



ParadiseOrchid.com E-Marketing for Orchid

by

Ms. Montira Abakaz

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

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Internet and E-Commerce Technology
Assumption University

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ABSTRACT

This project's objective is operated based on two strategies. First strategy is used to apply Internet distribution channel to support physical distribution channel since operation management and inventory are focused to distribute product under the name of ParadiseOrchid.com. Second strategy is also provides communication resource for customers and manufacturers having the direct contact between suppliers and customers for quotation, purchasing order fulfillment, shipping management and payment service.

Beginning with identify environment analysis, this is about the industry and competition analysis in detail. Secondly, competitive advantage such as SWOT analysis and also the marketing strategy such as 4'ps and customer deliverly value that are needed for a systematic approach and a tool to develop successful Internet Online business. Thirdly, the development and implementation of website is display. Lastly, the financial analysis such as return on investment is shown.

Across all this report, involved in capacity for suppliers and customers are able to buy and sell fresh cut orchid and orchid processing more efficiently by using Exchange and Auction Commerce. The website creates a more efficient, centralized marketplace through increased and immediate access to global orchid markets more than you expected to see.

ACKNOWLEDGEMENTS

We have different people to thank and different reasons for thanking them. We would like to pay sincere gratitude to our advisor, Rear Admiral Prasart Sribhadung there are many from behind the scenes that have encouraged and supported my work, made helpful comments and suggested gathering this report together and I wish to thank them. We would like to thank Ms.Matinee for her assistance in collecting materials. This project will be not completed if we do not get cooperation. Much credit should go to several individuals and friends who played significant roles in this project.

Finally, we are deeply indebted to our parents, who encouraged and supported us graciously throughout the school year. Their testimonies have often made difficult tasks more than worthwhile. Many times I have had the wonderful experience to truly feel that in some small way I helped someone. That means so very much to me. Thank you all of you!

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I. INTRODUCTION

1.1 Objectives

ParadiseOrchid.com is the center of Sellers and Buyers in the specific business of fresh orchid cut. *ParadiseOrchid.com* and Shipping Company, which is coordinator for the purpose of increasing high efficiency of service, can totally replace all activities of Importers and Wholesalers, and cut unnecessary activities off. Sequentially, the value propositions have been created to Sellers and Buyers. *ParadiseOrchid.com* is the project shifting the traditionally recreational Orchid export business to be on-line business via the World Wide Web technology of the Internet.

The objectives of the web site are as follows:

Enhancement: Effective marketing, sales, and customer support.

Collaborative activities support

Just-in-time information delivery

Improve client relationship

Cost reduction: Reduce error.

Eliminate the papers, publishing and mailing cost.

Reduce administrative and operational cost.

1.2 Mission

Our Vision

"To become the leader in B2B E-Marketplace for orchid industry in term of market share with innovative and efficiency work process."

Our Mission

ParadiseOrchid.com mission is to be “Gateway to the E-Marketplace” as one stop service.

Objectives

- (1) To achieve market share of global processing orchid industry
- (2) To be the leading community for foreign customers to find, Consult and acquire products to use for their business.
- (3) To be the resource center website for any firm to start their exporting online business by consulting services for trade regulation and marketing channel.
- (4) To be a high performance website that provides high quality and guarantee product and service with high-speed response in starting exporting business.

1.3 Scope

The scope of report covers online channel for sellers, exporters and customers to use the ParadiseOrchid.com to sell products to their customers worldwide.

1.4 Deliverables

- (1) E-Commerce Solution
- (2) Process specification for exporting business
- (3) Web design and database management
- (4) Marketing plan and financial plan
- (5) Evaluation system

1.5 Start-up Summary

In order to create the efficiency and effectiveness of market mechanism over the web, in the beginning, starting from the grand opening day *ParadiseOrchid.com* will set the target to acquire at least 600 buyers and 120 sellers within the first year. During

the first year, it will be the period of web design and development, huge amount of financial and human resource will be invested to acquire as much as seller and buyer members through both online and offline marketing, educate and stimulate them to trade over the web. Therefore, the real trading transaction both exchange and auction will expect to start at the beginning of the 2nd year. The following implementation plan will show the priority marketing activities that *ParardiseOrchid.com* will approach to its target audience.



II. LITERATURE REVIEW

2.1 Global Orchid Industry

2.1.1 U.S.

U.S imports of fresh-cut orchids have increased by 51.2 percent in volume and 21.8 percent in value since 1990, from 15.3 million stems (US\$5.85 million) to 23.2 million stems (US\$7.13 million). Almost all of this increase is accounted for by a rise in imports of Dendrobium orchids; non-Dendrobium orchid imports have remained relatively unchanged since 1990.

Thailand is the biggest supplier of Dendrobium orchids to the United States and accounted for more than 97 percent of total imports in 1994. U.S. imports from Thailand of Dendrobium product have nearly doubled in the last five years. Singapore was the second-largest supplier in 1994, followed by Jamaica, New Zealand, and Costa Rica. An analysis of monthly imports for the past two years shows that Thai . product arrives in the United States in large volume between February and June. During these five months, imports from Thailand exceeded 1.5 million stems per month. For the rest of the year, imports generally range between 700,000 and 1 million stems per month, although December 1994 imports were 1.9 million stems. Most U.S. non-Dendrobium imports also come from Thailand. The Netherlands supplied 1.5 million stems of non-Dendrobium product in 1994. Other suppliers that year included New Zealand, Australia, and Costa Rica.

2.1.2 Europe

The Netherlands is the only European country with a sizable orchid export industry. The Dutch cultivate mostly Cymbidium orchids in greenhouses, and export product year round. However, export volume has dropped by 33.8 percent since 1990.

Germany is the largest market for Dutch orchid exporters, followed by France, Italy, Switzerland, Belgium, and the United Kingdom.

Imports of fresh-cut orchids by the top five European Union (EU) importing countries (Italy, Germany, the Netherlands, France, and the United Kingdom) totaled 137.6 million stems in 1993 (ECU56.8 million). Although this total represents an increase from the 1988 total of approximately 37.1 percent in volume, imports declined 7.4 percent from 1992 to 1993. Total import value, however, was 6.8 percent higher than in 1992 and 22.6 percent higher than in 1988. Whereas European imports of Thai product decreased, imports of higher-priced Singaporean product increased, showing that there is room in the market for quality product.

Italy is the largest importer of orchids in Europe, bringing in 75.3 million stems (ECU24.4 million) in 1993. This total is 2 million stems more than in the previous year, but represents a slowdown compared with the 13 million-stem increase in imports between 1989 and 1990 and with the 44 million-stem increase between 1988 and 1989. Thai imports dropped by 9.7 percent between 1992 and 1993, from 69.7 million stems to 62.9 million stems. Imports from the Netherlands, in contrast, increased from a mere 566,000 stems in 1992 to 10.6 million stems in 1993. Other countries supplying the Italian market in 1993 included Singapore (750,000 stems, ECU460,000) and New Zealand (565,000 stems, ECU525,000).

Germany is the second-largest EU importer of orchids, bringing in 29.7 million stems (ECU 18.8 million) in 1993. Compared with the total in 1992, imports for 1993 were down 33.0 percent in both volume and value. Imports of orchids from the Netherlands took the largest drop, falling from 31.8 million stems in 1992 to 16.6 million stems in 1993. Despite this decrease, the Netherlands remained the largest

supplier to the German market, followed by Thailand (11.7 million stems, ECU3.4 million) and Singapore (996,000 stems, ECU738,000).

The Netherlands imported 17.5 million stems of product in 1993 (ECU4.1 million), about 3 million stems fewer than the previous year and 8.5 million stems fewer than in 1988. Thailand supplied 81.4 percent of Dutch orchid imports in 1993, yet imports of Thai product were at their lowest point in six years. Imports from Singapore, by contrast, increased from 1.3 million stems in 1992 to 1.9 million stems in 1993, demonstrating again that quality suppliers can expand market share. The Netherlands also imported product from New Zealand (227,000 stems, ECU172,000) and South Africa (222,000 stems, ECU142,000) in 1993.

French imports of 8.1 million stems in 1993 were the highest since 1989 (8.2 million), but still lower than 1988 levels of 9.5 million. However, 1993 total import value of ECU6.6 million was the highest in six years. In 1993, France imported 82.6 percent of its orchids from the Netherlands, reversing a three-year French trend of importing more orchids from outside the EU than from within. Imports from Thailand accounted for an additional 15.9 percent of 1993 French imports but, at 1.3 million stems, were at a six-year low. In 1988, for example, France imported 3.5 million stems of Thai product. Singapore supplied France with 42,948 stems in 1993, and Malaysia was the next-largest non-EU supplier of note, supplying only 12,480 stems.

U.K. imports of orchids decreased by 10 percent between 1992 and 1993, from 7.7 million stems to 7 million stems. However, total import value increased from ECU2.4 million to ECU2.7 million. Since 1988, however, import volume has risen by 23.1 percent, whereas import value has dropped by 24.4 percent. Thailand was the largest supplier to the U.K. market in 1993, accounting for 70.7 percent of total imports. The Netherlands followed with 24 percent of total imports. Singapore was the

only extra- EU supplier of note other than Thailand, shipping 123,000 stems worth ECU44,000 to the United Kingdom in 1993.

2.1.3 Asia

Singapore is attempting to make inroads in the orchid industry and seems to be succeeding, at least in Europe. Singapore has increased its stake in the EU import market for six successive years, going from 2.2 million stems (ECU882,000) in 1988 to 3.8 million stems (ECU2.0 million) in 1993. Singapore also exports large volumes of orchids to Japan, although exact figures are not available.

Japan produces several varieties of orchids but not in great enough volume to meet large domestic demand. Japan is estimated to be the world's largest importer of orchids, and approximately 600 hectares of land in Thailand, Singapore, Malaysia, and Indonesia are devoted to producing orchids solely for export to Japan. Japan imported 5 million kilograms of cut orchids from Thailand in 1993 (US\$17.3 million), up 700,000 kilograms from the previous year. Japan also receives supply from the Netherlands (596,000 stems, ECU547,000 in 1993), Australia, and New Zealand, as well as from the Southeast Asian countries mentioned above.

Taiwan imported 582,000 kilograms of fresh-cut orchids from Thailand in 1993, valued at US\$1 million. **Hong Kong** imported 1.1 million kilograms of Thai product, worth US\$500,000. **South Korea** imported 194,000 kilograms of fresh-cut Thai orchids in 1993, for US\$612,000.

Thailand is the world's largest exporter of tropical orchids, mostly of the Dendrobium variety. The industry was founded on the Pompadour orchid, which was extremely successful when introduced on a wide scale in the mid-1970s. In the early 1980s, Thailand developed new export varieties to meet consumer preferences and diversify its product line, which was suffering from overproduction and low prices.

Dendrobium orchids have become synonymous with Thailand on the world market thanks to the country's capability to perform advanced research, including tissue propagation; good climate, which permits year-round production; inexpensive labor; and efficient post harvest handling and transport. Thailand exports orchids to more than 50 countries, Japan being the major market.

2.2 Thai Orchid Export Industry

Thailand is a country located in the Southeast Asian region which had humid tropical climate, which is suitable for cultivation of many tropical commercial crops and ornamental cut-flower crops, such as Orchids, Jasmine, Lotus, Marigold, Rose, Chrysanthemum, Aster and Gladiolus.

Thailand has long history of orchid trade, especially for export and has been the world biggest exporter of Dendrobium orchid. Orchid is one of the most favorite flowers in the world. Thailand has begun to support the production and export of orchids over the past 10 years. Both domestic and foreign demand for orchid increases rapidly leading to the rapid expansion of orchid plantation area. At present, there are approximately 14,000 Rai of orchid farm in Thailand. The main important area, 34.5%, for planting orchid is located around Bangkok, 29.5% and 20% of orchid farm located in Nakompathom, Samutsakom respectively. And the other 16% are scattered around Thailand.

Normally, approximately 49-50% of the orchid that has been produced in each year has under-standard quality. They will be sold within the country. And the rest will be exported to the oversea market. The figure is shown that in the past few years the market expanded rapidly and currently the orchid market value is approximately Bht 1,000 million and tend to sustainable increase in the future. The orchid market value in 1999 was Bht1,061 million, which was slightly increased the year of 1998. The

projection of the value in 2000 is around 1,150 million Baht (Figure2.1). From the mentioned figure it can be implied that the current demand of the global market still has the capability to support the expansion of Thai orchid product.

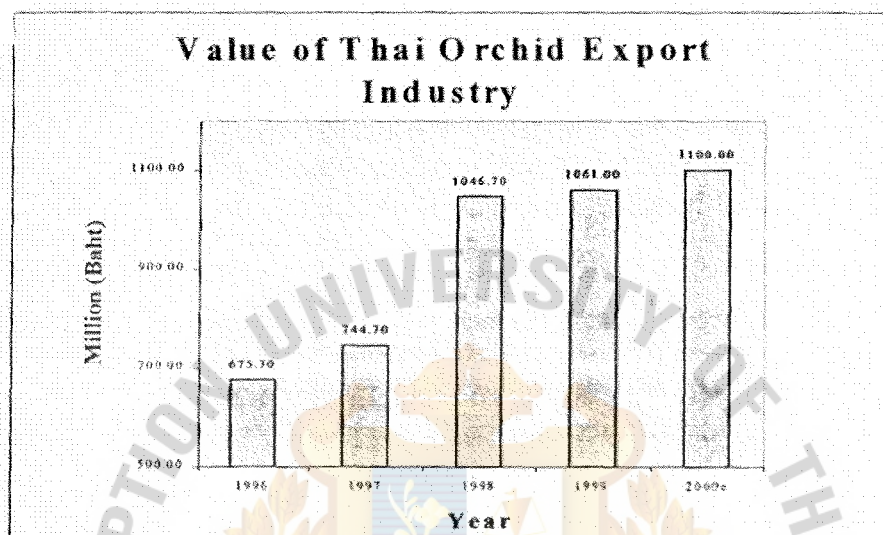


Figure 2.1. Thai Orchid Export Value.

The export volume of orchid tends to increase every year. In year 1999, during Jan- October, Thailand export volume was 10,606 Ton with export values 850 million Baht that is 12.05% increased from the same period from years 1998 which has export volume 9,328 Ton and export value 846 million Baht. The expected total export volumes in year 2000 are 13,900 Ton increase from year 1999 10.32%.

Japan is Thailand's major trade partner in this market, 51.10% of the total cut fresh orchids are exported to Japan in 1999. And 15.73%, 11.54%, 3.34% and 3.65% of them were exported to USA, Italy, Netherlands and Taiwan, in respectively (Figure2.2).

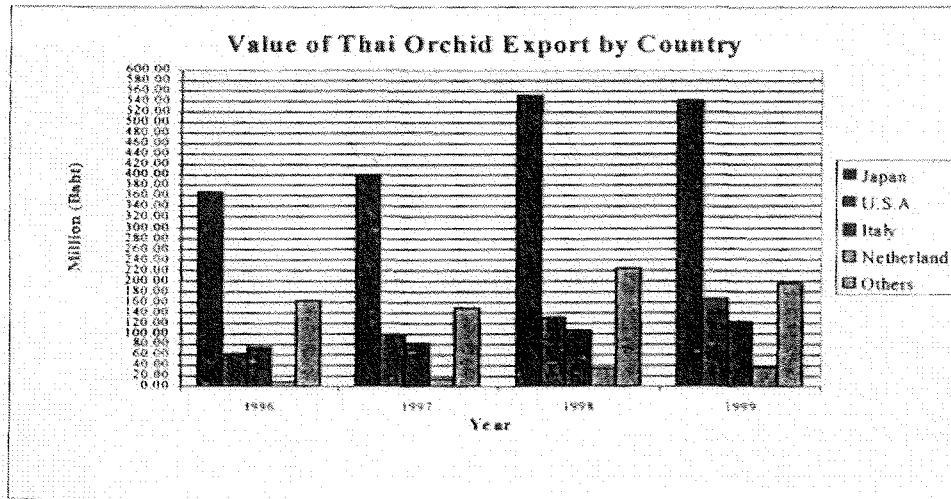


Figure 2.2. Thai Orchid Exported to the Top 4 Countries.

The rest 14.64% are exported within Asian, Europe and other countries. The proportion of export volume that Thailand exported to this country has continuously increased and it can be implied for the more significant market that the exporter might need to be concerned in the future.

Thailand has many advantages over other competitors in this industry because; first, agricultural sector is the leading sector of this country for a long time. The country has competitive advantage and specialization in this sector rather than other competitors such as Singapore that is an industrialized country. Moreover, Thailand has proper climate and location for growing orchids and the availability of planting area accompanied with the cheaper labor cost.

Generally, the price of Orchid depends on its market supply and the demand which vary and usually higher in some special days or events in each country. Moreover, the price of orchid also varies depending on the different seasons throughout the year, during summer; orchid will give minimum yield and highest price. On the other hand, it will give the highest yield but lowest price during rainy season.

On the contrary, it still has many problems and obstacles that affect the growth of orchid export market of Thailand that can be divided as follows:

2.2.1 Imperfect Information on Demand and Trend

Orchid is one kind of flower that is used for decoration and is mostly used to combine with the other kinds of flowers. The demand for Orchid has characteristics like other fashionable goods that change rapidly and depend on fashion trends that are also different in each country. The market always demands new species of orchids that has different colors, shape, grade and durability but now the major problem is that it is difficult to forecast the future trend and demand.

As a result, with imperfect information, it became risky for the farmer and the exporter to project the trend by them. From the research the farmeres afraid to invest their time and money to blend the new species and hesitate to expand their investment without knowing clearly about the future market acceptance, because it must take at least 7 months for the first yield. At present, the orchid suppliers try to diversify their risks by planting many different species of orchids that they think will hit the market in the future. However, the species that is misforecasted and has excess supply cannot export well would be sold with much cheaper prices in domestic market.

2.2.2 Excess Supply

As mentioned above, when there are excess supply orchids from over production, beside their existing customer, it is quite difficult for the export to find the other new market channels to sell their excess product or find out the new customers. Although they can find importer list it is not up-to-date and has high communication cost. Therefore, most of the surplus would be reselled with very low prices in domestic market. Many exporters chose to burn out their excess orchid to protect their specie being stolen by the competitors because using tissue culture method can breed orchid.

