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Report Highlights:

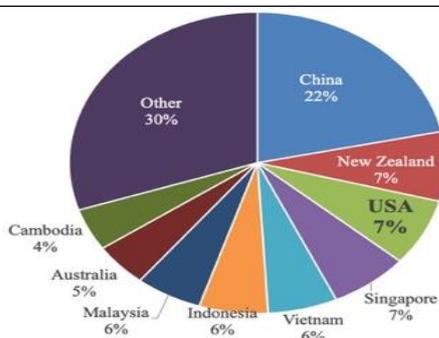
This report contains information about Thailand's food service industry. It provides an overview of market opportunities and key channels of distribution for U.S. food and beverage products destined for the food service market in Thailand.

Market Fact Sheet: Thailand

Executive Summary

Thailand is one of the most competitive markets for the hotel, restaurant, and institutional food service (HRI) sector. There were approximately 150,000 hotel, restaurant, and other food service outlets in Thailand in 2020. However, the COVID-19 outbreak severely disrupted the market with Thailand's HRI sector being the worst-hit sector. The dramatic decline in international tourists and the government's restrictions on operating hours and social distancing limited commercial activity. More than 10,000 outlets will close by the end of 2021. However, there are some new opportunities for businesses despite the challenges presented by the pandemic.

Imports of Consumer-Oriented Products



In 2020, the United States was the 2nd largest supplier of these products to Thailand with exports valued at U.S. \$466 million.

Food Retail Industry

The Thai Retailers Association reported that Thailand's retail sector contracted 7-8 percent in the first quarter of 2021. The food and beverage industry is one of the biggest retail segments in Thailand. The country's economic growth, coupled with higher disposable incomes in the middle-income population, a greater propensity to spend, and a trend towards urbanization fueled the growth in the retail sector prior to the pandemic. Changes in the structure of Thai households and the pandemic have led to changes in how Thais eat with a rising demand for convenient ready-to-eat meals, healthy food products, and food delivery.

Food Processing Industry

Thailand's food processing industry has developed rapidly and is one of the most developed in South East Asia. There are many medium-to-large food processors that produce high-value products for domestic and export markets. Thai processed foods exports were valued at U.S. \$19.4 billion in 2020.

The packaged food industry is highly fragmented, with the top ten companies controlling only about one third of the sales value. Opportunities in Thailand's food processing sector continue to grow as domestic sales of processed foods rise due to a major shift in consumption pattern towards convenience food. With rising demand for processed foods, Thai food processors must import large quantities of food ingredients that are not locally available.

Quick Facts 2020

Imports of Consumer-Oriented Products: U.S. \$5.9 billion

List of Top 10 Growth Products in Host Country

- | | |
|------------------------|-------------------------|
| 1) Dairy products | 2) Fresh vegetables |
| 3) Seafood products | 4) Food preparation |
| 5) Fresh fruits | 6) Bread, pastry, cakes |
| 7) Tree nuts | 8) Wine and beer |
| 9) Chilled/frozen beef | 10) Healthy beverages |

Food Industry by Channels (U.S. billion) 2020

Total Agricultural Exports:	\$37.9
Total Agricultural Imports:	\$18.0
Full-Service Restaurant Sales	\$4.3
Food Delivery Sales (Est. by 2020)	\$1.1
Food and Drink E-commerce Sales	\$0.5

Top Thailand Retailers

Supermarkets

- 1) Central Food Retail
- 2) Gourmet Market
- 3) Villa Market
- 4) Foodland
- 5) UFM Fuji Super
- 6) MaxValu

Hypermarkets

- 1) Tesco Lotus
- 2) Big C

Cash and Carry

- 1) Makro

Convenience Stores

- 1) 7-Eleven
- 2) Family Mart
- 3) Lawson 108

GDP/Population

Population (*millions*): 69.18
 GDP (*billions USD*): \$502 (as of 02/2021)
 GDP per capita (*USD*): \$7,219 (as of 02/2021)

Sources: Trade Data Monitor, Bank of Thailand

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weakness
Thailand has a strong food culture and well-established food service market. Thai consumers in major cities enjoy dining-out and well receptive to new food trends.	Competition from other food exporting countries that have a free trade agreement with Thailand.
Opportunities	Threats
Rising incomes and rapid urbanization. Urban Thai consumers are more willing to pay for premium food products and dine-out.	High import tariff on U.S. food exports to Thailand.

