

# **Potential Development of Market for Entrepreneurs: A Case Study of Scented-Candle Product Entrepreneurship in Chiang Mai Province, Thailand**

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## **Abstract**

This study focuses on five primary objectives: 1) studying individual data, characteristics of enterprises, and factors attracting entrepreneurs for scented-candle products in Chiang Mai Province; 2) studying the data concerning the present market of SMEs for the product; 3) studying the individual data and viewpoints of consumers towards the product; 4) studying consumers' behavior and trends of behavior for the product; and 5) determining the trends of potential development of the market for scented-candle products by SMEs in Chiang Mai Province. The results relating to entrepreneurs revealed that the products enjoyed continuous development by offering shopkeepers a variety of products, and had great demand from overseas markets. Most of the entrepreneurs were SMEs with a family history of entrepreneurship. The most direct way to boost their sales was conducted by regularly launching sales promotion events around the country. The results concerning consumers revealed that gender, age, income and purpose of purchase had the most influence on their purchasing behavior.

**Keywords:** Chiang Mai; entrepreneur; SMEs; market development; scented-candle consumer behavior

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## **Introduction**

Small and Medium Size Enterprises (SMEs) comprise an important component of the Thai economy, accounting for 99% of overall business in 2006. They fulfilled an important role as the basic structure for sustainable development, a principle mechanism for economic recovery, increasing GDP and solving problems of poverty. The data portrays the vital role of SMEs in the Thai economy such as providing employment for over 77% of the national work force. SMEs also contributed approximately 39% of value added Gross Domestic Product (GDP). The direct export value of goods produced by SMEs accounted for over 29% of national production. Most of the enterprises were clustered in the city centers of each region of Thailand, with 397,129 SMEs in the northern region, accounting for approximately 17.5% of all SMEs in the country. Chiang Mai boasted the highest number of SMEs with 71,813 enterprises distributed across 24 districts of the province (Office of Small and Medium Enterprises Promotion, 2006).

Scented-candles are classified as a handicraft business, which is a subgroup of souvenirs such as gifts and home decorations. The candles are now very popular, especially among foreigners who are

attracted to the diversity of styles, colors and fragrances. According to information from the Department of Export Promotion, there are 71 scented-candle enterprises in the country and approximately 10 scented-candle exporters in the Chiang Mai area. They are primarily located in the city of Chiang Mai and the district of Mae-rim (Department of International Trade Promotion, 2010). Competition is still not very severe, as the number of enterprises is rather low. An important factor to remember is that scented-candles are hand-crafted with a unique identity at each enterprise. The designs are quite difficult to imitate. Hence, the trend for business growth is significantly good for the overseas market. As a whole, the scented-candle business obtains positive support in the tourism industry as a special souvenir product. As long as tourism is expanding and entrepreneurs can satisfy consumer tastes, the scented-candle business grows continuously (Wongmontha S., 1999a).

Based on these reasons, the researcher is interested in examining the potential trend for market development of scented-candle entrepreneurs in Chiang Mai, with the purpose of applying the research data for the benefit of entrepreneurs in order to enhance compatibility between the products and consumer tastes. This can contribute to greater competitiveness.

### **Research Objectives**

1. To survey individual databases and viewpoints of consumers towards scented-candle products.
2. To study the database concerning the present market of scented-candle product in Chiang Mai.
3. To study individual databases of enterprise characteristics and motivation factors to conduct scented-candle business in Chiang Mai.
4. To explore consumers' behaviors and trends of purchasing scented-candle products.
5. To determine the trend of potential markets for scented-candle products in Chiang Mai.

### **Importance of the Research**

The importance of this research is to determine the factors for improving scented-candle products to satisfy their potential market, including the expanding of sales and increasing the quantity of consumer groups. Moreover, the research will support marketing plans and enhance sustainability between cultural heritage and the modern business world.

