Estudio de Canal Retail Alimentos en Tailandia

2014

Documento elaborado por la Oficina Comercial de Chile en Bangkok- ProChile

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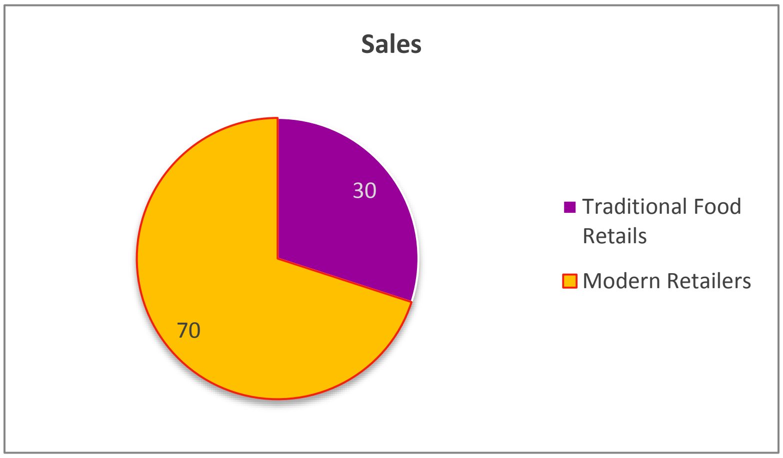
I. TABLA DE CONTENIDO

II. DEFINICIÓN DEL CANAL

1. Características y definiciones relevantes.

In Thailand, traditional food retailers is gradually declining. Grocery shopping pattern has constantly evolved to modern retailers. Modern food retailing accounts for about 70%[1] of total retail sales as Thai consumers are gradually shifting their shopping style from small independent own stores to larger supermarkets and hypermarkets. Nowadays, shopping also relies greatly upon accessibility. Shoppers living in more urbanized areas normally purchase food from larger retailers once or twice a week, while those residing in more rural areas shop for food at smaller sized stores and wet market.



Source: ProChile Bangkok

Over the past decade, Thailand's retail food business has been growing rapidly. Two commonly known retailers of food operating in Thailand including traditional trade and modern trade retailers.

1) Traditional Trade Retailer

Traditional trade sector basically comprises of Mom and Pop stores[2], street vendors, and wet markets that are widespread throughout Thailand. They are usually small formations and family – own

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[1] https://www.foodexport.org/Resources/CountryProfileDetail.cfm?ItemNumber=1032

[2] 'Mom And Pop ' is a colloquial term for a small, independent, family-owned business. Unlike franchises and large corporations, which have multiple operations in various locations, mom and pop shops usually have a single location that often occupies a physically small space. The "shop" could be any type of business, such as an auto repair garage, bookstore or restaurant. "Mom and pop" can also refer to inexperienced investors who play the market casually and do not rely on trading to significantly supplement their income.

Mom and pop shops sometimes have difficulty competing with larger businesses' buying power. This competitive disadvantage often results in high prices at mom and pop operations. Mom and pop shops are able to stay competitive by differentiating themselves from their large-scale competitors with a unique product, exceptional service and/or other personalized feel.

Investopedia, Mom And Pop, http://www.investopedia.com/terms/m/momandpop.asp (accessed December 18, 2013) operation. This segment is approximated to have the hugest market share in the retail sector with the estimated number of operators to be over hundreds of thousands.

2) Modern Trade Retailer

This modern retailer can be refered to businesses that are focused on offering diversity of products and have standardized management system that relies on technology which helps to meet the needs of customers and leads to coherence relations between manufacturers, retailers, and customers. In Thailand, six types of modern retailers can be found including hypermarket, cash and carry or warehouse store, supermarket, convenience store, special store, and category killer.

However, the key food retailers in Thailand are generally applied to modern trade category and they are usually limited to hypermarket, supermarket convenience store, and cash and carry. Tesco Lotus and Big C, Tops Supermarket, 7 – Eleven, and Makro represent each category respectively.

The definition of each segment is as follows;

1) Hypermarket

Hypermarket or superstore is defined as a very large retail facility with the size range from 4,000 – 12,000 sqm^2 which offers an enormous range of product for its customers within one trip including groceries and general merchandises. It has been the best performing retail sector as 90% of urban Thai shoppers go shopping at one of the hypermarket retailers at least once a week and they spend about USD 150 a month on retail products, of which 49% is spent on fresh food. In general, hypermarkets offer more than 100,000 stock keeping units (SKUs) for consumer goods, of which packaged food account for 60% - 65% of its total products.

2) Cash and carry or warehouse store

A retail format which sells limited stock in bulk at a discounted rate is called a cash and carry or warehouse store. Warehouse stores do not bother much about the interiors of the store and the products are not properly displayed. This type of retailer is usually located in where premises rents are low. This enables this type of retailer to stock, display and retail a large variety of good at very competitive prices. Good example of this retail segment in Thailand is Makro.

3) Supermarket

A super market is a self-service store that offers wide range of premium merchandises both imported and local particularly food and household goods organized into departments. It is larger in size than normal traditional trade outlet, usually at 1,000 – 3,000 sqm^2, and generally has wider selection of product.

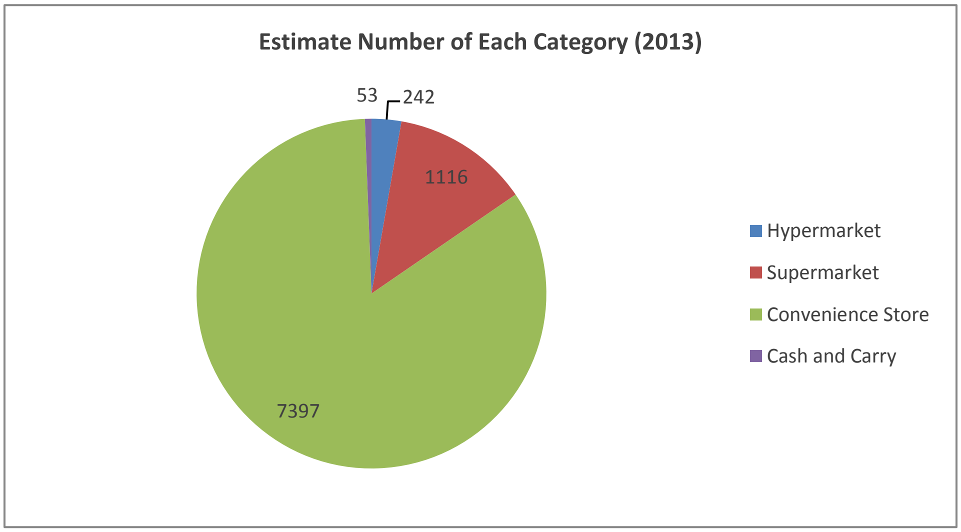
Higher levels of consumers' income and sophisticated customers are the main support of this retail format, of which are mostly concentrated in the competitive Bangkok areas. The major players are Central Food Retail (CFR), Foodland, and Villa Market.

4) Convenience store

Convenience store is defined as small store that often located along the busy roads in very populated areas. This kind of retail segment is a fastest growing retail food sector with over 11,000 stores nationwide and sells 15% of the total fast moving packaged consumer goods (FMCG)[3] in Thailand and some of them, offers services like bill payment, etc.

Even though there are 15 prominent players in this sector, it is dominated by 7-Eleven, which analysts expect to see its rapid expansion by adding more stores to the market. Other competitors are, for instance, V Shop express, 108 Shops, Family Mart, Tesco Lotus Express, and etc.

The following pie chart is demonstrating share of each category by number of stores.



Source: ProChile Bangkok

[3] Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as soft drinks, toiletries, and grocery items.

Wikipedia, the free encyclopedia, Fast-moving consumer goods, http://en.wikipedia.org/wiki/Fast-moving_consumer_goods (accessed December 18, 2013)

2. Diagrama de flujo en el canal de distribución

The introduction of modern trade put two chains, traditional trade and modern trade into parallel competition. It is clear that the modern trade, due to the intensive volume, has achieved more bargaining power resulting in cost reduction on price purchase.

