



**A STUDY ON THE SITUATION AND DEVELOPMENT OF THE
COFFEE INDUSTRY IN THAILAND**

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**A STUDY ON THE SITUATION AND DEVELOPMENT OF THE COFFEE
INDUSTRY IN THAILAND**

Thematic Certificate

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ABSTRACT

Title: A Study on the Situation and Development of the Coffee Industry
in Thailand

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Thailand has a long history of coffee planting, for its climate and environment are very suitable for coffee farming thanks to this country's geographic advantages. Coffee is one of the important exports of Thailand, having great development space, although the coffee industry develops slowly and cannot compare with the large exporters, i.e. Brazil and Vietnam. With Thailand being a large tourism country with developed tourism industry, the development of peripheral industries of coffee, such as the cafes and coffee roasting industry, as well as the emerging coffee farm experiencing industry, have brought about a series of economic benefits. Therefore, the thesis analyzes the problems of Thai coffee market based on its present market situation and environment, putting forward proposals to improve the coffee market in Thailand and its domestic and global influence according to influencing factors and problems.

The coffee market plays an important role in the development of Thailand's economy. Coffee is not only an important product in the consumption market, but also one of the vital channels for promoting employment. The coffee planting in Thailand has an early start, long history, and increasing demand. However, its market scale and competitiveness need to be improved. Starting with the current market situation, this thesis mainly analyzes the industry, market and prospects of Thai coffee. The self-diagnostic methods (SWOT and Porter's Five Forces Model Analysis) are used to analyze the strengths, weaknesses, opportunities and threats of Thai coffee market. In addition, the competition status of the coffee industry is studied based on five forces. In

light of the national conditions of Thailand, the specific solutions to the weaknesses of Thai coffee market and the methods to develop coffee exporting are proposed based on the coffee industry and the tourism industry – Thailand’s most important industry. The research purposes and practical significance of this paper are, by improving the production and processing technology of Thai coffee, to adjust the industrial structure, develop small businesses, foster the idea of scientific development and expand the international market share of the Thai coffee industry

Keyword: Coffee Industry, Coffee market, SWOT, Five Forces Mode



摘要

题目: 泰国咖啡产业现状与发展研究

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泰国咖啡种植历史悠久，因地理位置优势，气候和环境是非常适合于种植咖啡。虽然发展缓慢，虽比不上咖啡出口大国巴西和越南，但咖啡也是泰国重要的出口产品之一，发展空间很大。因泰国是一个旅游业大国，旅游业发达，咖啡的周边产业如咖啡馆的发展、咖啡烘焙产业的发展、以及新兴产业咖啡农场体验所带来的一系列经济效益。因此，针对泰国咖啡市场现状以及现阶段所处的环境，分析泰国咖啡的市场所面临的一些问题，根据影响泰国咖啡市场的因素和问题提出改善泰国咖啡市场现状以及提高咖啡市场在本国以及世界上的影响力。

泰国咖啡市场在泰国经济发展有一定的地位，不仅仅是泰国消费市场的重要产品也是增加就业的重要渠道之一，泰国的咖啡种植起步比较早，种植时间较长，需求量日渐增加，但市场发展规模有待提高，竞争力有待进一步提高，本文主要研究泰国咖啡市场的现状入手，分析了泰国咖啡产业、泰国咖啡市场以及泰国咖啡市场发展前景，运用了自我诊断方法（SWOT与波特五力模型 Five Forces Model 分析法），着重分析泰国咖啡市场的优势、劣势，及所面临的机遇和挑战，此外也运用了五种力量进行分析咖啡行业的基本竞争态势。

对于结合泰国最重要的旅游业和咖啡产业结合，结合泰国国情提出以及解决泰国咖啡市场的劣势和咖啡出口的具体方法，本文的研究目的与现实意义在于从泰国咖啡的生产和加工技术的提高开始，调整泰国咖

啡的产业结构，带动小企业的发展，树立科学发展的理念，扩大泰国咖啡产业在国际市场的份额等等

关键词：咖啡产业，咖啡市场，SWOT 分析，波特五力模型



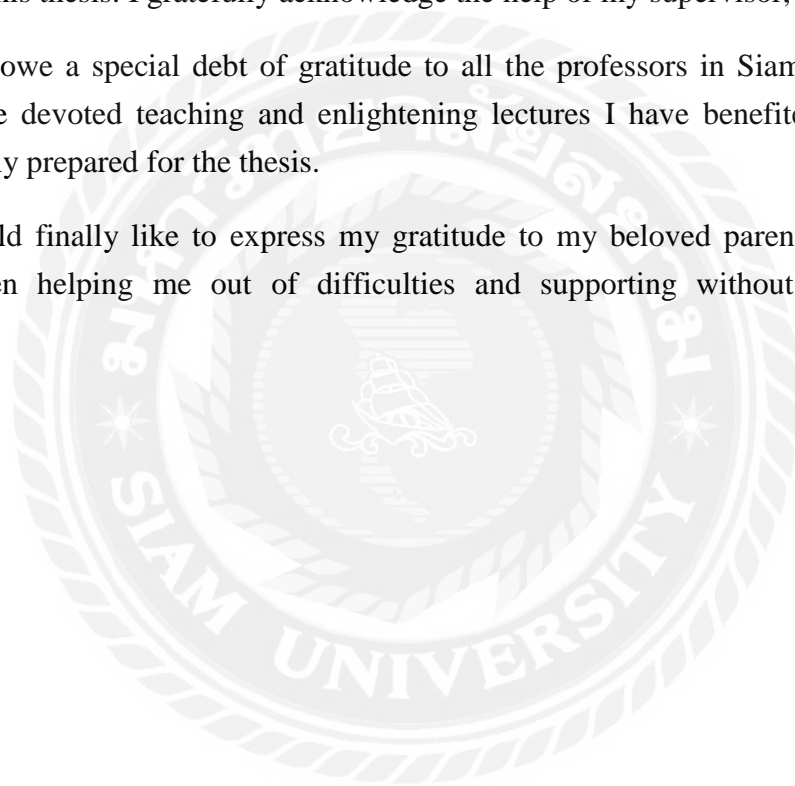
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A STUDY ON THE SITUATION AND DEVELOPMENT OF THE COFFEE INDUSTRY IN THAILAND

CHAPTER 1 INTRODUCTION

1.1 Background

Known as the top of the three major beverages of the world, coffee has won the universal popularity. In Thailand, of course, it gets more and more common in daily life and has become a significant export product stimulating the national economic development. Thailand used to be a large producer of opium. Pushed by King Bhumibol Adulyadej, a series of coffee projects were introduced in north Thailand by the government to help the local community plant cash crops, such as coffee, as substitutions of the opium. Coffee has steadily developed in Thailand. 80% of the coffee produced in Thailand is exported to Europe and America, while only 20% is sold to the domestic market. (Chen, 2008) The main export markets are the USA and Poland. The development of trade makes the competition fiercer. The trade rivals of Thailand with large market shares are Brazil, Columbia, Indonesia, Mexico, India, and Canada. In addition, the neighboring country Vietnam has become the second largest coffee producer after Brazil and the largest coffee producer in South-east Asia.

From the perspective of the market economy in Thailand, coffee not only can be exported for sales, but also stimulates the development of other industries such as tourism, service industry, etc. by creating jobs and increasing employment rate.

With the development of Thai coffee market, increasing problems have been exposed, like product cost caused by man power and short persistence of small businesses. The effective settlement of these problems could improve the industry productivity of coffee, winning Thailand a larger share in the international market.

Research purposes and significance

The planting and exporting of coffee clusters in the developing countries in the tropics and subtropics.(Ding & Zhou,2017)Because of the advantageous geographic location of Thailand, the climate in South-east Asia provides resource advantages for

planting agriculture. In particular, the plateau in the northeast and the mountain area in the north are suitable for planting corn, rubber, fruits, coffee, etc. In Thailand, the national economy develops rapidly, with the industry and agriculture continuously leveling up and the tertiary industry, especially tourism, growing swiftly. Agriculture, a traditional economic sector, is an essential part of Thai economy. In 2014, the population of Thailand was 64.5 million, among which the rural population was 44.99 million, accounting for 69.8%. Meanwhile, the GDP was 370 billion US dollars and GDP per capita reached 5,736 US dollars, with the agriculture accounting for 11.6% of the total GDP. The market valuation of agricultural export was 4,937,372,24 baht from 2002 to 2012. Coffee made up 25% of the exports. The data shows that people's demand for coffee have only expanded without decreasing. (Cheng, 2011)

In Thailand, the production and consumption of coffee have been rising. Although having been exported since 1976, coffee keeps decreasing in terms of planting. It is difficult that the export volume catches up with Vietnam that is in the same geographic position. The important reason for this phenomenon is lacking regulated industrial management and effective planning. The annually decreasing coffee production in south Thailand results in lowering prices. In addition to the rising production cost, farmers cannot bear the burden of coffee planting and fruit picking and transfer to produce other crops which are easier to grow like rubber, durian, mangosteen or other crops with low costs and high yields.

