

## Chapter 3

# Prototype Business Analysis (CRC. International Co., Ltd.)

To make a business simulation game as close as possible to the real world business, there must be a prototype business to simulate from. The study uses CRC. International Ltd. as a prototype business. CRC is a Thai company that sells home decoration products. Its market area are both domestic and international.

### 3.1 Industry Environment

Target market can be divided into 3 segments based on psychographic:

1. **General Mass Market** - The main players in this segment are department stores. The market is in a maturity stage. The main customers consist of lower class and middle class. Customers are mainly concerned about product usability with a reasonable price. Brand awareness is rarely found in this group of customers.
2. **Complete Home Decorated Concept** - This segment is a growing segment of the industry. The customers in this segment consists of middle class and upper class. They prefer to decorate their homes with a Western style. The market is not limited to domestic market only, there are many international markets like European countries, Japan, USA, Australia, Singapore, Hong

Kong, Malaysia and China. The main players in this market are the companies that mainly sell unique home decorating concepts. There are international companies like Habitat, Living Place, Pier One, Heals, Conren. These companies also have branches in Thailand, located in modern big department stores i.e., Siam Discovery, the Emporium and Central Department Store. CRC is considered to be in this market.

3. **Niche Market (Artistic)** - This segment is very specific to a small group of customers. Customers prefer art works more than commercial ones. The prices of the products are expensive.

The businesses in this industry concentrate on serving niche market needs. Products and services may change rapidly according to the changing customer's styles and global trends. The business process design must be well designed to satisfy customers as much as possible.

Customer's needs are very dynamic and yet this industry gives a very high rate of return. There is a very small number of substitute products because of the products uniqueness and customers brand loyalty.

### **3.2 CRC's Profile**

The company goal is to produce modern high-quality products under the name *Jaliang*. Further more, the company would like to expand its market and gain popularity to international market via its branches and authorised distributors. The company's slogan is "Jaliang Home Store - complete your home decoration with special selected Jaliang's style products".

This business is based on the product concepts which are uniquely designed to match the customer's specific styles. The products are design with the combination of Western style and Oriental style in mind. The target markets are middle class people and upper class people. The company uses its branches which are located in major cities both domestically and internationally, to distribute its products. There are two stand alone shops and three branches in Thailand. Internationally, it has four authorised distributors in Dubai, Saudi Arabia, Singapore and Sweden. 35%

of total sales belongs to domestic and 65% belongs to international.

The company's key success factors are:

1. Product variation
2. Brand awareness
3. Quick response to the market trend
4. Space utilisation
5. High product turn over rate and low inventory stock
6. Sales person quality
7. Good liquidity

CRC has promoted a cross-function team concept in order to be a dynamic organisation that responds fast to a customer trend. The matrix structured is formed as illustrated in the following figure:

Chief of executive officer is the top manager who directs the business. The foreign consultants and board of director give the business advice and suggestions. A general manager brings policies and plans from the top management and put them into actions. Board of Management is to help general manager with their business advice and suggestions. Each department has its own responsibilities:

**Product Design and Development:** The department is responsible for product concept designs (both core and jam products) following the corporate committee's ideas. After that, submit product concept designs back to the board of director to be approved.

**Sales and Marketing:** The department is responsible for promotion schemes for branches and shop and set up the marketing objectives.

**Administrative and Supports:** This section is responsible for inputs procurement, inventory management, products distribution, information technology, financial and accounting, human resource management, office work and administrative work.

