepts of strategic management has begun to appear in their planning systems. The concepts include building future competitive advantages, integrative interaction and less periodical concern. Their day-to-day administrative systems are handling these planning concepts in relation to the agenda of each meeting. Furthermore, formal planning sessions are used separately from yearly strategic planning. It cannot be concluded that each retailer has a similar level of formality orientation in strategy development process. There is a well-known Thai chef in the US who comments that "no matter what type of ingredients you put in the cooking, it can be considered Thai food as long as it tastes Thai". I would like to suggest to our matter that "no matter what types or forms of strategic planning or planning techniques used, it can be considered competitive long term strategy development as long as it produces thorough future oriented strategic thinking.

9.2.2 Primary-Research Results

The literature review suggests three main areas. Firstly, deliberate planning systems are not the only way for strategy development in business organisations. So far scholars seems to have various opinions on the issues, but the opinion can be classified in to three domains. One, creating vision by CEOs or top strategists is the choice when there is an absence of strategic management process. Two, less formalised learning processes take place via various approaches of planning sessions, such as brainstorming, training, and planning session, by various levels of management, but do not directly result in generating a strategic plan in a given time. Three, a fully formalised procedure for strategic management is operated to generate a future oriented strategic plan.

Secondly, so much debate on the application of the planning system since 1970s showed that the employment of strategic planning concepts are in doubts or varied into different forms. It is doubtful that formalised planning system used in periodical

strategic planning can be suitably transferred to strategic management where future oriented or long-term creativity is required. Finally, the review suggested that the influence of marketing concepts at the business or corporate levels of top management is the key application to strategic planning in retailing.

The results of the study are the practical frameworks for the development and planning of strategy and strategic plans in retail organisations for theoretical development. To solve the research problem, the objectives of the research separate into three areas as mentioned earlier in the overview of the thesis. The presentation of the results, therefore, must also be organised into three sections.

9.2.2.1 Short-term strategy development

The first area of the objectives is that strategic decision making process and strategic decision process were proposed as short-term strategy development. The findings confirm that both processes exist in the selected retail organisations. Both of them are embedded in the administrative systems of every company. A number of outcomes of the findings also suggest the relationship of these processes in the administrative system. Therefore, the first type of strategy development processes can be found in administrative system.

Firstly, the decision making process is well embedded in the administrative system, although organisation players might not recognise the process. The interaction of the organisation players during each meeting generally concerns defining and solving managerial problems to ensure the smooth operation of the business. The meetings have a crucial role in encouraging sharing, understanding and commitment. In addition, urgent meetings, which are regarded as a common activity, support the existence of strategic decision making process.

Secondly, the findings confirm that the retailing organisations have a hierarchy

and a structured communication channel (see figure 9.1) that can help to explain the application of three models of strategic decision process. The first model is Jauch and Gleuk's three approaches of individuals' decision making. The second model is Johnson and Scholes' six approaches of strategy making process. The final model is Hart's six styles of relationship between higher management and lower management.
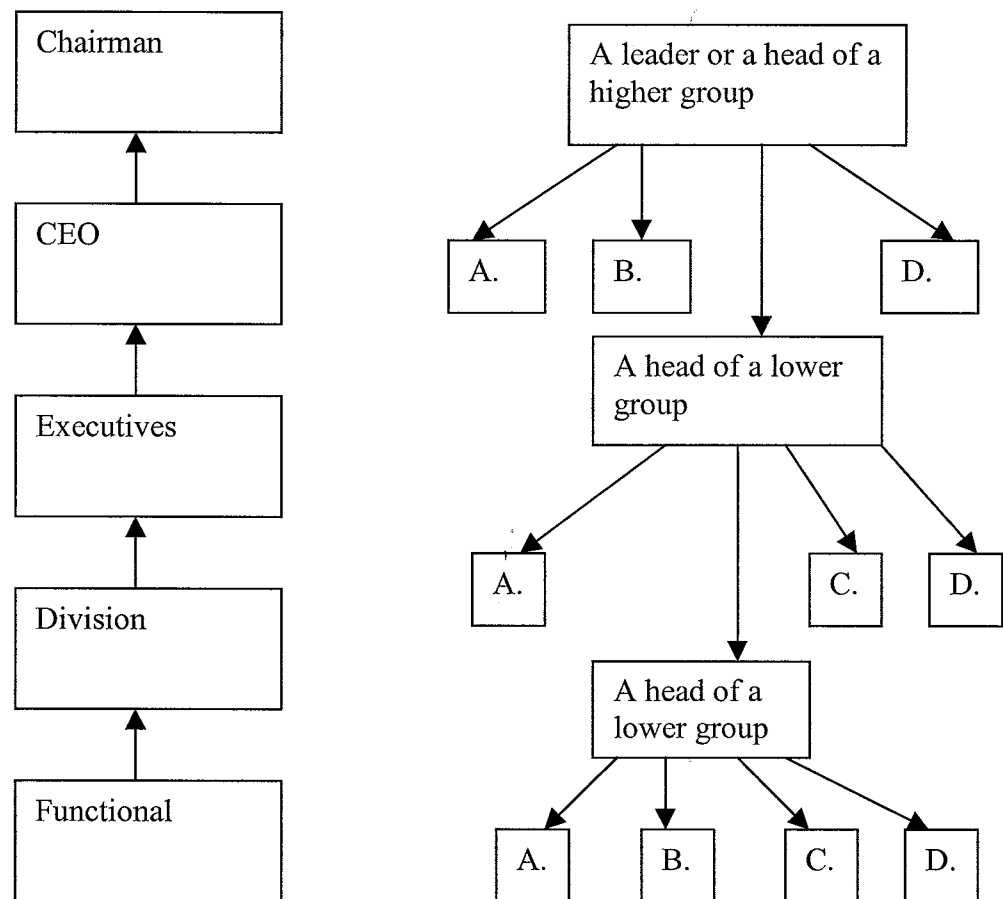
Figure 9.1 the hierarchy of the management affects the communication channel
Source: Derived from the findings

The hierarchy of the management affects the communication channel of day to day operation. The design of communication channel in each company suggests that a leader or a representative of a lower group is also able to become a member of another higher level of management. The entire communication channel needs the representatives to connect between levels of management when meetings are held for

administrative and management purposes (see figure 9.1). From the findings, the theoretical framework, which was reviewed on the decision making process and the strategic decision process, can be placed together with the findings. This administrative system gives the answer to the study as follows.

I = An individual that has three approaches of strategic decision making

J = A group of individuals that have six approaches of strategic decision making

H = Six styles of relationship between higher management and lower management
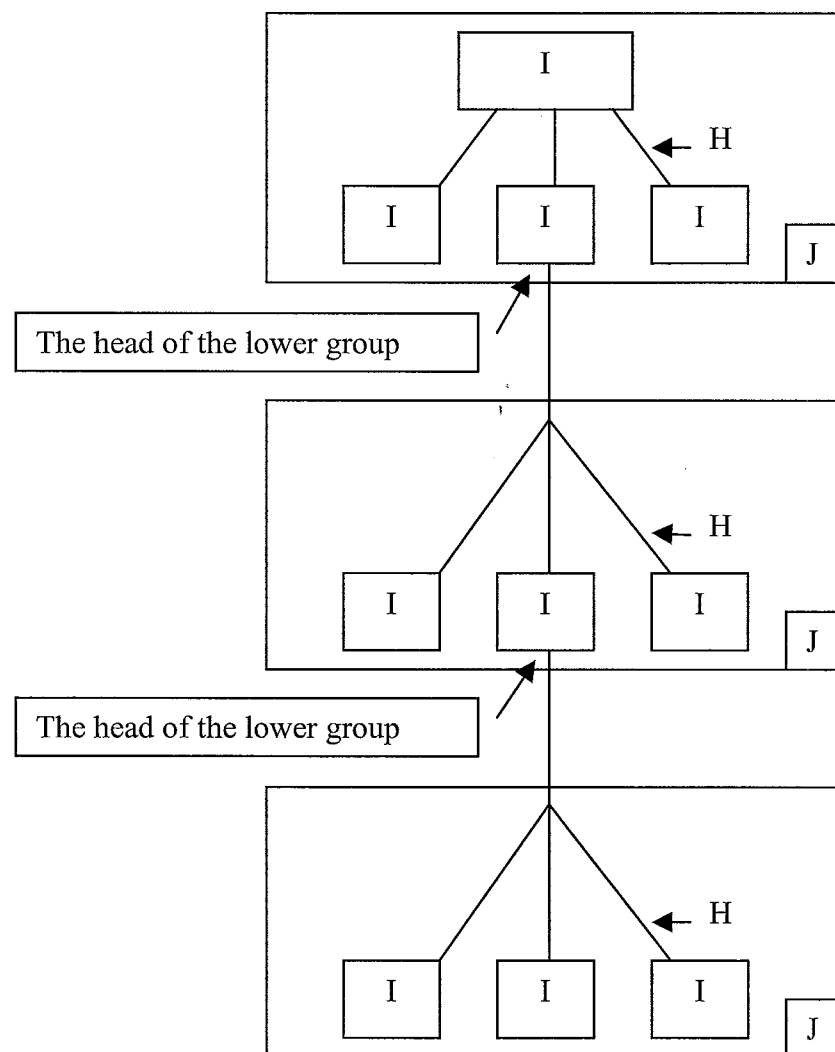
Figure 9.2 the model of integrated decision making approaches in organisational hierarchy

Source: Derived from the findings

The discussion chapter is suggesting that there are three levels of approaches of strategic decision processes. The summarised results are shown in figure 9.2. The first is at the individual level. The second is at the group of individuals level. The last is at the organisational level. Each level consists of different approaches of strategic decision process. To give better explanation, three different works of research scholars are applied to the figure.

Furthermore, the administrative system is not only important to the formulation of strategy, but also to the implementation of strategy that generates operational strategy. The leaders of each level of management are the key personnel to arrange the approaches of strategy making process with their subordinates.

