



## STRUCTURAL EQUATION MODEL (SEM) OF THE DEVELOPMENT AND PROMOTION OF OTOP: COMMUNITY PRODUCTS OF THAILAND

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### 1. Introduction

Thailand has to come up with a policy to alleviate poverty for rural communities with a large number of grass root people. The policy aims at generating income for community residents and raising their standards of living. To reach all these objectives, in 2001, launched a project to develop and promote community enterprises called OTOP (one tumbol; one product). The core concept of the product consists of 1) residents of each tumbol (community) will produce a product particularly unique in a respective community, which means that they will leverage local resources, both tangible raw materials and intangible wisdom and culture to develop and design unique products that manifest community identities, 2) the development and promotion of community enterprises must be correspondent with the National Economic and Social Development Plan, and 3) community residents should learn how to leverage local wisdom and culture to create products with high quality and values. (Office of National Economic and Social Development, 2006).

Three principles of OTOP development and operation are: 1) featuring local wisdom in the global market (Local yet Global) by developing products and services with local

wisdom and culture to be accepted globally, 2) leveraging creative competencies to become a self-reliance community by leveraging community potential to develop and design products that are unique and inimitable to be globally accepted, and 3) improving local residents' competencies (Human Resource Development) to improve their perspectives, knowledge, skills, production management, and creativity. It is hoped that their products will be well accepted domestically and globally with world-wide distribution. (Sirichokebundit., 1997)

The government has been trying to look for outlets for OTOP products both domestically and globally. Among all OTOP products, cultural products are used to lure tourists to purchase them as souvenirs. Different government offices have been organizing fairs to introduce and sell OTOP products. To create value added for OTOP products, they are rated according to their successes from one-star products to five-star products. Five-star products are products with world-class standards that are successful both domestically and globally. Four-star products are domestically successful and have potential to become exported products. Three-star products are products with moderate qualities and can be developed to become four-star products.

Two-star products are products that can be developed to become three-products, and have to be closely monitored periodically. One-star products are difficult to develop because there are many shortcomings. (Gesornbua, 2009)

Despite many government supports, the OTOP project does have problems. Some community residents do not use local know-how's, some products are developed without the long-termism concept, some of them do not have commitment of production and marketing, community enterprises lack marketing insights and financial management. Distribution is the most serious problem, retail stores do not see reasons why they should carry community products without brand equity. Major outlets are only few OTOP centers in local communities with inconvenient accessibility. There are only few community products that gain distribution permanently in major retail stores. (Sirichokebundit. 2007)

Another crucial problem is that many community entrepreneurs do not have analytics competencies to conduct SWOT analysis. They do not have market and consumer insights, It is essential that community entrepreneurs learn to have business insights and marketing insights.

The OTOP project of Thailand have multidimensional problems, including marketing competency, inefficient leveraging community resources, inappropriate and undifferentiated products, gaining channels of distribution, and inefficient marketing promotion. (Thanyamai Jiarakul, 2014).

## **2. Literature Reviews**

### **2.1 Community Enterprises**

The term “community enterprise” means the community's business relating to product manufacturing, service rendering or other businesses undertaken by a group

of persons having a relationship with each other. The term “community enterprise network” means a group of persons joining together to carry out any activity for the benefits of the operation of the community enterprises in its network. (Saithep and Permthai, 2017)

Community Enterprise Promotion Division (2005) defines a community enterprise as an entity generated by a group of community residents who co-operatively work together to produce, to manage, to market, and to sell products by deploying community resources. It focuses on sharing and mutual supports instead of competition. Thus, it is a way to synergize their efforts without friction and self-interest. Community enterprises are organized to enhance community economy as a foundation of development with self-sufficiency concept. In this case, the government has to equip community entrepreneurs with knowledge and ability to leverage community wisdom and tangible resources to develop their businesses. It is hoped that community enterprises will help alleviate poverty among grass root people who are residents of rural communities.

