Abstract*

Purpose: The main objective of this study is to derive competitive advantage of Thai Traditional Medicine and herbal products industry by analyzing from SWOT and Porter’s Diamond model and finding out the relevancy of government policies in this industry.

Design/Methodology and Approach: Qualitative approaches have been used in this research by depth interview business owners.

Research result: Strengths and opportunities in this industry are derived from internal and external factors of their companies which indicated the competitive advantage over potential competitors. The result showed that strengths are the accessibility to raw materials, wide acceptance among overseas consumers, and the accreditation by international organizations. The opportunities of TTM and herbal products composed of the increasing demand in both domestic and international market and the integration of ASEAN Economic Corporation. Weaknesses are explained as
high cost of production, quality of raw materials, and strong dependency on overseas distributors. Threats in this industry related to the intense competition from both local and international markets. With regard to Porter model, Thai traditional medicine manufacturers have benefitted from favorable demand conditions particularly the size of home market. Nonetheless, this industry has also gained substantial market shares in Asia, EU and U.S.A as well. However, in terms of structure and rivalry, this industry faces high competition. Adding to this, government policies, such as marketing and financial support, regulate/deregulate are most relevant to this industry.

**Originality/Values:** For TTM and herbal products, most research concentrate on consumer point-of-view and there is a lack of studies on the views of company owners and government policies. **Keywords:** Competitive advantage, SWOT, Porter’s Diamond model, Government policy.

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