

The Opportunities and Key Success of the Competitive Ability of Thai Aromatic Coconut Exporter Business

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ABSTRACT

The purpose of this academic paper is to provide a better understanding of the opportunities and key success factors affecting the export business of Thai aromatic coconut. The literature review and relevant theories: the resource-based theory, the transaction cost theory and the institution theory are integrated to provide the main factors affecting international export business in foreign market. Thai aromatic coconut has good quality. Aromatic coconut has become economically important plant with the great future of the country that has been classified as one of the super food. Coconut juice and inner flesh is consumable, inner flesh of mature coconut can be used to make coconut flake for produce coconut milk, coconut shell can be used for create several things. With these above, people from all around the world are interest and consume aromatic coconut more than ever and also make this situation to be good opportunities that has a lot of effect on the competitive ability of Thai coconut exporter business. Based on this study, the main finding is to provide a clear understanding of what factors need to be concerned in opportunities and key success on the international export business.

KEYWORDS: Aromatic Coconut, Good Quality, Opportunities

Introduction

Coconut tree is a member of the palm tree family (Arecaceae) originally found around Islands in Pacific Ocean. Scientist has found fossil of coconut family which is called “Cocos zeylandica” in Auckland Island north of New Zealand which existed in Pliocene era (Srivichai, 2010). Coconuts are known for their versatility of usage from its root to the top. Coconut juice and inner flesh is consumable, inner flesh of mature coconut can be used to make coconut flake for produce coconut milk, coconut shell can be used for create several things, coconut also known as one of the sacred plant, so we can say that coconut really is an interesting plant, that’s why many scientists and academicians has been studying the properties and profits of the coconut and has been widely publicized their study of this amazing plant.

From the statistical ranking of the top of coconut producer and exporter country we’ve found that India is in first place and Thailand is in sixth place but for aromatic coconut, it is the special specie which can be found only in Thailand (Kasikorn Research Center, 2017) and we can find plenty of them in central part of Thailand. The harvest period has to be in the proper time, given proper care, proper growing conditions and have to do pest controlling in natural way according to the world organic farming standard

and Global G.A.P. to ensure good quality of these aromatic coconut. The purpose of this article is to provide an in-depth understanding of the opportunities and the key success factors affecting the competitive ability to entry in the global market. Such knowledge contribution is to provide the guideline for coconut exporter to choose the most appropriate strategy for each target country.

Opportunities of Thai Aromatic Coconut in the Global Market

Aromatic coconut has become eco-nomically important plant with the great future of the country that has been classified as one of the super food (Kasikorn Research Center, 2017) and since nowadays we have healthy trend, it has become the leading cause of higher demand on aromatic coconut in the international world market. In 2017 aromatic coconut juice has been consumed approximately 160 million gallon or total value of around 2.06 billion US dollar. As the result of this value, the trend of the aromatic coconut’s price will keep in good level and made aromatic coconut business become interesting. This would be a great chance for midstream business such as SMEs and downstream business which is the business for international export companies that export to partner countries such as Japan, China and U.S.A. etc.

Domestic aromatic coconut of Thailand has good quality and popularly plant in 4 provinces which are Rachaburi, Samut Sakorn, Nakorn Pathom and Samut Songkram. Because the soil is fertile and has been taken care of by experienced farmer, they also control the harvesting period to be at the suitable moment, the coconut must not be too young or too mature. Every plantation is under restricted pest controlling with the natural course to reduce chemical usage according to the world organic farming standard to ensure on reliability and quality for consumer both domestic and international, increasing the competitive ability on Thai aromatic coconut's product in the world market, So Thailand Ministry of Agriculture and Cooperatives has been accelerated on supporting aromatic coconut production to be on Good Agriculture Practice or G.A.P. to ensure these aromatic coconut will have good quality and has natural sweetness and distinct aroma compare to other countries. Moreover, the Ministry has also promoted the coconut processing factory to be certified as GMP and HACCP standard to increase trustworthiness to the partner countries and also promotes the production of organic coconuts to increase the value of the product and to make the different choice for consumers including healthy people. Encourage farmers to improve production efficiency, reduce production costs, has

good internal farm management and also be eco-friendly. The coconut yield from certified organic gardens, either GAP or organic agriculture will have higher market opportunities, both fresh coconut and other coconut based products.