Developed countries and regions like Europe, America, and Japan have been the main consumption markets of coffee products. The EU countries could consume around 2 million tons of coffee in a year with a low percentage of instant coffee. The USA is an important coffee consumption country consuming about 1.2 million tons of coffee in a year with roasted coffee beans accounting for 90% of the sales in the US market, while instant coffee for the rest 10%. Japan is the fifth largest coffee importer and consumption country with the annual import of 370 thousand tons, most of which is roasted coffee and instant coffee accounts for 3%-4%. Korean is the second largest coffee import and consumption country with the annual import of 74 thousand tons, 1.5 kg per capita. Influenced by the culture and consumption standard, Korean people prefer instant coffee, which accounts for 95% of overall consumption. In Hong Kong, the per capita coffee consumption is more than 1.0 kg, with a coffee import of 250-310 tons annually. The dominant producers of instant coffee in the world are Nestle Company of Switzerland and Maxwell House of the USA. The biggest coffee retailer is the chain stores of Starbuck Coffee of the USA.

As a developing country of coffee, Thailand has a great potential. It is necessary to learn from Vietnam and expand the market share and export. For this purpose, we

need to find out the advantages and disadvantages of the Thai market and how to drive the development of the industry.

1.2 Research Contents

This thesis is mainly divided into 5 parts, each having its own functions and studying from different perspectives:

The first part is the introduction including the subject background, research purposes and significance.

The second part is the theoretical analysis of this thesis that discusses the coffee market structure of Thailand from the perspective of coffee industry.

The third part uses the SWOT Analysis and Porter's Five Forces Model to analyze the problems and challenges which the Thai coffee market is facing.

The fourth part puts forward the solutions to improve the development condition of Thai coffee market. From the macro and micro perspective respectively, it analyzed how the government and companies can effectively deal with the problems to improve the productivity of coffee and perfectly merge with other industries to accelerate the development of Thai economy.

The last part is the conclusion that summarizes and generalizes the whole thesis, while raising the drawbacks of it which will be supplemented and improved in future learning and studies.

1.3 Research Methods

The research methods of the thesis include:

1.3.1 Information Collecting

Secondary information is used. Coffee belongs to agricultural products. Because of the small scale of Thai coffee industry, the ancillary data that can be found is limited. Data and relevant documents, such as journals, reports, statistical data from research institutes, etc. about the industry and consumption in Thailand from 2002 to 2016 were obtained.

1.3.2 Analysis

Descriptive analysis is adopted: to introduce the production, consumption, import and export of the coffee market of Thailand and the world, as well as the production structure of Thai coffee.



CHAPTER 2 LITERATURE REVIEW

2.1 SWOT Analysis

SWOT Analysis is to enumerate various major internal Strengths and Weaknesses, as well as external Opportunities and Threats that are closely related to the research subjects through surveys, arrange them in the matrix form, and then use systematic analysis to match various factors with each other and make analysis, from which a series of corresponding conclusions are drawn, and they usually to some extent are decision-making.

By using SWOT Analysis, a comprehensive, systematic and accurate study can be conducted on the situation of the research subjects, and based on the study results corresponding development strategies, plans and countermeasures can be formulated. SWOT Analysis, as one of the most commonly-used methods in strategic analysis, is often used to formulate group development strategies and analyze competitors.

SWOT Analysis to some extent is an internal analytical method of enterprises, that is to say, it analyzes according to the enterprise's internal conditions. SWOT Analysis has its foundation. The competitive theory put forward by the famous competitive strategy expert Michael Porter, starting from the industrial structure, thoroughly analyzes and explains the things an enterprise "possibly does", while the management specialists of the Capacity School use the value chain to deconstruct the value creation process of the enterprise, focusing on the analysis of the company's resources and capabilities.

Based on integration of the aforementioned two points, SWOT Analysis, represented by scholars of the Resource School, combines the internal analysis of the company (i.e. the research orientation of the authorities in the management community in the mid-1980s, represented by the Capacity School) and the external analysis of the industrial competitive environment (i.e. the central theme focused by the earlier strategic research, represented by Andrews and Michael Porter) so as to form its own structural and balanced systematical analytical mechanism. Compared with other analytical methods, SWOT Analysis has significant structural and systematic features from the very beginning. In terms of structuring, SWOT Analysis constructs a SWOT structural matrix in regard to the form and gives different analytical meanings to different regions of the matrix. In addition, regarding the content, the main theoretical basis of SWOT Analysis also emphasizes the analysis of

the enterprise's external environment and internal resources from the perspective of structural analysis.

The contribution of SWOT Analysis lies in the use of systematic thinking to combine these seemingly independent factors together. SWOT Analysis has four different types of combinations: Strengths-Opportunities (SO), Weaknesses-Opportunities (WO), Strengths-Threats (ST), and Weaknesses-Threats (WT).

The Strengths-Opportunities (SO) strategy is an ideal strategic model to develop internal strengths and make use of external opportunities. This strategy can be adopted when the enterprise has strengths in certain aspects and the external environment provides favorable opportunities for the strengths. For example, external conditions such as bright market prospects for products, expansion of suppliers, and financial crisis of competitors, together with internal strengths like the increase of the enterprise's market share, can be favorable conditions for an enterprise to purchase competitors or expand production scale.

The Weaknesses-Opportunities (WO) strategy uses external opportunities to make up for internal weaknesses and enables an enterprise to turn weaknesses into strengths. If there are external opportunities but the enterprise is prevented from taking advantage of them due to internal weaknesses, it can take steps to overcome these weaknesses first. For example, if an enterprise's weaknesses are inadequate supply of raw materials and insufficient production capacity, from the perspective of costs, the former will lead to deficient operation, idle production capacity, and rising unit costs, while overtime work will lead to additional costs. Under the premise of promising market prospects of products, the enterprise can take advantage of the opportunities such as suppliers' expanding scale, price cuts of new technology and equipment, and competitors' financial crisis so as to implement vertical integration strategies, restructure the enterprise's value chain to ensure the supply of raw materials. In the meantime, purchasing production lines may be considered to overcome the weaknesses including lack of production capacity and equipment aging. By overcoming these weaknesses, enterprises may further use various external opportunities to reduce costs, obtain cost advantages, and ultimately gain competitive advantage.

Strengths-Threats (ST) strategy refers to the use of the enterprise's own strengths to avoid or mitigate the impact of external threats. For example, if the competitors use new technology to reduce costs substantially, it will put a great cost pressure on the enterprise; at the same time, the supply of materials cannot be ensured, probably

causing price increase; consumers demand a significant increase in product quality; the enterprise also has to bear high environmental costs; etc. All these will lead to further deterioration of the enterprise's cost situation, making it very disadvantageous in competition. However, if the enterprise has sufficient cash, skilled technicians and relatively strong product development capabilities, it can use these advantages to develop new techniques, simplify the production process, and improve raw material utilization, thereby reducing material consumption and production costs. In addition, the development of products with new technology is also an option for the enterprise. The development and application of new technologies, new materials, and new techniques are the most potential cost-reducing measures, while improving the quality of products and thus avoiding the impact of external threats.

The Weaknesses-Threats (WT) strategy is a defensive method designed to reduce internal weaknesses and avoid external threats. If an enterprise has internal and external problems, it often faces a crisis of survival, when lowering costs may become the main measure to change the weaknesses. When the situation of the enterprise's costs deteriorates with insufficient supply of raw materials, inadequate production capacity, unachievable scale benefits and the equipment aging, the enterprise may not be able to take measures on the costs. It will be forced to adopt a market focus strategy or a differentiation strategy to avoid weaknesses on costs and the threats thereby caused.

2.2 Theory of Industrial Competitiveness

The Theory of Absolute Advantage is also called the Theory of Absolute Cost, or the Theory of Territorial Division of Labor. This theory deduces the principle of division of labor among different occupations and different types of work within a country to the division of labor among countries, thus forming its theory of international division of labor. The Theory of Absolute Advantage is the earliest theory for free trade and was founded by Adam Smith, the chief representative of the British School of Classical Economics. The absolute cost refers to the absolute difference in the labor costs of producing a certain product between two countries, that is, the labor costs consumed by a country is absolutely lower than that of the other country.

The Theory of Comparative Cost, founded by David Ricardo, another famous representative of the British School of Classical Economics, inherits and develops of the Theory of Absolute Cost and further perfects the international trade theory of the

School of Classical Economics. The Theory of Comparative Cost holds that the foundation of international trade is not limited to the absolute differences in production technology. As long as there are relative differences in production technology among countries, there will be relative differences in production costs and product prices, which will enable countries to have comparative advantages in different products, make international division of labor and international trade possible, and then gain comparative interest. In short, the Theory of Comparative Advantage further analyzes and reveals the mutual benefit of international trade and the necessity of international division of labor. It proves that countries can realize the mutual benefit of trade by importing relatively low-cost products while importing relatively high-cost ones. The core of David Ricardo's Theory of Comparative Cost is the principle of comparative advantage and it reveals the philosophy of human's division of labor. For more than one hundred years since its foundation, the Theory of Comparative Cost has been regarded as a classic by Western economics community and become the main thread of the theoretical development of the division of labor in international trade. Even today, it is still a logical starting point for the study of international trade theory. The revelation of the Theory of Comparative Advantage is "All countries should implement a free trade policy to ensure the benefits of participating in the international division of labor and trade." However, this theory only proposes a basis for the international division of labor and fails to reveal the main reasons for the formation and development of the international division of labor, and the international meaning of the law of value.

