

**MARKETING STRATEGY DEVELOPMENT
OF
COMMUNITY BUSINESSES IN THAILAND**

Thesis submitted in accordance with the requirements of

The University of Liverpool for the degree of

Doctor in Philosophy

by

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The University of

Liverpool Management School

January 2009

DECLARATION

**This work is original and has not been submitted previously
in support of any degree qualifications.**

ABSTRACT

Marketing Strategy Development of Community Businesses in Thailand

Small community businesses in Thailand have flourished, noticeably under the OTOP scheme, started in 2001. This study focuses on community businesses (CBs) in Chiang Mai province involved in the production of fabric and clothes that have faced issues such as marketing problems. Appropriate marketing strategies can be employed to ensure that these issues can be managed, allowing these community businesses to eventually become self-reliant.

The objectives of this study were to: 1) Investigate the internal and external factors that influence marketing strategies of community businesses; 2) Examine the existing marketing strategies employed by community businesses; 3) Consider which of these marketing strategies should be developed to benefit the community businesses; 4) Develop the chosen marketing strategies further.

Mixed method approaches were employed, referred to in this study as *Exploratory Sequential Design*. This design starts with a qualitative approach, and then builds to a quantitative study.

Phase 1 (QUAL 1): Document study and the use of focus groups, aimed at exploring phenomena and context (the internal and external factors influencing marketing strategies of community businesses).

Phase 2 (QUAL 2): In-depth interviews and observations were conducted to prepare variables and questionnaires for the quantitative approaches that were later employed.

The results of phase 1 and 2 (qualitative phases) showed that the macro-external (political, social and cultural, economic and technological) factors had a significant impact on community businesses, both providing opportunities and creating threats to their potential success. The study of micro-external factors (customers and competitors) showed that the OTOP Groups' sales were mainly to local customers. Customers also included wholesale distributors, overseas buyers and tourists. Competitors ranged from local producers and factories to neighboring countries.

The study of internal factors showed that organization and management was undertaken in a co-operative style. The manufacture and production of products was typically hand made or machine made in the traditional local style, using locally sourced raw materials. Financially, community businesses were found to build their capital from the shareholders and members of the business, as well as securing external funding. Financial education was also provided by agencies affiliated with the OTOP project.

Marketing, which also come under internal factors, was seen to have four main areas of focus, namely product, price, place and promotion. The products being produced fall in to the categories of fabrics, clothing, personal effects, household articles and souvenirs. The prices are set by a combination of production costs and rivalry between competitors. The distribution, or place of sale, was seen to be through a variety of shops, wholesalers, exhibitions and events. With advertising being expensive, cost effective methods to promote products used included name cards, brochures and in some cases buying local radio advertising space.

Phase 3 (QUAN1) Under a quantitative approach, the researcher used survey method with 400 customers of CBs in Chiang Mai province of Thailand. Statistical methods of Factor Analysis, Multiple Regression, and Percentages were used in this study.

The results of the factor analysis showed six components, or factors, that would be significant areas of interest: Place, product, personal selling (customer service), promotion, packaging and price. This was ascertained through a rotated component matrix, listing the factors loading after rotation. Using the process of multiple regression on these six factors, three key areas of *place, product and personal selling (customer service)* were identified as being the most significant areas to develop marketing strategies. These three areas of *place, product and personal selling (customer service)* were subjected to SWOT and TOWS analysis to systematically develop and suggest 15 appropriate marketing strategies.

These are as follows: (1) Broaden the range of traditional clothing garments produced; (2) Gain knowledge of latest fashion trends, in order to develop stylish garments incorporating modern designs with traditional fabrics; (3) Employ stricter quality control measures to ensure products are of consistently better quality; (4) Encourage producers of high quality products (4 star and 5 star) to broaden their channels of distribution into the potentially lucrative export market; (5) Identify staple items that are most popular with customers implement a production strategy that

caters to these market demands; (6) Broaden the channels of distribution utilised by community groups to sell their products; (7) Maintain rigorous staff training programmes, to ensure that all sales staff have detailed knowledge of the products they are selling to customers, as well as modern selling techniques; (8) Community businesses should focus their production firmly on handmade, traditional, intricate products that are unique to their local area; (9) Develop a complementary network of producers producing inter-related goods; (10) Utilise government funding to establish 'one stop' OTOP shopping centres within each district town centre in Chiang Mai to cater for customers interested in OTOP products; (11) Develop a range of natural, colour-fast dyes for fabric; (12) Improve the consistency in terms of quality of community business products; (13) Cease production of modern clothing garments; (14) Educate CB employees about the negative impact of chemical dyes on the customer and the environment; (15) Improve the layout and visual appearance of OTOP retail premises in order to make them distinctive from those of their competitors

ACKNOWLEDGEMENTS

The completion of this thesis would not have been possible without the continued support of my supervisor, Prof. Steve Baron and my co-supervisor Prof. Kim Cassidy at The University of Liverpool Management School, UK. The help I received from these two individuals was invaluable, and I wish to offer my deepest gratitude for their patience, support and encouragement.

The basis of my thesis began through my position within Chiang Mai Rajabhat University in northern Thailand, where I am involved in the OTOP projects as a key researcher and supporter: Through providing further research and workable strategies, my aims are to provide beneficial information for use by government officials, supporters and all involved in these community businesses.

This study will be incredibly beneficial to many people, and I would like to thank *The Journal of Strategic Marketing* for agreeing to publish the qualitative section of the thesis; *Marketing Strategies Supporting National Plans: Contributions of Universities*, a collaborative article with my supervisor, Prof. Steve Baron.

Chiang Mai Rajabhat University provided me with a scholarship which enabled me to complete this study: for this I am eternally grateful.

I received an enormous amount of help from the president of Chiang Mai Rajabhat University, Dr. Ruangdet Wongla, and an equal amount of help from vice president Assist. Prof. Saowanee Jairak. Their help was instrumental in the essential phase of data collection and I would like to thank them for the kind provision of their facilities.

In addition to this, I would like to show my deep appreciation for Assoc. Prof. Sanit Sattayopass at the Institute of Research and Development, Chiang Mai Rajabhat University. I would also like to thank her staff, Mrs. Tassniporn Prapassorn, Assoc. Prof. Sompong Boonlert and Assist. Prof. Wilailuck Kittibutra, who coordinated and liaised with the local government, private sector and community business leaders on my behalf. The assistant researchers selected to help me collect the data were well trained and also deserve my appreciation.

In recognition of the discussions which aided me greatly while writing my methodology for this thesis, I would like to thank Assist. Prof. Aphatsaree Chaikuna, Dr. Kanchana Sura and Assist. Prof. Jira Bureekham. Also I would like to cite Mr. Rath Jairak, Business computer programme, Chiang Mai Rajabhat University, who was responsible for guiding me through the use of the NVivo software (Thai version) used for my qualitative data analysis.

The government agencies and members of the private sector who provided me with interviews, information and gave their time to this project, such as The Industrial Promotional Centre, Region 1, Chiang Mai, The Office of Community Development,

Chiang Mai, The Office of Agricultural Affairs, Chiang Mai, The Office of Commercial Affairs, Chiang Mai, The Chom Thong District Office, Chom Thong, The Mae Chaem District Office, Mae Chaem, The Thai Lanna Industrial Association, Chiang Mai and Chiang Mai University, all deserve my heartfelt gratitude. In addition to the official representatives listed above, my gratitude also lies with the community business leaders, members and OTOP customers who took part in my interviews and all other aspects of my research.

I am grateful to all members of The University of Liverpool Management School (ULMS), especially, Pamela, Susan, Wendy and Simon for all of their continued support over the last four years.

My final and most sincere thanks go to my family: My father, who passed away in 2003 before I came to Liverpool, had always encouraged me to study. I am indebted to him as he instilled in me a desire to learn. My mother, whose constant direction and love have always inspired me. My sister and brothers who have always supported me in anything I do. With all my love, I deeply thank my wife, Srinakorn Srikaew, who remained patient and a constant help and support throughout the course of my studies.

CONTENTS

Abstract.....	iii
Acknowledgements.....	vi
 Chapter 1: Introduction	
1.1 Statement of the problem.....	1
1.1.1 The 1 st to 7 th National Economic and Social Development plans (NESDPs) (1961-1996): The unbalanced development.....	1
1.1.2 The 8 th National Economic and Social Development Plan (1997-2001) and the occurrence of economic crisis: The problems of poverty became increasingly serious.....	2
1.1.3 The 9 th NESDP (2002-2006): The area of the effort to solve the problems of poverty in rural areas from the grass root level in the form of Community Businesses (CB).....	2
1.1.4 The government's policy concerning community businesses: Moving the 9 th NESDP into concrete practices.....	4
1.1.5 Marketing problems that have occurred within the groups of community business in Thailand.....	5
1.2 Research questions.....	6
1.3 Rationale of the proposed research.....	6
1.4 Scope and essence of the study.....	7
1.4.1 Thailand administrative units and community businesses.....	7
1.4.2 Scope of the study.....	7
1.4.3 Research design.....	8
1.4.4 The significance and implications of this study.....	9
1.5 Objectives of the study.....	9
1.6 Organisation of the study.....	9

Chapter 2: Background to the OTOP Project and Literature Review

2.1 Introduction.....	11
2.2 One Village One Product (OVOP) in Japan.....	11
2.2.1 Oita’s model: Original idea and basic principles.....	11
2.2.2 Marketing strategies experience of the OVOP movement.....	13
2.2.3 Application of OVOP to Asian countries.....	19
2.3 One Tambon One Product (OTOP) project in Thailand.....	20
2.3.1 Background and objectives of the project.....	20
2.3.2 Characteristics of the project.....	20
2.3.2.1 Principles and rationale of project.....	20
2.3.3 Project operation.....	21
2.3.4 Management of mechanism and process of the project.....	24
2.3.4.1 Management of mechanism of the project.....	24
2.3.4.2 Management of the process of the project.....	25
2.3.5 Periods of OTOP project operation.....	26
2.3.6 Budgets for OTOP project.....	28
2.3.7 A visualisation of the OTOP project.....	29
2.4 The literature on community businesses.....	30
2.4.1 Definition of community business.....	30
2.4.2 Community business features.....	31
2.4.3 The importance of community business.....	32
2.5 Literature on strategy and marketing strategy.....	34
2.5.1 Strategy.....	34
2.5.1.1 Definition of strategy.....	34
2.5.1.2 Level of strategy.....	36
2.5.2 Marketing strategy.....	37
2.5.3 Competitive marketing strategy.....	38
2.5.4 Cooperative marketing strategy.....	40

2.5.5 Internal and external factors that influence marketing strategies of the firms.....	46
2.5.6 Cooperative marketing strategy adopted by OTOP community business groups.....	48
2.6 Related studies.....	51
2.7 Conceptual framework of this study.....	55

Chapter 3: Research Design and Methodology

3.1 Introduction.....	58
3.2 Mixed methods: General explanation.....	58
3.3 Mixed methods: A rationale for application in marketing and management studies.....	65
3.4 Mixed methods approach adopted in this study.....	67
3.5 Research design and methodology.....	69
3.5.1 Phase 1: The first qualitative (QUAL 1).....	75
3.5.1.1 Documentary study.....	75
3.5.1.2 Focus Group Discussion (FGD).....	75
3.5.1.3 Qualitative analysis in the first phase.....	81
3.5.2 Phase 2: The second qualitative (QUAL 2).....	83
3.5.2.1 In-depth interview.....	83
3.5.2.2 Observations.....	90
3.5.2.3 Qualitative analysis in phase 2.....	92
3.5.2.4 Trustworthiness of qualitative study.....	92
3.5.3 Phase 3: Quantitative study (QUAN).....	95
3.5.3.1 Research design.....	96
3.5.3.2 Analysis.....	106
3.6 Location of study: Chiang Mai, Thailand.....	113

Chapter 4: Qualitative Findings

4.1 Introduction.....	116
4.2 Findings from Qual 1.....	116
4.2.1 Documentary study.....	116
4.2.1.1 Social and cultural factors.....	116
4.2.1.2 Political factors.....	120
4.2.1.3 Economic factors.....	123
4.2.1.4 Technological factors.....	125
4.2.2 The findings from focus-group discussions.....	128
4.2.2.1 The study and the finding from focus group discussions in Mae Chaem district [FGD (A)].....	128
4.2.2.1.1 Internal environment findings.....	129
4.2.2.1.2 Micro-external environment findings.....	141
4.2.2.2 The study and the findings from focus group discussions in Chom Thong district [FGD (B)].....	142
4.2.2.2.1 Internal environment findings.....	143
4.2.2.2.2 Micro-external environment findings.....	150
4.3 Findings from Qual 2.....	155
4.3.1 Findings from in-depth interviews.....	156
4.3.1.1 Co-product strategy.....	156
4.3.1.1.1 Products of community businesses in details.....	156
4.3.1.1.2 The most successful products.....	167
4.3.1.1.3 The less successful products.....	169
4.3.1.1.4 Packaging.....	171
4.3.1.2 Co-price strategy.....	174

4.3.1.3 Co-place strategy.....	178
4.3.1.3.1 Channels of distribution.....	178
4.3.1.3.2 The most successful channels of distribution.....	180
4.3.1.3.3 The less successful channels of distribution.....	181
4.3.1.4 Co-promotion strategy.....	184
4.3.1.4.1 How do groups of producers promote their products?.....	184
4.3.1.4.2 The most successful promotion.....	186
4.3.1.4.3 The less successful promotion.....	188
4.3.2 Findings from observations.....	191
4.3.2.1 Observation in Chom Thong.....	191
4.3.2.2 Observation in Mae Chaem.....	194
4.3.2.3 Observation in Chiang Mai city centre.....	196
4.4 Summary of the qualitative findings.....	198
4.5 Set variables and design questionnaire.....	201

Chapter 5: Quantitative Findings

5.1 Introduction.....	203
5.2 Demographics of customers.....	203
5.3 Buying behaviour of customers.....	207
5.4 Customer opinions on marketing strategies of community businesses.....	216
5.4.1 Factor analysis.....	216
5.4.1.1 Assessment of the suitability of the data for factor analysis.....	216
5.4.1.2 Factor extraction.....	218
5.4.1.3 Factor rotation and interpretation.....	220
5.4.2 Multiple regression.....	224
5.5 Feedback regarding identifies problems and suggested solutions.....	235

Chapter 6: Interpretation of Findings and Recommendations

6.1 Introduction.....	240
6.2 Interpretation of overall findings.....	240
6.2.1 Co-operative marketing strategy used by community businesses at the present time.....	240
6.2.1.1 Co-product strategy.....	241
6.2.1.2 Co-place strategy.....	243
6.2.1.3 Co-personal selling (customer service) strategy.....	244
6.2.1.4 Co-promotion strategy.....	245
6.2.1.5 Co-packaging strategy.....	245
6.2.1.6 Co-price strategy.....	246
6.2.2 Internal factors findings.....	246
6.2.2.1 Organisation and management.....	246
6.2.2.2 Production.....	247
6.2.2.3 Marketing.....	247
6.2.2.4 Finance and accounting.....	248
6.2.3 External factors findings.....	248
6.2.3.1 Micro-external factors.....	248
6.2.3.2 Macro-external factors.....	250
6.3 SWOT and TOWS analyses.....	253
6.3.1 SWOT analysis.....	253
6.3.2 TOWS matrix.....	259
6.4 Suggestions for community business marketing strategy development.....	261
6.4.1 SO strategy.....	261
6.4.2 ST strategy.....	265
6.4.3 WO strategy.....	267
6.4.4 WT strategy.....	267

Chapter 7: Discussion and Conclusion

7.1 Introduction.....	271
7.2 Contribution to methodology.....	271
7.2.1 The particular mixed methods approach.....	271
7.2.2 Contextual adaptation.....	273
7.3 Contribution to theory.....	275
7.3.1 Investigation and refinement of existing theory.....	275
7.3.2 Using the new theory and findings for further research.....	278
7.4 Contribution to practice.....	281
7.4.1 Some facts of OTOP project operation and researcher's recommendations.....	281
7.5 Conclusion.....	290
7.6 Limitations of the study.....	291
7.6.1 Limitation of methods and methodology.....	292
7.6.1.1 Researching documentary evidence.....	292
7.6.1.2 Conduction focus groups.....	292
7.6.1.3 Undertaking in-depth interviews.....	294
7.6.1.4 Observations.....	295
7.6.1.5 The customer survey.....	296
7.6.2 Limitation of findings.....	297
7.7 Recommendation for further research.....	298
Bibliography.....	301
Appendices.....	315
Appendix 1-Guideline for focus group discussions.....	316
Appendix 2-Guideline for in-depth interviews.....	317
Appendix 3-Questionnaire.....	318
Appendix 4-Audit form of community business (cotton/silk products).....	327

LIST OF FIGURES

Figure	Page
Figure 2.1: Three basic principles of OVOP.....	12
Figure 2.2: Chart of OTOP project management.....	23
Figure 2.3: A visualisation of the OTOP project.....	29
Figure 2.4: Network formation: Community businesses and supporting agencies.....	50
Figure 2.5: Cooperative marketing strategy model (Research model operationalised).....	52
Figure 2.6: Conceptual model of cooperative marketing strategy.....	56
Figure 3.1: Main empirical mixed methods research: Sequential exploratory design.....	70
Figure 3.2: Linkage of contents and methods between phases of sequential exploratory design of this study.....	74
Figure 3.3: The role of consumer research in the development of marketing strategy.....	98
Figure 3.4: Multi-stage sampling of this study.....	102
Figure 3.5: Map of Thailand & Chiang Mai (Area of study).....	115
Figure 4.1: Organisation chart of community business.....	129
Figure 7.1: Cooperative marketing strategy model (Research model operationalised).....	276
Figure 7.2: Conceptual model of cooperative marketing strategy.....	277
Figure 7.3: New conceptual model of cooperative marketing strategy.....	279

LISTS OF TABLES

Table	Page
Table 2.1: The ‘OVOP’ movement in Asia.....	19
Table 2.2: The three periods for the OTOP project operation.....	26
Table 3.1: Research questions and methods.....	71
Table 3.2: Participants of FGD (A).....	78
Table 3.3: Participants of FGD (B).....	78
Table 3.4: Discussion group guideline for FGD(A) and FGD(B).....	79
Table 3.5: In-depth interviews (producers).....	86
Table 3.6: In-depth interviews (supporters).....	87
Table 3.7: In-depth interviews (customers).....	88
Table 3.8: District, CB shop and customer samples.....	103
Table 4.1: A comparison of the community businesses in Mae Chaem [(FGD(A)] and Chom Thong [(FGD(B)] districts.....	151
Table 4.2: Price of community businesses’ products.....	176
Table 5.1: Demographics of customers.....	204
Table 5.2: Frequency of purchase of different CB products by customers.....	207
Table 5.3: Popularity of different CB product designs with customers.....	208
Table 5.4: Frequency of purchases (per annum) made by customers of community businesses.....	209
Table 5.5: Number of items purchased by customers of CBs per visit.....	209
Table 5.6: Rate of expenditure of customers on CB products.....	210
Table 5.7: Reasons given by customers for purchasing goods from community business.....	211
Table 5.8: Days favoured by customers for retail activity.....	212

Table	Page
Table 5.9: Method of shopping preferred by CB customers.....	212
Table 5.10: People that influence CB customers in making a purchasing decision.....	213
Table 5.11: Sources through which customers learned about CB products.....	214
Table 5.12: Alternative locations from which customers are able to purchase CB products besides CB on-site retail outlet.....	215
Table 5.13: Customer likelihood of purchasing further OTOP products.....	216
Table 5.14: KMO and Bartlett's Test.....	217
Table 5.15: Total Variance Explained.....	219
Table 5.16: Scree Plot.....	220
Table 5.17: Rotated Component Matrix(a).....	221
Table 5.18: Model 1 Summary.....	225
Table 5.19: Model 2 Summary.....	226
Table 5.20: Model 3 Summary.....	226
Table 5.21: Model 4 Summary.....	227
Table 5.22: ANOVA 1.....	227
Table 5.23: ANOVA 2.....	228
Table 5.24: ANOVA 3.....	228
Table 5.25: ANOVA 4.....	228
Table 5.26: Coefficient model 1.....	230
Table 5.27: Coefficient model 2.....	231
Table 5.28: Coefficient model 3.....	232
Table 5.29: Coefficient model 4.....	233
Table 5.30: Summary of co-efficient tables.....	234
Table 5.31: Problems concerning community business' products.....	235

Table	Page
Table 5.32: Feedback on how to improve products sold by OTOP groups.....	236
Table 5.33: Pricing problems.....	236
Table 5.34: Suggestions for improving pricing.....	237
Table 5.35: Place of distribution.....	237
Table 5.36: Suggestions for improvements of product distribution.....	238
Table 5.37: Problems with promoting products.....	238
Table 5.38: Suggestions to improve promotion of goods.....	239
Table 6.1: Strengths and Weaknesses of internal factors.....	254
Table 6.2: Opportunities and Threats of external factors.....	257
Table 7.1: Two main recommendations are made for further research.....	299

Chapter 1

Introduction

1.1 Statement of the problem

This thesis aims to develop marketing strategies that support community businesses (CBs) in Thailand. The need for such research has arisen through the effects of nine National Economic and Social Development Plans (NESDPs), issued by the Thai Government from 1961 to the present, during which time the Thai economy has encountered unbalanced economic development, economic crises with problems of poverty, and attempts to solve rural area poverty through support for CBs. The brief background of Thailand from 1961 onwards, that follows, sets the context for the research.

1.1.1 The 1st to 7th National Economic and Social Development Plans (NESDPs) (1961-1996): The unbalanced development

During the implementation of the 1st to 7th NESDPs, figures show that Thailand had rapid economic growth, with an average rate of about 7 percent per annum over the period 1961-1996. This resulted in a rise in the average annual income per capita from 2,100 Baht in 1961 to 77,000 Baht in 1996. As a result, Thailand was promoted from being recognized as a poor country to a developing one, whilst most Thai people benefited from improved infrastructure and greater social services than ever before (National Economic and Social Development Board, 2001a).

However, the growth was on the basis of an *unbalanced* development, as there was unfair distribution of income and benefit among rural and urban people. The imbalance increased in its seriousness; the development that occurred mainly in terms of economic growth and high technology resulted in the decay of the rural population's conditions and standard of living, and as a result, the poor became poorer. With such conditions, economic problems arose and finally had an effect on national security. In brief, the Thai economy was doing well, but in rural society the poverty

caused by an unfair distribution of income and benefits from the development still existed.

1.1.2 The 8th National Economic and Social Development Plan (1997-2001) and the occurrence of economic crisis: The problems of poverty became increasingly serious

The 8th NESDP was the plan that reformed the ideas and values within Thai society. It emphasized the notion that people are the centre of any development and that the economy is the mechanism with which to boost the development of people's standard of living and change the means of development to a holistic one. It offered an opportunity to all sections of society to participate in every step of development.

However, during the first year that the plan was implemented, Thailand had to face an economic crisis that had a deep impact upon the whole economy and caused economic recession that was to impact greatly upon all the people in the country, especially those in rural communities. As a result, rural people became poorer, with the number of poor in these areas increasing by 15.9 percent to approximately 9.9 million people in 1999. At the same time, the distribution of income worsened and there were nearly a million more unemployed people than before the crisis took place (National Economic and Social Development Board, 2001b).

1.1.3 The 9th NESDP (2002-2006): The area of the effort to solve the problems of poverty in rural areas from the grass root level *in the form of Community Business (CB)*

In efforts to solve the problems of poverty in Thai rural areas, the 9th plan laid out a strategy in new dimensions. At the same time, a link was acknowledged between the rural and urban economies. This was done by combining innovative technology with local intellect appropriately to boost people's standards of living and economic status under rational and cooperative ideas.

The practices for balanced development, in addition to empowered and self-reliant community businesses were laid down as follows (National Economic and Social Development Board, 2003):

1. Encourage locally governed organizations to be the core of the community; private sector and government organizations to be mobilized to participate to develop economic and social activities, and develop infrastructures in accordance with the roles and potential of the communities for the appropriate community growth.
2. Encourage systematic community business at grass root level in the area of the production of goods, marketing, circulated finance and the promotion of the career grouping in the form of community business. Emphasize the significance of product making; the support services; local intellect and culture; development of quality products; development of unique products; development of products to meet the needs of customers and linking the products to other domestic and international organizations.
3. Encourage financial mobilization within the community by founding circulated funds to boost saving habits. Provide financial support for farmers and community SME owners in running community businesses. Create saving groups for production and cooperative group networks, and place more of an emphasis on the role of the government's financial institutions to support the development of careers in rural areas.

Under the 9th NESDP, the emphasis was placed on the *grouping of people in the communities to undertake community business collectively in order to establish a stronger community economy.*

1.1.4 The government's policy concerning community businesses: Moving the 9th NESDP into concrete practices

Led by the then prime minister Thaksin Shinawatra, the Thai government acknowledged the poverty endured by the people in rural areas of Thailand and set out goals and an urgent policy toward community businesses, (Department of Community Development, 2002,p.5) stating :

“The government has set the goal to launch a policy to reduce poverty and lead to the promotion of people’s career and income in order to let them have enough income to cover their necessary expenses of sufficient living and have enough left for their better lives. This can be done by using all government mechanisms to encourage the people to use their own intellect, self potential and property in an effective useful way.”

To reach the goal mentioned above, the government launched a community business policy with the following instructions (Department of Community Development, 2002, p.9):

“Found a Village Fund in every village and urban community in Thailand, with 1 million Baht each to be the financial support for the creation of side line career and income of community members, and cottage industries. The government will launch the ‘One-Tambon-One-Product’ Project to allow the people use their own local intellect to develop their products in the form of community businesses. Such businesses are backed up by the government both in the form of new management knowledge and the linking of community products with domestic and international markets via outlet networks and internet.”

Community businesses were to promote greater strength in the community economy. However, whether such businesses were to reach their goals or not was dependant

upon the cooperation of people in the community, and the private and government sectors. There was an emphasis on the participation of all people to work in the projects and setting out of objectives, goals, strategies and practices that people in community businesses could work towards collectively.

Six categories for products were defined: food, drinks, fabric and clothes, household products and decorative items, handicrafts and souvenirs, and herbs. In the years since the initial declaration, the number of community businesses has blossomed and there are now 26,537 community business groups producing 37,533 different product items across the 7,419 Tambons (sub-districts) spread across Thailand's 76 provinces (Department of Industrial Promotion, 2004).

1.1.5 Marketing problems that have occurred within the groups of community business in Thailand

Over the past few years, the groups of local producers have faced some problems because 'community business' was an entirely new concept for both the members and the organizations that supported them. The problems that they had were those of management, financial support and marketing. Marketing was perceived to be the hardest to overcome because the members lacked any knowledge in this area of expertise. It was believed that their marketing expertise may not have been in accordance with the highly competitive conditions that existed at the present day (see report from Office of Commission on Higher Education of Thailand, 2003).

Studies of community businesses concluded that there were some strengths and weaknesses in the marketing of local products by community groups in Thailand (Office of Commission on Higher Education of Thailand, 2003; Department of Industrial Promotion, 2003). The advantages and disadvantages covered the four aspects of marketing mix strategies, namely product, price, place and promotion. The discovered advantages were that the products were neatly and beautifully produced, using unique, local generation-to-generation intellect, plain and environmentally friendly technology, and employed the use of local raw materials. The disadvantages

concerned the production processes, the variety of products produced, the price setting, outlets and promotion campaigns.

These marketing problems are said to have prevented the community businesses in Thailand from enjoying potentially high success. A survey revealed that the average income per head per month of members of community business was only 3,000-3,500 Baht. This rate of income was considered to be at rather a low level (Department of Industrial Promotion, 2003).

The research undertaken in this thesis is a direct response to the need to develop and implement marketing strategies for community businesses in Thailand in the context of the 9th NESDP.

1.2 Research questions

This study is an attempt to seek answers to the following questions:

1. What are the internal and external factors influencing marketing strategies of community businesses?
2. What are the existing marketing strategies employed by community businesses?
3. Which marketing strategies for community businesses should be developed?
4. How can marketing strategies for community businesses be better developed?

1.3 Rationale of the proposed research

The problems stated above challenge all community businesses. Previous governments possessed a strong desire to solve the problems by acting according to the past NESDPs but could not achieve concrete success. Even the present (2004) government, which has paid strong attention to solving the poverty of the rural people through community business, has stated that the 9th NESDP is only the very first step to putting the policy into practice. However, the study of the previous governments' policies revealed that all the policy makers used a top-down approach, meaning that it was always top ranking executives who made all the decisions when setting out all the policies. These top ranking executives did not fully appreciate what the real problems

of the rural people were, whereas at the same time, the rural people lacked an opportunity to reflect on their problems and never had an opportunity to take part in setting the practices (Ploydee, 1997; Phetprasert, 1999). Consequently, this might have caused restrictions to the achievement of solving the problems.

Furthermore, there was only limited research that was focused on community businesses in Thailand, and even less on the marketing of such community businesses. Consequently, this resulted in a lack of real information about marketing that could be used as a guideline for the setting of national policy toward community business.

The results gained from this study will employ bottom-up empirical data that can be used in the future as guidelines for setting any prospective community business practical plan or policy in place.

1.4 Scope and essence of the study

1.4.1 Thailand administrative units and community businesses

There are 4 regions, 76 provinces, 795 districts (Amphurs), 7,419 sub-districts (Tambons), and 69,866 Villages in Thailand. On the whole, there are 26,537 community businesses that produce 37,533 product items. These products can be separated into 6 categories: (1) Food; (2) Drinks; (3) Fabrics and clothes; (4) Household products and Decorative items; (5) Handicrafts and Souvenirs; and (6) Herbs (Department of Industrial Promotion, 2004).

1.4.2 Scope of the study

When outlining the scope for this study, it was decided to examine the marketing strategies employed by community businesses involved in the *production of fabrics and clothes within the Chiang Mai province*, Thailand. There were several key reasons for focussing on this particular area of the country for this research (Department of Community Development, 2002):

1. Chiang Mai is the centre of fabric and clothing production for the entire nation, and the quality of the products it manufactures are well-renowned;

2. the area has an established heritage of clothing production and is readily acknowledged as being culturally significant as a result;
3. Chiang Mai also boasted the greatest number of community businesses producing cotton and silk products of any province in Thailand;
4. the area, which can be found in the north of the country, benefits from being a tourism hub popular with business travellers and holidaymakers alike, and as such enjoys a relatively good infrastructure and advantageous transport links;
5. the area also benefits from boasting a population rich in the craftsmanship skills of fabric-weaving, skills that have been handed down from generation to generation for centuries;
6. over the past ten years, the local authorities of Chiang Mai province have conducted a campaign of wearing local dress where fabric weaving is the main occupation; and
7. Chiang Mai already held the position as the fashion centre for the north of Thailand. As such, it held the Lanna Fashion Fair annually, which was designed primarily to promote the area's significance as a producer of high quality woven fabrics. Not only does this annual event serve to cement Chiang Mai's reputation as a significant clothing producer, but it also supports a national policy to make Thailand a centre for fashion in the South-East Asia region.

1.4.3 Research design

The research design of this study is based on mixed methods research (exploratory sequential design). This design starts with a qualitative approach, and then builds to a second, quantitative phase. The results of the qualitative phase were used to develop an instrument and identify variables to study quantitatively. It is premised on the idea that the use of a combined qualitative and quantitative approach provides a better understanding of research problems than either approach alone (Creswell and Plano Clark, 2007).

1.4.4 The significance and implications of this study

The results of this study

1. will be useful to the government officials and any supporters involved in the promotion of community businesses,
2. can be used to aid development of new marketing strategies in order to allow the groups to have competitive advantages in any marketplaces,
3. can be used as a recommended guideline for the planners and policy makers to set more practical plans and policy, and
4. will help in the development of an academic theory suited to the context of community businesses.

1.5 Objectives of the study

1. To investigate the internal and external factors that influence marketing strategies of community businesses.
2. To examine the existing marketing strategies employed by community businesses.
3. To consider which of the marketing strategies should be developed.
4. To develop the chosen marketing strategies further.

1.6 Organisation of the study

The structure of this thesis consists of seven chapters.

Chapter one is the introduction, which consists of the statement of the problem, research questions, rationale of the proposed research, scope and essence of the study, objectives of the study, and organization of the study.

Chapter two focuses on the literature reviews and comprises of: a brief introduction; an examination of the One Village, One Product (OVOP) initiative, Oita, Japan; and an examination of the One Tambon, One Product (OTOP) project in Thailand.

Chapter three examines the research methodology used, looking at: mixed methodology; the rationale behind mixed method research; the reasoning behind the

mixed method approaches selected for this study; and finally research design and methodology.

Chapter Four focuses on analysing the findings from the qualitative stages of research. Initially, after a brief introduction, data gathered in QUAL1 will be examined, followed by analysis of data gathered in QUAL2. Next, a summary of qualitative findings will be presented, before setting of variables and questionnaire design for the next stage of quantitative research, QUAN.

Chapter five reports the quantitative findings from the research. First, there will be a brief introduction, followed by analysis of customer demographics. Buying behaviour of customers shall then be examined, followed by an analysis of customers' opinions on the marketing strategies currently employed by CB groups.

Chapter six comprises of interpretation of findings and recommendations of the study, followed by SWOT and TOWS analysis, and finally suggestions for future community business marketing strategy development.

Chapter seven consists of a brief introduction, followed by discussion of how this research paper can contribute to future methodology, theory and practice respectively, the thesis' overall conclusion, limitations of the study, and finally recommendations for further research.

Chapter 2

Background to the OTOP Project and Literature Review

2.1 Introduction

The bulk of Thailand's population (70%) live in rural communities and most of those remain poor (Manarangson, 2008), and so it has been the objective of successive government administrations to try to address this problem through a variety of different initiatives. The most far-reaching of these initiatives has been the *One Tambon One Product (OTOP)* project that was introduced in 2001. The aim of this initiative (which was modelled on a similar project entitled OVOP in Oita, Japan) was to actively encourage members of rural communities to establish community businesses and subsequently pool their skills and work collaboratively in order to improve their quality of life and work towards being economically self-sufficient.

This chapter will initially review the original idea and guiding principles behind the original OVOP project in Japan, on which much of the OTOP project in Thailand was modelled. This is followed by a focus on the characteristics of the OTOP project that was initiated in Thailand in 2001. The characteristics of community businesses that participated in the OTOP project are then outlined and the theoretical aspects of marketing strategies from various related studies are examined. Finally, from the theoretical and related studies, the conceptual framework of this study is devised.

2.2 One Village One Product (OVOP) in Japan

2.2.1 Oita's model: Original idea and basic principles

The 'One Village, One Product' (OVOP) approach originated in Oita Prefecture in Japan in 1979, and was pioneered by the then Governor, Mr. Morihiko Hiramastu. During that period, Oita province lacked a young working population since most teenagers had emigrated to the larger metropolitan areas which served as the economic, education and information centres. Besides this, there were insufficient public utilities within the area, low wages, high rates of unemployment, and an

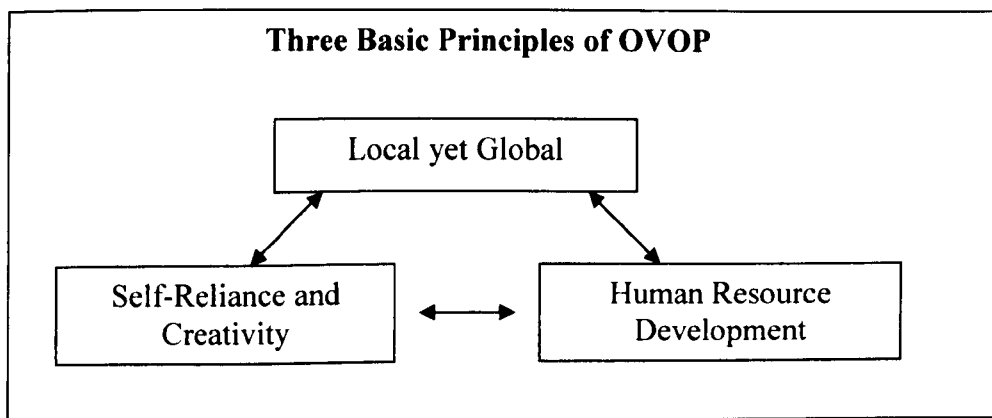
inferior welfare system. Therefore, to solve these problems, the ‘OVOP’ project was launched to promote community products and culture because both products and culture activities were the tools needed to develop communities (Hiramatsu, 2001).

Essentially, the OVOP initiative was specifically aimed at revitalizing the rural economy within Oita prefecture, Japan, through the active promotion of community based business activity that centred on members of rural communities working collaboratively together towards a common goal. ‘OVOP’ literally means ‘One Village, One Product’, and is based on the main goal that respective rural communities should produce (at least) one marketable product that reflects the indigenous local community, and that members of these communities should collectively produce goods under one brand and subsequently share equally in its success (Fujita, 2006; Kurokawa *et al.*, 2008).

The basic approaches to the development of OVOP (see Figure 2.1) were as follows (Igusa, 2006):

1. Local yet global: Creating globally accepted products that reflect pride in the local culture
2. Self-reliance and creativity: Realization of OVOP through independent actions utilizing potential of the region
3. Human resource development: Fostering of people with a challenging and creative spirit

Figure 2.1: Three basic principles of OVOP



The OVOP project serves a dual purpose: to promote community products, as well as the cultures from which these traditional items originate. With regard to products, culture or community activities, all should be seen as tools that can be used in the development of communities effectively. In pooling local skills and resources, the hope is that the quality of products will be increased, a successful and recognizable brand will be established and that they will be able to retail their goods in global markets.

What set the OVOP project apart from other initiatives was that local people were charged with the responsibility of being the main driving force, with the local government simply being on hand to give technical support, encouragement, and marketing promotion. While financial subsidies were available, they were relatively limited, because it was felt that too much dependence on government finance may have a detrimental effect upon the dynamism of the whole project. It was hoped that, through the resultant economic regeneration of such areas, community members would recover their pride in the local area, as well as their own self-esteem.

A key aim of the OVOP initiative was human resource development, namely to foster a collaborative, collective way of communities working together to achieve a common goal. In order to reach this goal, it was necessary to encourage individuals to assist one another and share knowledge and skills through a process of symbiosis. It was hoped that this new, cooperative community approach would develop and generate income for the rural people: learning to work alongside one another cooperatively, they would derive the power to enhance their local community and to generate a comfortable income for themselves.

2.2.2 Marketing strategies experience of the OVOP movement

There were many different marketing strategies which contributed to the OVOP initiative enjoying so much success. Adachi (2005) pinpointed those that he felt were most significant:

1. '*Governor as ambassador*'. The then governor of Oita, Hiramatsu, served as the prime ambassador for traditional products from the region, actively promoting goods at wholesale markets when in Tokyo on government business, as well as organizing promotional events at first class hotels in the capital.
2. '*Marketing a town*'. The governor of Oyama wished to address the unbearably low income experienced by local farmers in the area. In contravention of national policy to increase rice production, he instigated his own NPC (new plum and chestnut) policy, encouraging farmers to plant these new crops as opposed to the low yielding rice. This action drew nationwide interest and free publicity for the area. Once revenues had increased to a satisfactory level, second and third stages of the strategy were implemented to improve residents' quality of life further, through the setting up of a community TV station; the opening of farm produce outlets to attract visitors, promote and retail produce; and finally the establishment of 'livelihood exchange consulates' in neighbouring areas to promote local products and facilitate exchange with prospective urban customers.
3. '*Slow life and slow food*'. The hot spring resort of Yufuin was keen to implement changes to attract greater revenue and higher visitor numbers in order to compete more effectively with a rival resort, Beppu. When proposals put in place suggested the building of a golfing complex, people were strongly opposed. Several students, inspired by research trips to similar resorts in Germany, suggested that the town should market itself as an idyllic, quiet retreat where visitors should simply relax and enjoy the natural way of life that Yufuiners do, namely eating simple local cuisine (slow food) and experiencing a relaxed way of (slow) life. This turned out to be a successful strategy, with the resorts playing host to 4 million tourists annually.
4. '*Revival of historical assets*' in towns. During the 1970s, the town's shopping area had become dilapidated, an area that was unattractive to potential visitors

and local consumers. In order to regenerate the area, local officials decided to build on the town's historical assets and rely upon the area's rich natural resources. A shopping arcade was built and the streets were paved in a traditional style using local tiles, while the historic castle and ancient streets were conserved as a potential tourist attraction. In addition to this, local residents who possessed rich historical artifacts were encouraged to open their possessions to tourists and show off indigenous historical items. As a result, tourist numbers swelled from a low of 30,000 to currently 1 million per annum.

5. Support of '*emerging female entrepreneurs*'. This was exemplified by Yemesaki Chaya, a sales outlet that was established in 1994 in Kunisaki peninsula to promote agricultural produce and processed food. The aim was to generate job opportunities for local, rural women, and so management of the business was entrusted to females who have ensured the project has been a great success. This was primarily due to the women introducing a qualification system for product quality and safety which served to reassure consumers of the quality of the products that they were purchasing.
6. The establishment of the *Oita OVOP Co. Ltd* in 1988. Its main goal was to market traditional products from Oita in other regions of Japan, notably the Tokyo metropolitan area. Rather than set up the firm as a joint venture, Hiramatsu established the business as a private company, and then actively sought investors to subscribe to shares in the enterprise. He was successful in this regard, drawing investment in shares from the likes of Matsui, Mitsubishi and Itochu, but significantly gaining subscription for 55% of the shares from local Oita businesses.

The employment of skilled, well-connected staff such as Mr. Fujisawa opened up key distribution channels for the firm in key metropolitan areas. Added to this was the hosting of an annual Oita fair in Tokyo, which generated interest

among urbanites in traditional Oitan produce, notably dried fish, mushrooms, meat and oranges.

Adachi (2005) summarised the key conclusions with regard to the OVOP initiative as follows: 1) Strong, altruistic leaders are central to successful regional regeneration. Politicians, as elected figures, are expected to achieve more than those they appoint to assist them; 2) A competitive environment is essential when trying to induce an ethos of self-sufficiency, and so those who show initiative in helping themselves should be duly rewarded; 3) An acute awareness of problems coupled with clear visions for improvement can serve as the greatest motivational tool. Keen observation of what works in more advanced regions, as well as an understanding of regional history are the best enablers of a localized regeneration strategy; 4) In order to differentiate a region's goods and services, careful consideration of supply and demand conditions needs to be undertaken.; 5) Finally, attracting the attention of mass-media organisations for the purposes of publicity is an effective way of gaining low-cost, high impact promotion of their products.

Adachi (2005) provided a more detailed explanation based on nine key factors contributing to the success of the OVOP initiative in Oita prefecture, Japan.

- 1. Land:** Oita suffered from a lack of cultivatable acreage and a poor transport infrastructure, and so exploitation of agriculture for the generation of greater income was not really an option. Little of the agricultural land was used for the growing of rice, so any available land was used for the cultivation of easier crops. The area had not benefited from the wave of development that had occurred in other regions of Japan between 1955-1972, meaning the rich natural environment of the area had been conserved, and that commercialisation of the local way of life for tourism development could be implemented to attract urbanite tourists.

- 2. Labour:** OVOP's greatest achievement was the creation of jobs for rural people. The movement also benefited from the emergence of very capable leaders from within local communities, many of whom were so-called 'U-turn' individuals that had acquired modern business skills and training from time spent in cities or overseas, but who had returned inspired, motivated to improve the fortunes of their home communities. In 1983, the *Toyono-kunizukuri-Juku* institute was established for both the education of community leaders and the training and development of prospective ones.
- 3. Capital:** OVOP founder Hiramatsu repeatedly stated that "our government helps those that help themselves" and "do not incentivise people by subsidy", and yet substantial sums of government money were invested in the initiative. Some industries, for example tourism and agro-processing, needed little financial support, as it was unnecessary for them to build hi-tech production bases or large-scale facilities. Others, however, did, and public funds were needed to be used as subsidies for the farming, fishing and forestry industries, depopulated area development bonds, home land creation funds, job creation and investment in premises and plant equipment. Overall, OVOP ensured that public funds were efficiently utilised, and even oversaw the establishment of enterprises that arose solely from privately generated funds.
- 4. Technology:** The technological basis of OVOP is geared towards enabling product differentiation that ensures strict quality control and production stability all year round. Owing to the high cost of internal R&D, OVOP established an external administration that took care of R&D for all goods produced by community groups in the region, these being based in Beppu, Kamiura and Mie.
- 5. Marketing:** Adachi acknowledged the significance of 'governor as salesman' as a successful marketing strategy, as well as the establishment of OVOP Oita Co. Ltd to promote such goods in other regions of Japan. OVOP also used

mail order catalogues and TV shopping channels as channels of distribution, and were clever in using thorough market research to learn the tastes of consumers in metropolitan areas.

- 6. Local administration and mass media:** External support was granted to the OVOP initiative by local government and mass media, who assisted in fields of distribution, design, packaging, R&D, quality control and recommendation. The local authorities initially made the use of public service broadcasting freely available to OVOP groups.
- 7. Environment:** Oita is an area of outstanding natural beauty that has seen little development in recent decades compared with neighbouring areas, so it is an area ideally suited for tourism development. Not only would hosting visitors generate money, but catering for them would be another channel for distributing local products.
- 8. Networking:** Participants within the OVOP shared success stories with others so as to pass on best practice and enable all those involved within the initiative to develop and learn from one another. Networking undertaken by groups could take three possible forms, these being: networking through learning; complementary networking, whereby groups volunteered services and skills in return for the benefit of those possessed by others; and finally, networking by synergy, whereby groups work in partnership with one another for mutual benefit.
- 9. International exchange and local diplomacy:** The OVOP movement is viewed by many as a unique and endogenous development method that inspires human motivation and, consequently, has attracted widespread local and international attention.

2.2.3 Application of OVOP to Asian countries

Owing to the acknowledged successes of the OVOP initiative in Oita, it is perhaps unsurprising that the project was replicated elsewhere. To improve the social conditions of citizens living in rural villages, several countries in Asia have adopted the OVOP template for rural economic regeneration. Similar programs to OVOP can be seen in Table 2.1 below:

Table 2.1: The ‘OVOP’ movement in Asia

China	1. One Hamlet, One Product Movement (Shanghai) 2. One Town, One Product Movement (Shanghai) 3. One Region, One Vista Movement (Shanghai) 4. One Village, One Treasure Movement (Wuhan) 5. One Community, One Product Movement (Jiangsu Province) 6. One Product Movement (Jiangsu Province) 7. One Village, One Product Movement (Shaanxi Province) 8. One Village, One Product Movement (Jianxi Province)
Philippines	9. One Barangay, One Product Movement 10. One Region, One Vision Movement
Malaysia	11. Satu Kampung, Satu Produk Movement
Indonesia	12. Back to Village (East Java)
Thailand	13. One Tambon, One Product Movement
Cambodia	14. One Village, One Product Movement
Laos	15. Neuang Muang, Neuang Phalittaphan Movement
Mongolia	16. Neg Baag, Neg Shildeg Buteegdekhuum

Source: Oita Prefecture International Centre

Thailand, under the guidance of then Prime Minister Thaksin Shinawatra, adopted the OVOP-style regeneration program on *a national scale*, providing loans and support from government and private sector agencies, as well as universities to every village in the country (Ministry of Industry, 2001). This was the OTOP project that forms the context of the research for this thesis.

2.3 One Tambon One Product (OTOP) project in Thailand

2.3.1 Background and objectives of the project

The OTOP Project was established owing to the economic downturn in 1997 in Thailand. The effect on the cost of living of Thai people, especially those on low incomes, was very serious. The majority of people living in rural areas were still poor. In 2001, therefore, the government set out a policy in order to overcome this economic problem. The government strongly believed that if rural people, who form the majority of the population in Thailand, have better lives, the overall economy will be improved in a positive manner. The OTOP project was one of the most important projects, according to government policy, geared to solving this problem.

Government policy set out the objectives of the Project as being (Department of Community Development, 2001):

1. to generate greater income for rural communities
2. to strengthen people in rural communities and enable them to be economically self-reliant
3. to promote original ideas
4. to promote human resource development
5. to promote innovation and creativity for the development of products that are harmonious with rural life-styles and cultures

2.3.2 Characteristics of the project

2.3.2.1 Principles and rationale of the project

The basic principles of OTOP were (Department of Community Development, 2002):

1. **Local yet global:** Original ideas are used to develop products and services that are of high quality and which reflect the uniqueness of each community. Additionally, the quality of products are to be enhanced in order to raise the standard of goods manufactured, enabling the expansion of markets from domestic to global.

2. **Self-reliance/creativity:** People in the community have the responsibility to research and produce goods in accordance with their skills. Development of technology and knowledge are supported by government and private sector agencies, as well as universities.
3. **Human resource development:** Skilled people, who possess good vision and social acceptance, are chosen from each community to exchange knowledge in order to develop products that are of a high quality. Moreover, the development of skills within communities is done so in order to increase knowledge of such business skills as effective management, administration, marketing and production etc.

Two factors were felt to be imperative in driving up the quality of products that are produced by rural community businesses, something that was viewed as essential if products were going to be distributed through the global export markets. 1) **Internal factors:** People in communities would need to cooperate and work collaboratively if they were to achieve their goals. Resources and original, creative ideas should be developed into prominent, high quality goods that will meet the requirements of both the domestic and global markets. 2) **External factors:** Updated knowledge and skills, and management, as well as applied technology for both production and marketing, would be supported by the government, as well as academic and private sector organizations, in order to reach the objectives of the project (Department of Industrial Promotion, 2002).

However, the rationale behind the OTOP project was ‘support more than subsidy’ in order to strengthen communities and enable them to eventually be economically self-reliant (Department of Industrial Promotion, 2002).

2.3.3 Project operation

In order to ensure that the ‘OTOP’ project was run and managed effectively, it was overseen by the *National OTOP Administrative Board*, the chair of whom was the Prime Minister or Deputy Prime Minister, and on which sat representatives from the

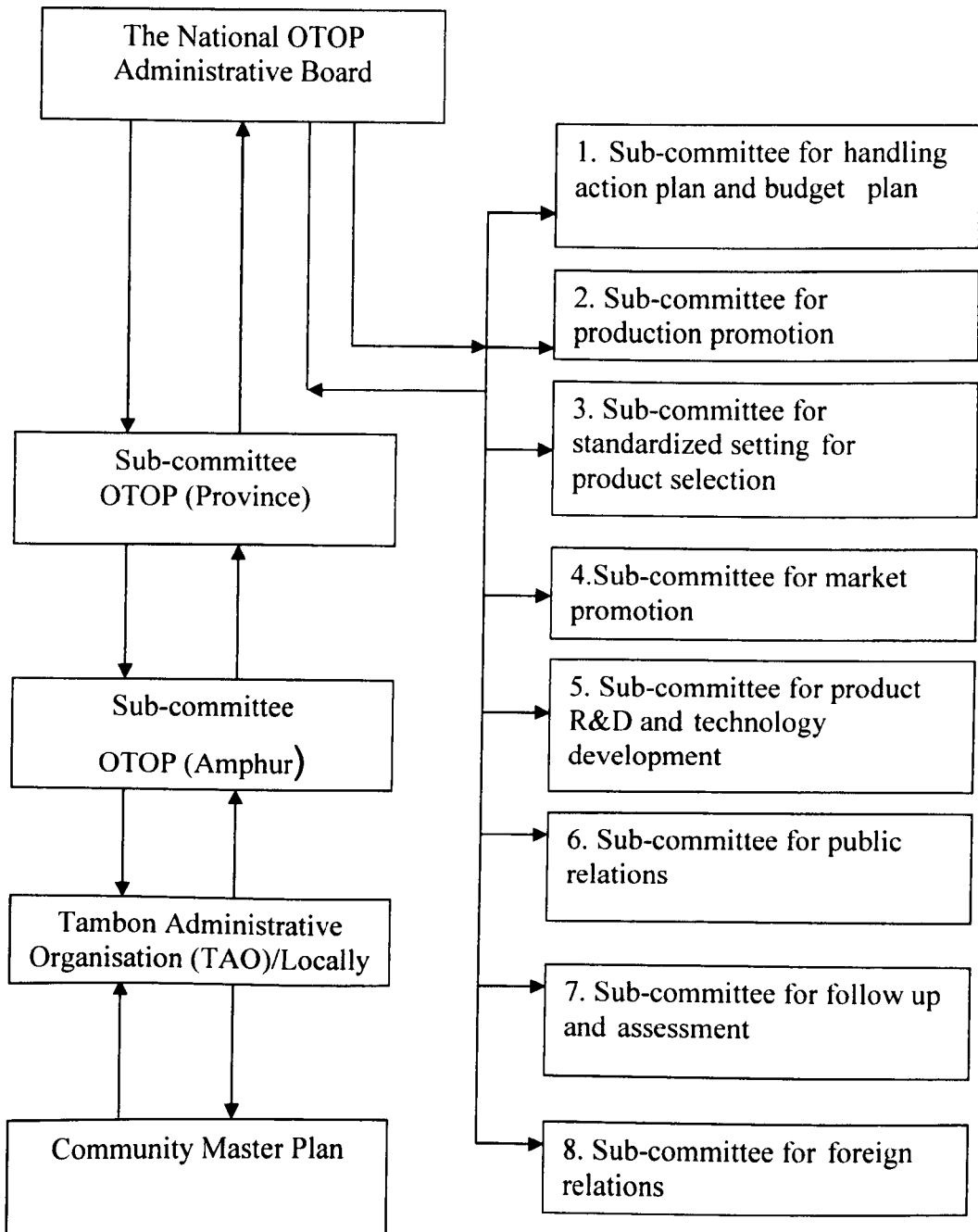
related key ministerial offices within Thailand. The responsibilities of the *National OTOP Administrative Board* were as follows (Department of Community Development, 2002):

1. To set strategic policy and operation plans for 'One Tambon, One Product' in order to conduct government action plans and budget plans effectively.
2. To set standards for product selection and a prominent product list of the districts that are in the OTOP project.
3. To give recommendations and consultation to Ministers and also support the government action plan and budget plan effectively.
4. Public Relations and dissemination of information about the One Tambon One Product operation.
5. Issue precedence, word of command, regulations and other announcements for implementation.
6. For the benefit of government management, Ministers can request the government's officers or employees to discharge full time, part-time or over time. Compensation will be paid to them accordingly.
7. Nominate sub-committee, consultant committee to operate according to this precedence.
8. Implement other responsibility as Ministers command.

It can be seen that the OTOP project had support at the highest level, but this implied a rigid structure and bureaucracy.

In fact, the OTOP project consists of 10 sub-committees: 8 sub-committees operate centrally, and the rest work at a provincial level, namely 'Sub-committee OTOP (province)' and 'Sub-committee (Amphur)'. The detail and complexity of the mechanisms reflect the importance to the nation of the OTOP project. See Figure 2.2 for the chart of OTOP project management.

Figure 2.2: Chart of OTOP project management



Source: Department of Community Development (2002)

2.3.4 Management of mechanism and process of the project

2.3.4.1 Management of mechanism of the project

The sub-committees in Figure 2.2 were nominated by the committee as follows:

1. The Central part consists of

- **Sub-committee to handle action plan and budget plan:** The permanent undersecretary of the Prime Minister's Office is a chairman of this sub-committee.
- **Sub-committee for production promotion:** The permanent undersecretary of the Ministry of Agriculture and Cooperative is a chairman of this sub-committee.
- **Sub-committee for standardized setting for product selection:** The permanent undersecretary of the Ministry of Industry is the chairman of this sub-committee.
- **Sub-committee for market promotion:** The permanent undersecretary of the Ministry of Commerce is the chairman of this sub-committee.
- **Sub-committee for product research and development and technology development:** The permanent undersecretary of the Ministry of Science and Technology is a chairman of this sub-committee.
- **Sub-committee for public relations:** The director general of the government department of Public Relations is the chairman of this sub-committee.
- **Sub-committee for follow up and assessment:** The permanent undersecretary of the Ministry of University Affairs is the chairman of this sub-committee.

- **Sub-committee for foreign relations:** Mr. Punsak Winyarat is the chairman of this sub-committee.

