

SUCCESS STORY OF ONE TAMBON ONE PRODUCT (OTOP) TO THAI INTERNATIONAL AIRLINE SINCE 2016

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ABSTRACT

In the year 2016, One Tambon One Product (OTOP) was seriously promoted under the prime minister's policy through the Community Development Department (CDD) and Thai International Airline. The first OTOPI Prestige on board magazine was finally launched in April 2016. The "From Local Fly to Sky" was the first gimmick. OTOPI entrepreneurs have faced marketing problems from the beginning. After experts evaluated the products, OTOPI products' packaging had to be redesigned and the contribution of their valuable stories had to be told along with creating a local brand. After 3 OTOPI Prestige inflight magazines were launched, they could create a 0.5 million US dollar sales volume. OTOPI entrepreneurs have learned about the market. Each entrepreneur has gained about 3 times in the volume of his/her sales.

Keywords: 1) local product, 2) airline, 3) management, 4) business strategy, 5) OTOPI

1. Introduction

The Thai government launched the One Tambon One Product (OTOP) project more than a decade ago. The government under the Community Development Department (CDD) funded and conducted product research of local OTOPI entrepreneurs. It was found that there were problems of product quality, marketing skills, basic business skills, management, tax, accounting, and so on. Local OTOPI entrepreneurs normally have less capital investment. Some have tried to get a loan from banks but most are not qualified. Then, they go for a personal loan with high interest rates at 2-3% per month. With Thailand 4.0, the government policy tries to promote the business sector using digital technology as well as local people, but local entrepreneurs still need to adapt and learn. Sometimes, those local products were rejected because of late delivery, missing specifications, and damage. They would be forced to get less profit most of the time.

2. Literature Review

Local One Tambon One products have been promoted and developed for a decade. The registered local product entrepreneurs were about 40,553 in 2015 (Community Development Department, 2016). Only about 2,000 OTOPI entrepreneurs are able to join the annual OTOPI exhibition (OTOP exhibition and OTOPI mid-year sale) in downtown Bangkok. The major sale was only the annual 4-7 day exhibition, which reached 352 million baht in 2016. There were around 160,000-200,000 people attending the exhibition (OTOP, 2016). During the annual OTOPI exhibition, sales were about 875 million baht. The rest of OTOPI entrepreneurs have fewer opportunities. The 5-star OTOPI products are only 3,254 items (SKU). Those 5-star OTOPI products have a small sales volume because they lack marketing and management skills. Some lack investment capital and some have no idea how to manage cash flow for 6 months or throughout a year. They have income mostly from the

Community Development Department annual events which would be 4 times to 6 times a year. The exhibition events also help local entrepreneurs to sell all items before the end of their shelf life. Some entrepreneurs get a contract to sell in retail stores and some have OEM contracts.

Whole sell or retail companies have the same marketing protocol to buy at 30% to 40% of retail price, including all those taxes and interest. The retail company would make 60% profit of the retail price. The payment term is 90 to 180 days after delivery or after products have been sold. This means a local entrepreneur needs at least 8 months capital to make a deal.

Thai International Airline used to bring local products into their business, but it was not a success because of its internal organization and regulation. Today, the government has the OTOP promotion policy and allows Thai International Airline to bring OTOP products to their business and services. The OTOP Prestige project was hosted by CDD to help OTOP entrepreneurs. The government budget was to develop the packaging design. TG gave advice to select products.

The New Exchange Model theory explains that if the buyer market rises, then it would force the potential customer into the market (Van-Waterschoot, Lagasse, and Bilsen, 2006). The functional marketing mix classification would be an appropriate theory as basic and promotion of product mix, price mix, mass communication mix, personal communication mix, publicity mix, distribution mix (Van-Waterschoot and Van-den, 1992, p. 90). Market share and market growth matrix theory can express OTOP products with a range of different matrix frameworks. To evaluate the marketing ecology of OTOP products five forces marketing theory would be partly appropriate (Porter, 1985). On the supplier side, there are a lot of similar OTOP products, while on the buyer side there is no competition at all. Porter's three strategies theory as focus, cost, and differentiation is applicable to local products to the international

market since some products are unique and handmade, some are cultural goods, and some have a specific use. The threat of new entry should focus on cost advantages, but some have high costs because of conventional production processes. This is a challenge since marketing advertising was needed to express those conventional values to customers.

