

CHAPTER 6

SELECTION OF CRITICAL SUCCESS FACTOR

According to the information of Porter's five forces analysis, SWOT analysis and questionnaire survey, the expert team firstly has selected the potential critical success factors of clothing industry. Then, weighting system is used to analyze and perform the critical success factors of Thai clothing industry in medium and high-end market. The details of determining these factors are presented as below.

6.1 Information from analysis

6.1.1 Porter's five forces analysis

From the analysis by using five force model found that the threats of new entrants come from the becoming of China's WTO membership. This countries has very high potential to produce low cost of products as mass production and export to low and medium-end market. China seems to be strong competitors for Thai clothing manufacturers, which have no own brand name and sold the products to respond the demand in these markets.

Similarly, for the intensity of rivalry among existing competitors, Hong Kong and Mexico are also the leaders of clothing exports in medium and low markets. It is difficult for Thai manufacturers to complete with these countries in international market. Moreover, the high value of products from fashion leaders such as, Italy and France are the major obstacle for Thai products to increase market share in high-end market. Therefore, it is important for Thai clothing industry to develop quality of products, design activity and brand name to increase the value of product in order to avoid high competition in low-end market and share the market in upper level.

Additionally, most of Thai manufacturers produce the products from customers' order, the bargaining power of buyers normally come from the customers who give the orders to the firms. They can select the firm that can produce follow their order with high quality and low production cost. In this case, if Thai manufacturers cannot respond their requirement, they will select other countries to be production source such as, China.

For the bargaining power of suppliers, this does not highly impact on Thai clothing industry because most of raw materials are provided by many local suppliers. Thus, the power of suppliers will not affect Thai clothing industry critically. Finally, the threat of substitutes, we can say that there is no product that can be used to be the substitute of clothing products. Therefore, it can be a good sound for all clothing manufacturers.

6.1.2 SWOT analysis

There are several strengths of Thai clothing industry. Firstly, clothing industry in Thailand has high production capacity and large local market for distribution. Additionally, Thailand has covering overall process in textile industry. Then, the strengths also cover on worldwide distribution channel and appropriate location.

From brainstorming of expert team, the weaknesses of Thai clothing industry comprise lack of some significant raw materials, high import tax rate, out-of-date machines, lack of development in value-added product and brand name, high labor wage rate, less garment specialists supporting for industrial improvement, lack of management in small and medium size of business, no well training system for operators and insufficient supply chain management system.

For the external factor, the opportunities consist of range supporting of Thai government in education for design and production, establishment of private sector to support entrepreneurs in various activities, free trade area trading, stability of Thai political, benefit of devaluation of Thai currency, high support of fashion exhibition and advantage from increasing of world population trend.

In addition, the threats of clothing industry are the barrier from nonmember of some economic group, new entrant in clothing industry, existing Asian competitors, uncertain effect within world economy and trade, destructive damage by removal quota system in 2005 and additional requirement of certificate for ISO system.

6.1.3 Questionnaire

According to the information from questionnaire, it can be noted that most of clothing entrepreneurs agree with current internal situation of Thai clothing industry such as, high labor cost, lack of up to date technology, lack of brand name, sufficient number of workers, huge local market and etc. For external factor, entrepreneurs mostly agree that better trend of world economic can have the positive affect to clothing industry. On the other hand, becoming of China's WTO member can be the most negative affect. Additionally, the entrepreneurs are also asked for the critical success factor that might lead to increasing of industry's competitiveness. The results of this part show that technology development, personnel's skill development, financial support from government sector, design capability improvement and import tax rate reduction are the agreement of entrepreneurs' opinion in first rank.

6.2 Selection of potential critical success factor

In the previous chapter, the situation of Thai clothing industry has been analyzed by using Porter's five forces model and SWOT method. Besides Porter's five force and SWOT analysis are used to be the way of selection critical success factors, the survey of questionnaire is also applied for this determining.

