

CHAPTER 1

INTRODUCTION



1.1 Background

From the macro viewpoint, our economy may be divided into 3 different sectors for study: the extractive sector (which includes mining and agriculture), the manufacturing sector, and the service sector. The service sector has had a tremendous impact on the economy, as indicated by the following statistics:

Table 1.1: Number of Employed persons by Industrial Origin Unit: 1,000 Persons

Year	Employed Persons			
	Agriculture	Industry	Services	Total
1996	16,127.1	6,696.0	9,408.8	32,231.9
1997	16,691.2	6,537.9	9,932.8	33,161.9
1998	15,048.0	5,927.7	9,998.7	30,974.4
1999	14,888.5	6,040.6	10,468.2	31,397.3
2000 (Until Feb.)	12,095.4	7,299.6	11,025.2	30,420.2

Source: Report of Labour Force Survey, Whole Kingdom, National Statistical Office.

Table 1.2: Thailand's Economic Indicators (1996-2000)

	1996	1997	1998	1999	2000
GDP (1988 price)	3,109,300	3,056,400	2,738,500	2,853,500	2,981,900
Growth Rate (%)	5.9	-1.7	-10.4	4.2	4.5
-Agriculture (%)	3.6	0.6	-1.3	4.0	2.0
-Manufacturing (%)	6.2	0.8	-10.5	11.3	7.0
-Service and others (%)	7.1	5.7	0.6	2.9	6.0

Source: Thai Farmers Research Centre Co., Ltd.

The range of services provided in a society may be quite broad. As can be seen from the statistic above, services are an integral part of our society and deserve careful study. Good service must be planned and managed. There must be a strategy for providing service that matches the target market with the strengths of the company. According to SCB Research Institute, the growth rate of service sector is increasing from 2.9% to 7.0% in 1999 to 2000; meanwhile the growth rates of other sectors are decreasing. Because of the interest in service sector; so, "Movie Theatre Business" would be selected as a case study. Each type of service has its own specific characteristics. The service act can be considered across two dimensions: who or what are the direct recipients of the service, and the tangible nature of the service. Table 1.3 shows the position of movie theatre business.

Table 1.3: The nature of the service act, movie theatre positioning.

Nature of the Service Act	Direct Recipient of the Service	
	People	Things
Tangible actions	<i>Services directed at people's bodies:</i> * Beauty salon * Health care * Restaurant	<i>Services directed at goods and other physical possessions:</i> * Janitorial services * Laundry and dry cleaning
Intangible actions	<i>Services directed at people's minds:</i> * Education * Movie Theatre * Museum	<i>Services directed at intangible assets:</i> * Banking * Accounting * Insurance

Source: Lovelock, Christopher H. (1996), "Service Marketing", section two, page 51.

Knowing your customers is a significant competitive advantage for a service organisation. Table 1.4 shows the relationship of customers in movie theatre business.

Table 1.4: Relationships with customers, movie theatre positioning

Nature of the Service Delivery	Type of Relationship between Service Organization and Its Customers	
	"Membership" relationship	No formal relationship
Continuous delivery of service	<ul style="list-style-type: none"> • Insurance • Banking 	<ul style="list-style-type: none"> • Radio station • Public highway
Discrete transactions	<ul style="list-style-type: none"> • Commuter ticket or transit pass • Long-distance phone calls 	<ul style="list-style-type: none"> • Car rental • Movie Theatre

Source: Lovelock, Christopher H. (1996), "Service Marketing", section two, page 54.

Going to see a movie is an easy way to escape briefly from the stress of daily life. Because of the very human need for space in which to dream, theatres are growing steadily, despite the unfavorable national economy. Movie theatres are mushrooming everywhere in greater Bangkok. According to the information in Thansettakit newspaper (22-24 June 2000), the numbers of movie theatres in Thailand are 283. As the entertainment grows, the competition within the business is becoming increasingly fierce. In order to survive and develop, companies have been working hard on strategy formulation and implementation. Having competitive strategy is one of the keys to success for companies. Competitive marketing strategy is a crucial part of corporate strategies.

In this case, "a medium-sized movie theatre based in Bangkok" selected as a case study. The name of the movie theatre kept confidential for business reasons and assumes the name as "XX Theatre". The company had taken over XX Theatre since 1999. During the first half-year of operation, the company suffer operational losses. Moreover, the average customers in each month have lower than competitors in closing area. At that time, the company renovated the theatre by redecorating interior and exterior, and setting up new sound system. Nevertheless, the goal on the number of customers was not reached. Therefore, the company realized that some marketing research needs to be conducted and effective strategic marketing planing must be made.

