COMPETITIVE ADVANTAGE STRATEGY IN GROCERY STORE BUSINESS OF ENTREPRENEURS IN KHONGL KRACHAENG SUBDISTRICT, MUEANG DISTRICT, PHETCHABURI PROVINCE

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Abstract

The objectives of this research are to study the grocery store business model in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province, to study the competitive environment of grocery store in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province and to study the Competitive advantage of grocery store business in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province. This research is a qualitative research method with in-depth interview for four entrepreneurs and two convenience store managers in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province. The research instrument was an interview form by using open-ended questions to collect data based on the descriptive analysis which analyzed and recorded from the interview, then classified into categories and analyzed the data according to the concept to find the conclusion. The result of this study are that 1) The grocery store business model is a registered trademark by a single owner who manages the business on their own. This type of business uses low cost, and easy to manage. 2) The competitive environment of grocery store business was found that the entrepreneurs made an adjustment by creating an understanding and loyalty among their customers in the business. In addition, customers can find materials or products by comparing the seller's bargaining. 3) The competitive advantage of grocery store business was found that the sellers and their customers communicate about product information to create purchasing attitude and behavior. Moreover, they manage by considering the profits of the business, determine the exact price, focusing on services and customer convenience.

Keywords: Competitive Advantage, Business Management, Grocery Store

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Introduction

At present, the traditional retail business in consumer goods in Thailand has been developed both in terms of business operation pattern and direction, which responds to the economic and social environment changes (Srichannil, 2010; Buranasri, Pongyila & Pancharoen, 2013), and the evolution of modern technology also helps the traditional retail business model in Thai food. The rapid change from the traditional retail business which was operated as a family business to the modern retail business model can reflect the consumer’s behavior and lifestyle. Indeed, traditional retail stores can be considered as Thai business because, from the past to the present, traditional retailers or grocery stores are classified as small shops scattered throughout Thailand, from the provincial level to district and village level by giving priority to the distribution of products from the manufacturer to the final consumer for individual and family consumption. In addition, traditional retailers or grocery stores can generate income for the family, and connect people in the community to meet, socialize, exchange information and learn more about one another, whereas the culture and familiarity of people in the community can be created (Hongma, 2016).

The researchers considered the area in Khlong Krachaeng Sub-district, Mueang Phetchaburi District, Phetchaburi Province, where the big and prosperous market with 4,237 households (Thai Dot Com District, 2014) is located. It consists of 40 grocery stores and 11 convenience stores (Public Health Division, Phetchaburi Municipality). There are many grocery and convenience stores, such as Seven-Eleven, Lotus Express, Family Mart, CJ Express, Big C Extra within the area, which leads to more competition in the alike business. In terms of competitive advantages, the business actually needs it since it can help all business to strategically compete with the other competitors (Lertsakonphan, 2015; Thipsri, Bamrung, Kusaenjai & Techayod. (2015)

Therefore, the researchers are interested in studying the strategies to create competitive advantage of the grocery store operators in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province, where the grocery business plays an important role in the economic system in the area for a long time. In addition, grocery store is an important distribution channel for manufacturers to distribute products to the final consumers. However, with uncontrollable threats from external factors, such as an increase of modern convenient store, the number of traditional grocery stores in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province has decreased.

Research Objectives

1. Study the pattern, characteristics and business operation of the grocery stores in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province.

2. Study the competitive environment of the grocery store operators in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province.
3. Study the strategies for competitive business success of grocery store operators in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province.

**Scope of Research**

**Samples**

There are six entrepreneurs of grocery stores in Klong Krachaeng Subdistrict, Muang District, Phetchaburi Province.

**Variables**

In this research, there are 3 variables studied as follows.

1) Pattern, characteristics and business operation of grocery store operators in Khlong Kra Saeng, Mueang District, Phetchaburi Province consisting of goal setting / motivation in business, consideration of the business area selection, pattern of establishment and budget for investment in business operation, business style and service of business, and target customers.