Moreover, cost competitiveness deficiency of traditional trade forces the retailers to hunt for lower priced products in order to be able to survive in the market. Therefore, traditional retailers turn to wholesalers and modern retailers for such products.

From the flowchart, it illustrates that customers get products from five actors including E-Commerce, modern retailers, food services,traditional retailers or wet market, and food manufacturers, whose goods come from either modern retailers, wholesalers, or directly from the distributors.

However, there are three significant actors who bring goods in and distribute to consumers.

1) Importers

Importers only import goods to resale to other companies (distributors) that will sell to retailers. Importers and distributors have legal possession of goods and pay exporters. They also agree with exporters to carry stock and provide after sale service.

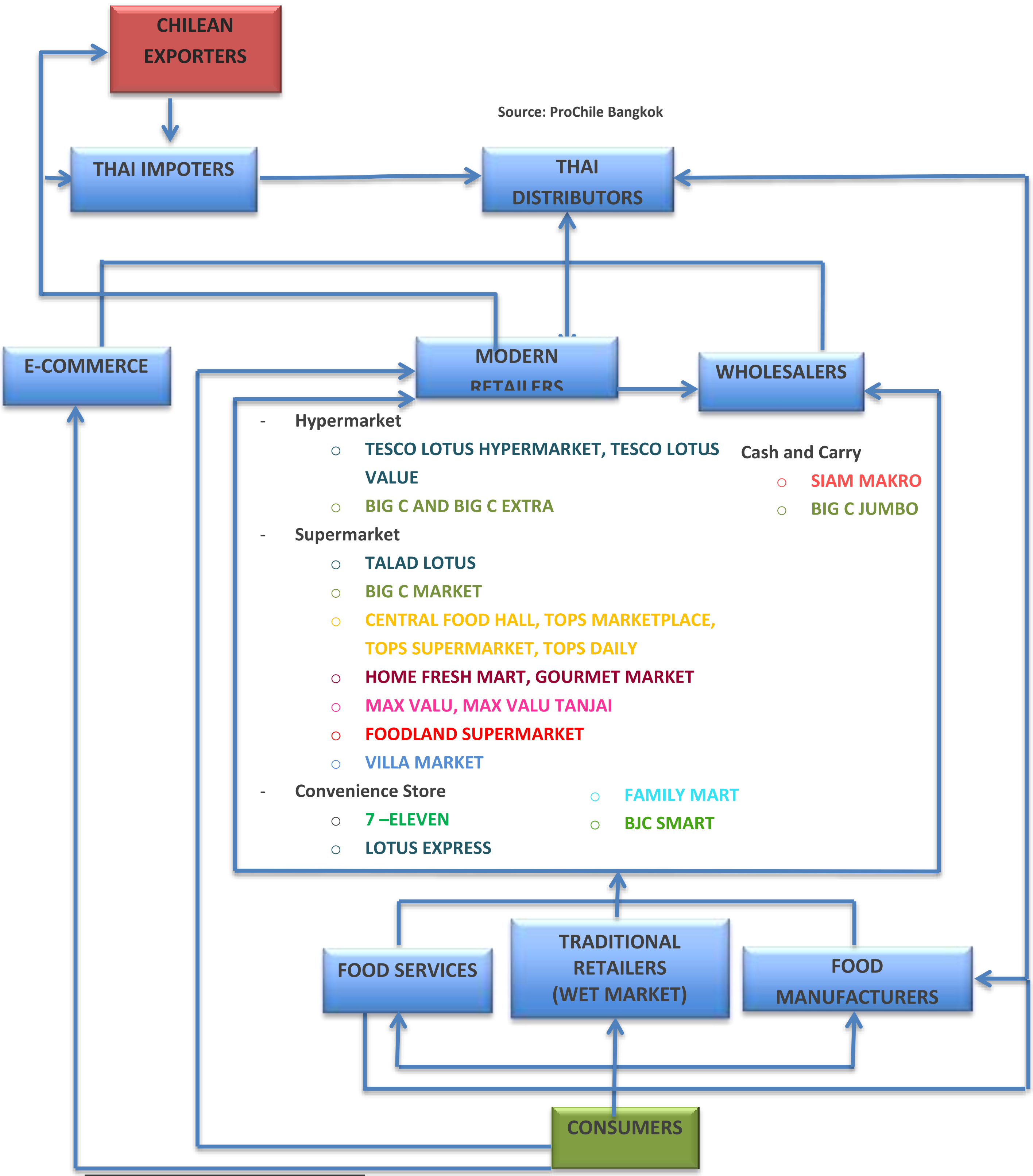
2) Distributors

Distributors usually have relationship with manufacturers they represent with special buying agreements such as limitation of participants or permission given to the distributors to cover a certain area. Besides, they perform as a direct point of contact for buyers such as wholesalers and modern retailers.

3) Retailers

Retailers are for-profit businesses that sell goods directly to consumers. Generally, retailers buy products to resale to consumers with low prices directly with distributors or wholesalers.

The flowchart bellow is showing the interrelation of the actors in distribution channel of good.[4]



Source: ProChile Bangkok

[4] The flowchart starts from consumers to Chilean exporters

III. ANALISIS DE LOS ACTORES RELEVANTES DEL CANAL

1. Identificación de los principales actores dentro del canal.

1) Hypermarket

At present there are only two major hypermarkets in Thailand, which are Tesco Lotus and Big C.

a. TESCO LOTUS

Now, the biggest player operates through hypermarket, Express Store, Value Store, Talad Lotus, Plus Shopping Mall and Community Mall concept. Up until now, Tesco has constantly set up several brunches under all formats bringing their total number of 99 hypermarkets, 36 Tesco Value, 130 Talad Tesco, 755 Lotus Express, and 652 Talad Lotus and Lotus Express.

b. BIG C

Big C's takeover of France based Carrefour Group in 2010 has enabled it to expand its customer base in Bangkok and other provinces and as a result turned it into the hypermarket that has the most outlets in Thailand. It operates through the hypermarket, mini Big C, and Pure, a health, beauty & pharmacy store. At the end of 2012, Big C has 107 hypermarket, 12 Big C market, 51 Mini Big C, 29 Pure, and 1 Big C Jumbo.

However, when taking into consideration for the total market share of retail business, Big C is the second largest behind Tesco Lotus in terms of the total number of stores thanks to the fact that Big C has fewer small stores comparing to Tesco Lotus.

2) CASH AND CARRY

Siam Makro is the first membership – based Cash & Carry retail store in Thailand. It was established in 1988 and registered under the name of Makro. It carries approximately 80% of food products and 20% of non – food products. At the end of 2012, Makro has operated 52 outlets in total, however, in five different formats including Classic Store, Eco Store, Eco Plus Store, Siam Frozen Shop, and Makro Foodservice Store.

a. CLASSIC STORE

i. It is a typical Cash & Carry structure designed to serve professional customers with store size ranging from 5,500 – 12,000 sqm^2 and their primary customers are hotels, restaurants, caterers, and other institutional business operators.

b. ECO STORE

i. This store is designed to serve hotels, restaurants, and caterers generally located in tourist areas. The selling space is dedicated to food products.

c. ECO PLUS STORE

i. This kind of store is designed to serve both professional and small operators and focus mainly on food products. This format is expected to be the concept of the future expansion.

d. SIAM FROZEN SHOP

i. It is a rather small outlet and positioned as a frozen food specialty store serving professional operators. The company has two outlets of this format in Chiang Mai and Udonthani.

e. MAKRO FOOD SERVICE STORE

i. This newly launched specialty store concept provides specific food service for all kind of customers. This format includes walk – in fruit and vegetable cold – room, seafood section, gourmet section, and wines.

