

A BUSINESS STRATEGY FOR CONSTRUCTION MATERIALS MODERN TRADE:
CASE OF SMALL-TO-MEDIUM SIZED COMPANY

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กรณีศึกษาบริษัทธุรกิจขนาดกลางและขนาดย่อม

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วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาวิศวกรรมศาสตรมหาบัณฑิต
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วิทยานิพนธ์นี้ได้ศึกษาเกี่ยวกับการจัดทำกลยุทธ์สำหรับโมเดิร์นเทรดวัสดุก่อสร้างที่เป็นธุรกิจขนาดกลางและขนาดย่อม เพื่อการอยู่รอดของธุรกิจ ในภาวะที่มีการแข่งขันสูง

การวิจัยนี้ได้ทำการวิเคราะห์สถานการณ์ทั้งภายในและภายนอกของบริษัทกรณีศึกษา เพื่อให้เข้าใจถึงสถานการณ์ในตลาดของบริษัทกรณีศึกษาในปัจจุบัน การศึกษาปัจจัยภายในใช้ข้อมูลจากแบบสอบถามผู้บริโภคและสัมภาษณ์ผู้บริหารของบริษัท การศึกษาปัจจัยภายนอกใช้ Porter's five competitive forces และการวิเคราะห์ PESTEL เพื่อนำไปสู่การวิเคราะห์ SWOT และปัจจัยบ่งชี้ความสำเร็จ เพื่อสร้างกรอบความคิดทางการตลาด จากนั้นจึงสร้างกลยุทธ์ทางการตลาดขึ้นจากกรอบความคิดดังกล่าว อันประกอบด้วยโมเดลธุรกิจสำหรับระดับกลยุทธ์ และแผนปฏิบัติการสำหรับระดับปฏิบัติการ

จากการวิเคราะห์สถานการณ์พบว่า แม้ว่าบริษัทกรณีศึกษาจะมีสินค้าและบริการที่มีคุณภาพ แต่บริษัทไม่สามารถแข่งขันทางด้านราคากับบริษัทคู่แข่ง อย่างไรก็ตาม เนื่องจากผลิตภัณฑ์เฟอร์นิเจอร์ไม้ล้วนที่ผลิตเองโดยบริษัทเป็นสินค้าที่ขายดีและไม่มีคู่แข่ง และบริษัทคู่แข่งให้บริการเกี่ยวกับงานดีไซน์ที่จำกัด บริษัทกรณีศึกษาจึงได้เลือกทางออกทางธุรกิจโดยการเบนเข็มตัวเองไปเน้นขายสินค้าเฟอร์นิเจอร์และงานดีไซน์ ทั้งนี้ โมเดลทางธุรกิจถูกสร้างขึ้นโดยยึดตามการกำหนดคุณค่าใหม่ อันได้แก่ วิถีชีวิต คุณภาพของผลิตภัณฑ์และบริการ และการมีส่วนร่วมในการสร้างผลิตภัณฑ์ของลูกค้า

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The main purpose of this research is to formulate a business strategy for small-to-medium sized construction materials modern trade that operates in a competitive situation.

The research is conducted by performing internal and external analysis to gain an understanding of the current market situation. For internal analysis, this research uses data from customer questionnaire survey and interviewing the company's managing people. For external analysis, Porter's five competitive forces framework and PESTEL analysis are utilized. The company's SWOT and key success factors then can be derived from the information in order to form the marketing concept. The marketing strategy is then formulated from the concept, consisting of business model for the strategic dimension and action plan for the operative dimension.

Situation analysis found that despite its being complimented of good product and service, the case study modern trade is unable to compete in the construction material price war. However, since its own line of all wood furniture production has no competition and sells well and its competitors offer narrower scope of design jobs, the strategic solution has been reached. The business decides to differentiate itself by focusing instead on providing furniture products and design works. The business model is then constructed based on the new value propositions of lifestyle, good product and service quality and customer co-creation/customization.

The validation of the n model exercises the comparison between the old and the new model. The business model framework, selected as most appropriate, provides the framework of nine elements as aspects to be necessarily considered for a business model. By putting the old model into the same framework, it is found that the old framework has inconsistencies of value propositions against some of the key elements. This is due to the company failing to see the clear picture of the business, which results in unsystematic model as opposed to the new systematic one.

The Regional Centre for Manufacturing Student's Signature

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Contents

	Page
Abstract (Thai)	iv
Abstract (English).....	v
Acknowledgements.....	vi
Contents.....	vii
List of Tables.....	x
List of Figures.....	xii
Chapter I Introduction.....	1
1.1 Background of the research.....	1
1.2 Statement of the problem.....	1
1.3 Objective of the research.....	2
1.4 Scope of the research.....	2
1.5 Research procedure.....	2
1.6 Research methodology.....	3
1.7 Expected benefits.....	3
1.8 Conclusion.....	4
Chapter II Literature Review.....	5
2.1 Marketing.....	5
2.2 The Marketing Process.....	6
2.3 Vision, Mission and Value Statement.....	18

	Page
2.4 Marketing Analysis.....	19
2.5 Marketing Strategy.....	28
2.6 Market Implementation.....	31
2.7 Business Model.....	31
Chapter III Research Methodology.....	43
3.1 Situation Analysis.....	43
3.2 Marketing Concept.....	46
3.3 Market Strategy.....	47
3.4 Conclusion on Research Methodology.....	48
Chapter IV Situation Analysis.....	49
4.1 Business Overview.....	49
4.2 Marketing description.....	49
4.3 Product Review.....	59
4.4 Review of Competition.....	61
4.5 Review of Distribution.....	70
4.6 Conclusion on Situation Analysis.....	71
Chapter V Proposed Business Model.....	77
5.1 Marketing Concept.....	77

	Page
5.2 Marketing Strategy.....	80
5.3 The Business Model.....	82
5.4 Action Plan.....	88
Chapter VI Conclusion and Discussion.....	99
6.1 Conclusion.....	99
6.2 Discussion.....	100
6.3 Validation of the Model.....	101
6.4 Recommendation.....	103
6.5 Future plans.....	111
References.....	112
Appendix.....	114
Biography.....	128

List of Tables

	Page
Table 2.1: The 4Ps of Philip Kotler.....	11
Table 2.2 Contents of a Marketing Plan.....	29
Table 2.3 Business Model Definitions.....	32
Table 3.1 Research Team.....	44
Table 4.1 Best selling score for each product categories of Modern Trade A.....	54
Table 4.2 Importance score as perceived by customers for each aspect of Modern Trade A.....	55
Table 4.3 PESTEL Analysis for Modern Trade A.....	57
Table 4.4 Modern Trade A's products and service.....	59
Table 4.5 Retail product categories.....	60
Table 4.6 Modern Trade B's product categories.....	63
Table 4.7 Modern Trade C's product categories.....	65
Table 4.8 Modern Trade D's product categories.....	67
Table 4.9 Modern Trade A's SWOT Table.....	73
Table 5.1 Modern Trade A's TOWS Matrix.....	80
Table 5.2 Modern Trade A's products and service from the New Business Model.....	84

	Page
Table 5.3 Action plan.....	89
Table 5.4 Estimate of total marketing costs (direct/indirect costs of sales and distribution)	96
Table 5.5 Estimate of costs of product supplies.....	97
Table 5.6 Estimate of overhead (indirect) costs.....	98
Table 6.1 Assessment of Business Model's Strengths and Weaknesses.....	103
Table 6.2 Assessment of Business Model's threats.....	107
Table 6.3 Assessment of Business Model's opportunities.....	109

List of Figures

	Page
Figure 2.1 A simple model of the marketing process.....	6
Figure 2.2 Elements of a modern marketing system.....	8
Figure 2.3 Three considerations underlying the societal marketing concept.....	11
Figure 2.4 Customer Relationship.....	18
Figure 2.5 SWOT Analysis Framework.....	20
Figure 2.6 SWOT/TOWS Matrix.....	23
Figure 2.7 Porter's 5 Competitive Forces.....	24
Figure 2.8 Business Model Template (Business Model Generation, 2010).....	36
Figure 2.9 The Four-Box Model (Johnson, 2010).....	38
Figure 2.10 Example of an e-business model with e-business schematics: E-brokering with full-service financial provider (Weill & Vitale, 2001).....	40
Figure 4.1 How Customers Come to Know About Modern trade A.....	70
Figure 5.1 Modern Trade A's Business Model.....	88
Figure 6.1 Business Model Canvas framework for Modern Trade A's old business model	101
Figure 6.2 Proposed Business Model Canvas framework for Modern Trade.....	102

CHAPTER 1

INTRODUCTION

1.1 Background of the Research

The role of SMEs is becoming more and more prominent in the world of business. The number of SMEs makes up the majority for each business sector, exceeding that of larger enterprises with more capitals and funding. However, this does not mean that these SMEs always profit more. To be able to survive and compete, Business Model Innovation has become an important success factor as companies brought in inventive tools, software and management concepts.

The construction materials sector, already a red ocean of competition, has the current ratio between traditional trade and modern trade of 70: 30. However, as more and more companies realize the need for modernization toward more structured organizations, the shift in future trend toward the latter can be expected.

Construction materials modern trade is becoming popular in the construction materials business section. As opposed to traditional retail shops, modern trade offers full range of sale methods based on marketing techniques: instead of having sale attendants behind counters, customers can touch the articles, some of which are offered at rock bottom prices with much publicity in order to attract as many customers as possible. This results in a major price war in the business.

1.2 Statement of the Problem

Modern Trade A, the case study company, is a construction materials modern trade located in Northeastern region of Thailand. It is originally a family business that, despite being in operation for a few years, still does not cope well operating as a modern trade business. This is due to the company's lack of a more structured business model, proper strategic planning and clear direction.

The Northeast region of Thailand has always been an attractive place for business investment due to its being the most populated part of Thailand. Therefore,

aside from existing major modern trade competitors, it is speculated that more competitors are soon to enter this market.

In order to survive in such competitive environment, Modern Trade A is in crucial need for a new business model that employs rational processes for the organization to create, deliver and capture value for its customers.

1.3 Objective of the Research

To formulate a business strategy and action plan for small-to-medium sized construction materials modern trade business.

1.4 Scope of the Research

This research is conducted in the environment of Northeastern region of Thailand with Modern Trade A as the case study business and Modern Trade B, C, D which are construction materials modern trade in the same area as its competitors. The research proposes a new business model as a part of strategic solution. The focus of this research will be only on marketing dimension.

1.5 Research Procedure

- Forming research team: research team consists of Modern Trade A's managing people
- Literature Review: study literature related to developing business strategy
- Situation analysis: study and analyse the business environment and how Modern Trade A is faring compared to its competitors
- Pinpointing key success factors necessary for the selection of vision, mission and value statement
- Formulation of business strategy and action plan: this consists of selection of vision, mission and value statement, business model formulation and short and medium term action plan.

1.6 Research Methodology

In performing situation analysis, research methodology consists of:

- Data collection: the data to be used in this research are primary and secondary data.
 - Primary source involves customer questionnaire and interview with Modern Trade A's managers
 - Secondary source involves data from internet, newspaper, brochures and magazines
- Minute meeting involving Modern Trade A's managing people for strategic decision.

In formulation of business model, research methodology consists of:

- Literature review on concepts, theories and case studies related to forming business strategy, model and market research as well as necessary tools and frameworks
- Choosing appropriate framework for the business model
- Model formulation and validation

1.7 Expected Benefits

- Guidelines for industry research and analysis of external and internal factors to develop a business strategy for small-to-medium sized modern trade businesses.
- Formulation of small-to-medium sized construction materials modern trade strategy
- Improvement of profitability and chance to survive in the red ocean of modern trade war.
- Gaining an understanding of applying academic theories in real life business situation.

1.8 Conclusion

This research is to formulate a business model for small-to-medium sized construction materials modern trade with an emphasis on marketing dimension, using a construction materials modern trade in Northeastern region of Thailand, renamed as Modern Trade A, as this research's case study.

To be able to compete in the increasing competition, Modern Trade A needs a clear direction and effective strategy. A new business model for Modern Trade A needs to be formed.

The development of marketing strategy starts with the process of literature review and situation analysis. Internal and external data will be collected. Next is the analysis of data to pinpoint the critical success factors as well as select the vision, mission and value statement for the company. After that is the formulation of the strategy, using strategic idea approved by the company. This research provides supportive reasons for each written element as well as model validation and recommendations for the new business model.

CHAPTER 2

LITERATURE REVIEW

In order to successfully create an effective marketing strategy for the business model, it is a necessity to understand first the fundamental concept of marketing and how market research could be conducted. This chapter reviews the concepts of market analysis and marketing concept as well as tools relating to market research in general. The concepts and frameworks for business model are also reviewed at the end of the chapter.

2.1 Marketing

Marketing, unlike other business functions, deals directly with customers – their wants, needs, and demands. There are many definitions of marketing. The term has changed and evolved over time. However, the better definitions are not in the sense of selling but in the sense of knowing and satisfying customer needs such as followings:

“A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.”
(Kotler, 2006)

“The management process responsible for identifying, anticipating and satisfying customer requirements profitably.” (The Chartered Institute of Marketing)

“Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer.”
(P.Tailor, 7/00)

Marketing is an important element of the business process. It cannot be separate from business from the very start of the product life cycle until the launching and after the launching of the product. Therefore, research is a must for knowing what the customer needs. The design and production phases will not happen without specification of requirements. After the launching of the product, marketing still continues to prolong the life of the product.

2.2 The Marketing Process

According to Kotler, marketing process is a simple model of five steps as illustrates in the following figure:

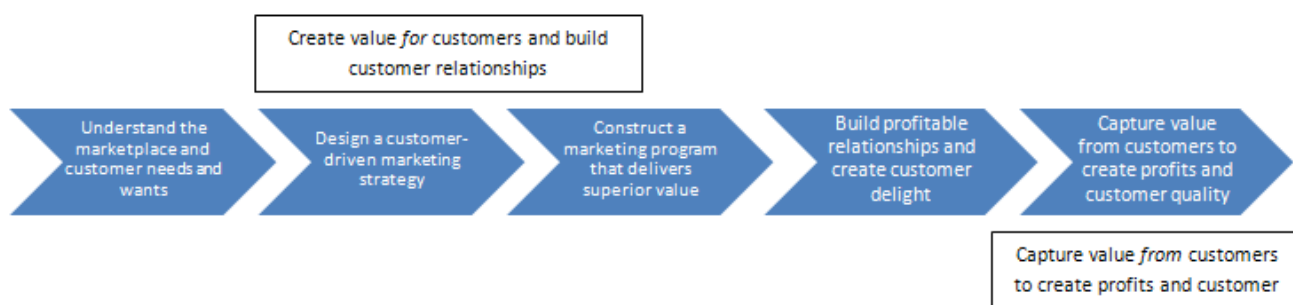


Figure 2.1: A simple model of the marketing process (Kotler, 2006)

2.2.1 Understanding the market place and customer needs and wants

The five core customer and market place concepts consist of:

- Customer needs, wants, and demand
 - Needs are *"states of felt deprivation"*.
 - Wants are *"the form human needs take as shaped by culture and individual personality"*.
 - Demands are *"human wants that are backed by buying power"*.

Following these definitions by Kotler, human needs are obviously the most basic concept of marketing. These needs can be any needs caused by natural deprivation – needs that are not created by marketers – from physical needs for food, clothing, warmth and safety to social needs for belonging and affection to individual needs for knowledge and self-expression.

Wants; however, are needs shaped by culture and individual personality and are described as objects to satisfy the needs. For example, Thai people need food but want rice instead of bread. Basically because most Thai people prefer rice, it can be said that society is what shaped needs into wants.

When wants are backed by customers' buying power, they become demands. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction.

- Marketing offers (product, services, and experiences)

Defined as *"some combination of products, services, information, or experiences offered to a market to satisfy a need or want,"* market offers are the channel through which customers' needs and wants are fulfilled. They are not limited to just physical products but also services, *"activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything,"* or other entities such as persons, places, organizations, information and ideas.

- Customer value and satisfaction

This concerns the expectation formed by the customers regarding the value and satisfaction they get delivered from a product. Since there are various marketing offers, dissatisfied customers usually switch to competitors. Therefore, marketers should be careful to set the right level of expectations. Setting it too low, they may satisfy only those who buy but fail to attract new customers. Customer value and satisfaction are key factors for customer relationship developing and management.

- Exchanges and relationships

Exchange is *"the act of obtaining a desired object from someone by offering something in return"*. To make it simple, an exchange is a response to some marketing offer and marketers try to create more of this response. Since marketing consists of actions taken to build and maintain desirable exchange relationships with target audiences, it can be said that marketing doesn't involve only attracting new customers and creating transactions but also retaining customers and grow their business with the company.

- Markets

Market is “*the set of actual and potential buyers of a product or service.*” They share particular needs or wants that can be satisfied through exchange relationship. From this, it can be deduced that marketing means managing markets to bring about profitable relationship.

Marketing is not carried on only by sellers but also buyers when they search for the goods they need at prices they can afford.

Figure 2.2 illustrates the main element in the marketing system.

