

Marketing Strategies of the Soft Drinks Industry in Southern Thailand:
A Case Study of Haad Thip Company

by

Mr. Thanyarit Lilamanipong

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
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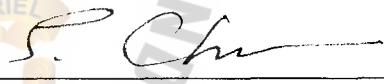
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

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ABSTRACT

The main purpose of this report is to study and analyze the overall operating activities of Haad Thip Public Company, the bottler of Coca-Cola and various flavored soft drinks, such as Fanta, Mello, and Sprite, of the southern part of Thailand when the economic crisis happened. Moreover, as every move of its competitors has considered having directly significant effects to the company, particularly the main competitor namely Sermasuk Public Company, therefore, the analysis of this major competitor has also been included in this report. In this report, we have divided Haad Thip's operating activities into four sections. Starting from, the Macroeconomic Analysis part, the details included are Macro-Overview of Soft Drinks Industry, Economic Situation of the South, and Sales and Consumption of Carbonated Drinks. Moreover, factors determining demand, Five Force Analysis, and Pest Analysis are also mentioned in this section. For the Management Analysis part, this section focuses on Haad Thip's management activities starting from planning, organizing, leading, and controlling. The interesting content included in this section is the reason why a small company like Haad Thip is able to compete with a large competitor, Sermasuk Public Company. For the Analysis on Haad Thip's Marketing strategies part, details contained in this section include the Key Success Factors of the company, Overall Southern Soft Drinks Market Situation, Segmentation Criteria, Targeting consumer, and Positioning of company's products. Moreover, the analysis of the company's marketing strategies has been emphasized at the end of this section. For the Competitive Marketing Analysis part, all the analyses in this section are related to the competitor, especially Sermasuk Public Company, and Haad Thip's Marketing Mix, which compose of product, price, place, and promotion.

ACKNOWLEDGMENTS

Our preparation of this report has depended on the generous support, insights, and assistance of many people, organizations, and institutions, and it is a great pleasure to offer our thanks here for the help that we have received.

Haad Thip Public Company Limited, the bottler of Coca-Cola for the South of Thailand, had given us the best cooperation and supports by arranging us the factory-visiting schedule, providing each department's specialist for interview purpose, providing inside information including some financial data, and accommodating us with a very warm welcome. Thai Pure Drink Company Limited provided advertising commodities and presentation equipment. Readers of the early drafts, including our project advisor, students, colleagues, interviewees, all contributed to our work.

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I. INTRODUCTION

In 1975, Haad Thip, licensee of Coca Cola Thailand, was the first soft drinks company that invested in the soft drinks in the South of Thailand. Now the value of soft drink industry in Southern part of Thailand is approximately 1,800 millions bath. Haad Thip Company can be market leader because it is the first mover company. Haad Thip was able to preempt rivals and capture demand by establishing a strong brand name, Coke. They also built sales volume in that areas and ride down the experience curve ahead rivals, giving them advantage from cost reduction over later entrants, such as Pepsi. In addition, Haad Thip was successful in creating switching cost that ties customers and distributors to their products. With all these sophisticated benefits, Haad Thip could create barriers from new entrants and enjoy a strong competitive position in the South for years.

In this chapter, we will discuss the major objectives of the study, scope and limitations, theoretical framework, and the structure of the report.

1.1 Objectives

The objectives of this report aim to study and analyze the overall soft drinks industry of Southern part of Thailand especially for Haad Thip Company when the economics crisis occurred in year 1997-1998. Studying the strategies of Haad Thip Company when the economic turmoiled, the analyses of Haad Thip cover all details about macroeconomic, management, and marketing.

1.2 Scope of study and limitations

Soft drinks industry is a large size industry with large, but few players. As the key competitor of Haad Thip is Sermasuk Public Company, the study especially marketing analysis is limited only on Haad Thip and Sermasuk analysis. Although the time

constraint in working out this report was encountered, the sections in this report cover all details about Haad Thip and soft drinks industry in the Southern part of Thailand.

1.3 Research Methodology

Research Design

The report is descriptive analyzing the influence of soft drinks industry in different points of view based on one major player. Areas of analysis include macroeconomic analysis, management analysis, and marketing analysis.

1.4 Theoretical Framework

In each section, the theoretical concepts from various fields have been applied. The first theory used is the five-forces of Michael Porter. It brings a clearer understanding of the attractiveness of the market in internal/rivalry, potential entrants, substitute products, buyers power and supplier power. Second is PEST analysis, which is used to evaluate political and legal, economic condition, sociocultural, and Technological factors.

Under the marketing analysis, the 4 P's concerning product, price, place, and promotion are the main focuses of the marketing part. And BCG framework is used to evaluate the suitable strategy for its market position. Product life cycle is also used to analyze Haad Thip product position.

II. LITERATURE REVIEW

2.1 Boston Constancy Group (BCG Matrix)

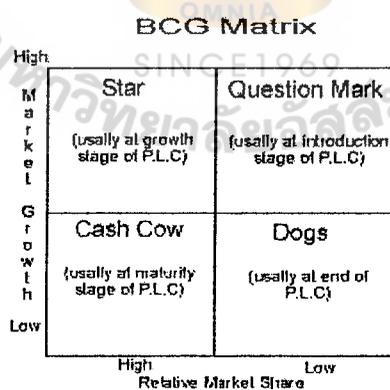
This product portfolio matrix classifies product lines into four categories. The BCG models suggests that organizations should have a healthy balance of products within their range. The Boston Constancy Group classified these products as follows:

2.1.1 Dogs

These are products which have low market shares and low market growth rates. The options for many companies is to phase these products out, however some organization do go for the strategy of re-inventing and injecting new life into the product.

2.1.2 Question Mark/Problem Child

These are products with low market share but operate in high market growth rates. The company puts a lot of resources in this product in the hope that it will eventually increase market share and generate cash returns in the future.



Source. www.learnmarketing.net

Figure 2.1. BCG Matrix Chart.

2.1.3 Star

Stars have high market shares that operate in growing markets. The product at this stage should be generating positive returns for the company.

2.1.4 Cash Cow

Cash Cows are products at the mature stage of the lifecycle, they generate high amounts of cash for the company, but growth rate is slowing. There are chances that the product may slip into decline, appropriate marketing mix strategies should be employed to try to prevent this from happening.

2.2 The Study of Marketing Environment by P.E.S.T Analysis

There are many variables that operate within an organizations' environment that have a direct or indirect influence on their strategy. A successful organization is one which understands and can anticipate and take advantage of changes within their environment.

An organizations operating environment can be analyzed by looking at:

- (1) External forces (*those factors that an organization has no control over*),
- (2) Internal forces (*factors that an organization has direct control over*)

The external environment of an organization can be analyzed by conducting a P.E.S.T analysis. This is a simple analysis of an organization *Political, Economical Social and Technological* environment.

2.2.1 Political

Political factors can have a direct impact on the way business operates. Decisions made by government affect our every day lives and can come in the form of policy or legislation. The governments introduction of a statutory minimum wage affects all businesses, as do consumer and health and safety laws and so on. The current increase in global petrol prices is having a profound impact on major economies, it is estimated

that £200bn has been added to the global fuel bill since the price increases. The political decision as to whether the UK signs up to the Single European Currency is again having an impact on UK businesses. Firms like Nissan who have recently invested in the UK have signaled that they will withdraw their business from the UK if the government fails to sign up.

2.2.2 Economical

All businesses are affected by economical factors nationally and globally. Interest rate policy and fiscal policy will have to be set accordingly. Within the UK the climate of the economy dictates how consumer may behave within society. Whether an economy is in a boom, recession or recovery will also effect consumer confidence and behavior.

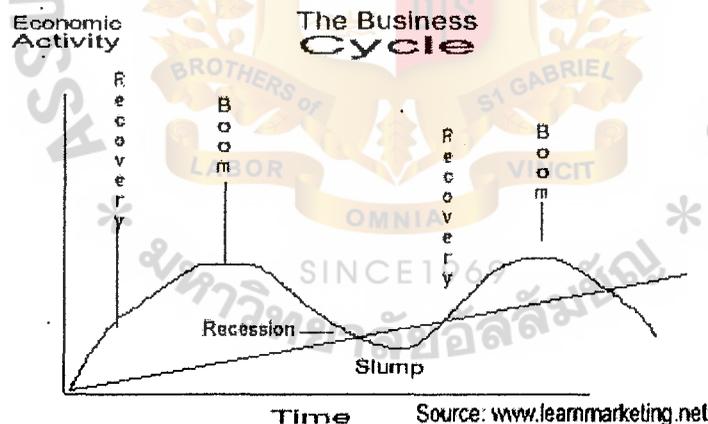


Figure 2.2. The business cycle.

An economy which is booming, is characterized by certain variables. Unemployment is low, job confidence is high, because of this confidence spending by consumers is also high. This has an impact on most businesses. Organizations have to

be able to keep up with the increased demand if they are to increase turnover. An economy which is in a recession is characterized by high unemployment, and low confidence. Because of high unemployment spending is low, confidence about job security is also low. Businesses face a tough time, consumers will not spend because of low disposable income. Many businesses start cutting back on costs i.e. Labor, introduce shorter weeks and cut back on advertising to save money.

Case: In the early 1990's when the UK economy was in a slump, and businesses were folding repeatedly, a security company called 'Dreadlocks security' to combat falling sales embarked on strategy of cutting back on labor costs, and doubling advertising expenditure. The companies' theory was that not their entire target segment was affected by the recession and he had to fight for the customers that still had the income to spend on security products.

Economies globally also have an impact on UK businesses, cheaper labor abroad affects the competitiveness of UK products nationally and globally. An increase in interest rates in the USA will effect the share price of UK stocks or adverse weather conditions in India may affect the price of tea.

A truly global player has to be aware of economic conditions across all borders and ensure they employ strategies and tactics that their protects their business.

2.2.3 Social

Within society forces such as family, friends, media affect our attitude, interest and opinions. These forces shape who we are as people and the way we behave and what we ultimately purchase. For example within the UK peoples attitudes are changing towards their diet and health. As a result the UK is seeing an increase in the number of people joining fitness clubs and a massive growth for the demand of organic food. On the other end of the spectrum the UK is worried about the lack of exercise its youngsters

are obtaining. These 'fast food games console' children are more likely to experience health problems in their future because of the lifestyle they are living now.

Population changes also have a direct impact on all organizations. Changes in the structure of a population will effect the supply and demand of goods and services within an economy. In Japan the fall in the birth rate has had a major impact on the sales of toys, as demand falls competition for the remaining market becomes very intense. If this trend continues it will have an impact on other sectors within the future affecting teen products, 20's products and so on. As society changes, as behaviors change organizations must be able to offer products and services that aim to complement and benefit people lifestyle and behavior.

2.2.4 Technological

Change in technology is changing the way business operates. The Internet is having a profound impact on the marketing mix strategy of organizations. Consumers can now shop 24 hours a day comfortably from their homes. The challenge these organization faces is to ensure that they can deliver on their promise. Those businesses, which are slow to react, will fall at the first few hurdles. This technological revolution means a faster exchange of information beneficial for businesses as they can react quickly to changes within their operating environment.

There is renewed interest by many governments to encourage investment in research and development and develop technology that will give their country the competitive edge. The pace of technological change is so fast that in the computer industry the average life of a computer chip is approximately 6 months. In the name of progression technology will continue to evolve organizations that continue to ignore this will face extinction.

2.3 Marketing Mix

The marketing mix principles (also known as the 4 p's.) are used by business as tools to assist them in pursuing their objectives. The marketing mix principles are controllable variables, which have to be carefully managed and must meet the needs of the defined target group. The mix is a part of the organizations planning process and consists of analyzing the defined:

- (1) Product Strategies
- (2) Pricing Strategies
- (3) Place Strategies
- (4) Promotional Strategies

2.3.1 Product

When an organization introduces a product into a market they must ask themselves a number of questions.

- (1) Who is the product aimed at?
- (2) What *benefit* will they expect?
- (3) How do they plan to *position* the product within the market?
- (4) What *differential advantage* will the product offer over their competitors?

We must remember that Marketing is fundamentally about providing the correct bundle of benefits to the end user, hence the saying '*Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer*' (P.Taylor 7/00)

Philip Kotler in Principles of Marketing devised a very interesting concept of benefit building with a product

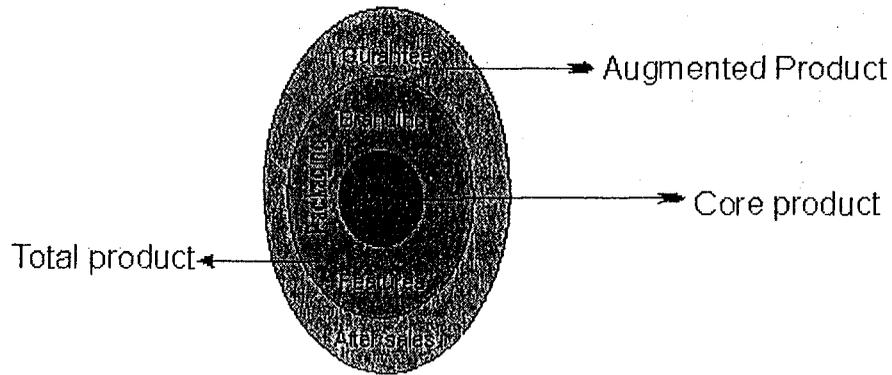


Figure 2.3. Designing Product concept.

Kotler suggested that a product should be viewed in three levels.

Level 1: Core Product. What is the core benefit your product offers?. Customers who purchase a camera are buying more than just a camera they are purchasing memories.

Level 2: Actual Product: All cameras capture memories. The aim is to ensure that your potential customers purchase your one. The strategy at this level involves organizations *branding, adding features* and benefits to ensure that their product offers a differential advantage from their competitors.

Level 3: Augmented product: What additional non-tangible benefits can you offer? Competition at this level is based around after sales service, warranties, delivery and so on. John Lewis a retail departmental store offers free five year guarantee on purchases of their Television sets, this gives their customers the additional benefit of 'piece of mind' over the five years should their purchase develop a fault.

Product Decisions

When placing a product within a market many factors and decisions have to be taken into consideration. These include:

Product design – Will the design be the selling point for the organization as we have seen with the iMAC, the new VW Beetle or the Dyson vacuum cleaner.

Product quality: Quality has to be consistent with other elements of the marketing mix. A premium based pricing strategy has to reflect the quality a product offers.

Product features: What features will you add that may increase the benefit offered to your target market? Will the organization use a discriminatory pricing policy for offering these additional benefits?

Branding: One of the most important decisions a marketing manager can make is about branding. The value of brands in today's environment is phenomenal. Brands have the power of instant sales, they convey a message of confidence, quality and reliability to their target market.

Brands have to be managed well, as some brands can be cash cows for organizations. In many organizations they are represented by brand managers, who have huge resources to ensure their success within the market.

A brand is a tool which is used by an organization to differentiate itself from competitors. Ask yourself what is the value of a pair of Nike trainers without the brand or the logo? How does your perception change?

Increasingly brand managers are becoming annoyed by 'copycat' strategies being employed by supermarket food retail stores particular within the UK . Coca-Cola threatened legal action against UK retailer Sainsbury after introducing their Classic Cola, which displayed similar designs and fonts on their cans.

Internet branding is now becoming an essential part of the branding strategy game. Generic names like Bank.com and Business.com have been sold for a great value of money. The task by brand managers is to insure that consumers understand that these brands are banks!

2.3.2 Pricing

3000 e 1

Is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organization. The remaining 3p's are the variable cost for the organization. *It costs to produce and design a product, it costs to distribute a product and costs to promote it.* Price must support these elements of the mix. Pricing is difficult and must reflect supply and demand relationship. Pricing a product too high or too low could mean a loss of sales for the organization. Pricing should take into account the following factors:

- (1) Fixed and variable costs.
- (2) Competition
- (3) Company objectives
- (4) Proposed positioning strategies.
- (5) Target group and willingness to pay.

Pricing Strategies

An organization can adopt a number of pricing strategies. The pricing strategies are based much on what objectives the company has set itself to achieve.

Penetration pricing: Where the organization sets a low price to increase sales and market share.

Skimming pricing: The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.

Competition pricing: Setting a price in comparison with competitors.

Product Line Pricing: Pricing different products within the same product range at different price points. An example would be a video manufacturer offering different video recorders with different features at different prices. The greater the features and

the benefit obtained the greater the consumer will pay. This form of price discrimination assists the company in maximizing turnover and profits.

Bundle Pricing: The organization bundles a group of products at a reduced price.

Psychological pricing: The seller here will consider the psychology of price and the positioning of price within the market place. The seller will therefore charge 99p instead £1 or \$199 instead of \$200

Premium pricing: The price set is high to reflect the exclusiveness of the product. An example of products using this strategy would be Harrods, first class airline services, Porsche etc.

Optional pricing: The organization sells optional extras along with the product to maximize its turnover. This strategy is used commonly within the car industry.

2.3.3 Place

Place strategies

Refers to how an organization will distribute the product or service they are offering to the end user. The organization must distribute the product to the user at the right place at the right time. Efficient and effective distribution is important if the organization is to meet its overall marketing objectives. If organization underestimate demand and customers cannot purchase products because of its, profitability will be affected.

What channel of distribution will they use?

Two types of channel of distribution methods are available. Indirect distribution involves distributing your product by the use of an intermediary. Direct distribution involves distributing direct from a manufacturer to the consumer e.g. For example, Dell Computers. Clearly direct distribution gives a manufacturer a complete control over their product.

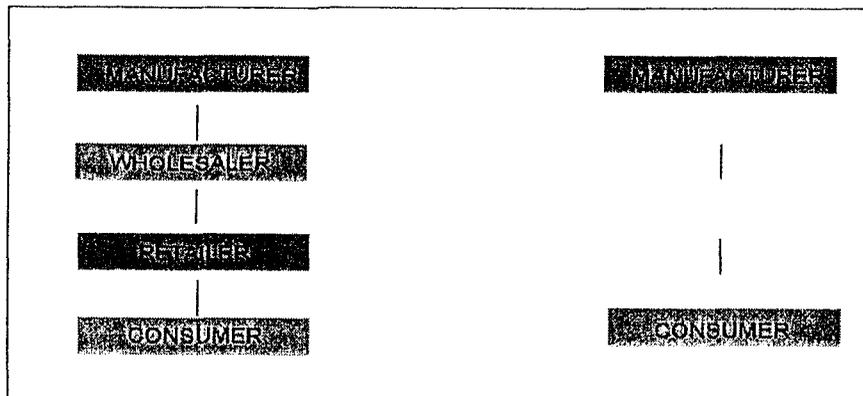


Figure 2.4. Indirect distribution (left) and direct distribution (right).

Distribution Strategies

Depending on the type of product being distributed there are three common distribution strategies available:

1. Intensive distribution: Used commonly to distribute low priced or impulse purchase products eg chocolates, soft drinks.
2. Exclusive distribution: Involves limiting distribution to a single outlet. The product is usually highly priced, and requires the intermediary to place much detail in its sell. An example of would be the sale of vehicles through exclusive dealers.
3. Selective Distribution: A small number of retail outlets are chosen to distribute the product. Selective distribution is common with products such as computers, televisions household appliances, where consumers are willing to shop around and where manufacturers want a large geographical spread.

If a manufacturer decides to adopt an exclusive or selective strategy they should select an intermediary who has experience of handling similar products, credible and is known by the target audience.

2.3.4 Promotion

A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market. An organizations promotional strategy can consist of:

Advertising: Is any non personal paid form of communication using any form of mass media.

Public relations: Involves developing positive relationships with the organization media public. The art of good public relations is not only to obtain favorable publicity within the media, but it also involves being able to handle successfully negative attention.

Sales promotion: Commonly used to obtain an increase in sales short term. Could involve using money off coupons or special offers.

Personal selling: Selling a product service one to one.

Direct Mail: Is the sending of publicity material to a named person within an organization. There has been a massive growth in direct mail campaigns over the last 5 years. Spending on direct mail now amounts to £18 bn a year representing 11.8% of advertising expenditure (Source: Royal Mail 2000). Organizations can pay thousands of pounds for databases, which contain names and addresses of potential customers.

Direct mail allows an organization to use their resources more effectively by allowing them to send publicity material to a named person within their target segment. By personalizing advertising, response rates increase thus increasing the chance of

improving sales. Listed below are links to organization who's business involves direct mail.

Message & Media Strategy

An effective communication campaign should comprise of a well thought out message strategy. What message are you trying to put across to your target audience?. How will you deliver that message? Will it be through the appropriate use of branding? logos or slogan design?. The message should reinforce the benefit of the product and should also help the company in developing the positioning strategy of the product. Companies with effective message strategies include:

Nike: Just do it.

Toyota: The car in front is a Toyota.

Media strategy refers to how the organization is going to deliver their message. What aspects of the promotional mix will the company use to deliver their message strategy. Where will they promote? Clearly the company must take into account the readership and general behavior of their target audience before they select their media strategy. What newspapers do their target market read? What TV programmes do they watch? Effective targeting of their media campaign could save the company on valuable financial resources.

Push & Pull Strategies

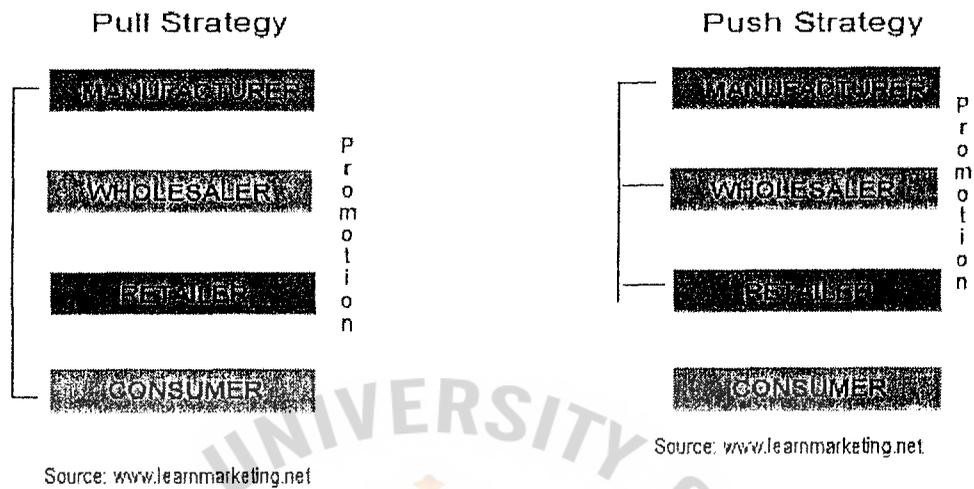


Figure 2.5. A pull strategy (left) push strategy (right).

Communication by the manufacturer is not only directed towards consumers to create demand. A push strategy is where the manufacturer concentrates some of their marketing effort on promoting their product to retailers to convince them to stock the product. A combination of promotional mix strategies are used at this stage aimed at the retailer including personal selling, and direct mail. The product is pushed onto the retailer, hence the name. A pull strategy is based around the manufacturer promoting their product amongst the target market to create demand. Consumers pull the product through the distribution channel forcing the wholesaler and retailer to stock it, hence the name pull strategy. Organizations tend to use both push and pull strategies to create demand from retailers and consumers.

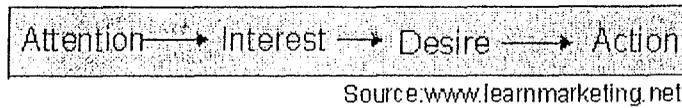


Figure2.6. Communication Model – AIDA.

AIDA is a communication model which can be used by firms to aid them in selling their product or services. AIDA is an Acronym for Attention, Interest, Desire, Action.. When a product is launched the first goal is to grab attention. Think, how can an organization use its skills to do this? Use well-known personalities to sell products? Once you grab attention how can you hold Interest, through promoting features, clearly stating the benefit the product has to offer? The third stage is desire, how can you make the product desirable to the consumer? By demonstrating it? The final stage is the purchase action, if the company has been successful with its strategy then the target customer should purchase the product.

