

# Singer Thailand: A Renewed Strategy

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## Abstract

Singer Thailand, the sole distributor for Singer USA in Thailand since 1889, had been successful in selling home electrical appliances for household outside the metropolitan area of Thailand. Through its strong customer base and installment purchase plan, Singer maintained market share of more than 80% at certain period of time. However, after the financial crisis in 1997, Singer needed to grow its business by expanding its product line due to higher competition from both domestic and foreign retailers. At first, Singer's diversification into motorcycle seemed to be the right strategy as Singer's sale grew at the highest level. As the number of defaulted motorcycle accounts increased a year later, Singer reported a loss of 1,300 million Baht. Singer appointed a new CEO, Boonyong Tansakul, to handle the motorcycle debacle and made a turnaround for Singer. Through related diversifications, Boonyong was able to return Singer to profit in a few years. Nevertheless, the drop in operating profit from THB 320 million in 2013 to only THB 241 million in 2014 suggested that the future was not assured to be a smooth path. Students were put into the shoes of Boonyong to make an informed decision about how to respond strategically to new competitive realities.

**Keywords:** Related Diversification, Strategy

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## ซิงเกอร์ไทยแลนด์: การเริ่มต้นกลยุทธ์ใหม่

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### บทคัดย่อ

บริษัทซิงเกอร์ไทยแลนด์ซึ่งเป็นผู้แทนจำหน่ายของบริษัทซิงเกอร์สหรัฐอเมริกาเพียงแต่ผู้เดียวในประเทศไทยตั้งแต่ปี ค.ศ. 1889 ได้ประสบความสำเร็จในการขายเครื่องใช้ไฟฟ้าภายในบ้านสำหรับพื้นที่ที่อยู่นอกเขตมหานครของประเทศไทย บริษัทซิงเกอร์ไทยแลนด์สามารถรักษาสัดส่วนของการตลาดได้มากกว่า 80 เปอร์เซ็นต์ในช่วงระยะเวลาหนึ่งโดยอาศัยฐานลูกค้าที่มีความภักดีและ การใช้แผนการผ่อนซื้อ อย่างไรก็ตามหลังจากวิกฤติ การเงินในปี ค.ศ. 1997 บริษัทซิงเกอร์ไทยแลนด์จำเป็นต้องขยายธุรกิจออกไปในสินค้าประเภทอื่นเพื่อสร้าง การเติบโตของยอดขายเนื่องจากมี คู่แข่งที่เป็นร้านค้าปลีกเพิ่มมากขึ้นทั้งที่มาจากในและต่างประเทศ ในที่แรกบริษัทซิงเกอร์ไทยแลนด์ ได้ขยายการขายออกไปในสินค้าที่เป็นจักรยานยนต์ซึ่งในช่วงปีแรกดูเสมือนว่า บริษัทซิงเกอร์ไทยแลนด์จะประสบความสำเร็จเนื่องจากยอดขายมีการเติบโตสูงมากอย่างไม่เคยเป็นมาก่อน แต่เมื่อจำนวนบัญชีที่เป็นหนี้เสียมีการเพิ่มขึ้นอย่างรวดเร็วในปีต่อมาทำให้บริษัทซิงเกอร์ไทยแลนด์ เกิดการขาดทุนถึง 1,300 ล้านบาท บริษัทซิงเกอร์ไทยแลนด์ได้แต่งตั้งคุณบุญยง ต้นสกุล เป็นประธานเจ้าหน้าที่บริหาร เพื่อให้มาดำเนินการในการแก้ปัญหาเรื่องจักรยานยนต์และเปลี่ยนแปลงเพื่อให้บริษัทซิงเกอร์ไทยแลนด์ สามารถกลับมาทำกำไรได้อีก คุณบุญยงได้ทำการขยายธุรกิจออกไปในกลุ่มสินค้าที่มีความเกี่ยวเนื่องกันและ สามารถทำให้ซิงเกอร์กลับมาทำกำไรได้อีกภายในสองสามปีต่อมาแต่อย่างไรก็ตามกำไรของบริษัทซิงเกอร์ไทยแลนด์ได้ลดลงจาก 320 ล้านบาท ในปี ค.ศ. 2013 เหลือ 241 ล้านบาท ในปี ค.ศ. 2014 ซึ่งเป็นสัญญาณอีกครั้งหนึ่งของความไม่แน่นอนของอนาคตของบริษัทซิงเกอร์ไทยแลนด์ ผู้อ่านกรณีศึกษานี้ถูกสมมติให้อยู่ในฐานะของคุณบุญยงเพื่อที่จะตัดสินใจเกี่ยวกับการเริ่มต้นกลยุทธ์ใหม่ของบริษัทซิงเกอร์ไทยแลนด์เพื่อตอบสนองต่อสภาวะทางธุรกิจที่เปลี่ยนแปลงไป

