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Report Name: Thailand Online Food Delivery Market

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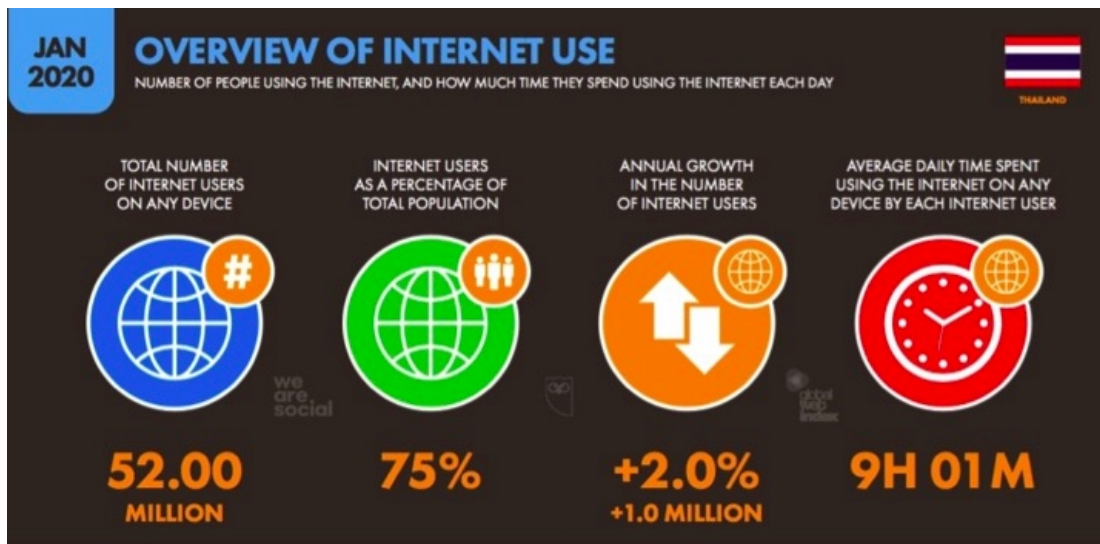
Approved By: Russell Nicely

Report Highlights:

The report provides an overview for the fast growing online food delivery market in Thailand.

Thailand Online Food Delivery Market

Thailand's food delivery market is estimated to be worth over U.S. \$1.1 billion, with a 17 percent growth rate for 2020 (Source: Kasikorn Research). Food delivery has been growing gradually at around 8-10 percent since 2017, but the outbreak of COVID-19 catalyzed growth by limiting Thais' ability to dine at restaurants.



Source: Digital 2020 Report, We Are Social and Hootsuite

According to the Digital 2020 report by We Are Social and Hootsuite, there are 52 million internet users in Thailand who spend about nine hours per day on mobile internet, which is more than in any other country in Southeast Asia. The online food delivery market in Thailand has seen hyper-growth since 2019, rising more in 2019 than between 2012 and 2018. Thailand's online food delivery market is one of the fastest growing online food delivery markets in Southeast Asia. Online food delivery accounts for 15 percent of restaurant revenue on average. Street food vendors could benefit from this trend as they do not have much dining space.

Thailand's food delivery market has undergone a fundamental shift in consumer behavior since 2018, with an average annual growth rate of 10 percent. Consumers are increasingly relying on food delivery services, especially time-conscious office workers and middle class groups in Bangkok. Thailand's changing lifestyles and increasing penetration of internet and smartphones are some of the key drivers of this market. Moreover, Thailand's increasing number of internet and smart phone users, who constitutes the majority of the consumer base, has further facilitated this growth. Urban

dwellers, who lead a hectic lifestyle, tend to order food online more frequently than others.

According to Google Trends, queries for online food delivery brands were 13 times higher in 2019 than in 2015 in Indonesia, nine times higher in the Philippines and eight times higher in Thailand.