2.2.3 Mostly Only Premium Grade Orchid Can Be Exported

So each year, there are many other lower quality which are the orchids that has black inside of orchid, has molding, imperfect flower or under standard length of the cut orchid that can not be export. They will be reselling in the domestic market with unprofitable price. By average, there is up to 10-25% of orchid production that cannot be export and will be the unavailing cost that the exporter has to bare.

2.2.4 Trade Barrier Especially from Europe

The imposed strictly regulation to screen the imported orchid especially in the fire molding problem.

2.2.5 Problem on Finding New Market

Inadequate government support and most of the information provided by the embassy are not upto date.

2.2.6 Orchid Price Is among the Suppliers in the Region That Has High Competition

Because some exporters who cannot compete have to go out from the business. This problem is quite intense in US zone that there are many orchid sellers, the US importer has high bargaining power over the price and there are many orchid exporters from many countries that try to penetrate US market.

2.2.7 Lack of New Kind of Orchid to Penetrate the Market

As mentioned above that the orchid is like other fashionable product that has the preference an orchid has short product life cycle. The market always prefers new kinds of orchids but to develop new kinds of orchids, needs time and financial investment. Therefore, in Thailand only some major exporters do have their own R&D.

Thai government provides inadequate support to orchid farmers. In order to maintain and stimulate growth in the world market, Thai government needs to pay more attention to support the farmer like price and buying guarantee, provide

knowledge to the farmer and give fund to do research and development to develop a better new kind of orchid to compete in the world market.

2.3 Electronic Commerce

In its broadest sense, electronic commerce refers to the use of electronic means and technologies to conduct commerce, including within business, business-to-business, and business-to-consumer interactions. The enabling technologies, of course, are also used for noncommercial activities such as entertainment, communication, filing and paying taxes, managing personal finance, research, and education, which may still include the services of online companies. As a result, it is somewhat difficult—and sometimes arbitrary—to separate electronic commerce areas from noncommercial applications of the same technologies and infrastructure.

Although these may be cutting-edge applications, conventional electronic commerce areas include:

- (1) Searching for product information
- (2) Ordering products
- (3) Paying for goods and services
- (4) Customer service

All are conducted online. The use of the Internet to support marketing and customer-interface is only part of electronic innovations that are changing the way firms do business. With intranets, corporations distribute internal memos and announcements to their employees, and knowledge exchange and scheduling communications flow worldwide in a timely fashion. With direct connection to suppliers (for instance, an extended intranet), the same technology is used for manufacturing and supply-chain management. 3M (<http://www.mmm.com>), for example, expanded its EDI service to the Internet, allowing its over 2,000 suppliers and

customers access to its EDI transactions via any way they choose—private VANs, phones, and faxes, as well as the Internet. To sum up, for within business, business-to-consumer, and business-to-business applications, electronic commerce includes:

- (1) Internal electronic mail and messaging
- (2) Online publishing of corporate documents
- (3) Online searches for documents, projects, and peer knowledge
- (4) Distributing critical and timely information to employees
- (5) Managing corporate finance and personnel systems
- (6) Manufacturing logistics management
- (7) Supply chain management for inventory, distribution, and warehousing
- (8) Sending order processing information and reports to suppliers and customers
- (9) Tracking orders and shipments

And countless other business activity, more important than the mere number of areas being affected by electronic commerce is the fact that these activities can be integrated into a holistic business process. Thus, all the areas mentioned above are not really a separate application, but rather, one aspect of the whole electronic commerce process. For example, inventory and supply management is tied to production as well as to the demand data collected from consumers ordering via web stores. In short, the business potential of electronic commerce is the capability to innovate and integrate business and market processes. The most obvious and immediate use is achieving transactional efficiency.

2.3.1 Electronic Commerce as a Communications Network

At the core of traditional electronic commerce is the use of electronic means to expedite commercial transactions and improve efficiencies in business processes and

organizations. In this vein, electronic commerce on the Internet means online ordering and payments. The narrowest definition of what electronic commerce is hold is a networked electronic data interchange (EDI) with a more flexible messaging system. Traditional EDIs are limited to signals that only computers can read and that correspond to information on electronic forms used in standard business transactions, such as ordering, invoicing, and shipping. An open EDI using the Internet means that EDI messages may be sent and received via email. On the next level of sophistication, EDI can use electronic forms made available on web pages for customers to order. This view considers electronic commerce and the use of the Internet as merely improving business and communication, especially in business-to-business transactions. Accordingly, issues in doing business on the Internet are mainly organizational and operational, ranging from security, competitive advantages in product development, and R&D (research and development), to efficiencies from automating purchasing functions, EDIs, point of sale information, and other interorganizational transactions.

To many familiar with EDIs, doing commerce on the Internet is not entirely advantageous compared to traditional EDIs. A clear tradeoff is made between secure, but limited VANs using traditional EDIs and an insecure, but far more flexible network with messaging and remote login possibilities over the Internet. For example, Chevron Corp. of San Francisco pays over \$1,200 each time it sends an EDI report to the U.S. government via a private VAN. In comparison, it pays about \$2,000 per month for unlimited access to the Internet (Radosevich 1996).

However, many consider the Internet to be inferior to EDIs because of the perceived lack of security and reliability, even though they are adjusting their EDI strategies to include the Internet.

However, many interactions between sellers and buyers happen before they are ready to exchange orders and bills. A somewhat broader view of electronic commerce includes these interactions between businesses and consumers. Computer companies have routinely released consumer services and product announcements to the Internet for many years. And increasingly, firms are gearing up for Internet advertising and marketing. Going even further down the digital road, electronic shops and malls are springing up that offer electronic versions of catalog shopping in which consumers can search and order products using web browsers, bypassing traditional paper and phone-based merchandising. Organizations devoted to commercial uses of the Internet such as CommerceNet (<http://www.commerce.net>) and government agencies such as the National Telecommunications and Information Administration (NTIA) (<http://www.ntia.doc.gov>) have encouraged doing business electronically by virtue of their presence on the Internet. As recently as September, 1996, Yahoo's list of online malls contained over 700 shops (http://www.yahoo.com/text/Business_and_Economy/Companies/Shopping_Centers/Online_Malls) and Open Market's Commercial Sites Index contained 41,731 listings of commercial web sites in October, 1996 (<http://www.directory.net/dir/statistics.html>).

2.3.2 Commercial Potential of the Internet

Businesses need to place electronic commerce within the context of broader uses of the Internet than the traditional commercial framework. As a market, electronic commerce impacts not only marketing but also production and consumption. Information collected through web stores is used to customize products, to forecast future demand, and to formulate business strategies. Consumers not only order and pay for products online, but also search for product information, reveal their preferences, negotiate with sellers, exchange information about products and firms, and use

products online by filtering, processing, and linking them with other computer programs. Likewise, supply chain relationships among businesses and competitive strategies need to aim at increasing the overall market efficiency, not just transactional efficiency.

The Internet can certainly be used as an alternative marketing channel, selling existing products online, but the future of electronic commerce will be guided by innovative digital products and services that will emerge in the electronic marketplace. But from where are these products and processes coming? The explosive growth of the Internet gives a partial answer. The core of digital commerce comes from selling digital products, but no one is certain how big the digital product market will become. To get an idea, one only needs to list products that can be digitized: all paper-based information products such as newspapers, magazines, books, journals, and databases; computer software, and games; audio products, including music, and speeches; video and multimedia products, such as movies and television programs; other information products, such as weather reports, stock quotes, government information, consumer information, and even personal information; and digital counterparts for existing products, such as room keys, digital currency, digital checks and other financial instruments, airline and concert tickets, and so on.

Many business professionals dismiss the commercial potential of the Internet, pointing out that the most common uses of the Internet and the web are browsing and entertainment. In turn, the most promising use of the Internet technology is found in intranets and other within-business and business-to-business applications, in which EDIs and corporate networking are already familiar. A survey found that only about one in ten uses the Internet for shopping. However, shopping here is very narrowly defined. Internet users seeking information are, in fact, in search of products, and thus,

network uses commonly categorized as informational and entertainment activities need not be viewed separately from commercial activities. Unlike television entertainment in which commercial advertising and noncommercial entertainment are alternatively presented, commercial uses of the Internet encompass all aspects of user activities. Even e-mail messages can be thought of as digital products, for instance digitized information, which can be sold directly as a product or used as a component of business transactions.

All so-called non-commercial activities on the Internet are indeed commercial, an important realization for digital product sellers. In a truly informational age, the immense amount of human knowledge already accumulated and linked via the Internet will be the product being exchanged. As Christopher Anderson of *The Economist* argued, "In the audacious uselessness of millions of personal fish tanks (web pages) lay the seeds of the Internet revolution" (1995). These fish tanks are displayed side by side with products marketed by America's corporate giants.

2.3.3 Current Commercial Uses of the Internet

The subject of e-commerce, Internet activity and the viability of growing online business have been under scrutiny by the media and companies alike for a few years now. The recent 're-alignment' of the value of dot.com shares has created much skepticism as to the future of doing business online. However this should be seen as the end of the beginning and not the beginning of the end. What is clear is that both business and the general public are keen on sourcing and purchasing products and services online. The graphs below give an indication of current trends.

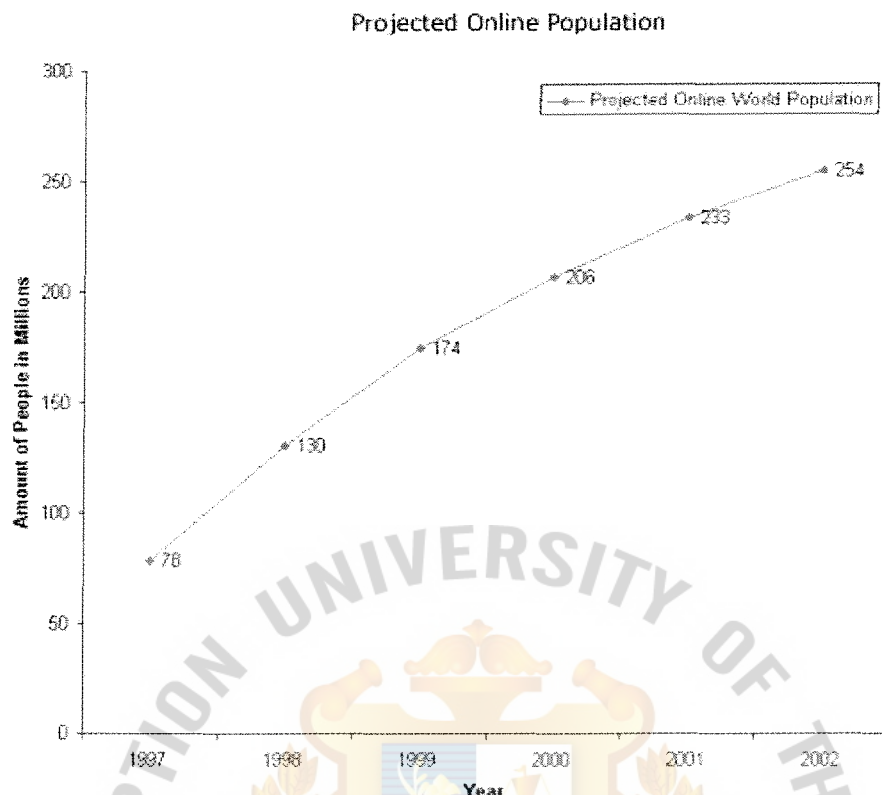


Figure 2.3. Projected Online Population.

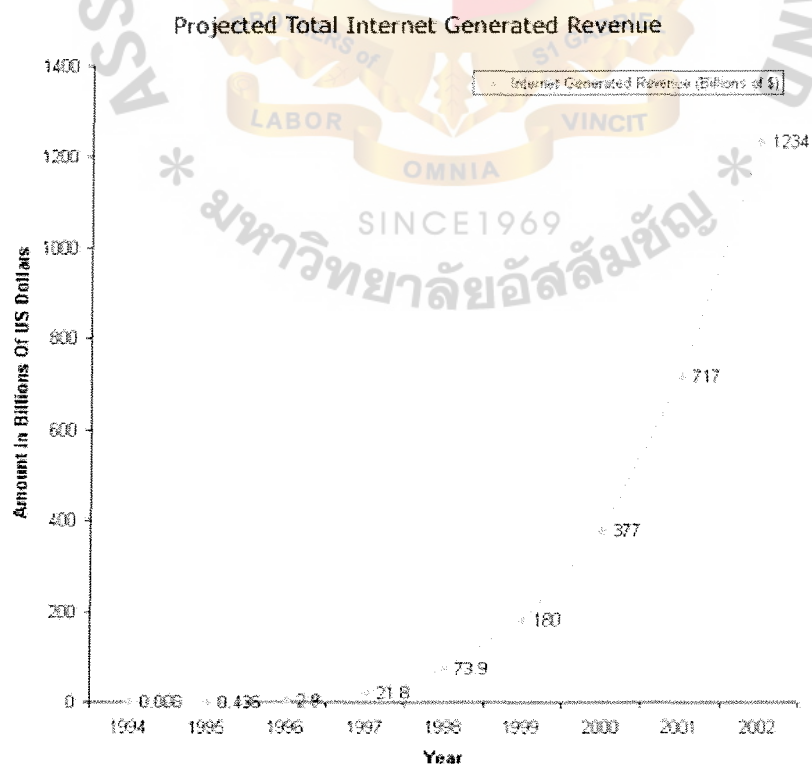


Figure 2.4. Projected Total Internet Generated Revenue.

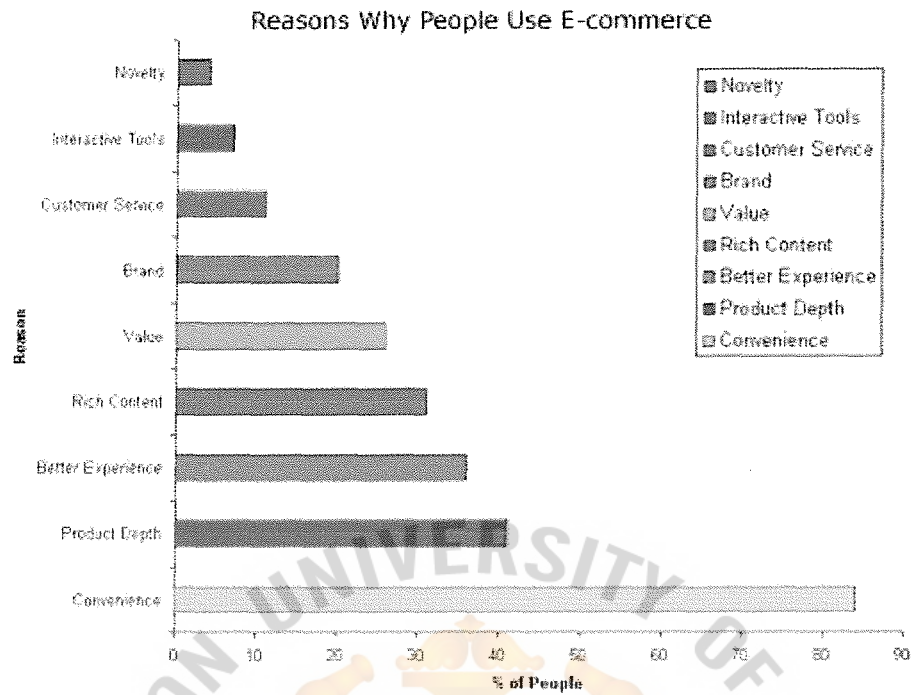


Figure 2.5. Reason Why people Use E-commerce.

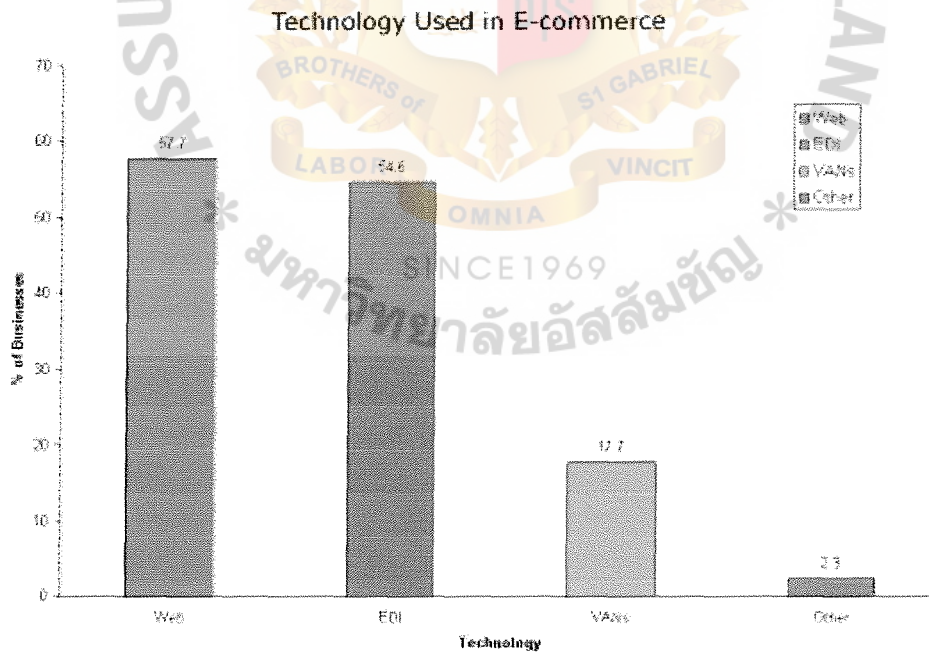


Figure 2.6. Technology Used in E-commerce.

2.3.4 Competition and Market Organization

Today's Internet users may be different from the general population in many ways, until the majority of the populations participate in the market. However, electronic commerce as a marketplace differs fundamentally from other physical markets in many respects. For example, the size of a firm is not a significant factor in establishing one's presence in the virtual marketplace. Big and small companies can be located side by side with no difference in shop floors or interior decorations. Consumers can search for product information and compare prices over the whole Internet where geographical distance plays no role. From an economics perspective, electronic commerce has many characteristics of a perfectly competitive market. Although perfect competition has been the basis of most economic studies by which we evaluate economic efficiency, it is far more an exception in real life than the norm. Electronic commerce presents an experimental stage to further realize the economic efficiency of a competitive market.

