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Global Agricultural Information Network

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Thailand

Retail Foods

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Report Highlights:

TH5164: In 2014, Thai consumer spending on food and beverages reached \$60 billion. Consumer spending on food and non-alcoholic beverages accounted for 25 percent of all household expenditures.

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Executive Summary:**Section I. Market Summary**

Thailand's retail food market accounts for more than 70 percent of total food spending while consumers are allocating a lower proportion of their expenditures to food service items (30 percent). This reflects a tendency among low and middle income Thais to cook at home rather than dine out, particularly in rural areas. However, eating out and patronizing restaurants among the younger generation and working professionals in urban areas is on the rise as it is more convenient, entertaining, and provides them more free time compared to cooking at home.

Consumer disposable incomes also continue to rise. In 2014, Thai consumer expenditures on food and beverages reached \$60 billion and per capita disposable income rose 1.3 percent to \$3,268. Spending on food and non-alcoholic beverages accounted for 25 percent of all household expenditures.

Retail Sector

Thailand represents one of the most attractive food and drink markets in the Asia Pacific Region. It is estimated that the overall retail sector expanded about 3 to 5 percent in 2014. Changing Thai consumer lifestyles and a growing urban population offer modern retailers many growth opportunities. The retail market continues to expand rapidly and not only in the Bangkok. In every big city, there are new retail developments being constructed ranging from small stores to community mall sized retail establishments. The retail food market structure continues to evolve with hypermarkets, supermarkets, cash and carry, and convenience stores. The latter is continuing to gain market share while traditional retailers gradually decline. Modern food retailing accounts for approximately 70 percent of total retail sales as the flow of local shoppers has been diverted from wet markets and grocery stores to hypermarkets and supermarkets. These changes began in 2000 when Thailand's retail sector experienced an increase in new investments from both local and foreign players, which has made Thailand the second most dynamic retail market in Asia after China. The majority of these investments have come from the leading international retail chains such as hypermarket UK-based Tesco with its Tesco Lotus stores, Big C Supercenter of Casino Group of France and cash and carry Netherlands-based Siam Makro, which was acquired by the Thai company "CP All" in August 2013. Locally run supermarkets and convenience stores have also increased in numbers, which include stores such as Villa Market, Tops Marketplace, Foodland Supermarket, and 7-Eleven.

The top four companies in terms of sales value (not including Cash N Carry format of Siam Makro), still hold the same ranking from 2011-2014. CP All continued to aggressively expand outlets throughout the nation. Tesco-Latus by Ek-Chai Distribution System enjoys various formats of business models from the largest hypermarket to the smallest selling spaces of convenience stores as well as Big C Supermarket PCL that acquired Carrefour in 2010 and promotes the grocery

businesses aggressively through various business models from hypermarket to convenience stores. Central Retail also has a strong presence in many retail categories such as department stores, supermarkets, convenience specialty stores that focus on coffee, wine, and cheese.

Although supermarkets have a fewer number of outlets compared to larger hypermarkets, their influence on the lifestyles of urbanized Thais, expatriates, and upper-income communities has been significant. These companies, particularly because of the market segment they focus on, offer excellent opportunities for U.S. exporters of consumer food items. The Max Valu supermarket chains are owned by the Japanese corporation AEON, while Tops and Home Fresh Mart are owned by the Thai group, Central Retail and The Mall Co., Ltd. Foodland Supermarket caters to local Thais. Villa Market carries a wide range of imported goods and caters to foreigners, particularly western expatriates. UFM Fuji supermarket caters to Japanese expatriates in Thailand and provides a wide range of imported Japanese products. Foodland, Villa, and UFM Fuji are owned by Thai operators, in spite of their foreign positioning.

Thailand's retail sector employs approximately 5 to 6 percent of the total population. Average annual total retail sales growth ranged from 3 to 3.6 percent from 2012-2014. In 2014, Thailand's retail sales totaled more than \$96 billion, which consisted of 60 percent food spending and the remaining 40 percent on non-food items; an increase of 3.3 percent from the year before.

The uncertain political situation and sluggish world economy has affected Thailand's exports, particularly its auto and manufacturing sectors. In addition, lower commodity prices on major crops such as rice, tapioca, corn, etc., have also contributed to the slower economy in Thailand. In July, the National Council for Peace and Order approved a 2.4-trillion-baht infrastructure plan to fund a dual-track rail system, electric trains, highways, waterways and airport projects. In addition, the new government installed by the military is still working to approve other long-delayed infrastructure projects, but the benefits of such spending may not be seen until 2015 or later.

