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BEER MARKET

IN THAILAND

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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BEER MARKET IN THAILAND
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January 2020

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1. INTRODUCTION

The objective of this report is to study the beer market in Thailand which would be useful for Belgian companies who are looking for market opportunities of their products in the Thai market. The report presents different aspects to be considered for the market entry including market overview in 2018-2019; market structure; marketing mix employed by players in the market; consumption and consumer behaviours; regulations, i.e. taxation, non-tariff barriers, and other measures; market access; market outlook; opportunities and challenges; and lastly conclusion. The study is mainly based on information from online newspaper, magazines, secondary data, company websites as well as interviews with local authorities concerned and some importers.

Besides this market report, FIT Bangkok also has useful contact details of importers/distributors, associations, competent government agencies as well as relevant trade exhibitions in the region. Please contact your provincial office for this detailed information.

2. MARKET OVERVIEW

According to Thailand Development Research institute (TDRI), in 2018, the Thai beer market value was 180 billion Baht¹. The drinking volume was close to 2 billion liters. It showed a 10% decline in the overall market, compared to the increase of 2% in 2017. The downward in 2018 was due mainly to the lack of product innovation in the mainstream segment, advanced purchase of beer products (in anticipation of the increase of excise taxes as a result of the excise tax system restructuring in accordance with Excise Tax Act 2017 (B.E. 2560) enforced in September 2017), and the government's policy to reduce alcohol consumption which was blamed as a major cause of road accidents.

Generally, the Thai beer market is already saturated. Since 2013, the stagnant market has always been affected by the slow growth of economy, excise tax restructure aiming to increase public revenue and the government's efforts to reduce alcoholic beverage consumption which is blamed as one of major causes of road accidents.

Although, the overall market with a majority of mainstream beer or lagers, accounting for 95%, did not perform well, the premium market, sharing the rest of 5%, continually grew by an average of 4%, especially Thai craft beer sales increased by 40-50%. Growth of this segment was supported by more variety of beers introduced into the market by suppliers to meet consumer needs. The demand of premium beers was driven by increasing local consumers who are urbanites with high purchasing power, more sophisticated (adopting western lifestyle and willing to pay for premium products) and health conscious. In addition, the growing premium beer market was also reflected by the achieved record number of tourists with over 38 million foreign visitors who spent nearly Baht 2.2 trillion in Thailand.

¹ Exchange rate on January 1, 2020 : 1 euro = 33,37 Baht



4.2 PRICE

Beer selling channels include off trade or off premise (modern trade and traditional trade channel, i.e. groceries or specialty stores) and on trade or on premise (hotels, restaurants, pubs, bars, cafes, etc.). Prices at the off trade channel of local beers (330 ml, 490 ml, 500 ml) are ranging from 37-69 Baht, while, international brands (super premium beers) from Europe and America (330 ml) are priced from ~Baht 100 and up to ~Baht 300 and more. Thai craft beers made in the region are priced between local beers and imported beers. However, they would cost more if they are produced in Europe or America. Some prices can be seen in the following table:

Beer	Size (ml)	Price (Baht)	Source
Allemand Pilsner	330	99.00	Imported
Asahi Super Dry Japan	620	69.00	Local
Beer Asahi Can	490	59.00	Local
Beer U	620	55.00	Local
Budweiser Can	500	62.00	Imported
Budweiser Can	330	43.00	Imported
Chang Beer	620	57.00	Local
Chang Beer Can	320	37.00	Local
Chang Classic	1500	345.00	Local
Cheers Siam Weizen Can	490	54.00	Local
Corona Extra Beer	355	99.00	Imported
Duvel	330	165	Imported
Erdinger Wheat Beer Dunkel	500	176.00	Imported
Heineken 0.0 Bottle	330	39.00	Local
Heineken Big	630	72.00	Local
Heineken Can	320	43.00	Local
Heineken Small	325	43.00	Local
Hoegaarden	650	219.00	Imported
Hoegaarden Can	330	69.00	Imported
Hoegaarden Rosee	250	125.00	Imported
Hoegaarden Rosee	750	289.00	Imported
Hoegaarden Rosee Can	330	125.00	Imported
Lao Beer Gold	330	86.00	Imported
Lao Beer Lager	330	59.00	Imported
Leffe Brown	330	139.00	Imported
Leo Beer Bot	630	55.00	Local
Leo Beer Can	330	35.00	Local