Both economists and government regulators use perfect competition as a benchmark against which market efficiency is judged. In a perfectly competitive market, a commodity is produced for which the consumer's willingness to pay equals the marginal cost of producing the commodity, and neither sellers nor buyers can influence supply or demand conditions individually or collectively. A society cannot improve its economic welfare by deviating from competitive markets. However, perfect competition is seldom evident in real markets because it requires that several assumptions be met. Among the assumptions are:

- (1) Many potential buyers and sellers must be able to enter and exit the market at no cost (no barriers to entry)

- (2) There are many sellers and buyers who cannot individually influence the market (price takers)
- (3) Products are homogeneous (no product differentiation)
- (4) Buyers and sellers both know the price and quality of the product (perfect information)

Although wholesale agricultural markets are often cited as one example of a perfectly competitive market, in most other markets one of the above assumptions, and often all four, will not be met. Heavy investment requirements in manufacturing facilities and R&D often limit free entry by competitors. Advertising also influences consumer behavior by changing demand preferences or establishing reputation, which gives sellers a degree of market power. To exploit taste differences among buyers, firms sell differentiated products by brands or by quality, which as a result limits the competitive effects on prices. Finally, both sellers and buyers have limited information about demand and product quality given that it is costly to learn about product quality, prices, and even the location of shops. Indeed, if sellers and buyers were perfectly informed, there would be no need for advertising, marketing, or sales efforts.

Even at a quick glance, the electronic marketplace better resembles the abstract market of many sellers and buyers in which prices are determined efficiently by supply and demand. The most important differences are lowered barriers to entry (low overhead costs) and the opportunity to search and obtain perfect information about products and demand.

The Internet is supposed to be the great equalizer, where big corporations will have no inherent advantage over small vendors. In physical markets, bigness has certain advantages, helping firms to command a larger presence in physical form, market share, and reputation. The importance of this 'big' presence to consumers is that

it presents a signal of the quality of a firm's products. We know that products sold by big firms are not necessarily of higher quality, but it is one viable signal available in the physical market. A similar correlation between bigness and assumed quality does not exist in electronic commerce, lowering the barriers to entry.

Another characteristic of the ephemeral perfectly competitive market, the availability of perfect information, is typically undermined in physical markets by the consumers' inability to search completely or at a cost that reflects the value of searched information. In electronic markets, automated indexing and cataloging technologies that gather and present information at low cost aid a complete search. The search for information is then as efficient as is allowed by search services. Using conventional economic reasoning, however, a complete indexing of the entire digital universe may not be economical, although desirable. Nevertheless, indexing and cataloging have been the most important Internet-based activities. Along with search services, they provide means to advertise web pages and to direct browsers to specific sites. Because of their importance, search services may be the first to be commercialized with access fees, but it will be essential to maintain search fees as low as possible, perhaps through competition, in order to minimize transactions costs.

Contrary to intuition, not only buyers benefit from perfect information, but so can sellers. Electronic transmissions generally leave a trail of information about consumer demand and tastes, which has a high value in its own right. Refined demand information is useful in reducing wastes due to demand uncertainty. Also, it leads to greater product diversity, enabling consumers to obtain customized products that better match their preferences instead of products that represent the average tastes of consumers. The flip-side effect of this is the ability for sellers to charge the maximum price consumers are willing to pay.

Despite the benefits to both sides, informational efficiency in electronic commerce is not guaranteed. The consumers' need to know about products and the seller's desire to gain more knowledge about consumers' preferences has to be balanced to avoid one taking advantage of the other. Clearly, complete product information will be available only if sellers are willing to provide that information just as consumer information is limited by the willingness of consumers to reveal their preferences. Fully customized products may increase the total social welfare but transfer benefits from consumers to firms. It remains important, however, to recognize the unique potential for perfectly informed sellers and buyers that electronic commerce presents.

2.3.5 Business Organization and Virtual Firms

When the World Wide Web first gained in popularity, many firms created web pages and initiated direct contact with consumers. Increasingly, however, web page development is contracted out to professionals, and intermediaries handle many Internet-based marketing activities. Even sales in electronic malls may be delegated to intermediary merchants, with the firms having no direct contact with the buyers. Since physical distance is not a barrier to business transactions, the electronic marketplace may resemble the face-to-face business of the old tradition, making such intermediaries unnecessary. On the other hand, market intermediaries have traditionally played other functions designed to enhance efficiency. The new electronic marketplace will necessitate new innovative models of firm organization, production, delivery, and overall market institutions, including a close examination of the role of intermediaries.

Other time-tested, basic business assumptions can no longer be presumed to hold true in this new world. In the electronic age, firms no longer are based in a single location because all functions need not be operated in one locale. Going beyond even

decentralization, a firm on the Internet becomes a distributed company, or a virtual firm, where any operation can be anywhere. Multi-office Corporation is that a virtual firm's day-to-day operation is also conducted on a network. The mundane aspects of managing a company administrative tasks, scheduling meetings, supervision of remotely located employees, and so on appear to be the greatest challenge of a virtual company because coordinating such matters most often depends on traditional means of communication.

A promising application of electronic commerce for a virtual firm is to use the web technology for within-business and business-to-business interactions. Business logistics including supplier management, inventory, warehousing, and invoicing can be integrated in a corporation-wide intranet, or intraweb, which is defined as "a secure corporate network with rich functional features of Local Area Networks interconnected by the Internet or its technologies and applications" (Chellappa et al., 1997). Suppliers and customers are given appropriate levels of access to intranets so that employees, suppliers, and customers can be integrated in the firm's production and sales functions in a network rather than a physical locale.

Another still unanswered question is whether interfirm relationships of virtual firms will be different in electronic commerce. Economists have argued that a firm is an organization by which producers can internalize transaction costs, which are costs incurred in transacting business such as writing, monitoring, and enforcing contracts. For example, if the cost of contracting bookkeeping and accounting with an outside CPA (Certified Public Accounting) firm is high, a firm may reduce costs by establishing an accounting department of its own to handle the tasks. In an extreme case, a firm may find it efficient to handle all activities from production, marketing, and payment to delivery. When transaction costs are low, on the other hand, many

functions done within a firm may be contracted out in a market. To the extent that electronic commerce reduces transaction costs, firms will contract out or delegate many of their functions to other agents in the market.

Increasing use of contracting implies a more fluid interfirm relationship and a more decentralized, nonhierarchical organization. However, Steinfeld et al. (1995) have examined the buyer-seller relationships between firms on a network, and concluded, based on case studies, that the use of an electronic network between firms tends to lock out other firms. They present this as evidence that networked businesses tend to promote hierarchical organizations (such as corporations) instead of markets. In other words, doing commerce on a network increases interdependence between existing partners, and has not encouraged firms to seek new suppliers or buyers in an open trading market. Such a trend is clearly observed when new firms have to invest in hardware and software to participate in bidding and contracting. The open Internet, however, lowers such investment requirements, and will facilitate a more market-like organization among networked companies.

2.4 E-Commerce in Thailand

ONE of the greatest potential benefits arising from the emergence of electronic commerce in Thailand is to use the new trading concept to earn income for the country and promote the purchase of domestic products and services.

The vast bulk of local e-commerce transactions still, however, relate to purchases from other countries. It is estimated that around 70 per cent of the country's total transaction value is accounted for by overseas purchases, which raises a serious question over whether the development of e-commerce is providing a real benefit to the country.

"E-commerce provides a new opportunity to push Thai-based products and services to be sold outside, in order to increase the [country's overall] export value."

"But in reality, most e-commerce use by Thai people is for purchasing rather than selling." Other developing countries in the Asia-Pacific region also face the same situation. They are buying products and services from abroad, especially from the United States. If each country wanted to get the maximum benefit from the new trading system, it had to develop e-commerce for exports, while promoting domestic purchases, so that real business and revenue generation takes place within each country. In the US, capital outflow of e-commerce to other countries stands at only 10 per cent, with around 90 per cent of the total e-commerce value accounted for by products and services bought within the country.

Thailand needs to develop e-commerce in the same way as the US. There are three ways to get things moving in the right direction. Firstly, the country must develop e-commerce as a primary vehicle for the delivery of Thai products for export. The new medium gives people a much easier way to introduce Thai goods to the global market, and this can help them to generate income for the country. Second, the country needs its strongest points, especially in tourism, to be promoted via the e-commerce channel. Third, Thai people must be encouraged to purchase Thai-made goods and local services through e-commerce. This is important for e-commerce development in Thailand, because domestic purchases will help generate trade within the country.

The increasing power of e-commerce in the global economy -the country should establish a national strategic plan for the trading medium. The country needed to promote e-commerce, to increase its competitiveness in the global market. The development of a telecommunication infrastructure also plays a key role in developing the new trading channel and extracting the maximum benefit for Thailand. Since e-

commerce has been designed based on the Internet, the country clearly needs a suitable information superhighway.

Thailand's e-commerce volume last year amounted to Baht 1.23 billion and is expected to reach Baht 50.95 billion in 2003. The website's business model had to be clear-the site had to be either seller-centric, buyer-centric or a cooperative hub. The business-to-business (B2B) e-commerce model will soon become a necessary, not merely an option. Said by Mr. Pichet Durongkaveroj, director of the Electronic Commerce Research Centre.

2.5 E-Commerce Business Integration

By virtue of its similarities, the scope of operations for E-Commerce is nearly as broad as traditional commerce. E-Commerce includes both traditional activities (e.g. providing product information) and new activities (e.g. conducting online retail in virtual malls, publishing digital information). Some of the common operations that define E-Commerce are specific business-to-business and business-to-customer interactions, such as:

Information exchange *

- (1) Goods or services trading
- (2) Sales promotion and advertising
- (3) Online digital content delivery
- (4) Electronic funds transfers and transaction processing
- (5) Electronic share trading
- (6) Electronic bills of lading processing
- (7) Collaborative work interaction
- (8) Manufacturing management
- (9) Accounts settlement

- (10) Online sourcing
- (11) Public procurement
- (12) Direct consumer marketing
- (13) Inventory management
- (14) Post-sales service
- (15) Commercial auctions.

Although every E-Commerce implementation will differ, most SMEs focus operations on:

- (1) Product promotion via online catalogues
- (2) Transaction processing (exchanging digitized monetary information)
- (3) Customer Support.

E-Commerce conducted over the Internet differs from typical commercial activity in that it is influenced by the unique characteristics of the medium itself. In contrast to print media, E-Commerce is dynamic, allowing users to interact with the commercial site, send comments, and even define the scope of a document. Unlike person-to-person commerce, E-Commerce allows for a controlled interaction between vendor and potential purchaser, where the vendor may strategically direct the customer through a series of options and processes. E-Commerce also differs from traditional commerce by its boundless relation to time and space. Interaction is not restricted to normal working hours or geopolitical borders. There is potential to conduct business with other merchants and consumers around the world in different time zones, 7 days a week, 24 hours a day.

In the short-term, entry into E-Commerce may offer a competitive advantage over slower to act competitors. The market for E-Commerce is growing, as more consumers and businesses gain Internet access and transaction processing technologies

improve security. Companies that establish an operation today, still in the early stages of Internet based E-Commerce, will have a fuller understanding of the issues and be better prepared to capitalize on emerging technologies when E-Commerce markets open up in the next few years.

The benefits of E-Commerce to a small business may include capabilities to:

- (1) Extend the range of sales territory
- (2) Streamline communication to suppliers and clients
- (3) Expand reach to new clients
- (4) Improve service to existing clients
- (5) Reduce paperwork and time spent on correspondence
- (6) Track customer satisfaction
- (7) Expedite billing
- (8) Improve collaboration on work projects
- (9) Expand markets beyond geographical, national boundaries
- (10) Leverage legacy data
- (11) Improve inventory control, order processing
- (12) Establish position in emerging E-Commerce marketplace
- (13) Lower costs of overhead
- (14) Realize economies of scale by increasing sales volume to new markets
- (15) Monitor competition and industry trends
- (16) Improve or expand product lines - locate new suppliers, products that could be included in catalogue.

2.5.1 How Does It Integrate with Traditional Services?

As E-Commerce matures and more traditional businesses enter the electronic marketplace, it will become difficult to distinguish the E-Commerce merchant from

traditional merchant. Although some firms operate exclusively as E-Commerce merchants, it appears that the greatest opportunities are for established firms that venture into E-Commerce as a means to refine existing business processes and gain new customers.

E-Commerce may complement or replace traditional commercial activities, depending upon the industry and the functions. Because it is both a threat and an opportunity for various industries, it is worthwhile to:

- (1) Study how E-Commerce can integrate into operations. Determine needs and capabilities. E-Commerce operations may shadow traditional operations to provide redundant services such as product information distribution.
- (2) Develop an E-Commerce strategy into the business and marketing plans. Understanding how an E-Commerce system will strategically fit with the firm's existing operations will help to allocate the management and financial resources necessary for it to be a success. In the long-run, there have to be resources to set-up and sustain a system, making it work best for the type of operation that will be managed.
- (3) Monitor competitors, suppliers, and customers' movements into E-Commerce. Special attention to their capabilities will help determine areas of E-Commerce that need development.
- (4) Establish a consistent operations review process. E-Commerce technology and operations are constantly evolving. Changes in technology frequently introduce opportunities to refine or create new services.

2.5.2 Barriers to Business and Consumer Target Markets

Business-to-business E-Commerce presently represents the bulk of commercial volume over the Internet, although business-to-consumer traffic is growing and has the

potential to become an even larger market. The primary reason why business-to-consumer E-Commerce has not kept pace is that the Internet is still not as established in the home as it is in the office. Many businesses have invested in Internet access technologies, are online and ready to expand their commercial capabilities into this emerging marketplace. Consumers should come online as the costs of Internet access decrease, data throughput increases and Internet connectivity becomes as simple to initiate and commonplace in the home as television and telephones.

Low confidence in security technologies has also restricted growth of E-Commerce activity. Business-to-consumer E-Commerce in particular has suffered from poor consumer confidence in secure monetary and personal data transactions. Business confidence in secure transactions is higher and continues to increase as electronic payment and encryption technologies are widely employed. It is important to note that this issue is strictly about confidence. Secure technology exists today. This indicates that business is either more informed or willing to take risks than consumers are. In either case, business-to-business E-Commerce is vibrant and demonstrates a confidence in the supportive technologies that should continue to transfer to consumers.

A third barrier to growth is the concern of legal issues, mostly the uncertainty of litigious boundaries. Since the Internet crosses political boundaries, legal jurisdiction is in question. Although the Internet improves access to foreign markets, national export/import laws still apply to all E-Commerce transactions.

III. EXISTING SITUATION ANALYSIS

3.1 Industry Analysis

Five-Force Model Analysis

1. Threat of New Entrant

New entrants frequently bring additional capacity to industry. Thus it is possible that prices will be bid down and industry profits diminished. One has only to examine the PC industry to see examples of how new entrants (hundreds of them) quickly cannibalized the initial high profits of Apple Computing. The threats projected by potential new entrants are a function of barriers to entry. If high barriers to entry exist, then the threat of new entrants is diminished. On the other hand, low barriers to entry encourage new entrants. The PC industry could quickly enter the industry because barriers were quite low. The technology was widely available, many firms manufactured the component parts and low-skill workers performed assembly inexpensively.

Barriers to entry include economies of scale and capital requirements. In the early PC industry, many small firms sprang up around the world to compete in this profitable and rapidly growing industry. Many of these firms were “virtual” in nature. They consisted of an office, phone and fax links and little else. Most of the “normal” functions of the business were farmed out to other firms scattered around the globe. As a result of this proliferation of new entrants, the profits of existing firms were depressed.

One has only to watch to see almost daily announcements of new technology and the degrees rapidly proliferating. The reasons for this are fairly obvious. Barriers to entry are low. Capital requirements are minimal. Switching costs are not important to

buyers and brand identity is probably not nearly as important as access and convenience. Demand for the orchid e-marketplace online is growing rapidly as industry demands. The threat of new entrants is high.

2. Threat of Substitution

Substitutes are products or services that are able to perform the function of the original product or service at a considerable price reduction. Substitutes are new products (or services) that are quite not different from the original product or service. Substitutes represent a “price ceiling” for existing products and services.

At that time, ParardiseOrchid.com has unique solution that is B2B E-broker. Whereas Others B2B web site provides just information but B2B E-broker has real products to sell by that web site. Therefore, the products are differentiated so that the threat of substitution is low.

3. Bargaining Power of Buyer

Buyers; who are anyone that buy service solution from ParardiseOrchid.com, in this segment do not possess strong or growing bargaining power. Some of them may become concentrated or organized which results in higher bargaining power.

Another side of foreign customers, who buy products from ParardiseOrchid.com or other sellers offering products via ParardiseOrchid.com, may have more alternative and lower switching cost so that the bargaining power is moderate to high. To decrease these barriers, the solution is to try to add value by creating the differentiated products, for example, repacking, cross selling and up selling.

4. Bargaining Power of Suppliers

In the future it will be possible that most of the activities that is formerly done by the importer and wholesaler in the part of matching demand and supply could be replaced by E-Marketplace system. Our website allows the buyer and seller directly

contacting with each other. They can make the deals by exchange or real time auction within the web. After the deal, the traders could easily delivery and distribute their product by using the service of logistic company.

Sellers: who are ParardiseOrchid.com's customers, supply products to ParardiseOrchid.com for reselling may become organized and create negotiation power. To eliminate this problem, many product sources are necessary in order to find more substitutable products and reduce switching cost from each supplier.

5. Rivalry among Existing Competitors

This segment is still attractive because it has not yet contained numerous, strong, or aggressive competitors. Moreover, this segment is still growing because many SME enterprises are now trying to move to e-business which means the high demand of IT service. Many e-business providers are entering this segment but most of them do not focus on providing real business solution. What they offer are turnkey website without long run maintenance and support. The general solution involves first time investment rather than retaining customers and proving final profit returned to them.

Many industries are beginning to Figure marginal returns as a result of the proliferation of competition. Consumer electronics comes to mind as an example of industry that was fundamentally altered with the arrival of competitive products from America some year ago. Firms tend to be mutually dependent. Many forms of competition within an industry result in instability for example; price-cutting can easily result in decreased industry profits. Porter argues that rivalry within an industry is the result of interacting forces. Those forces are:

- (1) High exit barriers.
- (2) High fixed costs.
- (3) Numerous competitors that are essentially "balanced".

(4) Slow industry growth rates.

(5) Lack of switching costs

3.2 Competition Analysis

The competitors of ParardiseOrchid.com, the vertical E-marketplace for orchid industry, can be categorized into 2 majors categories, direct and indirect competitors.