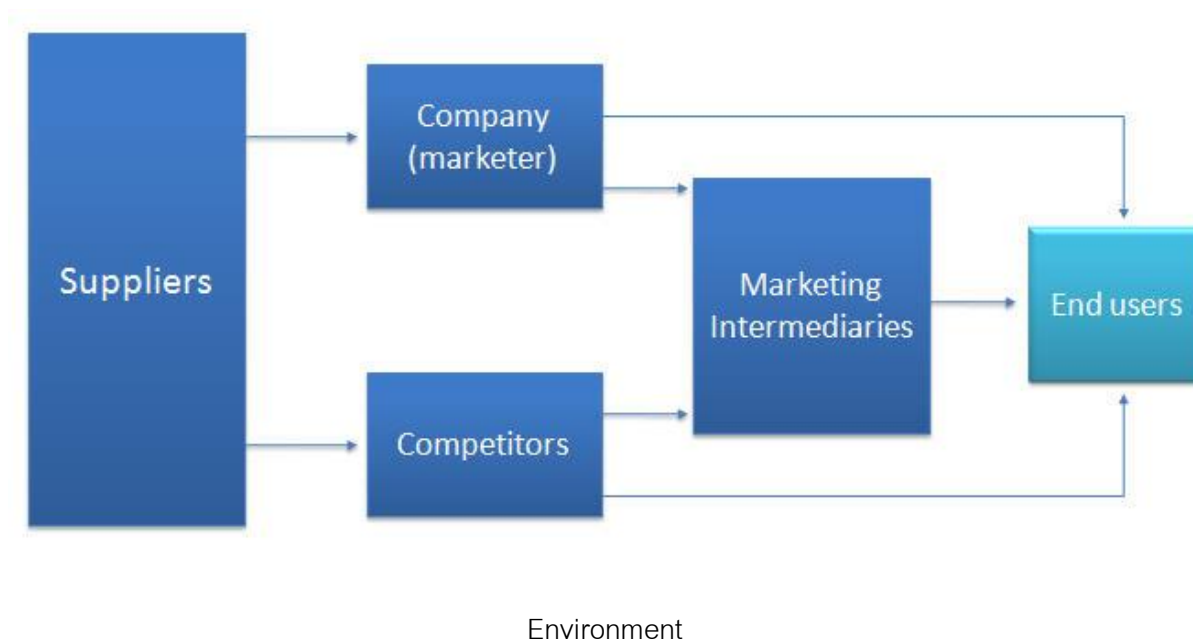


Figure 2.2: Elements of a modern marketing system (Kotler, 2006)

In usual situations, company (marketer) and competitors both make marketing offers to end users, either directly or through marketing intermediaries. All actors in the system are affected by major environmental factors (political, economic, social, technological, environmental, and legal). Each party in the system adds value for the next level. The arrows represent relationships that must be developed and managed. Thus, a company success depends not only on its own action but also the entire system to deliver the value and satisfaction to end users.

2.2.2 Design a customer-driven marketing strategy

There are two questions to be answered in order to design for a winning marketing strategy: 1) What customers will we serve? (Target market) and 2) How can we serve these customers best? (Value proposition). These two elements can be broken down into as followings:

- Selecting customers to serve

This is to decide whom the company will serve and can be done by:

- Market segmentation: dividing the market into segments of customers. A market segment has to meet three requirements:
 - Customer behaviour within the segment has to be as uniform as possible
 - The segment has to be clearly distinct from the others
 - The size of the segment has to be big enough to ensure that a differentiated market treatment by the enterprise would pay off.
- Target marketing: selecting which segments the company will go after
- Market positioning: arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Because fundamentally, company cannot serve every customer and the ever increasing demand, and thus company wants to select only customers that it will serve well and profitably.

- Choosing a value proposition

A company's value proposition is "*the set of benefits or values it promises to deliver to customers to satisfy their needs.*" (Kotler, 2006) The value proposition is what differentiates one brand from another as it answers the question of why buying the company's brand instead of the competitors.

- Marketing management orientations

There are five alternative concepts under which organizations design and carry out their marketing strategies:

- The production concept: the idea that consumers will favour products that are available and highly affordable.
- The product concept: the idea that consumers will favour products that offer the most in quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.
- The selling concept: the idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.
- The marketing concept: the marketing management philosophy that holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.
- The societal marketing concept: a principle of enlightened marketing that holds a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long run interests.

The most obvious contrasting concepts out of these five are the selling concept and the marketing concept. The selling concept depends heavily on mass production and focuses more on getting short-term sales with little concern about who buys or why while the marketing concept is customer-driven. The marketing concept focuses on customers' needs and integrates all the marketing activities that affect customers.

The societal marketing concept; however, *"questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and*

consumer long-run welfare.” It holds the concept that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer’s and the society’s well-being as illustrated in figure 2.3.

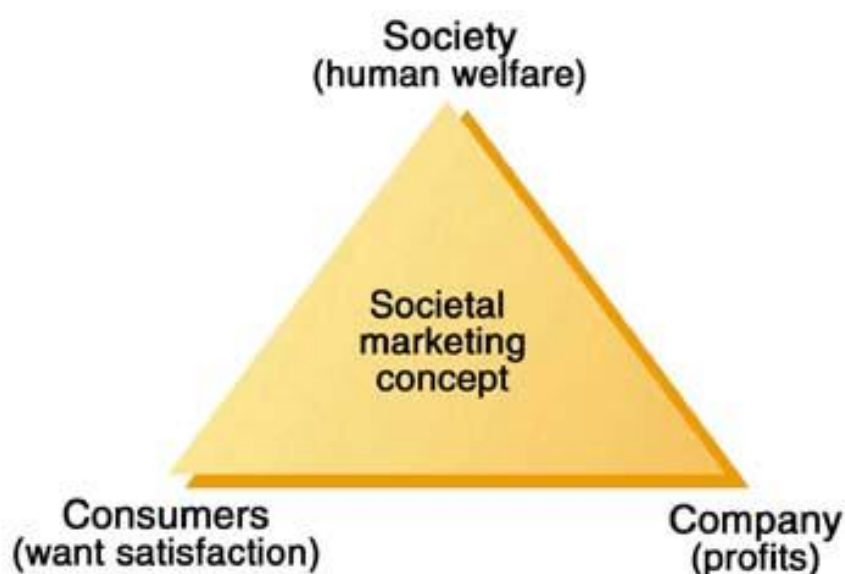


Figure 2.3: Three considerations underlying the societal marketing concept

Figure 2.3 shows that companies should balance the three balances (company profits, consumer wants and society’s interests) in settling their marketing strategies.

2.2.3 Construct a marketing program that delivers superior value

While the company’s marketing strategy indicates the target market and the value the company will create for the customers, a marketing program is what actually delivers the intended value to target customers. This operational dimension consists of the marketing mix, *“the set of marketing tools the firm uses to implement its marketing strategy”*.

Kotler’s marketing mix consists of four elements as exhibits in table 2.1:

PRODUCT	PRICE	PLACE	PROMOTION
<ul style="list-style-type: none"> • Scope of product mix 	<ul style="list-style-type: none"> • Price positioning 	<ul style="list-style-type: none"> • Advertising • Public 	<ul style="list-style-type: none"> • Channels of distribution

● Depth of product mix	● Rebates and conditions of payment	relations	● Distribution density
● Quality	● Financing conditions	● Personal sale	● Lead time
● Design		● Sales promotion	● Stock
● Packaging		● Brand policy	● Transport
● Maintenance			
● Service			
● Warranty service			
● Possibility of returning a purchase			

Table 2.1: The 4Ps of Philip Kotler

Product

Product means the goods-and-services combination the company offers to the target market. The product mix should be designed to meet the needs and preferences of the customers.

Price

Price is the amount of money that customers have to pay to obtain the product. The determination of sales price depends on consideration of the internal production and marketing costs, customer reactions to different prices (price elasticity) and the price policies of competitors.

The company has to keep in mind that price has to be appropriate for different customer segments (price differentiation). Other factors to be considered for determining the price policy include:

- The margins wholesalers and retailers require to include a product in their sales program and to promote it

- Any existing price controls (i.e. price regulations for agricultural products)
- The importance of delivery and payment conditions. For example, who usually bears the costs of delivery (extra packaging, costs of mailing or forwarding, insurances etc.), and what are the usual payment conditions (advance payment, supplier credit, leasing, barter or compensation purchase etc.).

Place

Place includes activities that make the product available to target consumers. This includes sales and channels of distribution. The most important elements of the marketing mix are the term of delivery, the control of the stocks and the protection of goods during transport.

The term of delivery consists of:

- Delivery time
- Means of transport
- Optimization of transport routes
- Establishment of depots

The control of the stocks includes:

- Ability to fulfil orders
- Optimization of inventory turnover
- Organization of inventory control and dispatch

Promotion

Promotion means activities that communicate the merits of the product and persuade target customers to buy it. Promotion measures are required for two reasons: 1) for the new product launch to enter the market and 2) to keep the product staying in the market.

Promotional tools can be distinguished as:

- Advertising to stimulate or create a demand for goods of mass production
- Public relations to reach and influence key persons in relevant positions i.e. public institutions and the media
- Personal sales or face-to-face communication
- Sales promotion or merchandising as a tool to support retailers i.e. display at the point of sale, start-up events for a new product, free samples, presentation at fairs etc.
- Brand policy to create customer loyalty and the impression of certain qualities of the brand

In addition to the 4Ps, the marketing mix can be extended for the service marketing by adding more of these 3Ps:

People

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organization wants to obtain a form of competitive advantage.

Process

Process refers to the systems used to assist the organization in delivering the service.

Physical Facility

Physical facility is an essential ingredient of the service mix. Consumers will make perceptions based on their sight of the service provision, which will have an impact on the organizations perceptual plan of the service.

2.2.4 Build profitable relationships and create customer delight

Customer Relationship Management (CRM) is considered the most important concept of modern marketing. It is the overall process of building and maintaining

profitable customer relationships by delivering superior customer value and satisfaction and deals with all aspects of acquiring, keeping, and growing customers.

In building lasting customer relationships, there are a few things to be noted:

- Customer value and satisfaction
 - Customer value: this is the customer perceived value – the customer’s evaluation of the difference between all the benefits and the total cost of marketing offer.
 - Customer satisfaction: this is the extent to which a product’s perceived performance matches a buyer’s expectations. If the products fall short of the expectations, the customer is dissatisfied. The key to customer satisfaction is to match customer satisfaction with the company’s performance.
- Customer relationship levels and tools
 - Basic relationship: mostly for a company with many low-margin customers. This can be done by brand-building advertising, sales promotion, company’s website, etc. which does not involve getting to know these customers personally.
 - Full partnership: for market with few customers and high margins. Company usually develops full partnership with its key customers

Aside from offering consistently high value and satisfaction, specific marketing tools can be used to develop stronger bonds with consumers. For that reason, customer loyalty and retention programs are being developed.

- Frequency marketing programs: reward customers that buy frequently or in large amount
- Club marketing programs: offer members special discounts and create member communities

However, even with these marketing tools and programs, changes can occur in the ways in which companies are relating to their customers. The important trends here are:

- Relating with more carefully selected customers: selecting fewer customers with higher margin instead of mass-marketing. Because company cannot serve every customer's best interest.
- Relating for long-term: instead of just attracting new customers and creating new transactions with them, today's business seeks for building a long-lasting profitable relationship with their customers.
- Relating directly: with the internet technology, direct marketing can be done more easily as company can have direct contact with customers. Customers can also buy and get information on products through company's website. Direct marketing involve direct connections between companies and their customers.

Because delivering value to customer does not involve only the company itself but the entire supply chain before the products reach the end-user, company must work closely with its partners and develop good partner relationship management.

- Partner inside the company: marketing is not just about the marketing department. Every functional area can interact with customers.
- Marketing partners outside the firms: partnerships with other firms.

2.2.5 Capture value from customers to create profits and customer quality

After successfully building relationships and delivering value to customers, the final step is to capture value in return in the form of current and future sales, market share, and profits.

- Creating customer loyalty and retention: customer satisfaction creates customer delight which makes customers remain loyal and talk favourably to others about the company and its products. Studies show that different level of satisfaction –

from less satisfied to satisfied and to completely satisfied customers – can create big difference. A slight drop in satisfaction can create a great drop in customer loyalty. Therefore company should realize losing a customer means losing more than a single sale. It means losing the customer lifetime value; *“the value of the entire stream of purchases that the customer would make over a lifetime of patronage”*.

- Growing share of customer: by creating good customer relationships, company can increase their share of customers – *“the portion of the customer’s purchasing that a company gets in its product categories”*. Companies can increase share of customer by:
 - Leverage customer relationships by offering greater variety to current customers
 - Train employees to cross-sell and up-sell in order to market more products and services to existing customers.
- Building customer equity: producing high customer equity – *“the total combined customer lifetime values of all of the company’s customers”* – is the ultimate aim of customer relationship management. The more loyal the firm’s profitable customers, the higher the firm’s customer equity.
 - Building the right relationships with the right customers: customers should be viewed as assets that needed to be managed and maximized. But not all customers are good investment. Depending on situation, disloyal customers can be profitable.

Projected loyalty		Short-term customers	Long-term customers
		High profitability	Butterflies Good fit between company's offerings and customer's needs. High profit potential.
Low profitability	Strangers Little fit between company's offerings and customer's needs. Lowest profit potential.	Barnacles Limited fit between company's offerings and customer's needs. Low profit potential.	

Figure 2.4: Customer relationship groups

Figure 2.4 shows four different type of customer according to potential profitability and projected loyalty. Different types of customers require different strategies. The key is to choose the right strategies with the right customers.

2.3 Vision, Mission and Value Statement

In order to initiate the strategic planning, a clear direction is fundamental to determine where the organization is going the next year or more. Hence, vision, mission and value statement are necessary to be identified.

Developing a vision, mission and value statement can be quick culture-specific, for example, participants may use methods ranging from highly analytical and rational to highly creative and divergent.

Therefore, to arrive at description of desired organizational vision, one might first need to visit with the participants.

2.3.1 Vision

Vision statement includes vivid description of the organization as it effectively carries out its operations.

It is to be noted that vision was originally a compelling description of the state and function of the organization once it had implemented the strategic plan; however, recently it has become more of a motivational tool, which too often includes highly idealistic phasing and activities that the company cannot realistically aspire.

2.3.2 Mission

Basically, mission statement describes the overall purpose of the organization. Therefore, it is the first statement to be identified, for if vision statement is developed before the mission, the question is “What is the purpose of such image – the vision?” And thus, its purpose becomes the same with the mission.

The wording of mission statement has to take into consideration the organization’s product, service, market, value, and concern for public image, and maybe priorities of activities for survival.

Also, the changes in mission statement wording that will be needed when new strategies are suggested is also needed to be considered.

It is to be ensured that wording of the mission is to the extent that management and employees can infer some order of priorities in how products and services are delivered.

2.3.3 Value Statement

Values represent the core priorities in the organization’s culture, including what drives members’ priorities and how they truly act in the organization etc. Values are increasingly important in strategic planning. They often drive the intent and direction for “organic” planners.

To create the value statement considers values of customers, shareholders, employees and the community.

2.4 Marketing Analysis

According to Kotler (2006), marketing environment is *“the actors and forces outside marketing that affects marketing management’s ability to build and maintain successful relationships with target customers”*. The marketing environment is made up of a microenvironment and a macroenvironment.

The microenvironment consists of the actors close to the company that affect its ability to competitors and publics.

- The company
- Suppliers
- Marketing intermediaries

- Customers
- Competitors
- Publics

The macroenvironment consists of the larger societal forces that affect the microenvironment – demographic, economic, natural, technological, political, and cultural forces.

The company must analyse its market and marketing environment to find attractive opportunities and to avoid environmental threats. It must analyse its strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue.

2.4.1 SWOT Analysis

The company's strengths (S), weaknesses (W), opportunities (O) and threats (T) can be analysed using the SWOT analysis.

The SWOT analysis provides information that is helpful in matching the company's resources and capabilities to the competitive environment in which it operates. The following diagram shows how a SWOT analysis fits into an environmental scan:

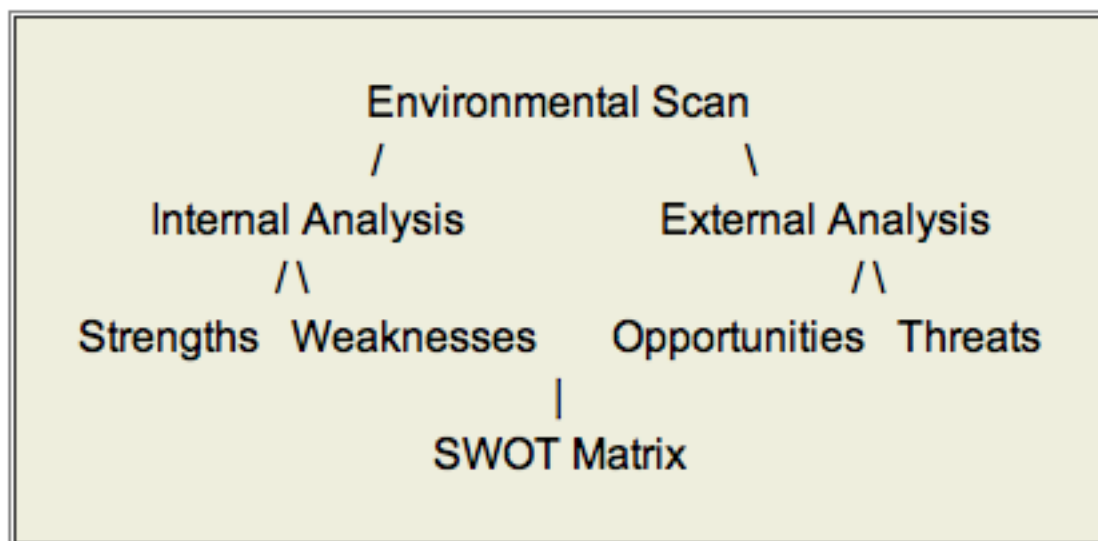


Figure 2.5: SWOT Analysis Framework

Strengths

A firm's strengths are its resource and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

- Patents
- Strong brand names
- Good reputation among customers
- Cost advantages from propriety know-how
- Exclusive access to high grade natural resource
- Favorable access to distribution network

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered as weaknesses:

- Lack of patent protection
- A weak brand name
- Poor reputation among customers
- High cost structure
- Lack of access to the best natural resources
- Lack of access to key distribution channels

It is to be noted that in some cases, a weakness may be the flip side of a strength, for example, a case in which a firm has a large amount of manufacturing capacity.