The significance of the findings is focused on the abilities to increase the understanding of organisational players' behaviour in decision making. The findings help us to clarify and bind overlapping concepts of strategic decision making and strategic decision process. The outcome is a framework that contains a number of relationships linking the previously constructed models. For the Thai companies, the findings can be useful for human resource development. With the new model on approaches in decision-making, the company can choose to provide adequate development programmes and training for managerial personnel.

9.2.2.2 Long-term strategy development

The second objective is to learn about long-term strategy development process that formalises strategic directions for long-term implementation. Three formulated types of the strategy development are defined by the classification of formality in the process. The discussed findings show that visionary achievement and learning process exist in the organisations as deliberate approaches in long-term strategy development.
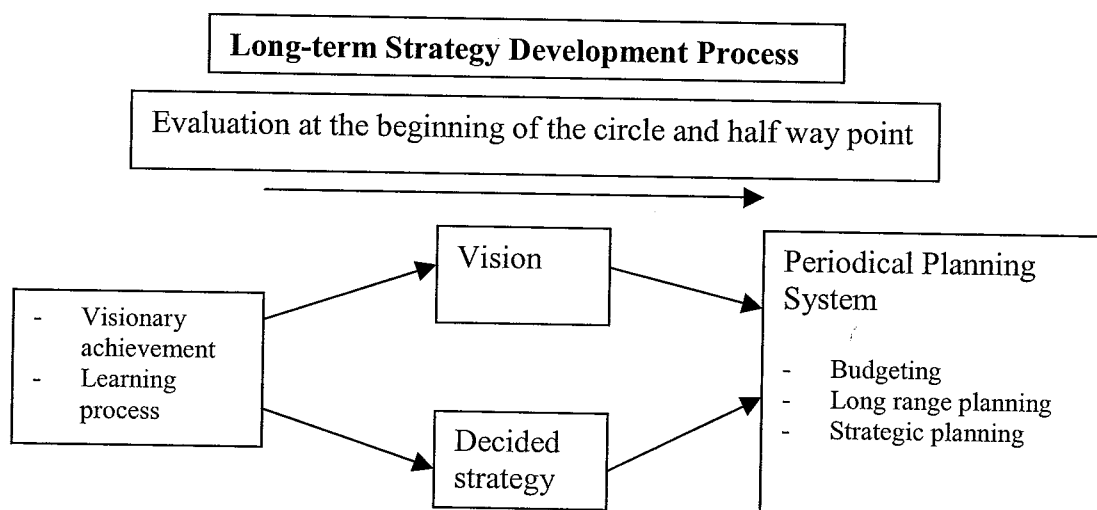
Figure 9.3 Long-term strategy development Process

However, a formal deliberate planning system as a routine planning system does not exist in the organisations. There are periodical strategic planning systems together with budget planning and long-range planning that have roles in formulating and formalising strategy every year. An issue in findings, which was further discussed in the previous chapter, is that strategy can be developed prior to the periodical process rather than during the process. It is not necessary that strategy can only be formulated in formal deliberate planning process. The process simply needs input that lower of management can focus their attention to finish their tasks in a given time.

The periodical planning system has vision and strategy as input to its system. The process of planning system encourages the review and evaluation of a range of two to three year future situations in their retailing environment. This leads them to reconsider their present strategy before making commitment on the outcome of the process.

The significance of the findings is the proven assumption that scholars should not expect human beings to handle well the requirements of short-term and long-term

perspectives at the same time. The task can be achieved but only to a limited extent. So much arrangement imposed on the forms and roles of strategic planning shows the split of opinions. Formality or comprehensiveness become the focus in making a choice of one not another. The findings suggest that organisations should recognise and consider using two different types of formality of strategic planning to their own strength. On one hand, less formalised planning process, which has on-going style, should be encouraged to yield long term-strategy development. On the other hand, formalised periodical strategic planning should be used for evaluative and reviewing purpose and direction of present company's direction against foreseeable business environment changes and competition. Short-term commitment is made through out the management.

9.2.2.3 Overall strategy development system

To build the overall process of strategy development from the findings, the result from the previous two parts must be brought together to construct a framework. The result can be concluded as follows and shown in the following figure (9.4). Strategy development process separates into two overlapping systems. The first system is an administration system that is on going process via their communication channels. It operates with three main styles of strategy development, such as visionary achievement, learning process and problem solving. Strategy development here can be both deliberate and emergent style dependent on the origin of its inputs, such as opportunities, threats and enforced choices.

The second system is periodical planning process that is designed for the purpose of generating various types of plans, such as functional plans and action plans. The aim of the process is to reassess and reassure strategic directions of the companies. Commitment at all levels of top, middle and junior management becomes official written plans for smooth co-operation and administration.

There are two different types of input that link the two systems together. On one hand, the outcome of the administrative system is vision, decided strategy and solution of problems. The outcome would be the input of the periodical planning system. On the other hand, the outcome of the periodical planning system is different types of plans. Budgets and strategic plans will be fed back to become the input of administrative systems during implementation stage.

Strategy development Process

Evaluation at the beginning of the circle and half way point

On going Administrative System with 1. Visionary achievement 2. Learning process 3. Problem solving	Vision Decided strategy Solution of problem	Periodical Planning System - Budgeting - Long range planning - Strategic planning

Strategic plans At the beginning of the circle and half year point

Figure 9.4 Overall strategy development system

The findings, therefore, are a mixture of the outcome of two separate strategy development processes. Strategy development embedded in administrative system is the key to strategic thinking of this company. Strategic planning during periodical planning is formal, and should not be taken too far for long term strategic thinking. The findings show that two different processes of strategy development are overlapping between on-

going administrative and periodical planning systems. Vision, decided strategy and solution of problems are the link between two types of the systems.

For those companies in Thailand, the finding shows that comprehensiveness of long term strategy development is not openly recognisable by their personnel. Long term strategy development is rather informal and relies on individuals' initiative. It can be said that they were on the right track as far as short-term or incremental strategy development is concerned. However, they failed to be more proactive and have lack of understanding in building the future that is the heart of strategic management concepts. Strategic thinking influenced by strategic management concepts is not well recognised well. Reactive approach to changes, which can be effective to competition on a seasonal or yearly basis, but not to the competition over which competitive advantages are sought during dramatic changes in business environment.

The argument made in the above paragraph suggests that the findings alone tell us one thing. We should conclude that we are looking at the companies operating formally with strategic planning process not strategic management process. The answer to this can be found by looking back to the assumption of planning systems in the Section Two of Chapter Two. Strategic management system is not periodical planning and does not operate on yearly basis.

The following figure (9.5) shows the location that strategic management system, which is formally deliberate planning, should be placed to the existing framework of strategy development process. This is to suggest that the concept of strategic management should be applied to long term strategy development process. However, the level of formality of its strategic formulation can be varied into three types under on going administrative system.

