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KORRUN's business plan in Cambodia

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Master in Applied Management

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Department of Marketing, Operations and General
Management

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Abstract

KORRUN, a leading Chinese manufacturer of high-quality luggage and textile products, is strategically expanding into Cambodia to enhance its global competitiveness and strengthen its B2B supply chain. This business plan outlines the rationale for establishing a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone—a location that offers significant cost advantages through competitive labor costs, modern infrastructure, and strategic access to ASEAN markets. The plan details a comprehensive approach to leveraging advanced digital technologies, automation, and sustainable practices to optimize production, reduce costs, and ensure that products consistently meet the high-quality standards demanded by international clients. In addition, the strategy emphasizes robust supply chain management, risk mitigation through diversified supplier networks and hedging strategies, and a strong focus on local talent development through dedicated training programs. Financial projections indicate that the new facility will generate an initial annual gross profit of approximately €25,000,000, growing at a rate of 15% per year, while operating expenses are controlled at €20,000,000 annually. With a calculated Net Present Value (NPV) of €11,354,813 and an Internal Rate of Return (IRR) of 21%, the project is expected to achieve a payback period of 3–4 years. This strategic initiative not only drives significant operational efficiencies but also reinforces KORRUN's commitment to innovation, sustainability, and long-term market leadership.

Keywords:

KORRUN, Cambodia, Expansion, Manufacturing, Digital Integration, Automation, Supply Chain Optimization

JEL Classification:

L10 L80

Resumo

A KORRUN, fabricante chinesa líder de malas e produtos têxteis de alta qualidade, está se expandindo estrategicamente para o Camboja para aumentar sua competitividade global e fortalecer sua cadeia de suprimentos B2B. Este plano de negócios descreve a justificativa para o estabelecimento de uma fábrica de última geração na Zona de Cooperação do Porto de Sihanouk - um local que oferece vantagens de custo significativas por meio de custos de mão de obra competitivos, infraestrutura moderna e acesso estratégico aos mercados da ASEAN. O plano detalha uma abordagem abrangente para alavancar tecnologias digitais avançadas, automação e práticas sustentáveis para otimizar a produção, reduzir custos e garantir que os produtos atendam consistentemente aos padrões de alta qualidade exigidos por clientes internacionais. Além disso, a estratégia enfatiza o gerenciamento robusto da cadeia de suprimentos, a mitigação de riscos por meio de redes diversificadas de fornecedores e estratégias de hedge e um forte foco no desenvolvimento de talentos locais por meio de programas de treinamento dedicados. As projeções financeiras indicam que a nova instalação gerará um lucro bruto anual inicial de aproximadamente € 25.000.000, crescendo a uma taxa de 15% ao ano, enquanto as despesas operacionais são controladas em € 20.000.000 anualmente. Com um Valor Atual Líquido (VAL) calculado de € 11.354.813 e uma Taxa Interna de Rentabilidade (TIR) de 21%, espera-se que o projeto atinja um período de retorno de 3 a 4 anos. Essa iniciativa estratégica não apenas gera eficiências operacionais significativas, mas também reforça o compromisso da KORRUN com a inovação, sustentabilidade e liderança de mercado de longo prazo.

Palavras-Chave:

KORRUN, Camboja, Expansão, Manufatura, Integração Digital, Automação, Otimização da Cadeia de Suprimentos

JEL Classification:

L10 L80

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Glossary

Automation: The use of technology to perform tasks automatically, reducing the need for manual labor and increasing operational efficiency.

B2B (Business-to-Business): A business model in which transactions occur between businesses, rather than between a business and individual consumers.

Cost Efficiency: A measure of how well a company minimizes production costs while maintaining high quality.

Digital Integration: The incorporation of digital technologies into business processes to streamline operations and enhance data management.

ERP (Enterprise Resource Planning): A comprehensive system that integrates all essential functions of a business into one unified platform for improved efficiency and decision-making.

Innovation: The process of developing new ideas, products, or methods that result in significant improvements and provide competitive advantages.

Risk Management: The systematic identification, assessment, and mitigation of risks to minimize their impact on business operations.

Supply Chain: The entire network of organizations, resources, activities, and information involved in the production and distribution of a product or service.

Sustainable Production: Manufacturing processes that aim to reduce environmental impact, optimize resource use, and ensure long-term ecological and economic balance.

1. Introduction

The global textile and luggage industry is undergoing a transformative phase, driven by technological innovation, increasing demand for sustainable products, and shifting market dynamics. Amid this evolving landscape, emerging markets such as Cambodia are gaining prominence due to their competitive labor costs, modern infrastructure, and strategic access to regional trade networks. Against this backdrop, KORRUN—a leading Chinese manufacturer renowned for its high-quality and innovative products—has identified a significant opportunity to expand its production footprint into Cambodia, thereby enhancing its global competitiveness.

However, despite these attractive prospects, KORRUN faces several challenges. The primary problem lies in the complexities of transferring part of its production to a new geographic and regulatory environment while ensuring that product quality, operational efficiency, and sustainability standards remain consistent across different facilities. Additionally, integrating new digital technologies, managing local supplier relationships, and navigating regulatory uncertainties represent critical hurdles that must be addressed to secure a smooth market entry.

The objectives of this project are multi-fold. First, the project aims to establish a state-of-the-art manufacturing facility in Cambodia's Sihanouk Port Cooperation Zone that leverages advanced digital and automation technologies to streamline production. Second, it seeks to optimize supply chain operations by diversifying raw material sources and building long-term partnerships with local suppliers, thereby reducing production costs and mitigating risks. Third, the project intends to ensure that KORRUN's products continue to meet international quality standards while enhancing sustainability practices. Finally, the project aims to develop a robust risk management framework and talent development program to support the operational integration of the new facility.

To achieve these objectives, a comprehensive methodology has been adopted. This includes conducting in-depth market research, SWOT and Porter's Five Forces analyses, and financial viability studies to evaluate the economic potential and competitive landscape in Cambodia. Data has been gathered from internal reports, industry publications, and economic databases. Furthermore, stakeholder interviews and risk assessments form an integral part of the methodology, ensuring that both qualitative insights and quantitative data drive decision-making.

This article on KORRUN's expansion into Cambodia is organized into five key chapters that together provide a comprehensive overview of the project. The first chapter introduces the context, outlining global trends in the textile and luggage industries, the strategic benefits of investing in Cambodia, and the motivations behind KORRUN's decision to expand. The second chapter offers a literature review, synthesizing existing research, industry reports, and

case studies to build a solid theoretical framework that supports the analysis. The third chapter details the methodology, describing the multi-method approach used in the study—including external analyses such as PESTEL and Porter’s Five Forces, internal assessments like SWOT and financial audits, as well as in-depth interviews with KORRUN managers—to ensure robust data collection and analysis. The fourth chapter presents the core business plan, integrating the findings from both external and internal analyses to propose strategic initiatives for establishing a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone. This section covers market entry strategies, digital integration, supply chain optimization, risk management, and financial projections, including key metrics such as Net Present Value (NPV) and Internal Rate of Return (IRR). Finally, the fifth chapter provides a conclusion that summarizes the key findings, evaluates the overall feasibility of the expansion, and offers recommendations for future research and strategic refinements. Overall, the document presents a well-rounded analysis that addresses both the opportunities and challenges of entering the Cambodian market, demonstrating that the planned investment is not only economically viable but also strategically sound for enhancing KORRUN’s global competitiveness.

2. Literature Review

2.1. The Importance of a Business Plan

A business plan is an indispensable tool for entrepreneurs and businesses, offering clarity, direction, and the foundation for success. According to Barringer (2015), a well-crafted business plan acts as a roadmap, guiding businesses through different phases of growth while helping to identify and mitigate risks. It is not merely a document but a strategic asset that enhances the credibility of a business in the eyes of investors, stakeholders, and other key parties (Brinckmann et al., 2010).

One of the most significant advantages of a business plan is its ability to formalize a business's vision and strategic goals. By articulating clear objectives, it ensures that all stakeholders are aligned and working toward the same outcomes. For entrepreneurs, particularly those in the early stages of a venture, this clarity helps maintain focus and avoid unnecessary diversions. Moreover, research indicates that businesses with formal plans are more likely to secure funding and achieve sustainable growth compared to those without plans (Delmar & Shane, 2003).

The process of developing a business plan is as valuable as the final document itself. Entrepreneurs are compelled to think critically about their ideas, evaluate their feasibility, and anticipate potential challenges. According to Honig and Karlsson (2004), this reflective process fosters a deeper understanding of the business environment and equips entrepreneurs with the tools needed to navigate uncertainties. It also forces the identification of key assumptions, enabling proactive adjustments as conditions evolve.

In startups, a business plan is crucial for establishing legitimacy. Investors and partners seek evidence of careful planning and realistic projections before committing resources (Delmar & Shane, 2003). A well-structured business plan demonstrates that the entrepreneur has thoroughly researched the market, understood the competitive landscape, and developed a clear strategy for growth (Honig & Karlsson, 2004). This level of preparedness increases confidence among external stakeholders, often determining whether a company secures funding or faces rejection (Brinckmann et al. 2010).

For established firms, a business plan serves as a dynamic tool to maintain competitiveness and adapt to market changes. It provides a structured framework for evaluating new opportunities, launching products, or entering markets (Liao & Gartner, 2006). Additionally, business plans enable organizations to revisit their strategies regularly, ensuring that their operations remain aligned with their long-term objectives (Karlsson & Honig, 2009). Adaptability is particularly crucial in today's rapidly changing economic environment, where companies must be prepared to pivot in response to emerging trends or unforeseen disruptions (Gruber, 2007).

Moreover, a business plan enhances decision-making across all levels of an organization. By providing a comprehensive view of the business's goals and strategies, it enables leaders to make informed choices based on well-documented data and projections (Shane & Delmar, 2004). This reduces the likelihood of impulsive decisions and increases the consistency of actions taken across the organization (Upton et al., 2001). Furthermore, a business plan serves as a benchmark for measuring progress, helping businesses identify areas of success and those requiring improvement (Zinger et al., 2001).

The importance of a business plan extends beyond internal benefits. It is also a powerful communication tool that conveys a company's vision and goals to external stakeholders (Sutton, 2000). Whether addressing potential investors, employees, or regulatory bodies, a well-structured business plan communicates professionalism, organization, and a commitment to success (Honig & Karlsson, 2004). This is particularly significant when seeking partnerships or expanding into new territories, as it demonstrates the company's readiness and strategic foresight (Brinckmann et al., 2010).

Finally, a business plan plays a vital role in risk management. By identifying potential challenges and devising contingency strategies, it allows businesses to prepare effectively for uncertainties (Delmar & Shane, 2003). This proactive approach minimizes risks and enhances business resilience in the face of adversity (Gruber, 2007). For startups, where resources are often limited, this risk mitigation can be the key to survival and long-term viability (Liao & Gartner, 2006).

2.2. The Structure of a Business Plan

A business plan serves as a comprehensive document outlining an organization's goals, strategies, and financial forecasts, acting as a roadmap for entrepreneurs and investors (Brinckmann et al. 2010). The structure of a business plan is widely recognized as a critical factor influencing its effectiveness in securing funding and guiding business operations (Karlsson & Honig, 2009). This review synthesizes scholarly research on the essential components of a business plan and examines variations in structure based on industry and purpose.

The generally accepted structure of a business plan consists of several key sections, including the executive summary, company description, market analysis, organization and management, product or service line, marketing and sales strategy, funding request, financial projections, and appendix (Hisrich & Peters, 2002). Each section serves a distinct purpose, ensuring that stakeholders receive a clear and structured presentation of the business's feasibility and potential.

The executive summary is often regarded as the most crucial part of a business plan, as it provides a concise overview of the entire document and is the first section potential investors read (Barringer & Ireland, 2015). Research suggests that investors spend only a few minutes reviewing executive summaries before deciding whether to read further, underscoring the importance of clarity and compelling presentation in this section (Zacharakis et al. 1999).