3.2.1 Direct Competitors

There are the web site that offers the similar kind of service and market as ParardiseOrchid.com, which currently there is only one E-market place for Flower industry that is Folwer.com. Flower.com Business-to-Business Network is a New York-based web site where the entire floral industry meets online daily to buy, sell and communicate by being as a market. However, at the present time, Flower.com which focusing on only Flower, but is not specific for Orchid.

Therefore, ParardiseOrchid.com do concern Flower.com as direct competitor because in the future it has high potential to expand the trading to cover Orchid category. On the contrary in the future ParardiseOrchid.com would expand the line of business into other kinds of flowers the same as Flower.com.

3.2.2 Indirect Competitors

There can be divided into two groups as follows;

- (1) Offline Orchid trading; in traditional way, the orchid trading has been traded through the exporter who purchases fresh orchid from the farm and sell to the importer in each country. In Thailand, there are approximately 500 orchid trading firms.

And Thailand is the biggest orchid exporter in the world compared to the competitors like Singapore, Malaysia, Taiwan and etc. All of those 500 Thai orchid trading firms including all of those orchid trading companies in

other countries, could be considered as ParardiseOrchid.com's indirect competitors because if they do not trade in ParardiseOrchid.com and still trade in the same traditional way, the trading transaction and trade volume that will be occur on the web might not be effective enough.

In addition, trading firm that develops their own web site to sell their product in the form of Business to Customer, E-commerce can also be considered as our indirect competitor. However, we might consider them as our customer if we can convince them to trade online over the web.

- (2) On line Orchid trading; nowadays, there are only 10 trading firms that sell their products though their own web site as to be another distribution channel under B to C concept, one seller tries to approach many buyers. However, this method is not effective enough because it's not attractive to the huge number of potential buyers to visit the web site and trade with them.

Another reason is, there is no market mechanisms that will occur, Only there are many Buyers and many Sellers. Some people might consider the trading firms who sell orchids over their own web site as ParardiseOrchid.com's competitors. But ParardiseOrchid.com considers them as its customer because they provide the marketplace for all the trading firms to facilitate their trading on the web.

- (3) On line horizontal market place such as Alibaba.com or Thailand.com, which are the web sites that create the E-marketplace for all kind of products, including agriculture products that is one of the categories is fruit and flower, to trade within the web. However, Thailand.com did not concentrate on both of them much. The competitive advantage of the

vertical web site as ParadiseOrchid.com which is been over the horizontal web, is to provide the development system to customize in particular industry in order to response specific characteristic of trading as flower industry or chemical industry. It is difficult to develop the suitable system for all kinds of industry as the reason for many of the horizontal E-marketplace are failing in the present day.

3.3 Market Growth

From our study in the above-mentioned orchid history and Internet history included the e-commerce business.

3.3.1 Value of Thai Orchid Export

- (1) The growth of Thai Orchid Export industry -Thailand is the largest exporter of Orchid in the South East Asia to the world market. The trend of Thai Orchid Export value is continuously growth from 1996 to 1999, increased 57.11% (Figure 3.1). In the 2000, the figure projection is 1,100 million Baht by Department of Export Promotion.

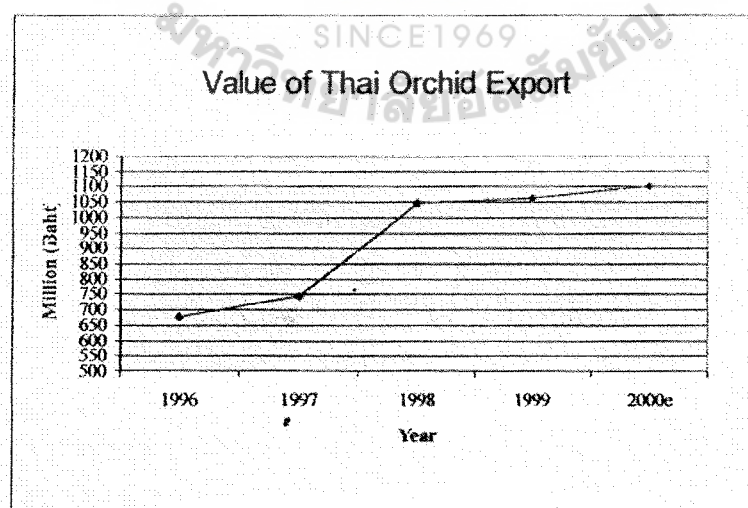


Figure 3.1. Value of Thai Orchid Export.

3.3.2 Internet Included Number of Users and E-Commerce Business

- (1) Number of Global Internet users is sharply increasing from the beginning point of Internet from 1990 in every country. The figure shown is recently result of survey of Internet users by country for Internet user survey in 2000.

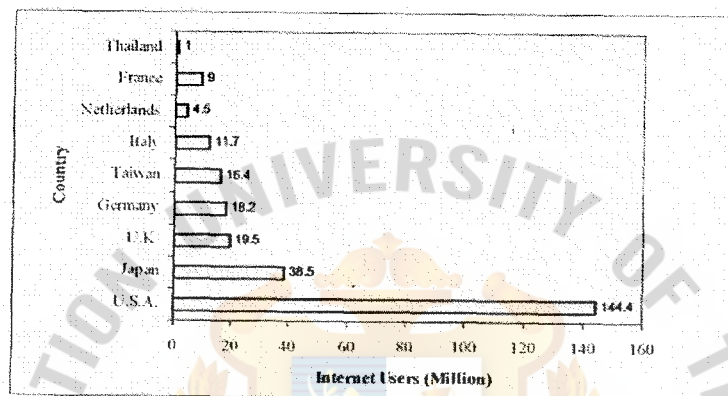


Figure 3.2. The number of Internet Users by Countries.

- (2) The Growing Momentum of B2B e-Commerce -In fall 2000, Forrester Research interviewed 80 executives at large US companies and found that more than 75 percent had yet to do any business transactions through online exchanges. Forrester estimates that perhaps only 1 percent of all B2B trade will have been done through such exchanges in 2000.

But e-commerce analyst Mary Meeker of Morgan Stanley Dean Witter says this is the year the B2B marketplace will be won and lost. Online business trade will reach \$400 billion in 2000, In fact, by the end of 2000, they expect there to be 2,000 B2B web sites, all looking to grab a percentage of that \$3 trillion as it flies by on the Internet.

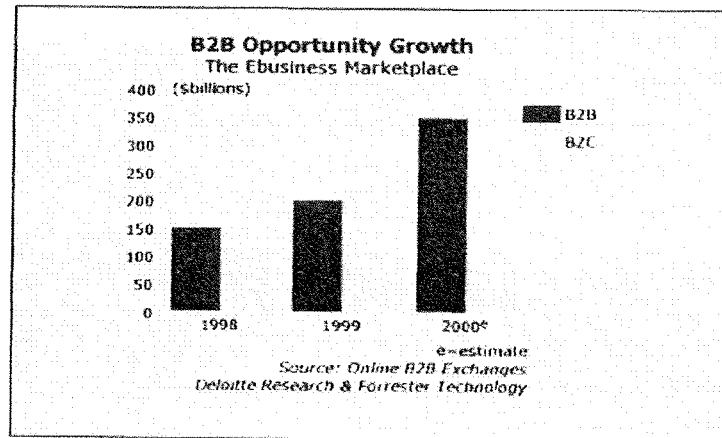


Figure 3.3. The B2B Opportunity Growth.

3.3.3 The Characteristic of the Orchid Packaging

The characteristic of the orchid packaging can be done since the beginning of the activity chain from the farmers or exporters without necessary to be repackaged or prepared any value added activities until sending to the retailer. Mostly the exported-orchid will be packed in boxes, which is 12 bunch/box. The wholesaler can buy in a big lot of boxes and can easily separate selling for individual box to the retailer without repackaging.

3.3.4 The Efficiency of Shipping Company's Service Line Expansion

Which Is More customized and serve as door-to-door service. At present, logistic companies like DHL try to expand their service and have more significant roles in receiving, shipping and distributing the product since the beginning to the end of the international trade's activity flow.

From the above reason, the roles of the importer and wholesaler as an intermediately who matches the supply and demand, receiving, organizing and distributing the product are possible to deteriorate.

3.3.5 The Huge Floral Consumption in USA Market

According to Line56.com's news, the numbers of US Flower retailers, of which there are over 27,000 in the U.S., feel pain over steadily shrinking margins. Although U.S. consumers are willing to spend more than \$25 billion on flowers every year, the middlemen, not growers and retails, seem to be profiting the most and, compared to intermediaries in other sectors, these middleman aren't even adding a lot of value.

3.4 Marketing Research

In the beginning years, ParardiseOrchid.com project to create, as much as possible, customer awareness about the existing of the web. At the same time, ParardiseOrchid.com would also educate the target prospectors and other people in orchid business for well understanding about what are the services that is offered by ParardiseOrchid.com, what is the benefit they are going to get, how to register to (be member), and how to utilize the web. In the first year planning, the web would heavily communicate and stimulate the customer to register as a web member by any kind of marketing strategy.

Many web tactics would be used to motivate their willingness to try their first transaction with the web and create ParardiseOrchid.com brand awareness, likeness and stickiness in the customer mind under the value proposition created by ParardiseOrchid.com hence, the web gains the likeness from the first year members and expects to get more volume of members in the next year on later.

3.5 Target Market

The target audiences of ParardiseOrchid.com can be separated into two parties, which are as follows;

- (1) Suppliers are the Companies doing business of exporting fresh cut orchid.

There are 500 Orchid Export Companies in Thailand. ParardiseOrchid.com mainly focuses on Thai Exporters during the first 4 years. It is planned that the prospectors during the first year would be approximately 120 orchid export companies. In the next years and later, this number is expected to increase by 20%. ParardiseOrchid.com will consider expanding this group to equally match the number of Buyers demand.

- (2) Buyers are the retailers or floral shops around the world.

ParardiseOrchid.com focuses on the North America and Japanese market due to the sharp increase of the number of Thai export orchid to US market, 27,000 of US retails, the rapid increase number of U.S. Internet users (as mentioned on the opportunity part) and Japan is the biggest importer for Thai orchid. During the first year, the web plans to acquire at least 600 buyer members with 50% expected growth rate in the later year.

3.6 Need of E-Marketplace for Exporter and Customer

Core Need

- (1) Exporters of Thai Orchid Industry;

Exporters need to increase revenue by exporting the products worldwide.

- (2) Foreign customers;

Customers need to find quality products to sell in their country in which the products quality and price must be competitive to other source of products.

Want

- (1) Exporters of Thai Orchid Industry;

Exporters want to find credible customers who can import their products into destination countries.

- (2) Foreign customers;

Customers want to find source of quality product to be sourcing site to provide products for them.

Demand

- (1) Exporters of Thai Orchid Industry;

Exporters demand credible customers that can import high volumes of their product. They also want to get information of demand fast. Moreover, these can be guaranteed risk free regarding the payment and performance. They would like to be able to retain customers with them forever.

- (2) Foreign customers;

Customers demand to acquire reliable suppliers that provide quality products. Moreover, they can guarantee as risk free regarding the product quality and the time for delivery.

IV. THE PROPOSED WEBSITE

4.1 Competitive Advantage

SWOT Analysis

Strength

- (1) In the beginning, to make the web ready for both buyer and seller to trade and initiate the number of transaction within the short period. *ParardiseOrchid.com* will ask to try as much as possible to attract and ask for the offers to sell from the Thai exporters by beginning with La Belle International Co., Ltd, and post the offers on the web waiting for purchasing order from the buyer.
- (2) Hiring the oversea marketing staff in Hawaii to do the tele-marketing and visit most of the prospect customers to show them how to trade and what will be the useful result for the buyers which stress on a wide varieties of orchids supply they can find and the better price they can get.
- (3) The management will participate and show them the benefit that they can get by trading and how to trade. In the Figureion, the web's staffs have to convince the floral retailers to register and try their first trade over the web. The floral retailers whom trade within the Figureion will get the 20% discount on the service fees (350Bath discount from 1,750Bath).
- (4) The above web tactics will create the transaction over theweb. *ParardiseOrchid.com* will use these transactions as a reference to announce to the public by spread the news to create the web creditability and reliability of the web to the target audience by expect to capture their interest and attract more and more of them to use the web.

- (5) ParardiseOrchid.com promote the creditability of the web both buyer and seller can visit the web and see trading traffic of the web from “offer list” and “the request list” .The sale representative will try to motivate the buyer or seller to choose their first trade from the offer list or request list and show them the better or more efficiency result that they can compare with the traditional way of trading.
- (6) ParardiseOrchid.com assures the buyer satisfaction by providing inspection at the airport to inspect every shipment according to each order specification.
- (7) ParardiseOrchid.com will act as the seller representative to collect the transaction Payment from the buyer and distribute to the seller. Payment service helps seller to have more conveniene and avoid the confusion of tradition payment.

Weakness

- (1) ParardiseOrchid.com will mainly be a limited target group for Orchid Industry. However; we plan to explain nationwide if we could somehow succeed
- (2) Lack of brand awareness, since ParardiseOrchid.com are a new comer to the E-Market place, customer are still not widely known or getting popular in comparison to the famous brands, such as Orchidmall.com or ThaiOrchid.com
- (3) In Thailand, our law regarding the e-business frauds were still not yet enforced throughout the market; therefore, chance of facing fraud is also possible as well.

Opportunity

- (1) Thailand product has been well recognized for today's global market.
- (2) Thailand government is now promoting export products by reducing and cutting off export duty.
- (3) Some of Thai exporters do not want to take risks to contact foreign customers for export since they are afraid of getting reject payments.
- (4) New alternative commerce for both the seller and the buyer in order to get benefit from our service especially the customers who can save cost and time for their business purpose.
- (5) Highly Orchid products update demand among members.
- (6) Government attention to e-commerce and e-business.
- (7) Laws and Regulation about e-commerce will be ready.
- (8) Less competitor for Orchid online website in Thailand.

Threats

- (1) Shopping behavior among Thai people, which still prefer shopping in a traditional mall rather than shopping online.
- (2) Internet work performance. If the connection speed is poor or not really stable, it will make online shopper to become impatient and will lead to
- (3) Less confidence in payment online and Internet security from global perspective.
- (4) The non-universal E-commerce law and regulation.

4.2 Customer Delivery Value

Customer Deliver Value = Total Customer Value – Total Customer Cost

Customer value is the set of benefits that customers expect to gain from the product that they purchase. These benefits are explained in four values as follows:

Total Customer Value

Product Value

- (1) Providing a seamless combination of online trading platform, logistic, and payment service to global orchid industry.
- (2) Comprise of exchange and auction that allow buyers and sellers to post their interest to the system and it will match the requirement automatically.
- (3) Customer can compare up to date prices and place order securely online.
- (4) Solution from ParardiseOrchi.com is powerful, quality and complete.

Service Value

- (1) We are creating the web site of www.ParardiseOrchid.com as additional value to customers.
- (2) Customer can search for information 24 hours a day, 7 days a week, whenever customer need to know more information from seller worldwide.
- (3) The payment service helps seller to be more convenient and avoid the confusion of tradition payment.
- (4) The web will cooperate with DHL to provide the door-to-door solution to customer
- (5) Service from Parardiseorchid.com is reliable, responsive and accessible.

Personal Value

- (1) People from ParardiseOrchid.com are knowledgeable and responsive.
- (2) ParardiseOrchid.com'teams can give advice to customers both technical and business approach.
- (3) ParardiseOrchid.com provides facilitated service for the seller to access to higher volume of highly efficiency trading system.

Image Value

- (1) ParardiseOrchid.com has well know braud recognition and is reliable as that makes our website popular. The service value that we offer is quite comprehensive and easy to use and image that visitor will have is that of the best value website especially since we are building a community of users.
- (2) ParardiseOrchid.com creates brand loyalty to our users. We offer the best service to customers, including publicity activitys.

Total Customer Cost

Monetary Cost

- (1) ParardiseOrchid.com replaces both two parties as the intermediate market (e-marketplace). The traders would be able to sell their product directly to the retailer and get the higher price. On the contrary the buyer would be able to buy the products with the lower price since the operation cost and service charge of the intermediary that mark up the price would be lower or have disappeared.
- (2) The real price that customers have to pay is subject to both low solution and product compared to other means of channel.
- (3) Customer can search for information in our website via Internet.

Time Cost

- (1) Orchid-Sunshie.com can help customers to save time to travel around and visit our traditional store. They can search information on their leisure time or anytime that they feel like, to know more about orchids.
- (2) Provide the auction online order process and payment system, which reducer time to travel.

- (3) The time to acquire the products is short because of online communication. Customers can request for quotation, order just from the computer.
- (4) To get ParardiseOrchid.com solution, the time is not so long because the solution is off the shelf. The little time frame they take is for the customization.

Energy Cost

- (1) ParardiseOrchid.com is the one stop place to find information. It saves energy for customers to travel around searching for information. Customers don't have to come and visit our company again and again to find information. They can view the information on their screen at home.
- (2) Customers get ParardiseOrchid.com solution from their place because they can send requirement online, then our representative will visit to take formal and detail requirement. Products from ParardiseOrchid.com are easy to order buy online storefront.

Psychic Cost

- (1) This cost will be associated with benefits that customer exports and the cost of product in customers mind.
- (2) Psychic for ParardiseOrchid.com solution customers is low because we offer personal selling and provide testing period for 30 days. Moreover, the fixed cost is low. The commission fee will be collected after purchase fulfillment.
- (3) The psychic cost associated is moderate. Nonetheless, ParardiseOrchid.com arrange customers into ordinary and exclusive. Exclusive customers will pay 100% L/C at sight after proving the performance and reliability.

4.3 Positioning

The message that is delivered by ParardiseOrchid.com along to the target audiences is ParardiseOrchid.com can solve the problem and creates many benefits to them. The message can build a strong believe that *ParardiseOrchid.com* can help the supplier finding more order and help the customer find wider and more varieties source of orchid with better price.

According to the above mentioned, the web converts to *ParardiseOrchid.com* slogan as follows:

For Supplier: *ParardiseOrchid.com* the only place where you can always get the order with the higher price.

For Customer: *ParardiseOrchid.com* is the only place where you can always find fresh orchids with cheaper price.

4.4 Marketing Mix

Product

ParardiseOrchid.com offers products as a solution to their customers, which comprises of customers side and sellers side. The solution comes in different packages, which are shown as follows:

For Suppliers

The services include post business information, searching buyers, and viewing demand from buyers and purchasing module.

ParardiseOrchid.com will process the quotation and delivery as well as inventory by itself.

This benefit the suppliers by building image to be more credible as well as to have unlimited number of products to sell. The suppliers can post any information to their web site with more flexibility.

