

The Change of Consumer Buying Behavior towards Thailand Department Store Operations in a Digital Age

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Over the last 20 years, Thailand department stores have progressed quickly and have beaten local stores and dominated the Thai retail market. In 2016, Thailand's retail sector had a combined value of THB2.2 trillion (Modern Trade 40% and Traditional Trade 60%) which accounts for 27.4% of GDP. The country has developed a positive reputation with pro-investment policies, well-developed infrastructure and has become commercial hub in Asia. Both multinational corporations and local retailers are integrating into market due to the government opening the domestic market to foreign investors and operators (Ninkitsaranont and Sathapongpakdee 2016). On the contrary, thousands of major chain stores in the United States such as Sears, J.C. Penney, and Macy's have closed down as the businesses have been hit by plunging sales and loss of profitability to Amazon (Wahba 2016). The loss of market share to Amazon signified the clear trends of consumers search and buy products is influenced by social media and e-tailing platforms. The emergence of disruptive technologies are transforming business model by having a disruptive impact on the configuration of consumer buying a product from the seller. This article aims to 1) explore the current situation and the growth prospects of Thailand's department store, 2) state the changing needs of customers through their spending on new channel, 3) recognize the major trends that will shape the future of the department store industry, and 4) draw the challenges faced by the modern market growth. Firms that know where the 'disruption' has taken place and understand their customers desires will search for the underlying customer's motivation and start to leverage technology which involves the customer's experience, and focus on their differentiators in order to engage the customers' mind, thus expanding the store sales.

Key words: Retail business, Department store, Consumer buying behavior, Customer behavior, Change, Modern trade, Disruptive technology

1. Introduction

In the past years, the Thai retail sector was dominated by small, family-run grocers where they bought and maintained groceries from the middlemen and distributors. Over time, the market has changed significantly. The large-scale operators have started integrating with the retail market where they have become less dependent on wholesalers. The urbanization trend, changing lifestyles, and demand for sophisticated products are the key drivers for the Thai department store's expansion of its customer base and the growth of new stores. The decline in sales and shopper traffic has led to the continuous close down of hundreds of major department stores in powerful economy countries for example in the United States since 2010 (Peterson, 2016). Besides, there has been a drop in sales from major department stores in Japan, Korea and Hong Kong. As trends of store closures remain widespread, many operators tried to slow down their expansion plans. Perhaps the department store business is encountering a recession. The emergence of disruptive technologies such as

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internet has influenced and transformed the way consumers interact with families, friends and colleagues, to consume media, and to make a product purchase decision. Smartphones due to high-speed internet with a quick access of getting online and have improved the shopping processes to be more proactive. There are roughly 2 billion people around the world with a smartphone and it has been forecasted that more than 70 percent of the global population will own one by 2020 (Narang and Shankar 2016). This has been projected to revolutionize the way department store manages their business. Many services have been launched in electronics markets, some of human interactive works are started to getting substituted by computer and software, traditional services have basically moved to an electronic environment.

Thai locals' department stores have shown strong financial results in the past years for example: Central Department Store Group (CDG) the country largest department store chain. At present CDG manages 50 stores locally and 9 department stores overseas (Central Department Store China, Vietnam, Malaysia, Hong Kong, Indonesia, La Rinascente Italy, Illum Denmark, KaDeWe and Alsterhaus Germany). The CDG has kept expanding its branch openings both locally and overseas generating its strong profits. The company reported its net profit after tax Baht 2,483 Million, with 8% growth rate in its first-quarter of 2017 (Central Department Store 2017). Even the technology innovation in Thailand has been slow, but the trend towards e-services is becoming quite clear. The bullish forecast revealed that Southeast Asia e-commerce market was worth approximately US\$900 million (Bt31.7 billion) in 2015 and is estimated to grow up to 16 times of the figure (about \$11 billion) by 2025 (Boonnoon 2016). This paper explores emerging the disruptive technology of electronics services which the services are delivered through medium technology innovations (for example the internet-based e-service) and have contributed to the competitiveness of firms. Customers now are able to receive e-services via electronics channels instead of going to the store physically like in the past. Nonetheless, even with better technologies sometimes users are not eager to use them. It is crucial to find out the reason behind the department stores revenue loss in many countries, so Thailand department store operators can be proactively initiating changes and engage customers before they even know with the right strategies that adjust to the change of their buying behaviors. In order to be more profitable and sustainable, firms should be able to create the exceptional and high quality customers' experience which leads to higher level of difficulty for its rivals in the industry to compete with. In achieving those goals it's probably as simple as understanding the customers' behavior that lead by value, belief, and cultures. This paper is comprised of the 5 following parts: first, it provides an introduction of the research, second, it explores current literature and past research, third, is research methodology, fourth, is analysis and last is conclusion.

