



**AN OVERVIEW OF THAI AROMATIC COCONUT
EXPORTING INDUSTRY**

BY

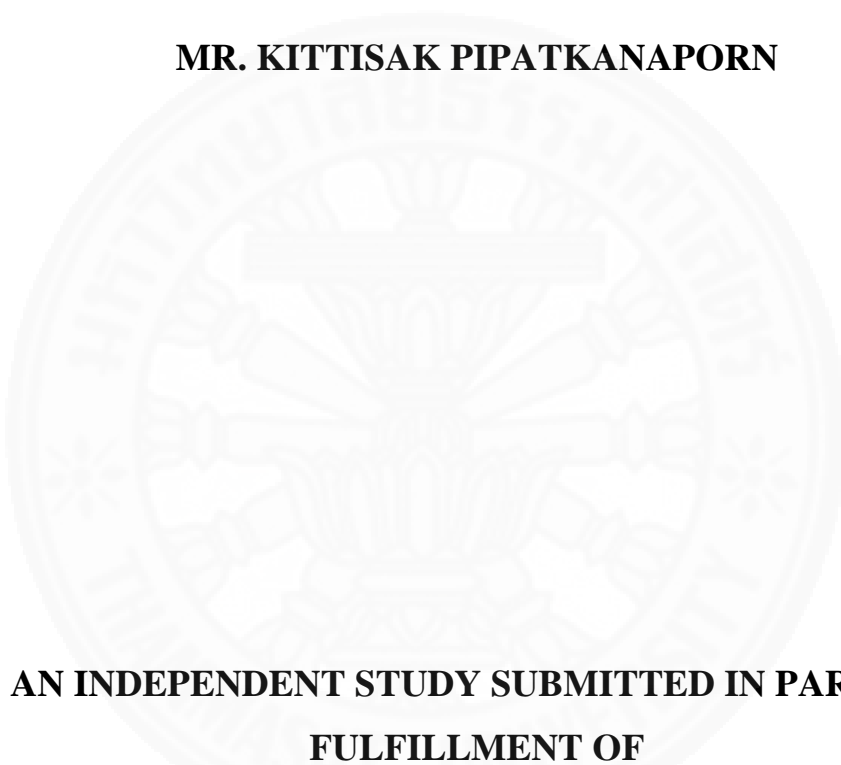
MR. KITTISAK PIPATKANAPORN

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
SCIENCE PROGRAM IN MARKETING
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2016
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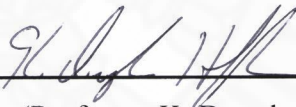
ENTITLED

AN OVERVIEW OF THAI AROMATIC COCONUT EXPORTING INDUSTRY

was approved as partial fulfillment of the requirements for
the degree of Master of Science Program in Marketing (International Program)


on..... 8 MAY 2017

Chairman




(Professor K. Douglas Hoffman, Ph.D.)

Member and Advisor



(Professor Paul G. Patterson, Ph.D.)

Dean



(Associate Professor Pipop Udorn, Ph.D.)

Independent Study Title	AN OVERVIEW OF THAI AROMATIC COCONUT EXPORTING INDUSTRY
Author	Mr. Kittisak Pipatkanaporn
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Thesis Advisor	Professor Paul G. Patterson, Ph.D
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ABSTRACT

An overview of Thai aromatic coconut exporting industry is a part of international business topic in industry and competitor analysis study. Nowadays, coconut consumption keeps increasing rapidly because of the global health trend. In fact, coconut contains many nutrients and benefits. One of the most famous popular types of coconut is “an aromatic coconut” which is a signature of Thai fruits. Due to the global health trend and unique aromatic function, there is a high demand from other countries. Consequently, the exporting value of aromatic coconut increases dramatically during the last decade.

However, due to high potential demand, many companies enter into this industry. With the intense competition especially from Chinese players, many Thai aromatic coconut exporters suffer and fail.

Therefore, this study aims to provide an overview of the competitive landscape of the aromatic coconut exporting industry and the successful players’ strategy and key success factors to answer a strategic question of “How these players can compete and penetrate the international market sustainably?” In order to achieve the purpose, secondary and primary data were implemented. In-depth interview was conducted with exporters, growers, and importers of Thai aromatic coconut.

The result reveals that there are two types of exporters which are big and small players. Both players perceive that Thai aromatic coconut exporting industry will be growth in short and long term.

For big players, they perceive that quality and cost are the most important key success factors. Also, their competitive advantages are large resources of supply, high capital investment, diverse distribution channels, and innovation. Their major challenges are supply fluctuation, intense competition, and high bargaining power of the growers. So, they deal with these challenges by expanding a source of supply, creating a union, investing in R&D.

For small players, most of them export to only China which are different from big players who export to a number of countries. Also, relationship with growers and product variety are the key success factors because they do not have power to control quality and cost compared with those big players. In additional, their competitive advantages are long term relationship with growers and fruit variety. They do not depend on selling coconut only, but they sell many Thai fruits to stabilize their revenue. In term of challenges, their perceptions toward challenges are similar to big players which are supply fluctuation and intense competition. However, their strategies are different from big players. In fact, they deal with these challenges by keep continuous buying from growers to lock the supply. Also, they improve the production to meet the international standard. So, they can expand market to other countries and avoid intense competition in China.

For mode of entry, it depends on the risk degree in which exporters are willing to take and the amount of capital investment. Normally, both small and big exporters export directly to importers in other countries.

Last but not least, a successful exporter must understand the needs' of key stakeholders which are growers and importers. Firstly, growers are satisfied when they have a continuous order and get support for R&D about the productivity. Lastly, for importers, they prefer a fix price program with a good quality of coconut.

Keywords: Aromatic coconut exporter, Mode of entry, Key success factor, Competitive advantage, Thailand

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CHAPTER 1

INTRODUCTION

1.1 Research Background

Currently, coconut consumption keeps increasing rapidly because of the global health trend. In fact, coconut contains many nutrients and benefits. One of the most famous popular types of coconut is “Aromatic coconut” which is a signature of Thai fruits. Due to a global health trend and unique aromatic function, there is a huge demand from other countries. Consequently, the exporting value of aromatic coconut increases dramatically during the last decade. The exporting value increased sharply from 35 million USD in 2011 to around 60 million USD in 2015 (Ministry of Commerce, 2016). However, due to high potential demand, many companies enter the industry. With the intense competition especially from Chinese players, many Thai aromatic coconut exporters suffer and fail.

