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Report Name: The Impact of the COVID-19 Outbreak on the Thai Food Retail and Food Service Sector

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Report Highlights:

The overall Thai economy is projected to slow down significantly due to the COVID-19 pandemic. The Thai government's countermeasures such as travel restrictions, curfew time limit, and the closure of venues considered high-risk areas including the retail shopping malls to curb the spread of the virus disease have impacted hospitality and food service industries severely. Food sales through convenience stores, supermarkets, supercenters, and their online platforms saw mild growth, while full dine-in restaurants are under severe stress from the outbreak. The crisis has habituated Thai consumers to online food and grocery purchases. The pandemic resulted not only in changes in consumer purchasing behavior but also in their consumption habits (increase in home cooking) and healthy living trends.

The Impact of the COVID-19 Outbreak on the Thai Food Retail and Food Service Sector

Executive Summary:

The overall Thai economy is projected to slow down significantly due to the COVID-19 pandemic. The sharply declining number of international tourists has impacted Thailand's food service and retail markets since February this year. In addition, the Thai government's countermeasures such as travel restrictions and the closure of venues considered high-risk areas including retail shopping malls to curb the spread of the virus disease have impacted food service and retail markets severely. Retail shopping centers in Bangkok were closed from March 22, 2020 to May 17, 2020. For a little less than two months, only supermarkets, banks, pharmacies, shops selling necessities, and restaurants for delivery and takeaway only were allowed to be open. In addition to the lockdown, the Thai government enforced a state of emergency from March 26 until May 31, 2020, imposing a 10 p.m.-4 a.m. curfew from April 3 and on May 15 reduced the curfew from 11 p.m. to 4 p.m.

The temporary closure of a number of retail shopping centers, hotels, and dine-in restaurants resulted in a huge drop in dine-in sales of food service operators. The lockdown has limited unnecessary travel and outdoor activities and promoted working from home. This new environment has driven Thais to switch from in person shopping to on-line food and grocery delivery services as well as e-commerce to avoid public exposure to COVID-19. Accordingly, many restaurants shifted their focus to delivery and takeaway, which have become the key sales drivers.

There was a short-term surge in demand for necessity food products in March in line with supermarkets reporting an increase in the number of customers when compared to the same period last year. Customers mainly went to purchase necessary foodstuffs, such as eggs, instant noodles, canned foods, frozen foods, and drinking water. The sudden growing demand for groceries did not result in any food supply shortages as retailers had stockpiles of food and essential products sufficient to meet the needs of the consumers. To take advantage of the government's social distancing policies, most retailers developed their omnichannel retailing approach to serve the needs of their customers through new on-line and digital channels including websites, Facebook, mobile applications, free delivery, and new Chat and Shop services.

The crisis has quickly habituated Thai consumers to online food and grocery purchases. Food delivery operators including GrabFood, LineMan, Foodpanda, and Get have seen double-digit growth in their orders amid the lockdown and working from home practices. It is estimated that the food delivery business in Thailand could grow by 31 percent with a total value of more than U.S \$60 million during the partial lockdown. Even online food delivery services via food delivery applications are expected to continue after the lockdown period, although growth might not remain at the same breakneck pace as during the lockdown since delivery costs are considered high when there are no promotions offered. In addition, most restaurants are expanding their own online efforts and handling their own deliveries without relying on food delivery applications due to the commissions charged by the food delivery aggregators.

The pandemic not only changed consumer purchasing behavior but also their consumption habits (increase in home cooking) and healthy living trends. This presents new opportunities for retailers, restaurants, and importers to plan and develop their products and services. It is anticipated that the

changes to consumer purchasing habits such as online grocery purchase and food delivery, would continue and be the new area for the food industry to focus. Consumers also increased focus on health and well-being in light of COVID-19 as well as boosting their immunity through more exercise and healthy eating.

Impacts to Retail Market

The overall Thai economy is projected to slow down significantly due to the COVID-19 pandemic. The sharp declining number of international tourists has impacted Thailand's food service and retail markets since February this year. In addition, the Thai government's countermeasures such as travel restrictions and the closure of venues considered high-risk areas including the retail shopping malls to curb the spread of the virus disease have impacted food service and retail markets severely. The retail shopping centers in Bangkok were closed from March 22, 2020 to May 17, 2020. For a little less than two months, only supermarkets, banks, pharmacies, shops selling necessities, and restaurants for only delivery and takeaways were allowed to be open. In addition to the lockdown, the Thai government enforced a state of emergency from March 26 until May 31, 2020, imposing a 10 p.m.-4 a.m. curfew from April 3 and on May 15 reduced the curfew from 11 p.m. to 4 p.m.

