

MARKETING STRATEGY OF HANDMADE LEATHER BAGS GROUP UNDER THE KHON KAEN MUNICIPALITY FUND

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Abstract

This independent study aimed to 1) study environment for business management 2) study the opinions of owners and employees towards marketing mix factors of handmade leather bags 3) study demographics and customer behavior affecting decision to buy leather products 4) the significance level of customers towards marketing mix factors affecting decision to buy leather products and 5) propose marketing strategy for handmade leather products. The questionnaires were used to collect data from a sample of 400 people. The study found that the most respondents are male aged between 20 – 25 years, graduated bachelor degree, working as government officer, government employee and student or undergraduate, average monthly income between 15,000 – 25,000 baht. The marketing mix factors affecting decision to buy leather bags are at the highest level in descending order from price and promotion respectively. The satisfaction which was at a high level are the product, followed by distribution channel, respectively. Different gender, age, education, occupation and monthly income do not affect the marketing mix at the significant level of .05. Therefore, the marketing strategy of leather bags include 3 projects: 1) “Economy products, Impressive quality” 2) “Distinctive and unique” and 3) “Favorable Promotion”. The budget valued at 19,000 baht to conduct those projects is expected to increase sales volume, meet the needs of customer and make customers satisfied, impress and be a regular customer forwards.

Keywords: Marketing strategy, Handmade leather bags group, Khon Kaen Municipality Fund

1. Introduction

Khon Kaen Municipality has implemented SME project through the activity of Khon Kaen Municipality Fun to adhere the development strategy of Khon Kaen Municipality which focus on people to become self-reliant and strengthened in professional group, a unity, allow people to have a heightened sense of creativity and learn along the way. It also provides an opportunity for communities to generate income for the unemployed, create products to its global community, gives the community a space to sell and provide the financial resources to develop the products appropriately (Khon Kaen Municipality Fund, 2015). Khon Kaen Municipality Fund has been performed and discussed in order to cap the group's career. The overview is as follows: (1) Invite the professional group to discuss with 8 organizations for Economics to determine the strengths, weaknesses and what to be developed (2) MBA KKU Alumni request the students to find out what is having, what is lacking, what is good and bad thing to fill the needs, barriers and problems of professional group together with 2 staffs and 1 member which the groups were divided into 6 groups (3) Invite Bank for Agriculture and Agricultural Cooperatives to teach the accounting for 2 days per group. The meeting agree to give their children, husband and wife to take part in learning accounting, and actual problems as well as the informal debts solving, accessing capital source and the value of money (Grants from Khon Kaen Municipality of 20,000 baht per professional group) (4) Professional groups need to register Community Enterprise because it is likely to expand which can be registered at Provincial Agricultural Extension Office (5) The meeting propose to improve the booth in front of Khon Kaen Municipality to be the market and Kaennakorn Lakeside near Wat Nong Waeng, the distribution of food, souvenirs and gift for any festivals to support and promote and professional group. Khun Kaen Municipality Fund in 2015 consists of 6 professional groups as follow: (1) Crispy Lotus Blossom Cookie (2) Name of round and flat sweetmeat (3) Salted eggs (4) Cotton products (5) Leather bags and (6) Silk products.

Handmade leather bags were chosen to study and propose the marketing strategy in this study to solve main problems which need to improve such as the products are not well-known, a lack of public relation, less distribution channel, and a lack of capital as well as the limited capacity to create the products. Therefore, environment of business management, opinions from owners and employees against the marketing mix factors and the significance level were against the marketing mix factors of leather bags were analyzed to propose the marketing strategy in order to meet the customer in accordance with behavior and significance to achieve the greatest benefits to the business. However, the marketing strategy was conducted according the potential of entrepreneurs which can be applied in business.

2. Objectives

- 2.1 To study the environment of business management of handmade leather bags group.
- 2.2 To study the opinions of owners and employees against the marketing mix factors of handmade leather bags group.



2.3 To study the demographics and behavior of consumers affecting the decision on buying handmade leather bags.

2.4 To study the significance level of consumers against the marketing mix factors affecting the decision on buying handmade leather bags.

2.5 To propose the marketing strategy of handmade leather bags.

3. Methodology

3.1 Environment of business management of handmade leather bags group

The interview questionnaires were used to collect the data as follows

[1] Internal factor analysis

Administration structure, production, raw materials, types of products and distribution channels were analyzed in this section.

[2] External factor analysis

PESTE Analysis and Five Forces Model were used in this section.

