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## **Thailand**

### **Market Development Reports**

### **HRI Food Service Sector Report**

### **1999**

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#### **Report Highlights:**

**Thailand boasts a very large HRI food service sector, with over 100,000 restaurants, 2,350 hotels, 364 resorts and 784 bungalows. The Dollar values of imported food has decreased tremendously during 1997-1998 because of the depreciation of the Thai baht against the dollar. The value of food sales to hotels is significantly larger than sales to restaurants.**

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Bangkok [TH1], TH

## SECTION I. Market Summary

Thailand's economic crisis occurred almost at the close of the century. This strongly indicated Thailand's lack of readiness to enter the global mainstream that will shape economies in the coming millennium. Since the 1997 free-fall of the Thai Baht, Thailand's imports remain weak (see the following table comparing the value of imported and domestic food). This supports the assertion that the Thai economy is far from ready to face the full blast of international market forces. When the World Trade Organisation (WTO) regulations gain sovereignty over the global marketplace, Thailand must bear the full weight of its obligations to economic groups, such as NAFTA, AFTA and APEC. Then, liberalisation will produce intense competition in every nation of the world. The economic crisis throughout Asian countries has inhibited consumer purchases of imported products because of the relative value of the Baht versus major trading currencies, import taxes and the increasing number of unemployed people in Thailand.

However, some business sectors such as hotels, resorts, restaurants and institutional contracts still use imported food for food preparation and ready-to-eat meals at restaurants, catering services for airlines and cruise lines. This is because these sectors attract middle to higher income Thais, Thai corporate businessmen, resident expatriates and tourists. The Thai government's campaign to encourage Thai people to buy domestic products has had little effect, except on government enterprises. The government's objective is to slash public spending on imported foods to help the nation's trade balance.

The dollar value of imported food has decreased tremendously during 1997-1998 owing to the depreciation of Baht against the dollar. However, in term of local currency, the food sales of the HRI sector actually indicates growth of over seven percent during the same period. In addition, business entertainment, a common practice in Thailand involving frequent dining out seems to remain intact even through the economic difficulties.

In Thailand, there are 2,350 hotels, 364 resorts and 784 bungalows. The value of food sales for hotels and resorts throughout the country is significantly larger compared to restaurants, especially for five star hotels and resorts chains which attract wealthy Thais, business people, resident expatriates and tourists. Hotel and resort restaurants have a wide variety of national or regional based foods such as American, British, Californian, Chinese, Continental, Danish, French, German, Italian, Japanese, Korean, Lebanese, Mediterranean, Mexican, Polynesian, Swiss and Thai cuisine. Alternatively, restaurants can be grouped by type of main ingredient, for example seafood or pizza, or method of preparation, such as a 'grill'. About 60 percent of customers are middle class Thais and Thai professionals, whilst 40 percent of customers are made up of resident expatriates and tourists. The total value of food sales for restaurants in Thailand is larger than that of institutional food services. In Thailand there are about 212 international food restaurants located in prime areas of Bangkok, 427 international food restaurants in Phuket, Samui, Chiang Mai and 328 local food restaurants in other provinces. The numbers of restaurant outlets do not include fast food, mid-level family style restaurants, coffee shops, noodle shops, other speciality food shops and home/office delivery services.

**Dollar Value of Overall HRI Food Service Sales Over The Past Five Years**

USD Million

<b>Description</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Total HRI food service sales	5,854 (100%)	6,824 (100%)	7,585 (100%)	6,583 (100%)	5,385 (100%)
Growth rate		14.2%	10.0%	-13.2%	-18.2%
Hotels and Resorts (restaurants and catering services)	4,683 (80%)	5,459 (80%)	6,068 (80%)	5,266 (80%)	4,308 (80%)
Restaurants (fast food, mid-level/ family-style, coffee shops, noodle shops, other speciality food shops, home/office delivery services)	878 (15%)	1,024 (15%)	1,138 (15%)	790 (15%)	808 (15%)
Institutional Contracts (company cafeterias, hospitals, nursing homes, schools, golf courses, theme parks, military, catering for airlines, trains, ships)	293 (5%)	341 (5%)	379 (5%)	329 (5%)	269 (5%)

Sources: Bank of Thailand, NESDB, Bangkok Post and Pacrim interviews

In total there are over 100,000 restaurants in Thailand, however, this report will focus only on the areas that are most likely to be potential customers for U.S. food exporters. In the restaurant sector, there are 733 fast food

restaurants nation wide and more than 15,000 mid-level family style restaurants, coffee shops, noodle shops, speciality food shops and home/office delivery services. The mix of customers who dine at these establishments are 70 percent Thai, with only 30 percent of customers being resident expatriates and tourists. For Institutional contracts, we will concentrate on the catering service of Thai Airways International, since this company is the largest airline catering service in the country. As Thai Airways is a government enterprise, it has to comply with the government's objective of importing less food. Thai previously imported 45 percent of all food used in commercial aircraft departing Thailand but have reduced reliance on food imports to 40 percent this year.

