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Master thesis

B2B 電子市集企業進入泰國之可行性研究：

以中國大陸阿里巴巴電子市集為例

Feasibility Study of Entering of B2B Business Model
to Thailand Market: Alibaba Study Case

周美華

Chou, Mei-Hwa

指導教授：湯明哲 博士

Advisor: Tang, Ming-Je, Ph.D.

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論文中文題目

論文英文題目

本論文係○○○君（○學號○）在國立臺灣大學○○學系、所完成之碩（博）士學位論文，於民國○○年○○月○○日承下列考試委員審查通過及口試及格，特此證明

口試委員：



（簽名）

（指導教授）

系主任、所長

（簽名）

Acknowledgement

Firstly, I have to thank my parents for supporting and encouraging me, or else I could not pass through or deal with difficulties in my life smoothly. Without them, I could not be successful today.

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Spending my graduate life at National Taiwan University was valuable experience; I have learned not only in-class knowledge, but also teamwork and friendship. It has allowed me to share my knowledge and experience with teammates, sharpen my skills, and help me see the “big” picture. Furthermore, it has enhanced my relationships with project partners, allowing me to work more effectively. Through brainstorming, the team is able to tap into the creative ideas, experiences and knowledge of several individuals from various experiences and backgrounds. Although it has been said that, “too many cooks spoil the broth”, this overlooks one important point. Many tasks are beyond the capabilities of one person operating alone. Teamwork creates synergy, learning experiences, and a friendly working environment. Also, through teamwork, I have also known lots of friends whose friendship is priceless for me.

中文摘要

人類數千年的文明由狩獵到農耕，並在十八世紀因工業用蒸汽機的應用而跨入了工業時代。隨之而來的是工業的快速發展及新科技的發明，商業與工業的革新勾勒出兩道糾纏的弧線。

生產線的形成始於亨利福特追求生產效率的最佳化，自此，日益龐大的組織結構使得經營者意識到經營管理的重要性。十九世紀中葉後期，資訊科技的發明與演進，讓人類文明進入了一個嶄新的商業模式。更由於資訊科技與網際網路的運用，公司開始走向國際分工與組織再造。

然而，新的產業競爭固然擺脫了傳統的思維模式，公司仍需在價值鍊上架構出其獨特而具有價值的資產，並同時追求其卓越的競爭優勢。同時，B2B（Business-to-Business）型態的商業結構廣泛地運用了資訊科技與網際網路，進而加速了國際分工與全球化的腳步。

本論文詳盡地剖析了產業環境與其關鍵成功因素，並同時討論到可能的失敗因子，以期對公司何以成功有更深一層的了解。因此，學生將以泰國的 B2B 公司為研究樣本，其中包含了成功與失敗的案例之風險與財務結構分析。在財務結構分析的研究方法係引用了現金流量評估技術（the estimate of cash flow）。此外，本論文將更進一步地闡述企業成本不僅只是科技的應用，更須考慮到行銷、財務、供應鏈管理與科技管理的結合，並且與產業環境有著密不可分的關係。

關鍵詞：企業對企業經營模式，供應鏈整合，電市集市場，阿里巴巴，泰國市集市場，資訊搜尋工具。

Thesis Abstract

Nowadays, business and technology management are the two most valuable and inseparable assets for leading organizations due to their enormous capabilities that are consistently offered and endowed as they evolve. Through the in-depth knowledge of putting information and technology into suitable practice that supports and reflects business strategic directions, business visions can be rendered into a more realizable form of success.

To merge the knowledge of information system, technology, business, and organization management together, the business could acquire the rare and valuable asset of its value chain through the combination and has competitive advantage superior to others. Business-to-business or B2B business model in electronic platform is applied with the widespread of the Internet technology that could connect businesses and organization together globally. The business model is interesting in its success and failure which are substantially different among industries.

This thesis is done by a thorough research of not only characteristics of the industry and the key success factors together with reasons that obstruct the business model to be successful in that area. Both successful and unprofitable exemplifications are shown. Thailand market and industry together competitors are analyzed; moreover, the feasibility of this B2B business model to enter to Thailand market is conducted through analysis of risk to do business in Thailand and financial potential is evaluated through cash flow estimation. However, being successful in doing business does not depend on only the technology but requires the conjunction of marketing, finance, supply chain management, technology management skills and other several factors like characteristics of the industry.

Key Words: B2B Business Model, Supply Chain Integration, Electronic Marketplace, Alibaba, Thailand's Electronic Marketplace, Information Search Tool.

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Chapter1 Introduction

1.1 Background and Motivation

Working as a marketing officer at Golden Town Film, the biggest movie company in Thailand, I experienced some problems and characteristics of Thailand's market. Since the company would like to expand its scope to distribute all products by itself instead of doing it through an agent, all marketing officers are divided into small groups to fit to product segmentation and the new department was set. The problems occurred when we submitted all product design and package production to one company. We had no experience in manufacturing packages, and searching a company to do this work seemed to be the most difficult task. In Thailand, almost all business process depended on recommendation from business partners or word-of-mouth. However, it was not reliable as it should be since businesses keep suppliers' information as a secret. It looked like we were taking risk to do business with these manufacturers. The work was stuck although all products were prepared and ready for releasing. The producer could not submit the work in time and we had no packages to contain products. What made it worse was that when the packages arrived, the quality was much poorer than expected and the design was copied by fake products; moreover, the cost was raised higher or the products would not be handed in. The late launching caused damages on not only the financial figure of products sold, but also the reputation of the company. Some customers cancelled the order and bought the fake products instead although the quality was different. Thus, I came to the idea that since Thailand market still lacks widely opened information, it is difficult to reach for information and find trusty partners. Outsourcing through qualified suppliers seems to be arduous and all things are relied on

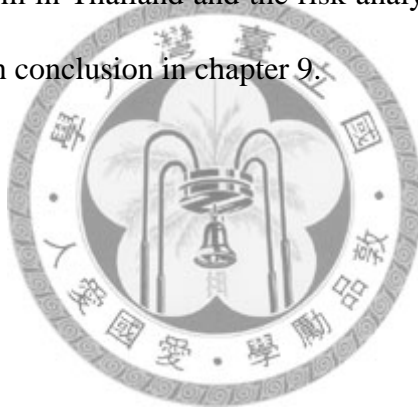
luck whether the partners are honest and have capability to accomplish the task at the standard level. Choices should not be from yellow pages and all people should not lose their opportunity or reputation in doing business. So, business-to-business business model in electronic platform may be one of the solutions that could help fix the problems in Thailand market. Also, there are still more and more small suppliers emerging in the market due to government campaign to support the new and young entrepreneurs; however, the capability to find buyers is beyond government's task. The private companies have to find themselves, but most of them fail to do so especially in a foreign market. Business-to-business platform would help them in information transparency and to reach foreign buyers at the cheaper cost. Alibaba is a good example for doing this function as an intermediary for business to be linked together and help create task together, building reliability among partners. However, whether this business model would be suitable in Thailand market in the short run or in the long run is still a question and it will be observed and analyzed in details in this thesis.



1.2 Thesis Structure

This thesis is written by starting with the introduction of background and motivation, together with thesis structure, which are all described in chapter 1. Then, chapter 2 would talk about literature review with three models that would be applied to do analysis in later chapters. The three models are STEP, Five-Forces, and Value Chain analysis. Later, the examples of the successful B2B business model will be introduced with the summary and key reasons that help make the business successful. Alibaba is chosen due to the fact that it is one of the most successful enterprise using B2B business

model. However, while Alibaba stands for the success worth to learn from, there is in fact abundance of businesses in many industries that fail to do the B2B electronic platform in the United States. Thus, the categorization of this business model is described and Dell is exemplified and analyzed as it is the business unit that fails to be successful by using this business model in the U.S. Thailand introduction and macro analysis of Thailand market are conducted in Chapter 5 followed by competitive evaluation for leading auction sites like Amazon, eBay, Yahoo, and Google including applying five-forces and value chain analysis to the new bred market like Thailand. Then, the evaluation of the revenue model that the company would use is evaluated by studying the payment system in Thailand and the risk analysis is done in chapter 8 and the content will end up with conclusion in chapter 9.



Chapter2 Literature Review

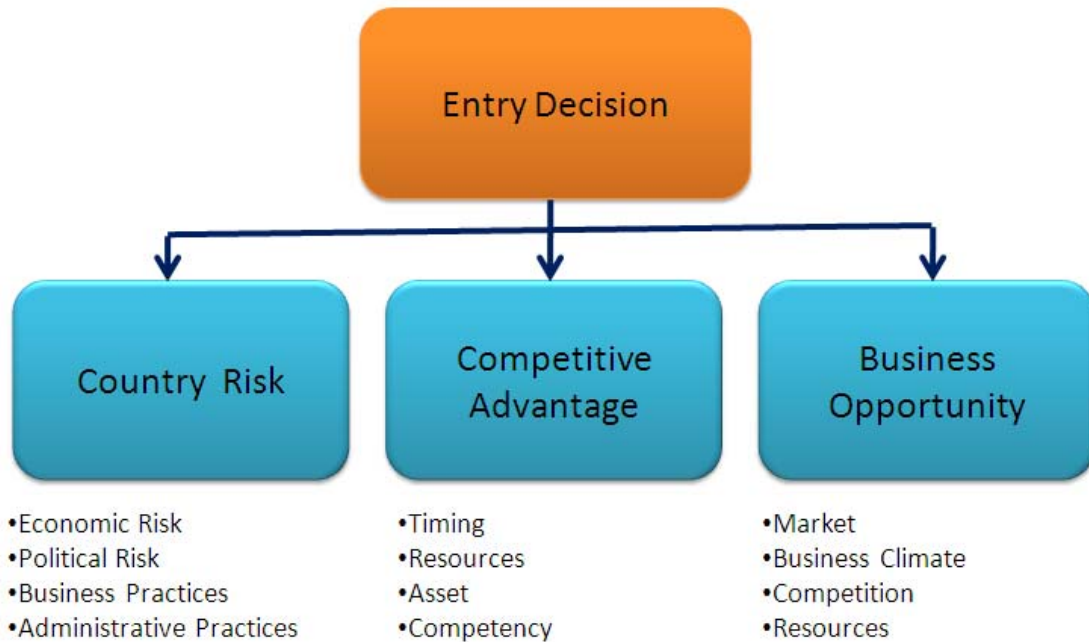


Figure2-1 Entry Decision

The external environment of enterprises at **country level** can be analyzed by conducting a STEP analysis, describing for macro environmental factors including the Social, Technological, Economical, and Political environment that would affect business.

2.1 STEP Analysis

Social Factors

Social factors will include the demographic changes, trends in the way people live, work and cultural aspects of the macro environment. These factors affect customer needs and the size of potential markets as we should consider population growth rate, culture, career attitudes, attitude to changes, language, life style and tastes, or religion.

Technology Factors

Technology factors are changing the way business operates. It is vital for competitive advantage, and a major driver of change and efficiency. The Internet is having a profound impact on the strategy of organizations. It means a faster exchange of information beneficial for businesses as they can react quickly to changes within their operating environment. Those businesses, which are slow to react, will lose opportunities in doing business. Technology factors include automation, innovation, rate of technological change, and perception of technological change, ability to lower cost and to get a better quality, communication system, production technology, and availability.



Economic Factors

All businesses are affected by economical factors nationally and globally. Whether an economy is in a boom, recession or recovery will also affect consumer confidence and behavior. The dramatic impact of reduced funds from financial institution is obvious. It also affects the purchasing power of potential customers, and the state of the internal/external economy in the short and long-term. The unit may need to consider: economic growth, interest rates, inflation rate, budget allocation, level of inflation, employment level per capita, long-term prospects for the economy and the impact upon funding, currency or exchange rate, distribution of income or cyclical changes.

Political Factors

Politics can have a direct impact on the way business operates. Decisions made by government affect the operations of enterprises to a varying degree. Politics has a huge influence upon laws and regulation on businesses, and the spending power of consumers and other businesses. It includes government regulations and legal issues defining both formal and informal rules. An MNE may need to consider issues such as stability of political environment; laws and regulation; government policy and trading agreements; employment laws; environmental regulations; trade restrictions, quota, and tariffs.

For **industry and competitive analysis in industry level**, the **competitor analysis** using five forces model analysis with five aspects will be analyzed: industry structure, rivalry, and firm strategy; bargaining power of suppliers, bargaining power of customers, threat of potential entrants, threats of potential substitutes are explained here:

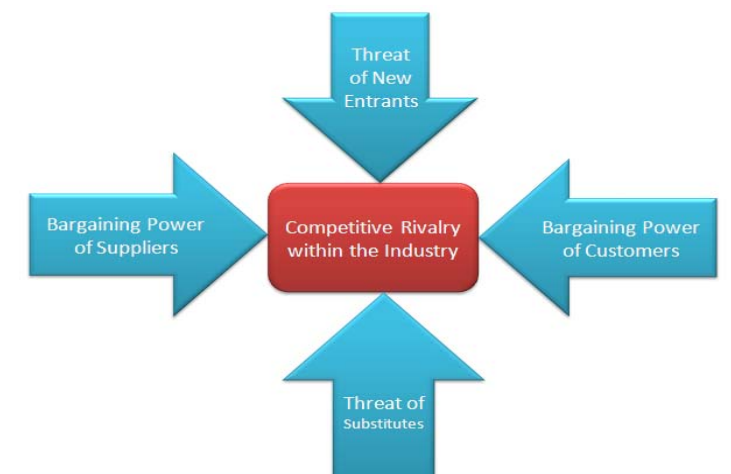
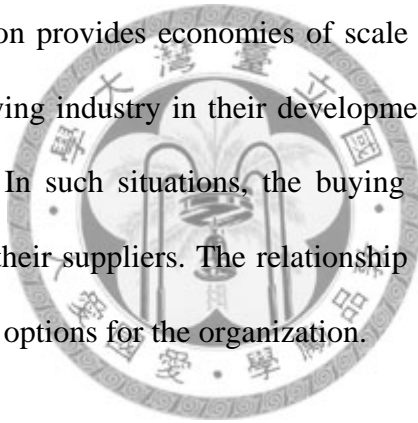


Figure 2.2 Five-Forces Model

Bargaining Power of Suppliers

It is likely to be high when: the market is dominated by a few large suppliers rather than a fragmented source of supply; there are no substitutes for the particular input; the suppliers customers are fragmented, so their bargaining power is low; the switching costs from one supplier to another are high; and, there is the possibility of the supplier integrating forward in order to obtain higher prices and margins. This threat is especially high when: the buying industry has a higher profitability than the supplying industry; forward integration provides economies of scale for the supplier; the buying industry hinders the supplying industry in their development; and, the buying industry has low barriers to entry. In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship with powerful suppliers can potentially reduce strategic options for the organization.



