Organic Market in Thailand

Today's Agenda :

- About Central Group
- Overall Organic Market
- Trends & Customer Perspective
- CFR sustainability Practices for Organic Products

Presented by K.Maytinee Phisutsinthop
Executive Vice President Buying Fresh, Merchandising, Central Food Retail

CENTRAL
Food Retail Group

About Central Group

9 KEY BUSINESS UNITS OF CENTRAL GROUP

Central Department Store Group la Rinascente ILLUM KaDeWe Department Stores, Luxury Retail, Specialty Retail Stores Brand Distributor	cmg Central Marketing Group Apparels, Beauty and Personal Care, Jewelry and Accessories, Shoes and Bags, Home and Lifestyle, Office Supplies	CENTRAL Food Retail Group Fine Food Hall, Premium Supermarkets, Wholesale, Mini, Convenience Stores, Wine, Health & Beauty, Eatery, Coffee Shops, Grocery Online
CRG Central Restaurants Group Quick Service Restaurants, Japanese, Thai, Snacks & Ice-cream	COL Central Online Stationery & Office Supplies, Books & Entertainment, Online Shopping, Digital Agency	CHG Central Hardlines Group Electronics, Home Improvement, Building Supplies, Home Decor
CENTARA Hotels & Resorts	CPN Shopping Mall, Real Estate Development	CENTRAL Group VIETNAM Department Stores, Fashion, Sports, Hypermarkets, Supermarkets, Convenience, Electronics, Stationery, E-commerce, Shopping Malls

9 FORMATS WITH 1,429 STORES

8	CENTRAL FOOD HALL	108	Tops market			▪ Premium Format
7	Tops SUPER STORE	2 P Model	1 A Model	4 CPN		▪ Value Format
69	Tops เดลี่	83	ซูเปอร์ คุ้ม	1,099	FamilyMart	▪ Proximity Store
2	Eathai	27	Segafredo ZANETTI ESPRESSO	26	薬 Matsumoto KiYoshi	▪ Specialty Store

OWNBRAND ORGANIC PORTFOLIO

COOKING

TEA

COCONUT OIL

Overall Organic Market

ORGANIC MARKET – SIZE AND FORECAST

	Global	Asia	Thailand
Market Size	**Food & Beverage** 4,139,100 Billion Baht (2017) **Organic Personal Care** 361,733 Billion Baht	**Food** 394,828 Billion Baht (2016)	2,700 Million Baht (2017) Domestic (30%): 800 MB Export (70%): 1,900 MB
Compound Annual Growth Rate (CAGR)	**Food & Beverage** (2017-2024) **14.56%** **Organic Personal Care** (2017-2022) **11.3%**	**Food** (2012-2016) **16.8%**	(2017-2021) **20%**

Source : http://www.ditp.go.th/contents_attach/216053/216053.pdf
https://store.marketline.com/report/ohmf0104--organic-food-in-asia-pacific/
https://www.zionmarketresearch.com/news/organic-food-beverages-market

Trends & Customer Perspective

8 Food Trend 2018

Sustainable Consumption

1 GOODBYE CHEMICAL, HELLO NATURAL

A Desire for Freshness, Natural & Non-Chemical

2 BLURRED LINE BETWEEN FOOD & DRUGS

Boundary line between foods and drugs.

3 SWEETER BALANCE

The Use of Natural Sweetener

4 SEED OF CHANGE

A very "On Trend" of seed that contain high nutrition

5 BODY IN TUNE

High nutrition, low FODMAPs

Sustainable Production

6 LOCALISATION

"**Local**" becoming a major factor that consumer equate with store, quality, freshness & cleanliness

7 TRANSPARENCY

Consumer would to understand what it takes to get that food product on the shelves

