

THE FEASIBILITY OF INVESTING ON CONSTRUCTION SUPPLIES AND EQUIPMENTS DISTRIBUTOR BUSINESS, MUANG, ROI – ED.

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Abstract

This independent study examines the investment feasibility of construction supplies and equipment business in Muang District, Roi Et Province. The purposes of this study are to examine marketing feasibility, technical feasibility, management feasibility, and financial feasibility. According to the business environmental analysis, the researcher has found that politics, economy, society and technology have positive impacts on the construction supplies and equipment business in Muang District, Roi Et Province, while the physical environment has negative impacts on the business. The profitability analysis has shown that the competitors have high impacts on the business and bargaining power of buyers have moderate impacts on the business, while threat of new entrants, bargaining power of suppliers and threat of substitutes have low impacts on the business. Therefore, the investors should have a complete range of products that the customers will ask for, look for new channels that allow them to price the products lower than other suppliers, and use promotional strategies that attract customer attention. The financial analysis has revealed that the payback period is 3 years 2 month 19 days, the enterprise value is 16,255,988.57 baht and the internal rate of return is 20.57%. That the investment feasibility of construction supplies and equipment business in Muang District, Roi Et Province has marketing feasibility, technical feasibility, management feasibility, financial feasibility and be able to investment

Keywords: Feasibility, Investins, Construction.



1. Introduction

Housing and sheltering is considered one of human's fundamental needs, either for living or business purpose. It is; therefore, relates directly to construction supplies and equipment business. Indicators such as the increased amount of allowed expansion area of 8.56% and the extended account balance for housing loan of 6.48% suggested that there has been an increasing demand on living areas in Muang District, Roi Et Province due to the growth of population. This fact corresponds with two other evidence: the escalating number of registered house addresses of Housing Estate and personal housing in Muang District, Roi Et Province and the 2014 private household statistics presented by National Statistical Office which revealed a total amount of 51,490 households in Muang District, Roi Et Province. This population, definitely, is the target group for general housing repair. Having a family member who is the housing and residential construction expert and equipped with further qualifications such as living in Muang District, Roi Et Province, familiarizing with the area, and bearing a good relationship with other contractors, insights about construction supplies is gained. Furthermore, researcher's close rapport with contractors and construction material suppliers from almost every region also gave idea of allocating new supplies resources for customers. Researcher perceives this type of business as invulnerable to threat from new entrants.

Therefore, the researcher was interested in studying the investment feasibility of this business. The result from this study will be beneficial for future investment in the construction supplies and equipment business in Muang District, Roi Et Province.

2. Research Objective

The purpose of this study is to examine marketing feasibility, technical feasibility, management feasibility and financial feasibility of the business in Muang District, Roi Et Province.

3. Methodology

The survey part used documentary study to collect data from related studies and literature reviews. The field study part later used questionnaire and interview to collect data from business owners. The applied research part used descriptive research method to interpret, analyze and assess the data and also used descriptive analytical method to present the result. In addition, descriptive statistics were adopted to explain dispersion of data, frequency, mean value and differences of variables. Inferential statistics were used to explain correlation between data and hypothesis as well as to reach conclusions about the population. Study methods follow objective is this.

The marketing feasibility aspect was examined through a collection of information related to construction supplies and equipment business investment in Muang District, Roi Et Province. Several secondary data relevant to products and business such as PESTE Analysis, profitability analysis, demand and supply analysis, and customer analysis were studied. Demographic information of customers, including genders, age groups, education levels, careers, and income levels was also collected. The researcher utilized two instruments which are a

customer interview and a questionnaire, constructed based on the customer behavior theory, the conception theory, the marketing mix theory, Likert scaling attitude measurement, and convenience sampling to collect data in this aspect. These two instruments were validated using index of item-objective congruence technique and coefficient of reliability using Cronbach's alpha.

The technical feasibility, the researcher examined the process of buying and selling and also location theory.

The management feasibility aspect was examined the organization theory, organization structure, warehouse management theory, and accounting theory.

The money feasibility was identified through the studies of sources of funds, financial statement, and investment decision benchmarks such as net present value, internal rate of return, payback period, and sensitivity analysis.

3.1 Framework

The marketing feasibility aspect was examined through a collection of information related to construction supplies and equipment business investment in Muang Distric, Roi Et Province. Several secondary data relevant to products and business such as PESTE Analysis, profitability analysis, demand and supply analysis, and customer analysis were studied. Demographic information of customers, including genders, age groups, education levels, careers, and income levels was also collected. The researcher utilized two instruments which are a customer interview and a questionnaire, constructed based on the customer behavior theory, the conception theory, the marketing mix theory, Likert scaling attitude measurement, and convenience sampling to collect data in this aspect. These two instruments were validated using index of item-objective congruence technique and coefficient of reliability using Cronbach's alpha.