While this capacity may be considered a strength the competitors do not share, it may also become a weakness if the large investment in manufacturing capacity prevents the company from reacting quickly to changes in the strategic development.

Opportunities

The external environment analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- An unfulfilled customer need
- Arrival of new technologies
- Loosening of regulations
- Removal of international trade barriers

Threats

Changes in the external environment also may presents threats to the company.

Some examples of such threats include:

- Shifts in consumer tastes away from the company's products
- Emergence of substitute products
- New regulations
- Increased trade barriers

The SWOT Matrix

A company should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the company's strengths and upcoming opportunities. In some cases, the company can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT matrix (also knows as the TOWS matrix) is shown in the following figure:

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

Figure 2.6: SWOT/TOWS Matrix

- S-O strategies pursue opportunities that a good fit to the company's strengths
- W-O strategies overcome weakness to pursue opportunities
- S-T strategies identify way that the company can use its strengths to reduce its vulnerability to external threats
- W-T establish a defensive plan to prevent the company's weakness from making it highly susceptible to external threats

2.4.2 Porter's 5 Competitive Forces

Porter's 5 forces analysis is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1979. It is the most influential analytical model for assessing the nature of competition in an industry.

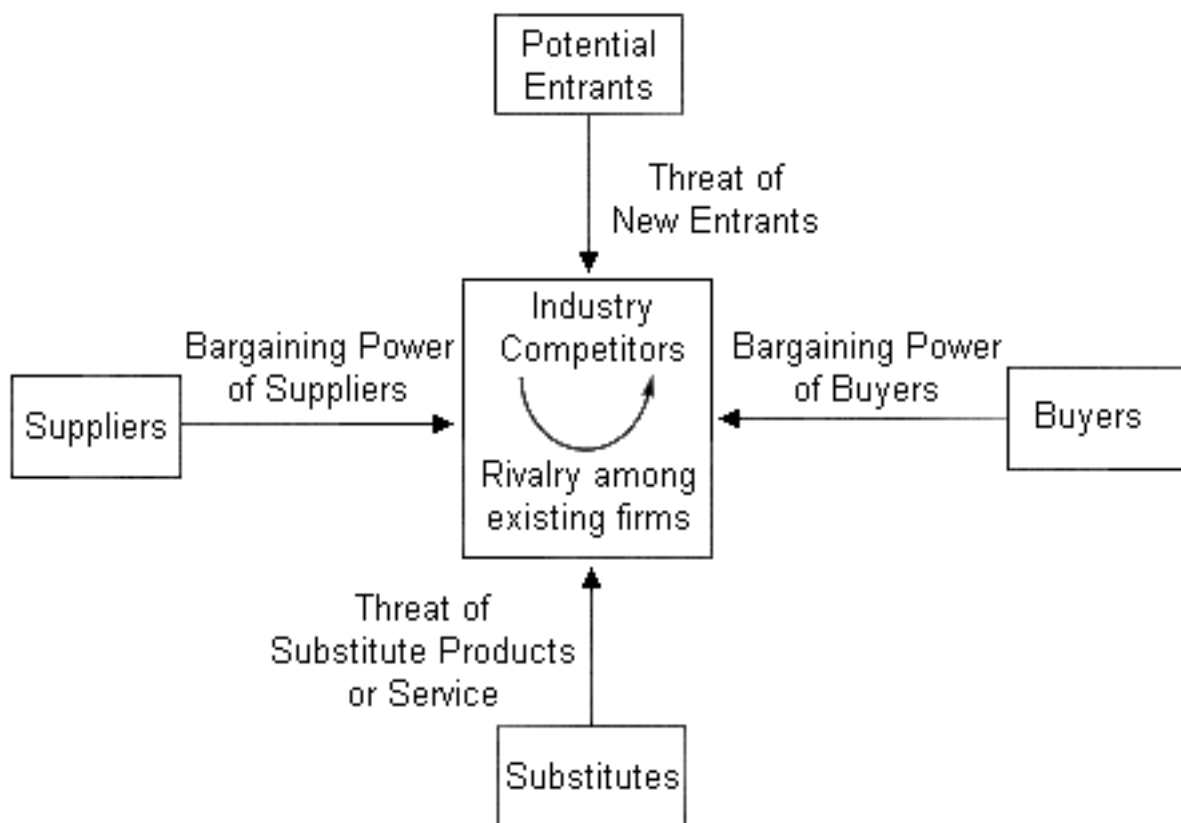


Figure 2.7: Porter's 5 Competitive Forces

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five competitive forces are:

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

Threat of New Entrants

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry.

High entry barriers exist in some industries whereas other industries are very easy to enter. Key barriers to entry include:

- Economies of scale
- Capital/Investment requirements
- Customer switching costs
- Access to industry distribution channels
- The likelihood of retaliation from existing industry players

Threat of Substitutes

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on:

- Buyers' willingness to substitute
- The relative price and performance of substitutes
- The costs of switching to substitutes

Bargaining Power of Suppliers

Suppliers are the businesses that supply materials and other products into the industry.

The cost of items bought from suppliers (raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when:

- There are many buyers and few dominant suppliers
- There are undifferentiated, highly valued products

- Suppliers threaten to integrate forward into the industry (for example, brand manufacturers threatening to set up their own retail outlets)
- Buyers do not threaten to integrate backwards into supply
- The industry is not a key customer group to the suppliers

Bargaining Power of Buyers

Buyers are the people or organizations that create demand in an industry. The bargaining power of buyers is greater when:

- There are few dominant buyers and many sellers in the industry
- Products are standardized
- Buyers threaten to integrate backward into the industry
- Suppliers do not threaten to integrate forward into the buyer's industry
- The industry is not a key supplying group for buyers

Intensity of Rivalry

The intensity of rivalry between competitors in an industry will depend on:

- The structure of competition: rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader
- The structure of industry costs: industries with high fixed costs encourage competitors to fill unused capacity by price-cutting
- Degree of differentiation: industries where products are commodities have greater rivalry than ones where competitors can differentiate their products
- Switching costs: rivalry is reduced where buyers have high switching costs
- Strategic objectives: when competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are “milking” profits in a mature industry, the degree of rivalry is less

- Exit barriers: when barriers to leaving an industry are high, competitors tend to exhibit greater rivalry

2.4.3 PESTEL Analysis

There are many factors in the macroenvironment that will affect the decision of the managers of any organization, for example, tax changes, trade barriers, new laws, demographic change, government policy changes etc. To help analyse these factors, the PESTEL model is used to distinguished these categories:

- Political factors: refer to the government policy such as the degree of intervention in the economy
- Economic factors: include interest rates, taxation changes, economic growth, inflation and exchange rates. Economic changes can have a major impact on a company's behaviour.
 - Higher interest rate may deter investment because it costs more to borrow
 - A strong currency may make exporting more difficult because it may raise the price in term of foreign currency
 - Inflation may provoke higher wage demand from employees and raise costs
 - High national income growth may boost demand for a firm's product
- Social factors: changes in social trends can impact on the demand for a company's products and availability and the willingness of individuals to work.
- Technological factors: new technologies create new products and new processes.
- Environmental factors: include weather and climate changes. Change in temperature can cause an impact in many industries.

- Legal factors: these are related to the legal environment in which companies operate. Different categories of law include:
 - Consumer laws: these are designed to protect customers against unfair practices such as misleading description of the product.
 - Competition laws: these are aimed at protecting small companies against bullying by larger companies and ensuring that customers are not exploited by companies with monopoly power.
 - Employment laws: these cover area such as redundancy, dismissal, working hours and minimum wages. They aim to protect employees against the abuse of power by managers.
 - Health and safety legislation: these laws are aimed to ensuring the workplace is as safe as is reasonably practical.

By using the PESTEL framework, we can analyse many different factors into the company's macroenvironment. In some cases particular issues may fit in several categories. What managers need to do is not simply listing these factors but to evaluate what factors will most affect the company.

2.5 Marketing Strategy

A marketing strategy consists of specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels.

Market strategy explains how each strategy responds to the threats, opportunities, and critical issues spelled out earlier by the analysis in the plan. It also additionally lays out an action program for implementing the marketing strategy along with the details of a supporting marketing budget. Finally, the control measures will be used to monitor progress and take corrective action.

Table 2.2 illustrates contents of a marketing plan:

Section	Purpose
Executive summary	Present a brief summary of the main goals and recommendations of the plan for management review, helping top management to find the plan's major points quickly. A table of contents should follow the executive summary.
Current marketing situation	<p>Describes the target market and company's position in it, including information about the market, product performance, competition, and distribution. This section includes:</p> <ul style="list-style-type: none"> ● A market description that defines the market and major segments, then reviews customer needs and factors in the marketing environment that may affect customer purchasing. ● A product review, that shows sales, prices, and gross margins of the major products in the product line. ● A review of competition, which identifies major competitors and assesses their market positions and strategies for product quality, pricing, distribution, and promotion. ● A review of distribution, which evaluates recent sales trends and other developments in major distribution channels.
Threats and opportunities analysis	Assesses major threats and opportunities that the product might face, helping management to anticipate important

	positive or negative developments that might have an impact on the firm and its strategies.
Objectives and issues	States the marketing objectives that the company would like to attain during the plan's term and discusses key issues that will affect their attainment. For example, if the goal is to achieve a 15% market share, this section looks at how this goal might be achieved.
Marketing strategy	Outline the broad marketing logic by which the business unit hopes to achieve its marketing objectives and the specifics of target markets, positioning, and marketing expenditure levels. It outlines specific strategies for each marketing-mix element and explains how each responds to the threats, opportunities, and critical issues spelled out earlier in the plan.
Action programs	Spells out how marketing strategies will be turned into specific action programs that answer the following questions: <ul style="list-style-type: none">● What will be done?● When will it be done?● Who is responsible for doing it?● How much will it cost?
Budgets	Details a supporting marketing budget that is essentially a projected profit-and-loss statement. It shows expected revenues (forecasted number of units sold and the average net price) and expected costs (of production, distribution, and marketing). The difference is the projected profit. Once approved by higher management, the budget becomes the basis for materials buying,

	production scheduling, personnel planning, and marketing operations.
Controls	Outlines the control that will be used to monitor progress and allow higher management to review implementation results and spot products that are not meeting their goals.

Table 2.2: Contents of a Marketing Plan (Kotler, 2006)

2.6 Market Implementation

Marketing implementation, according to Kotler (2006), is *“the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives”*. Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work.

Successful marketing implementation depends on how well the company blends its people, organization structure, decision and reward systems, and company culture into a cohesive action program that supports its strategies.

2.7 Business Model

Business model, despite having received a lot of attention from entrepreneurs, managers, investors, consultants, IT professionals, journalists and academics scholars since the 1990s, is a term very loosely used and studied without explicitly defining the concept. The lack of consistency and clarity of the concept's definition points to a potential source of confusion. The table below summarizes the most prevalent definitions suggested for the business model and shows which papers have adopted these definitions.

Author(s)/Year	Definition	Paper Citing the Definition
Timmers, 1998	The business model is “an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the source of revenues” (p.2).	Hedman & Kalling, 2003
Amit & Zott, 2001	The business model depicts “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (p. 511).	Hedman & Kalling, 2003, Morris et al., 2005; Zott & Amit, 2007; Zott & Amit, 2008; Santos et al., 2009; Bock et al., 2010; Zott & Amit, 2010;
Chesbrough & Rosenbloom, 2002	The business model is “the heuristic logic that connects technical potential with the realization of economic value” (p.529).	Chesbrough et al., 2006; Chesbrough, 2007a, 2007b; Teece, 2007, 2010
Magretta, 2002	Business models are “stories that explain how enterprises work. A good business model answers Peter Drucker’s age old	Seddon et al., 2004; Ojala & Tyrvalnene, 2006; Demil & Lecoq, 2010

	<p>questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?" (p.4).</p>	
Moris et al., 2005	<p>A business model is a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets" (p.727). [...] It has six fundamental components: Value proposition, customer, internal processes/competencies, external positioning,</p>	Calia et al., 2007

	economic model, and personal/investor factors.	
Johnson et al., 2008	Business models “consist of four interlocking elements, that, taken together, create and deliver value” (p.52). These are: customer value proposition, profit formula, key resources, and key processes.	Johnson & Suskewicz, 2009
Cassadesus-Masanell & Ricart, 2010	“A business model is [...] a <i>reflection</i> of the firm <i>realized</i> strategy” (p.195)	Baden-Fuller & Morgan, 2010
Teece, 2010	“A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value” (p.179).	Gambardella & McGahan, 2010

Table 2.3: Business Model Definitions

To simplify, a business model is a kind of schematic model that assists in gaining the complete picture of an organization business from a high-level perspective; a framework for the understanding of how different entities (Marketing, Sales,

Engineering, Manufacturing, Production, HR, Finance, IT, Administration, Partners, and Suppliers) of a business come together to create value for customers. It describes the rationale of how and organization creates, delivers, and captures value.

Business model is also emphasized to play an important role for strategy. The business model explains how the activities of the firm work to execute its strategy, thus bridging strategy formulation and implementation. According to Chesbrough (2010), the same idea or technology taken to market through two different business models will yield two different economic outcomes.

Frameworks regarding business models that are very popular, well published and/or have one or more specific characteristics are:

- The Business Model Canvas (Osterwalder & Pigneur)
- The Four-Box Business Model (Johnson)
- Business Model Schematics (Weill and Vitale)
- Technology/market mediation (Chesbrough & Rosenbloom)
- Entrepreneur's business model (Morris, Schindehutte & Allen)

2.7.1 The Business Model Canvas

The Business Model Canvas is presented in the book 'Business Model Generation' with its approach based on Osterwalder's PhD thesis (2004). The book has more than 100,000 copies printed and it features in many list of best-selling business books. Next to the authors, 470 practitioners were involved in its creation. It is also supported by a community via the Business Model Innovation Hub (www.businessmodelhub.com).

The Business Model Canvas presents a shared language for describing, visualizing, assessing and changing business models.

"It consists of 9 building blocks:

1. *An organization serves one or several **Customer Segments**.*
2. *It seeks to solve customer problems and satisfy customer needs with **Value Propositions***
3. *Value Propositions are delivered to customers through communication,*

distribution, and sales **Channels**.

4. **Customer Relationships** are established and maintained with each Customer Segments.

5. **Revenue Streams** result from Value Propositions successfully offered to Customer Segments.

6. **Key Resources** are the assets required to offer and deliver the previously described elements...

7. ...by performing a number of **Key Activities**.

8. Some activities are outsourced and some resources are acquired outside the enterprise via **Key Partnerships**.

9. The business model elements result in the **Cost Structure**.” (Erwin Fiel, 2011)

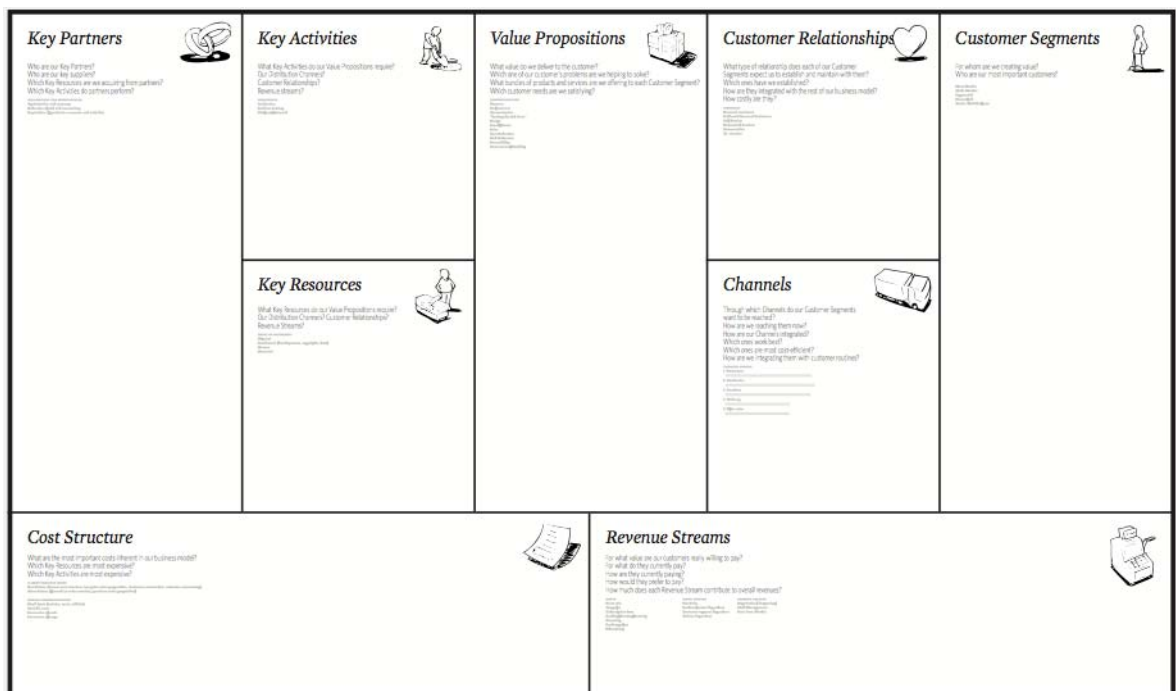


Figure 2.8: Business Model Template (Business Model Generation, 2010)

2.7.2 The Four-Box Business Model

The Four-Box Business Model is presented in Johnson's book 'Seizing the White Space), with an earlier version discussed in a Harvard Business Review (HBR) article (Johnson, Christensen, & Kagermann, 2008).