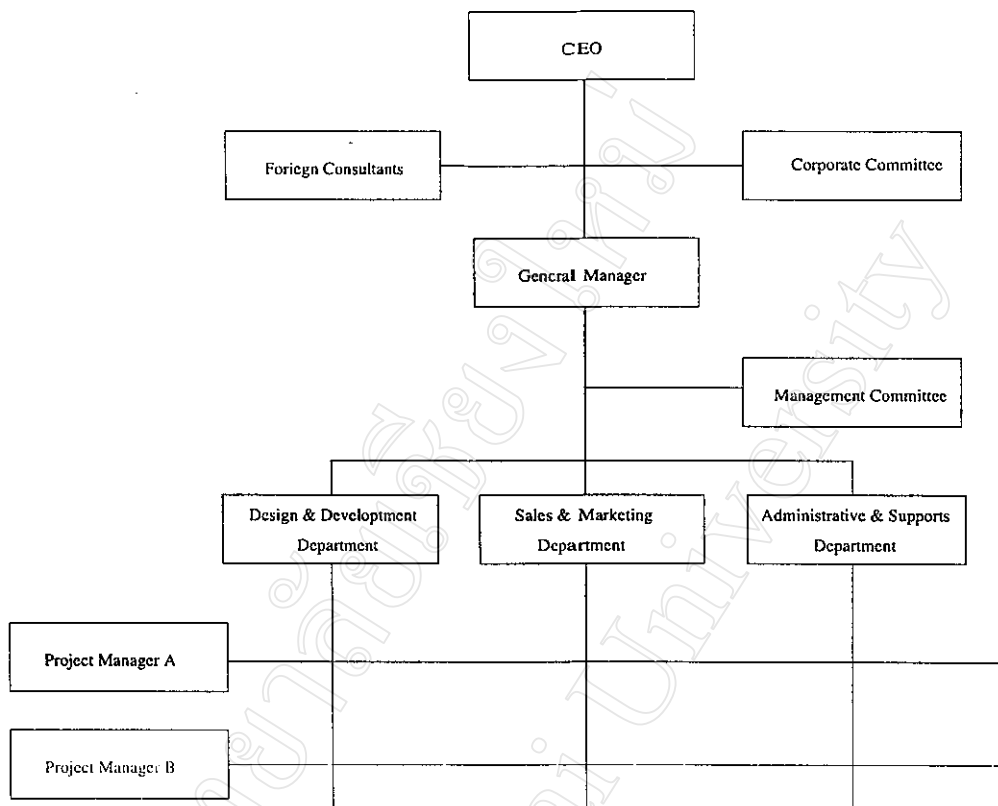


Figure 3.1: CRC Organisation Structure

**Committees:** They are divided into 2 groups:

**Corporate Committee** - comprise of the experts from ceramic industry. The main responsibilities are to establish business direction and policies and to monitor the working processes and outputs.

**Management Committee** - responsible for the most important task of the business, marketing. The committee comprise of the head of all departments.

Currently, the company employs 40 employee into 3 departments. This includes employees from head office, 2 warehouses and sale forces from branches and stand along shops. The recruitment is done by the head office only.

### 3.3 CRC's Products & Services

The company product is to sell a mixture of the company's *core* products and other *jam* products in order to create a complete set of product style, so called "Mixed and Matched" concept. This concept offers specific styles to customer's home decoration styles. The customer can choose among different types of products to decorate different places i.e., bedroom, living room, dining room or garden.

**Core Product:** Core products are mainly ceramic items, for example, plates, bowl, coffee cup, teapot, mugs. The most important source of core product is from **Thai Pottery** factory which is CRC's mother-company.

**Jam Product:** Jam products are items that add-on the core products in order to complete each specific style. The examples of jam products are glass ware, napkin, place mat, table cloths, cutlery, candle stick, vase, serving tray, coaster, tissue box cover, oil bottle, sauce bottle and wooden products.

Each item of *core* and *jam* product are neatly selected based on a well designed style from CRC's product design team. This ensures that the mixture of all core and jam products will create a good style that serves customer's need.

The process starts from knowing customers' life styles and requirements, design product concepts, design *core* products, design *jam* products, outsource for inputs and finally launch products to the market, as it appears in the figure.

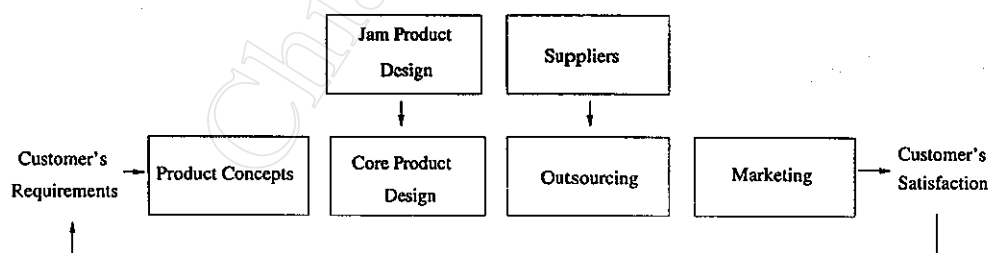


Figure 3.2: Business Process Design

The product design is a combination of Western style and Oriental style which creates various collections to serve the international market trend. Each year the company offers 4 to 6 collections for example Sea Collection, Bird's Feature Collection and Oriental Collection.

