



## A Market Expansion Approach for “Thiptawan Cereal Drinks”

by Ban Khuan–Pom’s Brown Rice Community Enterprise, Phatthalung Province

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### Abstract

This qualitative research was conducted to study the operational contexts and possibility of market expansion for ‘Thiptawan Cereal Drinks, a product from Ban Khuan–Pom’s Brown Rice Community Enterprise in the province of Phatthalung. Data was collected using surveys, interviews, observations and focus groups with 35 subjects from members of this community enterprise, government agencies and distributors. The results revealed that this enterprise applied its resources, knowledge and local wisdom throughout the production process. Its value was GAP of Sangyod Brown Rice which was key ingredient. However, the enterprise faced with market limitation including production cost analysis. Therefore, a market expansion approach with both market penetration and market development was proposed. They were increasing distributors, recruiting salespeople, varying product and packaging sizes, exploring new sales strategies, improving public relations, adjusting suitable price, displaying products, sensory testing and developing online channel. This approach has the potential to benefit this community and the nation through the expected economic and social growth of the enterprise resulting from these forms of expansion.

**Keywords:** Market Expansion Approach, Value Chain, Cereal Drinks, Ban Khuan–Pom’s Brown Rice Community Enterprise

### Introduction

The twelfth national economic and social development plan (2017–2021) puts the strategic position of the nation toward a high-income country with generating equality. It will be a transportation and logistics hub of the region as a trade and service country. It also will be original sources of organic agricultural products as well as creative industries and environmental friendly innovation. Therefore, the community strengths are highlighted as a promising approach of driving the country toward the goals. As previous years, the community strengths have been increasing. Community itself can solve its problems and also respond to the needs of their own. The plan of community is well integrated with the province in order to get various types of supports. In particular, the supports which are specific knowledge and budget because this seems to be exceeding the community’s capacity. People also intensively collaborate to run economic, social and environmental activities. Then the network is more strengthen. (Office of the National Economic and Social Development Board, 2017).

Phatthalung is a province located at the east of southern Thailand. It is seen as a breadbasket province of the south due to geographical and weather aspects. More than half of residents are farmers. Phatthalung is well known on Sangyod Muang Phatthalung Rice. It has been certified as GI under the Geographical Indications Protection Act B.E. 2546 (2003) since 2006. However, the product of Sangyod Rice has been decreasing because it is in-season rice that can plant once a year and the cultivated area is slightly limited. As this result, farmers turn themselves to other works to make their living more. As same as Ban Khuan–Pom’s Brown Rice Community Enterprise that has been set up by the lady farmers since 2004 in order to get more income. They registered as



the community enterprise in 2010. This enterprise is led by Mrs. Sri Cheed- Im. Since then, Chief of Pa Bon District Agricultural Extension Office, the supporter from government agencies comes to promote helps. Furthermore, Department of Agricultural Extension gives Sangyod Rice seed for 200 rais to the farmers who are members of this community enterprise. They are also supported by Rice Department to get GAP (Good Agricultural Practice) which is the practice of producing good quality and standard of rice. Moreover, it must be a safe production to both farmers and customers. Since then, Jitsuda Chumchot who is one of the leaders of this enterprise initiatively tries to produce cereal drinks with Sangyod Rice including four favors, coffee, chocolate, cocoa and sesame. This could transfer primary agriculture to high product value through the linkage of local material, operation, community potential and market. Recently, the products are standardized and certified by the Food and Drug Administration, a government agency responsible for good and drug safety. They get Halal. Packaging is well designed. However, the product is quite new and it is still on the beginning stage. It is only distributed to customers nearby community in Phatthalung. Additionally, entrepreneurial skills are also limited. As the results, it reflects a gap of success that this community enterprise has to overcome.

Watts, Cope and Hulme (1998) proposed that agricultural food producers particularly in the rural areas can expand their markets through the four quadrants of Ansoff's matrix (1987). They are market penetration, market development, product development and diversification as shown in figure 1.

	<b>Current Products</b>	<b>New Products</b>
<b>Current Markets</b>	<b>Market Penetration</b>	<b>Product Development</b>
<b>New Markets</b>	<b>Market Development</b>	<b>Diversification</b>

**Figure 1** Ansoff's product/market growth (Ansoff, 1987)

Market Penetration is the simplest and first option for growth in most of enterprises. They are already in the market with a current product or service. Its aim is to increase sales and market share. This approach is considered as lowest risks. Pricing strategy, advertising and sale promotions are means to reach the aims.

Market Development focuses on original products in expanding to the new markets. It could be new market segments, new distribution channels and new geographical areas. Risk is slightly higher than market penetration. Therefore, increasing distributors and recruiting more salespersons are most applied.