As the problem mentioned above, many exporters, especially a newcomer, must exit the industry. Therefore, it is important for both new and existing players to understand the competition and the key success factors to sustainably run the business in this industry.

1.2 Research theme

Proposal area of knowledge: International business

Research proposal type: Industry and competitor analysis study

1.3 Research purpose

This study aims to provide an overview of the competitive landscape of the aromatic coconut exporting industry and the successful players’ strategy and key success factors to answer a strategic question of “How these players can compete and penetrate the international market sustainably?”

1.4 Research Objective

1. To outline an overview and trend of Thai aromatic coconut exporting industry

2. To identify the competitive landscape of Thai aromatic coconut exporting industry
3. To explore the key success factors and strategy of exporters in Thai aromatic coconut exporting industry

1.5 Organization of the report

1. Review of Literature: Describe the chosen topic and academic theoretical in marketing that are applied in this study.
2. Research Design: Describe the research flow, research methodology, topic guide outline, sampling, data collection, and data analysis method
3. Data Analysis and Results: Describe and answer the study's objectives based on analyzed data from the research.
4. Conclusion and Recommendation: Summarize the key findings and develop the recommendation for both major and small players in Thai aromatic coconut exporting industry

CHAPTER 2

REVIEW OF LITIRATURE

2.1 Background of aromatic coconut exporting industry

2.1.1 An overview of coconut industry

Regarding the global health trend, coconut becomes very popular throughout the world because of its benefits (Bright, 2015). For example, it can heal the upset stomach, replenish electrolytes, improve regularity of bowel movement, support kidney function, and reduce blood pressure. Last year, the top ten countries that exported coconut are in the following table (Nisha, 2015):

Table: 2.1 Top coconut exporting countries

Rank	Country	Production (Tones)
1.	Indonesia	19,500,000
2.	Philippines	18,300,000
3.	India	11,930,000
4.	Brazil	2,820,468
5.	Sri Lanka	2,200,000
6.	Vietnam	1,312,200
7.	Papua New Guinea	1,200,000
8.	Mexico	1,100,000
9.	Thailand	1,010,000
10.	Malaysia	605,000

In fact, the top three countries with the highest coconut production are Indonesia, Philippines, and India. Thailand is in the 9th rank with the coconut production of around 1 million tons per year

However, the aromatic coconut from Thailand is perceived as a unique sweet taste and aroma (What's aromatic coconut, 2016). Therefore, the aromatic coconut is very famous and needed by the foreign market. Moreover, there are only four provinces which are consider as the best place to grow aromatic coconut which are Samut

Songkhram, Samut Sakhon, Nakhon Pathom, and Ratchaburi (Nungruethail, 2016). In 2015, the top ten countries that imported aromatic coconut are in the following table (Ministry of Commerce, 2016):

Table: 2.2 Top aromatic coconut importing countries

Rank	Countries	Exporting Value (USD)
1	U.S.A.	18,999,208
2	CHINA	15,866,069
3	HONG KONG	5,532,196
4	AUSTRALIA	4,664,614
5	SINGAPORE	2,172,924
6	LAOS	1,924,814
7	NETHERLANDS	1,873,384
8	TAIWAN	1,480,879
9	UNITED KINGDOM	1,187,741
10	U. ARAB EMIRATES	1,024,415

According to high demand, the exporting value increased sharply by almost double from around 35 million USD in 2011 to around 60 million USD in 2015 (Ministry of Commerce, 2016). Also, the price of aromatic coconut broke the new record at higher than 30 THB piece in 2015 (Aromatic coconut's price rise, 2015).

2.1.2 Shape of exporting aromatic coconut

Normally, coconut exporters shape the aromatic coconut before exporting. The standard shape of aromatic coconut is trimmed-coconut and polished coconut (Thai Agriculture Standard, 2007).

Firstly, trimmed-coconut is an aromatic coconut that is normally removed the exocarp into diamond shape. Also, its shelf life is two months.

Secondly, polished coconut is an aromatic coconut which is removed all the mesocarp until reaching the shell. Also, the polished coconut has two shapes which are with cone cover shape and standing base shape. However, its shelf life is only one

month. Consequently, transportation duration for polished coconut is one of the major concerns when exporters penetrate the international market.

2.1.3 The required certification for exporting aromatic coconut

Exporters must receive the standard certification which are GMP and HACCP before exporting to big retail stores, such as Coles Supermarkets, in developed countries (Coles Quality Academy, 2013). Moreover, GMP stands for Good Manufacturing Practice, and HACCP stands for Hazard Analysis and Critical Control Point. Both standard certifications are used for assuring the food safety (GMP and HACCP, 2005). Without those two certifications, exporters cannot supply for any big supermarket.

2.2 Academic Theoretical in Marketing

In this study, three models are implemented to analyze successful players in Thai aromatic coconut exporting industry as follows:

2.2.1 Key Success Factor

Key success factor is an element which can lead to successful and sustainable business model. Importantly, the key success factor is different among each industry and situation. With a better understanding of key success factors in the industry, firms can compete against other competitors effectively. (Lake, 2016)

2.2.2 Competitive Advantage

Competitive advantage is a major factor that can positively drive the company performance both in term of sales and assets (Majeed, 2011). Also, various factors can be considered as a source of competitive advantage; for example, cost structure, product attributes, and customer relationship management. However, the competitive advantage can be divided into two types which are comparative advantage and differential advantage. The comparative advantage focuses on reducing costs while the differential advantage focuses on the differentiation and innovation. (Investopedia, LLC., 2017)

2.2.3 Mode of Entry

In term of international expansion, there are three fundamental modes which are exporting modes, contractual modes, and investor modes. Also, a different alternative

leads to different costs and benefits (Wach, 2014). Nowadays, each exporter implements different method depends on its competitive advantage. Furthermore, managing the value chain is an important factor to create the competitive advantage against competitors (Antoniou, Levitt, & Schreihans , 2012)