Bargaining Power of Customers

Similarly, the bargaining power of customers determines how much customers can impose pressure on margins and volumes. Customers' bargaining power is likely to be high when: they buy large volumes; there is a concentration of buyers; the supplying industry comprises a large number of small operators; the supplying industry operates with high fixed costs; the product is undifferentiated and can be replaced by substitutes; switching to an alternative product is relatively simple and is not related to high costs; customers have low margins and are price-sensitive; customers could produce the product themselves; the product is not of strategic importance for the customer; the

customer knows about the production costs of the product; and there is the possibility for the customer integrating backwards.

Threat of New Entrants

The higher the competition in an industry is, the easier for other companies to enter the industry. In such a situation, new entrants could change major determinants of the market environment like market shares, prices, or customer loyalty at any time. There is always a pressure for reaction and adjustment for existing players in this industry. The threat of new entries will depend on the extent to which there are barriers to entry. These are typically economies of scale; high initial investments and fixed costs; cost advantages of existing players; brand loyalty, patents, licenses etc.; scarcity of important resources such as qualified expert staff; access to raw materials; distribution channels are controlled by existing players; existing players have close customer relations; and high switching costs for customers.

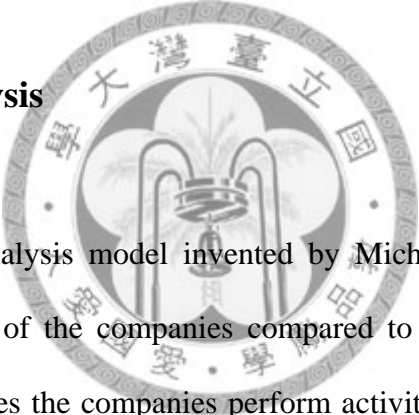
Threat of Substitutes

A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products. Similar to the threat of new entrants, the threat of substitutes is determined by factors like brand loyalty, close customer relationships, switching costs, or current trends.

Competitive Rivalry among Existing Players

This force describes the intensity of competition between existing players in an industry. High competitive pressure results on prices, margins, and profit. Competition between existing players is likely to be high when there are many players of about the same size; players have similar strategies; or there is not much differentiation between players and products. Also, low market growth rates could be explained as the growth of a particular company is possible only at the expense of a competitor or barriers for exit are high from the factor like expensive equipment.

2.3 Value Chain Analysis



Value Chain is an analysis model invented by Michael Porter that talks about measuring the capabilities of the companies compared to rivals. He discussed value chain as the whole processes the companies perform activities and link these activities together to operate a business. The activities could be divided into two main groups which are primary and support activities. At the micro level, the companies would be analyzed for their resources and capabilities to perform any particular work.

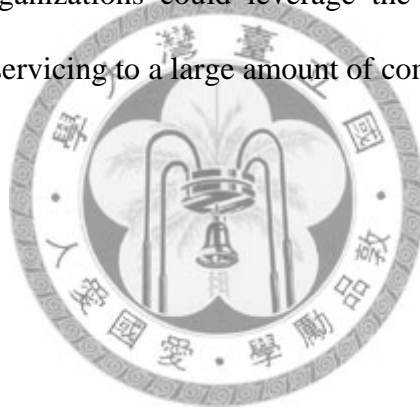


Figure 2-3 Value Chain Model

Primary activities are involved with the process dealing with creating or delivering products or services, and they are categorized as the inbound logistics, operation, outbound logistics, sales and marketing. On the other hand, supporting activities involve procurement, human resources, research and development, and infrastructure. The infrastructure is identified as activities about finance, information management, or quality control. If the companies operate efficiently, they could generate profit for their own organizations.

However, to make a decision whether the companies would do the activities by themselves, the companies would have passed the process of decision making through two-stage decision model in value chain analysis. Firms have to think about whether it is necessary for them to perform the activities by themselves or in-house. If it is required to be proprietary, firms may conduct these jobs by using their own resources

and capabilities; however, if the resources and capabilities are not enough or suitable to perform by their own, they may choose between developing and improving it in-house or finding strategic alliances instead. In contrast, if it is not necessary to perform by themselves, they could outsource or sell these jobs or units to outside organization whose capabilities are more efficient. Since nowadays there are an abundance of firms specifically responsible for a particular work, companies may outsource some activities that are high in commonality or that the company could not perform well. This may result in higher performance because the companies could pay attention to their core activities. Also, the cost of operating these activities may be lower than performing by themselves since these organizations could leverage the infrastructure by acquiring scale of economy through servicing to a large amount of companies.



Chapter 3 Alibaba Overview

3.1 Alibaba Introduction

Alibaba is an internet marketplace established in China with the prospects it saw from structure and characteristics of Chinese suppliers comprising an abundance of small and medium-sized suppliers. Alibaba served as suppliers' best solution to get into promoting and to link both parties of sellers and buyers domestically and internationally.

Jack Ma started up his electronic commerce through the idea of providing basic information about Chinese suppliers. His first electronic commerce website was chinapages.com, one of China's first business-oriented websites. Applying his acquired knowledge of founding chinapages.com and his vision on the opportunities of doing business online as an intermediary among scattered SMEs in China, Alibaba was founded in 1999 by Jack Ma using his borrowed capital investment amounting to \$60,000, coupled with an unpolished computer or internet-related knowledge. As he used to describe the experience, he was like a "blind man riding on the back of a blind tiger". During the dot-com bubble, with only a limited amount of money enough for an 18-month survival, Alibaba struggled to survive. Eventually, it became evident fiscally that Jack Ma could lead the company to its success by expanding its service internationally. In addition, this Chinese entrepreneur could even attract the foreign investors to join his business-to-business or B2B marketplace regime. Well-known institutions like Goldman Sachs, Fidelity, Venture TDF, Transpac and Investor AB gathered together to provide investment amounting to \$4.5 million dollars. Softbank was also included for the second round cooperation in the year 2000. After partnering

with Yahoo, they launched online auction and payment businesses together with new technology to support his core business and streamline software platform.

3.2 Vision

According to Jack Ma's vision, the founder aim to create one million jobs, change China's social and economic environment, and make it the largest Internet market in the world. He intended to build up an ecosystem for businesspeople and consumers to do all aspects at his online website.

3.3 Organization



Alibaba is the company offering various kinds of services ranging from searching, accreditation, authentication, accuracy, information providing to website personalization to meet the needs of both local and foreign customers both in China and in other countries through the business-to-business platform business model. Alibaba's organization could be divided into two core areas which are Alibaba China and Alibaba international.

Alibaba China has its domain name as China.Alibaba.com which offers marketplace for buyers and sellers to meet with accreditation services provided by well-known third party credit rating service. However, Alibaba.com is for global trade mostly doing trade with China's local suppliers and serving small and medium enterprises. In 2008, Alibaba China has more than 38 million registered users. It also has a strong growth of revenue to 3.001 billion RMB (increasing 39 percent) and has over 4.6 million storefronts (increasing 56 percent) compared to the previous year. Furthermore, its

paying members increase 41 percent to 432,000 members in 2008 compared to the year 2007. China's marketplace is still dominant for its business with as many as 30.1 million registered users, whereas there are only 7.9 million registered users in international marketplace, accounting to only 20.79 percent of China's total users of 38,075,335 in the year 2008.

Established in Hangzhou, Alibaba is headed by Hong Kong CFO and GM, Joe Tsai, and the company's headquarter is located in this small island. However, Alibaba's engineering team of both offices in Silicon Valley and Hangzhou work together closely to share resources and capability to strengthen the company and expand its scope of services. While Hong Kong office takes responsibility mainly for services and strategic function, Shanghai office is responsible for marketing and business development and runs Alibaba's China and global marketing from Shanghai. Beyond territory of mainland China, Alibaba also catches some market shares in Korea and its website is run in Korean language. In contrast to other Alibaba websites, the pace in Korea is accomplished by joint venture with Softbank. Yet, Alibaba expands its market to Europe through alliance with local internet companies and Chambers of Commerce.

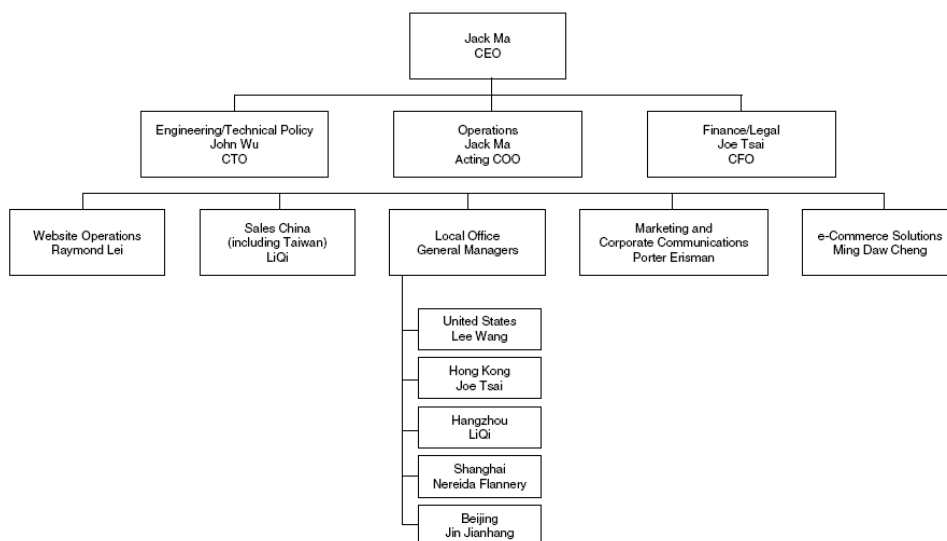


Figure 3-1 Organization Chart



Figure 3-2 Operating Function Overseas

Under Alibaba enterprise, Taobao.com offers the business model different from Alibaba since it is in business-to-customer or customer-to-customer form. Taobao is the main competitor of eBay in China for on-line auctions. Currently Taobao has over 65% of the auction market with 27 million registered users. Taobao is adapted to the Chinese culture; contrary to eBay using bidding system, it catches bargaining preference among Chinese and this method makes Taobao the most popular website in China market.