3.2 Opinions of owners and employees against marketing mix factors of handmade leather bags

The study was conducted by brainstorming between owners and employees against marketing mix factors in 4 aspects: product, price, place and promotion in order to be aware of strengths and weaknesses of business.

3.3 Demographics and behavior of consumers affecting the decision on buying handmade leather bags

Demographics and samples

Demographics were from the consumers who have purchased handmade leather bags which were not exact known because the records were not made. Therefore, the formula of Cochran (1977) was used and a sampling error was allowed up to 0.05 or 5 per cent as follows:

$$n = \frac{P(1 - P)Z^2}{d^2}$$

n : required sample size

Z : Confidence level at 95% = 1.96

P : Population (using 50% or 0.50)

d : sampling error (using a confidence level at 95% or sampling error is 0.05)

$$n = \frac{0.50(1 - 0.50)1.96^2}{0.05^2} = 384.16$$

By reworking the formula above, the samples were 384 people. Thus, 400 samples were collected to cover calculated samples.

3.4 Significance level of consumers against the marketing mix factors affecting the decision on buying handmade leather bags

[1] Population and samples Population and samples in this study were 400 consumers who have purchased handmade leather bags.

[2] Instrumentation

Questionnaires were used to study the significance level of consumers against marketing mix factors of handmade leather bags.

[3] Data collection

The data collection was from 400 consumers who have purchased the handmade leather bags in March 2015 using Convenience Sampling method.

After the completion of questionnaire, Validity and Data were analyzed using Statistics Packages of the Social Science (SPSS Version 19). The statistics used in this study were percentage, mean, standard deviation. The Hypothesis testing was T-Test and ANOVA.

3.5 Marketing strategy of handmade leather bags

According to a study by objective 1- 4 made, Strengths, weaknesses, opportunities and threats were known. Then, TOWS Matrix and STP Analysis were determined to propose marketing strategies for handmade leather bags.

4. Results

4.1 Environment of business management of handmade leather bags groups under Khon Kaen Municipality

Internal Environment Analysis

Handmade leather bags groups under Khon Kaen Municipality is located to 250 Moo 4, Srichan Road, Tambon Naimuang, Muang District, Khon Kaen Province, Area 2 Bakham Community. Ms. Chutima Rittsorn is the chairman of group which gathered from more than 2 people. The group activities are considered as the main income and create the career for living. The period of operation began in 2013 at Chairman's house. The groups have been meeting continuously, twice a month (24 times per year). Income of previous operational year was 95,000 baht. Profit from sales will be divided to the members in form of dividends. Leather products are the main products of groups.

General Environment Analysis

- External environment analysis found that economic, social and cultural and legal and politic factors are positive to the products. On the other hand, technology and environmental factors are negative to the products.

- Competitive Analysis using Five Force Model found that the bargaining power of the buyers has the significance at high level, bargaining power of the suppliers, threats from substitutes have the significance at medium level and threats of entry have the significance at low level.

4.2 Opinions of owners and employees against the marketing mix factors of handmade leather bags group

4.2.1 Product

Handmade leather bags group under Khon Kaen Municipality Fund has opened the shop about leather bags in various types, sizes and prices which is unique and modern. The customers can order to make the products according to the customer requirements.



4.2.2 Price

Handmade leather bags groups offer the various sizes and prices of products. Pricing is based on size and complexity of each product and negotiable. Agreed price between customer and seller should be done before production to provide customer satisfaction from the beginning of being customer of the shop.

4.2.3 Place

Handmade leather bags groups are located in Muang District, Khon Kaen Province with a density population. The shops are clearly visible and small. Parking area is not much. The product placement is neat and easily to find. The product distribution is at walking street on Saturdays.

4.2.4 Promotion

Handmade leather bags groups under Khon Kaen Municipality Fund has less promotion, with just a discount to customers only.

4.3 Demographics and behavior of consumers affecting the decision on buying handmade leather bags

Demographic data

The result showed that the most respondents were male aged 20 – 25 years, bachelor degree, government officer and student/undergraduate and average monthly income between 15,000 – 25,000 baht.

Behavior of consumers affecting the decision on buying handmade leather bags

The most influential people affecting the decision on buying leather bags were their own. The popular types are shoulder bags and wallets. Types of leather is genuine. Consumers will not buy a leather bags which shape is not beautiful. Opinions of consumers against leather bags are that it is promoting the image to look good, it is the expression of identity. Convenient place to sell is flea markets. The popular form of payment is cash. The consumers pick up the goods by themselves. The most influential media on buying is posters and flyers. A popular time to buy is uncertain. The reason for buying a new leather bag is because the existing leather bag is damaged or lost. The consumers focus on the reasonable price compared to the quality and durability. The consumers go to 2-3 shops to consider before buying the leather bags. The popular price range is between 1,000 – 1,500 baht. Lead time (Make-to-order case) should be longer than 7 days. Most consumers have at least 5 pieces of leather bags and no exact frequency of buying a leather bag at a time. The old leather bags are gathered as a collection. Every time buying the leather bag is the good experience in choosing to others.