2.4 Promotion through the Product lifecycle.

As products move through the four stages of the product lifecycle different promotional strategies should be employed at these stages to ensure the healthy success and life of the product. Stages and promotion strategies employed.

2.4.1 Introduction

When a product is new the organizations objective will be to inform the target audience of its entry. Television, radio, magazine, coupons etc may be used to push the product through the introduction stage of the lifecycle. Push and Pull Strategies will be used at this crucial stage.

2.4.2 Growth

As the product becomes accepted by the target market the organization at this stage of the lifecycle the organization works on the strategy of further increasing brand awareness to encourage loyalty.

2.4.3 Maturity

At this stage with increased competition the organization take persuasive tactics to encourage the consumers to purchase their product over their rivals. Any differential advantage will be clearly communicated to the target audience to inform of their benefit over their competitors.

2.4.4 Decline

As the product reaches the decline stage the organization will use the strategy of reminding people of the product to slow the inevitable

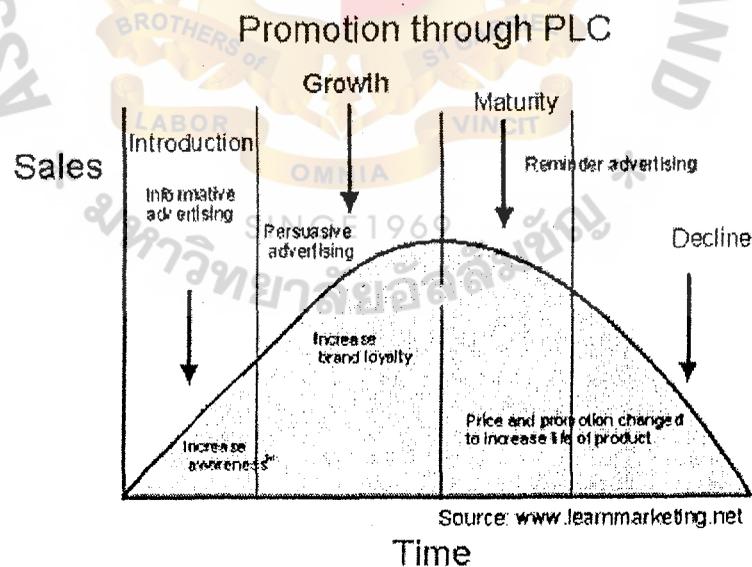


Figure 2.7. Product Life Cycle.

Internet promotion.

The development of the world wide web has changed the business environment forever. Dot com fever has taken the industry and stock markets by storm. The e-commerce revolution promises to deliver a more efficient way of conducting business. Shoppers can now purchase from the comfort of their home 24 hours a day 7 days a week. However, particularly in the UK the e-commerce revolution is hindered by two factors. Firstly the cost of logging on to the net. Consumers are still weary of the time-spent surfing, the high cost is slowing down the take-up. The number of homes that are linked to the web in the UK is only 25% of all house owners. If e-commerce businesses are to succeed the home penetration rate of internet access must also increase. Secondly, most homes are linked to modems of 56K. As the growth of people signing on-line grows the access speed slows down. In America most consumers only spend 10 seconds browsing on a web page, before they change sites, within the UK it is 2 minutes. The future seems to be with ADSL networks which will speed up access to the Internet dramatically running at 512K per second. However, again whether this format is adapted depends much on the cost.

Owning a website is now a crucial ingredient to the marketing mix strategy of an organization. Consumers can now obtain instant information on products or services to aid them in their crucial purchase decision. Sony Japan took pre-orders of their popular Playstaion 2 console over the net, which topped a 1 million after a few days, European football stars are now issuing press releases over the web with the sites registered under their own names. Hit rates are phenomenal.

2.5 Product Life cycle

The product life cycle concept suggests that a product passes through four stages of evolution. Introduction, growth, maturity and decline. As a product evolves and

passes through these four stages profit is affected, and different strategies have to be employed to ensure that the product is a success within its market.

Product life cycle stages.

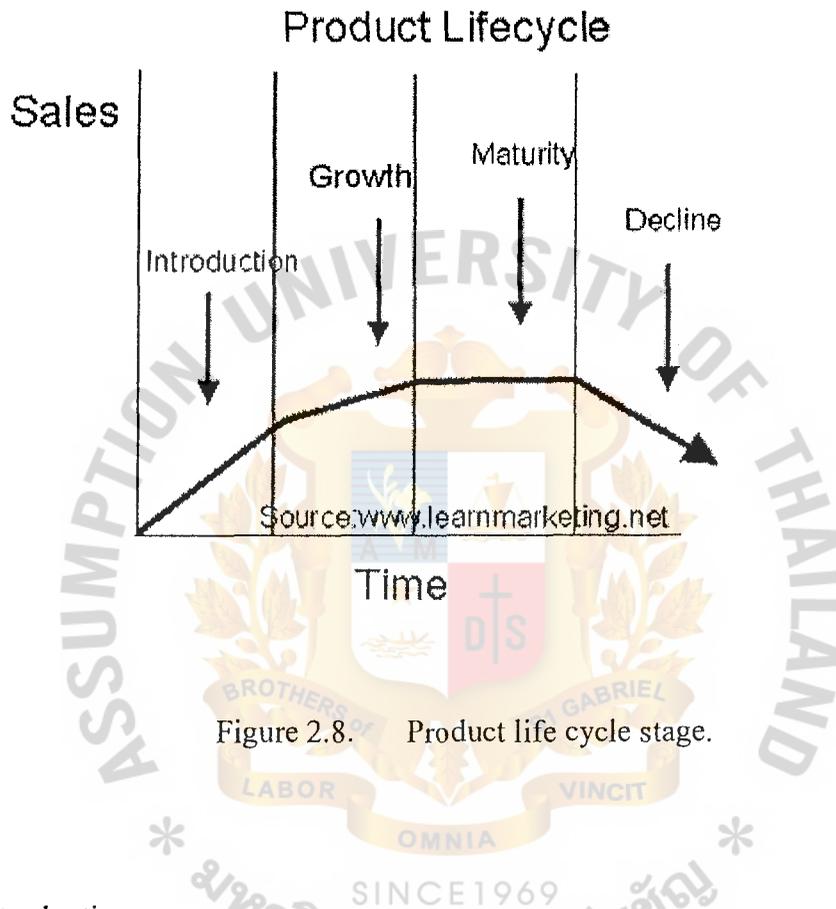


Figure 2.8. Product life cycle stage.

2.5.1 Introduction

As a new product much time will be spent by the organization to create awareness of its presence amongst its target market. Profits are negative or low because of this reason.

2.5.2 Growth

If consumers clearly feel that this product will benefit them in some ways and they accept it, the organization will see a period of rapid sales growth.

2.5.3 Maturity

Rapid sales growth cannot last forever. Sales slow down as the product sales reach peak as it has been accepted by most buyers.

2.5.4 Decline

Sales and profits start to decline, the organization may try to change their pricing strategy to stimulate growth, however the product will either have to be re-modified, or replaced within the market.

2.6 Five Forces Model

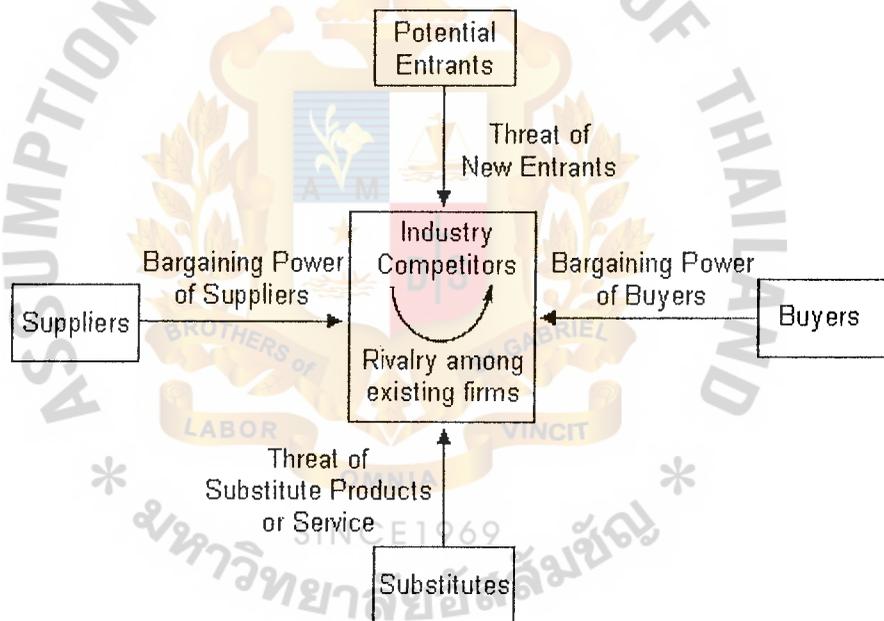


Figure 2.9. Five forces model.

The Five Forces Model of Porter is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness of an industry structure. The Competitive Forces Analysis is made by the identification of 5 fundamental competitive forces:

- (1) The entry of competitors (how easy or difficult is it for new entrants to start to compete, which barriers do exist).
- (2) The threat of substitutes (how easy can our product or service be substituted, especially by cheaper competitive products).
- (3) The bargaining power of buyers (how strong is the position of buyers, can they work together to order large volumes).
- (4) The bargaining power of suppliers (how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly).
- (5) The rivalry among the existing players (is there a strong competition between the existing players, is one player very dominant or all are equal in strength/size).

Porter's Competitive Forces Model is probably one of the most often used business strategy tools and has proven its usefulness on numerous occasions. Porter's model is particularly strong in thinking outside-in. Care should therefore be taken not to underestimate or underemphasize the importance of the (existing) strengths of the organization. (Inside-out) when applying this five competitive forces framework of Porter.

III. MACRO ECONOMIC ANALYSIS

The current heat wave may be murderous for some but for carbonated drinks, rising temperatures means rising profits. Carbonated drinks is one kind of soft drinks, which is the drinking product that adds carbon dioxide in order to add frozenness. The original products are simple soft drinks adding in carbon dioxide, and simply bottling style. Later, there is not only the development of taste but also the diversification of packaging style to fit with the consumer behavior of Thai consumers in the era of rapidly changing economics environment. Carbonated drinks can be classified into three types, which are black carbonated drinks, fruit flavored drinks, and lime drinks.

3.1 Macro overview of soft drinks industry

Soft drinks has an important role in our daily life. In 1998, the total soft drinks industry has a market value at more than Baht 30 billion. The carbonated drinks take more than half of the value. The market value of carbonated drinks is approximately Baht 18,000 million which black carbonated drinks is accounted for 60% of total industry, following by fruit flavored drinks 30% and lime drinks 10%. The major products of black carbonated drinks are Coca-Cola and Pepsi-Cola, Fanta and Mirinda for fruit flavored, and lastly Sprite and Seven up for lime drinks.

Since Thailand's economic and financial crisis in mid 1997 and the continuation of the recession continued right through 1999, many businesses have scaled down or closed down raising the unemployment rate continually at alarming rate. The soft drinks industry was inevitably affected adversely, especially in view of its very nature the over-all soft drinks industry shrank by approximately 14% in 1998 and about 15 percent in 1999. Today all producers must strive in the business in the time of declining demand

but fiercely rising competition from rivalries of being a price sensitive and non-essential product.

3.2 Domestic Production, Sales, and Consumption of carbonated drinks

From the overall manufacturing production index of Thailand, beverages manufacturing are accounted for 10.6% of total manufacturing production. Given the total index of 100 percent, beverages weight more than foods manufacturing productions, which beverage is the fifth and following by foods production.

Table 3.1. Manufacturing production Index.

(1995 = 100)

Line	Weight	1995	1996	1997	1998
1. Total Index	100	100	108.6	108	96.4
2. Foods	9.6	100	101.8	103.7	98.1
3. Beverages	10.6	100	106.2	112.1	121.3
4. Tobacco	30	100	112	100.9	80.4
5. Textiles & Textile Products	22.8	100	112	100.9	105.2
6. Petroleum Products	11.5	100	132.2	154.7	143.5
7. Construction Materials	4.1	100	111.2	108.9	67.9
8. Iron & Steel Products	3.3	100	166.3	103.8	71.1
9. Vehicles and Equipments	16.4	100	104.4	75.9	35.3
10. Others	18.7	100	112	108.2	109

Source: Bank of Thailand (www.bot.or.th)

1. Domestic production of soft drinks

Considering the overall soft drinks production in the period of 1994-1998, the production was continuously increased since 1994. In the mid 1997, Thailand economic condition has changed leads to a decrease in consumption and also production of soft drinks. The production of soft drinks reduced to 1,769 million liters in 1997 and 1,592 million liters in 1998.

From the overall picture of soft drinks industry, we reduce the scope to focus only the production of carbonated drinks. In the period of 1988-1996, the production of carbonated drinks expanded by the average of 11.5 percent per year due to the increase in domestic demand. Considering the production of 649 million liters in 1988, 1086 million liters in 1994, and 1515 million liters in 1996. Unfortunately, in the year of crisis 1997, the carbonated drinks production was directly effected by the economics downturn, therefore; all producers had to make an adjustment to their production to cope with the decreasing in demand.

Table 3.2. Production of Manufacturing Goods.

Line	1994	1995	1996	1997	1998
Food, beverages and cigarettes:					
1. Suga 1,000 tons	3,974	5,202	6,087	6,188	3,921
2. Beer 1,000 litres	523,028	647,309	759,072	874,231	976,983
3. Liquor 20,000 litres	34,780	42,207	40,042	45,813	45,757
4. Soft drinks Millions litres	1,553	1,722	1,799	1,769	1,592
5. Cigarettes Metric tons	45,359	43,020	48,173	43,387	34,585

Source: Bank of Thailand (www.bot.or.th)

(1) The Utilization of Production Capacity

The statistics supporting the utilization of production capacity when deriving 5 years back. The utilization of carbonated drinks production capacity had been increasing continuously from 1995-1996, which was 82.3% and 83% respectively. This is according to the rising of domestic demand and production, the utilization of capacity had fallen to 79.1% in 1997 when the economic crisis occurred in Thailand, and it is continuously declining to 77.2% in 1998.

Table 3.3. Capacity Utilization of Certain Industries.

Line	Weight	1995	1996	1997	1998
1. Total	44.5	77.4	72.4	65	52.1
2. Foods	3.5	41.5	37.3	37.5	33.7
3. Beverages	5.5	82.3	83	79.1	77.2
4. Tobacco	1.9	75.2	84.2	75.8	60.4
5. Construction Materials	2.4	96.7	76.7	72.9	44.6
6. Iron & Steel Products	2.1	64.2	64.8	51.9	32.4
7. Vehicles and Equipments	10.2	81.4	67.8	48.6	24
8. Petroleum Products	7.2	93.2	85.7	90.1	83.9
9. Others	11.7	71.4	72.4	64.6	54.5

Source: Bank of Thailand (www.bot.or.th)

(2) Domestic sales of carbonated drinks

As mentioned, the market value of total soft drinks industry is approximately Baht 30 billion in 1998. This figure is considered being very high. The explanation of why market value of soft drinks is so high is

because of the changing in consumer behavior of Thais. Nowadays, soft drinks are very popular especially to the young generations. Statistics from BOT reviewed that the total domestic sales of soft drinks is continuously increasing since 1994 to 1997 from 1397 million liters in 1994 to 1562 million liters, 1652 million liters and million liters 1656 respectively. To be noticed that even though there is a crisis in mid 1997, the domestic sales of soft drinks was not reduced but in contrast increased. The reduction in sale was recognized only in 1998 at the total sales of 1427 million liters.

How about carbonated drinks? The domestic sales of carbonated drinks are in the same trend as domestic production. The sales volume in the period of 1988-1996 was decreasing on the average of 10.2% per year the figure of sales are 622 million liters in 1988, 951 million liters in 1993 and 1330 million liters in 1996. In the year of crisis 1997, the economic conditions lead to a decrease in sales contrary to the increase in competition. The carbonated drinks industry is highly competitive because the nature of soft drinks products requires year- round advertisements and promotions to stimulate consumer's demand. Soft drinks are seasonal products with a heightened sale during the summer. Thus, the bottlers tend to launch their promotion activities during the hot season to reap the seasonal benefits as well as to gain higher market shares and higher consumption per head. Also the need to create constant awareness and demand plus the current economic conditions, competition has intensified as all companies attempt to arrest the fast decreasing sales trend.

Table 3.4. Domestic Sales of Manufacturing Goods.

Line	1994	1995	1996	1997	1998
Food, beverages and tobacco products:					
1. Sugar Metric tons	1,370,260	1,523,408	1,548,455	1,709,895	1,698,124
2. Beer 1,000 litres	522,443	641,535	752,347	872,744	966,059
3. Liquor 20,000 litres	32,242	36,733	41,227	37,285	37,140
4. Soft drinks Millions litres	1,397	1,562	1,652	1,656	1,427
5. Cigarettes Metric tons	45,025	43,569	47,321	43,893	34,981

Source: Bank of Thailand (www.bot.or.th)

3.3 Linkage Industry

Soft drinks industry is considered very important to a developing country's economy, primarily, because soft drinks industry is involved with other industries both in forward industries and backward industries.

Backward Linkage

Developing countries thus greatly favor soft drink companies to open because they have a spillover effect on other related industries, especially for backward industry in agricultural sector (sugar industry) Other sectors that will benefit are bottling plants, glass-making and warehousing and transportation.

Forward linkage

The soft drinks industry forms a key, basic infrastructure for any country. This infrastructure supports thousands of jobs. As it has done by Haad Thip, the soft drinks industry will tremendously boost the tourism trade in the Southern part of Thailand. It will encourage related sectors such as travel, hotels, restaurants and other entertainment facilities.

3.4 Why the South?

We already went into the details of the whole of soft drinks industry. Next, we will focus only on the soft drinks industry in the southern part of Thailand. As mentioned from the beginning, the major products of the carbonated drinks are Coke and Pepsi. Therefore, in Thailand, the carbonated drinks industry can be divided into 2 major camps. The “Coke” camp consists of Thai Pure Drink Co., Ltd. –the bottler of Coca-Cola products for all except 14 provinces in the South and Haad Thip Public Co., Ltd. – the bottler for the 14 provinces in the South. The “Pepsi” camp consists solely of Sermasuk Co., Ltd. There are some reasons why we focus only in the Southern part of Thailand, and on Haad Thip Company. Sermasuk Company is the market leader in soft drinks industry in the rest of Thailand but not in the South. Haad Thip is a small company when compared with Sermasuk Company. But Haad Thip can win Sermasuk Company in the market share. Why? There are some interesting reasons that we think will be worthwhile in our future careers.

Our analysis is focusing on Hadd Thip Public Co., Ltd. Thus the discussion is now focused only on 14 provinces in the South. By doing so, we will firstly discuss the general information of the South.

In the year 1992-1996, Thai economy experienced the highest growth. Real income per capita was increasing in the average of 6.49 percent per year from Baht 38,969 in 1992 to Baht 41,849 in 1993 and 45043, 48460 in 1994 and 1995 respectively. Beginning in 1996, growth of real income per capita increases in a decreasing rate to the level of Baht 50,380. Unfortunately, in 1997 Thailand has to ask for financial support from IMF. The results are, not only financial sector but also industrial and commercial sectors have an unsolvable liquidity problem. Most enterprises can not run their businesses in this economic environment of high interest rate, higher production cost in

the case of a huge decrease in demand for their products. All of these factors have a direct impact on a continuous increase in real income per capita of all Thais to shrink sharply. In 1997, real income per capita was reduced to Baht 48,979 or 2.78% reduction from 1996. In 1998, the figure was even worse, real income per capita reduced to Baht 44,535, a reduction of 9.07% from 1997. The explanation for a decrease in real income per capita is mainly from the announcement of government to change the exchange rate to a managed float system and a vast depreciation of Thai bath.

3.5 Economic situation in the southern part of Thailand

Unstability of financial sector, liquidity problems, a depreciation of Thai bath after change in exchange rate system, untrustworthy government policy, and a big flood in many provinces in the South are the obstacles in improvement of economic situation in the South.

Even though obstacles mentioned above threatened the economic environment, there are good points behind, especially the depreciation of Thai baht. Baht depreciation is the factor supporting an increase in the amount of export because Thailand has a price advantage compared to competitor countries. Also, depreciation encourages foreigners to travel in Thailand.

3.5.1 Economic growth of the South

In 1998, it is the first experience of Southerners for a recession in regional economics. The economy shrank approximately 3% comparing with 4.3 percent growth in 1996 and followed by 2.1% growth in 1997. Total economic growth comprises of growth from agricultural sector and growth from non-agricultural sector.

Table 3.5. Economic Growth of the South.

Percentage

Sector	1996	1997
Total Growth	4.3	2.1
Agricultural Sector	2.4	4.1
Non-Agricultural Sector	7.4	-1.0

Source: Bank of Thailand (www.bot.or.th)

Agricultural sector is concerning with the major commodities of the South, which are the yield of rubber, palm oil, coffee, and fruits. Also accounted for the major career of Southerners, fishery. But El Nino is the positive factor supporting fishery accompanied by the increase in demand and also price of shrimp. Thus growth rate of agricultural sector is rising. Drought in the South lowers the yield of all agricultural products. When supply of palm oil and coffee reduced, the constant demand leads to price increase. Only rubber, worsening economic condition means lowering the price.

Remarkable that even the overall economic growth of the south is still positive, but position of non-agricultural sector is now severe. Non-agricultural sector experienced a very high growth rate in 1996, but what actually happened in 1997 is non-agricultural sector shrank by more than 8%. The main concerning problem is liquidity problem because financial crisis forces not only financial institutions but also suppliers to tighten their monetary control.

3.5.2 The South Consumer Price Index

In 1998, consumer price index of the South heightens by 8.6%, compared with 6.4% in 1997. This was due to the sharp increase in price index of food and beverages.

Price index of food and beverages increased by 10.1% while of non-food and beverages increased only 7.9%. The cause of sharp increase is the huge increase in cost of production. Summarization of factors caused a rise in production cost (1) The effect of bath depreciation, (2) Minimum wage adjustment, (3) Oil price increasing, (4) An upward adjustment of excise and custom tax and, also non-Bangkok area bus fare, (5) Shortage of supply for agricultural products caused from drought, and (6) The increase of value added tax.

Table 3.6. The South Consumer Price Index.

Index	Percentage/year		
	1996	1997	1998
Consumer Price Index	6.1	6.4	8.6
Food & Beverages	9.7	8.4	10.1
Others	3.5	4.8	7.9

Source: Bank of Thailand (www.bot.or.th)

3.5.3 Income per capita of Southerners

Considering income per capita by region, Bangkokians have highest income per capita followed by people in the East, Central, the West and the South. Northern and Northeast region people earned the lowest income per capita.

Table 3.7. Income per capita of Southerners.

Baht/person/year

Region	1996	1997
Thailand	76,435	N.A.
The South	50,345	49,340

Source: Bank of Thailand (www.bot.or.th)

Looking only at the South, among 14 provinces, Phuket has highest income per capita and the lowest is Pattaloung.



Table 3.8. Percapita Income of Southerners classified by provinces.