Product Development refers to the development of new products or services into the current markets. When the current products or services go to the maturity level, the new product development should be promoted. Due to the risk, the current market is the focus rather than exploring new products into the new markets. Enterprise already understands its markets. Then, it is just to explore the new product's needs of customers and make it happen.

Diversification refers to the new products into completely new markets. When original products are going to decline and cannot put them into the new markets, diversification will be highlighted to expand growth of the enterprise.

According to Ansoff's product and market expansion (1987), enterprise might integrate all of quadrants to be fit with its context. Market penetration and market development are lesser risks comparing to product development and diversification. While diversification is the most risks.

As the results, the market limitations of Ban Khuan-Pom's Brown Rice Community Enterprise as well as the product and market expansion could lead to the interest of this current research. The main purposes are to investigate the operational context in order to consequently propose the market expansion approach for this enterprise. With



the hope that it could promote economic and social value to the enterprise, members as well as its related partners and government agents. It enhances community enterprise's strengths which derived from local wisdom. Community identity is notable. This will be in line with the Community Enterprise Promotion Act (2005) that a certain existing community economy is not ready for trade competition at both domestic and international levels. So, it is deemed necessary to empower the communities to be self-reliant and to strengthen communities' economy for their readiness in the future trade competition at all levels, including the development of community enterprises towards small and medium entrepreneurs. This should be done through promotion of knowledge and local wisdom, income generation, mutual help, managerial capacity-building, and development of community enterprises types.

## Materials and Methods

### Population and Sample

Referring to the main objective, it was to study the operational context in order to further link to the suitable market expansion approach for the Thiptawan's cereal drinks, the product of Ban Khuan-Pom Brown Rice Community Enterprise at Phattalung Province. Then, the key informants were specific and then purposive selected (Sutheewasinon and Pasunon, 2016).

The 25 members provided operational context of their community enterprise. Meanwhile, two government officers who played as policy makers from Phatthalung Agricultural Office and Phatthalung Community Development Office respectively also reflected more about the operational context as well as the approach of market expansion. Additionally, eight distributors who well presented the portraits of customer needs and behaviors. In the sense that distributors could deal closely with customers and then they possibly provided proper means for expansion.

### Procedure and Instrument

This current research applied quality approach. The procedure and instrument were as followed.

1. Value chain study was the main theoretical application to explore the operational context of Ban Khuan-Pom's Brown Rice Community Enterprise. Several research instruments were used. Questionnaire was used to explore Sangyod rice production from 14 members. Both participant and non-participant observation group discussion were applied to collect data from four members who involved in production process.

2. In order to study marketing expansion approach for Thiptawan Cereal Drinks, focus group was also applied with the six enterprise members who were the key marketing persons particularly. Furthermore, the eight distributors were interviewed in order to see the opportunity of expansion.

In addition, in-depth interview with structured and unstructured was conducted to get more information from two government agencies. Since these two agencies were in charge of supporting the community enterprise, they can provide information of both operational context and the approach of market expansion until it is saturated. Then, data was analyzed based on its context through following the triangulation before reported.

## Findings

According to value chain (Porter, 1985), the operational context of Thiptawan Cereal Drinks was described.

1. **Inbound Logistics:** The entrepreneur used her organic rice of Sangyod which planted on three rais. Basically, the average of rice was approximately 300 kilograms per rai. It was sufficient enough for the production process as well as the customer needs due to the serving for narrow markets in only Phatthalung province. However,



when Sangyod rice was more needed, this enterprise will supply from their members' product. Totally, the members can produce Sangyod rice as 51.5 rais which meant that there was 15,450 kilograms. Moreover, there was 18,000 rais or 5.4 million kilograms of Sangyod rice that produced in the province.

Not only Sangyod rice, but coffee, sesame, cocoa, chocolate, sugar and instant creamer were also considered as key materials. They can be purchased at either Phatthalung province or Hatyai, Songkhla province. Nevertheless, the volume of purchasing was not consistency depending on the orders. After all materials were purchased, they will flow into production process. This could result in the material stocks that were found as not necessary. Additionally, costs of logistics of all materials will be handled by the enterprise.

**2. Production and Operation:** In producing Thiptawan Cereal Drinks, ten kilograms of paddy were milled until it was lesser to six kilograms. This process took 30 minutes. Then, it cooked for five kilograms for 30 minutes. Dry the cooked rice for two–three hours, mill and winnow for two hours. After that, all ingredients were mixed and blended for 30 minutes. Finally, it took more 20 minutes for packaging. The flow was shown as figure 2. According to this process, three manpower were involved.