Data and Information Sources: Euromonitor, TDM, Office of the National Economic and Social Development Board, World Bank, Kbank Research, and Industry Estimates

SECTION I: MARKET SUMMARY

Thailand is one of the most competitive markets for the hotel, restaurant, and institutional food service (HRI) sector. There were approximately 150,000 hotel, restaurant, and other food service outlets in Thailand in 2020. However, the COVID-19 outbreak severely disrupted the market with Thailand's HRI sector being the worst-hit sector. The dramatic decline in international tourists and the government's restrictions on operating hours and social distancing limited commercial activity. More than 10,000 outlets will close by the end of 2021. However, there are some new opportunities for businesses despite the challenges presented by the pandemic.

Thailand imported U.S. \$398 million in consumer-oriented food from the United States in 2020, a 10 percent decline from 2019. Food preparations, fresh fruit, processed vegetables, and tree nuts saw the largest declines. Food preparations and ready-to-eat meals are the key products for HRI establishments. Health and wellness products are also becoming more popular.

The COVID-19 pandemic had a devastating impact on the global economy, as well as in Thailand. Thailand's GDP fell by 6.1 percent in 2020, the largest contraction since the Asian financial crisis in 1997. The large decline of foreign tourist severely hurt the tourism sector, which accounts for about 7 percent of the country's GDP and 20 percent of employment. The number of foreign tourists fell 83% to 6.1 million visitors due to the travel restriction in 2020 and it is predicted that only 150,000 of foreign tourists will arrive in the country in 2021. The drop of tourism directly impacted Thailand's foodservice industry as more than 15 percent of tourism spending is spent in restaurants.

Thailand had over 100,000 restaurants establishments across the country prior to the pandemic with an expected growth rate of 4-5 percent annually. However, government restrictions aimed at slowing the spread of COVID-19 limited business operations of restaurants during the pandemic by restricting restaurants' operating hours, preventing restaurants from serving alcohol, and restricting the number of guests at one time. Since the start of the pandemic in early 2020, the Thai government closed in-person dining in restaurants at three different times. Full-service restaurants were hit the hardest as their main source of income is from dine-in customers. The Thai Restaurant Association estimated that the Thai food industry is losing up to 1.4 billion baht (US\$44.97 million) per day and more than 500,000 workers lost their jobs. About 50,000 restaurants have shut down, either temporarily or permanently since April 2021. The association also forecasts that at least 10,000 restaurants will go out of business by the end of the outbreak.

The catering sector has also seen reduced business operations due to the Thai government's restrictions on travel and event hosting. Thailand's catering sector includes four categories: contract caterers (e.g., Compass Group and F&B International Co.), airline and exhibition caterers (e.g., Thai Airways International Plc, LSG SkyChefs, Bangkok Air Catering, BITEC, and Impact Arena), hotels and medium to high-end restaurants, and small local caterers have been the most affected category in HRI sector due to the pandemic. THAI Catering, which provides 70% of catering services in Thailand, is one key player in this market that directly impacted sales of imported food products as about 21 percent of food purchased by THAI catering is imported.

The pandemic accelerated the adoption and growth of food delivery in Thailand. Restaurants are developing new dishes that are suitable for delivery and are partnering with mobile-based delivery

services such as Line Man, GrabFood, Robinhood, and Food Panda. Consumers are placing more than 1.8 million food delivery orders per day during lock-down and work from home (WFH) periods.

Thailand’s restaurant can be divided into 3 categories as follows:

Quick Service Restaurants (QSRs) hold a 10 percent market share in the restaurant sector and have become increasingly popular in Thailand due to the growth of urbanization, the change in demographics and income, and the growing influence of Western lifestyles. Patrons of QSRs in Thailand are a diverse group including traditional families, office workers, teenagers, and tourists.