3) Supermarket

Central Food Retail (Central Food Hall and Tops Marketplace), The Mall Group (Home Fresh Mart and Gourmet Market), Foodland Supermarket, Villa Market, MaxValu Supermarket, and UFM Fuji are the major competitors in supermarket segment.

a. CENTRAL FOOD RETAIL

CFR operates under two major brands, Central Food Hall and Tops, and both have strong brand recognition. CFR operates approximately 218 branches at the end of the year 2012.

b. THE MALL GROUP

The Mall Group also operates under two major brands including Home Fresh Mart and Gourmet Market offering customers different shopping environments, promotional campaigns and marketing activities. As a result, it is becoming stronger in terms of customer base. As of the end of **2012, The Mall Group operates 11 outlets mostly in central downtown Bangkok.**

HOME Fresh MART

gourmet market PARAGON EMPORIUM KVILLAGE

c. FOODLAND SUPER MARKET

Foodland is Thailand's oldest supermarket chain and currently has 13 branches nationwide. It caters to middle and up- market customers with high standard for fresh food products in Thailand. It also promotes reliability, friendliness, and high quality food to the customers.

FOODLAND Supermarket Co.,Ltd

d. VILLA MARKET

It provides wide variety of products ranging from household essentials, food products, medicines, to magazines. Targeting at premium customers, most of its outlets are concentrated in central Bangkok.



4) Convenience store

a. 7 – ELEVEN

The leading player in this segment is 7 – Eleven, which account for 53% of total convenience stores and has approximately 7,000 outlets throughout the country, making it the world's third largest 7 – Eleven network after Japan and the US.

b. LOTUS EXPRESS

TESCO has also aggressively expanded its network in the market in the format of Lotus Express at gasoline station and downtown areas with more than 750 locations across the country.

c. TOPS DAILY (Joint venture with Family Mart)

Central Retail Corporation, the operator of Tops Daily, established a joint venture with Family Mart in 2012, which will accordingly increase the number of Family Mart outlets to 1,500 over the next five years. a. Even though it is small in size, 100 – 200 square meters, Tops Daily offers wide range of snacks, beverages, health and beauty products, and grocery items. Not only consumer goods, it also provides services such as bill payment both by cash and credit card.

d. MAXVALU TANJAI

Aeon Thailand has plans to expand its business branded 'MaxValu Tanjai' nationwide with approximately 20 new branches each year. MaxValu Tanjai is a small size convenience store, about 300 sq.m, which open 24 hours daily. It provides daily necessities from the best quality, price, and service. Not only daily necessities, food is also available in many forms such as ready-to-eat meals with Japanese food safety standards to ensure food quality and freshness.

e. BJC SMART

Berli Jucker launched its first ever 70 sqm^{2} convenience store under the name of BJC Smart in early of the year 2013. It offers over 8,000 products under its own brand. However, products from outsides will be added later.

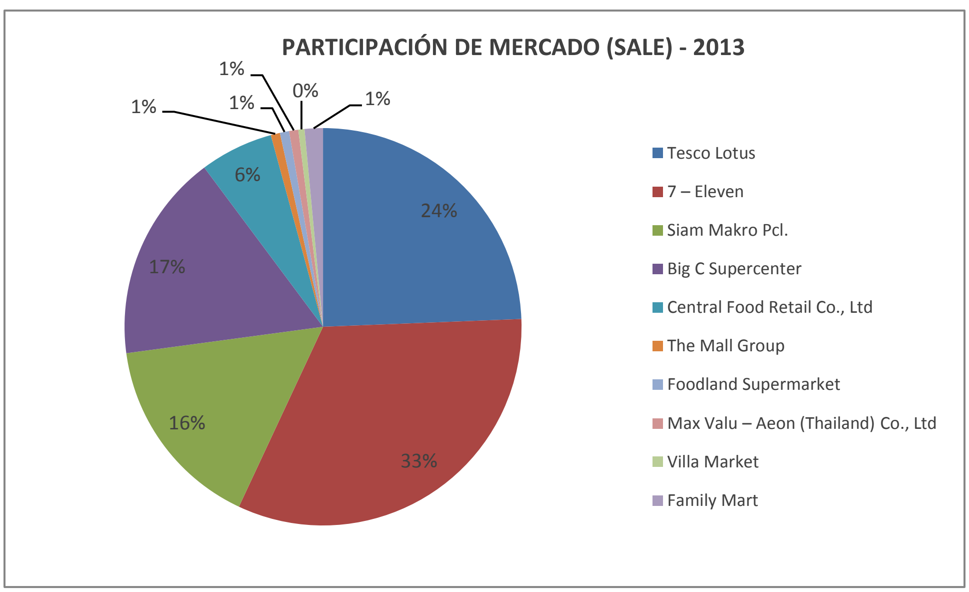
2. Importancia relativa de los actores del canal

CADENA	Participación de mercado[5]	Facturación (millones de $)	Cantidad de tiendas	Clusters
Ek – Chai Distribution System Co., Ltd. - TESCO LOTUS HYPERMARKET - TESCO LOTSUS VALUE - TALAD LOTUS - LOTUS EXPRESS - TALAD LOTUS AND LOTUS EXPRESS	**24.38%**	**4,832**	**1,672**	**Hypermarket, compact hypermarket, supermarket, convenience store**
7 – ELEVEN – CP ALL PCL.	**32.59%**	**6,459**	**6,276**	**Convenience store**
SIAM MAKRO PCL.	**15.91%**	**3,153**	**52**	**Cash and carry**
BIG C SUPERCENTER - BIG C AND BIG C EXTRA - BIG C MARKET - MINI BIG C - BIG C JUMBO	**16.92%**	**3,353**	**171**	**Hypermarket, supermarket, convenience store, cash and carry**
CENTRAL FOOD RETAIL CO., LTD - CENTRAL FOOD HALL - TOPS MARKETPLACE - TOPS SUPERMARKET - TOPS DAILY	**5.97%**	**1,183**	**218**	**Supermarket**
THE MALL GROUP	**0.75%**	**148**	**11**	**Supermaket**

[5] Calculating from the total sale

CADENA	Participación de mercado[5]	Facturación (millones de $)	Cantidad de tiendas	Clusters
- Home Fresh Mart - Gourmet Market				
Foodland Supermarket	**0.75%**	**148**	**13**	**Supermarket**
Max Valu – Aeon (Thailand) Co., Ltd - Max Valu - Max Valu Tanjai	**0.75%**	**148**	**58**	**Supermarket, mini supermarket**
Villa Market	**0.50%**	**99**	**22**	**Supermarket**
Family Mart	**1.49%**	**295**	**665**	**Mini convenience store**

Source: ProChile Bangkok



SOURCE: PROCHILE BANGKOK

IV. ESTRATEGIA COMERCIAL DE ACTORES RELEVANTES DEL CANAL

1. Política comercial

Goal/Strategy	Hypermarket	Cash and Carry	Supermarket	Convenience Store
Food Retailers	TESCO LOTUS, BIG C AND BIG C EXTRA	SIAM MAKRO	TALAD LOTUS, BIG C MARKET, CENTRAL FOOD HALL, TOPS SUPERMARKET, GOURMET MARKET, MAX VALU, VILLA MARKET	LOTUS EXPRESS, 7 – ELEVEN, MINI BIG C, FAMILY MART
Type of products sold	Variety, middle quality goods	Variety, middle quality goods	Variety, usually premium products	Variety
Target customers	Middle and low – income customers	Small retailers, customers who buy in bulk and HRI	All income types	Customers who want convenience
Price strategy	As low as possible	Wholesale price	Daily price	Higher prices than supermarket
Other strategies	Membership card, credit cards, aggressive expansion of outlets, and frequent discount	Membership card	Membership card. Promotions and discounts	Aggressive expansion of outlets

Source: Sources: Thai Development Research Institute

The range of income, household disposable income, can be basically classified into 3 groups, low, middle, and high. The high income segment, upper – middle, and lower – middle segment are those who earn 35,000 USD or more, 15,000 – 34,999 USD, and 5,001 – 14,999 USD per annum respectively. Low income segment are those earn below 5,000 USD annually. It is estimated by JETRO that there will be about 21 million households that fall into the middle and upper class segment in 2015[6].

[6] Information was collected from '*Consumer Trends and Expansion of Retail Markets in Growing ASEAN Economies',* Nomura Research Institute

According to JETRO, it is estimated that the number of middle and upper class will rise up to about 30% of the total population, around 21 million housholds, by 2015. Thus, hypermarket could attract more middle to upper class customers.

2. Política de proveedores.

To be a supplier of the retailers, it is necessary to contact with purchasing department directly for requirements and rules or to meet the representatives at the fairs, business networking event, or business matching events.

BIG C

Gennerally, Big C finds its own overseas suppliers whose products have potential especially at the fairs, business networking events, business matching events.

Last year, Big C also participated in Flavor of Chile and now starts to import Chilean apples. However, in some cases, suppliers contact Big C directly or submit application online and it will consider purchasing products if suppliers agree with its regulations and requirements.

Referring to BIG C, this information is required for online supplier application;

1. Shop Details
    a. Name
    b. Address
    c. Telephone and fax number
2. Contact Person
    a. Name
    b. Position
    c. Telephone/Mobile number
    d. Email
3. Product details
    a. Product category
    b. Brand
    c. Product details
    d. Size and quantity of the product
    e. Sale price
    f. Sale quote
4. Four pictures of the products

Source: http://www.bigc.co.th/en/contact/supplier/

One of the most important provisons is that suppliers have to agree with BIG C's payment term. The payment to suppliers takes 30 days T/T after shipment arrives DC meaning that the payment for Chilean suppliers from Chile to Thailand would take approximately 80 days, about 45 - 50 days for the shipment to arrive.

Other provisions that suppliers have to agree upon are for instance the quality of the products, approval of FDA, product inspection, claims, etc.

- 5% of the products will be randomly inspected at W/H.
- Progressive defect is allowed at ≤4% tolerance and ≤8% for non – progressive defect[7]
- Natural weight loss claim
- Missing piece claim
- Product control
  - **Packing House Pre-Audit** suppliers must be certified by GAP, GMP, or GHP which are considered as the backbone of the quality assurance and the safety program.
  - **Temperature Recorder (Callibrate)** temperature recorder must be provided in the container. The quality of the product is caused from the temperature fluctuation.
  - **Pre-loading Inspection Report** pre – loading inspection as well as review of quality shipment is required.
  - **Marking and Labeling** every carton must be labeled and product details such as exporting company name, product name, variety, grade, size, origin, orchard, grower registered name and number, are required as well as packing house registered name and number, date, and lot.
  - **ETA Respectation** 1-2 days are acceptable, over this period may defect to shelf life of shipment and the product would be rejected.
  - **Discharging Port** is Laem Chabang then transport to Lat Krabang

Final stage prior to order is quotation. BIG C standardizes the price of each import product. Exporters who offer the price below standardized price and lower or close to the price offered by local distributors or importers will likely to get the bid. As a result, to get the bid pricing strategy is very vital since most of the time local importers and distributors offer more reasonable priced products.

In 2012 BIG C has about 3,645 suppliers whose products are sold in its retail shops. 98% of those products are usually locally supplied whereas 2% of the products are imported. BIG C has practiced two forms of product ordering which are ordering directly from the manufacturers to ship the products ditrectly to the branches and ordering products via its own distribution centers. For fresh products particularly fruit like grapes, apples, orange, cherry, etc., BIG C usually imports them from overseas. On the other hands, for tropical fruit, it usually has contacts with local orchards.

The ratio of the two formats of product ordering is shown in the table below.

Types of product	Order directly from manufacturers[8]	Order from the distribution center	Total order
Fresh foodstuff	56.5%	43.5%	100%
Dry foodstuff	23.7%	76.3%	100%

[7] Progressive defect is unstable condition of fruit which likely to develop to reducing the usability of the product including rotten, bruise, mold, and serious deformation for examples. Non – Progressive defect is stable condition of fruit which does not develop to reducing the usability of the product. Examples include shrivel, dehydration, green berry and others which agreed based on each product specification
[8] Including both domestic and international manufacturers

Types of product	Order directly from manufacturers[8]	Order from the distribution center	Total order
Other products	99.3%	0.7%	100%

Source: Big C

The two distribution centers of fresh and dry foodstuff are located in Wang Noi, Ayutthaya and other product's distribution center is in Sampran, Nakhon Pathom. The distribution center can also collect the revenue from the compensation of the shipment fee in order to offset the transportation cost and other expenses incurred.

Purchasing Process

1. Six months prior to the beginning of the product season, Big C will have discussion with suppliers regarding the product submission plan. Also, it is the period to seek new suppliers, domestic and international, and ask them to provide with product specifications.
2. Buyer team comes up with volume forecast and demanding such as size of fruits, class of the products, specific packaging, promotional events plan three months before the order. This information is to be sent to the selected suppliers.

The table below illustrates the volume forecast of grapes.

Product	Origin	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
		F	F	F	F	F	F	F	F	F	F	F	F	Cont/Shipment
Grapes	China	0	0	0	0	0	0	40	70	60	50	25	0	245
Grapes	**Chile**	**8**	**10**	**6**	**10**	**10**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**49**
Grapes	India	10	12	8	10	6	0	0	0	0	0	0	0	46
Grapes	USA	0	0	0	0	0	0	0	4	4	6	5	20	39
Grapes	Australia	0	0	0	5	5	0	0	0	0	0	0	0	10
Grapes	Peru	5	5	0	0	0	0	0	0	0	0	0	0	10

Source: Big C

The table below shows weekly offer sheet of grapes – variety, origin, size, unit price, weight, mode, and product photo

Variety	Origin	Size	Unit price	THB/KG (incl 7% DC + 15% provision)	THB/KG (incl 7% DC, no import provision)	Net Wt./Ctn (KG)	Mode	ETD	ETA port	ETA DC	Remark	Photo

Red globe grapes	China	20 mm++				8.00	Truck				1862 carton/1*40”	

Source: Big C

Grapes season differs by geographical locations. Thus, in an attempt to supply grapes for its customer all year round, Big C purchases them from several sources according to the grapes season of the original countries. According to the volume forcast table, as grapes are fruitful in this period, Big C imports larger volume from China and USA (northern hemisphere countries) in second half of the year (june – December). In contrast, for the first half of the year (Jan – June), it imports grapes from Chile, India, Australia, and Peru (southern hemisphere countries).

3. The buyer team receives the product specifications from suppliers about two months before the order. Product specification can include the product seasonality with supplying capacity. Then, they contact the embassy or associations in charge of product promotion in an attempt to promotional program support.

The table below demonstrates the the product seasonality list of grapes

Product Name	Origin	Variety	Seasonality
Grape	USA	Red globe grapes	Jul – Dec
		Seedless grapes	Jul – Dec
	Peru	Red globe grapes	Dec – Jan
		Seedless grapes	Dec – Jan
	India	Seedless grapes	Jan – Apr
	Australia	Red globe grapes	Feb – Jun
		Seedless grapes	Feb – Jun
	Chile	**Red globe grapes**	**Jan – Apr**
		Seedless grapes	**Jan – Apr**
	China	Red globe grapes	Yunnan: Jul – Aug
		Seedless grapes	Xinjiang: Aug – Oct

Source: BIG C

BIG C usually orders grapes, Red globe and Seedless, from Chile from January to April as it is the peak period of grapes in Chile while for others countries the import period is varied according to the the origin’s seasonal availability.

4. About a month before the order is made, buyer team reconfirms the final quotation with suppliers and ask local buyers for their promotional plan.
5. The final volume is reserved and the order is completed approximately two weeks. At the same time, the buyer team sets the promotional plans for products and inform the buyers.

Weekly procedures

Day	Activities
Monday	Gathering all suppliers' quotations.
Tuesday	Send the weekly offer to BIG C Buyers team.
Wednesday- Thursday	Feedback from Buyers Team: products specifications and potential orders, price negotiation with suppliers if needed.
Friday	Finalized orders and send Pos to suppliers

Source: Big C

Required import documentation:

1. Commercial Invoice
2. Packing List
3. Sea Waybill/ bill of lading
4. Certificate of Origin
5. Photo sanitary Certificate
6. Cold treatment certification (if needed)

International purchasing policy

BIG C has been trying to increase oversea purchase in order to massify programs and decrease the prices . In addition, it also enlarges oversea items' ranges to satisfy demands of theircustomers. Consequently, new potential imported items are usually proposed on a weekly basis (each Tuesday to the buyer).

TESCO LOTUS

To be a supplier of TESCO LOTUS, exporters or producers have to contact directly with GSF, sourcing department. The product details such as price, sale volume, production standards and certificates should be clearly provided for the sourcing department. However, exporters should bear in mind that the products should possess competitive advantages, for instance, lower price yet high quality, in order to be able to compete with the products in the same category. TESCO has imported a good number of Chilean products especially seafood.

The purchasing process is quite similar to the case of Big C. Tesco buyer team will contact directly with importers or exporters of interest. When the purchasing process is completed, goods will be transported to the distribution centers and they will be distributed later to Tesco Lotus stores across the country.

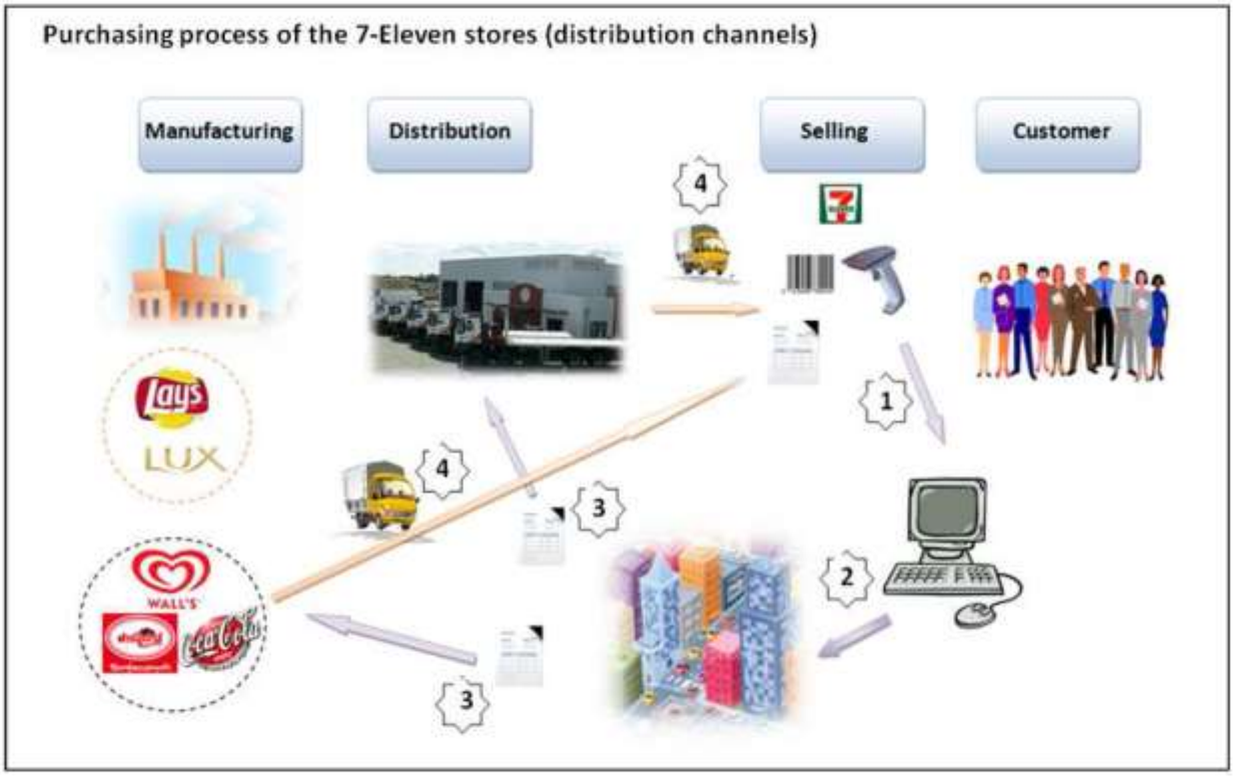
7 - ELEVEN

Considering smaller retail business, convenience store such as 7 – ELEVEN classifies itself as food retailer whose products categorized into two groups including food and beverage and non – food products. Food and beverage accounts for about 52% of the total product while non – food product is at 48%.

7 – Eleven and other convenience stores normally supply their products from two major sources, suppliers and in – house manufacturer. 93% of the total products are from 1,200 – 1,500 suppliers which have share for less than 20% of the total sale value. The left 7% of the products are from the key share holders, 7 – ELEVEN GROUP and CP group.

The company also has the in – house manufacturer products supplying daily products such as chilled food, bakery, and other exclusive food.

According to CPAll, 7 – Eleven does not import products directly from exporter but local distributers or importers. These two actors are required to pay fees in order to have their products sold in the shops. The fee can include shelve fee, promotional fee, and stock fee and are agreements made between local distributors or importers such as DKSH, CHINO PACIFIC, AND MASS MARKET, leading distributors of 7 – Eleven with exporters. Thus, Chilean exporters have to contact local distributors or importers directly to have their products distributed to 7 – eleven stores.



Source: http://www.diva-portal.org/smash/get/diva2:226656/FULLTEXT01.pdf

Access barriers

Putting products on the shelves of these retail shops, local suppliers, importers, and distributors, may encounter some difficulties. However, international exporters are exempted from shelving fee and others additional fees.[9] This applies to some retailers such as BIG C.

Retailers require new local suppliers to pay fee for products to be sold in the shop for the first time. This fee is in proportion with the branches of the retail shops meaning the more retail shops, the higher fee suppliers have to pay. Moreover, there are some other fees required including fee for inventory data, shelf management fee for certain areas, fee for sales achievement – monthly or annually, distribution center management fee, advertising fee, catalogue fee, discount and giveaways fee according to promotion and participation of suppliers. In some cases, ie. 7 Eleven, the fee amount is an agreement made between local distributors or importers and exporters since it does not import product directly from exporters

In addition, the rapid expansion of food retail business has urged local government to protect traditional outlets. Thai government has imposed a law requiring shops with selling space of 300 – 400 square meters to be located 15 kilometers away from downtown. This may cause the limitation of store expansion and slow in sale of the modern retailers.

[9] Big C does not require shelving fee for exporter

3. Posicionamiento e imagen.

Most of the retail shops in Thailand are originally international chains that have global presence and network with both international and local suppliers. However, some of them are operated by Thai people such as Gourmet Market from The Mall Group, and Tops Supermarket and Central Food Hall, affiliates of Central Group. Even though they are Thai corporates, most of their food products are imported and has regional reputation.

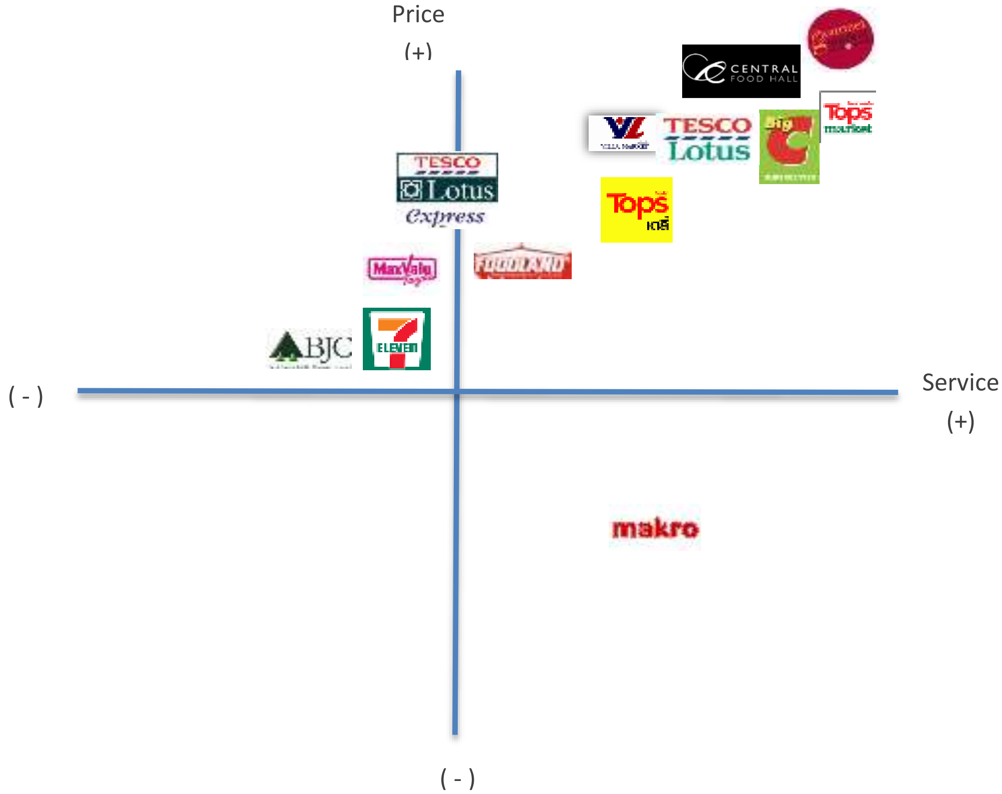
Modern retailers in Thai market have various socioeconomic focused groups depending on categories and products offered. In general, retailers in hypermarket group such as Tesco Lotus Hypermarket, Big C, and Big C Extra usually emphasize customers with middle and low income. For cash and carry retail such as Siam Makro, price range is usually low comparing to its competitors in other categories since its emphasis is on small retailers, bulk buyers, and HRIs. Nevertheless, products from supermarkets, convenience stores, and special stores are more favorable for all income types from low, middle, to high.

The image and positioning perceived by customers of each retailers are much upon the products each retailers offer. GOURMET MARKET, TOP MARKET, AND CENTRAL FOOD HALL positioned themselves as upscale retailers are considered more high – end as it offers wide varieties of premium imported products in primer locations in response to modern living lifestyle in contrast with its counterparts in the same category such as Tops Supermarkets, TESCO LOTUS, and BIG C, of which produce cheaper with high quality, more convenience, and easily accessible image.

Tops distinguishes itself from competitors with exclusive brands particularly in food sector. Exclusive brands are inclusive of these three major groups, Only At – products suppliers supplying specially for tops prior to other retailers, Exclusive Items – products, usually foodstuff, are co – produced with foreign manufacturers who seek distribution channels in Thai market, and Exclusive Import – products from contracted foreign agriculturists providing fruit, vegetable, and food products. Tesco Lotus, however, projects a cheaper retailer image providing customers with ready – to – eat food fresh products along with other grocery products. BIG C as a main competitor of Tesco Lotus has also created their image toward a retail that offers products with reasonable price yet high quality and decent service.

Therefore, the prior retailers are attractive to customers with greater purchasing power who seek finer products unavailable in regular stores. This group of consumers are, for instance, tourists, expatriates, and mid to high class consumers. On the other hand, supermarket like Tesco Lotus, Tops Super Market, and Big are more appeal to wider group of consumers.

The map below demonstrates the positioning of each grocery retail brand in Thailand according to price and service.



4. Política de marcas propias.

Marketing strategies have been modified recently by most retailers. One of the modifications is creating their private label products which offer relatively high value for money. Some hypermarkets, supermarkets, and convenience stores have their own private label goods for ready – to – eat foods, ready – to – cook prepared foods, homemade bakery, snacks, sausages, water, cooking oil, rice, sauces, dairy products, and fruit juice. Even though private label products are not traditionally embraced in Thailand, but they have been gaining more acceptance due to the economic downturn, and the growing consumer realization that they are not necessarily lower quality than branded items. Together with aggressive marketing campaigns and the increasing number of private label products, sales have grown significantly.[10]

Private label products can be found at these modern retailers. CENTRAL FOOD RETAIL has three brands including My Choice for ready to eat product, COOKING FOR FUN for specialty products such as olive oil, pasta, and rice, and Tops for premium consumer products. BIG C offers thee own label brands. Happy Baht is more for a price sensitive customers. BIG C for medium end customers. And BIG C ADVANCE for high end customers. Tesco Lotus also give three options for certain group of customers – Tesco Tra Khumka – a price efficient brand, Tesco – offering higher quality with better price, and Tesco Finest – representing more premium quality products.

Strategies used for the private label items usually are bargain pricing strategy, packaging upgrades, continuous quality improvements, licensing program expansions, emergence of premium quality or unique, innovative private brands, cash back, and point collection.

Thanks to the fact that the margins on the private label items for retailers are double of the branded one and have risen in popularity, this kind of products provides decent opportunities for Chilean exporters especially

[10] MARKET INDICATOR REPORT | APRIL 2012

those who specialized in food ingredients such as olive oil, fresh fruit, dried fruit, nuts and seafood which are very competitive due to the coming into effect free trade agreement. Regarding the recently signed FTA with Thailand, it will provides Chilean exporters with lower tariff rates and other favorable treatments and exported products from Chile will consequently gain more competitiveness. However, there is clearly a competition among the counterparts namely China, Malaysia, Vietnam, and etc., who previously signed the FTA.

5. Política de sustentabilidad

The government of Thailand introduced the national standards for organic farming in 2001 resulting in a national logo of organic foods known as Organic Thailand. This certificate program is operated by the Department of Agriculture and National Bureau of Agricultural Commodity and Food Standards.

However, this practice is not compulsory. Many farmers in Thailand practice the organic agriculture but do not sell certified products. The most recognized private labels are, for example, Organic Agriculture Certification Thailand (ACT), BioSuisse (Switzerland), and Bioagricert (Italy). Products exported to the US and Japan have the USDA and JAS logos respectively.

Consumers in Thailand do not fully aware of what the organic foods are and how they differ from conventional foods. The main reasons are because organic foods are usually priced double as much for local organic while four or five times as much for imported ones so that the consumption are ideally limited to a group of middle - upper to higher class, expatriates, and tourists, who have more purchasing power.

Moreover, there is a competition with hygienic foods which give consumers confusion. Hygienic fruit and vegetables can be grown with the synthetic pesticides and herbicides but cannot have toxic residues. It is more common for Thai fresh products to have these following labels, quality, non - toxic, pesticides - free, and hygienic or safety food.

The value of organic food and drink was at 7 million USD in 2006, which is relatively small owing to the unaffordable price for majority of consumers. The average expenditure on organic food is at 0.11 USD per capita partly because of many sectors of Thai population habiting in rural area where organic products are scarcely available.[11]

Fresh produce especially fruit and vegetables such as lettuce, cabbage, spinach, cucumber, tomato, papaya, and mango, is the major category of the organic foods since consumers are attracted to the freshness the products offer. Since organic fresh produce is domestically grown, the products thus have lower price premium compared to the imported products like apple, orange, banana which are price three to four times as much.

Retailers source organic product from producers and importers. Some of them such as Central Food Retail imports foods via consolidators. Importers of organic products usually double up as wholesalers supplying retailers such as hypermarket and supermarket. Aden and Baby Garden are two leading organic food shops in Thailand. They both have large supermarkets with in - store restaurants and cafeterias.

CENTRAL FOOD RETAIL, THE MALL group and TESCO LOTUS are well known food retailers in Thailand. However, Central Food Retails seem to be the only one who is active in marketing organic food and beverages in its own operate stores. Larger chain hypermarket and supermarket tend to have more selections of organic

[11] Organic Monitor – The South – East Asian Market for Organic Food and Drink

products such as fruit, vegetables, breakfast cereals, juices, and cookies. Most of fruit and vegetables are sourced from Thai farmers. Whereas Villa Market has quite similar products range, Tesco Lotus is likely having the least narrow assortment of organic products, vegetables, of all the food retailers.

Central Food Retail is considered in the biggest food retail in Thailand operating under Central Food Hall, Tops Market, Tops Super, and Tops Daily. The retailer have wide range of organic products and mostly are imported from the UK. Well known imported brand among Thai consumers is WAITROSE.

As food safety is its top priority, CENTRAL FOOD RETAIL is the first food retailer in Thailand to have all their stores certified with Food Safety Standard by the Ministry of Public Health. Moreover, all of its products meet Good Manufacturing Practices (GMP) and Hazard Analysis Critical Control Points (HACCP) standard requirements; by the Management System Certification Institute (Thailand), or MASCI.

TESCO LOTUS sometimes import organic products as well as processors of organic foods that require organic ingredients.

SAMPRAN FOOD COMPANY is a leading importer and producer of organic goods in Thailand. It imports products, mostly from the US and New Zealand, repackages, markets under the brand called Healthy Mate, and distributes to supermarkets especially, Villa Market and other specialized ones.

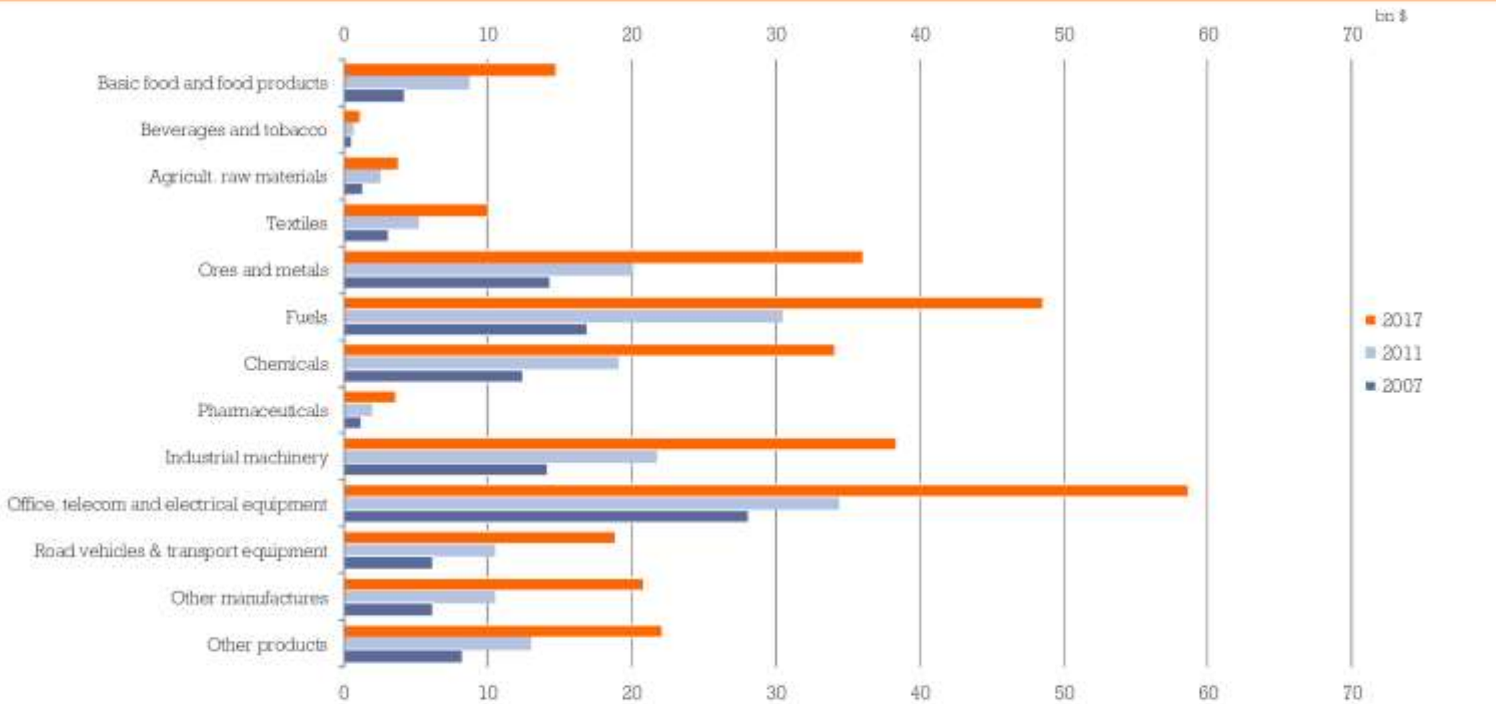
The main suppliers to the leading grocery retailers in Thailand are, for instance, TOP ORGANIC PRODUCTS & SUPPLIES, RANGSIT FARM, APZ CORPORATION, GREEN NET, AND SWIFT.

Although we have national regulations for organic food, no guidelines for imported organic products exists. Therefore, it is not required to recertified the products. There is no separate regulations imposed for imported organic products. Fresh fruit and vegetables must meet the phytosanitary requirement as well as the pesticide residue standards, which depends on individual item. For meat and seafood must meet quarantine and food health requirements. Processed food also must meet the labeling and food additive requirements.

V. EXIGENCIAS Y REQUERIMIENTOS EN EL CANAL

From the study conducted by ING, it is expected that the demand for import of basic food, food products, and raw materials to constantly increased from about 8 billion USD in 2011 to about 15 billion USD in 2017 and about 3 billion USD in 2011 to about 5 billion USD in 2017 respectively.

Demand for products: imports by product group



Source: http://www.ingcb.com/media/238303/thailand.pdf

Furthermore, there are licensing and registrations required for all imported food products prior to be sold in the shops especially processed food products and meat[12]. However, exporters of certain fruit and vegetable products are required to submit phytosanitary certificate issued by the country of origin of the products.

Under the Food Act of B.E. 2522 (1979), all businesses producing or importing food for sale must be licensed by the Food and Drug Administration (FDA).

The Food Act classifies food into four main categories as follows:

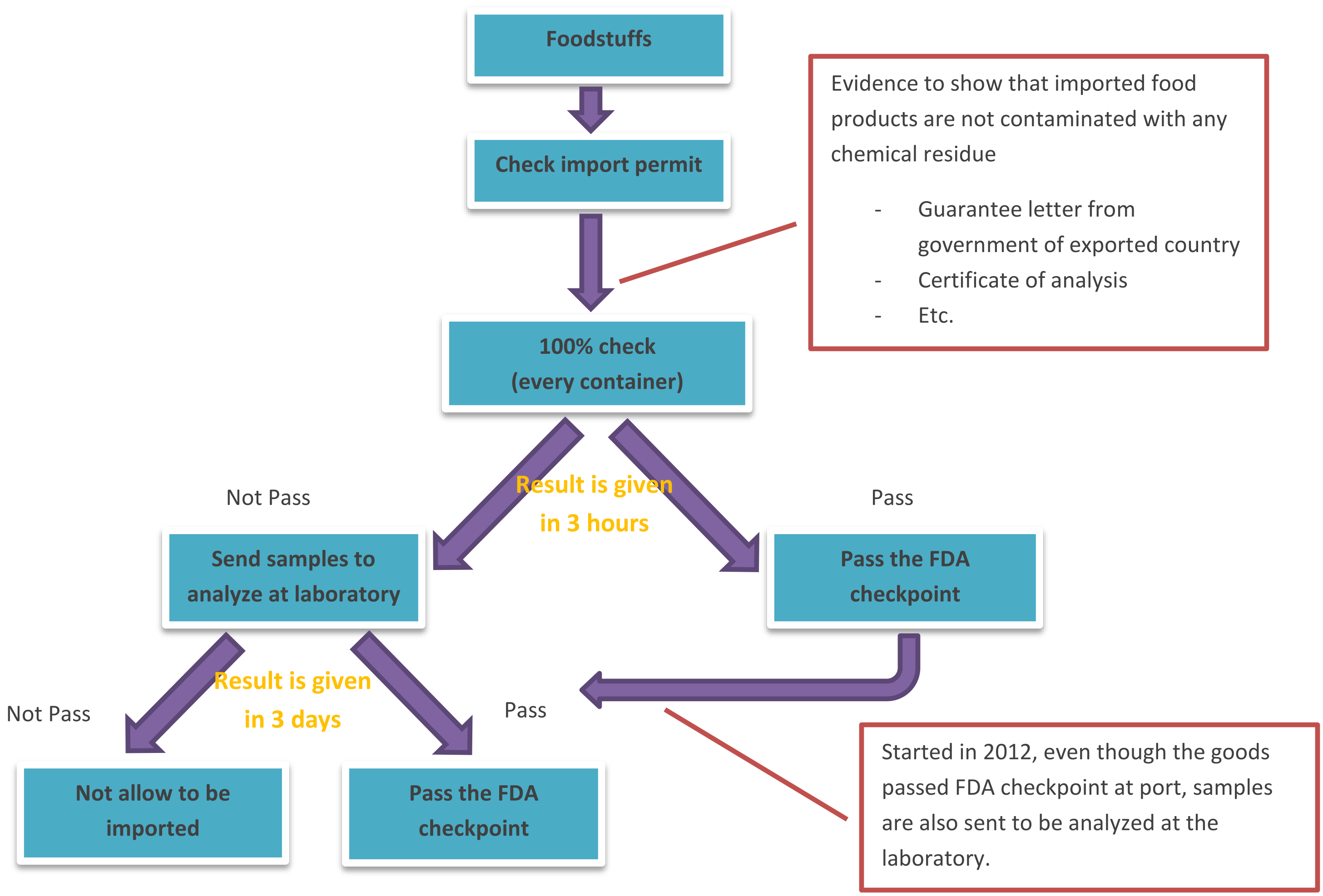
- Specifically-controlled foods: registration is required for food in this category. Legal provisions are established regarding standard quality, specifications, packaging and labeling requirements as well as other aspects of good manufacturing practice.
- Standardized food: food in this category does not require registration but must meet quality standards as specified in the regulations.
- Food required to carry standardized labels: food in this category is considered to have a lower risk of hazard to consumer’s health than those listed under categories one and two. It does not have to follow specific quality standards but must carry standardized labels that provide consumer information.

[12] Thai Livestock Department

- General foods: consists of food not listed in the above three categories. Although registration is not required, general food products are controlled and monitored on hygiene, safety, labeling and advertising.

The Thai Food and Drug Administration website provides details of the relevant laws and regulations and importation process: www.fda.moph.go.th/eng/index.stm.

The process FDA requires for food importers is shown below.



Source: FDA Thailand

VI. OPORTUNIDADES PARA SUBSECTORES/PRODUCTOS CHILENOS EN CANAL ANALIZADO

Retail business in Thailand is still growing in particular hypermarket and supermarket such as Tops Supermarket, Foodland, Villa Market, Tesco Lotus, Big C, and Makro. There are more than 6,000 stores of this modern retailers across the country. Suggested by Suwit Kinkeaw, Senior Vice President of CP All, operator of 7 – Eleven convenience store in Thailand, the retail business is forcasted to grow 10% each year. The growth for convenience store segment, supermarket and hypermarket, and traditional trade are as high as 17%, 4.5% and 3% respectively.[13]

Middle class income earners who tend to develop western style of food consumption and have demands for wellness food, are emerging with higher purchasing power. This segment usually shops in modern retail shops. It is simply because those retails are more convenient, faster, and more varieties of domestic and international foodstuff to choose.

Products that are expected to gain more popularity are in luxurious category. The demand depends on new group of consumers who have significant purchasing power. This new group of consumers are the seniors, small households, and middle income earners (earning more than 15,000 a month). When examining the spending structure of the consumer in this emerging sector, the proportion of expense on consumer goods barely changes but the types of product consumed do. Their demands are likely focusing more on the luxury goods particularly dietary supplement and vitamins.

The demand of raw material in Thai market are increasing due to greater local production using imported ingredients. The import market for these ingredients grew to reach 1.4 billion in 2010. Moreover, it reflects the rising income level in Thailand resulting in shift of food consumption pattern from unprocessed food bought at fresh market to processed food in hypermarkets or supermarkets. Therefore this is considered an opportunities for Chilean exporters to supply food ingredients which is not locally available for Thai food processors regarding the rising demand.

Thailand's food processing sector has developed rapidly throughout the past decade and is one of the most developed in the region. Thai food processing industry is looking for new ingredients and has demonstrate strong interest in importing health and functional food ingredients. As lifestyle is beginning to change thanks to the rising number of middle class who develops the western style of living, package food products are experiencing significant growth and increasingly popularity. Thus, with opportunities from the FTA, Chilean exporters can seek opportunities to supply manufactures ingredients for processed food.

Demands of sweets and savory snacks has been growing continuously, driven by aggressive advertising campaigns and marketing activities among leading brands. In 2011, this sector grew by 7%, value of 840 million USD, and is expected to grow by value of 1 billion USD in 2016. Health concerning consumers are also increasing

[13] http://www.nationmultimedia.com/business/Low-purchasing-power-to-hit-retailers-in-2014-30223124.html

resulting in numbers of more health and wellness snacks. Many manufacturers have been trying to reformulate their products to reduce amount of fat, sodium, and sugar, or make them fat – free, sodium – free , and sugar – free, in response to greater demands from consumers for healthier snacks. Given this, Chilean dried fruit products and nuts may have opportunities to gain more shares in the market.

The Thai local market also has strong demand for healthy food products due to the increased awareness from media campaigns and Ministry of Public Health messages. Referring to the information from the National Food Institute, consumers expenditures on health and wellness food grew to about 5 billion USD in 2012, of which 1.7 billion USD was spent on sport nutrition, vitamins and dietary supplements, weight management, herbal/traditional products, allergy care and child specific consumer health products.

VII. COMENTARIOS Y RECOMENDACIONES DE LA OFICINA COMERCIAL

Chilean exporters should have decent connection with native distributors and strong marketing strategies for their products including product samplings. Also, exporters is recommended to conduct market research prior to the market entry and be very active in approaching and visiting potential distributors. Most retailers use internet as an instrument to find out product information thus it is worthy to invest in a good website that includes useful information to protential buyers.

Hypermarket, Supermarket, and Cash and Carry

To enter the products into hypermarket, supermarket, and cash and carry, it is recommended that the chilean exporters to contact with them directly. For those retailers that does not have import department, it is suggested that exporters make agreement with the local importers or agents instead since they will be a key partner helping expand business opportunities and reduce the need of importers to establish direct contact with many retail chain. Moreover, local importers are more familiar with market conditions and regulations which can help exporters to successfully market their product.

The distribution channel for this segment normally starts with importers, then distributors, ended with central warehouse or retail outlet. Some hypermarkets, supermarkets, and superstores import food items directly and store them at their own distribution center before delivering to other outlets

Convenience Store

The best method for chilean exporters to enter convenience stores is to contact directly with the head office of the convenience store or local distributors or importers for some convenience store such as 7 – ELEVEN does not import products directly from overseas exporters but local agencies. Nonetheless, there are no chilean imported product sold in convenience store in Thailand yet. For other convienience stores such as MAXVALU TANJAI, most of their imported products are from Japan. Even though 7 – 11 is a major player in this sector, pricing of imported products does not match with this retail category according to high cost of logistics and tarrif.

As a result, it is more reasonable to sell imported products in other retail categories such as hypermarket and supermarket.

The distribution channel for convenience stores would normally begin with Chilean exporters and ends with Thai distributors.

Traditional Market

It is rather difficult for chilean products to enter Thai traditional wet market due to the lower prices, lower consumer purchasing power, limited distribution channel, and consumer's preference for traditional Thai and Chinese food products.

To distribute foodstuff in the traditional market, manufactures usually have their own distributors.

Being a competitive exporter in Thai market, chilean companies need to be able to differentiate products from their counterparts and eliminate the image of product of no origin. Food that is safe, healthy, and convenient, is in response to the current trend. Consequently, exporters have to be assured that their product are not contaminated with any remaing chemical residues but with innovation and added advantages for health. Additionally, as life is getting busier, people demand food that are quick and easy with green packaging. Positive images of Chile as a country with diversity of quality ingredients and high quality of food production should be presented since certain chilean products are merely recognized by limited group of consumers. These can be done by intensive communication with consumers and educational campaigns.[14]

VIII. ANEXOS

1. Ministerio de Comercio Tailandés, Website: http://www.moc.go.th
2. Departamento de Aduanas (Customs – Thailand), Website: http://www.customs.go.th
3. Excise Department, Website: http://www.excise.go.th
4. Board of Trade of Thailand, Website: http://www.tcc.or.th
5. Board of Investment (BOI), Website: http://www.boi.go.th
6. Thai Chamber of Commerce, Website: http://www.tcc.or.th
7. Food and Drug Administration (FDA), Website: http://www.fda.moph.go.th

[14] Exporter Guide THAILAND FOOD & BEVERAGE Market Profile