

Charoen Pokphand Foods Plc.’s Quest to become the Kitchen of the World: An Overview

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ABSTRACT: *In this case study, the readers will be navigated through the successful journey of Charoen Pokphand Foods Plc. (CPF) as the company brilliantly raced to reach its pinnacle in business map as kitchen of the world. For the starters, the readers will be enlightened with the history and business model of CPF. The highlight of this paper is mainly how CPF reconnected and aligned its aim to their customer’s buying dynamics so that they manage to market the right product to the right customer in the right way in order to become the Kitchen of the World.*

Keywords: *analysis, CPF, customer, Kitchen of the World*

I. INTRODUCTION

An aphorism in the marketing arena was created by Peter Drucker, the Grandfather of Modern Marketing, when he says “The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself” as he believes that the sole purpose of doing business is to create and retain customers. This is because Drucker believes that customers are indeed the foundation of any business’ success. His notion on customers are undeniably true as repeated business is indeed the backbone of selling as it provides revenue and certainty for the business survival.

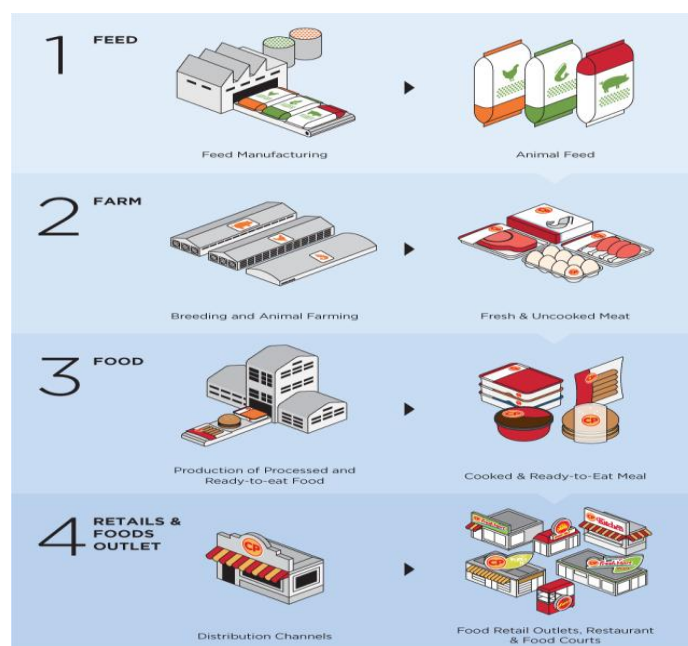
Now, let’ clarify who are the customers? According to www.wikipedia.org are the recipients of a good or service obtained from a seller, supplier or vendor via financial transaction. These recipients are commonly known as consumers and commercial intermediary or business organizations who plays a significant role and often considered as an intangible asset of a business that should be valued and managed since they creates markets which is the key motivation in production and marketing.

Basically, customers are identified and segmented through the following key characteristics such as (i) demographic characteristic which takes into account the aspects of gender, ethnic, religion, education background, income, household size and etc.; (ii) psychographic characteristic such as values, beliefs, opinions, interest and attitudes; (iii) behavioristic character namely brand loyalty, product usage length and benefits they seek out of usage; and (iv) geographic characteristic such as market size, climate, regional etc.

To fully digest CPF’s utmost desire to become the Kitchen of the World, one ought to understand the nature of Thailand’s food industry since Thailand too often dubbed as the “Kitchen of the world”. Based on readings, this is due to the Thailand’s combination of abundant natural resources, investments in technology, continuous R&D in the area of food safety and a commitment to international quality standard. This eventually leads Thailand to emerge as the only net food exporter in Asia, and as one of the world’s top producers of food products such as rice, canned tuna, frozen seafood, chicken and canned pineapples. For instance, in 2014, Thailand exported approximately US\$30 billion of food products to major countries such as Japan, the US, China, UK and ASEAN countries. US\$2.9 billion of it was contributed by meat products, chicken being the primary contributor with exports of US\$2.3 billion. Thailand also venture into the halal market as demands for halal food has increased tremendously and is estimate US\$976 billion annually. This seems fruitful since according to Thailand’s National Food Institute, the value of halal food exports in 2014 was US\$5.8 billion, making Thailand the leader for halal exports among all Southeast Asian countries.

