Electronic Chinese Herb Store

by

Ms. Unna Angkhumsub

A Final Report of the Six-Credits Course
IC 6998 E-Commerce Practicum

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Internet and E-Commerce Technology
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The Graduate School of Assumption University has approved this final report of the six-credit course, IC 6998 E-Commerce Practicum, submitted in partial fulfillment of the requirements for the degree of Master of Science in Internet and E-Commerce Technology.

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ABSTRACT

This project is concerned with setting up electronic Chinese herb store to be a complement channel of traditional Chinese herb store. Web site is built to handles the online ordering system by allowing customers to place orders, track their orders and view the statistic information of sales. The report studies the evolution and effect of Internet on business-to-business distribution. The possibilities and benefits of electronic Chinese herb store are analyzed. Marketing plan, such as SWOT analysis, target market and marketing mixes (4Ps), with appropriate strategy is recommended to attract the customers from traditional channel to online channel and achieve marketing objective. The design, development and implementation of front end of web prototype, which consists of registration, login, ordering, product and price checking, history viewing, order tracking and e-mail contact functions, is also mentioned and demonstrated in the report.

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I. INTRODUCTION

1.1 Background of the Project

Because of the Internet favor and a lot of benefits of Internet, many businesses such as wholesales, retails or business-to-business, business-to-consumer and consumer-to-consumer commerce have to change their strategies to be alive in this new circumstances. Nowadays there are many new kinds of businesses that are founded every day. Some kinds of business run only on the online and do not have the real physical store. But some businesses, which have already existed in the traditional business, are going to be discarded from the distribution system and replaced by those new businesses.

By using the Internet, manufacturers can sell directly to customers and provide customer support online. In this sense, it can effect the business cycle that makes it shorter than before. Electronic commerce disintermediates the role of traditional distribution channel by allowing the customers to bypass the channels so the traditional intermediaries may be eliminated.

The above situation effects the businesses that have the high risk to be cut out of the distribution system. So those businesses have to change their own strategies to be alive in this changing world by using the benefits of the Internet. A critical question to traditional manufactures and retailers is how to transform their business posture incorporating the benefits of electronic marketing with existing distribution channels to satisfy customers most effectively at the minimum operating cost.

Chinese herb business is a business that is a distributor, which imports the products from the producers mainly in China and distributes to factories and retailers in Thailand. Electronic commerce plays a more important role in business and can make it

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convenient for producers in China to directly contact the customers in Thailand and to bypass the traditional Chinese herb distributor. In response to this circumstance, it is necessary for Chinese herb distributor to adjust its own strategies and to prepare to face with the new circumstance that have already happened to the other businesses.

The solution to enhance the competitiveness of the traditional Chinese herb distributor is to set up an electronic storefront merely as an additional channel of distribution that can provide new choice for the customers. This new channel can make the customers convenient by allowing them to place an order, check the prices, and view history and order status online.

1.2 Objectives of the Project

(1) To apply the concepts learnt in the Master of Science in Internet and E-commerce technology courses.

(2) To study the effect of Internet to Business-to-business distribution model.

(3) To analyze the possibilities of an electronic Chinese herb store in Thailand.

(4) To study and analyze the appropriate strategy for an electronic Chinese herb store.

(5) To create a prototype of electronic Chinese herb store.

1.3 Scope of the Project

(1) Part 1, Literature Review, contains information about Business-to-Business, such as evolution of Business-to-Business and effect of Internet to Business-to-Business.

(2) Part 2, Business Concept, contains model, services and benefits of Electronic Chinese Herb Store.

(3)   Part 3, Strategic and Marketing plan, contains the analysis of the possibility of this business in Thailand. It composes of SWOT analysis, market segmentation, target market and marketing mix.

(4)   Part 4, Web Prototype Design and Development, demonstrates a prototype of Electronic Chinese Herb Store (Web site).

(5)   Part 5, Conclusions and Recommendations.

1.4   Deliverables

(1)   A final report in details covers the scope mentioned earlier.

(2)   A prototype of Electronic Chinese Herb Store.

II. LITERATURE REVIEW

2.1   Evolution of Business-to-Business Distribution Model

Distribution Model Business Basics

Modern business-to-business transactions (i.e., commerce, at least in the last 200 hundred years) have often flowed through a simple, but efficient model. This model included the manufacturer of the goods; a middleman or broker who distributed the goods; and the ultimate buyer who took delivery of the goods from the distributor. The value proposition of this tried-and-true model is centered on the distributor's ability to find and create markets for the manufacturer and to find and deliver goods to the buyer. The distributor was valuable to the manufacturer in that the distributor theoretically represented access to markets that the manufacturer needed, into which to sell its goods — many distributors or channels, selling the manufacturer's goods, again theoretically, could sell more than the manufacturer could alone.

In addition, the distributor also provided the sales and marketing resources that the producer/manufacturer either did not have or did not want to employ for a variety of economics reasons. The distributor traditionally added value to the buyer of the goods by having product knowledge, pricing flexibility, and delivery resources to deliver the goods at a price that was attractive to the buyer and with the expertise to put the goods into service. This model is used to deliver every kind of product imaginable from Fruit LoopsTM to brain surgery (hospitals distribute surgeons services to patients), and from jet fuel to copiers. The distributor's value continues to be its product and positioning knowledge. Knowledge of the manufacturer's goods — knowledge of which customers need and want these goods — is the value-add factor. The channel found buyers, found

manufacturers, helped sell, service and represent both the buyer and seller because of its specialized knowledge of the complete transaction and all of the various components.

Historically, Technology Was Embraced by the Channel

Up until very recently, technology was used primarily to enhance the efficiency and effectiveness of this distributor-centric model. The telephone and the personal computer are two examples of technology that have greatly enhanced the traditional channel model. The telephone greatly increased the speed of response the distributor could affect to the business wants and needs of their customers and it enabled the channel to keep abreast of the manufacturer's product information. The telephone also greatly increased the range that a single distributor could create and fulfill the transaction. The personal computer again increased the efficiency of the channel by allowing vast amounts of information (i.e., transactions) to be processed quickly and the history of each transaction retained for future use — by sales, marketing, and service agencies of the channel. But neither actually changed the producer-distributor-business consumer model radically, technology just made the model more efficient, and in many cases drove prices down, opened new markets, expanded territories, etc.

Enter the Internet

Technology is now in a position, through the complete and utter shift toward "Electronic commerce" and all that the term implies, to simultaneously destroy and empower the traditional vendor/channel, distribution model. This E-channel technological paradox may exist for several business cycles, perhaps forever. It depends how the three parties to the model the manufacturer, the distributor, and the buyer — choose to employ the Internet.

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The Internet has opened the direct lines of communication between manufacturer and buyer, but it has also provided new opportunities for the distributor, the smart ones, to find other ways to add value back into the E-commerce transaction.

2.2 The Effect of Internet on Business-to-Business Distribution Model

Technology, specifically as it is applied on this planet to create and perpetuate the Internet, was supposed to permanently eviscerate the traditional commercial intermediaries, by bringing buyer and seller together to complete the commercial transaction, without needing the assistance of the traditional intermediary or distributor. That has obviously not happened. What has happened, is what we call the paradox of technology: the ability of technology, to both enhance and make obsolete one or more aspects of business, works and plays. In the case of the traditional commercial distribution channel, this paradox holds true. The Internet has both enhanced and destroyed commercial channel selling.

The Internet and the application of its technology by consumers, both commercial and private, have altered forever how our venerable institutions of channel-based economics function in the world of E-business. In the case of business-to-consumer transactions, the likelihood of the consumer continuing to support the old notion of intermediation and the typical price mark-up by retail channel is moving toward a zero. Consumers are not paying the middleman for zero value add in their commodity product purchases. In commodity industries, in industries where scarce information controlled the transaction (financial transactions), in markets where the distribution channel does not add much perceived value (consumer electronics), the Internet is replacing many distributors and retailers. This is called disintermediation.

On the business-to-business (B2B) side, however, this disintermediation is not as widespread as early Internet sages would have us believe. Some industries are more

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prone than others. While the PC, automobile, travel, and insurance industries are particularly vulnerable, one sees firms like IBM, Nortel Networks, Cisco, and Compaq Computer enhancing their channel partners through the deliberate and thoughtful use of technology and the Web. IDC's opinion sees the role of the middleman as changing over time. The following discussion highlights some of the negative and positive effects technology is having on the channel model of commerce.

Negative Affect

How the Internet is negatively affecting the traditional channel value proposition are as follows:

(a)   Information Availability

The availability of information to the buyer was once the key factor in sustaining the distribution chain value proposition. The channel had the information that allowed it to leverage the knowledge it had of the producer's products, prices, and target markets. In addition, the channel also had direct knowledge of the market, the business customer; internal wants, internal requirements, pricing tolerances, and other preferences. The channel typically knew substantially more than the manufacturer or the business consumer in any given transaction. Both parties were dependent on the channel to make the transaction as profitable, economical, and timely as possible. The distributor could make everyone happy or not.

