



A Study On The Problems Of SMEs In
Thai Footwear Industry

By

Ms. Saowanee Lorsakunsuk

MT6500 Technology Management Project

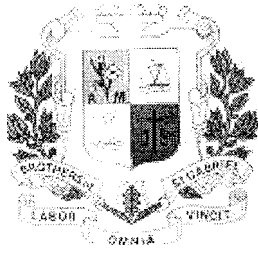
Submitted in Partial Fulfillment of
the Requirements for the Degree of
Master of Science
in Technology Management
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The Faculty of Science and Technology

Project Approval

Project Title Study On The Opportunity For SME in Thai Footwear

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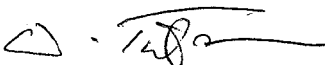
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February 16, 2002



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ABSTACT

This paper is studying on major problem of SME in Thai Footwear Industry. Thai footwear industry was established more than 20 years ago and most of them are SME manufacturers. They have so many problems in term of production, and marketing.

This paper is studying on Thai footwear industry but it emphasized only on SMEs. Then it finds out major problems of SMEs in Thai footwear industry and then try to develop planning to solve that problem for SMEs in Thai footwear industry.

So in this project will study on problems of SME in Thai Footwear Industry and recommend solutions in order to succeed on SMEs in Thai footwear industry.



CHAPTER I: INTRODUCTION

1.1 BACKGROUND OF PROJECT

Thailand has around 5,000 footwear manufacturers and 80% of them are SMEs. In the past, Thai footwear industry produced shoes following the order of customers (Original Enterprise Manufacturer or Subcontractor). Customers gave model to manufacturer and all shoes had to embed with customer's brand name. Anyway, Thai footwear products are accepted worldwide because Thai labor is accepted that they have skill and experience in footwear industry.

Footwear industry is top ten of Thailand exporting industry for many years (20 Anniversary of Thai Footwear Association in 1997, page 36), which makes abundant of export values into Thailand. It will show about export values of Thai footwear product in year 1997 – 2001. (See Table 1-1) In the past, Thai footwear industry sold in low market. But in the recent years, it was high competitive in market from China, Indonesia and Vietnam. They use low price strategic to compete in market because they are lower cost than Thai, especially in labor cost. So Thai footwear industry changes to produce medium and high products into markets. But Thailand has to compete with other groups of competitors that are Taiwan, Korea and up to Italy, who is the fashion leader in the world.

Table 1-1: Thai shoes and Accessories Export Values.

Source: Department of Export Promotion

Year	Total Export Value (฿ Million)
1997	47,559.93
1998	38,358.60
1999	32,394.40
2000	33,522.60
2001	36,804.46

1.2 PROBLEM STATEMENT

Thai footwear industry confronts many problems which are obstructs in developing industry to compete with global market. These are list of problems that face in shoe business as follows:

- High raw materials and accessories cost

Raw materials and accessories costs are very high because most of them have to import from foreign countries, which government set high tax or tariff for importing.

Lack of designer

Thailand lacks a good shoe designer so Thailand has to buy or imitate model from foreign countries, and the cost of model is quite high. Normally shoe fashion is changed in every 3 months, which you have to follow. It means you have to pay a lot of money to buy models that make cost of shoe high.

- Lack of labor skill

Most of the labor come from upcountry and they have no skill in shoe production. Nowadays, it is only one institute in Thailand, Bangkok Art and Industrial College, that studies about shoe products then it is the cause of lack of skilled labor in shoe product.

Lack of marketing capacity

SMEs lack management that has skill in marketing so it is the problem of penetration markets and seek new markets. Although, they are capable to produce good products this problem is the cause of SMEs' loss of chance.

- No brand name

Most shoe manufacturers are SME and they are subcontractor, who produce shoes with customer's brand. So you may lose an order from customer, if other manufacturers offer better condition such as cheaper price with same quality. So if you have your own brand name which makes customer loyalty. They always have to order your products. Otherwise, they produce shoe and sell in the market without brand. It may be the copying problem and no one knows who is the original one because you do not have your brand.

1.3 RATIONALE OF STUDY

The study attempts to investigate and identify major problems of SMEs in Thai footwear industry and find out the solution of those problems for SMEs in Thai

footwear industry. In the future, they are strong enough, they can build brand name by foundation in enhancing brand equity building strategy, which may contribute to successful launch brand in the market.

1.4 OBJECTIVES OF PROJECT

These are the objectives of this project as follows:

- To study major problems of SMEs in Thai footwear industry.
- Development plan of solving major problems of SME in Thai footwear industry.

1.5 METHODOLOGY

The research is based on both primary and secondary sources where:

Primary data

It is obtained through various interviews with management of shoe industry in Thailand and survey from consumers.

Secondary data

It is collected from book, articles, journals, magazines, reports and documents from libraries as well as Internet.

1.6 SCOPE OF PROJECT

This project focuses on studying and solving problems of SMEs in Thai Footwear Industry. It comprises of analysis of structure, economic and status of SMEs in Thai footwear industry. Then they will identify the roles of each party, who are government, private corporation, and Footwear Industry development institute, to develop Thai Footwear Industry. After that we will determine planning of development Thai Footwear Industry.

1.7 PROJECT ORGANIZATION

Chapter 1 presents an introduction of the project, including background, problem statement, objectives, methodology, scope of project as well as summary of organization of the project.

Chapter 2 contains literature review relating to overview of Thai footwear industry and brand equity building.

Chapter 3 presents methodology that composes of research objectives, important benefit, research design and data analysis.

Chapter 4 consists of information that results from data analysis. It will be conclusion of current situation and future trend.

Chapter 5 contains industry analysis and recommendation uses for solving SMEs in Thai footwear industry.

Chapter 6 contains conclusion that summary about problem and solution of SMEs in Thai footwear industry.



CHAPTER II: LITERATURE REVIEW

2.1 OVERVIEW OF THAI FOOTWEAR INDUSTRY

2.1.1 Structure Of Thai Footwear Industry

Footwear industry is large industry that composes of so many small industries. First, upstream industry is cattle and/ or petrochemical industries. Second, intermediate industry is leathers or leatheroid industries. Last, downstream industry is footwear industry. Footwear industry system is shown in **Figure 2 -1**. All system is continuous processes because output of upstream industry is input (raw material) of intermediate industry and output of intermediate industry is input of downstream industry. Besides these industries, footwear industry is a source of many industries such as rubber, thread, chemical, adhesive and etc.

Footwear industry was established in Thailand a long time ago. But Thai Footwear Industries and Trade Association were established in 1977 that first named with 60 members for its establishment. In 1997, the committee has a consensus to rename the association as "Thai Footwear Association" or TFA. There are 300 participating members. According to TFA, it cooperates with Thai Tannery Industry and Thai Leather Industry to develop products and improve productivity as well.

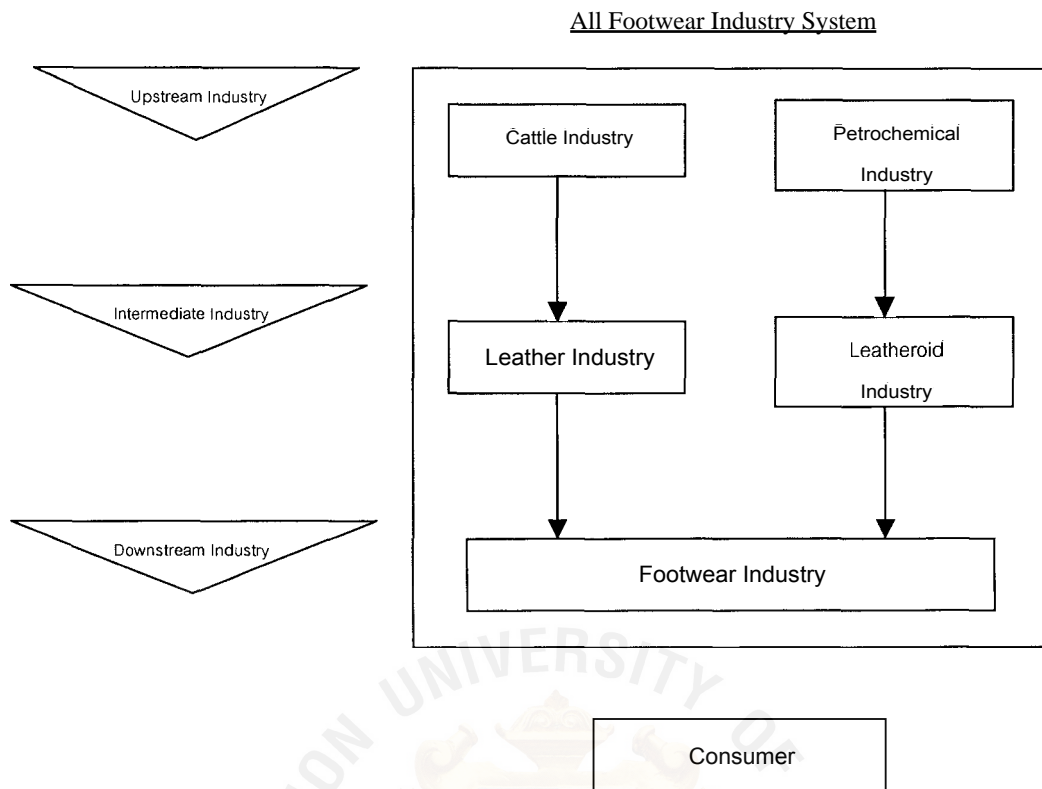


Figure 2-1: Footwear Industry Cycle

2.1.1.1 Cattle Industry

It is industrial to bring up animals in order to use their skin to make leathers. It is not so many kinds of animals that have efficient quality for using their skin to make leather. For example are buffalo, cow, crocodile, ray, snake, ostrich, kangaroo and so on. It has a few cattle in Thailand that feed for skin because it requires experience and know-how for feeding them.

2.1.1.2 Petrochemical industry

This industry synthesizes chemical material then transforms it to be polyvinyl-chloride (PVC) and/ or polyurethane (PU). PVC and PU are used for leatheroid industry later. This industry has a few manufacturers in Thailand because it has to use very high investment and advanced technology in production.

2.1.1.3 Leather Industry (Tannery)

It is an industry that transforms animal skin to be leathers. It has to tan animal skin by chemical then dye color. This industry has to use high investment and technology to produce quality leathers. It has a few manufacturers in Thailand and most of them are settled at Bangpoo Settlement Industrial in Samut-Prakarn Province.

2.1.1.4 Leatheroid Industry (PVC/ PU)

This industry is high capital investment because of high technology in production. For this industry, in Thailand has only 7 manufacturers which are Thai Vinyl Co., Ltd., Thai Asia Fiber Co., Ltd., Thai Wallpaper Co., Ltd., Thai Polycoating Co., Ltd., Thai Uritrane Co., Ltd, Charoen Sin CPL Group Co., Ltd. and Thai Nam Plastic Co., Ltd.

2.1.1.5 Footwear Industry

It is the upstream industry of footwear industry. It transforms leather and/ or leatheroid to be footwear products. This industry comprises of 5,000 manufacturers and more than 350,000 employees. It comprises of large companies, which have high volume capacity with their own brand name to export, to medium and small

companies that comprises of a few employers in their company. Most of them are around 85% to be SMEs. Total export value of footwear industry is around Baht 40,000 million per year and domestic sales are around Baht 30,000 million per year. So footwear industry is the important industry in Thailand.

2.1.2 STATUS OF THAI FOOTWEAR INDUSTRY

Thai footwear industry is divided into two major types; these are athletic shoes and leather/ sandal or other shoes. For athletic shoe, most of them are subcontractors with customer's brand name. For leather/ sandal or other shoes, they are handicraft products with and/ or without their brand name.

Thai footwear manufacturers have not yet any manufacturer who can do complete all footwear industry system from upstream to downstream industry. So it is composed of many manufacturers since small, medium and big manufacturers each produce products as following their skill. After that they are combined together to be shoes in order to sell to consumers later.

Footwear industry is one of important industry in term of total export value that it was around Baht 40,000 million and Baht 30,000 million for domestic sales in the year 2001. Footwear industry is always top ten of export industries.

Total export value has declined since 1997 because Thailand confronted with economic crisis. Total export value since 1997 to 1999, it was Baht 47,559.93, 38,358.60 and 32,394.40 million respectively (see Table 1-1). Fortunately, export

value was increased since 2000 as Baht 33,522.60 million and in 2001 as Baht 36,804.46 million and it is forecast that will increase 2 – 3 % in 2002.

Athletic shoes are the most export value in footwear industry (see **Table 2-1**), where the main export country is America. Athletic shoe dropped in 1999 for 25.52% from 1998 but increased in 2000 for 3.8% from 1999 and also increased for 11.25% from 2000. Most of manufacturers produce athletic shoes by subcontract from foreign companies because Thai labor is cheaper than other countries. But now, China and Vietnam labor cost are cheaper than Thai, so it is the serious problem because they may change to order athletic shoes from Thai to others countries instead.

Leather shoes increased in export market every year since 1996 till 2000 (see **Table 2-2**). According to Table 2-2, percent of increasing leather shoes with export value from 1997 to 2000 is 25.68%, 31.84%, 6.58% and 3.84% respectively. The main export market is still America (see **Table 2-3**)

Table 2-1: Athletic shoes and accessory export value

Source: Thai footwear association

Year	Athletic Shoes (฿ Million)	Other shoes and Accessory (฿ Million)
1998	22,800.90	15,557.70
1999	17,046.70	15,347.70
2000	17,704.20	15,818.40
2001	19,697.69	17,106.77

Table 2-2: Thai leathers shoe export value

Source: Department of Statistic Commerce

Year	Leathers shoe (฿. Million)
1996	3,885.50
1997	4,883.00
1998	6,438.00
1999	6,861.90
2000	7,125.70

Table 2 - 3: Top Ten of Thai Leather Shoe Export Market

Source: Department of Statistic Commerce

Country	Export Value (฿ Million)				
	1994	1995	1996	1997	1998
United State of America	672.8	688.1	1,508.5	2,110.4	1,044.1
Denmark	121.2	390.7	475.8	787.6	900.4
United State of Arab Emirate	499.5	381.6	584.3	713.4	388.1
Netherlands	45.2	56.3	71.3	259.3	175.0
United Kingdom	398.5	308.0	259.2	245.2	119.7
Belgium	108.9	148.4	106.6	75.5	21.7
Singapore	47.7	47.4	28.3	70.2	69.3
France	101.5	118.6	71.5	63.3	53.1
Hong Kong	66.1	41.6	42.1	48.9	27.9
Germany	392.0	230.8	201.8	78.8	86.5

2.1.3 ECONOMIC CONDITION OF THAI FOOTWEAR INDUSTRY

The year 1995 marked the record of highest Thai shoes export value to the world market for total value Baht 53,700 million with roughly 287 million pairs of shoes. In other words, the average price per pair was Baht 187.