In addition to encourage farmers to apply for quality assurance standards to increase the chances of Thai coconut export business, Ministry of Agriculture also promotes on marketing. National Bureau of Agricultural Commodity and Food Standards of Thailand has sponsored a road show of coconut exhibition in Thailand to expand the distribution channel and increasing the opportunity for entrepreneurs to export coconut, coordinated with the rule and regulation of each country and spread the information to operators and exporters to know continuously and immediately whenever partner countries change the rules and set new import conditions. To enable operators to adapt to changing rules quickly and not to lose business opportunities. The important strategy of Thai coconut export is to focus on the quality of the production process from the garden to the factory. The unique processed products including the development of aromatic coconut products. Packaging development and create a unique brand that captures and engages consumers interest in the global marketplace.

From those factors above, people from all around the world are interest and consume aromatic coconut more than ever, pushing it forward to be economic plant of our country, the farmers has earned more income, it's the good chance for investor or owner in all level from SMEs to large scale

exporter who want to invest on the aromatic coconut which used to have price volatility in the past compare to present, and also make this situation to be good opportunities that has a lot of effect on the competitive ability of Thai coconut exporter business.

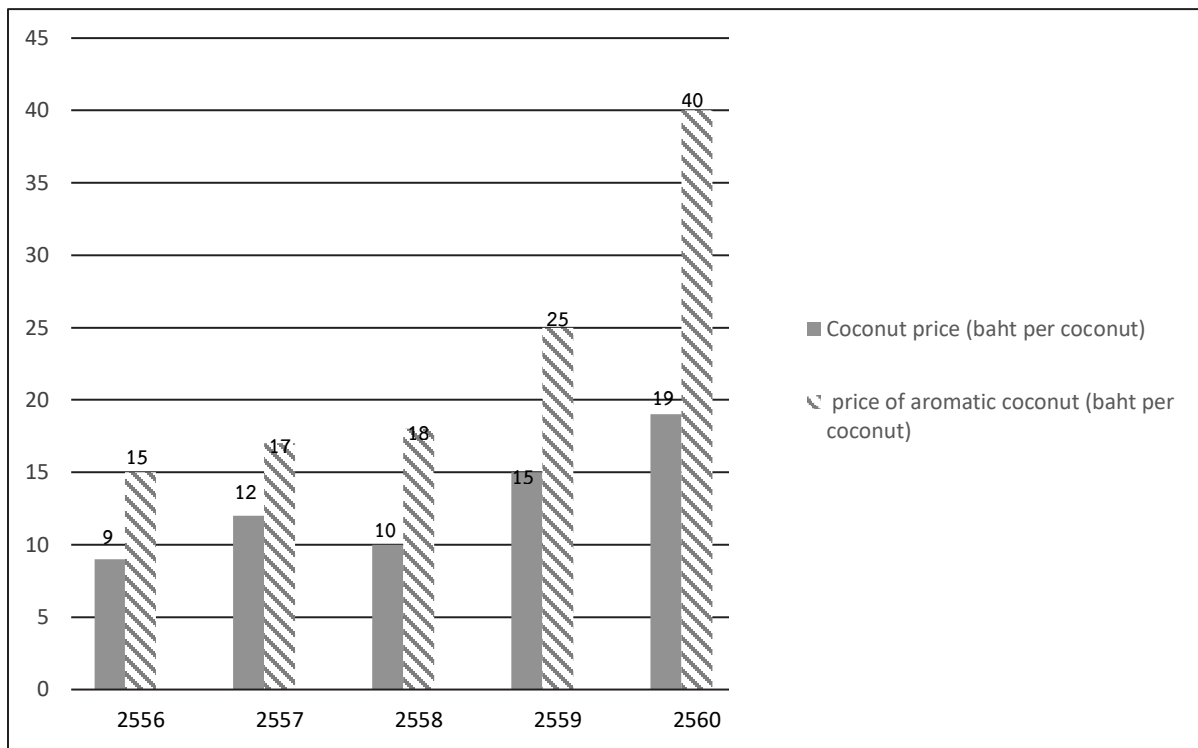


Figure 1 Indicating the coconut price and aromatic coconut

Source: Office of agricultural economics (2017)

