



The Online Electric Home Appliance Business

by

Mr. Rungroj Chaisirivikrom

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
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ABSTRACT

At this age, Internet technology has become one of the most effective tools to conduct the business. Because of its incredible benefits, many organizations have to learn how to optimize this technology and use it for their benefits. Smarn Electronic Ltd.,Part., a traditional electric home appliance retail store, recognizes this breakthrough technology and decides to establish Smarn.com, a electronic home appliance web site to penetrate another market and fulfill the loop hole of its channel of distribution.

According to the nature of electronic home appliance business, the new innovative products and technology have been discovered every time. Everyone in this business has to catch up with the business trend. The latest models become out of date products within a few days. And the high number of competitors who always fight with each other with price featuring. The profit margin is decreasing rapidly because of the coming of modern retailers and category killers and price war. Those are the reasons why the tradition retail business has to adapt and find the way to survive.

This SME project is conducted to find out the complete and effective way to running the online electronic home appliance business. It provides the summary and analysis of the current economy and market situation; the marketing plan which is established to achieve the mission of Smarn.com. Moreover, the web site prototype is also created to meet the business's expectation. Although there are a lot of electric home appliance web sites in the Internet, Smarn.com is highly confident in its uniqueness. It is created to be a local web page which mainly serves the domestic customers. In general, Smarn.com is not only online business web site but is also a prototype business for other traditional retail stores.

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I. INTRODUCTION

1.1 Project Description

SME Project is the prototype website which has been established for Smarn Electronic, the electronic home appliance retail store, which has been in service over thirty years. It provides the customers with the other distribution channel that is the breakthrough idea in marketing concept. This project helps the store to learn the effectiveness of implementing the online business and apply it to develop its family business to become more effective to the market. Moreover it provides the required and useful information to analyze the market situation and also forecast and recommend the next essential and effective step to the store to win the first moment of truth to the prospects.

Because of the change in economy and society, the prospects require more information before making any purchasing decision. This project can be the great guideline for the store to provide the useful information in every aspect such as product models , price , promotion, statistic, manual book, etc. These helps the prospect to seek first to know what they really want and what can be the solution for their need.

1.2 Objective of the Project

This project aims to bring the new and effective distribution channel to the store. There are some objectives for this project to accomplish as follows:

- (1). To study the current Thailand economic situation and domestic electronic home appliances market.
- (2). To analyze the current business situation of Smarn Electronic by using famous business models.

- (3). To provide the prototype of effective electronic home appliance website for Smarn Electronic Ltd.,Part.
- (4). To expand the other channels of distribution of SME and increase the number of customers by penetrating the new target market.
- (5). To establish the business fundamental of SME and minimize business risk from the increase of Modern Retail Stores.
- (6). To provide easy steps to seeking information and shopping online electronic home appliance products and service the web users.
- (7). To utilize the Internet and e-commerce as an online tool to reach the new target market and draw their attention to online retail store.

1.3 Scope of the Project

This project is composed of many aspects to fulfill the needs and requirement of the store and also the prospects. It can be separated into two main parts. The first one is the part of the store that need this project to be the guideline for create its business websites to serve the prospects. It consists of the marketing situation which was analyzed by reliable marketing company and relevant government functions. The economics situation which mainly focus on domestics. The analyzed strategy to implement and apply to the electronic home appliances business sector. And the prototype of website which can be quickly implemented and allow the store to open the gate to the online business.

The other part of this project is established to the prospects which are the internet users and usually seeking any information via internet. SME project provide them with the prototype of the useful information to help the prospects to make the decision easier and faster. For example, the product description and model which can let them search his/her right product and service in the short time. The manual which any home

appliance users usually lost the manual books during the period of time, they can find it in SME. The product knowledge which can help the users to know how to use and maintain his/her products effectively and extend its usage life. Moreover, it still provides the prospect with the secondary market (used market). This will help them to get rid of their old model when they need to buy the new one. And also be the good chance to the prospect who look for cheaper products

1.4 Limitation of the Project

In the changing environment, technology has being developed everyday. The results of that rapid improvement of the technology makes the updated data become out of date all the time. This project is conducted at a period of time and may become out of date in a short period of time. Therefore some contents in this project can not be eternally ready to use and need to re-apply case by case.

The information technology and the developing of web design program is found all the time. Keep the web site updated in terms of implementing the latest software may be almost impossible and become the other limitation. SME still lack of human resource in the field of information technology. The cost of hiring high skill web master or even outsourcing is still high and cannot reach the break even in the next two years.

The infrastructure of Thailand still needs to be improved. High speed Internet is very new to the people. That makes this prototype website cannot implement a lot of better graphic programs such as Flash animation because it will take too much time to download. That may make SME become less effective in terms of attraction. By the way, SME's mainly focus on catalog online and just normal interactive webpage. The speed to surf has to be taken into account.

II. INTRODUCTION

2.1 Project Description

The Internet technology was born in 1968. The Defense Department in the United States and the National Science Foundation (NSF, www.nsf.gov) conducted the research work. This led to the development of an experimental network known as ARPAnet, which was intended to develop a more efficient and reliable means of communicating between military bases over long distances. For the next 19 years the Internet was used mainly for research and educational purposes, both by US government and universities.

In 1990s, CERN (www.cern.ch), the European Particle Physics Laboratory in Geneva, Switzerland, was engaged in the development of the World Wide Web(www). The Web was invented as a tool to help to organize information including sound and pictures through Hypertext Mark-up Language (HTML). In turn, HTML instructs browsers (e.g. Netscape Navigator and Microsoft Internet Explorer) how to display the information. HTML also allows Web documents to be linked to other documents (Hyperlinks) resulting in a more user-friendly format.

HTML started to become more widely used after Netscape and Microsoft Internet Explorer were made available for free. Equipped with this technology it has become possible for people to view pictures, hear sounds and read text in interesting and colorful formats. Companies and organizations around the world quickly realized the Internet's potential as a highly efficient means of reaching people. More significantly, as a service that is available on a 24-hour basis, the Internet is now a powerful channel for communicating advertising and business information.

In the late 1990s fierce competition in the computer industry drove down prices of personal computers (PC) relentlessly. From the sub-US\$1,000 level, prices fell to US\$800 and below. Nowadays it is possible to buy an Internet-ready & Multimedia PC for less than US\$400. At such prices Internet companies are able to attract many more customers, thus expanding the potential of this technology to be an effective advertising medium.

According to the report by Nua Ltd (www.nua.ie), an Internet survey company, from observing many of the published surveys since the year 2000, here is an “educated guess” as to how many is online worldwide as of September 2002. And the number is 605.60 million.

Table 2.1. The number of Internet user.

World Total	605.60 million
Africa	6.31 million
Asia/Pacific	187.24 million
Europe	190.91 million
Middle East	5.12 million
Canada & USA	182.67 million
Latin America	33.35 million

2.1 The Role of Internet in this age

Realizing that human needs have no boundaries and keep changing. Electrical Home Appliances have been researched and developed in order to achieve advanced technologies, which can perfectly meet consumers’ various needs. The technologies have been applied for the benefits of mankind in many aspects such as transportation,

communications, energy, space, and environmental conservation for the better quality of life of all beings on this earth today and tomorrow. In this age, no one can deny that Internet is one of the most important technologies. It has applied for many human activities especially in the business. In the short time, it becomes the other channel of distribution effectively.

Electronic Commerce is a new form of business that takes place over the Internet without resorting to traditional hard-copy documents. The use of this technology has helped to broaden markets for thousands of companies and created entirely new businesses dedicated to serving the global Internet industry and its 605 million customers worldwide. Several types of e-commerce exist currently. The most common ones are Business to Business (B2B), which deal mainly in wholesale transactions and Business to Consumers (B2C), for retail transaction.

Most of the companies in this entire world can not look down the capacities of Internet. Many giant companies in electronical home appliances market have penetrated the e-commerce seriously such as Sony, Panasonic, Aiwa, Toshiba, Samsung, LG, etc.

2.2 Economic Situation in Thailand

During the first half year of 2004, Thailand's economy has faced many uncertain issues, such as the problems connected to terrorists in the southern part and a dramatically increased fuel price. At the beginning of the year, it was predicted that Thailand would experience a 8% GDP growth in 2004. But unfortunately fuel costs are a thing, which can hardly be controlled, even though the government was trying to subsidize. Even through Thailand can export more at higher value, it is still not enough to cover the losses in the trade balance due to fuel imported. It was predicted that if the fuel price keeps on increasing and will reach 40 US\$/barrel, Thailand's GDP growth will lower to only 6% instead of the projected 8%.

However, according to the previous data, the Thai economy grew at the rate of 4.5 percent to 5.5 percent in 2003, which mainly led by the robustness of both domestic and external demand. The impact of the US-Iraq war seemed to be less than anticipated, as the preliminary economic data in the first quarter of 2003 was better than expected. The effect of the severe acute respiratory syndrome (SARS) outbreak, however, is likely to be significant in the second quarter with further repercussions lasting well into the third quarter before the situation is expected to improve in the last quarter of 2003. In addition, the Thai economy is still facing other external risk factors, which are the uncertainty of the recovery of the major economies, the US, the European Union and Japan; and the depreciation of the US dollar.

In 2002, the Thai economy grew at a rate of 5.2 percent, the highest growth rate of Thailand since the 1997 crisis. The economic growth in 2002 was boosted by both domestic and external demand, while the growth in 1999 and 2000 was mainly supported by external demand. Particularly, private consumption and investment grew by 4.7 and 13.3 percent, respectively. Public consumption also increased moderately, by 0.5 percent. Public investment, however, contracted by 6.8 percent. Meanwhile, export and import volumes rose by 10.9 and 11.3 percent in tandem.