But in the year 1999 marked diminishing the worst in shoes export ever since the beginning. After economic crisis, both of domestic and foreign markets dropped every year. The volumes of ordering were decreased in each order and range of each order was longer than before. The result of consumer's power was decreased, then number of shoes bought were decreasing, for example in the past, European bought shoes estimate 8 —9 pairs per month but now they bought only 4 – 5 pairs per month. It means that the volumes of required shoes are half decreased compared with the past. Fortunately, export value of Thailand is a little bit increased in the year 2000 and it is estimated increasing in 2001 for 2 - 3 % as well.

Footwear industry is radical competitive both of domestic and foreign market where the most vital competitor is China and others are Vietnam and India. Competitive advantages of our competitors are higher supporting industry from their government and lower labor cost than Thailand. In other words, most of Thai footwear manufacturers are SMEs so it is very difficult in cooperation with all of them for developing quality of products.

Footwear industry for domestic market is estimated at Baht 30, 000 million but it is a highly competitive and limited market. Nonetheless, this industry is quite attractive because of high requirement so it has high sale volumes as well. Domestic market is

high competitive from both of local and foreign competitors. The important foreign competitor in domestic market is China. Today, shoes are produced from China is penetrating in Thailand and they get around 50% of market share. Since their products is quite low price to be result of lower labor cost than Thai. Most of their product are athletic and fashion shoes that compete in low-end market but high volumes.

For foreign markets are the most important markets because almost of the domestic markets emphasize on medium to low price competition. Otherwise, Thai labor can produce high quality shoe with high price as well. So high —end foreign markets are the target markets. According to Table 2-4, export value of footwear is raised 2 —3 percent every year since Thailand economic crisis. The highest export value is athletic shoes and leather shoes is second one. According to Table 2-4, export value of leather shoes is increasing every year so it is very interesting.

Table 2-4: Thai Shoe and Accessory Export Value and Volume

Source: Department of Commerce (Value: ₪ Million)

Type of Shoes	1994	1995	1996	1997	1998	1999	2000
Rubber & PVC	12,156.4	22,769.0	6,827.7	6,550.0	1,921.1	1,630.1	1,810.0
Athletic	18,234.4	20,383.2	21,743.0	16,525.0	22,800.9	17,046.7	17,704.2
Sandal	2,781.2	4,953.0	4,500.9	4,781.1	2,797.1	3,660.3	2,922.6
Leather	3,321.7	3,054.1	3,885.0	4,599.4	6,438.0	6,861.9	7,125.7
Others	871.2	887.6	667.1	786.0	896.3	1,044.2	1,839.1
Accessory	1,895.4	1,731.2	2,065.4	2,331.8	3,505.2	2,662.4	2,121.1
Total	39,260.3	53,778.1	33,547.1	35,573.3	38,358.7	32,905.6	33,522.7

In addition, Thai footwear industry needs to have supporting and continuing industry. All in all, we are still far behind in upscale, high quality shoes manufacturing. Not to mention available raw materials, which are scarce due to less suppliers. We are also short of better machinery for making better shoes. But most importantly is education, not only craftsmanship and know-how that are shortage everywhere but we need to re-educate even managerial level as well.

For several past decades, Thailand exported mainly to the U.S., Japan, and European countries. Since 1995, this trend has been changed surprisingly, when ASEAN countries become dominating, Thailand's highest export value was approximately Baht 280 billion. Where U.S. ranked the second of total is Baht 250 billion. Japan is Baht 236 billion and European country are Baht 212 billion consecutively. Nonetheless, the forecast in the future still put forward to ASEAN (Estimated by Thailand Department of Commerce).

The ASEAN market is spacious for Thai business to pursuits, meanwhile competition is also high. Especially Indonesia, Philippines and Vietnam, they have high range capability to rival with Thailand. And now, Burma, Cambodia and Laos join the AFTA, which mean they have better chance to push lower labor cost merchandises to Thai market freely too.

2.1.4 EFFECTIVENESS OF ECONOMIC GROUPS TO THAI FOOTWEAR INDUSTRY

For a decade long shoes export value has been ranking onto top ten of Thailand's total export in all industries. However, what would be like in the promising future, when globalization is taking its course to a new era of one global village where regional free trade zone agreements, every part of the word, being effective?

Such consequences would affect Thai footwear industry more or less, better or worse, depending on how well you will be prepared for. You have got to build up continuing and supporting industries to implement strategic industries, unless shoes industry is not considered the one. To strengthen our competitiveness, we may have better educated human resource and dependable technology.

2.1.4.1 The World Trade Organization (WTO)

The WTO is an international body of voluntarily participating countries that deals with rules of trade between nations. It operates around a series of agreements, signed by the bulk of the world's trading nations, providing legal ground rules for international trade. Their goal is to help producers of goods and services, exporters and importers conduct their business. The main purposes of the WTO are to help trade flow as freely as possible, serve as a forum for trade negotiations, and to provide dispute resolution

2.1.4.2 Association Of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA)

AFTA involves the removal of obstacles to freer trade among member states. This includes the abolition of high tariffs or taxes on traded goods and the scrapping of quantitative restrictions (QR's) and other non-tariff barriers (NTB's) that limit the entry of imports.

There are ten (10) ASEAN member countries. The six original members are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The other members are Vietnam (1995), Laos and Myanmar (1997), and Cambodia (1999).

AFTA is one of those where Thailand has committed to the agreement for none or lowest tax and tariff in the very near future. Although its geographical and cultural closeness bring both cooperation and partnership to rival the rest of the world, they are also rivalry themselves.

Effective on January 1st 1998, the first 15 group of merchandises in the fast track agenda which originally taxed between 20% or lower will be down to 0 – 5 % immediately. And for those originally taxed over 20% will be down to 0-5% as well by Jan 1st., 2000.

Fortunately, leather and rubber products are in fast track groups of tariff items. Consequently products with tariff rates above 20% had their rates reduced to 0-5% by January 1, 2000. Products with tariff rates at or below 20% had their rates reduced to 0-5% by January 1, 1998.

2.1.4.3 Asia Pacific Economic Cooperation (APEC)

Today, APEC has 21 members, including all the major economies of the region and the most dynamic, fastest growing economies in the world. APEC members have a combined Gross Domestic Product of over \$16 trillion and carry out 42% of world trade. Over the past decade, APEC has become the primary vehicle in the region to promote open trade and economic cooperation. APEC's role has grown in recent years in both depth and scope and now encompasses trade liberalization, business facilitation, economic and technical cooperation, youth and women.

2.1.4.4 ASIA – EUROPE Meeting (ASEM)

The first Asia-Europe Meeting (ASEM 1), held in Bangkok in March 1996, established a new forum for countries in the two regions to step up cooperation in the economic, political and cultural fields. The participants have already put in hand a number of initiatives resulting from the meeting. ASEM 2, which will be held in London from 3-4 April 1998, will review progress and set ASEM's course towards ASEM 3, in Seoul in 2000, and beyond.

ASEM gives the key role to Small and Medium Enterprises (SMEs), SMEs actively involved in business between the two regions. This is a major task and it needs a wide range of policy instruments. These include much improved dissemination of information about business opportunities, better access to trade finance and venture capital, and help with identifying potential business partners. Small Business Centers

have been established in many capitals to support SMEs and help them to work out appropriate strategies. We would like to see this network enlarged. Another imaginative initiative, which has been launched during our present Conference, is ASEM Connect, an electronic network to increase the amount of information about business opportunities available to SMEs in Asia via the Internet.

2.1.4.5 GATT

The system's overriding purpose is to help trade flow as freely as possible - so long as there are no undesirable side effects. That partly means removing obstacles, ensuring that individuals, companies and governments know what the trade rules are around the world, and providing them with legal assurance regarding their international commercial transactions.

According to the GATT/WTO philosophy, the international trading system is based on five principles or main orientations, which run throughout all agreements.

- Trade without discrimination between trading, or between national and foreign goods, services or nationals
- Freer trade, with barriers progressively coming down through negotiation.
- Predictable policies ensured by increasing binding act that Member States have taken commitments.
- Promotion of open and fair competition by discouraging "unfair" practices such as export subsidies and dumping products at below cost to gain market share.

- Special provisions for developing countries, giving them more time to adjust, greater flexibility, and special privileges.

2.1.5 TECHNOLOGY IN THAI FOOTWEAR INDUSTRY

Technology in footwear industry is divided into two parts:

2.1.5.1 Technology in Production

In footwear industry, technology in production is very important because they have to use so many machines and equipments in production line not only in large manufactures use modern machines, but also in small manufacturer as well.

There are some machines that are used in footwear industry as follows:

1. **CRISPIN CAD/ CAM Systems** are system that is used in order to design shoe model in different sizes and styles before it is produced. Designing help to calculate cost of shoe and prepare raw material and other accessories for production. Most of them are used in athletic shoe' designing because cost of this system is quite high.
2. **Tan Machine** is used for tanning leather but footwear manufacturers don not have it because of high cost. Most of them preferred more to buy tan leather from tannery than do it by themselves.

3. **Skiving Machine** is used to peel off leather to make it easy to apply adhesive and fold edge. It will make more consistency than human using knife in cutting it.
4. **Cutting Machine** is used in cutting big leather to be the smaller one in order to use cutting leather for doing in next processing latter.
5. **Clicking Machine** is used in cutting upper and sole to be in the same model but we can cut in the different sizes with a lot of pieces at the same time.
6. **Drilling Machine** is used to drill eyelet on leather in order to do some purpose such as putting eyeleting into it and etc.
7. **Applying Adhesive Machine** is machine that is used to enclose between two things together such as apply adhesive on upper and sole in order to temporarily enclose then sewing it.
8. **Sewing Machine**, it has so many types of sewing machine, each types of them have different proposes. But all of them are used to sew in so many steps in production lines such as sewing upper and sole together with and so on.
9. **Edge Machine** is used to fold edge of shoe after upper and sole is sewn together with and then prepared for welt sewing.

10. Attaching Machine is machine that attaches upper, sole and heel together to be a shoe after that drive a nail into it.

11. Sealing Machine is used to seal logo on leather in order to reveal logo of shoes.

12. Spraying Machine is machine that use before last step, it is used to spray color on each shoe before polishing it to be bright.

13. Brilliance Machine is used to polish leather in brilliance before it is packed into package.

The over all of footwear industry, Most of SMEs use both of human labor and machine in production line. But for large factories, almost of production line is controlled by machine. Because machines can produce large product volumes, more consistently and quickly than human labors. Please see in Table 2 – 5.

There are the key machines in footwear industry but it has so many different types in detail that is up to production line. Normally, number of machine in small factories composed of 1 to 2 machines but it is 5 – 8 machines in medium and large factories. For useful life of machines is estimated 6- 8 years. Please see in Table 2 – 6.

Source of most of machines in footwear industry in Thailand is more than 60% and there are new machines more than 70%. Please see in Table 2 – 7.

The overview of footwear industry, medium and big factories has more modern machine than small factories, it means that they use more machines in production line. When machines are compared with other countries, Thailand has less modern machines than others as well. Please see in Table 2 – 8.

Nowadays, Thai footwear industry use machine in production line instead of human labor in the part that machine can do, and results of machine are consistent, fast and high volumes. But it has some problem that occurs from using new machines. The problems are

- Rare in buying machine
 - High price of new machine
 - Lack of know-how in new machine
- Lack and high of spare parts

Anyway, new machine has also problem both in production and management but it is worth more than nothing.

Table 2 – 5: Production Process in Footwear Industry

Source: Advance Group Co., Ltd.

Processing Production	Assets < 10 Million (%)	Assets > 10 Million (%)
Only Craftsmen	3.92	-
Craftsmen and Machine Controllable	88.24	66.67
Almost of Machine Controllable	7.84	33.33

Total	100	100
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Table 2-6: Number of machines, useful life of footwear industry

Source: Advance Group Co., Ltd.

Machine	Number of Machine			Useful Life		
	Assets < a 10 M. (Mean)	Assets > a 10 M (Mean).	Total (Mean)	Assets < a 10 M. (Mean)	Assets > a 10 M. (Mean)	Total (Mean)
Skiving Machine	1	6	3	7.92	6.92	7.44
Perforation Machine	2	11	6	8.58	10.17	9.34
Drilling Machine	-	2	2	-	6.00	6.00
Tan Machine	1	5	2	8.57	9.00	8.67
Cutting Machine	2	6	4	5.26	7.30	6.88
Brilliance Machine	3	12	6	10.00	4.50	7.80
Sewing Machine	6	90	33	7.56	9.26	8.16
Edge Machine	2	6	4	6.00	6.50	6.29
Applying Adhesive Machine	1	8	4	6.60	8.50	7,44
Sealing Machine	1	3	2	6.00	6.67	6.31
Attaching Machine	4	17	12	7.50	8.56	8.23
Spraying Machine	2	2	2	10.00	7.75	8.50
Others	2	13	9	8.71	8.48	8.56

Table 2-7: Source of machine and type of buying machine

Source: Advance Group. Co., Ltd.

Machine	Source of Machine (%)				Types of Machine on Buying Date (%)			
	Thailand	Foreign	Both	Total	Thailand	Foreign	Both	Total
Skiving Machine	6.04	5.16	-	5.481	6.178	5.586	2.239	5.534
Clicking Machine	13.96	22.18	15.38	17.661	21.123	117.346	5.654	17.974
Drilling Machine	-	0.46	-	0.203	-	0.294	-	0.209
Tan Machine	3.77	3.71	-	3.654	-	2.646	-	1.881
Cutting Machine	8.30	19.42	38.31	14.007	9.067	16.464	4.878	14.103
Brilliance Machine	0.03	0.92	-	1.015	-	1.47	2.293	1.254
Sewing Machine	47.93	27.7	23.07	38.57	45.189	34.438	74.17	39.708
Edge Machine	1.51	1.48	-	1.421	1.063	1.764	-	1.463
Applying Adhesive Machine	3.40	1.94	-	2.233	-	3.234	-	2.299
Sealing Machine	3.40	1.94	-	2.639	4.152	2.646	-	2.717
Attaching Machine	3.02	1.94	7.69	2.639	1.063	3.528	-	2.717
Spraying Machine	1.13	1.48	-	1.218	3.089	0.882	-	1.344
Others	8.27	11.60	15.38	9.219	9.067	9.702	2.439	8.887

Table 2-8: Comparison of modern machine with other Countries

Source: Advanced Group Co., Ltd.