The channel can and would assist the buyer in comparison-shopping for better prices among manufacturers, and pit producers against one another to lower prices or to obtain other concessions from the producers. The distribution channel can recommend products based on its relationship

with a particular producer (which could include special deals in which the distributor would make significantly higher margins) rather the most appropriate products for the business customer. The customer may never know that there might have been better products and services from a different producer because the channel was the only party to competitive or pricing information. Both ends of the transaction, the producer and buyer, were dependent on the distributor for information. The distribution channel often filtered the information in both directions to its advantage and not necessarily to the producers or buyers. The Internet and its vast universe of information, its affinity for allowing E-commerce to thrive, fertilized by the true currency of the Internet — knowledge — broke the monopoly the distribution chain had on the knowledge necessary to conduct B2B commerce. The value of the information once held only by the distribution chain is eroding. The same proprietary, hard-to-find, scarce, and rare information about producer's products and buyer's preferences and identity that once was the leverage point of the value of the distributor is now available to hundreds of millions of Internet E-commerce participants. Producers like Dell Corporation, Charles Schwab, Ford Motors, Boeing Corp., and thousands more, provide all the information their customers need to make a purchase decision — all without the channel or middleman.

Depending on the industry, the Web may have no effect on the product lifecycle at all — airline tickets, hotel rooms, Christmas toys. Rather, the Net affects the relationship between the manufacturer, channel, and the "consumer" through the information now available to the ultimate consumer.

The Internet provides the information to the end consumer (business or retail) that was once only available through the middleman — because of the middleman's relationship with the manufacturer. Proprietary tools (EDI) and scarce information about product availability, pricing, where to buy it, and how to use it, keep the channel value high; the Web has not changed how the manufacturers build their products, but it has changed how they communicate with their customers. The channel can no longer charge what it wants in markups because end users now enjoy the same advantage in information that the distributor does — a critical value point. The Web has empowered consumers with all the same information, tools, and technology once enjoyed only by the distribution chain in their relationship with the manufacturer.

The Web-time factor betrays the distributor due to shortened product cycles and the distributor choice on where to place training for sales and engineering to insure ROI. The ROI on training and sales dollars may not be realized before products change. Higher technical industries are facing shorter product life cycles.

(b)   Self-service Takes Hold in B2B Transactions

After the shock and indignation wore off over the disappearance of the full-service gas station (at no extra charge), the bank teller, the receptionist, the telephone operator, the secretary, and the neighborhood hardware and grocery stores, a strange phenomenon occurred: people started to get used to having control over when they did things, who they talked to, what they bought, when they received their purchases, and how much less things cost

by dealing directly with manufacturer or purveyor of goods or services in which they were interested. Cost cutting on the manufacturer side led to technological conveniences that led to the introduction of the self-service model. ATMs, voice mail, dial-up banking, IVR (interactive voice response), and local area networks (LANs) have prepared us for the Internet and self-service. The Internet has ushered in the age of self-service in B2B transactions. Commercial buyers have become so accustomed to the availability of information about the products they wish to buy, and to the mechanisms allowing them to buy commercial products online, that it is difficult to imagine doing business any other way.

(c)   Standardization of Systems

Those business professionals around long enough to remember when EDI was still a novel concept, when Arcnet was the standard networking protocol, and local area networks where really, really local, also remember being totally dependent on proprietary technology, controlled by suppliers and intermediaries to complete most B2B transactions. Large fulfillment houses, distribution chains, and re-marketers grew up in the B2B space because most businesses did not have the time, capital, or resources to invest in the many different systems required to make a simple transaction like buying a replacement part for a PBX (telephone switching system for small to medium-sized business). Only one's local telephone company had the knowledge and the EDI systems to contact the manufacturer directly to order and take delivery of the part, let alone even identify the part number and order code. Typically, the manufacturer granted dial-up access only to authorized distributors, who had the correct modem, access software,

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terminal type, and access codes. No ordinary B2B customers could dial in and order the part for themselves.

It is the ubiquitous technology and access that make the Internet an EDI killer. EDI had examples of one to many. Johnson & Johnson, at its height, connected several thousand channels and customers to its EDI system, but one had to use their hardware and software and one had to invest in a proprietary solution. This investment had no application elsewhere, unlike the typical hardware and software investment in Internet access. Again, the ubiquitous nature of the Internet, and the personal computer revolution that preceded the Internet - making the Internet possible - has leveled the technological playing field. All manner of computing devices and systems have access and use the 'Net'. Manufacturers are building the portals, hubs, pages, exchanges, auctions and catalogs to serve them.

(d)   Brick and Mortar Being Replaced by Hubs, Portals, Aggregation, Auctions, and the Like

If one owns a retail outlet or is a commercial wholesaler of highly interchangeable goods that can be shipped easily and are very price elastic, then the dot.com portal and aggregation of sellers and buyers in one's space must be terrifying. There are hubs and portals to handle a wide range of consumer- and commercial-oriented goods. PaperExchange (paper), Cattle Offerings Worldwide (beef and dairy), Brand-x (telecommunications), Drugs.com (online drug store), pcOrder.com (build your own PC online), Travelocity (online travel arrangements), and flowers.com (flowers) are all

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examples as of this writing of disintermediation at work. These are examples of various new methods of commercial enterprise and transaction models that are replacing traditional retail and wholesale channels in favor of direct interaction between manufacturers or producers of goods and services and private and commercial consumers.

(e)   Ease of the Transaction

Why is the Internet invading every nook and cranny of our commercial consciousness? Simple, it is easy to use. The global deployment, especially in North America, of the infrastructure, the cabling, hubs, routers, bridges, servers, and personal computers to support the Internet, the World Wide Web, combined with new and exceptional transaction processing and user interfacing application software, make the Web a relatively easy, predictable, and today (save for random attacks of hacking) relatively secure place to do business. Having the power to look up the exact lawn mower model, part number, price, and availability of a part one desperately needs for one's Weed Whacker, in a matter of minutes, is a compelling argument against putting on one's clothes, shaving, and trotting down to Joe's Lawn Mower Parts on Saturday morning. One is pretty much in control.

Positive Affect

Ways the Internet is enhancing the B2B distribution model are as follows:

(a)   Lowering Transaction Costs

Through the use of better, faster, and easier-to-use and maintain technology, the Internet has given the channels new tools to wrest the value

proposition back in their favor, or at least to equal footing, with direct sales models. Channels can employ this technology to make the cost of completing a transaction very low, perhaps even lower than the consumer going to the manufacturer. It requires continued vigilance and investment in new technologies and strategies by the distributor. However, direct sales models between the manufacturer and the consumer become vulnerable when the transaction costs are equivalent to the original value proposition of the channel for the value-add of marketing and sales expertise.

(b)   Quality of Information Available Makes Better Educated Buyer

Again, if the channel grabs the attention of the B2B consumer, through either its old position in the economic equation or through a new position as a portal, hub, vertical or horizontal hub, as an aggregator or exchange host, it may maintain its position by providing the consumer with better information on a class or group of products than the manufacturer could in the direct model. The channel has access to multiple manufacturers' products and service information. If channels can provide more timely and accurate information and can allow the B2B consumer to act on the choices, channels can maintain and enhance their market presence.

(c)   Larger and New Markets

Who would have thought with all the push for direct sales, availability of all products, everywhere, that the supply channel would still have a play in the new economy? They do and here is why. According to the Internet business and technology magazine Business 2.0 (www.business2.com), one of the top ten driving principles of the new economy is markets (concept of managing and delivering to one's markets). Channels who genuinely offer

unique services or lower costs will flourish, benefiting from a rush of new opportunities and customers. Those who have relied on physical barriers to lower competition are doomed. Combine the explosion of market-making strategies by channels with the simple principle of unique services at a lower cost, the once supposedly doomed channels now have a new lease on life—using strategies such as commerce service providers, application service providers, enterprise service providers, information and internet service providers. Simultaneously, the portal notion, usually associated with consumer markets, is being applied to business markets as well.

American automobile dealers in the late 1970s and 1980s sold primarily a worst-in-class product as compared to the European and Asian manufacturers and their dealers. What changed the industry was that competition from other channels began to educate the market on alternative offerings (autos) that met the consumer's needs in quality, fuel efficiency, and price. This new information, just like what the Net is providing, wiped out several manufacturers and their dealers (AMC, for example). Distributors are market makers but vary widely, often based on the competition in the market, on performance, and on product offerings.

Wal-Mart is another example of a huge distributor (and in some cases, manufacturer) of consumer products. They do not necessarily sell best-in-class products; they sell based on price and volume. Quality is very secondary. The Internet could impact them if consumers began finding similar pricing for similar products on the Web—provided the method and cost of delivering the goods to the customer are not unacceptable.

(d)   Vertical and Horizontal Opportunities

Market researcher Net Market Makers defines horizontal marketplaces as those that are hosted by trusted third parties to provide online selling and buying services to a set of identified customers. With that definition in mind, the opportunities for the traditional distribution company to reinvent itself into an E-supplier and E-market maker are many

So, the savvy channel that has grasped the fundamentals of E-selling (aggregation of valuable, timely and accurate information, provide reliable services, react and change quickly based on market and customer demands, to name a few principles), has a vast opportunity to create a new market, an E-commerce portal through which they can attract and retain sellers and buyers because of their unique value. Vertical and horizontal market makers are redirecting traditional and E-commerce transactions back to their sites. The extent to which the channels are working the B2B markets is evident in this recent sampling from a B2B "market maker" Web site chosen at random. In Table 2.1, notice the range of markets they are supporting, as taken from the biz2bizGuide2000 (http://biz2biz.eguide2000.com/) site.