The Thai economy continues to expand by 4.5 percent to 5.5 percent in 2003, mainly supported by the growth in the first quarter of 6.7 percent. The impact of SARS would slow GDP growth in the second and third quarters. However, the economy should rebound in the fourth quarter, due to the lessening severity of SARS and the full disbursement of budgeted expenditure for the first quarter of FY 2004 (Oct 03-Sep 04). Thailand's economic growth in 2003 will result from the balanced growth of private consumption, private investment, and net exports, as last year.

Private consumption is forecast to increase at a rate of 4.8 percent. Strong consumer confidence and a low interest rate environment will be the main supporting factors for private consumption in 2003. Additionally, private investment is expected to grow by 11.5 percent, compared to 13.3 percent in 2002. The factor that will slow down private investment is the outbreak of SARS in the region. That adversely affected the tourism industry and the growth potential of Thailand's 11 major trading partners, causing some businesses to scale down investment.

The low interest rate and government policies to stimulate the real estate sector, however, have encouraged strong growth in residential investment from 2002. Investment in machinery and equipment is also anticipated to pick up in 2003 for replacement and new investment in manufacturing sectors.

In 2003, growth in the export volume of goods and services is expected to remain high at 9.4 percent following the improvements in economic conditions of Thailand's major trading partners. The economic recovery in the region, in particular, means that Thailand is likely to export more to the regional market (with current market share of around 34 percent). The import volume of goods and services in 2003 is expected to be maintained at a high growth of 9.5 percent due to increases in domestic and foreign demand. On the other hand, real government consumption and investment in 2003 are expected to remain low, with the growth rates of 2.1 and 2.5 percent, respectively.

Headline inflation in 2003 is projected to be 1.6 percent, compared to 0.7 percent last year. A rise in inflation is mainly due to an increase in oil and import prices.

In 2002, the labor force expanded by 0.93 percent, whereas the number of persons employed increased by 2.58 percent, reflecting the strong economic growth in 2002. Consequently, the unemployment rate dropped to 2.2 percent in 2002, compared with

3.2 percent in 2001. With continuing economic growth, the unemployment rate is expected to drop further, to 2.08 percent in 2003.

High growth in export and import values is expected to prevail in 2003, as a result of sharp rises in export and import prices. The export value of goods and services will increase by 9.5 percent, compared with 5.7 percent in 2002, whilst the import value will grow by 11.5 percent, compared with 4.6 percent in 2002.

In 2003, trade balance will remain in a surplus of US\$2.5 billion, slightly lower than the surplus of US\$3.5 billion last year, as import value starts to grow at a higher rate than export value. Consequently, the current account is expected to register a surplus of US\$5.3 billion (or 3.9 percent of GDP), compared with a surplus of US\$7.6 billion (or 6.0 percent of GDP) last year.

As of March 2003, gross external debt amounted to US\$55.7 billion, declining from US\$58.9 billion in 2002. The drastic decline was mainly caused by an increase in private external repayments. The external debt was comprised of US\$20.4 billion of public external debt and US\$35.3 billion of private external debt. In addition, short-term debt was recorded at US\$12.3 billion and the long-term debt stood at US\$43.4 billion. Also, the international reserve was 3.1 times as much as the short-term external debt.

The average exchange rate of the baht appreciated to 43.0 baht per US dollar in 2002, compared with 44.5 baht per US dollar in 2001. In 2003, the baht was expected to be slightly stronger, or appreciate to 42.5 baht per US dollar.

In FY 2002 (Oct 01 - Sep 02), the government continued to implement an expansionary fiscal policy, in order to stimulate the sluggish economy affected by the global slowdown. The government net revenue (GFS basis) in FY 2002 was 840.5 billion baht while the budgetary expenditure was 972.2 billion baht, leading to a 131.6 billion baht budgetary deficit (2.5 percent of GDP). As the economy expanded

favorably in the second half of FY 2002 and private sector spending started to become the driving force of the economy, the government has had to reduce its stimulation of the economy since January 2002. Thus the budget deficit turned out to be much lower than its initial plan of 3.6 percent of GDP.

However, it should be noted that the government has also employed a number of fiscal credit policies, which asked Specific Financial Institutions (SFI) or promote lending at grassroots level. The Village Fund and the People's Bank, a revolving fund at the village level and a microfinance scheme, are notable examples. Many of these programs aim at giving the poor easier access to capital and stimulate the economy at the grassroots level. These successful programs were reflected in high growth rates of private consumption and investment.

In FY 2003, the government continued to carry towards fiscal consolidation. To impose fiscal discipline, the government aims at reducing the budgetary deficit. As revenues have maintained their momentum from FY 2002, the budgetary deficit is expected to be as low as 90.1 billion baht or 1.6 percent of GDP at the end of the fiscal year. Uncertainty from the Iraq conflict and the SARS outbreak is projected to be short-lived and to have little effect on the fiscal projection.

With regard to public debt, as of the end of December 2002, outstanding public debt was 2.93 trillion baht or 50.47 percent of GDP. Public debt is expected to gradually come down as the government deficit reduces.

The government has realized the importance of fiscal sustainability in the medium term. It is publicly committed to realize a balanced budget by FY 2008, although it is highly likely that it will be able to close the deficit gap earlier. The government is also committed to keep the public debt to GDP ratio below 60 percent while debt servicing in the budget would not be higher than 16 percent.

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Thailand continued to operate an accommodative monetary policy in order to maintain supportive economic conditions. In 2002, the Bank of Thailand (BoT) reduced the 14-day repurchase rate, a policy instrument, twice, from 2.25 percent to 2.00 percent in January and from 2.00 percent to 1.75 percent in November 2002.

As the inflation rate still remained low, there was no negative effect to further easing monetary policy to safeguard against uncertainties in economic conditions and support the growth process in 2003.

In the medium-term (2004 - 2006), the government has set the macroeconomic framework, including an economic growth rate of 5.5 percent per annum and an inflation rate of no greater than 2.4 percent per annum.

Economic growth in 2004 - 06 will be supported by the improved exports due to more favorable world economic and trade conditions. Private investment should pick up more firmly once problems in the financial sectors are resolved. One crucial factor supporting growth will be an improving productivity, which will enhance the economy's competitiveness and increase investment efficiency. Meanwhile, private consumption will expand in line with improving income and better consumer confidence in economic prospects. Inflation will pick up to 205 percent by the end of the Ninth Plan as a result. As the economy grows at a faster rate, the current account surplus will get smaller, due mainly to the demand for imported capital goods. Although the current account will be in deficit from 2005, overall economic stability will be maintained.

The budget deficit will be gradually reduced as the business/private sector becomes more vitalized and market conditions encourage the business/private sector to play a leading role in improving the economy. The reduced budget deficit will help boost public confidence in the government's effort to adhere to fiscal sustainability and thereby reducing public debts during the Ninth Plan.

Table 2.2. Thailand financial Status and Trend.

Medium-Term Trend	2000	2001	2002	2003	2004-2006
Real GDP Growth (%)	4.6	1.9	5.2	5.1	5.0-5.5
Private Investment (%)	16.8	4.7	13.3	12.6	9
Export value (%\$US)	19.5	-6.9	5.7	10.7	8
Gross Domestic Product					
Billion Baht	4,916.50	5,123.40	5,430.50	5,673.00	6,592.70
Billion \$US	122.4	115.2	126.3	131.9	153.3
Current account (% of GDP)	7.6	5.4	6	4.8	-0.4
Per capita income					
Baht per year	78,891.20	81,407	85,794	89,156	101,425.70
\$US per year	1,964.30	1,829.40	1,995.00	2,073.40	2,529.80
Inflation (%)	1.5	1.6	0.7	2.3	2.4

The health of Thai financial institutions has been improved as the government has implemented several measures to restructure and strengthen the troublesome financial sector. The capital adequacy of the banking sector stays at a satisfactory level, with 14 percent of risk-weighted assets of which more than 8 percent is Tier 1 capital. In addition, non-performing loans have declined from their peak at 47 percent of total outstanding loans in 1999 to 10.3 percent at the end of 2002. Apart from the banks' own NPLs dealing, the Thai Asset Management Corporation (TAMC) has greatly contributed to the sharp reduction of NPLs in banking system as a large portion of NPLs has been transferred to the TAMC since July 2001.

The establishment of the TAMC, a centralized government AMC, aims at alleviating the problem of excessive non-performing loans efficiently. TAMC purchases bad loans from state-owned and private financial institutions and AMCs, then take the lead in dealing with non-performing assets, in particular the multi-creditors loan cases, and related corporate restructuring activities. This will reduce the pressure on

commercial banks in dealing with the bad loans as well as making additional provision for further impairment of the assets. The banks could then be in good shape to provide new lending, thus supporting the economic expansion in the near future. As of December 2002, the total number of debtor cases transferred to the TAMC amounted to 5,524 cases, with a book value of 759.4 billion baht or 57 percent of total assets to be transferred. In addition, 2,209 cases with 501.4 billion baht (book value) of loans, about 66 percent of total transferred loans, have been concluded.

The government has planned to gradually privatize the four existing state-owned commercial banks. The plan to privatize two of four state-owned banks is expected to be concluded in the near future, while the other two banks were merged and the privatization plan is being formulated.

Several legal infrastructures such as the Central Bank Act Amendment draft and Financial Institution Act draft have been prepared to consolidate more comprehensive financial institution supervision.

In 2002, the Stock Exchange of Thailand (SET) was prospering due to the continuous economic recovery and political stability. The SET index recorded 356.48 points at the end of the year, an increase of 17.3 percent compared to 303.85 points in 2001. Total turnover value in the SET increased significantly to 2,047,442.23 million baht, up by 22.94 percent from the previous year.

The SET index for the first five months of the year 2003 recorded at 403.82 points with total turnover value of 673,992.76 million baht. The trading on the SET for the beginning of the year was volatile due to the war in Iraq and SARS epidemic. However, the positive outlook will support the SET Index's remaining stable at the current level.

