



**SOFT DRINKS MARKETING STRATEGY IN
CAMBODIA**

BY

MR. TIV DARA RITH

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION PROGRAM IN
GLOBAL BUSINESS MANAGEMENT
(INTERNATIONAL PROGRAM)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2019
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INDEPENDENT STUDY

BY

MR. TIV DARA RITH

ENTITLED

SOFT DRINKS MARKETING STRATEGY IN CAMBODIA

was approved as partial fulfillment of the requirements for
the degree of Master of Business Administration (Global Business Management)

on December 23, 2019

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Independent Study Title	SOFT DRINKS MARKETING STRATEGY IN CAMBODIA
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Degree	Master of Business Administration Program in Global Business Management (International Program)
Major Field/Faculty/University	Faculty of Commerce and Accountancy Thammasat University
Independent Study Advisor	Surapit Promsit, Ph.D.
Academic Years	2019

ABSTRACT

The objective of this paper is to understand the market situation and marketing strategy of soft drinks retail businesses in Cambodia. In addition, this research also study the customer behavior, expectations and preferences toward soft drinks products and to produce effective marketing strategy for retail businesses and manufacturers of soft drinks in Cambodia. This research begin by looking at the theory, definition and other related studies of soft drinks, customer behavior, marketing mix strategy of soft drinks companies. This research also studied the soft drinks market situation from global view then scope down to Asia-Pacific to ASEAN and lastly to Cambodia market.

The qualitative research method was employed in this research. For this study, raw information were collected through observation and in-depth semi-structured interview with representatives of soft drink retailer businesses in Cambodia to account for the differences in consumer behavior, demographic, experiences and perspectives of soft drinks market in Cambodia.

The result from this research showed that there are strong relationship between customer behavior, expectations and preferences and marketing mix 4Ps (Product, Price, Place, Promotion).

Keywords: soft drinks, customer behavior, expectation and preferences, marketing mix, retailers, manufacturers, Cambodia.



ACKNOWLEDGEMENTS

First and foremost, I would like to take this occasion to express my great gratitude to Dr. Surapit Promsit as well as our principals who gave me the opportunity to do this independent study and guiding me all the way through. This research paper could not have been accomplished without your strong support and wise guidance.

Secondly, I am very glad and thankful to all professors and GEMBA's staffs that gave me advice, assistance, support and caring during my study period and made the process of my Independent Study went smoothly. I also thank and appreciate to all the relevant people who gave their valuable time for me to interview.

Lastly, I would like to thank my parents, relatives, friends and other who in one way or another for the unconditional love and support during this hard time.

Mr. Dara Rith Tiv

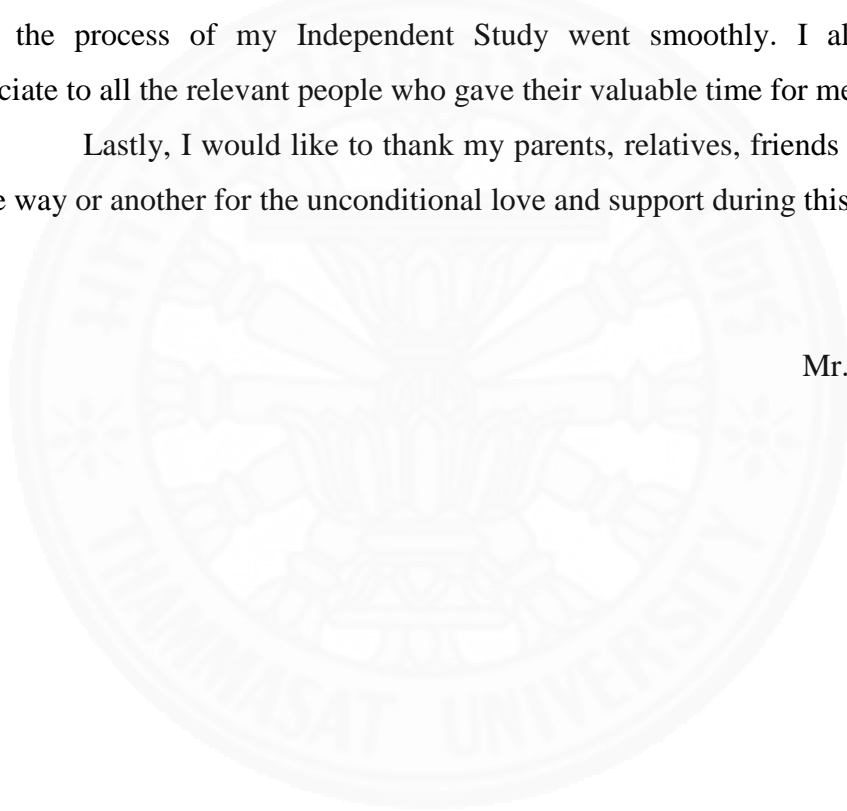


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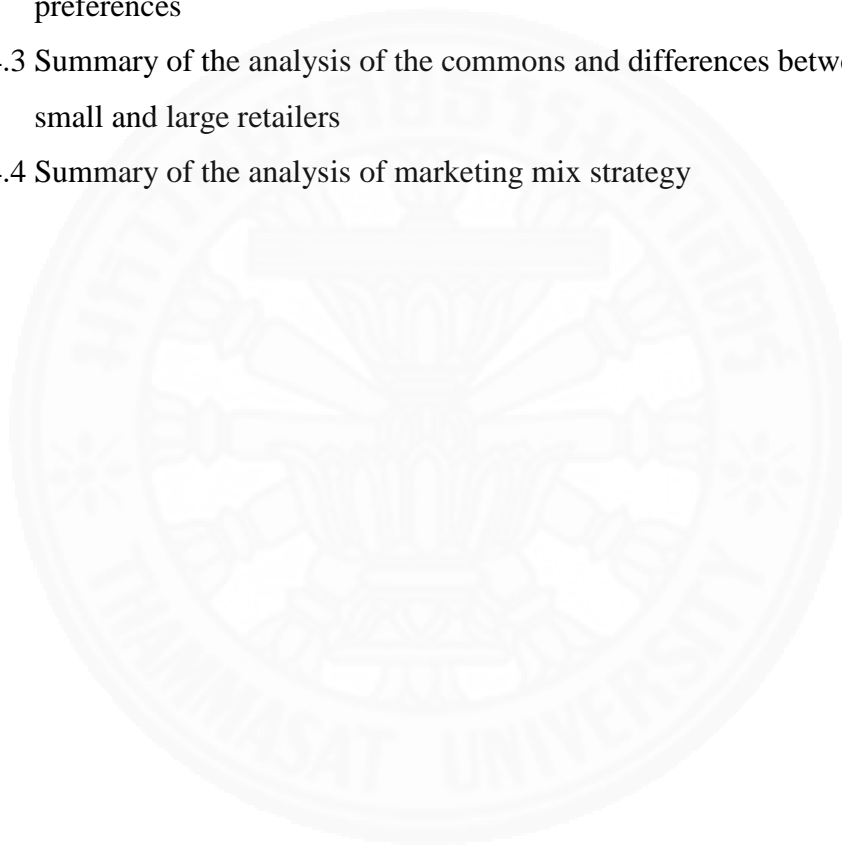
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CHAPTER 1

INTRODUCTION

1.1 Background

Soft drinks refer to non-alcoholic beverages, often but not compulsory carbonated and normally contain organic or artificial sweetening, flavors and sometimes juice. Soft drinks are the opposite of hard drinks (alcoholic drinks). People call it “soft” due to the amount of alcohol in the drinks. Soft drinks may contain very little amount of alcohol but it has to be less than 0.5% of total volume to be considered as soft drinks. Soft drink was first introduced in the 17th century, a combination of water, lemon and honey. The Campagnie de Limonadiers was held in Paris and got a monopoly market for its goods in 1676. Later in the 17th century, European tried to simulate by developed carbonated drinks and water. Soft drinks were then developed by many scientists, chemists, physicians and industrialists and by early 18th century, enhancements in production brought better products and bottled water started its popularity. In the late 18th century, few brands integrated and still in the trend years after.