2. Literature Review

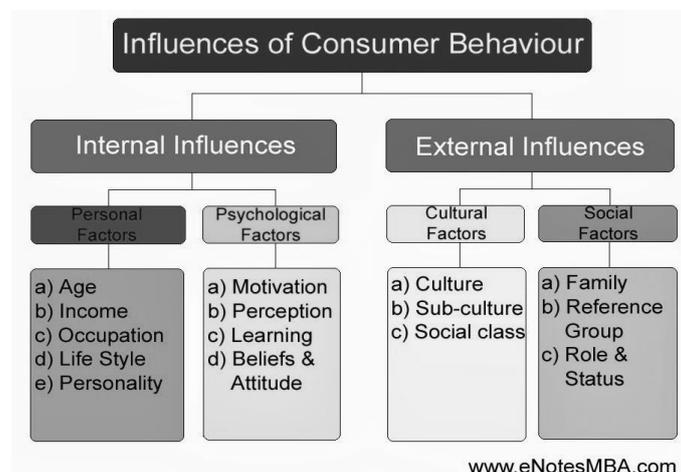
Based on the study of 'marketing tools that have an Influence on the consumer's buying behavior towards Siam Paragon Department Store' by Witchareeya (2010), the overall results showed the marketing impact factors such as distribution channels, promotion of products and services had an impact on the customers' buying decision making process. Another research by Adulkij (2009) which examined the customer attitudes and behaviors toward the department store revealed the marketing stimuli factors that had an impact on customers' buying decision process were department store's reputation, atmosphere, convenience, price, promotion, service, and variety of shops. As mentioned, the previous research mostly concerned the marketing trends and tools that would attract more

customers under the traditional trading circumstance when the e-commerce and m-commerce revolution were still in the early stages. To keeping pace in a changing world this paper explores further how the disruptive technologies in this digital era are involved and influenced, and the transformation of consumer behavior on the buying decision. This is based on the idea that every individual has a different sets of habits, beliefs and principles.

2.1 Definition and Meaning of Consumer Behavior

Consumer behaviour can be defined as "the study of individuals, groups or organizations and the processes they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society" (Hawkins, Best & Coney 2001). Consumer behaviour can be characteristics into two categories 1) the decision making process where it involves a number of complex variables which are invisible 2) the final purchase where it is the end result of the decision making process and is visible. The study of consumer behaviour can assist firms by knowing their consumers' consumption pattern along with external and internal influences which affect their purchase decisions. Behavior of an individual consumer can be influenced by factors such as motivation, self-concepts, feeling, learning, lifestyles and memory (Kotler 2002). These factors are known as internal factor. Additionally, factors like social norms, or cultural values make up the external factors which zones are beyond control. The external factors can be influenced by trends and environment. Following are the main factors that influences consumer behaviour, categorized as internal influences and external influences.

Figure 1: The Model of Influences Factors in Decision Making Processes of Consumer Behaviour



Source: Patidar MA 2014, Factors Influencing Consumer Behaviour, <<http://www.enotesmba.com/2014/03/mba-notes-factors-influencing-consumer-behaviour.html>>

2.2 Service Characteristics

Service; as stated by Philip Kotler (1997) service is an action or an activity which can be offered by a party to another party, which is basically intangible and cannot affect any ownership. Service may be related to tangible product or intangible product. The idea of service can be summarized as an activity that happens between 2 parties, its performance

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responses to different kinds of needs and brings desired results to customers, objects or other assets in exchange for money, time, and effort. Customers expect value from access to goods, labor, professional skills, facilities, network, and systems but it cannot affect any ownership of customers.

2.3 The Idea and Theory of Excellence Service and Marketing Mixed in Service Industry

As B.M Verma (1994, p.45) stated that, a part of excellent service depends on the way business touches and influences the customers. He suggested the ideas of excellent service comes from:

1. Availability – the sufficient supply with the competencies and skill-mix to match the customers' needs.
2. Accessibility – the equitable distribution, a customer or user can obtain a good or service at the time it is needed.
3. Acceptability- to treat all customers with dignity, create trust and promote demand for services.
4. Quality- service competencies, skills, knowledge and behaviour, as assessed according to professional norms and as perceived by users.
5. Potential Customer – customer qualified on the basis or his or her buying authority, financial capacity, and willingness to buy.