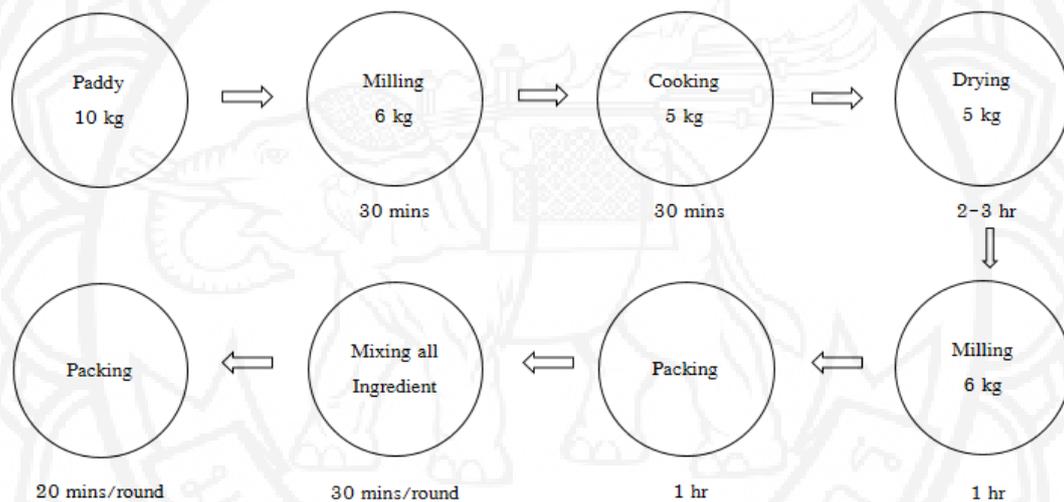


Figure 2 Production Process

**3. Outbound Logistics:** This process was about distribution of the cereal drinks toward distributors and channels. It was done through the consignments which resulted in 80 percent of consumer credits with 30–45 days of payment and another 20 percent was found as cash payment.

**4. Marketing and Sales:** It was found that the order was monthly inconsistency. Sesame was the most favorite favor following by coffee, cocoa and chocolate respectively. Each favor had the same price. Distributor was limited in only local area of Phatthalung province. There was no sale person as well as promotions. Most of orders derived from relatives and words of mouth.

**5. Service:** This community enterprise provided delivery service and returns from all shops. By doing this, it resulted in costing that the enterprise had to absorb.

**6. Firm Infrastructure:** Debt to equity ratio was slightly high. The enterprise got loan from Bank for Agriculture and Agricultural Cooperatives in order to operate the business. It was used for factory, machine and

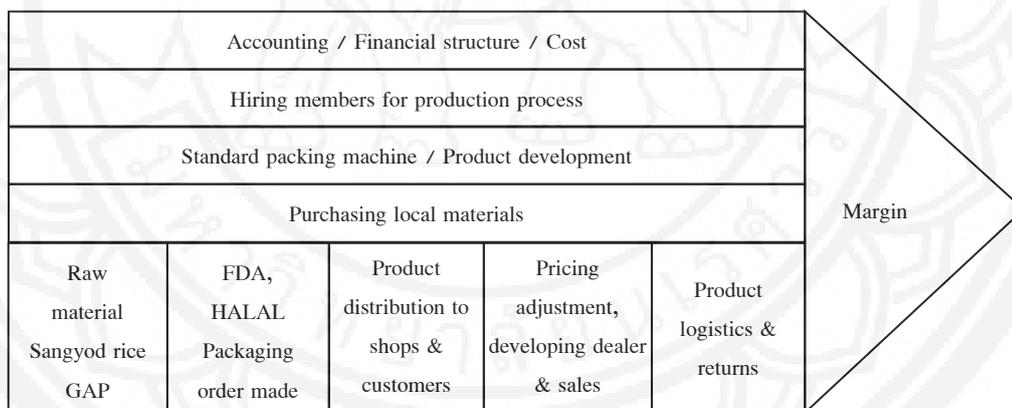
all materials. Even it had income statement, but cost accounting was inaccurate. Terribly, it was lower than the actual cost.

According to the administration, it was found that this enterprise originally formed to collect members' rice and utilized rice mill for sale. Since the treasurer had seen opportunities and wanted to add value in their existing product, the various favors of cereal drinks were developed. Sangyod rice became the main ingredient. The management seemed to be an individual proprietorship under an umbrella of community enterprise. The staffs of this enterprise were hired for the production process. This was to distribute income to its own members.

