

THE DEVELOPMENT OF DISTRIBUTION CHANNELS FROM TRADITIONAL TO MODERN TRADE: A CASE STUDY OF THE THAI OLYMPIC FIBRE CEMENT CO., LTD.

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ABSTRACT

This research aims to describe the aspects of distribution network (Piercy & Cravens, 1994; Todeva, 2000; Uzzi & Dunlap, 2005) of the construction material merchandisers in Thailand, to gain the better understanding in differences and similarities of modern trades and traditional trades (Rosenbloom, 2010; Weill, Malone, D'Urso, Herman & Woerner, 2005). Eventually the identifications of factors influence the business model transformation were the results of the data analysis (Amit & Zott, 2012). B2B strategic suggestions in relationship marketing perspective (Ford, Gadde, Håkansson & Snehota, 2011; Håkansson & Snehota, 1995; Wheelen & Hunger, 2010) were the consequences of the study conclusion.

The distribution networks of construction materials in Thailand describe by sales type such as retails, wholesales, project sales and modern trade sales or by product brand from manufacturer and Portland cement factory which own each other brand, the different network have their own regulation but mostly network in the country have no more strong regulation to enforce the customers therefore the brand, product substitution, channel overlapped and conflict were plenty in the market. The differences and similarities of two trading model were have their strong point such as the close relationship with long term coordination in local area of traditional trade or the system back and front office of modern trade which make each model survived in the heavily competition environment. In the changing world of business, the proliferation of customers' needs was the main factor that affects the firm to transform itself to increase the competition capabilities, changing in customer expectation, the buyers with more knowledgeable and many branches diversification to the major cities were the factors of business model transformation. The distribution market of Lao's construction materials should develop the business model in briefly years depending on the socialism government to open for the capitalism in future. Some firms in Lao were developed themselves with extant resources. The two strategic types of transformed and transforming modern trade concentrated on the relationship marketing which was the way to maintain the customer loyalty and to modify the suitable business relationship between the company and the customer. The evaluation and the contingency plan were contained in this thesis.

Keywords: Relationship marketing, distribution channel development, transformation factor, relationship strategy, construction material merchandiser, Thailand, Modern trade, Traditional trade

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Introduction

Today, the modern trade of the construction material merchandiser appears everywhere. The traditional trade merchandisers improve their operation to resist the aggression in many business facets. This effort of the primitive firms affects the interaction with the suppliers whether the positive or negative results, the manufacturers improve the abilities to reduce the effect from these transformation factors. Since 1995, the first modern trade outlet has established in Rangsit which named HOMEPRO (Homepro,2014). The competition in this industry starting to become severe fighting, the local player transforms to a local modern trade (Taechamahaphant, 2014), a big entrepreneur invests in the branch diversification nationwide and a market leader forces its dealers to change the business approaches. While the business competition environment changed, the innovation leader company is sticking in the successful story of new product introduction to the market. The differentiation in customer relationship (Porter,1980) is neglect, a familiar cooperation, friendly interaction and close relation disappear. Customer satisfaction, commitment and trust from the business customer are reducing whereas the rivals are increasing. In this study, the researcher has been working on the need to develop the marketing strategy that implements to the two forms of trading with B2B marketing and relationship marketing. Transformed and transforming modern trade are 2 business models which changed the business practice into system although the local players and plenty construction material merchandisers had developed the firm into professional aspect. One key success of the business achievement is a relationship of a long period to create a challenged thing to maintain and it is difficult to return. This essential success factor is the interesting subject to study, how important or necessary of the business relationship” (Ford, Gadde, Håkansson, Snehota & Waluszewski, 2010) with the

changes in distributing channel transformation and how the managers operate this relation to succeed the organization target.

Research objectives

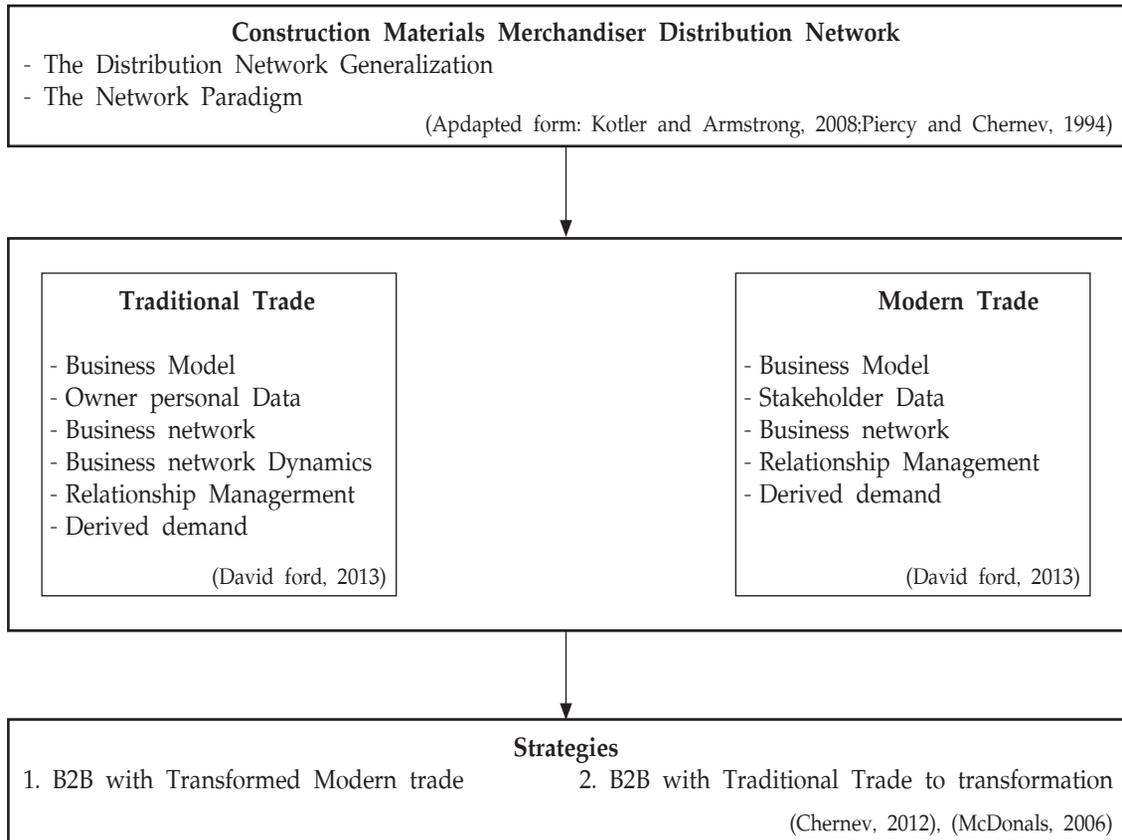
1. To study the distribution network of the construction materials merchandiser in Thailand
2. To understand the differences and similarities of the business model between the traditional and modern trade in the construction materials merchandiser in Thailand.
3. To identify factors influencing the transformation of the traditional merchandiser to the modern trade in the construction materials industry in Thailand.
4. To lie a Business to Business strategic plan to encourage traditional trade with transformation to modern trade.
5. To draw a Business to Business strategic plan to modern trade.