2.2.3.1 Exporting modes

- a) Indirect Export: Firms sell products domestically to a middle man.
- b) Direct Export: Firms sell products directly to foreign importers.
- c) Cooperative Export: Big and small firms partner together to export directly to foreign importers

2.2.3.2 Contractual modes

- a) Management contracts: Firms offer management service to domestic firms which owned by foreign importers
- b) Turn-key operations: A contracted investment between exporter and importer before transferring the complete investment to importer
- c) Subcontracting: Importers request a domestic manufacturer to produce a specified order
- d) Licensing: Firms sell right of a patent or a design or any intellectual property to others internationally for commercial purpose with a return of annual loyalty fees
- e) Franchising: It is similar to licensing, but franchisor have more control in the comparison with licensor

2.2.3.3 Investment modes

- a) Branch: Firms establish a subsidiary branch of the parent companies in other countries which frequently have a narrower scope of activities
- b) Joint venture subsidiary: Firms establish a subsidiary by joining with a foreign partner
- c) Wholly-owned subsidiary: Firms establish a foreign subsidiary with 100% owned by parent companies

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Flow



Figure: 3.1 Research Flow Chart

Firstly, research methodology was designed. In this study, two types of research methods which were secondary and exploratory research were conducted. Next, topic guide was prepared to interview the respondents for an effective result. Then, Non-probability sampling using judgment and snowball techniques was implemented to screen for the qualified respondents. After that, face-to-face and telephone interview were used for data collection. Last but not least, data analysis and written report had been completed within two months from February to March 2017.

3.2 Research Methodology

The study is based on both secondary research and exploratory research.

3.2.1 Secondary research

The main purpose of secondary research is to understand an overview and the trend of aromatic coconut exporting industry. Moreover, news and other published data are used to develop a better picture of competitive landscape.

3.2.2 Exploratory research

For the exploratory research, in-depth interview was implemented. The purpose of the research is to answer all three objectives of this study. Furthermore, respondents can be grouped in to three parties which are an owner of the successful players in the industries both big and small firms, growers, and importers. So, there are 11 respondents in total from different party. For growers and importers, they were interviewed in order to get insight about their needs. Therefore, if exporters understand

their customers' and suppliers' needs, they will know how to satisfy those party which will lead to successful business model.

3.3 Sampling

There are three groups of respondents. However, as the population size is unknown so that the non-probability sample shall be applied for all groups.

3.3.1 Successful exporters

a) Big players: Judgment sampling method is used based on following requirements:

1. Respondent's firm must have run business for at least 10 years
2. Respondent's firm must earn annual revenue at least 100,000 USD last year
3. Respondent's firm must run the business profitably.

The list of all respondents are shown in the following table:

Table: 3.1 Respondents' list of big exporters

Name	Position	COMPANY	At least 10 years experiences	Sales > \$100,000 (last year)	Profitable
Mr. Narongsak Chuensuchon	Owner	NC COCONUT CO., LTD.	Yes	Yes	Yes
Mrs. Waraporn Manusrungsri	Owner	K-FRESH CO., LTD.	Yes	Yes	Yes
Mr. Sarawut Pavuthipatpong	Owner	A&J THAI FRUIT CO., LTD.	Yes	Yes	Yes
Mr. Thanee Subsomboon	Owner	SUBSOMBOON CO., LTD.	Yes	Yes	Yes

b) Small players: Snowball sampling method is used. The respondent's requirement is similar to big players except their previous year's revenue was less than 100,000 USD.

The list of all respondents are shown in the following table:

Table: 3.2 Respondents' list of small exporters

Name	Position	COMPANY	At least 10 years experiences	Sales < \$100,000 (last year)	Profitable
Mrs. Peerapol Yolsupsiri	Owner	THAI BEST PRODUCTS HOLDING CO., LTD.	Yes	Yes	Yes
Mrs. Patrarat Srisanga	Owner	COCOPLUS THILAND CO., LTD.	Yes	Yes	Yes

3.3.2 Growers

Judgment sampling method was implemented with the requirement of at least 10 years experiences.

The list of all respondents are shown in the following table:

Table: 3.3 Respondents' list of growers

Name	At least 10 years experiences
Mr. Nikorn Eakchomthong	Yes
Mr. Nattapat Chaichana	Yes
Mr. Sanya Jamcharoon	Yes

3.3.3 Importers

Judgment sampling method was implemented with the requirement of at least 5 years in importing Thai aromatic coconut.

Table: 3.4 Respondents' list of importers

Name	Position	COMPANY	Country (Market)	At least 5 years experiences
Mrs. Nancy Koh	Purchasing Manager	SunMoon FOOD CO. LTD.	China	Yes
Mr. Michael Pitrone	Category Manager	TURNER & GROWER LTD.	Australia	Yes
Ms. Hanny Xu	Purchasing Manager	PT. INDOFRESH	Indonesia	Yes

3.4 Data Collection

In-depth interview was conducted by face-to-face interview except importers. For importers, telephone interview was conducted due to distance limitation.



CHAPTER 4

RESULT AND DISCUSSION

4.1. Key Finding From Secondary Research

4.1.1 The trend of aromatic coconut

Based on data from Ministry of Commerce Thailand, it showed that the exporting value of Thai aromatic coconut increased rapidly by double from 2011 to 2015. Also, the recent growth was around 40%.

4.1.2 The competition of the industry

Currently, China players come to play in this industry. Furthermore, they influence the market by directly dealing with farmer. Also, they play with money game by paying more to growers in order to lock supply. As a result, the price of aromatic coconut increases sharply. In 2015, the price was broken a new record at higher than 30 THB per piece.