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In early-2015, as he began systemically pulling together his thoughts concerning the presentation that he would be making at the annual shareholders meeting in less than three weeks time, Boonyong, chief executive officer (CEO) of Singer Thailand, knew that shareholders would want to know, in particular, management's plans for arresting the precipitous drop in network profit that had occurred since the highly successful turnaround that Boonyong himself has engineered during the period, 2008-2013. Not only had his decisions and implementation actions during the time succeeded in turning a 2008 operating loss of THB 82 million into an operating profit of THB 320 by the end of 2013, they had gone a long way in establishing his reputation as an innovative and imaginative leader. Indeed, the turnaround in 2008, along with his vision, was so impressive that the board of directors had elevated him to the position of CEO.

In the year just ended, however, the drop in operating profit from THB 320 million in 2013 to only THB 241 million in 2014 suggested that the future was not assured to be a smooth path. Indeed, Boonyong could not help but wonder whether strategic initiatives that he had launched and that had led to the 2008 turnaround might have run out of steam or might not be adequate for Singer's growth. Or, was Singer Corporation performance last year merely a reflection of the local and international economic slowdowns, which would even out in time, thereby obviating a complete rethinking of Singer's strategy.

## **Brief History of Singer Corporation**

Singer Corporation was established in the USA in 1851 by Issac Merritt Singer who came up with the original design of the first practical sewing machine for general home use. Issac Singer had consolidated enough patents for related components of sewing machines to allow him to engage in mass production in New Jersey, USA. While Issac Singer was in charge of product development, Edward Clark, a lawyer and Singer's business partner, was in control of company's operations. Through this partnership, Clark received one-third of the company's ownership. The advent of sewing machines created new markets for ready-to-wear clothing, shoes, and virtually all textile home goods, including canvas, sheets, drapes,

curtains, rugs, blankets, and towels. Singer started to market his sewing machines outside the USA in 1855 when his sewing machines won the first prize at the Paris World Fair. By 1860, Singer was the largest manufacturer of sewing machines in the world. The company held a 90% share of all sewing machine sales outside the United States and was the seventh-largest firm in the world in 1914.

Clark played an important role in the development of Singer's internal organization and its expansion into new markets. Beginning in 1852, Clark created a new branch system in Boston, New York, and Philadelphia. In these cities, Singer retail shops, located in prime high-rent neighborhood, were nicely decorated and staffed with knowledgeable company agents: a manager, a demonstrator, a salesman and a mechanic. This strategy was expensive because all staffs were paid weekly. In 1856, the price of Singer's sewing machines for home use cost about \$100. To promote the machine, Clark introduced a "hire-purchase" plan for the majority of consumers who could not afford the full cost of the machine. For a small \$5 down payment, and a monthly fee of \$3, many families could own a machine for the first time.

Other novel marketing strategies were crafted by Clark to expand its market share of consumer sewing machines across the United States. Clark offered church ministers' wives a 50% discount if they introduced the machines to other church members. He also originated trade-in programs, by which Singer accepted competitor products in exchange for discounts on newer Singer machines.

As the company expanded, Singer's New York office became company headquarters and centrally managed the company's branch office system, which coordinated everything from inventories to distribution to credit to accounting.

## **Pioneering the Modern Sales Organization**

In the 1860s, due to its market potential, Singer began expanding sales of sewing machines into Britain, whose income per capita was the highest in Europe. However, Singer's business in Britain was initially not profitable as had been expected due to high freight charges and relatively low selling prices. In 1864,

Singer transferred 31-year-old George Woodruff, who had been in charge of the Boston sales office, to revamp the British operations. Woodruff circumvented the freight charges by contracting with local suppliers to build parts locally. He also offered free sewing machine lessons, instruction manuals, and illustrated catalogs of Singer's family sewing machines in order to compete with others.

