

Guideline for the Next Decade Agricultural Wholesale Business Management in Ubon Ratchatani Province

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Abstract

This research aims to study a guideline for agricultural wholesale business management in the next decade. It is a qualitative research employing a data synthesis research method via documents from any related organizations. The resources include textbooks, academic papers, researches, theses, journals, digital media data, internet, and online database. To collect information, the researcher used the criteria based on trustworthy, truth, credibility, and accurate definition. The study has shown that business could adapt according to six aspects of management: ordering, inventory, logistics, finance, marketing, and human resource management. This guideline will benefit the agricultural wholesale business in Ubon Ratchatani province to survive and develop in the next decade.

Keywords: Guideline, Agricultural Wholesale, Business Management

Introduction

ASEAN Economic Community (AEC) is the trade agreement framework focusing on cooperation between ASEAN countries. At present AEC has influenced some businesses in practical ways; therefore, some that are not prepared in advance could be affected. These business sectors must appropriately adapt and continuously monitor business news and information from both private and government agencies. Furthermore, they must utilize opportunities and cooperation from both private sector as well as civil sector organizations.

Thailand, as one of ASEAN members, is necessarily to integrate itself to AEC since the market opening rules depends on reducing or removing any obstructive regulations for services and investments. There will be changes in labor mobility, company registration, fund movement in investing in the country, and enacting various standard rules together for which Thailand must be prepared (Prachachat Business, 2012).

Considering when the tariff rates reduce to 0%, Thailand export sector would be benefited and be more competitive in the ASEAN market. On the other hand, other ASEAN

members' products would be more competitive too. To create advantages and reduce any weaknesses, we must determine competing with quality and service differences (Rungroj Itrat, 2015). And for wholesale businesses that are facing intense competition similar to retail businesses after Modern Trade companies have developed a business model not only limiting to retail business but expanding to wholesale business, especially on consumer products. As a result, most of retailers or SMEs purchase goods and products from Modern Trade companies instead of purchasing from local wholesalers. By joining the AEC, wholesalers will be inevitably facing more intense competition, whether in importing cheap products from wholesale investors from ASEAN. Though they could be benefited from networking between wholesalers and retailers, familiarity from trading together for a long time could be used as the strength to maintain their customer base. This opportunity could be utilized to gain more income after joining AEC. However, the whole trading movement throughout the system is constantly changing according to consumer behaviors. Therefore, wholesalers must improve their business operations in order to respond to any variability from manufacturers to retailers and up until the very end consumers. This is the way to strengthen the business to cope with the profound competition that is expected to become more intense after AEC has operated at full scale (Uthai Sukvivatsirikun, 2013).

The business environment and agricultural business analysis in Ubon Ratchathani Province

Starting from 2015 to 2017, Ubon Ratchathani province had formulated a strategic plan that mainly focused on encouraging trade, investment, development, and processing agricultural products (Rungroj Itrat, 2015). These business analyses showed that the economic growth came from the retail and wholesale sectors at 2.67%. Separated by the provincial gross product, trade sector (including both retailing and wholesaling) had 28.6% GPP share and agricultural sector had 15.2% GPP share as per illustrated below.

Economic growth in Ubon Ratchathani is mainly from wholesaling and retailing sector (2.67%), financial broker sector (0.93%), and industrial sector (0.26%)

Table 1 Economic growth in Ubon Ratchathani Province 2015 to 2017

SECTORs	16 PRODUCTION LINES	%GPP Share	% Growth (5 years avg.)
Agriculture	Agriculture, hunting, forestry	15.2	0.6
	Fishery	0.4	4.1
Industry	Mine, quarry	0.1	15.8
	Industry	18.7	3.4
	Electricity, gas, waterworks	1.1	3.9
Trade	Wholesale, retail	28.6	2.9
Tourism	Hotel, restaurant	0.7	3.0
	Transportation, warehouse	1.3	1.8
Other services	Construction	3.0	10.7
	Financial broker	7.5	8.7
	Properties services	8.8	2.7
	Government related, homeland security	5.5	3.9
	Education	6.1	2.7
	Health care, social services	2.4	6.9
	Community services	0.4	6.5
	Household labor	0.2	16.6

