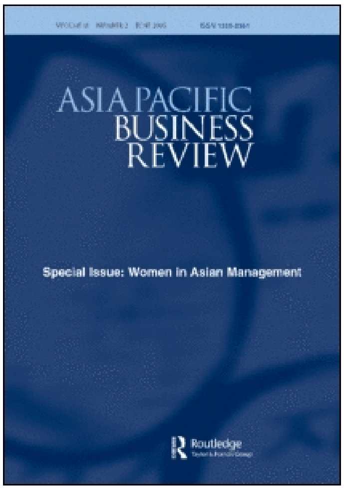

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The transformation of food retailing in Thailand 1997–2007

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Prior to the economic crash of 1997, Thailand had been one of the fastest growing economies in the world. A number of foreign retailers invested in the market, which became easier to do after this date due to relaxed ownership restrictions. Rapid expansion ensued which led to complaints and attempts at regulation. This study reviews the food retail scene in Thailand, highlighting what has happened in the last decade in terms of how retailers have adapted to cultural differences in consumer behaviour, competition and government regulation.

Keywords: consumer behaviour; culture; regulation; retail transformation; Thailand; private label

Introduction

Thailand is primarily an agrarian country with roughly 65 million inhabitants, and approximately 12 million residing in the capital, Bangkok. A democratic monarchy, the economy was considered to have the fastest growth rate in the world from the period of 1986–1997, and remains one of the fastest growing markets for food retailing in Asia. It has thus been an obvious destination for international retailers seeking global growth. However, the expansion of these firms has not been straightforward. Jusco was the first to launch a superstore format, in 1985, followed by Makro's big box cash and carry format in 1989 (partnered with CP). Lotus, by the CP Group, opened their first hypermarket in 1994, and later partnered with Tesco in 1998. Other investments into hypermarkets included Carrefour in 1996, Auchan in 1997, and Casino joining Big C in 1999. Casino ended up taking over Auchan's stores after their lack of success in the first two years. Royal Ahold (Tops) entered in 1995 but sold out to its local partner in 2004. Delhaize (Foodlion) entered in 1997 to compete with the three existing local supermarkets (Villa, Foodland and Home Fresh Mart) but quit the country in 2004. For the majority of these players, store expansion was the primary objective, leading to a rapid and massive increase in stores, as well as foreign direct investment (FDI) and a shift in the balance of traditional and modern trade. Regulation in Thailand was initially lax, allowing retailers to expand at will for several years. Many emerging markets, including Thailand, are seeing transformations in 10–20 years, which took 50–80 years in the US and Europe (Reardon 2006). Such growth eventually puts the modern trade into positions of conflict with both the traditional trade, and also their suppliers. Politicians and activists for the traditional trade have rallied repeatedly for the government to impose stricter regulations, with limited success. Regulation has not been easy to implement for various reasons, aside from slow

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bureaucracy: the government not wanting to affect foreign direct investment, not wanting to be perceived as unfair, and wanting to be sure that regulations actually yield benefits to both consumers and traditional traders. Thus, in the face of such rapid retail transformation, this study seeks to investigate situational factors that have come to shape the retail landscape in Thailand over the past decade, namely regulation and consumer culture.

Literature review and research question

There is no intention of providing a full review of literature on Thai retailing, but rather an overview of developments that have led to calls for regulation. Food retailing saw very few changes in Thailand through the 1980s and early 1990s (Feeney*et al.* 1996 provide a useful history; while Shannon and Mandhachitara 2005 provide information on more recent developments). With the exception of two standalone local supermarket chains, supermarkets were found within Japanese or Thai department stores, such as Sogo, Daimaru, Central and Robinsons. Daimaru had been an extremely successful department store and supermarket, opening in Thailand in 1964, until they decided to move from the city centre to a new suburban location (Seri Centre) in 1994, which finally led to their demise in 1998. French retailer Printemps opened in the same location and also failed. These failures are can be partially explained by the opening of Seacon Square, the fifth largest mall in the world at that time, which opened literally next door to the Seri Centre in 1994. Sogo also eventually closed their doors, after languishing for many years in the city centre. Today, Isetan is the only Japanese department store still operating in Bangkok, which also has a small supermarket.

