Thai Handmade Online

by

Ms. Nutchnard Chompunud Na Ayudtaya

A Final Report of the Three-Credit Course
IC 6997 E-Commerce Practicum

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Internet and E-Commerce Technology
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The Graduate School of Assumption University has approved this final report of the three credit course, IC 6997 E-Commerce Practicum, submitted in partial fulfillment of the requirements of the degree of Master of Science in Internet and E-commerce Technology.

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ABSTRACT

This project is concerned with setting up an online shop to sell Thai woodcraft products on the Internet as an extension of having an existing physical shop. Web site is built to handle online selling and buying system by allowing customers to place orders, track their orders and view order status electronically. The purposes are to promote and introduce Thai handicraft products to both local and international markets, to generate revenue from selling goods through a new distribution channel, to enable the customers worldwide to visit the site 24 hours a day and examine the marketing strategy in order to enhance the business performance.

The project studies the Internet and its benefits, and defines e-commerce together with an overview of Thai handicraft products. The possibilities and benefit of electronic Fine Wood Store are analyzed. Marketing plan, such as SWOT analysis, target market, competitor analysis, marketing mix and financial analysis with appropriate strategy is recommended to attract the customers from traditional channel to online channel and achieve marketing objective. In addition, the design and development of a web prototype and a security system are also mentioned in this report.

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ACKNOWLEDGEMENTS

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I. INTRODUCTION

1.1 Background of the Project

As the Internet becomes more mature, it is considered as an important element to conduct businesses, manage the marketplaces and commerce worldwide. The increasing use of the Internet combined with the easy use of the World Wide Web which can link users together, has transformed a computer into a communication device, creating new business opportunities and new industries. The Internet is rapidly becoming a technology of choice for electronic commerce because it is also providing the process of selling, buying products and services in which the transactions occur through the Internet electronically to enhance the relationship between businesses and businesses or businesses and customers. Due to the advantages of the Internet, most of the businesses are creating their own business presence online.

In response to this circumstance, it is necessary to Fine Wood Shop to adjust and prepare to face with the new circumstance that has already happened to other businesses. The solution to expand the market to be wider to reach various customers is to set up an electronic storefront merely as an additional channel of distribution that can provide new choice for the customers and gain shares in the growing market. FineWood.com will be built to sell Thai woodcraft products such as decorative items, household articles, souvenirs and miscellaneous items using wood (Bamboo, Teak and Coconut Shell) as raw materials.

1.2 Objectives of the Project

The purposes of the study are:

(1) To create a prototype of electronic Thai Handicraft Store.

(2) To expand new distribution channel for physical shop.

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(3)   To catch a wider target customers especially foreigners.

(4)   To promote Thai handmade products to the international market.

(5)   To enable consumers to visit the web site 24 hours a day.

(6)   To facilitate customers who are searching for Thai handmade products.

(7)   To generate revenue from selling goods within local, national and international markets through web-based sales.

(8)   To reduce operating costs by entering new marketing channel with minimal capital investment.

(9)   To create e-business model to gain shares in the growing markets.

(10)   To examine the marketing strategy in order to enhance the business performance.

1.3   Scope of the Project

(1)   Part 1, Literature Review; contains the definition of the Internet and its benefit, defining E-Commerce, E-Commerce Business Integration and handicraft products in Thailand.

(2)   Part 2, Existing System; defines Fine Wood Shop, the reasons of opening an online storefront and how Finewood.com can increase the business from existing clients.

(3)   Part 3, Project Implementation; contains an analysis of consumers' behavior in cyber market, SWOT analysis, market analysis, payment method, security system and financial analysis.

(4)   Part 4, Web Development and Design; specifies hardware and software requirements, setting up database and building a product catalog.

(5)   Part 5, Finewood Website; demonstrates site structure, web content, and a prototype of web site.

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(6) Part 6; contains conclusions and recommendations

1.4 Deliverables

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

(2) A prototype of a web site applying concepts of business models.

II. LITERATURE REVIEW

2.1 What Is Internet?

The Internet sometimes called simply "the Net" is an interconnected network of thousands of networks and millions of computers (sometimes called host computers or just hosts) linking businesses, educational institutions, government agencies, and individuals together. The Internet provides around 400 million people around the world with services such as e-mail, newsgroups, shopping, research, instant messaging, music, videos, and news. No one organization controls the Internet or how it functions, nor is it owned by anybody, yet it has provided the infrastructure for a transformation in commerce, scientific research, and culture. The word Internet is derived from the word *internetwork* or the connecting together of two or more computer networks. The Internet's operators can choose which Internet services to provide to its local users and which local services to make available to the global Internet community. One of the Internet's most popular services called the World Wide Web or 'Web' for short, is providing access to over one billion Web pages, which are documents created in a programming language called HTML and which can contain text, graphics, audio, video, and other objects, as well as 'hyperlinks' that permit a user to jump easily from one page to another.

2.1.1 The Internet Background

Historically, the Internet has it roots in ARPAnet, established by the Advanced Research Projects Agency. It was a research and defense network created by the U.S. Department of Defense in the early 1970s to research network systems and to allow scientists and researchers better communication and data exchange for other projects. One of the early outcomes of this initiative was the development of new ways of

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routing data via multiple paths using units of data called packets; the destination address of each packet was built into its structure. These methods became the standards known today as Transmission Control of the Internet allowing different types of computers and different types of networks to interact.

The National Science Foundation (NSF) expanded upon ARPAnet with the NSFnet, which was initially designed primarily to connect universities and research centers. Increasingly these connections were also used for maintaining communication among individuals in these institutions through e-mail, data file transfers, discussion groups, and other uses. As this network of networks grew, it became what we now call the Internet.

As the growth continued, new understandings about the purposes of the network and its potential were being forged, particularly as NSF ended its involvement. Broader access was created through regional networks that linked to the Internet. Policy changes by the government, NSFnet, and privitization later allowed commercial Internet service providers (ISPs) to offer Internet access to those who were not part of an institution or educational organization. These changes opened the floodgates to the current very rapid commercialization of much of the Internet.

2.1.2 The Internet and World Wide Web

As mentioned above, World Wide Web can be defined as one of the Internet's most popular services. The World Wide Web or Web began in 1990, when a collection of European researchers at Conseil Europeen pour la Recherche Nucleaire (CERN) proposed that knowledge could be shared by linking documents contextually. It is a system that makes the exchange of data on the Internet easy and efficient. It consists of two basic components:

(a)   The Web server: a computer and software ("server" can refer to either) that store and distribute data to other computers throughout the Internet that request the information.

(b)   The Web browser: software running on an individual's ("client") computer that requests information from the Web server and displays it in a manner directed in the data file itself.

To use the web, an individual needs a computer with web browser software and a modem installed. After the web browser is launched, the computer is directed to dial an Internet service provider with which an account has been arranged. The browser is then given the address of a web "site" where a web server will respond by sending a "page" of information. This page may have text of various sizes and styles, with pictures and other graphics intermixed. Certain pictures and text will have special highlights or underlines. These special highlights indicate that further information is available. All the individual needs to do is to move the mouse indicator over the highlighted item and click, and the remote web server will respond with the appropriate information. More than text and pictures can be offered such as movies, animation, real-time sound, databases and catalogs, programs that run directly on your computer and opportunities to send information to the owner of the web site.

The terms World Wide Web and Internet are often used synonymously, but are actually two different things. The Internet is the physical interconnected network of thousands of networks and millions of computers developed, while, the World Wide Web provides the users with Hyper Text Markup Language or HTML that enables the users to create an interlinked, sometimes interactive, process where documents can be retrieved from the Internet and then linked to other documents.

2.1.3 How the Internet works

The Internet is simply an extension of the "network" of telephones around the world. Figure 2.1 is showing how it works;

Figure2.1.   How the Internet works.

With your computer modem, you connect to your local ISP (Internet Service Provider) over the phone line. There are ISPs in your community and around the world. Each ISP is an individual network of computer users. The Internet connects all the ISPs around the world. When connected for example, you can send e-mail from an ISP in Pittsburg, Kansas, to an ISP in Seoul Korea. E-mail accounts and connections are provided by the ISPs. You can also connect to IPPs (Internet Presence Providers) through the browser software provided by your ISP or computer manufacturer. IPPs, also known as host computers, provide information to be retrieved by users over the Internet. Businesses, government agencies, and other organizations have information for retrieval. To reach a host computer, you need to type the Internet address into your

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browser software. For example, you reach the host of mudpits.net by typing http://www.mudpits.net into the Location section of your browser.

2.1.4 The Internet's users

Trying to estimate the number of people online throughout the world is an inexact attempt at best. To make an estimate and forecast of Internet users for many countries is a daunting task. Ideally such data would be based on comprehensive surveys with standard methodologies and be performed on a periodic basis. However, such data do not exist and will not be available for a long time. There are several surveys around, using all sorts of varying measurement methodologies. Table 2.1 illustrates Internet Growth Rate in Asia.

Table 2.1.   Internet Growth Rate in Asia were updated on February 29, 2004 (http://www.internetworldstats.com/stats3.htm)

ASIA	Population (2004 Est.)	Internet Users, (Year 2000)	Internet Users, Latest Data	Use Growth (2000-2004)
Afganistan	25,791,400	-	-	-
Armenia	3,791,700	30,000	60,000	100.0 %
Azerbaijan	8,321,800	12,000	300,000	2400.0 %
Bangladesh	141,398,200	100,000	204,000	104.0 %
Bhutan	1,769,800	500	10,000	1900.0 %
Brunei Darussalem	371,100	30,000	35,000	16.7 %
Cambodia	13,805,300	6,000	30,000	400.0 %
China	1,327,976,227	22,500,000	79,500,000	253.3 %
Georgia	5,324,100	20,000	73,500	267.5 %
Hong Kong *	7,394,170	2,283,000	4,571,534	100.2 %
India	1,088,056,200	5,000,000	16,580,000	231.6 %
Indonesia	221,777,700	2,000,000	8,000,000	300.0 %
Japan	127,944,200	47,080,000	57,200,000	21.5 %
Kazakhstan	13,893,900	70,000	250,000	257.1 %
Korea, North	25,598,300	-	-	-
Korea, South	47,135,500	19,040,000	29,220,000	53.5 %
Kyrgystan	5,321,600	51,600	152,000	194.6 %
Laos	5,692,800	6,000	15,000	150.0 %

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Table 2.1.   Internet Growth Rate in Asia were updated on February 29, 2004
(http://www.internetworldstats.com/stats3.htm).(Continued).

ASIA	Population (2004 Est.)	Internet Users, (Year 2000)	Internet Users, Latest Data	Use Growth (2000-2004)
Macao*	469,903	60,000	115,000	91.7 %
Malaysia	24,645,600	3,700,000	7,841,000	111.9 %
Maldives	292,000	6,000	15,000	150.0 %
Mongolia	2,558,700	30.000	50.000	66.7 %
Myanmar	52,804,800	1,000	25,000	2400.0 %
Nepal	26,411,500	50,000	80,000	60.0 %
Pakistan	157,056,000	133,900	1,500,000	1,020.2 %
Philippines	83,407,700	2,000,000	3,500,000	75.0 %
Singapore	3,499,500	1,200,000	2,100,000	75.0 %
Sri Lanka	20,482,000	121,500	200,000	64.6 %
Taiwan	23,073,800	6,260,000	11,602,523	85.3 %
Tajikistan	6,540,200	2,000	3,500	75.0 %
Thailand	64,337,900	2,300,000	4,800,000	108.7 %
Timor-Leste (East)	981,800	-	-	-
Turkmenistan	5,737,300	2,000	8,000	300.0 %
Uzbekistan	27,951,100	7,500	275,000	3566.7 %
Vietnam	83,030,400	200,000	1,500,000	650.0 %
TOTAL for ASIA	3,654,644,200	114,303,000	229,816,057	101.1 %

2.2   Benefit of the Internet

Many organizations are already benefiting from the use of Internet in many ways, reducing communication costs, enhancing communications and coordination, accelerating the distribution of knowledge, improving customer service and satisfaction, and facilitating marketing and sales. The Internet has enormous potential for helping organization to participate in electronic commerce and for reducing their transaction costs.

(a)   Reducing Communication Costs

Prior to the Internet, to realize the communication benefit, organizations had

to build their own wide-area networks or subscribe to a value added network service. Employing the Internet, apart from being cost free, is certainly more cost effective for many organizations than building one's own network. And small businesses find reduced communication cost particularly beneficial because it sometimes enables them to compete with larger companies in markets that would otherwise be closed to them.

(b)   Enhancing Communication and Coordination

The Internet has made it easier and less expensive for companies to coordinate a few staff when opening new markets or working in isolated places because they do not have to build their networks.

(c)   Accelerating the Distribution of Knowledge

Because modern economies have become information economies, access to knowledge is critical to the success of many companies. Organizations are using e-mail and the availability of databases all over the world to gain easy access to information resources in such key areas as business, science, law, and government.

(d)   Improving customer service and satisfaction

The companies large and small are using the Internet to communicate efficiently to make product information, ordering, and technical support easier and immediately available.

(e)   Facilitating Marketing and Sales

The advent of the Web has made marketing and sales possible because the web is a passive instrument, it requires potential customers to seek out offering by companies rather than having those companies actively reach out to potential customers, as is traditional in most marketing and advertising. Retailers update

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their web pages offering virtually as often as needed. Suppliers can also update techniques used by consumers just as easily. Even with limitations, the Internet helps buyers and sellers make contact.

As for the benefits of the Internet to organization, the best aspects of marketing and sales of product or service online are that start up and operational costs are minimal and it is possible to access potential buyers at an unprecedented speed. The reason is that earnings can come only after 24 hours of online business launch. The advertising can be tested in a matter of days, whereas conventional media advertising takes months to conduct a single test.

Among the ways that users are taking advantages of the Internet are;

    (a) Sharing research and business data among colleagues and like-minded individuals.

    (b) Communicating with others and transmitting files via e-mail.

    (c) Requesting and providing assistance with problems and questions.

    (d) Marketing and publicizing products and services.

    (e) Gathering valuable feedback and suggestion from customers and business partners.

Only user's vision and creativity limit the Internet's potential and as the Internet grows, new and innovative uses will surely follow.

2.3   Defining Electronic Commerce

Electronic Commerce or E-Commerce is the pre-eminent buzzword of the online business revolution. It captures the excitement and focus of this fast emerging market. But it is more than a slogan or glib party line. At its core it embodies a concept for doing business online. E-Commerce is the paperless exchange of business information using electronic data interchange (EDI), e-mail, electronic bulletin boards, fax

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transmissions, and electronic funds transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of "soft merchandise" (software, documents, graphics, music, etc.), and business-to-business transactions. More formally, E-Commerce focus on digitally enabled commercial transactions between and among organizations and individuals. *Digitally enabled transactions* include all transactions mediated by digital technology. For the most part, this means transactions that occur over the Internet and the Web. *Commercial transactions* involve the exchange of value, for example; money, across organizational or individual boundaries in return for products and services. Exchange of value is important for understanding the limits of e-commerce because without an exchange of value, no commerce occurs.

The concept of E-Commerce is all about using the Internet to do business better and faster. It is about giving customers controlled access to the computer systems and letting people serve themselves. It is about committing the company to a serious online effort and integrating a Web site with the heart of a business. The Internet's role in business can be compared to that of the telephone. It is a way for people to communicate with each other. It is also a way for a consumer to communicate with a company's computer systems without human intervention. In fact, the Internet is a communication medium like the many others we use in business everyday.

In reality, the best way to communicate with people in business is face to face because body language, tone of voice, and facial expressions all help to understand what the other person is trying to say. However, when people cannot meet face to face, they may use any of a number of different means to communicate such as a telephone, a fax machine, Federal Express, postal service, or even a messenger service. These are the ways to deliver or receive information, authorization, even shipments of goods and merchandise. The Internet is a reasonable alternative to all of those means of

communication. Any place and any way that a business communicates with its customers so it should think about how a business could have done online. The opportunities and situations in which online business is possible are limitless, that is the power of E-Commerce.

2.3.1 The difference between E-Commerce and E-Business

The term 'e-commerce', 'e-business', 'digital economy', 'Internet commerce' and myriad of other terms and phrases are used to describe the current electronic business phenomenon. According to Rayport and Jaworksi (2001), e-commerce encompasses the entire world of electronically based organizational activities that support a firm's market exchanges including a firm's entire information system's infrastructure. On the other hand, Kalakota and Robinson (2001) simplifies that e-business encompasses the entire world of internal and external electronically based activities, including e-commerce.