To study the technical feasibility, the researcher examined the process of buying and selling and also location theory. Then organization theory, organization structure, warehouse management theory, and accounting theory were studied to understand the management feasibility aspect. Lastly, the money feasibility was identified through the studies of sources of funds, financial statement, and investment decision benchmarks such as net present value, internal rate of return, payback period, and sensitivity analysis.

3.2 Hypothesis

The four areas of feasibility, including marketing, technique, management and money, have impacts on the investors' decision to invest in construction supplies and equipment business in Muang District, Roi Et Province.

3.3 Scope of the study, population and samples

The population, consisting of 400 general customers located in Muang District, Roi Et Province, was selected by convenience sampling technique and the questionnaire back received all. Questionnaires were distributed to both local stores and shopping malls during March 2015. The data collection process was continued until the population has reached the expectation.

3.4 Research instruments and validation

The instrument designed to study marketing feasibility was a questionnaire constructed based on the customer behavior theory, the conception theory, the marketing mix theory, and Likert scaling attitude measurement.



To validate the content validity of the constructed questionnaire, the researcher had 3 marketing experts reviewed and criticized. Later the questionnaire was revised in March 2015; as a result, the index of consistency value (IOC) was 1.0. The questionnaire was then used in this study.

3.5 Data collection

The convenience sampling technique was used to collect data. The process began on March, 2015 by distributing questionnaires to different stores and was continued until the 400 population, which was the expected amount, was reached. Furthermore, the researcher also collected other secondary data and interviewed different business owners.

3.6 Research conditions

The investment in construction supplies and equipment business in Muang District, Roi Et Province would be made under only one condition that is the feasibility of the 4 areas must be met.

4. Results

Result's study the investment feasibility of construction supplies and equipment business in Muang District, Roi Et Province has 4 part is this.

4.1 Marketing feasibility

There are 2 types of construction businesses. First is the business that sells both construction hardware and materials; the other is the business that sells only hardware. The researcher chose to invest in the first type of business since it meets the target group's needs. According to the studies, the construction hardware and materials are divided into 15 types, and there are 9 types that meet the demand of the target customers in this study the most. They are 1) tiles; 2) electronic tools; 3) plumbing tools; 4) bricks, rocks, cement, and sand; 5) steel; 6) sanitary ware; 7) wood; 8) tool supplies; and 9) paint. According to the competitive rivalry analysis, the result reveals high competition among existing business, but less threat from new entrants. High bargaining power of customers causes lower bargaining power of suppliers and less extent of substitute products. Regarding the general environmental analysis, the researcher has found that politics, economy, society and technology have positive impacts on the business while the physical environment yields negative impacts. The result of both supply and demand analysis and the indicator of housing needs and repair show an increased demand on the construction suppliers and equipment business in Muang District, Roi Et Province. The supply analysis also shows less competition among the same business which reflects that the supply is lesser than demand.

The extent to which customers perceive the significance of 4 P's on the construction suppliers and equipment business in Muang District, Roi Et Province is profound. Considering the product, price, and place or channel of distribution, the customers aware of their great significance on the business; however, the significance degree of promotion is just average. The following information provides extended customers' opinion on each aspect of 4P's strategy:

Product: The indicators that are rated at strongly agree level are product quality, product versatility in terms of types and brands, delivery offering, fast delivery service, product warranty, and returning/changing policies; however, the opinion on loan servicing is at the agree level.

Price: the opinions regarding reasonable price-quality signaling, lower price, noticeable price tags, and negotiability are rated at the strongly agree level.

Channel of distribution: convenient location and parking space provided are found at the very strongly agree level while the effective product displaying is at agree level.

Promotion: the index that customers rated at strongly agree level is discounts offering to regular customers, but other tactics such as offering giveaways or complimentary products, advertising via media such as radio, television, pamphlets/brochures, and proving product catalogs are rated at agree level.

The researcher also found no significance statistical difference at 0.05 on the opinions which two groups of construction supplies and equipment business customers in Muang District, Roi Et Province; divided according to genders, age groups, education levels, careers, and monthly income levels, have towards two different promotional strategies: using media such as radio, television and pamphlets and offering giveaways/ complimentary products.