2) The competitive environment of the business of convenience store operators in Khlong Kra Saeng, Mueang District, Phetchaburi Province consisting of management of new business competitors / potential entrants, business management and negotiation with the buyer, and management of product vendors, senders and manufacturers.

3) Strategies for competitive business success of convenience store operation in Khlong Kra Saeng, Mueang District, Phetchaburi Province, consisting differentiation strategies, low-cost strategy and quick responsiveness strategies.

**Expected Results**

This research can provide knowledge and understanding about the retail business and business environment of the grocery stores in Khlong Kra Saeng, Mueang District, Phetchaburi Province. In addition, the study result can be used as a guideline for planning, developing, and improving the retail business in the future.

**Concepts, Theories and Related Researches**

**Definition and Types of Retail Stores**

Retailing is the sale of products and services provided to the final consumers; therefore, the "retail store" is an important player in between the buyers and sellers (Hongma, 2016). Retail business in Thailand has continued to develop so the traditional retail store model became a modern one, from the small to the larger one, from the single to the connected one, from being owned and managed by Thai people to being owned and managed by foreigners. Recently, the retail store can be categorized as follows.
1. Small Retailer: It is a traditional retail store model that is managed by a single owner, using less space, selling products needed on a daily basis. There is no development of business operation model which the products can be brought from wholesale. Even though the popularity of this type of shop among consumers is reduced, there are a lot of this retail type scattered in different areas of the country.

2. Specialty Store: It is a retail store that focuses on selling specific products, such as flower shops, stationery stores, construction materials store, gun shops, sporting goods stores and others. These stores are trying to develop modern styles to compete with modern retailers. However, with the limitations and buying behavior changes, the large shopping centers reduce the product volume.

3. Department Store: It is a large retail store with luxury decoration, completed with services, selling all types of products by clearly dividing into departments and categories of products which makes customers enjoy shopping. This service is in the form of One-Stop Shopping. The examples are Central, Robinson, The Mall and others. Since it provides facilities and activities for all family members, department store is a popular type.

4. Supermarket: It is a place to sell essential products, including food and household necessities. Most of the products are low profit. Therefore, it is needed to manage very effectively to reduce the losses, use less space, and select the best location near the community or travelling route that attracts people. Formerly, the supermarket is a part of department store. However, at present, it is located near the community independently and called “stand-alone”, such as Tops Supermarket which is managed by Royal Ahol Company of the Netherlands. The supermarket focuses on expanding stand-alone branches throughout Bangkok and other provinces.

5. Convenience Store: It is a small retail store that develops traditional management styles into modern retail stores, focusing on convenience in both location and time. It provides many branches and opens 24 hours a day. Most of the products are food, beverages and consuming products. In response to the urgent purchase needs, this type of shop expands to replace small retail stores, based on a clean, convenient and well-managed format. The examples of this type include 7-ELEVEN, Am-Pm shop, Family Mart, Jiffy, Select, Tiger Mart, Star Mart and others.

6. Discount Store: This large retail store sells all types of products with the policy “Everyday Low Price”. This type of store expects high sales, gain low profit per unit; therefore, it does not emphasize on good services and luxuries. Although the investment is high, this store type is currently being popular and has the highest growth rate. The examples of this type can be Tesco Lotus, Carrefour, Big-C and Makro.

7. Category Killer: This large retail stores focus on group-specific products, such as office supplies, home-related equipment, decorations and gardens, electrical appliances, sports equipment and supplying the specific products. This type of stores can not only provide specific products, but it can also provide after-sales service. The examples are Home Pro, a retail shop specializing in home decoration accessories and DIY (Do it Yourself) products; Power Buy, which focuses on retail
electronic products and office supplies, and Makro. In addition to the retail stores, there is a non-store retailing which is a new trading model that does not need to be invested in a store, such as direct sales, direct marketing, media retailing, automatic vending machines and electronic commerce.