2. The provincial part consists of

- **Sub-committee: One Tambon One provincial product**
 - Governor is a chairman of the sub-committee
- **Sub-committee: One Tambon One Amphur product**
 - District Officer is a chairman of the sub-committee

2.3.4.2 Management of the process of the project

Process 1: Tambon Administrative Organisation (TAO)/locally

- Major responsibilities are public relations, approach explanation and the best product selection in the Tambon (sub-district) level that related to original ideas

Process 2: Amphur level by committee that runs “One Tambon One Product”

- Major responsibilities are product arrangement within an Amphur (district), as well as action plans and budget plans for supporting the project
- Rural resources and community plan

Process 3: Provincial level by committee that runs “One Tambon One Provincial Product”

- Major responsibilities are product prioritization for each Amphur of the province, action plan and budget plan for supporting the project

Process 4: Central level by the committee that runs the “One Tambon, One Product” project

- Major responsibilities are standardized setting for product selection and prominent product registration of each district, as well as support products to be listed according to the strategy

2.3.5 Periods of OTOP project operation

Importantly, there are three defined and planned periods for the OTOP project operation, showing various anticipated stakeholder roles, as detailed below.

It is seen that universities play three roles, these being reactive participants, catalysts and supporters as part of the OTOP plan. The research for this thesis is part of the plan in aiming to engage in the reactive participation and catalyst roles with the emphasis on marketing and marketing strategies for community businesses. The three periods are explained more fully now.

Table 2.2: The three periods for the OTOP project operation

Institution	Period		
	2001-05	2006-10	2011 →
Government	Catalyst	Supporter	Facilitator
Private Sector and Universities	Reactive Participant	Catalyst	Supporter
Community Businesses	Aid-Reliance	Key Driver	Self-Reliance

Source: Department of Community Development (2002)

First period (2001-2005): In this period, respective government organizations at central, provincial and local levels assumed roles geared to enhancing and supporting groups of producers within communities to use original ideas to develop products. In addition, updating of knowledge and management skills was supported by the government in order to enable products from community businesses to access both domestic and global markets via networks and the internet. Besides, The Prime Minister’s Office precedence for the “*One Tambon One Product National Project 2001*” was to promote and support the local development process by allowing rural people to participate in the project. As a result, income was generated through the use

of local resources and original ideas to develop products and services that are of a high quality, prominent, and which are harmonious with local life-styles.

The National OTOP Administrative board has the following key responsibilities: setting policy, strategy and master plan for project operation for OTOP; setting benchmark standards for product selection and product listing as the best in class product in each district. In addition, the support is set in order to direct the operation in accordance with the policy, strategy and master plan.

The main duties of the committee of OTOP at provincial level are as follows: to be involved with the selection of 'best in class' products of each district and report to the National OTOP Administrative Board; set provincial operation plans and budget plans in place to develop product quality standards, as well as overseeing marketing promotions.

In addition to this, the government attempts to motivate the private sector and academic institutions within communities to participate in the development of OTOP knowledge and skills - production, marketing, management, finance, accounting and technology are supported by universities, whereas the private sector provides business networks, and relays business experience and business knowledge to groups of producers.

Second period (2006-2010): For this period, the role played by the government was reduced, whereas private sector and educational institutions' roles were increased in order to move towards rural communities' self-reliance. The knowledge training of business, marketing, production, finance, accounting system, and business planning were implemented in order to reduce costs and increase revenue, to make community businesses more professional, and to establish business networks for future collaboration between communities and external bodies.

Third period (2011-henceforward): It is hoped that community businesses will be self-reliant, economically secure, enjoying regular incomes, and that business networks for collaboration will have been established. Eventually, it is hoped that collaborative networks from the community business generates clusters that have developed from Intra-Community Collaborative Networks to Inter-Community Collaborative Networks.

Finally, the government's role as facilitator would be withdrawn because community businesses would possess an enduring, knowledge-based cluster. The private sector, local educational institutions and community businesses will have linked together to form a relationship for business alliance, knowledge update and vigorous community business.

2.3.6 Budgets for OTOP project

For an overall picture, the Thai government has invested a significant amount of money in OTOP: 800 million Baht in 2003, 1,500 million Baht in 2004, 1,000 million Baht in 2005, and 1,000 million Baht in 2006 (Maneeakat, 2007):

Those budgets were spent to operate many activities in order to develop the OTOP project, with examples being (Maneeakat, 2007):

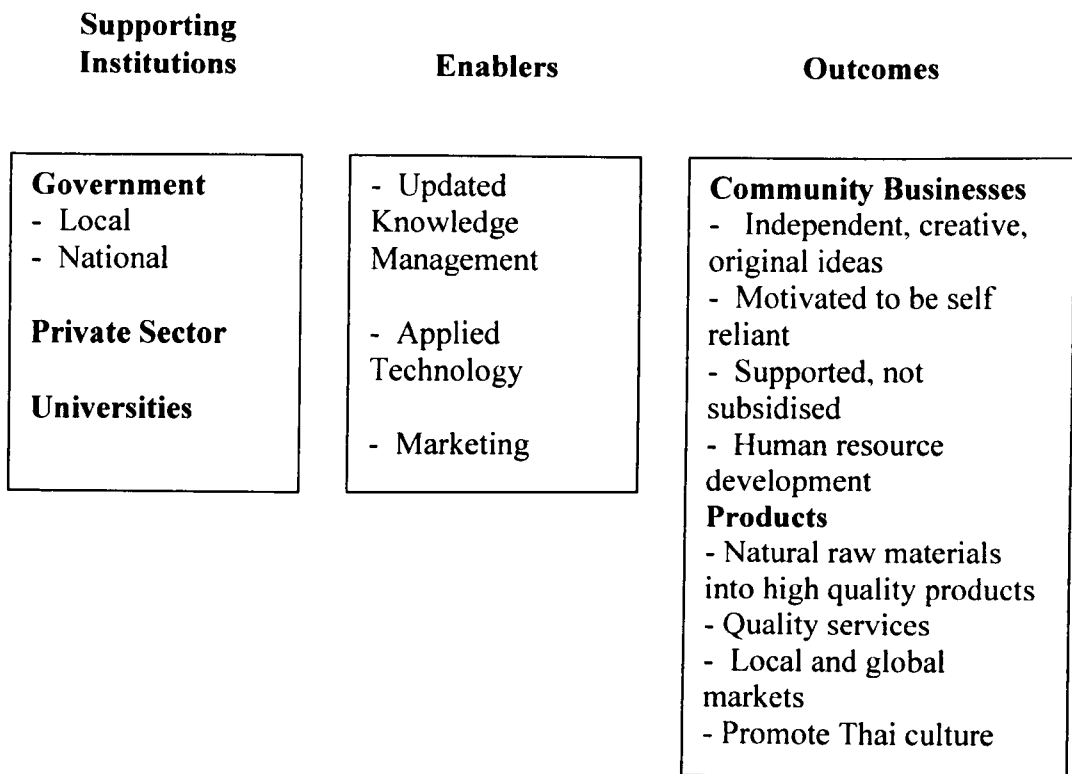
- The 'OTOP' Product Champion (OPC)
- The 'OTOP' Festival
- Business administration, production and marketing training for groups of producers
- Young OTOP camp training
- Cost analysis and business plan training to groups of producers
- High potential entrepreneurial training in order to go globally
- OTOP innovation promotion
- The development of groups of producers and marketing to participate in marketing activity
- OTOP Village Champion (OVC)

- Network setting to communities in order to be knowledge-based OTOP
- Other activities to strengthen groups of producers and entrepreneurs of OTOP

2.3.7 A visualisation of the OTOP project

Figure 2.3 demonstrates that the desired outcomes of the OTOP initiative are judged against a broad range of performance criteria in the right-hand column

Figure 2.3: A visualisation of the OTOP project



When the government implemented the OTOP project, the ultimate aim was that community businesses would not be subsidized, but would develop to an extent that they were wholly self-sufficient, having received comprehensive guidance and support in the initial stages from both the public and private sector, as well as academic institutions to ensure that this objective was met. They are expected to provide skills in knowledge management, technology and marketing. Producers are

called upon to pool their own skills and resources to produce high quality goods that reflect their local culture and traditions. Private sector organizations are on hand in the initial stages to offer guidance and support in helping them market their goods and access both local and global distribution channels, while academic institutions equip them with training and up-to-date skills to deliver high quality products and customer service, and to be economically self-reliant as business enterprises.

2.4 The literature on community businesses

Community bodies that require individuals to work collectively have existed for a long time within the rural areas of Thailand, with the first being established in 1916. The Agricultural Cooperative, Farmer Association and various Saving Groups are just three examples, most of which have been overseen by one government agency or another (Hirunrutsami *et al.*, 1990; Punthasen, 1996 in Hutanuwatr, 1998). When the OTOP project was initiated, many new community groups were established – nevertheless, the government, in many instances, simply encouraged long-standing community enterprises to become involved in this new initiative in the hope that the support on offer would benefit them and enable them to operate more effectively.

2.4.1 Definition of community business

Allen (in Phetprasert, 1999) recognized that community enterprises or businesses exist throughout the world, and vary somewhat in their organizational structures and key aims; examples being co-operatives, credit unions, village banks and development trusts. He defines community businesses as organizations that produce products that are managed and controlled by members of the community in which they operate and exist. Allen also acknowledges that, while the respective organizations may be different, they all share common values, namely that: 1) All organizations are established to benefit the local community; 2) The members of respective organizations decide upon how the firm will be operated, what strategies will be implemented and what the key objectives of the enterprise are, rather than shareholders; 3) The revenue generated by respective groups drives future growth and initiatives, rather than government/private sector subsidies.

Walaisatien *et al.* (1997) studied the policies and methodology used to promote community businesses. They concluded that community business was activities that people within a community participated in, and which was supported by external organizations in order to assist and work together to operate the business such as production, modification, trade and service that develop economic of community to be in line with social, culture , natural resources and community environment. As a result, it led them to have better lives than ever before. Similarly, Sarawadee (in Institute of Research and Development, Khon Kaen University, 1997) summarized that a community business was a group, association or cooperative in which people worked together in order to do business, and one in which all members followed the same objectives and directions. All members had direct involvement in the business through investment and management, and subsequently benefited from any returns on investment. In addition to this, members helped each other to solve any problems that the enterprise encountered, whether they are economic, social, cultural or environmental problems. There were both male and female leaders within such organizations, who worked to ensure that the community business achieved its goals.

From the various definitions above the researcher uses the following definition in this thesis: “Community Business refers to an organization, or group, that people in the community are willing to be involved in as a business enterprise; one in which all involved shared the same objectives and ideas. All members invest in the project, and participate in management and group discussions, as well as benefiting from the operation of the community business. In addition to this, a continuous learning process is to be in evidence from which they are able to solve any problems they encounter.” However, there was more than one community business in a given community, and so it was necessary for community development to focus on promoting community businesses as a wider initiative.

2.4.2 Community business features

Community businesses differ from other businesses since they not only need to generate a profit, but they also need to facilitate development of skills for the people

in rural areas by leading them through a learning process (Phetprasert, 1999). The following conclusions set community businesses apart from other business enterprises: (1) Management Pattern: Generally, other businesses operated as a company, whereas community businesses operated as cooperatives; (2) Proprietary rights: For community businesses, the proprietary rights belonged to the community and therefore all members could participate in the management of the business; (3) Goals: Normally, the goal of general businesses is to maximize profits in order to satisfy the shareholders and entrepreneurs in terms of assets and the largest possible returns on investment. However, the goals of community business were to allocate the profits to the community in terms of assets, but additionally to improve the welfare, quality of life and human development of people residing in the rural communities in which the respective community businesses were located.

2.4.3 The importance of community business

Community business is very important because it can assist the economic, political and social development of countries. Punthasen (2002) outlines the following advantages of community business:

- 1. Gives an opportunity to be entrepreneurs:** Community business is a channel to give an opportunity to rural people to run businesses collaboratively with other members of their community. Even though they are employees, such an initiative provides them with the chance to be entrepreneurs as well. Members who have creative ideas and practical experience are able to participate in community business since it is a low investment enterprise that focuses on developing communities in rural areas. By providing rural people with such business experience, it is possible that small community businesses could develop into larger businesses in the future.

- 2. Gives a chance to have hired employment:** The community business development broadens the scope for employment opportunities and the development of skills for people in rural areas. People are involved in the ownership of a business, and as a consequence can develop their labour skills

as much as they want.

- 3. Promotes and develops industrial business:** Some large industrial businesses required raw materials or spare parts in order to produce industrial products. Community businesses are able to act as a source that produce the raw materials and spare parts, so as to supply these larger industrial businesses. Community businesses benefit from training programs and skills taught by the large industrial firms and conglomerates. Additionally, large industrial businesses gain from the benefits of low cost investment. However, in the long term, it is possible that large industrial business may transfer their production plants overseas to countries that have cheaper labour costs.

- 4. Strengthens communities:** The greater the number of community businesses, the more the economy becomes decentralized, with more power and organization being assumed by entrepreneurs. As a result, income will be distributed more evenly throughout smaller, more rural communities. This ultimately leads to the rural areas enjoying greater stability and people enjoying greater happiness, better incomes and secure employment.

- 5. Reduces the social problems that are a threat to rural areas:** If community businesses are able to achieve their goals, people would benefit from for a greater income. Families would be more contented and enjoy a greater quality of life, as no one would need to leave their local area to seek employment and as a consequence, rural communities would be strengthened.

There is no doubt that community business activities can bring great benefit to poorer communities throughout Thailand and the wider world, and yet Allen (in Phetprasert, 1999) readily acknowledges that some cooperatives fail in developing countries. This is usually due to limitations in terms of management and marketing skills on the part of members, or a failure on the part of group members to work collaboratively together, instead being too preoccupied with individualistic goals. The aim of this

study is to reconcile any problems that may arise within OTOP community businesses, especially with regard to the marketing of products, to increase an enterprise's chances of succeeding.

2.5 Literature on strategy and marketing strategy

Because OTOP was a relatively new project when this study commenced, there was very little work done on the nature of community businesses, and especially the marketing strategies that they currently had in operation, that the researcher could use to gain the valuable insights into community business marketing strategies which would have been useful for building up a conceptual framework for this study. It is because of this lack of detailed knowledge about community business operations that traditional theories and texts had to be consulted in order to build the conceptual framework that could act as a guideline for the study of community business marketing strategy in Chiang Mai, Thailand.

2.5.1 Strategy

2.5.1.1 Definition of strategy

The word 'strategy' is derived from the Greek word *strategos*, meaning '(army) general'. In its most literal sense, the word refers to the 'art of the general', while militarily speaking, it means 'the science or art of combining and employing the means of war in planning and directing large military movements and operations'. However, in regular day-to-day usage, the word can be defined as referring to 'a plan, method, or series of manoeuvres or stratagems for obtaining a specific goal or result' (www.dictionary.com).

From the 1950s onwards, business organizations began to employ a more strategic approach to solving their problems, yet, by the 1970s, firms had adopted a strategic approach for also managing their organizations (Steiner *et al.*, 1986). In the 1980s, Ansoff (1987) asserted that strategy as a concept had several inherent and

distinguishing characteristics, namely it is abstract and that it is factor that can be viewed as having no immediate resultant impact on the productive action of a firm.

In contrast, Johnson and Scholes (1988) and Johnson *et al.* (2005) chose to define strategy in terms of decision-making, and argued that strategic decision-making takes into account six key factors before a route forward can be proposed, these being: 1) the scope of the organization's activities; 2) the matching of organizational activities to the environment in which it operates; 3) the long term direction of the organization; 4) the ability to achieve some advantage for the organisation over competition; 5) creating opportunities by building on an organisation's resources and competencies; and 6) the expectation and values of stakeholders in the organization.

Mintzberg (1994, 2003), on the other hand, proposed five meanings that collectively defined what a strategy is. They are: 1) **Strategy as a plan:** In this instance, a strategy refers to an intended course of action that is viewed as the best way in which to deal with a given situation, and which is prepared in advance with a specific purpose in mind; 2) **Strategy as a pattern:** A strategy cannot simply be termed a 'plan', for this suggests that those that devised it failed to consider the resultant outcome or behaviour when implemented, which, of course, strategists do. A strategy, therefore, can also be devised as a pattern, or rather a collective stream of actions that are consistent in the aims, whether this is intentional on the individuals instigating the strategy or not. The aforementioned definitions can apply collectively or independently. A plan may never come to fruition, and is therefore an intended strategy, whereas patterns can emerge that are not expected, and in this case the plan is a realized one; 3) **Strategy as a ploy:** A strategy also can potentially be regarded as a ploy, which, by definition, is an attempt to outwit a competitor whether in business, combat etc; 4) **Strategy as a perspective:** A strategy can also be deemed a perspective, that is, an inherent way that individuals have of viewing the environment/circumstances in which they find themselves. Consequently, a perspective is something that members of an organization, be this through their intended aim and/or by their actions; 5) **Strategy as a position:** Finally, strategy

refers to the position or standpoint an organization chooses to assume within the context of the environment in which they find themselves, and affects the manner in which a given organization interacts with its environment, whether this be in an internal or external context.

The researcher can therefore conclude that, by definition, the term strategy refers to a planned and intentionally pursued course of action devised to deal with the various situations that community business organizations may find themselves faced with.

2.5.1.2 Level of strategy

Several authors, for example, Wright *et al.* (1992) and Jones (1994) identified three levels of business strategy: Corporate, Business and Functional. A corporate level strategy is one that sees such a large organization attempt to establish itself in strong positions within these diversified fields and the subsequent actions it takes to both achieve and sustain this. A business strategy, meanwhile, is one adopted by a firm so as to build a strengthened position within the marketplace for the long-term. Finally, a functional strategy can be defined as a course of action that is implemented in order to strengthen both the organizational and functional resources of a business in order to ensure the organization's core competencies.

Different individuals within a given organization are responsible for each respective strategy mentioned above. Key executives and top-level managers are directly responsible for devising and implementing a firm's corporate strategy (Jones, 1994), while the heads of respective departments and general managers are required to adopt the resultant strategy and formulate appropriate business strategies that will complement this and ensure that specified goals are achieved. As Wright *et al.* (1992) point out, the functional strategy for each respective function of the organization is devised and implemented by functional managers, with the aim being to achieve the outcomes specified in the firm's business strategy.

2.5.2 Marketing strategy

In the early 1980s, the term marketing strategy referred to the manner in which each element of a marketing mix (product, price, place and promotion) could be used collectively by a business to achieve the marketing goals that it had set. Such a view subsequently gave prominence to the marketing mix approach and, therefore, saw the utilization of such an approach to marketing by a wide range of businesses and organisations.

McCarthy proposed a marketing mix or 4Ps classification in 1960 which was widely acknowledged and adopted by his peers. However, Waterschoot *et al.* (1992) disputed the ability of McCarthy's proposed 4Ps classification to adequately fulfil the requirements of what could be deemed as good taxonomy, citing the manner in which a given marketing activity or tool is able to meet several different requirements at once, and arguing that a specific requirement may subsequently need ratification.

Lauternborn (1990) proposed an alternative method of classification to that offered by McCarthy known as the Four Cs which were based on the principles 'consumer want and need', 'cost to satisfy', 'convenience to buy' and 'communication'. Kotler (1994) supported these principles somewhat, when he argued that a successful firm is one that is able to meet its customers' needs conveniently and economically through effective communication. It can be surmised, therefore, that McCarthy's 4Ps theory is representative of the seller's interests in marketing, whereas Lauternborn's 4Cs reflect the buyer's viewpoint. Forbis and Mehta (1981) also went on to acknowledge a key orientation to the marketing mix, yet also broadened the definition of such an approach to incorporate the concept of positioning. The definition as proposed by them recommends the use of market segmentation, and subsequently includes the practice of market positioning. When attempting to provide a detailed explanation of marketing strategy, four major elements are frequently used, these being the following: the marketing mix, market share, competition, and finally positioning. During this period, marketing strategy was regarded as being central to the long term planning of the marketing function.

All the aforementioned definitions of marketing strategy regard it as being one of a firm's functional strategies. The differences that arise between the respective definitions above could stem from differences that exist between the marketing strategies that are being defined.

An example would be the definition proposed by Baker (1992), who isolated and defined three distinct marketing strategies, these being *differentiated*, *undifferentiated* and *concentrated*. These three strategies share many similarities with the generic strategies identified by Porter, which were *low-cost*, *differentiation* and *focus*. Through the implementation of such a strategy, it was suggested that an enterprise would be able to capture a significant portion of an existing market for its current product range, or alternatively cultivate markets for its current products.

2.5.3 Competitive marketing strategy

Wheelan and Hunger (2004), for example, explicitly acknowledge the competitiveness of business strategy, identifying how its focus is on improving the competitive position of a firm's products or services against its rivals within a given market sector. El Morsey (1986), on the other hand, argued that a competitive business strategy was one that was able to identify the factors that impacted upon competitive market conditions, as well as the respective strengths and weaknesses of an organisation in relation to these, and subsequently devise both offensive and defensive tactics that would enable the firm to both attain and sustain a competitive position within the marketplace over time.

From the aforementioned review of both competitive and marketing strategies, what is clear is that competitive strategies are those which are adopted by organisations at strategic business unit (SBU) level, in order to ensure that respective products both attain and sustain competitive market positions in relation to those of their competitors, whereas marketing strategies are often considered simply functional strategies, limited in scope to the actions of very specific functions within a given business (West *et al.*, 2006). Whereas competitive strategies are generally devised and

implemented at SBU level within a firm, marketing strategies have in the past been left to the operational level of respective functional areas of an organisation. When formulating a competitive strategy, it is essential that four key factors are involved, these being the devising of an appropriate mission statement for the project, the selection and evaluation of generic strategies, the setting of objectives, and finally the production of policies. Meanwhile, the development of appropriate marketing strategies has traditionally involved the selection of a target market, the devising of a marketing mix strategy, as well as the assessment of marketing strategies adopted by rivals within the marketplace. Whereas all managers within an organisation have input into the development of an organisation's competitive marketing strategy, the normal responsibility of the development of appropriate marketing strategies falls to the manager of a firm's marketing department.

Kotler (2000) and Hooley *et al.* (1998) advocate taking both rival competitors and prospective consumers into consideration when formulating a strategy, so as to gain a more balanced view of the state of the marketplace. Marketing occupies a curious position, acting as a link between the organisation it is designed to promote and prospective customers, members of the distribution channels, and, of course, competitors. Many consider marketing to play a fundamental role in linking an organisation with its external environment, but it should be noted that it is of such importance within the strategic planning process that it should be the responsibility of managers across a given organisation, as opposed to a specialised function, to devise a suitable marketing approach to best serve the needs and objectives of the firm.

The views of both Webster (1992) and Hart (2003), assert that, when a firm sets about devising and implementing an organisation's competitive strategy, it is essential that marketing plays a central role. Several authors support such a notion, with Lambin (1997) warning that failure to support a strong culture of marketing orientation within a firm would be detrimental to a firm's competitiveness and could lead to potential problems surfacing in the future. Meanwhile, Wilson and Gilligan (2002) stress the interdependence that exists between marketing and strategic planning, arguing that the

two need to be utilised collectively in order for an effective, competitive strategy to be developed.

From the various views expressed above, West et al (2006) conclude that a 'competitive marketing strategy' cannot simply be relegated to being a lower level strategic development, nor a functional strategy designed simply to serve the 4Ps of the marketing mix, rather that it should be regarded as a far more significant market-orientated business strategy. The importance that they place upon marketing as a business philosophy highlights the role that it should have in informing all activities that are implemented by an organisation.

In summary, marketing is able to assist a firm when it sets out to achieve a competitive advantage, for it allows a business to assess prospective customers' needs and preferences, as well as anticipating competitive moves and reactions. Porter (1985) readily acknowledged the significant role of marketing, when he highlighted that four of the five primary activities fall under the responsibility of marketing. It can be noted that a competitive marketing strategy is, in essence, a marketing-orientated competitive strategy through which a firm seeks to attain and sustain a profitable position within the marketplace, through the continual creation and development of a competitive advantage over rivals.

2.5.4 Cooperative marketing strategy

The term cooperative strategy refers to any circumstances in which organisations work collaboratively with each other so as to gain a competitive advantage over other rival firms in the marketplace. Essentially, collaboration between firms, and the sharing of knowledge and resources that results, provide several key benefits, namely the reduction of production, development and promotion costs, a reduction in investment risk, and finally the pursuit of mutual interests. As Faulkner (2003) rightly points out, such collaboration between business enterprises is becoming ever more necessary "due to the limitations and inadequacies of individual firms in coping successfully with a world where markets are increasingly global ...technologies are

changing rapidly, vast investment funds are regularly demanded ... and the economic scene is characterized by high uncertainty and turbulence” (p.611).

Pfeffer and Salanick’s (1978) ‘resource dependency perspective’ (RDP) propose that it is a firm’s ability to acquire and maintain resources that holds the key to its sustained existence in the marketplace rather than a firm’s ability to make a profit. In order to ensure that they have access to readily available resources, it is essential that businesses reduce any uncertainty about being able to fulfil these needs, and the way for them to do so is to enter into exchange relationships with rival firms through which they are able to pool knowledge and resources. Organisations are therefore motivated to form alliances or networks in order to protect their interests and gain competitive advantage. However, as Faulkner (2003) acknowledges organisations will tend to link up with firms of a similar size and power in order to avoid being dominated and hence have their vulnerability increased.

The extent to which businesses cooperate for mutual benefit can vary greatly, and so the various cooperative strategies that may be undertaken between firms will now be examined in greater detail. In cases where there is a high level of interdependence between a few businesses, where firms are motivated by resource dependency and corporate learning, such cooperation is referred to as being a ‘learning strategic alliance’. Firms identify weaknesses within their operation, either through a lack of particular resources or skills, and will then seek out competitors which can enable them to remedy this and attempt to form alliances with them that serve both their interests.

Faulkner (2003) identifies two different types of cooperative marketing strategy. These are a formal alliance between two or more businesses and a less formal network of businesses. Mattsson (1988) uses a definition of a strategic alliance that mentions partners making substantial investments in a long-term collaborative effort. In contrast, a network is a far looser grouping of businesses, and possibly other groups, that come together to pool knowledge and resources that will be beneficial to all, but

where each member is not bound by any contractual agreement to fulfil certain conditions. While an alliance has specific aims over a set period that are laid down and to which participants are expected to adhere, a network can be an ever-changing coalition of interested parties with no set boundaries (Faulkner, 2003; Child *et al.*, 2005). In the case of this study, the focus shall be on the establishment of networks by community business groups, as this was the original strategy advocated by the Thai government at the inception of the original OTOP plan (Department of Community Development, 2002).

The formulation of networks is the favoured method of strategic cooperation by OTOP community business groups as this approach results in a lower level of interdependence among those involved and requires a lower level of commitment from all parties also. More informal relationships that are enjoyed by firms that choose to adopt the network approach to cooperative strategy allow for greater freedom, and yet still provide scope for cooperation that is mutually beneficial to respective firms (Maneevat, 2007).

The analysis and development of network theory has increased greatly in recent times. Williamson (1985) attributes the reappraisal of the nature of transaction costs to firms, as well as the increase in the use of networking as a means of managing knowledge and information exchange, to complex technological advancements and economically turbulent times in recent years. Attempts to reconcile the inefficiencies of open market exchange transactions with the constraints of hierarchy by businesses through the use of strategies such as joint ventures, alliances and networks have all been extensively explored by a range of management scholars (Thompson *et al.*, 1991).

In order for the strategy of networking to be considered worthwhile, it is essential that those in charge of establishing a firm's network (usually the owner or manager) evidence a range of competencies, namely the ability to manage relationships and trust with partner organisations, negotiating skills, the ability to establish a firm's legitimacy, as well as the ability to accurately appraise the costs and benefits of

involvement in a given network and confidence to know when to abandon one (O'Driscoll *et al*, 2000).

The term 'networking' describes the liaising between members of a respective network and relates to the exchange and sharing by individuals or companies of knowledge, technology and ideas (Dean *et al.*, 1997). In the case of SMEs, the responsibility of establishing and maintaining strong networking links usually falls to the manager/owner, for it is they that are directly responsible for the strategic health of the business. Networks are dynamic and evolving entities, as a result of not only the fact that a business' strategic goals and needs are likely to develop and alter during its lifetime, but also that the business environment in which they operate is also likely to change, whether this be as a result of technological development, economic uncertainty or the emergence of a potential new business opportunity (O'Driscoll *et al*, 2000; Araujo and Easton, 1996; Larson and Starr, 1993; Butler and Hanson, 1991).

The adoption of a network approach can arise for a variety of reasons, outlined below (Faulkner, 2003, p. 635):

- **To provide flexibility in terms of a cooperative approach**

As previously mentioned, networks generally consist of a broader and looser range of business relationships than alliances, and thus allow a firm a greater degree of flexibility in terms of who they wish to cooperate with at a given time. In essence, once relationships are established, an organisation is free to call on the skill/expertise of fellow businesses as and when the need arises (what is otherwise known as immediate resource reallocation).

- **To minimise economic uncertainty**

One of the greatest threats to any organisation, be they large or small, is the threat of economic instability. The essence of 'networking' is the forging of relationships upon which partners can be called upon in times of need, and so

the establishment of networks would seem to suggest improved chances of weathering potential economic storms.

- **To facilitate increased capacity**

As a result of its organisational structure, a firm is restricted to specific performance capacities that it is capable of attaining on its own, be they production, distribution, marketing etc. By harnessing the skills of other network contacts, such performance capacities can be greatly increased.

- **To facilitate a quick response to new opportunities that emerge within the marketplace**

As networks consist of a range of organisations that possess skills that are mutually beneficial and complementary to one another, they should be suitably equipped to be reactive to any newly emerging opportunities that present themselves in the marketplace and quick to respond and take advantage of such circumstances.

- **To share resources and skills**

The essence of networks is to cooperate in ways that are mutually beneficial to those involved, and at its basic level, this is the provision of resources or skills by one firm to another that is lacking in this area.

- **To provide and share information**

Once of the principal reasons behind the establishment of networks is the sharing of information and knowledge, and such information is much more likely to be freely available as a result of this type of cooperative strategy as opposed to when an alliance has been implemented, for in these arrangements, knowledge and information is likely to be shared on a 'need to know' basis.

The key focus of this research paper is cooperative marketing strategy and how to make this more effective. In particular, the cooperative marketing strategy of

networking, and the sharing of knowledge and resources that it implies, was found to be especially useful in the One Village, One Product (OVOP) project in Japan, where networking took three forms: networking through learning, complementary networking and networking by synergy (Adachi, 2005). ‘Cooperative marketing’, in much the same way as traditional marketing, is based around the four key operative variables of product, promotion, distribution and pricing (Kotler, *et al*, 2004), all of which are examined below.

1. Cooperative product strategy

Cooperative product strategies, otherwise known as co-product strategies, refer to situations where businesses get together to share knowledge, along with supporting agencies (Carson *et al.*, 1995) to discuss product development and manufacture in order to raise the quality and consistency of products on offer and also to decide which products lines should be concentrated on as being most likely to succeed. Limited research has been conducted into such cooperation among businesses, and has primarily focussed on the manner in which such firms have benefited from offering complementary goods. The key benefit gained from such cooperative approaches is primarily a lowering of costs, owing to a reduction in distribution and product development budgets that results from working together. An additional benefit that can be gained is improved consumer satisfaction, as a result of both reduced transaction costs and improved target market exposure.

2. Cooperative promotional strategy

Cooperative promotional (co-promotional) strategies occur when businesses and other interested parties get together to discuss the advertising of products and the effectiveness of special offers in attracting customers to buy the products on offer. The benefit in this area stems from cost sharing among firms or co-operators so as to reduce the cost of promotion (Nielsen, 1987). The pooling of resources results in greater financial expenditure at an aggregate level on the promotion of goods, which ultimately results in greater effectiveness. Aside from sales promotions and advertising, tradeshow

displays, events management and public relations are other methods that are often incorporated into cooperative promotional strategies.

3. Cooperative distribution (place) strategy

Another dimension of cooperative strategies is cooperative distribution arrangements. An example might be when a private business with experience and contacts advises a new business on which product line will sell well and then helps place those products using the most appropriate channel. Again, not only does such cooperation reap reduced costs for those firms involved, but such methods ensure distribution of greater intensity over much broader geographical areas as well (Nielsen, 1987). Co-distribution of goods by a given partner within an agreed geographical area has been acknowledged as a viable and beneficial means of distribution (Pisano *et al.*, 1988). Other important and viable means of co-distribution are cooperative undertaking of transportation and warehousing between firms.

4. Cooperative pricing strategy

A networking approach to pricing is beneficial when inexperienced businesses can take advice from more established businesses and other supporting groups to determine a price appropriate to the market being entered. The flow of information can help to set a price that is considered reasonable, or help to establish the marketing of product or service bundles (Kotler *et al.*, 2004).

2.5.5 Internal and external factors that influence marketing strategies of the firms

Strategic analysis of a respective firm's business approach is concerned with both its internal resources and competencies, as well as the external environment in which it conducts business.

When analysing internal factors that impact upon the formulation of a firm's strategy, several key factors need to be analysed, namely available resources, performance and functionality.

Resources refer to the skills, finances, knowledge and technology that a given enterprise has at its disposal, and it is imperative that it identifies its strengths and weaknesses in these areas and what position it places the firm in relation to its competitors. Performance is self-explanatory, being concerned with the market share an organisation is able to claim as its own, as well as the amount of revenue and net income it is able to generate. Finally, functionality refers to the competency of an organisation when conducting routine business functions. Such functions include marketing of goods, finance, production and research and development. Before a future business strategy can be formulated and implemented, it is essential for an internal analysis to be conducted that serves to identify strengths and weaknesses and contribute to a 'strategic capability profile' (West *et al.*, 2006).

External factors are those that occur in a business' external environment and over which they have limited, if any control. Analysis of external factors that may impact upon a firm's success is referred to as 'environmental scanning', with Hax and Majluf (1994) going as far as to suggest that this technique impacts upon the overall business strategy adopted by any firm, and with other academics certainly supporting this view to the extent that it informs business strategy at corporate level (Wheelen and Hunger, 1998).

Phatak (1983) identifies the key factors that are examined through environmental scanning as being political developments, economic trends, socio-cultural trends and technology factors (otherwise referred to as P.E.S.T). Political factors could assume the form of antitrust regulations, export duties, trade embargos, tax laws and government subsidies. Economic factors include GNP trends, money supply, as well as interest, inflation and exchange rates. Socio-cultural factors can include changes in lifestyle, career expectations, population growth rate, and general fashions/trends.

Finally, technology factors include R&D spending, patent protection, and the general focus on technological efforts/advancement (Ngamkroeckjoti *et al.*, 2000).

There are two further factors that are often examined by businesses when they undertake ‘environmental scanning’, these being analysis of both customers and competitors. It is essential when formulating a business strategy that a firm scrutinises what advantages it is able to offer the target customer over its competitor in order to gain the biggest market share (Ohmae, 1983).

Customer analysis extends deeper, however, with firms needing to ascertain what motivates a particular customer group to need or want a given product, whether they as a firm would be able to meet the expectations they have of such a product, and whether the costs involved warrant sustaining a significant market share with such a product.

Competitor analysis, on the other hand, requires a firm to identify both current and potential rivals within the marketplace. Before a strategy can be formulated to ensure that the business maintains a competitive advantage over its rivals, it is essential that it pays close attention to key aspects of the way its rivals operate, chiefly: performance, image & personality, objectives, culture, current & past strategy, cost structure, and finally strengths & weaknesses (Aaker, 2001).

2.5.6 Cooperative marketing strategy adopted by OTOP community business groups

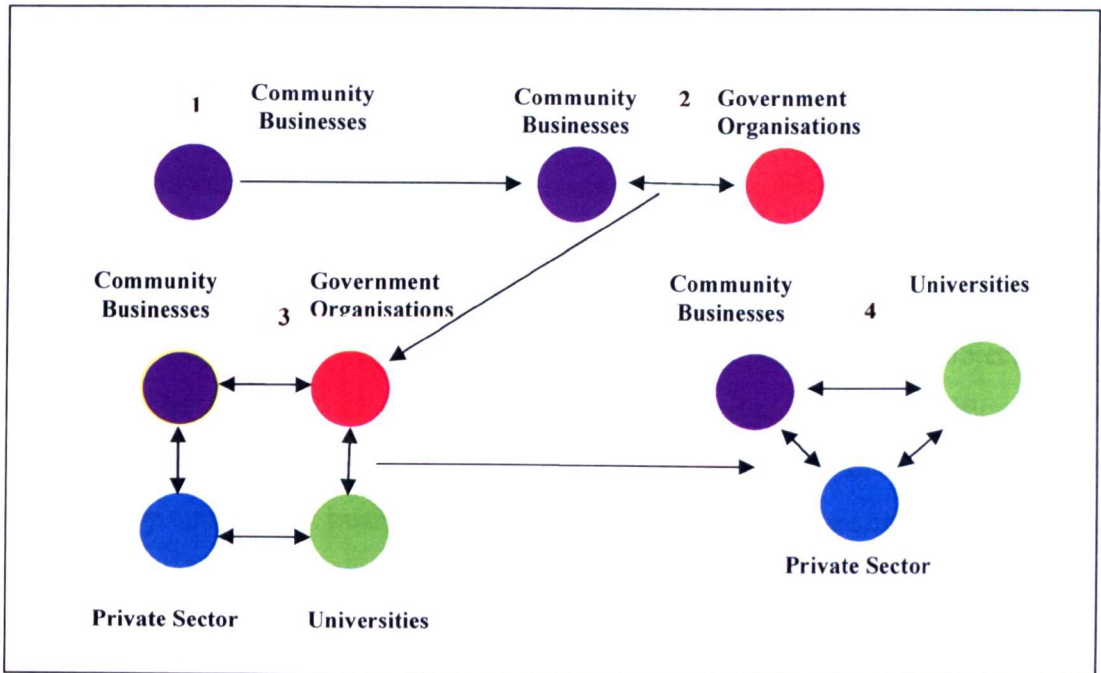
At the start of the OTOP project, the government of Thailand acted as a catalyst to get community businesses to form and produce goods, and actively encouraged community business groups to establish and develop strategic networks in order to further their business interests and share knowledge, technology and skills (Department of Community Development, 2002; 2005).

Initially, *intra-community* networks were encouraged between CB groups in the same locality, with the onus being on the passing on of traditional manufacturing skills as well as more modern business practices. The groups were then encouraged to broaden the scope of their network contacts to similar enterprises within their local province, again to encourage the transfer and sharing of skills and ideas that could serve to be mutually beneficial through *inter-community* networks. Network contacts such as these could be mutually beneficial to a firm through a variety of ways, such as the following: cost reduction, through the sharing of distribution costs or the bulk-buying of raw materials; the imparting of knowledge of time/labour efficient production methods; idea and knowledge sharing (Maneekat, 2007).

Once networks had been established between groups themselves, measures were put in place to ensure that CB groups received adequate, high quality support in terms of skills training in modern business practices and marketing strategies from government agencies, local academic institutions and other private sector support agencies. These groups were invited to join in to help develop community businesses further as the government took a step back to a more supporting role. In these larger coordinated networks, ideas were shared about logistics, selling and distribution channels, as well as more modern/efficient production and marketing methods. Government agencies and other supporters helped CB groups promote and market their products to a broader customer base, and provided support and guidance in adhering to appropriate business regulations (Department of Community Development, 2005 a). In the future it is understood that the government will still act as a facilitator, with the private sector businesses and universities in a supporting role, but that community businesses will become more and more self-reliant (see Figure 2.4 Network formation: Community businesses and supporting agencies).

Figure 2.4 Network formation: Community businesses and supporting agencies

**Network formation
(Community businesses and supporting agencies)**



Source: Department of Community Development (2002)

Within Thailand, seventy percent of the population reside in rural areas, and the government, through the OTOP initiative, has actively encouraged the creation of SMEs by rural communities in the form of community business enterprises. Understandably, the government is keen for such firms to succeed, given the role that they play in employing such a large proportion of the population. A variety of support agencies are obliged by the government to offer training, guidance and support to these community business SMEs in all manner of modern business practices, with marketing being just one of these.

These support agencies comprise of universities and colleges, as well as private sector and government agencies. The researcher compiling this research study is himself employed by a university in northern Thailand and involved with the OTOP project in Chiang Mai province, and being consciously aware of the limited research that has

been carried out into marketing strategies for community business SMEs, decided to address this issue by conducting this research project so as to redress the balance.

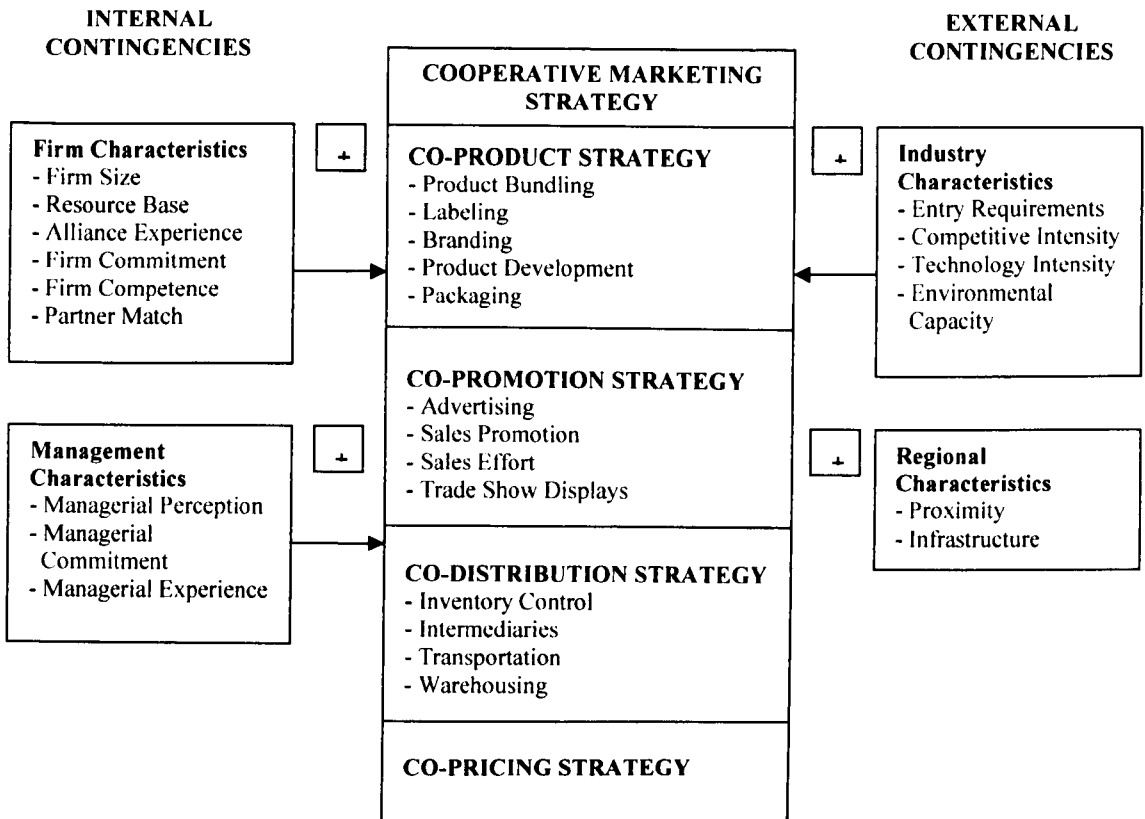
Universities are expected, within a national OTOP plan, to act as a catalyst for the development of marketing strategies for community businesses, having spent the period 2001-05 as reactive participants. The OTOP plan has multiple performance objectives and requires community businesses to be self-reliant from 2011 onwards. The OTOP plan involves multiple stakeholders and expects community businesses to be both cooperative and competitive. Given this context, traditional marketing strategy can only be partly applicable to addressing the third and fourth objectives of the study. The first and second objectives were introduced in recognition of the limitations in the literature discussing the factors affecting marketing strategies employed by community businesses and what existing marketing strategies employed by community businesses are.

2.6 Related studies

Because the OTOP project had only been in operation for three years when this research paper was started, the related research to this project was fairly limited. However, the inspiration for the layout of the conceptual model of this study was a study by Dickinson and Ramaseshan (2004) (see Figure 2.5). The research carried out by Dickinson and Ramaseshan (2004) focused on business organisations, large and small in Australia, and its chief aim was to identify the key variables that influenced firms into undertaking cooperative marketing strategies with another organisation. Through the process of carrying out their research, Dickinson and Rameseshan constructed an operational research model that served to show how a range of external and internal contingencies determined whether or not a business would *deem it appropriate* to undertake a cooperative marketing strategy with another firm (see Figure 2.5 below).

Figure 2.5 Cooperative marketing strategy model

(Research model operationalised)



Source: Dickinson and Ramaseshan (2004)

The internal contingencies identified by the two researchers included firm characteristics (size, resource base, firm competence and commitment, alliance experience and partner match) and management characteristics (perception, commitment and experience), while external contingencies included industry characteristics (competitive and technology intensity, environmental capacity and entry requirements) and regional characteristics (proximity and infrastructure).

Through its examination of the internal and external factors that affect respective businesses and their decision whether or not to adopt a cooperative marketing

strategy, Dickinson and Ramaseshan's model serves as a good template for a cooperative marketing strategy framework for this particular research project. However, it is necessary to make adjustments to key variables, as the contexts in which the businesses operate in Dickinson and Ramaseshan's framework is different to that of the OTOP project. In the case of Dickinson and Ramaseshan, they focused on a range of businesses, from large organisations through to much smaller SMEs, whereas, in the OTOP project, all the businesses examined are community based, cooperatively run small firms.

In the case of Dickinson and Ramaseshan, the firms examined in Australia were *contemplating* inter-organisational agreements, or alliances, whereby resources and skills were pooled for mutual benefit in accordance with agreed terms. In the case of OTOP community business groups, the aim is to identify and build upon a strategy whereby intra-community networks are encouraged among rival firms, so that they can share knowledge, experience, and skills (Department of Community Development, 2005). Also, the CBs could not choose to opt in or opt out. The networks established do not simply consist of rival community groups, rather they encompass private and public sector agencies also that have been part of the OTOP initiative since its inception in 2001. However, the majority of these third party agencies will no longer be required to support community business groups after 2011, for it is then that such groups will be expected to be wholly self-reliant.

The model that has therefore been developed for cooperative marketing strategy development in this study is similar in structure to that proposed by Dickinson and Ramaseshan. However, the variables, both internal and external, have been changed to reflect the challenges and issues faced by community businesses in Thailand.

The internal factors and variables for the marketing mix strategy came into being from a comprehensive survey and an assessment audit form. The survey of local cotton/silk producing groups across the whole of Thailand was conducted by the Office of Commission on Higher Education of Thailand. This was a survey that

started in 1997, four years before the introduction of the OTOP project, and concluded in 2002. Its primary focus was the development of woven textile producing local businesses and it was concerned with the internal variables that affected the performance of these local businesses. It examined how businesses were managed as well as production methods, product development, marketing and finance/accounting practices. With the aim of helping these local businesses to develop further, the survey concluded that the area of product development was of primary importance. Marketing development and improved finance/accounting practices were also highlighted as key areas to be improved (Office of Commission on Higher Education of Thailand, 2003).

The audit of Chiang Mai woven textile community businesses was carried out by the Industrial Promotion Centre Region1 in 2003. The purpose of this audit was to identify the areas where support and training might be needed within each community business. The audit form has four main parts of analysis: organization and management, finance and accounting, production, and marketing (see Appendix 4). All of these considerably influenced the creation of the variables in the internal factors section of the conceptual model. The fourth part of the audit form, marketing, was further split into product, price, place (or distribution) and promotion:

1. Product - categories, design, dyeing (colour), quality, turnover, and packaging.
2. Price - price setting and reasonableness.
3. Place - own shop, other channels, problems concerning distribution.
4. Promotion - type of promotion, problems concerning promotion.

It can be seen that the cooperative marketing strategy section of the conceptual model was based almost exactly on this part of the audit form, with the exception being that it was felt to be worth investigating which channels of distribution and promotion were ‘most successful’ and ‘less successful’ rather than just their respective problems. Furthermore, it was necessary to look at the marketing strategies developed by the community businesses in conjunction with their supporters – the universities,

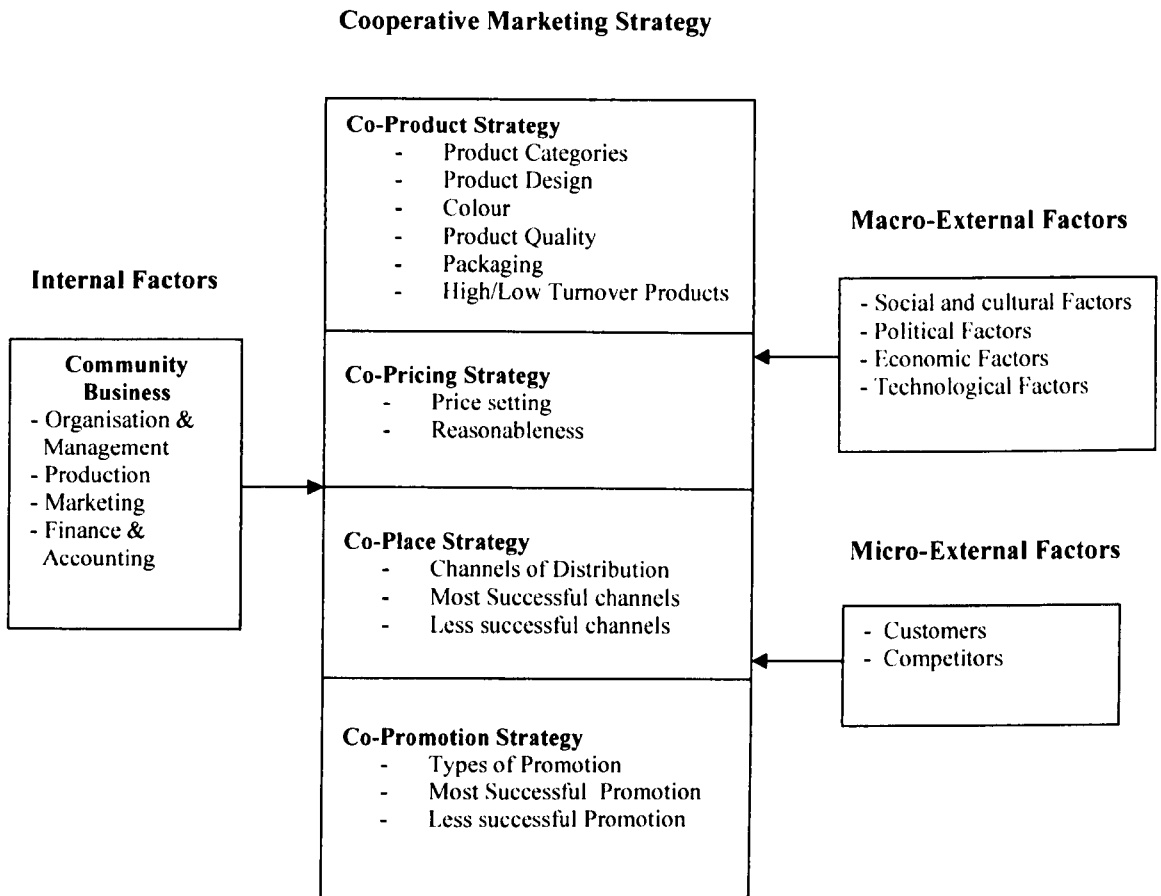
government organisations and private sector bodies. Because these strategies were developed in a collaborative manner, it was considered appropriate to call them the marketing mix strategies of co-product, co-pricing, co-place and co-promotion.

Finally, the variables used in the external (micro and macro) factors section of the conceptual model were taken from traditional theory and concepts found in standard textbooks and journal reviewed by the researcher earlier in this chapter.

2.7 Conceptual framework of this study

The relevant literature and related studies were helpful to build a conceptual framework for this study, especially the study of Dickinson and Ramaseshan (2004), which was recognised as a promising case upon which it would be suitable to build a model for the research. This conceptual model of this study is shown in Figure 2.6.

Figure 2.6: Conceptual model of cooperative marketing strategy



Adapted from Dickinson and Ramaseshan (2004)

The internal factors consist of organisation & management, production, marketing, and finance & accounting.

The cooperative marketing strategy consists of co-product strategy (categories, design, colour, quality, packaging and high/low turnover), co-pricing strategy (price setting and reasonableness), co-place strategy (channels of distribution, most successful channels and less successful channels), and co-promotion strategy (types of promotion, most successful promotion and less successful promotion).

The external factors comprise of macro-external factors (social & cultural, political, economic and technological factors) and micro-external factors (customers and competitors).

The conceptual framework proved to be very useful in conducting this research. The macro-external factors were studied using documentary study. As demonstrated in the next chapter, the micro-external factors and the internal factors were researched further using a focus group discussion method. Finally, the cooperative marketing strategy was researched using in-depth interviews and observations.

Chapter 3

Research Design and Methodology

3.1 Introduction

The OTOP initiative is complex as it involves three distinct groups of people: the first group includes local business leaders and community business members; group two is made up of supporters of the project such as civil servants, academics from local universities and members of private organisations; finally, the third and most important group comprises of the customers who ultimately purchase the products of community businesses (CBs).

Therefore, undertaking research, and attempting to develop a marketing strategy to achieve greater success for community business organisations, can be complicated. A mixed methods approach (qualitative and quantitative) has been adopted in order to gain a relevant understanding of potentially successful marketing strategies for CBs.

In this chapter, the researcher presents a clear explanation of the mixed methods approach, the theories that are applied to marketing and management studies and the mix methods approach adopted in this study. The theories that have been applied to the research design and methodology are then discussed, and the chapter concludes with a closer look at the location of the study.

3.2 Mixed methods: General explanation

At the present time, three major approaches for conducting research are quantitative, qualitative and mixed methods. The quantitative approach has been adopted by practitioners involved in the social and behavioural sciences for the longest period of time, whereas a qualitative approach to research only really surfaced in the last thirty years or so. However, it is the new mixed methods approach to research, incorporating both of the aforementioned methods (Creswell, 2003), that has seen a significant groundswell in terms of popularity over the past ten years (Bazeley, 2003a).

The two approaches (quantitative and qualitative) are different in many respects. The quantitative paradigm is centred on notions of positivism. One such notion is the belief that scientific theories are formulated from the results gained from empirical research studies. Consequently, subscribers to a positivist way of thinking believe that various scientific phenomena can be explained and understood by reducing them to basic empirical indicators, for it is these empirical indicators which represent the fundamental truth.

Ontologically, the quantitative paradigm is heavily influenced by positivism, which holds true to the belief that only one single reality exists and that this reality is universal, objective and can be widely used without time constraints.

Epistemologically, for the purposes of gathering research data, positivists insist that researchers need to avoid having a close relationship with the sample group, otherwise the objectivity of the study could be lost. This necessity for distance to be maintained between researcher and sample group stems from the idea that reality is independent and therefore there needs to be no external influences to impact upon the data being gathered (Guba and Lincoln, 1994). Methods that may be employed by respective researchers to ensure that this takes place may include randomization, blinding or the posing of questionnaires, either in written form or through verbal questioning, that consist of a range of pre-determined responses.

Whereas the quantitative approach is based on positivism, in contrast the qualitative paradigm follows a constructivist way of viewing the world. Central to the ontology of constructivism is the notion that numerous realities or truths exist, with each one stemming from a given individual's understanding and construction of reality. A consequence of this would be that reality should be viewed as being a social construct and therefore something that is perpetually changing.

Due to the constructivist belief that reality is a social construct, epistemologically it is necessary for researchers undertaking qualitative research to share a close relationship

with the sample group they are studying. This is owing to the fact that subscribers to the alternative paradigm view reality as being subjective and dependant both on the constructor and the one who is constructed (Guba and Lincoln, 1994; Denzin and Lincoln, 1994).

Given the requirement of a close relationship and understanding between researcher and sample group, methods best suited to qualitative studies include focus groups and in-depth interviews, as well as participant observation.

The qualitative and quantitative approaches have been distinguished on the grounds of the type of data that they use, the logic employed, the type of investigation carried out and, for some, on the basis of the presumed underlying paradigm (Bazeley, 2003a). The debate and controversy that have ensued between scholars who support positivism (quantitative) and its alternative paradigm (qualitative) can be heated, and has even been referred to as the paradigm wars (Tashakkori and Teddlie, 1998).

However, despite the contrast that exists between the two camps (qualitative and quantitative), many scholars, including marketing and management researchers, have recognized the scope that exists for compatibility between qualitative and quantitative approaches (Jick, 1979; Eisenhardt, 1989; Razzaque, 1998) and have chosen to adopt what is referred to as a “mixed methods” approach which both contains and reconciles elements of both of the research approaches. Some scholars claim that mixed methods research can be viewed as a full and separate research design in the wider context of the social sciences and they usually refer to this relatively new approach to research as the third methodology (Creswell *et al.*, 2003; Tashakkori and Teddlie, 2003; Johnson and Onwuegbuzie, 2004).

