

## **Chapter 6**

### **Marketing Analysis**

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## Introduction

The making of umbrellas in Bosang village is a handicraft occupation of the villagers which has made its name known throughout the country and abroad until the parasol has become one of the symbols of Chiang Mai.

Initially, the Bosang's umbrellas, which were traditionally and spiritually inherited, were offered to the monks for convenient domestic use. They became so widely well know that the villages developed the methods to improve the quality and the uniqueness. As more and more umbrellas were sold, umbrella making became an attractive source for increasing the village's income during the post-harvest season. Presently, the Bosang umbrellas are not only made for a weather protection, but also for home decorations as well as ritual ceremonies.

Through out marketing section, market structure, market competition, market strategies, product positioning and marketing mix will be explained by emphasizing the current situation. The weakness in the marketing aspect will also be identified in this section which may be useful for the further future improvement.

### I. Market Structure

*Umbrella Making Centre 1978 Co., Ltd.* has entered into two markets. One is local market that the community sells their product by themselves. Another is overseas market that arranged by international intermediate agency.

#### a. Local Market Structure

This is the main market of *Umbrella Making Centre 1978 Co., Ltd.* because of the nature of this business. *Umbrella Making Centre 1978 Co., Ltd.* has own showroom, and open house to show the making umbrella process for tourists that is more attractive than other competitors. Target customers in local market can be divided into two categories: intermediaries and tourists. But the proportion of intermediaries is smaller than the tourists.<sup>1</sup>

#### b. Overseas Market Structure

Bosang is well known in term of "Umbrella Making Capital of Thailand". It's recorded in the Guinness Book of Records when the villagers made the world's largest umbrella to honour the Southeast Asian Games of 1999.<sup>2</sup> This make Bosang's umbrellas well known and famous among foreigners. Therefore, in overseas market that arranged by international intermediate agency. Target customers in overseas market are foreigners. However, the proportion of overseas market is very small comparing with the local market.

<sup>1</sup> Interviewed with Mr. Kiattipong Pipatjariya, Personnel Manager of *Umbrella Making Centre 1978 Co., Ltd.* on Oct 7, 2005.

<sup>2</sup> [http://www.chiangmai-chiangrai.com/umbrella\\_festival\\_2002.html](http://www.chiangmai-chiangrai.com/umbrella_festival_2002.html)

## II. Market Competitors

The competitors are the producers that produce and supply umbrella product to the local market and overseas market. It can be divided into two main categories: domestic competitors and international competitors.

### a. Domestic Competitors

The domestic competitors are domestic producers that can produce and supply umbrella product to the same market. It can be divided into two categories: small producers and large producers.

Small producers are the local producers that concentrate on labour skill rather than machinery. The technology adaptation and production capacity is very limited. The investment capacity is quite low as well, its lacks of it own distribution channel. Since their target market is quite narrow with limited of customers. The small producers are such as local household. However, the market share is very small.

Large producers are high capital investment producers who apply the new technology in order to reduce restriction to increase that occur from environmental condition, such as rain. Machinery is used in increasing production capacity. Finally, the distribution channel is the key success factor of these producers because it helps to serve the need of an increasing number of international and domestic consumers. The company's showroom is the domestic distribution channel, while internet is the most useful in the international distribution channel.

### b. International Competitors

China has been the first inventor and developer of umbrella for many hundred years. Chinese tried to adjust the umbrella according to their life style. It was used within households. Because of the over production, they tend to sell it to customers. China sells the products to domestic and foreign markets. Since the raw material and labour cost in China are very cheap. This makes China to be the large exporter of umbrellas.<sup>3</sup>

## III. Market Strategy

*Umbrella Making Centre 1978 Co., Ltd.* tried to make own brand under the name of Thawin Product. They stick the brand name sticker with products.

*Umbrella Making Centre 1978 Co., Ltd.* tried to cooperate with tourist agency to bring tourists to visit the showroom and umbrella production line. This is very attractive for visitors. However, the company tried to promote the legend and history of Bosang's umbrella that make more impression and more value in products.

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<sup>3</sup> Op-cit

## IV. Segmented Target Position and Company Image

The STP analysis aims to simplify the understanding of segmentation, targeting and positioning of umbrella industry. Company can not serve all customers in the market, because they have different tastes, styles, backgrounds, cultures and geographical locations. Therefore, the STP analysis is indispensable for the marketing to classify type of customers in order to serve the most profitable customers.

### a. Market Segmentation

Market Segmentation is an effort to increase a company's precision marketing. Each segment consists of a large identifiable group within a market with similar needs, purchasing power, geographical location, buying attitudes or buying habits. Since *Umbrella Making Centre 1978 Co., Ltd.* is the small producer, the market segmentation is classified in the perspective of small producer. By the nature of this business, there are two kinds of customers, intermediaries and tourists. This topic focuses on the tourists as main customer because the proportion of intermediaries is very small comparing to that of the tourists. Therefore, this segmentation is emphasized only the tourist section.

