

1 The Italian Food Sector Future Growth in Thai's Market

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5

6 **Abstract**

The purpose of this article is to explore recent existing trends of opportunities in launching a new product in Thai's market such as Italian Pasta. In addition, Bella Pasta Italiana is a fictitious company that introduces a SWOT analysis in the literature review that discusses, in depth, the main strategies of Bella Pasta Italiana doing business in Thailand. Moreover, Bella Pasta Italiana will adopt a marketing mix business strategy proposed by Griffin and Pustay (2015). Furthermore, from 2013 to 2020, the government of Thailand is willing to invest 67billioninthecountry?sllogisticalinfrastructuresystem(U.S.CommercialService, 2014).Forexample,asTheV

7

8 **Index terms**— international marketing, marketing mix, competitive market environment, ASEAN countries, 9 strategic location.

10 **1 Introduction**

11 his article will introduce reasons as to why the infrastructure system in Thailand is weak. In addition, Thailand's 12 former Prime Minister, Yingluck Shinawatra, indicated to the government of Thailand that the total value of 13 investment in building a solid infrastructure system is budgeted at \$72 billion. Moreover, Thailand's government 14 remains skeptical about the investment infrastructure project of \$72 billion over the next seven year period. 15 For example, Thailand's government needs to build dams and drainage systems by investing approximately \$11 16 billion, equivalent to 340 billion Thai Baht (THB) ??Thailand currency). Furthermore, the initial investment 17 of \$11 billion will help to retain foreign investors in the country's market such as Nissan, Hitachi, and Toshiba. 18 Therefore, The Association of Southeast Asian Nations (ASEAN) is willing to connect and expand the commercial 19 channels with Thailand's neighbor countries such as Myanmar and Vietnam if the government of Thailand is 20 willing to invest \$72 billion in rebuilding the infrastructure system for the next seven years (Yoon, & Davies, 21 2012).

22 The 2013 World Factbook suggests that the government of Thailand, for the next seven years, is willing to 23 invest \$75 billion to improve the infrastructure system of the country and protect, as well, the welfare of Thailand's 24 economic system (Central Intelligence Agency, 2013). In addition, there is an existing demand for Italian pasta 25 in urban and rural cities in Thailand. However, the main weakness in the Thai market is the infrastructure 26 system and shortage of skilled labor. Furthermore, consumers in Thai's market expect that companies selling a 27 product in their market are associated with Buddhism culture. Therefore, the existing gaps in the Thai market 28 are as follows: (1) low economic levels, (2) inequality of income, (3) shortage of labor skill professionals and (4) 29 an inadequate infrastructure system (Guillen-royo, Velazco, & Camfield, 2013).

30 **2 II.**

31 **3 Literature Review a) Thailand's Geography**

32 Thailand is located in the Southeastern region of Asia and bordered by Malaysia, Laos, Burma, and Cambodia 33 (Central Intelligence Agency, 2013).

34 4 b) Thailand's Economy Overview

35 Thailand intends to keep growth steady by encouraging domestic consumption and promoting more the
36 exportation trading position of the country. In addition, the unemployment rate is less than 1 percent of the labor
37 with Thailand attracting more than 2.5 million migrants from neighboring countries. Furthermore, the income
38 category of the Thailand population is in the upper middle income level. For example, as noted by The World
39 Bank (2013) "the population is 66,785,001, the gross national income per capita (US\$) 5,210, and DB number 18
40 worldwide" (p.5). However, since 2009, Thailand's export trading position has been severely affected because of
41 the global economic recession crisis. As a result, Thailand's economy has expanded by 7.8 percent. Therefore, for
42 the next seven years the government of Thailand has approved \$75 billion to improve the infrastructure system of
43 the country and protect, as well, the welfare of Thailand's economic system (Central Intelligence Agency, 2013).
44 c) Thailand's Business Environment ??The World Bank, 2014, p. 8) As The World Bank (2014) index indicates,
45 it is very easy to do business in Thailand and the country index ranked Thailand as number 26 as compared to
46 the population of other countries in the Asian region (The World Bank, 2014).

47 5 d) Thailand's Market Overview

48 Thailand represents the 27 th largest exporting destination for the United States .In addition, Thailand has a
49 bilateral investment agreement with more than 39 countries, as well as members from the Association of Southeast
50 Asian Nations (ASEAN). Moreover, in the ASEAN economies, Thailand is the second largest economy behind
51 Indonesia. For instance, Thailand depends heavily on international trade; therefore, from 2013 to 2020 the
52 government of Thailand is willing to invest \$67 billion in the logistical infrastructure system of the country (U.S.
53 Commercial Service, 2014).