Research Contributions

The research aims to study the expectations and the perceptions of the distribution network of the construction materials merchandiser in Thailand towards transformation of the business model and the new role that the organization will handle as follows:

1. The better understanding of the distribution network of the construction materials merchandiser may lead the improvement of the companies in response to the transformation of the customer’s nature of the business.
2. This study was expected to provide factors influencing the transformation of the traditional merchandiser to the modern trade in the construction materials industry in Thailand.
3. This study anticipated to organize the strategic plans to maintain customer loyalty of the transformed customers.

Conceptual Framework



Methodology

The semi-structure interview forms were the devise of this qualitative research with the qualitative documents by the investigation of the public documents. The population of this study were 1,038 outlets of The Thai Olympic Fiber-cement customers and 625 employees of the company as of March 15, 2014. The samples of this research were 10 external respondents including 2 Laotian customers and 15 employees of the company in the high-level management to operation level whose duties related to sales and marketing department. This research study collected and analyzed the data from March to September, 2014. The purposefully participants selection was the first sampling method then snowball sampling used until the data saturated. The unofficial face-to-face interview and telephone interview were used to collect the data from the subjects nationwide and Lao. The interview forms could be separated into 2 formats: external and internal semi-structure

interview forms containing 5 parts with the same topics. The individual data questions, the distribution channel network of construction material merchandiser in Thailand questions, business model question, relationship management question and the marketing strategies questions were the composition of semi-structure interview forms. The researcher gets the content validity with 5 experts' to ensure that the questionnaire measurement can cover all the contents therefore the data were collected until they were saturated.

Literature Reviews

Business marketing is marketing products or services to other companies, government bodies, institutions and other organizations (Dwyer & Tanner, 2006). The development or changes of one party in the network affects others with interconnection. The activity links, resource ties and actor bonds are the substances of business relationship (Hakansson

& Sneohota, 1995) which has different aspects of characteristics, continuity, complexity, symmetry and informality. The relationship of business firms should be considered in three aspects: the relationship as a devices to increase efficiency, to achieve innovation and to influence others. The business relationship was as an asset or the portfolio of firms and the relationship as the problem of the company (Ford, Gadde, Hakansson & Sneohota, 2011).

Research Findings and Conclusion

This study illustrates 2 different aspects of distribution channel network of Thailand construction material merchandiser from 2 kinds of respondents. The internal respondents separated the distribution network by sales type such as retails, wholesales, project sales, modern trade sales and direct sales. The internal respondents said mostly distribution network in Thailand have only business relationship and their channels were overlapped which affected to easily substituted in brand. Each distribution network had their own identification, the obvious character was the difference of profit gap which the market leader set the standard sales prices or some players placed the high margin sales. The business regulation and punishment of every distribution network was the indicator for the relationship between the network focal and member therefore the loyalty customer of distribution network was the last concerned from them.

The external respondents described distribution network by product brand from manufacturer and Portland cement factory which own each other brand. External respondents described the characters of distribution network from right to selling product from the manufacturer; the authorized agent would get the privilege in their selling area without new authorized dealer from the company unless the old one was closed or the company policy untraceable. Generally the network members are able to sell another product from the rival in the same industry means no strong regulation forced the distribution channel to be a single brand dealer. Nevertheless, only the industry leader enforced their dealer with many business rules and punishment which

discomfort some dealer and obstruct the new customer to be the network member. The last 2 descriptions of construction material merchandisers network in Thailand were the independently in business management which many participants concerned and each distribution network was divided from the level of each customer group, the market leader approached the higher customer group and the follower committed with the lower group.

The differences and similarities of the business model between the traditional and modern trade in the construction materials merchandiser in Thailand from the research are summarized into 2 parts of different aspects of the study. The results showed six similar aspects in the differentiation of the business model from internal and external respondents as customer relationship, systematic management, marketing tactics, systematic responsibilities, selling price and credit sales. These were the six strengthen points of each model such as the closer customer relationship was the strength of traditional trade which have the long coordination with their local customer; as a result to sell in credit term with regular customers. The systematic management was the strength of modern trade model which operated the large firm without difficulty. The five similar results from the research with internal and external respondents presented that there are no more similarities aspects of two business models, top three most concerned topics were products, price war, and location. The products results show each business model sell the same thing that influences the market cannot escape the competition in price war so to avoid this competition environment, the manufacturer and channels should be segment the products by each target group separately. Famous place of commercial attract the large or small players in the market so the small and medium firms should find the new location to other fresh opportunities if there are the new face challengers with the large one.

