
The Analysis on Relationship between Cost Management Strategy and Return on Kanom La Production in Nakhon Si Thammarat Thailand

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Kanom-La is special traditional snack made for a Buddhist ceremony on 10th month of the year for charity relative to whom passed away. It was produced as the commercial product This research was conducted to analysis cost and return; cost management strategy and relationship between cost management strategy and return of Kanom La produced in Nakhon Si Thammarat, the southern part of Thailand. Nine groups of entrepreneur who produced Kanom La were sampled by purposive sampling to collect data by indepth interview. Accounting analysis showed that the cost of production 120 kg was 191.70 USD, including average of variable cost was 188.02 USD and average fixed cost was 3.68 USD. Total income was 254.03 USD, net profit was 62.33 USD, with break event point at 15.29 kg, benefit cost ratio was 32.51 % and net profit to sales ratio was 24.54 %. Cost management strategy analysis indicated that over all of Kanom La entrepreneurs emphasized to cost management strategy both in financial cost and production management at the high level while the cost management strategy on marketing cost and management were the middle level. Analysis of relationship between cost management strategy and return showed that cost management strategy did not relate or no effect to return ($p \geq .05$)

Keywords: strategy, cost, return, Kanom - La

Introduction

Rice is one of the most significant economic in the agriculture of Thailand with the one of the world's top 10 producers and the largest exporter. The large growing area of rice was 11.2 million hectares with 20 million tonnes output, 8-10 million tonnes exporting and 5714 million USD income. Although Thai rice is high quality and acceptable in worldwide consumers, but the trend of exporting is decreasing (Phitsanulok rice research center, 2017). The

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processing to change from draw product to enhance value adding must be done especially the broken rice. The low price broken rice is processed to be flour, noodle and snack.

Kanom la is a Thai sweet which it is famous from Nakhon Si Thammarat province. It's made of rice flour, sugar, honey, egg oil fried in a big pan. It is special traditional snack made for a Buddhist ceremony on 10th month of the year for charity relative to whom passed away. This tradition to cook Kanom La was transfer from generation to generation (Sengson, 2010). The early time, it was cooked in Buddhist ceremony on 10th month of the year only, now, it was produce thorough the year at the commercial scale for tourist and souvenir. It was developed the form and package for attractive and convenient to put on shelf and carrying. The draw materials were increased due to high cost and profit reducing. Minor producers did not stand in the high competition. To be known about strategy of cost management and return in producing Kanom La will help manage the appropriate cost in production process. This research was conducted to study correlation between cost management strategy and return of Kanom La production in Nakhon Si Thammarat province to providing for the entrepreneur to be conserved traditional snack and enhance wellbeing of them.

Research methods

Population and Sample in Research

Nine of entrepreneurs was sample by purposive from entrepreneurs produced Kanom La production in Nakhon Si Thammarat province.

Research Tool

After collecting secondary data, primary data involve in cost and return were collect by interviewing.

Results

General data analysis and financial analysis of correlation between cost management strategy and return of Kanom La production in Nakhon Si Thammarat province was separate into four parts.

Part 1 General data analysis showed that all of entrepreneur was women (100%) at 41-60-year-old (62.50%) with over 11year experience (62.50%).

Part 2. Financial analysis of cost and return of Kanom La production manifested that production cost for 120 kg was 191.70 USD which comprise of fixed cost of 3.68 USD (1.92%) and variable cost of 188.02 USD (98.08%). The income was 254.03 USD wit net profit 62.33 USD, net profit to cost ratio 32.51% and net profit to sales ratio 24.54% (Table1).

Part 3 Data analysis of important level effect of cost manage strategy to business operation was separated into 4 aspects including marketing, finance, management and production. For overall, importance level was in the middle ($\bar{x} = 3.47$, S.D. = 0.186).

Marketing aspect, decreasing advertising and public relation was the priority strategy fallow by decreasing or cancel trade discount, and the last was reducing sale commission.