For Customers

Customers can apply customer membership for searching products and suppliers. They can also request quotation and posting purchase order online. They can track the order status and make a repurchase to shorten negotiation time. The service is solely commission fee after purchase settlement without monthly fee.

In summary, this process composed of four sections. Firstly, searching the product whereas the product comes from the suppliers who have already paid for membership fee for posting the products. Potential customers can search and acquire the supplier information for free. Secondly, Searching supplier is available for customers as well.

They can search all data from supplier list. Thirdly, Searching customers is available for suppliers to seek for future customers, which information is retrieved from the whole customer list. Lastly, Posting product inquiry is allowed for customer members who cannot find products from available list that meet their needs. They can post demands on the demand list and wait to see if there is anyone who can serve this requirement.

Service

ParadiseOrchid.com introduces a lot of service to enhance customer loyalties as well as promote ParadiseOrchid.com at the same time. Here are the service features.

Online and Offline Advertisement

For online promotion, ParadiseOrchid.com will post its banner on other trade related websites as well as to top traffic web site worldwide. ParadiseOrchid.com will submit our URL to over 1000 search engines, directories, and link listing such as Lycos, Yahoo and more.

For offline promotion, ParardiseOrchid.com will provide offline advertisement service in the newspaper, billboard, and trade show.

Newsletter for members

ParardiseOrchid.com routinely submit e-mail newsletter for information update such as US rate, market development activity, news from Thai trade promotion in other countries and market expansion news.

Price

For Suppliers

Plan1, ParardiseOrchid.com will charge membership fee for posting the products. Suppliers will sell products to ParardiseOrchid.com, as supplier while the cost of product will be negotiated according to the appropriateness. However, commission fee is set originally at 5% for average.

Plan2, ParardiseOrchid.com will be charged for site construction one time fixed cost and monthly maintenance fee. Supplier will get limited disk space but unlimited number of products. The construction cost is 1,000 Baht for one time payment. The maintenance fee is 500 Baht monthly with 30 MB disk space.

For Customers

ParardiseOrchid.com will charge commission fee after issuing purchase order for predetermined percentage, which is set originally at 2% for average.

ParardiseOrchid.com replaces 2 intimidated parties, Importers and Wholesalers acting as Organizer, without repackaging, target directly to Retailers. The price will be improved as increased because ParardiseOrchid.com eliminates both of Importers and Wholesalers. There is no cost of inventory because the web will give an order notification through minimum 4 days for picking up the shipment. Customers can face the satisfied price and also make notation.

Place

(1) Online Marketing Channel

ParardiseOrchid.com offers and sells product through online channel. It plans to do the market research on line as well. ParardiseOrchid.com offers the web site to be communication tools for their members to contact their partners for questionnaire, negotiating and retaining partners. We use E-mail and chat room for the members to contact our support staffs.

(2) Physical Distribution Channel

ParardiseOrchid.com transports products to buyers' hands by physical approach because all products are physical goods not digital products.

(3) Online Payment Channel

ParardiseOrchid.com tries to fix this issue by using online payment for customers to pay for cost of products to suppliers, which is more secure. Bank transfer or direct payment at ParardiseOrchid.com in cash form will pay payment for the solution fee. - As intermediate for online transfer money. Our account will be opened with Siam Commercial Bank, which provides its as named "scbeasy.com". The annual fee is free. Any transaction among SC Banks will free. The charge among different Banks is Bht 35 per transaction.

Promotion

(1) On-line Channel for Suppliers and Customers.

Direct e-mail

At the beginning, e-mail from ParardiseOrchid.com in the form of both HTML and text versions which links to ParardiseOrchid.com website will be sent to both Thai Exporters and North America and Japan Flower

Retailers. The subject message sent to target audience as ParardiseOrchid.com slogan. Details include an introduction to the web, its benefits, and special promotions. Also included is a register form, which is linked to the web site ParardiseOrchid.com. The web will continuously send update and specific useful information including the new features for attracting them to be future members.

Banner Advertising

ParardiseOrchid.com will advertise in other webs to which the target audiences always pay attention, such as the Thai web site of Department of Export Promotion, Ministry of Agricultural Department, eThailand.com and the International web site of Orchid Association Communities.

Banner Exchange

Free of charge advertising by exchange ParardiseOrchid.com banner and link with other related webs, which has the same target audiences.

Registration in Search Engine

Focusing the famous search engine in both local and international web site such as yahoo.com, msn.com, altavista.com, google.com, sanook.com, hunsa.com, shinee.com, siamguru.com and etc.

Service Discount

ParardiseOrchid.com has a plan to retain customers by having discount programs for one time payment package. For example,

Plan1: if customers pay for 2 years service at a time instead of paying monthly, it will be 20% discount.

Plan2: If the sellers register within the first 6 months, they will get 1 year free in subscription fee, from beginning date of registration.

Plan 3: After 6 months as mentioned in plan 1, the web will offer the next promotion if the applicant registers and pays annually subscriber fee within the second 6 months, they will get another 1 more year free.

Lucky Draw

Membership has a chance to win weekly lucky draws. The reward can be free membership, products or free gifts.

(2) Off-line channel for Suppliers and Customers.

Off-line channel the web will use the traditional marketing way for advertising by using varieties of marketing material such as Brochure and leaflet, Price list, Register Form as well as the premium gift as mouse pad, sticker and mug

Direct Mail

It is the introduction letter that tells what ParardiseOrchid.com is, what it offers, and what kind of benefit it can give. The brochures and application form will be attached and send by normal communication such as mail or fax to both the suppliers (floral shops) and customers and later follow up by the sell representative by phone.

ParardiseOrchid.com will continue sending and updating the news and useful information about the web to motivate them to come back to trade over the web again and again.

Tele Marketing

The first purpose is to introduce, invite and push them to be member of ParardiseOrchid.com. To use the phone for marketing to contact as much as frequency to both parties. Telemarketing is another important tools that has less cost but high efficiency to approach the customer.

V. WEB DEVELOPMENT AND OPERATIONS

Web Design and Development.

In this Process, the web will outsource all the web design and E-Marketplace solution development and its integration including Hosting.

Homepage

5.1 About Us

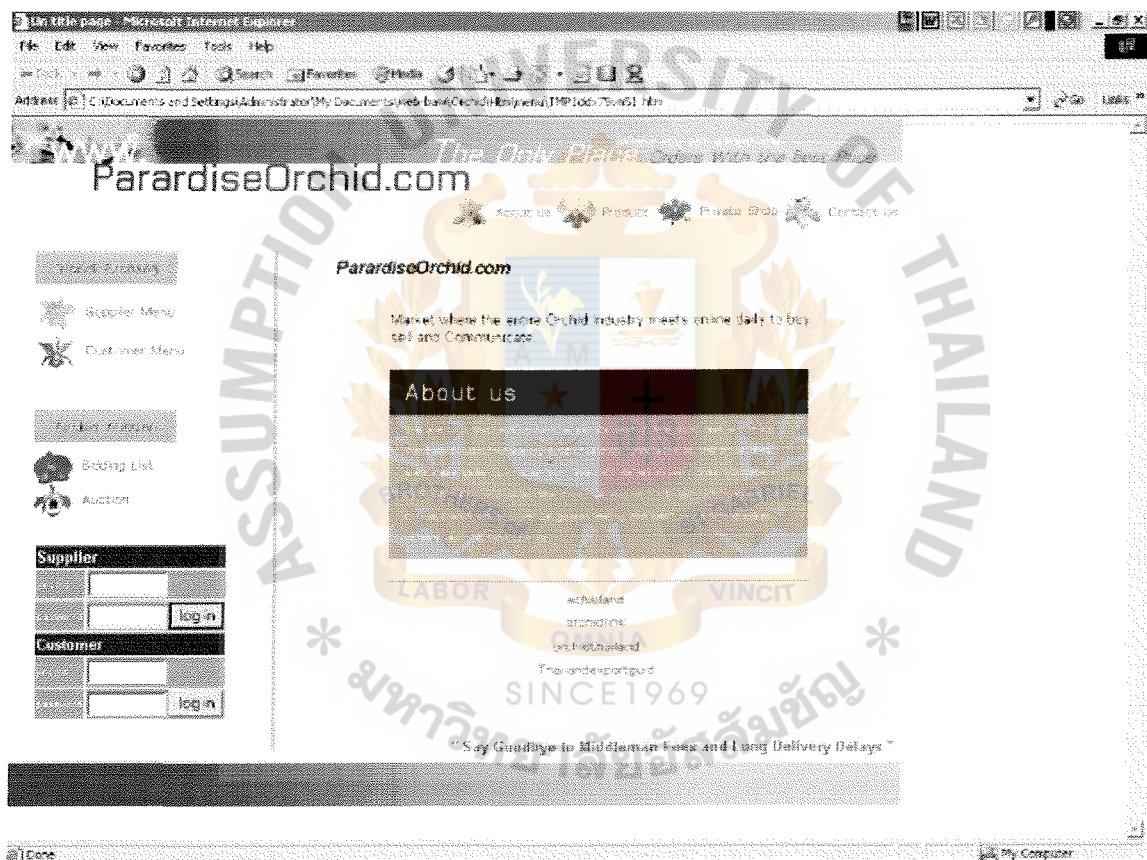


Figure 5.1. About Us.

When people connect to ParadiseOrchid.com, the first page will show special focus section that is news update of the web. Below is service list of all service solution in ParadiseOrchid.com. The top-level menu has list link to about us page, product page,

contact us page and private shop in which each shop has only their own products without others. This top-level menu is shown in main menu.

The first level of left-hand side menu has exchange tab for suppliers and customer's member. Anyone who does not have can register by clicking at the top of the side-menu.

The second level, which is shown in auction tab, has a bidding list and auction list for member who wants to place offer and make bid in real-time.

The bottom part of the page is useful link that relates to export orchid business. The links enable the connection with department of export promotion and others.

5.2 Product

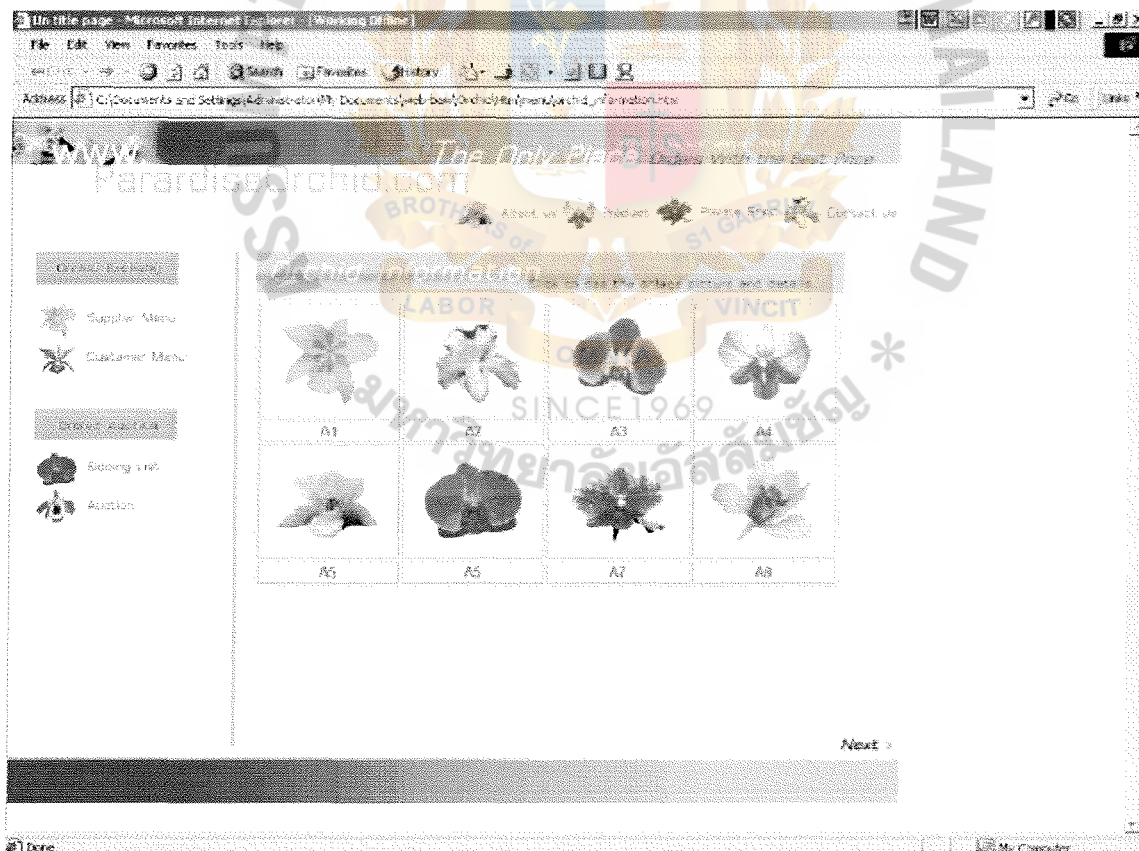


Figure 5.2. View All Product.

The box in the middle is product list that links to each product detail page. Each product picture can be clicked to see the enlarged picture and detailed information of the product including minimum order quantity, term of payment, supplier and freight.

Product Detail.

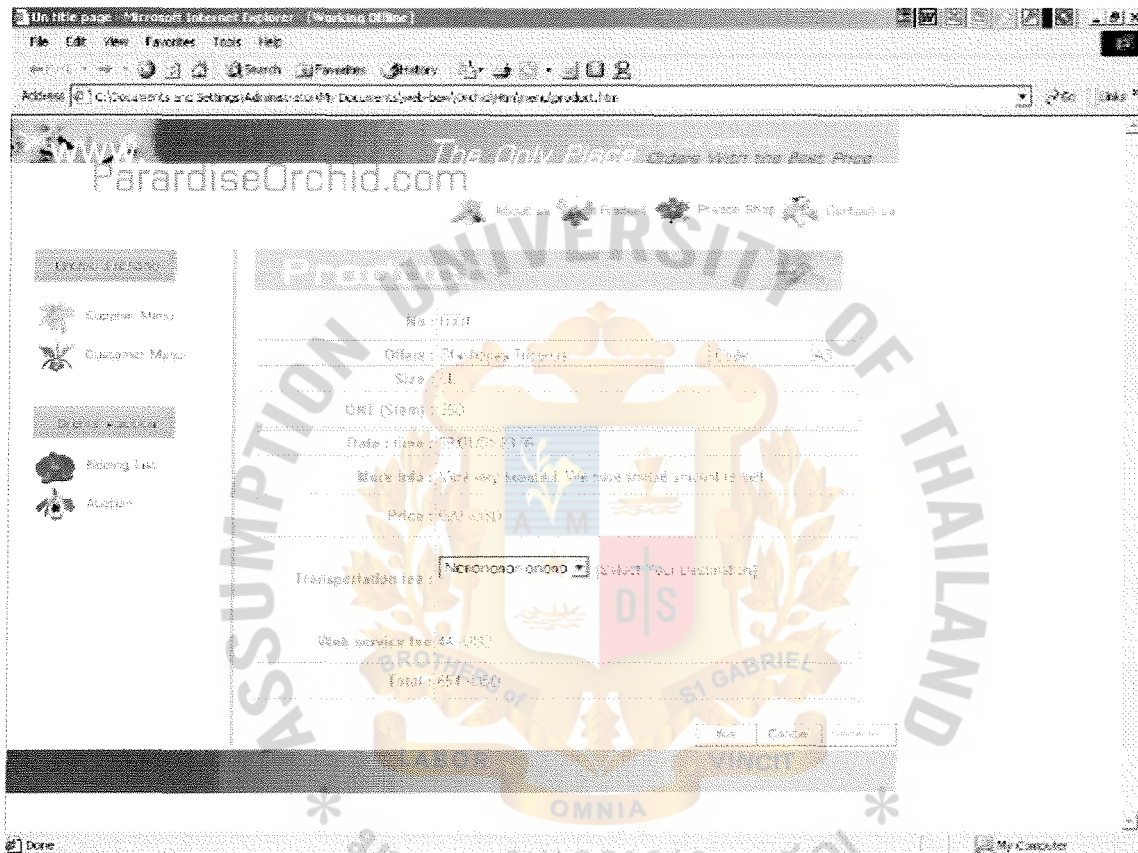


Figure 5.3. Product Detail.

5.3 Private Shop

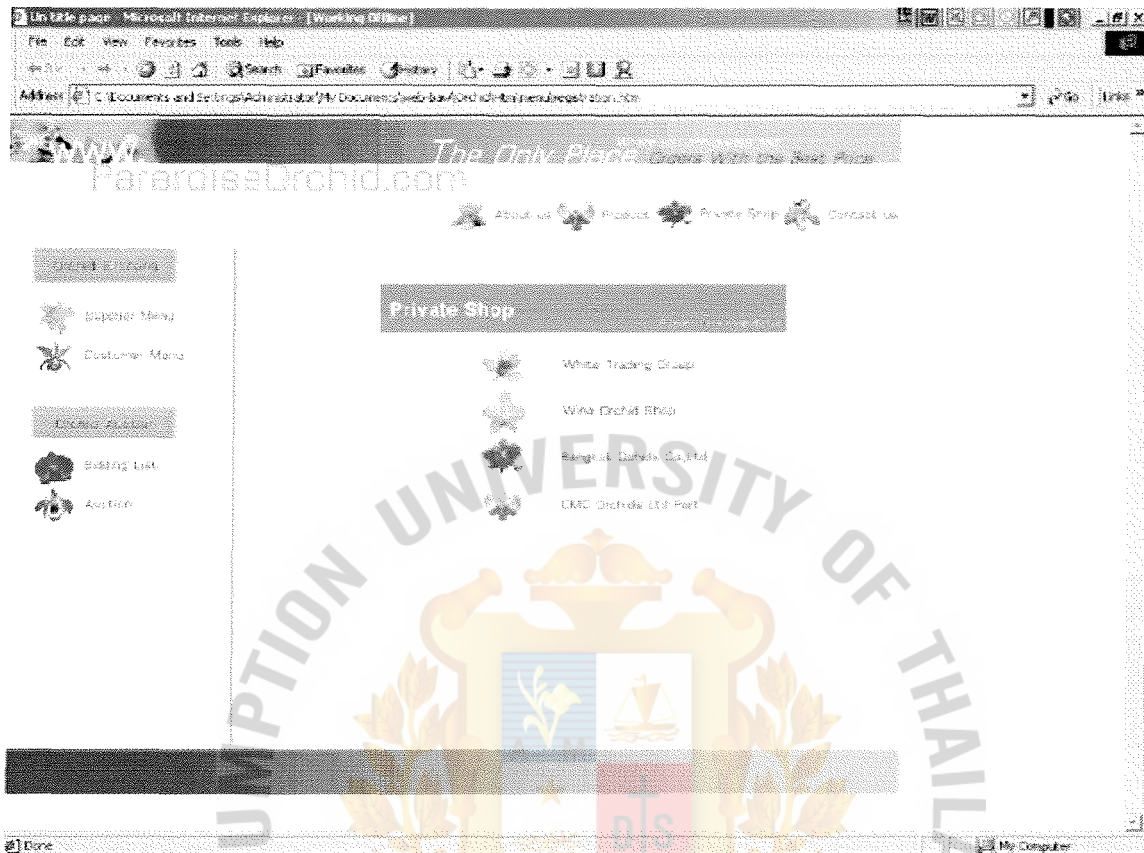


Figure 5.4. Links to Private Shop.

