

**PROCESSES A BUSINESS CAN USE TO STAY  
COMPETITIVE DURING A RECESSION**

by

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**ABSTRACT**

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Processes a business can use to stay competitive during a recession (Title)				
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The economy in Thailand has fallen into a critical situation during the past four years. Almost every type of business has been affected by the economy and many of them had to close their business. Construction had been one of the most successful businesses from 1987 to 1996. They made a lot of money since there was so much housing and businesses growing in the past fifteen years. The construction business is in a very serious situation now because of this recession and it is losing income and profit caused by the slowing down in other businesses.

Kow Hong Glass Company, one of the leaders in construction supply in Bangkok, Thailand, is also affected by this recession. The company lost customers and income during the last three to four years. The CEO of the company is trying to solve this problem in order to maintain the level of sale volume and profit during the recession.

This research examined the three objectives in which their role can influence the business: customers, cost reduction, and marketing strategy. A survey will be used to determine how companies in Bangkok remain competitive in a recession. The survey examined what marketing strategies are used to keep customers, while at the same time reducing costs to stay competitive in a downturn economy. Approximately 30 companies will be surveyed. Survey questions were developed based on information obtained from the review of literature.

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## Chapter 1

### Introduction

#### Purpose of the Study

The purpose of this study was to identify what strategies a business can use to stay competitive during a recession. The economy in Thailand has declined rapidly in the last four years, thus most of the businesses cannot maintain the market and are losing profits.

Construction had been one of the most successful businesses from 1987 to 1996 but this has been affected greatly by the poor economy. This will be focused in this study. The study examined three factors that played an important role in the construction business: customers, costs, and marketing strategies. Also examined were the customers' opinions to the processes needed for running a business, and what strategies could be used in the time of recession. The study results will provide a vision of the construction business situation in Thailand, and during the recession what possible strategies could be used to solve the decline of business.

Customers, costs, and marketing strategies were chosen for study because their implementation is a big influence in all business climates. Customers have a big impact to the business as they are the main factor in the demand of supplies and the business's financial situation. In the time of recession, businesses especially need to keep the sales volume and retain customers during this period. Expenses are another area that need to be reduced in order to help improve the financial situation during a recession. After the solutions for retaining customers and the cost factor are solved, marketing strategies will be studied and recommended for the business use.

### Scope and Delimitation of the Study

The researcher contacted and delivered the survey to thirty construction supply dealers. Most of the leaders in construction supply business were located in Bangkok because it is the capital city and has the biggest population in Thailand. The information obtained from this area will be most useful in the study. The range of customers in the Bangkok area for each dealer is between two to three hundred. Information on their customers will be done by the CEO or the owner of the company to complete the survey. These supply dealers including, Kow Hong Glass Company, were chosen to be the sample population because they were the leaders in the business and had been in the business for more than fifteen years.

Customers of the company are not focused in this study because of their knowledge and experience in business. Most of the jobs in the construction field do not require high education. A lot of people in Thailand run this type of business because it used to be one of the most successful businesses during the last thirteen years. The preferred information of this study should come from the experienced merchant or dealer and with the higher level of literacy.

### Limitations of Study

There were several limitations to this study:

- (1) The study examined only the construction field that included housing, furniture, glass, architecture, etc. Other business fields such as the manufacturing industry or engineering are not applicable to this study because of the differences in the business status.
- (2) Unionized companies did not participate in this study because the sale price is controlled by the union.

(3) Only the top thirty dealers in Bangkok were chosen to be the sample because of the reasons mentioned earlier in this chapter.

(4) The top management or the owner of the business will answer the questionnaires; workers and employees are not chosen because the research examined the critical thinking toward the downturn of economy.

#### Definition of Terms

<b>Profit Margin</b>	Sales less all operating expenses divided by the number of sales.
<b>Write-down</b>	The reduction in an asset value on the financial statements, often following a drop in market price.
<b>Target Costing</b>	A process whereby an organization develops specific goals, or targets for its costs to produce or service.
<b>Outstanding</b>	Unpaid; ACCOUNTS RECEIVABLES and debt obligations of all types.

## Chapter 2

### Review of Literature

#### Introduction

This literature review relates to the topic of “*What processes a business can use to stay competitive during a recession*” and three objectives have been focused: Marketing Strategies, Customers and Costs. Marketing strategies the researcher gathered information on include profitability, market planning, strategic planning, international markets, etc.

#### Profitable Communication

In the past, most managing directors did not consider marketing as a key to their business plans. Now firms not only employ marketing professionals but also expect them to deliver value beyond traditional functions. Marketing directors have become an integral part of their firms and manage marketing services. They need to think and act like owners, which means they need to know what makes their firms even more valuable. The company can begin by inviting the marketer to the monthly meeting, sharing the firm’s financial condition and strategy to reveal how marketing expertise can help drive the firm’s bottom line. Some of the meanings of terms that will be in the meeting should cover:

**Gross fees** – Explain how gross fees are calculated and what they mean.

**Net fees** – The firm has to point out the net fees from the income statements so the marketing director will be able to know how much is being written down from the standard.

**Profit margin** – Discuss the importance of the firm’s profit margin. Also explain why it can be very misleading and it is not enough to reveal the firm’s profitability.

**Write-downs** - One of the biggest revenue drains for any firm occurs when a partner reduces or “writes down” a standard fee. You may be able to solve the write-down problems if you share them with your marketing staff.

**Days outstanding** – Two major components - work in progress (WIP) and accounts receivable (A/R) - are easy concepts to explain. The sooner the work is billed and collected the less working capital the firm needs. Some points to discuss with the marketer about collecting money from the client:

- ◆ What is the firm’s billing policy? When do we bill? How often?
- ◆ What is the days outstanding record for each partner?
- ◆ Why do days outstanding vary at certain times of the year?
- ◆ How do the days outstanding relate to the different types of services offered?

**Average chargeable hours** - The marketing staff needs to know the firm’s average chargeable hours per partner. Also discuss with the marketing professional the firm’s performance management philosophy, also called paying for performance. The strategic marketer should be involved not only in any specific areas but also other financial and nonfinancial areas that need to be discussed such as billing rates, employee satisfaction, recruiting and employee retention (Aquila, 2000).