Baht

Year	1991	1992	1993	1994	1995	1996
Provinces						
Chumporn	30,693	31,885	34,404	40,698	47,861	48,444
Ranong	75,683	87,457	95,150	85,766	109,372	106,397
Surat Thani	31,384	34,763	36,568	46,035	56,375	61,122
Nakhorn Si Thammarat	22,223	23,389	25,929	30,903	36,684	39,363
Phan Nga	39,307	46,169	43,887	55,537	66,816	67,217
Phuket	98,588	103,608	114,440	126,726	145,372	156,675
Krabi	29,743	33,049	34,732	43,830	54,255	56,796
Trang	24,231	27,375	28,988	35,893	44,053	46,584
Pattulung	17,133	19,237	20,192	22,315	28,035	30,697
Sonkhla	34,928	39,628	43,700	50,290	58,419	60,350
Satun	26,415	34,510	36,665	42,088	49,571	51,436
Pattani	23,959	30,796	34,996	41,291	46,051	47,853
Yala	27,517	28,831	28,868	34,335	42,447	43,502
Narathiwat	20,530	22,286	22,567	26,401	31,724	32,998
The South	29,403	32,785	35,240	41,388	49,235	51,657

Source: Bank of Thailand (www.bot.or.th)

The reduction of income per capita of Southerners lead to a decreased in consumption which in turn lower demand for goods and services.

3.5.4 Employment

Financial and economic crisis have a direct impact on living style and well being of Southerners, especially, the unemployment rate. The problem of unemployment is much severe because many enterprises closed down; also the stagnation of real estate business.

The result of an increase in unemployment rate in the South, partly came from Southern work forces, who move to work in Bangkok, are laid off, and partly, since Malaysia also faced the economic crisis like Thailand, work forces who work in Malaysia are pushed to quit jobs and came back to Thailand. Therefore, the unemployment situation in the South is much worse. When really looking deeper into the reason why Southern applicants hardly filled the vacant jobs, the research reviewed that it is mainly because of the low level of education, personal characteristic, experiences cannot match with the job, and also the problem of culture, tradition, and their attitudes.

In the South, minimum wage of workers varied by area. The minimum wage is Baht 130 per day. But in Ranong, Phang nga, and Phuket, minimum wage of Baht 140 per day is required because these areas have higher cost of living.

3.6 Nature of competition in the South soft drinks industry

In the South, Haad Thip Public Co., Ltd. and Sermsuk Public Co., Ltd. are the producers of the well-known products, “Coke” and “Pepsi” respectively. This year department of Thailand’s, Ministry of Finance, estimates that the aggregate market value of the soft drinks industry is at Baht 30 billion. The market for soft drinks in the South alone is valued at approximately Baht 1,800 million, 80 percent of which is held by the Haad Thip’s combined sales of Coca-Cola, Fanta, Sprite, and Mello. Market

share in cola segment of Haad Thip to Sermsuk is 70:30. In fruit flavored segment market share of Fanta to Mirinda is 83:17 and, Sprite to Seven-up is 89:11.

As mentioned before, the structure of soft drinks industry is an oligopoly. The South is no exception. The main producers are Haad Thip and Sermsuk but there are also other competitors but to a lesser degree. For example, Green Spot (Thailand) Co., Ltd. and Bailey CO., Ltd. – the two bottlers of the non-carbonated orange soft drinks. Lastly, the surprise potential competitors in the South, hardly found in other regions, are cottage brand fruit juices.

In the south, tribal instinct is the most important characteristic. Therefore, with the advantage of being firmly established in the region for over 30 years, Haad Thip has managed to maintain its lead in the South by not only following the company's mission to give consumer's highest satisfaction but also the special social activities and dedication to the southern people. Now the southerners recognized that "Haad Thip is part of the South"

From the past, only Coke producer established a production factory in the South. During 1997, Sermsuk opened a plant in Suratthani, this enhanced the pressure for sales in an already over-heated market. However, at the same time, this could be regarded as a good sign, as it may help to grow the industry as a whole.

3.7 Production Capacity

The product of Haad Thip is soft drinks. There are two sizes of products: 10 ounces (280 cc) and one liter. There are eight types of products: Coke, Sprite, Strawberry fanta, Orange fanta, Green fanta, special taste fanta, and Mello. These products use the same production line. Haad Thip has four production lines. Each line has different production capacities. The product capacities of 10-ounce bottle and one liter bottle are different too. Haad Thip works eight hours a day and 266 days a year.

Now Haad Thip counts the production capacity in the number of cases per hour. The details of the capacity of four production lines are shown in the tables below.

Table 3.9. Production Capacity.

Detail	10 ounces	1 liter
Production line 1	240	130
Production line 2	240	130
Production line 3	1,000	960
Production line 4	2,000	-
Total	3,480	1,220

Table 3.10. Production in Each Year.

Production capacity	1999	1998	1997
Full capacity (case/hr)			
- 10 ounces	3,480	3,480	3,480
- 1 liter	1,220	1,220	1,220
Real capacity (case)			
- 10 ounces	6,139,787	6,733,892	7,165,301
- 1 liter	1,381,316	1,445,929	1,380,613
Using production capacity (%)			
- 10 ounces	82.91	90.95	96.76
- 1 liter	53.21	55.70	53.16

SOURCE: Annual Report 1999

3.8 Who is Haad Thip?

Coca-Cola officially existed in the southern part of Thailand in 1969. Gen. Loungharttrakarnkosul has been granted a franchise by the Coca-Cola Company (USA.), Atlanta, Georgia as the exclusive bottler of Coca-Cola and distributed in 2 provinces at the southern part of Thailand, Songkra and Satoon. The factory was established at Haad Yai, Songkra in the name of Nakornthip Co., Ltd. Unfortunately, the economic factors did not support the operation of Nakornthip. Thus in 1974, there was an adjustment in management team. Furthermore, in order to push Nakornthip to the target sale expected, Nakornthip raised their capital under the management of Sec. Lt. Phairoch Rattakul and chairperson is HRH Princess Sudhasirisobha. In May 25, 1998 after HRH Sudhasirisobha passed away, the company was managed by Gen. Charan Kullavanijaya.

In 1978, Nakornthip Co., Ltd. changed to Haad Thip Co., Ltd. The factory was located at 87/1 Kanchanavanich Road, Banpru, Haad Yai, Songkra. 10 years later, Haad Thip had a very big move, that is Haad Thip become a listed company on Dec 22, 1988.

The reasons for this move are, to raise capital in order to expand production capacity. Secondly, Haad Thip intended to be a leader of carbonated drinking water in the south, and lastly, to open the opportunity for people in the south to have an ownership in Haad Thip.

Since establishment, Haad Thip steps forward until now Haad Thip is the exclusive bottler of "Coca-Cola", "Fanta", "Sprite" and "Mello" for 14 provinces in the South from Chumporn to Narathiwat, namely: Chumporn, Ranong, Krabi, Phuket, Phan-bga-Trang, Surat Thani, Nakhorn Si Thammarat, Pattulung, Sonkhla, Satun, Yala, Pattani, and Narathiwat. In the beginning, HaadThip had only 60 employees, 6 distribution cars but now the company employed 1,700 employees and 200 distribution

cars including 20 warehouses in 14 provinces to assure highest consumer satisfaction in Haad Thip's services.

Lastly, Haad Thip had the second plant project in Surat Thani , at ampur Pun Pin. This second plant project was due to the strategic planning to compete with Haad Thip's major competitor, the bottler of Pepsi, Mirinda, Mountain Dew, Sermasuk Co.,Ltd. Unfortunately, it has been put on hold until the economy recovers.

3.8.1 Type of Haad Thip's business

Income structure

- (1) Haad Thip conducts its main business in the soft drinks industry and has franchise, from the Coca-Cola Company (USA.) of Atlanta, Georgia, to be the bottler of Coca-Cola, Fanta, Sprite, and Mello for the 14 provinces in the South of Thailand.
- (2) The company also bottles and distributes drinking water under the brand name, "Haad Thip Drinking Water"
- (3) Beginning at the end of December 1997, the company is the sole distributor of "Nescafe Can" instant canned coffee: Size 180 cc. With 2 flavors, namely "Nescafe Extra" and "Nescafe Café Ole" in the South of Thailand.

In 1998, the company received a sales revenue of Baht 1,372.30 (million) -- 96.3 percent of which is allocated to the sales of soft drinks while the remaining 3.7 percent can be attributed to the sales of Haad Thip drinking water and canned coffee.

Why do people choose to consume soft drinks? Not water, fruit juices, coffee or tea? The answers according to these questions could be the factors determining demand for soft drinks. But do you think that from what you think in terms of consumer point of view will be the same as producers? Or what did you think will be the same as others?

Now we are going to explore the factors that have an influence on the demand of soft drinks both in terms of consumers and also producer analysis.

3.9 Demand determining factors

3.9.1 Weather

People always say or think that they will consume more soft drinks when they feel thirsty, but actually it is not true. From consumer behavior research of Haad Thip, the influential factor for people to consume more soft drinks is the weather, but not dealing with the feeling of hotness or coldness, it really comes from it's raining or shining.

It is undeniable that everyone does not want to go out when it is raining. Also because of consumer behavior of Thai people, we do not drink soft drinks at home. You can think yourself; Do you have any 10-ounce size of soft drinks or one-litre of any soft drinks in your fridge? The occasion that consumers will drink soft drinks is, when they are outside. It can be, when they go to have dinner at the restaurant, when they go to have lunch at the noodle shop, when they are waiting for the bus and buy it at mom and pop stores, when they are at university and buy it at a convenient corner in campus. How about when it is raining? Of course, all of these transactions will hardly occur. They try to stay home and when they are at home, they all forget soft drinks. What is replaced in their lists mostly is just water. Especially, in the case of southerners, the level of income of southerners is much lower than Bangkokians, Southerners will reserve soft drinks in their houses only for serving the guests. Therefore, when it is raining – there will be very less demand for soft drinks, which in turn is the sale of soft drinks.

3.9.2 Ramadan Ceremony of Muslim

Among six regions in Thailand, the south is the region that has the highest numbers of Muslim. The most important ceremony of Muslim is Ramadan. During

Ramadan month, Muslims have to diet during daytime. They can eat only from dusk to dawn. All of you will think that the demand for soft drinks will be lower during this ceremony. But actually, the demands for soft drinks are much higher. The reason is, during daytime they cannot eat anything, when the sun set it is the first time to eat. Because of appetizer problem, they cannot begin to have a big meal right away. They choose to drink soft drinks that give glucose to them and then the meal. From the belief of Muslims, they do not like black. Therefore, when they choose to drink soft drinks, they will choose only colour segments. That leads to the increase in demand of flavored/coloured soft drinks. Haad Thip reaps these increase of flavored segment by their existing 3+1 policy (3 main flavors and 1 changing from time to time) and also a huge invest in advertisement to Muslims during this ceremony.

3.9.3 Government policy

Government policy can have indirect threat to the company. Now Public sector launches the program to improve the situation of drug in schools. The program called "White school" makes the sale of soft drinks drop sharply because they considered soft drinks as addicted drinks. They also include soft drinks in the lists of drugs prevented. Therefore, no more soft drinks in schools, which in turn is a reduction in demand of soft drinks.

3.9.4 Economic condition

Country's economic situation has a huge impact on the demand of soft drinks as mentioned from the beginning. Nature of soft drinks is considered to be non-essential goods, therefore; if there is a change in disposable income, it will directly effect the demand of soft drinks. The evidence shows that normally soft drinks are approximately the third list of shopping list. When there is a crisis, soft drinks was listed in the sixth to eighth. This is a clear impact of how important is the economic condition.

3.10 Elasticity of demand

An elasticity is a measure of the sensitivity of one variable to another. Specifically, it is a number that tells us the percentage change that will occur in one variable in response to a one-percent change in another.

3.10.1 Price elasticity of demand

For soft drinks industry, demand is “price elastic”. This means the percentage decline in quantity demanded is greater than the percentage increase in price. The reasons behind this are as follows:

(1) Nature of product

Soft drinks is viewed as non-essential product. Soft drinks is not a healthy drinks, and also not a necessity goods. As a result, when there is an increase in price, demand sharply drops. Consumer behavior research of Haad Thip showed that the price sensitivity of soft drinks is approximately two months. The problem of price adjusting is when Haad Thip increased their price, dealers also immediately increase their retail price. In contrast, when Haad Thip lowers their price (wholesale price), dealers do not lower their retail prices. The result is sales volume will not increase as expected.

(2) Substitute product

Carbonated soft drinks can be easily substituted between each other. For example, when we go to the noodle shop and order for example “coke” if that shop has only Pepsi, they will ask that they have only Pepsi, can it be substituted? The answer is yes! This evidence shows that the products between two big companies can easily substitute for each other. But the degree of substitution is different, such as Coke and Pepsi are almost perfect substitutes but Fanta and Mirinda is substitutable in a lower degree. Not

only between carbonated soft drinks themselves, but also other kind of soft drinks such as fruit juice, drinking water, mineral water, and the most important substitute product of carbonated soft drinks in the south is cottage brand fruit juices. Haad Thip's marketing manager reviewed that the major competitor of Haad Thip is Sermsuk and the second is cottage brand fruit juices. When products are highly substituted between others, price comes into consumers' mind in a decision process. Of course, from the reason of substitute products, the carbonated soft drinks are "price elastic". The degree of price elasticity will be high because of non-comparative advantage of carbonated soft drinks in term of non-healthy drinks. In reality, Haad Thip tries to avoid price war, if one producer hikes up their price, consumers will buy another brand that has lower price. In this case confrontation strategy is not the best alternative, if each company competes based on their price, in the long run no one can survive. Therefore, in soft drinks industry the important factors that producers try to influence the buying decision is promotion and advertising.

3.10.2 Income elasticity of demand

The Easiest way to explain income elasticity of demand is the percentage change in the quantity demanded resulting from a one-percentage increase in income.

As we discussed in the factors affecting demand of soft drinks, economic condition has a direct effect to the demand of soft drinks. From the analysis, we can conclude that soft drinks are not only price elastic but also income elastic. When there is a decrease in income of consumers, quantity demanded for soft drinks will reduce at a higher percentage. The deeper detail of analysis, we already discussed in demand determining factors under economic condition section.

3.10.3 Cross-price elasticity of demand

Cross-price elasticity of demand refer to the percentage change in the quantity demanded for a good that results from a one-percent increase in the price of another good.

Soft drinks industry is an oligopoly, the major players in this industry are Coca-Cola producers and Pepsi producer. These two products are almost perfect substitute, therefore; if there is a rise in the price of Pepsi, which makes Coca-Cola cheaper relative to Pepsi than it was before, leads to an increase in the demand for Coca-Cola. But this is not always the case, because it is possible that Coca-Cola will raise their price to the same level as Pepsi. But both producers does not want to compete in price, they try to compete by advertising, promotion, and consumer loyalty of their products instead..

3.11 Supply of Carbonated drinks in the South

There is no separated figure of carbonated drinks supply in the south. The reason is, if we look at the supply of Southern carbonated drinks factory, it does not give you the whole picture. Because total amount of carbonated drinks supplied does not come from only Haad Thip and Surmsuk, there are some amount of carbonated drinks distributed from Bangkok and the production factory in other regions. The example is, in the south, Coca-Cola is supplied in all forms of packaging. Haad Thip produces only 10-ounce size and 1 liter size besides those sizes, products are supplied from Thai Pure Drink Co., Ltd.

3.12 Environmental Analysis

Being in a business that relies on high volume to make up for its relatively low margins. Haad Thip, the South bottlers of Coke, Fanta, Sprite, and Mello focus on innovation and “anticipation” to maintain and improve the company market share. Not only Haad Thip but also Sermsuk try to find many strategies to pump up their sale in the

market. The marketing strategy of 4P (product, price, place, and promotion) may be applied to accomplish the goal. However, the marketing department might run the mistaken strategies unless they understand the nature of soft drinks industry and know, which is the factor that influences the growth and the achievement in soft drinks industry.

3.12.1 Five forces Analysis

(1) Internal Rivalry

The battle spot can be separated into two segments, which are Cola war and Flavored segment war.

As for soft drinks market, the competition is non-price competition but emphasizing on distribution channel, service, advertising, and promotion. There is quite a clear cut in flavored segment that coke camp is a leader. From the statistic, Haad Thip has a market share of Fanta approximately 83%, and Sprite 89 %. Unfortunately, the cola segment is much larger. It is 50% of the total soft drinks market. The statistical data shows that market share of cola segment between Thai Pure Drink and Sermsuk is 40:60 but in the South, market share of cola segment between Haad Thip and Sermsuk is 70:30 in 1999.

What are the differences between the South and the rest of Thailand? Haad Thip made a lot of contributions to various causes, so now “Haad Thip is part of the South” and this is a reason why Haad Thip is very successful in the South. The key factor is tribal instinct.

(2) The Threat of New Entrants

It has very less opportunity to enter the soft drinks industry, considering the fact that it is impossible to enter Cola market and very less possible in entering flavored segment too, because of monopoly power from the big two. Besides Cola and carbonated fruit flavored market, non-carbonated orange soft drinks also is occupied by two major companies, Green Spot and Bailey. Therefore, the new comers have to consider some barriers to entry in soft drinks industry, which are:

(a) Capital requirement and Economies of scale

Soft drinks production requires huge investment fund in the initial stage to establish factory, purchase machinery and raw material.

To reach the lowest cost per unit, the optimal plant size should be large enough and capable to produce a large number of products in order to reduce the overhead and fixed cost, which will be lower as the number of product increases. Thus, it is very difficult for the new entrants to reach the lowest cost per unit at the beginning stage because the demand for their brand is not large enough, even though, everyone thought that the potential of growth in soft drinks industry is enormous. The statistic showed that, in Thailand, the per capita consumption was approximately 100 bottles per year. In Mexico, it was over 200 bottles per year. The Philippines, which has a population of some 70 million compared to Thailand's 60 million people, sold three times as many bottles as Thailand did. But the new entrant has to keep in mind that the first mover advantage is very important in this industry. As we mentioned earlier if you want to enter this industry, the only possible thing is that the new comers' products have to

differentiate from the existing ones. Then the analysis will have to balance the capital investment, operation expenses with the demand of new products.

(b) Access to Distribution Channel

Now soft drinks producers must confront the barrier to access the customer since the existing producers have a strong and powerful distribution network. The new comers will find it very difficult to penetrate their products into the market.

In order to succeed in the business, the new coming producers must pay much attention on distribution channels otherwise their product can not easily access the customer. The Fanta brand manager of Haad Thip confirmed how important distribution channel is to increase the sale volume of company's products, we have to create more demand by advertising and the same time push our products through the distribution channel. Imagine that there is a huge demand of Fanta, but when consumers go to buy it, they can hardly find it in the market place. In this case, how can company increase sales volume?"

The evidence of market in the South is that Coke has a strong distribution network from the advantage of Haad Thip who is the first mover in the South and the more important factor is a dedication of Haad Thip, when Sermasuk-the major competitor- wants to push Pepsi to Southerners, Sermasuk has many tactics in doing so, because they cannot compare with stronger Coke distribution network. Sermasuk, for example, gave free coolers to the retail stores to sell Sermasuk's

products. Sermasuk competes with Haad Thip on the basis of much more money to invest. We can conclude that the distribution cost of the new comers will be very high since the new producers must spend a huge budget on marketing strategy to reach the consumers.

(c) Product Differentiation

The major carbonated soft drinks namely Cola segment and fruit flavored segment can be easily substituted. They are viewed as perfect substitutes products. Therefore, in the case of soft drinks industry, it has a very low degree of barrier to entry in the case of product differentiation. One recommendation to the one that wants to enter this industry is that, the greater the extent to which a firm has succeeded in differentiating its product, the new company will succeed in this industry. But the new comers have to keep in mind that the companies should consider in trying to differentiate their products accompany market segment and standard quality control. The differentiation in this case can be the degree of frizzy, sweetness or totally differentiate to new flavors or concerning nutritional ingredients. To succeed in business, the new comers must differentiate its product from the existing producers otherwise it will hardly penetrate existing market. However, the new comer must be careful because the product differentiation might not be successful if the differentiation is not accepted by Thai consumers.

(3) Threat of substitute product

When we named soft drinks, it includes products in many categories. The major categories under the name soft drinks can be defined by:

- (1) Carbonated soft drinks
- (2) Non-carbonated soft drinks
- (3) Fruit juices
- (4) Vegetable juices

Substitution among these products is very common. The threat is that carbonated soft drinks seems to have very less advantage over others mentioned since fruit and vegetable juices can, though not perfect, substitute the demand of other soft drinks while it is quite difficult for carbonated soft drinks to substitute the demand of fruit or vegetable juices. The reason is already mentioned since the beginning that, carbonated soft drinks are viewed as non-healthy drinks.

The consumer research confirmed this situation that in the South beside Sermsuk the major competitors of Haad Thip, the cottage brand fruit juices are the second potential competitor to the company.

(4) The bargaining Power of suppliers

For carbonated drinks industry, the raw material used in production process consists of concentrate base, sugar, carbon dioxide and water. All raw materials are considered very important to the final quality of carbonated drinks, but the suppliers do not have much power to the carbonated drinks industry. Because only sugar and carbon dioxide suppliers are viewed to have bargaining power, but in reality it is not true. Sugar price is controlled by government and there are a lot of sugar

producers in Thailand. Haad Thip can easily switch to other suppliers. Moreover, there is no cost of switching suppliers because Haad Thip signs the buying contract on an annual basis. For carbon dioxide, even there are a few suppliers, Haad Thip still does not have a problem about price and quality of carbon dioxide supplied. Concentrate base is supplied by the only supplier Coca-Cola (Thailand), and for water, Haad Thip uses the company owned sources.

(5) The bargaining Power of buyers

We can absolutely say that there is almost no bargaining power of buyers mainly because of an oligopolistic characteristic of carbonated drink industry. Unfortunately, the sales of carbonated drinks can easily drop due to the fact that carbonated drink is non-healthy and also a non-essential product.

3.12 Pest analysis

(1) Law and Regulation

(b) Price control

For soft drinks industry, law and regulation have direct impact on the revenue of producers. Price of carbonated drinks is not directly controlled but when producers want to increase the price, they have to ask for permission from government. Regularly, producers have to pay two kinds of taxation. Corporate tax and excise tax. Corporate income tax is levied on profits of corporations.

For excise tax of carbonated drink, it is levied on the product as a unit tax. Approximate tax of each cap is nearly 2 Baht. The incidence of both kinds of taxation is a subject of great controversy.

The actual burden of tax appears to be diffused in a complex fashion among consumers, or producers.

(b) Quality control

Standard quality control is also required by government, The company has own standard and already have a quality control department to guarantee the quality of product before they launch the products on the market.

(2) Economic factors

The sale and consumption of soft drinks have a closed link with the economic conditions, in view of its very nature of being a price sensitive and non-essential products. Many factors can directly effect the demand or sales of soft drinks. In economic terms, the most influential factor for demand is “purchasing power” of consumers. Therefore, the consumption of soft drinks usually is in downtrend when the economy is not in good condition. The fluctuations of purchasing power of southerners come from:

(a) Price of agricultural products

The geographical area of the Southern part of Thailand makes it worse in the case of economic downturn because the South is an agricultural area. Thus, the major source of income of Southern people is depending on income from agricultural products. Major commodities of the South are rubber, palm oil, coffee and fruits. The prices of these commodities are currently low and subject to fluctuations. Therefore, this fluctuation directly affected the disposable income of southern people that means purchasing power,

which in turn effects the demand of soft drinks or other non necessity goods.

In 1998, the situation of prices for indigenous agricultural product is likely to continue to decline further. Hence possibility of the reduction in the demand for soft drinks. Furthermore, the contraction in fishing and construction industries does not help to improve the situation. All of this, resulted in the whole shrinking of the industry (almost-23%)

(b) Natural disasters

This factor also links with the geographical area of the South. We always heard southerners described their weather characteristic as “Rain 8 - Shine 4”. This can tell us that southern part of Thailand has only summer and much longer, rainy season. Moreover, there is much likely to have a natural disaster such as typhoons, and depressions, because it is raining through year-round, the South always faced with heavy floods.

The natural disasters such as, typhoons and floods have a direct impact on the major source of income of southerners. As mentioned before, the major source of income of southerners are from agricultural products and fishery, therefore; a natural disaster which are a common phenomenon in the South is believed to be worst in the future, will reduce the purchasing power of southerners and then the sale of carbonated drinks producers.