Johnson approach to business model innovation *"focuses on companies entering the 'white space' where there is a poor fit with the current organization and where new customers or existing customers served in fundamentally different ways are targeted."* (Erwin Felt, 2011)

The Four-Box Business Model Consists of:

1. **Customer Value Proposition:** An offering that helps customer more effectively, more conveniently, or affordably solve an important problem (or satisfy a job-to-be-done) at a given price.
 - Job-to-be-done: To solve an important problem for a customer.
 - Offering: Satisfies the problem or job. Defined not only by what is sold but also by how it's sold.
2. **Profit Formula:** The economic blueprint that defines how the company will create itself and its shareholders. It specifies the assets and fixed cost structure, as well as the margins and velocity required to cover them.
 - Revenue Mode: How much money can be made: price x quantity. Quantity can be thought of in terms of market share, purchase frequency, ancillary sales, etc.
 - Cost Structure: Include direct costs, overhead costs, and economic of scale.
 - Target Unit Margin: How much each transaction should net to cover overhead and achieve desired profit levels.
 - Resource Velocity: How quickly resources needed to be used to support target volume. Includes lead times, throughput, inventory turns, asset utilization, etc.

3. **Key Resources:** The unique people, technology, products, facilities, equipment, funding, and brand required to deliver the value proposition to the customer.
 - Might include people; technology, products; equipment; information; channels; partnerships; alliances; funding; brand
4. **Key Processes:** The means by which a company delivers on the customer value proposition in a sustainable, repeatable, scalable, and manageable way.
 - Processes: Design, product development, sourcing, manufacturing, marketing, hiring & training, IT
 - Business Rules and Success Metrics: Margin requirements for investment, credit terms, lead times, supplier's terms.
 - Behavioral Norms: Opportunity size needed for investment, approach to customers and channels.

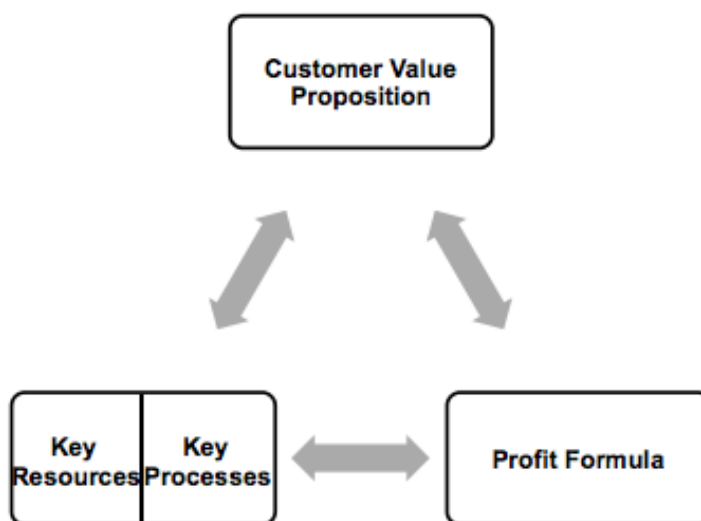


Figure 2.9: The Four-Box Model (Johnson, 2010)

2.7.3 Business Model Schematics

Weill and Vitale (2001) address the growing importance of e-business and its impact on new and established business models in their book 'Place to Space'. Weill is

particularly known as Senior Research Scientist and Chairman of Center for Information Systems Research (CISR) of the MIT Sloan of Management and his well-known and best-selling books on IT Savvy, IT governance and Enterprise Architecture.

According to Weill and Vitale, *“e-business models are more complex compositions based on a finite number of atomic e-business models. An atomic e-business model describes the essence of the way e-business is conducted. Each atomic e-business model is described by four characteristics: (a) strategic objectives and value proposition, (b) sources of revenue, (c) critical success factors, and (d) core competencies required.”*

An e-business model is *“a description of the roles and relationships among a firm’s consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants.”* E-business model schematics is a pictorial representation like a map, aiming to highlight the e-business models important elements:

1. The **roles and relationships** (electronic and primary) of the major entities in the e-business model, including the firm of interest and its customers, suppliers and allies.
2. The **major flows of product, information, and money**
3. The **revenues and other benefits** each participant receives.

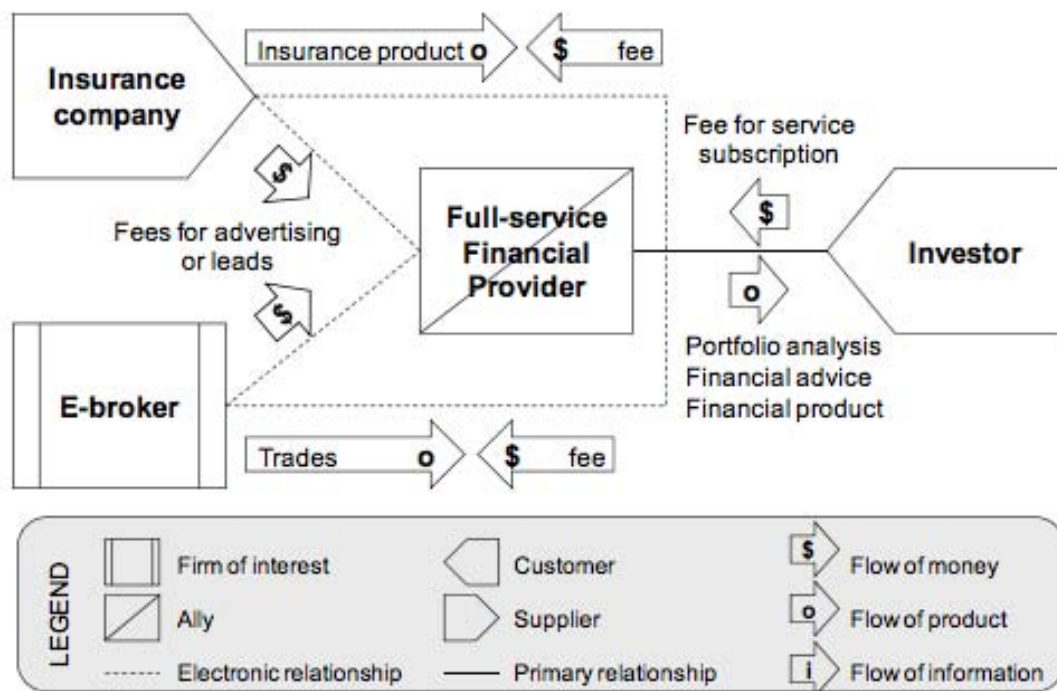


Figure 2.10: Example of an e-business model with e-business schematics: E-brokering with full-service financial provider (Weill & Vitale, 2001)

2.7.4 Technology/market mediation

Chesbrough and Rosenbloom (2002) discuss business models in relation to technological innovation. Chesbrough extended this in his work on open innovation (Chesbrough, 2003) and open business models (Chesbrough, 2006).

Chesbrough and Rosenbloom position the business model as a heuristic logic and focusing device that mediates between technology development and economic value creation. Their work states that *“the business model provides a coherent framework that takes technological characteristics and potentials as inputs, and converts them through customers and markets into economic inputs. The business models guides the selection and filtering of technologies and the way they are packaged into particular offerings for a chosen target market.”*

According to Chesbrough and Rosenbloom, the functions of a business model are to:

- “1. Articulate the **value proposition**, i.e., the value created for users by the offering based on the technology
2. Identify a **market segment**, i.e., the users to whom the technology is useful and for what purpose, and specify the revenue generation mechanism(s) for the firm;
3. Define the structure of the **value chain** within the firm required to create and distribute the offering, and determine the complementary assets needed to support the firm's position in this chain
4. Estimate the **cost structure** and **profit potential** of producing the offering, given the value proposition and value chain structure chosen
5. Describe the position of the firm within the **value network** linking suppliers and customers, including identification of potential complementors and competitors
6. Formulate **the competitive strategy** by which the innovating firm will gain and hold advantage over rivals”

2.7.5 Entrepreneur's business model

Morris et al. (2005) introduce 3 levels for their framework based on the different managerial purposes of a model:

1. **Foundation level:** At this level, the managerial purpose of the framework is to make generic decisions regarding what the business is and is not and ensure such decisions are internally consistent. The framework addresses basic decisions that all entrepreneurs must make (as listed above), it permits general comparisons across ventures and the identification of universal models.

2. **Proprietary level:** At this level, the managerial purpose of the framework is to enable the development of unique combinations among decision variables that result in marketplace advantage. The framework becomes a customizable tool that encourages the entrepreneur to focus on how value can be created in each of the six decision areas.

3. **Rules level:** The usefulness of any model is limited, however, unless it provides specific guidance and discipline to business operations, necessitating a third level in the model. The rules level delineates guiding principles governing execution of decisions made at levels one and two.

For the foundation level, it is suggested that a well-formulated business model

must address six key questions:

- Component 1 (factors related to the offering): How do we create value?
- Component 2 (market factors): Who do we create value for?
- Component 3 (internal capability factors): What is our source of competence?
- Component 4 (competitive strategy factors): How do we competitively position ourselves?
- Component 5 (economic factors): How we make money?
- Component 6 (personal/investor factors): What are our time, scope, and size ambitions?

With respect to the levels, the foundation level and the proprietary level links a more generic business model approach focusing on the essence of the business with a more specific, strategic approach focusing differentiation and sustainable advantage. The rules level links the higher levels to the implementation and operation of the business model.

CHAPTER 3

RESEARCH METHODOLOGY

According to Kotler (2006), marketing process consists of: P1) understand market place, customer needs and wants, P2) design a customer-driven strategy, P3) construct a marketing programme, P4) build profitable relationship and create customer delight, and P5) capture values from customers to create profits and customer quality. The process, from this, thus, can be simplified into two parts: planning (process P1-P3) and implementation (process P4-P5). Since the scope of this research covers only the planning, this paper only focuses on process P1-P3.

In response to the marketing process P1-P3, a market plan, as also stated by Kotler, consists of: M1) executive summary, M2) current market situation, M3) threats and opportunities analysis, M4) objectives and issues, and M5) marketing strategy. Following these M1-M5 steps, the researcher, therefore, exercises the research methodology as the following 3 phases:

1. Situation Analysis
2. Marketing Concept
3. Marketing Strategy

3.1 Situation Analysis

Situation analysis is conducted to study how the case study modern trade is faring in its market environment. The analysis also includes external factors that can possibly affect the business. However, before situation analysis can be conducted, first thing first, a research team is needed to be form.

3.1.1 Forming Research Team

In accord to the information and necessary actions needed to perform this research, the research team has formed a team consisting of the case study modern

trade's managing people. The following table shows the members of the team and their roles and responsibilities in the making of the business model/strategy.

Person	Role/Responsibility
Sales and Purchasing Manager	<ul style="list-style-type: none"> ● Provides information and further assistance regarding products and the product sales in the modern trade
Marketing Manager	<ul style="list-style-type: none"> ● Provides information and further assistance regarding marketing research and advertising ● Responsible for the customer questionnaire survey
Human Resource Manager	<ul style="list-style-type: none"> ● Provides information and further assistance regarding the company's human resource which includes employee recruiting, performance evaluating, training and retaining
Design Center Manager	<ul style="list-style-type: none"> ● Provides information and further assistance regarding the company's design center
The Researcher	<ul style="list-style-type: none"> ● Primary responsibility of designing

<p>and conducting the research</p> <ul style="list-style-type: none"> ● Responsible for coordinating the research team.
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Table 3.1: Research Team

3.1.2 Current Market Situation

Current market situation is studied in order to know how the case study company is faring. The information essential to current market situation analysis will be gathered by both primary and secondary data.

Primary data can be obtained by 1) interview with the business' managing people and 2) doing questionnaire survey (100 samples) on the customers in the area.

Secondary data will be obtained from research resources such as internet, research institutes, journals, libraries, newspaper, magazines, annual reports article related to the research, official documents and reports.

According to the literature review, the situation analysis consists of:

- Business overview
- Market description
- A product review
- A review of competition
- A review of distribution

Business overview describes what the company's business and what it will involve.

Market description defines the market and major segments, then reviews customer needs and factors in the marketing environment that may affect customer purchasing. Customer analysis will be conducted by questionnaire survey while external factor analysis will be conducted by PESTEL analysis.

The company's product reviews show what products the company is offering. The products the company offers should be able to deliver the proposed value to the customers. Value proposition is derived from the company's value statement.

A review of competition identifies major competitors and assesses their market positions and strategies for product quality, pricing, distribution, and promotion. This is conducted by utilizing Porter's five competitive forces framework.

A review of distribution evaluates the effectiveness of the current distribution channels which concerns:

- Customer's awareness of the business
- Customer's evaluation of organization's value proposition
- How do we allow customer to purchase specific products and service?
- Channels of delivery
- After sales service

3.1.3 SWOT Analysis

From current market situation, the company's SWOT is derived and will be presented in a SWOT table for further reference.

3.1.4 Key Success Factors

Key success factors are to be concluded from situation analysis in order for the case study company to be able to stake the right values it has to capture and propose for its customers in the business.

3.2 Marketing Concept

For this part, current objectives and issues are addressed. A meeting will be set up in order to brainstorm for the company's solution to the addressed issues. A new strategic concept is to be made in accordance to the key success factors.

The meeting participants are composed of Company A (the case study company)'s related managers (the research team) and Board of Executives.

3.3 Marketing Strategy

From marketing concept, marketing strategy is deduced. The marketing strategy comprises of two dimensions: strategic dimension and operative dimension.

- Strategic Dimension: the business model. This is the new business model generated from rational thinking and data gathering to fit with selected Value Proposition.
- Operative Dimension: the action plan. The action plan will include the activity schedule of what should be done in order to achieve the business strategy.

3.3.1 The Business Model

In order to construct a business model, the first thing to do is to choose the appropriate framework. For this, existing business model frameworks (already cited in Literature Review) will be compared. The researcher will provide reasons supporting as to why the chosen framework fits for the business. The model is then formulated in accord to the marketing concept.

3.3.2 The Action Plan

The action plan will be derived from the business model. According to the scope of this research, the action plan will involve only the marketing dimension and will be presented in the following template:

- Theme/Intermediate Goal: Themes are the major areas or dimensions of the project. Goals are the medium/long-term outcomes of the project.
- Objectives: Each term can be divided into a set of clear objectives that detail how to reach that goal.
- Tasks: Tasks are the specific steps needed to accomplish each objective.
- Responsibility: Defines who is responsible for carrying out the various asks.
- Timeline: Shows when each task needs to be completed.

- Evaluation: Shows how you know you have been successful in implementing each goal.

3.4 Conclusion on Research Methodology

Research methodology of this paper follows Kotler's marketing process and market plan by dividing the methodology into three phases consisting of situation analysis, marketing concept and market strategy. Research team is formed consisting of managing people regarding each specific dimension of the information needed.

Situation analysis is performed by both primary and secondary data analysis. Customer questionnaire survey and interview with Modern Trade A's managing people as well as site observation are used as a mean for internal analysis while Porter's five competitive forces framework is utilized for competitor analysis. PESTEL analysis is applied for analysis of external factors that can affect the business situation in the market description.

Marketing concept is deducted from the issues addressed from the business' current situation. Once the marketing concept is formed, the marketing strategy is derived. The strategic dimension is then presented in the form of business model with the most appropriate business model framework and the operative dimension is presented in the form of an action plan.

CHAPTER 4

SITUATION ANALYSIS

For this chapter, Modern Trade A's current market situation is to be analysed in accord to the steps provided in Research Methodology which consists of business overview, market description, a product review, a review of competition and a review of distribution.

4.1 Business Overview

Modern Trade A has been established in the Northeastern region of Thailand by a business group who have had lots of experiences and expertise in producing and dealing with wood products including construction materials for more than 30 years. The modern trade store, though, is still new and has been in operation for only a few years.

Modern Trade A, with 91 acre of area, opens for services everyday from 8 am to 7 pm. All kinds of construction materials – either for building or renovating houses and homes and so on – as well as designing and offering design consults are offered in the form of one-stop service to satisfy the needs of all customers with the slogan “All for Home and Family”.

The company emphasizes on the selection of best quality products and cares for every detail to please its customers. Apart from this, it also aims to provide the best service with modernness, quickness, precision and fairness for customers' satisfaction.

4.2 Market Description

Before any sales and marketing activities could start, the company should establish a solid knowledge of the market by making a market description.

4.2.1 Customer Analysis

The company needs to know first who its customers are, what the factors in the marketing environment that may affect customer purchasing is. If the company does not have any idea about this, it will be difficult to choose the right way to approach them.

The information on customer demography, opinions and satisfaction presented here comes from the questionnaire survey result, which can be found in the Appendix.

