THAILAND CHANGING RETAIL FOOD SECTOR: CONSEQUENCES FOR CONSUMERS, PRODUCERS, AND TRADE

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OUTLINE

- Introduction
- Development of modern retail food sector
- Consumer issues
- Foreign and domestic investment
- Impacts on traditional and small retail outlets
- Impacts on domestic agriculture
- Impacts on trade
- Recommendation

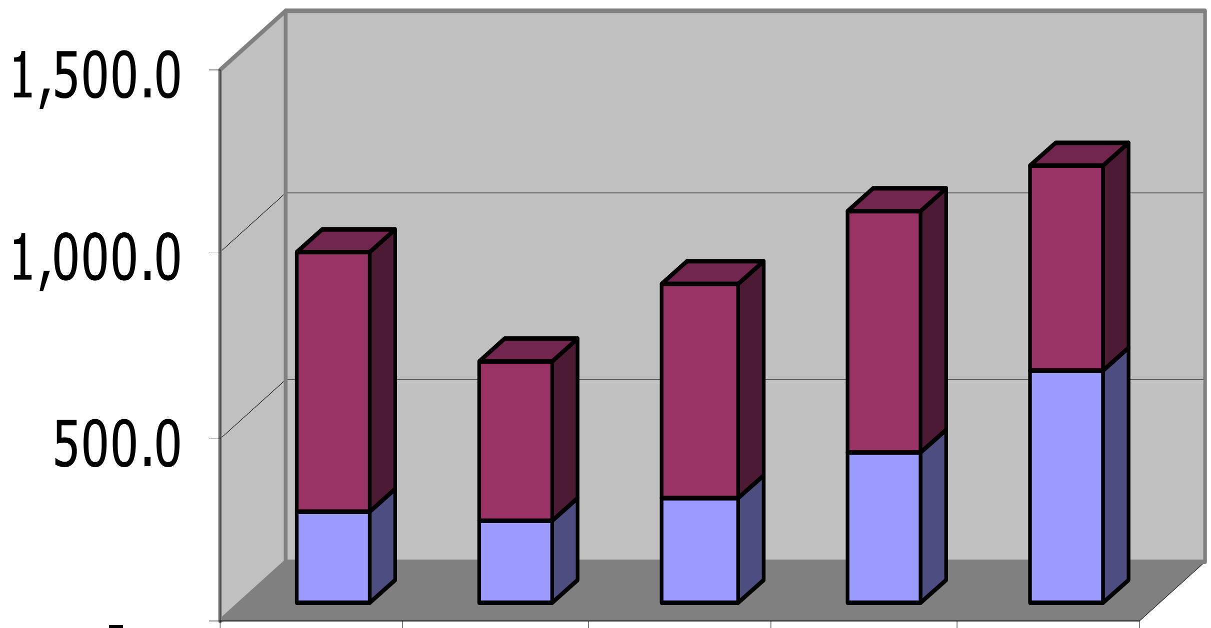
INTRODUCTION

- Development of modern retail food outlets
  - Urban lifestyle
  - Increase in per capita income
  - Change in population structure
- Four types of modern retail food outlets
  - Department stores
  - Supermarkets
  - Hypermarkets
  - Convenient stores

DEVELOPMENT OF MODERN RETAIL FOOD SECTOR

- Four periods
  - Department stores (1964 – 1982)
  - Expansion to suburban Bangkok (1983 -1988)
  - Over investment (1989 – 1996)
  - Taking over by foreigners (1997 – 2002)

Figure 1 Value of Modern and Traditional Retail Trade, Thailand 1997 - 2001 (bill.Baht)



	1997	1998	1999	2000	2001
Traditional Retail Trade	708.9	435.7	580.6	661.3	558.7
Modern Retail Trade	249.1	225.1	284.7	405.3	635.4

Table 1 Value of Modern Trade in all Retail Trade (bill. Baht)

