Differentiation of transportation micro, small, & medium enterprises (MSMEs) in Thailand

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Abstract. This research aimed to study the differentiation that affects the competitiveness of transportation Micro, Small, & Medium Enterprises (MSMEs) in Thailand. The sample population explored in this study consisted of 287 entrepreneurs from MSMEs from Thailand. The collected data were analyzed using Multiple Regression Analysis, along with additional feedback and opinion analysis. The results showed that differentiation in products, services, personnel, distribution channels, and brand image affect the competitiveness of MSMEs at a statistically significant level of 0.05. The areas of differentiation found with the greatest influence were personnel, products, and services respectively. Therefore, entrepreneurs and executives involved in differentiation of transportation MSMEs should focus on good service. Most of the businesses in Thailand are small businesses and have a small number of personnel. This enables thorough supervision of personnel from the business owners to ensure they provide good service to customers. Whereupon differentiation in product appearance by designing products or packaging to be outstanding, unique, attractive, and diverse. For example, processed fruit businesses may design their packaging to look like real fruit, or there could be environmentally friendly packaging designs which are popular among consumers today.

Keywords: Differentiation of MSMEs, Competitiveness of MSMEs, Product Differentiation, Personnel Differentiation, Service Differentiation.

1 Introduction

Thailand's economy is currently experiencing a continuous slowdown. Together with issues of decreasing exports and domestic purchasing power, this affects the performance of Micro, Small, and Medium Enterprises (MSMEs). Despite being the main mechanism in enhancing the country's economic progress, being a link in business industry and an important player in the country's economic and social development process, MSMEs are being affected by intensifying business competition. In recent years, as Thailand has had to liberalize more trading, investment, and services, businesses are being faced with more competitors in the same market, having to compete for market share both at domestic and international levels (Thai Office of the Council of State, 2021).

This is due to a lack of product differentiation but more products and service options for consumers to choose from. Additionally, there is also the threat of new entrants in the
market from new businesses in nearby provinces and neighboring countries such as Laos, China, and Vietnam. Together with Thailand’s economic slowdown, it is necessary for business operators to change their strategy. This could be done by focusing more on setting themselves apart and making business operations consistent with rapidly changing conditions. The Differentiation Strategy is the pursuit of competitive advantages by creating products or services in a way that differentiates one’s business from its competitors and creates value for the business.

This could be achieved via the use of tools and making a difference in various areas including products, service, personnel, distribution channels, and brand image. All of these are key in the foundation for a business to gain a leading position and a competitive advantage.

The aforementioned issues led to the researcher’s interest in exploring the differentiation of transportation Micro, Small, & Medium Enterprises (MSMEs) in Thailand in order to understand how it may affect their competitiveness. The relevant parties may apply research findings on the differentiation strategy in this study as a guideline for corporate strategy development. This could help business operators improve their management to be more effective and efficient, in order to create competitive advantages over their competitors for continual steady growth.

2 Literature Review

The literature review found that differentiation in business refers to seeking competitive advantages by creating a product or service that differentiates a business from its competitors in order to create value. There are several elements of differentiation in various areas, for instance, product differentiation, service differentiation, personnel differentiation, distribution channel differentiation, and brand image differentiation (Kotler & Lane, 2009).

This is in line with the research of Tas et al. (2017) in her work “Relationships between Differentiation Strategy and Performance Success of the Automobile Part Manufacturers in Thailand”. The study found that; (1) service differentiation and personnel differentiation have a positive correlation and impact on business potential in terms of overall operation; (2) service differentiation and personnel differentiation have a positive correlation and impact on business potential in terms of customers; (3) service differentiation has a positive correlation and impact on business potential in terms of internal process; and (4) product differentiation has a positive correlation and significant impact on MSMEs' competitiveness in terms of learning and development.

This corresponds with Haque et al. (2021) in “The Effects of a Product Differentiation Strategy and Customer Loyalty on the Competitive Advantage of Retail Business in Thailand”. The study found that; (1) product differentiation has a positive correlation and impact on overall customer response and overall customer loyalty including purchase intent; (2) personnel differentiation has a positive correlation and impact on overall competitive advantages and competitive advantages in terms of efficiency, quality, and customer response.