Gender and Age

The questionnaire survey result shows that most of the customers coming to shop in Modern Trade A is female with the age between 20-30. The ratio of male to female customer is 42 to 58.

Nationality

The questionnaire survey result shows that, as opposed to what Company A's workers perceive, most of the customers coming to shop in Modern Trade A are Thai with the ratio of native to foreign customer of 98 to 2.

Education

The questionnaire survey result shows that the customers coming to shop in Modern Trade A are mostly Bachelor Degree graduated. The percent shares, from most to least, between each education level are respectively as following:

- 59% of customers are of Bachelor Degree education
- 15% of customers are of Diploma education
- 10% of customers are of High School education
- 8% of customers are of Secondary School education
- 5% of customers are of Primary School education
- 3% of customers are of Higher than Bachelor education

Occupation

The questionnaire survey result shows that the customers coming to shop in Modern Trade A are mostly office workers. The percent shares, from most to least, between each education level are respectively as following:

- 54% of customers are office workers
- 19% of customers are business owners
- 13% of customers work for government service
- 8% of customers work for hire
- 4% of customers are students

- 2% of customers do not fit previously listed categories

Salary

The questionnaire survey result shows that most of the customers coming to shop in Modern Trade A have the salary between 5000 to 10000 baht. The percent shares, from most to least, between each education level are respectively as following:

- 53% have the salary between 5000-10000 baht
- 25% have the salary between 10001-20000 baht
- 8% have the salary between 20001-30000 baht
- 8% have the salary less than 5000 baht
- 3% have the salary between 30001-40000 baht
- 3% have the salary more than 40000 baht

Frequency of Shopping

The questionnaire survey result shows that most of the customers coming to Modern Trade A either always come to shop in Modern Trade A or come to shop in Modern Trade A once a month. The percent shares between each education level are shown as following:

- 25% always come to shop in Modern Trade A
- 25% comes to shop in Modern Trade A once a month
- 22% comes to shop in Modern Trade A for the first time
- 13% comes to shop in Modern Trade A once a week
- 15% do not fit any of the listed frequency

Customer's Opinions and Satisfaction

- Customer's opinion on price
 - 14% think that the prices of goods in Modern Trade A are cheaper than other stores

- 56% think that the prices of goods in Modern Trade A are appropriate
 - 30% think that the prices of goods in Modern Trade A are too expensive.
(The customers also comment that while a lot of products are more expensive, some products are cheaper than other stores.)
- Customer's opinion on variety of products
 - 10% think that there are too many varieties of products
 - 53% think that the varieties of products in Modern Trade A are just right
 - 37% think that there are too little varieties of products and some products are not enough in stock
- Customer's opinion on Modern Trade A's location
 - 20% think that the location of Modern Trade A is near and convenient
 - 55% think that the location of Modern Trade A is not too far
 - 25% think that the location of Modern Trade A is too far
- Customer's opinion on Modern Trade A's parking lots
 - 48% think Modern Trade A's parking lots are excellent
 - 42% think Modern Trade A's parking lots are satisfactory
 - 10% think Modern Trade A's parking lots need to be improved because it has no clear sign for entrance and exit.
- Customer's opinion on Modern Trade A's restrooms
 - 42% think Modern Trade A's restrooms are excellent
 - 54% think Modern Trade A's restrooms are satisfactory
 - 4% think Modern Trade A's restrooms need to be improved because there are not enough restrooms.
- Customer's opinion on store's cleanliness
 - 35% think Modern Trade A's store's cleanliness is excellent

- 59% think Modern Trade A's store's cleanliness is satisfactory
 - 6% think Modern Trade A's store's cleanliness needs to be improved because of bird dungs and dust.
- Customer's opinion on store arrangement
 - 36% think Modern Trade A's store's arrangement is excellent
 - 58% think Modern Trade A's store's arrangement is satisfactory
 - 6% think Modern Trade A's store's arrangement needs to be improved
- Customer's opinion on service
 - 49% think Modern Trade A's service is excellent
 - 50% think Modern Trade A's service is satisfactory
 - 1% think Modern Trade A's service needs to be improved
- Customer's opinion on clerk's manners
 - 45% think Modern Trade A's clerk's manners is excellent
 - 55% think Modern Trade A's clerk's manners is satisfactory
- Customer's opinion on clerk's knowledge about products
 - 38% think Modern Trade A's on clerk's knowledge about products is excellent
 - 62% think Modern Trade A's on clerk's knowledge about products is satisfactory
- Most customers think the strong points of Modern Trade A are:
 - Good service
 - Good product quality
- Most customers think the weak points of Modern Trade A are:
 - Some products are too expensive
 - There are not enough varieties of products

- There are not enough stock of products

Best Selling Product

The data for the best selling product is obtained from the customer questionnaire survey. (The raw data can be found in Table A in the Appendix.)

Table 4.1 illustrates the best selling score for each product category. The best selling score is calculated by the number of customers selecting the category multiply by weight of importance.

[Best selling score = Number of customers x Weight of importance]

Weight	Product Category							
	Structure	Hardware	Ceramic	Appliance	Kitchen	Tool	Paint	Door
8	23x8	13x8	21x8	7x8	22x8	4x8	10x8	2x8
	=184	=104	=168	=56	=176	=32	=80	=16
7	16x7	20x7	14x7	23x7	13x7	9x7	6x7	3x7
	=112	=140	=98	=161	=91	=63	=42	=21
6	5x6	11x6	29x6	19x6	16x6	5x6	4x6	6x6
	=30	=66	=174	=114	=96	=30	=24	=36
5	8x5	19x5	17x5	20x5	11x5	6x5	11x5	10x5
	=40	=95	=85	=100	=55	=30	=55	=50
4	16x4	11x4	3x4	10x4	22x4	18x4	14x4	7x4
	=64	=44	=12	=40	=88	=72	=56	=28
3	6x3	7x3	7x3	6x3	5x3	30x3	22x3	19x3
	=18	=21	=21	=18	=15	=90	=66	=57
2	7x2	8x2	5x2	10x2	3x2	14x2	24x2	25x2
	=14	=16	=10	=20	=6	=28	=48	=50
1	19	11	4	5	8	14	9	28
Total	481	497	572	514	535	359	380	286
Score	#5	#4	#1	#3	#2	#7	#6	#8

Table 4.1: Best selling score for each product categories of Modern Trade A

From table 4.1, ranking by the total score, it can be concluded that the most selling product category is ceramics, followed by kitchenware and furniture, appliances, hardware, structure products, paints, tools, and doors and windows, respectively.

What Customers View as the most Important Aspect

The data of which aspect of the business customers observe as the most important is obtained from the customer questionnaire survey. (The raw data can be found in Table B in the Appendix.)

Table 4.2 illustrates the importance score for each product category. The score is calculated by the number of customers selecting the category multiply by weight of importance.

[Importance score = Number of customers x Weight of importance]

Weight	Aspect						
	Place	Price	Reputation	Quality	Familiarity	Promotion	Service
7	17x7 =119	17x7 =119	6x7 =42	15x7 =105	12x7 =84	6x7 =42	30x7 =210
6	15x6 =90	21x6 =126	4x6 =24	12x6 =72	11x6 =66	15x6 =90	25x6 =150
5	12x5 =60	8x5 =40	10x5 =50	19x5 =95	9x5 =45	21x5 =105	11x5 =55
4	14x4 =56	12x4 =48	12x4 =48	22x4 =88	19x4 =76	11x4 =44	12x4 =48
3	14x3 =42	17x3 =51	14x3 =42	13x2 =26	20x3 =60	18x3 =54	5x3 =15
2	12x2 =24	14x2 =28	20x2 =40	12x2 =24	15x2 =30	19x2 =38	9x2 =18
1	16	11	34	7	14	10	8
Total	407	423	280	417	375	383	504

Score	#4	#2	#7	#3	#6	#5	#1
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Table 4.2: Importance score as perceived by customers for each aspect of Modern Trade A

From table 4.12 ranking by the total score, it can be concluded that the most important business aspect as perceived by customers is ceramics quality of service, following by price, quality of product, place, promotion, familiarity (connection with the company), and reputation, respectively.

Conclusion on Customer Analysis

Modern Trade A customers are women with age ranged between 20-30 years old. People within this age range are mostly office workers. From the questionnaire survey results, 59% are customers with Bachelor Degree education. Their income per month is around 5000 to 10000 baht. Most customers either always come to shop in Modern Trade A or come to shop once a month.

Most customers think the prices of goods in Modern Trade A are appropriate. There are just right amount of varieties of products and the location of Modern Trade A is not too far. Most customers think the parking lots are excellent. The restrooms, the store's cleanliness and the store's arrangement are satisfactory. Customer's service, clerk's manners and clerk's knowledge about products are satisfactory as well.

The customers comment on good product quality and service. There are some complaints, though, about the stock of products, the bird dung and dust and some products being more expensive than other stores despite some being cheaper. There are not enough restrooms and the parking lots need a clear sign for entrance and exit.

Out of 100 customers surveyed, the most selling product category is ceramics, following by kitchenware and furniture, appliances, hardware, structure products, paints, tools, and doors and windows, respectively.

Quality of service is seen as most important for customers to make a buying decision, following by price, quality of product, place, promotion, familiarity (connection with the company), and reputation, respectively.

4.2.2 PESTEL Analysis

To analyse macroenvironmental factors that might affect customer purchasing and business performance in the future, the PESTEL Analysis framework is conducted with the results being as follows.

Political factors	<ul style="list-style-type: none"> ● The instability of Thailand's politics
Economic factors	<ul style="list-style-type: none"> ● Thailand's economy being slow down due to the flood problem
Social factors	<ul style="list-style-type: none"> ● The opening of ASEAN community in 2015 in the Northeastern region ● The expansion of living communities in Northeastern area of Thailand
Technological factors	<ul style="list-style-type: none"> ● Online shopping and social network marketing are getting more and more popular
Environmental factors	<ul style="list-style-type: none"> ● People have become more concerned about environment ● The trend toward 'green' products
Legal factors	<ul style="list-style-type: none"> ● The proposed change in the employment law regarding minimum salary for employees with

Table 4.3: PESTEL Analysis for Modern Trade A

The instability of Thailand politics might have a big impact on Thailand's economy. The strikes of 'red shirt' and 'yellow shirt' mobs decrease the reliability of safety on investment. As a consequence, the economy has slowed down and people are more careful with what they spend for.

The flood problem also has a major impact. A lot of companies are faced with devastating losses in assets. Some factories have to be closed down and it needs months to recover the site from the damage done, causing the supply chain to be either stopped or slowed down.

The expansion of living communities in Northeastern area of Thailand is an open opportunity for new market of customers. The opening of ASEAN community in 2015; however, can be seen as both an opportunity and a threat as new investors will come into play. These partners might become partners or competitors. Additionally, this new opening will promote more varieties of goods in the market.

Online shopping and social network marketing have nowadays become a part of people's lifestyle. Online shopping allows shoppers to view freely all the products on sales themselves and compare prices between websites to choose the cheapest one available. Because of this, more and more sellers are using social network as a channel to reach its customers. Not only has social networking no cost at all, it is also very effective.

As for the environmental factor, due to the fact that people have become more concerned of environment, it is an opportunity for products that is natural and not harmful to the environment.

The government's proposed change in the employee law regarding minimum salary is a factor that also needed to be considered. Currently, the change is applied to the government sector but if the change happens to be applied in the private sector,

companies will need to plan for strategies that react to such change. Additionally, the raise of salary in the government sector might affect the market as people who get the raise in salary will have more buying power, thus creating a shift in customer demography and segmentation.

4.3 Product Review

Table 4.4 and 4.5 exhibit the products and service Modern Trade A provides.

Product/Service	Detail
Retail store	<ul style="list-style-type: none"> ● Retail store takes up most of Modern Trade A's area. The store sells construction materials and houses and homes related products, which can be categorized into 10 groups as illustrates in table 4.2. ● The modern trade retail store is a D.I.Y shopping. The clerks are only there to give information about products if asked.
Furniture manufacturing	<ul style="list-style-type: none"> ● Modern Trade A has spun its own brand of wooden furniture manufacturing called XX Furniture with the emphasis of the furniture being all "natural product". ● The brand is still new and depends

a lot on handicraft work.

Wholesaling

- Aside from the main retailing business, Modern Trade A also provides wholesaling for entrepreneurs along with delivery service.

Design Center

- Offering design consults for building/renovating houses, stores and construction and installing equipment
 - Designing jobs
-

Table 4.4 Modern Trade A's Products and Service

Category	Product
1. Structure products	Lumber, plywood, cement, iron, brick, roof tile, tank
2. Hardware and agricultural tools	Water supply and treatment, pump, agricultural tool, door and window accessory
3. Sanitary ware and ceramics	Toilet, sink, bathtub, bathroom equipment, tap, shower, floor and wall pavement
4. Electrical appliances	Cable, bulb, lamp, circuit breaker,

	electrical appliance
5. Furniture and kitchen supplies	Sofa, wallpaper, beds, kitchen supply, water purifier, water warmer
6. Tools and equipment	Tools and equipment for wood, cement, iron and furniture work
7. Paints and chemicals	Paints, chemicals and painting tools and equipment
8. Doors, windows and frames	Balustrade, railing, stairs, ventilator

Table 4.5 Retail Product Categories

Table 4.4 shows the four types of products and service Modern Trade A offer while table 4.5 shows the ten categories of goods sold in Modern Trade A's retail store.

The main part of Modern Trade A is the retail store in which most of the goods are sold.

The furniture hand-manufactured by the company (XX Furniture) is also sold in the Furniture and Kitchenware category in the modern trade. Excluding structure products, according to the questionnaire survey, it is the most selling product in the modern trade.

Design center is responsible for the design of XX Furniture. It also offers design consults for building/renovating houses, stores and construction and installing equipment

4.4 Review of Competition

Modern Trade A needs to know its competitors in the market in order to find out what they are up against and come up with the right plan to react to the competition.

Exploiting Porter's five competitive forces framework, the analysis of Modern Trade A's competitors are as follows.

The threat of entry of new competitors

The Northeastern region of Thailand is the region with most population. That as well as urbanization makes the Northeastern region attractive for investors as potential customers have more power to buy. Because the barrier to entry is next to none, more competitors from nearby provinces and those that want to expand more branches are likely to enter the competition.

The threat of substitutes

Since construction material modern trades offer everything related to building construction, renovation, maintenances as well as furniture and home decoration, there is no problem regarding threat of substitute products.

The bargaining power of buyers

Most product sold in the modern trade are viewed as commodities. Therefore, customers often start by comparing price first before quality. Hence, buyers have more bargaining power.

The bargaining power of suppliers

There are majorly two cases for the bargaining power of suppliers: 1) Some manufacturers have their own retail outlets and 2) Some suppliers are either tied to certain retailers or offer limited amount of supplies due to contract terms regarding product sales.

The degree of rivalry between existing competitors

The nature of construction material industry is a red ocean of competition. With next to none barrier to enter the business, more and more players come and the competition to gain more market share becomes more and more fierce.

The major players in the industry are mostly equally sized. These players are trying to seize more channels of distribution to reach more customers. This includes expansion of business branches, renovation of stores, making collaboration with dealers/business partners and reengineering management to be more systematic. Also, as there is no exit barrier to the industry.

In conclusion, the degree of rivalry between existing competitors is relatively high.

Analysis of major competitors

In the area close by, with the exception of traditional construction material stores, there are three major competitors (Modern Trade B, Modern Trade C, and Modern Trade D). All are modern trades with larger budget. Two of these competitors (Modern Trade B and Modern Trade C) have strong brands. The section below shows the analysis of each competitor.

- Modern Trade B

Modern Trade B has strong brand name and large budget. Consequently, its renting arcade is attractive to potential renters, and thus, Modern Trade B has more varieties of shops to offer in its site, attracting more customers to come. 80 percent of Modern Trade B's customers are customers that buy house related products. 70 percent of Modern Trade B's employees are local natives.

Product

Modern Trade B offers 17 categories of products, which are shown in the following table.

Category	Products
1. Appliances	Air conditioners, disposer vacuums, fans, refrigerators, washers
2. Audio & VDO	Audio & VDO, flat TV, LCD TV, plasma TV, player
3. Bathrooms & accessories	Bath accessories, bathroom sinks & bathtub, mirrors, shower curtains, toilets
4. Bedding & accessories	Bed linens, blankets & towels, mattress & toppers, pillow & white products
5. Building materials	Heat isolator, wood
6. Ceramic tile	Floor tiles, wall tiles

7. Door & window	Door hardware, PVC door, wood door
8. Floor & wall decorative	Carpets & rugs, curtains & blinds, curtain accessories, cushions, wall stickers
9. Furniture	Cabinet & sideboard, chair & easy chair, sofa
10. Garden & outdoor living	Garden tools, grills & accessories, lawn mowers & riding mowers, mailboxes & signs, outdoor living
11. Hand & power tool	Drill, hand tools, ladders, power tools, tool storage
12. Hardware	Builders hardware, door hardware, safety & security
13. Houseware	Cleaning, laundry, organization, organization & kitchen
14. Kitchen & accessories	Kitchen appliances, small appliances
15. Lighting	Chandeliers, table lamps
16. Painting	Decking stain paint, enamel paint, painting tools, primer, protecting
17. Plumbing	Cleaning equipment, fat trap tank, faucets, pump & tank, water heater

Table 4.6: Modern Trade B's product categories

Aside from these 17 categories of products, Modern Trade B also offers homecare and 3D design service for bathrooms and kitchens. The homecare service includes installation service, maintenance service, and home improvement service.