Compare with others	Assets < 010 Million	Assets > 10 Million
Countries	(%)	(%)
Out of Date	76.47	67.86
Equal	17.65	25.00
Modern	1.96	3.57

2.1.5.2 Information Technology in Management

Information technology is also growing rapidly, so the organizational impacts keep increasing. As a result, the manner in which business is managed changes too. So, it results to footwear industry to apply information technology in management as well.

Table 2 – 9: Information Technology in Management

Source: Advance Group Co., Ltd.

Information	Assets < s 10 Million	Asset > 10 Million	Total
Technology	(%)	(%)	(%)
Yes	13.73	93.94	43.00
No	86.27	6.06	57.00
Total	100.00	100,00	100.00

According to Table 2 – 9, most of footwear industry uses Information Technology in managing organization with many divisions as shows in Table 2 – 10. Also large companies use Information Technology in management much more than small and SMEs. In the future, it is a trend to use information technology increasingly.

Table 2 – 10: Information Technology Help in Business Management

Source: Advance Research Group Co., Ltd.

Information Technology	Assets < 8 10 Million (%)	Asset > 8 10 Million (%)	Total (%)
Production	37.5	20.83	22.12
Marketing	-	20.83	19.23
Accounting	-	19.79	18.27
Human Resource	12.5	20.83	20.19
General Management	50	15.63	18.27
Others	-	2.09	1.92
Total	100.00	100.00	100/00

Information technology is important not only in its supporting role, but also for its potential impact on people, organizational structure, organizational strategy, and business and management processes.

Information Technology is applied to footwear industry in many parts as follows:

1. **Production.** Information technology is used to increase productivity and quality. A factory can improve productivity by increasing output, reducing costs, increasing output faster than cost, and so on. Then they also can improve quality by using TQM, JIT, MRP and etc.
2. **Sale and Marketing.** Information provides business intelligence by collecting and analyzing information about innovations, markets, competitors, and environmental changes. Such information provides strategic advantage because, if a company knows something important before its competitors, or if it can make the correct interpretation of the information before its competitors, then it can introduce changes first and benefit from them.
3. **Finance.** Finance is the difficult job and required very high reliability. So information technology helps financial management make quicker and better decisions because system is also much more reliable, and internal and external auditing is easier.
4. **Human Resource.** Human resource uses information technology in many task such as collect database of all employees, salary system and so on. Information technology makes human resource doing job quicker in such routine work and others.
5. **General Management.** It can help in improving decision-making. Appropriate decision making attempts to select the best, or at least a good enough, alternative course of action.

Some problems occur with information technology in footwear industry such as lack of expertise and high investment, which we will find the solution in section later.

2.1.6 THE ROLES OF GOVERNMENT, PRIVATE CORPORATION/ ASSOCIATION

2.1.6.1 THE ROLES OF GOVERNMENT

2.1.6.1.1 Ministry of Education

Institute of education play the important role in teaching and providing labor skills and expertise in order to improve the quality and skills in technology and footwear products to market. In addition, institution tries to research and develop footwear products for competing with global competitors.

Bangkok Art and Industry College is the institute of education that teaches about footwear products in order to support Thai footwear industry. Now, this institute is developing shoe-designing software in order to reduce cost of buying software from foreign countries.

2.1.6.1.2 Ministry of Commerce

Leather Commerce Division is the unit in Department of Foreign Trade. Their work is analysis status of foreign trade and competitors. Then coordinate activity in

exchange information with alliance business countries and related departments. And also, they study, analysis, assess and report leather export situation.

2.1.6.1.3 Ministry of Industry

Footwear Industry Part is the unit of General Industry Developing Office in Department of Promote Industry. Their duty is responsibility in education and analysis technology in economic footwear industry. In addition, they have to research and study in appropriate technology with footwear industry. And they must disseminate new technology, information into producers. They are consultant and adviser in improving production technology, productivity and quality to be the standardization.

2.1.6.2 THE ROLES OF PRIVATE CORPORATION

2.1.6.2.1 Thai Footwear Association

Thai footwear Association has put such a great effort in both creating and assisting cooperation among Thai footwear manufacturers, as well as the rapid evolution within this industry. The association's continual cooperation with the Government sector in the development of quality standard and design has also much effected on the reliability of our products within are well recognized in both domestic and foreign markets, especially in our major export markets such as the U.S.A., the European

Community and the ASEAN countries where a tremendous export opportunity is lying ahead.

2.1.6.2.2 Thai Leather Association

Thai Leather Association has contributed greatly to the local leather industry in all kinds of business related such as shoes and bag, as well as the country's export industry as a whole. It has helped promote and support the development of not only large manufacturers but also small and medium enterprises so crucial to the country's development.



2.2 SMALL AND MEDIUM ENTERPRISES (SMEs) WITH THAI FOOTWEAR INDUSTRY

Small and medium enterprises (or SME) is the business in the small and medium size that was driven from a unique skill product using a local raw material that is flexible and feasible to the local people's way of life and the world market demand. The product or service must not rely on the large manufacturers or business to supply the resources but provide a high international standard, which is will generate income from outside Thailand with minimal initial investment. The mentioned business covers many industries which include manufacturing, agriculture and service, which embedded in the skill of local, people in the cities and urban where they dwell in or close to the business establishment. Thus, the business will generate income to its natives and bring the modernization and globalization to the region, which will be a shock absorber to the fluctuation of the future economy.

A survey conducted by the National Bank of Thailand found out that in 1988, the total number of shoe manufacturers (both licensed and non-licensed) was 2,000 cases. Ninety percent of those were small makers who produced to serve local market mainly or took order from larger manufacturers under subcontracting.

Until 1995, there were 3,000 estimated small-scale shoes factories in Thailand with more than 100,000 work forces employed.

In 1996, the overall export situation in all industries underwent a serious decline. Although the estimated figure of the total export value was reported to have increased by 0.95% from previous year, this was considered the lowest growth rate in the decade. Some small-scale factories have gone out of their business including some

level of middle and large scale. The causes were partly attributed to the problem of our fundamental structural-productivity.

By the year 2000, there were more than 5,000-estimated footwear factories, which 80% of them is small shoes factories, with more than 350,000 work forces employed. According to SME is most of shoe factories in Thailand, so SME has important role in Thai footwear industry. Otherwise, it is the cause of problems and obstructs to this business as follows:

1. **Lack of money source.** Because most of them are SME the small size business including hand made products do not comprise of many fixed asset and do not use the standard accounting, many of the financial institutions tend to disregard and do not grant any loans.
2. **No brand name.** Most of them take the order from customer like a subcontractor with his/ her brand name.
3. **Lack of knowledge.** Thai footwear industry mainly lack designer whose expertise is to respond to world market demand. Therefore, this company must rely heavily on the foreign designers. In addition, the bookkeeping, accounting and global marketing are among the problems most Thai SME encountered.
4. **Lack of government support.** In the past, Thai government realized that footwear industry is the industry that helps the nation's economy but have not seriously created a policy to support it.

5. **Low standardization.** SME is not standardization in production process so their products are low quality.
6. **Lack of capacity.** Although they got a large lot of order from customer they have no capacity to do it in time. So it is the cause of problem that they may lose that order as well.
7. **Cooperation.** Because Thai footwear industry has more than 3,000 factories, it is very difficult to get cooperation from all of them. Consequently, it is the problem of developing Thai footwear industry.
8. **High cost.** It has a few suppliers in Thailand so the price is quite high composing of high tax and tariff.

Nowadays, government began to pay more attention to Thai footwear industry that it will be mentioned in next section.

2.3 BRANDING

2.3.1 INTRODUCTION TO BRANDING

2.3.1.1 Definition

Branding has been around the market place for centuries as a means to distinguish the goods of one producer from those of another. According to the American Marketing Association a Brand is a name, term, sign symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitor. These different components of a brand are called Brand Elements of which comes in many different forms.

A Brand... is a product, but one that adds other dimension to differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible-related to product performance of the brand-or more symbolic, emotional and intangible-related to what the brand represents. (Keller, Kevin Lane, 1998)

Brands have a number of different types of association to link to the brand of which needs to be taken into account. In addition, there are also many different means to create those associations; hence the entire marketing program can contribute to consumer's understanding of the brand and how they value the brand, As according to John Murphy Interbrand (1990),

"Creating a successful brand entails blending all these various elements together in a unique way-the product or service has to be of high quality and appropriate to consumer needs, the brand name must be appealing and in tune with the consumer's perceptions of the product, the packaging, promotion, pricing and all other elements must similarly meet the tests of appropriateness, appeal, and differentiation,"

2.3.1.2 Why Branding Is Important

While branding as a set of activities has been around for a very long time, increasing attention has been given to the process in recent years because of the following main reasons;

- A tremendous amount of increasing commercial messages
Product and brand proliferation, consumers are exposed to many products offering nowadays than twenty years ago.
- Decreasing product differentiation. Although there are still many ways of making product or service better than another, the fact remains that the difference between the poor and the good alternative in most market sectors has narrowed significantly.

The economy of scale has moved away from manufacturing to communication, selling and distribution. As to create a brand for a small product will costs as much as it does for a big one (Nilson, 1998)

2.3.1.3 The Value Of Brand

Keller (1998) has generally highlighted several perspectives to uncover the value of brands to customers and firms.

Value To Consumers

Brands identify the source of a product and allow consumers to assign responsibility to particular manufacturer or distributor.

Risk reducer-Because of past experiences brand provides a shorthand device or means of simplification for consumer's product decisions.

- Search cost reducer-Brands allow consumers to lower search costs for products both in terms of how much they have to think and how much they have to look around.

Promise, bond or pact with maker of product-Consumers offer trust and loyalty with implicit understanding that the brand will behave in certain ways and provide them utility through consistent performance and appropriate pricing, promotion, and distribution programs.

Brand can serve as symbolic devices, allowing consumers to project their own self images

- Brands can also play an especially significant role in signaling certain products characteristics to consumers.

Value to Firms

- Fundamentally, brand serves as identification purpose to simplify product handling or tracing for the firms.
- A brand offers the firm legal protection for unique features or aspects of the product.
- Brands can signal a certain level of quality so that satisfied buyers can easily choose the product again
- Brands can endow a product with unique associations and meanings that differentiate it from other products.

Brands loyalty provides predictability and security of demand for the firm and also creates barriers of entry.

Branding can be seen as powerful means to secure competitive advantage, as it cannot be easily duplicated.

Brand is a source of financial return.

- Another aspect of the role of brand and its underlying value is that brand represents continuity, which is important in the sense of keeping customer relations.

As brand gives employees a sense of purpose, a brand that employees can be proud of and feel a sense of belonging to, can have considerable positive effect on the morale in a company. (Nilson, 1998)

2.3.1.4 Branding considerations

Brands clearly provide important benefits to both consumers and firm, however, the question is, How are brands created? Ultimately, a brand is something that resides in the minds of consumer, it is a perceptual entity, rooted in reality but also reflecting the perceptions of consumers. Hence to brand a product, it is necessary to teach consumers “Who” the product is- by name and identities as well as “What” the product does and “Why” consumers should care, with the underlying principle that consumers must perceive differences among brands in a product category.

2.3.1.5 Can Anything Be branded?

The universality of branding can be recognized by referring to different product applications.

- 1. Physical Goods:** Physical goods are traditionally associated with brands
- 2. Services:** Recently the level of sophistication in branding services has accelerated dramatically. Brand in this context may be especially important as it help to make the abstract nature of services more concrete.
- 3. Retailers and Distributors:** Retailers can create own brand images by attaching unique associations to the quality of their service, their product assortment and merchandising and pricing and credit policy.
- 4. People and organization:** People and organizations also can be viewed as brands. In this context the naming aspect of the brand has well-defined images understood and liked or disliked by others. By building up a name and

reputation in a business context, a person is essentially creating his or her own brand.

5. **Sport, Art, and Entertainment:** Marketing people and organizations as brands in the sports, art and entertainment industries is quite special. Brand symbols and logos have become an important financial contributor.
6. **Geographical locations:** Geographical locations can also be branded. The power of branding is making people aware of the location and then linking desirable associations.

2.3.2 CONCEPTS OF BRAND EQUITY

One of the most popular and potentially important Marketing concepts to arise in 1980s was the concept of brand equity, the concept has been defined in a number of different ways for a number of different purposes, however no common view point has emerged as to how brand equity should be conceptualized and measure.

Generally, brand equity is defined in terms of the marketing effects uniquely attributable to the brand. Despite this commonality the specific approaches to motivating and defining brand equity can vary greatly depending on the perspective and purpose adopted.

2.3.2.1 Aaker's Brand Equity Concept (1998)

"Brand equity is a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by product or service to a firm and/or that firm's customers. The major asset categories are 1) Brand name, 2) Brand

loyalty 3) Perceived quality 4) Brand associations and 5) Other proprietary brand assets."

According to Aaker (1998), Brand equity can create value for the customers as well as for the firm. As brand equity is a set of assets, and these assets provide various benefits and value as shown in Figure 2-2 thus, the management of brand equity involves investment to create and enhance these assets. Furthermore, for assets or liabilities to underly brand equity, they must be linked to the name and symbol of the brand.

2.3.2.1.1 Brand equity assets

- Brand Awareness

Awareness refers to the strength of a brand's presence in the consumer's mind. Awareness is measured ranging from recognition-familiarity gained from past exposure to recall-when the brand comes to consumer's minds when its product class is mentioned to top of mind-the first brand recalled and to dominant-the only brand recalled.