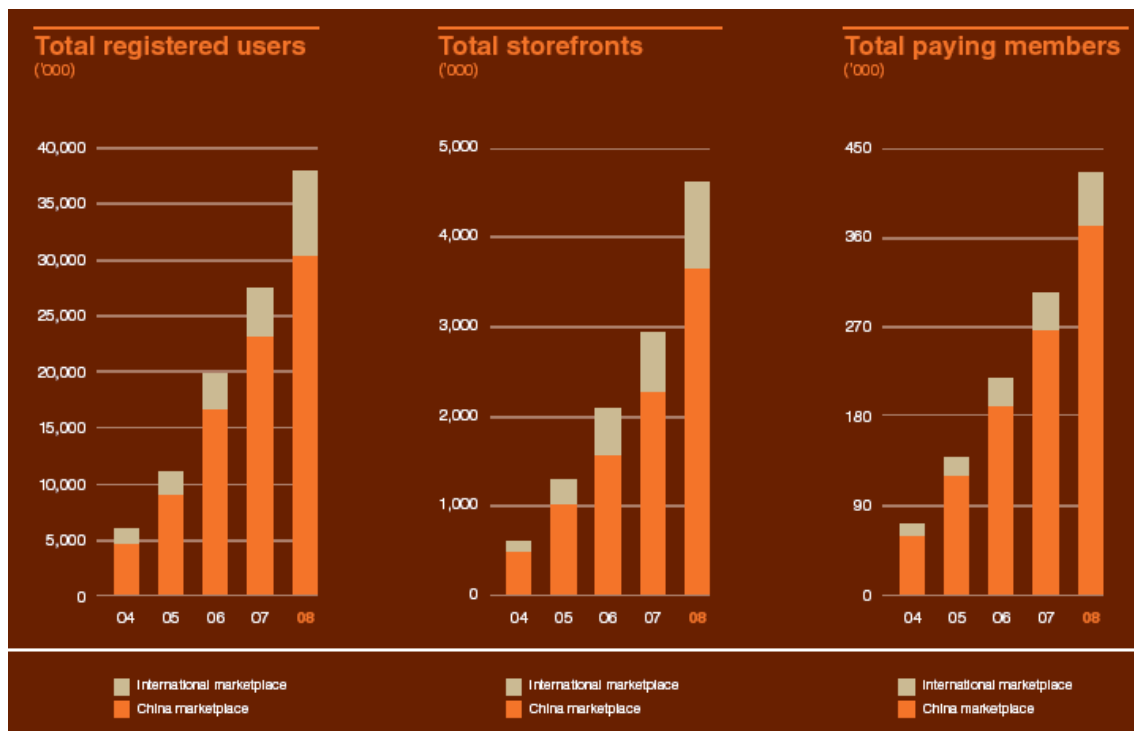


Figure 3-3 Registered Users, Storefront, and Paying Member Comparison

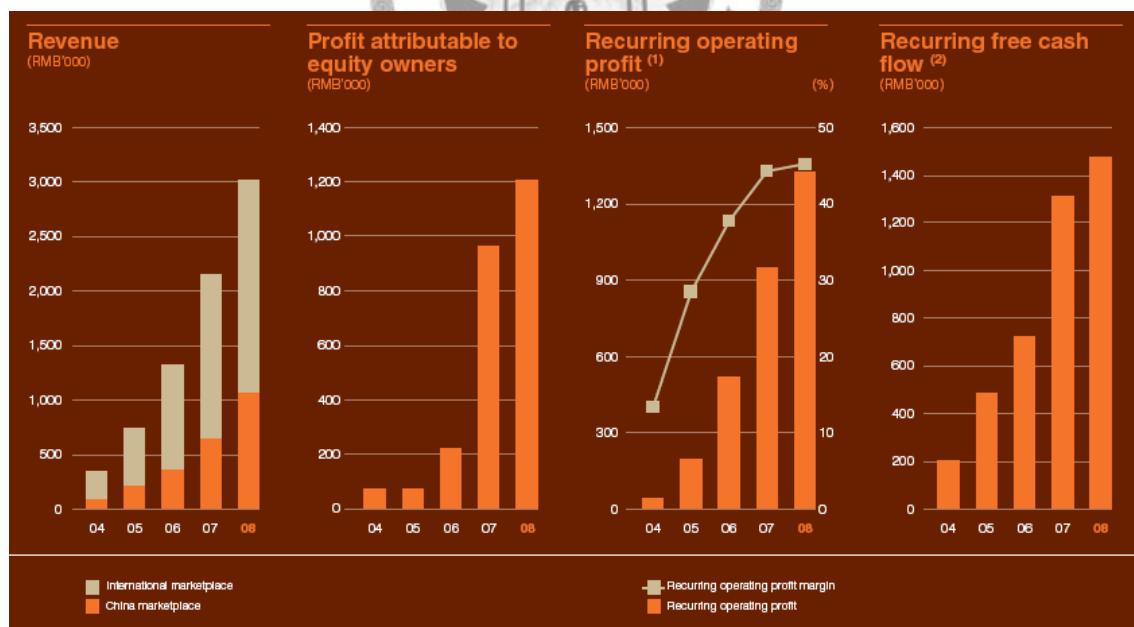


Figure 3-4 Financial Key Change

3.4 Taobao VS eBay China

While eBay has maintained its strategy of charging for auctions listings, Taobao offers free listings. Also, Taobao has better sales force and a site design that makes more sense to Chinese users and it exceeded eBay by 4th quarter of 2004. Moreover, Alibaba became the biggest player in electronic commerce as it acquired Koubei.com, the most successful community-based classify listing, in 2006. Alibaba would bring a great influence to online auctions, B2B business models and the search engine market. However, the western brand could also leverage its reputation in China, but western companies including eBay in the internet sector need to be more flexible and adaptable to Chinese culture.



Three Synergistic Marketplaces: The Ecosystem

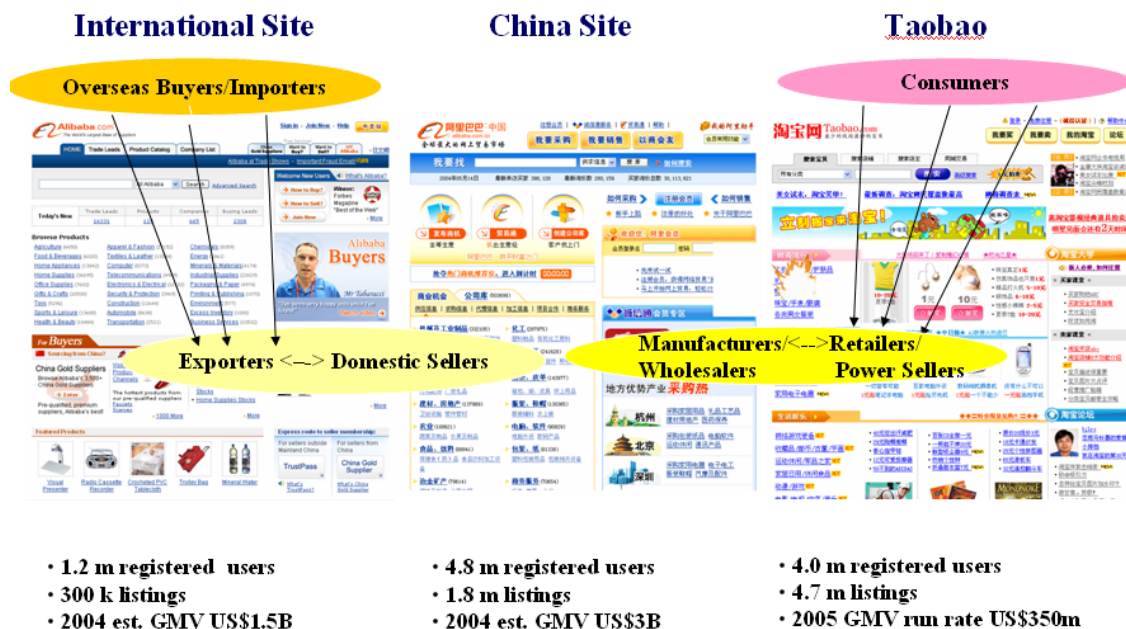


Figure 3-5 Ecosystem

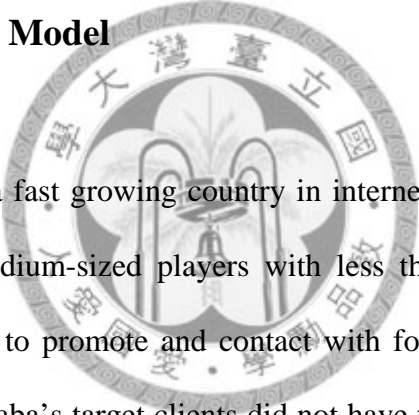
3.5 Key Chinese Market Attributes that Set Up B2B Marketplace

B2B marketplace on internet has been an excellent solution for trade relations to China since China still had many characteristics which obstructed its growth. Being first mover in the market is meaningful to China since China at first had a low penetration market. Also, the B2B market in electronic platform will let China get advantage from its network effect which has not resulted in Chinese market yet. In the newborn Chinese market, all kinds of payment were not trusted and involved settlement problems. Buyers and sellers rely on face-to-face meeting, which later urged the creation of Alipay. Moreover, the partnership with third party like credit rating companies helped boost trust among partners to make transaction online. In the old days, Chinese market was not mature enough to charge fees, offering the fee-free service by Alibaba attracted and gave the best benefit to all customers. Yet, Chinese market lacked systematically well-prepared information, so it was not suspicious why Alibaba was a good source of all people to search for information and make up more business deal among companies around the world. Searching through website like Alibaba, buyers and sellers could reduce their own search cost. Cheaper search cost and faster time spending with reliable information is one of the incentives why businesspeople decide to join. Moreover, as communication problems due to language barrier was a critical problem for both the local and foreign businessperson alike, Alibaba was one of the best answers to them. In addition, there were considerable suppliers scattered around the country; however, these Chinese suppliers were small in both scale and scope, so their potency to connect to other parties was less. Furthermore, since they still lacked experiences of doing business and knowledge of how to promote their business, Alibaba provided services to them to get rid of these problems and acted as a business school at the same time.

3.6 China's E-Commerce Market

In 2007, there are 205 million internet users in China, compared to 59 million in 2002 while the online shoppers compose of 17 percent of overall internet users in mainland China or just 35 million internet users. It is obvious that the number of internet users triples in 2007. However, online shopping penetration is only about 35M which may be a small number compared to the west, but it increases seven times from the year 2002 which amounted only 5 million.

3.7 Alibaba's Business Model



Mainland China was a fast growing country in internet sector, being second after the U.S. Its small and medium-sized players with less than 200 employees had no experience and knowledge to promote and contact with foreign or even local buyers. Additionally, many of Alibaba's target clients did not have the necessary technology or were culturally averse to conducting business on an impersonal level. These were primary causes of building the electronic platform intermediary marketplace like Alibaba to fix this gap. Advanced technology helps make virtual marketplace real and useful for being the stage that brings people all over the world together with just only a few clicks. This platform is for small and medium sized entrepreneurs. It links and connects both domestic and international suppliers. Alibaba attracts more and more suppliers and buyers to the system since its system helps build up good image among domestic suppliers and provides basic resources for SMEs. In this arena, the problems relating to fraud are solved by providing reliable information to both parties and applying approving system; moreover, the fraud controlling is standardized

systematically by its trusty payment system. Alibaba refuses to restrict its scope to one or a handful of industries and its platform is a global supply chain platform dealing with not only domestic suppliers but also international suppliers.

3.8 Alibaba's Strategies

Alibaba adopted various kinds of strategies to make the system efficient for users. The company tried to avoid exposure to the risk of offering credit and outsourcing what it could not do by itself. Instead, it brought in the widely known credit rating companies to do the task through strategic alliances so that it could boost the reliability among overseas partners, together with working with partners to create a product that meets customer needs. Alibaba has continually conducted market research and measured user website sessions, page views, and member characteristics, as well as more descriptive indicators such as member location, industry, and occupation. The company pursues aggressive marketing push in China in mid-2000 through print and online advertising in regional newspapers, national business papers, and domestic Internet portals like Sina.com, Sohu.com, and Yahoo China. For the local market, some English-speaking businessperson would be attracted by advertisement on CNN International and CNBC Asia. Alibaba also participated in targeted events like Shanghai trade shows and worked with an advertising agency for international and domestic China marketing. Likewise, Alibaba sought workforces ranging from programmers to develop applications for its software platform, designers to improve the look of the websites, and web producers as project managers. The challenge was to hire enough appropriate technical expertise to meet the market demand. At Alibaba, claiming that 32 are too old, its employees are averaged at 26 and expected to be deeply committed to Alibaba's culture of trust,

teamwork, dedication, and professionalism. According to their management team, while experience is not the first priority at Alibaba, instead good health, a good heart, and a good head are what they desire. They focus on teamwork and high morale which lead to relatively low turnover rate. Having an image of Chinese B2B pioneer, this mainland Chinese company attracted a number of overseas Chinese. Besides, Alibaba made an important decision to expand its own network and financial status by cooperating with Yahoo and entering in joint ventures with some financial institutions to ameliorate and increase its technology and finance. Alibaba also tends to diversify its business scope rather than specializing in a specific industry. Last but not least, the company is willing to compete in areas in which they previously had no record or core competence and show willingness to co-opt new technology, and are happy to enter into a crowded and competitive field.



3.9 Alibaba's Value

Alibaba's unique attitude in selecting workforce is expressed in this diagram.



Figure 3-6 Alibaba's Value

3.10 Alibaba's Performance


Within only a few years, Alibaba had strong brand recognition in China and overseas. Some 425,000 members from 200 countries were registered on Alibaba's four websites by autumn 2000, and its rank continued to grow at a rate of over 1,200 new members a day. Its website traffic on Alibaba.com averaged nearly one million page views per day, and it was believed that the company was the highest traffic for any B2B player in its category. Although initially facing website's traffic crisis, the company survived in 2002 and had a fast growth since then. The company moved forward, integrated by its Yahoo! China team, and became the largest net marketplace globally.

3.11 Key Investment Consideration

Alibaba was established with the goal to be the leader in the market or the largest electronic commerce company in China for business-to-business marketplace of small and medium enterprises. Its China market had favorable Macro Trends which referred to Chinese economy of global trade involving small and medium enterprises together with its private sector. Alibaba is also advantageous in its marketplace with critical mass in users and transaction volume together with strong network effect and its online community. Since the business is in the national interest and has no controversial revenue and content, the risks for political or regulatory factors are quite low. Alibaba has been successful in building their own brands and also creates small and medium enterprise customer base substantially which both are valuable assets for the company. This strong and scalable customer base could let the company get revenue from many offering services. The company's financial situation is much better when it could attract

many well-known financial institutions to support and partner with. Alibaba has a strong free cash flow, high return on investment capital and low capital expenditure which turns the company to have high shareholders' value. In addition, the employees' turnover rate is as low as 2 percent and its impersonal working atmosphere with the deeply bond culture among them help create good relationship and efficient performance of employees. Alibaba also applies a strategy of equity ownership among management level and employees at the rate as high as 45 percent which would be the key to its increasing performance.

3.12 Resource Channel

The seal of Tsinghua University is a circular emblem. It features a central design with a stylized flower or sunburst motif. The Chinese characters "清華大學" (Tsinghua University) are inscribed around the perimeter of the seal.

Besides being only a platform for business parties to be connected, credible information about local and foreign matters goes beyond only rules and regulation of doing business, but it includes sourcing, shipment, customs, financing, insurance, quality control or even marketing. Alibaba also offers its comprehensive member discussion forums or Business Club which works as a bulletin board or chat room for members. The B2B website also offers trade leads which is arranged by product categories. In processing business with other parties, the sellers also could use sample house service which is a function that allow them to view product samples. They also try to build customers' stickiness by offering free electronic mail that permits members to communicate with other business parties in the website directly. My trade activity is one of the tools that Alibaba makes use of to let customers stick to the website as they could help aggregate and document all transaction history of offers and quotes or purchase orders through this online template and allow members to offer and document quotes, purchase orders, and negotiations online. However, before submitting these

transactions, the company has its own teams to review and check whether the submission is complete or clear. These orders should also be accurate and relevant to its product categories. Beyond customers' expectation, Alibaba offers BizSite products for their members, and the online storefront of members would be created by Alibaba's hosting. This service also allows members to escape from the complicated page with irrelevant information of other companies but go to the focus page of their interest.

3.13 Revenue Model

As Alibaba is a fee-free online website, it could attract more and more users. Also, by providing various kinds of services, Alibaba could create stickiness towards its website among members because they would rely on these services and use them in their interaction for doing business. Alibaba gets a large amount of member around the world; however, what it would beg for is the proper number of stable volume use to guarantee enough commissions from banks, insurance companies or even shippers. But, it seems that Alibaba would go beyond the fee-based revenue model when they start to have the idea of generating revenue from transaction-based revenue or even sharing revenue with third party. With the services in hand and the stickiness they have been creating, customer base in hand would be the good source for its new revenue model.

To compare between business-to-customer and business-to-business business model, the subscription fee of B2B business model is much higher, and it is estimated around \$5,000 to \$8,000 while B2C is around only \$300 although the number of users and product listing is much lower for B2B.

The BizSite service is a good example for revenue sharing agreement that Alibaba would make with any enterprises which would set up storefront to sell to other members.

Online marketing services which would provide selection of preferential position or presentation of banner ads is one of the choices they are considering. Alibaba yet would generate income from its designing and selling of banner advertisement. Also, Alibaba goes beyond its platform by cooperating with Motorola when they adopt the content of the website to wireless format through their WAP agreement in the year 2000. It is obvious that Alibaba today offers more than a platform for business parties to be connected or basic information both in domestic and foreign data. Special services are offered to meet customers' needs in premium content and allow them to obtain personalized website. The details in information in various aspects and fields together with preferential positioning on portals are available too.