### Improving Profitability Through Product Triage

Many companies do not use profit-based product management strategies for many reasons:

- ◆ middle managers may lack the necessary tools;
- ◆ senior managers may have inappropriate expectations; and/or
- ◆ proponents of change may face significant institutional resistance.

**Product Triage** – Companies should implement profitability-based product management through the division -or “triage”-of their products into three profitability classes. Classifying

each product as high-, low-, or middle-profit enables managers to develop appropriate strategies for different products, particularly in pricing and portfolio management.

A simple triage system, which would allow companies to institutionalize basic economic principles through a three-part classification scheme, has achieved better results. The issues of profit maximization fall into three basic profit-related categories, with very different questions for each.

1. *High profitability.* How do we increase total corporate profitability? How do we increase volume? Should the price be reduced?

2. *Middle earners.* Which products compete with, or cannibalize, each other? How do we reduce product/service costs?

3. *Poor performers.* Which products do we kill? For which products can prices be raised?

There are four ways to make the product triage works:

1. *Developing profitability estimates.* The estimates must allow management an overall view of profitability.

2. *Ensuring “first use” of the results.* Senior management must incorporate profitability results into the management process in a manner that commands everyone’s attention.

3. *Ensuring that product management understands the implications of the differing profitability.* Unless employees recognize how strategies for high-, medium- and low-profit products vary, profitability estimates may be misused for tactical pricing purposes.

4. *Regularizing the update and distribution of profitability reports.* Turning product triage into a routine almost always requires significant and ongoing management effort.

There will always be products that do not have much sales volume.) Understanding current profitability does not tell managers whether a product should live or die. Several categories of products may be unprofitable but still appropriate to retain:

- ◆ New products. Most products are not profitable immediately, and life cycle analysis will suggest whether there is hope for long-term profitability.
- ◆ Old products. Some could serve a new use or address a growing market segment.
- ◆ Badly priced products. Sometimes companies sustain large revenue products that produce little profit. Reducing volume at higher profits is a good strategy, although the impact of fixed costs on fewer units should be considered (Docters, 1996).

#### How to Plan as a Small-Scale Business Owner:

##### Psychological Process Characteristics of Action Strategies and Success

A theoretical analysis of individual-level planning and action strategies used by small business owners/managers distinguishes five different strategic approaches: complete planning, critical point, opportunistic, reactive, and routine/habit. These strategies are then related to the firm's success.

The four strategies (Complete Planning, Critical Point, Opportunistic, and Reactive) and Routine/Habit can be differentiated according to degree of goal orientation, length of long-term planning, situational responsiveness, and the overlap between planning and action. Small scale business owners are considered successful if they achieve their goals. It is hypothesized that the Reactive Strategy is counterproductive because not having a clear plan of action puts the owner at the mercy of situational influences. Start-up firms usually face a high degree of uncertainty and the necessity to make quick decisions. In these conditions, a fully-developed Complete Planning Strategy is probably not very effective because it takes

too much time and effort to plan for the wide range of potential eventualities. If only one strategy is used, it is hypothesized that the Critical Point Strategy is probably the best one for the start-up firms because this strategy requires the business owner to do some amount of planning in order to decide which issues are most important and need to be tackled first.

Strategies also can be used in combination. It is expected that any combination with a Reactive Strategy would be ineffective, particularly when there is no further clear plan, as when Opportunistic and Reactive Strategies are combined. The best combination should be the Critical Point Strategy with the Opportunistic Strategy. With this combination, the owner can establish what is important and scan the environment for opportunities to act appropriately.

The results of this study showed that process characteristics of action strategies are related to owners' success. The most important positive strategy is Critical Point. People who concentrate on the most important or difficult part of a situation will do best in their business. In terms of combinations, the best combination of strategies was Critical Point and Opportunistic Strategies, the worst one combining Opportunistic and Reactive Strategies. This shows that localized planning with a clear concept of what is important combined with a quick reaction to environmental opportunities is the best way to run a start-up firm (Frese, Gelderen, & Ombach, 2000).

#### Eight Ways to Protect a Business

Benedetti (2000) wrote that protecting a business from any kind of recession, whether industry or regional, mild or severe, requires a defensive strategy and vigilance to minimize its consequences. First, the company's vulnerability should be assessed. Second, the revenue stream should be strengthened. Third, the operating costs should be reduced.

*EVALUATE YOUR BUSINESS EXPOSURE.* Begin screening the industry and regional data for three early warning signs:

1. essential vs. deferrable goods and services,
2. excess capacity, and
3. in-channel inventory.

*CONDUCT CASH-NEEDS ANALYSES.* Cash is the lifeblood of every business. To anticipate the cash needs resulting from a sudden drop in demand, supplement your routine cash budgeting with cash-needs analyses by using “what-if” scenarios. Scenario-based cash projections let you anticipate cash shortages, giving you vital lead-time to contact lenders for additional financing if you need it. Then, develop a contingency plan for what to do when cash flow slows. It will give you more control and help you avoid the need for crisis decisions.

*ANALYZE AND STRENGTHEN YOUR ORDER-TO-CASH CYCLE.* The order-to-cash cycle consists of customer-focused processes such as recording orders and terms of a sale on invoices, creating the documentation for accurate inventory pulls, resolving billing discrepancies promptly, issuing credit notes quickly, and setting order limits based on customer payment histories.

*REASSESS INDIVIDUAL LINES OF BUSINESS.* Activity-based management and portfolio analysis are two powerful management tools for measuring the true operating profits of individual products, line of business, customers, and channels of distribution. Activity-based management evaluates the effects of critical decisions involving product, customer, and channel profitability on present cost structure. Portfolio analysis assesses the contributions of each product and business line to a company’s total performance. It gives a graphic, action-

oriented snapshot of the effects of activity-based management, helping you spot and reposition under performing products.