Further, in the mid-1870s, Woodruff developed the concept of door-to-door salesman, or canvassers and collectors, which tremendously helped to grow Singer's sales in the UK and later all over Europe. The canvassers and collectors were well-dressed and carefully trained agents going from home to home demonstrating sewing machines and selling installment plans, providing after-sales service, and collecting payments. In the most populous urban centers, the role of canvassers and collectors were separated in order to minimize opportunistic behavior, in which the collected money from the installment plans was used for personal salesman's benefit for a certain period of time before handing it in to the company.

Canvassers were paid a fixed salary plus a commission on the money received from initial sales plus an additional commission on the money collected on installment plan. Canvassers were assigned to specific routes in given districts of a branch office's territory. Each day, canvassers were given a lease card for each customer on their given route. Customer payments and whether the machine was serviced were noted on the card. At the end of the day, the canvasser would turn in the lease card and payment received. Canvassers were urged to solicit business on their routes and received additional compensation for extra business.

The office manager in each district office compiled a weekly statement of sales and collections and other key performance indicators. These reports were sent to central office and were checked for sub-standard performance. Again, sales, collections, expenses, and other key performance indicators were calculated and summarized in monthly reports, which were forwarded to higher controlling office until they reached New York office. Several district offices were managed through a regional central office, which was staffed with a chief clerk, bookkeeper, lease

account clerk, bills receivable clerk, shipping clerk, machinist, collector, and traveler. The central office regularly sent someone to each branch office to inspect accounts and procedures at the district office.

## **Singer Thailand**

Singer sewing machines were introduced to Thailand during the reign of King Mongkut by Anna Leonowens, an Indian-born British who was hired by the King to tutor his children in the royal court of Thailand. She presented a Singer's sewing machine to the royal family between 1862 and 1867. Learning to use the machine, the female members of the royal family made their own garments and wore them publicly. Due to the esteemed status of royal family members in Thai society, their use of Singer sewing machines gave the Singer brand name an exalted status as signifying premium quality—an attribution that had continued in the public mind until the present day. Undoubtedly, Singer's sewing machines were still considered of high quality and most popular among the family in Thailand.

Singer sewing machines were imported and sold by Kiam Hua Heng Limited, which was appointed by the U.S. parent company, Singer Corporation, to be the sole distributor of Singer sewing machines in Thailand in 1889. The company changed its name to Singer Thailand Company Limited later and operated as a branch of the parent company in the USA.

At this time, Singer Thailand focused largely on geographical expansion by rapidly expanding its sewing machine business in Bangkok and in other provinces of Thailand through the use of its parent company's canvassing and sales organization systems. The canvassers went from door-to-door to demonstrate the sewing machine, providing after-sale service, and collecting monthly payment of the installment plan as invented by Woodruff. Since the cost of owning one sewing machine was beyond the reach of a regular family at the time, Singer Thailand similarly offered an installment plan for a family who wanted to purchase a sewing machine. Essentially, a minimal amount of down payment was initially collected, and a series of affordable monthly payments was collected over a pre-specified

period of time. At the end of 2014, Singer Thailand had over 3,000 canvassers and about 200 branch offices spread all over the Kingdom. Singer Thailand had an extensive sales network covering most of the local areas throughout Thailand in that there were about 5,300 Subdistrict Administrative Offices.

In order to grow sales, Singer Thailand started in 1957 to offer other home appliances such as refrigerators, television, radio, etc. to their household customers in the local areas as the sewing machine market started to become saturated. Singer exploited the relationship and the trust that the canvassers had built through the after-sale service and regular home visits of their customers. From their regular customer visits, the canvassers understood very well the need of household customers. Furthermore, before 1997, almost no households in the subdistrict municipality or even in the bigger town had access to large home appliance retailers due to either the remoteness or the lack of transportation.

Thus, Singer was able to serve these customers' needs and successfully engage in yet another round of expansion—this time, diversification into *related* products by way of home appliances. Singer's customer loyalty was extremely high. Singer's home appliance products such as electric fans, rice cookers, blenders, refrigerators, were produced by contract manufacturers. The market share of Singer's home appliances was the neighborhood of 80% and it did not have major competitors, especially in the provincial or rural areas. Singer had over 800,000 customer accounts in 1997. *"We had no competitors in the provincial areas except ourselves,"* said Boonyong.