Bryman (1988) contested the notion that a clear divide existed between the two paradigms, arguing instead that there was, in fact, a distinct connection that linked the two approaches. Rossman and Wilson (1985) labelled researchers who were unwilling to combine the respective research paradigms as ‘purists’, while choosing to

identify researchers who were willing to adapt their methods to any given research situation as ‘situationalists’ and those practitioners who held the belief that it was possible to use a combination of multiple paradigms for the purposes of a research study as ‘pragmatists’.

This pragmatic approach to research, and the use of multiple paradigms in a given research study, stemmed from the pioneering work of Dewey, James, Mead and Pierce (Cherryholmes, 1992). A consequence of this is that many strands of pragmatism exist with this type of research.

Rather than the selected methodology being of greatest importance, it is the solving of a given research problem that is of utmost concern to mixed methods researchers. Consequently, they are prepared to incorporate a wide range of approaches into their work providing that they can be justified through enabling them to gain as clear an understanding of the respective problem as is possible (Rossman and Wilson, 1985). In providing the philosophical foundation on which mixed methods studies are based, both Patton (1990) and Tahakkori and Teddlie (1998) reiterate the need for the central focus of social science studies to remain fixed on the central research problem at all times, and for pluralistic approaches to then be adopted so that the best possible knowledge and understanding of the respective problem can be gained.

Academics such as Cherryholmes, Murphy and Creswell subscribe to the belief that pragmatism serves as the foundation basis for the following knowledge claims. Paraphrasing Creswell (2003):

- Pragmatism is not strictly aligned with a given philosophy or view of reality. Such freedom also applies to mixed methods research. Researchers who adopt such an approach when addressing a research topic are therefore free to derive from qualitative and quantitative assumptions when undertaking data collection, research and analysis.

- Respective researchers are uninhibited in their choice of approach when tackling a given research problem, and consequently are able to select whichever procedures, techniques and research methodology they feel best serves the needs and purposes of their study.
- In mixed methods research, the investigator utilises both quantitative and qualitative data in order to gain the best possible understanding of a given research problem.
- When deciding on an approach, pragmatists first consider what they want the final outcome to be before deciding how they are going to get there and selecting appropriate research methods that will enable them to do this. Before adopting a mixed method approach, pragmatists deem it necessary to establish a rationale for why it is necessary for them to undertake such an approach for their research.
- Pragmatists are consciously aware that research always occurs within historical, political and social contexts, and consequently a mixed methods study is likely to address post-modern concerns and possess a theoretical examination of social justice or political aims that may have, in some way, impacted upon the research topic or sample group.
- Pragmatists deem continued questioning of the laws that govern nature, as well as what constitutes reality, as being unnecessary. For subscribers to a mixed methods approach to research, pragmatism enables them to utilise multiple methods within a given research study, gives them the scope to try out a variety of different worldviews, and allows them to test a range of different assumptions. In addition to this, different forms of data collection and analysis are able to be employed in a mixed methods study (Creswell, 2003).

Greene *et al.* (1989) published a renowned piece that was to form the basis for mixed methods research design. Analysis of a range of evaluation studies was undertaken, and in doing so they were able to subsequently produce a system of classification that consisted of six distinct categories, describing in great detail the respective design decisions that had culminated in the creation of each respective category of classification. Following in the footsteps of this article, many authors went on to identify their own classification systems. Morgan (1998) formulated a decision matrix that helped a researcher to determine the type of design that needed to be used. In the same year books published by Tashakkori and Teddlie (1998) and Newman and Benz (1998) respectively appeared, and within these the various mixed methods designs that had recently been formulated were outlined and examined.

In recent years, significant growth has been witnessed in terms of the interest that has been shown towards mixed methods research designs, as well as in the number of authors prepared to go on record in calling for this new approach to research to be rightfully acknowledged as a distinct design of investigation in its own right (Tashakkori and Teddlie, 2003; Creswell, 2003). The “Handbook of Mixed Methods in Social and Behavioural Research” was first published (Tashakkori and Teddlie, 2003); a text devoted to controversies, methodological issues, application in different discipline fields, and future directions which covered all the varying strands of mixed methods research design that existed at that time. More recently, Johnson and Onwuegbuzie (2004) have called for mixed methods to be regarded as a legitimate form of design within the field of educational research. Moreover, in 2005, Sage Publications began the publication of a new journal entitled “The Journal of Mixed Methods Research”, a scholarly journal which is solely devoted to mixed methods research.

Mixed methods research can be identified as “a research design (that) involves the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority and involve the integration of the data at one or more stages in the process of research”

(Creswell *et al.*, 2003, p.212). The basic premise is that, through the adoption of a combined, mixed methods approach, a researcher is able to arrive at a better understanding of the research problems posed by his research than if a quantitative or qualitative approach were to be used in isolation. Several identifiable advantages were felt to be gained when a mixed methods approach to research was adopted, which are outlined below (paraphrasing Creswell and Plano Clark, 2007):

1. A combined approach to research provides strengths to a study that enable the investigator to overcome inherent weaknesses that exist within either quantitative or qualitative research.
2. Mixed methods research allows for the gathering of more comprehensive evidence for tackling a research problem than quantitative or qualitative research used in isolation.
3. Such an approach enables the investigator to overcome problematic questions that are difficult to answer through the use of qualitative or quantitative approaches in isolation of one another.
4. A mixed methods approach serves to encourage collaborative work to be undertaken among researchers who may have otherwise dismissed working together due to the previous adversarial divide that had existed between quantitative and qualitative researchers.
5. Mixed methods research design encourages academics to be receptive to a range of paradigms, as opposed to adhering to the typical association of certain paradigms with quantitative research and likewise others with their qualitative peers.

'Purists' still argue that a collective approach to research that sees the adoption of both qualitative and quantitative methods is incompatible. In spite of this, designs that incorporate a mixed methods approach are increasingly common and find favour among researchers who find such an approach most useful when a wide variety of complex research data needs to be collected. The approach is popular across the social and behavioural sciences, including management and marketing. The usefulness of this research design led to it being adopted for this particular study.

3.3 Mixed methods: A rationale for the application in marketing and management studies

According to Cresswell and Plano Clark (2007), mixed methods are better for understanding and solving research problems within social science than using either qualitative research or quantitative research independently, especially when carrying out organizational and management research that involves a variety of research questions. It is suitable to use both qualitative and quantitative methods for the research study (Currall and Towler, 2003) in such circumstances, since various questions can be addressed completely. It is also argued that strategic research is one branch of social science for which mixed methods are appropriate (Creswell *et al.*, 2003). For strategic marketing research, an understanding is required of many stakeholders and of phenomena that exist in other branches of social science, such as consumer behavior, administrative resources (people, money, materials and management) and the external environment (such as economics, social, culture, politics, technology and competition etc). If researchers implement mixed methods methodology in their research study, deep and broad data can be gathered and they will be able to better cover all research problems. Thus, it is argued, mixed methods should be useful for strategic marketing purposes.

Even though mixed methods methodology is suitable and useful for social science research studies, according to Tashakkori and Teddlie (2003), Johnson (2004), and Creswell *et al* (2003), such an approach may not be adopted in management and market research studies. Currall and Tower (2003) acknowledged that researchers in management still hesitate to implement mixed methods methodology in their research studies. Hanson and Grimmer (2007) surveyed 1,195 articles in marketing from three well-known marketing journals. It can be summarized that 38.4% of the articles were theory, comment and review, 46.3% of the articles were quantitative, 6.5% of the articles were qualitative and only 8.8% of the articles involved the use of mixed methods.

The main reasons that researchers in management and marketing still hesitate to utilise mixed methods in their research are:

1. Researchers have to possess an understanding of both approaches to research, quantitative and qualitative. Moreover, it is necessary for them to understand both methods sufficiently well and how to combine both research studies correctly (Creswell, 2007). For this reason, some researchers are not interested in mixed methods and have a preference for either a qualitative or quantitative approach.
2. Due to the complicated methodology, the time and budget required is often too excessive for people to consider adopting them (Creswell *et al.*, 2003).
3. Often, it is not in line with an organization's needs, especially if such an organization requires rapid research in order to make a business or marketing decision within a limited timeframe. Consequently, it is necessary for marketing researchers or management researchers to use other, quicker methods.

In spite of such difficulties, Creswell *et al.* (2002) still hold the belief that adopting mixed methods design is useful for both content and strategic management research. They viewed that a mixed methods design provides a researcher with a range of viable options of creative approaches in any strand of management research through the combination of the best solutions to a given research problem, the manner in which it enables precise research to be undertaken, and ultimately the manner in which it allows for the desired discoveries to be made.

Curral and Towler (2003) argued that a mixed methods design was particularly suitable when approaching research questions that tackled innovation issues. They suggest that a combined use of research methodologies is often equally useful when a researcher sets out to refine and test a nascent theory or theoretical model. Other academics, such as Rocco *et al.* (2003), and Podsakoff and Dalton (1987) go even further, suggesting that mixed methods research is more useful to policymakers in business than a single method alternative as it generates a broader and greater depth of

insight. As a consequence, the adoption of mixed methods designs may subsequently improve both the scientific value and managerial relevance of management research.

Within the field of marketing research, Compeau (2003) observed that marketing researchers have arrived at some form of consensus which recognized that the acquisition of knowledge was valuable irrespective of the paradigm from which it is gleaned or the paradigm to which it is applied. Razzaque (1998) goes one step further, and calls for a synthesis to be encouraged between the positivist and constructivist schools of thought that exist within marketing research. In this sense, the arguments noted above flatly reject paradigm inconsistency being held as valid rationale to justify the refusal in some quarters to purposely avoid employing mixed methods research methodology. Moreover, the diversity of research questions that occur within both organizational and management research are well suited to the usage of various mixed methods approaches (Currall and Towler, 2003), with the advantage being that the relative strengths of given models can be best utilized and subsequent findings applied to the appropriate fields (Creswell *et al.*, 2003).

Strategy research offers similar scope for the utilization of mixed method research. In this field, process and content based theories are prevalent, and both strategy formulation and implementation are highly significant. Interpersonal processes are ideally suited to mixed methods design, as such approaches can ultimately provide a greater understanding of the strategy processes from both a leader and employer's viewpoint (Creswell *et al.*, 2003).

3.4 Mixed methods approach adopted in this study

A mixed methods approach, known as exploratory sequential design, was adopted when carrying out this study.

Tashakkori and Teddlie (1998; 2003) argue that the exploratory sequential design is particularly appropriate when a researcher sets about undertaking the study of a relatively unexplored area of research. In reality, this particular research design

initially involves developing or refining a theory or model and then sets about trying to test the initial findings (Morse, 2003). The main focus of this particular research design is indeed to 'explore a phenomenon' (Morgan, 1998). Due to the nascent status of conceptual and empirical research on marketing strategies of community businesses, the exploratory sequential type therefore seemed the most appropriate choice.

This design is a common type of sequencing model (Morgan, 1998) for the simple fact that in most quantitative survey research, researchers are only in a position to develop instruments once exploratory qualitative interviews have been undertaken or narrative data has been gathered and the subsequent data content has been analyzed, with this being especially true when the research project demands brand new research instruments to be developed (Creswell *et al.*, 2003).

Qualitative research has been acknowledged as being of particular use in theory building as well as in the generating of hypotheses and speculations (Currall and Towler, 2003). The qualitative phase is also useful as it allows attributes to be identified so that themes can be formed, and theoretical relationships to be specified. Not only are the qualitative results useful in generating hypotheses and speculation, but the results are subsequently used to formulate and design a subsequent quantitative phase. Laurent (2000) stated a clear need for the use of qualitative methods as an input to formal model development and testing in order to increase the validity of models.

The mixed methods (exploratory sequential) approach was adopted as there was limited theoretical understanding of the Thai community businesses on which this research was focused. By adopting a mixed methods (exploratory sequential) approach, the researcher was firstly able to gather qualitative data which allowed him to gain a deeper understanding of the phenomena and context associated with OTOP community businesses. This initial approach also allowed him to prepare variables,

and questionnaires that could be utilized respectively in the final, quantitative stage of this research.

3.5 Research design and methodology

The format of the research design adopted here is illustrated in Figure. 3.1 and is explained in depth using Table 3.1.

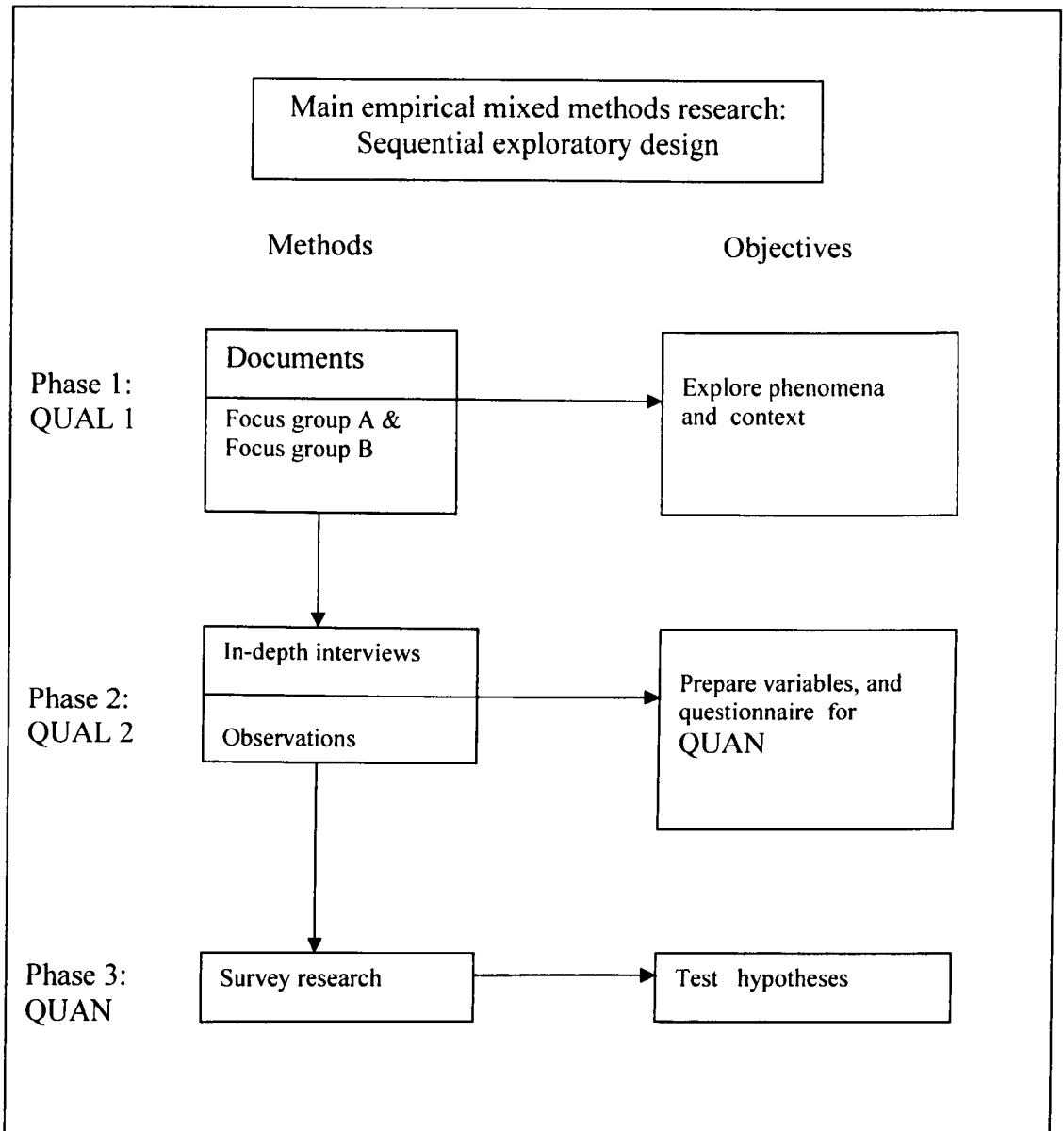
Figure 3.1 shows an overview of this research design and relates each major phase to its specific research objectives. There are three phases in the exploratory sequential design: QUAL1, QUAL2 and QUAN.

The initial phase, QUAL1, consisted of the first wave of qualitative research. A documentary study was undertaken, followed by focus group discussions with leaders and members of community businesses. The objective of this phase of research was to explore phenomena and the context in which community businesses operated.

The second phase of research, QUAL2, was the conducting of in-depth interviews with producers, supporters and customers of the respective community businesses, as well as the undertaking of observations of how the community businesses operated and marketed their products. The main objectives of this stage of research were to prepare variables and a questionnaire that would be applied to phase three of the research.

The final phase of the research, QUAN, was the implementation of survey research, through the use of questionnaires to gather data from community business *customers*. The ultimate aim of this stage was to test hypotheses.

Figure 3.1 Main empirical mixed methods research: Sequential exploratory design



The research questions and the detail of specific methods that were applied in each phase are showed in Table 3.1

Table 3.1 Research questions and methods

Phase	Research Questions	Methods	Specific Methods in detail
Phase 1: QUAL 1	1. What are the internal and external factors influencing marketing strategies of community businesses?	Documents	Review documents that relate to community businesses and OTOP project environment
		Focus Group A & Focus Group B	Focus Group A 5 CB sample groups each with 5 participants in Mae Chaem District Focus Group B 5 CB sample groups each with 5 participants in Chom Thong District
Phase 2 QUAL 2	2. What are the existing marketing strategies employed by community businesses?	In-depth interviews	30 participants (10 leaders and members of CBs in Mae Chaem and Chom Thong Districts, 10 supporters, and 10 customers of CBs)
		Observations	Observed marketing strategies employed by CBs (e.g., products, outlets, prices, promotion methods, production etc.) in Mae Chaem and Chom Thong Districts, and Chiang Mai City Centre.
Phase 3 QUAN	3. Which marketing strategies for community businesses would be developed?	Survey with questionnaire	Sample - 400 customers of CBs in Chiang Mai province
QUAL & QUAN	4. How can those marketing strategies for community businesses be better developed?	All methods above	All specific methods in detail above

The first mixed methods' objective of this research was to investigate the context in which the CBs were operating and the phenomena surrounding them. This was done by using two methods, researching documents and conducting two focus group discussion days, that together made up phase 1 (named QUAL 1) of the research.

The documents were from the government, universities, other local groups and the CBs themselves, and were used to examine the macro-external factors – political, economic, social and cultural, and technological - influencing the marketing strategies employed by the CBs.

The focus group discussion days, held in March 2006, concentrated on the micro-external factors of customers and competitors and the internal factors of organisation & management, production, marketing, and finance & accounting, and how each of these factors plays a part in determining the marketing strategies used by the CBs.

Although some internal factors of marketing were explored during the focus group sessions, there was only time to look at this topic in a general sense because of all the other factors under discussion. Marketing management and the marketing mix of product, price, place and promotion were considered. These different elements of the marketing mix were an obvious set to consider when moving on to the second phase of the research (named QUAL 2) that involved in-depth interviews and observations. Although the audit carried out by the Industrial Promotion Centre Region 1 in 2003 provided many of the questions asked during the in-depth interviews, the discussion of marketing during the focus group sessions influenced the structure of them.

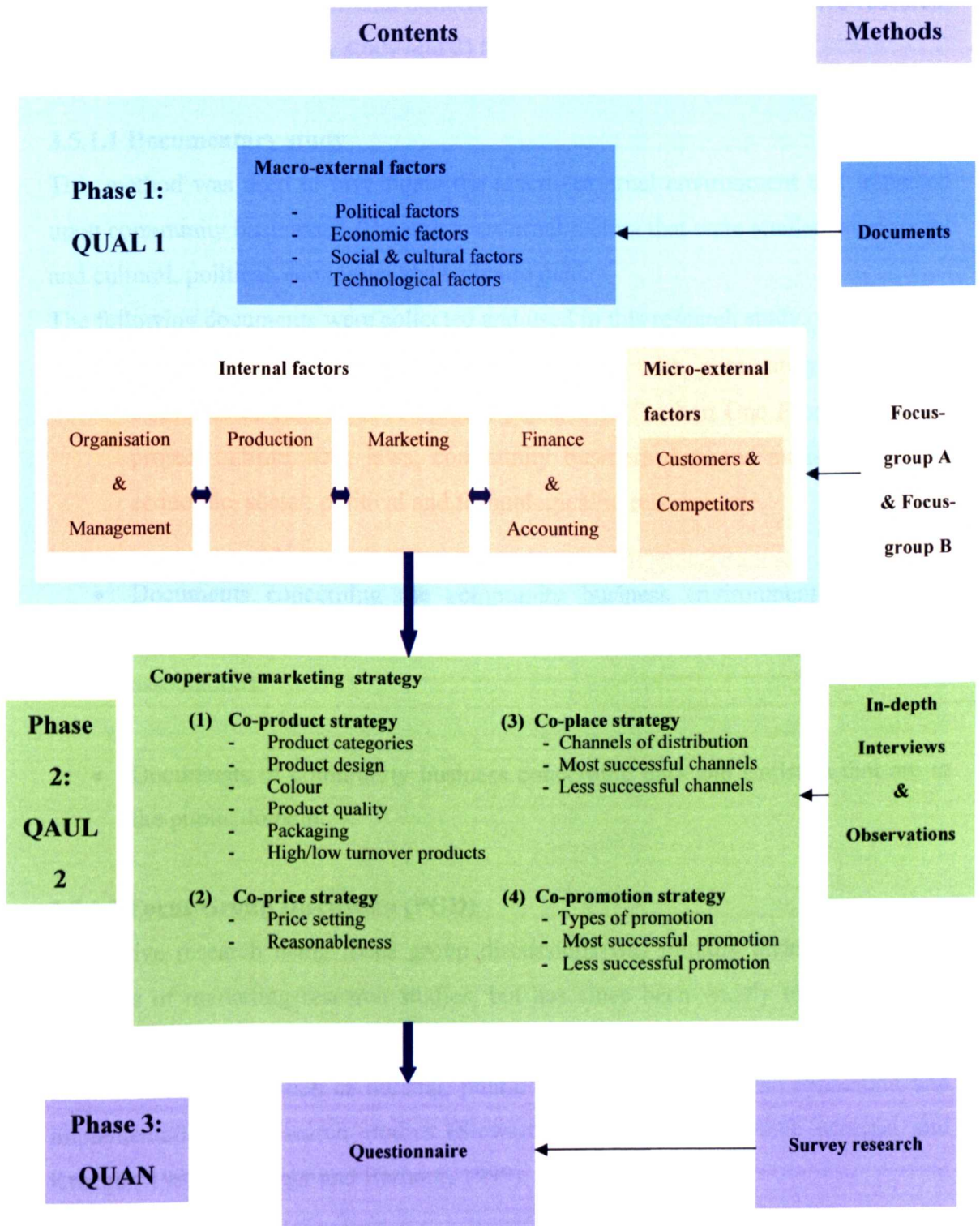
The two-hour interviews with 30 participants (10 leaders and members of CBs, 10 members of supporting groups, and 10 customers of CBs) took place in September 2006 and concentrated on the co-operative marketing mix strategies adopted by CBs. The observations of CBs in operation, carried out by the researcher and two assistants during October 2006, was useful in confirming the marketing strategies and practices that were discussed during the interviews. The mixed methods' objective of phase 2

(QUAL2) of the research, the in-depth interviews and observations, was to prepare a questionnaire and variables for phase 3 (QUAN).

In this third and final phase (named QUAN) 400 customers of CBs were surveyed in June 2007 in order to gather data concerning their views of CBs and the marketing strategies they used, so that the hypotheses of the researcher could be tested.

The linkage of contents and methods between phases of this study is shown in Figure 3.2

Figure 3.2: Linkage of contents and methods between phases of sequential exploratory design of this study



3.5.1 Phase 1: The first qualitative (QUAL 1)

There were two methods of data collection in the first phase of qualitative research, these being 1) documentary study and 2) focus group discussions.

3.5.1.1 Documentary study

This method was used to investigate the macro–external environment that impacted upon community businesses. The macro-external factors that were studied were social and cultural, political, economic, and technological.

The following documents were collected and used in this research study.

- Government documents that are concerned with community businesses, economic and social development plans, One Tambon One Product (OTOP) project outline, acts, laws, community business data and statistics such as economic, social, political and technological in research site.
- Documents concerning the community business environment from other organizations, such as universities, local education institutes, chambers and associations.
- Documents of community business concerning data and statistics that are in the public domain.

3.5.1.2 Focus Group Discussion (FGD)

Qualitative research using focus group discussions was initially undertaken for the purposes of marketing research studies, but has since been widely used with great success in the fields of social science and behavioral science research. Currently, it is used in many fields such as nursing, public health, politics and the evaluation and implementation of research studies (Stewart and Shamdasani, 1990; Morgan and Krueger, 1993; Kitzinger and Barbour, 1999).

A focus group discussion is a small group interview which focuses on a specific case in accordance to the topics that researchers or moderators have set. The most

important aspect of focus group discussion is group dynamics (Stewart and Shamdasani, 1990), with the main objective being to convince members to have interaction according to the topics. This, ultimately, should lead to the collection of deep data from the brainstorming of ideas from many experienced group members. As a result, focus group discussions are very suitable for this study, for such brainstorming sessions enable clarification of the accuracy of data collected via other methods and ensure that data held is therefore more reliable (Denzin, 1978).

It was necessary for the researcher to plan focus group discussions in accordance with the needs of the wider research study, taking particular care when considering interview structure, and suitable questions, as well as the number of attendants and total number of groups. Generally, it is advised that focus groups should adhere to the following: 1) homogeneous attendants but strangers to each other; 2) six to ten attendants per group; 3) three to five groups per research project; 4) duration of discussion about 1.50-2.00 hours (Patton, 1990; Morgan, 1992; Bloor *et al.*, 2001). Krueger and Casey (2000) have insisted that small focus group discussions of between four to six attendants is very popular nowadays because they are easier to manage than the larger groups. Small focus group discussions are also better than larger groups because time can be controlled more effectively and consequently more effective brainstorming of topics can result.

Homogeneity was an important factor when organizing Focus groups A and B in Phase 1. Each of the individuals that made up the respective groups was employed in the same business. This was important because it meant that they all had similar first-hand experience of how such a business was run. However, and most importantly for the purpose of this research, it was highly likely that each of these respective employees had their own unique perspective and opinion on how successfully the organization they were involved with was run on a day-to-day basis. Morgan and Krueger (1993) acknowledged that different social roles held the potential to be problematic when it came to gathering opinions from focus groups, and in particular that “differences in authority or status (were) particularly likely to create this

problem” (Morgan and Krueger, 1993, p.37). The fact that the focus groups organized for Phase 1 of this research consisted of individuals who held very different levels of responsibility with their respective businesses would contradict such advice. However, it must be remembered that OTOP community businesses are regulated and run in accordance with cooperative principles. As such, the views and opinions of each respective business member should be treated equally, unlike in private business organizations, where those in senior positions of authority carry the most weight in terms of views and the direction a business will take.

Finally, the suitability of ‘Strangers versus Acquaintances’ needs to be addressed when building focus groups. Agar and MacDonald (1995) assert that strangers are more suitable when wanting to gather opinions and gauge perspectives on a range of issues, as acquaintances who are familiar with one another are likely to make prior assumptions with regard to their peers’ thoughts and opinions on given topics. However, there are obviously going to be scenarios where construction of focus groups that are comprised of acquaintances is unavoidable, and Morgan and Krueger (1993) go so far as to assert that the necessity for focus groups to consist of strangers is a myth. Jarrett (1993) goes even further, arguing that working with prior acquaintances can be beneficial in helping the researcher surmount any issues with self-disclosure, presumably believing that acquaintances should in fact be more relaxed in familiar company and therefore less reticent in opening up and sharing their true thoughts and opinions.

The focus group discussions of this study were classified into two sessions: FGD (A) and FGD (B).

1. Sampling selection of FGD (A) and FGD (B)

The target groups were ten appropriate community businesses selected from Mae Chaem district and Chom Thong district in Chiang Mai Province. The criteria used in selecting appropriate community businesses were as follows: (1) It is in Chiang Mai Province (2) It is owned by a group of people (3) It has functioned successfully for at least three years (4) It is registered as a member

of the OTOP project (5) It is interested in developing its marketing strategies further. According to the criteria, the researcher chose five groups of community businesses from Chom Thong district, and five groups from Mae Chaem district through the use of a purposive sampling method. Then, the researcher selected five participants within each of the community business groups, consisting of three leaders and two regular community business members (see Tables 3.2 and 3.3).

Table 3.2: Participants of FGD (A)

Code	Location of CB	No. of participants	Position in CB
MC1	Mae Chaem	5	3 leaders, 2 members
MC2	Mae Chaem	5	3 leaders, 2 members
MC3	Mae Chaem	5	3 leaders, 2 members
MC4	Mae Chaem	5	3 leaders, 2 members
MC5	Mae Chaem	5	3 leaders, 2 members

Table 3.3: Participants of FGD (B)

Code	Location of CB	No. of participants	Position in CB
CT1	Chom Thong	5	3 leaders, 2 members
CT2	Chom Thong	5	3 leaders, 2 members
CT3	Chom Thong	5	3 leaders, 2 members
CT4	Chom Thong	5	3 leaders, 2 members
CT5	Chom Thong	5	3 leaders, 2 members

2. Places for focus group discussions

Meeting rooms at the Mae Chaem district office served as the venue for FGD (A), complete with full facilities such as an overhead projector, computer etc. The venue for FGD (B) was the community meeting room in Chom Thong

district, a location that most participants were able to travel to conveniently. This venue was also equipped with full facilities to serve focus group discussions.

The researcher paid particular attention to the location and environment in which discussions were held because it is known to have a direct effect on the quality of data gathered (both FGDs were held in March, 2006).

3. The activities of focus group discussions

Guidelines for the focus group discussions (Table 3.4) were prepared in advance.

Table 3.4: Discussion group guideline for FGD (A) and FGD (B)

- | |
|--|
| <ol style="list-style-type: none">1. The internal factors which impacted upon the marketing mix strategy of community businesses. The internal factors are organization & management, production, finance & accounting, and marketing.2. The micro-external factors which impacted upon the success of community businesses. They are customers and competitors of CBs. |
|--|

(see a guideline for focus group discussions in appendix 1)

Both discussions started with a short introduction between CB participants and members of the research team. The moderator explained the objectives behind the research study. In addition, the details and regulations of the discussion were raised with all participants. This was to clarify what the focus of discussions needed to be in order to get complete data in accordance with the objectives of this phase. The method of asking questions was ‘open questioning’: allowing all participants to discuss the topics within each group. The key topic was written on the chart so that all participants were able to

easily see it, while important issues raised during the course of discussions were also noted on the chart. When discussions were finished, the moderator asked all participants to provide additional data, if necessary, in order to derive as much relevant information from the session as possible, and to address the internal validity of the data. The objective of FGD (A) and FGD (B) was to collect data of general internal and micro-external factors that are involved in the day-to-day running of community businesses.

From the data gathered in QUAL 1, the researcher was able to focus the approach for phase 2 (QUAL 2) of the qualitative research, and formulate targeted questions that could then be used in the in-depth interview scenarios necessary to gather the second batch of qualitative data. Whereas in QUAL 1 the focus had been on both the internal and external factors that impacted upon the successes of respective community businesses, in QUAL 2 the focus was to be solely on the various marketing strategies adopted by various CBs and how they impacted upon the successes of the different enterprises.

4. Pattern for FGD (A) and FGD (B)

The pattern adopted at the beginning of both FGD (A) and FGD (B) discussions was Single-Category Design (Krueger and Casey, 2000). Discussion was conducted on each topic until it was saturated, at which point the moderator stopped discussion on the topic, and other topics were addressed until a complete batch of data had been collected.

When deciding upon the number of group discussions, Krueger and Casey (2000) suggested that it depends on the topics, but that normally three or four groups are used, although it could be more than this if necessary. It is also dependent upon time constraints, budget constraints and the specific topics that a researcher needs to study (Morgan, 1997). For this research study, five group discussions for each of FGD (A) and FGD (B) were conducted because a large amount of data was desired for the purpose of complementary

interpretation. Moreover, there was to be no comparison between groups for this pattern of group discussion, rather the main objective was to collect data from discussions according to the topic (Krueger and Casey, 2000). It was judged that data collected from five groups in FGD (A) was a reflection of all community businesses in Mae Chaem district and that data collected from five groups in FGD (B) was a reflection of all community businesses in Chom Thong district.

Data collected from both focus group discussions was to be compared in the analysis process. The overall view of community businesses in each district has specific features, and yet differences exist between each of the two districts such as different design, pattern and colour of products even though they are the same product (Department of Community Development, 2002).

5. Activities after discussion of FGD (A) and FGD (B)

Verbatim transcripts were made from the two FGD days. Pictures taken during discussions were arranged in order from the beginning to the end. It is very useful to be reminded of the data arrangement from verbatim transcripts, charts and observations since date-time was recorded in each picture. After finishing the collection of data from group discussions, data was then collated in order to prepare for analysis.

3.5.1.3 Qualitative analysis in the first phase

Qualitative analysis in the first phase begins with data system organization into various categories, which mostly consists of documents and focus group discussions. Finally, the data is arranged in files in order to be easy to search and to ensure reliability.

1. Data analysis process

Miles and Huberman (1994) recommend that the main activities of qualitative analysis are as follows: 1) *data reduction*: data which is the same as the topic that is being studied is chosen and coded; 2) *data display*: descriptive data is

displayed in order to present the detail of the research study; 3) *Conclusion, interpretation and verification*: in order to finalize the data and ensure that it is precise, descriptive data is employed. This research study utilizes the principle data analysis process of Miles and Huberman.

In practice for the data reduction of this research study, the researcher had coded data that was compared through the use of labeling (Patton, 1990). The principle of coding is that “the same data (has) the same code”. Coding can use classified data as well (Kvale, 1996). Ultimately, the classified data is ready for analysis. Therefore, data classification is very important for the analysis process.

For data display, classified and coded data was brought to be reassembled in each group according to the respective analysis topics so as to attain complete meaning and understanding, as well as answering all questions posed by the research study. Firstly, data was coded in categorization by using the themes as a guideline. For focus group discussions, questions are prepared as a guideline for group arrangement. The objective is to arrange data that matches the appropriate code, as this makes it convenient to read, find the meaning and finally summarize the data.

For this research study, there were many categories of coding, with one such example being the internal factors of community business: marketing (product, price, place, and promotion) and production (method, producer, raw materials, etc).

The researcher combined all the involved data and presented it through narration, comparison, conclusion and interpretation in Phase 1 of the qualitative study.

3.5.2 Phase 2: The second qualitative (QUAL 2)

The methods used in this phase were in-depth interview and observation.

3.5.2.1 In-depth interview

In-depth interview is the most popular method used in the collection of data for qualitative analysis (Carson *et al.*, 2005). Briggs reported that about 90% of data gathered for social science research is from interviews (Briggs, 1986). In-depth interview is the method for data collection through conversation or discussions between an interviewer (who holds responsibility for the interview) and an interviewee (who is responsible for answering the questions) (Lofland and Lofland, 1995; Rorty, 1980). The objective for in-depth interviews is to search the attitude and feeling of an interviewee that cannot be ascertained through observation or any other methods (Carson *et al.*, 2005).

1. General principles or features of in-depth interview

The general principles or features of in-depth interviews are paraphrased as follows (see Ritchie and Lewis, 2003):

- **Flexibility in interview structure:** Most in-depth interviews are semi-structured interviews or unstructured interviews. Consequently, the interviewee is able to freely answer the questions, which ultimately leads to the gathering of in-depth data. However, guidelines for questions in semi-structured interviews or unstructured interviews should be set in order to go to the same direction as the objective. On the other hand, conversation or interviews can be flexible.
- **Interaction between interviewer and interviewee:** A good relationship between interviewer and interviewee is very important because collected data will be precise and reliable since the interviewee dares to share their thoughts, feelings and attitudes towards specific topics with an open mind.

- In-depth data searching from the researcher: Generally, data in the preliminary interview is at surface level. It is necessary for most researchers to utilize other methods to gather in-depth data such as follow up questions, penetration and explanation. It means that the researcher has to employ other techniques/methods when searching for additional data in detail in order to achieve the objective. Subsequently, collected data will be explained to the other as narrative.
- New knowledge and new ideas: The interaction between interviewer and interviewee leads to the arrival at new knowledge or new ideas because sometimes the interviewee is able to recommend how to solve problems in each issue.
- Face to face interviews: Most in-depth interviews are face to face interviews because this is the best way to gather in-depth data. The interviewer needs to be suitably qualified by having good knowledge, being able to set suitable questions, be a good listener and be able to establish a good rapport with the interviewee. Similarly, the interviewee has to have knowledge and experience in the field that the researcher needs to study.

In addition to the above, Kvale referred to twelve interview dimensions that contribute to a successful interview, which are as follows (Kvale, 1996): 1) phenomenon focus; 2) meaning focus by understanding facts and meaning from the interviewee's point of view; 3) qualitative data focus; 4) narrative focus; 5) specific issue focus; 6) open for all data without constraint or interpretation in advance; 7) clear interview issue; 8) turn an unclear answer into a clear answer immediately; 9) consider changes during the interview such as changes in answers; 10) well prepared interviewer; 11) positive interaction to interviewee; 12) impression to interviewer.

For this research study, the researcher adopted the aforementioned principles as a guideline for interview.

2. Interviewee sampling

The qualities inherent in a good *interviewee*, as identified by Spradly (1979), are as follows: 1) has good experience and knowledge in that research study; 2) has been updated in that study circle; 3) different circle from interviewer if possible; 4) has adequate time for participation in the interview; 5) should not be an analyst but should be a good narrator. The good qualification of interviewee as mentioned is generally used but sometimes it is necessary to be flexible because often it is not easy to find interviewees according to those criteria. Nevertheless, these guidelines were adopted where possible in choosing the sample of interviewees for phase 2 of the qualitative research.

The purposive sampling method was chosen for interviewees in the Chiang Mai province. The sample was then divided into three groups as follows:

- Leaders and members of community businesses (producers): A total of 10 persons; 6 Leaders, and 4 community business members. The interviewees were chosen from Community businesses in Chom Thong and Mae Chaem Districts. They possessed knowledge and experience relating to the study issues since they have their own business (see Table 3.5).

Table 3.5: In-depth interviews (producers)

Interviewee code	Gender	Position in CB	Location of CB
P1	Female	Leader	Chom Thong
P2	Female	Leader	Chom Thong
P3	Female	Leader	Chom Thong
P4	Female	Member	Chom Thong
P5	Female	Member	Chom Thong
P6	Male	Leader	Mae Chaem
P7	Female	Leader	Mae Chaem
P8	Female	Leader	Mae Chaem
P9	Female	Member	Mae Chaem
P10	Female	Member	Mae Chaem

- Supporters: The supporters consisted of government officers, private sector individuals and local academics that have responsibilities to support community businesses in accordance with government policy in the One Tambon One Product (OTOP) project. For this reason, the supporters are the people who know and understand community businesses very well. Therefore, they were chosen to be interviewees for in-depth interviews as their knowledge should prove very useful for this research study. There were 10 persons chosen from Chiang Mai province (see Table 3.6).

Table 3.6: In-depth interviews (supporters)

Interviewee code	Gender	Organization	Location
S1	Male	Industrial promotional centre region 1 (GO)	Chiang Mai
S2	Male	Industrial promotional centre region 1 (GO)	Chiang Mai
S3	Female	Industrial promotional centre region 1 (GO)	Chiang Mai
S4	Male	Office of community development (GO)	Chiang Mai
S5	Male	Office of Agricultural affairs (GO)	Chiang Mai
S6	Male	Office of Commercial Affairs (GO)	Chiang Mai
S7	Female	Chiang Mai University (U)	Chiang Mai
S8	Female	Chom Thong District Office (GO)	Chom Thong, Chiang Mai
S9	Male	Mae Chaem District Office (GO)	Mae Chaem, Chiang Mai
S10	Male	Thai Lanna Industrial Association (PS)	Chiang Mai

Note: GO = Government Organisation / PS = Private Sector / U = University

- Customers of community business: This group is very important for community businesses, because marketing activity and marketing strategy depends on customers' opinion. The researcher chose 10 customers who bought products from community businesses in Chiang Mai province, who could provide in-depth data, devote time and were willing to be interviewed (see Table 3.7).

Table 3.7: In-depth interviews (customers)

Interviewee code	Gender	Age	Home location
C1	Female	60	Chiang Mai
C2	Male	42	Lamphoon
C3	Female	57	Chiang Mai
C4	Female	34	Chiang Mai
C5	Male	28	Chiang Mai
C6	Female	45	Bangkok
C7	Male	21	Nan
C8	Female	47	Trang
C9	Female	32	Chiang Rai
C10	Male	55	Bangkok

3. Interview guide

The interview guide is a list of topics and questions that the researcher creates as a guideline for interview (Kvale, 1996). The interview guide acts as an effective tool that can lead an interviewer to achieve their goals. It is very useful for qualitative interviews, especially semi-structured interview scenarios that are used in this research study, since it is not so strict and has flexibility. Generally, it uses open questions.

The list of potential questions related to the marketing mix strategies of community businesses (see the interview guide in appendix 2).

4. The preparation of tools for interview

The researcher took account of the following:

- Prepare recorder, battery and cassettes. Ensure there are sufficient numbers for interview and that they are tested before use.
- Prepare note pad, pencil, eraser and pen for use while interviewing.
- Prepare and test camera before using in interview.

5. The preparation of communication in interview

It was easy to communicate to the entrepreneurs, members of community businesses and supporters because they live in Chiang Mai province. Therefore, the researcher had communicated with them via phone in order to introduce and explain the objectives and benefits of this research study. Consequently, the researcher had an appointment for interview with them. Leaders and members of CBs, and supporters were interviewed either at their offices or in their homes.

The researcher had chosen customers of community business who were in Chiang Mai province and from up-country, and were able to give in-depth data and have enough time for interview. When they understood the objectives of this research study, the researcher arranged appointments for the interview. If customers lived in Chiang Mai province the interviews took place in their houses or offices. If they were from up-country, the appointment was in a temporary house during the time they visited and bought products in Chiang Mai province. In these cases, it proved very difficult to contact them for the interview.

6. Interviews

Interviews lasted on average for about two hours. Some were invited again for a second or third interview if the first interview was not clear or time was

limited. All interviewees agreed to allow the researcher to record and take photographs while they were being interviewed.

3.5.2.2 Observations

Following the in-depth interviews, the observations of community businesses in operation began. The purpose of these observations was to see first-hand how the different producers set about selling their products, how they presented their products, what sort of service they offered the customers, and the type of promotions they used to entice customers into their own shops rather than those of their rivals. The researcher examined how products were packaged, how retail outlets were decorated, the pricing of products, product ranges and variety, general customer service and the various production processes used by the businesses and how they were organized. The observation served another purpose, as it allowed the researcher to confirm whether or not business and marketing strategies spoken about in the in-depth interview stages were in fact being implemented and utilized by the businesses in question. This was the main purpose of the observation stage. It enabled the researcher to be more certain that the data he had gathered was honest and reliable (Denzin and Lincoln, 2005).

For qualitative research, observation is very important because it is a tool for the gathering of knowledge and research data. Observation refers to the process by which researchers observe events that they need to study. Those events have naturally occurred for a long period of time without any controls or modifications having been implemented (Harris, 1973 in Adler and Adler, 1994). Therefore, observation provides a basis for studying expressions and pattern of behaviours, consideration of any events and understanding their interaction under the conditions that they need to study (Carson *et al.*, 2005). Observation is mainly accepted by researchers within the humanities and social science spheres. Within marketing research, it is generally used when consumer research is being undertaken (Carson *et al.*, 2005), with examples being the study of buying behaviour or the effect of end-users on marketing activities etc. Therefore, observation is generally used for product development and marketing

activity development. In such cases, observation is useful when studying the scientific processes and interaction that occurs between consumers and companies in any given situation (Grove and Fisk, 1992) so as to improve future services that are offered to customers.

The community business activities were observed in October 2006, at Mae Chaem and Chom Thong Districts, as well as in Chiang Mai City Centre.

The process of observation for this research study was divided into three distinct periods, these being: 1) entering fieldwork; 2) data collection; and 3) pre fieldwork finishing.

1) Entering fieldwork

Before entering the fieldwork, the researcher needed to contact the CB leaders in order to gain permission for himself and his two assistants to observe the business in operation at their premises, for a four day period. Because the CB leaders were familiar with the researcher, seeking permission proved to be no problem and the researcher and his two assistants received a warm welcome. Therefore, we spent only one day in the fieldwork in order to renew relationships with involved persons and familiarize ourselves with the location before carrying out observations.

2) Data collection

The researcher and two assistants spent four days at each fieldwork location observing the process of production and day-to-day marketing activities conducted by community businesses.

While observations were undertaken, basic notes were made since they prove to be very important for fieldwork research. Consequently, these notes were made in addition to field notes in order to be used for analysis. In addition to this, other instruments, such as cameras, were used to ensure successful observations. For example, crucial marketing activities or

production processes were recorded in photographic form in order to retain as many details as possible for the purposes of data collection.

3) Pre fieldwork finishing

Before the fieldwork was finished, much of the researcher's time was devoted to verifying the data that had been collected from observations, using discussions between himself and his two assistant researchers. Data was categorized in groups. If some data lacked clarity, time was devoted to collecting additional data until it was complete, reliable and precise. For the purposes of this research study, all fieldwork was finished according to the time schedules originally set out.

3.5.2.3 Qualitative analysis in phase 2

Qualitative analysis in Phase 2 of this research study was facilitated through the use of the NVivo software program. This proved to be very convenient when organizing data arrangement and data categories, as software programs for statistical analysis and qualitative data analysis such as NVivo can be used side by side to conduct parallel or sequential analyses of mixed form data (Bazeley, 2003b). Qualitative analysis in Phase 2 was directly concerned with marketing strategies.

3.5.2.4 Trustworthiness of qualitative study

Although this study started in 2004, the researcher had been involved with the OTOP project since its inception in 2001, helping community businesses in the areas of training and skills as a member of one of the project's supporting groups, Chiang Mai Rajabhat University. This familiarity with the OTOP project, the community businesses that were involved, and the various supporting groups, is an example of the prolonged time spent in the field suggested by Creswell (2003) as a good strategy to check on the accuracy of findings by developing an in-depth understanding of the phenomena under study.

In addition, the familiarity gained of the project and its participants and the reciprocal familiarity of the researcher gained by the community businesses were key in building the trust and access that were so crucial in the process of gathering the data, and then in considering that data reliable and trustworthy.

Once the study itself had started, the researcher was able to use this familiarity and trust-building to explain to participants, during focus group discussions and in-depth interviews, that full, open and frank comments, sometimes going against the grain of traditional Thai culture (Hendon, 2001), would be of substantial benefit to the community businesses and their customers. The depth and intimacy of interviewing, the prolonged and persistent observation undertaken, and the feedback and discussion encouraged at the end of focus group discussions, were all achievable because of the relationships built up over a considerable period of time since 2001. All are examples of techniques, cited by Carson *et al.* (2005), as being of value in substantiating the findings of a qualitative study. Each of those methods of qualitative data collection and the validity of their findings will now be discussed in more detail.

- **Focus group discussion**

The venues for the two focus group discussion days were the Mae Chaem district office and the Chom Thong community meeting room. Both these venues were familiar to the CB members taking part and so the research was taking place in a setting that was the respondents' own surroundings as advised by Carson *et al.* (2005).

As already discussed, the relationships built up between the researcher and the participants provided a sound context on which to base the focus group discussion days.

On the days themselves, the two hour morning session was used to discuss the internal factors impacting on the marketing mix strategy of the CBs in an open and constructive manner in order to get as much quality data as possible. The

participants were split into five groups, with each group having a moderator and one assistant. At the end of this first session the moderators and assistants joined together to discuss and review the data taken, an example of *data triangulation* (Denzin, 1978). The findings were then summarized and presented to the participants as a projector slide presentation so as to encourage feedback in the form of clarification of points already made or additions to the information, an example of member checking to determine accuracy of findings (Creswell, 2003).

The afternoon session covered the micro-external factors of competitors and customers and followed the same format as the morning session of five groups, review of the information by staff and presentation of that information for participant feedback to increase the validity of the data.

- **In-depth interviews**

The in-depth interviews were conducted by the researcher with 30 people in total: 10 CB leaders and members, 10 people from supporting groups and 10 CB customers. Each interview took around two hours though sometimes this was over more than one session if time was limited. The relationships built up over a prolonged period of time and the previous experience of the researcher in conducting interviews for past studies were both important in gaining depth through intimacy (Carson *et al.*, 2005), leading to more open and honest answers.

Because three different groups were involved in the interview process, it was possible to analyze the answers given in an attempt to corroborate them using *data triangulation* as suggested by Denzin (1978) and Creswell (2003). The comprehensiveness of the in-depth interview process and the applied method of triangulation combine together to increase the overall trustworthiness of the conclusions reached in this part of this study.

- **Observations**

Observations of CBs in operation took place in Mae Chaem and Chom Thong Districts of Chiang Mai province, and in Chiang Mai City Centre over a 12 day (4 days per location) period in October 2006. At each location the researcher was joined by two assistants taking notes about business and marketing operations. A digital camera was also used to produce photographic evidence that could be referred to later to help supplement documentary evidence or clear up discrepancies.

Each evening the researcher and his two assistants compared notes in order to reduce any personal bias through the method of *investigator triangulation* (Denzin, 1978). This method of continual discussion about points of similarity and difference leads to a greater validity of the results of the observations.

In summary, the researcher's involvement with the OTOP project and its participants since it began in 2001 is the perfect base upon which to build the trust required to gain access to the thoughts of those participants. Through the use of three main related methods, focus group discussions, in-depth interviews and observations, the research has collected a wealth of data on which to base this research. While each of these methods were considered as valid in themselves, it is the overall techniques of *methodological triangulation* (Denzin, 1978), the bringing together of the three methods, that validates the data found in the study even further.

3.5.3 Phase 3: Quantitative study (QUAN)

The results from the qualitative studies in the previous phases, as noted above, were used to prepare variables and create a questionnaire for the quantitative study.

Phase 3 is presented in 2 stages. The first stage is 'research design' which consists of population, sampling methods, construction of the questionnaire, reliability and validity of the questionnaire, and data collection process. The second stage consists of

an analysis of this study, and is concerned with methods and statistical types used in this study.

3.5.3.1 Research design

1. Population: Feature and essence

The chosen population in the quantitative study were customers of Chiang Mai province community businesses. The results from the qualitative research show that the customers are from both local areas (Chiang Mai and Up-country areas including Bangkok) and overseas. There are, however, more Thai customers than foreign customers. The target population for this aspect of the research was consumers, as what was required was an evaluation of opinion with service received and the quality of community business products. The researcher was not interested in feedback from middle-man traders, for while they were customers of CB goods, they were simply acting as intermediaries, selling the goods on to end-users (consumers) at a later stage.

The reasoning behind a focus on consumers for this stage of the research was an imperative for knowledge and understanding of the characteristics and buying behaviours of CB consumers before current marketing strategies could be analysed and that a new, more appropriate marketing strategy be developed for OTOP groups. Therefore, through the use of targeted questionnaires, the researcher hoped to get a comprehensive understanding of consumers' buying behaviours, the characteristics of such individuals that purchased goods from CB groups, and what their expectations were when looking to purchase OTOP products. It was hoped, through the data that was subsequently gathered, that the information provided would enable the researcher to formulate a more informed and successful marketing strategy for community business groups in Chiang Mai province.

Several academics support the approach that the researcher chose to adopt with regard to consumers. Dibb *et al.* (2006) stated that the fundamental reasoning

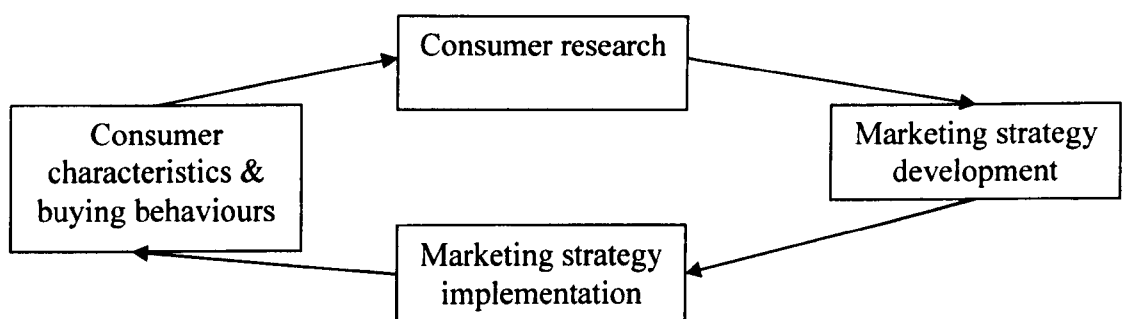
behind marketing strategists conducting analyses of consumer buying behaviours is that the success of a subsequent marketing strategy is wholly dependent on how target consumers respond to it, which ultimately impacts upon the sales of a business's products. Companies need to formulate a marketing strategy that serves the needs of its target customer base, and to do so they must take into account how, what, when and where customers purchase products. Similarly, Ferrell and Hartline (2005) stressed the imperative need for marketing strategists to take into consideration all relevant consumer behaviours and product usage traits. Furthermore, Dennis (2000) stated that in the case of strategic marketing, a wider range of customers need to be studied that encompasses both existing customers and potential customers, as well as former customers, as a great deal of useful and relevant information can be gained from each distinct group. Following this idea, businesses readily acknowledge the need to be customer focussed and led, and it is this style of business orientation that has known as the marketing concept (Doyle and Stern, 2006).

Kotler (2003) proposed that, central to the marketing concept is the premise that determination of the needs and wants of a given target market, as well as the delivery of customer satisfaction more efficiently and effectively than rivals, are both key if a business is to achieve its organisational goals. The concept begins with a clearly defined target market and focuses on the needs of these customers, as well as setting out to coordinate a range of activities that will both attract and influence their buying behaviour, and which will ultimately result in profits for the firm through the delivery of high levels of customer satisfaction. Similarly, Doyle and Stern (2006) argued that the marketing concept is the belief that a firm stands the greatest chance of attaining its goals if it gears itself towards meeting both the current and potential needs of its target customer base more effectively than its rival competitors. Such organisations also acknowledge that a chief objective is to ensure satisfied customers as they are prized assets and should (hopefully)

result in a loyal customer base. Dissatisfied customers, on the other hand, are known to possess the potential to rapidly destroy the performance of a given organisation.

Moreover, Fifield (2007) stated that businesses exist solely to serve the needs of customers, for it is solely from customers that they gain revenue and profit, and so without them a firm would cease to exist. In order to ensure survival, a firm must possess a sound understanding of its customer needs and wants. More ambitious firms motivated by success require far more detailed knowledge if they are to remain at the peak of competitiveness in a rapidly internationalising marketplace. The main tool for the gathering of this detailed information is market research, and the model below highlights the role of such research, specifically consumer research and analysis, in the process of marketing strategy development.

Figure 3.3: The role of consumer research in the development of marketing strategy



Source: adapted from Peter and Olson, 2005

The above framework was constructed for consumer analysis and serves to highlight the significance of consumer research and analysis when setting out to formulate a marketing strategy.

A logical approach would be to initially conduct research and analysis into consumer thought and opinions with regard to what a given company has to offer compared to its rival competitors in the marketplace. Additionally, analysis should be carried out of consumer environments in order to gain an understanding of the external factors that are influencing their respective consumer behaviour. Once the aforementioned has been carried out, a marketing strategy can then be formulated with clear objectives, a target market can be identified and a suitable marketing mix (product, price, place and promotion) developed, the hope being that the selected strategies will serve to stimulate the environment of their target market and become embedded in it, so that it will inevitably be able to exert an influence over the consumer behaviour of the target group (Peter and Olson, 2005).

2. Sampling: Design and procedure

- **Design**

The results from the qualitative phases of research showed that consumers of community businesses are from both Thailand and overseas. Thus it was challenging to decide upon a suitable sampling process, given the difficulty of accurately determining the total population figure. It was decided that the 'mall intercept' method would be the most appropriate sampling method to be used for this study.