Although the categories are not particularly revolutionary, the 27 categories represent real opportunities for the channels to regain control of their markets and buyers.

Table 2.1.   Business-to-Business Markets.

Advertising	Employment and staffing	Media
Aircraft	Food and restaurants	Moving and storage
Automobiles and boats	Furnishings	Office supplies

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Table 2.1. Business-to-Business Markets (continued).

Chemicals and waste	Gardening and agriculture	Packaging and delivery
Clothing and cleaning	Health, sports, and recreation	Printing
Computers and data processing	Home repair, upkeep, and materials	Real estate
Construction, contractors, and materials	Insurance	Sales and marketing
Electronics (general)	Legal and accounting	Telecommunications

(e)   Renewed Support for Channel Partners by Manufacturers

As IDC reports in one study conducted—including interviews with

Compaq Computer Corporation, Cisco System, Nortel Networks, and IBM—

there is still a tremendous effort being made in many industries by the

manufactures and service providers to maintain and enhance their channel

partners. IDC contends that the Internet will be used to strengthen and

enhance the channel relation and will not be viewed as a "nemesis." IDC also

predicts that the "middleman" role will evolve away from a product focus,

toward a more ancillary role. This role will push the channel to deliver

service and support around the sale of the goods or service, rather than be

responsible for the original product sale as they once were. Keep in mind

this was done to maximize on economies of scale that kept the overall unit

cost of handling and distributing the product to the consumer, via the

channel, low.

Techniques being used and activities undertaken by manufacturers to

support their channel partners include:

(1) Online account status information

(2) Net-to-phone contextual support

(3) Pricing and quoting with added features

(4) Collaboration forums for partners

(5) Matchmaking partners with aftermarket customers

After all, a strong E-channel partner can still yield huge benefits in terms of customer satisfaction, maintaining relationships, service, support, and buyer education—value that the manufacturer has built into its channel over a long period of time. Many producers realize this value in their channel and are finding that the Internet can help them retain their investments in their channel, while still creating their own relationships with their buyers when they do go direct.

2.3 Business-to-Business E-commerce

2.3.1 What Is Business-to-Business E-commerce?

On the Internet also known as e-biz, is the exchange of products, services, or information between businesses rather than between businesses and consumers. Although early interest centered on the growth of retailing on the Internet (sometimes called e-tailing), forecasts are that B2B revenue will far exceed business-to-consumers (B2C) revenue in the near future. According to studies published in early 2000, the money volume of B2B exceeds that of e-tailing by 10 to 1. Over the next five years, B2B is expected to have a compound annual growth of 41%. The Gartner Group estimates B2B revenue worldwide to be $7.29 trillion dollars by 2004. In early 2000, the volume of investment in B2B by venture capitalists was reported to be accelerating sharply although profitable B2B sites were not yet easy to find.

2.3.2 Type of Business-to-Business Web Sites

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Business-to-Business Web sites can be sorted into:

(a)   Company Web sites, since the target audience for many company Web sites is other companies and their employees. Company sites can be thought of as round-the-clock mini-trade exhibits. Sometimes a company Web site serves as the entrance to an exclusive extranet available only to customers or registered site users. Some company Web sites sell directly from the site, effectively e-tailing to other businesses.

(b)   Product supply and procurement exchanges, where a company purchasing agent can shop for supplies from vendors, request proposals, and, in some cases, bid to make a purchase at a desired price. Sometimes referred to as e-procurement sites, some serve a range of industries and others focus on a niche market.

(c)   Specialized or vertical industry portals which provide a "subWeb" of information, product listings, discussion groups, and other features. These vertical portal sites have a broader purpose than the procurement sites (although they may also support buying and selling).

(d)   Brokering sites that act as an intermediary between someone wanting a product or service and potential providers. Equipment leasing is an example.

(e)   Information sites (sometimes known as infomediary), which provide information about a particular industry for its companies and their employees. These include specialized search sites and trade and industry standards organization sites.

III. BUSINESS CONCEPT

3.1 Business Overview

Electronic Chinese Herb Store (or www.OnlineChineseHerb.com) in this project is established to be a complement channel of traditional Chinese herb store. The original business ran on physical basis by opening a Chinese herb store and welcomed individual customers to buy from the store and business customers to order Chinese herb via telephone or fax. The original business focuses on both customer and business market. Chinese Herbs, which are natural and farm products or raw medicines, were imported from China and distributed to customers in Thailand.

For www.OnlineChineseHerb.com channel, at present the company aims to focus only business customers, such as medicine factory, herb stores and etc. The main purpose of OnlineChineseHerb.com is to be order channel for the existing or current customers.

3.2 Business Model

OnlineChineseHerb.com uses supplier-oriented marketplace model of business-to-business electronic commerce. The concept of business-to-business electronic commerce is all about automating the processes used by buyers and sellers to conduct business. These processes typically include online sale of goods and services to other business on the web. Supplier-oriented marketplace we used is depicted in the following figure.

Supplier-Oriented B2B Marketplace Architecture
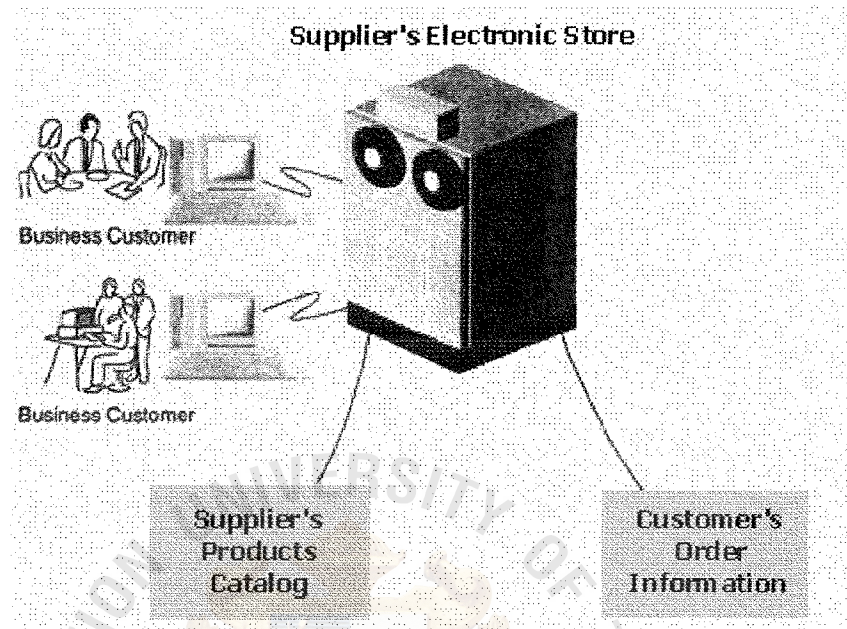
Figure 3.1.   Supplier-Oriented B2B Marketplace Architecture.

The concept of supplier-oriented marketplace model applied to electronic Chinese herb store is to set up electronic store (or web site) for business customers to visit. The main purpose of our web site is to create order channel for our customer. Furthermore, we will provide services, such as check product's price or view and track previous order.

3.3   How the Services Works

Electronic Chinese herb store will be designed to facilitate product transactions and customer service. The service will work as follows:

    (a)   Registration: Anyone can browse through the site. However, in order to order products, the business customer must first registration with our service.

(1) For new customers, this can be done via online forms that are provided. And customer must wait for our approbation and contact from our company. This can be done within 7 days.

(2) For current customers with first visit of the web site, they have to contact the company to get their user names and passwords for login to the system.

(b) Ordering: Business customers can order product by login to their accounts and place an order via online forms that are provided.

(c) Product and price checking: Business customers are allowed to check products and prices.

(d) History viewing: Business customers can view their order histories that occurred via this online channel after they login to their account.

(e) Order tracking: Business customers are allowed to track their order status.

(f) E-mail Contact: Business customers can contact the company via e-mail.

3.4 Benefits to Company and Customers

Benefits to Company

(1) Electronic Chinese herb store expands the marketplace to national and international markets. With minimal capital outlay, a company can easily and quickly locate more customers, the best suppliers and the most suitable business partners worldwide.

(2) Electronic Chinese herb store decreases the cost of creating, processing, distributing, storing, and retrieving paper-based information.

(3) Electronic Chinese herb store allows reduced inventories and overhead by facilitating "pull" –type supply chain management.

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(4)   Electronic Chinese herb store reduces the time between the outlay of capital and the receipt of products and services.

(5)   Electronic Chinese herb store lowers telecommunication cost.

(6)   Other benefit include improved image, improved customer service, new found business partners, eliminating paper, expediting access to information, reduced transportation costs, and increased flexibility.

Benefits to Customers

(1)   Electronic Chinese herb store enables customers to shop or do other transaction 24 hours a day, all year round, from almost any location.

(2)   Customers can receive relevant and detailed information in seconds, rather than days or weeks

(3)   Electronic Chinese herb store helps business to lower sales and marketing costs so customers can buy product at the lower price.

IV. STRATEGIC AND MARKETING PLAN

4.1 Keys to Success

(1) We must retain current customers.

(2) We must show the benefit of using Internet channel to customers and motivate them to use it.

(3) The web site has to be as easy to use and quickly viewable. The user satisfaction is an ultimate priority.