**7. Human Resource Management:** Firstly, the recruitment mainly focused on the members of community enterprise. Number of staffs depended on volume of daily production. Basically, three to five staffs were suitable. Each of them got three hundred baht per day as minimum wage. However, job description was also considered. In case of rice cook, wage was 30 baht per pot which average of cooking was four to five pots per day. While staffs who winnowed earned 300 baht and another 300 baht per day for packing staffs.

**8. Technological Development:** These activities included all development of technology, innovation, machine, materials and products. The machines of production process consisted of electronic pots, roasting, grinding, packing, sealing and dating. Trial and error became the common approach of product development with the focus of health. Eventually, the new ingredients of five types of beans were added in the cereal of chocolate favor.

**9. Procurement:** Most of procurement was based on raw materials for production process. Most of them derived from local suppliers. Especially, Sangyod Rice was from three Rais grown by a member of this enterprise. When it is high customer demand, rice can be obtained from other members, other groups in Phatthalung province. Other ingredients as coffee, cocoa, chocolate, sesame, creamer and sugar were purchased from Makro, Hatyai.



**Figure 3** Value Chain of Thiptawan Cereal Drinks

**Marketing expansion approach of Thiptawan Cereal Drinks**

According to the government official interviews, Thiptawan Cereal Drinks were selected as the product of Pracharat Sook Jai shop in Phatthalung province. Recently, the Community Development Department has policies to support community enterprises including marketing, brand development and public relations of local products toward international levels. Although the products of this community enterprise have been commercially accepted, the propulsion of community enterprise was not well successful due to its overall performance.

Moreover, distributors also highlighted that majority of customers were tourists, travelers, families and others. They bought the products for themselves and others. Sales of Thiptawan Cereal Drinks were found as slightly low.



This might be the products were not known well. There was no any promotion plan. Delivery cycle time was inconsistency. However, Thiptawan Cereal Drinks were considered as top ranks of local products. Sesame favor was the most favorite that customers bought.

According to above mentioned as well as the study of value chain of Ban Khuan-Pom's Brown Rice Community Enterprise, there are still opportunities for improvement particularly the marketing aspects. Then the marketing expansion approach (Ansoff, 1987) was applied and found that the two means were appropriate to this community enterprise.

### **1. Market Penetration**

Since Thiptawan Cereal Drinks were available only on three to four local shops nearby source of production, the products were then unknown especially to the healthy customers and tourists. Then, means of market penetration should be as followed;

1.1 Increasing distribution channels which focusing more the shops that were on the tourism route in Phatthalung province.

1.2 Building distributor relationships and recruiting more sale persons from both inside and outside community enterprise members.

1.3 Increasing diversity of sizes or quantities in order to serve each customer, for example the five sacks per pack for new customers who want to try a product, and 15 sacks per pack for existing customers who already consumed and bought for others.

1.4 Improving sale strategies such as sale promotions during festivals, billboards and advertising banners in front of dealer shops.

1.5 Promoting the products to local customers in order to be word-of-mouth advertising.

1.6 Pricing adjustment for both retailing and wholesaling based on cost and promotions.

### **2. Market Development**

Market development was to build sale growth and expand to the new customers. Means for market development as followed;

2.1 Expanding distribution channels through healthy shops in economic areas including tourism provinces in the South as Songkhla, Phuket and Surat Thani. This was for the customers to know more and easily access to the products.

2.2 Product displays and testing in the target markets to promote products and brand awareness.

2.3 Recruiting sale persons in other provinces.

2.4 Developing online distribution channels.

Besides, there were other supports to promote the market expansion of Ban Khuan-Pom's Brown Rice Community Enterprise. They were three approaches.

1. It should have risk management plan for the sufficiency of raw material especially Sangyod Rice to supply when demand is high. This is because when the products are high demand, raw materials consequently are high needed. Then, this enterprise might require Sangyod Rice from others who are not its members and cost will be higher.

2. This community enterprise should leverage its financial structure as well as cost accounting. Therefore, the entrepreneur can apply cost-based pricing and plan for other promotions appropriately.

3. Site visit to other successful community enterprise might be necessary. It can be applied all best practices to promote its own identity and encourage more participation from the members.



## Discussion

Based on this current study, the Ban Khuan-Pom's Brown Rice Community Enterprise has creatively managed its resources, products, knowledge, wisdoms, traditional and social capital to benefit its own members and community (Inwang, Inwang and Wannapira, 2011). Obviously, Sangyod Rice has been one of local wisdoms of this community. It becomes the main ingredient and adds value to the products that are potentially developed. This could produce more economic value to the community (Jankeaw and Suthiphom, 2016). In addition, labors also can be required from within the community itself (Inwang and Inwang, 2015).

