

# **Consultancy Report**

on

## **The Business Operations and the Management of Phranakorn Consumers Cooperative Society, Bangkok, Thailand**

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**CONSULTANCY REPORT ON THE  
BUSINESS OPERATIONS AND THE MANAGEMENT OF  
PHRANAKORN CONSUMERS CO-OPERATIVE SOCIETY**

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**STUDY ON THE BUSINESS OPERATIONS AND THE MANAGEMENT OF  
PHRANAKORN CONSUMERS CO-OPERATIVE SOCIETY, BANGKOK, THAILAND**

**01. Background**

01.01 The Regional workshop on strategies for the development of consumer co-operative movement in Asia, organized by the International Co-operative Alliance, Regional Office for Asia and Pacific from 05-09 December, 1988 at Kuala Lumpur, Malaysia, resolved to undertake few country specific activities to strengthen the consumer co-operative movements of the region. As a follow-up to this event, the ICA Committee on Consumer Co-operation for Asia at its meeting held on 10 May 1989 at Yokohama, Japan, decided to conduct a consultancy study on Phranakorn Consumers co-operative Society in Bangkok, Thailand, in order to suggest ways and means of strengthening the business operations and management of the society. As a result, Mr. W.U. Herath, Adviser, Consumer Co-operative Development, of the ICA Regional Office, New Delhi and Mr. Akira Oka of Japanese Consumers Co-operative Union (JCCU), conducted a joint study on the Phranakorn Consumers Co-operative Society. The study was conducted in 2 stages. The first stage consisted of making preliminary field research and observations from 10-15 August, 1989. The second stage consisted of indepth analysis of business operations and discussions with the management and the authorities of Phranakorn Consumers Co-operative from 23-26 September, 1989, followed by a debriefing held on 27 September, 1989 in the presence of about 25 senior officials and leaders from the Phranakorn Consumers Co-operative society, Consumers Co-operative Federation of Thailand (CCFT), Co-operative League of Thailand (CLT), Co-operative Promotion Department of Thailand (CPD).

## 02. Scope and the methodology of the study

02.01 The present study is confined to Phranakorn Consumers Co-operative Society in Bangkok. The resources of the Consumers Co-operative Development Project in the ICA ROA are insufficient at present to conduct a comprehensive study on the consumers co-operative movement of Thailand as a totality. It is, therefore, expected that the study on the Phranakorn Co-operative society would pave way to undertake such an indepth study in future. It has also been found that the Phranakorn Consumers Co-operative Society, being vulnerable to the growing competition by the private retailers and wholesalers, has an urgent need of such external input for its improvement in business operations and management.

02.02 Preliminary discussions were held at the JCCU, in July,1989 by the two consultants to determine the appropriate strategy and methodology of the study. From the documentation we had from the Phranakorn Consumers Co-operative Society, it was decided to consult specifically on the following 3 areas:

- i) Business operations of the Phranakorn chain stores,
- ii) Management systems of Phranakorn Consumers Co-operative society, and
- iii) Member relations and member involvement in Phranakorn consumers co-operative society.

02.03 In order to undertake the study, we decided to include 3 components:

- i) Questionnaires to receive indepth data, information and opinions of various groups involved in the management and business relations in the co-operative society. These include branch managers, section chiefs and members of the co-operative society.

- ii) Comparative study of retailing strategies of Phranakorn co-operative and some selected private shop complexes and chain stores like Sogo, Tokyu, Jusco and Daimaru.
- iii) Indepth discussions with the operatives such as branch managers, sales staff and members and also the leaders and officials involved in decision making, such as the general manager of Phranakorn Co-operative, the chairman of CCFT and CLT, board members and Additional Director General and Head and Senior officers of the business section of the Co-operative promotion Department.

02.04 All the officials, leaders and operatives whom we met were very co-operative and frank in their opinions and information. Out of the 5 questionnaires distributed, 4 have been either completely or partially completed and given back to us. Unfortunately, the 5th questionnaire, which was to give impressions and ideas of the membership, could not be obtained. In the circumstances, with the information available, we were able to give some ideas and suggestions for future improvements.

02.05 The report we present here essentially does not contain the history of the consumer co-operative movement or the Phranakorn co-operative society, which we thought not necessary for this exercise.

### 03. Store operations of the Phranakorn Consumers Co-operative society

03.01 Two types of consumer business prevail in Thailand at present, i.e. traditional distribution system and modern market system. Still the traditional one-store consumer business is dominant in the country. However, in Bangkok, with the

introduction of supermarkets and shopping complexes in early 1970s, the trend of shopping centres, department stores and chain stores has been accelerated. It has been estimated that at present, there are 15 shopping centres with a total of 800,000 sq.mtrs, 70 department stores with 400,000 sq.mtres and 80 super markets with a total of 130,000 sq.mtres, existing in Bangkok city alone. It has also been estimated that atleast 30 or more department stores will be established during the next 3 years. The Phranakorn consumers co-operative society was established in May 1988 and was one of the pioneers in the chain store business in Bangkok. It has also introduced the concepts of super markets and department stores to the co-operative sector and showed the way to many other such co-operative ventures in Bangkok and Chiangmai.

#### **04. Size and space management of Phranakorn co-operative**

04.01 The Phranakorn co-operative system has 17,800 sq.mtrs, which is about 1.3% of the total consumer business space of Bangkok city. It also represents 13.6% of the total space of super markets and mini-marts in the city. However, with the addition of Krungdev Consumers co-operative society in Bangkok, co-operative retail business has a substantial sales share of super markets and mini-marts. Unfortunately, the exact market share could not be assessed in the absence of comparative sales data.

04.02 The average sales area of a small consumer shop has been calculated as less than 2000 sq.mtres. Phranakorn system has an average of 2,225 sq.mtrs. sales area. Out of 8 general stores under the society, the society owns 4 shops. The rest are rented out; 2 from hospitals on concessional rates and 2 from private owners.

04.03 Another advantage with the co-operative society is the availability of parking space in every store. Parking space is rare and valuable in Bangkok city. Some of the shops such as the head office store has spare parking space even, which could be used for extending the business area.

04.04 If we leave out 40% of the total space of 17,800 sq.mtres, the selling area would be approximately 10,680 sq.mtrs. The annual sales ratio per sq.mtre in 1988-89 stands at Baht 29,874, which means Baht 574 per week. The minimum country average for break even point has been calculated as bath 115 per week as was revealed by an ICA study undertaken in 1987, whereas considering the rental value in Bangkok, it should be more than 4 times this figure. During our study, we have found sales area could be extended in many shops by atleast another 20%. The ideal ratio between sales area and other space for warehousing and administration would be 80% for sales area and 20% for other purposes.

## 05. Operational results

05.01 Annexure 1, provides detailed information on trading results for the last 5 years. The following assessment is done on the basis of these details as well as other information provided to us on merchandise, assortment, turnover of each department,etc.

05.02 Total sales in 1988-89 show an increase of 7.3% over 84-85. However, the gross profit rate has dropped from 13.97% in 1984-85 to 12.49% in 1988-89. Consequently the net profit has dropped from 3.81% in 1984-85 to 2.78% in 1988-89. As a comparison, the net profit ratio as a national average has been set at 3.09% in 1985-86 according to a study by the ICA. Therefore, its level is below the national average.

05.03 It is necessary to identify causes behind the decline in profit margin when the sales are relatively high, and the operational costs have been lowered from 12.38% in 1984-85 to 11.25 per cent in 1988-89. The national average of operational expenses was 6.28% in 1985-86 and the Region I (Bangkok area) it was 8.40%. In the case of Phranakorn co-operative, the ratio in 1985-86 was 12.62%. The society has been able to lower operational costs inspite of inflationary factors, which could be considered as an achievement.