There are numerous types of soft drinks; however, it can be segmented based on product type such as:

1. Carbonated drinks
2. Bottled water
3. Fruit juice
4. Iced/RTD Tea drinks
5. Energy drinks
6. Sports drinks
7. Others

Carbonated drinks are drinks that contain carbon dioxide (just like its name). The products range from sparkling water, fruit juice and colas. Carbon dioxide in the drinks will make them fizzy. (Information on Carbonated Drinks)

Bottled water is actually a drinking water which is an alternative for tap water for some reasons such as quality, taste and convenience. Moreover, Bottled water can be categorized into three main types namely bottled water, mineral water and spring water. In order to distinguish between each type, they are also required to comply with the regulations as well. (Information on Bottled Water)

Fruit juice is actually a juice made from 100% fresh fruit with no additional ingredient. To be considered as fruit juice; sugars, sweeteners, preservations, coloring or flavoring to fruit juice are not permitted. (Information on Fruit Juices)

Iced/RTD tea drinks are drinks that made from tea based and it can be carbonated or non-carbonated ready to drink (RTD) packaged. Some products are also considered as Iced/ RTD drinks but actually they are non-ready to drink (non-RTD) powders which dilute with water. This kind of products is similar to the RTD product. They may contain additional sugars, flavorings and other ingredients. (MarketResearch.com)

Energy drinks are drinks that give functional gains and usually it helps in boosting energy and vigilant. The functional gains are from ingredients like caffeine and glucose. (Information on Energy Drinks)

Sports drinks also give functional benefits to consumers but they are designed to keep consumers hydrated. Usually, sport drinks contain ingredients like fluid, electrolytes and carbohydrate in order to promote rehydration. (Information on Sports Drinks)

According to a press release by marketwatch.com (Heraldkeeper, 2018), the world's top four soft drinks manufacturers are estimated to dominant almost half of the market in 2015 with their production lines located all over the world. Though these multinational companies are not dominating the global soft drinks market, but they are the biggest players in many countries. This means they also control the bottling and distribution of their products in these markets as well. Similarly, Coca-Cola and Pepsi are also the giant players in Cambodia's market. Cambodia; among many other countries in Southeast Asia region, has achieved fast economy growth which supported by some main sectors namely real estate construction, tourism and rapid urbanization. Moreover, Cambodia is a young country and majority of the

population are millennials and has moved from low income to low middle-income country in 2015. This continues to support the growth of soft drinks business as income rises. However, companies must understand their consumers' behavior and produce an effective marketing strategy to develop brand loyalty and attain more customers in order to achieve sustainable growth.

1.2 Objectives

The main objectives of this research are to:

1. Study the market situation and marketing strategy of soft drinks retail business in Cambodia.
2. Study customers' behavior toward soft drink products in Cambodia.
3. Make recommendations for soft drinks retailers and companies based on the outcome of this study.

1.3 Benefits of the research:

To give a better understanding of the current situation of soft drinks retail business and produce effective marketing strategy for local soft drinks retailers and companies in Cambodia.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Theoretical background and related studies and researches

2.1.1 Understanding consumer behavior

Inevitably, customer behaviors are varied from one individual to another. They behave different toward the same product. This is why it is very crucial for marketer to understand customer behavior in order to produce effective and efficient marketing strategy. However, to study about the behavior of the consumer is not an easy task and there are many theories and studies which will be discussed to develop a good marketing strategy.

According to the American Marketing Association, customer behavior is “the dynamic interaction of affect and cognition, behavior and the environment by which human begins conduct the exchange aspect of their lives.” This means customer behavior consist of the thoughts, emotions and the actions they execute during the processes. There are many factors that affect these thoughts, emotions and actions such as suggestion from friends and family, advertising from any means, price tag, packaging, product design and more. The significant key words from the definitions are dynamic, interactions and exchanges. Firstly, behavior of buyers is dynamic due to the thoughts, feelings and actions are constantly changing from time to time. Secondly, behaviors of buyer are related to the connections between people’s thoughts, emotions, actions and the environment around them. Lastly, behavior of buyers related to exchanges among people. This means people giving up something valuable like money, gold, jewelry to exchange something in return like products or services.

Now, I will look at the definitions of consumer behavior from different professors and generations to have a deeper understand of its concept and theory as follow:

Walters (1974: 7) defines consumer behavior as: "... the process whereby individuals decide whether, what, when, where, how, and from whom to purchase goods and services."

Mowen (1993: 6) defines it differently by explaining consumer behavior as: "... the study of the buying units and the exchange processes involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas"

Schiffman & Kanuk (1997: 648) define customer behavior as: "The behavior of customers display in searching for, purchasing, using, evaluating, and disposing of products, services and ideas."

Engel, Blackwell & Miniard (1990: G-4) defines consumer behavior as "those actions directly involved in obtaining, consuming and disposing of products and services, including the decision processes that precede and follow these actions".

According to Philip Kotler & Garry Armstrong, "consumer buying behavior refers to the buying behavior of final consumers – individuals and household who buy goods and services for personal consumption. All of these final consumers combined make up the consumer market".

All the definitions mentioned above could give enough aspects and sufficient clarity on the concept of consumer behavior.

A well-known and tested buyer behavior model is known as the stimulus-response model which is shown in figure 2.1 below:

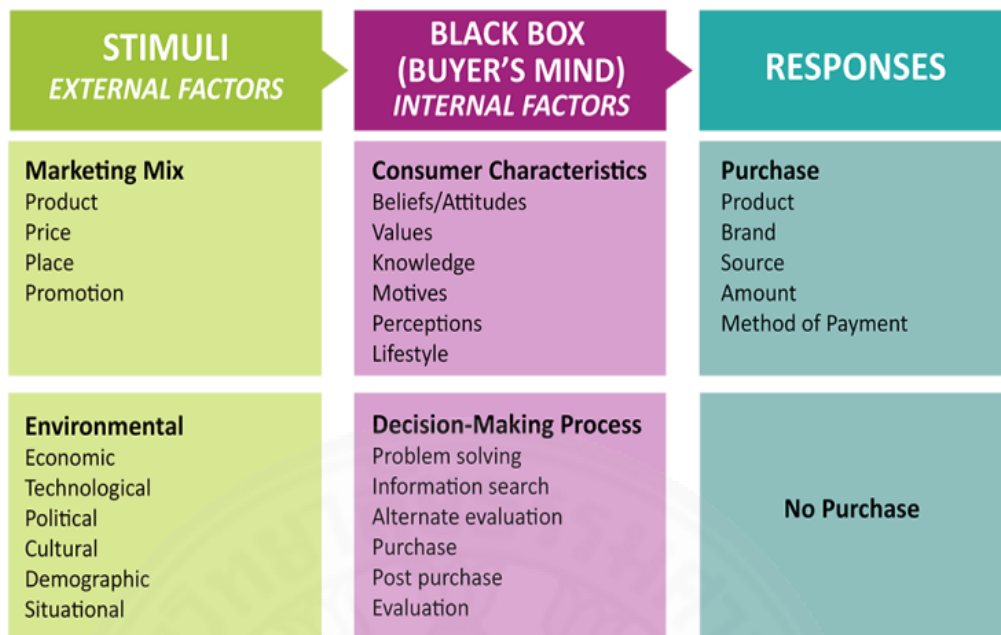


Figure 2.1 *The stimuli-response model*

Source: (The “Black Box” of Consumer Behavior)

In figure 2.1 above shows the external factors (marketing mix 4Ps and other environmental factors) enter the internal factors (consumer characteristics and decision making process) and come to conclusion whether the consumer purchase or not purchase the product or service.

2.1.2 Factors influencing consumer behavior

To understand consumer behavior, firstly we need to focus on the factors that determine the consumer characteristics in Figure 2.1 which can be described as follows:

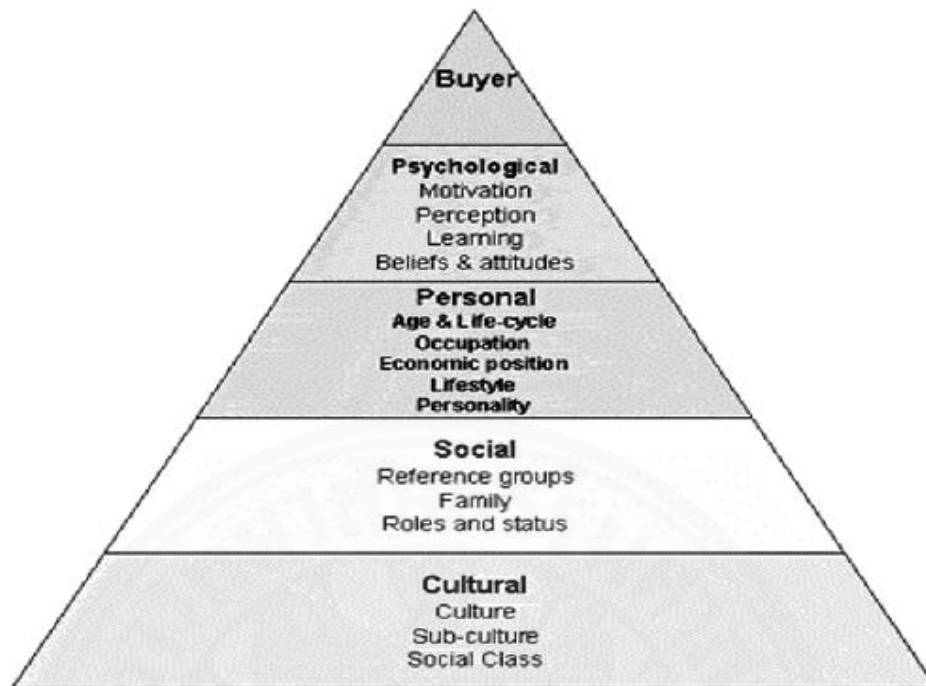


Figure 2.2 *Factors affecting buyer behavior*

Source: (Understanding consumer behavior)

Consumer's buying behavior and the answer whether they purchase or not are heavily affected by factors shown in Figure 2.2 namely cultural factor, social factor, personal factor and psychological factor. Understanding these four factors is very crucial to produce effective marketing strategy that appeal to the targeted market.