8 SMART PACKAGING

Packaging that allow the customer directly understand & interact with

Source : http://www.nationtv.tv/main/content/378560225/

PRODUCT SAFETY & HEALTHINES MAKE ORGANIC PRODUCTS MORE APPEALING TO THAI CONSUMERS

36%
Associate organic food/drinks with the absence of harmful ingredients

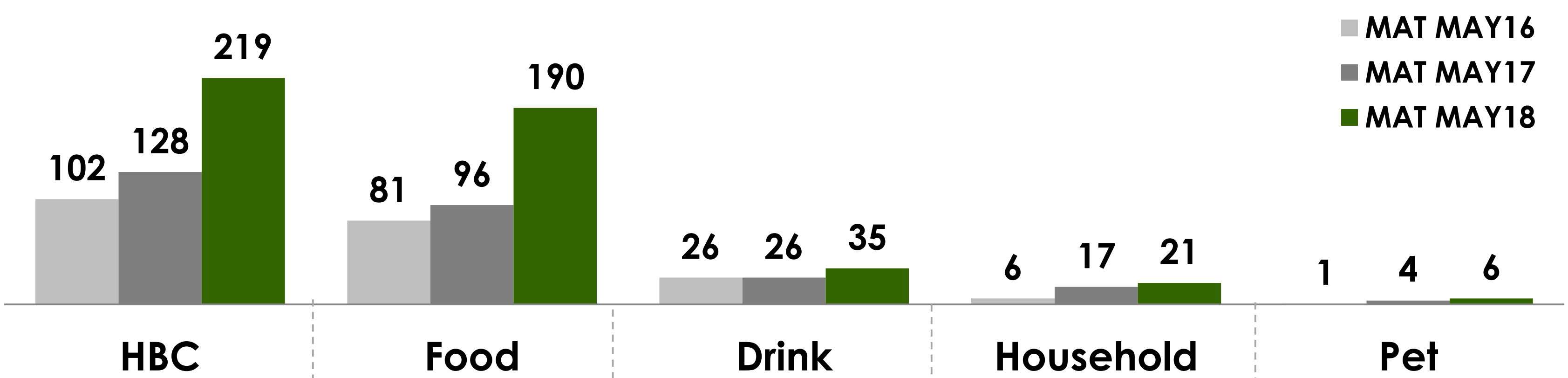
42%
Purchase organic products because they want to switch to healthier alternatives

60%
Agee that it’s worth paying more for organic food and drinks

Source : Mintel Thai Consumer Data 2017

NOT ONLY FOOD, THAIS CUSOMERs ALSO LOOK FOR ORGANIC CLAIM IN HBC and Non Food categories

Number of Organic Claim Product in Thailand



CFR Hi-light Product

%Growth

HBC	Food	Drink	Household	Pet
+27%	+59%	+543%	+37%	+74%

Aim Thai Classic Organic Active Toothpaste

My Choice Organic Jasmine Rice

Home Grass Fed Organic Milk

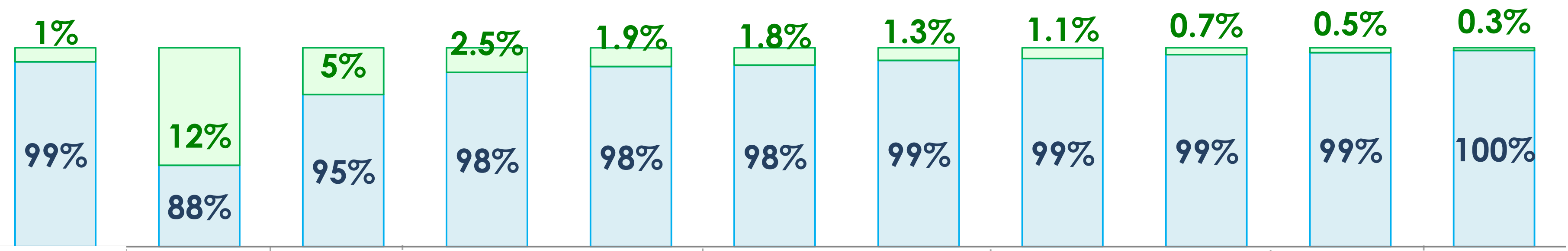
Pipper Standard Laundry Detergent Eucalyptus

Organic Flex Seed Meal for Pet

Source : Mintel GNPD MAT MAY 2018

CFR CUSTOMERS TEND TO INTERESTED IN ORGANIC, RESULTING OF OURGROW THAN THE REGURAR ONE IN ALL CATEGORIES

Top 10 Organic Categories by Sales Contribution



%Growth	All Categories	Vegetable	OTOP	Cooking	Fresh Packaged	Fruit	Deli	Packaged Food	Oral Care	Cleaning	Milk & Baby Food
Organic	+20%	+15%	+408%	+12%	+96%	+12%	+86%	+1%	+9%	+35%	+66%