In the segmentation, tourist can be categorized into two groups, first group is domestic tourists and second group is foreign tourists which have more purchasing power than the domestic tourists.

### b. Target Market

Target market is the part of qualified and available market that the firm decides to pursue. As for *Umbrella Making Centre 1978 Co., Ltd.*, the firm can not cover all customer groups in every market throughout Thailand, since the operation is limited. Therefore, the firm targets only one segmented group.

The target of *Umbrella Making Centre 1978 Co., Ltd.* is foreign tourists because foreign tourists have more purchasing power than domestic tourists.<sup>4</sup>

### c. Market Positioning

Positioning is the process of designing the company's offer and image to occupy a distinctive place in the target market's mind. In order to be the leader in Bosang village, a key for the firm to create competitive advantages and position products in the target market is to differentiate the market offering. *Umbrella Making Centre 1978 Co., Ltd.* also realizes the need for differentiation. Therefore, the firm differentiates the offering along three dimensions: attribution, quality and variety positioning.<sup>5</sup>

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<sup>4</sup> Op-cit

<sup>5</sup> Ibid

### **Attribute Positioning**

*Umbrella Making Centre 1978 Co., Ltd.* is the only one umbrella making firm in Bosang village who provides open house to show process to make umbrella. Most of the skilled labour forces come from the local people, who inherit the skill and knowledge from the ancestors. Thus, it can assure that the customers will receive the genuine handmade and delicate product, which can not be easily found at other competitors.

### **Quality Positioning**

*Umbrella Making Centre 1978 Co., Ltd.* tried to differentiate the performance quality and conformance quality in order to penetrate into the premium market.<sup>6</sup> The firm tried to improve the performance quality by continuously improve the production process with the high quality local machine. With this quality, the firm is considered as the most reputable producer of Bosang village area, which needs to reduce the price in order to compete in the low-ended market.

### **Variety Positioning**

Because of the effective creators, *Umbrella Making Centre 1978 Co., Ltd.* offers variety of umbrella products to the market without imitation from competitors.<sup>7</sup> The idea generation comes from creators who have the ability to create new painting designs on the products. Nowadays, this positioning is easy to imitate. Many competitors try to copy the idea from *Umbrella Making Centre 1978 Co., Ltd.* Therefore, the firm has to generate and develop the new ideas to be applied to the product as quickly as possible.

### **d. Company Image**

*Umbrella Making Centre 1978 Co., Ltd.* tried to cooperation with tourist agencies to bring tourists to purchase and see their products. There are a lot of tourists come to *Umbrella Making Centre 1978 Co., Ltd.* and see the process of making umbrella and know the history of Bosang, it adds more values to the products and give tourists more impression in the company, Chiang Mai and Thailand.

## **V. Marketing Mix (4Ps)**

Marketing mix is a set of marketing tools that a firm uses to pursue its marketing objectives in the target market. The main objective of this part is to clarify the marketing strategy of the firm. It is divided into 4 topics: Product, Price, Place, and Promotion.

<sup>6</sup> Interviewed with Mr. Kiattipong Pipatjariya, by telephone on Dec 22, 2005.

<sup>7</sup> Ibid

<sup>8</sup> Ibid

### a. Product

The general characteristics of umbrella is to protect users from sun shine and rain but sometimes it can be used more in other applications such as souvenir or home decoration.

The product in Bosang umbrella industry business is divided into two main categories: Sa paper umbrella and cotton umbrella. The applications of Sa paper umbrella are used to protect user from sun shire, to be a souvenir, or home decoration. It can not be used to protect rain because it doesn't have water proof property. For another type is the Cotton umbrella, that can be use the same applications as Sa paper umbrella but there is more advantage it can be used with rain because its coating with special mixture on the umbrella. It is not peeled off the ribs of the umbrella when wet.

**Table 6.1:** Compare the properties and characteristics between Sa paper umbrella and Cotton umbrella.

Properties / Type	Cotton umbrella	Sa paper umbrella
Protect from sun shine	Yes	Yes
Water prove	Yes	No
Material		
Umbrella covering material	Cotton	Sa paper
Frame	Bamboo & Softwood	Bamboo & Softwood
Top Coating	Special mixture	Special mixture

Source: *information was derived from the interview with Umbrella entrepreneur*

Bosang umbrellas are produced in a variety of sizes ranging from 5 inch to 60 inch in radius of the umbrella. Umbrellas of each size are used for different purposes.