## **Singer Before and After the 1997 Asian Economic Crisis**

Before the Asian financial crisis in 1997, the economies of Thailand and several other Asian countries such as Indonesia, Malaysia and South Korea, were growing at an impressive rate. With the advent of financial liberalization in 1990, massive capital with relatively low interest rates continuously flowed into Thailand to support its economic boom during the early 1990s. The retail sector store expanded rapidly. Department stores started to open their branches in major

provincial cities in Thailand. Modern formats of retailers, for example, convenience store, discount store, cash and carry store, and specialty store, were introduced into Thai market, but they were concentrated in the major towns. At this point, Thai entrepreneurs owned almost all of these retail stores.

The explosion of retail establishments during this period did not affect Singer's business. Singer continued to hold the largest market share for sewing machines and home appliances in provincial and rural areas. Furthermore, strong customer loyalty helped to protect Singer businesses in most upcountry towns where modern retail formats such as discount stores had entered the market. Alas, all this would change with the sudden devaluation of the Thai baht.

On July 2, 1997, Thai government officially announced the devaluation of the national currency, whose value dropped by as much as 20% on an official basis, and by as much 50% on the unofficial exchange market. As the currency suffered blow after blow from international speculators, inevitably the nation had no choice except to request technical assistance from the International Monetary Fund (IMF). Despite this, the magnitude of the prior expansion of retail sectors that was funded by foreign capital precipitated more than a doubling of their financial liability overnight, resulting in the insolvency of a majority of Thai retail business entrepreneurs. But, in the main, the devaluation of the baht affected only large businesses, hence the working class in urban areas, as it was these businesses that had been able to secure foreign capital during the earlier economic boom times. Smaller establishments had very limited international debt exposure. In August 1997, Thailand agreed to adopt IMF's tough economic measures and structural reform in exchange for a USD 17 billion loan to prevent further economic meltdown. One of the IMF structural reforms forced Thailand to allow foreigners to be able to hold more than a 50% share in retail business establishments, which heretofore had been reserved exclusively for Thai investors.

In consequence, during the period, 1997 to 2003, international retail corporations from Europe expanded into Thailand and acquired majority of ownership in many large Thai retail companies, especially those with a discount store and

convenient store format. The international retailers brought in modern management systems and retail technology to improve cost efficiency, which increasingly made it difficult for small- and medium-sized traditional local retailers to compete. They continuously lost grounds to these new competitors because of their inability to match the international retailers on the bases of price, attractiveness (e.g., modern appearance), and conveniences. With limited and largely ineffectual Thai competitors, international retailers kept expanding their branches further into rural and provincial districts.

This time, Singer itself was not exempt from inexorable forces of competition. Modern retailers began giving Singer a “run for the money” now that Singer’s customers had access to alternatives for their home appliances purchases, including better prices and the convenience of one-stop shopping at modern discount stores in their areas. Shoppers could purchase their grocery, clothing, and home appliance needs at the same store, and on the same trip. Shopping at modern retailers became widely accepted and considered as a modern and trendy lifestyle. Furthermore, the discount stores began partnering with leasing companies to offer personal loans for electrical appliances; and, aggressive promotional schemes were employed to attract rural customers through the partnership.

For its part, Singer attempted to upgrade, expand, and promote its own retail shops in order to compete; however, it still could not successfully win back the droves of former customers siphoned off during the great economic upheaval of the late-1990s and its aftermath. In fact, after the Asian financial crisis, Singer’s growth slowed to a near halt, as they hemorrhaged customers to modern retailers and department stores.

## **Expansion to New Products: Experimentation with Unrelated Diversification**

As a result of continuing increase in oil prices beginning in the year 2000, Thai consumers became more conscious of their spending on car purchases, especially for consumers in the rural and provincial districts. Within Singer Thailand,

the high growth in the motorcycle market that began to pick up right after the financial crisis was viewed as an opportunity to diversify their product portfolio by exploiting their strong sales network in rural and provincial areas. In 2000, deciding to capitalize on their strong brand recognition and consumer trust, Singer opted to offer a locally-produced motorcycle from the manufacturer's brand, "Tiger."

