The Problems and Management Strategy of Local Convenience Stores for Business Survival in Violent Situations in Lower-South Thailand

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Abstract

Violence in the lower south of Thailand has happened for more than 8 years, and it has affected the lives of local people; there is economic decline and many businesses are falling. The objective of this study is to analyze the management problems of convenience stores in lower-south Thailand and to study the management strategies of convenience stores for survival in this violent situation. We conducted in-depth interviews with 55 local owners of convenience stores in the towns of the Pattani, Yala, and Narathiwat provinces. We selected the sample by convenience sampling and purposive sampling technique. To analyze the data, we conducted content analysis and descriptive analysis. Violence is a big issue that is contributing to many problems for convenience stores, such as increases in the cost of goods, inability to transfer the business to the next generation, customer decline, and the divide between Chinese Buddhists and Muslims. In addition, franchises such as 7-Eleven have affected local businesses. We found seven management strategies that traders use to help their businesses survive: 1) reduce working hours, 2) proceed carefully in violent situations, 3) classify customers, 4) employ Muslims to work in convenience stores, 5) offer price promotions, 6) set up another business to reduce business risk, and 7) practice self-sufficiency by investing only in necessities.

Keywords: management strategy, violent situations, convenience stores, lower south, Thailand

1. Introduction

The violence in the three provinces (Pattani, Yala & Narathiwat) is a result of many issues, such as poverty and the lack of development in the area, the problem of human rights, religious ideologies, criminal activity, the desire of some groups to set up a new state (called Pattani), and selective biases among government agencies. However, the most significant issues have arisen from the existence of a separatist army, illegal businesses, political groups that want to obtain power in the area, the bad behavior of community leaders and government agencies alike, and the government’s failure to understand the identities and cultures of local people (Nakata, 2010). Many problems in this area of Thailand arise from unequal opportunity and a lack of decentralization, so it has been suggested that the government should solve these problems by, for example, decentralizing, demonstrating concern for education, seriously engaging in the prevention of the drug trade, dismantling illegal businesses, relying on local wisdom, and encouraging the people’s participation (Chaikaw, 2010).

After the 2004 terrorist conflicts in these three provinces (Pattani, Yala, and Narathiwat) in lower-south Thailand, the region’s economy took a sharp downward turn, with the economic growth rate falling from 5.8% per year in 2000 to 1.4% in 2003 and eventually to 0.6%–0.9% in 2011 (Promsaka Na Sakolnakorn, 2012, p. 42). Nowadays, business in this area is changing hands, from the original traders, such as the Chinese and Buddhists, into the purview of a Muslim society. In Yala and Narathiwat, the number of Chinese traders has decreased by approximately 10% because they have moved to other provinces, such as Phuket and Hat Yai. This migration is attributed to fears of the terrorist threat among the Chinese traders, many of whom have been victims of car bombs and killings in the area (Promsaka Na Sakolnakorn, Sungkharat & Tepsing, 2012). In addition, the owners of convenience stores have had soldiers, police, and community security guards stand, sit, and/or park their cars in front of or near their stores, which has discouraged customers from coming in and buying goods because the soldiers, police, and community security guards are targets for terrorists to shoot or bomb.
This violent situation has been in place for more than 8 years. However, many years ago research in that area emphasized policy implications for solving that problem, and focused on decentralization from central government to local government; there is little research about solving the problems for businesses, especially for small and medium businesses that are managed by local people in this area. In addition, small and medium businesses are the one type of business to grow and produce jobs for local people, and bring happiness to families and society at large (Promsaka Na Sakolnakorn, 2011). In the past, convenience stores resembled small communities, as people like to come and sit, talk, and drink tea and coffee together. Nowadays, people cannot do this to the extent that they could in 2004, as they are afraid and do not want to be targets of a terrorist attack. The climate is now unsafe. In addition, franchises such as the American franchise 7-Eleven shops have affected local businesses: many customers have changed their minds about buying goods at 7-Eleven shops and instead like to shop at superstores or department stores, which have security systems, car bomb checkpoints with security guards, and CCTV camera systems.

