

CHAPTER 1

INTRODUCTION



1.1 Background of the Research

Nowadays, under globalisation economy, there is much more intense competition in almost every market, which directly affects trading between countries, including Thailand. Trading between countries is a major mechanism to develop Thai economy; especially export, which is the source of foreign incomes, employment, transfer of technologies, and development of related industries. With a higher level of competition, there are both threats from new coming competitors and opportunities for expanding business to the new markets. The effects of this trend in the past few years turned out that some Thai industries received positive effects whereas a lot of industries received negative effects from globalisation because each Thai industry had different levels of potential.

In the beginning of this research, we looked over the important industries and we found that jewelry industry was one of the very high potential industries because Thailand had many competitive advantages in this field; however, this industry could not grow as much as expected in last five years. Therefore, this industry is very interesting for us to analyse and determine the ways to develop its potential.

Jewelry industry is the main part of gems & jewelry industry group. In 1999, gems & jewelry industry group had the export value of US\$ 1,575.2 million or 59,820.9 million Thai bath (which is the seventh of highest export product). About hiring labour, because it is the labour intensive industry, so it brings to a large degree of employment (approximately 1,230,000 persons) in all levels from industrial level to homemade level.

Gems & Jewelry industry group consists of two industries: gems industry and jewelry industry. Gems industry is the manufacturing of diamonds, coloured stones and pearls both un-cutting and finished cutting, including artificial stones. On the other hand, jewelry industry, which is the focused industry in this research, is the manufacturing of jewels and gems that is made in setting with gold, silver, platinum, and other valuable metals, including artificial jewelry and fashioned jewelry.

Jewelry industry accounted for approximately 56.5% of total export volume of gem & jewelry industry group in 1999, which was US\$ 890.1 million or 33,803.1 million Thai bath. Not jewelry industry has only the significant importance to the development of Thailand both in bringing foreign income from export and creating large employment, but it also has several advantages, which are the fact that it is the clean industry, it does not make any pollution, and this industry can also reduce the level of unemployment in the countryside. Moreover, Thai workforce in jewelry industry is well known globally as highly skilled and elaborate labours.

1.2 Statement of Problem

In the past five years, export volume of jewelry industry had quite low growth rate or even had negative growth in some years. This trend makes us realise the problem of competitiveness and the potential of Thai jewelry in the global market that has to be developed immediately.

Jewelry industry is one of the most importance industries in Thailand as described before and also Thailand has several competitive advantages such as high skilled labour. However, in the past five years this industry did not grow as it used to be in 1993-1995. In 1996 jewelry industry grew about 1.6% and 2.6% in 1997. Then, in 1998 the export volume sharply decreased as much as 11.2%. Although the export volume could rebound in 1999, it raised only 8.6% from the very bad year in 1998. Next in the first ten month of 2000, the export volume of jewelry industry expanded about 0.3%.

These figures show the deduction of competitive potential of Thai jewelry in global market. One reason of this bad trend is that jewelry industry has not been developed enough and also some development is not in the right place. Thus, this research will determine what are the critical success factors that would maintain and strengthen its potential in the global market.

1.3 Purpose of the Research

This research has two major objectives. The first purpose of this thesis is to assess the critical success factors of Thai jewelry industry. The second objective is to determine the strategies for developing Thai jewelry industry and increasing its competitive ability in the global market.

1.4 Scope of the Research

This research will focus on jewelry industry only, which has main products as jewels that made in setting with gold, silver, platinum, and other valuable metals, including artificial jewelry and fashioned jewelry. Firstly the general information of the industry will be prepared as a basic understanding of the report. Next, internal elements and external factors of the industry will be analysed to identify the problems that occur in jewelry industry. Finally, the critical success factors and their strategies, which could develop the competitive potential of Thai jewelry industry, will be recommended.

1.5 Research Procedure

- Define objectives and thesis title
- Study related literature
- Collect information from human experts and related documents
- Define methodology
- Analyse information
- Identify problems and critical success factors
- Recommend the strategies
- Conclude, hand-in report, and examined the report

1.6 Study Plan

Table 1.1: Schedule of thesis research.

<i>Activities</i>	<i>Year 2000</i>						
	6	7	8	9	10	11	12
1. Define objectives and thesis title							
2. Study related literature							
3. Collect information							
4. Define methodology							
5. Analyse information							
6. Identify problems and critical success factors							
7. Recommend the strategies							
8. Conclude, hand-in report, and examined the report							

1.7 Expected Results

The expectations of this research are as follows:

1. To develop the understanding of the strengths, weaknesses, opportunities and threats that exists in Thai jewelry industry.
2. To develop a better understanding of the present environment and future trend that jewelry industry must function.
3. To assess and recommend the critical success factors to strengthen the potential of Thai jewelry industry in the global market.
4. To apply the understanding and obtained knowledge to make the suggestion strategies to the related departments of this industry and also the jewelry companies.

1.8 Methodology Used in the Research

This study will be conducted as a strategic management study which can apply the following theories:

1. SWOT analysis
2. Porter's value chain analysis
3. Porter's 5 forces competitor analysis
4. Comprehensive Survey
5. Etc.