05.04 The society has also been able to lower the stock from Baht 38 million in 1984-85 to Baht 35 million in 1988-89, while achieving a higher turnover. Secondly, the stock-turn ratio has been increased from 7.06 times in 1984-85 to 9.11 times in 1988-89. If the society is to achieve stable business, the minimum stock-turns should be about 12 times. 24 times is an ideal.

05.05 One of the explanation for the declined in the margin could be given as the stiff competition with other competitors. The price of a commodity is a factor considered by the average consumer. On the other hand, the location of all the stores are ideal for business. Therefore, other factors have to be considered. The procurement costs, selling costs, assortment and merchandise, minimum and maximum stocks, re-ordering systems, lay out display, selling techniques. sales promotion techniques and members' incentives, etc would have to be considered.

05.06 The marginal efficiency shown in the stock management has to be further improved in order to avoid stagnation.

## 06. Locations of chain stores

06.01 Practically all stores are located in the populated areas of Bangkok city and surroundings. Paholyothin, River city and Samrong branches are located in business areas, whereas Lad



Praow, Bangkhaen and Pakgred branches are located in residential areas. Sirirach and Sapakachadthai are located in hospitals and university areas. Therefore, profitability of business operations is assured. The location has been a main factor of profitability due to the fact that except one branch (Bangkhaen), all the shops were running at profits during 1988-89. Sirirach is located in a large hospital, which is basically catering to the staff of the hospital. It was found that out of 8000 members it had when it was functioning elsewhere, about 2000 have become inactive at present due to the shifting of the store. In spite of this fact and possible limited clientele, the shop runs at profit at present.

06.02 JUSCO is the only store chain which is strong in these areas. The clientele who frequent JUSCO chain store are different from the co-operative clientele. The major proportion of merchandise they carry are perishables, imported commodities, convenience store assortment, electric and electronic equipments, etc. Therefore the locations of the shops do not provide any major threat to the co-operative business. Generally, the co-operative stores deal with lower middle class and working class customers.

06.03 The River city branch, which is adjacent to the Orchid Sheraton hotel has a big potential for a richer clientele and tourist customers.

#### 07. Shop layout, commodity display and cleanliness

07.01 The layout of the store located at the head quarters and branches conform to one pattern, except a newly opened branch located in the outskirts of the city. Place for customer area has been sufficiently provided. However, in some stores, the ideal ratio between godown, office areas and selling area is not

much observed. When the stores have more place, the layout could be changed into more relaxing environment by spreading the departments and commodity groups, coupled with some eye-pleasing interior arrangements so that the customers become more relaxed. SHEERS shop complex in Nadakobe co-operative is one such example. The SOGO complex in Bangkok too follow such an example.

07.02 In many branch stores, the entrances are not much used for attracting customers for sales promotion.

07.03 Display methods used in the stores are similar to any modern store in Bangkok, except most modern department stores such as Sogo. Co-operative stores are maintaining basic principles of display when it comes to commodity groups and the use of various shapes and techniques.

07.04 The Head Office super market, however, may need more attention to ensure constant re-arranging of commodities in an orderly manner. The super markets use family packs, which are an attraction. Pre-cooked packs could be an additional sales attraction. We have found that some of the private super markets have already started introducing such packs.

07.05 The basic cleanliness is observed in all shops. It appears, daily cleaning is observed. Perishable items are packed under proper refrigeration and frozen foods are wrapped in films.

## 08. Sales Promotion

08.01 Merchandise advertisements is well arranged. Gifts, discounted sales of certain commodities and cards and posters are seen in the stores. Promotional talk has also been observed among sales staff in many stores.

08.02 The private super markets and department stores are using 'mannequins' and 'have-a-try' method, which could be adopted by the co-operative stores as well. However, the question a co-operator would ask would be "whose products are we promoting?".

08.03 On the other hand, the Phranakorn co-operative society is at present depending mainly on the private wholesalers and manufacturers. With the thin margin they have could be lessened by adopting experienced sales promotion campaign. The option would be to start an organised campaign to promote the co-operative purchases through CCFT or individual producer co-operatives. However, it appears that the co-operative stores do not undertake sales promotion according to a systematic plan. It would be necessary to devise a proper system of identifying the products to be promoted and the intervals and the methods.

08.04 When the shops deal with slow moving commodities with better margin, sales promotion is essential. The other alternative would be to deal only with fast moving convenient store items that are popular with regular customers. The co-operative stores at present hold substantial stocks of slow-moving commodities.

#### **09 Member relations and customer relations**

09.01 We could observe the advertisements for member recruitment in co-operative stores. The number of members has been increased from 85,214 in 1984-85 to 85,711 in 1988-89.

Share capital has been increased from Baht 302,258 in 1984-85 to Baht 483,996 in 1988-89, which is only a marginal increase. However, owing to the declined net profit margins, the member rebates and dividends have not been attractive enough.

09.02 It is difficult to calculate the exact sales per member and non-member sales categories. In 1988-89, the Phranakorn Co-operative had a sales of Baht 3722 per shareholder. The average per capita income in Thailand for the year was Baht 22025. Therefore, one could see a gap which could be considered as a big potential as there is no distinction between a member and a non-member at the selling point. The profitability of co-operative society remains with the customer. At present, the strategies used also appear to be open-market oriented.

09.03 The market research is normally undertaken by the Head Office. The branch shops receive goods what ever sent to them and they undertake the sales accordingly. The managers normally do not procure stocks and depend on the central purchasing system. The members do not involve themselves in business decisions. Neither they participate in decisions on assortment or procurement nor do they express their needs and interests as a formal business arrangement. Business planning is done at the central level by analyzing the business results of the previous year.

9.04 There is no long term corporate plan or policy, decided by the board of directors or members of the co-operatives.

09.05 A rapid increase of members cannot be expected through the strategies adopted at present by looking at the past experiences. Increase was as follows:

TABLE I

Year	No. of members
1984-85	85,214
1985-86	84,614
1986-87	85,625
1987-88	85,657
1988-89	85,711

The number of customers and their average purchases are as follows:

TABLE II

Name of Store	Daily Sales				
	Turnover	No. of customers	Purchase per customer	No. of items per customer	Average Business/customer
Paholyothin	217602	1,500	145	8	18.13
Lad Praow	195383	1,500	130	7	18.61
Bangkhaen	81160	700	115	7	16.23
Sirirach	109990	1,500	73	3	21.15
River city	67336	700	96	5	19.24
Pakgred	47549	500	95	5	16.98
Samrong	151647	700	126	8	15.16
Sapakachadthai	30848	600	51	4	17.83

Source : Phranakorn Co-operative

09.07 According to the above figures, it appears that the merchandise of the stores are essentially daily needs. The clientele belong to lower income groups. The stock range assortment the shops carry and the number of items sold per day has a vast gap.

09.08 The potential number of customers could be assessed from the following comparison

TABLE III

<u>Name of store</u>	<u>Radius in Metres</u>	<u>No. of Households in the area</u>	<u>No. of customers per day</u>
Paholyothin	15,000	12,000	1,500
Lad Praow	15,000	15,000	1,500
Bangkhaen	15,000	10,000	700
Sirirach	10,000	5,000	1,500
River city	5,000	2,000	700
Pakgred	15,000	5,000	500
Samrong	15,000	5,000	700
Sapakachadthai	500	1,000	600

Source: Phranakorn Co-operative

#### 10. Employees' productivity

10.01 The Phranakorn co-operative society has been able to cut down the number of staff from 392 in 1984-85 to 332 in 1988-89, which resulted in lowering overhead costs. However, on the other hand, expenses per employee has gone up from Baht 7795/- in 1984-85 to Baht 9,290/- in 1988-89. Another achievement of the society is the increase in gross profit per employee from Baht 8792 to Baht 10,310.

