Volume V Issue No. 22 • November 2019

EUROMONITOR DIGEST

Photo by David Egon from Pexels

dti PHILIPPINES EXPORT MARKETING BUREAU

The EMB of the Department of Trade and Industry (DTI) is mandated to oversee the development, promotion, and monitoring of Philippine exports. The EMB provides the exporters the enabling environment to make them globally competitive.

Euromonitor Digest is a monthly online publication of the EMB, which aims to provide insightful analysis on the reports culled from Euromonitor International's Business Intelligence Research.

EXPORT MARKETING BUREAU
G/F and 2/F DTI International Bldg.
375 Sen. Gil Puyat Avenue
Makati City 1200, Philippines

Tel. No.: (632) 465.3300
Fax No.: (632) 899.0111

http://www.dti.gov.ph/exports/
http://tradelinephilippines.dti.gov.ph/

Packaged Food in Thailand

EXECUTIVE SUMMARY

Packaged food records growth in 2019, but government policies put pressure on certain players

Growth in packaged food retail current value sales in Thailand improved in 2019, with value sales higher than in 2018. Players introduced healthier items and new flavors to the landscape, in a bid to boost growth and entice consumers to trade up. Baked goods, processed meat and seafood, drinking milk, and edible oils all saw substantial growth through diversifying offerings and adding premium, healthy options for consumers. However, ready meals recorded the most substantial level of growth, with busy consumers appreciating the convenience and variety that these products provide. Ready meals have also benefited from expansion in convenience stores, a channel more frequently used by consumers, to purchase daily essentials.

When it comes to price points, the economic stimulus policy Thong Fah Pracharat (Blue Flag) is a government scheme disbursed to low-income consumers, which had a significant impact on players in packaged food. The Department of Internal Trade sells consumers goods under the Thong Fah Pracharat project, giving them a welfare-card which enables them to buy products at a lower price, from stores who have signed up to the project. Prices of packaged foods included in the scheme are much lower than retail selling prices, giving consumers cheaper options for essential commodities like rice and oil. Thong Fah stores are present nationwide, and items inside are not limited to just the lowest income consumers - shops are also open to the public to purchase basic commodities at discounted prices. Due to the affordable prices and product availability, the scheme will severely impact both small and more significant players who are not available through Thong Fah. For small brands which don't have many distribution channels, they can't reach the amount of consumers players who partner with Thong Fah can, and for more prominent brands, price sensitivity among lower-income consumers will drive them to purchase the items listed in Thong Fah shops. Packaged food players in basic commodities should not ignore the Thong Fah distribution channel, as it poses competition to their existing distribution channels.

Healthy living and social media both impact packaged food sales in Thailand

Health and wellness is a dominant trend in Thailand, with health-conscious consumers reaching for products that are low in sugar, high in fiber, and free from additives and preservatives. As the population of Thailand have increasingly busy lifestyles, consumers are driven to take care of themselves through their food choices. In 2019, players responded to these demands by launching several health-oriented products within packaged food, providing greater choice and convenience to consumers.

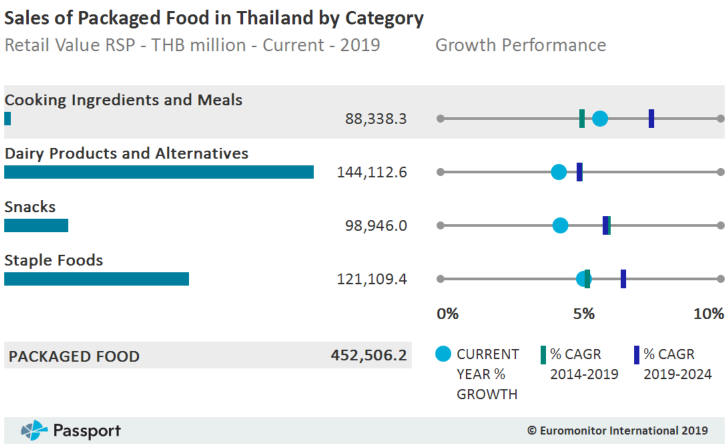
Social media marketing is also a tool that encourages healthy eating among consumers – be it through influencers, advertisements, or following the lifestyles of favorite celebrities. In 2019, social media was increasingly used by manufacturers due to the lower cost of reaching a wider audience. Cooking tutorials featuring new applications of packaged food products were popular and were used to introduce new flavors to the local palette. For example, Bertolli was highlighting to consumers that olive oil is suitable for Thai cooking, to counter perceptions that the western product is incompatible with Thai flavors.