### **Review of Marketing for Entrepreneurship**

#### Definition of Community Enterprise

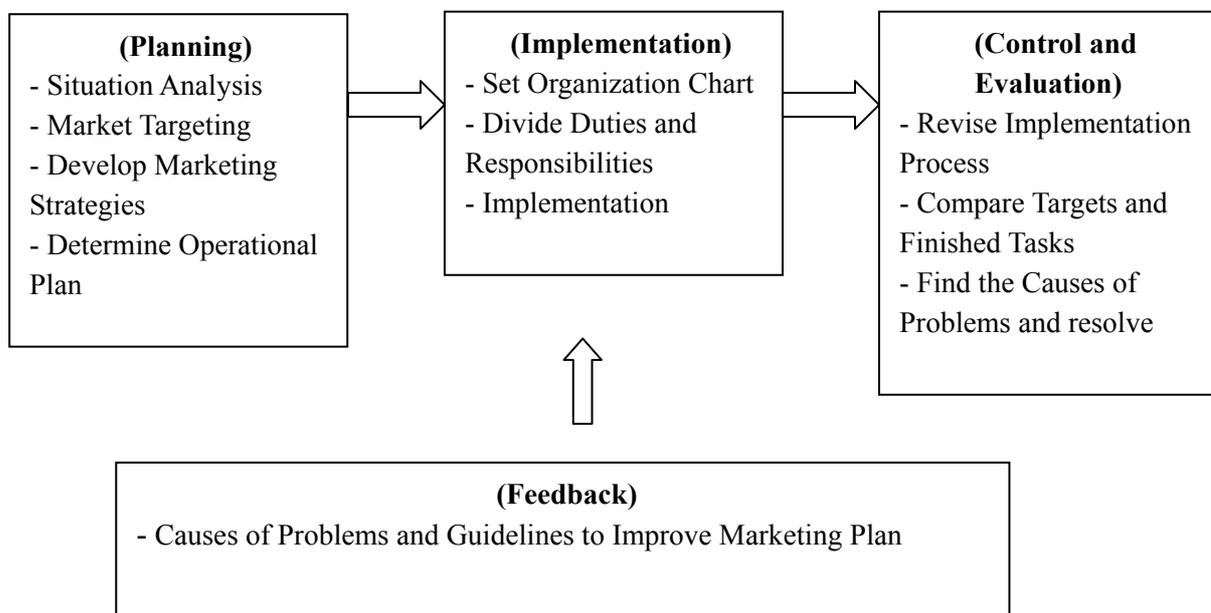
Community enterprise is a type of entrepreneurship that operates on the basis of cognitive thought processed through local resource management by community organizations, families, and networks of community organizations. Responding to self-reliance and reducing purchasing costs as well as preventing money flowing out of the community, a community enterprise produces for its own use. This approach maintains self sustainability and enhances the quality of life. These enterprises do not merely target the most profit, but also value self-reliance and friendly community relations. Community enterprise development can be classified into four levels (Gaysorn T., 2002).

- 1) Family level: Processes for consumption primarily to reduce household expenses for goods purchased from outside the community.
- 2) Community level: Increases productivity in the neighborhood which cannot manufacture. This supports trade within the community and mutual dependence. Money does not flow out of the community.

- 3) Network level: Some communities cannot operate alone, but must work together as a larger network to meet the needs of all communities. Many communities working together create higher surplus value through production and exchange networks.
- 4) Beyond the community and network levels: Surplus resources or excess productivity can be used to reach external markets.

The above concept of social enterprise is similar to the concept supported by the Department of Community Development. The concept illustrates a business with products or services created by a community which derives a way of living together, and unites businesses to generate income and encourage the self-sufficiency of families, communities and their networks (Department of Community Development, 2002).

Marketing Theory



**Figure 1: Process of Marketing (Rungruangphon W., 2002).**

As shown in Figure 1, the process of marketing usually flows from planning to control and evaluation. Starting from analysis of the marketing situation, an entrepreneur has to analyze the micro and macro environment, set targets in the segments that have low competition or develop marketing strategies better than others. The second step is implementation. The entrepreneur must arrange an organization efficient enough to implement the marketing plan. Duties and responsibilities should be suitable for operations. The third step is control and evaluation. After launching products or services according to the marketing plan, the results of operations are revised. The causes of problems must be determined if goals are not achieved. Finally, during the marketing process, the marketer always needs to receive feedback from many stakeholders and improve each step to be sure that the products or services are perfect for the market and yield profits.

Philip Kotler (2000) explains the “4 Ps” marketing strategy which responds to the micro and macro environments and enhances the success of marketing plans by achievement of business objectives. Moreover, strategies implemented in the business sector must satisfy the target needs and retain good marketing communications with customers (Sareerat S., 2003).



- Part 2 Enterprise data
- Part 3 Present market activity
- Part 4 Other problems of activity plus suggestions for concerned agencies

The questionnaires for consumers were separated into three parts as follows:

Part 1: Individual data of consumers. This section consisted of 3 questions: 2 of the questions were designed with multiple answers (Multichotomous); 1 question was designed with two answers for selection (Dichotomous). The questions concerned gender, age and income.