### **2.2 Principles of Community Product Development**

Community resources must be leveraged to produce and design products with quality that meets export standards. This mindset should be cultivated among community entrepreneurs. Not only do they have to pay attention to quality of tangible products, but they have to also pay attention to intangible services to satisfy consumers. Community products must possess utility, value, and differentiation to create competitive advantages.

There should be a campaign to encourage senior people to transfer their tacit creativity to the younger generation, so that there will be continuity of products that reflect community identities. Community-

based products must be particular to each respective community, and they are inimitable elsewhere. They should be developed with community wisdom, know-how's, local raw materials, and community cultures. Packaging and branding are important to create added values for community products. Product development needs leadership among community leaders and government officers to provide information on consumers' needs and wants in different market segments, and inspire community entrepreneurs to leverage both tangible and intangible resources of their community. (Soodsang, 2015)

### **2.3 The Enhancement of Community Enterprises**

Due to current global competition, many counties are now trying to strengthen community potential by leveraging the strengths of culture, wisdom, and everydayness of living to develop unique offering in association with community identities to create differentiation. Creativity, innovation, and technologies are crucial elements to achieve differentiation. Product developing and designing must be associated with community wisdom, culture, and resources. (Jiwju , Siboonnunt, Buapeun , Sirisathienkij, Jangmo, and Neumai, 2016)

Owens (2009) states that a success in new product development can be considered a general aim for any company wishing to survive in the twenty-first century. The potential for innovation is considered to be a fusion of a perceived user needs and a technological opportunity for fulfillment of this need, and the driving force for product innovation may be varied: anything from market and competitor action and reaction; information on customers' needs; technical fine tuning of the process; or entrepreneurial inspiration.

Pakeechay and Tipanate (2018) state that to promote community products, there must

be: 1) products with quality and uniqueness that reflects community identities in terms of local culture, and communication campaigns in accordance with content marketing strategies, 2) strategies to build brand equity for the products with strong positioning according to target consumers' need packages, 3) products that are designed and produced according to consumers' needs and tastes, and the products must be catering to both domestic and global consumers, 4) confidence among partners and financial institutes that feel assured of decent operational practices among community enterprises, and the application of digital technologies to promote and distribute products online.

Strategies to promote community enterprises and their products are: 1) community-centric processes with community residents' involvement, 2) campaigns to promote heritage tourism, 3) promoting products that reflect community identities to be accepted globally, 4) enhancing community potential and developing entrepreneurs' knowledge, 5) equipping community entrepreneurs with business management competence, preserving community wisdom and know-how's.

### **2.4 Marketing Intelligence and Competence**

The last decade has seen the emergence of the development of the resource based view (RBV) of the firm, and the concept of the core competence of the firm. The notion of a corporate competence has been effectively driven by marketing activities. Firms have to develop networks that involve nurturing expertise with a strong marketing focus to exchanging relevant market and customer information or joint promotional activity. Marketing competency involves both operational and strategic dimensions. On a tactical level, there is the ability to manage relationships and trust, to negotiate with partners, to establish legitimacy, and to monitor the

ongoing costs and benefits of network involvement. (Wright, 2010)

According to Porter's (1980), entrepreneurs must know all generic competitive strategies, namely cost leadership, differentiation, and focus. Chandler's (1962) work established the interconnection of strategy and structure. Concepts of organization structure, from span of control, issues of centralization and decentralization are emphasized. Schein (1985) suggested concepts of corporate culture, shared values, and leadership styles. They all are related intrinsically to strategic direction and success. Grant (1996) suggests that an organizational competence is 'a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs to outputs. Mintzberg (1973) suggested that the skill set of managers, including technical, human and conceptual capabilities is a basic requirement of managerial work. The resource based view of the firm launched by Barney (1991) adds significant weight to the issue of competency development. Another important dimension of the RBV approach to corporate competence is that a firm capability can be a driver or catalyst to shape strategic choice and organizational configuration. Marketing competence that is linked to RBV concept will lead to strategic intents.