2.1.2.1 Cultural factors

In order to understand a person's needs and behaviors, it is very crucial to study about his/her culture. Basically, culture is a part of a growing process of one individual and it involves family, peers, cultural environment and the society that will form a set buyer's preferences, perceptions as well as behavior. The impact of culture varies from one group to another, regions to regions and even countries to countries.

2.1.2.2 Social factors

Social factors refer to a group or social status that the customer belongs to such as family, roles and status. Usually, there are several members in a group that may affect purchase decision either directly or indirectly. These groups fall into categories below:

- **Initiator:** the one who starts suggest of buying a product or service.
- **Influencer:** the one who give advice.
- **Decider:** the one with financial power and ultimately decide whether to purchase or not.
- **Buyer:** the one who actually buy product/service.
- **User:** the one who use the product or service.

2.1.2.3 Personal factors

Personal factors are unique to every individual due to different variables such as gender, age, status, education, occupation, personality and many more. These explain why our behaviors change when our situations changed. In addition, personal factors are affected by the “decider” as well.

2.1.2.4 Psychological factors

Consumer behavior and the buying decision are affected by this factor. It can be categorized into four categories which are motivation, perception, learning and beliefs and attitudes.

(1) Motivation

According to Maslow’s hierarchy of needs, it is the motivational theory which comprises of five levels of human needs and described in the pyramid below:

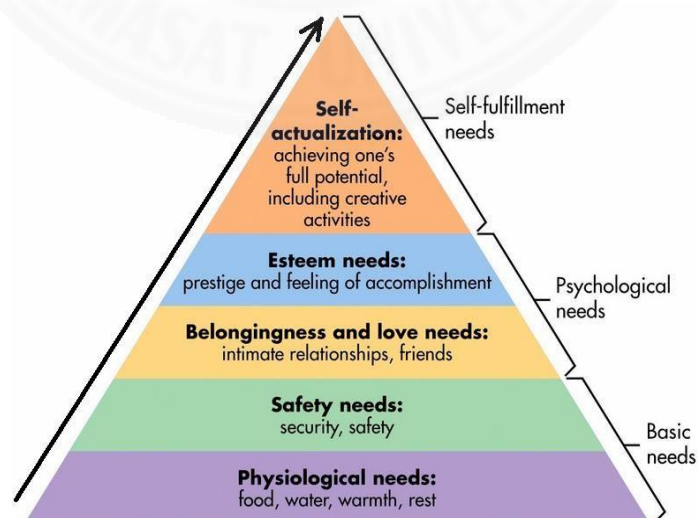


Figure 2.3 Maslow’s hierarchy of needs

Source: McLeod, S. A. (2018)

It is important to note that people are motivated toward different needs and form different behavior. Our most important need is physiological needs such as food, water, warmth, rest...etc in order to survive. When we could fulfill our basic needs, the next level of needs is what motivates us and so on.

(2) Perception

Perception is formed when an individual interpret the collected information to produce meaning. The perception of the situation at one particular period will determine one person's behavior. This means we select what inputs to pay attention to, organize it and interpret it. Perceptual processes consist of three different types which are:

- **Selective Exposure:** This means we tend to focus only on some details or stimulus to which we want to pay attention to.
- **Selective Distortion:** two people may have different perspective when interpreting the same information they received due to their inconsistent backgrounds and beliefs.
- **Selective Retention:** people will only remember information or stimulus that supports their beliefs and perceptions.

(3) Learning

It is the process of how individuals learn and recall those knowledge and experience which leads to a relatively permanent change in their buying behavior. When making decision on buying any product or service, we tend to process the information or stimulus according to our knowledge and experiences. As a result, marketer tries to change buyers' behavior about the product by giving new information about the product or new experiences like free samples or service.

(4) Beliefs and attitudes

It is what buyers think or feel towards specific products or services and decides immediately whether to buy the product/service or not. Once these beliefs and attitudes are formed, it will be difficult to change. People might have different beliefs and attitudes toward the same product/services.

2.1.3 Marketing concepts and tools

2.1.3.1 Marketing concepts

When we talk about marketing, there are many definitions and concepts of what is marketing but we can distinguish into two types of definitions namely social and managerial definition. According to a social definition, marketing is a societal process by which individuals and groups obtain what they need through creating, offering, and exchanging products and services of value freely with others.

Another definition by the American association of marketing define marketing (management) as the process of outlining and working on those ideas, pricing, promotion and sell those ideas (refers to products and services) to fulfill the needs and wants the buyers. The purpose of marketing is to have of deep understanding of your customers and produce products or services that fit them well.

(Kotler et al. 1996) defines marketing (management) as a process used to determine what products or services may be of interest to customers and the strategy to use in sales, communications and business development.

2.1.3.2 Marketing tools

There are numerous of marketing tools that marketers use to attract target customers. These tools form a marketing mix. First of all, Broden (1965) declared that he was the first person who invents the term “marketing mix”. Broden’s marketing mix had a set of twelve components which are product planning, pricing, branding, channel of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. Later, McCarthy (1964) refined Borden’s (1965) idea further and regrouped it from 12 components to 4 components which are product, price, promotion and place.

Another theory from Philip Kotler defines marketing mix as a tools used to attract buyers and influence their decision. These tools refer to the 4Ps (product, price, place (distribution) and promotion). Marketers try to combine an appropriate propotion of these components in order to achieve their marketing goals. Below is the brief description of each components of the marketing mix (4Ps).

(1) Product

Products are both physical goods and services ready for sell to the customers. Product is very crucial because it is the main reason of doing

marketing. In most literature, product was described in a narrow perception. Figure 2.4 below will give a broader view of the nature of the product perception.

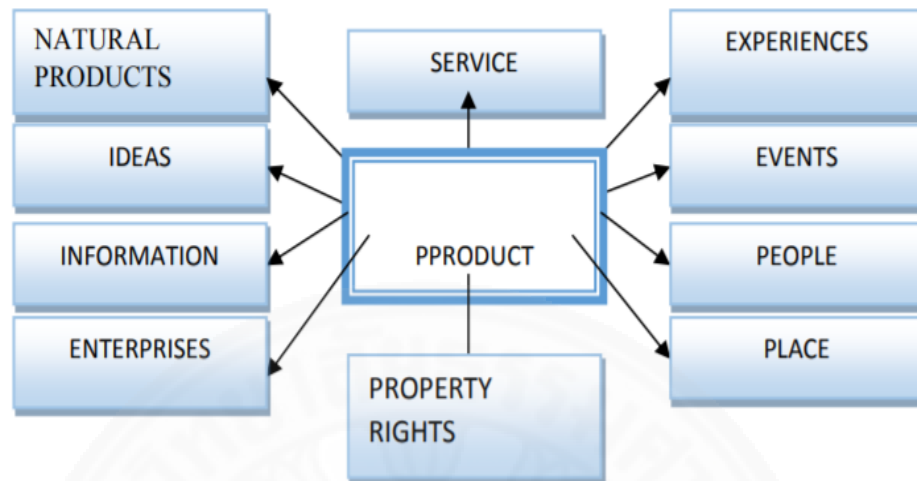


Figure 2.4 *Product wider perceptions*

Source: (Strazdas, 2011)

As shown in figure 2.4, product perception is not limited to just natural products and services but many other elements.