Over 80 percent of respondents from 2 fields' research showed the consistent result of the proliferation of customers' needs be the most influence factor of business model transformation after that two

factors did not affected as expected. The changes in customer expectation from more knowledge about the products and market were lead the distributors to develop their business style and followed the market trend intimately. Many branch diversification of public modern trade drive the local players to transform themselves into any model which suitable to their resources or capabilities.

A brief observation between interviews in Lao showed various information about Lao distribution channel and selling system. 100 percent of Lao's participants described the construction material distribution networks in Lao should be authorized from the products manufacturer, it was the cause of every distribution channel commit the selling products with the manufacturer's brand and the similar percent showed there were simple in brand substitution. 50 percent said there were plenty of channels overlapped with the rivals. As the member of TOFC's network, they should follow the company policies as well as the important thing was that they must sell SHERA and Hahuang products, 100 percent of Lao residents said that 100 percent of Lao respondents clarified the distribution network of TOFC was a monolithic multi-channel which means the company authorized few dealers to access the whole market with every target group, the categorization by demographic factors was the simple one method of 50 percent commented. In the competition analysis facet, 100 percent of Lao respondents said the product substitution was plenty in the market whether the Chinese, Vietnamese or Thai products should compete in Lao market ; however, in the different target group. As the results, easy market entering by 50 percent of opinion, many foreign products were popular with Lao people especially Thai products as they were the most recognized to Lao. Cross country competition was one of the environment businesses that directs Lao business competition from 50 percent opinion. All of Lao participants were a retails shop and 50 percent were wholesales.100 percent said the most benefits of being the TOFC's network member was the innovation products which should offer their high end customer in the country and 50 percent said

branding of the TOFC should made them easier to present to their consumers. A hundred percent showed that they have independently operation their firm because the company should not intervene any processes and they were the authorized dealer of SCG whereas 50 percent of them were the Diamond authorized dealer as well. The reason of being another authorized dealer because that brand was well known in Lao. Half percent of Lao participants said they satisfied TOFC more than the rivals likewise 50 percent said that they preferred equally by the closer coordination was the key that 50 percent provided. 100 percent showed that the delivery process was the main trouble whilst 50 percent said that lack of products stock was the problem as the member of TOFC's network. These interviews show the results that the business model of modern trade in the construction materials merchandiser in Lao was not explicit but the stream of development around the country made them learn more about the modern trade business model. Differences of outlet features were the clearest outlook of Lao participants, 100 percent mentioned about remarkable display in the shop, selling process and the systematic management. The cost of management and the large capital were the description of modern trade in 50 percent opinion. 100 percent of Lao respondents said the external pressure was the main factors of business model transformation then they paid most attention on it. TOFC must provide the substantial policy and helpful facilities to Lao customer with 50 percent opinion.

Research Recommendations

First recommends the business to business strategic plan with transformed modern trade with the relationship marketing theory that has many relationship aspects to improve and maintain the business relationship between two parts in the network. The corporate strategy is to set up the new department as the market research and development department and reorganize the sales and marketing departments to work around the customer relationship. The division strategy for sales department is to establish a new division as the Localize modern

trade division to look after these groups of customers and to develop the customer's information center. Moreover, the functional strategies, the researcher presents 3 parts of the functional strategy along the objectives as follow. Business relationship continuously maintains by the business pioneer party and business successor seminar to build up the chance of TOFC's employees in every level related to the customer interaction to meet face to face and make the closer relationship with their customers. The reformation of complexity in the task connection system and create the symmetry in the organization between the company and target group by systematize the customer interaction and set up the new sales department to operate with target group. Finally, the informality relationship was necessary so the high level executive's visiting plan with target group should setting up like the research result before that 40 percent of external participants said that they wanted the TOFC's owner or any high management employee to visit, 50 percent said that the personal coalition was the one way to build relation with the customers. The most evidence with business relationship of TOFC's distribution network was the private relation with TOFC's employees by close coordination as 50 percent of customers answered. The 60 percent of external participants showed that the customer seminars were the most effective activities to build the relationship and 40 percent informed that the private meetings were appropriate. Internal participants' opinion illustrated the nationwide seminar has been built the relationship from 60 percent opinion and 87 percent said the nationwide special occasion party was the most effective marketing activities. Nearly a hundred percent pointed the relationship 140 with TOFC can make the added value to the firm but it should be adjusted in some manners said by 60 percent. The second strategy to the transformed modern trade is to create the business role model within target group member for encouraged interaction between actors in the network as 20 percent of internal participants shown. The 60 percent of external participants said private relationship between network members were practicable. The main supporter of

local marketing with target group is the interaction between activities of network members. 40 percent of customers presented the collaboration in business development was a choice to make the relationship with the company and 50 percent said the market data interchanged was appropriate to their business. 20 percent of external participants and 27 percent of internal respondents said the company should be the local co-advertising. The region or sales area interchanged data seminar to share the business knowledge between network members in the target group to raise the interaction between resources of network member likes 60 percent of external respondents said they have the relationship between together in the network, 40 percent showed that the data exchange was beneficially and 30 percent would like the company to support the data in the market. Eventually, the strategy to the transformed modern trade are the development of DNA and CRM system to match this customer group need, co-creation with the shop display and training the shop counselor and co-invention the new products with target group. All of the strategies are the business devices which 60 percent of external and internal respondents illustrated. The 67 percent internal participants said the company gave the importance to customer relationship by DNA promotion and CRM department set up, 53 percent made the relationship with the customers by introduce the innovation products, 40 percent represented the level of relationship with the co-developer partner and 27 percent illustrated the relationship would make more value added to the business by to be one part of new products developer ,80 percent said outstanding display and 40 percent preferred product counselor for the marketing activities to modern trade. The 90 percent of external respondents said they obtained the positive results from relationship with the company in terms of improving the product knowledge in the opinion of 40 percent, 60 percent said they should be the business partners of TOFC, 20 percent said they should be the business co-creators, 10 percent clearly shown the new product co-develop, 60 percent said outstanding display and 30 percent preferred product counselor were the

marketing activities to modern trade. Set the possible interesting benefits and obvious punishment specifically the target group for established the new concerned customer group. As 40 percent of internal respondents shown the new customers prioritize was necessary to the company, 53 percent said TOFC did not have business regulation which the dealers independently operated the firm but many times the company's policies were impracticable likes 20 percent external participants said the company has powerless enforcement the network members.