II. CPF’S BUSINESS OVERVIEW

CPF was established on 17 January 1978 with a registered capital of five (5) million Baht with commitments to sell livestock fees in Thailand’s Southern Provinces. After 10 years accumulating strength and knowledge, in 1987, CPF started its integration process by expending livestock farming business and get listed on Thailand’s Stock Exchange. The following year saw CPF’s involvement in aquaculture business line namely exporting shrimp based products. As a part of business model overhaul, CPF acquired animal feeds and meat processing companies from CP Group in 1998 and when it was completed in 1999, CPF has emerged as a fully integrated business tycoon in both livestock and aquaculture forte. The vertically integrated businesses which incorporate the manufacturing of animal feed, animal breeding and animal farming; meat processing, the manufacturing of semi-cooked meat and fully-cooked meat; food products and ready meal products, as well as the meat and food retailer and restaurant businesses is shown through Figure 1 as below:-



2.1 Vision and Mission of CPF

CPF's vision statement gives a very clear picture on the company's ultimate strategic goal, which is to be the "Kitchen of the World" focusing solely on creating quality and delightful dishes for every consumer. In order to achieve its vision, CPF has outlined its mission as below:-

"CPF engages in **vertically integrated** agro-industrial and food businesses and committed to **providing products and services** that are of **high quality**, nutritious, tasty, safe and **traceable** for a better quality life of consumers around the globe. At the same time, CPF is dedicated to operate the business with strict adherence to **corporate social responsibility and environment conservation** as a means of achieving **sustainable growth** leading to the continuous and **appropriate return to our shareholders.**"

In order to achieve the company's common goal, CPF's Way conferred as a holy guidance for the company as it plays an important role in motivating and retaining employees towards achieving performance excellence, building and maintaining customers' confidence and satisfaction, creating value for shareholders, and providing support for society. Briefly, the CPF' Way consist of six (6) elements such as the following:-

- (i) Three (3) Benefits towards Sustainability namely the benefit for the country, people and company emphasizing commitments through integrity and fair conduct, led by example approach and duties of exemplary citizen;
- (ii) Right balance between speed and quality to create competitive advantages compared to its competitors;
- (iii) Simplification of work processes through standardization and continual improvement;
- (iv) Willingness to adapt for changes towards sustainable growth of the organization;
- (v) Innovativeness based on appropriate risk management for positive changes across board in the organization' and
- (vi) Strengthening the human resources of the organization through elements of Integrity, Honesty and Reciprocity.

2.2 CPF's Business Model

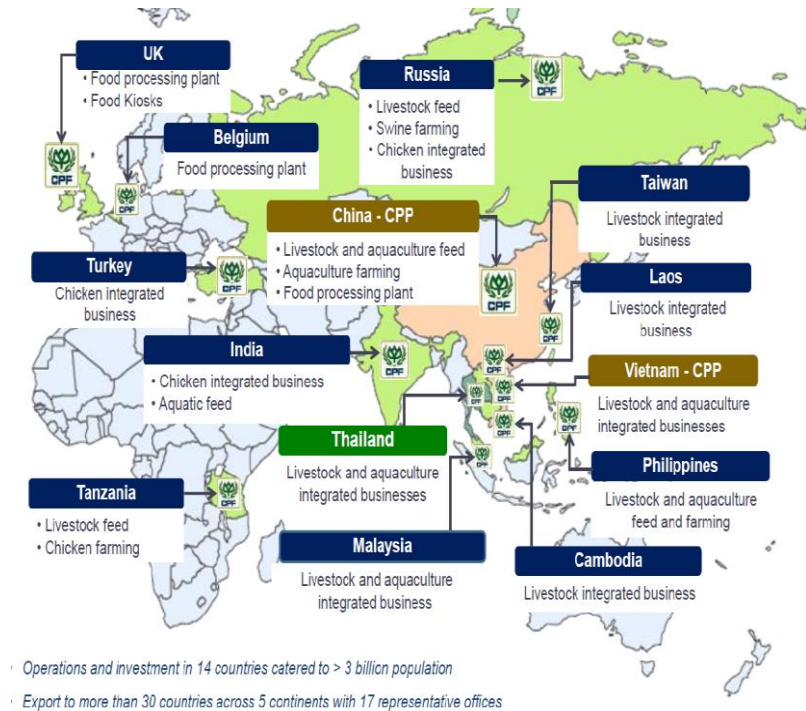
In *The New, New Thing (2014)* Michael Lewis refers to the phrase *business model* as "a term of art. It's widely believed that since CPF works hard to be known as a "Kitchen of the World", CPF might also have used the same "term of art analogy" while creating their sustainable operation with the following five (5) strategies:-