(2) Price

Price is the value of the product or service that the customers must pay before obtaining it. Price is one of the most significant variables in the marketing mix which it helps to increase profits and can be a flexible marketing strategy that adapts to environmental changes very quickly. In addition, price is the only element in the marketing mix that generates revenue for the firm, while the other three elements (product, place and promotion) are related to cost.

(3) Place (distribution)

Place, also known as distribution, is how the sellers deliver the products or services and reach out to customers. Similarly, Kotler and Armstrong define "place includes company activities that make the product available to target consumers". Place is also known as distribution. All in all, place (distribution) is the process of making decisions and actions in order to distribute products from manufacturer to consumer.

(4) Promotion

Promotions are any activities that encourage target customers to buy your products or services. Promotion helps to raise customer awareness to the product or service which leads to better sales. Therefore, promotion is one of the four elements that use to inform, persuade and influence customer decision to buy. There are many means of promotion such as advertisement, sales promotion and privilege members...etc.

In order to produce an effective marketing strategy, blending appropriate marketing mix components (4Ps) into an integrated marketing strategy to achieve organization's goal and meeting the customer needs and satisfaction.

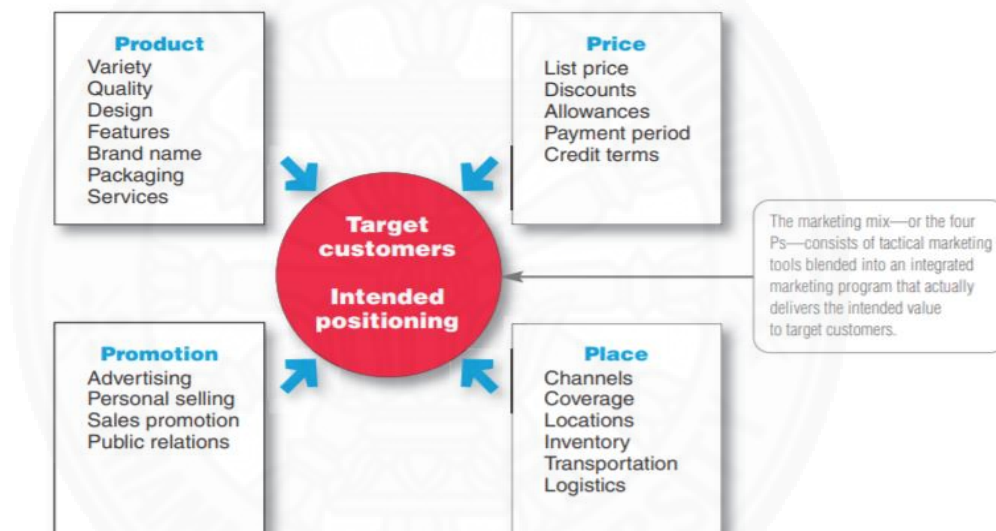


Figure 2.5 *The Four Ps of the Marketing Mix*

Source: (Kotler & Armstrong, 2011)

2.2 Soft drinks market

2.2.1 Global market

In this context, global market consists of North and South America, Europe, Asia-Pacific, the Middle East, and South Africa. During review period (2013-2017), global soft drinks market was at average growth rate and is expected to grow faster over the upcoming years (2017-2022) due to the substantial growth in the Asia-Pacific. In addition, the increasing in the world's temperature has increased the

demand for soft drinks, specifically bottled water and carbonated drinks (Marketline, 2018).

Year	\$ million	€ million	% Growth
2013	652,712.8	576,602.0	
2014	680,264.1	600,940.6	4.2%
2015	707,645.0	625,128.6	4.0%
2016	734,658.8	648,992.4	3.8%
2017	758,952.5	670,453.3	3.3%
CAGR: 2013–17			3.8%

SOURCE: MARKETLINE MARKETLINE

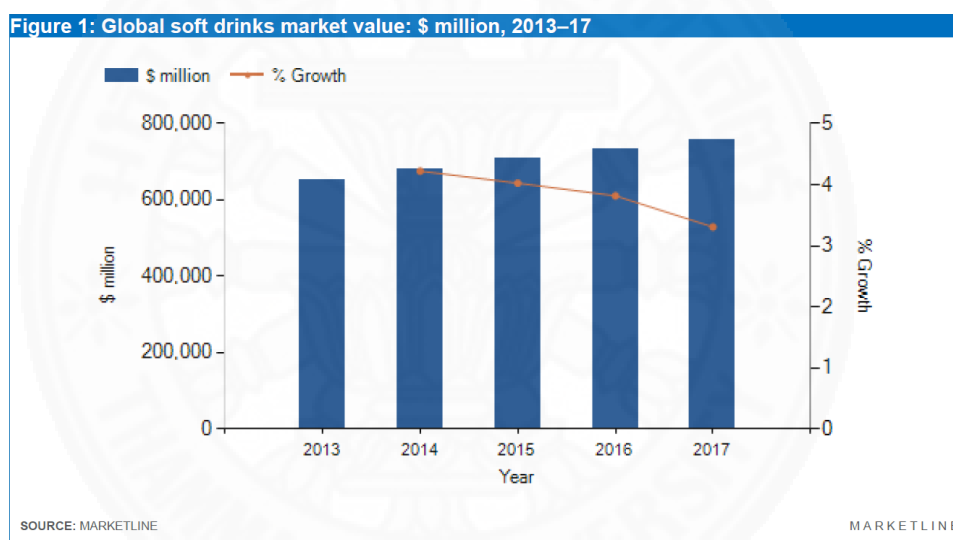


Figure 2.6 *Global soft drinks market value*

Source: (Marketline, 2018)

According to the figure 2.5 above, the global soft drinks market had total revenues of \$758,9bn in 2017, showing a compound annual growth rate (CAGR) of 3.8% between 2013 and 2017. The global soft drinks market is forecasted to accelerate with an estimated CAGR of 4.5% for the 5 years period (2017-2022) which will drive the market value to around \$944.4bn by the end of 2022.

Beside factors mentioned above, there are several key drivers that contribute to the growth of global soft drinks market which are product innovation and innovative marketing strategy. The leading companies like the Coca-Cola and

Pepsi are trying to innovate their products by focusing on ingredients, packaging, formulation in order to boost sales and gain higher market share. In addition, people these days are very cautious about their health and by realizing this; these giant companies are trying to produce new products that add more health benefits. For instance, Sprite launched a new formulated product in 2018 and claims to reduce the sweetening level up to 50%. Therefore, continuous product innovations play significant roles in the growth of the global soft drinks industry. Beside product innovations, various creative and innovative marketing strategies will help in driving market growth. In 2018, the Coca-Cola introduces a new marketing strategy in the UK called “We Do” on various channels such as billboards and social media. Moreover, these two giants have not just been on equal footing in term of product innovations and innovative marketing but also in packaging improvements toward sustainability. Both The Coca-Cola and Pepsi have developed bottle packaging with renewable, plants based materials. In 2009, the Coca-Cola company introduced a 100% recyclable PlantBottle. After that it has been introduced to 20 countries worldwide. On the other hand, PepsiCo invented a 100% ecofriendly bottle in 2011 to proof its commitment to renewable packaging solution.

In the Global context, there are four leading companies in soft drinks business. These companies dominate in various markets and in many countries. They are the Coca-Cola Company, Dr Pepper Snapple Group Inc, Nestle SA and PepsiCo, Inc.

1. The Coca-Cola Company manufactures, distributes and markets the soft drinks products. The company provides more than 4,000 beverage products and more than a quarter of which are low and no-calories products. Also the company owns, licenses and markets more than 500 soft drinks brands including the top five non-alcoholics sparkling drink brands, which includes Coca-Cola, Diet Coke, Fanta and Sprite.
2. Dr Pepper Snapple Group Inc (DPS) is an integrated owner, manufacturer, distributor of soft drinks in the US, Mexico,

Caribbean and Canada. DPS merchandises and sells these products under a 50 popular brands.

3. Nestle SA (Nestle) is a food and beverage company providing more than 2,000 branded products in almost 200 countries. It provides products under seven categories which are Powered and Liquid Beverages, Water, Milk Products and Ice Cream, Nutrition and Health Science, Preparing Dishes and Cooking Aids, Confectionary, and PetCare.
4. PepsiCo Inc (PepsiCo) is a food and beverage company. It markets and distributes and sells snacks, food products, carbonated and non-carbonated beverages in around 200 countries worldwide. PepsiCo invest a lot on its R&D activities in order to improve its product innovations and meeting customer demands and preferences.