From the statistical ranking of the top of coconut producer and exporter country, Thailand is in sixth place and India is in first place, Philippine, Indonesia, Malaysia has also been recognized as coconut exporter leader. These countries are much more ready to export coconut products compare to Thailand which has lower number of coconut exported, including Thailand has higher wages in comparison to the main coconut exporters of the world. Thailand also has disadvantage in terms of transportation costs in some markets. Such as in Hong Kong, Thailand is farther than Philippine, in Singapore, Thailand is farther than Malaysia, in China, Thailand is farther than India. But when compare with the taste, Thailand's coconut is number one because the coconut of other countries has no specific specie such as Thai aromatic coconut, they only just sell a young coconut. In addition, Thailand also has coconut processed into coconut ice cream, Canned Coconut Juice. The coconut situation abroad in the year 2017, the world's major coconut producers such as Philippines, has weather problems caused the coconut yield to drop significantly. In Indonesia Sulawesi province, which is considered to be a major coconut growing area has been experiencing a decline in yield per 400 square meter from the age of the coconut tree has passed its peak and began to yield lower. Furthermore, the

production of coconuts in India is lower subject to pest problems. Therefore, in the year 2017, coconut production in the world is declining. This impact is considered to be a good opportunity and affect a lot on the ability to compete on the coconut water export business for Thailand. Because of the problems of the world's major coconut producers, total coconut yields may be lower, while the coconut situation in Thailand is continue growing. Many Thai farmers have changed from planting other crops that price trend to be lower to plant coconut instead, as the result, growing coconuts in Thailand has increased by 20 percent per year. Currently there are about 1.2 million acres and it is believed that over the next 5 years, coconut will be classified as an economic plant replacement of rubber and palm plantations in Thailand. Another cause of increasing ability to export aromatic coconut of Thailand is Thai aromatic coconut are unique and attract a lot of attention in the world market. Both in the form of processed coconut products that are recognized with better quality compare to competitors and the taste of coconut water with unique flavor and aroma. Thailand is number one because of the coconut of other countries have no specific varieties like coconut in Thailand. It only just a coconut which has been sold when they were young. The coconut water

of Thailand is a special coconut that can be grown only in Thailand and can be found many of them in the central region.

Dokbia online (2017), Ban Phaew aromatic coconut was originated from the development of Kasetsart University. Farmers in Samut Sakhon province bring them back and planted in Krathum Baen, Ban Phaew and Samut Sakhon city district, and from the unique of geographical land, created the unique sweetness of coconut. Because of the area of Samut Sakhon is a coastal plain which influenced by humidity in the atmosphere and made aromatic coconut grow very well. The coconut water has unique character which is unique sweetness, aroma of coconut water that similar to the smell of pandan. The sweetness of Ban Phaew's coconut is in the range of 6.0 to 7.5 Brix. As the result, in the year 2017. Ban Phaew's coconut is selected from the province to be register as community products according to Geographical Indication (GI). It is currently in the process of applying for registration. Geographical Indication (GI). Not only for being able to maintain the quality and uniqueness of Ban Phaew's aromatic coconut but also helps to increase the value of the product and to be recognized by foreigners for the good quality and aroma of water from Thai coconut. It is also a good opportunity for the farmers and coconut exporters to

generate income for community sustainably. National Bureau of Agricultural Commodity and Food Standards, Ministry of Agriculture and Cooperatives of Thailand has foreseen the importance of coconut to be product that Thailand has the potential to produce. It is the product that has trend to be export in high quantity. The Ministry of Agriculture and Cooperatives has set the standard of coconut juice. In order to improve the quality of production and promote quality of coconut water to be acceptable both in domestic and in international trade. National Bureau of Agricultural Commodity and Food Standards was established by the results of the study. Key indicators used as indicators for quality assurance, quality classification and size data to be considered in grouping the food size code. (National Bureau of Agricultural Commodity and Food Standards, 2007) The standard of aromatic coconut water will increase trustworthiness in the overall of aromatic coconut water of Thailand to international market perspective.