As the inheritance and development of Ricardo's Theory of Comparative Cost, Heckscher and Ohlin put forward the Factor Endowment Theory, explaining the causes of international trade with the abundance and shortage of production factors. Ohlin believes that the absolute difference in commodity prices is due to the absolute difference in costs, which is the result of (a) the different supplies of production factors, i.e. the different factor endowments of the two countries; (b) different proportions of factors used in the manufacturing process of different products (different factor intensity). Despite the questioning by scholars such as Leontief, the Factor Endowment Theory has been regarded as a criterion in contemporary international economic theory since its establishment. The western economics community believes that this theory constitutes a major challenge to Ricardo's Theory of Comparative Advantage which belongs to the School of Classical Economics and has laid the foundation for contemporary international trade theory. The Heckscher-Ohlin Theorem helps analyze, judge and predict the trade patterns of all countries in the world, as well as formulate corresponding countermeasures so as to know ourselves and the competitors and to take the initiatives in the international

competition full of risks. In addition, it ought to be recognized that a country's production factors are variables and their quantity, quality, and structure will change with the increase of productivity and the development of science, technology and education. The contemporary technological revolution has changed the connotation of the factors by promoting the integration of tangible and intangible factors such as human capital, technological innovation and information capital, so as to give new meanings to production factors. Therefore, we cannot treat the comparative advantages of factor endowments in a one-sided and static manner. This is the scientific attitude that we should take to the Heckscher–Ohlin Theorem.

2.3 Michael Porter's Five Forces Model

The Five Forces Model, proposed by Michael Porter in the early 1980s, has a global and profound impact on corporate strategy development. It is used for the analysis of competitive strategy and can effectively analyze customers' competitive environment. The five forces are the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, the threat of substitutes, and industry rivalry. The different combinations of the five forces ultimately affect the changes in the industry's profit potential.

The Five Forces Model brings together a variety of factors in a simple model to analyze the basic competitive situation of an industry. It determines the five main sources of competition: the bargaining power of suppliers and customers, the threat of new entrants, the threat of substitutes, and industry rivalry. The formulation of a feasible strategy should first confirm and evaluate the size of these five forces. The characteristics and importance of different forces will vary depending on industries and companies. (Li, 2018)

2.3.1 The Main Contents of the Five Forces Model

Challenges of existing competitors in the industry

Industry generally refers to the type of economic activity divided by the production of similar products, having the same manufacturing process or providing similar labor services. It is undeniable that every enterprise wants to get the largest share of the market and the largest number of customers; thus, competition among industries and challenges from competitors are inevitable. For enterprises themselves, they are always facing challenges, because competition within the industry is

intangible and rapid. Only if the enterprise could timely identify the competition and take corresponding measures, may they survive in the industry for a long time.

Threat of new entrants

When a certain industry appears to be profitable and have optimistic prospects, it will attract many outsiders. Enterprises are known to be aimed at profit, so a large number of external competitors will enter the industry to compete for resources and customers, dividing market share, which will undoubtedly exacerbate competition and confrontation in the industry and cause the industry to enter saturation prematurely. Compared with potential competitors, the economic scale, cost advantages, and in-position advantage are all strengths that the original enterprises in the industry have, which leads potential competitors to comprehensively consider whether to enter the industry. At the same time, the original enterprises will set up barriers to entry in order to secure their market share and customers, the purpose of which is to deter potential entrants from participating in their competition. In order to ensure their own vested interests, the original enterprises will exert steadfast resistance against potential entrants and bring them a severe attack. For potential entrants, whether they can timely grasp the information and technology of the industry is also a major obstacle conversion and the costs of customer conversion are also a big problem because both the market and customers can hardly accept excessive conversion costs, which will exclude potential entrants. In addition, government policies and legal restrictions will also impose certain restrains on potential entrants. Some special industries do not allow other enterprises to enter.

Threat of substitutes

Substitutes are products that can partially or completely replace one product in function. With the rapid economic development, the update cycle of information, science and technology, etc. is continuously being shortened and there are more and more substitutes. Threats from substitutes will drive enterprises in the same industry to accelerate the development and protection of core technologies, which intensifies the competition in the industry, but inspires more innovation. Therefore, the more cost-effective substitutes are, the lower the conversion costs of customers will be, and the greater the impact and pressure that substitutes will have on the industry.

The bargaining power of suppliers

The production by enterprises cannot be without the suppliers' resource provision. Simply put, there is a game between enterprises and suppliers – the higher the scarcity

and the importance of the resources of suppliers are, the bigger the possibility of enterprises accepting high prices will be. Conversely, if many suppliers want to supply resources for the same enterprise, they can only lower prices or provide more extra services to increase the chance of cooperation with the enterprise. If the intensity of suppliers is high while that of enterprises in the same industry is low, then it is probable that the suppliers will dominate the price. Because enterprises are too discrete to unite against the suppliers, allowing a large part of the initiative lies in the suppliers.

The bargaining power of buyers

When the enterprise acts as a buyer, it wants to purchase items with high cost performance at a low price; and when the enterprise becomes a seller, it wants to sell the products to the market and customers at a high price. It can be seen that regardless of whether the enterprise is a supplier or a demander, its power to bargain is closely related to its profits. The degree of the enterprise's forward integration reflects the relationship between the enterprise and its customers. With high forward integration, the customers may purchase the products at a lower price; but if the buyers' concentration is high, they will be in a relatively strong position, which is beneficial for them to obtain products with a high cost performance.

The combination of these five competitive forces determines the ability of an enterprise in an industry to obtain an average investment yield exceeding capital costs. The combined power of these five forces varies from industry to industry and changes with the development of the industry, presented as the inconsistency of the internal profitability of all industries.

These five forces determine the profitability of an industry because they influence factors such as prices, costs, and investment income. For example, the bargaining power of the seller affects the cost of raw materials and other input costs; the intensity of competition affects the prices and competitive costs; the threat of new entrants limits prices and requires investments to defend against their invasions.

Enterprises can influence these five forces through their strategies. If enterprises can influence the competitive advantages of their industries through these five forces, then they can fundamentally improve or weaken the industrial attractiveness and thus change the competition rules of the industry.

Michael Porter's Five Forces Model is a micro-environmental analysis in the analysis of external environment and is mainly used to analyze the competition

pattern of enterprises in the industry and the relationships between the industry and other industries.

The significance of Porter's competitive model is that there are three types of successful strategic ideas in the fight of the five competitive forces, which are known to all: the overall cost leadership strategy, the differentiation strategy, and the specialization strategy.



CHAPTER 3 THE INDUSTRY AND CONSUMPTION CHARACTERISTICS OF THAI COFFEE

3.1 The Production and Consumption Characteristics of the Coffee in the World

There are more than 80 countries and regions planting coffee. The production areas are Brazil, Columbia, Mexico, etc. in Latin America, accounting for 52% of the world coffee planting area; the next are Cote d'Ivoire, Ethiopia, etc. in Africa, accounting for 33% of the total area; Asia and Oceania accounts for 15% of the total area, with coffee mostly produced in Indonesia and Vietnam. By the end of 2010, the total planting area of the coffee in the world has been 13 million hm² with an annual output of 8.4 million tons. The international coffee industry features highly-scattered coffee planting and highly-concentrated deep processing. The major giants of coffee industry are from the traditional consumer countries in Europe and America. Coffee planting strongly depends on its region and is distributed in a few countries in South America, Central America, Africa and Asia.

Currently, there are two varieties of coffee beans being produced and consumed in the world, i.e. Arabica and Robusta. Arabica makes up a larger proportion with 80% of the total output, while Robusta only 20%. The largest coffee producer of the world, Brazil, produces 2.96 million tons of coffee, comprising 32.3% of the world gross coffee output. The second is Vietnam also in Southeast Asia which produces 1.74 million tons, accounting for 18.9% of the world total output. (Gu & Sun, 2014)

Now, over 1.6 billion people in the world drink coffee, accounting for one-quarter of the total population. They annually consume more than 8 million tons of coffee beans. The global supply and demand for the coffee basically keep balanced. According to the guiding price in 2008 issued by International Coffee Organization, the total world trade of coffee annually amounted to 70 billion dollars. The data analysis form Italy shows that the international retail trade of coffee is 140 billion dollars. Due to the great demand of rigid consumption of coffee, the coffee beans price of the international market has been fluctuating upward since 2005.