4.2. Key Finding From Primary Research: In-depth Interview

4.2.1 An Overview and trend of Thai aromatic coconut

From in-depth interview, the business flow in this industry has been illustrated as the following figure:

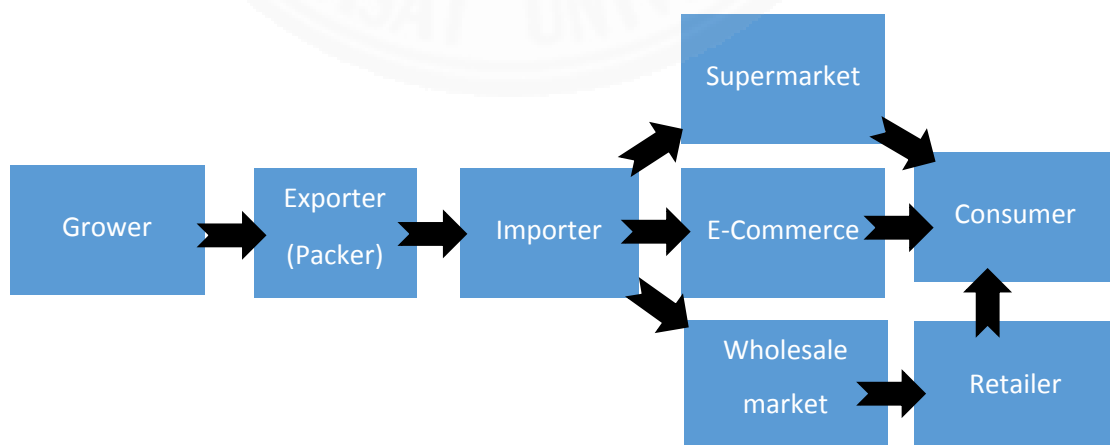


Figure: 4.1 Business flow

Firstly, growers are responsible for planting and harvesting aromatic coconut. Next, they sell to exporters who pack the coconut into a suitable packaging before exporting to importers in other countries. Lastly, importers sell the coconut to consumer through mainly three channels which are supermarket, e-commerce, and wholesale market. In additional, in wholesale market, they sell to consumer through retailer.

Even the competition is very intensive, all respondents strongly perceive that there will be a high growth in this industry for at least 10 years. Currently, the demand is higher than supply. Consequently, the price has increased rapidly especially for the last three years.

4.2.2 Competitive landscape

Furthermore, from the interview, we can develop the competitive landscape as a following figure.

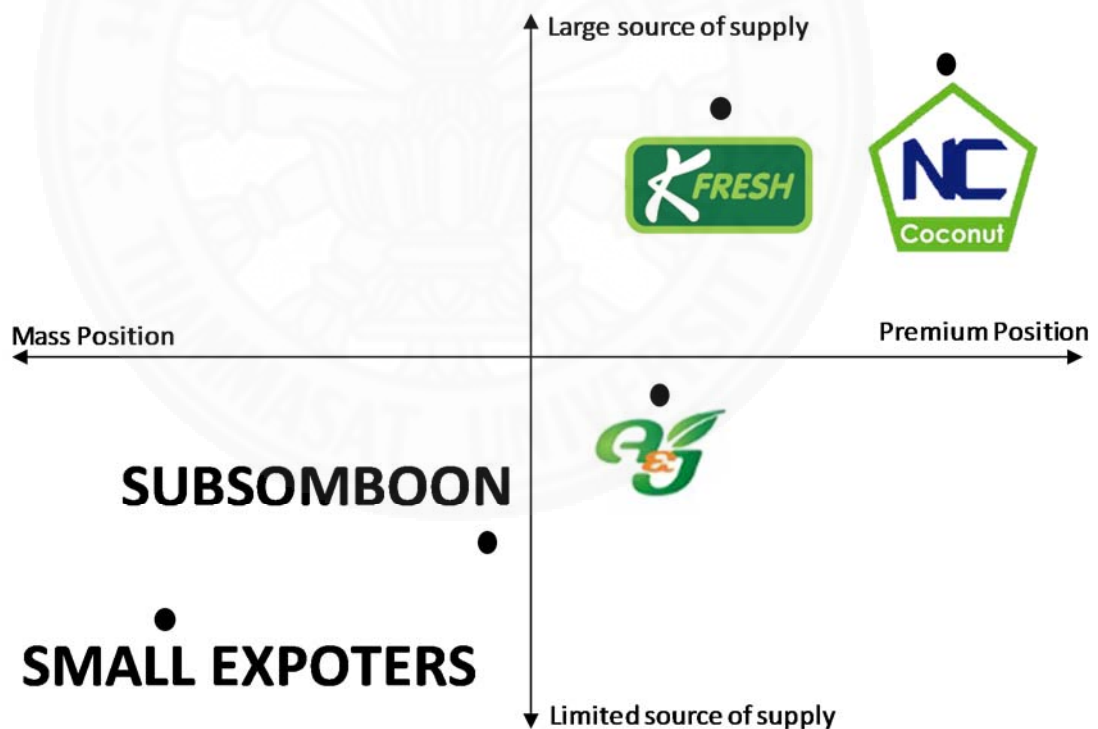


Figure: 4.2 Competitive landscape

There are two types of successful exporters which are big and small players. In term of big players, they have revenue at least \$100,000 million last year while small players have revenue less than \$100,000 last year.

In this industry, there are four major players which are NC COCONUT CO., LTD., K-FRESH CO., LTD., A&J THAI FRUIT CO., LTD., and SUBSOMBOON CO., LTD.

Firstly, NC COCONUT CO., LTD. positions as a premium brand with a premium quality. Also, the firm can access a source of coconut around 1,000 hectare. Mr. Narongsak Chuensuchon, an owner of NC COCONUT CO., LTD., said that “Before exporting coconut, you must ensure that you can control quality”. Secondly, K-FRESH CO., LTD. has a source of coconut around 700 hectare. Mrs. Waraporn Manusrungsri, an owner of K-FRESH CO., LTD., said that “K-FRESH can compete others effectively because the firm can sell directly to supermarket without any importer”. Furthermore, A&J THAI FRUIT CO., LTD. can access a source of coconut around 200 hectare. Mr. Sarawut Pavuthipatpong, an owner of A&J THAI FRUIT CO., LTD., said that “Cash is King in Finance, but quality is King in this industry”. Last but not least, SUBSOMBOON CO., LTD. can access a resource of coconut only 50 hectare. In additional, it mainly focuses on domestic market especially in convenient store so that its position is not premium compared to other major players. Mr. Thanee Subsomboon, an owner SUBSOMBOON CO., LTD., said that “R&D is a requirement to be a successful and sustainable exporter”

For small players, they have a source of coconut less than 40 hectare. Also, their positioning are mass rather than premium as they focus on a large sales volume.