Without sufficient availability, accessibility to service cannot be guaranteed the service is available and accessible. However, lacking in acceptability, the service might not be used. When the quality of the service is inadequate, improvements in service outcomes will not be satisfactory above all customers who have the financial capacity and willingness to pay for the service is crucial.

Digital has reduced an importance of the department store as a resource for information, products and services then started to replace the stores. It is increasingly less important to consumers where the product is physically located. Previously, it was the consumer's responsibility to find the products they needed and figured out the best way to get them. Today, consumers research online, decide what products they want, and then decide where to buy them from. The act of acquiring products or selling products from the retailer's viewpoint has been commoditized and digitized. Meanwhile, the competitors like Amazon and other e-commerce sites have revolutionized shopping as they have come in with a different approach. The Amazon online shopping makes it easier for consumers in this category therefore the company has enjoyed tremendous success as a result with its free shipping (Baired 2017). Nonetheless, there are still some consumers who want to feel and touch, and there are some products that may still benefit from being sold on shelf in the department stores.

3. Methodology

The analysis in this paper is derived from various theme identification, theoretical perspectives, survey research, constant comparisons, document analysis, and content analysis. Procedures for analyzing qualitative data are described as follows:

1. Close reading of a text, becoming immersed in the information, reading a text, taking notes, move from the raw data that have been collected as part of the research study and use it to provide explanations, reflecting on the data and writing down interpretations.
2. Sequential text interpretation, taking a closer look at a few text or data passages, engaging in thought experiments and developing possible story lines considering different contexts, understanding and criticizing of the phenomena, people, and situations, coming to a conclusion.

The paper explores, examines, evaluates, analyses the obtained information on the strategic department store from related research papers, ideas, theories, and business articles which include the following elements:

Market analysis	Market size, stage of market, market competitiveness, market attractiveness, market trends
Customer analysis	Market segmentation, demographic, geographic, values and attitudes, shopping habits, analysis of needs and wants, media habits
Internal analysis	Human resource capability, technological capability, financial capability, ability to generate scale economies or economies of scope, trade relations, reputation, positioning, past performance
Competition analysis	Availability of substitutes, competitor's strengths and weaknesses, competitive trends, lead-times between placing order and delivery, cost of distribution, cost efficiency of intermediaries
Cost-benefit analysis of planned activities	The department store strategy, including service quality, a significant and positive association on customer loyalty. The department store strategy sets up long-term sustainability in a highly competitive market. Firm's customer relationships management, stressing the importance of added value and customer satisfaction.

In the past studies, the idea of disruptive innovation which has grown and changed the way that consumers behave at a rapid pace has not been in the spotlight. This research has tried to understand how the consumers have changed their buying behavior as they encounter technology designed to influence their choices daily. As the digital transformation has pushed e-commerce and mobile shopping into the mainstream, companies need to adapt their strategies on customers' response to match different needs and demands in the market and to deliver a superior shopper experience.

4. Results/ Analysis

Thailand's modern trade sector is expected to grow in the next few years as consumer purchasing power is starting to rebound due to recovery of the Thai economy. Department store operators continue their customer expansion plan based on increasing their investment levels, both in Bangkok and in regional centers. New stores will take a variety of forms and domestic operators will undertake an increasing number of joint ventures, acquisitions and mergers with both Thai and foreign companies, expansion of their virtual online shops with the purpose of generate revenue online. All these will stimulate rising levels of competition on price, with effects for costs and profit margins. Modern traders' control 61% of the market in 2014, compared with only 25% in 2013. Each operator seeks to deploy new IT operations retail technology and other relates innovations to support the store expansion and to gain the market advantages over the competitors. The e-commerce system, such as online payment, transaction fees, Internet broadband and logistic, is changing dynamically. Chief executive of Central Department Store Online, Mr. Worawoot Aunjai stated that only 3 percent of Thai consumers currently shopped online, and with only 1 percent of Central Group's Retail revenue in 2015 came from online. However, there will be growth potential for Thailand e-markets where it is expected to grow more than 15 percent in 2017 (Boonnoon 2016). Some of major department store operators are already planning on investing in warehouses to support their online business and use of robot management. This is supported by the promotion of the policy 'Cashless Society' by the Thai government that will enhance the online store ability. Visa Incorporated, the world class financial company has conducted the research on Thai consumers claimed that research results revealed 9 out of 10 of Thai consumers are showing interest in the new payment system 'Mobile wallet' which focus on electronic transaction if the operating system is secure and reliable.