4.2 Technical feasibility

The factor that influences one's decision making to invest on construction supplies and equipment business is the location that is close to the community, is easy to access, and provides large space as a warehouse and as customers' parking space. With reference to the target customers' opinions towards channel of distribution, the result revealed their concern on convenient location and parking space; therefore, the researcher chose to establish the business on Thammarak Rd. which has large space and is located near gas station and Nong Kan market, the local market of Muang District, Roi Et Province. The business building is divided into 3 parts: office, warehouse, and parking space for customers. Furthermore, there are also provisions of delivery service and office and shelving tools service selecting based on market price survey.

4.3 Management feasibility

It is advised that the business structure should be organized according to job responsibility. There are seven suggested positions, including one store manager, one purchases clerk, two sales clerks, two stock and delivery clerks, and one accountant. Since this business is not complicated, it is suggested that purchasing supplies should be done minimally and accounting should be kept simple.

4.3 Money feasibility

This business has an initial cost of 12,097,760 Thai Baht which totally belongs to the owner and already reached the payback period after implementing the business for 3 years, 2 months, and 19 days. The net value, at the moment, is 16,255,988.57 Thai Baht. The internal rate of return is 20.57%. At this point, the study of sensitivity analysis yields 6 different scenarios: 1) the cost has increased by 5%; 2) the sales is 5%; 3) the cost has increased and the sales has decreased by 5%; 4) the cost has increased by 10%; 5) the sales has decreased by 10%; 6) the cost has increased and the sales has decreased by 10%. Referring to the sensitivity analysis, the



researcher found that the business is subjected to the sensitivity towards both cost and sales. The cost factor has significance impact on the payback period, net present value, and real return. The changes in both cost and sales factors also influence directly on the business; therefore, the investor should take these two factors in consideration when doing the business.

In conclusion, the investment is interesting; however, both cost and sales factors should be taken into consideration.

5. Conclusion, Discussion, and Recommendation

5.1 Conclusion

The study of investment in construction supplies and equipment business in Muang District, Roi Et Province yielded positive result in four feasibility areas, including marketing feasibility, technical feasibility, management feasibility, and money feasibility.

5.2 Discussion

Regarding marketing feasibility, from result's analysis about of business data , should provide type's goods is grouping to it easier management and satisfy's customer. So, consistent independent study's Sirikanchanawong S. (2012) study's subject is planning strategies to marketing for add selling. The supplies and equipment business type is preferred. The environmental factor has positive impact towards the business. The level of demand is greater than the level of supply. The overall opinion of the customers towards the mix marketing theory (4 P's) of the construction supplies and equipment business in Muang District, Roi Et Province fell on strongly agree level. Product, price, and channel of distribution are rated at strongly agree level while promotion is rated at average.

With regard to product aspect, the indicators that are rated at strongly agree level are product quality, product versatility in terms of types and brands, delivery offering, fast delivery service, product warranty, and returning/changing policies; however, the opinion on loan servicing is at the agree level. For price aspect, the opinions regarding reasonable price-quality signaling, lower price, noticeable price tags, and negotiability are rated at the strongly agree level. Concerning channel of distribution aspect, convenient location and parking space provided are found at the very strongly agree level while the effective product displaying is at agree level. Last but not least, the promotion aspect, the index that customers rated at strongly agree level is discounts offering to regular customers, but other tactics such as offering giveaways or complimentary products, advertising via media such as radio, television, pamphlets/brochures, and proving product catalogs are rated at agree level.

The researcher also found no significance statistical difference at 0.05 on the opinions which two groups of construction supplies and equipment business customers in Muang District, Roi Et Province; divided according to genders, age groups, education levels, careers, and monthly income levels, have towards two different promotional strategies: using media such as radio, television and pamphlets and offering giveaways/ complimentary products.

According to technical feasibility, the business should locate close to the community, provide easy access, and has large space to be used as warehouse and parking space

for customers. With regard to management feasibility, the business structure should be organized based on responsibility. The supply purchase should be done minimally. Accounting should be simple. Lastly, money feasibility suggests that this investment is interesting; however, both cost and sales factor should be taken into consideration.

5.3 Recommendations

5.3.1 Recommendations for entrepreneurs

The entrepreneurs need to have understanding and knowledge about construction in order to give detailed suggestion of products to customers. Knowing where to purchase products allows the entrepreneurs to get good quality, inexpensive, and versatile products which will meet customers' needs and will lead to business growth in the end. To increase more income, there should be additional services such as housing design and housing repair or launching new business such as construction contractor.

5.3.2 Recommendations for future studies

In the future, there should be a study on marketing strategies to enhance sales performance.

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