**Business Management Concepts**

The concept of business management refers to the consideration of organization as a person who manages the business, makes a decision, sets the goals and coordinates with the members of the organization to move forward in the same direction (Nimkaew, 2011; Sirichotabandit, 2012; Songkatisak, 2016). The elements of business management are POLC which refers as follows.

1. Planning: Planning is a matter of determination of business management method and anticipation of the future results by using academic principles, reasoning and numerical data to generate the solution and direction in order to eliminate the obstacles that will interrupt the goal achievement. In addition, the planning will allow the practitioners to know what, where, when, with whom, how and what to do in order to create the effective work practice.

2. Organizing: The organization is a combination of people and jobs. In order that the personnel of the organization can fully work, the duties assigned to its employees must match their abilities and skills. Therefore, organizing is a necessary skill that benefits the organization, the executives and the employees.

3. Leading: Leading is the use of power to motivate employees to work and succeed the set goals. It is also the process of managing members of the organization to work together with different ways, because human is the most difficult creature to be completely understood. Therefore, it is very important to adopt the leading with different concepts and variables, such as leadership of the executive, motivation to communicate in the organization and teamwork (Songkatiatisak, 2016).

4. Controlling: The use of various resources of the organization must be controlled, followed and evaluated in order to maintain the organization in the direction towards the goal correctly. According to the main objectives of the organization, the organizations or businesses that will experience failure or success depends on the control of the business operation, from the beginning to the end of the administrative process (Wiset, 2012).

**Marketing Mix Concepts**

The marketing mix consists of product, price, place, and marketing promotion, also known as 4 Ps. The marketing mix is the variables that can be controlled (Serirat et. al., 1998). It can also be used to meet the needs or satisfaction of customers. In the meantime, Srichannil (2010) and Chongjit (2015) mentioned the marketing mix of service business as follows.

1. Product: It is the product or service that the business offers to customers in order to meet the customers’ needs and satisfaction. The product must be valued in the eyes of customers, so that the product can be sold.
2. Price: It is the value of the product in the form of money. The price is the cost of the customers. The customer will compare the value and price of the product or service in order to make a decision whether to buy it or not. Normally, if the product or service value is higher or suitable with the price, the customers will decide to conquer it. In contrast, if the product or service price is not reasonable, the customers will absolutely ignore it.

3. Place or distribution: This includes the structure or distribution channel containing institutions that bring products to the target market and activities for moving products to markets, such as warehousing, transportation, etc.

4. Promotion: It is a communication of product information between buyers and sellers to create attitudes and buying behavior.

Concepts of the Organization's Environment

At present, many businesses are competing in many ways to gain their market share. Not many competitors choose to use the price-cut method to maintain the market because it does not lead to long-term benefits. Therefore, the management of the company should consider the main factors that affect the business operations (Sirichotabandit, 2012; Wiset, 2012). The well-known model, such as the Five Force Model is a tool for analyzing competitors in order to understand the competitive environment and plan business strategies. The Five Force Model was created by Michael E. Porter and its details were portrayed as follows.

1. The entry of new competitors: It is a serious threat since it will reduce the market share of the business. The operators who choose to do business with moat will create difficulty to new competitors to enter the market. In fact, the difficulty includes strong brand, customers’ product brand, ability to manage costs and etc.

2. Negotiation of customers: Entrepreneurs must create the value of the product or service which can benefit their customers when they decide to use product in order to meet the needs of the customer. If the business relies on only a few large customers, it is risk that customers can negotiate prices for products and services which will reduce the profit of the business. Therefore, the entrepreneurs must define clear customer groups. In addition, entrepreneurs must build a strong brand for the business as well.

3. Product and service substitution: The entrepreneurs have to consider how easily or difficult the customers can find the substitute products with similar price and quality and switch to use them.

4. Channels of suppliers: The operators must consider the conditions of the business whether there is any supplier having high bargaining power. The integration of entrepreneurs will have the power to negotiate with suppliers of inputs.