Google Trends for selected Online Food Delivery brands



The Electronic Transactions Development Agency (ETDA)'s survey, which was conducted from March 5-15, 2020, reported that 85 percent of 376 respondents used online delivery services. According to the survey, Generation Y (19-38 years old) used online delivery the most at 51.09 percent, followed by Gen X (39-54 years old), baby boomers (55-73 years old) and Gen Z (below 19). Generation X is the biggest spender with U.S. \$16-32 per order, followed by baby boomers with U.S. \$10-16 per order, and U.S. \$3-9 per order for Generation Y and Z. The report also indicated that 88.47 percent of consumers ordered food online via Thailand's existing food delivery applications, which include GrabFood, Line Man, Get, and Foodpanda, 62.93 percent ordered food directly from a restaurant's channel (i.e. websites or applications), and 13.08 percent ordered through a direct message to a restaurant's Facebook or Instagram.

The four major online food delivery service providers in Thailand are Line Man, GrabFood, Get, and Food Panda. It is estimated that food delivery orders via online food delivery applications in Bangkok alone will be over 20 million in 2020. Currently, food delivery aggregators in Thailand are focusing their service in Bangkok but are trying to expand their operations to cover other major cities such as Chiang Mai, Phuket, etc.

Major Food Delivery Aggregators in Thailand

				
Year launched	2018	2016	2019	2012
Service Coverage	16 provinces (Bangkok, Ayutthaya, Buriram, Chiang Mai, Chiang Rai, Hua Hin, Khon Kaen, Krabi, Nakhon Ratchasima, Nakhon Si Thammarat, Pattaya, Phuket, Songkhla & Hat Yai, Surat Thani & Koh Samui, Ubon Ratchathani, and Udon Thani)	Bangkok, Pattaya, Ayutthaya, and Chiang Mai	Bangkok	37 Cities (Bangkok, Chinag Mai, Pattaya, Phuket, Hua Hin, Khon Kaen, Korat, Ubon Ratchathani, Udon Thani, Lamphun, Hat Yai, Chiang Rai, Surat Thani, Phitsanulok, Lampang, Uttaradit, Nakorn Sawan, Nakorn Si Thammarat, Buriram, Phayao, Krabi, Kamphaeng Phet, Sukhothai, Tak, Maha Sarakham, Yala, Samut Prakarn, Phrae, Nan, Trang, Ratchaburi, Nong Khai, Surin, Ayutthaya, Phatthalung, Roi Et, and Pichit)
No. of Restaurants	Over 20,000	50,000 (Estimated)	100,000 (Estimated)	1,000-2,000
No. of Riders	150,000	50,000 (Estimated)	20,000 (Estimated)	Over 5,000
Price starts at	Baht 10	Baht 10 (Baht 20 for an order less than Baht70)	Free (Limit the distance to 6 km.)	Free (Minimum order at Baht 50)
Commission charged from restaurants	0-30%	20-30%	0-30%	35%
Payment Methods	E-Wallet (Rabbit	E-Wallet	Cash	PayPal, Cash, Debit

	LINE Pay) and Cash	(GrabPay Wallet), Cash, Debit Card, and Credit Card		Card, and Credit Card
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Source: The Standard, Priceza, and USDA Bangkok

Food delivery services in Thailand work through mobile applications, which show lists of restaurants nearby or allow the user to search for specific restaurants. Through the mobile applications, users clicking on the restaurant brings up the menu and the ordering system, which the users manipulate to select to make payment by cash, debit card, credit card, or e-wallet (for some select applications). However, the most used payment method is cash on delivery. The applications allow users to rate service, as well as show the location of the delivery driver so an order can be tracked. The food delivery service providers take about 20-30 percent commission of the order revenues.

COVID-19 Accelerates the Adoption and Growth of Food Delivery in Thailand

Retail shopping centers in Bangkok were closed from March 22, 2020 until May 17, 2020. Only restaurants for delivery and takeaway were allowed to open during that period of time. In addition to the lockdown, the Thai government also enforced a state of emergency on March 26 until May 31, 2020, and imposed a 10 p.m. to 4 a.m. curfew from April 3 onwards. Experts estimate that restaurants ran at 20-30 percent capacity while dine-in services were prohibited. Restaurants that provide full services including stand-alone fine dining restaurants, hotel restaurants, and restaurants located in shopping and community malls with limited online channels will be hit hard by the government's measures as revenue generated from both online and food delivery will be approximately 20-30 percent of their total revenue during their normal operations.