			
<p>Hoegaarden - 330ml - 4.9% Hoegaarden? (pronounced Hugaarden) is the only white beer of ...</p> <p>125 ฿</p>	<p>Fruiti Strawberry Beer - 330ml - 4.1% Fruiti is a high quality Strawberry Belgian fruit beer, produced at ...</p> <p>139 ฿</p>	<p>Paix Dieu - 330ml - 10% This beer was once produced at the Abbey of Paix Dieu, where t...</p> <p>279 ฿</p>	<p>Kwak Gift Set - 4x330ml + 1 glass - 8.4% 4 x 330ml bottles of ale, 8.4% abv 4 x 330ml bottles of ale, 8.4% abv...</p> <p>2,085 ฿</p>
			
<p>Gouden Carolus Gift Set - 4x330ml + 1 Glass 4 x 330ml bottles of Gouden Carolus Belgian beer 4 x 330m...</p> <p>2,025 ฿</p>	<p>Gouden Carolus Ambrio - 330ml - 8% This full-tasting amber ale has a good fruitiness and a nice hop...</p> <p>245 ฿</p>	<p>Gouden Carolus Tripel - 330ml - 9% The Gouden Carolus Tripel has a unique colour and a full flavou...</p> <p>249 ฿</p>	



 <p>Triporteur Full Moon - 330ml - 10.2%</p> <p>Hell of a 12 with Belgian Oak roasted at full moon. Angels an...</p> <p>239 B</p>	 <p>Rodenbach Grand Cru - 330ml - 6%</p> <p>Grand Cru by RODENBACH has on average been left for much long...</p> <p>239 B</p>	 <p>Brussels Beer Project Grosse Bertha - 330ml - 7%</p> <p>Belgian Hefeweizen 7.0% IBU 20German weizen banana and...</p> <p>245 B</p>	 <p>Oud Beersel Bzart Lambiek 2012 - 750ml - 7.4%</p> <p>The Lambiek Oud Beersel that was used has matured during thirte...</p> <p>1,810 B</p>
 <p>Oud Beersel Framboise - 375ml - 5%</p> <p>Commercial Description:Harmonizes the ...</p> <p>379 B</p>	 <p>Kasteel Gift Set- 4x330 ml + 1 glass</p> <p>4 x 330ml bottles of Kasteel Beer 4 x 330ml bottles of beer 1 x Kaste...</p> <p>1,590 B</p>	 <p>Mc Chouffe - 330ml - 8%</p> <p>Dark brown color, nice head. Aroma and taste is toasted mal...</p> <p>215 B</p>	 <p>Maredsous 10 - 330ml - 10%</p> <p>Maredsous Tripel is a golden-bodied Belgian triple, redolen...</p> <p>259 B</p>
 <p>Maredsous 8 - 330ml - 8%</p> <p>The brown beer was originally only brewed for Christmas, but over L...</p> <p>220 B</p>	 <p>Maredsous 6 - 330ml - 6%</p> <p>The light Maredsous Blonde was the abbey's very first beer. ...</p> <p>199 B</p>	 <p>Vedett Extra IPA - 330ml - 5.5%</p> <p>Vedett Extra Ordinary IPA is a blond and hoppy beer by Duve...</p> <p>205 B</p>	 <p>La Chouffe - 330ml - 8%</p> <p>Slightly hazy golden color with a big thick head with good reteni...</p> <p>215 B</p>
 <p>Vedett Extra White - 330ml - 4.7%</p> <p>Vedett Extra White has a delicious refreshing taste, surprisingly cri...</p> <p>175 B</p>	 <p>Duvel - 330ml - 8.5%</p> <p>Four generations of the Moortgat family have brought together ...</p> <p>220 B</p>	 <p>St Bernardus Tripel - 330ml - 8%</p> <p>St.Bernardus Tripel is a traditional abbey ale brewed in the classi...</p> <p>215 B</p>	

Beers offered at the on trade channel cost higher from 30% to 50% or more.