Today's customers are distracted with too much information and options, they often struggle to find the products or services that will best meet their needs. The limited amount of staff and inadequate floor staff at many retailing sites cannot begin to replicate the personal touch that customers once depended on and customers are still experiencing on their own when they shop online. The O2O commerce is a business strategy that draws potential customers from online channels to physical stores. O2O identified customers in the online space, and then use a variety of tools and approaches to attract the customer to leave the online space (Investopedia 2017). A rise of O2O commerce along with a trend of retail business development is how the traditional department store should reinvent and upgrade by adding life style concepts and focus on the shopping experience. The operators should continue to add to the wide variety of products and services and inspire unique ways to offer in store in order to meet new demand generation of customers effectively.

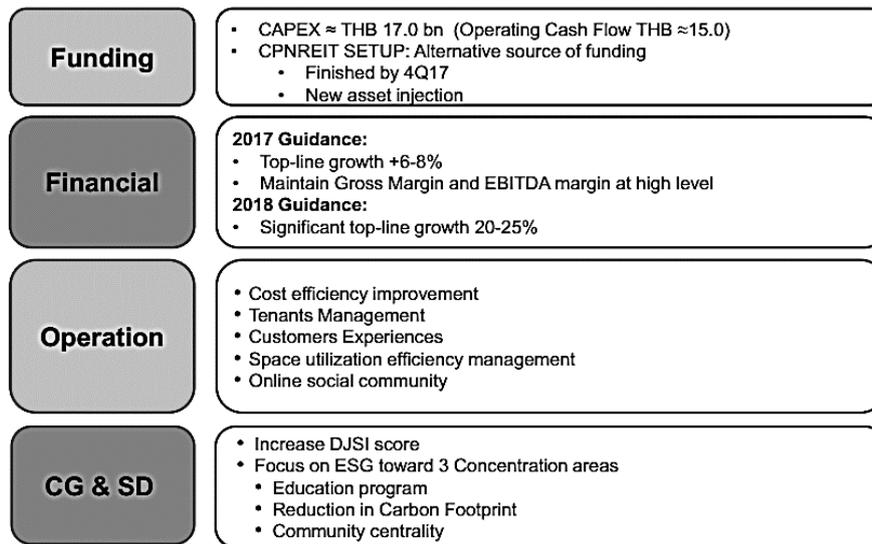
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Figure 2: Central Department Store 2017 Strategic Directions



Source: Central Pattana Company Limited, Corporate Development and Investment Report 2016, <<http://cpn.listedcompany.com/misc/PRESN/20140320-CPN-corporatePresentation4Q2013-02.pdf> >

Figure 3: Central Department Store 2017 Strategic Directions



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4.1 The Current Situation and the Growth Prospects of Thailand Department Store

Southeast Asian economies are forecast to grow at 5 percent annually until 2020. The urban population in Southeast Asia’s cities is growing by around 2.2 percent each year with the middle income population is set to increase by 70 million to 194 million by 2020 and will continue to drive growth across Asia (United Nations 2015). The survey by Inside Retail Asia stated that 83 percent of brands indicate their physical store expansion plans for 2016 will not be affected by the growth of e-commerce. Hong (2016) stated that from an operator perspective, only 22 percent of the brands see tough competition from online retailing as a threat to their business. The prediction that Thailand retail sector will progressively grow at a Compound Annual Growth Rate (CAGR) of more than 6% by 2020 has driven the trend of urbanization. It also urges the Thai department stores operators to opt for the branch

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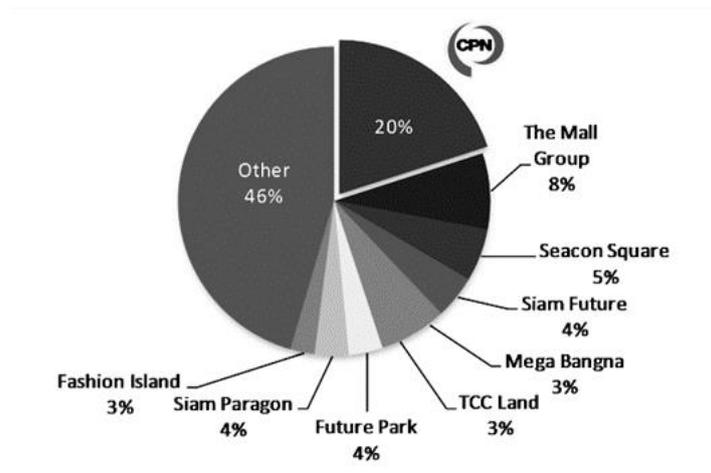
expansion strategy on the outskirts of the town. This trend is expected to continue for the next few years in the non-urban areas, and the traditional stores are being replaced by modern retail stores.