No. of organic SKU by Categories

	All Categories	Vegetable	OTOP	Cooking	Fresh Packaged	Fruit	Deli	Packaged Food	Oral Care	Cleaning	Milk & Baby Food
SKUs	3,050	2,082	43	149	51	419	9	102	21	25	12
%Growth	28%	+33%	-3%	+3%	+34%	+13%	+125%	+1%	+24%	+0%	+50%

Source: Qlikviewn YTD May'18

CFR SHOPPER RESEARCH

HIGH Involvement shoppers

Value & Lifestyle

- Opened-mind and trying new things
- Healthier lifestyle (i.e. playing sports, exercise on a regular basis, etc.)
- Love to be seen as a good-looking person
- Put more importance on work-life balance in order to maintain good health

Attitude towards Food Selection

- "Health conscious" when selecting food
- Need evidence to ensure food quality (i.e. focused on "Standard label and Cleanliness of food"), consider food source/traceability
- More concerned over how to eat healthy and save the planet

"My dad has problems with cholesterol and high blood pressure. Then, our family started to eat clean since then."

LOW Involvement shoppers

Value & Lifestyle

- More laid back personality and lifestyle
- More comfortable to stay in their "comfort zone"
- Satisfied with current routine lifestyle
- Not active and do not have many activities in daily routine

Attitude towards Food Selection

- Food selection based on their indulgence
- Focus on "Price and taste" first in their mind
- Don't' care much about food source and health when purchasing food
- Less concerned over environmental issues

"Eating is one way to connect with friends and clients. Buffet is my favorite as I can eat as much as I can."

Source : Qualitative & Quantitative Shopper Research

GROWING OF HEALTH & BEAUTY LIFESTLYE DRIVEN MORE INTERESTED IN SUSTAINABLE CONSUMTION & PRODUCTION

HIGH
Involvement
shoppers

Growing Health & Beauty Lifestyle

Easy to access Health and Beauty information. Many consumers are adopting healthier lifestyles, either through their choice of food or through exercise.

Factors contributing to "Health Concern"

"Fear"
learned through personal and others' health experiences

"It is very easy to find someone with cancer nowadays."

"Lifestage"
'30-omethings' or Motherhood (only Females)

Illness in family
Increase awareness and concern over health and become more interested in choosing chemical-free food

Turning 30
marks the definitive end of youth. Consumers become more conscious about health: "Prevention is better than cure"

After having a baby, women worry more about overall health and beauty

Source : Qualitative & Quantitative Shopper Research

KEY FACTORS INFLUENCED DECISION MARKING FOR FRESH FOOD

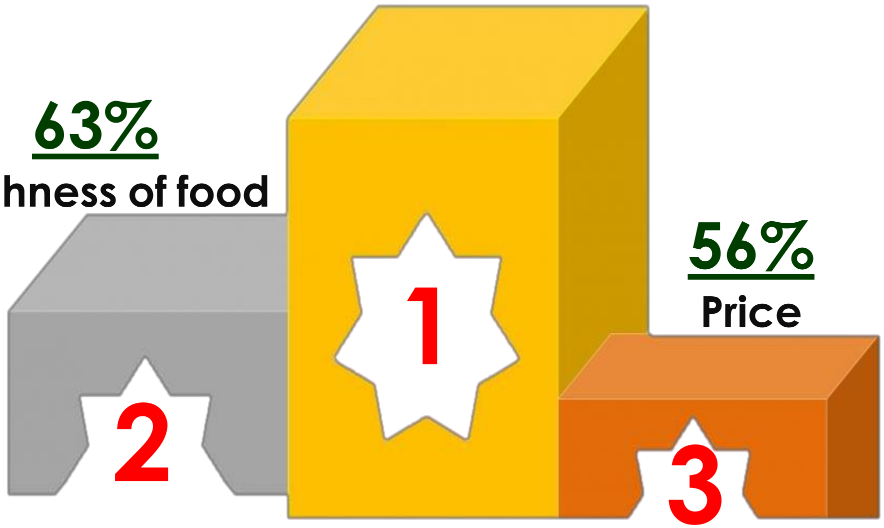
HIGH Involvement shoppers

Top 3 Factors

77%
Cleanliness of food

63%
Freshness of food

56%
Price



Other Factors

34% Label

98% Expiry date
90% Manufactured date
74% Price
69% Standard label for chemical-free

28% Food Traceability

"Real organic product needs to show its source."