Although much less expensive than the better-known brands from Japan, such as Honda, Yamaha, and Suzuki, the price of a motorcycle was still much larger than the average price of the typical home electrical appliance that Singer had been selling. But, Singer executives believe that they could pursue a strategy similar strategy to the one they had employed for its existing home appliances business to the challenge of motorcycle sales and service. Specifically, Singer required a minimal down payment and a series of long-term installment payments, which were typically longer than previous plans due to the higher value of motorcycle. Canvassers would also offer after-sale services when they paid visits to their customers' home for payment collections. The proportion of motorcycle sales to Singer's total sales continued to grow until it peaked at about 60% in 2005, at a sales level of about 4 billion Baht. At that point, Singer had a total of about 120,000 accounts for motorcycle leasing at the end of 2005. The expanded portfolio had helped Singer to grow between 2000 and 2005 and compensated for losing share in the electrical appliances market after the crisis. However, beneath the impressive lease and sale figures, troubles lurked.

The problems related to motorcycle sales began to show up in late 2005. Singer's after-sale services for motorcycles were inadequate because Singer's service personnel were inexperienced with motorcycle repair. The quality of Tiger motorcycles was also poor, resulting in a large amount of product return. But, the heaviest blow to Singer, by far, was the rapid increase in the number of bad credit accounts. In 2006, Singer's annual report, the management explained that the larger number of defaulted accounts reflected "the higher value and longer term of motorcycle hire purchase account compared to home appliances." The total asset value of Singer decreased by two billion Baht due to bad debt accounts in 2006, yielding a net loss of 1,216 million Baht.

## The New CEO

In 2006, Singer's management realized that the higher interest received from installment sales could not cover the increasing loss from the poor credit accounts. Therefore, it had to implement several measures to alleviate the motorcycle problems. For example, the down payment was increased to higher amount. Second, all motorcycle installment purchase accounts after April 2006 had to be checked for credit history through the National Credit Bureau (NCB) database before approval. And, third, the repossession process from defaulting customers was sped up in order to recondition the seized motorcycles for resale.

It was during this period -- January 2007, to be precise -- that Boonyong was hired by the board as a sales and marketing director to handle the motorcycle problem and to try to effect a turnaround for Singer. One of first Boonyong's tactics was to improve the quality of overall Singer's installment accounts and to maximize account payment collection efficiency since over 90% of Singer's sales were installment sales. He was well aware that these accounts were the heart of Singer's business and remembered the painful lesson from aggressive marketing of motorcycle sales during 2004 and 2005 that led to deteriorating collection rate and high number of motorcycle repossessions in 2006. Boonyong implemented more stringent measures for credit scoring, account follow-up and evaluation, product repossession, and legal prosecution of non-payment accounts. The credit and risk department was established independent of the collection department in order to further improve efficiency and transparency. Ten locations of credit control centers were set up to inspect and approve credit for Singer customers based on information given by the customers and from the NCB's database. All loans now required either a guarantor or collateral. Customer accounts were classified by their collection history and were managed or monitored based on their classification. Account checkers were introduced in order to audit customers' account after sales for accuracy. In 2008, there were over 100 account checkers operating nationwide.

As the quality of customer account improved, Boonyong had to handle a larger number of returned and repossessed motorcycles. There were about 30,000 to 40,000 motorcycles returned from customers in 2007. New motorcycle sales were limited while the second-hand motorcycle sales were promoted in order to eliminate the repossessed motorcycles.

In order to return Singer to profitability, Boonyong needed to restructure Singer by closing of underperforming Singer shops, laying off unproductive sale agents, and reducing corporate permanent personnel by approximately 19%. Moreover, Boonyong refocus Singer on its expertise in selling and servicing electrical home appliances for grassroots household in the rural and provincial districts through the Singer sales network of more than 5,000 people across Thailand. Since the markets for electrical home appliances were matured, with an ownership ratio between 90% to 98%, trade-in options were thus offered to Singer customers so that they could purchase newer models of electrical home appliances (e.g., LCD/LED TV, washing machines, refrigerators, air conditioners, etc.) to replace their old ones. Additionally, new categories of products such as personal computers were introduced to satisfy various needs of customers.

However, despite all these efforts, Singer continued to report operating losses -- 500 and 82 million Baht in 2007 and 2008, respectively. The sole bright spot in the picture was that there was decreasing amount of loss, which seemingly signaled that Boonyong had struck upon the right path. In recognition of this success in halting Singer's earlier annual *increases* in net losses, Boonyong was promoted to deputy CEO in 2008. His continued success in generating new money-making ideas led to his appointment as CEO in 2009.