Food sales through convenience stores, supermarkets, supercenters, and their online platforms saw mild growth, while other retail businesses have been severely impacted. Central Food Retail (Tops Supermarket, Central Food Hall, Tops Daily, and Family Mart) reported U.S. \$710 million sales revenue generated, a four percent increase from the same period last year. Makro, a cash and carry retailer, also reported increase sales with a value of U.S. \$1.7 billion, a nine percent growth rate for its first quarter from consumers stockpiling essential food items such as rice, canned fish, eggs, instant noodles, frozen foods, and other non-food necessities. Nevertheless, they estimate sales might drop for the second quarter compared to the same period last year due to the temporarily closure of hotels and dine-in restaurants, which are their major customers. 7-Eleven reported a drop in their average sales by four percent for the first quarter of 2020 to reach average daily sales of U.S. \$2,494 per store. The number of customers visiting the stores per day was down six percent from 1,187 visitors for the first quarter of last year to 1,122 visitors this year mainly due to the curfew that limited the store's hours.

Despite emerging prior to the outbreak, COVID-19 accelerated the growth of online grocery purchases. Nevertheless, online sales revenue accounts for only 10-15 percent of total revenue. Many retailers have utilized omnichannel retailing during the partial lockdown period. For example, Central Food Retail heavily utilized omnichannel retailing and resulted in an increase of 106 percent food sales in the first quarter of 2020 compared to the same period last year. Most retailers in Thailand expanded their services from offline to online to meet the new normal of consumer behavior. Examples of retailers that successfully launched their online food (e-commerce) channels are Central Food Retail Co., Ltd (www.tops.co.th), Villa Market (<https://shoponline.villamarket.com/home>), Tesco Lotus (<https://shoponline.tescolotus.com/>), Big C Supercenter (<https://www.bigc.co.th/>), and Siam Makro (www.makroclick.com).

Retailers are expanding their service coverage and improving their logistics, as well as learning to use new social media to support the rapid shift in consumer behavior. Some retailers are offering chat-and-shop services (placing orders by calling). These retailers either develop their own delivery service or partner with a third-party grocery delivery service provider such as Happy Fresh, GrabFresh Application

(operated by HappyFresh), LINEMAN Grocery, etc. The retailers that offer “chat and shop” service are Foodland Supermarket and Gourmet Market.

Several retailers have launched marketing campaigns such as price discounts, buy 1 get 1 free promotions and premium giveaways to increase sales and minimize losses on perishable items. As an example of retailers’ adapting in response to the COVID-19 situation, Family Mart, convenience stores operated by Central Food Retail Public Company Limited, recently launched



Family Mart Corners, the first container-style convenience stores in Thailand. This idea aims to solve space limitations and time required for physical store construction. Family Mart Corners are located in front of shopping malls, condominiums, universities, communities, and factories. The stores mainly focus on snacks, beverages and ready-to-eat meals. Another interesting idea launched in order to

maintain social distancing during the pandemic by Family Mart is vending machines under the campaign “Hungry? Get It Now.” The machines offer food on the go, which works well for people in a rush and who want to maintain a safe distance from others. The products offered are refrigerated foods and beverages, and snacks; Product variety is adjusted differently per location based on customers’ preferences and sales data.



Impact on Food Service and Hospitality Industry

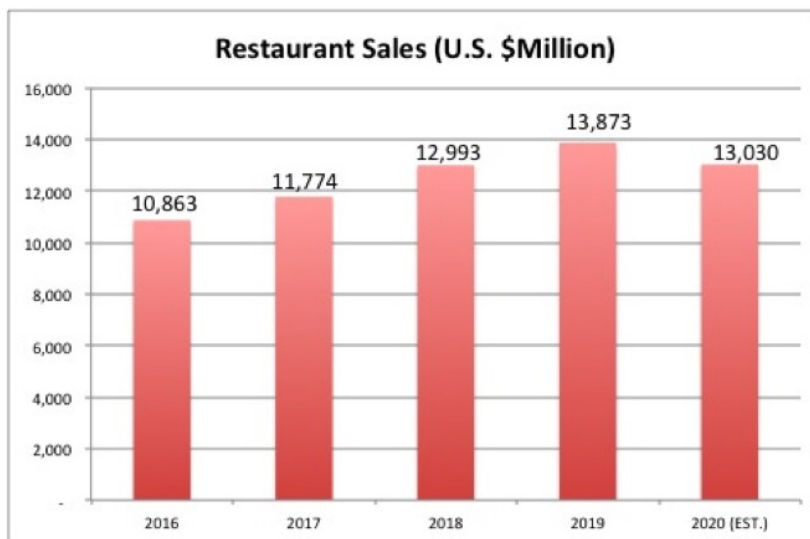
Tourism is one of the most important drivers of the Thai economy, generating U.S. \$62.2 billion in 2019, accounting for 11 percent of GDP. Thailand’s tourism sector and the Thai economy have been significantly hit by COVID-19. According to Thailand’s Tourism and Sports Ministry, it is estimated that tourist arrivals will plunge by 65 percent from 39.8 million in 2019 to 14 million in 2020, a 14-year record low. The sharp decline in the number of tourists has also led to an almost disappearing number of lodging bookings and massive flight cancellations.