2.2.2 Asia-Pacific market

During the review period (2013-2017), Asia-Pacific soft drinks market was at average growth rate and is projected to grow faster over the upcoming years (2017-2022) due to warm weather, a huge population and the fast growth of retails chains and their promotional offers. Interestingly, China is the largest market in Asia-Pacific region accounted for 46.6% of the overall market value in 2017 (Marketline, 2018).

Year	\$ million	€ million	% Growth
2013	226,030.8	199,674.1	
2014	236,361.4	208,800.0	4.6%
2015	245,103.3	216,522.5	3.7%
2016	255,698.1	225,881.9	4.3%
2017	264,847.8	233,964.7	3.6%
CAGR: 2013–17			4.0%

SOURCE: MARKETLINE

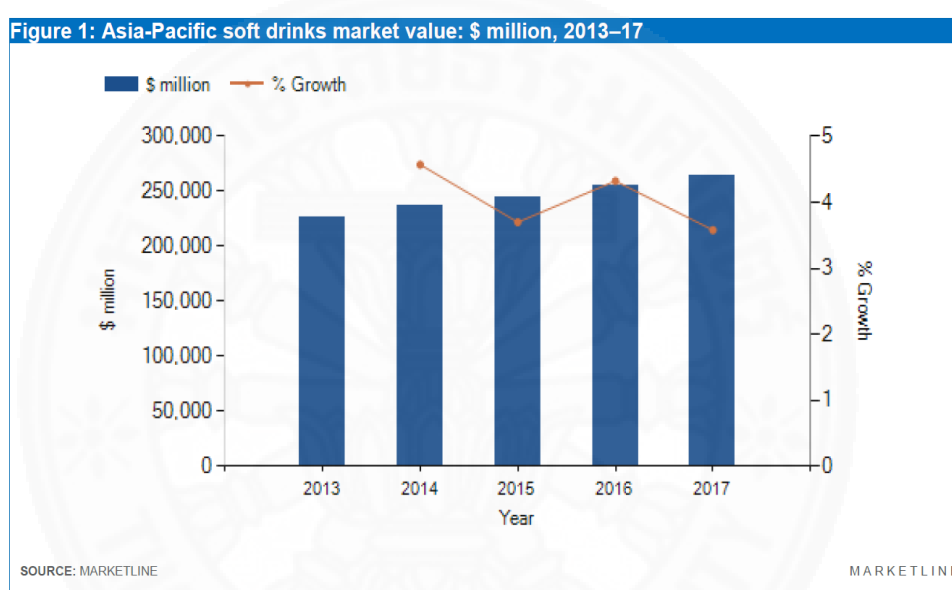


Figure 2.7 Asia-Pacific soft drinks market value

Source: (Marketline, 2018)

According to Figure 2.6 above, Asia-Pacific soft drinks market had a total revenues of \$264,8bn in 2017, showing a CAGR of 4.0% between 2013 and 2017. The Asia-Pacific soft drinks market is forecasted to accelerate with an estimated CAGR of 5.6% for the 5 years period (2017-2022) which will drive the market value to around \$348.1bn by the end of 2022.

As mentioned above, China has the largest market share in the region and carbonated drinks has the highest market followed by packaged water accounting for 21.5% and 16.7%, respectively in 2017. However, China's soft drinks market has shifted from carbonates to bottled water, fruit and vegetable juices and energy drinks due to the increasing awareness of health. In addition, the traditional categories like

carbonated drinks will be seeing little growth while the newly emerged categories such as sport drinks and energy drinks will be seeing high growth rate. These show that consumers are looking for low sugar or sugar-free drinks rather than drinks that contain high level sugar like traditional soft drinks.

2.2.3 ASEAN market

The Association of Southeast Asian Nations called ASEAN consists of ten member states namely Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Lao PDR, Myanmar and Cambodia. ASEAN is very diverse in term of its cultures and customs. In addition, the 10 member countries are also at the different stages of economic development and readiness to integrate globally. The table below shows the changing business landscape in norms and strategic focus from the “traditional business” to “future business” (Kotler et al.).

Table 2.1

Changing business landscape

	<i>Traditional business</i>	<i>Future business</i>
Market	National Overseas subject to tariffs	Trading bloc Free trade zones
Scope of competition	National (or regional) Protectionist	Global Liberalized
Organizational structure	Hierarchical Bureaucratic Specific scope Localized	Networked Entrepreneurial Multi-disciplinary Empowerment
Key productivity factor	Labor (skills) Capital In-house expertise Durability	Knowledge Innovation Outsourcing/Offshoring Time to market

	<i>Traditional business</i>	<i>Future business</i>
Importance of research	Moderate Imitate and improve	Critical Innovation and invent
Nature of engagement	Mandate Relationship Intuition	Opportunistic Free market Due diligence
Regulation/government	Top-down silo Closed group	Connected matrix Transparency
Strategic management	Inside out –SWOT- strengths, weaknesses, opportunities, threats	Outside in –TOWS- threats, opportunities, weaknesses, strengths
Strategic marketing	3Cs – customer, competition, company 4 Ps – product, place, promotion, pricing	4Cs – change, customer, competition, company PBD Triangle – positioning, differentiation, brand
Marketing focus	Product-centric Distribution	Customer-centric and human spirit Service
Growth strategy	Market share	Sustainability

Source: (Kotler, 2015)

As shown in the table 2.1, the ASEAN market will be more dynamic with an expanding scope of competition. There will be changes in organizational structure and key productivity factor. People are connected with one another and the production will be based on knowledge and information intensive more than labor and capital intensive. The research and development (R&D) will become a significant factor in the company because in today's business environment, companies focus more on innovation and invention. In order to compete in ASEAN business landscape and to be sustainable in the long run, businesses have to continuously innovate, reinvent their marketing strategies and focus to gain more customers.

If we look at the soft drinks market in ASEAN, there is not much different from China and the rest of the world. Soft drinks industry in ASEAN market seems to face the same challenges and trends. First of all, consumers are more health conscious and prefer health benefit products which contain low level of sugar and sugar-free over traditional soft drinks. This is why leading companies like Coca-Cola and PepsiCo keep introducing new products to cope new trend and lifestyle of the consumers. In addition, governments like Singapore, Malaysia, Thailand and the Philippines are introducing or have just introduced various restrictions on excise taxes such as increasing tax on drinks according to its sugar content. For instance, the Singapore government signed an agreement with several beverages companies to reduce the amount of sugar in their products. To cope with this new trend and challenges, manufacturers must start to innovate their products and make sure it follows the requirements set by the respective governments. However, big players like Coca-Cola, PepsiCo and F&N have already made some actions by reducing the level of sugar in their drinks or by substituting traditional soft drinks with low or sugar-free products. For example, PepsiCo Services Asia Ltd, the marketer of Pepsi, Mirinda and 7Up, is looking to expand its portfolios of healthier products as part of Pepsi-Cola's 10-year strategic plan and also in line with government's policies to reduce sugar consumption. As manufacturers try to cope with reformulation and using healthier ingredients, the cost of production is set to rise. We cannot deny that affordability is still a main factor, especially for countries like Cambodia, Laos, Myanmar and Vietnam. As a result, it is important to note that while trying to introducing new products, manufacturers have to take price and quality into consideration and mark it as priority.

In addition, soft drinks manufacturers that distributes to ASEAN's developed cities like Singapore, Kuala Lumpur, Jakarta, Bangkok and Manila have to make a change in their products to follow the growing consumer need for products that contain less sugar and get rid of using preservatives or additives ingredients which usually considered as unhealthy. Nowadays, the soft drinks industry in most ASEAN countries is in the maturity stage and it is more likely that within 5 to 10years, high sugar level beverages will become a smaller industry than it is now.

2.2.4 Cambodia market

Cambodia is a fast growing economic in the South East Asia region with an average of seven percent annual growth over the last decade. In 2015, Cambodia has achieved a significant transition, reaching lower middle-income status and is expected to attain upper middle-class status in 2030. According to the Cambodia Socio-Economic Survey 2017, Cambodians spend almost half of their income on food and non-alcoholic beverages. The food share of the total consumption for Phnom Penh, other urban and other rural is 42%, 40% and 44%, respectively. Cambodia's growing urban middle class has transformed customers demand and increasing the demand for soft drink products in term of market value. According to Factfish.com, Cambodia has dramatically increased in the import value of non-alcoholic beverages from around 650,000 USD in 2008 to around 43million USD in 2016.