The expert team, which brainstorms to select potential critical success factor and critical success factor, respectively concerns with 15 specialists working in clothing industrial field. These specialists are the representatives of Thai clothing company, which consist of:

| | |
|----------------------------------|-----------|
| Managing director | 1 person |
| General manager | 3 persons |
| Production manager | 3 persons |
| Purchasing manager | 2 persons |
| Quality control manager | 2 persons |
| Research and development manager | 2 persons |
| Marketing manager | 1 person |
| Designer | 1 person |

The result received from brainstorming of expert team for selection the potential critical success factors by using the information from Porter's five force analysis, SWOT analysis and the questionnaires found that there are 10 major potential factors for enhancement the potentiality of Thai clothing industry to upper level of market. These factors can be presented as follows.

- Technology
- E-commerce
- Brand name
- Location
- Raw material
- Tax
- Financial support
- Human Resource
- Distribution channel
- Marketing

6.2 Critical Success Factor decision-making

After selection of potential critical success factors by brainstorming activity of the expert team, critical success factor decision-making will be introduced by using weighting system, which is one of the well-known methods of rating system. For this

method, the score is weighted from 0-100 scores. In this case, the potential critical success factors consideration consist of human resource, brand name, tax, financial support, raw material, E-commerce, location, distribution channel and quality.

For criteria selection, there are many criteria used to determine the critical success factors, due to some constrain in clothing industry, the team cannot consider overall criteria. Thus, expert team decides to select some of major important criteria related with clothing industry. These criteria consist of profit margin, customer satisfaction, market share, competitiveness, cost, quality, service, image, lead time and social. The scores for the critical success factor decision-making are shown in the following table.

Table 6.1 Potential critical success factor weighting

| Potential Factor Consideration | Maximum weight | Technology | E-commerce | Brand name | Location | Raw material | Tax | Financial support | Human resource | Distribution channel | Marketing |
|-----------------------------------|----------------|------------|------------|------------|------------|--------------|------------|-------------------|----------------|----------------------|------------|
| Profit margin | 100 | 65 | 40 | 80 | 30 | 75 | 70 | 50 | 70 | 45 | 50 |
| Customer satisfaction | 100 | 60 | 55 | 70 | 50 | 85 | 60 | 55 | 65 | 40 | 60 |
| Market share | 100 | 50 | 55 | 75 | 35 | 70 | 55 | 55 | 70 | 75 | 75 |
| Competitiveness | 100 | 75 | 60 | 85 | 55 | 75 | 75 | 70 | 70 | 70 | 65 |
| Cost | 100 | 70 | 50 | 75 | 65 | 85 | 85 | 55 | 60 | 50 | 60 |
| Quality | 100 | 80 | 20 | 30 | 20 | 80 | 55 | 65 | 75 | 20 | 20 |
| Service | 100 | 60 | 70 | 35 | 40 | 25 | 30 | 50 | 50 | 45 | 35 |
| Image | 100 | 40 | 50 | 80 | 35 | 70 | 35 | 55 | 35 | 35 | 60 |
| Lead time | 100 | 75 | 40 | 30 | 70 | 30 | 30 | 55 | 65 | 55 | 25 |
| Social | 100 | 45 | 55 | 65 | 25 | 35 | 45 | 50 | 40 | 30 | 40 |
| Total | 1000 | 620 | 495 | 625 | 425 | 630 | 540 | 560 | 600 | 465 | 490 |

Source: Export term brainstorming

According to the above table, the result from weighting presents that raw material has the highest weight, 630 scores, followed by 625 scores of brand name. The third is technology with a score of 620. Human resource, financial support and tax have a score of 600, 560 and 540, respectively. Next, it is the score of E-commerce, 495. Marketing is 490 scores and distribution channel is 465 scores. Finally, potential critical success factor in term of location has the lowest score. Its score is 425.

From this weighting method, it can be seen that each potential critical success factor has the different score. Even though every factors have the importance to Thai clothing industry, there are some factors selected to be the critical success factors of Thai clothing industry for enhance the competitive capability into higher level of market. The selected factors comprise technology, brand name, raw material, tax, financial support and human resource. These factors are selected to be the critical success factors by consideration from the result of their weight, which is in the initial arrangement. From this weighting, there are six factors that can be the critical success factor of Thai clothing industry such as, technology, human resource, brand name, financial support, tax rate and raw materials.