The company description outlines the legal structure, ownership, and mission of the business, offering insight into its fundamental purpose and differentiating factors (Mason & Stark, 2004). This section is particularly important for new ventures, as it establishes credibility and sets the stage for the subsequent analysis (Honig & Karlsson, 2004).

A well-researched market analysis is essential for demonstrating an understanding of industry trends, target customer segments, and competitive positioning (Chwolka & Raith, 2012). Studies have found that detailed market research within a business plan significantly increases the likelihood of obtaining venture capital funding (Song et al. 2008). Investors and lenders prioritize data-driven insights that showcase demand, pricing strategies, and competitive advantages (Delmar & Shane, 2003).

The organization and management section presents the business's leadership structure, key team members, and their qualifications (Gartner & Liao, 2012). According to research, investors often assess the credibility and experience of the founding team as a determinant of business success (Kotha & George, 2012). Effective presentation of leadership expertise can significantly impact funding decisions (Mason & Harrison, 2004).

The product or service line section highlights the offerings of the business, detailing their unique value proposition, development stage, and intellectual property status (Delmar & Shane, 2004). This component is especially crucial for technology-based startups, where differentiation and innovation play a major role in competitive success (Amit, Brander, & Zott, 1998).

A strong marketing and sales strategy is vital for demonstrating how the business intends to attract and retain customers (Porter, 1985). Research indicates that business plans with detailed marketing strategies are more likely to achieve higher financial performance, as they exhibit proactive market orientation and adaptability (Brinckmann et al., 2010). Entrepreneurs must outline their sales channels, pricing strategies, and promotional efforts in a structured manner (Gruber, 2007).

The funding request section, when applicable, details the amount of funding needed, its intended use, and potential return on investment (Rutherford et al. 2009). Studies emphasize that transparent and realistic funding requirements enhance investor confidence and improve the chances of securing financing (Parhankangas & Landström, 2006).

The financial projections section provides forecasts, including income statements, cash flow statements, and balance sheets, typically covering three to five years (Brinckmann & Kim,

2015). Research suggests that well-documented financial projections improve a business plan's credibility, particularly when based on conservative and realistic assumptions (Lange et al. 2007). Financial statements serve as a quantitative measure of the business's potential success and stability (Zacharakis et al., 1999).

The appendix serves as a supplementary section, including additional documents such as legal agreements, resumes of key personnel, and technical details about the product or service (Karlsson & Honig, 2009). While optional, an appendix provides further depth and evidence for key claims in the business plan.

While the core structure of a business plan remains relatively consistent, research highlights variations based on industry and business type. For instance, technology startups often emphasize innovation, scalability, and intellectual property in their plans, whereas retail businesses focus more on market positioning and customer demographics (Delmar & Shane, 2004). Additionally, small businesses tend to create more flexible and concise business plans compared to those seeking large-scale investment (Honig & Karlsson, 2004).

Overall, the structure of a business plan plays a critical role in its effectiveness. Research consistently supports the notion that well-structured and data-driven business plans improve a company's ability to secure financing and navigate growth challenges (Brinckmann et al., 2010). Entrepreneurs must ensure that each section is carefully crafted to address investor expectations and industry-specific requirements.

2.3. Business Plan's Theory Base

The theoretical foundation of business planning lies in strategic management and entrepreneurship theories. Strategic management theory emphasizes the importance of planning in achieving competitive advantage (Porter, 1980). In this context, a business plan acts as a strategic tool that aligns organizational resources with market opportunities (Mintzberg, 1994). The planning process itself is rooted in rational decision-making models, which involve defining objectives, analyzing alternatives, and selecting the optimal course of action (Ansoff, 1965).

Entrepreneurship theory highlights the role of planning in reducing uncertainties and enhancing decision-making processes for startups (Sarasvathy, 2001). Effectuation theory, a branch of entrepreneurship theory, argues that business planning helps entrepreneurs navigate uncertainties by focusing on controllable aspects and leveraging available resources (Sarasvathy, 2001). Additionally, behavioral theories suggest that the act of planning influences entrepreneurs' cognition and decision-making, fostering a proactive and opportunity-focused mindset (Delmar & Shane, 2003).

The Resource-Based View (RBV) theory suggests that a business plan enables firms to leverage their unique resources and capabilities to achieve sustainable competitive advantage (Barney, 1991). By identifying core competencies and aligning them with market needs, businesses can differentiate themselves from competitors. Similarly, contingency theory posits that the effectiveness of a business plan depends on its alignment with the external environment and internal capabilities (Donaldson, 2001).

In addition to these theories, institutional theory underscores the role of business plans in legitimizing entrepreneurial ventures. Formal planning signals professionalism and commitment, which are critical for gaining support from investors and stakeholders (Karlsson & Honig, 2009). Thus, the theoretical underpinnings of business planning integrate elements of strategic management, entrepreneurship, and organizational behavior to provide a comprehensive framework for understanding its importance.

3. Methodology

This study employs a comprehensive multi-method approach that integrates external analysis, internal analysis, and in-depth interviews with KORRUN managers. These methodologies together provide both quantitative and qualitative insights, ensuring a robust evaluation of KORRUN's strategic expansion into Cambodia. The external analysis incorporates a range of techniques, including PESTEL analysis, Porter's Five Forces, competitor analysis, and consumer analysis, which collectively help to assess the macroeconomic environment, regulatory frameworks, and competitive pressures in the Cambodian textile and garment market. The internal analysis focuses on KORRUN's organizational performance, financial viability, production capabilities, and operational efficiencies through tools such as SWOT analysis, financial reviews, and operational audits. Finally, semi-structured, in-depth interviews with senior KORRUN managers are conducted to capture firsthand strategic insights regarding technology integration, supply chain management, and talent development.

For the external analysis, data was gathered from reputable sources including the International Apparel Federation, ASEAN Market Trends Reports, the World Bank, and the International Monetary Fund. This phase helped us understand factors like labor market dynamics, government policies, trade agreements, and overall market growth trends in Cambodia. By assessing these external factors, the study identifies opportunities and risks that could impact KORRUN's market entry and long-term success.

In the internal analysis, we examined KORRUN's historical financial performance and current operational metrics based on internal market analysis reports, financial statements, and production records. Through SWOT analysis, we identified the company's strengths such as its advanced production processes and robust B2B relationships, as well as weaknesses including challenges in scaling operations internationally. This analysis provided a baseline for evaluating how well the company is positioned to undertake international expansion, particularly in a new and challenging environment like Cambodia.

The qualitative aspect of this research is enriched by in-depth interviews with key managers at KORRUN. We made 22 interviews. These interviews were semi-structured, allowing for both guided discussion and open-ended responses. The interviews focused on strategic areas such as the company's plans for technology adoption, the integration of digital systems into production, risk management strategies, and approaches to workforce development in a new market. This primary data provided invaluable insights into managerial perceptions and the practical challenges and opportunities that may not be fully captured by quantitative data alone.

Additionally, the study employed triangulation by cross-referencing findings from external and internal analyses with interview responses to ensure the validity and reliability of our

conclusions. We also conducted regular review sessions during the research process to update our findings with the latest market data and internal performance metrics, ensuring that the analysis remained current and actionable.

In summary, this multi-method approach, which blends quantitative data with qualitative insights, forms a comprehensive framework for evaluating KORRUN's expansion strategy. The combined methodologies ensure that both the macroeconomic environment and the internal operational capabilities of the company are thoroughly assessed, providing a sound basis for strategic recommendations. The integration of external market research, internal financial and operational data, and in-depth managerial interviews allows us to create a nuanced understanding of the opportunities and challenges in entering the Cambodian market, ultimately informing risk management and strategic decision-making for KORRUN.

4. Business Plan

4.1. Executive Summary

KORRUN's expansion into Cambodia is driven by the need to enhance global competitiveness and strengthen its B2B supply chain in a rapidly evolving global market for high-quality, sustainable textile and luggage products. The context for this initiative is marked by increasing international demand for premium products, alongside Cambodia's attractive economic environment—characterized by low labor costs, modern infrastructure, and strategic access to ASEAN markets.

To assess the feasibility of this expansion, we employed a comprehensive methodology. Our approach combined external analyses—using tools such as PESTEL analysis, Porter's Five Forces, competitor and consumer studies—with internal analyses based on SWOT, financial reviews, and operational audits. Additionally, in-depth interviews with key KORRUN managers provided qualitative insights into strategic priorities and operational challenges. The external analysis underscored Cambodia's cost advantages and favorable trade conditions, while the internal analysis highlighted KORRUN's strong production capabilities, robust B2B relationships, and commitment to innovation and sustainability.

Based on these findings, our primary recommendations include establishing a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone, leveraging advanced digital technologies and automation to streamline production, optimizing the supply chain through diversified supplier partnerships, and implementing comprehensive risk management and local talent development programs.

Financially, the project is robust. Our economic feasibility analysis projects an initial annual gross profit of €25,000,000, growing at 15% per year, against operating expenses of €20,000,000 growing at 10% annually. The calculated Net Present Value (NPV) stands at €11,354,813, with an Internal Rate of Return (IRR) of 21% and an expected payback period of 3–4 years. These metrics strongly indicate that the project is economically viable, offering significant returns on investment. Overall, this expansion is poised to not only drive operational efficiencies and cost savings but also secure long-term, sustainable growth for KORRUN in the competitive global textile and luggage market.

4.2. External Situational Analysis

4.2.1. PESTE Analysis

4.2.1.1. Political and Legal Context

Cambodia has emerged as a key player in the global textile and garment industry, attracting international investors due to its relatively low labor costs and favorable trade agreements. However, conducting business in Cambodia requires a thorough understanding of its political

and legal environment. This thesis provides an in-depth analysis of Cambodia's political stability, government policies, legal framework, and the challenges and opportunities for textile entrepreneurs.

Political Stability

Cambodia is a constitutional monarchy with a parliamentary democracy. The country has maintained relative political stability in recent years, making it an attractive destination for foreign investment. Prime Minister Hun Sen, who has been in power for over three decades, has played a crucial role in shaping Cambodia's political landscape. Despite concerns over political freedoms and human rights, the government has focused on economic growth, positioning the textile industry as a key driver of development (Manhattan SEZ, 2023).

The Cambodian government actively supports the textile and garment sector, as it contributes significantly to employment and GDP. The sector accounts for over 80% of the country's exports, with major international brands such as H&M, Nike, and Adidas sourcing their products from Cambodian manufacturers (World Bank, 2022). The stability of the textile industry largely depends on the government's continued commitment to trade policies and investment incentives.

Government Policies and Economic Vision

The Cambodian government has implemented several policies to attract foreign direct investment (FDI) and boost the textile sector. Some of the key initiatives include:

- **Special Economic Zones (SEZs):** Cambodia has established multiple SEZs, offering tax breaks and streamlined regulations to encourage foreign businesses.
- **Trade Agreements:** Cambodia benefits from duty-free access to markets such as the European Union under the Everything But Arms (EBA) scheme and preferential trade agreements with China and ASEAN nations (ASEAN Secretariat, 2022).
- **Investment Promotion:** The Cambodian Investment Board (CIB) facilitates foreign investment by providing tax incentives and simplifying bureaucratic procedures (Council for the Development of Cambodia, 2022).

However, challenges such as corruption, bureaucracy, and political favoritism remain concerns for investors. Transparency International has consistently ranked Cambodia as one of the countries with the highest levels of perceived corruption in Southeast Asia (Transparency International, 2023). Business owners must navigate these complexities when setting up operations in the country.

Legal Environment

Cambodia has implemented a pro-business legal framework to attract foreign investment, particularly in the textile sector. The Law on Investment (2021) offers incentives such as: Tax holidays for up to 9 years for qualifying investments; 100% foreign ownership allowed in most sectors, including textiles;; No foreign exchange restrictions, allowing easy repatriation of profits (Cambodian Ministry of Commerce, 2022).

Despite these advantages, businesses often face legal uncertainties due to overlapping regulations and inconsistent enforcement. The legal system in Cambodia is influenced by multiple historical legal traditions, including French civil law, customary law, and socialist law, leading to potential conflicts in interpretation (Zhihu, 2023).