The violent situation is affecting many businesses in the lower south of Thailand, causing an economic downturn; however, many business owners are trying to adapt and help their businesses survive. Management strategies can help businesses to survive; for example, marketing promotions can cause sales to grow or decline (DelVecchio, Henard & Freling, 2006), reducing selling prices can increase the number of customers (Gijsbrechts, Katia & Goossens, 2003), using the Internet can attract customers (Menon & Kahn, 2002), providing high-quality service can reduce the bad image of entrepreneurs (Yim et al., 2007), and good service can drive word-of-mouth recommendations from customer to customer and increase customer satisfaction (Netemeyer & Maxham, 2007). Convenience stores in lower-south Thailand are the one business type that acts as a cause of and sees the effects of the violent situation. Many owners adapt their businesses by using management strategies, though we still do not have knowledge of what management strategies they are using. Therefore, the research question of this study is as follows: What is the management problem of convenience stores in lower south Thailand? And what is the management strategy of convenience stores for survival in the lower south of Thailand? In this study we are looking to find the answer of this question. So, objective of this study is: 1) to study the management problem of convenience stores in lower-south Thailand; and 2) to study the management strategies of convenience stores for survival amid a violent situation in the lower south of Thailand. We hope that this study will provide some useful information to the public and academics who live in other places that are experiencing violence similar to what is going on in the lower south of Thailand.

2. Methodology

In this study, we use a qualitative approach, and we focus on convenience stores owned by local people. We conducted in-depth interviews of 30–60 minutes with 55 owners of convenience stores in the areas of the Pattani, Yala, and Narathiwat provinces, from September 2011 to August 2012. In addition, we selected the sample by convenience sampling and purposive sampling technique. Then, researchers did in-depth interviews with Buddhists and Chinese by ourselves because we are Buddhist, and we employed a research assistant who is Muslim for interviews with Muslim owners because Muslim people in lower-south Thailand do not trust people from other religions. To analyze the data, we conducted content analysis and descriptive analysis.

3. Management Strategy

Management strategy is a general fundamental of business competition (Porter, 1980). Mistakes in making strategic decisions will potentially impose much higher costs to businesses operating in the wrong market or investing money in the production of a product that is in the declining stage of its product lifecycle, which can lead to a great deal of financial loss (Analoui & Karami, 2003, p. 29). To survive in family business, Astrachan (2010) offered some questions that seek to rethink managing the constraints of cost-of-equity decisions for family companies’ owners: What ways to families determine their cost of equity? What are the short- and long-term effects of setting equity return targets below market? How do equity targets in absolute and relative (to other firms’ behavior) terms affect survival? What tangible and intangible returns can a family business provide? How do family members value non-fungible assets compared with fungible assets? And how is non-fungible value received from the business factored into return targets?

Basco and Rodriguez (2011) explain that the important factors affecting family business performance are the strategic process, human resources, succession, and the board of directors, so family firms can achieve successful business results by using a combination of family and business orientations in their decision making.

Strategic management is an important factor giving businesses a competitive advantage, and it is a key for the success and survival of businesses in developing countries amid globalization; thus entrepreneurs should emphasize a management strategy for business success that focuses on finances, customers, internal organization
operation, knowledge learning, and customer responsiveness (Pongwiritthon & Utama-ang, 2011). In addition, in the previous literature, we found numerous factors that affected business success: management’s character of leadership and knowledge (Enyinna, 1995; Wall et al., 2001); the efficiency of the decision-making process of small enterprises’ owners (Ekamen, 2005); entrepreneurs with higher education are likely to have improved managerial skills and a better understanding of market opportunities, as well as an increase in the return from self-employment (Rizov & Swinnen, 2004); quality products that are attractive to the customer (Promsaka Na Sakolnakorn et al., 2008); and motivation factors in the sense of personal achievement in areas such as income, quality of life, work completed, and accuracy of work (Purateera et al, 2009). In addition, price strategy influences customer decisions and motivation (Hardesty et al., 2007), and quality of service can maintain customers and lead to customer satisfaction (Bolton et al., 2007).