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┌─────────────────────────────────┐
│   Strategy Development Process   │
└─────────────────────────────────┘
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┌──────────────────────────────────────────────────────┐
│ Evaluation at the beginning of the circle and half way point │
└──────────────────────────────────────────────────────┘
```

┌────────────────────┐
│ On going   │
│ Administrative   │   ┌─────────┐
│ System with   │   │ Vision │   ┌──────────────────────┐
│ -Visionary   │   └─────────┘   │ Periodical Planning │
│ achievement   │   │ System   │
│ -Learning process │   ┌─────────┐   │   │
│ -Strategic   │   │ Decided │   │ - Budgeting   │
│ management   │   │ strategy│   │ - Long range planning│
│ system   │   └─────────┘   │ - Strategic planning │
│ -Problem solving   │   └──────────────────────┘
└────────────────────┘   ┌─────────┐
                                │ Solution │
                                │ of   │
                                │ problem │
                                └─────────┘

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┌──────────────────────────┐
│ Strategic plans          │
│ At the beginning of the  │
│ circle and half year point│
└──────────────────────────┘
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Figure 9.5 Strategic management system in strategy development process

On the other hand, the argument between Mintzberg (1991) and Ansoff (1994) made it clear that there is a confusion of the form and benefit of strategic planning. Strategic thinking for the long-term cannot be found effectively under the strategic planning system. The primary research suggests that the Thai retail operators still operate on budgeting, long-range planning and strategic planning as a periodical planning on the basis of a yearly cycle. On the other hand, strategic management is a different system that should not involve the planning cycle at all. These systems cannot be substituted for each other. So far the primary research does not reveal the form of strategic management systems, but it implies that the application is informal and occasional.

It could be right for Mintzberg to claim that these periodical planning systems are tools for programming strategic decisions, but I would add that the periodical planning systems are necessary and useful for the evaluation of previous strategic decisions before making a new commitment. The level of strategic thinking for the long-term might not be high as expected, but these systems can programme implementation and generate creative strategy for short-term competition.

9.2.2.4 The influences of marketing concepts

The discussed findings suggest that the influences of marketing concepts to Thai operators can separate into two eras. During the first era Thai operators' focus was on competing in finding store format and location, because both are key success factors in attracting customers. Their aims were to attract every type of consumer.

The first era is the period prior to 1990s. Competition was focused on the development of department stores and shopping centres. The total market of modern retail trade has only three segments; co-operatives, supermarkets and department stores or shopping centres. The first two segments of the market with no strong operators were very small compared to department stores or shopping centres. Later, many disappeared from the market due to the strong competition in the other sector. That was when the retailing modern trade was not highly segmented. The All-in-one concept was the leading strategy that simply showed that they wanted to serve every type of customers.

On one hand, Thai retail operators learned by visualising and memorising from actual experience of tangible sources. This helped to create their vision for their own business. They recognised that differentiation is important to building their competitive advantage. To stay ahead of its major rival, they know how to re-launch their retail operations with fresh ideas for the market. On the other hand, it was common that all the players followed the standard or benchmark of the market set by others. Quick

reactions by using the same strategy with the winner were to keep their customers loyal.

Otherwise, price-cutting was frequently used especially by small and medium sized operators. Learning from business experience makes them vulnerable to new literal knowledge. There is no indication that they have a clear framework of their business ideas. Retailing literature, which is available widely today, might not be there for them to refer to. Business concepts or "product concept" in marketing term is the term that is mentioned very often in Thai retailing. The concepts came from intuition and experience.

Evidence, which emerges from the study, cannot suggest if the business concept was defined clearly as a conceptual framework. Although their younger generation are more exposed to the modern knowledge of retailing, they have no experience in working with other modern retailing organisations. Professionals and experts were hired to manage increasingly complex operations in order to fulfil their vision and strategic directions that they agreed on.

The second era started in 1990. The changes in lifestyle and economic aspect of Thailand, lent an opportunity for stronger competitions in new sectors, such as cash and carry, speciality stores, convenience stores, discounters and supermarkets. The segmentation in Thai retailing industry is high. Several retailing formats are not only competing in their own segments, but also with retail operators in other segments.

Now they realise that they have to maintain their loyal customers in highly competitive situation. They reviewed business concepts clearly about, which segment they are competing in, which target groups they after and then the positioning they pursue. Customers of shopping centres and department stores are shifting their preference to new retail formats, such as discount stores, convenience stores and supermarkets.

However, all retail operators in Thailand are struggling to maintain customers'

loyalty in the market where consumers have abundant choices. All in one concept is not the only answer to the success any more. The majority of operators have pursued the same strategy. The need to understand customers and target the right ones is a difficult task. Therefore, it can be concluded that marketing concepts are one of the essential tools in growing competition and highly segmented market. Thai operators now are operating with the recognition of the need to find their right positioning.

9.2.2.5 Planning concepts in retailing context

The finding and discussion assure that the frameworks of planning concepts are differed by the need of each level of management. Furthermore, the findings confirm that the models of strategy planning concepts have two unique types. One focuses on financial aspect, and the other focuses on marketing aspect. It could be described as follows.

It is quite clear that all the selected companies have four levels of management; Board of Directors, Executive Committees, Middle management and Junior Management. Organisational players in each level have different roles in management, such as making decision on investments, managing and controlling the company, operating functional departments and running operations respectively. Players in each level involve in different frameworks of strategy development.

Firstly, the Board of Directors concern themselves more on the concepts of strategic management. Their attention focuses on maximising the return on capital and reinvesting the return. Their decisions are normally related to investment in different types of businesses that may not be related to one another.

Secondly, Executive Committees' concern is on main business related issues. In the retailing context, the committees have to oversee the development, direction and prosperity of their retail business. The framework of their roles concerns the overall

business concepts. The findings suggest regarding retailing context is that the model of strategic retailing management is similar to the model of strategic marketing management rather than strategic management.

9.3 Implications of the Study

From the conclusion of the study earlier in this chapter, a number of major implications can be drawn as follows. The practical framework found would help scholars to understand the form of strategy development process in reference to retail operations. It is clear that there are two types of strategy development process working along side each other. They are short-term and long-term strategy development. Retail organisations do not rely on only one of them, but use them together. Long-term and short-term views sometimes can be separated by the different roles of key departments that are involved with the tactical and strategic view. Both views can go hand in hand with overlapping channel of communications. Both types of strategy development process are embedded in the administrative and periodical planning systems.

Furthermore, the study suggests that administrative and periodical planning systems are overlapping. Once the two are combined, they are well suited as a total system that has no end, just one on-going cycle. The following paragraphs will present more implications of the study in relation to particular important topics.

The practical framework, which has been built in the previous section, helps us to find the missing link of research work among a number of themes. The different research fields, such as strategic decision-making and strategic decision process are regarded as a research field called "strategic process". There are plenty of studies on each of them. However, there is very little on the relationship between them. The result of the study, which is building the practical framework of strategy development, helps to confirm two types of relationship between them.

The first one is the relationship between strategic decision-making and strategic decision process. The outcome of the study assures us that strategic decision process can be applied as approaches in strategic decision process. In addition, the framework suggests that strategic decision process can be applied to explain how strategy develops during the implementation stage of strategic plans.

The second is a confirmation that there is a relationship between three levels of approaches in strategic decision process. By using the model of hierarchy and communication channel, which is confirmed by the study, the relationship between three levels of the approaches becomes clear. The classification consists of the levels of individuals, a group of individuals and organisations. Three different models of strategic decision process are adequate for the classification.

Long-term strategy development process is different from the short-term. There has been no previous model of formality produced by other scholars although each approach was described by using various terms that emerged from the review of literature. However, the review of literature on the problems of strategic planning has been commented by research scholars. Explanations and recommendations of these scholars suggest that the form of long-term strategy development is unclear. The key debating issue is the level of formality or deliberateness of the process.

The author proposed three types of long-term strategy development; visionary achievement, learning process and formal deliberate planning. The result showed that formal deliberate planning for long term strategy development does not appear in the Thai retail operators. However, there is evidence that visionary achievement and learning process are commonly found in all cases. It can be said that two domains of long-term strategy development are in the place. Visionary achievement and learning process represent non-periodical planning that do not force the production of a strategic plan. The result also show that periodical planning system, such as budgeting, long-

