

# แรงจูงใจการลงทุนของนักลงทุนชาวจีน สำหรับโรงงานแปรรูปผลไม้ที่จังหวัดจันทบุรี ประเทศไทย

## INVESTMENT MOTIVATION OF CHINESE INVESTORS FOR FRUIT-PROCESSING FACTORIES IN CHANTABURI PROVINCE, THAILAND

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## บทคัดย่อ

การวิจัยในครั้งนี้มีวัตถุประสงค์เพื่อศึกษาปัจจัยที่มีอิทธิพลต่อการจูงใจในการลงทุนของผู้ประกอบการชาวจีนที่มาลงทุนโรงงานแปรรูปผลไม้ที่จังหวัดจันทบุรี ประเทศไทย วิธีการวิจัยได้นำการวิจัยเชิงคุณภาพโดยผู้วิจัยทำการสัมภาษณ์เชิงลึกกับผู้จัดการโรงงานแปรรูปผลไม้ที่มีนักธุรกิจชาวจีนเป็นเจ้าของ จำนวน 25 คน เพื่อตรวจสอบปัจจัยที่มีอิทธิพลต่อการจูงใจในการลงทุน ผลการวิจัยพบว่า ข้อมูลบริษัท สถานการณ์การตลาดในประเทศจีน และ ความสามารถเชิงธุรกิจของจังหวัดจันทบุรีมีอิทธิพลบางส่วนต่อการจูงใจในการลงทุนของนักลงทุนชาวจีน ตัวอย่างปัจจัยที่มีผลต่อการจูงใจในการลงทุนของนักลงทุนชาวจีน ได้แก่ แหล่งเงินทุน สถานที่ตั้ง ความต้องการของผู้บริโภค ผู้ผลิต ต้นทุน แหล่งที่มาของวัตถุดิบ และการขนส่ง ข้อเสนอแนะในการวิจัยครั้งต่อไป คือ สัมภาษณ์ผู้จัดการโรงงานแปรรูปผลไม้ในจังหวัดจันทบุรีที่เป็นของนักธุรกิจชาวจีนเพิ่มเติม และขยายการวิจัยไปสัมภาษณ์นักลงทุนชาวจีนในระดับบริหารของบริษัทแม่ในประเทศจีน

**คำสำคัญ:** โรงงานแปรรูปผลไม้ ผลไม้ไทย จังหวัดจันทบุรี การจูงใจในการลงทุน ผู้ประกอบการชาวจีน

## Abstract

The purpose of the study was to examine the factors influencing the investment motivation of Chinese business owners who invest in fruit-processing factories in Chantaburi Province in Thailand. A Qualitative approach was applied using in-depth interviews with twenty managers involved in the fruit-processing factories owned by Chinese businesses to identify the factors that influence the motivation for investment. The results indicated that company profile, the market situation in China and business competency within Chantaburi province partially influenced investment motivation for Chinese investors. The results showed that factors such as the source of funding, location, consumer demand, suppliers, cost, originality of raw materials, and transportation all played a role in influencing investors. Recommendations are to further interview managers of all fruit-processing factories that are owned by Chinese investors in Chantaburi Province and extend the study to interview management personnel of their parent companies in China.

**Keywords:** Fruit-processing factory, Thai fruits, Chantaburi Province, investment motivation, Chinese investors

## Introduction

Tropical fruits have become more popular to Chinese consumers especially fruits from Thailand. Thailand has become China's biggest supplier of fruits (Meng, 2009; Wei, 2011). Thailand is home to a number of tropical fruits and fresh fruits, which are available all year round. Quality and the taste of fruits in Chantaburi province are favored by Chinese consumers ("Chinese Fruit Culture and Outlook," 2012; Wu, 2014; Zhang, 2014). The Chinese government provided support to local orchards to grow tropical fruits such as lychee and longan, but could not fulfill market demands. Chinese companies have imported canned fruits from other countries such as Thailand and Vietnam (Meng, 2009; National Bureau of Statistics, 2013; Wu, 2014; Xu, 2012). After the financial crisis in 2008, the Chinese government has crafted policies to encourage Chinese businesses to invest in other countries. The economic integration of ASEAN countries and China-ASEAN Free Trade Area has accelerated the flow of investment from China to ASEAN countries. After China and Thailand signed Free Trade Agreement in 2006, the amount of investment from China has increased significantly, nearly 141% in 2010 (Krishna Kumar VR, 2015; Li, Ruangkanjanases, & Chen, 2014; Rattanawich, 2014; Reed, 2001; Yang, Zhao, & Qi, 2009). See Figure 1.