In conclusion, firm's competence should be analyzed in three ways: 1) exploring the technical, human and conceptual composition of competence, 2) the organizational focus of individual marketing competence, and its development in terms of deepening, broadening and partnering dimensions, and 3) the existence of corporate competence, in particular marketing-driven corporate competence or capability.

Gummesson (1991) states that marketers need to deepen existing expertise and learn new competence. In the age of drastic changes organizations need sustainable competitive advantage to cope with changes and to succeed. They can create, sustain and use competitive advantage through strategic management.

An organization can achieve superior business performance only if it can provide products that customers will pay more for than it costs the firm to provide them. It means that the organization must be able to create value for its customers. Value creation seems to be at the heart of any successful strategy (specially marketing strategy). In order to create value, the organization must obtain a competitive advantage and maintain it sustainable (Saloner et al. 2001).

Intelligent marketing strategy (IMS) is a source of think-tank or pool of creativity, innovation and knowledge creation. IMS can play mutual important role for organizational success. In order to achieve competitive advantage, an organization must consider its external position, based on marketing perspective (Porter, 1980), while according to RBV, internal capabilities must be addressed (Barney, 1991). Business performance consists of three main components: customer performance (satisfied and loyal customer), market performance (sales volume and market share) and financial performance (profit, ROI).

Achieving this type and level of organizational performance requires formulating and implementing intelligent marketing strategy (IMS).

Innovation orientation has a determinative role in delivering successful offerings in global markets as in local markets (Morris et al., 2002, Hallback, Gabrielsson, 2013).

## **2.5 Community Orientation**

Local community businesses need to develop the quality and international standards for brand building and consumer trust. The development of community products must be comprised of the community wisdom, culture, technology, and innovation.

To reach international standards for local products, there must be 4 activities: 1) defining the local product standards depend on criteria for product certification, 2) taking the sample product and tested by public officials to get accreditation, 3) developing product producers' knowledge by training and giving advices to community entrepreneurs, and 4) promoting and communicating product stories by using various media both online and offline.

The 3P model of product design process is composed of 3 steps: 1) Planning, 2) Product Development, and 3) Promoting Community. This 3P model is appropriate as a guideline for community-centric product development; potential committee development, group member funding, marketing skill development, group's process planning, group's public relations and community learning center. Crowdsourcing by conducting social listening is a smart way to develop innovative products that are catering to consumers' needs, wants, tastes, and expectations. Online consumer groups represent a large pool of product know-how; they seem to be a promising source of innovation. Entrepreneurs should have virtual communities online, so that members of virtual communities can be integrated into new product development. Entrepreneurs must have digital evangelists to interact with virtual community members in order to get valuable inputs for new product development. In this case, product development can be termed as "Community Based" (Füller, Bartl, Ernst, and Mühlbach, 2006)

## 2.6 Distribution Management

The two main types of distribution strategies are direct and indirect. Direct distribution is a strategy where manufacturers directly sell and send products to consumers. There are a few different ways to implement this method. Some organizations may opt to take a more modern approach and use an e-commerce website where users can make a purchase online. This is an effective option for companies with a client base that's moderately knowledgeable about technology, requests a specific solution to meet needs or is devoted to a particular brand. One important factor to consider when implementing a direct distribution strategy is the amount of investment required.

The term "middleman" often gets a bad reputation, but in the case of distribution, these organizations can be helpful in getting goods to consumers. Indirect distribution strategies involve intermediaries that assist in the logistics and placement of products so that they reach customers swiftly and in an optimal location based on consumer habits and preferences. (Jenkins, 2022) With the indirect distribution strategy, retailers are the final step in the distribution channel before customers purchase an item.

E-commerce is a distribution channel that is rapidly increasing in popularity. E-commerce features assist companies in developing an online shopping platform to manage and coordinate sales with customers. These tools often contain support for web analytics. Logistics management is a practice that supports e-commerce.