*USE VALUE-CHAIN ANALYSIS.* Value-chain analysis is the most useful tool a manager has to compare the relative costs of processes against the benefits derived by the targeted customer. It shows a holistic view of cost centers and their performance, giving you an idea where costs can be cut and what would be lost if they were. Moreover, value-chain analysis can visually illustrate the relative impact of an expense to a process, such as inventory management and marketing.

*SUBSTITUTE VARIABLE FOR FIXED COSTS.* When demand declines, substituting variable for fixed costs helps avoid a margin crunch. The four best methods of shifting from fixed to variable costs are flexible contracts, outsourcing, cost-led pricing, and pay-for-performance plans.

*DEVELOP PLANS TO REDUCE EXPENSES.* Design business-wide cost-cutting plans that are triggered when revenues fall to certain specified levels. Such plans should use a range of expense-reduction tools including hiring freezes, wage cuts, and layoffs.

*CONVERT ASSETS TO WORKING CAPITAL.* A recession is time for converting hard assets, such as the company plane, into cash by selling them. Another way to increase working capital is through strategic inventory management. This occurs in two phases. Phase one keeps inventory within 5% of an optimal cycle and safety stock targets. Cycle stock is established based on the lead-time it takes to obtain raw materials from suppliers. Phase two of strategic inventory management upgrades inventory, manufacturing, and distribution processes to gain recurring benefits from lower carrying costs (including costs of capital, insurance, and storage).

## The Strategic Power Of Internal Service Excellence

Hays (1996) points out that for many organizations, the hype and frenzy surrounding the drive to achieve service excellence to external customers often overshadow the internal activities and processes that ultimately enable such good service. But anything other than excellence from these key internal service areas – departments such as information systems, marketing, human resources, accounting, and engineering – dooms the best of general organizational improvement efforts. Following are specific change actions to promote Internal Service Unit (ISU) excellence:

### **POSSIBLE ACTIONS FOR DEALING WITH THE APPARENT MONOPOLY**

- Implement an internal billing system to focus on real costs
- Conduct intensive sessions with ISU leadership on the nature and behavioral effects of the monopoly presumption
- Use benchmarking on performance and costs of comparable units
- Make outsourcing options more public and salient

### **POSSIBLE ACTIONS FOR DEALING WITH INTERNALLY DRIVEN CULTURE**

- Revise the recruiting/hiring criteria
- Change rewards and recognition to focus on effectiveness and efficiency in service to other units
- Make customers unit feedback a major part of ISU performance appraisal

### **POSSIBLE ACTIONS FOR DEALING WITH LOW CLARITY OF EXPECTATIONS AND RESULTS**

- Conduct study to produce a detailed understanding of current service issue/problems as seen by users

- Hold sessions with ISU staff to review study findings and prompt a need to change
- Conduct training for ISU staff in the technology and importance of work outcomes measurement

#### POSSIBLE ACTIONS FOR DEALING WITH **INEFFICIENT SERVICE OFFERING**

- Provide education for ISU staff in technology and methods of the quality movement regarding work analysis, measurement, and complexity
- Benchmark ways others minimize complexity
- Study existing work systems in detail to be able to launch appropriate internal work analysis of the present state

#### Five Steps To International Success

More and more direct marketers are investigating business opportunities outside of the United States. While companies that never ventured abroad until recently are now seeking more receptive foreign markets, those with existing foreign operations realize they must be even more competitive to succeed against other international operators. MacDonald (1998) offers the following five steps to help get an international venture off to a smooth, orderly, and successful start:

##### Step 1: Assess Your International Potential

Focusing on assessing your international potential will give you a picture of trends in your industry, domestic position in that industry, the effects that international activity may have on your current operations and an estimate of your domestic and international sales potential. Next, find out about candidate countries by using market research. In addition to target market demographics, your research should help characterize each candidate country's cultural context and political climate. The

multi-country and multi-cultural nature of international business makes gathering information more complicated and expensive than when done for only one country. The data that is abundantly available in most industrialized countries is often not available in developing countries.

#### Step 2: Get Expert Advice and Counseling

Once you have assessed your international potential, the next step is to get expert advice and counseling. Many groups in the private sector and government provide guidance to companies planning to go international. Industry trade associations are also useful, as are private consulting firms and the business departments of major universities.

#### Step 3: Select the Countries

After reviewing the research and digesting the advice, the next step is about which country to enter. You need to prioritize information about each country's government including economic strength, political stability, regulatory environment, tax policy, and cultural factors to reflect influences on the candidate countries. In selecting among countries, you should pay attention to local purchasing power. Expect to price your goods according to the market.

#### Step 4: Develop an International Strategy

In developing an international strategy, write a business plan that lists short and long term goals, the competitive niche you are seeking, and how you are going to position your offering. In general, a successful strategy identifies and manages your objectives, both immediate and long range; specifies tactics you will use; schedules activities and deadlines that reflect your objectives and tactics; and allocates

resources among those activities. The market plan should cover a two-to-five year period, depending on what you are selling, strength of competitors, and other factors. Set realistic sales goals – do not underestimate the local competition, but do not overestimate it either. Local marketing companies can be highly sophisticated operations. More importantly, they know their country and understand how their culture operates and reacts.

#### Step 5: Select the Direct Marketing Media

The last step in an international venture is to select one or more direct marketing media. First, there is the decision to market products directly or, alternatively, to utilize the services of an intermediary. List costs can vary considerably from country to country. To get the best discounts, seek out a recommended broker in that country, or find a good broker in your own country who is prepared to negotiate lower rates for international lists. Telemarketing is another medium for direct marketing overseas, but it is more limited than in the United States and varies from country to country. One reason door-to-door selling is popular in Asia is that customers there tend to put as much importance on who they are buying from as what they are buying.

#### Five Steps To Reducing Costs

While manufacturing costs – particularly labor – have been studied, standardized, and monitored, the other functions are often neglected. All companies can benefit from a systematic look at their costs as part of reexamining their decisions and strategies (Wiersema 2000).

