

**ANALYSIS OF CRITICAL SUCCESS FACTORS FOR
FRANCHISING A PHARMACY BUSINESS**

Miss Alissara Wiriyapanya

**A Thesis Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Engineering Program in Engineering Management
The Regional Centre for Manufacturing Systems Engineering**

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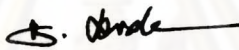
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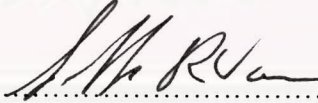
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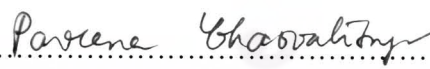
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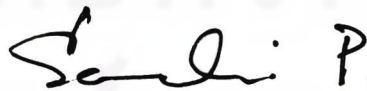

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.....Member
(Assistant Professor Dr. Paveena Chaovalitwongse)


.....Member
(Associate Professor Somchai Puangphuaksook)

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การวิจัยนี้มีวัตถุประสงค์เพื่อเสนอปัจจัยสำคัญที่มีผลต่อความสำเร็จเพื่อการทำแฟรนไชส์ร้านขายยา โดยการวิจัยแบ่งเป็น 2 ส่วน ส่วนแรก เป็นการหาปัจจัยสำคัญที่มีผลต่อความสำเร็จของอุตสาหกรรมร้านขายยาแฟรนไชส์ และส่วนที่สอง เป็นการพัฒนาแนวคิดในการทำแฟรนไชส์ร้านขายยา

การวิจัยเริ่มต้นจากการรวบรวมข้อมูลทั้งจากแหล่งต่าง ๆ เช่น วารสาร นิตยสาร ผลงานการวิจัยในอดีต การส่งแบบสอบถามและการสัมภาษณ์ผู้ประกอบการ และผู้เชี่ยวชาญในอุตสาหกรรมร้านขายยาเครือข่าย ข้อมูลที่ได้จะนำไปใช้ในการวิเคราะห์สภาพการแข่งขัน จุดแข็ง จุดอ่อน โอกาส อุปสรรค ของอุตสาหกรรม โดยวิธี Porter's Five Forces Analysis และ SWOT Analysis จากนั้นนำผลการวิเคราะห์มาหาวัตถุประสงค์เชิงกลยุทธ์ โดยใช้ตารางวิเคราะห์ TOWS Matrix วัตถุประสงค์เชิงกลยุทธ์ที่ได้จะนำมาใช้ในการหาปัจจัยที่มีผลต่อความสำเร็จ เนื่องจากพบว่ามียปัจจัยที่มีผลต่อความสำเร็จของอุตสาหกรรมร้านขายยาแฟรนไชส์ ดังนั้นจึงได้มีการให้นำน้ำหนักความสำคัญกับปัจจัยแต่ละตัว เพื่อหาปัจจัยสำคัญที่มีผลต่อความสำเร็จของอุตสาหกรรมมากที่สุด ผลการวิจัยสรุปได้ว่า ปัจจัยสำคัญที่มีผลต่อความสำเร็จในอุตสาหกรรมร้านขายยาแฟรนไชส์ มี 5 ปัจจัยได้แก่ ร้านสาขา ผลิตภัณฑ์และบริการ บุคลากร ทำเล และข้อมูล

ปัจจัยสำคัญที่มีผลต่อความสำเร็จได้ถูกนำไปใช้ในการพัฒนาแนวคิดในการทำแฟรนไชส์ซึ่งประกอบด้วย วิสัยทัศน์ พันธกิจ เป้าประสงค์ และแผนปฏิบัติการ นอกจากนี้ผู้วิจัยได้ยกตัวอย่างกรณีศึกษาของการพัฒนาแฟรนไชส์ร้านขายยา ที่มีชื่อว่า Udom Pharmacy กรณีศึกษานี้ ได้อธิบายแผนการพัฒนาด้านแบบร้านขายยาแฟรนไชส์และรูปแบบการจัดการแฟรนไชส์ โดยการสร้าง แนวคิดทางธุรกิจ สร้างกลยุทธ์ทางการตลาด ศึกษาความเป็นไปได้ของการลงทุน รวมถึง การสร้างรูปแบบการจัดการองค์กร การจัดการด้านการปฏิบัติการ และการจัดการด้านคุณภาพ เพื่อเป็นแนวทางสำหรับผู้ประกอบการ ที่สนใจที่จะพัฒนาแฟรนไชส์ร้านขายยา หรือ ธุรกิจแฟรนไชส์อื่น ๆ ต่อไป

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The objectives of this thesis are to assess the critical success factors for franchising a pharmacy business. This thesis is divided into two sections – the former is to determine the critical success factors of the franchise pharmacy industry and the latter is to develop a franchising concept.

The first stage of this thesis methodology is to collect information from journals, research reports, human expert interview and questionnaires in order to analyze competition, strengths, weaknesses, opportunities and threats of the franchise pharmacy industry by means of Porter's Five Forces Analysis and SWOT Analysis. Then, the obtained result was analyzed by using TOWS Matrix to determine strategic objectives and key success factors of the industry, respectively. The key success factors were weighted in order to determine the critical success factors. The final result of this study indicated that there were five critical success factors of the franchise pharmacy industry such as chain store, product and service, human resource, location, and information.

The identified critical success factors were used to develop a franchising concept that consisted of vision, mission, business objectives, and action plan. Moreover, the researcher developed a case study of franchising of Udom Pharmacy that included a business format franchising concept and a model of franchise management. The case study included business concept, marketing mix, investment feasibility study, a model of organization management, operations management and quality management of Udom Pharmacy to be used as a guideline for franchisors or entrepreneurs who interest in franchising a pharmacy business or other businesses.

The Regional Centre for Manufacturing Systems Engineering

Field of study Engineering Management

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Student's signature.....*Alissara W.*

Advisor's signature.....*S. Ratanakuakangwa*

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ศูนย์วิทยทรัพยากร
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CHAPTER I

INTRODUCTION

This chapter presents the introductory of the thesis. It includes background of this research, statement of problem, thesis objectives, scopes of this research, methodology, research schedule, and expected benefits.

1.1 Background of the Research

Franchise Industry

Globalization, market uncertainty, rapid technological change, and innovation recognition has lead companies worldwide to abandon the traditional “go-it-alone” strategy, in favor of greater co-operation and collaboration. The collaboration strategy affords companies the opportunity to grow quickly and become more innovative through the synergistic effects of sharing knowledge, skills, technology and ideas. Collaboration is often considered to be less costly, less risky, and generally a less aggressive strategy. There are six main types of collaboration: strategic collaborations, equity alliances, product and production collaborations, marketing alliances, supply partnerships, and other partnership. Franchising is classified as marketing alliances. [1] Franchising is an effective system of business expansion and is increasingly accepted in the world trade. Franchise system has developed from trade mark rights to administrative and management techniques including shop setting, setting locations, purchasing, and interior shop setting, training for staff and sales promotion of products. As for Thailand, franchise system have been around for no less than 50 years but gain little noticed until during the past 10 years that fast food and convenient stores have become so popular that the number of franchises in Thailand is now increase greatly and variously. There are many franchise businesses such as cleaning business, hotel and school business, information technology and mail service business, transportation and communication services, beauty service business, convenient stores, jewelry shops, automobile maintenance, book shops, coffee shops, clothing shops, etc. [2] Because of the interest in the franchise industry and the pharmaceutical industry, the researcher would like to study franchising the pharmacy business.

The pharmaceutical Industry

The pharmaceutical industry is very important for people's lives and affects the country's economy and society. Nowadays the industry needs to rely on main material from foreign countries so as to manufacture the ready-made drugs. The industry focuses more on the addition of only out-dated patent drug lists and the productivity improvement more than on the research and development. The pharmaceutical industry structure in Thailand is showed as Figure 1.1.

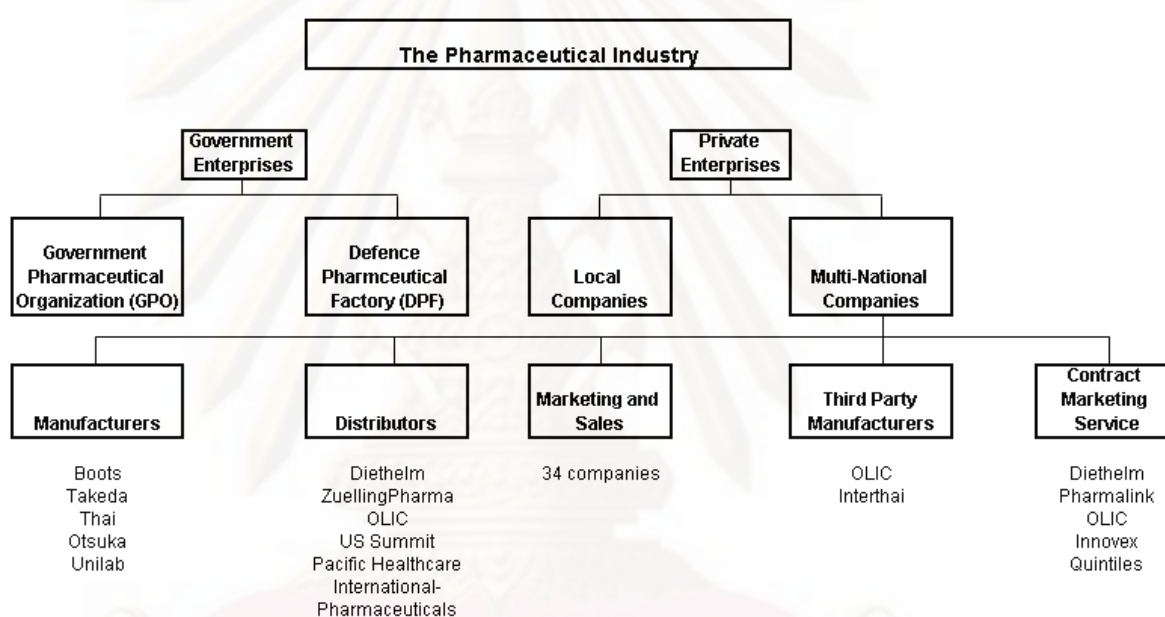


Figure 1.1: The pharmaceutical industry structure [3]

Access to pharmaceutical products for the consumer is mainly through the hospitals and Over the Counter (OTC) or drugstores in Thailand. The distribution of manufactured drugs is through independent distributors and self distributed by the manufacturers themselves. After the introduction of Bt 30 scheme, the pharmaceutical market share increased particularly in hospitals that grew 15% or Bt 28,000 million whereas OTC increased 5% or Bt 12,000 million [4]. According to Figure 1.2, the pharmaceutical market growth tends to increase because of two perspectives. In the negative, people's health was worse, so their drug consumption increases. In the positive, people can easily afford medicines, receive better medical treatment, and improve the quality of life.

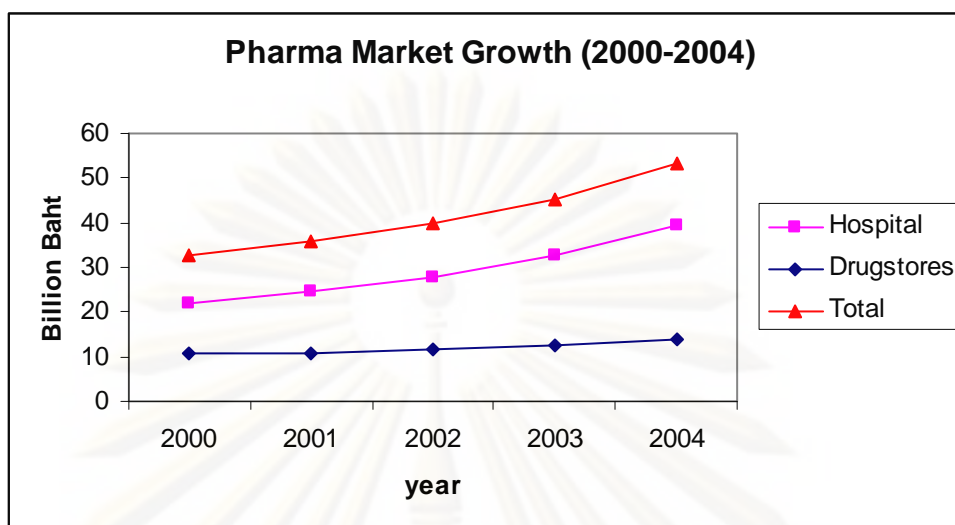


Figure 1.2: The statistic of pharmaceutical market [3]

Due to the Bt 30 medical care program, some groups of patients changed their behaviors from buying medicines at drugstores to using the service in the government hospitals. Therefore, drugstores should improve their business management and quality in order to increase more competitive advantage. Although most people select to go to government hospitals, drugstores still tend to grow because of its convenience, cheaper expense, faster service, and so on.

In Thailand, there are three types of drugstore licenses – modern drugstore class 1st, ready-packed modern drugstore class 2nd, and traditional drugstore. [56] According to the government policy in 1992, the government did not allow new entrepreneurs to open the ready-packed modern drug retails and allow only the owners of the drugstores to operate their businesses until end of their lives; thus, the number of modern pharmacies class 1st tends to increase in the future, whereas the number of modern pharmacies class 2nd tends to decrease as Figure 1.3.

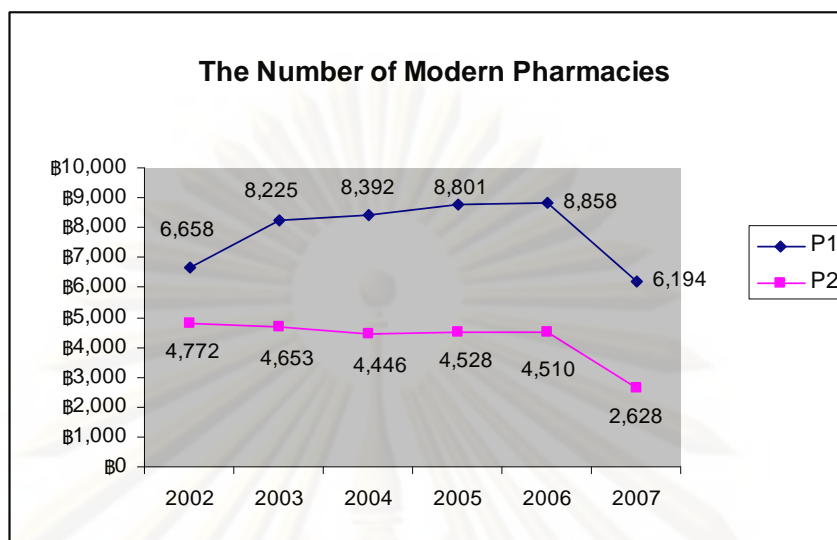


Figure 1.3: The number of modern drugstores during 2002-2007 [46]

Generally, there are three categories of pharmacies – standalone drugstores, specialty stores/chain drugstores such as Boots, Watsons, Save Drug, P&F and franchise drugstores such as Fascino, D-Chain. Nowadays the pharmacy business competition in Thailand is rather intense; however, it still provides a lot of opportunities for entrepreneurs hoping to develop or expand the business by franchising.

1.2 Statement of Problem

Today there are only 211 accredited drugstores of total 8,801 drugstores [57]; therefore, most modern drugstores existed still have low quality standard and traditional management style, which cannot compete with the potential pharmacies such as Boots, Watsons, Fascino, P&F, etc. that have more competitive advantage because of modern trade stores, qualified pharmacists, good management system, various and quality products and services that meet customer requirements. Consequently, it is an opportunity for the potential drugstore entrepreneurs who interest in franchising of the pharmacy business in order to be options for new entrepreneurs and ineffective pharmacy business owners. However, some entrepreneurs may succeed in the franchise business whereas others may fail in franchising. With these reasons, this thesis is set up in order to identify the critical

success factors of franchising a pharmacy business and develop a franchise management model. The researcher hopes that the thesis will be a guide for doing the franchise businesses.

1.3 Objectives of this Research

- To carry out the critical success factors analysis of the franchise pharmacy industry
- To develop franchising concept

1.4 Scope of the Research

This thesis will focus only on the pharmacy business in Thailand. We will conduct the analysis the current situation, define the strategic objectives, identify the critical success factors of franchising the pharmacy business, and develop franchising concept, respectively.

1.5 Methodology

1. Study the related literatures
2. Collect and study the relevant information from related documents, magazine, literature surveys, interview etc.
3. Define methodology such as Porter's Five Forces analysis, SWOT analysis, TOWS analysis, comprehensive survey, and etc.
4. Analyze the information and define the strategic objectives
5. Identify critical success factors
6. Develop franchising concept
7. Conclusion and recommendation
8. Write up thesis and submit

1.6 Research Schedule

Procedures	2008						
	Feb	Mar	Apr	May	Jun	Jul	Aug
1. Study the related literatures							
2. Collect the relevant information							
3. Define methodology							
4. Information analysis							
5. Indicate critical success factors							
6. Develop franchising concept							
7. Conclusion and recommendation							
8. Write up thesis and submit							

1.7 Expected Benefits

The expectations of this research are as follows:

- To develop the understanding of the strengths, weaknesses, opportunities, and threats that exists in the franchise pharmacy industry in Thailand
- To develop a better understanding of the present environment and future trend of the franchise pharmacy industry
- To assess and recommend the critical success factors of the pharmacy franchising
- To develop a better understanding of the franchise management system
- To improve quality, standard and competitiveness of the franchise pharmacy industry
- To provide the guideline for other retail businesses

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CHAPTER II

RELATED THEORY AND LITERATURE REVIEWS

In this research, there are two main parts that will be studied and carried out – critical success factors of the franchise pharmacy industry and franchising concept. Firstly, we focus on strategy formulation by using some tools and techniques such as questionnaires, Porter’s five forces model, SWOT analysis, and TOWS matrix in order to analyze competition, internal and external environment and resources, and develop strategic objectives that will be used to identify the critical success factors (CSFs). Next CSFs from analysis will be used to develop a business format franchising concept and a franchise management model.

2.1 Critical Success Factors

There are many definitions of the word “critical success factors” found in the literature study. While the definitions and views provided by many authors differ, there appear to be three common characteristics that help to explain the nature and extent of critical success factors as follows: [22]

1. Critical success factors are the sub-goals and/or success outcomes that are critical to the achievement of the vision, mission and long-term goals of the organization.
2. Critical success factors are limited areas of success that will ensure the successful competitive performance of the organization. For internal area, they can be resources, skills, competences, attributes, conditions, etc. For market related areas, they can be product features, profitable market segments, etc.
3. Critical success factors are result areas in which success can be measured.

2.2 Competitive Analysis: Porter’s Five Forces Model

As illustrated in Figure 2.1, Porter’s Five Forces Model of competitive analysis is a widely used approach for developing strategies in many industries.

According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of five forces: [5]

1. The intensity of rival among industry competitors
2. The threat of new entrants
3. The threat of substitute products
4. The bargaining power of suppliers
5. The bargaining power of buyers



Figure 2.1: Porter's Five Forces Model [51]

2.2.1 The intensity of rivalry among industry competitors

Rivalry among competitors is often the strongest of the five competitive forces, but can vary widely among industries. The strategies pursued by one firm can be successful to such an extent that they provide competitive advantage over the strategies pursued by rival firms. The strategies used for a retaliatory countermove such as lowering prices, enhancing quality, adding features, providing services, extending warranties, and increasing advertising. The intensity of competition among rivals tends to increase because of an increase of the number of competitors, more equal in size and capability of competitors, a decline of consumer demand, and common price cutting. Degree of rivalry also increase due to high exit barriers, low

switching cost, high fixed costs, perishable products, slow industry growth, declined consumer demand, intermittent overcapacity, indifferent products, diversity of rivals, and common mergers and acquisitions. The industry shakeout ensures, with intense competition, price wars, and company failures. [5]

2.2.2 The Threat of new entrants

The threat of new entrants is the possibility that new firms will enter the industry. Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms increases. Analyzing the threat of new entrants involves examining the barriers to entry and the expected reactions of existing firms to a new competitor. Entry barriers are unique for each industry and situation, and can change over time. [18] Barriers to entry can include the needs to gain economies of scale, technology and specialized know-how, the lack of experience, strong brand loyalty, large capital requirements, insufficient distribution channels, government regulatory policies, tariff, shortage of access to raw material, possession of patents, undesirable location, counterattack by entrenched firms, and potential saturation of the market. In spite of numerous barriers to entry, new firms sometimes enter industries with higher-quality products, lower prices, and substantial marketing resources. To fortify incumbent firms' positions, they should monitor the new rival firms' strategies, counterattack as needed, and capitalize on exiting strengths and opportunities; for example, they can take action to deter new entrants, such as lowering prices, extending warranties, adding features, or offering financing specials. [5]

2.2.3 The threat of substitute products

In Porter's model, substitute products refer to products in other industries. A threat of substitutes exists when the demand for a product is affected by the price change of a substitute product. As more substitutes become available, the demand and price of a product becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. A Threat of Substitute comes from products outside the industry. Examples, plastic container producers compete with other manufacturers of glass bottles, steel cans, and

aluminum cans. Producers of eyeglasses and contact lenses face increasing competitive pressures from laser eye surgery. Newspapers and magazines face substitute-product competitive pressures from the Internet and 24 hour cable television. Competitive pressures arising from substitute products increase as the relative price of substitute products declines and as consumers' switching costs decrease. [5]

2.2.4 The bargaining power of suppliers

Any business requires inputs – labor, parts, raw materials, and services. The cost of your inputs can have a significant effect on your company's profitability. The strength of suppliers can influence the terms and conditions of transactions in their favor. Suppliers would prefer to sell to you at the highest price possible or provide you with no more services than necessary. If the force is weak, then you may be able to negotiate a favorable business deal for yourself. Conversely, if the force is strong, then you are in a weak position and may have to pay a higher price or accept a lower level of quality or service. [18] The bargaining power of suppliers affects the intensity of competition in an industry, especially when suppliers can threaten forward integration, when suppliers are concentrated, when the cost of switching suppliers is costly, when there are few suppliers, when there are a few good substitute raw materials, when products are not standardized, when customers are weak, or when the supplier's product is very important to the buyer's business. [5]

2.2.5 The bargaining power of buyers

Bargaining power of consumers represents a major force affecting the intensity of competition in an industry. Buyers have the most power when they are large and purchase much of your output because the threat of losing an important buyer puts you in a weak position. [18] Bargaining power of consumers increases when the products being purchased are standard or undifferentiated, when there are a few buyers, when customers are concentrated or large or buy in volume, when customers' switching cost is inexpensive, when buyers have much information about sellers' products, prices, and costs, when buyers possess a credible backward integration threat, or when substitute products are available. With these reasons,

consumers often can negotiate selling price, warranty coverage, and accessory packages. [5]

2.3 The SWOT Analysis and TOWS Matrix

2.3.1 SWOT Analysis

The SWOT analysis (Figure 2.2) is a valuable step in company's situational analysis. Assessing firm's strengths (S), weaknesses (W), opportunities (O), and threats (T) through a SWOT analysis can offer powerful insight into the potential and critical issues affecting a venture. The SWOT analysis begins by conducting an analysis of internal strengths and weaknesses in the organization and that of the external opportunities and threats affecting the organization. [47]

The SWOT analysis will be a useful tool in developing and confirming a company's goals and business strategy. The point of the analysis is to enable organizations to formulate strategies that capitalize on internal strengths, eliminate internal weakness, take advantage of external opportunities, and avoid or reduce the impact of external threats. All factors are described as follows:

SWOT Analysis Framework

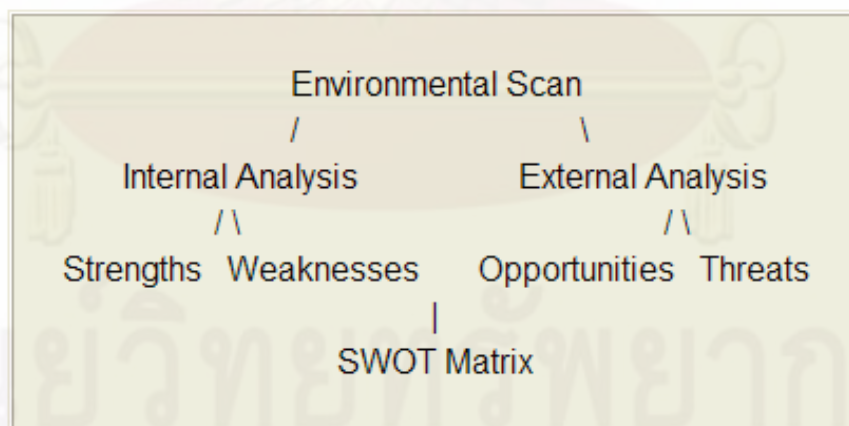


Figure 2.2: SWOT Analysis Framework [50]

Internal Analysis [47]

Strengths

Strengths describe the positive attributes, tangible and intangible, internal to an organization. Strengths include a distinctive competence, adequate financial resources, good competitive skills, access to economies of scale, proprietary technologies, cost advantages, innovative introduction of products and services, proven management, well-conceived functional area strategies, etc.

Weaknesses

Weaknesses capture the negative aspects internal to an organization that detract from the company's ability to obtain or maintain a competitive edge. Weakness include lack of expertise, limited resources, lack of access to skills or technology, the poor location of the business, inferior product and service offerings, insufficient finance, no unique or distinctive competencies, poor management, no clear strategic direction, a deterioration competitive position, obsolete facilities, falling behind in R&D, etc.

External Analysis [47]

Opportunities

Opportunities assess the external attractive factors that represent the reason for a business to exist and prosper. Opportunities may be the result of faster market growth, lifestyle changes, positive market perceptions about the business, lack of capability amongst competitors, potential for diversification, potential for vertical integration, potential to serve new market or segment, etc.

Threats

A threat is a challenge created by an unfavorable trend or development that may lead to deteriorating revenues or profits. Threats may include fierce competition, entry of new competitors, slower market growth, a growth in substitutes, unclear governmental policies and regulation, economic downturns, changing needs and tastes, adverse social/demographic changes, etc.

Matching key external and internal critical success factors by using TOWS matrix is the key to effectively generating feasible alternative strategies.

2.3.2 TOWS Matrix

The Threats-Opportunities-Weakness-Strengths (TOWS) Matrix (Figure 2.3) is an important matching tool that helps managers develop four types of strategies: SO (strengths-opportunities) Strategies, WO (weaknesses-opportunities) Strategies, ST (strengths-threats) Strategies, and WT (weakness-threats) Strategies. [5]

SWOT / TOWS Matrix

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

Figure 2.3: SWOT/TOWS Matrix [50]

SO Strategies use a firm's internal strengths to take advantage of external opportunities.

WO Strategies aim at improving internal weaknesses by taking advantage of external opportunities

ST Strategies use a firm's strengths to avoid or reduce the impact of external threats.

WT Strategies are defensive tactics directed at reducing internal weakness and avoiding external threats.

2.4 Franchising

2.4.1 Definition of franchising

Franchising is "a system or method of marketing a product or service. The franchisor develops a special product, service, or system and gains national recognition. The franchisor then grants a right or license to small, independent

businessmen throughout the country to merchandise this service or product under the national trademark and in accordance with a proven, successful format. This increases the franchisor's exposure for more national business and gives the franchisee a greater chance for success in a given field with a smaller amount of capital investment". [19]

Today, franchising is divided into three types: product franchising, business format franchising, and conversion franchising. [21]

2.4.2 Types of Franchises

1. *The product franchise* is typically a distribution system for marketing goods manufactured by the franchisor. The franchisor licenses its trademark and logo to the franchisees, but does not provide them with an entire system for running their business. The industries that use this type of franchising are soft drink distributors - Pepsi, automobile dealers - Ford Motor Company, and gas stations - PTT.

2. *The business format franchise* is a full set of a franchisor that comprise the license of a trademark, a format for the retail sale of products and services, a management system for the operation of the business, and related know-how are leased to a franchisee in a contract that allows for an ongoing relationship between two parties. The industries using this franchise are fast food, service, retail, restaurants, automotive, and building and construction, etc.