3.1.1 The Characteristics of Thai Coffee Production

Coffee has existed for several centuries, originated from the Middle East. In the 1970s, King Bhumibol Adulyadej introduced a series of coffee projects to help the

local community plant cash crops in the north of Thailand, like coffee, used as substitute of opium poppy. Thailand has planted coffee as long as one century, yet, it was not until 1976 that Thailand became a coffee exporter. In July, 1989, the collapse of International Coffee Agreement and the declining global price bring the farmers great difficulties. To change the oversupply situation, the Thai government initiated a five-year project in 1992 to encourage the farmers to change their crops.

Generally, Arabica grows well in the area of rainstorms and high altitude, so, the mountainous area in Thailand is perfect. Arabica is usually planted in Chiang Mai, north of Thailand, while another kind of coffee beans, Robusta, is planted in the south.

Robusta is mainly planted in provinces like Chumphon, Surat Thani, Nakhon Si Thammarat, Krabi, Phangnga, Ranong, etc. The planting area of coffee is 67,832 hectares. The Robusta output in the southern area of Thailand is 80,000 tons. 25% of the Robusta is used for domestic consumption of soluble coffee, roasting, powder and canned coffee.

There is a planting area of 500 tons of Arabica in the north of Thailand. Together with Burma and the northern border area of Laos, the area is called golden triangle. Taking Chiang Mai as an example, with a location of 700 km north of Bangkok, the soil is suitable for planting coffee thanks to environmental factors. Although in the tropical zone, compared with other countries, its climate is milder. The mountains in Chiang Mai develop a microclimate with a low humidity, short monsoon season and low average annual temperature. The rain percolates through the soil, thus endowing the coffee with abundant minerals. Arabica is a good species because it is suitable for all farmers to grow, including the ones who live in the mountains. The organic coffee is considered to be suitable to be planted in the highland rising from 800 meters (2,600 feet) to 1200 meters (3,900 feet) above the sea level. Coffee grows in shady and all-weather open areas and is inter-cropped with fruit trees in mountain areas.

In brief, Arabica is the first choice for its high price and quality, while Robusta produces more low-quality coffee beans made into the cheap instant coffee. On the other hand, the higher price of Arabica results from the scarce supply of the coffee cherries. Coffee beans with higher quality delight the coffee lovers. In the past years, Robusta has been the main coffee beans, but now Arabica is more popular due to the sweeter and smoother taste, thus making it more common in the cafes.

According to the statistics issued by FAO in 2013, the output of coffee was 50,000 tons and the planting area reached 51,000 hectares. Each hectare could yield 980 kilograms, ranking 18th in the world. In 2015, two kinds of coffee, i.e. Doi Tung

and Doi Chang, obtained the title of “protected designation origin (POD)”, which is equal to “Champagne” “Parma ham” or “Bordeaux”.

The domestic consumption of coffee in Thailand keeps rising. In the past few years, the demands of the processing factories in Thailand for coffee beans has been increasing year by year, but the output of the Coffee Arabica and the Coffee Canephora began to decrease.(Wen, Bi, &Lu. 2018)Coffee planted in Thailand was dominated by the Coffee Arabica and Coffee Canephora with a total planting area of 250,000 rai. The Coffee Arabica is mainly planted in the north, Chiang Rai and Chiang Mai, with a planting area of 60,400 Rai and 9,336 tons Coffee Arabica annually. As for Coffee Canephora, the main production areas are Chumphon and Ranong with a planting area of 190,600 Rai and an annual output of Coffee Canephora of 20,100 tons. It can be found that based on the statistics, the output of Coffee Arabica is continuously increasing while that of Coffee Canephora is continuously decreasing.

The special demand for the fragrance and taste of coffee boosts the planting area and production capacity of Coffee Arabica in recent years. Five years ago, its annual production capacity was only 4,000 to 5,000 tons, but that of Coffee Canephora was up to 500,000 tons. In this year, however, the output of Coffee Canephora reduced to 20,000 tons. (Jon,2012)13 years ago, that is, in 2002, in the coffee bean market, the Coffee Canephora was 26 baht/kg. The prices of rubber and oil palm fruit soared; therefore, lots of coffee growers turned to rubber and oil palm with higher economic value. But coffee has gradually become a popular beverage, with which the price of coffee beans continues growing. Currently, the average price of Coffee Canephora is 70-80 baht/kg, the Coffee Arabica 105-120 baht/kg. In this year, the demand of coffee beans in Thailand is estimated to be 800,000 tons, of which Nestle Thailand accounts for 500,000 tons, khaoyai coffee 20,000 tons and other small businesses 10,000, while the domestic output of the coffee beans in Thailand is only 29,000 tons, which is far from satisfying the market demand.

Because the domestic production cannot meet the demand, the enterprises began to import from neighboring countries to fill up to the gap of 58,000 tons. In ASEAN countries, Vietnam has the largest output of Coffee Canephora, up to 1.7 million tons per year. The second is Indonesia with an annual output of 470,000 tons, while it has the largest output of Coffee Arabica of 99,000 tons. Vietnam ranked the second with 71,000 tons. Thailand even lagged behind its neighbor Laos. In the past five years ago, the output of coffee beans has dropped from 50,000 to 2,900 tons, while that of Laos has increased to 60,000 tons from over 20,000 tons.

In recent years, the domestic coffee market and consumption of Thailand continue growing. Based on the estimation of Department of Internal Trade in Thailand, the coffee production would reach 6,7620 tons in 2012, increasing by 9.99% compared with last year. The annual domestic consumption is expected to be 70,000 tons, increasing by 10% every year. The main coffee product in Thailand is instant coffee with 12 billion baht of sales. The market value of Thai coffee is approximately 30 billion baht, with mainly instant coffee and three-in-one package.

Under this condition, some old brands of bottled coffee have begun to produce three-in-one hybrid products. However, in the past years, these products only made up 4.0% of the instant coffee market. The Thai coffee market still depends on import of 25,000 tons or so. In recent years, with the improvement of living standards and transformation of the consumption concepts, fine cafes have been mushrooming in Thai coffee market. The increasing rate of the enterprises is up to 15-20%, injecting energy into the Thai coffee market.

3.2 Analysis of Thai Coffee Market

3.2.1 SWOT Analysis on Thai Coffee Market

Analysis of the Advantages of Thai Coffee

Outstanding natural conditions

Located in the tropics of Southeast Asia, Thailand is endowed with rich agricultural resources thanks to the climate condition of south central Asia. The resources are mainly distributed at the southern peninsula and coastal areas, central plain, northeastern plateau and northern mountains. In Thailand, coffee planting constitutes an important part of agriculture. With the national economy of Thailand booming, the industry and agriculture level up continuously; the tertiary industry, especially the tourism, sees a fast development; agriculture, as a traditional economic sector in Thailand, constitutes a significant part in Thai economy. With a territorial area of 514,000 km², Thailand has a land area of 51.08 million hm², boasting an outstanding natural condition. (Wang, Li, Yong, Wang, & L.2017)

The widest east-west distance of Thailand is 780 km, with the terrain rising in the north and lowering in the south while the plain covering the main part. The agricultural land totals 19.75 million hm², of which the arable land accounts for 15.2 million hm², the permanent pasture 800,000 hm², and the forest land 14.4 million hm². Furthermore, the total drinkable water resources stand at 410 billion m³ with the per capita water use of 6,462 m³/a. The annual water use for agriculture is 82.8 billion m³

accounting for 95% of the total water consumption.(Jiao & Guo & Yao. 2010) The rich natural resources lay a vital foundation for agricultural production.

Planting technology

Thailand boasts a time-honored history of coffee planting. Experience such as the choice of satisfactory land, robust sprouts nurturing, properly close planting, balanced fertilizing, timely irrigation, branch pruning, pest control and timely fruit-picking has been accumulated through the exploration of coffee planting for many years. The coffee currently generalized across Thailand are strong anti-attractant properties with high level of output, basically reaching the planting level of international standard. As the government carrying out the Royal Project, the technique training for farmers has been enhanced and their planting techniques has been promoted so that the farmers' coffee production management and processing have become more regulated and standardized.

Driving effect from consumption in other industries

As the center of Southeast Asia, Thailand has seen a remarkable development in its tourism in the past decade, which plays a positive role in energizing economy, promoting employment, regulating income distribution and investment, increasing national affluence as well as improving people's living standard. The number of tourists enjoying a prolonged visit in Thailand is increasing year by year, which means more national revenue. At present, in addition to the famous scenic plots, more and more coffee farms and cafes have become tourists' destinations. A growing number of cafes garnering much attention on the Internet have been the attractions for young people during their trips to Thailand.

Analysis of the Weaknesses of Thai Coffee

Immature economic management ability of Thailand

From the perspective of the state, over the past thirty years, the political situation in Thailand has been suffering from turbulence and chaos, which throws Thailand into an unstable governmental administration. Furthermore, the frequent replacement of leaders has caused disrupted and ineffective policies, which can be explained by the significantly different economic policies proposed by each administration. The newly established government disagrees with the policies proposed by the last one. Enterprises and farmers have to accordingly adjust to the new policies while the last

ones have just been adapted to, thus causing a long-standing halt in Thai coffee industry and avoiding its consistent development.