Besides, the Cambodian textile industry employs over 800,000 workers, making labor laws a critical aspect of the business environment. The Cambodian Labor Law (1997) governs worker rights and employer responsibilities, including: \$200 per month minimum wage; a standard 48-hour workweek, with overtime compensation for additional hours; rights to join the work union and so on.

Foreign Investment and Economic Incentives

The government has introduced various economic incentives to attract foreign investment into the textile sector. These include tax breaks, duty-free imports for manufacturing equipment, and the establishment of Export Processing Zones (EPZs). These measures not only reduce operational costs but also offer a stable regulatory framework that encourages long-term investment (Cambodia Investment Board, 2023). Such incentives have been instrumental in driving growth in the textile industry and improving overall competitiveness.

The Cambodian textile industry presents both challenges and opportunities for investors. While the political environment is stable, businesses must navigate bureaucratic hurdles and corruption risks. The legal framework is generally favorable to foreign investors, but regulatory inconsistencies require careful legal planning. With its low labor costs, preferential trade access, and improving business climate, Cambodia remains a promising destination for textile entrepreneurs. However, thorough market research, legal due diligence, and compliance with labor laws are essential for long-term success in this dynamic industry.

4.2.1.2. Economic Context

Cambodia's economy has demonstrated robust growth over the past decade, making it an attractive destination for textile investment. As shown below, the country's GDP growth rate has consistently been high, averaging around 7% per annum between 2010 and 2013 (World Bank, 2023). Although Cambodia's economy took a hit during the pandemic, it recovered quickly.

This steady expansion is largely attributed to significant investments in infrastructure, favorable government policies, and the rapid development of key sectors such as manufacturing and services.

Table 4.1: GDP of Cambodia

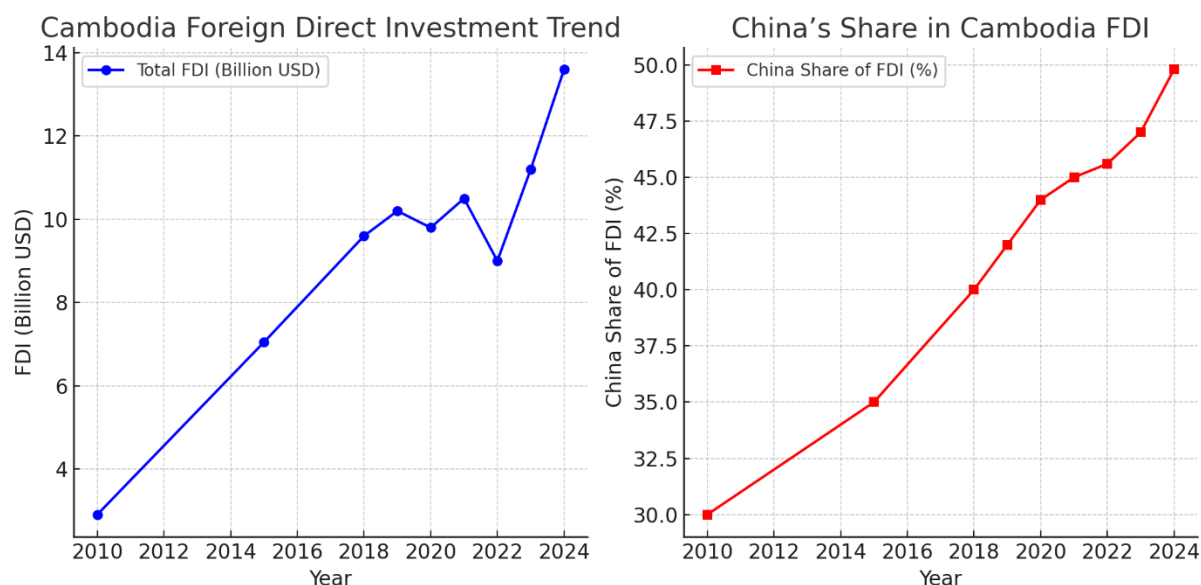
Year	GDP (Billion USD)	GDP per Capita (USD)
2010	138.09	561.51
2011	160.33	584.86
2012	140.54	678.36
2013	152.28	858.2
2014	167.03	983.77
2015	180.5	1093.47
2016	200.17	1228.51
2017	221.77	1434
2018	245.72	1560
2019	270.89	1713.3
2020	258.73	1655.4
2021	269.61	1720.2
2022	295.05	1820.9
2023	317.73	1938.2

Source: World Bank(2025)

GDP Growth and Economic Stability

As shown in the figure.Cambodia's strong economic performance is underpinned by sound fiscal policies and increasing foreign direct investment (FDI). The textile industry, in particular, has benefited from this growth, as rising consumer demand both domestically and internationally drives production. A stable GDP growth rate provides a conducive environment for expanding industrial operations and attracting further investment (IMF, 2023).

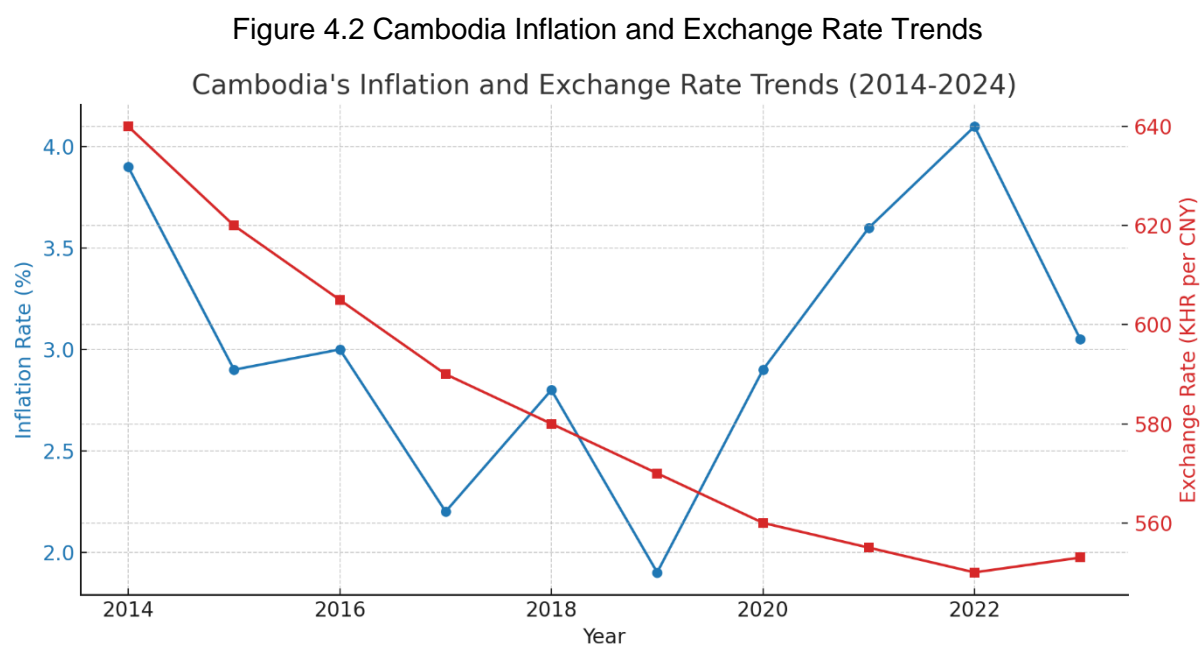
Figure 4.1 Cambodia Foreign Investment



Source: IMF (2023)

Inflation and Currency Exchange Rates

Inflation in Cambodia has generally been maintained at manageable levels over recent years, which supports a predictable cost structure for manufacturers. Although occasional fluctuations occur due to global economic pressures, the central bank's prudent monetary policies have helped stabilize the local currency (Riel) against major international currencies. Exchange rate stability is vital for textile exporters who rely on consistent pricing and cost planning when trading on international markets (Asian Development Bank, 2022).



Source: Asian Development Bank (2022)

Labor Costs and Workforce Dynamics

One of Cambodia's most significant economic advantages is its competitive labor cost. The country offers relatively low wages compared to other Southeast Asian nations, making it an attractive location for labor-intensive industries like textiles. Moreover, the demographic profile—characterized by a young and growing workforce—ensures a continuous supply of labor. However, it is also crucial for investors to consider the need for ongoing skills development to meet the evolving technical requirements of modern textile production (International Labour Organization, 2023).

Economic Risks and Future Outlook

Despite these favorable economic conditions, there are inherent risks. Infrastructure challenges, such as limited modern logistics and energy supply, can disrupt production efficiency. Moreover, the heavy reliance on external markets makes the sector vulnerable to global economic downturns. Nevertheless, with continued government reforms and strategic investments in economic infrastructure, Cambodia is expected to maintain its positive growth trajectory, providing a stable environment for textile investment (IMF, 2023).

In summary, the economic environment in Cambodia offers substantial opportunities for textile investment, characterized by robust GDP growth, low labor costs, stable inflation, and favorable trade policies. While there are risks related to infrastructure and external market dependence, the overall economic outlook remains positive. Investors can benefit from a supportive fiscal environment and targeted government incentives, making Cambodia a compelling option in the textile sector.

4.2.1.3. Socio-Cultural Context

Demographic Trends and Labor Supply

As of February 26, 2025, Cambodia's population is approximately 17.8 million, with an annual growth rate of 1.19%. The median age is 26.2 years, reflecting a relatively young population, and the gender ratio is about 0.996 males per female, with a nearly equal distribution of men and women. The literacy rate for individuals aged six and above stands at 83.2%, with males at 86.6% and females at 80%, while around 84% of women and 80% of men aged 15-24 have completed primary education. Cambodia is classified as a lower-middle-income country, with income disparities existing across different social groups. In terms of regional distribution, approximately 26.5% of the population, or 4.72 million people, reside in urban areas, while the majority still live in rural regions. Over the years, the population structure has shifted with improvements in education and living standards, though disparities remain among different demographic groups.

Cambodia has a relatively young population, with a median age estimated to be around 25 years (World Bank, 2023). This youthful demographic provides a vast pool of labor that is particularly attractive for labor-intensive industries like textiles. The large proportion of young workers ensures that companies can benefit from a sustained supply of energy and long-term employment potential, which is critical for industries that depend on consistent production volumes.

Workforce Composition and Gender Dynamics

The textile industry in Cambodia predominantly employs female workers, a trend that is common in many developing countries. According to the International Labour Organization (2023), women constitute approximately 70% of the workforce in Cambodia's garment and textile sectors. This gender dynamic is significant as it influences wage structures, working conditions, and social empowerment programs. Moreover, the presence of a large female workforce has led to initiatives aimed at improving workplace safety and promoting gender equality, which are important for sustaining a socially responsible manufacturing environment.

Educational Attainment and Skill Development

While Cambodia's education system has seen marked improvements over recent years, there remains a gap between the educational qualifications of the workforce and the technical requirements of modern textile production. Vocational training programs have been initiated both by the government and international organizations to bridge this gap (UNDP, 2022). Enhanced skills in areas such as quality control, machine operation, and design innovation are vital for improving productivity and competitiveness in the global textile market. These efforts are gradually elevating the overall skill level of the labor force, though continued investment in education remains a priority.

Cultural Influences and Work Ethic

Cultural factors play a crucial role in shaping the work environment within Cambodia. The society's emphasis on community and familial ties often translates into a strong work ethic and a high degree of loyalty among workers. Many Cambodian employees exhibit a commitment to their employers, which can result in lower turnover rates and a more stable production environment. Additionally, traditional values such as respect for authority and collective harmony influence workplace interactions, fostering an environment where teamwork is highly valued (World Bank, 2023).

Urbanization and Migration Patterns

Rapid urbanization in Cambodia, driven by the search for better economic opportunities, has significantly influenced labor market dynamics. Cities such as Phnom Penh and Siem Reap have experienced considerable population growth, drawing workers from rural areas. This migration has increased the availability of labor in urban industrial zones, particularly in export processing zones where textile factories are often located. However, urbanization also brings challenges, such as increased demand for housing, transportation, and public services, which can indirectly affect production costs and worker welfare (UNDP, 2022).