5. Competition within the entrepreneurial industry: The entrepreneurs must consider the number of competitors within the industry and the proportion of each competitor's market in order to analyze the value of entering the market.
Determing Strategies to create Competitive Advantage

1. Cost strategy means the development of ways to become a manufacturer of affordable products and services in the industry.
2. Differentiation strategy means the development of ways to create their products or services that are different from competitors.
3. Innovation strategy means the search of new ways to do business causing significant changes to the production and distribution processes of products or services.
4. Growth strategy means the production capacity expansion of products and services more widely.
5. Alliance strategy means relationships buildings with business partners, customers, suppliers, competitors, consultants and other companies which may include mergers or joint venture.
6. Strategies for original product or service improvement means the attempt to develop and improve the original product and service, such as the automobile manufacturing business offering a longer product warranty period.

Methodology

Key Informants

Since it is a qualitative research, the researcher therefore decided to collect the data from the properly defined key informants. In this study, the population and sample group is the grocery store operators and convenience store manager. The researchers selected to use the interview method because it allows people to describe what they have experienced, which is the best knowledge sources because humans know well what they have experienced.

Determination of Key Informants

This study determined the information providers by focusing on the owners or their representatives, such as managers of the retail stores registered with the Phetchaburi Municipality, in Klong Krachaeng Sub-district, Mueang District, Phetchaburi Province. In addition, the researchers selected the large store with many customers visiting to purchase products in order to answer about various aspects of business operations and success. However, in order to compare the success and comparative advantages, the researchers then also needed to study about the business with smaller number of visitors in the same area. The researchers selected 4 large convenient stores with many customers and 2 smaller convenient stores with less number of visitors. With this criteria, the researchers ensured that the data were validated and usable.

Research Tool

The tool used in this research was the in-depth interview based on research objectives, using open-ended questions to collect data by providing content to cover the information needed for the
process of creating the tools used due to the research methodology. The interview technique employed unstructured or unstandardized pattern with guided interview in order to obtain the keywords. The benefit of this is that it can offer the opportunity of the researchers to modify the questions in order to be consistent with the research participant or their situation and experiences. In addition, the researchers designed to use the same questions to begin with the other selected key informants in order to compare the strategies and direction of the answer.

**Data Collection**

For data collection, the researchers participated in the in-depth interview in order to obtain the data from the key informants were the owners or managers from the convenient stores. In this study, the researcher selected 4 owners of convenient stores and 2 managers from the convenient stores located in Khlong Krachaeng Sub-district, Muang District, Phetchaburi Province. The integrated questionnaires that are in harmony with the interview and being friendly which can indicate the feelings of the person who gave the interview in order to get the most complete and true information. The tape recording was used in order to record the information ensuring that the researchers did not miss the information.

**Data Analysis**

For the process of analyzing the data obtained from the in-depth interview, the researchers used the information obtained from the in-depth interview to analyze by using descriptive analysis method. In order to receive the complete data, the researchers collected the data and recorded the interview and immediately analyzed the data. This allowed the researchers realize whether the data was already completed or enough. The method including categorization based on concept to find a research conclusion was also employed.

**Research Results**

In the study of business-level strategies for creating competitive advantage of the entrepreneurs of convenient stores located in Khlong Krachaeng Sub-district, Mueang Phetchaburi District, Phetchaburi Province, the results can be shown as follows.

**Part 1: General information of informants**

There are 2 convenient store managers and 4 owners who were expert in running business in the area of Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province.
Part 2: Opinions towards the study of pattern and characteristics of the business

The convenient stores in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province, were generally operated in the form of family business, but registered as the business owned by only one person.

2.1) Business Goals / Motivation

From the research, it was found that most entrepreneurs are interested in personal business that has enough funds to set up shops and they see a channel from the surrounding environment in the community.