Regarding the Thai Capital Market Master Plan launched on January 2002 in order to reinforce the strength of Thai capital market and increase its role as the

alternative sources of fund for investor, many measures have been implemented while others are in the making. There are four significant measures contributing to the capital market development.

Firstly, the government established the National Committee on Corporate Governance to set the policy framework for good governance and help promote good corporate governance. The evaluation and rating for good corporate governance is to be introduced to all market-related organizations as well.

Secondly, to increase the quantity and quality of products on the market, a committee was set up and many tax incentives were provided to encourage the qualified companies to list on the SET and MAI. They are also in the process of enacting laws and regulations to support the launch of new products. At the same time, the government aims to expand the demand side by promoting the appropriate understanding of investment and risk management in capital markets to all related participants.

Thirdly, the intermediary institutions have been encouraged to operate more effectively, with high quality and international competitiveness. Moreover, the government has a policy to extend the scope of business operations and to consider the rating guideline for financial intermediaries.

Lastly, the SET has greatly developed the trading system to respond to all investor groups, and set up an information connection among the related agencies called "Information Portal". As a result, the progress of the Thai capital market Master Plan, together with the improved economic conditions, will certainly support the growth of the capital market throughout 2003.

During the past years, Thailand, like other economies throughout the world, has been influenced by the impact of globalization and technological development.

Competition for international investment and economic growth increased external pressures for structural reform in Thailand. Therefore, Thailand has undertaken essential structural reforms in several areas.

Table 2.3. Thailand GDP and Major Components.

	1998	1999	2000	2001	2002
GDP and Major Components (percent change, year over year, except as noted)					
Nominal GDP (level in \$US billion)	112	123	122	115	126
Real GDP	-10.5	4.4	4.6	1.9	5.3
Consumption					
Private Consumption	-11.5	4.3	4.9	3.7	4.7
Government Consumption	3.9	3.1	2.6	2.9	0.5
Investment					
Private Investment	-52.3	-3.3	16.8	4.7	13.3
Government investment	-28.7	-3.1	-9.7	-5.5	-6.8
Exports of Goods and Services	8.2	9	17.5	-4.1	10.9
Imports of Goods and Services	-21.6	10.5	27.3	-5.5	11.3

First of all, bureaucratic reform in Thailand has been reshaped and downsized to increase its efficiency and effectiveness. There are two major aims that characterized the direction of bureaucratic reform: to modernize and improve the efficiency the civil service system by restructuring government organizations; and restricting the number of government officials. In addition, changes were made to improve the quality and ethical values of civil servants by reformulating personnel recruitment to attract the most competent individuals into the service. This reform can improve efficiency and streamline the governmental structure in line with the current situation and to enable the public sector to better serve national economic and social development. At the same

time, accelerating the enactment of legislation to facilitate bureaucratic restructuring can help to keep up with the global trends as well as changes in social and economic situations.

Table 2.4. Thailand Fiscal and External Balance.

	1998	1999	2000	2001	2002
Fiscal and External Balance (percent of GDP)					
Budget Balance (Cash basis)	-2.5	-2.8	-2.3	-2.6	-2.9
Merchandise Trade Balance	12.2	9.3	5.5	2.5	3.5
Current Account Balance	14.4	12.4	9.3	6.2	6.1
Capital and Financial Non-reserve Assets Balance	-9.7	-7.9	-10.2	-5	-4.7

Decentralization policy is another reform that Thailand has adopted during the past year. This policy basically emphasizes local revenue collection and the decentralization of fiscal power to local authorities in order to achieve budget management that is more independent, and takes into consideration the needs (and appropriateness for development) of the locality. After the decentralization policy has been used, responsibilities of local authorities would range from the decision-making process, policy formulation, and procurement, to the appointment and removal of the local authorities, for the sake of transparency and efficiency as well as in response to the needs of the local people. As a result of the decentralization policy, local authorities will have greater independence with regard to local budget management and allocation, income acquisition, and management of local properties.

Besides the administrative reforms in Thailand, tax reform measures have been implemented to upgrade the Thai tax system to an international standard. Income taxes have been reformed toward lowering the tax burden and simplifying compliance in line

with other regional economies. The value added tax (VAT) refunds and duty drawback from exports have been further accelerated so the exporters receive money back in due time. Furthermore, the tariff structure has gradually undergone further rationalization in view of global trade liberalization and the realization of the ASEAN Free Trade Area (AFTA). The tax restructuring has led to reduce productivity costs, thus enabling Thai industries to better compete in the global market.

Table 2.5. Thailand Economic Indicators.

Economic Indicators	1998	1999	2000	2001	2002
(percent change, year on year, except as noted)					
GDP deflator	9.2	-4	1.3	2.2	0.8
CPI	8.1	0.3	1.5	1.6	0.6
M2	4.7	4.8	5	5.2	5.3
Short-term Interest Rate (percent)	13.6	1.48	1.8	2.07	1.98
Real Effective Exchange Rate (level, 1997=100)	89.6	92.3	88.9	84.6	86.3
Unemployment rate (percent)	4.4	4.2	3.6	3.2	2.2
Population (millions)	61.2	61.8	62.4	62.9	63.5

Thai government has also emphasized the importance of restructuring corporate governance. In 2002, the "Good Corporate Governance Campaign" was initiated with the objective to create a transparent investment environment in Thailand. So far, new laws and regulations have been enacted covering investments, the system of property ownership for non-residents, and new taxation schemes. In addition, all these practices are geared toward the promotion of transparency and disclosure of information to improve the quality of Thai capital market participants and foreign investment.

In conclusion, the Thai government is confident these fundamental reforms will ultimately enhance Thailand's economic growth and competitiveness.

2.3 Electronic Home Appliance Market Situation

Over the year of 2003, Electronic Home Appliances have grown to become essentials in many households in Thailand. Due to the severe competition in Thailand, the market reported a decline in prices. On the other hand, many factors such as price, consumer behavior, new technologies and income status in Thailand result in an increase of the total major home appliances demand.

The first quarter of the year 2004 seemed to be stable compared to the same period last year where the market value and the market average price had a negative growth rate. The reason for that was that the pricing strategy from the various manufacturers had been continuously implemented in order to increase their market share during the time the demand saturated.

The Electronics Home Appliance market has been faced with aggressive competition during the first half of 2004. The change in price segmentation for all products categories has been found everywhere. A huge change was found in the VDP (Video Disk Player) category, where the average market price was dropped by 31 percent and 19 percent for DVD and VCD players respectively over a year.

Moreover, the market is experiencing a steady increase of the contrasting growth from the boom of Visual products against the declining stage of Audio products. The Colour Television (CTV), Visual Disk Player (DVD & VCD) and Home Theater System (HTS) categories have been continuously promoted in order to meet up with the consumer's demand this year during the big sporting events of The European Football Championship 2004 in Portugal spanning June through July 2004 and the Athens 2004 Olympics Games in August. It could compare with two years ago, where Electronic Home Appliance products had been aggressively promoted during the World Cup 2002, which had taken place in Asia for the first time.

By the way, the promotional activity for the sporting events had been organized later in May 2004 to stimulate consumer demand, while the promotion two years ago occurred earlier at the end of first quarter of 2002. In addition, it is clear that the world popularity in sporting events like World Cup has been a driving factor in the high positive growth of over 15% in value when compared to 2001.

However, Color Television products have been facing a little bit of a decelerated growth since the beginning of the year 2004 in Thailand, but the overall market seems to be stable especially for the biggest segment: the 21" Flat screen type. Because consumers shift to purchase between the 20" and 25" which have more comparative advantage. The sales of this type were mainly influenced by a special pricing strategy, launched by most of the manufacturers to gain market share. This helped the price segment below 7,000 BHT (about US\$ 171) to increase to over 50% of the total market in unit sales.

According to the market trend of visual products, a negative retail price in all product categories has been found. This is due to the high competition in this sector and the only way to maintain market share in the first quarter of 2004. In general, the market has been moving towards the high-end market related to LCD (Liquid Crystal Display), PDP (Plasma Display Panel) and RPTV (Rear Projection TV) for the color television product. The new models have been launched with financial support for the customers (e.g. 0% interest rates for 6 months) as well as a bundle package with a Home Theatre System or even mobile phones. And it seems that the promotion has gained an overwhelming response from the consumers as the data shows the continuous increase of the sales units.

DVD (Digital Video Disc) players faced high competition in terms of pricing, so that even the market leader had to lower its retail price to less than 4,000 BHT (US\$

99) in order to compete with local and Chinese brands. The price segment under 4,000 BHT (US\$ 99) had the most significant growth rate – about 20% of the total market.

IT products, especially the digital still camera segment are also affected by the economic crisis; however, it still experiences higher growth than previous year. When we compare the market for DSCs from January – April (year 2003 – 2004), the overall market growth is around 185% in terms of units, and about 134% in terms of value. During the period of February to April, the DSC market experienced slow growth rates, especially in April. Many DSC's manufacturers are still trying to gain a larger piece of the sweet cake and they are launching many new models covering each mega pixel segment. Thailand DSC's market has been changed to a higher resolution market especially in the 4 mega pixel and segment and higher. At present time the main market is in the 3-mega-pixel segment, which comprises about 50% of the overall DSC market.

The overall DSC (Digital still camera) market in Thailand during the year 2003-present is still increasing rapidly. This is the result of many new and cheap digital camera models placed on the market, serving the low-end segment. Another reason is an increase in fuel price and an economic slowdown, which is leading consumers to buy cheaper products. The DSC market also is also affected by these circumstances. The overall market sales are increasing a lot in upcountry areas instead of Bangkok. The ICT Expo will be arranged there in August, so many consumers may postpone their purchase decision. Having a look at resolution, 3M pixel cameras have lost importance, whereas 48% of the total market are 4-5M pixel DSC.