1.2 Problem Statement

The operating system before the company took over was unsystematic and lack of strategic planning. Coinciding with economic crisis and the intensified competitions, these cause big problems for the company. To compete and develop in such a market, the company needs highly affect marketing strategies. Therefore, formulating competitive marketing strategies for seeking higher market share is the main problem now faced by the company.

1.3 The Objective of the Research

The objective of the research is to formulate appropriate competitive marketing strategies for XX Theatre in order to increase market share.

1.4 Scope of the Research

- Due to the time limitation, the research evaluated the results follow by the marketing strategies plan only four month (May – August 2001).
- Customer questionnaire survey will cover the Bangkok Metropolitan Area. The survey questionnaire would identify the target customers, customer's needs, the reasons of using and not using the service, perception about competitors, what are important factors affect on their choice of using the service, customer's behavior, how customer get information, how important of promotion measures, and so on. The survey questionnaire would distribute to the customer by using technique called "area random sampling" or "cluster sampling". This technique can be useful each time it is possible to reach identifiable groups. Astous suggest that the cluster (or area random sampling) is having the characteristics of a truly random sampling, the logic leads us to think that it may be necessary to have more than 30 individual cases. In my opinion, even if 30 individual cases is considered by some as the minimum for the rules of probabilities to apply, that minimum might not work at all with this sampling method. So, the questionnaire survey distributed to the customer at least 450 respondents.
- This research based on both primary and secondary data. Primary data collected from in-depth interviews with theatre manager of XX Theatre, Marketing Director, Business Development Manager and PR & Advertising Management.

1.5 Research Procedures

This research followed by the procedures as shown in Figure 1.1. Details of the research methodology may be found in Chapter 3.

