Khmer Agri Food SMEs and the Retail Chain in Cambodia | B2B Event
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On 27 November 2019, the Cambodia Partnership for Sustainable Agriculture (CPSA) organised a business-to-business (B2B) matching event, extending the invitation to Khmer Agri-Food SMEs and Retail Chains. In total, 130 participants joined us at Himawari Hotel in Phnom Penh; among the attendees there were 28 SMEs and 10 retail chains representatives.

The event, an opportunity for local SMEs and retailers to network and match, was split into two sessions. First, SMEs were given the space in a small panel to discuss the challenges they face in terms of branding and marketing and linking to the retail market. In the second part of the event, both SMEs and retailers had the time to network and connect, and SMEs had booths where they could exhibit their product line.

Three weeks later, CPSA’s team followed up with SMEs representatives and retailers (through interviews and a survey) to gain insights on the impact of the event, and understand if, as a result of the B2B event, new formal connections between SMEs and retailers emerged. The data analysed illustrates that the event has been successful in being an opportunity for retailers to source more suppliers (and for SMEs to meet new distributors).
OPENING ADDRESS

The event started in the afternoon of Wednesday 27 November in Phnom Penh, at Himawari Hotel. In total, there were 130 participants, coming from the public and private sector, civil society, development partners and financial institutions. Among the attendees, 10 retail chains and 28 SMEs were represented.

CPSA’s Director Mr. Ratha Chan launched the event with an opening speech and welcome remarks.

First, Mr. Ratha introduced to the audience the Cambodia Partnership for Sustainable Agriculture (CPSA) and shared its goal to improve farmers’ profits and productivity while increasing the environmental sustainability of their farms. CPSA’s working groups (WGs) were then mentioned: these are voluntary grouping of organizations who are significant players in a certain value chain or sector and have an interest in contributing to sustainable and inclusive sectoral transformation. Currently there are four working groups under CPSA’s Secretariat:

Pepper WG, Cashew WG, Vegetables WG and Agri-Food SMEs WG. It is in the context of the latter that this B2B event has been organised. Ratha then announced the objectives of the event: to understand more in-depth SMEs’ practices and challenges with marketing and branding, and to encourage connections between local agri-food SMEs and big local retail chains in Cambodia, thus promoting the former’s local products. The 10 retail chains that kindly agreed to join the event with their teams are the following:
BACKGROUND

Agriculture, accounting for approximately 25% of the country’s GDP, is key for the economy and social development of Cambodia, which sees approximately 30% percent of its total population employed in the sector (World Bank Group, 2018). This industry has the potential to create more jobs, growth in income (especially in rural communities), support skills development, upgrade technology and managerial know-how, strengthen value chains (including Cambodia’s participation in global value chains), improve infrastructure, and bolster food security, amongst others.

The Cambodia Partnership for Sustainable Agriculture (CPSA) brings together companies, government agencies, civil society organizations, farmer groups and financial institutions to link smallholder farmers to the market with the shared goal of increasing farmers profits and productivity while improving the environmental sustainability of their farms. CPSA does this by being an inclusive platform for networking and information exchange, prompting sectoral or market systems transformation through its Working Groups (WGs), and providing education advisory for SMEs, entrepreneurs and farmer organizations. To date, CPSA is coordinating four Working Groups: Pepper, Cashew, Vegetables and Agri-Food SMEs working groups respectively.

The newest Agri-Food SMEs Working Group was established in September 2019 after several stakeholders consultations. The rationale behind its creation lies in the fact that the number of small and medium enterprises sourcing, producing and retailing agri-food products locally is growing, yet most of them revealed to face some challenges along the value chain. Therefore, CPSA’s Secretariat decided to create a platform where Cambodian agri-food SMEs could voluntarily gather to discuss challenges and their solutions, and give them the opportunity to learn from each other and the wider Grow Asia network’s best practices. The ultimate goal of the working group is for its member SMEs to strengthen their business and, when ready, scale up outside Cambodia, promoting local production.

The business-to-business (B2B) event that took place at Himawari Hotel in Phnom Penh on 27 November 2019 is the first official event of the Agri-Food SMEs WG open to the wider public. The event, “Agri-Food SMEs and the Retail Chain in Cambodia”, had as objective to promote linkages between local SMEs and retailers in Cambodia, by creating an opportunity for both to network and match. The half day event was split into two sessions: first, SMEs representatives were given the space in a small panel to discuss with the wider public the challenges that they face in terms of branding and marketing and linking to the retail market. In the second part of the event, SMEs moved to their booths where they were exhibiting their agri-food products to retailers and the latter networked with them.
CPSA’s B2B Event between Khmer Agri-Food SMEs and the Retail Chain in Cambodia was well-attended with 130 participants who joined at Himawari Hotel on 27 November 2019. The event had representatives from 6 broader sectors, as shown by the chart below:
Why a B2B Matching Event?