In Thailand, what plays a decisive role in proposing economic policies during trade development is not the government but some private sectors. The relatively loose and unbinding trade policies in Thailand caused the absence of nationally representative coffee brands, the uneven performance of coffee products and the weak competitiveness in the international market. These issues have posed a series of problems to Thai coffee industry, such as the backward techniques and enterprises' inadequate brand awareness towards products.

The unreasonable regulation by the government is also a major problem. For instance, though the government has established the Office of the National Economic and Social Development Board, reasonable control and effective budget management cannot be achieved; (Wang, 2014) there is no coordinative work between governmental institutions and the officials, which leads to the unsatisfactory economy.

The three aforementioned reasons caused the lack of the propulsion by effective economic policies in the development of Thai coffee industry. Because of the inadequate production technology, the promotion of coffee quality has met a long-standing setback, which causes the failure of substantially enhancing the development of the coffee industry and seeking a place in the international market. Therefore, to promote the international competitiveness of Thai coffee industry, the government has to strengthen its ability to manage the economy and map out a series of effective policies to optimize the quality of the coffee industry so as to boost Thai coffee's productivity and international competitiveness.

Deficiency of standard management

The current coffee planting mode taken in Thailand remains in line with a traditional and natural manner, which is outdated, extremely time-consuming and labor-consuming. The lack of innovation in technology in producing and processing coffee beans has caused low output in some production areas, except for the Northern high-producing areas. Besides, the absence of a strict processing standard for harvested coffee beans has caused no assurance for the quality of the coffee entering into markets. Therefore, an effective management system and relevant standards for the coffee industry are desirable.

The settlement of the deficiency of the management standardization in Thai coffee industry can be achieved by learning other coffee-farming countries'

experience. For instance, in Brazil, the coffee producer, the government grasps tightly its coffee industry and proposes price protection policies. Vietnam, also in Southeast Asia, its aviation industry develops rapidly over the past two years, Vietnam Coffee Quality Standard Commission has formulated relevant standards to judge the quality of coffee products. Thus through the examination of departments involved and the judgment by strict standards, the quality of the coffee products produced in Vietnam has been promoted effectively. Furthermore, both Vietnam and China have taken a state-enterprise cooperative mode, by which both sides jointly strive to develop their own coffee industry. The coordinative development of both sides has brought the further improvement of the standard system involving factors from production technologies to products as well as enterprises' strict obedience to the state-set standards in terms of their own standard system. Therefore, under these two standards, the coffee output and quality have been promoted effectively so that the coffee exports and its competitiveness have been improved.

Mismatching of the technology and the developing speed

In Thailand, the coffee industry falls into the category of labor-intensive industries, whose common problems lie in the backward production technologies, unadvanced processing, the failure of increasing products' added values, the large amount of financial and material consumption during the production and operating process as well as difficulties in seeking for proper ways to reduce costs.

Such problems like backward production and processing technologies and high costs in Thai coffee industry have caused the low product quality and cost-efficiency, thus in some degree setting obstacles for the development of Thai coffee industry. (Wang, 2005) Competing with other countries, Thailand is in a very unfavorable situation. Besides, Thai coffee products account for a small ratio in the world trade volume, somewhat lacking international influences.

Opportunities in Thai Coffee Industry

Government's political support on alternative crops

In the early 1980s, to get rid of the notorious Golden Triangle for drug trade at the border of Thailand, Laos, and Vietnam, the Thai government encouraged people to grow coffee and invested some money. With the government as a supporting role, the Thai Royal Family played the main role in seeking the alternative crop that benefits farmers economically, coffee. Growing poppies is not a profitable work, but is a stable income source, thus the farmers were unwilling to give up growing poppies. Such being the case, the government led farmers to grow coffee as the substitute of

fruits, successfully replacing the drug trade at the border with the flourishing coffee plantations. Furthermore, the government established royal research institutes and government departments in mountainous and agricultural areas so as to work closely with producers, guide farmers with effective coffee planting techniques and producers with efficient processing technologies, hoping to help producers gain effective profits via processing technologies. Thus, the royal research institutes absorbed and learned the internationally innovative technologies in an effective and scientific manner, hoping to make Thailand a leading coffee-planting country of origin in the professional field.

Increasingly improved infrastructure

The sound infrastructure plays a key role in the flourishing development of coffee industry. (Meza, 2016) In Thailand, more and more infrastructure are under constant improvement. For instance, Chiang Mai, a northern city in Thailand, serves as both a tourism center and a coffee market with Thai characteristics, which not only reduces the costs for transporting coffee beans but also makes it easier for buyers, roasters, baristas, and farmers to cooperate.

In the 2018 Thailand Coffee Celebration held in Bangkok this year, many coffee farmers say they not only sell coffee beans but also provide tourists with coffee-themed trips, by which they can enjoy the complete process – from harvesting, roasting to tasting.

At present, Thailand has been seeing an annual increase in the number of cafes, thus people can easily find cafes or various stalls selling fresh coffee.

Strengthened research fields

The Thailand Royal Project has brought the effective support to the coffee industry. At present, a total of 22 regions are under the coverage of the Project and produce coffee in the brand of the Royal Project with an output of about 500 tons. These coffee beans will be bought from farmers and then sold to roasting firms. Except for providing planting guidance to farmers, the Project also encourages the farmers living in mountains and rural areas to plant coffee beans for profits. Besides, the Project offers marketing lessons to farmers to teach them how to grow and sell their own coffee beans, making them thoroughly handle the whole process from producing to marketing. However, the research in the past was created for producing the coffee of resistance to leaf rust and high yields. For instance, the Catimor coffee with large output was found to adapt to the local conditions by Thai researchers in the past, which is a product of genetic engineering, with resistance to leaf rust and high

yields. The researchers found that customers' needs for High-Cupping coffee are changing the production quality of this kind of Thai coffee. During this process, the Thai government and farmers have a lot of work to do.

Over the past three years, researchers found the coffee mostly cultivated by most farms, especially those being operated for more than ten years, were as follows: Typica, Bourbon, Caturra, and Catuai. This means Catimor coffee is not accepted by Thai coffee industry as fast as the experts expected. Of course, in recent years, new brands such as Geisha, Java and SL28 have begun to grow in their coffee farms.

Threats on Thai Coffee Industry

High tariffs on foreign countries

One of the threats in Thai coffee industry is the high tariffs on imported coffee products charged by the Thai government. Ranked after India, Thailand has the world's second highest tariffs on imported coffee products, reaching 90% tariff-quota. Although the sustainable prices can protect farmers from suffering from external competition, difficulties in promoting coffee quality makes it hard for Thai coffee industry to join in the international market. Therefore, for Thai coffee market, such protectionism is a double-edged sword.

This means Thailand-featured coffee can only be sold to Thai customers, which limits the coffee industry's information exchanges with outside world and the exposure to new trends. Though such situation does not mean the absence of professionals' attention to Thai coffee brands, it does mean the low presence of Thailand in the international coffee market. The challenge faced by Thai coffee industry is how to perfect the established protectionism, retain the potential international buyers and maintain the consistent relations between roasters and customers.

Promoted competitiveness by the international market

When it comes to other competitors in Southeast Asia, such as Vietnam, Indonesia, India, etc., their coffee industries also have an early start. Furthermore, they were once colonies under the control of developed countries which brought them the advanced planting techniques, the expanded needs for coffee and the influence on local knowledge about coffee and living habits. Therefore, for the locals, coffee is an indispensable part of life, which boosts the coffee production and research in these countries. On one hand, demands mean progress, thus when the domestic demand for coffee is huge, the government and enterprises will inject more energy into the research and development of new products and technologies as well as

promote the export. Although these countries are now independent, they remain as coffee exporters to many European and American countries. This accordingly has enlarged these countries' markets both at home and abroad and gradually enhanced their competitiveness in the international coffee market.

Lack of labor in Thailand

As the World Bank predicted, Thailand, by 2040, would have had up to 17 million people aged over 65, exceeding 1/4 of the total population, while the working-age population would have decreased by 11%, thus Thailand would become the most aged country among the ASEAN countries. Thailand is the world's second fast-aging country, only second to Singapore. In fact, it was in 2005 that Thailand entered the primary stage of an aging population and it was predicted that till 2021 Thailand would enter an overall aging stage. The main reason why the aging in Thailand is fastening because of its current economic phase, continuously increasing living costs and education expenditure, and the inevitable trend of late marriage. According to statistics, from 2010 to 2015, the fertility rate of Thailand is about 1.4%, with a population growth rate of only 0.3%, listing at the bottom among Asian countries. To encourage childbirth, the Thai government carried out such policies as encouraging childbirth, granting tax preferences and offering child-related welfare.