(3) Sociocultural factors

Right now consumers become more health conscious. They are concerned more on nutritious ingredients both for food and beverages. Thus makes them switching from consuming soft drinks to fruit juices, mineral water, and vegetable juices. Thus it can make the demand for soft drinks drop sharply. Beside the health conscious consumers, the consumer behavior of Thai expressed that they do not have brand loyalty for carbonated drinks. This is a strong reason for showing the importance of distribution which means the impact retailers can have on actual sales, because some consumers are not too choosy and they can be satisfied even if they are served with a different cola from the one that they named. Other consumers are more choosy, but this does not always mean that they can tell the difference between Coke and Pepsi.

(4) Technological factors

The technological factors seem to have less impact on soft drinks industry since the carbonated drink production requires standard technology, rather than high technology. Also, the raw material and ingredients are already set by the parent company. We can notice that Coca-Cola production process in the last 20 years was not so much different from the production today. However, the computerized control system is going to have a high role in production process right now. Therefore, technology does not play a major role in soft drink production but it is the support to have standardized soft drinks and also a cost reduction to the producer. As we can see from Haad Thip company, the machines for production were all set by the parent company because of the need of standardization. But Haad

Thip production's teams try to construct the machine for supporting activities such as the machine to separate case and bottles before the cleaning process. This can help to save company's cost of investment. When Haad Thip can lower their cost compared to its competitors, Haad Thip will have a cost advantage and that means higher profit.



IV. MANAGEMENT ANALYSIS

The success of Haad Thip for 20 years not only comes from the marketing strategies, as we will explain in chapter 5. Only the best marketing strategies cannot make a small company like Haad Thip stay in the leading position and overcome competitors for 20 years. Haad Thip is a very small company, when compared to the major competitor like Pepsi (Sermasuk Co., Ltd). The subsidiary of Sermasuk in the south receives the capital support from the Bangkok headquarters, but Haad Thip does not. Thai Pure Drink and Haad Thip are operated separately, especially for capital budgeting. Behind the success of the best marketing strategies come from both unique experience and superb management skills. The formulation of company's visions and strategies has stood time and accompany employee's commitment and dedication. Company also works for the interest of southerners, which Haad Thip employees can be proud of. Haad Thip management style is very strong in many aspects such as corporate culture, employee participation, flexibility of organization, business strategies and management ideology.

4.1 Management Philosophy of Haad Thip

The management philosophy under the managing director Sec. Lt. Phairoach Rattanakul focuses on the core ideology that "every activity of the company has to be one step ahead". This statement is placed deeply into every employee's minds. The management style emphasizes on both internal and external. The internal management style is a combination of both Eastern and Western styles of management. Haad Thip attempts to combine the advantages of two styles of management together. The Eastern style stresses on the care and empathy among the employees. The relationship between administrators and employees can be improved. This idea brings coordination and good

working atmosphere to the organization. On the other hand, the Western style puts attention on the employees' responsibility, performance and accountability. The progression and promotion of workers depend on their performance. The Western style is more proactive and commitment to the job and improves creativity of the employees. The job will be more challenging to the workers. The external management is to reinforce the relationship between company and southerners. Haad Thip considers them as part of the south. Company attempts to develop the quality of life and welfare of the southerners by supporting education, sport and donation. Haad Thip considers their employees as the ambassadors to deliver this idea outside.

4.2 Haad Thip Management

Haad Thip management can be classified into four primary activities. The managers within the company have to perform to get things done effectively, through and with other people. The four basic functions of management are Planning, Organizing, Leading and Controlling. Managers in Haad Thip company have to be able to perform and understand all four functions simultaneously. Each function affected each other.

Planning: Commonly referred to as the primary management function, planning is the formulation of future source of action. Plan and the objectives on which they are based give purpose and directions of the organization, its sub-units, and contribution individual.

Organizing: Structure consideration such as the chain of command division of labor and assignment of responsibility are part of organizing function. Careful organizing helps to ensure the efficient use of human resource

Leading: Motivate individuals to pursue collective objective by satisfying needs and meeting expectation in meaningful work and valued reward.

Controlling: When managers compare desired results with actual results and take the necessary corrective action, they are keeping things on track through the control function. Deviation from the past plans should be considered when formulating new plans

Besides the four main activities of Haad Thip, There are other issues that involve management of Haad Thip such as Social responsibility, welfare and compensation.

4.3 Planning

Planning is the formulation of future course of action, plan and the objective on which they are based give purpose and directions to the organization, its sub-unit and contributing individual. Every department in the organization has to be involved in the planning process.

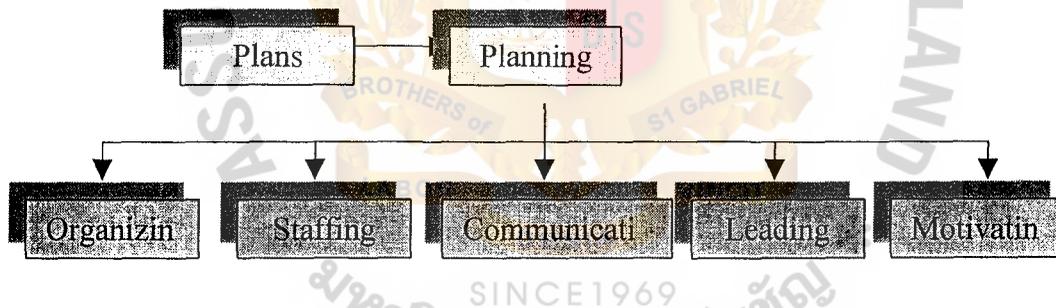


Figure 4.1. Planning process chart.

Planning of each department has to have coherence to the organization's goal and objective. The most important planning in the company has to interrelate with the mission or the super-ordinate goal, which reflects the purpose of the organization.

Mission Statement

Haad Thip Mission is: Haad Thip is part of the south. Company dedicates their effort for social activities that will be the benefit of the southerner

Goal or Objective of Haad Thip: Goal and objective of Haad Thip are changed year by year. This year company concentrates on the profit and sale due to the economic crisis during this period.

The planning of Haad Thip is separated from the Coca-Cola (USA) and Thai Pure Drink Co.,Ltd. But some of the main strategic policies have to be approved by the Coca-Cola. Coca-Cola USA and Haad Thip have a meeting once a year for discussing about each year planning. Because of the licensee contract between Haad Thip and Coca-Cola USA, the planning process of Haad Thip is a little complicated from the normal small company, and for policies and strategies that Haad Thip can develop. They come directly from the top executives of the company, but they are only goals and objectives. Top executives of Haad Thip give opportunities for each department to design the implementation by themselves. The ability to comment can be raised by the lower executives and workers as well. This management system is called the management by objective (MBO). MBO creates many benefits to Haad Thip.

4.3.1 Strength and Weakness of Haad Thip Planning

Normally, Haad Thip planning does not illustrate any disadvantages. But when strategic issues occur between Coca-Cola USA and Haad Thip, the complicated planning slows down the process and creates the conflict between Haad Thip and headquarters. The conflict can easily occur, because of the difference in culture and the way of doing things. On the other hand, Planning by using management by objective within Haad Thip has disadvantages as well. MBO will probably work well, if the organizational conditions are favorable and, probably fail if those conditions are unfavorable. These conditions depend on the top executives commitment, openness to change of employees and theirs willing and able to shoulder greater responsibility.

4.4 Organizing

Structural consideration such as chain of command, division of labor and assignment of responsibility are part of organizational function. Careful organizing helps ensure the efficient use of the human resources.

4.4.1 Organization Structure

Haad Thip has both vertical hierarchy and horizontal specialization in the company organizational structure. The vertical hierarchy establishes the chain of command on who reports to whom as the figure showed below. Each department manager reports to the assistant manager, then the assistant manager reports up to the managing director and vice versa in ordering. For the horizontal specialization, Haad Thip divides the business into 7 main functions such as marketing, production, administration, research and development, financing and accounting, transportation and sale. All of these functions can be classified into 4 main functions and 4 supporting functions. Each function has one manager to regulate each department. The organization chart of Haad Thip is classified as a flat organizational structure, since it is a small company.

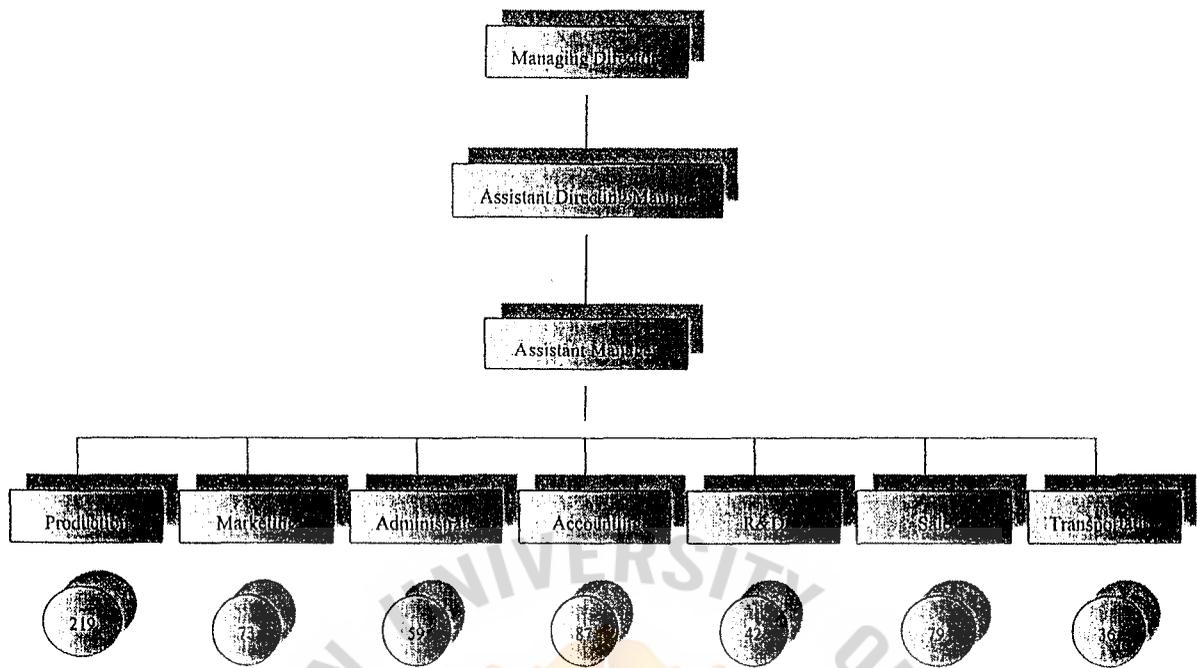


Figure 4.2. Haad Thip's organization chart.

Each department has a separate responsibility such as production department will control and regulate the production of final products as we will describe in more detail in chapter 3. Haad Thip organizational structure is strictly confidential.

How can Haad Thip organize the marketing department?

As soft drinks business is marketing oriented industry, Haad Thip has to emphasize more on their marketing department to compete in the fierce competition environment. Haad Thip employs the product division structure for the company's marketing department. It is separated into four product divisions; Coke, Fanta, Sprite, and Mello. Each product manager controls and regulates in promotion, advertising, sale force and estimate demand of each product.

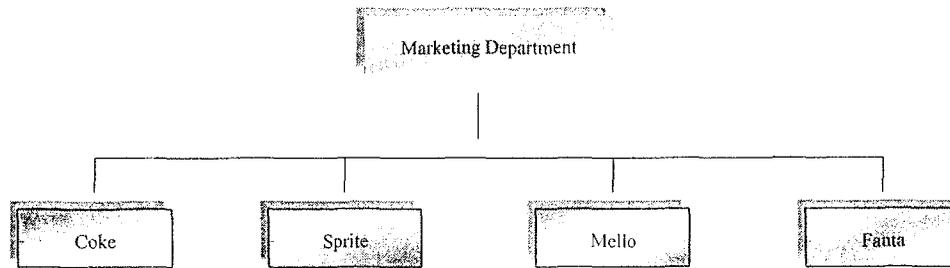


Figure 4.3. Marketing Department Organizational Chart.

The organization of Haad Thip is a combination between function and product division system.

4.5 Human Resource Management

Human resource management involves in resource planning, acquisition and development of human resource necessary for organizational success. Haad Thip considers human resource management as the responsibility of every employee in the company. Human resource department of Haad Thip supporting human resource activities such as recruitment process. The authority in selecting and appraisal is controlled by the supervisor or manager of each department. The human resource management is one of the strengths of Haad Thip. It brings company to be one of the learning organizations.

4.6 Human Resource Policy of Haad Thip

The human resource policy of Haad Thip is one of the major strengths of the company. Company successfully conducts the human resource policy, because the company has a proper business ethic that goes along with the southerners' culture. The supports from the culture of oneness in the south makes company easily bring out the

best character of Southerners. Haad Thip focuses the human resource policy on three main bases.

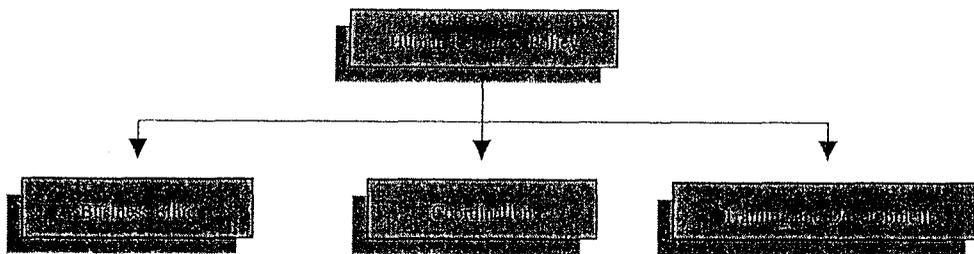


Figure 4.4. Human resource policy chart.

First, Haad Thip emphasizes on high business ethic in employees' career stability, equalization and performance. Second, company encourages employees to coordinate, collaborate and behave to get more respect from the society. Third, company concentrates in training and developing the employees' long term career.

4.7 Human Resource Planning

After strategic plans have been formulated, human resource planning can be undertaken. Organizational plans identified in the resource of the strategic planning processes are reduced to specific quantitative and qualitative human resource plans. Human resource planning has two components: requirement and availability. When the requirement and availability of employees have been analyzed, the firm is in a position to determine, whether there will be a surplus or shortage of employees. Ways must be found to reduce the number of employees, if surplus of workers are projected.

In planning the human resource, Haad Thip has to ensure the questions how can origination assure that company will have the right type of people and number of organization appropriate, efficient and focused on customers' status further?

Haad Thip uses the job analysis to define both job description and job specification as a tool for planning company's human resource. Haad Thip usually reanalyzed the job description every year to adapt to the change of organization and environment.

(1) Selecting

Recently, Haad Thip does not recruit any new employees because of the recession in Thailand. And the company did not lay off any worker from the company, as well. Generally, the process of Haad Thip recruitment will be from both internal and external sources. The recruiting and selecting of Haad Thip can be separated into 7 stages.

- Stage 1 Haad Thip allows people to apply all year-round. People can come in and apply directly at the office in Songkro. Haad Thip will advertise in poster and radio in order to attract the applicants when the company needs to recruit new employees.
- Stage 2 After announcement, Administrative department will be the one who plays the human resource function role in collecting all the information and screen by using the job specification.
- Stage 3 The administrative department will then transfer the applications that already screened to each department in order to apply the second screening, because each department knows more about the department qualification details needed.

Stage 4 Each department will send back the applicants who passed the second screen from their departments to the administration in order to call the applicants for taking the test. This test will differ from each position such as executive position will mainly focus on the interview, but for normal workers will depend mostly by on the paper test.

Stage 5 The interview process will be an interview between the needing department and the applicants. The administrative department will only facilitate the convenience of the interview.

Stage 6 After the determining and selecting the applicants, these applicants will be recruited for working in the company with the 3 months probation. The probation is required to ensure the selecting persons match the jobs.

Stage 7 After 3 months probation, The administrative department will evaluate new workers in both their performance and punctuality.

* Then, new recruiters are accepted into the Haad Thip Family.

(2) Training and Development

Training and development process is a planned, continuous effort by management to improve employee competency levels and organizational performance. Training activity is designed to provide learners with the knowledge and skill needed for their present jobs. A development activity is the process that looks beyond the knowledge and skill needed for the present job.

Principle of Training and Development in Haad Thip

Haad Thip Philosophy of training and development emphasizes on the notice that HaadThip does not want to see each employee in the stagnant position. Haad Thip will fully support human development. Haad Thip development will be:

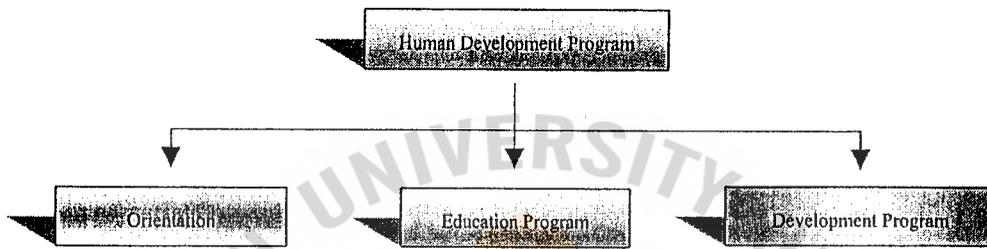


Figure 4.5. Human Development program chart.

(1) Orientation

The orientation is an introducing program for the new workers in order to know more on Haad Thip policy, structure, regulation and new workers' duty in the company. They will get to know their colleagues and how to work with pleasure. The orientation also includes the training in fundamental elementary program, specification and technical skill program, business administration program and skill supporting program.

(2) Education Program

Haad Thip gives scholarships at all education levels, which are compulsory education, bachelor and master degrees. These scholarships do not have any conditions on the students. The education program will include the vestibule training.

(3) Development Program

Haad Thip has a development program in both job development and personal development.

4.8 Performance Appraisal

A formal system of periodical review and evaluation of an individual or team-job performance. Most appraisal systems of Haad Thip focus on each employee performance. An administrative department has a direct responsibility for this activity. The appraisal system evaluates on an annual basis by using their specific forms of evaluation. Company uses only one form to evaluate all the employees. But the evaluation will separate executive and normal workers.

The pattern of appraisal of Haad Thip will be applied annually as we described before, but company records the real performance every 3 months or 6 months. Then, the administrative personnel will advice the ones who perform below standard to assure improvement. Some departments discussions take place between the appraisal personnel and the main director. Finally, the administrative department will use the result of performance appraisal to increase the employees' wage, bonus and promotion on yearly basis. But these evaluations still have weaknesses. The individual evaluations are regardless of the performance of the team.

4.9 Leading and Motivating

Leading and motivating is the set of forces that cause people to behave in certain ways. On any given day, an employee may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible. The goal for the Haad Thip's manager is to maximize the occurrence of the first incident and minimize the occurrence of the last one. This goal becomes all the more important when we understand how important motivation is in the workplace.

4.10 Leadership and Supervision Style

The leadership style of Haad Thip focuses more on people. The executives aim to bring out the best of their workers. The concept is forced to be practical by using training and development method. The employees are encouraged to play their parts as team members. Teamwork can be stimulated by using both inside and outside training activities. Haad Thip's employees feel that they are part of the company. The supervisors use an advice method more than ordering. Even though Haad Thip still focus on the employee performance, the atmosphere of work is similar to brother and sister more than boss and employee.

4.11 Motivating Style

Haad Thip uses motivation through employees' participation. There are four key areas of participative management. Employees in Haad Thip have an opportunity to participate in (1) setting goals, (2) making decisions, (3) solving problems, and (4) designing and implementing organizational changes. Participative management is defined as process of empowering employees to assume greater control of workplace. By being personally and meaningfully involved, Haad Thip will get large benefits that theirs employees will be more motivated and productive. One example that shows the success of Haad Thip motivating method is that during the recession, employees volunteered to cut theirs salary and OT payment.

Four keys success of Haad Thip motivation style

- (1) Annual profit-sharing or gain-sharing for each manager in Haad Thip for each year.
- (2) A long-term employment relationship with good job security. Haad Thip offers employees a long life employment and promotion.
- (3) A concerted effort to build and maintain group cohesiveness.

- (4) Protection of the individual employees' rights.

Strength and Weakness of the Leading Style

From the leading and supervising's respect and loyalty style of Haad Thip, It will reinforce employees' coordination to focus on the organizations' goal. Employees' mind will be organized into one goal. The respect and loyalty of the employees will bright on the smoothness of workflow. The atmosphere of work place will fulfill respect from each partner and increase the efficiency of working result. In contrast, the respect and loyalty will block generating the new idea of the employee.

4.12 Controlling

The word control suggests the operations of checking, testing, regulation, verification, or adjustment. It is also the process of taking the necessary preventive or corrective actions to ensure that the organization's mission and objectives are accomplished as effectively and efficiently as possible. Haad Thip have to abide by the rule and regulations of the Coca-Cola headquarter in the quality control system. Haad Thip quality control system uses the TCCQS of Coca-Cola (USA). But currently, Haad Thip is still in the second stage of progress in order to run its TCCQS. This stage is involved in the process of documentation. The TCCQS of Coca-Cola is the same as ISO 9000 combined with ISO 14000.

In general, Haad Thip uses controlling in order to ensure the effectiveness and efficiency in company activities. Haad Thip uses the concurrent control and feedback control system. The concurrent control of Haad Thip involves monitoring and adjusting ongoing activities and processes to ensure compliance with standards. The feedback control of Haad Thip is the process of gathering information about a completed activity, evaluating that information and taking steps to use information on past performance to bring future performance in line with planned objectives and acceptable standards.

On the pathway to achieve the TCCQS, Haad Thip uses the 5'S in order to prepare the full line of quality control as TCCQS. It took about 2 years in order to complete the process of 5'S.

4.13 Welfare and Compensation

The compensation is the total of all rewards that are provided to the employees in return for their services and welfare including all the non-wage rewards. The welfare and compensation of Haad Thip can be classified into 3 types. The first is main compensation, which is wage and over time. The second is non-wage compensation such as uniform, transportation, medical service, hard working reward and so on. The third is safety-net compensation such as minimum wage, severance pay, workmen's compensation fund and so on. Beside the legally required law, Company also provides an extra compensation for the employees such as uniform, medical payment, issuance, training and education.

4.14 Social Responsibility

Social responsibility is the set of obligations the organization has to protect and enhance the society in which it functions. The section followed trace historical and contemporary views of social responsibility, identify organizational constituencies, and describe the types of approaches the organization might take toward the social or environmental consequences of its practices.

Degree of Social Responsibility

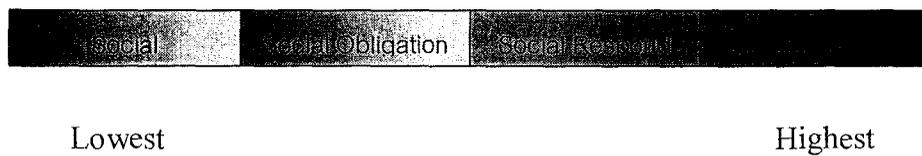


Figure 4.6. Degree of social responsibility chart.

The social responsibility of Haad Thip can be put in the highest degree, which is social contribution. Haad Thip views themselves as citizens in southern society and proactively seeks opportunities to contribute. As excellent example of social contribution is the contribution and dedication of the company to the south in helping southerners in a big flood, which is a common phenomenon in this region by donating the food and beverages to the victims.

V. ANALYSIS ON HAAD THIP'S MARKETINIG STRATEGIES

5.1 Market Situation Review

In 1975, Haad Thip, licensee of Coca Cola Thailand, was the first soft drinks company that invested in the soft drinks market in the South of Thailand. From being a first-mover company, Haad Thip was able to preempt rivals and capture demand by establishing a strong brand name, Coke. They also built sales volume in that area and ride down the experience curve ahead of rivals, giving them an advantage from cost reduction over later entrants, such as Pepsi. In addition, Haad Thip was successful to create switching cost that tie customers and distributors into their products. With all these sophisticated benefits, Haad Thip could create barriers from new entrants and enjoyed a strong competitive position in the South for years.