The mall intercept method relies upon consumers being approached randomly, in order to be questioned at that location, or to be interviewed at another location within the retail complex (Aaker *et al.*, 2001). Currently, the mall intercept technique is widely utilised by researchers, yet some researchers apply this technique in rather a haphazard fashion that does not accurately reflect the general population. Sudman (1980) advocates a systematic approach to applying this sampling technique, which consists of three key steps. Firstly, shopping centres need to be identified using a probability sampling method. Next, care needs to be taken when choosing

at which locations within a given retail complex samples will be gathered. The time of day at which samples are collected must also be selected by means of probability, owing to the fact that the composition of the consumer group will vary throughout the day/week. Finally, Sudman recommends that the researcher determines the frequency of mall shopping and weight sample. This is to ensure that frequent shoppers or consumers from one particular demographic are not over-represented in the sampling. The researcher took into consideration the methods suggested by Sudman, and yet modified them somewhat to suit the needs of this particular research study. For the purposes of this study, the researcher felt that a weight sample was impractical as the community business outlets did not have at all the same number of customers as a shopping mall.

- **Procedure**

The process of sampling utilised in this study was as follows:

- **sample size**

Because the population proportion is unknown, a common procedure is to assume the worst case. The formula for sample size (n) then simplifies to (Aaker, et al, 2001: p.402):

$$n = z^2 (0.25) / (\text{sampling error})^2$$

The population proportion is to be estimated within an error of 0.05 at a 95 percent confidence level. Thus the needed sample size (n) for this study is:

$$n = 2^2 (0.25) / (0.05)^2 = 400$$

(since $z = 2$, corresponding to a 95 percent confidence level, and the allowed sampling error = 0.05)

The sample size for the study was 400 respondents, with twenty customers identified and interviewed at each respective community business outlet. The required sample size is wholly dependent on the type of research being conducted. If data is being collected on a large number of variables, it is necessary to collect larger samples as this enables the cumulative effects of sampling error to be reduced. Moreover, if the researcher requires multivariate techniques to be employed in the analysis process, the sample size also needs to be large (Malhotra, 2007). The common rule for sample size is to have 10-15 participants per variable. Owing to the fact that a multivariate approach was to be used in the quantitative stage of the research, the researcher chose to adhere to Tabachnick and Fidell's (2001) guidelines of having at least 300 cases for factor analysis participants. In the case of this study, the ratio of participants to variable is 12:1 (total samples = 400, variables = 33) making it suitable for the purposes of this research.

- Sampling method

This study employed multi-state sampling (area sampling) and followed Sudman's suggestions. The multi-state sampling consisted of three key stages, as follows (see Figure 3.4):

Stage 1 : A list of all community businesses producing cotton and silk products in Chiang Mai province was put together, and consisted of 56 community businesses (CBs) in all, spread across the sixteen districts of the province (Office of Community Development, Chiang Mai, 2006). The researcher initially used a simple random sampling (SRS) technique to identify eight district from within Chiang Mai from which data would be gathered. Eight were selected as they made up half the districts, as reducing the number of districts to this figure made data collection more manageable but would also provide sufficient information for the study.

Stage 2: SRS was again employed to identify community businesses to be targeted for data collection. Probability sampling was used that was proportionate to the number of community businesses in each district. Where a district contained 4 CBs, 2 examples were selected for study, and so half of the CBs in each district were targeted for the gathering of quantitative data. (see Table 3.8).

Stage 3: The sampling technique employed, when identifying customers to undergo face-to-face interviews via questionnaire, was the mall or shop intercept method, with twenty customers from each respective CB shop being selected using this technique (four hundred participants in total).

Figure 3.4 Multi-stage sampling of this study

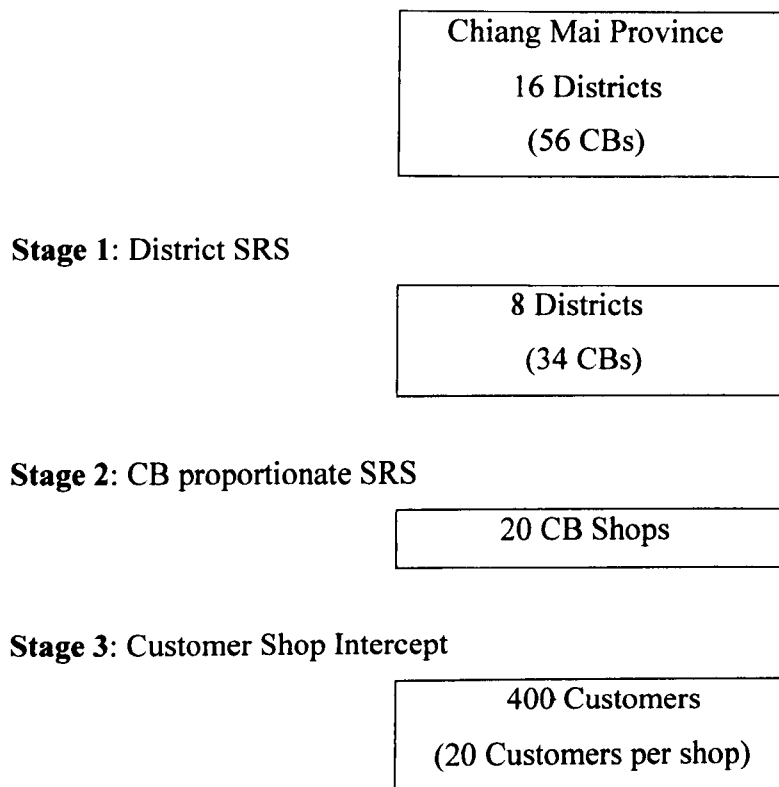


Table 3.8: District, CB shop and customer samples

No	District	CB shops (population)	CB shops (sample)	CB shop code	Customer Samples
1	Hod	7	4	A1, A2, A3, A4	20,20,20,20
2	Mueang	3	2	B1, B2	20,20
3	Chom Thong	7	4	C1, C2, C3, C4	20,20,20,20
4	Mae Rim	3	2	D1, D2	20,20
5	Sun Sai	3	2	E1, E2	20,20
6	Sun Kham Phang	3	2	F1, F2	20,20
7	Mae Chaem	6	3	G1, G2, G3	20,20,20
8	Doi Sa Ket	2	1	H1	20
	Total	34	20		400

3. Construction of the questionnaire

The data from the qualitative research phase was used to inform the researcher and enable the production of a suitable questionnaire to be used in interviews with customers in the quantitative phase. The subsequent questionnaire that was produced consisted of four sections.

The first section was concerned with customer demographics (gender, education, occupation, marital status etc.) and this part of the survey took the form of a checklist totalling nine questions in all.

Section two of the questionnaire focused on the consumer buying behaviours of customers that had purchased items from OTOP groups. This section also took the form of a checklist and consisted of twelve questions in total that focussed on how, when, what, where, why and how often respective customers purchased goods from community business groups.

The most important stage for the later purpose of formulating a suitable marketing strategy was section three, which focused solely on customer opinion with regard to OTOP community business products. The four Ps of the basic marketing concept were scrutinised: place of distribution, price, promotional methods used, and, of course, product. For this section of the questionnaire, a Likert scale was introduced, with the following standard marks used to gauge customer opinion:

5 = strongly agree

4 = agree

3 = neither agree nor disagree

2 = disagree

1 = strongly disagree

Such scales are simple and straightforward for respondents to answer and fill in. There are an equal number of agreement/disagreement options on the scale (2), as well as a neutral one. The advantages of the Likert scale is that researchers have the option of considering responses to specific questions in isolation, or combining all of the answers given to reach an overall score (Schiffman and Kanuk, 2007).

The final section of the questionnaire was concerned with any problems relating to CBs that customers may have identified, as well as customer recommendations for improvement in the way in which community businesses set about serving customers and promoting their goods (see a completed questionnaire in appendix 3).

4. Reliability and validity of the questionnaire

- Once completed, the questionnaire was then critically reviewed by experts (Supervisors) and assessed for content validity.

- When being formulated and authored, the questionnaire was initially written in English. The next step was to have it translated into Thai before data collection could be undertaken. The questionnaire was then checked for content validity again by Thai experts in Chiang Mai Rajabhat University.
- The questionnaires were then piloted on a group of ten respondents, so as to assess and possibly refine content validity and comprehension, and to ensure that completion of questionnaires posed no problems to customers.
- When all data collection had been completed (and all 400 respondents interviewed), both Bartlett's sphericity test and KMO was used by the researcher to assess the sampling adequacy of the information gathered. In the case of this particular data collection, sampling adequacy was deemed to be extremely reliable, with KMO producing a figure of .923 and Bartlett's sphericity test producing the figure $P=.000$.

5. Data collection process

The process of data collection was as follows:

Firstly, the researcher trained a groups of research assistants from Chiang Mai Rajahbat University Research Centre in the methods and techniques they were to employ when interviewing respondents and collecting data.

Secondly, all interviewers involved in the collection of data made visits to community businesses involved in the study in order to become acquainted with all community business leaders and their staff, in order to increase the awareness of the benefits of their customers cooperating in the interview process would have for them. This process took the whole of week one of the data collection process.

The next stage of data collection involved the conducting of interviews with the use of questionnaires. Each community business shop was allocated two interviewers, who spent every day of the week (including weekends) gathering data from random customers. At this stage, the mall intercept method of sampling was being employed, with interviewers visiting CBs and conducting interviews at a variety of times during the week. The average time taken to complete a questionnaire with a customer was between twenty/thirty minutes, and the process of data collection from all twenty CBs took four weeks (June 2007).

3.5.3.2 Analysis

1. Data analysis method

Once all interviews had been successfully completed (with 400 questionnaires filled in), the researcher processed and analysed the data gathered, using SPSS software, through factor analysis and multiple regression. Frequencies and percentages were used to present demographics and the consumer behaviour, as well as identify problems and recommendations from customers.

2. Statistics used in this study

For statistical testing of the conceptual model to be carried out, factor analysis and multiple regression were the two techniques that were implemented. The details of these procedures used in this study are as follows:

2.1 Factor analysis

Cramer (2003) defines the process of factor analysis as being a range of techniques that aim to determine similarities that exist between a range of variables in order to establish whether it is possible to group them together and regard them instead as one combined variable as opposed to a range of separate variables. Colman and Pulford (2006) state that the process of factor analysis usually consists of three key steps: initially, a correlation matrix consisting of all original variables is constructed; next, several

factors are extracted from the correlation matrix; finally, these factors are rotated in order to maximise the chance of correlation with other factors in the group. Furthermore, Pallant (2007) acknowledges that the process of factor analysis can be used for a variety of different applications, namely by researchers seeking to develop and evaluate tests and scales. In the case of a researcher seeking to develop a scale, the technique would be used to refine and reduce a large quantity of scale items/questions into a more manageable number of subscales. A large quota of variables can similarly be refined and reduced, prior to a researcher undertaking additional analyses, which may include multivariate analysis of variance or multiple regression.

There are three distinct steps involved in the factor analysis process:

Step 1: Assumption

The first step is the assessment of the suitability of data. Pallant (2007) identifies two key issues to be considered when undertaking this first step, these being appropriate sample size for the study and the strength of the relationship between respective variables.

With factor analysis, it is generally considered that the larger the sample size, the better, with Tabachnick and Fidell (2001) having been quoted as saying 'it is comforting to have at least 300 cases for factor analysis', though also conceding that, where several high loading markers are present (above .80), a researcher's needs can be sufficiently met with a smaller size of around 150 cases.

Others argue, however, that the onus should not be placed on sample size, but rather the ratio of subjects to items. Nunnally (2003) argues that a ratio of at least 10 cases for every item undergoing factor analysis is essential, while Tabachnick and Fidell (2001) suggest a smaller figure of 5 cases per item.

With regard to the strength of inter-variable relationships, Tabachnick and Fidell (2001) argue that factor analysis need only be undertaken if the majority of coefficients between items exceed 0.3. Two tests also exist which can be utilised to check the viability of undertaking factor analysis with a given set of data, these being Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. For factor analysis to be deemed viable, $p < .05$ would need to be recorded on the Bartlett's test and a minimum value of .6 on the KMO index (Tabachnick and Fidell, 2001).

With regard to this research study, when it comes to sample size the researcher encompassed both Nunnally and Tabachnik & Fidell's suggestions when deciding upon the number of case studies to examine during data collection. Prior to conducting factor analysis, the researcher also carried out KMO and Bartlett sphericity tests to ensure that this technique is viable and useful.

Step 2: Factor extraction

Factor extraction refers to the process whereby factors are reduced to a limited number that best represent the interrelations that exist between a given set of variables. When undertaking factor extraction, a researcher has a variety of different techniques at their disposal, with examples being principal components, principal factors, image factoring, maximum likelihood factoring, to name but a few. In the case of this study, the researcher chose the most commonly adopted technique, this being 'principal components'. Deciding upon the number of factors to retain following reduction is at the discretion of the researcher, but Tabachnick and Fidell (2001) recommend an exploratory approach that involves experimentation with a differing number of factors until a satisfactory result is unearthed, and this exploratory approach could incorporate a range of techniques, namely parallel analysis, Kaiser's criterion and scree

testing (in the case of this study, both Kaiser's analysis and scree testing were used). In the case of Kaiser's criterion, only factors that possess an eigenvalue of 1.0 or more are deemed suitable to be retained for use in factor analysis. In the case of Catell's scree test, it is necessary to plot the eigenvalues of respective factors on a chart. Inspecting the plot on the chart, any variables above the elbow of the curve should be regarded as contributing most in explaining variance in the data, and therefore only these factors should be included in later analysis.

Step 3: Factor rotation and interpretation

The final stage of factor analysis is the rotation of variables and analysis of the relationships between respective factors. Two approaches can be taken with regard to rotation, these being orthogonal (uncorrelated) and oblique (correlated). For the purposes of this study, an orthogonal rotation system was used, which assumed that all underlying constructs were independent. SPSS software provides researchers employing orthogonal rotation with a variety of techniques, these being Varimax, Quartimax and Equimax (Pallant, 2007) and for the purposes of this research, the Varimax option was chosen, as this method is most appropriate for those seeking to minimise the number of variables that have high loadings on each factor.

2.2 Multiple regression

Multiple regression refers to a range of techniques which can be used to explore relationships between a single, continuous dependent variable and several independent variables/predictors. While based on correlation, it also allows a researcher to explore interrelationships between variables. Multiple regression can be used to address a variety of research questions, notably how well a given set of variables is able to predict a particular outcome, and can also be used to statistically control an additional variable when seeking to explore the predictive ability of a model (Blaikie, 2003; Pallant, 2005).

There are three types of multiple regression, these being *standard or simultaneous* (as used in this study), *hierarchical or sequential*, and finally *stepwise*.

In standard multiple regression, all predictor variables are entered into the equation simultaneously and subsequently evaluated in terms of their predictive power. Standard multiple regression is most commonly used, as it provides information on both how much variance dependent variables explain collectively, as well as the extent to which independent variables explain variance in dependent variables.

- **Assumptions of multiple regression**

- **Sample size**

Recommendations on the number of cases necessary for multiple regression to be successfully conducted vary. Tabachnick & Fidell (2007) devised a formula for calculating such a figure based around the number of independent variables a researcher chose to use, which reads: $N > 50 + 8m$ (m = no. of independent variables, so if a study has 6, the sample size > 98). Stevens (2001), on the other hand, suggests that, for the purposes of social science research, fifteen cases or more is ideal per predictor variable so as ensure reliability.

- **Multi-collinearity and singularity**

Multicollinearity refers to high correlation between independent variables ($r=0.9$ and above), whereas singularity occurs when a single independent variable actually comprises of several, other independent variables. Neither multicollinearity nor singularity lend themselves to producing a good regression model.

- **Outliers**

Identification of outliers (variables with very high/low scores) should occur in the data screening process, and they should be deleted from the data set at this stage. Talachnik & Fidell (2007) consider outliers to be variables that reflect scores that are greater than 3.3 or less than -3.3.

- **Normality, linearity, homoscedasticity, independence of variables**

The terms above refer to aspects of score distribution, and the underlying nature of relationships between variables. Residual scatter plots that result from multiple regression allow the researcher to check assumptions (residuals being the difference between predicted and obtained dependent variable scores). Normality refers to residuals that are normally distributed around predicted scores. In the case of linearity, residuals display a straight-line relationship with predicted scores for dependent variables. Finally, with regard to homoscedasticity, variances of residuals about predicted scores should be the same for all scores.

• **Adoption of multiple regression in this study**

Once factor analysis had been completed, the researcher employed multiple regression using the remaining independent and dependent factors in order to explore the relationships that exist between them. The process of standard multiple regression comprises of three steps, these being (1) checking of assumption, (2) assessment of the model and (3) evaluation of each independent variable (Pallant, 2007), steps which were duly followed for the purposes of this study.

- **Checking the assumption**

When undertaking multiple regression in this research study, the researcher adhered to the aforementioned assumptions with regard

to sample size, multicollinearity & singularity, outliers, and finally normality, linearity, homoscedasticity and independence of residuals.

- Assessment of the model

The researcher examined the data in the model summary table and checked the value given in the column R^2 , which reflects the extent to which variance of the dependent variable is explained by the model. In order to test the statistical significance of the model, the ANOVA was examined.

The dependent variables relate to desirable outcomes of the OTOP project and are customer perceptions of the following CB outputs:

- Produce acceptable quality standard products
- Produce attractive products made from traditional plant-based dyes
- Sell goods that are unique to Chiang Mai province
- Create wholly original products

• Evaluating each of the independent variables

In the final stage of multiple regression, it was necessary to identify any variables which contributed to the prediction of the dependent variable, which can be found in the Beta column of standardised coefficients. Standardised coefficients are the only ones that need to be considered, for the values for each respective variable has been converted so that they can be viewed on the same scale for evaluation. Finally, for each of the variables, the 'Sig' values are taken into consideration by the researcher, for it is these values which indicate whether a respective variable has a statistically significant linear effect on the dependent variable (a value less than 0.05 suggests it is, greater than 0.05 suggests not, if a 0.05 level of significance is adopted).

2.3 Descriptive analysis

For the purpose of this study, the only descriptive statistics used were frequency and percentages to explain demographics and the customer behaviour of samplings, as well as problems and recommendations from customer samples.

3.6 Location of study: Chiang Mai, Thailand

Chiang Mai is one of 75 provinces in Thailand, located in the mountainous uplands of the north. The city of Chiang Mai is widely acknowledged as being the country's 'second' city, whether this be economically, culturally or simply in terms of its size. Situated around 750 km north of the capital, Bangkok, among some of the highest mountains in the country, the city stands on the Ping River and boasts a population of over 1.6 million inhabitants.

The city itself dates back over 700 years, to 1296, when it was established by the then King Mangrai. In recent years, the city has witnessed mass modernisation and redevelopment, which has resulted in the city being transformed into the main commercial, transportation, educational and cultural hub for northern Thailand. In terms of organisation, the broader province of Chiang Mai comprises of 24 amphurs (districts), 204 tambons (sub-districts) and 2,053 villages. The province lies at the northernmost point of the country's rail network. Chiang Mai city boasts an international airport that is directly connected to all key cities within Asia. It also benefits from a wealth of high profile academic institutions, namely five universities that include Chiang Mai University and Chiang Mai Rajabhat University.

The majority of the region consists of mountainous uplands, and much of the area (70%) is heavily forested, providing a rich source of raw materials. Aside from relying on being a commercial hub for revenue, the region is also heavily reliant on two key industries for generating wealth, these being agriculture and tourism. The country produces several key crops for both domestic and export markets, the main ones being rice, oranges, onions, garlic and potatoes, as well as other, more exotic

fruits and vegetables, such as lychees. The region is also a cultural hotspot and, as such, attracts a tremendous amount of tourists, both from within the country and overseas. Aside from a wealth of Buddhist religious sites (i.e. Wat Phrathat Doi Suthep, Wat Chiang Man), museums, cultural festivals (Loi Kratong, Songkran, the renowned Flower Festival) and attractions for visitors keen to sample the wealth of shops and bazaars that both the city and outlying region has to offer, the region also benefits from spectacular scenery and areas of outstanding natural beauty that visitors are keen to explore. Chiang Mai province boasts 14 indigenous tribes which offer tourists the opportunity to trek through some of the regions most stunning countryside, either on foot or on elephant back. A range of outdoor leisure pursuits are similarly widely catered for, namely mountain biking, bamboo rafting, kayaking, elephant riding and golf.

The researcher selected the province of Chiang Mai, Thailand as the focus of this study for a variety of reasons. Chiang Mai is the centre of fabric weaving production in northern Thailand and, as such, has many community business groups that deal with the weaving of traditional fabrics and clothing garments. As the city itself is old with a great history, the culture and traditions of fabric weaving have been passed down through the generations. In terms of location, the city of Chiang Mai and the province's outlying regions benefit from its status as a transport and communication hub, the associated infrastructure that exists, and the high volume of tourists that are attracted to the area. The area also benefits from being the fashion centre for northern Thailand, which is widely acknowledged, and which it celebrates through the staging of the annual Lanna Fashion Fair. The local authorities are also very supportive of the local weaving and fashion industry, conducting a campaign to encourage local people to frequently wear traditional clothing garments within the workplace.

(source: Chiang Mai Province Official, 2007)

Figure 3.5: Map of Thailand & Chiang Mai (Area of study)



Chapter 4

Qualitative Findings

4.1 Introduction

In chapter three, this study utilised a mixed method research approach in the form of sequential exploratory design. It began with a qualitative research approach, which was then followed by a quantitative research approach. The initial, qualitative approach was divided into two phases. A documentary study and focus group discussions with leaders and members of community businesses were used to collect the data in Phase 1. The main objectives of this phase were to explore phenomena and context.

In Phase 2 of the research, in-depth interviews of people involved in community businesses and observations were used in the gathering of data. The key objectives of Phase 2 were to prepare variables and the devising of questionnaires for Phase 3 of data collection, when a quantitative approach was to be adopted.

4.2 Findings from Qual 1

4.2.1 Documentary study

The findings are on the macro-external environment that impacts upon community businesses in Thailand and their subsequent approaches to marketing. The main macro-external factors that were examined were social and cultural, political, economic, and technological.

4.2.1.1 Social and cultural factors

Thailand is situated in South-East Asia, and is bordered by the nations of Burma (Myanmar), Cambodia, Laos and Malaysia. The country is 550 million square km in size, similar to that of France or the American state of Texas.

In the census of 2005, the total population of Thailand was recorded as being 62.4 million people, with the female population accounting for 30.8 million people and the males 31.6 million (Department of Provincial Administration, 2006). The majority of the population, a total of 70%, inhabit rural areas, while 30% reside in urban areas. In contrast, South Korea's population consists of 15% of people residing in rural areas, and a staggering 85% in towns and cities. Moreover, in most developing nations, population distribution averages at around 45% living in rural areas and 55% in cities (Manarangsan, 2008). We can therefore see that Thailand has a considerably high proportion of its citizens living in the countryside, the majority of whom are employed in agriculture. The Thai people that reside in urban areas are, by contrast, primarily employed in the sectors of manufacturing, retail and general commerce.

Two distinct social structures exist independently within Thai society – that which exists in rural communities, and that which exists within Thailand's metropolitan areas. Rural social structures are very significant within Thai society, given that those living in rural areas greatly outnumber their urban countrymen. The relationships between folk living in rural areas of Thailand are informal and interdependent on one another. People within rural communities treat fellow citizens more like relations than acquaintances, with everyone seeming to know one another. A culture of working cooperatively together for mutual benefit has been passed down from generation to generation, and people seem to be motivated by altruism as opposed to being concerned only for personal gain. Much of this can be linked in with pervading religious beliefs, as 95% of the Thai population are Buddhist and such behaviour appears to be in keeping with Buddhist teachings and philosophy (Fieg, 1976; Komin and Smuckarn, 1979; Hendon, 2001).

The OTOP project recognised the inherent values that were already in existence within Thailand's rural communities. In its aims to alleviate poverty within such communities, as well as improving the general standard of living and per capita income of the rural people, it recognised that the best possible way of achieving this was to encourage such cooperative behaviour further still through the formation of

community business groups. Through the harnessing of collective skills within rural tambons, and the provision of adequate guidance and training in modern business practices (as well as financial support), leading figures within the OTOP organisation saw that the project had an opportunity to succeed (Department of Community Development, 2002). Moreover, the assessment of the community section of the 9th National Economic and Social Development Plan (NESDP) showed that (National Economic and Social Development Board of Thailand, 2007, p.7):

“...The government actively encouraged citizens to become involved in plans and initiatives designed to develop and improve their local communities, and promoted the OTOP project as a means of rural community groups working together to improve their general quality of life. A survey of rural people found that, nationally, there were around 1.7 million people who could be regarded as being highly skilled workers that possessed inherent knowledge and understanding of traditional crafts. These individuals would be invaluable to the ongoing success of initiatives such as the OTOP project, for they would be responsible for passing on these traditional skills to the next generation of Thai workers, and for the development of community businesses within each rural community. However, the spread of globalisation and capitalist ideals into Thailand's rural communities has not been completely positive, for increased prosperity and the resultant materialistic outlook has impacted upon what had previously been a far more informal and altruistic social structure.”

For the development of the quality of education, the quantity is dramatically increased. By 2005 the average number of years of education of Thai people had been increased to an average to 8.5 years but this was still far less than other, developed Asian countries such as Japan, Korea and Singapore that have average years of education of between 10-12 years (National Economic and Social Development Board of Thailand, 2007). However, the expansion of education is still insufficient to facilitate economic

and social change, especially in rural areas, which have lower levels of education than urban areas. As a result, this affects working efficiency, such as the implementation of initiatives such as community businesses. Therefore, the development of the education quality was still needed as the detail in National Economic and Social Development 10th issue (2007-2011) suggests (National Economic and Social Development Board of Thailand, 2008).

Even though people have more opportunities for education than in the past, a key obstacle for community businesses has been that the younger generation has more prospects to find work in urban areas after finishing education and so they can ignore the traditional knowledge and skills inherited from the old generation such as weaving. This change has an effect on community businesses in the forthcoming years. As a result, it will suffer from a lack of skilled labour in later years. To solve this problem, rural universities, high schools and primary schools have cooperated to set up courses dealing with various occupations in order to allow students to choose whatever they are experts in, such as weaving courses, in which most students in rural areas such as Chiang Mai are interested (Office of the National Education Commission, 2006). Also, community colleges have provided various vocational courses in each province. This is one of the projects that can support the rural population, providing them with the opportunity to pursue occupations that they are interested in. Ultimately, the working efficiency of the rural population is therefore increased.

Generally, inherent values, lifestyle and behaviour of a rural population give them more chance to unite in groups in order to run community businesses. The more the people have education the greater their knowledge base and relevant skills. However, they can bring modern knowledge and practices together with traditional knowledge and craftsmanship inherited from their ancestors to improve the efficiency of running the community business. It is a good opportunity to develop community business, yet changes through the process of globalization ultimately result in change of values, life style and the behavior of the rural population as well. While the new generation of people in rural areas have a greater chance of receiving higher education, they are also

increasingly more likely to ignore the traditional skills and crafts inherited from their ancestors and seek new, better paid employment in urban areas (National Economic and Social Development Board of Thailand, 2007). These are potential threats which would prove detrimental to the future success of community businesses, and something that the people involved in the OTOP project have to take responsibility and action for immediately.

4.2.1.2 Political factors

Currently within Thailand, politics is conducted within a framework of a constitutional monarchy, with a Prime Minister assuming the role of head of government and a hereditary monarch that of head of state. While the nation has been governed by kings since the thirteenth century, it became transformed into a constitutional democracy in 1932, though for some time the nation's government was dominated by the military and the elite bureaucracy (Suwannathat-Pian, 2003). The constitution under which the country is currently governed was promulgated as recently as 2007.

While King Bhumibol, the current monarch and on the throne since 1946, holds little direct power constitutionally, he is a key symbol of national unity and identity for the Thai people (The Nation, 21 September 2006). He commands a huge amount of moral authority and respect with everyday Thai people, and as a consequence has often been relied upon to resolve political crises which have posed threats to national security (McGeown, 2006).

The most recent general election was held on 23rd December 2007 in the aftermath of a military coup instigated by the Council for National Security on 19 September 2006. In this election, Sumak Surandavej's 'People's Power Party' won the majority of seats. Subsequently, a coalition civilian government was formed with five minority parties, and they assumed power on 28th January 2008 (BBC news, 28 January 2008), leaving Abhisit Veijajiva's Democrats as the only opposition party.

Thailand is comprised of seventy five changwat or provinces (seventy six if the metropolis of Bangkok is included). These provinces are then subdivided into amphurs, or districts. The amphurs are subsequently divided into smaller areas known as tambons, which are divided further still into villages. The focus of this study has been on OTOP community business groups in Chiang Mai province.

The OTOP project was set up in 2001 by Thaksin Shinawatra's government to benefit the rural people of Thailand, helping them generate more revenue and raise their general standard of living, and therein lies one of the project's key strengths – that it was instigated by the nation's leader. The prime minister is responsible for the appointment of a director of the National OTOP Administrative Board, who is responsible for overseeing the project on a national level. Below him a variety of sub-committees are responsible for different aspects of OTOP affairs. Two strands of sub-committees exist that are responsible for the organisation of the project on a local and national level respectively (Department of Community Development, 2002).

On a national level, each of the respective subcommittees is led by the undersecretaries for key government figures: the Prime Minister's undersecretary (U.Sec) is responsible for action plans and financial budgets; the U.Sec for Agriculture is in charge of production and promotion; the U.Sec for Industry looks after product selection; the U.Sec for Commerce is responsible for market promotion; the U.Sec for Science and Technology looks after research & development; the U.Sec for Public Relations leads the sub-committee for P.R; and finally, the U.Sec for International Affairs takes charge of the sub-committee for Foreign Relations (Department of Community Development, 2002).

On a more local level, provincial governors assume the role of director of the sub-committee for OTOP operations within their area of governance. At district level, the district officer for respective amphurs leads the sub-committee for their local district in matters related to local OTOP projects. At a lower level still is the 'Tambon Administrative Organisation' (TAO). Finally, the community groups' presidents and

managerial staff are left with the responsibility for making decisions for their respective groups (Department of Community Development, 2002).

The administrative structure that has been put in place to oversee the running of the OTOP project is a key strength, as key government figures have been put in charge of all key aspects of community business activity, both at a local and national level, as can be seen above. Moreover, the budget allocated to the OTOP Project initiative has been substantial, and has enabled high quality support and training for OTOP groups. In 2003, the project was granted an annual budget of 800 million baht, with a further 1,500 million baht in 2004, 1,000 million baht in 2005 and 1,000 million baht in 2006 (Maneevat, 2007). The provision of such substantial financial support from national government provided OTOP groups with a great opportunity to succeed.

However, a constant underlying threat to the success of the OTOP project has been ongoing political instability within Thailand. The path of democracy has not run smoothly in Thailand as corruption has often eaten away at the heart of Thai government. In addition to this, the military has been known to try to instigate a coup d'état on several occasions. The last coup to be attempted in Thailand was orchestrated by opponents of Thaksin Shinawatra's government in 2006. The aim of the coup was to install a new, more honest prime minister (The Nation, 25 November 2006) and to summon Thaksin Shinawatra and other members of his party to face up to charges of corruption (The Nation, 22 November 2006).

One negative consequence following the coup, however, was a reduction in the budget that was set aside to help community businesses and enable them to successfully market and promote their goods to a wider audience. In 2007, for example, the government had allocated a budget of only 200 million baht to upgrade OTOP items (The Government Public Relations Department, 2007).

As a result of the coup, the newly instigated government was granted one year by the military to bring about necessary reforms to improve the country and rid it of

corruption. As they had such limited time, such initiatives as the OTOP project were not viewed as of great importance. However, when a new, directly elected government was installed twelve months later, all aims and objectives and funding for the OTOP project was reinstated, but this new government has only been in place since January 2008.

The unstable nature of politics in Thailand threatens the success and sustainability of long term projects such as the OTOP initiative. The hope is, now that funding has resumed and a secure government has resumed office, that the OTOP project will fulfil the aims and objectives as set out at its inception.

In short, the opportunity for the OTOP project to succeed was relatively high, given that this was a key initiative put forward by a newly inducted administration that was geared towards improving the general social conditions for the rural communities within Thailand, which made up over 70% of the national population (Manarangsan, 2008). Its key strengths lay in the fact that most key government departments and agencies were involved in some aspect of the OTOP project in order to ensure that it stood the best possible chance of succeeding. The key threat or obstacle to the project's chances of succeeding was the recurrent political instability within the country. However, even all the controversies surrounding Thaksin Shinawatra's administration were not too detrimental to the OTOP project as a whole. As the project was so far-reaching and set out to improve the conditions of such a high proportion of the Thai population, no incoming administration would dare risk scrapping such a project.

4.2.1.3 Economic factors

Another key external factor to impact upon the potential successes of the OTOP project is that of the economy. Thailand has had mixed fortunes when it comes to the economy. During the period of 1970-1996, the nation experienced rapid economic growth, averaging around 9% annually, and as a consequence was viewed as one of the main 'tiger' economies within the region. However, during the years 1997-98, the

country endured a currency crisis that debilitated the national economy and resulted in Thailand becoming impoverished and suffering from large scale unemployment (National Economic and Social Development Board, 2001b). Following these problems, it was to take the country until 2001 before the nation's currency and general economy could see signs of recovery (Anwar and Gupta, 2006). The economic crash of 1997 had impacted heavily upon all areas of Thailand, but most notably upon those citizens living in rural communities, which constitute 70% of the total Thai population. In the aftermath of the crisis, the number of rural people living below the poverty line had increased by 15.9% to approximately 9.9 million people in 1999 (National Economic and Social Development Board, 2001b).

The ninth National Economic and Development Plan (NESDP), which was to cover the period 2002-2006, was heavily geared towards improving the standard of living and general economic conditions for Thai people living in rural areas. The then government, which assumed power in 2001, took on board the plan's commitment to alleviate rural poverty in Thailand and its aims to harness the skills of rural communities and have them work collectively and cooperatively to raise their incomes and improve their general standard of living. The result was the implementation of the OTOP project, which was designed to encourage rural people to harness their skills collectively and equip them with modern business skills in order for them to be able to successfully run their own, profitable community business groups.

The ongoing performance of the OTOP project is dependent to a great extent on the wider economic climate both within Thailand and further afield. In 2001, annual GDP growth had been a meagre 1.9%. However, in the period 2002-2004, owing to domestic economic stimulus and a revival in exports, more favourable GDP growth of 5.3%, 7.1% and 6.3% was witnessed (Department of Export Promotion, Thailand, 2005). GDP growth can be seen to have a significant impact upon revenue generated by OTOP groups, for in prosperous times, customers have greater disposable income, whereas in periods of economic uncertainty, they are more inclined to save money. In

the period 2002-2004, growth of OTOP revenue was steady and very much in line with GDP growth. The total OTOP revenue nationally for 2002 was 16,714 million baht, while for 2003 and 2004 it was 33,276 million baht and 47,667 million baht respectively, and we can see that the annual revenue for the OTOP project was enjoying rapid and substantial year-on-year growth (Department of Community Development, 2006).

Such growth, however, was not sustained, owing to the uncertainty surrounding Thaksin's position as Prime Minister, severe droughts and flooding, rapidly rising oil prices as a result of the conflict in the Middle East, and trade deficits. In 2005, GDP growth for Thailand fell significantly from 6.3% the previous year to 4.5%. In keeping with this trend, the national revenue for the OTOP project rose at a far slower rate, posting sales totalling 55,104 million baht for 2005 (Department of Community Development, 2006).

According to Mrs Tarisa Watanakase, the governor of the Bank of Thailand (Watanakase, 2007):

"...projections on Thai economic growth in 2008 is still maintained at 4.5-6 per cent due to planned government investment in mega-projects which is expected to stimulate investment by the private sector and the disbursement of government spending for fiscal 2008 beginning October 1 this year..."

The important forecast above is significant enough not to have a negative impact on community business groups involved in the OTOP project.

4.2.1.4 Technological factors

A key external factor that has an impact upon community businesses succeeding is that of technology, in the form of the internet, computers, telecommunication and the like. A stated aim of the OTOP project was to enable community business groups to

promote and sell their traditional merchandise within their local communities, to tourists, and also to access overseas export markets. The first two goals were achieved, but obstacles stood in the way of OTOP groups achieving the latter, owing to a variety of factors that will now be explored in greater detail.

A key channel of distribution in the twenty first century for any retailer has been that of e-commerce, something which most OTOP groups initially were unable to employ. This was owing, in part, to the low penetration of PC and internet usage within the country as a whole, as well as a lack of computer-literate individuals in such rural community groups (Vanichvisuttikul, 2004).

Increasingly in the age of globalisation, business is conducted using a range of technology to make business practices, communication and administration as easy and straightforward as possible. Western societies are highly technological, and so to enable increased business and trade to take place between them and developing nations such as Thailand, increased use of and availability of such technology would have to occur (Koanantakool, 2002; Vanichvisuttikul and Jungthirapanich, 2004).

These obstacles were readily acknowledged by the administration, as well as the numerous government agencies, which put initiatives in place to raise ICT literacy within the country. Without members being competent in using computers and the internet, it would prove impossible for them to benefit from the revenues that could be generated from e-commerce (Vanichvisuttikul, 2004). In addition to educating the population in using ICT, the government also set out to increase internet usage within the country. As of 2001, there were 3.5 million internet users in Thailand, totalling 5.6% of the population, yet while obtaining access to the internet in metropolitan areas was readily available, huge parts of rural Thailand had no access to the worldwide web. For example, in the rural northern region, only 4.6% of the population had internet access, compared to 16% of the citizens of Bangkok (National Electronics and Computer Technology Centre, 2002; 2003). This left Thailand at a distinct disadvantage when compared to economic rivals within Asia, such as Japan,

Hong Kong and South Korea, where internet penetration rates and computer usage was far higher (National Electronics and Computer Technology Centre, 2004).

In 2001, when his administration assumed power, The government put in place a plan to develop the ICT infrastructure within the country and educate the population in the use of computers, ICT and the internet. Chiang Mai province was identified and selected to be the leading 'ICT city' within the northern region of Thailand. This plan would be deemed the 'ICT plan for 2001-2010', and would see Chiang Mai transformed into the telecommunications hub for the region (Chiang Mai Province Official, 2007). Telecommunications and internet networks would be upgraded and expanded, and the local population educated and trained in how to use computers, ICT and the internet (Koanantakool, 2007). This would provide a huge opportunity for OTOP groups to develop and expand their channels of distribution and promotion.

As mentioned earlier, the internet penetration rate in Thailand as of the year 2001 was relatively low at 5.6% of the population (National Electronics and Computer Technology Centre, 2002). and even lower in the northern region in which Chiang Mai finds itself. The ICT plan was successful, for in 2004, internet penetration nationally had doubled to 11.9 million, or 17% of the population, whereas in the northern region, internet usage had tripled to 11.2% of the total population (National Electronics and Computer Technology Centre, 2005)

This increased availability of internet access, in addition to the training in ICT for OTOP members, could only serve as good news for community businesses, for in familiarising them with modern technological developments widely used in the globalised workplace, it opened up new channels of distribution for them by allowing them to promote their merchandise through e-commerce. In addition to this, by making them familiar with ICT programs, the day to day running of community businesses, such as accounting, general communication and administration would be made easier.

It is clear from the study that macro-external factors have a significant impact upon community businesses and the wider OTOP project as a whole, both providing them with opportunities and sometimes presenting threats to potential success. In chapter six, the researcher will analyse the various external factors impacting upon community businesses that have been highlighted in this section, and formulate appropriate marketing strategies that can be implemented when faced with a variety of different scenarios.

4.2.2 The findings from focus-group discussions

This study ran focus group discussions in two areas – Mae Chaem and Chom Thong districts – renowned areas within Chiang Mai province for the production of high quality cotton and silk products. In each of Mae Chaem and Chom Thong, five focus group discussion groups were set up: FGD (A) and FGD (B), respectively.

This stage of research focussed upon the internal environment, and four specific factors in particular: (1) organization and management; (2) production; (3) finance and accounting; (4) marketing. In addition, the research also focussed upon the micro-external environmental factors impacting upon community businesses, specifically (1) customers, and (2) competition.

4.2.2.1 The study and the finding from focus group discussions in Mae Chaem district [FGD (A)]

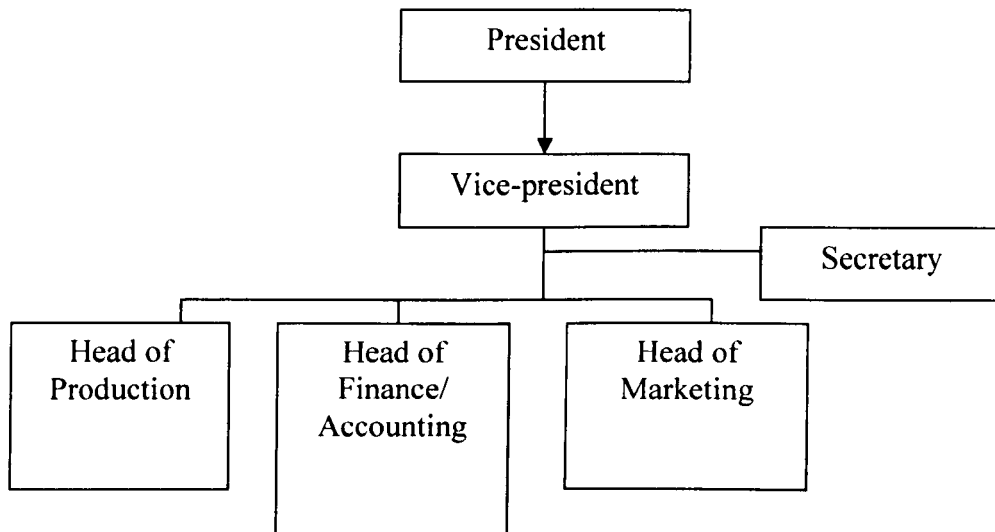
Each of the five focus group discussion sessions (MC1, MC2, MC3, MC4, and MC5) consisted of five participants (three leaders and two members). The findings from each of the five groups were later collated and synthesized in order that a general overview of the operation of community businesses within Mae Chaem district could be presented.

4.2.2.1.1 Internal environment findings

(1) Organisation and management factors

All of the five community businesses selected for the purposes of this research in Mae Chaem district were organised and run on the principles of a co-operative, with the workforce consisting of managerial staff and regular members. In general, the managerial team of a given business consisted of a president, vice-president, head of production, head of finance and accounting, head of marketing, and finally a general secretary (see Figure 4.1 below).

Figure 4.1: Organisation chart of community business.



However, MC2 and MC4 differed slightly, with their heads of marketing operating under the guise of head of public relations, although their duties and responsibilities were fundamentally the same.

Duties and responsibilities of management staff within community businesses in Mae Chaem

Within all of the five community business groups, the duties and responsibilities of the management teams remained the same.

- President

The community business president is responsible for the co-ordination of all aspects of the respective departments and the day-to-day running and operation of the firm. They liaise with external contacts connected with the business, such as government agencies and academic institutions for the training and development of the general workforce, negotiate with the local government agencies for funding for the development of improved facilities, plan budgets for the group, and develop appropriate business strategies to ensure that their respective business stands every possible chance of success.

- Vice-president

The vice-president is directly responsible to the president, and is responsible for delegating tasks that have been designated by the President as needing to be carried out, and ensuring that these are all done to a high standard. In the absence of the president, it is the vice-president that would assume control of the business until their return.

- Head of production

The head of production is directly responsible for ensuring that all orders for merchandise placed with the community business are produced on time to the required deadlines. They are responsible for co-ordinating their workforce efficiently, ensuring that the factory operates at the highest level of productivity possible, so that orders are completed within the appropriate time-frames, so that they are ready for dispatch as required. The production manager is also responsible for quality control of all products that leave the factory, and so must check that all merchandise that leaves the premises is of a standard to meet customers' expectations and ensure the best possible chance of future orders.

- Head of marketing

The head of marketing is responsible for having a keen awareness of the type of merchandise which customers are going to buy. They are required to actively promote

the merchandise manufactured by their workforce at the shops located at the sources of production, booth exhibitions, trade fairs and wholesale markets where middleman traders operate, and secure the maximum number of orders possible from potential customers. Once these orders have been secured, the head of marketing then passes these secured orders on to the head of production.

- Head of finance and accounting

The head of finance holds overall responsibility for all income and expenditure of the community business (raw materials, marketing budgets, wages, cost of premises etc). They have to ensure that the business is run in a financially astute manner, keeping costs to a minimum so that merchandise produced by the firm can be sold at a competitive price.

- Secretary

The secretary is responsible for all general administration duties required by the community business. They keep minutes for all community business meetings, manage the diary of the company president, schedule meetings within the firm, and type all general correspondence between the community business and external contacts.

The managerial staff of all community businesses in Mae Chaem are directly elected by the members of the respective groups, and are similarly allocated their respective positions on this basis also. Their pay is in the form of a monthly salary. In the selected community businesses (five groups), each respective managerial member of staff holds their position for a duration of between one or two years, before standing down to be replaced by a new individual. Most of the five groups schedule a meeting of managerial staff and representative members¹ on a monthly basis. All members of the group possess shares in the business and, in addition to their wages, the profits are

¹ Two or three group members are nominated by their colleagues to act on their behalf as representatives at the monthly management meetings, at which they have the responsibility of raising issues and concerns voiced by their fellow members.

shared amongst all members in accordance with their respective share holdings annually at the group meeting in the form of a dividend. The total members are between 43 – 77 persons.

The managerial and organisational structure of all community businesses is very similar, and they are run in the style of a cooperative, as advocated by government agencies. All community businesses receive support from government agencies, the private sector and academic institutions in adhering to the guidelines laid out by the OTOP project so that they may operate in as efficient and productive manner possible.

In many decades past, people with weaving skills had formed similar style collectives prior to the OTOP project. However, while they possessed great skill in the production of traditional, hand-crafted fabric and merchandise, they lacked the business acumen and skills to formulate a highly successful business strategy and ultimately were not hugely successful.

“...our group joined together a long time ago in order to help each other. When somebody from within the group received an order for fabrics, we worked collaboratively to ensure that this order was met within reasonable time. However, the problem was that we didn't have a secure and reliable revenue stream as we didn't possess anyone amongst us with the necessary skills to market our products and broaden our customer base and distribution channels. This was also due to the fact that we had limited contact with wholesalers, and because, while we were highly skilled in the production of products, we lacked any skills when it came to marketing and promotion. When we began to participate in the OTOP project, our circumstances changed. Government agencies and academic institutions were able to equip us, through training, with the necessary skills to successfully market our products” (MC3)

Every group is satisfied with the managerial and operational structures adopted by community businesses participating in the OTOP project, which conform to a cooperative style.

“...we see that management in a cooperative style is well suited to our needs, as we can help each other and each have a say in the way our group is run. It allows us the opportunity to express our views and put forward ideas that we feel may benefit the running of the business. We similarly appreciate the running of the group in this manner, for the sharing of revenue between all members is fair and democratic...”

(MC5)

“...running a business in a cooperative style is not without its problems, for when any decision regarding the progress of the group has to be made, it requires a meeting of managerial staff and representative members, at which a general consensus has to be agreed. Nevertheless, we still feel that this cooperative style of operation and management is best suited to our needs...” (MC4)

“...we aren't solely concerned with maximising our profits as a group. Of course, we want the community business to be profitable and a success, but we also hope that through its operation, we will be able to improve the infrastructure of our local rural area and subsidise some form of social benefits that can be of benefit to our entire workforce (i.e. healthcare, hardship funds, and sick pay). Thus, the cooperative style of operation and management is the best method to meet our needs...”

(MC2)

(2) Production

All of the groups in Mae Chaem district produce Teen Chok fabric which is unique to the area and produced through the use of chemical and natural dyes. Other styles of

fabric produced by the groups include Plain, Yok, Madmee and Lai Num Lai, but these are made in far smaller quantities than the much sought after and renowned Teen Chok. The groups produce between 7-15 product items respectively, and these can be categorised into five distinct product lines: (1) cloth; (2) clothing and fashion accessories; (3) household articles; (4) personal effects; and (5) souvenirs.

- Production management

When orders are received, the specific requirements of the customer order details are relayed to the workforce. It is the production manager's role to co-ordinate the workforce and ensure that orders are met on time, and that the products made meet high standards. They also need to ensure that roles are assigned in accordance with members' skills in given tasks, so that high quality products are made and sold.

- Factory and machinery

All products manufactured by community businesses are hand-made, through the use of three types of machinery: looms, sewing machines and large vats used in the dyeing of fabrics. Each OTOP group has designated premises set aside for dyeing, weaving and sewing. Most employees work on site, except for those workers who possess their own looms and/or sewing machines – these individuals are free to carry out their duties from within their own homes. An employee of a community business had the following comments to make in regard to these flexible working arrangements:

“The opportunity for employees who possess their own looms to work from home is a good one, as it gives them freedom from the distractions such as noise and chatter that exists in the main production premises. However, it is imperative that these employees have a clear understanding of the intricate details of specific orders and the time frames in which they need to be completed, for unlike the main factory, where the head of production is on hand to give advice, guidance and support, when working from home, employees are alone when working on a task. A key advantage of having a workforce manufacturing

traditional products on the premises is that passing customers get the opportunity to see first hand how these articles are hand-made” (MC1)

- Regular employees

All employees are members of their respective community business enterprises. The skills and expertise that they use in manufacturing traditional handicrafts have been passed down within the communities from generation to generation, and these skills have been built upon through assistance and guidance relating to modern business practices from government agencies, private sectors and local academic institutions directly involved in the OTOP project. Most of the producers involved in community business work are middle-aged women.

The salaries enjoyed by community business employees are piece-rate, and so this encourages employees to be both productive and efficient when carrying out their work. The rate paid for items varies, and is dependent on the complexity of the work involved, as items such as Teen Chok fabric are far more intricate and difficult to produce than straightforward, regular fabric. If an order is too large for a given group to complete on schedule, the production manager will request the services of another group to aid in its completion, or hire freelance staff to help out. However, in such circumstances, there is always the risk that the standards of production may suffer as a result. As one community member noted:

“...sometimes our group has insufficient staff to cope when we receive a large amount of orders. In these circumstances, freelance staff are called upon to help us deal with any backlog by the production manager. In such circumstances, there is no other option, but having products made off site can be problematic, as it is difficult for the manager to ensure that products are made to an equally high standard or quality when some manufacturing is done in this way...” (MC3)

- Raw materials

The main raw materials for community businesses are raw cotton, wholesale thread and dyeing chemicals (a small proportion of businesses possess the equipment and skills to spin their own thread, but the majority simply buy it wholesale, already spun). All of these raw materials are purchased from wholesalers based in Chiang Mai city centre. When groups set about manufacturing their own natural dyes, they are able to source the raw materials from naturally occurring plants, fruits etc. found within their local surroundings.

(3) Marketing

- Marketing management

The duties and responsibilities for marketing fall to the head of marketing within each community business. Their key duty is to generate new business from potential customers, take orders for goods and promote the handicrafts produced by their respective businesses. They are also responsible for co-ordinating the setting up of promotional stalls at cultural and trade exhibitions, networking and trading with middlemen wholesalers, and for securing new distribution channels for the products manufactured by their own OTOP business.

- Marketing mix

- **Product**

All of the community businesses in Mae Chaem district produce Teen Chok fabric as this is a renowned, valuable and highly sought after fabric. However, in addition to this, groups are likely to also produce some of the following, depending on the skills possessed by their respective employees: Plain, Yok, Madmee and Lai Nam Lai fabric. From this manufactured cloth, they use it as material to fashion clothing, household articles, personal effects and souvenirs for sale to customers.

Each community group uses plastic and paper bags for the packaging of their products. Paper bags are very plain and are without logos or information relating to the product.

Some groups developed the packaging in order that it be more aesthetically pleasing and attractive to potential customers. A community member made the following observations about their group's choice of packaging:

“In the past, we used plastic bags for the packaging of our products. Nowadays, we use a new style of packaging that incorporates printed information relating to the history of our business, the business's contact details and address, and cultural information tied in with each respective product. This new style of packaging adds value to the group's products. However the downside is that this new form of packaging has resulted in higher production costs, and because so many community groups produce similar products, the pricing of goods in order to attract customers is extremely competitive” (MC2)

Another group had this to say about the packaging of their products:

“Our group still uses simple paper and plastic packaging due to this being the cheapest way of packaging our goods. By sticking to this form of packaging, we are able to keep our production costs to a minimum and therefore sell our products at the cheapest possible price while still making a reasonable profit. We gift-wrap souvenir presents purchased by customers in ornately decorated paper bags, and we add a surcharge for this service, but for general purchases we simply use basic plastic bags” (MC1)

- **Price**

The sale prices of goods produced by respective community groups are set simply according to the costs of production and distribution. The market is fiercely competitive, but individual producers have to take into account the cost of raw materials, production of dyes, labour costs and, of course, transportation to market. However, general production costs are pretty similar for all groups. The mark-up on

products when they are sold to customers is usually between 15-20% of the costs, but they have to take into account what their competitors' goods are also retailing for. Ultimately, it is the managerial staff that have the final say on what a community's products will retail for. A community member made the following comments about pricing:

"Our group sets prices after taking into consideration the costs and the current prices being set by our competitors when retailing similar items. We do this in order to ensure that our prices are competitive and attractive to customers and so that we maintain our market share of business" (MC5)

However, at the present time, groups are setting their prices higher than usual, as the cost of raw materials and essential goods such as oil has markedly increased, increasing the costs of production quite considerably.

- **Place**

Community businesses sell their products through a variety of different channels, the first one being directly from their own business premises. Each community group has a designated area set up within the community that serves as their shop to sell their handicrafts. Another retail outlet for these OTOP businesses is from stalls they have at business and trade exhibitions. In addition to this, the groups also trade their products at cultural fairs, and at wholesale prices to middle man traders, who help to take their goods to wider markets. Direct retail of their products to customers makes up around 60% of a business' total sales, with the remaining 40% being wholesale retail to middle man traders. A member made the following observations:

"Initially, we only sold our products through the community shop within our village. However, following guidance from the government and outside agencies involved in the OTOP project, we now have access to a wide variety of distribution channels, such as trade exhibitions, cultural

fairs, middle man traders and through a wider range of retail outlets. The result of this is that we are able to access a far wider customer base and consequently sell far more products” (MC 3)

Government agencies and private sector organisations recommended that the OTOP community businesses in Mae Chaem set up their own retail premises from which to sell their products, and to organise these stores in a manner that was distinctive and attractive to the buying public. As one community acknowledged:

“As community business members, we had no real idea about how best to get our goods to potential customers most effectively. What the government and private sector agencies did so effectively was to clearly outline the steps that we needed to take to enable us to access a broad customer base, through setting up our own shops, that were distinctive in layout and presentation, and so which would entice customers in to buy our products” (MC2)

- **Promotion**

Generally, community businesses relied on very simple promotional methods. The main one of these was the use of name cards, which were given to customers in the hope they would pass them on to friends, enabling news of the business’ products to spread via word-of-mouth. Other promotional tools favoured by groups had been product brochures and folders. Some groups advertised on local radio. Most of the groups therefore rely on simple methods of promotion. One member made the following observation about promotional methods adopted by community businesses:

“...we are quite limited in the methods we can employ to promote the goods we produce, as we do not have the financial resources to pay for expensive television and radio advertisements. We are therefore limited to promoting our businesses and products through the use of name-cards, folders and brochures, as these are relatively cheap to produce...” (MC3)

In addition, government and private sector agencies also concentrated their efforts in training community business employees in the art of customer service and direct, personal selling of products to potential customers.

Another member acknowledged that:

“...we were fortunate to receive additional training from outside agencies in selling techniques and how to improve our methods of providing good customer service. This enabled those members of staff involved in sales to feel more comfortable and confident when approaching potential customers, and subsequently increase the businesses revenue from retail sales” (MC5)

Sellers are the group’s members and employed by community businesses. They receive a fixed, basic daily rate of pay, but are encouraged to actively promote the products by being rewarded with commission on the products that they successfully sell.

(4) Finance and accounting

The original capital on which a community business is started comes from the shares purchased by members of the venture. This does tend to mean that the amount of capital available at the outset is fairly limited. The management are then free to put together a business proposal for the local government agencies in order to negotiate and secure additional investment loans from the OTOP fund (there is a designated fund of 1 million baht set aside for each village from which they can request to borrow money). An additional benefit for OTOP businesses is that they are free from paying the government taxation². This is the administration’s way of supporting development in the rural communities of Thailand.

² OTOP businesses are exempt from taxation due to the Thai government, unless their annual revenue exceeds 1,200,000 Baht.

Accounting practices employed by community business groups are very simple and straightforward. Because of the limited educational achievement of many CB members, knowledge of accounting and finance is limited. For this reason community members were given training by outside agencies involved in the OTOP project when it was created, in order that they would be able to manage the accounting and finances of their businesses properly and efficiently.