Small and niche brands benefit from adapting quickly to consumer tastes

As packaged food in Thailand is highly competitive, players are often launching new offerings, running discounts and promotions, bringing innovative products to the shelves, and launching advertising campaigns to cut through the competition and drive value sales. Domestic players frequently innovate, introducing items with local flavors that they know will appeal to domestic consumers. On the other hand, significant distributors offer exclusive imported brands, which some Thai consumers see as superior to local offerings. Multinational firms such as Nestlé and Unilever strengthen their positioning by embracing localization strategies. However, small and niche players are very nimble in adapting their products too fast-changing consumer tastes. PekoPeko, a local healthy food manufacturer, has launched new products which are made with trendy ingredients such as boba (tapioca pearls), chia seed, and hojicha (Japanese green tea). However, the high prices of these items, limited distribution and smaller brand equity, limit their impact, especially against large established players like President Bakery PCL and CPRAM Co Ltd. In this landscape, small players will gain control of the niche segment of health-conscious and higher-income consumers, whereas larger players are likely to retain their share in the mass market.

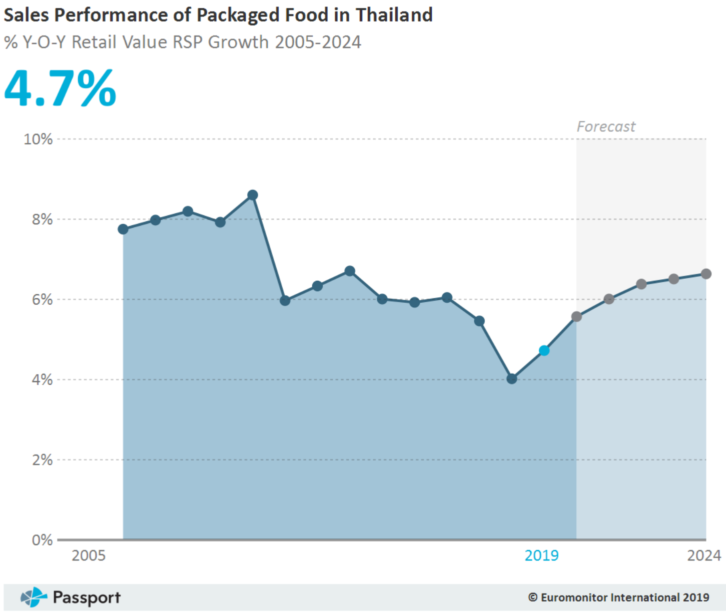
The expansion into the online marketplace will drive growth for packaged food

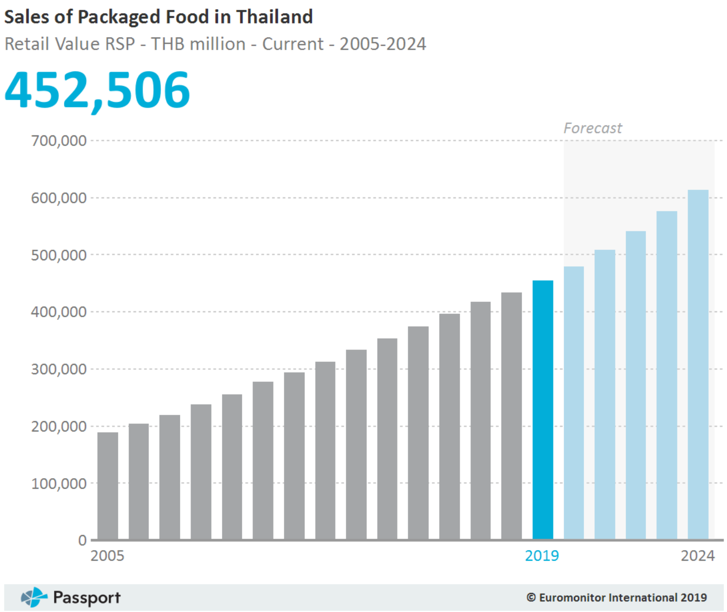
In 2019, many players were using the internet channel to expand their product availability, partnering with online marketplace provider such as Shopee, Lazada, and JD.com. Spread and sauce player, Doi Kham, partnered with Shopee to expand its reach towards suburban areas. Other brands in packaged food such as Knorr, Roza (sauces, dressings and condiments) and for niche brands such as Rawganiq (edible oil and spread), PuyKeng (cooking sauce) also listed more of their products in online marketplaces. This expansion in distribution channels will drive future growth for packaged foods.



The forecast for packaged food remains positive, and competition will continue to be fierce

Packaged food is set to post positive retail value sales and growth over the forecast period. Players will continue responding to the health and wellness trend, which remains popular in the country. Offerings of low fat, no sugar, high fiber, organic and premium are set to do well, and consumers will benefit from explicitly highlighting the beneficial qualities of products, on their packaging. Players are also expected to create innovations that respond to the growing number of busy, urban consumers who want convenience and quality, at an affordable price point. As the elderly population increases in Thailand, so will the offerings of packaged foods specifically for elderly consumers – with players producing easy-to-eat options. The increase in wages will also see a rise in purchasing of premium items, and modern grocery retailers will continue to gain share from traditional channels. With a range of third-party online food delivery services, as well as e-commerce platforms such as Shopee, the internet channel is expected to grow. Competition in packaged food is set to remain fierce, particularly with the influx of new small and niche players responding to increasing consumer demands. ■





Check out our previous issue:
Consumer Electronics in Japan