**Table 6.2:** Propose for each umbrella size that *Umbrella Making Centre 1978 Co., Ltd*

Size	Purpose
Small Size 5 inch – 15 inch	Souvenir
Medium Size 16 inch – 35 inch	Decoration & Protect from sun shine and rain
Large Size 36 inch – 60 inch	Decoration & Protect from sun shine and rain

Source: *information was derived from the interview with Umbrella entrepreneur*

Painting design is very importance for Bosang umbrella because it's different and makes more value added. However, *Umbrella Making Centre 1978 Co., Ltd* tried to put the history of Bosang umbrella to increase it more value added for customer. Most products in inventory are kept in the form of semi-final product, just finish but no painting.<sup>9</sup>

<sup>9</sup> Ibid

**Figure 6.1:** Sa Paper Umbrella



*Source: Picture was taken at Umbrella Making Centre 1978 Co., Ltd on Oct 7, 2005.*

**Figure 6.2:** Cotton Umbrella



*Source: Picture was taken at Umbrella Making Centre 1978 Co., Ltd on Oct 7, 2005.*

**Figure 6.3:** Application of Umbrella Products (home & restaurant decoration)

Source: Picture was taken at Umbrella Making Centre 1978 Co., Ltd on Oct 7, 2005

### **b. Price**

Purchasing umbrella product is not the same as purchasing other consumer goods. To make buying decision, not only quality and basic benefit of the product are considered, but also the satisfaction and appreciation of Bosang umbrella history, its value added.

*Umbrella Making Centre 1978 Co., Ltd.* tries to show production process and history of Bosang umbrella to increase value added in customer's mind. For this psychological reason, it leads to buying decision even the price is a bit high

For price of umbrella is the price that sell both retail and wholesale. When compares to competitors, it is still lower than those of competitors. However, distinguish pricing must be considered together with the quality of product.

All pricing management in term of quality, utility, quantity of sale, product appearance and other pricing strategies that are not currently practice might be tools in further development. However, there are 3 factors that effect the price of umbrella. The first factor is type of umbrella, because difference type that means difference material (Cotton and Sa paper). The second factor is size of umbrella, because difference quantities of raw material needed. And the last factor is painting designs depend on the difficult of painting designs and depend on labour skills. Since it has the various utility and patterns, the price will be different. The price of umbrella is determined by size of umbrella, type of umbrella and painting & design of umbrella.

**Table 6.3:** Price of Umbrella for Each Size.

Size / Type	Price
Small Size ( 5 – 14 inch )	40 - 120 Baht
Medium Size ( 15 – 37 inch )	150 - 800
Large Size ( 38 – 60 inch )	875 – 1,150 Baht

*Source: \_information was derived from the interview with Umbrella entrepreneur*

In the retailer of umbrella industry, many retailers such as Bosang shops, Chiang Mai Night Bazaar, and other tourist places, the prices are not equal for each retailer. It depends on the consideration of retailer. Since tourists have high purchasing power, many retailers tend to mark up the price very high. From the observation, many retailers mark up their product approximately one hundred percent. So, the gap between the margin of producer and retailer of this business is very high.

### c. Place or Distribution channel

*Umbrella Making Centre 1978 Co., Ltd* has a shop located in Bosang Village, it has more capacity to serve tourists (there is a big parking, big showroom, toilet and others) and it is easy for possible buyer to reach. Shop has more space that causes convenience in case many customers visit the shop. And Bosang has ability in producing both Sa paper umbrellas and cotton umbrella because it is located near raw material source. This makes Bosang has more advantage that other place.

The distribution channel of umbrella making centre can be classified into 5 types according to the marketing strategy of the producers and intermediaries' expertise.

#### Zero-level channel or direct marketing channel

Producer       $\longrightarrow$       Customer

The first channel is Zero-level channel or direct marketing channel. The producers sell directly to the final customer especially to the tourists. The showroom of each firm is the transaction place. Normally, the price of a product of this channel is much cheaper than the other distribution levels since it is purchased directly from the producers.

#### One-level channel

Producer       $\longrightarrow$       Intermediary       $\longrightarrow$       Customer

The second channel is a one-level channel. The producers sell their products via the intermediaries such as retailers. This retailer sells it at their shop or showroom to the final customers.

### Two-level channel

Producer  $\Rightarrow$  Domestic Intermediary  $\Rightarrow$  Foreign Intermediary  $\Rightarrow$  Customer

The third channel of distribution is a two-level channel. Most of these distribution channels are used in export transaction. The producers sell products to the intermediaries or exporters in Thailand. These intermediaries sell products to the foreign agencies and then distribute them to the foreign customers.