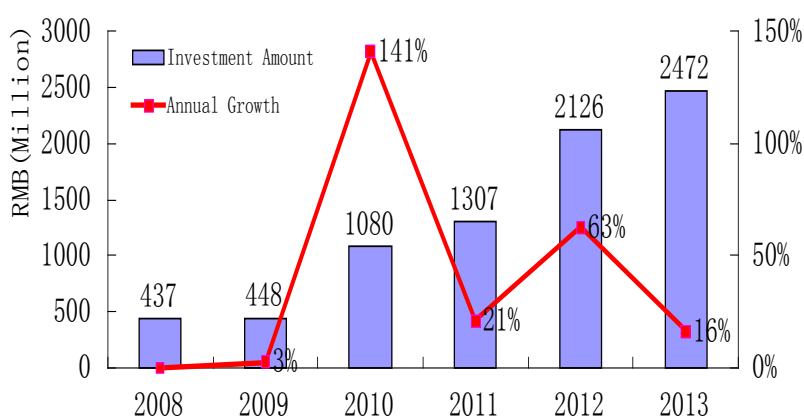


Figure 1: Chinese investment in Thailand (Million RMB)

Source: National Bureau of Statistics of the People's Republic of China

Chinese business investors have established fruit-processing factories and shipped produce to China. The number of fruit-processing factories owned by Chinese investors in Chantaburi has increased dramatically (Department of Agricultural Economics; Rattanawich, 2014; Zhang, 2014). This study explores factors affecting investment motivation of Chinese business owners in choosing Chantaburi Province as the destination for establishing fruit-processing factories.

## Purposes

This research aims to identify the influence made by the company profile, the market situation in China and business competency of Chantaburi Province on investment motivation of Chinese investors for fruit-processing factories in Chantaburi Province, Thailand

## Propositions

Following the research objectives, the study proposes the research propositions as follows:

1. There is an influence for a company profile on investment motivation for Chinese investors for fruit-processing factories in Chantaburi Province, Thailand
2. There is an influence gained by the market situation in China on investment motivation for Chinese investors for fruit-processing factories in Chantaburi Province, Thailand
3. There is an influence of business competency in the Chantaburi Province on investment motivation for Chinese investors for fruit-processing factories in Chantaburi Province, Thailand.

These are depicted in Figure 2.

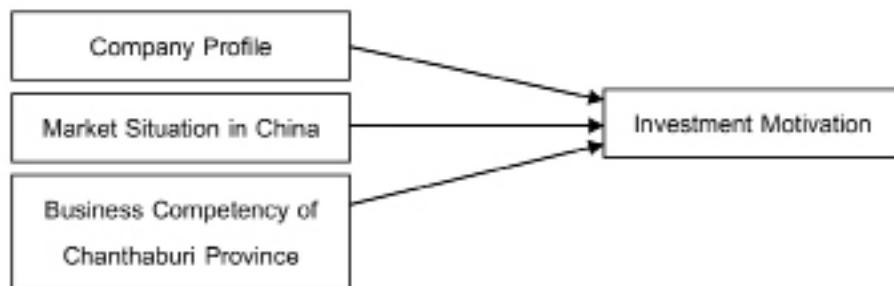


Figure 2: Conceptual Framework of the study

Source: Developed for this study

## Benefit of Research

Findings of this study will improve the understanding of investment motivation with reference to Chinese investors in the fruit-processing industry both in terms of academic literature and managerial implications. Local authorities may use the results to develop proper strategic planning and policies for the investment of Chinese business owners in fruit-processing factories in Thailand.

## Research Process

The Qualitative approach using in-depth interview was applied to collect the data. A judgmental sampling is applied to choose interviewees, the managers of fruit-processing factories owned by Chinese investors. To collect data, 20 out of 75 managers (total Chinese owned fruit-processing factories) were interviewed. In-depth interviews took place at the fruit-processing factories in Chantaburi Province. Descriptive and content analyses were employed to test the influence of the company profile, market situation in China and business competency of Chantaburi Province on the investment motivation of Chinese investors.

## Population and Sample

Population equals the Chinese managers of 75 fruit-processing factories in Chantaburi Province, Thailand

Sample is 20 out of those 75 Chinese managers of fruit-processing factories in Chantaburi Province. This can be considered as an appropriate sample size for an in-depth interview approach (Malhotra, 2010; May, 2002).