## 2.7 Marketing Promotion

Promoting a business within and outside the community increases awareness and builds excitement for community products. Some companies may rely on one promotional strategy, however, to ensure that small business thrives, it's

imperative to implement multiple strategies. Creating an online presence is another key aspect of promoting community businesses. At present, consumers search for product stories online. Providing ample details about community businesses and incorporating keywords into web copies to target consumers can be effective promotion activities. On print, brochures, posters and packaging are a cost effective way to provide a variety of messages and detailed information about products and services. For online channels, some of the most common forms of electronic media can be accessed on mobile devices. Smart phones allow for marketing tactics that let community businesses reach customers directly on their mobile devices. It is obvious that social media marketing encourages online interaction between customers and y community business employees. Community businesses can make new contacts and reach out to potential customers by participating in trade shows, conferences, community activities and other networking events.

Internet capabilities have shifted buying behaviors, which results in a shift of content creation from relatively simple, periodic and low volume content focused on vendor/product features and benefits, customer-centric, relevant, useful and educational information and contents. Companies must move beyond silo marketing campaign oriented project approaches to a holistic, enterprise, customer-centric approach to information and content requirements. To support this strategic objective, businesses require a unified marketing and sales information and content strategy. Six competency framework for marketing and sales Information and content strategy consists of: 1) understand buyers, 2) conversation support, 3 use case requirements being documented and decided upon, 4) people support, 5) content operations that move more content creation, management, and

accountability in-house, and 6) infrastructure and tools for digital contents. (Barney,1991)

### 3. Research Conceptual Framework

#### 3.1 Latent

1. It is obvious that, community entrepreneurs lack marketing competencies. They do not have enough knowledge about business environment. They do not have consumer insights. This means that they do not have marketing intelligence in terms of competition, business environments, and consumer needs and wants. This results in ineffective SWOT analysis, consequently, they do not have effective TOWS strategies to market OTOP product efficiently and effectively. Thus, a latent that should be in this particular structural equation model is

**“marketing intelligence and strategies (MIS)”**.

2. Each community has some unique resources including tangible and intangible resources. Tangible resources are raw materials that can be transformed and processed to be unique products that reflect a respective community identity. Intangible resources are cultures, local wisdom and know-how's, histories and heritage, and creative competencies. However, these resources have not been leveraged to create competitive advantages for OTOP products of a particular community. In many cases, the concept of Resource-based view (RBV) is not applied. Another latent that should be in this particular structural equation model is

**“community resource leveraging (CRL)”**.

3. It has been observed that many OTOP products are not unique; many of them are imitative products. Moreover, many products are developed on a basis of product push strategy, which means that they are developed without considering consumer needs and wants. It is reported that many of them are developed because

there are raw materials in the community, local residents have know-how's, and they have accesses to government funding programs. Consequently, many products are not catering to consumer needs, wants, and tastes. Thus, another latent that should be included in this particular structural equation model is “**customer-pull product development (CPD)**”.

4. Many community enterprises do not have knowledge about marketing promotion. They do not have communication campaigns to create awareness and values of their products. Some of them do not believe that marketing communication is essential. Others lack enough budget to pay for marketing communication campaigns. Most of them do not have sufficient knowledge to leverage digital communications to build brands for their products. Consequently, consumers are not aware of their products, and their products are not appealing to consumers because they lack brand equity. Thus, another latent to be included in this particular structural equation model is “**integrated marketing communication (IMC)**”.

5. Due to their lack of awareness, appeals to consumers, and brand equity, retail enterprises are not willing to carry OTOP products. It is obvious that OTOP products have distribution problems. They are not available at most of the major retail stores in the country. They are sold in only few OTOP distribution centers in local communities, and OTOP fairs that are occasionally organized by various public offices. OTOP products are not consistently available to provide convenience for consumers who want to buy them. Not only do OTOP entrepreneurs do not build brand equity for their products, but they also do not have enough money to cope with a long credit terms practiced in Thailand. It is difficult for them to manage cash flows. Consequently, they cannot push their products to have shelf spaces in retail stores. Thus, another latent to be included

in this particular structural equation model is “**Distribution System Management (DSM)**”

#### 4. Research Method

This research uses a mixed method—qualitative and quantitative. After reviewing literature in reference to the problems of OTOP (community products) development and promotion, five latent variables have been hypothesized as components of a structural equation model (SEM) for the development and the promotion of community OTOP businesses. The qualitative research was conducted with in-depth interviews with 10 experts to look for observed items that manifest all of the five latents. The quantitative research was a survey research using a structured questionnaire with 25 observed items in the form of Likert scale for each latent. The questionnaire was distributed among 500 successful OTOP entrepreneurs whose products are rated as three-star, four-star, and five-star products.