Thus, the term 'e-commerce' and 'e-business' are often used in a similar context to 'Internet marketing' so it is important to distinction between e-commerce and e-business because they refer to different phenomena. According to Kenneth C. Laudon and Carol Guercio Traver, the term 'e-business' refers to the digital enablement of transactions and processes within a firm, involving information systems under the control of the firm. E-Business does not include commercial transactions involving an exchange of value across organizational boundaries. For example, a company's online inventory control mechanisms are a component of e-business, but such internal processes do not directly generate revenue for the firm from outside businesses or consumers, as E-Commerce, by definition does. It is true, however, that a firm's e-business infrastructure can also support e-commerce exchanges. E-commerce and e-business systems can and do blur together at the business firm boundary, at the point where internal business systems link up with suppliers, for instance. E-business

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applications turn into e-commerce precisely when an exchange of value occurs.

2.3.2 The Unique Features of E-Commerce Compared to Traditional Commerce

The uniqueness of e-commerce technologies creates many new possibilities for marketing and selling, a powerful set of interactive, personalized, and rich messages are available for delivery to segmented, targeted audiences. E-commerce technologies make it possible for merchants to know much more about consumers and use this information more effectively than was ever true in the past. The following are seven unique features of e-commerce technology and their business significance comparing with traditional commerce;

(a)   Ubiquity

In traditional commerce, a marketplace is a physical place you visit in order to transact. For example, television and radio are typically directed to motivating the consumer to go some place to make a purchase. E-commerce is *ubiquitous*, meaning that it is available just about everywhere, at all times. It liberates the market from being restricted to a physical space and makes it possible to shop from your desktop, at home, at work, or even from your car, using mobile commerce. The result is called a *marketspace*. A marketplace extended beyond traditional boundaries and removed from a temporal and geographic location. From a consumer point of view, ubiquity reduces transaction costs that considers as the costs of participating in a market. To transact, it is no longer necessary that you spend time and money traveling to a market. At a broader level, the ubiquity of e-commerce lowers the cognitive energy required to transact in a marketspace. With reference to Shapiro and Varian, 1999; Tversky and Kahneman, 1981, 'cognitive energy' refers to the mental effort required to complete a task. Humans

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generally seek to reduce cognitive energy outlays. When given a choice, humans will choose the path requiring the least effort or the most convenient path.

(b)   Global Reach

E-commerce technology permits commercial transactions to cross cultural and national boundaries far more conveniently and cost effectively than is true in traditional commerce. In contrast, most traditional commerce is local or regional. It involves local merchants or national merchants with local outlets. Television, radio stations and newspapers, for instance, are primarily local and regional institutions with limited but powerful national networks that can attract a national audience. In contrast to e-commerce technology, these older commerce technologies do not easily cross national boundaries to a global audience.

(c)   Universal Standards

One strikingly unusual feature of e-commerce technologies is that the technical standards of the Internet, and therefore the technical standards for conducting e-commerce, are 'Universal Standards'. Universal Standards are shared by all nations around the world. In contrast, most traditional commerce technologies differ from one nation to the next. For instance, television and radio standards differ around the world, as does cell telephone technology. The universal technical standards of e-commerce greatly lower market entry costs that is the cost merchants must pay just to bring their goods to market. At the same time, for consumers, universal standards reduce search costs which can defines as the effort required to

find suitable products. And by creating a single, one-world marketspace, where prices and product descriptions can be inexpensively displayed for all to see so price discovery becomes simpler, faster, and more accurate. With e-commerce technologies, it is possible to easily find all the suppliers, prices, and delivery terms of a specific product anywhere in the world.

(d)   Richness

Information richness refers to the complexity and content of a message. Traditional markets, national salesforces, and small retail stores have great richness. They are able to provide personal, face-to-face service using aural and visual cues when making a sale. The richness of traditional markets makes them a powerful selling or commercial environment. Prior to the development of the web, there was a trade-off between richness and reach. The larger the audience reached, the less rich the message.

(e)   Interactivity

Unlike any of the commercial technologies of the twentieth century, with the possible exception of the telephone, e-commerce technologies are interactive, meaning they allow two-way communication between merchant and consumer. Television, for instance, cannot ask the viewer any questions, enter into a conversation with a viewer, or request customer information be entered into a form. In contrast, all of these activities are possible on an e-commerce web site. Interactivity allows an online merchant to engage a consumer in ways similar to a face-to-face experience, but on a much more massive, global scale.

(f)   Information Density

The Internet and the web vastly increase information density that is the total amount and quality of information available to all market participants, consumers, and merchants alike. E-commerce technologies reduce information collection, storage, processing, and communication costs. At the same time, these technologies increase greatly the accuracy, and timeliness of information. It makes information more useful and important than ever. As a result, information becomes more plentiful, cheaper, and of higher quality.

A number of business consequences result from the growth in information density. In e-commerce markets, prices and costs become more transparent. Price transparency refers to the ease with which consumers can find out the variety of prices a market. Cost transparency refers to the ability of consumers to discover the actual costs merchants pay for products but there are advantages for merchants as well. Online merchants can discover much more about consumers; this allows merchants to segment the market into groups willing to pay different prices, and permits them to engage in price discrimination or selling the same goods, or nearly the same goods, to different targeted groups at different prices. For instance, an online merchant can discover a consumer's avid interest in expensive exotic vacations, and then pitch expensive exotic vacation plans to that consumer at a premium price, knowing this person is willing to pay extra for an exotic vacation, while pitching the same vacation plan at a lower price to more price-sensitive consumers.

(g)   Personalization or Customization

E-commerce technologies permit personalization. Merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases (See Figure 2.2(a) and (b)). The technology also permits customization by changing the delivered product or service based on a user's preferences or prior behavior. Given the interactive nature of e-commerce technology, a great deal of information about the consumer can be gathered in the marketplace at the moment of purchase. With the increase in information density, a great deal of information about the consumer's past purchases and behavior can be stored and used by online merchants. The result is a level of personalization and customization unthinkable with existing commerce technologies.

According to the uniqueness of e-commerce mentioned above, online merchants could use this information to develop new information asymmetries, enhance their ability to brand products, charge premium prices for high-quality service, and segment the market into an endless number of subgroups, each receiving a different price. To complicate matters further, these same technologies make it possible for merchants to know more about other merchants than was ever true in the past.
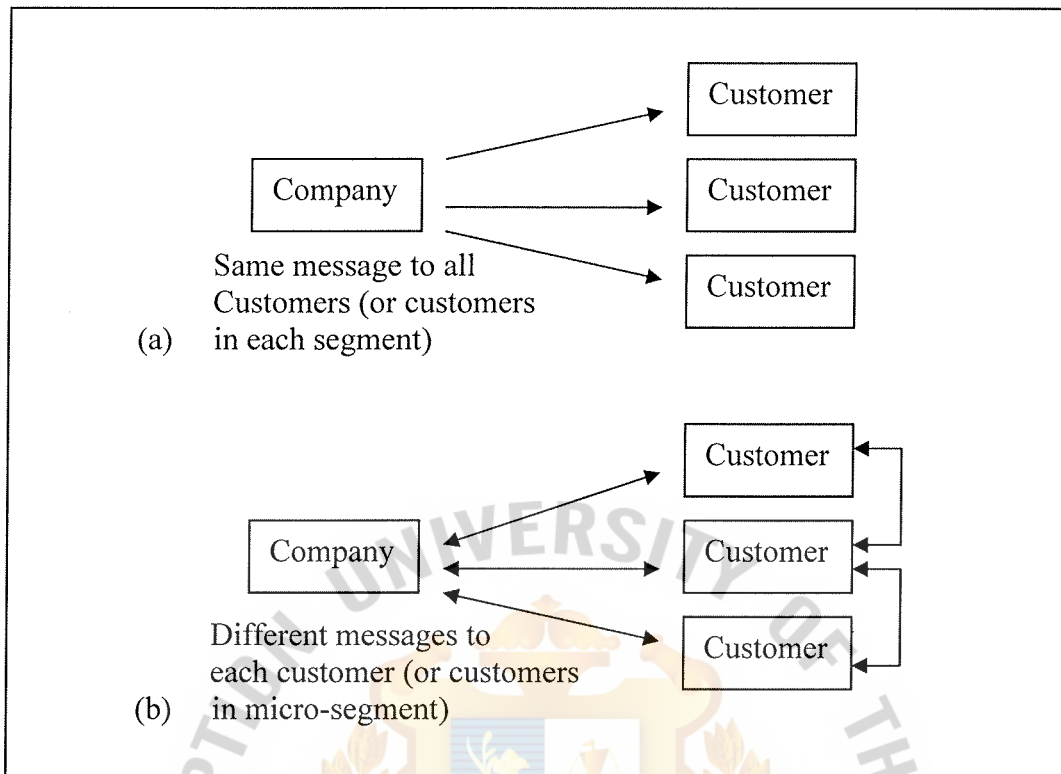
Figure 2.2.   (a) traditional commerce (same message) (b) e-commerce (unique messages and more information exchange between customers).

2.3.3 Types of E-Commerce

There are a variety of different types of e-commerce and many different ways to characterize these types. The different types of e-commerce are distinguished by the nature of the market relationship (who is selling to whom). The exceptions are P2P and m-commerce which are technology-based distinctions. There are five major types of e-commerce listing below;

(a)   Business-to-Consumer (B2C)

This is the most common type of e-commerce, in which online businesses attempt to reach individual consumers. This is the type of e-

commerce that most consumers are likely to encounter. Within the B2C category, there are many different types of business models; portals, online retailers, content providers, transaction brokers, market creators, service providers, and community providers.

(b)   Business-to-Business (B2B) e-commerce

This type of e-commerce focuses on selling to other businesses. It is the largest form of e-commerce and has significant growth potential. The ultimate size of B2B e-commerce could be huge. At first, B2B e-commerce primarily involved inter-business exchanges, but a number of other B2B business models have developed, including e-distributors, B2B service providers, matchmakers, and infomediaries that are widening the use of B2B e-commerce.

(c)   Consumer-to-Consumer (C2C) e-commerce

C2C e-commerce provides a way for consumers to sell to each other, with the help of an online market maker such as auction site. The consumer prepares the product for market, places the product for auction or sale, and relies on the market maker to provide catalog, search engine, and transaction-clearing capabilities so that products can be easily displayed, discovered, and paid for.

(d)   Peer-to-Peer (P2P) e-commerce

Peer-to-Peer technology enables Internet users to share files and computer resources directly without having to go through a central Web server. In peer-to-peer's purest form, no intermediary is required.

(e)   Mobile commerce, or m-commerce

M-Commerce refers to the use of wireless digital devices to enable

transactions on the web. These devices utilize wireless networks to connect cell phones and handheld devices to the web. Once connected, mobile consumers can conduct many types of transactions, and more.

2.4 E-Commerce Business Integration

When we think about a business, we typically think of a business firm that produces a product or goods, and then sells it to a customer, however, the web has forced us to recognize new forms of business. Recently, e-commerce technology has transformed the way businesses handle their finances, making transactions faster and cheaper, and giving firms more control over their money. It is also producing new ways to source and purchase goods and services, allowing businesses to compete globally and drive down their costs. These reasons make many companies seeking to harness the Internet because an additional source of revenue made possible by an alternative marketing and distribution channel. The marketing opportunities of using e-commerce can be appreciated by applying the strategic marketing grid for exploring opportunities for new markets and products (Figure 2.3). E-Commerce can potentially be used to achieve each of the four strategic directions as follows;

(a) Market Penetration

E-Commerce can be used to sell more existing products in existing markets. This can be achieved by using the power of the Internet for advertising products to increase awareness of products and the profile of company among potential customers in an existing market. This is a relatively conservative use of the Internet.

(b) Market Development

Here E-Commerce is used in selling in the new markets, taking advantage of the low cost of advertising internationally without the

necessity for a supporting sales infrastructure in the customer's countries. This is relatively conservative use of the Internet, but it does require the overcoming of the barriers to becoming an exporter or operating in a greater number of countries.

(c)   Product Development

New products or services are developed which can be delivered by the Internet. These are typically information products such as market reports which can be purchased using electronic commerce. This is innovative use of e-commerce.

(d)   Diversification

New products are developed which are sold in the new markets.

Companies can use e-commerce to adopt new approaches to selling products which involve positioning in one part of the grid or in multiple quadrants. There are different types of drivers or benefits why business adopt e-commerce. The main drivers for sell-side e-commerce are;

(a)   Cost/Efficiency drivers

(1)   Increasing speed with which goods can be dispatched;

(2)   Reduced sales costs;

(3)   Reduced operating costs;

(b)   Competitiveness drivers

(1)   Customer demand;

(2)   Improving the range and quality of services offered;

(3)   Avoiding losing market share to businesses already using e-commerce.

	New	Market development	Diversification
Market	Existing	Market penetration	Product development

Key
☐ Conservative Approach to Internet use
☐ Innovative Approach to Internet use

Existing   New

Product

Figure 2.3. Marketing and Product strategic grid.

In addition to increased sales and reduced costs, e-commerce can be used to take advantage of the marketing functions, for example;

(a) Sales

Achieved through increasing awareness of brands and products, supporting buying decisions and enabling online purchase.

(b) Marketing communications

The use of the Web site for the range of business communication.

(c) Customer service

Supplementing phone operators with information available online and other techniques.

(d) Marketing research

Through search engines and e-mail alert services, the Internet enables more efficient techniques to be used for finding a range of market

information. It also enables new methods for collecting primary research online through focus group and online questionnaires.

E-Commerce also changes the way in which companies do business with their trading partners. According to Bocij et al. (2003), the benefits of an e-commerce presence can be summarized using the 6Cs;

(a)   Cost reduction

        Achieved through reducing the need for sales and marketing enquiries to be handled by telephone operators and the reduced need for printing and distributing marketing communications material, which is instead published on the web site.

(b)   Capability

        E-Commerce provides new opportunities for new products and services and for exploiting new markets.

(c)   Competitive advantage

        If a company introduces new capabilities before its competitors, then it will achieve an advantage until its competitors have the same capability. For example, customers who transferred to Federal Express because of its new Internet services are likely to be less disposed to revert to an existing courier since they are 'locked in' to using the particular tools provided by Federal Express.

(d)   Communication improvement

        These include improved communications with customers, staff, suppliers and distributors.

(e)   Control

The Internet and intranets may provide better marketing research through tracking of customer behavior and the way in which staff deliver services.

(f)   Customer service improvement

Provided by interactive queries of databases containing, for example, stock availability or customer service questions.

2.5   Handicraft Products in Thailand

Handicrafts have been, directly and indirectly, an indispensable part of Thai people's way of life since ancient times. At the outset they were exclusively handmade, rather small in the number of lines, and produced solely for household consumption, by intelligent use of local materials and resources. More recently, their production has been developed not only qualitatively but also quantitatively with the gradual introduction of modern technology for commercial purposes as well. The present situation is that Thai handicrafts are now produced both in indigenous households and in small and medium-sized factories to meet the demand of national and international markets. Over the last few years they have assumed a significant role in the economy of Thailand as they have not only created more employment opportunities and additional sources of income but have also brought foreign currency into the country. In addition, they have helped better the quality of life, and have preserved the artistic and cultural heritage of Thailand as well as making it known far and wide.

As a result of their importance, as described above, the Thai Government has deemed it necessary to ensure the continuous development and progress of Thai handicrafts as well as to help solve any future problems. Although the Ministry of Industry does play a major role in regard to handicrafts, in their development,

production, training and marketing as well as the provision of technical knowledge and financial assistance, it has considered that the best way to execute government wishes is to solicit cooperation from other organizations concerned, both public and private. Consequently, a proposal was made to the cabinet for the appointment of a joint committee of representatives from both government and private sectors for the mission under the name of Committee for the Promotion and Development of Thai Handicrafts, which was approved on June 14,1983.

The said committee immediately established all necessary policies, guidelines and executing measures for the task. Then, to affect speed and efficiency five sub-committees were set up each to take charge of one of the following groups of handicrafts, namely: leather, textiles, plants(wood, rattan, bamboo and fibrous plants), pottery and metals. These committees were to consider production along with the marketing of the Thai handicrafts in their responsibility according to the following policies:

(a) To develop both the quality and form of Thai handicrafts as well as efficiency of their production.

(b) To promote marketing opportunities among local, visiting and international consumers.

(c) To propagate in the market those handicrafts that are still limited in production so that they can be made continuously and more extensively.

(d) To ensure sufficient supply, and optimize the use, of indigenous raw materials and natural resources for handicraft production.

(e) To compile and provide all possible data concerning handicrafts for the producers and purchasers as well as those concerned in other aspects.

(f) To support and encourage coordination among government and private sectors in their roles concerning handicraft promotion in every way.

To achieve the above policies, the following guidelines have been established:

(a) Identify target handicrafts for promotion and development purposes based on market opportunities.

(b) Set up an operation plan for promotion and development work of these popular handicrafts.

(c) Specify the types of handicraft that have vanishing tendencies and need to be propagated.

(d) Plan encouragement steps and marketing campaigns for vanishing crafts.

(e) Draw on all possible sources of help, financial or otherwise, from both government and private sectors, in-shore or off-shore.

(f) Propose for the Committee's immediate consideration any handicraft that has problems whether in production or marketing.