range and strategic planning has been adopted in the management of Thai retailers. The absence of formal future oriented strategic management is obvious. This has theoretical implication that strict formality should not be imposed on the strategy development. The process of the strategy development should encourage creativity that generates shared vision and firm commitment among organisational players.

The practical process of strategy development, therefore, contains different components that embed in administrative system and periodical planning system. The first system is the house of three types of strategy development process, such as strategic decision making process, strategic learning process and visionary development process. The second system is the house of periodical strategic planning process, budgeting and long-range planning process.

The findings also suggest that strategic planning system and strategic management system should not be a substitute for each other. If these retailers choose to be more deliberate and proactive to building the future, they must apply the assumptions and concepts of strategic management to the process of long-term strategic development. The process must be distanced from periodical strategic planning based on yearly planning. Furthermore, the use of the term "strategic planning" should not be used as a component of strategic management process. "Strategic formulation" should be used for the process from which strategy is generated, so that it can be employed as a component of both strategic planning and strategic management process. By this way the confusion can be reduced. However, the formality of strategic formulation process can also be varied due to the preference and management style of each organisation.

These technical terms should be treated differently; strategic formulation, strategic planning, strategic management, strategic issue management. Each has its own unique barrier. In fact, a similar view on this confusion was taken by Akers and Porter (1995), but they decide to call 'strategic planning system' as 'Externally oriented

planning' (Gluck *et al.*, 1980) and regard 'strategic planning' as 'strategic formulation'. It, therefore, is up to any management to adopt accordingly to their environment, preference and need.

Next, theoretical implication, a retailing business can be regarded as a particular product or service in customer perception. Different retailing operators can mean different brands of products that customers can make a choice. In highly competitive and segmented market, retail operators should not ignore the use of marketing concepts to understand customers. The reason for this is that nowadays customers have more opportunity to choose due to plenty of retailing operators in nearby area. They must choose the most suitable positioning in their market segment and to serve loyal customers rather than everybody.

The application of marketing concepts at the top level of management should be necessary in retailing business. Overall business concepts must expand thoroughly into a framework of retailing success factors that can be communicated downward to lower levels of management. The study has confirmed that it is essential to include marketing concepts at the level of corporate planning due to the competitive and trading nature of retailing industry.

Finally, the financial crisis forced retail operators to take a short-term view of competition rather than a long term one during 1998 to 2000. Previous long-term plans and ambitious goals were abandoned due to the severity of the crisis. However, the strategy development processes were in existence before the crisis, because participants had noticed the use of committees and annual conferences long before the crisis started. By the time the fieldwork was conducted, several short-term tactics had been implemented successfully. The economic situation in Thailand had improved enormously such that consumer spending in retail sector improved significantly.

The implications for Thai retailing and retailers can be structured into three

points. Firstly, Thai retailers must now generate more precise and firm directions for long-term competitive strategy and have a strong implementation plan that must be carried out to achieve the desired outcomes. They must use the long developed process of strategic development to define strategic directions to sustain their competitive ability in a highly competitive market, made even more competitive due to the foreign retail operators which have recently established themselves successfully in the retail market.

Secondly, the original long-term ambitious plans, such as investment plans, were clearly reported to stake holders. This confirms that the practical framework derived from the findings is unlikely to be a short-term reflection of the crisis. The results suggest a practical model that can generate explanations of how strategy develops in retail organisations. Other retailers can use the model to monitor their own strategy development process.

Thirdly, Thai retailers must find a strategy that suits their business as their own formula. The examples shown by the case companies suggest that pursuing a differentiation strategy with improving cost structures can help retailers to maintain profitability, strategic advantage and their image in customer perceptions.

9.4 Contribution to Knowledge

Although the financial crisis caused trouble, and transformed Thai retail operators, their personnel had successfully implemented essential strategies to stabilise the companies in a three-year period. The atmosphere of positive improvement in the Thai retail market allowed the access to these personnel, so that the fieldwork could be accomplished. Having presented the conclusion of the study and implications as above, the major contribution to knowledge involves a number of research themes. The study took part in the development of research themes; the form of strategic planning and strategic planning in retailing. The study offers the confirmation as follows. Firstly, the

research helps us to identify the components of established strategic development process of the retail operators in Thailand. Secondly, the study suggests a compromise solution to the argument that has been debated by scholars, such as Mintzberg and Ansoff. Thirdly, the form of strategic planning should be modified to suit the purpose of its use, because each form of strategic planning process has its own limitation. Finally, the benefit of the practical framework can be applied to different contexts. Although the practical framework is designed for retail operators in Thailand, the framework should be used in testing other Thai corporations in other service industries.

To Thai and foreign scholars, the research on Thai retailing industry has clarified its evolution and structure by the study of different source of secondary data. By triangulating and updating different data, the work has generated a neat reference to future study and research. Furthermore, the analysis can be used to give an illustration of the industry. The use should benefit to its audience in its application. Non Thai scholars may find difficulties in understanding the root of Thai retailing that forms its modern-day retailing due to the language barrier. The study, therefore, helps to bring knowledge, thought and opinions of Thai scholar to the wider communities.

Besides the secondary research, the section on background of case study should benefit its audience greatly although much of their identification was hidden for confidential purposes. Their origin and past development illustrates a great deal of cultural aspects and formats of Thai retail operators.

9.5 Limitations of the Study

The limitations of the study separate into three parts. The first part concerns the absence of views from the very highest level of management. These findings are derived from the perspectives of the personnel at the management levels of the retail operators. The findings do not include views from the owners of the businesses. The

reason for this is that the researcher's sponsor did not establish firm relationships and communication with any of the members of board of directors in these companies. It is not possible to request that the gatekeepers provide such arrangements. Clearly researchers must direct their concentration to obtain recommendations from a well-known and trustful figure and the gatekeepers in order to reach potential and essential participants.

The second one concerns a problem in theoretical generalisation of the findings. The second one is the failure to complete the generation of the practical framework. This is as follows. Firstly, all of the five case companies operate their business only in the 'Thailand' environment. The generalisation cannot be reached when the fieldwork is conducted under a particular context. Therefore, the results, which are under the influence of 'Thailand' context, should not be generalised elsewhere, although there are countries that have the same pace of country development and close culture. The need to test the practical framework should be emphasised greatly. It can be said that the findings are typical for 'Thailand' context only.

Despite my determination in designing my questions for structured-interview and semi-structured interview, the study has unanswered questions as the third part of the thesis limitation. All sets of questions were delivered to the participants. The benefit of this decision shows on the comfortable atmosphere during the interview. The participants showed signs of understanding by giving a choice if the interviewers prefer to answer one-by-one or all in one. The interviews were smooth, and did not have any tense atmosphere.

However, some structured questions were often ignored or skipped, especially when there were the questions regarding analytical tools and planning techniques. This happened, even when a seemingly well-known concept like SWOT analysis was mentioned during the interviews. The interviewer could only assume that they were not

familiar with the term used, or had not come across these analytic tools or did not wish to disclose the information. The interviewer was left disappointed that he could have done something better.

In fact, the researcher had an early thought when he designed all questions. He had been wondering if it would be appropriate to introduce to mature interviewees visual illustrations of analytical tools or planning techniques, such as tows matrix or portfolio matrixes. He was very reluctant to use the visual aids, because he did not believe that he could prepare appropriate ones for these senior managers, directors and executives.

The result on this aspect is blank, and could not answer the following questions. *Do retailers encourage the use of planning concepts and techniques? Which ones and how do they encourage? Are there any other planning concepts used apart from the previously known concepts and techniques?* But we suspect the knowledge is not great.

9.6 Recommendations for Future Research

Regarding issues raised in Limitation of the Study, there are several areas of recommendation that can be identified for the future researches. These are as follows. Firstly, the future area of new research should focus on analytical tools and planning techniques. The study will benefit in generating and strengthening a practical framework of the deliberate aspect of strategy development processes. The strategy development, which is deliberate, is the process that can operate in cycle.