The data was analyzed with a structural equation analysis. After the defined statistical tested had been conducted, a structural equation model (SEM) was formulated to study loading factors of each latent in association with the other latent variables in the model.

#### 5. Results

##### Exploratory Factor Analysis (EFA)

The result of adequacy test of the variables under the study with Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) reveals the value of .905, which is higher than 0.80. This indicates that this set of variables is adequate to conduct a factor analysis at a high level according to the criteria set by Kim and Mueller. The result of Bartlett's Test of Sphericity reveals that the relationship among the variables is statistically significant at 0.000, indicating that all of the variables can be used to

conduct factor analysis. The detail is shown in Table 1 as follows.

Table 1: KMO Values and Bartlett's test

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.911
Bartlett's Test of Sphericity	Approx. Chi-Square	38875.402
	Df	300
	Sig.	.000

The statistic values indicate that the correlation coefficient matrix is not identity matrix, which means the variables are related and can be used to conduct a factor analysis.

Table 2: Aiken Value Analysis

<b>Components</b>	<b>Initial Eigenvalue</b>		
	<b>Total</b>	<b>% of Variance</b>	<b>Cumulative %</b>
1.Observed items for M	18.574	47.463	47.463
2.Observed items of C	8.414	17.404	64.867
3.Observed items for P	7.527	15.940	23.020
4.Observed items for I	4.910	10.584	33.438
5.Observed items for D	4.534	8.609	42.997

**Note: M is Marketing Intelligence and Strategies; C is Community Resource Leveraging; P is Customer-Pull Product Development; I is Integrated Marketing Communication; Destitution system Management**

Table 2 shows the result of exploratory factor by means of component extraction according to Principle Component Analysis (PCA). The Varimax rotation of 100 variables reveals that all of the five components have Eigen values of 18.574, 8.414, 7.527, 4.910 and 4.534 respectively, and the variance of each component can be explained by 47.463 %, 64.867%, 23.020%, 33.438%, and 42.997% respectively.

Table 3: Defining Groups of Observed Items in Each Component

<b>Components</b>	<b>Observed Items</b>
1	1. I know how to formulate marketing strategies. 2. I know how to develop relevant products. 3. I know how to set pricing strategies. 4. I know how to gain distribution. 5. I know how to promote my product.
2	1. I want to create jobs for local residents in my community. 2. I want to fairly distribute wealth among local residents in my community. 3. I want to improve standards of living among local residents. 4. I want to preserve authentic culture of my community. 5. I want to keep the environment of my community clean.
3	1. I am assured that my products are outputs of co-creation. 2. I analyze big data for crowdsourcing in product development.



	<p>3. I pay attention to R&amp;D in my business practices.                  4. I use customer-pull strategy in product development.                  5. I produce products that reflect community identity.</p>
4	<p>1. I have web site to introduce my products.                  2. I use e-mail to contact addressable customers.                  3. I upload video clips online.                  4. I create buzzes to get viral messages.                  5. I leverage digital influencers to help promote my products.</p>
5	<p>1. I have trading firm to take care of distribution.                  2. I sell my products in ASEAN countries.                  3. I sell my product globally.                  4. I can manage cash flow to cope with the system of credit term among retail stores.                  5. I am willing to pay entry fees to gain accesses to retail stores.</p>

The data in Table 3 reveal the findings with regards to successful entrepreneurs of OTOP as follow:

**Group 1:** They know how to formulate marketing strategies, to develop relevant products, to set pricing strategies, to gain distribution, and to promote their products.