In accordance with the above policies and guidelines, the Division of Thai Handicraft Promotion has been assigned the responsibility of the actual execution with regard to technical and marketing assistance, loan provision, collection and dissemination of data on the production and marketing of Thai handicrafts including research on them. The division is also responsible for arranging activities, for example displaying various types of handicraft whether in current production or about to be obsolete with a view for further development and marketing.

For several years the mission has already been successfully carried out. Interest in Thai handicrafts has been felt far and wide: private and government sectors, educational institutes, non-profit organizations, even individuals and craftsmen themselves, have realized their importance. This has not only affected increased production as well as

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export but also brought more occupational opportunities and supplementary income to Thai people, urban and rural alike. Handicraft production which began on a very small scale within the household for domestic consumption only has changed to an industrial level thereby meeting demands from international markets as well.

2.5.1 Thai Handicraft Market

Thai handicraft market can be divided into two major segments as follows:

(a)   Domestic Market

Thai handicraft product can be found and sold to Thai customers and tourists at all souvenir shops and tourist places. There are no obstacles in selling Thai handicraft products within domestic market. Domestic market can be classified into many groups such as, First, general home users are the buyers who purchase handicraft products for the purpose of using in their household. Second, handicraft collectors are the purchasers who use handicraft products as their home decoration. Third, tourists mostly purchase handicraft products as souvenir. However, each group of customers may purchase the products according to their qualification's need. The collectors may buy products upon style, design, quality, and fine's product. The tourists especially foreigners, may not think much about the product's quality because they intend to buy handicraft product as souvenir and to remind their impression of the place and cultural of the visiting. On the general home users side, they may buy products on durable and using benefit of that product.

(b)   Export Market

There are several handicraft products which were exported such as cutting diamond, artificial flower, pottery ware, woodcraft and so on. The

most significant of Thai handicraft export market are America, European countries, and Japan. Thai handicraft marketing trend are growing stronger each year. The reason is that Thai handicraft exporters study their customers and develops the products according to the customers' need. In order to sell handicraft products, exporters must provide all resources to manage their business such as investment, staff, time, knowledge, and so on. Then, they must know how to create the trust to their customer and the importance thing is the readiness in exporting market.

Handicraft product is one of the exported products which has high profit margin and the developed countries always give the tariff benefit to handicraft products category. These cause the new exporters to enter to handicraft market because they consider that it is possible to find this type of products from many sources in urban area and doing so will use low capital investment.

2.5.2 Thai Woodcraft

Many prehistoric utensils discovered in Thailand have wooden handles. So, wood has long been used to make numerous articles for everyday life, especially in Thailand which over the centuries has had abundant forests.

Wood products in Thailand range from houses, vehicles like boats and carts, agricultural tools such as looms and spindles, household utensils like mortars and pestles, a variety of boxes, furniture such as beds and cabinets, playthings and various musical instruments

Patterns and designs for wooden products have evolved over the years, from plain and simple to complex and intricate, designs. Teak has been the most favored, being the best wood for the craft. Various techniques have also been used; for example, coating

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with resin to provide protection against rain, sun, or insects; gilding, and inlaying with pearl or glass to make the finished products more valuable.

Woodcarving articles are handicrafts of high value, as they are actually works of art, having often been made with intricate designs. Moreover, they are valuable examples of Thai culture, especially the old pieces, as many of their patterns depict Thai historical events.

Carving skills have been handed down since the Sukhothai Period from generation to generation of woodcarvers who can now be found in every part of the country, although not many live in the south. Handmade pieces from the north and northeast are characteristically Buddhist art such as Buddha images, pulpits, cabinets for religious scripts and architectural work on religious buildings like windows, doors, facades, top and bottom finials, gables, brackets and the like. Other than these are decorations for regal furniture like thrones, urn-shaped caskets and royal vehicles like sedan chairs and barges.

Today wood has become more scarce, especially teak, and although new technologies have produced many machines and tools that help to reduce wastage during the production process, craftsmen have had to turn more to other types of wood like para-rubber or rain-tree wood to reduce the cost of their products. Also, when mass production and standardization are required, hand-carving is forsaken and replaced by machines, except in exclusive pieces that require particular attention and skill.

Products made from wood are now increasingly popular among Thai people of the middle as well as the upper classes. To meet this growing popularity and to supply an increasing demand from international markets, there has been an increase in production, thus crating employment and a source of income for many who are involved in woodcraft. Wood crafts falls into 6 main categories as follows:

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(a)   Decorative Items

Decorative items, currently the most popular woodcrafts both at home and abroad, can be subdivided into two groups. One group consists of picture carvings both in sculptural form and bas-relief. Generally, these carvings depict scenes from Buddhist legends, important historical events, well-known literature or rural life; some are made according to customers' orders. Various techniques have been exploited for variation. To give a piece an antique look, an artist may put it outside for a while in the sun or rain. To vary his work the craftsman may use color as well as resin, gold or glass in decorating his carving. Most of this work is done in Chiang Mai Province and also Sukhothai, Phitsanulok, Nan, Prae, Lampang, Lampoon and Mae Hong Son Province respectively.

The other group comprises ornamental carvings for both the interior and exterior of buildings; for example, window or door panels, eave brackets, top and bottom finials, gables and the like. Popular patterns include typical Thai designs like floral patterns, flame patterns etc; some show Chinese or European influence. These are made in Bangkok and Chiang Mai Province.

(b)   Traditional houses

Houses made from wood nowadays are called "traditional". They are generally built in the same style, with details varying according to their location, owing to differences in local climate and culture.

Houses built entirely from wood were named descriptively in the Ayudhya Period as *Ruan Kra-erng Sub* (*ruan* = house; *kraerng* = assemblage; *sub* = held securely) denoting the manner in which they were built; or sometimes known as *Ruan Fa Kradan* (*fa* = wall; *kradan* = wooden plank) indicating the way they

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looked. In some areas in Central Thailand, these houses, like prefabricated houses can be dismantled and rebuilt elsewhere.

Not many traditional houses are built now as they are too costly and wood is very scarce. However, it is still possible to obtain then at a price, from Ayudhya Province.

The miniature houses that most Thai people place in front of their houses, commonly known as spirit houses, are also made of wood. Nowadays they provide a substantial market for home sale as well as export as they have become of interest to foreign visitors who take them back to their own countries. The major production is in Bangkok and Ayudhya Province. Some are also made in the north of Thailand.

(c)   Furniture

Thai people had been using carving techniques on furniture before the Ayuhya Period when, as mentioned earlier, woodcarving rose to its peak. Evidence can be seen in the old carvings which have remained to this day and which include religious pieces like pulpits, book cabinets and common household articles like stools, tables and mirror frames. Regarding the latter, further decoration with gold, pearl or other inlays, has been the usual practice.

Ratanakosin or Bangkok furniture has inherited all the Ayudhya features. However, some Chinese and European influence is obvious among the more recent pieces due to increasing international contact; for example, furniture items like dressing tables, dining tables and disks especially for the royal household.

Contemporary furniture that is made from wood, usually reflects traditional techniques but it has become rare as wood is not only scarce but also very expensive. Active production is now found only in Bangkok and a few northern

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provinces like Chiang Mai, Lampang and Phrae. These items, especially those from the north, generally depict stories about rural life or elephants. Another province also engaged in furniture carving but usually with pearl inlay is Sing Buri.

(d)   Household articles

Before 1965, these products were handmade from teak and came mostly from the north of Thailand. Recent developments have been affected by modern technology which has speeded up production and an increase in demand, largely from overseas. Being short of raw materials, craftsmen have turned to other types of wood like pine, para rubber, rain-tree and even plywood to replace the expensive teak. In addition, to make optimal use of available raw materials, another technique called compression has been adopted: all discarded pieces from whatever kind of wood are pressed together into a new type of wooden material.

Household products made from wood which are popular both at home and abroad include kitchen utensils such as spoons, forks, ladles, trays, chopping blocks, salad bowls etc. which are mostly made in northern provinces like Chiang Mai, Lampoon, Lampang, Phrae and Chiang Rai.

(e)   Toys

A study of Thai toys from the past to the present not only opens an interesting window onto the history of Thai life but also provides the information that originally toys were of very simple types and made locally available raw materials such as bamboo, coconut, shells and wood. Later some of these playthings were designed to include an educational function so as to develop children's intelligence. This led to the production of more complex games such as

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jigsaws and games of all varieties including some for adults. Para rubber, rain-tree and plywood are used as raw materials for the production of toys.

In recent years, because of their high quality, the export of Thai wooden toys has increased considerably. Centers of production are Bangkok, and a few provinces like Chiang Mai, Lampang and Phrae.

(f)   Souvenirs and miscellaneous items

Left-over pieces of wood have been turned into many kinds of souvenirs, also decorative and useful articles. Among them are picture frames, combs, caskets, bracelets, necklaces, and miniatures like animals, houses, ships and musical instruments as well as key rings and dolls. They are mostly produced in Bangkok, Chiang Mai, Lampoon, Lampang and Phrae.

III. THE EXISTING SYSTEM

3.1 Define Fine Wood Shop

Fine Wood Shop is a handicraft traditional storefront located in Bangkok. We have several items of woodcraft products which are produced in Thailand. Our main products are decorative items, household articles, souvenirs and miscellaneous items. All products are made from high quality raw materials, providing the best design and superior quality in order to fulfill the customers' need.

According to the need of expanding our market worldwide, we see the opportunity to do business by exporting. By the way, we have designed to sell the products online in addition to our physical shop. We are confident with our services of packing and shipping that customers will be satisfied with our products and delivery on time. An online shop can create the opportunity for our company to take advantage of the capability of electronic commerce.

3.2 Reason of Opening an Online Store Front

With development of the Internet, it offers both companies and organizations by providing new ways to locate and access existing information, it also contributes new knowledge, information and opportunities.

A web site of Fine Wood Shop (Finewood.com) that has extended from the physical store can be a relatively inexpensive way to gain exposure to millions of people, keep customers informed of new offering, make business transactions easier and more importantly, attract potential clients. The following are the ways the Internet can empower Fine Wood Shop;

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(a) Expands the marketplace and increase customers access

Electronic commerce expands the marketplace to national and international markets. With minimal capital outlay, FineWood.com can easily and quickly locate more customers worldwide. The result will be apparent with the increasing number of customers who access the web site.

(b) Low operating costs

Instead of opening new physical shop, we decided to make use of online store front because it can reduce the cost of creating, processing, distributing, storing, and retrieving paper-based information.

(c) Online salesman

The customers can order whenever they like because an online order taking service actually accepts orders 24 hours a day automatically, with no long distance charges. By using the Internet, the customers can purchase merchandises directly through their personal computers as a simple web page can allow them to make order through the Internet.

(d) Inexpensive advertising medium

Online advertising medium is cheaper than television, newspaper, or radio ads. The latter are expensive since they are determined by space occupied, how many days (times) they are shown, and on how many national and local television stations and newspapers they are posted. Online ads can reach very large numbers of potential buyers both locally and globally, and can be updated at any time with minimal cost. Web ads can also be interactive and targeted to specific interest groups and individuals.

(e)   Large amounts of information

Most customers like to find information quickly and easily before making a decision to buy products. This is possible with a web site. As the Internet never closes, online information can be readily accessible anytime. With the use of search engine, the customers can easily find our web site, know about our shop, products and services. This can be useful to inform the customers how to contact our shop, method of payment and the physical store location.

3.3   How Can Web Site Increase Business from Existing Clients?

The diffusion of Internet shopping is happening with remarkable speed and, as a result, it is forecast to reach critical mass in the near future. According to De Kares-Silver (2000), new technologies such as web-enabled mobile phones, web and digital TV, interactive kiosks, etc. will make visits to the shops increasingly unnecessary. As these services develop, people will be able to order from their home or any place they can make an electronic connection.

Traditionally, consumers tend to shop at stores that are most conveniently located for them. However, e-commerce has reduced the importance of store location. Specifically, consumers are no longer constrained by physical considerations because they can choose from a large number of 'cyberstores', to which they have access through their Internet connections. Moreover, to a great extent, traditional stores have placed their highest priorities on operational concerns, rather than on customer management. Consequently, in-store shopping has gradually become an impersonal and unexciting experience for consumers, who have started seeking alternative shopping experiences. In order to show why the web site can increase the business from existing clients, it is possible to identify several advantages of Internet shopping, major benefits

that Internet shoppers are experiencing, as well as the impact that these benefits have on customer behavior and these can be shown as:

(a)   Convenience

Convenience is highly related to general predisposition toward acts of shopping by individuals. Studies of catalogue and telephone shopping have indicated the role of convenience-orientation as a significant predictor of in-home shopping behavior by customers. Shopping convenience includes the time, space and effort saved by a consumer and it also includes aspects such as an ease of placing and canceling orders, returns and refunds, timely delivery of orders.

The perceived convenience offered by the web site is a significant factor in influencing the decision to purchase at home. Specifically, consumers who shop on the Internet do not have dressing, traveling, walking, looking, waiting and carrying inconveniences. In addition, consumers are able to shop 24 hours a day and also can order products from any location in the world as long as they have an Internet connection.

(b)   Product assortment

From a buyer's perspective, the advantages of shopping on the Internet go beyond simple convenience, to the ability to find a wide variety of products. Specifically, because supply is not so much bound to geographical areas and because customization is easier with certain products, product assortment on the Internet is significantly increased. There is also the potential of wider availability of hard-to-find products and wider selection of items due to the width and efficiency of the channel. Moreover, the special features of the Internet, like affordable targeted marketing, which facilitate the promotion of unique products for various market niches, enhance the product assortment.

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(c)   Comparison Shopping

Nowadays, comparison shopping tools like 'shopping robots' have caused significant changes to the current online business environments by shifting the power of price control from the vendor to the purchaser and, at the same time, moving both of them towards a global marketplace for goods and services. Specifically, the ability of the web to amass analyze and   control large quantities of specialized data in a few seconds can enable comparison shopping and speed the process of finding items. In other words, the Internet empowers consumers with more information than they could possibly get by cruising shopping malls by car.

(d)   Product Price

As previously mentioned, the Internet provides consumers with information that allows price comparisons. This has a subsequent effect on the level of competition that exists in a certain online business environment. Consequently, increased competition among online vendors who try to attract potential buyers, and other cost saving factors like shortened distribution channels, lead to lower prices. Moreover, while online operations of established online stores currently attempt to avoid price wars, new entrants to electronic commerce have adopted a policy of selling goods at a loss in order to attract consumers and build a brand name in the hope that they can make profits in the near future. Of course, it is consumers who have benefited from initiatives like these because they can obtain products at very low prices.

IV.   PROJECT IMPLEMENTATION

4.1   Analysis of Consumer Behavior in Cyber Market

4.1.1 Consumer Buying Behavior

Consumer decision making varies with the type of buying decision. The four types are named in Table 1.1 and described in the following paragraphs.

Table 4.1.   Four types of Buying Behavior.

	High Involvement	Low Involvement
Significant Differences between Brands	Complex buying behavior	Variety-seeking buying behavior
Few Differences between Brands	Dissonance-reducing buying behavior	Habitual buying behavior

Complex Buying Behavior: Consumers go through complex buying behavior when they are highly involved in a purchase and aware of significant differences among brands. Consumers are highly self-expressive. Typically, the consumer docs not know much about the product category and has much to learn.

Dissonance-reducing Buying Behavior: Sometime the consumer is highly involved in a purchase but see little difference in the brand. The high involvement is again based on the fact that the purchase is expensive, infrequent, and risky. In this case, the buyer will stop around to learn what is available but will buy fairly quickly because brand differences are not pronounced. The buyer may respond primarily to a good price or to purchase convenience.

Habitual Buying Behavior: Many products are bought under conditions of low consumer involvement and the absence of significant brand differences. Consider the

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purchase of salt. Consumers have little involvement in this product category. They reach for the brand. If they keep reaching for the same brand, it is out of habit, not strong brand loyalty. There is good evidence that consumers have low involvement with most low-cost, frequently purchased products. Consumer behavior in this case does not pass through the normal belief, attitude, behavior sequence.

<u>Variety-seeking Buying Behavior</u>: Some buying situations are characterized by low consumer involvement but significant brand differences. Here, consumers are often observed to do a lot of brand switching.

4.1.2 The Online Shopping Experience

The process of electronic payment is important in a shopping experience. In the first stop, the consumer browses for items. Using a web browser, consumers view an online catalog on the merchant's world wide page. The consumer selects items to be purchased. He does this by comparing prices and gauging the best value based on brand name, price, quality, and other variables.

The merchant presents the consumer with an order form containing the list of items, their prices, and total prices, which include shipping, handling and taxes. This order form may be delivered from the merchant's server to the consumer's PC. Some online merchants may provide the consumer with the ability to negotiate pricing.

The consumer selects the means of payment. The different means of payment include digital cash, electronic checks or credit cards. The consumer sends the merchant a completed order and a means of payment. The merchant ships the goods or performs the requested services according to the order. The merchant requests payment from the consumer's financial institution.