ParadiseOrchid.com offered to sellers who want to create private shop online by having their own domain name. The difference is that customers can go direct to their shop rather than having to go to ParadiseOrchid.com. The sellers can post any information to their web site with more flexibility.

Supplier Registration Form

Figure 5.5. Supplier Registration Form.

Supplier has to fill in every field since all information is required for approving the creditability. ParardiseOrchid.com will recheck the company background from database, which came from the cooperation among ParardiseOrchid.com, the Custom Department of Export Promotion and Department of Agricultural such as the record of export value in each company. At this form supplier can choose the plan for membership. After finishing the subscription, the confirmation page will show up and direct it to the supplier home page.

Supplier Home Page



Figures 5.6. Home Page for Supplier.

The left-hand side menu shows the features that are available for seller plan comprising of update product, search buyer, see demand posting, view request for quotation and view purchase order and confirm order.

The screenshot shows a web browser window with the address bar displaying "C:\Documents and Settings\Administrator\Documents\php\5\ch01\en\suppladdnew.php.htm". The page content includes a "Supplier Menu" on the left with links like "Home", "Supplier Register", "View Supplier Information", "Add New Supplier", and "Supplier Search". The main area is titled "Add New Product" and contains a form with the following fields:

- Product name:
- Price:
- Size:
- Minimum order:
- Unit:
- Transport Type:
- Incubator:
- Destination port:
- Product Description:
- Picture:

A large watermark "UNIVERSITY OF THAIL" is visible across the center of the image.

OMNIA

allowed for seller member to post their products on the web to sell on behalf of them. All the products

Search Customers

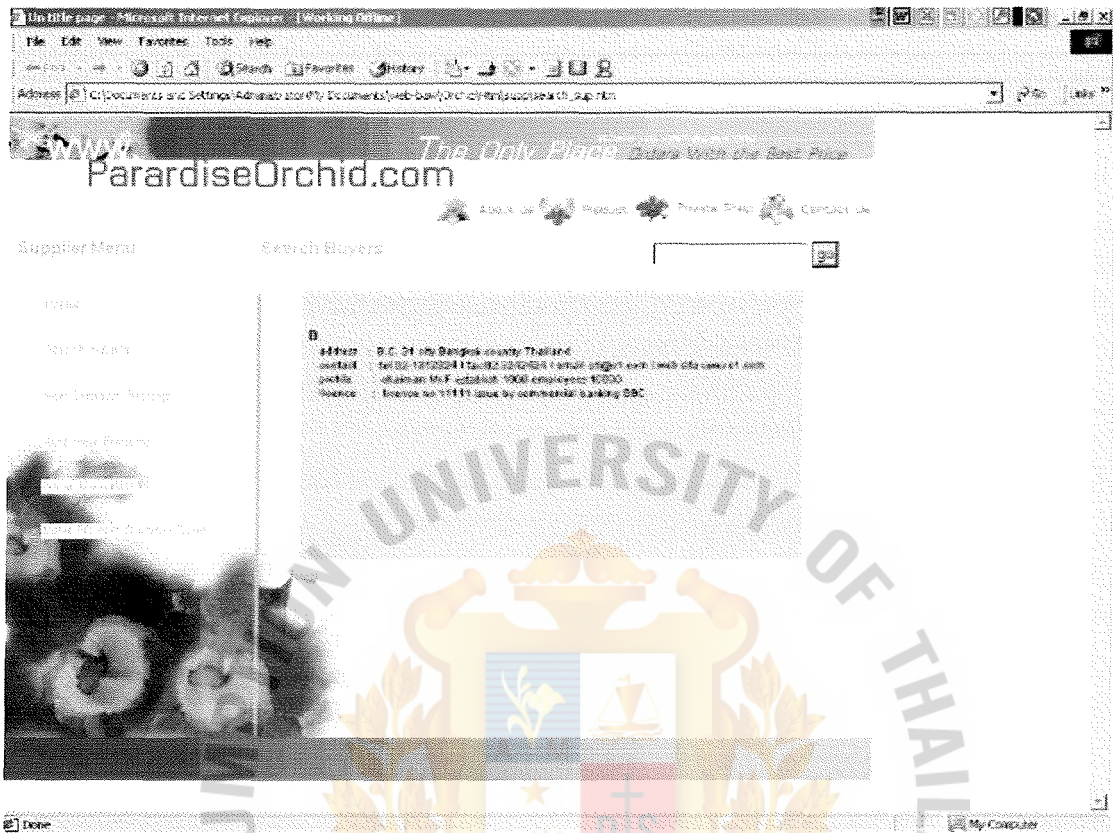


Figure 5.8. Search Customers.

See Demand Posting

The screenshot shows a web browser window displaying the ParadiseUromid.com website. The page is titled 'See Demands Posting' and features a navigation menu on the left with links like 'Home', 'About us', 'Products', 'Private Shop', and 'Contact us'. The main content area displays a table of demands and a form for creating new offers.

No	Offers	Code	Size	Q&A (Dem)	Date - Time	Valid to - Time	Detail
0991	Changspira Tincornia	42	10	350	28/01/01 22:36	08/02/01 04:00	
0992	Cabreval Tincornia	15	L	270	28/01/01 01:48	08/02/01 05:00	
0993	Cabreval Tincornia	15	10	900	28/01/01 01:25	14/02/01 05:00	

Below the table, there is a section titled 'Create New Offer' with a 'Back (Previous)' link. It contains a table with columns for 'Country', '350 Demia', '400 Demia', and '450 Demia'.

Country	350 Demia	400 Demia	450 Demia
U.S.A	20	8	7
Europe	9	1.60	0.55
Asia	7.50	7	0.5

Below this table is a section titled 'Enter Your Answer' with a text input field and a 'SEND' button.

Figure 5.9. See Demand Posting.

This page allows sellers to see demand post by potential customer who are buyer members. The sellers can response via the web page by clicking to answer if the seller can serve that demand.

View Request for Quotation

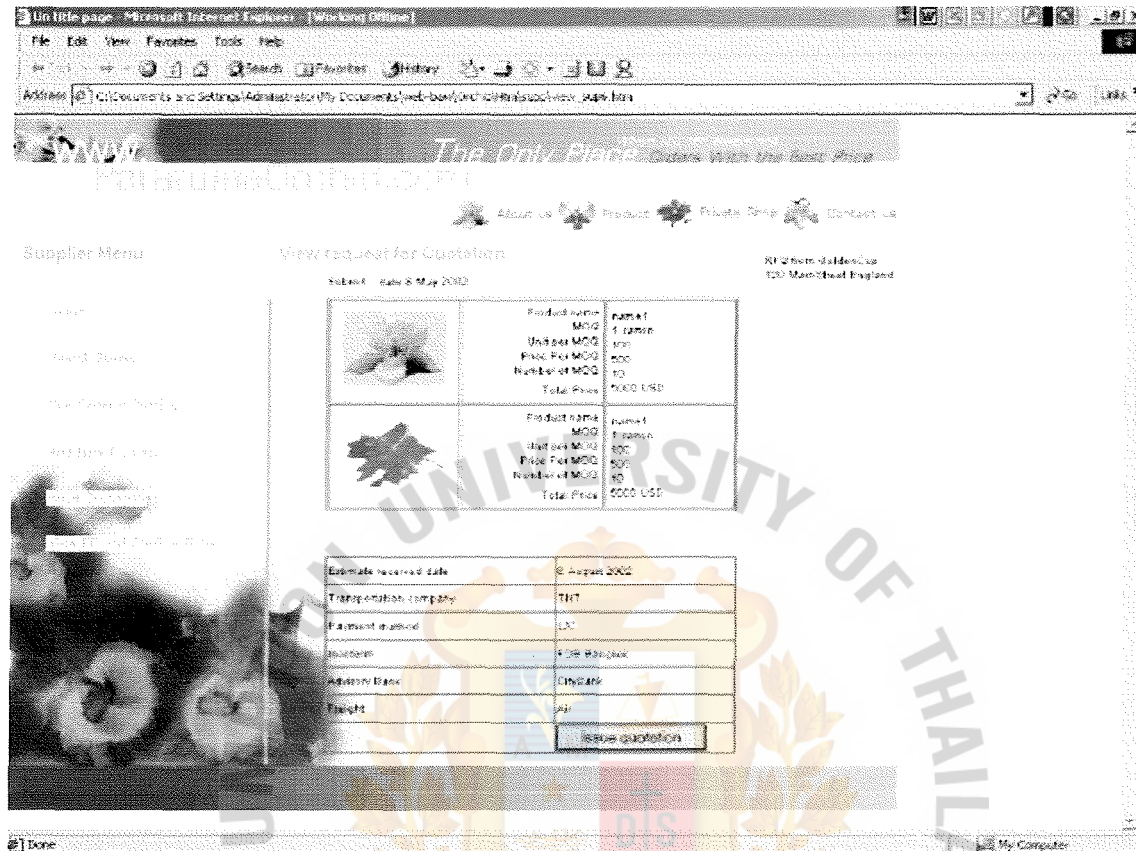


Figure 5.10. View Request for Quotation.

All new members will show on this page. To see the detail, seller has to click at new reference number.

View Purchase Orders and Confirms Order.

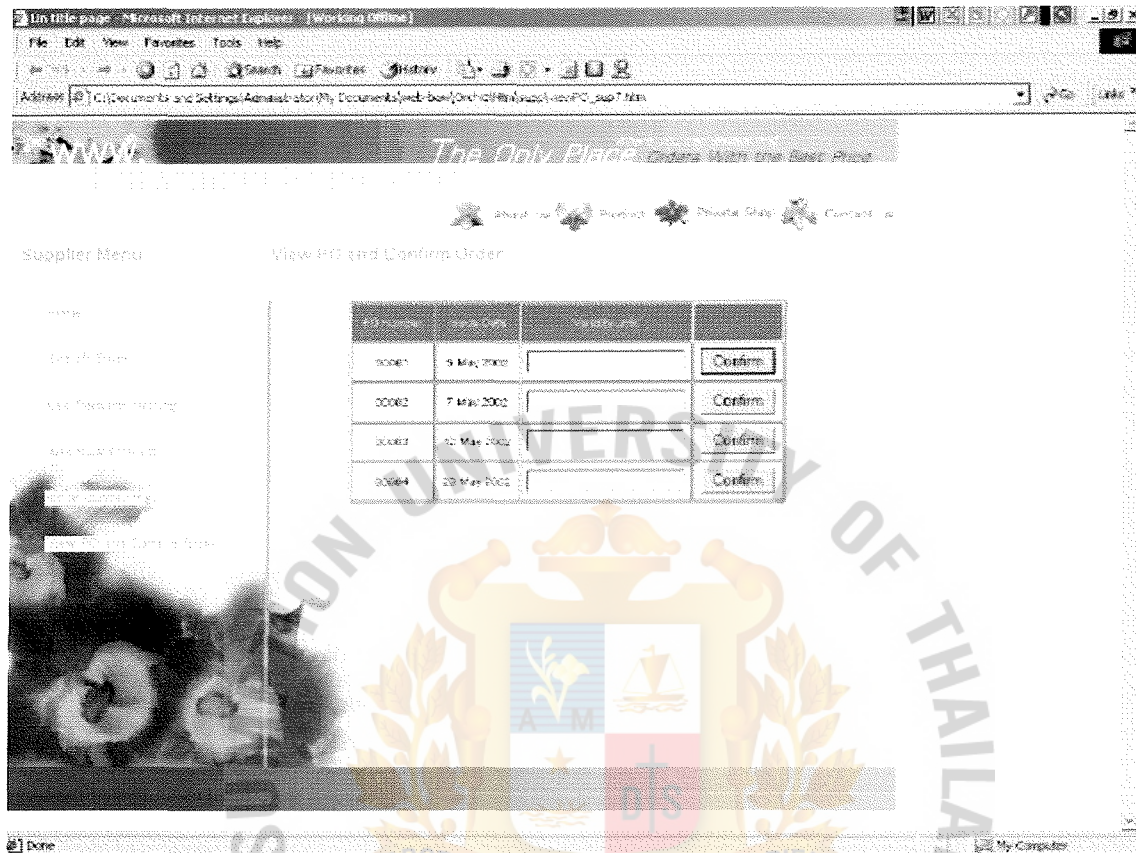


Figure 5.11. View Purchase Orders and Confirms Order.

Supplier can see new arrived purchased order and click confirmed order. The validity field is used to specify the time the purchased order is validated for re-ordering. Trading Form that mentioned the freight and packaging, and request for destination information and payment conditions, will be sent to customers.

The lead-time is 2days for Suppliers as the notified date from the web, to prepare shipment ready for DHL.

For Customer**Customer Registration Form**

Figure 5.12. Customer Registration Form.

Customer subscription page is almost the same as what is in supplier subscription page. Personal data will be up-loaded on Web. Finally, ParadiseOrchid.com will then send “Log in, Password and e-mail address” by e-mail to Sellers and Buyers. Consequently, Sellers and Buyers can eventually do the commerce.

Customer Home Page

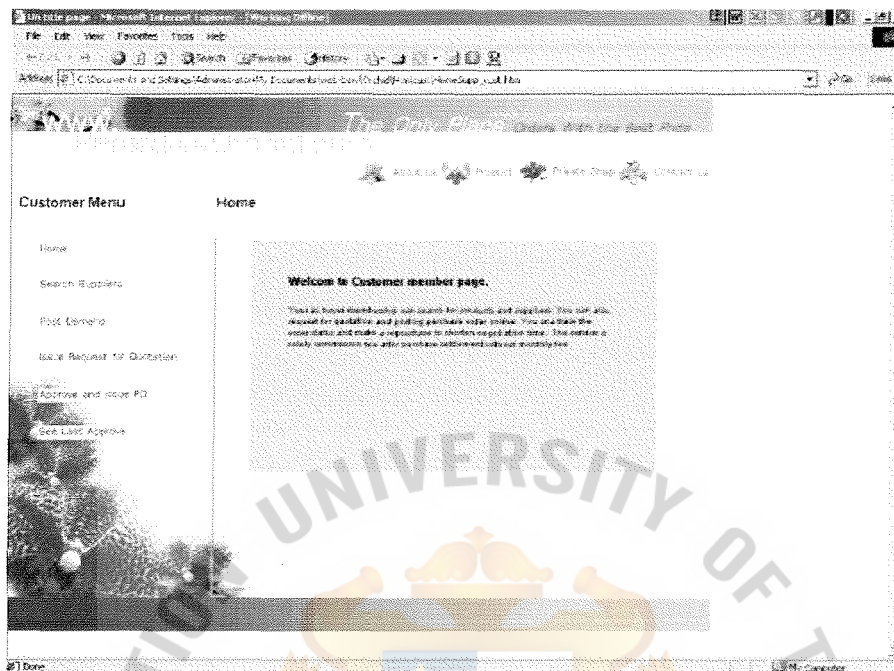


Figure 5.13. Customer Home Page.

Search Supplier

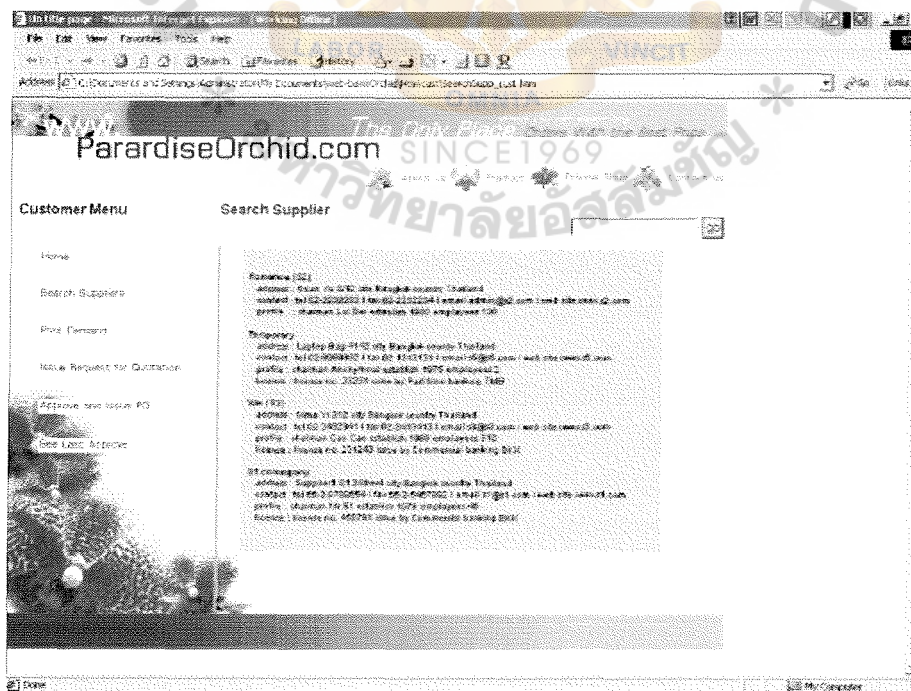


Figure 5.14. Search Suppliers.