Second recommendation is the business to business strategy with the traditional trade to transformation, the corporate strategic is to setting up the new department as the market research and development department and reorganize the sales and marketing departments to work around the customer relationship. The division strategy especially the sales department is to establish a new division as the Localize modern trade division to look after these groups of customers and develop the customer's information center. And the functional strategic statement, the researcher presented 3 parts of the functional strategy as follows. The nurture and enhancement of business relationship between the business pioneer and the successor with the company are applying the characteristics of business relationship theory which divided its characteristics into three manners: continuity, complexity, symmetry and informality. The first strategy is the business pioneer party and business successor seminars to build up the chance of TOFC's employees in every level that related the customer interaction to meet face to face and make the closer relationship with their customer. As 60 percent of external respondents suggest the customer seminar was appropriate marketing activities and 60 percent of internal respondents presented the business knowledge seminars to agent was the most effective marketing activities. The reduction and management of relation complexity within company and dealers was the business advisor to develop the business model to modern trade or SHERA home solution business model which matched the dealers' business approach to the company's policy, these strategies should arrange the symmetry of relationship in the

same way. SHERA home solution center concept and the systematically management were the two ideas that 33 percent of TOFC's employees offered to their customers and 27 percent suggested the information technology system. 70 percent of customer requested the company's advice and 20 percent agreed the SHERA home solution center concept with 20 percent wanted the tangible policy to obviously path of model development. Finally, the informality of relationship was necessary so the high level executive's visiting plan with target group should setting up like the research result before that 40 percent of external participants said they wanted the TOFC's owner or any high management employee to visit, 50 percent said the personal coalition was the one way to build relation with the customers. The most evidence with business relationship of TOFC's distribution network was the private relation with TOFC's employees by close coordination as 50 percent of customers answered. The 60 percent of external participants showed the customer seminars were the most effective activities to build the relationship and 40 percent said the private meetings were appropriate. Internal participants' opinion illustrated the nationwide seminar has been build the relationship from 60 percent opinion and 87 percent said the nationwide special occasion party was the most effective marketing activities. Nearly a hundred percent pointed the relationship with TOFC can make the added value to the firm but 60 percent said that it should be adjusted in some manners. The second strategy to the transforming modern trade focuses on the process characteristics of business relationship as interaction between actors, activities and resources of the member in relationship. It is to create real time interaction system via IT system between company and customer to raise the efficiency of coordination such as factory stock, logistics and sales process. 53 percent of internal respondents showed that the routine task should make the customer relationship effectively, 47 percent emphasizes the importance on customer relationship by the sales routine task in contrast to the result of relationship that TOFC's employees said there were in moderate level from

47 percent opinion then they suggested to make closer dealing. The next strategy is for the local co-marketing to support the marketing knowledge likes 40 percent of external respondents said they wanted to interchange the market data with the company, 50 percent said the relationship can make more added value to their business by developing business knowledge themselves. Finally, the strategy to the transforming modern trade is to set up the marketing information center to services the customer of the network. 60 percent of customers said the relationship with TOFC was the business device which was the key to success and 60 percent of employees said that the relationship with customers was the business device which must maintain and intimate. The financial supporting program to the potential dealers that wanted to develop their business by introduce to the financial institution or the company financial support. 60 percent of customers said the relationship with TOFC was the business assets which the portfolio of their business to further investment and 53 percent of employees said the relationship with customers was the business assets, too. Set the possible interesting benefits and obvious punishment specifically the target group for established the new concerned customer group. As 40 percent of internal respondents shown the new customers prioritize was necessary to the company, 53 percent said TOFC did not have business regulation which the dealers independently operated the firm but many times the company's policies were impracticable likes 20 percent external participants said the company has powerless enforcement the network members.

Recommendation for further study

The researcher has the following recommendations for future studies:

1. Studies should be conducted to determine the business to business marketing to the localized modern trade.

2. Additional studies should be conducted on the other marketing aspects except the relation marketing like this research such as marketing communication and marketing strategy.

3. Derived demand in construction materials industry for distribution channel concerns by many players in the market so the specific studies about this will be interesting.

4. The company should concern the differences of business to business marketing and business to consumer marketing which approach the vary method.

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A FEASIBILITY STUDY OF GSC'S EXPANSION TO VIETNAM

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ABSTRACT

As one of the Global Business Project (GBP) 2011, the feasibility of the plan for Graduate School of Commerce (GSC) of Burapha University to expand its study center to Vietnam is examined in this paper. The results from the market feasibility study reveal that Vietnam has a strong demand for a full-time MBA program, with low level of competition and threat of substitution. In addition, the financial feasibility indicates the payback period of 7.2 years, the Net Present Value (NPV) of 1,994,220 USD, and the Internal Rate of Return (IRR) of 14.95 per cent. Therefore, Vietnam is a favorable market for GSC to take a foothold.

Keywords: Global Business Project (GBP), Graduate School of Commerce (GSC), Vietnam, MBA program, feasibility study

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Introduction

International business or global business is defined as any stage of business transactions across national boundaries (King, 2009). Nowadays, markets have become truly global for many goods and services including internet markets, commodity markets, intermediate goods markets, and so on. Due to the rising competition of education services and expansion as well as the strength of an international prospect of the institution community, many institutions are looking toward internationalization.