4.2.3 Key Success Factors, Competitive Advantages, and Strategies of successful exporters

As there are big and small exporters, the result is analyzed separately because big and small players play with different strategy. Also, the analysis is based on six dimensions which are key success factors, competitive advantages, mode of entry, challenges, strategies to deal with the challenges, and future export market.

4.2.3.1 Big Exporters

Top 4 players in aromatic coconut exporting industry were interviewed. Also, all players has accessed resources of coconut more than 100 hectare except

SUBSOMBOON CO., LTD. which can access only 50 hectare. The result can be classified to six dimensions which are shown in the following table:

Table: 4.1 Analysis of big exporters

Company Topic	NC COCONUT CO., LTD.	K-FRESH CO., LTD.	A&J THAI FRUIT CO., LTD.	SUBSOMBOON CO., LTD.
1. Key Success Factors	1. Quality 2. Source of Supply 3. Partner	1. Source of supply 2. Distribution channel 3. Cost reduction	1. Quality 2. Cost reduction 3. Sincerity	1. R&D
2. Competitive Advantages	1. Large source of supply 2. Global standard certification	1. High capital investment 2. Upper Vertical Integration (Own distribution channel)	1. QC Process 2. Diverse distribution channel	1. Innovation 2. Exchange rate risk diversification
3. Mode of Entry	Direct Export	Joint venture subsidiary	Direct Export	Indirect Export
4. Challenges	1. New competitors 2. Supply shortage	1. Supply shortage 2. New competitors	1. Supply fluctuation 2. New competitors 3. High bargaining power of growers	1. High bargaining power of growers
5. Strategy to deal with the challenges	1. Sales contract 2. Resources (farm) expansion	1. Resources (farm) expansion 2. Union creation	1. Product development 2. Union creation 3. Resource (farm) expansion	1. R&D
6. Future export market	South Africa	South Africa	South Africa	Domestic sales

1. Key success factors

Different player has a different perspective as follows:

a) NC COCONUT CO., LTD.

1. **Quality:** It is one of the most important factors in this industry. Normally, in the fresh fruit exporting industry, importers must pay cash in advance to exporters before releasing the products. If the products are perishable or defective, it will be expenses of importers. So, importers do not continue business with those exporters who cannot meet their quality. Importantly, they tell others to avoid dealing with those exporters as well.
2. **Source of supply:** Currently, supply is very shortage. If exporters can access large resources, they absolutely can increase sales sharply because of high demand and sufficient supply.
3. **Partner:** Exporters' performance mainly depends on two sides which are growers and importers. Firstly, growers determine the capacity of exporters. On the other hand, importers determine the sales. With good partners, they can grow aggressively.

b) K-FRESH CO., LTD.

1. **Source of supply:** Exporters must secure sufficient source of supply to meet a huge potential demand especially during its off season.
2. **Distribution channel:** If exporters can distribute directly to supermarket, e-commerce, and wholesales market in others countries, they can enjoy a higher margin than others.
3. **Cost reduction:** Exporters can beat competitors by reducing their prices as long as they have lower costs.

c) A&J THAI FRUIT CO., LTD.

1. **Quality:** If the quality exceeds the expectation, importers will be very satisfied which leads to higher switching costs.
2. **Cost reduction:** Currently, most importers focus on price only because coconut is a commodity product. So, if exporters can offer a lower price, they can expand the market rapidly.

3. **Sincerity:** Exporters must deliver the promise to importers without any condition. This promise can be in term of supply, quality, payment term, and claim. As a result, they can run the business in this industry sustainably.

d) SUBSOMBOON CO., LTD.

1. **R&D:** Research and development is very important to succeed in this industry. Firstly, if exporters support growers in term of R&D to increase productivity during shortage, they can enjoy huge profits during this period. Secondly, R&D can reduce waste during the production process. For example, the cracked coconut can be processed to Jelly coco instead of throwing it away.

2. Competitive advantages

Different player has a different competitive as follows:

a) NC COCONUT CO., LTD.

1. **Large source of supply:** The firm acquires more than 1,000 hectare which can supply about 2.5 million pieces of coconut per month.
2. **Global standard certification:** The firm receives all required certifications which are GMP, HACCP, and Ethical standard to supply for a global supermarket.

b) K-FRESH CO., LTDA&J THAI FRUIT CO., LTD.

1. **High capital investment:** The firm earned around 3 million USD from selling its affiliate to Sappe Public Company Limited. So, the firm has excess cash for investment and resource expansion. Currently, the firm acquires about 700 hectare which can supply about 1.75 million piece of coconut per month.
2. **Upper Vertical Integration (Own distribution channel):** The firm can enjoy higher margin and have more control over the market because it uses a joint venture with importers to expand the international market.

c) A&J THAI FRUIT CO., LTD.

1. **QC Process:** The firm gets support from Tesco Lotus Thailand because the firm is the only one who supply for Tesco Lotus Thailand. So, the firm has QC process in all steps.
2. **Diverse distribution channel:** The firm's importers have all distribution channels which are supermarket, e-commerce, and wholesales market. Also, the firm sell domestically to Thai fruit wholesales market. Then, different channel prefers different quality; for example, e-commerce prefers only premium coconut without

any mark or crack while those coconuts which have mark or crack are acceptable for Thai fruit wholesales market. Consequently, after the firm has classified coconut into different grade, they can distribute all coconut without any losses and meet the customers' satisfaction.

d) SUBSOMBOON CO., LTD.

1. **Innovation:** The firm sets up a professional team for R&D. This team focuses on two projects which are product development and shelf life extension. Now, firm can reduce waste by developing many processed coconut including coco jelly.
2. **Exchange rate risk diversification:** The firm has an advantage over others in term of diversification of exchange rate risk because more than half of sales come from domestic market.

3. Mode of entry

NC COCONUT CO., LTD. and A&J THAI FRUIT CO., LTD. expand to international market by implementing direct export. However, NC COCONUT sell exclusively to only one importer to one country while A&J THAI FRUIT does not limit a number of importers in each country.