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4.1.3 Online Consumer Behavior

The first mission is to gain the best possible understanding of online customers. People shop and buy online for different reasons. The most important reason for online shopping is that they can turn into competitive advantages of the business. Therefore, we should find out what customers want or need and what are the factors affecting their repurchasing from online shopping.

Convenience is the best reason that attracts people to shop online. It is a lot easier to pull a chair up to old PC and shop from the den than it is to get in the car, fight traffic, burn up some gas, find a parking space, and plunge into a crowded place. In order to get more customers online, we should emphasize on their convenience by reminding them about the convenience and economy of shopping at home. On the other hand, service can be considered as an important factor for online shopping. Some of the customers left shopping mall without buying for the reason that they couldn't find sales assistants especially during holidays. Therefore, it is more convenient for customers to do online shopping so that they can avoid long queues at the cashiers and big crowds at the department stores.

However, some of the customers feel unsafe with the transaction online. In this case, we should provide security and a trust worthy system in the web site by including the company telephone number in an e-mail signature, advertising, or storefront information. The customers will be satisfied if we can provide our references or include a few testimonial phrases in the marketing information such as mail them an order catalogs by using testimonials to reassure the customers.

4.2 SWOT Analysis

The key success of Finewood.com depends upon our ability to coordinate between strengths, weaknesses, opportunities, and threats to maximize the profits to our

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company. The SWOT analysis allows us to translate the key strengths into unique capabilities that can provide better value to customers than the competitors do. It also allows the company to turn weaknesses into strengths and opportunities.

Strengths

    (a)   Our website will be a new advertising tools to promote our shop to be recognized by the customers. Customers can also find out more information about our shop on the web page.

    (b)   It will also serve as a new channel for customers to shop at Fine Wood online. This can save customers' time and expense from traveling to our physical shop.

    (c)   Fine Wood provides high quality products.

    (d)   Product innovations, which are in line with fashion trend are emphasized by creating our own design in order to fulfill the customers' need. This makes our products different from other providers.

    (e)   As we use domestic raw materials and labor, the cost is low.

    (f)   There is competitive advantage in terms of price which is lower than in other countries.

    (g)   The interface of web is user friendly and designed to support customer's demand, it's simple to use and easy to find the required information.

    (h)   We provide delivery service for our customers for every item they purchase.

    (i)   The management cost is also low.

    (j)   We offer reasonable price with high quality and unique products.

Weaknesses

    (a)   The company keeps a low profile in the market. As Finewood.com is a new online store, our site name is unknown to some customers.

(b) There is a lack of brand awareness for local products.

(c) The customers are unable to feel products for quality of material used.

(d) Cost control is difficult since the products' price depends on the price of raw materials at that time.

(e) It takes too much time to produce a large volume of woodcraft products.

(f) Delivery cost is very high.

(g) There is a lack of international management skill.

Opportunities

(a) There is a good potential to expand Thai woodcraft products into the global market.

(b) The Internet tends to be the most important media for doing business in the future. This results in a way that electronic commerce will become widely used among business partners around the world.

(c) Building International brand image and brand awareness is easier through e-marketplace.

(d) Since computer becomes a necessary product for most people, Internet becomes a part of everyday life.

(e) Customers can access the online shop from anywhere at anytime.

(f) There is a growing trend of the electronic commerce business in Thailand.

(g) Thai government encourages SMEs to gain advantages from the Internet to reach global market.

(h) Woodcraft products manufactured in local area are competitively lower in price than that produced in foreign countries.

(i) Consumers are changing their buying behavior by shopping more on the e-marketplace.

Threats

(a) There are many competitors both direct and indirect, cyber competitors as well as in the form of physical shop.

(b) Competitors can easily duplicate our products and establish new website.

(c) Customers may feel insecure with financial transaction over the Internet especially electronic payment system.

(d) Some customers are not familiar with an online shopping because of the lack of touch and seeing the products sold online.

(e) Current number of Internet users in Thailand is still low compared with other developing countries.

(f) Technology and business environment is ever changing.

4.3 Market Segmentation and Market Targeting

Since consumer market is consisted of various types of customers who have different needs, market segmentation is carried out to divide a consumer market into logical group for conducting marketing and sales. It is performed in order to formulate effective marketing strategies that appeal to specific consumer groups.

Finewood.com defines market segment according to geographic segmentation and demographic segmentation.

Geographic Segmentation

Currently, we segment the market into inbound and outbound markets. On one hand, we focus on Thai market. On the other hand, we concentrate on outbound market or foreign market. Outbound market includes Hong Kong, Singapore, China, America and European Countries because these countries are our current customers and have high purchasing power. In doing so, we would like to keep a strong relationship with our regular customers and offer them with our best support with the alternative way of

using Internet as a new medium for buying and exchanging some information between buyers and seller.

Demographic Segmentation

Finewood.com considers various sub-segmentations for demographic factor. We are sure that consumers at different places have different needs in buying products. Demographic segmentation will be beneficial for our web site, services selection, and web contents of our target group. Income segmentation will be considered in order to know the purchasing power of the customers. It will be beneficial for selecting the services and products for e-commerce and pricing strategy. The functions are as follows:

(a)　Large Population Area:　At this stage, we may first focus more on outbound market. The countries such as America, European Countries, China are populous country so our target market is larger and more desirable. Our target markets are both individual customers and companies that have their own market in those countries because they can rapidly generate and expand the market and increase demand.

(b)　Financial Status:　We have to make sure that our customers both individuals and firms should be trust-worthy in terms of their financial status that we can do the business with.

(c)　High GDP Growth:　GDP especially in America and Europe are high, so it has purchasing power and sales potential.

Target Market

From the market segmentation mentioned above, we decide to target both individuals (B2C) and merchants (B2B) in Hong Kong, Singapore, China, America, and European Countries. The reason that we also concentrate on B2B market is these

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merchants are local merchants who know the market areas and have their own customers. They may have more opportunities in dealing the business. In the long run, we would like to promote our products to other countries other than that already mentioned.

4.4   Marketing Mix

Every business organization, whether manufacturing products, retailing or providing a service, has a marketing mix. Many production-orientated organizations do not realize that they have a marketing mix and therefore do not plan or devise strategies to gain maximum return for the business. Marketing mix is one of the essential concepts in modern marketing and is very simple to understand.

Marketing mix can be defined as a set of controllable marketing variables that a firm can plan and use to influence the buyers' responses towards the company's products or services. In a free market economy, we cannot force people to buy our products. All we can do is to understand their needs and wants and plan our offerings in such a way that it will attract buyer towards purchasing our products or services rather than choosing what competitors have to offer.

The marketing mix consists of the marketing strategies that Finewood.com can do, and the decision that are in our control. There are four approaches of marketing mix for delivering strategy including product, price, place and promotion. The marketing strategies of Finewood.com include the following marketing mix:

Product

The products of Finewood.com are woodcraft products that are made of high quality raw material such as bamboo, teak, and coconut shell. We offer our customers with variety of products which include decorative items, household articles, souvenir and miscellaneous items. As we are the designer of all products, the customers will face

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a new design in trend of fashion in every product's categories. Finewood.com has varieties in different shapes and unique in styles.

Before the product is delivered to the customer, it will be wrapped with high quality package. This packaging service will make customers feel assured in the delivery system. We also provide a guarantee for the products on the way to our customers' hand that it will not be a failure or breakdown.

Price

Pricing policy is one of the key marketing tools and must be established in the context of a company's overall marketing strategy. Finewood.com uses market-oriented pricing strategy to setup the products' price. In doing so, costs and profitability are considered but the primary basis for setting price is the elasticity of demand; how reactive customers are to change in prices. In addition, we also use one specific form of marketing-oriented price that is called Penetration Pricing. This involves setting our price below competition in order to stimulate an increase in demand and to achieve high market share in a short term. We have considered that this pricing policy is suitable for our company since we have price advantage and we ensure high quality products at medium price ranges.

Place

Finewood.com is a cyberspace business. In order to gain the market share, we get our products to the target group of customers by receiving the order through online system and then distribute the products to customers by charging the delivery fee depending on distance. If the customers are outside Bangkok or in foreign countries, the delivery service of UPS or FedEx will be used. We manage distribution channels as we had the responsibility to ensure that the product is efficiently distributed to reach the consumer at the right place and at the right time.

Promotion

Advertisement:

Advertising can be defined as a one-way, non-personal presentation and promotion of ideas, goods and services. Advertising is an indirect form of communication in that it takes place outside the immediate environment of the product or service. That is, the message is communicated to its target audience through the use of mass media, and the receiver is not in contact with the physical product and service.

However, Advertising has an advantage to Finewood.com in the sense that we have to communicate with very large number of potential customers who may be geographically dispersed locally, regionally, nationally or internationally. In order to communicate with these people, we cannot use personal and direct contact, but have to rely on advertising. To promote Finewood.com, we will use the following advertising strategies:

(a)   Online Advertising

Online Advertising has both advantages and disadvantages when compared to advertising in traditional media, such as television, radio, and magazines. The biggest advantages are ability to target narrow segments and to track performance of advertisement in most real time. The primary disadvantages of online advertising are concerns about its cost versus its benefits as well as how to adequately measure its results.

Finewood.com sees both advantages and disadvantages so we select the most suitable methods of online advertising as described below:

(1)   Banner

Finewood.com will select the banner swapping and banner exchange method to use in advertising strategy. Banner swapping can be arranged

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among firms allowing each firm to have its banner displayed on other affiliate sites without any payment. In addition, we also try to exchange the banner among the firms without any additional cost.

(2)   Search Engine

Finewood.com will register in search engine such as Google.com, Yahoo.com, Sanook.com, etc. Search engine will be useful to our cyber shop because when most shoppers are looking for a specific product or service, they will probably use search engines. These shoppers are looking for information and often intending to buy.

(b)   Direct e-mail marketing

E-mail marketing is one way of sending message directly to interested users online. Direct e-mail marketing has proven to be one of the most effective forms of marketing communications. And the key to effective direct e-mail marketing is "interested users". Finewood.com would pay for the list of names who are interested in handicraft products and send e-mail to all the name's list. In doing so, we have to pay for buying the list of names, however, there are a lot benefit in turn such as saving cost from sending too many e-mail to non target group, the short time to reach the target market, and high response rates. We expect to increase our sales by using e-mail to communicate directly with both existing and new customers.

(c)   Uniform Resource Locator (URL)

To do business online, URL name recognition is an important factor for surfers and e-shoppers. We will print our URL in every type of

documents and products. In addition, we will provide our URL in the leaflet and distribute at exporting events.

4.5   Competitor Analysis

Every business has competitors and prospective business owners ignore the competition at their risk. The competition faced by the firm and the extent to which an entrepreneur can combat competitive forces are important determinants of commercial success.

A competitor analysis is an important requirement in our business plan because it reveals the firm's competitive position in the cyberspace, assists us to develop strategies to be competitive and satisfies the needs of funding agencies to determine commercial feasibility based on current and prospective competition, and how the firm intends to face that competition.

Direct competitors are e-commerce businesses which are already on the web offering products and services that are largely the same as Finewood.com. These firms are the most worrisome since they have first mover advantage and, presumably, a reputation in the cyberspace that we have to confront.

Indirect competitors are also on the web offering substitute products and services. These can be a threat especially if their offerings are significantly cheaper, better or more convenient to access then our web site.

In handicraft product industry, there are a lot of competitors come into play. The reason is that this business has high value added to the products or high profit margin. The analysis of our two competitors' website are as follows:

www.distinctivelythai.com
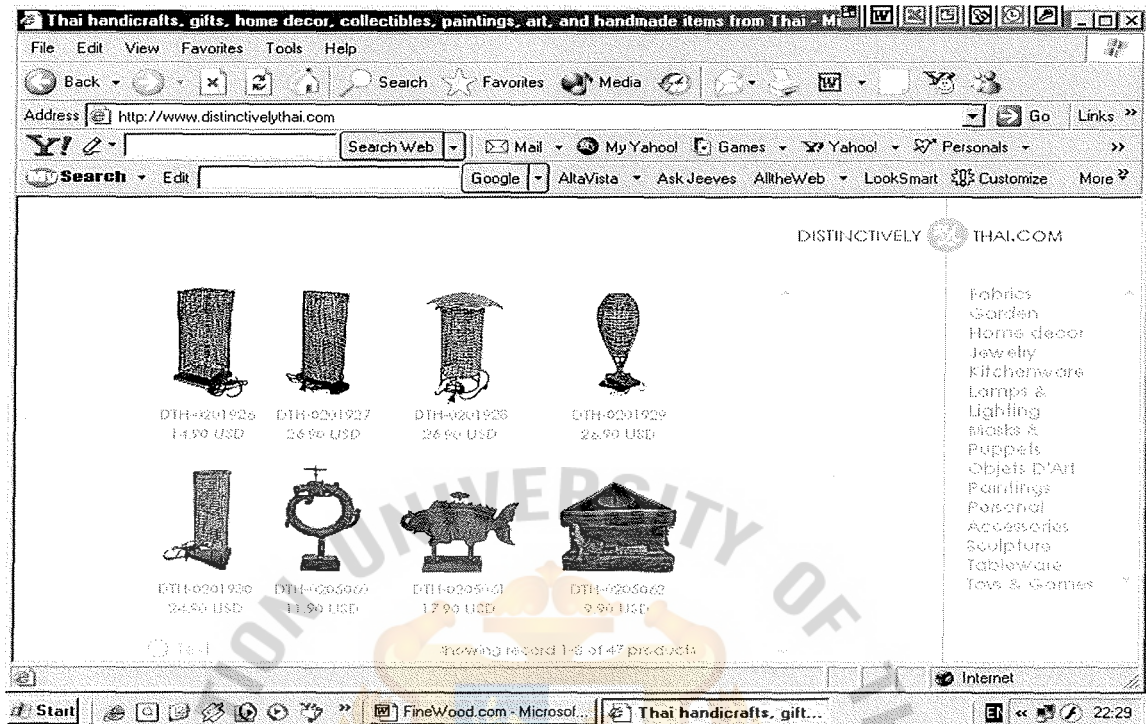
Figure 4.1.   Competitor's Website 1.

Advantages:

(1)   The home page can be loaded up in a reasonable short time due to small

pictures.

(2)   Beautiful pictures are presented on the web pages.

(3)   With a user friendly interface, there is no hard selling feeling while

browsing the web site.

Disadvantages:

(1)   The price is high due to high transportation cost.

(2)   Since there are many categories of products, it is quite complicated to go

into each category.

www.aclhandicrafts.com

Figure 4.2.   Competitor's Website 2.

Advantages:

    (1)   The web page is simple and easy to view.

    (2)   There are varieties of product lines on the web.

Disadvantages:

    (1)   The website is too simple which is less attractive to viewer.

    (2)   Too many pictures on one page.

    (3)   The prices of products are not available.

    (4)   Target only wholesales.

4.6 Payment Method

In the first year, Finewood.com uses the traditional way of payment. The customers can transfer money through our bank account and send transfer evidence to Finewood.com.   In the future, finewood.com will contact with a bank and implement our payment method by offering online payment via Visa and Master Card.

4.7 Associated Risk

(a)   Risk from Order being Refused

The risk of refused order by the buyers is possible, in case that they order the product but not make any confirmation for the order. The way of protection is to verify the order before making the ordering by getting confirmed purchased order document before proceeding via phone call or e-mail.

(b)   Hardware Breakdown Risk

Hardware breakdown is notorious and creates uncertainty in customer's minds. Finewood.com needs to prevent this by using reliable hardware with back up solution such as redundant servers including web servers and database servers. The location of these servers should be placed in remote places from each other to ensure loss free from natural destruction.

Network protecting such as firewall, intruder detection and virus protection are important to prevent systems from computer attacks even unintentionally or intentionally from unauthorized party.

4.8 System Security

At Finewood.com, customers' data is strictly protected against any unauthorized access. Protecting the customers' order information is a priority. Finewood.com makes every effort to protect their online order information by using Secure Sockets Layer (SSL) Technology.

SSL encrypts the customers' order information to avoid the decoding of such information by anyone other than Finewood.com. To check the security of the customers' connection, they can look at the bottom of their browser window after accessing the server.

If the customers see an unbroken key or a closed lock (depending upon their browser), then SSL is active. They can also double-check by looking at the URL line of their browser. When accessing a secure server, the first characters of the site address will change from "http" to "https".

Some versions of browsers and some firewalls do not permit communication through secure servers. In this case, the customers will be unable to connect to the server. However, they don't have to worry about mistakenly placing an order through an unsecured connection.

4.9 Financial Analysis

(a)   Estimate major income

Finewood.com plans to sell our products by setting sale target on the second and third year with the business growth of 30% and 50% respectively.