At present, Alibaba's sources of revenue are from its online advertising, seller registration fees, member accreditation services, and revenue sharing with third party service. However, as Alibaba would like to move from its previous business model of fee-free service, the company's idea of generating revenue from revenue sharing with insurance, credit rating or shipping companies was postponed. The company preferred to focus on online marketing which would adopt one by one partnership per time. The revenue sharing plan with AsiaConnect and PIERS was suspended. Also, desiring to join with the Industrial and Commercial Bank of China and HSBC for electronic commerce payment for both domestic and international transaction is flopped due to China's lack of access to credit system and transaction technology.

3.14 Competitors

There are many competitors who do the similar business like Alibaba; however, some of them are sophisticated, while most are just an extending version from offline store. They mostly act as supporting department of offline store.

However, Alibaba considers Global Sources as its closet competitor. Global Sources operates in a similar way as Alibaba and is quite successful in its operations. But, Global Sources' profit mostly comes from its offline business.

Besides, the start up of a product design website of Li & Fung, a legend trading company based in Hong Kong, is based on the same online business model. However, studiodirect.com under Li & Fung is a close system and focuses on global practices while Alibaba is an open one and most of its members are from China. The website also helps reduce customers' transaction costs and offers good service at much lower cost than industry standard.

MeetChina.com is another main competitor of Alibaba. It offers service to link Chinese suppliers with foreign buyers and also is an early mover in this business, whose link is connected to credit agencies. The website also processes other tasks in the entire process like inspection or shipping.

Also, some B2B enablers whose revenue stream is the same as Alibaba's is detrimental to Alibaba. Portsnportals and Freightquote dot com are both the online B2B business companies focused on shipping. Another example is Commerceone who cooperates with IBM and Oracle to work in increasing the capability of the website to do business.

Another interesting B2B business type is a buyer-driven form that emerges from many world famous firms who build their own network to satisfy buyers' needs.

Transora is a good example for consumer products with partnership among leading consumer-product companies like Unilever, Procter & Gamble, Coca-Cola, Johnson & Johnson, PepsiCo, or Nestle.

3.15 Competitive Advantages

As a Chinese company, Alibaba is advantageous in its Chinese sensibility, and as a result, it could build a strong B2B community platform which meets the need of customers. Since this business model is easy to be imitated, the business has critical mass of new participants in the market. However, the customer base of Alibaba is an important key to deter new entrants when Alibaba is successful in building stickiness among customers. Alibaba's management team's expertise in building and maintain the marketplace is absolutely significant. Moreover, its innovation in numerous types of services, which include credit rating, instant messaging, search tool, and wireless offering, proves that Alibaba does not stay stable.

The company creates and owns its service system like Alipay and Alisoft to service members while outsourcing some services like credit rating that it could not do well. Alipay is the core competitor of eBay's Paypal for online payment in China. While Paypal is the online payment leader in the United States and Europe, Alipay is a leading online payment system in China. To control risk of fraud and payment, Alibaba adopted Alipay service by cooperating with leading financial institutions like China Merchant Bank, China Construction Bank, Agriculture Bank of China, and the Industrial and Commercial Bank of China. However, while both of them are moving from offline to online payment system in debit or credit card, PayPal moves forward to mobile text payment. Text to Pay is processed when buyers simply put the reference

number and Paypal would call back to confirm the order and Text to Give services for donation is done by sending donation codes of organizations, calling or texting back to confirm and the receiving receipt in e-mail.

However, introduced in January 2007, Alisoft provided by Alibaba is a web-based service for their customer base wherein users could process on-demand application like customer relationship management, inventory management, sales force management, financial tools, and marketing information management.

Alibaba keeps expanding its own content and services, as well as moving beyond fee-free base to alternatives like revenue sharing to increase the company's capability in every possible way. The scope of Alibaba is wider than previously common electronic information provider websites like Chinapage.com, which offers various types of services under Alibaba and provides local classification and discussion forum about rentals, restaurants, entertainment, and employment, etc. Alibaba's blending of China's operating know-how and international cutting-edge management and technology, together with offering superior product, would result in higher customer satisfaction compared to competitors. For Yahoo China, the widely-known portal service provider, Yahoo's stake in 40 percent share of Alibaba stock allows Alibaba to form strategic partnership with Yahoo China and improve its search engine, e-mail service together with technology innovation, and other services provided by Yahoo China. It also allows Alibaba to draw users to Alibaba and Taobao as well as highlight its search engine service.

3.16 Business-to-Business Model's Risks and Challenges

Although Alibaba seems to go beyond its early model and have a good

performance, it still has some problems to face. Alibaba's business model for matching buyers and sellers would initially cause problems since the buyers and sellers tend to match the deal through Alibaba at first; however, the significance would later decrease substantially, since both parties tend to build relationship as the business develops, and long-term relationship is preferred. They are able to contact directly to suppliers they used to work with. Thus, the most important challenge that Alibaba needs to pay attention to and deal with is the possibility that the website would have lower traffic and page view. We could observe from the web traffic which decreased dramatically, after its peak in 2006 due to Yahoo's 1 billion US dollars investment, to the same level of 2004. Thus, Alibaba's moving towards other new services is a good choice while its attempt to build stickiness among customers is still a difficult task for Alibaba to cope with.

Alibaba's Alipay might be able to grasp the market shares among consumers and corporate market; however, the company would face the competitors providing similar mobile payment system or other online companies since it is easy to imitate the business model and the technology is much easier to adopt. New payment systems like Shanghai SmartPay and 99 Bill Corp are examples that would seize Alibaba's market shares.

Additionally, since the change in this electronic business always emerges, it's necessary for Alibaba to ameliorate and seek for new technology and business opportunity to keep pace with other competitors

Chapter 4 Failure of B2B Business Model

According to the observation by Darden Graduate School of University of Virginia and Booz Allen, Business-to-Business Marketplaces in electronic form mostly are conducted as information exchange, digital catalogues, online auctions, logistics services, supply chain planning, or design collaboration. After exemplifying one of the most successful B2B electronic marketplaces like Aibaba, a Chinese company running business model as a business-to -business electronic platform that mainly functions as an intermediary place for buyers and sellers to meet and contact, we would take a look at an example of B2B business model failing to survive in dot com era.

4.1 The Market Size and Categorization

After viewing the most successful B2B business model like Alibaba, it might be more interesting to take a look at the opposite side. The United States and Europe are the two areas that occupy the vast majority of B2B marketplaces. However, the future of B2B platform does not prosper as most people expect. It is revealed that 1,100 sites of 1802 B2B electronic marketplaces have been reported to fail to succeed, and some of them are acquired or merged by other companies.

B2B electronic marketplace could be categorized in six groups which are total procurement, catalogue buying operation, auction house, collaboration facilitators, full service exchange, or specialty service.

Among these groups, total procurement, offering digital catalogue and online auction including logistic services, composes 32 percent of overall websites, but this group has the highest failure rate in the survey. However, the reason why total

procurement finds it difficult to be successful or survive in this B2B marketplace arena is because of its common characteristics that fail to differentiate itself from others. In contrast, both catalogue buying group, excluding online auction, and full service exchange, offering all core services to customers, have the lowest failure rate. While catalogue buying operation occupies 27 percent of total market value, the full service exchange group has only 5 percent portion of overall market. However, auction house service that does not include fixed-price digital catalogues represents 19 percent and collaboration facilitator dealing with supply chain planning and design collaboration has only 3 percent market shares.

More than 60 percent of advertising, media, or textile industry is reported to collapse and most of the common service offering sites are the group which is the most risky to fail at the rate higher than 45 percent. However, failure rate of financial service, aerospace, or paper and printing is lower than 35 percent.

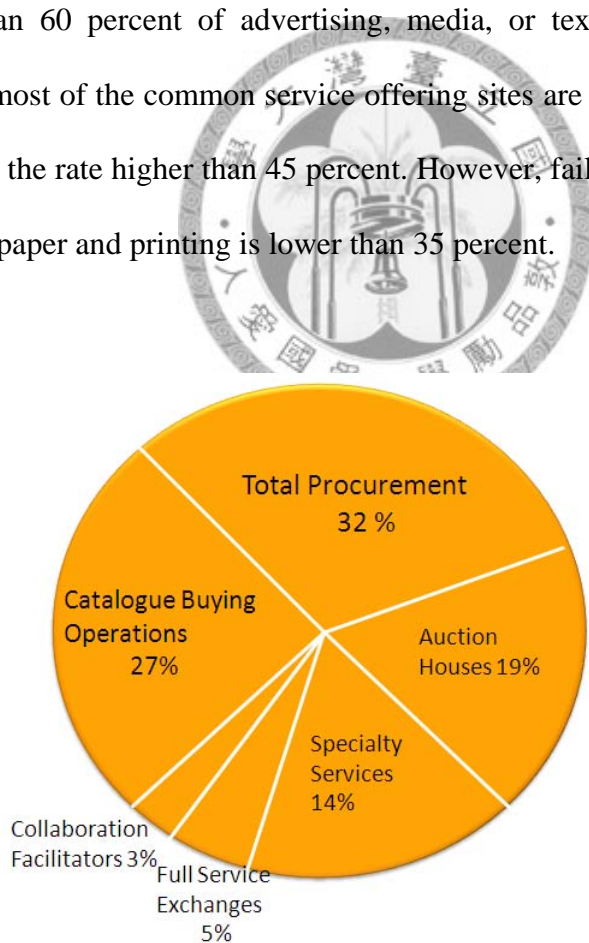


Figure 4-1 B2B Categorization

4.2 Law and Regulation

One of the most important obstructions in doing business in the United States is that the business must compete with other companies while it has to be aware of not breaking the law of anti-trust. In the United States, Anti-trust law is significant and is applied so that there will be no anti-competitive event occurring.

The United States government always has their eyes on companies and B2B business model is suspected to be a tool for businesses to monopolize in any specific industry. Acting as an intermediary platform for businesses in the virtual world, the B2B business model raises the competitive situation among them by gathering all partners together to be connected and communicate to each other. This results in reduced price of searching cost and the price of products and services selling online. The competition would lead companies to be more competitive and efficient as almost all information like price is transparent. However, in some cases the virtual online marketplace functions as a place for discounted products or clearing house for a particular industry.

Both Covisint and GlobalNetXChange are good examples that are investigated for breaking anti-trust law. Covisint is an automobile industry's B2B virtual marketplace gathering top tier automobile companies together with their 30,000 suppliers and is expected to create transaction value amounting to 300 billion US dollars. For GlobalNetXChange, it is a marketplace brought about from the cooperation of three partners, Oracle and retail giants Sears and Carrefour, to connect 50,000 suppliers, partners and distributors through its virtual market platform. They both are suspected for colluding and driving away small suppliers from their automakers and clothiers business.

4.3 Dell's B2B Marketplace

It is hard to believe that a top tier company which is widely known for all people around the world like Dell would come up with an idea of building its own business-to-business marketplace, setting it up with only three members like Pitney Bowes, Motorola, and 3M, and closing the website within only four-month period. The company claimed that the electronic marketplace in the year 2001 was not mature and the customers were not well-educated about this new type of business model. This may be right in some way, but the following characteristics of Dell's strategies are much more logical as reasons why it failed in B2B business model.

4.4 Reasons of Failure

Lacking of Research and Knowledge

Dell lacked knowledge and did not do any research about B2B business model's characteristics. This is the most important drawback that let Dell fail in this arena quickly. Also, it was the reason why Dell's lack of cooperation with other business to help build the new enterprise in dot com formed.

Market Positioning

As it is a famous company, Dell hoped that its reputation would help boost and advertise the company in B2B arena. Although it was correct in hoping that its fame

could help promote the company in some ways, in this case, however, Dell started up the new business in virtual form and it failed to leverage its name on spreading word of mouth. Since Dell is a computer manufacturer, its image and position in consumers' mind could not easily change to an intermediary site for business products.

Revenue Model

Under the highly competitive condition, the exchange marketplace must be efficient so that the business could survive because of too many alternatives in the market; how to attract people is an important task too. Dell failed to attract members scattered around the world because of its offering. Dell used transaction-based fee together with hosting fee to charge its members. It could be better if Dell sell the products themselves instead of charging members at high price. That was why its revenue model could not compete with others in the market.

Supplier Choice

The three members of Dell exchange marketplace, Pitney Bowes, Motorola, and 3M were the only members of its website and this seemed to be beneficial to them more than to Dell itself. The joined group like Compaq, Hewlett-Packard, and Gateway is successful in that they could offer a wide range of products and various business partners. In the case that Dell should incorporate with smaller suppliers, it is advantageous to these small companies. However, Dell could be able to expand its scope of products by being in an alliance with other top tier or well-known companies in the computer industry; it could build assurance among consumers. A company like

Canon or Epson would help build its strength in variety of products and the company could also sell Dell's products together with alliance's products.

It is difficult for any company to be successful in any particular business within only four months. It is suspected that Dell seems to succumb within only a very short period while Dell should try to analyze its strategies first so that Dell would understand its problems and try to reposition itself, change the revenue model, and adapt its administrative scheme to new adjustments. However, Dell did not give itself a chance to scrutinize its project or find out problems, but claimed only that the market was not sufficiently mature at that time.



Chapter 5 Thailand Market and Industry Analysis

5.1 Thailand Introduction

Thailand or The Kingdom of Thailand is the state located in South East Asia. Landscape of the country is attached to neighbor countries like Lao and Cambodia in the East, Malaysia in the South, and Burma in the West. Bangkok is the biggest and the capital city of Thailand. Thailand is ranked as the 20th most populated country of the world whose area is as big as 513,000 square kilometer. It is ruled under democracy with constitutional monarchy under the throne of King Bhumibol Adulyadej, the ninth King of the House of Chakri and the longest reign of Monarch in the world.