“In the past, our accounting practices were very basic and there were often many discrepancies when it came to balancing the finances...”
(MC3)

“The president and the head of finance and accounting in our group have been trained by government agencies and universities in accounting practices. This is good for the business as it means we have a systematic approach when it comes to managing our income, expenditure and general finances...” (MC4)

4.2.2.1.2 Micro-external environment findings

(1) Customers

In Mae Chaem, community business customers are primarily individuals from the local area. Many local businesses and schools insist that their staff or students wear traditional dress at least one day per week, with this being designed to retain local culture and customs, and prevent them from dying out. This benefits OTOP enterprises very much, for it means that there is a high demand for traditional fabrics. Other customers include middlemen wholesalers, who purchase the fabrics in wholesale form and sell them on to other clothing manufacturers. Finally, of course, there are tourists, who wish to learn more about traditional Thai culture and heritage, and who wish to take back mementos of their trip to Thailand to their native homelands. Some of the products manufactured by OTOP groups in Mae Chaem reach the export market and are traded by middlemen wholesalers in foreign markets,

but these overseas sales constitute too small a percentage of total sales to be of any significance.

(2) Competitors of Mae Chaem community businesses

It became apparent from the focus group discussions that the serious competitors facing OTOP enterprises were other community businesses from the local area and other regions of Thailand. This is owing to the fact that they all produce traditional, intricate handmade articles that are very much unique to the local area. They are therefore vying for business with similar producers of such handicrafts within their local area. Teen Chok fabric is such a highly sought after product that some competitors from rival districts that have none of this unique and traditional fabric are proving to be rival competitors to Mae Chaem producers as they set out to manufacture fabric and clothing articles that imitate the style and designs of the original. A group member had the following comments to make in regard to the competition that exists between rival OTOP groups:

“...there is a huge amount of competition between rival community groups as we are effectively all producing a similar range of hand-made products and vying for the same potential customers. One product is so highly sought after that even groups outside Mae Chaem, the area renowned for producing the distinctive Teen Chok fabric, have begun to produce it, to cash in on customers’ demand for this product. Such competitiveness in the market means that pricing and marketing of goods is very important in determining a group’s success...” (MC4)

4.2.2.2 The study and the findings from focus group discussions in Chom Thong district [FGD (B)]

Each of the five focus group discussion sessions (CT1, CT2, CT3, CT4 and CT5) consisted of five participants (three leaders and two members). The data gathered from each of the five groups was later collated and synthesized so that a general

overview of how community businesses within Chom Thong district operated could be put together.

4.2.2.2.1 Internal environment findings

(1) Organisation and management factors

In the same manner as the OTOP community businesses in Mae Chaem, the five community businesses selected for the purposes of this research in Chom Thong district were organised and run on the principles of a co-operative, with the workforce comprising of managerial staff and regular members. Again, the managerial team of each respective business consisted of a president, vice-president, head of production, head of finance and accounting, head of marketing, and finally a general secretary.

Duties and responsibilities of management staff within community businesses in Chom Thong

Within each of the five community businesses selected for this research in Chom Thong district, the duties and responsibilities of the management teams remained the same as for the Mae Chaem CBs (for a detailed outline of the duties and responsibilities of each member of the managerial team, refer back to page 129-131 if necessary).

The manner in which managerial staff are elected in Chom Thong, the designated roles they assume, the length of time they are allowed to occupy these roles, the manner in which meetings are conducted, and the form of the pay (salaries, wages, shared profits) of managerial staff and members are all identical to their counterparts in Mae Chaem. However, in Chom Thong, the number of members of the selected community businesses is smaller than in the district of Mae Chaem, totalling between 25-41 members.

The managerial and organisational structure of all community businesses in the Chom Thong district are very similar, with them all being run in the style of a cooperative. However, the market within which the Chom Thong groups operate, dealing with the

trade of ready-to-wear clothing, is a highly competitive one in which a head of marketing may be required to make quick decisions that can be of key importance to the progress of the group. In circumstances such as these, the rules that govern the running and organisation of a cooperative can prove to be a hindrance. One community business member had the following to say about the way OTOP groups were organised:

“In general, members are satisfied with the cooperative structure of OTOP groups as such a structure is fair to all employees. However, I feel it is necessary to find a different method of arriving at the making of important decisions. Currently, managerial staff and members need to be called upon to vote when an important decision needs to be made for the progress of the business, and this can be very frustrating, as it is a laboured and time-consuming process....some important matters require a decision to be made quickly” (CT1)

(2) Production

All of the groups in Chom Thong district produce fabric, but this is usually much simpler in terms of detail than that produced in Mae Chaem. The fabric produced is predominantly Plain and Yok, although the community businesses in this area also produce Teen Chok, Lai Nam Lai and Madmee in small quantities. They focus on these simpler types of cloth as they are easier to fashion into articles that have a modern twist. Whereas Mae Chaem businesses were primarily concerned with the production of Teen Chok and other fabrics, with the manufacture of clothing articles being a secondary concern, the main focus of businesses in Chom Thong is the manufacturing of finished, ready-to-wear clothing articles. The groups in Chom Thong produce between 15-25 different articles of clothing and home-ware, which fall into five categories: (1) cloth, (2) clothing, (3) souvenirs, (4) home furnishings and (5) personal effects. However, the production of ready-to-wear clothing far exceeds the manufacture of finished cloth.

- Production management

The production managers in Chom Thong hold identical duties and responsibilities to their Mae Chaem counterparts. They are required to coordinate all employees involved in the manufacturing process, to oversee all aspects of the production process and ensure that all orders are finished on time and that the products manufactured are of the highest possible standard.

- Factory and machinery

Like in Mae Chaem district, the products manufactured by community businesses in Chom Thong are hand-made, through the use of three different types of machinery: looms, sewing machines and large vats used in the dyeing of fabrics. Due to the bulk of their business being the manufacturing of ready-to-wear garments and personal effects, most production staff need to be skilled in the use of sewing machines, unlike Mae Chaem where, owing to the mass production of fabric, the majority of staff use looms. Each of the OTOP groups has their own designated premises set aside for the undertaking of dyeing, weaving and sewing. Most employees work on site, except for those workers who possess their own equipment – these employees are able to carry out their production duties from home.

- Regular employees

All employees are full members of their respective community business groups, which means they each have a stake in the success of the enterprise. Most of the people involved in community business work are women in the age bracket from early twenties to middle-age. Employees are paid on a piece-rate basis, but the rate paid for items varies, and is dependent on the complexity of the work involved. One employee noted:

“In general, the salary arrangement within our community business is piece-rate, which means that we receive an agreed price for every item of a particular design that we produce. However, the rate paid can differ from item to item. For those that are simple to produce and which

require less skill, we would receive a lower rate, as these can be manufactured at a greater speed. A higher rate is paid, per piece, for more complicated and intricate items, as these require a greater degree of skill and take a greater amount of time to produce” (CT2)

- Raw materials

Just like the FGD(A) groups, Chom Thong businesses source most of their raw materials (raw cotton, wholesale thread and chemical dyes) from wholesalers in Chiang Mai city centre. When required, they also source natural resources from their local area to produce natural dyes when they receive orders to produce simple fabric. Some groups even go so far as to spin their own thread, as opposed to buying it from a wholesaler, hence the need for them to obtain raw cotton. As one employee commented:

“...our group prefers to produce our own thread as it means that we are directly responsible for the quality of every aspect of the products we produce, and it adds a certain, special quality to our goods that many customers appreciate...” (CT4)

(3) Marketing

- Marketing management

The duties and responsibilities for marketing management fall to the head of marketing in exactly the same manner as they do within community businesses in Mae Chaem.

- Marketing mix

- **Product**

All of the community businesses in Chom Thong district produce Plain and Yok fabric as they are easy fabrics to produce, and can be fashioned into articles that have a modern design. However, in addition to this, groups are likely to produce smaller quantities of Teen Chok, Lai Nam Lai and Madmee fabric, as these are more

traditional fabrics that remain popular with some customers and reflect the groups' cultural heritage. A member had the following comments to make about her group's products:

"...our group produces both Plain and Yok fabrics, as these can be fashioned easily into modern and fashionable articles of ready-to-wear clothing which can be sold to both Thai customers, tourists and customers overseas..." (CT1)

When packaging their goods, Chom Thong community groups use paper packaging that is more modern than their Mae Chaem counterparts which are printed with contact details of the respective businesses and often details of methods of production. The groups also offer a gift-wrapping service for customers for whom their products were going to be used as gifts, and for this service they added an additional charge.

- **Price**

The retail prices set by community groups are directly set by two key factors, these being costs of production and the prices at which their competitors are retailing identical or similar items. Production costs include the cost of raw materials, employee wages and benefits, and the cost of distribution. Community businesses usually add a 10-20% mark-up on top of the production costs of a given item, and this mark-up varies more than in Mae Chaem, as groups in FGD(B) are not simply competing with fellow community groups, but also with factory businesses producing on a far larger scale, as well as overseas firms based in neighbouring countries such as China, Laos and Myanmar, where production costs are significantly lower than in Thailand. As one member noted:

"...we have many competitors in the local area who manufacture mass-produced, ready-to-wear items in a factory setting. In addition to this, we are also in competition with imports from countries such as Myanmar, China and Laos, where production costs are much lower than ours."

Irrespective of the fact that our goods are hand-made and of higher quality, such fierce competition means there are strict limits on how much we can expect to charge for our products should we want them to be competitive and sell well... ” (CT3)

- **Place**

Like Mae Chaem groups, Chom Thong community businesses sell their products through a variety of outlets, such as the shops at the sources of production, booth exhibitions, fairs, and via middle man traders. Moreover, owing to the fact that they produce a lot of ready-to-wear items, they also have greater access to the export market with overseas countries such as Taiwan and Japan. With regard to distribution channels for community businesses, one member made the following observations:

“...we mainly manufacture ready-to-wear articles of clothing, home furnishings and personal effects, which are all produced to a high standard. The items manufactured are then sold both as wholesale and retail goods. A large proportion of our goods are sold on the premises, but we also promote and sell our products at trade fairs organised by government agencies and other, cultural events. By exploring a variety of distribution channels, we are able to increase the group’s revenue and the range of potential customers for our products...” (CT5)

Another member noted the importance stressed by external agencies of the need for accessible, attractive and distinctive retail premises by community businesses so as to access a broad customer base:

“...government and private sector agencies offered advice on how best to access a broad range of customers. Their recommendations were that groups such as ours should have our own stores that were well laid out and distinctive in the way they displayed and presented our goods to

potential buyers. They stated that this would act as a magnet for potential customers and give us an edge over our competitors... ” (CT1)

- **Promotion**

As with groups in Mae Chaem, community businesses in Chom Thong rely on very simple promotional methods. There are a few tools for promotion such as name cards, brochures and folders, but these tools were more attractive and better produced.

In addition to the aforementioned promotion techniques, government agencies also offered training to members of community businesses in the art of customer service and general sales skills, in order that members would be more comfortable and successful when selling items to customers face-to-face. One member noted:

“...government agencies offered useful training and guidance to our group in how best to promote our clothing products to customers. One tip they gave us was to wear examples of the items we manufactured when working in the shop or on stalls at exhibitions, as this effectively allowed us to model our goods and show customers how good they looked when worn...” (CT 4)

Like [FGD(A)], the sellers of [FGD(B)] are the group’s members and get the daily pay plus commission that is directly related to goods sold.

(4) Finance and accounting

As with their counterparts in Mae Chaem district, the groups in Chom Thong were initially established with capital raised from the sale of shares to founding group members. This meant that the pool of financial resources available was fairly limited. Once the groups had been established, outside agencies assisted these groups in the formulation of comprehensive business plans, a helpful move as many members did not have the suitable business and finance skills necessary, that would allow them to access further capital in the form of loans from the OTOP fund set up by the Thai

government. Moreover, registered community businesses, again, were exempt from paying business tax.

In addition to the assistance in sourcing capital, outside agencies also offered training and guidance to the groups in modern business practices, notably finance and accounting.

4.2.2.2.2 Micro-external environment findings

(1) Customers

In general, customers of the groups in Chom Thong are local people, middle-men and tourists. However, due to the goods being produced in Chom Thong being fashionable and modern in their design, but also of high quality due to being hand-made, these clothing articles and personal effects are popular throughout Thailand, and are widely exported by wholesalers to countries such as Taiwan and Japan.

(2) Competitors of Chom Thong community businesses

Key rivals of Chom Thong OTOP enterprises are similar community businesses in the area, as they are all primarily concerned with the production of hand-made clothing articles in a modern style. However, the community businesses also have fierce competition from larger businesses that manufacture factory-produced clothing items on a large scale, both within Thailand and in neighbouring countries such as China, Myanmar and Laos, where the costs of production are much lower. The unique selling point of OTOP produced articles, however, is the quality of the items produced, owing to the fact that such goods are hand-made. One member highlights the different competitors that rival Chom Thong OTOP groups, noting:

“...community businesses like the one I belong to face stiff competition from businesses producing goods in an industrial, factory setting, as well as from overseas manufacturers for whom production costs are a lot lower. However, I believe that the greatest competition facing groups such as mine, and which have the greatest impact, are rival community

business groups, as they produce very similar products and are therefore chasing the same types of customers... ” (CT5)

Table 4.1: A comparison of the community businesses in Mae Chaem [FGD(A)] and Chom Thong [(FGD(B)] districts.

	FGD(A)	FGD(B)
1. Organisation & management	<p>Community businesses applied a cooperative structure to the way they operated their enterprises. The management team (elected by members) comprised a president, vice-president, head of production, head of marketing, head of finance & accounting and a general secretary. They hold their position for a duration of between one or two years, and their pay is a monthly salary.</p> <p>The members of the respective groups ranged from between 43-77 members. Most are middle-age females.</p>	<p>FGD(B) also applied a cooperative structure to their operations, and the details are the same as FGD(A).</p> <p>However, the number of members in this district ranged between 25-41 members. Most are also women, but the age of members is lower than FGD(A), ranging from early twenties to middle age.</p>
2. Production	<p>All products produced are hand-made on three key pieces of machinery: looms, dyeing vats and sewing machines. They have premises for dyeing, weaving and sewing. In FGD(A), the use of looms is predominant, and their key business is the weaving of cloth.</p>	<p>The same three pieces of machinery are used in FGD(B). They also have premises for dyeing, weaving and sewing. However, in this district, the bulk of their business involves the production of clothing articles, and so use of sewing machines is more</p>

	<p>As is typical of a cooperative, every employee of a CB is a full member of the organisation and has shares in the business. Employees involved in production are usually paid on a piece-rate basis, and receive an additional cut of the profits in accordance with the number of shares they hold in the business.</p> <p>The groups source their raw materials (wholesale thread and chemical dyes) from Chiang Mai city centre. They also manufacture a range of natural dyes from raw materials they source in their locality.</p>	<p>than FGD(A).</p> <p>Employees in FGD(B) groups are also members of their business. In most cases, they too are paid on a piece-rate basis, and similarly receive a share of any profits the business makes.</p> <p>FGD(B) groups source the same raw materials from Chiang Mai city centre, but additionally source raw cotton as they spin a lot of their own thread. They also source raw materials from their local area so that they can produce a range of natural dyes for their own fabric.</p>
<p>3. Marketing</p>	<p>The manufacturing of fabric makes up the bulk of FGD(A) groups' business. The most popular fabric produced is Teen Chok, but they also produce Lai Nam Lai, Madmee, Yok and plain fabrics. They also manufacture ready to wear items, personal effects, household articles and souvenirs, but these make up a smaller proportion of their output.</p> <p>Prices set are based on production costs (cost of raw materials, wages and distribution). They are also influenced by the prices set by their competitors. The mark-up on products is between 15-20 %.</p>	<p>The primary business of FGD(B) groups is the production of ready-to-wear garments from Plain fabric and Yok. They also produce a variety of fabric, yet the majority of the business is the manufacturing of clothing, home furnishings, souvenirs and personal effects.</p> <p>Prices are set in this district in accordance with the same factors that influence pricing for groups in FGD(A). They usually add a 10-20 % mark-up on top of the costs.</p>

	<p>All FGD(A) groups sell through a variety of channels: through their on-site shop, through middle-man wholesale traders, and through stalls set up at cultural fairs and trade exhibitions.</p> <p>Promotional tools employed are very basic, namely business cards and folders, though some groups also used brochures. Other methods sometimes employed by groups included representations at trade events. All groups receive support and guidance from outside agencies in the use of sales techniques and what constitutes good customer service. The sellers get the daily pay plus commission that is directly related to goods sold.</p>	<p>FGD(B) groups sell goods on-site, but some groups also have retail premises in Chiang Mai city centre. They also sell from stalls at cultural fairs and trade exhibitions, but also have easier access to export markets than their FGD(A) counterparts.</p> <p>Groups in FGD(B) utilised similar marketing methods to their counterparts in FGD(A), although the literature used was usually more attractive and better produced. As in FGD(A), all groups received guidance and training in sales techniques and the provision of good customer service. The sellers of FGD(B) receive the pay and commission in a similar way to FGD(A).</p>
<p>4. Finance & accounting</p>	<p>Original capital for establishing the groups stems from shares purchased by members, and this is limited, though other funding is gained from loans derived from the OTOP fund. Groups then receive training in modern business practices because they have limited skills in this area, namely finance and accounting from external agencies affiliated with the OTOP project.</p>	<p>Capital is raised by FGD(B) groups in the same manner as their FGD(A) counterparts (their own limited resources and external funding). They also are trained in matters relating to finance and accounting to address weaknesses in this area. It was apparent that groups in this district were more skilled in applying these skills to the running of their businesses.</p>

5. Customers	The bulk of customers are people from the local area and upcountry, and they also sell their products to wholesalers. Other customers are tourists.	Due to them manufacturing much ready-to-wear clothing, FGD(B) groups have customers both from the local area and further afield across Thailand. They also have greater access to the export market, and sell their goods to wholesalers who retail their goods. Other customers are also tourists.
6. Competitors	The main competitors for FGD(A) groups are other OTOP groups in Mae Chaem, other districts of Chiang Mai and other regions of Thailand.	Due to them producing ready-to-wear items, FGD (B) groups' competitors are not simply other OTOP groups, but also clothing firms that produce clothing on a factory scale, as well as businesses in other countries where production costs are much lower than in Thailand.

In summary, the researcher notes that the community businesses from Chom Thong and Mae Chaem are very similar. Both sets of groups are run in the style of a cooperative and have access to the same training and guidance from OTOP affiliated organisations.

These groups are involved in the manufacture of five types of products, these being fabrics, clothing articles, personal effects, household articles, and souvenirs, although groups in Mae Chaem district are more heavily involved in the weaving process, and the groups from Chom Thong district are more involved in the production of ready-to-wear fashion items.

The setting of prices is undertaken through the same simple methods by groups in both districts, and is wholly dependent upon production costs and the prices set by their competitors.

Both had access to the same channels of distribution, retailing their goods on site, through shops, wholesalers, booth exhibitions and cultural events, and finally through the overseas export market.

When promoting their products, the majority of groups were reliant on a few, simple marketing methods, these being brochures, name-cards and folders, although some groups were adventurous and tried local radio advertisements.

The OTOP groups sold a high proportion of their goods to customers from local areas. Other customers for their products were middlemen wholesalers, tourists and overseas customers.

In terms of competitors, both sets of groups face stiff competition from local community business groups and from other districts. They also face serious competition from factory sized clothing producers and competitors from neighbouring countries.

4.3 Findings from Qual 2

In Qual 2, the researcher conducted in-depth interviews with group members, supporters and OTOP customers. Observations were also carried out of marketing methods and production processes employed by a range of community business enterprises.

The findings from Qual 1 were limited somewhat, owing to the time restrictions allocated to each group, so the researcher sought, through the second stage of interviews, to gather more in-depth information relating to the co-operative marketing strategy employed by community business groups. The co-operative marketing

strategy consist of four key factors, these being co-product, co-price, co-place and co-promotion strategies. The researcher concentrated on these factors as these were in line with the research questions that guided phase 2 (QUAL 2) of this research study.

The number of participants in the interview stage totalled thirty individuals, these consisting of ten producers, ten supporters of community business groups (people involved in external OTOP agencies i.e. government organisations, academic institutions, and private sector organisations), and finally ten customers. All of the aforementioned questions that referred to co-operative marketing strategies were posed to all participants in the in-depth interview stage.

4.3.1 Findings from in-depth interviews

4.3.1.1 Co-product strategy

4.3.1.1.1 Products of community businesses in detail

The first question posed in the in-depth interviews was “What are the products made by community businesses?” The interviewer, once aware of the key products manufactured by the group, sought to gather more in-depth information by posing questions relating to product category, product design, colour and product quality of goods. Data gathered from the in-depth interview sessions presented the researcher with the following results and information.

(1) Product categories

Hand-woven cotton cloth is processed in many different ways. The method used depends upon the preference of individual producers. Information collected from in-depth interviews indicated that the products made and distributed by community

businesses in Chiang Mai fell into the following five categories: (1) **Cloth**³ sold by the metre. Buyers can use pieces of fabric in many different ways, for example, to make garments or household articles. (2) **Clothes** for women, men and children, the pha sin (Traditional Thai tube skirt) and fashion accessories such as scarves and shawls. (3) **Household articles**: tablecloths, bed sheets, pillowcases, curtains, table runners, placemats, and coasters. (4) **Personal articles**: bags, hats, and shoes. (5) **Souvenirs**: flags, cloth dolls, key chains, toothpick boxes, and tissue boxes.

A producer had the following comments to make about the different products manufactured by her OTOP group:

“My group is mainly focussed on the production of clothing and garments for both men and women, and this constitutes the majority of our output. Nowadays, we also design and manufacture a range of clothing for children. Finally, we also produce a range of souvenirs in order to capitalise on the tourist business that visits our area. We do produce a range of household items and personal effects, but these are in small quantities, and make up a very small proportion of our total output” (P3)

Another producer involved in the OTOP project made the following observations about her own community group:

³ The hand woven cloth in Chiang Mai can be divided into various types, depending on the criteria of division. Techniques and methods of weaving (Thepumong, 2005) are divided as follows: (1) **Teen Chok** is hand woven cloth using a discontinuous supplementary weft pattern. Various colors can be woven alternately. Teen Chok is woven with the aim of giving impressive beauty and is a form of weaving distinct to Chiang Mai. (2) **Yok** refers to a style of weaving based on a special kind of yarn that results in a raised or 'embossed' design. The finished product is especially inclined to reflect the skill and familiarity of the weaver with the traditional patterns. For this reason, the standard of the finished product can vary. (3) **Madmee** refers to cloth where the yarn is coloured to the desired shade before the cloth is woven. The warp or weft is tied depending upon the design. (4) **Lai Num Lai** is the water flowing-like weaving. It was first produced in the Nan Province of Northern Thailand. (5) **Plain fabric** was mass-produced in all districts of Chiang Mai province. This was due to the fact that this style of fabric required little skill to produce and was versatile in what it could be used for, as it could be incorporated into the manufacture of clothing and a wide variety of other products.

“The bulk of our business is the manufacture of cloth fabric, which we sell to both retail and wholesale customers. However, we also use our own fabric and fashion it into household items and personal effects, such as hats and bags. Any off-cuts from the manufacture of these larger items are then used in manufacture of souvenirs” (P9)

Finally, a third producer made these comments about the goods her community business group manufactured:

“My group’s main focus is on the production of cloth fabric for retail and wholesale customers, as well as the manufacture of household items such as bed-linen and curtains from these fabrics. We have several corporate customers in the form of hotels and businesses from Chiang Mai city centre that purchase our items to furnish their business premises” (P5)

A customer of community businesses had the following remarks to make after visiting one group’s retail outlet located at their business premises:

“I was very impressed with the products that were available for purchase at the community shop. Aside from the beautiful, hand-woven fabrics that they had made, a wide variety of garments, personal effects and souvenirs were available for sale, all made from the group’s own fabric...” (C3)

A supporter of OTOP community groups made the following observations about the range of products manufactured and sold by such businesses:

“In Chiang Mai, community businesses produce fabric, clothing garments, personal effects, home furnishings and souvenirs. Some

groups predominantly manufacture clothing garments, while others focus more on the production of wholesale fabric... ” (S1)

(2) Product design

The motifs of some cotton teen chok sections feature particular mythical animals from Thai culture or animals found in nature. These motifs reflect the experience and background culture and religion of the weaver. Also, with patterns varying from region to region, some weavers who have moved into Chiang Mai from surrounding regions may bring with them new designs that are then integrated by other weavers. (Wattanapun *et al.*, 2001).

Design encompasses the reinventing of an old style of product or recreating a new product inspired by a traditional model to improve its aesthetic or function. The new design features often add a sense of style, or interesting and functional features which make products more valuable or useful to consumers. Pattern design can be considered a contemporary art-form. Traditional craftspeople use contemporary designs to modify the appearance or structure of the original forms so as to increase the desirability of their products to consumers (Wattanapun *et al.*, 2001).

Locally weaved fabric generates significant income for the weaver. This leads to a competitive environment between local craftspeople. Weavers are interested in developing fabrics that look modern and stylish. They are aware that the design of the fabric is a determinant of its market value. Also, they are innovative with regards to product design, and capable of creating and experimenting with new patterns, colours and different gauges (sizes) of fibre (Cotton and Silk Project, Chiang Mai University, 2004).

Data collected in Qual 1 revealed that local cotton fabric design falls into three broad categories:

- **Traditional design:** produced using traditional and unique patterns (such as the *Teen Chok* fabric from Mae Chaem)

- **Contemporary design:** fabric developed to meet market demands, dictated by fashion trends
- **Combined designs:** a mix of traditional and contemporary features

Interviews with producers from Chiang Mai community groups led to the following comments and observations being gathered from producers:

“My group produces both traditional and contemporary items. We do so as we have both regular customers, usually middle aged people, who appreciate the more traditional designs and who regularly buy items such as tube skirts, shirts and blouses, and a younger customers base who demand articles of clothing and personal effects that reflect a more modern, contemporary design” (P8)

Another community business producer made the following comments:

“We produce a wide variety of traditional items to cater for the needs of customers in our local area, as they require traditional garments to carry out duties and functions in their day-to-day lives, such as visiting the temple or adhering to the need for wearing traditional dress to school or work once or twice a week. In addition to the production of traditional items, we also produce goods that are more contemporary and modern in their styling, but which also incorporates the use of traditional fabrics. In doing so, it allows us to access a far wider customer base and maximise our revenues” (P6)

A customer of a community business group had the following remarks to make about product design:

“I prefer the fabrics produced by local community business groups, especially goods that are produced in a more traditional design. The fabrics produced are all hand-made, and as a result the fabrics are

intricate and beautiful..... Consequently, I am a regular customer of community business products” (C1)

Another, younger customer of community business products made the following remarks about their more contemporary designs:

“I am a fan of the more modern articles produced by community business groups as they are more unique than mass-produced fashion items manufactured in a factory. As well as producing modern and contemporary items of clothing, they also produce interesting items that incorporate both traditional and contemporary designs... ” (C9)

A supporter of OTOP groups remarked:

“When we conducted surveys across Chiang Mai, we noted that they design goods that are contemporary or traditional in their designs, with some goods being produced incorporating the best of both. What determines which design style predominates is purely dependent on the demands of the customer of each respective community group” (S5)

In Chiang Mai province, it can therefore be noted that community groups produce a variety of goods, in both traditional and contemporary designs, as well as manufacturing products that combine the best aspects of both the traditional and contemporary.

(3) Colour

In times gone by, local fabric was woven in different colours according to the region in which it was made and the age of the weaver/the wearer of the garment. The colour of the dye was determined by its source. Dyes were sourced from natural resources such as ashes and different parts of trees.

The majority of natural colours are sourced from parts of trees, such as the bark, the core, roots and fruit. Red dye is sourced from the Morinda root, yellow from turmeric, light gold from the *egg tree* (Ma-Phud) and green from myrobalan bark. Additionally, the Industrial Promotion Department discovered that nearly every tree and their subsequent parts can produce a natural dye to colour silk and cotton. The secret, according to the Industrial Promotion Department, is passionate determination for the research process. Every part of the tree must be collected in an attempt to extract dyes. There are a range of processes used to extract the dyes, such as crushing, pounding, boiling materials in water and fermentation of the resulting liquid (Industrial Promotion Centre Region 1, 2005).

The shade achieved by natural dyes can be unpredictable. Many factors lead to variance in shades, such as the age of the tree, the moisture level and health of the bark, the season in which the parts of the tree are collected and the mineral content of the surrounding soil.

Moreover, where more than one batch has to be made, it can be difficult to match dye-lots to the expected shade with naturally-occurring dyes. As a result, buyers are unable to rely upon the supply of multiple batches of fabric being the same shade at one time, or when re-ordering previously supplied shades. However, natural colours are not harmful to humans or the wider environment (Industrial Promotion Centre Region 1, 2005).

Additionally, natural dyes have proven not to be colour-fast on washing. The dyes run out of the fabric, leading to faded and uneven colour, while the dyes are absorbed by other garments in the washing process, damaging them.

“The products that contain natural colours have a problem – they always run when washed and the colour is no longer bright” (C1)

Later, chemical dyes were introduced into the local fabric industry due to their utility (colour-fast properties), economy (less expensive to source) and vibrancy (colours could be selected from a wider palette). Moreover, chemically dyed cotton appears brighter and therefore more appealing. Because synthetic dyes are produced in the laboratory, there is no difficulty in creating repeat-batches of dyes for reliable colour-matching. Therefore, the process of making chemical dyes is far less labour-intensive and more suited to mass production. However, It has been suggested that the majority of consumers may not be aware that some ingredients (for example, ASO) in chemical dyes have been shown to have carcinogenic factors and may also have a negative impacts on the wider environment (Cotton and Silk Project, Chiang Mai University, 2004).

Additionally, a customer pointed out that:

“...where chemical colours are used, you achieve a bright colour in the fabric. However, the customer’s preference is important in deciding which colours to use...” (C7)

Chemically dyed fabrics with a high ASO factor may be carcinogenic. One of the supporters states that:

“...the difference between chemical colour and natural colour is that chemical colours seem to adhere to the fabric. However, chemically-dyed fabrics that have ASO can cause cancer in consumers. The natural colours do not have an effect on the body because the colours come from different parts of trees and other plants. The big problem is that those colours run out of the fabric...” (S5)

Findings from the in-depth interviews support the use of both natural and synthetic dyes amongst consumers and those involved in the industry. The findings indicated that consumer preferences tend to fall into two categories – those who prefer natural

shades, and those who prefer shades produced using synthetic dyes. Producers are primarily concerned with meeting consumer demands. A cotton producer states that:

“I use both chemical and natural colour to add more variety to the products” (P10)

Another producer elaborated:

“We make cotton products in colours that use both synthetic and natural dyes. The shade chosen [by the producer] depends upon which customers we are catering for and the colours we think they would like to see” (P4)

Despite the producer views above, a report by the government’s Industrial Promotion Centre region 1 in 2005 declared that CB operators tend to have little knowledge regarding colour development. It advised them to seek advice and help from government organisations on the most appropriate use of synthetic and natural dyes based on individual product specifications, in order to give them the capacity to meet the product quality levels of the Thai Community Product Standard. Other initiatives were also put in place. According to a leader in a Mae Chaem CB:

“At the beginning of the year 2006, one of the university lecturers in Chiang Mai province had conducted research, and trained us how to use traditional plant-based dyes without faded colour. It took about a month of training for us....subsequently the products are pretty and bright coloured. Government sector or involved organisations should support communities like this, since it is advantageous to communities” (P8)

In summary, this study has revealed that the naturally-sourced dyes have disadvantages as they are used currently in the production processes. They provided a limited range of colour, are relatively expensive to produce, have unpredictable

shades, making it difficult to match dye-lots, it is a challenge to attain brightness, and they lack colour-fast properties. The synthetic dyes have a wider range of colours, are less expensive to source and produce, have standardized dye-lots, maintain their brightness and are colour-fast. In short, the process of making synthetic dyes is less labour intensive and more suited to mass production. Two negative facts associated with some synthetic dyes are that some ingredients in them have been shown to have carcinogenic factors, and the pollutants from such dyes are not bio-degradable at the beginning. The supporters who are aware of this problem have tried to educate CB producers, and there is an increased awareness of ASO ingredients (Cotton and Silk Project, Chiang Mai University, 2004). However, community businesses still use both synthetic and natural dyes because of customer demands.

(4) Product quality

Hand woven cotton cloth is different from the cloth product produced by factories. The construction of the cloth reveals variations in the level of personal skill of the weaver. For example, the tension and consistency of the woven threads determines whether the fabric will be tight or loose fitting, or of uniform or relaxed texture and style. These variations define some of the unique qualities of the product, and contribute to the product's appeal to producers and industry supporters, as well as consumers.

Moreover, seasonal changes in the intensity of plant-based dyes limit the colour range that is available. In Thailand, the colours produced by dyeing cloth with natural colours change according to the environmental conditions in which the dye is extracted from the plant. Dyes extracted from the same trees in the rainy season will produce a lighter shade of green compared to dyes extracted in the hot season. Typically, there is more variation in the resulting colour shade compared to synthetic dyes.

Despite these limitations, interview data from producers shows that they are satisfied with the quality of the products. Some interviewees reported that they had submitted

the hand-woven cotton for standardization and had achieved the highly respected OTOP (One Tambon One Product scheme) standards (as described in extracts below). Others expressed a desire for all producers to attempt to meet the described standards for the benefit of the industry and consumers.

One of the producers said that:

“...products produced by our group reach the five star quality rating attributed to national hand woven cotton cloth OTOP [The One Tambon One Product scheme]” (P1)

However, few products of community businesses reach the five star quality rating. Most of them need to keep developing. An industry supporter reported:

“At the present time, only 5% of products made by community businesses have achieved the 5 star quality rating. 15% have achieved 4 stars and 40% of products have been awarded 3 stars. This means that while 60% of products made by community businesses are considered satisfactory (3 star) or better, there are still the remaining 40% of products that are in immediate need of improvement” (S4)

Another industry supporter mentioned:

“...the quality of products being produced by the community businesses are o.k., [however] the products need to keep developing because they have to reach a higher standard...” (S1)

The data collected from interviews reveal that 60% of products manufactured by community businesses have been awarded 3 stars or above (3 stars – 40%, 4 stars – 15%, 5 stars – 5%) but that 40% of products still need improvement to attain the minimum of 3 stars needed to be considered satisfactory.

The interviewees expressed similar evaluations of the quality of the hand-woven cotton products. Some producers and industry supporters reported that some groups' products were already achieving high standards. Parties agreed that were groups producing hand-woven cotton cloth in Chiang Mai to submit their products to the process of community product standardization, Many of their products would reach the 3 star and above standard.

For those producers who have not pursued the process, there is an opportunity to submit their products to standardization. The Royal Thai Government sponsors a Standardization Unit in Chiang Mai Province (Industry Promotion Centre Region1). The Unit is equipped with resources to assess and monitor products, to support and give advice to producers, and on occasion to provide funding to those who qualify, in order to upgrade their products. Consistency in the quality of items available across the industry may markedly enhance the desirability of the product line with consumers.

4.3.1.1.2 The most successful products

The second key question posed to producers during the in-depth interviewing process was 'What are the most successful products of community businesses?'. As well as gathering this data, the interviewer also tried to establish why they felt that such products were popular with customers. The data gathered gave the researcher the following results.

Nowadays there are various kinds of hand woven products sold and distributed by community business entrepreneurs. Some of these products do well on the market, while others do not. In interviewing the producers in the community business groups, it was found that the products with the highest turnover were cloths and ready to wear clothes.

The producer of one of the community businesses said:

“The best selling product now is ready-to-wear clothes such as trousers, ladies’ clothes and Pha Sin [the traditional Thai tube skirt], because they are popular among local people” (P7)

Data from in-depth interviews of other people involved in community businesses confirm these views. A supporter from a district government organisation reported:

“The items with the highest turnover of all the products made by local community businesses are ready-to-wear clothes and formed cloth. The reason why they are popular is that the product is made from the original local cotton and is beautifully made to a high standard and quality...” (S6)

Similarly, a supporter from the office of Agricultural Affairs said:

“The popularity of clothes depends on modern design. Formed cloth is sold well after clothes, as are household articles. Household articles are popular among shoppers from overseas because they favor the product’s uniquely beautiful stripes. These items are part of the local identity, which appeals to so many foreigners” (S5)

Interview data collected from customers revealed similar opinions to cotton producers and industry supporters regarding the high turnover and popularity of items mentioned above. One of the customers commented:

“I like buying formed cloth because I can use it to make Pha Sin or household articles. Additionally, I buy it for my relatives” (C4)

Another customer reported:

“What I like to buy most is Pha Sin because it is beautiful. I usually buy ready-to-wear clothes. I also buy formed cloth that I like because it comes in beautiful colours and stripes. Their quality is good...” (C1)

Evidence from interviews indicates that the products that achieve a consistently high turnover due to their popularity amongst buyers are clothing and formed cloth.

4.3.1.1.3 The less successful products

The next question put to producers during the in-depth interview process was “What community business products prove to be less successful?”. The findings, and the reasons why they felt such products fared worse in terms of sales, are detailed below.

Not all groups producing hand-woven cotton cloth within Chiang Mai make items that reach the Thai Community Product Standard. Less successful products include personal articles, souvenirs, and some types of household articles: dish mats, glass mats and curtains.

A customer in Chiang Mai reported:

“I like to buy general products but I don’t like to buy souvenirs or curtains because they are not important for the people in the North....” (C5)

The customer’s opinion is similar to that of a supporter from a district government organisation who said that:

“The less successful product nowadays is the curtain because it is not necessary for the local people and is not popular among people in general” (S7)

These views describe a particular item (curtains) that may not suit the local way of life and therefore cannot maintain a useful function. Another customer commented:

“The hand woven product that I prefer not to buy is a purse because it is easily damaged and has low standard. I mostly buy a purse at the department store because there is a myriad of choices of leather purse [superior quality] and the patterns are also lovely” (C4)

Interviews with producers and supporters evidenced some products that are less popular. One producer noted:

“...the products that do not sell well are glass and dish mats, and curtains because they are not used by most local people. These products will be produced when they are [specially] ordered by customers” (P2)

The three groups of interviewees (producers, supporters and customers) also expressed their opinions about products that may not sell successfully as a result of issues relating to design and quality. A product may be part of a popular category of items amongst shoppers, yet if it is a badly designed product, is of a low standard of quality, or features less-than-impressive colours or patterns, the product will not achieve a high turnover.

A supporter from Thai Lanna Industry Association said:

“The reason why the products don’t sell well is dependent on the design of the product. That is to say, if the products are badly designed, the quality does not improve, be they formed cloth, instant clothes, or household garments [household articles]” (S10)

Some kinds of product last only a short time, as some cotton fabrics lose their shape. One of the customers commented:

“I think some kinds of product are of a good quality and standard like formed cloth or clothes and souvenirs, but there are some products that can only be used for a short time and aren't of a high standard, such as scarves. They tend to lose their shape easily after washing” (C6)

Similarly, another consumer commented:

“I feel satisfied with the products that I bought. However, I don't buy products that lack quality and have uninteresting stripes” (C3)

From the data, it can be concluded that there are two main characteristics of unsuccessful products, namely:

- (1) Products that are not designed well and/or suffer from a lack of quality.
- (2) Particular products such as souvenirs, personal effects and some household articles (curtains, glass and dish mats) that are unfavourably influenced by market forces

4.3.1.1.4 Packaging

Another key question put to interviewees was “What are your thoughts on the packaging used by community businesses?”. The responses to this question resulted in the following findings.

Following in-depth interviews of the local cotton producing community businesses in Chiang Mai, it was noted that the packaging strategies used currently include:

- (1) Paper bags - plain bags without print and bags printed with logo, brand-name and producer history.
- (2) Plastic bags - regular bags as used by supermarkets.
- (3) Gift shop packaging that includes logo and information, such as hand-made boxes. This style of packaging is used for products intended as gifts.

According to a producer:

“Most of the time we use regular plastic bags for packaging products. We tried to use gift boxes before, but it wasn't popular with consumers. Plastic bags are more convenient for customers. However, if customers buy the product because they want to give it as a gift, we give them a gift box to make it look more beautiful and valuable” (P9)

Packaging style is also influenced by where producers sell their products – the type of retail outlet and its location. Where products are supplied to retail outlets at large department stores, producers are aware that the goods need to be packaged in a way that makes them look attractive and more valuable. Goods sold at street markets require plastic bags for convenience to the consumer – the goods need to be carried easily amongst other shopping items, and easily packed into luggage or parcels for transit to other regions or overseas. This approach, where appearance of packaging is less important, is of benefit to consumers, retailers and producers as the costs involved are less than more quality packaging.

One customer's viewpoint is:

“If I buy the products from the market, the packaging tends to be normal paper or plastic bags. If I buy the products from the department store or a shop like 'Fair' in Bangkok or Chiang Mai, they provide information about the product and its logo on the package, and the packaging is quite beautiful” (C10)

Another customer commented:

“If the product is sold in the market, it is in a plastic bag. If the product is sold at the Mega store or tourist shop, the package is very attractive, it includes a brand name logo and might come in a good gift box” (C8)

Producers have similar opinions to consumers regarding packaging, for example one producer states that:

“At the moment the packaging that I use is regular paper bags or plastic bags without providing the brand name. If I sell my goods at Fair or Events [retail stores], I provide good-quality paper bags that include the logo on the bag” (P2)

Some local business groups do not have their own packaging. According to one of these producers:

“Current packaging includes normal paper bags without information and logo relating to the producer on the package. We rarely see gift-box style packaging that is well-designed for the product, due to the costs involved in this kind of packaging” (P7)

And another producer says:

“Most of the time the packaging is paper bags without a logo or brand name. Many producers do not understand design and development of packaging, or its importance” (P6)

With regard to this situation, the government organisations involved can have influence, such as Industrial Promotion Centre Region 1, who offer advice to producers and in some cases even help to design the packaging for them. One industry supporter said:

“At this time, packaging that local businesses use include boxes, paper bags with producer logos or branding and regular plastic bags. Some groups of local businesses require better packaging to enhance their product distribution. Industrial Promotion Centre Region 1 has funding

support of approximately 9,000 baht for each eligible producer. We can assist with package design and make up some samples for producers to inspect. Afterwards, local business groups can take the packaging model we provide to the packaging company” (S1)

Another supporter added that:

“Packaging has two categories. There is packaging that utilises a new plastic bag or paper bag, without brand or other information, and new forms of packaging that have been developed by government organisations. This style has a logo, brand name, address and sometimes producer history on the package. However, most of the producers still use plastic bags and paper bags without brand and other information” (S8)

Interviews of producers, consumers and industry supporters revealed that the majority of producers use packaging that does not include local or other information about the source of the goods (plastic bags and paper bags without brand and other information). Some producers use bags printed with logo, brand name and other information, and a few producers use modern attractive packaging.

4.3.1.2 Co-price strategy

(1) How do community businesses set the price of products?

At the in-depth interview stage, producers were asked “How do community businesses set the prices of products?”. Their responses threw up the following findings:

Data was collected from interviews about price strategy. It was found that each group of producers used the same strategies.

“The strategy for price setting is computed from all costs: raw materials, labour cost, and expenses for water and electricity. Besides, the depreciation of the factory is figured out...” (P1)

A similar conclusion was drawn from other producers:

“The method of price setting is the combination of all costs: materials, labour, other expenditures and profit. The profit is set in consideration of the marketing situation as well. Normally, price is set to be optimum: not too cheap and not too expensive. The estimated profit is approximately 10-20%...we, sometimes, set the price higher than normal for bargaining, because customers usually bargain when they buy our products...” (P6)

Without exception, each group of producers has set price with the same strategy. It does not mean that products with the same features have the same price but that they are limited by the market price mechanism.

Data collected from, and interviews with producers revealed that the assessment of value of fabrics produced by weavers is classified by the type of products as follows (2006):

Table 4.2: Price of community businesses' products

	Product Category	Price (Baht)
1	Fabrics/metre	60 – 120
2	Scarves	50 – 100
3	Loincloth	80 – 100
4	Tube skirt	120 – 180
5	Shawls	60 – 500
6	Teen chok fabrics (Antique stripes)	1,000 – 1,500
7	Teen chok fabrics (Modern stripes)	500
8	Bag made of cloth	60 – 80
9	Shirts	120 – 350
10	Blouses	180 – 350
11	Table Cloths	250
12	Chok pillows	150
13	Neck-ties	250
14	Cushions	350

(2) The price is reasonable or unreasonable

Interviewees were also asked to share their thoughts on the pricing of community business products and whether they thought they were reasonable or unreasonable.

The majority of customers believe that prices are reasonable:

“I strongly believe that price is set reasonably from groups of producers. It is computed from costs plus profit, competition and market demands. When comparing the price to product features, it is balanced and reasonable” (C10)

It is aligned with the following observation:

“There is no deceptiveness of product price among different groups of producers. Products are sold at almost or the same price. All groups of producers calculate price based on costs such as raw materials, labour and other expenditures plus profits. From my point of view, the prices set by groups of producers are reasonable” (C9)

A minority of customers do not accept the price set by groups of producers because they feel they are not reasonable:

“From my opinion products which I buy from groups of producers are too expensive when compared with the quality, and so prices should be decreased. I’m not satisfied with price setting of groups of producers...” (C5)

Data collected from producers and supporters are in line with customers’ views that prices are reasonable, being neither too expensive nor too cheap:

“Prices set by groups of producers are reasonable when compared to products which have a long process of production for example in time or manual labour, Consumers still buy products at the same price even though costs of raw materials such as cotton and thread are substantially increased, which leads to higher costs and lower profit. Nevertheless, the price still is reasonable when compared to products” (S1)

“Prices set by groups of producers is suitable when compared to the products’ quality. It is optimum price. However, price depends on market mechanism” (S2)

The minority of supporters complain that prices set by groups of producers in Chiang Mai are not standard for instance:

“There is no standardized price for groups of producers. Some groups don’t embrace the costs such as labour cost, transportation cost when calculating price. From high competition in the market, some groups of producers produce imitation products with lower quality but cheaper prices. Anyhow, nowadays groups of producers have more knowledge to set price than ever before” (S8)

A similar opinion is:

“Prices set by groups of producers now is not reasonable due to it being too cheap. Perhaps there is high competition in the market now” (S10)

Data collected from observations and interviews with three groups of stakeholders (producers, supporters and customers) summarize that most of them agree with the method of price setting by calculating from total costs plus profit. As a result it is viewed as a reasonable price.

4.3.1.3 Co-place strategy

4.3.1.3.1 Channels of distribution

Interviewees were asked the question “Where do community businesses sell their products?” Findings from the in-depth interviews identified that there are four channels of distribution that groups of producers in Chiang Mai have chosen through which to deliver their products to customers. These are as follows:

(1) Booth exhibitions organised by private and government sectors: Winter season festival, Industrial Promotion Centre Region 1 exhibition, OTOP exhibition etc.

(2) Sources of producers: Each group of producers sells products at their source (shops at their production sites).

(3) Cultural fairs: Each group of producers holds a fair at the centre of each province, city or at other locations.

(4) Middleman traders or shops: Firstly, products are sold to middle man traders. Consequently, the traders will push products to merchants in markets, stalls and middle man shops.

“There are some channels of distribution that groups of producers do currently use, such as the distribution of products to retail stores in cities and Bangkok, booth exhibitions organized by government, for example Industrial Promotion Centre Region 1 exhibition, OTOP exhibition and selling at the sources of producers” (P2)

Likewise, another supporter commented:

“There are many channels of distribution which groups of producers in Chiang Mai have implemented nowadays such as 1) selling at the sources of producers 2) holding fairs in cities or communities 3) delivering to middle man traders at Night Bazaar and Chiang Mai market 4) participating at booth exhibitions such as OTOP” (S1)

Similarly, another customer suggested:

“Channels of distribution as I have known are producers’ shops, fairs organised by government and middle man traders at Waroros Market” (C3)

Data collected from interviews with producers, supporters and consumers summarize that there are four channels of distribution that groups of producers in Chiang Mai have implemented at present: 1) Booth exhibitions organised by private and

government sectors, 2) Sources of producers, 3) Cultural fairs, and 4) Middleman traders or shops.

4.3.1.3.2 The most successful channels of distribution

During the interview process, people were asked “Where are the most successful outlets for community business products?”. The findings were as follows:

The most successful channel of distribution which has enhanced both sales and numbers of customers is booth exhibitions organised by government. The advantage of booth exhibitions is heavy public relations in order to attract customers to attend booths and buy products. Booth exhibitions are not always organised routinely. Sometimes it takes place once a year or more depending on the government’s policy. As a result, it can attract both Thai people and tourists to visit. The more people that attend the booth exhibition, the greater is the purchasing power to buy products. In addition to this, the government has supported public relations that can motivate customers to visit booth exhibitions also. There are some ideas from groups of producers outlined below:

“The best selling fabric from exhibitions is Teen Chok fabric from Mae Chaem. Public relations are supported by the district to pull many tourists to the booth. As a result it can generate good sales” (P9)

It is a similar comment to:

“Booth exhibitions organised by the government are very successful, particularly the OTOP fair at Meungthong Thani (in Bangkok) because there are lots of tourists and the products are sold at approximately two hundred thousand baht per exhibition or nearly two million baht a month” (P1)

Apart from producers, there are many supporters who agree that booth exhibitions organised by the government is the most successful channel since lots of tourists are pulled to visit the booth exhibitions due to public relation activity:

“Booth exhibitions are the best channel of distribution of local cotton producing community business owing to the fact that it can help to gain new customers, especially the exhibitions conducted in Bangkok” (S10)

Likewise, other supporters noted:

“The most successful channel of distribution in terms of sales for groups of producers is exhibitions organised by the government such as the Industrial Promotion Centre Region 1 exhibition that is conducted about two times a year with public relations supported by the government” (S3)

Data collected from interviews with three groups of stakeholders (producers, supporter and consumers) summarizes that the most successful channel of distribution for groups of producers in Chiang Mai is booth exhibitions organised by the government sector. However, other channels such as sources of producers, fairs and middle man traders serve as alternative channels.

4.3.1.3.3 The less successful channels of distribution

Data collected from interviews summarize that the less successful channel of distribution is the source of producers. The following are comments from interviews:

“The less successful channel of distribution is sources of producers because some customers don't know the sources...” (S2)

It has been widely acknowledged that the most successful channels of distribution for merchandise of community business groups are cultural festivals and trade exhibitions and fairs, while the general daily turnover of shops located at business premises was

relatively low. However, it is important to recognise that such fairs and exhibitions only take place a few times a year, and for a limited time period in any given instance. So, while the daily turnover of such events is recognised as being quite high, such a high volume of sales at such events only takes place for a limited number of days annually. In contrast, while the daily turnover from on-site premises is comparatively low, trading from such premises is carried out throughout the year, and so provides community businesses with a steady revenue stream. While on a daily scale, turnover from festivals and exhibitions far outshines other channels of distribution, when sales are viewed on an annual basis, the on-site retailing of goods accounts for between 60-70% of annual turnover, whereas revenue generated from booth exhibitions and cultural fairs makes up only 20-30% of total revenue (Industrial Promotion Centre Region 1, 2005).

One producer made the following observations about the different channels of distribution used by OTOP groups:

“...when we consider day by day sales of our merchandise, booth exhibitions are clearly the most profitable outlets for our merchandise. However, it is important to remember that such events are only held a few times a year. In contrast, sales from our own premises take place daily throughout the year, and from time to time large orders are placed from wholesalers, in addition to smaller sales to regular local customers. Our main income is derived from sales from our production premises, which are then supplemented from the sales at exhibitions and cultural events...” (P1)

Local government agencies were quick to recognise that, while exhibitions were useful in enabling OTOP groups to promote their merchandise outside of their local areas and assisting them in generating some additional income, it was at their on-site premises that community groups generated the bulk of their revenue. As a result, these local agencies set out to assist OTOP groups in maximising their profits through

marketing their products as best they could and selling them within premises that were as attractive to the customer as possible, in order to ensure that they had an enjoyable shopping experience.

A local government employee made the following comments:

"...I tried to encourage OTOP groups to retail their goods from premises that, from the outside, looked like a traditional Thai building, but which within was set up as a modern retail outlet. In order to catch the attention of potential customers, I advised groups to have set up eye-catching, well organised displays which presented their merchandise in its best light. I also encouraged them to ensure that their premises were clean, well laid out and easily accessible for customers of all ages. There needed to be adequate space for customers to move freely and sit down in order to ensure that they had a pleasant shopping experience" (S1)

A member of one of the OTOP groups was quick to acknowledge the merits of the advice given by local government agencies when it came to marketing their goods through their retail premises:

"...prior to getting advice from our local government supporters, we had no clear plans or objectives when it came to setting up our retail outlet. Looking back, I can see how it could have been viewed as being somewhat disorganised. We didn't see the need for putting a lot of thought into how our merchandise was presented within the shop, and didn't consider how this would affect the customers. Since we have focussed on these aspects of our business more, we have positive feedback from customers regarding our shop, and also noticed an increase in the sales of our goods" (P7)

4.3.1.4 Co-promotion strategy

4.3.1.4.1 How do groups of producers promote their products?

Generally, groups of producers have not invested much of their budget for promotion. Distribution of name cards to customers is one of the promotional activities that groups of producers have done routinely. The objective is to push customers to give positive word-of-mouth recommendations to other customers accordingly. The other popular promotion activity is booth exhibitions organised by both private and government sectors, examples being the ‘Winter Season Festival’ organised by the government in January every year, Gift and Souvenir Fair, Textile exhibition at Industrial Promotion Centre Region 1 conducted by government routinely and the Annual Fair of each district. Public relations are supported by private and government sectors. Booth exhibitions are significantly one of the promotion activities that generate high income for groups of producers (Thepumong, 2005).

Interviewees were asked to identify “How do community businesses promote products?” The findings were as follows.

“Currently, promotion activities that I have done include name cards, brochures, signboards at home and shops, local radio communication and direct selling to customers” (P1)

“My group has conducted promotional activities by distributing brochures, name cards, and paper bags made from the paper mulberry with logo, name and address of my group. Besides, public relations supported by Industrial Promotion Centre Region 1 when booth exhibitions take place” (P9)

Data collected from interviews with producers and supporters concluded that currently, promotional activities include not only brochures, name cards and public relations but also other promotional activities such as:

“Now the promotion activities that groups of producers in Chiang Mai have implemented are name cards, brochures, public relations and local radio communication” (S3)

The promotional activities that groups of producers in Chiang Mai have used now include name cards or brochures with the business’s story, public relations by government sector and the internet. In addition to this, the logo, address, business’s story and products are printed on paper bags or packaging in order to motivate and build brand awareness to customers.

Data collected from interviews with customers align with producers and supporters that there are specific promotional activities that groups of producers in Chiang Mai have chosen to promote their products:

“According to the promotion activities that I have seen from groups of producers, they are quite easy and save lots of budgets, for example name cards, brochures and folders. Besides, the government sector has supported public relations, as well as advertising via TV and newspapers. Local radio communication is a tool to promote products as well” (C10)

Similarly:

“Currently, promotion by advertising is very rare for groups of producers. Generally, most of them use name cards, brochure, folders, and signboards” (C6)

Data collected from interviews with three groups (producers, supporters and customers) sum up that the promotion activities that groups of producers in Chiang Mai and supporters (government and private sectors) use as a tool for communication to customers are as follows:

1. Brochures
2. Name cards
3. Local radio communication
4. Folders
5. Signboards
6. Advertising via packaging
7. Public relations and advertising by private and government sectors (via national television, radio, newspaper, internet and exhibition)

4.3.1.4.2 The most successful promotion

Next, interviewees were posed the question “What are the most successful methods of promotion?”. Outlined below are the findings:

Nowadays, groups of producers in Chiang Mai have developed tools for promoting products. There are various promotion activities, some of which can encourage customers effectively. The most successful marketing promotion activities are name cards and brochures:

“Now the best promotion activity that attracts customers is brochures as they contain many pictures, information about the process of production together with the business’s story and product information. As a result, customers are motivated to buy products accordingly. In addition to the mentioned reason the cost of producing brochures is not high” (P10)

Likewise:

“The most successful marketing promotion is brochures and name cards. They are distributed to customers when producers participate at booth exhibitions and fairs. Subsequently, most customers perceive information from brochures and name cards” (P2)

The majority of supporters mention that most groups of producers in Chiang Mai have distributed brochures and name cards. The outcome is successful. Besides, government sectors have supported public relations through having booth exhibitions or fairs, as well as through the internet. Promotion via television and newspapers is supported by the government. Owing to high expenditures on promotion via television and newspapers, it is a very rare activity. The following comments support this notion:

“Notwithstanding, promotion activities are name cards, brochures and local radio communication. Only name cards and brochures are the most successful promotion since customers can find addresses and information from them. Public relations supported by government is successful as well because customers are attracted to visit booth exhibitions and buy products later” (S1)

“Brochures are a tool to attract customers because they present a business’s story and beautiful design. Moreover, the government sector has subsidized internet promotion and supported public relations...” (S9)

Data collected from customers found that the majority are harmonious to producers and supporters. It can be summarized that promotional activities via brochures, name cards and government support are the most successful.