54 6 e) Thailand's Market Challenges

55 Thailand possesses an open market economy and has a well diversified competition from both global and domestic
56 suppliers. However, United States companies are concerned about the lack of transparency that exists in
57 Thailand's market and that the government of Thailand has not been able to prevent corruption from political
58 officials. For example, the violation of intellectual property rights has created weaknesses in Thailand's market;
59 therefore, the United States Commercial Service advises American companies doing business in Thailand to
60 prepare an extensive marketing strategy plan to avoid volatility risk (U.S. Commercial Service, 2014). f)
61 Thailand's Market Opportunities Thailand has experienced vibrant economic growth in different sectors by
62 attracting mainly United States and European companies. The government of Thailand is focusing their efforts
63 in reshaping the infrastructure system of the country. As a result, the government of Thailand offers a great deal
64 for United States suppliers that are willing to export defense equipment, environmental technological equipment,
65 and so forth (U.S. Commercial Service, 2014).

66 7 g) Thailand's Market Entry Strategy

67 The United States Commercial Services indicates, that in order to make an effective entrance strategy into
68 Thailand's market, engaging a business relationship with a local partner is a great contribution asset. In addition,
69 partnering with a local partner in Thailand will help you as a company to reach Thai's buyers and consumers faster
70 than expected. Moreover, the United States Commercial Service situated in the capital of Thailand, Bangkok can
71 serve as a source of information that can help you prepare a strong marketing strategy plan to continue venture
72 expansion in Thailand's market. Therefore, understanding the cultural aspect that exists between buyers, agents,
73 distributors, and locals will guide a company to have a successful entrance penetration into Thailand's market
74 (U.S. Commercial Service, 2014). The United States Commercial Services (2014) proposed four strategic steps
75 to effectively sell United States products and services in Thailand. The first step consists in hiring an agent or a
76 distributor to guide you as a company to make an effective entrance presence into the Thai's market. Also, since
77 the franchise industry has expanded up to 20 percent and the members of franchises are expected to increase up
78 to 460 by 2017, the second step would be to associate your company with a channel of franchise companies. The
79 third step consists in implementing a direct marketing strategy, which is a \$2 billion industry and companies in
80 Thailand employ over \$1 million in direct marketing. The fourth step consists in utilizing trade promotion and
81 advertising. Therefore, the four steps mentioned previously serve as a strategic avenue for selling United States
82 products and services in Thailand (U.S. Commercial Service, 2014).

83 Pricing: United States companies have to be aware that the market in Thailand is an open economy market
84 and is very competitive as well. As a result, as United States companies continue doing business in Thailand,
85 they need to have a greater understanding about pricing because the price of the product is a successful key
86 leading indicator to attracting Thai buyers since Thai consumers are price oriented individuals. Overall, below
87 is illustrated the margin structure of Thailand's market (U.S.

88 8 Analysis of the Customer and Consumer Needs

89 Italian pasta is one of the most wanted products by consumers in the Thai market. In addition, the majority of
90 tourists who traveled to Thailand from neighboring countries in the Asian region such as Japan, China, South

91 Korea, and Singapore prefer a different life style for dining. Moreover, the concept of Italian pasta has been
92 introduced to local residents in Bangkok, Thailand and the pasta attained a high acceptability ratio. Furthermore,
93 the per capita demand from consumers is expected, in the next few years, to increase. Therefore, there is an
94 existing demand for Italian pasta in urban and rural cities of Thailand (Business Monitor International, 2014).
95 (Business Monitor International, Forecast, p. 17).

96 According to the above Business Monitor International (2014) forecast, the consumption of food in Thailand
97 is most likely expected to increase through 2018.