Perceived Quality

Perceived quality is often a major (if not the principal) strategic thrust of a business. The perceived quality position is often the defining point of

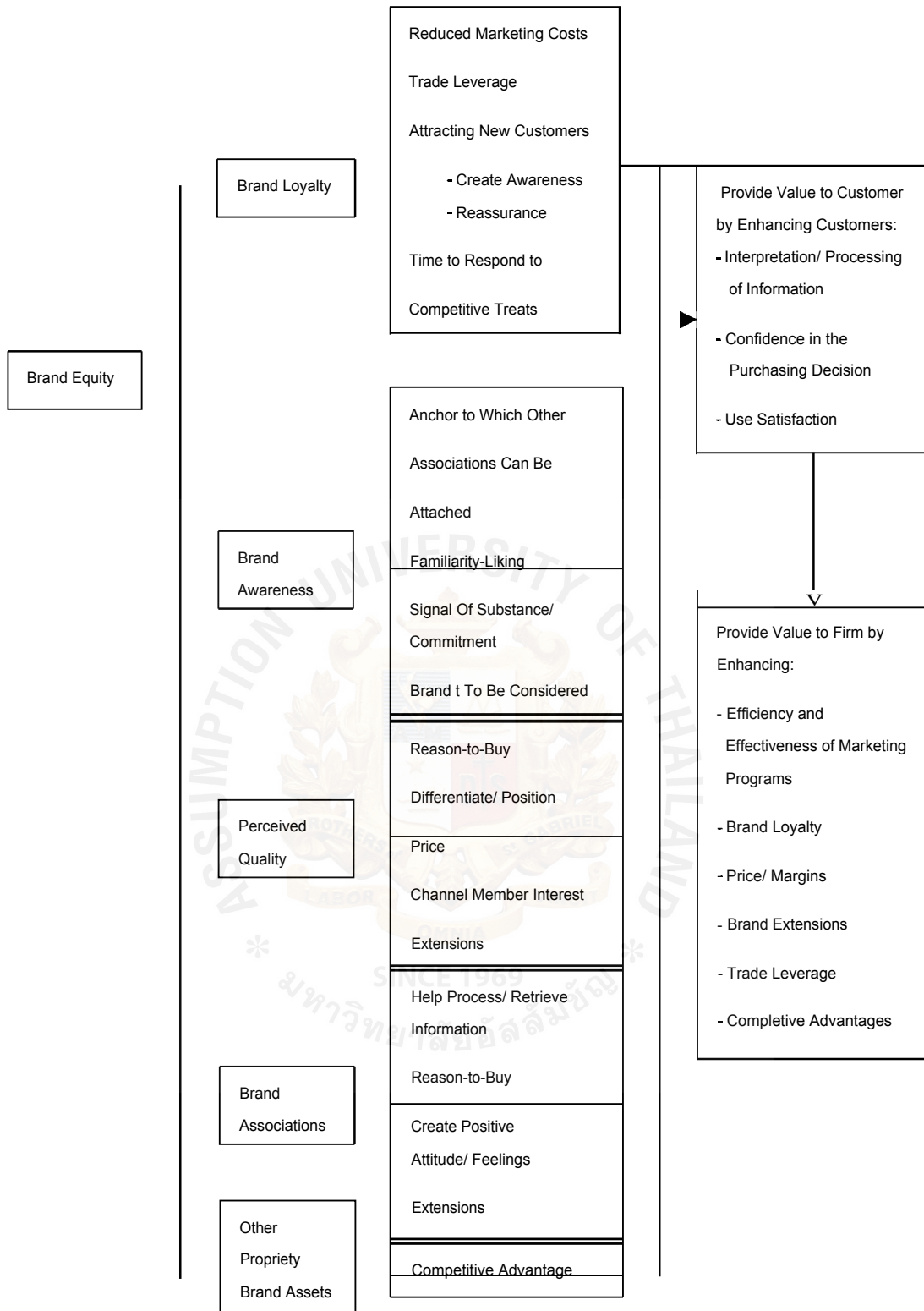


Figure 2-2: How Brand Equity Generates Value

Source: David A Aaker, Managing Brand Equity, 1991

differentiation. Further, perceived quality is usually at the heart of what customers are buying, thus it is a bottom line measure of the impact of a brand identity. Achieving perceptions of quality is usually impossible unless the quality claim has substance.

Brand Loyalty

The loyalty of customers represents a substantial entry barrier to competitors and saving marketing cost. Loyalty can be enhanced by developing or strengthening customer's relationship with the brand together with the contribution of brand awareness, perceived quality and an effective, clear brand identity.

Brand Associations

Brand equity is supported in great part by the associations that consumers make with a brand. These associations include product attributes, a celebrity spokesperson or a particular symbol.

2.3.2.1.2 Brand Identity

For Aaker, the concept for building brand equity lies in the heart of the understanding and development of well-conceived brand identity of which defined as

"...a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise

to customers from the organization members. Brand identity should help establish a relationship between the brand and the customer by generating a value proposition involving functional, emotional, or self-expressive benefits."

Brand identity provides a value proposition to customers or creditability to other brands where by the ultimate goal of the system is a strong brand-customer relationship. Brand identity consists of twelve dimensions organized around four perspectives (more details are shown in Figure 2-3)

Brand as product (product scope, product attributes, quality/value, uses, users, Country of origin)

Brand-as-organization (organizational attributes, local versus global)

Brand-as-person (brand personality, brand-customer relationships)

Brand-as-symbol (visual imagery/metaphors and brand heritage)

2.3.2.1.3 Value Proposition

"A brand's value proposition is a statement of the functional, emotional and self-expressive benefits delivered by the brand that provide value to the customers. An effective value proposition should lead to a brand-customer relationship and drive purchase decisions."

The concepts of functional, emotional and self-expressive benefits are explained as follows:

Functional Benefits-a benefit based on a product attribute that provides functional utility to customers. Functional benefits have direct links to customer decisions and use experiences.

Emotional Benefits-emotional benefits is created when the purchase or use of a brand gives customer positive feeling. Emotional benefits add richness and depth to the experience of owning and using the brand.

Self-Expressive Benefits-brands and products become symbols of a person's self-concept. The purchase and use of brands is one way to fulfill the need for self-expression.

According to Aaker, to build brand equity effectively, the bottom line is that unless the role of a brand is simply to support other brands by providing credibility, the brand identity needs to provide value proposition to the customers, which can lead to the emergence of strong brand customer relationship.

STRATEGY BRAND ANALYSIS		
Customer Analysis	Competitor Analysis	Self-Analysis
- Trends	- Brand Image/ Identify	- Existing Brand Image
- Motivation	- Strengths, Strategies	- Brand Heritage
- Unmet needs	- Vulnerabilities	- Strengths/ Capability
- Segmentation		- Organization Values

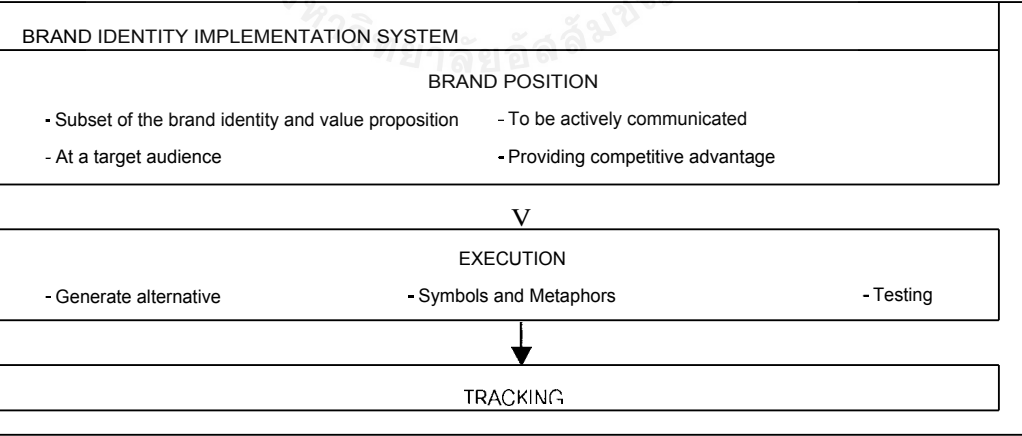
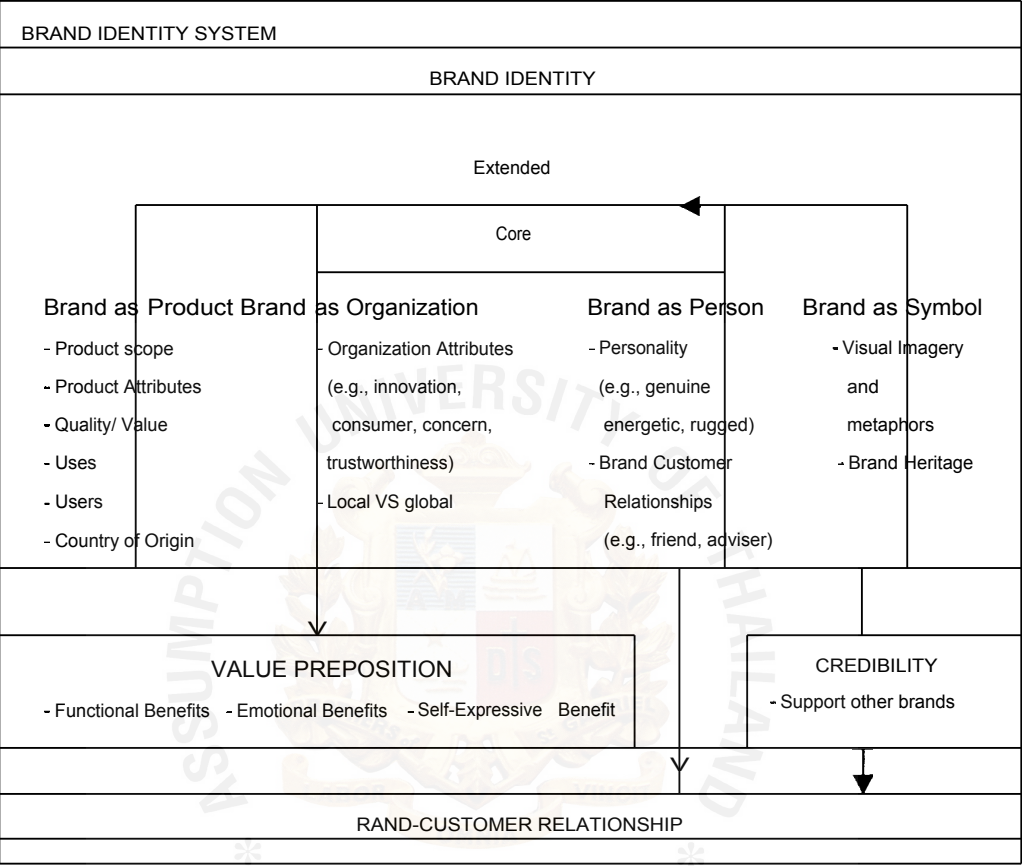


Figure 2-3: Brand Identity Planning Model

Source: David A. Aaker, “Building Strong Brand”, 1998

2.3.2.2 Customer-Based Brand Equity, Kevin Lane Keller, 1998

2.3.2.2.1 Definition

The rationale behind the framework of Customer-Based Brand Equity is to recognize the importance of the customer in the creation and management of brand equity.

Keller has defined Customer-Based Brand Equity as...

The differential effect that brand knowledge has on customer response to the marketing of the brand. A brand is said to have positive customer-based brand equity when customers react more favorably to a product and the way it is marketed when the brand is identified as compared to when it is not.

2.3.2.2.2 Brand Knowledge

From the perspective of this framework, Brand knowledge is the key to creating brand equity.

Brand Knowledge consists of a network of brand node in memory with a variety of different types of associations linked to it. Brand knowledge can be characterized in terms of two components:

Brand awareness

Brand awareness is related to the strength of the brand node or trace in the memory, as reflected by consumers' ability to identify the brand under

different conditions. Brand awareness consists of brand recognition-reflecting the ability of consumers to confirm prior exposure to the brand and brand recall-reflecting the ability of consumers to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type of probe as a cue.

- Brand image

Brand image is consumer perceptions of a brand as reflected by the brand associations held in consumers' memory, where brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers. Associations come in all forms and may reflect characteristics of the product or aspects independent of the product itself

2.3.2.2.3 Source of Brand Equity

Successfully building brand equity is a critical task, as consumers must be convinced that there are meaningful differences among brands. Customer-based brand equity occurs when the consumer has a high level of **awareness** and **familiarity** with the brand and holds some strong, favorable, and unique brand associations in memory.

Thus, establishing **brand awareness** and a **positive brand image** in consumer memory, in terms of strong, favorable, and unique brand associations, produces the knowledge structure and serves as important sources of creating brand equity.

Creating Awareness

Brand awareness is created by increasing the familiarity of the brand through repeated exposure (for brand recognition) and strong associations with the appropriate product category or other relevant purchase or consumption cues (for brand recall).

To increase awareness, there are two general guidelines which are, firstly, it is important to visually and verbally reinforce the brand name with a full complement of reinforcing brand elements, for instance, to develop a slogan or the use of logos, symbols, character, and packaging. Secondly, it is important to creatively pair the brand with its corresponding category or other appropriate cues through a wide range of communication options.

Creating positive Brand Image

A positive brand image is created by marketing programs that link strong, favorable and unique associations to the brand in memory, by which these three critical dimensions of brand associations are determined by the following factors:

- 1. Strength** The strength of a brand association is a function of both the amount or quantity of processing that information initially receives and the nature of that processing, The more deeply a person thinks about product information and relates it to the existing brand knowledge, the stronger are the resulting brand associations.

2. **Favorability** Favorable associations for a brand are those associations that are desirable to customers and are successfully delivered by the product and conveyed by the supporting marketing program for the brand.
3. **Uniqueness.** It is important to associate unique, meaningful points of difference to the brand to provide a competitive advantage and a reason why consumers should buy it.

2.3.2.2.4 Outcomes to Brand Equity

According to the customer-based brand equity concept, Keller states that when a positive brand image is created, a number of benefits for the brand may be realized, as follows:

- Greater customer loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to marketing crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Greater trade cooperation and support
- Increased marketing communication effectiveness
- Possible licensing opportunities
- Additional brand extension opportunities

2.3.3 BRAND POSITIONING

When an identity is in place and a value proposition is specified, implementation begins with the brand positioning.

"Brand position is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands."(Aaker, 1998)

2.3.3.1 The characteristics of a Brand Position (Aaker, 1998)

1. Brand position is a part of the Identity/Value proposition: The right elements of the identity should be included in the brand position by looking into its **Core Identity** along with exploring for points of leverage within other parts of the identity structure.
2. The Brand position should target a specific audience.
3. Brand position should be actively communicated: There should be specific communication objectives focused on changing or strengthening the brand image or brand-customer relationship along with appropriate measurement.
4. Brand position should demonstrate an advantage over competitors. The bottom line is that the position should specify a point of superiority not only today, but for the future as well.

2.3.3.2 Factors for successful positioning

Further to Aaker's characteristic of a brand positioning, Lynn Upshaw also suggests that brand positioning is the process the continuously encourages and persuades customers to begin

Thinking of the brand in a particular way. To accomplish as such, there are some important factors contributing to successful positioning campaigns. (Lynn B. Upshaw, 1995)

- The positioning should be correctly and clearly targeted, although not necessarily explicitly, to the right audience.

The position must promise relevant benefits to customers' needs.

The promises are backed up with persuasive support-a compelling benefit is supported with persuasive reasons to believe.

