



CHAPTER 7

STRATEGIC PLANNING

In Chapter 6, a list of tools has been used for both internal and external environmental scanning. Hence, it can then be used in order to set a TOWS Matrix. Finally, a strategic plan for both short term and long term period will be formulated to end up this chapter by focusing on 3 main areas: Financial, Construction, and Marketing.

7.1 TOWS MATRIX

After defining SWOT analysis as shown in Table 6-3, the TOWS Matrix will be applied as the next step of formulating strategic plan. The TOWS matrix shows how the external opportunities and threats can be matched with the business's internal strengths and weaknesses to result in four sets of possible strategic alternative:

- SO Strategies: Generate strategies here that use strengths to take advantage of opportunities
- ST Strategies: Generate strategies here that use strengths to avoid threats.
- WO Strategies: Generate strategies here that take advantage of opportunities by overcoming weaknesses.
- WT Strategies: Generate strategies here that minimize weaknesses and avoid threats.

From the four sets of strategies, a TOWS Matrix can be summarized in Table 7-1:

<p style="text-align: center;">Internal Factors</p> <p style="text-align: center;">External Factors</p>	<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"> - Good Image - Good Credit - Controllable Sub-Contractors - Good Relationship with Customers - Good Relationship with Suppliers - Title-Deed are Readily to Transfer 	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"> - Lack of Skilled Labour - No Marketing Research - No Proper Financial Planning - Traditional Way to Pass Information to Customer - Not Enough Facilities Provided in the Project
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"> - BOI Policy - Reduction in Numbers of Competitors - Location of a Piece of Land Own - Change of Attitude on Housing Sizes - Middle-Income Segment - Prefabrication Materials - Use of Internet 	<p style="text-align: center;"><u>SO Strategies</u></p> <ul style="list-style-type: none"> - Focus on Selling Small Houses - Adjust the Selling Point - Increase Customer Awareness - Cost Leadership 	<p style="text-align: center;"><u>WO Strategies</u></p> <ul style="list-style-type: none"> - Conduct Marketing Research - Apply New Construction Technology
<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"> - Closure of Cathey Finance Corp. - Reduced Purchasing Power - Strict Banking Policies - Buyers' Market - Fierce Competitors: "Price War" - Shorten Payment Term - Increased Construction Material Cost - Substitute Products 	<p style="text-align: center;"><u>ST Strategies</u></p> <ul style="list-style-type: none"> - Focus on Cost Control - Be Flexible to Meet Customers' Requirements - Negotiate With Suppliers to Extend Payment Term - Improve Construction Productivity - Encourage the Customers to Transfer Houses Earlier 	<p style="text-align: center;"><u>WT Strategies</u></p> <ul style="list-style-type: none"> - Establish a Financial Plan - Hiring More Skilled Labours - Implement IT Into Business - Improve Working Performance - Improve Working Environment

Table 7-1: TOWS Matrix For Chanakarn

7.1.1 SO Strategies

In order to use the strengths of Chanakam to take advantage of opportunities, the following SO strategies are addressed.

Focus on Building and Selling Small Houses: Chanakam had experience of construction small houses for two successful projects. Therefore, it can use this strength in order to meet the demand of those people who have already changed their attitudes on housing. However, even the size does not matter but still area-utilization has to be thought about.

Increase Customer Awareness: Communicate to them and tell them that Chanakam have the product that customers just want it.

Adjust the Selling Point: As previously discussed, the standard and the quality of houses do not differ much from developer to developer. Moreover, the customers do not care much about these issues because they feel that the standard is quite uniform no matter which developers they buy a house from. Hence, the way Chanakam promotes its project should be changed not to focus on the standard or on the high quality issue any more. According to the opportunity item, as the number of competitors in the existing market is reduced, this increases a chance of Chanakam to sell the project. This economic crisis proof that Chanakam is strong enough to survive in present situation. Therefore, Chanakam should take advantage of this opportunity together with its strength: good image, and good credit as its selling point. The new way to promote Chanakam's project should emphasize on these strengths to create a confidence of the customers towards Chanakam.

Cost Leadership: Chanakarn must try to offer a lower price product than its competitors and still make satisfactory profits. Long experience, controllable sub-contractors, good relationship with suppliers altogether with a greater chance in selling will enable Chanakarn to be a leader in the market.

7.1.2 ST Strategies

ST strategies are set to apply the strengths as a way to avoid threats. ST strategies for Chanakarn are shown as follows:

Focus on Cost Control: Since the company is able to control the sub-contractors, in order to produce quality products and reduce reworks. Meanwhile, Chanakarn also has a good relationship with suppliers, hence this will reduce cost. With these strengths, the company can control the cost of construction material more efficiently.

Be Flexible to Meet Customer's Requirements: The market is now buyers', therefore if Chanakarn can provide what the customers really want then Chanakarn will be able to sell products.