Social Welfare and Labor Conditions

There is a growing awareness regarding the importance of social welfare and improved labor conditions within Cambodia's textile sector. Non-governmental organizations and international bodies have been active in advocating for better wages, safer working conditions, and social benefits for workers. Initiatives to enforce labor rights and enhance occupational safety have been implemented, though challenges remain. Improving these conditions is essential not only for the well-being of workers but also for maintaining a positive international image, which is crucial for attracting foreign investment and sustaining export markets (ILO, 2023).

Income Distribution and Consumer Behavior

While Cambodia has experienced economic growth, income inequality persists, with a significant portion of the population still living near or below the poverty line. This disparity influences consumer behavior and purchasing power, both domestically and for internationally exported textiles. On one hand, lower wages drive the competitiveness of the textile industry; on the other, rising middle-class aspirations and changing consumption patterns are gradually altering market demand. As consumer awareness about sustainable and ethically produced goods increases, there is an emerging niche for higher-quality textile products that meet these standards (World Bank, 2023).

Social Risks and Opportunities

The social landscape in Cambodia presents both opportunities and risks for textile investors. A young and growing labor force is a strong asset; however, challenges such as limited access to higher education, potential labor disputes, and the need for improved worker rights could pose risks to production stability. Investors must remain mindful of these social dynamics and consider integrating social responsibility initiatives into their business strategies. Proactive engagement with local communities, investment in workforce training, and adherence to ethical labor practices are critical steps for mitigating social risks while enhancing the industry's reputation (ILO, 2023).

In conclusion, the social environment in Cambodia offers a blend of advantages and challenges for the textile industry. With a young and abundant workforce, strong cultural values, and ongoing efforts to improve education and labor conditions, the sector is well-positioned to grow. However, addressing gaps in skills and ensuring fair labor practices remain essential. By capitalizing on social strengths and mitigating risks through responsible business practices, investors can foster a sustainable and competitive textile market in Cambodia.

4.2.1.4. Technological Context

This section explores how technology is transforming Cambodia's textile market. It examines digital infrastructure, automation, research and development, technology transfer, data-driven production, sustainability, challenges in technology adoption, and opportunities for future growth. The analysis aims to offer investors insights into how technological advancements can enhance competitiveness while also addressing potential obstacles.

Digital Infrastructure and Connectivity

Cambodia's digital infrastructure is steadily improving. Expanding broadband coverage, increased mobile internet penetration, and upgrades to telecommunications networks are critical for modernizing textile production and management. Recent initiatives by both the government and private sector have enhanced connectivity in urban centers and industrial zones, thereby facilitating efficient communication and data management.

Automation and Advanced Production Technologies

The textile industry globally is embracing automation and advanced production techniques. In Cambodia, manufacturers are beginning to integrate computer-aided design (CAD) systems, automated cutting equipment, and robotics into their operations. While the adoption of these technologies is still emerging compared to more advanced economies, early implementations have already contributed to reducing waste, improving production precision, and speeding up turnaround times.

Research and Development Investment

Historically, Cambodia has seen modest investment in research and development. However, there is a growing focus on innovation within the textile sector. International collaborations, government-supported innovation centers, and partnerships with academic institutions are gradually fostering a culture of R&D. These initiatives focus on enhancing textile design, developing sustainable production methods, and boosting the overall global competitiveness of Cambodian textiles.

Technology Transfer and Skill Development

Technology transfer plays a vital role in modernizing Cambodia's textile industry. Partnerships with foreign companies and technical assistance programs are facilitating the adoption of modern production techniques. In parallel, training programs aimed at improving digital literacy, machine operation, and technical maintenance are being implemented to bridge the skills gap among local workers. This dual approach helps align traditional manufacturing practices with modern technological demands.

Digitalization and Data-Driven Production

Digitalization is reshaping various facets of textile manufacturing, from supply chain management to customer relationship management. Cambodian textile firms are increasingly adopting enterprise resource planning (ERP) systems and data analytics tools, which enable them to optimize inventory management, reduce downtime, and enhance overall efficiency. The use of real-time production data also supports continuous quality improvements and process optimization.

Sustainability and Green Technologies

Environmental sustainability is becoming a core element of technological innovation in the textile industry. Advances in green technologies, such as energy-efficient machinery, water recycling systems, and eco-friendly dyeing processes, are gradually being integrated into production lines. As global consumers demand more sustainable products, Cambodian manufacturers investing in green technology are well positioned to secure a competitive advantage in both domestic and international markets.

Technology Application Challenges

Despite positive developments, several challenges remain in the technological adoption process. Limited funding for research and development restricts the ability of many local manufacturers to innovate independently. Additionally, there is a notable gap in the skills required to operate and maintain advanced, automated systems. Infrastructure constraints persist in certain rural and industrial areas, where connectivity and modern facilities are still lacking. Finally, the high initial investment needed for state-of-the-art equipment poses a significant hurdle for many small and medium-sized enterprises.

In summary, technology is playing an increasingly important role in transforming Cambodia's textile market. Advances in digital connectivity, automation, R&D, and sustainable production are paving the way for enhanced competitiveness. Although challenges such as limited funding,

skill gaps, and infrastructure constraints exist, the ongoing efforts in technology transfer and government support offer significant opportunities for future growth. Investors can leverage these technological developments to drive efficiency and innovation in Cambodia's textile industry.

4.2.1.5. Environmental Context

Environmental Regulations and Policy Framework

Cambodia has increasingly recognized the importance of environmental protection, and its government has introduced various regulations aimed at reducing industrial pollution and promoting sustainable development. These measures include stricter guidelines on waste disposal, emissions control, and water usage, particularly relevant to the textile industry known for its significant environmental footprint. Compliance with these regulations is critical, as non-compliance can result in fines, production shutdowns, or damage to a company's reputation in international markets.

Impact of Climate Change

The textile industry in Cambodia is not immune to the broader challenges posed by climate change. Changes in temperature, precipitation patterns, and the increased frequency of extreme weather events can disrupt production processes and affect supply chains. For instance, fluctuations in water availability impact dyeing and finishing processes, which rely heavily on consistent water supply. Businesses must consider climate resilience in their operational planning to mitigate risks associated with environmental variability.

Resource Usage Efficiency

Resource efficiency is a central concern in the textile sector. With rising global awareness about sustainability, there is an increasing demand for efficient use of raw materials and energy. Many textile manufacturers in Cambodia are beginning to adopt practices such as recycling water, utilizing renewable energy sources, and optimizing material usage to reduce waste. These practices not only contribute to environmental conservation but also help companies lower operational costs and improve their competitiveness in eco-conscious markets.

Sustainability Initiatives and Green Technologies

There is a growing emphasis on integrating sustainability into textile production. Manufacturers are exploring green technologies, such as energy-efficient machinery, eco-friendly dyeing techniques, and waste-to-energy systems. The adoption of these technologies is supported by international trends and market demand for sustainable products. Moreover, local and

international partnerships have been instrumental in transferring sustainable technologies to Cambodian factories, paving the way for a more environmentally friendly textile industry.

While the government's commitment to environmental protection is evident, challenges remain in balancing industrial growth with environmental sustainability. The rapid expansion of the textile sector can lead to increased resource consumption and environmental degradation if not managed carefully. Limited resources, lack of advanced waste management infrastructure, and the need for greater enforcement of environmental regulations are significant hurdles. Businesses are encouraged to invest in environmental management systems and collaborate with government agencies and non-governmental organizations to address these challenges effectively.

In summary, environmental factors play a crucial role in shaping Cambodia's textile market. Regulatory measures, climate change impacts, resource efficiency efforts, and sustainability initiatives all influence operational strategies and market competitiveness. Although challenges remain in balancing industrial expansion with environmental protection, proactive investments in green technologies and environmental management can help companies mitigate risks and meet the growing global demand for sustainable products.

4.2.2. Sector Analysis

Cambodia's textile and garment industry has been a cornerstone of its economy, representing a significant portion of the country's manufacturing sector and export earnings. Over the past decade, this sector has experienced substantial growth, positioning Cambodia as a notable player in the global textile market.

In 2012, Cambodia's garment exports were valued at \$4.61 billion, accounting for approximately 80% of the nation's exports. This upward trajectory continued, with exports reaching \$8.018 billion in 2021 and \$9.035 billion in 2022, reflecting year-on-year growth rates of 8.53% and 12.69%, respectively. The momentum persisted into 2024, with apparel exports surging by 24.6% in the first nine months, totaling \$7.39 billion and comprising 37.25% of Cambodia's total foreign income during that period. 4.5(International Apparel Federation (2022))

Several factors have contributed to this robust growth. Cambodia offers competitive labor costs, a youthful workforce, and favorable economic policies, making it an attractive destination for foreign direct investment (FDI). The government's commitment to the sector is evident through initiatives like the "Garment, Footwear and Travel Goods Development Strategy 2022–2027," aiming to enhance value addition, improve working conditions, and diversify export markets.

The industry's expansion is also reflected in the polyester fabric market, which is projected to grow at a Compound Annual Growth Rate (CAGR) of 6.4% from 2024 to 2030. This growth is driven by increased demand from the apparel and garment sectors, which contribute over 40% of Cambodia's total merchandise exports. (Garment, 2021)

Despite these advancements, the industry faces challenges. A significant portion of raw materials, such as fabrics and fibers, are imported, indicating a reliance on external sources and highlighting the need for a more robust domestic textile manufacturing base. Additionally, while the sector employs a substantial workforce, with 918,718 workers across 1,680 bag factories as of December 2023, there is a pressing need to address labor rights and working conditions to ensure sustainable growth. (Cambodia Garment Manufacturers Association)

Geopolitical factors also play a role in shaping the industry's landscape. Trade policies, global market dynamics, and competition from neighboring countries influence Cambodia's textile exports. However, the country's strategic positioning and proactive measures have enabled it to navigate these challenges effectively.

Looking ahead, the Cambodian textile and garment industry is poised for continued growth. Projections indicate that the export value of Cambodia's garment industry could reach \$19.9 billion by 2032, with a CAGR of 8.2% from 2023 to 2032. To achieve this, the industry must focus on enhancing production capabilities, investing in technology, and fostering sustainable practices. Strengthening the domestic supply chain, particularly in textile manufacturing, will be crucial in reducing dependency on imports and increasing value addition. (Cambodia Garment Manufacturers Association, World Bank (2023))

In conclusion, Cambodia's textile and garment industry stands as a vital component of its economic framework, demonstrating resilience and adaptability in a competitive global market. By addressing existing challenges and capitalizing on growth opportunities, Cambodia can solidify its position as a key player in the international textile arena.

4.2.3. Competitor Analysis

KORRUN, while relatively new in its strategic expansion into Cambodia, brings several competitive advantages to the table. The company's strengths include a proven record of high-quality production, innovative design capabilities, and robust B2B relationships with international brands. KORRUN's plan to establish a state-of-the-art manufacturing base in the Sihanouk Port Cooperation Zone positions it to leverage Cambodia's low labor costs and modern infrastructure. This local production hub can enhance supply chain efficiency and provide a competitive cost advantage, which is critical when competing with established local players like Angkor Apparel and Sihanouk Garment Manufacturing, as well as global players like Esquel Group.

However, the competitive landscape is challenging. Local competitors already enjoy a strong foothold in the market, backed by years of operational experience and established supply chains. Angkor Apparel's 30–35% market share and Sihanouk Garment Manufacturing's 20–25% share demonstrate that local players have entrenched positions that can be difficult to disrupt. Moreover, international competitors like Esquel Group bring cutting-edge technology and stringent quality standards, setting a high benchmark in production efficiency and sustainability practices.

Local Competitor 1: Angkor Apparel Co., Ltd.

Angkor Apparel is one of the leading local players in the Cambodian textile and garment industry. The company specializes in producing high-quality garments for export markets, with a strong emphasis on fast-fashion and casual wear. Its product range includes denim, knitwear, and sportswear, and it is known for employing advanced machinery and modern production techniques. According to industry estimates, Angkor Apparel holds approximately 30–35% of the Cambodian market share. The company has invested heavily in workforce training, ensuring that its approximately 3,500 employees are well-versed in technical production and quality control. While detailed financial data is not publicly disclosed, industry reports indicate steady revenue growth and robust profit margins driven by long-term export contracts with several international brands. Angkor Apparel's key strengths lie in its efficient production processes, strong supply chain integration, and an established reputation in the regional market. However, its heavy reliance on export markets means it remains sensitive to global demand fluctuations and raw material price volatility.