Prior to the recession in 1997, the Alien Business Law had restricted ownership of companies, such that Thai shareholdings must account for at least 51%. This law was adjusted after the recession, and a wave of increased foreign investment ensued. The Foreign Business Act has been in place since 2000, which allows leeway based on total capital invested. The government has recently stated that the ratio of foreign ownership will need to be adjusted back down to the maximum of 49%. Delhaize abandoned the market and sold the majority of their stores to Tops in 2004, which rapidly expanded after being bought back by Central that same year. Deloitte Research's Thailand Investment Review (2006) ranked Thailand third (out of nine) for the fifth consecutive year in terms of being a key Asian retail market, behind China and Taiwan, with a market value of US$21.6 billion. While the modernization of retailing brings about efficiency gains, there is the danger of crossing a tipping point, whereby the largest players dominate the market (Fels 2009). This makes for a difficult situation, as the government encourages foreign investment, yet finds itself facing demands for regulation due to perceptions of over expansion. Bureaucrats forced into a regulatory position may find themselves ill-equipped, lacking experience and often moving slowly, which further allows expansion (Reardon 2006). Expansion has not been as rapid or straightforward, however, for all the foreign firms, as might have been expected in this situation. Is it possible that aspects of Thai culture may challenge them? Thailand is a highly collectivist culture, emphasizing relationships (Hofstede 1980) that will likely be missing in modern trade formats. Thais also place high importance on aspects of face and status (Schutte and Ciarlante 1998, Wong and Ahuvia 1998), which may limit interest in private label brands (De Mooij and Hofstede 2002). Retailers trying to offer time saving benefits, following the Western idiom 'time is money', may find a lackluster response. The research question, then, is how retailers, who are aiming for growth, are dealing with the twin demands of regulation and consumer behaviour potentially shaped by culture. What follows is a presentation of the development of major retail firms and an exploratory discussion of the themes which emerge.

Methodology

Data was gathered using a variety of secondary sources, such as figures published by AC Nielsen, newspaper reports, and discussions with executives working for retailers and research firms throughout the period reported. Fifteen semi-structured interviews, focusing on their own issues of concern, were conducted among operators of fresh markets, managers of modern trade retailers and employees working for multinational and local manufacturers.

Analysis and discussion: expansion, transformation and backlash

The wave of expansion brought revolutionary change in terms of modern trade food retailing in Thailand, from less than 5% to more than 50% in just a decade. Several retailers have doubled or tripled their store openings within the last five years. The Kingdom has become Tesco's third largest market and Seven-Eleven's fourth largest – and both companies continue to be the most aggressive in terms of launching new stores, as can

Table 1. Major food retailers in Thailand: year of entry and number of outlets.

Store type	Year entered Thailand	Outlets 1997	Outlets 2002	Outlets 2007
Hypermarkets				
Tesco Lotus	1994 (Tesco 1998)	12	43	69 full sized hypermarkets 27 smaller 'Value' hypermarkets
Big C (Casino)	1993 (Casino 1999)	19	33	54
Makro	1989	15	21	41
Carrefour	1996	6	17	27
Jusco	1984	8	14	7
Sub-Total		60	128	225
Supermarkets				
Tops	1995	27	52	92
Foodlion (Delhaize)	1997	1	28	35 → 0, closed in 2004
Tesco (Talad) Supermarket	2003	-	-	39
Foodland	1972	7	8	9
Home Fresh Mart	1985	7	8	9
Villa	1973	8	8	11
Leader Price	2001	-	6	6
Sub-Total		50	110	166
Convenience Stores				
Seven-Eleven	1989	880	2,100	4,300
AM/PM	1988	260	-	-
Family Mart	1992	40	310	600 → 500
108	2003	-	-	750
Sub-Total		1,180	2,410	5,550
Discount Convenience Stores				
Tesco Express	2001	-	8	320
Mini Big C	2007	-	-	35
CP Fresh Market	2006	-	-	350
Tops Daily	2006	-	-	8
Total		-	8	713

Source: Press reports and company websites.

be seen in Table 1. Mom and pop shops declined from a population of 400,000 to roughly 280,000 during this same period.

Many protests have been raised about the expansion of the modern trade food retailers. One should note that the various protests have rarely been consumer driven, but have tended to be complaints about excessive control and power voiced by suppliers, competitors or politicians. The Thai Retail Association has stated that such power formerly was in the hands of wholesalers, thus the shift to modern trade is advantageous, due to increased efficiencies and competitive forces (The Nation 2007a). Accusations of unfair price competition have repeatedly been raised, and suppliers complain of being charged listing fees and having to accept unfair credit payment terms. The Confederation of Thais Opposing Foreign Retailers was formed in 2006, arguing that small entrepreneurs are being put out of business. Zoning laws had not been enforced, thus a great number of hypermarkets opened throughout the city – in some cases, several even next door or across the street from each other. Zoning laws were more strictly enforced in 2003, requiring hypermarkets to locate at least 15 kilometres outside the city and satisfy several infrastructure requirements, although loopholes were found and exploited (Elsevier Food International 2008). The trend towards increased regulation has led to the evolution of smaller store formats, and also a rush to expand new stores before potential regulations are approved.