Booyong identified a potential opportunity for Singer to expand its market. More than 70% of Singer customers were low-income earners in the rural districts, most of whom did not have steady incomes and were refused normal credit by financial institutions. At the same time, micro or small business owners in these areas required a small amount of credit to start their businesses. It was therefore difficult for low-income earners in the rural areas to start their own business

in order to improve their living condition. With Singer's extensive sales network in rural areas, Boonyong developed a new category of products called "money making machines" in 2009 so that Singer customers would put a small down payment for the particular machine and use it in their small business to earn money. Essentially, Singer changed its products from home use to commercial use while expanding their customer base to include micro and small business owners outside metropolitan area. The installment plan for these money making machines was designed in such a way that the owner would make enough profit to pay for their necessary living expenses and each installment payment.

A series of the new money making machines was sequentially introduced, the first of which was commercial freezers. With his hands-on style, Boonyong regularly visited his customers in the rural areas throughout Thailand. He observed that customers used Singer's freezers for cooling beverages for sale, thereby earning money to pay the installments for the equipment. Subsequently, in 2010, Singer introduced airtime vending machine (ATVM), an automatic top-up machine for post-paid mobile phones. The sale of ATVM not only enabled Singer to profit from selling the machine but earn a commission on the sale of airtime for mobile phones for almost all carriers. By 2013, Singer had about 50,000 ATVM located nationwide. In 2012, petrol vending machines were marketed and became very popular among Singer's customers since there were very few gas stations in the rural areas where a large percentage of the Company's low-income, motorbike-driving customers lived.

There were other products in this category of "money-making machines," such as water vending machines, tire air pump vending machine, etc. So successful was this commercial products strategy that Singer was returned to profitability in 2010, with profits growing annually ever since. By 2012, the proportion of Singer revenue from commercial products had risen to 40%, with household products comprising the remaining 60% of revenues. Net profit reached 89 million Baht in 2010 and grew to 320 million Baht in 2013.

Another opportunity that Boonyong saw as a potential source of new business revenue was to move Singer into home appliance services. A separate subsidiary company, Singer Service Plus, was set up in September 2012 with five millions Baht of capital, whose core business was to provide quality after-sale services for Singer products and the repair and maintenance of electrical appliances and other consumer's products on site for all brands. In the past, Singer had been providing this service for Singer products already. There were essentially no major players in this home service market, especially outside the urban area. Singer Service Plus reported a revenue of 23 and 75 millions Baht in 2013 and 2014, respectively.

## **Jaymart Group**

Jaymart Group was a chain retailer and distributor for mobile phones. At the end of 2014, Jaymart Group operated about 250 modern retail shops and kiosks for mobile phones and accessories, which covered Bangkok and surrounding areas and some major cities in Thailand, such as Chiangmai, Phuket, Khonkaen, etc. More than 85% of Jaymart's revenue came from their mobile phone retail and wholesale business, with the remainder derived from retail space management, debt management, and commissions from serving as a bill payment channel for utilities, credit cards, mobile phone air time, and insurance premium. Revenue structure of Jaymart Group was given in Exhibit 7.

Jaymart started its business in hire-purchase retailing of electrical appliances for all brands in December 1988. The major retail products were initially video game consoles and air conditioners. Beginning in 1992, Jaymart's main revenue was derived from mobile phone retailing. In 2009, Jaymart was listed in the Stock Exchange of Thailand. The business goals of Jaymart Group were to expand its market share in retail business for mobile phones, accessories, and technological products, to profitably increase the amount of retail space under its management, and to expand its service for retail non-life insurance brokerage. In order to position itself as a modern mobile phone retailer, Jaymart had been continuously modernizing its retail shop appearance with actual product demonstration and improving its retail shop customer experience.

## Déjà vu All Over Again

As fate would have it, the resounding success of Boonyong's diversification strategy into commercial products seemed to have run its course by 2014. In fact, the Thai economy had started to show signs of slowing down in 2013 as the GDP grew at 2.3%, which was much lower than expected. Additionally, the global economy was also relatively weak, as could be gauged by the sizable decline in Thai exports by 4% and 7% in 2012 and 2013, respectively. The decline ricocheted through the Thai economy in the form of reduced domestic consumption due to both fewer export earnings and reduced public confidence in Thai economy.