Source: (Rungroj Itrat, 2015)

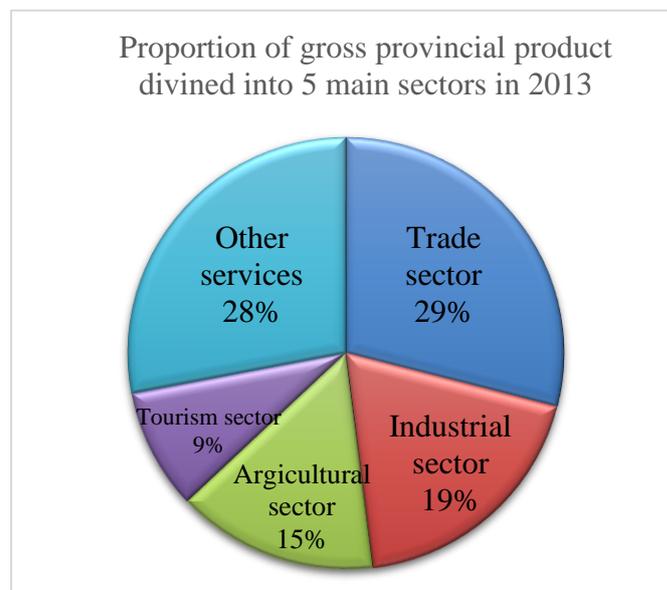


Figure 1: Proportion of gross provincial product divided into 5 main sectors in 2013

Source: (Rungroj Itrat, 2015)

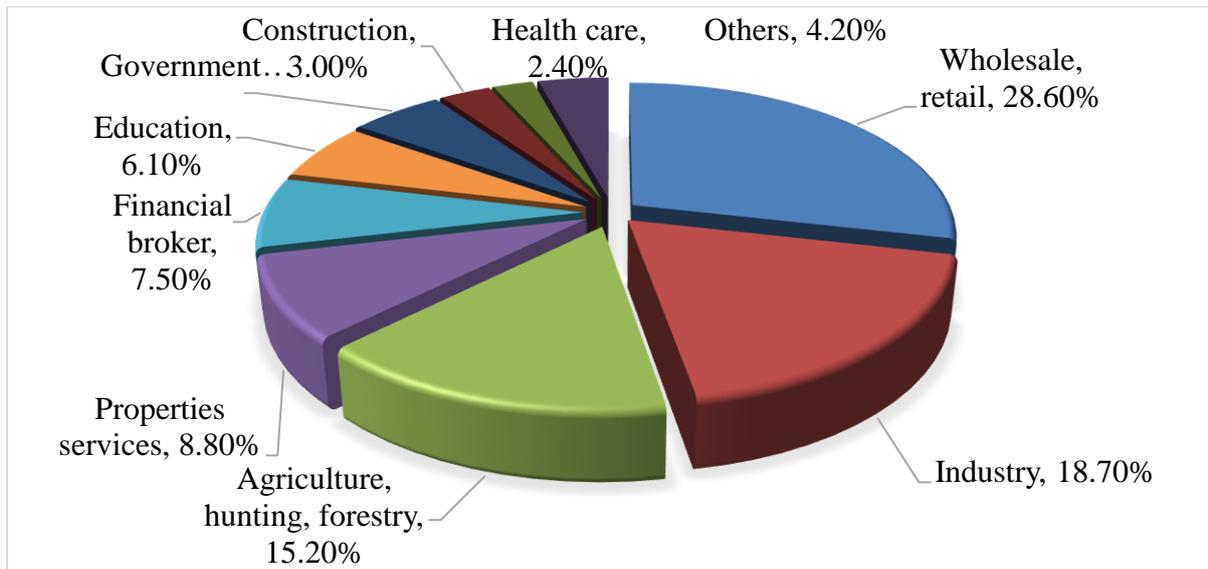


Figure 2: Gross Product Structure in Ubon Ratchathani Province, 2013

Source: (Rungroj Itrat, 2015)