Nevertheless, the crisis has benefited food delivery service operators as orders from customers via these food delivery applications have increased 100-300 percent, and the number of restaurants registered with delivery services has increased by at least threefold compared to the pre-crisis period. Social distancing and stay home measures aimed at curbing the spread of the coronavirus pandemic in Thailand have boosted the food delivery market as restaurants have to expand their service to online platforms and food delivery channels to alleviate the impacts of the closure of dine-in services and keep their businesses operating during this crisis. There were more than 1.8 million food delivery orders placed every day during March and April 2020. Due to intense competition among food delivery aggregators, consumers have enjoyed many promotional offers including menu discounts, buy 1 get 1 free, special delivery fees, and other attractive promotions and coupons when they place an order.

Pricing and Self-Delivery

Restaurants that offer dishes ranging from Baht 50-150 see the most orders in online food delivery. Some five star hotels and top-notch bakery shops have also taken this opportunity to join the online delivery game due to the virus lockdown. These hotels are leveraging the extra capacity in hotel kitchens to prepare meals that are ordered through online food delivery platforms. Even though listings on food delivery applications give restaurants a broader consumer base, most restaurants report their profit margins are declining due to commission rates charged by the food providers. Commission rates vary from 20 to 30 percent of order revenues. Therefore, some restaurants are expanding online and handling their own deliveries without relying on these applications to avoid excessive costs paid to these food delivery service providers.

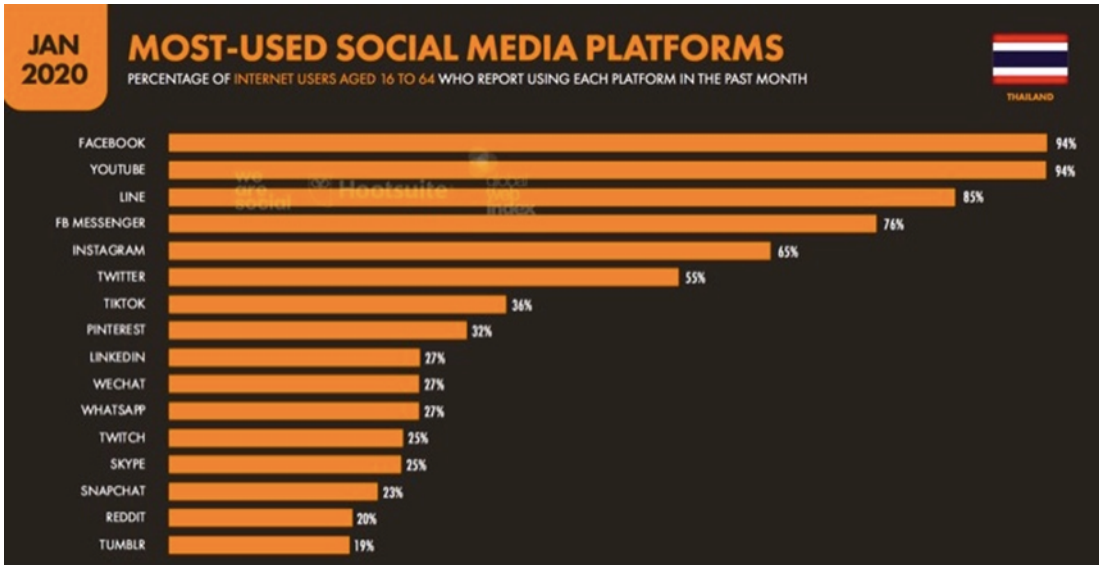
Major food companies in Thailand such as Minor Food Group (The Pizza Company, Sizzler, Swensens, Burger King), Central Restaurant Group (Ootoya, Mister Donut, Auntie Anne's, Pepper Lunch, Chabuton, Cold Stone Creamery, Thai Terrace, Yoshinoya), McDonald's, KFC, and S&P restaurants offer their own food delivery applications. Even though these major brands are estimated to take up about half of the online food delivery market, their online food delivery services still rely on the major food delivery applications including Get, Foodpanda, Line Man and GrabFood.