**The first step is investigation to create a list of cost-cutting priorities.** The investigation should focus on the most significant opportunities, usually those high expenditure areas that

historically have been left to “watch themselves,” so to speak. For the most significant items, choices will reflect on overall company strategy. Planning will affect many areas, as when companies consider branch outlets to save on shipping costs. Other areas call for outside help from experts. Some companies relegate the entire cost cutting task to outside consultants - an arrangement under which the consultants’ fee is a percentage of the savings.

**The second step is planning and goal setting.** After determining a direction from investigation, planning must address the particulars that will result in overall improvement in operations. Policies for recruiting, training, and incentive compensation can reduce costs continuously and directly.

**The third step is putting policies in writing.** Beyond planning, policies spell out what is expected. They describe required actions plus deadlines for completion. Typical procedural improvements may cover formal credit and collection policies, inventory control and handling, and work scheduling.

**Step four is assigning responsibility to a particular individual.** Someone must oversee the program, beginning to the end. Without accountability, finger pointing is inevitable. Individual responsibility has long been viewed as the means of curbing inventory shrinkage.

**Step five is monitoring the right information.** You must watch expenses to monitor progress and assure implementation. One recommended feedback mechanism is budgeting. Budgets may be expressed as static amounts but preferably as percentages to sales. They should create an expectation that can be reconciled to actual results after the fact.

Specific cost reduction ideas include:

1. Assigning the level of resources that are appropriate for the task.
2. Eliminating waste.

3. Insourcing or outsourcing, depending on current analysis.
4. Forming partnerships with suppliers.
5. Reacting in a timely fashion to external changes.

### Reducing Costs Per Order

In today's competitive marketplace, there is a limit to raising prices or lowering costs of goods. There are some ways to rein in operations expenses – and the payoff can be significant. But first, determine the current cost per order—that is, the total cost of taking and fulfilling a customer order. The cost per order consists of two major functions: the call center (customer service) and the distribution center (fulfillment). The former includes all front-end processes: receiving the order; processing mail orders; order entry; customer service; and everything else up to the point of generating pick tickets (Barry, 2000).

The biggest component of cost per order is direct labor, which typically adds up to a whopping 50% of the per-order cost. But if labor is the biggest single expense in order fulfillment, it has the most potential to reduce your cost per order.

### Room for Improvement

While calculating the cost per order involves looking at the systems and procedures in place, reducing that cost can involve a multitude of approaches. Some address existing systems, while others require ground-zero thinking about the entire operation. Overall, examine everything from the service levels set as goals to the clarity of catalog copy and art. Because direct labor accounts for half of the costs, increasing the productivity, of the labor force is one of the chief ways to reduce the cost per order (Barry, 2000). The four key elements to increasing productivity are:

1. Improving the process (reducing unnecessary steps; streamlining procedures and work flow; adding equipment or computer systems that help operations);
2. Increasing work pace by reducing delays (making sure product is available in primary slots for picking; cutting picker travel time by keeping high-velocity items in one place; stocking enough boxes and packing materials);
3. Increasing volume handled; and
4. Improving the quality and quantity of initial and ongoing training.

#### Cost of Quality: The Hidden Costs

The concept of the economics of quality can be tracked back to early 1950s. Dr. Juran's first 'Quality Control Handbook', published in 1951, was called The Economics of Quality and contained discussions of the 'cost of quality' (COQ). Measuring and reporting the COQ is the first step in a quality management program (Tsai Wen-Hsien, 1998). One thing to remember is that if there is a need to control anything, the first thing to do is to measure. As it is, without measuring we cannot control. Therefore, the measurement for quality can become consistent with the language of all important business measurement - money (Krishnan, Agus, Husain, 2000).

The 'cost of poor quality' (CoPQ) of an organization is the difference between the actual operating cost and what the operating cost would be if there were no failures in its systems and no mistakes by its staff (Bland, Maynard, Herbert, 1998). Horngren states the cost of quality are "those costs that are incurred to prevent a shortfall in quality and a failure to meet customer requirements, as well as costs incurred when quality does in fact fail to meet customer requirements" (Krishnan, et al., 2000). Another important detail mentioned

was that “whether it is called Quality Cost or Poor Quality Cost, it is designed to reduce the cost associated with poor quality” (Harrington, 1999).

### Purchasing and Supply Management’s Participation in the Target Costing Process

There are four primary issues addressed in this subject:

1. Why do organizations undertake target costing?
2. Is there a common pattern of participation for the purchasing and supply management function in target costing?
3. What should the role of purchasing and supply management be in the target costing process?
4. How can purchasing and supply management be most effectively involved in the target costing process?

Target costing is a process whereby an organization develops specific goals, or targets, for its costs to produce a good or service. The target is based upon desired profit margin and projected selling price for the good or service, and reasonable estimates of what the item or service should cost.

There are numerous sources that explained the steps involved in target costing (Ansari & Bell, 1997; Cooper and Slagmulder, 1997; Fisher, 1995; Worthy, 1991):

- ♦ The first step in target costing for new products and services is to identify a need in the marketplace and identify the product and service characteristics that will fulfill the need. Data on market needs may be gathered based on competitive offerings, market research, specific or general customer requests, and creative ideas.
- ♦ In step two, the targeted selling price to the customer is established. This may occur simultaneously with the determination of the product or service features.

- ◆ In the third step, the allowable target cost is determined. The required profit margin is generally dictated by the business unit's profit commitment in the strategic planning process. As part of step three, the new product or service strategy, including target price, planned profit, and target cost, must be presented to and approved by top management.
- ◆ In step four, costs are broken down hierarchically. First, the target cost must be allocated among the internal operating cost centers such as manufacturing, marketing, logistics and distribution, and external purchases. Next, the aggregated external purchase costs are assigned at a high level; they are then further broken down by individual component, material, or service level.
- ◆ In step five, the organization works with suppliers to achieve the target costs. Step six occurs once the organization has achieved the target costs and overriding target price, or at a predetermined deadline.
- ◆ Step six involves the new product/service rollout, target cost monitoring, and continuous improvement efforts (Ellram, 2000).