As a result of new government zoning and regulations and limited prime areas for development, the rate of new retail store openings in the center of Bangkok has slowed. However, retailers have increased investments in new retail outlets in rural areas. These new stores are being customized to serve consumers' behaviors and income in each province.

Retail Sales in 2010-2014

	2010	2011	2012	2013	2014
Total Retail Sales	\$82.75 billion (2.6 trillion baht)	\$92.63 billion (2.8 trillion baht)	\$95.84 billion (2.9 trillion baht)	\$99.24 billion (3.0 trillion baht)	\$96.52 billion (3.1 trillion baht)
Non-Food Retail Sales	\$33.10 billion	\$37.05 billion	\$38.34 billion	\$39.70 billion	\$38.61 billion
Food Retail Sales	\$49.65 billion	\$55.58 billion	\$57.50 billion	\$59.54 billion	\$57.91 billion

Source: Thai Retailers Association data include wholesale and retail on food and household products.

Thailand Country Fact file:

Area: 514,000 square kilometers (sq.km.)

Population: 68,816,000

Demographic and Economic Indicators

	2011	2012	2013	2014	2015
Real GDP Growth (% growth)	0.8	7.5	2.9	0.9	2.5
Inflation (% growth)	3.8	3.0	2.2	1.9	-0.9
Population Aged 65+: January 1 st ('000)	6,139	6329	6,532	6,756	6,997
Population Density (persons per sq.km.)	132	133	134	134	135
GDP Measured at Purchasing Power Parity (USD million)	913,511	998,467	1,043,251	1,069,569	1,107,362
Consumer Expenditure (USD million)	212,053	230,460	246,409	234,335	240,621
Annual Gross Income (USD million)	228,941	243,628	252,745	244,544	248,271
Annual Disposable Income (USD million)	209,073	222,557	229,921	221,984	224,918

Lifestyle Indicators	2011	2012	2013	2014	2015
Internet Users ('000)	14,997	16,879	18,576	22,524	24,012
New Registrations of Passenger Cars ('000)	360	660	663.7	411	343
Consumer Expenditure on Food (USD million)	49,623	50,510	52,650	51,277	53,183

Source: Euromonitor International

Thailand's total population of nearly 69 million has found their annual disposable income continuing to rise along with consumer expenditure on food and beverage products and is predicted to reach \$53 billion in 2015. Per capita disposable income rose 43 percent to \$3,268, which could directly impact Thailand's retail and food service sectors. Retailers are utilizing various marketing or promotion events to encourage spending such as buy 1 get 1 free promotions, 5-10 percent discount coupons, enlarge shopping areas for ready to eat or take home meals. High end retailers are looking for healthier food items, gluten free food and less chemically-enhanced foods to serve health-conscious customers. This food category represents about 1 percent of the total retail food sales.

Retail Food Sector

Over the past decade, Thailand's retail food sector has been one of the fastest-growing in the world. This sector has diverse store layouts ranging from wet markets to hypermarkets. The retail food business is classified into two models: traditional and modern. The modern retail establishments utilize standardized management systems, point of sales, new technology, and are located in densely populated areas while the traditional retailers/operators consist of mom and pop stores, street vendors and wet markets that are commonly found in the rural areas. These stores are usually smaller

establishments operated by local family owners.

In 2014, the Thai Retailers Association reported total food retail sales from organized retail chain stores (modern trade retail) amounting to about \$29 billion or 30 percent of the total retail sales. Convenience stores showed the biggest growth in this sector at 8.5 percent (2013/2014) followed by 3.5 percent for hypermarket and supermarket based on number of outlets. Competition in the retail food business is expected to remain intense. Most investments will aim to improve and modernize existing stores, as well as develop store formats that are suited for urban areas and consumer preferences. Many retailers have shown interest in smaller-sized stores, which can better reach communities and serve the needs of new consumers who like to shop near their homes or communities, such as condominium projects. It is projected that competition in the retail food business will be more in the form of innovative channels that meet consumer demand. In addition, retailers will continue to maintain its focus on being able to more effectively serve its core customer base through strategic initiatives that include store layout enhancements, expansions, and improving product assortments that are in line with market demand trends.

Growth rate of Modern Trade Outlets 2010-2014 (% YOY)

	2010	2011	2012	2013	2014
Hypermarket	9.1	8.3	10.0	3.5	3.5
Supermarket	8.8	8.5	10.0	8.0	3.5
Convenience Store	19.3	15.0	18.0	10.0	8.5
Department Store	6.2	9.6	12.0	5.5	3.0
Modern Trade	10.9	10.4	12.5	6.8	4.6

Source: Thai Retailers Association and Kasikorn Bank

Outlet expansions in Bangkok and nearby vicinities have slowed over the years due to the lack of prime land availability and zoning laws. As a result, the ratio of the numbers of retail outlets being developed in rural areas compared to Bangkok and nearby suburbs has increased from 40:60 in 2010 to 45:55 in 2015. As part of this trend, new department stores will focus on establishing new locations in rural areas and in border areas shared with other ASEAN Economic Community-member countries to capitalize on the establishment of the ASEAN Economic Community.