Evolution to smaller store formats

Carrefour's initial hypermarkets were roughly 10,000 m^2 in size, compared to 8,500 for Tesco Lotus. Each retailer began exploring smaller store sizes, as they were faster and cheaper to build and also, at times, allowed them to circumvent the zoning regulations. Big C, Carrefour, Tesco Lotus and Makro have all launched stores sized between 4,000 to 6,000 m^2. As the regulations became more strictly enforced, Tesco launched Tesco Express, which is like a large convenience store, yet also featuring fresh produce and a pharmacist on the premises. Big C followed with Mini Big C; and, most recently, CP (franchisee of Seven-Eleven) launched CP Fresh Market (originally conceptualized and described as 999 shops), which are roughly 300 m^2 in size (Seven-Eleven shops average 80 m^2). Arguably, Tesco Express has been the most significant threat that Seven-Eleven has faced in Thailand to date, although many similar formats are now being launched by other competitors.

With the objective of opening as close to shoppers as possible, CP stated they would like to open Fresh Markets every two kilometres, and plan to expand at a rate of one store per day to achieve 700 stores by the end of 2008, compared to Seven-Eleven's average of 1.5 new stores per day (The Nation 2008). The chain is the first to offer fresh meats, in addition to fresh and frozen foods, and offers free home delivery in Bangkok for consumers making a minimum purchase of 300 baht. Suwit Kingkaew, vice president of CP Seven-Eleven, stated that the new format is positioned differently from Seven-Eleven and aims to compete directly with Tesco Express. Thus far, the press has noted that no complaints have been raised by their new store openings (Bangkok Post 2008a).

Attempts at regulation

Attempts at passing stricter regulations have repeatedly been thwarted over the past several years, the most recent delay due to the military coup that took place in late 2006. When Thaksin had been prime minister, the law was vetoed for fear of upsetting foreign investment. The caretaker military government endorsed a new retail law that would allow local governments in each province to assess and approve any new supermarkets or hypermarkets. Supermarket and hypermarket expansion was frozen for three months while awaiting news of their decision. During their term the military government tried to push through a law, which was said to be roughly 80% the same as the drafts made in 2002, yet the law again failed to be passed. The main arguments against the draft have been that restricting store openings will give little benefit to the mom and pop shops, thus they, and consumers, would end up being losers by creating monopolies in the areas where large retailers already exist (The Nation 2007b). Curbed opening hours, infrastructure requirements, and various other restrictions have been imposed over the years. For a review of retail expansion in Thailand and these various attempts at regulation, see Shannon and Mandhachitara (2005).

In late 2007, under the newly elected government, retailers were requested to accept the regulations drafted by the military government but Tesco Lotus and Big C both refused, stating that any regulations must be fairly applied, not only to hypermarkets (The Nation 2007c). Currently, definitions of various retail formats have been set forth, while potential regulations are still under debate. The draft currently proposed states that superstores or hypermarkets must be located at least 12 kilometres from a municipal area, with a total population of at least 100,000, and that they cannot operate more than 12 hours per day. Supermarkets are to be at least five kilometres from a municipal area, serving a population of at least 50,000, and also cannot operate more than 12 hours per day. Discount convenience stores (such as Tesco Express, Mini Big C and Tops Daily), must be at least 500 metres from a fresh market and serve a population of at least 10,000. If the regulations are passed, discount convenience stores will not be allowed to operate more than 15 hours per day. General convenience stores must be in communities with a population of at least 3,000 people, but may continue to operate 24 hours a day. That a distinction is made between convenience stores and discount convenience stores (which sell fresh food) would seem to highlight the fact that convenience stores are largely being kept out of the fray thus far.