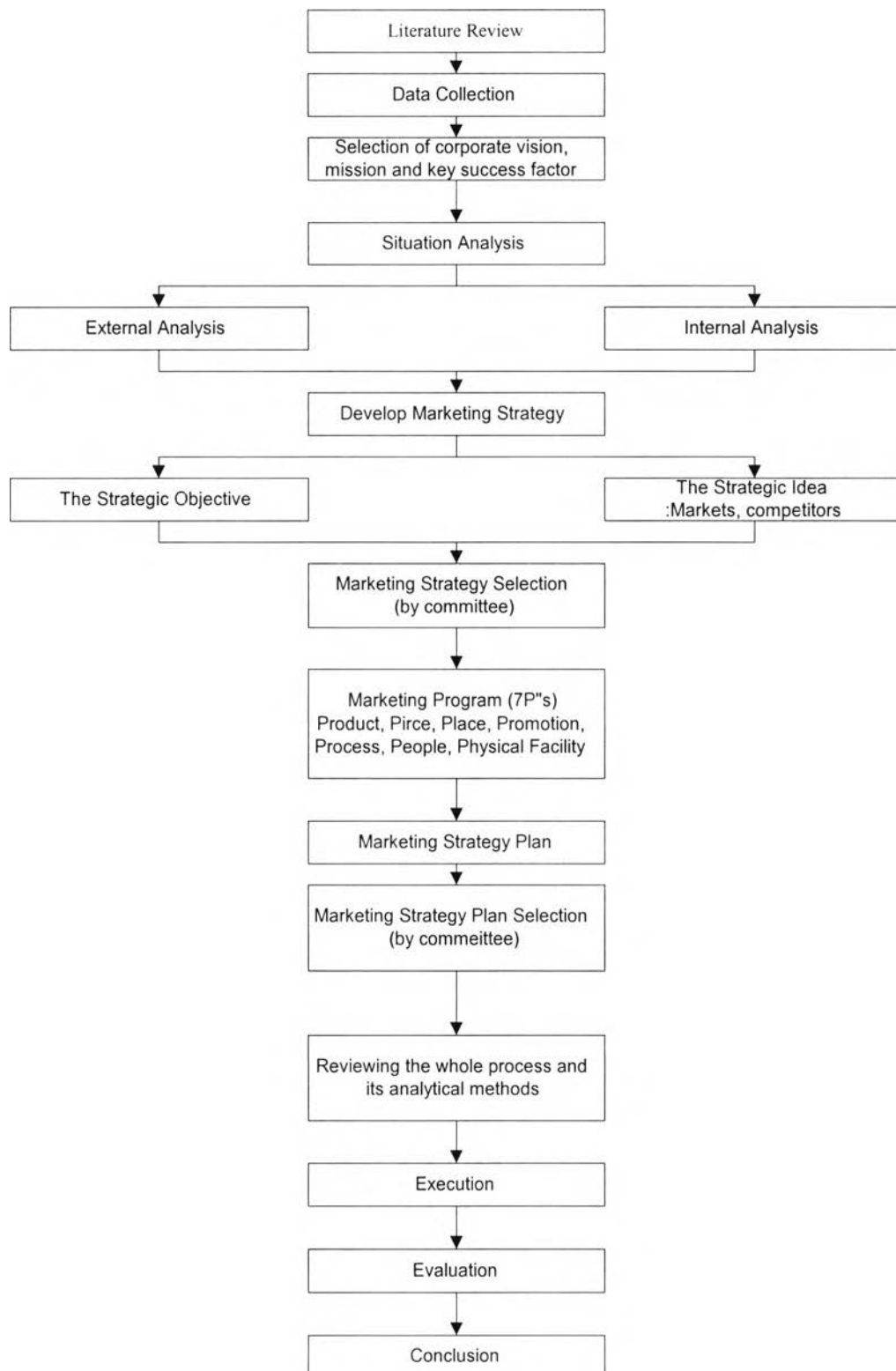


Figure 1.1: Research Framework

This research will be carried out by the following steps:

- **Literature Review:** study literature in developing marketing strategy areas.

- **Data Collection:** there are many ways to collecting data. In this research employs both primary and secondary data.
 - **Primary Data** - Interview with theater manager of XX Theatre, Marketing Director, Business Development Manager and PR & Advertising Management.
 - Questionnaire survey conducted in the Bangkok Metropolitan Area with at least 450 respondents by using area random sampling technique.
 - **Secondary Data**- Internet, research institutions, magazines, newspapers, journals and libraries.
- **Selection of the corporate vision, mission and critical success factor:** the first component of the strategic management process is defining the vision, mission and also key success factor.
- **Situation Analysis:** examination of each of the several environments that have basic effects.
 - External Analysis - Customer Analysis
 - Competitor Analysis
 - Market Analysis
 - Internal Analysis - SWOT Analysis (Strength, Weakness, Opportunity, Threat)
 - Past Performance Analysis
- **Develop Marketing Strategy:** marketing strategic planning consists of two stages, which are strategic objective and strategic idea.
 - The Strategic Objective: a strategic planning system must be goal-driven. Therefore, strategic objectives are *what* the company is trying to achieve.
 - The Strategic Idea: with objectives having been determining, then, find the means of fulfilling them. There are two factors required in marketing plan: markets and competitors. For market, the important point is to define the unique wants and needs of target markets. In addition to dealing with that aspect, competition usually will be a significant factor too.
- **Marketing Strategy Selection:** this phase is that of making the decision on strategy selection by cross-functional committee.
- **Marketing Programs:** the choices of appropriate marketing actions and their blending into a marketing mix. Actions are discussed for each of the conventional seven functions which are
 - Product
 - Price
 - Place
 - Promotion
 - People

- Process
 - Physical Facilities
- **Marketing Strategy Plan:** after the strategic programs have been determined, the marketing plan is prepared. The 3-year marketing strategy plan was then made with estimated budget investment; person involved and expected results for each activity.
 - **Marketing Strategy Plan Selection:** this phase done by cross-functional committee.
 - **Reviewing the whole process and its analytical methods:** this phase explains how the marketing plans and the person involved should mesh with the total company.
 - **Execution:** due to the limitation of time, marketing activity plan will implement only 4 months out of the whole plan (May – August 2001).
 - **Evaluation:** the effectiveness and efficiency of performance are evaluated based on established variables which are
 - Profitability
 - Customer Satisfaction
 - Sales Promotion Efficiency

These performance indicators compared based on the same period of the previous year.

➤ **Conclusion and Recommendations**

1.6 Expected Benefits

The expected outcome of this research is the effective marketing strategies plan in order to increase market share. The lessons learned from this research will be summarized and use as a guideline for developing marketing strategy of other service businesses.

1.7 Conclusion

The medium-sized Movie Theater, rename as XX Theater, is one of service businesses, which used as a case study in this research. The company needs highly affect marketing strategies for seeking higher market share. To develop marketing strategy, the procedures are shown in figure 1.1. The processes begin with literature review and data collection. Next step is the selection of company vision, mission, and critical success factors. Then, situation analysis (both external and internal factors) was made. Next, formulating strategic objective and strategic idea. After selecting the marketing strategy, marketing programs was conducted. Marketing strategy plan was created and selected by cross-functional committee. The whole process and method was then reviewed before implementing. As the strategic plan was implemented, the performance evaluation would make based on profitability, customer satisfaction and sales promotion efficiency analysis. This research ended up with future plans, conclusion and some recommendations.