4.3 PLACE

The proportion of off trade and on trade distribution of local beers is 70% and 30% respectively, whereas international brands focus more on the on trade channel at the rate of 70-80%. With their high prices, the target customers are middle-high income earners with sophisticated taste who are looking for premium quality and unique products which the mainstream market or the off trade channel do not offer. These consumers drink premium beers at restaurants, pubs, cafes, etc. for socialization or association. Many beer importers established their own restaurants, pubs, cafes, etc. to sell their beers with the beer and food pairing concept. For example, Brewberry, the importer of Hoegaarden, Stella Artois and Leffe, opened House of Beers (HOBs) aimed as a hub of fine international beers. HOBs provides authentic traditional beer drinking culture in a contemporary atmosphere.

However, In 2019, more beer importers increased their products at the off trade channel in response to the 'at home drinking' trend due to the slowdown economy that limited consumer spending together with the government's tougher measures to combat drinking and campaigns to reduce road accidents.

In addition, e-commerce was another channel for product placement. More Thai consumers were turning to online shopping. Key reasons for this popularity were home delivery services, convenience, time-saving and cost advantage. Their purchases were mostly made via producers', suppliers', retailers' websites and mobile applications. Beer companies also saw that there was no control on online activities prescribed in the relevant law. At present, the online market for premium beers represents only 2-3%. So, there is more chance to grow to keep pace with this trend. However, some companies may argue that it would be an effective strategy for mainstream beers, but not for super premium beers because most customers in this segment still drink beers at hotels, restaurants, pubs, cafes, etc. for socialization and association. They always want to try new products and need to know stories and qualities of beers at the point of sales which may not be satisfied by the online channel. Some companies are still reluctant to have their products advertised online due to it is too restrictive and sensitive to do it appropriately and legally.

Wishbeer (www.wishbeer.com), an e-commerce Startup, has successfully marketed beers online since 2013. The company grows 2-3 folds annually. Wishbeer's success is attributed to the vision on the 'at home drinking' trend, the focus on premium beers as there are more variety of imported products introduced into the market as well as efficient delivery services. Wishbeer has the widest selection of products, with ~2,000 sku. Apart from beers, the company also sells wines, ciders, whiskies, etc. (Epson, 2019).

Overall, the value of Thai e-commerce grew by 14% in 2018, reaching some Baht 3.2 trillion, and growth was expected to reach 20% in 2019, according to the Electronic Transactions Development Agency (ETDA). Thai e-commerce growth was the highest in ASEAN, as result of changes in consumer behaviour. The supporting factors were the growing number of internet users, smart phone users, Thai-international platforms as well as expansion of 4G mobile communication technology. Confidence in e-payment also increased, with faster logistics and delivery services (Bangkok Post, 2018).



international standards, be more transparent and fairer (less dependent on tax authorities' consideration and interpretation).

The significant changes from the past law are as follows:

- As for imported alcoholic beverages, the excise tax base was changed from the CIF (cost, insurance and freight) price to the recommended retail price which is derived from a product's production cost, management cost, and standard profit. Importers are required to disclose their cost structure to the Excise Department for consideration and approval.