The recommendation on the issue can separate into twofold. Firstly, the generalisation cannot be reached when the fieldwork is conducted under a particular context. In this thesis the five Thai retail operators, which were chosen as the cases, operate their retailing business only in Thailand. Therefore, the results, which are under the influence of 'Thailand' context, cannot be generalised elsewhere, although there are

countries that have the same pace of country development and close culture.

The potential is that the practical framework can be tested by either qualitative or quantitative research. For example, countries, such as Malaysia, Indonesia, Singapore and Philippines are located in the South East Asia, but still have gaps of culture differences, trading environment, available managerial knowledge etc. Further study can be pursued by testing the practical framework of strategy development process in retailing organisations elsewhere.

Secondly, the improvement of the device must be changed to encourage the involvement of the potential participants. The result of the thesis suggests that these tools and techniques alone cannot be used to generate a suitable device for sufficient data collection. We learn that we the participants may not fully understand the terms we use for the tools and techniques. Secondly, choosing different types of participants, who are familiar with academic subjects and involved in the industry, can deliver sufficient results from another perspective. Consultants and practitioners involving with retail industry are the suitable examples.

9.7 Conclusion

The main conclusion drawn from the study would indicate that the term "strategic planning process", together with budgeting and long-range planning systems, are embedded in yearly periodical planning systems that react to external environment challenges only in the short term. The yearly periodical planning system together with an administrative system forms an on-going planning cycle. The strategic management process, on the other hand, is future-oriented planning process that has a time-span of more than a year. Strategic decisions generated by the strategic management process together with the outcome of other strategic decision-making are the inputs to both components of the on-going planning cycle. Therefore, short-term and long-term

strategy development are distinct processes that require different approaches. However, the two processes are linked and both should be embedded within the overall strategic development process. The study also suggests that Thai retailers have to strengthen their strategy development process to be able to encourage learning and understanding of key business environments, business concepts and strategies before generating their own "winning formula".

The outcome from the thesis is, therefore, a practical framework for the planning and development of strategy and strategic plans from the current practices of retail operations in Thailand that can be applied as a checklist for monitoring and evaluation in large-to-medium sized retailing organisations in similar trading environments.

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Appendix 1 Corresponding document

February 9, 2000
VV/SMS

My name is Vinyu Veerayangkur, a Thai student studying in the United Kingdom. I am a PhD. researcher under the supervision of Professor Leigh Sparks, studying in the doctoral programme at Institute for Retail Studies, the Department of Marketing, Faculty of Management, University of Stirling in Scotland. I am currently pursuing research on strategic management in retailing organisations, particularly in multiple retailers. The area of my interest and research problems relates to short-term strategic decision making process, long term strategy development and the influence of marketing concepts to strategic retailing management. I plan to construct case studies of Thai retailing organisations based on the information obtained. If necessary, the identities of the co-operating Thai multiple retailers could be kept confidential.

Recently, I wrote to Mr. Suthichart Chirathivat, the president of Thai Retailer's Association to seek help regarding to my data collection. I have received a kind reply, including a number of companies' addresses that my request should be addressed to. I write to you in order to seek help from your company according to the suggestion made by Thai Retailer's Association.

In order to decide the useful direction of my research I need to gather some information
1. Your advice on the best possible time to visit you and your company for the first discussion on my project. My return journey from the UK to Bangkok, Thailand, should be on March 13, 2000.
2. Your preferable month of starting my project at your company for the duration of approximately 3 weeks (between 20th April to July 2000)
3. Your preferable means of communication from March 15, (telephone, fax and e-mail).

Thank you very much indeed for your future co-operation. I hope to hear from you soon.

Yours Sincerely,

Vinyu Veerayangkur
(ENCS)

The summarised procedure of my data collection

March-April	- Contact and visit the company's representative

Stage 1	- Conduct the first interview with an authorised senior manager - Achieve some arrangement for further data collection

Stage 2	-Begin data collection by different methods, such as interviews, observation and the analysis of archival record - Construct case report - Analyse the sufficiency of the data - Begin the analysis of the data gathered

Last stage	- Strengthen the report and leaving the site

Proposed design of case studies as the research strategy

Gaining access

The data collection of one case study will be done at a particular retailer for a period of time. I hope to be allowed a desk that I can work for my project during the time I visit the company. The construction of the case would be done at the same time as the collection of data. The gap of knowledge in the case can be quickly spotted and closed by an immediate request to whom it may concern. The duration of the data collection period will be prearranged with the company. This may require at least two or three weeks. However, the duration would be varied due to the schedule of interviews and different arrangement of other data collection methods.

Data collection methods

There are three main methods that will be used to collect data to construct an individual case study. These include interview, observation and document analysis. The arrangement of data collection in each company will be done after an interview with a senior manager or an authorised representative of the company. The interview should supply an overview of the company's activities related to the research topics and questions. Once the interview is briefly analysed, a plan and schedule of other data collection would be produced. The schedule of my fieldwork would be arranged with an authorised person from the company.

Interview

The interview is the main method of data collection in the research project. The method will be used in two stages. Together both stages should include at least five interviews to five different persons from various departments.. The first stage, which is before the arrangement of later data collection, is mentioned earlier in the previous paragraph. A semi-structured interview is used to provide an overview of the company's activities related to the research topic. The interview will very much support the structure of data collection. During the second stage interview will be used both on its own and in conjunction with the other types of data collection. The follows are different types of the interview that will be conducted to serve different purposes.

Semi-structured interviews

The type of the interview is firstly used to get a wide view of the company's activities that are related to the research topics. In the second stage, three to four interviews will be conducted based on the use of this type of interview method. The characteristics of the interview would be structured with open-response in order to obtain sufficient data. The expected outcomes of this type of data collection include the description of factual information on the topic, and opinions that are previously unknown and can not easily be quantified. The interviewing method would be used intensively as a main method. The area of questions would be sent to the participant prior the interview. This should help to notify the interviewees in advance of interviewing topics.

Structured Interview

The type of the interview method will be used at least once from all interviews. The reason for this is that there are specific details needed to be interviewed. The type of questions, which is more specific for the collection of fact, would lead to short answers or multiple choices. Sometimes open-end questions might be used, but are minor.

Unstructured Interview

The interview would be used in conjunction with other means of data collection. Particularly, observation, which is done at a particular site, might require short interviews to the participants regarding their activities. The other use of unstructured

interview might be used when a gap of knowledge is needed to be filled by asking any available personnel.

Observation

The observation will be carried out with the permission of the company to certain sites. The types of observation are identified as direct observation and participant observation. The first type would require the observation of activities held within the company. The purpose of the activities could be from formal meeting, training to discussion. The second type of the observation would require the participation of a researcher in the company's activities, such as training. Short note taking would be used to describe the observed events rather than other means of recording

Documentation and Archival Records analysis

The analysis of the documents and records would be done intensively to support other means of data collection and construct the case study, after the interview is conducted with the senior managers prior the arrangement of later data collection with the company. The request of viewing documents, and records would be made to an authorised person dealing with my presence. The documents and records could increase understanding of the company's activities such as organisation chart of the company being visited, internal announcement or circulated letters and etc. These would help the research to progress to further steps in both planning on data collection and designing further interviews. More documents and records might be requested to other interviewees during the interviews. The other types of data collection should also lead to the request of document samples.

Leaving the site

Leaving a particular company will depend very much on the arrangement with the company. The schedule of interviews and other data collection methods would be dependent of the analysis of the first interview. The careful plan of data collection would help enormously in determining an exact date of leaving the site. However, the progress of constructing the case study should be a crucial factor before deciding to leave the site.

Appendix 2 A sample of Interview questions

An Example of Questions for the first interview to a senior manager

For overview of a company's activities related to planning.

Style: open-end questions,

The form of Strategic retailing management

1. How does the management find solutions for strategically critical problems facing their company in short-term? How are strategic issues recognised? Does the management of information system take part in the matter? Are the activities recognised as an official process by the management?