Item	1997	1998	1999	2000	2001	% Change
Modern Retail Trade	249.1	225.1	284.7	405.3	635.4	155.1
Traditional Retail Trade	708.9	435.7	580.6	661.3	558.7	(21.2)
Total	958.0	660.8	865.3	1,066.6	1,194.1	24.6
SHARE						**Change**
Modern Retail Trade	26.0	34.1	32.9	38.0	53.2	27.2
Traditional Retail Trade	74.0	65.9	67.1	62.0	46.8	(27.2)

Source: Calculated from TDRI (2002)

Table 2 Share of Modern Retail Trade by type of Trade, Thailand 1993 - 2001 (%)

Item	1993	1994	1995	1996	1997	1998	1999	2001	Change
Department Stores	49.9	45.7	43.2	34.8	26.2	24.1	22.4	35.3	-14.6
Supermarkets	5.1	4.2	3.4	5.5	10.7	10.2	8.5	8.2	3.1
Convenience Stores	9.9	10.6	11.5	11.7	10.9	12.1	12.7	12.4	2.5
Hypermarkets	35.1	39.4	41.9	47.9	52.1	53.5	56.3	44.1	9.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Calculated from TDRI (2002)

Figure 2 Share of Modern Retail Trade by type of Trade, Thailand 1993 - 2001

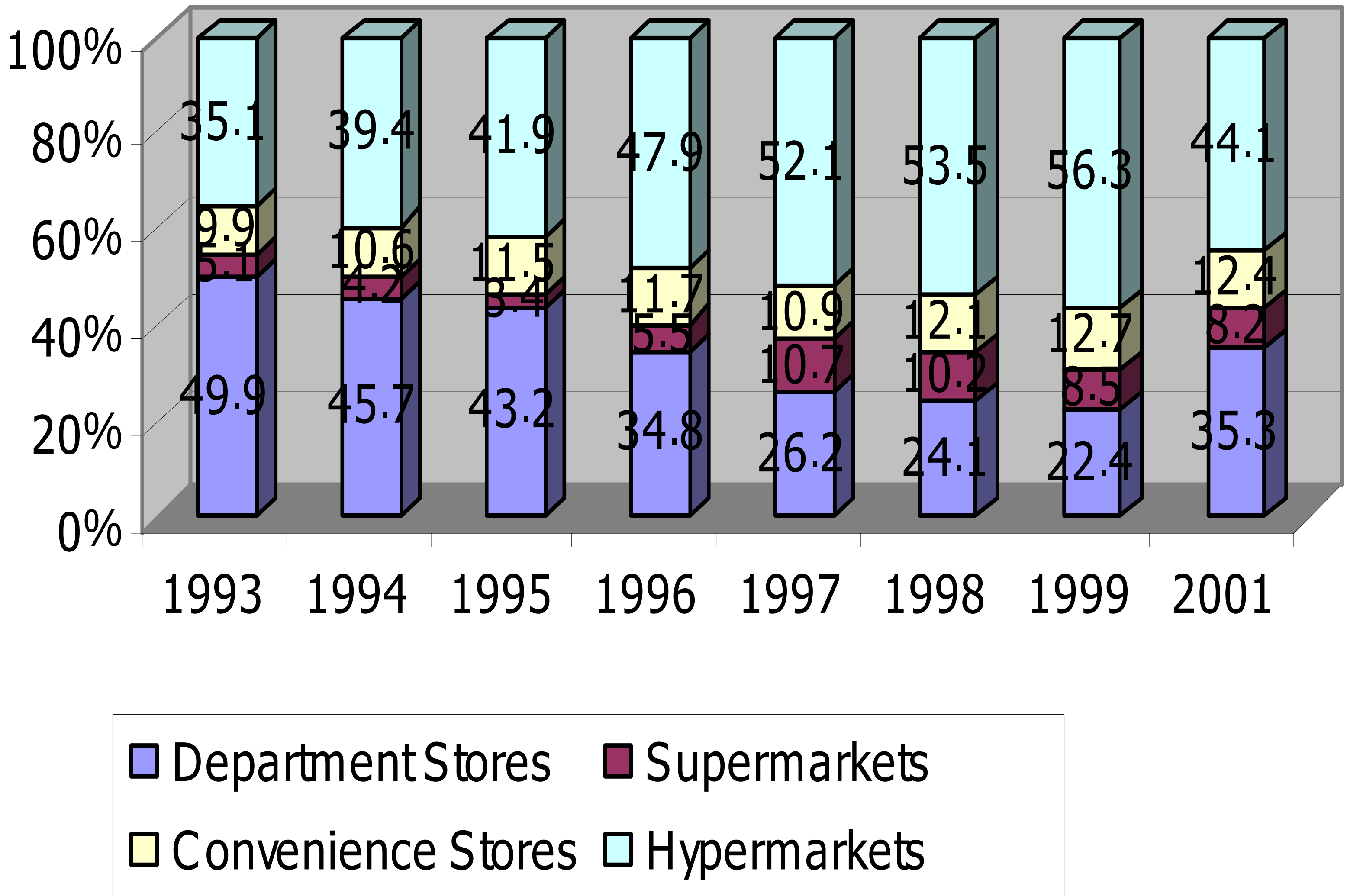


Table 3 Number of Selected Retail Trade Units, Thailand 1998 and 2001

Name	1997/8/9				2001 - 2003				
							Branches		
	Share	%	Branches	Year	Share	%	2000	2001	2003
Tesco-Lotus	CP	100			CP	8			
			13	1998	Tesco	92	24	33	49 1/
Big C	Jirathiwat	33			Jirathiwat	13			
	Robinson	15			Casino	66			