Among the various challenges along the value chain (e.g. marketing, certification, packaging, etc.) mentioned by SMEs during consultations in previous months, barriers in accessing retailers (and getting to know their supply requirements) were discussed by many. Hence the rationale behind the event format: by creating an opportunity for networking and matching, the event can raise the awareness of local retailers and consumers in favour of supporting safer and better quality local products.

In conclusion, as Ratha put it: “If we look at our neighbouring countries, more than 90 percent of products in their local retail chain are their local products whilst in Cambodia the opposite takes place - 90 to 95 percent of products on shelves are imported...we would like to see more khmer produce and more khmer consumption. Events like this one and more generally forming a group (Working Group) of SMEs to collaborate can help promote more local agri-food products in the local retail chain”.

An Example of Best Practice: Sela Pepper

Following the opening remarks, Ms Sopha Soeng, General Manager (GM) of Sela Pepper, a local pepper production company, was invited on stage to hold a presentation on her company’s marketing and branding strategies, being it a successful example of agri-food SME, well established in the local market.

Sela Pepper, established in 2016, is the first pepper processing centre of Cambodia. Sopha shared that the company’s success is due to its marketing and branding, and also to its effort to actively engage with farmer cooperatives, in order to ensure the quality of inputs, their technology and machinery state, certifications, internal control systems and more. In terms of marketing and branding, Sela is investing a lot of capital for it, focusing on long-term return on investment of branding and marketing activities. Sopha illustrated many examples of their multi-faceted product design and packaging, and especially their focus on promotional material such sign boards on Tuk Tuks and billboards (both in Cambodia and Thailand).

Despite being a very successful business, both in terms of recognition and profit, Sela Pepper is also facing some challenges. Specifically, the GM mentioned that “only 5% of Cambodia Pepper is consumed locally, and that it is not well known yet in the ASEAN region; too many black pepper brands are imported from overseas. There is little or no support from some local supermarkets, hence the need for more marketing and education locally”. Thus this statement once again reinforces that an event enabling promotion of local agri-food products and networking between local SMEs and retailers has the potential to overcome such challenges.
The first half of the event continued with a Panel Discussion, moderated by Mr. Ratha Chan, Director of CPSA and composed by five panel members:

The objective of this session was to give a space to SMEs representatives, coming from very different backgrounds - from small young enterprises, to bigger and more established businesses, to organic producers, etc. - to discuss their unique and their shared challenges in branding and marketing, and especially in accessing the local retail chain. After a few questions asked by the moderator, the wider public composed by retailers, more SMEs and other stakeholders had the opportunity for an open Q&A interaction with panellists and each other. Below are some interesting insights that emerged throughout the session.
What is the perspective of a small agri-food business owner with respect to investing in marketing and branding?

“Because we are still small, we do not have much budget to allocate to marketing and branding activities – like Sela Pepper does, for example. Thus our focus is firstly on our supply capacity, and our efforts go into yearly planning by the sales and production team, so that we know how much each year we want to achieve in terms of sales and it also must align with our production capacity as well. After these processes become efficient, more can be allocated to branding and marketing.”

Prook Haoiung, Gooden Yeni

“Given the small size of our enterprise and consecutively our limited budget for marketing, our strategy is to first focus more on quality, which, in our opinion, will then lead to a stronger branding of our products”

Soum Naren, Sovannak Palm Sugar

What are the reasons for which local consumers seem to have a lack of interest in buying local agri-food products?

“In my experience with the rice commodity, there are several factors contributing to low interest in local consumption. The first driver in my opinion is high prices (due to high cost of production, small scale of production leading to high production per unit), especially retail price where imported products are still cheaper even after taxes and transportation cost. Local consumers are still price sensitive and prefer cheaper products even when they perceive low quality and have no traceability.”

Hor Sokuntea, KNR

“From KOC’s perspective, lack of consumer trust is one of the major factors determining low levels of interest in buying local products. Trust is especially lacking on products’ quality and traceability. We (SME owners) need time to build trust and consumer confidence.”

Num Tum, KOC
OTHER CHALLENGES IN ACCESSING RETAIL CHAINS

“Some of the local retailers don’t trust new product or brands on the market. When they rent their shelves, these often do not promote the products effectively.