Price

Site observation proves that most of Modern Trade B's product prices are slightly cheaper than Modern Trade A.

Place

Modern Trade B is a 50-acre stand-alone shop that is an expansion and addition to its company's existing yet smaller one that locates in a shopping mall. It is located outside the city with parking lots available for 280 cars. For distribution, Modern Trade B also offers delivery service.

Promotion

In order to get to its customers, Modern Trade B has several promotion campaigns:

- Discount for members
 - Discount campaign and pay installations for those affected by the serious flood
 - CSR with schools in Northeastern area
- Modern Trade C

Modern Trade C is established by a rapidly growing company, which declares aggressive policy of expansion of branches to compete with the major players in the industry. Modern Trade C is the company's 13th branch, opening with the objective of entering the Northeastern market.

Product

Modern Trade C offers 14 categories of products with installation service. Table 4.6 illustrates those 14 categories.

Category	Products
1. Steel	Steel, stainless steel, barb wires, wires, metal sheets, nails
2. Cement and concrete	Cement, lime, light-weighted blocks
3. Ceramic, wall and floor	Tiles, mosaic, granite, marble, glass block, parquet

4. Roofs	Metal sheet, tile, corrugated iron, aluminum foils, ceiling equipment
5. Doors and windows	Wood doors, PVC doors, banisters, mirrors
6. Paints	Paints, lacquer, primer, quick-dry cement
7. Bath	Bath tubs, sinks, toilets, taps, mirrors, bathroom accessories
8. Kitchenware	Washing sinks, cupboards, kitchen accessories
9. Furniture	Beds, tables, pillows, blankets, bed sheets, wardrobes, carpets, blinds, curtain, mailboxes, paper and writing accessories
10. Electric lightings	Electric bulbs, CCTV, fans, cable wires, water cooler, water boiler, heater, vacuum cleaner
11. Tools and equipment	Hardware equipment, measuring equipment, keys, cranes, paint tools, pumps
12. Gardening and plumbing	Agricultural equipment, tanks, PVC tubes, rubber tubes, fertilizer, lawn mowers, plant seeds
13. Appliances	Air conditioner, air refresher, fans, washing machines
14. Cleaning equipment	Vacuum cleaners, mops

Table 4.7: Modern Trade C's product categories

Modern Trade C has a customer satisfaction guarantee that customers can refund if unsatisfied with Modern Trade C's products within 30 days.

Price

Modern Trade C offers very cheap price for each category of its product.

Place

Modern Trade C is a 126-acre store with more than 30000 square meters of area for selling products. It is located a little far from the city. Modern Trade C offers delivery service and a drive-through service, which customers can drive into the service area provided with cranes and forklifts. For the drive-through service, the customers will get the products they want to buy within 10 minutes.

Promotion

Modern Trade C promotes a lot of sales promotion along with pay installations.

- Modern Trade D

The business group that established Modern Trade D has been in construction materials business since 1983. It is also of Northeastern native (but comes from different province). Modern Trade D has now been in operation for 4 years and is currently the largest modern trade in the area. Modern Trade D focuses more on tiles, appliances, hardware and sanitary ware instead of home products and furniture because of its good relationship with suppliers.

Product

Modern Trade D offers both wholesaling and retailing with separate area dedicated to wholesaling business. There are 16 categories of products, which can be classified as follows.

Category	Products
1. Hardware	Hardware, tools and equipment, pump
2. Paint	Paint and accessories
3. Gardening	Agricultural equipment and gardening tools
4. Door & Window	Wood doors, PVC doors, doorknobs

5. Teak wood	Teak wood and furniture
6. Bathroom	Bathroom, toilet and accessories
7. Wall and floor	Tiles
8. Kitchen	Kitchenware
9. Furniture	Chairs, easy chairs, closets, sofa
10. Appliances	Plasma TV, washing machines, irons, water boilers, cameras, printers, notebooks, fans
11. Electric	Bulbs and flashlights
12. Lighting	Lighting equipment
13. Automotive	Bicycles, oil
14. Office supplies	Paper and writing equipment
15. Gift shop	Ceramic glasses, hanging clocks, dolls, toys, sculptures
16. Plastic	Rubbish bins, plastic buckets

Table 4.8: Modern Trade D's categories of products

In addition to the 16 categories of products, Modern Trade D also offers several types of service:

- Customer's order can be passed from Modern Trade D to manufacturing factory.
- Special order can be made for custom-made products
- Product installation service
- Selling on-point projects
- 3D design for kitchen complete with cost estimation
- Product guarantee policy: customers can either refund for unsatisfactory products or change for a new one within 30 days
- Product maintenance service

- Issuing tax invoice

Price

Modern Trade D can offer very cheap price because of its connection with the suppliers; the products can also be sent directly to the customers from manufacturing factories.

Place

Modern Trade D is a 227-acre store located out of the city. It is currently the largest modern trade in the area. Modern Trade D offers 24-hour delivery service.

Promotion

Modern Trade D offers pay installation incentives, sales discount and special gifts depend on various conditions.

Conclusion on Competitor Analysis

Modern Trade B, C and D are competitors with larger budget: two with stronger brand names and one having very good connection with its suppliers. Most of the competitors' products are cheaper and Modern Trade C and Modern Trade D also offer refund policy as guarantee for customer satisfaction.

Most Modern Trade B's customers are home products customers. Modern trade B only has wood and heat isolators as building material products. The company has an experience in CSR (Corporate Social Responsibility). It also offers 3D design for bathrooms and kitchens, installation, maintenance and delivery service.

Modern Trade C also has structure products. The prices for Modern Trade C's products are very cheap. It also has delivery and drive-through service. Modern Trade C offers a lot of sales promotion.

Modern Trade D focuses more on tiles, appliances, hardware and sanitary ware products because of its close connection with the suppliers. The prices are relatively cheap and special orders can be made for custom-made products. Defective products can be refunded or changed. Modern Trade D also offers installation and maintenance service as well as 3D design for kitchen.

4.5 Review of Distribution

For this part, Modern Trade A's current distribution channels their effectiveness will be analysed.

How customers come to know about Modern Trade A

The histogram below shows how customers come to know about Modern Trade A. The number in the histogram is not a percentage as customers can choose more than one option in the questionnaire.

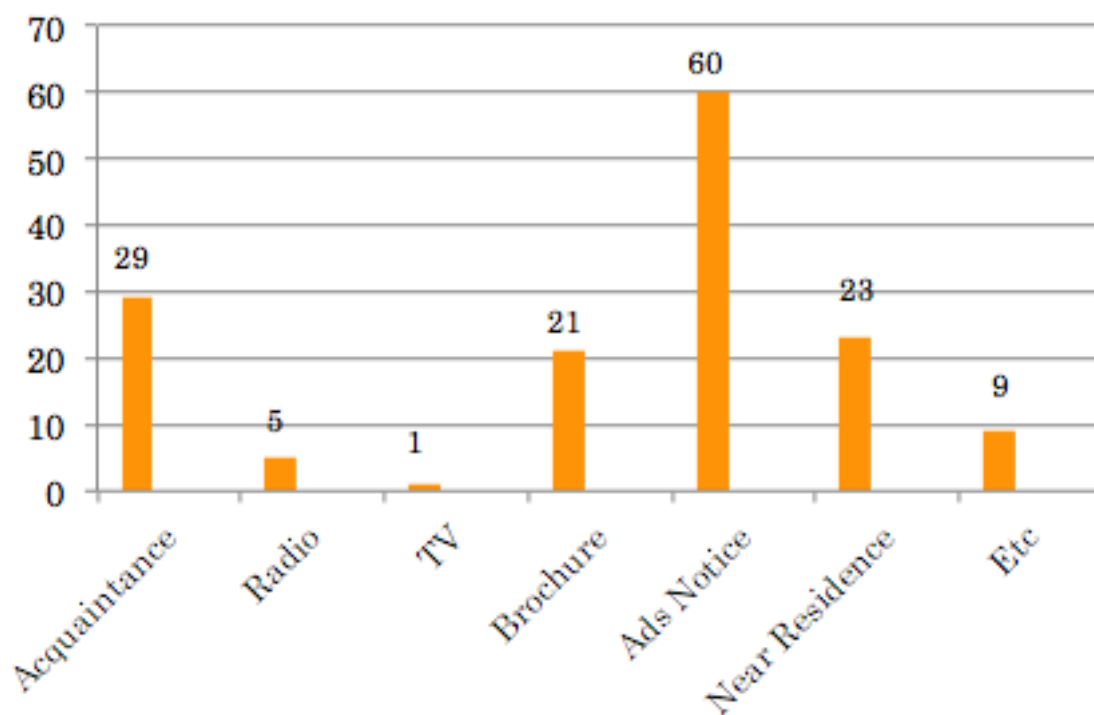


Figure 4.1: How Customers Come to Know about Modern Trade A

From figure 4.1, it is obvious that most customers learn of Modern Trade A by advertisement notice, following by hearing from their acquaintance, Modern Trade A being near their residence, and seeing the company's brochure while advertisement via radio and TV and other measures are proven to be ineffective (and likely not cost efficient).

Customer's evaluation of organization's value proposition

From the survey about customer's opinions and satisfaction in section 4.2.1, most customers think the prices of goods in Modern Trade A are appropriate. The customers also comment on good product quality and service.

How do we allow customer to purchase specific products and service?

- D.I.Y section for the retail store
- Purchase order can be made
- Free design service is given to customers that buy goods from the store under conditions
- Design service alone is not free

Channels of delivery

- The company utilizes advertisement notice as well as media such as local TV and radio to raise awareness of customers.
- Delivery service is provided mostly for wholesale customers.

After sales service

Modern Trade A provides both installation and maintenance service.

4.6 Conclusion on Situation Analysis

Modern Trade A is a construction materials modern trade located in Northeastern region of Thailand. The business group that established Modern Trade A has 30 years of experience in dealing with wood products but is still new to modern trade business.

From questionnaire survey, it is found that:

C1. The modern trade's customers are mostly female office workers with bachelor degree education, age ranged between 20-30 and monthly income around 5000-10000 baht.

C2. The best selling product category is ceramics, following by kitchenware and furniture, and appliances, respectively.

C3. On customers' opinion:

C3.1 Customers compliment on Modern Trade A's good quality of products and service

C3.2 There are complaints on some of the products being more expensive than other stores, not enough restrooms and parking lots do not have a clear entrance-exit sign.

C4. Quality of service is perceived by customer as the most important buying factor.

Product review and competitor analysis found that:

C5. The products and services offered by each modern trade are almost the same saved for a few differences in categories offered and the service condition

C6. The competitors have stronger brand and larger budget and can offer lower prices and lots of sales promotion for most of the products

C7. The competitors offer limited scope for the designing work (as one offers bathroom and kitchen design and one offers only kitchen design.)

C8. Modern Trade A's own line of all wood furniture (XX Furniture) has no competition but depends a lot on manual handicraft.

C9. More competitors from nearby provinces and those that want to expand more branches are likely to enter the competition.

Review of distribution found that:

C10. Most customers come to know of Modern Trade A by ads notice and from their acquaintance and the modern trade being close to their residences.

C11: Advertisement by radio and TV are ineffective.

PESTEL Analysis shows that:

C12. Political instability and the previous flood problem can still have an impact on economic slowdown because of homes and factories being closed for maintenance.

C13. The expansion of living communities in Northeastern region, online shopping and social network marketing, and the trend toward 'green' and 'natural' products open new possible opportunities to seize.

C14. The opening of ASEAN community in 2015 and the government's proposed minimum salary raise might also have an effect on competition, customer's buying power and cause the shift in customer demography and segmentation.

4.6.1 SWOT Analysis

From market description, product review, competition analysis, and review of channel distribution, the strengths, weaknesses, opportunities and threats of Modern Trade A can be derived. The bracket behind each bullet point shows to which point in the situation analysis it is related.

Table 4.9 illustrates Modern Trade A's SWOT.

Strengths	<ul style="list-style-type: none"> ● Modern Trade A has line of product that has no competition. (XX Furniture) (C8) ● Design center service has no competition (C7) ● Good quality of products and service (C3.1)
Weaknesses	<ul style="list-style-type: none"> ● The brand is still new and is not strong enough to compete with competitors (C6) ● Current channels to reach customers are not effective enough (C10+C11) ● Quality products are viewed by customers as more expensive (C3.2) ● The production of XX Furniture requires a lot of time and

	sometimes has high production cost because of its being handicraft. (C8)
Opportunities	<ul style="list-style-type: none"> ● The previous flood problem causing people to buy construction materials to fix their homes (C11) ● The expansion of living communities in Northeastern area of Thailand (C13) ● The trend toward 'green' and 'natural' product (C13)
Threats	<ul style="list-style-type: none"> ● Modern trade competitors with stronger brands from other provinces have started to expand their branches into the area (C9)

Table 4.9: Modern Trade A's SWOT table

Strengths

XX Furniture is a line of product that has no competition. Excluding structure product, it is the most selling product for Modern Trade A.

The company's design center has no competition because it offers more varieties than just bathroom and kitchen to its customers.

Modern Trade A is complimented of having good quality product and service, according to the questionnaire survey on customer's opinion.

Weaknesses

Comparing to the competitors, Modern Trade A does not possess strong brand. And without making any relation to the quality of the product (as customers view the goods as commodities), Modern Trade A cannot compete well in the construction materials modern trade price war.

Also, the selling product (XX Furniture) requires a lot of time and sometimes has high production cost due to its being hand-manufactured.

Additionally, the channels to reach the customers are not effective enough due to the low budget being put on marketing effort.

Opportunities

Due to the past flood problem in Thailand, many households are damaged. It is a clear opportunity for the construction materials modern trade business since people need to buy construction material goods and tools and equipment to fix their homes.

The expansion of living communities in the region means more potential customers. This can be an opportunity for the company to seize more share of market if these potential customers are reached via the right channels.

Also, the raising awareness of environmental friendly products is causing a trend toward more 'green' and 'natural' product. This is also a good opportunity as XX Furniture is a product made solely from wood material.

Threats

Since there is low barrier to entry, more competitors with strong brands are more likely coming to expand into the region.

4.6.2 Key Success Factors

From Modern Trade A's strengths, since the design center is responsible for the design of the selling XX Furniture and the design center service has no competition, it can be inferred that the key strength of this is the company's designers.

Since Modern Trade A is known by its customers of having good quality of product and service, it is a necessity that the reputation of such should be maintained.

As living communities are expanding in northeaster region of Thailand, it will be a good opportunity for success if the company can seize the channels to reach these potential customers. The level of connection to the community will also raise customers' awareness as well as their familiarity with Modern Trade A. Questionnaire survey proves that familiarity with the modern trade is also a factor that attracts customers .

From these points, we can pinpoint the key success factors as:

- The company's designers
- Provision of good quality product and service
- Connection to the community

CHAPTER 5

PROPOSED BUSINESS MODEL

5.1 Marketing Concept

A minute meeting is set up in order to discuss the objectives and issues of the company's current market situation as well as brainstorm for a new strategic solution in order to survive in the competitive situation of the market.

5.1.1 Current objectives and issues

Modern Trade A states itself as a store that *"offer all kinds of construction materials – either for building or renovating houses and homes and so on – as well as designing and offering design consults in the form of one-stop service with an emphasis on best quality of products and service."*

From this, we can summarise that the business' objectives are:

- To provide all kinds of construction materials
- To design and offer design consults
- To provide best quality of products and service

Customer questionnaire survey proves that Modern Trade A lives up to its objective of providing good quality of products and service. However, in order to be able to profit from its retail store that 'provide all kinds of construction materials', despite its attempt to cut minor costs from this and that, the company fails to compete with offering lower price, compared to the competitors. That and the fact that there might be potential competitors with strong brands from other provinces joining the competition, the company is in need of a new strategic plan to solve this problem.

5.1.2 Strategic decision

Taken the situation and previously stated issues into account, to survive in this situation, the meeting has come to the conclusion that Modern Trade A needs to differentiate itself from the red ocean of competition.

From Customer Analysis, it is observed that ceramics is Modern Trade A's best selling product category; however, it cannot be concluded that the modern trade has its advantage on such product category against its competitor. Looking at the second best selling product category, the kitchenware and furniture, it is observed that the modern trade's own furniture line, XX Furniture, has no competition and is one of the modern trade's strength. This information, combined with the trend toward "green" product, supports the point for shifting Modern Trade A's business focus.

The general idea is that the company will focus on XX Furniture and designing instead as they are the company's main strengths. The modern trade will still provide other products they have in the retail store but they will not be the main focus but merely accessories to complement the main strengths. Since Modern Trade A's customers are mostly female office workers with the age range between 20-30 years old and income per month around 5000 to 10000 baht, the products provided have to also be of affordable price (in accord to the purpose of the company still being a modern trade.)

5.1.3 Vision, Mission and Value Statement

From the company's decision and the key success factors, Modern Trade A's new business philosophy is formulated.

Vision

"Modern Trade A's vision is to be the leading modern trade in Northeastern region."

Mission

"Modern Trade A's mission is to be a one-stop shopping modern trade that provides all for home furniture products and design service."

Value

Modern Trade A's value proposition to customers consists of:

- Lifestyle

- Quality of good product and service
- Customer's co-creation/customization

Lifestyle

Today's world is an era of population growth and development of technology. This development fuels building and industrial product that makes people far from nature. Thus, creating a need for more environmental friendly products. Modern Trade A observes this trend toward 'green' products and proposes the value to satisfy the need for this lifestyle by offering XX Furniture product line that not only complement the house with its beauty but the products are also made from sustainable wood.

