

Causal Factors Influencing Performance of Retail Businesses in Khonkaen

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Abstract

The objectives of this research are to 1) study the causal factors of customer satisfaction (SAT) and performance (PER) of retail businesses in Khon Kaen, 2) study the direct, indirect and total effects of causal factors influencing PER of retail businesses in Khon Kaen, and 3) examine the fit to empirical data of causal model of factors influencing PER of retail businesses in Khon Kaen. For methodology, the data was collected by questionnaires from 380 retailers in Khon Kaen Province. It was analyzed by descriptive statistics, confirmatory factor analysis (CFA), Pearson's correlation coefficient and structural equation model (SEM).

The results could be summarized as follows.

1. Operational factors (OPE) and management (MAN) were at a moderate level, while SAT and PER were at a high level.
2. For highest effect, total positive effect of MAN on PER was 0.70, with positive direct effect of 0.45 and indirect effect mediated by SAT of 0.25, with statistically significant level of 0.01, followed by OPE that had positive total effect of 0.36, direct positive effect of 0.27, and indirect effect mediated by SAT of 0.09, with a statistically significant level of 0.01. Likewise, SAT had total effect of 0.32 on PER, with all direct effect and a statistically significant level of 0.01.
3. The SEM fit to the empirical data by considering the following indices: $\chi^2/df = 0.83$, GFI = 0.99, AGFI = 0.97, and RMSEA = 0.01.

Keywords: Causal factors, Satisfaction, Performance, Retail business.

INTRODUCTION

Over the past decade Thailand has had economic, social and political changes that greatly affect the change in Thai retail business, such as trade liberalization, social structure, families that change living behavior, livelihood of people in society, the demands, tastes and the international politics. These cause retail business to encounter unprecedented competition in all its forms. Many small-scale

domestic traditional retailers cannot survive their businesses. Such changes allow the expansion of multinational retail business to continue in the form of focusing on investments with business groups in the country. Multinational businesses, therefore, are popular and can expand branches quickly. This type of retail business is known as “Modern Trade” (Kitivechpokawat, 2003). In addition, consumers change their consumption behaviors along with lifestyles that are changing rapidly

according to globalization. Consumers are starting to pay more attention to product quality than quantity. Shopping focuses on worthwhileness from the quantity and price of general merchandise and emphasizes service and product quality rather than price (Nualkaw et al., 2021, Kerdpitak et al, 2022). From such reasons, retailers have to focus on creating a service model. Traditional retail has shifted to modern stores that provide convenience and service orientation in many areas. The development of a trading model that focuses on both technology and management has resulted in cost reductions. Decrease in shipping costs resulted in reductions in price and profit margins. The number of appropriate-size shops in the community has also been expanded. Modern retail formats are increasingly evolving, resulting in a reduction in management costs and rental fees. The market that is closer to the buyer make consumers more convenient to buy products. (Nualkaw et al., 2021, Kerdpitak, 2022) This could mean that the expansion of modern retail business has had a huge impact on the traditional retail business.

Traditional retail or grocery stores look like shop-houses. The space is cramped with no storefront decorations. Most of the products are consumer goods. Product placement is not categorized and out of date. Products are arranged according to the convenience of picking up. It is a business operated by a single owner or jointly established as a partnership and has small investment as a family business. The business is based on simple and uncomplicated management, not using much modern technology, causing the management system to lack standards. Most of the customers are nearby the store. In the contrary, modern trade stores consist of medium-sized and large-sized department stores. Products in the stores have been categorized for aesthetics and order. Modern services are used to attract more customers. Business operations are both family and professional, with higher investment and more complex management systems. This new trading business consists of two business segments: Discount Store or Hypermarket, which focuses on low-priced products, and

Convenience Store, which focuses on the number of stores, convenience, location close to the consumer and opening 24 hours a day. This type of business has just been imported to Thailand in the early 1990s, both in the form of foreign joint ventures and Thai investors. However, the aftermath of the 1997 economic crisis and the impact of liberalization of trade resulted in the majority of retail businesses in Thailand being owned by foreigners (Intayung, 2011).

