

CHAPTER 7 COMMERCIALIZATION PLAN

7.1 Business Model

In order to consider whether this ceramic product could be business feasible or not, this study will analyze the business model that includes the general details about the operations of a business as in the following topics.

7.1.1 Value Proposition

This is a ready-made clay product for the ceramic tableware production in the ovenware group, which is produced by employing the domestic raw materials, and can be produced at the lower firing temperature with also remaining the same property. The manufacturing of this product is not complicated and appropriated for basic production of medium and small –sized business. For the ceramic tableware business owner, this could well be an opportunity to upgrade their existing ceramic tableware products to be able to compete in the high end and wider markets.

1. Marketing is made into the major target group of ready-made product production factories. There are product packaging of large size used for mass production and it is packed as follows:
 - Packed in 25- kg bag
 - Packed in 1000-kg pallet

7.1.2 Customer needs

At present, the domestic target customers are tableware ceramic SMEs, about 100 SMEs, whose total manufacturing scale is approximately 126,000 tons per year and their business nature is original equipment manufacturing for earthenware and stoneware. There are about 16 large manufactures whose production capacity is 60% of the total capacity. The SME business is located in Aomnoy, Samutsakorn, Lampang, Chiangmai and Lamphoon provinces in the north because raw materials are abundant in these areas, and labor cost is reasonable.

(Reference: http://www.ceramicsthailand.com/news_description.php?id=4)

Target customers can be divided into two groups of tableware ceramics SMEs industry in Thailand as follow: (Our target group is 5 % of 2 group)

1. Group of Aomnoy and the vicinity whose estimated demand is around 25,000 tons/year.
2. Group of North Provinces whose sale estimation is around 30,000 Tons/year.

The SME customers need the products with good quality: high durable ceramic wares with affordable price. New raw material or innovative product which enhances their competitiveness is also of their interests.

Values proposition of the product, ovenware clay body, to be presented to the target customers is to enhance their competitiveness by increasing their capability to produce high thermal shock resistant ovenware from our clay body. In addition, the firing temperature of this material is lower than those other existing clay bodies in the market. As a result, a production of high thermal shock resistant ovenware with lower energy

consumption is possible. At present, for Thailand market situation, there is no direct competition for this product but alternative product in the market.

7.1.3 Profit Formula

1. Revenue estimation

By the end of Year 5, the expectation is that the volume of ovenware clay body about 3,707 tons will be sold. Price is 7,293 Baht/ton. Total Revenue is about 30 million Baht.

Price: The price should be of competitive because the product is not unique in the aspect of application property that makes the product different from the others in the market. The profit will be made from its low cost because the raw materials are domestic materials. For target customers, with our clay body they do not have to rely on the imports as other manufacturers, which might risk the chance of higher cost due to the fluctuation of the exchange rate. In addition, the lower firing temperature causes a reduction of energy consumption which reduces their manufacturing cost. Lower energy consumption is also benefit to social. Therefore, in the future, if the demand of the product increases and mass production can be considered, the cost per unit will decrease; consequently, the profit will be higher.

Formula for price calculation

Ready-made clay in general +cost in production and cost added up about 20% +profit of about 30% = selling price

It should be noted that the corporate income tax is not included.

Product sale price is 6,000 Baht/ton in the first year and up to 7,293 Baht/ton in 5 year. With this price, the estimated production cost for new thermal shock resistant ovenware manufacturing increases about 7 percent compared with existing product. However, the manufacturers can double the price of the new product from their existing products, about 400-500 Baht per piece, or even higher because the price for the import thermal shock resistant ovenware is in the range of 1,800-3,300 Baht per piece.

2. Cost estimation

Production cost is composed of fixed cost and variable cost. Fixed cost includes salary, advertisement, phone call, transportation, entertainment, training, R&D, accounting, public utility, etc. while variable cost includes cost from materials, maintenance, etc. The 5 year cost estimation were shown in table 7.1.