3. *The conversion franchise* involves the conversion of independent dealers or unaffiliated businesses to franchisees. The conversion franchising is the conversion of a non-selective distribution system – sales to a wide variety of distributors or dealers – into a selective distribution system – sales to franchised distributors or dealers. The franchisor plays a significant role to supply products for resale by franchised dealers or franchisees. The franchisee usually must adopt the trademark of the franchisor as its principal trade identity and agrees to conduct its business in accordance with the franchisor's specifications, standards, and operating procedures and to pay fees to the franchisor. The industries using this franchise are real estate brokers, florists, etc.

2.4.3 Franchise Management

The franchisor must provide direction that can be described through the management functions. A small franchisor must perform the same general management functions as the chief executive officer of a large franchise system. A franchisor or franchisee as owners of their respective businesses is concerned with the process of day-to-day business operations management. The management process consists of major four elements – planning, organizing, directing, and controlling. [32]

Planning is the primary responsibility of the owner/manager. Planning concerns the following:

- Determining the overall goal, mission, and objectives of the franchise.
- Formulating policies plans of action, and procedures for attaining the objectives of the franchise organization.
- Developing standards for costs, sales targets, and performance for incorporation into a budget and sales forecast that can be used as an operating control.
- Developing the franchise's line of products, services, and processes in the long run to ensure continuity for the organization as well as adaptability to the ever-changing needs of the marketplace.

Organizing is the coordination of human, financial, and physical resources deemed necessary to reach the objectives set forth in the planning phase. Activities in the organizing function include identifying the jobs required to be performed, staffing each job with qualified people, determining how much authority and responsibility each person should have as an employee of business, and clearly defining the authority-responsibility relationships to avoid confusion and overlap of authority. Job descriptions and an organization chart describe and graphically represent these relationships.

Directing is used to achieve the franchise organization's objectives while building an organizational climate conducive to encouraging superior performance. There are five major activities associated with the directing function: giving directives, supervising, leading, motivating and communicating.

- **Giving Directives.** Directives can be given in either written or oral form. Written directives, or orders, may be in the form of memos sent directly from the franchisor to those in the next hierarchical level of the franchise organization, notices placed on bulletin boards for all employees to read, or instructions included prominently within the narrative of the operating manual for use in the pilot, or perhaps, franchisee unit. Oral directives involve face-to-face contact and are specifically designed for the two or more persons involved.
- **Supervising.** Supervising concerns the training and disciplining of personnel employed in the franchise organization. Supervision includes activities to ensure prompt and proper execution of orders or directives. Supervising duties are required of every employee who is also a manager in the firm. The pilot unit manager, for example, supervises the unit's personnel in accordance with the franchisor's directives and the franchise organization's policy statements, consistent with what would be solid business practice for the operation of the unit.
- **Leading.** Leadership behavior is meant to influence others to willingly provide effort and cooperation in order to achieve the objectives of the organization. The franchisor and each manager in the organization should be aware of techniques helpful for influencing others to do their work well.
- **Motivating and Communicating.** A natural by-product of effective leadership is a good work environment. Within a work environment, the most important resource is the people. Understanding people and how and why they behave as they do is a very important part of a franchisor's/franchisee's job. It is easy to oversimplify or stereotype employees' attitudes and behaviors. It is a wise

franchisor or franchisee who recognizes individual differences in people and communicates effectively with employees in light of these differences.

Controlling involves the determination of standards and methods of evaluating performance against those standards to appraise operating results. Evaluation should be followed by prompt praise, concurrence, or punitive action when the results significantly deviate from the standard. Evaluations are required in each functional area of the franchise organization, whether formally or informally determined. A franchisor would likely have an interest in making the following types of appraisals.

- Appraisal of performance of subordinate manager, e.g., Directors of Training, Purchasing, Franchise Sales, and Pilot Unit Manager.
- Appraisal of policies associated with franchisee recruitment, franchisee screening and selection, franchising contracts, franchisee training, franchisee operations, minority group franchising opportunities, site selection practices, etc.
- Appraisal and analysis of financial transactions.

2.5 Literature Reviews

There are several articles and books about medicines, pharmacies, and regulations. An article in *The Official Journal of ISPE (2006)* described the Thailand Pharmaceutical Industry Overview in terms of the size and growth of market, the governmental policy, manufacturing and product distribution. In *Journal of Thai Pharmacies Association (2007)*, articles provided much information about the growth, trends, opportunities, threats and regulation of the pharmacy business including operation in a pharmacy in compliance with the rule of Good Pharmacy Practice (GPP). Moreover, there are many successful drugstores in Thailand. According to an article in *Journal of the Drugstore club of Thailand (2002)*, Drug Care, an example of successful pharmacy, is the modern trade drugstore with different concept and management from others. The business owner explained the key success factors such as customer needs, the quality of products and services, location assessment,

information management system, marketing strategies, and problem-solving. Moreover, in intense competition *Papada (2006)* suggested the marketing strategies or marketing mix used to increase the competitiveness in the pharmacy business.

As a result of a survey, much franchising information is founded in books, journals, internet, etc. *Thomas and Seid (2000)* found that nowadays the business format franchising is the most popular system and has the rapid growth in the globalization of the world market. *The Ministry of Commerce (1998)* summarized that the franchise businesses found in Thailand are multiple such as school business, IT business, cosmetic business, convenience store business, etc. *Peerapong (2003) and Pitikus (1999)* completely described critical success factors in franchising system such as business concept, modeling, location, business plan, brand, marketing, training, franchisee selection, information system and technology, transportation, inventory, environment, operation, finance, organization, and management. *Mendelsohn (1985)* divided basic elements of setting up a franchise into seven elements – business concept, pilot operations, developing the franchise package, developing the operational manual, marketing the franchise package, selecting franchisees, and development the franchisor's organization. He explained that the business concept should be distinctive and hard to imitate, simplify to manage and control, and make sufficient profits. The pilot operations should be established to prove and test the initial concept and demonstrate business success. The franchise package should include the basic requirements such as location selection, equipment, service facilities, procurement program, training program, marketing and financial assistance, and other supports. The operational manuals should be developed in order to control standard of operations. The channels to market the franchise packages to franchisees should be various such as TV, newspaper, magazine, public relations, and so forth. Lastly, the franchise organization should be developed so as to handle franchising activity. In addition, he found that suitable franchisee selection is of crucial important to franchise success. *Bradach (1997)* found that plural structures of franchise organizations can provide a uniquely effective way to leverage the strengths, mend the weaknesses of franchise systems, and enhance an organization's capacity for self-correction and renewal. He focused on the study of organizational management and

problems of the franchised and company-owned units in terms of unit growth, uniformity, local responsiveness, and system wide adaptation.

There are many articles and examples about pharmacy franchises and drugstore chains. In website <http://drugtopics.modernmedicine.com>, an article about Pharmacy franchises: “Should you join one?” by *Gebhart (2006)* illustrated business overview, advantages and disadvantages of pharmacy franchises in US. From survey and interview, he said about the competitors and the expansion of the market leaders in franchise pharmacy industry: Medicine Shoppe International (MSI) and Health Mart. He explained that the franchisor provide the nuts and bolts of a pharmacy operation for a fee. The franchisee gets expert help creating and executing a business plan, selecting an appropriate pharmacy location, obtaining the necessary business licenses and permits, meeting state regulatory requirements, creating management systems to meet HIPAA (the Health Insurance Portability & Accountability Act) and other mandates, selecting a wholesaler, installing and learning information management systems, getting access to third-party contracts, creating a professional look and feel, building a marketing program, and more. He said that franchising provides business support and management expertise, leaving franchisees more time to focus on patient care. Moreover, he described the effects of different monthly payments: a flat monthly fee and a monthly royalty fee.

Regarding an example of a franchise drugstore in Philippines in website <http://www.franchise.mixph.com>, Botika1 is an example of a franchise drugstore that provides full understand the customer needs, serve the community with a wide range of quality products and services at an affordable price, and support franchisees with trade name, site approval, and training assistance, procurement program, marketing assistance, opening assistance, operations manual, research and development at a suitable initial fee and royalty fee.

An article in website <http://homepages.wmich.edu/> explains about the keys to success and problems of Walgreen’s Specialty Pharmacy. Walgreens is one of the largest drugstores in the US. To achieve the success, Walgreens provide better services and a variety and availability of products, allow customers to have easier

access to products and save a little money by means of mail order and direct delivery and to use credit cards at their locations, produce house brand products, and efficiently, effectively and profitably manage the information systems by using the internet and other related technology, combine with other businesses or incentives to expand the business. Regarding to the information system, there are three main offices that Walgreens utilize: the Supply Chain Management (SCM) – inter-office, Customer Relationship Management (CRM) – front-office, and Enterprise Resource Planning (ERP) – back-office. There are few problems that Walgreens has run into such as an inability to honor some health plans or provide some products for some customers, lack of global expansion. According to the study of franchise pharmacy 1 (*Kittisophakul and Siribumrungwong, 1991*), they described the regulations about franchise businesses, franchise contracts, advantages and disadvantages of franchise businesses, relationship between franchisees and franchisors. Moreover, they explained the methodology of franchise development consisting of vision, mission, objectives, business strategies, niche market, and marketing strategies. In addition, they analyzed competition of franchise pharmacy business, changes and trends in target market, government policy, technology, suppliers, social-culture, and economy. They also offered a plan of action and marketing research including marketing mix, which are related to franchise pharmacy business. *Jittima Samerphark and Netnapha Klinmuang (1996)* concluded the problems and obstacles that affected to business expansion in chain store system such as lack of venture capital, poor management, lack of skilled personal, high cost of location, and lack of public relations.

There is some literature that related to critical success factors. *Caralli (2004)* defines that critical success factors (CSFs) are key areas of essential performance for the organization to accomplish its mission. According to the thesis about the business critical success factor analysis of Thai jewelry industry by *Nattawut (2000)*, he conducted environment scanning, SWOT analysis, and Porter's Five Forces analysis in order to determine critical success factors and develop supportive strategies. From the study, he indicated eight critical success factors to survive in medium-end market of Thai jewelry industry such as raw material, human resource, capital, technology, marketing, tax and governmental regulation, image and brand name, and internet. He

also suggested the strategies to develop jewelry industry in order to maintain and to strengthen its potential in the global market.



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CHAPTER III

DATA COLLECTION

Data collection is an important process of gathering and obtaining the information from various sources or respondents. After that the data will be analyzed in order to develop better understanding in the industry or business. In this chapter, the information obtained from journals, research reports, human expert interview, and questionnaires is valuable and adequate to conduct the industry analysis. The information consists of the pharmacy business overview, the pharmacy market, the growth and expansion, and the market segmentation, and summary from questionnaires. And lastly, we will use the collected valuable information to analyze the survival or growth of the franchise pharmacy industry in Thailand. The information is also used for Porter's five forces analysis, SWOT/TOWS analysis, and the determination of critical success factors of the franchise pharmacy industry in the next chapters.

3.1 Collected Data

3.1.1 Information from journals

A part of useful information for industry analysis is gathered from many several journals. In this research there are two main sources from Thai Pharmacies Association, BrandAge Magazine and Internet.

- *The Journals of Thai Pharmacies Association* include relevant and various information about the pharmacy business such as the news, market share and growth, competition, governmental law, pharmaceutical and disease knowledge, and so forth. The journal is published quarterly by Thai Pharmacies Association.
- *BrandAge Magazine* includes details about the pharmaceutical industry in Thailand and in the world. The information is contained in an article "Pharmarketing" that is discussed about an analysis of pharmaceutical market such as hospital market and drugstore market, manufacturing, distribution channel, pharmaceutical products, market share, growth, competition, best

selling products, government policy, and statistics from IMS. The magazine is published quarterly.

- *The Online Journals* contain much useful information about the franchise industry, the pharmacy industry, vital statistics, the industry analysis, the effective franchise and chain store management, and so on. There are many online journals used in this research such as journals from Food and Drug Administration, Ministry of Public Health, Manager Business Magazine, Drug Topics etc.

3.1.2 Information from research reports

Many of valuable and essential information from the experts in this field and the well-known academic institutes are gathered to conduct an analysis in this research. We will demonstrate only main research reports as follows;

- *A senior project “Chain Drugstore’s Service”, (1995) of Faculty of Pharmacy, Chulalongkorn University* includes information about types of chain drugstores, the analysis of environment and SWOT of franchise pharmacy industry, and the study of market, trend, strategies, and consumer’ requirements in the franchise pharmacy industry.
- *A senior project “The Problem in Expanding Chain Drugstore Business”, (1996) of Faculty of Pharmacy, Chulalongkorn University* gives useful information about the five problems of franchise or chain drugstore business expansion – the capital problem, the management problem, the location problem, the personal problem, and the public relations problem.
- *The senior projects “Study of Drugstore Business in Franchise System V.1 and V.2” (1991) of Faculty of Pharmacy, Chulalongkorn University* contain information about the franchise business overview, pharmacy franchising, a

methodology for developing franchise organization, marketing mix, and opinions of consumers to franchised pharmacies.

- A senior project “*Feasibility Study of Franchising Format Community Pharmacy in Bangkok*”(1998) of Faculty of Pharmacy, Chulalongkorn University includes information about reasons for entering to the franchise pharmacy system and investment to buy a pharmacy franchise.
- A senior projects “*Thailand Drugstore in the year 2020 AD.*” (1996) of Faculty of Pharmacy, Chulalongkorn University is packed with detailed information about the future drugstore business – types of businesses, products and services, business management (design, layout, inventory) , potential location selection, management information system (MIS), and marketing strategies.
- The research articles “*Pharmacy Entrepreneurs’ Opinion Survey on Barriers for Enrolling in Community Pharmacy Development and Accreditation Program*” (2007) and “*Customers’ Opinions towards Services of the Accredited Pharmacy in Bangkok*” (2007) of *Journal of Scientific Research of Chulalongkorn University* include information about the project of community pharmacy development and accreditation in Thailand.
- A senior project “*A Study of Opening a drugstore*” (Project 58th) of Faculty of Pharmacy, Chulalongkorn University includes information about the government policy and law, location assessment, and purchasing criteria in the pharmacy business.
- A senior project “ *A Study and Comparison of Buyer Characteristics and Behaviors Between Chain Store and Independent Drugstores*” (1995) of Faculty of Pharmacy, Chulalongkorn University gives the criteria for making a decision to select a pharmacy such as air-conditioning, a store layout and

design, a parking place, a pharmacist, location, products and service, price, etc.

- *The reports of IMS Health Inc. (Thailand)* provide critical information and analysis about the global pharmaceutical market. The gathered information includes trend, growth and market share of manufacturers, distributors, wholesalers, drugstores, hospitals, and competitors. Moreover, it indicates the global pharmaceutical market situation including Thailand, effects of government policy, etc.

3.1.3 Information from human expert interview

The in-depth interview of human experts in the franchise or chain pharmacy industry mostly provides the exact information. Thus, the expert interview is a suitable methodology for collecting the information needed. Many experts provide a lot of information as follows:

- *Pharmacists:* the interviewed pharmacists mostly are business owners, general managers, and staff in a community pharmacy of a university. They told us details about the pharmacy business. The information received from interview concerns with current situation, accredited drugstores, necessary products and services, appropriate location, development of marketing strategies, trend of drugstore design and layout, inventory management, technology requirement, return on investment (ROI), organization structure, customer's requirements, transportation, government law about the pharmacy business, the Pharmacy Association, problems and obstacles in the pharmacy business, and so forth.
- *Managers in Franchise or Chain Pharmacy industry:* we interviewed managers who work in the franchise and chain pharmacy industry. They provide vital information about the franchise and chain system applied to their companies. They explained types and percentage of the products in a drugstore that are always changeable relying on situation, customer's needs and wants,

and so on. Furthermore, they focused on the relationship between the franchisor and the franchisees, problems and obstacles in the franchise or chain pharmacy industry, lower cost due to economic of scale, market trend and marketing strategies, business concept, law relating to the pharmacy business and the franchise business, management information system, research and development, brand creation, training system, franchise fee, royalty fee and other fees, inventory control and transportation, franchise organization structure, quality standard control, other supports, the Franchise Association, trend and growth of the franchise or chain pharmacy industry, etc.

- *The owners of standalone drugstores:* we randomly selected standalone drugstores that their owners are not interested to buy a pharmacy franchise including who desire to terminate a franchise agreement. They provided information about reasons that they do not sign or renew the franchise agreement such as expensive franchise fee, lack of business ethic of franchisors, strict restriction on an agreement, the franchisor's inadequate potential, etc.
- *The owners of franchised drugstores:* we interviewed the owners of franchised pharmacies about reasons why they made a decision to buy a franchised business such as requirements of know-how and skills from franchisors, cost reduction and risks, and so forth.
- *Staff of Department of Business Development (DBD), The Ministry of Commerce:* Department of Business Development plays an important role for promoting and developing Thailand's franchise businesses in order to respond to domestic and international market. Furthermore, the organization has responsibilities for developing training courses for entrepreneurs, providing a consultation for franchise business owners, collecting information about Thai franchise industries, advising the information about trend of the franchise industries, offering the franchise law to government, and so on.

3.2 General Information

3.2.1 Thailand's pharmacy business overview

In the past three decades, the overall physical health indicators for Thai people have been improving. For example, life expectancy at birth has increased from 59 years in 1964 to 71 years in 2004 as a result of better quality and standard of the Thai health care system. Definitely, the pharmacy business also has changed dramatically in the past few decades.

Classification of drugs

In Thailand, drugs have historically been classified as either modern or traditional. In this research, we focus on modern medicines that are subdivided into four major subcategories. [16]

1. Household remedies, the sale of which requires no license,
2. Ready-packed pharmaceuticals, which can be sold without a prescription. These medications are sold by nurses and other medical professionals, including pharmacists,
3. Dangerous pharmaceuticals, which can be bought without a prescription in a drugstore staffed by a pharmacist, and
4. Specialty controlled pharmaceuticals, which can only be obtained with a valid prescription in a drugstore staffed by a pharmacist.

Pharmacy education

In 1939, Chulalongkorn University is the first institution in Thailand to offer a Bachelor of Science degree in pharmacy. Today, there are 14 schools of pharmacy in Thailand, including 2 private institutions, which graduate about 1,000 pharmacy majors every year and work in hospital, ambulatory care setting, clinical pharmacy, distributors, manufacturers, etc. In the past, the Thai health system does not require a pharmacist to be present in a drugstore all the opening time. Currently, according to the law and regulation, it becomes a requirement that a pharmacist must be on standby in a drugstore all the opening time. With this reason, Thailand is facing a significant pharmacist shortage. [16]

Community pharmacies

Community pharmacies serve as one of the major health care facilities where patients can access prescription and over-the-counter (OTC) medications, accounting for 34% of total pharmaceutical sales in Thailand. Pharmacies can be found everywhere in Bangkok and surrounding areas, but are relatively few in sub-urban and rural areas. [16] In 2007, there were total 8,822 modern pharmacies, 6,194 pharmacies selling all types of drugs or pharmacies class 1 and 2,628 pharmacies selling only ready-packed drugs or pharmacies class 2 [46]. At present, a pharmacy in Thailand provides access not only to medications but to a variety of products and services, including cosmetics, medical equipment, vitamins and other dietary supplements, etc.

Situation

Nowadays Thailand has faced with the economic recession because of the skyrocketing oil price, the consequently higher transportation costs, the floating LPG selling rate, political uncertainty, terrorism especially in the three southern provinces of Thailand, US subprime trouble, higher inflation rate, global warming, and so on. As a consequence, the growth of domestic consumption and investment spending would be lower than the base case. [30] Even though the economic crisis affects to all businesses, the pharmacy business could survive because food and medicine is the basic needs for people's living. However, because of fierce competition, not all of pharmacies could survive. To be sustainable, drugstores need to be adapted and improved to respond the changing consumer needs and to achieve higher standard. For example, in department stores drugstores have higher standard, modern trade style, and more convenience such as Boots, Watsons, P&F, etc. Today many standalone drugstores are facing with problems of ineffective management and high cost. [31] To solve these problems, the potential franchised pharmacy will become a suitable option for traditional trade drugstore owners and new entrepreneurs in the future.

The retail pharmacy business has a strategy to seek and sell products and services in numerous markets by means of horizontal integration or horizontal expansion. This is the business expansion which is already active in order to increase

its share of the market for particular products or services. In Thailand, there are two types of horizontal business expansion: chain business and franchise business.

Chain Business

Chain Stores are a range of retail outlets which are owned by a company, share a brand, have centralized management, and quality standard control system. [49] The business owner needs to succeed in business prototypes before expansion to other areas, nationwide, and worldwide, respectively.

Franchise Business

Franchising is a method of business expansion of a franchisor that authorizes proven methods of doing a business to a franchisee for a fee and percentage of sales or profits. Moreover, the franchisor needs to support products, store design, management system, advertising and promotion, training, and others for franchisees and to have audit system so as to control quality standard. The result of audit will be analyzed for decisions to renew or terminate a franchise contract. [49] The franchisor needs to succeed in his business models to receive widespread acceptance before expansion to nationwide and worldwide, respectively.

3.2.2 Growth and expansion of the pharmacy market

In 2005, the value of the pharmaceutical market is about 70,000 million baht or 1.1% of GDP that tend to decrease in the future because of the drug expenditure reduction policy of the government. According to Figure 3.1 and Figure 3.2, the sales revenues of the pharmacy market and the hospital market have increased constantly since 1999 until 2006. In 2006 the market share of the drugstore channel account for 23.4% of total market, steadily decreased 10.5% from 1999; meanwhile, the market share of the hospital channel account for 76.6% of total market, continuously increased 10.5% from 1999. It reflects that the pharmacy business played a less important role every year due to the universal coverage of health security system implementation and that the pharmacies lost their market share to hospitals. [29]

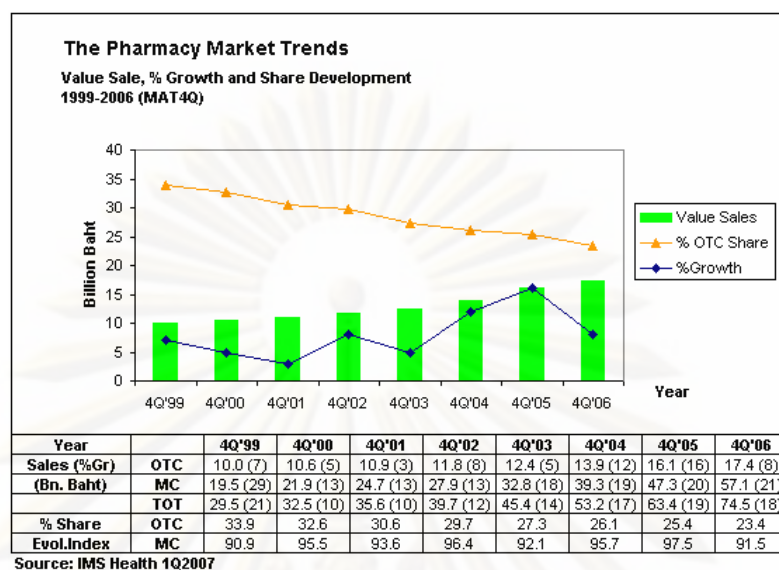


Figure 3.1: The pharmacy market trends, 1999-2006 [29]

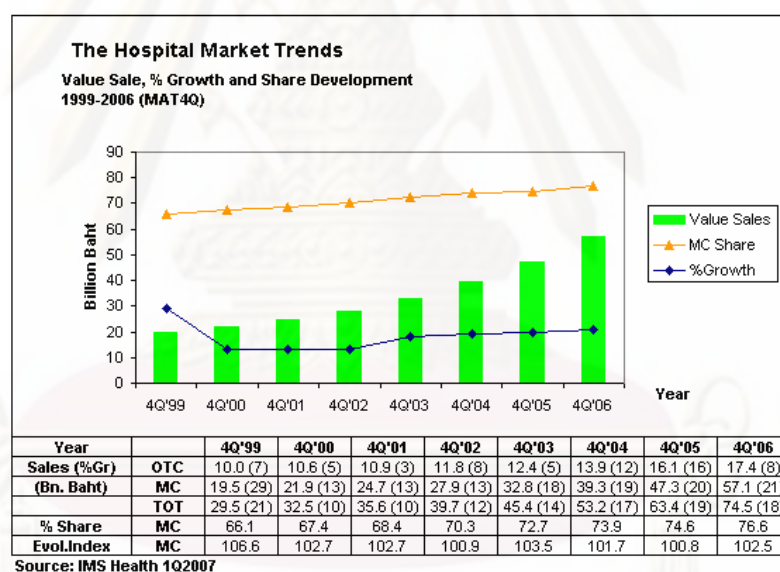


Figure 3.2: The Hospital Market Trends, 1999-2006 [29]

The franchised and chain drugstores with modern trade style are influencing on the pharmacy market. There are three international chain drugstores in Thailand – Watsons, Boots Retail, and Guardian. Moreover, there are many Thai franchised and chain drugstores such as Fascino, D-Chain, P&F, Siam Drug, etc. According to Table 3.3, the expansion of chain stores has been slow, averaged 10-12 stores per year for international chain drugstores because of constraint on locations, political uncertainty,

the economic recession, and the slow growth of pharmacy market. [29] Moreover, it demonstrates that during 2006-2007 the expansion of franchised and chain drugstores increased only 5 stores as Figure 3.3. The pharmacy market share is divided into three channels – Wholesales 25%, Franchised and Chain Drugstores 12%, and Retails or Standalone Drugstores 63% as Figure 3.4. Of all drugstores in Thailand or 8,800 stores, there were chain drugstores about 495 stores or 5.6% that had the market share 12%. It illustrates that franchised and chain drugstores have the potential to grow in the future. [29]

The growth and market share of the drugstore market in Bangkok was 4% and 49%, respectively; whereas, that of the drugstore market in upcountry was 10% and 51% respectively [29]. It reflects that the drug consumption in upcountry is slightly more than that in Bangkok because of a larger portion of the population and more drug consumption than in the past. It means that there is a good opportunity for the growth of the drugstore market in upcountry.