(4) We must develop ERP (Enterprise Resource Planning) that can support back office, link and transform data of all departments in company to be standard uniform, and work on real time basis.

4.2 SWOT Analysis

Strengths

(1) Current customer in traditional channel:

Electronic Chinese herb store is set up to be an additional distribution channel for the existing traditional store and the company has already had the current customers in the traditional channel. These customers have the high possibilities to move from the traditional to the online channel.

(2) High experience:

The company has experience in customer behavior and market situation in the traditional herb business. This is a better chance for our business to win over the business that set up only online.

(3) High quality of product with lower cost:

The company provides high quality herbs to business customers. The Chinese herbs with low price and high quality are imported directly from

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producer in China and Asia countries and sells to business customers in Thailand with low price. Using the Internet, which is the communication method much cheaper than the other communication method, can help the company to save communication and transaction cost and reduce the product's mark up cost. So the electronic Chinese herb store can offer the lower price to business customer than the other traditional Chinese herb store.

(4)   Availability of Electronic store 24 hours per day:

Normal business hours time constraints do not exist any more with online business. A web server is usually online 24 hours per day, and virtually immediately accessible. So the business customer can visit Electronic Chinese herb store and place order every time.

Weaknesses

(1)   Lack of online business experience:

Even if the company has experience in the traditional herb business but the online herb business, which have some difference from the traditional business, is a new circumstance for us. So we, like a new comer, lack online business experience and face with new environment.

(2)   Lack of programming experience:

In terms of programming and making web pages, we do not have experience and are not professional. This is one of major weaknesses in doing online business.

(3)   High investment in the introduction stage of electronic Chinese herb store:

The online distribution channel is new for our company and some business customers. In the first stage, the company has to invest high money

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for setting up electronic storefront, training employees and inducing the existing business customers to use this new online distribution channel.

Opportunities

(1)   Popularity of Internet in Thailand:

Internet becomes popular in Thailand for both personal and business use. Many businesses have seen a lot of benefits of the Internet and are rapidly moving toward electronic communication via the Internet in order to improve business-to-business interaction.

(2)   Thai people are more interested in their health:

Thai People are more interested in their health and the trend in natural product consumption is high. The company provides the herb that consumer can consume directly or use it as raw material to produce medicine and health product. The demand in the herbs is derived from the demand in the other industries. So high demands in those industries make high demands in our products.

(3)   No other electronic Chinese herb store:

It seems no genuine competitor in an online herb business in Thailand. So our electronic Chinese herb store will be the first store for business customers, which would like to reduce cost by online order, to think of. And it can make our company to have advantage over the competitor.

(4)   Low communication and transaction cost:

Internet commerce has a low entry cost compared to other solutions such as EDI. By using the Internet, the cost of communication and transaction for both our company and business customers can be saved.

(5)   New sales opportunities:

The Internet operates around the globe. By using the Internet, the business can reach out to new markets (both locally and globally) that cannot be reached effectively with a traditional sales force or through advertising campaigns.

(6)   Ubiquity of Internet:

For most companies and customers there is no reason not to have Internet access – so assume that in the near future most will have it as a partial but ubiquitous solution to better serve their business customers, just as we now assume that they have a phone and a fax. Although our existing customers do not have Internet access, but there is high possibilities and trend to access and use the Internet as a vital tool.

Threats

(1)   Poor Internet infrastructure in Thailand:

The Internet infrastructure in Thailand is still poor.

(2)   Online channel is new for our customers:

Most of our customers still use the traditional communication way, such as phone or fax. And the Internet is a new tool for them and also for Chinese herb business in Thailand. So the customers lack experience to use this new online channel.

(3)   There are many traditional Chinese herb stores in the market:

There are many competitors in the traditional Chinese herb stores that electronic herb store have to face with. Electronic Chinese herb have to do everything to win over them, such as offer and demonstrate the benefit of

online channel to the customers or induce them to using this convenient and low cost channel.

4.3 Market Segmentation

The market can be classified into the following segments:

Demographics:

    (1)   Industry: Medicine and health product industry.

    (2)   Location: Thailand

Purchasing approaches:

    (1)   Nature of existing relationships: We focus on business customers which we already have strong relationships.

    (2)   Purchasing criteria: We focus on business customers that are seeking high quality and low price.

Situational factors:

    (1)   Size of order: We focus on small and medium orders.

Personal Characteristics:

    (1)   Loyalty: We focus on business customers that show high loyalty to their supplier.

4.4 Target market

The company's target groups are business customers in Thailand who run business in medicine and health product industries, are looking for high quality and low price of Chinese herbs and already have strong relationship with us.

4.5 Marketing Objectives

    (1)   Build sales of a product distributed over the Internet.

    (2)   Increase the amount and frequency of sales from current customer.

    (3)   Build relationships with users as evidenced by return visits to the Web site.

(4)　Decrease distribution costs, thus lowering price.

(5)　Provide timely communication to customers.

4.6　Marketing Mixes (4Ps)

Product Strategies

(1)　Product

Objective:　To provide high quality of Chinese herbs to business customers

Our company is a distributor of Chinese herbs. We import many kinds of herbs from mainly China and Asian countries, which have low cost and high quality, and distribute to business customers in Thailand.

Chinese herbs, our company provides (see the sample in Figure 4.1-4.3), can be characterized into 2 categories as follows:

(a)　Raw material (or raw medicine)

Health product, medicine or even some kind of consumer goods used Chinese herb to be an ingredient for producing. The company provides many kinds of raw herbs to those industries.

(b)　Final product

Chinese herbs can be used as final product, which customers can consume directly by no adding-value or producing. The company also provides this kind of herb that mainly distributes to mainly traditional drugs stores.

We use product differentiation strategy. Customers will perceive that we provide high quality and standard of Chinese herb.
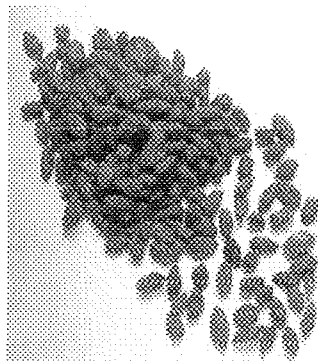
Figure 4.1. Wolfberry (Fructus Lycii / Gou Qi Zi).

Figure 4.2. Angelica (Radix Angelicae Sinensis / Dang quai).
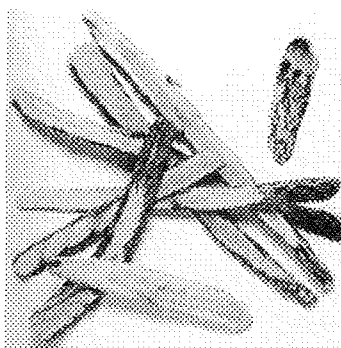
Figure 4.3. Milk Vetch (Radix astragali / Huang Qi).

(2)   Service

Objective: To provide prompt delivery.

Adding valued services is another key to competitive success and one of the main service differentiator is delivery. After we get the online small order from business customers, Chinese herbs will be delivered to them within 2 days (Bangkok and vicinity) without charge.

Pricing Strategies

Objective: To attract the current customer from the traditional channel to online channel

Chinese herb is farm and natural product that there are so many producers and suppliers in the market. The Chinese herb's price normally relies on market price.

We use 2 pricing strategy as follows:

(1)   High volume high discount

The company distributes Chinese herbs to business customers with high volume in each order. We offer a discount to our business customers and the discount will be relied on the volume and value of each order. Business customer who orders high volume and value per order will be offered higher discount than business customer who orders low volume and value per order. The main pricing strategy is high volume and value per order will get high discount.

(2)   Lower price for Internet channel

For electronic Chinese herb store, we offer not only high volume high discount but also special discount to any business customer, who orders via our new online distribution channel. So the business customer, who orders through the electronic store, will be get lower price or more discount than

ordering through traditional store by fax or phone. This pricing strategy can help the company to attract the existing customer in traditional channels to move to online channel.

Distribution Strategies

Objective: To distribute Chinese herbs to target market effectively with low distribution cost

(1)   Online distribution channel

The company enhances productivity by using Internet channel or online distribution channel to be an additional channel for Chinese herb distribution to business customers. The customers can take online orders via the company web site for getting lower price.

(2)   Traditional distribution channel

The business customers who are not ready or not convenient to order via online channel can take order via the traditional channel by using phone or fax.

Promotion Strategies

Objective:

(1)   To build and develop relationships with customers and other stakeholders

(2)   To show the benefit that business customer will get

(3)   To attract business customer from traditional channel to online channel

(4)   To accelerate short-term sales

Offline Strategies

(a)   Brochure: We will send brochure about electronic Chinese herb store by mail to our target customers.

(b)   Letter of introduction: We will send a letter of introduction about electronic Chinese herb store by mail to our current customers. The purposes are to inform them about this new channel. If they would like to join and order via online channel, we will send them usernames and passwords to access this web site.

(c)   Computer offering and training program: Electronic Chinese herb is a new channel for our customers, then some of them do not have experience or adequate infrastructure to connect. So we will offer a set of computer and training program to our customers with lower price.

Online Strategies

(a)   Brochureware: We will provide information about company, such as company profile, products and services, in our web site.

(b)   Online customer services: We will provide online customer services in the web site. The business customers can check the price or view order history by themselves.