Sales in Quick Service Restaurants 2016 - 2020 (in \$million)

	2016	2017	2018	2019	2020
Asian Limited-Service Restaurants	12.3	14.0	15.9	19.3	14.3
Bakery Limited-Service Restaurants	292.8	326.0	360.0	390.6	302.7
Burger Limited-Service Restaurants	213.3	258.7	298.2	302.5	250.3
Chicken Limited-Service Restaurants	564.4	629.7	745.6	811.6	758.6
Convenient Stores Limited-Service Restaurants	2,232.1	2,447.1	2,663.6	2,861.1	2,558.5
Pizza Limited-Service Restaurants	207.0	226.4	271.1	297.9	286.0
Ice Cream Limited-Service Restaurants	231.3	251.4	266.4	289.9	208.0
Other Limited-Service Restaurants	544.7	623.4	714.1	810.7	627.2
Total	4,297.9	4,776.7	5,334.9	5,783.6	5,005.6

Source: Euromonitor and USDA Foreign Agricultural Service – Bangkok, Thailand

Franchises dominate the QSR market, which sell chicken, burgers, bakery products, pizza, ice-cream, and breakfast meals. Partnerships with U.S. brands (e.g., McDonald’s, KFC, Pizza Hut, Taco Bell, Domino Pizza, Au Bon Pain, Starbuck, Carl’s Junior, Burger King, Baskin-Robbins, Dairy Queen, Auntie Anne’s, and Subways) and non-U.S. brands (e.g., Mos Burger, Bonchon Chicken, Yoshinoya, and Chabuton Ramen) form about 80 percent of Thailand’s food franchises.

QSRs had an annual growth rate in market value of 8-10 percent before the pandemic. The pandemic did reduce QSRs sales, declining 15-20 percent, but it was not as strongly impacted compared to full-service restaurants. Despite the slowdown during the pandemic, Euromonitor estimates that QSRs will reach the market value nearly U.S. \$6.6 billion by 2024.

Full-Service Restaurants represent about 15 percent of all establishments in Thailand’s restaurant industry. Asian full-service restaurants are the most in-demand type since Thai consumers prefer Asian cuisine. The shabu and hot pot dining trend has been gaining more popularity over the past 2 to 3 years and is one of the key drivers of the restaurant sector’s growth. While chain full-service restaurants make up just over a third of full-service sector, their market share has been growing due to increased consumer preference for convenience, hygiene, and high-quality standards. High-end or fine dining restaurants have also become a significant player in the restaurant sector. The high-end or fine dining restaurants offer unique food and dining experiences. Increasingly chefs and consumers care more about from where and how food and ingredients are sourced with “farm-to-table” becoming a major selling point. Before the COVID-19 pandemic, high-end restaurants catered mainly to Millennials and Gen Z with unique atmospheres, nice interiors, and, most importantly, great food.

Sales in Full-Service Restaurants 2015-2020 (in \$millions)

Full-Service Restaurants	2016	2017	2018	2019	2020
Chain Full-Service Restaurants	1,796.20	1,950.60	2,099.10	2,225.50	1,672.10
Independent Full-Service Restaurants	3,048.70	3,245.40	3,515.80	3,810.00	2,620.30
Total	4,844.80	5,196.00	5,614.90	6,031.20	4,292.40

Source: Euromonitor and USDA Foreign Agricultural Service – Bangkok, Thailand

Euromonitor forecasts that overall market sales of full-service restaurants will grow 10 percent annually until 2024. Unfortunately, the pandemic caused sales to decline to U.S. \$4.3 billion in 2020, down 28 percent from the 2019. Full-service restaurants have been hit harder by government restrictions to curb the spread of COVID-19 than QSRs, since many full-service restaurants were not as equipped to shift to delivery as QSRs or they were not suitable for delivery services such as shabu, hotpot, or fine dining.

Small Restaurants (SME-Small Medium Enterprise) represents 75 percent of all restaurants in Thailand. Local stores and street vendors constitute the majority of this category. Hypermarkets and shopping center food courts have helped raise quality standards for this category but have also increased competition for these small-to-medium sized vendors. Despite the increased competition, the category experienced steady growth before the pandemic.