10.02 The following table shows the employees' productivity during 1988-89:

TABLE III

Name of the store	No. of employees		Turnover producti- vity	Man hour producti- vity
	F/time	P/time		
Paholyothin	107	2	86,527	3247.8
Ladpraow	54	-	164,888	3066.1
Bangkhaen	34	-	102,231	1196.9
Sirirach	43	-	108,005	1903.4
River city	20	-	156,975	1081.1
Pakgred	14	-	142,594	687.4
Samrong	45	-	154,917	2400.6
Sapakachadthai	12	-	-	526.7

Source : Phranakorn Co-operative

10.03 It is expected that the employees expenses would go up atleast by 10% annually in future. The society should be able to cover this cost while keeping the profitability rate with accelerated progression. In order to absorb existing staff to development plan of the society, it would be necessary to conduct a work study and motion study of the present operations and design new systems, which will ensure optimum achievement in the labour productivity.

10.04 We observe that all major business decisions are taken at the central level. Computerization of accounting and monetary controls has brought in more efficiency in the operations. Since the major decisions are taken at the central level and the stocks are replenished centrally, managers of the shops only deal with selling aspects. They have been efficient enough to minimize the leakages, pilferage and damages. One of the positive factors in

the business operations is also the minimum costs incurred on transport and logistic. At present the sales staff meetings are held once a month. The results of store operations are explained to the staff and the consultations take place with them. However, branch managers are used as a feedback mechanisms only.

10.05 Training and development of staff has been taken care of. They are exposed to training programmes conducted by the CLT and CPD. Internationally, the Phranakorn Co-operative society has an exchange programme with Singapore. The staff is also trained through the programmes created by the ICA ROA. It appears that some of the key sales executives in the co-operative societies are of retiring age. At present, there are no man power plans prepared, due to which the replacing and career progression have become a problem.

## **11 Assortment**

11.01 Practically all the shops carry a large assortment and split into super markets and department stores. Basically, the super markets have a wide range of merchandise. However, atleast 5 stores do not have any stationery department. Candy and liquor is another discriminating section. Generally, the following departments are maintained in the branch shops:

**Supermarkets** -women's ware, men's ware, miscellaneous items, films, glassware, electrical appliances, plastics and bags, towels, stationery, cosmetics and candy and liquor.

11.02 Due to the limitations in working capital, some of the departments do not have sufficient variety of merchandise for customers' choice. Annexure 7 shows the breakdown of the commodity groups in relation to sales. It appears that some of the groups have marginal sales. They carry a substantial stocks of slow moving articles, which have low margins too.

In the absence of customers involvement in



determining the merchandise, the co-operatives use informal surveys of customer needs.

11.03 A systematic way of re-ordering of goods is not maintained by the branch stores. The buying function is centralized, which is advantageous to the co-operative society. The co-operative society also buys some 8 or 9 commodities from the agricultural co-operatives through the CCFT.

11.04 One of the achievements at present is also the attempt made in the introduction of CO-OP brand products to the market in a small way, which is a healthy signal for the future.

## 12. Business timings and holidays

12.01 The co-operative society has been able to keep its shops open atleast 348 days per year on an average. There are 6 shops open for 363 days in 1988089.

### Business hours are as follows:

3 shops	-	09.00 a.m. to 06.30 p.m.
2 shops	-	08.30 a.m. to 06.00 p.m.
3 shops	-	10.00 a.m. to 08.00 p.m.

12.02 Generally in Bangkok, the trading hours range from 10.00 a.m. to 08.00 p.m. or 10.00 p.m. The co-operatives may need to consider the time carefully. Fortunately, chain stores such as 'Seven-Eleven' have not entered the market in a big way.

## 13. Financial Management

13.01 The Phranakorn Co-operative has been able to maintain stability in liquid assets during the past 4 years. The overdraft and loans have been reduced from baht 15.7 million 1987 to baht 10.3 million in 1988.

13.02 Current assets to liability ratio is 1.54. The ratio for the country in 1985 was 1.97. The total capital employed is as follows (1988) :

	<u>Baht</u>
Own funds	- 59,601,502
Borrowed from banks	- 4,947,951
Borrowed from CPD	- 5,400,000
	-----
	69,949,453
Less: Fixed assets	35,687,847
	-----
	34,261,606
Less: Others	1,664,526
	-----
Working capital	32,597,080
	-----

13.03 Return on capital in 1988 was 12.66% whereas during 1985-86, the country average was 10.00 %, which shows that the society maintains a level above average.

13.04 The working capital turns in 1988-89 was 9.7 times, whereas the national level average in 1986 was 4.44 times, which shows a better performance than the national average. Equity benefit returns during the past few years were as follows:

<u>Year</u>	<u>Equity return</u>
1984-85	21.94%
1985-86	14.72%
1986-87	12.98%
1987-88	10.96%
1988-89	14.20%

13.05 The trend could be expected to become more improved with the decline in overdrafts and loans provided that the co-operative societies keep atleast the present level of business. However, the return has to be compared with the market rates prevailing in Bangkok.

13.06 We have also observed that the society does not keep dead assets or unutilized assets. However, the utilization of fixed assets such as land and buildings have to be re-considered and strategies should be adopted to achieve more out put.

#### 14. Future business directions

14.01 We feel that the Phranakorn co-operative society has come to a stage where it has to decide on its business directions. The Bangkok city is changing very fast in its way of life, with the increased per capita income and the stable economic growth the country has maintained. The per capita income of Thailand has increased from US\$ 794.2 in 1985 to US\$ 881 in 1988. The growth rate has been increased from 6.2% in 1985 to 8.5% in 1988. Outstanding foreign debts have come down from US\$ 14,071 million to US\$ 12,175 million in 1988. As a result, the buying power of consumers is expanding.

14.02 One has also to take into account that 30 or more department stores are coming up during the next 3 years. Multi-national companies such as MAKRO have entered into the wholesale market with new strategies such as recording members opinions and creating stable clubs. This would eventually have an impact on the possible attempt to consolidate co-operatives and start joint purchases in order to achieve more bargaining power with wholesalers and manufacturers. One could always expect hyper-market system entering into the expanding consumer market, such as Bangkok. Let us consider the alternatives for future directions.

## Alternative 1

14.03 The society could adopt an open market strategy to increase their turnover and the profitability in business operations. This alternative demands the following:

- Increase the working capital by atleast 3 times,
- Changes in the merchandise carried by the store chain to realize more variety in assortment and the customers choice,
- Improve upon the layout and display methods using more elaborate and expensive techniques adopted by other shopping complexes,
- Rigorous sales promotion through advertising by issuing flyers, newspapers and hand outs, etc.,
- Competing with the other competitors through bulk buying and gaining more bargaining power with the wholesalers,
- Elaborate packing and wrapping methods to be used for better presentation of commodities,
- Improve few big store complexes to become shopping complexes with diversified business activities in order to attract customers with different tastes and interests.

14.04 This strategy aims at a floating or open clientele and depends on non-members more than members. The changes that are necessary for the existing premises need more capital costs for improvement. The assortment of commodities has to be expanded, which result in less turnover per individual commodity and would demand competitive margins. Stock control systems have to be automated in order to bring in more efficiency to ensure more stock turns. This also needs a management system with forward (distribution channels, customer) and backward (suppliers) integration. The society would need to work on more borrowed capital with higher interest rates from commercial banks, which would cut into the gross surplus in operations.