### Direct Mail

The fourth channel of distribution is Direct Mail to the international customers. In this channel of this distribution, the customer has to pay all cost such as packing cost, insurance, postage, including product price. This channel is main channel *Umbrella Making Centre 1978 Co., Ltd* because some tourists want to buy big size umbrella but they can not carry it back with them.

**Table 6.4:** Shipping Cost by sea-mail for 2 meters (40 inch) Cotton Umbrella and 2.5 meters (48 inch) Cotton Umbrella.

Country	KG / PC	Price 40 inch (All expense)	Price 48 inch (All expense)
Denmark, Luxemburg, Netherlands, Spain, Switzerland	1 PC 2 PCs 3 PCs	2,464 Baht 4,213 Baht 5,962 Baht	3,322 Baht 5,885 Baht 8,316 Baht
Austria, Belgium, Brazil, France, Germany, Sweden	1 PC 2 PCs 3 PCs	2,574 Baht 4,323 Baht 6,072 Baht	3,432 Baht 5,995 Baht 8,426 Baht
Israel, New-Zealand, Norway	1 PC 2 PCs 3 PCs	2,706 Baht 4,620 Baht 6,534 Baht	3,630 Baht 6,424 Baht 9,053 Baht
United – Kingdom Ireland	1 PC 2 PCs 3 PCs	2,926 Baht 4,977 Baht 7,029 Baht	3,905 Baht 6,892 Baht 9,686 Baht
Italy, Japan, Korea, Saudi-Arabia, South Africa	1 PC 2 PCs 3 PCs	2,310 Baht 4,004 Baht 5,698 Baht	3,146 Baht 5,635 Baht 7,997 Baht

Source: *information was derived from the interview with Umbrella entrepreneur*

### **Arranging the Exhibition of Umbrella**

The fifth channel of distribution is arranging the exhibition of umbrella. This is the coordination between intermediaries and the government agency in order to promote the export of Thai local products. The Department of Export Promotion arranges this exhibition every year.

#### **d. Promotion**

Promotion is the activities, which the company undertakes to communicate and promote its products to the target market. For the umbrella industry, distributor and intermediaries are the business sectors who take responsibility for promotion and advertising of the product. Internet is the single media, which the distributions use to advertise their product because of lower cost, convenience and right to the target. Currently, umbrella introduced through the public by the government project, One Tambon, One Product. Therefore, this is the indirect public relation, which stakeholders in this industry should take the advantages from it.

Not only the government sector, but also the private sector realize the importance of umbrella and try to publicize to the public.

## **VI. Conclusion**

Initially, the Borsang's umbrellas, which were traditionally and spiritually inherited, were offered to the monk and used convenient domestically. They became so widely well know that the villagers developed the methods to improve the quality and the uniqueness. Umbrella making became an attractive source for increasing the villager's income.

The number of competitors in this industry is quite high. This is not only the competitor in domestic but also in the international market. To maintain the market share, *Umbrella Making Centre 1978 Co., Ltd* has to move forward very fast to complete with the other competitor.

## **VII. Recommendation**

The recommendation is divided into four parts and gives the idea in order to be the guidelines to improve and solve the problems in the near future.

#### **Product**

*Umbrella Making Centre 1978 Co., Ltd* should be more concerned on the brand creation, product design and industry standard marks. The brand creation and product design are very importance factors in order to differentiate the firm from the competitors. At the first period, the firm has to place the brand on product with the good packaging and try to make customers realize the difference between the firm's brand and general product of the competitors. After customers realize the brand, differentiation customer's loyalty consequently occurs. In term

of product design *Umbrella Making Centre 1978 Co., Ltd* should try to create the new style, new painting design, and new material to make the product different from the others competitors. Industry Standard marks is quite importance factor. It helps to make more confidential to purchaser.

### **Price**

The pricing strategy is optimal. Neither price decreasing nor increasing is allowed. Since the firm position itself in the special market, price reduction affects the image and profit of the firm. On the other hand, price increase aids customers to switch buy form other competitors. Therefore, the only way to stabilize the market share of the firm is to offer new products & design to the market consistently.

### **Place**

The channel of distribution of this firm is very narrow. The firm should increase proportion their channel in order to reduce risk and increase its profit from higher margin by distributing the product themselves. Moreover, the firm should contact directly to foreign intermediaries in order to capture the international market. This helps receive more margins from increasing sales.

The channel to public communication of *Umbrella Making Centre 1978 Co., Ltd* is quite narrow. The firm should increase the channel to communicate with the customer such as make the own web site to show the design and history and contract channel for interesting person. It can make more profit to the firm.

### **Promotion**

The firm uses only one promotion strategy due to the limitation in advertising budget. In order to publicize firm to the customers, it needs to cooperate with the government sector by attending the project or trade fair. This can be the most successful method in advertise their firm to the public with cheap cost and publicize Bosang community to other customers.