The Global Business Project (GBP) is an exclusive graduate-level course which is offered to Master of Business Administration students and other graduate students at fourteen member universities in the United States: Columbia University, the University of Connecticut, Duke University, George Washington University, Georgia State University, Purdue University, San Diego State University, Temple University, the University of Hawaii at Manoa, the University of Maryland, the University of Miami, the University of North Carolina - Chapel Hill, the University of Pittsburgh, and the University of Wisconsin-Madison. It was designed as well as developed by an association of Centers for International Business Education and Research (CIBERs), led by the CIBER at the University of North Carolina (UNC) - Chapel Hill. The major goals of the GBP are twofold: firstly, MBAs and graduate students in related disciplines can increase their global business and language/cultural competency through guided hands-on business experience in global markets, and, secondly, the companies (called clients) assisted by the students receive valuable assistance in expanding or increasing their global positions. In 2011, the target countries included: (1) Brazil – Projects led by the Duke CIBER; (2) China – Projects led by the UNC CIBER; (3) Japan – Projects led by the Temple University CIBER; (4) Thailand – Projects led by the University of Maryland CIBER; and (5) Vietnam – Projects led by the University of Hawaii at Manoa and the University of Wisconsin-Madison CIBER.

The GBP 2011 started from September 2010 with the selection of students and clients in each country. Until the first half of March 2011, all participants,

the country leaders, GBP faculty advisors, GBP students and clients met in a Kick-off weekend in Washington DC to discuss the scope of the project, build strong teams, developed a detailed project scope of work, project timelines, and a work plan for the 10-week project (8 virtual weeks and 2 weeks in-country). During this time, all GBP students worked with their own teams according to the projects received from the clients. Finally, from March 13 to May 27, project teams worked in-country doing research and preparing for the final presentation of the findings to the clients.

Recognizing the importance of internationalization, Graduate School of Commerce (GSC), Burapha University, decided to participate as one of the clients in the CIBER Global Business Project 2011. The project assigned to the team is a feasibility study of GSC's plan to expand its study center to Vietnam. The study will help GSC to have a better understanding about the potential market in Vietnam for higher education, especially in the field of business administration, and to make a right investment decision.

Review of literature

Background of Graduate School of Commerce (GSC), Burapha University

Graduate School of Commerce (GSC), Burapha University is a famous graduate business school in Thailand. At present, the Graduate School of Commerce has expanded into many regions to serve the needs of both public and private sectors. There are altogether 6 campuses: 1) Bangsaen Campus (Main Office) at the Graduate School of Commerce Building, Burapha University, Chonburi Province; 2) Bangkok Campus, at the United Center Building, Silom Rd.; 3) Rayong Campus, at the Star Plaza; 4) Saraburi Campus, at Saraburi Wittayakom School; 5) Mae Hong Son Campus, at Mae Hong Son Regional Revenue Office; and 6) Nonthaburi Campus, at Office of the Government Service Commission, Seminar Center Building, Tiwanonta Rd. In 2009, it had 25 faculties and 46 academic support staff (Graduate School of Commerce Burapha University, Annual Report, 2009).

GSC is now offering 9 MBA programs and PhD programs in Organization Development, Human Capability Management, and Public Management. The philosophy of GSC is 'An aim to produce graduates with academic knowledge and business professional business competency, disciplines, moral, ethical and social responsibilities'.

The vision of GSC is 'The Graduate School of Commerce is the leader of continual learning innovation development in order to foster the sustainable strength for the business sector, communities, and societies'.

The missions of GSC are as follows:

1. To promote and develop curriculums, instruction, and to cooperate with the public and private sectors.
2. To give consultation and to develop academic services, research, and business models in order to continually respond to the demands of the business sector and communities.
3. To develop graduates capable of facing the current changes in technology and globalization trends with the maintenance of business ethics and morality.
4. To promote activities in return to communities and societies, and to preserve Thai arts and culture.

GSC has built strong networks with many institutes in Thailand such as The Government Public Relations (PRD), The Federal of Thai Industries, Thailand Innovative Administration Consultancy Institute, and The Institute of Internal Auditors of Thailand (IIA). It also has networks with many international institutes such as Montpellier Business School and Group Sup de Co Montpellier, France; Northwood University, USA; University of Maryland, USA; University of South Australia, Australia; Chungnum National University, Korea; Sangsawan University, Laos; Savannakhet University, Laos; and Yunnan University, China.

Under the current highly competitive higher education market, many countries have turned to knowledge-based growth to switch from labor-intensive sectors to new and emerging economic activities that have the need for higher skills and intellectual capital. Therefore, many universities are trying to offer quality programs, faculties, and many facilities to attract

potential students. Networks with many international universities provide an opportunity for a university to attain prestige over other universities, thus more students will likely apply.

Higher education in Vietnam

Vietnam is one of the ten member countries in Southeast Asia. It is divided into 3 regions: North, Central, and South. It is bordered by China, Cambodia, Laos, the Gulf of Tonkin, the Gulf of Thailand, and the South China Sea. The capital city of Vietnam is Ha Noi, and other prominent cities are Ho Chi Minh, Hai phong, and Can Tho. Over the past decades, GDP growth rates of Vietnam have been increasing continuously compared to its South-East Asian neighbors. With its entry into World Trade Organization (WTO) is projected to have further changes in its economic structure. This will help Vietnam to become more competitive on the global market. This means there will be high demand for skilled workforce for many multi-national corporations. Especially, the service sector, in the field of information technology, tourism, harbor management, finance and banking, has great potential to be a new engine of growth for Vietnam. According to the estimation of ministry, 10,000 to 15,000 skilled laborers are annually needed for the country to be trained in these fields. Nevertheless, with the current training capacity, there is only 40-60% of the demand that can be met. Therefore, there is an urgent need to improve higher education participation rates in Vietnam with the infrastructural capacity to support it. However, the Vietnamese government has recognized that the current system is unable to meet this demand, and this lack of qualified human resources is the critical factor that limits future development and economic growth of the country.