(Technovio Data Center 2015). Although the online retail sector tends to have lesser share of the retail industry in Thailand, the increasing trust in online payment options, faster delivery systems, and efficient return policies will potentially increase the number of customers for the e-commerce market in the near future.

4.2 The Competitive Landscape and Key Vendors

Thailand's department store industry appears to be highly competitive due to an increasing competition among the major local operators in the market across the country. There will be the entry of several new players in the coming years and the increase number of mergers and acquisitions (M & As) where major operators will try to gain a considerable share of the market (Technovio Data Center 2015). Thailand's department store industry is currently operated by some major operators in the market these are 1) Central Department Store Company Limited 2) The Mall Group Company Limited 3) Robinson Department Store Public Company Limited 4) Siam Future Development Public Company Limited 5) Siam Piwat Group Company Limited 6) Seacon Square Public Company Limited 7) MBK Public Company Limited 8) Rangsit Plaza Company Limited 9) and TCC Land Company Limited. Most of Thailand's department stores manage their stores in similar retail formats which divides their stores into 4 sections as follow: 1) department store and retail section involves the sale of merchandise by the department store operator directly to a customer; 2) shopping mall section where brand companies do their business as tenants on consignment and take out a share of the profits. The department store operator acts as the real estate manager in renting the space to the brand companies; 3) restaurant section 4) and amusement and theme park section.

Figure 4: The pie chart indicates the market share of mall retail space in Bangkok Metropolitan Administration (BMA)



Source: Central Pattana Company Limited, Corporate Development and Investment Report 2016, <<http://cpn.listedcompany.com/misc/PRESN/20140320-CPN-corporatePresentation4Q2013-02.pdf>>

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The figure above shows the Central Department Store (CPN) as the number one retail property developer with approximately 20% market share of retail leasable space in Bangkok metropolitan. Central Department store (CPN) is a fully-integrated retail developer with its major shareholder. The company with a significant financing capability through its property fund, is the largest retail property developer on the stock exchange of Thailand (SET) with a market capitalization of approximately 184 Baht billion or 5.6 USD billion. CPN Manages 23 shopping centers. Its total net leasable area (NLA) under management is 1,286,125 sq.m, includes the 7 offices (169,152 sq.m), 2 hotels (561 rooms) and 2 residential properties (61 units) as its non-core businesses. Central department store targets the upper to mid-range market in first tier provinces, whereas The Mall Group as the second largest retail developer has shifted its focus to adding more high-end shopping centers (The Emporium, Siam Paragon Department Store, The Emquartier, and Blue Port Hua Hin), and department stores in major cities. Differently, Siam Future Development PCL, the mid-range retail developer, continue its branch network expansion throughout the country by opening both department stores and Lifestyle Center malls. The Central department store has already taken a step forward over their inbound competitor by expanding more stores overseas. In the future, there will be a high chance more Thai department store operators will be gearing towards having more overseas branches in countries surrounding Thailand. (RHB Securities 2016)

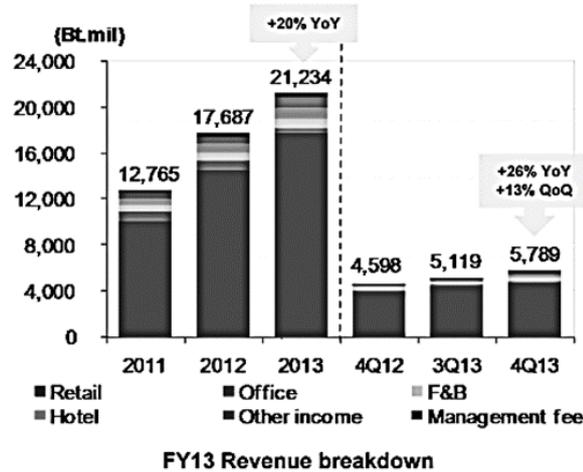
Figure 5: The expansion plans of key department store operators in Thailand

Department Store	Existing Stores		2016		2017		2018-2020	
	Bangkok	Provinces	Bangkok	Provinces	Bangkok	Provinces	Bangkok	Provinces
Robinson Department Store	11	31		+Nakhonsri Thammarat +Lopburi		Petchaburi (2 branches)	1 Department store Yearly 1 Lifestyle Center Yearly	
Central Department Store	14	7				+Nakhon Ratchasima +Phuket	N/A	
The Mall Group	8	1		Blue Port Hua Hin			Bangna Emsphere	Blue Port Phuket

Source: Thailand Company Update, Robinson Department Store, Research Report 2016, <http://osk188.co.th/th/images/articles/research_center/download/fundamentals/pdf_en/2017/04/th_robinson%20department%20store_company%20update_20170428_rhb.pdf>

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Figure 6: Central Department Store Total Revenue 2011-2013



Total revenues [#] +20% YoY or +624 Bt.mil YoY mainly driven from rent and services.