	Land and House	11							
	Others	42	20	1999	Others	21	25	30	41 2/
Carrefour	Central	40							
	French Carrefour	40			French Carrefour	40			
	SSCP Holding	20	7	1998	SSCP Holding	60	12	14	20 3/
Makro	CP	32			CP	10			
	SHV Group	44			SHV Group	90			
	Others	24	15	1997			18	20	29 4/
Tops	Central	51							
	Royal Ahold	49	40	1998	Royal Ahold	100	41	43	68 5/
Food Lion	The Mall	45							
	Sahapat Group	10							
	Delhaize Group	45			Delhaize Group	49			
			5	1998	Food Lion	51	15	22	na

Table 4 Number of Selected Modern Retail Trade Branches, 1995 – 2001

Item	1995	1996	1997	1998	1999	2000	2001
DEPARTMENT STORES							
Central (1956)	13	15	16	15	14	13	13
The Mall (1981)	7	7	7	8	8	8	8
Robinson (1979)	14	17	19	19	19	19	18
Sogo (1986)	1	1	1	2	2	2	2
SUPERMARKETS							
Tops (1996)	0	11	27	40	40	41	43
Jusco (1985)	6	8	8	10	10	10	10
Food Land (1972)	7	7	7	7	7	8	8
Food Lion (1997)	0	0	1	5	13	15	22
CONVENIENCE STORES							
7 -Eleven (1989)	na	715	880	1,100	1,200	1,501	1,701
Family Mart (1993)	na	15	40	73	93	100	160
am-pm (1991)	na	190	260	300	330	330	256
HYPERMARKETS							
Makro (1988)	10	14	15	16	17	18	20
Tesco-Lotus (1994)	2	5	12	14	17	24	33
Big C (1991)	6	11	19	20	20	23	30
Carrefour (1995)	1	2	6	7	8	11	14