### 3.4 CRC's Markets

CRC has two main markets, that are:

**Domestic:** The main customers are degree educated white-collars workers who earn medium to high salaries. They are between 26 and 35 year-old or older. They experience in travelling or living abroad. Foreign investors, business persons and government representatives are also considered to be of this group.

**International:** The main customers are authorised distributors and importers. The company is trying to focus on table ware products for new markets in Asian major cities.

The target markets can be divided into three categories:

**Individuals:** This group of customer is mainly any one who interested in the product. They may ask a company to produce products that match their preferences. CRC does not considered this customer group as a main customer since they prefer the lowest price as possible.

**Importer:** Importer acts as a distributor in each country. Normally, importer an imports products and sells them to retailers located in the same country. However, importer role is decreasing since retailers now have direct connections with CRC.

**Retailer:** The customers in this group are mainly department store and chain store. This customer group also have their own designs for the company to produce for. Formerly, retailers got company products from importers. Currently, they have a direct connection with the company.

The following table shows the product ordering ratios from each type of customers:

Customer Type	Customer Percentage	Order Quantity
Individual	5%	10%
Importer	20%	40%
Retailer	75%	50%

Table 3.1: Customer Segments

### 3.5 CRC's Business Direction

To be the market leader in both domestic and international markets by offering product differentiation, quality and good service. While maintaining the domestic market share, CRC extends to international market and adjust itself to the globalisation.

### 3.6 CRC's Competitive Advantages

The company has the following advantages:

1. The people in the big cities living styles have gradually changed to western style. This implies that there would be more demand for the company's products.
2. The management team has expertise in ceramic industry which is the major product of the company. Therefore, the operation plans is out-perform the competitors' who have no knowledge about the industry.
3. The company does the backward integration which means it has the controls over quality and cost of inputs.
4. There are foreign consultants to give useful information about the global trend, which the company can use to design products that match customer needs.
5. The brand *Jaliang* is already well-known among international markets.
6. The products are very unique with the style combination of Western style and Oriental style.

### 3.7 CRC's Business Strategies

CRC uses product differentiation as a main strategic along with expansion to international markets:

1. Business plan and marketing plan are supported by very strong product development process and design.
2. An attempt to produce high quality products that follow the global trend.
3. Create a business network and business alliances.
4. Create effective sale force by:
  - (a) Participate in an exhibition and use the opportunity to sell high quality products to both current customers and new customers that offer high return.
  - (b) Create a retail network in a form of retail outlet.
  - (c) Create an international network through authorised distributors.
  - (d) Do *Bulk Sales* with new business customers in order to increase sales and reduce cost.

### 3.8 CRC's Marketing Strategies

**Price:** The markup price is 2.5-3.5 times of the product cost.

**Place:** There are different channels that the company uses to sell its products:

- Participate in international exhibitions.
- 2 stand alone shops, one in Bangkok and another one in Chaingmai.
- International authorised distributors, in Dubai, Saudi Arabia, Singapore and Sweden.
- 3 branches in 3 different Central Department Store's branches

**Products and Services:** New products are continuously designed and produced to match each season, festival and ceremony during the year.



**Promotion:** Many promotion tools and methods are used:

- Shop and store decorations - designed to be warm and friendly.
- Educate the customer by giving a better understanding of product quality and values to customers.
- Introduce an e-commerce via a web-site.
- Implement "Grand Sale" festival during the year.
- Improve packaging design.
- Build good relationships with customers

This chapter gave the necessary details about a prototype business that will be used to simulate. The main product of this industry is to sell home decoration ideas and concepts to customers that prefer to decorate their homes with unique styles. Each concept has core product(table ware and ceramic works) as a main component and jam product as a complement.

All information is taken from the company's business plan and reports. Some important information like financial ratio and financial reports are not presented here according to the business secret.