    (1)   First Year

        (a)   Sale (per year) 1,120 sets x 810฿ (average price of product)

        (b)   Total Income = 907,200฿

    (2)   Second Year

        (a)   Sale (per year) 1,456 sets x 810฿ (average price of product)

        (b)   Total Income = 1,179,360฿

(3)   Third Year

　　　(a)   Sale (per year) 2,184 sets x 810฿ (average price of product)

　　　(b)   Total Income = 1,769,040฿

(b)   Initial Investment

(1)   Investment Cost (Initial Investment)

Table4.2.   Investment Cost (Initial Investment)

Initial Investment Cost	Baht
Hardware	70,000
Software	90,000
Leased line & hosting installation	15,000
Miscellaneous	20,000
Total investment	195,000

(2)   Operating Cost

Table4.3.   Investment Cost (Operating Expense).

Operating Expense (per year)	Year 1	Year 2	Year 3
Fixed Cost			
Hosting Fee Expense	12,000	12,000	12,000
Domain Name Fee Expense	1,100	1,100	1,100
Administrative Expense	96,000	100,800	105,840
Utility Expense	36,000	36,000	36,000
Advertising Expense	15,000	15,000	15,000
Variable Cost			
Transportation	24,000	26,600	28,400
Outsourced Labor	6,000	5,000	3,000
Total Expense	190,100	196,500	201,340

(3)   Production Cost

Finewood.com has mark up on the product price by 50% - 150% of product

cost. So, the product cost is 485Baht per set (average cost of products)

(c)   Estimate income statement (3 years)

Finewood.com plans to sell products by setting sale target and we estimate our

business growth to be 30% in the second year and 50% in the third year respectively.

Table4.4.   Income Statement for 3 years Planning.

Income Statement	Year 1	Year 2	Year 3
Sale Target (sets)	1,120	1,456	2,184
Income	907,200	1,179,360	1,769,040
Cost of Goods Sold	(543,200)	(706,160)	(1,059,240)
Total Income	364,000	473,200	709,800
Expenses			
Initial Investment	195,000	-	-
Fixed Cost			
Hosting Fee Expense	12,000	12,000	12,000
Domain Name Fee Expense	1,100	1,100	1,100
Administrative Expense	96,000	100,800	105,840
Utility Expense	36,000	36,000	36,000
Advertising Expense	15,000	15,000	15,000
Variable Cost			
Transportation	24,000	26,600	28,400
Outsourced Labor	6,000	5,000	3,000
Total Return	(21,100)	366,700	519,260

According to the income statement above, Finewood.com can gain profits from this new marketing channel in the second year plan.   We use this website as a communication media to create awareness, company image, and trust to our customers.

(d) Break-Even Point

One of the most common tools used in evaluating the economic feasibility of a new enterprise or product is the break-even analysis. The break-even analysis is the point at which revenue is exactly equal to costs. At this point, no profit nor loss is incurred. The break-even point can be expressed in terms of quantity or sales. That is, the break-even units indicate the level of sales that are required to cover costs. Sales above the number result in profit and sales below that number result in loss. The break-even sales indicate the gross sales required to break-even.

Based on the analysis, Finewood.com has to sell 1,185 sets of product for 959,850Baht to meet break-even point. At this point, there is neither profit nor loss. Figure4.3 illustrates the break-even point of Finewood.com.
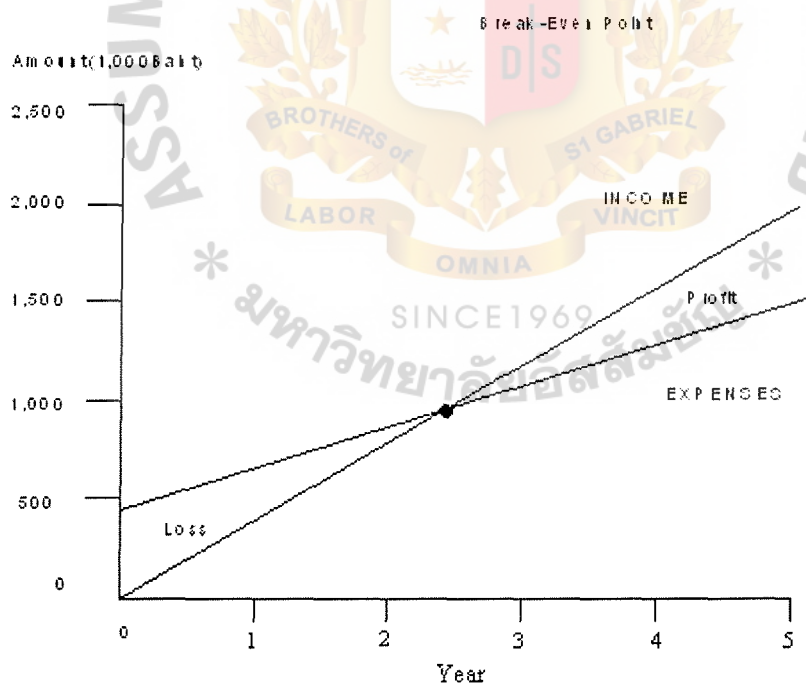
Figure4.3.   Break-Even Point.

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V.   WEB DEVELOPMENT AND DESIGN

5.1   Hardware and Software Requirements

(a)   Hardware Requirement

The list of all hardware below is used to create prototype of Finewood.com:

Table5.1.   Hardware Specification.

Hardware	Specification
CPU	Intel Pentium IV Mobile CPU 1.40 GHz
RAM	112 MB
Hard Disk	18.6 GB
CD ROM	Samsung CD-ROM SN -124
Floppy Disk	1.44 MB
Modem	Lucent Technologies Soft Modem AMR
Printer	Canon Image Class MPC 190
Scanner	Canon Image Class MPC 190
Network Adaptor	1394 Net Adapter, Realtek RTL 8139 Family PCI Fast Ethernet NIC

(b)   Software Requirements

Table5.2.   Software Specification.

Software	Specification
Web Server	Microsoft XP Pro Server
Database Server	Microsoft Access
Server-side Scripting Tool	ASP Version 3
Web Development Tool	Dreamweaver UltraDev 4, Edit Plus 2.12
Graphic Tool	Adobe Photoshop Version 7.0

5.2 Setting up Database Driven Websites

In order to create the website's database, we have to install web server, Internet Information Services (IIS) and Microsoft Access. Figure5.1 illustrates how the installed components work:
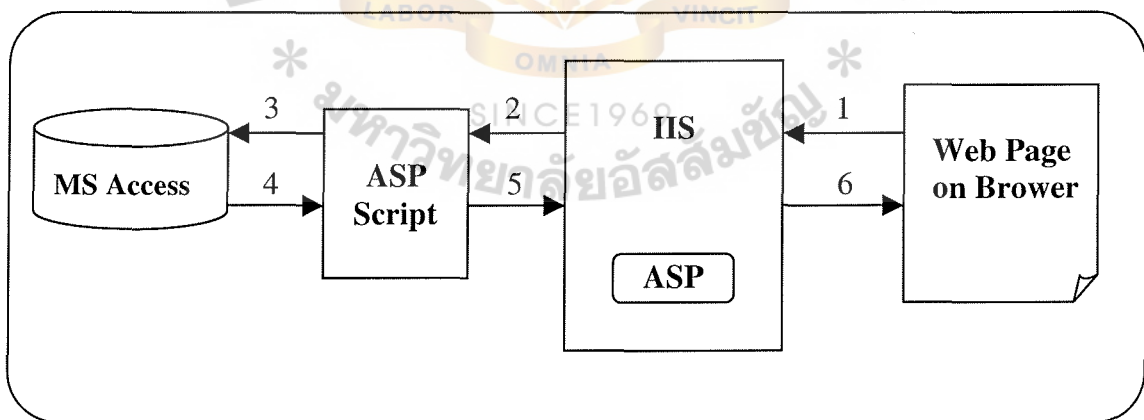
Figure 5.1.   Web Server and Database Server Operations.

As shown in Figure 5.1, there is a web page that pulls some data out of a database. The user requests data from his browser and sends the request to the web server, which

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in turn calls an ASP script. The ASP script will be executed by the ASP preprocessor, which pulls data from the database. The results are then messaged by the rest of the ASP script and turned into HTML. The final HTML is sent back to the user's browser.

All steps of web server and database server operations are shown below:

(1)   The user clicks on a link from his web browser; the web browser sends a request.

(2)   The file, which has the extension name ".asp" is an ASP script that contains commands. One of these commands generates a connection and retrieves data from the database.

(3)   The data from the database, and the file, which has extension name ".asp," formats the data. Typically, it will be organized before formatting it into HTML.

(4)   The HTML sends back to IIS.

(5)   IIS sends response back to the user's browser to complete user's request.

(6)   The user now can view a well-designed web page containing information from a database.

5.3 Building a Product Catalog

E-Commerce systems involve three basic functions: Displaying a product catalog, allowing customers to browse through the product catalog and allowing customers to buy items from the product catalog

Due to the importance of product catalog, it is considered as a channel that can generate revenue to online merchants. Therefore, product catalog design should be planned and implemented carefully in order to attract all potential customers and generate sales volume.

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Most of the customers who visit an online shop usually look through the product catalog and look for any products that they like to buy, they may add the item into their shopping cart and finally complete the order. Figure6.2 displays the process of how product catalog and shopping cart work:
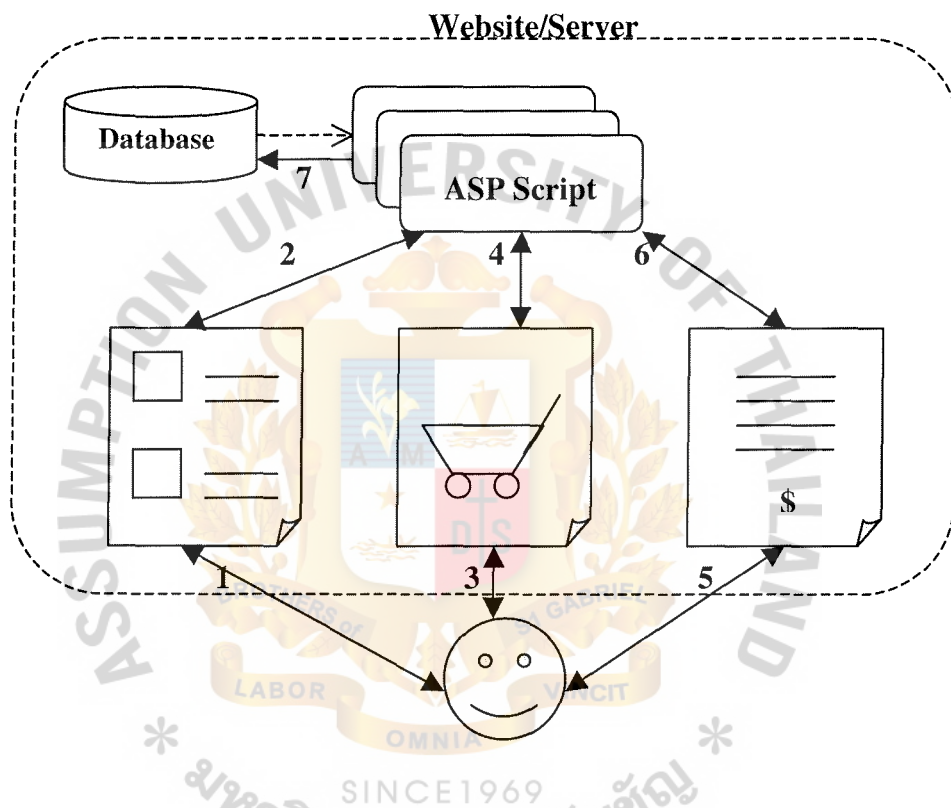
Figure 5.2.   The Process of Online Catalog & Shopping Cart.

(1)   User visits the website and accesses the product catalog.

(2)   The server generates the product catalog by reading the items from the database

(3)   User browses through the catalog and adds items into his shopping cart

(4)   The server updates the user's shopping cart with the items he has selected.

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(5)   User goes to the checkout to complete his order.

(6)   The server generates user order summary by calculating the price of the

       order.

(7)   The user order is saved into the database.

VI. FINEWOOD.COM WEB SITE

6.1 Site Structure
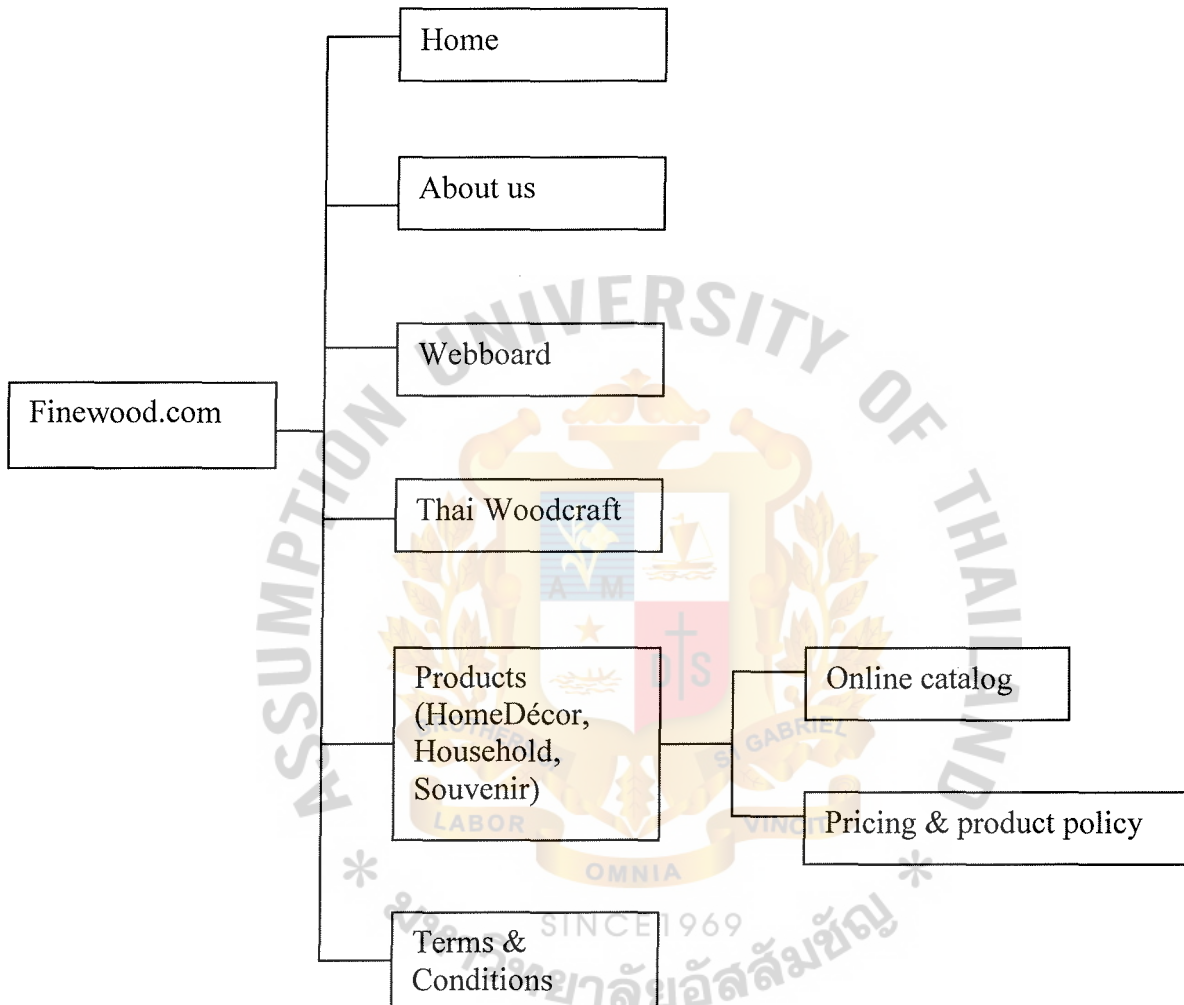
Figure 6.1. Site Structure.

6.2 Web Content

After creating web structure, we have to design and create web content which will appear in each page. The following are web contents of each page.