For Singer, the *coup de grace* came in May 2014, when political stability was shaken by a military coup, which had the near-immediate effect of further driving down the economic outlook for Thailand. Singer was strongly affected and reported a net profit of 241 million Baht, which represented a 25% decline from the previous year. The purchasing power of Singer's customer base was seriously weakened since agricultural sector earnings, to which rural household incomes was closely linked, also performed poorly.

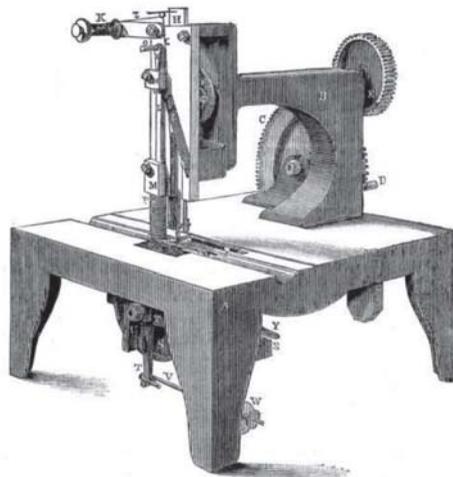
Boonyong was certain that Singer and its existing businesses would not continue to grow under this economic situation. He pondered the company's prospects for a new growth strategy. For example, Singer had been a product-leasing company for more than a century. Would it be reasonable for Singer to refocus on servicing electrical appliances for both home and commercial customers as its newline of business so that it could continue its performance? Or, might Jaymart and the opportunity to expand the business into mobile phones represent another in the series of "just-in-time" diversification gambits that had served Singer Thailand so well to date? The next annual shareholder meeting was coming up soon, and shareholders would be anxious to know Boonyong's strategic recommendations.

**Exhibit 1:** Issac Merritt Singer



Source: [www.biography.com](http://www.biography.com)

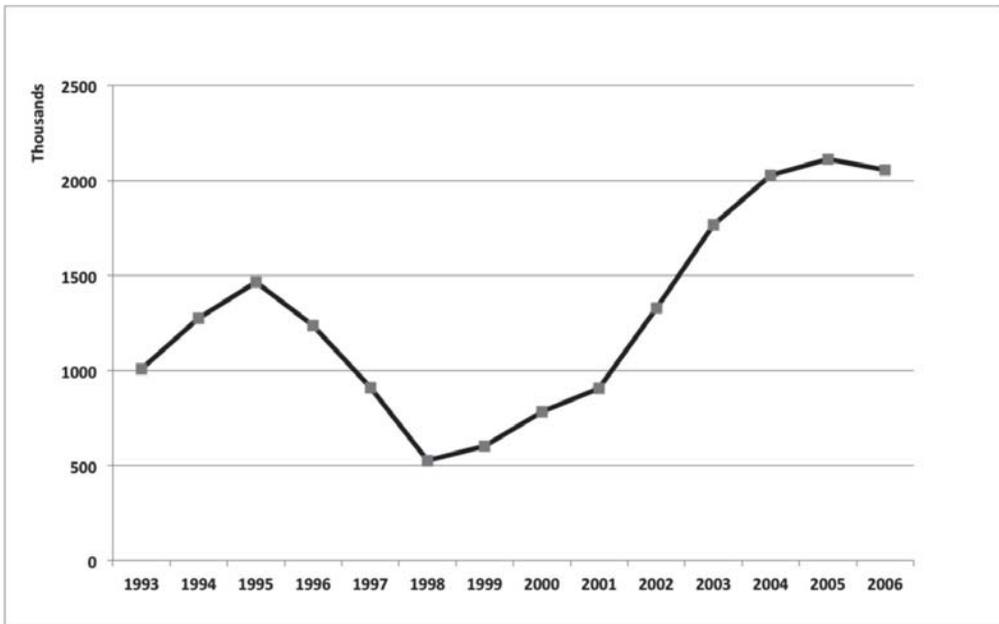
**Exhibit 2:** Singer's Original Design of Sewing Machines



**THE SINGER MACHINE, AUGUST 12, 1851.**  
Earliest model filed in Patent Office. Reproduced from the SCIENTIFIC AMERICAN of November 1, 1851.