- The positioning should serve as an integrated base with a compelling strategic personality.

There should be a credible brand fit between the positioning and the product. The positioning communication should be appropriate to the nature of the product or service.

- The positioning needs to be supported by sufficient marketing spending.

2.3.4 BUILDING BRAND EQUITY

In order to reap the benefits from brands, it is important to know how to build, measure, and manage brand equity. Building brand equity requires creating a brand that consumers are aware of and with which consumers have strong,

favorable, and unique brand associations. In general, this knowledge building will depend on three factors:

1. The initial choices for the brand elements or identities making up the brand
2. The supporting marketing program and the manner by which the brand is integrated into it
3. Other associations indirectly transferred to the brand by linking it to some other entity; for example, company, country of origin or channel of distribution. (Keller, 1998)

2.3.4.1 Choosing Brand Elements

A brand element is visual or verbal information that serves to identify and differentiate a product, which are brand names, logos, symbols, and slogans. The proper brand elements can enhance awareness information of positive brand image. In choosing and designing brand elements, there are five criteria that can be used as follows:

1. Memorability
2. Meaningfulness
3. Transferability
4. Adaptability
5. Protectability

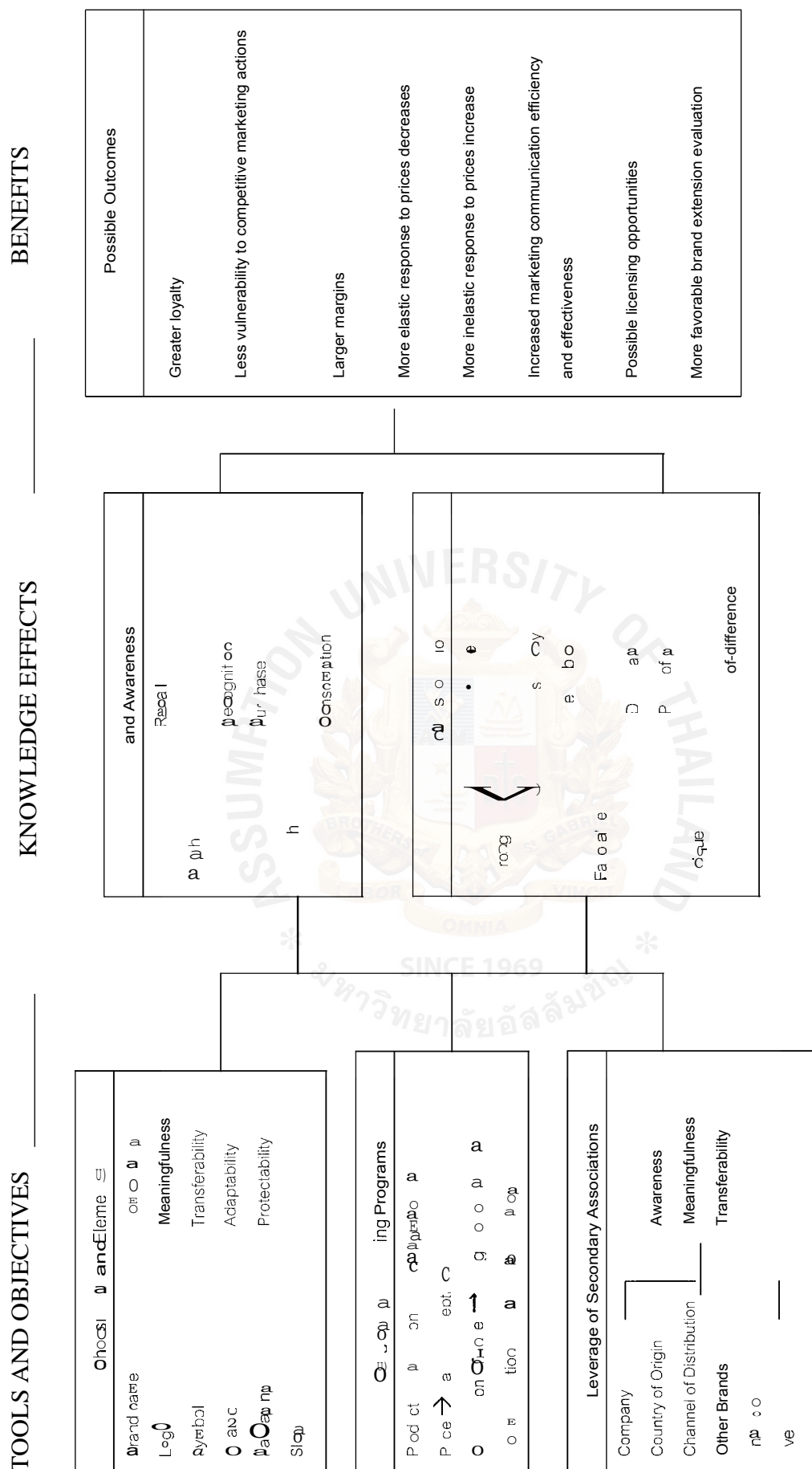


Figure 2-4: Building Customer-Based Brand Equity

The primary input of brand equity comes from the marketing activities related to the brand. Strong, favorable, and unique brand associations can be created by marketing programs through marketing mix.

2.3.4.2 Developing Marketing Program

2.3.4.2.1 Product Strategy

The product itself is at the heart of brand equity, as it is the primary influence of what consumers experience with a brand, hence designing and delivering a product that fully satisfies consumer needs and wants is a prerequisite for successful marketing.

Perceived quality of the product is a particularly important brand association that often drives consumer decisions. However, achieving a satisfactory level of perceived quality has become more difficult as continual product improvement over the years have heightened consumer expectations of product quality. (Stratford Sherman, How to prosper in the value decade, Fortune, 1992)

2.3.4.2.2 Price Strategy

The pricing policy for the brand often created strong associations in consumers' minds to the relevant price tier or level for the brand in the category. Consumers will also often have associations to perceive value-the tradeoff between price and quality-that will be an important factor in their decisions.

2.3.4.2.3 Channel Strategy

Channel can be broadly classified into direct and indirect channels. Direct channels involve selling through personal contacts from company to customers. Indirect channels involve selling through third-party intermediaries such as agents, wholesalers or distributors. From a branding standpoint, there are three important channel considerations:

- First, consumers often have mental associations to retail stores or chains on the basis of product assortment, pricing and credit policy and quality of service, which make up the store image and link to its product.
- Second, retailers and other channel members can affect brand equity of the product they sell through prominent display or mention the brand, or provide information to reinforce and strengthen brand associations. Therefore manufacturers must carefully blend "Push" and "Pull" strategies accompanying with other channel supports, such as marketing partnership or cooperative advertising.
- Third, to gain greater control and build stronger relationships with customers manufacturers may need to introduce their own retail outlets as well as market directly to customers.

2.3.4.2.4 Communication Strategies

Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the brands that they sell. Its role is to establish the brand in memory and linking strong, favorable and unique associations to it. In addition to forming the desired brand knowledge structures, communication programs can also provide incentives that elicit the differential responses that make up customer-based brand equity.

There are numbers of different marketing communication options existing to assist and contribute to effective brand equity building. Regardless of which options are chosen, the entire marketing program should be coordinated through appropriate mix and match to create a consistent and cohesive brand image, such that brand associations share content and meaning. In addition, the key to successful communication here is to define the proper positioning to maximize brand equity and creatively convey the desired positioning

Communication Options

Advertising - Advertising is a powerful means of creating strong, favorable and unique brand association, however, its specific effects are often difficult to quantify and predict. Moreover, the designing advertising is complex since it involves different advertising media that employ different strength.

- Promotions - Promotions can be in forms of sales promotion, trade promotion as well as customer promotions. Apart from conveying a sense of urgency to consumers, carefully designed promotions can build brand equity through information conveyed or actual product experience that helps to create strong, favorable, and unique associations. On the other hand promotion, especially sales promotion can decrease brand loyalty and decrease quality perceptions.

Event marketing and Sponsorship - Event marketing is a public sponsorship of events or activities related to sports, art, entertainment, or social causes. The involvement with events can broaden and deepen the relationship of the sponsor with their target markets, There are underlying advantages as follows:

- Identify with a particular target market or life style.
- Increase awareness of company or product name
- Create or reinforce consumer perceptions of key associations
- Enhance corporate image dimensions
- Express commitment to the community or on social issues.
- Entertain key clients or reward key employees
- Permit merchandising or promotional opportunities

Despite these potential advantages, the disadvantage can be in terms of success is unpredictable and out of control.

Public Relations and Publicity - relates to a variety of programs and is designed to promote and / or protect a company's image or individual products. Publicity involves press release, media interviews, press conferences, articles, newsletters and so on. Public relations may involve annual reports, fund-raising and membership, special event management and public affairs.

2.3.4.3 Leveraging Secondary Associations

Secondary associations are associations of other entity that are linked to the brand which can be leveraged to create strong, favorable, and unique brand associations that otherwise may be lacking. It may also lead to a transfer of more specific associations related to attributes or benefits of the brand.

There are eight different means by which secondary associations can be created by linking the brand to.

1. Companies (e.g. through branding strategies) as a corporate brand may evoke associations of common product attributes, benefits, or attitude and corporate credibility.
2. Countries or other geographical areas (e.g. through identification of product origin) as many countries have become known for expertise in certain product categories or for conveying a particular type of image. Besides the favorable effect in foreign market, a country of origin association is also favorable for domestic market perspective. In domestic

market, country-of-origin may stir consumers' patriotic notions as it can be viewed as symbolic of their own cultural heritage.

3. Channel of distribution (e.g. through channel strategy) as distributors can indirectly affect brand equity through the image transfer process.
4. Other brands (e.g. through co-branding or brand bundling or brand alliances)
5. Characters (e.g. through licensing) licensing involves contractual arrangements whereby firms can use the names, logos, characters, and other facets of other brands to market their own brands for some fixed fee.
6. Spokespeople (e.g., through endorsements) The rationale is that famous person or celebrity can draw attention to a brand, as well as shape the perceptions of the brand by virtue of the inferences.
7. Events (e.g. through sponsorship)
8. Other third-party sources (e.g. through awards or reviews)

2.3.5 MEASURING BRAND EQUITY

Brand equity can be measured by various method, this research explores a few method in relating to the brand equity concept of both Aaker and Keller's Customer-based brand equity.

According to Keller, based on the definition of customer-based brand equity, there are two basic complementary approaches to measuring brand equity.

2.3.5.1 Measuring Sources of Brand Equity

This is an indirect approach that attempts to measure the potential sources of brand equity, which involves profiling consumer knowledge structures in terms of breadth and depth of awareness and strength, favorability, and uniqueness of brand association. Brand awareness can be assessed through a variety of qualitative and quantitative techniques.

Qualitative techniques-Qualitative research is relatively unstructured measurement approaches. These measures are useful to identify the range of possible associations to a brand and their characteristics in terms of strength, favorability, and uniqueness. An example of this research type is Free association-Consumers are asked what comes to mind when they think of the brand.

Quantitative techniques-Quantitative measures of brand knowledge can be employed to better assess the depth and breadth of brand awareness and the strength, favorability, and uniqueness of the brand associations.

2.3.5.2 Measuring Outcome of Brand Equity

Measuring Outcome of Brand Equity is a direct that attempts to assess the impact of brand knowledge on consumer response to different elements of the marketing program.

Comparative methods-involve experiments that examine consumer attitudes and behaviors towards a brand and its marketing activity

Brand-bases comparative approaches-involve experiments of two groups of customers respond to the brand related marketing program in comparing with those of competitors.

Market-based comparative approaches-involve experiment of two groups of customers respond to changes in marketing program for target brand and competitive brand.

Holistic methods-attempts to place an overall value for the brand in either abstract utility terms or concrete financial terms.

2.3.5.3 Brand Audit

Brand audit is a brand equity measurement system that involves activities to assess the health of the brand, uncover its sources of equity, and suggest ways to improve and leverage that equity. Specifically, the brand audit consists of three activities:

1. Brand inventory. To provide a complete, up-to-date profile of how all the products and services sold are marketed and branded. The relevant brand elements must be defined as well as the supporting marketing program.
2. Brand exploratory. The research activity designed to identify potential sources of brand equity information as to what consumers think of and feel about the brand.
3. Brand positioning. Brand positioning analysis reviews information to determine the desired brand awareness and brand image.

2.3.5.4 Brand Tracking Studies

Brand tracking studies involve information collected from consumers on a routine basis over time. The main purpose of tracking studies is to monitor the strength, favorability, and uniqueness of brand associations that represent key sources of brand equity. In addition, tracking studies are often conducted in order to check the success of the marketing program.

Conduction tracking studies requires decisions about what to track, whom to track, when and where to track.

2.3.5.5 Brand Equity Ten (Aaker, 1998)

Brand Equity Ten is a brand equity measurement approach that is based on the set of equity.

The measure nominated are grouped into five categories and summarized in **Figure 2-5**. The first four categories represent customer perception of the brand along the dimensions of brand equity, where the fifth represents information obtained from market-based information.

Loyalty Measures
1. Price Premium
2. Satisfaction/ Loyalty
Perceived Quality/ Leadership Measures
3. Perceived Quality
4. Leadership/ popularity
Associations/ Differentiation Measures
5. Perceived Value
6. Brand Personality
7. Organizational Associations
Awareness Measures
8. Brand Awareness
Market Behavior Measures
9. Market Share
10. Market Price and Distribution Coverage

Figure 2-5: The Brand Equity Ten

Source: David A. Aaker, "Building Strong Brands", 1998

Loyalty Measures

1. **Price premium-**a basic indicator of loyalty is the amount a customer will pay for the brand in comparison with another brand that offers similar benefits.
2. **Satisfaction measure,** it is a direct measure of how willing customers are to stick to brand through the reference of customer's past experience.

Perceived Quality/Leadership Measures

3. **Perceived quality** is one of the key dimensions of brand equity, which can be measured with scales as following:

- High quality versus shoddy quality

Best in category versus worst in category

- Consistent quality versus inconsistent quality

Finest quality versus average quality versus inferior quality

4. **Leadership measure** refers to some merit of the leading brand. Leadership can be measured by scales of the following criteria:

- A category leader
- Growing more popular
- Respected for innovation

Associations/Differentiation Measures

5. **Value.** Brand value can be measured by looking at whether the brand proves good value for the money on whether there is a reason to buy this brand over others.
6. **Brand Personality.** The brand personality provides links to the brand's emotional and self-expressive benefits as well as a basis for brand customer relationships and differentiation.
7. **Organizational Association.** To tap the brand-as-organized, the following scales could be considered:

- This brand is made by an organization I would trust
- I would be proud to associate with the brand's organization

Awareness Measures

8. Brand Awareness. Awareness reflects the presence of the brand in the mind of customers. Awareness can be measured on different levels: recognition, recall, graveyard statistics, top of mind, brand dominance, brand familiarity, brand knowledge or salience.

