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Report Name: Thailand Bans Online Sale of Alcoholic Beverages

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Report Highlights:

Thailand announced a ban on online alcohol sales on September 8, 2020.

Thailand Bans Online Sale of Alcoholic Beverages

Thailand amended the Alcoholic Beverage Control Act (ABC Act) to ban the online sale of alcoholic beverages. Online alcoholic beverage sales have increased in the past few years due to the popularity of e-commerce and, more recently, due to the COVID-19 pandemic. The increase in online sales of alcoholic beverages made it difficult to enforce all aspects of the ABC Act, which include limits on the date, time, and venue of alcoholic beverage sales and limits on who can purchase alcoholic beverages. The new ban on online alcohol sales is seen as a solution to block all the supposed loopholes of the ABC Act. The amendment was published in the Royal Gazette on September 8, 2020, with an effective date 90 days after the date of publication.

Alcohol Consumption in Thailand

Thailand is not only the largest market in Southeast Asia for alcoholic beverages, but also has the highest consumption per capita among ASEAN countries (8.3 liters per annum), according to the World Health Organization. Krungsri Research estimated that sales of alcoholic beverages reached 400 billion baht (approximately \$12.8 billion) in 2019. Although alcoholic beverage sales rose 2-3 percent from 2016-2019, the market has become saturated. Laws and regulations aimed at cutting the consumption of alcoholic beverages have made it harder for new players to enter the market.

According to the Thailand Industry Outlook 2018 for the Beverage Industry by Krungsri Research, beer was the most consumed alcoholic beverage in Thailand, accounting for 54% of the market by value. The Thai beer market is dominated by the following two key beer producers: Boon Rawd Brewery (Singha, Leo, and U Beer), and Thai Beverage or ThaiBev (Chang, Leo, Arch and Federbrau). Boon Rawd Brewery and ThaiBev account for 93% of the Thai beer market. Craft and imported beers account for the other 7%. The demand for craft and imported beers is primarily driven by local consumers with high purchasing power.

The spirit market is dominated by ThaiBev with more than 30 products and close to 80% of the market due to burdensome regulations that make it difficult for new players to compete in the market. The wine sector is primarily made up of imported wine with most of the wine coming from France (38% market share). U.S. wine accounts for 9% of the imported wine.

Distribution Channels of Alcoholic Beverages

The preferred distribution channels for beer depends on the beer. Almost 70% of local beer sales are in retail outlets such as hypermarkets, supermarkets, convenience stores. Imported beer, however, is mostly sold in bars, restaurants, hotel, and pubs (approximately 75%). As a result, many alcohol importers establish their own restaurants, pubs, and cafes to sell their imported alcoholic beverages. Thai drinking behavior has changed, however, with more Thais preferring to “drink at home.” Importers have had to find new channels to distribute their products such as retail outlets. The “drink at home” trend also led to the growth of e-commerce as an important channel for selling alcoholic beverages. The popularity of e-commerce was driven by the fact that it is convenient, saves time, and has a cost advantage.

Thailand has gradually placed more restrictions on the alcohol industry over the last decade, starting with the ABC Act in 2008. The ABC Act restricted the advertisement of alcoholic beverages, focusing on restricting brand names, trademarks, and illustrations of alcoholic packages. Alcoholic companies had to find different ways to reach their customers by creating new experiences. For example, leading local beer producers mainly market their products by sponsoring entertainment events such as concerts, sporting matches, and lifestyle festivals. The bigger companies also started producing other product lines with their logos and names to expanding the promotion of their brands.

Social media became an important marketing tool as Thai law did not prohibit online marketing and e-commerce. Social media made it easier for beer importers to build brand awareness, share marketing activity schedules, and engage their consumers. As online marketing of alcoholic beverages grew, the Thai government amended the ABC Act to expand the prohibition of advertising alcoholic beverages to include online advertisement in 2017. Companies were no longer allowed to post a drink or a bottle with the brand visible or any posts encouraging people to drink. The amendment, however, did not prohibit the online sale of alcoholic beverages. Many alcoholic beverage companies created a one-stop service via online purchasing platform allowing people to purchase products online and have them delivered straight to their homes.

Online sales of alcohol grew quickly in 2020 due to the COVID-19 pandemic. The Thai government, however, banned online sales of alcohol in response to the growing popularity of the distribution channel. The ban on online sales will affect importers and new entrants into the Thai alcoholic beverage sector the most. Importers will no longer be able to offer delivery services and will need to find alternative distribution channels to sell their products. Many merchandisers claim that the law unfairly affects smaller distributors than bigger companies, such as Boonrawd Brewery or ThaiBev, that already have a large market share. Most of the larger companies' business structure already depends heavily on the traditional trade or dealer system and won't be affected by the ban of online alcoholic beverage sales.

End of Report

Attachments:

No Attachments.