However, there are major key success factors, which bring prime success to Haad Thip in the soft drinks market. First, Haad Thip had made a marketing right move. The company's business philosophy is to establish close relationships with distributors and customers. The distributors are being treated nicely and helpfully, while customers are being treated gently, and full of service. This effect is likely to be particularly strong in some areas like in the South of Thailand, where long-term relationships have traditionally been very important in business and social setting. Second, Haad Thip strictly adhere to a 25-odd-year old policy of contributing as much as possible to the Southern communities. The contribution is most evident in the areas of helping impoverished and less opportune children through school; few subsidies and sponsoring sports and cultural events as well as other activities aiming at improving the quality of life of the South. Haad Thip takes it upon itself to stand side by side with the people in the face of catastrophes, such as floods in various and drinking water to the affected

people. For all these contributions, finally, Haad Thip become part of the South and being an ideal company of the Southerner. And there should be no doubt why Haad Thip could capture the highest market share in the South.

On the other hand, Sermasuk, licensee of Pepsi Company, is trying so hard to beat Haad Thip's market share by promoting their product in Discount price, and give away product and trolley to distributors. Phuket is the first region that Sermasuk had put full effort in marketing strategies to capture the market share. In 1992, Sermasuk was a success in capturing market share of 65%, while Haad Thip could capture only 35%. However, Haad Thip had a stronger and wider distribution network than Sermasuk. Within 5 years later, Haad Thip could bring back the market share and become market leader in Phuket periodically. Haad Thip's market share in that year was 75%, while Sermasuk's market share dropped to 25%. From this failure, Sermasuk started to realize that they don't have good distribution channels, and good local marketing departments that really understand the consumer behaviour, plus they don't keep fully monitoring the change in market share of the South. Therefore, in 1997, Sermasuk constructed a first plant in Surathani. They aimed to increase more distribution channels and setup marketing division to carefully study the consumer behaviour and adopt new strategies to compete with Haad Thip. Sermasuk's mission is to be a market leader in the soft drinks industry in the South within 3 years. However, it seems to be hard work for them, since, recently, Sermasuk could capture market share of only 1%- 2% higher. One of the main reasons is that, Haad Thip is an ideal company of the South for a long time, while Sermasuk lacked of collaboration from them. Haad Thip had stood side by side with Southerners for years, and with the character of Oneness of Southerner; therefore, most Southerners are willing to support and buy Haad Thip's products even though they have to pay a little bit higher in price or without any free product given. As a result, for

almost 2 years, Haad Thip could still maintain their highest market share in the South and gained the trust from the Southerner.

In 1997, as the overall economy started to really sink due to the economic crisis in Thailand, most companies, including Haad Thip, cut and reduced expenditures. The first of which is money spent on non-driven sales volume activities, such as cash contributions toward the well being of communities in education, sports, and cultural areas.

In 1999, the total soft drinks industry in the South was estimated to be 1.6 million baths, about 80% of which were Haad Thip's share. While the whole soft drinks industry in Thailand rolled back by about 22%, Haad Thip registered a less than one percent growth and still retained market leadership position by a not significant margin. Hence, in 1999, Haad Thip's market share in soft drinks market was 79%, while Sermasuk's market share remained at 21%.

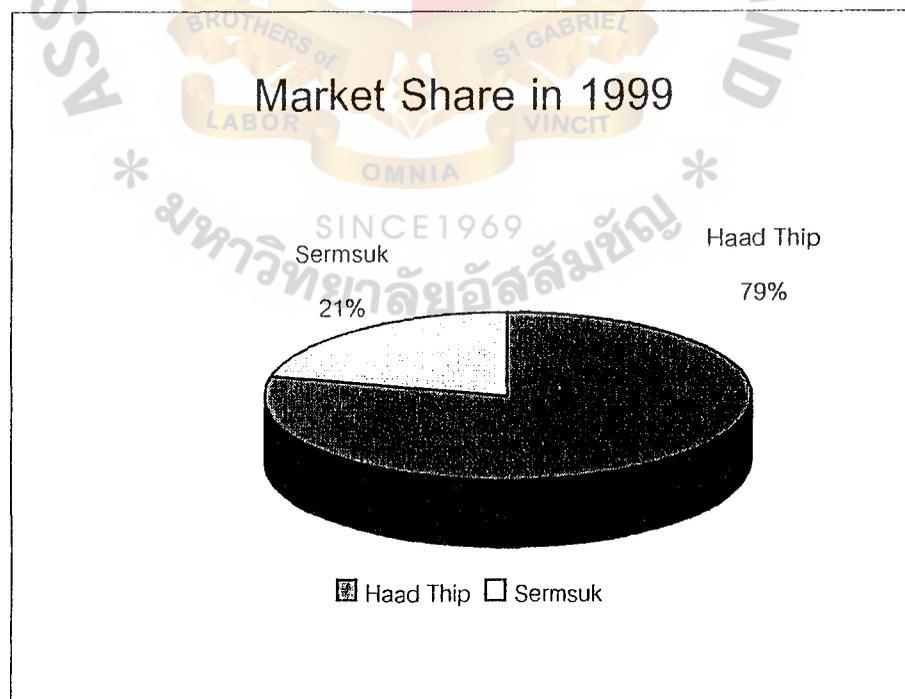


Figure 5.1. Market share of the soft drinks industry in the South of Thailand, in 1999.

However, Sermasuk tends to face little problems with cutting expenditures, since they have a huge amount of capital budget. And so it becomes their competitive advantage over Haad Thip. Recently, Sermasuk Company has adopted a new market strategy. Apart from giving away products, trolleys, and sales in discount price, they begin to participate more in the Southern communities. They start to realize the nature of the Southerner, and know how much important it is to establish a close relationship with them in order to gain their trust. Therefore, Sermasuk had set up many contribution programs in the previous year. Most of the contributions were mainly focused on new generation, such as sponsorship in sport, music contest, and education scholarship. They believe that these new generations are easier to motivate and change their behavior than the old generation.

In conclusion, the situation in the soft drinks market this year will be very competitive. Business plans are becoming more customer and competitor oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Therefore, the two major camps have to come up with new and creative strategies in order to bring their company to survive and be able to capture a higher market share.

5.2 Competition in The Soft Drinks Industry

The soft drinks industry in Thailand can be divided into 2 major camps: namely “Coke” and “Pepsi”. The Coke camp consists of Thai Pure Drinks Co., Ltd. – the Bottler of Coca-Cola products for all except the 14 provinces in the South of Thailand. The “Pepsi” camp consists solely of Sermasuk Public Co., Ltd. In addition, there are a few other players such as Greenspot (Thailand) Co., Ltd. and Bailey Co., Ltd.

The soft drinks industry is highly competitive because the nature of soft drinks products requires year-round advertisements and promotions to stimulate consumers’

demand. Soft drinks are seasonal products with heightening sales during the summer. Thus, bottlers tend to launch their promotion activities during the hot season to reap the seasonal benefits as well as to gain higher market shares and higher consumption per head. The south is no exception. The competition in this region is nothing short of intense. The company, however, has maintained its policy not to give discounts or lavishly give away products or cash in order to maintain or open new outlets.

Instead the company continues to support various social, educational and sports activities as Haad Thips have done over the past 20 years for sometime now the Company have been regarded as “part of the South”. The soft drinks consumption per capita in Samui, Surat, Thani, Phuket and Songkla is generally higher than that in other areas.

The key success factors of business operation are the quality of product that meet the customer's preference, the good service and quick response to the demand of consumer in appropriate time. The opportunity of business operation in soft drinks industry depends on the number of increasing distribution channels or the growth rate of dealers such as department store, fast food, convenience store, and entertainment centers, which rely on the basic foundation of the country's economy.

The future growth and development in soft drinks industry, periodically, are based on marketing activities. These included advertisement, promotion events, increasing distribution channel programs, launching new package design, or new flavor product, in order to motivate customers to try them. As a result, the competition would be more competitive and reflects the change in every aspect of development and growth in the soft drinks industry from time to time.

The aggregate market value of the soft drinks industry is estimated at Baht 30 billion. In 1998, the growth rate of the industry was negative, i.e., -14 percent as a

result of the economic crisis, which began in mid 1997 and continued throughout 1998. The crisis has caused an overall drop in consumer purchasing power, a major impact on sales of non-essential goods, such as soft drinks. The market for soft drinks in the South alone is valued at approximately Baht 1,800 million, 80 percent of which is held by the Company's combined sales of Coca-Cola, Fanta, and Sprite. In the Cola segment, Coca-Cola accounts for about 65 percent market shares – a slight decline of 3 percent compared to last year's result due to the competitor's "aggressive" push at all costs and "tactics". On the other hand, Fanta, Sprite and Mello collectively enjoy a market share of more than 85 percent in the flavors segment.

However, in year 2000, it is expected that Haad Thip's market share this year will continue to slightly drop back. Since Haad Thip had fixed the price of products in the past several years even during economic recession and hold the burden of losing the profit margin alone, finally, Haad Thip could not cover this loss anymore. Therefore, the Company had to increase the price of 10 ounces bottle of Cola from 7 baht to 8 baht, while Sermasuk still remain at the price. The reason why Sermasuk could fix their price is because they have a huge capital budget, which is enough to cover the increasing variable cost. Consequently, Haad Thip lost their portion of market share to Sermasuk. And this year, Sermasuk's growth rate is increased to 20%

The competition this year seems to be very competitive and more intense. Price strategy might be the final action that each major camp will use. The overall macroeconomic in soft drinks market in year 2000 is expected to see a further decrease of 15 percent in the growth of the soft drinks industry, following a 14 percent negative growth in 1998. The company also expects to witness a contraction of 12 percent. Though this figure is of lesser magnitude than that of the industrial average, it represents the Company's first –ever negative growth rate. If, however, the economy

turned around and an upturn is seen by the end of the second quarter of this year, 2000, then the company could expect better performance than forecast now.

5.3 Product Life Cycle

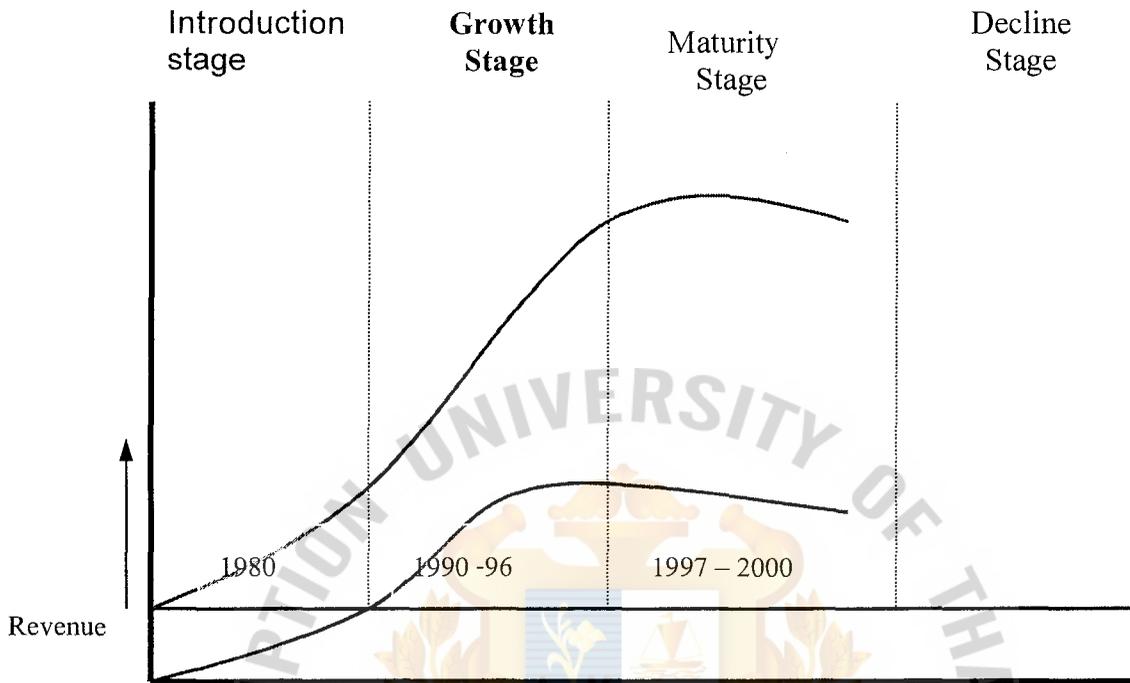
Haad Thip is constantly trying to differentiate their market offering from their competitors'. They dream up new services and guarantees, strengthen public relation, expanding distribution network, and special rewards for loyal consumer. Note that, most competitive advantages last only a short time. Haad Thip normally reformulate their marketing strategy several times during a product's life. Economic conditions change, competitors launch new assaults, and the product passes through new stages of buyer interest and requirements. Consequently, Haad Thip must plan strategies appropriate to each stage in the product's life cycle.

5.3.1 Product Life Cycle Market Strategy

Haad Thip marketing manager uses the life cycle concept to make sure that the introduction, alteration and termination of a product are timed and executed properly. By understanding the typical life cycle pattern, marketers are better able to maintain profitable products and drop unprofitable ones. For Haad Thip's soft drinks product, it is now at the phase of maturity.

Notice that, market segmentation strategies are more likely to occur during the maturity stage of the product life cycle, although segmentation may be appropriate at any stage. As Haad Thip's product move toward maturity, the opportunity for segmentation typically increases. The nature and intensity of competition that occur at each PLC stage are important in guiding market targeting decisions.

Product Life Cycle from 1980 - 2000



Source: Interviewing Marketing Manager of Haad Thip

Figure 5.2. Product Life Cycle graph from 1980-2000.

A product life cycle has four major stages: (1) introduction, (2) growth, (3) maturity and (4) decline. As a product moves through its cycle, the strategies relating to competition, promotion, distribution, pricing and market information must be periodically evaluated and possibly changed. During the maturity stage, the sale curves peaks and starts to decline, and profits continue to decline. This stage is characterized by severe competition such as Sermsuk Company. Competitors emphasize on improvement and differences in their versions of the product. Inevitably, during the maturity stage some weaker competitors are squeezed out or switch their attentions to

other products. During the maturity phase, Haad Thip must make fresh promotional and distribution efforts.

These efforts must focus on dealers as much as on customers, to ensure that brand visibility is maintained at the point of sale. Advertising and dealer orientated promotions are typical during this stage of the product life cycle. And so the Company emphasizes more on strengthening relationships and provide full service line to dealer and distributors. Product modification might be a good alternative such as improving product quality, features, package, flavor, and style to attract new users and more usage. It is essential for Haad Thip's marketer to consider defending the product. A good offense is the best defense.

Market Growth Rate:

Table 5.1. Market Growth Rate from 1997-1999.

YEAR	1997	1998	1999
Haad Thip	8%	0%	-14%
Industry	0%	-15%	-22%

Source: Annual report 1999

As you can see market growth rate has declined since 1997 due to economic crisis. The Company's sales volume shrinks, and, therefore, they have to cut back their expenditure and contribution to external affairs. Their market share slightly decreased, but in overall market, Haad Thip still holds the highest market share and be a leader in soft drinks market in the South.

5.4 Demand Forecasting

Demand of soft drinks is in the seasonal demand format. The demand in each month is vary. Primarily the demand is predicted month by month by top management of the production team. To forecast, the team uses the historical data to develop the plan, so that sometimes the result could be inaccurate. Anyhow, this roughly plan can help to overview the demand of a certain time period. Then, Haad Thip can prepare and adjust itself for handling any possible situation.

Generally, an accurate demand is predicted by the salesforce, not from the top management. Demand comes from the salesforce month by month. Haad Thip has many delivery lines. Salesperson will get the demand or order when they deliver the product to the retailers. Then the leader of each line will inform the order to the production team. The summation of all orders is aggregated demand in each month. When the production team gets the accurate demand, the production plan will be arranged in details. Although the production team now can predict more accurate, mistake can happen. Actually, demand changes weekly or daily depending on the weather and festival. The plan must be adjusted overtime when demand changes. Therefore, the production plan must be revised in every half a month. After the production team gets the actual demand, the real production plan will be arranged and sent to the production line for producing the soft drinks. The actual demand will also be sent to the purchasing department for preparing raw materials.

5.5 STP Analysis

Today's companies are moving away from mass marketing and products differentiate marketing toward target marketing. Target marketing help sellers identify marketing opportunities better. The seller can develop the right product for each target market. They can adjust the marketing mix to reach target market efficiently. Target

market calls for three major steps. First, market segmentation is the process by which customers in markets with some heterogeneity can be grouped into smaller, and more similar or homogeneous segments. In the soft drinks market, we can segment the market based on demographic variables such as age or race. Because these factors can be closely related to customers' product needs and purchasing behavior, understanding them often helps target their efforts more effectively. The second market targeting, the act of evaluating and selecting one or more of the market segments to enter. The last step is market positioning, the act of formulating a competitive positioning for the product and a detailed marketing mix.

5.5.1 Market Segmentation

Table 5.2. Market Segmentation in 1999.

Market Segmentation in Soft Drinks Market		
Type of soft drinks	Age	Product
Black drinks	12 - 35	Coke, Pepsi
Lemon drinks	15-35	Sprite, 7-up
Color drinks	8-25	Fanta, Mirinda
Pure water	15 - 45	Haad Thip pure drinks
Other	18 - 30	Nest café

Sources: Interviewing Marketing Manager of Haad Thip.

Demographic Segmentation (Age)

According to the table above, Haad Thip segments the exclusive soft drinks directing its marketing effort towards kids, teenage, and adults that want to consume the clean and variety of taste of soft drinks products from different ages. Consumer at the

age between 12 to 35 prefers to consume Black drinks, while children from 8 to 25 are more likely to consume color drinks. Lemon drinks would be popular among teenagers as well especially in females. It covered the age between 15 to 35. Pure water drinks is highly demanded from age 15 to 45 and other drinks such as NesCafé is demanded from age 18 to 30.

Population statistics help Haad Thip marketers to understand and keep track of changing age profiles. Through this data, it is possible to achieve a better understanding not only of customers' needs and wants but also of their other characteristic.

5.5.2 Target Market

Haad Thip decided to operate in several segments of the market and designs separate offers to each. By offering product and marketing variations, the Company hopes to attain higher sales and a deeper position within each market segment. Furthermore, the Company hopes for greater repeat purchasing because the firm's offer matches the customer's desire rather than the other way around. Haad Thip tends to target more in differentiated product because it typically creates more total sales than undifferentiated marketing. In this market segmentation, Haad Thip targets more in Black drinks segment, Coke, and Color drinks segment, Fanta, and Lemon drinks segment, Sprite. Each product is differentiated from competitor's product in terms of image and taste. Coke, Sprite, and Fanta are mainly targeted at teenager than adult. Since most soft drinks products consisted of sugar, and carbonate gas, and many adults are concerned more about their health. They consume less soft drinks, but pure water. However, sweet taste, fizzy, and colorful drinks do effects buying stimuli of most children in younger age. Fanta is very popular among kids, while Coke and Sprite is highly demand by teenagers. In the South, Muslim community also prefers to drink Fanta very much. It is their traditional belief that the variety color of Fanta represented

the colorful life. It means the happiness and joy. The sales of Fanta are significantly profit able especially during the Muslim's festival. They could not eat and drink during morning until midnight. So they choose to drink Fanta after midnight, because it tasted good to Muslim's preferences, and they could get glucose from sugar in the Fanta as well.

5.5.3 Positioning

In order to be successful in product promotion, Haad Thip's marketers must have a clearly defined image of each product in the minds of its target consumers. The product's positioning must be perceived by its consumers to be different from the positions of competing products. Coke's image is purposely reflecting old style, classic, and long friendship characteristic. It targets mainly on old generation especially male. Fanta's image represented colorful style, young, and creative. It is targeting mainly on teenager and kid. And Sprite's image represented fresh, young, and soft. It targets mainly on working people especially female.

Beside product differentiation, Haad Thip also perform company differentiate from other competitors by creating a good corporate image. Through several years of cash contribution to social communities, external affairs and sponsoring in sport and cultural events, Haad Thip was regarded as an ideal company and being part of the South which none of the competitors could be in that position.

5.6 Tools for Strategic Marketing

The purpose of identifying Haad Thip's strategic business units is to develop separate strategies and assign appropriate funding. Senior management needs analytical tools for classifying its businesses by profit potential. Therefore, BCG model is widely used to show the Market Growth- Share Matrix in order to analyze business positioning.

The Boston Consulting Group (BCG) Analysis:

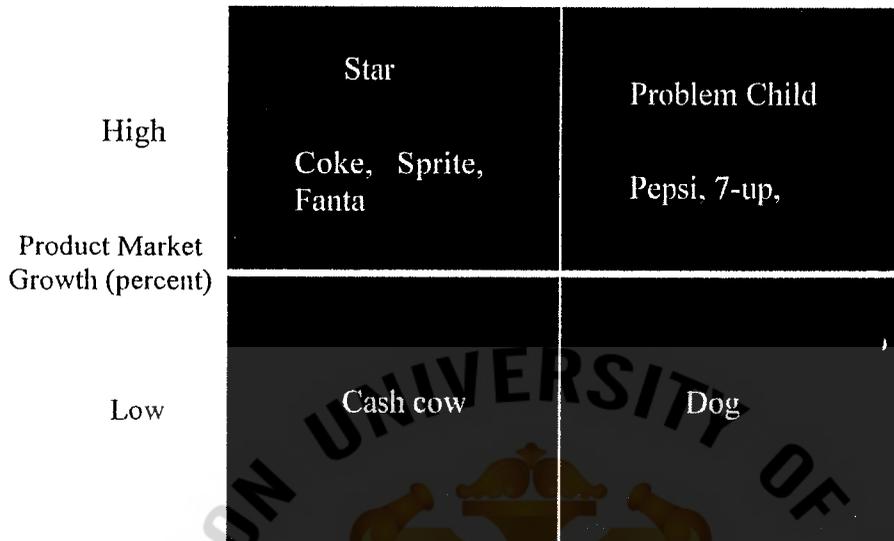


Figure 5.3. Boston Consulting Group Model.

According to the BCG chart, Haad Thip's products gained a dominant share of the market and good prospects for growth. In 1999, Coke gained market share at 79%, while Pepsi gained 30%. Sprite's market share is 89% and 7-up gained market share at 11%. And Fanta's market share is 83%, while Mirinda's market share is 17%. Haad Thip could achieve high market share as well as high growth rate. On the other hand, Sermasuk could achieve only high growth rate, but still capture low market share. However, in year 2000, it is anticipated that Sermasuk would be able to capture higher market share due to gradually increasing growth rate in year 1999.

Market Share of Soft Drinks in the Southern part of Thailand.

Table 5.3. Market Share in 1999.

Products	Market Share
Coke	70%
Pepsi	30%
Sprite	89%
7-up	11%
Fanta	83%
Mirinda	17%

Source: Annual Report 1999



Figure 5.4. Market share of Each Product.

Besides gaining a dominant market share in the South, Haad Thip's product also capture a high growth rate. As a result, Haad Thip could gain substantial profits from sales volume. However, to maintain their position, it requires a large investment to finance growth. At this phase, Haad Thip must create strategies to protect existing

share and reinvest earnings in the price reductions, product improvements, and strengthen relationship with the Southerner. The product life cycle, and market segmentation are very important marketing instruments for Haad Thip marketers to plan and decide the next action wisely.

5.7 Consumer Behavior

The aim of marketing is to meet and satisfy target customers' need and wants. The field of consumer behavior studies how individual, groups, and organization select, buy, and dispose of goods, service, ideas, or experience to satisfy their needs and desire. Understanding consumer behavior and "knowing customers" are never simple. Customer may say one thing, but do another. They may not be in touch with their deeper motivation. They may respond to influences that change their mind at the last minute. Therefore, Haad Thip must try in every way to capture consumer's mind, in order to understand customer's motivations, needs, and preference. Plus, the marketer's task is to understand what happened in the buyer's consciousness between the arrival of outside stimuli and the buyer's purchase decisions. Studying customers provides clues for developing new products, product feature, prices, channels, and other marketing-mix elements. This section mentioned the nature of Southern consumer behavior and the characteristic of consumer.