Franchise and Chain Drugstores	2006			2007		
	BKK	U/C	Total	BKK	U/C	Total
Watsons	87	62	149	84	60	144
Boots Retail	64	49	113	64	49	113
Fascino (Pharmahof)	21	31	52	21	31	52
P&F (Pharm-D)	40	6	46	40	6	46
Medic Group	17	24	41	17	24	41
Med Care D-Chain	30	2	32	32	7	39
Makro	8	21	29	8	21	29
Guardian	10	0	10	13	0	13
Ameditect	10	2	12	10	2	12
Siam Drug	4	2	6	4	2	6
Grand Total	291	199	490	293	202	495

Figure 3.3: The number of franchise/chain drugstores and branches in Thailand

[29]

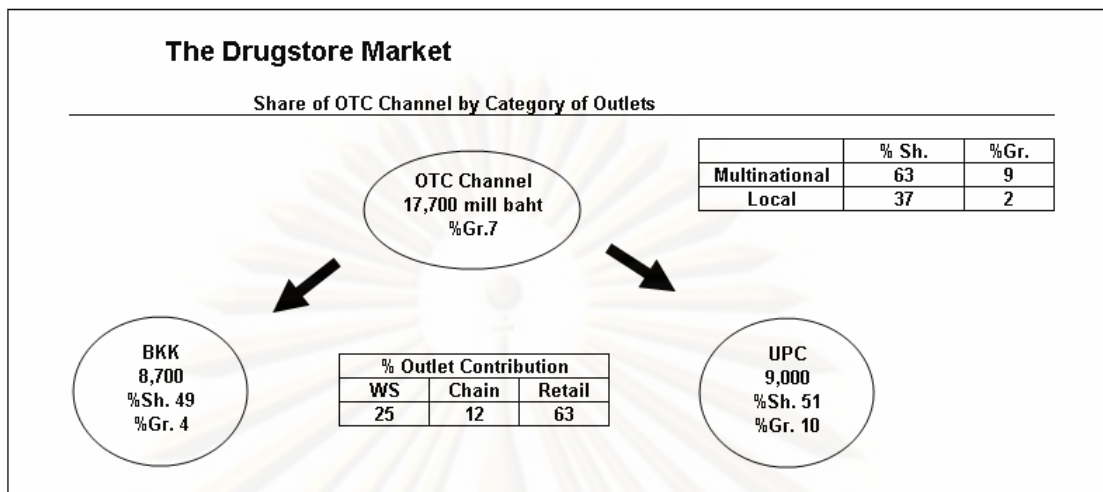


Figure 3.4: The drugstore market [29]

3.2.3 The market segmentation

A market segment is a subgroup of people who have similar product needs. [49] To determine critical success factors and strategic objectives, it is essential that we have to understand the fundamental markets in the franchise pharmacy industry. From the interview, a franchise manager of a company said that the market segments in the industry are divided into two markets: entrepreneurs and consumers. For a market of entrepreneurs, a franchisor emphasizes to sell his franchise to someone who is interested to run a pharmacy business. For a market of consumers, a franchisor needs to identify his target markets who want to buy products from his franchised pharmacies. (Questionnaire 1 and 2)

In the market segment of new entrepreneurs, it is classified into three groups: 1) entrepreneurs who lack knowledge, skills, and experience; 2) entrepreneurs who are pharmacists; 3) entrepreneurs who want transform their standalone drugstores into franchised drugstores. (Questionnaire 1 and 2) These entrepreneurs also need to have adequate capital because the pharmacy business requires medium to high investment as Figure 3.5. [23]

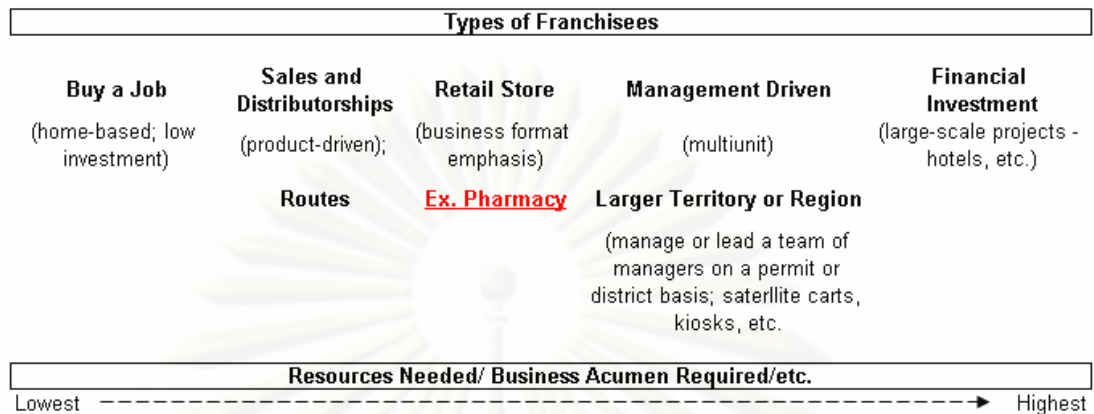


Figure 3.5: Types of franchisees & resources needed [23]

In the market segment of consumers, it is generally categorized into two levels, which are a segment of low-medium end market and a segment of medium-high end market. (Questionnaire 1)

Low-Medium End market

An executive committee assistant of a chain drugstore said that consumers in low-medium end market generally are price sensitive and accept low or medium quality of products and services. Moreover, they are not interested in drugstore decoration or air-conditioning. They mostly are uneducated or have low income. Drugstores suitable for this segment are situated in community areas, suburb or rural areas, upcountry. Nevertheless, most consumers would like to select drugstores close to their home due to more convenience [17].

Medium-High End market

The executive committee assistant said that the price of products for medium-high end market is rather more expensive than the first group because of better quality or more variety of products and services or higher rent. Customers in this group are interested in store decoration, convenience, cleanliness, comfort, quality and a variety of products and services. They also have high income and purchasing power. Most customers in this group are foreigners, urban population, and well-educated people. Therefore, pharmacies appropriate for this segment should be located in Bangkok,

cities, urban areas, office buildings, department stores, etc. However, most consumers would like to buy medicines or other products from drugstores near their accommodations [17].

3.3 Questionnaires

Analytical tool used to collect valuable information is questionnaires. Three questionnaires were prepared to survey the target groups: the first form for the entrepreneurs and experts in the franchise and chain pharmacy industry, the second form for entrepreneurs who are interested to buy a pharmacy franchise, the third form for entrepreneurs who are not interested to buy a pharmacy franchise or refuse to renew the franchise agreement. Of nearly 80 questionnaires that were sent to the target groups, only 52 were returned. There are several types of survey such as face-to-face survey, telephone interviewing, postal and facsimile survey, E-mail. Information in questionnaires is separated into two parts: general information and detailed information about the franchise or chain pharmacy industry.

The gathered information from questionnaires of set 1, set 2, and set 3 about the franchise or chain pharmacy industry is divided into four parts:

1. General information: sex, age, position and experience of interviewees, types of drugstores, the number of chain stores, locations, sales revenue, and product types in drugstores.
2. Opinion about the critical success factors of the franchise or chain pharmacy industry: internal and external factors to the success in the business such as accreditation, pharmacists, locations, products and services, price, advertising and promotion, investment capital, competitors, a brand, market research, pharmacy prototypes, cost, inventory control, management information system, personal, distribution, supports, audit, fee, organizational structure, economy and society, law and regulation, consumers' needs, the Association, franchisees, and so on.
3. Opinion about the main factors that affect to the entrepreneurs' decision to buy the pharmacy franchise such as fee, competition, supports, a brand, cost, profit, risks, interest, ease, a business concept, and so on.

4. Opinion about the key factors that affect to the entrepreneurs' decision to ignore or refuse to buy the pharmacy franchise such as fee, profit, franchise contract, a brand, a franchisor, supports, a business concept, and so forth.

The interviewees have three choices to answer the questions: agree, moderate-agree, or disagree with statements.

3.3.1 General Information about the Franchise Pharmacy Industry

From 52 questionnaires, we found that;

Type of the drugstore business

- 22 interviewees or 43% are in the franchise pharmacy business
- 10 interviewees or 19% are in the chain pharmacy business
- 20 interviewees or 38% are in the standalone pharmacy business

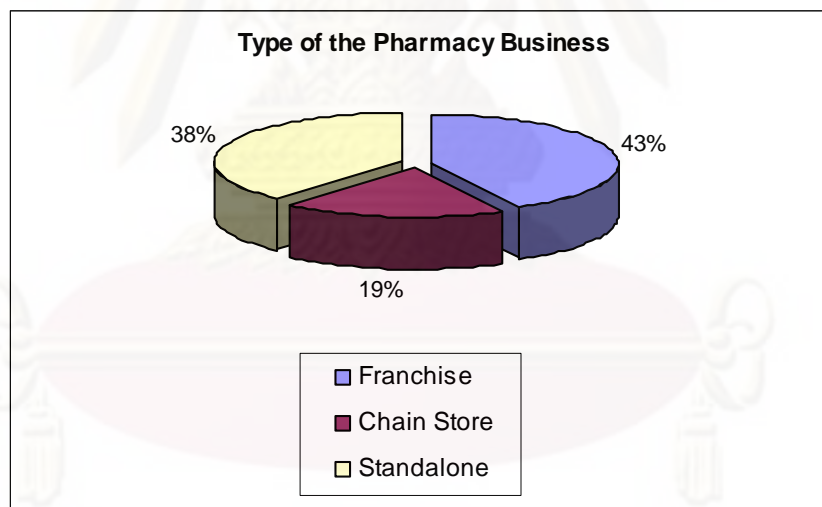


Figure 3.6: Type of the pharmacy business

The number of drugstores

- 40 interviewees or 77% have a drugstore
- 10 interviewees or 19% have 2-60 drugstores
- 2 interviewees or 4% have 61 + drugstores

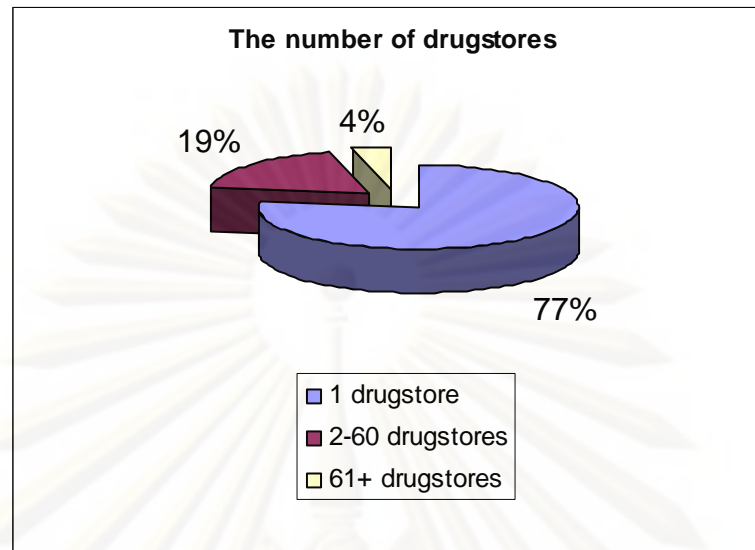


Figure 3.7: The number of drugstores

Locations

- 24 interviewees or 46% are in community or market
- 20 interviewees or 38% are in department stores
- 5 interviewees or 10% are in office buildings
- 3 interviewees or 6% are in other places

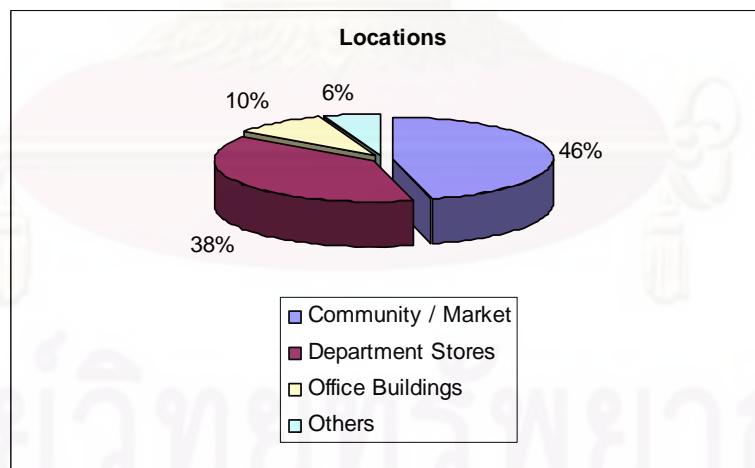


Figure 3.8: Locations

Sales Revenues

- 12 interviewees or 23% can earn income less than 100,000 baht a month
- 15 interviewees or 29% can earn income in a range of 100,000-300,000 baht a month
- 20 interviewees or 38% can earn income in a range of 300,000-500,000 baht a month
- 5 interviewees or 10% can earn income in a range of 500,000-700,000 baht a month
- 0 interviewees or 0% can earn income more than 700,000 baht a month

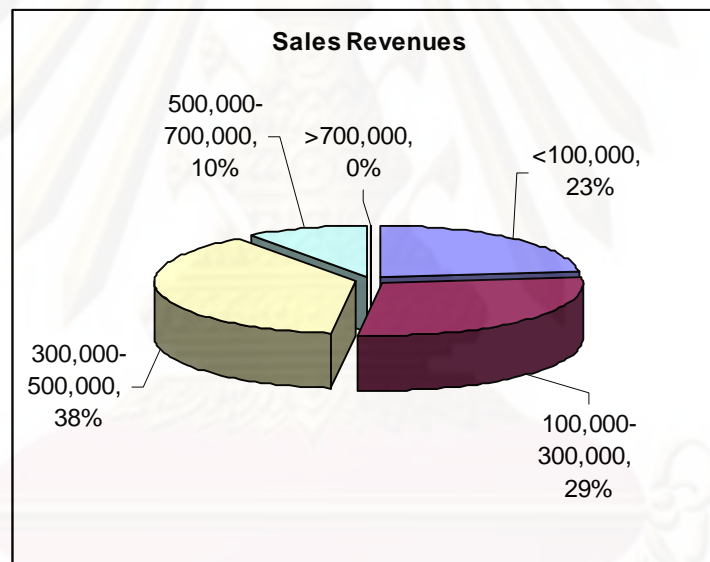


Figure 3.9: Sales revenues per month

A variety of Products

- 52 interviewees or 100% sell medicines
- 48 interviewees or 92% sell nutrition, vitamin and dietary supplements
- 45 interviewees or 87% sell cosmetics
- 37 interviewees or 71% sell medical equipment
- 25 interviewees or 48% sell other products

3.3.2 Summary of agreements in our assumptions about the Franchise Pharmacy Industry

In the second part of questionnaires, we focus on internal and external factors that impact on the potential of the franchise pharmacy industry by considering the score of each item in order to determine the significant factors to success of the business. The information collected from perspectives of franchisors or managers of the chain business, franchisees, and independent business owners or franchisees who do not renew the franchise contract will be combined together so as to analyze the situation of the industry more accurate.

From questionnaires 1 prepared for franchisors or managers of the chain pharmacy business, there are 37 assumptions about the critical success factors of franchising the pharmacy business. The interviewees need to express their opinions in terms of agreement, moderate agreement, and disagreement. After that each factor will be scored and weighted by using the criteria as Table 3.1 in order to rank the success factors of the franchise pharmacy industry in order of importance as Table 3.2.

Table 3.1: The weight score for each answer

Answer	Weight Score
Agree	2
Mod - agree	1
Disagree	0

Table 3.2: Summary of important factors in the franchise pharmacy industry
(source: from 12 questionnaires)

Assumptions	Agree	Mod-Agree	Dis-agree	Score	Rank
3. Location is a critical success factor of the pharmacy business	12			24	<u>1</u>
6. Drugstores should offer new products and services continuously	12			24	<u>2</u>
16. Personnel is a critical success factor of the franchise business	12			24	<u>3</u>
17. Internet, software, and computer is necessary for management in the franchise business	12			24	<u>4</u>
22. The organization structure is a critical success factor of the franchise business	12			24	<u>5</u>
24. Capital is important for franchising	12			24	<u>6</u>

Assumptions	Agree	Mod-Agree	Dis-agree	Score	Rank
25. Franchisors should protect their businesses' copyrights	12			24	<u>7</u>
27. People prefers to purchase drugs from pharmacies near their home in order for basic treatment	12			24	<u>8</u>
31. Economy, society, and income of population has an effect to the growth of the pharmacy business	12			24	<u>9</u>
35. Law and regulation has an impact on the pharmacy business	12			24	<u>10</u>
36. Franchise law in Thailand is not clear	12			24	<u>11</u>
2. Customers like to buy drugs from a drugstore controlled by a pharmacist	9	3		21	<u>12</u>
4. Store design, convenience and comfort, cleanliness influence customers' decision to choose a drugstore	9	3		21	<u>13</u>
7. Drugstores require high investment capital and take long time for return on investment (ROI)	9	3		21	<u>14</u>
11. The quality and price of products and services influence customers' decision to purchase products	9	3		21	<u>15</u>
26. The planning of logistics can reduce cost and inventory in the franchise and chain business	9	3		21	<u>16</u>
5. Drugstores should have a variety of products such as drugs, vitamin and other dietary supplements, cosmetics, medical skin care, medical supplies, medical equipment, consumer products, goods for baby and child, etc.	9	3		21	<u>17</u>
9. Market research is necessary for the pharmacy business	8	4		20	<u>18</u>
13. Different business concept is a critical success factor of the franchise business	8	4		20	<u>19</u>
29. The franchise businesses tend to grow in the future	8	4		20	<u>20</u>
19. Franchisee selection is a critical success factor of the franchise business	10		2	20	<u>21</u>
21. Franchisors should control the standard of franchised and chain stores	10		2	20	<u>22</u>
28. Key competitors of the pharmacy business are government hospital, clinic, specialty stores, standalone drugstores	8	4		20	<u>23</u>
20. Franchisors should support the franchised business in terms of capital, location selection, training, store design, tool and equipment, marketing, products, operation manuals	9	2	1	20	<u>24</u>
12. An extension to open a drugstore can satisfy customers	7	4	1	18	<u>25</u>
14. Before business expansion by franchising, it is essential to have a successful business model	7	4	1	18	<u>26</u>
15. Cost of the franchise or chain business is lower than that of independent business	7	4	1	18	<u>27</u>
8. Promotion and advertising can increase sale revenue of the pharmacy business	5	7		17	<u>28</u>

Assumptions	Agree	Mod-Agree	Dis-agree	Score	Rank
30. The Franchise Association pays an important role in franchise business development in Thailand	4	8		16	<u>29</u>
23. Price, products, services should be same in all franchised or chain stores	6	4	2	16	<u>30</u>
33. Thai Pharmacies Association pays an important role in pharmacy business development	6	4	2	16	<u>31</u>
10. Brand have influence over customers' decision	4	5	3	13	<u>32</u>
32. Thailand lacks pharmacists, so their salaries are rather high	5	3	4	13	<u>33</u>
18. Franchisees don't understand the franchise system and break a rule	4	2	6	10	<u>34</u>
1. The accredited drugstore influence customers' decision to choose a drugstore	3	3	7	9	<u>35</u>
34. Most drugstores in Thailand have poor quality and poor management	2	5	5	9	<u>36</u>
37. Government policy provides the opportunities for entrepreneurs to infinitely expand pharmacies	2	3	7	7	<u>37</u>

From questionnaires 2 prepared for franchisees, there are 10 assumptions about the factors affecting investors' decision to buy the pharmacy franchise. Each factor will be scored and weighted in order to rank the factors in order of importance (see Table 3.3).

Table 3.3: Summary of the factors affecting investor's decision to buy a pharmacy franchise (source: from 20 questionnaires)

Assumptions	Agree	Mod-Agree	Dis-agree	Score	Rank
3. Investors need supports from franchisors	20			40	<u>1</u>
8. Investors want to increase revenue and profit	20			40	<u>2</u>
9. Investors want to reduce complexity of doing the pharmacy business	20			40	<u>3</u>
6. The franchise pharmacy businesses tend to grow in the future	15	5		35	<u>4</u>
5. Franchisors have a strong brand image	12	8		32	<u>5</u>
7. Investors lack skills and knowledge in the pharmacy business	14		6	28	<u>6</u>
1. Franchisors offer appropriate initial fee, royalty fee, and other fees	6	14		26	<u>7</u>
10. Franchisors have a different business concept		14	6	14	<u>8</u>
2. Intense competition in the pharmacy business, so it is hard to go it alone		10	10	10	<u>9</u>
4. Investors want to reduce cost and risks in the pharmacy business		8	12	8	<u>10</u>

From questionnaires 3 prepared for independent business owners and franchisees, there are 7 assumptions about reasons that entrepreneurs are not interested to buy the pharmacy franchises and that franchisees make a decision to terminate the franchise contract. Each reason will be scored and weighted in order to rank the factors in order of significance as Table 3.4.

Table 3.4: Summary of the reasons that an entrepreneur is not interested to buy the pharmacy franchise and that a franchisee makes a decision to terminate the franchise contract (source: from 20 questionnaires)

Assumptions	Agree	Mod-Agree	Dis-agree	Score	Rank
6. Entrepreneurs believe that their brands are accepted from customers and don't need to rely on franchisors' brands	15	5		35	1
7. Franchisors have an undifferentiated business concept	12	8		32	2
1. Franchisors offer too expensive initial fee, royalty fee, other fees	14	4	2	32	3
4. Entrepreneurs lack independence to manage their business	12	4	4	28	4
3. Franchisors don't provide supports adequately	10	6	4	26	5
5. Franchisors don't have the potential to manage the franchised and chain businesses	10	2	8	22	6
2. Turning a profit is lower than expected	10		10	20	7

3.4 Conclusion of the Industry Situation

According to the gathered information from journals, research reports, human expert interview, and questionnaires, the pharmacy business could survive in economic crisis; however, competition in the pharmacy market is increasingly intense. Hence, each drugstore needs to improve its standard, develop strategies, and conduct the market research so as to increase competitive advantage and respond to customer's needs and expectations suitably. Moreover the pharmacy channel had lost its market share about 10.5% to the hospital channel since 1999 until 2006 because of the universal coverage of health security system implementation. It reflects that a hospital is becoming an important competitor of a drugstore. Nowadays the franchised

or chain drugstores are influencing on the pharmacy market and consumers. Most franchised and chain drugstores have modern trade style in good locations, knowledgeable and professional staff, various and quality products and services, good management with modern technology, and large capital. Although the franchise or chain pharmacy industry has expanded slowly, it has the potential for growth in the future.

The key internal factors in the franchise pharmacy industry are a business concept, business prototypes, store decorations, locations, products and services, price, personnel, capital, technology, cost, organization, brand, copyrights, relationships, franchisees, supports, and management of supply chain, logistics, quality, marketing, and information. The significant problems of the franchise pharmacy industry are poor franchise management, a shortage of pharmacists, no market research, different standard, weak brand loyalty, ineffective franchisees, economic crisis, strict regulations, fee, constraints of locations, restriction of time extension, and unclear franchise law. Nevertheless we found that there are many opportunities that increase the growth in the franchise pharmacy industry such as changing lifestyle, few franchisors, low standard existing drugstores, positive government policy, increase in the new entrepreneur rate, and supports of the Pharmacy and Franchise Association.

In conclusion, the franchise pharmacy industry tends to significantly grow in the future like US. To succeed in the industry, franchisors need to understand key internal and external factors of the industry, determine critical success factors, and develop the business strategies to increase competitiveness in the pharmacy market.

ศูนย์วิทยทรัพยากร

จุฬาลงกรณ์มหาวิทยาลัย

CHAPTER IV

INDUSTRY ANALYSIS

To develop strategies, the industry analysis or the competitive analysis is essential for many industries. The main driving forces come from competitors, suppliers, customers, potential competitors, and potential substitutes. In this chapter, we will discuss about competitive analysis in the franchise pharmacy industry by using a technique of Porter's Five Forces Model, which consists of the intensity of rivalry among industry competitors, the threat of new entrants, the threat of substitute products, bargaining power of suppliers, and bargaining power of buyers.

Porter's Five Forces Analysis

4.1 The intensity of rivalry among industry competitors

In the past five years, the number of drugstores in Thailand had increased continuously since 2002 to 13,368 stores in 2006 and decreased to 8,822 stores in 2007 because of uncertainty of politics, economic recession, fierce competition, and strict legislation as Figure 4.1.

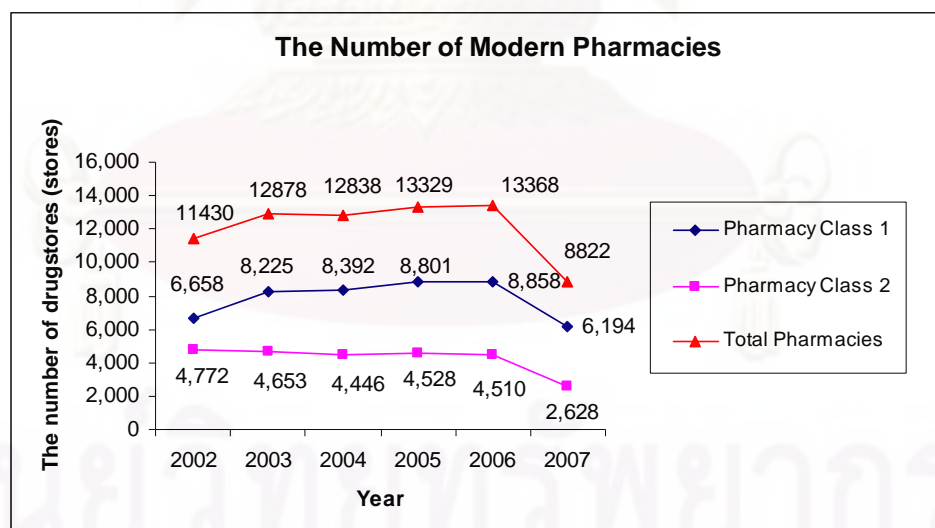


Figure 4.1: The number of modern pharmacies in Thailand, 2002-2007 [46]

It represents that the competition in the pharmacy business is more intense. In competition, most drugstores develop strategies such as lowering price, improving services, adding product items, reducing cost, improving store and management,

offering special promotion etc. because products, services, price, place, promotion, and personnel influence customers' decisions. (Questionnaire 1) In the pharmacy industry, the direct competitors of the franchised pharmacies are specialty stores/chain pharmacies and standalone drugstores as Figure 4.2.



Watsons – a specialty store/chain drugstore

P&F – a chain drugstore



Fascino – a franchise drugstore

Standalone or independent drugstore

Figure 4.2: Examples of drugstore types

The specialty stores/chain pharmacies are strong competitors in the drugstore market. Their brands become well-known for modern trade stores, various products and services, knowledgeable and professional staff, cleanliness and convenience, and large numbers of drugstores as Figure 4.2. The market leaders in the chain drugstores industry are Watsons and Boots that focus on health, beauty, and pharmaceutical products and have the largest numbers of drugstores throughout the country [34]. Moreover the chain pharmacy industry gains more competitive advantages in larger

capital, economies of scale, and good training and management system than the standalone pharmacy industry.

There are a number of standalone drugstores across the country located near people's accommodations. From survey by Karnasuta, Pratoomsri, and Pitikultang [17], we found that most patients would like to buy medicines from drugstores near their home because of more convenience. Moreover, the government has implemented policy "Community Pharmacy Development and Accreditation" since 2003 in order to improve drugstore standard in Thailand. At the present, there are only 211 accredited drugstores (Figure 4.3) of total 8,801 drugstores [57]. Although most standalone drugstores in Thailand have low standard, the business owners are going to improve the standard and competitiveness of their drugstores.



Figure 4.3: An accredited drugstore example

The pharmacy industry is rather saturated in Bangkok and central regions when compared with other regions as Table 4.1. Today there are about 13,000 – 14,000 drugstores throughout Thailand – 70% traditional trade drugstores or standalone drugstores and 30% modern trade drugstores or franchise and specialty/chain drugstores. [61] Moreover, there are a small number of accredited pharmacies available in Thailand. [15] Consequently, there are many opportunities

for the industry growth in both urban and local areas because the drug consumption tends to increase.

TABLE 4.1: THE NUMBER OF PHARMACIES IN EACH REGION: 2002-2006

Region	Total	MODERN DRUGS				
		2002	2003	2004	2005	2006
Whole Kingdom	63,843	11,430	12,878	12,838	13,329	13,368
Bangkok Metropolis	20,089	3,777	3,958	4,091	4,112	4,151
Central Region	18,814	3,201	3,892	3,751	3,985	3,985
Northern Region	8,875	1,661	1,767	1,763	1,842	1,842
Northeastern Region	9,732	1,652	1,976	1,940	2,082	2,082
Southern Region	6,333	1,139	1,285	1,293	1,308	1,308

Source: Food and Drug Administration

4.2 The threat of new entrants

The pharmacy business requires the amount of investment capital about 2-3 million baht for a small drugstore, takes time about 1-5 years for return on investment, and the profit or the return or investment rate in the business is very attractive for new entrants. [26] Since the pharmacy business requires who have pharmaceutical knowledge, most new entrants are pharmacists. Regarding to the increasing number of drugstores since 2002 until 2006 as Table 4.1, it demonstrates that there are many new entrants in the pharmacy business because a capital investment in a pharmacy business is not too high, because drugstore management is not too complicated, and because access to products and customers is easy.

