

**ENTREPRENEURIAL DEVELOPMENT IN THE  
HEALTH CARE INDUSTRY AND SPA INDUSTRY IN  
THE NORTHEAST OF THAILAND**

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***Abstract***

*The health care and spa industries are service industries. Many businesses in these industries try to develop their services. Meeting as many needs as possible leads not only to better quality but also to competitive advantage. This research study aims to investigate the development of the health care and spa industries. The study focused on the service of entrepreneurs and customer behaviour. The case of Khon Kaen province, where Thailand's northeast capital city is located, was chosen. The sample used in data collection consisted of customers and entrepreneurs in the region. The questionnaire technique was used for customers, while the observing and interviewing technique was used for entrepreneurs. The study found that more than half of the customers had experience in using these types of services and intended to use these services much more in the future. The customers of each industry tend to use both services but prefer convenience. The entrepreneurs have the capability to increase their service segments when a clearer view of government policy and customer needs was revealed. Entrepreneurial development in these industries tends to fall into the issue of linkage between these two industries much more than the other issues.*

***Keywords:*** *Entrepreneurial Development, Health Care Industry, Spa Industry, Northeast Thailand*

## **1. INTRODUCTION**

People in modern society tend to care for their health as well as their safety. It is a phenomenon that has spread quite fast to the region, the country and almost all around the world. The health care and spa industries are service industries, and Thailand is well-known for these types of services in many countries. However, many businesses in these industries try to develop their services continuously. Meeting as many needs as possible leads not only to better quality but also to competitive advantage. Are there any possibilities in the entrepreneurial development of these industries to promote them better? Answering this question is quite challenging particularly in the Khon Kaen region, the industry is quite important to people's income. It is an interesting issue if we know of some channel to develop business in each type of industry. The northeast part of Thailand has the lowest income in the country. The growth of industry in the region brought development quite well, although there is a gap between it and the other parts of the country. The strategy of entrepreneurial development in the linkage between the two closely related industries is a possible way to promote better business. This research aims to study the development of the health care and spa industries in order to answer the question asked above. The data collection was done during August of 2008 to January of 2009.

## **2. INDUSTRY AND ECONOMY OF THAILAND**

The economy of Thailand has gone through a cycle of boom and bust many times in the last twenty years. During 1987-1992, the economy rose due to increasing exports. The manufacturing firms concentrated on developing quality and exported their products to almost every part of the world. Thailand was called a newly industrializing country at that time after the economic structure changed from agricultural-based to industrial-based. Unfortunately, it went bust in 1997 when an economic crisis occurred in many parts of Asia because of financial tension. The currency attack was a major problem when economic growth was higher than the real currency exchange rate. It occurred due to the foreign debt crisis when the government decided to use floating currency rate. Manufacturers faced the very big problem of high material costs when they had to import them. The problem spread to the whole system. The economy was almost bankrupt. Every manufacturer tried to work hard, and then they found success. Currently, the producers and entrepreneurs are trying to compete in the world again. It seems to be a difficult process, but they can do it.

The export volume declined in the short term after the crisis; boosting activities were applied to support the distribution of domestic goods in the international market. From 2001-2004, the exports of the whole country expanded to exceed imports and showed some developing potentials to boost the country's economy again. Electronic goods were the major group of exports that expanded at

a high rated compared with the previous period. It was an important milestone of domestic production as it showed international competitiveness, which is full of strict barriers.

Statistics concerned with the economic structure of exports have shown that industrial goods were the primary group with a value of more than 70% of total exports. Agricultural commodities and agro-industrial products were the second largest group.

In 2007, the export volume expanded to 151.1 thousand million U.S. dollars and the growth rate was 18.1%, while the import volume was 139.1 thousand million U.S. dollars and the growth rate was 9.6%. These growth rates of export and import were the similar rate in the last five years. The export volume expanded almost every year, showing that the population of 63.04 million people worked harder year by year to compete in the world market.