Table 7.1 The 5-year cost estimation

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	2012	2013	2014	2015	2016
Fixed cost	2,116,271	2,288,725	2,465,568	2,632,416	2,811,337
Variable cost	10,508,771	12,540,516	14,327,386	15,080,829	15,874,712
Cost estimation	12,625,042	14,829,240	16,792,953	17,713,245	18,686,048

3. Profit estimation

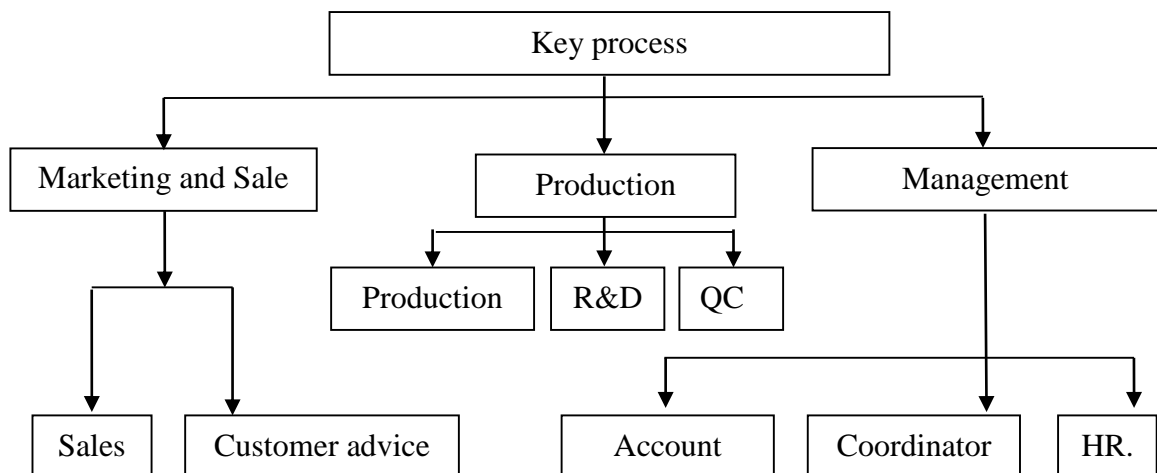
The estimated profit from the first year is about 4.4 million Baht, and increases to 7 million Baht until year 5. The 5 year earning up to 30 million Baht. The detail of profit and earning after year 5 is shown in table 7.2

Table 7.2 Profit estimation for 5 years.

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	2012	2013	2014	2015	2016
1. Profit	3,786,137	4,958,324	5,672,959	5,918,620	6,220,975
2. Earning	3,786,137	8,744,461	14,417,420	20,336,040	26,557,014

7.1.4 Key Processes

The key process is shown in Figure 7.1

**Figure 7.1** Key process

1. Marketing and sale

Its functional and responsibility are shown as follows:

- Promoting the product through target market.
- Promoting and selling product to target customer.

2. Production

Functional and responsibility of production division is to produce high quality clay body. To achieve this objective, highly skilled personnel is required.

3. Management

Functional and responsibility of management should be considered the followings:

- Decision making, strategy and planning.
- Manage, monitoring and advise to solve the office and factory problem.
- Collaboration with supplier and external agencies.
- Raw materials planning order.

7.1.5 Key Resources

1. Human resource

According to the organization structure, major human resources are one managing director, one general manager, one sale manager and one production manager. Key positions are shown in figure 7.2

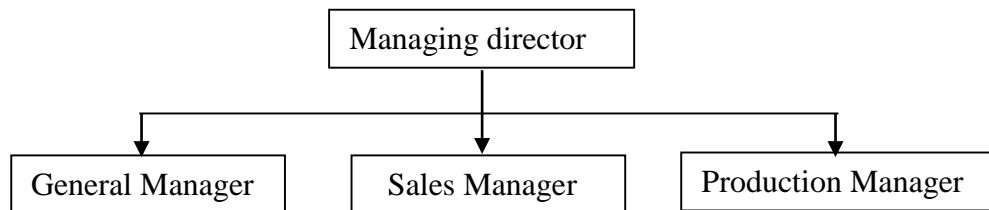


Figure 7.2 Organization structure

Their functions are shown as follows:

- Managing director: owner of business.
- General Manager: managing the work in the office section, coordinate sale order with the production section.
- Sale Manager: managing the marketing and sale personnel to sale the product and to increase sale volume
- Production Manager: managing the work of all parts in production line and coordinating sale order with the office section.