2. How do you describe the process of creating long-term strategy in your company? How are they developed? How do they become official?

3. What are the most important activities for the management of your company?

The Influence of Marketing to Strategic retailing management

1. Do the management consider building the marketing image of the company in customer perception?

2. What is the marketing image of the company' retail business that the management is trying to present?

3. How important does marketing concepts become to overall strategy at the corporate level of the retail business?

Introductory question
1. What are the factors that the management considers to be important to your companies in leading the company to a desired direction?

Decision making in solving managerial problems
1. Regarding the meeting on regular basis and adhoc basis, how do you consider the use of the following decision making process?

Awareness→ of strategic issues	Analysis→	Action
+Recognition of problems - Paying attention - Interpretation of signals +Problem Formulation	+ Goal setting + Generating options + Evaluating options	+ Making Choice + Implementation + Control

____ The process is applied as framework in administrative and managerial system, and is
        formally recognized and supported   '

____ The process is applied as a framework in administrative and managerial system, but is
        not formally recognized and supported

____ The process is not recognized formally, but there should be similar procedures in the
        administrative system of the company.

____ There is no similar procedure in the administrative system.

2. Which are the company policies and procedures when strategic issues which are emergency and important to the company's performance, come to the management's attention?

____ Arrange the meeting at the level of management that closely concerns the matter.
____ Entitle responsible personnel to gather more information relevant to the issues
____ Arrange research department or personnel to analyze gathered information urgently
____ Encourage informal discussion and meeting among key personnel by distribute
        relevant and basic information to them
____ Others, Please identify

Does the company determine procedures to manage strategic issues and strategic decision making? If the company does, please explain the procedures shortly.

3. How does the top management give the importance to the following characteristics of decision makers in decision making process?

___% Analyzers
___% Experienced managers
___% Coordinators
<u>100</u>% Total

4. What roles does Management information system have in short-term managerial problem solving? What policies does the management have on the efficiency of the Management information system?

5. What is your opinion toward the following statement?
'The determination of thinking framework and the formation of strategic issues, which is to support the process of decision making, should be given importance to encourage leadership in the organization'.

Short-term strategic planning 1 year
- The development of Mission and objectives of the organization

1. What groups of personnel does participate in the determination of the company's mission and objectives each year?

2. How does the company determine its objectives? What are the procedures from the beginning to the end of the process. Which groups of personnel are responsible in controlling the process of developing the company's objectives in each level of management?

3. How important does the communication in Interactive style between the management and functional managers become in the development of objectives?

4. What are the other factors that affect to the determination of objectives apart from the following factors?
- Driving forces from stakeholders
- Company performance
- Highly competitive business environment
- Opportunities and threats from the changes in business environment

5. What types of data and information that the management determine to study and review before the determination of the company's objectives?

6. Which periods of time does the company to objectives and targets? Able to choose more than 1 choice
____ Long term 3-5 years   ____ Middle term 2-3 years   ____ Short term 1 Years
____ 6 Months   ____ 3 Months

- The strategic planning for yearly operation

1. Do you think the yearly planing is necessary and have the major roles in the management of the company business? What are the benefits of the planning?

2. After the determination of the company's objectives, What is the process and procedures of goal development and operational plan. When does it start and end? Could you please identify in monthly calendar of a planning year?

3. During the meeting for creating plans, How does the communication, which is in form of interactive between top management and functional managers, happen in practice? Please give an example.

4. Which departments or personnel do have roles in strategy development process and controlling the processes step by step.

5. Please identify purposes of yearly planning from the following items?
___ The planning helps the management to adjust the direction of the company.
___ The planning plays the important role in generating operational plans and budgets.
___ Others, please identify_____

6. Apart from the official yearly planning, Is there any other type of planning?

7. Does the company have any policy to encourage competition or co-operation in the form of team work in strategy development process at different levels of management?

8. Does the company use the projection of the company's performance to predict the 2-3 year future?

Long term strategic planning at corporate level
1.1 Does the company appoint strategic planning committee to develop both long term and short term strategy apart from Board of directors and company managing committee?

1.2 Does the company determine to have long term plan, such as 3-5 year strategic plan?

1.3 If the company does have the long term plan or an equivalent plan, does the company designs an official process and procedures to develop the plan?. How long has the process been implemented.?

1.4 Please give explanation and express your view on the process of long term strategy development.

1.5 Please express your opinion on 'How important is the formal process to long term strategy development?'

1.6 Regarding the existence of the formal process of long term strategy development, What departments of personnel does have the role to support and facilitate the process?

2.1 Does the company have strategic business units? Do the strategic business units have its own officially recognized committee?

2.2 Is there a manager that is empowered as a planning specialists to help other members of the committee in long term and short term strategy development?

2.3 Please give your opinion on 'the benefit of having strategic business unit to the management of your company'.

3.0 Do the board of directors and top managers of the company see necessary to have a vision for long term business development? How important is the vision to your company?

3.1 If your company encourages its personnel to create vision of the company and its business, please identify the benefit of vision development.

___ The development help its personnel to adjust and create understanding for their co-operation.

___ Vision is used in communication and motivation among executive officers and managers.

___ Vision is the base of business assumptions that are important factors to future operation.

___ Others, please identify_____

3.2 Please expresses your opinion on 'the form of developing vision in your company' Is there any formal process or procedure to develop the vision? Does the company determine the review of vision?

3.3 Apart from the record of decisions during meetings and memorandum, Does the company have a policy or rule to generate documents for planning purpose on adhoc basis?

3.4 Which departments of personnel does support and facilitate the formal process of developing vision?

3.5 When there is the decision to invest in a new project regarding the vision, Does the company appoint a personnel or a committee to carry out the investment plan?

3.6 Does the company arrange a series of meeting to analyze business environment and etc. from regular meeting, or encourage executive officer and managers to have discussion informally?

3.7 Do you agree with the following statement? What is your opinion regarding the statement?

'The development and management of short term problem solving strategy and long term strategy should have two separated processes that have different procedures when business environment is predictable and slow moving competition. On the other hand, both processes should be brought together formally when business environment is changing fast and in highly competitive environment.'

3.8 Which approaches of strategy development are used at different level of strategy in your organization?

Please give your opinion by rating in percentage to the following items.

Corporate Strategy	Business Strategy	Functional Strategy	Operational Strategy	Forms of Strategy development
				Formal planning process at the level
				Decision making and vision of higher management
				Adjustment and improvement to work of managers step by step.
				Driving forces from stakeholders of the company
				Limited options and no choice
Total 100%	Total 100%	Total 100%	Total 100%	

THANK YOU VERY MUCH INDEED
VINYU VEERAYANGKUR

Appendix 3 Financial statements of five companies

SM's Financial statement

	2000	1999	1998	1997	1996
ASSET					
Cash in hand and in banks	1,100,116,	1,757,485,	1,299,678,	496,482,	792,774,
short-term investment	721,795,	140,695,	128,595,	405,000,	850,000,
Account receivable	162,307,	156,794,	544,652,	491,220,	413,952,
Inventory	2,864,006,	2,561,043	2,258,865,	2,270,387,	2,582,568,
Other current asset	103,959,	578,777,	65,092,	189,400,	66,287
Total current assets	4,933,101,	4,674,667,	4,323,369,	3,852,492,	4,786,082,
Investment fund	659,216,	149,128,	164,993,	163,161,	34,225,
Property, plant and equipment	869,750,	932,478,	1,013,049,	1,128,600,	1,201,375,
Other asset	1,396,489,	23,923,	24,479,	277,241,	315,589,
Total asset	6,488,107,	5,780,197,	5,525,892,	5,421,496,	6,337,273,
LIABILITY AND SHAREHOLDERS EQUITY					
Overdrawn and Short-term loan	30,756,	81,321,	684,620,	600,185,	923,508,
Accounts payable	4,780,565,	85,236,	103,720,	3,483,313,	3,870,963,
Long term loan due within one year	21,057,	126,781,	103,720,	254,559,	158,968,
Other current liability	1,073,610,	384,504,	283,829,	289,462,	378,983,
Total current liability	5,781,592,	4,874,839,	4,773,075,	4,627,520,	5,332,423,
Long term loan	178,942,	29,950,	205,618,	169,989,	261,528,
Other liability	389,344,	308,953,	511,045,	432,094,	454,041,
Total liability	6,349,879,	5,303,603,	5,383,363,	5,229,606,	6,037,993,
Shareholder's equity	138,227,	476,594,	142,528,	191,890,	299,279,
Total liability and shareholders' equity	6,488,107,	5,780,197,	5,525,892,	5,421,496,	6,337,273,
CONSOLIDATED INCOME STATEMENT					
Net sale	12,251,025,	11,264,254,	10,281,402,	11,338,709,	10,895,201,
Rental and service income and other income	620,244,	582,129,	614,963,	551,792,	480,176,
Total income	12,871,272,	11,846,376,	10,896,366,	11,890,503,	11,375,379,
Cost of sale	10,361,162,	9,532,297,	8,742,980,	9,698,467,	9,312,695,
Selling and administration expense	1,972,310,	1,819,148,	1,845,	2,002,554,	1,935,235,
Interest expense	7,349,	49,548,	125,606,	103,652,	71,283,
Tax	142,584,	120,594,	22,569,	11,913,	18,367,
Total cost and expense	12,483,406,	11,521,588,	10,736,771,	11,814,587,	11,337,582,
Profit before extra items	387,866,	324,788,	159,595,	75,916,	37,797,
Extra items	-	9,277,		-183,305,	
Net profit	387,866,	334,065,	159,595,	-107,389,	37,797,
Retained earning	28,227,	376,594,	42,528,	141,890,	249,279,
Net income (loss) per share	3,878.66	3,340.65	3,191.91	-2,147.80	755.94