This is perhaps the most telling trend that comes to light throughout the past decade of conflict. Protests and complaints have repeatedly fallen upon hypermarkets: Tesco Lotus, Big C and Carrefour. The government faces difficulty in not wanting to thwart foreign direct investment, yet would appear to be bowing to some form of pressure to ignore convenience stores. Based on the concept of catchment areas, unless a mom and pop shop were in the immediate vicinity of a hypermarket, they are not competing with each other. By far the biggest danger for traditional trade shops appear to be convenience stores, of which CP's Seven-Eleven is the leader, with nearly 4,500 shops. Seven-Eleven continue to expand at a rate of 450–500 shops per year, without any of the protests that plague the hypermarkets. CP's Fresh Market has also failed to generate any protests, despite stated plans to open at a rate of one store per day. This lack of regulation of convenience stores is mystifying, despite their potentially having the most detrimental effect on mom and pop shops. Whether a retailer is foreign or domestic, modern trade formats will negatively affect the traditional trade.

Consumer behaviour: acceptance and co-existence, but limited private label uptake

Despite various protests, consumer surveys have revealed that most consumers prefer to shop in modern trade venues (The Nation 2007d). They are pleased by the conveniences of having large, air conditioned, well lit and stocked stores with customer service, and the majority of shoppers visit hypermarkets regularly. According to Neilsen's Shopper Trends (2006), consumers visit both wet markets and convenience stores an average of 13 times per month, compared to three times for a hypermarket and two times for a supermarket. Ninety percent of fresh food is bought in wet markets. Nielsen's 2006 report found that in urban Thailand, 89% visited hypermarkets in the last month, 87% visited convenience stores, and 44% visited supermarkets, which could partially be linked to the number of outlets. Fox *et al.* (2004) found that shoppers who most frequently patronize hypermarkets also shop more in other formats, thus it seems likely modern and traditional trade formats coexist in the consumer's repertoires of stores. The issue to watch will be to what extent the ratios shift over time. Doess the current pattern exist because the penetration of convenience stores and hypermarkets currently overshadow supermarkets in terms of sheer numbers, or is it linked to Thai consumer behaviour?

As posited by Niffenegger *et al.* (2006), cultural differences in Thailand may have an effect on multinational businesses. This could be in the form of management styles, and also in the form of consumer behaviour. Big C, Carrefour and Delhaize reported difficulties related to cross-cultural management issues in their early years of operations (Shannon and Mandhachitara 2002).

Thais exhibit relatively low time pressure, and tend to view shopping as a form of entertainment. With extended families and a collectivist culture, Thais tend to make frequent shopping trips driven more by convenience than time pressure, spending a lot of time, but not much money in terms of total basket spend (Shannon and Mandhachitara 2008). Several newspaper articles citing either Big C or Taylor Nelson Sofres, have reported that Thai shopping behaviour is changing – people are shopping less frequently and buying larger amounts. Total spending is certainly increasing, as Table 2 shows. Minimum wage in Thailand is however 191 baht per day and a large proportion of the population remains on low incomes, which helps to explain frequent, but small purchases, and is a likely part of the reason that convenience stores thrive. In many ways, Thais shopping patterns are suited to convenience propositions, regardless of whether shopping in a convenience store or a hypermarket. Seven-Eleven's average basket spending is currently 30 baht, versus over 300 baht for a supermarket and over 500 baht for a hypermarket (Bangkok Post 2007a, The Nation 2007e). Hypermarkets are increasingly being built as part of entertainment complexes, which include food courts, restaurants, movie theatres – even dental clinics.

The development of private label products (PL) has been a key element of the strategy of the big supermarket and hypermarket firms in their home markets. A PL strategy helps retailers achieve efficiencies and greater margins, through control of their own marketing and their supply chains (Bell 2003). The number of PL produces offered has increased

Table 2. Per capita consumer expenditure growth indices (value at constant 2002 prices).

	Total	Food and non-alcoholic beverage
1997	100.0	100.0
1998	89.9	98.1
1999	91.5	97.3
2000	95.9	93.4
2001	99.2	97.0
2002	103.9	101.0
2003	108.9	109.1
2004	111.8	112.0
2005	115.9	116.8
2006	118.8	120.3
2007	119.6	121.2

Source: Euromonitor.