2.2) Consideration of the selection of the area of business

From the research, it was found that entrepreneurs, grocery store and convenience store managers considered that the entrepreneurs would mainly consider customers by relying on local people and travelers.

2.3) Form of establishment and budget for investment in business operations

From the research, it was found that the form of most establishment and budget for investment of convenient stores are single businesses, and the first budget for the establishment is quite high. However, the money has been turned into cash for the next investment. The convenient store has been controlled by the parent company in terms of finding locations, products as well as managing personnel and promotions which have been constructed under the standardized management and supervision.

2.4) Business model and business services

From the research, it is found that the business model and service of the convenient shop will have general distribution of products which is used for consumption as a basic product in daily life, while convenient stores are in company forms.

2.5 Target Customers

From the research, the target customers will be in the vicinity of potential buyers and regular customers who frequently come to buy.

Part 3: Opinion towards the competitive environment of the business

There are several convenient stores in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province, so it is usual to have a high competition in the business. In addition, most of the shops are developing their ways to sell their products.

3.1 Dealing with business competitors / potential new entrants

From the research, it is found that each entrepreneur does not have any direct business competition with business competitors / potential new entrants. Most of them have regular customers and attempt to provide better services, set new regulations and develop their shops to be more interesting to attract the customers.
3.2 Dealing with the bargaining of buyers
From the research, it was found that there was no bargain price from the buyer because the shop and the grocery store have created the understanding among their buyers about their selling price and the cost.

3.3 Dealing with sellers, senders and product manufacturers
From the research, it was found that most grocery stores have to regularly buy items or order items, which will receive the wholesale prices. In addition, the grocery stores compare the prices with other wholesalers or retailers in order to see the places that offer lower price and the grocery stores will partly order the products from that.

Part 4: Strategies for creating business success

4.1 Creating business differences

4.1.1 Products and services
From the research, it was found that the convenience stores create differences by offering new products with lower prices and servicing with better services than other stores. This can make the customers return to visit their shops.

4.1.2 Highly popular products
From the research, it was found that the products that are selling well are drinks.

4.1.3 Additional services / after sales service
From the research, it is found that most of the services are similarly provided. For example, if the customers who purchase the product live near the shop, the convenience store will deliver the purchased goods to their house.

4.1.4 Creating promotions
According to the research, it was found that most of the grocery stores do not have any promotion because the cost as they sell at a high price but get low profit, which they cannot be classified as a competitive convenience store. Promotions, both discount and free, or point accumulation can be applied.

4.2 Low cost strategy

4.2.1 Cost price / How to get products at a low price
According to the research, it was found that grocery stores will focus on buying products with lower cost to sell at regular prices to increase profits and generate more income by showing the two prices to customers to compare.

4.2.2 Distribution channels of purchased products
According to the research, it was found that most grocery stores have to go out to the wholesale and buy the products by themselves. However, there is some time that grocery stores hire someone to send the products from the wholesale. In terms of finance, the cost is similar, but it can save time and reduces travel expenses.
4.3 Strategies for rapid response of services and products

4.3.1 Fast service / how to make customers get faster service.

According to the research, it is found that in creating a quick sale, every store will use the sales force to provide convenience for customers and also allow customers to have self-service as well.

4.3.2 How to adjust to new products / new products / new design products

According to the research, it was found that the grocery stores will not dare to buy and sell the products before the products become popular because it can lead to the loss if the products cannot be sold.

Discussions

Part 1: Opinions towards the study of business model and characteristics

Based on the study on the different business model management, there are different competitive advantages. The result of the study found that the grocery store operators in Klong Krachaeng Subdistrict, Mueang District, Phetchaburi Province, had registered as a sole proprietorship. As the sole owner of the shop, the owner must take all responsibility to lead the business to obtain the low cost. There is a simple operation method that is easy to manage and has high flexibility. Also, there is a family management which everyone in the family participates in the business by using the principles of business management, i.e. looking at the organization, being the person who manages various activities in the organization, as well as being the decision maker. In addition, the owner must manipulate the goals of the organization and coordinate with the members of the organization to proceed the goal (Songkhiatisak, 2016).