5.8 The Nature of Southern Consumer Behavior

Normally, the current customers prefer to buy the soft drinks products from different buying centers such as from the truck fleet, outlets, department store, supermarket, restaurant, and other entertainment centers. They just buy it wherever they think it is the most convenient to them.

In the soft drinks market, the purchase and consumption of soft drinks product vary based on seasonal and social surrounding. For example, during summer season,

January - May, the sales volume of soft drinks would be highest. One reason is that people like to travel and do many outdoor activities during summer season. So whenever they are feeling thirsty and hot, due to high temperature, they will look for cold soft drinks rather than pure water. On the other hand, during winter and cold season, people tend to stay at home and do little outdoor activities. So they spent less time outside home and giving result in less consuming soft drinks product. The sales volume during this period shrank back sharply. Therefore, Haad Thip has to come up with home consumption strategy to emphasis customer to buy soft drinks product back home, so that during winter, they can have them consumed at home.

Promotion events such as heavy advertisement on television and billboard poster motivate customer to buy soft drinks product. Especially when the presenter is a Southerner, Miss Thailand World 1997, that advertisement would be very attractive and encourage the Southerner to buy Haad Thip's product. Sponsorship in sports also stimulate Southerner to recognize Haad Thip's products and support the products from time to time.

In order to place Haad Thip's product in consumer's mind, Haad Thip Marketers must try to understand consumer behavior so that they can offer consumers greatest satisfaction. An appreciation of how and why individuals buy products and service helps marketer design more appealing marketing programs, so that consumers will buy the Company's product without thinking, but from inertia. Normally, targeting consumer can be divided into 4 levels. Based on income factor which are:

Class A - People with high income and high purchasing demand

Class B - People with medium-high income.

Class C - People with medium-low income.

Class D - People with low income.

The characteristic of people in class A is sociable. They have earned high income or wealth through exceptional ability in the professions or business. They tend to be active in social and civic affairs and seek to buy the symbols of status for themselves and their children. Normally, they like to set up party at home or invite hosts to attend the party. Therefore, in order to be socially acceptable, the owner has to serve hosts with soft drinks instead of pure water. Thus, people from class A will purchase more on PET bottle, 1.25 liters and 2 liters, and can to stock at home.

The characteristic of people in class B is outdoors. They earn average-pay who lived on the right side of town. Often, they buy products that are popular to keep up with trends. The middle class believes in spending more money on “worthwhile experiences” for their children. Most of them like to party. They like to travel and stay outside home. In their perspective, coke's image stands for classic and suitable to serve the party. It is more vulnerable and appropriate to serve hosts than pure water. Therefore, they tend to purchase more on PET bottle, 1.25 liters and litres bottle.

The characteristic of people in class C is working lifestyle. They are average-pay worker. The working class depends heavily on relatives for economic and emotional support, for tips on job opportunities, for advice and for assistance. They perceived soft drinks as affordable and still in cheap price. Therefore, they prefer to purchase 10 ounces Coke bottle and PET bottle 1.25 liters.

The characteristic of people in class D is economic. Most of them prefer to purchase pure water because it is cheaper than soft drinks. Some consume pure water because they are health conscious. Therefore, it is not often that these people will consume soft drinks.

From the above data, Haad Thip serves more on people from class B and class C. One of the reasons is that most people in the South are grouped in to this class. They have

highest purchasing power. So Haad Thip tries to capture the large volume of population. Haad Thip also focused on Muslim as well. Because Muslim in the South like to drink Fanta very much, they believed that the color of Fanta stands for fresh and beautiful life. Therefore, Haad Thip creates distribution channel to reach Muslim's demand as much as possible.

5.9 Consumer Behavior Strategy

To actually understand how consumers actually make their buying decisions, marketers must identify who makes and has input into the buying decision; people can be initiators, influencers, deciders, buyers, or users and different marketing campaigns might be targeted to each type of person. Marketers must also examine buyers' levels of involvement and the number of brands available to determine whether consumers are engaging in complex buying behavior, dissonance-reducing buying behavior, habitual buying behavior, or variety – seeking buying behavior. They must know exactly what consumer needs and wants and be able to predict the change in consumer behavior in the future. In order to do so, the Company must create brand recognition to the customer first. Marketer must create good brand image and perform full service to customer to make them satisfied and happy to buy the Company's product. Information is also very important. The Company must promote the product through all possible advertisement media and make sure that customer could reach the information whenever they want.

Also, the Company must make sure that there is sufficient distribution network to distribute product to customer wherever they want. Therefore, expanding location is a very important strategy that Haad Thip must be really concerned about. And the last thing, Haad Thip must try is to differentiate its product from other competitors. This will make consumer to choose the Company's product without thinking of the other brand. So the consumer's mind is the most important issue that Haad Thip's marketer tried his or her best to promote their product to be the most attractive and being recognized every time consumer wants to buy the product.

Trade Promotion program may encourage the consumer to recognize the product better. This included advertisement on television, radio, billboard, poster, and all the Coke signals given in each location. Since the characteristic of the Southerner is Oneness, therefore, it would be more attractive if the Company could present advertisement that is related to the Southerner such as beautiful beach or Southerner presenter.

5.10 Market Strategic Planning

Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth.

Strategic planning for individual businesses entails the following activities: defining the business mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, formulating goals, formulating strategy, formulating supporting program, implementing the programs, and gathering feedback and exercising control.

5.11 Haad Thip's Market Mission

Market Mission: To be market leader in the soft drinks industry.

Market Objective:

- (1) Maintain and, if possible, increase market share.
- (2) Establish a superior product image.
- (3) Develop better relationship with store and distributors.
- (4) Increase consumer preference by strengthen relationship with the Southerners.

Market Strategies:

- (1) Emphasis human's skill development and sales training.
- (2) Developing Marketing Mix and looking for new technology.

- (3) Increase sales volume and pushing supply by using attractive advertising and promotion to dealer and retail store.
- (4) Build public relation such as contribution to external affair, sponsorship, and etc.
- (5) Increase distributions network as much as possible.

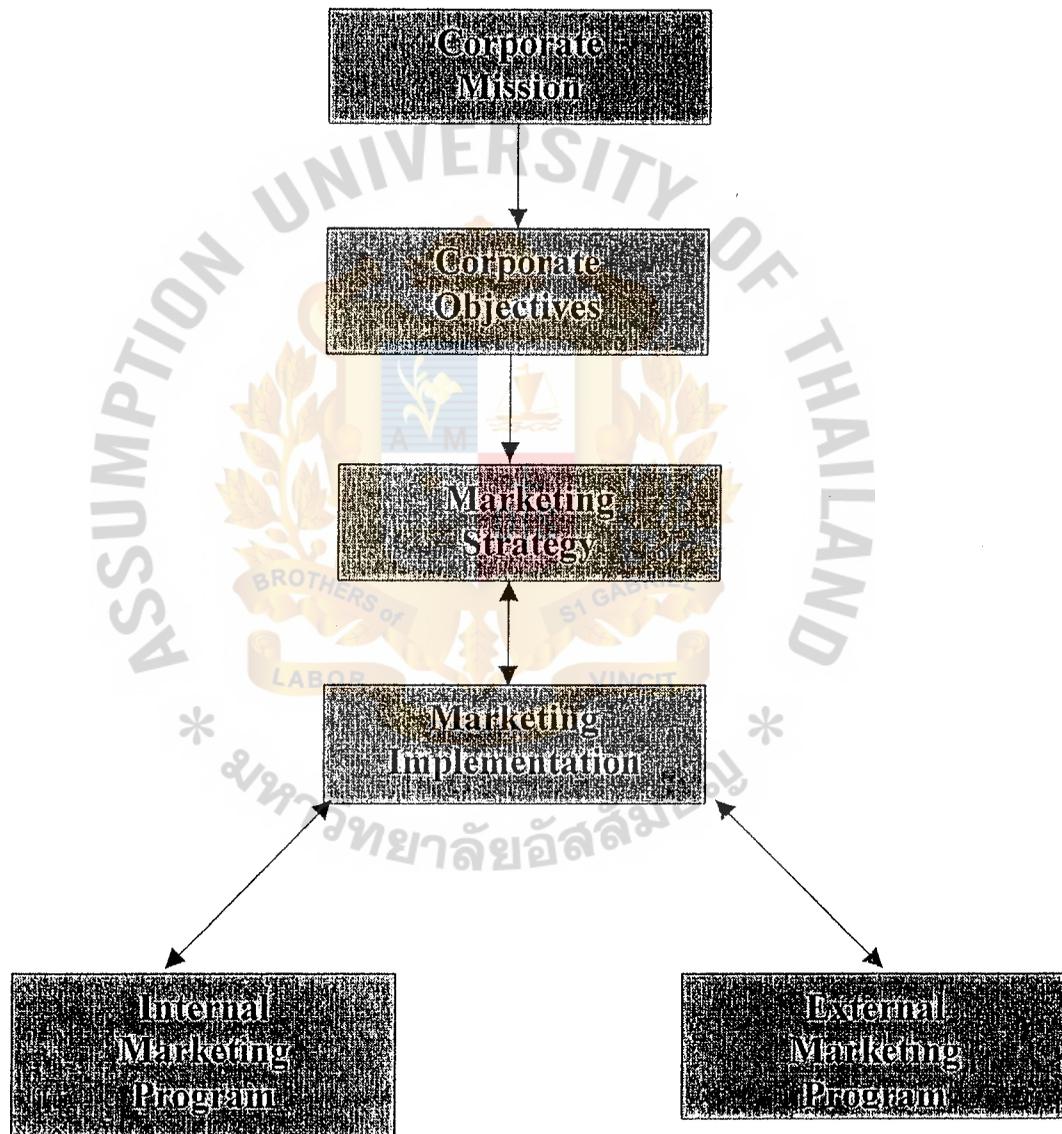


Figure 5.5. Internal Marketing Framework.

5.12 SWOT Analysis

The product manager needs to identify product strength and weakness. Haad Thip's main strengths are as follows:

Strengths

- (1) Company's products are accepted and needed by consumers more than competitors' products.
- (2) Having their own warehouses and distribution systems throughout the 14 provinces allowing company to service its consumer more efficiency.
- (3) The advertising media relevant to local culture created consumers' preference.
- (4) Attractive merchandising items and promotional campaigns create consumer satisfaction.
- (5) Company has good image because company is involved in a lot of local social activities.

Weakness

- (1) Nationwide advertising via television launch discontinue and less attractive than competition.
- (2) Advertisement did not launch to cover overall product type such as Sprite.
- (3) Company did not have its own product line for produce non-returnable product type.
- (4) Lack of budget fro Coca-Cola Thailand Co., Ltd caused company cannot spend heavily on promotion in order to compete with competitors especially for Sermasuk Company.

Here the product manager identifies the main opportunities and threats facing the business. The main opportunities facing Haad Thip's line are as follows:

Opportunities

- (1) The Southern part of Thailand still has a lot of market gap for company to fulfill consumer's need. Company can create more sales from competitors' exclusive distributors and new open outlets.
- (2) Unemployment effect from crisis makes unemployed workers opened own business including retail outlets. This lead company has opportunity to increase distribution channels and more sales volume.
- (3) Thailand support tourism industry by creating "Amazing Thailand Year" leads a lot of foreign tourists to come into Thailand including Southern part. Company can generate more sales from foreign visitors who have consumers' loyalty towards Coca-Cola products.

Threats

- (1) Thailand's economic recession adversely affected the purchasing power of soft drink consumers.
- (2) After economic recession, modern trader become major role players in distribution channel of soft drink industry. So modern trade customers have more bargaining power to lower prices of products.
- (3) Natural disasters such as typhoons and floods in the South can reduce demand on consumers.
- (4) Tax is one factor to affect price. The government policy to increase excise tax, VAT will likely raise company expenditure and products' price.

- (5) Nowadays consumers are concerned more about health cause, company has more indirect competitors who launched health concern drinking water.

5.13 Haad Thip's Marketing Strategy

Due to different geographical battlefield, Haad Thip Public Co., Ltd was granted by Coca Cola Thailand to set up their own Marketing Department in order to keep monitoring the change of consumer behavior and develop new practical strategies. However, most of the marketing strategies will be revised in terms of financial budget and risks by Marketing Department at headquarter first before implementation.

In the past, Haad Thip emphasized more on advertising medias in order to create demand and implement push strategy to supplier to distribute the products to fulfill the demand of ultimate consumer. However, the major marketing strategy that Haad Thip has been using for almost 25 years, and always been successful is to strengthen relationship with the Southerner communities and to sell the product at reasonable price. Haad Thip stands side by side with the Southerner for more than 20 years in the face of catastrophes and provided contribution as much as possible to the Southern communities. Though the Company suffered from economic crisis, and faces a slight drop of profit margin, they did not increase the price of the products. As, the Company did not push the burden to the consumer; finally, they became an ideal company of the South, and their sales could be steadily increased even in the phase of economic downturn. Haad Thip is also always aware of corporate image and try to build and maintain their good image. As a matter of fact, they believed that a good company's image would create a positive perspective and gain the credit from customer. Thus, creating a good relationship with distributors and show confidence to them about the profit margin from selling Haad Thip's product are another alternative to increase distribution channel.

In this new millennium, Haad Thip prepares to handle the fierce competition by developing and improving both internal and external segments. This included Human Resource skill development (Sales Training), Increase sales volume and market share (Marketing Mix), and building relationship network with clients. The new strategies are mainly based on creativity and innovativeness. As the result, these are the following strategies.

Internal Marketing Program

(1) Developing Human Resource

The major issue that Haad Thip is always concerned is how to develop their human resources to be more effective and skillful. Since sales force is very important in dealing with distributor and create corporate image to outsider, therefore, the Company has designed a special training program to all sales worker and marketing staff to join in and develop their skill. The program consisted of Business English Communication training, service and sales training, computer proficiency, and sport. The company hopes that after employees attended this program, they could perform an effective task and make less mistakes. They would be more service minded and be able to get along very well with distributors as well as customers. The Company strongly believed that a good result always come from a good performance of employee.

(2) Developing Marketing Mix

Haad Thip focus on developing marketing mix and extend new product line. Since 1997, Haad Thip was appointed sole distributor in the South for Nescafe's 180cc canned instant coffee. The product is sold in two flavors: "Nescafe Extra" and "Nescafe Ole". This will provide the company with both a new income stream and the chance to increase channels of distribution. The company also introduced new packaging variations for our existing Coca-Cola Company canned products. Attractive new multi-packs of 6 cans and 12 cans were introduced to the market in an attempt to stimulate demand and increase consumer purchases. The new packs are more convenient to carry and with their special prices offer cost savings for consumers.

(a) Pricing

Haad Thip increased the price of the 10-ounce size of all its soft drinks by an average of Baht 20 per crate. Other package sizes were increased by an average of 10-23 Baht.

(b) Distribution

In order to increase its consumer reach, the company extended its channels of distribution by opening a new warehouse in Phupin, and Surathani, provinces to better cover Phu in and the surrounding areas.

(c) Sales and Promotions

The company made certain approved changes to both logo designs and slogans for Coca-Cola and Fanta to bring them more in line with the tastes of target consumers. The Company also

introduced attractive new merchandising items and launched new promotional campaigns to add more excitement for consumers.

(d) Creating consumer demand

The company put into effect an advertising plan that not only synchronized with promotional plans, but also created consumer's preference, based mainly on consumer loyalty towards the company and its products.

(3) Developing Corporate Network

Haad Thip is always aware of how important the technology in today's competition in term of communication, time and cost saving. Therefore, in this year, Haad Thip plans to invest more in Information Technology and Communication devices installation. The first step is to setup the communication line to Thai Pure Drinks Company in Bangkok via WAN network system. On the other hand, Thai Pure Drinks Company also invested 280 million baht to develop the largest computer network by developing the central computer system and network system. This will include LAN and WAN system in order to perform online communication 24 hours from the headquarter in North Park to all the production plants located in 6 regions and warehouses in 64 branches. The new technology will allow top manager and other managers to retrieve and send the information of sales and production in short time and accurately. Therefore, they can make less time decision. In the long term, it will ride down the experience curve, giving them advantage from cost reduction.

External Marketing Program

(1) Emphasis Home Consumption

From the past, most target consumers of Haad Thip prefer to consume soft drinks outside home; therefore, the Company sales volume more likely relies on the environment atmosphere. Since the geographical landscape of the South is mostly tropical forest and humid temperature, therefore, it is often raining through out the years. Consequently, people hardly travel or stay outside for long periods. This effects a lot to the sales volume of Haad Thip especially during winter season. In order to solve this problem, Haad Thip emphasizes more on consumption at home by promoting to change consumer behavior. To achieve this goal, the company will turn to promote more on liter bottle. Knowledge giving is one way that company selected in order to alter and make consumer believe that if they select the bigger size, they can save more. Through advertisement on television and poster give away, consumers are educated that they will benefit from consuming higher volume at cheaper price, if they select litre bottle. Therefore, it is anticipated that the demand of Take-Home consumption this year would be likely to increase.

(2) Expanding the Target Areas

Haad Thip focuses more in expanding the new target areas by increasing market survey in minor areas. A special survey team will be assigned to conduct a random survey in different areas with a particular emphasis in social activities or locally activities such as wedding party, festival, or celebrity party.

The objective is to promote and sell soft drinks products to that particular party or festival. In order to achieve this strategy, the company has setup the reward program to reward any sales force that could perform a good record of sales in each year.

(3) Create Good Relationship with Distributor and Consumers

Haad Thip has an active policy to strengthen relationship with distributor and customer for 20 years. In order to create a good relationship, all sale workers must learn and train to adapt themselves gently and comfortably with their distributors. The company, therefore, has set up a special program to develop marketing division personnel. This program includes teaching English and computer skill, increasing knowledge in marketing, sales and other related field, develop a positive working attitude and service mind, and personality development to build a positive image. Recently, the company had setup a Chinese chess club to teach sales worker to learn how to play it. According to the observation, most distributors are interested to play Chinese chess during free periods. Therefore, the company believed that they could create a good relationship through playing Chinese chess with distributors. This would help sales worker to create friendly atmosphere during promoting and selling the products.

(4) Expanding Distribution Channel

Haad Thip has come up with a new selling point, which is through Truck Fleet. The advantage from this new selling point is that, the customer could buy Coke, or other soft drinks wherever they saw the Coke Truck Fleet stopped. This would save the time for customer to walk to the booth.

Defending Market Share

As the competition in the soft drinks market become more and more competitive and intense, an effective marketing strategy is the key success weapon that brings the individual business to survive in this situation. To defend the market share and prepare an effective marketing strategy, a company must study its competitors as well as its actual and potential customers. Companies need to identify competitors' strategies, objectives, strengths, weakness, and reaction patterns. They also need to know how to design an effective competitive intelligence system- which competitors attack and which to avoid.

Sermsuk, franchisee of PepsiCo, is a major competitor of Haad Thip for several years. To defend market share from Sermsuk, Haad Thip has come up with some strategies, and the main strategy's philosophy of Haad Thip is "Always take one step ahead of the competitor".

Limit Haad Thip's Battlefield

Haad Thip will survey the overall markets in 14 provinces in the South and analyze the area where there is potential competitive advantage over the competitor. Then, Haad Thip will select those regions as its target segment. While the other regions that Haad Thip do not gain competitive advantage, such as in Surathani, the Company will not spent more budget in marketing mix. However, the budget that does not spent on such region will be added to promote in the selected target segment instead.

As result, Haad Thip could save more cost and avoid from competing in such an area where there is high potential loss. Presently, Haad Thip could bring back the market share from Surathani and capture the highest market share in every region of the South of Thailand.

Continuing Strengthen Public Relation

As it is Haad Thip's main strategy for 20 years, the Company still strictly emphasize on building relationship with dealer and customer. The major activities are providing contribution to external affairs and give full service to dealer. Due to the oneness characteristic of Southerner, Haad Thip is being supported and collaborated by them for years. However, Sermsuk, recently, has changed their strategy by participating more in social community. Therefore, Haad Thip has to work even harder to keep their clients' relationship and think of new marketing strategy to create demand.



VI. COMPETITIVE MARKETING ANALYSIS

Soft drinks market has been gradually developed for a long time. Although soft drinks industry has only a few players, it is still quite a highly competitive market. Marketing management is a key factor to lead the Company's success. The appropriate marketing strategy considering the position of the product and market development in terms of marketing mix is one of the main factors for such competitiveness, knowing competitors provide opportunity for the Company to capture more market share.

As complicating soft drinks market, the analysis of marketing from chapter four is not enough for reader to know all about Haad Thip in terms of marketing. Therefore, this chapter will provide more information about marketing analysis of Haad Thip and soft drinks industry. This chapter will begin with the competition analysis. Then further detail is marketing mix analysis that is composed of product, price, place, and promotion. Finally, the detail is about future trends of the Company and soft drink market.

6.1 Competition Analysis

To prepare an effective marketing strategy, a company must study nature and intensity of competition in company market. As soft drinks industry is oligopoly industry, which has a small number of large firms produce products, the competition of soft drink market is violent. Further more, knowing company competitors is critical to effective marketing planning. Company must constantly compare its product, price, place, and promotion with those of its competitors. Company can launch more precise attacks on its competitors as well as prepare stronger defenses against attacks.

6.1.1 Competitor Analysis

To distinguish the competition based on the degree of produce substitution, soft drinks market is the form of competition that a company can see its competitors more broadly as soft drinks industry is an oligopoly industry. Competitors of company can be divided into direct competitors who distribute soft drinks product as Haad Thip, and indirect competitors who distribute other drinking water.

(1) Direct Competitors

There are three competitors, who distribute soft drinks to consumers in the South; the company's main competition comes from Sermasuk Public Co., Ltd. And the lesser degree of competition come from Green Spot (Thailand) Co., Ltd. and Bailey Co., Ltd. who bottle the non carbonated orange soft drink.

(a) Sermasuk Public Co., Ltd.

Sermasuk is major competitor of Haad Thip because Sermasuk distribute same product depth of carbonated drinking water as Haad Thip does. Sermasuk public Co., Ltd. is the bottler of Pepsi, Mirinda, Seven-up and Mountain Dew. So Haad Thip needs to identify Sermasuk's strategies, strengths, weaknesses, and marketing mix.

(i) Sermasuk's Strategies

In order to compete with Haad Thip company, Sermasuk uses the same strategies as overall strategies to compete with Coca-Cola products distributors. Sermasuk company constructs the new concept of "generation next" to promote its product as drinking water of young generation. Sermasuk builds Pepsi

admirers by coming to be involved in young generation life activities .The prominent activities are

- (1) *Sport marketing:* Company used the world football stars to advertise its products. And Sermasuk also use sport marketing in its sales promotion such as providing sweepstake for consumers to receive the prize to go to see football match in England.
- (2) *Music marketing:* Company contracted with RS singers to promote Pepsi.

(ii) Sermasuk's Strengths and Weaknesses

When comparing with competitors, Sermasuk has strengths and weakness as follow:

Strengths:

- (1) Company has strong financial status.
- (2) Company launch attractive advertisements by using super star to be spokesman to promote its products.
- (3) Company products are well-known products.
- (4) Having strong production and distribution system.

Weakness:

- (1) Because of later entrance in soft drink industry of Southern part it makes company difficult to be market leader.
- (2) Company does not have strong relation network with consumers and channel members.

(iii) Sermsuk's marketing mix analysis

Haad Thip need to identify marketing mix of Sermsuk to use as information for preparing marketing strategies to compete with the major competitor as Sermsuk. Marketing mix analysis composes of four components, which are product, price, place, and promotion.