(Knight et al., 2020; Alfarsi, 2021; Bachir, 2021; Ushakov et al. 2017) have studied the relationship between human capital management and the competitive advantages of Small and Medium-sized Enterprises (SMEs) in the Northeastern region of Thailand and found that (1) human capital management in terms of skill management has a positive correlation and impact with competitive advantages and overall performance in terms of efficiency, quality, and innovation; and (2) human capital management in terms of attitude management has a positive correlation and impact with competitive advantages in terms of innovation and customer responsiveness. In summary, human capital management was found with a positive correlation and impact on the competitiveness of a business.
This is consistent with Kotler & Lane (2009) who explained that to make themselves different, businesses must strive to create products or services in a unique way in order to create customer loyalty. This includes:

1. Product differentiation, which is making elements of the company or its products different from its competitors, while still being able to meet the needs of customers. This can be done by improving the company’s designs, formats, work quality, and product quality.

2. Service differentiation, which is providing service that is superior to competitors and satisfying to customers. It is the process of acting for others with the goal to provide them happiness, convenience, or comfort.

It is an effort to connect the organization with its customers through various techniques, which is important to succeed in service differentiation.

3. Personnel differentiation, which refers to creating different qualifications of personnel by hiring and training employees to be better than those of competitors. This can be done by offering training to improve competence, courtesy, trustworthiness, reliability, customer responsiveness, and communication. It can also be done by hiring only higher quality employees than competitors to provide services to target customers. In addition, there can be offers of special training courses that demonstrate expertise, friendliness, experience, and gentleness. This is to provide the target customers with contentment, good health, and good impressions of receiving service from the business. All of these can have a positive effect on the brand and image of the company.

4. Distribution channel differentiation, which refers to providing a good coverage of the business’s product and service distribution. This can be done by having experts to provide advice or operational services under a facilitating system for visitors to ensure their satisfaction.

5. Brand image differentiation, which refers to making a difference in the way customers feel towards the products, using psychological or emotional emphasis. Even though there might be other products that are able to meet the needs of customers, they still feel a difference in the image of the companies and their products. Advertisement can be used as a tool to help create a brand image.

2.1 Business potential and competitive advantage

From the literature review, business potential and competitive advantage are defined as the capability to manage the production of goods or services. This includes business strategies that demonstrate how the business can compete in a given industry. What makes the organization different from others can be providing products or services that customers want, making operations more efficient and effective, or achieving better results than competitors. Such elements include (Maranto-Vargas & Rangel, 2007; Ushakov & Kharchenko, 2017; Ushakov, 2011).

1. Quality, which refers to the level of attributes hidden in products or services. Service quality is maintenance of service at a superior level to competitors. This is done by offering service quality according to customer expectations. Quality of service that customers expect comes from their past experiences, word of mouth, or from advertisement of the business’s service. The customers will be satisfied if they get “what” they want, “when” they need it, “where” they want, and “how” they prefer it to be. Marketers must conduct research to determine the purchasing decision criteria of customers. In general, no matter what type of business, customers use quality as one of their criteria.

2. Efficiency, which refers to how the organization can use fewer resources than competitors in the production of goods and services. It is the implementation of various tasks in accordance with their missions under the most cost-effective use of resources and
other factors. This can be done by using appropriate strategies or techniques to achieve faster results.

3. Innovation, which refers to the creation of new products and services as well as seeking new methods of producing them. It also includes new things, created through the use of knowledge and creativity, which are beneficial to the economy and society, or new changes which the organization adopts. Therefore, innovation includes complex things that can be used in different ways, whether new ideas, new theories, or new devices.

4. Customer response, which refers to responding to the needs of customers, whether through fast service, readiness to serve when customers want to be, or ability to satisfy customers to the highest level. The first of the 2 important principles is focusing on appropriate customer response, with the organization understanding what customers want. With the right knowledge, the organization will then be able to stipulate strategies for their departments, operating in the same direction with a primary focus on their customers and responding to the customers’ needs. After adopting this focus, the next step is adaptation or adjustment to meet the perceived customer needs. This concerns having a variety of products or services that are tailored to the specific needs of the customers individually or as a group. This also includes “reaction time” or providing customers what they want in a timely manner to gain a competitive advantage. Organizations tend to react very quickly to customer demand because quick customer response can create brand loyalty and a chance to increase product prices.

Conceptual framework

<table>
<thead>
<tr>
<th>Differentiation for Transportation MSMEs</th>
<th>Competitive Potential of MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Products</td>
<td>• Quality</td>
</tr>
<tr>
<td>• Services</td>
<td>• Performance</td>
</tr>
<tr>
<td>• Personnel</td>
<td>• Innovation</td>
</tr>
<tr>
<td>• Distribution channels</td>
<td>• Customer response</td>
</tr>
<tr>
<td>• Brand image</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 1. The Differentiation of Transportation Micro, Small, & Medium Enterprises (MSMEs) that effect to Competitive Potential of Thailand.