2. Outsource

The business needs 2 subcontracts for making the ovenware clay body for tableware (OCB). The first one is raw material supplier, and the second one is packaging unit.

Table 7.3 Key Process, Key Resources list and cost (Baht), year 1

Key process	Key resources							
	Operation				Sub-contractor			
	MD	GM	SM	PM	Part name	1	2	3
Production -				1 person/ Salary	Packaging		OS1,2	OS1,2
					Ball clay	OS3-6		
		-			Kaolin	OS3-6		
					Alumina	OS3-6		
					Talc	OS3-6		
				QC.		OS7-8		
Management	1 person/ Salary	1 person/ Salary	-		-	-	-	-
Sales		-	1 person/ Salary		-	-	-	-
Cost / month	50,000	25,000	20,000	<u>25,000</u>				

Note: OS1 = Sub-contractor 1 OS2 = Sub-contractor 2 1= Material
 OS3 = Sub-contractor 3 OS4 = Sub-contractor 4 2= Machining
 OS5 = Sub-contractor 5 OS6 = Sub-contractor 6 3= Packaging
 OS7 = Sub-contractor 7 OS8 = Sub-contractor 8 4= QC.

7.2 Business Plan

7.2.1 Marketing Plan

The marketing plan is a 5-year plan as shown in table 7.2. For the first year, the main activity is market communication with target customers to introduce the ovenware clay body for tableware (OCB). Promotion Strategy is conducted by Personal strategy and Public relation strategy.

Table 7.4 Revenue estimation

Years	Sale Amount (tons.)	Unit price/Tons (Baht)	Total income
1	2,898	6,000	17,387,136
2	3,370	6,300	21,228,480
3	3,707	6,615	24,518,894
4	3,707	6,946	25,744,839
5	3,707	7,293	27,032,081
Total	17,389	33,154	115,911,430

Table 7.5 Marketing activity

Marketing activity	Year 1	Year 2	Year 3	Year 4	Year 5
1. Information and advertising phase to introduce the ovenware clay body for tableware (OCB).	✓	✓	✓	✓	✓
2. Launch the ovenware clay body for tableware (OCB).	✓	✓	✓	✓	✓
3. Sale promotion to target customer by direct sales.	✓	✓	✓	✓	✓
4. Increase sales volume by personal strategy and public relation strategy.		✓	✓	✓	✓
5. Reduce production cost and emphasis on service.				✓	✓
6. Introduce OCB to new customer.		✓	✓	✓	✓
7. Workshop meeting with customer.	✓	✓	✓	✓	✓

1. Marketing channel

- Direct sale to SMEs by the company marketing team
- Sale through selling channel such as OTOP in rural area of production

Table 7.6 Marketing action plan

Year	Marketing action	Frequency	Budget (Baht)	Outcome Expectations
1	Company website, new product Information, service and advantage	1	20,000	Customer known the ovenware clay body for tableware (OCB).
	Launch the ovenware clay body for tableware (OCB).	1	30,000	Pre order 10%*of production capacity.
	Technical documentation and brochure for customer.	1	10,000	The order increase to 30%*
	Article and publication advertising.	2	40,000	The order increase to 40%*
	Customer visit	4	20,000	The order increase to 60%*
	Demonstrate product and workshop.	3	120,000	Customer acceptance and The order increase to 80%*
	Total budget			240,000

Table 7.6 Marketing action plan (Ext.)