Rent and services +18% YoY

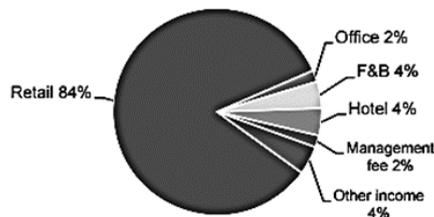
- Contributions from 3 new projects – CentralPlaza Ubonratchathani in 2Q13 and CentralFestival Chiangmai and CentralFestival Hatyai in 4Q13.
- Same store revenue grew 12% YoY.

Hotel +27% YoY

- Strong performance of Hilton Pattaya Hotel.
- Full-year contribution of Centara Hotel & Convention Centre Udonthani after relaunch in mid-2012.

F&B sales +22% YoY

- Contributions from the new food courts at the CentralPlaza Ubonratchathani, CentralFestival Chiangmai, and CentralFestival Hatyai.
- Impressive sales growth at CentralFestival Pattaya Beach, CentralPlaza Chiangrai, and CentralPlaza Pinklao.



Source: Central Pattana Company Limited, Corporate Development and Investment Report 2016, <<http://cpn.listedcompany.com/misc/PRESN/20140320-CPN-corporatePresentation4Q2013-02.pdf>>

Figure 7: Thailand Consumer's Confidence Index

Thailand Consumer	Last	Previous	Highest	Lowest	Unit
Consumer Confidence	77.00	76.80	112.40	39.70	Percent
Retail Sales YoY	2.50	5.5.	52.90	-19.10	Percent
Consumer Spending	1281730.00	1265331.00	1281730.00	579972.00	THB Million
Disposable Personal Income	7550115.40	7434419.00	7550115.40	1445598.00	THB Million
Personal Savings	8.70	8.90	16.10	5.75	Percent
Personal Spending	0.10	1.40	5.13	-6.24	Percent
Consumer Credit	3895478.00	3892719.00	3895478.00	2960079.00	THB Million
Households Debt to GDP	71.20	71.20	71.60	25.40	Percent of GDP

Source: Trading Economics, Thailand Consumer Confidence 1998-2017, <<https://tradingeconomics.com/thailand/consumer-confidence>>

Thailand Consumer's Confidence Index (CCI) measures consumer's viewpoint about current and future economic conditions, job prospects and income expectations. The index is based on a survey of around 2440 households. An index above 100 indicates an improving stage of consumer's viewpoint and below 100 indicates a deteriorating stage of consumer's viewpoint.

4.3 The Changing Need of Customer Through Their Spending with the Decline of Department Store Sales

Today, customers have busy lifestyles, they often find researching and shopping online more convenient than visiting the store. An increasing number of customers perceive the product's value differently thus spend their money relatively more in different ways. As a result, department stores have been challenged with sales gradually declining. Many department stores in the US have experienced the declining sales in the past years. The weak traffic and sales trend has led to an aggressive discounting on apparel and other goods as part of department store promotion campaign. Some department stores which rely heavily on luxury brands to attract customers, haven't really benefited from weak store sales compared to higher online product sales instead (Inside Retail Asia, 2016). Robinson department store Thailand has experienced a sales decline since 2012 thus started changing its business strategy in 2015 by shifting its focus to concentrate on its main merchandising categories which are less competitive in the market and becoming a specialty distribution center for international brands in Thailand. The department store also plans to launch a mobile outlet selling its exclusive international brand products to help the department store attracting more customers throughout the year (RHB Securities 2016).

4.4 The 4th Industrial Revolution is the Convergence of Automation, Artificial Intelligence and Rising Connectivity Becomes The Major Trends That Will Shape The Future of Department Store Operation

4.4.1 Search domination raises buyer's power, over the past 10 years, IT has been a driving factor which leads to the wide spread of the digital technology which greatly increased consumer's ability to access information and economic potential. The advancements of Internet-based tools such as social networking websites, Facebook, Instagram, and other Web applications have thrived a sharing economy for personal and commercial purposes. This allows customers an easy access to the information needed and in the decision making process before they walk into a store (Lockard 2015).