The COVID-19 brought many challenges and disruptions to the HRI sector in Thailand, but the HRI sector adapted to changing circumstances. There are many new business models or adaptations of business models that are starting to thrive in the HRI sector.

The “Cloud Kitchen” model was one of the first new business models to emerge out of the growth of the food delivery market. Cloud Kitchens have become a popular way to deliver food while limiting operational costs. There are two categories of Cloud Kitchens in Thailand, namely: 1) allowing different restaurants to rent space at a central kitchen, and 2) bringing together the different brands of large food operators into one location. The model benefits small- and medium-sized restaurant operators who can adapt to the new business model rather than large restaurant chains or brands that already have several physical locations. Several of the benefits of the Cloud Kitchen business model include lower start-up and operational costs, increased efficiency to receive orders from various platforms, and the ability to monitor ordering trends for further adaptability. There are also some challenges with Cloud Kitchens, including food quality control, food safety and hygiene, and relying on third party food delivery apps. The first player utilizing the Cloud Kitchen model in Thailand was GrabKitchen who brought together popular restaurants in one place in various busy areas. The success of GrabKitchen and continued operating restrictions due to COVID-19 encouraged some large restaurant groups to adapt the Cloud Kitchen model.

The “Delco” model (small food outlets) moves away from traditional locations in department stores and community malls to small stand-alone outlets in communities or areas where their actual target group exists such as on BTS train stations, petrol stations, and office buildings. The Delco model is bringing the food to the consumers instead of making consumers come to large public spaces. The Delco model is expected to support delivery and carryout services during the pandemic period and afterwards as the lifestyles of consumers are changing. Small stand-alone locations are more attractive to customers, while also serving as a hub for delivery service. The Central Restaurant Group invested more than 220 million baht to establish up to 70 outlets for their brands (e.g., Mister Donut, Auntie Anne’s, Cold Stone

Creamery, and Arigato Coffee). Mister Donut and Auntie Anne’s sales revenue had increased more than 200 percent in 2020 due to the expansion of their outlets and their delivery channels. In addition, their menus were also customized to serve the targeted consumers at specific areas. For example, Mister Donut outlets located at BTS train stations have more breakfast or quick food items. Sizzler also utilized the Delco model with outlets serving customized menus offering salad bowls and grab-and-go signature steak boxes at BTS train stations and office buildings to access urban consumers. Food trucks, express outlets (A&W Express in 7-Eleven), and to-go shops also follow the Delco model and are growing in popularity. The Oishi Group invested in food trucks that offer grab-and-go Japanese sushi dishes. The Delco model allows more flexibility helping businesses to minimize the risks caused by unpredictable circumstances. Likewise, consumers also enjoy the model since they can more easily access the point of sales and experience different food menus from brands they are already know. The Minor Food Group, one of the largest casual dining and QSRs companies in Thailand, also announced a strategy to reinforce a kiosk model to serve as a grab-and-go service bringing the kiosk to consumers.



(Left) Delco Model and (Right) Cloud Kitchen Brochure

The long-term outlook for the restaurant sector in Thailand remains positive with a slower growth rate if Thailand continues to manage the pandemic and prevent the country from another wave of Covid-19. Thailand is one of the most popular tourism destinations in the world and has a strong food culture. The Thai government established a roadmap to encourage foreign tourists to come back to Thailand highlighting Thailand as the “Kitchen of the World.” The Euromonitor forecasts that the revenue of Thailand’s food and beverage industry will continue to grow fueled by an increase in the number of outlets due to urbanization, growth of food delivery, and the government’s plan to support Thailand’s tourism and hospitality industries.