From the above table, it can be observed that there has been no observable change in the segmentation of the HRI Food Service sector in Thailand over the last five years. Whilst the dollar value has declined since 1996, actual growth in local currency has been between seven to eight percent. Hotels, resorts, restaurants and institutional contracts expanded during 1994-1996. In 1997-1998, sales to the hotel sector was down while there was an increase of sales in the restaurant sector during the same period.

International investors have played a major role in the Thai hotel and restaurant industry. In 1999, many international players expanded their operations in Thailand. As a result, the expected growth rate of the HRI food service sector is around 15 percent versus an IMF expected growth rate for the Thai economy of only one percent this year. According to the Immigration Bureau an increase of up to eight million tourists by the end of this year will contribute to the growth.

#### First Quarter Tourist Arrivals in Thailand 1998-1999

Country	1999	1998	Change
East Asia	1,271,172	1,091,027	16.5%
Europe	545,442	623,183	-3.6%
Americas	161,255	140,735	14.6%
South Asia	59,346	58,349	1.7%
Australia and New Zealand	88,378	78,415	12.7%

Middle East	35,180	32,801	7.3%
Africa	18,349	18,782	-2.3%
<b>Total</b>	<b>2,279,122</b>	<b>2,043,292</b>	<b>11.5%</b>

Source: Immigration Bureau, Thai Police Department

### Number And Type Of Food Service Establishments By Sub-Sector.

Type of Food Service	Number of Outlets
Hotels (restaurants and catering service)	2,350
Resorts (restaurants and catering service)	364
Bungalows (restaurants)	784
Restaurants (International food in Bangkok, Phuket, Samui island and Chiang Mai)	639
Restaurants (Thai food nation-wide)	328
Fast Food Restaurants (nation-wide)	733
Mid-level family style restaurants, coffee shops, noodle shops, other speciality food shops and home/office delivery services	15,000

Institutional Contracts (hospitals, nursing homes, catering services for airlines)	663 hospitals, one international health resort, Thai Airways International and one major theme park
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Sources: Tourism Authority of Thailand, Thailand Guidebook and Thai Hotels Association

Many institutional contracts are left out of the above table as imported food is not used and is unlikely to be used in the future. For example, Bungalow restaurants mostly prepare Thai food for their in-house guests. Local restaurants also use locally produced food. Mid-level family style restaurants, coffee shops, noodle shops, other speciality food shops and home/office delivery services also use locally produced food. Hospitals in Thailand do not use imported food. Chiva-Som International Health Resort does use imported food because the majority of their guests are well-heeled international tourists. 10 percent of the food used by Phuket Fantasea (major theme park) is from New Zealand and Australia with a small percentage, such as food seasonings and sauces from the United States. Thai Airways International uses 40 percent of imported food for their catering service.

### Value Of Imported Versus Domestic Food

USD Million

Description	1994	1995	1996	1997	1998
Value of domestic products	20,468	23,802	26,446	23,019	18,981
Value of imported food (exchange rate: Baht to U.S. dollar)	1,215 (25.2)	1,474 (24.9)	1,647 (25.4)	1,363 (31.5)	963 (41.9)
Total food and beverage consumption	21,683	25,273	28,093	24,382	19,944

Sources: Bank of Thailand and National Economic and Social Development Board

The major economic factor and key demand driver that affected the food service market in 1998 was the regional economic crisis. Thailand received a 17.2 million dollar IMF bailout package which sent shock waves through consumers across Thailand. Many Thais suspended their spending on luxury products and dining out which translated into an across the board sales plunge in the HRI food service sector. An increase in unemployment, inflation, depreciation of the Thai currency, closure of 56 financial institutions, an increase of value added tax (VAT) to 10 percent, increases in import taxes have limited Thai consumer spending. Management in the HRI food service sector tried to control food and beverage costs in 1998 by reducing food imports. Many types of U.S. food was adversely effected, including beef and apple exports.