Thailand exports coconut as coordinated 0801.190.007. Major coconut markets in Thailand are Singapore, Hong Kong, Taiwan, Japan, US, Australia, Canada, Brunei and Saudi Arabia. The export volume has increased steadily. In the EU market, the United States is also interested in consuming coconut water. It is a mineral water which

refreshes the body. As a result, coconut water sales are increasing every year. In addition, the healthy trend in China has made Thai aromatic coconut water become very popular. The coconut water of Thailand was classified as one of the super food (Kasikorn Research Center, 2017) it's the foods with health benefit for the body because coconut water has rich in minerals and nutrients. Good benefit for people of all ages. The coconut water also has beauty benefit which improve the skin condition, health condition. From result of research that identifies beneficial elements of coconut water, it's make the public as well as many athletes, turned their attention widely on consuming coconut water such as these research below.

Saat, Singh, Sirisinghe, and Nawawi (2002), medical scientist of Malaysia said that coconut water is rich in Potassium. It also contains Glucose and Sodium which can compensate the lose mineral of our body. Coconut water has natural Glucose that the body can absorb immediately. When we drink chill aromatic coconut water, it will make you feel refreshed quickly because coconut water is rich in minerals such as Potassium, Iron, Sodium, Calcium, Magnesium, Phosphorus, Organic acids, Vitamins B, Glucose and Amino acids, and coconut water also contains estrogen which is a great way to create collagen and elastin, help to tighten and

brighten up your skin and slow your skin aging.

Food and Agriculture Organization of the United Nations (FAO) has promotes the development of coconut water into a sport drink due to its high mineral content which benefits to the body. In Ayurveda, it's classified as pure water as the result from natural filtration. Easy to digest, helps in detoxify and absorb waste from the body.

Anurag and Rajamohan (2003), two Indian biochemists have disclosed that after injection of stimulant in heart disease into rats and separate them into two group, first group is fed by plain water, the second group is fed by coconut water for 45 days. They've found that the coconut help the rat to have more survival rate than plain water by 15 percent. Furthermore coconut also help to decrease heart muscle tear and lower cholesterol and LDL in the heart's tissues and coronary artery as well. At the same time, coconut water also stimulates the function of the liver and drive the waste out from the body.

United States Department of Agriculture (USDA) has revealed that coconut water has Vitamins B, including Thiamine (B1), Riboflavin (B2), Niacin (B3), Pantothenic acid (B5), Pyridoxine (B6) Biotin (B7) and Folate (B9) which are good antioxidants. Although these vitamins are found in small amounts.

But it is considered as good thing which you can get from drinking coconut water. It has beneficial effect on your body.

Drinking coconut water does not only give you the taste of the sweetness of its water, it also makes you feel refreshed after drinking. There are also properties that nourish your body because the coconut water contains estrogen which is important to build collagen and elastin. It helps to tighten your skin, increase skin elasticity and reduce wrinkles on the face. Furthermore, coconut water has a diuretic effect and removes waste or toxins out of the body. Coconut also helps to balance the body during high acidity periods, and maintains the mechanism of the body system to stay in normal condition. As a result, it helps to keep you healthy.

Ge, Yong, Tan, and Ong (2006), Singaporean scientist have revealed that the coconut is a source of Zeatin which is a natural Phyto-hormone. There are a research about this substance which derived from Rattan and Sodagam (2005), Danish chemist, found that coconut water has a role in delaying aging of human skin's cells by protecting growth and reducing cell degradation, the important thing is to increase the ability of the cells to withstand cell destroying from stresses and oxidation reaction. Zeatin has been developed into a mixture of body cream and anti-aging cream.

According to Thai health texts, drinking coconut water is good for pregnant women. It will cause the child to have a clean skin because in aromatic coconut water contains fatty acids that are beneficial to the body. This makes the newborn has white vernix caseosa which make the baby's skin look bright and white.