Moreover, raw materials are costly, and add up to the already expensive tax compliance services, packaging costs etc., so it is difficult to connect with supermarkets when the margin of income is so small”

Kenneth Matthews, Moo Moo Farms

SUGGESTIONS EMERGED DURING THE Q&A

“I think SMEs should not solely focus on the traditional retail market, but instead develop new strategies for online retail, and explore opportunities on Facebook, other social media, or partner up with Apps companies that can promote their product”

Chan Sophal, Centre for Policy Studies (CPS)

“I think SMEs will need more support from the government side. In terms of export, costs are currently very high and the paperwork heavy. Another issue lies with tax compliance services: the import of foreign products with tax evasion makes them cheaper compared to domestic products, and local SMEs can’t compete with them.

As a suggestion to retailers, they could plan regular meetings with SMEs (for example every 6 months) to understand challenges, what needs to be improved. They could also set a special day to promote domestic products. Lastly, retailers could provide or design a space in their shops exclusively for the promotion of domestic products”

Num Dima, Coffee Mondulkiri

“Charge QR barcode all product. The shelves still high cost that why the domestic product sale with high price can’t compete with import products”

Num Dima, Coffee Mondulkiri
At the end of the Q&A session and final remarks by each panellist and Director Ratha, the 28 SMEs that officially joined the event moved to their booths where they were exhibiting their product line and could meet interested stakeholders (more details on the interactions are illustrated in the next chapter).

The 28 SMEs are the following:
THREE WEEKS AFTER THE EVENT

In order to understand the true impact and potential benefits created by the event, CPSA conducted surveys and interviews with both SMEs and retailers who joined on 27 November 2019. Overall, the data analysed show that generally participants appreciated the event and found it relevant for their business, with more than 80% of respondents stating that they found new interested buyers, and to have strengthened their relationship with their existing buyers present at Himawari Hotel. Most of the SMEs said to have had contact with retailers after the event and that they would benefit from events like this in the future. There has also been constructive feedback on how to improve the event format; for example, the panel discussion that preceded the networking session was found generally useful, however SMEs expressed the wish to see retailers on the panel.

The infographic of the data analysed and quotes raised by the respondents are illustrated below.

"The event represented a good opportunity for my company to connect and interact with consumers and retailers"

"Events like this one help build strong connections"

SME Representative

This event was really good for us retailers. We found it useful to meet directly with our local suppliers; it encouraged us to improve, listen to each other and especially to the success experiences shared by SMEs"

A retailer
In the three weeks following the event, 82% of SMEs respondents stated to have been in contact with retailers met on November 27.

“…We hope to join more events like this in the future in order to improve our sales.”
SME representative

91% of the SMEs that had a follow up with retailers after the event are “in the process to secure or have already secured new buyers” (buyers met at the event).
The event clearly identified the potential for local SME’s expansion in the local market. Their products are reaching high quality standards, capable of competing with foreign products. However, some constraints still remain, leading local retail chains to prefer placing foreign products on their shelves. For this reason, CPSA is committed to further working on these issues and from the one hand help support agri-food SMEs improve their capacity (e.g. in marketing, certifications and standards etc.) and scale up, and on the other hand collaborate with government officials. The first step will be reaching out to the Ministry of Industry and Handicraft (MIH).

We are interested in hearing from those who are willing to share their experience in designing or deploying effective crop insurance schemes in Myanmar and Southeast Asia more broadly. If you would like to share your input, please reach out to us at the email below:

Ratha@growasia.org
The Cambodia Partnership for Sustainable Agriculture (CPSA) was formally launched in 2015 by Grow Asia and the Ministry of Agriculture, Forestry, and Fisheries (MAFF). Grow Asia was established by the World Economic Forum, in collaboration with the ASEAN Secretariat, to convene, facilitate, and help scale action-focused partnerships aligned with national agriculture agendas.

CPSA serves as a multi-stakeholder platform to engage smallholder farmers and market players towards socio-economic growth and competitive advantage.

Four Working Groups organised around cashew, pepper, vegetables and agri-food SMEs are currently in place and are developing ways to transform their sectors beyond individual value chain projects. In addition, partners are also collaborating on sectoral initiatives on agriculture investments, contract farming, and knowledge sharing. Grow Asia continues to provide overall strategic direction and support to CPSA locally and regionally.

Proudly supported by

Department of Agro-Industry (DAI), MAFF

Farmer and Nature Net (FNN)

Amru Rice

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