K-FRESH CO., LTD. expands by implementing joint venture subsidiary with importers in other market. In Europe and USA market, K-FRESH join with BEST CO., LTD. who is a big fresh fruit distributor in those market.

Last but not least, SUBSOMBOON CO., LTD. implements indirect export for international expansion because the owner is afraid of default risk.

4. Challenges

Different player has a different perspective as follows:

a) NC COCONUT CO., LTD.

1. **New competitors:** Due to high growth, many new players start exporting the coconut especially Chinese players.
2. **Supply shortage:** Coconut has an off-season during summer which is between March and May. During that time, the productivity is reduced by around 70%.

b) K-FRESH CO., LTD.

1. **Supply shortage:** During its off season, the resource is insufficient to supply demand which leads to high opportunity costs

2. **New competitors:** During its peak season, many players can access resource which leads to price war.

c) A&J THAI FRUIT CO., LTD.

1. **Supply fluctuation:** During its off season, supply is shortage which leads to higher costs of coconut. On the other hand, during its peak season, its supply exceeds demand in some period. However, the firm must keep continuously buying from growers; otherwise, growers will switch to sell other exporters. As a result, the firm will face with losses because the firm cannot distribute all coconut.
2. **New competitors:** The industry's growth attracts many new players especially Chinese player which lead to price war in some period.
3. **High bargaining power of growers:** Currently, with the internet, most growers use line application to communicate about the price within their group. So, they know the exact price real time. In the past, exporters could set the price. However, with the communication, growers can make an agreement within their group to set the price by themselves.

d) SUBSOMBOON CO., LTD.

1. **High bargaining power of growers:** Regarding limited supply, growers can choose their customers or exporters. So, exporters must satisfy growers' need to lock the growers with them.

5. Strategy to deal with the challenges

Different player has a different strategy as follows:

a) NC COCONUT CO., LTD.

1. **Sales contract:** The firm signs a 3-years contract with importers to exclusively buy from the firm only.
2. **Resource (farm) expansion:** The firm plans to acquire more land to plant the coconut. Also, its source of supply's target in the next five year will increase to 1,500 hectare.

b) K-FRESH CO., LTD.

1. **Resource (farm) expansion:** By the next three years, the firm plans to have its source of supply around 1,300 hectare.

2. **Union creation:** Currently, the firm pools a group of exporters together in order to bargain with government about the restriction of Chinese players.

c) A&J THAI FRUIT CO., LTD.

1. **Product development:** During its peak period, the firm processes excess coconut into new products which are coco jelly and yogurt. So, they can increase the sales with higher margin instead of selling fresh coconut with very small margin during that period.
2. **Union creation:** the firm join the union to beat the Chinese competitor out of the market.
3. **Resource (farm) expansion:** Currently, the firm has a source of supply around 200 hectare. However, the firm plans to increase to 400 hectare within two years.

d) SUBSOMBOON CO., LTD.

1. **R&D:** The firm invests in R&D in order to satisfy growers' needs. Firstly, the firm tries to extend a coconut's shelf life. So that, the firm can keep buying from growers during its peak period because the firm can store the coconut and sell it during its shortage which will lead to huge profits. Secondly, the firm develops more products in order to sell during oversupply. Consequently, the firm can keep buying from growers.

6. FUTURE EXPORTING MARKET

Only SUBSOMBOON CO., LTD. perceives that domestic sales in Thailand is attractive and interesting. On the other hand, others perceive that South Africa is the most interesting market to expand because of the weather and new market.

4.2.3.2 Small Exporters

In this study, in-depth interview was conducted with two small exporters. Also, the main market of both company is China. Currently, they can access resources only around 40 hectares. The result can be classified into six dimensions same as the big exporters in the following table:

Table: 4.2 Analysis of small exporters

Company Topic	THAI BEST PRODUCTS HOLDING CO., LTD.	COCOPLUS THILAND CO., LTD.
1. Key Success Factors	1. Good relationship with growers 2. Product variety	1. Product variety
2. Competitive Advantages	1. Good relationship with growers 2. Supply of various exotic fruits	1. Supply of various exotic fruits 2. Diverse distribution channel
3. Mode of Entry	Direct Export	Direct Export
4. Challenges	1. New competitors 2. Supply shortage	1. Supply shortage 2. New competitors
5. Strategy to deal with the challenges	1. Global standard certification 2. Continuous order	1. Continuous order
6. Future export market	USA and EUROPE	USA and EUROPE

1. Key success factors

Different player has a different perspective as follows:

a) THAI BEST PRODUCTS HOLDING CO., LTD.

- 1. Good relationship with growers:** Nowadays, it is difficult to find a new grower without any reference. So, exporters must develop a good and long relationship with the existing growers. After the grower is loyalty to the firms, the grower usually recommends the exporters to other growers. Consequently, the exporters can increase their capacity.
- 2. Product variety:** Mr. Peerapol Yolsupsiri, an owner of THAI BEST PRODUCTS HOLDING CO., LTD., said “If we sell only coconut, we will absolutely loss”. As fresh fruit is seasonal, the exporters must diversify their portfolio by exporting all exotic fruits such as longan, durian, mango, and banana. Consequently, the exporters will avoid a negative effect from shortage in coconut during its off season.

b) COCOPLUS THAILAND CO., LTD.

- 1. Product variety:** One of the most important key success factors in this industry is to stabilize the revenue throughout the year. So, exporters must supply a various

kind of fresh fruit as much as they can in order to increase sales and reduce the negative effect of coconut shortage.