The analysis has revealed that agricultural wholesale in Ubon Ratchathani province has sustainable potential to grow in the future because the proportion of GPP in the trade sector is 28.6%, the highest proportion, and in the agricultural sector is 15.2%. Ubon Ratchathani is also a strategic province on sharing border with Laos and Cambodia. These could be the distribution point in both importing and exporting demanded products from the neighboring countries.

Agricultural wholesale related researches

A number of studies or researches support the concept of agricultural wholesale business management as follows:

Airada Pronjarern (2013) investigated the guidelines for the management of agricultural wholesale businesses in Warin Chamrap district, Ubon Ratchathani province to improve business potential by dividing the area of business management into six areas (marketing, finance, transportation, warehouse, purchasing, and human resources). It was found that overall the businesses had high potential.

Juthamas Prommontree (2012) studied the fruit and vegetable wholesale system in Pongcharoen Market and Taweesub Market, Hat Yai district, Songkhla province under the framework of logistics management. It has shown that in an agricultural product wholesale system, logistics are a crucial part that needed to be improved immediately. The difficulty of logistics management in the system is from the products themselves, lack of vision, and knowledge of technology- know- how. The Department of Export Promotion and related agencies could encourage these entrepreneurs by educating them about exporting products to neighboring countries. They could learn about sales channels, promotional activities, and that

product prices fluctuated throughout the year. Since most of them purchase goods from farmers or middlemen and manage their own selling. Some seasonal products could be oversupplied and have no price guarantee, which will decrease the market price.

Pattarapon Kanlaya (2010) studied logistics activities for exporting Nam-Dok-Mai mangoes from Thailand. It has shown that the lacking in information exchange between buyers and producers could cause them to be unable to supply enough product quantities to suit the customer's requirement.

Kanokpon Mekeaw (2010) made a study on an analysis of garlic wholesaler's business management in Lamphun and Chiang Mai provinces using a value chain model. A garlic wholesaler is an SME with one owner, with working capital in investment less than 25 million THB, less than 40 employees, hiring some temporary employees, paying minimum wage, providing accommodation, bonus, and social security. In term of production line, they have a large and high ceiling warehouse in a remote area located far from community that used to store, dry, process, sizing, pack, and transport garlic. There is enough garlic kept in the warehouse to supply orders throughout the year. Their products are including bunch of garlic, single head garlic, and garlic cloves that are graded and packed according to customers' requirements using a peeler machine, a grader machine, and unskilled labors. Their marketing channels in Thailand are food and drug factories via brokers, and general consumers via wholesalers in Bangkok and other merchants. For exporting, they sell through wholesale exporters. Garlic price could be varied depending on season, demand, and supply. Their promotions are including discount for customers facing garlic quality issue. Financially, a requirement in investing assets is not high, though a working capital is required to manage raw material inventory. Sources of funds are from both owners' funds and loan from general commercial banks. Customers usually have 15 days credit payment so owner could circulate funds and pay off bank debt. The study of the value chain of garlic wholesale business showed that their business purchased Thai garlic from the northern part of Thailand, through farmers, merchants, wholesalers, and cooperatives. For Chinese garlic, they purchase from importers. After the garlic is acquired, it will be stored, cleaned, processed, graded, and packed. They might add up product value in their inventory to meet the requirements of customers. After that, they will transport and distribute garlic to food industry factories, wholesale markets in Bangkok and other provinces, and export to foreign markets.