Figure 8: Comparison of ASEAN-5 Internet Retail Landscape to Major World Markets (2015)

Comparison of ASEAN-5 Internet Retail Landscape to Major World Markets (2015)

Country	Internet Retail Value* (US\$ million)	Per Capita Spending (US\$)	% of Total Retail Value	Internet Users Per 100 People
Indonesia	1,682	6.7	0.5%	17.1
Malaysia	519.4	17	0.6%	67.5
Philippines	353.8	3.5	0.3%	39.7
Thailand	1,441.1	20.9	1.2%	34.9
Vietnam	698.3	7.6	0.8%	48.3
China	293,044.8	214.4	9.6%	49.3
United States	270,968.5	842.5	7.2%	87.4

* Retail value includes mobile internet retail and excludes consumer-to-consumer retail (e.g., eBay). Value measured in constant 2015 prices excluding sales tax.

Sources: Euromonitor, EIU, World Bank

Source: Lee, KE 2016, Modern Consumerism in ASEAN: An Ever Evolving Retail Landscape, The ASEAN retail landscape is evolving along with rapid economic growth and technological change, <<http://hkmb.hktdc.com/en/1X0A7HH4/hktdc-research/Modern-Consumerism-in-ASEAN-An-Ever-Evolving-Retail-Landscape>>.

4.4.2 Explosion of smartphone and tablet; Technology is starting to replace the person-to-person transactions with the digital-customer transactions. The smartphone technology rapidly offers a platform of change thus the shopping on e-commerce and m-commerce mediums are easily penetrated to everyday consumer's lifestyles. It enables the business in cutting out a large business transaction costs in the process (McGovern 2016). As stated by International Telecoms Union (2016), there were 6.8 billion cell phone subscriptions worldwide at the end of 2012. In developing countries only, the number of cellphone-broadband subscriptions was expected to grow at double digit rates to reach 3.6 billion accounting for 41percent by end of 2016. Besides, the majority of people in some developing countries possess smartphones rather than uses the fixed line telephone network. Consequently, m-commerce become the biggest growth area for retail in these countries (ICT Facts and Figure 2016).

4.4.3 Social media growth; Social networking sites help retailer to engage with the prospects customers and have influenced buying behavior of customers. The research of Econsultancy revealed that 61 percent of customers read online reviews before making a buying decision (Friedlein 2013). Customers trust that reviews always provide reliable and fresh contents for search engines. Using social comments in search results can increase the click-through rate by 5 to 10 percent on desktop Google search ads (Lockard 2015). The uptake of Facebook and Instagram in Thailand indicates how rapid adoption of new technology can be easily absorbed and causes a change in the millennial generation buying behavior.

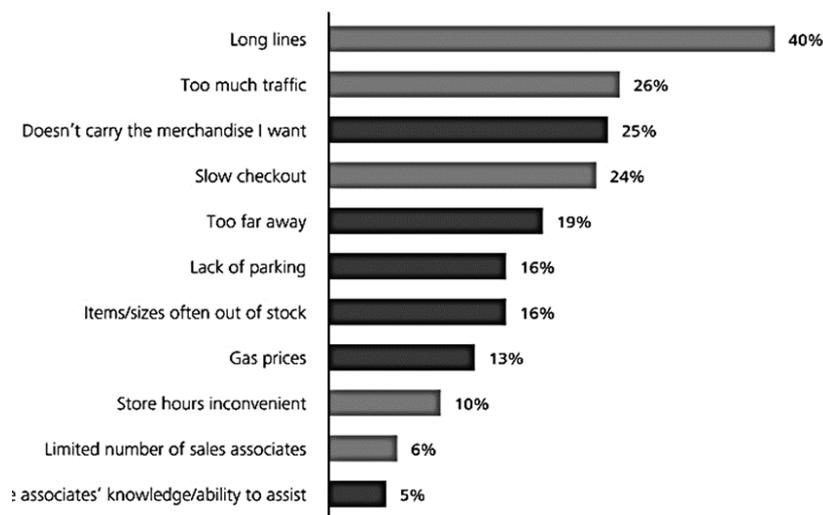
4.4.4 Growth of personalized buying behavior; The practice of altering offers and promotions to consumers across multiples channels based on consumers past shopping or browsing records appears to increase buyer readiness, engagement, and sales activity. Recent research by Google revealed the totally different purchasing paths of 3,000 shoppers. Understanding the way each individual customers do their shopping throughout their

decision process will lead the department store operators to be able to segment and specify the targeted group of customers and approach them by personalising their shopping experience via different channels. The research conducted on more than 1,100 consumers surveyed found that more than one-half of consumers satisfied and willing to receive the web recommendations (55%) and emails (54%) personalized based on their past browsing and shopping behavior. Most of the consumers desired good recommendations from retailers; 6 in 10 consumers stated that personalized product recommendations make it easier for them to find the products they are most interested in (59%) and provide a valuable service (53%) (Garibian & Kleinschmit 2013).