From the year 1985 to 1996, Thailand has the highest economic growth rate of the world with an average of 9.4 % per year; however, due to financial crisis in 1997, it was announced that Thailand would use floating exchange rate instead of fixed one. This resulted in economic recession at minus 10.8 % and the exchange rate fell from 25 to 56 Thai Baht per US dollar. Thailand's economy was much better in 1999 and resulted in growth rates averaging 5 to 7 % for the period from 2002 to 2004. However, the most recent exchange rate of Thai Baht is around 33 Thai Baht per US dollar, since the US dollar depreciated and Thai Baht appreciated.

Thailand's economy relies on agriculture, industrial products, tourism, service, and natural resources. The core groups of exported products are Thai rice, textiles, footwear, fishery products, rubber, jewelry, automobiles, and computers and electronic appliances.

5.2 Entering of B2B Business Model to Thailand Market

Nowadays more and more people purchase goods or services from online stores and the popularity of online purchasing is increasing due to the fact that the number of internet users is increasing; moreover, the system development is ameliorated, including payment system and efficient shipping system. This results in emerging of thousands of online websites and it tends to grow more in the future. Besides, the fact is that there is an abundance of businesses that increasingly adopt both internet and technology to run their business processes, such as information searching, communication, public relation, advertising and marketing. The change of these business methods in running the enterprise causes emergence of new business models like business to business, and it tends to be dispersed. Also, this business model would be beneficial and could fulfill the need of businesses to make any transaction with their counter parties. The purpose of Alibaba to enter to Thailand market is to use electronic marketplace model to bridge companies in business-to-business commerce online, build the network of business through the website, and develop the website to be business online community in the near future.

By entering Thailand, Alibaba would be the standardized significant medium for small and medium enterprises to give information for connecting, communicating, offering, and selling products of member parties along with any beneficial information for businesses. Alibaba would be the center of full-fledged service offering and develop and improve the quality of system and service to be safe, reliable, and acceptable among businesses. Also, the company would support and boost competency of members by offering information and news important to running businesses together with cooperating with institutions so that members would get the best benefit.

5.3 Macro Analysis

5.3.1 STEP Analysis

Social Factors

According to National Statistic Bureau of Thailand, the research result of electronic transactions in Thailand as of the year 2007 conducted by Ministry of Information and Communication Technology (ICT) revealed that in the year 2006, there were electronic transactions totaling 305.159 billion baht. This amount could be separated as transaction through B2G, business to government, and B2B, business to business. B2G in bidding-formatted transaction amounted to 176.683 billion while B2B transaction was valued at 79.726 billion or 26.1 percent of overall value; however, the rest of the amount valued at 47.501 billion is the transaction incurred in B2C or business to customer format.

Additionally, alleged from statistic conducted by Bank of Thailand, it was revealed that there were consumers using electronic banking service through internet, 2,139,325 people (increased 16 percent from the year 2004) to be exact, and the value of transaction were 358 billion baht (increased 32 percent compared to the year 2004). Moreover the report of Kasikorn Bank or K-Bank, the leading bank in Thailand, identified that there were internet users in Thailand amounting to 8.5 million people and 12.5 million people in the year 2007 which is the big market for electronic business in various kinds of business.

However, compared to developed countries, Thailand has much lower electronic commerce rate. Developed countries like western countries' electronic commerce covers 20 percent of overall trade, while Thailand has only 1 percent of overall trade, so there are lots of room for electronic commerce to grow in Thailand. Also, electronic commerce is an important system of world trade used as a tool to communicate and cooperate among countries while it somehow helps reduce trade barriers among nations.

Table1

Transaction value of e-commerce in Thailand

Year	Transaction Value	Percentage
2006	472,386	54.8
2005	305,159	38.1
2004	220,924	17.6
2003	187,850	45.4
2002	129,195	

***data in the year 2003 is estimated since there is no data provided**

***From National Statistic Bureau of Thailand, Ministry of Commerce**

Table 5-1(1) Transaction Value of E-Commerce in Thailand

Table2

Transaction value of e-commerce in Thailand categorized in business types

Year	2006	Percentage	2005	Percentage	2004	Percentage
B2G	319,714	68	177,932	58	143,437	65
B2B	95,671	20	79,726	26	66,095	30
B2C	57,001	12	47,501	16	11,392	5
Total	472,386	100	305,159	100	220,924	100
Year	2003	Percentage	2002	Percentage		
B2G	115,106	61	61,195	47		
B2B	65,048	35	64,000	50		
B2C	7,696	4	4,000	3		
Total	187,850	100	129,195	100		

***From National Statistic Bureau of Thailand, Ministry of Commerce**

Table 5-2(2) Transaction Value of E-Commerce Categorized in Business Types

Technology Factors

Currently, there are some problems that affect the growth of electronic transaction among users as shown below:

Internet users still view service providers as lacking reliable and safe service

systems. Buyers are not confident about doing transactions through internet that would cause the problems of sending and receiving products, product lost, or fraud.

One of the most important barriers is the untouchable attribute of purchasing product through electronic commerce. This obstructs consumers from using their sense of touching, smelling, or tasting which would affect them in the pre-purchase and post-purchase perception. The quality of the products may be different from imaginary attributes consumers expect from products. It is obvious that there are still lots of people familiar with face-to-face purchase and payment since they would face the risk of quality of the products or fraud of payment less than purchasing electronically.

Thus, it is absolutely necessary for the electronic commerce to improve and develop fundamental facilities to fix problems of electronic purchasing characteristics. Initially, the technology should be ameliorated to fix current problems and support further advanced application. Also, convenience is the main characteristic of electronic purchasing which is superior to brick-and-mortar stores. Thus, it is obviously important that shipping and payment systems play significant roles to complete the processes and deals to build confidence and reliability among purchasers.

Economic Factors

Since the world economy in the year 2008 is in economic recession due to financial crisis, this also affects Thailand's economy. A lot of business shut down and Thailand as a country relying on export faces the big threat in controlling its export level to be stable. According to Research Center of K Bank, Thailand's economic growth in the first quarter of the year 2009 is estimated as -6.5 percent which is the worst economic recession within 10 years, falling from -4.3 percent in the 4th quarter in the year 2008. For Thailand's

export, as it is a country that depends on exports, the export amount of 1st quarter in the year 2009 decreases 19.9 percent compared to the same period of the year 2008. This will result in vacancy rate and reduced revenue. This will also absolutely affect the consumption to reduce 2.7 percent in the year 2009 although it increased 2.2 percent for the 4th quarter in the year 2008. Also, because Thailand previously relies too much on tourism spending and exports, so it is difficult for Thailand to control this economic crisis. Depending on foreign spending both in tourist attraction and exporting products, when those countries face financial problems, the money in their pocket that Thailand expects from is less than they previously have. Thus, the proper solution for Thailand is to rely on domestic spending rather than on foreign spending. Except political risk, it is important for the company to notice that this kind of business is easily copied; however, how to make the brand recognizable and attractive to consumers with dependability is one of the most important tasks.



Political Factors

Thailand recently has faced new political conflict caused by two different parties lead by Taksin Shinawatra group, aiming at seizing their own power back and getting back confiscated 76 billion baht property, and Sonthi Limthongkul group, attempting to bring real democracy back to the Kingdom of Thailand. The two parties identified themselves in colors as the former one is in red while the latter is in yellow. The conflict is much more severe when the red party hired by their leader invades and causes chaos in the capital city or Bangkok on Thai New Year in 2009. These hired blue-collar workers mostly were from rural areas and had uneducated levels. Many weapons were used to injure ordinary people, so the government had to announce curfew during the Thai New

Year celebration period. The government under the leading of the new Prime Minister, Abhisit Vejjacheva, replied back by calming the people and making sure that they would not harm any protestors, which is according to the Prime Minister's perspective that all people had the right to express their opinions and had equal rights. The government got the good feedback of not hurting anyone in the protest events, contrary to an interview of the leader of Red party like Mr. Shinawatra wherein he stated that the government killed an abundance of people and hid their corpses, and could bring back the image of Thai government among foreigners. However, to some extent, this political risk draws away Thailand's good image and the opportunity of foreign investments, including reduced tourism, the second economic driver of the country's prosperity.




Chapter 6 Competitive Evaluation

6.1 Leading Auction Sites

Electronic marketplace business model is encountered by many competitors in the market, and these include the top tier companies like Amazon, eBay, Yahoo, or Google. These companies have their own auction services which could generate lots of revenue; moreover, they are threatening other websites including Alibaba or other business-to-business business model.

6.1.1 Amazon



After making a decision to enter to auction market in order to accomplish its goal to be a one stop shopping website for all customers, Amazon with its service called zShop was in service offering the space and tools for third party whom it called customers. The third party could upload as many as 40,000 items, and its revenue model is based on a monthly service fee costing 39.99 US dollars.

Amazon has its own technical infrastructure and the company is successful at distributing, ordering, taking fulfillment, building partnership, or even branding. Amazon has been attractive by building their brand and creating stickiness of customers leading to their loyalty to the company. Emerging from the idea of offering full range of products, the auction market or zShop let Amazon be able to leverage its technology and operating infrastructure. It sounds that all things are going well and its reputation could help support and attract customers to the site because of reliability and creditability. Moreover, its own customer base is so valuable for their database.

However, zShop did not succeed in auction market, and this resulted from its failure in various aspects.

Amazon failed to keep its relationship with third parties because it could not provide feedback and improve its service for this section. Also, according to the many comments from their customers, it was not an easy task for customers to contact Amazon. This caused Amazon to have problems in its reputation together with problems in delivery. Amazon could not control the delivery or any processing problems due to the fact that the merchandise and its fulfillment depended on third-party customers who were individual or small businesses.

However, while these problems still existed, Amazon had changed its zShop to storefront format at the end of the year 2006. All zShop sellers would be moved to the new site. This somehow results from the problems occurring from search results that would appear in many repeated pages in various sections and from its founding that the customers prefer to view products through product detail pages. Customers were required to re-list their items to the new marketplace which replaced zShop. However, it was not a complicated task as others imagined since they could list their items in bulk per time and are able to create product detail pages. As Amazon has lots of customer base and it is continually developing the auction business model, this challenges the auction giant like eBay.

6.1.2 eBay

It could not be denied that almost all people know the number one auction website like eBay. Doing online auction business, eBay aims to provide a platform for customers around the world to trade anything on its website. eBay online auction

platform sometimes surprisingly lets all things to be traded. It is incredible that a product like the used napkin of a superstar like Britney Spears is sellable. eBay applies the revenue model differently from Amazon by offering both bidding and buy-now price. This is more flexible for sellers to be able to sell at a satisfied price or a higher one when the demand from customers is high. Customers would also be able to give comment or rate the store for its overall quality.

The platform creates value among customers for the convenience and variety of selection it provides; however, sellers could reach the customers at the wider range and meet the maximum price. Yet, eBay expands its enterprise to other countries whose revenue accounts for 40 percent of total revenue and its performance is so good that its revenue grew at the rate as high as 143 percent in the year 2003. With its own payment system like PayPal, eBay could attract many small businesses to jump to the online auction marketplace.

However, although eBay has lots of experience in online auction marketplace, they still face problems of fraud among buyers and sellers. eBay fought back by verifying products and through fraud protection programs.

eBay also get advantages from being the first mover in this field of business as well as Amazon. People go to eBay website because it is the only online auction choice in their mind, and the brand eBay is recognized by them. Although most people would think that customers would go to eBay with hope to buy good products at cheap price. However, as the website prospers and it could attract lots of loyal customers to the website, some people are addicted to its bidding system although they do not even have desire to purchase those products. Also, as barriers to entry of this business are quite low, eBay still needs to keep improving its technology and increase capability to confront any companies having business-to-business or business-to-customer business

model.

Here is the table of comparison of critical success factors among Amazon, eBay, and brick-and-mortar store like Barnes and Nobel. We could see that eBay and Barnes and Noble are better financially than Amazon. However, Amazon wins in having superb customer loyalty while eBay has its competitive advantage in product diversity.

			amazon.com		eBay		BARNES & NOBLE BOOKSELLERS
Critical Success Factors	Weight	Rating	Weight Scores	Rating	Weight Scores	Rating	Weight Scores
Market Positioning	0.11	4	0.44	4	0.44	3	0.33
Price Competitiveness	0.05	3	0.15	3	0.15	2	0.10
Financial Position	0.09	2	0.18	4	0.36 ★	3	0.27 ★
Customer Loyalty	0.16	4	0.64 ★	3	0.48	3	0.48
Brand Awareness	0.16	4	0.64	4	0.64	3	0.48
Service Quality	0.11	4	0.44	4	0.44	4	0.44
Global Expansion	0.08	4	0.32	4	0.32	2	0.16
Customer Service and Support	0.11	4	0.44	4	0.44	3	0.33
Organizational Structure	0.05	3	0.15	3	0.15	3	0.15
Product Diversity	0.08	3	0.24	4	0.32 ★	2	0.16
Website Design and Content	0.11	4	0.44	4	0.44	3	0.33
Total Scores	1		3.64		3.74		2.9

Figure 6-1 Weighted Scores of Critical Success Factors

6.1.3 Yahoo

While Yahoo has been competing with Google in sear and paid listing, as a leading internet portal page, Yahoo offers a wide variety of services and has its revenue of 7.2 billion US dollars as of the end of the year 2008. In addition to the war in search engine, Yahoo still has to face with Google's struggle in auction section. Although Yahoo launched Yahoo Auction in 1998, the Yahoo Auction in UK and Ireland failed to operate and stopped its operating in 2002. However, the service was closed on June 16, 2007 for US and Canada area. Following this event, on September 22, 2008 the Singapore section was shut down. However, the sites in Hong Kong, Taiwan, and Japan are still operating the services. However, the service Yahoo provided was different from

eBay in that there is no charge to any buyers and sellers together with free of charge for posting the items on Yahoo. The chance of being the choice of customers was lower than eBay and Yahoo did not have insurance guarantee which may be the result from having less variety of products than eBay. Even though eBay calculated the fee based on the reserved price of the items, charged commission as high as 5 %, and charged customers for posting the items on the site, they had more choices for customers to choose and provided insurance.