98 **9 IV.**

99 Analysis of the Competitive Environment1. Eat Me 2.

100 Issaya Siamese Club 3.

101 Seven Spoons 4.

102 Le Beaulieu at Plaza Athenee 5.

103 Bo Lan 6. Nahm 7.

104 Sra Bua 8.

105 Enoteca Italiana 9.

106 La Table de Tee 10.

107 Long Table ??Bangkok best restaurants, 2014).

108 The benchmark of top competitors in Thai's market is illustrated above (Bangkok Best Restaurants, 2014).

109 V. Analysis of the Overall Environment, Including Economical, Political, Technological, Social, and Cultural

110 The Thai economy is expected to increase 3.5% and by 2014 is expected to reach 4.0%. The sustainability plan
111 of Thailand's economic growth comes primarily from the continuing investment effort to rebuild the infrastructure
112 system of the country. Moreover, Thailand's public expenditure is expected to be the main growth of Thailand's
113 economy. For example, public consumption will increase at a rate of 2.7% and public investment will rise at
114 12.3%. However, inflation is anticipated to be at 0.7%. As a result, the balance of the country's surplus will drop
115 from \$4.9 billion to \$4.4 billion; therefore, the economic expansion of Thailand will be driven mainly by private
116 consumption expansion, investment from the Thai government sector, and new investors in Thai's market in the
117 next few years (Thailand: Fiscal (2013, October 1). The former prime minister of Thailand, Yingluck Shinawatra,
118 has provided political stability since the political elections held in 2011, but recently her popularity has decreased.
119 However, the main political challenge in Thailand is between the government and the royal establishment (The
120 Economist Intelligence Unit, 2014). government. In addition, the government of Thailand is trying to establish
121 the necessary political authority to build the country's infrastructure system. Moreover, the The long-term
122 economic stability of Thailand will depend upon the main decisions made by the the financial crisis of 2011 and
123 severe flooding and natural disasters in the country. Furthermore, The Economist Intelligence Unit (EIU) does
124 not predict any changes in governmental policy. As a result, the government has allowed more access to the
125 Thai market so investors can enjoy enterprise competition under the Foreign Business Act, which will determine
126 specifically where the investors will be investing their capital. For instance, the tax regime in Thailand remains
127 stable and the government of Thailand is willing to create new tax incentives for foreign investors. Therefore, the
128 main weakness in the Thai market is the infrastructure system and the shortage of skilled labor (The Economist
129 Intelligence Unit, 2014).

130 **10 VII.**

131 **11 Cultural**

132 Personal values (as noted by Kotabe, and Helsen, 2008) are important key drivers among Asian countries, which is
133 also the case in the Thai culture. In addition, Thai consumers are also guided by conservation values, and Thai's
134 consumer behavior (as cited in ??hillips, 1996) relies essentially on individualistic and collectivistic conceptuality.
135 For example, Punyapiroje (2002) finds a high level of individualism in Thai's culture. Furthermore, two important
136 Thai values are "mat pen rai" which means some things in life do not matter and "sanuk" which means to enjoy
137 and have fun. Therefore, consumers in Thai's market expect that companies selling a product in their market
138 are associated with the Buddhism culture (Cai, & Shannon, 2012).

139 **12 a) Bella Pasta Italiana i. Marketing Objectives**

140 Bella Pasta Italiana will target the audience as follows:

141 1. Generate a new line of customers attracted to Italian food. 2. Create a solid web-page that will build brand
142 loyalty. ii. Targeting and Positioning

143 Bella Pasta Italiana will be serving the middle and upper-income level individuals ranging from ages between
144 25 through 55 who want to have a pleasant dining experience.

145 Bella Pasta Italiana will be located in 35/1 Sukhumvit Soi 53., Wattana, Bangkok 10110. This location is in
146 the center of Bangkok and populated by the age demographics indicated above. The median age of the population
147 around Sukhumvit Soi 53 is 40 years old. Additionally, the median family income is higher than the national

148 per capita income; therefore, the population that Bella Pasta Italiana is wanting to target is educated people
149 (Longenecker, Palich, Petty, & Hoy, 2012).

150 13 iii. Positioning

151 The Bella Pasta Italiana survey reveals that there is an existing demand for their product in the Thai market
152 and likely expect that 75% of customers will eat in the restaurant (Longenecker, Palich, Petty, & Hoy, 2012).
153 Consequently, Bella Pasta Italiana will serve the upper and middle income class levels with a fresh, fast, elegant,
154 and fun dining experience.

155 14 iv. Marketing Penetration

156 Bella Pasta Italiana will be located in a visible area surrounded by attractive Malls and expects to generate high
157 interest from local residents. Moreover, Bella Pasta Italiana will conduct a joint venture with Bacco-Osteria da
158 Sergio an Italian restaurant that better understand the Thai consumer behavior market. Bella Pasta Italiana will
159 adopt the above marketing mix business strategies proposed by Griffin and Pustay (2015). The main strategic
160 goal of Bella Pasta Italiana, as an Italian restaurant, is to build a consistent brand within the market standards
161 by touching their customer's hearts with a fresh, fast, elegant, and fun dining experience. As a result, everything
162 that Bella Pasta Italiana does will be associated with Italian tradition to raise customer awareness and build
163 brand loyalty (Longenecker, Palich, Petty, & Hoy, 2012).