3 Research Methodology

3.1 Population and sample

The population in this research comprised 1,136 entrepreneurs of transportation Micro, Small, & Medium Enterprises (MSMEs) (Phetsopha et al., 2021; Ushakov et al., 2019). When divided based on types of enterprises, there were 675 manufacturing businesses, 239 trading businesses, and 222 service businesses. The sample group included in this study consisted of entrepreneurs from 287 MSMEs, with the sample size being determined using Saurette et al. (2022) at 95% confidence value and 0.05 acceptable error.

The formula for calculation is as follows.

\[
N = \frac{1}{1 + Ne^2}
\]
Table 1. Population and samples.

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Entrepreneurs (persons)</th>
<th>Number of samples (cases)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing business</td>
<td>675</td>
<td>171</td>
</tr>
<tr>
<td>Trade business</td>
<td>239</td>
<td>60</td>
</tr>
<tr>
<td>Service business</td>
<td>222</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>1,136</td>
<td>287</td>
</tr>
</tbody>
</table>

3.2 Research instruments

A questionnaire used as the data collection instrument this study was designed based on research on related documents, textbooks, and academic studies of important topics such as the Differentiation Strategy, the Potential and Competitive Advantage, and information about MSMEs. The created questionnaire was examined for its content and then improved for the questions to cover details as specified in the study’s objective.

It was then proposed to 3 experts who assessed the questionnaire’s content validity and evaluated the Item-Objective Congruence (IOC) Index to find question items with more than 0.5 IOC value (Ismail, & Zubairi, 2022) to be included in the questionnaire. The assessment result found IOC values of the question items to be between 0.67-1.0 and the reliability of the questionnaire, obtained by calculation of Cronbach's alpha coefficient, to be at 0.945.

3.3 Data analysis

Multiple Regression Analysis was used to analyze data correlation of transportation Micro, Small, & Medium Enterprises (MSMEs) in Thailand. Additional feedback and opinions on differentiation strategies that affect the competitive advantage of MSMEs were analyzed using content analysis.

4 Research Results

The analysis results of overall multiple regression found that business differentiation affects the competitiveness of MSMEs in Thailand at significant level of 0.05. The independent variables could predict the overall competitiveness of MSMEs at 52.70%. The remaining 47.30% was found to be affected by other factors (R2 = .527).

Table 2. Analysis results on the effect of business differentiation on the overall competitiveness of MSMEs in Thailand.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>p-value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.154</td>
<td>7.422</td>
<td>0.000**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Differentiation for MSMEs</td>
<td>0.754</td>
<td>0.726</td>
<td>19.836</td>
<td>0.000**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

R² = .527, Adj R² = .526, SE = .359, F = 393.448.

* Statistical significance at 0.05 level **Statistical significance at 0.01 level

When considering the multiple regression results by each aspect – product differentiation, service differentiation, personnel differentiation, distribution channel differentiation, and brand image differentiation, all were found to significantly affect the competitive potential of MSMEs at 0.05 significance level. All 5 independent variables could predict the competitiveness of MSMEs at 55.30%, while the remaining 44.70% was found to be affected by other factors (R2 = .553).

When sorted by multiple regression coefficients, personnel differentiation was found to
have highest impact with a coefficient of 0.325 (B = 0.305, t = 6.210, p < 0.01), followed by product differentiation with a coefficient of 0.226 (B = 0.226, t = 5.044, p < 0.01) and service differentiation with a coefficient of 0.119 (B = 0.119, t = 2.301, p < 0.05). The results are shown in Table 4.2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>p-value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.735</td>
<td>0.195</td>
<td>3.765</td>
<td>0.000**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td>0.226</td>
<td>0.045</td>
<td>0.264</td>
<td>5.044</td>
<td>0.000**</td>
<td>2.139</td>
</tr>
<tr>
<td>Services</td>
<td>0.119</td>
<td>0.052</td>
<td>0.12</td>
<td>2.301</td>
<td>0.022*</td>
<td>1.876</td>
</tr>
<tr>
<td>Personnel</td>
<td>0.325</td>
<td>0.052</td>
<td>0.305</td>
<td>6.21</td>
<td>0.000**</td>
<td>2.137</td>
</tr>
<tr>
<td>Distribution channel</td>
<td>0.071</td>
<td>0.033</td>
<td>0.1</td>
<td>2.162</td>
<td>0.031*</td>
<td>1.684</td>
</tr>
<tr>
<td>Brand image</td>
<td>0.096</td>
<td>0.037</td>
<td>0.148</td>
<td>2.612</td>
<td>0.009**</td>
<td>2.508</td>
</tr>
</tbody>
</table>

R² = .553, Adj R² = .546, SE = .351, F = 86.231.