New entrants who interest to develop a pharmacy franchise need to have strong knowledge about the pharmacy business and the franchise system, have large capital, have sufficient distribution channels, have research and development, have successful pharmacy prototypes, have good training and management system, and have unique business concepts. (Questionnaire 1) In addition, the regulations about the pharmacy business are very strict and the government pays more attention to controlling the drugstore's quality standard. Therefore, it is not easy for general new entrants to enter this business. Nevertheless, the chain pharmacy industry has a chance to be developed into the franchise pharmacy industry. At the present, there are a few pharmacy franchises such as Fascino, D-Chain, etc. The market leader in the franchise pharmacy industry is Fascino. Another potential new entrant is XTRA, owned and

operated by CP group that owns many franchise businesses such as 7-Eleven convenient store franchise, Chester's Grill franchise, etc. XTRA might become a strong competitor in the franchise pharmacy industry. Moreover, in foreign countries there are many pharmacy franchises. The potential international franchised or chain drugstores such as Walgreens might have opportunities to expand their businesses into Thailand though the franchise or chain system. Thus, in the future it would have many new Thai and foreign entrants in this business.

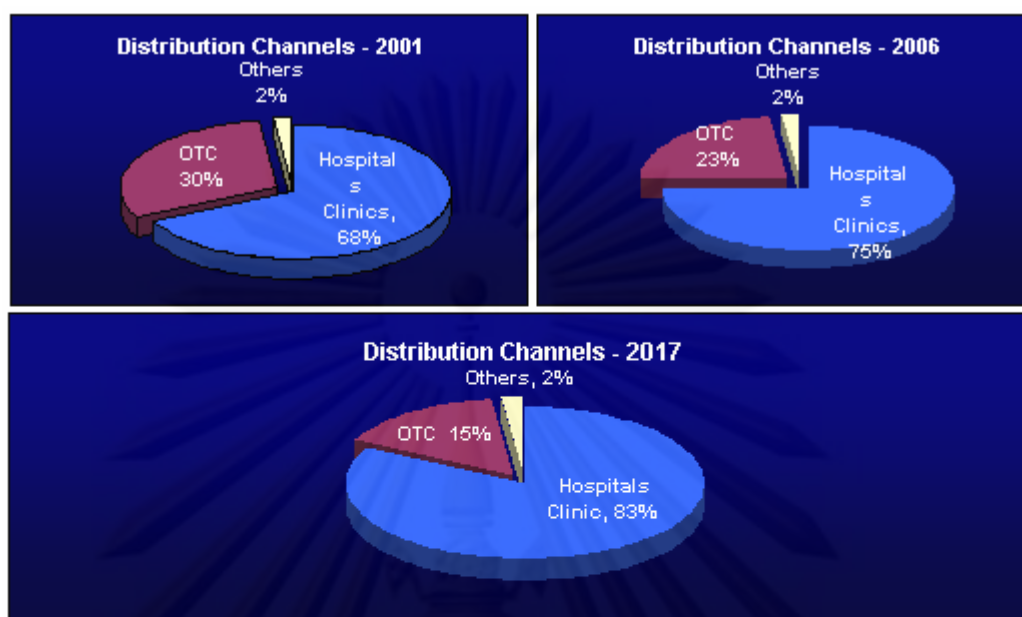
4.3 The threat of substitute products

In the franchise industry, even though the pharmacy franchises are very attractive for new entrepreneurs, but there are many franchise businesses that offer greater benefits or require lower capital investment such as food & drink business, convenient store business, etc.

When considering substitutes in the pharmacy business, many would make the easy assumption that the substitutes for the pharmacies are hospitals and clinics that link with the health security system such as the national health security system, the social security system, the private insurance system, the civil servant medical benefit scheme, etc. Many patients or healthcare purchasers can get treatment and medicines from the hospitals and the clinics with cheaper price or free for service. With this reason, the people change to receive treatment from the hospitals and clinics instead of buying medicines from drugstores as Table 4.2.

Treatment Channels	Expenditure		
	2001	2006	2017
The civil service commission	19,200	37,000	105,000
The social security system	10,800	16,000	41,000
Tree universal health care system	54,000	75,000	214,000
The health insurance by private sector	11,000	15,000	43,000
Drugstores	14,000	23,000	44,000
Others	141,000	184,000	385,000
Total	250,000	350,000	832,000

Source: The Drugstore Association of Thailand (2007)



Unit: Million Baht

Distribution Channels	2001	2006	2017
OTC or Drugstore Channels	10,500	17,400	30,000
Medical Channels	23,400	57,100	163,000
- Government Hospital	17,800	42,800	122,000
- Private Hospital & Clinic	5,600	14,300	41,000
Others	700	1,500	4,000
Total	34,600	76,000	197,000

Source: The Drugstore Association of Thailand (2007)

Figure 4.4: The drug consumption of Thai people [3]

As Figure 4.4, although the drug consumption tends to increase in accordance with increasing population, but the proportion of OTC or drugstores tends to decrease because patients change to receive treatment service from hospitals and clinics through the health security system. Consequently, it is time that the drugstore industry has to improve in order to increase competitiveness in the pharmaceutical market.

4.4 The bargaining power of suppliers

A drugstore is a retail store that sells a wide range of products, especially pharmaceutical and health & beauty products supplied from many suppliers such as manufacturers, distributors, and wholesalers. The franchise and chain pharmacy industry has significant negotiating power over its suppliers because it is such a large

percentage of suppliers' business. Therefore, the franchised and chain pharmacies also gain the benefits from the bargain. On the other hand, the standalone pharmacies are particularly challenged because it does not have the leverage associated with volume as the franchised and chain pharmacies have. As a result, the force of suppliers on a standalone pharmacy can be viewed as relatively strong. Nevertheless, a standalone pharmacy could decrease the effect by cooperating with other standalone pharmacies to make collective purchases.

4.5 The bargaining power of buyers

The franchise pharmacy industry has two types of buyers – entrepreneurs and consumers. Most franchisors have more negotiating power than franchisees. The strict terms and conditions for franchisees are contained in a franchise contract. If a franchisee breaks a contract, the franchisor can terminate the contract immediately. On the other hand, franchisees that have high revenues and profits would have more bargaining power. Most consumers are patients and people who spend more expenditure on healthcare. A group of consumers is different depending on a location of a pharmacy. For example, if a pharmacy located in department stores, most customers are shoppers. If a pharmacy located near a hospital, most customers are out-patients from hospitals. The bargaining power of buyers will be strong when there are many drugstores in the same area that have similar products, so they can purchase the products from any drugstores base on price and when customers buy in high volume of products, so they can gain economies of scale.

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CHAPTER V

SWOT/TOWS ANALYSIS

SWOT Analysis is an effective way of identifying an industry's strengths and weaknesses, and examining the opportunities and threats the industry face. TOWS Analysis is an effective way of combining a) internal strengths with external opportunities and threats, and b) internal weaknesses with external opportunities and threats to develop a strategy. In this chapter, we will firstly conduct SWOT analysis in order to provide an understanding of the current situation of the franchise pharmacy industry. The information used for this analysis is gathered from many sources such as human expert interview, journals, related literature, questionnaires, etc. After SWOT analysis, we will secondly carry out TOWS analysis so as to reveal the strategic objectives used to determine the critical success factors in the industry.

5.1 SWOT Analysis

SWOT analysis as Figure 5.1 is applied in this research to analyze the franchise pharmacy industry in Thailand and develop strategies. Strengths and weaknesses will be generated from internal factors such as people, operations, products and services, facilities, and so on. On the other hand, opportunities and threats will be picked up from external factors such as competitors, sociality, regulations, market, etc.

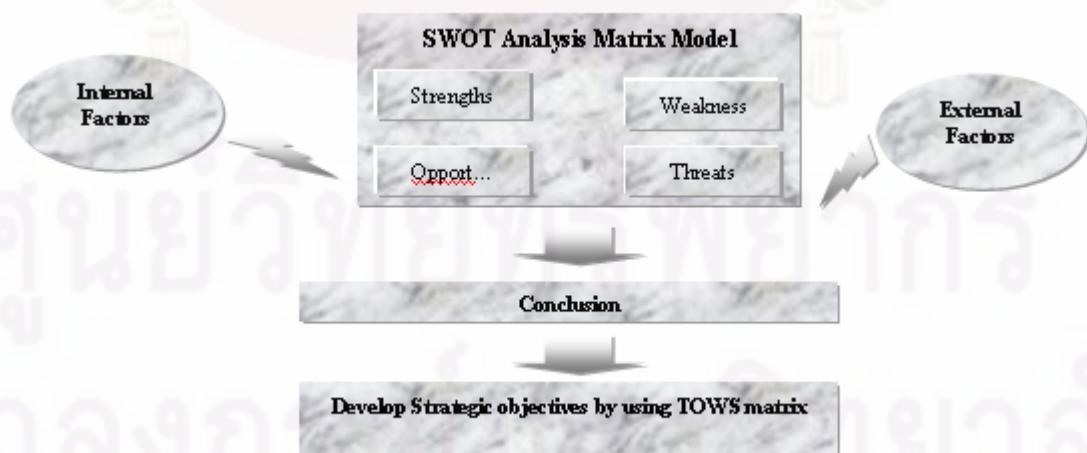


Figure 5.1: A Framework of SWOT Analysis and TOWS Matrix

5.1.1 Strengths of the franchise pharmacy industry

Economies of scale: The franchisors can use their capital more efficiently than the standalone pharmacy owners because franchisors' pharmacy networks are large enough to benefit from economies of scale in purchasing, training, advertising, and monitoring. There are not only saving to be had from centralized purchasing but also important cost saving from fixed costs of brand advertising, regular training program and monitoring of quality. These costs can only be reduced through distribution over a large number of outlets. [24] and (Questionnaire 1)

Good financial condition: Most franchisors have their sufficient capital to provide both initial as well as ongoing supports to franchisees. Their capital is used for training, purchasing, marketing and advertising, operations, business expansion, and supports. The franchisors should not depend on franchisees' capital for their business growth because they cannot ensure franchisees' investments and decisions. (Questionnaire 1) For example, Fascino launched its 51st branch in Pattaya City with the investment capital over 70,000,000 million baht in order to be centers for top quality health and medical suppliers. [54]

A variety of products and services: To sustain competitive advantage in franchise businesses, most franchisors constantly propose an increasing range of products and services and develop new products and services in order to respond well to customer's needs and expectation. Moreover, they create their pharmacy networks offering a quality standard set of products and services under a shared brand. (Questionnaire 1) For example, Fascino has a business concept "one store operators" by emphasizing various products over 8,000 items such as medicine, health and beauty products, medical equipment, patient equipment, and consumer products. Fascino also has health consultation services and run health tests such as blood tests, blood sugar and fat tests, hearing tests, and health information service by pharmacists. [53] Moreover, Fascino develops new house brand products with cheaper price, offers new products that customers are looking for, and provides special services such as health check-up services. [53] The franchisors distribute their products to franchised stores and have training system for staff in order to maintain the quality standard and

improve knowledge and skills. Therefore, the basic quality of products and services is rather similar in all branches. In addition, the franchisor forms alliance with partners such as hospitals, suppliers, etc. in order to provide benefits to franchised members and customers. (Questionnaire 1)

A successful prototype and well-known brand: Most franchisors already have the proven prototypes before franchising their businesses. Moreover, the franchisors have two types of rapid business expansion – the company owned units and the franchised units. (Questionnaire 1) Due to the successful prototypes, chain expansion, advertising and public relations and quality products and services, the existing and potential customers would become more aware of the brand name of franchises. For instance, a prototype of Fascino has been located near Siriraj hospital since 1983. It was a well-known drugstore, accepted from people, and grew constantly. Finally, Fascino expanded its chain stores and granted the franchisees limited use of the trademark and the system in return for an initial fee, a royalty fee, and other fees. Now the franchisor has 52 branches – 11 branches of the chain stores and 41 branches of the franchise stores throughout Thailand. [53]

The effective training system: Most franchisors continuously provide both theoretical and practical training for franchisees, pharmacists, pharmacy assistants, and staff in order to improve their performances. They teach about products and services, purchasing and selling methods, problem-solving and management techniques, basic accounting skills, and technology utilization – computer system, software computer, etc. Furthermore, the franchisors create training manuals that explain how much training and what kind of training for the franchisees, the pharmacists, and staff. They also prepare operations manuals for franchisees that explain how to run every aspect and day-to-day operation of their businesses such as methods of selling, services, purchasing, accounting, utilizing software program, inventory management etc. (Questionnaire 1) For example, Fascino prepared the Fasino Branch-Handbook for franchised pharmacies as Figure 5.2.

Fascino Branch - Handbook

ProFascino Co.,Ltd.



Document number: 1.4
Created date: 30-Sep-05
Last updated: 23-Mar-06
Created by: IT Department

Figure 5.2: An example of an operation manual [25]

The effective technology utilization: There are three popular technologies that franchise and chain pharmacies use. Firstly, the franchisors use the Point-of-Sale (POS) system to track customer purchases, keep and watch levels of inventory, and report franchisees' sales to the franchisors instantly, and so on. The information is also analyzed to develop marketing strategies. Secondly, the franchisors use intranet to communicate with franchisees and contain key information for them. Lastly, the franchisors use internet to transfer any transaction data. Moreover, they create their central website to share information with the franchisees, employees, and customers, appeal to new entrepreneurs, and so on. For example, Fascino creates its website, <http://www.fascino.co.th> and use program of Ban Chiang and FasApp for all transactions and all reports illustrated in Figure 5.3.

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Figure 5.3: An example of website and software [55]

Modern trade style and location assessment: During the last ten years, the pharmacy business in Thailand has changed dramatically. Traditional trade drugstores have gradually been threatened by modern franchised or chain pharmacies. When comparing with the traditional trade drugstores, the franchised and chain drugstores have modern trade styles that consist of beautiful store designs, air-conditioning, brighter lighting, less-cluttered display, and a variety of products and services. For instance, Fascino is categorized as a modern trade drugstore as Figure 5.4 that captures medium-high clients and foreigners. In addition, the location selection is very important for success in pharmacy business. The franchisor is responsible for location assessment and approval on the basis of four criteria – real estate, operations characteristics, sales forecast, and marketing. The majority of modern franchised and chain drugstores are concentrated in Bangkok, especially in department stores and supermarkets, and urban areas in other provinces throughout the country. (Questionnaire 1) For example, as Figure 5.5 a Fascino drugstore in Bangkok is located near hospitals, in heavy traffic, and on the main streets.



Figure 5.4: An example of a modern trade drugstore [55]

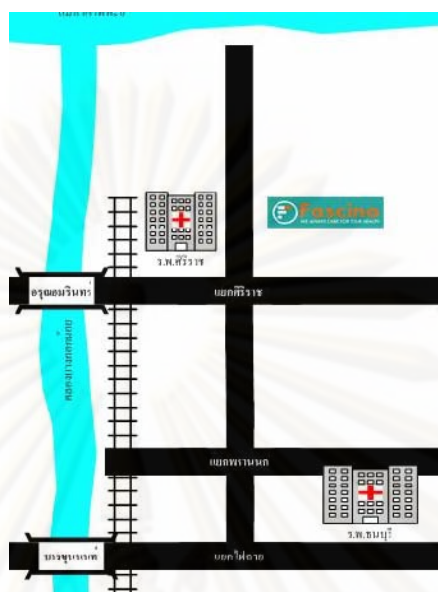


Figure 5.5: An example of a good location [55]

Good business and high profitability: When comparing with other businesses it is said that the pharmacy business could make a huge profit [26] and could survive in economic crisis because medicine is a basic need for people's living [31]. As Figure 5.6, in the economic crisis occurred in 1997, more people turned to purchasing drugs for self-medication, the proportion of self-care rising to 18.6% in 2000, with a declining trend in attending health care facilities. [35] According to summary in Chapter 3, although the pharmacy market growth had been slow, there are many opportunities to increase the growth in the franchise pharmacy industry because of changing lifestyle, low quality of existing drugstores, supports of positive government policy and from pharmacy and franchise association, and increase in the new entrepreneur rate, etc. It reflects that a franchised pharmacy might be an interesting alternative for entrepreneurs.

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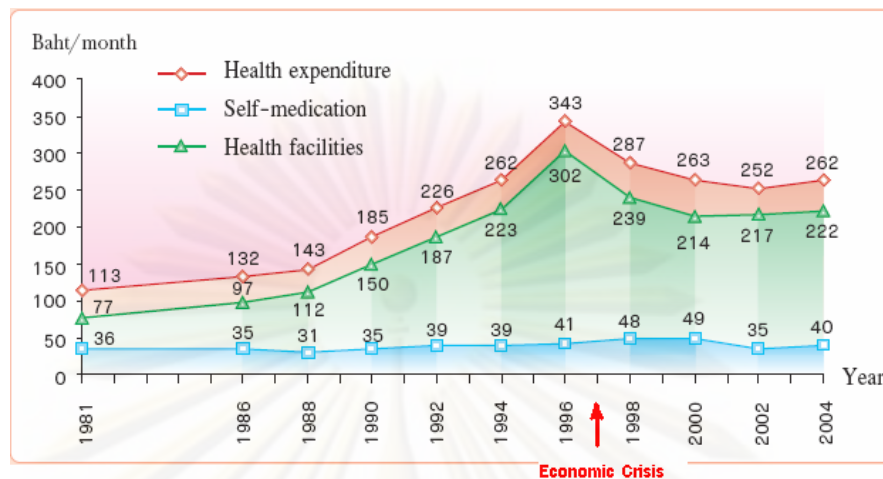


Figure 5.6: Household Health Expenditure, 1981-2004 [35]

5.1.2 Weaknesses of the franchise pharmacy industry

Different standard: Some franchisees lack knowledge, experience, management skills, and attention in the business, so they may not understand the business, make mistakes, lack quality improvement, and break a rule or an agreement. These problems cause different standard of products, services, price and management that has a bad effect to the corporate image. For example, some franchisees offer other products that are not in the franchisor's merchandise list without the franchisor's permission. Some unsuitably launch marketing and advertising campaigns. Some do not pay attention to improving and controlling the quality of products and services. Some adjust their store displays and store environment that are different from the quality store standard criteria. Some set price significantly different from the franchisor's price list. Some cannot respond to customer demands in their markets because of lack of information and understanding in the markets.

Weak franchisor-franchisee relationship: In franchise pharmacy industry, there are many causes that relationship between a franchisors and a franchisee is broken off. Firstly, the franchisor does not support or cooperate with his franchisee adequately. It prompts the franchisee to break off relation and does not want to re-enroll in the network. On the contrary, the franchisee may develop a sense of independence and thus may no longer feel a need to rely on the franchisor, so he seeks

to discontinue the relationship. [32] Secondly, the franchisee may be dissatisfied that the franchisor sells his some products more expensive than small wholesalers, that the franchisor has too much control of the franchisee, that the franchisor enforces his franchisee to buy unwanted products, that the franchisor leads the franchisee to wrong direction, and that the franchisor charges other fees from the franchisee [32] and (Questionnaire 3). Therefore, the franchisee refuses to renew the franchise contracts. Lastly, each party may not operate properly within the boundaries of the agreement, under the law governing business transaction, or on codes of business ethics [32] and (Questionnaire 3). Hence, the problems result in dissatisfaction and destroy the relationship between the franchisor and the franchisee.

Not unique business concept: Although most franchised pharmacies are significantly different from standalone drugstores or traditional trade drugstores, they are similar to the specialty stores/chain drugstores that provide a wide range of quality products and services with modern trade and efficient and effective management styles. (Questionnaire 2 and 3) With the similar business concept, the franchisors might not be able to attract new entrepreneurs to buy their pharmacy franchises. For instance, most franchised and chain drugstores have similar products and services; therefore, consumers can easily switch from a drugstore to another drugstore.

5.1.3 Opportunities of the franchise pharmacy industry

Few franchisors: Nowadays there are few existing franchisors of pharmacy businesses such as Fascino and D-Chain [33]. It reflects that there are many opportunities for new entrants who are interested in this industry. However, according to Porter's five forces analysis in chapter 4, there are so many barriers to entry into the franchise pharmacy industry because of 1) the requirements of economies of scale, technology and specialized know-how, experience, strong brand, large capital, sufficient distribution channels, and good training and management system. 2) the legislation on the pharmaceutical and franchise business, and 3) the intense market competitions.

A small number of chain stores: Of total 8,822 drugstores [1] with a population of more than 63 million [58] across Thailand in 2007, the market leader of

franchise pharmacy industry, Fascino, has total 52 drugstores (41 franchised stores and 11 company-own stores) [53]. It reflects that the number of franchised pharmacies is relatively small; whereas, the number of chain pharmacies tends to increase such as Boots, Watsons, P&F, etc. In addition, although most drugstores in Thailand are standalone drugstores, with the strengths of franchised and chain drugstores there are many opportunities for the potential entrepreneurs to expand their pharmacy chains into new markets across Thailand in order to be new alternatives for consumers instead of traditional trade drugstores.

Positive government policy: The Pharmacy Council, Food and Drug Administration (FDA), and The Community Pharmacy Association (Thailand) have implemented Good Pharmacy Practice (GPP) policy since 2001 in order to develop the potential of Thai pharmacies in competition. A pharmacy that passes an evaluation from FDA will be an accredited pharmacy. [29] Now there are only 211 accredited drugstores of total 8,801 drugstores [57]. According to legislation, many drugstore owners need to develop their drugstores for survival or increase in competitiveness. If any drugstore owner cannot improve his drugstore within limited time, he would not be granted a pharmacy license any longer. Moreover, this policy is used for control of the number of pharmacies in Thailand. The government will grant or renew pharmacy licenses for drugstores that are accredited drugstores. [1] This would create opportunities for the potential franchisors who offer better alternatives for incompetent pharmacy owners in pharmacy development in accordance with GPP policy. Moreover, there are many opportunities for accredited drugstores to increase sale revenues by linking with the national health security system, the social security system, and the private insurance system. [3] The franchised pharmacies have the capability to be accredited pharmacies because of good quality standard of products and services, modern trade drugstores, and effective management system. [28] Therefore, the franchised pharmacies have many opportunities to make more incomes.

Economic recession: Since Thailand have encountered with economic recession, many salary men facing with risks of unemployment and lay-off problems have turned their attention to opportunities in franchise businesses. [59] Alongside this trend, the number of new entrepreneurs tends to increase in the future. As Figure

5.7, during 2003-2007 the economic growth in Thailand had been slow continually, but the market growth of the franchise industry in 2006 was about 83,000 million baht, significantly increased 1.77% or 53,000 million baht from 2003. The growth of the franchise and chain pharmacy industry has a tendency to increase rapidly in 21st century [29]. It reflects that the pharmacy business is an interesting option for the prospective entrepreneurs because of good business and high profitability.



Figure 5.7: Economic growth rate in Thailand, 1961-2007 [35]

Modern technologies: Thailand has effective transportation system on air, ground, and waterway. Furthermore, Thailand's telecommunication system also has rapidly expanded such as telephone, internet, television, etc. These technologies make communication and transportation in a franchise network easier, more convenient, faster. [35]

Environment problems: Nowadays the environment problems are quite severe. The air pollution problem mainly causes by motor vehicles and industrial and construction activities, which results in diseases of the respiratory system. The water pollution problem from waterway transportation and people's living activities causes certain infectious and parasitic diseases. The pollution from hazardous substances is imported for use in the industrial and agricultural sectors. The chemicals are released to the environment causing pollution and detrimental health effects such as

abnormalities in the central nervous, immunology and gastrointestinal systems and cancer. These health problems as Figure 5.8 have a tendency to increase and would benefit the franchised pharmacy industry.

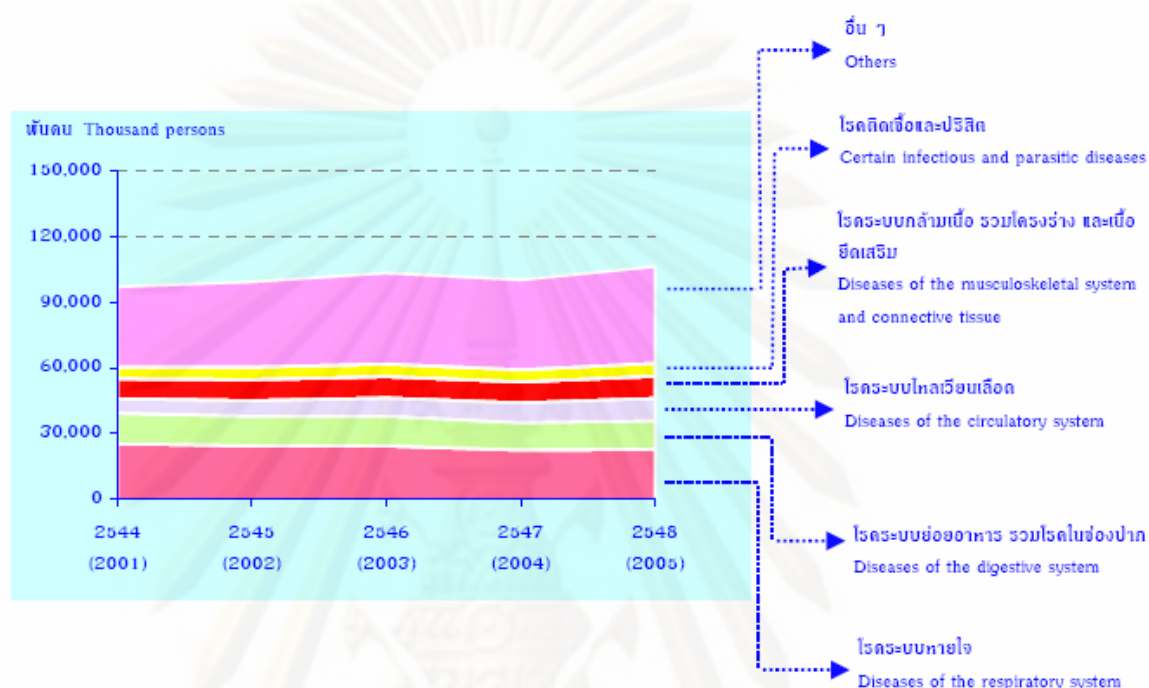


Figure 5.8: Number of out-patients by cause groups according 2001-2005 [46]

Social change: Regarding to social trends, the influence of western culture, a telecommunications system, education development, and the increasing globalization of world trade have resulted in the change of Thais' lifestyle. Thai people tend to have an attitude towards convenience, comfort, health care, fast service, demand more and more. For example, from survey about health care behaviors of Thai population in 2001 by National Statistical Office, the highly educated people spend more for health and safety than low educated or uneducated people. During 1964-2006, Thais' life expectancy at birth substantially increased from 55.9 years to 69.9 years for males and 62.0 years to 77.6 years for females. [35] Numbers of convenient stores, franchised drugstores, and specialty stores/chain drugstores that focus on modern trade style, convenience, comfort, fast service, and various products and services have increased significantly and rapidly throughout Thailand. However, in people's rushed, modern lifestyle, they often rely on convenience foods and snacks which may be lacking in

proper nutrition, and they are often confronted with continuous stresses, so they suffer from fat syndrome caused by fast food consumption and from physical and mental illnesses. These cause health problems that bring great benefits for the franchise pharmacy industry.

5.1.4 Threats of the franchise pharmacy industry

A shortage of pharmacists: The average number of produced pharmacists was about 1,100 persons per year since 2001, and the total number of pharmacists in 2007 was about 22,500 persons. [60] However, the ratio of pharmacist to population in 2005 was 1:7,847 as Figure 5.9. It represents that Thailand still have a small number of pharmacists. Most pharmacists worked in Bangkok and central region according to density of hospitals, drugstores, and companies due to the ratio of population to a pharmacist in this region is lower than that of other regions as Figure 5.10. This is a serious issue for many proprietors to attract pharmacists to other regions especially in the rural areas. The problem of pharmacist shortage in drugstores is caused by limited pharmacist production capacity, many career paths in various working places, e.g. drug sellers in companies, pharmacists in public and private hospitals and drugstores, professors in universities, researchers and quality controllers in manufacturing industry, and so forth. Top three of popular places are state hospital, sales and marketing companies, and community pharmacies, respectively. Moreover, the requirement of pharmacists in drugstores tends to increase 25-30% of available pharmacists. This is caused by growing franchise and chain pharmacy industry, contract cancellation between government and pharmacy students, the link with health insurance policy, the implementation of new drug Act and GPP policy, and saturation point of pharmacist numbers in manufacturing industries, sales and marketing company, and state hospitals. The franchise drugstore industry that requires a large number of pharmacists is likely to encounter with a shortage of pharmacists at the present and in the near future.