#### Strategies for Improved Marketing Effectiveness and Customer Service

Carmichael (2000) conducted an informational survey of asset-based lenders and found their top two priorities turned out to be:

1. further penetrate existing target markets through improved sales and marketing effectiveness; and
2. retain existing clients through improved service quality. A less important strategic initiative will be to enter new markets and develop new products.

The lenders' underlying goals for improved marketing effectiveness are to:

1. see more deals to be selective;

2. see these deals at an earlier stage; and
3. win more deals based on non-pricing attributes.

Key steps for achieving these goals include:

1. Deciding where you want to be;
2. Coordinating marketing and credit missions;
3. Addressing multilevel-customer needs; and
4. Striving for differentiation.

In the first step, asset-based lenders need to perform self-analysis as to where on the risk/reward spectrum they wish to be. This means clearly defining profit, credit, and collateral criteria. Second step is to coordinate marketing and credit missions. With the intensified competition in asset-based lending, lender-marketing activities are becoming more crucial to credit quality. People making credit decisions need to see a variety of businesses. If there are too few deals, or too narrow a variety, then compromising on credit standards may result.

Another key action for improving marketing effectiveness is to address multi-level customer needs. For example, the advantage of marketing to “intermediary” customers, such as accounting firms, is their help in sourcing and qualifying leads. They are uniquely positioned to identify an asset-based lending opportunity within their client base and they can add to one’s credibility because they have qualified you to their clients. Effective marketing strategies also include continually striving for differentiation. For example, industry specialization is becoming significant in asset-based lender selection. The most vulnerable lenders in the future could be those without an industry focus or niches; these generalists could lose business to competitors that have industry credibility.

## Developing a Customer-First Attitude

Organizations must understand their true customers' needs. Once customers' needs have been identified, the organizations must frame their actions and services to satisfy customers' values. They also have to anticipate that the education and experience levels of customers will change, perhaps increasing or becoming more sophisticated. Beck and Konkel (2000) relate that there are a few questions to be answered:

- ◆ Who are our customers and what do they seek?
- ◆ When have we last asked ourselves this question?
- ◆ In what proactive way did we use that information in transforming the way we put that information to use?
- ◆ Did we seek only to meet those expectations, or did we attempt to exceed them?

The first, "who are our customers?" must be approached with considerable care. Our customer is the entity that wishes to purchase our product or services. The individuals purchasing services and products from our companies are the people who have hired us.

We often have somewhat hidden customers, such as employee unions, local state and federal regulators, the families of the workers, insurance companies and many others. So the question becomes, "How do we meet the different needs and expectations of such a diverse group of customers? The answer is quite logical but nevertheless quite troublesome in its simplicity. Decisions are made most often on values we tend to marshal facts to support our "values based" decisions. This is one of the reasons we must be careful to identify our customers' needs and then frame our actions and services to satisfy their values.

To meet customers' satisfaction levels, one must understand the core values of your boss, the organization's stated values and its mission, and those of outside customers. The

way to do this is to think of values in three separate states, or which is referred to as the PIE paradigm and applied analysis: **P**inciples, or core values, **I**nterests, and **E**xpectations. Principles are the values we develop from our parents, from growing up in a certain environment, and from mentors in the formative stage of our lives. Self-interest tends to be the values required to meet our individual survival requirements and vision for personal growth. Expectations are the values that guide what we desire to occur; they are very closely linked to the principles that we formed early in life.

### Managing Customer Expectations

Why are some Information Systems (IS) customers dissatisfied with systems that seem to meet specifications? The answer may lie in how satisfaction is defined. Service quality researchers have studied customer expectations and have found that the perceived quality of the service experience depends on the gap between expectations and measured performance. Information Systems expectations are both explicit and implicit.

Managing expectations involves customer and business knowledge, technological knowledge, interpersonal skills and an aggressive attitude toward understanding change. According to Miller (2000), IS professionals can take the following steps:

*Segment customers and identify value.* Customer strategies are based on the maxim, “Know your customer.” Knowing how to identify differences and knowing how the customer defines values is one outcome of segmenting customers. Staying one step ahead of customers not only will shape their expectations, but it will make you more valuable to them because you will become essential to satisfying their business needs.

1. *Shape customer perceptions from past performance.* How past performance is perceived can affect how future performance is evaluated. One should identify outstanding

concerns, answer questions, and shape actions rather than passively accepting existing erroneous customer perceptions.

2. *Understand how environmental experiences shape expectations.* You should know and address your customers' experiences because the customers' interactions with competitors, vendors, other customers, or their private lives can shape their expectations,. This requires understanding what they are experiencing and understanding.
3. *Keep current with technology and technology's impact.* Knowing about technology is not enough. You must link that knowledge to your customer's needs. This link allows you to add value, both in suggesting or saying "yes" to a cost-effective new application or method, and saying "no" to a customer's suggestion that will not work in your technological environment or is not cost-justified.
4. *Provide positive interactions.* The quality of past customers' interactions can shape what they expect you will deliver. Providing positive interactions also means developing a professional environment and an environment that responds to the customer's personality and organizational culture.
5. *Create processes to manage expectations.* Use a process, such as IDEA (Identify, Evaluate and Act), to manage expectations. This process needs not be highly structured or rigorous, but it should ensure that the proper "bases" are touched.

Interpersonal experiences with other service providers affect expectations for the system. Because many organizations view customer service as a competitive weapon, service levels have become more timely, customized, and personalized. Managing expectations is needed because dynamic environments change and reshape the reality held by those experiencing change. It is the dynamic component of assessing customer needs.

## Chapter 3

### Research Methods

#### Introduction

The construction supplies business in Bangkok was affected by the poor economy of Thailand in the last four years. The research focused on the important factors of the business that can influence the construction supplies dealers especially their status during this recession. A survey was used in this research to collect data for analysis findings and to determine the processes that would be beneficial to the business during the time of recession.