New product and menu development is key for restaurateurs to attract customers and differentiate themselves. The pandemic made health and wellness considerations important factors when making food choices. Thai consumers are looking for food that nourish their bodies and mind more than before. Food that is allergen-free, keto-friendly, and plant-based has also increased in popularity. Foodservice operators are launching healthy food to meet the increased demand, especially for plant-based food. QSRs have launched several new plant-based menu items. Burger King Thailand launched “Plant-Based Whopper” to attract and expand their customer segment to the beef-less lovers. U.S. plant-based brand, “Beyond Meat” partnered with Starbucks, Au Bon Pain, Sizzler, and McDonald’s. Full-service restaurants are also developing new dishes. Sizzler launched a new dish promoting the use of Thai herbs to help boost immunity and wellbeing, such as spaghetti basil pork and spaghetti tomyum with mushroom and onion. Other notable trends in the restaurant sector include a rise in raw and organic

food, vegan bakeries, locally-sourced food, cold-pressed juice, acai bowl, salads, smoothies, and plant-based food.

Foodservice players are collaborating more with each other by sharing customer databases, distribution channels, and media platforms to help decrease costs and increase their consumer base. Thai Born Fire Tiger, a boba tea company, is in discussion with MK Restaurant, a sukiyaki franchise, to sell their Fire Tiger Milk and Fire Tiger Milk Tea at the 463 MK locations throughout Thailand. The possible collaboration between Fire Tiger and MK restaurants could benefit both companies by expanding Fire Tiger’s target market and market territory and by providing MK restaurants with new products to increase traffic at their locations.

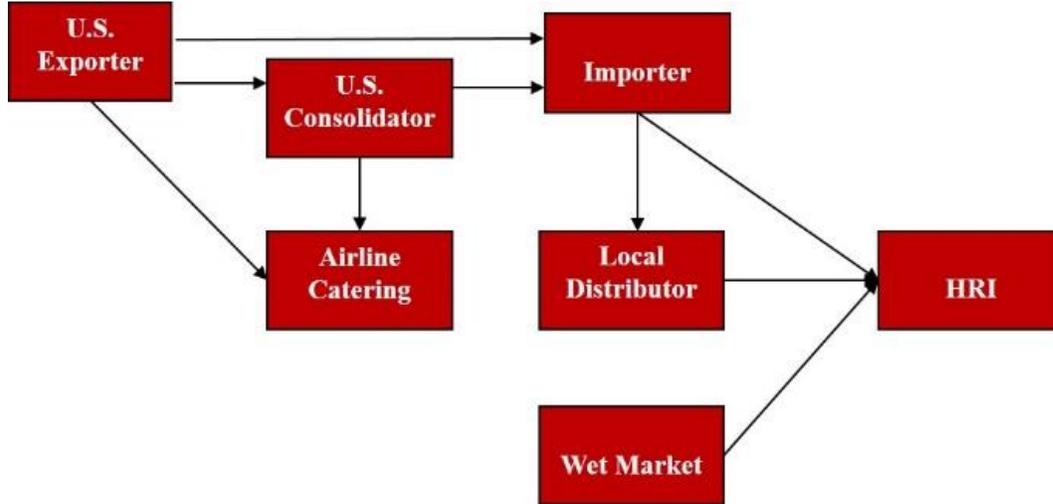
Social media also had a tremendous impact on the foodservice industry. Not only is social media the main tool foodservice operators use to communicate with their customers, but it has also become an indispensable part of their business strategy. Most foodservice operators have been stepping up their social media marketing efforts in response to changes in consumer behavior. Every meal is now on Instagram, chefs have become celebrities and TV stars, and food bloggers and influencers can be found everywhere. Moreover, consumers are no longer using social media just for browsing or for finding information on products; they are using social media to make decisions and purchase products. Changes in how consumers are dining and in the digital landscape have led to new marketing opportunities for Thailand’s foodservice operators. Many restaurants are also adopting touchless technology with reservation application, dedicated mobile menu and order, and QR code for cashless payment.

The HRI sector sources about 30-35 percent of its food products through imports. The United States has an approximately 20 percent share of this market. U.S. beef, seafood, cheese, frozen potatoes, seasoning, fresh fruits, dried fruits, nuts, bakery filling, fruit juice, juice concentrate, wine, craft beer, and other health and wellness products, are well known by this sector.