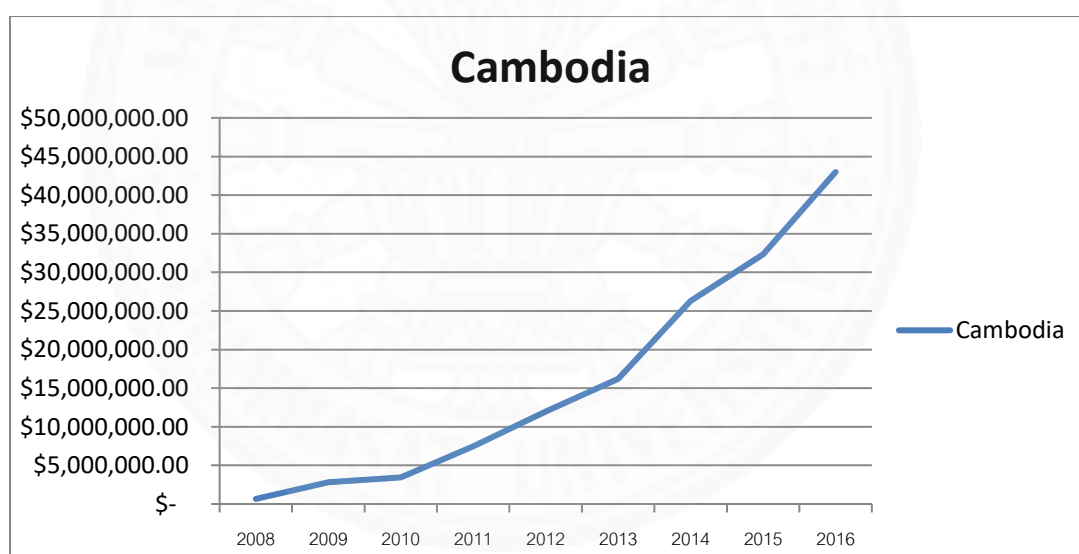


Figure 2.8 *Non-alcoholic beverages, other, except fruit, veg fruit, import value*

Source: UN data (from factfish.com)

In Cambodia, the soft drinks market is large and growing rapidly. It gives opportunity to multinational companies to enter the market and compete with other local and international companies. Multinational companies could be in position for rapid market adoption if they use the right marketing strategy and promotion. However, Cambodians are not easily trust new products. They concern about product safety because some products do not meet safety standard. They have enough reason

to be doubtful of these products. Thus, Cambodians prefer to buy products that they already know and this is why Cambodians are very loyal to products they know like soft drinks products from Coca-Cola Company.

Coca-Cola company; a leading player in global soft drinks market, has opened a new bottling in Phnom Penh and it is a part of its plan to invest \$100m in Cambodia. “The new factory re-affirms our strong belief in this country, and helps us to capture the growth opportunities in this young, increasingly competitive and dynamic marketplace,” said Irial Finan, Coca-Cola executive vice president and head of its Bottling Investment Group. This shows an optimistic and positive view in Cambodia’s market for soft drinks products.

Recently, Coca-Cola is trying to gain more market share in Cambodia by launching new energy drinks called “Coca-Cola Energy”. Since majority of Cambodians are millennial and they are moving toward modern life style; launching this new product with great taste and the design that catch their eyes, Coca-Cola Energy will be the next trend of energy drinks in Cambodia. In addition, this product will be available in 250ml can and the selling price is 2000riel. This shows the growing demand for energy drinks in Cambodia market and the needs for attractive packaging with affordable price.

Another leading beverage company in Cambodia; Khmer Beverages Co., Ltd has expanded its production line with a new variety of soft drink products which includes juices, bottled water and energy drinks. Recently, the company has increased its market share by the new production line.

In Cambodia, there are many varieties of soft drinks products available in the market nowadays. However, these three companies market most popular soft drinks products in Cambodia and they are the top 3 beverage companies in the country as well. They are:

1. The Cambodia Beverage Company Limited (CBC): CBC is a 100% owned subsidiary of the Bottling Investment Group (BIG) and BIG is a 100% subsidiary of The Coca-Cola Company. Currently, there are eleven brands from CBC and available in Cambodia market which are: Coca-Cola, Fanta, Sprite,

Schweppes, Aquarius, Fuze Tea, Monster, Samurai, Mutant, Minute Maid and Dasani purified drinking water.

2. Khmer Beverages Co., Ltd (KHB): KHB is 100% owned by Cambodian investors. Currently, there are six brands of soft drink are available in Cambodia market which are: Wurkz energy drink, Ize Cola, Ize Lemon and Fruit Punch, Joop Asian juice and Cambodia water.
3. Cambrew Ltd: is a joint venture partner with Carlsberg group which Carlsberg group own 75% percent ownership. Currently, there are many soft drinks products from Cambrew Ltd and available in Cambodia market which are: Pepsi, Pepsi twist, 7UP, Mirinda Orange, Mirinda Green Cream, Sting Gold, Sting Red, Evervess, Mountain Dew, 7up Revive, Angkor Puro and Aquafina.

In summary, Cambodia has many opportunities and potentials in soft drinks retail and manufacturing businesses as we see the economic growth, peace and political stability in the country and the figure of how people spend on food and non-alcoholic beverages. Moreover, Cambodia has more room to grow in the soft drinks industry and only few companies dominant the market. Multinational companies from all over the world should consider this market since Cambodia has good geography, expanding market and young population which they are willing to try new products.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Qualitative research

There are two common approaches to collect information and analyze in most research paper. They are qualitative and quantitative method. In order to understand and define a phenomenon concerning human behavior in a particular context, it is where qualitative research takes place. Qualitative research is also defined as a marketing research method that study and collect information through open-ended and conversational communication such as observation and in-depth interview. This research method thrive to understand how and what people think and feel toward one specific phenomenon base on their responses rather than asking ended question like survey. Qualitative research differ from quantitative research where research base upon numeric information to interpret the research objective. According to the definition and theories above, qualitative research is very suitable for this research.

This study was using inductive approaches in order to collect both secondary and primary data that is relevant and gain insight on the subject above. Inductive approach, also called inductive reasoning, begins with observations and theories are proposed towards the end of the research process as a result of observations. By using this approach, the study will begin with a board and open mindset without any prejudice to the subject matter. Moreover, when using the inductive approach, the researcher is free to alter the direction of the research though after the research process had started. However, an inductive approach does not prevent the research from using any concepts or ideas to construct research questions either. The conclusions from this research are drawn for the collected information and examine the existing literature review.

3.2 Sample Size

Six representatives of soft drinks retailers were purposely selected for in-depth semi-structured interview. Table 3.1 below shows the information of the respondents of the interview.

Table 3.1

Information of the respondents

<i>Number of respondents</i>	<i>Kind of retailer</i>	<i>Position</i>	<i>Location</i>
1	Supermarket	General Manager	Cambodia
1	Liquor store	Assistant manager	
2	Convenience stores	Shop manager and Junior store manager	
3	Local retailers	Owner	

3.3 Data collection

In order to have a better understanding of the objectives of this research, some data were collected from various sources such as the internet, books, articles, international journals, reports and documents.

For this study, raw information also called primary data were collected in the means of observations and in-depth semi-structured interview with seven representatives of soft drinks retailers from different scale ranging from local retailers to convenience stores to supermarket in Cambodia to account for the differences in consumer behavior, demographic, experiences and perspectives of soft drinks market in Cambodia. I used in-depth semi-structured interview to guide interviewees in sharing their perspectives and get in-depth information on the subject. The interviews were free flow and more like a conversation rather than just asking questions and answering questions. In relation to the research objectives, questions were developed, sorted and conducted in December 2019, with the questions listed below:

1. What is your role in the company?
2. What do you think is the market situation of soft drinks in Cambodia? How about the retail business?
3. How big is the soft drink market in Cambodia? And will this market be more likely to change from what it is now?
4. Who are the majority of the customers?
5. What is the demographic?
6. Do you hope to have more segments of customers?
7. What are the soft drink products of your company?
8. What is the trend of soft drink products nowadays?
9. What are the strengths and weaknesses of your product?
10. What is your primary competitive advantage?
11. Who are your competitors?
12. What is your brand doing compared to your competitors?
13. What are your customer's expectations?
14. What are your customer's preference?
15. Is your customer price sensitive?
16. Do soft drinks companies do any promotion?
17. What is the channel of sales?
18. Do you plan to do an e-commerce in the near future?
19. What do you hope to do more to provide more value propositions to your customers?

CHAPTER 4

RESULTS AND DISCUSSTION

The objective of this research is to study the situation and marketing strategy of soft drinks retail businesses and understand customers' behavior toward soft drink products in Cambodia. This chapter reported the result from collected data though my observation and in-depth interview with representatives of retailers business.