Year	Marketing action	Frequency	Budget (Baht)	Outcome Expectations
2	Company website, new product Information, service and advantage	1	10,000	Customer acceptance and The order increase to 100%*
	Customer visit	4	20,000	
	Demonstrate product and workshop.	2	60,000	
	Article and publication advertising.	2	40,000	
	Total budget		130,000	
3	Company website, new product Information, service and advantage	1	10,000	- Customer acceptance and The order increase to 100%* - Number of new customers increases 20-40%**of target group
	Customer visit	4	20,000	
	Campus tour and production contest	1	50,000	
	Demonstrate product and workshop.	2	60,000	
	Article and publication advertising.	1	20,000	
	Total budget		160,000	
4	Company website, new product Information, service and advantage	1	10,000	- Customer acceptance and The order increase to 100%* - Number of new customers increases 60%**
	Customer visit	4	20,000	
	Launch the New ovenware clay body for tableware (N-OCB).	1	30,000	
	Demonstrate product and workshop.	2	60,000	
	Article and publication advertising.	1	20,000	
	Total budget		140,000	
5	Company website, new product Information, service and advantage	1	10,000	- Customer acceptance and The order increase to 100%* - Number of new customer increase 100%**
	Customer visit	4	20,000	
	Demonstrate product and workshop.	2	60,000	
	Article and publication advertising.	1	20,000	
	Total budget		110,000	

* By production capacity.

**By target group (Our target group is 10% of Aomnoy and North Provinces manufacturers)

2. Sale plan

The main sale activity is direct sale from the marketing division of the company and sale through the business owner networks such as the co-operation of local business. The target group will be the medium and small-sized ceramic manufacturers who produce goods to order. They do not like to stock raw material for a long time or with large quantity because of the limited cash flow and inventory storage.

Table 7.7 Sale action plan

Year	Sales actions	Main target	Sell volume(Tons)
1	Company website, new product Information, service and advantage		2,898
	Launch the ovenware clay body for tableware (OCB) at OTOP midyear.	100 SMEs.	
	Technical documentation and brochure sending to customer.		
	Contact for the article and magazine advertising.	Thai ceramics society.	
	Customer visit 4 times a year.	20-80% of Aomnoy and suburb manufacturers	
	Demonstrate product and workshop at Aomnoy community center 2 times a year.	Aomnoy Subdistrict Municipality	
2	Company website, new product Information, service and advantage		3,370
	Launch the ovenware clay body for tableware (OCB) at OTOP midyear.	100 SMEs.	
	Technical documentation and brochure sending to customer.		
	Contact for the article and magazine advertising.	Thai ceramics society.	
	Customer visit 4 times a year.	100% of Aomnoy and suburb manufacturers	
	Demonstrate product and workshop at Aomnoy community center 2 times a year.	Aomnoy Subdistrict Municipality	

Table 7.7 Sale action plan (Ext.)

Year	Sales actions	Main target	Sell volume(Tons)
3	Company website, new product Information, service and advantage		3,707
	Launch the ovenware clay body for tableware (OCB) at OTOP midyear.	150 SMEs.	
	Technical documentation and brochure sending to customer.		
	Contact for the article and magazine advertising.	Thai ceramics society. SMEs magazine.	
	Customer visit 4 times a year.	100% of Aomnoy and suburb manufacturers	
	Demonstrate product and workshop at Aomnoy community center 2 times a year.	Aomnoy Subdistrict Municipality	
4	Company website, new product Information, service and advantage		3,707
	Launch the ovenware clay body for tableware (OCB) at OTOP midyear.	200 SMEs.	
	Technical documentation and brochure sending to customer.		
	Contact for the article and magazine advertising.	Thai ceramics society. SMEs magazine.	
	Customer visit 4 times a year.	100% of Aomnoy and suburb manufacturers 30% of North Province manufacturers	
	Demonstrate product and workshop at Lampang community center 2 times a year.	Lampang Subdistrict Municipality	
5	Company website, new product Information, service and advantage		3,707
	Launch the ovenware clay body for tableware (OCB) at OTOP midyear.	200 SMEs.	
	Technical documentation and brochure sending to customer.		
	Contact for the article and magazine advertising.	Thai ceramics society. SMEs magazine. Thailand Import export magazine.	
	Customer visit 4 times a year.	100% of Aomnoy and suburb manufacturers 30% of North Province manufacturers	

7.2.2 Production Plan

The production plan in the first year depends on sale volume. The main activities are shown as following:

1. Planning on construction of the factory buildings and office area and planning to purchase machines, raw materials and packaging materials.
 2. Conducting quality control approach for raw materials, and do production trial.
 3. Starting the production lines with the purchase orders received.
- Production plan of year 1-5 requires sufficient materials and facilities for production. According to sale target, operation cost is shown in Table 7.8.

