

III. INNOVATIONS IN THAI FOOD DISTRIBUTION

Background

Thailand is rapidly westernizing, particularly in the urban areas of Bangkok, Chiang Mai and Had Yai. Few aspects of Thai society are immune from western influences. In the grocery business in Thailand, western influences are directly responsible for radical changes in consumers buying habits and demands. While these changes will affect what and how food is bought, the changes go far deeper than that. The very heart of this industry is experiencing profound changes in the form of radically new approaches to food and grocery distribution. This report will briefly review two of these innovations -- "cooperative" wholesale food distribution, and superstores.

1. SUPERSTORE

More information on superstores can be found in Section II of this report.

Superstores were introduced into Thailand in August 1989 with the idea of Cash and Carry wholesaler under a Taiwan/Dutch/Thai joint venture (CP Group from Thailand, Macro SHV Holding of The Netherlands and Homegreen Invest of Taiwan). The business is under the Siam Macro name. At present Siam Macro has four branches in Bangkok and another two up-country.

It is widely accepted that Siam Macro ushered in a new era in grocery distribution. Up to this point grocery distribution followed the traditional form of manufacturer to distributor to retailer to consumer. Looking at Macro's sales volume will give you an indication as to just how popular the concept of manufacturer to retailer has become. In existence for only four and a half years, Siam Macro estimates their 1994 earnings at 13,500 million baht (C\$710 million) (6 locations). This volume compares to Central Department Stores, acclaimed as the leader in retail business. In the business for 47 years, Central earned 14,600 million baht (C\$ 768 million) from 12 branches in the same period of time.

Competition in this sector is going to be intense. This year it is anticipated that seven new entrants from abroad will confirm their plans to establish superstores in Thailand. The first three are from USA: SAM STORE, a division of WALMART; TARGET, and HOME DEPOT (Target and Home Depot rank the second and the fourth biggest in the USA respectively). The other four are from Australia and France.

The latest information indicates that some of these groups will be able to start business by the end 1994. Many of the North American superstores who are entering Thailand now are keeping in mind the future markets of Indochina (Myanmar, Vietnam, Cambodia and Laos).

Superstores (ie. Costco, Walmart, Siam Macro) cater to the consumer oriented lifestyle of the average middle class citizen. The establishment of superstores in Thailand is a direct result of the rise of the middle class in that country. Exacerbating the demand for superstores is the adoption of western consuming habits by most of this new middle class.