4.1 Analysis of market situation

According to the representatives from the retail business, the soft drinks market in Cambodia is huge because you can find many varieties of soft drink products almost everywhere in and outskirt of the city, especially main cities like Phnom Penh, Siem Reap, Battambang...etc. Retailers and manufacturers of soft drink products keep growing day by day since this market is also growing. The number of the population is growing noticeably in the last few decades and also many immigrants from China and other countries recently has pushed the demand to rise dramatically and this is a gold opportunity for manufacturers and retailers in the beverage industry to invest and grow their businesses. We could see the number of existing and new convenience stores that enter to Cambodia market. Recently, there are thousands of local soft drinks retailers spread all over the country and a new local mini marts chain such as Kiwi mart, Smile mart, Family mart, Lucky Express and some other brands are also competing in the market as well. More than this, there are also new players from oversea entering the market namely Aeon Maxvalue Express and Circle K. All these retailers are competing aggressively in the market and trying to gain more market share from its competitors.

In addition, people are now more educated than before and the rise of their living standard making them to care more about what they are consuming. Customers concern more about sugar level, expiry date, country of origin and what ingredients contained in the product...etc. Not only they concern about the product,

they even wanted to know how the manufacturers and retailers store the product as well. They want to make sure that the product is still in good condition and maintain the quality. To fulfill the needs of the customers, retailers and manufacturers are trying to provide huge range of soft drink products to them. Soft drink products that available in the market today are countless regarding to its categories and brands ranking from bottled water, carbonated drinks, energy drinks, fruit juices, sport drinks to iced/RTD tea drinks and more. However, only few manufacturers dominant the market in Cambodia like The Cambodia Beverage Company Limited (CBC), Khmer Beverages Co., Ltd (KHB), Cambrew Ltd and some other companies that import soft drinks products. These manufacturers have expanded their production lines and come up with new products in order to follow the trends and gain more market share.

For soft drinks retail business, it is very competitive because in Cambodia we have overwhelming local retailers, mini marts and supermarkets which target similar group of customers. For local retailers, they target people in their community which base on their locations. In one community, there are many local retailers and customers continue to spend more money in the retail business. To stay competitive, it is very crucial for retailer business to focus on providing better service and quality products to their customers. Besides, convenience stores usually target people in the community, foreigners as well as people who pass by their stores. Convenience stores offer a wider range of soft drinks products compare to local retailers. For instance, you may find Coke Zero or Monster energy drinks in convenience stores but not in local retails because these products are not commonly for everyday consumption. In addition, majority of local retailers are open at day time only while most convenience stores are open 24/7. Supermarkets target middle age people that usually come in group and buy for household consumption. In Supermarkets, customers could find many varieties of soft drinks products and are of higher quality comparing to local retails because they often ensure that the quality of the products are maintained though out the supply chain.

Last but not least, strong economy growth and rising incomes has pushed the purchasing power of local residents. Furthermore; rapid urbanization, growing number of families and the increasingly aspirational shopping habits of millennial and middle-income consumers will continue to support the soft drinks retail business and

manufacturers in Cambodia. However, most people are still living in rural areas and have relatively low incomes, local retailers will remain the most popular option for them while modern retailing format like Circle K, Kiwi mart, Lucky Express, Aeon Maxvalue Express will continue to be confined to major cities such as Phnom Penh, Siem Reap, Battambang, Sihanouk Ville...etc.

4.2 Analysis of demographic data

Soft drink products are of course for everyone. However, according to my observation and interview with representatives of retail businesses, the demographic data is divided into three scales shown in the table below:

Table 4.1

Demographic data of soft drinks customers

	<i>Local Retailers</i>	<i>Convenience Store</i>	<i>Supermarket</i>
Gender	Both but mostly Male	Both but mostly Male	Both but mostly Male
Age	15-50 years old	15-40 years old	20-50 years old
Lifestyle	Local and Urban residents	Urban residents	Urban residents
Occupation	Students, Workers	Students, Workers	Workers, Businessmen
Geography	In the community	In the community	In the city

1. Local retailers: Both male and female customers go to local retailers to buy soft drinks products. However, the majority of their customers are male. They are local people who live in the community. Moreover, most of them are millennial and aged between 15 to 50 years old. Most of them are either students or working.

2. Convenience stores: Both male and female customers go to convenience store to buy soft drinks products. However, the majority of their customers are male. They are people in the community, travelers and foreigners. In addition, they are mostly millennial and aged between 15 to 40 years old. Most of them are either students or working.
3. Supermarkets: Both male and female customers go to convenience store to buy soft drinks products. However, the majority of their customers are male. They tend to come in a group like friends or family. They are people who live in the city where the supermarket is available to them. Besides, the majority of their customers are middle age people and usually they are working and/or own their own businesses.

4.3 Analysis of customer's expectations and preferences

When the customers come to retailers for soft drink products, their expectations are varied depending on which retailers they are going. If they go to local retailers, they expect simple products like Coca-Cola, Sprite, Fanta, Redbull, Bacchus and bottled water like Vital, Eurotech, Dasani or other brands from local manufacturers. In addition, they expect that the prices are exactly the same or very similar from one local retailer to another one since they get the products from the same manufactures at the same price. People in the community who goes to local retailers usually think that the quality of the products is acceptable and not really high demand on the quality.

However, for those who go to convenience stores they expect to get more range and premium soft drink products like coke zero, diet coke and mineral water like Evian, Perrier, Kulen and Fuji...etc. Some of these are import products from oversea and are of high quality and higher price as well. Moreover, they are not really price sensitive toward soft drink products. They know that a high quality and premium products are more expensive comparing to local products. Moreover, they also expect to get better service and more convenient comparing to local retailers.

For those who go to supermarket, they expect to have all the products that are available in local retailers and mini marts and also some premium products that are not available outside the supermarket. Some soft drinks products like fruit juices and energy drinks namely Monsters for instance, are not available in most local retailers.

When it comes to customers' preference, most of them prefer to have a place where they can sit and relax in the air-conditioner place. They want to spend some times in the store with good environment to do their own things. In addition, they want more variety of products that have less sugar or less quantity, different flavor and give benefits to their health. Some customers also want to have fresh cook food in the store as well. They do not want to have just bread and instant noodle for their snacks or quick meals. Moreover, some customers prefer to have online platform for them to order drinks, so that they don't have to come to the store. New way of payment like fintech is also required. Besides using cash, some customers prefer to pay though visa card or bank app on their phones.

Table 4.2

Summary of the analysis of customer's expectations and preferences

	<i>Customer's expectations</i>	<i>Customer's preferences</i>
Local retailers	-Simple products -Lower price	-More product types -Better quality
Convenience stores	-More premium products -Better services	-Air-con room -Wi-Fi -More variety of products
Supermarkets	-Even more range of product types or exclusive products	-Wi-Fi -Online platform -Delivery service

4.4 Analysis of the commons and differences between small and large retailers

4.4.1 The commons between small and large retailers

In Cambodia, soft drink products from the three large manufacturers above are available to most retailers though out the country regardless of their store size. For example, you can find Coca-Cola or Vital or Dasani drinking water everywhere. Because these products are very mainstream and it is available in every store.

4.4.2 The differences between small and large retailers

First of all, small retailers often focus on a niche market like people in their community while large retailers tend to offer more variety of soft drink products in order to catch a wider variety of customers. Large retailers offer an extensive assortment with many soft drinks products that are organized into categories for the purpose of convenient, effective buying and promotion.

In addition, small retailers do not store the products properly and it is easily to affect the quality of the products. In contrast, large retailers have their own warehouse and store the products very properly, so that it will not affect the quality of the products.

Another thing is about service, small retailers usually do not focus on giving better service but fast selling while large retailers try to give friendly and convenient service to their customers. When people go to small retailers, they already know what they want and ask shop owner to get the products right away. For large retailers, customers have to go and see what they want and sometimes they might need assistant from the staffs.

Table 4.3

Summary of the analysis of the commons and differences between small and large retailers

	<i>Small retailers</i>	<i>Large retailers</i>
Commons	-Provide similar popular soft drinks products	
Differences	-Focus on niche market (people in the community) -Improper products storage -Focus on fast selling	-Focus on gaining more market share -Proper products storage -Focus on providing better service

4.5 Analysis of marketing mix strategy

According to the result from my observation and in-depth interview with local retailers, mini marts' staffs and the general manager at the supermarket, they used different marketing mix strategies to gain their own competitive advantages.