14.05 The present expertise in the staff of the society may need to be re-adjusted and developed, resulting in heavy costs in training and external recruits with necessary open market technical know-how.

14.06 This alternative may also require more compound programme strategies with other consumer co-operatives. In Bangkok, Krungdev is the only other consumer co-operative which could operate jointly. Other co-operatives are scattered all over the country. In order to mobilize them the CCFT has to be strengthened in terms of working capital and staff. At present, the CCFT has marginal business handling few items purchased from other co-operatives. However, the CCFT has a long term development plan, which aims at phased expansion of business with other co-operatives. If it is to change its plans, a short-term wholesale business with open market-orientation has to be adopted. For this purpose, the business know-how has to be imported from the open market and also undertake advertising and sales promotion functions. In such a situation, the CCFT cannot depend on co-operatives alone, who has a limited buying capacity, but expand its activities to undertake business with other private retailers. At present, retailers attachment to private wholesalers is strong with the addition of MAKRO Wholesaling Company.

14.07 The CCFT also does not own much capital to compete effectively with the private wholesalers at present.

#### Alternative 2

14.08 The other business strategy that can be adopted is to deal with an identified market with an identified clientele. Such a strategy would need specialized business in terms of

assortment and choice of commodities. This strategy should be directed towards more participation by the customers in the selection of merchandise the shops may carry. The shops would deal with few commodity groups with better concentration of variety within the group. The principle maintained under this strategy is to achieve more turnover from few items with lower margins. In this process, the tendency would be to create markets more than cutting into other's market share. The impact on the resources of the society by adopting such a strategy is as follows:

- The working capital in hand at present is sufficient provided it could generate more stock-turns while maintaining low margins. In order to compete in a market economy, cost management, advertising, purchase management and customer relations is required.
- The business management systems prevailing at present need to be reviewed and re-designed for more efficiency.
- Customer-oriented sales strategies should be introduced, having more customer oriented sales staff who will devote a major part of their time consolidating and reflecting on customers.
- Lowering the maximum stocks and cutting down on assortment.
- Specializing in identified commodities which have better demand through processing, packaging and rigid quality control.
- Build up close relations with the agricultural and industrial co-operatives as well as private manufacturers to be cost effective and also to maintain rigid quality.
- Logistical arrangements to be re-adjusted in the light of new suppliers (co-operatives) and also new clientele, who demand deliveries.
- Review the present management structure and develop into a more market-oriented system, by having specialized units

for corporate planning, advertising and promotion, market research and customer/member relations.

- Re-designing jobs and re-allocating the staff and developing new competitiveness that are required for the new approach. New jobs to be created and also to attract new blood by effecting the retirements wherever applicable.
- Integrating the business plans with the CCFT development plan, which could keep pace as appearing in the CCFT plan.

14.09 All throughout our discussions, it was found that the consumer co-operative movement has not been strengthened upto now to compete with other competitors. Pranakorn Co-operative Society or the CCFT do not possess sufficient capital or distributional channels to bargain for better share in the market, so that they could buy at lower prices and keep sufficient margins. The existing staff would not be able to cope up with such an open competitive business within the capabilities they possess at present. On the other hand, we have found that there are only few wholesaling companies who control the wholesale market in close liaison with the manufacturers and importers.

14.10 In these circumstances, the CCFT and CPD officials expressed a view that it would be safer to select the alternative 2. However, even if the co-operative maintain a steady growth through the alternative strategy 2, it would need improvement in many directions. At present, the society has a mixed policy in business, which tries to work with the members as well as non-members. Therefore, in order to have a stable clientele, it may need to re-adjust the business policies and strategies accordingly. An indecisiveness will be risky in future.

14.11 The short and long term suggestions we make, as indicated below, are in keeping with the policy of closed clientele with specialized needs.

## 15. Recommendations for Short-term and Long-term improvement

### 15.01 Short-term measures

#### A. Shop Premises

- i. The Head Office and few branch stores have sufficient space for improvement. Some of them need immediate repairs and colour-washing.
- ii. The parking space available at the Head Office could be utilized for expansion to stores. Backside space now being used by the street vendors could be streamlined to make it more presentable and customer-oriented.
- iii. The racks and shelves in the Head Office supermarket and also in some other stores need to be replaced or re-painted. It is better to use aluminium frames and washable tops when they are replaced.
- iv. Lighting has to be re-arranged to look bright and soft.
- v. Shop entrances and sign boards have to be re-designed to attract customers.

#### B. Cleanliness and sanitary conditions

- i. Cleaning tools and detergents are to be stored in proper places.
- ii. Daily routine for sufficient cleaning and maintenance to shops be fixed properly and supervised by the managers or supervisors through checking charts.
- iii. It is necessary to keep display shelves always clean.

#### C. Store layout and commodity display

- i. The second floor of the shops to be introduced with customer premium gift schemes for better attraction and game machines for children.



- ii. Sales promotion of items sold at the second floor through advertising at the first floor.
- iii. To remove obstacles in the customers' walking area by improving isles which are presently inconvenient for walking.
- iv. Some items are seen displayed at different places, which should be avoided.
- v. Overstock display alongwith isles to be avoided.

#### D. Assortment

- i. The shops maintain basic principles of grouping and departmentalization. However, in some places, it has become necessary to observe related merchandise display, island display and usage related display.
- ii. It is necessary to withdraw damaged or rotten items immediately and also to observe expiry date of items, in order to retain the goodwill of the shops.
- iii. Segmentation of items to be used to selected items, which are well competitive within limited space of display.
- iv. Well planned merchandise assortment to be used to cater to different target customers, depending on the area of operation of the shop.
- v. Re-ordering systems to be introduced to all branch shops in order to maintain minimum stock levels and to achieve more stock turns.
- vi. It is profitable to stock less selling items as little as possible and to improve stock-turnover rate in order to reduce losses.

#### E. Customer relations and sales promotion

- i. Discounted prices for bulk purchases to be arranged in order to ensure more stock-turns.
- ii. Sales staff to be given guidance to look brighter and pleasant in clean uniforms. Dressing rooms or cubicles to be arranged where necessary.

- iii. A system to be introduced to interview customers in order to obtain their opinions and needs through interviews and questionnaires.
- iv. Employees' incentive schemes to be introduced in sales targets, reduction in cost of operations and minimising waste.
- v. Customers' incentive strategies to be introduced by having gift schemes, road shows and also competitions.
- vi. Employees' incentives to be encouraged through selection of 'best employee of the month', etc.

F. Improving the management

- i. An understudy to the present General Manager to be recruited immediately.
- ii. Prospective replacement to the managers at the retiring age to be found immediately and trained.

G. Training and development of staff

Branch Managers and department heads

- i. Management systems (work assignments, work scheduling, tasks and responsibilities, etc.)
- ii. Importance and functions of cleanliness.
- iii. Layout principles.
- iv. Merchandise assortment.
- v. In-store sales promotion.

For all senior staff members

- i. Consumer co-operative movement and principles of consumer co-operation.
- ii. Consumer co-operative movement and its merchandize policy in relation to safety and reliability.
- iii. Working families' needs on merchandize.

**15.02 Long-term measures**

A. Corporate Policy and Plans

- i. A clear vision for future should be determined by the society. The present policy is in par with the private

sector consumer operations, which seeks high growth economy that would bring about a trend of mass production and mass consumption. The consequence of such a system would be social problems such as defective products, hazardous food and environmental pollution. The consumer co-operatives are expected to initiate a consumer movement and merchandise policy seeking safety and reliability of products.

- ii. The society has to decide on a corporate policy in keeping with a clear vision. The corporate plan also should be prepared in keeping with the business strategy as discussed above. (Please see annexures, 2,3 & 4 for models).