3. Research Methodology

The research objective was aimed 1) to promote OTOP products for international markets, 2) to evaluate type of product and price positioning suitable to sell on board, 3) to propose the appropriate advertising content inflight, and 4) to increase sales volume. The research method started with data collection from current on board sale of products. In the first phase, only 5-star OTOP products were selected. To develop OTOP products many business factors needed to be considered, such as marketing, pricing, packaging, quality assurance, management, and so on. This research was conducted step by step as follows:

1. Marketing survey was taken to file the customer needs for all products on board and lifestyle and make the survey for about 1,000 samples for various nationalities for each magazine. The survey focused on inbound tourists with local product expectation: how they rate Thai civilization, range of price positioning, and so on. The statistical methods of both quantitative and qualitative were conducted with feedback to OTOP entrepreneurs and government agencies.

2. A Delphi study from airline retail experts was conducted to verify collected data, type of sale products, and packaging style. Expert groups consisted of flight attendants, ground staff, export entrepreneurs, airport shop owners and staff, and successful OTOP entrepreneurs. Several brainstorming meetings were conducted with topic of product categories, price positioning,

packaging, product design and customer lifestyles, standards and guarantee, and so on.

3. Pricing strategy was made to set up the price appropriate to airline customers and to identify the optimum selling price. The initial costs were classified as manufacturing, transportation, tax, gross profit sharing, insurance, exchange rate and risk, and so on. Those prices should be acceptable with product values. A price table was set up from raw material to finished product for the OTOP package.

4. Marketing and sales strategy was carried out to set up the advertising channels for all passengers, such as inflight magazine, inflight VDO, website, and online purchasing. Many invited creative leaders were assigned to produce advertising media. Each product history was reviewed and translated. Then, product descriptions in brief were translated into English and Chinese.

5. Sales evaluation was conducted and feedback given to stakeholders. All OTOP entrepreneurs provided monthly sales reports to the Community Development Department data center. Thai Airways International also reported their monthly sales volume of inflight and other stores. After a 4 month period, the magazine, flight attendance, sales staff, and the online store were reviewed to classify which products were the most popular as well as the customer preferable price. The suggestions from onboard customer were also collected.

The Community Development Department (CCD) gave the term of reference to design experts developing product packaging, graphic design, and product quality from selected five star class products to about 120-128 items or stock keeping unit (SKU). That would comprise about 20 to 25 entrepreneurs. Design experts designed and produced the packaging appropriate for the flight cabin as well as a package window to allow inflight customers to see the products. The inflight VDO was prepared and converted to show the local culture product process and heritage. Each inflight OTOP Prestige magazine

volume was every 4 months and with a printing of about 85,000. The first theme was set as "Thai Heritage" to introduce the value of Thai OTOP. The second introduced "Modern Thai Life Style" to illustrate the applicable idea using OTOP products today. The third magazine was "Summer" to promote OTOP products as well as the Songkarn festival event. The fourth showed how to use OTOP products as "Home Life Style" using the home decoration theme. Thai, English, and Chinese languages were used in the magazine and considered Arabic language in the future.

Price positioning was analyzed compared to the market. The government and stakeholders helped to reduce tax, delivery cost, pick up process, and others related things. This aimed to help to get OTOP products to the international market. Finally, during and after OTOP products were shown in the magazine, customers could make an order from the website at a compatible price.