Market behavior Measures

9. Market share. The performance of the brand as measured by market share and/ or sale often provides a valid and sensitive reflection of the brand's standing with customers. However, they are responsive to the short-term strategies that often undermine brand equity. Moreover, market share can be deceptive brand equity measure, particularly when it increases as a result of reduced prices or sales promotions.
10. Market Price and Distribution coverage. To avoid bias of receptive market share indicator, it is important to measure the relative market price-the prices of various varieties of the brand weighted by their relative sales volume- at which the brand is being sold.

2.3.6 STRATEGIC BRAND ANALYSIS (AAKER, 1998)

2.3.6.1 Objectives

The brand strategy is viewed from three perspectives (see in Table 2 – 6): customer analysis, competitor analysis, and self-analysis. (5) The objective of a brand strategy is to create a business that resonates with customers, compete effectively in the market and exploit own strength and neutralizes weakness. Therefore, with the strategic brand analysis, its underlying objective is to precipitate and improve strategic decision about the brand and to identify key strategic uncertainties that will effect brand building.

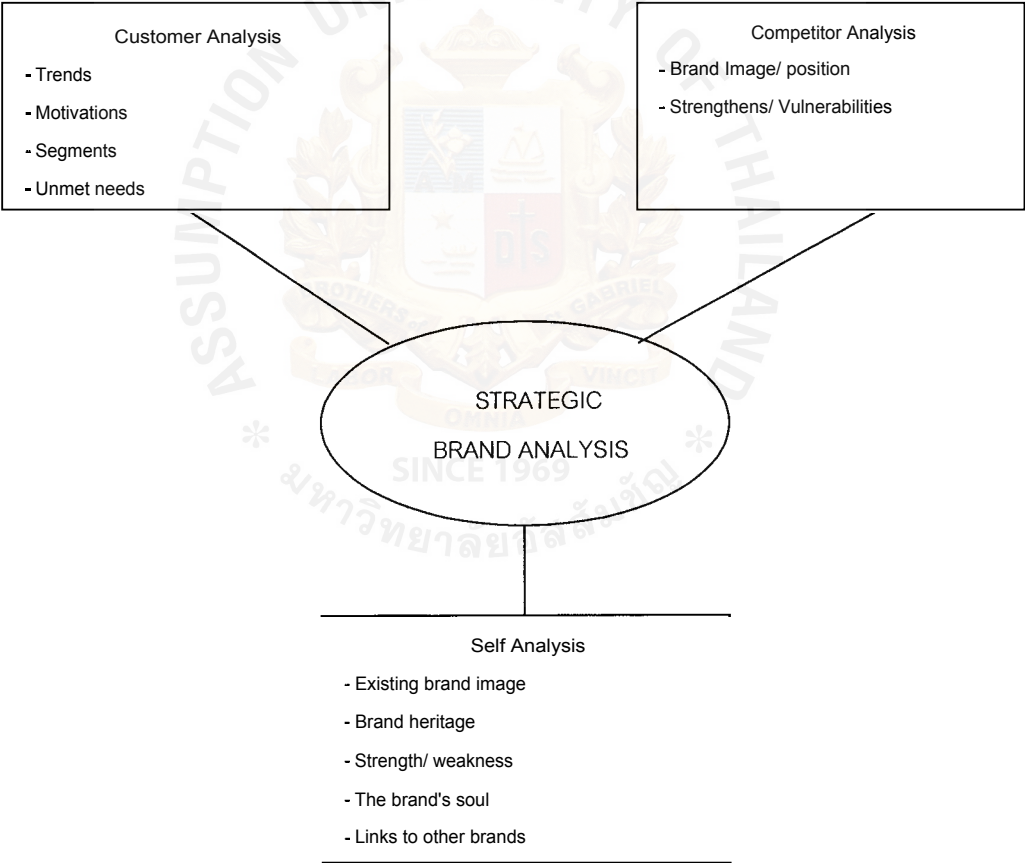


Figure 2-6 Strategic Brand Analysis

Source: David A Aaker, "Building strong Brand", 1996

2.3.6.2 Customer Analysis

A customer analysis involves an analysis of customer in the following area:

Trends - Analyzing customer by examining the dynamics of the market and to see what are the driving trends, for instance, sales volume.

- **Customer Motivations** - To determine which functional, emotional and self-expressive benefits will motivate customers to buy and use the brand and to identify the relative importance of each benefit.
- **Segmentation** - To determine how the market is segments as each segment may respond differently to communication programs and thus may justify different positioning strategies and perhaps different identities.

Unmet Needs - To determine that what customer needs that are not being met by the existing product offerings as it can represent opportunities.

2.3.6.3 Competitor Analysis

Competitor analysis looks at the brand image, position and strength and vulnerabilities of the major competitors in order to portray the current reality as well as future trajectory.

Brand image/Position - First, is to identify how customers perceive competitive brands with respect to benefits provided and their level of brand-customer relationships in order to develop a point of distinction. Second, is to look at how all competitors position and then divide them

into cluster, so that a firm can evaluate competitor strength of each cluster and decide if it wants to "join" a particular cluster.

Competitor Strengths and Vulnerabilities - Examining competitors strengths and weakness can helps the brand to compete with the right position and avoid competing in the area where competitor strength is of great deal.

2.3.6.4 Self-analysis Of The Brand

Areas of inquiry for brand analysis include the following:

- **Current Brand Image** - To discover how is brand is perceived, what are the linking associations, how it is different, has the image changes overtime and across the market and what benefits do customers feel of achieving.

Brand Heritage - To find out what was the past image as knowledge of what the brand first meant can provide an insight to what the identity should include.

Strengths/Weaknesses - It is crucial to determine the strengths and weaknesses of the current products as well as the organization. To effectively build the brand, there needs to be a separation between what

brand identity is desired and what is attainable by the organization given its resources, capabilities and priorities.

- **Soul of the brand** - This analysis looks into the values and vision of the brand as well as the organization.

- **Links to Other Brands** - A brand position decision cannot be made in isolation, it should have well-defined roles.

2.3.7 BRAND ROLES

According to Aaker, a key to managing brands in an environment of complexity is to consider them as not only individual performers but also members of systems of brands that work to support one another. A brand system can serve as a launching platform for new products or brands and serve as a means in exploiting commonalities among the system to generate synergy. In a system each brand can play different roles in different contexts, Aaker has defined brand in the following roles:

- **Driver role** - A driver brand is a brand that drives the purchase decision, its identity and value proposition represent what the customer expects to receive.

- **Endorser role** - A brand provides support and credibility to other brands.

Strategic brands - Brands should be classified into divestment candidate- a brand that faces an unattractive market with weak positioning or does not fit the future visions of the organization, a milker brand - a brand that may be tired but has some real strengths and it can be maintained with

minimum support, and strategic brand-one that represents meaningful quantity of sales and profits so that resources can be allocated more efficiently to only potential brands

Subbrand role - A subbrand can serve as a driver as well as can describe offerings, structure and clarify offerings, augment/modify brand identity, exploit market opportunities and support extensions.

Branding benefits - Branding benefits are brand features, components or service programs that provide customer benefits, which can help, communicate the brand.

- Silver Bullet - A subbrand or branding benefit that is employed as vehicle for changing or supporting the brand image of a parent brand.

2.3.8 MANAGING BRAND OVERTIME

To successfully build strong brand, the focus is heavily placed on actively managing brand equity through reinforcing the brand meaning and adjusting branding program to identify new sources of brand equity, however, the process and the full involvement of the brand's organization are crucially important. Moreover, the organization itself may engage in variety of changes in strategic focus that may trigger adjustments in the way the brands are being marketed.

2.3.8.1 Reinforcing Brands

Brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of brand awareness and brand image. In order to

effectively reinforce the brands, the following considerations should be taken into account: (Keller, 1998)

1. Maintain Brand Consistency

The most important consideration in reinforcing brand is the consistency of the marketing support that the brand receives, both in terms of the amount and the nature of marketing support. Brand consistency is critical to maintaining the strength and favorability of brand associations.

However, consistency does not mean avoiding changes in the marketing program, brand building may require numerous tactical shifts and changes in order to maintain the strategic thrust and direction of the brand.

2. Protecting Sources of Brand Equity

Although brands should always look for potentially powerful new sources of brand equity, a top priority is to preserve and defend those sources of brand equity that already exist.

3. Fortifying Versus Leveraging

There are tradeoffs between those marketing activities that attempt to fortify and further contribute to brand equity versus those marketing activities that attempt to leverage or capitalize on existing brand equity to reap some

financial benefit. The more that there is an attempt to realize or capture brand equity financial benefits, especially cost saving in brand building program, the more likely it is that the brand and its sources of equity may become neglected and diminished in the process.

4. Fine-tuning the supporting marketing program

The specific tactics and supporting marketing program should be changed only when there is evidence that they are no longer making the desire contribution to brand equity.

For brands whose core associations are primarily product-related attributes, product design, quality, manufacturing and merchandising is particularly critical to maintain or enhance brand equity. Where as, for brands whose core associations are primarily non-product-related attributes and symbolic or experiential benefits, relevance in user and usage imagery is critical.

2.3.8.2 Revitalizing Brands

Reversing a fading brand's fortunes requires either that lost sources of brand equity are recaptured or new sources of brand equity are identified and established. To guide the repositioning, it is important to characterize the breadth and depth of brand awareness and the strength, favorability and uniqueness of brand image. (Keller, 1998)

1. Expanding Brand Awareness

With fading brand, the depth of brand awareness is not a problem as consumers can still recognize the brand; rather, building brand equity is mainly to increase the breadth of brand awareness by increasing usage and finding new uses for the brand.

Usage can be increased by, either increasing the level or quantity of consumption or increasing the frequency of consumption. Increasing frequency of uses involves identifying additional or new opportunities to use the brand in the same way or identifying completely new and different ways to use the brand.

2. Improving Brand Image

As part of the repositioning or recommitment to the existing positioning, a new marketing program may be necessary to improve the strength, favorability, and uniqueness of brand association that are attributes of brand image.

- Repositioning the Brand-establishing more compelling points of difference as well as a point of parity
- Changing brand elements-one or more brand elements must be changed to either convey new information or to signal that the brand has taken on new meaning.

3. Entering New Markets

As market consists of many segments, though, a brand may be fading in its existing market segment, revitalizing the brand by finding new target and positioning itself for the new segment is an alternative.

2.3.8.2 Importance Of Organizational Aspect In Managing Brand.

The Management of brand is an activity that is of fundamental importance to a company's survival and prosperity. (Nilson,1998)

1. Managing brand require heavily top management involvement in order to ensure continuity and consistency of the brand building process.
2. The spirit of the organization is important; All parts of an organization have a responsibility to guard, promote and build the brand. Hence, every member of the organization must be made aware and understand the core of the brand position.
3. Brands require extensive experience to manage. It is important for brand management to be experienced in order to match the customer's knowledge and coupling with monitoring systems to generate learning process.
4. Employing expertise to enrich brand experience. The organization should not avoid the expense of creativity and willingness to experiment, which can be obtained from outside consultancies and agencies, in order to prevent stagnation of the brand.
5. In order to ensure the consistency in brand building, brand identify must be in place to guide the coordination programs across the organization, media and markets

2.3.8.4. Adapting The Organization For Brand Building

As stated by Aaker, the key to successful brand building is not only to understand how to develop a brand identity and to effectively express such identity. It is also to manage internal forces and pressures by encountering organizational biases against true innovation through developing conceptual models that support a brand-building culture and policies.

The Organizational Culture

To better success in building brand, an organization should have strong brand-building culture; clearly defined values, norms and organizational symbols. Unless brand building becomes an organizational priority, it will be difficult for the organization to address difficult branding problems.

2.3.9 Brand And Signs Of Quality

In many sectors, brands, coexist with other quality signs, the food industry, for instance, is filled, besides brands with quality seals, certificates of norm compliance and controlled origin and guarantees. The proliferation of these other signs results from a double objective: to promote and to protect. (Kapferer, 1997)

2.3.9.1 Certificate Of Origin

Certificate of origin is intended to protect a branch of agriculture and products whose quality is deeply rooted in a specific location and know-how. The controlled origin

guarantee capitalizes on a subjective and cultural conception of quality, coupled with the area's unique character.

2.3.9.2 Quality Seal

Quality seals are promotional tools. They convey a different concept of quality, which is both more industrial and scientific. Quality seals create a vertical segmentation, consisting of different levels of objective quality.

The legal guarantee of typicality brought by a certified origin seal means more than a simple designation of origin.

2.3.9.3 The Advantages Of Sign Of Quality

1. When a product brand does not speak for itself or, individually a brand is insignificant, and quality or certified origin seals help ensure market positioning.
2. Only mere advertising cannot create brands, it must contain recommendation regarding the long-terms specification of the products bearing the name. With this circumstance, obtaining sign of quality is rather a useful assistance in building brand.
3. Sign of quality can help facilitate market penetration of a product while its brand is being built, especially for small companies.

2.3.10 Issues relating to Brand Origin and Country of Branding

Country of branding is an evaluation tool for consumer buying behavior

(Ian Phau and Gerard Prendergast, "Country of branding", The journal of brand management Vol7, no. 5,2000)

The construct of country of branding may serve as a database of information that disseminates various positive attributes about the brand that consumers have developed overtime. Also this information can be stored in the consumer's memory and retrieved during their evaluation of the brand and to be used as a comparison benchmark for competing brands and so as brand image. The above statement is based on the following imperatives

- Consumers hold stereotyped images of certain countries and that these images affect the way the country's products are perceived.
- Although country stereotypes are deeply entrenched and tend to endure, negative images may be improved through advertising or national export promotion campaigns.
- When consumers are not familiar with a country product, a summary construct model operates in which consumers infer product information into country image which then influences brand attitude. (Han, C.M., "Country image", Journal of Marketing Research, vol. 26, May 1989)
- Certain products are considered to be more ethnic and more typical of some countries than of others, hence by referring to the national origin can provide benefits to marketing the products.

Brand Origin

Brand origin is defined as the place, region or country to which the brand is perceived to belong by its target consumers. (Mrugank V.Thakor and Chiranjeev S. Kohli, Journal of consumer marketing, vol.13, no.3, 1998)

- The country of origin cue is manipulated through a made in indication on a description and thus, with the made in information given equal billing to the few other products and brand cues.
- Brand origin can also refer to the integration of origin cues within the brand image of which can be communicated in a variety of ways, such as the ad copy or the brand name itself.