#### B. Organizational Development

- i. The present structure of the organisation has to be improved to become more business management-oriented based on a long-term corporate plan. In this process, it is suggested to introduce corporate planning and market research department, customer/member relations department, and purchasing department. (Proposal appears in Annexure 5)
- ii. A proper manpower plan based on long-range plan to be prepared and carried out.
- iii. Usage of computers and other communication media for shortening the time between order and delivery to be introduced.
- iv. Decentralization of consumer aspects of business management should be introduced.
- v. Consideration of each unit as a profit centre is necessary.
- vi. Adopt participatory management practices, using management by objective concepts for setting targets.
- vii. Introduce more convenient-store type or mini-mart type branches in different areas, which would concentrate on closed membership.
- viii. A maintenance unit under logistics department should be established to provide services for electrical appliances and other facilities.

### C. Personnel Management

- i. Employment guarantee is a positive factor at present. This has to be strengthened by using further strategies such as re-training and re-deployment in order to improve the quality.
- ii. Introduce a system to maintain an inner-mobility of employees to achieve maximum productivity.
- iii. It is necessary to introduce profit-linked bonuses.
- iv. Personnel policies and philosophy of the organisation have to be introduced to the employees, in order to win the confidence of the employees.
- v. Each employee to be given a career plan so that he/she will be motivated to look for future prospects in the organisation.

### D. Training and Development of Staff

- i. The present training is conducted on an adhoc basis. A proper training system from the point of induction to the promotional level should be planned and introduced. This should contain on-the-job and job-specialized programmes leading to career progression.
- ii. In addition to systematised training scheme, adhoc training to be arranged to meet the requirements of the goals and targets set under the corporate plans.

### E. Customer and Member Relations

- i. All sales staff and executive staff need to be oriented to improve upon their customer relations at the shop and also in the field, by participating in community work.
- ii. The members of the co-operative to be consulted in groups and through individuals for deciding on the merchandise and also the services to be provided through the chainstores.
- iii. The opening and closing times of the shops to be adjusted in keeping with the consumer behaviour in each area of operation for their convenience.

- iv. The members to be reached through pamphlets, bulletins and individual communication on the new products and consumer services provided by the society.
- v. Demonstrations such as cookery and 'buy and try' and 'try yourself', etc. to be organised at the shop with enough publicity for the customers in order to obtain their responses and increased sales.
- vi. Customer dividends and rebate schemes are to be strengthened through other forms such as discount prices and welfare activities.

F. Sales Promotion

- i. The society needs to introduce more COOP brand products with specific arrangements with manufacturers and producer co-operatives.
- ii. Wherever possible, it would be desirable to open cheap goods sections where the customers with lesser income could come and buy their needs.
- iii. It is necessary to reach producer co-operatives as well as individual producers through CCFT so that new products with better quality could be obtained and introduced through COOP brand labels.
- iv. Wherever possible, it would be desirable and organise buyers groups or housewives groups to achieve total customer responses by the society and also to make the society more customer-related. These responses should be used for business planning.
- v. Delivery systems could be arranged to supply commodities to joint-buying groups as organised above.
- vi. A comprehensive system of market surveys and customers research to be introduced in order to provide feed back to the management for their operations.

## 16. Acknowledgement

16.01 The study on the Pranakorn Consumer Co-operative was carried out by us at the initiative taken by Mr. Snith Chittaporn, General Manager of the Pranakorn Co-operative Society. He is conscious about the improvements and constant changes that are needed. He accompanied us in our discussions and visits and provided us information and opinion through his vast experience. We would like to thank him for his contribution.

16.02 Staff in various sections in the society and also field staff including managers were open and frank about their problems and difficulties and also supplied us with valuable information through statistics and responses to the questionnaire. We would like to thank them too.

16.03 We had discussions with Col. Surin Cholpraserd, Chairman of the CLT, CCFT and Pranakorn Co-operative, Mrs. Ampawan, a board member and few members and Mrs. Maneet, head of the Technical Division of the CPD and her staff, Additional Director General of CPD, who provided valuable information and ideas for improvement of the society. Mr. Narong Marukatut of the CLT coordinated the activity. Mrs. Suchitra accompanied us in our mission. We thank all of them for their support and hospitality provided. Our thanks also goes to Dr. Suthorn and two other interpreters, who served us by interpreting documents and interviews from Thai to English and Japanese.

16.04 The suggestions and recommendations we have made in the document are a reflection of many ideas and suggestions provided by all involved in this effort. We hope that the society would adopt these recommendations for the improvement of their management and business of the society.

W U Herath  
Akira Oka

PROGRAMME OF WORK

W U Herath : ICA ROA

Akira Oka : JCCU

Stage 1

- 09 Aug 1989      Arrival in Bangkok
- 10 Aug 1989      Meeting with Mr. Narong Marukatut, Director, CLT  
Meeting with Mr. Snith Chittaporn, General Manager,  
Phranakorn Co-operative Society and staff.  
Visit to supermarkets managed by the Co-operative.
- 11 Aug 1989      Visit to branch shops of Phranakorn Co-operative.  
Visit to Soho Shopping Complex.  
Visit to a Thai home.
- 12 Aug 1989      Visit to branch shops of Phranakorn Co-operative.  
Visit to JUSCO Chainstore.  
Discussion with Division Chiefs of Phranakorn Co-  
operative.
- 13 Aug 1989      Preparation for briefing
- 14 Aug 1989      Briefing at the CLT.

## Stage 2

- 22 Sept 1989 Arrival in Bangkok
- 23 Sept 1989 Meeting with board members of Phranakorn Co-operative.  
Meeting with a female member of the co-operative.
- 24 Sept 1989 Discussion with 3 selected branch managers and division heads of the Phranakorn Co-operative.
- 25 Sept 1989 Discussion with Deputy Director General, Mrs. Maneet, Head of Technical Division and staff of Co-operative Promotion Department.  
Discussion with Col. Surin Cholpraserd, Chairman, CCFT and CLT.
- 26 Sept 1989 Preparation of the Report.
- 27 Sept 1989 Presentation of the report at the CLT office in the presence of the representatives of the CLT, CPD, CCFT and Phranakorn Co-operative Society.
- 28 Sept 1989 Departure from Bangkok.