**Group 2:** They want to create jobs for local residents in their community, to fairly distribute wealth among local residents in their community, to improve standards of living among local residents, to preserve authentic culture of their community, and to keep the environment of their community clean.

**Group 3:** They are assured that their products are outputs of co-creation, they analyze big data for crowdsourcing in

product development, they pay attention to R&D in my business practices, they use customer-pull strategy in product development, and they produce products that reflect community identity.

**Group 4:** They have web site to introduce their products, use e-mail to contact addressable customers, upload video clips online, create buzzes to get viral messages, and leverage digital influencers to help promote my products.

**Group 5:** They have trading firm to take care of distribution, sell their products in ASEAN countries, sell their products globally, are able to manage cash flow to cope with the system of credit term among retail stores, and are willing to pay entry fees to gain accesses to retail stores.

Table 4: Factor Loading Values of the Components

Components	Observed Items	Factor Loading	Cronbach's Alpha
<b>1</b> Eigenvalue 23.020% Variance: 14.768	1. I know how to formulate marketing strategies.	.837	.905
	2. I know how to develop relevant products.	.797	
	3. I know how to set pricing strategies.	.784	
	4. I know how to gain distribution.	.781	
	5. I know how to promote my product.	.781	
<b>2</b> Eigenvalue 10.418% Variance: 13.235	1. I want to create jobs for local residents in my community.	.853	.831
	2. I want to fairly distribute wealth among local residents in my community.	.835	

Components	Observed Items	Factor Loading	Cronbach's Alpha
	3. I want to improve standards of living among local residents.	.833	
	4. I want to preserve authentic culture of my community.	.820	
	5. I want to keep the environment of my community clean.	.818	
<b>3</b> Eigenvalue 9.862% Variance: 13.235	1. I am assured that my products are outputs of co-creation.	.828	.824
	2. I analyze big data for crowdsourcing in product development.	.819	
	3. I pay attention to R&D in my business practices.	.815	
	4. I use customer-pull strategy in product development.	.810	
	5. I produce products that reflect community identity.	.807	
<b>4</b> Eigen value 9.559% Variance: 13.151	1. I have web site to introduce my products.	.778	.809
	2. I use e-mail to contact addressable customers.	.767	
	3. I upload video clips online.	.756	
	4. I create buzzes to get viral messages.	.748	
	5. I leverage digital influencers to help promote my products.	.745	
<b>5</b> Eigen value 6.125% Variance: 7.948	1. I have trading firm to take care of distribution.	.733	.819
	2. I sell my products in ASEAN countries.	.711	
	3. I sell my product globally.	.699	
	4. I can manage cash flow to cope with the system of credit term among retail stores.	.697	
	5. I am willing to pay entry fees to gain accesses to retail stores.	.678	

Table 4 shows the result of quality testing of measurement instrument be means of correlation analysis among the latents. The Correlation Coefficient is between 0.239 and 0.853 and Cronbach's Alpha is between

0.819 – 0.905. This indicates that the latents in this research do not have high relations among them and the confidence value is high enough to conduct a Confirmatory Factor Analysis (Hair et al., 2006)

Table 5: The Analysis of Loading Values of Confirmatory Factors

Factors	Factor Loading	t-value
<b>The first factor: Marketing Intelligence and Strategies (MIS)</b>		
1. I know how to formulate marketing strategies.	0.679	14.217
2. I know how to develop relevant products.	0.683	14.352
3. I know how to set pricing strategies.	0.724	15.334
4. I know how to gain distribution.	0.768	16.403
5. I know how to promote my product.	0.723	15.258