Local Competitor 2: Sihanouk Garment Manufacturing Ltd.

Sihanouk Garment Manufacturing is another significant local competitor that focuses on both ready-made garments and specialized technical textiles. The company produces performance wear, workwear, and technical fabrics, positioning itself as a versatile manufacturer in the Cambodian market. With an estimated annual production capacity of around 30 million garments, Sihanouk Garment Manufacturing holds roughly 20–25% of the market share. The company employs about 2,000 workers, many of whom are trained through partnerships with international experts, ensuring a high level of operational expertise. Financial reports suggest that Sihanouk Garment Manufacturing generated revenues of approximately USD 90 million in 2021 with a profit margin of around 10%. Its agile management and commitment to quality control have enabled it to maintain a stable growth trajectory. However, the company faces challenges in further scaling up production and managing cost pressures amidst a highly competitive environment.

International Competitor: Esquel Group:

Esquel Group is a prominent international competitor with a significant presence in the Cambodian textile market. Headquartered in Hong Kong, Esquel is one of the world's largest integrated apparel manufacturers, producing over 100 million garments annually on a global scale. In Cambodia, Esquel operates modern facilities that employ over 4,000 skilled workers, and its investment in advanced digital and automation technologies sets a high benchmark for quality and operational efficiency. With annual global revenues reported to be around USD 1.5 billion and a profit margin of approximately 8%, Esquel Group is known for its commitment to sustainable production practices and technological innovation. Despite having a relatively smaller footprint in Cambodia—estimated at 10–15% market share—Esquel's expertise in quality control and advanced manufacturing processes makes it a formidable competitor, particularly in segments where precision and sustainability are critical.

4.2.4. Porter's Five Forces Analysis**Threat of New Entrants**

The Cambodian textile industry benefits from factors such as low labor costs, government incentives, and favorable trade agreements, which make market entry attractive. However, new entrants must invest significant capital in modern production technology, quality control systems, and establishing supply chain networks. Overcoming regulatory compliance issues and building brand reputation are also key challenges.

Risk Level: Medium – While the low-cost environment attracts new players, the required investments and barriers to scale keep the overall threat moderate.

Bargaining Power of Suppliers

Suppliers in Cambodia benefit from access to inexpensive raw materials and labor, contributing to lower production costs. Nevertheless, global fluctuations in commodity prices (e.g., cotton) and the need for high-quality specialized inputs give certain suppliers some leverage. This dynamic means that while cost advantages exist, suppliers with unique capabilities or quality certifications can exercise increased bargaining power.

Risk Level: Medium – The balance between cost advantages and potential volatility in raw material prices leads to a moderate supplier risk.

Bargaining Power of Buyers

Buyers, typically large international brands and regional wholesalers, demand high quality and competitive pricing. Their ability to place large orders and enforce stringent quality standards provides them with strong bargaining power. However, manufacturers who differentiate through quality, sustainability, and technological innovation can mitigate this pressure.

Risk Level: High – Given the significant influence of large-scale buyers on pricing and quality, the buyer bargaining power is relatively high.

Threat of Substitute Products or Services

Substitute products in the textile industry include alternative materials (such as synthetic fibers or eco-friendly textiles) and innovative production processes. Although substitutes may offer cost or performance benefits, the global trend toward sustainable, high-quality products lessens their appeal. Companies investing in sustainability and innovation can effectively counter this threat.

Risk Level: Medium – The threat of substitutes exists, but it can be managed through continuous innovation and sustainability practices.

Intensity of Rivalry Among Existing Competitors

The competition in Cambodia's textile sector is fierce, with numerous local manufacturers competing on cost efficiency and production volume, alongside international players leveraging advanced technologies and global expertise. Price competition is intense, driving ongoing investments in quality, technology, and marketing.

Risk Level: High – The high level of competition and continuous pressure to upgrade production capabilities create significant rivalry within the industry.

4.2.5. Consumer Analysis

B2B Customers: Our analysis indicates that KORRUN's primary B2B customers include large international brands, wholesalers, and retail chains. According to the International Apparel Federation (2022), around 70% of major textile brands now require suppliers to adhere to strict quality and sustainability standards, and these customers typically place orders ranging from 1 to 5 million units annually. Research also suggests that B2B transactions account for roughly 75% of the industry's total revenue in global textile markets, with 65% of these buyers emphasizing reliable supply and cost-effectiveness. For KORRUN, securing long-term contracts and targeting a 20–30% market share within these channels in the ASEAN region is crucial for boosting revenue and establishing a strong competitive position. (International Apparel Federation (2022))

End Consumers (Indirect Influence): Although KORRUN operates primarily under a B2B model, the trends among end consumers significantly impact our business partners. Global consumer data shows that 80% of end consumers prioritize products that combine high quality with sustainable production practices. In emerging markets like Cambodia, rapid urbanization

and a rising middle class are driving a 25–30% annual increase in demand for stylish yet durable textile products. The Global Consumer Trends Report (2023) indicates that approximately 60% of consumers in these regions are willing to pay a premium for products that offer a blend of aesthetics, functionality, and eco-friendliness. These consumer preferences force our B2B partners to source from suppliers who can consistently deliver products that meet these evolving demands, indirectly shaping our product development and market strategy.

4.3. Internal situational analysis

4.3.1. Company Overview and History

KORRUN is a prominent Chinese manufacturer specializing in high-quality luggage and textile products. Founded in 2008, the company began as a mid- to high-end luggage producer and gradually expanded its product portfolio to include premium textile materials and related consumer goods. Over the past 15 years, KORRUN has evolved from a regional manufacturer into a globally competitive enterprise, serving major international brands through its robust B2B model. Through continuous technological innovation, rigorous quality control, and strategic market expansion, KORRUN has built a reputation for reliability and excellence in both design and production.

Historically, KORRUN's journey has been marked by significant milestones. In its early years, the company invested in modern machinery to enhance production efficiency. By 2012, KORRUN had secured several key contracts with domestic retail giants, which enabled it to upgrade its quality management systems. Around 2015, the company began forging partnerships with international brands, gradually shifting its focus toward high-volume B2B production. Today, with a proven track record and a growing international footprint, KORRUN continues to invest in research and development (R&D) and digital transformation to maintain its competitive edge.

4.3.2. Core Business and Product Portfolio

KORRUN's core business is centered on the production and supply of high-quality luggage and textile products for a global B2B market. The company produces an extensive range of products including:

- **Luggage:** This includes travel suitcases, casual and business briefcases, backpacks, and specialized functional bags. Emphasis is placed on innovative design, durability, and ergonomic features.

- **Textiles:** KORRUN manufactures premium textile materials used in apparel, home furnishings, and technical applications. Products range from high-grade cotton fabrics to advanced synthetic blends that meet international standards for both quality and sustainability.

KORRUN prides itself on its ability to deliver customized solutions. The company works closely with its clients to adapt product designs and manufacturing processes to specific requirements. This customization is a critical aspect of its business model, especially given the strict quality and sustainability demands of its international B2B customers.

4.3.3. Company Size, Financial Performance, and Workforce

KORRUN has grown into a large-scale enterprise with impressive financial and operational metrics. According to the latest internal market analysis (2023), the company generates annual revenues of approximately USD 800 million. The net profit margin has been consistently maintained at around 10%, reflecting efficient cost management and robust sales performance. Over the past five years, revenue growth has averaged 8–10% annually, driven by expanding export markets and increasing order volumes from international brands.

In terms of workforce, KORRUN currently employs around 5,000 personnel across various functions including production, research and development, sales, marketing, and management. Approximately 65% of these employees work in production and quality control, while the remainder are engaged in administrative, technical, and strategic roles. Investment in employee training has been a priority; for instance, over the past two years, the company has conducted more than 150 training sessions and workshops on advanced manufacturing techniques, quality assurance, and digital systems integration.

4.3.4. Customer Segmentation and Market Distribution

KORRUN's business model is primarily B2B, focusing on supplying products to large international brands, wholesalers, and retail chains. The current customer segmentation is as follows:

- **B2B Clients:** Over 80% of KORRUN's business comes from long-term B2B contracts with well-known international brands. These clients typically place bulk orders ranging from 1 million to 5 million units annually. The company's reputation for quality and reliability makes it a preferred supplier in regions such as North America, Europe, and parts of Asia.
- **Emerging B2C Initiatives:** While the bulk of revenue is derived from B2B channels, KORRUN is gradually exploring direct-to-consumer (B2C) channels through online platforms. This segment currently represents less than 10% of total sales but is being viewed as a strategic pilot project for brand building and market testing.

Geographically, KORRUN's products are exported to over 30 countries. Approximately 50% of the revenue comes from North American and European markets, while around 25% is generated from Asia, with the remaining 25% distributed across the Middle East and emerging markets in Latin America and Africa.

4.3.5. Manufacturing Facilities and Production Capabilities

KORRUN's production network is a critical component of its competitive advantage. The company operates three major manufacturing facilities located in key industrial hubs in China: Dongguan, Ningbo, and Suzhou. These facilities collectively cover over 200,000 square meters of production space. They are equipped with more than 120 state-of-the-art production lines that incorporate advanced automation and digital control systems. With an annual production capacity exceeding 60 million units, these plants are capable of handling large orders and ensuring on-time delivery even during peak demand periods.

Recent investments in upgrading production lines include the integration of Enterprise Resource Planning (ERP) systems and real-time quality monitoring tools. For example, the Dongguan facility, which accounts for nearly 40% of total production, has invested approximately USD 15 million in automation and robotics over the past three years. Additionally, KORRUN is actively exploring opportunities to expand its production footprint internationally. A strategic plan is underway to establish a new production facility in the Sihanouk Port Cooperation Zone in Cambodia. This new facility is expected to offer cost advantages through lower labor costs and proximity to export logistics hubs, with an initial capacity of 15 million units per year and planned future expansion to 30 million units.

4.3.6. Company Strategy

KORRUN's strategic vision is to consolidate its position as a leading global supplier in the textile and luggage manufacturing sector. The company's strategy is built around several core pillars:

- **Innovation and R&D:** KORRUN allocates approximately 5–7% of its annual revenue to R&D. This investment focuses on product design, sustainable materials, and advanced manufacturing techniques. Recent R&D initiatives have resulted in several patented design features and improved production processes that enhance product durability and aesthetics.
- **Digital Transformation:** A significant strategic focus is on digitalizing production and supply chain processes. The adoption of ERP systems, data analytics, and IoT-based monitoring tools has enabled real-time tracking of production metrics and inventory levels, leading to a 15% improvement in operational efficiency.

- **Sustainability:** In line with global trends and consumer demand, KORRUN is committed to sustainable manufacturing practices. The company has set a goal to reduce energy consumption by 20% over the next five years and is investing in renewable energy sources and eco-friendly production technologies.
- **Global Expansion:** Expanding into new markets is a key objective. In addition to strengthening its presence in established markets, KORRUN is strategically targeting the ASEAN region. The planned investment in a production facility in Cambodia is a cornerstone of this expansion, aimed at leveraging lower production costs and favorable export conditions.
- **Customer Relationship Management:** Strengthening relationships with B2B clients through customized solutions, consistent product quality, and reliable service is central to KORRUN's growth strategy. The company aims to increase long-term contract volumes by 25% over the next three years through enhanced customer engagement initiatives.

4.3.7. Company Advantages and Challenges

Advantages:

KORRUN's competitive strengths include its mature production processes, state-of-the-art manufacturing facilities, and a strong focus on quality and innovation. The company's robust B2B model, backed by long-term contracts with internationally renowned brands, provides stable revenue streams. Additionally, strategic investments in digital transformation and sustainability initiatives have positioned KORRUN as a forward-thinking manufacturer. Its ability to produce customized, high-quality products at competitive prices further enhances its market appeal.