2. **Competitive advantages**

Different player has a different competitive advantages as follows:

a) **THAI BEST PRODUCTS HOLDING CO., LTD.**

1. **Good relationship with growers:** The firm has run the business more than 10 years. Also, the firm has dealt with only few growers since they have started the business. So, during shortage, these growers only supply to the firm because of loyalty.
2. **Supply of various exotic fruits:** The firm supplies 4 kinds of exotic fruit which are aromatic coconut, longan, durian, and mango. Therefore, the firm can stabilize revenue throughout the year because of portfolio diversification.

b) **COCOPLUS THAILAND CO., LTD.**

1. **Supply of various exotic fruits:** The firm currently supplies aromatic coconut, mangosteen, guava, and rose apple. So, the firm can charge higher margin for some fruits while lower margin for others to beat the competitors. Also, the firm can stabilize revenue throughout the year.
2. **Diverse distribution channel:** The firm's customers has various distribution channels. So, the firm can match the quality to the customers' satisfaction which is similar to A&J THAI FRUIT CO., LTD. However, the firm's market is only in China while A&J THAI FRUIT supplies to other countries around the world

3. **Mode of entry**

Both players export directly to importers in China market. However, the main market for THAI BEST PRODUCTS HOLDING is DALIAN while SHANGHAI is the main market for COCOPLUS THAILAND.

4. **Challenges**

Both players have the same perception toward challenges. Firstly, new competitors, during coconut's peak season, all exporters compete each other by reducing the price especially Chinese players. Secondly, Supply shortage, the cost of coconut increases by three times during its off season. However, customers cannot accept for the selling price

during that time. Consequently, exporters must stop exporting aromatic coconut during the shortage.

5. Strategy to deal with challenges

Different player has a different perspective as follows:

a) THAI BEST PRODUCTS HOLDING CO., LTD.

1. **Global standard certification:** The firm plans to get standard certifications which are GMP and HACCP in order to supply to major supermarket. Also, these certifications can guarantee a good standard and quality which will differentiate the firm from Chinese players.
2. **Continuous order:** The firm keeps buying from growers throughout the year. So that, the growers will be loyalty and willing to supply with the best of their capability during the shortage.

b) COCOPLUS THAILAND CO., LTD.

1. **Continuous order:** The firm attempts to lock the growers by ordering the growers continuously. So, the firm can prevent resources from others and build a good relationship with growers at the same time. With a good relationship, the growers are willing to supply with the best of their capability during the shortage.

6. Future exporting market

Both players agree that there is a huge demand from USA and EUROPE. Even big players have already enter into those market, there is still a huge demand which is not satisfied by those big players

4.2.4 KEY STAKEHOLDERS' NEEDS

Successful exporters must understand the need of the key stakeholders which are growers and importers in order to run the business sustainably.

4.2.4.1 Growers

For growers, the result can be grouped into four dimensions which are summarized in the following table:

Table: 4.3 Analysis of growers

Grower Topic	Mr. Nikorn Eakchomthong	Mr. Nattapat Chaichana	Mr. Sanya Jamcharoon
1. Coconut season	Peak season: July to March Off season: April to June	Peak season: July to March Off season: April to June	Peak season: July to March Off season: April to June
2. Current problems	1. Fluctuation of productivity	1. Fluctuation of productivity	1. Fluctuation of productivity
3. Current concerns	1. Oversupply of coconut planting	1. Oversupply of coconut planting	1. Oversupply of coconut planting
4. Preferred support	1. Continuous order 2. R&D Support	1. Continuous order	1. Continuous order 2. R&D Support

1. Coconut season

Mr. Nikorn Eakchomthong, a grower, said that “Normally, the shortage period is three months a year”. Coconut productivity depends on an amount of water. So, its peak season starts from July to March. On the other hand, coconut’s off season starts from April until June.

2. Current problems

Mr. Nattapat Chaichana, a grower, said that “Without a continuous order, we die”. The fluctuation of coconut’s productivity is the major problem. Firstly, during its peak season, the coconut’s productivity is oversupply during some period. So, growers cannot sell to any customers. As a result, they must absorb for a large losses.

On the other hand, during coconut shortage, coconut’s productivity is dropped by 70%. Normally, every 1 hectare can produce around 2,500 pieces of coconut in which the total value is approximately 750 USD. However, in its off season, every 1 hectare can produce only around 700 pieces of coconut. Even the coconut can be sold at a higher price, the total value is only 600 USD. Also, no one can buy during some period because of too high price.

3. Current concerns

Mr. Sanya Jamcharoon, a grower, said that “Today, everyone turns to grow aromatic coconut”. Due to high growth in this industry, a lots of land blank owners in

the central region of Thailand starts growing aromatic coconut. However, these new planting will be ready for harvesting for at least three years. So, they feel unsecured that the supply of aromatic coconut will exceed the demand in the future.

4. Preferred supports

Mr. Nattapat Chaichana, a grower, said that “We need a loyalty customers”. Growers need customers who have continuous order throughout the year. So, customers must be able to buy during oversupply of coconut as well; otherwise, growers must face with a huge losses

Apart from that, growers need support in term of research & development which can increase the productivity during a period of shortage.

4.2.4.2 Importers

Three respondents from different market were interviewed. The result can be grouped into four topics which are summarized in the following table:

Table: 4.4 Analysis of importers

Company Topic	SUNMOON FOOD CO., LTD. (China market)	TURNER & GROWER LTD. (Australia market)	PT. INDOFERSH (Indonesia market)
1. Peak demand	July – December	November - April	May - September
2. Current problems	1. Fix price requirement 2. Price war 3. Quality Issue	1. Fix price requirement 2. Certification requirement 3. Supply shortage	1. Fix price program
3. Current concerns	1. Price increases 2. Insufficient supply	1. Quality issue 2. Price increases 3. Insufficient supply	1. Price increases 2. Insufficient supply
4. Preferred support	1. Fix price support 2. Quality assurance	1. Fix price support 2. Quality ASSURANCE	1. Fix price support

1. Peak demand

From the interview, the result shows that coconut’s demand depends on the weather and temperature. Normally, people buy more coconuts when the weather is dry and the temperature is hot. Therefore, the peak period of demand in each country is different depends on a season.

In China, the demand is peak from July until December. On the other hand, the demand in Australia is peak from November until April while the peak demand in Indonesia starts from May until September.

2. Current problems

Mrs. Nancy Koh, a purchasing manager of SunMoon FOOD CO. LTD., said that “I will sign a buying contract of 200 containers per year with any exporter who can do a fix price program”. For all importers in three countries, their customers especially supermarket require a monthly fix price program. However, there is no exporter who can fulfill this requirement. So, they loss from this fix price program during the coconut’s shortage.