(a) Homepage
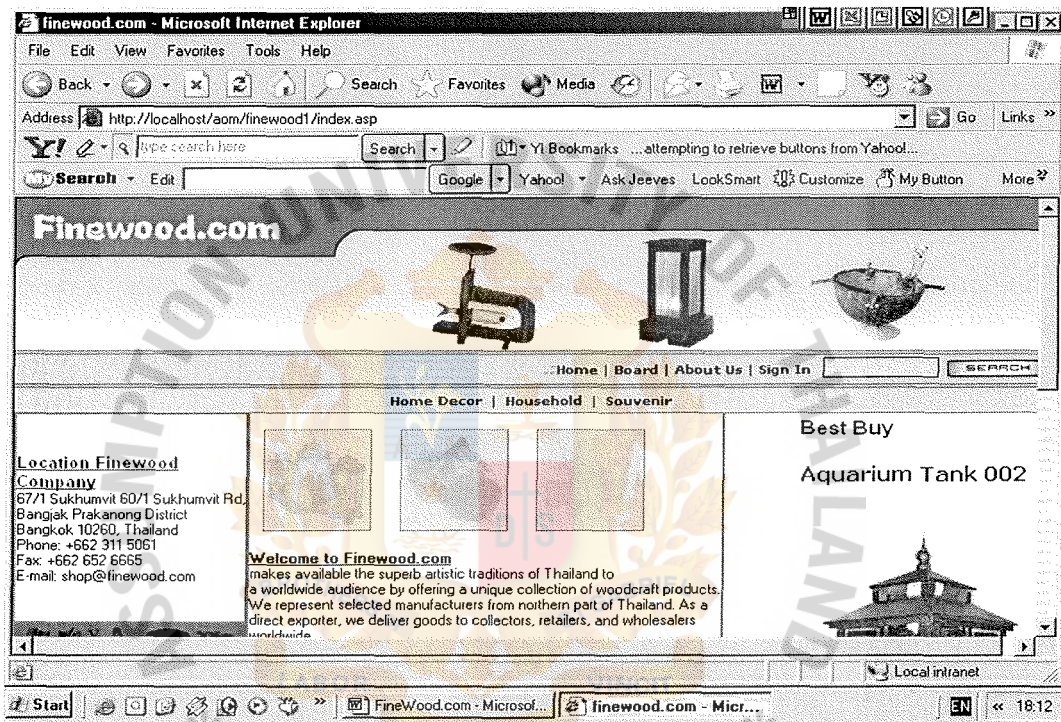
Figure 6.2. Homepage.

(b)　　About Us
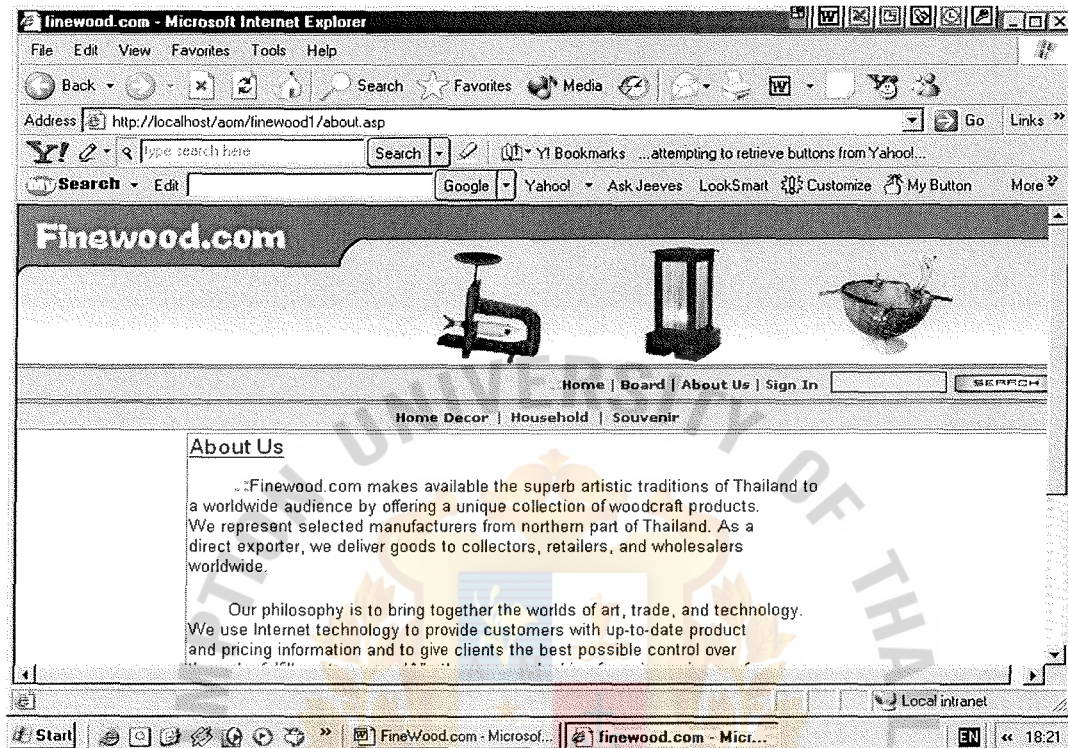
Figure 6.3.　About Us.

(c)   Shop Online

Finewood.com divides products into 3 categories: Home Décor, Household and Souvenir.

<u>Home Décor</u>
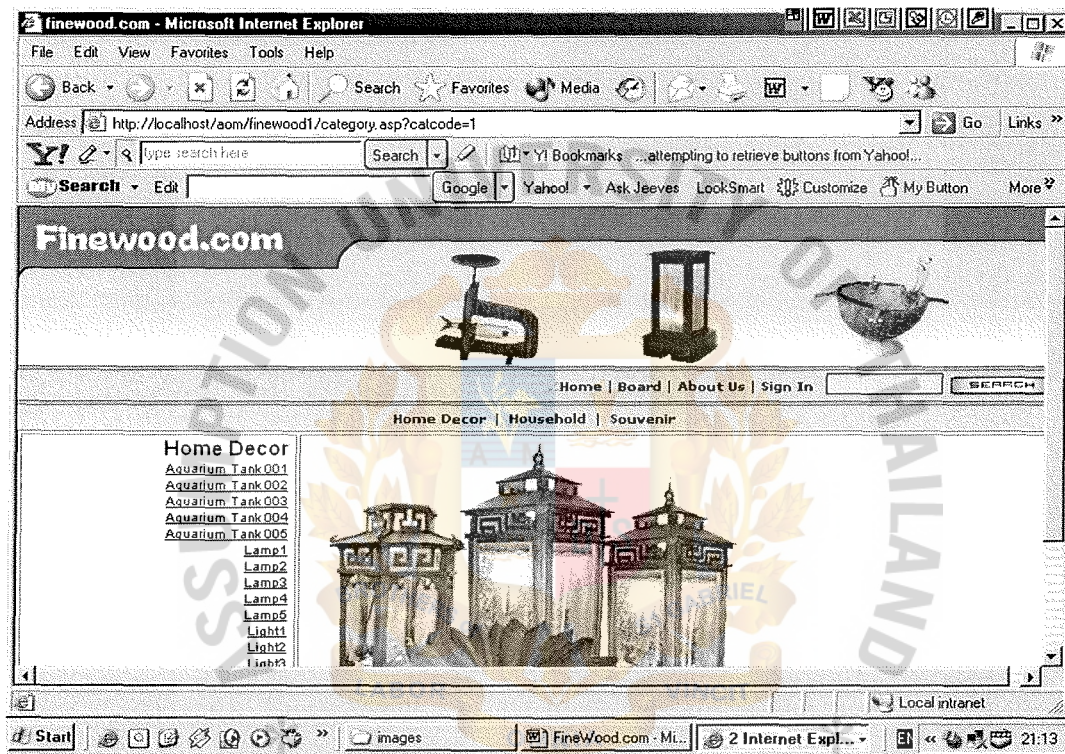
Figure6.4.   Home Décor.

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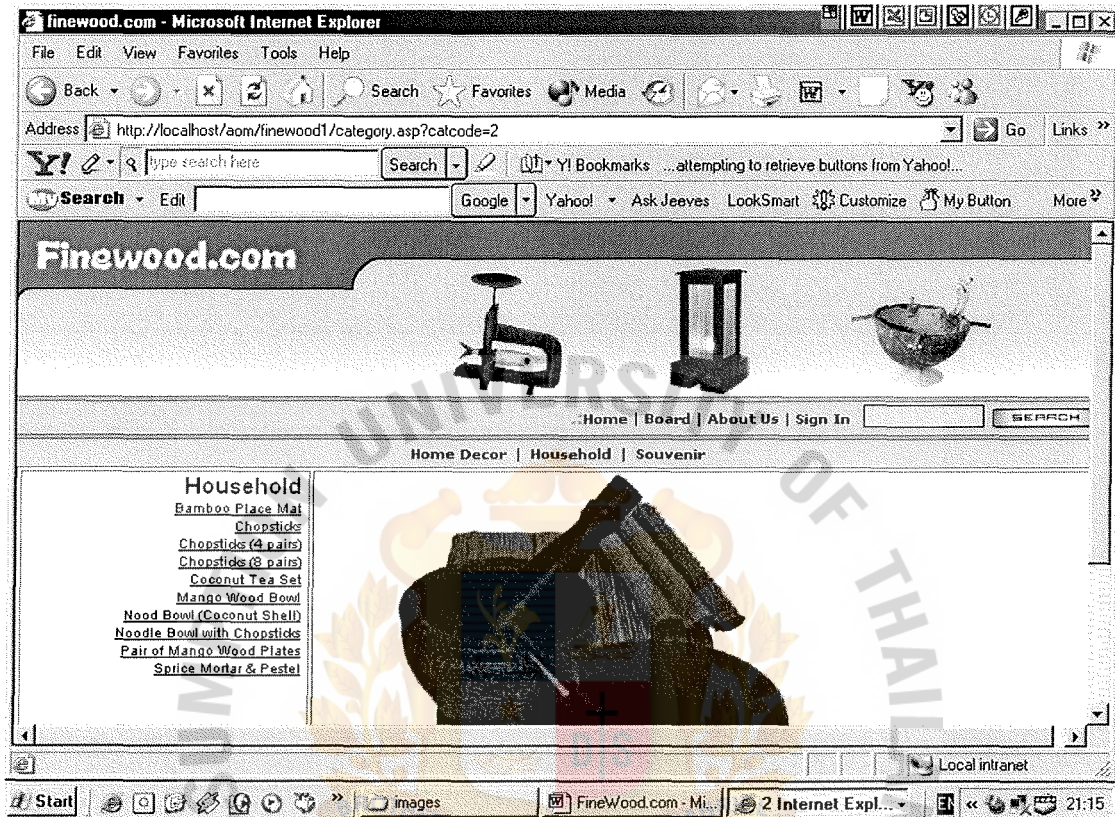
Household

Figure6.5.   Household.

Souvenir
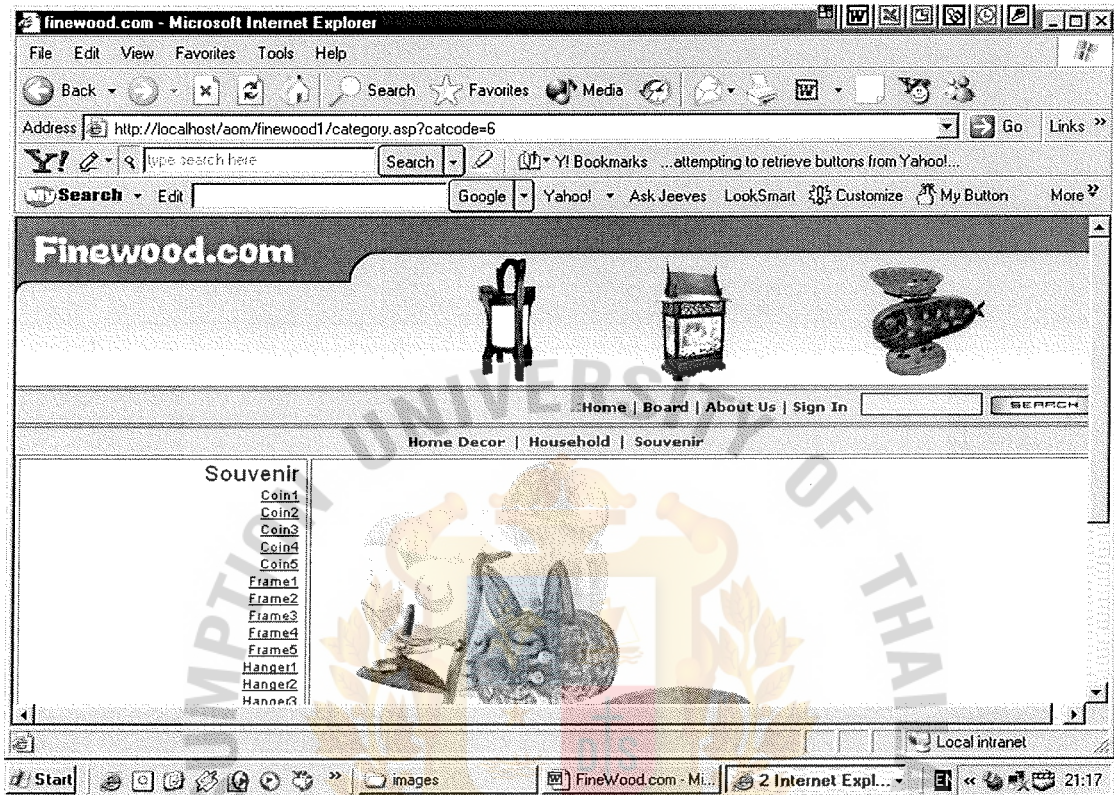
Figure6.6.   Souvenir.

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The left section of each category page contains all products in such category.

Figure6.7 shows product page after a click on the link of product's name;
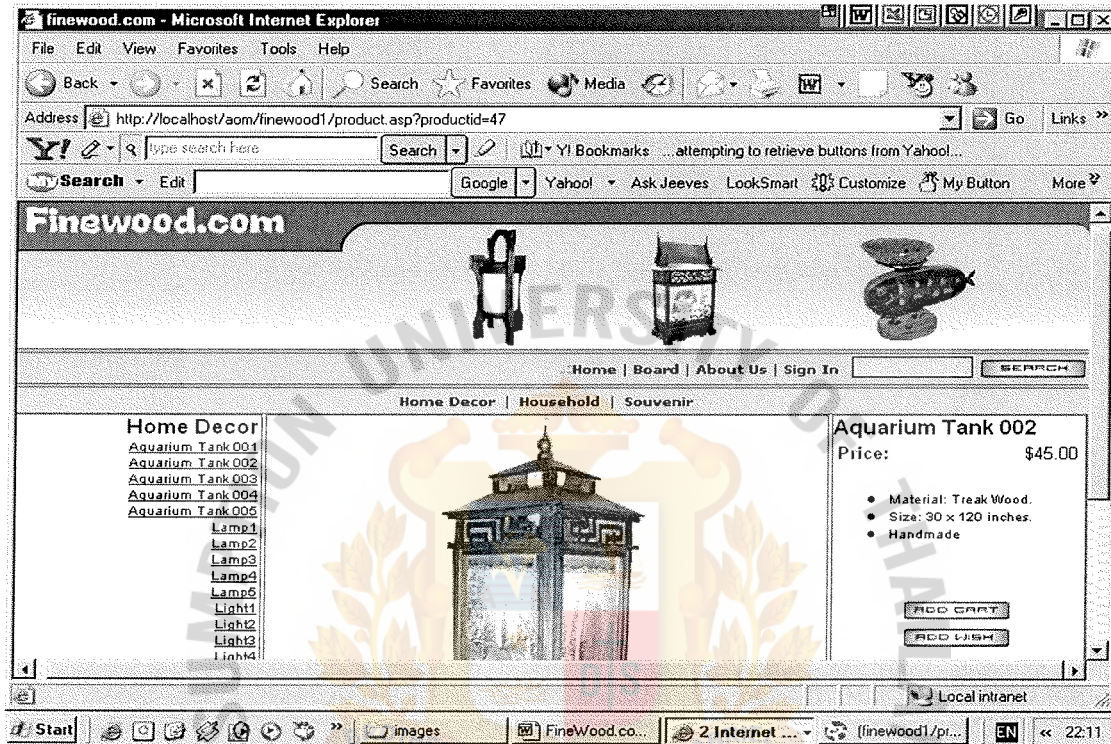
Figure6.7.   Products Page.

