



Asia-Pacific
Economic Cooperation

PRASERT AND SUNAN OF KORAT SANGSUWAN POTTERY

“Nobody can lie to other people, neither employees nor customers, more than once. Honesty is thus an essential means for long-term relationship as well as business success.” - Prasert Pahupaisarn, Managing Director, Korat Sangsuwan Pottery.

A young couple, Prasert Pahupaisan and Sunan Sangsuwan, were working hard to make a living in their hometown, **Korat Province**. Pahupaisan raised ten milk-cows and provided land-filling service with his truck. His wife was a kindergarten teacher. The couple had a baby boy. They were however struggling to earn enough for their family. The couple thus decided to start a new career by running a restaurant together. Unfortunately, it did not seem to lead them to their goal. They had to figure out what they should do next.

After considering the environment in their hometown, they realized that “Dan Kwian” pottery in the **Dan Kwian District** was unique and popular. The pottery made use of a special type of clay that was available only at Dan Kwian. It made use of designs and production process that were indigenous to the Dan Kwian community. There were, however, many small plants and retail outlets with a lot of low price, “me-too¹” products in Korat.

Sunan was interested in producing Dan Kwian pottery since she was quite good at artwork. The problem was how to compete with those plants and shops. They decided to close the restaurant and tried to set up a pottery factory.

¹Me-too denotes products or designs which merely copy previous items devoid of innovation.

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Background of Prasert and Sunan

Prasert's father came from Mainland China and settled in Korat Province. Korat is a major city in the northeast of Thailand, about 300 kilometers from Bangkok, the capital of the country. His father who ran a small retail store in downtown Korat passed away when Prasert was young. Prasert helped in his family business when he was free from school. He started to experience doing business, working with people and serving customers at an early age. His family could not afford to support him for further study in a university. He thus went to a technical college in his hometown. After getting a diploma in Industrial Engineering, Prasert began to work full time for his family business.

Sunan's family also lived in Korat. After attending high school in her hometown, Sunan went to a government open university in Bangkok, and received a degree in Humanities. Upon graduation, she joined a company in Bangkok.

Prasert and Sunan got married in 1976 and started their family in Korat. In accordance with tradition, Prasert left his parents' family and started raising his own family. Sunan resigned from the company to be a teacher in Korat. For six years, the couple struggled to make a living and eventually decided to set up a pottery business.

Business Start – Up

Once they have decided to engage in the pottery business, Prasert and Sunan closed their restaurant and went on to observe the pottery business in Korat, collect relevant information and talk to old, experienced people in the community.

We had to exert effort to make this business a success for our family. To be able to get into business, we needed to produce different pottery products with a new look for new markets.

Prasert and Sunan admitted that to start up a successful business, it is crucial for an entrepreneur to have the determination and vision to differentiate its product and target market.

In 1992, with their own savings of 30,000 baht (US\$ 1 =25 baht), they set up Korat Sangsuwan Pottery and started to produce Dan Kwian Pottery using their new designs. Without knowing anyone, Sunan went to Bangkok with their product samples to look for distributors; only a few of them agreed to carry Korat Sangsuwan's Pottery in their showrooms.

The first order started with 5,000 baht then moved up to 8,000, 12,000, 15,000, 50,000, 60,000 baht, and more. When a distributor asked for additional three to four pieces of pottery, Sunan and Prasert would bring them from Korat to Bangkok as a way of serving their customers.

We believed that the only way to develop our own business was to best satisfy our customers. Their satisfaction would lead to repeat purchase, positive word-of-mouth promotions, and long-term relationship. The extra costs of providing good services should be a worthwhile investment, if we intend to keep our customers for a long time.

Sunan and Prasert did not see the domestic market as the ultimate destination for their products. They believed that their specially designed, high quality pottery could be sold at premium prices overseas. Hence, the huge export market should be their best target market. Sunan looked very hard for export agents in Bangkok and finally found some intermediaries who could export their products.