19% Food Process

"Proper manufacturing facility gives us more confidence on food safety. It will be more beneficial for the manufacturer in the long run."

Source : Qualitative & Quantitative Shopper Research

ORGANIC IS THE TOP OF MIND THAT CONSUMERS DEFINE AS SUSTAINABLE CONSUMPTION & PRODUCTION

HIGH Involvement shoppers

Spontaneous

19% Food process that is chemical-free / organic

13% Healthy consumption

11% Food process that is clean and safe for consumers

10% Manufacturer with good quality or has been established in the market for a long time

10% Food process that does not cause deterioration of the environment.

"Organic vegetable relies more on nature without chemicals involved in its cultivation. It means no toxic gases being produced."

"A product that is good for the environment must also be good for our lives."

Aided

Sustainable Consumption

56% Food selection that put emphasis on the ecology, chemical-free, and effective resource utilization.

Sustainable Production

30% Farming without toxic chemicals Environmentally-friendly Farm

27% Concern over ecology / biodiversity

24% Food production that is environmentally-friendly

PERCEIVED BARRIERS & THE WAY FORWARD TO SUSTAINABLE CONSUMPTION & PRODUCTION (SCP)

LOW Involvement shoppers

PERCEIVED BARRIERS

92% : Lack of knowledge & realization of the importance

88% : Lack of proper public relation and expensive

81% : Less types of products

78% : Unsupported by Government

THE WAY FORWARD

- More visibilities in both on & off line
- More impacted & relevant contents
- Create content to engage the consumer by emphasized in both sustainable consumption & production

- Sourcing, educate & support the whole value creation thru the market for organic local farmers & commodities

- Cooperate & ask support with governance to support organic farmers, commodity in term of fund & free public relation via mass media, campaign etc.

CFR sustainability Practices for Organic Products

ECONOMIC SUFFICIENCY : SUPPLIER RELATIONSHIP

Supplier

20%	1.Distributor 2.Direct Import 3.Global
80%	4.Local 5.OTOP 6.SME 7.Community 8.PPP.CoOP

Our supports :

1. Set up community model, support know-how & be their market
2. Springboard to global market
3. Sustainable Economy

Set Up

Membership Gathering

เกษตรกรชุมชนบ้านโนนเสาธง

ชุมชนกลุ่มแม่บ้านเกษตรกรมะขามทอง

เกษตรกรชุมชนบ้านน้ำดุกใต้

Education

Archetype

CLEAN LIFERS

SLEUTHY SHOPPER

Lifestyle

VIEW IN MY ROOMERS

CALL OUT CULTURE

Attitude

IT'S IN THE DNA,I'M SO SPECAIL

I-DESIGNERS

Funding Support

มูลนิธิ เตียง จิราธิวัฒน์

CENTRAL Group for THE COMMUNITY สินค้าชุมชนของเรา

THANK YOU

APENDIX

ORGANIC PACKAGED FOOD & BEVERAGE MARKET

- **Thailand organic market size account for 515MB in 2017, which is less than 0.1% of global category sales**
- **Within the Asia Pacific , China, Japan, South Korea, India & Taiwan all surpass Thailand in value sales**
- **Modern is the key destination for organic with sales contribution at 65%**