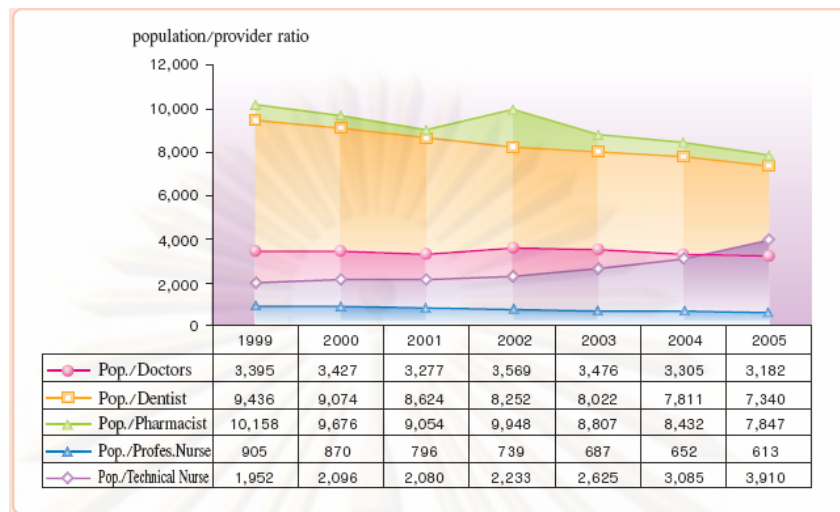


Figure 5.9: Ratios of population to health manpower, 1999-2005 [35]

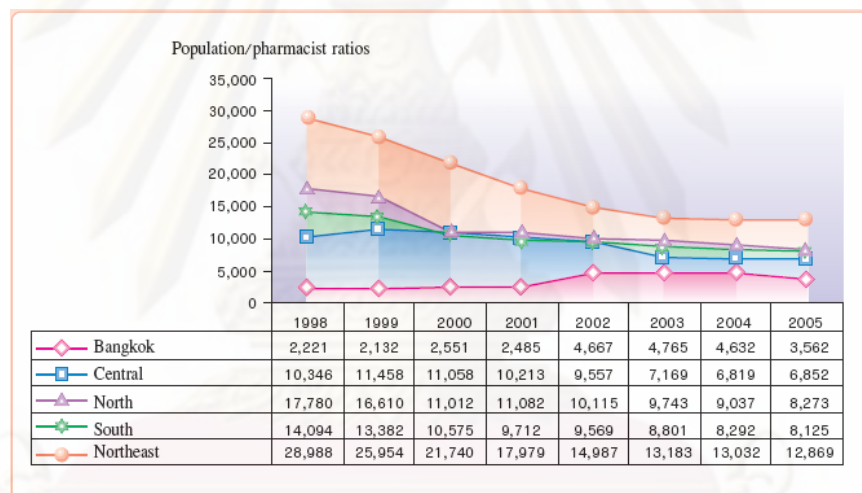


Figure 5.10: Proportion/Pharmacist ratios by region, 2005 [35]

Strict government regulation: The pharmacy industry is affected by major legislation as below. Both the franchisors and the franchisees must control their drugstores under the strict regulation because the pharmacy business is related to security of people's lives. Therefore, the franchisors' and the franchisees' breaking the law could cause serious damage to their networks and brand reputations. The related regulation is shown as follows:

- The Drug Act, B.E. 2510 (1967)
- National Health Act, B.E. 2550 (2007)
- Consumer Protection Act, B.E. 2522 (1979)

Unclear franchise law: For the franchise industry, Thailand has no official franchise law legislation [52]. However, there are the law related to the franchise business and used instead temporarily as the following;

- Civil and Commercial Code
- Trademark Act 1991
- Copyright Act 1994
- Trade Secret Act 2002
- Unfair Contract Terms Act 1997
- Trade Competition Act 1999
- Act Relating to Price of Merchandise and Service 1999
- Revenue Code 1938

Nevertheless, some issues occurring in the franchise industry might not be included in the law, so breaking the rule and the regulation may cause serious and extensive damage to the business.

Restrictions on locations: A good location is an important factor to success in the pharmacy business. At the present, it is hard to access to appropriate or best locations because of the high rent, especially in the capital and urban areas. Moreover, some areas have high competitor density. Therefore, this is an important obstacle for the franchise pharmacy industry. If fixed cost and variable cost of the business is higher than its revenue, the business owner will make a loss.

Many drug wholesalers: There are many wholesaler pharmacies who sell drugs and personal care products to retail drugstores such as Phecharat company, Drugserv company, Fascino company, etc. Because of purchasing in bulk, they can offer the wholesale price of products at low volume to small or independent

drugstores, so the small drugstores can compete with the franchised and chain pharmacies with competitive price. In addition, many franchisors frequently sell their products to other drugstores at wholesales price. With these reasons, general drugstores can easily access to sources of products at lower price and with lower volume and can provide consumers with same products at competitive price.

Low brand loyalty: From survey in 2004 about reasons why consumers spend on products and services from drugstores [27], there are the main criteria of drugstore selection – convenience, pharmacist, trust, service, brand. Besides these criteria, price is an important factor for making a decision. Many products in a drugstore are not different from another drugstore because they are commodity products from same manufacturers or companies. With the reasons of fierce competition and undifferentiated products, price strategy is implemented. Customers can easily switch from a drugstore to another drugstore based on price. According to a study by sasinant, sirirat, and supanee Pitikultang (1995), the existing franchised and chain pharmacies focus on modern trade style, convenience, comfort, cleanliness, better services, more various products with a higher price for medium-high end customers; whereas, the existing standalone pharmacies focus on convenience and good products and services with cheaper price. Therefore, the customers sensitive on price often change to buy the cheaper products from standalone pharmacies instead. It reflects that customer loyalty to brand is rather low. (Questionnaire 1)

Many franchise and business opportunities: During 2006-2007, the number of the franchise businesses was total 456 businesses – Thai franchises 375 businesses and international franchises 81 businesses. In the franchised industry, there were over 24,000 chain stores of franchise businesses. Nowadays there are 11 major groups of franchise businesses as Figure 5.11. [59] The Top three popular franchise businesses are Food, Drink, and Service, respectively. It illustrated that investors have many choices of franchise businesses. Each franchise business requires different capital investment and provides different benefits in order to appeal to a growing number of investors.

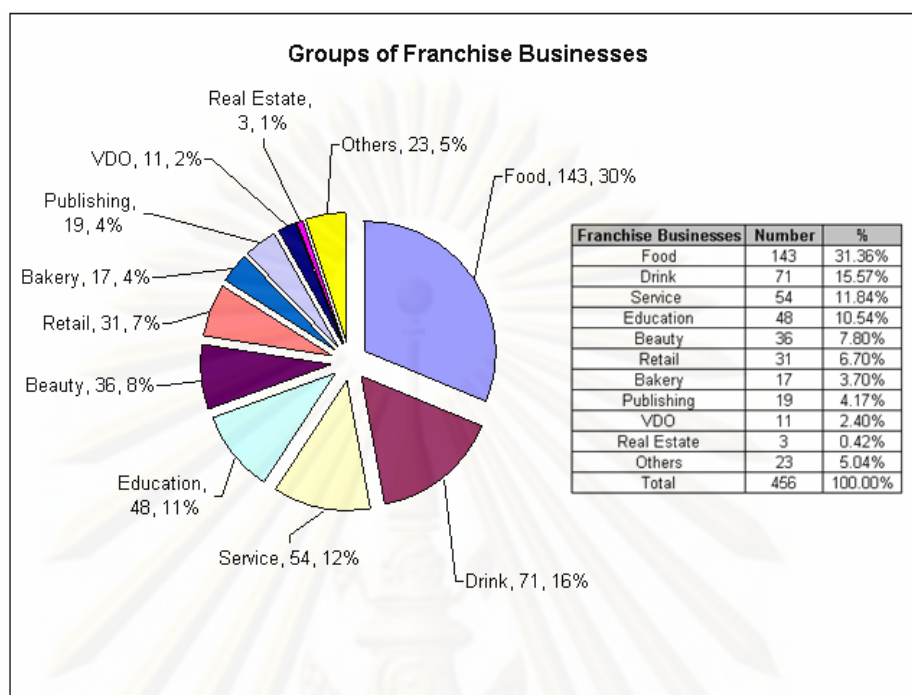


Figure 5.11: Groups of franchise businesses [59]

Strong competitors: As chapter 4, the franchise pharmacy industry's strong direct and indirect competitors are specialty stores/chain drugstores, standalone drugstores, and hospitals and clinics. Because of their capabilities and large numbers of chain stores, the chain drugstores could easily convert into the franchise system. Chakajnarodom (2004) explained that besides these competitors, as Drug Act the convenient stores such as 7-Eleven can sell household remedy drugs which require no license. Because 7-Eleven open 24 hours per day with large networks, it might be able to gain more market share of the household remedy drugs. Moreover, Primary Care Units (PCU) is a healthcare provider that provides proactive services and primary medical care to the community with the cheapest charge for service. Approximately 5,000 health centers all over the country will be developed and linked with medical service networks in the government universal coverage health care system. These competitors also have the potential to compete with the franchise pharmacy industry.

5.2 Summary of SWOT Analysis

Regarding to the SWOT analysis, there are 26 identified points as strengths, weaknesses, opportunities, and threats of the franchise pharmacy industry. Of 26

points, there are 8 points for strengths, 3 points for weaknesses, 7 points for opportunities, and 8 points for threats. The aspects from analysis are concluded in Table 5.1.

Table 5.1: SWOT Analysis of the franchise pharmacy industry

Strengths	Weaknesses
1. Economies of scale 2. Good financial condition 3. A variety of products and services 4. A successful prototype and well-known brand 5. The effective training system 6. The effective technology utilization 7. Modern trade style and location assessment 8. Good business and high profitability	1. Different standard 2. Weak franchisor-franchisee relationships 3. Not unique business concept
Opportunities	Threats
1. Few franchisors 2. A small number of chain stores 3. Positive government policy 4. Environment problems 5. Economic recession 6. Modern technologies 7. Social change	1. A shortage of pharmacists 2. Unclear franchise law 3. Strict government regulation 4. Restriction on locations 5. Many drug wholesalers 6. Low brand loyalty 7. Many franchise and business opportunities 8. Strong competitors

5.3 TOWS Matrix

After the SWOT analysis has been conducted, it is time to construct the TOWS matrix so as to identify the strategic objectives before the determination of critical success factors of the franchise pharmacy industry. In TOWS matrix, there are total fourteen identified strategic objectives as Table 5.2 – four SO strategies (use the strengths to take advantage of opportunities), five ST strategies (consider a strength to avoid threat, three WO strategies (take advantage of opportunities by overcoming weaknesses), and two WT strategies (defensive and act to minimize weaknesses and avoid threats). These strategic objectives would be examined individually to find out the key success factors that could achieve the strategic objectives of the franchise pharmacy industry.

Table 5.2: TOWS matrix of the franchise pharmacy industry

	Strengths	Weaknesses
Opportunities	<p>SO Strategies</p> <ol style="list-style-type: none"> 1. Increase revenue and market share by expand its network business into new markets (S2, S4, S7, O2, O5, O6, O7) 2. Increase revenues and value by pursuing health related diversification and forming alliances with other businesses (S2, S3, O4, O5, O7) 3. Develop brand recognition by advertising products and the franchise opportunity (S2, S3, S4, S8, O3, O5, O7) 4. Increase competitiveness by making savings of expenditure on products and operations (S1, O6) 	<p>WO Strategies</p> <ol style="list-style-type: none"> 1. Develop new investor and consumer attractions by creating the distinction of the business (W3, O1, O5, O7) 2. Increase success opportunity by selecting good entrepreneurs (W1, O5) 3. Develop good brand image by monitoring and controlling the franchisees' operations to ensure consistent quality (W1, O2, O6)
Threats	<p>ST Strategies</p> <ol style="list-style-type: none"> 1. Maintain brand loyalty by investing in research and development (S2, S3, T5, T6, T8) 2. Maintain quality standard by continuously providing training programs (S5, S6, T3) 3. Sustain competitive advantages by developing and maintain core competencies (S5, S6, T8) 4. Support the business expansion by cooperating with Pharmacy Association, Pharmaceutical Association, and Universities to increase numbers of pharmacists (S2, S4, T1, T3) 5. Maintain competitiveness by joint venture with landowners to access to good sites (S2, S4, T4, T8) 	<p>WT Strategies</p> <ol style="list-style-type: none"> 1. Reduce conflict between franchisor and franchisee by making a clear franchise agreement based on a code of business ethics and increasing the bonding activities (W1, W2, T2) 2. Formulate the right strategy and right solution by conducting the market research (W3, T5, T6, T7, T8)

As Table 5.3, there are 15 key success factors in achieving the strategic objectives of the franchise pharmacy industry. The key success factors include chain store, capital, product and service, collaboration, advertising, cost, staff and franchisee, management, pharmacist, location, concept, quality standard, contract, relationship and information. Since some factors are in a same group, it remains only 11 key success factors – chain store, product and service, advertising, cost, human resource, management, location, concept, quality standard, relationship, and information. Although all key success factors have the effects over the franchise pharmacy industry, some of these factors are more significant than the others. To identify the critical success factors that are extremely important to the franchise pharmacy industry, the key success factors should be weighted. The key criteria that are employed to determine critical success factors consist of numbers of customers, revenue and profit, brand recognition, quality standard, and capital and cost.

Table 5.3: The strategic objectives and their key success factors in achieving the objectives

Strategic Objectives	Key Success Factors
1. Increase revenue and market share by expand its network business into new markets (S2, S4, S7, O2, O5, O6, O7)	the number of chain stores, capital
Because the franchisor has good financial condition, successful prototypes, well-known brand and conduct feasibility studies before any investment, he can increase his revenue and market share by business expansion in order to respond well with increasing customer demands. Moreover, the franchisor can easily contact with his networks and distribute products to his chain stores within short period because modern transportation and communication system in Thailand	
2. Increase revenues and value by pursuing health related diversification and forming alliances with other businesses (S2, S3, O4, O5, O7)	product and service, collaboration
Although the franchisor has very large amounts of money and a variety of products and services, he should pursue health related diversification and collaboration in order to increase revenues and business value. It is important that the products and services should respond well to environment problems and customer demands.	
3. Develop brand recognition by advertising products and the franchise opportunity (S2, S3, S4, S8, O3, O5, O7)	advertising
The franchisor can take the opportunities caused by government policy and increasing, changing customer demands by investing in advertising and public relations of products, services, business success, and franchise opportunity in order to increase brand recognition and attract the potential consumers and entrepreneurs.	
4. Increase competitiveness by making savings of expenditure on products and operations (S1, O6)	cost
The franchisor can increase competitiveness by reducing cost of products by purchasing in bulk and cost of operations by using transportation and communication technology. In addition, the franchisee can decrease cost of products and inventory because he can purchase in small volume with cheaper purchase price from his franchisor. As a result, the franchisee can sell more products with competitive price.	
5. Maintain brand loyalty by investing in research and development (S2, S3, T5, T6, T8)	product and service
Because the franchisor has encounter with problems of price war, low brand loyalty, and fierce competition, so he should invest in research and development to offer new products and services differentiate from general drugstores so as to maintain brand loyalty.	
6. Maintain quality standard by continuously providing training programs (S5, S6, T3)	staff and franchisee
Due to strict government regulation and severe penalty, the franchisor should maintain quality standard in accordance with the regulation by providing continuous training for his employees and franchisees.	

Strategic Objectives	Key Success Factors
7. Sustain competitive advantages by developing and maintain core competencies (S5, S6, T8)	management
Because of many strong competitors, the franchisor should sustain competitive advantages by developing and maintain core competency in management such as the effective training system and the effective technology utilization.	
8. Support the business expansion by cooperating with Pharmacy Association, Pharmaceutical Association, and Universities to increase numbers of pharmacists (S2, S4, T1, T3)	pharmacist
Owing to a shortage of pharmacists and strict government regulation, the franchisor, who has significant bargaining power, should cooperate with pharmacy association, pharmaceutical association, and universities to increase the number of pharmacists in order to support the business expansion.	
9. Maintain competitiveness by joint venture with landowners to access to good sites (S2, S4, T4, T8)	location
Due to many strong competitors and restriction on location, the franchisor who has high bargaining power should joint venture with landowners to access to good sites with lower cost of land in order to maintain competitiveness because good location can increase success opportunity in the business.	
10. Develop new investor and consumer attractions by creating the distinction of the business (W3, O1, O5, O7)	concept
Owning to few franchisors and not unique business concepts, the franchisor should create innovative concept in order to attract more entrepreneurs and consumers and seize the position of the market leader.	
11. Increase success opportunity by selecting good entrepreneurs (W1, O5)	franchisee
The franchisor should pay attention to selecting prospective franchisees because the competent franchisees can improve standard, reduce difference and mistakes, and increase success opportunity in the business.	
12. Develop good brand image by monitoring and controlling the franchisees' operations to ensure consistent quality (W1, O2, O6)	quality standard
The franchisor should monitor and control the operation and management results of franchisees by using computer technology and visiting chain stores in order to control the quality standard and develop good brand image.	
13. Reduce conflict between franchisor and franchisee by making a clear franchise agreement based on a code of business ethics and increasing the bonding activities (W1, W2, T2)	contract, relationship
Due to unclear franchise law and weak franchisor-franchisee relationship, the franchisor should have business ethics, make a clear franchise agreement and increase the bonding activities in order to reduce conflict and problems and improve relationship.	

Strategic Objectives	Key Success Factors
14. Formulate the right strategy and right solution by conducting the market research (W3, T5, T6, T7, T8)	information
Because of the intense competition, many franchise alternatives, price war, and strong bargaining power of consumers, the franchisor with his franchisees should conduct the market research in order to understand the market situation and then develop the right strategy and right solution that is able to well respond to customer needs and want and each situation.	

For the rating, each of key success factors has a total weighted score of 4 points. Assign a rating between 1 and 4 to each key success factor to indicate how significantly the key success factors affect to key criteria, where 4 = significant impact, 3 = above average impact, 2 = average impact, 1 = little impact. The score of each key success factor is shown in Table 5.4. According to Table 5.4, it can conclude that the critical success factors of the franchise pharmacy industry are chain store, product and service, human resource, location, and information because they have higher scoring weight than other factors.

Table 5.4: The key success factors weighting

Key Success Factors Criteria	Maximum Weight	Chain Store	Product and Service	Advertising	Cost	Human Resource	Management	Location	Concept	Quality Standard	Relationship	Information
Numbers of customers	4	4	4	3	3	4	1	4	3	3	3	4
Revenue & Profit	4	4	4	3	4	4	1	4	3	3	3	4
Brand Recognition	4	4	4	4	4	4	1	4	3	4	3	1
Quality Standard	4	4	4	1	1	4	4	1	1	4	1	4
Capital and Cost	4	4	4	4	4	4	4	4	1	2	3	4
Total	20	20	20	15	16	20	11	17	11	16	13	17
Weight Score	1	0.11	0.11	0.09	0.09	0.11	0.06	0.10	0.06	0.09	0.07	0.10

CHAPTER VI

CRITICAL SUCCESS FACTORS AND FRANCHISING CONCEPT

This chapter presents the critical success factors obtained from the progressive study of Questionnaires, Porter's five forces analysis, and SWOT/TOWS analysis. The study revealed that there were five critical success factors of the franchise pharmacy industry – chain store, product and service, human resource, location, and information. After that the identified critical success factors would be used to develop a franchising concept of a pharmacy business. The detail of each factor and a franchising concept would be illustrated as below.

6.1 Critical Success Factors

There are five critical success factors of the franchise pharmacy industry - chain store, product and service, human resource, location, and information. In this section, it is a discussion about importance of the critical success factors and results from achieving or ignoring the critical success factors. This discussion is summarized in Table 6.1.

6.1.1 Chain Store

In the franchise pharmacy industry, the number of chain stores is a critical success factor that demonstrates a franchise company's size and growth. If the company does not increase the number of chain stores, it has no growth.

Nowadays the franchise pharmacy industry has the potential to grow. The number of existing franchised pharmacies is still relatively small. The number of potential entrepreneurs tends to increase. Thai people tend to have an attitude towards convenience, comfort, health care, fast service, a variety of products and services more and more. Advance in technology can reduce time and cost of transportation and communication within networks. Most franchisors have the potential of finance. These are opportunities for the franchisors to expand their businesses by increasing the number of chain stores both franchised units and company-owned units in order to respond increasing demand, generate more income, and increase market share. Moreover, both franchisors and franchisees can gain economies of scale from

centralized purchasing and saving from fixed costs of brand advertising, regular training courses and monitoring of quality through distribution over a large number of outlets; consequently, they can offer products with competitive price. Numbers of chain stores can also develop brand recognition through point-of-purchase displays. However, it should be aware that the more the number of chain stores increases, the more the quality standard may decrease. Therefore it is necessary to continuously monitor and control the quality standard by regular audit.

6.1.2 Product and Service

Because a product and service influences customer's buying decision, it is one of the critical success factors in the franchise pharmacy industry. If a franchised drugstore has expired and poor quality products, has few product categories and small items, or cannot provide good service, consumers may disappoint, dissatisfy and loss their trust. This has bad effects to entrepreneurs' revenues and profits, customer attraction and loyalty, and corporate brand image, which finally lead to ruin. Therefore, a variety of quality product and services is a critical success factor of the franchise pharmacy business. Today most franchisors propose a wider range of products and services than general standalone drugstores in order to more satisfy customers' desires. However, too many and various products result in high inventory cost. Without effective inventory management, problems of over-stock, out-of-stock, dead stock of merchandise and high inventory or ordering cost will arise. Hence, the franchisors should pay attention to product selection and assortment and inventory management in order to suitably respond customers' demands, increase their revenues, and reduce total costs.

Because undifferentiated products and intense competition in the pharmacy industry, most consumers have more bargaining power and can easily switch from a drugstore to another drugstore based on price. To maintain customer loyalty and make profitability, a franchisor should invest in research and development of new products and services that are differentiate from or better than his competitors. The new products and services offered can increase profit margin and retain customers because of no competitor. On the other hand, if the franchisor does not introduce new products and services, he might have to cut a price to compete with competitors, which has a

bad effect to his profitability and brand image. Finally the pharmacy business won't be attractive any longer. Thus, new product and services is another critical success factor of the franchise pharmacy business.

Customer service is crucial to franchising. The franchisor that has good customer service can satisfy his customers, increase customer loyalty and attract more customers. At the present time, most franchisors provide assistance to franchisees such as location assessment, store design and decoration, training, marketing and advertising program, merchandises, operational procedures, and so on. If a franchisor does not provide good supports to his franchisees, the relationship problems would take place. Consequently, good customer service is critical success factor of the franchise pharmacy industry that helps to develop brand loyalty and franchise relationship and to attract more new consumers.

Collaboration is the critical success factor of the franchise pharmacy industry. The franchisors can increase business value by forming alliance with other business partners in order to provide benefits to his customers and appeal to more new investors and consumers.

6.1.3 Human Resource

Human resources are another critical success factor of the franchise pharmacy industry because success in business is caused by standard practice and good management through competent personnel. The key personnel in the franchise pharmacy industry are pharmacists, staff, and franchisees. Besides quality products, the heart of the pharmacy business is the quality of the service that has considerable influence over a customer's decision. The smart, competent personnel can satisfy customers' desires with quality service. However, today the quality standard of each chain store is rather different owing to different operations and management results. Moreover, the pharmacy business involves with people's lives and many regulations. If franchisees and staff make mistakes and break a regulation, it causes considerable damages. This badly affects the brand image of the franchise business. To maintain the quality standard, the franchisor should improve knowledge and skills of operations

and management by providing ongoing training programs and operations manuals to his employees and franchisees.

A pharmacist is a critical success factor of the franchise pharmacy industry. Many customers select a drugstore by considering a pharmacist, so the pharmacist influences customer's decision. The pharmacist who provides good service such as providing information, recommendation and encouragement, making polite conversation, and behaving in an honest way can establish credibility and trust with his customers, increase customer loyalty, and attract new customers. Customers would be glad to pay more for good treatment service by a professional qualified pharmacist. Moreover, under Drug Act, a drugstore must have a pharmacist available at opening time. But since Thailand is facing a shortage of pharmacists and a cluster of pharmacists in Bangkok and central region, this is serious issue for franchisors who want to expand their chain stores to other regions especially in the rural areas. Therefore, the business expansion is limited in the rural areas in spite of more drug consumption in upcountry. The problem of a lack of pharmacists might result in an increase in salary level of a pharmacist that may cause a high cost compared with monthly income level of a drugstore. Because of barriers in the pharmacist shortage and high cost, a pharmacy franchise might not be attractive for entrepreneurs. To solve this problem, the franchisors should negotiate and cooperate with Pharmacy and Pharmaceutical Association and Universities to increase numbers of pharmacists.

Besides pharmacists, other competent employees have participation in maintaining the quality standard such as location selection and assessment, store decoration, in-house training and on-site training, internal audit. Without these employees, the quality standard of chain stores is different, corporate brand image is damaged, and costly mistakes may occur. Thus, the employees are the critical success factor of the franchise pharmacy business.

A franchisee is a critical factor for success of the franchise pharmacy industry. The good franchisees that can effectively and efficiently manage their businesses will be able to succeed in doing their businesses. Meanwhile, franchisees that lack knowledge, experiences, management skills, motivation and adequate capital may not

understand the business, make mistakes, and break a rule or an agreement, and eventually end in failure and end with the termination of agreement. Mistakes of a franchised pharmacy may have a bad effect to the franchisor's brand image. This may result in the collapse of the franchise business. Today even though there are many potential entrepreneurs, the franchisor should carefully select and evaluate the prospective franchisees and provide continuous training programs to the franchisees so as to resolve these problems, maintain quality standard, and increase business success opportunity.

6.1.4 Location

The three most important criteria for success of the franchise pharmacy industry are location, location, and location! Selection of the right location for a proposed franchise outlet can increase success opportunity in the business. Both the franchisor and the franchisee can generate more income and have a faster, better return on investment in the good location. If a location is not good, an entrepreneur has lower revenue than the costs because of small numbers of customers, which lead to a loss. For a good location, besides increased numbers of customers and more revenue and profit, many customers in the area can make more aware of the corporate brand. Most franchised drugstores were located at high traffic, population density and high visibility locations such as department stores, main streets, etc. in cities or urban areas that are the main centers where tourists, expatriates, youth and professionals go to for shopping, socializing and entertaining. However, at the present it is hard to access to good location because of the high rent or many competitors in the area. Therefore, this is an important obstacle for business expansion. To solve the problem and sustain competitiveness, they should joint venture with the landowners to access to the good locations with lower costs.

6.1.5 Information

Another critical success factor of the franchise pharmacy industry is the information. The adequate, relevant information helps franchisors be able to develop good strategies to respond to the situations correctly and appropriately. It is important that franchisors should know information about customers' demands, competitors,

suppliers, market situation, sales revenue and profit from chain stores, inventory and so forth. The gathered information is used for sales forecast, product selection and assessment, product and service improvement, quality control, inventory management, cost reduction, business growth analysis, local market analysis, marketing strategy development, charge for royalty fees, and so on. Without information, both franchisors and franchisees may encounter with many problems such as high inventory or ordering cost, sold expired products, out of stock, unwanted products for customers, ineffective strategy, loss of market share, incorrectly calculated fees from franchisees and so forth. Nowadays most franchisors encounter with many competitors, price war, low brand loyalty, various franchise alternatives, so they should collect and analyze the information from a wide range of sources to create innovative concepts and develop good strategies to achieve the corporate goals. Moreover, the franchisors invest to use the available technology for information management to improve transaction processing, enhance communication, control inventory, and reduce cost and mistakes. Meanwhile, the traditional trade drugstores that have not the information system often face with problems of complicated process, excess inventories, high cost, expired products, low service quality, and accounting and financing.