4.4 Significance level of consumers against the marketing mix factors affecting the decision on buying handmade leather bags

Overall significance to buy leather bags is a high level sorted descending from price, promotion, product and place respectively.

Price, the significance against the marketing mix factors is at the highest level such as quality of leather bags, modern and popular designs and different and unique product. The significance at a high level is warranty and repair service if the leather bags are damaged.

Price, the significance against the marketing mix factors at the highest level is the reasonable price, worth and cheaper than other shops. The significance at high level is the wide range of price and clear price tag.

Place, the significance against the marketing mix factors at the highest level is the convenience to buy such as the available order on the internet and telephone. The significance at high level is the product placement is easy to choose and shops available in community.

Promotion, the significance against the marketing mix factors at the highest level is the giveaway if achieving the sales set, special discount according festival or special event, bringing old bags in exchange for a new one, special benefits for members. The significance at high level is advertisement and public relation on other media.

The significance level against the marketing mix factors affecting the decision on buying the leather bags classified by demographics such as gender, age, education level, occupation and average monthly income showed that the significance level of different demographics against the marketing mix factors affecting the decision on buying leather bags is not different at the significance level of 0.05.

Suggestion and additional requirement showed that: Product, it is unique and identity. Price, it is reasonable, worth and various sizes and prices to choose. Place, it is convenient to buy. Promotion, it is special discount according festival or special event and giveaway if achieving the sales set.

4.5 The marketing strategy of handmade leather bags

Marketing strategy consists of 3 projects: 1) “Economy products, Impressive quality”, due to a small professional group, the management in all aspects can be simplified, the consumers can bargain for the quality products at reasonable prices. Khon Kaen Municipality has come to provide knowledge of marketing, sales and administration as well as provided distribution channels for business resulting in the opportunities for consumers to see the skill of professional group 2) “Distinctive and unique”, strengths of business were various types and size of products, modern and unique products as well as the consumers can order the products according to their needs. Market expansion was to keep the identity of the goods and increase a variety of styles even more in order to meet the needs of consumers thoroughly and 3) “Favorable Promotion”, weaknesses of business were a lack of reputation and marketing promotion. To fulfil the requirement of consumers in distribution channel and promotion were to be able to find the products they need easily and reduce the price of seasonal or special dates, respectively. For these reasons, it is necessary to promote themselves known and to boost sales by promoting the marketing as mentioned above.

5. Conclusion Discussion and Suggestion

5.1 Conclusion

The results are in line with the objectives and marketing strategy for handmade leather bags consist of 3 projects: 1) “Economy products, Impressive quality” 2) “Distinctive and unique” and 3) “Favorable Promotion”. The budget valued at 19,000 baht to conduct those



projects is expected to increase sales volume, meet the needs of customer and make customers satisfied, impress and be a regular customer forwards.

5.2 Discussion

Product, which is in line with the study of Patcharaporn Pinthong (2012) said that the consumers focus on the quality of product as well as the study of Chananit Jaisuekul (2011) said that the consumers choose the product based on preference and appropriation, not similar to others, unique and good quality.

Price, which is in line with the study of Patcharaporn Pinthong (2012) said that the consumers focus on price which is appropriate to customer's needs.

Place, the consumers give the precedence on convenience to purchase such as available order on the internet, telephone etc., and good physical evidence (good category placement and available shops in the community).

Promotion, the consumers give the precedence on giveaway if achieving the sales set, special discount according festival or special event, bringing old bags in exchange for a new one, special benefits for members, advertisement and public relation on others media, resulting in the improvement of handmade leather bags groups under Khon Kaen Municipality in order to meet customer needs and be regular customer forwards.

5.3 Suggestion

5.3.1 Suggestion for owners

After the implementation of the project, it should be monitored and evaluated on an ongoing project every year in order to improve and correct the deficiencies as well as the better development in various field to make customers most satisfied and meet customer needs.

5.3.2 Suggestion for further study

[1] There should be a study on the technical development of product in order to improve and develop the quality even further.

[2] There should be tracked and studies various strategies of the competitors in order to compare and develop the strategies or marketing guideline of the business even further.

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