Summary of Retailer Categories and Goals/Strategies

Goal/Strategy	Hypermarket	Cash and Carry	Supermarket	Convenience Store
Type of products sold	Variety, middle quality goods	Variety, middle quality goods	Variety, usually premium products	Variety
Target customers	Middle and low-income customers	Small retailers, customers who buy in bulk and HRI	All income types	Customers who want convenience
Management of goods in inventory	30-45 days	1 month	10-15 days	15-20 days
Price Strategy	As low as	Wholesale price	Daily price	Higher prices than

	possible			supermarkets
Other strategies	Membership card, credit cards, aggressive expansion of outlets, and frequent discounts	Membership card	Membership card. Promotions and discounts	Aggressive expansion of outlets
Retail sales area (sqm)	4,000-12,000	5,500-12,000	1,000-3,000	16-100

Source: Thai Development Research Institute

Key Food Retailers in Thailand

Company Name	Store Format	Ownership	2011 Sales (\$million)	No. of Outlets (October 2015)
Ek-Chai Distribution System Co., Ltd.		UK	4,832	1,874
• Tesco Lotus Hypermarket	Hypermarket			135
• Tesco Lotus Extra	Compact Hypermarket			15
• Tesco Lotus Department Store	Compact Hypermarket			40
• Talad Lotus	Supermarket			199
• Lotus Express	Convenience Store			1,485
7-Eleven – CP All Pcl.	Convenience Store	Thai	\$7,156 total revenue in 2014	8,127
Siam Makro Pcl.	Cash and Carry	Changed the major shareholder from SHV Nederland B.V. to CP All Public Company in 2013	\$4,454 total revenue in 2014	101
Big C Supercenter Pcl.		France	3,353	552

• Big C Hypermarket and Big C Extra	Hypermarket			118	
• Big C Market	Supermarket			48	
• Mini Big C	Convenience Store			381	
• Big C Jumbo	Cash and Carry			5	
Central Food Group		Thai	1,183	1,358	
• Central Food Hall	Supermarket			6	
• Tops Marketplace	Supermarket			80	
• Tops Supermarket	Supermarket			5	
• Tops Daily/Tops Super Koom	Supermarket			69	
• Tops Superstore	Supermarket			2	
• Tops Segafredo	Coffee (Italian Brand)			18	
• Central Wine Cellar	Wine Shops			3	
• Central Family Mart	Convenient Store	Central Retail Joint Venture with Japan in 2012		1,175	
The Mall Group		Thai	148	12	
• Home Fresh Mart	Supermarket			7	
• Gourmet Market	Supermarket			5	

Foodland Supermarket	Supermarket	Thai	148	18
MaxValu - Aeon (Thailand) Co., Ltd		Japan	148	
• MaxValu	Supermarket			28
• MaxValu Tanjai	Mini-Supermarket			47
Villa Market	Supermarket	Thai	99	28
Lawson 108 (Sahapathanapibul Joint Venture with Japan)	Convenience Store	Japan		41

Source: Euromonitor, USDA Foreign Agricultural Service - Bangkok, Thailand

Hypermarkets

The Thai Retailers Association reported that the number of supercenters/hypermarkets in Thailand rose to 341 in 2014, an increase of 4 percent from the previous year. The hypermarket segment has been the best performing sectors as 90 percent of urban Thai shoppers use hypermarkets at least once a week. This report includes the only two major hypermarkets in Thailand, which are owned by Tesco Lotus and Big C. Tesco Lotus with 190 outlets (135 outlets in 2012) followed by Big C, which took over the France-based Carrefour Group in 2010 and expanded its customer base in Thailand. In general, hypermarkets offer more than 100,000 stock keeping units (SKUs) of consumer goods and vary in size from 4,000 to 12,000 square meters (sqm). In addition, these hypermarkets offer a wide range of fresh food and packaged food and beverages, which generally account for 60 to 65 percent of their total product assortments. The average Thai consumer spends about \$150 per month on retail products, of which 49 percent is spent on fresh foods. Both Big C and Tesco Lotus have also introduced a new store format called “Extra” which offers a greater range of premium products including a wide selection of imported products targeting middle and high income customers. Hypermarket operators are also diversifying their store formats and turning to smaller-scale retail stores including mini-supermarkets and convenience stores due to new government regulations and higher land prices. In addition, its expansion in areas along the borders of neighboring countries like Malaysia, Laos, and Vietnam is also increasing its customer base.