Table 5 Sales and Shares of Selected Modern Retail Trade, 1997 - 2000

Item	1997 Sales (mill.Baht)	1997 Share (%)	1998 Sales (mill.Baht)	1998 Share (%)	1999 Sales (mill.Baht)	1999 Share (%)	2000 Sales (mill.Baht)	2000 Share (%)
DEPARTMENT STORES	**34,759**	***26.4***	**28,803**	***21.3***	**31,153**	***19.3***	**34,634**	***18.4***
Central	12,002	*9.1*	11,088	*8.2*	12,540	*7.8*	14,101	*7.5*
The Mall	11,339	*8.6*	10,281	*7.6*	11,264	*7.0*	12,831	*6.8*
Robinson	8,820	*6.7*	6,246	*4.6*	6,501	*4.0*	6,999	*3.7*
Sogo	849	*0.6*	724	*0.5*	520	*0.3*	448	*0.2*
Imperial	1,663	*1.3*	356	*0.3*	212	*0.1*	192	*0.1*
Tang Hua Seng	86	*0.1*	108	*0.1*	116	*0.1*	63	*0.0*
SUPERMARKET	**17,263**	***13.1***	**17,639**	***13.0***	**27,124**	***16.8***	**19,190**	***10.2***
Tops	10,789	*8.2*	11,190	*8.3*	11,033	*6.8*	10,960	*5.8*
Jusco	3,879	*3.0*	3,278	*2.4*	4,219	*2.6*	4,281	*2.3*
Food Land	2,514	*1.9*	2,747	*2.0*	2,751	*1.7*	2,680	*1.4*
Food Lion	81	*0.1*	424	*0.3*	9,121	*5.6*	1,269	*0.7*
CONVENIENCE STORES	**11,828**	***9.0***	**13,653**	***10.1***	**17,246**	***10.7***	**26,964**	***14.3***
7 -Eleven	10,770	*8.2*	12,838	*9.5*	16,521	*10.2*	26,045	*13.8*
Family Mart	337	*0.3*	513	*0.4*	725	*0.4*	919	*0.5*
Am-Pm	721	*0.5*	302	*0.2*	-	*0.0*	-	*0.0*
HYPERMARKETS	**67,597**	***51.4***	**75,295**	***55.6***	**86,248**	***53.3***	**107,746**	***57.1***
Makro	32,094	*24.4*	30,776	*22.7*	34,493	*21.3*	37,808	*20.1*
Tesco-Lotus	12,934	*9.8*	17,172	*12.7*	20,924	*12.9*	33,441	*17.7*
Big C	17,665	*13.4*	20,612	*15.2*	22,464	*13.9*	25,591	*13.6*
Carrefour	4,904	*3.7*	6,735	*5.0*	8,367	*5.2*	10,906	*5.8*
TOTAL	**131,447**	***100.0***	**135,390**	***100.0***	**161,771**	***100.0***	**188,534**	***100.0***

Table 6 Gross Profit of Retailers, Wholesalers and Suppliers (%)

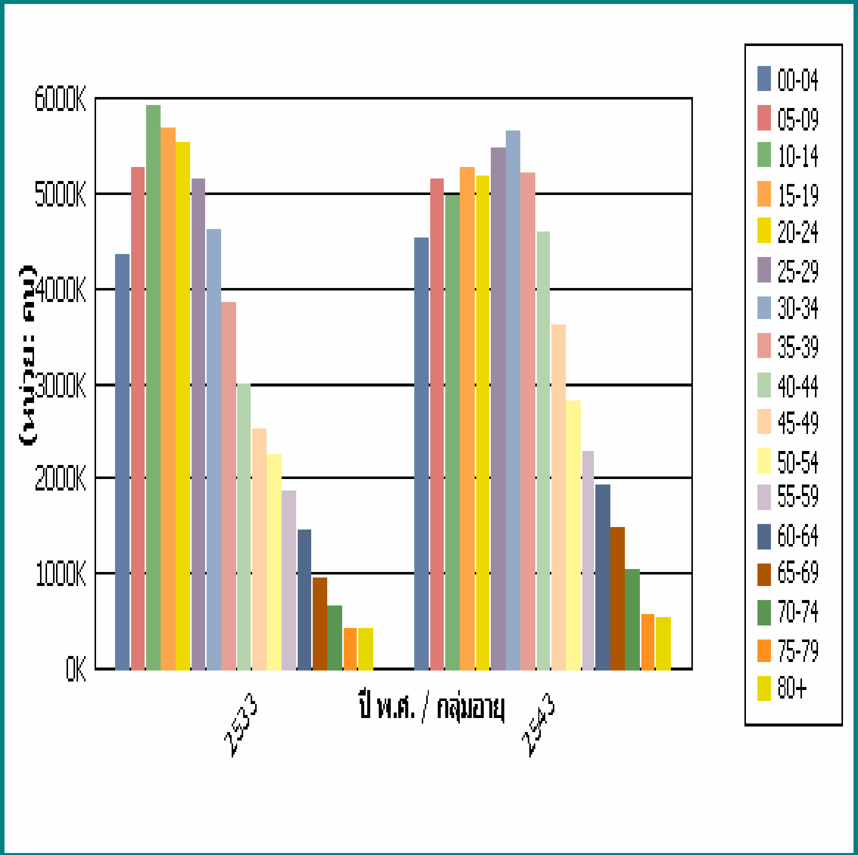
Item	High	Low	Average
RETAILERS			
Department store 1/	23.75	16.21	17.95
Large supermarket 2/	14.78	13.09	14.23
Small supermarket 3/	13.19	2.82	9.54
Convenience store 4/	17.86	15.53	16.59
Hypermarket 5/	8.92	7.38	7.93
Grocery	20.00	10.00	12.00
WHOLESALERS	5.00	2.00	3.50
SUPPLIERS			
Thai	25.10	18.40	21.00
Joint venture	44.31	36.98	42.36