6.1.4 Google VS eBay

Founded in 1998, Google is one of the fastest growing companies. Google is prominent for its Search Algorithm and its distinctive administrative style. Today, Google is the most dangerous antagonists for all top tier companies in the Internet-related industry. Google is challenging all giants like Amazon, eBay, and Yahoo together with Microsoft. Although Amazon and eBay both are customers of Google, Google seems to be ignorant what its plans are. While eBay is one of the biggest customers of Google contributing revenue up to 12 percent for Google's advertisement, Google is also one of eBay's largest sources of user traffic. Google aggressively develops its own technology in searching as well as in other areas. It totally neglects its opponent's response which may result from the fact that Google does not depend much on eBay.

Since the two have a close relationship somehow, we will discuss about them in comparatively in particular aspects. Compared to eBay, Google has wider range of customer base than eBay. Its customer base could be categorized as shopping comparison sites, content sites, retailers in virtual form like eBay and Amazon, product

manufacturers, or marketing promotional services. Below are figures of customer categorization of both companies.

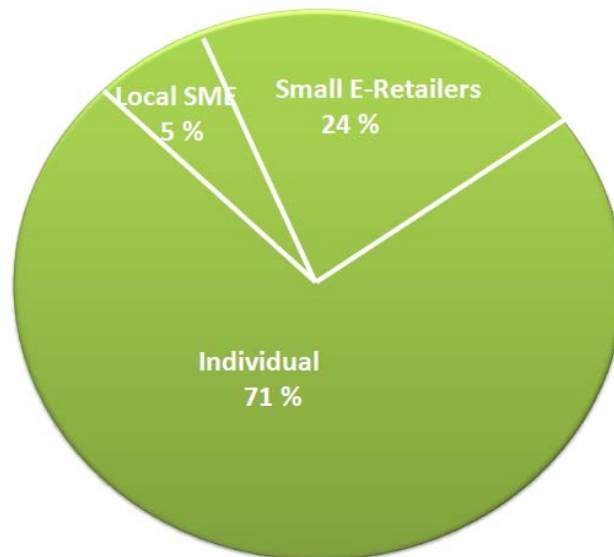


Figure 6-2 Customers of eBay by Categorization



Figure 6-3 Customers of Google by Categorization

Also, analyzing Google's revenue and its demand, the results in the graph show that there is a gap between its demand and supply of its current revenue from Google Ads, so it is possible that Google may move to other revenue model in the future.

SUPPLY AND DEMAND OF ONLINE ADS IN 2010

IN \$ Bln

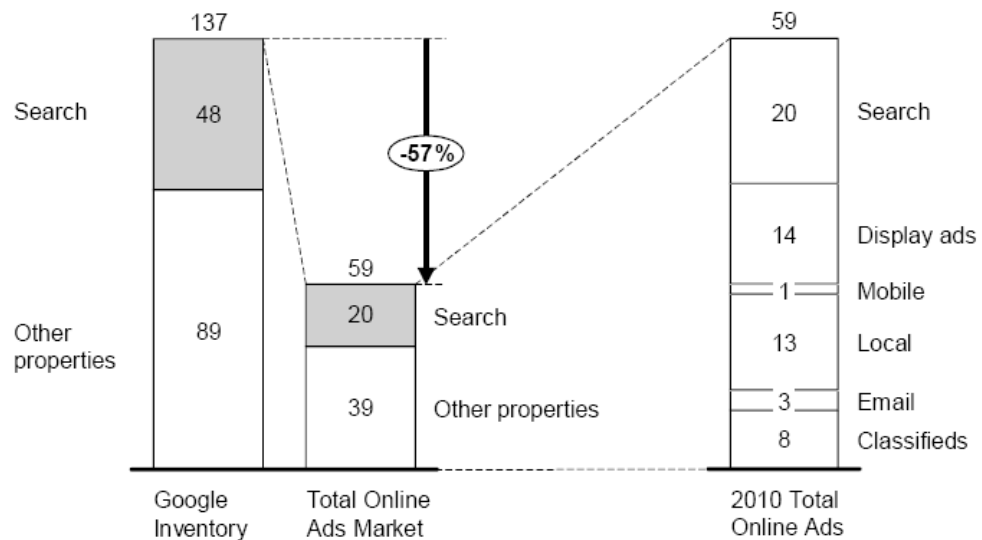


Figure 6-4 Predicted Supply and Demand of Online ADS in 2010

As mentioned above, the two giants have applied different strategies in various ways; Google is more aggressive than eBay. Furthermore, Google tries to develop new products and services then lets the market use them as a test. Google uses this chance to learn the market and invests further later. After it could make sure about the feedback, Google will proceed to conduct marketing and sales tasks. Contrary to Google, eBay plans well before investing in any businesses.

6.1.5 Result of Threat

It seems that the target markets of these enterprises are different at some extent; Amazon, Yahoo, eBay, or even Google would mostly focus on individual or small sellers. However, no matter if it is business-to-customer or business-to-business model, the platform allows anyone to operate their stores through the online auction service

that these companies offer. Also, according to the survey, it is obvious that eBay's customers are ready to move to Google's service whenever it offers. As long as Google owns the superb technology, it could expand its business to all kinds of business and Google will not dare to fight with these competitors. Thus, business-to-business business model like Alibaba or any B2B electronic platform should be ready to encounter this threat. They should develop and own its technology that could help create the distinctive competitive advantage and build stickiness among their customers to retain their customer base. In this industry, the competition would be more concentrated.

6.2 Competitive Analysis

6.2.1 Five-Forces Model



Although the electronic commerce business is growing, the proportion of B2B business model entrepreneurs is small compared to overall market; the competition in this battle field is highly competitive and would tend to be more aggressive due to many reasons as shown below:

Threat from New Competitors

Since electronic commerce business is a new bred business type emerging just a few years ago and this business is highly profitable, this attracts more and more people to enter the business. However, as the technology is developed all the time, it is much easier now for any entrepreneur to start the business in the internet than in the early days. Also,

the entry barrier is not high and website development is manageable.

Buyers' Bargaining Power

Since consumers have abundant choices whether it is online or brick-and-mortar stores, bargaining power of buyers is quite high. Thus, it is difficult to price the products or service fee to be competitive to other contenders; however, it is important for the company to offer high quality service which would meet the need of consumers for both convenience and reliability.

Suppliers' Bargaining Power

Suppliers also play an important role in this industry which may be separated into product suppliers and program suppliers. For the program suppliers, it could be categorized into two main types. The operating group dealing business in freelance form has lower bargaining power and collect lower service fee while the reliability and quality is lower too. However, another counter party is the limited company who has high bargaining power and has been qualified by many institutions and has high experience.

Threat from Substitute Products

In this business, websites provide a wide variety of services similar to those of the others, so the threat of substitute products of this business is from the electronic marketplace such as websites offering search engine or classified online. Moreover, print

and electronic media are also substitute products for advertising and business promoting.

Intensity of Rival in the Industry

NECTEC or National Electronics and Computer Technology Center, a government institution under the National Science and Technology Development Agency (NSTDA), Ministry of Science and Technology of Thailand, mainly does research and development including supporting and promoting the development of electronic, computing, telecommunication, and information technology and reveals that there are electronic commerce entrepreneurs totaling 22,039. Most are B2C accounting for 75 percent and the electronic commerce value is as high as 66.095 billion. To go into details, according to Ministry of Commerce of Thailand, it is found that nowadays 75 percent of those companies in this industry have capital investment less than 1 million baht while 67.4 percent of them have official employees less than 5 people and have operated less than 2 years.

Table3

E-commerce entrepreneurs categorized in types

Business	Amount	Percentage
Types		
B2G	1,102	5
B2B	4,408	20
B2C	16,529	75
Total	22,039	100

***From NECTEC**

Table 6-1(3) E-Commerce Entrepreneurs Categorization in Types

Table4

entrepreneur registered e-commerce in the year 2006 categorized in types

Type	Amount	Percentage
Individual	2,458	60.69
Ordinary partnership	42	1.04
Registered Ordinary Partnership	5	0.12
Limited partership	169	4.17
Limited company	1,323	32.67
Listed company	53	1.31

***From Department of Business Development, Ministry of Commerce**

Figure 6-2(4) Entrepreneurs Registered E-Commerce Categorized in Types

Table5

Types of registered websites in the year 2006

Domain Type	Amount	Percentage
.co.th	358	6.95
.com	4037	78.37
.net	285	5.53
.biz	35	0.68
Others	436	8.46
Total	5151	100

***From Department of Business Development, Ministry of Commerce**

Figure 6-3(5) Types of Registered Websites

However, the product types available for selling online through electronic commerce mostly are in computer, electronic equipment, or internet accounting for 18.6 percent of overall business. As for other categories, fashion, apparel, jewelry, and accessories amount to 18 percent and advertisement, agencies including education are 9.5 percent. While tourism, hotel and resort accounts for 7.6%, automobile parts and office equipment are around 6 percent and 4.8 percent respectively.

6.3 Competitors

6.3.1 Direct Competitors

Direct competitors are entrepreneurs who operate electronic commerce in business-to-business (B2B) electronic marketplace type similar to the company business model. These direct competitors could be separated into two main groups.

6.3.2 Local Competitors

Domestic entrepreneurs whose companies are established and located in Thailand offer Thai language content in the website. However, up to now, there are no concrete companies operating in B2B business model in electronic platform in Thailand yet. However, in the near future, it is supposed that B2B business model in electronic commerce and marketplace would emerge.


6.3.3 Foreign Competitors

Foreign or international competitors are the competitor group established by overseas companies outside Thailand. Some websites have no Thai language to support Thai customers who have language barriers while some websites have its branches in many countries including Thailand so they do provide Thai language content. These competitors include World Bid Thailand, China Export, B2B.Itah.com, and Tradekey.com

6.3.4 Indirect Competitors

Indirect competitors also include substitute products which are competitors who operate electronic commerce in electronic marketplace; B2C business or any websites offering search engine, online classification and web board service, where people post their product information unofficially; and electronic marketplace which focus on a specific industry. These indirect competitors are Panthipmarket.com, Ebay.co.th, Weloveshopping.com, Shopping.co.th, Tohome.com, Siamcorp.com.

6.4 Analysis



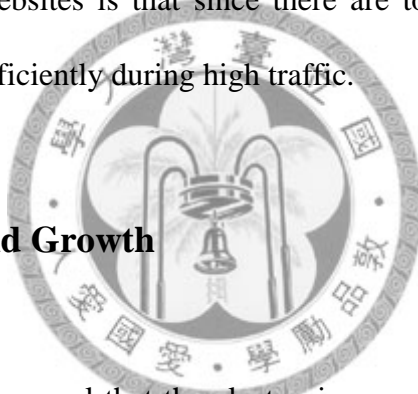
For direct competitors, most online companies established domestically in Thailand are a new breed of websites and are not well known among entrepreneurs due to lack of public relations. Also, they lack experience in operating a website, so almost all work processes rely on outsourcing even if initial capital investment is low compared to average websites' capital investment. This is the main reason that most companies doing business online in Thailand end up being flopped. Also, the websites have few customer base, thus they are still far from being fully developed and leading B2B websites.

In contrast, foreign direct competitors are well known since they are one of the first companies who pioneer in this field of business as well as offer various kinds of services with high quality. Their fame and reliability together with having professional teams both in technology and administration are their strengths. However, cutting edge technology and high capital investment are needed. On the other hand, customers are required to pay at higher price if they expect high quality service. Also, due to the fact that there are abundant information and products, so it sometimes causes problems for customers to be

able to search in some specific categories. Furthermore, having Thai language as a service to support for Thai customers is a must; however, these websites may sometimes neglect this point since they focus only on some large markets. However, some foreign websites still lack trustworthiness among customers.

Indirect competitors also offer many types of services and most of them charge no fee for services, while the architectures of their websites are well-designed. These websites are attractive and are well-known. But, the products offered are mostly consumer products. Yet, they are too copious to search for their required products since sometimes they are not categorized well. One of the most important factors that deter customers from using services from these websites is that since there are too many data, the webpage could not upload their data efficiently during high traffic.

6.5 Industry Trend and Growth



Some industry experts reveal that the electronic commerce business expansion of new entrepreneurs during these three to five years has grown substantially. There are much more investors offering products and services through the internet than in the past; this shows the opportunity and competition emerging in the electronic business in Thailand, including the growth of this business in the near future. Yet, new technology emerges to support the transactions made through broadband, which provides consumers stability in surfing the internet and convenience in using the payment system or purchasing process. For example, in the year 2006, Talad Dot Com, a portal website like yahoo or msn, had 70,000 third party online stores, while it reaches 90,000 today. However, considering of its overall online business, people mostly bought IT computers in the online store since the prices are less than market prices offered by brick and mortar

stores, and apparel and accessories group could attract only female customers. Also, consumers tend to choose tourist package registration through the online website.

Also, in the research, it is revealed that overall electronic commerce entrepreneurs have improved sales in 2005 by 34.9 percent and it tends to improve as of 54.8 percent this year.

Table6

Product types sold through online store in the year 2005

Product type	Percentage
Computer & Electronic Equipment	18.6
Fashion, Apparel, Jewelry, and Accessories	18
Public Relation, Avertisement, and Agent	9.5
Tourist, Hotel, and Resort	7.6
Indusrial Products and Machine	6
Printed Material and Office Equipment	4.8
Others	35.5
Total	100

***From National Statistic Bureau of Thailand, Ministry of Commerce**

Table 6-4 Product Types Sold through Online Stores

6.6 Value Chain Analysis

Applying Porter's Value Chain analysis to B2B business model in Thailand market, the analysis would focus on the business's value chain and potential value added for customers.

6.6.1 Primary Activities

Operations

Office and Equipment

Since the company may have to face both economic and political risks, outsourcing seems to be one of the best methods to help reduce costs incurred. Development of the website relies mainly on outsourcing; this lets the company require office equipment for the operation only.

Producing Process and Operation

The company would develop the website and test it until it could meet the expected standard before officially launching the services. The website also would operate 24 hours a day and 7 days a week or 24/7, which is a common advantage of electronic website operation. However, the web master would be the person who monitors the website traffic and provides convenience together with resolving problems incurred all the time. The website would make sure that there would be no problems of usage or these would reduce

reliability among consumers. Also, information provided would be updated all the time so that customers could get correct information to evaluate or estimate the business situation.