Quality of good product and service

Good quality of product and service is a strong point for Modern Trade A, thus it should be a value that the business keeps and continues to offer to its customers.

To make this proposed value clearer, the research team has brainstormed and defined the definitions of "good product" and "good service" as followings:

Good quality of product for the modern trade can be defined as:

- The product can do what it is supposed to do within its defined tolerance
- The product has to possess all the features required for its intended purpose
- The product has to consistently perform within specification
- The product has to conform to its specification
- The product has to have durability which is to last, under conditions, at least as long as it is specified
- The product is easy to maintain and repair
- The product possesses no fault that diminishes its aesthetic properties

Good quality of service for the modern trade can be defined as

- The service can do what it is supposed to do within its defined tolerance

- The service has to possess all the features required for its intended purpose
- The service has to conform to its specification

Nevertheless, It is to be noted that whether the product or service is of good quality or not still depends on customer's perception. The product or service might possess adequate or even superior dimensions of quality but can still fall pray to negative customer or public's perception.

Customer's co-creation/customization

Design Center is Modern Trade's A strong point. Aside from offering design consults for its customers, Design Center is also responsible for XX Furniture designing. Therefore, with the new strategy, customers can participate in designing their own furniture, in addition to house and building interior design, with the help of Modern Trade A's designer. This co-creation/customization is a value proposed by the company, which can also create the sense of personalization.

5.2 Marketing Strategy

In order to formulate the business strategy that fits to the company's situation, Modern Trade A's SWOT and business philosophy are taken into consideration. TOWS Matrix for solution strategies is developed.

	Strengths	Weaknesses
Opportunities	<ul style="list-style-type: none"> ● Emphasis on XX Furniture and design center 	<ul style="list-style-type: none"> ● Strengthening the brand
Threats	<ul style="list-style-type: none"> ● Promote activities to connect more to the community 	<ul style="list-style-type: none"> ● More emphasis should be made on marketing to reach

more customers

Table 5.1: Modern Trade A's TOWS Matrix

For the S-O strategy, it is suggested that emphasis is put on structure products because the flood problem has impact on the need for construction materials of people wanting to fix their homes. Further emphasis on XX Furniture and design center is stressed because of their being the selling strengths of Modern Trade A as living community expands and more customers can be reached with the right channels.

The W-O Strategy focuses on strengthening Modern Trade A's brand in order to overcome the weaknesses that are 1) Modern Trade A's brand being new and 2) the current channels to reach customers are still not effective. Also, with the brand being strengthened, it is brand that will sell and create brand loyalty and in turn.

The S-T Strategy suggests that due to the fact that the company being quite well-known in the area, by connecting to the community around Modern Trade A, the company might be able to reduce its vulnerability to competitors.

Finally, the W-T Strategies, due to the marketing budget being low, it can be inferred that the company puts too little importance on marketing and consequently, causing Modern Trade A to be prone to severe competition. Therefore, more effort should be put into marketing.

5.2.1 Strategic objectives

Modern Trade A's strategic objectives for the next three years are as follows.

1st year: *"To maximize its profits and increase customer's satisfaction."*

2nd year: *"To raise customer's awareness of Modern Trade A."*

3rd year: *"To expand customer base and increase market share."*

5.2.2 Strategic Ideas

The strategic ideas to achieve previously stated strategic objectives consist of the followings:

- To improve quality of products and service

- To improve quality of human resources
- To raise customer's awareness
- To build good relationship with the community

5.3 The Business Model

Before the business model for Modern Trade A can be formulated, the most appropriate model framework has to be chosen. The section below compares and contrasts as well as provides supportive reason as to why a certain framework is chosen for this research.

5.3.1 Choosing Business Model Framework

The objective of this research is to create a business model for construction materials modern trade, the researcher aims to choose the framework most fit to the nature of the business.

From Literature Review in Chapter 2 regarding available Business Model Frameworks: Business Model Canvas, Four-Box Business Model, Business Model Schematics, Technology/Market Mediation, and Entrepreneur's business model, it is found that there are similarities and differences between each business models.

The researcher found that the Business Model Schematics focuses on e-Business while the Technology/Market Mediation model relates more to technology-driven innovation. Hence, this leaves three frameworks to consider, which are the Business Model Canvas, the Four-Box Business Model and the Entrepreneur's Business Model.

Further investigation found that these three models actually overlap substantially with only a few differences to contrast.

While Entrepreneur's Business Model differs from the other two because it includes the steps to implementation and operation levels in the rules level, the more generic idea for the foundation and proprietary level overlaps with the Business Model Canvas and the Four-Box Business Model except for the inclusion of time scope in personal/investigator factor (component 6). Since the time scope is already set in the

strategic objectives (section 5.2.1 of this research paper), that leaves us with the comparison between the Business Model Canvas and the Four-Box Business Model.

The difference can be listed as followings:

1. The Four-Box Business Model framework does not have a separate customer box as the canvas has a customer building block. The customer segments is included instead in the value proposition box under the job-to-be-done.

2. The Four-Box Business Model framework includes a financial aspect in defining payment method under the offering section while the Business Model Canvas puts this under revenue stream building block.

3. The Four-Box Business Model framework has more extensive profit formula by including target unit margin and resource velocity.

4. The behavioral norms and the business rules and success metrics under the key processes of the Four-Box Business Model connects more to a day-to-day operations.

5. The Business Model Canvas includes key partnership in its building blocks while the Four-Box Business Model puts it under key resource and does not distinguish it as explicit business model element.

Because this research proposes Business Model as a strategic framework with main focus on marketing dimension, Business Model Canvas seems to be the appropriate framework for Modern Trade A as it clearly distinguishes customer segments, value proposition, and revenue stream as well as illustrates elements related more to strategic level instead of a day-to-day operations.

Additionally, Business Model Canvas makes use of a visualization template, which is not the case for the Four-Box Business model. This strong point will make it easier for designing, redesigning and communicating business models.

5.3.2 The Business Model

With the data and information obtained from the research, the research team has formulated a business model for small-and-medium sized construction modern trade.

The new model proposes a shift in focus from the construction materials product to the

emphasis on designing work and furniture. Because of this shift in focus, the business no longer involves itself in wholesaling.

The products and service Modern Trade A will offer for this new business model consists of:

Product/Service	Description
Retail store	<ul style="list-style-type: none"> ● The retail store provides accessories to complement the product installation/home decoration
XX Furniture	<ul style="list-style-type: none"> ● XX Furniture in stock can be purchased from the modern trade. ● XX Furniture not in stock can be ordered and custom-made.
Design Center	<ul style="list-style-type: none"> ● Offering design consults for building/renovating houses, stores and construction and installing equipment ● Designing jobs

Table 5.2: Modern Trade A's Products and Service from the New Business Model

Customer Segments

Since the company no longer involves itself in wholesaling, the company's decision to differentiate itself and shift its focus to design service and production of XX

Furniture divides the customer segments for the new business model into retail customers and design center customers.

Value Propositions

The Value Propositions in this section is derived directly from the business philosophy in section 5.1.3 of this paper. Modern Trade A's new value propositions emphasizes affordable products of quality that also respond to the 'green' and 'natural' lifestyle while offering customer co-creation/customization to create sense of participation and special personalization; all these with the provision of good service.

Channels

Channels to reach customers include modern trade's retail store with the addition of company's website and social network for the new model.

While modern trade's retail store has its advantage over traditional stores by displaying wide range of selling articles that can be touched and are offered in low prices with much publicity, to compete with other modern trades is another story. Aside from the need to put more effort in store advertising (also one of the key activities), the shift in Modern Trade A's focus allows easier method to reach its customer via the company's own website and social network.

Unlike online purchasing that involves mostly browsing and selling, design service/consulting is more about connecting to customers in order to know what the customer's problem is, what the customer wants and offering the right solution and service. By connecting either via the company's website or social network (or both), the company can gain access to a channel that can effectively reach its customers.

Customer Relationships

The relationships Modern Trade A are to establish and maintain with its customers can be divided into: self-service and co-creation.

For self-service, the company maintains no direct relationship with its customers but provides all the necessary means (such as product information) for customers to help themselves. This is for the modern trade's retail store.

For co-creation, the company offers customers co-creation to co-create value that fit for the customer's needs. This is for the XX Furniture line (custom-made product) and design center's general service.

Revenue Stream

Modern Trade A's revenue stream, for this new business model, comes from asset sales and design service. Asset sales include sales of XX Furniture and other construction materials in the retail store. Design service revenue includes revenue from design consulting and product customization.

Key Resources

Modern Trade A relies heavily on the company's designers. To make the products unique from other stores, the company doesn't rely only on XX Furniture being made solely from wood material but also the unique design of the products.

By the word 'unique', aside from special personalization (by customer's order), for instance, for a single product, the uniqueness can also include easy design for customer to assemble parts of the product. Taking IKEA as an example, IKEA's products are unique and different from other stores since the product are usually designed to be transported in flat packages, and then the customers assemble the products in their homes.

Moreover, designing to use less parts can also lead to cost cutting, leading to setting lower, more affordable price (which is the point of the store being a modern trade), therefore, the modern trade's designers are a very important key resource that the business crucially needs.

Key Activities

Key activities for this model involve designing, marketing and quality control. Designing is the mainstream function of this model since the new focus is on XX Furniture's design and the design center's service.

Situation analysis proves that Modern Trade A hasn't put enough emphasis and fund on marketing and its effort to raise customer's awareness. Therefore, in order to make this new business model works, Modern Trade A has to put more emphasis on marketing activities and strengthening its brand, especially since one of the key success factors includes good level connection to the communities.

Because the new Value Propositions proposes good quality for customers, it is a necessity that quality control activities are instigated and employed for every product lot.

Key Partnerships

Before the proposing of this new model, Modern Trade A's focus was to compete in the price war it could not win. Its own line of wood furniture product, XX Furniture was produced by handicraft and in very few units due to manual handicraft being expensive and time consuming. However, with the shift in the focus, the company has to cut cost of furniture product and increase the volume of the furniture product in stock. Because in-house production is costly and currently impossible to produce in lots (human error prevents standardization in quality of the products), it is suggested that the company outsources its partnership to a furniture producing company.

Cost Structure

The costs incurred from this business model mostly involve marketing costs and costs of products supplied. Marketing costs are from marketing activities from market research to advertising to arranging CSR campaigns for the community – all these to understand better the customers and raise their awareness of Modern Trade A.

Costs of products supplied include construction material accessories that the business still sells to complement the installation/maintenance of houses and furniture and costs of furniture (or cost of outsourcing) as well as inventory and overhead costs.

5.3.3 Business Model Conclusion

The nine elements of the new business model can be summarised as illustrated in the following figure.

Key Partners Furniture Producing Company	Key Activities Designing Marketing Quality Control	Value Propositions Lifestyle Co-creation/ Customization Quality	Customer Relationship Self-Service Co-creation	Customer Segments Retail Customers Design Center Customers
	Key Resources Designers		Channels Modern Trade Store Company's website Social Network	
Cost Structure Marketing Costs of Product Supplies			Revenue Streams Design Service Asset Sales	

Figure 5.1: Modern Trade A's Business Model

5.4 Action Plan

The action plan is the operational dimension of the business strategy. The action plan is derived directly from the business model and is provided here in the form of expanded marketing mix (7Ps).

Following the action plan template previously stated in Chapter 3: Research Methodology, the 3-year plan for Modern Trade A in order to transform from the old to new system given that the project starts on January 1st 2012 is as following.

Theme/ Inter- mediate Goal	Objectives	Tasks	Respon- sibility	Timeline	Evaluation
Product	Finding furniture manufacturing company to outsource	-Searching for potential partner to contract -Discuss which company is most fitting -Contact the company	Sales and purchasing Department	Year 1	Successful outsourcing contract
	Adding more XX Furniture products to the store	Designing new XX Furniture products	Design Center	Year 1-3	Designs are passed to sales and purchasing department
		Passing design to the outsourcing company	Sales and purchasing Department	Year 1-3	Products being presented in the modern trade store
	Selecting products that	-Selecting products	Sales and purchasing	Year 1	A new product list for the modern

	will still be sold in the retail store	that fit to the company's new focus -Selecting which products needed to be sold out	Department		trade
Price	Price setting	Setting price for the new XX Furniture products	Sales and Purchasing department	Year 1-3	Price tags are placed on the new products
	Discounted price setting	Setting new price for the products needed to be should out	Sales and Purchasing department	Year 1	New price tags are placed on the products
Place	Raising customer's awareness	-Coming up with ideas for community related events	Marketing department	Year 2	5 event plans should be arranged by the scheduled timeline

		-Arranging for community events			
	Expanding the channels to reach customers	-Creating channels to reach customers via company's website and mail order -Establishing social network marketing	Marketing department	Year 3	Contact/interactive page for the company website/social network
Promotion	Getting rid of the products that are not needed for the new model	Offering sales promotion	Marketing department	Year 1	Promotion being offered in the store
	Making customers know of the company's new value	Brand advertisement	Marketing department	Year 2-3	Customer's feedback

	propositions				
People	Recruiting new employees	<ul style="list-style-type: none"> -Making notice about the company's recruitment -Arranging for interview -Selecting and making decision to hire new employees 	HR department	Year 2	New employee installation
	Employee training	<ul style="list-style-type: none"> -Planning for the training program -Executing the training program -Evaluating the training program 	HR department	Year 2	Successful training program

	Employee retaining	Coming up with plans to retain employees with good performance	HR department	Year 1-3	Low employee turnover
	Employee's performance evaluation	Evaluating employees' performance	HR department	Year 1-3	Employee's performance chart
Process	Improving purchasing process	-Setting database for customer's purchase order -Keeping customer profile	Sales and purchasing department	Year 1	Customer database
Physical facility	Improving parking lots	Putting clear sign for entrance-exit in the parking lots		Year 1	Clear entrance-exit sign in the parking lot

	Improving store's cleanliness			Year 1	Stores without bird dungs
--	-------------------------------	--	--	--------	---------------------------

Table 5.3: Action plan

The costs incurred from this business model's action plan include:

- Marketing costs: the projection of marketing costs comprises all cost components resulting from all the marketing activities; from market research to the marketing mix. Table 5.4 illustrates schedule estimating total marketing costs (direct/indirect costs of sales and distribution)
- Costs of product supplies: these are to be divided into unit costs and annual costs. Table 5.5 illustrates schedule estimating costs of product supplies
- Overhead costs: all costs on the income statement except for the direct labour, direct material and direct expenses. Table 5.6 illustrates schedule estimating overhead (indirect) costs. Overhead costs for Modern Trade A can be grouped as:
 - Administrative overheads
 - Wages and salaries (including benefits and social security contributions)
 - Office supplies, utilities, and communications
 - Engineering, rents, insurances (property)
 - Taxes (property)
 - Marketing overheads

- Wages and salaries (including benefits and social security contributions)
 - Office supplies, utilities, and communications
 - Indirect marketing costs, advertising, training, etc.
- Personnel overheads
- Social security, fringe benefits and welfare costs
 - Installation grants, subsistence payments and similar cash costs that occur in connection with recruitment and employment
 - Costs of training
 - Payroll taxes

Product/cost center: Code:	Market: (local, export)	Currency: Units:		
	Cost projections for year:			
Cost item	Local costs		Foreign costs	
	Variable per unit	Fixed per period	Variable per unit	Fixed per period
Total unit costs				
Total unit per period				
Total costs per period				
Total marketing costs				

Table 5.4: Estimate of total marketing costs (direct/indirect costs of sales and distribution)

Product/cost center:		First year of production:			Currency:	
Code:					Units:	
		Cost projections for year:				
Cost items	Foreign	Quantity	Unit	Cost per unit	Total costs	Variable share of total (%)
	Local					
Total unit costs, local						
Total unit costs, foreign						
Total units per period						
Total costs per period, local						
Total costs per period, foreign						
Total costs of supplies						

Table 5.5: Estimate of costs of product supplies

Product/cost center: Code:	First year of production:	Currency: Units:		
	Cost projections for year:			
Cost item	Local costs		Foreign costs	
	Variable per unit	Fixed per period	Variable per unit	Fixed per period
Total unit costs				
Total unit per period				
Total costs per period				
Total overhead costs				

Table 5.6: Estimate of overhead (indirect) costs

CHAPTER 6

CONCLUSION AND DISCUSSION

This chapter concludes the research work and discusses problems faced during the research as well as suggest recommendation and future plans.

6.1 Conclusion

This research's main objective is to formulate a business model as part of business strategy for small-and-medium sized construction materials modern trade, focusing on marketing dimension.

The research is conducted by following Kotler's marketing process and market plan and is constructed into three phases: 1) situation analysis, 2) marketing concept, and 3) marketing strategy. The researcher has formed a research team consisted of managing people of the case study's company to assist in gaining information regarding specific dimension needed to form the business model. Both primary data and secondary data are involved in this research method.

In situation analysis, the case study company's current market situation is studied in order to gain knowledge on how the case study company is faring in its current market situation. The researcher uses customer questionnaire survey as a tool for customer analysis. PESTEL Analysis is employed for external factors analysis and Porter's five competitive forces is a tool used for competition analysis. Site observation and managing people interview are exercised for additional information.

From situation analysis, strengths, weaknesses, opportunities and threats for the case study company can be derived. The researcher summarises each point in the form of a SWOT Analysis table. The key success factors can also be pinpointed from the current situation study.