Table 6.1: Summary of the critical success factors of the franchise pharmacy business

CSFs	Importance	Success	Failure
Chain Store	Demonstrates a franchise company's size and growth	<ul style="list-style-type: none"> - well respond customers' demand - generate more income - increase market share - gain economies of scale - develop brand recognition 	<ul style="list-style-type: none"> - no growth
Product and Service	Influences customer's buying decision	<ul style="list-style-type: none"> - satisfy customers' desires - make profitability - develop and maintain customer loyalty - improve franchise relationship - attract more new customers 	<ul style="list-style-type: none"> - lack of trust - decreased revenue and profit - no attraction for customers - damaged corporate brand image - relationship problems - ruin
Human Resource	leads to success in business	<ul style="list-style-type: none"> - satisfy customers' desires - maintain the quality standard - increase customer loyalty - attract new customers - increase revenue and profit - increase business success opportunity - reduce mistakes 	<ul style="list-style-type: none"> - costly mistakes - damaged corporate brand image - limited business expansion - increased cost - no attraction for customers - business failure and termination of agreement
Location	Increase success opportunity in business	<ul style="list-style-type: none"> - increase revenue and profit - have a faster, better return on investment - develop brand recognition 	<ul style="list-style-type: none"> - limited business expansion - low revenue - a loss
Information	Respond to the situations correctly and appropriately	<ul style="list-style-type: none"> - can effective manage marketing, finance, and operations - reduce cost and mistakes - develop good strategy 	<ul style="list-style-type: none"> - ineffective management - increased cost and mistakes - loss of market share

6.2 Franchising Concept

Franchising concept is the way for franchising a business. It is a description of vision, mission, objectives and action plan of a firm. In this section, the franchising concept of a pharmacy business would be developed on the basis of the strategic success factors that are prerequisites for a franchisor's ability to meet the corporate goals.

6.2.1 Vision

“To have chain drugstores throughout the central region within five years”

6.2.2 Mission

1. To increase chain drugstores by entering into new markets to provide the most convenient access to healthcare services and consumer goods.
2. To improve and maintain the quality standard of products, services and stores for our customers at all levels.
3. To establish learning organization to develop employees' capabilities.
4. To earn the trust of our customers and build shareholder value.
5. To develop marketing, operations and financial management systems.

6.2.3 Objectives

1. To increase thirty stores in Bangkok and surrounding areas by three years.
2. To increase revenue and profit by at least 15% every year.
3. To reduce costs by at least 15% every year.
4. To increase customer satisfaction level at least 90% every year.
5. To improve employees' performance level at least 10% every year.

6.2.4 Action Plan

Table 6.2: Action Plan for franchising from 2009-2011

No	Task	Action	By	Timeframe	Performance Indicator
1	Set up prototypes	- store design and layout, location surveys, investment feasibility study, product and equipment selection	franchisor	Jan-Mar, 2009	design, location, analysis, list of products and equipment
		- construct prototype stores and set up a point-of-sales system	franchisor	Apr-June, 2009	prototype stores
		- run business and set a business format	franchisor	From Jul, 2009, annually	revenue, profit, cost, business format model
2	Expand chain stores	- set up a project team	franchisor	July-Dec, 2009	a project team
		- explore new locations, joint venture or acquisition of new sites and conduct feasibility study	operations manager	quarterly	list of locations, analysis
		- raise funds for investment	financial manager	twice a year	capital
		- build corporate drugstores and run businesses	operations manager	2010-2011, annually	drugstores, revenue, profit
		- develop and implement advertising and promotion strategy	sales & marketing manager	monthly	strategy, level of awareness by customers, sales volume, sales revenue, profit
		- select franchisees and build franchised drugstores and run businesses	operations manager	2010-2011, annually	franchisees, drugstores, revenue, profit
3	Product and service development	- improve customer service and provide other supports	operations manager	ongoing	level of customer satisfaction
		- research and development of products and services	marketing manager, operations manager	quarterly	market research, product options
		- production and market testing	marketing manager, operations manager	quarterly	new product introduction, feed back from consumers

No	Task	Action	By	Timeframe	Performance Indicator
3	Product and service development	- develop and implement advertising and promotion strategy	marketing manager, store manager, franchisee	monthly	strategy, level of awareness by customers, sales volume, sales revenue, profit
		- select and assess products and services offering	operations manager, store manager, franchisee	monthly	list of fast moving products, level of customer satisfaction
4	Collaboration	- Identify/contact representatives of universities and business partners	human resource manager	Jan, 2010	list of contracts, working relationship with representatives
		- develop and implement mutual strategy with universities	human resource manager	yearly	strategy, benefits, level of awareness by pharmacist students, the number of pharmacists
		- develop and implement mutual strategy with business partners	human resource manager	yearly	strategy, benefits, level of customer satisfaction
5	Improve quality and management	- set up training system and provide training	human resource manager	Mar, 2010, ongoing	procedures, training schedule, level of knowledge and skills
		- set up management information system and analyze information	operations manager, IT	Mar, 2010, monthly	information
		- set up quality system	operations manager	Jun, 2010	level of quality and customer satisfaction
		- develop and implement strategy	operations manager, store manager, franchisee	monthly	strategy, revenue, profit, cost, level of customer satisfaction

CHAPTER VII

CASE STUDY

According to the rapid growth rate of the franchise and chain pharmacy industry in past ten years ago in Thailand, it represents that there are many potential entrepreneurs who are interested in doing and expanding the pharmacy business in franchise system. This chapter provides an introduction to the franchising of the pharmacy business by developing a case study of franchising of Udom Pharmacy to be a guideline for new entrepreneurs. The case study consists of a business format franchising concept and a model of franchise management, which is explained as follows.

7.1 Business Format Franchising Concept

The partnership in franchising between franchisor and franchisee is detailed in a contractual franchise agreement and manual which precisely specifies all rights and duties of both parties as Figure 7.1. The franchisor offers a turnkey business concept for starting and running the business. This concept is developed from the franchisor's experiences, accumulated through trial and error, and is detailed precisely in a manual, so that each franchisee can replicate the concept locally on site. Additionally, the franchisor provides a catalogue of services to support the franchisee's efforts. This includes services such as property rights, marketing, the provision of general agreements with suppliers, training, supervision and consulting, market information or quality management. In turn, the franchisor receives an initial and ongoing franchise fee from its franchisees and has the authority to issue directives and introduce control mechanisms over franchisees to protect the franchise system and its reputation.

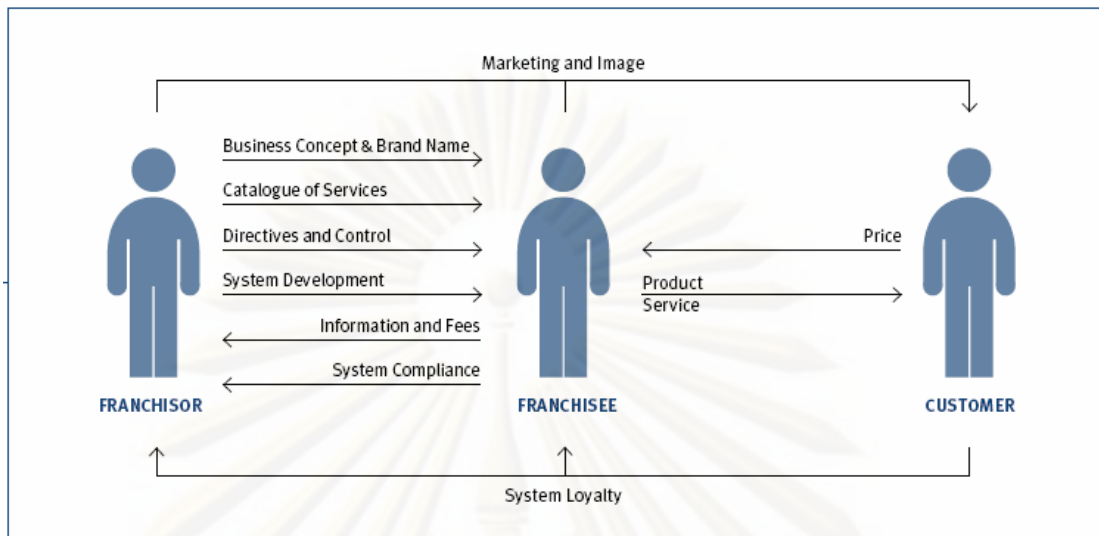


Figure 7.1: The franchise system

7.1.1 Business Model

We develop a business model of Udom Pharmacy that consists of five key elements:

1. *Differentiated merchandising strategy.* Udom Pharmacy is developed under a concept “one store operators” that offers a wide range of high quality products and services, including many not traditionally available in general or independent drugstores, to meet the needs of its customers. These products include medicines, healthy and beauty products, personal care products, nutrition, vitamins and dietary supplements, medical supplies and medical devices, and others. The pharmacy also sells a number of house brand products that are developed specifically for its stores. Furthermore, the customers can be obtained health information, treatment services, and health check services by professionally qualified staff in Udom Pharmacy. Merchandising strategy of Udom Pharmacy is implemented through a variety of means. It employs item-by-item inventory management to keep top-selling items in-stock. Moreover, it promotes new high-potential items. In addition, customer buying patterns are monitored by its franchisees and store managers to maximize store sales, keep stock on popular items, managing product assortment and merchandising effectively.

2. *Utilization of Udom Pharmacy's retail information system.* Udom Pharmacy uses an integrated set of retail information tools to control business information in its stores and its network.

The Udom Pharmacy's retail information system features:

- A point-of-sale (POS) system with a barcode scanner and a member card;
- Daily ordering, supported by five-day forward-looking weather forecasts, merchandise messages and historical sales information;
- Category management and item level sales analysis;
- Automated back-office functions, such as sales and cash reporting, payroll, pricing and inventory control, which are connected directly to the company accounting system; and
- The ability to make delivery adjustments.

3. *Managed distribution.* Udom Pharmacy works with its vendors and third parties and establishes distribution centers to provide regularly delivery of products to its stores, to lower the cost of delivery, and to shift deliveries to off-peak hours. Each center would typically serve stores within a 12 hours drive. The distribution centers, which consolidate orders from multiple suppliers for product distribution to individual stores, offer advantages of more frequent and customized deliveries and improved in-stock levels.

4. *Providing a good shopping environment.* Udom Pharmacy provides its customers with a modern, convenient, safe and clean store environment. The majority of Udom Pharmacy in Thailand provides daily customers with 12-hour convenience, seven day a week. In addition, Udom Pharmacy has modern trade style that consists of modernized store signage, brighter lighting inside and outside its stores, and less-cluttered display.

5. *Unique franchise management model.* Udom Pharmacy develops a franchise management model for its corporate drugstores and franchised drugstores. Our franchise management model is different from most others because Udom

Pharmacy provides ongoing supports and other benefits to its franchisees more than most franchisors, including training, purchasing, inventory, financing, bookkeeping, promotion and advertising, business counseling and other services and then receive the ongoing royalties from its franchisees based upon a percentage of store gross profit. In addition, Udom Pharmacy periodically develops marketing strategies to respond its markets effectively, continually improves franchisor-franchisee relationship, and regularly audits to maintain the quality standard.

7.1.2 Business Development Plan

Business Concept

Udom Pharmacy focuses on modern trade, convenience, cleanliness, safety, health professionals, quality, a variety of products and services, reasonable price, and good management.

Business Expansion

Udom Pharmacy plans to run five pilot operations in the first year and expand approximately 30 to 50 drugstores throughout Bangkok and other provinces in central region of Thailand in the next five years. The ratio of company corporate stores to franchised stores is about 30:70. The business expansion starts from metropolitan areas, core urban areas, suburban areas, and local areas, respectively.

Business Collaboration

Udom Pharmacy will cooperate with Pharmacy and Pharmaceutical Association and Universities to reduce a problem of pharmacist shortage by giving scholarships, providing the internship program, offering incentives to its new employees, making a contribution to its society. Udom Pharmacy also arranges mutual activities such as internship program, social contribution activities, etc. These help to increase numbers of pharmacists enough for its business expansion, to attract new graduate pharmacists to work with the organization, and to develop brand recognition.

Partnership is a method to add more value in the business. Udom Pharmacy plans to cooperate with other business partners such as insurance companies, fitness centers, hospitals, restaurants, etc. in order to provide benefits to its franchisees and its customers. For instance, though relationship with insurance companies, Udom Pharmacy can obtain insurance reimbursement coverage for insured customers using treatment services from its pharmacies. Franchisees and customers of Udom Pharmacy can get a 10% discount when they pay for services at the restaurants, hospitals, and fitness centers that are the business partners.

Franchisor Support Services

Udom Pharmacy provides continuous supports to its franchisees. It provides assistance in store design and decoration, site selection, transportation service, application software, financing, marketing, supplies and merchandise, training, operation manuals, research and development, and advice and consultation.

7.1.3 Marketing Plan

Target Market

Udom Pharmacy emphasizes medium to high end market. A majority of its target customers are in groups of patients, health care people and general people who are in the age range of 18-55 years, need convenience, fast and good service, quality products at reasonable price, and prefer modernity. The customers need to have a monthly household income of more than 8,000 baht.

Marketing Mix

- *Product and Service*

Udom Pharmacy offers an increasing range of products and services that are classified as below. Udom Pharmacy generally has standard size at 84 square meters (6x14) or one building block and carries 1,500 merchandise items. The company arranges merchandises following purchasing orders from franchisees. In each store, product mixes will be continuously changed to suitably respond to customer preferences in each market. In addition, Udom Pharmacy provides customers with

good services by qualified pharmacists and staff. The new products and services are launched or offered every month.

Products

The products sold in Udom Pharmacy are generally categorized into five categories as the following proportion:

Medicines 42%. The medicine category includes 32% modern drugs, 5% ready-packed modern drugs, and 5% traditional drugs such as digestion aids, cough, cold, allergy and pain relief medications, medical herbs, household remedies, and other health-related products.

Beauty, Spa and Personal Care Products 23%. The beauty, spa and personal care category includes 1% beauty products, 3% spa products, and 19% personal care products such as pharmaceutical cosmetics, hair, oral, skin and foot care products, home spa products.

Nutrition, Vitamins, and Dietary Supplements 29%. The nutrition, vitamin, and dietary supplement category includes 2% nutritional foods and 27% vitamins and dietary supplements, e.g. milk powder products, brand products, diet and weight loss products, sports and exercise nutrition products.

Medical Supplies and Medical Devices 5%. The medical supply and medical device category includes 2% medical supplies and 3% medical devices such as first aid products, patient devices, blood tests, blood sugar and fat tests, and hearing tests.

Others 1%. The other category includes 0.25% baby products, 0.25% food and drink products, and 0.5% general products such as milk products, condom, nicorette gum, etc.

Services

Information and Recommendation. The information and recommendation is provided to customers in order to make informed purchasing decisions and effective self treatment. Consumers can either access online information directly on its website or get free recommendation from its pharmacists through buying and selling, telephone, and e-mail. Its services include giving product and treatment information, monitoring symptoms, providing health guide, and so on.

Health Check. The health check services with medical devices by medical staff is offered to patients in order to measure their actual health status such as the blood cholesterol level test, bone density test, etc.

- *Place*

Udom Pharmacy's customers are provided with a modern, convenient, safe and clean store environment with same quality standard in each store. Udom Pharmacy continually seeks ways to improve customer convenience through two types of distribution points as follows;

1. The standalone drugstores. Its area is 84 square meters (6x14 m.) or one building block (standard size) that carries about 1,500 merchandise items as Figure 7.2. The drugstore mostly is situated next to busy roads, in shopping centers, in office buildings, in markets; for example, The Malls, Time square Building, Pak Kret Market, etc. It has good visibility, some drive-through facility, and ample parking facility for quick in-and-out shopping.



Figure 7.2: The example of an ideal drugstore

2. The freestanding unit or kiosk. Its area is about 12 square meters (6x2 m.) in size as Figure 7.3 that generally is located in the department stores and office buildings i.e. Lotus, Big C. This drugstore will carry only medicine, nutritional supplements, and medical supplies that are fast moving products.



Figure 7.3: The example of an ideal freestanding unit or kiosk

Based on the working groups and age levels of the population in a neighboring area within a radius of 350 metres (that is, a five minute walking distance from a particular Udom Pharmacy), all selected site locations are categorized into five types – roadsides, shopping centers, office buildings and busy streets, residences, and complex.

- *Price*

A range of price is fixed or recommended by the company with a price maintenance policy. However, franchisees are free to establish their store's retail prices to compete with local competitors or respond with the market situation. The pricing policy is set by considering these factors – cost, the availability of products, competition, customer demands, value of products and services, and historical sales data in order to attract new customers and retain customers.

- *Promotion and Advertising*

Udom Pharmacy will launch monthly sales promotions and advertising campaigns to build brand recognition, increase customer traffic to its stores, enhance existing customer demand, add new customers, build strong brand loyalty, maximize repeat purchases and develop incremental revenue opportunities. For example, Udom Pharmacy offers bonuses, free coupons and discount for its franchisees and its

customers based on sales volume. It uses many advertising methods such as letters, websites, public relations, trade shows, personal selling, media including radio spots, print ads, posters, magazines, newsletters, and point-of-purchase displays to attract new customers and retain old customers.

Sales Forecast

According to summary of sales revenue from questionnaires as Table 7.1, there are five drugstores that can earn income per month in a range of 500,000-700,000 baht. The average sales revenue of this group of drugstores is about 650,000 baht. We expect that Udom Pharmacy could make sales revenue more than 500,000 baht per month, which sales forecast in the first year would be about 649,000 baht per month or 7,788,000 baht per year. According to Table 7.2, the sales revenue would be expected to continuously increase 15% every year. We predicts that almost 50% of products in stock would be sold to customers except for medical devices that might be sold only 10% of inventory and most sales revenue would be generated from medicines 42%, beauty, spa and personal care products 23%, nutrition, vitamins and supplements 29%, medical supplies and medical devices 5%, and other products 1%. The company expects to earn income about 649,000 baht per month or 7,788,000 baht in the first year and then increase to 13,621,261 baht in the fifth year.

Table 7.1 Summary of sales revenues per month of drugstores in a range of 500,000-700,000 baht (source: from 5 questionnaires)

Drugstores	Sales Revenues
Example 1	550,000
Example 2	700,000
Example 3	650,000
Example 4	650,000
Example 5	700,000
Total	650,000

Table 7.2: Sales Forecast

Product Groups	Percent	Month	Year 1	Year 2	Year 3	Year 4	Year 5
Medicines	42%	272,000	3,264,000	3,753,600	4,316,640	4,964,136	5,708,756
- Modern Drugs		205,000	2,460,000	2,829,000	3,253,350	3,741,353	4,302,555
- Ready-Packed Modern Drugs		35,000	420,000	483,000	555,450	638,768	734,583
- Traditional Drugs		32,000	384,000	441,600	507,840	584,016	671,618
Beauty, Spa and Personal Care Products	23%	150,000	1,800,000	2,070,000	2,380,500	2,737,575	3,148,211
- Beauty Products		4,000	48,000	55,200	63,480	73,002	83,952
- Spa Products		18,000	216,000	248,400	285,660	328,509	377,785
- Personal Care Products		128,000	1,536,000	1,766,400	2,031,360	2,336,064	2,686,474
Nutrition, Vitamins and Supplements	29%	191,000	2,292,000	2,635,800	3,031,170	3,485,846	4,008,722
- Nutritions		12,000	144,000	165,600	190,440	219,006	251,857
- Vitamins & Dietary Supplements		179,000	2,148,000	2,470,200	2,840,730	3,266,840	3,756,865
Medical Supplies and Medical Devices	5%	32,000	384,000	441,600	507,840	584,016	671,618
- Medical Supplies		13,000	156,000	179,400	206,310	237,257	272,845
- Medical Devices		19,000	228,000	262,200	301,530	346,760	398,773
Others	1%	4,000	48,000	55,200	63,480	73,002	83,952
- Baby Products		1,000	12,000	13,800	15,870	18,251	20,988
- Food & Drink Products		1,000	12,000	13,800	15,870	18,251	20,988
- General Products		2,000	24,000	27,600	31,740	36,501	41,976
Total	100%	649,000	7,788,000	8,956,200	10,299,630	11,844,575	13,621,261

7.1.4 Cost Analysis

The cost structure of a Udom Pharmacy store is categorized into four types: initial investment cost, material cost, labor cost and overhead cost as follows;

Initial Investment Cost

Initial investment cost in a Udom Pharmacy store is estimated about 2,150,000 baht that includes costs of a store construction work, a PC-POS set, a start-up supplies, and initial franchise fee as Table 7.3.

Table 7.3 Initial Investment	Percent	Unit	Cost
Store Construction Work - Construction - electricity and water system and painting - Drug Show Cases - Store Shelve	23%	1 Job	500,000
PC-POS set - CCD Barcode Scanner - Slip Printer - Cash Drawwer - POSWARE - Personal Computer (PC)	2%	1 Set	50,000
Start-up Supplies, Inventory	61%	1500 items	1,300,000
Medicines	50%	750	465,000
- Modern Drugs	60%	450	350,000
- Ready-Packed Modern Drugs	20%	150	60,000
- Traditiaon Drugs	20%	150	55,000
Beauty, Spa and Personal Care Products	25%	375	288,000
- Beauty Products	10%	38	8,000
- Spa Products	5%	19	35,000
- Personal Care Products	85%	319	245,000
Nutrition, Vitamins and Supplements	17%	255	368,000
- Nutritions	20%	51	23,000
- Vitamins & Dietary Supplements	80%	204	345,000
Medical Supplies and Medical Devices	6%	90	171,000
- Medical Supplies	85%	77	25,000
- Medical Devices	15%	14	146,000
Others	2%	30	8,000
- Baby Products	25%	8	2,000
- Food & Drink Products	40%	12	2,000
- General Products	35%	11	4,000
Initial Franchise Fee	14%	1 franchise	300,000
Total	100%		2,150,000

Material Cost

The major cost element of Udom Pharmacy is product cost. According to sales forecast, Udom Pharmacy estimates that most sales revenue would be generated from medicines 42%, beauty, spa and personal care products 23%, nutrition, vitamins and supplements 29%, medical supplies and medical devices 5%, and other products 1%. According to a senior project “assessment of operating cost in community pharmacy”, the researchers conducted survey of drugstores’ incomes and found that most drugstores could make average profit margin at least 30% of sales revenues. Therefore, in this project we expect that profit margin is about 30% on sales revenue. The material cost is approximately estimated 454,300 baht per month or 5,451,600 baht in the first year as Table 7.4.

Product Groups	Percent	Month	Year 1
Medicines	42%	190,400	2,284,800
- Modern Drugs		143,500	1,722,000
- Ready-Packed Modern Drugs		24,500	294,000
- Traditional Drugs		22,400	268,800
Beauty, Spa and Personal Care Products	23%	105,000	1,260,000
- Beauty Products		2,800	33,600
- Spa Products		12,600	151,200
- Personal Care Products		89,600	1,075,200
Nutrition, Vitamins and Supplements	29%	133,700	1,604,400
- Nutritions		8,400	100,800
- Vitamins & Dietary Supplements		125,300	1,503,600
Medical Supplies and Medical Devices	5%	22,400	268,800
- Medical Supplies		9,100	109,200
- Medical Devices		13,300	159,600
Others	1%	2,800	33,600
- Baby Products		700	8,400
- Food & Drink Products		700	8,400
- General Products		1,400	16,800
Total	100%	454,300	5,451,600

Labor Cost

The labor cost consists of salaries for a store manager (only the company owned stores), a pharmacist and a pharmacist assistance including overtime payments and bonuses as Table 7.5. The labor cost would yearly increase 10%. Total labor cost in the first year is estimated approximately 651,200 baht.

	Month	Year 1
Store Manager (only the corporated stores)	15,000	180,000
Pharmacist	15,000	180,000
Asst. Pharmacist	8,000	96,000
Overtime (O.T)	16,267	195,200
Total	54,267	651,200

Overhead Cost

The overhead cost includes rent or lease, indirect material cost, advertising cost, depreciation cost, maintenance and security cost, license and insurance cost, telephone and utility cost as Table 7.6. Total overhead cost in the first year is estimated approximately 545,000 baht. The overhead cost is divided into two types – fixed cost and variable cost. The fixed cost is rent or lease, advertising cost,

depreciation cost, maintenance and security cost, and license and insurance cost. The variable cost is indirect materials and telephone and utility cost. The variable cost would increase in proportion of sales revenue.

Table 7.6 Overhead Cost	Month	Year 1
Rent or Lease	15,000	180,000
Indirect materials	2,500	30,000
Advertising	1,500	18,000
Depreciation	14,167	170,000
Maintenance and Security	3,000	36,000
Licence and Insurance	-	15,000
Telephone and Utility	8,000	96,000
Total	44,167	545,000

In addition, for franchisees, they need to pay for other expenditures such as bonus 1% of gross sales, royalty fee 5% of gross sales and advertising fee 3% of gross sales, and income tax 30% of profit.

7.1.5 Financial Plan

Income Statement

The terms of the franchise agreement of a business investment project is assigned for five year. Regarding sales forecast and estimated costs, a Udom Pharmacy store could make a profit to 667,302 baht or 8.57% in the first year and at the end of project, it could increase profit to 1,541,799 baht or 11.32% as Table 7.7.

Table 7.7: Estimated Income Statement Per Year (Base Case)

Estimated Income Statement Per Year	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Revenue	7,788,000	8,956,200	10,299,630	11,844,575	13,621,261
Cost of Goods Sold	5,451,600	6,269,340	7,209,741	8,291,202	9,534,882
Gross Sales	2,336,400	2,686,860	3,089,889	3,553,372	4,086,378
Labor Cost					
Wages	651,200	716,320	787,952	866,747	953,422
Overhead Cost					
Rent or Lease	180,000	180,000	180,000	180,000	180,000
Indirect materials	30,000	33,000	36,300	39,930	43,923
Advertising	18,000	18,000	18,000	18,000	18,000
Depreciation	170,000	170,000	170,000	170,000	170,000
Maintenance and Security	36,000	36,000	36,000	36,000	36,000
Licence and Insurance	15,000	15,000	15,000	15,000	15,000
Telephone and Utility	96,000	105,600	116,160	127,776	140,554
Total Expenses	1,196,200	1,273,920	1,359,412	1,453,453	1,556,899
Franchise Fees					
Royalty Fee 5%	116,820	134,343	154,494	177,669	204,319
Advertising Fee 3%	70,092	80,606	92,697	106,601	122,591
Total Fees	186,912	214,949	247,191	284,270	326,910
Profit before tax	953,288	1,197,991	1,483,286	1,815,649	2,202,569
Income tax 30% / year	285,986	359,397	444,986	544,695	660,771
Net Profit	667,302	838,594	1,038,300	1,270,955	1,541,799
Net Profit / Revenue (%)	8.57%	9.36%	10.08%	10.73%	11.32%

Cash Flow Statement

The estimated cash flow in each year is shown in Table 7.8. It demonstrates that annual cash flow from the first year to fifth year is surplus and increases continuously in each year.