Part 2: Consumer viewpoints. These questions were divided into 4 aspects: products, prices, sale channels, and market promotion. Each aspect was then classified into 5 levels to reveal the viewpoints of consumers towards scented-candle products. The questions employed a Likert Scale as follows:

- 5 = very highly preferred
- 4 = highly preferred
- 3 = medium preferred
- 2 = lowly preferred
- 1 = very lowly preferred

Part 3: Consumer behavior and purchasing trends of scented-candle products.

#### Data Collection

Data was collected from both secondary and primary sources. Secondary data included academic books, research articles, Internet sources on market administration, community enterprises and general information concerning the scented-candle industry and its products. Primary data comprised interviews and questionnaires collected from sample groups. This included visiting entrepreneurs in Chiang Mai for interviews. 400 interview-based questionnaires were collected from scented-candle product consumers in Chiang Mai. Data collection took place between October and December 2010 SPSS/PC + Version 10 (Statistical Package for Social Sciences/Personal Computer plus) were employed for descriptive analysis, T-test, One-way ANOVA and Chi-square Test (Wanichbuncha, 2001).

## **Research Results**

Part 1 General information of respondents

The results derived from interviews with entrepreneurs revealed that the majority (70%) of the respondents were women over 40 years old with a bachelor's degree. Most of them were enterprise owners.

Part 2 Enterprise data

Most of the enterprises earned approximately 3.5 million baht per year with capital investment registration of 200,000 baht. Cash flow depended on purchase orders with approximately 3.5 million baht per year. Most labor came from Chiang Mai province, primarily low cost labor. Production capacity was 3000 pieces per month (average of small and large pieces). Raw materials for production comprise paraffin and fragrant oil. 80% of paraffin was purchased from sale representatives and imported from China at 80 baht per kilogram. Note that 18 years ago the price of paraffin was merely 18 baht per

kilogram. Paraffin is extracted from petro-chemicals. Pure paraffin is heated and melted to release fluids. It is widely used in the cosmetics industry. Paraffin is boiled with fragrance depending on the desired aroma. For floating candles, or models such as apples or oranges, three dimensional models are employed. Products are made according to the purchase order. Most clients demand new products.

Most of the fragrant oils were also purchased through sale representatives and imported from China at 80 baht per litres delivered from Bangkok. Raw material utilization (the fragrant oils and the paraffin) was approximately 5 to 10 tons per month during festival periods such as Valentine's Day, Christmas and peak tourism periods. Machines used in the production of scented candles are 100% hand-made from iron. Meanwhile, rice cooking pots are used throughout the production process.

### Part 3 Market activity

Present market activity is 80% overseas and 20% domestic markets with no direct competition. However, price competitions arises at Chatuchak Market in Bangkok, depending on product, style, packaging, brand name, logo and sales conditions. Overseas clients pay a 50% down-payment whereas local clients pay 30% down. The remaining payment must be paid prior to delivery. Market promotions include advertising, public relations, sales promotions, sales representatives plus advertising through brochures and leaflets.

### Part 4 Other problems of activity and suggestions to concerned agencies

Political problems: At present, the number of clients is down due to political protest. Most of tourists fear for unstable situation.

Economic problems: The price of imported paraffin is increasing, while the price of oil is decreasing, but however importers can do nothing since it is essential components. The government does not help to solve this problem and therefore has taken no action. From this situation, it causes lower profits and there are no substitutions of paraffin. In Thailand, there is a requirement that candles used in temples must be white or black. The color must be plain.

Price negotiations: Increasing price negotiation causes less profit due to multiple dealers.

The data derived from entrepreneurs revealed that the present situation in the scented-candle market still has quite good opportunity and the products are popular overseas. Yet there are so many dealers who sell the same kind of products. Negotiation power for sellers is quite low and impacts to less profit. Therefore, to help upper more profit, the entrepreneurs continuously develop their products, for example, product variation through selected fragrances such as flowers or oranges. They also provide information to clients through shop keepers.

### Additional problems in the market

Additional problems occur in the market such as increased competition and the same styles of products. Moreover, extensive orders from clients sometimes cause production delays. Lack of stock can be due to capital investment problems.

Most of the SMEs operate scented-candle business inherited from their own family.

The scented-candle business usually is inherited from their ancestors. Most products have a diversity of colors and beautiful patterns in their own unique style suitable to be the handicraft and

souvenir for tourists. Therefore, it is the source of income for the local, and keeps them a good job pass to the next generation.

## **Analysis of Data concerning Consumers of Scented-Candle Products**

Individual data of respondents

Among the 400 questionnaire respondents, most of the consumers were women between 21 and 25 years of age with 10,001 – 20,000 baht monthly income.