Khon Kaen is a province located in the northeastern region of Thailand. The administrative area is divided into 26 districts, 199 sub-districts, and 2,331 villages with a population of 1,790,055 people (Department of Local Administration, Ministry of Interior, 2021). There are traditional and modern retail stores in Mueang District, Khon Kaen Province. The number of stores is approximately 4,214 stores (National Statistical Office, 2021), divided into 2,538 traditional retail stores and 1,676 modern stores. Most of the traditional retailers in Khon Kaen are small retailers with easily observed identity that it is a shop that is 1-2 booths in the shape of a commercial building. The owners operate the shop and are responsible for everything in the store, comprising opening and closing the stores, ordering, point of sale, cash collection, payment, merchandise arrangement, bookkeeping and in-store checking. While, modern retail stores such as Discount Store or Hypermarket such as Central, Big C, Tesco Lotus and Convenience Store, for example, 7-Eleven, Tesco Lotus, Express, Big C Mini, etc., has the uniqueness that can be noticed is that there is a cool air conditioner with sales staff divided duties into departments. Product placement is easy to find because there are signs indicating the placement or location of various types of products clearly. When comparing the characteristics of both types of stores, traditional and modern retailers, there are many differences, but they mutually focus on creating maximum satisfaction by using different sales, marketing and after-sales techniques to create attractiveness for customers to choose the service (Aunyawong et al., 2020). The ultimate goal of the service is to

create customer satisfaction in order to make customers satisfied and come back to use the service continuously to expand the customer base, both new and old customers. This makes businesses successful with good performance and stability in operation (Kerdpitak, 2022a; Srisawat & Aunyawong, 2021).

From the study of documents and related research above, it was found that the causal factors influencing customer satisfaction and the performance of retail businesses in Khon Kaen have not been studied. To obtain information to be used as a guideline for entrepreneurs to improve business operations to be more efficient, therefore, the study on the causal factors influencing the performance of retail businesses in Khon Kaen Province is interested. The results of the research can be used as a guideline to develop operational factors (OPE), management (MAN), customer satisfaction (SAT) and performance (PER) of the retail businesses in Khon Kaen Province to be more efficient and effective. Related agencies or organizations can use the research findings to formulate promotional policies to develop retail businesses to be effective and maximize benefits to entrepreneurs.

Research objectives

1. To study the causal factors of SAT and PER of the retail business in Khon Kaen.
2. To study the direct, indirect and total effects of causal factors influencing PER of retail businesses in Khon Kaen.
3. To examine the fit with empirical data of causal model of factors influencing PER of retail businesses in Khon Kaen.

Research methodology

1. The population consisted of 4,214 retail stores in Khon Kaen Province registered with the provincial commercial office (National Statistical Office, 2021).

2. A total of 360 samples were obtained by proportion stratified random

sampling for considering the suitability of the sample. The sample size was suitable for advanced statistical analysis for multivariate statistical analysis. It was suggested that the sample size should be approximately 10-20 times the numbers of observed variables in the model (Angsuchot et al., 2011), which was an appropriate number and could be analyzed by using Structural Equation Modeling (SEM) statistical tools. In this study, the sample size of 20 times the numbers of observed variable in the model was determined, which consisted of 18 observed variables. Therefore, the appropriate and sufficient sample size should be at least 360 respondents.

3. The study of concepts, theories, documents and related research could determine the variables in the study, detailed as follows:

3.1 Operational factors (OPE), comprising 5 factors: (1) personnel, (2) place, (3) product, (4) image, and (5) capital.

3.2 Management (MAN), consisting of 4 factors: (1) policy and management structure, (2) marketing promotion plan, (3) control and inspection system, and (4) technological usage.

3.3 Customer satisfaction (SAT), including 6 factors: (1) service, (2) price, (3) product, (4) control and inspection, (5) technological usage, and (6) marketing promotion.