164 IX. because the poor people in Thailand mainly work to meet their basic financial needs. Some of the major
165 gaps in Thailand (as cited in Doyal and Gough 1991), are income inequality along with a shortage of labor skilled
166 professionals and an inadequate infrastructure system. Also, the access to markets and services is not the same
167 for each individual in the province of Thailand. As a result, Thailand has low economic levels and inequality of
168 income. Therefore, the existing gaps that Thailand is currently facing are as follows: (1) low economic levels,
169 (2) inequality of income, (3) shortage of labor skilled professionals and (4) an inadequate infrastructure system
170 (Guillen-royo, Velazco, & Camfield, 2013).

171 15 Thailand's Demographic Forecast

172 16 XI.

173 17 Conclusion

174 In conclusion, the government of Thailand is working toward improving the country's infrastructure system.
175 In addition, the government of Thailand has approved a \$72 billion budget to re-build the country's roads for
176 the next seven years. Moreover, as noted by Yoon and Davies (2012) the initial investment of \$11 billion will
177 help to retain foreign investors. Furthermore, The Association of Southeast Asian Nations (ASEAN) is willing
178 to connect and expand the commercial channels with Thailand's neighboring countries by investing \$72 billion.
179 Also, Bloomberg Businessweek (2014) reported that Thailand's geographical position is superb because Thailand
180 has 10 international airports, 6 commercial seaports, 12 ASEAN highways, and 33 Border Connections.

181 18 XII. Recommendation for Future Studies

182 The author of this article suggests that the following aspects should be considered for future studies when
183 exploring the potential to enter the Thai market:

184 1. The Thai government has to create new avenues of policies by preventing the inequality of income that
185 exists in the society. The income gap between rural and urban populations in Thailand is about 68% (Thailand:
186 Seminar, 2010, October 15). 2. The government of Thailand has to reshape the external policy of the country
187 in order to reduce the market pressure. Thailand, as a country, has a tremendous potential to boost renewable
188 energy utilization because the country's total amount of electricity generated is relatively small and could be
189 expanded in the future. However, the lack of policy mechanisms at the institutional level is quite elevated and
190 financial barriers exist in the financing sector. As a result, the government of Thailand has to institute better
191 policies to renew the energy of the country and be more green oriented society (Bastakoti, Shivakoti, & Lebel,
192 2010).

193 3. The researchers indicated that Thailand's economy, from 1961 to 2013 has progressed. For example, farms
194 for shrimp increased to a current total of 60,174, the number of factories increased up to 2,748, and plantations
195 were up 30%. However, water pollution in Songkhla Lake has increased and researchers have recommended
196 taking immediate strategic action in protecting the environmental life in Thailand (Doungsuwan, Ratanachai,
197 Sompongchaiyakul, & Sangganjanavanich, 2013). 4. New entrants in the Thai market need to understand the
198 nature of marketing management among Asian neighboring countries. 5. The success of Bella Pasta Italiana
199 doing business in Thailand will depend primarily on product policies, pricing decisions, and distribution issues.
200

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Figure 1:

Figure 1.2 How Thailand and comparator economies rank on the ease of doing business