4. Results

The marketing survey results illustrated that inbound tourists were mostly interested in Thai heritage, Thai herbs, Thai symbols, and Thai food. The reason is that most tourist agencies usually promote Thai culture and historic attractions. Therefore, most people have visualized conventional Thai style. Fresh tropical food and fruit are the other tourist perspectives. With the unique taste, those tourists expect to enjoy their trip eating and drinking. From the economic point of view, most tourists have been educated that travel in Thailand is cheaper than in some other Asian countries. In this case, OTOP price positioning is needed to make extra value added for handmade, rich Thai civilization, etc.

The Delphi study results from the flight attendants, ground staff, export entrepreneurs, airport shop owners and staff, and successful OTOP entrepreneurs showed that OTOP products should be classified in 2 groups: as

Thai civilization products with a premium price and OTOP souvenir products to collect left over money from tourists. The government and private sector should promote OTOP as a quality brand to the world. With packaging design and valuable heritage, OTOP products will be sold at a higher price which is reasonable to producer investment as well as for the buyer. OTOP products should develop to fit to the modern lifestyle in daily use. This would serve all demands of customers not only tourists but also local people.

Data from the marketing survey and airline retail experts indicated that the products should be grouped in 3 categories as lifestyles, health and spa, and snacks. The sales price should be set up in 3 ranges as 1) under \$30, 2) \$60-\$80, and 3) \$100-up. Moreover, the sales promotion should be in 3 languages: Thai, English, and Chinese. Design experts started to design new packaging with an OTOP brand logo. The products have different sizes and weights. Therefore, the selected five star OTOP products need to fit in all standard boxes. Each flight would have 2 items for each SKU stored only in one cabin box. OTOP entrepreneurs were trained to pack and deliver their goods in airline condition.

A promotion strategy was started to advertise on inflight VDO. They were advertised on tags and logo at the airline check-in counter and at the airport pickup point. Then, the formal ceremony was

launched as a theme of “From Local Fly to Sky” at Suvarnabhumi International Airport in August, 2016. The MOUs of stakeholders such as Thai Airways, Airport Authority of Thailand (AOT), Thailand Post Office, and the Ministry of Commerce, Ministry of Interior, etc. were signed to collaborate and share the support cost for OTOP flight products. Now, OTOP flight products have been certified as the official OTOP brand. Moreover, in case of inbound orders, those OTOP products have free delivery within Thailand.

Finally, the sales evaluation was conducted from all stakeholders. Since August 2016, inflight OTOP products were sold at 14.5 million baht or 0.5 million US dollars. With the on-board magazine, OTOP entrepreneurs can sell from inflight via www and at their own local stores. The sales volume increased about 3 times from the past. The flight OTOP Prestige in all airplanes were loosen about 30 percent. This showed that flight customers are interested in OTOP products. The first magazine was launched only on the TG airline. The second and third magazines were launched on the other partnership airlines. Korean inflight customers bought the most inflight products. Thai customers bought at the local stores and from www at the same magazine price. It can be concluded that promoting OTOP products through the TG airline has been one of the successful policies.

Table 1: Sales statistics from OTOP Prestige till April 17, 2017

OTOP Prestige	SKU	Theme	Sales on Board (\$)	Sales online (\$) www.thailandmall.com	Sales at OTOP owner*
Aug-Nov 2016	128	Thai Heritage	10,300/mo (avg.)	3,000/mo (avg.)	3 times
Dec 2016-March 2017	123	Modern Thai Life style	11,000/mo (avg.)	3,100/mo (avg.)	3 times
April-July 2017	127	Summer	3,000 (1-17 April)	1,600 (1-17 April)	n/a
Aug-Nov 2017 **	120+	Home Life Style	n/a	n/a	n/a

Source: Actual data from company and OTOP owner. ** In progress



Figure 1: OTOP Prestige on board magazine since the first release August, 2016.