As studies mentioned above, the essential elements to determine the opportunities of Thai aromatic coconut in the global market are: (1) health consciousness creates motivation to improve quality of life and maintain wellness. Consumers today are aware of health problems and they are increasingly interested on the potential foods to maintain their health. (2) People are willing than ever before to prefer good taste with health and beauty benefits (If it doesn't taste good, most people won't care what it will do for their health).

The Key Success Factors of Exporting Aromatic Coconut Thailand

Resource-based theory describes in from the perspective of specific resources and capabilities and how to generate competitive advantages from them (Barney, 1991). Specific resources can be proprietary technology, knowledge, network and international market experience (Barney, 1991; Sharma & Erramilli, 2015). Therefore, the

development of proprietary technology, knowledge in control of diseases and networks for international market are the primary key success factors. Also, capabilities enable to transform its resources into variety products that are differentiated from competitors (Sharma & Erramilli, 2015). Therefore, the development of data storage and processing scenarios for demand forecasting, the production of variety products are important to competitive advantage in the foreign markets.

Transaction cost theory describes that exporter is likely to find the most efficient and economical way to minimize transaction costs associated with doing business in a foreign market (Hennart, 1989). Wilkinson and Nguyen (2003); Williamson, (1985) defined three dimensions the decision when entering a foreign market including (1) product capability, (2) uncertainty level when not familiar with the other countries cultures, political situation, currency changes and economic fluctuation, (3) market potential limitation.

Institutional theory describes the difference in institutional environments between home and host countries (Davis, Desai, & Francis, 2000) that may influence the entry mode decision such as government intervention, restriction and regulations.

With these, factors that support international export business containing: product capabilities, development of proprietary technology, knowledge in control of diseases and networks for international market.

Also, factors that to be concerned in international export business containing: uncertainty level, market potential limitation, government intervention, restriction and regulations.

Conclusion

Based on information above, it can be concluded that the opportunity that has an impact on potential of Thai coconut export business is divided into internal factors and external factors. The internal factors include: The geographical features of Thailand are fertile and are maintained by experienced farmers. Reduce the use of chemicals in accordance with organic standards made aromatic coconut grow very well and cause the taste of coconut water to be unique with flavor and aroma, including focus on encourage the farmers to improve product capabilities, production efficiency development of proprietary technology, knowledge in control of diseases and networks for international market. Reduction of production costs has good farm internal management. It also needs to promote the coconut process-

ing factory to be certified as GMP and HACCP standard to ensure trustworthy to the partner countries. Thai aromatic coconut has been classify as one of super food due to its high mineral content benefits to the body including Thiamine (B1), Riboflavin (B2), Niacin (B3), Pantothenic acid (B5), Pyridoxine (B6) Biotin (B7) and Folate (B9). Aromatic coconut also has beauty benefit that can nourish body skin and plenty of health benefit. Therefore, good taste with health and beauty benefits is to be concerned. The external factors affecting the ability of Thai coconut water export business is the coconut situation abroad in the year 2017 by the world's major coconut producers such as the Philippines, Indonesia and India facing their production problem and made coconut production in the world falling but coconut situation in Thailand is continuing to grow. Since many Thai farmers have begun to plant more coconut, coconut growers in Thailand have increased by 20 percent annually, while coconut growers in other countries has no specific species as aromatic coconut in Thailand. This impact is considered to be a good opportunity that affect a lot on the ability to compete in aromatic coconut water export business of Thailand. However, uncertainty level, market potential limitation, government intervention, restriction and regulations need to be concerned for each target country.

Recommendations

The data shows that the demand for aromatic coconut Thailand is likely to expand even more. So should encourage increased planting aromatic coconut. You have to think about the pests and the need to prepare a defense. This could be cooperation with the agency CRI-CATAS of China in terms of production and use of BIO coconut pest control. Also in the sector of tourism should be encouraged to give advice and support to the Chinese travel agent to arrange a tour of Agriculture. So that foreign tourists came to Thailand's fruit consumption.

In term of government's policy, it needs to support skill development, create employment generation opportunities for rural youth and provide post harvest management, especially in the value chain sector.

In line with this policy, business improvement of productivity by way of planting quality, commercial technology and research study are required.

In addition to the above, specific context and multiple of case studies need to be discussed for academic contribution toward a greater understanding.

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