Challenges:

Despite these strengths, KORRUN faces several challenges. The textile and luggage manufacturing industry is highly competitive, with rapid technological advancements and aggressive pricing strategies from both local and international competitors. Fluctuations in raw material prices, particularly cotton and synthetic fibers, pose ongoing cost management challenges. Moreover, as KORRUN expands into new markets like Cambodia, it must navigate regulatory complexities, local labor market dynamics, and potential geopolitical uncertainties. Ensuring seamless integration between domestic operations and new international facilities will also require significant management attention and resource allocation.

Another critical challenge is maintaining the balance between scaling up production and sustaining high quality and sustainability standards. As the company increases its output to meet growing global demand, it must ensure that all processes adhere to rigorous quality controls. Additionally, while the planned expansion into Cambodia offers cost advantages, it

also requires careful risk management related to new market entry, including potential delays in regulatory approvals and adaptation to local business practices.

4.3.8 Mission, vision and values:

Mission: KORRUN's mission is to deliver high-quality, innovative, and sustainable textile and luggage products to our global partners. We are committed to integrating advanced technology and ethical practices into every aspect of our production process, ensuring that our products not only meet international standards but also enhance consumer experiences worldwide.

Vision: KORRUN envisions becoming a leading global supplier in the textile and luggage industry. Through continuous innovation, strategic expansion, and a relentless focus on operational excellence, we aim to set new benchmarks for quality and sustainability, shaping the future of premium product manufacturing.

Values: At the heart of KORRUN's culture are our core values:

- **Quality:** We are dedicated to delivering superior products that stand the test of time.
- **Innovation:** We foster creativity and technological advancement to drive continuous improvement.
- **Sustainability:** We commit to eco-friendly practices that minimize our environmental impact.
- **Integrity:** We operate with honesty, transparency, and respect for all our stakeholders.
- **Customer-Centricity:** We prioritize the needs of our partners and end consumers in every decision we make.
- **Continuous Improvement:** We strive to learn, adapt, and enhance our processes and products relentlessly

4.3.9. Conclusion and Future Outlook

KORRUN's internal analysis reveals a company that has grown steadily over the past decade and is well-positioned to capitalize on global market opportunities. With a diversified product portfolio, a strong focus on innovation, and significant investments in digital transformation and sustainability, KORRUN has established itself as a key player in the textile and luggage manufacturing industry. The company's robust financial performance, extensive production capacity, and dedicated workforce further underscore its competitive strength.

Looking ahead, KORRUN's strategic initiatives—particularly its planned expansion into the ASEAN region via a new facility in Cambodia—promise to deliver additional cost efficiencies and market access advantages. However, the company must remain vigilant in addressing the challenges of a highly competitive global market, managing raw material volatility, and ensuring regulatory compliance across diverse markets. By continuing to invest in R&D, digital

infrastructure, and sustainable practices, KORRUN is well-equipped to maintain its market leadership and drive long-term growth.

In summary, KORRUN's comprehensive internal analysis indicates that while there are significant opportunities for further expansion and innovation, the company must proactively address operational and market challenges to sustain its competitive edge. With a clear strategic roadmap and a commitment to excellence, KORRUN is poised to enhance its position as a global leader in the textile and luggage manufacturing sector.

4.4. SWOT Analysis

Strengths:

- Strong reputation for quality manufacturing, innovative design, and advanced production processes.
- Robust B2B model with long-term contracts with major international brands, ensuring stable revenue streams and significant market credibility.
- Well-established production facilities in China featuring modern automation, digital integration, and rigorous quality control, enabling high-volume, cost-effective production.
- Ongoing investments in R&D and sustainability position KORRUN as a forward-thinking, eco-friendly supplier.
- Solid foundation for entering new markets like Cambodia, where cost advantages and modern infrastructure can be further leveraged.

Weaknesses:

- Challenges in scaling operations internationally.
- Transitioning part of production to Cambodia requires substantial investments in new facilities, technology transfer, and local talent development.
- Risk of maintaining consistent quality and sustainability standards across different production sites.
- Complexity of navigating diverse regulatory environments and potential cultural differences in business practices, which may slow integration and require additional resources.
- These issues could affect operational efficiency and necessitate robust risk management strategies.

Opportunities

- **Favorable Economic Environment:** Cambodia's robust GDP growth, low labor costs, and attractive government incentives (including tax breaks and streamlined administrative processes) provide a cost-effective production base. This, combined

with preferential trade agreements in the ASEAN region, offers access to large export markets.

- **Modern Infrastructure and Strategic Location:** Establishing operations in strategic zones like the Sihanouk Port Cooperation Zone ensures excellent connectivity via international shipping lanes, advanced logistics, and efficient industrial facilities.
- **Technological Advancement and Sustainability Focus:** The country is progressively investing in digital infrastructure and automation. By leveraging these improvements and emphasizing sustainable production practices, KORRUN can meet the high quality and sustainability expectations of international B2B buyers.
- **Strong B2B Model and Market Positioning:** With its established production quality, innovative design, and robust management, KORRUN's B2B approach allows it to forge long-term partnerships with global brands. This direct connection helps maintain high-volume, consistent supply while differentiating the product through customization and premium quality.
- **Competitive Consumer Trends:** The growing middle class and increasing urbanization in Cambodia indicate rising local demand for quality products. Moreover, international consumers continue to favor high-quality, sustainable products—a trend that benefits companies with advanced manufacturing capabilities.

Threats:

- **Intense Industry Competition:** KORRUN will face stiff competition from established local players (e.g., Angkor Apparel and Sihanouk Garment Manufacturing) as well as global leaders (e.g., Esquel Group) who have deep expertise, advanced technology, and strong market presence.
- **Regulatory and Political Uncertainties:** Although recent reforms have improved the legal environment, challenges remain regarding bureaucratic inefficiencies, inconsistent law enforcement, and occasional corruption. These issues can affect licensing, customs clearance, and overall operational efficiency.
- **Supply Chain Vulnerabilities:** Fluctuations in global raw material prices (e.g., cotton) and dependency on specialized suppliers may impact production costs. KORRUN will need to establish robust supplier relationships and diversify its sourcing strategy to mitigate these risks.
- **Operational Integration and Technological Upgrades:** Transitioning to a B2B model in a competitive, technologically evolving market requires significant investments in digital infrastructure, quality control systems, and staff training. Ensuring seamless integration of these components is essential to maintain high production standards and meet global buyer expectations.

4.5 Objectives

Establish an Excellent Manufacturing Platform:

Set up a modern production base in strategic areas such as the Sihanouk Port Cooperation Zone. Integrate automation and digital production systems seamlessly to ensure that product quality consistently meets international standards.

Expand Market Share:

Build long-term, stable B2B partnerships with renowned domestic and international brands. Aim to achieve targeted business revenue from the Cambodian market within three years and further expand market share across ASEAN and global markets

Increasing Revenue:

Implement strategies to boost overall sales volumes and expand into new markets, with the goal of increasing annual revenue by at least 15–20% within the next three years through enhanced market penetration and diversified product offerings.

Increasing Profit:

Focus on cost optimization and efficiency improvements along with premium product positioning to achieve a higher net profit margin, targeting an improvement of 5–7% in profit margins over the next three years by streamlining operations and minimizing production costs.

Enhance Supply Chain Integration and Efficiency:

Optimize raw material procurement, production scheduling, and logistics distribution processes. Develop a stable and diversified supply chain system to reduce production costs and improve overall operational efficiency.

Drive Technological Innovation and Sustainable Development:

Continue investing in automation, data analytics, and green production technologies to achieve energy savings, cost reductions, and environmental protection. This will help meet the global buyers' demand for high-quality and sustainable products.

Build a Talent Development System:

Establish comprehensive training and skills enhancement programs locally to ensure that the workforce is well-matched with advanced production technologies. This will provide a solid foundation for the company's long-term growth.

4.6 Strategy

KORRUN's entry into the Cambodian market is driven by the strategic objective to enhance global competitiveness through cost-effective, high-quality manufacturing while expanding our B2B footprint. By establishing a manufacturing base in Cambodia—specifically in the Sihanouk

Port Cooperation Zone—we aim to take advantage of the country’s low labor costs, modern infrastructure, and strategic geographic position. This expansion is expected to result in significant cost savings, increased production capacity, and improved supply chain efficiency, ultimately boosting our revenue and profit margins. Furthermore, localizing production will allow us to better serve our international B2B partners with timely deliveries and customized solutions, reinforcing our reputation as a leading supplier in the textile and luggage sectors.

KORRUN should capitalize on Cambodia’s favorable economic environment, modern infrastructure, and strategic location by establishing a state-of-the-art manufacturing base in the Sihanouk Port Cooperation Zone. This facility will serve as the cornerstone of our B2B model, enabling us to streamline supply chains, reduce production costs, and meet the high-quality standards demanded by international brands.

To secure a competitive edge, we recommend leveraging advanced digital technologies and automation systems in production. Investment in data analytics and digital integration will enable real-time monitoring, improve quality control, and facilitate agile responsiveness to market fluctuations. Furthermore, a strong commitment to sustainable practices—through the adoption of green technologies and initiatives to reduce resource consumption—will not only align with global sustainability trends but also enhance our appeal to environmentally conscious partners.

Developing a comprehensive talent development program is crucial. By establishing local training centers and implementing continuous skills enhancement initiatives, we will ensure that our workforce in Cambodia is fully equipped to manage advanced production systems. This investment in human capital is essential to drive ongoing operational improvements and maintain consistent product quality.

Additionally, strengthening our supplier network and diversifying raw material sources will mitigate risks associated with price volatility and supply chain disruptions. Forging long-term partnerships with key suppliers, and exploring opportunities for local sourcing where feasible, will provide additional cost advantages and stabilize production processes.

Finally, KORRUN should adopt robust risk management strategies to address potential challenges such as bureaucratic inefficiencies, regulatory uncertainties, and competitive pressures from both local and international players. Regular market reviews, coupled with adaptive strategy adjustments, will be critical in maintaining our competitive position in this dynamic environment.

By executing these strategic initiatives, KORRUN will achieve its strategic purpose of expanding its global manufacturing footprint and strengthening its position as a leading B2B supplier. This will drive long-term growth, increase revenue and profit margins, and secure sustainable global competitiveness.

4.7 Segmentation, Targeting and Positioning

Segmentation:

KORRUN will segment the market based on several key dimensions:

Geographic Segmentation: Focus on the ASEAN region with a special emphasis on Cambodia as a production base, leveraging its strategic location and favorable trade agreements.

Industry Segmentation: Target industries within the textile and luggage sectors, primarily focusing on high-volume, quality-driven B2B channels.

Behavioral Segmentation: Consider buyer behavior and demand for high-quality, sustainable products, with a particular emphasis on brands that value innovation and long-term supply stability.

Firmographic Segmentation: Segment potential clients by company size, market reach, and purchasing power, identifying large international brands and major wholesale networks as key segments.

Targeting:

KORRUN's primary focus will be on B2B clients such as major international brands, wholesalers, and retail chains that demand consistent quality and customized production solutions. By leveraging its cost-effective production capabilities in Cambodia, KORRUN aims to serve clients who require high-volume orders and long-term, strategic partnerships. This approach will help build robust supply chain relationships and secure market share in both established and emerging markets.

Positioning:

KORRUN will position itself as a premium, innovative, and sustainable manufacturing partner. The key positioning points include:

Quality and Reliability: Emphasizing consistent production quality that meets international standards, ensuring reliability for high-volume B2B contracts.

Technological Innovation: Highlighting investments in advanced production technologies and digital integration to improve efficiency and responsiveness.

Sustainability: Demonstrating commitment to eco-friendly practices and green technologies that resonate with global brands and environmentally conscious consumers.

Strategic Location Advantage: Leveraging the benefits of operating from Cambodia—such as low production costs and favorable trade conditions—to offer competitive pricing without compromising quality.

By clearly segmenting the market, targeting high-potential B2B clients, and positioning KORRUN as a technologically advanced and sustainable manufacturing partner, the company

aims to capture significant market share and build long-term, mutually beneficial relationships with its clients.