The left column of the product page displays all the products in each category of Finewood.com and the right column of the page illustrates the product's details and price.
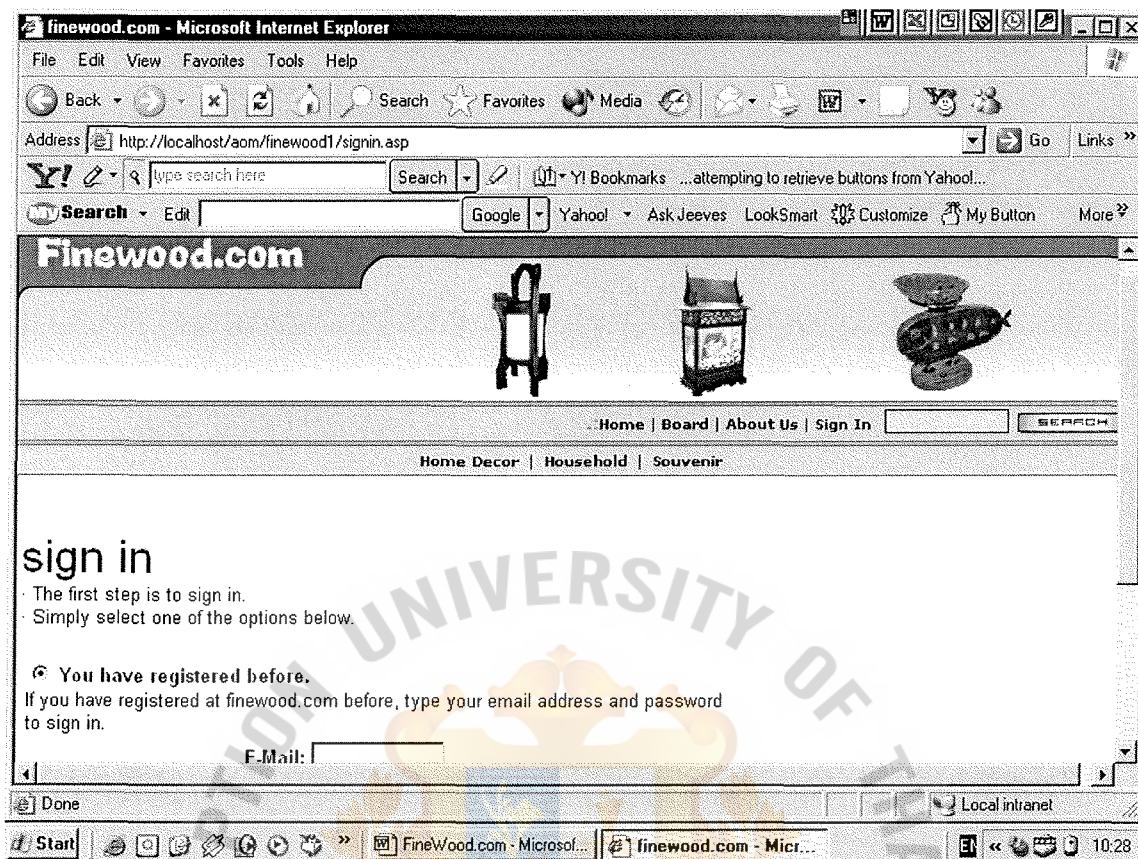
Figure 6.8.   Sign In and Create Account.
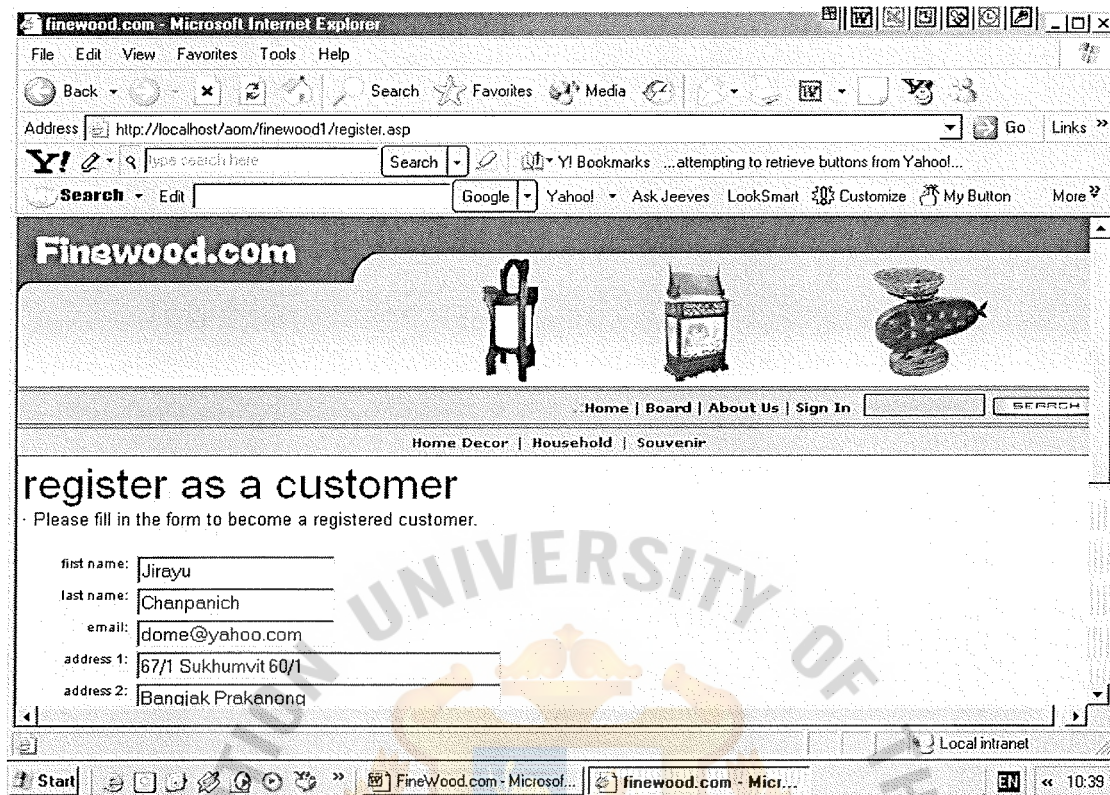
Figure 6.9.   Create New Accounts.
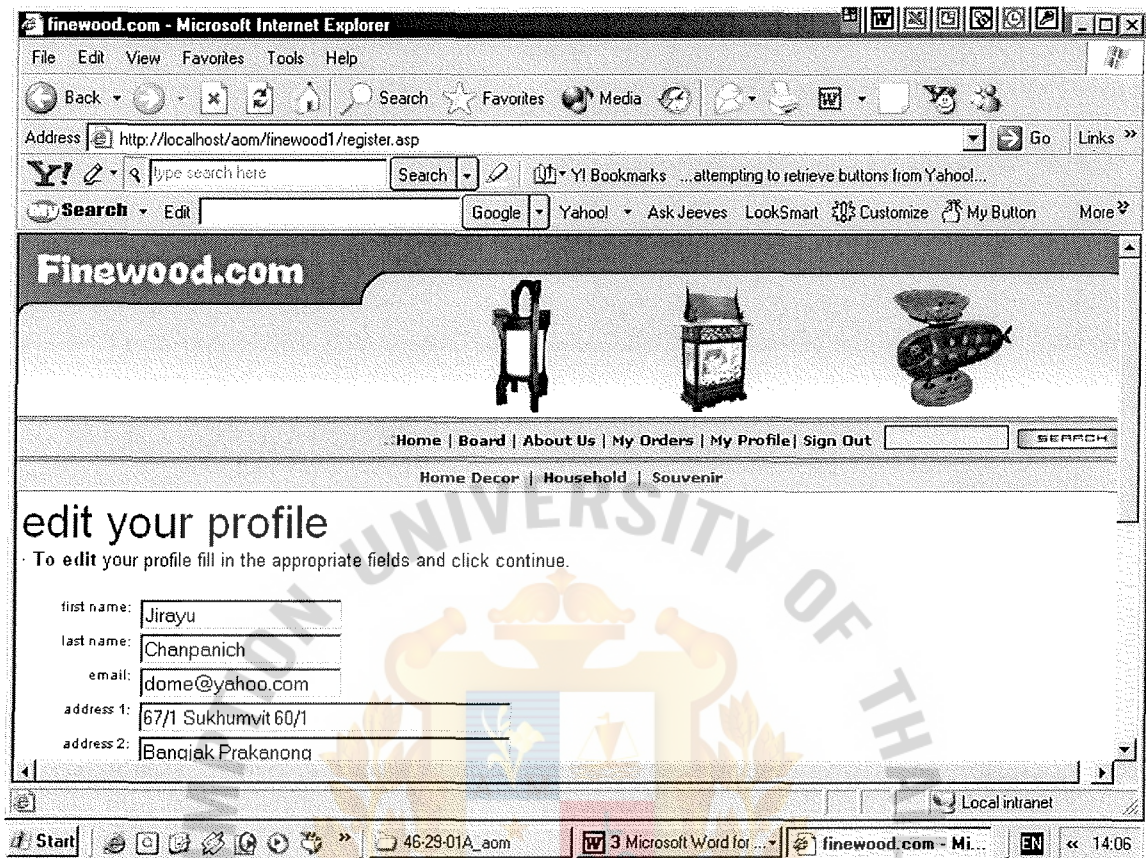
Figure 6.10.   Account Information / Edit Profile.

Figure6.11.   Delivery Information.

Figure 6.12.   Add to Cart.

When the customers finish choosing the product and decide to purchase, they have to click "add cart" button (Figure6.12) and the web site will bring customers to the shopping page (Figure6.13) again where they can choose or buy other products from Finewood.com; otherwise, they can check their purchase items in My Cart (Figure6.14).

Figure6.13.   Shopping Page.
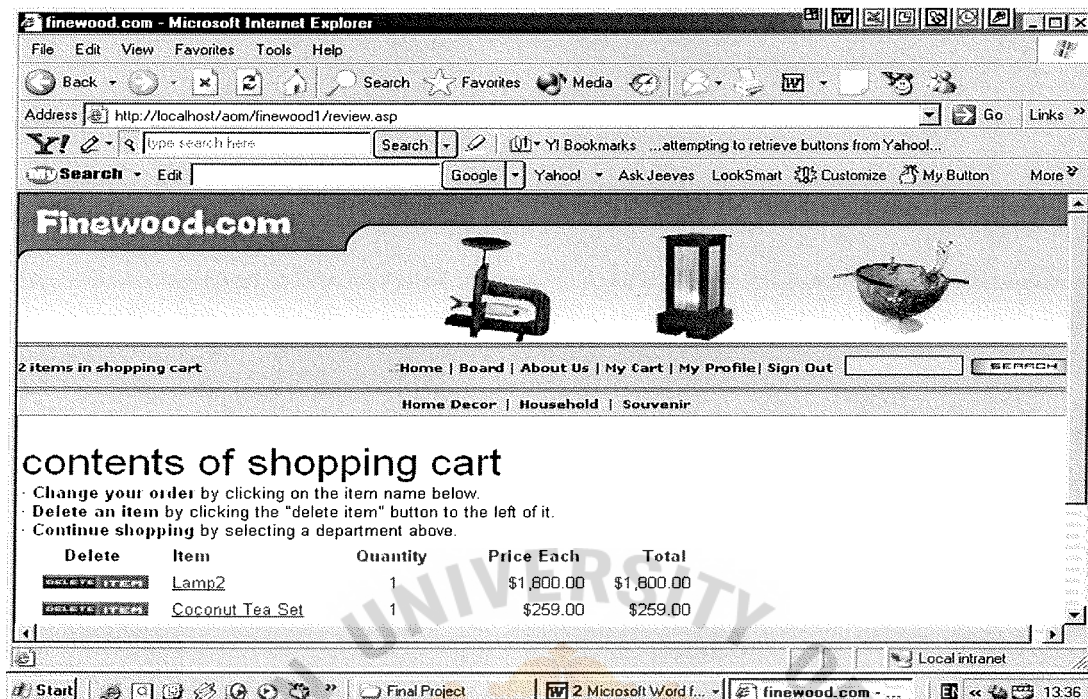
Figure6.14.   My Cart.

"My Cart" page will display the content of shopping cart. The customer can

view their order, product information and also the total price of the product. Moreover,

this page allows the customer to edit, change, and delete their order and also let them

continue shopping. After the customers' orders are checked correctly, they can click

"check out" in order to reconfirm their order (Figure6.15).

Figure6.15.   Confirm Order.

To confirm order, customers should click "Submit" button. Moreover, the review of billing and delivery information is also displayed to the customers to make sure that the customers are provided correct information .
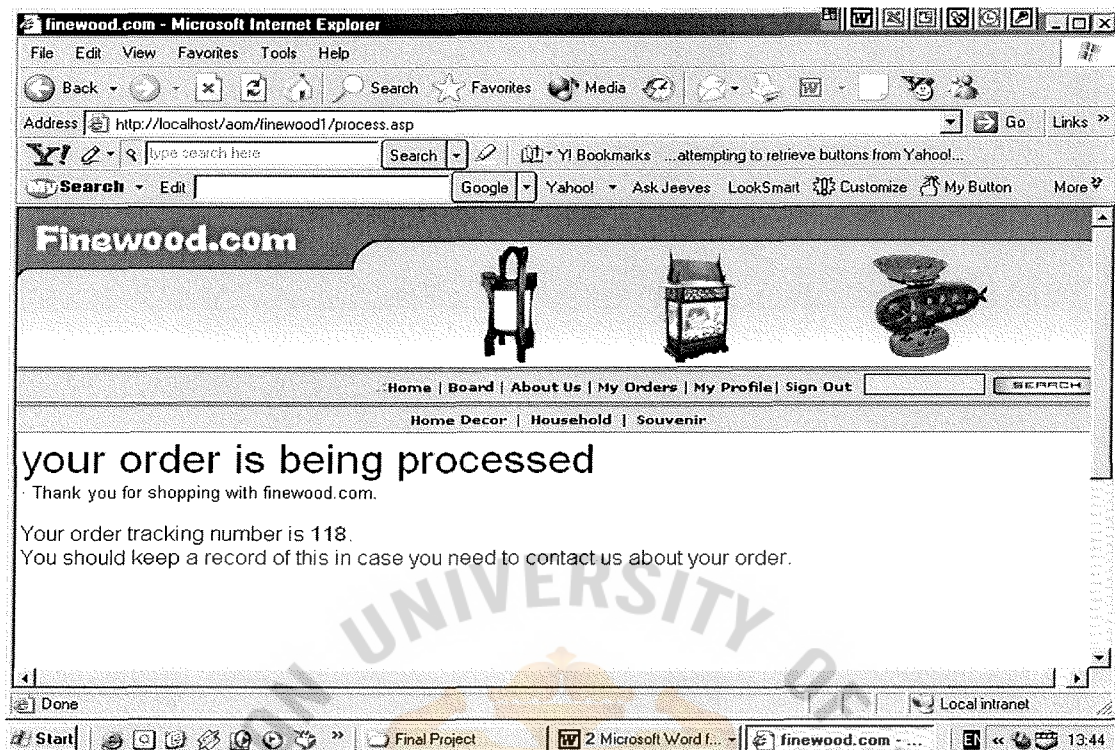
Figure6.16.   Finish Shopping.

After the customers finish their shopping with Finewood.com, the web page will display the processed order. Finewood.com also provides the customers with the order tracking number as a reference to the customers' order items in case the customers would like to find out about their purchase products.

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Search Engine

Finewood.com provides a search box for the customers to search for our products.
The customers can easily enter some keyword and click "search" button. Search engine
can help the customers save time in finding their interested products.
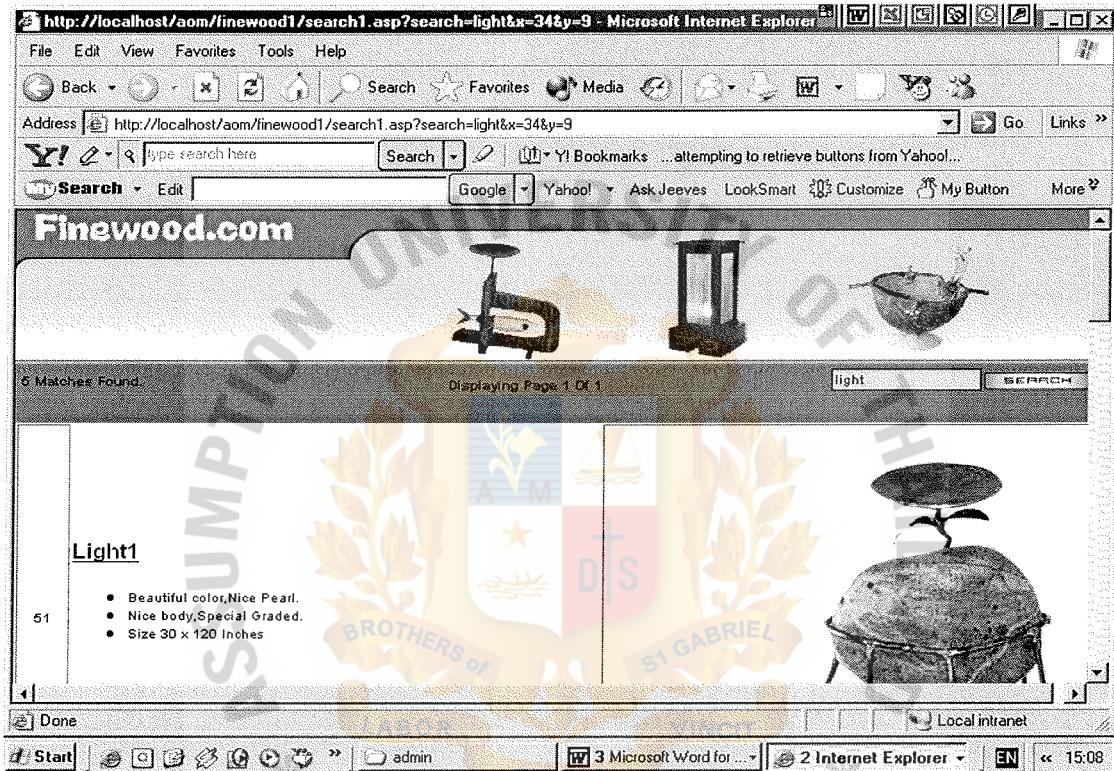
Figure6.17. Search Engine.