The survey questions included many important processes and strategies that can influence the business. Participants were selected based on the size of the company. Large companies were selected, and had to be in business at least ten years. This criteria was made to have companies that have had experiences in a downturn as their input in dealing with this situation was the primary objective of this study. Due to the researcher's family-owned business as one of the top construction supply dealers in Thailand, the selection of participants will not be a random sample or systematic sample. The survey will be sent to the thirty construction supply dealers in Bangkok who will be the participants in this study. The surveys were developed in the form of a twenty-one question format in Likert scale.

#### Description of Methodology

The survey instrument was designed to determine what processes a business in Thailand can use to stay competitive during the time of recession in the present economy. The survey instrument used in this research was a twenty-one item questionnaire (Appendix A). The questionnaire included a cover letter (Appendix B), and was mailed, along with a self-addressed stamped envelope, to the participants. Every questionnaire was sent by the

researcher to other construction supply dealers in Bangkok who were the participants in this study. The questionnaires were returned to the researcher. The questionnaire consisted of multiple choice and Likert scale questions.

### Selection of Participants

This study focused on the construction supply business in Bangkok, Thailand. These businesses are faced with a recession caused by the poor economy. The researcher's family owns a business in construction supplies and is one of many dealers that are now facing the critical situation. Almost every dealer was affected in their financial status, retention of customers, as well as their profit. For this reason, the other thirty construction supply dealers that are in the same situation will be a good sample to answer the questionnaire.

To get some information about the participants, the researcher discussed the survey with family members in advance of contacting the other dealers. Telephone calls to the construction supplies dealers were made by the researcher's family business and took a few days to confirm back that every participant will be present in January and participants were then selected.

### Data Collection

The survey questions were developed in the middle of December 2000 and were brought to Thailand in January by the researcher. Thirty questionnaires were separately mailed to the participants, and included a self-addressed, stamped envelope. On January 10<sup>th</sup> 2001, fifteen surveys were mailed to participants. It was requested that the responses be returned by January 20<sup>th</sup>. By January 18<sup>th</sup>, every survey that had been sent out was returned.

The rest of the surveys had to wait until January 28<sup>th</sup> before they were sent out. They could not be mailed immediately after the first fifteen were returned because of the Chinese

New Year Holiday on January 24<sup>th</sup>. Most of the Chinese families that owned a business were traveling and they would close the business for a week. The rest of the surveys were mailed to the participants again on January 28<sup>th</sup>. It was requested that the responses be returned by February 10<sup>th</sup>. By February 6<sup>th</sup>, thirteen surveys had been returned. Until February 11<sup>th</sup>, the last two surveys had not yet been returned. The researcher contacted the participants by phone and found out that one participant was traveling since the holiday and would return on February 13<sup>th</sup>, and another participant was out of town. By February 21<sup>st</sup>, the last two surveys had been returned.

Of the thirty questionnaires mailed, twenty-two were returned via mail and eight were returned by messenger from the participants. By February 21<sup>st</sup>, a total of thirty surveys had been returned for a rate of 100%.

### Survey Population

All surveys were completed by the owner of the business. Twenty-seven surveys were answered by the construction supplies business, one was answered by the furniture company, and the other two were answered by the glass companies. The table below identifies the participants by type and title.

Table 3-1: Survey Population

<b>Type of Business</b>	<b>Participated</b>	<b>Position</b>	<b>Returned</b>	<b>No Response</b>
Housing	1	Owner	1	-
Construction Supply	26	Owner	26	-
Furniture	1	Owner	1	-
Glazing	2	Owner	2	-

### Statistics

Statistics include the mean and standard deviation to determine how companies stay in business during the time of recession.

### Summary

The instrument used to survey the population was a three page, twenty-one item questionnaire. The surveys were sent to the participants located in Bangkok, Thailand during the month of January and February.

After the researcher had searched the businesses in the construction field, it was determined that the total population in this study would consist of thirty participants. Thirty surveys were mailed out within a three-week period (between January 10<sup>th</sup> and January 28<sup>th</sup>), and were all returned by February 21<sup>st</sup> for the return rate of 100%.

## Chapter 4

### Analysis Findings

#### Overview

The purpose of this study is to determine the processes that a business can use to stay competitive during the recession. Also examined were the techniques that the construction supply dealers use to maintain the sale volume and customers during the downturn of the economy. The survey instrument discussed in Chapter 3 was used for data collection to research these processes and strategies. The surveys were sent to thirty construction supply dealers in Bangkok, Thailand in January 2001 and were all returned within a three-week period.

The primary objective for sending the survey was to collect the data from the construction supply companies in Bangkok in order to research about processes or strategies that will be beneficial for the businesses during the time of recession. Fortunately, every participant returned the survey within a short period of time and most of the respondents were from the leaders in construction supply business. A few respondents were from a housing company, glass companies and furniture dealer. These companies used to be the big construction supply dealers but changed the name of the business after the economy started turning down. They were also selected to be the sample because of their experiences in business.

#### Response Rate

Thirty surveys were separately distributed to the participants in January 2001. All surveys were returned at the end of the month with the return rate of 100%. The responses

were all from the companies that are in the construction supply business. Table 4-1 shows response rate in percentage with the population of 30.

Table 4-1: Response Rate

<b>Population</b>	<b>30</b>
Total response Sample of businesses in construction supply field	30
Overall response rate (30/30)	100%

In Table 4-2, it determined the percentage of organization's industry. The companies were all related to the construction supply field. There were four types of businesses that participated in this study which were classified as construction supply dealers, glass / glazing companies, housing, and a furniture company. See Table 4-2.

Table 4-2: Percentage of Industries Surveyed

<b>Type of business</b>	<b>Responses</b>	<b>Percentage</b>
Construction Supply	26	86.67%
Housing	1	3.33%
Furniture	1	3.33%
Glazing	2	6.67%
Total	30	100%

The results show that the largest response area was from twenty-six construction supply dealers that has the percentage of 86.67%. Two respondents that were glass companies had the percentage of 6.67%. The smallest response was one from the housing

company with the rate of 3.33%, and one from the furniture company that also had the same rate at 3.33%.

### Size of Companies Studied

The sizes of the companies show that most of the construction supply businesses do not have very many employees. This type of business started using more machines in the warehouse or factory in the last five years in order to help the business's performance. See Table 4-3.

