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Report Name: Thailand's Grocery E-Commerce Market

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Report Highlights:

Thailand has witnessed tremendous e-commerce growth over the past three years. Online grocery services have become one of the fastest-growing e-commerce categories in the country.

Thailand's E-Commerce Market

The COVID-19 pandemic accelerated the demand for e-commerce as preventative measures that encouraged people to social distance and stay inside forced consumers to e-commerce. With the easing of COVID-19 restrictions, consumers are returning to physical stores, but e-commerce continues being an important service in retail. In 2021, Euromonitor stated that e-commerce expenditures among Thais was \$22 billion with an estimated 18 percent year-on-year sales growth in 2022. Thailand is the 22nd fastest-growing e-commerce country in the world. The pandemic has also accelerated the trend toward e-commerce with an estimated 45 percent increase in e-commerce spending. The food and beverage segment is the largest contributor to the e-commerce market with an estimated total revenue of \$6 billion in 2022. Euromonitor projected that the food and beverage e-commerce segment, including both restaurant and online grocery delivery, will grow up to 25 percent over the next five years.

Thailand's Grocery E-Commerce Market

Thailand has experienced a sudden rise in food and beverage e-commerce, especially in online grocery delivery. Statista reported that Thailand's grocery e-commerce reached \$900 million in 2021, accounting for 3 percent of the whole grocery market. Statista forecasts that Thailand's e-commerce portion of the whole grocery market will rise to 5 percent in 2022 and 10 percent by 2025. HappyFresh, a grocery delivery service that has been operating in Thailand for five years, sees people aged 25-40, spending on average \$40 per transaction, driving the demand for online grocery shopping.

Demand for online grocery services was already rising even before the COVID-19 pandemic. Increasing smartphone penetration, e-commerce platform development, faster logistical services, and improved financial technology were already accelerating the growth of online grocery services and making the service more affordable to consumers. According to JP Morgan, smartphone users are the primary online shoppers for the food and beverage industry, with 71 percent shopping online at least twice a month.

Mobile applications are the most-used method to shop online, comprising 65 percent of all transactions. Businesses are focusing on developing their own applications as a one-stop service from product browsing to purchasing to delivery. Honestbee and HappyFresh were some of the first to offer online grocery delivery services in Thailand and enjoyed a lot of success until online business giants, such as Line, Grab, and Lazada, and traditional supermarkets (e.g., Tops Market, Gourmet Market, Foodland, Makro, Big C) entered the market. Foodpanda, Grab, and Lazada partnered with major grocery stores and launched online grocery services in addition to their core food delivery service business, while LINE partnered with HappyFresh. Although traditional grocery stores already have their own online shopping platforms, many of them have partnered with these big delivery services to benefit from their expertise in e-commerce, logistic, and digital storefronts.

Social media continues to be a key component in reaching a wide audience. Hoodsuities reported that 56.85 million Thais, or around 80% of the population, engaged in social media in 2022. Social media allows online service providers an efficient way to reach a large number of potential customers. Grocery stores are taking advantage of the social media network by utilizing social selling on many social media platforms such as LINE and Facebook. Smaller businesses have really started taking advantage of social media as it gives them the ability develop an online store with little to no costs.

Logistical advancements have also made online delivery services more efficient and affordable. The number of domestic logistic businesses has grown substantially creating more competition and more innovation. Most online retailers have outsourced their delivery services to third-party logistic service providers as they have the infrastructure in place to deliver products in a fast and timely manner.

One of the biggest key drivers of Thailand's e-commerce business model was the national government's encouragement to move towards an e-payment system. The PromptPay system provided a convenient way for registered users to transfer funds between consumers and businesses using their mobile phone number or citizen ID number thereby fueling the growth in e-commerce. In addition, the various payment options (e.g., cash on deliver, installments, mobile wallets, or platform tokens) allows online businesses to accommodate a wide range of potential customers.

There are several other social and environmental factors that have helped contribute to the expansion of e-commerce in the food and beverage industry in Thailand. Consumers can order what they need online instead of having to face heavy traffic and long lines at the grocery stores, and they could avoid air pollution during periods of poor air conditions. In addition, the new hybrid work schedule that has more people working from home means that ordering online would eliminate the need to go out in some cases.

Food Distributor and Importers

Importers have also started to enter the e-commerce space, especially since the pandemic. The government's restrictions to prevent the spread of COVID-19 severely affected importers whose largest clients were in the hotel, restaurant, and institutional food service (HRI) sector. Importers launched their own social media accounts to reach consumers directly and expand sales. The most widespread social media platform that importers use is the LINE Official Account (LINE OA) that allows consumers to view products, prices, ask questions, and place orders. The LINE OA also provides sellers numerous menu options in promoting their products or services. Importers have also started developing their own e-commerce sites and applications to strengthen their own brands. Jagota Brother Trading Co., Ltd. created "J Gourmet" as a sub brand selling fresh to dry products directly to consumers using its own website as the main selling platform. Other well-known food distributors with their own online e-commerce sites include Food Gallery, KCG Corporation, and Global Food.

Communities, small businesses, and direct food producers also entered the e-commerce space during the pandemic to connect with customers from their own kitchens or gardens. The small operator "Seafoodseasons" that offers seafood from a small fishing community reported that sales have continued to increase since they launched their online shop via LINE OA. Consumers like the ability to support communities and local businesses. In addition, some of the products that these communities and local businesses are offering cannot be found in retail stores.

Online Only Groceries

The rising demand for online grocery options has resulted in the rise of online only groceries. PassionDeliver.com is one of the more successful online grocery operators and was Thailand's first online marketplace for high-quality artisanal food and drinks offering more than 500 products of gourmet food, drinks, and ingredients. PassionDelivery.com also finds ways to enhance its customers' buying experience with Farm to Fork sourcing stories, recipes, cooking inspiration and others relevant

content. Paleo Robbie is another rising online grocery operator who is positioning itself as Bangkok's healthiest online grocery and fresh meals. Paleo Robbie also offers not only raw and fresh ingredients but also fresh meals that are prepared daily. Both PassionDelivery.com and Paleo Robbie focus almost entirely on social media marketing to reach current and new customers.

Opportunities for U.S. Imported Food and Beverage Products

Thai consumers generally have a positive attitude towards online shopping and are enthusiastic about online grocery shopping. Most of the online platforms also allow businesses to advertise their product information, including product origin, production stories, nutrition, and other benefits of the products. These opportunities give food distributors and importers of U.S. products the ability tell the unique stories and benefits of U.S. food. The booming e-commerce sector gives distributors and importers more channels to connect with their customers. They no longer need to rely on giant retailers, hotels, and restaurants. The fast delivery and logistic service provided by the country's leading delivery companies also allow U.S. meat and fruit importers to deliver fresher products to consumers' doors than ever before.

Nevertheless, all players, including brand retail, distributors, and importers, still need to balance online and offline presence to build a strong relationship between brand and consumers. Importers, retailers, and food distributors should follow data collected through in-store and online interactions with consumers to gain insights on what consumers are demand and to execute effective marketing activities.

End of Report

Attachments:

No Attachments.