Table 7 Retail Food Price Indices, 2002

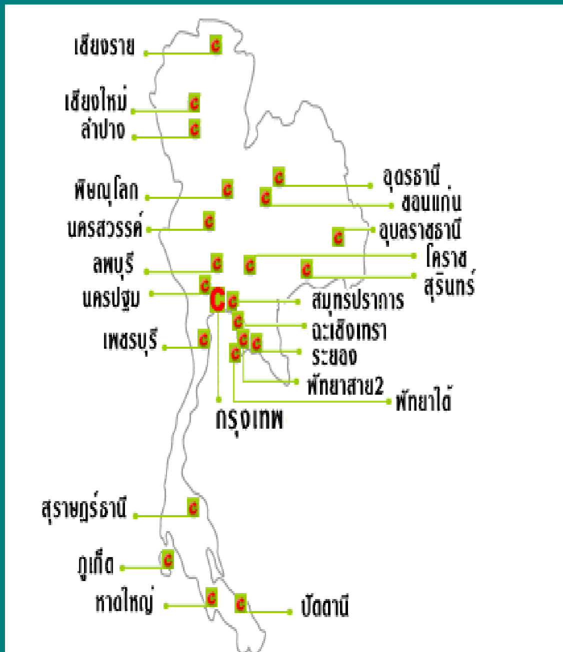
Item	Fresh	Preserved
AVERAGE		
Modern Trade	117.2	108.0
Traditional Trade	106.5	120.8
WHERE THERE WERE MORE THAN ONE HYPERMARKET		
Modern Trade	115.4	108.4
Traditional Trade	105.5	121.3
WHERE THERE WAS ONLY ONE HYPERMARKET		
Modern Trade	120.7	107.4
Traditional Trade	108.8	119.7

CONSUMER ISSUES

- Large proportion of working and teenage population in 2000s
- Life style
- Single family
- Convenience
- Relatively lower price
- Car parking
- Hypermarket preference
- Ready to cook food for home meals