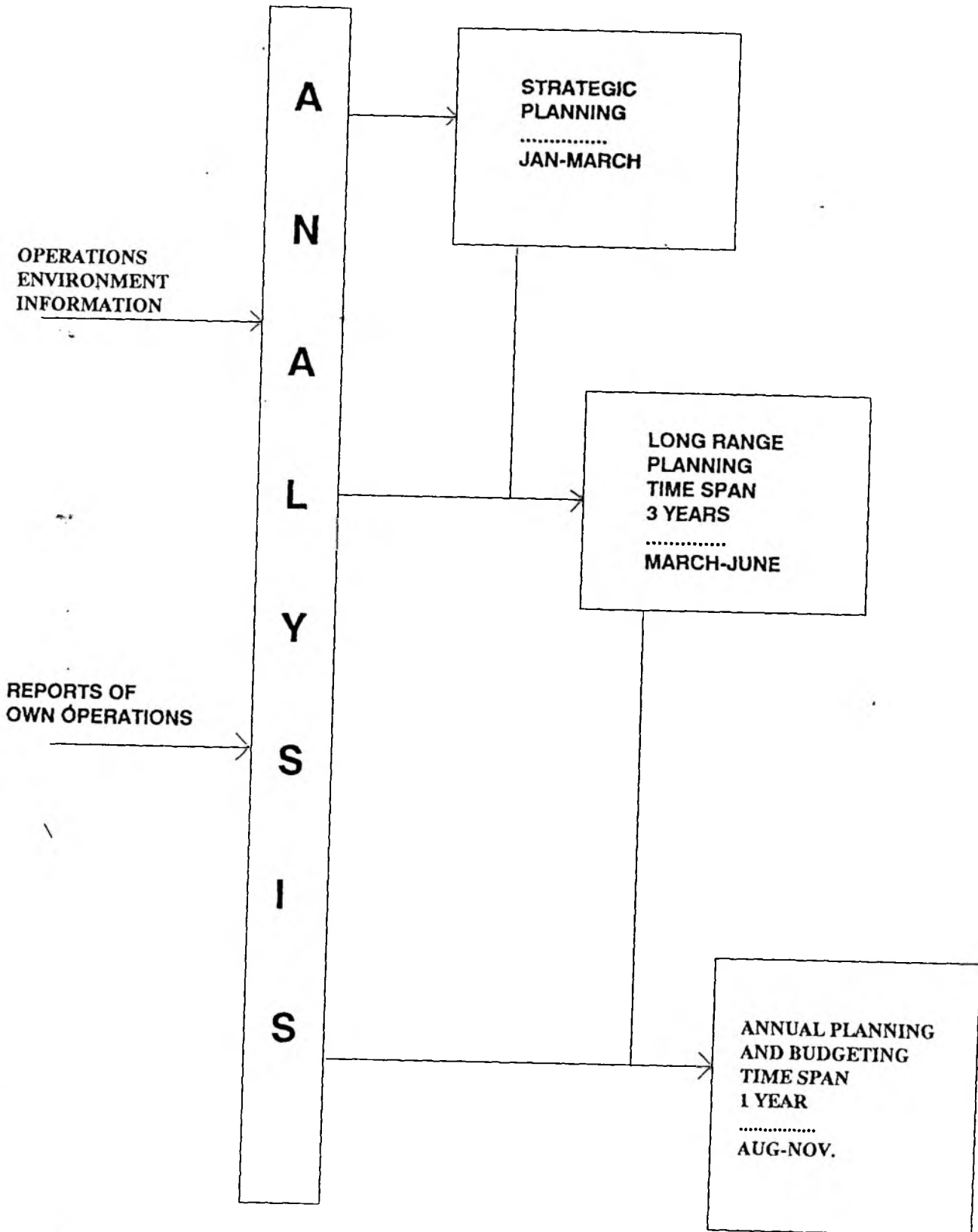
## OPERATION RESULTS PERIOD 1984 -1989

<i>Particulars</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>
No. of members	85,214	84,614	85,625	85,657	85,711
Share	302,258	310,279	427,551	490,230	483,996
Paid-up Capital	15112900.00	15,513,950.00	21,377,550.00	24,511,500.00	24,199,800.00
Stock on 01 April	45,070,783.38	38,627,508.78	33,434,143.87	35,718,466.69	34,525,721.31
Purchases	248,406,281.01	230,368,185.84	267,379,218.55	259,365,522.99	280,205,314.74
Incoming expense	24,548.30	4,345.00	-	-	-
Stock on 31 March	38,708,168.93	33,446,071.74	35,721,989.79	34,531,063.42	35,515,476.04
Sales	296,151,168,923.22	270,204,676.32	301,586,674.90	297,079,395.73	319,063,290.70
Gross Profit	41,358,479.46 (13.97%)	34,650,708.44 (12.82%)	36,595,302.27 (12.13%)	36,526,469.47 (12.30%)	39,847,730.69 (12.49%)
Income	6,577,255.19 (2.22%)	6,635,401.33 (2.46%)	5,456,734.38 (1.81%)	4,963,996.02 (1.67%)	4,905,400.73 (1.54%)
Operating Expenses	36,668,765.22 (12.38%)	34,094,854.08 (12.62%)	34,775,137.43 (11.58%)	34,952,403.12 (11.77%)	35,893,864.29 (11.25%)
Net Profit	11,266,969.43 (3.81%)	7,191,255.69 (2.66%)	7,276,899.22 (2.41%)	6,538,062.37 (2.20%)	8,859,267.13 (2.78%)
Current Assets	82,720,140.92	76,140,495.27	76,543,938.64	78,227,531.07	83,399,823.91
Fixed Assets	29,468,364.20	34,813,358.06	37,832,906.03	35,687,847.77	36,455,782.86
Total Assets	115,074,378.39	112,368,396.70	115,682,005.81	115,579,906.43	121,547,677.35
Current Liability	59,740,245.24	57,135,041.88	54,449,628.37	48,946,494.71	53,932,130.64
Other Liability	3,986,014.56	6,390,337.54	5,199,581.98	7,031,909.39	5,237,173.75
Total Liability	63,726,259.80	63,525,379.42	59,649,210.35	55,978,404.10	59,169,304.39
Equity	51,548,118.59	48,843,017.28	56,032,795.46	59,601,502.33	62,378,372.96
Total Liability & Equity	115,074,378.39	112,368,396.70	115,682,005.81	115,579,906.43	121,547,677.35
No. of Employees	392	345	351	314	322
Stock-turn	7.06	7.49	8.72	8.45	9.11
Net Profit/Stock-turn	1.595	0.960	0.834	0.773	0.972
Stockholding/day	51	48	36	42	39
Equity Benefit return	21.94%	14.72%	12.98%	10.96%	14.20%
Employee/Sale/Month	62,957	65,266	71,600	72,770	82,570
Gross Profit/Employee	8,792	8,369	8,688	9,693	10,310
Net Profit/Employee	2,395	1,730	1,720	1,735	2,290
Expenses/Employee	7,795	8,235	9,255	9,275	9,290