(c)   Sales promotion: We will offer special price for introduction stage of online distribution channel to attract the customer and accelerate sales.

V. WEB PROTOTYPE DESIGN AND DEVELOPMENT

5.1 Web Prototype Objectives

(1) To build Electronic Chinese Herb Store (www.OnlineChineseHerb.com) as an order channel of Chinese herbs over the Internet.

(2) To publish about company and products.

(3) To attract the existing customer from traditional channel to online channel.

(4) To provide convenient tool with lower cost and timely communication to customers.

(5) To support marketing strategy.

5.2 Key to Success

(1) Web must be easy-to-use and user friendly for customer.

(2) Web must take not much time to load or access to intended information.

(3) Web must be easy to update and maintenance.

(4) Web must be viewed by any browser and version.

(5) Web must have strong security to keep customer's privacy, integrity and confidentiality.

(6) The information on the web must be up-to-date and serves customer need.

5.3 Web Prototype Components

(a) Registration

Objective: To receive registration request from the new customer

We will provide an online registration form for new customer, who wants to buy our product by placing an online order via our web site. The customer has to fill required information on the form and submit it. The approval will not be instant. The company will take time to approve new customer and will contact her/him later.

(b) Login

Objective: To identify and authenticate each customer

Login is necessary for our web site because it can filter unauthorized users from our system. Only authorized customer, who has username and password, can access to his/her account that allows him/her to place an order, view order history and track an order. The customer must keep username and password secret to ensure his privacy.

(c) Ordering

Objective: To take an online order from customer

We will provide online order form for customer. Only authorized customer can place an online order. Every time the customer would like to online order, he/she has to login to his/her account first. The system will calculate total cost for each order instantly and customer can alter his/her order all the time until he/she confirms it. This function will be convenient for customer to order and calculate total cost. We design order page to be user friendly that will attract and retain our current customer to come again.

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(d) Product and price checking

Objective: To show the list of products and prices to customer

Anyone can see and check our products and prices. We use "High volume high discount" pricing strategy. The customer will see the different price for each volume order. This function can make customer convenient and reduce time and cost to check the price.

(e) History viewing

Objective:

(1) To allow customer to view the details of his/her previous online order

(2) To attract the existing customer from traditional channel to online channel

Only authorized customer can view his/her online order history. The customer has to access to his/her account first. This function will show only orders that were placed online via the web site in order to attract the customer to order via this web site. The customer can view his/her order history easily and this service is not provided on traditional channel.

(f) Order tracking

Objective:

(1) To allow customer to track his/her previous online order status

(2) To attract the existing customer from traditional channel to online channel

The customer can track his/her online order by login to his/her account. Tracking via web site is easier and more convenient than telephone. The information about the status of his/her online order will

show to his/her instantly after his/her request. The service can help him/her to reduce time and cost to track each order.

(g)   E-mail Contact

Objective: To provide convenient way to communicate between the company and customer

We use not only phone or fax, but also e-mail as a way to communicate to customer. E-mail is used by customer to send any problem, question or suggestion to company and by company to send any news, promotion or information to customer. E-mail can help company to send any information to many customers at a time and also save time and cost.

(h)   About us

Objective: To publish information about company

We will provide information about background and contact address of the company to customer. The information will help customer to know more about us and make him/her feel trustful.

(i)   Terms and Condition

Objective: To provide information about terms and conditions for customer who wants to trade with us.

We will have information about terms and conditions, such as how to be our online customer, how to order via our web site, how to get a credit term, and etc. This section will provide all necessary information for customer to make agreement between company and customers clear.

(j)   Database

Objective: To store data and information about product, price, order and customer

    Database is very necessary and important for a commercial web site. We use it to store data and information about product, price, order and customer. Web site database must be standard format and compatible with back office system.

5.4 Web Prototype Structure

(1) Home Page Structure
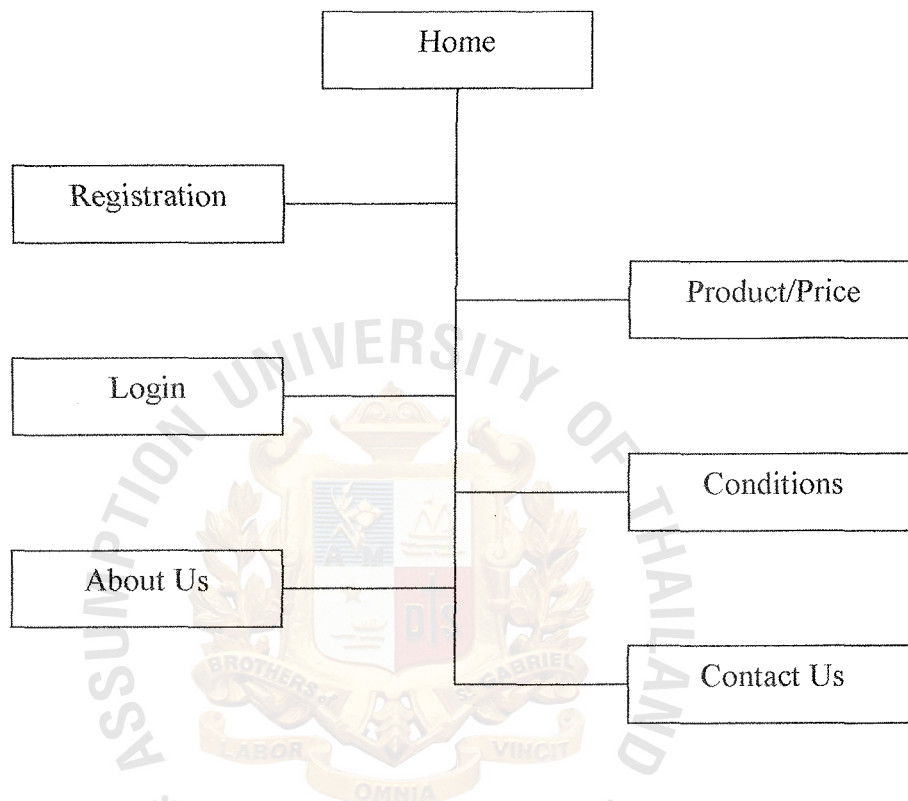
Figure 5.1. Home Page Structure.

(2)   Customer Page Structure
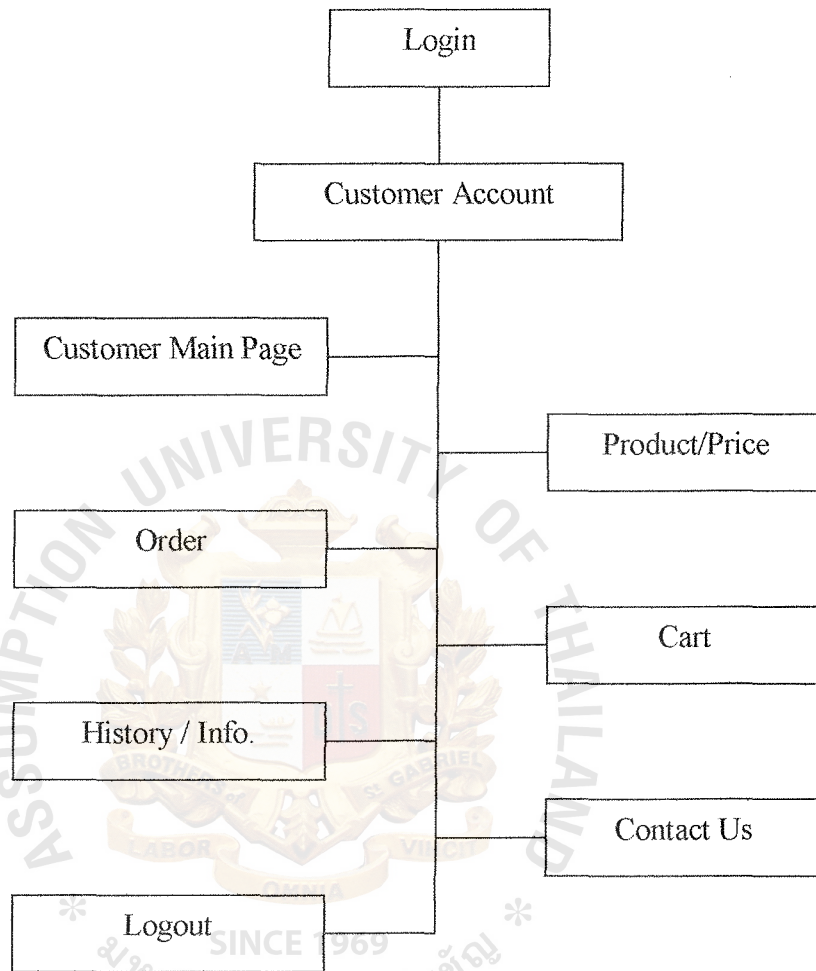
Figure 5.2.   Customer Page Structure.

5.5 Web Prototype Implementation

Web prototype was created to achieve the objective mentioned earlier. In order to reach our target market, the main contents in the web site are Thai language.

The main page in web prototype are explained in the following:

Homepage

Figure 5.3.   Homepage.

Homepage is the first page when visit www.OnlineChineseHerb.com. Design on the page has to be attractive and induce the visitor to surf through the site. We use image to be an essential component on this page. Each image files are of small size in order to fast loading. Shade color is also an important factor in designing the web. This web site uses green color to be the main shade. This shade can help user to feel free and also present our products.