Under the economic crisis with a much more competitive situation, the photography market is still the sector that experienced continuous growth in Thailand. And it is predicted that the total demand for DSCs (Digital Still Cameras) will be at

450,000 units or 67% growth compared with the year 2003. However, this prediction is based on a worse case scenario only.

Videocassette Recorder products have continuously declined over the last two years, due to the extreme growth of VDP (Video Disk Player) products. According to the recent data (of the VDPs) in March 2004 there was a very high growth in this period because of new models, which were launched with attractive prices and special features. The high-end market segment has been promoted much more in order to compensate the low price products that manufacturers must sell in order to maintain the market share.

Most of electronic home appliance products in Thailand grew during March-April 2004 except of Microwave Ovens, which dropped dramatically by 24% from January-February 2004. But compared with the same period last year, it still showed an increasing rate of 4% in unit shares. The main trade channel of this product is the organized trade, which decreased approximately about 26%. Therefore, Microwave sales figures were not pushed up during this summer period, although many brands have concentrated on this product in this year. But normally Microwave Oven is not a seasonality product; it depends on promotional campaigns and the product price. Moreover, the Microwave Oven market has still a low ownership household rate, and therefore market growth rates are still higher than others.

Although the first quarter of every year was not a peak season for washing machines, sales figures in the first quarter of 2004 were quite good and grew up 14% and 21% in unit and value terms respectively in Thailand. Double tubs still kept the largest market size from all types while single tubs had the most increased rate from 31% to 34% in market unit comparing with the previous year during the same period of time. Single tubs tend to rise due to the change of Thai users behavior, which now

looks for convenient usage, reasonable price (cheaper price), easy installation, saving utilities cost and time.

Refrigerators are selling well in Thailand and increased by 4% and 6% in unit and value terms in the first quarter of 2004 compared to the previous quarter. And because refrigerators (belonging to the same category as air conditioners and electric fans) will sell well during the upcoming hot season, we also estimate overall refrigerator growth to be about 2% both in unit and value terms. The consumption mainly comes from Bangkok and its vicinities with about 42%, followed by Central/East/West Thailand. All households have at least one refrigerator, as it is an essential product in every Thai household today.

According to GfK(The Marketing Research Company) estimates, the total demand of air conditioners will increase by 7% in value in 2004. In Thailand, which is characterized by a hot and humid climate throughout the year, the air conditioner is an essential home appliance in daily life. In 2003, Air Conditioner represented the major value share of the four products in the major domestic appliances group with 36% and 14% unit share respectively.

According to GfK estimates, the total value share of electronic home appliance is expected to decrease about two percent in 2004 mainly caused by the fierce competition in price. However, total unit share is expected to grow because of higher purchasing power and demand saturation. Moreover, there will be a slight movement from dealer trade towards organized trade especially in Hyper Markets. This is expected to create a shift of bargaining power towards the organized trade, which will result in a further decline in prices.

III. MARKETING PLAN

3.1 Market Segmentation and Target Market

The market segmentation and target market of SME is analyzed to be effective suited to its strategy and the strengths of its business service. This is determined by evaluating the probable length of the typical prospect's purchase decision cycle, the probability that marketplace factors favor the acquisition of business service in substantial volume, the probability that the prospect will pay a high price for business service, the extent to which price influences the prospect's purchase decision and the propensity of the prospect to exert comparison energy prior to making the purchase decision. In addition, an analysis of the marketplace characteristics that are vital to the acceptance and success of business service offerings is determined to be reasonably good.

Even if SME's have well defined market segments with positive characteristics it is still essential that its prospects have a positive perception of the benefits business service will provide. The analysis indicates that the market has a neutral perception of business service benefits. And, finally, it appears that the prospect's bargaining position, which can affect price and the time it takes to make a purchase decision, is average. SME has targeted its market that is lightly dispersed with the following composition.

Table 3.1. SME Market Segmentation and Trend of Contribution.

Market Segmentation	2004	2005	2006
Online B2C	3%	10%	20%
Offline B2C	75%	65%	55%
Online B2B	0%	5%	15%
Offline B2B	20%	15%	10%
Government	2%	5%	5%

SME's mainly focus on Offline Business which has 95% contribution (Both B2C and B2C) and project to be 65% in the next two years. All of the business service has been conducted domestically. The highest contribution comes from B2C sector which has quite strong fundamentals over the past 30 years. SME's have built the customer relationship day by day until it has high loyalty and transfer it to the next generation of the family's member. Therefore more than 50% of the prospect base is expected to be past customers, which implies lower marketing costs. In general, the current customers have been approved from the historical data that they have strong financial resources and high purchasing power. Almost purchasing decision from the current customers require value added in term of excellent service.

Online business is projected to be 15% in 2005 and 35% in 2006. Online business is projected to increase more than two times in two years. The number comes from the growth rate of Internet users in Thailand which increase rapidly in the past three years. Online business of SME is designed to penetrate the prospects who usually use Internet and seeking any information before making decision via Internet. It is also focus on the one who want to sell or trade off his/her old electronic home appliance stuff with the new one which can be found in SME site.

Moreover the development of Telecommunication Infrastructure and technology will increase a number of Internet users. The impact of category killers and modern retail stores will force local companies to upgrade their business fundamental and technology. That will encourage B2B sector to focus on Online Transaction instead of traditional way which will reduce their cost of operation. SME has to maintain its current B2B customers and at the same time, build up online business fundamental to support the new B2B customers which currently use internet to press an order as well as

current B2B customers which upgrade their organizations 'system to be able to use online transaction.

3.2 SWOT Analysis

SWOT analysis is a basic, straightforward model that provides direction and serves as a basis for the development of marketing plans. It accomplishes this by assessing an organizations strengths (what an organization can do) and weaknesses (what an organization cannot do) in addition to opportunities (potential favorable conditions for an organization) and threats (potential unfavorable conditions for an organization). SWOT analysis is an important step in planning and its value is often underestimated despite the simplicity in creation.

The role of SWOT analysis is to take the information from the environmental analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines if the information indicates something that will assist the firm in accomplishing its objectives (a strength or opportunity), or if it indicates an obstacle that must be overcome or minimized to achieve desired results (weakness or threat).

(1). Strength

The first important one about SME strength is the strength of Internet Technology. SME can get in touch with its current customers and the new prospects 24 hours a day via Internet technology. It allows SME to update the latest information to the public with the minimum of cost. That is one of the key successes in this information age. This also helps SME to become online broker for any customers who want to buy the new stuff and sell their old items. A lot of people can access into the site and search the products that they want from everywhere every time. This provides a high level of convenient to the prospects and let them become loyalty customers later.

Other strength is clearly customer loyalty. It is because Smarn Electronic has been in Electronic Home Appliances market more than 30 years with the same location which make its to be the landmark for the street. The customers become loyalty customers and transfer that loyalty to their family's member. Although the growth rate of Modern Retailers are very high during the past few years, the number of customers which living around the store is increasing and still be maintain their loyalty. That golden experience makes this small retail store to become a powerful and effective store. SME can maintain the price to the customers during the price war because it has a very good back up from its excellent history.

Having close and deep relationship with suppliers allows SME can make an order with the cheap price without minimum order constraint and longer credit term. That advantage can eliminate inventory problems, decrease a lot of overhead costs and increase its cash flow to the store. The inventory in the store is always the new model and up-to-date style which increases satisfaction level to customers.

(2). Weakness

The most serious weakness of SME is the expertise in Online Business. Even SME has been in electronic home appliance business more than 30 years, but it does not have any experience in E-Commerce. Even the setup cost is very low compared with other investments but the maintenance the database and system as well as update the information need some skills to accomplish. SME stills lack of skill employee to take care at this point.

Online business requires a lot of components. It is quite complicated for the traditional store to implement without any technical support. Technology support is the other constraint. The technology is changing everyday. To make the system and the websites up to date and be attractive needs to catch up the trend and requires a lot of

software knowledge and budget. Other point is the prime location which is be both its strength and weakness. SME locates on Yawwarad road which has very high population with higher purchasing power but it is very rare to find the car park. That can create customer dissatisfaction comparing with Modern Retail Store or Category Killer Store.

Moreover, the nature of SME is a family business which has quite a conservative management team. For example, there is no clear job description for its employees. Everyone has to share his/her tasks to each others. It is good in term of flexibility but in the long term, the out of date and ineffective business organization structure can become a boundary for doing online business.

(3). Opportunity

Penetrate to the new market segment is the key opportunity to grow for SME. Online Business can let SME become 24 hours service and serve the need of new target market. The expanding of Internet and the increasing of the number of Internet users has become a big opportunity as well as increased the size of the market. Moreover, the support from the government sector and investing in infrastructure of Telecommunication Company makes Internet become faster and cheaper comparing with the past two years. That can increase a lot of number of Internet users which are the part of SME's target market.

Publicity and Public Relation with the minimum cost is the other key opportunity for SME. The membership program will be implemented via the SME's website. This will create loyalty to the prospects and keep in touch with the current customers. SME can create any marketing program and inform to the member with the fastest speed via Internet Technology. That is including some charity program with SME and the member can return to the society and create awareness to the public at the same time.

The cost of online advertising is a lot cheaper than offline advertising. This is a very good chance for SME's to introduce itself to the public and gain advance image from both current customers and the prospects. SME will leverage its closely relationship with the suppliers to create awareness to the public. The website of key suppliers will have hyperlink to SME or/and exchange the hyperlink with the suppliers. This can increase the level of awareness to the market. In other hand, SME can increase its earning via selling advertisement on the web which is quite popular nowadays.

Working as an intermediary (Online broker), can create an incremental income to SME. Online technology allows SME's to be the middle man for the one who want to sell his/her old stuff to exchange with buying the products/ service from SME. This can get two birds in one shot. SME can expand its coverage to the new market as well as gain the higher income from incremental sales volume and also broker fees.