Most hotels in Thailand have closed temporarily due to business disruption from travel bans, closure of restaurants and bars, and restriction imposed by the Thai government authorities including curfew and soft lockdown in Bangkok. These hotels include Bangkok Marriot Marquis Queen’s Park, Double Tree by Hilton Sukhumvit, Grand Hyatt Erawan, Le Meridien Bangkok, The Okura Prestige Bangkok, Bangkok Marriott Hotel Sukhumvit, Avani Atrium Bangkok, Avani Hotel, Centara Hotel Group (25 hotels), and Riverside Bangkok Hotel. On April 4, 2020, several provincial governors such as Chonburi (Pattaya) and Phuket temporarily shut down all hotels in those cities until further notice. Some hotels have shifted to offer online food delivery just to maintain some income to cover their labor and operation costs.

The full dine-in restaurants are under severe stress from the outbreak. The Thai government has adopted measures to curb the spread of the virus disease by imposing a temporary closure of certain premises including the restaurants, which are allowed only to sell take-away effective from Mar 22, 2020. Most of the provinces also impose the same measures as Bangkok. Therefore, restaurants can sell only

delivery and take-away. As a result, the revenue from sales and services dropped significantly. Even though, the revenues from delivery and take-away sales considerably increased, it was not enough to offset the loss of dine-in sales. According to the Thai Restaurant and Business Association, an estimated 10-15 percent of restauranteurs will quit their businesses as a result from global travel restrictions and closures of dine-in restaurants. Thailand is losing U.S. \$ 9-10 billion spending on foods from in bound tourists.

Kasikorn Research Center recently reported that, assuming that the COVID-19 situation gets better in the second half of this year, 2020 annual sales for the restaurant industry are estimated at U.S.\$ 13 billion, 6 percent down from last year. On May 4, the government eased its lockdown measures by allowing eight types of businesses to open. Even though dine-in restaurants can now reopen, they are still restricted to ensure social distancing.



Source: Kasikorn Research Center

For Quick Service restaurants, it is estimate that about 25-30 percent of their dine-in business was closed due to the government' directive on the closure of full dine in service and the remaining outlets are open for delivery and takeaway service. Minor Food, the operator of the Pizza, Sizzlers, and Bonchon, reported dramatic growth in their food delivery sales proportion of total business from 15 percent in the first quarter of 2019 to 30 percent for the same period this year. Many restaurants shifted their focus to delivery and takeaway, which have become the key sales drivers. Food delivery operators including GrabFood, LineMan, Foodpanda, and Get reported double-digit growth in their orders amid the soft lockdown and working from home practices. It is estimated that the food delivery business in Thailand could grow by 31 percent with a total value of more than U.S \$60 million during the partial lockdown. The crisis has habituated Thai consumers to online food and grocery purchases. The online food delivery service via food delivery applications are expected to continue after the lockdown period but might not be at a same pace during the lockdown as the delivery costs are considered high if there are no promotions offered. In addition, due to commissions charged by the food delivery aggregators, most restaurants are expanding their own online and handling their own deliveries without relying on food delivery applications.

Imports of consumer-oriented products from January to March 2020 have not decreased except for a marginal decline in imports of Chinese products, which is mainly due to the lockdown in China that has interrupted the logistics of moving product.

Thailand Consumer Oriented Product Imports
Calendar Year: 2015-2019 and January-March: 2019, 2020

Partner	Calendar Year (Value: USD)					January-March		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	967,844	1,102,488	1,104,947	1,250,963	1,368,004	321,068	303,151	-5.58
New Zealand	412,859	380,943	434,820	437,544	474,323	150,453	158,673	5.46
United States	386,288	387,674	384,898	417,579	473,144	111,804	115,282	3.11
Singapore	294,725	293,539	330,109	354,114	383,688	87,664	123,388	40.75
Malaysia	270,293	277,824	317,889	341,759	340,120	77,160	85,174	10.39
Australia	267,544	236,578	265,778	291,567	291,277	76,376	86,012	12.62
Vietnam	194,880	225,346	261,020	234,129	274,584	53,785	106,033	97.14
Indonesia	245,543	256,196	348,223	311,039	251,203	59,737	73,638	23.27
Cambodia	204,488	280,056	311,550	234,605	219,725	111,996	154,055	37.55
India	103,939	135,894	169,257	171,143	211,866	66,412	64,694	-2.59
Other	1,046,012	1,042,631	1,148,407	1,197,911	1,257,221	336,053	397,210	18.20
Total	4,394,417	4,619,170	5,076,899	5,242,356	5,545,156	1,452,506	1,667,309	14.79

Source: Thai Customs Department

End of the Report.

Attachments:

No Attachments.