Management System

With the increase in sales of their pottery products, Prasert and Sunan had to get other people to work for them. At the beginning, all of the workers were local people.

We tried to set up procedures and systems, then trained and supervised them closely, but it did not work out well. We started with paying the workers on a daily basis, but they could not get the job done efficiently. We were thinking and evaluating all the time and trying to understand the real problems and how to solve them, or improve our work. We thus changed the payment scheme to a per piece basis. The situation improved, but it was not good enough. We had to find out the most appropriate way of doing it.

Prasert and Sunan believed in the value of good systems and the critical role of human resource in the success and growth of a business. The two of them alone would not be able to expand their business. Moreover, continuous improvement was essential for entrepreneurs to achieve business success.

When you are in business, nothing can be forever best. Your customers are changing. Your competitors are also changing. So is your other environment. Entrepreneurs have to keep on thinking, evaluating, adjusting and improving. If you have not achieved your objectives, what should you do next? Entrepreneurs have to be persistent and never give up.

As of 2003, Korat Sangsuwan Pottery had 600 workers, around 80 percent of whom were from local communities. Some 400 workers were at the production site in Dan Kwian while 200 worked at the head office in Korat to do finishing and packing for export. The third office in Bangkok, headed by Sunan's brother, had only a few people taking care of marketing and sales tasks.

Prasert was very happy with their existing production system, both in terms of the present productivity and its capacity for future expansion. All of his 600 workers had been formed into several independent groups according to their family ties or friendship. A production group had 10-20 members, while a finishing group had 6-7

members. Each group had its own basic equipment, clay, management and internal quality control system. Prasert provided them with a production area and accommodations, as well as other additional resources the workers would need. Prasert had his own quality control team to check every piece of pottery before buying these from the groups. Prasert and Sunan took care of the design and production plan, secured and received orders and exported the products. The worker groups served as sub-contractors of Korat Sangsuwan Pottery. Each group had its own self-regulation and motivation. Most of the working groups had already been working together for almost ten years. Prasert and Sunan did not have to closely supervise them; neither did the couple have the time to do so. Hence, both parties were happy with the arrangement. Should Korat Sangsuwan Pottery expand further, there would be more people willing to form a group and join the production team.

Prasert and Sunan had very close personal relationship with their workers. They looked after the workers when the latter had personal problems, or when they were sick. In addition to fair compensation, Prasert and Sunan provided them social security benefits and fringe benefits, such as non-interest loan of a maximum of 50,000 baht, low-interest loan of 100,000 baht, scholarships for workers' children, and free shuttle bus from home to work. A good cook, Sunan prepared special dishes and shared meals with the workers whenever she was at the Korat office. Prasert and Sunan also made contributions to the community close by. They supported schools, government offices, temples, social activities such as anti-drug, and health promotion campaigns. They served as resource persons for new entrepreneurs training programs and received both students and business trainees to visit their plants and learn from their experiences.

Prasert learned the core production technique of Dan Kwian Pottery from the older people in the community since it was local wisdom from the old days. He then tried to bring in his knowledge of modern science and new technology which he learned in college to improve on the traditional production methods. This had given Korat Sangsuwan Pottery a unique production strength.

The pottery business was affected by seasonal changes. The production process requiring natural drying before kiln baking took a much longer time during the rainy season. During kiln baking, some pieces of pottery could crack. Prasert therefore had to carefully prepare a production plan throughout the year. For each order, he had to produce an additional 10 percent of the actual volume ordered as an allowance for breakage and cracking. This way, he ensured that the required volume was delivered to the customers.

Cracked or defective products could actually be retouched without anybody noticing it. Nonetheless, Korat Sangsuwan Pottery never shipped retouched products to its foreign customers. They disposed of retouched products and production overruns through special sale in the domestic market.

The internal management of Korat Sangsuwan Pottery was taken care of by Prasert and Sunan who were not only life partners but also a business management team. Prasert took care of overall management, production and human resource development while Sunan looked after marketing. They worked together closely and

strongly supported each other. They felt fortunate that they were able to grow their family as well as their business together.