Opportunities for higher education in Vietnam are limited since the system can only accommodate a fraction of those seeking admission. In 2009, 376 universities in Vietnam had places for only 400,000 out of the 1.2 million candidates, or 33.3%, of those who sat for university entrance exams. Another problem is that, although the number of university students has increased as doubled since 1990, the number of teachers has remained unchanged. The

number of teachers for higher education can serve the demand only 60%. Moreover, faculty qualifications are generally low. Currently, there is only 13.86% of Vietnamese university professors hold doctoral degrees. More than that, quality control issue has been raised. Currently there is still no system to keep checking on the quality of the rapidly increasingly number of educational programs and institutions being set up to support the rising demand for higher education.

Vietnam has been confronted with the dilemma of an increasing demand for education balanced against a limited supply because of scarce resources (Institute of international education, Vietnam, May, 2004). Moreover, pressure to upgrade and adjust the quality of teacher training, teaching, and curricula to produce graduates with skills qualified in the evolving labor market are also increasing. The satisfaction of these demands and the careful allocation of resources will be crucial to well-being and future development of the country.

The competition in higher education market in Vietnam is increasing since in-country delivered programs with overseas qualifications have become more popular (Vietnam Market Introduction, April, 2011). An Australian institution, Royal Melbourne Institute of technology (RMIT), has campuses in both Hanoi and Ho Chi Minh City and there are many programs jointly coordinate by local and overseas institutions. France, the Netherlands and Belgium, which are competitors who offer courses delivered in English, are also attractive. There are also some Asian countries (Japan and Korea) which are short distance away, cultures are more compatible and cost efficient, are potentially strong competitors. With similar competitive advantages, Singapore, Malaysia and China are gradually more becoming popular, especially for trans-national education (TNE) programs.

Vietnam's main demand derives from those seeking for higher education. The full range of pathway programs attract many of the Vietnamese students that boarding schools, further education colleges, schools and universities in all competitor countries can offer. Nearly all undergraduates are those who

progress from pathway programs. The one-year Master's course has been attracting interest among Vietnamese students. Splitting degrees in the postgraduate sector implies a real market opportunity, especially in collaboration with a high reputation Vietnamese institution. The greatest demands are business, management and finance fields. Tourism, IT, sciences, especially engineering, are second popular. The trend of these demands seems to continue these days.

Previous research on higher education

Yang (2003) analyzes the nature of globalization and how it is affecting higher education. Firstly, it reviews the nature of globalization, and then studies the international impact on higher education development. The article implies that globalization is predominantly economic, and indicates that global exchanges in the economic, cultural and educational domains continue to be unequal. Simultaneously, education is increasingly treated as a business. By exposing the negative aspect of globalization and its effects on universities, the article is written with the expectation to counter the uncritical acceptance of globalization as a positive force for higher education and society as a whole. In order to exist and prosper in a rapidly changing world, most university leaders believe that they should be tied to the market place as well as based on customer-focused. The market-driven fundamentals of globalization cause the globalization of higher education. Therefore, it generates more challenges than opportunities. The obvious challenges consist of quality control, information management, its fitness for local societies, as well as costs and benefits.

Enders (2004) examines the impacts of internationalization on higher education as well as recent developments and challenges to governance theory. It attempts to contribute from a certain perspective on governance studies to the current discussion on the challenges of internationalization, or globalization, to bring up for higher education policy analysis. The development of governance theory towards a multi-level and multi-actor approach, and its strengths as well as weaknesses for higher education is discussed. Moreover, studies in

an internationalizing environment are also addressed. The study addresses that the increasing number of competitors among higher education institutions together with the competitive challenges is leading universities that wish to compete, or to find new niches in the emerging international market, to build up more adaptable and flexible methods of organizing and managing academic work. The European integration has challenged Vietnamese conceptual and empirical tools for higher education studies to integrate the international dimension into frameworks which concentrate on the single nation state and domestic policies.

Chalapati (2007) argue the impact of economic globalization on Thai higher education and society. It explains that Thailand's severe economic crisis during 1997 and 1998 has brought education restructuring at all levels. Since the crisis, Thailand has been addressing the development and creativity of human potential, which enhance the capability of communities, societies and the country. The paper also explains that the education system of Thailand is being blended away from nation-building objectives towards 'human capital' creation. Education is rather seen as a sort of economic investment. Some common learning behaviors of Thai students and other Asian students implied characteristics of collectivist societies and high power distance societies as introduced by Hofstede (1980). A unique value relating to education in Asian culture is that the need of education is to gain prestige and to access a higher status. Consequently, universities are competing for this niche in the market. Nevertheless, non-Thai students seem to provide more critical and practical ideas of how they would be educated and how institutions could assist them to achieve more proper learning than Thai students.

Mazzarol (1998) study about the critical success factors for international education marketing. Also, it addresses some issues that education institutions who are aiming to succeed in international markets must undertake a range of activities designed to attract prospective students from around the world. Developing a competitive advantage for international education suppliers through marketing strategies is

a complicated issue since education is considered as a unique product that is both highly intangible and has characteristics, which usually creates problems for marketing.

Vallely and Wilkinson (2008) provide analysis of the crisis in Vietnamese higher education by analyzing the extent of the crisis and its root causes. It also explained how the Vietnamese government, the Vietnamese people, and the international community are responding to the situation. Therefore, the importance of institutional innovation as a necessary component of an effective reform platform is then addressed. The need for Institutional Innovation is critical. Extensive governance reforms are the major keys to improving Vietnamese higher education. Vietnam must build a new institution of higher learning that form the outset incorporates good governance to attach into its institutional structure because reforming academic institutions is a long term process. This new institution can be a model for other universities to learn from and emulate, as well as being a source of healthy and creative competition.

Research methods

This research employs both qualitative and quantitative methods for a feasibility study of GSC's expansion to Vietnam. The qualitative method was employed in gathering and analyzing secondary data of the GBP Project for studying the feasibility in marketing related to Vietnam higher education market conditions. For quantitative methods, data related to the market demand in Vietnam were derived from an internet survey and e-mail survey in the Vietnam market. Moreover, an in-depth interview was conducted for gathering data in verbal form in order to study financial feasibility.