In China market, the competition is very intensive. As a result, each player reduces price to compete with others. Consequently, the importer gets lower margin. Also, quality is another problem because there are many alternatives in China market. So, customers become more selective. Hence, with a poor quality, importers cannot sell coconut which leads to large losses.

In Australia market, standard certifications which are GMP, HACCP, and Ethical standard are very important because the regulation is very strict. However, there are only few exporters who can pass all certifications. Consequently, with a limited resources, the importers cannot have sufficient coconut to supply their customers especially in March and April.

3. Current concerns

All respondents agree that coconut demand will keep growing. So, they are afraid of insufficient supply in the future. Also, the costs of aromatic coconut have increased sharply for last three years. However, the market price cannot grow rapidly compared with the costs.

Mr. Michael Pitrone, a category manager of TURNER & GROWER LTD., said that “Last week, we lost about 3,000 USD because supermarket claimed us about quality issue”. In Australia market, supermarket is very strict in term of specification. So, if the quality doesn’t meet the agreement, importers must pay 100% for those defects.

4. Preferred supports

Ms. Hanny Xu, a purchasing manager of PT. INDOFRESH, said that “80% of sales come from supermarket, so we want a fix price program”. The most preferable support for all respondents is a fix price program. It is unsurprising because importers must sell at a fix price while their cost is not fixed. So, they must accurately predict the price; otherwise, they loss.

In China and Australia, importers want to have a special support of quality assurance. So, if the defects excess 10%, exporters must be responsible for those excess losses.



CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

From both secondary and exploratory research, even there are many competitors enter to Thai aromatic coconut exporting industry especially Chinese players, the industry is attractive and still has a high potential to grow significantly in the future.

In term of competition, the exporters can be classified into big and small players. The difference between big and small players is the revenue because big players had annual revenue more than \$ 100,000 USD last year while those small players did not reach that revenue. Moreover, big and small players use a different strategy to run the business sustainably.

Furthermore, both big and small successful players has been interviewed. Then, the results are analyzed based on six dimensions which are key success factors, competitive advantages, mode of entry, challenges, strategies to deal with the challenges, and future export market. Consequently, the results of both players are listed in the following table:

Table: 5.1 Comparison between big and small exporters

	Big exporters	Small exporters
1. Key Success Factors	1. Quality 2. Source of supply 3. Cost reduction 4. Partner 5. R&D	1. Product variety (Sell various kind of fruits) 2. Good relationship with growers
2. Competitive Advantages	1. Large source of supply 2. Global standard certification 3. High capital investment 4. Upper vertical integration 5. QC Process 6. Diverse distribution channel 7. Innovation 8. Exchange rate risk diversification	1. Supply of various exotic fruit 2. Good relationship with growers 3. Diverse distribution channel

	Big exporters	Small exporters
3. Mode of Entry	<ol style="list-style-type: none"> 1. Direct Export 2. Indirect Export 3. Joint Venture Subsidiary 	<ol style="list-style-type: none"> 1. Direct Export
4. Challenges	<ol style="list-style-type: none"> 1. New competitors 2. Supply fluctuation 3. High bargaining power of growers 	<ol style="list-style-type: none"> 1. New competitors 2. Supply shortage
5. Strategy to deal with the challenges	<ol style="list-style-type: none"> 1. Resources (farm) expansion 2. Union 3. Sales contract 4. Product development 5. R&D 	<ol style="list-style-type: none"> 1. Continuous order 2. Global standard certification
6. Future export market	South Africa	USA and EUROPE

From the above table, it shows that both big and small exporters have a different perception as well as a different strategy. For a key success factors, big players focus mainly on quality and lower costs. For small players, key success factors are product variety and relationship with a grower. For mode of entry, it depends on the risk degree in which a company is willing to take and the amount of capital. Firstly, indirect export will be implemented when the exporters are risk adverse. Normally, most exporters implement direct export to importers in other countries. However, when the company has high capital investment and are risk seeker, joint venture subsidiary with importers is an interesting alternative.

Last but not least, a successful exporter must understand the needs' of key stakeholders which are growers and importers. Firstly, growers are satisfied when they have a continuous order and get support for R&D about the productivity. On the other hand, exporters can satisfy importers by providing sufficient amount of supply and good quality of coconut at a reasonable price. Moreover, if exporters can offer a fix price program to importers, they will differentiate from others. So, they can charge higher margin for this special feature.

In fact, exporters should focus on growers' satisfaction first. If they can satisfy growers, importers will be satisfied automatically because they can lock supply from growers. Then, they can have sufficient resources to supply importers during shortage.

Lastly, this study is a qualitative research, so that a quantitative research should be conducted to double check the result with more samples. With the insight of both big and small successful exporters, new players in Thai aromatic coconut exporting industry should know how to compete with other more effectively and run the business sustainably.



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APPENDICX

APPENDIX A

TOPIC GUIDE DESIGNED

1. Successful exporters both big and small players

1. What is the business model and ecosystem in this industry?
2. What is your perception toward the trend of exporting aromatic coconut?
3. What are the key success factors?
4. What are your competitive advantages?
5. What is your international market expansion strategy? How?
6. What are the challenges of this industry?
7. How do you deal with those challenges?
8. What is the next best market potential countries for aromatic coconut?

2. Growers

1. When is the peak and off season?
2. What are the problems which you have experiences with customers?
3. What are the limitation that you cannot deal with?
4. What are the risk factors?
5. If possible, which support do you need from your customers?

3. Importers

1. How is the demand throughout the whole year?
2. What are your requirements from your customers?
3. What are the problems which you have experiences with customers?
4. What are the problems which you have experiences with suppliers?
5. What are the limitation that you cannot deal with?
6. What are the risk factors?
7. If possible, which support do you need from your suppliers?

BIOGRAPHY

Name	Mr. Kittisak Pipatkanaporn
Date of Birth	August 31, 1989
Educational Attainment	3011: Bachelor of Business Administration
Work Position	Vice President Thai Best Products Holding Co., Ltd.
Work Experiences	2011-2014: Financial advisor Toyota Motor Thailand Co., Ltd.