Table 4-3: Size of Companies Studied

<b>Type of business</b>	<b>0-50</b>	<b>51-100</b>	<b>101-150</b>	<b>151 up</b>
Construction supply	25	1	-	-
Furniture	1	-	-	-
Glazing	2	-	-	-
Housing	-	-	1	-

As mentioned above, dealers in construction supply business did not have many employees. Twenty-five construction supply businesses and one furniture business had the number of employees under 50. Two glazing companies also had less than fifty employees. A big construction supply dealer with two locations in Bangkok had approximately 95 employees, and one housing company had more than one hundred employees.

### Statistics of Respondents

Statistics including the mean and standard deviation will determine processes that companies use to stay in business during the recession. Table 4-4 shows the mean and standard deviation of the survey results for each process in the left-hand column.

Table 4-4: Mean and Standard Deviation

N = Response

M = Mean

SD = Standard Deviation

<b>Question</b>	<b>N</b>	<b>M</b>	<b>SD</b>
During the recession we do more training.	30	2.833	1.020
During the recession we do not over stock supplies.	30	2.833	1.147
During the recession we have to stock the full-line products to satisfy customers.	30	3.200	1.215
We lay off employees during the recession.	30	1.933	0.944
We do more sale promotions so not to lose customers.	30	3.167	0.874
We reduce the price to compete with other dealers during the recession.	30	3.200	0.847
We do not reduce the price in order to maintain the income and profit.	30	2.533	0.937
During the recession we do cost reductions.	30	4.233	0.679
We try to increase the sales volume during the recession.	30	3.033	0.890
In order to increase the sales volume, we do more advertisement.	30	2.900	0.885
We look at the new markets to sell our products.	30	2.900	1.029
We do more delivery to delight customers.	30	2.677	0.994
During the time of recession we use marketing strategies to help the business stay competitive.	30	3.800	0.805
We increase export of supplies to the nearby countries.	30	1.933	0.828
We are more selective in using supplies.	30	4.167	0.747
We cross training employees during the recession.	30	2.633	0.928
During the recession we remain the same and watch for the economy to turn around.	30	2.400	1.163

The highest mean seen from the table is the process of doing cost reductions and selecting the suppliers. *Do more cost reduction* had 4.233 in the mean and 0.679 in standard deviation. It shows that participants pretty much agree trying to reduce the unnecessary cost during the recession. It also shows that they had to *choose the best suppliers for the best price they can get*. This process had the second highest mean of 4.167 and the standard deviation of 0.747. *Using marketing strategies to help stay in the business* also was the process that the participants chose to do. It was 3.800 in the mean and 0.805 in the standard deviation. Another process that was possible to be used during the recession is to *reduce the price of the supplies*. The table shows that this process had the mean of 3.200 and 0.847 in the standard deviation.

The processes above had the standard deviation that is lower than 1.00 and was shown that there were not many differences. Another process that had high mean is the process in *stocking the full-line product in order to satisfy the customers* but at the same time it had the highest standard deviation of 1.215. *Laying off employees* and *export the supplies* were the processes that were not chosen to do during the recession because they had the lowest mean among over-all processes and they also had the same rate of 1.933. These processes had the standard deviation of 0.944 in lay-off employees and 0.828 in exporting the supplies to the country nearby.

In summary, we can see that the companies chose not to take risks during the recession. As shown from the table the biggest concern for companies during the recession was doing cost reduction. They tried to reduce their costs and unnecessary expenses to save the financial status. The companies also chose to select more suppliers that can offer them a

better price in supplies so that it can save them the cost. The processes that the companies chose not to do during the recession were to lay off employees and exporting.

By analyzing the over-all processes in this study, the companies also keep doing other processes besides those mentioned above. Many processes had the mean between 2.400 to 2.900 and the standard deviation between 0.805 to 1.163. They can do more delivery, sale promotions, and training or they can remain the same and watch for the economy to turn around.

## Chapter 5

### Recommendations and Conclusion

#### Introduction

The economy in Thailand was in a downturn during the last five years, thus many businesses were facing a recession. Construction used to be one of the most profitable business in Thailand but it is also affected by the economy. Many construction companies are losing their income and profit because people could not afford to do new housing. The slowing down of construction businesses influence the construction supply companies as well. The researcher's family owns a business in construction supply and is one of the leaders in the business and is facing the same situation. The company was losing income and profit while some of the other construction supply dealers had to close their businesses. The company needs to figure what processes or strategies that could be beneficial to the business in order to stay competitive during this recession. The study in finding these processes and strategies for businesses would be necessary.

#### Purpose of the Study

The purpose of this study is to determine what processes or strategies a business can use to stay competitive during the recession. The study also looked for the processes that would be beneficial for businesses to maintain their income and profit during the recession.

#### Survey Procedures

Marketing strategies, customers and cost reduction are the objectives that will be focused to this problem. Information taken from these objectives will be used to develop a survey and then analyzed to develop a strategy or processes for the businesses. The survey was sent to thirty construction supply dealers in Bangkok, Thailand who were the

participants in this study. The researcher contacted his family in advance before sending the survey to the dealers. The surveys were taken to Thailand by the researcher and distributed to the participants, along with a self-addressed stamped envelope. The surveys were then returned to the researcher.

### Survey

A survey was used as the instrument in this study. It was developed in a three-page, twenty-one item questionnaire. The survey consisted of the participant's background in the first three items. Seventeen questions were developed to study about processes and strategies that could be beneficial to the businesses during the recession.

### Data Collection

After the surveys were distributed to the participants in January. The first 15 surveys were returned on the 18<sup>th</sup>. The second set of surveys could not be mailed to the participants right away because of the Chinese New Year on January 24<sup>th</sup>. Most of the businesses in Thailand were closed for a week to celebrate this event because Chinese New Year is one of the biggest holidays in Thailand. The second 15 surveys were sent to the participants on January 28<sup>th</sup>. Thirteen surveys were returned on February 6<sup>th</sup> and the other two were returned on the 21<sup>st</sup> of February. Of the 30 questionnaires mailed, 22 surveys were returned via mail and eight were returned by messenger from the participants.