Analysis of data of viewpoints toward scented-candle products

It was found that the consumers possess high preferred view point on the whole and on separate aspects for scented-candle products, except the market promotion aspect which receives medium preferred view point by the consumers. They prefer that the dealers should add marketing strategies to their sales and change the way of production and distribution. If all marketing process is changed, the consumers will be more satisfied.

For 4P's aspect: The consumers possess high preferred viewpoint on the whole and on separate aspects. Except for the ability for price negotiation with dealers, the customers do not require to get cheaper price since the scented candle is handmade and valuable.

Data related to the behavior and purchasing trends by consumers for scented-candle products revealed that the preferred style of scented-candle products is flower design, decorated-floating style and decorated-package style. The reason for the purchase of scented-candle products is usually as a souvenir. Most of the consumers purchase one or two candles for New Years gifts at a department store with an average expenditure of 50 to 100 baht at 6-9 months per time. The preferred scented-candle aroma is lavender.

Comparison of various consumers' viewpoints toward scented-candle products

Different genders express different viewpoints toward scented-candle products on the whole with statistical significant difference at 0.01 level. Concerning product, price, sales channel and marketing promotion, the results show statistical significant difference at 0.05 level. It concerns that female is interested in scented candle products and has trend to buy it more than male while 4Ps marketing strategies need to be improved. Consumers of different ages reported different viewpoints toward scented-candle products. Consumers with different ages possess high level of viewpoints toward scented-candle products on the whole and on separate aspects, which are the product, the price and sale channel, and are difference without statistical significant difference. For the product aspect, the consumers with different ages possess different viewpoints toward scented-candle products with statistical significant difference at 0.05 levels. Other consumers possess different viewpoints toward scented-candle products without statistical significant difference. It shows that the consumers with different ages just are more interested in scented-candle products like unique colors or style pattern.

Consumers with different income possess different viewpoints toward scented-candle products on 4 aspects. Consumers with monthly income less than or equivalent to 5000 baht; 5,001 – 10,000 baht; 10,001 – 20,000 baht possess higher level of viewpoints toward the price than consumers with income 20,001-30,000 baht with statistical significant difference at 0.05 level. It can interpret that the consumers with income lower than 20,000 baht per month need a cheaper price or are price sensitive.

Consumers with income less than or equivalent to 5,000 baht reported higher preferred level view point toward sale channels higher than consumers with income 10,001 – 20,000 baht; 20,001 – 30,000 baht; and over 30,000 baht with statistical significant difference at 0.05 level. Other consumers possess different viewpoints, without statistical significant difference. It can interpret that the consumers with low income decide to buy a scented candle products based on sale channels or place of market.

Consumers with income less than or equivalent to 5,000 baht reported higher level of viewpoints toward market promotion than consumers with income 10,001-20,000 baht; 20,001-30,000 baht; and over 30,000 baht with statistical significant difference at 0.05. It can interpret that the customers with low income are willing to purchase the products based on its promotion.

Monthly income is related to the purchase of scented-candle products in Chiang Mai concerning the purchasing budget and the influential person for purchasing with statistical significant difference at 0.05 level. Other aspects possess relationship without statistical significant difference. It means that marketing promotion should emphasize on well-known celebrity and consumers' money power. The products must be priced competitively and convince customers to recognize them as the best valuable ones.

## **Conclusion and Discussion**

This study has shown that most consumers of scented-candle products are women between 21 and 35 years of age with monthly income between 10,001 and 20,000 baht. The reason for the purchase of scented-candle products is for souvenirs. Most of the consumers purchase the product for New Year gift with 1-2 pieces/once at department store with an average expenditure between 50-100 baht at 6-9 month per time. The influential person for purchasing of scented-candle products is oneself. The preferable scented-candle aroma is lavender. These findings are consistent with Schiffman and Kanukthat (1994) who write, "Who is at the target market, what do the consumers buy, why the consumers have to buy, who is related to the decision for purchasing, when the consumers buy, where do the consumers buy, how do the consumers buy?"

Consumers expressed a variety of interesting attitudes toward scented-candle products. The product aspect was the most important aspect. The consumers gave the highest rating of view point that inspires them to purchase was the beautiful colors of scented-candle, followed by the diversity of colors and the beautiful patterns. These findings confirm information from the Department of Export Promotion in year 2006, which found that scented-candles belonged to the handicraft and souvenir business and are popular among foreigners because of the diversity of styles, colors and fragrances.