The origin cues can be used to strengthen feature-based attribute claims and to evoke meanings relevant to concept based claims of the brand.

- The use of origin cues can be integrated into the brand image through attempts to assert a nationality for the brand where the country involved is widely considered to possess some natural resource or expertise, so that the brand benefits from the association.

CHAPTER 3: METHODOLOGY

3.1 PROBLEM STATEMENT

SMEs in Thai footwear industry confronted with so many problems both of internal and external problems. Then there are the causes that they may get out of this business.

3.2 RESEARCH OBJECTIVE

These are the objectives of this project as follows:

To study problems of SMEs in Thai footwear industry.

Development plan to solve problems of SME in Thai footwear industry.

3.3 IMPORTANT /BENEFITS

This paper is attempting to investigate and identify major problems of Thai Footwear Industry by using follow research methodology and find out development plan in order to solve major problems of Thai Footwear Industry.

3.4 RESEARCH DESIGN

Exploration: Qualitative I augment knowledge of Thai footwear industry by interviewing five managements of footwear manufacturers and an expert of Thai footwear industry from Department of Industry Promotion. On the other hand, I use information from secondary sources, which composes of newspaper, magazine, article and book. It investigates major problems of SMEs in Thai Footwear Industry and identifies solutions of major problems of SMEs in Thai Footwear Industry.

Questionnaire Design: An interview form of footwear industry is composed of 3 parts. First is company profile of each manufacturer. Second is current situation, that includes strength/ opportunity, weakness/ threat and competitor. Third is future trend of Thai footwear industry.

3.5 DATA ANALYSIS

I will review and analyze all answers of an interview forms in order to find out the problems and solution of each management for using in Thai footwear industry. This overall question would be regressed on the individual items to determine each item's importance. A performance grid will identify items needing improvement with an evaluation of priority. Other analysis can be prepared on a time and material basis. The open-ended questions will be summarized and reported by model code.

CHAPTER 4: RESULT FROM DATA ANALYSIS

According to an interview form, it is composed of 3 parts: company profile, current situation and future trend. We will summarize as follows:

4.1 Company Profile

1. Calvin Co., Ltd.

- Calvin Co., Ltd. has been established for more than 30 years.
- It is composed of 60 employees
- It produces only man shoes
Target market is U.S.A. and Europe
- Situation in their manufacture for last three years was decline
- It uses some technology to help in production process

2. V.C. Shoes Co., Ltd.

- V.C. Shoes Co., Ltd. has been established for 27 years
It is composed of 100 employees
It produces lady shoes
Target market is local superstore and U.S.A.
Situation in their manufacture for last three years was a little bit increase
- It uses half of labor and new technology in production process

3. Siam Mohawk Co., Ltd.

- Siam Mohawk Co., Ltd. has been established for 20 years

It is composed of 80 employees

It produces man and lady shoes

Target market is local market, Europe and Africa.

Situation in their manufacture for last three years was decline

It uses half of labor and new technology in production process

4. Ratanasuwan Manufacture.

- Ratanasuwan Co., Ltd. has been established for more than 20 years
- It is composed of 10 employees
- It produces man and lady shoes
- Target market is trader company in Thailand
- Situation in their manufacture for last three years was same
- It uses human labor

5. B.J. Brothers and Son Co., Ltd.

- B.J. Brothers and Sons Co., Ltd. has been established for 35 years
- It is composed of 15 employees
It produces man and lady shoes
- Target market is local market and Lebanon
- Situation in their manufacture for last three years was decline
- It uses human labor

4.2 Current Situation

1. Calvin Co., Ltd.

- Strengths and opportunities

St. Gabriel's Library, Au

- This company has been established for more than 30 years, so it is reputation.
- It has labor skill
- It has their brand name such as Calvin
- It has good relationship with customer in term of good quality, sincere, good service, on time delivery
- Weaknesses and threats
 - High competition both of local and foreign market
 - High cost of raw material and accessories
 - High taxation and tariff
- Solutions
 - Government should reduce taxation and tariff
 - Government should promote supporting industry in order to reduce cost
 - Government should provide institution supporting in fund and credit for SMEs
- Competitors

Because most of his products is export with medium price, China is direct competitor of him. Because China has good supporting industry, so he can produce same products but at cheaper prices.

2. V.C. Shoes Co., Ltd.

- Strengths and opportunities
 - It has the brand name such as Charles and Charlie

- Its products of good quality is accepted from foreign consumers
- Low price
- It has its own design
- It has variety of products
- Weaknesses and threats
 - Lack of supporting industry
 - Lack of suppliers of mould, accessories, leather
 - High competition both of local and foreign markets
 - Reduction of consumers power
 - Very high cost for trade fair or exhibition in overseas
- Solutions
 - Government should promote for supporting industry
 - Government should promote and provide new suppliers
 - Government should provide and negotiate with overseas for lower cost for trade fair or exhibition.
 - Government should protect local market from China and Vietnam because China got 50% market share in low market now.

Competitors

China and Vietnam are very important competitors of because they have complete supporting industry and lower cost than Thai in term of labor cost.

- Local competitors are also important competitors in local market because they knew local market, suppliers and other supporting industry as much as it knew

3. Siam Mohawk Co., Ltd.

- Strengths and opportunities

It has long experience of 20 years in this business

It produces both of medium and high products

It always has new design from Italy

- Weaknesses and threats

- High competition

Purchasing power reduce both of local and overseas markets

High cost for export products to overseas

Lack of good designer

Lack of good mould manufacture

- Solutions

- Government should protect local market from foreign competitors

- Government should reduce tax and tariff for import of raw material

- Government should establish institute of developing design

Government should promote for mould supplier

- Competitors

China is very important both of local and foreign market because they can produce low price, good quality and good design products

4. Ratanasuwan Manufacture.

- Strengths and opportunities

It can design their product based on their experience

Low risk because it deals with many trader companies

- They have old labor skill

- Weaknesses and threats

- Lack of new labor skill

- Higher cost such as raw material, mould and other accessory

- The product is coping design

- Low production capacity

- Solutions

- Government should support in opening institution about developing labor skill

- Government should support in establishing institution about developing in design

- Government should promote new supplier for supporting industry

- Competitors

- Small producers that produce shoes to trader company because they may offer same products with lower price.

Trader company may order with any one that has cheaper

price because producer has no brand names so it mean nothing to order products with whom

5. B.J. Brothers and Son Co., Ltd.

Strengths and opportunities

- It has long experience with this business
- It has good relationship with their customers
- It has old labor skill

- Weaknesses and threats

- Higher cost
- Lack of new labor skill
- Lack of permanent labor skill
- High competition
- Reduction of purchasing power both of local and oversea markets
- Lack of fund in investment

- Solutions

- Government should establish institution for developing labor skill
- Government should reduce tax and tariff
- Government should support in fund for investment
- Government should protect local market from foreign competitors

- Competitors

- Local competitors that produce medium price products

- China's products is low price with quite good quality

4.3 Future Situation

1. Calvin Co., Ltd.

- Consumer: Consumers need higher quality products with reasonable price.

Style: Style still follows Italy because Italy is the leader of fashion

- Competitor: China is very important competitor because they have complete supporting industry from government. Other competitors are Vietnam, India and Indonesia.

- Business opportunity: This business can run but you have to improve yourself both of product quality and find out new market continuously.

Technology: Nowadays they use some technology in some part of production process but they plan to invest new equipment and technology especially Internet in order to reduce communication cost with their customers overseas.

2. V.C. Shoes Co., Ltd.

Consumer: It will emphasize on export more than local market because local market is radically competitive from local and foreign producers.

The company thought that foreign markets are better because it is very large and they have more purchasing power than Thai. But they need higher quality as well.

Style: the company thought that style is very important when you want to do foreign markets because you have to study each country that you

will export your product to and adapt your products to be suitable with them.

- Competitor: He thought that China is still very important competitor both of local and foreign markets. And Vietnam is the one important competitor following China because they have cheaper labor cost than Thailand.

Business opportunity: The company thought this business is good business because everyone has to wear shoes. So if you try to study and learn markets and consumers needs, you can do well with business

Technology: He thought that he will use more technology both of in production and management in his business more and more in the future

3. Siam Mohawk Co., Ltd.

Consumer: The company thought that we should produce products to meet consumer needs because consumers have more requirements and expect to meet them

- Style: He said that if you want to survive in this business, you have to develop style of your product continuously
- Competitor: He thought that everyone want to stand in this business both of local and foreign producers, they will try to compete each other in every way that they can do. Especially, small producers locally are very important competitors because they have to do everything for survival.

- Business opportunity: This business has declined since Thailand's crisis but it will be better because Thailand and other countries' economy is getting gradually better
- Technology: He thought that technology is very important in doing business because it can improve productivity

4. Ratanasuwan Manufacture.

Consumer: Ratanasuwan thought he has to develop his products continuously because he designs shoes by himself.

Style: He thought that shoe style will change very fast in the future and he has to follow it as fast as he can in order to retain their market

- Competitor: He thought that the main competitors are local small producers and China. China can sell shoes with lower price, so it is possible that trader companies will give order with them.

Business opportunity: He thought that footwear industry has declined in this period but when economy is better, business opportunity will be better as well

Technology: He thought that technology is important in order to improve productivity. But for him, it is not time to use them because his manufacture has only 10 employees, he has does not have enough investment for new technology

5. B.J. Brother and Son Co., Ltd.

- Consumer: The company thought the consumer has more chances in choosing better products so you have to products high quality product with reasonable price to them

Style: He thought that competition is very high, so style of shoes is one thing that you can win consumers' mind. Then you have to always develop your shoes style as fast as you can do it

Competitor: Competitor is still local producers and China with low price products

- Business opportunity: He thought that local market is very difficult to penetrate because it is a saturated market but for oversea market is quite good

- Technology: He thought he will bring some new technology to improve production processes in the future but he has to wait for a time first

CHAPTER 5: INDUSTRY ANALYSIS AND DEVELOPMENT PLAN

5.1 INDUSTRY ANALYSIS

Industry analysis involves analyzing where we are, how it has been doing and what it is likely to face in the years ahead. So we can set development planning for footwear industry.

SWOT analysis is used to evaluate situation of footwear industry as follows

Strengths

Industry experiences more than 20 years.

Thai footwear industry was founded for long time but especially for last 20 – 30 year ago, investors move production plant to settle in Thailand because of low labor cost and a lot of resources. So Thailand has experience with footwear industry for more than 20 years.

Ability to produce high quality shoes

Because Thai laborers have long experiences, they are capable to produce high quality shoes into the markets, which is acceptable.

Strong market channels

Thai footwear industry sells in both domestic and export market for a long time, so each manufacturer has good relation with their customers that is the good way to bring them to retain and increase market channels.

- **Capability in imitation**

Thailand is very good in the capability of imitating models or styles from others and Thailand can do like the original one. So it is the good thing that we can follow new models or styles from market leader faster

- **Good relationship with customers**

Thai businessman is very good and has close relationship with their customers in term of negotiation because they are sincere, loyal with, on time delivery and high quality products.

Weaknesses

- **Product development**

- o **Raw material:** It means leather and leatheroid.

- **High cost:** A good quality of leather or leatheroid is high price because it is imported from other countries.

- **Low quality:** Thai leather or leatheroid are low quality, which is not consistent of color, smoothness and splitting out of leather, and varieties. Because it is produced for serving many industries not only in footwear industry, so it lacks development for direct footwear industry.

- **Low volumes:** Leather and leatheroid production is not enough to serve in Thai footwear industry. Most cattlemen feed animals for meat and bone, they are not emphasized on selling skin. So it is the cause of lack of leather. For leatheroid, it lacks raw material to make leatheroid because most of them are exported.

o **Labor**

- **Labor skill**

Thailand has not the specific institute of footwear industry so laborers lack skill in footwear production. In addition, most of the laborers come from urban area that find temporary job out of harvest season.

- **Designer**

Thailand is lack a good designer in footwear industry because it is no any institution teaches the course of designing footwear products.

o **Supporting Industry**

Footwear product is composes of 14 steps and used accessories around 10 types, which each parts is as important as other parts. But all of them produce accessories to support many industries not only footwear so it is lack of developing and supporting for footwear industry directly.

■ Mould

Thailand has less than 5 manufacturers that produce mould for footwear industry, because most of them buy mould from foreign countries for producing footwear products.

■ Accessories

Accessories lack developing new model so it is the cause of not having variety models. It lacks technology for new design and they do not understand customer satisfaction and market orientation. Finally, accessories have problem about low quality raw material to make them.

○ Machine and Technology

Thailand has only 1 - 2 manufacturers that produce footwear machinery. So it is not enough for serving footwear industry and there are limited capacity in producing some machines. Due to this footwear manufacturers import machines from foreign, which is higher price than in Thailand. Also, Thailand lacks the new technology in helping to improve productivity, quality, speed, cost and model.

Low marketing capability

Management of SMEs is lack of skill in marketing so it is the big problem of SMEs in developing industry. And Thai market is narrow so it is difficult to penetrate or find new markets because customer power has declined. It is effective with SMEs because their customer base is in Thailand.

Otherwise, they are not ready to do business in foreign countries because they are not so strong to compete with foreign competitors. Producers do not have their own brand name, marketing understanding, promotion budget, information and so on.

Financial problem

Most of them are SMEs so they lack capital investment and cash flow within organization. This topic is not covered in this project.

Taxation system

Thailand has problem about taxation system that uses human to examine and judge so it is the cause of bias and unfair consideration. This topic is not covered in this project.

Association and linkage

Because Thai footwear industry composes of 3,000 estimated manufacturers and almost of them are SME, it is very difficult to get cooperation from all of them. This topic is not covered in this project.

Opportunities

- Effectiveness of economic crisis around the world

It means that competitors also confront with the same problem like Thailand but Thailand can pass that situation before them. So Thailand is recovering back to the normal situation before the economic crisis

- **Expansion to medium market.**

Target markets are divided into low, medium and high. According to study, medium market is very interesting because it is the most of all levels. They also have buying power with middle price. And you can sell more if you just add value added into your products, because these groups of customers are willing to buy products with high quality and reasonable price.

- **Liberalization trade**

Liberalization will start in the near future. When liberalization occurred, it means all countries can do business with free trade markets without taxation, tariff, limited quota and so on. Consequently, your products can sell more both in Thailand and global markets.