However, this community enterprise seems to be growth based on the supports of government agencies. They provided materials and machines for the production. They also pass on knowledge and inspire the entrepreneur in running the enterprise. Then this community enterprise applies trial and error methods especially on production process until several favors of cereal drinks are presented. This is in line with the study of Jankeaw and Suthiphom (2016) that many community enterprises in Lower Northeastern have been supported by the government. Many of them manage their enterprises through trial and error. Even the trial and error seem to be common for the community enterprises, but it is based on the combination of local wisdom and new knowledge that derived from the government support. Consequently, each community enterprise can carry on this valuable wisdom through the production and management. Then, it eventually benefits to oneself, family, community and society. Furthermore, this study also consists with Pinitmai et al. (2017) that the balance of using local wisdom and technology. The aims are to develop the product as well as to build the confidence through the accreditation of FDA and HALAL. Nevertheless, the participation of members of Ban Khuan-Pom's Brown Rice Community Enterprise is considered as slightly low except the production part. So, if the future there are sale persons coming from members could increase sale growth and income for its own members and enterprise.

However, this community enterprise is still facing with marketing obstacles due to the knowledge and marketing skills of networks and channel distributions. Financial accounting and production cost are also the problems. It has to adjust the pricing and manage the financial structure properly. These problems are usually found as Pongklang (2017) study highlighted that the community enterprises have limited knowledge on financial structure. Level of understanding is slightly low. They cannot generate production costs accurately. This result is similar to the community enterprises at Songkhla Lake Basin studied by Promsaka Na Sakolnakorn and Sungkharat (2013). They pointed out that majority of community enterprises commonly face with obstacles of marketing, accounting, financial, production, information technology including product design and costing.

As this study has been investigated on the value chain approach, Ban Khuan-Pom's Brown Rice Community Enterprise cannot generate costs accurately. This resulted in pricing inevitably. Market is very limited in only local area in Phatthalung province. Therefore, Ansoff (1987) model was applied and found that there are two suitable approaches. They are (1) market penetration which firstly focuses on pricing from accurate costing. The community enterprise should provide variety of packaging sizes. For example, the small size of five sacks in a pack rather than providing only 15 sacks in a pack. This will be available for new customers who want to try the product. They can test it from the small size rather than big size. Moreover, it should expand more channel distributions and public relations with the goals of sale growth and market share from the existing market in Phatthalung province. (2) Market development which its aims to increase sale growth and market share from the new market. Then, this community enterprise should pay more attention on the increasing of channel distributions from both online and offline, sale persons development, displays and product testing. So, the new target markets



could know and aware of the products. This also should focus on expansion through economic and tourism provinces as Phuket, Surat Thani, and Songkhla. Since the majority of existing customers are the group of healthy and tourists. They usually buy the products for self-consumed and for others. This approach is especially consistent with Srimaitree and Chunhapinyokul (2017) that the channel distributions could run through internet marketing, product displays in both the central and regional including the local shops.

And finally, the government is found as the key player of community enterprises development. All knowledge, marketing skills and relevant regulations provided by government could promote the growth of community enterprises in Thailand (Promsaka Na Sakolnakorn and Sungkharat, 2013). Eventually, all of this will be driving mechanism of the country development to be high-income country with generating equality. It will be a transportation and logistics hub of the region as a trade and service country. It also will be original sources of organic agricultural products as well as creative industries and environmental friendly innovation as expected goals.

### **Conclusion**

Ban Khuan-Pom's Brown Rice Community Enterprise in Phatthalung Province was set up by a group of lady farmers. It registered as a community enterprise with the objectives that it can be a part-time job for its members besides a full-time farmer. It initially did a rice mill that milled Sangyod for sale. Later, Sangyod rice was added value to be Thiptawan Cereal Drinks with several favors as coffee, cocoa, chocolate and sesame. Local wisdoms, knowledge and resources were applied to add both economic and social values to the community. Unfortunately, this enterprise faced with some limitations, especially marketing, cost accounting and financial structure. This could lead to the limited scope of area in only its local community. Products then was unknown for other customers. Finally, market opportunities were lost. As a result of participating in the study on marketing expansion approach of Thipawan Cereal Drinks, this community enterprise should develop the distribution channels for customers to easily access. Besides, the recruitment of sale persons could distribute products faster and more widely. The various sizes of packaging as five sacks in a pack could response to the customer needs, in particular who is new and wants to try a product in smaller packs. Moreover, the development of sales strategies with distributors could boost sales growth as well. Finally, the enterprise should apply public relations to promote its products in both Phatthalung and neighboring provinces. All of these promising approaches are efforts to drive the growth of this community enterprise from inside and then to outside subsequently.

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