(4). Threats

The sword always is double sharp. Online business is the effective tool with lower cost; therefore the barrier to entry is very low. The number of competitors increase all the time and that affects the loyalty of the current customers and interest of the prospects. Moreover, the current competitors which are modern retailers and category killers is competitive. They have more advanced technology, higher skilled people and always ready to invest more and more.

There are several million websites in the cyber world. To draw attention from the Internet users is not the easy task. They need the high level of marketing skill and technology supports which are always attacked by competitors. Well known search engines need some investments and advanced techniques to make the site appear on the first page of any relevant searching from the internet users. Both direct and indirect competitors still be better in this period of time.

The other threat is the economic situation, there is the high level of price war in electronic home appliance market for many years. And that drives the profit margin become lower and lower until it almost touches the bottom line. Moreover, the nature of the business service keeps moving faster and faster. The new products and technology which are higher quality and lower price has been discovered all the time. That means the current products in the inventory can be out of date every time. That is to watch out in this market. No one wants to purchase the out of date products with a higher price.

Telecommunication Infrastructure in Thailand still need to be improved. The high speed Internet still not be quite popular. And the dial up technology has quite low bandwidth and takes a lot of time to download. That is the main constraint to develop the SME's website. Especially, when SME need to apply some graphic program to increase the level of attraction and/or has more and more members; the larger size for the larger database has been required. If the Internet users do not have high speed internet the level of customers 'dissatisfaction may be increase.

3.3 A Cost Leadership Strategy

This concept is based on the enterprise's ability to control their operating costs so well that they are able to price their products or services very competitively and still generate high profit margins, thus having a significant competitive edge.

Operating cost is the other main point that every enterprise tries to minimize. During the thirty years of service, SME can maintain its operating cost effectively. It has reached the break-even point for its fix assets since 1985. Without the cost of land and building, SME can control its cost of operating easily with minimize cash flow problem. Moreover, closed relationship with suppliers allows it to get the longest credit compare to normal dealers. Those benefits drive cost deduction and allow it to set the lower price in the market.

Apply to online business; SME can be one of the most effective distribution channels with very low cost of settlement and maintenance. Moreover, it can be used to support any marketing plan such as advertising, announcement, discount promotion, etc. It means that the overall portfolio get more income and derive to lower the cost in overview.

3.4 A Differentiation Strategy

This involves the offering of a product or service that is clearly unique when compared to alternatives. Uniqueness can take many forms such as brand image, technology, functionality, customer service, dealer networks and many others. It is likely that differentiation will involve a combination of two or more of these forms.

Even Electronic Home Appliances which be sold in the retail store come from the same source. They have same brand name and technology. Most people think that there is no differentiation in this kind of business. However, Service is the key to create market differentiation. SME has outstanding profile in term of after sale service which can hold a lot of customers in the past thirty year. SME provides the door to door service system which is one of the best way to reach customer satisfaction.

Moreover, SME also provides its prospects with the online used products. It allows the prospects to buy any electronic home appliance by eliminating their old stuff at the same time. This is the solution for most of the prospects that really need to use the new model which has been launched regularly but do not know how to do with their old one. According to this service, SME provides free delivery to every trade-off products which use its online service. The prospects will get more convenience and can increase their level of satisfaction. This is one of the most important factor for Retailer Business in this age. The prospects always ask for more value added to every spending. The one who can provide the better solution and differentiate to others will be the winner.

3.5 A Focus Strategy

This may be the most sophisticated of the generic strategies, in that it is a more intense form of either the cost leadership or differentiation strategy. It is designed to address a focused segment of the marketplace, product form or cost management process and is usually employed when it isn't appropriate to attempt an across the board application of cost leadership or differentiation. It is based on the concept of serving a particular target in such an exceptional manner, that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition profit margins can be very high.

SME applies this strategy to fit its business by focus on its neighborhoods within five kms. around the store. The prospects can get the faster service with lower price. This strategy focuses mainly on air conditioner cleaning and maintenance service. The lower price come from the leverage of lower transportation cost. This also create win-win solution with the customer. SME can decrease lead time, transportation and operating cost while the prospect get cheaper price and faster service. That can boost up the satisfaction level of customers in term of time and expense.

3.6 Marketing Mix

The 4 P's of Marketing or the Marketing Mix is one of the most famous marketing management strategy. Product, Price, Place and Promotion are the variable that SME can control in order to best satisfy the prospects in the target market. Some commentators will increase the mix to the 'five Ps', to include people. Others will increase the mix to 'Seven Ps', to include physical evidence (such as uniforms, facilities, or livery) and process (i.e. the whole customer experience e.g. a visit the Disney World). The term was coined by Neil H. Borden in his article 'The Concept of the Marketing Mix' in 1965.

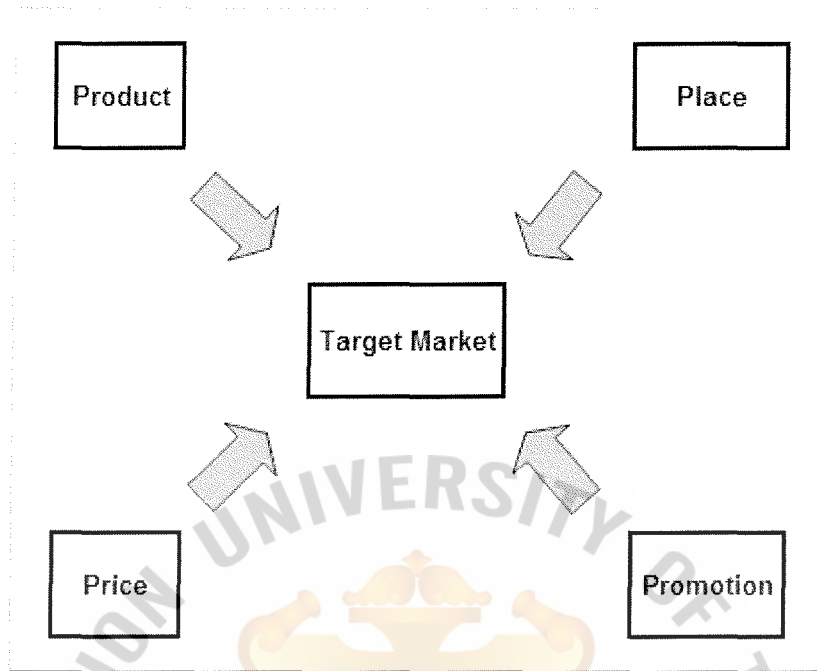


Figure 3.1. Marketing Mix.

(1). Product

SME provides its prospects with various features about electronic home appliances. Mainly contribution comes from the information that every prospect has to search before making any purchasing decision. For example, the prospects have to search for the detail of the models which they would like to purchase; they have to check and compare the price among many sources. According to the nature of electronic home appliance, a lot of initiative products and technology have been launched all the times. Among the various brand names the prospects need more and more information before making any purchasing decision. SME creates the comparison table for each product category. That will be the good tools for the customers to choose the suitable stuff to serve their needs. Some prospects are looking for the manuals for their stuffs which usually lost; SME provides them with many kinds of manuals and guild books.

This service is differentiate to the market and can create the level of satisfaction to the prospects.

Moreover, SME's still offer traditional services. Those are selling normal electronic home appliances both online and offline such as televisions, refrigerators, washing machines, multi-media component, air conditioners, etc. And it also provides the additional service such as air conditioner cleaning, door to door maintenance and delivery service.

Used product market is also served. SME has a section to offer the other step of convenience to the prospects. This section allows the prospects to domestically sell their old stuff to the internet users. And on the other hand, the one, who looks for the used electronic home appliances, can enjoy his/her shopping on SME. This is the new market segment that will be penetrated and become a part of SME's business fundamental in the future.

In the part of B2B (wholesales business), SME provides its customers with a bulk buying catalog. That provides the prospects with the effective price lists with special trade term and also after sell service. The business sectors can check the price and making an order every time. The current customers can use this service instead of the traditional way which will reduce the transaction cost and give them more convenient in term of price comparison.

(2). Price

“Without question, this is an incredible and powerful marketing tool. I regard this as a true breakthrough that will forever change the competitive landscape both on and off the Internet.” (Alex Mandossian, Managing Director of Heritage House Worldwide, Inc.) Knowing the exact right price which should charge means the difference between financial losses, normal sales, or increasing revenue. According to the Internet

Research data of Advance Marketing Consultants, shows that Internet-shoppers generally expect at least a 10% to 20% discount for buying your product or service on the Internet. Expected discounts for “information products” are even higher, ranging from 10% to 100% of the conventional offline retail price depending on the topic and type of information. Moreover charging the wrong price online can easily drop total revenues by 50%, or more, and cause e-commerce failures.

In this current price war situation, the price setting becomes one of the most difficult to SME. However, SME separates its pricing policy into four groups to coordinate its target group. Those are B2C sector, B2B sector, C2C sector and advertiser sector. For B2C and B2B sector, SME charges the prospects with the same price for both online and offline customers to maintain the profit margin. Even the Internet-Shoppers always need at least 10% lower prices than traditional shoppers. But the major contribution still focuses on offline market. And the price of SME is already competitive comparing with main competitors. The only different pricing policy between B2C and B2B sector is the price of any service of online customers which will be lower than offline customers because of lower transaction cost. Generally, SME's offer its services, such as air conditioner cleaning and door to door maintenance, mainly to B2C sectors. In case of delivery service, B2B sectors will be charged lower than B2C sector because the additional cost is charged to the bulk products purchasing already.

For C2C sector, SME will charge 5% to the sellers for every transaction occurred on the used products selling. The exception will be give to the sellers who decide to purchase any products from SME within seven days after their products have been sold. For the advertiser sector, every advertising on SME will be free of charge until the end of the year 2005. But this service will offer to the business sectors that have conducted

any business transaction with SME at least once a week. This can create the incremental sales volume and customers' loyalty at the same time.