“Promotion activities nowadays that can attract customers are brochures and name cards since customers can contact producers according to the name cards or brochures. Public relations organised by government is good as well” (C1)

“Public relations organised by the government via television or newspapers or fairs are successful. The successful promotional activities, that groups of producers have done, are name cards and

brochures. Customers can know product information and producers' addresses. As a result, groups of producers can gain substantially more customers" (C2)

Data collected from observations and interviews with three groups of stakeholders conclude that successful promotion is classified into two categories as follows:

1. **Promotional activities carried out by groups of producers:** for instance, brochures and name cards that can attract customers to buy products. Besides, the costs of production of brochures and name cards are dramatically lower than other successful promotion activities.
2. **Promotion activities organised and supported by government:** such as public relations when there are booth exhibitions and fairs. The promotional activities, communication and public relations via television, internet and newspapers significantly motivate customers in the same way as name cards or brochures. Information can be spread throughout Thailand. Subsequently, it has a good effect on groups of producers in Chiang Mai since they can forecast and prepare for the forthcoming event.

Data collected from interviews sum up that there are a few tools for promotion. The majority of promotion is done through name cards and brochures. The government sector has an increasing role to support public relations, especially exhibitions and fairs, by advertising via national television, radio, internet and newspapers. As a result, it can dramatically attract more customers.

4.3.1.4.3 The less successful promotion

Interviewees were then asked "What are the less successful methods of promotion used by community businesses?". Their responses produced the following findings:

Aside from the successful promotional activities that groups of producers in Chiang Mai have done, the promotional activities that are less successful and for which the customers' response is not so good are as follows:

1. Local radio communication

Owing to local radio communication having limited distance to broadcast, only people in those communities can receive the information:

“The unsuccessful promotion is local radio communication since it is the promotion tool that customers only hear but cannot discern any animations. It is advertising and broadcasting at limited distance” (S1)

“Normally, most promotion activities that groups of producers in Chiang Mai have dared to try are successful. In any case, local radio communication is unsuccessful because it broadcasts at limited distance. The obstacle is it communicates to only community people. Outer customers don't perceive it...” (C8)

2. Folders

Sometimes, folders are thrown away because customers prefer not to read them. As a result, they are a waste, especially due to the cost of printing:

“The promotion activities that groups of producers have conducted are quite successful. In any case, folders are the most unsuccessful of the promotional activities since customers don't pay attention to read it and it is squashed. As a result, there is no responsiveness from customers” (S2)

“I think the less successful promotion activity of groups of producers is folders because most customers don't pay attention to read it. I always throw it away. Most folders are not beautiful and unofficial. Normally,

the other businesses such as recruitment, entertainment use folders as promotion” (C5)

Data collected from interviews revealed that the first two groups (supporters and consumers) agree that the promotion activities of groups of producers in Chiang Mai which are less successful include local radio communication and folders because the former has limited distance to broadcast and the latter is not interesting. The other group, producers, divulge that there are few promotion activities. They agree that folders and local radio communication are the promotional tools that are unsuccessful. Moreover, local government agencies recognised that many employees of community businesses lacked any professional skills when it came to the promotion and selling of the merchandise produced by their OTOP groups. It was therefore acknowledged as being essential that such employees were equipped with the necessary skills to carry out the art of personal selling to generate greater revenue for their respective groups. Advice and training was subsequently given by these external agencies. Staff were encouraged to wear their group’s merchandise when carrying out selling and to possess a sound knowledge of the products they were selling, their history and how they were manufactured, were advised on all aspects of good customer service, and were set sales targets in order to encourage efficiency and competitiveness amongst staff so as to generate greater revenue (Industrial Promotion Centre Region 1, 2005).

A community business member made the following observations about the promotion of his group’s products:

“...we lacked the skills and confidence in promoting our products. Thanks to the training offered by local government groups, we are now much more confident in how to market and promote our goods to a wider range of potential customer. Some of the advice offered was pretty simple and straightforward, such as the modelling of our own products while at work and basic customer service practices, but they nevertheless have been well received by customers visiting our shop” (P4)

Another community business member made the following observations about new practices adopted with regard to sales and promotion:

“In the past, little thought was given to which members were allocated responsibility for the selling of merchandise in our retail outlets. On the advice of local government agencies, we took time in considering which members possessed the best qualities and attributes to relate well with people and promote our goods on the shop floor. These individuals were then sent off to workshops set up by local government agencies in order to be trained in all aspects of modern customer service and marketing techniques” (P10)

In addition to training and guidance on personal selling, local government agencies also encouraged OTOP groups to adopt a range of promotional methods. These included: clear, attractive shop signage which gained the attention of passing customers and made it clear to them what a group specialised in; discounts on products to entice customers from their rivals, as well as sales around key holiday periods when trade would be higher (Thai New Year, on April 13th, for example); the distribution of catalogues to promote the full range of merchandise produced by the group; finally, the giving away of bonus items such as key rings and other small personal effects with wholesale orders in order to broaden awareness of their different product ranges (Industrial Promotion Centre Region 1, 2005).

4.3.2 Findings from observations

The second method in stage Qual2 is *observation* of marketing methods of OTOP groups in Mae Chaem and Chom Thong districts, as well as in Chiang Mai city centre.

4.3.2.1 Observation in Chom Thong

One of the community business groups visited in October 2006 for the purposes of observation was located 59 km south of Chiang Mai city centre. The business premises were located to the west of the main motorway heading south, the premises

practically adjacent to this thoroughfare in Chom Thong district. The building was of a reasonable size, roofed though with partial walls, and was split into two main sections, these being the main factory floor and the retail floor space where merchandise was sold on-site. To the rear of the building there is another area set aside specifically for the dyeing of yarn for weaving.

Initially, raw thread cotton would be dyed in the area set aside for this purpose, with the business using either naturally derived or chemically produced raw materials to do this. The equipment used in this process is pretty basic, with raw thread cotton being placed in large vats that contain the appropriate dyeing solution, which are then heated to infuse the colour into the fabric. Once the required colour has been achieved, the raw, now dyed cotton is then hung out on lines in the sunshine by members in order to dry out and set the colour. When dry, the raw cotton is then passed over to members skilled in the art of spinning yarn. Using traditional and rudimentary spinning machines, women, usually middle-aged or older, set about spinning the cotton into yarn that will later be used for the weaving of fabrics such as Plain, Yok, Madmee and Lai Num Lai.

Once the spools had been spun, this yarn passed on to weavers working on the main factory floor. Again, the equipment is basic, being powered not by electricity, but by the feet and hands of the weavers themselves. The machinery is not made of complicated metal components, but mainly consists of a sturdy wooden frame. On the factory floor itself, there would be 25 looms in operation simultaneously during the working day, with members each assigned to produce whichever styles of fabric have been ordered by customers. These fabrics vary in complexity and the time they take to produce, from the basic and simple Plain fabric, to the more intricate Yok, Madmee and Lai Num Lai.

Once a ream of fabric has been completed by the weaver, the merchandise will then either be packaged in this state for sale to wholesale customers, or will be passed on

to another community member who will fashion a garment, souvenir, home-ware items or other product from the material.

When a piece of fabric or other such piece of merchandise is finished and packaged for sale, the goods will then be stored in a warehouse or be put on display for sale in the retail shop that comprises the other half of the business premises. The on-site shop is set up to promote the range of merchandise manufactured by the OTOP group to local customers, wholesalers and tourists visiting the area. The retail space is divided into sections in accordance with the products available for sale, an example being a menswear section, a ladies-wear section, one for household articles etc. Mannequins are also dressed and displayed, modelling garments that are available for purchase within the store. The OTOP group also goes out of their way to make the retail space as attractive, comfortable and relaxing for potential customers as possible. The layout is kept as simple as possible, with provision made for fitting rooms, as well as space for customers to sit down and relax in. The displays are brightly coloured, and are made as attractive and eye-catching as possible. Provision is also made for customers with cars, with there being plenty of free car-parking set aside in front of the business premises.

Overall, while the product lines that the group produced were quite limited, there was a good range of styles and sizes of the merchandise that they did stock. Items were well organised when displayed, and most were clearly priced. In addition to this, customers who visited the business premises were able to gain information from knowledgeable retail and production staff about how the different items for sale were manufactured. Some items, namely fabric, were not, for the most part, clearly marked, and not all merchandise made by the community business was on display within the retail premises owing to limited space. However, catalogues were available on site which promoted and gave detailed information about the full range of products manufactured by the OTOP group.

The researcher visited the business premises both during the working week and at the weekend. While there during the working week, the researcher observed both the production team manufacturing the products, as well as activities and interaction with customers on the shop floor of the retail outlet. In the morning, there was a small but steady stream of local customers that came to purchase fabric and clothing articles. In the afternoon, there were a greater number of customers, a lot of them being passing trade, and these mainly consisted of people from outside areas, who visited the premises as they found the goods to be cheaper than elsewhere. Due to the relatively small numbers of customers during the working week, only one member of the group was placed in a sales role in the on-site shop during this period. The weekend was far busier in terms of footfall of customers, due to many people being off work, and also due to many tourists from countries such as China, Japan and the United States passing through the local area. As a consequence, during this time, two sales assistants were employed on any given day over the weekend periods, with members taking it in turns to work these days.

4.3.2.2 Observation in Mae Chaem

The community business group visited in Mae Chaem district in October 2006 for the purpose of observation was located 120 km south of Chiang Mai city centre, in a village 3 km outside of Mae Chaem's main town centre. The OTOP group operated in business premises that were similar in layout to their counterparts in Chom Thong, though they were built to a far higher standard owing to the fact that the group had received financial support in the construction of the building from the local government. The premises were again roofed, and only partially walled, with the premises divided into two main areas, these being the factory floor where all manufacturing took place, and the on-site shop, where merchandise was sold to passing customers.

The first part of the production process saw employees dyeing raw cotton in a designated area to the rear of the main building, where the raw material was chemically or naturally dyed in very basic, large vats that were heated over flame.

Once the required colour, this raw cotton was hung out to dry on-site and then spun by hand by women, again using fairly rudimentary equipment, into the yarn that would later be used for weaving. On the factory floor, members would work simultaneously on ten looms weaving a variety of different fabrics, including Teen Chok, Madmee and Plain. Some of this would simply be packaged once the required length and sold wholesale. In other instances, different members would fashion these fabrics into garments, personal effects, souvenirs and home furnishing items.

All goods manufactured by the OTOP group would be listed and described in a company catalogue to which the customer or wholesaler could refer. As in Chom Thong, many of the goods manufactured by the group would be on display in the on-site shop but, owing to limited space, it would be impossible to have all items on show. Teen Chok fabric, and items manufactured using this distinct and renowned style of cloth were dominant in the store, as such items are highly sought after and the most profitable.

This community business did not enjoy the same amount of passing trade as its Chom Thong counterpart. The former benefited from being situated next to a main thoroughfare and was still in reasonably close proximity to Chiang Mai, the main city in the region. This business, on the other hand, was a full 120 km from Chiang Mai, in a remote and rural location. The premises were situated next to a small country road that linked a rural village to the main town of Mae Chaem, and therefore did not benefit from many visiting tourists or passing trade – local people made up the majority of the business's customer base.

Whether during the week or at the weekend, this particular OTOP group only employed one sales assistant in the on-site retail premises. And while the on-site shop stocked a wide range of the business' merchandise, the level of presentation and general layout of the premises was markedly inferior to that seen in Chom Thong. Whereas the on-site shop in Chom Thong was set up like a professional retail store, with a simple, well thought out layout that was simple and convenient for the

customer, the retail premises in Mae Chaem felt more like a market stall, and lacked the professional displays (i.e. mannequins) and organisation of its Chom Thong counterpart. Just as in Chom Thong, the on-site shop in Mae Chaem was noticeably busier at the weekends than during the working week. The researcher noted that, in the morning of a regular weekday, there was a relatively small number of customers, and that these consisted of local people and a few tourists that came to the area to see the highest mountain in Thailand, Doi Intanon, and the beautiful scenery that exists in this region. At the weekend, the number of customers increased, but again they consisted mainly of local people, supplemented by visiting wholesalers and tourists.

4.3.2.3 Observation in Chiang Mai city centre

Aside from undertaking observations at community groups' business premises, the researcher, for the purposes of this study, undertook a four day observation of a cultural exposition event held in Chiang Mai city centre in October 2006. While the bulk of OTOP groups' revenue comes from the selling of merchandise from their on-site retail outlets, government agencies are nevertheless keen for them to promote their traditional handicrafts at such events as they are good in broadening awareness of such products and also prove to be a great tourist attraction for people interested in Thai culture and traditions. And while 70% of community groups' revenues are derived from sales from their business premises, groups also achieve a significantly high volume of sales at such cultural events in what is a significantly short period of time.

When the government agencies involved in the OTOP project organised a cultural event to promote community business products during the month of October 2006, all activities took place in the Tar Pae area of Chiang Mai city centre. This vast public space neighbours the old city area of Chiang Mai, and it is on this that OTOP groups are each allocated their own booths from which to promote their merchandise. The public space is divided up into sectors, from which different goods can be marketed and sold, including both traditional and more contemporary clothing garments, food, home furnishings and fabrics etc. When undertaking observations, the researcher's

key focus was on booths from which fabrics, clothing items, personal effects and decorative items (all made from cotton and silk) were promoted and sold, and he observed more than ten such booths, noting at each how they set about displaying their merchandise and promoting these goods.

A stage is also erected on-site, on which live musicians perform traditional songs and folk dancing, as well as other activities to promote goods, such as the hosting of a fashion show at which OTOP clothing is modelled. Such festivals are open from early in the morning (usually 9am) until midnight in order to capitalise on the huge turnout such an event generates. At these events, community group members occupying the roles of personal sellers do their utmost to generate the highest possible turnover and tempt customers from rival groups. Aside from personal selling, OTOP groups also use catalogues as a means of making customers aware of the full range of products, and name cards to spread awareness of their business via word-of-mouth. Employees staffing the booths also wear products produced by their respective groups, in order for the customers to see what the products look like when they are worn.

The booths occupied by each respective community business are set up to look like traditional Thai premises. Mannequins are dressed in some of the garments manufactured by the groups, and great thought and planning goes into making the temporary premises as attractive and eye-catching for passing customers as possible. Samples of fabric are displayed, as are garments such as tube skirts, shirts and blouses. Also on display are home furnishing items, personal effects, and other decorative and souvenir items.

A consequence of all the additional efforts that go into transporting merchandise to and promoting it at such cultural events was noted by the researcher. He realised that identical items to those that had been on sale at on-site retail premises were somewhat more expensive when purchased at such cultural events. This had nothing to do with additional costs for premises, as the booths were provided for free by local government OTOP agencies, but the price increases may have been imposed to reflect

transportation costs and the amount of time and effort that had been invested into promoting the merchandise at the event.

As mentioned earlier, such cultural events prove to be extremely popular with both tourists and local people alike. The researcher noted that footfall was strong throughout the day, but that the period between 4pm to midnight was considerably busier than earlier in the day. This could be owing to several key factors. The first is that many local people were likely to be working during the day. The second is that tourists were likely to be taking in more natural attractions in the area during daylight hours, leaving shopping and eating out until the evening. One final factor could be that many of the more cultural and social activities laid on by government agencies and community business groups such as the singing, folk dancing and fashion shows were not held until the period between 6pm and midnight.

Once all data had been gathered through the various qualitative methods incorporated into this research study, a clear pattern of data became apparent from the consistent nature of responses and comments. By gathering data in the qualitative stages via a range of different methods, the researcher was able to triangulate this data so as to ensure its accuracy and validity. Below is a summary of the data that has been derived from the qualitative aspects of this research study.

4.4 Summary of the qualitative findings

From qualitative study, we know that the key products produced by community businesses in Chiang Mai province are cloth, clothing articles, household goods, personal effects and souvenirs. Of the five key categories of goods, woven cloth and clothing proved profitable and generated significant revenue, with souvenirs, personal effects and some types of household article (dish mats, glass mats and curtains) proving to be less popular. The merchandise took on three distinct styles: traditional designs (such as Teen Chok), contemporary styles of goods, and finally modern items that were contemporary in their styling but which incorporated the use of traditional fabrics.

Regarding the quality of products on offer from community businesses, it was found that only the small minority, 5%, had been awarded the maximum rating of 5 stars. 15% of products had been given a rating of 4 stars and 40% of products were considered as being in the 3 star category, the minimum required for a product to be considered satisfactory. This still left 40% of products in need of improvement in order to be raised up to the satisfactory level.

Community businesses from the province used both natural dyes and chemical alternatives, owing to the fact that, while some customers appreciated the use of traditional methods, natural dyes were known not to be colour-fast and fade over time, which proved unpopular with other customers. All groups within the province relied upon quite simple methods of packaging their goods, namely paper bags (complete and incomplete with printed logo and business details), plastic bags and finally gift wrapping, for those customers prepared to pay a little more for the service.

In terms of the pricing of OTOP goods, when calculating appropriate pricing for their goods, OTOP producers have simply two factors to take into consideration. The first is the cost of production (labour, utilities, cost of premises etc), onto which they would usually add on a mark-up of between 10-20 %, with the second consideration being the price at which their local competitors are selling similar goods. Both of these have to be considered so that the group cover their costs and ensure that their merchandise is competitively priced to attract sufficient customers. Of the people interviewed for the purposes of this research, the vast majority felt that the pricing of OTOP goods in general were reasonable.

When selling their goods, community businesses generally utilise four main channels of distribution: on-site retail outlets, booth exhibitions, cultural fairs and through wholesale, middleman traders and outlets. The on-site retail outlets generally account for between 60-70% of OTOP businesses' sales, and can be relied upon for a steady stream of revenue. In recent times, local government agencies have tried to capitalise on the fact that the majority of OTOP revenue comes from such premises, and have

tried to maximise their profits, by improving the shopping experience for customers in such premises through modernising the layout and improving the customer service offered by OTOP employees. While only taking place on a few select occasions throughout the year (i.e. New Year, Songkran festival etc), the cultural fairs and booth exhibitions provide healthy daily turnover, and can be relied upon to significantly boost the annual turnover of OTOP groups.

Generally, promotional methods are fairly basic, such as the use of brochures to show customers the full range of merchandise that they produce, and the giving away of name cards and leaflets so that their business can be spread via word-of-mouth. Other promotional methods used include the use of logos and advertising on the packaging of their goods, and the use of clear and attractive signs on their shop frontage. Public relations is something with which the OTOP groups have received assistance with from local government agencies, but the price of advertising through media such as radio and television is too expensive for many community groups. Finally, there is the use of personal selling techniques within the retail premises, as advocated by agencies supporting the OTOP groups. They encouraged community business groups to have a more focussed approach to customer service, and to take steps to ensure that every customer had a pleasant shopping experience, through changing the layout of retail outlets, to ensuring that displays were eye-catching and attractive, and by having employees promote the group's merchandise by wearing products while at work. The most successful of these promotional methods are the use of brochures, name-cards and of the more customer-centred use of personal selling. Those that failed to prove to be very successful were the use of local radio advertising and folders.

4.5 Set variables and design questionnaire

Variables were prepared from the gathered qualitative data and the questionnaires were constructed for the final stage of research, QUAN.

Ten variables were produced that were connected with co-products, these being:

- (1). Provide products with a good range of sizes
- (2). Provide products of acceptable design
- (3). Provide products of suitable raw material
- (4). Provide products with enough categories
- (5). Provide products with pretty colors
- (6). Provide products with a variety of colour
- (7). Provide meticulous hand made products
- (8). Provide beautiful and attractive products
- (9). Provide products with variety packaging
- (10). Provide products with beautiful and attractive packaging

The following two variables were produced in connection with co-price:

- (1). Set reasonable prices
- (2). Set bargain prices

The nine variables outlined below were produced in connection with co-distribution:

- (1). Operate in a convenient location
- (2). Have attractive shops
- (3). Have convenient car parks
- (4). Have clean shops
- (5). Have well-organized, eye-catching displays
- (6). Offer a pleasant and convenient environment in which to shop
- (7). Offer good interior design that is an attraction to customers
- (8). Provide adequately sized premises for customers
- (9). Operate prominent and unique shops

Finally, the following twelve variables were devised in connection with co-promotion:

- (1). Use interesting adverts
- (2). Use obvious advertising methods (i.e. leaflet, business cards, brochures)
- (3). Offer adequate product information
- (4). Have attractive signboards
- (5). Use discounts in sales promotions
- (6). Provide premiums to entice potential customers
- (7). Provide a catalogue of all products
- (8). Use staff dressed in clothes that they produce and sell
- (9). Employ polite, friendly and helpful staff
- (10). Use staff that are knowledgeable about all products on sale
- (11). Have staff that are willing to offer advice, assistance and recommendations to customers
- (12). Employ diligent and efficient sales staff

All the above are independent variables, linked directly with factors relating to mix marketing strategies. In addition to the above, four dependent variables were also produced, these being:

- (1). Produce acceptable quality standard products
- (2). Produce attractive products made from traditional, plant-based dyes
- (3). Sell goods that are unique to Chiang Mai province
- (4). Create wholly original products

These dependent variables are all directly linked to the guideline OTOP project outcomes.

Other variables included in the questionnaire relate to the data gathered in the literature review stage of research, as well as that collected from the qualitative method. These variables are focussed on patterns of consumer behaviour (see the details of questionnaire in appendix 3).

Chapter 5

Quantitative Findings

5.1 Introduction

The fourth chapter of this research paper was concerned with the qualitative data that had been collected through the gathering of documentary evidence linked to community businesses, as well as the conducting of focus group discussions, in-depth interviews, and observations of community businesses in operation. These findings were useful, not only for the fact that they gave an invaluable insight into how such enterprises operated, but also because they enabled the researcher to set variables and design a suitable questionnaire through which data could be gathered for the quantitative stage of the study.

In chapter 5, this study utilises a quantitative approach in the form of a questionnaire-based survey. Four hundred customers of community businesses within Chiang Mai province were questioned. The questionnaire used for the purposes of this research was divided into four distinct parts, with part one being demographics of customers, part two the buying behaviours of customers, part three the customer opinion in regard to marketing and promotion of products, and finally the fourth part being feedback related to identified problems and suggested solutions. In parts one, two and four frequency and percentage analyses are used. With the data gathered in part three, both factor analysis and multiple regression were used when conducting the analysis of the information collected.

5.2 Demographics of customers

The results of part one of the questionnaire, which is concerned with demographic data, are outlined in the table below:

Table 5.1: Demographics of customers

Demographics	Frequency	Percent
Gender		
Male	149	37.3
Female	251	62.8
Total	400	100.0
Age		
< 20 years	13	3.2
20- 30 years	139	34.8
31- 40 years	92	23.0
41- 50 years	79	19.8
51- 60 years	53	13.2
> 60 years	24	6.0
Total	400	100.0
Education		
< High school	141	35.2
High school	80	20.0
Diploma/Certificate	83	20.8
Bachelor's degree or higher	96	24.0
Total	400	100.0
Occupation		
Students	50	12.5
Private employees	37	9.2
Government officers/workers	113	28.3
Hired labourers/Farmers	126	31.5
Merchandisers/Private businesses	74	18.5
Total	400	100.0
Average monthly income of family		
< 3,000 Baht	24	6.0
3,000- 5,500 Baht	60	15.0
5,501- 6,000 Baht	62	15.5
6,001- 7,500 Baht	33	8.2
7,501- 9,000 Baht	51	12.8
9,001- 10,500 Baht	29	7.2
10,501- 12,000 Baht	31	7.8
> 12,000 Baht	110	27.5
Total	400	100.0

Table 5.1: (cont.)

Demographics	Frequency	Percent
Marital status		
Single	165	41.2
Married	207	51.8
Divorced	18	4.5
Separated	10	2.5
Total	400	100.0
Family status		
Head of household	115	28.7
Spouse	100	25.0
Offspring	106	26.5
Relative/Tenant	79	19.8
Total	400	100.0
Number of family members		
< 2 Persons	24	6.0
2-5 Persons	335	83.7
> 5 Persons	41	10.3
Total	400	100.0
Home town		
Chiang Mai province	240	60.0
Others provinces	148	37.0
Overseas	12	3.0
Total	400	100.0

From the results in table 5.1, the researcher discovered that the majority of community business customers in the sample are female (62.8%). The bulk of community business customers are aged between 20-30 years of age, with them accounting for 34.8% of all OTOP customers. In terms of academic achievement, the majority of customers were those that only possessed a limited education, with 35.2% of the total not having completed high school education.

In terms of occupation held by customers, a large proportion (31.5%) were farmers and hired labourers, which supports the notion that the local, rural population made up

a large proportion of community business customers. However, not far behind in terms of numbers were customers employed as government officers/workers, making up 28.3% of total customers.

When looking at the average family income of customers, the highest earners (more than 12,000 baht per month) formed the highest proportion of OTOP customers, totalling 27.5%, and it is likely that these individuals were either private employees or government officers as this is the salary range associated with such professionals. However, a huge proportion of customers (30.5%) were on a family income of between 3-6,000 baht per month, and it is therefore likely that these were customers from within the local rural areas.

In terms of marital status, the majority of OTOP customers were married, with the number totalling 51.8%. Single customers comprised 41.2% of the total. When looking at the family status, the customers occupying the roles of head of household, offspring and spouse were 28.7%, 26.5% and 25% respectively. In terms of the size of families to which customers belonged, a huge majority of community business customers were part of family units which comprised of between 2-5 members (83.7%).

In terms of where customers originated, the data indicated that 60% of customers were local, rural people from Chiang Mai province, with a further 37% of all customers coming from other provinces within Thailand. The remaining 3% must therefore have been overseas customers visiting the area.

5.3 Buying behaviour of customers

Table 5.2: Frequency of purchase of different CB products by customers

Products	Total number	Customers' buying behaviour	
		Purchase (%)	No purchase (%)
Shirts	400	369 (92.2)	31 (7.8)
Trousers	400	188 (47.0)	212 (53.0)
Skirts	400	165 (41.2)	235 (58.8)
Shawls	400	82 (20.5)	318 (79.5)
Scarf	400	130 (32.5)	270 (67.5)
Bags made of cloth	400	147 (36.7)	253 (63.3)
Curtains	400	55 (13.7)	345 (86.3)
Refrigerator covers	400	58 (14.5)	342 (85.5)
Bed sheets	400	45 (11.3)	355 (88.7)
Fabric/Cloth	400	260 (65.0)	140 (35.0)
Dolls made of cloth	400	18 (4.5)	382 (95.5)
*Others	400	14 (3.5)	386 (96.5)

Note: *Others are handkerchiefs, pillow-cases, table cloths, neck-ties, dish mats, glass mats, hats.

Table 5.2, outlined above, shows data relating to the frequency of sales, as well as the products with customers. Of all people surveyed, 92.2% purchased a shirt from a community business, with those deciding to purchase fabric, trousers, or skirts being 65%, 47% and 41.2% respectively. The large sales of clothing garments can be attributed to the need for many people in Thailand to regularly wear traditional garments in the workplace, whereas the large sales of wholesale cloth suggests that many people liked to fashion clothing and other items from the fabric themselves. In contrast to the large sales of clothing items and wholesale fabric, sales of home furnishings and similar items were relatively small, with only 14.5% of customers purchasing refrigerator covers and 13.7% buying curtains. Given that such a large proportion of community business customers were from local, rural areas, it is likely that sales of such articles were relatively low as people did not regard them as being essential purchases.

Table 5.3: Popularity of different CB product designs with customers

Product designs	Total number	Customers' buying behaviour	
		Purchase (%)	No purchase (%)
Traditional design	400	161 (40.3)	239 (59.7)
Contemporary (modern) design	400	75 (18.8)	325 (81.2)
Combined design (a mix of traditional and modern design)	400	269 (67.3)	131 (32.7)

Table 5.3, above, presents data that outlines which product designs proved to be most popular with community business customers. Of all community business customers, 40.3% were interested in purchasing clothing garments and other products that were manufactured using traditional local designs, whereas only 18.8% of customers were interested in purchasing articles manufactured in a more modern, contemporary style. By far the most popular style of products with customers were garments that combined traditional fabrics with contemporary design, with 67.3% of all customers keen to purchase these items.

Table 5.4: Frequency of purchases (per annum) made by customers of community businesses

Average of purchases (per year)	Frequency	Percent
1 time	95	23.7
2-4 times	267	66.8
5-7 times	15	3.7
> 7 times	23	5.8
Total	400	100.0

Table 5.4 reflects the frequency of purchases made by customers from community business groups. The biggest percentage (66.8%) was the number of customers who had bought goods on between 2-4 separate occasions per year, which is promising, as it suggests that they were happy with their initial purchase and returned to buy further products. 23.7% of customers only purchased items from OTOP groups once a year.

Table 5.5: Number of items purchased by customers of CBs per visit

The number of articles	Frequency	Percent
1 piece	106	26.5
2-4 pieces	269	67.3
5-7 pieces	17	4.2
> 7 pieces	8	2.0
Total	400	100.0

The data outlined in table 5.5 above outlines the number of articles purchased by customers visiting community businesses. 26.5% of customers purchased one item, but the majority of customers (67.3%) bought between 2-4 products.

Table 5.6: Rate of expenditure of customers on CB products

Average of expenditure per time	Frequency	Percent
No more than 100 Baht	14	3.5
101- 500 Baht	296	73.5
501- 1000 Baht	77	19.2
>1000 Baht	15	3.8
Total	400	100.0

Table 5.6 is concerned with the expenditure by individual customers on community business products. The research shows that the vast majority of customers (73.5%) spent between 101-500 baht on OTOP products, with a further 19.2% willing to spend between 501-1000 baht. A small number of customers (3.8%) were prepared to spend more than 1000 baht, which leaves a reasonably small minority only willing to spend 100 baht or less.

Table 5.7: Reasons given by customers for purchasing goods from community business

Reason for purchase	Total number	Customers' response	
		Yes (%)	No (%)
High quality products	400	156 (39.0)	244 (61.0)
Well-known products	400	28 (7.0)	372 (93.0)
Unique and prominent	400	212 (53.0)	188 (47.0)
Personal affection	400	252 (63.0)	148 (37.0)
* Others	400	20 (5.0)	380 (95.0)

Note: * Others are 'to give as souvenirs', 'to support CB's products', and 'to use for special occasions'.

The data outlined in Table 5.7 shows the findings of research into what motivated customers to buy OTOP products. As with most purchases, the key factor for the majority of customers was a personal affection with a given product (63%), but other key factors in them choosing to make a purchase were identified as being the unique and prominent designs of these products (53%), and the fact that the goods were obviously of high quality (39%).

Table 5.8: Days favoured by customers for retail activity

Shopping days	Frequency	Percent
Monday-Friday	111	27.8
Saturday-Sunday	238	59.5
Holidays	51	12.7
Total	400	100.0

Table 5.8 contains data that reflects the times during which customers are most likely to visit and purchase goods from community businesses. Unsurprisingly, the weekend was found to be the most popular, with 59.5% of customers making their purchases over these two days. Sales on weekdays accounted for 27.8% of the total, with an impressive 12.7% of sales being made during national holiday periods.

Table 5.9: Method of shopping preferred by CB customers

Method of purchase	Frequency	Percent
Purchase at the shops or booths	370	92.5
By phone	28	7.0
Internet	2	0.5
Total	400	100.0

The most popular method of purchase for customers of community businesses is through direct sales from an on-site shop, retail outlet in the city centre, or from a booth held by a CB at a trade exhibition or cultural fair. However, a proportion of customers like to make their orders/purchases over the telephone. A tiny proportion of customers like to purchase OTOP products over the internet. However, e-commerce is a channel of distribution that has not been fully exploited by community business groups, which may explain why this figure is so small.

Table 5.10: People that influence CB customers in making a purchasing decision

People influencing the decision	Total number	Customers' response	
		Yes (%)	No (%)
Parents	400	58 (14.5)	342 (85.5)
Relatives	400	64 (16.0)	336 (84.0)
Spouse	400	79 (19.8)	321 (80.2)
Offspring	400	35 (8.8)	365 (91.2)
Boyfriend/girlfriend	400	34 (8.5)	366 (91.5)
By yourself	400	271 (67.8)	129 (32.2)
*Others	400	22 (5.5)	378 (94.5)

Note: * Others are friends

Table 5.10 reflects the responses to questions related to the individuals that influenced customers when making a purchase. Most customers (67.8%) reached a purchasing decision on their own, but spouses, relatives and parents all had significant influence over the purchasing decisions of some customers (19.8%, 16% and 14.5% respectively). Offspring and partners also had some minor influence over customers (8.8% and 8.5% respectively).

Table 5.11: Sources through which customers learned about CB products

Source	Total number	Customers' response	
		Yes (%)	No (%)
Newspapers	400	29 (7.2)	371 (92.8)
Radio	400	40 (10.0)	360 (90.0)
Television	400	44 (11.0)	356 (89.0)
Brochures	400	162 (40.5)	238 (59.5)
Folders	400	51 (12.8)	349 (87.2)
Name cards	400	164 (41.0)	236 (59.0)
Exhibitions and cultural fairs	400	233 (58.2)	167 (41.8)
Customers who had already bought products	400	286 (71.5)	114 (28.5)
Internet	400	26 (6.5)	374 (93.5)
*Others	400	22 (5.5)	378 (94.5)

Note: * Others are signboards and information on packaging.

The information in table 5.11 contains information relating to how customers learned about the products manufactured and sold by community business groups. A significant proportion of customers became aware of community business products through cultural fairs and exhibitions organised by the government (58.2%), as well as through recommendations from people who were already owners of community business merchandise (71.5%). Other key methods of successfully marketing community businesses and their products were identified as being name-cards (41%) and brochures (40.5%).

Table 5.12: Alternative locations from which customers are able to purchase CB products besides CB on-site retail outlet

Location	Total Number	Customers' buying behaviour	
		Purchase (%)	No purchase (%)
Shops in city	400	172 (43.0)	228 (57.0)
Department stores	400	57 (14.3)	343 (85.7)
Tourism places	400	79 (19.7)	321 (80.3)
Cultural fairs	400	176 (44.0)	224 (56.0)
Pedestrian precinct	400	158 (39.5)	242 (60.5)
Exhibitions organised by –			
Government	400	198 (49.5)	202 (50.5)
*Others	400	3 (0.7)	397 (99.3)

Note: * Others are 'petrol stations' and 'the duty free shop at the airport'.

Table 5.12 shows the findings of where customers make their purchases of OTOP products, besides the on-site shops run at the production premises. By far the most popular locations from where sales of community business products take place are retail outlets in town centres and at trade exhibitions organised by government and cultural fairs, each of these channels of distribution being cited by over 40% of respondents as being places where they have previously bought community business products (43%, 49.5% and 44% respectively). Other outlets for OTOP products include department stores, petrol stations and the duty free shops at airports, though the number sold through these channels is far less.

Table 5.13: Customer likelihood of purchasing further OTOP products

Further purchases	Frequency	percent
Intend to make further purchases	370	92.5
Uncertain	28	7.0
No further purchase	2	0.5
Total	400	100.0

Table 5.13 reflects customer satisfaction with the products purchased and the service received from community business groups. Thankfully, 92.5% of customers stated that they were likely to or would be happy to purchase goods from such OTOP groups again in the future.

5.4 Customer opinions on marketing strategies of community businesses

Factor analysis and multiple regression were used to analyse the data in part three of the questionnaire, ‘customer opinions on marketing strategies of community businesses’.

In this part, the researcher employed the technique of factor analysis to reduce a large number of variables (33 variables) to a more manageable amount before utilising the reduced number of variables in the analytical process of multiple regression. The findings from both factor analysis and multiple regression techniques are as follows:

5.4.1 Factor analysis

5.4.1.1 Assessment of the suitability of the data for factor analysis

There are two main assumptions to consider in determining whether a particular data set is suitable for factor analysis. These are ‘sample size’ and ‘inter-correlations among the variables’ (Pallant, 2007).

(1) Sample size

The common rule associated with this analytical technique is that a researcher should have at least 10-15 participants per variable for the results of factor analysis to be valid, with the renowned researchers Tabachnik & Fidell (2001) noting that it is comforting to have at least 300 cases for factor analysis. With this in mind, the researcher coordinating this study settled upon utilising 400 participants for the purposes of gathering data for this study and so the ratio of participants per variable is 12:1 (total participants = 400, variables = 33).

(2) Inter-correlations among the items

When the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were utilised for the purposes of analysing the data collected for this research study, the resultant figures were .923 (KMO), with the Bartlett's Test results equally significant ($P = .000$) (see table 5.14 below).

Table 5.14: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.923
Bartlett's Test of Sphericity	Approx. Chi-Square	7018.178
	df	528
	Sig.	.000

A KMO value close to 1 is recognised as being indicative that patterns of correlation between respective variables are relatively compact and that, consequently, factor analysis undertaken using such data should yield distinct and reliable factors.

The KMO value has to be a minimum of .5 to qualify as useful, values between .5 and .7 are regarded as mediocre, values between .7 and .8 are seen as good, values between .8 and .9 are viewed as being great and values above .9 are regarded as being superb.

In short, Tabachnik and Fidell assert that, for factor analysis to be deemed appropriate for use in a given study, the Bartlett's Test of Sphericity should be significant ($p < .05$) and, in the case of the KMO index, a value of .6 should be regarded as an acceptable minimum value in determining whether the use of factor analysis is appropriate (Tabachnick and Fidell, 2007).

In the case of this particular research, the researcher was right in identifying that the use of factor analysis was appropriate for the purposes of this study.

5.4.1.2 Factor extraction

In Table 5.15 it is seen that six of 33 potential factors possess eigenvalues which are greater than 1.0 (this is a widely held criteria by which the usefulness of a factor to a given study is judged). The six factors account for 61.27% of the total variance. The remaining 27 factors explain tiny fragments of the remainder and are therefore disregarded for the analysis stage (see the detail in table 5.15).

Table 5.15: Total Variance Explained

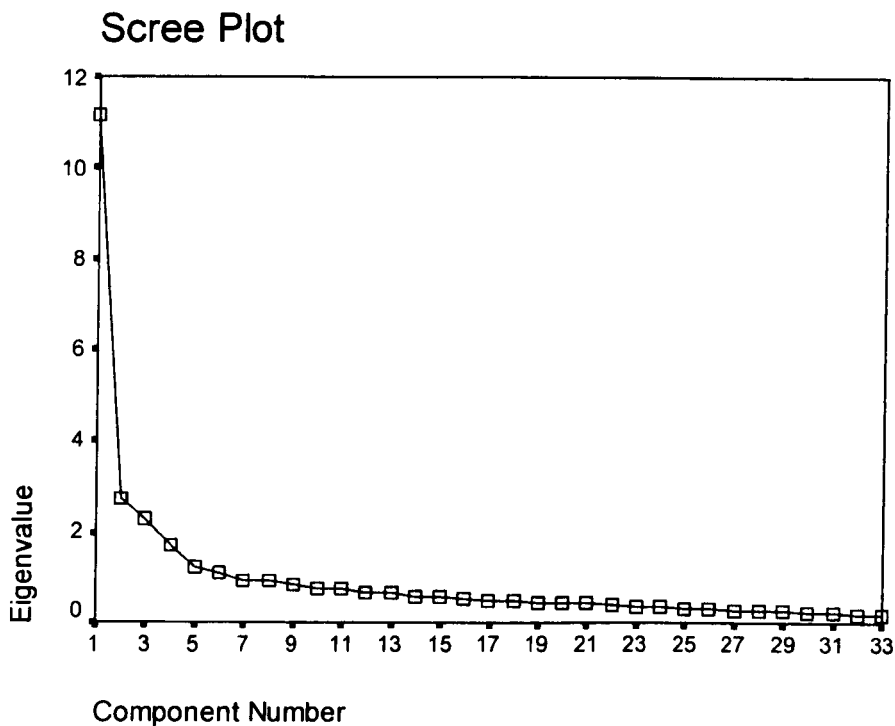
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.173	33.857	33.857	11.173	33.857	33.857	5.281	16.004	16.004
2	2.714	8.223	42.080	2.714	8.223	42.080	4.393	13.311	29.315
3	2.276	6.898	48.978	2.276	6.898	48.978	3.489	10.571	39.886
4	1.720	5.213	54.191	1.720	5.213	54.191	3.411	10.337	50.223
5	1.235	3.742	57.933	1.235	3.742	57.933	1.938	5.874	56.097
6	1.102	3.339	61.272	1.102	3.339	61.272	1.708	5.175	61.272
7	.938	2.843	64.115						
8	.905	2.743	66.858						
9	.857	2.598	69.455						
10	.767	2.325	71.781						
11	.745	2.258	74.039						
12	.673	2.041	76.080						
13	.642	1.945	78.025						
14	.580	1.758	79.783						
15	.559	1.694	81.476						
16	.527	1.598	83.074						
17	.501	1.519	84.592						
18	.486	1.474	86.066						
19	.444	1.345	87.412						
20	.428	1.296	88.708						
21	.421	1.276	89.984						
22	.378	1.144	91.128						
23	.357	1.081	92.209						
24	.333	1.008	93.217						
25	.317	.960	94.176						
26	.294	.891	95.068						
27	.286	.867	95.934						
28	.272	.825	96.759						
29	.246	.747	97.506						
30	.239	.724	98.230						
31	.226	.685	98.915						
32	.183	.555	99.469						
33	.175	.531	100.000						

Extraction Method: Principal Component Analysis.

The scree plot, which appears next, serves to confirm the findings above, namely that the first six factors are accountable for the majority of the variance, and that so little information is offered by the seventh factor onwards that it is safe to disregard them (see the scree plot in table 5.16).

Table 5.16: Scree Plot



5.4.1.3 Factor rotation and interpretation

To assist in the interpretation of the six respective components, varimax rotation was performed on this data. The solution that was provided by the rotation revealed the presence of a simple structure, with all components evidencing a number of strong loadings. The distribution of the variance explained has been adjusted after rotation. Component 1-6 explain 16.00, 13.31, 10.57, 10.33, 5.87, and 5.17 percent of the variance. Finally, the six components explain a total of 61.27 per cent of the variance. The 'Rotated Component Matrix' shows the six factors and lists the factor loading after rotation. The factors'(components) names are place, product, personal selling

(customer service), promotion, packaging and price (see the detail of the 'Rotated Component Matrix' in table 5.17 below).

Table 5.17: Rotated Component Matrix(a)

Rotated Component Matrix(a)

	Component					
	1	2	3	4	5	6
Have clean shops	.757	.169	.209			
Have attractive shops	.716	.235	.102	.180		.105
Have convenient car parks	.697		.132	.126		
Have well-organized, eye-catching displays	.662	.252	.228		.139	.110
Operate in convenient locations	.661	.255			-.153	.211
Offer a pleasant and convenient environment in which to shop	.651	.197	.269	.138	.177	
Offer good interior design that is an attraction to customers	.638	.157	.278	.116	.304	.125
Provide adequately sized premises for customers	.616	.165	.249		.256	.200
Operate prominent and unique shops	.579	.126	.171	.375	.136	
Provide products with a variety of colour		.743	.186		.229	.137
Provide products of suitable raw material	.115	.734		.105		
Provide products with pretty colors	.135	.734	.199		.142	.150
Provide products of acceptable design	.238	.715		.247	-.118	
Provide products with enough categories	.262	.675		.189		
Provide meticulous hand made products		.635	.286		.220	.167
Provide products with a good range of sizes	.276	.604		.238	-.124	
Provide beautiful and attractive products	.254	.587	.140		.240	.157

Table 5.17: (cont.)

Rotated Component Matrix(a)

	Component					
	1	2	3	4	5	6
Employ polite, friendly and helpful staff	.172	.202	.836	.113		.125
Have staff that are willing to offer advice, assistance and recommendations to customers	.213	.229	.811	.122		.144
Use staff who dress in clothes they produce and sell	.276	.139	.751			.162
Employ diligent and efficient sales staff	.317	.184	.691	.199		.101
Use staff who are knowledgeable about all products on sale	.375	.157	.585	.201		
Provide a catalogue of all products				.803		
Provide premiums to entice potential customers			.135	.742		
Use obvious advertising methods (i.e. leaflet, business cards, brochures)	.226	.150	.106	.675	.269	
Offer adequate product information	.325	.158	.177	.597	.204	.263
Use interesting adverts	.340	.162		.583	.217	.251
Have attractive signboards	.341		.160	.511	.160	.327
Provide products with a variety of packaging	.154	.128		.309	.794	
Provide products with beautiful and attractive packaging	.142	.154		.356	.773	
Set bargain prices	.248	.178	.169			.665
Set reasonable prices				.129		.623
Use discounts in sales promotions	.296	.151	.210	.219	-.145	.558

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 7 iterations.

The first component (labelled **place**) consists of 9 variables: (1) have clean shops; (2) have attractive shops; (3) have convenient car parks; (4) have well-organized, eye-catching displays; (5) operate in a convenient location; (6) offer a pleasant and convenient environment in which to shop; (7) offer good interior design that is an attraction to customers; (8) provide adequately sized premises for customers; and (9) operate prominent and unique shops

The second component (labelled **product**) consists of 8 variables: (1) provide products with a variety of colour; (2) provide products of suitable raw material; (3) provide products with pretty colors; (4) provide products of acceptable design; (5) provide products with enough categories; (6) provide meticulous hand made products; (7) provide products with a good range of sizes; and (8) provide beautiful and attractive products

The third component [labelled **personal selling (customer service)**] consists of 5 variables: (1) employ polite, friendly and helpful staff; (2) have staff that are willing to offer advice, assistance and recommendations to customers; (3) use staff who wear clothes that they have produced and sell; (4) employ diligent and efficient sales staff; and (5) use staff that are knowledgeable about all products on sale

The fourth component (labeled **promotion**) consists of 6 variables: (1) provide a catalogue of all products; (2) provide premiums to entice potential customers; (3) use obvious advertising methods (i.e. leaflet, business cards, brochures); (4) offer adequate product information; (5) use interesting adverts; and (6) have attractive signboards

The fifth component (labelled **packaging**) consists of 2 variables: (1) provide products with a variety of packaging; and (2) provide products with beautiful and attractive packaging

The sixth component (labelled **price**) consists of 3 variables: (1) set bargain prices; (2) set reasonable prices; and (3) use discounts in sales promotions

In summary, the 33 variables of consumer opinion were subjected to principal components analysis (PCA) using SPSS version 11.5. Prior to performing PCA, the suitability of data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Olkin value was .923 and the Bartlett's Test of Sphericity reached statistical significance.

Principal components analysis revealed the presence of **six** components with eigenvalues exceeding 1. To aid in the interpretation of these six components, varimax rotation was performed. The six-component solution explained a total of 61.27 per cent of total variances.

5.4.2 Multiple regression

The next step of statistical analysis selected by the researcher for the purposes of this study is multiple regression. Multiple regression refers to a range of techniques that can be employed by researchers when looking to analyse and explore relationships between a sole dependent variable and several independent variables. These techniques are based primarily on correlation, and yet they allow the researcher to undertake a detailed exploration of the relationship that exists between a set of variables (Pallant, 2007).

When factor analysis was completed, the output was 6 factors – resulting in the independent variables of *place, product, personal selling (customer service), promotion, packaging* and *price*. The dependent variables that were to be used in this multiple regression were (1) *produce acceptable standard, quality products*, (2) *produce attractive products made from traditional, plant-based dyes*, (3) *sell goods that are unique to Chiang Mai province* and (4) *create wholly original products*, these dependent variables being directly linked to the guideline OTOP project outcomes.

Thus four models were employed, one for each dependent variable linked to the six independent variables.

The table in the sequence, entitled ‘Model Summary’, displays four key values, these being: R , otherwise referred to as the coefficient of determination; R^2 , also known as the coefficient of determination; the adjusted R^2 ; and finally, the standard error of the estimate. Of the four, two values are of primary importance, these being R^2 , which in the case of the first of this study’s four models holds the value of .364, and the adjusted R^2 , for which the figure given is .354. In the case of models 2-4, the ‘ R^2 / adjusted R^2 ’ values are (.353/.343), (.341/.331) and (.279/.268) respectively.

R^2 is the proportion of variance in the dependent variable as explained by the model. In the case of the first model, the value is >36%, with models 2-4 being >35%, >34% and >27% respectively.

Table 5.18: Model 1 Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603(a)	.364	.354	.631

In the case of model 1, the model summary shows that the multiple correlation coefficient (R), using all the independent variables simultaneously, is .603 ($R^2 = .364$) and the adjusted R^2 is .354. This means that 35% of the variance in ‘*produce acceptable quality, standard products*’ can be predicted from *place, product, personal selling (customer service), promotion, packaging and price* combined.

Table 5.19: Model 2 Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.594(a)	.353	.343	.682

For model 2, the summary indicates that the multiple correlation coefficient (R), using all the independent variable simultaneously, is .594 ($R^2 = .353$) and the adjusted R^2 is .343. This means that 34% of the variance in *'produce attractive products made from traditional, plant-based dyes'* can be predicted from *place, product, Personal selling (customer service), promotion, packaging and price* combined.

Table 5.20: Model 3 Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.584(a)	.341	.331	.704

In the case of model 3, the model summary shows that the multiple correlation coefficient (R), using all the independent variable simultaneously, is .584 ($R^2 = .341$) and the adjusted R^2 is .331. This means that 33% of the variance in *'sell goods that are unique to Chiang Mai province'* can be predicted from *place, product, personal selling (customer service), promotion, packaging and price* combined.

Table 5.21: Model 4 Summary**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
4	.528(a)	.279	.268	.776

Finally, for model 4, the summary shows that the multiple correlation coefficient (R), using all the independent variables simultaneously, is .528 ($R^2 = .279$) and the adjusted R^2 is .268. This means that 26% of the variance in '*create wholly original products*' can be predicted from *place, product, personal selling (customer service), promotion, packaging and price* combined.

The next tables to be displayed are the ANOVA tables, from which we can assess the significance of predictions made by combined predictors concerning dependent variables, simply by calculating the value of F . In the case of the first dependent variable ('*Produce acceptable quality standard products*'), $F = 37.451$ and was therefore significant at .01 (see table 5.22). For the second dependent variable ('*produce attractive products made from traditional, plant-based dyes*'), $F = 35.689$ and was again significant at .01 (see table 5.23). For the third ('*sell goods unique to Chiang Mai province*'), $F = 33.895$ and was again significant at .01 (see table 5.24). Finally, For the fourth dependent variable ('*create wholly original products*'), $F = 25.341$, yet again significant at .01 (see table 5.25).

Table 5.22: ANOVA 1**ANOVA (b)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89.481	6	14.913	37.451	.000(a)
	Residual	156.497	393	.398		
	Total	245.977	399			

a Predictors: (Constant), Place, Product, Personal selling, Promotion, Packaging, and Price

b Dependent Variable: Produce acceptable quality standard products

Table 5.23: ANOVA 2**ANOVA (b)**

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	99.565	6	16.594	35.689	.000(a)
	Residual	182.732	393	.465		
	Total	282.297	399			

a Predictors: (Constant), Place, Product, Personal selling, Promotion, Packaging, and Price

b Dependent Variable: Produce attractive products made from traditional, plant-based dyes

Table 5.24: ANOVA 3**ANOVA (b)**

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	100.721	6	16.787	33.895	.000(a)
	Residual	194.639	393	.495		
	Total	295.360	399			

a Predictors: (Constant), Place, Product, Personal selling, Promotion, Packaging, and Price

b Dependent Variable: Sell goods that are unique to Chiang Mai province

Table 5.25: ANOVA 4**ANOVA (b)**

Model		Sum of Squares	df	Mean Square	F	Sig.
4	Regression	91.582	6	15.264	25.341	.000(a)
	Residual	236.716	393	.602		
	Total	328.298	399			

a Predictors: (Constant), Place, Product, Personal selling, Promotion, Packaging, and Price

b Dependent Variable: Create wholly original products

Finally the co-efficient tables are presented, for it is on these tables that the standardized beta coefficients are displayed. The key values of note within the table are the Sig and t values. They show the significance of the contribution made by each respective independent variable in predicting the dependent variable from the set of predictors.

The following four hypotheses are to be tested through Coefficients Model 1-4

H1: The factors 'place', 'product', 'personal selling (customer service)', 'promotion' 'packaging', and 'price' as defined earlier have a significant effect on the 'production of acceptable quality standard products'

H2: The factors 'place', 'product', 'personal selling (customer service)', 'promotion' 'packaging', and 'price' as defined earlier have a significant effect on 'produce attractive products made from traditional, plant-based dyes'

H3: The factors 'place', 'product', 'personal selling (customer service)', 'promotion' 'packaging', and 'price' as defined earlier have a significant effect on 'sell goods that are unique to Chiang Mai province'

H4: The factors 'place', 'product', 'personal selling (customer service)', 'promotion' 'packaging', and 'price' as defined earlier have a significant effect on 'create wholly original products'

Table 5.26: Coefficient model 1

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.868	.032		122.575	.000
	Place	.239	.032	.304	7.550	.000
	Product	.294	.032	.375	9.321	.000
	Personal selling	.226	.032	.288	7.162	.000
	Promotion	.113	.032	.144	3.589	.000
	Packaging	.018	.032	.022	.558	.577
	Price	.128	.032	.163	4.043	.000

a Dependent Variable: Produce acceptable quality standard products

Model one shows that, the predictors *place* ($t = 7.55$), *product* ($t = 9.321$), *personal selling* (*customer service*) ($t = 7.162$), *promotion* ($t = 3.589$) and *price* ($t = 4.043$) proved to be significant in predicting 'produce acceptable quality standard products' at 0.01.

Table 5.27: Coefficient model 2

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	3.853	.034		112.995	.000
	Place	.264	.034	.314	7.731	.000
	Product	.316	.034	.375	9.247	.000
	Personal selling	.245	.034	.291	7.165	.000
	Promotion	.075	.034	.089	2.190	.029
	Packaging	.057	.034	.068	1.684	.093
	Price	.107	.034	.128	3.145	.002

a Dependent Variable: Produce attractive products made from traditional, plant-based dyes

In the case of model 2, only *place*, *product*, *personal selling (customer service)* and *price* proved to be significant in predicting 'produce attractive products made from traditional, plant-based dyes' at 0.01, with *t* values of 7.731, 9.247, 7.165 and 3.145 respectively.

Table 5.28: Coefficient model 3

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	3.960	.035		112.540	.000
	Place	.264	.035	.307	7.493	.000
	Product	.316	.035	.367	8.961	.000
	Personal selling	.271	.035	.315	7.703	.000
	Promotion	.044	.035	.051	1.248	.213
	Packaging	.041	.035	.048	1.160	.247
	Price	.076	.035	.089	2.166	.031

a Dependent Variable: Sell goods that are unique to Chiang Mai province

As can be seen from the coefficient table for model 3, only the predictors *place* ($t = 7.493$), *product* ($t = 8.961$) and *personal selling (customer service)* ($t = 7.703$) proved to be significant in predicting 'sell goods that are unique to Chiang Mai province' at 0.01.

Table 5.29 Coefficient model 4

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	3.853	.039		99.279	.000
	Place	.263	.039	.290	6.762	.000
	Product	.286	.039	.315	7.364	.000
	Personal selling	.251	.039	.277	6.458	.000
	Promotion	.086	.039	.095	2.222	.027
	Packaging	.017	.039	.018	.431	.667
	Price	.089	.039	.098	2.294	.022

a Dependent Variable: Create wholly original products

Finally, in the case of model 4, it was the same again, with only *place* ($t = 6.762$), *product* ($t = 7.364$) and *personal selling (customer service)* ($t = 6.458$) proving to be significant in predicting ‘*create wholly original products*’ at 0.01.

Table 5.30: Summary of co-efficient tables

Independent Variables	Dependent Variables			
	(1)*	(2)*	(3)*	(4)*
1. Place	S	S	S	S
2. Product	S	S	S	S
3. Personal selling	S	S	S	S
4. Promotion	S	N.S	N.S	N.S
5. Packaging	N.S	N.S	N.S	N.S
6. Price	S	S	N.S	N.S

Note:

(1)* is the 1st dependent variable, ‘produce acceptable quality standard products’.