As we mentioned above, there are a variety of successful management strategies, depending on the business environment and the situation during the research. Therefore, in this paper we are studying management strategy in the context of a violence situation, which is not a normal situation, and the results are different from a regular situation in the world. Violence exists in many areas of the world, and happens on ever continent; however, businesses still operate in conflict areas. So, this paper will give some ideas for businessmen who are working in the same situation, and still would like to run their business.

4. Situation in the Area

The Pattani, Yala, and Narathiwat provinces are in the lower south of Thailand. This area is experiencing conflict, with violent incidents such as car bombings, murders, and robberies. More than 80% of the population is Muslim, and 20% is Buddhist and Chinese. (In this study, the term Chinese refers to Thai Buddhist people who have family backgrounds from China). In addition, some areas, such as some sub-districts or districts in the lower south, have Buddhist and Chinese populations of less than 1%. (In the past, Buddhists and Chinese tended to be found in any area of the region). Beginning with a crisis 8 years ago, this area has been strictly controlled by the Thai government, which spends more than $3 billion (U.S.) in the region. As well, more than 50,000 soldiers and police officers are stationed in the area. However, there are still car bombings every month, and people associated with the Thai government are murdered every day.

5. Results

5.1 Chinese Owners

In the in-depth interviews with Chinese businessmen, we identified many problems that have affected their businesses. For example, they cannot transfer the businesses to relatives because they are afraid to stay in an area where there is a terrorist threat. After they move to another area, no more than 10% return to visit their families in Pattani, Yala, and Narathiwat.

Many Chinese have moved out, which caused the Chinese who stayed in the area to think about moving out. Furthermore, Chinese traders now have lower incomes because Muslims are doing business with other Muslims, including buying goods from convenience stores. In addition, the costs of transporting goods are rising because it is a risky area. In addition, the violence is affecting families because no one of the next generation wants to come back to continue the family business; however, the recent research of Kellermanns, Eddleston, Barnett, and Pearson (2008) found that entrepreneurial behavior is related to growth, and the number of generations the family has been in business is related to entrepreneurial behavior. In addition, Chinese owners state that, “Nowadays, when my son he came to visit me, he will not came to stay home at night, he only came here on day time, then he and his family should to stay at night in Hat Yai city, it is far from here approximately 150 kilometer, because safety reason” (Chinese owners in Yala province, personal communication, 2012).

Chinese owners are very scared of the violent situation, and many car bombings have happened in front of Chinese businesses. As a result, these owners have reduced working hours: before the violence, an owner typically opened shop from 5:00 a.m. to 9:30 p.m. Now, shops open from 6:00 a.m. to 7:30 p.m. for safety reason. In addition, owners are using CCTV cameras for observation in front of the convenience store. Owners do not sit in front of the shop, and they employ Muslims to work in their convenience stores. Some owners manage their business by setting up another business to make up for losses in income, given that convenience stores have produced less income compared to before 2004. In addition, owners do not put trashcans in front of their shops because terrorists can put bombs in them. If cars park for a long time in front of a shop, the owner will call government agencies to check on it.

Violence is the big issue that convinced the Chinese to move out. However, based on our knowledge, we think that Chinese traders can survive in a Muslim society if they have a strong Chinese community and society. This
has been proven in some areas of the lower south of Thailand, such as in Betong Town in the Yala province, which still has a lot of Chinese traders doing business in the area.

5.2 Buddhists Owners

In this study, Buddhists do not include people who come from Chinese families. Buddhist owners in the lower south of Thailand can adapt to living and doing business in a Muslim society. They think, for now, that they can stay active in business, as the 7-Eleven convenience stores have had only a small effect on them. However, violence and terrorism are big problems that make them feel insecure and unsafe. Buddhists’ children do not study or enroll in schools in the region, as families send them to other provinces (e.g., Songkhla and Bangkok in the central area of Thailand) for their primary and high school studies, for safety reasons. After many young Buddhists finish their degrees, they do not return to work in their hometowns; instead, they establish families outside these three border provinces, again for safety reasons. Regarding this issue, we think that Buddhism in the near future will be lost from the lower south of Thailand.