## Instruments

The In-depth interview form is used to describe definitions of variables and collect the data. The Company profile means the companies basic information namely size, location, experience, technology, and source of funds. Market situation in China means conditions of consumer demand, economic policy, rival competition, and supplier in China. Business competency of Chantaburi Province means conditions of cost, geography, originality of raw material, infrastructure, transportation, and culture. Lastly, investment motivation means the guideline of investment behavior which includes resource seeking, market seeking, efficiency seeking, and strategic resources seeking. Examples of interviewed questions are shown in Table 1.

**Table 1:** Examples of questions in the interview form

Questions
- What are types of products
<b>Market situation in China</b>
- Where is your target city?
- What are pros and cons of using supplier from Thailand?
<b>Business competency in Chantaburi</b>
- How do you get raw materials in Chantaburi?
<b>Choose investment motivation in the following categories:</b>
Resource seeking:
- Seek abundant tropical fruit resource
- Seek low cost labor
- Acquire technology capacity
- Access better infrastructure in host country
Market seeking:
- Develop products for Thai market
- Identify new markets for the firm's products
- Major customer / supplier move to Thailand
- Competitors presences in Thai market

## Data Analysis

Content analysis is employed to analyze the data. Text is processed and turn into manageable categories. Descriptive statistics i.e. means and frequency was used to classify and ranks the data categories. Then keywords are identified from interviewed data and categorized in accordance with variables and the research propositions of the study.

## Findings and Conclusion

### Company Profile:

This study found that there is an influence from a company profile on investment motivation for Chinese investors for the fruit-processing factories in Chantaburi Province, Thailand (Proposition 1). The results are shown in Figure 3. Source of funding is a major concern in a company profile factor (12 out of 20 factories or 60%) followed by location of the company (55%).

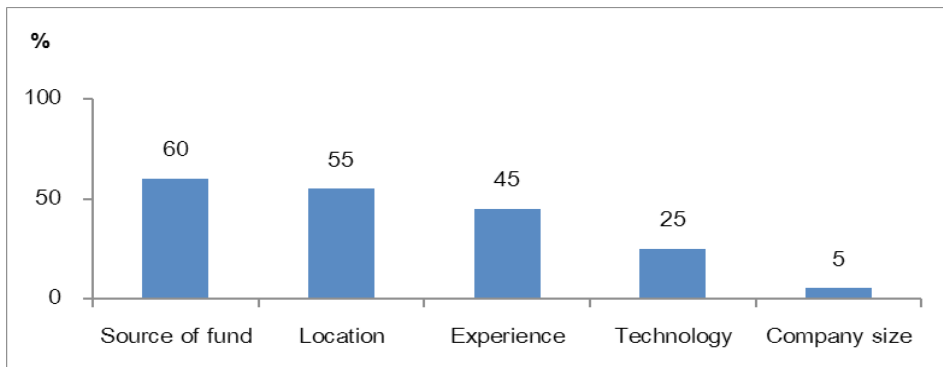


Figure 3: Influencing factors for company profile

Source: Develop for this study

Funds are from various sources: 70% from parent companies in China, 20% from join-venture with local partners and 10% were loan from commercial banks. The location is the second factor in a company profile. 90% of Chinese investors considered land price, 60% regarded land ownership, and 55% considered renting the existing factories and 55% looked at traffic conditions.

#### Market Situation in China

Moreover, this study found that there is influence from the market situation in China on investment motivation of Chinese investors for fruit-processing factories in Chantaburi Province, Thailand (Proposition 2). The results are displayed in Figure 4. Consumer demand is the most important factor for market situation in China (80%).