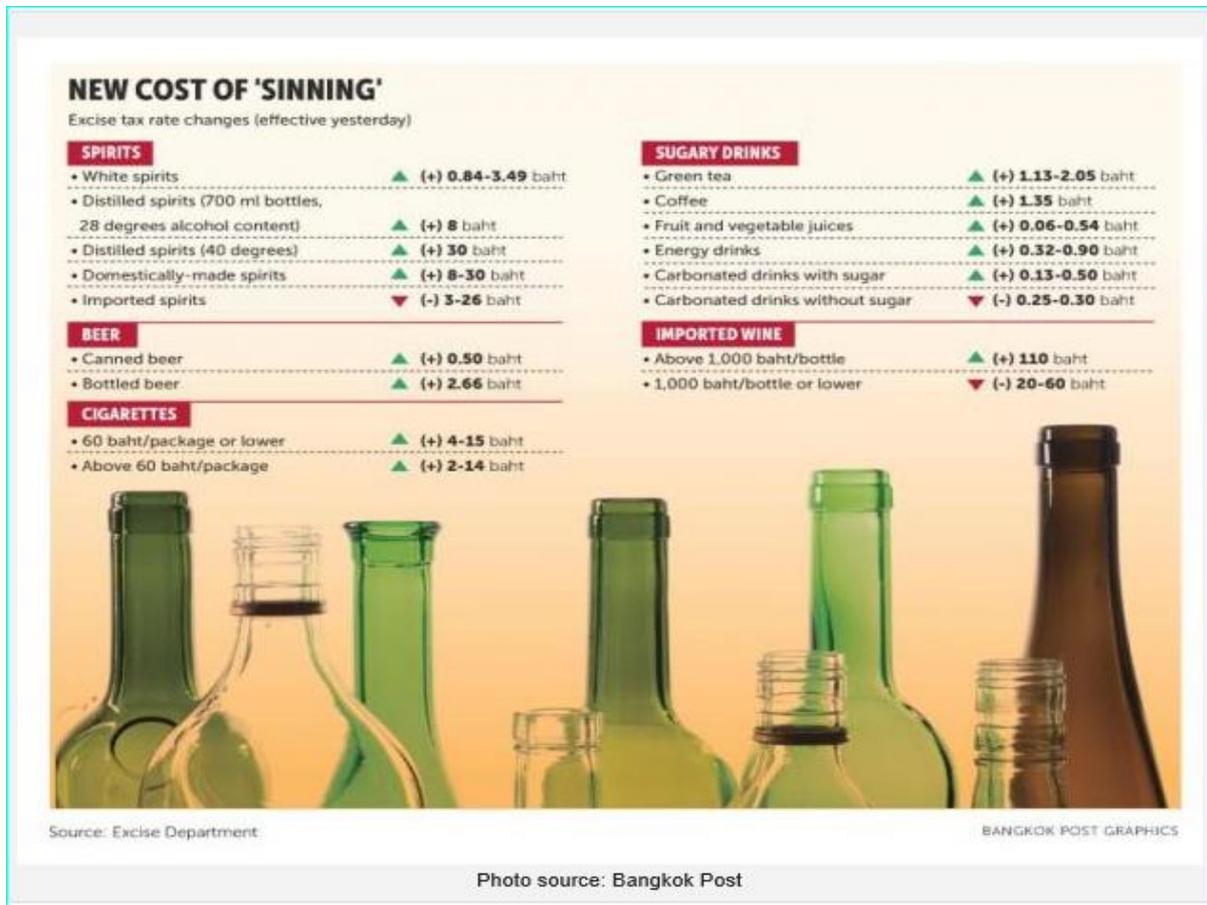
- The new excise tax calculation method is less complex. The excise tax is composed of the Ad valorem excise tax and the specific excise tax (derived from the tax rate per liter of pure alcohol). The new method disregards a comparison between the latter tax and the excise tax derived from the tax rate per liter as well as the exceeded degrees of alcohol.

Excise Tax Rates			
Types	Description	Ad valorem Rate (%)	Specific Rate (Baht per Litre of Pure Alcohol)
Fermented Liquor			
A. Beer	Brewer/brew pub	22	430
B. Wine and sparkling wine from grape	1. Recommended retail price not exceeding Baht 1,000	0	1,500
	2. Recommended retail price exceeding Baht 1,000	10	1,500
C. Fruit liquor composed of grapes	1. Alcohol content not exceeding 7 degrees / packaging size not exceeding than 0.330 litres	10	150
	2. Other than no. 1		
	2.1 Recommended retail price not exceeding Baht 1,000	0	900
	2.2 Recommended retail price exceeding Baht 1,000	10	900
D. Other than A., B. and C.	E.g. - fruit liquor without composition of grapes	10	150
	E.g. - fermented traditional liquor		
	Others		
Distilled Liquor			
A. White spirit	White spirit / community distilled liquor	2	155
B. Other than A.	1. Alcohol		
	1.1 For industrial, medical, pharmaceutical and scientific use according to methods specified by the Director General	0	0
	1.2 Being conversed according to methods specified by the Director General	0	0
	1.3 Others	0	6
	2. Other than no. 1	20	255
	- blended spirit		
	- special blended spirit		
- special spirit / whisky, brandy, rum, gin, vodka, liqueur			
- others			