In 1999, Thailand received several IMF tranches and funding from Japan. The Thai government stimulated the economy by reducing the deposit interest rate to 4.5 percent and lending rate to eight percent. It also cut VAT back to seven percent. The government negotiated with the members of AFTA to reduce import taxes for agricultural products to 15 percent. These stimulus measures have boosted the economy, or at least boosted consumer confidence. Whether economic fundamentals warrant a change or not, Thais have again started to spend money rather than save it. The deposit interest rate is very low compared to previous years. Businessmen and women are more willing to dine out and entertain their business guests. Resident expatriates and tourists have benefited from the favourable currency exchange rate. For foreign investors considering Thailand, there has never been a cheaper time to invest in the last decade. Despite an upward trend in the economy, most of the management in the HRI food service sector still control their food and beverage costs in order to increase their sales and profits. Perishable foods such as western style fruits and vegetables of acceptable quality can be grown in Thailand.

### Advantages and Challenges

<b>Advantages</b>	<b>Challenges</b>
Popularity of American culture carries over to American food.	Devaluation of Thai currency makes U.S. products more expensive.
U.S. fast food and restaurant chains are popular and are familiar to Thai consumers.	Economic recession and unemployment holds Thais from spending. U.S. fast food chains switched to local sourcing.
Quality of U.S. foods is well known and is perceived as safe.	Pricing disadvantage of U.S. products versus competitors based in Australia, New Zealand and Southeast Asia.

U.S. beef, lobster, shrimp, and crab are widely used in hotel and resort restaurants especially in American, French, Japanese and other international style restaurants.	30-40% import tax is imposed on imported food.
The duty rate is to fall to between five to 15 percent under Thailand's agreement with the WTO. This will cut taxes by 30-40 percent by 2004.	American mass food products produced locally cost less.

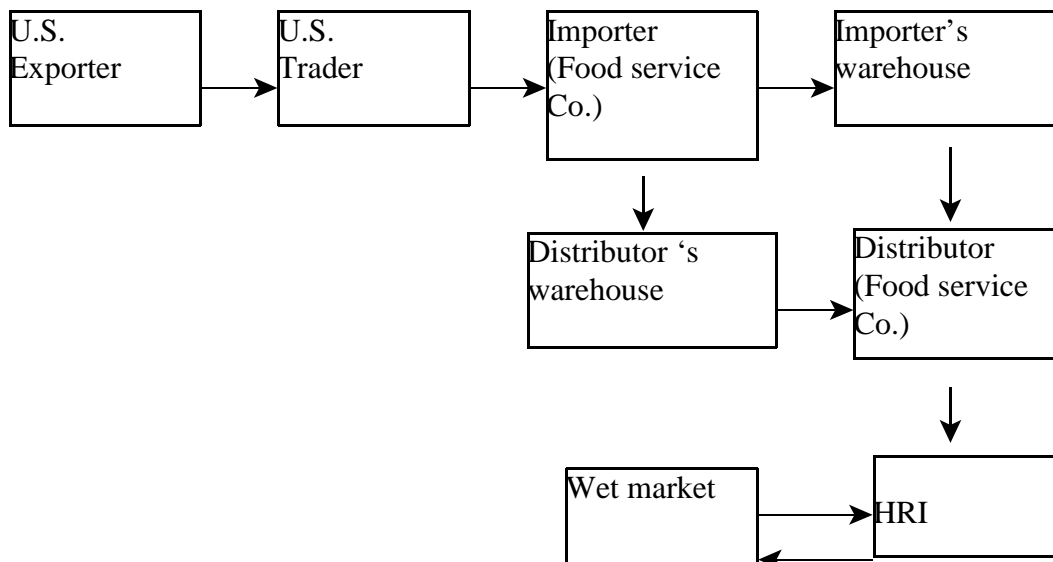
## **SECTION II. Road Map For Market Entry**

### **Entry Strategy**

Direct contact with local food service importers is the best entry for U.S. exporters. Normally the hotels and resorts do not import food directly in volumes attractive to U.S. exporters. It is easier for hotels and resorts to order from food service companies. Restaurants such as fast food chains or family style restaurants, also order and purchase imported food from food service companies or from their affiliate companies who act as their distributors. Five star hotels and resorts are highly recommended for U.S. exporters. International food restaurants located in prime areas of Bangkok, Chiang Mai, Samui island, Phuket and Phi Phi island are secondary recommendations for U.S. exporters. Direct contact to Thai Airways International's catering department is highly recommended.