(3). Place

SME has its own electric home appliance store which is located on Yawwarat road. The location is the prime location with the intensive population. The current customers have the high level of loyalty and most of them are the neighborhoods. By the ways, during the past ten years, some of SME's customers have moved to the suburban. This causes SME to lose some customers. Moreover, the traffic jam and parking lots are the other main problems to filter the new prospects and decrease the number of current customers. However, those issue will be compromise by other channels of distribution.

Direct mail is the traditional way which has been implemented for a period of time. Many organizations especially wholesales business use this tool effectively. SME uses this tool as a part of strategic distribution channel with supporting from key suppliers. The main purpose of SME direct mail is to penetrate the B2C sector. Most of them are current customers which have been collected the profiles. This provides the prospects with the newest products and promotions. Moreover, as indirect benefits, SME's can keep in-touch with the customers and also maintain the level of loyalty.

Tele-marketing has been used to penetrate the B2B sector. SME uses this tool for a period of time. Tele-marketing is the fastest way to communicate to the prospects. The message is quite accurate because it is the two ways communication. The prospects can receive the information as fast as SME would like to inform them. The prospects still can make any business transaction as the same level as offline business. They can negotiate, ask for more information, make an order, etc. By the way, tele-marketing is not quite suitable to B2C business. Because SME has a limitation in term of human

resource and the nature of the business, which require visualization and a high number of the prospects, does not support this tool.

Internet is the breakthrough technology which can increase the other channel of distribution. This technology can fulfil the gap of others distribution channels of SME. The prospects do not need any parking lots or suffer from traffic jam as they are in the tradition business way. They can get any requiring information before they making any purchasing order and/or looking for any after sales service every time everyway that Internet can be accessed. This is the great solution to B2C and C2C business. Even SME web page is mainly designed for one way communication, but it can speed up the ton of information to the prospects. Moreover, the prospects can contact each other to server they need. It is the appointment place for demand and supply. In term of B2B sector, even most of SME's wholesalers do not implement the Internet system. But because of the business trend and the decreasing of the cost of computer system; the number of Internet users will be projected to increase rapidly in the next two years. When they realize to the benefits they can get from the Internet, there is no way that they can deny this kind of technology.

(4). Promotion

With the booming of E-commerce, it becomes more and more important for any web marketers to understand how other web marketers promote their web sites, how effective each promotional method is in generating traffics, generating sales and creating web site images, what the segment structure of web business promotion market is based on web marketers' promotional activities.

The promotion strategy of SME can be grouped into five segments based on its promotional activities which including both Online and Offline. Those groups are

Offline segment, Online segment, Search Engine segment, Link Exchange segment, and Banner AD segment.

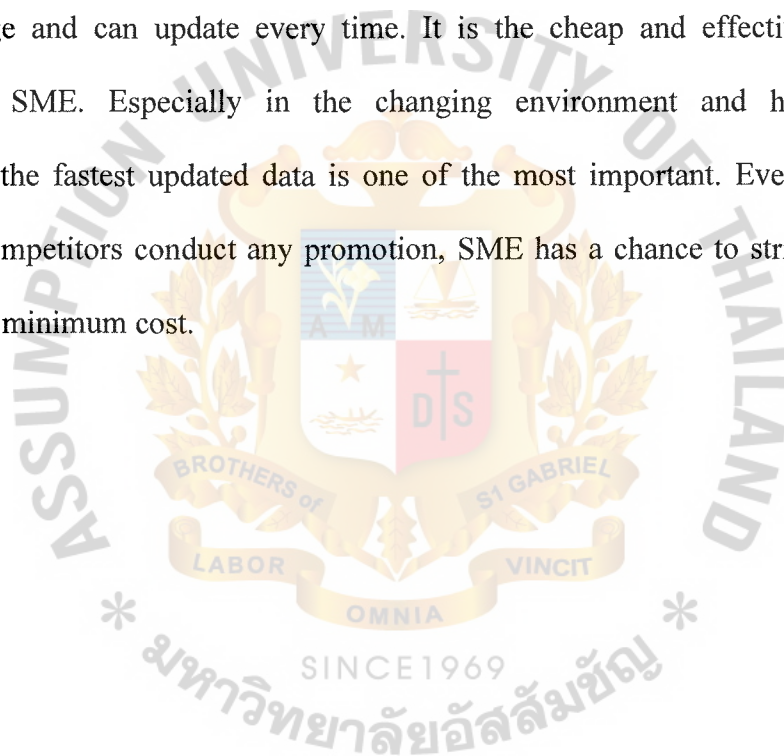
SME provide the price featuring to the offline segment. The prospects will get the special price which is normally 5% less than modern retailers. The after sales service is free of charge for any multimedia purchasing (delivery and minor maintenances) and two times air conditioner cleaning service. However, the strategy has to be revised all the time, depends on the aggressive level of competitors. For Online segment, the price feature of B2C is still the same range with Online segment. The special promotion will offer to Online B2B segment. They will receive a special 2% deduction for every online purchasing until the year 2005. In 2006, there will be no different about promotion between Offline and Online segment. It is because the margin of electric home appliances is very low and SME would like to maintain its traditional business.

Search Engine is the other effective promotional tool that any online business can not deny. SME will promote its site via the famous web portal such as Yahoo, Google, Search, Lycos, etc. Doing well with search engines is not just about submitting right, optimizing well or getting a good rank for a particular term. It's about the overall job of improving how SME interacts with search engines, so that the one who seek is SME's target market. To achieve that objective, SME will use the agency who is the professional in this task. Even some settlement costs have occurred but it will get a good return in the near future.

The other promotion strategy which has to be implemented is the Link Exchange. SME will exchange its link with the key suppliers' web site such as Mitsubishi, Panasonic, Toshiba, etc. Because of close relationship with strategic suppliers, it allows SME's to use this tool without any incremental cost. Even the famous sites have never missed that kind of income. In the B2B part, SME's wholesalers and retailers are the

other source of the link exchange. This can create loyalty and build up relationship to the customers. Moreover, having link exchange with the famous web sites can build up the reputation and image for SME and that will create a high level of long term benefits.

Advertising Banner can be one of the most effective promotion tools, if it is implemented at the right time and the right site. With the technology of flash animation, it make normal banner become alive and attractive. Most of web users spend their time to surf the interesting banner quite often. Moreover, it can inform the prospect with the short message and can update every time. It is the cheap and effective promotion strategy for SME. Especially in the changing environment and high level of competition, the fastest updated data is one of the most important. Every time those aggressive competitors conduct any promotion, SME has a chance to strike back with this tool with minimum cost.



IV. THE PROJECT PROTOTYPE

4.1 The Web Site Structure

Web sites often break away from the traditional way of progressing linearly through pages of material as seen in many sites. There are no rules for the page structure of the site but SME aims to conduct its web site structure with careful planning, so as to make the most of links without being confusing to the prospects. SME try to create its structure to make the prospects who visit its site cannot tell how extensive it is. This could be an advantage in that the prospects are not over faced before they start and they will not become aware of the information in which they have no interest.

On the other hand, as the prospects cannot flick through the pages in the way they would do with the pages of a book, it may be harder for them to know what the site contains. SME was designed to help the viewer to navigate the site as easy as it can. Therefore, the structure is created with the linear progression format. The SME's web site structure is shown in the Structure section below.

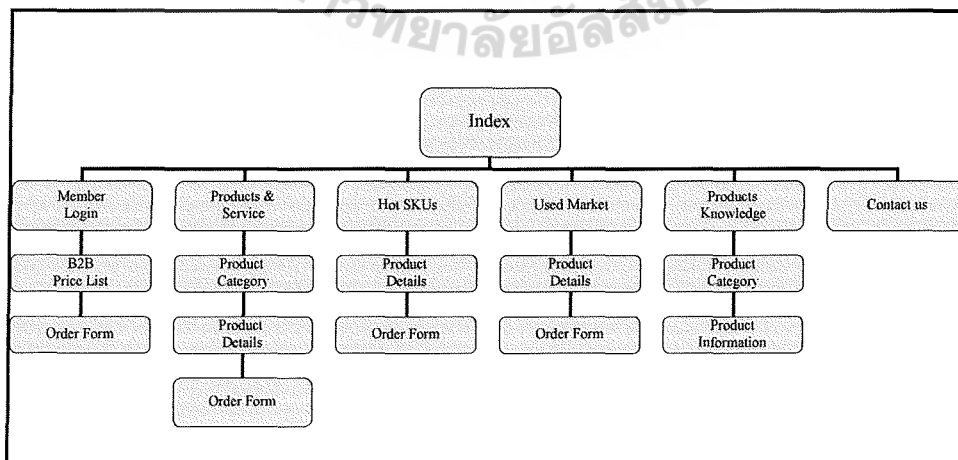


Figure 4.1. SME Web Site Structure.

SME consists of many aspects. It is designed to serve three groups of customers. The first group is B2C segment. The pages that serve that segment are Hot Skus and Products & Service. The second group is B2B segment. The membership zone is created to serve this segment. The last group is C2C segment. The Used Market web page is created to serve this segment. For the left web pages, Product Knowledge, are created to serve all types of customer. The Index is the core page for the other pages and the most important page for SME. The detail and the flow of SME site will be mentioned in the following part of this project.

4.2 The Web Site Flow

The flow of the web site is one of the most important for every site. It can increase the level of satisfaction to the Internet users. Because well design structure and flow will help the Internet users to surf and get the seeking information faster and clearer. The users will understand the structure in the short time and make them feel comfortable to surf and spending more time to the site.