- (i) Preserving environment and ensuring resource efficiency through product life cycle management and integrated management of energy, water and waste using the 4Rs principle namely Reduce, Reuse, Recycle and Replenish;
- (ii) Good Corporate Governance also uphold by deploying risk management system and corporate governance policy;
- (iii) Enhancing food quality and safety throughout the chain by conducting quality assurance system and international food quality and management system. At the same time, accurate and clear nutrition information to promote health and nutrition awareness was also provided;
- (iv) Fair labor practices and human rights as demanded both Thailand and hosting countries. Leadership and managerial skills development as well as dynamic culture was also reinforced towards excellency; and

- (v) Promoting win-win partnership and supporting quality of life in communities through sustainable sourcing policy and supplier principles.

2.3 CPF's Operations

As a leading agro- industrial and food conglomerate, over the years, CPF have developed a well-diversified portfolio with exports to more than 30 countries and operations in 14 countries catered to over 3 billion population as shown in the Figure 2:-



2.4 CPF's SWOT Analysis and Industrial Competitors

The following essences were identified played major roles in CPF's development and engagement in business:-

(i) Strength

Being the pioneer and leader of integrated agro-aquaculture business, CPF had managed to leave its imprint as a strong brand presence compared to its competitors in the industry. The company boasts on its capabilities to ensure consistency in quality and specified standard using computer controlled production process. CPF also is the first company outside the European Union that was awarded with the Animal Welfare Standard to export chicken champions its commitment towards R&D on natural genetic selection to produce quality breeds.

(ii) Weakness

The enigmatic role of supply and demand factor in price fluctuation is a crucial concern for CPF beside disease outbreaks that affects consumer's confidence in meat consumption. Limited global presence compared to market leaders is also a major concern in CPF's business expansion.

(iii) Opportunity

The continuous portrayal of eco-friendly company will enhance and promote its image both locally and internationally. By implementing an eco-friendly policy, CPF had the opportunity to reduce waste disposal expenses, save production cost while gaining higher profit.

(iv) Threat

The uncertainty of global economy mainly among CPF's international counterparts, unpredicted weather and environment conditions as well as downfall of population structure that limits employee availabilities are seen as threats to CPF that may slow down their upcoming development.

III. One step closer to become kitchen of the world

Charoen Pokphand which means “Prosperity in Food” in the Thai language clearly understand its current and potential consumer’s behavior thus giving an extreme importance to ensure quality, safety and traceability in all its products. CPF also had realized in order to create and retain customers; the company must create the availability of products by providing a shopping convenience sought by consumers in modern retail channels as suggested by Pan & Zinkhan (2006). As at 31st December 2015, there are five (5) retail and food outlet formats which enables CPF products being channeled to its consumers:-

- (i) 5,010 kiosk operating under Five Star business wing;
- (ii) 201 outlets operating under Chester’s business wing;
- (iii) 419 CP Fresh Marts;
- (iv) 5 CP Food Stores; and
- (v) 22 kiosks under Chozen Noodles business wing.

On top of that, CPF also uses the power of sensory marketing to gain the competitive advantages compared to its rivals. This is done for instance, by writing the product’s description as well as the nutrition details on its packaging, CPF had helped its customers to regain and reuse their touching sensory while boosting the product evaluation. CPF also manipulate the other sensory especially vision and sound in its promotional activities be it through media as well as its packaging whereby it’s product are often associated with consumers common behavior and local languages to attain consumer loyalty.

Being fully aware that now modern consumers are not only concern with the price and quality of the product but also shown ethical concern in favoring any brand, CPF has undertaken the following actions to gain more identification both its buyers:-

- (i) Cooperate with communities adjacent to business establishments to improve quality of life and safeguard natural resources and environment in the vicinities;
- (ii) Cooperate with farmers and its business partners to develop occupational knowledge, promote business operations with social responsibility as well as support innovation development; and
- (iii) Cooperate with the society and social development networks to improve people’s way of life and occupations, as well as develop local wisdoms in accordance with sufficient economy towards self-dependence.