The violent situation has had the effect of reducing the number of Buddhists and Chinese in the lower south of Thailand. More than people from other religions, Muslim people believe they should buy goods in Muslim convenience stores. Buddhist owners have also reduced working hours like Chinese owners and for the same reasons. They also take security and safety measures, such as setting up CCTV cameras, using plastic trashcans so that they can see inside them, employing Muslims to work in front of the shops, and not spending much money on whatever is not an absolute necessity. In addition, they do not sell goods to lower-class customers, preferring instead to sell to middle-class customers.

5.3 Muslim Owners

Chinese and Buddhist business owners have been reduced in number; however, the number of Muslim traders is growing because they understand the traditional way of Muslim life and they are more similar to Muslim customers than the Chinese and Buddhists. Ultimately, this is because most residents are now Muslims. In addition, Muslims are less fearful about the violent situation than the Chinese and Buddhists, but they do not want to provide much information because they do not trust people who are not of their own religion.

Now, owners of convenience stores are increasingly Muslim. As well, the situation is causing the income of many convenience store owners to go down because there are so many competitors. We have not been able to amass exact data to study why Muslim traders are increasing in number, or whether this growth is just perceived by people who are not Muslim. These are sensitive data that the researchers cannot explain. However, one possible reason is that many Muslims move from rural areas that are in dangerous zones and set up their businesses in the city or town, which tend to be safer than rural areas.

6. The Problem of Convenience Stores

From the study, we analyzed by content analysis and found six factors that affect convenience stores in lower-south Thailand:

1) The problem related to security policy: this area has been strictly controlled by the Thai government, which spends more than (U.S.) $3 billion in the region. As well, more than 50,000 soldiers and police officers are stationed in the area. However, there are still car bombings every month, killings daily, and people associated with the Thai government are murdered every day. From the data that we gathered from interviews, the owners of convenience stores between 2011 and 2012 have had soldiers, police officers, and community security guards stand, sit, and/or park their cars in front or nearby the stores. This discourages customers from coming and buying goods and products because the soldiers, police officers, and community security guards are targets for terrorist to shoot or target with car bombs. In addition, all of owners we interviewed gave information like this: “If have soldiers, police, and community security guards to stand, sit, and/or park their cars in front or nearby the stores, customers will be scared to come to buy goods at shops because soldiers, police, and community security guards are a target for terrorist to shoot or target with car bombs, so customers do not want that risk.”

2) The problem of not transferring businesses to the next generation is prominent among the Chinese and Buddhists, because their families are scared to do business in violent areas for safety reason. As one Chinese owner said: “We started this convenience store more than 60 years ago; my grandfather was the first owner after he came from China, then he transferred this business to my father and then to me. After the violent situation began, my son, and my daughter do not want to work at home and they moved to do business in other places. If I die, this convenient store may close” (Chinese owners in Narathiwat province, personal communication, 2012).

3) The costs of goods are rising, affecting convenience store, because they are in a risky area, so the logistics and transportation costs are high and wholesale businesses are increasing the price of goods for lower-south Thailand.
In addition, while costs are increasing, the stored cannot increase selling prices because of price rule controls by the Ministry of Commerce.

4) Franchises such as 7-Eleven shops have affected local businesses because many customers changed their mind about buying goods at 7-Eleven shops, and like to go to shopping at superstores and/or department stores because they have security systems and are safer because of car bomb checkpoints with security guards, CCTV camera systems, and many police and soldiers.

5) In the past, convenient stores looked like a small community, as people like to come to sit and talk and drink tea and coffee together. Nowadays, people cannot do this, because they afraid and do not want to be a target of a terrorist attack, and it is now unsafe.

6) The divide between Chinese, Buddhists, and Muslims: nowadays, business in this area is changing from the original traders such as the Chinese and Buddhists into a Muslim society. In Yala and Narathiwat, Chinese traders have decreased by approximately 10% because they have moved to other provinces such as Phuket and Hat Yai, as they are afraid of the terrorist situation and have suffered from many car bombs and the killings of people in the area (Promsaka Na Sakolnakorn et al., 2012, pp. 42-43). So Chinese and Buddhist shops’ market share is declining because almost all Muslims will buy goods at Muslim shops, which means fewer Muslims are buying goods at Chinese and Buddhist shops; this effect is obvious in Narathiwat and Yala provinces, but it is less in Pattani province because in the city area of Pattani, Buddhists and Chinese comprise more than 30% of population (including government agencies stationed in the area).