Grocery Delivery and Online Marketing Grow

In addition to restaurants' food delivery, online grocery services in Thailand is growing and accounts for 3-5 percent of the overall U.S. \$30 billion market. It is expected that even after the COVID-19 virus situation improves, most households will still maintain higher than usual hygiene and food safety standards than before. Preparing and eating meals at home is seen as a way to safeguard the safety of food. The rise of healthy food selection and consumption, combined with the popularity of Youtubers' and bloggers' cooking shows, has created more and more home chefs, who have started cooking for leisure during the partial lockdown period. These consumers are driving demand for fresh food ingredients. The habit of buying groceries online emerged prior to the outbreak of COVID-19, but the situation propelled its extraordinary growth. Interesting players in fresh food and grocery delivery platforms are happyfresh and freshket, and have gained in popularity with Thais aged 25-40 during the lockdown period with orders averaging U.S. \$40.

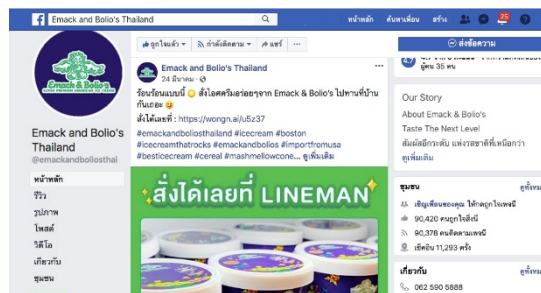
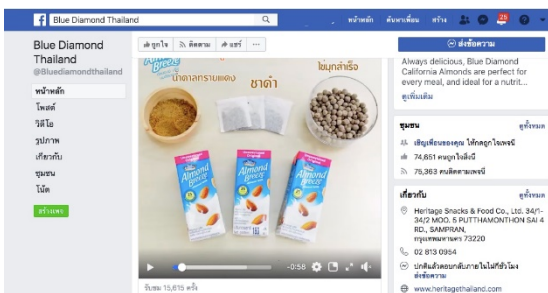
Many food suppliers in Thailand heavily utilize online marketing channels to promote their products and increase their sales during the virus outbreak. Many food importers have been forced to join online marketing platforms due to loss of sales caused by the

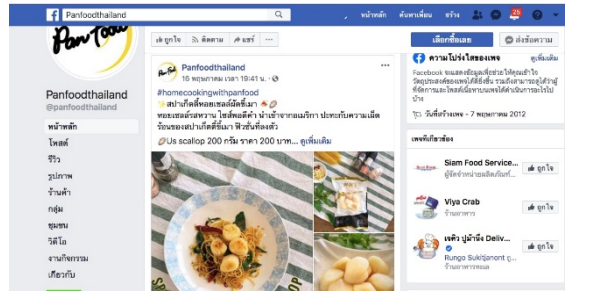
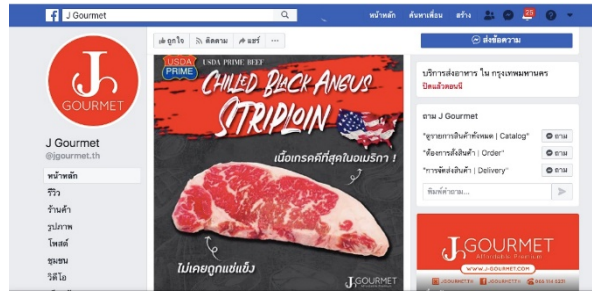
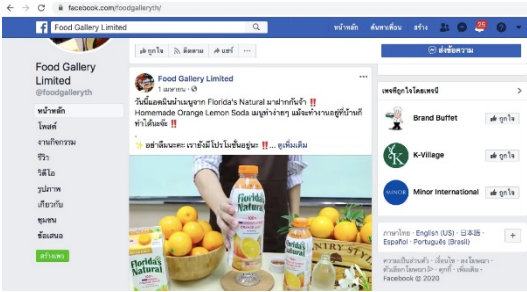
temporary closure of hotels and dine-in restaurants, which are their major customers. Importers primarily use Facebook to promote products with some on-line activities such as live cooking demonstration, products' storytelling, contests, and quizzes together with free delivery offers. Facebook and Youtube are the most-used social media platform at 94 percent, followed by LINE (85 percent), FB messenger (76 percent), and Instagram (65 percent). The number of the internet users in Thailand as of January 2020 is 52 million users.



Source: Digital 2020 Report, We Are Social and Hootsuite

Below are some examples of how food importers have utilized social media to promote U.S. food products during the crisis.





End of the Report.

Attachments:

No Attachments.