Table 7.8: Estimated Cash Flow

Year	0	1	2	3	4	5
In-Flow		7,788,000	8,956,200	10,299,630	11,844,575	13,621,261
Out-Flow	850,000	6,950,698	7,947,606	9,091,330	10,403,620	11,909,462
Cash Flow	-850,000	837,302	1,008,594	1,208,300	1,440,955	1,711,799

Project Analysis

According to Table 7.9, the estimated net present value (NPV) of the investment project at 10% discount rate is about 3,363,299 baht that is positive and a good sign. It reflects that such an investment is desirable and worthwhile because it creates value for a business owner. The internal rate of return (IRR) of the investment is equal to 113% which is significantly higher than the deposit interest rate at 3.5% or the return on other investments. It shows that the internal rate of return of the investment is much more than the opportunity costs. The payback period is about one year and one month.

Table 7.9: Investment Analysis

Criteria	Value
NPV	3,363,299.33
IRR	113%
Payback Period	1 years 1 months

Sensitivity Analysis

The research also studies the sensitivity of the changing demand, changing cost, and changing investment to identify how much the NPV was changed due to these changes. According to Table 7.10 and Figure 7.4, if the consumer demand decreases 43%, NPV is 4,213 baht and IRR is 10%. It could be summarized that the project investment is still feasible if the minimum demand should not be lower than 43% of that of base case. If the investment capital increases 435%, NPV is 390 baht and IRR is 10%. It could be demonstrated that the project investment is still feasible if the maximum investment should not more than 435% of that of base case. If the cost increases 125%, NPV is 650 baht and IRR is 10%. It could be reflected that the project investment is still feasible if the maximum cost should not higher than 125% of that of base case. Therefore, for this study, it seems that demand is the most sensitive to the project feasibility, in comparison to the change of investment and cost. In addition, the change of the project investment and project cost that make the project not feasible might hardly occur.

Table 7.10: Sensitivity Analysis

Scenario	Base Case	Demand Change	Investment Change	Cost Change
		Worst Case -43%	Worst Case +435%	Worst Case +125%
NPV	3,363,299	4,213	390	650
IRR	113%	10%	10%	10%
Payback Period	1 years 1 months	4 years 2 months	4 years 1 months	4 years 3 months

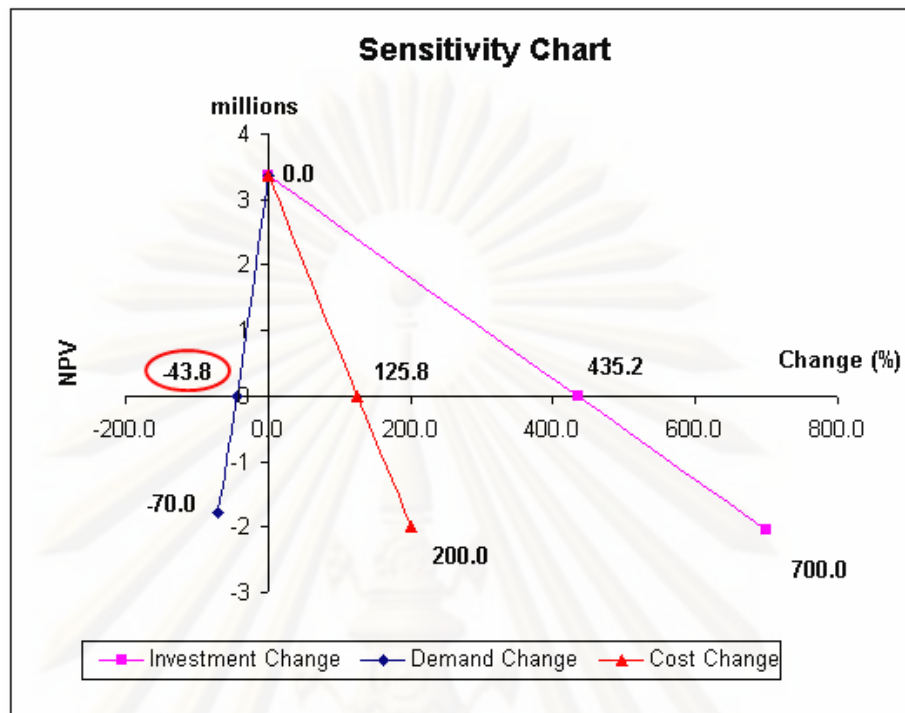


Figure 7.4: Sensitivity Chart

7.2 A Model of Franchise Management

Franchise management system of Udom Pharmacy is mainly categorized into organization management, operations management, and quality management. The effective franchise management can reduce cost, improve productivity, increase revenue, and develop strong brand.

7.2.1 Organization Management

An organization chart is particularly useful for clearly defining the authority-responsibility relationships and indicates the formal decision-making and communications channels. [32] The franchise organization chart of the company is shown as Figure 7.5.

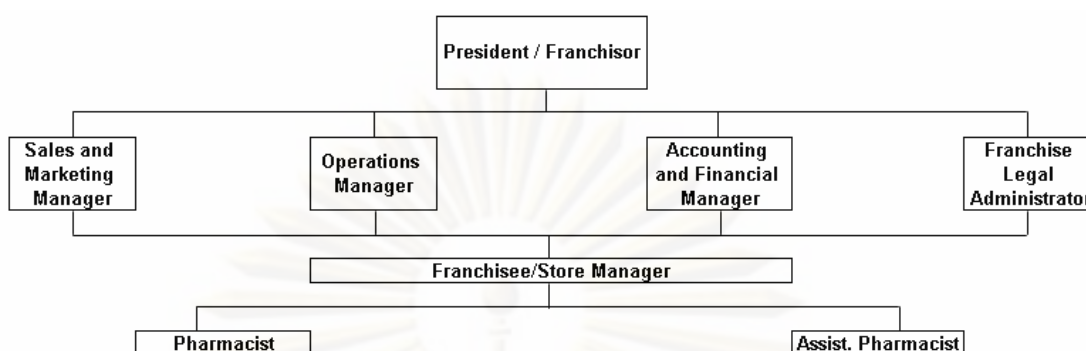


Figure 7.5: Franchise Organization Chart

In Udom Pharmacy's organization, most authority remains with managers at the company. Operations management, sales and marketing management, accounting and financial management and legal and franchise contract are centrally managed. To a great extent, this organization standardizes the performance of all outlets. Store managers and franchisees supervise the employees in their stores and are responsible for sales, the purchase, the inventory, and day-to-day operations. The company decentralizes its franchise stores to adapt better to local conditions, whereas it control store managers to focus on maintaining operations standard in branch stores more than the adaptation to local market.

The qualifications, job descriptions, and salaries for each position are shown as Table 7.11.

Table 7.11: The qualifications, job descriptions, and salaries

President / Franchisor	
Qualifications:	Education: Bachelor's Degree To Master's Degree in Pharmaceuticals or Pharmacy field Experience: Minimum 10 years in managing pharmacy operations, hiring and supervising staff, performing administrative duties, and buying and selling pharmaceutical and non-pharmaceutical merchandise.
Job Description:	<ul style="list-style-type: none"> - Develop the company policy - vision, mission and define 3-5 years business plan for Udom Pharmacy - Spearhead the implementation of the business plan and deliver results in terms of network expansion & profit - Set performance targets (i.e. KPIs) of the company's managers with inputs from managers and evaluate performance, ensure that sufficient brand management capabilities exist and input into hiring, firing and appraisal of the managers & staff - Arrange regular meetings, monitoring and planning sessions with managers and franchisees, lead strategy discussions and manage quarterly and annually strategy performance review, and handle requests and related to overall performance and strategy - Ensure consistency of the Udom Pharmacy brand, agree brand standards, ensure that all Udom Pharmacies, staff and process comply with standards
Salary:	50,000 baht
Sales and Marketing Manager	
Qualifications:	Education: Bachelor's Degree To Master's Degree in Marketing or related field Experience: At least 3-5 years of working experience in marketing, building sales in a multi-unit environment; preferably with a franchise organization
Job Description:	<ul style="list-style-type: none"> - Develop and implement integrated co-op marketing plans to penetrate brand awareness and counsel to franchisees on local level marketing plans to drive individual site performance - Analyze market conditions and initiative results to develop strategies, improve performance and implement plans for optimal market penetration and increased market share - Establish and provide primary liaison and information source of all marketing programs for franchisees and operations - Develop sales forecast and Plan, organize, implement and monitor activities to ensure sales revenue target is achieved - Prospect new franchisees and maintain relationships and customer service for franchisees existed
Salary:	30,000 baht
Accounting and Financial Manager	
Qualifications:	Education: BA/MA in accounting / finance of related fields Experience: At least 5 years in accounting or financial field and management
Job Description:	<ul style="list-style-type: none"> - Propose the budget plan and prepare financial statements and various accounting reports - Analyze monthly, yearly business results of all branches - Analyze and evaluate project investment - Manage and control financial cost, cash and dept and Control stock-inventory system
Salary:	30,000 baht

Operations Manager	
Qualifications:	Education: BA/MA in Engineering Management, Business Management or related field Experience: Minimum 5+ years of multi-site operations management experience or previous franchise management experience in multiple business environments
Job Description:	<ul style="list-style-type: none"> - Select and assess suppliers and merchandise, make purchasing and replenishment plans, and manage inventory and distribution - Select and assess locations and new franchisees and control store decoration for franchisees - Support in-house new franchise training class on a monthly basis and arrange regular meetings - Assist in financial and operational analysis of all branches - Develop and implement new technologies and manage information technology (IT) and database system - Make procedures and continuous operations improvement - Periodically field visits and audits to control quality standard and support communication of company objectives to franchisees and gain feedback and establish strong working relationships with franchisees
Salary:	40,000 baht
Franchise Legal Administrator	
Qualifications:	Education: Bachelor's Degree or higher in Law Experience: At least 5 year' experience in legal management; preferably in a franchise organization
Job Description:	<ul style="list-style-type: none"> - Negotiate each lease with the landlord and consider lease contract - Create franchise disclosure documents and franchise agreements and negotiate franchise renewals with franchisees - Contact government departments and provide business registration service
Salary:	30,000 baht
Store Manager/ Franchisee	
Qualifications:	Education: Bachelor's Degree in related field Experience: Minimum two years of retail management experience
Job Description:	<ul style="list-style-type: none"> - Oversee store operations, supervise employees, order and stock merchandise, and manage product assortment and inventory - Develop successful sales plans and local marketing strategies to grow the store's profitability and make weekly financial reports - Implement new product lines and create strategies to introduce and promote them to customers - Set and control standards and model behavior for optimum customer service - Recruit, train, develop and motivate the employees - Participate in the training programs, meetings, and the company's activities
Salary:	15,000 baht

Pharmacist	
Qualifications:	Education: Bachelor's Degree To Master's Degree in Pharmaceuticals or Pharmacy field Experience: Minimum 1 years or above
Job Description:	<ul style="list-style-type: none"> - Advise assist. Pharmacist on the selection, dosages, interactions, and side effects of medications - Sell medicines and advise patients about self treatment and answer questions about prescription drugs, possible side effects and interactions among different drugs - Provide information and make recommendations over-the-counter drugs, vitamins and supplements medical equipment and home healthcare supplies - Monitor the health and progress of patients in response to drug therapy
Salary:	15,000 baht
Assist. Pharmacist	
Qualifications:	Education: Post Graduate Certificate To Bachelor's Degree in any field Experience: N/A or New graduate
Job Description:	<ul style="list-style-type: none"> - Greet each customer, obtain rough information of symptom and needs presented in person, and assist customers with their questions, problems and complaints - in and out of the pharmacy area - Operate a cash register including: cash, checks, and charge transactions and bagging merchandise - Maintain the pharmacy's cleanliness and arrange merchandise on shelves - Access, input and retrieve information from the computer
Salary:	8,000 baht

7.2.2 Operations Management

In operations system, Udom Pharmacy will use the information technology and information system to support operations and logistics. The main function of Udom Pharmacy's operations system is to make those products required by customers available when and where through its supply chain. Udom Pharmacy's operation system includes chain stores, distribution centers and transportation, sales and marketing, planning and purchasing, and information system. The operations process is described in Figure 7.6.

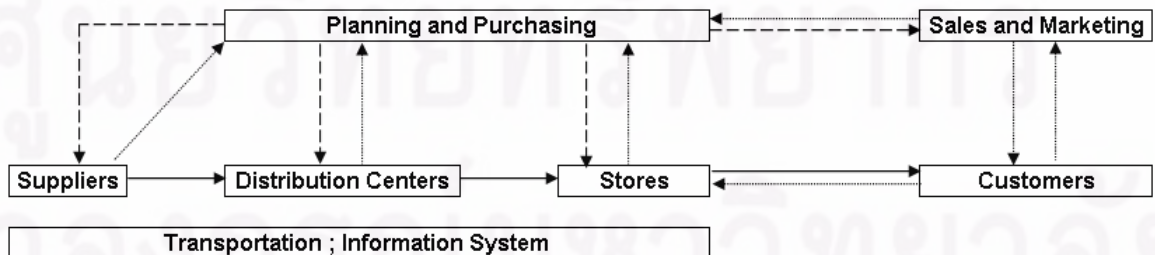


Figure 7.6: Operations Process

Sales and Marketing staff gathers information about customer demands and make sales plan; Chain Stores directly serve customers, i.e., giving product information, selling products and providing services to customers; Planning and Purchasing staff receive information, sales plan and orders from sales and marketing staff and chain stores. And then they negotiate with the suppliers and make the replenishment plan and purchasing orders for the distribution centers; Distribution Centers stock those products purchased from suppliers; Transportation staff deliver products from distribution centers to all the chain stores. All those activities are done based on the information system, which is managed by Information System Department.

Udom Pharmacy uses information technology and information system to support its operations system. There are many sub-systems in Udom Pharmacy's enterprise system such as distribution management information system, delivery management information system, on-line order management information system, office automation system, customer relation management information system, supplier management information system, franchise development management information system, and so forth. There are many sub-modules in each system. For example, the delivery management information system consists of transportation management module and warehouse management module. The warehouse management module deals with products receiving management, product consignment management, and products stock management. Database information can come from internal and external sources. To collect database information, the company needs to use a barcode scanner and an electronic point of sale system (EPOS) in each store. The information contained in the data processing system is classified into four types;

- By customer – frequency of purchases, goods and services bought, average purchase amount, demographic background, and typical method of payment, customer profiles.

- By vender – total purchases by the retailer per time period, total sales to customers per time period, the most popular items, the retailer's profit margins, average delivery time, and quality of service and products.
- By store – total sales revenue and profit margins, problem issues, cost of operation and inventory management, geographical markets, business and employee performance.
- By product category – total products' sales per time period, the products' profit margins, the percentage of items sold at a promotion, and the products' expire dates.

These data can be easily stocked, processed, analyzed, transported in real time, which makes it possible to make effective decisions about operations, finance and marketing. The internet, intranet and extranet is also used in management information system.

Inventory management for a drugstore is about buying and selling velocity. In inventory management, Udom Pharmacy use affordable information technology and integrated planning systems for inventory planning. Key parameters of inventory planning are when to order, how much to order, and inventory control. If the drugstore decides to frequently order merchandise with a small lot size, the ordering cost will increase. If the drugstore decides to order merchandise with a large lot size, the inventory carrying cost will increase. Therefore, to reduce problems of over-stock, out-of-stock, dead stock of merchandise and reduce the total expenses, Udom drugstore needs to determine the most economic order quantity (EOQ), reorder point (ROP), safety stock (SS), and inventory turnover (TO). In this thesis, we will show an example of inventory management of an Udom drugstore by using sales forecast to determine and analyze EOQ, R, SS, and TO for each product item.

Economic Order Quantity (EOQ) is the replenishment practice that minimizes the combined inventory carrying and ordering cost. EOQ is calculated on an individual product basis. The standard formulation for EOQ and calculation method is shown as Figure 7.7.

The standard formulation for EOQ

$$EOQ = \sqrt{\frac{2 C_0 D}{C_i U}}$$

Where

EOQ = Economic order quantity;
 Co = Cost per order;
 Ci = Annual inventory carrying cost;
 D = Annual sales volume, units; and
 U = Cost per unit

Ex. SIAMPICIL 500MG. TAB

$$EOQ = \sqrt{\frac{2 \times 13 \times 810}{20\% \times 2}} = 229$$

Co = Cost per order = 13 baht / time
 - Telephone 3 baht / time
 - Document 10 baht / time
 - Wage for purchasing 72 baht / hr (No cost for franchisee)
 Ci = Annual inventory carrying cost = 19.5% (round to 20%)
 Ref. Bowersox, Closs and Cooper (2002)
 - Cost of Money 10%
 - Taxes 1%
 - Insurance 1.15%
 - Obsolescence 1.20%
 - Storage 1.15%
 - Transportation 5%
 D = Annual sales volume, units
 - 810 units / year
 U = Cost per unit
 - 2 baht / tablet

Figure 7.7: The formulation for EOQ and an example of calculation method

Reorder Point (ROP) defines when a replenishment shipment should be initiated. A reorder point can be specified in terms of units or days' supply. Generally, uncertainty exists in either demand or performance cycle length, so safety stock (SS) is required to protect against the uncertainty. The standard formulation for the standard deviation (Figure 7.8), safety stock (Figure 7.9), reorder point (Figure 7.10), and the examples of calculation methods are shown as following;

The standard deviation of daily demand and replenishment cycle duration

$$\sigma = \sqrt{TS_s^2 + D^2S_t^2}$$

Where

σ = Standard deviation of combined probabilities;
 T = Average performance cycle time;
 S_t = Standard deviation of the performance cycle;
 D = Average daily sales; and
 S_s = Standard deviation of daily sales.

Ex. SIAMPICIL 500MG. TAB

$$\sigma = \sqrt{(7 \times 1.125^2) + (2.25^2 \times 3^2)} = 5$$

T = Average lead time = 7 days
 S_t = 3 days
 D = Average daily sales = 2.25 tablet / day
 S_s = 1.125 tablet / day

Figure 7.8: The formulation for the standard deviation and a calculating example

The required safety stock level

$$SS = Z\sigma$$

Where

SS = Safety stock in units;
z = safety factor
 σ = The combined standard deviation.

Ex. SIAMPICIL 500MG. TAB

$$SS = 1.3 \times 5 = 6.5$$

Desired service level = 90%

z = 1.3 (ref. Table 1 in Appendix A)
 $\sigma = 5$

Figure 7.9: The formulation for the safety stock and a calculating example

The reorder point formula under conditions of demand and performance cycle uncertainty

$$ROP = D \times T + SS$$

Where

ROP = Reorder point in units;
D = Average daily demand in units; and
T = Average performance cycle length in days
SS = Safety stock in units

Ex. SIAMPICIL 500MG. TAB

$$ROP = 2.25 \times 7 + 7 = 23$$

D = Average daily demand, units = 2.25 tablet / day
T = Average lead time = 7 days
SS = Safety stock = 7 units at 90% service level

Figure 7.10: The formulation for the reorder point under conditions of demand and performance cycle uncertainty and a calculating example

According to the calculation, we can conclude the economic order quantity (EOQ), turn over rate (T.O. rate), safety stock (SS), and reorder point (ROP) of example of each product item as Table 7.12.

Table 7.12: The example of calculation of EOQ, T.O. Rate, SS, and ROP of each product item

CODE	Product Type	Product Code	Product Description	Unit	Cost/Unit (Baht)	LT (Day)	D/D (Unit)	D/M (Unit)	D/YR (Unit)	Min Pack (Unit)	EOQ (Unit)	T.O. Rate (Month)	σ	SS (Unit)	ROP (Unit)
A	Medicines	A0001	SIAMPICIL 500MG. TAB	Tablet	2	7	2.22	67.50	810.00	500	500	7.41	5.35	7	22
		A0002	NEOTICA BALM EX 60 GM	Tube	42	7	0.27	8.10	97.20	1	17	2.10	1.59	2	4
		A0003	FITNE TEA (GREEN TEA FLAVOR) 40 SAC	Pack	102	7	0.07	2.25	27.00	1	6	2.67	0.82	1	2
B	Beauty, Spa and Personal Care Products	B0001	BERINA HAIR STRAIGHTENER STEAM 60 G	Box	42	7	0.07	2.16	25.92	1	9	4.17	0.80	1	2
		B0002	COLLAGEN MARK	Piece	450	7	0.03	1.00	12.00	1	2	2.00	0.55	1	1
		B0003	VICHY LIFTACTIVPRO PRO-FIBRE ANTI-WRINKLE AND FIRING CARE 50 ML	Container	1,050	7	0.08	2.40	28.80	1	2	0.83	0.85	1	2
C	Nutrition, Vitamins and	C0001	ENFAPRO A+ 400 G	Can	144	7	0.06	1.80	21.60	1	4	2.22	0.73	1	1
		C0002	COFFEE DAYTOX 300 G	Box	70	7	0.10	3.12	37.44	1	8	2.56	0.97	1	2
D	Medical Supplies and	D0001	STERI DRESS SET	Set	11	7	0.16	4.80	57.60	1	26	5.42	1.21	2	3
		D0002	WHEELCHAIR	Chair	28,000	7	0.02	0.50	8.40	1	1	2.00	0.46	1	1
E	Others	E0001	BABY LOVE M	Pack	119	7	0.09	2.88	34.56	1	6	2.08	0.93	1	2
		E0002	OISHI GREEN TEA 500 ML	Bottle	13	7	0.20	6.00	72.00	1	27	4.50	1.36	2	3
		E0003	NICORETTE 2 MG GUM SUGAR-FREE 15'S	Pack	95	7	0.10	3.12	37.44	1	7	2.24	0.97	1	2

From the result analysis of Siampicil Drug, we can conclude that the ordering cost is 13 baht per time, the annual inventory carrying cost is 20%, the annual sales volume is 810 tablets, and the unit cost of drug is 2 baht per tablet. The economic order quantity is 229 tablets, but since the minimum package of this product is 500 tablets the EOQ should be 500 tablets instead of 229 tablets. The turn over rate of the product is about 7.4 months per time or 1.6 times per year. When stock of this product is left about 22 tablets that include safety stock at 7 tablets, we have to reorder or replenish our stock. Lead time of all products is in the range of 4-10 days and the average lead time is 7 days. In addition, the information will be used to analyze product selection for selling in Udom Pharmacy store. The product items that have the turn over rate more than one year will be removed from the store. The model of inventory management system that offered in this thesis can help to reduce the total costs and increase the profit and customer satisfaction significantly.

7.2.3 Quality Management

Quality management consists of three main components: quality control, quality assurance and quality improvement. Udom Pharmacy focuses on quality management to improve and maintain quality standards of the franchise chain. Udom Pharmacy's quality management model is considered on the basis of two dimensions: transaction quality and relationship quality as Figure 7.11. The transactional quality in franchise networks reflects the business performance. It focuses on starting and managing a business in a right manner. The relationship quality describes the depth and organizational climate of the interfirm relationship. It focuses on developing relationship between the franchisor and its franchisees. The end result of quality management is the high franchisee and customer loyalty.

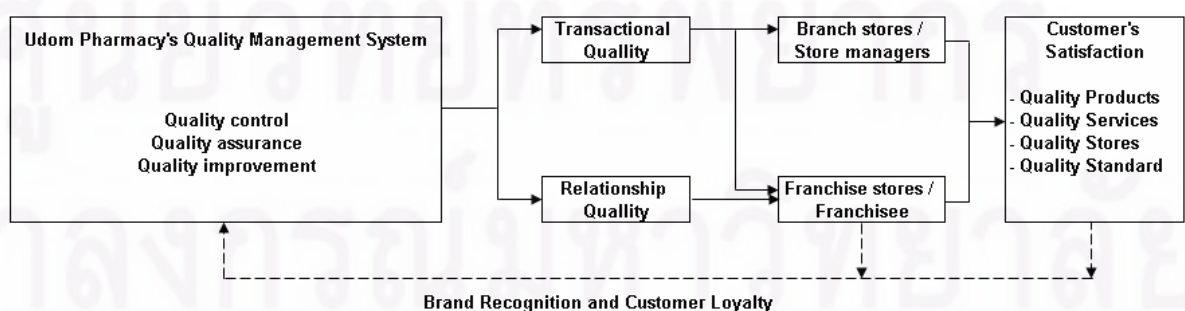


Figure 7.11: Quality Management System

Transactional Quality Management

Transactional quality management is to ensure quality standardization or uniformity across the chain. The transactional quality involves quality standard of products, services, stores and management. To control quality standard of locations and store format, Udom Pharmacy evaluates all sites before the business start-up and designs and controls the store decoration. To control quality standard of products, Udom Pharmacy provides the necessary materials and products to chain stores. To maintain quality standard of services, Udom Pharmacy contributes to its employees and its franchisees the knowledge needs for the business through internet, seminars and training programs and provides operation manuals. To maintain uniformity in its network, Udom Pharmacy also provides ongoing supports to its franchisees. Furthermore, Udom Pharmacy uses three main mechanisms for measuring and evaluating whether procedures were being followed and uniformity was being maintained. First, QSC Field audits (which stands for “quality”, “service”, and “cleanliness” will be conducted regularly to assess whether standards on these three dimensions were being met. Second, Udom Pharmacy uses mystery shoppers, people (third party contractor) who anonymously visit chain stores and evaluate the shopping experience from the perspective of the typical customers. Third, a continuous basis MIS measures financial and operating performance to ensure that the appropriate ratio of inputs to output is maintained. These methods help Udom Pharmacy maintain quality standard or uniformity across its chain. Whenever chain or franchised stores do not meet the quality standard, the company issues corrective action request (CAR) to them and continually follows up their corrective action and preventive action. These audit results influence a renewal of franchise agreement and raising salaries.

Relationship Quality Management

The development of relationship management’s goal is to deliver long term value to franchisees and to measure this success in terms of franchisees’ satisfaction. The dimensions of the relationship quality consist of trust, commitment, conflict and adaptation. To build trust, make a long-term commitment, reduce conflict and make adaptation, Udom Pharmacy focuses on communication improvement throughout the system by creating newsletters, internet and manuals, inviting franchisees to

participate in seminars, training programs, and sending field representatives or making phones to inform information to its franchisees. This is the two way communication system to allow franchisees to a chance to express their opinions or offer suggestion about product and operation quality improvement. Moreover, Udom Pharmacy provides a system of offering performance incentives, such as cash or trips, to its franchisees, enhances the awareness of franchisees' performance levels through the newsletters, and develops a strong personal rapport with each franchisee such as birthday gifts. Udom Pharmacy also provides expertise in many fields to the franchisees and demonstrates genuine care for the franchisees. These help the company enhance long-term relationship with its franchisees and result in the quality improvement of its network. Whenever the conflict between both parties is created, Udom Pharmacy will focus on negotiation more than bringing the case to the court.



ศูนย์วิทยุทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

CHAPTER VIII

CONCLUSION AND RECOMMENDATION

This chapter presents the conclusion and recommendation of the thesis. It summarizes the findings of both the first and the second part of the thesis – the analysis of critical success factors of the franchise pharmacy industry and development of the franchising concept and a case study. In addition, some recommendations would also be stated in this final section of the thesis.

8.1 Conclusion

The pharmacy industry is one of the important industries for people's lives because medicine is one of the basic needs for people's living. Today most existing standalone drugstores still have low quality standard and face with problems of ineffective management, high cost and intense competition, so they cannot compete with the potential pharmacies. The franchise pharmacy would be an alternative for new entrepreneurs and ineffective pharmacy owners because most franchised and chain pharmacies including specialty stores have modern trade style, qualified pharmacists, good management system and various and quality products and services that better meet customer's needs and expectation. This is an opportunity for whoever is interested in developing a pharmacy franchise to respond with these entrepreneurs. Nowadays the franchise pharmacy industry tends to grow in the future; as a result, to develop effective pharmacy franchise system, the critical success factors are studied.