3.4 Business performance (PER), containing 3 factors: (1) profit, (2) customer number, and (3) sale.

4. Research instrument was five-point Likert scale questionnaire. It had reliability in OPE and MAN of 0.973, SAT of 0.963, PER of 0.938 and overall reliability of 0.990.

5. For data analysis, software package was used to analyze data with advanced statistical technique using SEM.

Results

1. The results of causal factors influencing the performance of retail businesses in Khon Kaen Province

1.1 Overall OPE and most of the OPE factors were at a moderate level. When considering each factor, two factors were at a high level, comprising personnel and product, while another two factors were at a moderate level, consisting of price and capital, respectively.

1.2 Overall MAN and most of the MAN factors were at a moderate level. When considering each factor, technological usage was at a high level, while three factors were at a moderate level, comprising marketing promotion, policy and management structure and control and inspection, respectively.

1.3 Overall SAT and most of the SAT factors were at a high level. When considering each factor, it found that five factors were at a high level, including technological usage, control and inspection, product, service and marketing promotion, while the price was at a moderate level, respectively.

1.4 Overall PER was at a high level, while most of the PER factors were at a moderate level. When considering each factor, it found that customer number was at a high

level, whereas two factors were at a moderate level, comprising profit and sale, respectively.

2. Results of direct, indirect and total effect of causal factors influencing performance of retail businesses in Khon Kaen Province

2.1 OPE had a direct positive effect on SAT, with the effect size of 0.27 and statistically significant level of 0.01.

2.2 OPE had a direct positive effect on PER, with the effect size of 0.27 and statistically significant level of 0.01.

2.3 MAN had a direct positive effect on SAT, with the effect size of 0.77 and statistically significant level of 0.01.

2.4 MAN had a direct positive effect on PER, with the effect size of 0.45 and statistically significant level of 0.01.

2.5 SAT had a direct positive effect on PER, with the effect size of 0.32 and statistically significant level of 0.01.

In addition, OPE and MAN had an indirect effect on PER through the mediation effect of SAT, with statistical significant level of 0.01 and effect sizes of 0.09 and 0.25, respectively.

Statistical results of causal factors influencing performance of retail businesses in Khon Kaen were shown in Table 1.

Table 1 *Statistical results of causal factors influencing performance of retail businesses in Khon Kaen*