Exported Thai products flow into four major markets: the United States of America, ASEAN countries, the European Union, and Japan. However, exports to new markets such as African countries, Middle Eastern countries, Russia, China, and India tend to increase the value of Thai exports quite significantly.

### **3. EXPORT PRODUCTS**

The export products of Thailand fall into many categories depending on the market in each country. The products exported to the U.S.A. mostly consist of garments, electronic appliances, canned seafood, and electronic circuitry.

These categories were largely the same as those of exports to Japan and the EU, but there were some variations. The major categories of export to Japan were electronic appliances, cars and accessories, and seafood.

Despite the fact that Thai exports are sent to 4 major markets, manufacturers and government agencies have sought to expand the market effectively to new countries, including China, India, Africa, and Russia.

China is a big market for Thai products since China has dealings with the World Trade Organization. Thai exports to China comprised material goods and electronic goods such as computers and appliances, steel, chemical products, plastic and, rubber. However, other products that may have a good future in exporting to China are steel, fresh fruit, and cars and accessories. The value of Thai exports to China tends to increase every year.

Not only does China play an important role as a new market for Thai products but so do other countries. Many countries as India, Russia, etc. also were related in Trading with Thailand. Exports to India were like an exchange of goods and services. Although India exports material of many products to Thailand, the import of material of computer products from Thailand showed a good volume.

While the Indian computer industry boomed, the exports of computers and components from Thailand also were booming.

Africa also is a good market for Thai products. The close relationship and the same need for products as Thai people led to a valuable push among domestic manufacturers to export. Firms that had never exported began to have new opportunities. The export of common goods to address the basic needs of people in that region made the export volume expand. The volume of exports to Africa expanded at a good rate. Rice was the most-exported category, followed by cars and accessories and then machines and plastic products.

#### **4. REGIONAL INDUSTRY**

The exports discussed above are the major products in the globalizing world. Although the products exported to the big countries primarily were high-tech products, products with medium technology and handicrafts could play a good role in small countries and show good potential to develop very well (Khamanarong, S., Khamanarong, K., 2008a).

Regional industry has a long history of distribution to supply the needs of people in the local area. Mostly, these products supplied the people in the nearby area; only a few products with higher potential and sources of funding could be distributed to the entire country.

Regional industry has boomed since some kinds of products could be exported, and some firms developed into big firms within a few years after the beginning stage. After the economic crisis and the central government converted its policy to promote small and medium enterprises to maintain the entire economy, local production was a central point (Khamanarong S., 2000). Some countries had experience in promoting these producer groups to hold and drive the economy at the bottom line. Thailand also used this strategy in maintaining the economy. In practice, the promotion at that time did not focus directly on the real production at the baseline. Later, the policy-makers changed their focus from the policy to promote all enterprises to the policy to promote local enterprises. This method of development had been suggested by academicians a long time before. However, this policy could be a first step in changing the focal point from big firms to small firms.

Although the production at the beginning stage was focused on quantity, the second stage was concentrated on quality. The encouragement of producers to enter the globalizing world was quite meaningful. Many products could be exported with good quality. This export potential could reflect the good management developed by the producers themselves (Khamanarong S. and Khamanarong K., 2008b).

These products were promoted for export in many ways. Effective activities included trade shows in many countries around the world. Trade shows

built up the connection between local producers and distributors abroad. The export volume was increased through this channel.

International meetings were another way to introduce these products very well. Orders came after official meetings of trade delegations from the member countries. This method allowed some products to be distributed in the international market.

## **5. THE HEALTH CARE INDUSTRY AND SPA INDUSTRY**

Service industries became prominent when the world began to concentrate on health and beauty. Consumers expect to have a good health and try to find services and products around the world. Thailand seemed to be a good choice, particularly for consumers from America, Europe, and Asia. Service industries such as health and beauty in Thailand could induce customers with a good record of satisfied customers.