(2)* is the 2nd dependent variable, ‘produce attractive products made from traditional, Plant- based dyes’.

(3)* is the 3rd dependent variable, ‘sell goods that are unique to Chiang Mai province’.

(4)* is the 4th dependent variable, ‘create wholly original products’.

‘S’ is significant at 0.01.

‘N.S’ is not significant at 0.01.

It is clear from the data displayed in the table above that the researcher needs to focus his attention on the key independent variables of *place*, *product*, and *Personal selling (customer service)* owing to the fact that there are significant correlations within the data. Consequently, community businesses need to focus upon widening their channels of distribution and where they are located (*place*), broadening the range of unique and attractive products, as well as the sizes they produce and sell, and implementing stricter quality control measure to guarantee consistency (*product*), and finally improve their customer service, by having more well-informed employees and premises that are more attractive and well-laid out for customers.

5.5 Feedback regarding identified problems and suggested solutions

Table 5.31: Problems concerning community businesses' products

No.	Product problems	Frequency
1.	Products are not colourfast, and therefore colours may run or the fabric may fade	98
2.	Limitation in product ranges/designs	77
3.	The fabric colours are not bright/vibrant	32
4.	The fabric is not hardwearing/durable	25
5.	The product designs are not modern/contemporary enough	19
6.	The fabric produced is not consistent in terms of quality	17
7.	Lack of care instructions	12

Most issues raised by customers with regard to community business products can be linked to the fact that such items were usually manufactured using natural dyes. A high proportion of customers were dissatisfied with the lack of colourfastness of goods, which meant that the colours in products would run in the wash and taint other articles of clothing when washed together. It also means that the lifespan of such products would be shorter, as colours would quickly fade. Another key concern of OTOP customers was the limited range of products that were available.

Table 5.32: Feedback on how to improve products sold by OTOP groups

No.	Suggestions for improvement	Frequency
1	Ensure products are colourfast and more vibrant in terms of colour	97
2	Produce and retail a broader range of sizes and designs	69
3	Implement stricter quality control measures to ensure consistency in terms of product quality	57
4	Use higher quality raw materials to ensure products are more durable/hard-wearing	25
5	Provide care instructions on product labels for clothing/ household items	12

The most popular suggestion for improvement was to increase the colourfastness of products and make the colours of clothing articles and other goods more vibrant. The second was for the businesses to broaden the ranges and sizes of products available for purchase. The third was that stricter quality control measures be put in place by OTOP groups in order to ensure consistency in terms of product quality.

Table 5.33: Pricing problems

No.	Pricing problems	Frequency
1	Prices not clearly labelled or marked in many stores	63
2	Some customers feel products are unreasonably priced	23

The main issue raised by customers concerning the price of OTOP goods was that many businesses and retail outlets did not clearly price their products, for many were uncomfortable in haggling over the price of the merchandise they wished to purchase. Secondly, some customers feel that some goods are priced by their respective businesses unreasonably, and this could be owing to the fact that there is no standard pricing relating to OTOP products.

Table 5.34: Suggestions for improving pricing

No.	Suggestions for improving pricing	Frequency
1	Label goods with clear pricing	77
2	Allow customers to haggle/negotiate prices	27

The clear solution to issues raised by customers in terms of the pricing of goods would be the clear labelling of the prices of products, but also to allow scope for customers to haggle/negotiate the prices of goods for sale if they so wished.

Table 5.35: Place of distribution

No.	Problems relating to place of distribution	Frequency
1	OTOP business groups have a limited number of retail outlets	99
2	The retail premises of CBs are limited in terms of size	39
3	The décor and layout of premises is not attractive to customers	12

The main issues raised by customers with regard to the distribution of CB products was that there were a limited number of retail outlets from which such products could be obtained. The other problems are that those premises that do exist are generally limited in terms of their size, and consequently limited in terms of the number of products that they stock. Additionally, the premises run by some community businesses were viewed as being poor in terms of layout and the manner in which they were presented to customers.

Table 5.36: Suggestions for improvements of product distribution

No.	Suggestions for improvements of distribution	Frequency
1	Broaden distribution channels by retailing good over a wider area and through different retailers	79
2	Operate from larger retail premises in order to be able to stock a wider range of goods	45
3	Decorate the premises more attractively and improve the layout/accessibility of premises	25

The key suggestion from customers with regard to distribution was the broadening of retail channels used by OTOP groups in order to increase revenue. The other suggestions were to occupy larger premises in order to be able to stock a wider range of products, and to improve the décor and layout of premises in order to entice in more regular customers.

Table 5.37: Problems with promoting of products

No.	Problems with promotion	Frequency
1	CB's products are not well advertised/promoted	135
2	CB groups do not utilise sales promotions to generate revenue	27
3	Lack of catalogues/brochures from which to gather information about all products available for sale	9
4	Sales staff lacked detailed knowledge of the products	3

Many customers felt that OTOP groups did not publicise and promote their services and the products that they manufacture well enough, and did not use a range of promotions to attract new business. They also noted a lack of brochures/catalogues in many cases, which meant they could not get a clear picture of a given business's complete range of products. They also felt that some sales staff lacked the product

knowledge to be able to successfully sell an item of merchandise to a potential customer.

Table 5.38: Suggestions to improve promotion of goods

No.	Suggestions to improve promotion of goods	Frequency
1	CBs should use a wider range of promotional methods	100
2	CBs should use sale promotions and other marketing strategies to bring in new customers	91
3	Display products within retail outlets and at cultural events	25
4	Each CB should have a catalogue detailing their complete product range	9

Customers highlighted the need for CBs to implement a range of promotional methods in order to generate the maximum possible revenue, but also highlighted the need for a catalogue so that customers could be made aware of all goods produced by the group, in addition to those held in stock at the store.

Through the findings from frequency and percentage, factor analysis and multiple regression which the researcher has used to assess the findings of the data in this chapter, the output has proven to be most fruitful and beneficial to the ongoing aims of the study. It correlates for the most part with the findings from the qualitative research conducted in Chapter 4.

The researcher will look to combine the resultant data from both the quantitative and qualitative strands of research for the purposes of this study and interpret the resultant findings in chapter six. Furthermore, from these findings, the researcher will then set about formulating a clear marketing strategy for OTOP community businesses to work with in the future.

Chapter 6

Interpretation of Findings and Recommendations

6.1 Introduction

In this chapter, the findings of both the qualitative and quantitative research are combined and collectively triangulated for the purposes of complementary (Erzberger and Kelle, 2003) and complete (Tashakkori and Teddlie, 2008) interpretation in order to understand the *overall* findings, and to identify the strengths and weaknesses inherent in community business practices, as well as the opportunities and threats that may ultimately impact on an OTOP enterprise. Following SWOT and TOWS analyses appropriate marketing strategies are developed for these enterprises.

This chapter is presented in three stages. In the first stage, interpretation of both the qualitative and quantitative findings of this research study is carried out. Next, SWOT and TOWS analyses of the findings of this research are conducted. Once this is concluded, suggestions for community business marketing strategy development are made and new strategies are formulated, in order for the respective community groups to stand the best possible chance of succeeding.

6.2 Interpretation of overall findings

6.2.1 Co-operative marketing strategy used by community businesses at the present time

From the qualitative and quantitative findings, we can classify the marketing strategies of community businesses in Chiang Mai into 6 categories, namely (1) product, (2) place, (3) (personal selling) customer service, (4) promotion, (5) packaging, and (6) price (classified by 'Factor analysis' used in this study). The major findings are as follows:

6.2.1.1 Co-product strategy

(1) Product categories

From the qualitative findings of this study, it is clear that the key products produced by community businesses in Chiang Mai province are (1) cloth, (2) clothing garments, (3) household goods, (4) personal effects and (5) souvenirs. All of these products are hand-made, unique in their heritage and designed to reflect the area in which they are manufactured. From the quantitative research, the main reasons given by consumers for purchasing OTOP products were (1) they were high quality goods (39%), (2) the merchandise was unique in its design and reflected the culture and traditions of their local area (53%), and (3) the items were well-produced personal effects (63%). These data clearly indicate that buying behaviour is driven foremost by a desire to own goods that are a true reflection of the local area. As with any product, the customers are clearly keen to own an item that is of a high quality and well-made, and is also visually appealing to them.

(2) Product design

In Chiang Mai province, it can therefore be noted that community business products represent a variety of goods, which incorporate either traditional or contemporary design, or a combination of both. The research showed that the vast majority of consumers favoured merchandise that incorporated traditional fabrics that were worked into contemporary designs, with over 67% of customers opting for these types of products. In terms of popularity, products manufactured in a more traditional style were next, with 40.3% of customers expressing an interest in such goods. Finally, only 18.8% of customers questioned noted a preference for articles that were manufactured solely in a contemporary fashion, and this could be owing to the fact that products manufactured in this style were expensive when compared to similar items that were mass-produced in factories both within Thailand and overseas, and were often less fashionable.

(3) Colour

The products used a combination of both natural and chemical dyes. It was apparent that customers favoured clothing that had been coloured with the use of chemical dyes as they are far brighter and more colourfast than their naturally dyed counterparts. For the producer, synthetic, chemical dyes also herald advantages, as they are cheaper to obtain and use, and less labour intensive to make (chemical dyes simply need to be purchased from a wholesaler). However, chemical dyes are not free from their own problems. They can be dangerous and harmful to employees if they fall into the wrong hands, as they contain harmful chemicals, whereas natural dyes are free from harmful toxins and are safe for the local environment. Natural dyes also are not without their problems. Certainly they are more eco-friendly, but they are more expensive and labour intensive to produce. Not only this, but they lack the colourfastness of chemical dyes, which means that with repeated washing the fabrics fade, reducing the shelf-life of the garments for customers. When research was undertaken into what problems customers had with OTOP products, 98 respondents pinpointed the lack of colourfastness of naturally dyed fabrics as being a key concern.

(4) Product quality

Some 39% of customers chose the high quality of OTOP products as being the reason behind them making a purchase of community business goods. When research was conducted into the general quality of community business goods, it was noted that only 5% achieved the highest 5 star level of quality assessment, although 15% achieved a 4 star rating and 40% a 3 star classification, meaning that, overall, 60% of all community business products manufactured within Chiang Mai province achieved or surpassed a reasonable level of quality. This, however, means that the other 40% of community business products within the province need to improve and CBs need to take steps and put more stringent quality control measures into place to ensure that their goods meet the acceptable standards required by potential customers. One step that has already been put in place to ensure that there is some form of standardization of the quality of goods produced has been the setting up of a Standardization Unit in Chiang Mai province, in the form of the Industry Promotion Centre Region 1.

(5) The most successful products

Evidence from interviews suggests that there are two types of products that achieve a consistently high turnover due to their popularity with customers; these being clothing and wholesale fabric. The quantitative data gathered indicates that by far the most popular clothing garments are shirts, with 92% of customers expressing an interest in purchasing such garments. Other popular items included fabric, trousers, skirts and bags, with customers keen to purchase such items standing at 65%, 47%, 41% and 36.8% respectively. The principal reason for the popularity of particular products can be attributed to the fact that government agencies and large businesses encourage employees to wear traditional clothing garments to the workplace for one or two days in every working week, which drives the sales of traditional OTOP clothing articles.

(6) The less successful products

Items that performed poorly, when it came to sales, were either noted as being of poor quality or simply were not considered by local people to serve an essential purpose. Aside from regular clothing such as shirts, blouses, trousers, etc., OTOP groups often produced ranges of household articles that an everyday Thai person living in a rural community would deem to be unnecessary, such as curtains, place mats and drinks coasters. This is reflected in the numbers of customers expressing an interest in purchasing such items, with only 14.5% of respondents keen to buy refrigerator covers and 13.7% interested in buying curtains for their homes.

6.2.1.2 Co-place strategy

From the research that was conducted, four channels of distribution were identified as being used by community business groups; these being booth exhibitions, cultural fairs, on-site retail premises, and through middleman wholesalers or regular retail outlets. Of those used by the OTOP groups, on-site retail premises were identified as being the most consistently successful channel of distribution, with between 60-70% of annual sales being made through such outlets. In terms of day-to-day turnover of goods, stalls managed at booth exhibitions and cultural fairs were far more successful in terms of the volume of goods sold and the revenue generated. However, such

events were restricted by the number of public holidays, or by the fact that only a handful of booth exhibitions were organised by government agencies every year. Were they to be held more frequently, it is clear that they would be the most successful channels of distribution for community business products. The quantitative research backed this up – even given the limited number of exhibitions and cultural fairs that take place, 49.5% of respondents cite exhibitions as a place where they have bought CB items in the past and 44% cite cultural fairs (see table 5.12). In contrast, the sale of OTOP goods through department stores and at tourism hotspots was markedly low, polling figures of 14.3% and 19.7 % respectively.

However, most of the retail shops operated by OTOP groups are located far way from metropolitan areas, and are therefore difficult for any customers to access. Moreover, the main issue raised by customers with regards to the distribution of CB products was that there were a limited number of retail shops. Those shops are generally limited in terms of size, and poor in terms of layout and the manner in which they were presented to customers.

6.2.1.3 Co-personal selling (customer service) strategy

Community business salespeople in Chiang Mai are very friendly and helpful to customers, but most of them lack modern selling skills. The data from in-depth interview revealed that:

“...many employees of community businesses lacked any professional skills when it came to the promotion and selling of the merchandise produced by their groups. It was therefore acknowledged as being essential that such employees were equipped with the necessary skills to carry out the arts of personal selling to generate greater revenue for their groups...” (S1)

6.2.1.4 Co-promotion strategy

Research conducted with producers, OTOP supporters and customers identified seven key methods of promotion utilised by community business groups; these being brochures, name cards, adverts on local radio, folders, signboards, advertising on packaging, and finally public relations and advertising by government and private sector agencies. The key finding was that the majority of OTOP groups were reliant on quite basic, cost-effective, promotional methods such as name cards and brochures. However, the government was also keen to advocate the use of more ambitious methods of promotion, such as representation at cultural fairs and trade exhibitions. Data were collected on how different promotional methods impacted upon the buying behaviours of customers. By far the most successful method of promotion was via word-of-mouth, with 71.5% of customers identifying this as influencing them to buy OTOP products. Other key promotional methods that were noted as having a significant effect on buying behaviour were the use of brochures and name cards (40.5% and 41% respectively), as well as representation at trade exhibitions and cultural fairs (58.2%). Simple methods often prove to be the best. Name-cards are a cheap and cost-effective way for individuals to share information with one another, whereas brochures, too, are reasonably cost-effective, and allow customers to browse the entire product range of a given enterprise, as opposed to simply the goods that they have stocked on the premises.

Least successful methods of promotion were advertisements on local radio, as the broadcast area is restricted and ultimately limits the reach of the message, and the community business folders, as they are not attractive to customers.

6.2.1.5 Co-packaging strategy

Packaging utilised by most community groups was basic, so as to keep costs to a minimum, relying mainly on plain bags similar to those used by large supermarkets, or simple bags printed with the business logo, brand-name and a brief history of the producer of the product. The decision to place little significance on packaging as a way of marketing products seems to have been a sensible one. When multiple

regressions were conducted (Chapter 5), the choice of packaging used by a community business was considered to be of no statistical significance as an independent variable impacting upon any of the dependant variables. For customers that were prepared to pay an additional premium, many enterprises also offered a gift-wrapping service, where customers could choose to have their purchases beautifully presented in gift boxes or wrapping paper

6.2.1.6 Co-price strategy

The data collected from the interview stage suggests that customers agree that, overall, the prices charged for community business products are reasonable. This is despite the fact that no standardized pricing is in place for OTOP goods, with each community business enterprise setting its own prices for goods, based on production costs, and on the prices being charged by their competitors for similar items, so as to ensure that their goods remain competitive. The findings from the customer survey showed that the vast majority felt that OTOP products were fairly and competitively priced, with only 23 respondents of the 400 surveyed expressing a clear belief that such goods were unreasonably priced.

6.2.2 Internal factors findings

Internal factors affecting the marketing strategies employed by CBs were recorded during the two Focus Group Discussion days and analysed thereafter. They can be split into the four main categories of organization and management, production, marketing, and finance and accounting.

6.2.2.1 Organisation and management

In the category of organization and management the cooperative structure of CBs promotes a sense of fairness and equality amongst all the participant members and this helps to incentivise the members into working hard for the benefit of the business. Because of this fair structure it is felt that decision making is very democratic and although taking decisions can thus be more time consuming than they are in more hierarchical businesses, all members feel they are contributing and this encourages

workers to take proper ownership of their jobs. As members share in the ownership of the business they are also motivated into ensuring that the business is a success. However, the salaries offered by CBs are seldom able to compete with bigger companies in city areas and sometimes the CBs are seen as less glamorous than other places of work so younger and better qualified workers are hard to recruit and retain. This is a big problem for CBs because the general level of educational attainment amongst these businesses is currently considered low and they would benefit greatly from the modern business skills and ICT knowledge that younger and better educated workers would bring.

6.2.2.2 Production

In the category of production there is a great deal of skill, knowledge and experience that can be drawn upon from the members of the CBs. Many of the workers are middle aged with many years' experience in the making of, especially traditional, clothing. Dyeing of articles is done using natural dyes or chemically produced synthetic dyes. The natural dyes have the disadvantage of not being colour-fast and it is difficult to achieve colour consistency with them. While the synthetic dyes hold their colour, they have the downside that some of the by-products of this process are potentially harmful to the environment. Another strength of CBs in the area of production is that the set up and running costs involved in manufacture are considered low as the machines involved are simple and often are hand run. A problem with the production process is that because many products are hand made it becomes difficult to achieve consistency in the quality of products produced, and although many CB members have great skill and experience in producing traditional articles, they can sometimes lack the newer skills and flexibility required to keep up with the latest designs and trends.

6.2.2.3 Marketing

In the category of marketing the CBs have many advantages and strengths. Products are made in the five distinct categories of cloth, clothing, personal effects, home ware and souvenirs. Many of the products are unique, handmade and visually attractive to

customers though the product ranges are sometimes limited in terms of sizes and styles available. Their products are viewed as being sold at a reasonable price even though there is no standard pricing structure across all OTOP goods. Although the packaging used is sometimes considered to be unappealing, it is cheap and effective and gift wrapping is available as an option. Although some promotional tactics such as radio advertising and CB folders are seen as not so effective, many of the strategies are effective and are employed without great cost. Also, some promotional work is funded by government. A natural resource drawn upon by CBs in Chiang Mai is the friendly nature of their members when selling their merchandise. Staff can also wear the products they are selling as an extra promotional tool, though sometimes they lack the detailed knowledge of their products or the modern sales skills necessary to be totally effective. CBs have access to several channels of distribution such as their on-site shops, booth exhibitions, cultural events and through wholesalers.

6.2.2.4 Finance and accounting

In the final category of finance and accounting, the OTOP CBs are considered to be run in an honest and open way because they are cooperatively structured and are normally small in scale where members know each other well, setting their own rules and regulations in a democratic way. The fact that the working capital of the business comes directly from its members does however mean that investment for any expansion or ambition that the business might have is limited. Also, similar to the lack of management and ICT skills that CBs face, there is the problem of the lack of finance and accounting knowledge that many modern businesses need to thrive in increasingly competitive markets.

6.2.3 External factors findings

6.2.3.1 Micro-external factors

(1) Customers

The highest proportion of OTOP customers is made up of members of the local population, comprising of local people and middlemen wholesalers. Other than local

customers, other groups that purchased community business products were tourists from outside the local area, as well as visitors to Thailand from overseas. Some 60% of customers surveyed for the purposes of this research were from the local area, with a further 37% originating from other provinces within Thailand. Finally, 3% of all customer respondents originated from overseas.

When the demographics of OTOP customers are examined in greater depth, it is noted that a majority (62.8%) are female. In terms of age, those in the age bracket of 20-30 years account for the largest proportion of customers, 34.8%, while in terms of academic attainment, 35.2% of customers surveyed had not completed a full secondary education. In terms of occupations held by customers, 31.5% held manual/labouring/farming occupations, which serves to support the notion that the rural population make up a large proportion of OTOP customers. Some 27.5% of customers were found to be in the high income bracket of over 12,000 baht per month, which suggests that many professionals employed in government and private sector agencies were regular buyers of OTOP goods. However, the highest proportion of customers, when judged on income, was in the 3,000 - 6,000 baht per month category.

The majority of customers were married (51.8%), and those belonging to family units of between 2-5 members comprised the largest number of customers when based on domestic household figures.

(2) Competitors

Four distinct sources of competition were identified. The first, of course, was from other OTOP groups within the local area, with the second being producers operating in other areas of Thailand. Third was fabric and clothing garments from other nations within Asia, where production costs (notably labour) were significantly lower than in Thailand. Finally, there was the threat from SMEs who mass-produced cheap clothing garments on a factory scale in order to keep their production costs to a minimum.

6.2.3.2 Macro-external factors

(1) Social and cultural factors

When we consider these factors, it is clear the impact that they have upon the business successes of respective OTOP enterprises. The first factor stems from the social structure that can be found in rural communities within Thailand. In such areas, a real sense of community and collective well-being is in evidence. By nature, people that inhabit rural communities are altruistic in their outlook, as opposed to being motivated by materialistic aims. This sense of community, and desire to help their fellow community citizens, means that the co-operative style structure of OTOP enterprises stands every chance of succeeding, as the people recognise the merit in harnessing their skills and energies when striving to achieve collective business goals. They recognise that through collective hard work and co-operation, they are able to instigate visible development and improvement in the quality of life for all people within their communities, and this can serve to only unite them further.

The second factor identified from this research study stems from the skilled labour force of 1.7 million people that exists within the rural communities of Thailand. This untapped skilled workforce serves as a huge pool of resources that can be harnessed to produce a range of unique, traditional and highly sought after range of products that would hold appeal for a broad range of potential customers.

Finally, the third factor that exists, and which offers scope for OTOP groups to succeed, is the provision of educational courses by local academic institutions in traditional crafts such as weaving, spinning and for both primary and high school students in the area. The purpose of such courses is to retain traditional skills that have been handed down through the generations. It also allows young people to identify the skills they have, or are interested in acquiring, at an early age, and clearly shows them that a living can be made from pursuing a career in traditional industries and remaining in their local areas, as opposed to migrating to the big cities in search of work.

However, there is a low level of academic achievement held by the majority of the rural population, with them enjoying, on average, only 8.5 years of statutory schooling, way below many held by their Asian counterparts. Also, another factor that must be taken into account is the pull that working in larger metropolitan areas has on the younger members of the populations of rural areas, who are attracted to the bright lights, higher wages, and wider employment opportunities that a big city offers.

(2) Political factors

Politics has a key impact on OTOP community business groups, not least because the very initiative itself was put in place by a government led by the nation's leader. The very fact that the OTOP project is a government initiative instigated by the nation's government means that high level representatives of the ruling parties have a vested interest in seeing it succeed. High level politicians on a national, provincial and even local level also hold key positions of responsibility with the OTOP hierarchy and are committed to making the project a success, for it is an initiative that impacts upon the lives of so many of their constituents. In addition, a budget that has been set aside over the years in support of the OTOP project, and the financial support available, has been substantial and rising since the project was instigated in 2001. Also, OTOP groups benefit from being relieved from paying tax revenues to the government, unless the revenue they manage to generate surpasses a set threshold. The initial implementation of the OTOP project was so grand and far-reaching in its scope and impacted upon the lives of so many people. In most cases, government policies frequently come and go, and are often discarded when an outgoing administration is replaced by a newly elected one. However, in the case of OTOP, all parties could clearly see the benefits that the initiative could potentially bring to the country's substantial rural population, and so the initiative has endured and survived several changes of government.

However, the often volatile and unstable political situation in Thailand also poses some threats to the success of OTOP within the country. While changes in

governments have yet to see the OTOP project withdrawn, they have meant that budgets allocated to the initiative have often been reduced by incoming governments.

(3) Economic factors

A key opportunity for rural communities to improve their standard of living presented itself in the period 2002-2006, when the government focused heavily on improving the social conditions and quality of life for people living in rural areas. The nation was still recovering from the economic crisis that swept through South East Asia in 1997, yet a variety of economic initiatives and increased exports saw rapid economic growth and increased per capita GDP. Through the harnessing of local skills within rural communities through the cooperative OTOP initiative, it was hoped that rural communities could eventually be made to be economically self-sufficient, and that citizens living in these areas would ultimately enjoy a higher standard of living as a result. Even in 2008, economic data indicates that GDP growth is still good, at around 4.5%, and that the government has plans to invest in a variety of large projects geared towards stimulating private sector investment in such rural areas.

A threat to the success of the OTOP initiative has been economic factors that lay beyond the control of governments, such as the volatile and seemingly ever increasing price of oil and gas, which has been affected by events far from Thailand, such as conflict in the Middle East and an increased demand for fuel from rapidly emerging economies such as China. The knock-on effect is a marked increase in production costs for OTOP groups, as well as transportation costs, which they ultimately have to pass on to their customers, while making every effort to keep the prices of their products competitive.

(4) Technological factors

In 2001, the government put in place key initiatives to bring rural communities into the 21st century, technologically speaking. The city of Chiang Mai was designated an ICT hub, the result being that it was to benefit from high speed internet links, a modern telecommunications network and a wealth of ICT professionals. The

government also set about educating the rural population involved in OTOP in modern business practices, the majority of which involves the use of ICT to carry out accounting and administration work. The implementation of such ICT initiatives also provided community businesses with the opportunity to take advantage of another key channel of distribution through e-commerce.

A key factor for community businesses, from a technological point of view, was the relatively small number of people that benefited from access to the internet when compared to their Asian counterparts. This presented a huge obstacle to such business groups, as worldwide, e-commerce has proven to be a rapidly growing outlet for retail products. With so few people having access to the internet in rural areas, it means that many OTOP groups do not have the opportunity to tap into the vast global export market that the internet makes available to businesses.

6.3 SWOT and TOWS analyses

6.3.1 SWOT analysis

SWOT analysis is a method that is widely favoured by researchers of marketing, owing to it being a relatively simple framework that can be used for the evaluation and organisation of an enterprise's strategic position when setting out to devise a marketing plan, though it is imperative that the researcher is able to successfully identify key variables in order for such analysis to be effective in assessing the performance of the business (Ferrell and Hartline, 2005; Kotler, 2003; Wilson and Gilligan, 2002).

SWOT includes the internal factors (Strengths and Weaknesses) and the external factors (Opportunities and Threats) of an organisation/enterprise. Internal factors of an enterprise are analysed by identifying its strengths and weaknesses. External factors are opportunities and threats of the enterprise.

Following the commentary above, details of the strengths, weaknesses, opportunities and threats that present themselves to community business groups from the internal and external environment are now summarised.

(1) Strengths and Weaknesses of internal factors

Table 6.1 Strengths and Weaknesses of internal factors

Strengths	Weaknesses
<p>1 Marketing</p> <p>1.1 Product</p> <ol style="list-style-type: none"> 1. Product designs are unique to their local areas. 2. Products are hand-made and intricate in their detail. 3. Products are visually attractive to customers. 4. Community businesses produce a variety of goods in five distinct categories (cloth, clothing garments, personal effects, home-ware, and souvenirs). 5. Traditional designs are popular with customers. 6. Goods which combine traditional designs, but which are tailored in a more contemporary style, are also very popular with customers. 7. A majority of OTOP produced goods are deemed to have a reasonable level of quality or greater (40% - 3 star, 15% - 4 star, 5% - 5 star). <p>1.2 Place</p> <ol style="list-style-type: none"> 1. Community businesses have a variety of distribution channels through which to sell goods. 	<ol style="list-style-type: none"> 1. Products are not colourfast owing to using natural-based dye. Colours are not bright, therefore, and colours fade. 2. The product ranges made by groups are relatively limited in terms of sizes and styles available. 3. Some products are manufactured using chemical dyes, but these have a harmful effect on the environment. 4. Products made in a contemporary design are not popular with customers, as they are comparatively expensive to similar style goods mass-produced in a factory. 5. 40 % of OTOP goods are deemed to be below a reasonable level of quality. 6. Lack of consistent quality control measures means there is a lack of consistency of the quality of goods produced. 7. Lack of care instruction provided with products. <ol style="list-style-type: none"> 1. OTOP groups run a limited number of retail premises themselves. 2. Retail premises operated by OTOP groups are usually limited in terms of their size. 3. OTOP- run retail premises are not usually well-planned or visually attractive for passing customers. 4. Most of the retail outlets operated by

<p>1.3 Personal Selling (Customer Service)</p> <ol style="list-style-type: none"> 1. OTOP salespeople in Chiang Mai are very friendly, outgoing and helpful. 2. Salespeople wear products their group have made, effectively modelling them for customers. <p>1.4 Promotion</p> <ol style="list-style-type: none"> 1. Promotional tools used by OTOP groups (name cards and brochures) are cheap and effective. 2. Promotion through national TV, radio, newspapers and the internet as financed by the government is very attractive and reaches a broad target audience. <p>1.5 Packaging</p> <ol style="list-style-type: none"> 1. Packaging methods used by OTOP groups are cheap and effective. 2. Attractive gift-wrapping of goods is available to customers. <p>1.6 Price</p> <ol style="list-style-type: none"> 1. OTOP products are viewed as being reasonably priced. 	<p>OTOP groups are located far away from the Metropolitan areas, and are therefore difficult to access for any customers.</p> <ol style="list-style-type: none"> 5. Retail outlets lack well-thought out, eye-catching displays to catch customers' attention. <ol style="list-style-type: none"> 1. Sales staff sometimes lack detailed knowledge of the products available for sale. 2. Sales staff, although friendly and polite, often lack modern selling skills. <ol style="list-style-type: none"> 1. Local radio advertising reaches a limited audience with rural communities as radio transmissions are over limited area. 2. Folders produced by OTOP groups are viewed as boring and are relatively ineffectual as a means of promotion. <ol style="list-style-type: none"> 1. The packaging used by OTOP groups is basic and functional, but somewhat lacking in visual appeal. <ol style="list-style-type: none"> 1. No standard price structure exists for OTOP goods. 2. Prices are not clearly marked or labelled on goods for sale, leading some customers to attempt to haggle over the retail prices of goods.
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<p>2 Organisation and management</p> <ol style="list-style-type: none"> 1. The cooperative structure of OTOP groups is democratic and fair to all members of the business. 2. As members share in the ownership of the business, they are motivated in ensuring that the enterprise is a success. 3. As all members are equal, employees have a mutual respect for one another and are keen to help one another work to their full potential to aid the success of the business. 	<ol style="list-style-type: none"> 1. The cooperative structure of businesses means that decision-making can be time-consuming. 2. The salary offered by OTOP groups often is not enough to attract young people, who are tempted by the higher salaries available in metropolitan areas. 3. Most of the workforce are poorly educated, and therefore need a great deal of support in terms of training with regards to ICT, modern business practices and marketing.
<p>3 Production</p> <ol style="list-style-type: none"> 1. The workforce is generally middle-aged, and consequently has a great deal of experience and skill in the production of traditional products. 2. The machinery used by OTOP groups is both cheap to buy and, due to them being hand-driven, run. 3. As all employees are members of the business, they are more likely to be motivated and committed to the success of the enterprise, and therefore more diligent in their approach to work. 	<ol style="list-style-type: none"> 1. As products are hand-made, it is difficult to ensure consistency in terms of the quality of products. 2. Dyeing of cloth using natural methods results in a product that lacks colourfastness, and which therefore fades over time. 3. Sometimes, the by-products of chemical dyeing are not treated, but simply flushed away, which could be potentially damaging to the environment. 4. Many employees lack the skills, knowledge and creativity needed to design and produce more contemporary products that meet the needs of customers seeking more modern products.
<p>4 Finance and accounting</p> <ol style="list-style-type: none"> 1. Being run as small, rural co-operatives, the majority of OTOP enterprises are run in an honest, fair and transparent manner with regard to their finances and accounting. 2. Members collectively set their respective firm's rules and regulations with regards to finance e.g. how much profit will be allocated as a dividend, how much will be allocated to the social welfare fund, and how much will be re-invested into the business. 	<ol style="list-style-type: none"> 1. Many employees of OTOP groups are poorly educated and therefore have limited knowledge of accounting methods/practices. 2. The main source of working capital comes from members, and is therefore low and insufficient to support any great expansion of a business.

(2) Opportunities and Threats of external factors

Table 6.2 Opportunities and Threats of external factors

Opportunities	Threats
<p>(1) Customers</p> <p>1. The majority of OTOP enterprises' customer bases are derived from their local, rural communities, and so are likely to be repeat, possibly regular customers. Because traditional Thai dress is required at specific functions and employers require their workers to wear traditional dress on 1 or 2 days per week, this customer base will provide an enormous amount of on-going business for CBs.</p>	<p>1. The number of customers that are from overseas is relatively small, owing to the limited use of the internet by community business enterprises as a channel of distribution, and lack of skills in marketing their products abroad.</p>
<p>(2) Competitors</p> <p>1. Because the unique traditional OTOP products require great skill to produce, there are few, if any, competitors who can produce similar products (e.g. Teen Chok fabric) to the same high standard demanded by customers.</p>	<p>1. There are many rival OTOP enterprises within Chiang Mai province.</p> <p>2. There are also numerous rival community businesses further afield, both in northern Thailand and in more distant areas in the North-East and South of the country which try to replicate traditional products (i.e. Teen Chok) at cheaper prices.</p> <p>3. Overseas competitors from neighbouring nations such as Myanmar, Laos and China, where production costs are considerably lower.</p> <p>4. Manufacturers of mass-produced clothing and fabrics, again which have far lower production costs, but whose quality is consistent and whose designs are contemporary and fashionable.</p>
<p>(3) Social and cultural factors</p> <p>1. A strong sense of community and sense of altruism exists within the rural areas where OTOP groups are based, which ensures that community businesses stand</p>	<p>1. The level of academic achievement in rural areas is generally low, with few people equipped with skills in ICT, business, finance, promotion or selling.</p>

<p>a good chance of succeeding.</p> <p>2. A strong work ethic also exists here, and the cooperative structure of OTOP enterprises encourages people to work collectively to improve their working conditions and quality of life.</p> <p>3. A large, skilled workforce of 1.7 million people exists within the rural areas of Thailand.</p> <p>4. Training courses are offered by local academic institutions in order to engage with young people and generate interest in the traditional skills that have long existed in these areas (spinning, weaving etc.).</p>	<p>2. There are more varied and better paid employment opportunities in the metropolitan areas, and so it is hard to retain the skills of the rural area's young people.</p>
<p>(4) Political factors</p> <p>1. Support for OTOP is strong, on a national, regional and local level, due to the policy being instigated by the national government.</p> <p>2. Owing to the project affecting such a large proportion of the national population, all government departments see the necessity for it to succeed, and are therefore very supportive of the initiative.</p> <p>3. There is widespread political support for the project, and funding has increased steadily, annually, since it began in 2001.</p> <p>4. In order to encourage success with regard to OTOP, community business groups are relieved of having to pay tax, unless their revenues exceed a set figure annually.</p>	<p>1. The political situation in Thailand is often very volatile and unpredictable. Changes of government can occur unexpectedly or rapidly, and this could have an unforeseen impact on community businesses at short notice (i.e. changes in budget allocations for such groups).</p>
<p>(5) Economic factors</p> <p>1. The economic recovery following the South-East Asian economic crisis, with increased exports and higher per capita GDP, presented an opportunity to invest in rural development and the OTOP project.</p>	<p>1. There has been a rapid increase in the cost of oil and other natural resources in recent years, which in turn has increased production and transportation costs for community businesses and made it difficult to keep the prices of their goods</p>

<p>2. Projected economic growth for Thailand in 2008 is still quite high, at 4.5-6%, and so the economic outlook for OTOP community business groups is favourable.</p>	<p>competitive.</p>
<p>(6) Technological factors</p> <p>1. Chiang Mai was designated an 'ICT hub' by the government, meaning that it was extremely advanced with regard to its telecommunication links nationally and internationally.</p> <p>2. The government widely encouraged and supported the training of community business members in ICT and modern business skills by third party agencies, in order that they could operate their enterprises efficiently and eventually take advantage of another channel of distribution through e-commerce.</p>	<p>1. The penetration rates of the internet within rural Thailand were relatively low compared with its rivals in both South-East and Far-East Asia. As a result, most community businesses were not able to take advantage of the rapidly expanding e-commerce sector and new markets abroad.</p>

6.3.2 TOWS matrix

SWOT analysis, however, when used alone, has its limitations. It produces lengthy lists for the researcher, requires only a single level of analysis, and has no logical link to strategy implementation. In order to best utilise and build on the findings of SWOT analysis, it is necessary for researchers to construct a TOWS matrix (Wehrich, H, 1982). This allows them to identify the interrelations between the internal strengths and weaknesses of a business with the external opportunities and threats that exist for such an enterprise. Through analysis of these interconnected factors, and how they impact upon the business, it enables researchers to formulate strategies that will aid the business in developing and expanding further, and overcoming any potential obstacles that stand in the way of its success (Wilson and Gilligan, 2002).

When employing TOWS analysis, four key links between both internal and external factors need to be examined before four distinct strategies can be devised to drive the success of the business forward. These are: (1) SO (strength-opportunity) strategy; (2) ST (strength-threat) strategy; (3) WO (weakness-opportunity) strategy; (4) WT (weakness-threat) strategy (Wehrich, H, 1982).

The first of these (SO strategy) explores the manner in which a community business can utilise its strengths to take advantage of opportunities. By utilising its position of strengths and the resources it has at its disposal, an enterprise is able to take advantage of any opportunities that exist within the marketplace to promote and sell its products.

The second strategy to be considered is the ST strategy, whereby a community business would utilise its strengths to enable it to overcome any threats that arose. However, a community business needs to utilise thought, discretion and often restraint when using its strengths to overcome external threats, as too much of a show of strength can be detrimental to the image of the enterprise and the relationships it has with others.

The third strand of the TOWS matrix focuses on the WO (weaknesses-opportunities) strategy, and the process whereby a community can work collectively to overcome its weaknesses to take advantage of the opportunities available to their OTOP enterprise.

The final strand of the TOWS matrix consists of the WT (weakness-threats) strategy, the aim here being for a community business enterprise to work towards minimizing the weaknesses that hold back the development of their firm, and avoiding threats posed to their business.

6.4 Suggestions for community business marketing strategy development

6.4.1 SO strategy

- Product

(1) Broaden the range of traditional clothing garments produced

Continue to develop and produce a wide range of intricate, hand-made products that are reflective of the heritage and traditions of the local area in which they are produced (i.e. Teen Chok, Lai Nam Lai, and Madmee).

These products will cater for the increasing demand of public sector and government employees that are required to wear traditional dress for 1-2 days of the working week. This will also continue to cater for regular customers that require traditional clothing garments to attend specific social functions i.e. temple visits, weddings, funerals etc. As the skills for producing such unique items is passed down in small rural communities from generation to generation, they are very hard for competitors to replicate. Owing to such a high demand for these types of goods, were local groups to broaden the range of traditional items that they produced, they would essentially be guaranteed even greater revenues from what is essentially a niche market.

(2) Gain knowledge of latest fashion trends, in order to develop stylish garments incorporating modern designs with traditional fabrics

Community business groups produce a range of clothing garments that combine traditional styles of fabric with contemporary and modern styling for a unique look for the customer. However, given that the community businesses are based in rural communities, and that the majority of their workforces are middle-aged, the vast majority of employees lack up-to-date knowledge of the latest, contemporary fashion trends, and are therefore at a disadvantage when it comes to envisaging garments that combine traditional fabrics with modern clothing design.

With the help of government-backed support agencies, such as the fashion departments of local academic institutions, the production staff of OTOP enterprises can be given advice with regard to the latest fashion trends. This enables them to manufacture clothing garments that are in season and therefore popular with customers, but which are also individual in the way they incorporate traditional styles of fabric.

(3) Employ stricter quality control measures to ensure products are of consistently better quality

The majority of community business products are of a satisfactory or higher standard (60%), with 20% achieving either 4 or 5 stars.

With the help of government and private sector organisations, community business groups can be offered advice and guidance in how to put suitable quality control measures in place to ensure that their products are of consistently better quality (3 star or above). This will ensure that those groups having products reaching a satisfactory level of quality will produce consistently high quality items and it will encourage them to improve their merchandise further. In encouraging a greater consistency in terms of the quality of goods produced for sale, the likelihood is that one time customers will be more likely to purchase additional OTOP goods in the future.

(4) Encourage producers of high quality products (4 star and 5 star) to broaden their channels of distribution into the potentially lucrative export market

Of all products produced by OTOP community business enterprises, around a fifth (20%) are viewed as being very high quality in terms of quality and craftsmanship. Such high quality products no doubt stand a strong chance of succeeding in terms of sales in the overseas export market. However, a few potential obstacles or pitfalls stand in their way. Firstly, products that are popular in native Thailand might not necessarily be desirable to overseas customers. Secondly, few community business groups have any knowledge of how to set about gaining access to overseas markets, never mind setting about exporting their products overseas. In addition to this, few

community businesses have sufficient knowledge of modern business practices, or of ICT, to comfortably take advantage of the opportunities that e-commerce offers. However, the potential revenue that can be generated from sales in international markets is simply too good to miss.

In order for community businesses to successfully access international markets, it would be best for government and private sector agencies to conduct research into what products such foreign customers may be interested in purchasing. Once the right products for export sale have been identified, private sector organisations and academic institutions can give training and guidance support to such groups related to ICT and e-commerce, as well as modern business practices. Once this knowledge, skill and information has been passed on, such groups should have all the tools necessary to exploit the potential that exists within the international export market.

(5) Identify staple items that are most popular with customers, and implement a production strategy that caters to these market demands

Through the research it has been noted that community business groups produce merchandise that falls into five distinct product categories, these being fabric, clothing garments, household furnishings, personal effects and souvenirs. However, when implementing production of such items, many community business groups fail to take into account the popularity of respective items and use this data to inform the quantities of good they set about producing. Consequently, their most popular products sell out, whereas they are often left with surplus stock of products that are less popular.

OTOP groups should utilise information gathered for the purposes of this study in order to gain a clear understanding of which of the products are most popular with customers, and which are less so. Such data can then be used to inform future production runs of particular products as to the quantities that they should be manufacturing. Data collected for this research project found that two categories of merchandise were most popular with customers; these being cloth and clothing

garments. Community businesses should therefore devote the majority of their production time to the manufacture of products that fall within these two categories (they should by no means cease production of personal effects, household goods and souvenirs altogether, as there remains a market for such goods, but simply scale down the quantity they produce in order to avoid being left with a surplus of stock). Feedback from customers noted that they would like to have seen a broader variety of the more popular items, so this is something else that the OTOP enterprises need to take into consideration.

- Place

(6) Broaden the channels of distribution utilised by community groups to sell their products

Currently, community business enterprises use four key channels of distribution through which to retail their products, these being on-site retail premises, wholesale middleman traders, stands at trade exhibitions, and finally stalls at cultural fairs and events. The utilisation of these distribution channels with the support of OTOP agencies needs to be maintained, as they have been very successful.

However, there exists scope for the generation of greater revenue through the establishment of additional channels of distribution. With the assistance of OTOP support agencies, community business enterprises should be encouraged to identify and establish links with large retail organisations through which to retail their products. Examples of retailers through which this is already possible are the 'Tesco Lotus' supermarket chain, duty free outlets at Thai airports and petrol stations. Government agencies, acting on behalf of OTOP enterprises, managed to negotiate reduced rental rates for retail presences within some stores for community business groups, as these larger businesses have policies in place that state they will help smaller community business organisations.

- Personal selling (Customer service)

(7) Maintain rigorous staff training programmes, to ensure that all sales staff have detailed knowledge of the products they are selling to customers, as well as modern selling techniques

A key selling point for customers, arising from the research, was the benefit of having sales staff that were friendly, outgoing and helpful, and who displayed a sound knowledge of the merchandise they were selling, the history behind such products and how they were produced.

In order to ensure ongoing success, and an enjoyable shopping experience for all their potential customers, OTOP enterprises should be encouraged to implement and maintain rigorous training of sales staff in modern selling techniques, and brief them in detail about all products available for sale. All group members involved in the sale of OTOP products should be encouraged to wear such items on the premises, so that they are effectively modelling their group's products for visiting customers.

6.4.2 ST strategy

- Product

(1) Community businesses should focus their production firmly on handmade, traditional, intricate products that are unique to their local area

OTOP community businesses face stiff competition within the marketplace, not simply from fellow community business groups, but also from mass-production clothing manufacturers both within Thailand and from overseas. In the past, groups have sought to compete with other producers on all fronts. However, it is almost impossible for groups to compete with factory clothing producers based in countries where production costs and wages are significantly lower than in Thailand. The main selling point of OTOP products is that they reflect the unique and traditional designs particular to a specific region. The fact that these goods are hand-made is another selling point, and means that the merchandise and styling is very difficult to replicate.

By differentiating their production strategies, community business groups will move away from the production and retailing of goods that bring them little reward (mass-produced, simple clothing garments), focussing instead on products that are acknowledged as being unique and something for which their local community is renowned.

(2) Develop a complementary network of producers producing inter-related goods

It has already been established that a main obstacle standing in the way of OTOP CB groups undertaking cooperative strategies with similar groups in their locality has been the fact that they are effectively competing for the same customer base through the production of similar or even identical products. One possible way around this issue would be to have different CBs in a village/locality producing different goods that serve the needs of one another. For example, the CB most renowned for its weaving skills could continue in its production of intricate fabrics such as Teen Chok and Lai Num Lai, which they could then sell wholesale. A fellow group in the vicinity may lack expertise in weaving, but may be highly skilled at designing and fashioning clothing garments, and could do so through the purchase of fabric from their neighbouring group. A third local CB may lack the expertise in weaving or textiles, but may be skilled in the production of dyes and dyeing of clothing from natural resources. This group could undertake the dyeing of fabrics for all clothing businesses within the local area. Finally, another CB group in the area could assume responsibility for the manufacture of souvenirs and gift packaging for OTOP goods from the off-cuts of fabric and material purchased wholesale from neighbouring OTOP firms. By ensuring differentiation of goods being produced by respective groups within a locality, rivalry and competitiveness is immediately reduced. The fact that the goods produced can benefit each other in the long term, while at the same time effectively ensuring that the respective goods they sell achieve higher prices, means that each of the CBs is increasingly likely to undertake a cooperative strategy that is to the mutual benefit of everyone.

6.4.3 WO strategy

- Place

(1) Utilise government funding to establish ‘one stop’ OTOP shopping centres within each district town centre in Chiang Mai province to cater for customers interested in OTOP products

A weakness of many OTOP community groups is that their retail premises are located far from areas of high population density where they are more likely to generate greater revenues through the sale of their products. Through the establishment of centrally located one-stop shopping malls at which OTOP products are sold, customers are provided with a convenient way of accessing a broad range of community business products. Budgets set aside by OTOP agencies to promote community businesses can be used to set up the premises. As the resulting premises are shared, rental costs for enterprises in prime retail locations with high footfall are significantly reduced. In addition to this, government agencies could limit access to the premises to those groups whose goods were deemed to have a quality rating of 3 stars or higher, thus encouraging other local firms to raise the standards of their products.

6.4.4 WT strategy

- Product

(1) Develop a range of natural, colour-fast dyes for fabric

A weakness of OTOP products coloured using natural dyes is that they are not colour-fast, meaning that, over time, the colour of the product fades and therefore has a limited shelf-life. A threat is posed by factory based competitors of CBs that are well established in the use of better quality dyes that do not run and that achieve a bright, consistent quality colour.

With the aid of government backed support agencies in the form of academic institutions etc, efforts should be made to develop a range of dyes that are derived from natural sources but which are colourfast and give a vibrant colour to fabric.

(2) Improve the consistency in terms of quality of community business products

While 60% of OTOP goods meet or exceed a satisfactory level of quality (3 star or above), 40% of goods produced still fail to meet an acceptable standard.

In order for community business groups to generate greater revenue, support agencies should train and guide employees in putting in to place stringent quality control measures within their businesses. By doing so, there would be a greater level of consistency in terms of the quality of the goods produced, and more CBs are likely to succeed in promoting their products successfully when competing with factory based businesses who have already established quality control standards and are producing goods of a more consistent nature in the global marketplace.

(3) Cease production of modern clothing garments

OTOP groups produce both traditional garments, those made from traditional fabrics but with contemporary styling, as well as simple modern items similar to those produced by factory clothing manufacturers. Such groups are renowned for their traditional garments. However, the simple, modern items they produce, while of good quality, are expensive in comparison to those made in a factory setting, or in neighbouring Asian countries where production costs and wages are much lower.

It is unwise for OTOP groups to try and compete with factory scale clothing producers, especially when the resulting products prove unpopular with customers and offer little reward for the producers. It would be far better for OTOP groups to focus their energies on producing traditional, unique items, and combination garments that mix traditional design with a contemporary look, products for which they are already renowned.

(4) Educate CB employees about the negative impact of chemical dyes on the customer and the environment

Some OTOP enterprises favour using chemical dyes as opposed to natural ones when producing fabric and clothing articles. However, many have little knowledge of the harmful effects that such dyes can have on the environment if not disposed of properly, or of the carcinogenic effect that certain dyes (ASOs, which are routinely banned in countries) can have on both workers and customers. Many larger and more experienced clothing manufacturers have already learnt about the harmful impact of these chemical dyes and have already start to reduce their use and so improve their company image amongst customers. Support agencies, backed by the government, should be encouraged to educate production staff in the dangers that can be posed by the use chemical dyes.

- Place

(5) Improve the layout and visual appearance of OTOP retail premises in order to make them distinctive from those of their competitors

A weakness of many OTOP enterprises is that they occupy generic retail premises that are not visually appealing to customers, are poorly dressed in terms of displays, and are poorly thought out in terms of layout. Many competitors have professional displays and are expert at marketing their products in a manner that is attractive to customers, leading to greater sales.

Community businesses should seek to make their premises distinctive, and improve the layout of their stores and the way in which their products are displayed in order to make shopping a more pleasurable experience for their customers. One suggestion would be to incorporate a modern, customer friendly layout within their retail premises, but externally to incorporate a design that reflects the traditional architectural style of the region (Lanna). In doing this, not only would the retail experience for customers be more enjoyable, but anyone walking down the street

would instantly be able to identify a shop that sold OTOP products by the store's distinctive appearance.

In conclusion, it is clear from both the SWOT and TOWS analysis that has been conducted on both the qualitative and quantitative data gathered for this study that several clear recommendations can be made to OTOP community business groups with regard to the manner in which they market their products.

Chapter 7

Discussion and Conclusion

7.1 Introduction

This final chapter will consider four areas arising from this thesis. The first area to be considered is the contribution that this research has made in the fields of methodology, theory and practice. Second, is the conclusion of this study. Third, is a discussion of the limitations inherent in the thesis, and finally, recommendations for further research are considered.

7.2 Contribution to methodology

There are features of this study that are common to many countries, as mentioned in Chapter 2. It is about developing marketing strategies which are appropriate to small community businesses that cooperate and compete in order to meet national objectives in an environment that consists of many stakeholders. As such, the choice of an appropriate methodology is far from straightforward. After much thought, a mixed methods approach was chosen.

The outcomes of the research (see later section on ‘Contribution to Practice’) support the choice of the approach. Even so, many lessons were learnt regarding the operationalisation of the approach so that it addressed the special features of community business working within an OTOP-type framework. These lessons can be informative for other researchers embarking on similar types of projects.

7.2.1 The particular mixed methods approach

The mixed method approach selected for this study was exploratory sequential design. This design starts with a qualitative approach, and then builds to a quantitative study. The results of the qualitative phase are used to construct an instrument (questionnaire) and identify variables to study quantitatively. These developments connect the initial qualitative phase to the subsequent quantitative component of this study.

This particular research design was selected by the researcher as information concerning the OTOP project, and more specifically, marketing strategies used by OTOP community business groups, was fairly limited, owing to the fact that this research study began in 2004, only three years after the OTOP project was initially implemented in 2001. This particular research design is viewed as being suitable for studies in which background information on the topic is very scarce, owing to the fact that such a topic is a relatively unexplored area of research (Tashakkori and Teddlie, 2003).

The primary concern of exploratory sequential design is the exploration of a particular 'phenomenon' with the qualitative study. Furthermore, Currall and Towler (2003) cite qualitative research as being of significant importance when undertaking theory formulation, and it is so because it enables the researcher to identify specific attributes within data, themes to subsequently be formed, and theoretical relationships to be specified. Aside from the aforementioned, qualitative research is of key importance as it not only informs the quantitative phase, but the data gathered is utilised in the construction of an instrument for quantitative data collection (Laurent, 2000).

Moreover, Morgan (1998) readily acknowledges that the selected design is a popular type of sequencing model owing to the fact that, before quantitative research can ordinarily be undertaken, exploratory qualitative study first needs to be carried out so as to gather data from which instruments can be developed for quantitative research. As Creswell (2003) notes, this is even more imperative in circumstances where research instruments need to be constructed. This will almost certainly be the case in research studies similar to this one.

In adopting a mixed methods (exploratory sequential) approach to a research study, the researcher is first able to establish a deeper knowledge and understanding of the context and phenomena linked to OTOP community businesses through the gathering of qualitative data. From there, the researcher can subsequently complete with

prepared variables, and questionnaires, that can then be used for the final phase of quantitative data collection.

7.2.2 Contextual adaptation

Generally in the case of exploratory sequential design, there is a single qualitative phase of research and analysis that is then supplemented by a quantitative phase. However, in the case of this research, it was felt necessary that two phases of qualitative research be carried out prior to the quantitative phase being undertaken (see Figure 3.1).

A key reason for qualitative research comprising of two phases was the wide scale of the OTOP project, which affected rural communities throughout Thailand. During the gathering of documentary evidence in phase 1, the researcher initially hoped to gain knowledge and understanding of the complex macro-external factors (PEST) which impact upon OTOP community business at both a local and national level. The next step of the initial qualitative phase was the use of focus group discussions to gain an understanding of the operation of community businesses at the local level in Chiang Mai, as well as the internal factors (organisation and management; production; marketing; financial and accounting) and micro-external factors (customers and competitors) that affected the day-to-day running of respective firms.

While the primary concern of QUAL1 was gaining a solid understanding of the day-to-day running of OTOP community businesses, as well as the macro- and micro-external factors that impacted upon the OTOP firms, phase two of qualitative research (QUAL2) was focused specifically on marketing strategies currently in use by community business groups, as well as the thoughts of various stakeholders (producers, supporters and customers) as to how they felt about current strategies used by community businesses. First, in-depth interviews were conducted with willing participants from the three stakeholder groups. These were conducted as the OTOP initiative incorporates a range of groups and organisations (producers, academic institutions, public and private sectors) into working towards its key objectives, and

all have a vested interest in wanting the project to succeed. Then, of course, there are the customers, whose thoughts and opinions on current approaches to marketing need to be taken into serious consideration. All were asked identical questions in the in-depth interview phase, in order that the researcher could understand the perspectives on OTOP products and the way they are marketed.

Once in-depth interviews were completed, observations were then carried out by the researcher in Chom Thong, Mae Chaem and Chiang Mai city centre, noting the marketing strategies used by community business groups. While the first phase of qualitative research served the purpose of informing the researcher of factors impacting upon community businesses at both a local and national level, the data gathered in phase two of qualitative research was used in the construction of variables, and the questionnaire, in preparation for the quantitative stage (QUAN) of the research.

In the case of qualitative research, data was gathered from all stakeholders linked with the OTOP project, these being producers, supporters and customers. This was due to the fact that the researcher wanted to obtain a complementary overview of all factors that impacted upon community businesses. There is no short-cut in gaining such a complementary overview, and this research has demonstrated that a two-phase qualitative data collection and analysis process is necessary to fully understand the external and internal factors that impact on the marketing strategies of community businesses. Therefore, in the context of OTOP-type projects, there is sound evidence that researchers should adopt the exploratory sequential form of the mixed methods approach, with the advice to undertake the qualitative research in two phases to ensure that the external and internal complexities of the businesses and their marketing strategies are fully recognized.

In the case of the quantitative phase, the researcher's focus was solely on OTOP customers, this being due to the fact that this stage of research was guided by the marketing concept – identifying the needs of a target group, and the delivery of a

product/service that serves these needs to a higher standard than those of their rivals, so as to successfully achieve their organisational goals. The practicality of carrying out a customer survey at this stage has been demonstrated; in this case with four hundred OTOP community business customers.

