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RETAIL DEVELOPMENT IN THAILAND GOES SMALLER, WIDER AND MORE DIVERSE

Downsized community malls are sweeping the country in response to a demographic shifting to the suburbs and demanding convenience ***By Surachet Kongcheep***

Retail centres in Thailand are not just for shopping these days. We often find a playground or game corner by the food court for children. Many parents take their children to shopping centres on weekends for extra activities such as learning music, taekwondo, art or tutorial schools. While waiting for their children to finish classes, parents often catch up on chores such as banking or grocery shopping. This is why we have education, banking, beauty and skin clinic zones in shopping malls. Cinemas, restaurants and fashion shops also add to the appeal.

Twenty years ago, Thais who wanted to visit a department store had to travel to the centre of a large city, but nowadays, sophisticated retail centres are available within easy reach of people living in Bangkok's suburbs and in many provinces as well.

The original department stores in the country were all located in the Bangkok city-centre area. Beyond shopping for a variety of goods, they had little to attract people to linger, beyond a restaurant or two. It was not until 1983 that the capital had its first modern-style shopping mall, Central Lardprao. The development of new malls followed the movement of more people to the suburbs where housing was cheaper.

The new model for retail businesses emerged between 1989 and 1994, when developers extended their reach into giant retail centres in the suburbs. Makro opened its first store on Lat Phrao Road in 1989, and this was when the word "hypermarket" entered the local vocabulary. The modern-trade format came of age with the first Big C supercentre in 1994.

In 1994, the opening of two giant shopping malls, Future Park Bang Khae on Phetkasem Road and the Seri Centre on Srinakarin Road, had a huge effect on the retail business. Each catered to a vast residential community, though the two properties struggled in later years to keep up with changing trends. Future Park Bang Khae has been acquired by the Seacon group and is scheduled to reopen in August. The Seri Centre, meanwhile, has been given a successful second life under new owners as Paradise Park.

> Rising oil prices, the difficulty of finding parking space in shopping malls and the expansion of residential communities to the suburbs have all been a major boost to the popularity of community malls in Bangkok

Two other giant suburban malls launched in the mid-1990s — Future Park Rangsit in Pathum Thani and Seacon Square, just north of the Seri Centre — have also made a big mark on the capital.

THE HYPERMARKET FLOOD

After Big C and Makro became known to the Thai market, Carrefour of France entered the country through a joint venture with the Central Group in 1993, opening its first store on Sukhaphiban 3 Road. Tesco followed in 1997. Big C, Carrefour and Tesco Lotus all had similar strategies to open and expand their stores in every main city up-country.

Fast-forward to today, and the Carrefour name is gone, its Thailand stores having been acquired two years ago by Big C. Bangkok now has 664,000 square metres of hypermarket space from more than 60 stores, or nearly 12% of the retail space in the capital.

Tesco Lotus, the market leader, is expanding in all areas of the country with smaller developments. The standard size for a hypermarket is usually 8,000 to 15,000 sq m, but

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operators face high land prices in some cities, zoning that limits where big retail developments can take place and in some cases opposition from communities. As a result, Tesco Lotus has developed smaller formats ranging from 300 to 2,000 sq m, and Big C has followed suit.

The biggest convenience store chain in Thailand by far is still 7-Eleven, with more than 5,000 outlets, but Tesco is also trying to take some market share by introducing Tesco Lotus Express. These outlets are bigger than 7-Eleven and offer fresh foods and vegetables.

THE COMMUNITY MALL LIFESTYLE

Rising oil prices, the difficulty of finding parking space in shopping malls and the expansion of residential communities to the suburbs have all been a major boost to the popularity of community malls in Bangkok. Siam Future Development (SF) pioneered the format with J Avenue on Thong Lor in 2004, with a new lifestyle concept. SF recognised that people in Bangkok needed a place to relax or hang out with friends after office hours with delicious food and easy-to-find parking spaces, and the community mall was their best choice. Many residential projects now include community malls to support and attract buyers.

In the first quarter of this year, community mall space totalled 577,000 sq m in Bangkok and the figure is expected to exceed that of hypermarkets in the next one or two years, because no more of the latter are planned in the immediate future.

Recently, new community malls have been focusing on novel concepts including iconic designs to attract attention. Many have become backdrops for photographers, who in turn upload the images to their social media networks, creating even more buzz for the malls.

SHOPPING FROM EVERYWHERE

Online shopping is still a relatively new market for all retail developers, though the big-name players have all been beefing up their shopping websites and launching new campaigns or promotions online.

Locals constitute the majority of the demand for retail businesses in Thailand. However, businesses in key tourist areas such as Bangkok, Pattaya and Phuket also need to cater to foreigners. The main retail developers in Thailand are now focusing more on other large cities across the country, especially in some border provinces, as they expect trade will pick up once the Asean Economic Community takes effect in 2015.

A lot of people from Laos already cross into Thailand at weekends for shopping. As the economy of Laos grows, and as the AEC opens up more opportunities in general, people from neighbouring countries will become new demand drivers for retail businesses in Thailand. ■

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