### Response Rate

The researcher received all of the surveys by February 21<sup>st</sup>. The responses were from twenty-six construction supply dealers, two glass companies, one furniture company and one from the housing company. Thirty surveys were all returned with the 100% return rate.

## Conclusion

As the economy in Thailand was in a downturn in the last five years to present, many types of businesses were facing the recession. A lot of companies cannot stay in business and may have to close their businesses. Some of the companies that are still maintaining in the market did not have the same sale volume or income. The construction supply businesses were one of the most profitable businesses in the last ten years and are now in the same situation. Every dealer is now thinking of ways to solve this problem in order to maintain the sales volume, customers, and profit. Also, the researcher's family owns a business in construction supply and is one of the leaders in this business. With this problem, the researcher then chose to study processes or strategies that would be useful for the business to stay competitive during this recession.

The results of the study show that the companies try not to take risks during the recession. They tried to do cost reductions and select more suppliers for better pricing. They do not choose to lay off employees during the recession and they do not export the supplies. A few comments from the participants suggested that the companies should not export during the recession because it will cost more money to do this and the return of investment is not guaranteed.

## Recommendations for Study

The researcher determined that staying safe during the recession was the appropriate way to do business for those construction supply companies. Although reducing costs and selecting more suppliers for the business will be important, the businesses should also try to retain the income profit during the recession. A few suggestions were made for the businesses to stay competitive during the recession:

- ◆ When the economy is in a downturn, the businesses start to lose customers. Companies cannot retain the sales volume without customers. Companies should do sale promotions to retain the level of customers and in order to keep the sales volume.
- ◆ After catching the customers' attention, companies can provide the customers a better service. Delivering the supplies in the past is not quite enough because many customers stay outside of Bangkok and the traffic to the city is always busy. Companies can do more delivery to satisfy customers.
- ◆ Construction supply companies should have every supply in stock ready for sale or to be shipped.
- ◆ Companies should cross train the employees during the recession for better service to customers.

This study focused on three major factors that influence the businesses that were marketing strategy, customers, and cost reduction. More factors can be studied to help the companies stay in business during the poor economy and stay competitive among the dealers who were competitors. Listed below are the areas that that the researcher thought could be researched in order to develop a strategy or process that can be beneficial.

1. **Customer expectations** – Companies cannot need only to know how to service or sell the supplies to the customers but also need to know what the customers prefer. It could be any kind of service such as more delivery, better ordering, or it can be the place and employees of the companies.
2. **Environmental Study** – Study of the environment around the company can be beneficial to the business. For example, companies can look at people in the society, and what their needs are. As society changes, people might need to get something

newer as well. New designs and modern supplies will suit the modern architecture and housing. Also knowing what people do not want anymore so the companies can stock the best kind of products and supplies.

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*Appendix A*

Cover Letter

## Introductory Cover Letter

University of Wisconsin-Stout  
Menomonie, WI 54751

December 26, 2000

To whom it may concern,

This study is about the processes a business can use to stay competitive during a recession. As the economy of Thailand is faced with the challenge of a recession, companies cannot maintain the market needed to make a profit.

Appropriate strategies developed from this research will help companies to maintain the level of sale volume and profit to stay competitive in the time of recession. In order to determine which procedures to be used in the business, a random sample will be surveyed to determine which processes are most beneficial for businesses. Thus, it is important to complete and return the questionnaire.

By returning this questionnaire, please know that you are giving your informed consent as a participant in this study. You may be assured of complete confidentiality. Your name will never be placed on the questionnaire.

I will be most happy to answer any questions you might have. Please write or call. The telephone number is (662) 587-0936. Thank you for your assistance.

Sincerely yours,

Termsak Chairattanapisuth  
Graduate student  
Training and Development, UW-Stout

*Appendix B*

Survey

Please circle one appropriate response code in the right hand column for each question listed.

1. In what industry is your organization classified?

Housing	1
Construction Supply	2
Furniture	3
Architecture	4
Other	5

2. How many people does your organization employ?

0 – 50	1
51 – 100	2
101 - 150	3
151 - 200	4
201 - 250	5
251 or more	6

3. What is your job function?

Owner	1
General Manager	2
Personnel Manager	3
Other (Please Specify:)	4

4. For each process listed in the left column below, please circle a response code to the right indicating how important you believe that process will be of benefit to your organization.

- Use the following scale:
  - 1 = Not at all important**
  - 2 = Not very important**
  - 3 = Somewhat important**
  - 4 = Important**
  - 5 = Very important**

		<b>Not at All Important</b>			<b>Very Important</b>	
A	During the recession we do more training.	1	2	3	4	5
B	During the recession we do not overstock supplies.	1	2	3	4	5
C	During the recession we have to stock the full-line products to satisfy the customers.	1	2	3	4	5
D	During the recession we lay off employees.	1	2	3	4	5
E	We do more sale promotions so not to lose customers.	1	2	3	4	5
F	We reduce the price to compete with the other dealers during the recession.	1	2	3	4	5
G	We do not reduce the price in order to maintain the income and profit.	1	2	3	4	5
H	During the recession we do cost reduction.	1	2	3	4	5
I	We try to increase the sales volume during the recession.	1	2	3	4	5
J	In order to increase the sales volume we do more advertisement.	1	2	3	4	5
K	We look at the new market to sell our products	1	2	3	4	5
L	We do more delivery to delight customers	1	2	3	4	5

		<b>Not at All Important</b>				<b>Very Important</b>
M	During the time of recession we use marketing strategies to help the business stay competitive	1	2	3	4	5
N	We increase exports of supplies to the nearby countries	1	2	3	4	5
O	We are more selective in using suppliers	1	2	3	4	5
P	We cross train employees during a recession	1	2	3	4	5
Q	During the recession we remain the same and watch for the economy to turn around	1	2	3	4	5

5. What specific approaches or techniques do you think can be helpful to your businesses during a recession? Please list.