The aging trend means the number of labor entering markets is smaller than that of the retired population, which will intensify the lack of labor, in terms of agriculture, industry, service sector and architectural industry. The current labor shortage will pose a more grave challenge to the coffee industry in the future. Although at present the problem still does not go virus and can be relieved by the input of labor from neighboring countries, the labor shortage in Thailand will be aggravated when the labor-exporting countries need labor themselves thus they will no longer take risks working in Thailand because of the developed countries' increasing demand for labor in the future.

3.2.2 Analysis of the Five Forces of Thai Coffee Market

Competitions among Existing Enterprises

Under the background of booming tourism in Thailand, the coffee industry sees a fierce competition. Although various chain cafes like Starbucks and Amazon Coffee enjoy a large share of the market, some Thai coffee brands are also rising day by day. The large chain cafes in some degree bring impact to the new entrants' profits, but competitors of Thai coffee industry has also noticed the competitive advantages of

various famous brands, found out their own business features and created a marketing environment with their own characteristics, thus effectively promoting the development of the industry.

Suppliers' Power

The cafes not only buy coffee beans from dealers but also keep sound cooperative relations with coffee farmers. In Thailand, the coffee farmers provide the one-package service from beans picking to roasting to their regular dealers.

For instance, when the Starbucks is buying coffee beans from dealers, it is also investing coffee farmers or organizations, by which it can gain enough dealers to stabilize its bargaining power through a series of operating methods.

Once the coffee planting starts, the investment in required agricultural equipment for planting, roasting equipment, and electrical equipment is unavoidable. Different from the investment in ingredients, such as coffee beans, such investment is most of the time a one-time investment. Therefore, the bargaining power of these suppliers only has a limited influence on coffee retailers. Besides, that the suppliers provide a large number of products with the same quality has relatively weakened their bargaining power.

The Bargaining Power of Buyers

Coffee buyers can be classified as ordinary customers and high-end customers. The "ordinary customers" refer to those who have no special requirements for coffee. They can be easily satisfied with common coffee such as instant coffee and cheap coffee since they drink coffee just for some basic needs, not for pursuing the extraordinary tastes or rosy atmosphere at cafes. This means coffee for them is not a necessity and can be replaced by many alternatives, such as milk tea and other beverages. Thus, the customers of this kind boast strong bargaining power. However, it is unarguable that the ordinary customers representing a large group have formed an indispensable market filled with business opportunities, thus worthy of being seriously treated by these coffee suppliers.

In addition, among the ordinary customers also brew some potential "high-end customers"; therefore, it is also a great potential opportunity to develop these ordinary customers into high-end ones who prefer exquisite coffee made by hand or drip-style coffee machines rather than the pipeline products, such as instant coffee and the like. This means they pay more attention to the quality of coffee beans and the atmosphere enjoyment brought by coffee. (Li.2011) At present, the high-end customers are gradually getting rid of the mass trend of coffee and prefer to have an in-depth

knowledge of coffee. Furthermore, the coffee lovers in Thailand now including those from abroad has changed their consumption view of material to that of taste, indicating an evolution of consumption view. The high-end customers are willing to pay for premiums to gain a better taste and experience. In other words, the cafes can provide them not only with the first-class coffee but also with the irreplaceable and relaxing atmosphere.

Threat of Substitutes

The special functions of coffee partly explain its irreplaceability. After the research on 25,000 subjects, Korean researchers found that people who drink 3 to 5 cups of coffee (each cup approximately with a capacity of 200ml) per day will suffer from a lower cardiovascular risk. Besides, according to a Japanese research, people who drink a cup of coffee per day suffer from a lower risk of brain death than those who do not' in addition, coffee can also prevent gastric cancer, colorectal cancer, and Parkinson's disease, reduce gallstone morbidity, refresh mind, help losing weight as well as strengthen cardiovascular functions.

There are many similar beverages in the market, such as milk tea, coke, juice, etc. – all can be choices for customers. There are many similar beverages to coffee in the market; however, customers have different consumption orientation and product preference, for instance, some like juice, some like milk tea, and others like coffee. Coffee retains a group of loyal customers thanks to its unique flavor. Although tea and other energy drinks can refresh mind as coffee does, they cannot replace other functions and the unique flavor of coffee. (Jiang & Long & Shi. (2014)

New Potential Partners

The potential new entrants may not enter the market because of the relatively high fixed expenditure on the production equipment and the relevant technical investment, which raises the threshold to the coffee industry. In addition, the high market share of the companies in a dominant position in some degree set up a market barrier. KFC, McDonald's, Pizza Hut are good examples. (Wei.2017) Although these companies cannot rival the coffee-branded competitors in terms of coffee sales, they boast well-known brands, various foods and good services. This means the good-timing entry of these companies to the coffee retail industry will undoubtedly impact the coffee-branded companies to some degree.

CHAPTER 4 SUGGESTIONS ON THE DEVELOPMENT AND COMPETITIVENESS OF THE THAI COFFEE INDUSTRY

4.1 The Coordinated Effects of the Government and the Coffee Association

The government's policy could influence the development of all industries; thus, according to the different stages and conditions during the development, it is supposed to issue relevant policies to ensure the sound development. So does the coffee industry. At home, the government shall realize its functions, by which it shall promote the production and sales. It also needs to perfect the laws and regulations and enhance the supervision of the product quality. According to the current industrial characteristics of Thai coffee, the advantages and disadvantages should be analyzed so as to find out the problems and to establish a series of excellent basic industrial standards based on the actual conditions. In this way, the Thai coffee industry could be regulated and developed, conforming to the industrial standards of other countries. The Thai coffee market industry needs comprehensive development and the improvement of various indications, based on which the access mechanism should be strengthened. In the aspect of international competitiveness, the government shall enhance the trade negotiation and cooperation with the international coffee associations to learn the advanced management systems and successful brand marketing strategies.

The connection with the coffee planting association and coffee planting specialized cooperatives shall be strengthened to help the government and enterprises optimize the resource distribution. The guiding principle of organizing planting association is: establishing and completing the socialized service system of the coffee planting industry, feeding back the relevant information of coffee market and establishing the effective management system. These methods can strengthen the unified management towards the dispersed farmers. Establishing a coffee association can accelerate the management efficiency, making service more convenient and effective.

4.2 Focus on Investing in Technology and Bringing into Talent

To attach importance to the technological investment of the coffee production, first of all, the Thai coffee industry shall enhance the basic research and development

of the coffee production, cultivate the qualified seed resources and study the new antivirus cultivation technology. The industry needs to introduce the advanced processing techniques and equipment to develop a qualified, precise, commercialized industry on a large scale, from which farmers can learn and apply the techniques into practical operation to improve the productivity and quality of products. The improvement of production technology brings about the high quality of products. From the simple supply of the coffee beans to the integration of the roasting processing and selling, a one-stop service needs to ameliorate the technology of the industry.

Secondly, the Thai coffee enterprises are supposed to introduce talent, enhance innovation and advance the processing technologies to maximize the product value. These two steps can optimize the industrial structure of Thai coffee and strengthen the competitiveness to the utmost.

4.3 Comprehensive Information

Faced with the complex current changes of the coffee industry at home and abroad, the Thai coffee industry shall enhance the construction of information based on its characteristics and domestic conditions. The government and the coffee association shall be coordinated with each other, ensuring the processes from production to sales, grasping the demand and preference of the consumers in time, knowing the domestic and foreign market conditions and providing the enterprises and the farmers with more in-time and considerate services. For instance, the “special safeguard measures” issued by the WTO set up the thresholds of the quantity of import and export and the price changes based on the quantity-triggering and price-triggering principles. If the standard were broken, the measures would give the alarm asking for an adjustment to ensure the healthy operation of the country’s trade market. Meanwhile, it should develop the laws of information policies to make the market operate normally.

The professional coffee website should be established as a platform for information exchange to provide coffee practitioners and coffee lovers with sound domestic and international coffee information. The complete system for searching, releasing and feeding back the information will be established. In addition, the professionals are especially needed to search for and study the relevant regulations and technical standards of developed countries, the supply-demand situation of the products all over the world as well as organize the information to upload to the

website in time. (Chen,2013) The effective information for resource sharing could help people know the updating information of coffee industry at all times, obtain the market conditions and properly arrange the schedules.

4.4The Brand Awareness of The Enterprises

The entire coffee industry should put the transformation from the resource-based to technology-based, integrate resources, craft and market of the current coffee enterprises, employ the international cooperation, relevant financial and policy support to research and develop the new self-owned brands. Brand strategy is a must for participating in the market competition. Only by practicing the regulated production, policy leading, information service and other methods can the enterprises adopt the coffee brand strategy step by step, create the brand advertisement and establish the brand images. As for the enterprises, they should improve the requirements towards the personnel of the industry and enhance the brand awareness of the enterprises.