Factors	Factor Loading	t-value
<b>The second factor: Community Resource Leveraging (CRL)</b>		
1. I want to create jobs for local residents in my community.	0.725	15.253
2. I want to fairly distribute wealth among local residents in my community.	0.726	15.255
3. I want to improve standards of living among local residents.	0.611	15.734
4. I want to preserve authentic culture of my community.	0.736	15.660
5. I want to keep the environment of my community clean.	0.623	12.852
<b>The third factor: Customer-Pull Product Development (CPD)</b>		
1. I am assured that my products are outputs of co-creation.	0.640	13.312
2. I analyze big data for crowdsourcing in product development.	0.816	17.722
3. I pay attention to R&D in my business practices.	0.734	15.734
4. I use customer-pull strategy in product development.	0.678	14.210
5. I produce products that reflect community identity.	0.651	13.065
<b>The fourth factor: Integrated Marketing Communication (IMC)</b>		
1. I have web site to introduce my products.	0.650	12.745
2. I use e-mail to contact addressable customers.	0.718	13.898
3. I upload video clips online.	0.755	14.269
4. I create buzzes to get viral messages.	0.745	13.403
5. I leverage digital influencers to help promote my products.	0.686	13.120
<b>The five factor: Distribution System Management (DSM)</b>		
1. I have trading firm to take care of distribution.	0.611	17.142
2. I sell my products in ASEAN countries.	0.736	15.734
3. I sell my product globally.	0.623	14.210
4. I can manage cash flow to cope with the system of credit term among retail stores.	0.768	13.065
5. I am willing to pay entry fees to gain accesses to retail stores.	0.723	12.021

Note: All factor loadings are significant at  $p < 0.000$ . Parameters are fixed at 1.02 for maximum likelihood estimation.

Looking at Table 5, one can see that all observed items of the five components have internal statistically significant differences.

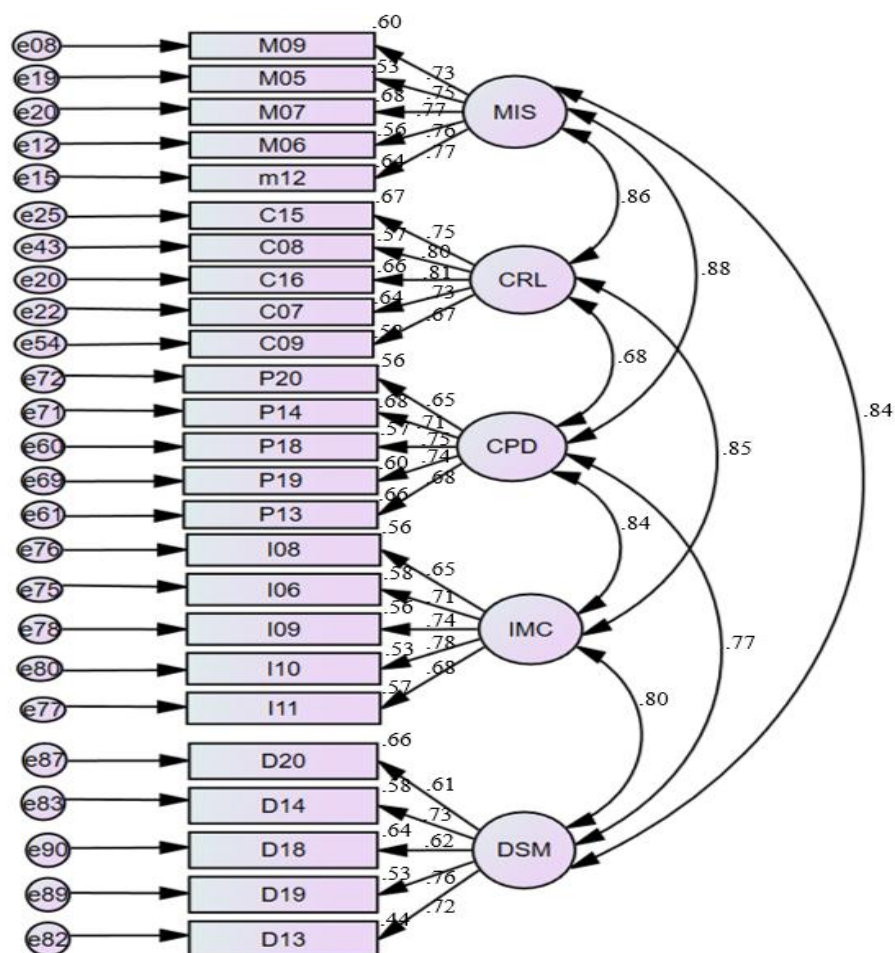
Table 6: Correlations, Reliability, AVE, and Mean