4.5 The Challenges Faced by Growth of the Modern Markets

Those technology innovations have the potential to raise efficiency, productivity and income levels to improve quality of life in Thailand as well as globally. Even the retail market in powerful economy countries is experiencing a slowdown of sales. There's still an increasing number of potential retailers seeking for an opportunity to safely enter to the Thai retail market. The underlying consumer demands in the different channels are the supportive reason for the department store to continue to invest in the business (Inside Retail Asia 2016). The widespread of hi-fi equipment leads the shopping trends to be shifted to online market, which has resulted in reducing the number of customers at department stores. Today customers prefer to have access to more information online than talking to the sales assistant in stores. Online reviews and price comparison make them feel more confident in their buying decision in store.

Figure 9: The in-store shopping inhibitors



Deloitte's 2014 Annual Holiday Survey: Making a list, clicking it twice.

Graphic: Deloitte University Press | DUPress.com

Source: <https://dupress.deloitte.com/>

5. Conclusion

Understanding the underlying needs of customer behaviour and their purchasing journey are very critical for firms as it enables firms deriving strategies to increase sales. Although the technology development in Thailand is slower than in the developed economy countries,

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Thailand department store will soon confront the rise of online shopping and direct selling from overseas online shop. In addition, there are numerous risk factors which the department store operators are exposed to, such as the rise of high operating costs, the lack of quality space, and the change of regional tourism and demographic. It cannot guarantee whether the department store business in Thailand is setting into a stable stage to enable businesses gaining more profits or is it the beginning of a declining stage which will drive the business to the lower depths. However, instead of wiping out the existing stores, the operators should fix the underlying problems which is a lack of investment in the existing physicals stores and opt for an O2O commerce strategy (offline to online) commerce strategy. Lately, there are several studies revealed that the millennial and generation Z customer likes to interact with retail combining online and in-store experience instead of only picking one stuff then forgetting about the rest and buying channels aren't the exception.

Few years ago when Amazon and Ali Express started to speedily expand worldwide, many department store operators concerned about the future of their business. But the experience of last years has proved that the department store industry only needed to adapt to the new trends in consumer behavior to keep up with the new demand. The current challenge for department store operators is to understand how consumers like to combine online and in-store retail experiences, based on several factors. The national culture and customers with personal factors difference have a direct impact on the customer's' decision-making process which firms should not neglect. Thai consumers are considered fairly collectivists who value the needs of a group or a community over the individual. Family, community, and personal connection are very important and people tend to avoid shame or making others feel ashamed. Thais always seek validation from others, if anyone from a group strays from the cultural norm, he is considered to be weak or to have weird character. Any type of conflict or saying "no" always destroys the harmony of a group. Thai customers always want to acquire more details of the products and often look for suggestions or help from sales assistant at stores before buying whereas customers in the United States may only want to check out quickly after they have searched for some information beforehand. Thais like to hang around in the group rather than staying at home searching on the internet site. They enjoy window shopping and people watching thus in-store excursions can still be fun for them. The future of Thailand department stores is based upon the firm's' extensive exercise in doing research on customer's' behavior so as to respond to customers' needs effectively. Every operators should not fail in gathering basic demographics, psychographics, and customer's' purchase history. Firms which have systematically gathered information about their customers can make much more sophisticated and effective offers. A digital technology may enable customers to spend far less time in acquiring products but far more time to focus on how to use their purchased products. Department store will need to define their business not in terms of selling product, but in terms of serving and solving customers' problems. Firms should be able to inspire the customers' wants and desires in buying their products and services but not in the same old ways. The experiential retail and retail services should be the main focus where selling of goods is an outcome. Some Thai upscale department stores operators with wealthy customers have already found that a human is often the best medium choice in delivering the services hence they invest heavily in salespeople's product knowledge and ability to understand their customers' needs and continuously build relationships with customers. Once firms become an integral part of customers' lives, customers are willing to pay for the products that eventually solve their problem and provide them with good experience. The challenge in this industry is to remain profitable in the business in a more challenging economic environment. The technologies for crafting next best offers are evolving in the department store business. Firms who seek to expand the

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range of customers' purchases, should be starting with a clear strategy and set themselves to being flexible to modifying it. Firms which wait to probe them will see their customers defect to competitors that take the lead.

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