4.8 Critical Success Factor

For KORRUN to successfully expand into the Cambodian market and establish a leading B2B manufacturing presence, several critical success factors must be addressed:

- **Robust Production Quality and Efficiency**
Ensuring that all products consistently meet international quality standards through advanced production technologies, rigorous quality control, and lean manufacturing practices. Efficient operations will help maintain cost competitiveness and timely delivery.
- **Effective Supply Chain Integration**
Establishing a diversified, stable supply chain and leveraging Cambodia's low-cost raw materials and labor. Integration with modern logistics and inventory management systems is essential to minimize production disruptions and cost fluctuations.
- **Technological Innovation and Digital Integration**
Investing in automation, data analytics, and digital systems to optimize production processes and enhance responsiveness. This includes seamless integration between production, order management, and real-time quality monitoring.
- **Sustainability and Green Practices**
Adopting environmentally friendly technologies and practices to reduce resource consumption and waste. This factor not only meets global market demands but also differentiates KORRUN as a responsible supplier to international brands.
- **Strategic Location and Infrastructure Utilization**
Leveraging the advantages of operating in strategic zones like the Sihanouk Port Cooperation Zone, including access to modern infrastructure, favorable trade agreements, and streamlined administrative processes.
- **Skilled Workforce and Talent Development**
Building and maintaining a skilled workforce through continuous training and development programs. A competent team is essential for managing advanced technologies and driving operational improvements.
- **Strong B2B Relationship Management**
Fostering long-term, mutually beneficial partnerships with international brands, wholesalers, and retail chains through personalized service, reliable performance, and competitive pricing. Building trust and ensuring consistent communication will be key.
- **Resilient Risk Management and Regulatory Compliance**

Implementing comprehensive risk management strategies to address potential challenges such as bureaucratic delays, regulatory uncertainties, and supply chain disruptions. Adherence to local and international regulations is crucial to sustaining operations.

4.9 Marketing-Mix

4.9.1 Product

Digital Production and Process Integration:

KORRUN will establish a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone that leverages advanced digital technologies to streamline production. The new facility will integrate an ERP system with IoT sensors and real-time data analytics to monitor production metrics continuously, ensuring that the defect rate is reduced by 20% and lead times are shortened by 15% than traditional way. By dedicating approximately USD 10 million to digital integration, the facility will enhance process transparency and allow for agile adjustments to operational challenges, thereby optimizing overall production efficiency.

Advanced Automation and Quality Control:

To maintain consistent high quality across all production lines, KORRUN will invest in automation and robotic technologies at the new Cambodian facility. This initiative involves deploying automated cutting, stitching, and packaging systems that are expected to increase production throughput. With rigorous quality control protocols integrated into every stage of production and an investment of around USD 8 million in automation, the facility aims to achieve a consistent quality standard that meets ISO 9001 and Oeko-Tex certifications, ensuring that products adhere to strict international specifications.

Supply Chain Optimization and Cost Management:

Leveraging Cambodia's competitive labor costs—up to 40% lower than in China—KORRUN will optimize its supply chain by establishing long-term partnerships with local suppliers and diversifying raw material sources. The company plans to onboard at least five new suppliers within the first year to mitigate risks associated with raw material price fluctuations. This strategy, supported by an estimated USD 2 million investment in a comprehensive risk management system, will streamline procurement processes, reduce overall production costs by an anticipated 15%, and secure stable production flows for large-volume orders.

Workforce Development and Operational Excellence:

Recognizing that a skilled workforce is critical to operational success, KORRUN will implement a robust talent development program at the Cambodian facility. This includes setting up local

training centers to provide continuous skill enhancement in areas such as advanced machinery operation, quality control, and digital production systems. With a target of training at least 500 employees annually and integrating over 150 training sessions in the first two years, the initiative aims to reduce operational errors and improve productivity, ensuring that the new facility can meet the stringent demands of our international B2B clients.

Scalable Production Capacity and Facility Expansion:

KORRUN's operating strategy emphasizes scalability to accommodate future growth. The planned facility in Cambodia is designed with an initial production capacity of 15 million units per year, with provisions for expansion up to 30 million units within five years. By designing modular production lines that allow for the addition of two new lines every 18 months, the company will be able to increase production capacity by 25% every two years, ensuring that operations can scale in response to rising market demand without sacrificing efficiency or quality.

Integrated Risk Management in Operations:

To address operational uncertainties such as regulatory changes, supply chain disruptions, and quality consistency across multiple production sites, KORRUN will implement a comprehensive risk management framework. This includes establishing standardized quality control protocols across all facilities, investing in predictive analytics to monitor raw material price trends, and creating contingency plans for regulatory compliance issues. With an operational risk management budget of around USD 2 million, KORRUN aims to maintain uninterrupted production and mitigate potential operational disruptions, ensuring a stable output even in a dynamic market environment.

Sustainable and Efficient Manufacturing Practices:

KORRUN is committed to reducing its environmental footprint while enhancing operational efficiency. The new facility will incorporate energy-efficient machinery, water recycling systems, and waste reduction programs designed to lower energy consumption by 20% over the next five years. Investments in green technologies will not only help the company meet global sustainability standards but also reduce operating costs, making the production process both economically and environmentally sustainable. This dual focus on efficiency and sustainability will further cement KORRUN's reputation as a forward-thinking manufacturer in the global textile and luggage industry.

4.9.2 Price Cost-Plus Pricing Strategy:

KORRUN will adopt a cost-plus pricing model based on its robust cost advantages in Cambodia, where labor costs are up to 40% lower than in China. By closely monitoring production costs—including raw materials, labor, and overhead—KORRUN aims to secure a base cost and then add a fixed margin of approximately 15–20% to ensure profitability while remaining competitive in the global B2B market. This approach will be supported by periodic cost audits and adjustments based on fluctuations in key inputs, ensuring that pricing remains aligned with operational realities and market dynamics.

Competitive Benchmarking:

In addition to a cost-plus model, KORRUN will conduct regular competitive benchmarking against local and international players, such as Angkor Apparel and Esquel Group. By analyzing competitor pricing data and industry averages—where market prices typically range from USD 40 to USD 60 per unit for high-end textile products—KORRUN can position its offerings competitively. Our target is to maintain a pricing structure that offers a 5–10% cost advantage compared to similar quality products, thereby attracting long-term B2B clients seeking both quality and cost efficiency.

Tiered Pricing for Customized Solutions:

Recognizing that different B2B clients have varying volume requirements and customization needs, KORRUN will implement a tiered pricing strategy. For bulk orders exceeding 1 million units, we will offer volume discounts starting at 5%, with discounts increasing up to 15% for orders above 5 million units. Additionally, specialized customization requests will incur a premium fee of 3–5% above standard pricing. This tiered structure ensures flexibility and encourages larger orders while compensating for additional customization efforts.

Value-Based Pricing for High-Quality, Sustainable Products:

Given the increasing global demand for sustainable and high-quality products, KORRUN will adopt a value-based pricing strategy for its “Green Collection” and innovative product lines. Products that incorporate eco-friendly materials and smart features, such as integrated tracking or biometric security, will be priced at a premium—estimated to be 15–20% higher than conventional products—reflecting their added value. This strategy not only rewards investments in sustainability and innovation but also aligns with the pricing expectations of environmentally conscious international brands.

4.9.3 Place

We plan to set up our headquarters in the Sihanouk Port Cooperation Zone. The Sihanouk Port Cooperation Zone is an integral part of the economic collaboration between China and Cambodia. Strategically located near Sihanouk Port, the zone is designed to serve as a hub for industrial, logistics, and commercial activities. With attractive incentives and robust

infrastructure, it offers an ideal environment for establishing headquarters and fostering long-term growth. This introduction provides a comprehensive overview of the zone's location, planning, investment environment, industry layout, infrastructure, and cooperative model, offering clear insights for investors and corporate decision-makers.

The Sihanouk Port Cooperation Zone is strategically situated adjacent to Sihanouk Port, benefiting from direct access to international shipping routes. The planning of the zone integrates industrial production, logistics, warehousing, and supporting commercial services. This comprehensive planning is intended to streamline the movement of goods and facilitate smooth operations for both manufacturing and export activities.

The cooperation zone is backed by a range of attractive policies aimed at attracting both domestic and international investors. These include tax incentives, preferential land leasing terms, and simplified administrative procedures. Investors operating within the zone enjoy lower corporate income tax rates, duty exemptions on imported production equipment, and one-stop service centers designed to minimize bureaucratic hurdles and reduce operating costs.

The zone is tailored for industries with strong export potential and includes a diversified mix of sectors such as textiles, garments, electronics, and machinery processing. Leveraging China's advanced industrial technology and management expertise along with Cambodia's competitive labor market, the Sihanouk Port Cooperation Zone aims to establish a high-efficiency, environmentally friendly manufacturing base with the capacity to upgrade into higher value-added production in the future.

A major strength of the Sihanouk Port Cooperation Zone is its robust infrastructure. High-quality roads, reliable power supply, modern water and sanitation systems, and advanced telecommunications networks have been established to support seamless industrial operations. Additionally, the zone features logistics centers, commercial facilities, and residential areas for employees, ensuring that all necessary services are provided in an integrated manner.

The cooperation zone operates on a model of joint investment and shared benefits between China and Cambodia. By combining Chinese capital, technology, and management experience with Cambodia's strategic location and resource advantages, the zone is set to become a critical industrial and logistics hub in the region. Experts anticipate that as the zone's facilities and services continue to improve, it will attract further investment, stimulate regional economic growth, and serve as an ideal location for corporate headquarters.

The Sihanouk Port Cooperation Zone offers a compelling proposition for businesses looking to establish a strategic headquarters. Its prime location, comprehensive planning, investor-friendly policies, and robust infrastructure create a conducive environment for industrial success. With a strong cooperation model and promising future prospects, the zone

stands out as a key gateway for economic integration between China and Cambodia, paving the way for sustainable growth and regional connectivity.

4.9.4 Promotion

Initial Market Entry Promotions

Entering a new market requires an effective kick-off campaign. For KORRUN, promotional pricing plays a crucial role in attracting early B2B customers. During the initial six months after launching the Cambodian facility, the company plans to offer introductory discounts of 10% on orders from new clients. This limited-time offer will incentivize early adoption, helping KORRUN to build a customer base rapidly. Additionally, launching pilot projects with two major international brands can serve as flagship collaborations, demonstrating product quality and operational excellence to the broader market.

Volume Discounts and Loyalty Incentives

Given that KORRUN's business model is primarily B2B, fostering long-term relationships is key. To encourage bulk orders, a tiered discount system will be implemented. For example, orders exceeding 1 million units will receive an initial volume discount of 5%, which will increase progressively up to 15% for orders above 5 million units. Furthermore, loyalty incentives are designed to reward consistent, repeat business. Clients that commit to multi-year contracts may receive additional discounts of up to 15% over the contract period. Such promotional structures not only stimulate larger orders but also help secure stable, long-term revenue streams.

Digital and Social Media Campaigns

In the digital age, a strong online presence is essential. KORRUN will invest in targeted digital marketing campaigns to reach decision-makers in key international B2B markets. This includes professional social media outreach on platforms like LinkedIn, where industry executives and procurement managers frequently engage. Digital advertising will highlight KORRUN's advanced manufacturing capabilities, quality certifications, and sustainable practices. Coupled with informative webinars and virtual tours of the new Cambodian facility, these initiatives are designed to build brand credibility and showcase operational excellence.

Trade Shows and Industry Conferences

Participation in international trade shows and industry conferences is another critical component of the promotional strategy. KORRUN plans to showcase its new production capabilities and innovative product lines at major events such as the Canton Fair and Texworld. These platforms provide opportunities for direct engagement with potential buyers and industry

influencers. By securing booth space and organizing live demonstrations, KORRUN can effectively communicate its value proposition to a global audience, facilitating new business relationships and reinforcing its position as a leading B2B supplier.

4.10 Requirements for Implementation

Integrated Digital & Operational Infrastructure: Implement advanced production technologies, ERP systems, IoT, and automation to ensure seamless production and real-time quality control across the new Cambodian facility.