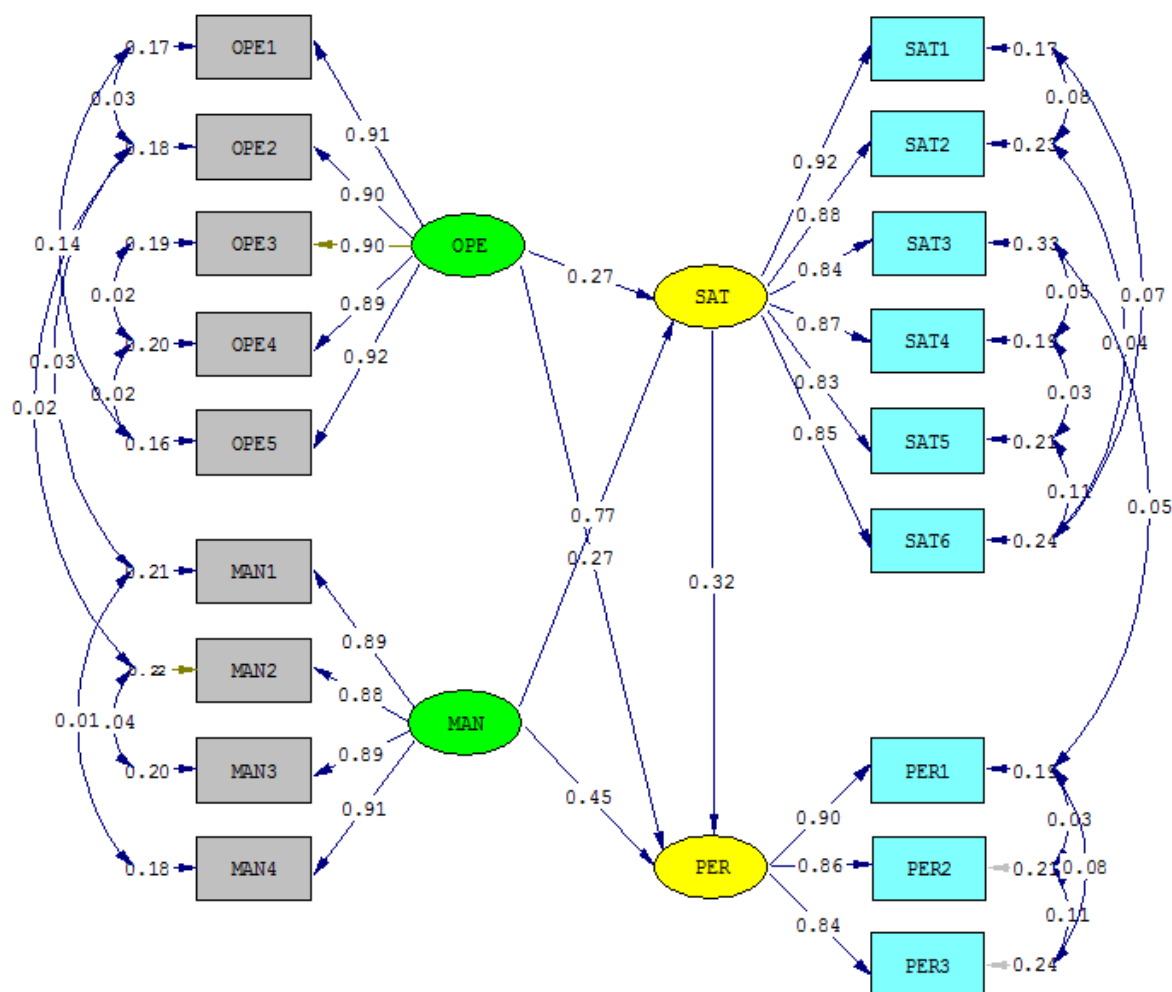
Effect variable	PER			SAT		
Causal variable	DE	IE	TE	DE	IE	TE
OPE	0.27** (0.27)	0.09** (0.22)	0.36** (0.26)	0.27** (0.23)	-	0.27** (0.23)
MAN	0.45** (0.16)	0.25** (0.59)	0.70** (0.26)	0.77** (0.22)	-	0.75** (0.21)
SAT	0.32** (0.80)	-	0.32** (0.80)	-	-	-
Model fit indices						
$\chi^2/df = 0.84$, GFI = 0.98, AGFI = 0.97, and RMSEA = 0.00						
SEM R ²	PER 0.90			SAT 0.99		

Note: ** $p < .01$, * $p < .05$. The numbers in parentheses are the standard errors.

2. The results of checking the model fit to empirical data depicted that the model was fit to empirical data with model fit indices passed the acceptance criteria as follows: $\chi^2/df = 0.84$, GFI = 0.98, AGFI = 0.97, and RMSEA = 0.00. Therefore, it concluded that the causal

model of factors influencing PER of retail businesses in Khon Kaen was appropriate and

harmonious with the empirical data, as shown in Figure 1.



$$\chi^2/df = 0.84, GFI = 0.98, AGFI = 0.97, RMSEA = 0.00$$

Figure 1 The causal model of factors influencing the performance of retail businesses in Khon Kaen Province

3. Hypothesis testing results on causal factors influencing the performance of retail businesses in Khon Kaen Province were concluded as shown in Figure 2.