Issue Request for Quotation

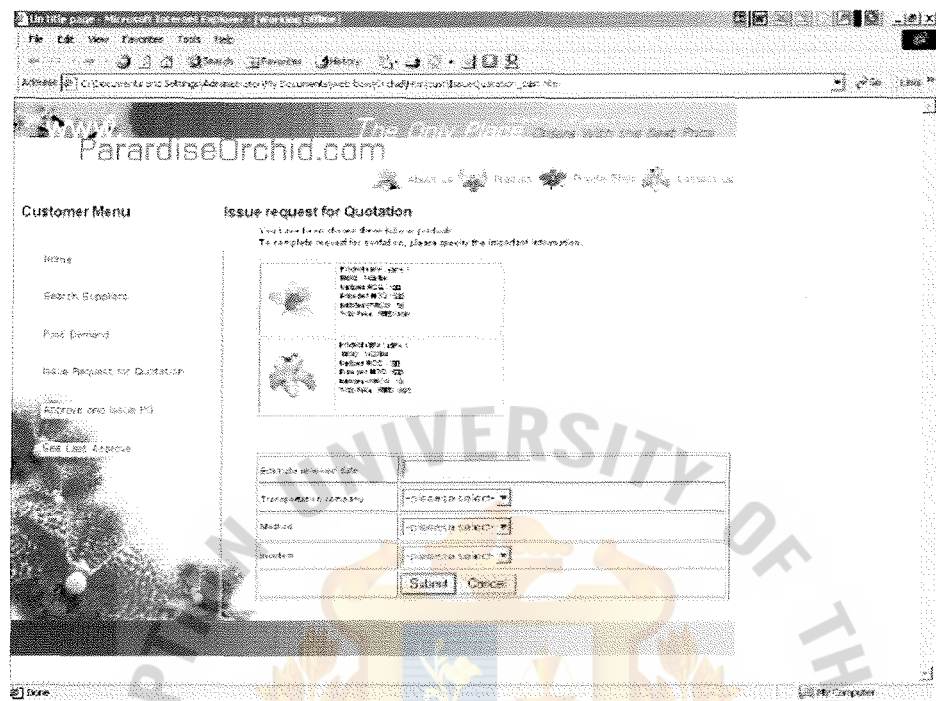


Figure 5.16. Issue Request for Quotation.

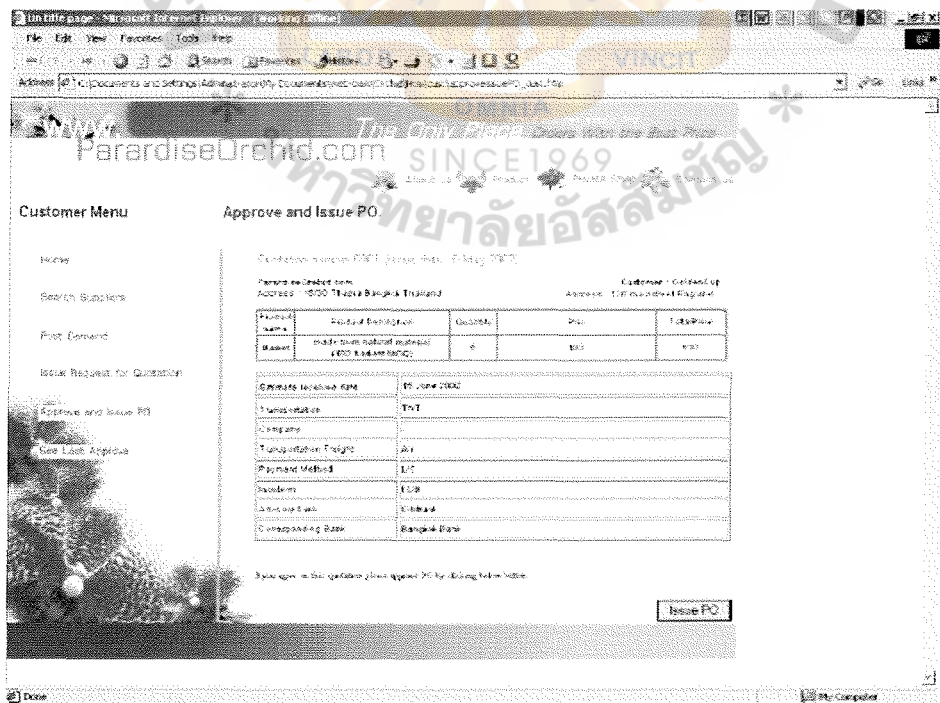


Figure 5.17. Approve and Issue Purchase Order.

See Last Approve Quotation

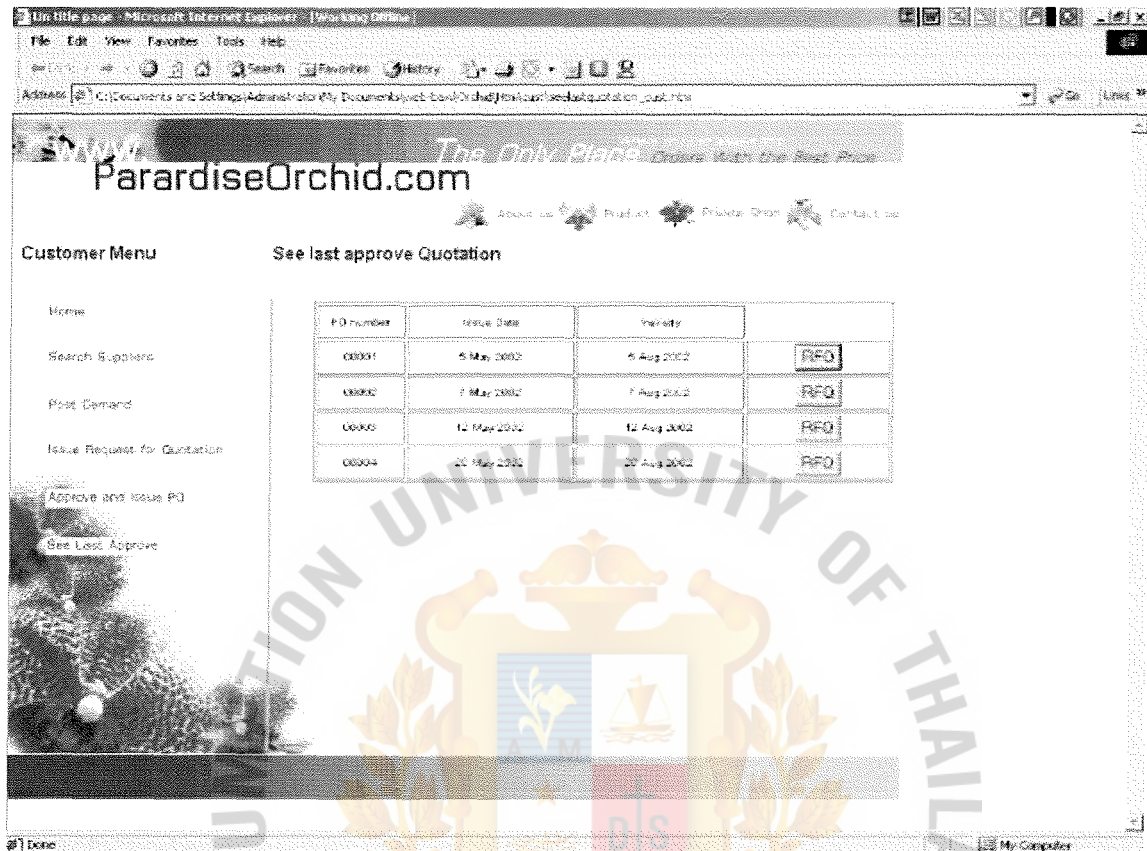


Figure 5.18. See Last Approved Quotation and Reorder.

Customer can click RFQ (Request For Quotation) button to make request for quotation. Eventhough the quotation is still valid, customer is required to make request for quotation rather than issue purchase order immediately. Purchase order that has been confirmed will get response from seller by confirmed status. Customer confirmed the request information in the Trading Form and payment.

Confirm Purchase Order

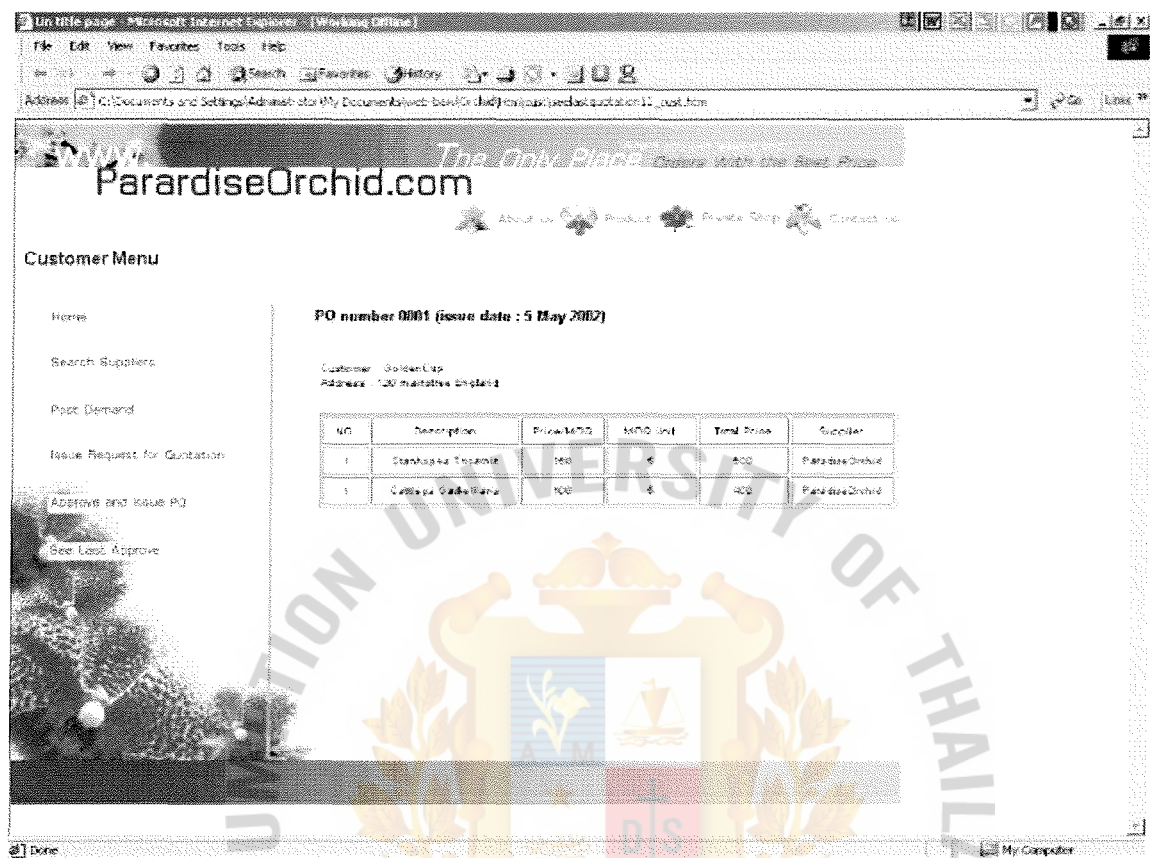


Figure 5.19. See Confirm Order.

Customer can track order status by checking the PO number and see the detail. Customer will then fax "Transferred document" to ParadiseOrchid.com for evidence of payment. After paradiseOrchid.com receives the transferred document from Customer, it will be then noticed to SC Bank. As immediately money in our account SC Bank will automatically notice to us by online. Money that is divided into 3 parts as for suppliers, Shipping Company and Paradiseorchid.com will be transferred to 2 mentioned parties as immediately as Shipping Company notices "Airway Bill Number".

5.5 Auction Level

Bidding List

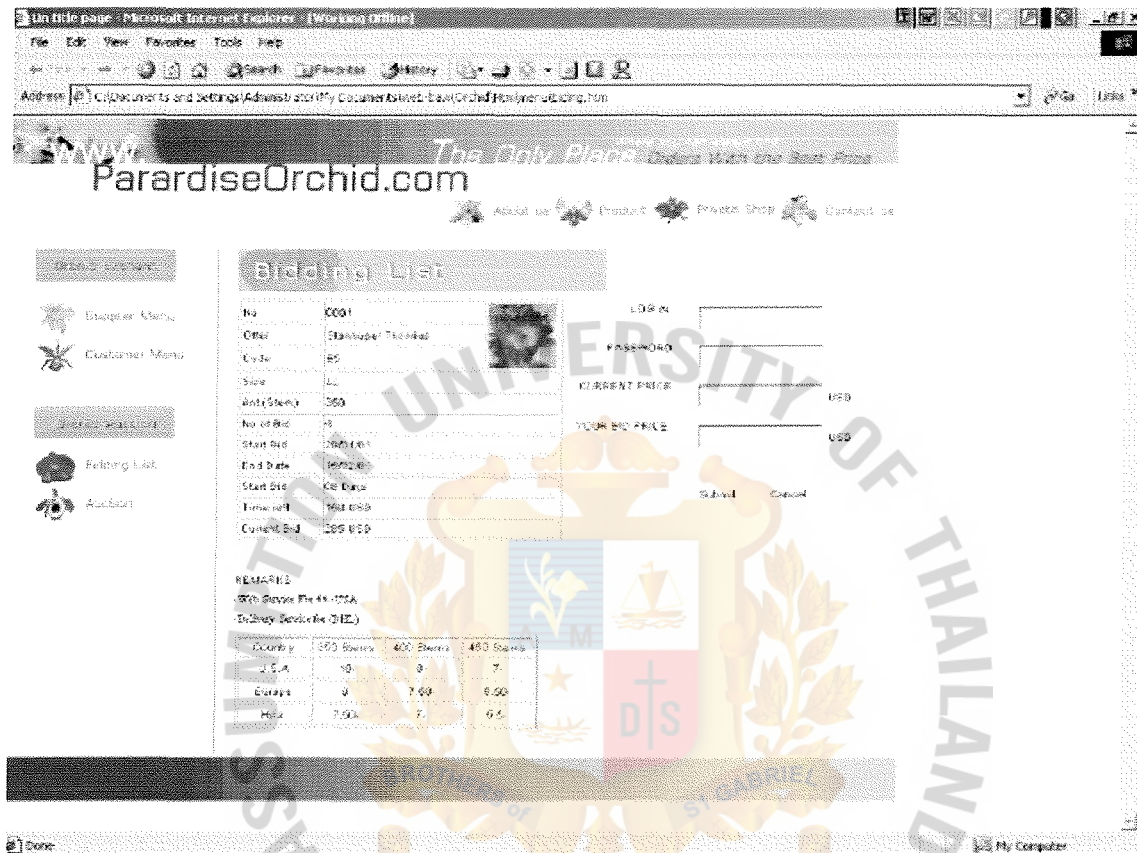


Figure 5.20. Bidding Information.

ParadiseOrchid.com will automatically match customers, requirement. The result will be a group-matching list as minimum 5 suppliers that will match customer's requirement or mostly near customers' requirement. Customers will then make a decision by clicking an accept button as the result dated.

Auction List

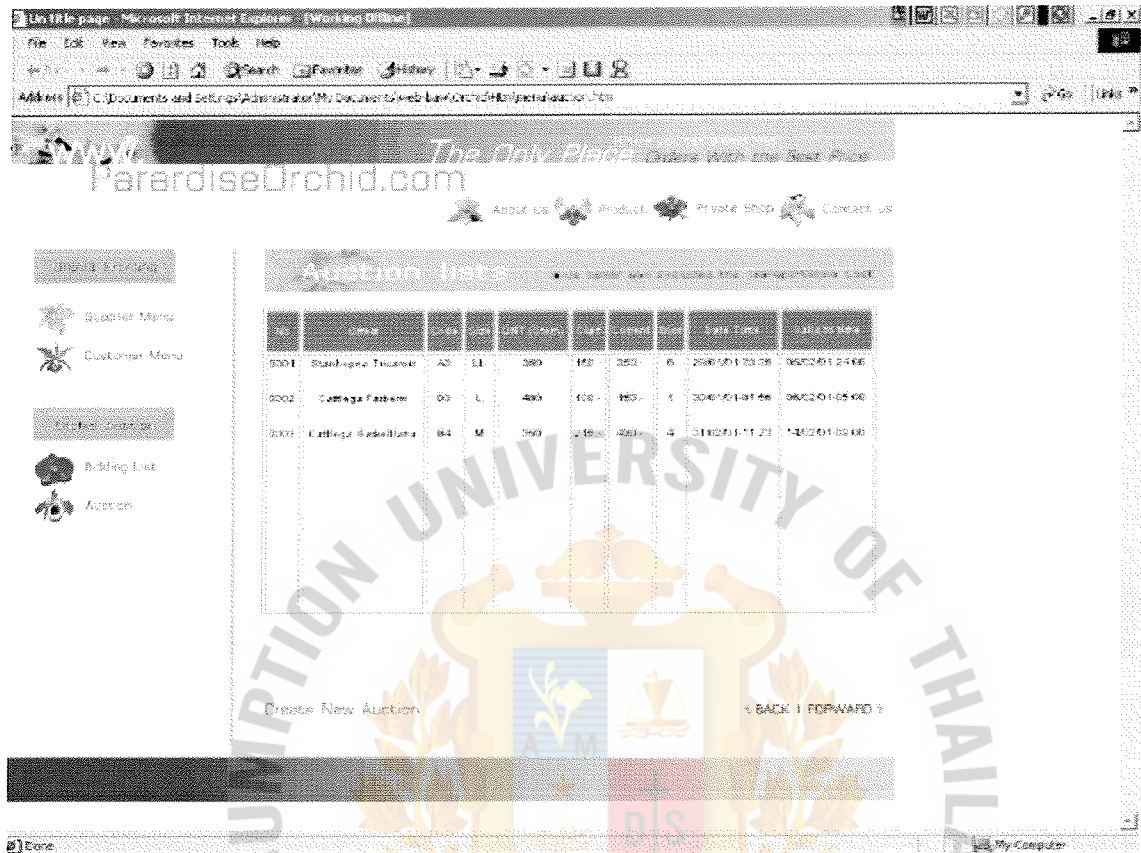


Figure 5.21. Auction Information.

Supplier will post their interest for auction by filling in the auction form and submit to the web administrative to ask for permission and make the reservation to using auction room. The auction form will indicate type of orchid and its attribute, quantity, the beginning price, time and date requirement.

After the web administrators receive the requirement, the web will launch the supplier's auction requirement to the auction room. The customer who offers the highest price will get the order.