First of all, local retailers seem to provide only trendy products that people are consuming every day. They get the supply directly from local manufacturers and sell it to the customers. The most popular soft drinks products are Coca-Cola, Sprite, Fanta, Bacchus, Redbull, Dasani, Vital, Freshy, Joop...etc. Local retailers are known to be the cheapest among soft drinks retail businesses. Local retailers sell the products with cheaper price due to their low cost. Most local retailers are running the business with their own house and do not really spend much on warehouse, fridge and staffs. In addition, local retailers have their own loyal customers which give them a sustainable sale. However, local retailers rarely have promotion for their customers. They run the business in a traditional way and only keeping good relationships with the customers.

Second of all, convenience stores are in a different position. Among the 4Ps (Product, Price, Place and Promotion), Place is very important for this business. They use location strategy to gain their own competitive advantages. Convenience stores like Cicle K, Kiwi mart, Lucky Express and Aeon Maxvalu Express are

aggressively expanding the number of their stores in order to gain more access from potential customers and show more visibility to the public. More than that, convenience stores usually give out promotion to their customers. For example, Circle K has the promotion to discount on particular products or getting special price when purchasing snacks and soft drinks together.

Last but not least, among these three kinds of soft drinks retailers, the supermarket provides a huge variety of soft drink products comparing to local retailers and convenience stores. For instance, we can find premium soft drink products from western country in the supermarket but not in local retailers or any convenience stores. They tend to target similar market but supermarket can also attain the high-end customers as well. In addition, besides doing the discount; the supermarket provides better promotions by having loyalty card for the customers and lucky draw which keep persuading the customers to come over and over again.

Table 4.4

Summary of the analysis of marketing mix strategy

	<i>Local retailers</i>	<i>Convenience stores</i>	<i>Supermarket</i>
Product	-Provide only trendy products but lower quality due to improper storage	-Provide more variety of products with good quality	-Provide more variety of product with good quality
Price	-Cheaper price	-Higher price	-Higher price
Place	-Only in the community	-Many stores in different locations	-In the city
Promotion	-Rarely give promotion	-Discount	-Discount -Privilege cards

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This chapter draws a conclusion on the subject matter above and the result from observations and in-depth interview. As a result, we are being able to give recommendations to soft drinks retailers and manufacturers in Cambodia based on the outcome of this research.

5.1 Conclusion

This research aims to understand the market situation and customer behavior, expectations and preferences toward soft drinks and to produce an effective marketing strategy for soft drinks retailers and manufacturers in Cambodia.

First of all, the soft drinks market situation in Cambodia is very competitive and growing noticeably due to strong economy growth, rising income, rapid urbanization and Chinese migration to Cambodia. From my observation and interview with representatives of local retailers, convenience stores and supermarkets, there are so many soft drinks retailers in the market and they target similar group of the customers. Even in the same community, there are many local retailers compete with each other. In addition, foreign retailers like Circle K, Aeon Maxvalue Express have already entered the market which brought more competitors to local brands like Lucky Express, Kiwi marts and many other brands.

Besides, consumers are more cautious about what they are consuming. Though some local residents still buy soft drinks which contain high sugar level like Coca-cola, we also see the shift toward healthier products like sport drinks, energy drinks and bottled water. Moreover, design and packaging are also important as it appeals to customers and catch their attentions. To cope with the new trend and challenges, manufacturers must start to adapt it products with the emphasis on health benefits and value for customers.

Next, the demographic data shows very interesting result. The majority of customers that go to soft drinks retailers are male. They are millennial aged between

15-45 years old. Likewise, they are either students and/or workers. Consequently, most local residents are buying soft drinks products at local retailers while urban residents are more likely to buy at convenience stores or supermarkets.

Moreover, customers seem to want quality products with good price. However, some soft drink products from locally manufactured companies have already built trust within the customers and got the support for years already. For instance, Coca-Cola Company is a trusted company in Cambodian people's mind and it has customers base in the country as well. However, some brands like Pepsi is an international and popular brand as well but in Cambodia, people seem to support Coca-Cola more than Pepsi. This is due to our cultural environment and the society that we always drink Coca-Cola when it comes to soft drinks products.

Last but not least, soft drinks retailers like convenience stores and supermarket are also trying to attract more customers by offering promotion, huge variety of soft drinks products. However, understanding customer behavior, expectations and preferences are the keys to produce effective marketing strategy.

5.2 Recommendations

From the literature review, discussion, in-depth interview and analysis above, the researcher would like to recommend soft drinks retail businesses and manufacturers as follows:

5.2.1 Recommendations for soft drinks retail businesses

5.2.1.1 Local retailers

First of all, local retailers should focus on storage management because some of the soft drinks products were affected by improper storage. Soft drinks products should store in a cool and dry place and not directly under the sun light. Customers would feel unsafe when buying products and see that the storage is inappropriate. In addition; most people who go to local retailers are local residents, owners of the retail businesses can give credit term or some payment period to their customers. By doing so, retailers could build good relationship with their customers and gain more loyal customers as well. Last but not least, local retailers should

provide wider range of products because people are gaining more income and seek for better and new products to fulfill their needs. There are many soft drinks products that are not available in most local retailers such as RTD tea, Coke Zero, premium energy drinks...etc. These products are the new trend of soft drinks and should be available in every retailer.

5.2.1.2 Convenience stores

Convenience stores should provide discounted price for the customers who buy a huge amount of soft drinks products for household consumption or any occasions. Customers would feel satisfied to get good offer from sellers. Moreover, convenience stores should provide free Wi-Fi and some free space with air-con for customers to stop by and relax. Cambodians like to spend time where there is Wi-Fi and drinks such as coffee shop to do their tasks. Convenience stores can also gain more market share from this segment. In addition, retail business should expand more physical stores in order to gain more access from the customers and show more visibility to the public. Expanding to new locations does not mean you have to copy your original store but to balance between local strategy and the standardized components of your business.

5.2.1.3 Supermarkets

Besides direct selling at the physical stores, supermarkets should offer online shopping platform. We are now living in the technology era where almost everything is done online. Shopping online is a trend. Customers want both physical store and online shopping place for their convenient. Supermarkets should provide a facility for shoppers to order from home and get delivery at home. You may charge a delivery fee if there is a cost to it. Furthermore, shoppers can also place order and staffs at the supermarket can prepare the orders ready for shoppers to collect it at their convenient time. Furthermore, supermarkets should provide promotion such as special event, in-store promotion or special discount for their customers. Though this might sounds a bit boring but it is still the most effective strategy for retail businesses.

5.2.2 Recommendations for soft drinks manufacturers

5.2.2.1 Product

People are more conscious about their health and the trend is also shifting toward healthier products. Manufacturers should focus more on product innovation and offer products with health benefits like less sugar level or contain good nutrition and organic ingredients. On the contrary, People are still like the old products but they prefer to consume less. For example, Coca-Cola is very popular but people prefer to share with friends or family because it contains high sugar level. Manufacturers can produce a 200ml Coca-Cola canned rather than 350ml or 500ml canned. By doing so, customers will continue to support the existing product though the trend is shifting. Moreover, manufacturers should design the packaging to appeal and catch men's attention since the majority of customers are male.

5.2.2.2 Price

So far, there are not many customers complaining about the price of soft drinks products since the prices are mostly acceptable already. However, some premium products are quite expensive, researcher would recommend reducing the price of some premium products in order to get more target customers.

5.2.2.3 Place

Sometimes retailers could not get soft drinks products from manufacturers on schedule due to poor supply chain management such as lack of transportation, logistics and inventory. Thus, manufacturers should improve these factors in order to provide consistent supply to retailers as well as the customers.

5.2.2.4 Promotion

Some soft drinks brands in Cambodia is not very popular not because of their products but because of their marketing. In order to compete in the market, brands like Pepsi should focus more on their marketing strategy. They should do more branding and advertising on billboards, TV ads and social media namely Facebook and Instagram. In addition, their marketing campaign should appeal to men more than women since majority of customers are male. It can be about sports, luxury life style...etc.

5.3 Research difficulties and limitations

Due to time constraint and limited resources, the research was conducted with limited secondary resources and primary data is collected only from few representatives of soft drinks retailers in Cambodia while some idea or opinion may require in-depth interview with management level from retailers and manufacturers.

5.4 Recommendation for further research

The keys elements to produce effective marketing strategy is to have a deep understand on consumer side. Retailers and manufacturers have to understand about consumer behavior, expectations and preferences as well as the trend forward. This research explored customer behavior and expectation from retailers and observation only. In order to balance the secondary data and primary data and to produce even more effective marketing strategy, further contact with customers is needed.

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