Expansion Strategy

During its first three years of operation, Prasert and Sunan observed a steady growth in sales together with an increase in savings from net profit. They felt that Korat Sangsuwan Pottery must be the family business that they had been looking for. They therefore decided to focus solely on this pottery business and to invest more and more in the business as required by the market.

We were very cautious about expansion. We looked at the market first through incoming orders, then looked at our own savings. We moved step by step and spent only for the most necessary equipment first. We were *careful* about spending money and believed that “greed” could lead us to serious trouble. We had to grow at our own pace.

Business expansion did not only need money and appropriate management. Both information and business connection were also important. Prasert and Sunan thus kept track of news and information. They came across a news item that the Thai government, through the Department of Export Promotion (DEP), had a program to support and promote Thai exporters, particularly through seminar, training and trade exhibits – both domestic and overseas. They joined the DEP’s program and had since become active permanent member.

Joining DEP’s program, especially the subsidized overseas trade exhibitions, has played a significant role in the success and progress of Korat Sangsuwan Pottery. With a small budget, we had the opportunity to see the markets, competitors, and to meet customers. Some of the customers who used to order through our agents, such as IKEA, recognized our products at the trade exhibits. They came to talk to us, then decided to do business with us directly.

We met most of our present customers through these local and overseas trade exhibits. We joined every trade exhibit possible. At present, we do our own export 100 percent.

Prasert and Sunan tried to obtain more support and develop more business connection. They also joined the programs of JETRO and the ASEAN Center.

A Path To Success

Korat Sangsuwan Pottery had experienced continuous growth ever since its establishment, in spite of the economic crisis in Thailand and Asia which started in 1997. The company’s total export sales in 2002 was 62 million bath, about US\$ 1.6 million. Prasert and Sunan looked back to how they had reached this stage.

We believe that knowledge, information and network are essential ingredients for business development. We often read, attend seminars and trainings, talk to people, and join overseas business trips. We do things gradually, but persistently, with affordable and minimal budget. Whatever we hear or see, we have to study closely so we can adopt it in Korat Sangsuwan Pottery. This is particularly true for product design which we now have to change every month.

Customer satisfaction is the core ingredient of our success. We have to know our customers and keep up with their ever-changing needs and wants. We therefore participate in every trade exhibit, to the extent possible, as well as visit overseas customers every year. To best fulfill our customers' needs, we come up with creative designs all the time. Before any trade exhibit, we have to finish a whole set of product samples for the next production season. Our customers place orders according to the product samples, including the product design, size and color. We therefore never have any problem meeting our customers specifications. Moreover, we always make sure that we can deliver quality products in the right volume and at the right place and time. Our customers often provide us information and suggestions on the trends in design and color. They sometimes introduce to us new customers. The long-term relationship with our customers is thus very valuable for our business.

Having been entrepreneurs for more than ten years, Prasert and Sunan would like to share their experiences and the way they lived and worked with the new generation entrepreneurs.

As business owners, we had to work all the time, first to get started, then to survive, to grow and to sustain the business. We needed to learn how to handle problems and difficulties, and we never gave up. We believed that every problem had a solution; we had to find it. After we had gone through these problems, we felt very good. It was really worthwhile. Henceforth, obstacles would be our new challenges.

Aside from hard work, endurance and persistence, Prasert and Sunan highly valued cautiousness in everyday spending, both business and personal, and also in expansion investment. They believed that all the money spent must be thought-out and worthwhile. They appeared to be contented with a simple life, similar to what they were used to before, though they had become millionaires. They kept their profits for business sustainability and future expansion rather than spend these on luxuries for themselves or their children. They emphasized long-term security, maintaining good relationships with all the stakeholders, both inside and outside of the company, and continuous improvement practices.

