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# THE APPROPRIATE SELLING PRICE AND COST INSTRUCTION OF THAI TRADITIONAL MASSAGE CENTER

**\*Phanee Rojanabenjakun, \*\*Pongsak Jaroengarmsamer, \*\*\*Jatuporn Ounprasertsuk, \*\*\*\* Jirawat Sudsawart, \*\*\*\*Tipvarin Benjanirat & \*\*\*\*\*Chalermpol Tapsai**

*\*Phanee Rojanabenjakun, Ph.D.(CANDIDATE), M.B.A., College of Allied Health Sciences, Suan Sunandha Rajabhat University, Thailand, Email: [phanee.ro@ssru.ac.th](mailto:phanee.ro@ssru.ac.th)*

*\*\*Pongsak Jaroengarmsamer, M.D.(Ob-Gyn), M.B.A., College of Allied Health Sciences, Suan Sunandha Rajabhat University, Thailand, Email: [pongsak.ja@ssru.ac.th](mailto:pongsak.ja@ssru.ac.th)*

*\*\*\*Jatuporn Ounprasertsuk, M.Sc., College of Allied Health Sciences, Suan Sunandha Rajabhat University, Thailand, Email: [jatuporn.ou@ssru.ac.th](mailto:jatuporn.ou@ssru.ac.th)*

*\*\*\*\* Jirawat Sudsawart, MIT., College of Allied Health Sciences, Suan Sunandha Rajabhat University, Thailand, Email: [jirawat.su@ssru.ac.th](mailto:jirawat.su@ssru.ac.th)*

*\*\*\*\*Tipvarin Benjanirat, Ph.D. College of Allied Health Sciences, Suan Sunandha Rajabhat University, Thailand, E-Mail: [tipvarin.be@ssru.ac.th](mailto:tipvarin.be@ssru.ac.th)*

*\*\*\*\* Chalermpol Tapsai, College of Innovation and Management, Suan Sunandha Rajabhat University, Thailand, E-Mail: [chalerm.pol.ta@ssru.ac.th](mailto:chalerm.pol.ta@ssru.ac.th)*

## ABSTRACT

The objective of this study was aimed to examine the cost structure of Thai traditional massage center and to analyze the appropriate selling price by comparing the prices with various methods at Samut Songkhram province. The samples in this study are entrepreneurs and operational managers in Thai traditional massage business. The data was collected by using in-depth interview for 10 samples. The analysis for appropriate selling price was done by comparing selling prices computed by 2 methods with the average market price. The results showed that the appropriate selling price under 2 pricing methods which were cost plus pricing (markup price at 110%), and target profit pricing, the result showed no differences. Furthermore, the comparing with a market price at 250 baht by taking the location for analyzing together, it can be concluded that the appropriate level of Thai massage price of Thai traditional massage center at 250 baht per person per hour. The findings of this study can be used as a guideline and can be applied to the business of Thai Traditional massage center. The data of cost should be used in the planning process of the production factors. It will increase the efficiency of production and lower Thai traditional center cost. Moreover, the result can be used as a guideline for determining the appropriate Thai massage price level of Thai traditional center.

**Keywords:** Selling price, Thai traditional massage, Cost structure

## INTRODUCTION

The business of Thai traditional massage was growth in high rate. It's continually in high value to Thai economic. The TCDC of the year 2561 found that in the sense of health and wellbeing, the service health business market continually expand and have more enlarge of concern business, especially, the market of health products and service health which got the data of the strategy development of Thailand to be the international health center in the year 2019 – 2026. (<https://web.tcdc.or.th/en/Articles/Detail/Trend-2018-Health-and-Well-Being,2018>). By this report, to have a proportion around 75:25 percent from both Thai and foreign customer. Furthermore, the free trade of AEC (Asean Economics Community-AEC) was to focus the high growth rate income for this business, by got the revenue at least 100 billion baht. Besides, to have more benefit for the leader of service health management on world class level of Thailand which have the high quality level of hospital with International Standard and got world price at 53 places. Especially, to have expand at 30 billion baht in the year 2015 and to gain more of health care products continually. (MarketingOops, 2018)

For the detail above, it had in accord with “Thailand 4.0 model” that is the vision policy to do the economical development of Thailand which call the great development project of the Thai’s government in the words “ Stable, Rich and Sustainable”. In term of people for this period, should had more knowledge of living. Especially, on the economical trade, investment and cost analysis in order to set an appropriate selling price and so on. Moreover, the entrepreneur should know the theory of cost structure in difference, such as, the business of Thai massage and applied Thai Traditional massage which have more Thai wisdom culture. The Applied Thai Traditional massage which referenced had 2 types, those were massage for health and massage for treatment and so on. (Department of Thai Traditional and Alternative Medicine, 2558)

From the above mentioned, the value of Thai wisdom on Thai Traditional massage and the business of Thai people which to be the entrepreneurs were the key of succeed. Then, they should had more knowledge of cost structure in order to set an appropriate selling price with followed the vision policy. In addition, they should have the international standard quality in high level to guarantee the long life of theirs business. (Apirak Kosayothin, 2553).