### **Distribution Channels**





The normal distribution channel for HRI food services flows from U.S. exporters to food service importers to food service distributors and to hotels, restaurants and institutions. In the HRI sector, 90 percent of perishable food is purchased directly from wet markets whilst only 10 percent is purchased from food service companies. The HRI sector uses its own trucks or vans for purchasing local perishable products.

Normally food service companies in Thailand will provide both local and imported food to the HRI sector. Therefore, the distribution channel of domestic products and imported products for hotels, resorts, restaurants and catering services inside the hotels and resorts are quite similar. The distribution channel is also similar for the restaurants that attract middle to higher income Thais, Thai corporate businessmen, resident expatriates and tourists.

### Company Profiles

Company Name and Sub-Sector Type	Sales (USD Million) (1998)	Outlet Name, Type, and Number of Outlets	Location	Purchasing Agent(s)
The Pizza Public and The Minor Group (R)	70	Pizza Hut (FF)(D)(115) Dairy Queen (R)(47) Sizzler (R)(10)	Nation-wide	Importers, Direct
Thai Airways International	43	Thai Airways (CS)(1)	International	Importers, Direct

Public Co (I)			and nation-wide	
The Central Group (H-R)	24	The Central Plaza Hotel (H)(1) The Central Wong Amat Beach Resort (H-R)(1) The Central Mae Sot Hill Hotel (H-R)(1) Hotel Sofitel Central (H-R)(1) The Central Samui Beach Resort (H-R)(1) The Central Sukhontha Hotel (H)(1)	Bangkok, Pattaya, Mae Sot, Hua Hin, Samui island, Hat Yai	Importers, Direct
13 Coins Restaurant (R)	19	13 Coins Restaurant (R)(28)	Bangkok	Importers, Direct
The Regent Group (H-R)	18	The Regent Bangkok (H)(1) The Regent Resort Chiang Mai (H-R)(1) Chaweng Regent Hotel (H-R)(1) Royal Garden Resort (H-R)(1)	Bangkok, Chiang Mai, Samui island, Hua Hin	Importers, Direct
The Starwood Group (H-R)	16	Westin Banyan Tree (H)(1) Sheraton Grande Sukhumvit (H)(1)	Bangkok, Phuket, Chiang Mai	Importers, Direct

		Sheraton Grande Laguna Beach (H-R)(1) Royal Orchid Sheraton (H)(1) The Westin Chiang Mai		
The Dusit Group (H-R)	16	Dusit Island Resort (H-R)(1) Dusit Laguna Resort (H-R)(1) Dusit Rayavadee Resort (H-R)(1) Dusit Resort (H-R)(1) Dusit Resort and Polo Club (H-R)(1) The Dusit Thani Hotel (H)(1)	Bangkok, Pattaya, Chiang Rai, Phuket, Cha-Am	Importers, Direct
T.G.I. Friday's (R)	12	T.G.I. Friday's (R)(2)	Bangkok	Importers, Direct
The Landmark (H)	4	The Landmark, Bangkok (H)(1)	Bangkok	Importers, Direct
Phuket Fantasea (I)	2	Phuket Fantasea (I)(1)	Phuket	Importers, Direct

Sources: Pacrim interviews with company management

The mix of customers at hotels and resorts is 60 percent Thai, with 40 percent of customers being resident expatriates and tourists. The average growth rate of this sector depends on the size and the rating of the establishment, but is expected to grow between eight to 15 percent this year. Business and tourist arrivals, particularly from within Asia, North America and Europe are expected to increase by up to 8.8 million people this year, double last year. Hotels and resorts remain concerned about cost control. Some of them purchase about 60 percent perishable products directly from wet markets and the remaining 40 percent from food service companies.

Some of the larger hotels like the Landmark hotel purchases 90 percent of perishable products directly from wet markets and 10 percent from food service companies. Hotels and resorts generally try to control the labor used in food preparation to 20 percent. Some hotels, like the Regent uses labor for 90 percent of food preparation and 10 percent is either processed or pre-packaged food. The Landmark, on the other hand, uses labor for 70 percent of food preparations and the remaining 30 percent is processed or pre-packaged food.