Advantages and Challenges facing U.S. products in Thailand

Advantages	Challenges
Economic growth and urbanization over the last few decades have increased demand for higher-value fresh and processed products.	Bilateral free trade agreement between Thailand and other countries (i.e., China, Australia, and India) make U.S. products less competitive due to higher tariffs.
Quality and health considerations, rather than price, are becoming key purchasing factors. Local Thai consumers see U.S. origin products as high quality, safe and healthy.	There are many products similar to U.S. products in the Thai market that are more price competitive.
Thais in urban areas (54 percent of the population) increasingly spend more on imported food items and are changing their habits to eat more Western style foods.	U.S. products are not price-competitive compared to imports from other Asian countries due to high tariffs, shipping costs, and transit times.
A wide range of restaurants and menus to cater to tourists requires a wide variety of products.	Thai government’s policies and actions try to increase the demand for local Thai products.
Restaurants are offering more niche products to appeal to consumers with higher incomes by offering premium products.	Local manufacturers have lower production costs and can quickly adjust their products to match changes in consumer behavior.

SECTOR II: ROAD MAP FOR MARKET ENTRY



Direct contact with local food service importers is the best strategy for U.S. exporters as they already have contacts and relationships with key businesses in the HRI sector. They also have a better understanding of the needs of local customers. Most businesses, including large QSR brands, hotel, resorts, and other full-service restaurants, do not import food and ingredients directly. They typically use food service importers or their affiliated companies who act as their distributors. Five-star hotels and resorts or international restaurants located in tourist areas, including Bangkok, Phuket, Pattaya, Samui, and Chiang Mai, are the heaviest users of U.S. products but do not import food directly in volumes that are attractive to U.S. exporters.

Food exhibitions or trade shows are also another good avenue for U.S. exporters to introduce new products and develop relationships with Thailand's foodservice operators, chefs, and other professionals. The activity also provides good exposure for U.S. companies and products. THAIFEX-Anuga and Fi Asia are Thailand's largest food and beverage trade shows.

FAS Bangkok can provide a list of importers to U.S. companies upon request and are also highlighting U.S. food and ingredient products at both THAIFEX-Anuga and Fi Asia food exhibition.

SECTION III: COMPETITION

U.S. agricultural exports to Thailand have encountered fierce competition from not only local Thai products but also imported products from countries that have a free trade agreement with Thailand such as China, Australia, New Zealand, Japan, Chile, and South Korea. However, HRI business operators are confident in U.S. products' quality and consistency.

SECTION IV: BEST MARKET PROSPECTS

Best market prospects for U.S. suppliers include the following:

- meat: frozen and chilled beef;
- potatoes: frozen fries with variety cuts;

- fresh and frozen seafood: fish fillets, scallop, lobster, mussels, oysters, salmon, halibut, cod fish, Alaska king crab, etc.;
- turkey;
- dairy products: cheese, processed cheese, whipped cream, cream cheese, dips, snack cheese;
- American spices and seasonings;
- bakery and baking products: flour, biscuits, pancake mixes, waffles, cookies, muffins, cakes, frosting and icings, and puff pastries;
- beverages: fruit and vegetable juices, wine, liquor, whisky, craft beer, cocktail mixes, and healthy beverages;
- dried fruits and nuts;
- canned foods: soup, fruit and vegetables;
- condiments: bacon bits & toppings, barbecue and cocktail sauce, dips, hot sauce or pepper sauce, mayonnaise, mustard, olives, salsa and taco sauce, pickles, steak sauce, syrups, salad dressing and vinegar;
- fresh fruit: apples, table grapes, cherries, blueberries, grapefruit, oranges, pears, peaches;
- jam, jellies, and spreads;
- snacks, candies, pop-corn;
- health and wellness products;
- plant-based products; and
- alternative protein and dairy products.

SECTION V: POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service in Bangkok maintains up-to-date information covering food and agricultural import opportunities in Thailand and would be pleased to assist in facilitating U.S. exports and entry to the Thai market. Questions or comments regarding this report should be directed to the Foreign Agricultural Service in Bangkok at the following local or U.S. mailing address:

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End of Report.

Attachments:

[Thailand Consumer Oriented Imports by Products 2020.pdf](#)