This kind of service product that welcomes customers makes it seem as if Thailand is ready to open its doors to those who care for their health and beauty from all around the world. Most of the service centres that welcome foreigners have been trained to treat customers efficiently.

However, the service product depends on customer satisfaction. If the product is good and maintains high standards as long as they can, it will be a new export product not only in the international market but also in the domestic market but in different places. Tourists who come to buy services in the country can be considered to be exports in this sense.

With respect to domestic sales, the tourism and service industries are significant for the country's economy. It generates income and employment for local people. The distribution of income from these industries can spread to the other industries both directly and indirectly. Each year, more than 10 million people come to Thailand, generating more than US\$10,000 million in income (Tourism Authority of Thailand, 2008). The government tried to develop the potential of industry and enterprise to serve both foreign tourists and local customers. They tried to upgrade these enterprises to become world-class firms. It is a strategy to promote a strong economy.

The health care industry is connected to tourism. The strategy to promote Thailand as a centre of health in Asia was set up when a lot of tourists came to buy. It may be based on word-of-mouth of previous tourists. Good service in health care and medical treatment has been remarkable around the world in recent years. A number of customers intend to receive medical treatment when they visit. The low cost of treatment when compared with costs in Europe and America as well as good service might be the major factors. This kind of service has become a health care industry in the last ten years as many entrepreneurs have recognized this channel of business (Khamanarong S., 2009).

The spa industry also can be considered to be related to the tourism policy. The government has a policy to promote spa centre as an attraction to tourists. The basis of this policy is the fact that local massage was well-known and that the local human resources were sufficient. The spa industry can be a source of income generation that may harmonize with the local specialization. The survey report of the SME Development Institute in 2005 found that Thailand was favored by tourists. They ranked Thai spas as the number-one tourism resource in Asia (Thailand SME Development Institute, 2005). The favor of tourists combined the government promotion caused the spa industry to spread all over the country very quickly.

The spa business is like other businesses in the customer service industry. Entrepreneurs target customers to serve, and they try to develop their businesses as much as they can in order to reach the target. The goal of business is profit. If entrepreneurs can develop their businesses to serve their customers, they can earn much more profit from their firms. The point is that the development of business means investment. Only a few developments do not require investment. The question is this: Which issue of development is needed? How can it be developed? Investment that serves a direct point is useful and effective. Effective investment requires some research to answer the question. Business development is concerned mostly with the service development in order to retain customers. Some businesses need a lot of investment which make difficulties in decision of entrepreneur. However, the high competition in business sometimes makes decision-making easier. A new question arises. How can we be sure of the real needs of customer, especially in a time of recession when economic conditions are not so good? This means that the people may spend less money than in the past, which means that projections made on the basis of past data may not be correct.

The northeastern region has been the Thai government's target for development for more than four decades because of its low income level. The long development and many government investment projects have improved this region. At present, it is known among tourists that this region has a variety of tourism resources. The kind local customs and the friendly spirit of the people are the big charms that attract many tourists who want to find different kinds of relaxation. Soft and kind local massage and high-quality local herbs are big inducements, and a lot of visitors are crazy about it. That has made a new service industry, the spa industry, boom very quickly in a short time over the last few years.

Not only are tourists the customers of the spa industry but so are the local people. They like to buy this kind of service, too. These two groups of customers have built the business of the spa industry as it has grown. The number of entrepreneurs increases year by year. When high competition exists in the region, it pushes entrepreneurs to create new products. The objective is to serve their customers. Although firm adaptation seems to survive on competition, some firms still need further encouragement by the government or other people, especially businessmen, in order to give a clearer view of adaptation and investment in the new economy.

## **6. COMPETITIVE ADVANTAGE**

As we know, many businesses, including those in the spa industry, seek advantages over other entrepreneurs in order to succeed. In the spa industry, each entrepreneur tries to create new services or new kinds of products to sell. A study of the spa industry in the northeast region of Thailand was conducted during August of 2008 to January of 2009 to identify entrepreneurial development. 275 customer cases and 30 entrepreneur cases were collected.