	Factor1	Factor2	Factor3	Factor4	Factor5
F1	<b>(0.81)</b>				
F2	0.28	<b>(0.80)</b>			
F3	0.21	0.24	<b>(0.76)</b>		
F4	0.22	0.22	0.23	<b>(0.77)</b>	
F5	0.21	0.24	0.21	0.22	<b>(0.75)</b>
CR	0.91	0.82	0.81	0.69	0.67
MEAN	4.00	4.02	3.91	3.85	3.82
SD	0.99	1.30	1.02	0.77	0.75

Note: F1: MIS; F2: CRL; F3: CPD; F4: IMC; F5: DSM

CR = Composite reliability; SD = Standard deviation. All correlations are significant at the 0.01 level. The square root of AVE in bold on diagonal line.

### Structural Equation Model (SEM) of the Development and Promotion of OTOP: Community Products of Thailand



The Structural Equation Model (SEM) of the Development and Promotion of OTOP: Community Products of Thailand is consistent with empirical data. The indices of fit are:  $\chi^2 = 214.80$ ,  $df = 268$ ,  $p\text{-value} < .05$ ; Relative  $\chi^2 = 1.52$ ,  $GFI = 0.98$ ;  $AGFI = 0.96$ ;  $SRMR = .04$ ;  $RMSEA = 0.04$ ,  $NFI = 0.95$ ,  $CFI = 0.97$ , and  $CN = 324.12$ . The findings reveal that Marketing are reciprocally related with Community Resource Leveraging, and Distribution System Management (DSM) Community Resources Leveraging is also reciprocally related to Customer-pull Product Development. Customer-pull Product development is also reciprocally related to Integrated Marketing Communications and Distribution system Management (DSM) Consistent and Wide Distribution. Lastly,

Consistent and Wide Distribution is reciprocally related to Marketing Intelligence and Strategies, Customer-pull Product Development, and IMC.

## 6. Discussion

To become successful, OTOP entrepreneurs must have marketing intelligence to formulate marketing strategies. Having knowledge of marketing, they will learn how to leverage local resources to produce products with customer centricity. They will know how to gain wide distribution for their product. OTOP entrepreneurs who learn how to leverage community resources will find their way to produce customer-pull products by using both tangible and

intangible community resources. Customer-pull Product Development is the focal element of the model, as it is related to all other elements of the model. When the product is developed based on customers' needs, wants, and tastes, OTOP entrepreneurs will be able to leverage community resources, to formulate effective marketing strategies, to formulate an effective marketing communication campaigns, and to gain consistent and wide distribution. All of these will lead to a success. OTOP products will be in the class of five-star OTOP products which will be well accepted domestically and globally. All elements will enable OTOP entrepreneurs to launch an effective content marketing campaign, as they have appealing stories to build brand equity for OTOP products.

#### 7. Recommendation

From the findings, things to do for OTOP development and promotion should be as follows.

1. Community entrepreneurs need to be trained to have competencies of product development and design, production management, marketing intelligence and strategy formulation, distribution management, and marketing promotion planning.
2. OTOP products should be derived from local wisdom with the use of local resources available in the community, and they should reflect community identities in order to be unique.
3. OTOP projects must be supported by government offices for consistent and wide distribution.
4. There should be networks among stakeholders to form strategic alliances, especially PPP (public-private partnership) should be applied, so that public officers and private entrepreneurs can work together with principles of integration for continuous development.
5. Entrepreneurs in communities should be inspired to be truly committed to the project; they must create networks for

knowledge sharing and to form strategic alliances for human resource development in various aspects; they should embrace innovation to come up with products that answer consumers' needs and wants, and their product and service qualities should attain world-class standards.

6. Sufficient funds should be provided for production and marketing.

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