Figure 6.1. The product segment of Sermsuk.

For products serving to consumers, Sermsuk launches same product depth of carbonated drinking water as Haad Thip has done. Sermsuk has been granted a franchise by the Pepsi-Cola international company as the exclusive distributor of "Pepsi", "Seven-Up", "Mirinda" and "Mountain dew" for

Thailand as see can be in figure 6.1, can see that Sermasuk distributes same product segment and product depth as Haad Thip.

For products price, Sermasuk uses going-rate pricing method which allows company to charge the price same or nearly same as major competitor Haad Thip And Sermasuk also uses discriminatory pricing policy, which Sermasuk adjusts its product price according to product form and location distribution.

For place, Sermasuk has a plant at Surat Thani to become base for bottling and distributing Pepsi-cola products throughout Southern part of Thailand. Sermasuk opened the new plant at Surat Thani for increasing production productivity and services in order to respond to consumers' demand of 14 provinces in the South.

For promotion, in the previous period Sermasuk created sales volume and market shares by relying heavily on advertising on television, billboards, posters, etc. And Sermasuk also uses push strategy by heavily using my trade promotion to distribution channels. Examples of trade promotions are

- (1) Giving volume discount and price dumping to distributors
- (2) Giving free goods if channel members have ordered up to determined amount, they will get free crate of Pepsi-cola products.
- (3) Giving free freezers, coolers.

- (4) Giving free premium such as key chains, Pepsi caps.
- (5) Giving away product and trolley to distributors.

Although Sermsuk use heavily on advertisement and trade promotion to drive up sales volume, but it cannot gain higher market share than Haad Thip as shown by figure 6.2. Sermsuk cannot scramble market shares from Haad Thip because Haad Thip has strong relationship with locals. Then recently Sermsuk changes its promotion strategy to use more on public relation in order to build strong relationship with locals. Sermsuk began to support various socials, educational and sports activities of locals while it continue to use heavily on advertisement and trade promotion.



Figure 6.2. The market share of Soft Drinks industry in Souther part of Thailand.

(b) Green Spot Company and Bailey Company

Both two companies are small players in soft drinks market. They distribute only non-carbonated orange soft drinks. Their products are differentiated from Haad Thip products. Both companies attract niche market of young drinkers. They use less in promotion strategy to compete with other competitors. They can capture only a few market shares.

(2) Indirect competitors

Beside the bottlers of carbonated drinking water. Haad Thip scramble market share by other drinking water distributors. Although these competitors can grab only few market shares, they caused reducing market growth of Haad Thip. Currently, a lot of drinking water enters into soft drink market of Southern part such as pure drinking water, instant juice canned, and mineral water. And nowadays consumers are concerned more about their health, it can make company have more indirect competitors who launch health concerned drinking water. Hence Haad Thip has increasing number of competitors.

Natures of Southerners like to consume drinking water, including carbonated drinking water at the point of sales such as traditional coffee shops. This consumers behavior cause Haad Thip have another indirect competitor who are traditional coffee shops owners. Traditional coffee shops owners not only are Haad Thip channel members, but also are Haad Thip's indirect competitors because most of them tend to sell their own product which are home-made drinking water such as coffee, milk-tea, hot

milk, and juice. These products may grab consumers of Haad Thip and caused Haad Thip sales volume less than it should be.

6.1.2 Competition Situation in Soft Drink Industry

During 1997 Sermasuk public Co., Ltd., opened a plant in Surat Thani, which will enhance pressure for sales in an already over-heated market. However, at the same time this could be regarded as a good sign, as it may help to grow the industry as a whole. But after the economic crisis occurred in mid 1997 and continued throughout 1998 and 1999, the crisis has caused restricted sales across the whole soft drink industry. Under current economic conditions, competition has intensified as all companies attempted to arrest the fast declining sales trend.

Besides facing competition via promotion strategies, Haad Thip often faced unethical trade practice from some of its competitors such as the blatant stealing of its empty bottles and cases from market places. Such malpractice seems to be a standard tactic by unscrupulous competitors, unable to penetrate into outlets and has to resort to unsavory actions. This results in a lack of Coke bottles in some outlets, which in turn denies our salesmen from making timely deliveries of Haad Thip products. The swap between empties and filled-in bottles could not take place because empty bottles of Coke, Fanta and Sprite have been spirited away. Haad Thip, however, has maintained its own business philosophy; it maintains ethical trade practice. Haad Thip has policy not to give discount or lavishly give away products or cash in order to maintain or open new outlets. Instead Company continues to support various social, educational, and sports activities as Haad Thip has done over the past 20 years until for now company has been regarded as "*part of the South*".

6.2 Marketing Mix Analysis

Marketing mix analysis is one important tool for company to use as base for developing marketing strategies and marketing plan. Marketing mix compose of four elements, which are product, price, place, and promotion.

6.3 Product

Product is the first and most important element of the marketing mix. Product usually formulates to satisfy need of consumers. Product strategy calls for making coordinated decisions on product mix, product line, product mix, brand, and packaging.

(1) Product Mix Analysis

Product mix is the set of all products and items that a particular seller offers for sale. Knowing product mix of company is essential for marketers to use for setting marketing strategies for each product line and its product depth. Table 6.1 is illustrated the product mix for Haad Thip products.

Table 6.1. Product-Mix Width and Product-Line Length for Haad Thip product.

		Product-mix width		
		Carbonated drinking water	Pure drinking water	Instant canned coffee
Product Line Length	Product	Coke	Haad Thip pure drinking water	Nescafe Extra
	Line	Sprite		Nescafe café ole
	Line	Fanta		
	Length	Mello		

Source: Haad Thip information

Haad Thip product mix has a certain width, length, depth, and consistency that are

- (1) The width of Haad Thip product mix refers to the number of different product line company carries. Table 6.1 shows that Haad Thip has three product lines.
- (2) The length of Haad Thip product mix refers to total number of items in its product mix. In table 6.1, Haad Thip has seven product lengths.
- (3) The depth of Haad Thip product mix refers to how many variants are offered of each product in the line. Table 6.1 indicates that carbonated drinking water line has a depth of four. Pure drinking water line has only one product depth. Instant canned coffee has a depth of two.
- (4) The consistency of Haad Thip product mix refers to how closely relate the various product lines in end use, distribution channels. Haad Thip product lines are consistent, as they are consumer goods that go through the same distribution channels.

These four product-mix dimensions permit the company to expand its business in four ways. First it can add new product lines, thus widening its product mix. Second it can lengthen each product line. Third it can add more product variants to each product and deepen its product mix. Finally company can pursue more product line consistency.

(2) Product Line Analysis

Company offers drinking water to satisfy consumers' need. Currently, there are three types of Haad Thip products, which are carbonate drinking water, pure drinking water, and instant canned coffee.

- (a) Carbonated drinking water

The Company has been granted a franchise by The Coca-Cola Company (USA), as the exclusive bottle of "Coca-Cola", "Sprite", "Fanta", and "Mello" for the 14 provinces in the South of Thailand.

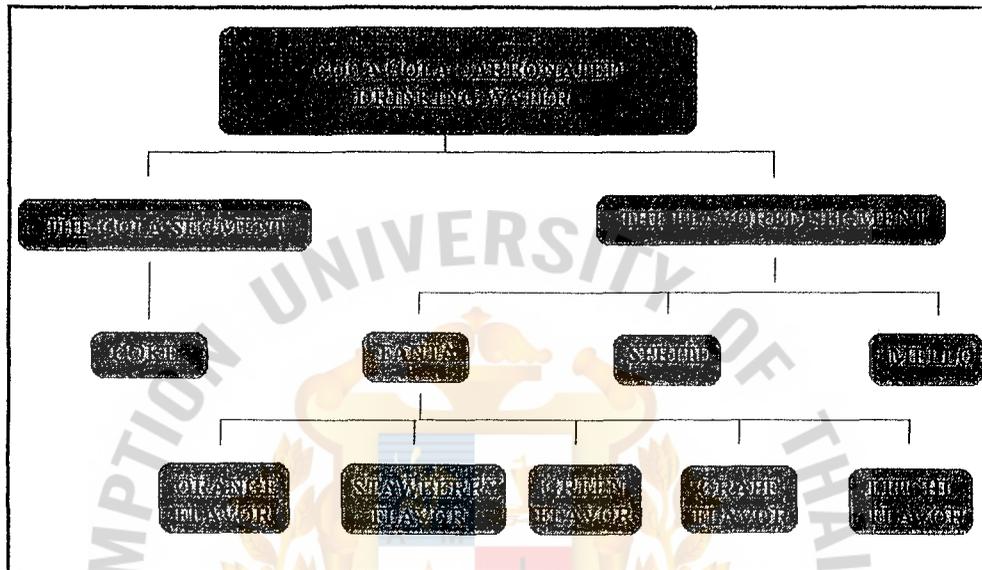


Figure 6.3. Product segment of Haad Thip's carbonated drinking water.

As figure 6.3, there are two segments of carbonates drinking water that are the Cola segment and the flavored segment. For Cola segment, there is only one product length in the brand name of "Coke". For the flavored segment, this can be dividing into three product lengths as "Sprite", "Fanta", and "Mello". Fanta also be dividing according to their colors and tastes. Normally the company uses the rule of "3+1" for Fanta. Three means to three basic flavor of Fanta, which are orange, strawberry, and green .One is stands for

another flavor that can be launched in each occasional such as grape, litchi flavor.

(b) Pure drinking water

The company also bottles and distributes drinking water under the registered trademark " Haad Thip Drinking Water". Company provide only one package size which is polyethylene plastic bottles 850 CC" to serve general consumers. The distribution channels for this product type are restaurants, traditional grocery store, and modern trade. In the future, company plans to change products package from polyethylene plastic bottle to be PET bottle and glass bottle in order to satisfy consumers' need and build up the image of Haad Thip drinking water.

(c) Instant canned coffee

Toward the end of December 1997 Haad Thip was appointed sole distributor in the South for Nescafe canned instant coffee. For Nescafe canned instant coffee, company distributes only 180 CC package size with 2 flavors, namely " Nescafe Extra" and " Nescafe Café Ole ". Target consumers of " Nescafe " instant canned are labors, teenagers, and drivers. Haad Thip hopes that this product line can provide the company with both a new income stream and the chance to increase channels of distribution.

(3) Packaging Analysis

Packaging has become a potent marketing tool. Well-designed packages can create convenience and promotion value. Haad Thip's carbonated drinking water served in four kinds of package, which are glass

bottle, PET bottle, buddy, one way, can, postmix. The Company provides several types and size of package in order to satisfy consumers' demand.

The target consumer of each package size can be summarized as follows:

- (a) Glass bottle 10 ounces (280 CC):

This package size target to serve general consumers via restaurant, clubs, traditional grocery stores, educational institutions, modern trades such as convenience stores and hypermarkets. The product feature is suitable for consumer to drink at point of sales. So this package size is popular for Southerner because they like to consume soft drink at traditional coffee shops.

- (b) Glass bottle 1 liter:

This package size target to serve family or friend groups who are likely to consume soft drink outside residents. Company distributes most of this product by distributing via restaurants, traditional grocery stores, and traditional coffee shops.

- (c) One way bottle (280 CC):

Target consumers for this product size are teenagers and travelers because the size of product is very convenient for carrying and suitable for one time drinking. Distribution channels are modern trades, traditional grocery stores, Hotels.

- (d) Buddy (250 CC):

This product type is very convenient in carrying and suitable for one time drinking. So this product size target to serve teenagers and travelers who like to carry products to drink outside. Distribution channels are modern trades, traditional grocery stores, and hotels.

- (e) PET bottle 1.25 liters:

Target consumers for this product size are home users and the distribution channels are modern trades, traditional grocery store.

- (f) PET bottle 2 liters:

Target consumers for this product size are home users. Company distributes this product size via modern trade, traditional grocery store.

- (g) Can (325 CC):

This product size targets to serve teenagers, travelers, and upper level of consumers. Because this package type is quite expensive than other types and it is convenient for consumers to carrying it to drink at other places. These distribution channels are modern trades, traditional grocery store.

- (h) Postmix (5 gallons):

This product size targets to serve general consumers who consume product as glass and carry products to drink anywhere. Most consumers are students and teenagers. Distribution channels for this product type are educational institution, convenience store (such seven-eleven, AM-PM), and fast-food restaurants (ex: KFC, Mc Donalds, Pizza hut).

(4) Brand Analysis

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands. The most valuable brands have a brand equity that is considered an important company asset.

For carbonated drinking water, company uses brand name of "Coke ", "Sprite", " Fanta", "Mello" under trademark of Coca-Cola company. Company can build sales volume and gain high market shares from strong brand name of Coca-Cola trademark. But one important factor that helps company become leader of soft drink industry in Southern part of Thailand is company brand name, which is Haad Thip brand. Company is first to enter in the soft drinks market of Southern part so company has preempted rivals and captured demand by establishing a strong "Haad Thip" brand name. Additionally Haad Thip's business philosophy is to establish close relationships established, company could tie customers into company's product result in higher market share.

In term of brand equity, company considers "Haad Thip" brand as equity of company, which can build high band loyalty consumers. Haad Thip brand provides following advantages.

- (i) The company enjoys reduced marketing cost because of high levels of consumer's brand awareness and loyalty. Haad Thip is not required to spend a lot of money on advertising to promote brand awareness to consumer.
- (ii) Company can gain higher market share to become market leader of soft drinks industry in Southern part.
- (iii) Company has opportunity to succeed in launching new products.

As strong brand name of Haad Thip, Competitors are difficult to scramble for market share of soft drinks industry. Strong brand name is an important thing to make company survive and succeed in the market. Although company has strong brand name, company continues to be

involved in external affairs and social contributions in order to maintain this strong brand name.

6.4 Price

For price setting, Haad Thip must consult with Coca-Cola (Thailand) and Thai Pure Drinks to set a suitable price that can make Haad Thip get some profit with high market shares. In order to set price, company must do the following:

(1) Determining demand

Company should know consumer demand with responding price changing. Company must forecast about the changing in quantity purchasing of product when the price of product changes.

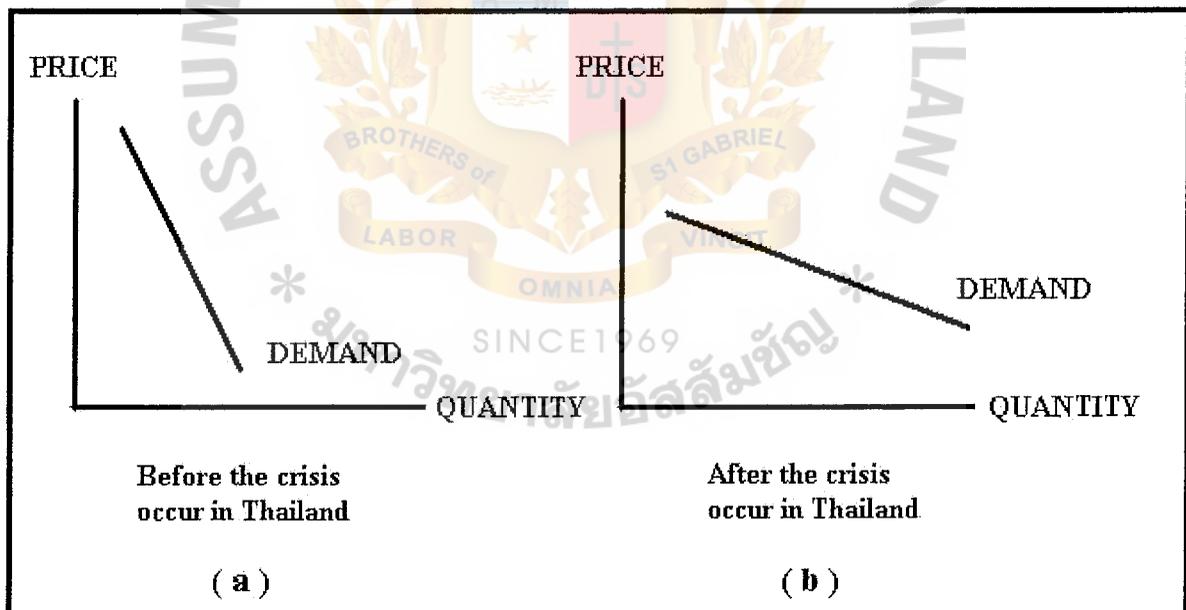


Figure 6.4. Price elasticity of Haad Thip consumers' demand.

Before the crisis occurs in Thailand, consumers have low sensitivity in price because the product's price is lower the expenditure when compared with their income as you can see from figure 6.4 a, price changing make a little reducing in quantity purchase. But after crisis occurred, consumers have lower income. Therefore they must spend their money only on necessary goods not unnecessary goods as soft drinks. You can see from figure 6.3 b, after crisis, product price changing makes a lot of reducing in quantity purchase. Because company is aware of demand elasticity of consumers, so Haad Thip tries to stable price even though the total cost of product is increasing.

(2) Estimating costs

Company aims to get the price to cover total cost, so it will consider on costs when setting the price. Haad Thip considers three types of costs, which are

- (3) Manufacturing cost
- (4) Transportation cost
- (5) Operating cost

And one factor that highly influence carbonated drinking water price is excise tax. When the government raises excise tax, company has to decide whether to increase price and rise to lose sales or keeps the price unchanged and bear the tax burdens by itself.

After the Company considers both consumers' demand and total cost, the Company can set the price that is suitable for company.

(1) Pricing Policy

Although company is market leader for this industry, company does not charge premium price over competitors. Soft drinks industry is oligopoly competition so there is the same level of price among competitors. Price setting has to be paid close attention with competitors. So price strategy has to conform by looking at market demand and cost consideration and also use going-rate pricing method to set price same or near to major competitors.

For pricing method, Haad Thip uses a simple method for setting the price of The Company's products. Mostly Haad Thip decided what the price should be by using its own judgement to set the price that covers all costs and generate some profit.

Haad Thip also uses discriminatory pricing policy, which company does not charge the same price to all channel members, and consumers. The Company adjusts its basic price according to location, product form

Table 6.2. Product prices (baht) of different locations.

PLACE	Glass Bottle		One way	Buddy	PET Bottle		Can
	10 OZ	1 liter	(280 cc)	(250 cc)	1.25 liters	2 liters	(325 cc)
Traditional grocery stores	7-8	18	10	8	25	35	14-15
Hyper market	—*	—	8-9	6-7	20-23	30-33	10-12
Supermarkets	—	—	9-10	7-8	23-25	33-35	12-13
Convenience stores	—	—	9.50-10	8	24-25	34-35	13-14
Restaurants	10-30	20-40	—	—	—	—	—
Hotels	15-50	—	20-50	—	—	—	20-50

* Distribution channel does not distribute this package size of product

Source: Survey at Songkla province

(a) Price determine by Location

* Price has to be varied enough to suit the different market segment and purchase occasion. Price discrimination occurs in the market with different locations as show in some examples by table 6.2. And company also has differentiated in transporting cost in order to distribute the product at different places. The company may charge higher price for the location that company must spend more transportation cost than others.

(2) Price determine by Product form:

Price per quantity for Haad Thip products can vary according to product form. Difference in production cost of each package makes

company to set different prices to serve consumer. Table 6.3 shows average price per cc for each company's product form sold to wholesaler. And Haad Thip charge prices of each product's package types to wholesalers and channel members differently as seen from table 6.4

Table 6.3. Product prices of different product forms.

Product Form	Glass Bottle		PET Bottle		Ca n (325 cc)	Buddy (250 cc)	One way (280 cc)
	10 OZ	1 liter	1.25 liters	2 liters			
Price/ cc	0.0181	0.0145	0.0185	0.0171	0.0318	0.0616	0.0285

Source: Calculation from Haad Thip product price

Table 6.4. Average wholesalers' prices of company's products.

PRODUCTS' SIZE	AVERAGE WHOLESALERS' PRICE
Glass bottle 10 ounces	122 baht per case (24 bottles)
Glass bottle 1 liter	174 baht per case (12 bottles)
Buddy (250 cc)	171 baht per case (24 bottles)
One way (280 cc)	207 baht per case (24 bottles)
PET bottle 1.25 liters	278 baht per case (12 bottles)
PET bottle 2 liters	205 baht per case (6 bottles)
Can (325 cc)	248 baht per case (24 cans)
Postmix (5 gallons)	1,325 baht per syrup (5 gallons)

source: Haad Thip information

6.5 Place

Haad Thip conducts its business almost exclusively in the soft drinks industry. Company is exclusive bottler of "Coca-Cola", "Fanta", "Sprite" and "Mello" for the 14 provinces in the south of Thailand, namely: Chumporn, Ranong, Krabi, Phan-nya, Phuket, Trang, Surat Thani, Nakhon Si Thammarat, Pattalung, Songkhla, Satun, Yala, Pattani, and Narathiwat. Company has only one factory located in Songkla province. Haad Thip produces only two sizes of products that are glass bottle 10 ounces and 1 liter of carbonated drinking water. Beside these two product types, company orders the rest product types from Thai Pure Drinks Co., Ltd. and deliver to its distribution channel. The distribution system requires Haad Thip to deliver products directly to its distribution channel by using Coca-Cola delivery trucks.

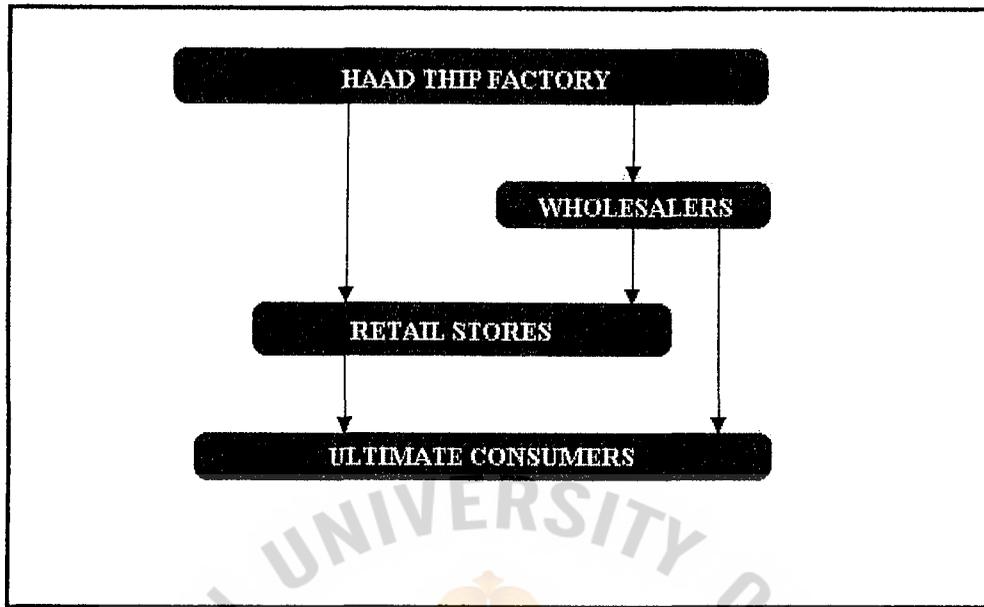


Figure 6.5. Four phase of Haad Thip distribution process.

Haad Thip sells directly to over 30,000 southern outlets, while more than 40 wholesalers further distribute company's products to the smaller outlet. Company is handling all physical distribution to channel members such as hyper store (Makro, Lotus, Big C), convenience stores, hotels, restaurants, food garden, home market, tradition grocery stores, education institutions, entertainment, push cart, and clubs. The process of distribution is shown in figure 6.5.

The goal of Haad Thip is to distribute the products to cover as much areas as possible at the right time at effective cost. One factor that has to be considered is the transportation cost. Economies of location will be attributed to economy of transportation. In order to reach this goal, company has 20 warehouses throughout the 14 provinces and has more than 200 trucks to distribute its products. Warehouses make

company has ability to transport larger volume of product each time to store at each warehouse, so transportation cost will be reduced and possible to deliver on time.