The web page provides links to 6 web pages which consist of New Customer (or Registration) page, Your Account (Login) page, Product/Price page, About Us page, Condition page and Contact Us page.

Registration Page

Figure 5.4.   Registration Page.

Registration Page provides a form for new customer, who would like to register to be our member. This page was created on the easy-to-use basis. User just fills the complete and accurate information to the form and presses a submit button. The system

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will check the data accuracy, such as required data, data type. If registration succeeds, the success page is shown. And failure page will be shown if data is incorrect or not completed. Links to other page also provide in this page.

Login Page
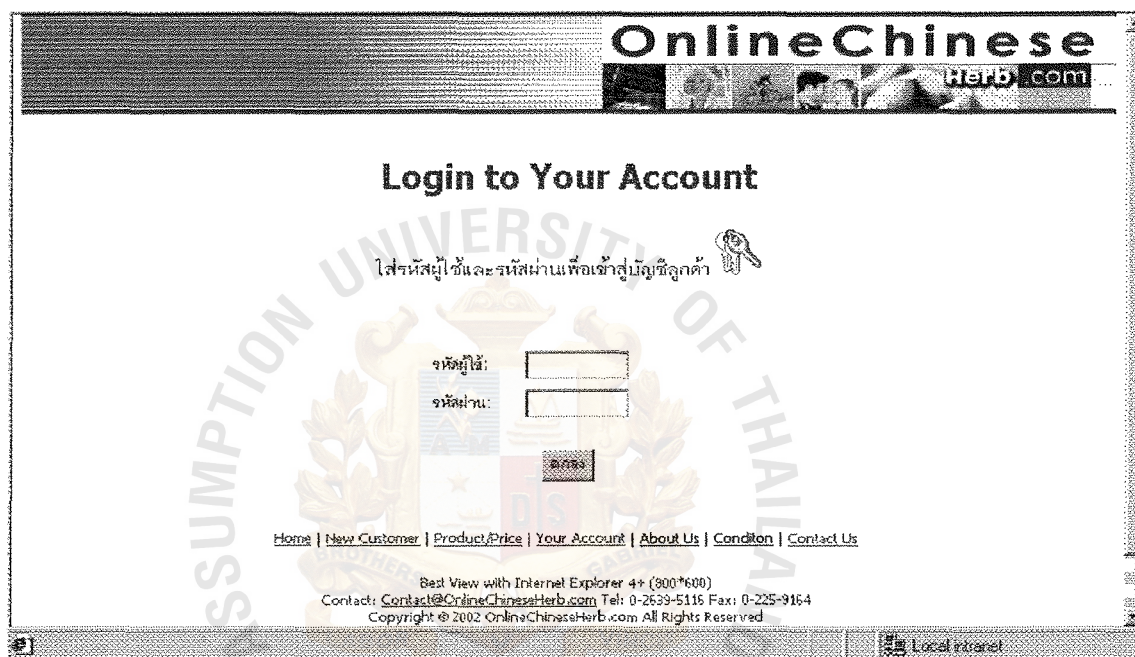
Figure 5.5.   Login Page.

Login page is a door to access customer account. User can pass this secure door by typing his/her username and password. Current customers can get them by contacting our officer (not to register via the web site). And new customers will receive his/her username and password from our officer after his/her registration is approved. The purposes of this page are to identify and authenticate user before accessing to private information and to filter unauthorized user from the system.

Product/Price Page

Figure 5.6. Product/Price Page.

The page will show a list of product and price in table form. Data in this page was read directly from database that can be easy to update and maintain the details of product and price. We chose text and table to display the contents of this page and also used a few images to decorate and make web site attractive. Anyone can visit this page. Online customer can also access from his/her Customer Account Page.

Customer Account Page
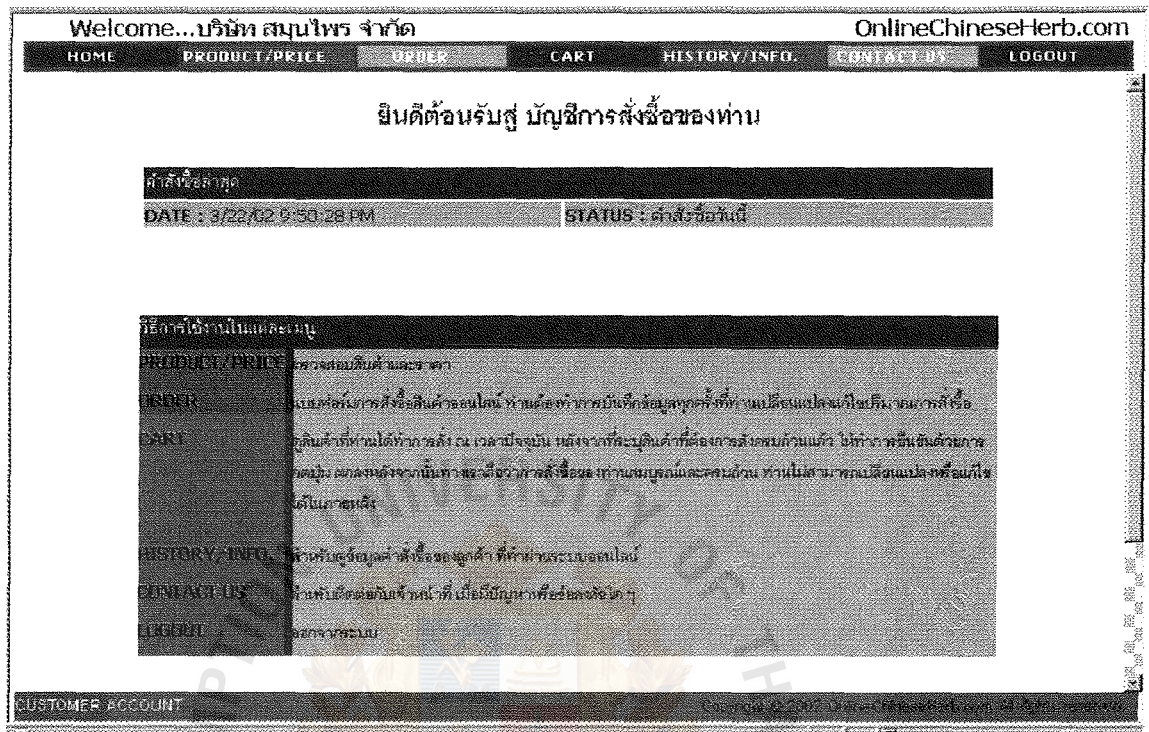
Figure 5.7. Customer Account Page.

Each online customer has his/her private account page. Customer account main page provides doors to Product/Price page, Order page, Cart page, History/Info page, Contact Us page and Logout page. The contents in this page are about the latest online order and user manual. The latest online order was read from database in order to make the page up-to-date. The main design of Customer Account Page is to use text and table to display the contents in order to fast loading and easy to read.

Order Page

Figure 5.8.   Order Page.

Only members can order product via order form. Authorized user can access order page by clicking at the link from his/her account page. Customer orders product by filling the purchasing quantity in the form. The system will check accuracy of data type and purchasing quantity. Purchasing quantity has to be more than the lowest limit that was informed in the order form. Ordering is main function of this web site so it is necessary to be easy-to-use for the user and security concern is also important (both confidentiality and integrity). It is necessary for Web site to have strong security system both front end and back end.

History and Tracking Page

Figure 5.9.   History and Tracking Page.

Customer is allowed to view his/her previous order and to check the status of each order. We read data directly from database so information in the page is up-to-date. Every time customer places a new order or officer updates the order status, the contents in this page will be changed also. Not only the date and status of order as shown in figure 5.9 but also the detail of each order is provided to customer. Order detail will show the detail of product, purchasing quantity, price, and total payment.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Electronic Chinese herb store (www.OnlineChineseHerb.com) is established to be a complement channel of traditional Chinese herb store by opening the web site and welcoming customer to online order. There are many factors that do not support the online channel, such as non-readiness of the current customers, poor Internet infrastructure, or weakness of business itself. They are temporary negative factors. The customers will perceive the benefit of the online channel, such as low communication and transaction cost, available 24 hours a day, easy-to-use and etc., and try to adjust and improve themselves, the government will get more support in electronic commerce and time and experience will make business stronger.

Electronic Chinese herb store targets on current business customers, such as medicine factory, herb stores and etc., in the beginning stage and expands step by step. The main marketing objectives are to build sales of a product distributed over the Internet and to attract the current customer from the traditional channel to online channel. There are 2 kinds of Chinese herbs available in the online channel, which are raw medicine and final product. Customer places an order via the web site will get lower price than via the traditional channel. Moreover, they will get volume discount. For non-readiness customer can still order via phone or fax. We use both offline and online promotion strategies, such as computer offering, training program, brochure, online customer services, and sales promotion to the target customer, to introduce and induce customers to use this online channel.

For web prototype (www.OnlineChineseHerb.com), the project concerns about the front end that consists of the following components:

(1) Registration: to receive registration request from the new customer.

(2) Login: to identify and authenticate each customer before access to customer account.

(3) Ordering: to take an online order from customer.

(4) Product and price checking: to show the list of products and prices to customer.