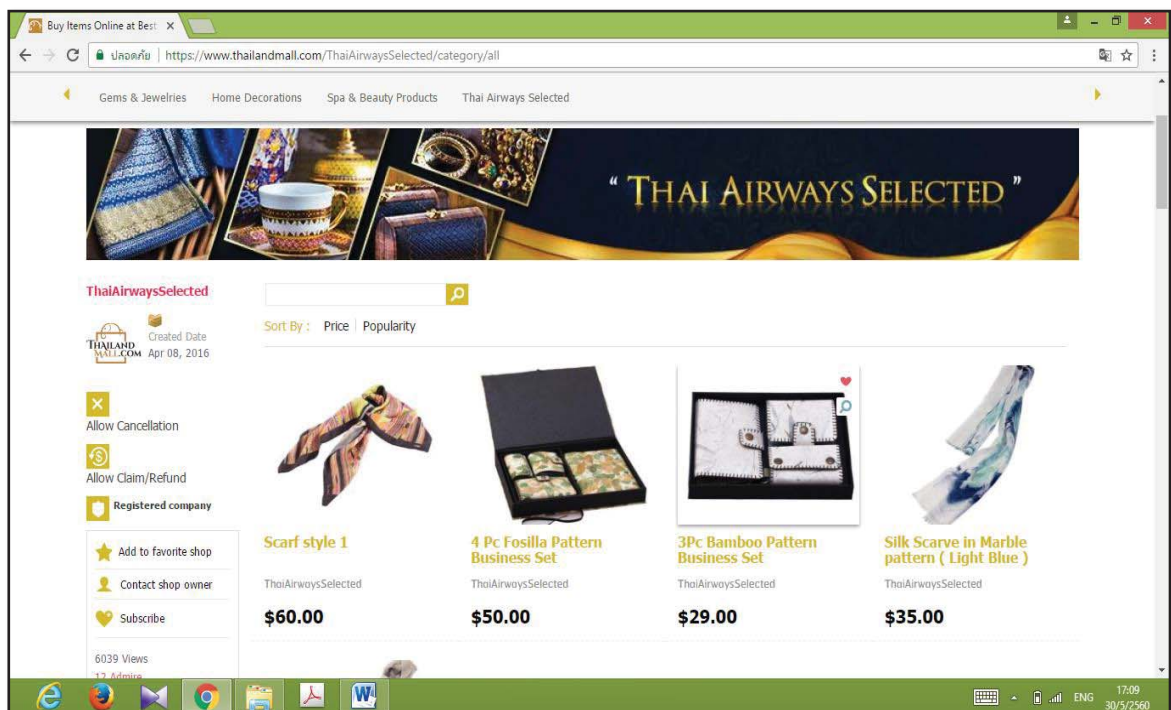


Figure 2: Thai Airways selected OTOP products on Thailandmall.com.

5. Conclusions

From the customer survey on board data, the marketing research result showed that the selling price on board should not exceed 100 USD. The most popular OTOP price positioning is less than 29 USD each. Bracelets and spa products are the most popular, creating a large sales volume. Chinese and Korean customers bought the most onboard products. Each magazine contains only 20+ OTOP entrepreneurs or 120+ five-star SKU products. The three

magazines each year can support 60 local OTOP entrepreneurs or 360 SKU from 3,254 five-star SKU remaining. It would take 10 years to cover the whole existing five-star OTOP products at today's data. Moreover, there are only 60 of 40,553 OTOP entrepreneurs in Thailand each year that have a chance to sell their goods on board. To boost sales and provide a chance to the remaining OTOP entrepreneurs, onboard e-commerce could be one of opportunities for OTOP entrepreneurs.

6. Suggestion and Recommendation

The suggestion for OTOP entrepreneurs would be to develop the product design to fit daily use and life style, improve the manufacturing processes, study more about how to run business and tax planning, and conduct more research to make a high

quality product. Each entrepreneur needs to create a product brand. This is the way to increase the margin and market value. The intellectual property value of each product should be registered. It is highly recommend that OTOP entrepreneurs should conduct a marketing survey before producing a product to avoid marketing risk.

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