The case of Khon Kaen province, where Thailand's Northeast capital city is located, was chosen. The sample used in data collection consisted of customers and entrepreneurs in the region. The questionnaire technique was used for customers, while the observing and interviewing technique was used for entrepreneurs.

The study found that more than half of the customers had experience in using these types of services and intended to use these services much more in the future.

Most of them were 50-60 years of age. The interesting point is that the spa service customers mostly are also health care service customers. A question arises regarding this issue. Why don't the same entrepreneurs serve the same customers? Is it possible to serve customers with two services at the same time? When we consider the matter in detail, entrepreneurs in these two industries are separate because they offer different services and have different skills, leading to separate investment in these firms. If we can combine the two types of service, the situation should improve. First, construction costs would decrease because only one building would be required rather than two. In addition, customer service would be better in one point service for those who are generally need the two kinds of service. Combining health care and spa services is a new idea if any entrepreneur is willing to engage in it. The customer behaviour survey told us that middle-aged people frequently buy both types of service. Customers at this age normally have the potential to buy more than one service. If one firm can offer these two services at the same time, customers would prefer that firm because of the convenience it offers. We believe that the problem here is not the service. Normally, an entrepreneur can learn how to of a new service in a short period of time. When we consider the matter of service skills and investment fund in depth, which one should be the bigger problem? The investment that relates to the firm's own money or its credit or debt should be the focus. If there is no sign that government policy will address this issue, the required investment may not occur.

## **7. ENTREPRENEURIAL DEVELOPMENT**

Entrepreneurial development in the health care and spa industries in the northeast region of Thailand and other places may occur after the signs are clear, as

discussed above. The survey data shows that entrepreneurs in these industries mostly planned and organized their firms in both the short term and the medium term. The data described above shows that the customers of each industry tend to use both services but prefer convenience. How should this result be interpreted? On the one hand, the customers want better service. On the other hand, they want to buy the two services but prefer convenience. This means if a firm can provide both services at the same place, it will be quite convenient for the customers, as they will not need to travel to another place to buy the second service.

However, any changes in these industries require more investment. It is reasonable if the return on investment is higher or at least equal to the investment. How can the entrepreneur know what will happen in the near or far future? What should the government do to promote the economy? How does cooperation between the private sector and the public sector occur? How can the two sectors come to work together to try to answer this question?

## **8. POLICY IMPLICATIONS**

It may seem strange if we say that the study found the different issues than other studies have found. It is not so strange that the study showed new factors that make it possible to design policy when we want to promote regional development. We can use these factors as the baseline of provision of government to the people. Government and local business promotion agencies may use these factors to establish a strategy to boost new regional industry and enterprise in their areas. They may create training courses in management or promote businessmen with experience to engage in new production or enterprises in remote areas. The combination of two businesses or two industries is possible, and it can be a better environment because it can serve those customers who need two services. This strategy not only creates new firms, increasing the number of industries and enterprises but also boosts people. People who have savings should learn enough about management before starting their own businesses in regional industry and enterprises. Entrepreneurs may feel certain when they have enough research data for a new firm according to the training created through public-sector and private-sector cooperation. This skill will be the final factor to push them to success in their business.

## **9. CONCLUSION**

The public sector in the open economy plays an important role in boosting the economy and creating balance among various interest groups. The private sector also plays an important role in the economy because they are the real actors. The spa industry and the health care industry both that have a good future,



especially in Thailand and other countries with the same specialties. The study of customer behavior and entrepreneurs in these industries shows some needs and capabilities. A customer group that has high purchasing power needs different things and it is waiting for it to be supplied. While entrepreneurs have the capability to increase their service segments, they need a clearer view of government policy. How can be combined these two services in the same place? It seems that entrepreneurial development in these industries tends to fall into the category of linkage of two services. This strategy will upgrade these two services with lower cost and higher satisfaction of customers and entrepreneurs much more than the other issues in development of business and economy.

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