Robust Supply Chain & Risk Management: Establish a diversified, stable supplier network and comprehensive risk management processes to mitigate raw material volatility, supply chain disruptions, and regulatory uncertainties.

Strategic Human Capital & Local Partnerships: Develop local talent through dedicated training programs and forge long-term partnerships with local suppliers and government bodies to ensure smooth operational integration and market adaptation.

4.11 Economic and Financial Viability Analysis

KORRUN's expansion into Cambodia is underpinned by a strategic initial investment of €25,000,000. This capital expenditure is allocated toward facility construction and setup, digital integration and automation, risk management systems, workforce training, and contingency funds. The goal is to build a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone, which will enable KORRUN to leverage Cambodia's competitive labor costs, modern infrastructure, and favorable trade policies. This investment is designed to create a solid foundation for efficient, high-volume production and to support the company's long-term global competitiveness.

The project is expected to generate an annual gross profit of €25,000,000 at the outset, with an anticipated growth rate of 15% per year. This robust profit projection is driven by several factors, including access to a rapidly growing regional market, cost savings from lower labor expenses, and enhanced operational efficiencies through digital and automated production processes. As production capacity increases and supply chain efficiencies are optimized, these factors are expected to sustain and even accelerate profit growth over time.

Operating expenses for the new facility are estimated at €20,000,000 per year, with an annual growth rate of 10%. Specifically, labor costs are projected at €5,000,000 per year, raw material expenses at €10,000,000 per year, and miscellaneous overheads at €5,000,000 per year. These expenses reflect the current cost structure in the Cambodian market and are expected to rise moderately as production scales and operational demands increase.

Financial projections for the project are very promising, with a calculated Net Present Value (NPV) of €11,354,813 and an Internal Rate of Return (IRR) of 21%. These figures indicate that the project is expected to generate returns significantly above the cost of capital. An NPV of over €11 million suggests that the discounted future cash flows will more than cover the initial investment, while an IRR of 21% underscores the strong profitability potential of the expansion.

Overall, the combination of low production costs, strong profit growth prospects, and robust financial metrics strongly supports the viability of KORRUN's investment in Cambodia. Although operating expenses are projected to grow at 10% per year, the anticipated 15% annual growth in gross profit is expected to more than offset these increases, ensuring healthy profit margins. With a strategic investment that offers a payback period of 3–4 years, the project presents a significant opportunity for sustainable long-term growth and enhanced global competitiveness in the textile and garment sector.

Table 4.2 Economic and Financial Viability Analysis

INVESTMENT

	2025	2026	2027	2028	2029
Facility Construction & Setup	10,000,000				
Digital Integration & Automation	8,000,000				
Risk Management & Compliance Systems	2,000,000				
Workforce Training & Talent Development	2,000,000				
Contingency and Miscellaneous Expenses	3,000,000				
TOTAL	25,000,000	0	0	0	0

DEPRECIATION

	Useful life	Depreciation rate	Annual depreciation
Facility Construction & Setup	7	14%	1,428,571
Risk Management & Compliance Systems	5	20%	1,600,000

	2025	2026	2027	2028	2029
Facility Construction & Setup	1,428,571	1,428,571	1,428,571	1,428,571	1,428,571
Risk Management & Compliance Systems	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
TOTAL	3,028,571	3,028,571	3,028,571	3,028,571	3,028,571

REVENUES

	2025	2026	2027	2028	2029
excepted revenue	25,000,000	28,750,000	33,062,500	38,021,875	43,725,156
TOTAL	25,000,000	28,750,000	33,062,500	38,021,875	43,725,156

OPERATIONAL COSTS (except depreciations)

	2025	2026	2027	2028	2029
Labor Costs	5,000,000	5,500,000	6,050,000	6,655,000	7,320,500
Utilities, Maintenance, and Overhead	5,000,000	5,500,000	6,050,000	6,655,000	7,320,500
Raw Materials:	10,000,000	11,500,000	13,225,000	15,208,750	17,490,063
TOTAL	20,000,000	22,500,000	25,325,000	28,518,750	32,131,063

CASH-FLOWS

	2025	2026	2027	2028	2029
1. Cash-In-Flow					
Operating cash-flows	5,000,000	6,250,000	7,737,500	9,503,125	11,594,094
CAPEX terminal value					1,428,571
TOTAL 1	5,000,000	6,250,000	7,737,500	9,503,125	13,022,665
2. Cash-Out-Flow					
CAPEX	25,000,000	0	0	0	0
TOTAL 2	25,000,000	0	0	0	0
3. Cash-Flow	-20,000,000	6,250,000	7,737,500	9,503,125	13,022,665
4. Cumulative Cash-Flow	-20,000,000	-13,750,000	-6,012,500	3,490,625	16,513,290

Discount rate 10%

NPV	11,354,813
IRR	21%
Project starts generating a positive cumulative cash flow in	second year

Assumptions:
 1) Average payme
 2) Average collect
 3) Discount rate =
 4) Annual increas
 5) Annual increas
 6) The analysis is

Source: Author (2025)

5. Conclusions

KORRUN, a leading Chinese manufacturer known for its high-quality luggage and textile products, has embarked on a strategic expansion into Cambodia to enhance its global competitiveness and solidify its position in the international B2B supply chain. The decision to expand into Cambodia is set against a global backdrop where demand for premium, sustainable textile and luggage products is rising due to evolving consumer preferences, environmental concerns, and increasing emphasis on efficiency and technological innovation. At the same time, Cambodia's economic landscape presents attractive opportunities: low labor costs that are up to 40% lower than in China, modern infrastructure developments in key industrial zones such as the Sihanouk Port Cooperation Zone, and favorable trade policies due to its membership in ASEAN. These factors make Cambodia an ideal destination for KORRUN to establish a new production base that not only cuts costs but also enables faster market responsiveness and stronger B2B relationships.

Despite KORRUN's proven track record in China, scaling operations internationally poses several significant challenges. The main problem lies in transferring production to a new geographic and regulatory environment while maintaining the same high standards of quality, operational efficiency, and sustainable practices. This transition involves a considerable initial investment, estimated at €25,000,000, which must cover facility construction, advanced digital integration, automation systems, risk management infrastructure, and local talent development. In addition, the company must navigate potential hurdles related to technology transfer, regulatory compliance in a new market, and the cultural differences that may impact operational practices. These challenges are not insurmountable, but they require detailed planning and robust risk mitigation strategies to ensure that the expansion is not only successful but also sustainable in the long term.

The project's objectives are clearly defined. First, KORRUN aims to build a state-of-the-art manufacturing facility in the Sihanouk Port Cooperation Zone that leverages Cambodia's competitive advantages to reduce production costs and enhance output. Second, the project seeks to optimize the supply chain by integrating advanced digital technologies and automation systems that will streamline production processes and ensure real-time quality control. Third, it aims to generate an initial annual gross profit of approximately €25,000,000 with a growth rate of 15% per year, driven by improved market penetration, enhanced production efficiency, and product differentiation. Fourth, the project is designed to keep annual operating expenses, currently estimated at €20,000,000, in check while achieving a balanced growth rate of 10% per year. Finally, key financial performance indicators include an expected Net Present Value (NPV) of €11,354,813, an Internal Rate of Return (IRR) of 21%,

and a payback period of 3–4 years, all of which underscore the project's robust economic viability and potential for long-term returns.

Our methodology combined several analytical approaches to ensure a comprehensive evaluation of the project. For external analysis, we conducted detailed assessments using PESTEL analysis to understand the political, economic, social, technological, environmental, and legal factors influencing the Cambodian market. We also applied Porter's Five Forces to evaluate the competitive landscape and assess the threat of new entrants, bargaining power of suppliers and buyers, the threat of substitutes, and the intensity of rivalry among existing competitors. Complementing these, we carried out competitor and consumer analyses, drawing data from reputable sources such as the International Apparel Federation, ASEAN Market Trends Reports, the World Bank, and the International Monetary Fund. Internally, we performed a SWOT analysis to evaluate KORRUN's strengths, weaknesses, opportunities, and threats, and reviewed financial data and operational records from our internal market analysis reports. In-depth interviews with key KORRUN managers were also conducted using semi-structured questionnaires, which provided qualitative insights into strategic decision-making, technology integration, supply chain optimization, and risk management practices. This combination of external and internal analyses, coupled with primary data from interviews, allowed us to triangulate our findings and build a robust basis for strategic recommendations.

The main results of our analysis indicate that Cambodia's manufacturing environment is highly conducive to cost-effective production, with labor and operational costs significantly lower than in other regions. This, combined with the strategic location of the Sihanouk Port Cooperation Zone, positions the new facility to efficiently serve not only the local market but also international markets, especially within ASEAN. Our financial projections suggest that the new facility will yield an initial annual gross profit of €25,000,000, growing at a rate of 15% per year. Operating expenses are expected to be around €20,000,000 per year, growing at 10% annually. The calculated NPV of the project stands at €11,354,813, and the IRR is estimated to be 21%, with a payback period of 3–4 years. These figures indicate strong financial viability, suggesting that the project is likely to generate substantial returns on investment and contribute significantly to KORRUN's overall global competitiveness.

Based on these results, our proposals are as follows. KORRUN should proceed with the expansion by constructing the new facility in the Sihanouk Port Cooperation Zone. The project should integrate advanced digital technologies, such as ERP systems and IoT sensors, to ensure efficient production and quality control. Investments in automation and robotics should be prioritized to enhance production throughput and reduce defect rates. Supply chain optimization must be a key focus, with efforts made to diversify raw material suppliers and mitigate risks associated with price fluctuations through robust risk management systems. In parallel, a comprehensive local talent development program should be implemented to ensure

that the workforce is equipped with the necessary skills to operate advanced production systems. Key performance indicators to monitor the project's success will include annual revenue growth rates, profit margin improvements, production efficiency metrics, quality control performance (e.g., defect reduction), and on-time delivery performance, all of which are critical for ensuring the facility's long-term success.

The proposed budget for the project is detailed, with an initial capital outlay of €25,000,000. This budget is allocated among various components: facility construction and setup, digital integration and automation investments, risk management systems, workforce training programs, and contingency funds. These investments are designed to yield a strong ROI, as evidenced by our financial projections, which include an NPV of €11,354,813 and an IRR of 21%.

Our research, however, is not without limitations. The financial projections and market estimates are based on current industry data and assumptions that may evolve over time. Variations in local operating costs, regulatory environments, and global market conditions could impact the accuracy of these projections. Additionally, the sample size for our in-depth interviews was relatively small, which might limit the generalizability of some qualitative insights. These factors underscore the importance of continuous monitoring and periodic reassessment of the project's performance as market conditions change.

Further research is recommended to refine these estimates and strategies. Future studies should incorporate longitudinal data collection to track changes in the Cambodian market, update cost and revenue projections, and analyze the long-term impact of technological innovations on production efficiency. Expanding the scope of qualitative research by engaging a broader range of industry stakeholders—including local suppliers, government representatives, and additional international partners—could provide a more comprehensive understanding of the operational and regulatory challenges. Moreover, further exploration into emerging sustainable technologies and digital integration practices will help ensure that KORRUN remains at the forefront of industry innovation and maintains its competitive edge.

In conclusion, KORRUN's expansion into Cambodia represents a well-founded strategic initiative that leverages both external market opportunities and the company's internal strengths. The favorable economic environment, combined with significant cost advantages and modern infrastructure in Cambodia, provides an excellent platform for building a state-of-the-art manufacturing facility. Our comprehensive analysis—incorporating external market assessments, internal performance reviews, and qualitative insights from key management interviews—demonstrates that the project is financially viable, with an NPV of €11,354,813, an IRR of 21%, and a payback period of 3–4 years. While there are inherent risks and uncertainties, effective risk management and continuous monitoring will ensure that KORRUN can adapt to changing market conditions. With strategic investments in digital integration,

automation, and local talent development, the expansion is poised to drive long-term revenue growth, improve profit margins, and solidify KORRUN's position as a leading B2B supplier in the global textile and luggage industry. This comprehensive plan not only provides a clear roadmap for operational excellence but also reinforces our commitment to innovation, sustainability, and market leadership on the international stage.

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