The consumers possess high level of view point for price aspect on the whole and on separate aspects. Consumers gave the highest favorable opinions toward the appropriate price in comparison with the beauty of the products, follow by the appropriate price in comparison with other souvenirs, and appropriate price relative to the quality of the products. These findings confirm that price setting by the entrepreneurs is appropriate to the quality, which enables target consumers to easily make a decision for purchasing with greater satisfaction when compared with other souvenirs. Overall, the viewpoints toward scented-candle products concerning price aspect is at a high level of approval connected to marketing theory that pricing is the main value of satisfaction. (Wongmontha S., 1999b).

Viewpoints for sale channels were at a high favorable. Consumers possess the highest view point on the appropriate placing of product groups, followed by the cleanliness of sale products in the shop, and the selection of scented-candles. These depend on the diversity of styles of products, which should be placed orderly and conveniently to pick up and regularly cleaned.

Consumers expressed a medium level of viewpoint on the market promotion aspect on the whole

and on separate aspects. They stated the highest rating of viewpoint came from price discount during the festivals, followed by price discount for large orders, and information on product maintenance provided by the shopkeepers. These details verify that the entrepreneurs do not issue many campaign on sales promotion, for example, the price reduction, since most of them are SMEs and does not get used to new modern marketing strategies.

According to the in-depth study of the entrepreneurs, the problem facing them is the diminishing number of clients, since most clients are foreigners. Without foreign tourists travelling to Thailand, this business might not exist. Therefore, the government should promote tourism both domestically and overseas in order to catch up new tourist segments, provide more public relations for tourists travelling to Thailand especially after or during the time of occurring political situation and emphasize scented-candles as a symbol of Chiang Mai. They should also develop scented-candles with more diversity of styles and fragrances. This will benefit both Thai people and foreigners and address the requirements of both markets. In order to develop products which serve the requirements of consumers, 100% of some of the entrepreneurs come from foreign countries including Italy, Germany, Great Britain, France and the Netherlands. The preferred fragrance is lavender, followed by jasmine and vanilla.

### **Application of Research Study**

The data obtained from this study will be primary data for entrepreneurs of scented-candle products in Chiang Mai to understand trends for the improvement and potential market development, increase sales and the expansion of the market.

The research results will serve as primary data for government agencies and related agencies, such as the Small and Medium Enterprises Promotion Agency (OSMEP) and The Department for Industrial Work (DIW) for determining official plans and strategies, as well as initiation of projects to provide basic knowledge of scented-candle products, to promote or to solve market problems for SMEs. This will contribute to the potential development of future entrepreneurs.

New entrepreneurs entering the market of scented-candle products or related handicrafts can use these results for the consideration of marketing strategy and opportunity. For new entrepreneurs who still have no interest in the business, these results can introduce products and guidelines of doing market plans to stimulate interest for starting a scented-candle business.

The research results will provide basic data for researchers, or academics to undertake research projects or community services regarding the potential development of the market for small community enterprises.

The research results can be used for the improvement or planning of marketing strategies in Thailand and overseas. Based on these findings, entrepreneurs will be encouraged to continuously improve styles of products and differentiation from competitors in order to fulfill the requirements of consumers (Kotler, 1997).

The research results demonstrate three ways in which the findings will benefit the country. One, they will increase the income of the country, since most of the products will emphasize overseas target group and increase GDP. Two, this research will help increase rural income by increasing work opportunities. Finally, the country will gain great recognition through scented-candle products.

### **Problems and Obstructions during the Research Project**

The time period during the survey of data was the period under economic recession, which affected sales. Therefore, the sales and benefit data could have some variation in comparison to times of better

economic growth.

The small entrepreneurs of scented-candles in Chiang Mai are scattered across the province. This required a much longer period of time for data collection.

## Opinions and Suggestion

The consumers possess high level of opinions toward the products, the price, sales channels of scented-candles on the whole and on separate aspects. Yet, they possess medium rating on the market promotion. Hence, this standard should be continuously performed and the entrepreneurs should plan for continuous various campaigns on market promotion in order to increase sales, such as the public relations over the location sources of products made from scented-candle. This could influence consumers to visit those locations and purchase products as souvenirs. Similarly, mouth to mouth marketing among tourists and repeat purchasing could increase sales. Therefore, public relations should be continuously performed.

Based on the data derived from the research, the entrepreneurs were facing diminishing sales targets from the political situation. Since the main target group are foreigners, and there were less number of tourists visiting to Thailand , as well as facing the world economic recession. Therefore, the government ought to arrange promotional campaigns such as scented-candle festival to attract tourists visiting to Chiang Mai Province.

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