Finance aspect, the most important was low rate loan resource finding, fallow by debt paying on time, the last was increasing price for credit sale.

Management aspect, seeking for lower substitute material was the high important level, the second was machine repair reducing.

Product aspect, the highest strategy was calculation and order control of draw material, the second was seeking for low price draw material and the last was seeking for substitute material.

Part 4 Correlation analysis between cost management strategy and income of Kanom La production using Simple Pearson Product Moment Correlation Coefficient was done. It found that cost management strategy was not effect to income ($P \geq 0.05$) (Table 2).

Table 1. Financial analysis of cost and return of Kanom La production in Nakhon Si Thammarat province (per 120kg)

	USD/120KG.	%
Income	254.03	
Production Cost		
1. Variable Cost		
1.1 Direct materials		
Rice flour	31.77	16.57
Sticky rice flour	17.78	9.28
Sugar	12.40	6.47
Nipa palm sugar	44.23	23.07
Palm oil	17.96	9.37
Egg 1	2.30	1.20
Cassava flour	6.29	3.28
1.2 Direct labor		
Flour mixing labor cost	9.07	4.73
Frying labor cost	30.24	15.77
1.3 Manufacturing overhead	15.98	8.34
Total variable cost	188.02	98.08
2. Fixed Cost		
Equipment depreciation	3.68	1.92
Total fixed Cost	3.68	1.92
Total production cost	191.70	100.00
Net profit	62.33	
Net profit to cost ratio		32.51
Net profit to sales ratio		24.54

Table 2 Correlation between cost management strategy and return of Kanom La production in Nakhon Si Thammarat province

Variable	Return of Kanom La production	
	Correlation coefficient (r)	p-value
Cost management strategy	0.164	0.699

*=statistical significant at $p=0.05$

Discussion

Correlation analysis between cost management strategy and income of Kanom La production in Nakhon Si Thammarat found that Analysis between cost management strategy and income of Kanom La produced for 1230 kg, the total cost, fixed cost and variable cost were 188.02, 3.68 and 254.03 USD respectively. Income was 254.03 USD with break event point at 3.68 USD, net profit to cost ratio and net profit to sales ratio were 32.51 and 24.54% as well as research report of Klaewtanong and Promma (2016) to analyze costs and returns from producing shrimp paste of a Community Enterprise Group at Khanom, Nakhon Si Thammarat. They convinced that net profit and net profit to cost ratio were high at 34.06 and 51.64% and recommended that project had high potential for investment.

- (1) Data analysis of important level effect of cost manage strategy to business operation was separated into 4 aspects including marketing, finance, management and production. For overall, importance level was in the middle ($\bar{x} = 3.47$, S.D. = 0.186).
- (2) Marketing aspect, decreasing advertising and public relation was the priority strategy fallow by decreasing or cancel trade discount, and the last was reducing sale commission.
- (3) Finance aspect, the most important was low rate loan resource finding, fallow by debt paying on time, the last was increasing price for credit sale.
- (4) Management aspect, seeking for lower substitute material was the high important level, the second was machine repair reducing.
- (5) Product aspect, the highest strategy was calculation and order control of draw material, the second was seeking for low price draw material and the last was seeking for substitute

The important level effect of cost manage strategy to business operation found that overall, importance level was in the middle level. Cost manage strategy on finance was high, while, production, marketing and managing were at the midle important level. This was confirmed by report of Aujirapongpan *et*

al. (2006) from. cost management strategy of small and medium factory enterprises to support that the entrepreneurs emphasized to production cost at high, Preecha *et al* (2015) their analyzed on cost management strategy for small and medium enterprises in rubber industries, upper southern region also it convinced that overall cost manage strategy was the middle level. Correlation analysis between cost management strategy and income was not significantly relation since Kanom La was local wisdom for cooking an and ingredient mixing It transferred generation by generation without changing, also it is very difficult to adapt or modified cooking process and ingredient without changing tasty and performance appearance of product and changing traditional believe.

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