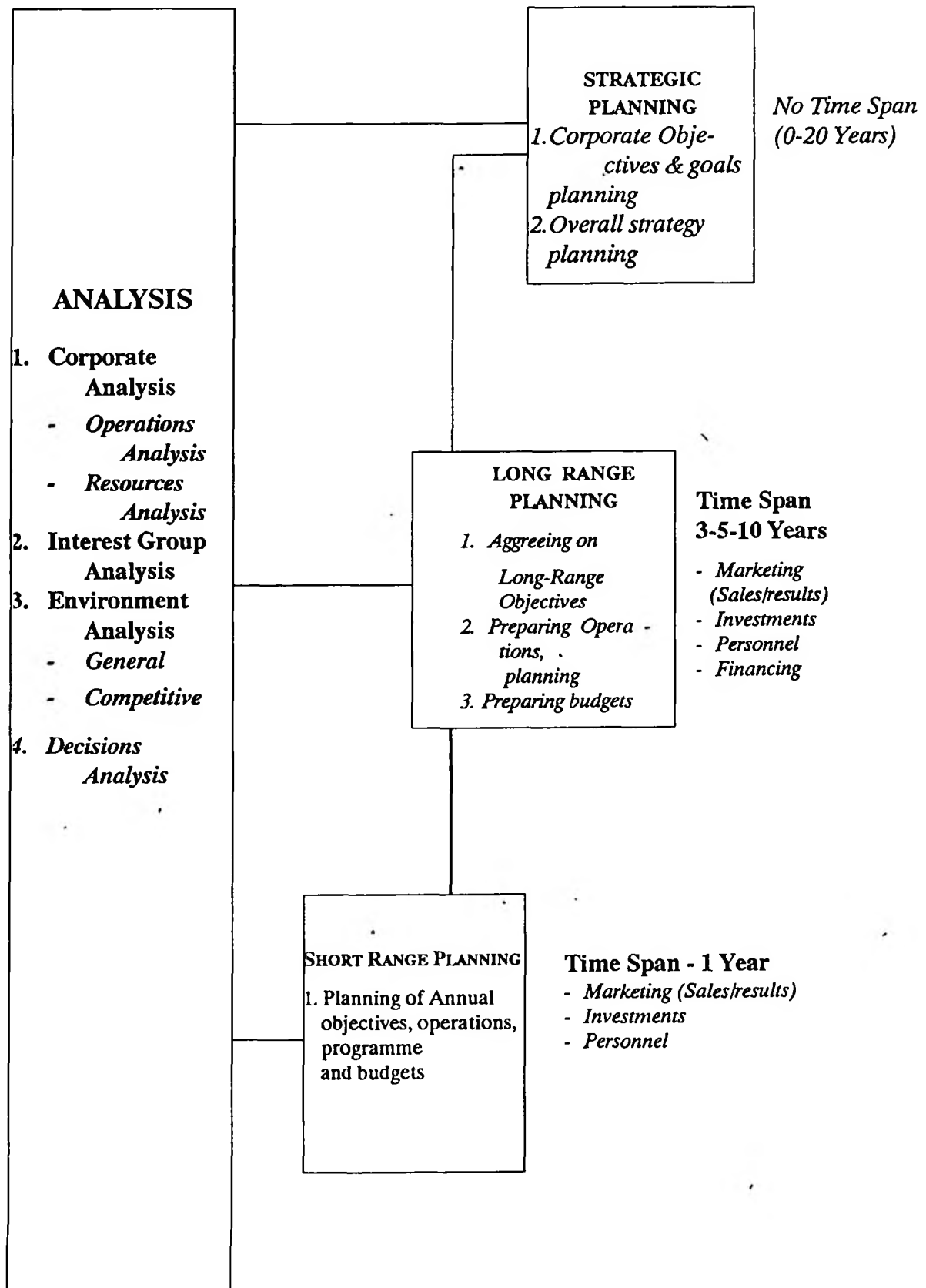
Amounts in Baht

Source: Phranakorn Co-operative Society

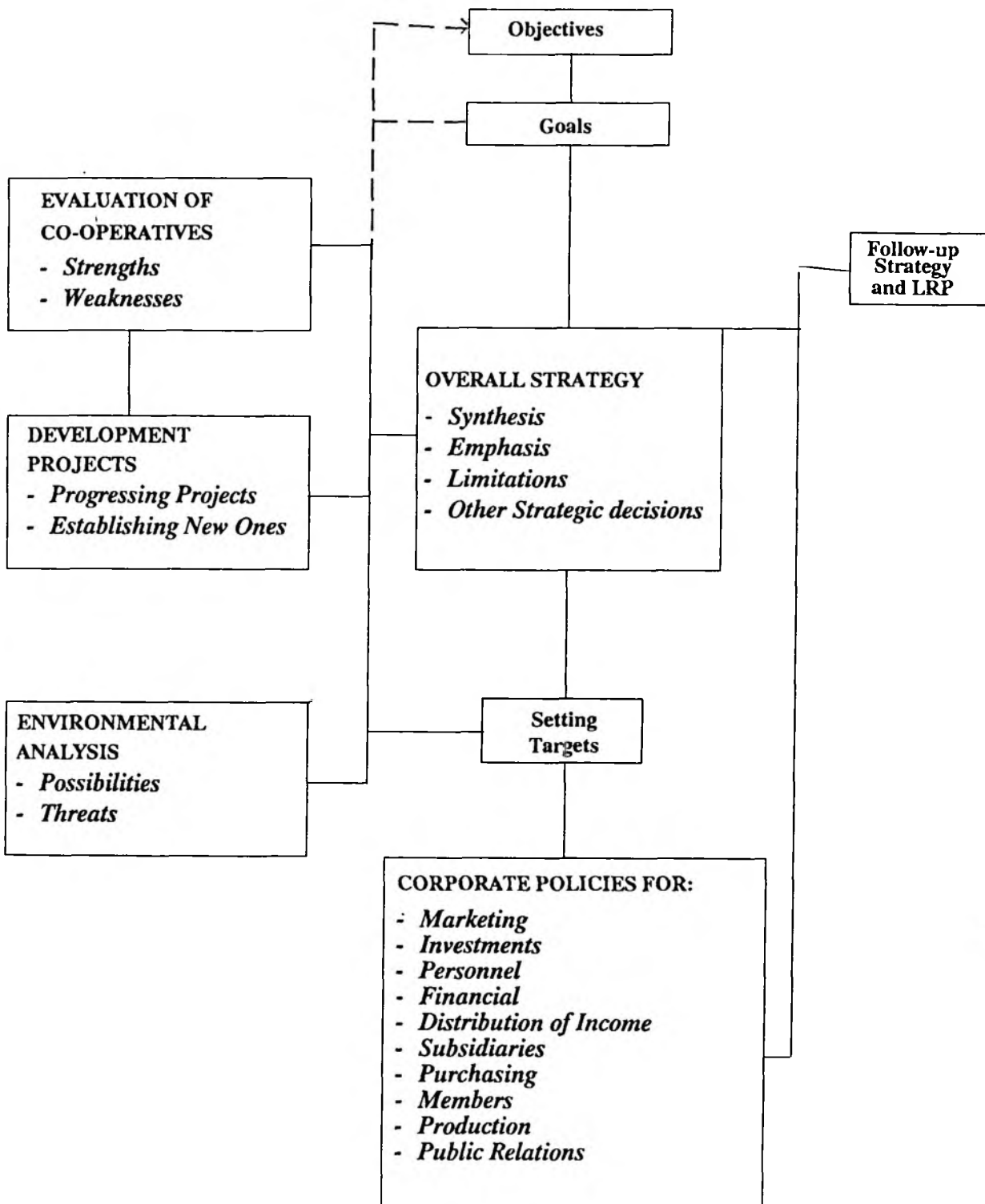
# A CORPORATE PLANNING SYSTEM



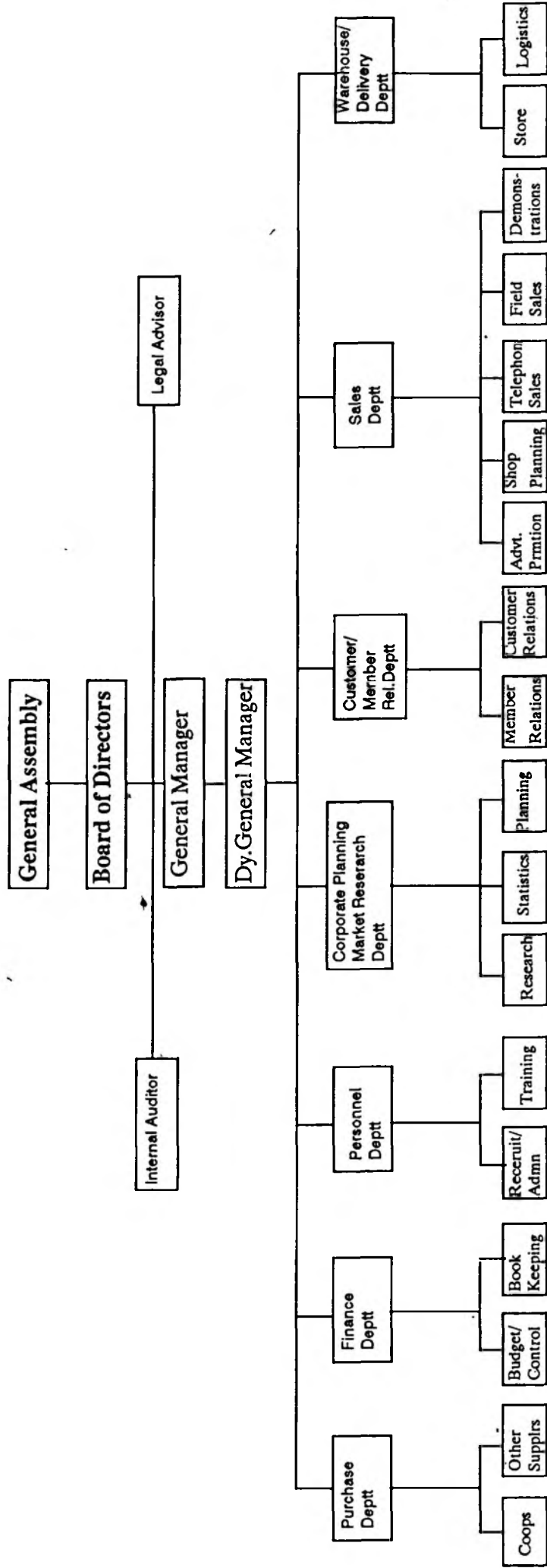
# THE CONTENT AND INTEGRATION OF COMPONENTS OF CORPORATE PLANNING



COMPONENTS OF STRATEGIC PLANNING



## AN ALTERNATIVE PROPOSAL FOR ORGANISATIONAL STRUCTURE OF PHRANAKORN CO-OPERATIVE



**Phrnakorn Co-operative Store Ltd**  
**Balance Sheet on March 31, 1988**

<u>Assets</u>	<u>1988</u> (Baht)	<u>1987</u> (Baht)	<u>Liabilities And equities</u>	
<u>Current Assets</u>			<u>Current Liabilities</u>	
Cash in hand and at Bank	40,909,120.52	36,948,192.08	Bank Overdraft and Loans	4,947,951.99
<u>Accounts Receivable</u>			Account Payable	22,708,267.40
Trade	222,952.30	253,032.30	Account Payable 1 year	1,199,605.57
Others	<u>1,84,276.55</u>	<u>777,798.25</u>	Dividend & Rebate Accrued Exp.	18,582,470.71
Total Accounts Receivable	1,407,128.85	1,030,830.55	Contribution to CLT	--
Reserve for Bad Debts	845,168.10	58,893.80	Other Current Liabilities	1,508,199.00
<u>Net Accounts Receivable</u>	<u>561,960.75</u>	<u>971,936.75</u>	Total Current Liabilities	<u>48,946,494.71</u>
Inventories March 31	34,531,063.42	35,718,466.69	<u>Long term Liabilities</u>	
<u>Less: Reserve for Damaged goods</u>	<u>5,342.11</u>	<u>3,523.10</u>	Promotion Fund from CPD	5,400,000.00
Office Supplies	800,392.00	535,127.76	Total	5,400,000.00
Other Current Assets	1,430,337.20	2,300,215.36	<u>Other Liabilities</u>	
Total Current Assets	<u>78,227,531.87</u>	<u>76,541,938.64</u>	Provident Fund	1,631,909.39
<u>Fixed Assets (Net)</u>			Total Other Liabilities	<u>1,631,909.39</u>
Land	23,602,231.11	23,602,231.11	Total Liabilities	55,578,404.10
Buildings	9,739,058.36	10,785,542.43	<u>Equities</u>	
Vehicles	70,924.17	174,354.17	(One share 50 Baht) Fully paid	24,511,500.00
Office Equipments	<u>2,275,634.13</u>	<u>3,270,779.32</u>	Reserve Fund	27,533,711.50
Total Fixed Assets	<u>35,687,847.77</u>	<u>37,832,906.03</u>	Net Profit	<u>6,538,062.37</u>
<u>Other Assets</u>			Total Equities	99,601,502.33
Suspense A/c	998,096.79	710,431.14		
Others	<u>1,066,430.00</u>	<u>594,730.00</u>		
Total Other Assets	<u>1,664,526.79</u>	<u>1,305,161.14</u>		
<u>Total Assets</u>	<u>115,579,906.43</u>	<u>115,682,005.81</u>	<u>Total Liabilities and Equities</u>	<u>115,579,906.43</u>

