Beer Consumption in Thailand

Submitted to
Prof. Richard Fowles

Presented by
Arisara Rotchue
ID 568 56820 29

Master of Arts in Labor Economics and Human Resource Management
Faculty of Economics
Chulalongkorn University
June, 2013
Abstract

In Thailand, the consumption of beer is very popular all over the country. Over the course of the paper I will find to give a brief introduction of beer market in Thailand, the reasons why beer industry is very popular, the Thailand market beer analysis, the gaming and strategic decisions that the producers use, the effected factors on the beer price and the consumer’s satisfaction. The paper aims to demonstrate the overall beer consumption in Thailand.

Key words: beer in Thailand

Arisara Rotchue
June 2013
Chulalongkorn University
Bangkok, Thailand
I. Introduction

Beer is an important consumer product which had long history in Thailand. Singha beer Brewing beer in Thailand began in 1934 (although the Singha label says "SINCE 1933"). Locally produced Thai beers face competition from major international brands, but have successfully found their own niche in the Thai market and abroad.

Thai beer is typically lager. The oldest and most popular Thai beer in Thailand and abroad is Singha, brewed by Boonrawd Brewery. Singha also appears in Thailand in Light (3.5% ABV) and Draught versions.

Recently, Singha has been challenged by Chang beer, made by Thai Beverages. Chang is noted globally for its sponsorship of Liverpool's Everton football club, as its name and logo have appeared on the team uniform since 2004.

Boonrawd Brewery also makes Leo, a non-premium beer. In addition, Thai Beverages sells Archa, a mass-market, non-premium lager.

Other locally brewed Thai beers are Phuket Beer and Siam, in Pathum Thani province; the latter brewery exports Bangkok Beer abroad, but does not sell it in Thailand. Phuket Beer and Federbrau are the only Thai beers brewed according to the German purification laws or Reinheitsgebot; Phuket Beer has recently won a Gold Medal Award in the Category of Best Lager under the selection process of the Monde Selection organisation based in Brussels, Belgium. Klassik beer is another local beer brewed in Pathum Thani province. See Beer and breweries in Thailand for a more complete alphabetical listing.

Although foreign beers are popular within the country, the Thai government seeks to shelter its domestic breweries through the imposition of import duties; in addition, all imported beers must bear an import sticker on their bottle caps. As a result, Thai brewers have struck partnership deals with western brewers, such as Carlsberg's partnership Boon Rawd.

In Thailand, brewing industry today is characterized by the dominance of three brewers. Even though, there are many different brands, but they are under the same beer companies which are Boonrawd Brewery, Thai Beverage and Thai Asia Pacific Brewery.

Today, Boonrawd Brewery sales brands which are Singha, Leo, Carlsberg and Asahi. Thai Beverage sales brands which are Chang, Archa and Federbrau. Thai Asia Pacific Brewery sales brands which are Heineken and Tiger.
Why do people drink alcohol (The psychology of drinking)

The psychology of drinking

Why do people drink alcohol?
Hundreds of studies have shown that alcohol have destructive short term and long term effects yet some people drink excessively without minding any of these harmful effects.

Why do people drink alcohol

1) Mood regulation: For the first instance mood regulation might not sound like a bad idea. After all if someone can drink to improve his mood then why not do it? In fact if you need mood regulation then there must be something completely wrong with your mood. In such a case you are using alcohol to escape from the state you barley tolerate to a state that makes you feel better. Some people drink to have more courage to approach others, do you know what does this really mean? It means that they are cowards who just need anything to help them become brave. The problem in such a case is not with alcohol itself but its with the horrible state those people are in when they are sober

2) To let others see them differently: The Tomboy who hates the fact that men are more likely to take risks might start drinking just to prove to the world that she can be as careless as a man. The guy who desperately wants to appeal to women might start drinking to seem more like a bad boy (the typical type of man who attracts women). This guy isn't aware of the fact that Alcohol reduces testosterone production and makes him more of a feminine man than a bad boy. In other words, many people drink to create a new identity and to force others to see them in a new way

3) To prove something & protect their beliefs: Some people drink to prove something to themselves or to the world. Some people might want to appear happier in the presence of others. Some might want to appear more social while a third group might want to prove that alcohol is actually a good thing. An atheist might start drinking just to prove to the world that drinking is a good thing or in other words, he just wants to prove that religions are wrong. Many people get involved in bad habits just to prove something to themselves or to others while believing that they are doing them for completely different reasons
The Reasons of Choosing to Drink Alcohol in Thailand

The research shows that the reasons of choosing to drink alcohol in Thailand because of four main reasons which are for tasting, relaxing, socializing and brightening as you see in the graph below.

Graph 1: Reasons of Choosing to Drink alcohol in Thailand

I. Literature Review

Thailand’s Beer Market Analysis

As the brewing industry today is characterized by the dominance of three brewers which are Boonrawd Brewery, Thai Beverage and Thai Asia Pacific Brewery, the criteria of the products is set into three segments which are premium beer, standard beer and economy beer. We can see the market share, growth ratio, sales value and the products in the table below.