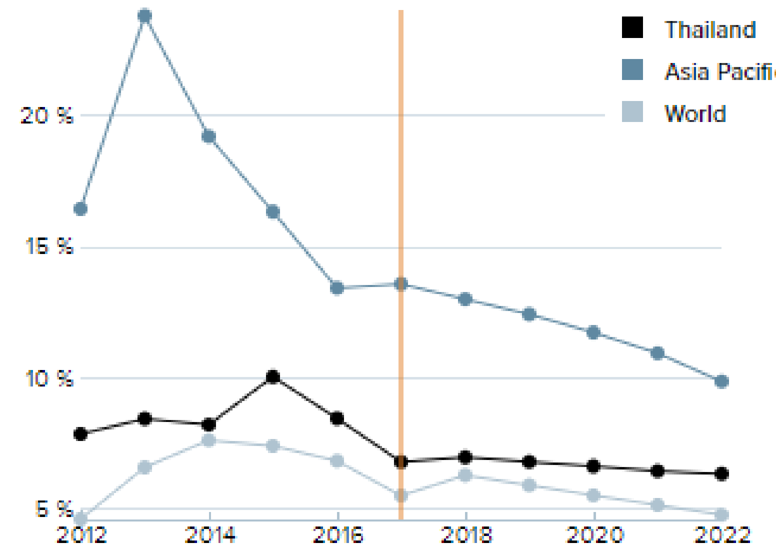
Market Size 2017 & Sales Forecast

Market Value : #43 — **515 MB**

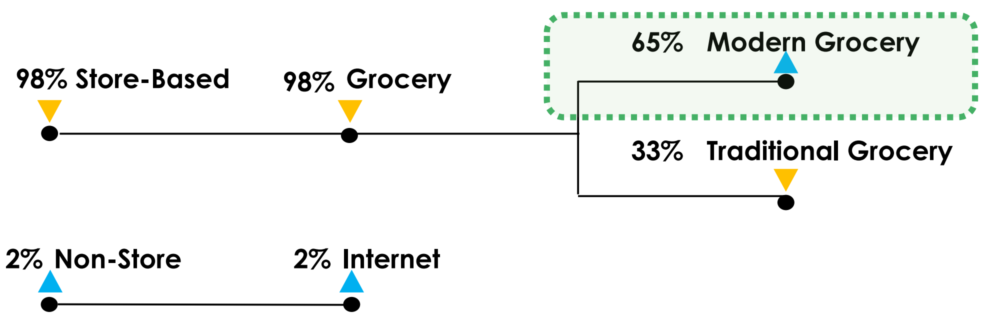
Per Capita : #43 — **7 THB**

CAGR 2017-2022 : #18 — **7%**

Category YOY Growth Comparison



Sales Contribution by Channel



Overall Food Organic

2,700 Million Baht (2017), CAGR-2021 : 20%

- **Domestic (30%): 800 MB**
- **Export (70%): 1,900 MB**

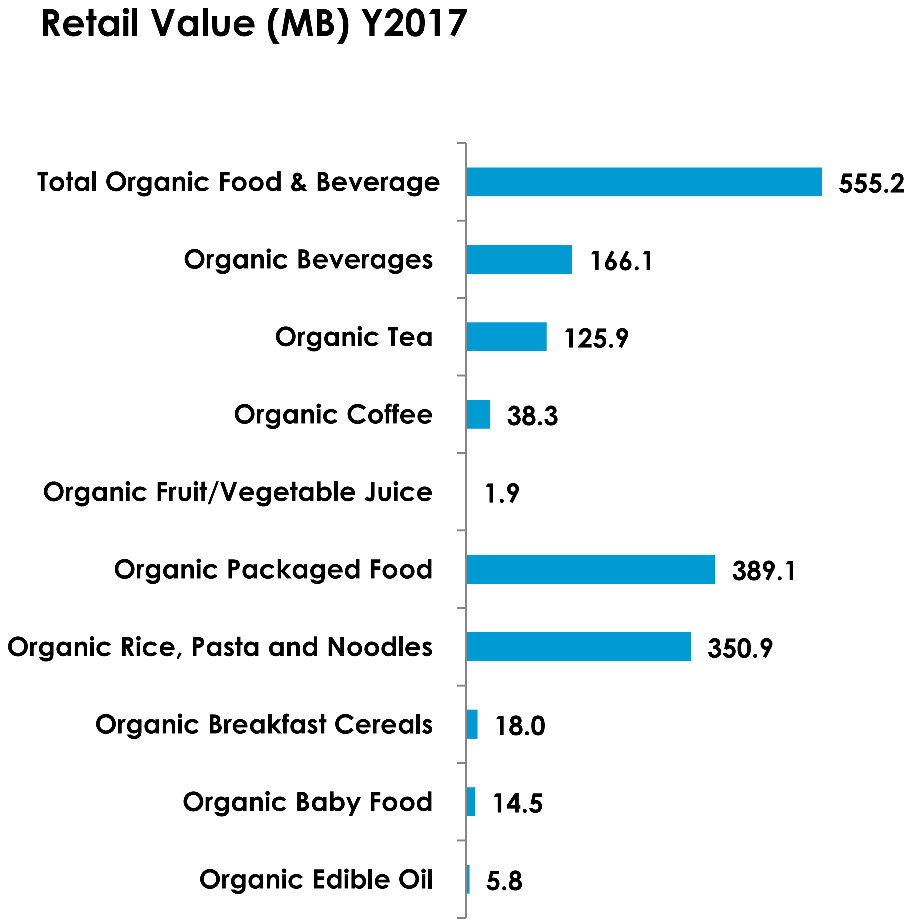
http://www.ditp.go.th/contents_attach/216053/216053.pdf