The above applicable excise tax rates are in accordance with the Ministerial Regulation No. 2, B.E. 2560 (2017): Determination of Excise Tax Rates, under the Excise Tax Act B.E. 2560 (2017)

<https://www.excise.go.th/cs/groups/public/documents/document/dwnt/mjk4/~edisp/uatucm298729.pdf>

Impacts of the new excise tax are shown in the picture below:



Other than the excise tax, alcoholic beverages are subject to other taxes (derived from the excise tax base) including:

- Municipal tax by the Ministry of Interior, 10%
- Thai Health Promotion Foundation, 2%
- Thai Public Broadcasting Service, 1.5%
- National Sports Development Fund, 2%
- Elderly fund, 2%

Standard of Analysis for Beer

Beer shall have the standard of alcohol by volume, chemical attributes, food additives and contaminants which are specified below, by using the test method of Association of Official Analytical Chemists (AOAC) or the equivalent test method.

1. Alcohol by volume shall be as specified on the label which the tolerance shall be ± 1 degree (percent by volume) by using the test method of AOAC 26.1.09 or the equivalent test method. In case of dispute the test method, shall use the test method of AOAC as a method to judge.

2. Chemical attributes shall be as specified in the table below and using the test method of AOAC or the equivalent test method. In case of dispute the test method, shall use the test method of AOAC as a method to judge.

Item	Substances	Not exceed	Test Method
1	Methyl alcohol	50 ppm	AOAC 26.1.36
2	Ethyl carbamate	50 ppb	AOAC 28.1.48

3. Food additives shall be as specified in the table below and using the test method of AOAC or the equivalent test method. In case of dispute the test method, shall use the test method of AOAC as a method to judge.

Item	Substances	Not exceed	Test Method
1	Sulfur dioxide	30 ppm	AOAC 27.1.39

4. Contaminants shall be as specified in the table below and using the test method of AOAC or the equivalent test method. In case of dispute the test method, shall use the test method of AOAC as a method to judge.

Item	Substances	Not exceed	Test Method
1	Arsenic	0.1 ppm	AOAC 9.1.01
2	Lead	0.2 ppm	AOAC 9.2.19
3	Copper	1.5 ppm	AOAC 28.1.23
4	Ferrous	1.5 ppm	AOAC 28.1.24



- Amidst intense competition in the saturated market, leading Thai breweries also offer more product variety, i.e. craft beers and imported beers in response to the growing consumer demand. They would gain more market share in the premium segment if drinkers become price sensitive (e.g. during the economic downturn).

10. CONCLUSION

In 2018, the Thai beer market experienced a negative growth due to the stagnant mainstream beer segment, the implementation of new excise taxation designed to charge higher taxes on high alcoholic content beverages with the aim to reduce consumption in the country as well as other the government's policies to control beer consumption. However, the premium segment, especially Thai craft beers and imported beers, reported a healthy growth. Supporting factors included the rise of urban consumers who had high purchasing power, preferences on premium goods and are more health conscious. In addition, consumers consumed more premium beers as they were more affordable, easy to access and perceived as an element to enhance their image, alternative to wines. Growth of premium beers was also spurred by the vast influx of tourists. In 2019, the overall beer market was expected to perform better, especially the premium segment would steadily grow. All players in the market focused more on this niche market. Amidst intense competition, marketing strategies employed by beer companies were new product launches, improvement of existing products, increasing access channels to consumers by expanding to the modern trade and online channels in response to consumer needs e.g. at home drinking trend and appreciation for convenience. In terms of promotion, alcoholic business is controlled by strict regulation, advertisement on media are highly restricted. Hence, most companies promoted their products and increased their brand awareness among consumers through below the line activities and social media.

All in all, the Thai beer market will perform better in the coming years, in the premium segment in particular. Though the market provides good opportunities for market entry, a number of challenges should be taken into consideration to minimize risks.