Monitoring and Quality Control

In the process of developing the website, the company would evaluate quality of website services including hiring technology specialists for website development so that the company could make sure of the safety and quality of the website. Also, the random checking properness of website content at least once an every week is a must.

Marketing and Sales

Segmentation



In the year 2006, AC Nielsen, a marketing research firm, revealed that the internet user group is expanding to the white collar group. At present, there are 2.5 million internet users around the country. The number is separated into 2 groups: around 20 percent or 4 percent internet users in Bangkok and it tends to increase two times each year. However, for activities on the internet, the research reveals that adolescents aged 15 to 19 years old mostly use internet for receiving or sending electronic mail or chatting with their friends. Beyond those two activities, they spend their time mostly on listening to music for internet activities.

In contrast, internet users aged more than 20 would use internet for various purposes. They tend to search information, read electronic magazine or newspaper, and watch television or listen to music through internet, including downloading information or

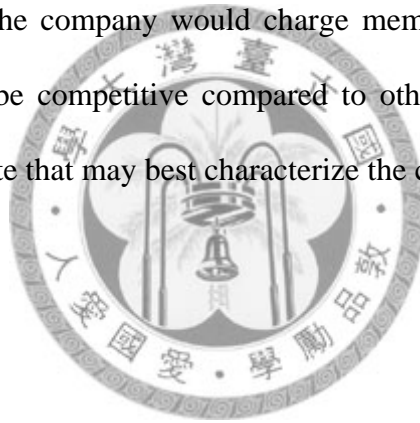
programs via internet. It could be noticed that the latter group focuses mostly on surfing the internet for work.

Target Customer

The core target group of the company is small and medium enterprises or SME who would like to promote or advertise their own products or services or groups that would like to have their own websites along with building business network through the internet. Their basic characteristics should be officially registered companies which have sales amounted 1 million to 100 million per year. They are expected to be business-to-business operating companies, have fundamental facilities for the basic internet usages, and are familiar with technology. The most important factor is that they should be companies established and located in Thailand in the early stage and in foreign countries in the near future. Also, the company could mainly attract and focus its target customers on companies which are small and medium enterprises that attended SME CARE project, a project operated by government to support small and medium new bred companies, and customers from NEC project or new entrepreneur creation emerging from the support of Thammasart University, one of the leading universities in Thailand. However, there still are many domestic suppliers across the countries desiring to expand their customer base; however, the lack of contact is still one of the most significant problems for them to reach customers.

Positioning

The company's website is a newcomer in the market which stresses on differentiating its products and services. The company positions itself as a website offering services for business-to-business or B2B electronic marketplace, focusing especially on ease of use, convenience, numerous kinds of services, quality and reliability. It would be the marketplace which is an opened place to all members to express their opinions, exchange business information, and a place to advertise their products and services of the companies. This platform would also be the center of building business network among members. The company would charge members at reasonable price so that they would be able to be competitive compared to others in the market. Building connection is the core attribute that may best characterize the company.



Marketing Mix

Product Strategy

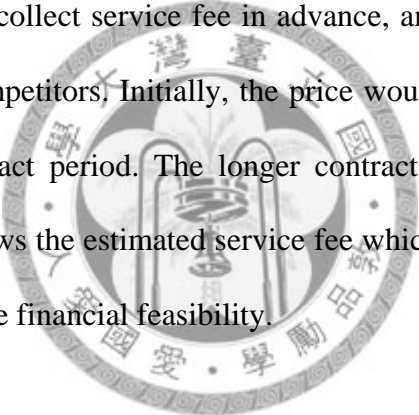
The remarkable characteristic of the website is that the domain name would be easy to remember and would communicate about the company business directly. Also, the services offered would be diversified and could cover almost all kinds of businesses and industries. The company would also offer services for customers to be able to build their own websites, and web board for members' opinions so that it could create interactivity among members. Also, the content offered would cover topics in economic, financial and law necessary for business operation and will be available for download. As most competitors are small and focus only on advertisement, the company would pay attention to building the business parties' network through the website, and data and business

categories would be searched easily and categorized well.

Price Strategy

The company would stress on the worthiness that customers would get from the website services. Customers would feel that the benefit they get is more than the money they pay. The services would be offered either with service fee or free of charge, and these would differ in features available on the website.

In the case service is based on service fee, the company would collect the service fee base monthly and would collect service fee in advance, and the service fee would be inexpensive compared to competitors. Initially, the price would be categorized into three types according to the contract period. The longer contract period would be cheaper; however, the table below shows the estimated service fee which later could be included in financial terms to calculate the financial feasibility.



Contract Period	1-month	6-month	12-month
Service fee per month	599	399	299

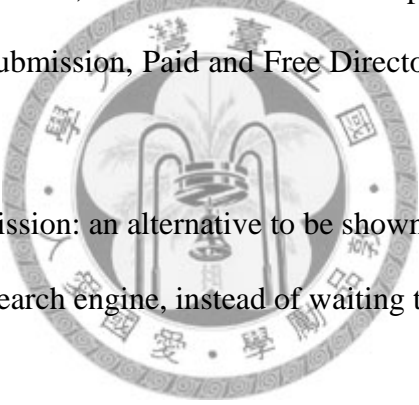
Table 6-5 Service Fee

Distribution Strategy

In order to reach the target customers who are small and medium enterprises, the company could apply the direct marketing approach by promoting the website through electronic marketing which could inform details to the target market directly. The target customers' contact lists would come from customer database of BOL or Business Online

Public Company Limited, providing basic information about registered companies in Thailand; BOI or Board of Investment, providing service and assistance in setting new businesses; and Ministry of Commerce of Thailand; etc.

However, the method the company would apply for promoting the website is to use viral marketing which makes use of word-of-mouth and/ or get suggested company lists from a number of companies in hand. The sourcing department in each company would be the good channel to transfer or communicate the details of the company's service to other companies. Also, the company could apply Link Exchange or Back Link which would connect to the websites that may have related content or information of both government and private institutions. Moreover, other tools could be applied to help attract more viewers like Search Engine Submission, Paid and Free Directories Submission, or Google Ad Words.


- 
- Search engine submission: an alternative to be shown by a search engine by subscribing to that search engine, instead of waiting to be tracked from that search engine.
 - Major directory submission: Separating member subscriptions to paid members or free members which are differentiated by services.
 - Google ad words: the tool of Google that lets a website make money by showing advertisement of Google; on the other hand, a website can pay Google to show its advertisement.

Promotion Strategy

Advertising

The advertisement strategy could be conducted in various ways. According to an interview with Alibaba's management officer, the most effective advertising strategy is to advertise the company's services through any media that buyers supposedly pass by. Billboards at the office buildings, taxi, MRT, airports and road shows are popular and efficient media communication. However, advertising through internet banner would be one of the choices that is mostly effective in Thai society.

Salesperson



Salesperson has to arrange road shows to make sure that the website will be known widely and understood deeply in details. This would be able to attract potential customers since salesperson would have the chance to explain and get feedback from potential customers. The feedback would be beneficial to make improvements of website operation and features offered to customers to make sure that the service would meet their needs.

Sales Promotion

The company is capable of using three main strategies to encourage customers to try the services. For the potential customers who are willing to take risk at low level, they do not tend to try the service easily as long as they are sure about what benefits they would get or whether they will really get those advantages. Instead, they naturally

evaluate these possibilities from people around them or anyone who has tried it before. However, these services will be limited in only some features within the trial period. The next group will be offered special packages according to the referred contract period. Furthermore, the suitable strategy for the company, which is viral marketing, could also help create creditability among members and make them feel comfortable to try the services. Thus, Member gets Member campaign would be one of the best choices since it is a kind of the word-of-mouth strategy. Also, the members who suggest new customers would get special discounts, which are incentives for them to do so. Besides, electronic mail marketing (by making use of companies' lists as referred in the distribution strategy) is one of the methods the company should do.

Public Relation

As the company's business is a new type of medium or platform for businesses to get connected, its electronic platform could be communicated through any business fairs, and technology fair is one of them. However, event marketing, which would gather together potential customers, would also help boost the company's reliability too. These activities will also let customers feel familiar with administrators as well as the websites.

6.6.2 Supporting Activities

Technology Development

The business is in the form of electronic commerce which mainly uses outsourcing method to develop the website's facilities. This will help reduce the problems of space

required for operation. Also, it is better to let an outside operator who has knowledge in this field directly and could perform the task professionally do the job, which helps reduce and solve technology problems that occur.

Human Resources Management

Because the company is in its early stage of development, most tasks are outsourcing and it would be better if the company would not hire too many workforces. However, administrative officers, webmasters and technique specialists would be hired to support customers.

The company will start up as a small website so that it is flexible enough to change service attributes or managerial operations to be suitable to market characteristics. Also, being small at the early stage would let the company have low capital investment as well as be able to offer reasonable price, which is important to compete with competitors in the market. The company also should focus and build its brand so that customers could recognize the brand.

Customer Value Added

Actually Alibaba also acts as an intermediary in customers' supply chain to help make both parties, which are suppliers and buyers, meet and connect. The connection among members is not limited domestically but is also available globally since electronic platform has no boundary to do business or contact with foreigners. Moreover, it is obvious that the customers' search costs would be reduced, and they would also perceive

the information as accurate and reliable, since the website would provide various kinds of facilities for the customers. This would help customers get rid of the problems they face when marketplace is not available and when the information seeking is difficult to process or result in inaccurate information about sellers or buyers. The most significant factor is that the B2B marketplace could help customers reduce the risk they face from fraud since the website could provide accredited service for them.



Chapter 7 Payment System of Thailand

7.1 Payment System in Thailand

As electronic commerce is not new anymore in Thailand, and more and more people go online to do transactions, including going shopping online, there are various kinds of payment systems which could be concluded into four groups: Counter Service, Credit Card, PayPal, or Paysbuy. These systems work as intermediary tools that help to ascertain the transaction would be safe and would be convenient for all customers compatible with different banking services in hand.



7.1.1 Counter Service

It is the system that helps fulfill and support electronic commerce store in payment processing. The customers would process the payment through 5,000 counter service centers in Thailand for 24 hours a day. The process of paying through counter service starts from viewing products and making a decision to purchase products from the website or online store. When the customers choose Counter Service as a payment method, customers would be required to printout the bar code and make a payment at counter service. In contrast, for the owners of the online store, they would get payment after deducting service fee on every 15th of the following month. However, these counter service points may be in the form of convenient store like 7-11 or in the counters located in the department stores.



Flow of purchasing products through counter service system

Figure 7-1 Flow of Purchasing Products through Counter Service System

Limitation

There are some limitations to this payment method. To pay through counter service, the value of payment could not exceed 30,000 Thai Baht. Also, the currency of the transaction is limited to Thai Baht only.

Service Fee

The online store is required to pay the third party who helps process the transaction. The average service fee is around 300 Thai Baht per month or 1800 Thai Baht including value added tax for a six-month period, plus service fee per transaction at 15 Thai Baht per transaction in Bangkok area or 0.1% of value for area outside Bangkok. On the other hand, customers have to take the burden of 15 Thai Baht service fee per transaction for Bangkok area or 20 Thai Baht per transaction for area outside Bangkok.

	In Bangkok Area (Thai Baht)	Outside Bangkok area (Thai Baht)
Product value	1000	1000
Service fee at counter service	1015	1020
Service fee 15 Thai Baht per transaction	15	15
Fee changeable to area	0%	0.10%
Amount received by online store	$1000 - 15 = 985$	$1000 - 15 - (1000 \times 0.1\%) = 984$

Table 7-1 Calculation of Counter Service Fee

7.1.2 Credit Card

Purchasing products by using credit card is the system that could let the online stores support customers who would like to buy merchandise from online stores as well as at any brick-and-mortar stores. The system helps let the customers process their payments by themselves, and then, the electronic commerce store could acknowledge and monitor every transaction through real time format. The customers could also make any purchases through the credit card payment system 24 hours per day, and it is also convenient, fast, safe, and reliable.

After browsing the website and selecting the products, the customers may choose credit card as their payment method. Then, the system would realize the transaction and payment at once, and the online store would receive payment from transactions of customers after deducting service fee on 15th of the following month.



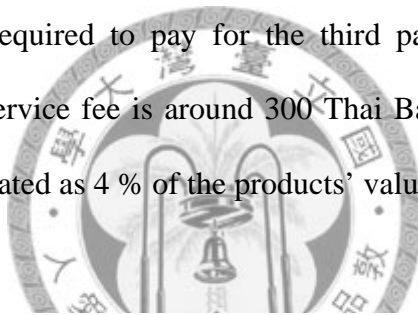
Figure 7-2 Flow of Purchasing Products through Credit Card System

Limitation

To process payment through credit card, the customers have to be members of credit card companies that the website accepts or deal with. Moreover, this payment method is limited to the purchase of products valued at more than 300 Thai Baht. However, the currency of transaction should be in Thai Baht or US dollars only.

Service Fee

The online store is required to pay for the third party who helps process the transaction. The average service fee is around 300 Thai Baht per month or 1800 Thai Baht. Payment fee is calculated as 4 % of the products' value.



	Calculation in Thai Baht
Product value	1000
Payment fee from credit card payment	4% of product value
Amount received by online store	$1000 - (1000 \times 4\%) = 960$

Table 7-2 Calculation of Credit Card Fee

7.1.3 PayPal

PayPal is the system supporting transactions through Internet or electronic commerce, which customers could make 24 hours a day. Customers could make a payment by themselves and the store could realize the transaction in real time form. After surfing the web, selecting the products, choosing the payment method, and realizing the payment at once, the store would receive the payment after deducting all

service fees on 15th of the following month.



Figure 7-3 Flow of Purchasing Products through PayPal System

Limitation

To pay for products, the customers must be members of PayPal; this limits the transaction to be only in US dollars. The average service fee is around 300 Thai Baht per month or 1800 Thai Baht.