Big C has three hypermarket formats: Big C Supercenter, Big C Extra, and “wholesale professional-oriented” format called Big C Jumbo. Big C Supercenter targets low to middle income customer segments while Big C Extra targets middle to high income customer offering a wider range of premium fresh and dry food items as well as a wide selection of imported products, including private label products. Big C Supercenter and Big C Extra offer over 100,000 SKUs of consumer products and food items. Their sizes vary from 4,000 to 12,000 sqm and the sales mix is approximately 60 percent food and 40 percent non-food items. Big C Jumbo stores use a wholesale membership format that target hotels, restaurants, caterers, small and medium size retailers, companies and institutions, and households that buy in large volumes. Big C Jumbo’s sales mix is approximately 80 percent food and 20 percent non-food items. Big C Market stores utilize supermarket formats that target low-to-middle income customer segments. These stores have smaller selling areas ranging

between 750 to 2,000 sqm and a smaller number of items ranging from 10,000 to 15,000 SKUs. Mini Big C stores use convenience store formats that target low-to-middle income customer segment and carries up to 4,300 SKUs with an average size of 160 sqm and a sales mix of 90 percent food and 10 percent non-food items.

Tesco Lotus Hypermarket and Tesco Lotus Extra offer 80,000-100,000 SKUs and 60-65 percent of total sales result from food and fresh foods. The Tesco Lotus Department Store or compact hypermarket offer 60,000-80,000 SKUs and 3,000-5,000 sqm while Lotus Express and Tesco-Lotus with smaller sizes of 300-1,500 sqm and 3,000-40,000 SKUs. Tesco Lotus offers imported products to every store format while premium products are available in Tesco Lotus hypermarket format locating in middle income consumers areas.

Cash and Carry

Cash and carry businesses are important to the Thai economy. Cash and carry is the perfect place for consumers to shop for grocery and non-grocery products for their stores. These customers purchase in bulk and benefit from significant discounts. These cash and carry establishments also target small and medium-sized entrepreneurs, hotels, restaurants, catering (HoReCa) establishments, institutions, offices and the food service industry. These stores usually encompass an area of 10,000 sqm and carry 12,000 to 15,000 SKUs. It carries approximately 80 percent food and 20 percent non-food items. Cash and carry stores in Thailand are positioned towards businesses rather than individual consumers. However, cash and carry is now beginning to accept individual consumers. Key business customers of cash and carries are HoReCa companies and food service institutions. However, cash and carries tend not to appeal to the majority of individual consumers because they are limited by the large volume purchase requirements.

There are two dominant players in the cash and carry businesses in Thailand are Makro and Big C Jumbo. Makro leads this sector due to store expansions, which reached 101 locations throughout Thailand while Big C Jumbo currently has only 5 locations. Membership is important in stimulating cash and carry sales. Makro had over 2.5 million members as of mid-2014 whereas Big C Jumbo had fewer than 100,000 members.

Cash and Carry: Value Sales 2010-2014

US\$ million, current prices	2010	2011	2012	2013	2014
Cash and carry	2,795	3,141	3,621	4,088	4,489
% growth	-	12.4%	15.3%	12.9%	9.8%

Source: Euromonitor International from trade press, company research, trade interviews.

Note: Value sales exclude VAT, sales tax

Siam Makro, the first membership-based Cash & Carry retail store in Thailand was established in 1988 and registered under the name “Makro.” The CP Group acquired 64% ownership of the franchise in 2013. Makro plans to expand its number of stores in every region in order to serve the rapid growth in the catering industry. The company also plans to invest around \$153 million to expand into another 10 locations in 2014. The company reported that nearly half of Makro customers are traditional retail players, 25% are caterers, and the remaining are others.

Makro operates five different store formats in Thailand including:

Note: HoReCa is Hotels, Restaurants and Catering

- Classic Store: Typical cash & carry structure designed to serve professional customers with store sizes ranging between 5,500-12,000 sqm. Their primary customers are small retailers, HoReCa, and other institutional business operators.
- Eco Store: This store is designed to serve HoReCa customers located in tourist areas like Phuket, Samui, and Krabi. The majority of the selling space is dedicated to food products.
- Eco Plus Store: This store is designed to serve food professionals, both HoReCa and small food retailers. Most of the selling space is dedicated to food products for HoReCa and small food retailers. This format is expected to be the main concept for future expansion.
- Siam Frozen Shop: Small stores with approximately 100-150 sqm that are positioned as frozen food specialty stores selling mostly frozen products to the HoReCa customers. The company now has two outlets in Chiang Mai and Udonthani.
- Makro Foodservice store: Since 2012, the first Makro Foodservice store in Hua Hin, with approximately 5,700 sqm has been introduced and well accepted by the targeted HoReCa customers - ranging from small street vendors, fine dining restaurants, and 5-star hotels. The company continued to develop more Makro Foodservice Stores on a smaller scale with sales area of 1,000 sqm and 2,000 sqm in the Patong and Rawai areas of Phuket. This makes it easier to open Makro Foodservice Stores nearer to targeted HoReCa customers, as well as, in areas of limited land space near high-potential tourist destinations. These store formats include walk-in fruit and vegetable cold-rooms, a seafood section with live, fresh, and frozen seafood, and gourmet section for meats, cheeses, bakery, and wines.

Supermarkets

The supermarket business in Thailand is driven by six major players, which are Central Food Retail (Central Food Hall and Tops Marketplace), The Mall Group (Home Fresh Mart and Gourmet Market), Foodland Supermarket Villa Market, MaxValu Supermarket, and UFM Fuji. This highly competitive segment is concentrated in Bangkok where consumers with greater disposable income and more discerning customers reside. The supermarket sector tends to cater to medium and upper income consumers by offering a wide range of premium products and a broader assortment of local and imported processed food, fruits and vegetables, meat and seafood, and beverage products. Central Food Retail dominates this segment with 218 outlets nationwide.

Convenience Stores

The convenience store is expected to record one of the strongest performances over the forecast period with the current trend in mergers and acquisitions set to continue. As the fastest growing segment in the retail food sector with over 13,000 stores nationwide, 15 percent of its total sales are targeted to fast moving packaged consumer goods (FMCG). In 2014, the growth of convenience stores was estimated around 10 to 15 percent. The leading player in this sector is 7-Eleven, which accounts for 61 percent of total convenience store sales and has 8,127 outlets in Thailand making it the world's second largest 7-Eleven network after Japan. CP All, the local operator of 7-Eleven, plans to open at least 600 stores more in 2015. Tesco has also aggressively expanded its network of

smaller Lotus Express stores at gasoline stations and downtown areas with more than 1,500 locations across the country, designed to be a direct competitor to 7-eleven. The Central Retail Corporation, the operator of Tops Daily convenience stores, established a joint venture with Family Mart in September 2012 and has converted its numbers of Tops Daily stores to Family Mart Stores, which has risen to 1,175 stores recently. The company plans to expand to another 3,000 locations in the next to three years. The company focuses on expanding new outlets through franchises. Aeon (Thailand) also plans to expand their convenience store brand “Max Valu Tanjai” nationwide with approximately 20 new outlets every year. Another convenience store, Lawson 108 with 41 stores now, plans to open 100 more stores in 2016.

Number of Convenience Stores in Thailand

Convenience Stores	2011	2012	2013	2014
Stand- alone convenience stores	9,773	9,526	10,404	11,153
• 7-Eleven stores	5,350	5,842	6,373	6,986
• Others	4,423	3,684	4,031	4,167
Convenience stores in gas stations	2,135	1,988	2,062	2,159
• 7-Eleven stores	926	980	1,056	1,141
• Others	1,209	1,008	1,006	1,018
• Total convenience stores	11,908	11,514	12,466	13,312

Source: CP All Plc.

Over 90 percent of urban Thai shoppers use convenience stores and visit them regularly about 13 times a month. It is reported that an average of 9.7 million customers visit convenience stores each day. Due to their popularity, the Thai convenience retail sector has become enormously competitive as CP All's 7-Eleven chain faces growing competition from Tesco Lotus Express, Mini Big C, Tops Daily, Family Mart and Lawson 108. Consequently, convenience store owners have re-focused their sales strategies on food items and added new food product lines, especially ready-to-eat meals. Foods and beverages account for 70-80 percent of total product assortment in convenience stores.

Hypermarkets, supermarkets, and cash and carry establishments present excellent opportunities for U.S. exporters of consumer food items. The main factors U.S. exporters should consider before entering the Thai market are pricing, product shelf life, and consumer preferences. Intense competition in the retail food market, particularly from large-scale modern companies that use pricing strategies to low-income consumers, caused the closure of many traditional food stores. Thailand's hypermarket sector is dominated by two large companies, which normally give them bargaining power with suppliers. The convenience sector is not considered to be an attractive channel for U.S. products due to the pricing disadvantages as these stores mostly rely on locally and regional produced goods.