All figures, thousand of Thailand Bahts

At the exchange rate of approximately 60 Bahts per Pound Sterling

CS's Financial Statement

	2000	1999	1998	1997	1996
ASSET					
Cash in hand and in banks	3,376,862,	1,912,818,	340,466,	1,424,232,	1,300,074,
short-term investment	234,563,	100,934,	1,196,040,		330,000,
Account receivable	217,607,	91,824,	511,565,	79,356,	141,825,
Inventory	1,706,608,	1,693,295,	761,617,	691,115,	494,356,
Other current asset	588,929,	626,064,	137,489,	204,972,	226,927,
Total current assets	6,124,571,	4,424,935,	2,947,180,	2,405,070,	2,487,792,
Investment fund	69,362	1,163,703	1,008,000,	820,999,	405,999,
Property, plant and equipment	4,936,526,	4,617,850,	1,941,821,	1,564,335,	1,130,078,
Other asset	249,123,	230,074,	197,752,	119,268,	103,771,
Total asset	11,716,815,	10,777,228,	6,494,639,	4,915,674	4,127,641,
LIABILITY AND SHAREHOLDERS EQUITY					
Overdrawn and Short-term loan	1,130,821,	998,551,	1,038,946,	570,252,	75,465,
Accounts payable	4,966,183,	3,958,858,	2,169,064,	15,182,528,	1,429,241,
Long term loan due within one year	203,316,	624,631,	38,209,	117,197,	1,429,241,
Other current liability	1,234,578,	910,020,	398,198,	157,584,	107,143,
Total current liability	7,534,900,	6,483,061,	3,644,423,	2,349,600,	1,740,100,
Long term loan	-	1,221,852,	90,782,	-	-
Other liability	141,567,	114,874,	3,883,	95,520,	80,726,
Total liability	18,865,	20,364,	3,779,059,	2,445,120,	1,820,826,
Shareholder's equity	3,324,575,	2,649,065,	2,682,449,	2,470,553,	2,306,815,
Minority shareholder's equity	715,772,	308,375,	33,130,	-	-
Total liability and shareholders' equity	11,716,815,	10,777,228,	6,494,639,	4,915,674,	4,127,641,
CONSOLIDATED INCOME STATEMENT					
Net sale	26,045,436,	16,520,849,	12,838,201,	10,770,446,	8,845,978,
Rental and service income and other income	2,139,070,	419,810,	2,590,729,	919,702,	719,842,
Total income	28,299,797,	17,652,693,	13,851,934,	11,690,149,	9,565,820,
Cost of sale	21,565,441,	13,439,569,	10,539,067,	9,045,729,	5,919,428,
Selling and administration expense	5,837,276,	3,656,222,	2,360,127,	2,320,808,	1,470,175,
Interest expense	192,641,	56,387,	73,295,	14,012,	20,459,
Total cost and expense	27,600,139,	17,462,568,	13,472,492,	11,476,411,	7,448,493,
Tax	349,456,	159,596,	143,651,	95,861,	38,429,
Net income (loss) before minority interest sharing	350,201,	30,528,	235,790,	-	-
Minority interest sharing	165,547,	-4,555,	5,871,253,	-	-
Net profit	515,745,	25,973,	241,661,	213,737,	83,948,

All figures, thousand of Thailand Bahts
At the exchange rate of approximately 60 Bahts per Pound Sterling

SS's Financial statement

	2000	1999	1998	1997	1996
ASSET					
Cash and short-term investment	1,558,070,	1,447,160,	469,770,	398,480,	1,318,770,
Account receivable	82,740,	56,260,	571	687.6	577.7
Inventory	2,766,460,	2,283,970,	2,162,880,	2,860,920,	1,959,200,
Other current asset	350,970,	330,680,	484,350,	801,740,	407,900,
Total current assets	4,768,230,	4,118,070,	3,749,160,	4,767,620,	4,283,270,
Investment and Loans		8,100,	14,290,	13,570,	24,410,
Property, plant and equipment	12,181,600,	9,462,050,	10,128,410,	10,412,300,	7,292,950,
Other asset	392,200,	247,850,	850,890,	795,240,	368,900,
Total asset	17,342,040,	13,836,070,	14,742,750,	15,988,730,	11,969,530,
LIABILITY AND SHAREHOLDERS EQUITY					
Short-term loan	1,691,440,	1,032,340,	4,384,300,	2,221,650,	1,218,300,
Accounts payable	5,317,880,	4,170,460,	3,338,320,	3,671,500,	2,195,230,
Long term loan due within one year	-	-	1,113,280,	344,160,	189,940,
Loans from amount due to related parties	189,220,	213,870,	1,503,690,	1,017,770,	632,140,
Other current liability	1,413,840,	617,930,	542,380,	1,091,040,	1,087,900,
Total current liability	8,612,380,	6,034,600,	1,081,970,	8,346,120,	5,323,510,
Long term loan	-	-	1,122,190,	4,645,640,	2,021,520,
Other liability	531,860,	500,520,	552,510,	630,620,	410,660,
Total liability	9,144,240,	6,535,120,	12,556,670,	13,622,370,	7,755,690,
Shareholder's equity	8,166,820,	7,392,350,	2,289,120,	2,415,710,	4,160,160,
Total liability and shareholders' equity	17,342,040,	13,836,070,	14,742,750,	15,988,730,	11,969,530,
CONSOLIDATED INCOME STATEMENT					
Net sale	25,591,340,	22,464,120,	20,612,090,	17,665,830,	10,760,990,
Rental and service income and other income	1,815,440,	1,443,480,	1,883,050,	82,119,	397,060,
Total income	27,406,780,	23,907,600,	22,494,140,	18,487,020,	11,158,050,
Cost of sale	22,680,010,	19,993,770,	18,327,660,	15,443,590,	9,170,450,
Selling and administration expense	3,603,110,	3,171,020,	3,371,040,	2,732,370,	1,650,430,
Interest expense	47,900,	460,330,	974,430,	514,620,	183,510,
Other Expenses	67,760,	692,800,	-		
Income (Loss) from Operation	1,008,000,	-410,330,	-178,990,	-203,560,	153,660,
Income tax	94,710,	11,430,	1,310,		49,850,
Net income (loss) before minority interest sharing	913,290,	-421,760,	-180,290,	203,560,	103,810,
Extraordinary Items	-	-	-1,772,230,	-	-
Minority interest sharing	-139,630,	-560,	-53,710,	-24,240,	-90
Net income (loss)	773,660,	-421,200,	-121,580,	-1733,390,	10,390,

All figures, thousand of Thailand Bahts
At the exchange rate of approximately 60 Bahts per Pound Sterling

3

DS's Financial statement

	2000	1999	1998	1997	1996
ASSET					
Cash in hand and in banks	1,735,443,	1,133,546,	765,320,	479,950,	1,449,320,
short-term investment	592,409,	505,193,	474,242,	155,440,	647,170,
Account receivable	30,098,	18,369,	65,345,	341,780,	242,550,
Loans to and amount due from related parties	58,355,	69,774,	158,366,	300,840,	482,350,
Inventory	3,157,010,	3055,144,	2,599,195,	255,321,	3,351,010,
Other current asset	120,668,	200,581,	199,658,	722,610,	1,848,860,
Total current assets	5,693,985,	4,982,610,	42,621,	4,553,830,	8,048,270,
Investment fund and loans	392,164,	453,818,	522,127,	1,247,460,	1,348,550,
Property, plant and equipment	5,289,599,	582,797,	10,188,124,	11,576,400,	11,590,740,
Other asset	623,627,	756,263,	1,609,667,	1,093,370,	696,280,
Total asset	11,999,376,	12,045,490,	16,582,048,	18,471,050,	21,683,830,
LIABILITY AND SHAREHOLDERS EQUITY					
Overdrawn and Short-term loan	954,350,	978,306,	961,540,	1,074,130,	1,385,440,
Accounts payable	3,890,279,	3,981,835,	3,524,614,	3,488,660,	4,964,560,
Debentures and convertible debentures	114,888,582,	10,383,604,	9,891,673,	-	-
Long term loan due within one year	254,497,	226,258,	221,340,	-	-
Other current liability	9,180,571,	3,240,706,	2,329,900,	814,690,	1,632,360,
Total current liability	25,768,282,	18,810,712,	16,929,068,	5,377,480,	7,982,360,
Other liability	834,175,	892,823,	1,004,670,	15,057,760,	9,527,508,
Total liability	26,602,458,	19,703,535,	17,933,739,	20,435,240,	1,545,148,
Total liability and Net of Capital Deficiency	11,999,376,	12,045,490,	16,582,048,	18,471,050,	21,683,830,
CONSOLIDATED INCOME STATEMENT					
Net sale	6,999,757,	6501,395,	6,245,943,	8,832,550,	1,512,003,
Other revenue	1,044,834,	778,338,	1,145,785,	1,073,000,	1,679,060,
Total Income	8,044,601,	7,279,733,	7,391,728,	9,595,330,	16,734,360,
Cost of sale	5,607,529,	5,299,048,	5,075,059,	7,175,970,	12,677,390,
Selling and administration expense	2,182,508,	2,122,863,	2,178,113,	251,520,	2,932,120,
Interest expense	194,441,	915,244,	1,090,178,	110,803,	56,977,
Equity in net (income) loss of subsidiaries	-2,702	2155	16635,	-	-
Other losses	5,174,746,	4,498,635	1,478,758	9,310,	-
Total cost and expense	14,906,495,	13,010,425,	9,838,745,	10,814,830,	10,259,740,
Income Loss before extra items	6,861,893,	-5,730,692,	-2,447,017,	-1,219,500,	555,090,
Income Tax Expenses	26,675,	18,876,	16,239,	-13,950,	-30,040
Income (Loss) after income tax	-6,888,568,	-5,749,569	2,463,256	-1,233,450,	-525,040
Minority interest	-37,359,	40,018	184,392	-91,650,-	-65,310
Extra ordinary items	-	-	2,278,864	-6,469,440,	-
Net income (loss)	-6,925,928,	-57,095,550	1,187,436	-7,611,250,	590,350,
Earning per share	-46.77	-38.56	7.62	-51.43	4.01

All figures, thousand of Thailand Bahts
At the exchange rate of approximately 60 Bahts per Pound Sterling

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SC's Financial Statement

	2000	1999	1998	1997	1996
Consolidated Financial Position					
Cash on hand and at banks	755,718,	208,635,	88,740,	56,600,	45,260,
Short-term investments	1,382,000,	708,579,	551,010,	706,750,	369,120,
Trade accounts and notes receivable	117,335,	124,009,	252,570,	367,440,	278,100,
Loans to and amount due from related parties	6,813,	449,092,	-	-	73,530,
Other current assets	132,408,	152,834,	143,420,	105,730,	101,970,
Total current assets	2,394,276,	1,648,604,	1,035,730,	1,236,530,	867,960,
Investment and loans	38,839,	38,839,	338,490,	164,480,	45,980,
Investment and loans to related parties	161,693,	161,693,	261,300,	593,040,	53,6710,
Property, plant and equipment, net	8,345,701,	8,531,425,	9,563,470,	10,069,550,	9,110,460,
Other long-term assets	669,717,	734,322,	696,500,	867,610,	625,760,
Total Assets	11,610,120,	11,114,887,	11,895,490,	12,931,193,	11,098,526,
Bank overdrafts and short-term loans	40,590,	46,336,	220,050,	454,080,	581,010,
Trade accounts and notes payable	4,227,	3,044,	132,040,	68,250,	117,290,
Current portion of long-term liabilities	274,062,	255,799,	2,194,610,	747,100,	-
Current portion of Debt in instruments	1,628,829,	-	-	-	-
Loans from and amount due to related parties	2,065,	4,990,	2,640,	-	3,170,
Other current liabilities	602,331,	686,406,	539,350,	446,380,	406,760,
Total current liabilities	2,552,107,	996,577,	308,869,	1,715,810,	1,108,220,
Loans from and amount due to related parties			1,830,	19,780,	120,100,
Long-term liabilities	23,330,436,	1,833,208,	1,681,120,	4,330,430,	2,783,930,
Loans	-	, -	-	1,702,920,	1,471,050,
Debt instruments	-	1,697,689,	1,681,120,	2,627,510,	1,312,880,
Other liabilities	2,910,048,	2,932,803,	3,203,380,	3,229,870,	3,086,850,
Total Liabilities	7,792,594,	7,460,280,	7,975,020,	9,295,880,	7,010,748,
Shareholders's Equity	3,817,635,	3,654,607,	3,844,743,	3,635,310,	4,087,778,
Total Liability and shareholder equity	11,610,229,	11,114,887,	11,895,490,	12,931,190,	11,186,880,
Consolidated Operating Results			,		
Sales	2,270,484,	2,002,226,	2,256,810,	2,004,050,	1,871,440,
Other Income	644,797,	598,702,	976,930	531,920,	343,010,
Total Revenue	2,915,283,	2,600,929,	323,375,	2,535,980,	221,440,
Cost of Sales	1,306,281,	1,248,171,	1,201,280,	986,410,	857,390,
Selling and Administrative Expenses	333,545,	328,749,	387,270,	325,810,	351,320,
Directors' Remuneration	826,	860	9,670,	10,530,	-
Interest Expenses	368,632,	323,077,	592,170,	470,890,	182,530,
Other Expenses	403,704,	255,901,	576,290,	32,120,	
Gross Profit	502,291,	554,168,	467,070,	710,220,	805,210,
Income Tax Expenses	212,758,	183,786,	151,510,	245,630,	251,850,
Net Profit	308,119,	368,775,	358,110,	-392,530,	552,690,

All figures, thousand of Thailand Bahts
At the exchange rate of approximately 60 Bahts per Pound Sterling

Appendix 4 Geography and history of Thailand
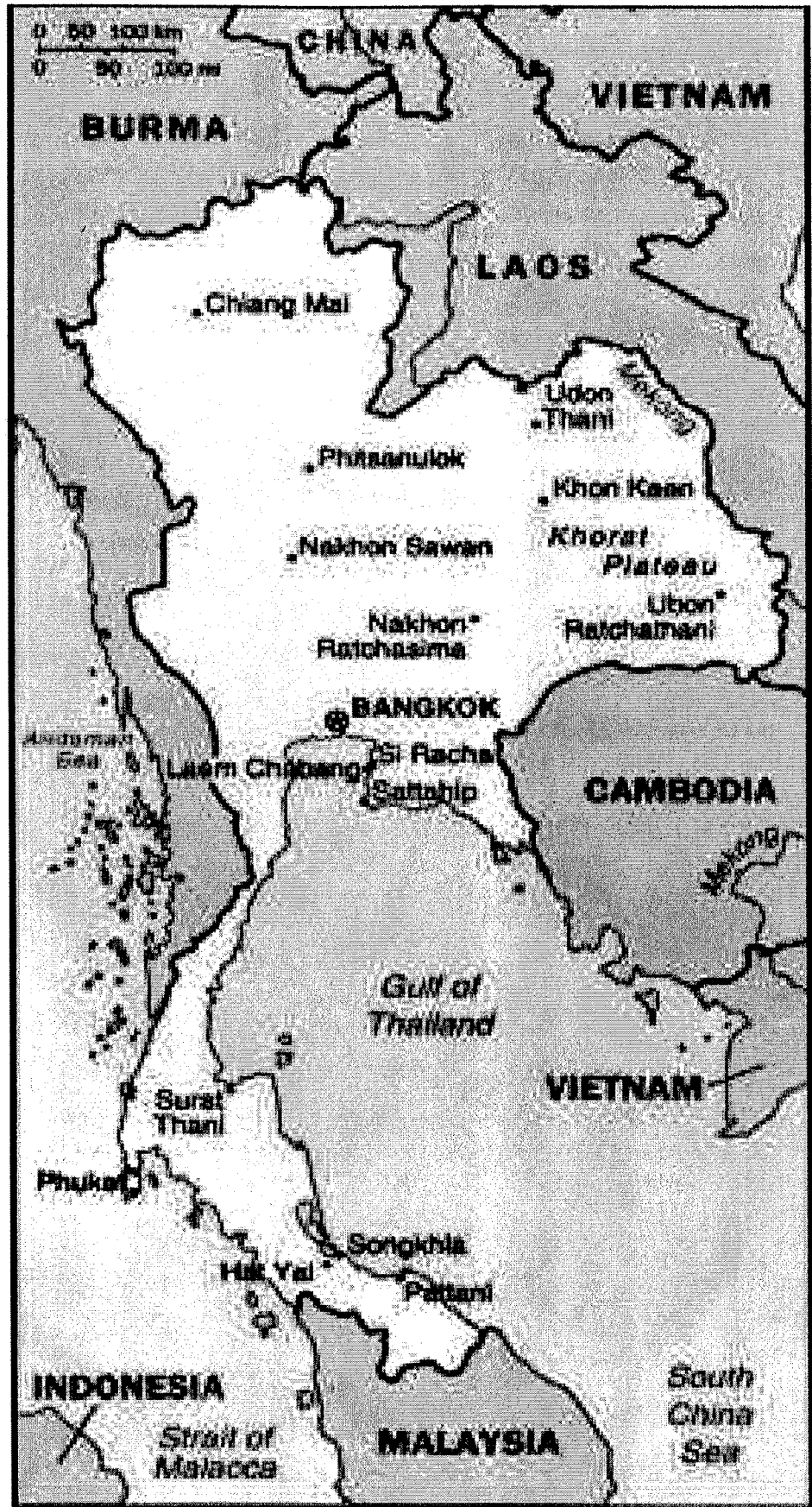
It is difficult to determine the type of culture which existed in Thailand before the Christian era, since no written records or chronologies exist. However, by the 6th century AD thriving agricultural communities were established from as far north as Lamphun to Pattani in Southern Thailand.

Theravada Buddhism was flourishing, and probably entered the region around the 2nd or 3rd centuries BC when Indian missionaries were said to have been sent to a land called "Suvarnabhumi". (An area comprising Burma, Central Thailand and Cambodia).

The Dvaravati period, a loose collection of city states, centred around the Nakhon Pathom area, and lasted until the 11th century when it quickly declined under the political domination of invading Khmers.

During the 13th century several Thai principalities in the Mekong valley united and took Haripunchai from the Mons and the Sukhothai area from the Khmers. The Sukhothai kingdom declared its independence in 1238 and quickly began to expand. At its height the kingdom stretched from Nakhon Si Thammarat in the south to Vientiane in Laos, and Pegu in Burma.