**Phranakorn Consumer Co-operative Society**  
**Profit and Loss Statement for the Year ended 31st March 1988**

	1988	1987
	Amount (Baht)	Amount (Baht)
	297,079.395	301,586,674.90
	<u>260,552,926.26</u>	<u>264,991,372.63</u>
	36,526,469.47	38,595,302.27
	<u>4,963,996.02</u>	<u>5,456,734.38</u>
	41,490,465.49	42,052,036.65
	<u>34,952,403.12</u>	<u>34,775,137.43</u>
	<u>6,538,062.37</u>	<u>7,276,899.22</u>
	100.00	100.00
	87.70	87.87
	12.30	12.13
	1.67	1.81
	13.97	13.94
	11.77	11.53
	2.20	2.41

**Phranakorn Consumer Co-operative Society**  
**Income and Expenditure Statement - Year 1989**

<i>Month</i>	<i>Sale</i>	<i>Gross Profit</i>	<i>%</i>	<i>Op. Expenses</i>	<i>%</i>	<i>Trading Profit</i>	<i>%</i>	<i>Other Income</i>	<i>%</i>	<i>Net Profit</i>	<i>%</i>
April, 88	23,386,431.89	3,059,070.88	13.08	1,992,542.46	8.52	1,066,528.42	4.56	114,640.05	0.49	1,181,168.47	5.05
May	25,720,604.25	3,359,807.33	13.06	3,219,695.79	12.52	140,111.54	0.54	212,198.46	0.83	352,310.00	1.37
June	24,019,963.50	3,164,772.09	13.17	2,902,342.22	12.08	262,429.87	1.09	207,192.01	0.86	469,621.88	1.96
July	27,202,955.00	3,526,798.32	12.96	2,975,235.21	10.94	551,563.11	2.03	243,125.71	0.89	794,688.82	2.92
August	24,563,001.00	3,190,874.51	12.99	2,973,965.84	12.10	215,908.67	0.88	337,958.61	1.37	554,667.28	2.25
September	25,540,733.50	3,307,468.04	12.94	3,063,318.00	11.08	512,567.26	1.45	215,003.68	0.85	587,832.52	2.30
October	27,643,672.25	3,575,865.26	12.554	3,063,318.00	11.08	512,567.26	1.85	214,186.42	0.77	726,753.68	2.63
November	26,125,570.00	3,405,935.15	13.04	2,513,310.66	11.16	492,624.49	1.89	292,581.80	1.12	785,206.29	3.01
December	32,179,618.75	4,269,571.57	13.27	3,410,410.85	10.60	859,160.72	2.67	291,281.40	0.91	1,150,442.12	3.58
January, 1989	28,296,726.50	3,690,286.27	13.04	3,280,098.33	11.59	410,187.94	1.45	163,036.65	0.58	573,224.59	2.03
February	26,293,244.50	3,390,076.29	12.89	2,940,964.50	11.19	449,117.79	1.71	218,750.67	0.83	667,862.46	2.54
March, 1989	27,628,900.00	3,593,616.31	13.01	3,012,607.46	10.90	581,009.05	2.10	352,248.50	1.27	933,257.55	3.38
<b>Total</b>	<b>318,601,421.14</b>	<b>41,534,162.22</b>	<b>13.04</b>	<b>35,619,130.52</b>	<b>11.18</b>	<b>5,915,031.70</b>	<b>1.86</b>	<b>2,862,203.96</b>	<b>0.90</b>	<b>8,777,233.66</b>	<b>2.75</b>

*Source : Phranakorn Consumers Co-operative Society*



Phranakorn Co-operative Society  
Total Sales April'88 - March '89