(5) History viewing: to allow customer to view the details of his/her previous online order.

(6) Order tracking: to allow customer to track his/her previous online order status.

(7) E-mail contact: to use electronic mail to communicate between the company and customer.

Web site also has its own database to store data and information about products, prices, orders and customers. Some content in the web site, such as price or product, is read directly from database and some action from the user, such as registration or ordering, will delete, add or update data in database instantly.

The main designs of web prototype are as follows:

(1) The web site uses green color to be the main shade in order to present the product.

(2) The main contents in the web site are Thai in order to reach the target group.

(3) Using text and table to display the contents in order to fast loading and easy to read.

(4) Using a few images to decorate in order to make web site attractive and fast loading.

(5) Using HTML form to receive a request, such as registration, login and order, from customers in order to easily use.

(6) Reading data directly from database in order to make the page up-to-date and easy to maintain.

6.2 Recommendations

Front end and back end system are important for any online store. For electronic Chinese herb store, not only a good design of the front end, as mentioned in this project, but also a good design of the back end is essential. The back end, such as database, has to be compatible, link and support the information system of the company. It is necessary for any company, which would like to run business over the Internet, to have a good infrastructure, information and computer system. The security concerned could not be neglected. Moreover, the user (both company's employees and customers) of the system is a very important factor in the system and should be trained to understand the system and know how to use it.

Internet links people and business around the globe. Electronic Chinese herb store can reach not only local customer but also global customers. The company can expand the target to international markets, such as neighbor countries, by providing English contents in the web site or individual customers by opening a business-to-customer section. Internet can also support supply chain management by linking company to supplier.

APPENDIX A

USER MANUAL

USER MANUAL

(a) New Customer Registration

Step 1: User accesses to registration page by click at "New Customer" button on the Homepage.

Figure A.1.   How to Access Registration Page.

Step 2: User fills data in the registration form and clicks at the button to submit it.

Figure A.2.   How to Fill and Submit Registration Form.

Step 3: If user accurately fills all required information, the registration request is completed and the web page will be shown as below. User will not receive his/her username and password until he/she gets approval and contact from our officer.

Figure A.3.   Completed Registration.

(b)   Access to Customer Account Page

Step 1: User accesses to customer account page by click at "Your Account" button on
the Homepage.
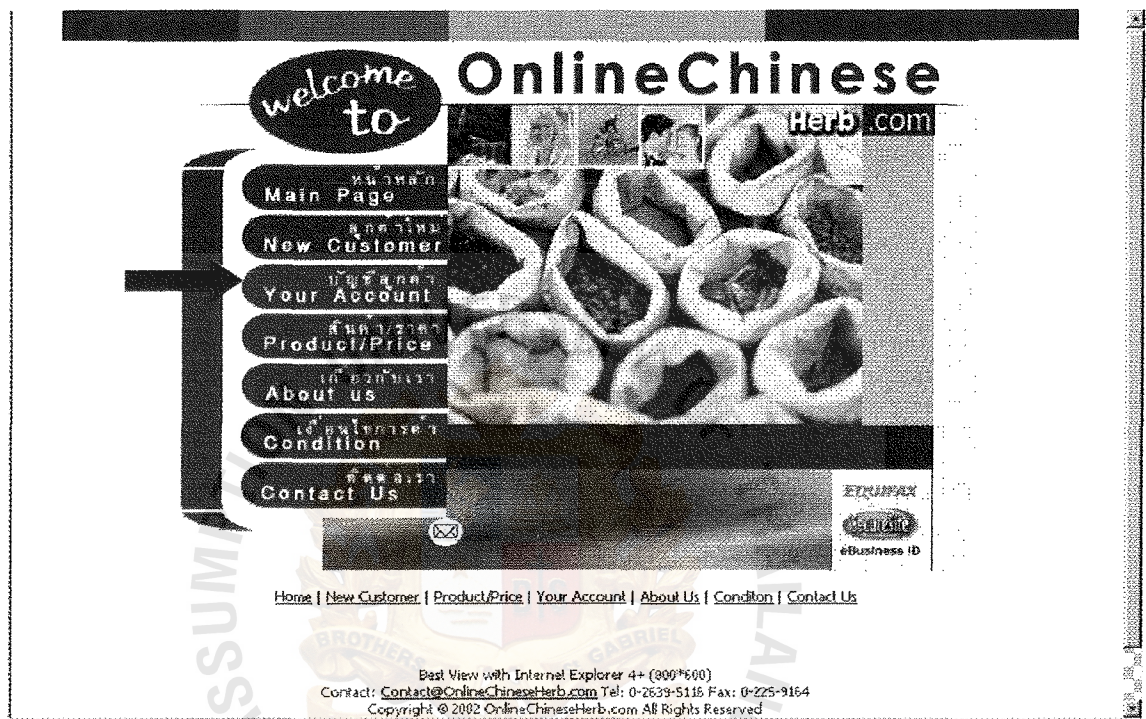
Figure A.4.   How to Access Login Page.

Step 2: User fills his/her username and password and then click at ok button to submit the form.

Figure A.5.   How to Login to Customer Account Page.

Step 3: If username and password are correct, user will visit to customer account page.

The customer account page allows customer to

1. Check product and price

2. Place an online order

3. View cart

4. View history and track online order

5. Send mail to contact the company

6. Log out
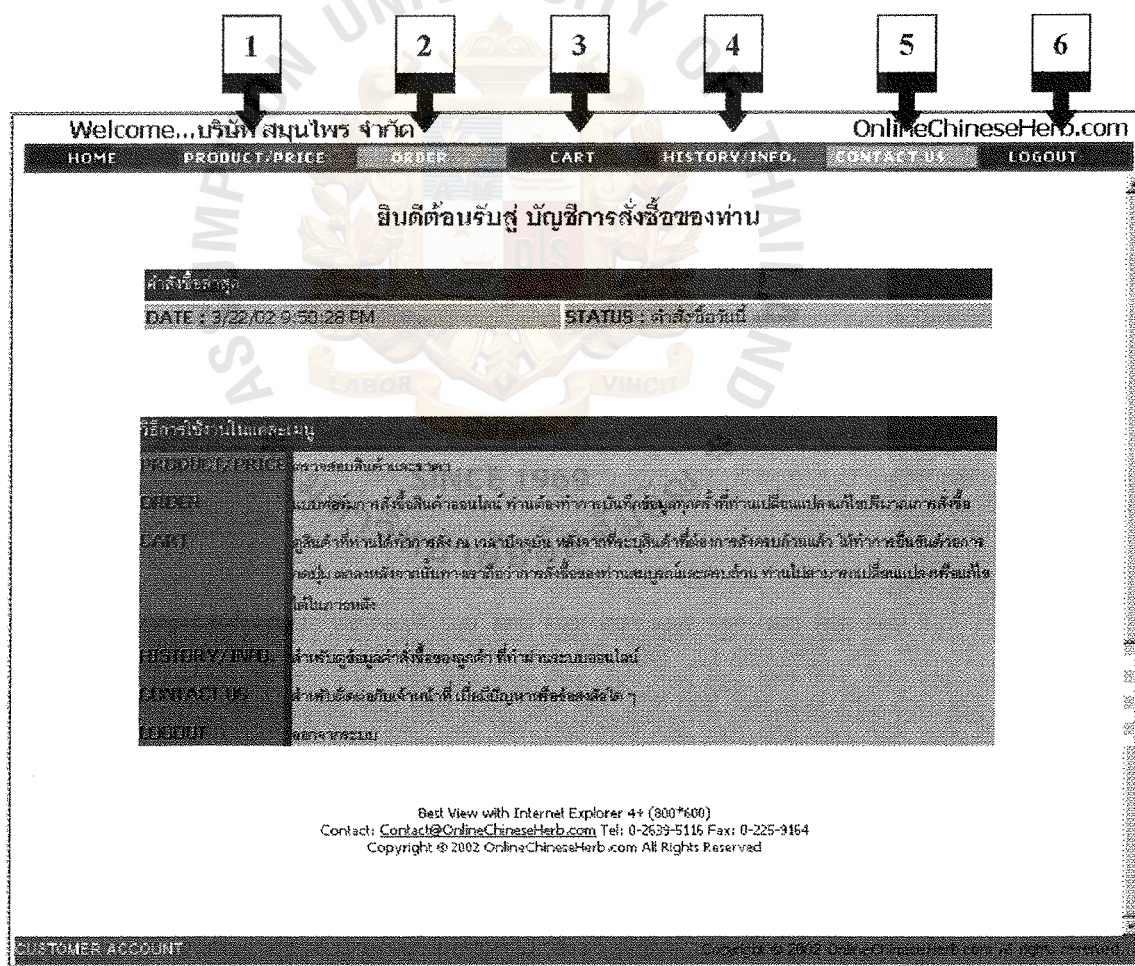
Figure A.6.   Services on Customer Account Page.

(c)   Product and Price Checking

Step 1: User can check product and price by click at "Product/Price" button on the top menu of customer account page.
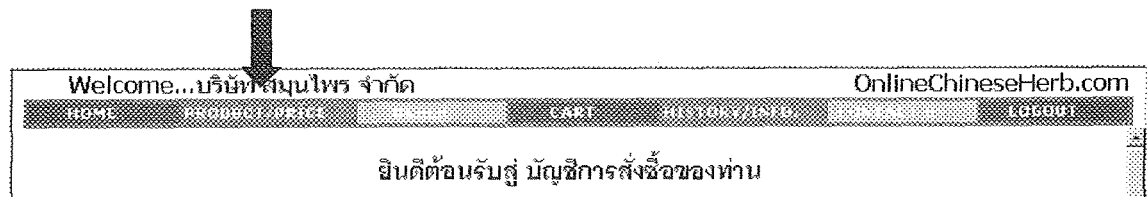
Figure A.7.   How to Access Product/Price Page.