### OBJECTIVE

To study the cost structure of Thai traditional massage center and to analyze the appropriate selling price by comparing the prices with various methods at Samut Songkhram province.

### SCOPE OF RESEARCH

1. *Location*  
Bangkokkawk, Bangkontee District, Samut Songkhram Province, Thailand.
2. *Population*  
The number of sampling was 10 entrepreneurs.

### METHODOLOGY

This research was conducted to use questionnaire for in-depth interview which includes a basic information of entrepreneurs, the cost structure of Thai traditional massage center and to analyze the appropriate selling price by comparing the prices with various methods at Samut Songkhram province. Then, to determine with the descriptive research.

### LITERATURE & THEORY

#### Cost Structure

This study is to identify the cost structure as assets which concern goods and services. The assets could define as money of spending (Kanjana Sripong, 2540). So, in order to manage an effective cost structure, the 3 important elements were 1) Direct Materials 2) Direct Labors and 3) Manufacturing Overhead, the detail of 3 elements were as table 1.

**Table 1**  
Cost structure

Topics	Meaning
Direct Materials	The important of raw material of finished goods which could tracking the history
Direct Labors	labor costs which convenient to contact.
Manufacturing Overhead	All spending cost which not concerned with cost of raw material and labors.

As mentioned above, the cost of spending of the manufacturing overhead and direct labors were merged that call Conversion cost, it’s named because of using cost to build finished goods from raw material. Furthermore, the direct labors and raw material were gather to be Prime cost due to it was the majority of finished goods cost. Then, the other cost were variable expenses that added cost of spending and fixed expenses which concerned cost for overall section whether had production or not. Furthermore, to have other cost which

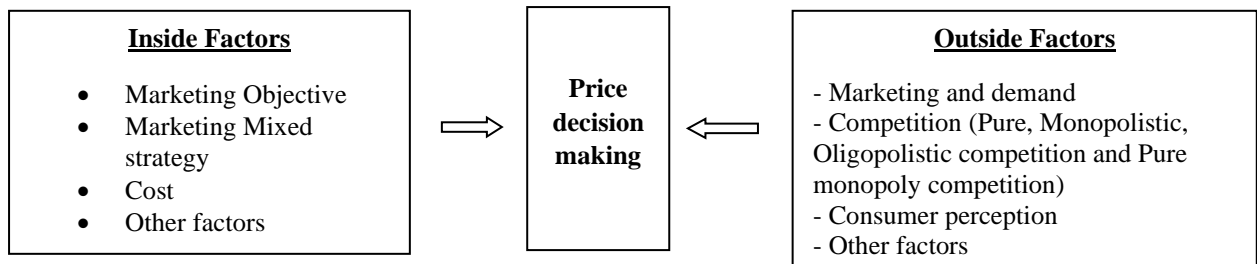
concern cost structure. It's non manufacturing cost. Therefore, It's a selling and administrative costs (Nantapon Pitaya, Prachit Hawat, Saran Chukieat, Wisarut Sriboonnak, Wasatorn Chutipinyo and Kanyarat San-o-pas, 2552) to said that;

1. The Marketing or Selling Costs mean is an amount of the important cost which using for the way to receive goods, services and its delivery to customer. So, it's call order-gettering and order-filling costs. All spending cost concerned an advertising, logistic, travelling expense, sales commission sales salary, program for management (Chalernpol Tapsai, 2014) and cost of inventory.

2. The Administrative Costs is an amount of cost which concerned the spending of all management team; compensation, accounting cost secretary wage, public relation and other expensed. As figure 2

### Price Analysis

Price is the amount of money for finished goods and services that consumer would like to pay for them (Warunee and Amnaj, 2552). So the price analysis should focus on factors as picture 1



**Figure 1** Factors influence to price decision making

Source: Kasetsart University Library (2553)

How to set price? (Warunee Tantiwongwanich, 2546). The price is to approach by the following;

1. To cost based approach. To set price by cost plus pricing. To do by added up extra cost of product with standard markup as following;

$$\text{Unit cost} = \frac{\text{Variable cost} + \text{Fixed cost}}{\text{Unit produced and sold}}$$

$$\text{Mark up price} = \frac{\text{Unit cost}}{(1 - \text{Required Sale Yield})}$$

To mark up price is the easy way to practice due to seller have accurate data of cost, so it cause no more competitive price and to admire both seller and buyer.