There have been numerous changes in retail food store formats since 2007. The number of stores

with large layouts outnumber older and smaller stores, namely stand-alone stores with no theater, restaurants, or entertainment venues. Today, the flow of local shoppers has been diverted from wet markets and grocery stores to hypermarkets and supermarkets, therefore, making the latter the better option for entering Thailand's retail food market.

The traditional 'mom and pop' stores and wet markets in Thailand are not ideal entry points for U.S. exporters primarily due to price sensitivities and preferences for traditional foods. U.S. exporters should be aware that many U.S. branded food products such as snack foods, candy, chocolate and breakfast cereals are already present in the market, but produced domestically or in neighboring Asian countries.

Most retailers have recently modified their marketing strategies by expanding their private label product offerings, instituted money promotions and discounts or cash back, and created loyalty programs through membership cards in order to attract new customers and maintain market share. The Kasikornthai Research concludes that total value of private label or house brand in 2015 is about \$831 million. Some supermarkets and hypermarkets have their own private label brands for ready-to-eat foods, ready-to-cook prepared foods, home-made bakery items, sausages, water, cooking oil, rice, sauces, dairy products and fruit juice. Private label products provide good sourcing opportunities for U.S. food ingredients, although some of U.S. ingredients such as frozen fries and dried fruits, are not competitive as a result of free trade agreements (FTAs) Thailand has signed with neighboring Asian countries like China, Vietnam, Malaysia, etc. Nonetheless, margins on private label products for retailers are double that of branded products and have grown in popularity due to the ability of retailers to price them accordingly. For example, the Central Food Retail has provided various choices of private label, which target three main consumer groups: Premium private label include Cooking for fun and My Choice for ready-to-eat products and specialty products such as olive oil, pasta, and rice; mid-prices products are characterized by Tops; while budget-end products are represented by My Choice Thai, Smarter and Love for Value. In addition, the Central Food Retail also has operated special category stores such as Segafredo (coffee franchise from Italy), wine shops, and cheese room. Big C also has own private label of "Big C" for dry food, non-food and fresh food products for medium end customers; while imported food from France "Casino" brand are available in selected Big C Extra stores for high end consumers. Despite these existing private label products, there are still significant opportunities for growth in this market.

Online Shopping

Retail food operators in Thailand have also expanded into online shopping and social networks as customers gain greater access to the internet through mobile devices and reliable online-payment service providers. Big C's online shopping (<http://www.biggc.co.th/>), current service package includes online orders, same-day pick up or within 24-hours delivery service with purchases over \$49. Central Food Retail (<https://topsshoponline.tops.co.th>) offers free delivery with purchases over \$35. Tesco Lotus (<http://shoponline.tescolotus.com/>) charges a \$2 delivery fee and a 1 day advance order. Despite the growth of online shopping, there are still a large percentage of lower income Thai consumers who do not have access to internet and lack computer skills. These consumers still prefer to physically purchase their products rather than making online buying decisions.

Advantages and challenges facing US products in Thailand

Advantages	Challenges
U.S. exporters are able to provide many varieties of high quality agricultural products from fresh to processed foods.	Stiff competition from countries that signed Free Trade Agreements (FTA) with Thailand such as Australia, New Zealand, China, Peru, Chile, India, Korea, Japan and others like South Africa and Europe.
Increase in Thai consumers' preference for higher quality products.	U.S. products are not always price-competitive as compared to imports from China, Australia, New Zealand, Korea, and Malaysia.
Local Thai consumers view US-origin products as being of high quality and safe.	Local manufacturers can quickly improve or change the quality of their products, taste or packaging sizes according to consumer behavior while keeping production cost low.
More than 10 percent of Thailand's population live in Bangkok, which accounts for 90 percent of fast moving consumer goods sales?	Lack of knowledge about new U.S. products makes Thais reluctant to purchase unknown foreign products or not popular brands.
Growing middle class increasingly spends more on imported food.	Price is still the most important factor when making a purchasing decision.
New retail outlets are expanding, which allows all Thai consumers access to new imported products.	Lack of importer and retailer knowledge and training in purchasing and handling of U.S. food products. Preference for local brands (e.g. Nestle, Singha Beer, etc.)
Thai palettes are increasingly including consumption of imported food items.	Lack of continuous promotion of U.S. products in the Thai market. Exporters need to support market promotion campaigns to open new markets or promote new brands.
More disposable income to spend on high premium products.	Market penetration for imported products is concentrated in Bangkok and major tourism areas.
The growing tourism industry is fueling demand for U.S. seafood, wines, whiskies, etc.	Foods similar to American products cost less to produce locally.
Reliable supply of U.S. agricultural products and advanced U.S. food processing technology.	Thai government policy and actions try to increase demand for Thai local products.
Good relationships with foreign suppliers.	High import tariffs on high value consumer foods and beverage products which hamper the imports of U.S. meat products, wine, whiskies, beer, cherries, peaches, grapes, apples, pears.
Gift giving is essential and luxury foods are preferred. Shoppers like to seek and purchase new products for gifts.	Marketing costs to increase consumer awareness are high.
Attractive packaging gives the impression of better quality.	Quality of domestic production and marketing is improving.

