

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

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## 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?slogisticalinfrastructuresystem(U.S.CommercialService, 2014).Forexample,asTheV

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

## 1 Introduction

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

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

## 2 II.

## 3 Literature Review a) Thailand's Geography

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

### 4 b) Thailand's Economy Overview

Thailand intends to keep growth steady by encouraging domestic consumption and promoting more the exportation trading position of the country. In addition, the unemployment rate is less than 1 percent of the labor with Thailand attracting more than 2.5 million migrants from neighboring countries. Furthermore, the income category of the Thailand population is in the upper middle income level. For example, as noted by The World Bank (2013) "the population is 66,785,001, the gross national income per capita (US\$) 5,210, and DB number 18 worldwide" (p.5). However, since 2009, Thailand's export trading position has been severely affected because of the global economic recession crisis. As a result, Thailand's economy has expanded by 7.8 percent. Therefore, for the next seven years the government of Thailand has approved \$75 billion to improve the infrastructure system of the country and protect, as well, the welfare of Thailand's economic system (Central Intelligence Agency, 2013).

c) Thailand's Business Environment ??The World Bank, 2014, p. 8) As The World Bank (2014) index indicates, it is very easy to do business in Thailand and the country index ranked Thailand as number 26 as compared to the population of other countries in the Asian region (The World Bank, 2014).

### 5 d) Thailand's Market Overview

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

### 6 e) Thailand's Market Challenges

Thailand possesses an open market economy and has a well diversified competition from both global and domestic suppliers. However, United States companies are concerned about the lack of transparency that exists in Thailand's market and that the government of Thailand has not been able to prevent corruption from political officials. For example, the violation of intellectual property rights has created weaknesses in Thailand's market; therefore, the United States Commercial Service advises American companies doing business in Thailand to prepare an extensive marketing strategy plan to avoid volatility risk (U.S. Commercial Service, 2014).

f) Thailand's Market Opportunities Thailand has experienced vibrant economic growth in different sectors by attracting mainly United States and European companies. The government of Thailand is focusing their efforts in reshaping the infrastructure system of the country. As a result, the government of Thailand offers a great deal for United States suppliers that are willing to export defense equipment, environmental technological equipment, and so forth (U.S. Commercial Service, 2014).

### 7 g) Thailand's Market Entry Strategy

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

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

## 8 Analysis of the Customer and Consumer Needs

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

Korea, and Singapore prefer a different life style for dining. Moreover, the concept of Italian pasta has been introduced to local residents in Bangkok, Thailand and the pasta attained a high acceptability ratio. Furthermore, the per capita demand from consumers is expected, in the next few years, to increase. Therefore, there is an existing demand for Italian pasta in urban and rural cities of Thailand (Business Monitor International, 2014). (Business Monitor International, Forecast, p. 17). According to the above Business Monitor International (2014) forecast, the consumption of food in Thailand is most likely expected to increase through 2018.

## 9 IV.

Analysis of the Competitive Environment1. Eat Me 2.

Issaya Siamese Club 3.

Seven Spoons 4.

Le Beaulieu at Plaza Athenee 5.

Bo Lan 6. Nahm 7.

Sra Bua 8.

Enoteca Italiana 9.

La Table de Tee 10.

Long Table ??Bangkok best restaurants, 2014).

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

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

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

## 10 VII.

### 11 Cultural

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

### 12 a) Bella Pasta Italiana i. Marketing Objectives

Bella Pasta Italiana will target the audience as follows:

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

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

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

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

### 13 iii. Positioning

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

### 14 iv. Marketing Penetration

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

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

### 15 Thailand's Demographic Forecast

## 16 XI.

### 17 Conclusion

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

## 18 XII. Recommendation for Future Studies

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

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

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

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Figure 1:

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

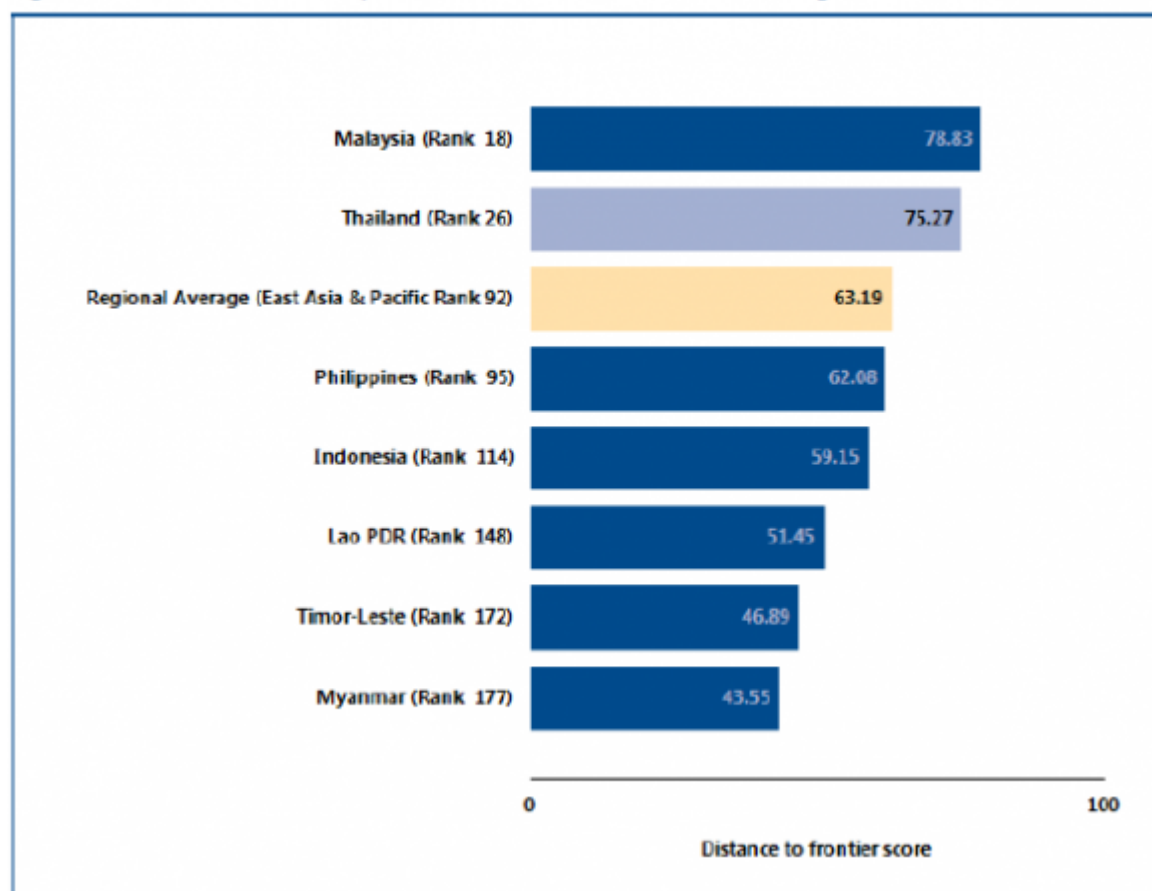


Figure 2:

4

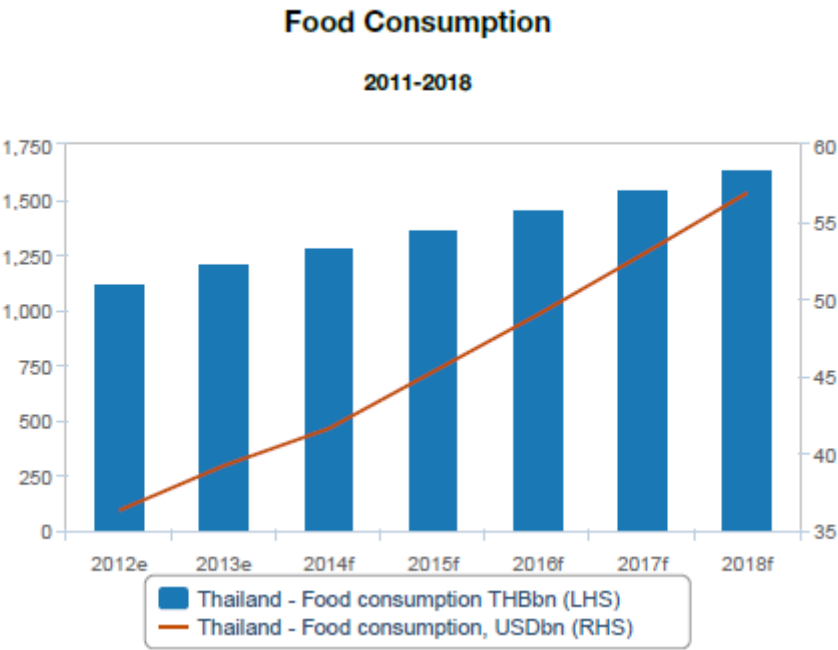


Figure 3: ( 4 Global

3

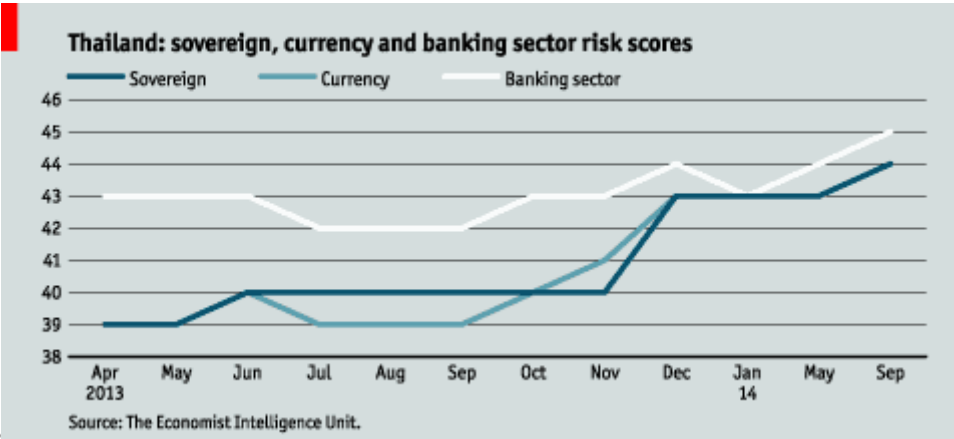


Figure 4: 3 .

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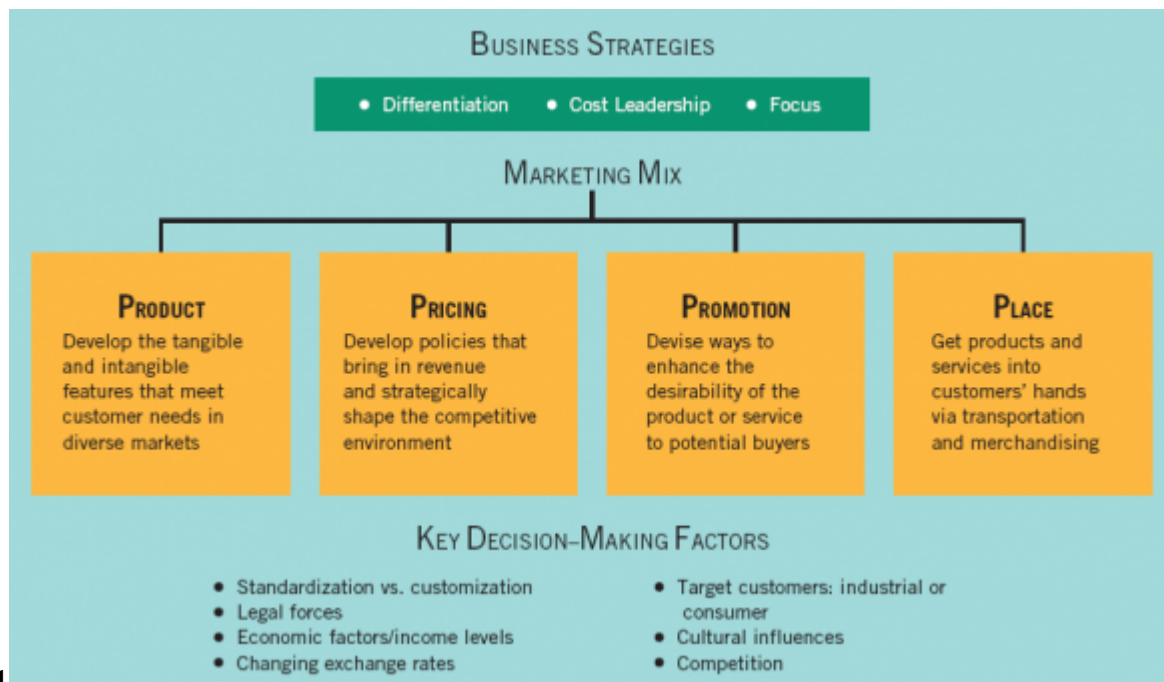


Figure 5: 6 Global 1 .

8



Figure 6: 8 Global



Figure 7:

b) Thailand: risk assessment					
Sovereign	Currency		Banking	Political	Economic
	risk	risk	sector	risk	risk
			risk		structure
September 2014	BB	BB	BB	CCC	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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