Customers for various styles of restaurant depend on age and income of the consumer. For American style fast food restaurants, customers have accepted broader western types of food within the traditional diet. Customers for mid level family style restaurants are Thai people with at least high school level education and some exposure to western culture, even if only through the cinema or television, resident expatriates and tourists. In this sub-sector, 90 percent of perishables are purchased from wet markets and 10 percent from food service companies. Labor is used for 70 percent of food preparation and 30 percent of processed or pre-packaged food. The growth rate of this sector is forecast to be 15 percent this year.

For Institutional Contracts, the survey targeted Thai Airways International as they are a major food importer. However, as a government enterprise trying to comply with a 'Buy Thai Products' campaign, the airline has had to decrease the imported food percentage from 45 percent to 40 percent this year. Nonetheless, the growth rate of this sector is expected to be 15 percent this year.

### **SECTION III. Competition**

The average rate of imported food versus locally produced food of the whole HRI sector is 30 percent. The United States has 20 percent of the imported share. U.S. beef, lobster, fish and crab are well known in hotels, resorts, family style restaurants and airline catering companies. The United States main competitors in the market are Australia and New Zealand. 40 percent of the HRI sector's imports of perishable products are from Australia, 30 percent from Europe, 20 percent from the United States. (American spices, seasonings and sauces, sea food, baking products, beer, biscuits, breakfast cereal, canned foods, cola, corned beef, corn oil, some dairy products, dips, fresh fruit and vegetables, frozen cake, frozen peas, fruit juice, jam, macaroni and cheese dinners, mayonnaise, Mexican sauce, nuts, peanut butter jelly, pie filling, pop-corn, poultry, preserved or dried fruits, pickles, prunes, raisins, ready-to-mix pancakes, cookies, muffins and cake, red meat, snack foods, syrup, tortilla chips, TV dinners, vinegar, wine and whisky) and 10 percent from others.

The Royal Project in Thailand can produce and plant vegetables and fruits, which previously had to be imported. Quality and freshness of these products meets market expectation when cooked. Therefore, most of the HRI food service sector has turned to use locally produced perishables rather than the imported perishables owing to cost and shelf life.

### **SECTION IV. Best Product Prospects**

The best product prospects for the HRI food service market is U.S. beef and American seafood such as lobster and fish. This is a great opportunity as Thailand and regional exporters cannot produce the same varieties of beef and seafood.

#### **A. Products That Are Present in the Market**

American spices, seasonings and sauces, fresh and frozen sea food (lobster, crab, crawfish, shrimp, fish), baking products, beer, biscuits, breakfast cereal, canned foods, (fruit, soup and vegetables), cola, corned beef, corn oil, dairy products (milk powder, cheese, cheese spread, cream cheese, whipped cream, sour cream, cheese dip and ice-cream), dips, fresh fruit and vegetables (radish, celery, carrots, apples, grapes, cherries, kiwi fruit, avocados, blueberries, grapefruit, oranges), frozen cake, frozen peas, fruit juice (apple juice, prune juice, orange juice, grape juice, sparkling white grape juice), jam, macaroni and cheese dinners, mayonnaise, Mexican sauce, nuts (peanuts, walnuts, hazel nuts, macadamia nuts), peanut butter jelly, pie filling, pop-corn, poultry, preserved or dried fruits, pickles, prunes, raisins, ready-to-mix pancakes, cookies, muffins and cake, red meat, snack foods, syrup, tortilla chips, TV dinners, vinegar, wine and whisky.

#### **B. Products Not Present in the Market in Significant Quantities but Which Have Good Sales Potential**

American seafood such as crab shrimp and crawfish, avocados, kiwi fruit, grapes, cherries, chocolate milk mix, dips and sauces, and other cooking products.

#### **C. Products That Will Not Do Well or Cannot Be Used in the Market**

None.

### **SECTION V. Post Contact and Further Information**

#### **Hotels and Resorts**

Central Plaza Hotel  
1695 Phaholyothin Road  
Chatuchak, Bangkok 10900  
Tel. (662)-541-1234  
Fax. (662)-541-1087  
Contact Person: Mr Martin Reed, General Manager

Dusit Thani Hotel  
946 Rama IV Rd  
Bangkok 10500

Tel. (662)-236-0450-9  
Fax. (662)-236-6400  
Contact Person: Mr Daniel McCafferty, General Manager

Landmark Hotel  
138 Sukhumvit Road  
Bangkok 10110  
Tel. (662)-254-0404, 254-0424  
Fax. (662)-253-4259  
Contact Person: Mr D russell-Wiig, General Manager

The Regent Hotel  
155 Rajadamri Road  
Bangkok 10330  
Tel. (662)-251-6127  
Fax. (662)-253-9195  
Contact Person: Mr William D Black, General Manager