Source: [www.wikipedia.com](http://www.wikipedia.com)

Exhibit 3: Total Number of Motorcycle Sales in Thailand



Source: Federation of Thai Industries

Exhibit 4: Singer's Income Statement

(In million Baht)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue from sale of goods	3,755	3,177	5,161	2,704	1,872	1,756	1,367	1,628	1,866	2,326	2,851	2,530
Interest from installment sales	788	1,066	1,403	1,067	593	499	449	449	516	623	773	822
Other income	29	42	22	42	49	98	57	96	15	14	15	88
Total revenues	4,572	4,285	6,586	3,813	2,514	2,353	1,873	2,173	2,397	2,963	3,639	3,440
Cost of sales of goods	2,592	2,369	3,991	1,936	1,386	1,176	742	936	1,086	1,341	1,777	1,619
Selling and administrative expenses*	1,611	1,583	1,836	1,735	1,520	906	763	794	871	983	1,049	1,056
Administrative expenses						278	262	253	238	295	375	414
Other expenses			508	1,217						10		
Total expenses	4,203	3,952	6,335	4,888	2,906	2,360	1,767	1,983	2,195	2,629	3,201	3,089
Profit before finance costs and tax expenses	369	333	251	-1,075	-392	-7	106	190	202	334	438	351
Finance costs	32	44	110	158	108	75	70	56	58	45	54	59
Profit before tax expenses	337	289	141	-1,233	-500	-	36	134	144	289	384	292
Tax expenses	96	104	54	-	-	-	46	45	1	63	64	51
Profit (loss)	241	185	87	-1,233	-500	-82	-10	89	143	226	320	241

For 2003 to 2007, this line includes both selling and administrative expenses.

Source: Adapted from annual reports. <http://www.singerthai.co.th>

Exhibit 5: Singer's Revenue Structure

(Thousand Baht)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Motorcycle	219,113	1,040,680	1,870,736	2,852,077	1,468,739	625,864	163,822	41,538	6,514	0	0	0	0
Washing machine	790,361	925,957	704,206	595,847	627,744	452,705	656,123	566,567	441,421	466,797	482,057	441,932	373,203
Refrigerator	589,483	572,737	600,748	497,396	559,331	325,392	463,089	378,196	317,070	295,730	339,255	322,808	291,079
Television	951,949	970,632	548,333	419,479	492,514	324,080	270,369	191,679	143,748	230,783	298,904	374,050	334,152
Freezer	0	0	0	0	217,093	244,742	349,077	341,017	333,921	406,761	566,633	844,032	731,223
Air Conditioner	0	0	0	0	0	0	80,074	84,431	459,795	314,926	442,820	484,009	310,528
ATVM	0	0	0	0	0	0	0	0	200,935	481,963	467,937	459,167	561,615
Petrol Vending Machine	0	0	0	0	0	0	0	0	0	0	123,527	347,627	485,047
Sewing machine	249,930	161,450	123,689	124,698	122,409	139,401	102,229	89,761	82,858	82,444	96,961	109,583	99,955
Others	1,090,875	871,078	395,877	402,914	285,966	355,284	172,631	125,404	91,225	103,081	131,865	241,310	165,971
Export sales	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,891,711	4,542,534	4,243,589	4,892,411	3,773,796	2,467,468	2,257,414	1,818,593	2,077,487	2,382,485	2,949,959	3,624,518	3,352,773

Source: Adapted from annual reports. <http://www.singerthai.co.th>

**Exhibit 6:** Singer's Hire Purchase Contract Net Value

(Thousand Baht)

Year	Hire-purchase contract value (Due date less than one year)	Hire-purchase contract value (Due date over one year)	Total Hire-purchase contract value
2003	3,035,256	47,481	3,082,737
2004	3,645,537	56,165	3,701,702
2005	4,476,659	84,374	4,561,033
2006	1,846,814	807,301	2,654,115
2007	948,657	632,868	1,581,525
2008	954,443	356,577	1,311,020
2009	836,542	223,850	1,060,392
2010	794,818	310,701	1,105,519
2011	893,316	370,275	1,263,591
2012	1,114,390	468,407	1,582,797
2013	1,391,844	588,720	1,980,564
2014	1,375,471	619,693	1,995,164

Source: Adapted from annual reports. <http://www.singerthai.co.th>

**Exhibit 7: Jaymart's Revenue Structure**

(Million Baht)

	2012	2013	2014
Mobile phone business	7,439	9,242	8,332
Retail space management business	253	337	410
Debt management business	394	362	488
Other revenues	75	54	54
Total revenue	8,161	9,995	9,284

Source: Adapted from annual reports. <http://www.jaymart.co.th>

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