

## II. OVERVIEW OF THE THAI RETAIL FOOD MARKET

### Background

The retail food market in Thailand (defined as grocery stores, super-stores, convenience marts and department stores) is presently experiencing a period of profound and far-reaching change. Long standing methods of retailing, distributing, and marketing are being replaced with systems and approaches that can only be described as being western in both philosophy and operation.

There are several reasons to explain why these changes are occurring. Thailand has experienced rapid economic growth in the last part of the 1980s which has continued well into 1994. Growth in Thailand's Gross Domestic Product peaked at a high of 13.2% in 1988, and projections for 1994 conservatively forecast growth of 8% (Bank of Thailand and Siam Commercial Bank). This unprecedented growth is one of the key factors in the emergence of a substantial middle class in Thailand (defined as those making between 15,000 and 29,000 Baht a month or C\$790.00 and C\$1,525.00). In most cases, it is the buying power of the middle class that drives the growth of sectors such as groceries.

In greater Bangkok as well as in urban up-country areas, the middle class constitutes 25% of the adult population; while the national average stands at 11% middle class (or approximately 6.43 million people). Add to this the buying power of the upper income group, and you are looking at a total market of approximately 11.7 million people (Thai Ministry of the Interior).

The effect on food purchasing is remarkable. Between 1988 and 1993, private consumption expenditures at current market prices for food rose a dramatic 55.6% (Thai Ministry of Commerce); while consumption of beverages rose a whopping 144% in the same period of time.

With a new middle class comes radically different lifestyles. There is a definite move, particularly in Bangkok and other large urban areas, towards more western styled products and services. People no longer have the time (or the domestic help) to prepare foods as they had in the past, opting now for more packaged convenience foods. Status conscious Thais also ascribe considerable value to those foods that are imported and thus carry with them a certain "caché".

What this translates into are a considerable number of new niche areas for Canadian food suppliers.

### History

The Thai retail food market can be categorized into several periods.

#### 1. Period of the Department store, 1952 - 1969

In this period western style food retailing is primarily found in department stores. At this time the majority of the population continued to buy their food at wet-markets, and specialty retailers.