In addition, from the study, the violence is a big problem related to many problems: if the Thai government cannot solve this problem, many problems will also remain unsolved. In addition, many people no longer have hope in their government, and they are choosing to help themselves by adapting and using strategies for survival, so in the next section, we will present management strategies to help convenience store owners survive the violent situation.

7. Management Strategy

Draft (1994, p. 65-67) suggested eight characteristics of successful organizations: 1) emphasis on operations more than paper; 2) concern about customer satisfaction; 3) management through team building and ability to change; 4) emphasis on human capital and management with participation; 5) assess the organization’s value and use this value to strengthen the organization; 6) the successful organization must employ its expertise; 7) good organization structure; and 8) flexibility. In addition, from the in-depth interviews, we found seven management strategies that entrepreneurs have used to adapt and survive in a violent situation:

1) Reduce working hours: Nowadays, many traders open their shops after sunrise, at approximately 6:00 a.m. (before the violence broke out, they opened at 5:00 a.m.), and they close at approximately 7:30 p.m. (before the violence broke out, they closed at 9:00 to 10:00 p.m.). This is because many people travel across the city only between 6:00 a.m. and 7:30 p.m., for security reasons.

2) Proceed with caution in violent situations: Today, traders are careful about their safety and take precautions. This is because it is difficult to depend on government agencies, as government agencies are terrorist targets and cannot protect even themselves, so they cannot keep the people safe. Therefore, traders will be careful around cars and trucks. If one is parked too long in front of a shop, the owner will call the Explosive Ordnance Disposal Department. Trashcans are also dangerous because terrorists may put a bomb inside, so shop owners will not stay in front of their shops, and they are careful about customers. In addition, many shop owners use CCTV cameras to observe the front of their shops and record everything that happens.

3) Classifying customers: this strategy is used by Chinese and Buddhist traders. If they do not trust customers, they will not sell anything to them, and they will not sell goods to lower-class people. They target customers in the middle or upper classes. From the interviews a shop owner told us: “I will not sell cigarettes in one or two rolls, but I will sell in a pack, and not sell low-price cigarettes; I sell only high price [brands] such as LM, Marlboro to classify customers” (Chinese owner in Yala province, personal communication, 2012).

4) Price promotions: many traders motivate customers using a price strategy, especially as they now have many competitors. Sales price is the one factor that can increase circulation (Manning & Sprott, 2007; Barone et al., 2007) because it motivates customers to buy goods (Hardesty et al., 2007) more than brand image and service (Bridges et al., 2006). From the interviews, some Muslim traders told us, “Now I have many competitors, especially Muslim traders are increasing in number, so I choose to reduce sales price for customer motivation” (Muslim owner in Narathiwat province, personal communication, 2012).

5) Employ Muslims to work in convenience stores: this strategy is used by both Chinese traders and Buddhist
traders because 80% of the people now living in the lower south are Muslim, and Chinese and Buddhist people think that Muslims trust Muslims. Safety reasons are also why they employ Muslims. In addition, a Buddhist trader in Yala province explained that “employing Muslims is safety more than working by myself because it is dangerous if I work in the front of shop, it is safer for me if I employ Muslims, and Muslim customers will trust Muslims more than me, because I am Buddhist” (Buddhist owner in Yala province, personal communication, 2011).

6) Set up another business to reduce the business risk: Since the crisis of violence began, Chinese and Buddhist traders have had trouble with the economic downturn, and market share is declining, which has affected their incomes. They are solving this problem by running many businesses to increase their incomes (e.g., building swallow houses or selling bird’s nests to factories that produce bird’s nest soup, as many Chinese people around the world believe that bird’s nest soup can procure good health). In addition, many traders work under a franchise system such as 7-Eleven convenience stores because it is easy to manage their shops and have good security systems such as CCTV cameras (many terrorists will not attack in areas covered by CCTV cameras). As Dant and Kaufmann (2003) suggested, doing business under a franchise system can yield better organization and system management. In addition, good interactions between customers and sellers are related to high customer satisfaction (Van Dolen et al., 2007).