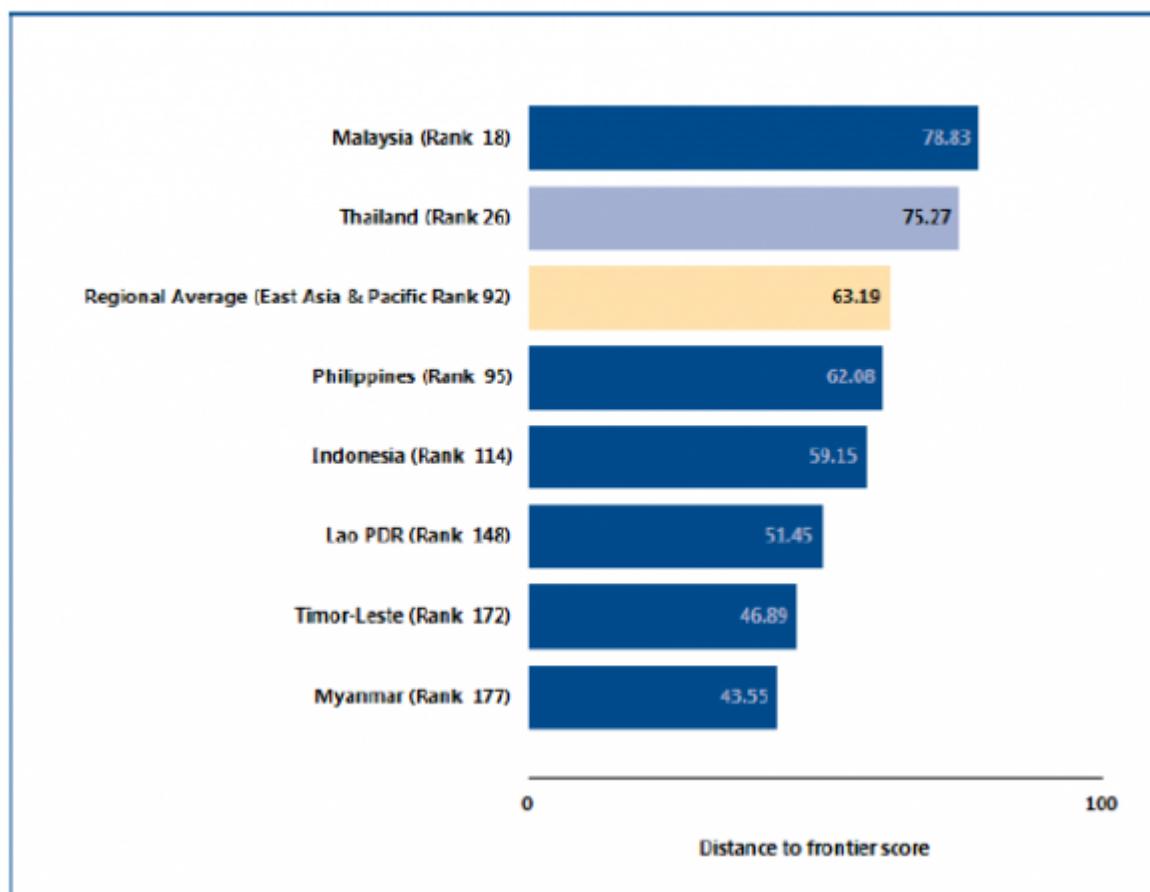


Figure 2:

4

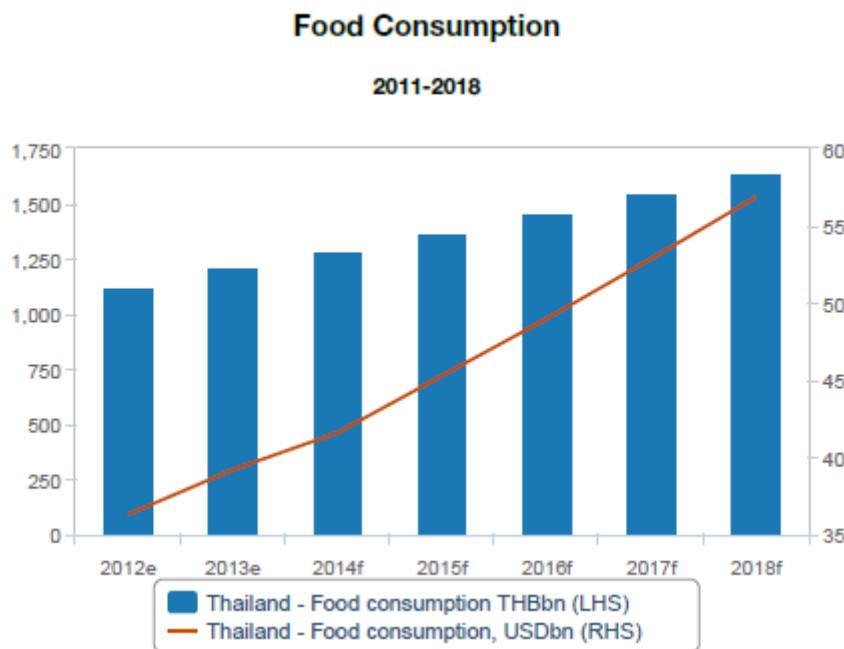


Figure 3: (4 Global

3

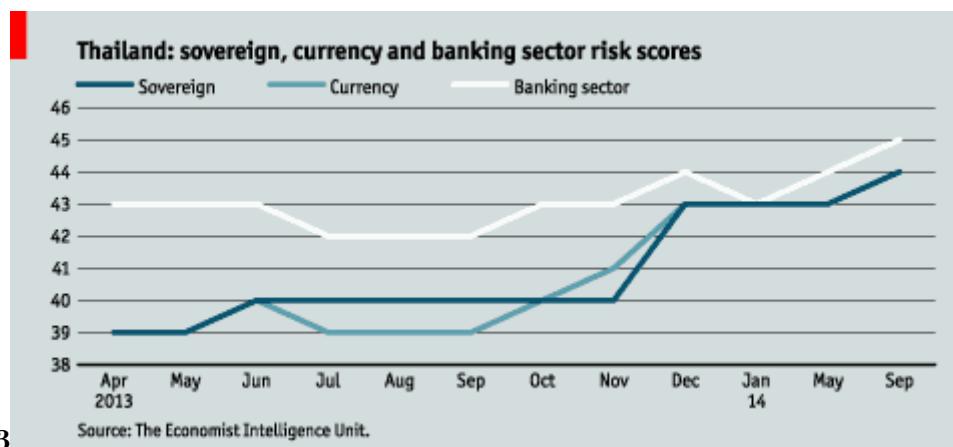
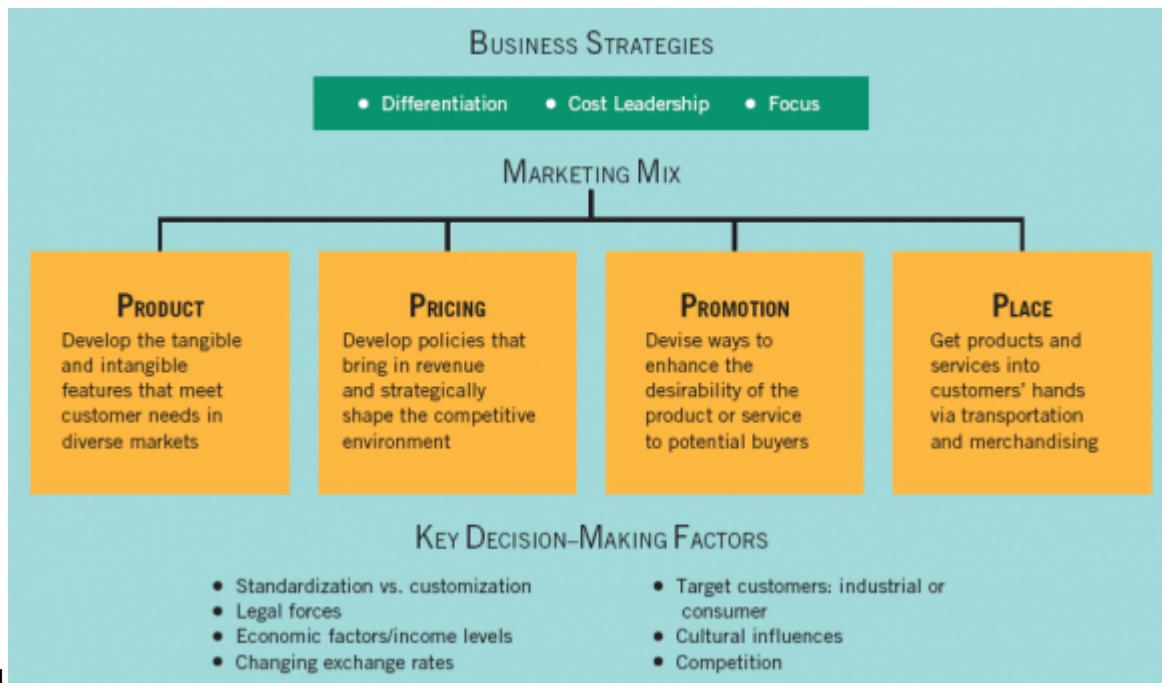


Figure 4: 3 .



61

Figure 5: 6 Global 1 .



8

Figure 6: 8 Global



Figure 7:

b) Thailand: risk assessment

Sovereign

September 2014

(The Economist Intelligence Unit, 2014, para. #)

Growth of real GDP per head

Growth of real GDP

Labour productivity growth

	Currency risk	Banking risk	Political risk	Economic risk	Country structure	
	BB	BB	BB	CCC	BB	BB
September 2014	BB	BB	BB	CCC	BB	BB
(The Economist Intelligence Unit, 2014, para. #)						
Growth of real GDP per head		4.1	3.3		3.7	
Growth of real GDP		4.3	3.3		3.7	
Labour productivity growth		4.5	4.0		4.2	

[Note: (The Economist Intelligence Unit, 2014, para. #) government]

Figure 8:

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