To stamp their mark on world’s food industry, CPF has also created Product Sustainability Project since 2012 to produce a product design and development, by taking consumers’ safety as the first priority and fully utilization of raw materials as per international standards. This effort earns **CP chicken products** to be the **The World’s First Certified Sustainable Chicken Product** accredited by DNV-GL Prosustain World-Class Sustainability Standard Accreditation Organization. CPF’s whole-chain electronic traceability also has given the company an advantage as it can trace sources of raw materials automatically in the whole supply chains including the production of animal feeds, animal husbandry, production and distribution of goods towards the sustainability of its brand and buyer loyalty. This act proved fruitful when CPF became the first company outside European Union to be certified under The Red Tractor Assurance (RTA) from United Kingdom. By achieving the top 5 from 31 companies in the group of FAO products, ranked 1,454th among 2,000 World’s Biggest Public Companies by The Forbes Global 2000 and noted as a member of Dow Jones Sustainability Indices in the category of DJSI Emerging Markets of 2015 creates an unquestionable image among global industry.

As an icing on the cake, in their verge to become Kitchen OF The World, CPF also creates an emotional bonding with its consumers to show its commitment towards sustainable production and consumption towards the Greener Environment Agenda:-

- (i) Ensuring an efficient resources utilization under the 4Rs principle: Reduce, Reuse, Recycle and Replenish, in parallel to innovation development to increase efficiency and minimize negative impact on the environment;
- (ii) Promoting sustainable sourcing with an emphasis on finding key raw materials from sources that protect natural resources and are safe for communities and consumers, as well as operate business with fairness while promoting corporate social responsibility in supply chain;
- (iii) Developing sustainable products with Life Cycle Assessment (LCA) in order to acquire quality products that are safe for consumers and environmentally friendly; and
- (iv) Support and participate in mitigating climate change as well as preserving natural resources and biodiversity for a balanced ecological system. For instance, in 2015, the Company has implemented “Rak-Nives Project”, an Ecosystem Conservation Project) continuously from 2014 for conservation and recovery of green areas within and around its workplaces; whereas, 54 factories and farms participating in the Project received LESS Award (Low Emission Support Scheme) from Thailand Greenhouse Gas Management. In addition, CPF also commit in the conservation and recovery of mangrove forests under the “Grow-Share-

Protect mangrove forestation Project” in 5 strategic areas of the Country, namely Chumphon, Rayong, SamutSakorn, Songkhla and Phang-nga provinces

IV. HARD WORK PAID OFF

Clearly CPF has developed competitive advantages that distinguished the company from the rest by judging the following few notable achievements as an endorsement to claim the title Kitchen of the World:-

- (i) Selected as a member of Dow Jones Sustainability Indices in the category of DJSI Emerging Markets of 2015;
- (ii) Ranked within top 5 from 31 companies in the group of FAO food products;
- (iii) Becomes world’s first corporation where the chicken products were awarded with Product Sustainability Certificate under ProSustain Standard;
- (iv) Ranked 1,454th among 2,000 World’s Biggest Public Companies by The Forbes Global 2000;
- (v) Thailand’s Top Corporate Brand Awards 2015, as the organization with highest brand value in Food and Beverage Business Sector, presented by Chulalongkorn University, for 4 consecutive years;
- (vi) Thailand Corporate Excellence Award 2015 as the organization with outstanding innovation and creation, presented by the Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University;
- (vii) Best CFO Awards – “IAA Award for Listed Companies 2014”, presented by Investment Analysts Association (IAA), for two consecutive years (2013-2014);
- (viii) The Royal Thepthong Award in the category of “Outstanding Organization” in the 16th Royal Thepthong Award Presentation, as an organization operating activities in favor of the Nation;
- (ix) Thailand Energy Awards 2015 in the category of “Outstanding Energy Conservation Factory” and “National Outstanding Energy Awareness Organization” by the Ministry of Energy; and of course the,
- (x) Sales revenue by operation in 2013 (389,251 THB Million), 2014 (426,039 THB Million) and 2015 (421,355 THB Million)

V. CONCLUSION

CPF clearly understood that in order to become Kitchen of the World, the company must create and retain superior consumer experiences. Thus the company gave its utmost to ensure customer’s positive buying experiences by focusing on quality, safety and sustainability. At the same time, CPF successfully designs and segmented accordingly to targeted market’s needs and expectation, this reflected in clearly how it manage to penetrate both halal and non halal food business to the extend CPF became the top 5 food manufacturer under Food and Agricultural Organization of the United Nations. So, it’s only fair to conclude that CPF indeed has successfully gained its endorsement in its quest to become Kitchen of the World.

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