5.6 Contact Us

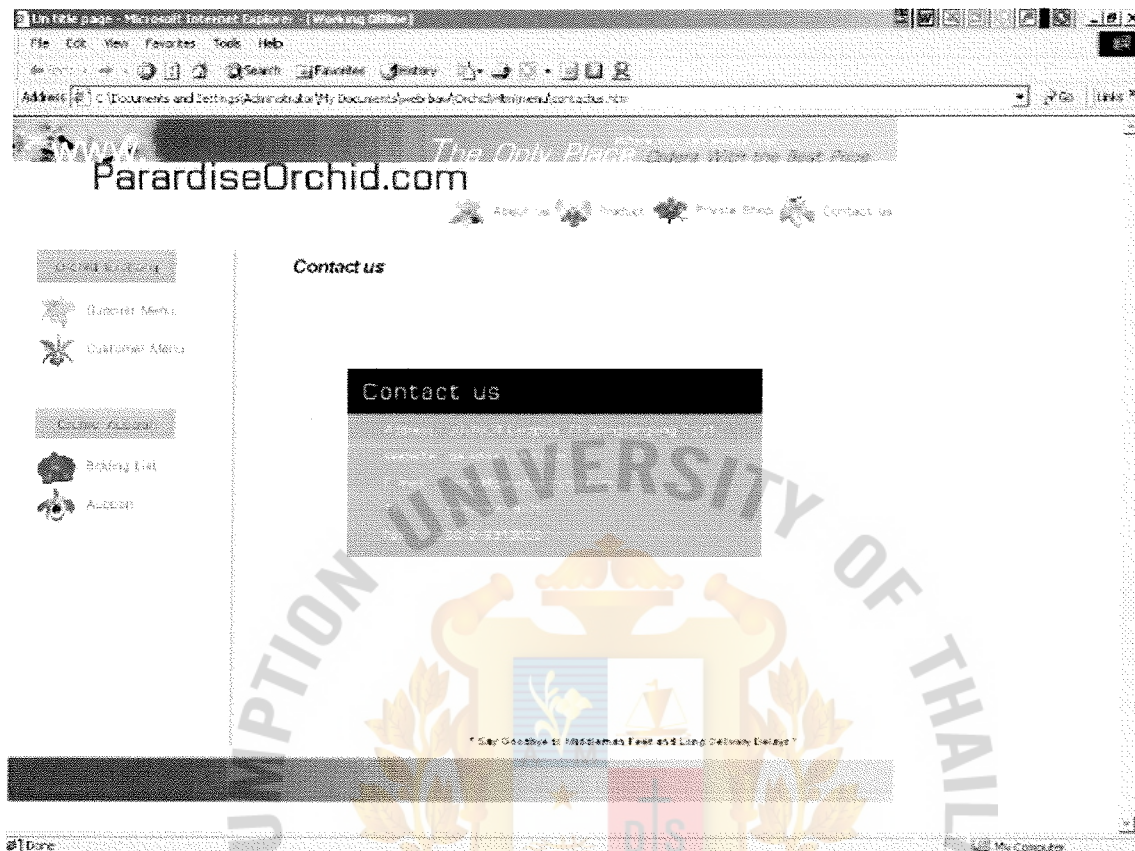


Figure 5.22. Contact Us

Moreover, ParadiseOrchid.com will monitor web traffic such as hits counter and suffers the loyalty of member checking the number of access by checking IP address. Additional, ParadiseOrchid.com website can provide:

User – friendly

In order to build up the repetitive customer base, the easy-to-use interfaces have to be well designed and created. The buttons and symbolic metaphors located on the main page of the website have to be clear for what meanings they stand for. The extremely fancy design of homepage may catch the attention of the visitors not to come back for the second time.

extremelyfancy design of homepage may catch the attention of the visitors not to come back for the second time.

Short Download time

Lots of big or intricate images will be avoided as mush as possible because they take time for visitors to download. The spot graphics or images with minimal detail will be added as they download quicker. Since the majority of Thai Internet users do not connect to the Internet with high-speed rate of connection, the download time is an important factor in which ParardiseOrchid.com does not overload.

Site Map

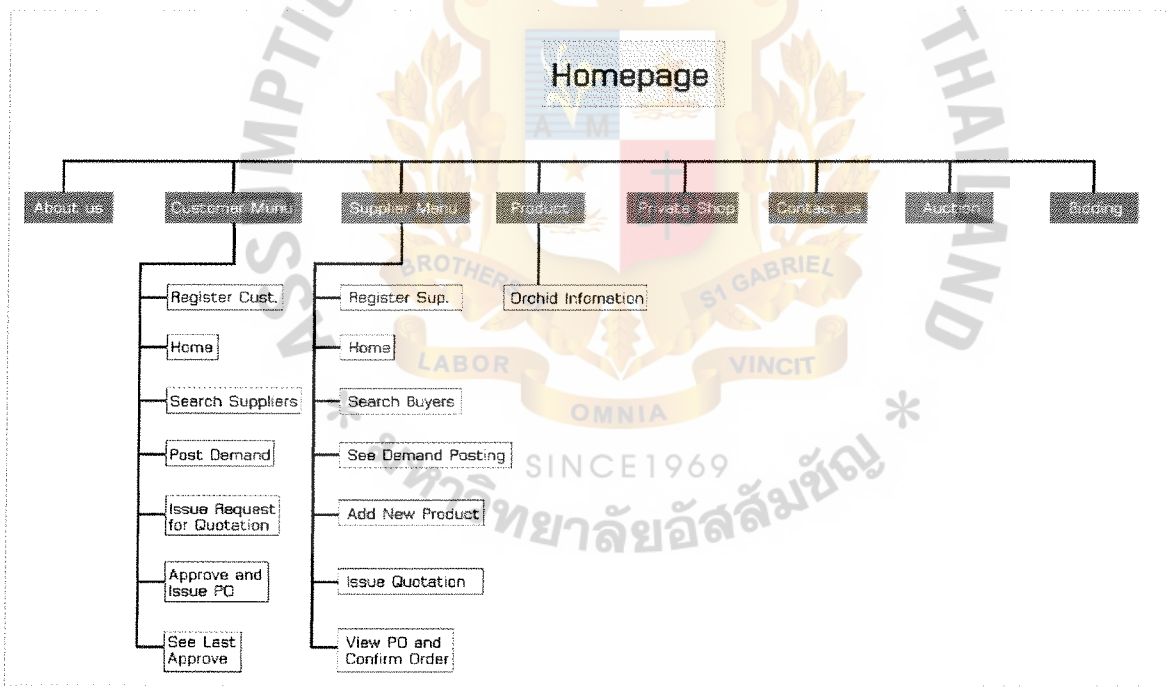


Figure 5.23. Site Map of ParardiseOrchid.com.

** Each web page can link back to the Main page

5.7 Development Requirements

(1) Business Development Department

- (a) Planning, organizing leading and controlling the overall goal and objective of ParardiseOrchid.com.
- (b) Create opportunities to the company.
- (c) Find new venture and strategic partners.
- (d) Develop Marketing strategies and promotion programs to create brand awareness, attract new customers and stimulate transaction volume.
- (e) Develop Sale force training and incentive programs for company Account executive (AE).

(2) Content Development Department

- (a) Determine the scope and the issue of content will provide on the web.
- (b) Collect the Data and information outside the web that concerning Orchid industry and benefit to the customer.
- (c) Update the information provided on the web.

(3) Operation Department

- (a) Inspection orchid shipment at the airport to recheck the specification of the product against purchasing order of that shipment.
- (b) Deal and coordinate with shipping company.
- (c) Organize the web forums (Web Board).
- (d) Contact Orchid specialist to reply for the ParardiseOrchid.com's member question in the forum.

- (4) Financial, Accounting and Administrative Department
- (a) Complete entry account transaction, Balance sheet, Annual report.
 - (b) Collect payment from customers.
 - (c) Contact and deal with bank.
 - (d) Corporate with business development department to find source of fund.
 - (e) Coordinate among each department.
 - (f) Human resource management.



VI FINANCIAL ANALYSIS

6.1 Financial Plan

Financial analysis will be calculated by integrating capital investment cost as well as pre-operation cost. The annual fixed cost and variable cost every year is included. The expense and revenue summary in first five years is shown as follows:

Capital Investment Cost

Implementation is composed of software implementation, hardware, and information. Moreover, office supplies and other facilities are accounted for investment. Here is cost estimated for all components for the first time investment.

Table 6.1. Capital Investment Cost.

No.	Items	Cost (Baht)	Remark
1.	Software implementation + Software 5 licenses	350,000	Hire inhouse development, MS office 2000.
2.	Hardware-5 PC +units for connecting to the Internet Data Center and for operation.	100,000	20,000 per each.
3.	Office furniture-for 15 staffs	500,000	Table, chair, telephone.
4.	PBX	20,000	For internal telephone.
5.	LAN set up	50,000	For five ports
	Total	1,020,000	

Capital Investment Cost

Pre-operation cost is cost that company has to absorb before starting up the operation but this cost is not part of investment cost because this does not go into capital assets. The pre operation period is estimated to be 6 months before the start up.

Table 6.2. Capital Investment Cost.

No.	Items	Cost (Baht)	Remark
1	Salary for 4 staffs	240,000	Average 10000 per person
2	Facilities cost	40,000	Telephone, Electrical, water, office facilities
3	Office rental cost – 30 square meters	90,000	500 per square meter per month
4	Internet access- 150 hours per month	9,000	10 Baht per hour
5	Hosting service – 100 MB	2,000	
	Total	381,000	

At the beginning, parardiseOrchid.com will hire only four staffs to be the pioneer for recruiting the teams and planning the training system, for testing the software system, for preparing the promotional activities and for working as the accountant.

Operation Expense

Operation expense per month for the first two years includes fixed and variable cost, which is clarified as follows:

Table 6.3. Fixed Cost for the First Three Years.

No.	Items	Cost/month (Baht)	Remark
1.	Telephone cost	5,000	
2.	Salary for 15 staffs	150,000	
3.	Facilities cost	15,000	
4.	Office rental cost – 40 square meters	20,000	
5.	Internet access - 150 hours per month	1,500	
6.	Warehouse rental cost – for 200 squares meter	10,000	50 per square meter per month
7.	Hosting service – 200 MB	1,200	
8.	Domain name registration	300	3600 per year.
9.	Advertisement and promotion	50,000	Trade show, billboard, Submission fee to 1000 search engines, Others

Table 6.4. Fixed Cost for Consecutive Years.

No.	Items	Cost/month	Remark
1.	Telephone cost	10,000	
2.	Salary for 30 staffs	300,000	
3.	Facilities cost	40,000	
4.	Office rental cost – 200 square meters	100,000	
5.	Internet access- 150 hours per month	3,600	High bandwidth
6.	Warehouse rental cost – for 1,000 squares meter	50,000	50 per square meter per month
7.	Hosting service – 500 GB	80,000	
8.	Domain name registration	300	3600 per year.
9.	Advertisement and promotion	50,000	Trade show, billboard, Submission fee to 1000 search engines, others

Table 6.5. Variable Cost.

No.	Items	Cost (Baht)	Remark
1.	Transportation 100 lots per year	5,000 per air load	This is to transfer from warehouse to port. Buyers absorb the freight.

Expected Revenue

Table 6.6. Expected Revenue for the First Year.

No.	Service package	No. of customers	Price/package (Baht)	Total (Baht)
	For Suppliers.			
1	Service fee is counted as commission fee for 100,000 Baht per year. The commission fee is 5% exclude transportation expense.	10	5,000	50,000
2	Service fee for site construction.	100	5,000	500,000
3	12 months maintenance fee.	100	6,000	600,000
	For Customers.			
4	Service fee is counted as commission fee for 100,000 Baht per year. The commission fee is 2% exclude transportation expense.	10	2,000	20,000
	TOTAL			1,170,000

Table 6.7. Expected Revenue for the Second and Third Year.

No.	Service package	No.of Customer	Price/package (Baht)	Total (Baht)
	For Suppliers			
1	Service fee is counted as commission fee for 1,000,000 Baht per year. The commission fee is 5% exclude transportation expense.	100	5,000	500,000
2	Service fee for site construction.	100	5,000	500,000
3	12 months maintenance fee.	100	6,000	600,000
	For Customers			
4	Service fee is counted as commission fee for 1,000,000 Baht per year. The commission fee is 2% exclude transportation expense.	10	20,000	200,000
	TOTAL			18,000,000

Table 6.8. Expected Revenue for the Consecutive Year.

No.	Service package	No. of customers	Price/pack-age (Baht)	Total (Baht)
1	For Suppliers Service fee is counted as commission fee for 1,000,000 Baht per year. The commission fee is 5% exclude transportation expense.	100	50,000	5,00,000
2	Site Construction service fee	1000	10,000	10,000,000
3	12 months maintenance fee	1000	6,000	6,000,000
4	For Customers Service fee is counted as commission fee for 1,000,000 Baht per year. The commission fee is 2% exclude transportation expense	100	20,000	2,000,000
	TOTAL			23,000,000

Table 6.9. Expense and Revenue Summary.

Expense	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year
Fixed cost					
Implementation	1,401,000	-	-	-	-
Facilities	180,000	180,000	180,000	600,000	600,000
Salary	1,800,000	1,800,000	1,800,000	3,600,000	3,600,000
Office rental	240,000	240,000	240,000	1,200,000	1,200,000
Internet/Hosting	32,400	32,400	32,400	1,003,200	1,003,200
Warehousing	120,000	120,000	120,000	600,000	600,000
Advertisement	600,000	600,000	600,000	600,000	600,000
Variable cost					
Transportation	500,000	500,000	500,000	2,500,000	2,500,000
Total expense	4,633,640	3,232,640	3,232,640	10,103,200	10,103,200

Table 6.10. Expense and Revenue Summary (Continued).

Expense	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year
Revenue					
Seller 1	50,000	500,000	500,000	5,000,000	5,000,000
Seller 2,3	1,100,000	1,100,000	1,100,000	16,000,000	16,000,000
Buyer	20,000	200,000	200,000	2,000,000	2,000,000
Total Revenue	1,170,000	1,800,000	1,800,000	23,000,000	23,000,000
Total return	-3,463,640	-1,432,640	-1,432,640	12,896,800	12,896,800

6.2 Return on Investment

According to the financial data, Return on investment is calculated as follows. Total loss for the first three years is 6,328,920 baht. Therefore: The return on investment period is four years approximately.

6.3 Net Present Value

The interest rate is at 3% according to Siam Commercial Bank. However, the research shows that the interest rate will be flat for three year approximately.

This will calculate NPV for next five years since it is estimated that the return on investment is four years.

Moreover, the revenue is estimated up to five years. Therefore, this interest rate will be used for calculation for net present value for next five years.

$$NPV = PVI - PVO$$

NPV; Net Present Value

PVI; Present Value Of Cash Inflow, PVO; Present value Of Cash Outflow

Present value of cash in flow

Present value of cash in flow for the first year = 1,170,000

Present value of cash in flow for the second year = $1,800,000 / 1.03 = 1,747,572.82$

Present value of cash in flow for the third year = $1,800,000 / 1.03^2 = 1,696,672.64$

Present value of cash in flow for the fourth year = $23,000,000 / 1.03^3 = 21,048,258.17$

Present value of cash in flow for the fifth year = $23,000,000 / 1.03^4 = 20,435,202.12$

Therefore, present value of cash in flow 46,097,706.29

Present values of cash out flow

Present value of cash out flow for the first year = 4,633,640

Present value of cash out flow for the second year = $3,232,640 / 1.03 = 3,138,485.44$

Present value of cash out flow for the third year = $3,232,640 / 1.03^2 = 3,047,073.25$

Present value of cash out flow for the fourth year = $10,103,200 / 1.03^3 = 9,245,859.22$

Present value of cash out flow for the fifth year = $10,103,200 / 1.03^4 = 8,976,562.35$

Therefore, present value of cash out flow = 26,041,620.26

Net present value = POI-PVO

POI-PVO = 46,097,706.29 - 26,041,620.26 = 17,056,086.03

As see from calculation, the net present value is positive for five years estimation.

Financial Feasibility

From analysis, Net present value is positive 17,056,086.03 for Baht.

The result shows positive sign to invest since after five years the profit will return up to nine million. Moreover, the opportunity to grow up in the business is possible.

Therefore, this project should be invested.



VII. CONCLUSIONS

The purpose of this project is to provide the reader with a comprehensive description of ParardiseOrchid.com. ParardiseOrchid.com's goal is to provide clients with efficient e-marketplace for orchid industry, which traditionally the trade have been done through the off-line and have to rely on many intermediate parties, importers and wholesalers.

There are 5 main opportunities that become a chance for ParardiseOrchid.com to emerge. Firstly, Thailand is the largest Orchid exporter and world market that still has high potential to grow continuously in the future. Secondly, the booming of E-commerce industry, the interested users tend to increase dramatically. Thirdly, the unique characteristics of the orchid packaging, which can be done since the beginning of the activity, chain from the farmers or the exporters directly to the retailers without necessarily to repackage. Finally, the increase of the shipping company role serves from door to door.

ParardiseOrchid.com offers an export online marketplace that proposes a complete process of online international trading including online trading platform, logistic, quality assurance and payment services to the global orchid industry and after sale service. ParardiseOrchid.com focus enables to prove the suppliers to customers for creditability and reliability.

The current problems of the orchid exporters, which are the imperfect trading information, excess supply of Orchid, the barrier to entry to the new market, the price pressing due to the bargaining power of importers as well as the problem of the floral retailers in foreign countries that face high price of orchids and lack of relevant

VIII. FUTURE PLAN

ParadiseOrchid.com will expand the scope of marketplace to enable worldwide supplier to export their products using service from ParadiseOrchid.com.

ParadiseOrchid.com has plans to launch a new service that is online consulting. New service is targeted to exporters who do not have expertise about international exporting market and environments. This plan needs to get high-performanced human resource such as professor from university or orchid organization that has direct experience about orchid exporting market.

After ParadiseOrchid.com has been working for three years, the company status that is strengthened from a larger number of buyer-members and seller-members including the number of transactions and the trade volume, create the creditability and reliability to the web.

In the future, ParadiseOrchid.com will expand its scope of the business that formerly focuses only on the orchid trading. So this is a very good opportunity for ParadiseOrchid.com to approach. The target customer in supplier side will extend to cover wider and more varieties of flower exporters but for customer it still targets the floral retailers. Higher trading volume and higher number of transactions will occur over the web. This wider scope of business will attract more number of sellers and buyers, with the capacity of system to reduce the founder share proportion in the company and increase strategic partner around the world share proportion to gain more competitive advantage.

To have major Thai orchid exporter and international wholesale as our strategic partners will create the strong networks, accelerate growth, expand customer base and reduce the risk of having them as the competitors.

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