Table 1: Thailand’s Beer Market Analysis

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Market Share</th>
<th>Growth Ratio</th>
<th>Sales Value(Liters)</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>3.35%</td>
<td>7.08%</td>
<td>11,850,349</td>
<td>Heineken, Carlsberg, Asahi, Federbrau</td>
</tr>
<tr>
<td>Standard</td>
<td>9.40%</td>
<td>16.79%</td>
<td>33,298,224</td>
<td>Singha, Tiger</td>
</tr>
<tr>
<td>Economy</td>
<td>87.24%</td>
<td>22.42%</td>
<td>308,817,000</td>
<td>Chang, Leo, Archa</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>46.29%</td>
<td>353,965,573</td>
<td></td>
</tr>
</tbody>
</table>
Total Beer Market Share

Because of the high competition in beer market, the market share can show in the graph below. Boonrawd Brewery receives 69.06%, Thai Beverage receives 26.76% and Thai Asia Pacific Brewery gets 3.76%.

The reasons that make Boonrawd Brewery to be a main leading in total beer market share because of the “Leo Beer”--the economy beer of Boonrawd Brewery.

Graph 1: Total Beer Market Share

II. The Satisfaction of the Consumers on Beer Brewers

Graph 1: The Satisfaction of the Consumers on Beer Brewers
The graph shows the factors that make the consumers satisfaction. It was showed in eleven categories. All of the factors are affected to the attitude of the consumers and the sales figures of the beer producers.

III. Channel Distributions

Graph 1: Channel Distributions

The nature of beer channel distributions in Thailand is similarly. The head company sales the products to their agents all over the countries and also to the modern trade and supermarkets. The modern is the hyper market such as Macro, Lotus and Carrefour. The agents also distributes the products to the sub-agents.

IV. Gaming and Strategic Decisions

Game is any situation in which players (the participants) make strategic decisions.

Cooperative Game
- Players negotiable binding contracts that allow them to plan joint strategies.

In Thailand, there two kinds of cooperative among beer companies which are cooperative and non-cooperative. The cooperative way is such as the take-over and mergers. For example, Carlsberg cooperate with Boonrawd for approaching the premium beer market.

Non-cooperative Game
- Negotiation and enforcement of binding contracts between players is not possible.

In Thailand, the negotiation or cooperative will never happen with two leading beer companies which are Boonrawd and Thai Beverage. There are high competitions between them.
Gaming and Strategic

- **Bundling**
  Bundling is packaging two or more products to gain a pricing advantage. In up-countries, Thai Beverage bundles two products together and sell. Chang Beer and white sprit are bundled. It is a very effective market strategy because in up-countries, white spirit is popular which consumed by local people. They are the big market in Thailand. Later, Boonrawd Brewery created its own white spirit called “Chang Thong”.

- **Sales promotion**
  The sales promotion is created during the period of time and depends on the products they want to promote.
  - Sales promotion onAgents
    The firms are set the target of the month or round to agents and commit to receive an incentive. The incentive includes the aboard trip seminars.
  - Sales promotion on Sub-Agents
    The effective sales promotion is weekly plus. The sub-agents have a high volume of buying. Some of them have more revolving fund than agents. The purpose of this kind of promotion is to convince them to the firm. Even though, they have a lot of budget, they have less loyalty than agents.
  - Sales promotion on modern trade
    Sales promotion on modern trade is during the period of time which includes the discount and bundle.
  - Sales promotion on consumers
    In Thailand, the government set organization called Thai Health Promotion Foundation to control the alcohol consumption in Thailand. The kinds of controlling includes the limit of time for promoting the alcohol products—the advertisements. In addition, prohibit some kinds of sales promotions which are reducing the price, changing one product to another or others and giving the product(s) for free.

V. **Effected Factors on the Beer Price**

- **Increasing alcohol taxes**
  An increasing alcohol taxes effect to increase the beer price.

- **Rumor**
  The rumor about increasing the beer price effects to the beer price increase. In addition, the agents or sub-agents also keep the product with them. The result is the demand over the supply and then the price of the beer will also increase.

However, Thai Health Promotion always keeps an eye on the alcohol producers to not dump the price or increase the price to against the law or regulation.
X. Conclusion

Beer is a consumer product which is involved in almost Thai people activities. The high sales volume has seen in the high competitive. Moreover, every activity of beer manufactures do will be affected to the consumers. The quality and the satisfaction of the consumers are the reasons of choosing to consume beer. In addition, the taste of the products is also one of the reasons.

In the limitation of the promotion in alcohol market, the producers choose to promote their own brands though CSR activities or Corporate Social Responsibility. Society gains the benefit of those activities.

However, the beer industry in Thailand is an oligopoly, but price or sales promotion activities are controlled by Thai Health Promotion, the government organization.

XI. References

The Satisfaction of the Consumers on Beer Brewers, Channel Distributions
Mr. Panuvit Hengsakul, Zone Sales Manager, Marketing Plan, Boonrawd Trading Co., Ltd.

Beer in Thailand

Thai Health Promotion
http://en.thaihealth.or.th/plans/alcohol

Total Beer Market Share and Beer Market analysis
http://www.thaipost.net/news/050612/57800

Why do people drink alcohol (The psychology of drinking)
http://www.2knowmyself.com/why_do_people_drink_alcohol_psychology

Gaming and Strategic
Monopoly and Monopolistic Competition, Oligopoly and Game Theory, Touchanun Komonpaisarn, Ph.D., Faculty of Economics, Pre-sessional Microeconomic course