Thailand's beneficial geographic location is viewed as a gateway to larger Indochina and other Asian markets.	Thai importers have shifted to products produced in ASEAN countries due to higher import tariffs for U.S. imported products.
Demand shift from unprocessed foods in fresh markets to a wider array of processed products available in large supermarkets.	SPS and TBT issues hamper U.S. imports.
The fast pace of modern life and the increase in the number of singles, one-parent families, and working women have led to the change the way food is prepared and consumed.	Most of ready-to-eat meals can be produced locally.
The ASEAN Economic Community went into effect at the end of December 2015.	Thai food processors are looking for ingredients for further process food products to serve 625 million people from the ASEAN 10 countries. U.S. ingredients price cannot compete from other origins.
Health conscious consumers.	Limited suppliers of gluten free and organic food products from the U.S.

Section II. Road Map for Market Entry

Entry Strategy – Supermarkets, Hypermarkets and Cash and Carry

The best method for U.S. exporters to enter the Thai market is to contact the supermarkets, hypermarkets or cash and carry companies directly. Any retailer that does not have their own import division will have to contract with local importers or agents to meet the needs of the exporter. Choosing the right importer is one of the most important decisions for exporters wishing to do business in Thailand. The local importer will be a key partner helping expand business opportunities and minimize the need for exporters to establish direct contact with multiple retail chains. In addition, a local importer familiar with market conditions and the regulatory environment can help exporters successfully market their products. U.S. exporters should be aware that many multinational retailers in Thailand charge listing fees or a listing allowance for new products. The fee will be charged in accordance with a formula based on the number of retail outlets and SKUs. U.S. exporters want to promote brands and big volume products should contact importers and retailers for marketing campaign.

Distribution Channels - Supermarkets, Hypermarkets and Cash and Carry

The distribution channel for supermarkets, cash and carry, and hypermarkets in Thailand normally start with importers, then distributors, and end with the central distribution warehouse or direct to retail outlets. The foodstuffs will be kept either in importers' warehouse, distributors' warehouse or a central distribution warehouse before delivery. Some supermarkets, superstores and hypermarkets operated by multinational operators import food products directly and store them at their own distribution centers before delivery to each outlet.

Entry Strategy - Convenience Stores, Gas Marts and Kiosks

The best method for U.S. exporters to enter this market segment is to contact the head office of convenience stores, gas marts, and kiosks. U.S. exporters should be aware of the listing fee or listing allowance that may be charged by large convenience store chains. The fee will be charged in accordance with a formula based on the number of outlets and SKUs.

U.S. branded foods sold in these stores is generally produced in Thailand or neighboring Southeast Asian countries. These products include snack foods, chocolates, cookies, candies, gums, and breakfast cereal. Distributors often import U.S. branded foods from neighboring countries rather than from the United States because of the lower transportation cost and AFTA preferential tariffs. Sales trends of imported food from neighboring and other FTA countries in convenience stores will increase in line with the purchasing power of the target group. U.S. products will be well received by Thai consumers in convenience stores if price and quality are similar to what local suppliers and other low cost exporting countries offer.

Distribution Channels - Convenience Stores, Gas Marts and Kiosks

A common distribution channel for convenience stores, gas marts and kiosks starts with U.S. exporters, then to U.S. consolidators and traders, and end with Thai distributors to convenience stores, gas marts and kiosk distribution centers. Some Thai distributors distribute foodstuffs directly to convenience stores, gas marts and kiosk outlets. Most of the foodstuffs that are distributed directly to the outlets are fresh, including baked goods and dairy products. The flow pattern of different retailers varies depending on the sales volume and number of outlets.

Entry Strategy - Traditional Markets

For U.S. exporters, Thai traditional wet markets are more difficult to enter because of lower-priced products, lower consumer purchasing power, limited traditional distribution outlets, and consumer preference for traditional Thai and Chinese food products.

Distribution Channels - Traditional Markets

Local manufacturers usually have their own distributors to deliver their products. Some local producers are under the supervision of a Royal Project in which product distribution is managed by a designated employee.