In the competition of the international trade, one of the methods making products gain ascendancy is to improve the popularity of the brand and design a unique trademark for the product. The brand is one of the metrics to evaluate the quality of a product, an essential symbol distinguishing the product from others, and also a special competitiveness. The development of the market and fiercer rivalry make the competition of the product market become one among product brands. Brand can be seen as the identity card of the product and is the quickest method to recognize the quality of a product. Sometimes, brands even represent the product characteristics of an enterprise or the producing area. Therefore, the brand of a product not only serves as a sign but also influences the competitiveness of the product, becoming the most vital part of the product. Considering that, it is on the top of agenda to improve the significance of the unique brand to coffee enterprises. Although Thailand is not the main coffee exporter with rather low international competitiveness at present, it must choose to produce and export the qualified coffee to raise its competitiveness and improve the status as a coffee-exporting country. Also, the industrial comprehensive capabilities should not be neglected.

Consequently, the comprehensive capabilities of Thai coffee producers need to be improved including the basic production and management ability, etc. So, by increasing comprehensive level, the Thai coffee enterprises shall create brands with the national distinctive features representing the country in the world market and

develop all-around innovative talent. The government is supposed to adopt correspondent measures to maintain the current domestic market, endeavor to expand the international market, increase the international market competitiveness and raise the international market share. Accordingly, to achieve the targets above, the Thai coffee enterprises shall establish the brand awareness, promote the quality of the enterprises' products, strengthen the market competitiveness, and build up the operation philosophy that brands lead enterprises for the purpose of building Thai coffee enterprises as the leading ones in Thailand and creating a new operation and management model. In this way, the coffee enterprises could take the lead in the international market.

The Thai coffee export enterprises should first develop the coffee products which satisfies the demand of customers, promote the product quality and technology, and lower the costs with the rising extra value, e.g. from the most basic consumers' product – instant coffee to coffee with qualified brewing ways, like hand-brewing coffee, dripping coffee, filter coffee, etc. They can learn the advanced technology abroad to develop fine coffee products with high quality, delicate package, and convenience. Besides, it is necessary to develop new products which are exquisite and delicious by combining the traditional coffee products, modern technology of processing and the packaging technology.

It is one of the important methods of developing coffee industry and improving the international competitiveness for Thai coffee companies to produce a unique self-owned brand with native characteristics.

CHAPTER 5 CONCLUSION

Thailand is located in Southeast Asia and has a suitable climate for the cultivation of crops, including coffee. Although Thailand has a long history of growing coffee, the market is developing slowly, and there are still many problems. This thesis, based on the investigation of Thai market status and references to a series of studies on the coffee market, proposes the corresponding countermeasures on the existing problems in the Thai coffee market. This thesis uses the SWOT Analysis and the Five Forces Model to analyze the strengths and weaknesses one by one, combines the market opportunities and strengths, and proposes corresponding countermeasures, hoping to provide some suggestions for developing Thai coffee market.

Thai coffee market is now facing not only the development issue of domestic coffee, but also the highly competitive global coffee market. In other countries in Southeast Asia, the well-developed coffee industry is continuously booming. Despite such intense competition, the Thai coffee market still has a broad development space.

Thai government and the coffee association should play their roles and complement each other; the industry needs to draw great importance to the input of technology and the introduction of talents and strengthen the comprehensiveness of information; and enterprises should realize the importance of brands.

The coffee industry is developing rapidly and the coffee market has a broad environment. Due to the author's limited capabilities, insufficient information and research of data, the information and actual conditions may differ, so more comprehensive investigations and researches of the status quo and issues are needed, so as to put forward more practical countermeasures and suggestions. There are still shortcomings in the exploration of the Thai coffee market and it is necessary to further explore and solve problems and countermeasures in the Thai coffee market.

In the future work and study, the author will conduct deeper research on the issues that exist in the thesis, and make a contribution to the coffee market, hoping to obtain results with theoretical and practical significance.

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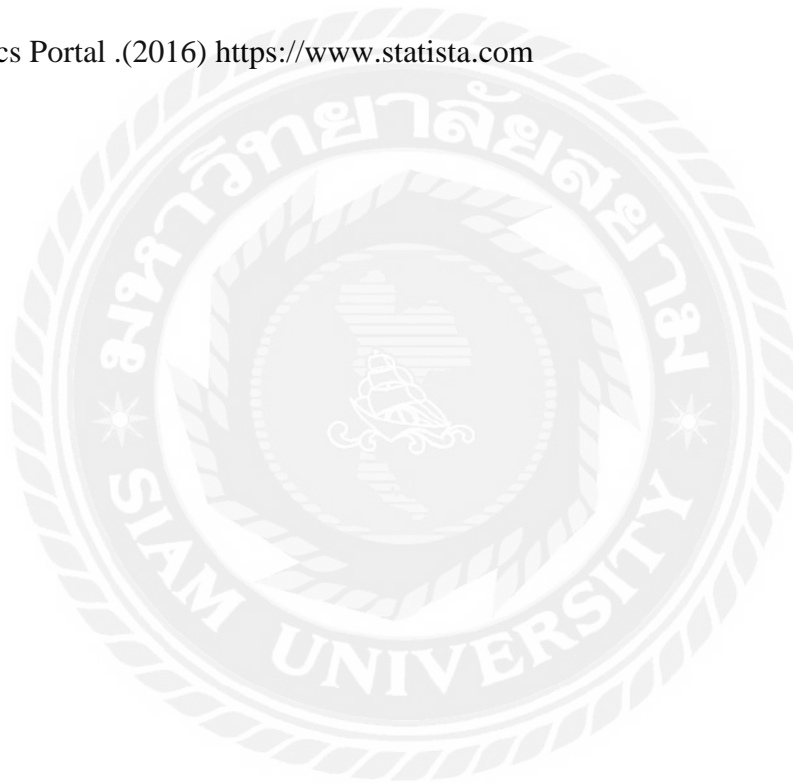
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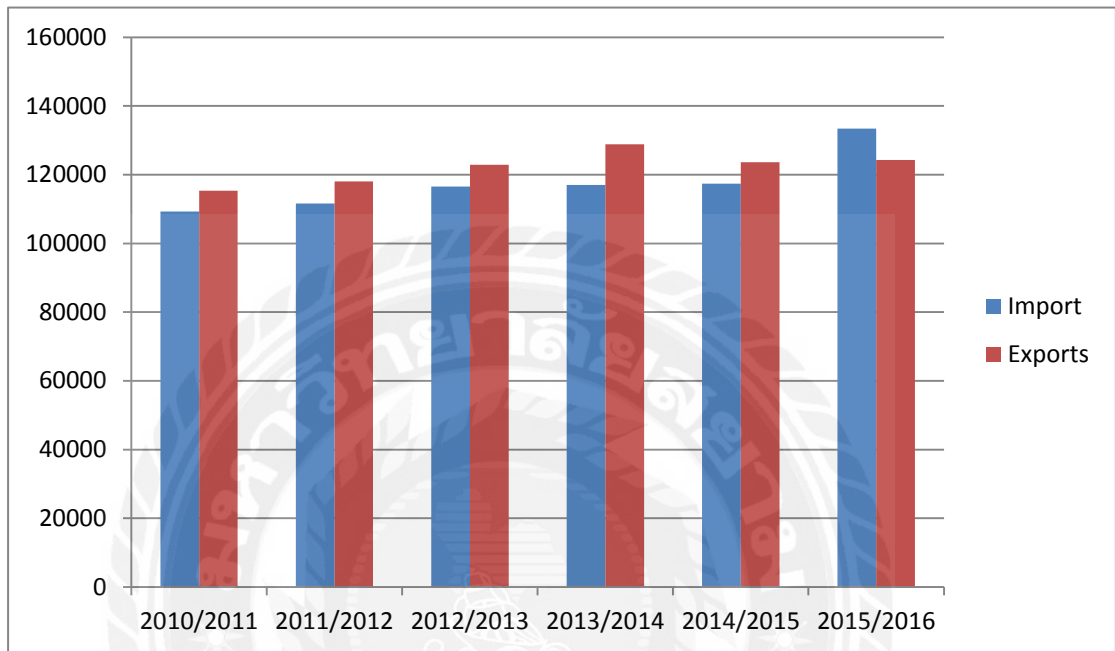
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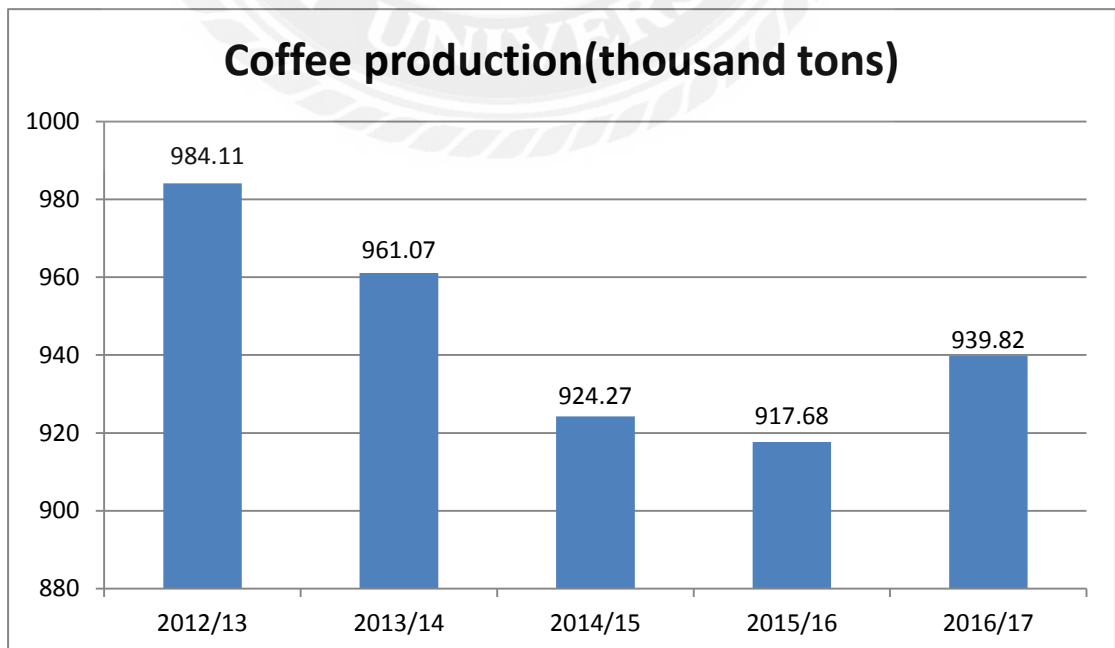