SME recognizes the important role of the web site flow. SME's core business is traditional retail store. Its current customers are used to the traditional shopping style. Therefore SME try to make its web site simple and user friendly. Everything start at the Home page(Index). The prospects can find any feature they want at this page. This will minimize the seeking time for the users. At the first page, the prospects can connect to the other six sub main pages. The first one is membership zone which connect to the price list and ended with purchasing order form page. This page is designed mainly to B2B segment. The second sub main page is Product & Services which is the main page for B2C segment. The prospect can connect to each category of SME's business service, learning the details of each skus and ended with purchasing order form page. The third sub main page is Hot Skus. This page provides the prospect with the newest product in

the market. The prospects can find the details of each hot products and also ended with purchasing order form page. Used Market is the fourth sub main page. This page is design to serve C2C segment. They can find the details of each used product and end with purchasing order form page. The fifth is Product knowledge page. The prospects can choose the category and find the details of their interesting products. The last sub main page is Contact Us. This web page links to the e-mail system which the prospect can send any information back to SME's webmaster. Moreover, this page also contains the map for SME traditional retail store.

4.3 The Web Site Prototype

SME is the minor channel of distribution for Smarn Electronic which is the tradition store. Therefore the web site prototype is designed to match the nature and the purpose of the traditional store. By the way, it still applies a lot of effective design concept and template to meet the expectation and be attractive to the prospects.

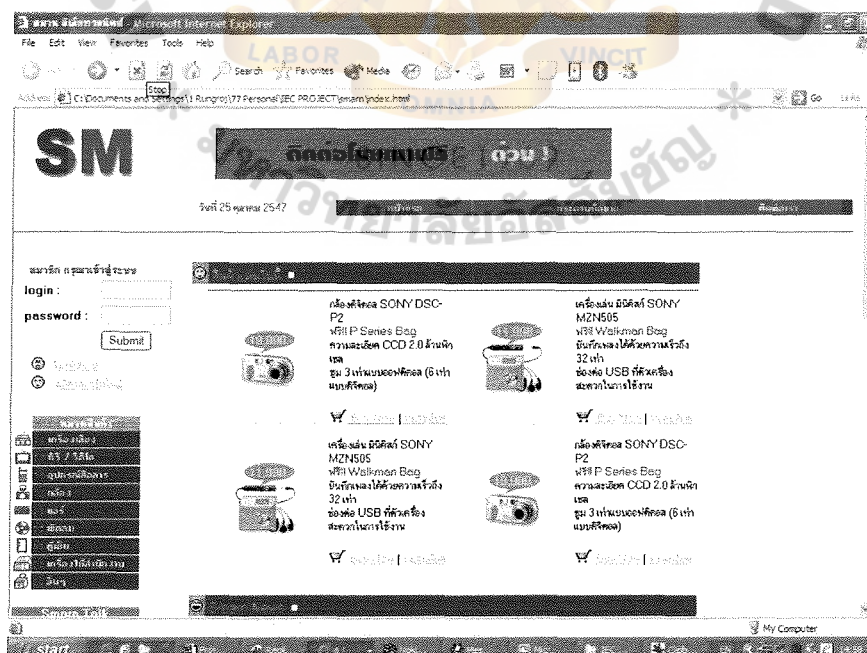


Figure 4.2. The SME Home page.

SME was conducted mainly with normal HTML basic. Because SME would like to make its web site be easy to update and maintenance. And it also concerns about the speed to down load for the Internet shopper. The main colors are white and red which refer to the hottest and newest image.

SM logo at the top corner of the site is the real logo which has been used for traditional business during the past twenty years. SME would like to create the sustainable reputation to both Online and Offline business. There are several parts of this prototype; every feature is designed to meet the SME expectation and penetrate to the right market segmentation. In the Home page of SME, it combines with many elements. The web shoppers can feel that they can find everything at the first page.

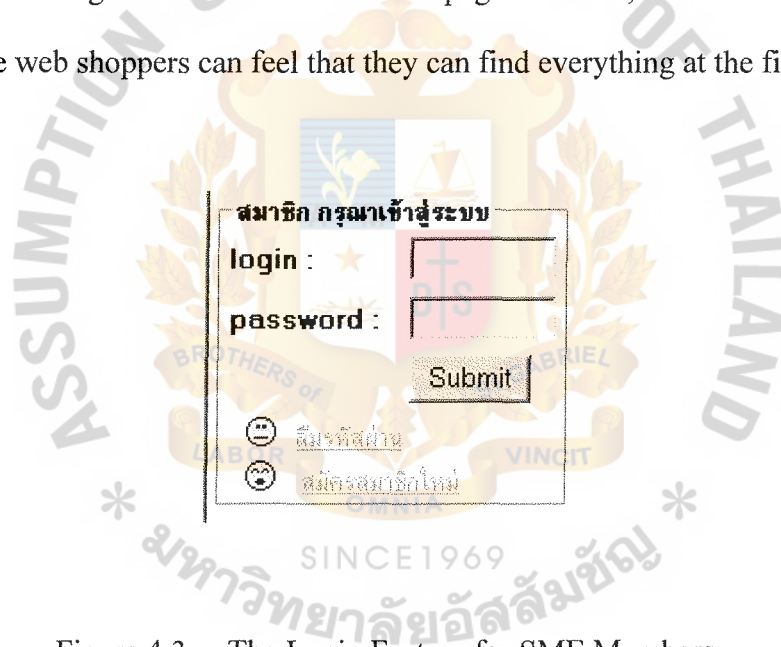


Figure 4.3. The Login Feature for SME Members.

At the first page, the prospects can login to the system by using the login name and password. The process is as same as any secure web sites. SME implements SSL to its web site become more reliable and secure(the detail of the web security will be mentioned in the next section). The membership of SME provides to B2B sector only. SME will invite its current B2B customers which mainly are wholesalers to be its executive member. Membership is free of charge. The members are allowed to visit the

special web page which contains about the bulk purchasing price list. There are some reasons that SME does not allow normal customers (end user) to apply for membership program. Firstly, the nature of electronic home appliance business has the high level of price sensitivity. If the customers receive the information about wholesales price, the profit margin will be forced to come down. Moreover, it can increase the level of dissatisfaction to the whole retailers in this kind of business. Secondly, SME has to filter its members too. The one who is the member should be the real target market. Finally, SME has a limited resource, to minimize unproductive data is one of the key strategy. For the other retailer and wholesales who are not SME's current customer, can apply to the membership program in the web page. But SME has to take a time to verify and qualify every applicant.

Product Image	Product Name	Price	Action
	กล้องดิจิทัล SONY DSC-P2 ฟรี!! P Series Bag ความละเอียด CCD 2.0 ล้านพิกเซล ซูม 3 เท่าแบบออพติคอล (6 เท่าแบบดิจิทัล)	19,990	Buy Now รายละเอียด
	เครื่องเล่น มินิดีสก์ SONY MZN505 ฟรี!! Walkman Bag บันทึกเพลงได้ด้วยความเร็วถึง 32 เท่า ช่องต่อ USB ที่ตัวเครื่อง สะดวกในการใช้งาน	11,990	Buy Now รายละเอียด
	เครื่องเล่น มินิดีสก์ SONY MZN505 ฟรี!! Walkman Bag บันทึกเพลงได้ด้วยความเร็วถึง 32 เท่า ช่องต่อ USB ที่ตัวเครื่อง สะดวกในการใช้งาน	11,990	Buy Now รายละเอียด
	กล้องดิจิทัล SONY DSC-P2 ฟรี!! P Series Bag ความละเอียด CCD 2.0 ล้านพิกเซล ซูม 3 เท่าแบบออพติคอล (6 เท่าแบบดิจิทัล)	19,990	Buy Now รายละเอียด

Figure 4.4. The Hottest SKUs Zone in SME.

The other highlight of SME is the Hottest SKUs Zone. It provides the prospects with the newest and recommended products. This will help the prospects to get the information faster and better. Because SME will choose the popular and in trend products during current period of time. SME uses the sales volume ,hottest promotion, and recommendation from the users as a criteria to choose the products into this segment. The prospects can find the detail and description of the product to help them learn about its featuring. It also includes the recommendation and the point of view of the users who are our current customers and/or the technicians of SME's suppliers. They also can compare the price at this segment and also making and quick order their chosen products.

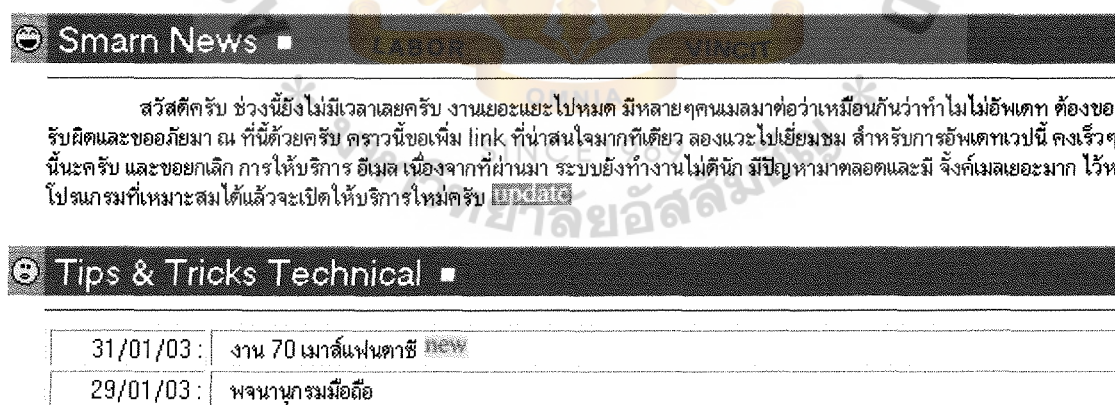


Figure 4.5. The Visual Metaphor of SME web site.