Table 7.8 Production plan

Description	Years				
	1	2	3	4	5
Production (Tons)	2,898	3,370	3,707	3,707	3,707
Materials	8,586,240	10,483,200	12,108,096	12,713,501	13,349,176
Manufacturing	1,380,000	1,476,600	1,579,962	1,690,559	1,808,898
Packaging	42,931	52,416	60,403	63,148	65,894
Total	10,691,611	12,734,948	14,897,613	15,689,765	16,525,066

7.2.3 Strategy Plan

The organization strategy plan for 5 years is shown as following;

Year 1:

- 1) Office and factory construction, purchasing materials, and human recruitment.
- 2) Product launching.
- 3) Looking for new customer and increase volume for order.
- 4) Staff training.

Year 2:

- 1) Target group focus.
- 2) Looking for new customers and expanding new customer from up-country.
- 3) Looking for new resources.
- 4) Make relationship with the customer.

Year 3:

- 1) Increasing production volume
- 2) Looking for new customer and distributor.
- 3) Product development plan.
- 4) Customer and distributor training.

Year 4:

- 1) Increasing production volume
- 2) New product launching to market.
- 3) Expanding new customer and distributor.
- 4) Customer and distributor training.

Year 5:

- 1) Cost reduction plan
- 2) Expanding new customer and distributor to all group of SMEs ceramics industry.
- 3) Customer and distributor training.

Organization concept: due to the company size is small; therefore, the central management is very effective because there will be close collaboration between management, sale division, and production division by employing the effective IT system. The internal and external networks are built such as manufacturer network, co-op networks in rural area, including the government sectors who dealt with internal management.

The management key personal according to the organization structure and salary is shown in table 7.9

Table 7.9 Human resources for business operation, year 1

Position	Responsibility	Requirements	Salary(Baht)
1-Managing director	Manage the work in the organization, coordinate all the parties.	1. Owner.	50,000
1-General manager	1. Manage the work in the Office. 2. Procurement from the professional supplier.	1. Good at business management. 2. Good ability in computers usage 3. Good human relationship and coordination.	25,000
1-Sales manager	Contact customer and increase sale volume to achieve the target.	1. High responsibility, high enthusiasm. 2. Experience in sales of ceramics industrial or related at least 3 years. 3. Good health, devoted and enthusiasm 4. Good in English and computer.	20,000
1-Production manager	Monitor production processes and quality control.	1. Experienced in ceramics factory at least 5 years. 2. Good human relations and coordinate and create a better network.	25,000
Total			120,000

Estimate cost for year 1-5 according to business plan is shown in Table 7.10

Table 7.10 Estimated cost for year 1-5

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	2012	2013	2014	2015	2016
Fixed cost					
Salary	1,440,000	1,540,800	1,648,656	1,764,062	1,887,546
Office management	42,000	44,100	46,305	48,620	51,051
Marketing	173,871	212,285	245,189	257,448	270,321
Phone call	32,400	32,400	32,400	32,400	32,400
Transportation	216,000	237,600	261,360	287,496	316,246
Entertainment	48,000	50,400	52,920	55,566	58,344
Welfare	72,000	77,040	82,433	88,203	94,377
Accounting	50,000	50,000	50,000	50,000	50,000
Public utility	42,000	44,100	46,305	48,620	51,051
Total operation cost	2,116,271	2,288,725	2,465,568	2,632,416	2,811,337

7.2.4 Financial Plan

Evaluation of financial plan during year 1-5 is shown by financial statement and break-even analysis.