rapidly, though this seems to be driven more by the retailers' desires than the consumers, as consumer uptake has been slow. The private label market in Thailand was estimated at three billion baht in 2006, showing growth of 10–20% annually (from a low base) for three consecutive years (Bangkok Post 2007b). Asians are considered more likely to favour well-known brands over private label (Ahuvia and Wong 1998, De Mooij and Hofstede 2002). Thai shoppers tend to buy brands that they know, although involvement and time pressure may moderate this (Silayoi and Speece 2004). Mandhachitara *et al.* (2007) found that while Thai shoppers spend much more time shopping than US shoppers, they had lower grocery market knowledge and made more use of extrinsic cue, such as brand names. Matched with cultural issues, such as the importance of face and status, this possibly slows the acceptance of private label brands. Due to such low incomes, small pack sizes of branded products tend to be available at lower price points (such as sachets of shampoo for two or three baht), which could also serve to reduce the attraction of private label. Retailers will need to better educate consumers as to the premise of PL, and perhaps offer more sampling to increase trial. Tesco is increasingly launching premium lines, under Tesco's Finest – perhaps premium PL will find appeal among the more brand and quality conscious shoppers? Big C launched Leader Price shops that were nearly 100% private label, and have had a poor response over the past seven years – they have now stated they will convert the Leader Price stores into the Mini Big C format in 2008. All three hypermarket chains have announced expansion of private label clothing lines, attempting to offer higher quality products at lower prices to attract the fashion conscious (The Nation 2007f). These brand names have no link to the retailer name, thus through the use of product branding, consumers are unlikely to realize they are buying private label.

Overview of major food retailers

Big C

Big C has been one of the most active players in the market, with aggressive expansion of stores, new formats, and private label brands. Their Leader Price stores are an example of failing to understand Thai consumers. Leader Price was launched in 2002 with a size of 1,000 m^2, which were reduced to 300 m^2 for mini branches and 700 m^2 for standard branches. As mentioned above, the Leader Price shops only carried Leader Price PL products, and never gained popularity among consumers and will be converted.

The newly launched Mini Big C format utilizes floor space of 200 m^2 and carries roughly 50% PL, similar to Tesco Express.

In terms of hypermarkets, the company is now launching what they call their fourth generation (4G) stores, aiming to offer a fun shopping experience with low prices, which they hope will attract younger shoppers. The company plans to convert all Big Cs into 4G stores within the next five years. Five new Big C's are planned in 2008 with an investment of 350–500 million baht each. The new 4G store is more like a shopping development than a hypermarket – 78,108 m^2 in total, 9,412 for sales area, 3,500 m^2 of shopping plaza and a 1,400 m^2 food court. Big C has made improvements in logistics, which they report have reduced costs by 5%. They have upgraded database and IT facilities, reduced electricity expenses, and are investing heavily in both renovations and expansion, spending over 4.5 billion baht in 2007 (3 billion for expansion, 1.5 billion on renovation). Reported sales in 2006 were up 9.1% over 2005, earnings up 12.8% (The Nation 2007 g). In this regard, Big C appears to moving towards being an entertainment complex and landlord, as opposed to purely a hypermarket, in order to better draw in Thai shoppers.

Carrefour

For the first three years upon entering the Thai market, Carrefour expanded rapidly and was seen as Tesco Lotus's main competitor. However, their expansion slowed dramatically, allowing Tesco Lotus and Big C to widen the gap in terms of the number of stores. The company's president has stated that they are missing opportunities and plan an investment of 5 billion baht to open four or five stores per year (three were opened in 2007, while six to seven are planned in 2008), totaling 15 more stores over the next three years. They also plan to spend up to 360 million baht to renovate existing stores to become more upscale – with an increased focus on non-food items, as they perceive this as a trend in consumer behaviour, and also perhaps helping distinguish themselves from other hypermarkets, as they look very similar inside. Carrefour offers a large section of meats and produce that resembles a wet market more than a supermarket, although all the food retailers have emphasized fresh foods, presumably to woo shoppers from wet markets. Above all, Carrefour has trailed competitors in terms of store expansion. According to Datamonitor's Expert View, 30 August 2007, Thailand may be next in line for disposal.

Delhaize

When Delhaize opened up the Foodlion chain in Thailand, they aimed at competing with fresh markets and hoped to attract shoppers with air conditioning and modern facilities. They endeavoured to open in neighbourhoods and villages that could not be reached by hypermarkets. However, they struggled with management and logistics issues, and ended up with a very low image in the market, perhaps partially due to positioning and partially due to the run-down facilities they had taken over, many previously operated by Sunny and Seiyu. During their last year of operations, they announced they would open Paradise stores, which were to be the complete opposite – high end, premium outlets, although only one was launched (The Nation 2004). Foodlion was the only store not to launch any private label brands, as they stated that they were still experimenting and learning the Thai market. From first trying to position themselves as a modern fresh market to later attempting to changing into an upscale supermarket, Foodlion never found the right balance in the Thai market. The parent company ended up deciding to sell the operations and abandon their operations in 2004, giving Tops a chance to quickly boost their store count.