* Statistical significance at 0.05 level
** Statistical significance at 0.01 level

Table 3. Multiple regression analysis results on the effect of individual elements of differentiation on the overall competitiveness of transportation MSMEs in Thailand.

The results on additional feedback and opinions regarding the different aspects of differentiation and overall competitiveness of MSMEs found that there were products or plans to produce new products to meet the needs of the market. There were surveys of the market demand and a focus on Corporate Social Responsibility (CSR) activities to create shared value with the community, society, and environment, as well as to create a good image for the organization. There was also an emphasis on good service, ethics, and further quality development, and prioritization of customer satisfaction.

5 Conclusion and Discussion

The study results revealed that differentiation in products, services, personnel, distribution channels, and brand image affect the competitiveness of transportation MSMEs at a statistically significant level of 0.05, which is consistent with the set objective. When sorted by multiple regression coefficients,

(1) personnel differentiation was found to have the highest impact. This might be due to personnel being the most important fundamental factor in business operations and most small businesses in Thailand being owned or invested in by only one person, with the business being supervised mostly by themselves.

Therefore, when business owners focus more on personnel development and personnel differentiation, it can help promote their business with competitive advantages and continuous growth. For instance, Shorihabu Co., Ltd. is a business in which its owners focus on continuous development of their self-potential in order to use knowledge to improve their personnel and business, creating differentiation which makes them stand out, leading to customer trust, business credibility, and customer satisfaction. This is consistent with the research of (Knight, Moen, & Madsen, 2020) which found that product differentiation and personnel differentiation have a positive correlation and impact on customer loyalty in terms of word-of-mouth behavior and customer loyalty to the business.

(2) As for product differentiation, consumers nowadays do not focus on the functional benefit of products but focus more on differentiation of the products they want to buy. This might be due to them wanting to buy more because they want to buy the identity of brand, such as beautiful eye-catching designs that stand out from competitors. Having a wide variety of products is another important criterion in customer purchasing decisions that also helps attract more customers. This is in line with the work of (Haque et al., 2021), which found that differentiation in products, services, personnel, and brand image have a positive
correlation and impact on overall customer loyalty.

(3) As for service differentiation, businesses that provide quick and convenient services, such as in deliveries, installations, maintenance, consulting, and training, can help make customers satisfied with their service and overlook the price factor. As a result, it enables businesses to create competitive potential and superior competitive advantages.

This is consistent with Rant, M. B. (2017), who mentioned the use of service differentiation strategy to create a unique identity that sets a business apart from other competitors in the same industry. The examples included attentive service, convenience, ease of product or service delivery, and building a network of dealers, all of which can result in customers becoming more loyal to the company and paying less attention to the price factor.

This results in the business being able to compete with other competitors effectively.

6 Suggestions

1. Entrepreneurs and executives involved in differentiation of transportation MSMEs should focus on creating a unique quality of products or services by developing their businesses to meet international standards, for instance, Food and Drug Administration (FDA) standards, GMP, GAP, HACCP, and the International Organization for Standardization (ISO 9001). There could be differentiation in product appearance by designing products or packaging to be outstanding, unique, attractive, and diverse. For example, processed fruit businesses may design their packaging to look like real fruit, or there could be environmentally friendly packaging designs which are popular among consumers today.

2. Entrepreneurs and executives involved in differentiation of transportation MSMEs should focus on good service. Most of the businesses in Thailand are small businesses and have a small number of personnel. This enables thorough supervision of personnel from the business owners to ensure they provide good service to customers. It could be done with an emphasis on providing impressive services, providing complete and accurate product and service information, paying close attention to consumers at all levels, and not discriminating against certain groups of customers. This will result in customer loyalty and makes customers less focused on the price factor or price comparisons.

References

1. Y. Alfarsi, The EUrASEANs: Journal on Global Socio-Economic Dynamics 3(28), 115-128 (2021)
2. S. Bachir, The EUrASEANs: Journal on Global Socio-Economic Dynamics 3(28), 50-63 (2021)
12. In the performance of duties, the Law Councillors meet as a Committee (Thai Office of the Council of State, 2021)