Aphichat Wanpira (2005) conducted a study on analyzing the wholesale market structure for fresh vegetables and fruits in Chiang Mai Municipality. Most of sellers in the market are female sellers aged between 40-49 years, with primary school or secondary school diploma. Their residences are in Mueang district and have been selling in this market from 1-3 years. From the product perspective, the marketing value of fresh vegetables is approximated 840,090 THB per day. The top three highest value are limes, fresh chilies, and potatoes that are produced within Chiang Mai province. The marketing value of fruits is approximated 885,976 THB per day. The top three highest value are tangerines from Fang district, durians from Chanthaburi and Rayong provinces, and pineapples from Chiang Rai and Lampang provinces. The products will be delivered to sellers at the market by brokers. Shops will open between 03.00 am to 1.00 pm, have one employee each, size of shops is 1-3 square meters, rent is 50-99 THB per day, and income less than 5000 THB per day. The study of market competition level using Herfindahl-Hirschman index showed the result that fresh vegetables and fruits have a high level of competition in the market. None of the seller is dominating the market and controlling product prices. Some problems found in the market are that the parking spaces and loading points are not enough. The air ventilation system should be improved as well.

Some guidelines for agricultural wholesale business management in Ubon Ratchathani province in the future

From the study above, there would be six aspects to consider for enhancing and developing sustainable agricultural wholesale business management in competitive environment in the next decade, namely: ordering, inventory, logistics, finance, marketing, and human resource management.

1. **Ordering:** Entrepreneurs should provide more flexible and convenient ordering system to customers. The system that allows customers to tailor their order by choosing the right quantity, type of products, and the right price for them. The entrepreneurs and suppliers should be swiftly and preciously exchanging information to provide sufficient products to customers. Social media platforms (Line and Facebook for examples) should be utilized as communication channels between venders, suppliers, and customers. They will benefit from low costs and fast paces of communications. They can transmit data, add images or data files that could be kept as records. This trading information should be reviewed retrospectively and analyzed the purchase order to enhance any future decision effectively.

2. **Inventory:** Storage area and selling point should share same facilities for more convenience in sorting and stocking products. Facilities must be designed according to products conditions, for example, well air ventilation and controlled temperature. Cleanliness and safety are the most important though. These will help maintaining the products' quality. In case of left-over products, business plans should be provided to process and add value to them since most of agricultural products have short shelf life. Any purchasing orders in the past should be analyzed and utilized to predict the volume of products to meet customers' requirements.

3. **Logistics:** Entrepreneurs can utilize logistics technology to manage products transportation to maintain quality and freshness of fruits and vegetables. Trucks used to transportation must be prepared sufficiently to the demand. Entrepreneurs could manage logistics by themselves to ensure that their products received good care they deserved. The transportation routes must be studied to ensure that they are the fastest and lowest costs.

4. **Finance:** Sufficient funds must be provided for daily working capital. This is necessary to achieve decent market liquidity. Financial and accounting systems should be well prepared with transparency and accuracy. More importantly, business costs reduction management is a must. Studying cash cycle operating strategies will improve working capital management.

5. **Marketing:** Entrepreneurs could provide fast delivery and door to door services that would impress customers. This can lead to more returned customers and more brand loyalty. The businesses would be received better reputation accordingly. The Department of Trade Promotion and related agencies should help educating and building knowledge base about exporting to neighboring countries in order to increase more sale channels and promotional activities. In term of price, product prices could be varied all year depending on the season. Products are often oversupplied and have no price guarantee. Organic fruits and vegetables can be added in production lines to establish more customer base. This high-end customer base is expanding. For risk management, expanding to a new customer base while maintaining the existing customer base is crucial.

6. **Human resource management:** Sufficient amount of workers should be provided to achieve better work performance. Entrepreneurs should take good care of employees in term of welfare, salary, and living. Well-being employees would be encouraged to be honest to their organization. And to provide good, polite, and impressive service to customers which is important in creating customers impression. This also help businesses acquiring decent

employees that have loyalty to their organization. Training employees about related subjects, for example, how to store products and product processing methods. These will cherish them, so that they are able to give advice to customers to make difference from other competitors.

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