Because nowadays, modern trades become popular distribution channels, with growing number of modern trade outlets, modern trade now is an important channel for consumer goods including carbonated drinking water. So modern trade has bargaining power to lower the price of company's products. Company lose some profit from trade with modern trade making company put more effort to deal with other distribution members. Then Company tries to make direct contact with distribution channels as much as possible.

(1) Agent

Currently, Haad Thip has only one agent to distribute its products. The agent is located in Surat Thani province. It is surprising that Haad Thip's agent must not be exclusive distributor but the agent prefers to sell only Haad Thip products. Haad Thip has no specific qualification for an agent but Haad Thip expected an agent to become efficient channel member. The relationship between agent and Haad Thip can be recorded in the record book of Haad Thip. Haad Thip uses five phases of distribution process with the agent as shown in figure 6.6. The agent will use its own trucks to pick up merchandise by itself at Haad Thip factory in Songkla. Agent is handling all physical distribution to wholesalers such as modern trade. And the agent also distributes the products to retail stores such as traditional grocery stores, tradition coffee shops as Haad Thip does. Haad Thip is not involved in operation of agent, Haad Thip provides only special discount in products to an agent. And Haad Thip tries to maintain the relationship with its agent. Although Haad Thip has only one agent, the agent can help to generate

more sales especially for Surat Thani province. In the future, Haad Thip expects to have additional agents to help company to generate more sales

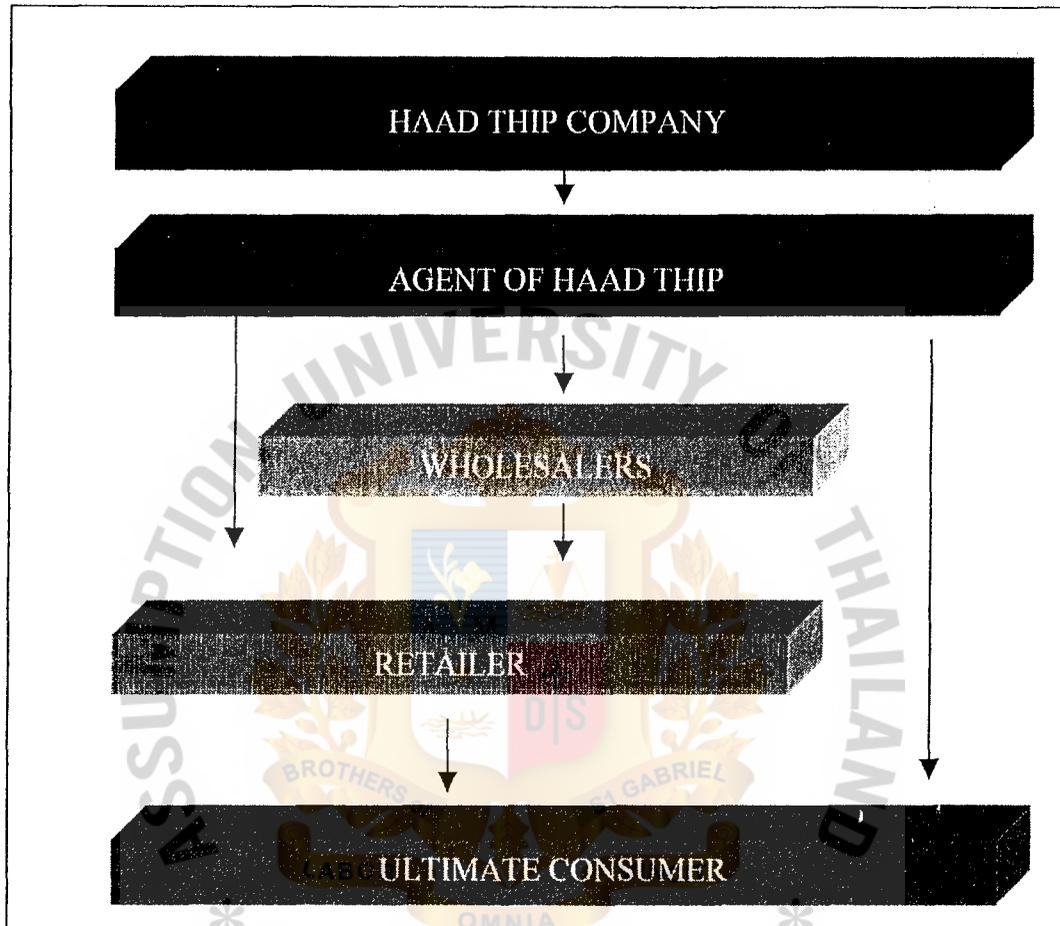


Figure 6.6. Five phases of Haad Thip distribution process.

(2) Sales forces

Sales forces are critical part of distribution channels to generate sales to company. Haad Thip has 672 sales forces. They can be broken down into 3 levels, which are 421 assistant to sales person, 202 sales person, and 49 assistant warehouse supervisor. Haad Thip supports sales forces productivity by providing five main things which are salary, commission,

incentive program, reward and punishment, and sales training. The historical and relationship data of each channel member have been listed in booklet of salespersons. Therefore, salespersons will visit each channel member approximately two times per week in order to cement relationship and make more sales. Hence, Haad Thip provides training program to sales persons in order to develop selling skill of these personnel. The Company is confident that efficiency and effectiveness of sales persons can lead the Company to grow continually.

6.6 Promotion

The soft drinks industry is a highly competitive one, as the sales of soft drinks depend to a large extent on promotions. These need to carry out on an on-going basis throughout the year in order to create constant awareness and demand. Soft drinks are seasonal products with a heightened sale during the summer. Thus, all players tend to launch their promotion activities during the hot season to reap the seasonal benefits as well as to gain higher market shares and higher consumption per head. Although players of soft drinks industry must use a huge promotion budget to gain higher sales volume, Haad Thip has implemented promotion tools with the lower budget compared to other competitors, especially Sermasuk. Haad Thip relies mainly on public relation while other competitors rely heavily on advertisement.

(1) Promotion Mix Analysis

Promotion mix analysis is analysis of three main components factor. First is advertising analysis, which is analysis about advertisement tools that Haad Thip uses for attracting consumer and creating brand awareness. Second is sales promotion analysis, which composes of sales promotion to consumers and trade promotion. Finally, there is the analysis about public

relation, which Haad Thip views as a tool for strength and cement relationship with Southerner.

(a) Advertising

In order to create brand awareness and increasing consumers demand, Haad Thip uses most on five media to advertise which are spot radios, leaflets, billboards, posters, stickers. Haad Thip doesn't create its own advertisement on television because the advertising program was primarily done by Thai Pure Drinks Co., Ltd. Hence advertisement budget is equally contributed by three companies, which are Thai Pure Drinks Co., Ltd. Coca-Cola (Thailand), Haad Thip Public Co., Ltd.

Billboards include arrow signs, store signs, tin plate, and stickers. Beside creating brand awareness by using attractive graphic of products and logo design for Coca-Cola product, Haad Thip also uses the " Haad Thip" logo brand to attract consumers because consumers have loyalty in Haad Thip company rather than Coca-Cola products. Haad Thip tries to influence consumer-buying decision by using billboards outstanding from outside of sales point until the last place where consumers make buying decision.



Figure 6.7. The example picture of Haad Thip advertisement.

For posters, Ms Areeya Sirisopha (Pop) is presenter for Coca-Cola products. Company selects her because she is southerner and she is a well-known person. See the examples of posters advertisement by using Pop as presenter in figure 6.8a, 6.8b



Figure 6.8. Example of Poster advertisements by Ms. Areeya Sirisopha.



Figure 6.9. Poster advertisement of Fanta.

In order to achieve higher brand awareness, Haad Thip also uses segmentation target for advertising by using southerners to be presenters. Haad Thip launches advertisement to attract segmented group of consumers for four provinces in the South of Thailand. The segmented posters will be used for Satul, Yala, Pattanee, and Narathiwat provinces. See the example of the segmented poster advertisement in Figure6.9.

For leaflet advertisement, Haad Thip created "Coke love you" leaflet to distribute to general consumers. The details inside "Coke love you" leaflet can be divided into 6 parts, which are

- (1) "Talk to you" part: This part will provide Haad Thip information such as new product launching, Haad Thip activities.

- (2) *"Let's speak English" part*: Haad Thip will provide English knowledge to readers in order to help readers speak simple English sentences.
- (3) *"Knowledge about service" part*: Haad Thip will provide the suggestion about the way to service general consumers for service business owners.
- (4) *"Something you should know " part*: Haad Thip will provide general information that readers can use in usual life.
- (5) *"Travelling in the South with Coca-Cola" part*: This part will suggest travelling place for readers.
- (6) *"Good tastes" part*: provide cooking methods for several food kinds to readers.

(b) Sales Promotion

Although sales promotion is highly implemented in the industry, Haad Thip didn't rely heavily on these activities because of lacking budget. Therefore, Haad Thip uses lower amount of sales promotion than competitor such as Sermasuk. Most Haad Thip sales promotion both sales promotion to consumers and trade promotion are used for building strong relationship with consumers to create strong image of company rather than aiming to build sales volume up.

(i) Sales promotion to consumers

In order to build strong relationship with consumers and generate more sales, Haad Thip uses both national sales promotions and local sales promotions. National sales promotions were primary done by Thai Pure Drinks while Haad

Thip allocated a share of 10% of overall budget. The objective of national sales promotions is to generate more sales volume. Haad Thip also had done its own sales promotion to consumers. Primary objective of local promotions is to strengthen relationship with consumers.

The examples of local sales promotion to consumers are as follows:

- (1) "Heart to Heart" program: Company set team to find out consumers who are drinking coca cola product at that time in order to give some souvenirs or gifts to them.
- (2) "Lucky liter" program: company provides sweepstake coupons for consumers who purchase Glass Bottle 1 liter of Coca-Cola products
- (3) "Drawing contest" program: company gives a chance for younger consumers to contest drawing pictures.

(ii) Trade promotion

* Haad Thip uses trade promotion to boosts its sales volume and cement relationship to channel members. Haad Thip push channel members to increase product demand by using trade promotion such as

- (1) Providing coolers to grocery stores, restaurants, etc.
- (2) Providing store sign, light black, arrow sign to restaurants and food gardens.
- (3) Setting target volume for channel members to achieve in order to receive gifts.

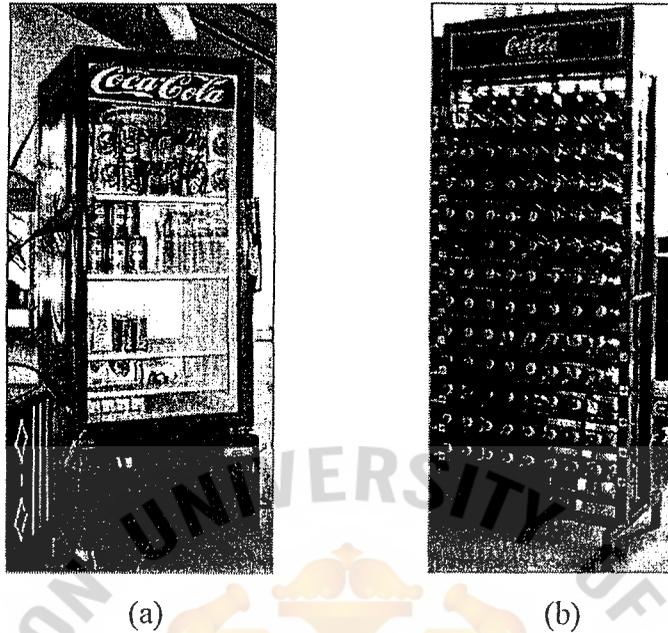


Figure 6.10. The example of premium that Haad Thip provide to channel member as trade promotion.

(c) Public Relation

Public relation of Haad Thip is the outstanding activity, it is the most important tool for company to make strong relationship with Southerners. Haad Thip is very well known for social activities. This enhances Haad Thip image and builds strength relationship with consumers and channel members. Company learned Southerners' behavior. Then Company concluded that Southerners provide true love and honesty to everyone they love. Therefore, Haad Thip uses social activities as tools for strong relationships with consumers and creates consumer brand loyalty. Currently Haad Thip enjoys special ties with the southern people, which leads Haad Thip proud to say that

St. Gabriel's Library, Au

"Haad Thip is a part of the South". A fact that is evident from the number of different activities that Haad Thip has supported in the southern community throughout the past 20 years. Activities range from education, sports, and public work charity to cultural events and nature conservation.

Social activities of Haad Thip can be divided into three main categories, which are communities' service, sports, and culture events.

1(i) Communities service Activities:

From the past until today, Haad Thip have maintained its commitment to the community it serves, by joining in and promoting activities that benefit the community as a whole. For example Haad Thip supports education of locals by denoting cash to educational institutions in order to purchase school equipment, denoting sport accessories and textbooks for schools. The contribution is most evident in the areas of helping impoverished and less opportune children through school fee subsidies.



Figure 6.11. Haad Thip denotes school fee subsidies to less opportune children.

According to geographic and climate, southern part usual suffers natural disasters such as floods and Typhoons, which are common phenomena in the south. There are many flood victims after natural disasters occurred. Haad Thip takes it upon itself to stand side by side with the people in the face of catastrophes, such as floods in various parts of the south by donating life saving boasts, foodstuffs, and drinking water to the affected people.

Beside above activities, Haad Thip also established "Elephant lovers club" to assist elephant lovers in the south by supplementing elephants with proper food and machine.

The following are the examples of communities' device activities that Haad Thip had done in the past to help disaster victims.



Figure 6.12. The part played by Haad Thip in time of natural disasters.

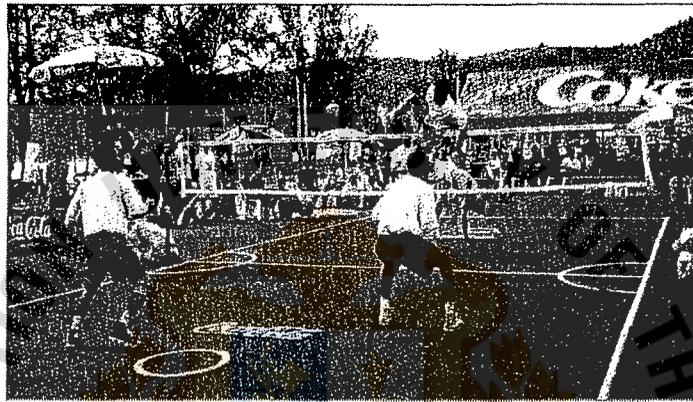
(ii) Sports Marketing:

Haad Thip is aware of the importance of sport activities, which can help young to have good health, and good spirit. And the indirect advantage of sports is to protect young away from drugs. Hence, Haad Thip provides support to sports activities such as

- (1) National Games in Songkla.
- (2) "Coke-Cup" football tournament.
- (3) International boxing contest.
- (4) Jet Ski King-Cup Game.
- (5) Football world cup tournament.

Haad Thip sponsors many kinds of sports for local tournament. For example, Haad Thip supports 13th National Youth Games in Surat Thani as a main sponsor. Haad Thip usually gives free Coca-Cola drinking water to support sport

events. And Haad Thip always creates its own small sport programs such beach - volleyball, beach- takraw to develop professional athletes from young talent. The following pictures are the examples of sport marketing activities of Haad Thip



(a)



(b)

Figure 6.13. Sport marketing activities of Haad Thip.

(iii) Cultural events support:

Haad Thip participates in local culture preservation program. The favorite traditional culture event for southern is "10th month celebration" or " Chak-Pra Festival". For this festival, Haad Thip provides staff to help in operating the festival. Haad Thip helps to publicize the date and details of the festival. Haad Thip helps to publicize the date and details of the festival. And Haad Thip also gives free drinking water in this festival. Beside Chak-Pra festival, Haad Thip also provides Financial support to other festivals as well. The following are the examples of culture that Haad Thip had been supporting:

- (1) "Kite playing competition" local custom at Satul province.
- (2) "Tenth month festival" local custom at Nakorn Sritummarat province.
- (3) "Vegetarian festival" at Phuket province.
- (4) "Lansium domesticum festival" at Narathiwat province.

The following pictures are the examples of Haad Thip's culture event support:

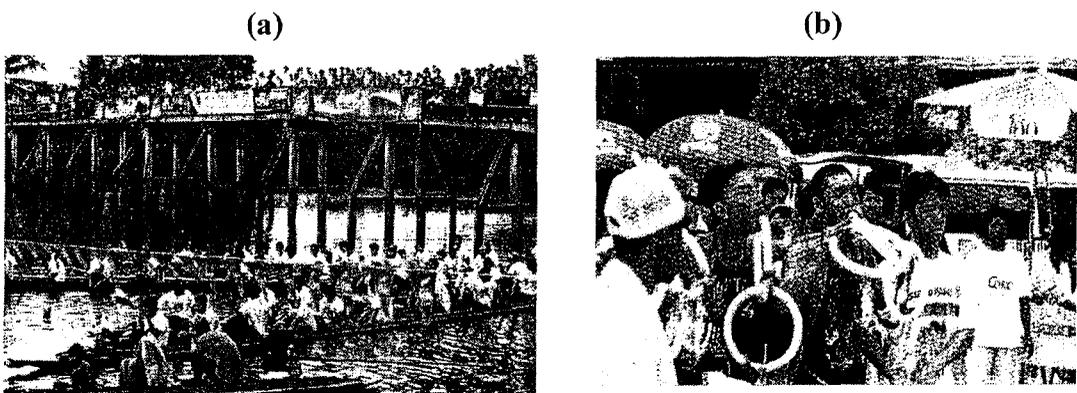


Figure 6.14. Haad Thip gives support to local cultural events.

And beside these three categories of social activities, Haad Thip also publicizes information about Haad Thip and Coca-Cola to the public by displaying exhibitions at Haad Thip Company. See the example of exhibition in Figure 6.15.

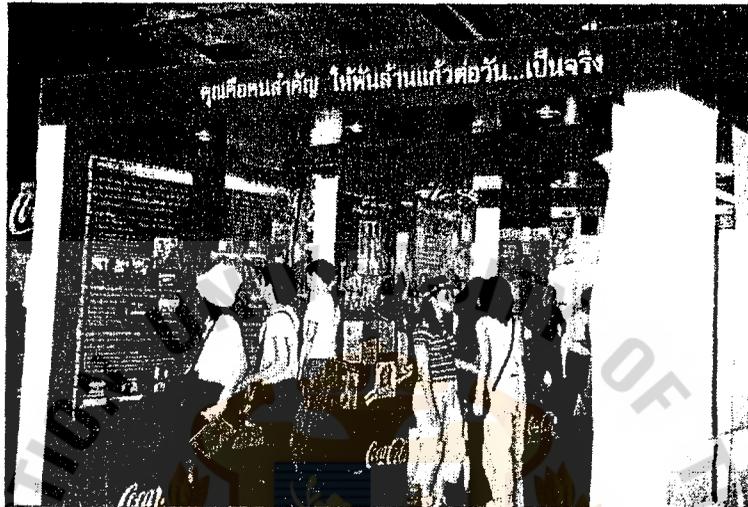


Figure 6.15. Picture of exhibition at Haad Thip company.

As the over all economy started to really sink in Thailand in mid 1997 most companies cut and reduced expenditures. The first of which is money spent on non-driven sales volume activities, such as cash contributions towards the well being of communities in education, sports and cultural areas. Haad Thip was no exception. Company took a hard look at its costs on its external affairs expenditures that evolved around the three above mentioned areas and after careful consideration, the management came to a unanimous decision to continue playing a positive part in the southern communities. External Affair budget is set up separately from marketing funds, albeit a slightly smaller sum than those in previous years. All social activities aimed at improving the quality of life in the South.

VII. CONCLUSION AND RECOMMENDATION

7.1 Conclusion

In 1975, Haad Thip, licensee of Coca Cola Thailand, was the first soft drinks company that operated the soft drinks market in Southern part of Thailand. Haad Thip becomes market leader followed by Sermasuk as Haad Thip has well planned marketing strategies especially on public relations plan. Haad Thip had made a marketing right move by establishing and cementing relationship with distributors and consumers as its business philosophy of "Haad Thip is a part of the South". For production, the demand of soft drinks in the Southern part of Thailand fluctuated caused by the seasons and festivals but Haad Thip has a good production team for handling this fluctuated demand. For the production lines, Haad Thip has high technology machines, which provides the high production capacity. But cost of high technology machines is very high; therefore R&D department tries to reduce this cost by inventing their own machines such as caser, decaser, palletizer, and depalletizer. If Haad Thip wants to have a high efficiency in the production, Haad Thip should apply the computer software for controlling the inventory. But before using computer software, Haad Thip should figure out the actual demand in each period. In the views of Haad Thip's marketing, Haad Thip should adapt marketing strategies according to the change in economy and consumers' behavior. But one strategy that Haad Thip should emphasize is create and strengthen relationship with Southerners, which is the outstanding strategy making Haad Thip successful in the market. In terms of distribution channel, Haad Thip should add more agents located in large provinces such as Phuket, Nakhorn Ratchasrima in order to generate more sales. As regards promotion, Haad Thip is on the right track in public relations. Relation to sales promotion, Haad Thip should launch more frequent

promotion campaigns and attractive advertisements supporting the company to defend its market shares from Sermasuk.

7.2 Recommendation

For our recommendation, Haad Thip must maintain its soft drinks leadership position in Southern part in spite of fierce competition in the market. As Sermasuk had moved into Southern market by setting up the new plant at Surat Thani as a based for distributing products efficiency, Haad Thip should not foresee its defend market share strategy. Haad Thip decides to launch new strategy to compete with competitors, which is creating home consumption demand. Haad Thip may use sales promotion to create one-liter products type demand.

In order to gain higher market share, Haad Thip must increase its distribution channels by training sales force to seek new market such as banquet, festival, celebration, fair, party, and wedding ceremony.

As the reason of the social contribution caused Haad Thip achieve soft drink leader position, Haad Thip tends to consider social activities as a key factor to make the company successful. Unfortunately, Sermasuk has changed its promotion strategy to use heavily on public relations as Haad Thip had done, Sermasuk wishes to create special ties with Southerners by supporting various social, educational, and sports activities. Haad Thip forecasts that the Company will lose a lot of market shares to Sermasuk in the future. Ultimately the market share of Haad Thip will be reduced close to 50% of total market share with the rest 50% owned by Sermasuk. With the special tie of consumers Haad Thip expects to maintain the leadership position as long as possible. Hence Haad Thip will continue to adhere to the policy of creating strong relationship with Southerners by joining in and promoting activities that benefit the community as a whole, reinforcing the line: "*Haad Thip is a part of the South* "

In order to defend its market share, I think Haad Thip should set the future implementation for the company as follows:

- (1) Haad Thip use *market survey* that the Company will build a special survey team to conduct random survey quarter with particular emphasis in merchandising. The Company will use information gathered from survey as a base for setting marketing strategy.
- (2) For Haad Thip advertisement:
 - (a) The Company plans to advertise by using Internet media.
 - (b) The Company will be improving all signs of advertising such as using blinking posters, neon light billboards with sound effect.
 - (c) The Company plans to change Haad Thip logo to be more attractive than the old one.
 - (d) The Company will be initiating a Coca-Cola showroom
- (3) For sales promotion, in the year 2000 the Company plans to a launch new sales promotion, which can attract more consumers. These sales promotions are
 - (a) Get lucky with year 2000
 - (b) Y2K Coca-Cola silver crown
 - (c) Double incentives during new products launch and low seasons.
- (4) For public relations, The Company will maintain and cement relationships with Southerners. And The Company plans to implement Booth 2000 to introduce technology to locals.
- (5) For human resource development, The Company will develop marketing division personnel in the following areas:

- (a) Increasing English skill.
- (b) Increasing in knowledge in marketing, sales, and related fields.
- (c) Developing a positive workers attitude.
- (d) Personal development to build a positive image.



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