Service Fee

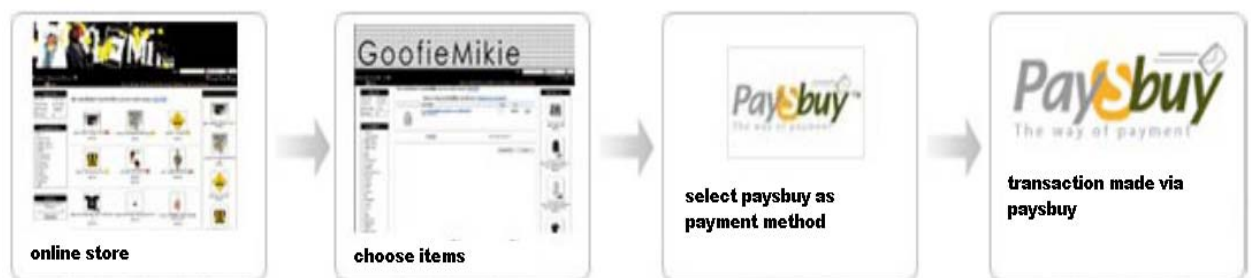
In using the PayPal service, the store would be responsible for Paypal system's payment fee at 5 % per transaction and service fee at 15 Thai Baht per transaction. Here is the example of calculating the amount of money the store would receive.

	Calculation in Thai Baht
Product value	1000
Payment fee from credit card payment	5% of product value
Service fee	15
Amount received by online store	$1000 - (1000 \times 5\%) - 15 = 935$

Table 7-3 Calculation of Paypal Fee

7.1.4 PaySbuy

PaySbuy is a local payment gateway of Thailand which works for electronic commerce transaction payment like PayPal. The system allows customers to make a purchase and pay by themselves, and the payment would be received by the store on the 15th of the following month. Also, it is the famous payment system choice among Thai people who make online payments for transactions made through online stores.



Flow of purchasing products through paysbuy

Figure 7-4 Flow of Purchasing Products through PaySbuy System

Limitation

It is necessary that customers who would like to choose PaySbuy as the payment method be members of PaySbuy, and the payment is required to be in only two

currencies: Thai Baht or US dollars only.

Service Fee

The online store is required to pay the third party who helps process the transaction. The average service fee is around 300 Thai Baht per month or 1800 Thai Baht. However, it is different from the above payment system in that there is only a payment fee of 5 % of product value, while there is no service fee collected.

	Calculation in Thai Baht
Product value	1000
Payment fee from credit card payment	5% of product value
Amount received by online store	$1000 - (1000 \times 5\%) = 950$

Table 7-4 Calculation of PaySbuy Fee

Besides these four main popular payment systems, there are some locally private paying systems that newly emerged like ThaiEpay, THpay, bluewave, or Siampay together with local banking gateway payment system.

The banking gateway paying system is much like other gateway systems that services information transitions between the website and the acquiring bank. Up to now, there are four banks that launch their own gateway payment systems as a new choice of service.

Among local services, ThaiEpay seems to be distinctive in some points that the stores using this system has no need to be registered companies and no deposit is required. Also, it provides online administrative system for merchants as it works as a third party that includes service. Moreover, for some local systems, they sometimes

could not service for American express credit card, while ThaiEpay could service for both Visa and Master card, including American Express. However, while the both former is charged for only 4%, American Express card holders would be charged at 4.75% and the store would have to pay for monthly service fee as 295 Thai baht. It is predicted that ThaiEpay would be popular among users soon.

7.1.5 Overall Payment System

Among those discussed payment system, these are the most widely used method of payment in Thailand. However, some of these methods are popular in some group of people. Counter Service is suitable and popular among people who made transactions for consumer goods which would not exceed 30,000 Thai Baht. Moreover, Thailand has 74 provinces, and there are a few big cities for each of 5 parts of the countries whose people are well-educated, including the capital city Bangkok. The PayPal and local gateway payment systems are widely used among people in these big cities only.

In contrast, credit card service is convenient and mostly used in all types of transactions ranging from small transactions to high value transactions. Furthermore, the credit card is the paying system developed and supported by local banks and credit associations, so it is guaranteed by banks in Thailand and more reliable in customers' perspective. To switch the paying method to unfamiliar systems like PayPal or local gateway may be difficult.

However, there is still one more payment tool controlled by banking systems like Automated Teller Machine or ATM, which is suitable for doing transactions among majority of the people. They are familiar with ATM and feel that it is more reliable than other methods. Also, the bank would not charge consumers any fee. While ATM

transaction is the easiest, the most convenient and cheapest, it is not suitable for transaction-based fees; therefore, when ATM is used as payment tool, it would be inconvenient to do transactions.

7.2 Service Fee or Transaction-Based Model

As mentioned, Alibaba use the membership fee based model for its business model. Alibaba could choose this model because it has a huge database of members. Alibaba also could generate enormous volume among them.

On the other hand, the start-up company still does not have customer base huge enough to do so. At first, it is necessary for the company to seek and attract customers to try the services it offers.

Thus, to attract customers, it would be better for the company to create stickiness to the services the website offers. Thus, service fee base should be the better choice for the company to choose for its business model. Also, it is more worthwhile for customers to get services at a constant price level; applying the transaction-based fee would not be attractive for them to use.

Moreover, the amount of transaction in business-to-business or B2B format is not similar to business-to-customer or B2C transaction in that B2B transaction is high in volume and total value. This factor would distract people to log in to the system and lower the frequency of transactions. Also, there exists the possibility that the platform would only be a temporary platform model which customers would make transactions, and then they might switch to deal with suppliers directly since they already created bond and familiarity.

According to the above listed transaction fees, it is obvious that the amount of

expenses incurred from transactions for the stores' side is high too. The store still has to pay payment fee and service fee to the third party or banking system. Also, the cost of setting up the system will be a burden for a newly emerging B2B platform and will draw away customers; this would not be advantageous for the company in the long run.

However, the payment systems in Thailand like Payment Gateway, Credit Card, or Customer Service discussed above could serve and support the transaction-based revenue model. But, there is an obstruction to do so since the system would need to be tailored-made, which is costly, and would raise the cost of the company in terms of initial investment. Yet, the company would be required to guarantee the minimum transaction to the bank or any third party.



Chapter 8 Thailand's Risk Analysis

8.1 Risk Analysis

Since Thailand is a country relying on export of both agriculture products and industrial products, there are many enterprises existing that still have problems of seeking customers nowadays. Moreover, according to government policy to support new entrepreneurs, the government set up the project of building small and medium enterprises or SME project to support Thailand's export industry and raise export value. So, we also could see that it is roomy for the companies to grow with these small and medium enterprises. Furthermore, Thailand now has its own technology to support internet or electronic entrepreneurs, like broadband technology or mobile software, that attempts to link these activities to all kinds of electronic commerce. Also, it is evident that the behavior of searching dates and making transactions through internet is rising substantially. Also, these small and medium enterprises tend to build their business network to sell products or services through more than one channel like brick-and-mortar. Yet, they expand and cooperate with different kinds of products and services. The most important point is that the Thai government currently encourages the business in Information and Communication Technology ICT category, so it is currently a good chance for the company to start business.

However, in the case of outsourcing its service to third party, there is limitation on the amount of capital investment in software and hardware to support uploading page with thousands of data. Also, website development still depends on outsourcing so the company may not be able to fix problems in time, and this would cause dissatisfaction among customers. So, communication and condition made with outsourcing service

companies should be tight and easy to control, making operation flexible and dependable.

8.2 Critical Success Factors

In operating a business especially in electronic commerce business, the administrators should have a clear vision to merge the technology, internet, and electronic commerce characteristics and adopt them suitably. Also, the stability of database is a key factor that makes the business successful operationally in dealing with abundant information. These data may include product and service information, along with customer profiles, and supplier contact information in various types and aspects that would be exchanged and recorded all the time. Last but not least, the electronic commerce system should be developed systematically and flexibly for the business to be adapted or changed in the future; however, it should be protected from data leakage. This also includes adaptability and compatibility with most website developers' existing system so that if the current developer has any problems, the business would still have the supporting system. The safety system is a factor that would support electronic commerce to protect data to be stolen, and this would be able to boost confidence and reliability among users. The company should apply both offline marketing and online marketing in a proper proportion so that the company could compete with other competitors efficiently.

Also, since it is the first time for Thailand to have the B2B electronic marketplace business, its advantages would help attract potential customers. The website could take the advantage of first mover in this business, but this will cause the company to incur a high cost in advertisement to be a high profile company. People normally have to spend

a lot of money and time to search for information, but its result would not be beneficial or relevant. The B2B electronic marketplace model would help reduce buyers' search cost and also the search result is relevant and advantageous. It is not only cheaper and faster, but also helps expand the business network as well as increase the number of transactions leading to more revenue. Moreover, after expanding, the business would also be able to encourage more and more cross-border transaction and trade. This is the opportunity that the buyers and sellers could use to meet, exchange information, make the deal and make the price more transparent among all people. As a result, high quality will be offered because of easiness to search and compare all information in the website. Furthermore, the website would act as an accrediting intermediary platform as it would help prove and verify information and protect users from fraud. The information posted online would be inspected and clarified before publishing on the website. The website is only a third party who helps reassure both counterparts, with help from government agency such as BOL or business online dot com who would provide information about limited company. Moreover, besides government organizations, the website would yet rely on inside monitoring office and insight information. The website would be facilitator, regulator or rule enforcer which is more than an electronic hub.

However, after matching, the company would not be involved with product shipment and handling, merchandise inspection and return, insurance or details in the contract. The transaction would occur privately while the website would provide only facilities and services including accreditation. In monitoring the web traffic, crisis would be one of the problems that the company would pay attention and take necessary action to prevent from occurring. Unlike eBay or yahoo auction which is a one-time matching transaction, in B2B electronic business platform business model, the matching would be important at only the early stage, and then its importance would decrease

gradually. The reason is that in the early stage both parties are required to look for counter parties; however, when matched, the business transaction occur along with the deeply bound relationship. They tend to source products from limited number of suppliers they are familiar with. This bond creates trust and stickiness and forms long term relationships. In addition, because the behavior of both parties regarding delivery, payment, order process or even contract extension would be predictable in time, they do not tend to find or seek new suppliers. Finally, they would tend to see the website as a less important medium for them and ignore the website. So, it is important that the website should offer more and more services to attract potential customers who could rely on the website to do lots of work, not just offer an ordinary platform. Transaction and special facilities and services would be added to make customers stick to the website and make their switching costs high.

Also, there are still some other risks the company should be aware of. The consumers' lack of experience with technological knowledge would be one of the problems, so it is significant that website design would be user-friendly or customers might get bored and might quit using it in the end. Moreover, the possibility of imitating the business model is high so before losing the customer base and revenue, the company not only could not ignore this point, but also has to try to make customers stick to the service of the website together with raising switching costs. Also, the company could build its reliability level by getting support and guarantee from government-related organizations like Board of Investment or BOI, an organization set up for the purpose of supporting investment in Thailand, and Software Industry Promotion Agency or SIPA, established by Ministry of Information and Communication Technology. Moreover, the safety and privacy of data and information on the website is of critical importance and has to be protected from website hackers. The reliability and importance of database are

bound to this risk so monitoring and safety system could not be ignored. Additionally, there is a risk of the website developer having monopoly power if the company relies on only one developer, thus flexible system would be designed, and the company should keep pace on technology necessary for developing the website and develop the department taking care of this duty internally.



Chapter 9 Conclusion

9.1 Plan Evaluation and Suggestion

Founded by Jack Ma, Alibaba's application of a simple business platform of business-to-business B2B business model is extremely successful in China. It attracts buyers around the world to register to the website and be connected with Chinese suppliers. Some characteristics of Chinese market allow the company to fulfill the existing gap. As China mostly accounts for abundance of wholesale and retail entrepreneurs whose businesses are categorized as small and medium businesses, these companies were at developing stage and had no sufficient resources to seek for foreign business partners. Thus, Alibaba is a tool for both parties to be connected to each other and helps foreign buyers who lack of knowledge about Chinese market find relevant and reliable information at reduced search cost. Alibaba helps accredit the information so that buyers could rely on a widely known accredited organization.

While Alibaba is a successful example for B2B electronic platform, this B2B business model does not fit to all industry or companies. As the internet-related business is popular and easier to start up than brick-and-mortar business is, the competition is higher. Although more and more businesses start the B2B electronic platform, a number of companies that plan to establish the website are obstructed and predicted to fail within two years. Dell, a widely known computer manufacturer, is an example of the company that fails to do business in B2B business model in electronic platform. The reasons that it fails include the lack of research for positive and negative effects of doing the business and of cooperation with suppliers and other businesses. The company hopes to leverage the reputation of itself as one of the largest companies in

computer industry; however, it is not that easy. The website could not position itself to be the B2B business model but makes consumers confused and makes them view the website as a computer manufacturer's website. Last but not least, Dell enters to the B2B business model with hope to get some market shares in the industry, and when the result is not desired as it should, Dell closes itself without examining the fault it made or improving its performance. What Dell may choose to do is to position and advertise itself as a B2B electronic platform for consumers and rely more on small companies that could help support the company as Alibaba does. The suppliers that would foster the company should be closely-related product manufacturers like Canon or Epson. Also, compared to Alibaba whose sources of revenue come from online advertising, seller registration fees, member accreditation services and revenue sharing with the third party services, Dell charged their customers both transaction and hosting fees, and these costs would burden their customers and drive them away from doing further transactions at the website.

However, to enter Thailand, the company should consider many aspects that could deter or support the company to be successful in Thailand market. From the analysis, the company could not operate successfully in Thailand. This is due to the fact that although the amount of suppliers in Thailand is rising due to small-and-medium enterprise supporting project of the government, the number of suppliers available to be customer base of the company would not be as high as Alibaba's. With the same reason, this aspect would cause the company a problem in the long run. Thailand is a country that relies on agriculture and service industry, so the reason that service could not be transferable like the product output could deter the company's opportunity to succeed in Thailand market. Also, a problem of customer behavior that Alibaba faces still exists in Thailand market since one-time matching denominates the business model. They tend to

build relationships with only a few business partners and the electronic platform would not be a necessity for them to do business anymore. Moreover, as the business model is easy to be imitated, the company would be faced with competitors from both local and foreign B2B electronic platforms, as well as any auction websites of leading companies like eBay, Amazon, Yahoo, or Google. Also, one of the most important factors like political risk would obstruct the investment in Thailand. The election and conflict between the two parties still exist and tend to increase more, which would lead to unstable politic situation and finally decrease the confidence of foreign investors.



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