Sample

The samples for the research were divided into two groups. One sample group was Vietnamese students at the undergraduate level. This group was reached by conducting an internet survey with convenience sampling. The other group was required for the in-depth interview. The sample was selected by a purposive sampling method which was a

non-probability sampling as this research aims to study the feasibility for GSC to expand to Vietnam, so the data would directly concern the GSC. Therefore, the Dean of the GSC was the sample for the research because he was able to provide relevant data for conducting the financial feasibility.

Data collection

The data from the GBP Project were used as secondary data to study the feasibility in marketing regarding the Vietnam higher education market. The primary data in quantitative terms were collected from the two sample survey methods. The first method was online survey through internet and e-mail surveys with close-end questions in order to understand whether Vietnamese students are interested to apply in a Thai university opening in Vietnam, while the second method is an in-depth interview with the Dean of GSC. However, the voice recorder was used as the supporting tool for the interview with the

written notes of the researcher during the interview. The interview questions were open-ended questions which allowed the respondent to freely express his ideas, perspectives and other relevant information concerning the expansion of the GSC to Vietnam. The data received from the interview were then used for studying the financial feasibility.

Data analysis

The secondary data from the GBP project was used to analyze the Vietnam higher education market conditions by Five Forces Model in order to study the market feasibility. One of the most widely known frameworks for industry analysis is Porter's Five Forces Analysis which was employed in the study of Vietnam's higher education market conditions in this research.

The elements of Porter's Five Forces Model are competitive rivalry, threat of substitution, supplier power within the industry, buyer power within the industry, and threat of new entry (see Figure 1).

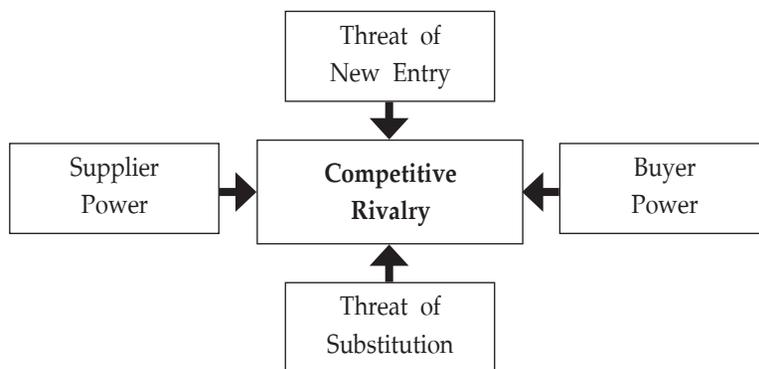


Figure 1: Porter's five forces model

The primary data were collected from an internet survey conducted by an online survey tool named SurveyMonkey and a social network named Facebook, and an e-mail survey with a close-end question to Vietnamese students. Thus, there are two alternatives; 'Yes' and 'No', provided for the respondents to respond. The question is 'If there was a Thai university offering a full-time English Master of Business Administration (MBA) program, would you be interested in applying to this university?'

Another primary financial data was collected from the in-depth interview with the Dean of the GSC

which was analyzed and used for studying the financial feasibility. Both secondary and primary data collected were analyzed by inferential statistics to obtain the payback period, Net Present Value (NPV), and Internal Rate of Return (IRR) and compared if the result complied with the hypothesis. In addition, the results from these studies and analysis were summarized to achieve the objectives of the research.

Results

In this paper, the first step is to use Porter's Five Forces Model to analyze Vietnam's higher education

market, the results are as follows:

Porter's Five Forces Analysis

1. Competitive rivalry within the industry

According to the secondary data found in the GBP Project, Vietnam lacks of recognized quality university as no Vietnamese institution appears in any of the widely recognized tables of leading Asian universities.

In 2005, the Vietnamese government attached a higher priority to education reform. They adopted the policy statement Resolution 14 on the "comprehensive renovation of higher education" by 2020 as Vietnam is calling for governance reforms. Moreover, the government recently has announced a proposal to establish a series of new institutions with international partners and proposed a willingness to obligate funds borrowed from multilateral lenders, such as the World Bank.

The establishment of foreign education programs is a sector that is growing within Vietnam that is run either entirely by foreign universities or through cooperation between a foreign and Vietnamese institution. This sector received a large support in the Decree No.06/ 2000/ ND-CP, dated March 6, 2000, which provided incentives for foreign investment in several aspects, including education and training, such as the incentive of taxation.

The new Royal Melbourne Institute of Technology (RMIT), International University of Vietnam represents the first and the only 100 per cent foreign invested international university in Vietnam. RMIT University is one of Australia's longest-established educational institutions. It is a global university of technology with its center in the city of Melbourne, Australia. It is considered one of the most successful providers of international education in Australia. Moreover, RMIT is a member of the Global U8 Consortium or GU8 (an educational consortium of eight leading universities located in coastal, maritime and seaport cities in Australia, China, France, Israel, South Korea, UK and USA), with a campus in Vietnam and it also has significant teaching partnerships in Hong Kong, China, Malaysia and Singapore, with a strong educational presence in the Asia-Pacific Region. Simultaneously, a number of foreign institutions

have also entered into joint programs with Vietnamese institutions, many of which involve a study abroad component.

Currently, however, there are a relatively small number of universities in Vietnam offer higher education degrees, especially, a full-time MBA program. Therefore, the intensity of competitive rivalry is still at a low level. Accordingly, it is a great opportunity for the Graduate School of Commerce, Burapha University to successfully expand to Vietnam.

2. Threat of substitution

The demand for higher skills has been increasing significantly as a result of a combination of inter-industry employment changes, capital accumulation and some evidence which is consistent with skill-biased technical change. Higher education, generally, has been held as a respected position in Vietnamese society. From the outset of its independence as a nation, higher education has been, and continues to be, a major preoccupation of government and a highly valued and respected activity in Vietnamese society.