Section III. Competition in 2014

In thousand (US\$)

Product	Total Imports	Direct Imports from the U.S.	Share of U.S. Imports in Total Imports	Major Competitors
Beef, chilled/frozen	80,294	2,768	3 %	India (43%), Australia (35%), New Zealand (13%)
Breakfast	40,414	1,390	3%	China (51%),

Cereals/Pancake Mix				Malaysia (19%), Philippines (14%)
Cheese	60,018	4,300	7%	New Zealand (47%), Australia (9%)
Coffee, Roasted	9,733	2,440	25%	Laos (32%), USA (25%), Italy (12)
Dairy Products (Excl. cheese)	732,125	61,076	8%	New Zealand (47%), Australia (11%)
Dried Fruits	16,730	6,851	41%	China (18%), New Zealand (15%)
Fish and Seafood Products	2,534,160	256,371	10%	China (11%), Taiwan (10%)
Fresh Fruits	498,471	38,607	8%	China (63%), New Zealand (9%), Peru (7%)
Fresh Vegetables	179,385	2,470	1%	China (77%), Laos (6%), Canada (3%)
Fruit and Vegetable Juices	66,385	8,611	13%	Israel (28%), China (15)
Frozen Potatoes	42,894	17,635	41%	Netherlands (27%), Belgium (20%), China (5%)
Jams, Fruit Jellies, Marmalades, Cooked Purees	7,399	2,409	33%	Philippines (11%), France (8%), Switzerland (7%)
Sausage and Prepared Meat	3,969	376	9%	Italy (38), India (16%), France (15%)
Snack Foods	877,892	148,930	18%	Malaysia (14%), Singapore (13%), China (11%)
Tea Whether Or Not Flavored	14,220	252	2%	China (26%), Indonesia (23%), Japan (16%)
Tree Nuts	152,128	23,406	15%	Vietnam (35%), China (15%), Indonesia (15%)
Turkey, frozen	844	672	80%	China (20%)
Wines	43,582	3,712	9%	France (38%), Australia (26%), Chile (10%), Italy (6%), S. Africa (6%)
Beer	19,059	260	1%	Singapore (33%), Netherlands (15%), Malaysia (13%)
Spirits	289,296	5,599	2%	UK (60%), France

				(23%), Singapore (3%)
<p>Locally and regionally produced snacks and beverages dominate the Thai market. Imported foods, however, do relatively well in Bangkok (especially near upper income residential areas and expatriate neighborhoods) and major tourist areas such as Phuket, Hua-Hin, Krabi, Samui, and Chiang Mai.</p> <p>Free Trade Agreements (FTAs) have created additional challenges for U.S. exporters. Many U.S. food companies have shifted manufacturing bases from the United States to Thailand or neighboring countries such as Malaysia, Australia, China, and Indonesia to take advantage of the lower production cost. In addition, FTAs have lowered tariffs and provided favorable treatments to competitors and consequently have made U.S. products less competitive in the Thai market.</p> <p>Section IV. Best Market Prospects</p> <p>The best market prospects for U.S. suppliers include fresh fruits (cherries, grapes, strawberries, oranges, apples, berries), nuts (almond, walnuts, hazel nuts, and pistachios), breakfast cereal, frozen seafood (scallop, lobster, crab, fish, mussel), dried fruits (raisin), fruit juices, jam, vegetable oils, candy, chocolate, chocolate milk mix, dairy products (cheese, cheese spread, cream cheese, whipped cream, cheese sticks, cheese dip and ice-cream), pie fillings, processed meat, spices, seasonings and sauces, snack foods, crisp bread, syrup, vinegar, wine, spirits, beer and pet food.</p> <p>The best-selling U.S. food products are fresh fruits (cherries, grapes, strawberries, and WA apples), frozen fries, snack foods, breakfast cereal, wine, dried fruits, popcorn, seafood including Alaska King crab legs, scallop, and fish, stone fruits (peaches, plums, nectarines) and pet foods. Products that are not currently present in the market in significant quantities, but have good sales potential are American bourbon and whisky, sugar confectionary, soup and broth, biscuits and wafers, candy, processed meat, chocolate milk mix, cheese, dip sauce, cooking products and organic products.</p> <p>Section V. Post Contacts and Further Information</p> <p>A) U.S. Department of Agriculture, Foreign Agricultural Service The Foreign Agricultural Service in Bangkok maintains current information covering food and agricultural import opportunities in Thailand and can facilitate U.S. exports and entry to the Thai market. Questions or comments regarding this report should be directed to following:</p> <p>Local: Office of Agricultural Affairs U.S. Embassy 120-122 Wireless Road Bangkok 10330 Thailand Tel: 662-205-5106 Fax: 662-255-2907 E-mail: agbangkok@fas.usda.gov Website: www.fas.usda.gov</p>				

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