Jusco (Aeon)

Jusco was the first foreign superstore entrant into Thailand, yet they never expanded beyond 13 stores with supermarkets and one general-merchandise store. After suffering from the economic crash in 1997, Siam Jusco entered a bankruptcy court rehabilitation plan in 2005, which required they reduce their stores to seven. Having successfully restructured 3.2 billion baht of debt, they have announced they planned to change their company name to Aeon and plan major store expansions, and may change store names to Aeon as well. They announced plans to open 18 new supermarkets by 2010, as well as expand their PL lines, although thus far, past announcements from the last year or two have not come to fruition. In addition to standard supermarkets with retail space of 1,000-2,000 m^2, they are also looking into new compact stores of no more than 300 m^2, apparently planning to follow Tesco, Big C and Tops in the discount convenience store segment. Jusco Visa and Mastercards launched in 2006 – there are currently 12,000 Jusco Card members, which they hope to expand to 100,000 by 2010 (Bangkok Post 2007c). There are over 70 service locations across the country for their financial services.

With Aeon's aggressive marketing in the charge card market, perhaps they can gain synergy through the Aeon name change, and through the application of data mining and customer relationship management (CRM). As with Carrefour, their lack of store expansion has limited their competitive presence in the Thai market.

Makro

Makro describes itself as a 'cash and carry' operation, but cash and carry is a somewhat redundant concept, as Thailand has traditionally been a cash based society. The shrinking traditional trade potentially affects Makro more than other retailers, as they position themselves as a wholesaler, although mom and pop shops arguably can and do buy from any variety of hypermarkets or other suppliers. Makro has floundered at times in the past decade. At one point they shifted their focus to the consumer market, then reversed to reiterate that they are a wholesaler and are not trying to compete with hypermarkets. At one point, air conditioning was turned off, as the company stated that their customers cared only about low prices and not about enjoyable shopping (in a tropical climate with average temperatures exceeding 30 degrees centigrade year round). Makro has stated plans to open Retailer Centres at each location in efforts to help traditional grocery retailers improve their competitiveness. They have not been very active in store expansion over the last several years. The company's policy is to open five stores per year, yet the retail regulations restricted this. Due to these fears, several stores slated for 2008 were moved forward and opened in 2007, for a total of 12 new stores, though future expansion appears sluggish at this time.

Tesco Lotus

Tesco Lotus has by far been the most aggressive in terms of market expansion, both in terms of full sized hypermarkets and most recently with discount convenience stores, and currently is said to have 18% of the modern trade and 6% of the total retail market share in the Kingdom. The company had been a bit slower in launching PL lines compared with the Big C, but they have over 2,000 items and planned to reach 3,000 by the end of 2007 (The Nation 2007 h). Tesco opened an environmentally friendly 'Green' store in 2004, and their second in February 2008. Existing hypermarkets will eventually be upgraded to become green stores. Talad Tesco (meaning 'market' in Thai), or Tesco's supermarket format, was launched in 2005. Value stores are smaller sized hypermarkets, aimed at the upcountry market. The company has stated that they plan to invest 7 billion baht to expand new stores, which they said follows their planned expansion, not faster or slower. They shifted their entire fleet to use 5% biodiesel fuel, and have continuously sought ways to reduce expenses and improve efficiency. They are expanding to open a new cross dock distribution centre in 2008 to increase capacity to an additional three million cases per week, as the current centre has been running at 90% capacity handling at 1.3–1.5 million cases per week. Tesco Lotus has increasingly expanded exports by sourcing in Thailand and plans to continue to expand with 100 Lotus Express outlets, 20 supermarkets and 12 hypermarkets, six full sized and six of their smaller Value store formats (Bangkok Post 2008b). Tesco Lotus offers a store card, but not linked to any bank. In this way they can grant credit, but only for purchases within their store. Thus far, they have not rolled out a CRM programme, but have shown significant expansion. Sixty-eight consumer-finance branches were opened in 2006, compared with two branches in 2005. Perhaps due to being the most aggressive, Tesco has drawn the most criticism in the press. All three of the hypermarkets have a section of bulk packaged goods aimed at supplying traditional traders, and it is not uncommon to receive products in a Tesco Lotus bag when buying from a mom and pop shop. Again, unless in the immediate vicinity, mom and pop shops are not likely to be affected by hypermarkets, and are more likely to view them as convenient suppliers. The tipping point becomes increasingly apparent in terms of complaints from suppliers about listing fees or unfair terms of payment. With the rapid expansion of the small Tesco Express format, Seven-Eleven, as well as mom and pop shops, have significant cause to worry.