According to the Porter's five force analysis, the franchise pharmacy industry is facing with strong direct and indirect competitors. The direct competitors are specialty stores/chain pharmacies and standalone pharmacies that have the potential and are available across Thailand; whereas, the indirect competitors are hospitals, clinics, etc. that are substitute treatment service providers. In spite of quite fierce competition, it still has many new entrants or independent pharmacies in the pharmacy industry. For the franchise pharmacy industry, there are only few pharmacy franchisors in Thailand because of the new entrants' inadequate capabilities, i.e. finance, knowledge and skills, etc; moreover, there are many franchise businesses that could be alternatives for new investors. In the analysis of the bargaining power, we found that the franchisor has significant negotiating power over its suppliers and its

franchisees, and the buyer has the bargaining power as the competition and the purchase volume increase. Hence, it could be concluded that the intense competition, the inadequate capabilities and many franchise business alternatives are the new entrants' barriers to the attractiveness of the franchise pharmacy industry.

From SWOT analysis, the study uncovered that there are altogether twenty six points revealing as the franchise pharmacy industry's strengths, weaknesses, opportunities, and threats as shown in Table 5.1. With the construction of TOWS Matrix upon these identified twenty six points from SWOT analysis, total fourteen strategic objectives were revealed as Table 5.2. To accomplish these fourteen strategic objectives, fifteen key success factors were discovered. After grouping and weighting, it remained only five critical success factors of the franchise pharmacy industry. All critical success factors of the franchise pharmacy industry were summarized in Table 6.1. After that we developed the franchising concept based on the critical success factors. The franchising concept included vision, mission, objectives and action plan. Lastly, we also developed a case study of franchising of Udom Pharmacy that consisted of two main parts – a business format franchising concept and a model of franchise management in order to be a guideline for new entrepreneurs or franchisors.

In conclusion, although the franchise pharmacy industry tends to grow in the future, fierce competition and many problems are important barriers for entrepreneurs; therefore, they need to know how to succeed in the franchise pharmacy business. To determine success factors, industry analysis by many tools was conducted. It was found that there were many success factors, but there were only five critical success factors. Without these critical success factors, franchisors or entrepreneurs will encounter with failure in doing their businesses. Hence, they should develop good strategies to achieve these factors in order to increase their competitiveness and succeed in their businesses.

8.2 Thesis Recommendation

With the presentation of the analysis of critical success factors and the development of franchise concept of Udom Pharmacy, there are some recommendations about this research as follows:

- This thesis focuses on only overview analysis of the franchise pharmacy industry; does not specify on a company, thus the attained result would be only a general overview rather than a tailored-made solution to a particular organization. The recommend further researches are the study in detail of the franchise pharmacy industry such as supply chain and logistics management, management information system, and so on.
- This thesis focuses on only the franchise pharmacy industry. However, for the further study, this research can be used as a guideline for the analysis of other franchise industries. Although each industry has its own characteristics of strengths, weaknesses, opportunities, and threats, but this thesis will be helpful in order to provide the methodology for step by step analysis.

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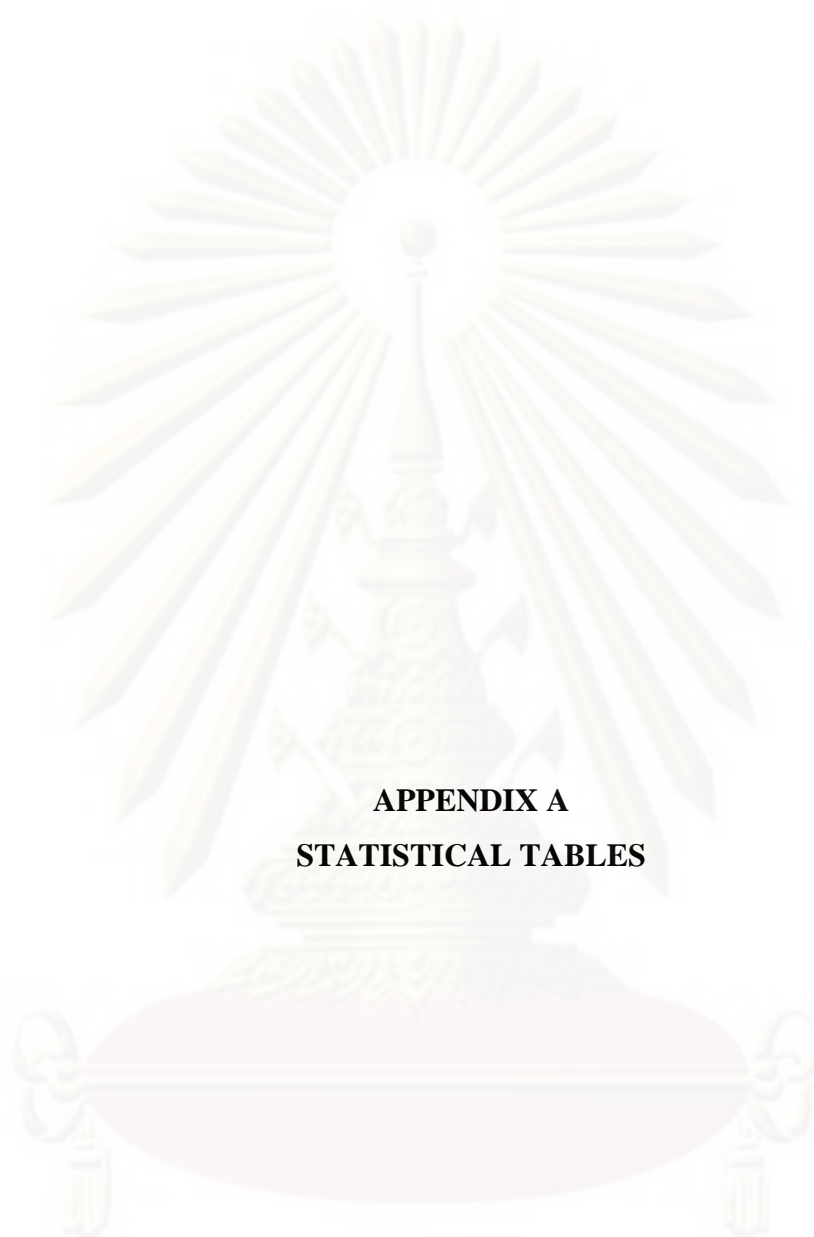
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APPENDICES

ศูนย์วิทยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

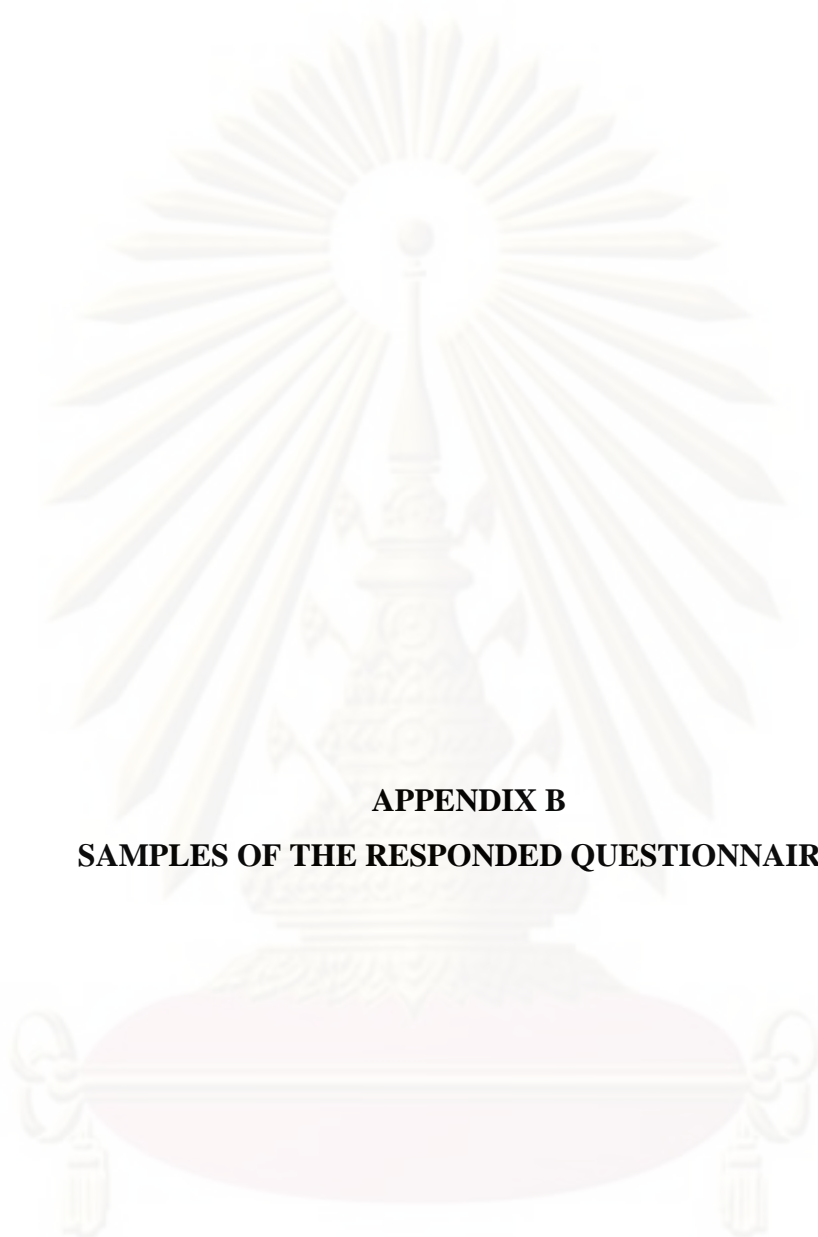


APPENDIX A
STATISTICAL TABLES

ศูนย์วิจัยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

TABLE 1: VALUES OF Z AT SERVICE LEVEL AND PERCENTAGE OF SHORTAGES WITH NORMALLY DISTRIBUTED DEMAND

Z	Cycle service level (%)	Percentage of cycles with shortages (%)
0	50.0	50.0
.5	69.1	30.9
1.0	84.1	15.9
1.1	86.4	13.6
1.2	88.5	11.5
1.3	90.3	9.7
1.4	91.9	8.1
1.5	93.3	6.7
1.6	94.5	5.5
1.7	95.5	4.5
1.8	96.4	3.6
1.9	97.1	2.9
2.0	97.7	2.3
2.1	98.2	1.8
2.2	98.6	1.4
2.3	98.9	1.1
2.4	99.2	.8
2.5	99.4	.6
2.6	99.6	.5
2.7	99.6	.4
2.8	99.7	.3
2.9	99.8	.2
3.0	99.9	.1



APPENDIX B
SAMPLES OF THE RESPONDED QUESTIONNAIRES

ศูนย์วิทยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

แบบสอบถาม ชุด 1

วัตถุประสงค์

เพื่อศึกษาปัจจัยที่มีผลต่อความสำเร็จของการทำแฟรนไชส์ร้านขายยา หรือร้านขายยาเครือข่าย

1. ข้อมูลทั่วไป

1.1 ผู้ตอบแบบสอบถาม

ชาย อายุ _____ ปี หญิง อายุ _____ ปี มีประสบการณ์ในธุรกิจ _____ ปี

ตำแหน่ง _____

1.2 ประเภทของร้านขายยา

Chain Store

Franchise

1.3 จำนวนสาขา _____ สาขา

1.4 มีเภสัชกรประจำตลอดเวลาทำการหรือไม่

มี

ไม่มี

1.5 ทำเลที่ตั้งของร้านยา

ชุมชน/ตลาด

ห้างสรรพสินค้า

สำนักงาน

อื่น ๆ _____

1.6 รายได้ต่อเดือน _____ บาท

1.7 ผลิตภัณฑ์ที่มีอยู่ในร้าน

ยา _____ %

อาหารเสริม _____ %

เครื่องสำอาง _____ %

วัสดุ-อุปกรณ์ทางการแพทย์ _____ %

อื่น ๆ _____ %

2. ข้อมูลสำรวจความคิดเห็นเกี่ยวกับปัจจัยที่มีผลต่อความสำเร็จในธุรกิจร้านขายยาเครือข่าย

	เห็นด้วย	เห็นด้วย ปานกลาง	ไม่เห็นด้วย
2.1 ร้านขายยาคุณภาพมีผลต่อการตัดสินใจเลือกร้านขายยาของลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2 ร้านขายยาที่มีเภสัชกรมีผลต่อการเลือกซื้อยาของลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3 ท่าเลที่ตั้งมีผลต่อความสำเร็จของธุรกิจร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4 รูปแบบของร้าน, ความสะดวก-สบาย, ความสะอาด มีผลต่อการตัดสินใจเลือกร้านขายยาของลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5 ร้านขายยาควรมีผลิตภัณฑ์หลากหลาย เช่น เครื่องสำอางค์, อุปกรณ์การแพทย์, อาหารเสริม, สินค้าอุปโภค-บริโภค, สินค้าสำหรับเด็ก เป็นต้น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.6 ร้านขายยา ควรเสนอผลิตภัณฑ์ และ บริการใหม่ ๆ เพื่อตอบสนองความต้องการของผู้บริโภค	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.7 เงินลงทุนในธุรกิจร้านขายยาค่อนข้างสูง และ ใช้เวลานาน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.8 คู่แข่งสำคัญของธุรกิจร้านขายยา ได้แก่ โรงพยาบาล, คลินิก, specialty store, ร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.9 การส่งเสริมการขาย และ การโฆษณา มีผลต่อยอดขายของร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.10 การทำวิจัยด้านการตลาด มีความสำคัญต่อธุรกิจร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.11 Brand มีผลต่อการตัดสินใจเลือกร้านขายยาของลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.12 ต้องใช้ระยะเวลาในการทำให้ผู้บริโภคเกิด Brand awareness และ สร้างความมั่นใจแก่ผู้ลงทุน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.13 คุณภาพผลิตภัณฑ์-บริการ และ ราคา มีผลต่อการตัดสินใจของลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.14 การขยายช่วงเวลาเปิด-ปิด ทำการของร้านขายยา สามารถเพิ่มความพึงพอใจให้กับลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.15 รูปแบบของร้านขายยาที่แตกต่างมีผลต่อความสำเร็จของธุรกิจเครือข่ายร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.16 ร้านที่จะขยายสาขาได้จำเป็นที่จะต้องมีย่านต้นแบบที่ประสบความสำเร็จก่อน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.17 ต้นทุนของผลิตภัณฑ์ในร้านขายยาแบบ chain store หรือ franchise จะถูกกว่าต้นทุนของผลิตภัณฑ์ในร้านขายยาเดี่ยว	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.18 การพัฒนาบุคลากรมีผลต่อการพัฒนาศักยภาพของร้านขายยาเครือข่าย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.19 ร้านขายยาเครือข่ายควรใช้โปรแกรมคอมพิวเตอร์เข้ามาช่วยในการบริหารคงคลังสินค้า และการสั่งซื้อสินค้าภายในร้าน รวมถึงการเก็บข้อมูล เพื่อใช้ในการวางกลยุทธ์ทางการตลาด	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	เห็นด้วย	เห็นด้วย ปานกลาง	ไม่เห็นด้วย
2.20 ระบบ chain store และ franchise ควรจะมี warehouse สำหรับกระจายสินค้าไปยังร้านเครือข่าย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.21 ผู้ประกอบการ (franchisee) ส่วนใหญ่ไม่เข้าใจในระบบ franchise และ มักจะตัดสินใจกำหนดข้อต่อเสมอ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.22 การเลือก ผู้ประกอบการ (franchisee) มีผลต่อความสำเร็จของธุรกิจร้านขายยาเครือข่าย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.23 บริษัทแม่ควรจะให้ความช่วยเหลือร้านเครือข่าย ในด้าน เงินทุน, การเลือกทำเล, เครื่องมือ-อุปกรณ์, การออกแบบร้าน, การตลาด, การเปิดร้าน, การจัดซื้อผลิตภัณฑ์, การวิจัยและพัฒนาผลิตภัณฑ์และบริการ, การฝึกอบรมพนักงาน, และ คู่มือการปฏิบัติงาน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.24 บริษัทแม่ควรมีระบบควบคุมมาตรฐานการปฏิบัติงานของร้านเครือข่าย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.25 Internet, ระบบคอมพิวเตอร์ และ โปรแกรมคอมพิวเตอร์ ช่วยให้การบริหารธุรกิจร้านขายยาเครือข่าย ง่ายขึ้น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.26 การจัดการองค์กร และ การทำงานเป็นทีม มีผลต่อความสำเร็จของธุรกิจเครือข่ายร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.27 ราคา, ผลิตภัณฑ์, บริการ ควรมีมาตรฐานเดียวกันในทุกสาขา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.28 บริษัทแม่จำเป็นต้องเก็บค่า franchise fee และ royalty fee ให้เพียงพอ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.29 ธุรกิจ franchise ร้านยาในปัจจุบันมีโอกาสขยายตัวได้อีกมาก และผู้ประกอบการยอมรับ franchise มากขึ้น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.30 เงินลงทุนมีความสำคัญสำหรับการทำ franchise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.31 franchisor ควรให้ความสำคัญต่อการจดลิขสิทธิ์ในทุก ๆ ด้านให้ครอบคลุมมากที่สุด	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.32 ร้านขายยาในระบบ franchise สามารถขยายตัวต่อไปได้อีกในอนาคต	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.33 สมาคม franchise มีส่วนสำคัญในการพัฒนาคุณภาพ franchise ในประเทศไทย และ สร้างโอกาสให้ franchisee และ franchisor มาพบกัน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.34 สภาพเศรษฐกิจและสังคม และรายได้ของประชาชน มีผลต่อการเติบโตของธุรกิจร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.35 ประเทศไทยยังขาดเภสัชกร ทำให้ค่าจ้างเภสัชกรสูงมาก	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.36 การวางแผนการขนส่งสินค้าไปยังร้านขายยาเครือข่าย จะช่วยลดต้นทุนและเวลาในการขนส่ง รวมไปถึงลดจำนวนสินค้าคงคลังในร้านเครือข่าย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	เห็นด้วย	เห็นด้วย ปานกลาง	ไม่เห็นด้วย
2.37 ชมรม และ สมาคม ร้านขายยา มีส่วนช่วยพัฒนาการเติบโตของรัฐกิจร้านขายยา และ เพิ่มโอกาสในการสร้างเกษตรกร	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.38 ประชาชนนิยมซื้อยาจากร้านยาใกล้บ้านเพื่อดูแลตนเองเบื้องต้น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.39 ผู้บริโภคนิยมเข้าร้านขายยาแผนปัจจุบัน มากกว่า ร้านขายยาแผนโบราณ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.40 ร้านยาส่วนใหญ่ ในปัจจุบัน ไม่มีคุณภาพ และ ผู้บริโภคให้ความเชื่อถือได้น้อย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.41 ข้อกำหนดและนโยบายของรัฐบาล มีผลกระทบต่อการค้าปลีกธุรกิจร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.42 กฎหมายเกี่ยวกับระบบ franchise ในประเทศไทยยังไม่ชัดเจน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.43 รัฐบาลมีนโยบายเปิดกว้างในการดำเนินกิจการร้านยา ทำให้ขยายร้านยาได้ไม่จำกัด	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.44 ข้อบังคับทางกฎหมาย เกี่ยวกับ การมีเกษตรกรตลอดเวลา มีผลกระทบต่อร้านขายยาอย่างมาก	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

แบบสอบถาม ชุด 2**วัตถุประสงค์**

เพื่อศึกษาปัจจัยที่มีผลต่อความสำเร็จของการทำแฟรนไชส์ร้านขายยา หรือร้านขายยาเครือข่าย

1. ข้อมูลทั่วไป

1.1 ผู้ตอบแบบสอบถาม

ชาย อายุ _____ ปี หญิง อายุ _____ ปี มีประสบการณ์ในธุรกิจ _____ ปี

1.2 ประเภทของร้านขายยา

Standalone Chain Store Franchise

1.3 มีเกสซกรประจำตลอดเวลาทำการหรือไม่

มี ไม่มี

1.4 ทำเลที่ตั้งของร้านยา

ชุมชน/ตลาด ห้างสรรพสินค้า สำนักงาน อื่น ๆ _____

1.5 รายได้ต่อเดือน _____ บาท

1.6 ผลิตภัณฑ์ที่มีอยู่ในร้าน

ยา _____ % อาหารเสริม _____ %

เครื่องสำอาง _____ % วัสดุ-อุปกรณ์ทางการแพทย์ _____ %

อื่น ๆ _____ %

ศูนย์วิทยทรัพยากร

จุฬาลงกรณ์มหาวิทยาลัย

2. ข้อมูลสำรวจความคิดเห็นเกี่ยวกับปัจจัยที่มีผลต่อการตัดสินใจทำธุรกิจเครือข่าย

	เห็นด้วย	เห็นด้วย ปานกลาง	ไม่เห็นด้วย
2.1 ค่า initial fee, royalty fee, other fees อยู่ในระดับที่เหมาะสม	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2 เนื่องจาก สภาพการแข่งขันในปัจจุบันค่อนข้างรุนแรง จึงยากที่จะ go it alone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3 ต้องการความช่วยเหลือด้านการบริหาร, คน, การอบรม, ผลิตภัณฑ์และบริการ, ระบบ, การตลาด และ การเงิน จากบริษัทแม่ เพื่อเพิ่มขีดความสามารถในการแข่งขัน	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4 เงินลงทุนจำกัด ดังนั้นผู้ประกอบการจึงต้องการลดต้นทุนและความเสี่ยงในธุรกิจ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Brand ได้รับการยอมรับจากลูกค้า	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.6 ธุรกิจร้านขายยาเครือข่ายมีแนวโน้มที่จะเติบโตในอนาคต	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.7 ขาดความรู้ และประสบการณ์ในการทำธุรกิจร้านขายยา	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.8 ต้องการเพิ่มรายได้ และกำไร	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.9 ต้องการลดความยุ่งยาก ซับซ้อน ในการทำธุรกิจ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.10 แนวคิดทางธุรกิจที่ชัดเจน และ แตกต่างจากผู้อื่น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

แบบสอบถาม ชุด 3

วัตถุประสงค์

เพื่อศึกษาปัจจัยที่มีผลต่อความสำเร็จของการทำแฟรนไชส์ร้านขายยา หรือร้านขายยาเครือข่าย

1. ข้อมูลทั่วไป

1.1 ผู้ตอบแบบสอบถาม

ชาย อายุ _____ ปี หญิง อายุ _____ ปี มีประสบการณ์ในธุรกิจ _____ ปี

1.2 ประเภทของร้านขายยา

Standalone Chain Store Franchise

1.3 มีเกสซกรประจำตลอดเวลาทำการหรือไม่

มี ไม่มี

1.4 ทำเลที่ตั้งของร้านยา

ชุมชน/ตลาด ห้างสรรพสินค้า สำนักงาน อื่น ๆ _____

1.5 รายได้ต่อเดือน _____ บาท

1.6 ผลิตภัณฑ์ที่มีอยู่ในร้าน

ยา _____ % อาหารเสริม _____ %

เครื่องสำอาง _____ % วัสดุ-อุปกรณ์ทางการแพทย์ _____ %

อื่น ๆ _____ %

ศูนย์วิทยทรัพยากร

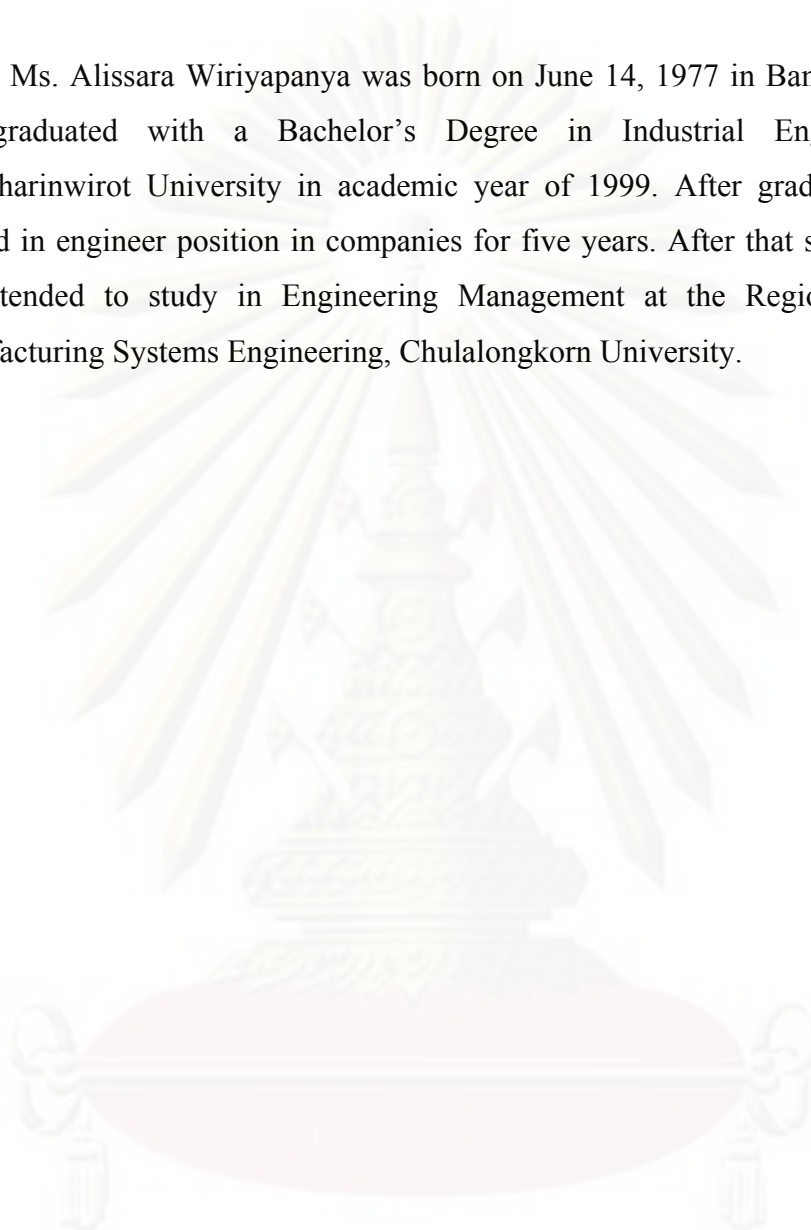
จุฬาลงกรณ์มหาวิทยาลัย

2. ข้อมูลสำรวจความคิดเห็นเกี่ยวกับปัจจัยที่มีผลต่อการตัดสินใจไม่ทำธุรกิจเครือข่าย

	เห็นด้วย	เห็นด้วย ปานกลาง	ไม่เห็นด้วย
2.1 ไม่ต้องการจ่ายค่าธรรมเนียมใด ๆ และ ต้องการผลกำไรเต็มเม็ดเต็มหน่วย	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2 ค่า initial fee, royalty fee, other fees อยู่ในระดับที่แพงเกินไป	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3 ผลตอบแทนไม่ได้ตามที่คาดหวัง	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4 บริษัทแม่ไม่ใส่ใจ และ ไม่ให้ความช่วยเหลือเพียงพอ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5 ขาดอิสระในการบริหารจัดการ เนื่องจากมีกฎข้อบังคับมากจนเกินไป	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.6 บริษัทแม่ไม่มีศักยภาพเพียงพอ ในด้านการบริหารจัดการ และ การตลาด	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.7 ผู้ประกอบการเชื่อว่า Brand ของตนได้รับการยอมรับจากลูกค้าแล้ว โดยไม่จำเป็นต้องพึ่ง Brand ของ Chain Store หรือ Franchise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.8 แนวคิดทางธุรกิจที่ไม่ชัดเจน และ ไม่แตกต่างจากผู้อื่น	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BIOGRAPHY

Ms. Alissara Wiriyapanya was born on June 14, 1977 in Bangkok, Thailand. She graduated with a Bachelor's Degree in Industrial Engineering from Srinakharinwirot University in academic year of 1999. After graduation, she had worked in engineer position in companies for five years. After that she resigned and has attended to study in Engineering Management at the Regional Centre for Manufacturing Systems Engineering, Chulalongkorn University.



ศูนย์วิทยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย