

Asia Retail

# What's New and What's Next in Thailand Retail

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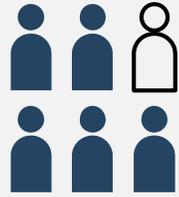


April 2019

Asia Distribution and Retail

 FUNG BUSINESS INTELLIGENCE

Key economic indicators



**69.2 million\***  
Population



**US\$497.5 billion\***  
GDP



**1.4%\***  
Consumer price inflation



**US\$ 113.5 billion\*\***  
Retail sales  
**up 3.1% yoy**

**Up 4.1% yoy\***  
Real GDP growth



**US\$18,902\***  
GDP per head



**US\$ 2.3billion\*\***  
Internet sales  
**Up 17.6% yoy**



Source: Economist Intelligence Unit estimates for 2018\*, Euromonitor International actual figures for 2018\*\*, compiled by Fung Business Intelligence

# Major domestic retailers

## Central Group

**Sales 2018:** 397,308 million baht\*  
(US\$12,205 million)\*\*

**Outlets 2017:** 4,970

**Major retail businesses and brands:**

Department stores: Central Department Store, Robinson, Zen Department Store

Convenience stores: FamilyMart Thailand, Tops Daily

Hypermarket and Supermarkets: Big C, Tops Market, Superkoom

Shopping malls: Central World, Central Marina, Central Plaza, Central Festival, Central Embassy, Central i-City

Drug stores: Matsumoto Kiyoshi Thailand

Sporting goods specialty stores: SuperSports

Wine specialty store: Central Wine Cellar

Dining services: Segafredo Zanetti Espresso, EATHAI

E-commerce: Central Online, Top Online, Power Buy, Office Mate, B2S, Looksi, Baan & Beyond, JD Central

\*Estimated figures, representing growth of 14% from 2017

\*\*US\$1=32.554 baht ; Bloomberg's USD-THB spot exchange rate on 28 December 2018

## CP All PCL

**Sales as of 2018:** 527,860 million baht  
(US\$16,215 million)\*\*

**Outlets as of 3Q2018:** 10,902

**Major retail businesses and brands:**

Convenience stores: 7-Eleven Thailand

Cash and carry stores: Siam Makro., Ltd

E-commerce: Twenty Four Shopping Co., Ltd.

Food service and catering business: CPRAM Co., Ltd

Logistics service: Dynamic Management Co., Ltd.

Smart card payment service: Thai Smart Card Co., Ltd

Bill payment service: Counter Service Co., Ltd.

Information technology service: Gosoft (Thailand) Co., Ltd.

Retail equipment service: CP Retailink Co., Ltd.

## The Mall Group

**Sales 2017:** 50,000 million baht  
(US\$1,536 million)\*\*\*

**Outlets 2018:** 12

**Major retail businesses and brands:**

Shopping malls: The Emporium, The Emquartier, Bluport Hua Hin Resort Mall, The Mall

Department stores: Paragon

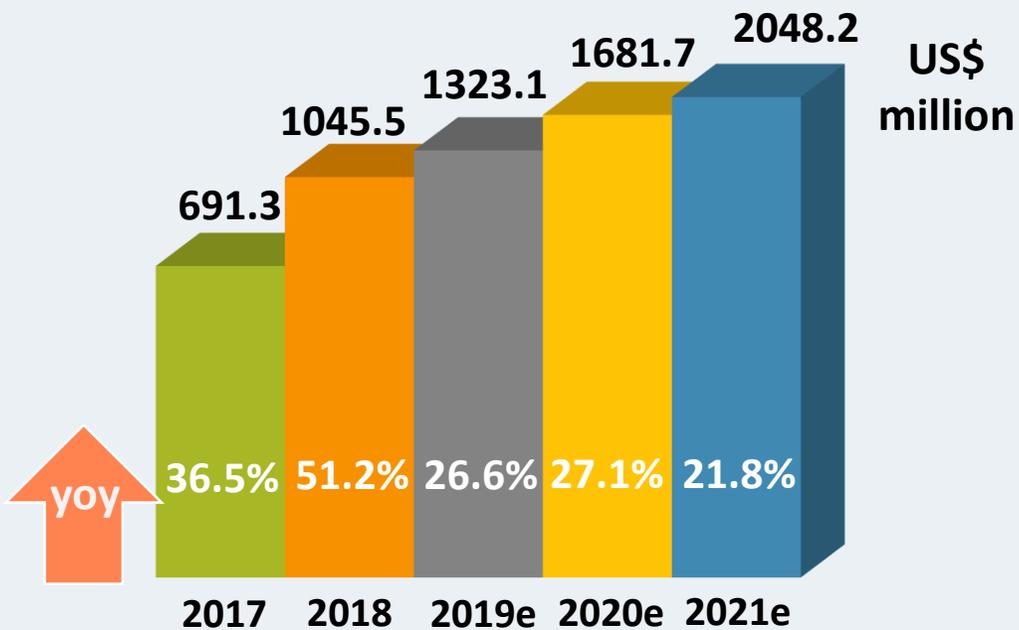
# Major retailers by sector

Sector	Major retailers
Internet retailing	Alibaba Group Holding Ltd., Charoen Pokphand Group, Sea Ltd., Amazon.com Inc., Tesco Plc.
Apparel and footwear	Uniqlo (Thailand) Co Ltd., Central Group, ICC International PCL, Adidas Thailand Co Ltd., Jaspal Co Ltd.
Beauty and personal care	Unilever Group, L'Oréal Groupe, Procter & Gamble Co., Colgate-Palmolive Co., Beiersdorf AG
Consumer electronics	Thai Samsung Electronics Co Ltd., AsusTek Computer (Thailand) Co Ltd., Apple South Asia (Thailand) Co Ltd., Lenovo (Thailand) Ltd.
Catering	MK Restaurants Co Ltd., Fuji Tsukui Group, Thai Beverage PCL, Minor International PCL, S & P Syndicate PCL

Source: Euromonitor International; compiled by Fung Business Intelligence

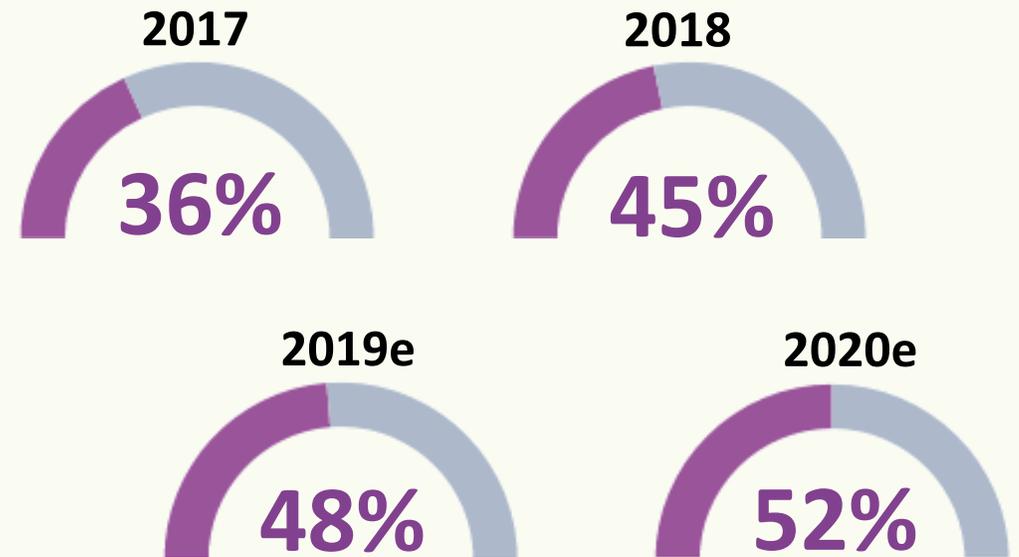
# Growth of M-commerce

M-commerce sales and yoy growth in Thailand, 2017-2021e



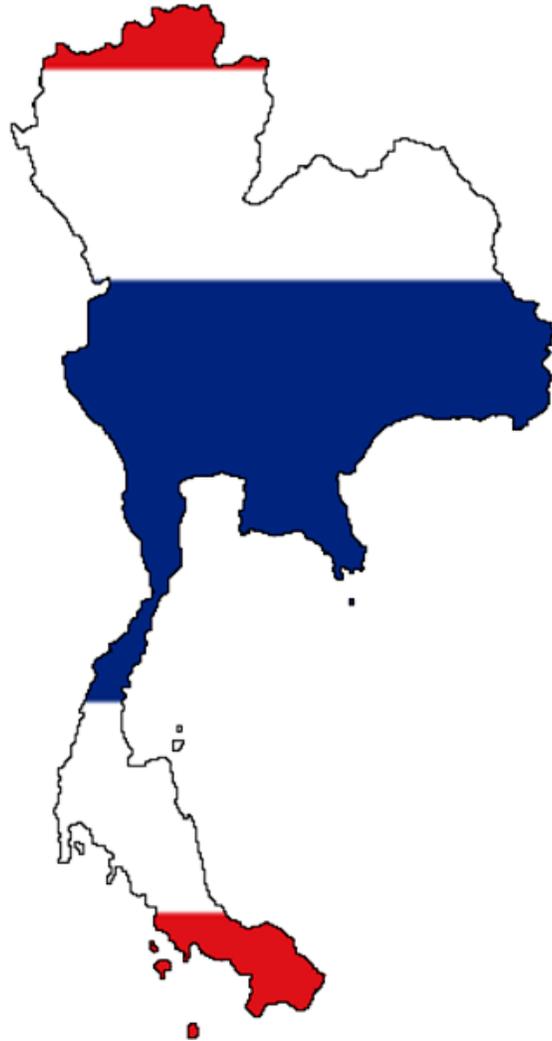
Source: Euromonitor International; compiled by Fung Business Intelligence

% of M-commerce sales over total B2C e-commerce sales in Thailand, 2017-2020e

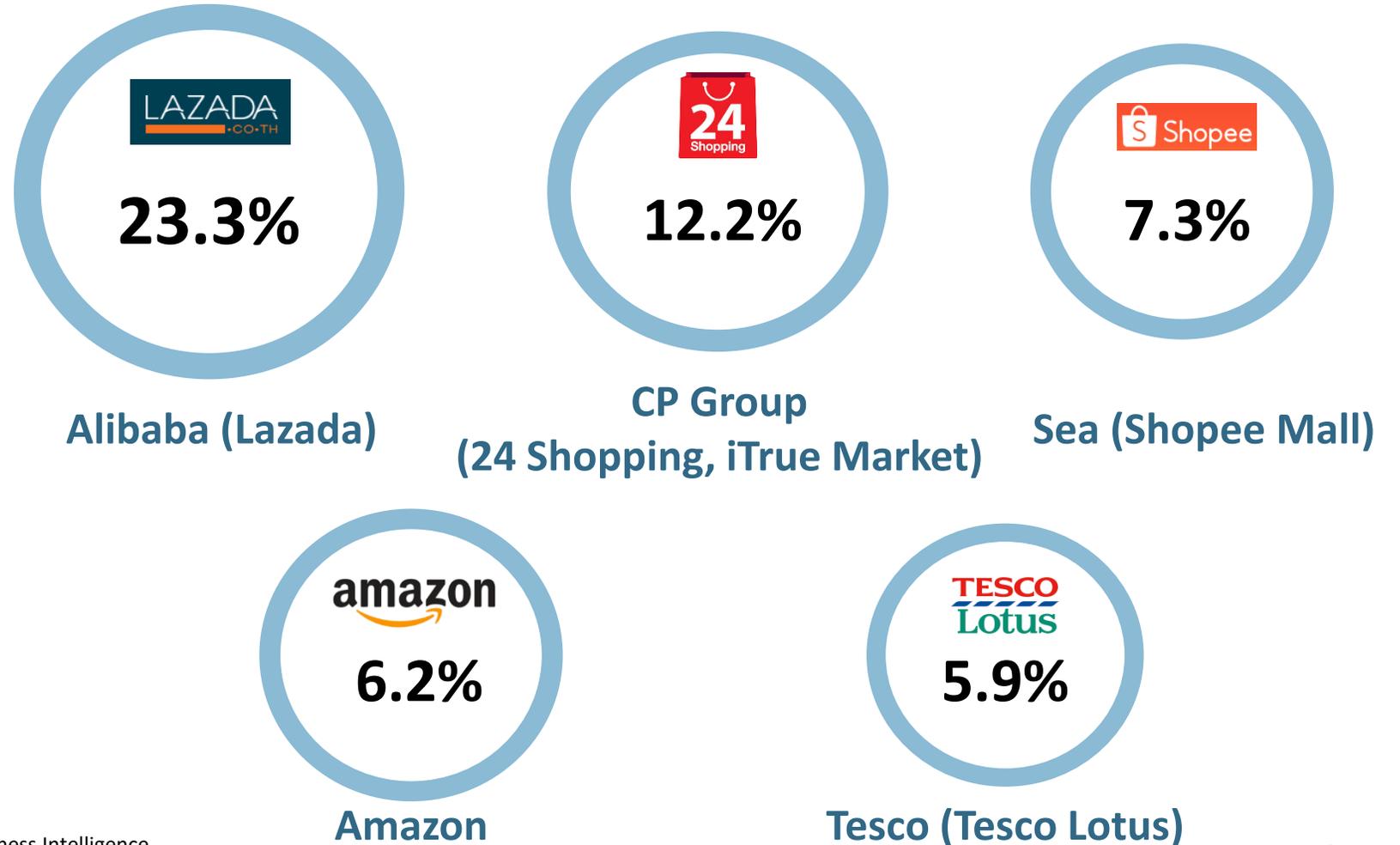


Source: Euromonitor International; compiled by Fung Business Intelligence

# Top 5 e-commerce players



Market share of Thailand's top 5 e-commerce players, 2018



# Key retail districts

## Bangkok

- Siam
- Suklumvit Road
- Pratunam
- Riverside area
- Silom
- Chinatown
- Chatuchak



# Thailand 4.0 policy drives e-commerce growth



Unveiled by the Thai government in May 2016, Thailand 4.0 policy is a national economic scheme aiming to transform Thailand into a value-based economy and push the country in the high-income range through digital innovation and upgrade.

The national digital initiative has created abundant opportunities for e-commerce businesses in the country. In April 2018, the Thai government entered into partnership with China's e-commerce giant Alibaba. Under the deal, Alibaba will invest 11 billion baht in the first stage of the Eastern Economic Corridor (EEC), one of the government's flagship economic development projects as part of Thailand 4.0 policy. As part of the investment, Alibaba will set up its facilities and draw on its technology capabilities to process logistics data to serve shipments between Thailand and China, along with border trader with Cambodia, Laos, Myanmar and Vietnam.

Alibaba has also agreed to ink four memorandums of understanding with the Thai government, with one of the pacts committed the company to promoting Thai rice and durian in the Chinese market via Alibaba's e-commerce platforms.

# Thailand 4.0 policy drives e-commerce growth (Cont'd)



In line with Thailand's 4.0 programme, the government has transformed Thaitrade.com into a national e-marketplace to provide micro SMEs and farmers access to the B2B and B2C markets at home and abroad. Thaitrade.com also serves the country's big data needs and work with domestic and international e-commerce platforms.

After launching a Thai flagship store in partnership with Alibaba, Thaitrade.com also looks to pair up with more major e-commerce players such as JD.com in China and GoSoko in Africa. It also plans to increase its trade volume from the current 5 billion baht to 10 billion baht in 2019 by connecting local vendors with global e-commerce players.

State-own postal service provider Thailand Post has also started providing e-commerce service selling locally-made products since 4Q18. The company has launched a trial exporting local products to Japan in tie-up with Japanese online marketplaces.

# Social commerce thrives on heavy social media use

## More about Thailand



Social media usage:  
Among the world's **Top 10** countries

Thais spend on  
average **3.5 hours/day**  
on social media



• Popular social platforms

**1Q18**

Social commerce =  
**40%** of the total  
e-commerce sales



Source: Thai E-commerce Association; compiled by Fung Business Intelligence

Social commerce is experiencing rapid growth in Thailand and playing an increasing important role in B2C and C2C e-commerce transactions.

Instagram, for example, is one of the most popular platforms for online retailing in Thailand. With women as the main customers for its social commerce service, Instagram are used by Internet marketers to sell their products, with clothing, bakery items, IT gadget and gifts as the most common products sold through the platform. Facebook is also a well-received online marketing tool for vendors to sell and introduce their products. As it allows vendors to engage numbers of customers at once, some vendors also offer a bidding option in a bid to boost customer engagement.

According to Thai E-commerce Association, as of May 2018, people in Thailand shared over 17 billion photos and 400 million people use voice and video chat on Facebook. Meanwhile, as of April 2018, over 150 million Instagram users were connecting with businesses each month, with one in three of these conversations generally beginning with an Instagram story.

# Mobile payment shows exponential growth

## More about Thailand



**1Q18**

Mobile transaction

surged **130%** yoy

- With most of the social commerce transactions conducted via P2P money transfer

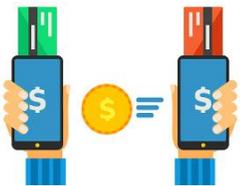
### National e-wallet Prompt Pay



registered users

approx. **42.6 million**

User can link their citizen ID/ cell phone no. to a bank account



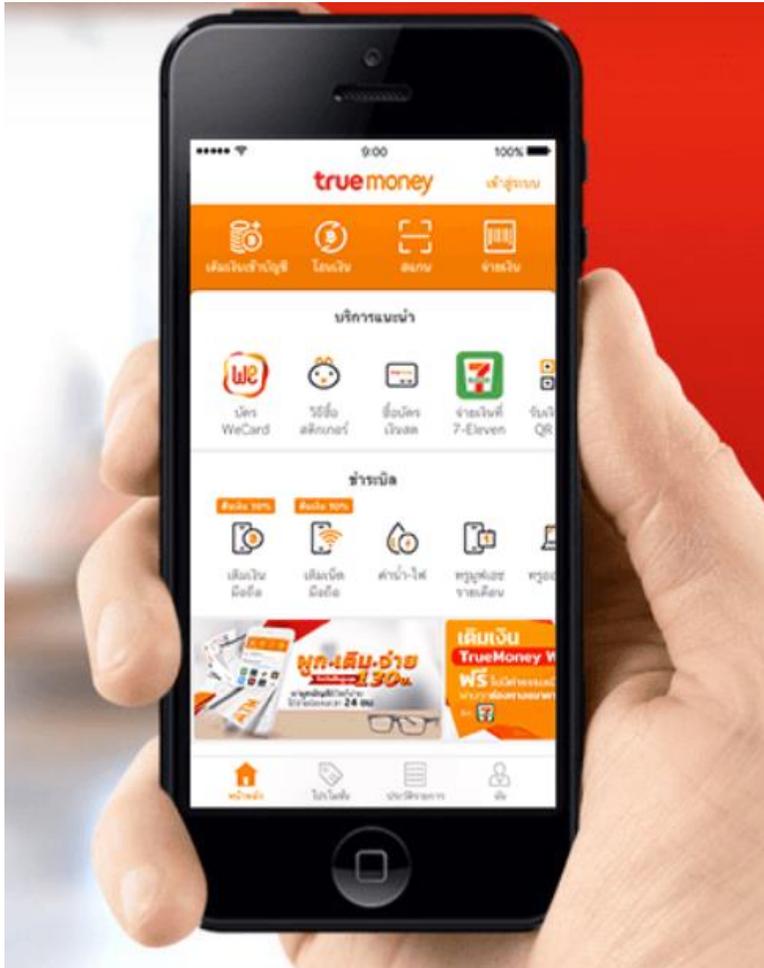
cumulative transaction value approx. **1.6 trillion baht** processed > **334 million** transactions, involving money transfer

Mobile payments are seeing rapid growth in Thailand, driven by consumers' stronger desire for convenience and the social e-commerce boom in the country.

The Thai government's electronic payment push to turn the nation into a cashless society is one of the key drivers for the surge in mobile payment adoption. To reduce costs for digital transactions and track online transactions from bank accounts, the government launched a national e-payment service PromptPay in January 2017 in tie-up with state authorities and the private sector to offer free and easier bank to bank transfers and instant transactions.

Besides PromptPay, other digital wallets such as TrueMoney, offered by Thailand's major telecommunication conglomerate True Corporation Pcl. and Omise Payment, a new digital payment startup have also become more popular in Thailand. Considering that more and more people in Thailand using online payments and electronic wallets, the country's four largest banks, namely Bangkok Bank Pcl, Kasikorn Bank Pcl, Siam Commercial Bank Pcl (SCB) and Krungthai Bank Pcl, have dropped digital transaction fees since April 2018 so as to retain retail customers.

# Traditional retailers embark on digital transformation



Digital technologies have been reshaping Thailand's retail market and impacting the buying behaviors of consumers. To catch up with the digital transformation trend, an increasing number of traditional retailers have added technologies in-store to enhance consumer experience.

For instance, 7-Eleven Thailand, under CP Group's CVS business unit CP All, announced in March 2018 to launch advanced AI technology including facial recognition in all of its 11,000 stores across Thailand. The retailer has partnered with U.S.-Chinese technology firm to apply its KanKan data intelligence and AI based facial recognition and behaviour analysis technologies. The move will help 7-Eleven to record customers' in-store movements and their emotions; check stock levels on shelves and provide real-time operation performance and competitor analysis; as well as monitor employees and identify unauthorized personnel on site.

In May 2018, CP Group's digital payment service TrueMoney also announced to expand its local network by tenfold to cover 100,000 locations, which includes expanding its payment service to subway trains in Bangkok, enabling users to pay fares and shop at station kiosks by scanning the QR code on their TrueMoney app.

# Traditional retailers embark on digital transformation (Cont'd)



Central Group has also paired up China's major e-commerce player JD.com for digital upgrading. In January 2019, Central JD Fintech, a joint venture between Central Group and JD.com announced to launch an e-wallet "Dolphin" in collaboration with Bangkok Bank and Kasikornbank. Targeting 5 million users by the end of 2019, the e-wallet will combine AI and big data analytics, allowing the participating retailers and businesses to develop and present promotional offers fitting each user's lifestyle and needs. It will also provide full support for purchases and transactions at Central Group department stores and stores of the group's retail partners in the country.

The two companies have also formed an e-commerce joint venture named JD Central in Thailand, aiming to capitalize on the booming e-commerce wave and become the leader in Thailand's online retail market. JD Central plans to launch unmanned stores in Bangkok in 2019. Leveraging digital technologies to enhance customer shopping experience, the automated stores will feature state-of-the-art technologies, including facial recognition system and autonomous warehouse robot.

# Retailers reinvent themselves to create new shopping experience



Facing new challenges from e-commerce operators and intensifying competition in the market, some retailers have reinvented themselves by expanding into new sectors or launching new services in a bid to create greater shopping experience.

As a case in point, local retail conglomerate the Mall Group has announced to invest 10 billion baht to build two multi-purpose stadiums in Bangkok, respectively named EM LIVE and Bangkok Arena in partnership with AEG, a multinational sports and entertainment company which operates entertainment complex O2 Arena in London and multi-purpose arena Staples Center in the U.S. Scheduled to open by the end of 2022, EM LIVE, located at The Emsphere, the iconic new retail and entertainment district of the Mall Group, and the Bangkok Arena at the Bangkok Mall, will be used to host music and sports events, fashion shows and conventions to create unique and in-mall entertainment shopping experience for customers.

# Retailers reinvent themselves to create new shopping experience (Cont'd)



7-Eleven Thailand has also launched a new courier service in collaboration with delivery company Dynamic Logistics. Dubbed 24/7 Speed-D express delivery service, the new service offers next-day delivery services for parcels and letters dropped off at participating 7-Eleven stores. It is available at 7-Eleven stores in neighbouring provinces of greater Bangkok, Nonthaburi, Pathum Thani and Samut Prakan. In addition, two 7-Eleven stores in Bangkok have also introduced a trial food and coffee delivery service based on the Line messaging platform with a view to providing new shopping experience for customers.

Another local convenience store chain FamilyMart Thailand has also rolled out express delivery service in Bangkok and surrounding areas through partnership with logistics company Kerry Express. Leveraging the logistics expertise of Kerry Express, FamilyMart has offered “Kerry Express X Family Mart” express delivery service at all of its stores in Bangkok and its outskirts. The partnership enables FamilyMart to offer 24/7 express delivery service provided by Kerry Express; with the new service, FamilyMart’s customers in the capital city can send their parcels to any locations across the nation with fast and high-standard delivery process.



Photo source: Fung Business Intelligence

# Major retailers cash in on tourism boom with new outlet malls

## More about Thailand



**2018**

Received a record  
**38.27 million tourists**  
Up 7.5% yoy

### Tourism

About **12%** of  
Thailand's  
**GDP**



**2019e** no. of visitors to reach **41.1 million**  
with their **spending expected** to hit  
**2.21 trillion baht**



**Chinese Tourists** - the largest source  
of tourist arrivals

**2019e no. of visitors**  
up 11% yoy to 11.69 million  
~1/3 the total foreign receipts



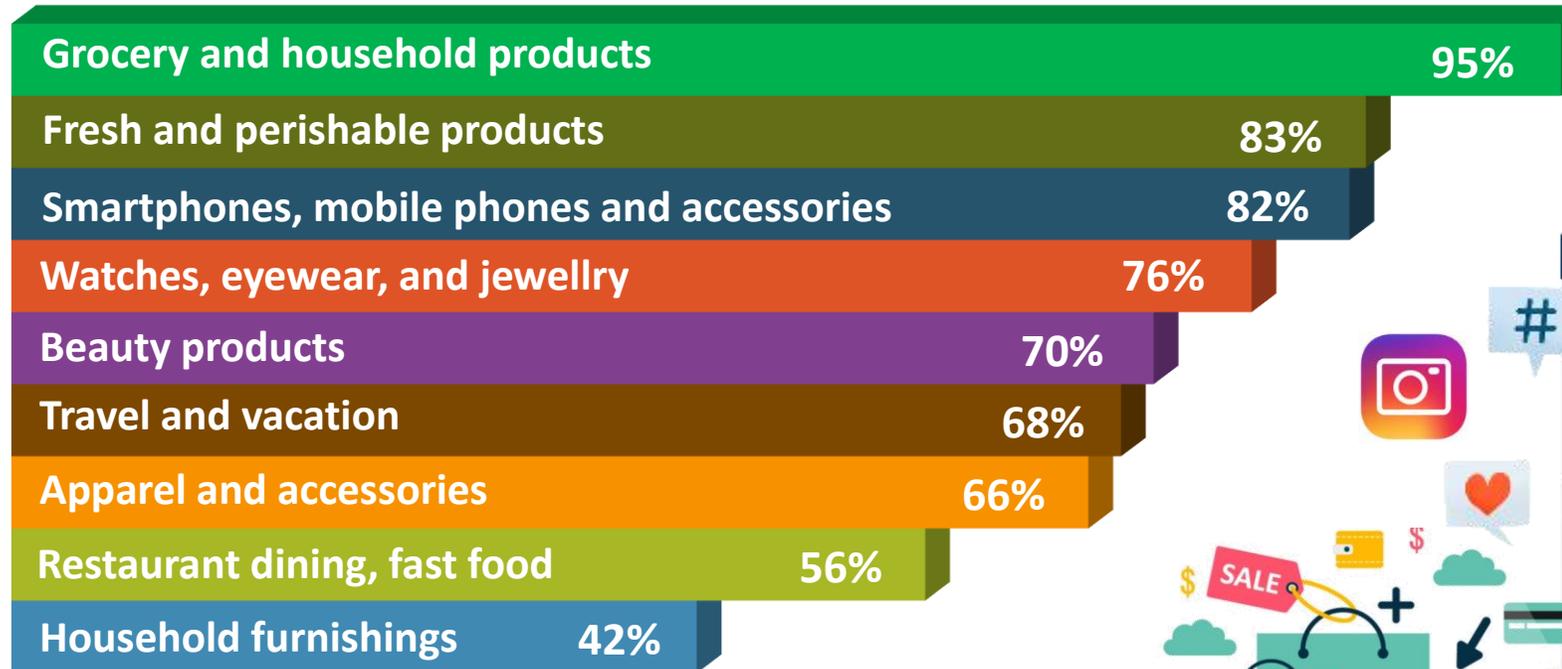
To attract more foreign visitors, especially free-spending Chinese tourists, local retail giants Central Group and Siam Piwat are expanding into the outlet mall format. Central Group has announced to build the country's largest outlet mall near Bangkok's Suvarnabhumi International Airport, targeting foreign tourists and local middle-income consumers. Covering 160,000 sqm, the new outlet mall is named Central Villageis and planned to open in 3Q19.

Siam Piwat, the developer of Siam Paragon shopping mall, has formed a joint venture with Simon Property Group, the largest shopping mall operator in the U.S. and the owner of Gotemba Premium Outlets in Japan, to develop a premium outlet mall in eastern Bangkok. Featuring fashion products from international designers and luxury brands, the 50,000-sqm premium mall will open in October 2019.

**DID YOU KNOW?**

# Thai shoppers are willing to buy through social media

Social media platforms make up a large part of online purchases in various categories in Thailand\*



\*Social media platforms include Facebook, Messenger, Line, Instagram and Kaidee.  
Source: BCG Thailand consumer survey, 2017, BCG analysis; compiled by Fung Business Intelligence  
Photo source: Freepik.com

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