Tops

Tops was a rising star to watch early on, as they invested heavily in their distribution centre and were expanding stores rapidly. This was not without some mishaps, such as launching the Tops City Market format in an office building, which unlike Singapore or Hong Kong, failed to match consumer behaviour in Thailand. The initial location, in an office tower within the central business district, operated like a convenience store on weekdays and was empty on weekends, and eventually closed. Tops in Thailand had a good track record of performance and explored a variety of innovations, such as in store radio, organic foods, roughly 250 private label brands (which now includes products imported from Waitrose), and a loyalty card (Spot Rewards) utilizing data mining was launched in 2004 and has increasingly experimented with customized CRM. However, Royal Ahold decided to divest their operations and sold their shares back to their Thai partner in 2004. Immediately thereafter, expansion intensified. Currently, Central has announced plans to spend one billion baht on further expansion and renovations over the next year and appears very serious about expanding the brand. There are a total of four formats: Tops Market (upscale supermarket), Tops Super (their standard supermarket), Tops Daily, and the Central Food Hall. The Central Food Hall has launched in two locations, which are the most extravagant supermarkets in Thailand, followed by Home Fresh Mart at Paragon and The Emporium. At this level, retailers seem to be trying to out do each other for the largest and most upscale stores. Tops Daily supermarkets were launched in 2006 to compete with Tesco Express – the format is roughly 300 m^2 in size and sells fresh foods and groceries. The Daily format has not grown as quickly as planned, due to recent uncertainty about regulation but that could easily change, depending on expansion priorities, as the company announced they eventually plan to open 500 Daily stores (Bangkok Post 2006). The question of preferred shopping format may again be raised – if Thai consumers shop for enjoyment, hypermarkets should hold the most appeal. If shopping for convenience, then mom and pop shops, convenience stores, and the new format of discount convenience stores should thrive – especially when coupled with small purchases among those with low income. Supermarkets would need to be shopping destinations, if opened as stand alone stores, although could still be part of entertainment if located in shopping malls. Tops supermarkets are primarily located in shopping malls or department stores, whereas Foodlion tended to have standalone shops, perhaps contributing to its failure.

CP Fresh Market

Originally named 999 shops from CP and discussed in 2006, the format has been renamed to CP Fresh Market, and aims to compete with Tesco Express. The business will be handled by CP Intertrade, so as not to conflict with running Seven-Eleven

(CP Seven-Eleven is changing their name to CP All, to allow for greater flexibility in entering other businesses). As mentioned earlier in this study, CP has grand plans to invest and rapidly open up outlets, as dense as one shop every two kilometres. If this comes to pass, they may find themselves sharing criticism with Tesco Lotus, although this smaller format seems to best match Thai consumer behaviour.

Seven-Eleven

The franchise owner in Thailand is the Charoen Pokphand (CP) Group, which in turn grants franchises to operators. There are 4,300 Seven-Elevens in Thailand, 1,500 of which are in Bangkok, meaning Thailand has the fourth largest number of stores after the US, Japan and Taiwan. In terms of number of stores per person, Thailand still has a long way to grow before they close ranks with Japan or Taiwan. Seven-Eleven has worked to differentiate itself using FBO – First, Best, Only, which aims to get exclusive rights to certain brands. Seven-Eleven has rolled out a smart card system (e-purse), books and magazines under the name Booksmile, a catalogue with roughly 1,000 items, a bill payment counter service, and even the ability to buy airline tickets from within the stores. Store expansion continues to be rapid, and private label brands have also been launched, in addition to ready to eat foods. In the absence of any complaints, Seven-Eleven looks poised to continue to expand, although they are now facing new competition from Tesco Express, Mini Big C, CP Fresh and Tops Daily. This appears to be the segment showing the most explosive growth in the near future due to being easier to open, both financially and in terms of avoiding much of the current focus of regulations.

108 Shops

The 108 shops were opened in 2003 by the Saha Group, Thailand's leading local producer of consumer goods. While the Saha Group had always strived not to compete with their own customers, they stated that they felt they were forced to find other distribution options due to the increased power of the retail chains. The 108 shops are modern convenience stores, yet designed to be inexpensive to open and operate, such that mom and pop shops could transform their stores for as little as 100,000 baht and enjoy modern supply chain and inventory management. The concept allows for owners to adapt their offerings and return items that could not be sold. This flexibility is good for those with an entrepreneurial spirit, but may cause inconsistencies in terms of customer experience. However, if small retailers would like to change from traditional trade to become 'modern trade', this is a feasible and inexpensive avenue to consider.