Negotiate with Suppliers to Extend Payment Term: Since Chanakarn has a good relationship with suppliers, Chanakarn should try to extend the payment term, in order to take advantage over competitors. If the payment term extends for 30 days, Chanakarn can also give that extension to the customers too.

Increase Economies of Scale: Due to an increasing material cost, Chanakarn should exploit its strength in good credit to deal with its suppliers. Chanakarn can get an advantage over other developers by means of economies of scale. This can be done by:

- Purchasing of construction materials at the right price is a way to economize costs. Chanakarn deals with some particular suppliers for a long period of time. The close relationship results in a lower cost through discounting. Besides, the credit provision of suppliers can reduce the financial problem of the developers and creates the efficiency of the operation.

- When there is a mass purchasing of construction materials, the Company always has a larger bargaining power than smaller counterparts do. Hence, the mass production would reduce the cost per unit, especially for fixed costs. However, this mass production has to be carefully considered. It should be done by constructing houses lot by lot or phase by phase.

- The technical knowledge is such that the construction method should be economized by the prefabrication method. As it can save both the construction materials and labours, and also overcomes problems which may cause by unskilled labours.

Encourage the Customers to Transfer House Earlier: As a threat of shorten payment term offered by construction material suppliers, Chanakarn has more difficulty in liquidity. Liquidity of the system must be increased to keep the business status. In order to overcome this problem, Chanakarn can promote its strengths in that the title-deed are always readily to transfer. Hence, Chanakarn should persuade the customers to transfer houses as soon as possible.

- Tell the customers that what kind of benefits they are going to get if they transfer the houses earlier. For example, they will have more time to do additional work to the houses, they can move in faster, they will pay less as now the mortgage rate is fixed at 8.25% for 3 years (announced on May 1999).
- Company will pay all the taxes i.e. transferring and loan taxes about 1% of amount of loans, if the customers decide to transfer the houses.
- Company will pay for the applications costs of electricity and water meters.

Improve Construction Productivity: To overcome threats of high potential competitors and financial problem. Construction productivity must be improved. With higher construction productivity, Chanakarn will be able to compete with strong competitors more efficiently. Sub-contractors dealing business with Chanakarn is controllable. Hence, it is a guarantee that Chanakarn can control the construction cost while still obtain good quality of job as desired. However, Chanakarn must coordinate and cooperate with the sub-contractor very closely and more efficiently to prevent any delay or quality problems. Moreover, Chanakarn must adjust the design of house's architecture and plots to achieve the minimum construction cost. This can be done by dividing the construction plan into smaller phases.

7.1.3 WO Strategies

WO strategies are the way to take advantage of opportunities by overcoming weaknesses. The followings are WO strategies of Chankam.

Choose the Right Communication Tool: Chanakam lacks marketing research. Therefore, it is very hard to gain useful information about the market. However, Chanakam is lucky in that it is located in Rayong which a center of tourist and industry. Although an information about the market is hardly found, a chance to sell the project for Chankam is still high. With a proper communication tool, it is not hard to make Chanakam famous among various groups of people in Rayong. The recommended communication tools are:

- Company must find and use all the possible communication tools in order to inform the target customers about the company and stimulate their interests. These tools include radio media, handbills, billboards, direct sales, words-to-words and etc, as long as they work efficiently and not too expensive.
- Relations with project residents. The idea is to build closer relationship with existing customers, hoping that they can tell and recommend the project to others by words of mouth.
- Using the old customers database to find a new market to new customers.

Conduct Marketing Research: As the buyer's behaviour change, Chanakam needs to know in what way the buyers' behaviours change to, in order to produce houses which match to the demand most.

Apply New Construction Technology: This will overcome a problem with time and unskilled labours.

7.1.4 WT Strategies

In order to minimize weaknesses and avoid threats, WT strategies are set as follows:

Implement IT into Business: Internet can be used both to provide information to customers and to acquire information of competitor's in the market.

Establish a Financial Plan: Since Cathay Finance Corp. was closed, and banks policies are more stricter. With a financial plan, it will enable Chanakam to improve liquidity.

Hiring More Skilled Labour: In order to reduce rework and reduce the construction costs caused by bad quality products.

Improve Working Performance: Employees are generalists with comparatively low skills. To improve this weakness in order to make Chanakam be able to compete with high potential competitors, a proper training schedule must be provided. All necessary training must be set for the employees in order to improve personal skills, to increase their working performance, and to achieve a greater productivity of the entire business.

Improve Working Environment: Environment of team-working must be created to employees. They should take part in solving problems and also be a part of a

team to develop new strategies which will enable the company to be competitive in the market. Sense of belonging should be created in everyone's mind.

7.2 STRATEGIC PLANNING

Next a strategic plan will be addressed divided into 2 group according to a period of time: Short-Term and Long-Term Strategic Plan. Each group will consist of 3 main categories: Financial, Construction, and Marketing. The four sets of strategic issues defined in TOWS matrix will be categorized into these 3 categories as a part of the strategic plan. Some further discussions besides these four sets will be done to set other strategies to cover wider parts of the business.

7.2.1 Short -Term Planning

7.2.1.1 Financial

Increase Economies of Scale: As discussed in ST strategies, larger scale of business can efficiently reduce the operation cost.

Negotiate with Supplier to Extend Payment term: From the ST strategies discussed previously, Chanakarn may avoid its threat in liquidity problem by exploiting its strengths in good relationship with suppliers to bargain for an extension of payment term. It makes Chanakarn more easily manage a cash flow of the project.

Increase Customer's Awareness: Communication between a developer and a customer must be improved. It is the way that the developers access their customers as identified in SO strategies. Strong points of the project e.g. title-deeds are readily to transfer can be advertised through this channel.

Encourage the Customers to Transfer Houses Earlier: This is a good way to increase a liquidity of Chanakam, stated in ST strategies.

Establish a Systematic Financial Plan: As stated in weaknesses topic, Chanakam lacks of proper financial plan. This problem is due to the fact that Chanakam is an entrepreneur-dominated business. Business is run based on an experience of the owner. This concept may be fine for those small companies working in the old style. However, if Chanakam still want to survive and grow in this business. An attitude like that must be changed. Economical study e.g. financial feasibility study, cash flow planning, etc. must be applied to make Chanakam operated with higher performance as explained in WT strategies.

7.2.1.2 Construction

Improve Construction Productivity: Productivity is one of the most important keys to success in such a highly competitive situation. A detail of this issue has already been discussed in ST strategies.

Hiring More Skilled Labour: From WT, strategies, low skilled-labour can be a cause of increased construction cost. Hiring higher quality employees can reduce this problem.

Apply New Construction Technology: Previously mentioned in WO strategies, some new construction technology must be studied and applied with Chanakam's project. The construction method should economized by the new concept such as the prefabrication method. This method can save both the construction

materials and labours. Moreover, it also overcomes problems that may cause by unskilled labour.

Focus on Cost Control: According to ST strategies, Chanakarn should continue working with sub-contractor because it is an easy way to control a construction cost.

7.2.1.3 Marketing

Focus on Building and Selling Small Houses: As discussed in SO strategies, a market is changed to small houses. Therefore, Chanakarn should apply its experience from the previous two projects to better response to the customers' requirement.

Adjust the Selling Point: The selling point used to promote the project should be more emphasized on the reliability of Chanakarn. Details are discussed in SO strategies.

Conduct A Marketing Research: In order to increase a chance to sell, as identified in WO strategies, Chanakarn should do the marketing research. Many useful information can be obtained by this way. Consequently, Chanakarn will be able to directly provide what the customers really want.

Cost Leadership: From SO strategies, it provides a better chance in selling.

Be Flexible to Meet Customers' Requirement: From ST strategies, Chanakarn is very flexible for any change. Hence, in order to increase the sale volume in a crisis period, Chanakarn must be flexible to absorb the customers' requirement as much as possible.

Choose the Right Communication Tool: According to WO strategies, the right communication tool can reach the target group more efficiently with relatively lower expense. Thus, selecting the suitable communication tool must be done carefully.

Implement IT into Business: Generally known that computerize is increasing its role in everyday-life of the people. Applying IT as a new advertising tool is the way to access the target people more efficiently. Moreover, IT also improves the image of the company in that it makes the company looks more modernize.

Focus on the Project's Location: Good location is more attract the customers and persuade them to make a buying decision.

7.2.2 Long –Term Planning

Increase coordination and cooperation among companies in the industry:

- Encourage increasing coordination among companies in the industry in order to indicate the problems in the industry, and pass to government for corrective action. Share all necessary information about the industry, the market and the future trends, which enable the Company to prepare for the forth-coming problems.

- Develop a capability, in case of personnel, management system, and utilizing the effective technologies, to prepare itself to compete with foreign companies at near future. To proceed the development, the Company may develop its own which will be costly or cooperate between Thai companies to increase the efficiency of personnel, financial status, and construction equipment.

Co-operate with Suppliers by means of Internet: This will help in a long run instead of calling and asking for prices by telephones. If the suppliers download information on prices, stock and type of products offered by supplier, then Chanakarn or anyone else can check the goods very quickly and whenever they want to.

Improve Working Performance: People are the most valuable resource of the business. Skills of these people directly affect working performance of the organization. Training courses should be established for each worker in order to improve his potential. Details of this item have already been discussed in WT strategies.

Improve Working Environment: As discussed in WT strategies, working environment affects the working performance of employees. Working as a team can create a sense of belongings among the people resulting in a nice working environment.

Develop a Database for Real Estate Business: This consists of housing demand, supply, market sales situation, price per unit related to the total cost development, developers in the market including those who survive and bankrupt, customer database, Local Government policy on developing Rayong province. This is a continuous process from marketing research, which will be very useful in studying for investment in the future.