Step 2: Product/Price Page will show the list of product and price to customer in the table.

Figure A.8.   A List of Product and Price in Product/Price Page.

(d) Place an online order

Step 1: User accesses to online order form by click at "Order" button on the top menu of customer account page.
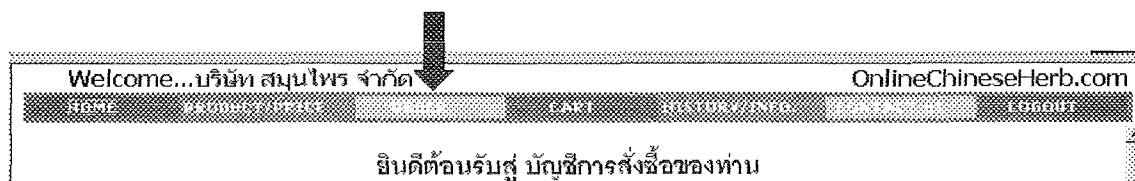
Figure A.9. How to Access Order Page.

Step 2: User fills order quantity for each product in the form and click at "Save" button after he/she alters the data.

Figure A.10. Fill an Online Order Form.

Step 3: The page will show the product and quantity that user order.

There are two choices for user:

(1) Clicks "Ok" if data is correct.

(2) Click "Modify" if user wants to change an order.

Figure A.11. Check Verification of Order.

Step 4: User is allowed to alter data in the order form until he/she confirms the order (by repeat step 1-3).

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Step 5: User confirms the order by click at "Cart" button on the top menu to access to view cart page.
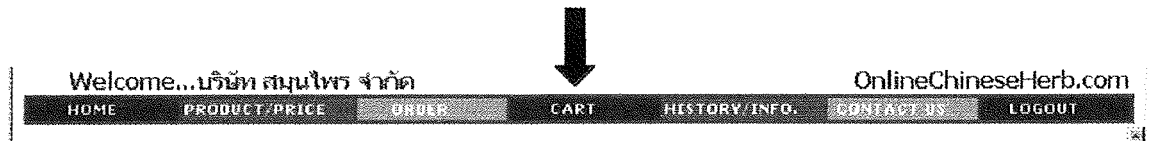
Figure A.12.   How to Access View Cart Page.

Step 6: View cart page will show the detail of user's order. If the order is accurate and complete, user clicks at "Ok" button to submit his/her order. After that user cannot change or modify this order later.

Figure A.13.   Submit Order.

Step 7: Page will show success page to user, then user click "Ok" to end the page and go to customer main page.

Figure A.14.   Success Order Page.

(e) View History and Track Online Order

Step 1: User accesses to history/info page by click at "History/Info." button on the top
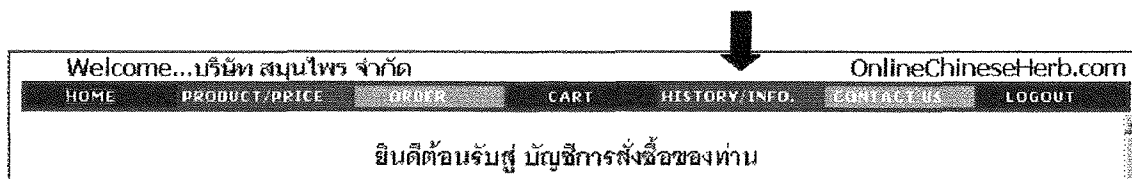
menu of customer account page.

Figure A.15.   How to Access History/Info Page.

Step 2: The page shows information about history of online order and status of each

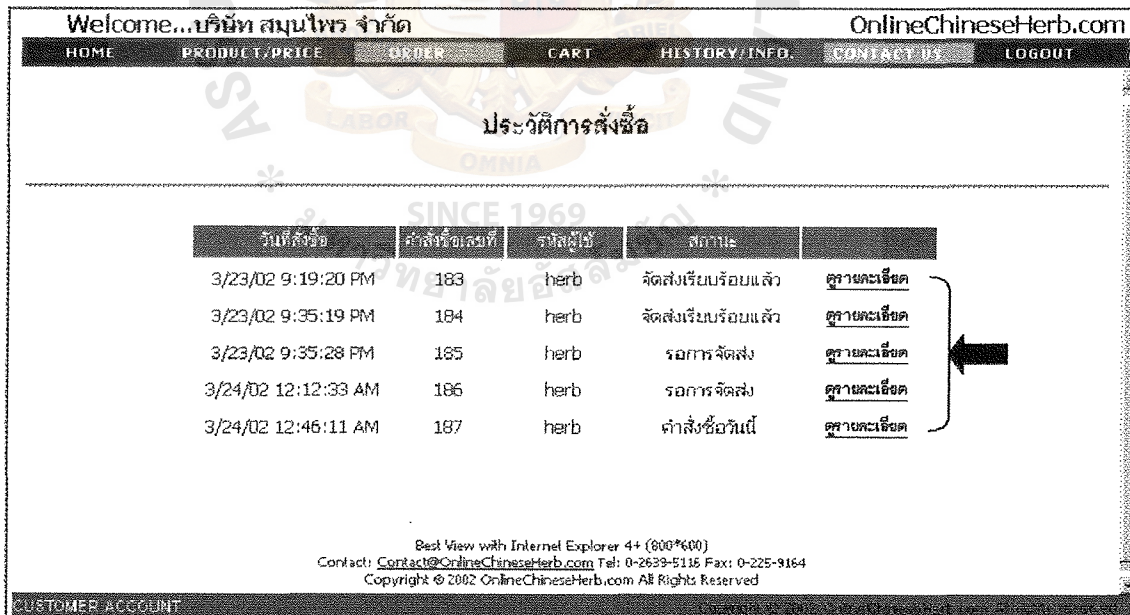order. If user wants to see the detail of each order, just click at "Detail" link to view it.

Figure A.16.   Detail of Order History.

Step 3: The detail of selected previous order is shown. "Back" link will transfer user to back to History/Info page.

Figure A.17.   Detail of Selected Previous Order.

(f)   Contact the company for more information

Step 1: User contacts company by click at "Contact Us" button on the top menu of customer account page.
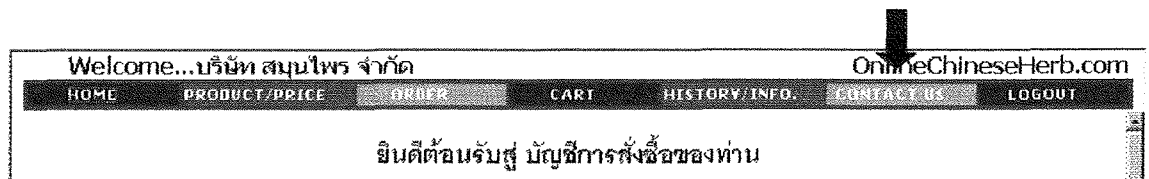

Figure A.18.   How to Contact Company.

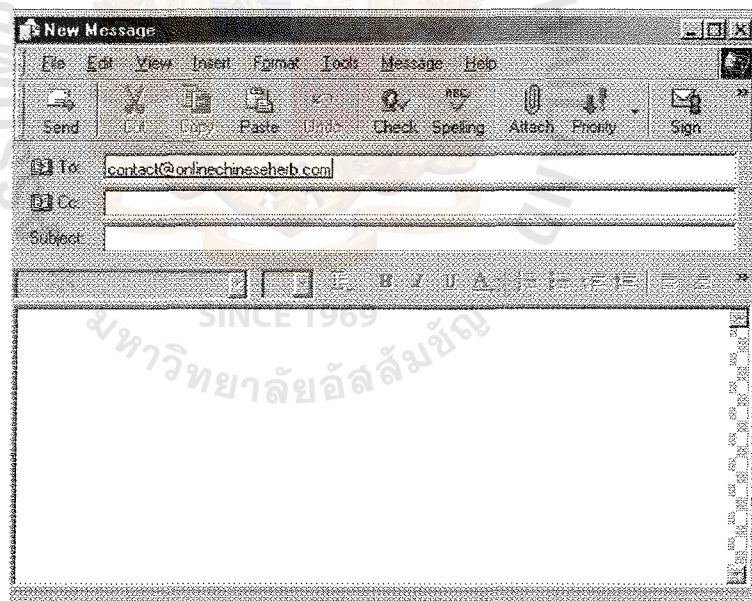**Step 2**: User types the message and sends to Contact@OnlineChineseHerb.com.

Figure A.19.   Send Mail to Company.

(g)   Logout from Customer Account

Step 1: User logouts from the account by click at "Logout" button.

Figure A.20. How to Logout from the Account.

Step 2: User will exit from the account. Click at "Main Page" link if user wants to go back to Homepage.

Figure A.21.   Go Back to Homepage.

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