- **Reducing of Thai money value situation**

After the economic crisis, Thai money value declined, it is the good chance for some businessman that export products to other countries that is stronger in money value than Thailand because it is the cause of increasing sale volumes, then export value is increasing as well.

Threats

- **Radically competitiveness**

Nowadays, competition is very high because they have to compete markets. Especially, China, Vietnam and India are competitors that compete in the same target market with Thailand. So it is probability that is very high competition in order to penetrate into market.

- **Taxation and Tariff**

Most of raw material, machinery and other accessories of footwear products are imported from foreign countries and the import content of them is around 60%. Taxation and tariff of imported raw material, machinery and other accessories are in range between 5 – 20%. So cost of shoe is increased up to taxation and tariff.

Lack of government support

Footwear industry lacks support from government in many fields such as lack of clear strategic planning in footwear industry, labor, technology and so on.

- **Low buying power**

Because of economic crisis that is occurring around the world consumer power is decreased.

Move production plant to other countries

In the past, foreign investors set up plant in Thailand because Thai labor cost was very cheap. But now, China, Vietnam and some countries are lower labor cost than Thailand, so it is the cause of moving production plant from Thailand to other countries.

5.2 THAI FOOTWEAR INDUSTRY DEVELOPMENT PLAN

According to study on SMEs in Thai footwear industry, it found so many problems in this industry but in this project I will recommend solutions in major problems as follows:

5.2.1 Product development planning

5.2.1.1 Raw material: It is divided into leather and leatheroid.

5.2.1.1.1 Leather

Leather is a major raw material that is used in footwear industry. To solve this problem, it should cooperate between tanneries and footwear producers in order to assign direction of leather production to serve footwear industry within Thailand and improving quality of leather to be suitable with footwear product. Then Department of livestock development should support and educate farmer about how to feed animals in order to get good quality skin to be used in leather industry. Finally, government should support in new technology to tanneries to improve productivity in order to reduce cost of production and import

leather. If they can do like this, SMEs can use good quality of leather have do raw material with cheaper cost.

5.2.1.1.2 Leatheroid

Leatheroid is one major raw material for footwear industry. Therefore it should solve the problem in order to help footwear producers. First, leatheroid lacks serving in Thai market because there are a few manufactures in Thailand, so government should support to increase leatheroid manufacturers by government finding foreign company to do joint venture such as with Italian manufacturer in order to develop production process. Or you may develop synthetic material that is easy to find in Thailand, such as Silk, to produce shoes. It will make producers easier in finding raw material and may be lower the cost and promote Thailand products. Above recommendation will help in lack of leatheroid situation and then price will be reduced.

5.2.1.2 Labor

5.2.1.2.1 Labor skill

Human labor is very important on SMEs in Thai footwear industry but they lack labor skill and experiences. So government should establish institute only for specific leather products and provide job for students that graduate from institute in order to make labor skill onto Thai footwear industry. Another thing, government should open special course in order to improve labor unskilled to labor skilled, in the same time open another course to improve labor skill to be higher. After they

finished these courses, they will get certification to be guarantee their skill. After that it is the duty of footwear producers that have to send their employees to study these courses. Then they will get high quality labor skill in their manufacturers.

5.2.1.2.2 Designer

Most of all SME manufacturers have not the designer in their manufacturers so it is the cause of copying style from others both of local and foreign manufacturers. So it is important to create good designers into SMEs manufacturers. In short term, SME manufacturers may cooperate to hire foreign designer to teach and train SME manufacturers in order to know the key factor for designing footwear products. And they have to buy and/ or develop hardware and software in order to help in designing task is better, faster and more convenient. In long term, government should open a designing institute for footwear industry and establish designing information center or library in order to be source of information of footwear industry and other leather industries. If they can do the following recommendation, it will help SME manufacturers to have their own design products, which creates value added with their products and it is the base of creating brand name in the future.

5.2.1.3 Supporting industry

5.2.1.3.1 Mould

Mould is one problem that should be solved because it has only 5 manufacturers in Thailand. Government should support in joint venture between Thai and foreign manufacturers in order to exchange technology in mould production. It can improve quality, speed and quantity into markets. Government should motivate investor to invest with mould manufacturer because they have fewer manufacturers in Thailand. When mould manufacturer is improved, then they can make higher quality of mould and finish it in less than one month, which makes footwear manufacturers have no need to buy mould from foreigner with higher cost.

5.2.1.3.2 Accessory

Accessory is complementary in footwear production. Then it should be the one that has to develop. So Thai footwear association should negotiate with accessory manufacturers in order to produce with variety of accessories to serve all footwear industry. All footwear manufacturers are around 3,000 and they have higher power in negotiation. Then producer will have more variety of accessories to serve in this industry.

5.2.1.4 Machine and Technology

Producer should pay attention in improving production plan, production process, quality control, on time delivery and other problems in order to be accepted by global market with Thai products. The cause of labor problem,

producers should start to use new machine and technology help in production processes in order to improve quality and increase quantity of products. Producer should study in work processing in order to rearrange all processes of production then they will get standard production, reduction time to process and higher quality. And producer should develop human resource to be able to use computer in designing and managing task. After that government should support footwear manufacturers in order to be standardized with ISO 9000, ISO 14000 or Industrial Standard of Ministry of Industry. And government should support and provide specialist and consultant for manufacturers to change management and production process from mass production to small lot and specialized production by using TQM and TPM in footwear industry.

5.2.2 Marketing Capacity

SME manufacturers lack good marketer because all of them are one owner who has no knowledge in marketing. So producers have to study and try to understand marketing mechanism, then always study and research marketing information, especially trend of marketing, fashion, price competitive in global market in order to make yourselves to be the good marketers. On the other hand, producers have to join with Thai Footwear Association, Thai leather Association and other association that emphasizes on retention local market and penetrating foreign markets in order to share marketing information and others information from those associations for using in their business. Nonetheless, producers still try to promote their products into both of local and foreign markets by joining with exhibition, trade fair and so on. When you have a strong marketing, you still have to retain your credibility and reliability with customers such as always

keeping on time delivery and producing consistency products to customers. After that producer should increase distribution channel with low cost by using Internet through Website, it will reduce communication cost and make faster respond time as well. Finally, government should study and find the way that register brand name marketing with lowest cost in order to protect Thai patent in global market in the long term.



CHAPTER 6: CONCLUSION

Over the years, Thai footwear industry confront with many problems both of internal and external problems. According to study in this project, I found internal problem that is not only production problems in Thai footwear industry, but also marketing problems. For external problems, the current market situation poses several external problems to Thai footwear products as there are not only increase in numbers of competitors but also competitors are swiftly catching up with Thai products both in terms of production technology and product quality, especially China, Vietnam and India. Furthermore, there are numerous trade barriers, particularly barriers relating to footwear quality, imposed by several major markets. More importantly, on the consumer side, consumers' demand and expectation of product quality have risen while price is still a major attribute to purchasing decisions. Therefore, the existing advantages of Thai footwear product in terms of price and quality are becoming less competitive.

Therefore, in order to increase effectiveness of Thai footwear product, there requires improvements in product development and marketing capability. Product development is developing since raw material, production process, human resource, machine/ technology and supporting industry. All components are very important to produce the best footwear product. But the best footwear product cannot be sold if they are not a good marketing. So producers must have a good marketing mechanism to drive their product into global market.

Finally, Thai footwear industry is the good industry, if they always try to improve products and marketing. They have a big chance to penetrate global market because Thailand has potential in resources and laborers, so then producers can produce high quality product to serve in medium and high market.



APPENDIX – A: INTERVIEW FORM FOR FOOTWEAR MANUFACTURER

Company Profile

1. How long has this manufacture established?

..... Year(s)

2. How many employees are in this manufacture?

.....Employee(s)

3. What kinds of footwear do you produce?

1)

2)

3)

4. Who is the target market?

.....

5. How about the situation in your manufacture for the last three years?

☐ Better H Same ☐ Decline

6. Do you use technology into production process?

H Yes. What kind of job do you use?

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.....

Current Situation

1. What are strengths and opportunities in your manufacture?

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2. What are weaknesses and threats for your manufacturer?

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How to solve these problems

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3. What do you think about current situation of Thai footwear industry?

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4. Who is your competitor both of internal and external country? How?

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Future Trend

What do you think about Thai footwear industry in next five years?

- Consumers need

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- Styles

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- Competitors

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- Business opportunity

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- Technology

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APPENDIX – B: SHOES PRODUCTION PROCESSING

First of all, we should know about processing of shoe production in order to make it easier to understand, which is shown as follows:

1. Design – design shoe by human or CAD/CAM system after than make a mold for each size. Designing help to calculate cost of shoe and prepare raw material and other accessories for production.
2. Draw pattern – drawing pattern of shoe for preparing uppers and sole cutting.
3. Upper and sole cutting – cut upper and sole by cutting machine; cutting machine can cut leather in different sizes.
4. Edge Skiving – cut edge of leather by cutting knife or skiving machine to make it easy to apply adhesive and fold edge.
5. Apply adhesive – apply adhesive uppers and inner of shoes by brush or applying adhesive machine.
6. Edge folding – fold edge in order to sew.
7. Uppers closing – is sewing uppers together with inner side of the shoe by sewing machine.
8. Lasting – bring uppers that sew with inner side to do model with your mold by human or pulling and lasting machine.
9. Welt sewing – sew welt with uppers that already do lasting
10. Sole attaching – attach sole and heel together
11. Sole trimming – trim sole to be neat
12. Scouring sole and heels – scour sole and heels by sandpaper to be smooth
13. Coloring – paint color in some point that has a scratch
14. Upper dressing – clean uppers to be neat and polish brilliance.
15. Inspection – inspect error, if anything is wrong, it is go back to fix.
16. Packing- packing shoes in order to send to customer.

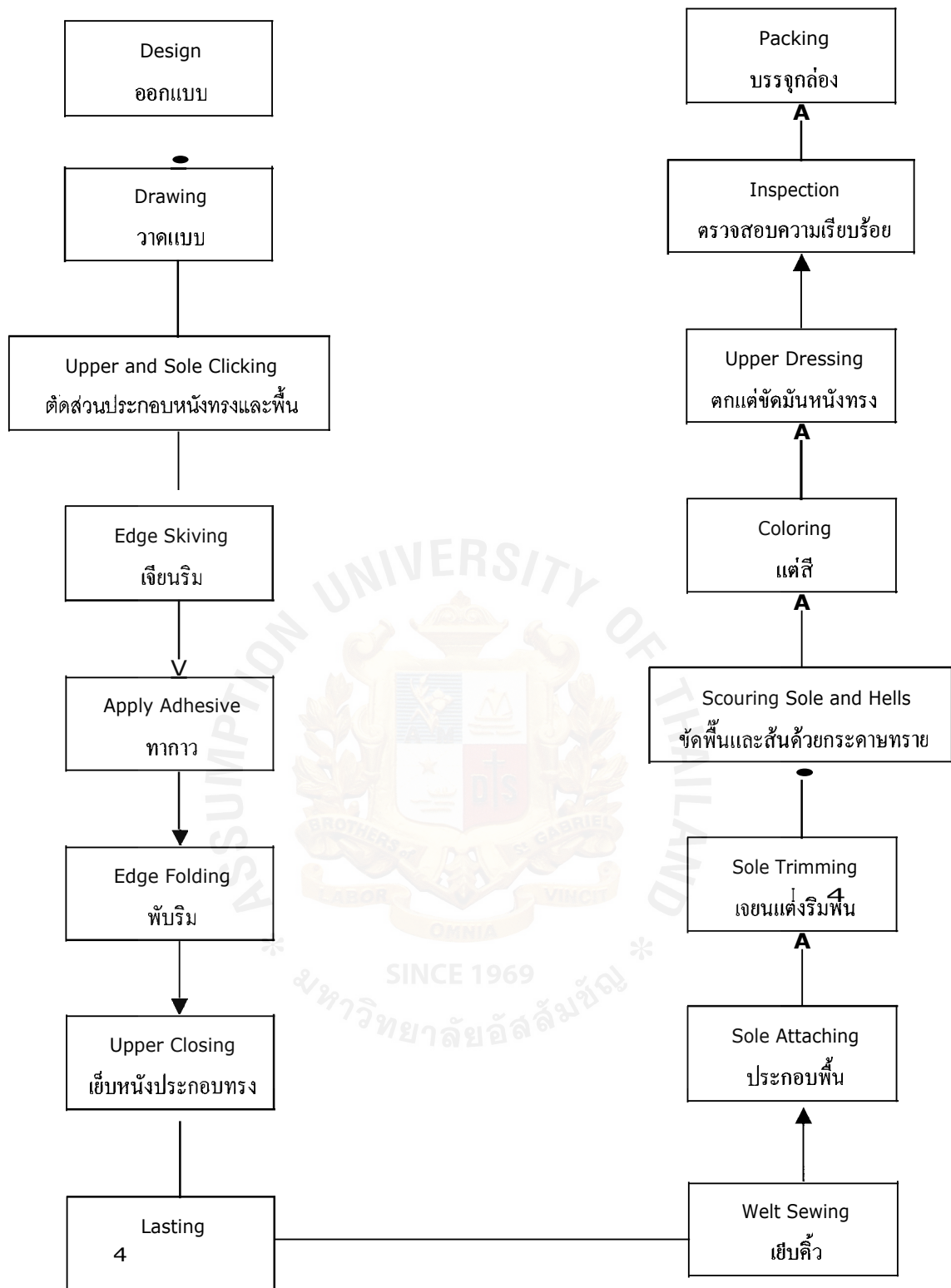


Figure A - 1: Processing of shoe production

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GOSSARY

SMEs (or Small and Medium enterprises) is the business in the small and medium size that was driven form unique skill product using a local raw material that is flexible to the local people's way of life and the world market demand. SMEs have total assets not more than Baht 100 million and 200 employees.

Brand is a name and/ or mark intended to identify the product of one seller or a group of sellers.

Brand Equity is the value a brand adds to a product.

Upstream Industry is the original industry of footwear industry.

Intermediate Industry is the medium industry of footwear industry that uses output of upstream industry to be the raw material in intermediate industry.

Downstream Industry is the final industry of footwear industry that uses output of intermediate industry to be the raw material in downstream industry. The output of it is footwear products.

Leather is material made by tanning animal skins.

Leatheroid is the imitation leather made from synthetic chemical.

Mould is shape (a substance) into a particular form or object such as mould plastic.

TQM is an organization wide effort to improve quality and make it the responsibility of all employees.

ISO refers to information systems between two or more organizations that support efficient, routine flow of transaction processing data.

Internet is a corporate network that functions with Internet technologies, such as browsers and search engines, using Internet protocols.