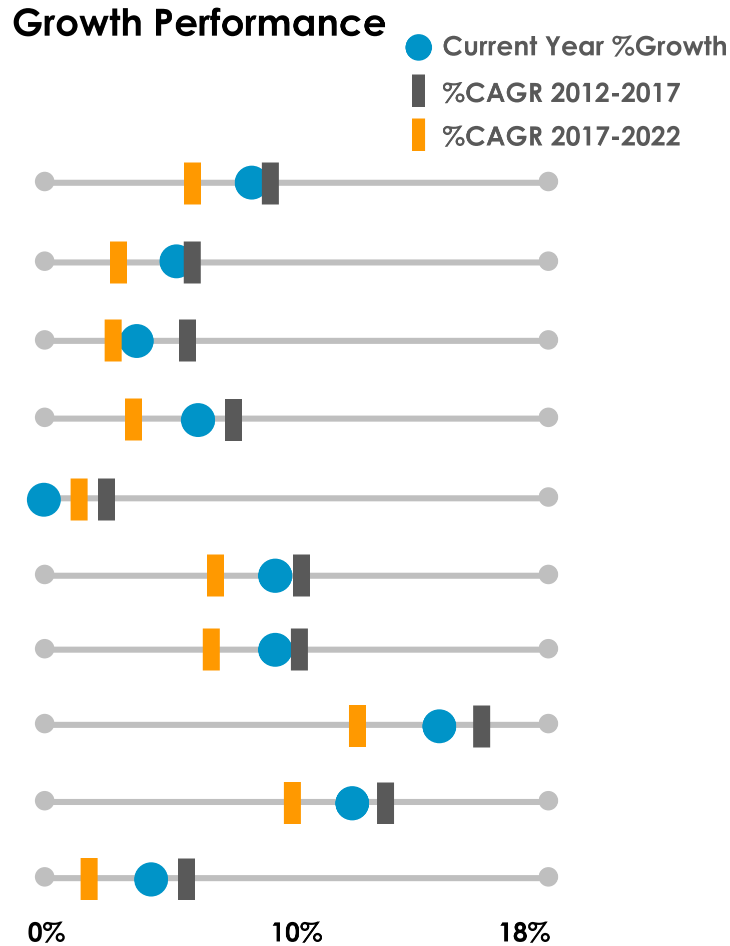
Source : Euromonitor Thailand JUN 2018

ORGANIC PACKAGED FOOD & BEVERAGE MARKET (CONT…)

Organic packaged foods & beverages in Thailand is still likely to increase thanks to their perceived health benefits and higher level of consumer awareness

%Growth Trend by Category





Source : Euromonitor Thailand JUN 2018

Research Methodology

Qualitative study

Sample size= 6 (High Involvement)
G2 = 6 (Low Involvement)

Quantitative study

Sample size (n) = 240

Thai Male/Female aged 18-50 years

Socioeconomic Status: ABC+ (35,000THB)

Purchase fresh food at least 2 times per week

Main decision maker for fresh food

Source : Qualitative & Quantitative Shopper Research