The products and services that have been provided by SME are divided into many categories. As a nature of electronic home appliance business, many kinds of products have been created and marketed by many suppliers. A lot of marketing campaign has been occurred everyday. SME provides many regularly electronic home appliances such

as Television, Multimedia Equipment, Fan, Air conditioners, refrigerator, etc. With clearly positioning, SME provides its strong business fundamental in its traditional store and penetrate online market with clearly appearance in SME web site. Classify many products into accurate category in SME web site will help the prospects go directly to the pages that they are seeking for.

SME also applies Visual Metaphor concept to create its web site. This is very well known and effective concept which has been applied into many famous web sites. The concept is using the picture instead of letter to delivery the message from SME to the prospects. This is quite effective tool to make the Internet shopper know where the right place for their seeking information is. However, SME also adds text message to the pictures. The objective is to create clearer message to the prospects. The combination of visual metaphors and text has been implement effectively in many web sites for a period of time.



Smarn News

สวัสดีครับ ช่วงนี้ยังไม่ค่อยมีเวลาเลยครับ งานเยอะแยะไปหมด มีหลายๆคนมาถามว่าเหมือนกันทำไมไม่อัพเดท ต้องขอ
 รับผิดชอบและขออภัยมา ณ ที่นี้ด้วยครับ คราวนี้ขอเพิ่ม link ที่น่าสนใจมากทีเดียว ลองแวะไปเยี่ยมชม สำหรับการอัพเดทเว็บนี้ คงเร็วๆ
 นี้จะครับ และขอขอกเด็ก การให้บริการ อีเมล เนื่องจากที่ผ่านมา ระบบยังทำงานไม่ดีนัก มีปัญหาตลอดและมี จิ้งจกเมลเยอะมาก ไว้หา
 ไปโปรแกรมที่เหมาะสมได้แล้วจะเปิดให้บริการใหม่ครับ [update](#)

Tips & Tricks Technical

31/01/03 :	งาน 70 เมลล์แฟนตาซี new
29/01/03 :	พจนานุกรมมือถือ

Figure 4.6. SME News and Product knowledge Web page.

Information is one of the strategic tools for SME. In the changing environment, the new products and technology has found everyday. Those unlimited discovery create

unlimited information consumption of the prospects. They always seek first to know clearly about they requiring products and service before making any purchasing decision. SME web site provides its prospects with the newest information and news about electric home appliance business. The information is up to date, verified and transparency. It is because the supporting data and information from the key suppliers such as Kanyongwatana, Siew National Panasonic, Toshiba Thailand, etc

Moreover, SME provides the product knowledge to its prospects. This is the tips and tricks for any electronic home appliance users. It can help the users to know how to use and maintain their products effectively, how to reduce the electricity cost and the manual for many brand name models. This segment can keep in touch with customers because they can get the reliable information that they looking for. And just in time updated information can drive them to visit SME Continously.



Figure 4.7. The Used Products Page on SME.

This is one of the key strategic web page of SME. The after market always popular all the time. This can penetrate both demand and supply of this type of market.

The one who want to sell his/her old products can use this SME's service without any charge if he/she decides to purchase any products or service of SME within seven days after the product has been sold. This can expand the market to the one who would like to purchase the new electronic home appliance model but does not know how to do with his/her old products. However, they can use this kind of service without purchasing SME products or service by paying 5% service charge for that business transaction that is occurred. In the other hand, the one who would like to purchase any used product can use this SME service free of charge in any conditions.

Mail2Us

แบบฟอร์มสั่งซื้อของ

ชื่อ-นามสกุล :	
ระบุสินค้า :	
เบอร์โทร :	
ข้อความ :	

สั่งซื้อ ยกเลิก

Figure 4.8. SME Purchasing Order Form and Transaction.

Every business transaction will become useless, if it cannot close the sales. Purchasing Order is the most important transaction according to the SME's business mission and objective. The most of the transaction still are conducted in the traditional way of SME retail store. Even the SSL has been implemented and make SME becomes a secure web sites, the financial transaction still be complicate for both customers and SME itself.

The best way in short term is combining traditional way with Internet technology. Every online purchasing from the customers will be sent out as an e-mail to the SME officers. After verify the information, SME officers will send the products and/or provides the services to the customers where is mentioned in the purchasing form. The payment will be occurred offline after the customers receive their products and/or service. This process is applied to both B2B and B2C business. For B2B segment, this process has higher effectiveness because most of wholesale and retail customers require credit term for every purchase. SME provides them with 30 days credit term after they have received the products/service. Because of credit term condition, traditional process seem to be more effective than online payment during this period of time.

4.4 The Web Site Security

Anytime SME need any sensitive information from its prospects, it is a must to make the prospects trust its security system. The ability to be recognized as a secure web site connection is extremely important, as online fraud cases have increased substantially from year to year.

The transmission of the Internet information is normally sent in "plain text", meaning anyone would be able to read if the hacker has enough skill. Considering, each piece of information transmitted traverses many computers (servers) to reach its

destination, if SME does not have enough level of security system; online business can not be conduct effectively and will be impact to the reputation of its traditional store.

The solution to this problem is to encrypt this data for transmission. Secure Sockets Layer (SSL) was created for this very purpose. SSL (pronounced as separate letters) Short for Secure Sockets Layer, a protocol developed by Netscape for transmitting private documents via the Internet. SSL works by using a private key to encrypt data that's transferred over the SSL connection. Both Netscape Navigator and Internet Explorer support SSL, and many Web sites use the protocol to obtain confidential user information, such as credit card numbers. SME web page with an active SSL session is what Internet shoppers mean when they say a web page is "secure".

There are several indications to identify a secured web page. The first important point is checking the web page URL. Normally, when browsing the web, the URLs (web page addresses) begin with the letters "http". However, over a secure connection, the address displayed should begin with "https". In the year 2006, SME will fully apply SSL to its web sites. That will increase the reputation and more advance image compare to other traditional electric home appliance stores. The reason to implement fully SSL in the next two years is the improving of telecommunication infrastructure and the increasing the number of Internet users which has been projected from the historical trend.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

SME web site is mainly designed to fulfil the loop hole of its traditional electronic home appliance retail stores. The limitation of the coverage is solved and has become unlimited with the Internet Technology. SME tradition retail stores which have been in electronic home appliance business for thirty years. Now it has to confront with the crisis because of many factors.

The nature of electronic home appliance is complicated. The new technology has been discovered everyday. That makes the products in the inventory become out of date and hardly to be sold in a short period of time. SME has to find the new channel of distribution and the new target market to eliminate the inventory as fast as possible. Maintain and increase the level of customer loyalty is one of the important factor which have to take into account. The coming of modern retailers and category killers force total market with the big bang impact. The price war era has begun. This situation drive the business margin become lower and lower. Moreover, the economic crisis, which still be frustrates and does not have any clear growing trend, become the other factor to prevent SME to grow in its business.

SME implements the online business and expand its market segmentation by using Internet Technology. It believes that business strategy is the solution to win most of the problems which it is confronting with. SME provides the effective electronic home appliance web site to the Internet Shoppers with many types of services including B2B, B2C and C2C. The main contribution in the first two year of online business has been projected to B2B segment. Because most of them are current customers who purchase at high quantity. Moreover, membership program which provides to B2B

segment only can create loyalty and reduce the transaction cost. SME also can implement CRM (Customer Relation Management) by using membership program and other service provided in its web page. However, B2C and C2C segment has never been isolated. B2C segment can build up the web site awareness and will be the loyalty customers in the near future. While C2C segment allows the prospects to sell their old products into the used market. Beside that SME has set the promotion program to encourage this target group to be SME's customers and build the relationship with them. Not only products & services, but also information that has been provided by SME. A new generation which always seeking the hottest information will be served. With the supporting from the strategic suppliers, SME can provide the prospect with the newest and hottest information about electronic home appliance. This web page can keep them up to date, in trend and understand the technology product better.

At this time, SME is not only traditional electronic home appliance store but also online business service which can be the solution for Internet users who are looking for the right electronic home appliance products and service. It is ready to serve every distribution channel in electronic home appliance business which can not be complete in a traditional retail store. Finally, SME believes that Internet technology and e-commerce is the last jigsaw to complete its business fundamental.

5.2 Recommendations

SME has a lot of opportunity in all of its market segmentation. B2B, B2C and C2C segment have high potential to growth in the right market. The long term benefits will be occurred when SME can provide the right solution to each of the market segmentation. Even in the high competition market, the opportunity can be found everywhere. Focus on internal and external environment factors and grasp the opportunity at the right time is always the right strategy.

In this age, Internet technology and e-commerce can not be denied. SME can penetrate and fulfill the gap of its coverage by implementing online business service. Clarifying the target market is a must. SME must implement the right strategy to the right market segment. It has to focus on its traditional electronic home appliance retail store to maintain the business fundamental and current customer's base. And then use that advantage to penetrate the online business. In the first two year of online business, SME must be focus on B2B segment and implement membership program to this segment only. Because this is the major business contribution and manage easier than other segments. Almost customers in this segment are SME's current customers. Even it can not expand the market and increase the coverage, but it can be compromised by the faster and more effective process. Moreover, the decreasing in transaction cost can provide SME with the great benefits. B2B is not necessary to be wholesale or retailer only. Other business sectors or government sector can be applied by this strategy too. These markets have high purchasing power. Even their price has very low profit margin, but the bulk buying can be compensated with it. Moreover, it can increase the coverage and expand the markets. This may create the chain reaction to SME business because of the nature of electronic home appliance especially B2B segment.

By the way, It does not mean that SME should not focus on these segments in the first two years. It can use the first two years as an introduction period to build up awareness and test the online system to the prospects. But it is not the right time to fully focus on these segments because of inappropriate infrastructure. In the third year, when the telecommunication infrastructure and online financial transaction process has been upgraded, SME will be ready to focus on B2C and C2C segment and to run the full process of Online Business.

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