Table 3 Hypothesis testing results

Hypothesis	Results
2.1 OPE has a direct positive effect on SAT of Retail Businesses in Khon Kaen Province.	Accepted
2.2 OPE has a direct positive effect on PER of Retail Businesses in Khon Kaen Province.	Accepted
2.3 MAN has a direct positive	Accepted

effect on SAT of Retail Businesses in Khon Kaen Province.	Accepted
2.4 MAN has a direct positive effect on PER of Retail Businesses in Khon Kaen Province.	Accepted
2.5 SAT has a direct positive effect on PER of Retail Businesses in Khon Kaen Province.	Accepted

Discussions

The study of OPE of retail businesses in Khon Kaen has found that OPE directly influences SAT of retail businesses in Khon

Kaen at a statistically significant level of 0.01 which was according to the hypothesis set because business is the process by which a product or service is produced. When a business is established, there must be activities that occur according to the objectives of the business but the main function is to bring natural resources to transform them into goods or services as needed through labor, capital and entrepreneurship. The main objective of business operations is to satisfy customer needs. This is the ultimate goal of doing business (Sereerat et al., 2003) because customers will come back to use the service continuously if their satisfaction is created. Then, business will be successful and stable (Phu-ngam, 2009; Charoenvorakul, 2015).

OPE, moreover, directly influences PER of the retail businesses in Khon Kaen at a statistically significant level of 0.01, which was in line with the hypothesis set since business is the process by which a product or service is produced by bringing natural resources to transform them into goods or services as desired by relying on labor, capital and entrepreneurship to respond to the needs of consumers with the aim of seeking profits. A business's revenue comes from selling products and services to customers. At the same time, a business pays for its operating expenses, where the difference between revenue and total expenses or profit is business objective (Boone and Kurtz, 2002) and can grow as well as survive business (Made, 2007; Nakruang, 2017).

MNE directly influences on SAT of retail businesses in Khon Kaen at 0.01 level, which was in line with the assumptions set because MNE is an activity where two or more people work together to achieve an objective (Herbert, 1947). Practices related to people, things, and entities need to use factors such as money, materials, and management tools (Koontz, 1993) to respond the customer demands which is the ultimate goal of doing business (Sereerat et al, 2003). Because of creating SAT, customers will come back to use the service continuously. Business, thus, will be successful and stable (Akhtar et al., 2014; Sathongnon, 2012).

MNE, besides, has a direct influence on PER of retail businesses in Khon Kaen with a statistically significant level of 0.01 which was in line with the hypothesis set because MNE in the retail business is the duty of entrepreneurs or executives. Entrepreneurs or executives have three important duties: (1) setting the direction for the business, i.e. setting goals, policies, action plans, and coordinating to achieve goals, (2) being responsible to society as socially enterprise participation, and (3) assessing the performance to check whether the performance is in line with what we set goals or not, including analysis of the reasons for the deviation from the specified goals and pointing out channels that need to be improved to meet the goals (Made, 2007; Wattanathanomwong, 2010)

SAT directly influences PER of retail business in Khon Kaen with a statistically significant level of 0.01, which was in line with the hypothesis set. This is because customer or service user satisfaction is defined as a situation that expresses a person's positive feelings as a result of comparison of perceptions of what is received from the service, whether it is receiving services or providing services in the level that matches the perception of what is expected about the service. This is related to the satisfaction of the service user and job satisfaction of service providers. If the result of use/service received is lower than the expected value, then the consumer will be dissatisfied, while if use/service received is the same as expectation, businesses are satisfied (Kotler, 2003). Nowadays, businesses tend to create a high level of satisfaction because the higher the satisfaction rating, the higher the chances that customers will come back to use the service continuously. The business, as a result, will have more good outcomes and stable success (Yayiram, 2014; Sangsaeng, 2015).

Recommendations

1. The causal model of factors influencing PER of retail businesses in Khon Kaen should be applied to retail business entrepreneurs throughout the country.

2. Further research may collect data with both traditional and modern retail entrepreneurs at the provincial, regional and national levels.

3. There should be a study of other factors affecting PER, such as the business environment, competitiveness and government policies, etc.

4. The causal model of factors influencing PER of retail businesses in Khon Kaen should be applied to other businesses, such as financial business or hospital business, etc.

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