Family Mart

Family Mart has been in Thailand for 15 years, but has not been nearly as aggressive as Seven-Eleven in terms of launching new stores. The company retreated somewhat, closing down 100 stores in 2007, such that they could better focus and strengthen themselves. 400 million baht was set aside for new store expansion and renovations in 2007, and plans were announced for improvements in operations, product assortment, and human resources. In terms of product offering, Family Mart is a basic convenience store, relying on location to bring high volume of store traffic. With the lack of zoning, it is not uncommon to see a Seven-Eleven and Family Mart within 100 metres of each other. Again an example of a tipping point, wherein Seven-Eleven dominates the market and has far more advantages in terms of logistic efficiencies and negotiation power.

Implications

As with many fields, the majority of academic theory and research in retailing has stemmed from studies in Western markets. Cultural differences, such as individualism/collectivism, time pressure, and power distance, may cause variances in consumer behaviour. If retailers simply copy and paste operations from one market to another, they may face obstacles. In this regard, further academic research may explore similarities and differences among consumers in different countries. If business success stems from satisfying customer wants and needs, consumer research is needed to ensure consumers are understood. In a time pressured, individualist market, shoppers may appreciate time saving convenience, as they want to complete their shopping trips as quickly and efficiently as possible. In contrast, shoppers in a collectivist culture with low time pressure may enjoy the shopping experience and the social aspects, and thus not be concerned with speed and efficiency but prefer more options of the instore activities, such as a place to sit and visit while having a snack. If consumers in a market have a high concern for face and status, they may show reluctance to purchase private label brands. While the retailers tend to be multinational, it is recommended they consider that consumer behaviour across markets may vary due to cultural (or other) differences, and that they should strive to explore and understand these potential issues to enhance their opportunities for success.

In terms of regulation, more precise zoning laws, which should also include convenience stores, would be a more practical way of controlling store expansion, if the true objective is concern for existing traditional mom and pop shops. Many of the voiced protests have complained about foreign retailers. As the protests focus on protecting mom and pop shops, the nationality of the retailers should not be an issue – the store format should be. If the issue revolves around power over suppliers, then the size of the retailer should be the focal point. As it stands, politicians and activists seem to find it easier to use the country of origin as a rallying cry rather than truly investigate the heart of their supposed causes.

So many stores have already been opened that any zoning regulations that were enforced would be too late to have much effect on the market leaders, and might only solidify their market dominance in the areas they have already expanded to. New players or those who were slow to expand would suffer the most, should new store openings be frozen. In the long-term, potential regulators should give thought to the tipping point mentioned by Fels (2009) and that the dominant players may end up with too much power. The main issues that need to be ironed out for the growing modern trade retailers are those related to fair business practices with suppliers, such as listing fees, rebates, terms of payment, and competition based pricing (Reardon and Hopkins 2006). Fears have been expressed that enforcing overly strict regulations will cause the market to stagnate, which carries over into other industries, such as construction and manufacturing, with damage estimates reaching 100 billion baht (Financial Times 2007). It is an uncomfortable position for a government to face.

Conclusion

While many of the retailers in Thailand are from abroad, the vast majority of sourcing is from within the country. Both Carrefour and Tesco Lotus have stated that roughly 98% of their 7,000 plus vendors are Thai, and both companies actively export to other markets (Bangkok Post 2007b). In addition to convenience and choice for consumers, a large number of jobs are provided by modern trade retailers, thus there are positive side effects of the move to modern trade retail. The retail scene has changed dramatically and rapidly, and many consumers seem to have little problem adapting to the new shopping formats in general. The more successful retailers have recognized the preferences of Thai consumers in their specific offers and chosen more suitable locations. As long as consumers are given a wide selection of goods, sold at fair prices, in comfortable shopping environments, it seems unreasonable to suggest that limiting store openings could be seen as beneficial to consumers. At the moment, the Thai market is a long way from the kind of domination by a few firms which Fels warns against. It is unclear whether the apparent success of hypermarkets and convenience stores is due to consumers preferring those formats, or because supermarkets trail far behind in terms of store numbers. It may be that standalone supermarkets face far more difficulty than retailers that open in shopping complexes. The new format discount convenience stores are basically tiny supermarkets, and appear to be well suited to Thai consumers, who tend to shop frequently but spend small amounts each time. Perhaps the growing middle class in Bangkok will feel increased time pressure but, for the majority, shopping is more likely to continue to be based on convenience or entertainment. Future work should explore Thai consumer behaviour in more detail and learn more about motivations when shopping.

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