7) Practice self-sufficiency: this strategy also helps traders to survive the violent situation. For example, if they have lower incomes but no debt, they can survive in the long run because their money can be used for themselves rather than to pay interest to a financial institution, and they do not spend much money on unnecessary items.

Management style is related to business success. Arnold, Palmatier, Grewal, and Sharma (2009) explain that sales planning and service are important for store manager behavior in competitive environments. The levels of motivation and managerial action, as well as the level of customer satisfaction, are also having positive effects on retaining business (Bent & Freathy, 1997). These seven management strategies guide local owners of convenience stores, who can survive in violent situations; however, many local owners, especially those who are Chinese and Buddhist, cannot ultimately survive, as when they become victims of violence, they often move to other areas for safety reasons. On the other hand, many Chinese and Buddhists do not want to move out because they were born and grew up in a given area. As such, the management strategies are methods for solving the problem of surviving, but people cannot survive with any degree of sustainability unless the Thai government can begin solving the violence.

8. Conclusion

The economic downturn in Pattani, Yala, and Narathiwat is an issue that needs to be solved. Before 2004, many travelers, both Thai and foreign, came to visit Pattani, Yala, and Narathiwat, especially as this region has many attractive places. Nowadays, few travelers want to visit this area, as they are afraid and do not want to be victims. Violence is a big issue that is increasing many problem related to convenience stores, such as the rising cost of goods, government security policy, the inability to transfer businesses to next generation, declining customer base, and the divide between Chinese, Buddhists, and Muslims. Franchises such as 7-Eleven have also affected local businesses. To solve this problem, the government should seek a compromise among the people by using participation, decentralization, and stopping the bad behavior of government agencies.

Management strategy is an important factor in helping a business survive. Porter (1998, p. 35) suggested three potentially successful generic strategic approaches: overall cost leadership, differentiation, and focus. However, in a violent situation, the important issues are different, and in this paper, we found seven factors that traders use to survive: reducing working hours, proceeding with care in violent situations, classifying customers, employing Muslims to work in convenience stores, using price promotions, setting up another business to reduce business risk, and being self-sufficient. In addition, the study also showed that convenience store customers now live close to where they shop. Customers buy goods at local shops for safety reasons, so customer loyalty is very important. Regarding customer loyalty, a membership system can make customers decide to come back to buy goods again (Kim & Choi, 2007). In addition, loyalty extends the time that customers take to look around in a shop (Meyer-Waarden, 2007).

Finally, murders, car bombings, shootings, and assassinations still happen every day in the lower south of Thailand. Many bombings occur in business areas and sometimes in larger businesses such as hotels or large convenience stores. This also scares people who live in rural areas and work in agriculture; many farmers are afraid to work on their farms because it is not safe. We cannot imagine what will happen to the economy and the ways of life of the people here. The Thai government is directly responsible for resolving this issue. The
government has a duty to encourage people to follow others in order to achieve their own needs and wants (Clegg et al., 2002). All people in Thailand would like to see peace and do not want to hear news of people dying every day from shootings and bombings; we still hope for peace, to live without conflict, and to receive solutions and good policies from the Thai government.

9. Policy Implications
The policy implications for the Thai government are hard to explain because all things depend on how the Thai government solves the problem of violence. For example, in September 2012, news and handbills spread in an area of lower south. The handbill warned: “Businesses should not open on Friday; if you are still open on Friday you will be in danger.” After that many businesses in the lower south believed the information in the handbill and they not trust in the government for safety and security, so they closed on Friday.

10. Limitation of this Study
In this study, it was difficult to access data, and anytime researchers visit for fieldwork, it is dangerous because they could be targets for terrorists, as the area in question is dangerous. In addition, it was difficult to interview Muslim traders because they do not trust people who are not Muslim, and they are afraid of danger, too: if terrorists know that they have given information to other people, Muslims will be targeted for killing. In addition, Muslims have already communicated to government agencies, which may be risky.

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