Sukhothai is considered by most Thai historians to be the first true Thai kingdom. King Rham Khamhaeng, the second king of the Sukhothai era, organised a system of writing which became the basis for modern Thai. He also codified the Thai form of Theravada Buddhism.

During the 14th and 15th centuries the Thai kings of Ayuthaya became very powerful and began to expand their kingdom eastward until they took Angkor from the Khmers in 1431. By the mid-16th century Ayuthaya and the independent kingdom of Chiang Mai had came under the control of the Burmese, but the Thais regained control of both areas by the end of the century.

Burma again invaded Ayuthaya in 1765 and fought a fierce battle with the Thais for two years before gaining control of the capital. During the process the Burmese destroyed large numbers of manuscripts, religious sculptures, and many temples.

The Burmese made no further inroads into Thailand and, in 1769, a new Thai capital was established at Thonburi, on the banks of the Chao Phraya river opposite Bangkok, by general Phya Taksin. The Thais quickly regained control of their country and began to further unite the provinces in the north and south of the country.

In 1782 king Rama I was crowned. He moved the capital across the river to Bangkok, and ruled as the first king of the Chakri dynasty.

King Rama I established Krungdep or Krungthep (Bangkok) as the capital in 1782. The name is interpreted as "the capital city of the gods" and "the city of the angels." Bangkok is located on the left bank of the [Menam] Chao Prya River about 40 kilometers from its mouth. Across the river is the city of Thorn Buri. It formerly was the capital. Now, they form the Greater City of Bangkok. (http://www.rootsweb.com/~thawgw/history.html)

In 1809 Rama II, son of Rama I, took the throne and ruled until 1824. King Rama III (1824-1851) began to develop trade with China and increase domestic agricultural production.

When king Mongkut (Rama IV) took the throne in 1851 he quickly established diplomatic relations with European nations, while at the same time astutely avoiding colonisation. He also began a period of trade reform and moderisation of the Thai education system.

His son, King Chulalongkorn (Rama V 1868-1910), continued this tradition with the modernisation of the legal and administrative systems, and the construction of railways. During his 15 year reign from 1910 to 1925 king Vajiravudha (Rama VI) introduced compulsory education and other reforms.

In 1925 the brother of king Vajiravudha, king Prajadhipok (Rama VII 1925-1935) ascended the throne. Seven years later a group of Thai students living in Paris mounted a successful bloodless coup d'etat which led to the establishment of a constitutional monarchy similar to that which existed in Britain. A key military leader in the coup, Phibul Songkhram, took power and maintained control until after the end or WW II. Rama VIII.

The name of the country changed in 1939. Prime Minister Phibun Songkhram changed the country's name from Siam to Thailand, which means "Land of the Free." He did this to free his country from the past.
(http://www.rootsweb.com/~thawgw/history.html)

Ananda Mahidol, became king in 1935 but was assassinated in rather mysterious circumstances in 1946. He was succeeded by his younger brother Bhumipol Aduldej who became Rama IX.

His Majesty King Bhumipol Adujdej remains on the throne today, and he commands great respect in both Thailand and throughout the rest of the world.

By the late 1960s the nation's problems largely stemmed from conflicts brewing in neighboring Cambodia and Vietnam. Although Thailand had received $2 billion in U.S. economic and military aid since 1950, and had sent troops (paid by the U.S.) to Vietnam while permitting U.S. bomber bases on its territory, the collapse of South Vietnam and Cambodia in spring 1975 brought rapid changes in the country's diplomatic posture. At the Thai government's insistence, the U.S. agreed to withdraw all 23,000 U.S. military personnel remaining in Thailand by March 1976.

Three years of civilian government ended with a military coup on Oct. 6, 1976. Political parties, banned after the coup, gained limited freedom in 1980. The same year, the National Assembly elected Gen. Prem Tinsulanonda as prime minister. General elections held on April 18, 1983, and July 27, 1986, resulted in Prem continuing as prime minister over a coalition government.

Fleeing from Laos, Vietnam, and the genocidal regime of Cambodia's Pol Pot, refugees flooded into Thailand in 1978 and 1979. Despite efforts by the United States and other Western countries to resettle them, a total of 130,000 Laotians and Vietnamese

were living in camps along the Cambodian border in mid-1980.

On April 3, 1981, a military coup against the Prem government failed. Another coup attempt on Sept. 9, 1985, was crushed by loyal troops after 10 hours of fighting in Bangkok. In Feb. 1991 a bloodless putsch led by Gen. Suchinda Kraprayoon overthrew the democratic government on charges of corruption. The new junta declared a state of emergency; under martial law, the houses of Parliament were dismissed and the constitution abolished.

Parliamentary elections in March 1992 gave more than half the seats at stake to pro-military parties. In April, the top military commander was appointed prime minister. A scandal over a land-reform program caused the fall of the government in May 1995. The prime minister dissolved Parliament and set a date for new elections. Voters in early July gave the largest number of seats in Parliament to the Thai Nation Party, whose leader moved quickly to form a coalition government. A new draft constitution, calling for cabinet ministers to relinquish their parliamentary seats, came under fire in the early months of 1997 from a number of politicians.

Following several years of unprecedented economic growth, Thailand's economy, once one of the strongest in the region, collapsed under the weight of foreign debt in 1997. The Thai economy's downfall set off a chain reaction in the region, sparking the Asian currency crisis. Although one of the first Asian economies to be ravaged by the currency crisis, the Thai government quickly accepted restructuring guidelines as a condition of the International Monetary Fund's $17 billion bailout. By 1998, Thailand's economy, while far from completely recovered, appeared to be in better condition than that of many of its Asian neighbors, and continued to improve in 1999. The Thai Rak Thai party won elections in Jan. 2001 and formed a coalition government with the Chart Thai and New Aspiration parties. Billionaire Thaksin Shinawatra became prime minister.

Appendix 5 Definitions of Store formats

Definitions of various store formats in Thailand retail "Modern trade"

Department stores

This store format offers various types of merchandises that are arranged in various departments regarding lines of merchandises (Tungrathpahn, 1998). It can be said that the stores acquire many specialty stores in one premise (Pbarnprasong, 2000). Most of merchandises, which have high quality with high price compared to other types of retail operators, are luxurious and branded products, such as electronic, fashion clothes, cosmetics and jewellery. Every section or department has sales assistants that serve and advise customers (Arsasongdhram, 2000). Sale representatives for consignment products are often found working at their own booths (Chaiyasoot, 2001). This type of store has high operating cost. The margin of goods sold must be high to make sufficient profit.

Supermarkets

This type of store sells grocery and consumer goods for every day use and consumption (Arsasongdhram, 2000; Chaiyasoot, 2001). This includes fresh vegetables and fruits, prepared food, delicatessen, grocery and household products (Tungrathpahn, 1998). Inventory control must be managed to reduce waste products Chaiyasoot, 2001). The stores are self-service that requires customers to handle goods from shelves to pay at the tills. Sales margin per item can be low if operating cost is controlled to be a low level. Waste of unsold fresh products is the key factor of cost control management.

Superstores, Supercenter or Hypermarkets

This type of store supplies low price consumer products for day to day use (Arsasongdhram, 2000). The store aims at middle class customers who prefer good products at low price (Chaiyasoot, 2001). They can be called by several names that come from different origin, such as the US and Europe. Superstore was developed from supermarket, the others were developed from discount stores (Kookhang, November 1983). They developed from the expansion of supermarkets and discount stores. Nowadays, the format of stores is rather similar and normally contains three main section of merchandise, such as fresh food, soft goods and hard goods. Furthermore, the difference in size can help to classify these three types of stores. Hypermarkets are biggest, Supercenter is the second and Superstore is the smallest. The management of low operating cost and economy of scale in inventory management and distribution centre are the key success factors that enable these operators to offer low price (Chaiyasoot, 2001, Tungrathpahn, 1998).

Convenience stores and Mini-marts

These type of stores are small in size that can be located near by communities, such as bus stop, by streets or on the corner (Arsasongdhram, 2000). The stores sell fast food, beverages and grocery. The opening hours are long from morning until late night. Therefore, the accessibility of customers is the most important factor of the business. Furthermore, they also provide services, such as paying bills, reserving tickets, delivering letters and fax (Arsasongdhram, 2000). The stores emphasise on convenience for fill-in purchase or emergency buying (Chaiyasoot, 2001). They are normally chain

stores that manage systematically and expand by franchising (Pbarnprasong, 2000). Both names come from the development of retailing in different continents. The concept of convenience stores was developed in the US, but the concept of mini-marts was developed in Europe (Tungrathpahn, 1998).

Speciality stores

The stores sell a limited line of products that normally have many choices and related items (Polnikorn, 2000). Products often have fashion and high quality (Rathananuban and Jaruvatanachai 2000) and are more expensive like department stores. Sometimes the stores supply a range of products that are difficult to find elsewhere (Tungrathpahn, 1998). This type of store is located on crowded street or popular trading site. In Thailand, they can often be found in rental areas of shopping centres that have a closed roof.

Cash and Carry

This type of store, which is similar to discount stores, attracts small retailers or organisational buyers rather than general consumers, because they normally arrange products in bigger packages and offer wholesale or low price (Rathananuban and Jaruvatanachai 2000). Every buyer must apply for membership to do shopping (C.A International, 1999). Customers must provide their own carrying bags and transport. Economies of scale in inventory and cost control at distribution centre (Rathananuban and Jaruvatanachai 2000) are very important to keep lower price than competitors.

Category Killer

This type of store is normally bigger than speciality stores and holds a number of related product lines for customers' convenience (Tungrathpan, 1998). Customers can shop for many related items from one place. They offer more amounts of different brands in each product and more competitive on prices (Raktakanid, 1999) when compared to department stores and speciality stores. They provide choices at various prices for customers' preference (CA. international, 1999).