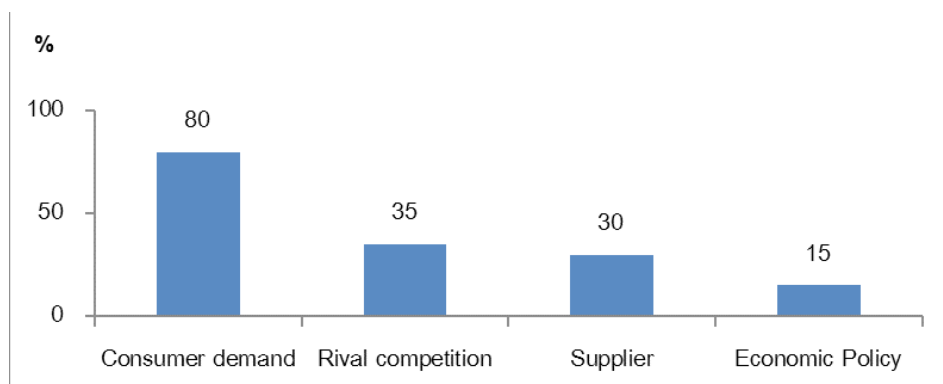


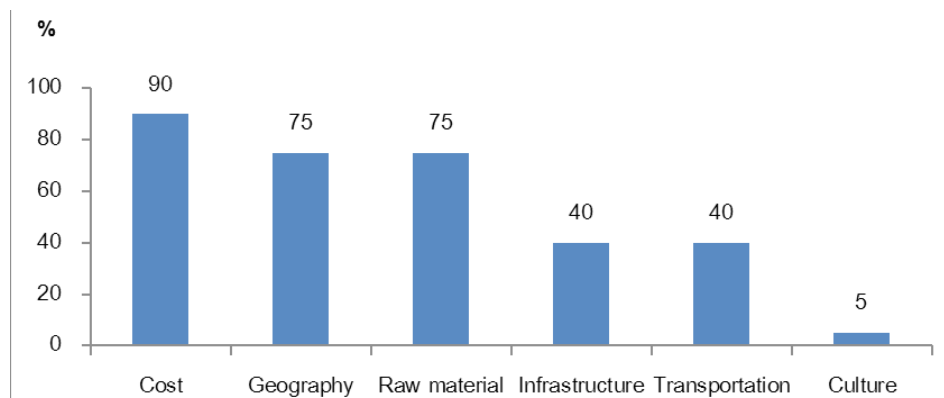
Figure 4: Influencing factors for market situation in China

Source: Develop for this study

Production is adjusted in accordance with the demand of the Chinese consumer. Products are delivered to major cities in China such as Beijing, Guangzhou and Shanghai. Longan is the most popular canned fruit which accounted for 50% of sales volume, followed by durian (26%) and mangosteen (21%). Considering rival competition (35%), two main strategies are applied when dealing with rival competition in China namely promoting the quality of fruits from Chantaburi and adjustments price. On the Chinese supplier side (30%), the focus is on the quality of the products and the search for untapped markets in China.

### Business Competency of Chantaburi Province

The results also reveal an influence for business competency in Chantaburi Province on investment motivation of Chinese investors for fruit-processing factories in Chantaburi Province, Thailand (Proposition 3). The results are depicted in Figure 5. Cost is the major concern when considering business competency within Chantaburi Province (90%).



**Figure 5:** Influencing factors for Business Competency in Chantaburi Province

Source: Develop for this study

Costs made up of raw material (50%), transportation (30%), and labor cost (20%). Costs of raw materials are stable; however, it increases 2-3% each year following the increasing numbers of fruit-processing factories owned by Chinese investors. 95% of raw materials are from the contract arrangements with fruit orchards in advance. Cost of labor is not expensive because of a higher supply of cheaper labor from Cambodia. 60% of fruit-processing factories use land transportation to deliver their products to China.

### Investment Motivation

Additionally, the main investment motivation to invest in Chantaburi Province is resource seeking (100%). Resources that Chinese investors seeking are raw materials (100%) and low-cost labor (80%). Chantaburi Province offers abundant tropical fruits especially longan, durian, and mangosteen. Labor cost is relatively low. Chantaburi Province borders Cambodia so it is easy for the factories to obtain low-cost labor. 95% of labor is Cambodian and 5% is Chinese and Thai's. However, payment for Cambodian workers is the cheapest and conversely Chinese labor is the highest. Investment motivation in terms of market seeking, 67% Chinese investors considered opportunity to develop products for the Thai market where 50% looked at the competitor presence in the Thai market. For efficiency seeking category, 100% considered lower cost structure and 33% agreed on risk spreading. For strategic resource seeking, only 5% considered alliances to promote long-term corporate objectives and 55% to build a base for business in Southeast Asia. The Size of the company also influenced on investment motivation. Large size factories tend to focus on seeking resources and efficiency. Small and medium size factories focus on seeking resources and market. However, factories of all sizes consider resource seeking as the main investment motivation.

In conclusion, the results revealed a number of factors, that the influencing investment motivations are - company profile (source of fund and location), market situation in China (consumer demand and

suppliers), and business competency of Chantaburi Province (cost, geography, and raw materials). The effects of these influencing factors are mainly on resource seeking especially looking for abundant tropical fruit resources and low-cost labor.

### **Recommendation**

Recommendations are to further interview more managers of fruit-processing factories that are owned by Chinese investors in Chantaburi Province. Moreover, management representatives such as parent companies in China should be interviewed about investment motivation to get insightful relevant information. This will help to identify if Chinese investors require more support from the Chinese government. Moreover, findings may help to suggest local authorities in Chantaburi Province in preparing strategic plans to facilitate investors from China.

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