Overall, the research and outcomes have confirmed that mixed methods research that incorporates a two-stage qualitative approach followed by a quantitative stage, is a sound methodology to adopt for researchers seeking insights into CB activities and strategies in developing countries.

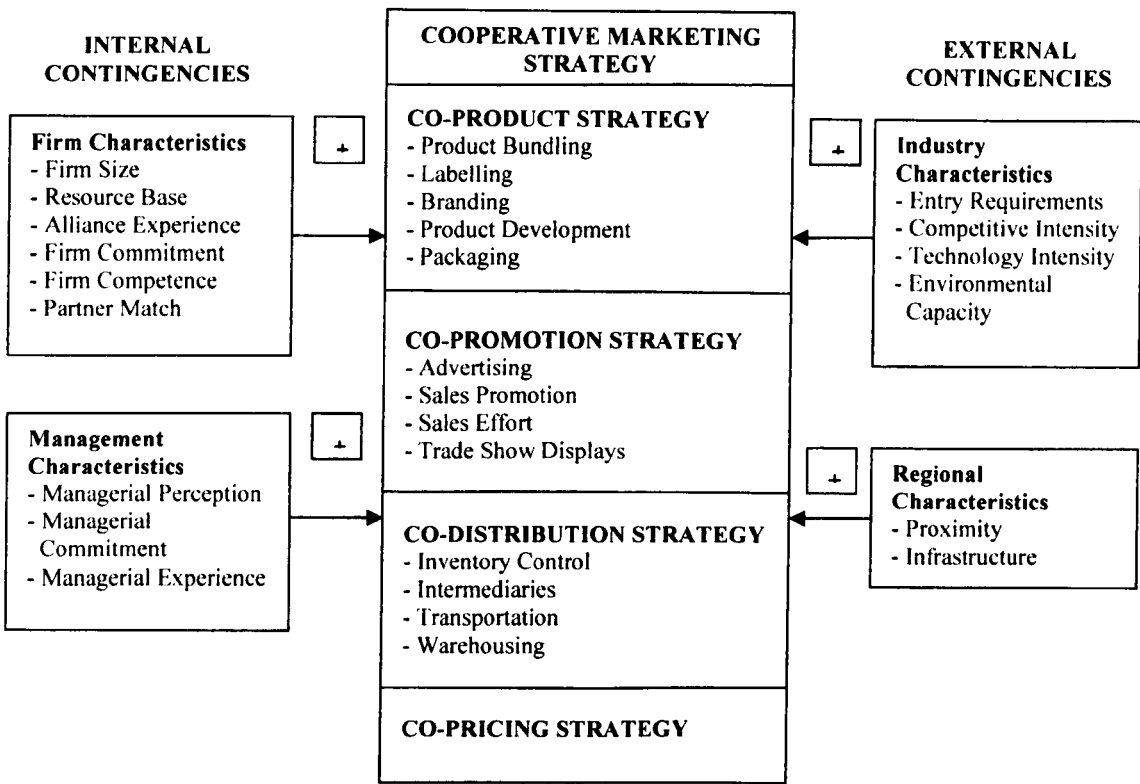
7.3 Contribution to theory

The overall contribution to academic theory can be discussed in two main parts. First is the study and refinement of existing theory to suit the needs and requirements of CBs within the context of the OTOP project. Second is the use to which other researchers might put the developed theory in conducting their own further studies.

7.3.1 Investigation and refinement of existing theory

The CBs involved in the OTOP project were not only encouraged to build networks with other CBs within their communities, but also to work with the support of government and private agencies as well as universities to develop their marketing strategies. Hence the strategies they developed were considered as *cooperative marketing strategies*. In reviewing the existing literature on marketing strategies, especially of a cooperative nature, the research of Dickinson and Ramaseshan (2004) stood out as being the most relevant and adaptable to the current study. The operational model, built by Dickinson and Ramaseshan (2004) to study the decisions taken on cooperative alliances between small to large businesses in Australia, is shown in Figure 7.1.

**Figure 7.1: Cooperative marketing strategy model
(Research model operationalised)**



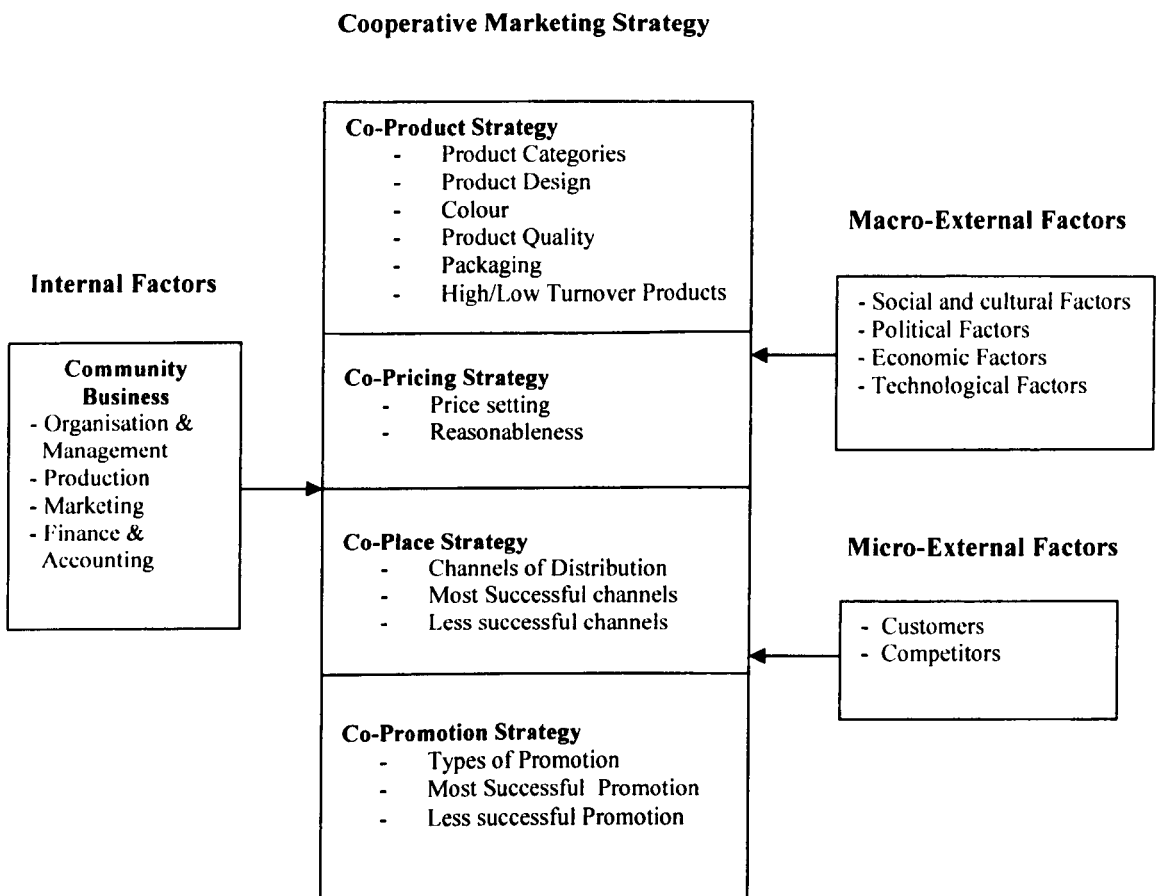
Source: Dickinson and Ramaseshan (2004)

The main differences between the Dickinson and Ramaseshan (2004) context and that of the OTOP project are that 1) Dickinson and Ramaseshan considered small to very large firms, whereas, in the OTOP project, all community businesses were of a small nature 2) in the Dickinson and Ramaseshan study, all the businesses were typically privately-run, hierarchical businesses, whereas, in the OTOP project, the businesses were run on a cooperative basis, and were also helped by government and private agencies as well as universities to develop their strategies and 3) the decisions on cooperation in the Dickinson and Ramaseshan study were about formal, contractual alliances, involving considerable resources and commitment, whereas, in the OTOP

project, cooperation within networks was more informal and loosely based in developing strategies.

It is for these reasons that the model developed by Dickinson and Ramaseshan (2004) had to be refined further to suit the environment in which the OTOP CBs were operating (see Figure 7.2).

Figure 7.2: Conceptual model of cooperative marketing strategy



Adapted from Dickinson and Ramaseshan (2004)

The internal contingencies identified by Dickinson and Ramaseshan (2004), as influencing whether a business would consider it worthwhile to develop a cooperative

marketing strategy with another business, were replaced by internal factors of CBs impacting on their cooperative marketing strategies. The choice of these internal factors was influenced by an audit of Chiang Mai woven textile CBs carried out by the Industrial Promotion Centre Region 1 (2003), and the study of a comprehensive survey of local cotton/silk producing groups across Thailand that took place between 1997 and 2002.

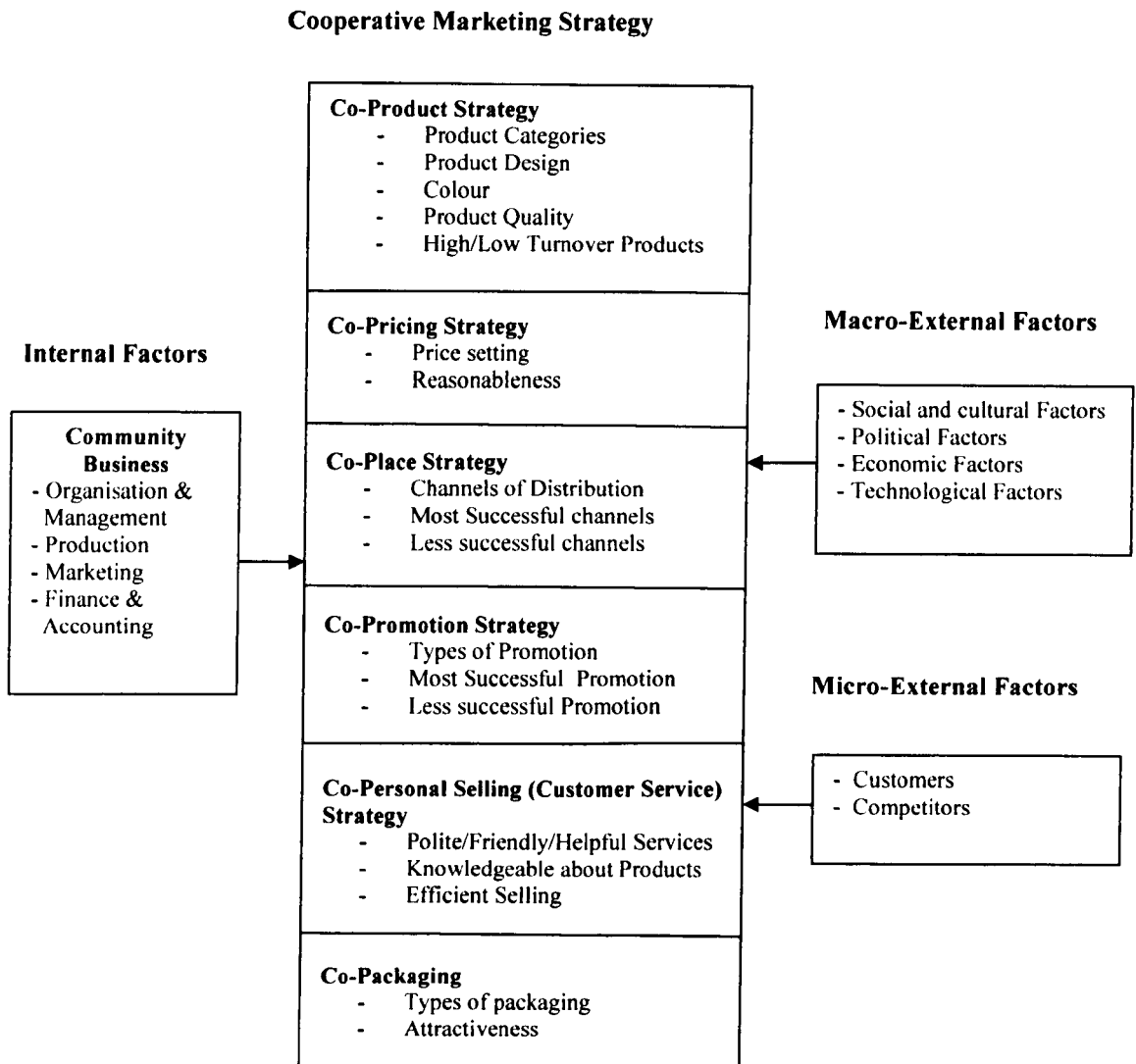
The external contingencies identified by Dickinson and Ramaseshan (2004) were replaced by the macro- external factors, Political, Economic, Social and cultural, and Technological (PEST), taken from traditional textbooks and journals, and by the micro- external factors of customers and competitors, identified by Ohmae (1983) as being the two significant micro external factors impacting on a business.

The cooperative marketing strategy variables used by Dickinson and Ramaseshan (2004) also had to be developed to suit the different context of the OTOP project. The variables used in the cooperative marketing strategy section of Figure 7.2 were based on an audit of Chiang Mai woven textile CBs carried out by the Industrial Promotion Centre Region 1 (2003). They were prefixed with co- (co-product, co-price, co-place and co-promotion) to illustrate that the developed marketing strategies were made in cooperation with other CB groups and support agencies.

7.3.2 Using the new theory and findings for further research

The research reported in this thesis adapted the conceptual model of Dickinson and Ramaseshan (2004) to study, in detail, the factors affecting the cooperative marketing strategy used by CBs. It then examined the existing cooperative marketing strategies in place and developed a questionnaire to quantitatively analyse their effectiveness. Following the analysis of the results of the quantitative phase, the conceptual model is further refined (see Figure 7.3). Given this chain of developments, from Figure 7.1 to Figure 7.2 to Figure 7.3, what does the current study contribute to academic theory?

Figure 7.3: New conceptual model of cooperative marketing strategy



In the most basic way, any researcher who wishes to gain a detailed insight into the internal management structure, external factors and marketing strategies of cloth/clothing producing CBs in Chiang Mai province will find this thesis and Figure 7.3 of use. Even if a researcher does not have the marketing strategies of a CB as his/her main focus, this study is one of the first to examine the management operation and external factors impacting on CBs in detail. This extensive body of data will not

only be of interest to those researchers studying CB operations involved in the OTOP project across Thailand, but will also be of use to researchers of CBs further afield. OTOP was based on the OVOP project initiated by Japan and now many other Asian countries, particularly in South-East Asia, have gone on to develop similar projects in an attempt to regenerate rural economies. It is hoped that the current study will be of use to researchers of CBs in all these projects as a base for understanding how they operate and the context in which they work.

Specifically, when considering the marketing strategies used by CBs in an OTOP style project and the factors influencing them, the refined conceptual model (Figure 7.3), which came out of the data analysis of the questionnaire results, should prove invaluable to researchers in moving on from McCarthy's (1960) marketing mix of 4Ps or Lauterborn's (1990) 4Cs. As can be seen, the new model includes six rather than the four original main categories of product, price, place and promotion. The techniques of factor analysis and multiple regression used in the quantitative part of the research showed that the variable of packaging, previously included as a sub-variable in the main 'product' category, should be promoted because of its significance so as to be considered a main category in its own right. The variable of personal selling (customer service), previously included under the main category of promotion, was similarly shown to be significant enough to have its own main category.

This new conceptual model with its six main marketing categories shows how traditional general theories are not always suited to the more specialized case of the circumstances in which CBs operate and demonstrates the need for them to be developed to take account of these differences. It should be noted that the new model and theory have been developed with CBs involved in the production of cloth and clothing in mind and that many of the variables in the cooperative marketing strategy are particular to them. Researchers looking at the marketing strategies of CBs involved in the production of different items would need to adapt and refine the model further to change the variables to suit their circumstances.

Following SWOT and TOWS analyses of the three most significant marketing categories of place, product and personal selling (customer service), fifteen marketing strategies were developed as suggestions for further action. Given the lack of OTOP CBs' marketing strategies research and findings available when conducting the literature review for this study, it is hoped that the conclusion and findings reached here will be of use to other researchers starting their studies. In reaching their own conclusions after following and adapting the methodology and theory discussed above, researchers will find value in the practice of contrasting and comparing their own research with those of this study. This interpretation and comparison of results will no doubt in some cases lead to a confirmation and support of those findings and in other cases will lead to a contrast which will help shed further light on the area being examined. In all cases, reference to the current study is welcomed.

7.4 Contribution to practice

Given the author's involvement with the OTOP project in Thailand, and connections with local government and university officials, there are opportunities to inform practice at various levels. At one level, the results of the previous chapter have direct relevance to the community businesses themselves in terms of guiding them on how to allocate their resources in the engagement in effective and efficient marketing practices. At another level, the research has provided an opportunity to review the practices involved in the total OTOP project. The review, with evidence and recommendations, follows. The recommendations will be presented to appropriate officials on the researcher's return to Thailand.

7.4.1 Some facts of OTOP project operation and researcher's recommendations

The OTOP project implemented across Thailand took its inspiration from the hugely successful OVOP initiative that was pioneered in Oita Prefecture, Japan, and which soon spread across the whole country. Unlike in Japan, where a feasibility study of the initiative was first undertaken in Oita so as to gauge its chances of succeeding nationally, the Thai government simply introduced the project to the entire country of Thailand at once. Consequently, a variety of obstacles arose when the project was first

introduced, especially with cooperation and preparation, owing to the fact that there is a variety of organisations involved in the project in accordance with the dispatched government policy. Such obstacles are reflected in the observations of OTOP supporters from Chiang Mai:

“It is the hastiness with which the project was implemented that causes some problems. The operation is inefficient owing to a limited number of government staff designated to support the numerous community businesses in Chiang Mai, a lack of understanding of the project philosophy and theory (that is set from central government).... In fact, the government should have conducted a pilot project in trial areas before expanding throughout the country. Besides, staff who help to support the project should be completely trained and have a comprehensive understanding before participating in the project. As a result, the outcome of the project operation might be better than this”
(S1)

“The other important problem is the cooperation between involved organizations since the majority of staff from each organization have routine tasks and they have to divide their time in order to concentrate on the project...” (S4)

From the aforementioned remarks, it could be argued that a key obstacle to greater success for the OTOP initiative is the top-down approach that is taken with regard to management and decision making from within central government. There is little dispute that, in principle, the ideas behind the OTOP initiative were sound, especially bringing on board public and private sector organisations, as well as academic institutions, to pass on business knowledge and skills to community business groups. However, the introduction of the project nationally in one phase was probably unwise, for it meant that, in many cases, the depth of knowledge of the project’s guiding principles and objectives varied widely among those professionals involved in helping

community business groups. A key problem, however, lies in the fact that the majority of public and private sector professionals, as well as academics, involved in supporting OTOP groups do so on a part-time basis that fits around other work commitments. Consequently, it could be argued that they are not devoted to the cause and its aims one hundred percent. The following respondent makes observations that support these assertions:

“Most universities in Chiang Mai are invited to participate in the OTOP project in order to develop knowledge in such areas as business administration, marketing, production, finance and accounting and technology to members of community businesses... but the problem is that these experts have their own routine tasks, except some universities which have sufficient staff to be responsible for supporting and developing directly to community business” (S7)

What is significant to note, however, are the following remarks:

“The support available from a select few universities leads to greater efficiency and productivity, an example being the Cotton and Silk Project from Chiang Mai University, which specifically assists and promotes local cotton producing community businesses” (S7)

From the respondents' remarks above, it can be argued that, when granted support from agencies that are wholly committed to the OTOP initiative, the community business groups that are on the receiving end of this support reap significant benefits.

To overcome the aforementioned issues of training, development and support, the researcher proposes that community business groups would benefit from the establishment of 'OTOP Centres' in each of Thailand's provinces which are solely devoted to the needs of OTOP enterprises from the local area. These Centres would primarily conduct research on behalf of their local businesses, and would work

collaboratively with these groups in helping them formulate effective marketing strategies. In addition to this, such Centres would also be directly responsible for the coordination of knowledge and skills training for their local community business groups. Of primary importance is the fact that each Centre would consist of permanent members of staff, who would coordinate involvement of academic, public and private sector organizations as and when the needs arose. To save money, under-utilized office space in existing government buildings could be used to accommodate each centre and the funding for the permanent members of staff would come from the general OTOP budget announced by the government each year.

It should be noted that current problems with knowledge and skills training do not simply lie with the inability of some public, private and academic organizations to commit totally to the OTOP project. Many of these groups provide a comprehensive range of workshops, but these are poorly attended by many community business groups, as noted by the following respondent:

“Our organization tries to develop the community business by arranging many projects such as product design, packaging design, colour and dye. However, only a minority of entrepreneurs are interested in these training programs even though they are free” (S3)

The reasoning for the aforementioned problem can be surmised from this second respondent, who is a producer from an OTOP enterprise:

“... My group is very far from Chiang Mai and it takes a long time for travelling. Even though it is free training, the expenses for travelling, hotels, food and so on are very high. Besides, some training programs have taken many days. Unfortunately, we cannot often attend the programs that are arranged by the government...” (P6)

From the comments above, one could conclude that it would be wise to suggest that the training professionals visit the more remote community businesses, as logistically this is far easier than bringing numbers of community members to provincial centres for training. Certainly the remarks from the following respondent highlight the merit of this:

“At the beginning of the year 2006, one of the university lecturers in Chiang Mai province had conducted the research and trained us how to use traditional plant based dyes without faded colour. It takes about a month for training us. We can learn from demonstration by process and apprentice. As a result, we can develop how to use traditional plant based dyes without faded colour. Subsequently, the products are pretty and a bright colour. As a matter of fact, government sector or involved organizations should provide and support communities like this since it is advantageous to communities” (P8)

However, throughout Thailand there are numerous OTOP enterprises that exist in relatively remote rural areas, and to expect OTOP supporters to pay visits to individual businesses is unrealistic, given the limited staffing resources that these support agencies have. The sensible option would be to find some middle ground that is fair to both parties, as highlighted by the following respondent:

“The responsible organizations for training should survey the topics for training from communities throughout Chiang Mai before arranging the program. Then they can know the real needs from the members in communities. Thence, the province is divided into zonal areas. Each zonal area is responsible for training by each organization. The training venue should be in Amphurs where it is the centre of each zonal area. Therefore, it is very convenient for entrepreneurs of the community business to attend the training. Similarly, the trainers from government organizations find it very

convenient to organize the training and it is not necessary to travel to every village. In fact, it is impossible for the trainers to go to provide the training to every village because of limited staff. As a result, it will create benefits and effective results to both communities and the trainers from government more than ever before” (S9)

In delivering training and development at Amphur level, it makes widespread promotion of business skills feasible for support agencies, while at the same time increasing the likelihood of broader involvement of local OTOP groups as a result of reduced travel times and expenditure that are required on their part in order to attend such workshops.

The role played by all support agencies involved with OTOP community business groups is viewed as being pivotal, for they possess in-depth knowledge of the theory behind modern business and marketing practices that the average OTOP enterprise is lacking.

Central to the OTOP policy is the role served by university and private sector institutions as catalysts, guiding community businesses in the formulation of their own, successful marketing strategies, in phase two (2006-2010) of the project. In essence, the word ‘catalysts’ refers to a factor, be it a person or thing, which brings about change. In bringing about change to the marketing strategies employed by respective groups, it would be foolish not to assume that OTOP supporters would undergo change themselves as their knowledge of community business enterprises developed through collaborative work. Such change is necessary, of course, for it would be unlikely that templates of strategic marketing management that are geared to benefit large industrial corporations (Aaker, 2007 being one such example) could be applied directly to significantly smaller CB groups. Nevertheless, there are inherent benefits from having practical, first-hand experience of a given context which is equally important when seeking to further knowledge and understanding of a given topic.

With this in mind, perhaps the choice of the word ‘catalyst’ for the role of private sector and academic institutions is inappropriate, in its implication that they are simply imparting the knowledge to instigate change for OTOP CB groups. Gibbons *et al.* (1994) asserted that in the field of management studies, universities are heralded as privileged sites of knowledge production, with the information they impart regarded as ‘Mode 1’ knowledge. However, Starkey and Tempest (2005, p.71) herald a new form of knowledge acquisition akin to that by researchers on the OTOP project, which “takes place in sites outside the university”, the prime characteristic of which is the “co-production of knowledge (and) addressing of problems in the context of application (and) in a manner that transcends disciplines”. This alternative method of knowledge production was termed ‘Mode 2’. The latter method, ‘Mode 2’, is the more appropriate for universities and the private sector seeking to aid in the formulation of marketing strategies for community businesses, for through the adoption of this approach, they reinforce the on-site knowledge base that already exists within communities, and are subsequently able to employ flexible, interdisciplinary approaches when seeking to address the marketing needs of respective CB groups.

In contrast with ‘Mode 1’ and ‘Mode 2’, Lam (2007) points out how, in the field of computers and ICT, businesses and academic institutions work collaboratively in the co-production of knowledge and the development of new technologies, with firms financing research units with universities that house both academic and industrial researchers, and in doing so, broadening the range of resources that is available. It is possible that such an approach could be applied to the OTOP initiative, bearing in mind the long term goals of the project. Like large corporations, the government could finance regionally based research Centres, housing both academics and researchers direct from community business groups, focussed solely on the formulation of appropriate marketing strategies for community business groups. These regional Centres would then be in charge of knowledge dissemination among the smaller provincial areas. Local academic institutions, for example, could assist CB groups through the conducting of customer surveys so that respective CB groups are able to gain a clearer understanding of prospective customer buying behaviours in

their area. What is paramount, however, is that universities should not revert to presenting knowledge in a 'Mode 1' manner, rather that they adopt the 'Mode 2' approach and subsequently work in a collaborative manner with CB members, formulating marketing strategies through a combining of the knowledge they have of OTOP consumers.

The researcher therefore proposes that, when undertaking delivery of knowledge and skills training, support agencies involved in the OTOP initiative adopt the 'Mode 2' approach, calling on community business members to draw on their practical experiences and link acknowledged theories and concepts to the everyday context of community business activity. By delivering training and support in this manner, groups members will be able to contextualise the ideas they are being taught, comprehend such ideas, and then both supporters and producers will be able to work collaboratively to co-produce knowledge and strategies that effectively meet the practical, day-to-day needs of respective community business groups.

Aside from issues relating to the delivery of knowledge and skills training to OTOP community business groups, another obstacle facing the project was problems in establishing community business networks and having such enterprises work collaboratively. Within the OTOP initiative, there are several issues around which there exists the potential for conflict when community business organisations are called upon to work collaboratively.

The first of these issues is, unsurprisingly, cooperation versus competition. A key principle which underpins the OTOP initiative is the sharing of knowledge and expertise with regard to business, society and technology. Nevertheless, most community business organisations are vying for business from the same customers as other OTOP organisations from within their village/local area. Striking the balance between cooperating for the 'general good' and implementing tactics that will give a firm an advantage over their rivals is a problematic one. However, Schmitz (2000) noted that "firms whose outputs complement each other are more likely to

complement each other than firms with near identical products”. It stands to reason, for example, that several clothing manufacturers would be reluctant to cooperate with one another, for essentially they are competing for the same potential customers.

The researcher suggests that, rather than having several community businesses within a local district replicating production of the same products, they strive to manufacture goods that complement each other instead. For example, one local OTOP group could manufacture packaging materials that could be purchased by other CB enterprises in the area. A clothing manufacturer, meanwhile, would purchase wholesale fabric from another local producer from which to make their garments, and would in turn sell their off-cuts of material to another community group, who could then use these otherwise useless raw materials to manufacture souvenirs for tourist (see the detailed strategy suggestion in Chapter 6).

Furthermore, the OTOP project encourages networks to be established between community business organisations and the private sector. Between them, a symbiotic relationship can be established, one that benefits both parties. For example, through the establishment of links with a middleman trader, a community business enterprise may be able to access a new distribution channel for their products through the knowledge that their partner has of the export markets abroad. As a supporter notes in their remarks below:

“We try to create allied networks to both other business and the community business to favour each other, such as supporting marketing operations to the community business whereas the community business provides production to networks accordingly”
(S10)

7.5 Conclusion

This study is one of the first to look at the marketing strategies employed by community businesses in the OTOP project in Chiang Mai province, Thailand.

The objectives of the study are:

1. To investigate the internal and external factors that influence marketing strategies of community businesses.
2. To examine the existing marketing strategies employed by community businesses.
3. To decide which of the marketing strategies should be developed.
4. To develop the chosen marketing strategies further.

The first objective was met by documentary study and discussion amongst ten focus groups; five focus groups at the Chom Thong district of Chiang Mai province, and five focus groups at the Mae Chaem district of Chiang Mai province. Each focus group consisted of five participants: three leaders and two members. Internal factors influencing marketing strategies were found to be the organisational structure and the management of the CBs, the production of items for sale, general marketing practice, and the finance and accounting process of the business. External factors can be divided into micro and macro factors. Micro external factors are the customers and competitors of the CBs, and macro external factors are political, economic, social and cultural, and technological factors. All these factors have varying levels of influence on marketing strategy success and it was found that each can have both a positive and negative influence as outlined in the SWOT analysis in chapter 6.

The objective number 2 was met by conducting in-depth interviews and observations. The semi-structured, in-depth interviews were carried out with ten leaders and members of CBs in the Chom Thong and Mae Chaem districts of Chiang Mai, ten government sector, private sector and university supporters, and ten customers of CBs. The observations were carried out at retail outlets at the production sites in Chom Thong and Mae Chaem district, and at a cultural fair in Chiang Mai city centre. The marketing strategies investigated fall into four categories: Products (product

categories, product design, colour, product quality, packaging and high/low turnover products), Pricing (price setting and the reasonableness of pricing), Place (Channels of distribution, most successful channels, less successful channels), and Promotion (types of promotion, most successful promotion and less successful promotion) (see the summary of the findings in Chapter 4).

The objective number 3 was met by quantitative analysis of a questionnaire-based survey of 400 customers of community businesses in Chiang Mai province. This statistical analysis led to the creative classification of CBs' marketing strategies into 6 categories, namely (1) product, (2) place, (3) personal selling (customer service), (4) promotion, (5) packaging, and (6) price. The results of analysis (shown in table 5.30, chapter 5) clearly show that the strategies of place, product and personal selling (customer service) are the ones that should be developed.

The objective number 4 was met by a combination of the qualitative research undertaken in phase 1 and phase 2 and also the quantitative analysis carried out in phase 3. Through SWOT and TOWS analyses, the recommendations were produced as suggestions on how to develop the highlighted marketing strategies of place, product and personal selling (customer service) of the CBs (see the suggestions of marketing strategy development in chapter 6).

7.6 Limitations of the study

As discussed in section 3.5.2.4, the early involvement with OTOP and the building of relationships with CBs and supporting groups were to prove invaluable when it came to conducting in-depth and probing research into the marketing activities of CBs.

Following three years of close involvement with the project the stage was set for this research to take place and the research questions to be answered flowed naturally from the researcher's individual area of expertise, experience and knowledge gained from working alongside and assisting CBs and supporting groups.

7.6.1 Limitations of methods and methodology

The methodology used in this study was a mixed methods approach. In general, the problems encountered and potential limitations, when using the mixed method approach, relate to the substantial length of time and amount of resources it takes to complete the data collection phases, and the difficulty in building from the qualitative analysis to the subsequent quantitative data collection (Creswell *et al.*, 2003). Documentary evidence in the form of textbooks, journals, research papers, and government and institutional documents were consulted. Focus group discussions were held to gather further data, in-depth interviews were conducted with CB members, supporters and customers, observations of CBs in everyday operation took place and a survey of 400 customers across many CB sites gave the researcher a quantitative perspective on the marketing strategies in use.

7.6.1.1 Researching documentary evidence

Problems with access is one of the potential weaknesses of the documentary evidence stage of research and this was definitely a major obstacle encountered by this researcher. Whereas in a developed country one might expect to find many documents freely available online and with access unrestricted (Kent, 2007), in a developing country, such as Thailand, the current state of technological development and the general culture meant that gaining access to many documents was a time-consuming and sometimes frustrating business. Many different physical locations had to be visited, to locate documents, such as Industrial Promotion Centre Region 1, Department of Community Development, Office of Agricultural Affairs (Chiang Mai), Office of Community Development (Chiang Mai), Office of Commercial Affairs (Chiang Mai), Chom Thong District Office, Mae Chaem District Office, etc. For researchers, with less knowledge of, and contacts within these organizations, access to a lot of documentation from these bodies could be very difficult to obtain.

7.6.1.2 Conducting focus groups

Focus group discussions took place in Mae Chaem and Chom Thong Districts of Chiang Mai province. Five CBs were chosen in each district. The researcher, in

cooperation with managerial staff in each of these CBs, selected five participants for the focus group discussion day. As well as an official letter from the Institute of Research and Development at Chiang Mai Rajabhat University outlining the venue, date and itinerary for the day, the researcher also made a phone call to each CB leader to re-acquaint himself, outline the purpose and benefits of the focus group discussions and also to arrange a meeting prior to the Focus Group Discussion (FGD) day, so that all participants could meet the researcher face to face and thus feel more comfortable with being asked to participate.

Although these prior meetings were extremely valuable in getting full attendance at the FGD days, they did prove to be very time consuming to complete. Chiang Mai province is very mountainous and many of the CBs in both districts were situated in isolated rural regions. On arriving at many of the locations participants would be busy and so, as well as much travelling time being consumed, there was also much waiting time.

The other tactic that ensured full attendance was to pay for all travelling and catering costs for the events. As Johnson and Turner (2003), Curral and Towler (2003), and Johnson and Onwuegbuzie (2004) point out, this can make FGD very expensive, and researchers on tighter budgets will have to take account of this, but the cost here was considered well worth it to gain the data produced by these days.

Another expense on the day was the need for assistants. One moderator and one assistant were allocated to each group of five participants, and in this respect the researcher was able to use his position as a lecturer at the university to recruit available, willing and very competent helpers. These assistants were needed to help bring out opinions and comments from very often poorly educated participants who otherwise might have been too shy or passive to express thoughts, especially in the presence of more dominating respondents (Marianpolsky, 2001). As well as being often poorly-educated, the general Thai culture of not wanting to appear confrontational or combative (Hendon, 2001) was a further barrier to gaining valuable

information that the use of other tools such as flip charts, taking notes and cassette recorders, helped overcome.

The data produced by the FGD days was analysed using a process recommended by Miles and Huberman (1994). This was essentially data analysis by hand. Everything had to be transcribed, and the whole process was very time consuming (Currell and Towler, 2003; Johnson and Turner, 2003; Johnson and Onwuegbuzie, 2004). The researcher would definitely recommend the use of a qualitative data analysis computer program such as NVivo for similar circumstances.

7.6.1.3 Undertaking in-depth interviews

The next stage of the research was to conduct in-depth interviews with ten CB members, ten CB supporters and ten CB customers. While the choice of the CB members and supporters to interview was straightforward, the selection of CB customers was more difficult as it was desired that some customers from outside Chiang Mai province should be selected and, although these were identified as being supportive of a particular business, it was not certain when or if they would become available for interview.

The interviews themselves were expected to be of two hours duration and were conducted in September 2006. Although, in theory, a total time of 60 hours should be enough to conduct the interviews the process in fact took a month to complete. All the CB members interviewed were met at their premises which involved considerable travelling time. Although most CB supporters to be interviewed were located in Chiang Mai City Centre they were often very busy with other commitments, and the interview had to be interrupted before a satisfactory saturation point had been reached and then picked up again at a later date. CB customers to be interviewed were identified by CB owners as being loyal and supportive customers who would be happy to contribute their time. However, there was much time spent in arranging to meet and deciding on locations where the interviews could take place. All these considerations taken together resulted in a time-consuming interview process

(Johnson and Turner, 2003; Currell and Towler, 2003; Johnson and Onwuegbuzie, 2004). Moreover, the transcription of the interviews was also a very time consuming process, although this time NVivo was used to shorten the period of time taken to analyse the data.

7.6.1.4 Observations

After the in-depth interviews came the observation period to validate what had been discovered up to this point. The observation of the CBs in operation took place in October 2006 in three different locations: Mae Chaem District, Chom Thong District, and Chiang Mai City Centre. Each location was observed for four days; two weekdays and the two weekend days. For the Mae Chaem District location in particular this was an expensive exercise as the distance from Chiang Mai City Centre meant that hotel rooms had to be paid for for the researcher and his two assistants during the period of time of observations. This length of time was necessary as it was considered worthwhile spending a day introducing the research team to the CB leaders and its members and also familiarising the team with the business and the village in which it operated. This sort of example, of taking extra time to gain an understanding of the context in which an observation is to take place, is important in combating the criticism of lack of context identified by Bryman (2008).

Although the location of the business in Chom Thong district did not require the need for a hotel, a considerable amount of time and money was still spent on travelling each day. Each business operation was observed over the four days from open to close with the researcher and his two assistants taking notes and also photographic evidence. The evening time was then used to discuss and compare notes as a way of reducing individual observer bias (Denzin, 1978). One further limitation of observation, very difficult to combat, is the likelihood that participants will always act at least slightly differently than they otherwise would when they know that they are being watched (Gray *et al.*, 2007).

7.6.1.5 The customer survey

The above qualitative methods of document study, focus group discussions (FGDs), in-depth interviews and observations all led up to the development of a questionnaire used to survey 400 customers of CBs in Chiang Mai province for the quantitative half of the mixed method research. The sample size formula was taken from Aaker *et al.* (2001).

Twenty shops in all were chosen to be the ones at which the surveys were to be done, taken from a total of 56 businesses across 16 districts of Chiang Mai province that produced cloth and clothing. This selection was done using simple random sampling as advised by Sudman (1980) and the shops chosen can be considered as representative of all those producing cloth and clothing across Chiang Mai province.

Given the simple size of 400, twenty customers had to be questioned at each shop. This was done using the mall intercept method and proved to be a very time consuming business. The researcher had ten assistant researchers and these worked in pairs, so each day five shops could be covered. However, because the shops themselves were not always busy and because sometimes customers were non-cooperative, only three customers on average could be interviewed per shop per day. A total of one month, June 2007, was therefore spent to collect the necessary data. As well as time consuming, this work was also expensive as each assistant was paid for his/her time.

Although the shops selected for the questionnaire can be considered as representative of all those producing cloth and clothing across Chiang Mai province because of the probability sampling used to select them, the mall intercept method of interviewing does come in for some criticism regarding interviewer bias – an interviewer tends to select people for interview he/she considers as more familiar or likely to be responsive – and also because certain groups of interviewee might deselect themselves from consideration e.g. tourists might be too busy to take the survey. In an attempt to reduce bias created by the fact that some types of customers might use the

CB shops at certain times of day, interviews were carried out from shop opening times of 9am through to shop closing times of 6pm in accordance with Sudman's (1980) *time sampling* suggestions.

Despite the advantages of familiarity and experience of the OTOP project, the constraints of time and budget will always limit the applicability of any study to the wider field.

7.6.2 Limitations of findings

Although the OTOP project is in operation across the whole of Thailand, it was necessary to limit the research to the study of CBs and their marketing strategies in the province of Chiang Mai only.

Secondly, although items produced by OTOP members can be separated into six categories, namely food, drinks, fabric and clothes, household products and decorative items, handicrafts and souvenirs, and herbs, only the category of fabric and clothes was chosen because of time and money constraints. This particular category was selected because many CBs in Chiang Mai province focus on cloth and clothing production, Chiang Mai being famous for cotton and silk production and a popular tourist destination.

These limitations taken together have the potential to hinder the overall generalizability of the findings. In considering the internal and external factors influencing the marketing strategies of CBs, the macro external factors were studied using documents, textbooks and journals but sometimes access to documents was difficult to obtain and a lot of time was consumed in the physical search for this information. The internal and micro external factors influencing marketing strategy were examined using the focus group discussion (FGD) days. The limited time available to conduct these sessions and the poor educational standard of many of the participants stood in the way of an even more detailed examination of the factors under consideration. In particular, the internal factor of finance and accounting was a

difficult area to obtain detailed information because of the sensitive nature of the information being asked for. When considering the micro external factors, only the two most important factors of customers and competitors, as identified by Ohmae (1983), were looked at. Even then, of the competitor groups identified i.e. other CBs, businesses from neighbouring countries and SME factory-type producers, only the detailed strengths and weaknesses of the other CB businesses were examined as competitors. Businesses from neighbouring countries and SME manufacturers, providing just as much competition to the success of CBs, were only considered in a general sense because of restrictions of time and budget.

7.7 Recommendation for further research

While the mixed method approach taken towards this research has proved very useful, the one unavoidable downside has been the amount of time taken, and resources required to conduct the various parts of the study. The qualitative part of the research was particularly helpful in mapping out a sequential exploratory design that allowed the researcher to gain detailed knowledge of the phenomena to be studied and the context in which they were placed.

With the benefit of experience, the researcher would advise other researchers that the undertaking of Focus Group Discussion (FGD) days, in-depth interviews and a period for observation, all taken together, place a considerable strain on the resources of time and money likely to be available. It would be up to an individual researcher to decide for themselves which combination of methods would be best suited to their particular circumstances of research project/resources (Gray *et al.*, 2007).

With regard to the quantitative part of the study, the researcher would consider, especially if recommending a more practical rather than academic approach where generalization was not so important, replacing probability sampling with more convenient sampling such as snowball sampling, including using more basic descriptive statistics. This would again save a large amount of time and money (Malhotra and Birks, 2007), without unduly sacrificing rigour or practical application.

In considering recommendations for further research, using the current study as a base, it is believed that the generic findings of this thesis (e.g. the macro-external factors of PEST, and CB organization and management structure) could save another CB researcher considerable primary research time. The generic findings are unlikely to differ, even if the products of CBs are different.

This research has concentrated on cloth and clothing of community businesses in Chiang Mai region, Northern Thailand, which is well-known for its production of silk, especially, cotton.

Table 7.1: Two main recommendations are made for further research

	Region (A)	Region (B)
Product (X)	Current study	Suggestion (1)
Product (Y)	Suggestion (2)	

1. It is suggested that the methodology used in this study and its questionnaire could easily be used to research a similar cotton/silk producing region of the country e.g. in Khon Kaen province, North-East Thailand.
2. In addition, using the schematic outlined above, it is further suggested that a study of a different product of CBs, but in the same region of Chiang Mai, could also profit from the methods used in this thesis, but with a modification of the questionnaire presented.

A further research recommendation would be to consider the positioning of CB products in the minds of target groups of customers (Kotler, 2003), a natural extension to marketing strategy not covered in the current study. The identifying of different groups of customers who differ in their needs and preferences (market

segmentation) (Kotler, 2003) could be researched and then the strategies by which these customers could be targeted by CBs with their products could be investigated.

In the current research only the general questions of who the CB customers are and where they come from were studied. Using segmentation and a more detailed approach it should be possible to divide these customers into different groups, for example wealthier customers who would prefer more specialised/higher quality products, tourists looking for more traditional designs etc. Leading on from this it could be determined which product ranges it would be best to consider developing in order to satisfy these target groups, and which marketing strategies were most likely to be effective in positioning these products to achieve higher sales.

It is hoped that other researchers will become involved in what is a complex, fascinating and important research area.

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Appendices

Appendix 1 – Guideline for focus group discussions

Appendix 2 – Guideline for in-depth interviews

Appendix 3 – Questionnaire

**Appendix 4 – Audit form of community businesses
(cotton/silk products)**

Appendix 1: Guideline for focus group discussions

1. Focus of the morning discussion session: internal factors

Internal factors that affect community businesses include:

- Organisation and management**
- Production**
- Marketing**
- Finance and accounting**

2. The afternoon discussion session will be focussed on micro-external factors that impact upon community business groups. These include:

- Customers**
- Competitors**

Appendix 2: Guideline for in-depth interviews

Product

- 1. What are the products made by community businesses?**
 - 1.1 What categories of goods are produced?
 - 1.2 What styles are the goods?
 - 1.3 What colours are the items produced?
 - 1.4 Are the products made of a high quality?
- 2. What are the most popular products sold by community businesses?**
- 3. What are the less successful products sold by community businesses?**
- 4. How are community business goods packaged and sold?**

Price

- 1. How do community businesses set the price of products?**
- 2. Do you consider the prices charged for goods reasonable or unreasonable?**

Place

- 1. Where do community businesses sell their products?**
- 2. Where are the most successful outlets for community business products?**
- 3. What are the less successful retail channels for community businesses?**

Promotion

- 1. How do groups of community businesses promote their products?**
- 2. What are the most successful methods of promoting community business goods?**
- 3. What are the less successful methods for promoting community business products?**

Appendix 3: Questionnaire

Title: Marketing Strategy Development of Community Businesses in Thailand

Interviewer: Name.....

Date.....**Place**.....

Part 1 : Consumer's personal information (demographic)

1. Gender

1.1 Male

1.2 Female

2. Age

2.1 < 20 years

2.2 20-30 years

2.3 30-40 years

2.4 41-50 years

2.5 51-60 years

2.6 > 60 years

3. Education

3.1 < High school

3.2 High school

3.3 Diploma/ Certificate

3.4 Bachelor's degree or
higher

4. Occupation

4.1 Student

4.2 Private employee

4.3 Government officers/workers

4.4 Hired labourers/farmers

4.5 Merchandiser/private business

5. Average monthly income of family

- | | |
|---|--|
| <input type="checkbox"/> 5.1 < 3,000 Baht | <input type="checkbox"/> 5.2 3,000-5,500 Baht |
| <input type="checkbox"/> 5.3 5,501-6,000 Baht | <input type="checkbox"/> 5.4 6,001-7,500 Baht |
| <input type="checkbox"/> 5.5 7,501-9,000 Baht | <input type="checkbox"/> 5.6 9,001-10,500 Baht |
| <input type="checkbox"/> 5.7 10,501-12,000 Baht | <input type="checkbox"/> 5.8 > 12,000 Baht |

6. Marital status

- | | |
|--------------------------------------|---------------------------------------|
| <input type="checkbox"/> 6.1 Single | <input type="checkbox"/> 6.2 Married |
| <input type="checkbox"/> 6.3 Divorce | <input type="checkbox"/> 6.4 Separate |

7. Family status

- | | |
|--|--|
| <input type="checkbox"/> 7.1 Chief of family | <input type="checkbox"/> 7.2 Spouse |
| <input type="checkbox"/> 7.3 Offspring | <input type="checkbox"/> 7.4 Relatives |
| <input type="checkbox"/> 7.5 Tenant | |

8. Number family members

- | | |
|--|--|
| <input type="checkbox"/> 8.1 < 2 persons | <input type="checkbox"/> 8.2 2-5 persons |
| <input type="checkbox"/> 8.3 6-9 persons | <input type="checkbox"/> 8.4 > 9 persons |

9. Home town

- | | |
|---|---|
| <input type="checkbox"/> 10.1 Chiang Mai | <input type="checkbox"/> 10.2 Other Provinces |
| <input type="checkbox"/> 10.3 Other (please specify)..... | |

Part 2: Consumer buying behaviours from groups of local cotton producing community businesses in Chiang Mai

10. Which products do you often buy from local cotton producing community businesses in Chiang Mai (More than one answer)

- | | |
|---|---|
| <input type="checkbox"/> 10.1 Shirts | <input type="checkbox"/> 10.2 Trousers |
| <input type="checkbox"/> 10.3 Skirt | <input type="checkbox"/> 10.4 Shawl |
| <input type="checkbox"/> 10.5 Scarf | <input type="checkbox"/> 10.6 Bags made of cloth |
| <input type="checkbox"/> 10.7 Curtains | <input type="checkbox"/> 10.8 Refrigerator cover |
| <input type="checkbox"/> 10.9 Bed sheet | <input type="checkbox"/> 10.10 Fabric/Cloth |
| <input type="checkbox"/> 10.11 Doll made of cloth | <input type="checkbox"/> 10.12 Other (please specify) |

.....

11. Which product designs have you purchased from local cotton producing community businesses in Chiang Mai (more than one answer)

- | | |
|--|--|
| <input type="checkbox"/> 11.1 Traditional design | <input type="checkbox"/> 11.2 Contemporary (modern) Design |
| <input type="checkbox"/> 11.3 Combined design (a mix of traditional and modern design) | |

12. How many times (per year) have you made purchases from local cotton producing community businesses in Chiang Mai?

- | | |
|---|---|
| <input type="checkbox"/> 12.1 1 time | <input type="checkbox"/> 12.2 2-4 times |
| <input type="checkbox"/> 12.3 5-7 times | <input type="checkbox"/> 12.4 > 7 times |

13. On average, how many items do you purchase per visit from a local cotton producing community businesses in Chiang Mai?

- | | |
|--|--|
| <input type="checkbox"/> 13.1 1 piece | <input type="checkbox"/> 13.2 2-4 pieces |
| <input type="checkbox"/> 13.3 5-7 pieces | <input type="checkbox"/> 13.4 > 7 pieces |

14. On average, how much do you spend on items produced by local cotton producing businesses in Chiang Mai?

- 14.1 Not more than 100 Baht
- 14.2 101-500 Baht
- 14.3 501-1,000 Baht
- 14.4 > 1,000 Baht

15. Why do you buy products from local cotton producing community businesses in Chiang Mai? (More than one answer)

- 15.1 High quality products
- 15.2 Well-known products
- 15.3 Unique and prominent
- 15.4 Personal affection products
- 15.5 Other (please specify).....

16. When do you buy products from groups of local cotton producing community businesses in Chiang Mai?

- 16.1 Monday-Friday
- 16.2 Saturday-Sunday
- 16.3 Holidays

17. How do you often buy the products of groups of local cotton producing community businesses in Chiang Mai?

- 17.1 Purchase at the shops or booths
- 17.2 By phone
- 17.3 Internet

18. Who can make a decision with you for buying products from groups of local cotton producing community businesses in Chiang Mai? (More than one answer)

- 18.1 Parents
- 18.2 Relatives
- 18.3 Spouse
- 18.4 Children
- 18.5 Boyfriend/girlfriend
- 18.6 By yourself
- 18.7 Other (please specify).....

19 From which sources did you obtain information regarding the products sold groups of local cotton producing community businesses in Chiang Mai? (More than one answer)

- | | |
|---|---|
| <input type="checkbox"/> 19.1 Newspapers | <input type="checkbox"/> 19.2 Radio |
| <input type="checkbox"/> 19.3 Television | <input type="checkbox"/> 19.4 Brochures |
| <input type="checkbox"/> 19.5 Folders | <input type="checkbox"/> 19.6 Name cards |
| <input type="checkbox"/> 19.7 Exhibition and Cultural fairs | <input type="checkbox"/> 19.8 Customers who had already bought products |
| <input type="checkbox"/> 19.9 Internet | <input type="checkbox"/> 19.10 Other (please specify)... |

20. Where do you often buy the products of groups of local cotton producing community businesses in Chiang Mai (besides CB on-site retail outlet)? (More than one answer)

- | | |
|---|--|
| <input type="checkbox"/> 20.1 Shops in cities | <input type="checkbox"/> 20.2 Department stores |
| <input type="checkbox"/> 20.3 Tourism places | <input type="checkbox"/> 20.4 Cultural fairs |
| <input type="checkbox"/> 20.5 Pedestrian precinct | <input type="checkbox"/> 20.6 Exhibition organized by Government |
| <input type="checkbox"/> 20.7 Other (please specify)..... | |

21. Do you want to make further purchases of the products you have already bought from groups of local cotton producing community businesses in Chiang Mai?

- | | |
|--|---|
| <input type="checkbox"/> 21.1 Yes | <input type="checkbox"/> 21.2 Uncertain |
| <input type="checkbox"/> 21.3 No (please specify)..... | |

Part 3: Consumer opinions on the marketing strategy from groups of local cotton producing community business in Chiang Mai

Strongly Agree = 5
 Agree = 4
 Neither Agree nor Disagree = 3
 Disagree = 2
 Strongly Disagree = 1

Local Cotton Producing Community Businesses in Chiang Mai	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
	5	4	3	2	1
22. Provide products with a good range of sizes					
23. Provide products of acceptable design					
24. Provide products of suitable raw material					
25. Provide products with enough categories					
26. Provide products with a pretty colours					
27. Provide products with a variety of colour					
28. Provide meticulous hand made products					
29. Provide beautiful and attractive products					
30. Provide products with variety packaging					
31. Provide products with beautiful and attractive packaging					
32. Set reasonable prices					
33. Set bargain prices					

Local Cotton Producing Community Businesses in Chiang Mai	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
	5	4	3	2	1
34. Operate in convenient locations					
35. Have attractive shops					
36. Have convenient car parks					
37. Have clean shops					
38. Have well-organized, eye-catching displays					
39. Offer a pleasant and convenient environment in which to shop					
40. Offer good interior design that is an attraction to customers					
41. Provides adequately sized premises for customers					
42. Operate prominent and unique shops					
43. Use interesting adverts					
44. Use obvious advertising methods(i.e. leaflet, business cards, brochures)					
45. Offer adequate product information					
46. Have attractive signboards					
47. Use discounts in sales promotions					
48. Provide premiums to entice potential customers					
49. Provide a catalogue of all products					
50. Use staff who dress clothes that they produce and sell					

Local Cotton Producing Community Businesses in Chiang Mai	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
	5	4	3	2	1
51. Employ polite, friendly and helpful staff					
52. Use staff who are knowledgeable about all products on sale					
53. Have staff that are willing to offer advice, assistance and recommendations to customers					
54. Employ diligent and efficient sales staff					
55. Produce acceptable quality standard products					
56. Produce attractive products made from Traditional, plant-based dyes					
57. Sell goods that are unique to Chiang Mai province					
58. Create wholly original products					

Part 4: Problems and Suggestions

1. Can you think of any problems with the marketing strategies (product, price, place and promotion) used by the local cotton producing community businesses in Chiang Mai

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2. Can you make any recommendations to improve the marketing strategies (product, price, place and promotion) used by the local cotton producing community business in Chiang Mai

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Appendix 4: Audit form of Community Businesses
(Cotton/Silk products)

Part 1: General Information

(1) Name of the group.....

(2) Name of the group leader.....

(3) Address.....

.....

.....

Telephone.....Facsimile.....

E-mail.....

(4) Group established in.....

(5) Number of the group members.....

Part 2: Organization & Management

	Yes	No	Comments
(1) Has an organization chart			
(2) Has clearly set the authority and responsibility of managerial staffs and workers			
(3) Has an operational plan			
(4) Has articles of association i.e. agreement on timetable of management meeting, the distribution of group profits etc.			
(5) Has regular reporting procedure for results			

Part 3: Finance & Accounting

	Yes	No	Comments
(1) Financial source of investment is from members of the group			
(2) Financial source of investment is from other sources (If yes, please Specify).....			
(3) Has problems concerning finance (If yes, please specify).....			
(4) Has standard accounting system			

Part 4: Production

	Yes	No	Comments
(1) Has production plan			
(2) Uses raw materials from local area			
(3) Uses raw materials from other sources (If yes, please specify)			

	Yes	No	Comments
(4) Has problems concerning raw materials (If yes, please specify)			
(5) Uses natural plant-based dye			
(6) Has problems concerning natural plant-based dye (If yes, please specify).....			
(7) Uses chemical dye			
(8) Has problems concerning chemical dye (If yes, please Specify).....			
(9) Has enough factory space and machinery i.e. looms, sewing machines			
(10) Has problems concerning workers i.e. skill, quantity etc. (If yes, please specify).....			
(11) Has controlled the products' quality			

Part 5: Marketing

	Yes	No	Comments
(1) Has marketing plan			

(2) Product

(2.1) Product categories

.....

Comments

.....

(2.2) Assessment of design

.....

Comments

.....

(2.3) Assessment of dyeing (colour)

.....

Comments

.....

(2.4) Quality of product

.....

.....

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Comments

.....

.....

(2.5) Turnover of products

.....

.....

.....

Comments

.....

.....

	Yes	No	Comments
(2.6) Has attractive packaging			

(3). Price

	Yes	No	Comments
(3.1) Price setting is reasonable			
(3.2) Has problems concerning price setting (If yes, please specify)			
.....			
.....			

(4) Place (channels of distribution)

	Yes	No	Comments
(4.1) Has its own on site shop			
(4.2) Sells products through other channels (If yes, please specify)			
(4.3) Has problems concerning channels of distribution (If yes, please specify).....			

(5) Promotion

(5.1) Types of promotion

.....

Comments

.....

	Yes	No	Comments
(5.2) Has problems concerning promotions (If yes, please specify).....			

Part 6: Support required

In which areas is most support required

.....
.....
.....

Part 7: Auditor's concluding comments

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.....
.....
.....
.....

Auditor name.....

Date of audit.....

Industrial Promotion Centre, Region 1
(Produced by Chanwit Thepumong)