2. To break even analysis and set target profit pricing

To set price by focus on cost at break-even pricing or to set cost by using target profit pricing which as following;

$$\text{Sale yield at the break event point} = \frac{\text{Total fixed cost}}{\text{price} - \text{variable cost per unit}}$$

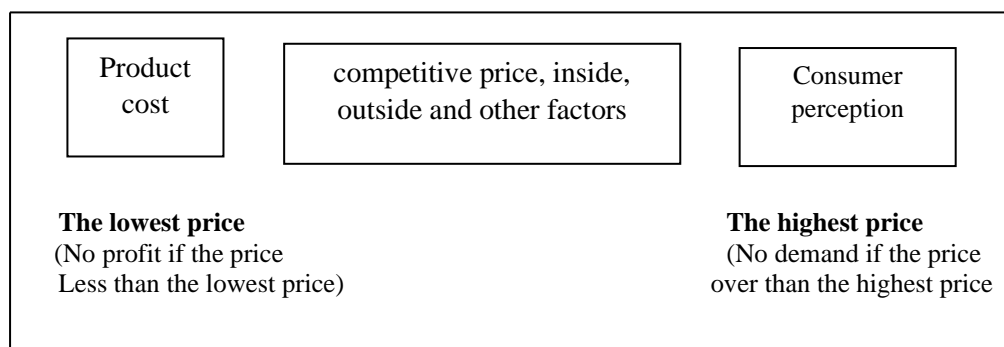
3. To set by buyer based approach (value based pricing)

Some entrepreneurs set target price from value-based pricing of product which match with consumer, the price is not just only cost base. The key of this way is to focus the customer perception first, then to find products and set target price follow their customer required. So, its could control the cost and made more profit.

4. To set by competition based approach.

To set price by consider the value of product from the same products of competitive price, use going rate pricing. This way is not focus on cost and demand. For oligopolistic industries which sell the same products. So, this mean that the price will change depend on the competitor which have more margin.

So, to follow competitive price that base on going rate pricing and sealed bid pricing. See figure 2



**Figure 2** Guide line to consider to set price

Source: Kasetsart University Library (2553)

## RESULTS

The ratio of cost structure included direct labor, manufacturing cost, selling and administration cost in Bangnokkawk, Bangkontee District Samut Songkhram, Thailand. The data was shown 65, 23 and 12 percent for big scale and 64, 23 and 13 for small scale, respectively. The results revealed that the appropriate selling price under 2 pricing methods which were cost plus pricing (markup price at 110%), and target profit pricing, the result presented no differences. Furthermore, the comparing with a market price at 250 baht per person per hour by taking the location for analyzing together were showed no differences.

## DISCUSSION AND CONCLUSION

In conclusion, the study showed that the cost structure of Thai traditional massage center both big or small scale is average 106.12 baht. The ratio of cost structure included direct labor, manufacturing cost, selling and administration cost. The data was shown 65, 23 and 12 percent for big scale and 64, 23 and 13 for small scale, respectively. So, the gathered data showed no different. Then, to analyze the appropriate selling price was done by comparing selling prices computed by 2 methods with the average market price. The results revealed that the appropriate selling price under 2 pricing methods which were cost plus pricing (markup price at 110%), and target profit pricing, the result presented no differences. Furthermore, the comparing with a market price at 250 baht by taking the location for analyzing together, it can be concluded that the appropriate level of Thai massage price of Thai traditional massage center at 250 baht per person per hour. Besides, the need to analyze data of manufacturing cost those are manufacturing process and product cost in order to set price by using Cost Structure Theory include 3 portions which were manufacturing cost, administration cost and unit sale cost and so on. In case of the analysis of price to set the appropriate sale price as stated by the pricing. To have 2 types of sale pricing. There are cost plus pricing and target profit pricing. Furthermore, should also compare with the market price

The findings, revealed that the manufacturing process of entrepreneur for Thai traditional massage center, should focus on cost of structure, such as manufacturing cost, selling and administration cost and unit sale cost in order to have the appropriate pricing. So, the result from this research should use for management to provide strategy and practice. Besides, the management should focus on costs reduction and in process improvement plan. And then, to review the pricing in its appropriate price by use Cost plus pricing and Target profit pricing. However, the pricing should compare with the market price in reference.

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