Part 2: Opinion towards the competitive environment of the business

Based on the study of the general characteristics of businesses affecting different organizational environments, it was found that the shop operators in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province had a theoretical conclusion about the general characteristic of the business that had an effect on business operation. In order to understand the business environment, the Five Force Model exposed by Michael E. Porter is the tool that analyzes the competitors’ competitive environment to plan the business strategy. The business environment is important to business operations since it helps the grocery store operators understand the needs of their customers and create customer loyalty in the business, as well as manage the effective procurement of raw materials or products in the business by comparing the bargaining of the seller. This research results are consistent with Baker (2012) who studied the organization's environment and perceived environmental uncertainty. The results of the research show that the business environment is crucial and directly affects the customers’ decision making.
Part 3: Strategies for Creating Business Success

From research results about the general characteristics of the business affecting different marketing mix strategies, it was found that the convenient store owners in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province, had concluded about the use of marketing mix strategies that can be controlled and shared in order to meet the customers’ needs or satisfaction (Serirat et. al., 1998; Chantaraphon, 2015). The marketing mix strategy consists of product, price, place and promotion. The product is the product or service that the business offers to its customers in order to meet the needs and satisfaction of customers, which the product must be valued in the eyes of customers in order to be sold (Chongjit, 2015). In the meantime, the price is the value of the product in the form of money. The price is the cost of the consumer. The customer will compare the value and price of the product. Moreover, the place is a structure or distribution channel containing with institutions that bring products to the target market and activities for moving products. The last one is the marketing promotion which is a communication of product information between the buyers and sellers to create attitudes and buying behavior (Rantharom, 2014; Ananchokprathom, 2015).

Based on the study of the general characteristics of the business and different competitive advantage, it was found that the convenient store owners in Khlong Krachaeng Subdistrict, Mueang District, Phetchaburi Province, used the strategy creating competitive advantage by strengthening the outstanding points of the shop and spending a lot of time adjusting themselves (Chaengploy & Jesadalak, 2016). The results of the study correspond with the concept of competitive advantages. The competitive advantage means various factors that make the organization different with superior value in products and services from other competitors, which leads to more customer satisfaction than competitors (Jiramat, 2011). This resulted in increased market share as well as strategic planning. Michael E. Porter, an expert in competitive advantage concept, said that competitive strategy aims to create profits. The competitive advantage concept includes 2 main points as follows.

1) Cost leadership is a competitive strategy which the organization considers efficiency in cost reduction in order to have a better position above the competitors.

2) Differentiation strategy is a competitive strategy in which the organization makes a difference in products that allow customers to recognize that there are distinct differences from its competitors. Companies can create different types of products by using technology, providing innovative services to customers, new product design, new distribution ways and others. When customers believe that those products are different from competitors' products, they will be willing to buy the products and service at higher price. Therefore, the benefit of this differentiation strategy is customer loyalty and higher profits.
Suggestions

Suggestions from research results

1.1 Policy implementation

This research can be used as a data for legal declaration or prescribing various rules and regulations by public and private organizations or agencies.

1.2 Commercial implementation

This research can lead to the development of strategies or forms that generate revenue or lead to increase business efficiency in the future.

1.3 Academic implementation

This research can be used as data for education or a reference source in the study of relevant research.

Suggestions for further research

The next research study should focus on in-depth interviews since this study was based on qualitative research. The qualitative research interviews by qualitative research can give more insight information. Next, the study should also study about the customers’ behaviors in Khlong Krachaeng Sub-district, Mueang District, Phetchaburi Province, in order to understand the real need of the customers. Lastly, the study should expand the samples to other businesses in order to study their key success factors, so that it can be the appropriate indicators to benchmark with the convenient stores.

References