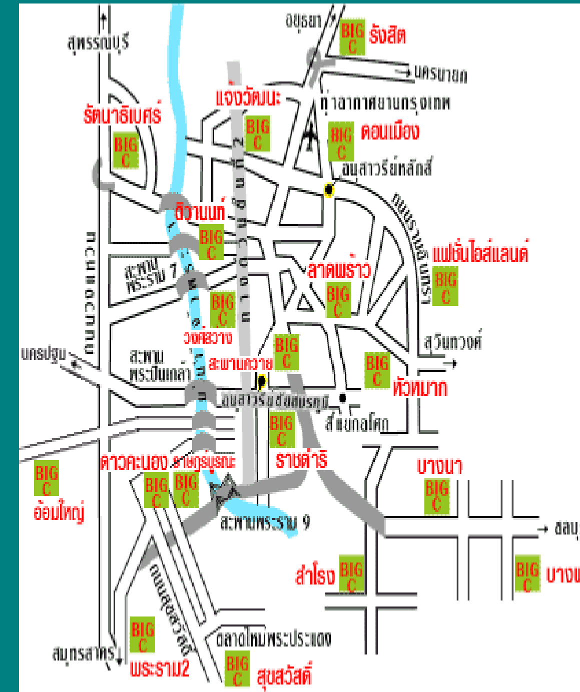


Source: National Social and Economic Development Board


เชียงราย
เชียงใหม่
ลำปาง
พิษณุโลก
นครสวรรค์
ลพบุรี
นครปฐม
เพชรบุรี
อุดรธานี
ขอนแก่น
อุบลราชธานี
โคราช
สุรินทร์
สมุทรปราการ
ฉะเชิงเทรา
ระยอง
พัทยาสาย2
พัทยาใต้
กรุงเทพ
สุราษฎร์ธานี
ภูเก็ต
หาดใหญ่
ปัตตานี


LEADER PRICE
คุณภาพมาตรฐานสินค้าชั้นนำ...
ในราคาคุ้มค่ากว่า


Roll Tissue


อยุธยา
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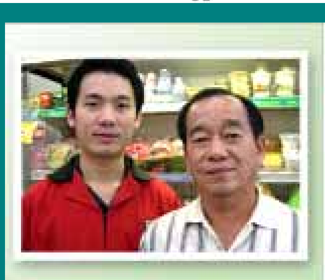
สุพรรณบุรี
นครนายก
แจ้งวัฒนะ
ท่าอากาศยานกรุงเทพ
รัตนาธิเบศร์
BIG C ดอนเมือง
อนุสาวรีย์หลักสี่
ติวานนท์
แฟชั่นไอส์แลนด์
ลาดพร้าว
สะพานพระราม 7
วงศ์สว่าง
สะพานควาย
นครปฐม
สะพานพระปิ่นเกล้า
อนุสาวรีย์ชัยสมรภูมิ
สุวินทวงศ์
หัวหมาก
ดาวคะนอง
ราษฎร์บูรณะ
ราชดำริ
บางนา
อ้อมใหญ่
สะพานพระราม 9
ชลบุรี
สำโรง
บางพลี
สมุทรสาคร
พระราม2
สุขสวัสดิ์




Carrefour
MK


กรุงเทพฯ

FOREIGN AND DOMESTIC INVESTMENT

- Four main hypermarkets
  - 5.7 bill.฿ in 1995
  - 11.6 bill.฿ in 1997
  - 1.7 bill.฿ in 1998
  - 6.5 bill.฿ in 1999
  - Recently around 1 bill.฿
- Employment
  - 15,000 decrease in traditional retail trade
  - 14,700 increase in modern retail trade

IMPACTS ON TRADITIONAL AND SMALL RETAIL OUTLETS

- At least 50,000 traditional retail outlets, 25% of total were closed.
- Consumer preference in buying processed food from hypermarket and refreshment and quick meals from convenience stores.
- Improvement in efficiency and services.
- Brand name
- Technology
- Economy of scale

IMPACTS ON DOMESTIC AGRICULTURE

- Fresh food suppliers
- Supply chain management
- Distribution centres --- quality control
- Contract farming

IMPACTS ON TRADE

- Adverse impact on small wholesalers
- Less profit for large wholesalers
- Large share of hypermarkets, but still competitive especially for fresh food
- Less traditional grocery stores
- Improvement in fresh markets

RECOMMENDATION

- Government intervention
  - Regulation on unfair trade practices
  - Monitoring on collusion pricing, predatory pricing, price discrimination, loss leading, and unfair house brand
  - Monitoring on mergers between large modern retailers
  - Allow increasing number of competitors

RECOMMENDATION (cont.)

- Support on small and medium retailers
  - Training on modern retail trade management
  - Promotion on small and medium retailers organization
  - Support on software and access to information system
  - Promotion on supply chain management among small and medium retailers
  - Law and regulation on franchise and private brand

RECOMMENDATION (cont.)

- Regulation on large modern retailers
  - Taken land use and traffic problem into account for rational branch opening
  - Regulation on merchandise transportation
  - Control on loss leading price strategy
- Regulation on adverse impact on local communities
- Consumer protection on quality and food safety