Challenges

Inasmuch as all of Korat Sangsuwan Pottery's main products were exported, mostly to the U.S., global competition has greatly affected the company very much. Their customers had been offered similar products at lower prices, particularly by the competitors from China and Viet Nam. Prasert and Sunan never thought of competing in terms of price. They had highly skilled and highly paid workers turning out quality products. They focused not only on new and unique designs, but also on product quality and efficient customer service. Thus, their cost could not be competitive. Sunan had been negotiating with the customers on the strength of the quality of Korat Sangsuwan Pottery's products together with additional services needed. Sunan had been successful so far in keeping her customers' loyalty. However, she was wondering how long this would last, and how she would be able to keep her customers forever.

APPENDIX I.

A. Brief Information on Thailand and Korat*

Total area of kingdom of Thailand	: 513,115 sq.kms. (198,114 sq. miles)	
Population (2002)	: 62.8 million	
Currency unit	: baht	
Exchange rate (2002)	: Average of period	
• Baht / U.S. \$ (buying)	: 42.8 baht / US\$	
• Baht / U.S. \$ (selling)	: 43.1 baht / US\$	
Gross Domestic Product (2002)	: 5,430,466 million baht	
GDP per capita (2002)	: 86,473 baht	
Regional structure	: 8 regions,	76
provinces		
	Bangkok	1
province		
	Vicinity of Bangkok	5
provinces		
	Central	6
provinces		
	Eastern	8
provinces		
	Western	6
provinces		
	Northeastern	19
provinces		
	Northern	17
provinces		
	Southern	14
provinces		

* Source : Alpha Research Co., Ltd., *Pocket Thailand in Figures*, 6th ed., Bangkok, Thailand, 2003.

C. Land Area by Region

Region	Area (sq.kms.)	% of total
Bangkok	1,565	0.3
Vicinity of Bangkok	6,193	1.2
Central	16,594	3.2
Eastern	36,503	7.1
Western	43,047	8.4
Northeastern	168,854	32.9
Northern	169,644	33.1
Southern	70,715	13.8
Whole kingdom	513,115	100.0

D. Population by Region (Dec. 31,2002)

Region	Population (million)	% of total
Bangkok	5.8	9.2
Vicinity of Bangkok	3.9	6.2
Central	3.0	4.8
Eastern	4.3	6.8
Western	3.6	5.8
Northeastern	21.6	34.4
Northern	12.2	19.4
Southern	8.4	13.4
Whole kingdom	62.8	100.0

E. Five Largest Provinces

Unit: sq.kms.

Rank	Region	Area	% of total
1	Nakhon Ratchasima (Korat)	20,502	4.0
2	Chiang Mai	20,011	3.9
3	Kanchanaburi	19,498	3.8
4	Tak	16,420	3.2
5	Ubon Ratchathani	15,907	3.1
	Others	420,754	82.0
	Whole kingdom	513,115	100.0

F. Five Most Populous p=Provinces, 2002

Rank	Region	Population (million)	% of total
1	Bangkok	5.78	9.2
2	Nakhon Ratchsima (Korat)	2.58	4.1
3	Ubon Ratchathani	1.79	2.9
4	Khon Kaen	1.77	2.8
5	Chiang Mai	1.60	2.5
	Others	49.28	78.5
	Whole kingdom	62.80	100.0

G. Minimum wage per day By Province, 2002 - 2003

Unit: baht / day

Province	BOI investment zone	Effective date	
		Jan. 1, 2002	Jan. 1, 2003
Bangkok	1	165	169
Chiang Mai	3	143	143
Nakhon Ratchsima (Korat)	3	143	145
Other provinces	2 or 3	133	133

H. Average Wages of Employees in Private Sector: By Type of Wage and Province, 2001

Region / Province	Average daily wage (baht / day)	Average monthly wage (baht / month)
Whole kingdom	146.1	8,804.5
Bangkok	192.0	12,218.0
Vicinity of Bangkok	176.7	9,985.2
Northeastern	122.4	4,744.5
Nakhon Ratchsima (Korat)	130.6	5,967.3
Northern	125.6	5,147.8
Chiang Mai	127.8	5,516.1