APPENDIX

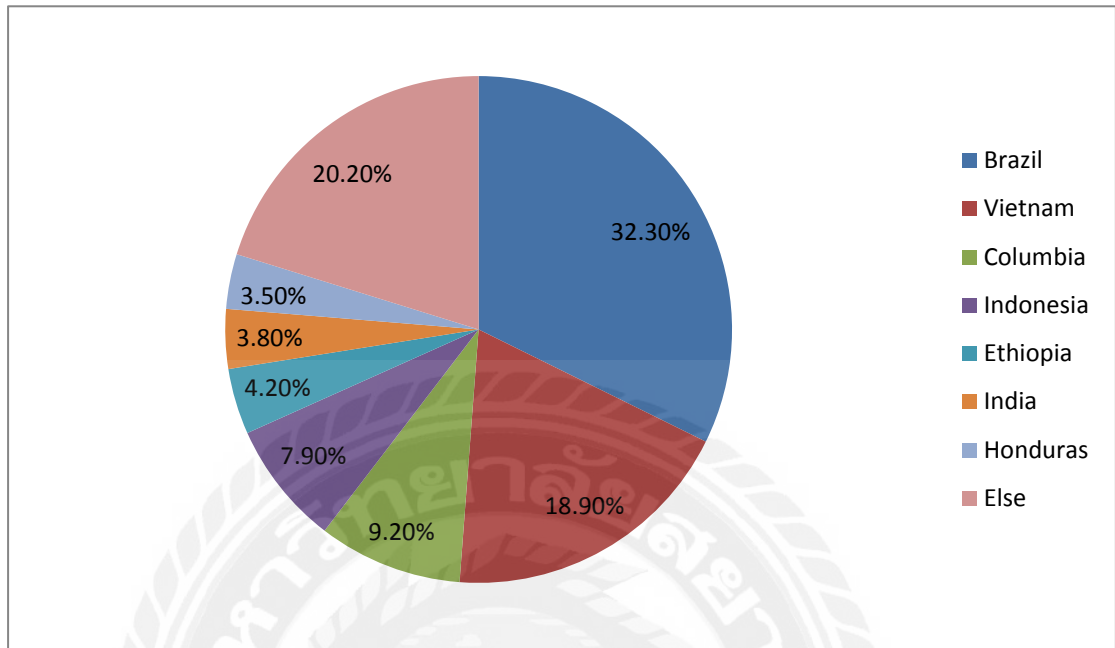
Total coffee imports and exports worldwide from 2005/2006 to 2017/2018 (in 1,000 60 kilogram bags)



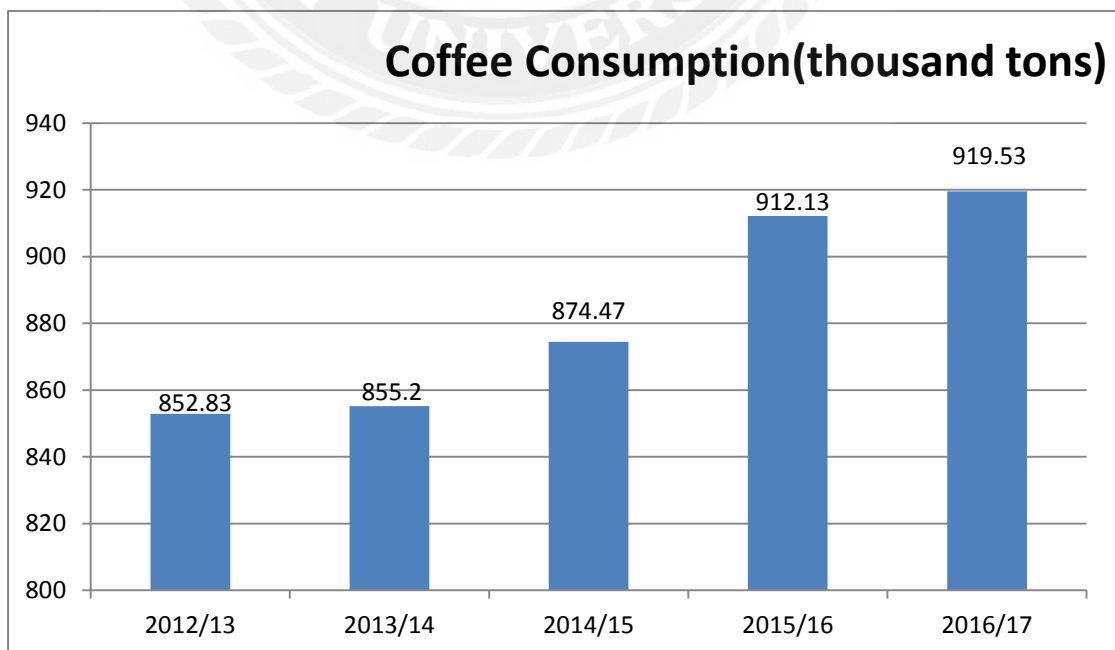
2012/13-2016/17 Annual global coffee production



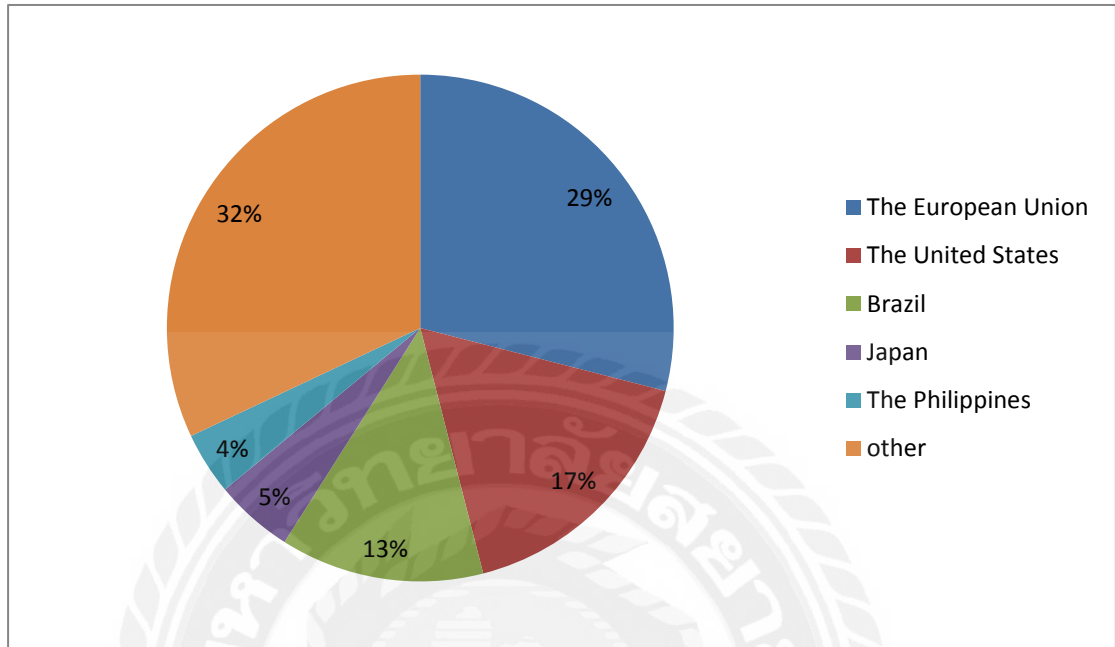
2015-16 Global coffee production area ratio



2012/13-2016/17 Global Coffee Consumption.



2015/16 The proportion of global coffee consumption in the world



Forecast trends of global coffee consumption in 2017/18-2021/22