Because the situation provides challenges for Vietnamese higher education in the universities and the quality is closely related to economic prosperity. Therefore, with this relationship, it is worrying that Vietnam's universities are the worst in the region. Consequently, employment opportunities for tertiary graduates now exist in most sectors. Higher education graduates are also implied to positively contribute to firm productivity. This indication provides a strong justification for promoting expansion and improvement of higher education in the country. Therefore, the change in higher education in Vietnam is essential. It can be concluded that there is low threat of substitutions.

3. Supplier power within the industry

Suppliers in this case refer to university lecturers. Today, the number of university lecturers has been slowly increasing. As a result, universities, especially newly established ones, have a serious lack of lecturers. Even though, there are few universities offering higher education degrees in Vietnam, qualified lecturers are limited. Especially, programs that are taught in English, which is increasingly

becoming favorable, it is somewhat difficult to find such skilled lecturers in Vietnam. Therefore, existing qualified lecturers have some power to negotiate for higher teaching rate from universities. Thus, it is concluded that there is moderate supplier power in the higher education industry in Vietnam.

4. Buyer power within the industry

Although the Vietnamese government has set up the policy to support the higher education sector, there are not so many higher education programs offering in Vietnam, especially, in the field of business. This limits options for Vietnamese students to study in accordance with their interests in their own country. Moreover, people in Vietnam have relatively low ability to pay for higher education. Consequently, the buyer power within higher

education industry in Vietnam is considered at a moderate level.

5. Threat of new entry

As the Vietnamese government tries to support the higher education sector by providing incentives for foreign investment in education and training, healthcare and scientific research, it can attract foreign investors to invest in Vietnam. Furthermore, recently, there are few higher education programs available in Vietnam. Therefore, with a high demand for higher education, it is attractive for many foreign investors to invest in Vietnam. As a result, it can be concluded that there is a high level of threat of new entry.

A summary of degrees of each force in Porter's five forces model on Vietnam higher education market conditions is shown in Table 1.

Table 1 A summary of Porter's five forces analysis on Vietnam higher education market conditions.

Forces	Degree
Competitive Rivalry within the Industry	low
Threat of Substitution	low
Supplier Power within the Industry	moderate
Buyer Power within the Industry	moderate
Threat of New Entry	high

In sum, the Porter's five forces analysis shows that Vietnam higher education is very attractive with low level of rivalry. However, the threat of new entry is also high and it is the key risk for GSC's consideration.

Results from online surveys

Market demand is derived from internet and e-mail surveys. There are two methods of internet survey in this research; through an online survey tools named SurveyMonkey and through an online social network named Facebook, and an e-mail survey with a close-end question to Vietnamese students as follow:

'If there is a Thai university offering an English full-time Master of Business Administration (MBA) program, will you be interested in applying for this university?'

The respondents from SurveyMonkey and the e-mail survey were Vietnamese students who have

Bachelor's Degree in Vietnam. They are recognized by one of the researcher's classmates. In addition, Facebook, as one of the online social networks, respondents are those who are Vietnam members of the webpage 'Thai social network in Vietnam'. One of the common disadvantages of the internet and e-mail surveys is a low response rate. The surveys were collected during a three-week period. However, the total responses were low with 32 respondents.

From Table 2, there were 26 respondents (81.20 per cent) who were interested in applying to a Thai university offering a full-time English MBA program, whereas, there were only 6 respondents (18.80 per cent) who were not interested in the program. Therefore, there was some demand for a full-time English MBA program offered by a Thai university in Vietnam.

Table 2 Results from online surveys

If there was a Thai university offering a full-time English Master of Business Administration (MBA) program, would you be interested in applying for this university?	Number of Respondents	Percentage
Yes	26	81.20%
No	6	18.80%
Total	32	100.00%

Financial feasibility

The data for conducting financial feasibility analysis is mainly obtained from an in-depth interview with the Dean of GSC. The key assumptions used for analysis are as follows:

1. Initial investment is 1,000,000 baht with 100% equity.
2. The required rate of return is 10% per year.
3. The number of courses offered for full-time MBA program is 10 courses (30 credits) with an independent study (6 credits).
4. The tuition is 290,000 baht. The block courses (modules) will be offered. Students will be required to complete an independent study in Thailand.
5. The net working capital is 20% of revenues.
6. The estimated number of GSC lecturers is 10 for this program. The teaching rate is 2,000 baht/

hour. The rate for a lecturer supervising a group of students (not more than 13 students) to undertake independent studies is 30,000 baht.

7. The rental expense is estimated at 1,500 baht/m²/month.
8. The traveling expenses (7-day round trip) are 13,000 baht and the living expenses are 1,500 baht/night for a lecturer.
9. The salary for hiring a staff to be in the Vietnam office is 20,000 baht/month.
10. The tax rate of 10% in Vietnam is applied for this project. There is no tax in Thailand for public universities.
11. The currency used is 1 USD = 29.93 Baht and 1 Baht = 687.78 VND.
12. The projection of number of students over the next 10 years is shown in Table 3.

Table 3 Projection of number of students over the next 10 years

Item	Year 1-3	Year 4-6	Year 7-10
Number of Students	12	24	36

Under the above assumptions, the cash flow projection is shown in Table 4.

The results from Table 4 show that the payback period of the project is 7.2 years, with the Net Present Value (NPV) of 1,994,200 USD and Internal Rate of Return (IRR) of 14.95 per cent per year. Therefore, the plan of GSC to expand its study center to Vietnam is financially feasible.

Conclusions

This paper examines the feasibility of GSC to offer an English full-time MBA program in Vietnam under the Global Business Project (GBP). The five forces analysis reveals that the competition in higher education in Vietnam is still low and there is a strong demand for higher education in the field of business administration. The results from online surveys also show that the Vietnamese students have positive attitudes toward the programs offered by Thai universities. In addition, the results from financial analysis indicate that it is feasible for GSC to expand its study center to Vietnam. The project has a payback period of 7.2 years, the Net Present Value (NPV) of 1,994,200 USD, and Internal Rate of Return (IRR) of 14.95 per cent per year.

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