(d) Webboard

Finewood.com create webboard to make a relationship with customers and new users. The customers can use the webboard for sharing information with other members and asking any questions about Finewood's products.
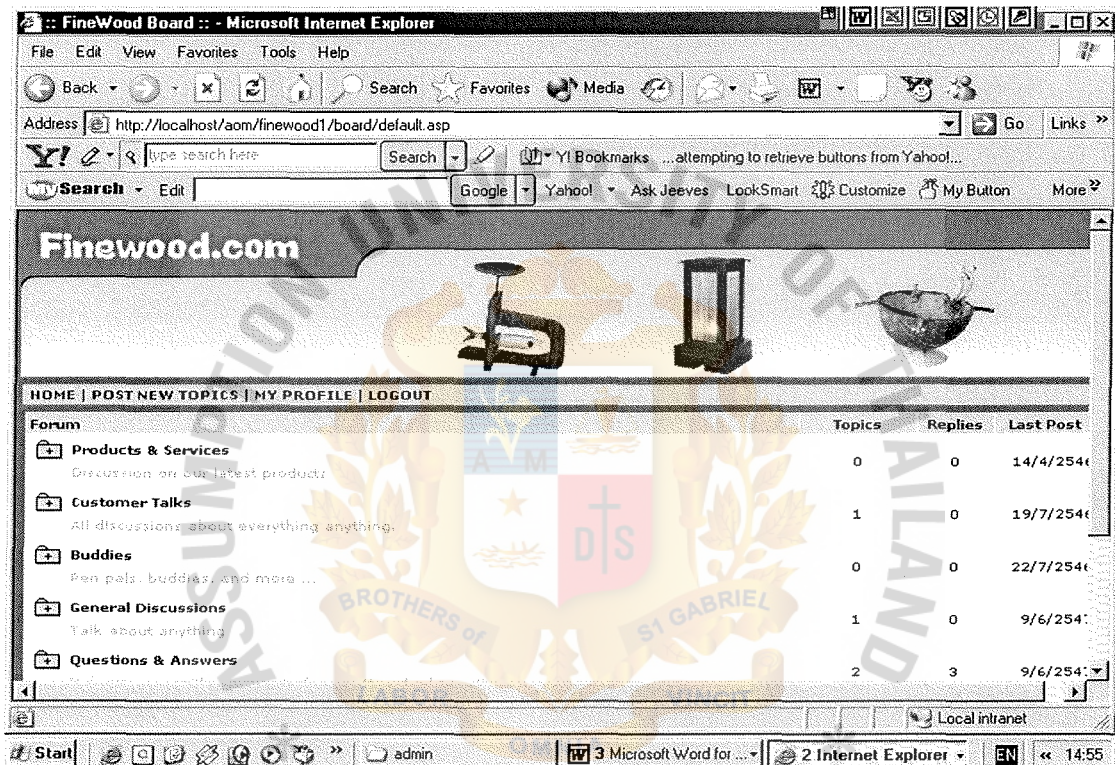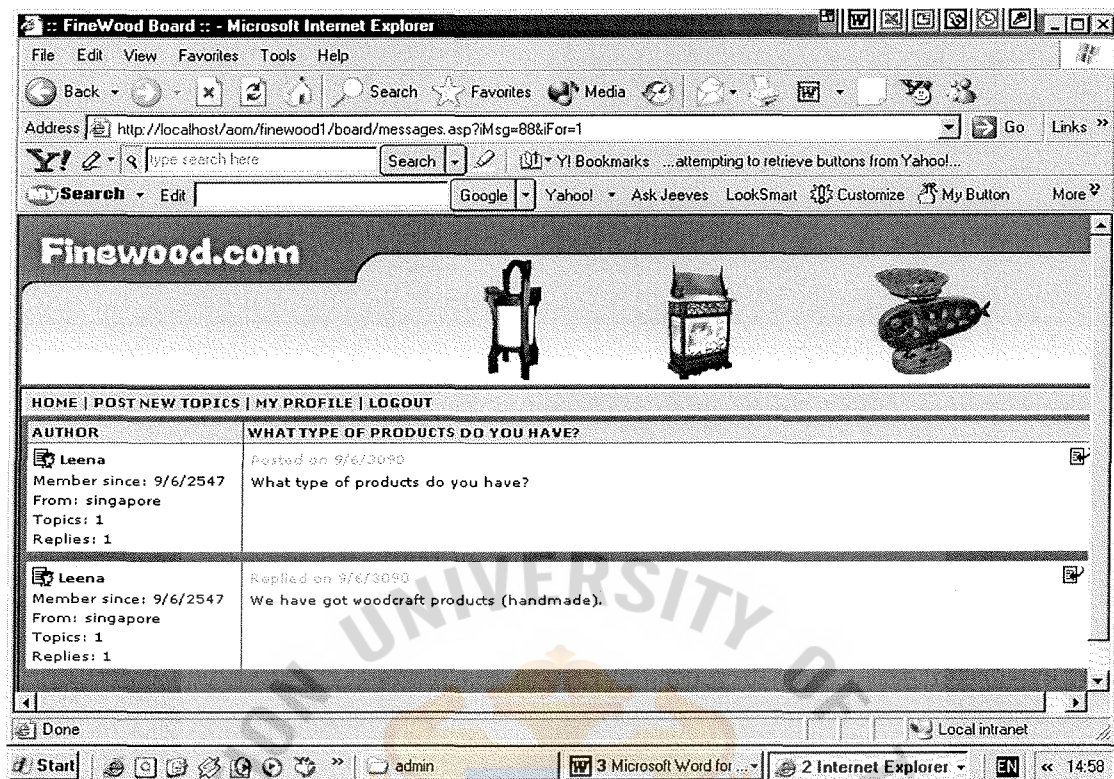

Figure6.18.   Webboard.

Figure6.19.   Discussion.

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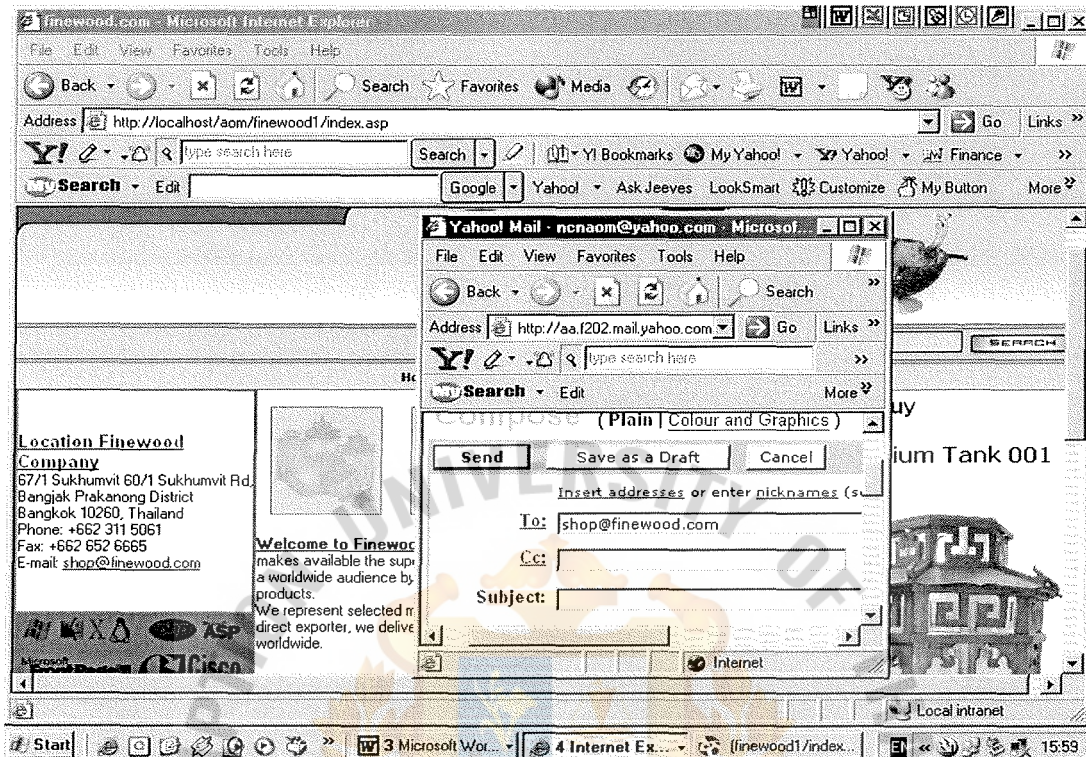(e)   <u>Contact Us</u>

Figure6.20.   Contact Us.
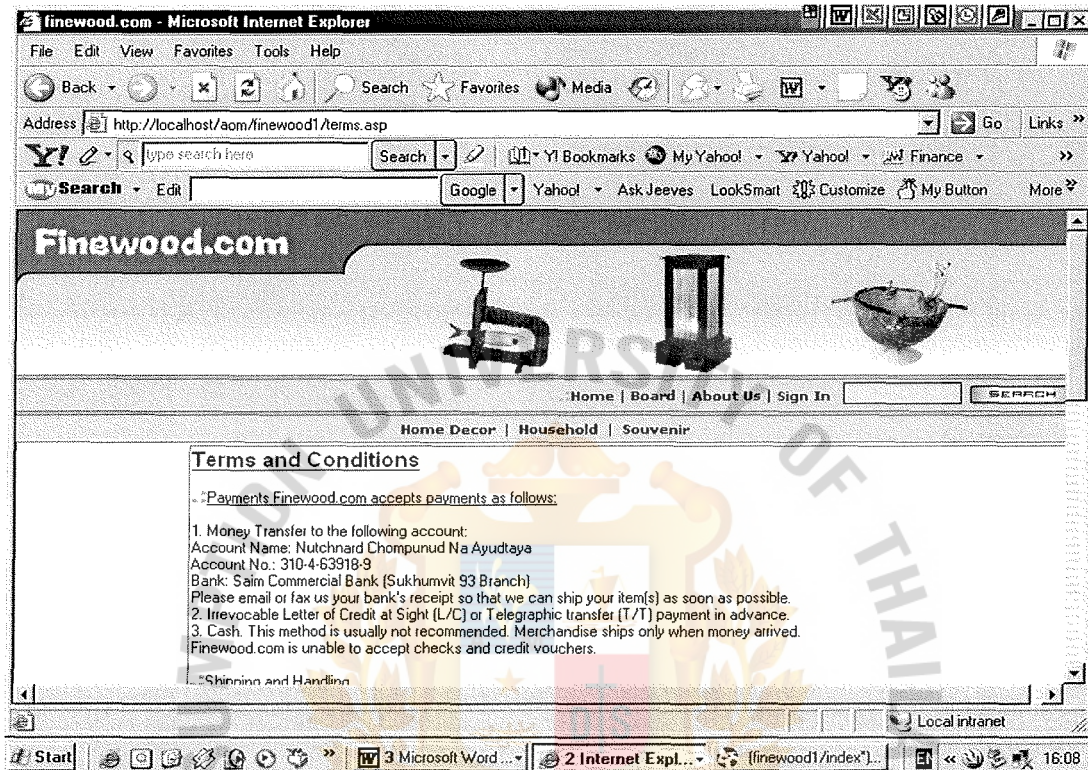
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(f)   Terms and Conditions

Figure6.21.   Terms and Conditions.

Finewood.com provides some information for the customers such as terms of payment, shipping & handling, packing and return policy in the Terms & Conditions page.

VII. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusion

Finewood has several woodcraft products, which are produced in Thailand. Our main products categories are home décor, household article and souvenir. We have several items and models to fulfill the market's need. Our target markets are B2B (Business to Business) and B2C (Business to Consumer) including Thai and foreigner, especially foreigners who are interested in Thai woodcraft products.

A web site of Finewood Shop (Finewood.com) that has extended from the physical store can be a relatively inexpensive way to gain exposure to millions of people, keep customers informed of new offering, make business transactions easier and more importantly, attract potential clients.

Finewood.com setting our price below competition in order to stimulate an increase in demand and to achieve high market share in a short term. In addition, we have considered the elasticity of demand; how reactive customers are to change in prices.

According to the financial analysis part, our company will reach the break-even point in the second year operation with the continuous growing income from sales volume. Our customers can pay for our products by transferring money through our bank account and sending transfer evidence to Finewood.com. After the concept of marketing and website has been applied, the web site has been developed by using the web programming with database, and we can manage many product files and update the price easily.

7.2 Recommendations

E-commerce is one of the marketing tools that help business to expand market.

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Finewood.com makes use of this opportunity to develop and expand our business growth. This kind of marketing tool needs low investment cost if we compare with the traditional media. After we have created our website, we need to manage it to attract and keep the customers coming back. Also, we set up some plans in order to increase the efficiency and effectiveness of our web site by considering the following:

(a)　Develop our payment online. The customers can pay via Visa and Master card.

(b)　Increase new product categories and new product design to our web site.

(c)　Exchange our banner with other sites to create more awareness.

(d)　Keep the customers' information and e-mail address, and send news or useful information or greeting card to our regular customers in order to create a good relationship with the customers.
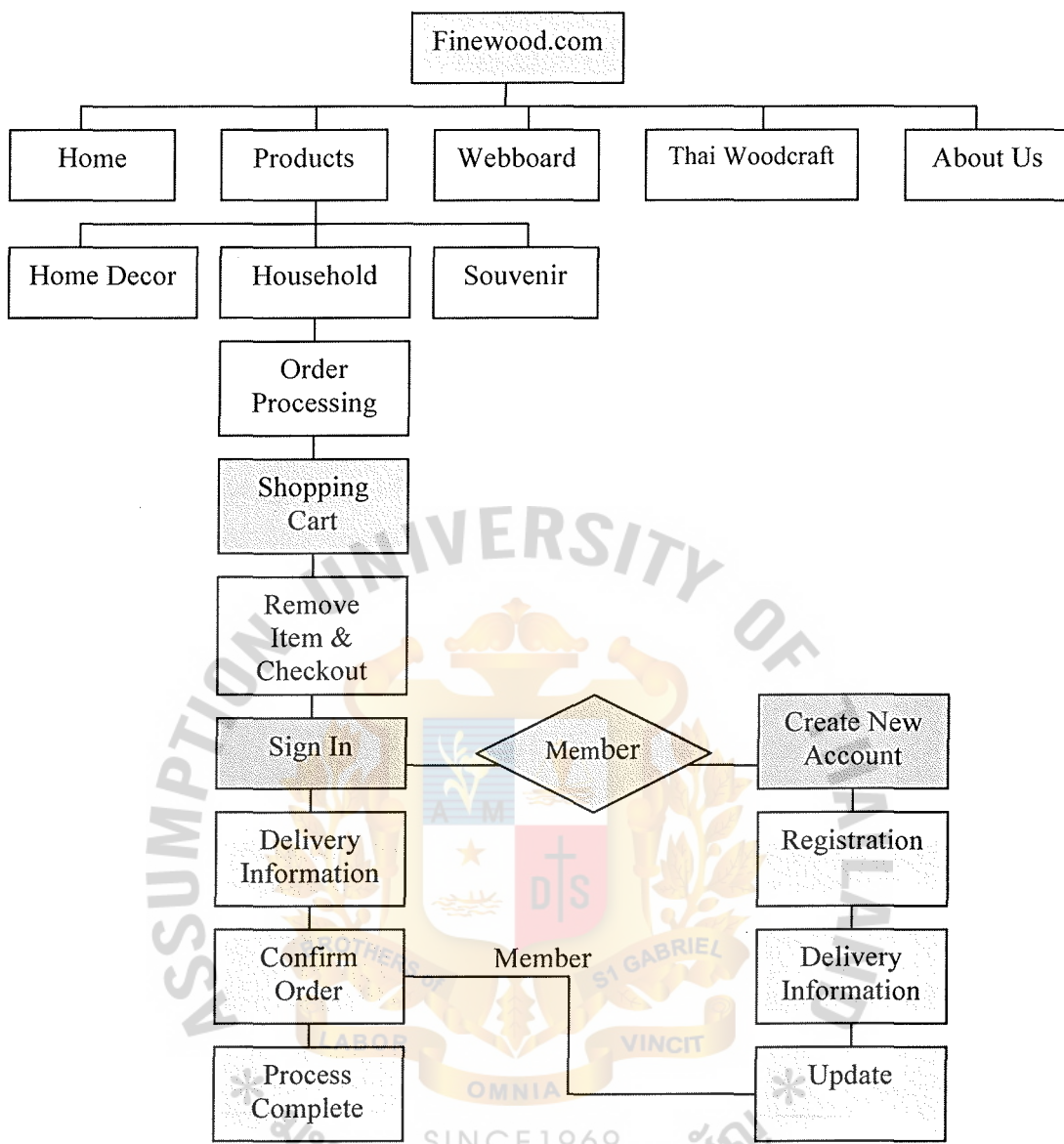
APPENDIX   A

SITE MAP

Figure A.1.   Site Map.

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