1. Financial Statement

Financial Statement consists of the 3 parts

- Balance sheet: The balance sheet is shown in the detail in Table 7.11

Table 7.11 Pro Forma Balance Sheet, year 2012-2016

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	2012	2013	2014	2015	2016
Current assets					
Cash	5,065,967	10,024,291	15,697,250	21,615,870	27,836,844
Total current assets	5,065,967	10,024,291	15,697,250	21,615,870	27,836,844
Fixed assets					
Land	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Factory	3,448,000	3,448,000	3,448,000	3,448,000	3,448,000
Office	432,000	432,000	432,000	432,000	432,000
Mechanism	2,201,700	2,201,700	2,201,700	2,201,700	2,201,700
Transportation	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000
Office equipment	267,100	267,100	267,100	267,100	267,100
Net assets	10,168,800	10,168,800	10,168,800	10,168,800	10,168,800
Depreciation	824,880	824,880	824,880	824,880	824,880
Total assets	9,343,920	9,343,920	9,343,920	9,343,920	9,343,920
Total equity & Liability	14,409,887	19,368,211	25,041,170	30,959,790	37,180,764

- Income Statement: The income statement is shown in Table 7.12

Table 7.12 Income Statement, year 2012-2016

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	2014	2015	2016	2017	2018
Income	17,387,136	21,228,480	24,518,894	25,744,839	27,032,081
Production cost	10,691,611	12,734,948	14,897,613	15,689,765	16,525,066
Gross profit	6,695,525	8,493,532	9,621,282	10,055,074	10,507,015
Operation Cost	2,116,271	2,288,725	2,465,568	2,632,416	2,811,337
Profit	4,579,253	6,204,807	7,155,714	7,422,658	7,695,678
Depreciation	30,400	30,400	30,400	30,400	30,400
Interest	361,915	312,915	242,915	158,915	-
Profit before tax	4,186,938	5,861,492	6,882,398	7,233,343	7,665,278
30 % Tax	1,256,081	1,758,448	2,064,720	2,170,003	2,299,583
Net profit	2,930,857	4,103,044	4,817,679	5,063,340	5,365,695

- Cash flow: cash flow is shown in Table 7.13

Table 7.13 Cash flow, year 2012-2016

List	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash received						
1.Profit (Loss)		2,930,857	4,103,044	4,817,679	5,063,340	5,365,695
2.Long term loan	4,170,220					
2.Short term loan	1,000,000					
3.Share capital	6,278,410					
4.Total cash receive (1) + (2) + (3)	11,448,630	3,786,137	4,958,324	5,672,959	5,918,620	6,220,975
List	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
+5. Depreciation		824,880	824,880	824,880	824,880	824,880
6. Expense before overhead		30,400	30,400	30,400	30,400	30,400
7. Total cash received (4)(5)+(6)	11,448,630	3,786,137	4,958,324	5,672,959	5,918,620	6,220,975
Cash expense						
8. Land	1,900,000					
9. Factory buildings	3,448,000					
10.Office building	432,000					
11.Machines/equipment	2,201,700					
12.Vehicles	1,920,000					
13.Office suppliers	267,100					
14.Total cash (8) ++(13)	10,168,800	-	-	-	-	-
15.Net cash (8) - (14)	1,279,830	3,786,137	4,958,324	5,672,959	5,918,620	6,220,975
16. Cash		1,279,830	5,065,967	10,024,291	15,697,250	21,615,870
18. Total cash (15) + (16)	1,279,830	5,065,967	10,024,291	15,697,250	21,615,870	27,836,844

1. Break-even analysis

The sale volume estimation from the company business plan of ready-made clay product of SMEs is approximately 55,000 tons/year. The target of the company is to gain the market share of 4% in the first year. It is expected to increase 0.2% per year until it reach 5% in the year 5 with the total budget of 11,448,630 Baht. The sources of fund consisting of internal and external sources are separated into (1) loan 5,170,220 Baht (45%) and (2) owner investment 6,278,410 Baht (55%). The project will reach the break-even point within 2 year and 6 months with the sale of 5,672,959 Baht. Break-even analysis is shown in table 7.14

Table 7.14 Break-even analysis

Item	Year 1	Year 2	Year 3	Year 4	Year 5
1. Cash Received	3,786,137	4,958,324	5,672,959	5,918,620	6,220,975
2. Accumulative cash received	3,786,137	8,744,461	14,417,420	20,336,040	26,557,014

Pay Back Period : The length of time require to recover the cost an Investment

Total Investment = Duration for received cash equal to project Investment capital

Pay Back Period = 2.6 Years = 11,448,630 Baht