A minute meeting is then set up for the brainstorming of marketing concept as the business' objectives and current issues that can now be addressed from the analysis of situation are put into consideration.

From Modern Trade A's situation, the modern trade cannot compete in the price war. Therefore, it has come to the decision that it has to differentiate its business. With its strength being the XX Furniture line and key success factor/resource being the company's designer, Modern Trade A chooses to shift its focus to providing more 'natural' furniture to complement 'green' lifestyle instead with other construction materials being accessories for the installation/maintenance while offering customer co-creation/customization as value propositions.

From marketing concept, the strategy is then formulated consisting of two parts: the strategic dimension, which is presented in the form of a business model and the operative dimension that deals with the action plan.

The researcher selected the Business Model Canvas (BMC) as the business model framework because of its being suitable for this research that focuses on market strategy. The visualization of the framework is also easy for communicating and updating the model. With the BMC, the researcher provides supportive reasons as to why each element fits into the building blocks. Each element is put into the block in response to the marketing concept and information from situation analysis.

The action plan is then derived from the strategic dimension and presented in a table that utilizes the 7Ps of marketing mix.

6.2 Discussion

Point for discussion is that design center's direct customers might not be in the same customer segmentation (customer's demography) with those buying from the retail store. The survey includes all the customers that come to the modern trade, therefore, it cannot be certain whether the design center customers intersect with those of the retail store. This means the modern trade may serve two different markets, which may or may not possess very different dynamics.

Also, after double-checking with customer survey, the conflict is found in that customers put the least weight on brand reputation as opposed to what is observed as Modern Trade A's weakness.

The possible cause for this is that the survey was conducted by handing out questionnaire to customers who came to shop in Modern Trade A, hence, the data collected does not include customers less aware of the modern trade and potential customers.

6.3 Validation of the Model

In order to validate the model, the researcher here provides a comparison between Modern Trade A's old business model in contrast with the new proposed one.

Utilizing the same business model canvas framework, the old business model can be visualized into the following figure.

Key Partners	Key Activities Sales & Purchase	Value Propositions Quality Low Price	Customer Relationship Self-service	Customer Segments Retail Customers Wholesale Customers
	Key Resources Designers Carpenters		Channels Retail Store	
Cost Structure Costs of Product Supplied			Revenue Streams Asset Sales Design Service	

Figure 6.1: Business Model Canvas framework for Modern Trade A's old business model

The researcher also illustrates the proposed model in figure 6.2 for ease of comparison.

Key Partners Furniture Producing Company	Key Activities Designing Marketing Quality Control	Value Propositions Lifestyle Co-creation/ Customization Quality	Customer Relationship Self-Service Co-creation	Customer Segments Retail Customers Design Center Customers
	Key Resources Designers		Channels Modern Trade Store Company's website Social Network	
Cost Structure Marketing Costs of Product Supplies		Revenue Streams Design Service Asset Sales		

Figure 6.2: Proposed Business Model Canvas framework for Modern Trade

Due to Modern Trade A's former lack of clear strategic direction and business philosophy, it can be observed that the old business model, rewritten in the form of the Business Model Canvas framework, possesses inconsistency between its value propositions and some other key elements.

Most obviously, the old Value Propositions still offer low price as the value Modern Trade A cannot best offer to compete. Not yet knowing that designing is its true strength, the old model tries to compete in the price war by spending its capitals in sales and purchase of products supplied which incurred most costs in the old cost structure.

The old key resources, as opposed to the new model that outsource for furniture producing partner, involve carpenters which belong to Modern Trade A. However, despite the fact proved by questionnaire survey in the Customer Analysis part that XX Furniture is selling a lot, the manual handicraft makes the production slow and with expensive cost, not to mention human error that can be caused from these carpenters not specialized in producing furniture but construction. The cost and opportunity cost of

training new and specialized carpenter will be high and risky as opposed to the outsourcing option in the new model.

These inconsistencies between Value Propositions and business strengths as well as key elements that have to follow the Value Propositions show that the old model does not fit well with the business operation in the market's competitive environment. With the new strategic decisions – the shift in the business focus – it can be seen that the new business model (figure 6.2) is a better option for Modern Trade A to survive.

6.4 Recommendation

Because business model is static, it needs to be reviewed and updated to fit with the ever-changing market situation on a regular basis, it is recommended that the company regularly assess its current business model whether the model still fits to the current market situation.

The following sets of question help assess the strengths and weaknesses of the business model Building Blocks. Results from the exercise can become the foundation for future business model change and innovation in the organization.

Value Proposition Assessment											
	+					-					
	5	4	3	2	1	1	2	3	4	5	
Our Value Propositions are well aligned with customer needs											Our Value Propositions and customer needs are misaligned
Our value Propositions have strong network effects											Our Value Propositions have no network effects
There are strong synergies between											There are no synergies between

our products and services										our products and services
Our customers are very satisfied										We have frequent complaints
Cost/Revenue Assessment										
We benefit from strong margins										Our margins are poor
Our revenues are predictable										Our revenues are unpredictable
We have recurring Revenue Streams and frequent repeat purchase										Our revenues are transactional with few repeat purchases
Our revenues are diversified										We depend on a single revenue stream
Our revenue streams are sustainable										Our revenue sustainability is questionable
We collect revenues before we incur expenses										We incur high costs before we collect revenues
We charge for what customers are really willing to pay for										We fail to charge for things customers are willing to pay for
Our pricing mechanisms capture full willingness to pay										Our pricing mechanisms leave money on the table

versus outsourced execution is ideal										many or too few activities ourselves
We are focused and work with partners when necessary										We are unfocused and fail to work sufficiently with partners
We enjoy good working relationships with Key Partners										Working relationships with Key Partners are conflict-ridden
Customer Interface Assessment										
Customer churn rates are low										Customer churn rates are high
Customer base is well segmented										Customer base is unsegmented
We are continuously acquiring new customers										We are failing to acquire new customers
Our Channels are very efficient										Our Channels are inefficient
Our Channels are very effective										Our Channels are ineffective
Channel reach is strong among customers										Channel reach among prospects is weak
Customers can easily see our Channels										Prospect fail to notice our Channels
Channels are										Channels are poorly

strongly integrated										integrated
Channels provide economies of scope										Channels provide no economies of scope
Channels are well matched to Customer Segments										Channels are poorly matched to Customer Segments
Strong Customer Relationships										Weak Customer Relationship
Relationship quality correctly matches Customer Segments										Relationship quality poorly matches Customer Segments
Relationships bind customers through high switching costs										Customers switching costs are low
Our brand is strong										Our brand is weak

Table 6.1: Assessment of Business Model's Strengths and Weaknesses

For threats specific to each business model Building Block, questions for assessment are as following:

	-				
Value Proposition Threats	5	4	3	2	1
Are substitute products and services available?					
Are competitors threatening to offer better price or value?					
Cost/Revenue Threats	5	4	3	2	1
Are our margins threatened by					

competitors? By technology?					
Do we depend excessively on one or more Revenue Streams?					
Which Revenue Streams are likely to disappear in the future?					
Which costs threaten to become unpredictable?					
Which costs threaten to grow more quickly than the revenues they support?					
Infrastructure Threats	5	4	3	2	1
Could we face a disruption in the supply of certain resources?					
Is the quality of our resources threatened in anyway?					
What Key Activities might be disrupted					
Is the quality of our activities threatened in anyway?					
Are we in danger of losing any partners?					
Might our partners collaborate with competitors?					
Are we too dependent on certain partners?					
Customer Interface Threats	5	4	3	2	1
Could our market be saturated soon?					
Are competitors threatening our market share?					
How likely are customers to defect?					
How quickly will competition in our market intensify?					
Do competitors threaten our Channels?					

Are our Channels in danger of becoming irrelevant to customers?					
Are any of our Customer Relationships in danger of deteriorating?					

Table 6.2: Assessment of Business Model's Threats

For opportunities specific to each business model Building Block, questions for assessment are as following:

	+				
	5	4	3	2	1
Value Proposition Opportunities					
Could we generate recurring revenues by converting products into services?					
Could we better integrate our products or services?					
Which additional customer needs could we satisfy?					
What complements to or extensions of our Value Proposition are possible?					
What other jobs could we do on behalf of customers?					
Cost/Revenue Opportunities					
Can we replace one-time transaction revenues with recurring revenues?					
What other elements would customers be willing to pay for?					
Do we have cross-selling opportunities either internally or with partners?					
What other Revenue Streams could we					

add or create?					
Can we increase prices?					
Where can we reduce costs?					
Infrastructure Opportunities	5	4	3	2	1
Could we use less costly resources to achieve the same result?					
Which Key Resources are under-exploited?					
Do we have un-used intellectual property of value to others?					
Could we standardize some Key Activities?					
How could we improve efficiency in general?					
Would IT support boost efficiency?					
Are there outsourcing opportunities?					
Could greater collaboration with partners help us focus on our core business?					
Are there cross-selling opportunities with partners?					
Could partner Channels help us better reach customers?					
Could partners complement our Value Propositions?					
Customer Interface Opportunities	5	4	3	2	1
How can we benefit from a growing market?					
Could we serve new Customer Segments?					
Could we better serve our customers through finer segmentation?					

How could we improve channel efficiency or effectiveness?					
Could we integrate our Channels better?					
Could we find new complementary partner Channels?					
Could we increase margins by directly serving customers?					
Could we better align Channels with Customer Segments?					
Is there potential to improve customer follow-up?					
How could we tighten our relationships with customers?					
Could we improve personalization?					
How could we increase switching costs?					
Have we identified and “fired” unprofitable customers? If not, why not?					
Do we need to automate some relationships?					

Table 6.3: Assessment of Business Model’s Opportunities

6.5 Future plans

Since this research focuses mostly on the marketing aspect of the business, future plans lie in the formulation of strategies regarding other aspects such as administrative, human resource, finance, production and supplies as well as risk management.

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Appendix

**แบบทดสอบความคิดเห็นเรื่อง ความคิดเห็นของประชาชน
เกี่ยวกับโมเดิร์นเทรดวัสดุก่อสร้าง A**

แบบทดสอบชุดนี้จัดทำขึ้นเพื่อขอทราบความคิดเห็นของสาธารณชนเกี่ยวกับโมเดิร์นเทรดวัสดุ
ก่อสร้าง A เพื่อนำข้อมูลไปใช้ในการจัดทำและพัฒนาองค์กรให้สอดคล้องกับความต้องการของ
ผู้บริโภค ซึ่งผู้วิจัยขอความกรุณาท่านผู้อ่านได้กรอกคำตอบของท่านลงในแบบสอบถามชุดนี้

ขอขอบพระคุณทุกท่านที่ให้ความร่วมมือ ณ โอกาสนี้

คำชี้แจง: โปรดทำเครื่องหมายลงในช่องที่ท่านเลือกตอบ หรือเขียนเพิ่มเติม

ตอนที่ 1 สถานภาพของกลุ่มตัวอย่าง

1. เพศ ชาย หญิง
2. อายุ
 ต่ำกว่า 20 ปี 20-30 ปี 30-40 ปี 41-50 ปี สูงกว่า 50 ปี
3. เชื้อชาติ ไทย อื่นๆ (โปรดระบุ)
4. ระดับการศึกษา
 ประถมศึกษา หรือต่ำกว่า มัธยมศึกษาตอนต้น มัธยมศึกษาตอนปลาย
 ปวช. ปวส. อนุปริญญา ปริญญาตรี สูงกว่าปริญญาตรี
5. อาชีพ
 นักเรียน นิสิต นักศึกษา พนักงานบริษัท รับราชการ
 รับจ้างทั่วไป ธุรกิจส่วนตัว อื่นๆ (โปรดระบุ)
6. รายได้ต่อเดือน
 ต่ำกว่า 5,000 บาท 5,000-10,000 บาท 10,001-20,000 บาท
 20,000-30,000 บาท 30,001-40,000 บาท สูงกว่า 40,000 บาท

ตอนที่ 3 ความคิดเห็นและข้อเสนอแนะ

1. กรุณาเรียงลำดับความสำคัญในการเลือกซื้อจ่ายสินค้าวัสดุก่อสร้างของท่าน (1 หมายถึงสำคัญที่สุด และ 7 หมายถึงสำคัญน้อยที่สุด)
 -เลือกซื้อจากร้านที่อยู่ใกล้ที่สุด
 -เลือกซื้อจากร้านที่ราคาถูกที่สุด
 -เลือกซื้อจากร้านที่มีชื่อเสียง
 -เลือกซื้อจากร้านที่ซื้อถือได้
 -เลือกซื้อจากร้านที่คุ้นเคยเป็นประจำ
 -เลือกซื้อจากร้านที่มีโปรโมชั่นถูกใจ
 -เลือกซื้อจากร้านที่บริการดีที่สุด

2. ท่านคิดว่าโมเดิร์นเทรดวัสดุก่อสร้าง A มีจุดแข็งหรือข้อดีอะไรบ้าง

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3. ท่านคิดว่าโมเดิร์นเทรตวัสดุก่อสร้าง A มีจุดด้อยหรือข้อเสียอะไรบ้าง

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**Questionnaire Survey on Customers Opinion
About Construction Materials Modern Trade A**

This questionnaire is to survey the opinion of customers about construction material modern trade A in order for the company to improve its organization to be able to respond better to the satisfaction of its customers.

Instruction: Please make a mark in the bracket of your choice

Part 1 Customer Demography

1. Gender M F
2. Age
 Less than 20 20-30 30-40 41-50 สูงกว่า
50
3. Nationality Thai Others (Please specify)
4. Level of education
 Primary school or lower Secondary school High school
 Certificate Bachelor Higher than bachelor
5. Occupation
 Students Office workers Working for government
 Work for hire Business owners Other (Please
specify)
6. Salary
 Less than 5,000 Baht 5,000-10,000 Baht 10,001-20,000 Baht
 20,000-30,000 Baht 30,001-40,000 Baht Higher than 40,000
Baht

7. How often do you come to shop in Modern Trade A

- First time coming Once a week Once a month
 Always Other (Please specify).....

8. How do you come to know about Modern Trade A

- Acquaintance Radio TV
 Brochure Ads notice Near residence
 Other (Please specify).....

Part 2 Customer's Opinion

12. What do you think about the prices of goods in the modern trade?

- Cheaper than others Appropriate Too expensive

13. What do you think about the varieties of products in the modern trade?

- Too many Appropriate Too few

14. What do you think about the modern trade's location?

- Convenient Not too far Too Far

15. What do you think about the parking lots?

- Good Acceptable Need to be
improved (Please specify).....

.....

.....

16. What is your opinion about the restrooms?

- Good Acceptable Need to be
improved (Please specify).....

.....

.....

17. What is your opinion on store's cleanliness?

Good Acceptable Need to be

improved (Please specify).....

.....

.....

18. What do you think about the store arrangement?

Good Acceptable Need to be

improved (Please specify).....

.....

.....

19. What do you think about the service?

Good Acceptable Need to be

improved (Please specify).....

.....

.....

20. What do you think about the clerk's cleanliness and personality?

Good Acceptable Need to be

improved (Please specify).....

.....

.....

21. What do you think about the clerks' knowledge of the products?

2. What do you think is the good points of modern trade A?

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3. What do you think is the bad points of modern trade A?

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Raw Data from Customer Questionnaire Survey

Table A illustrates the order of importance customer puts for each product category. The numbers shown in the product category slots are the number of customers and the numbers 1 to 8 in the order of buying slots shows which product category customer chooses to buy first most with number 1 being most bought and number 8 being least bought.

Order of Buying	Product Category							
	Structure	Hardware	Ceramic	Appliance	Kitchen	Tool	Paint	Door
1	23	13	21	7	22	4	10	2
2	16	20	14	23	13	9	6	3
3	5	11	29	19	16	5	4	6
4	8	19	17	20	11	6	11	10
5	16	11	3	10	22	18	14	7
6	6	7	7	6	5	30	22	19
7	7	8	5	10	3	14	24	25
8	19	11	4	5	8	14	9	28
Total	100	100	100	100	100	100	100	100

Table A: Order of Buying for each product categories of Modern Trade A

Table B illustrates which aspect customers view as most important. The numbers shown in the aspect slots are the number of customers and the numbers 1 to 7 in the order slots shows which aspect customer views as most important with number 1 being most important and number 7 being least important.

Order	Aspect						
	Place	Price	Reputation	Quality	Familiarity	Promotion	Service
1	17	17	6	15	12	6	30
2	15	21	4	12	11	15	25
3	12	8	10	19	9	21	11
4	14	12	12	22	19	11	12
5	14	17	14	13	20	18	5
6	12	14	20	12	15	19	9
7	16	11	34	7	14	10	8
Total	100	100	100	100	100	100	100

Table B: Order of importance customers perceive for each aspect of Modern Trade A

BIOGRAPHY

Miss Umapa Dachoviboon was born on 15 May 1986 in Bangkok, Thailand. In 2003, she finished her high school from St. Joseph Bangna School. She graduated a Bachelor Degree of Science in Engineering Management, Sirindhorn International Institute of Technology, Thammasat University (Thailand) since 2007. She worked at Neo House Product Co., Ltd as a trainee. In 2007 to present, she has joined Petmeena Co., Ltd. (Thailand), as an assistance manager. In 2008, she enrolled as a part-time student of the Regional Centre of Manufacturing Systems Engineering for the Master of Engineering in Engineering Management from Chulalongkorn University (Thailand) and Master of Science in Engineering Business Management from the University of Warwick (United Kingdom).