Westin Banyan Tree Hotel  
21/100 South Sathorn Road  
Toongmahamek, Bangkok 10120  
Tel. (662)-679-1200  
Fax. (662)-679-1199  
Contact Person: Mr Michel Geday, General Manager

### **Restaurant Chains**

The 13 Coins Restaurant  
2005/38-39 Soi Ramkamheng 29  
Ramkamheang Road  
Hua Mark, Bangkok 10240  
Tel. (662)-319-4731-3  
Fax. (662)-319-4733  
Contact Person: Mr Somchai Nitiwanakul, General Manager

Minor DQ Ltd  
Berli Jucker Bldg  
15<sup>th</sup> Floor, 99 Soi Rubia  
Sukhumvit 42 Road  
Klongtoey, Bangkok 10110  
Tel. (662)-381-5124-26

Fax. (662)-381-5118-9

Contact Person: Mr William Ellwood Heinecke, President

The Pizza Public Co Ltd  
Berli Jucker Bldg  
15-16<sup>th</sup> Floor, 99 Soi Rubia  
Sukhumvit 42 Rd  
Bangkok 10110  
Tel. (662)-381-5123-32  
Fax. (662)-381-5118-19

Contact Person: Mr Paul Charles Kenny, Chief Operating Officer

T.G.I. Friday's  
Kamol Sukosol Building,  
317 Silom Rd, Bangrak  
Bangkok 10500  
Tel. (662) -266-7488-9  
Fax. (662)-266-7490

Contact Person: Mr David Tongkahu, General Manager

### **Institutional Contracts**

Thai Airways International Public Co Ltd  
89 CZ Building  
Catering Department  
Vibhavadi Rangsit Road  
Donmuang, Bangkok 10210  
Tel. (662) 533-6217 x 1745  
Fax. (662) 531-0141

Contact Person: Mr Preecha Yanyothin, Procurement Manager

### **Food Service Companies**

Kim Chua Trading Ltd Partnership  
3059, 3059/1-3 Sukhumvit Rd  
Prakanong, Bangkok 10260  
Tel. (662)-332-8040-9, 331-6968-70, 331-6910  
Fax. (662)-331-6891, 331-6911

Contact Person: Mr Tong Dhiranusornkit, Marketing Manager

Eastwest Trading and Agencies Ltd

35/2 Soi Yen-Argard 3  
Yen-Argard Rd, Chong Nonsee  
Yannawa, Bangkok 10120  
Tel. (662)-287-4643-4 x 122  
Fax. (662)-678-3275  
Contact Person: Mr Vichiean Jarukasetporn, General Manager

Choice Food Co Ltd  
959 Sukhumvit 71 Rd  
Klongton Nua, Watana  
Bangkok 10110  
Tel. (662)-381-9240-2  
Fax. (662)-381-9238  
Contact Person: Mr Jeramee Coombes, Sales Manager

Fine Foods International Co Ltd  
524/26 Soi Soonvijai 4  
Phraram 9 Rd, Bangkokpi  
Huaykwang, Bangkok 10310  
Tel. (662)-319-5274-5  
Fax. (662)-319-7352  
Contact Person: Mr Pairat Rojanaporn, Manager

Lion Gold Product Co Ltd  
30/305 Moo 10  
Klongkum, Beungkum  
Bangkok 10230  
Tel. (662)-947-8688  
Fax. (662)-947-8969  
Contact Person: Ms Vipawadee Lertwisawavanich, General Manager

Ek-Thai Intertrade Co Ltd  
353/39 Soi Lad Phrao 122  
Wangthonglang, Bangkokpi  
Bangkok 10310  
Tel. (662)-539-8559, 539-7182, 934-0351-3  
Fax. (662)-539-8560  
Contact Person: Mr Pumin Piyavanich, General Manager



Vita Fresh Co Ltd  
61/179-180 Thaveemit Soi 7  
Rama 9 Rd, Huaykwang  
Bangkok 10310  
Tel. (662)-245-5311-3  
Fax. (662)-247-1865  
Contact Person: Mr Barry Quartermain, Managing Director

Siam Flight Services Ltd  
Bangkok International Airport  
Vipavadee-Rangsit Rd  
Donmuang, Bangkok 10210  
Tel. (662)-996-8881 x 150  
Fax. (662)-996-8889  
Contact Person: Ms Sumonnart Saengsuwanwow, Purchasing Manager