



Note by EIC

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Instant flavors and healthier choice, a new tool for busy home cooks



Highlight

- In the fast-paced city and hectic lifestyle, Thai city dwellers now prefer instant sauces and condiments, thanks to their time-saving advantage. Moreover, sauces and condiments are now available in greater variety and are promoted widely through social media. However, EIC expects that, in the near future, convenience alone will not be enough as a competitive edge. The producers of sauces and condiments are advised to pay attention to consumer health concerns. They should also focus on continual product and formula development in order to meet consumer behavior change and sustain growth in the long run.

Although the market value of condiments in Thailand has constantly increased by 6% per year between 2012 and 2016, the growth of basic Thai sauces and condiments such as fish sauces and MSG has been declining every year. The main factor is attributed to the urbanizing city life, in which the shrinking family size and wide availability of food outlets have made cooking seem like a hurdle and wasting time. Moreover, cooking a good meal requires skills and background knowledge in choosing ingredients and condiments for drawing a proper smell, color, and taste. In 2016, the total market value of condiments in Thailand is over 40,000 million baht. Yet, EIC found that basic sauces and condiments (e.g. fish sauce, MSG, soy sauce, pepper, and oyster sauce), which account for 67% of the market value, have a compound annual growth rate of only 4.7% per year in the past five years. The figure is lower than the overall compound annual growth rate of all condiments at 5.5%. More worryingly still, their growth rate will slow down in the next four years, reflecting their declining popularity among today's consumers who prioritize convenience.

By contrast, EIC expects that instant sauces and condiments will grow as quickly as 8.2% per year as they fit in with modern cooks lifestyle. Currently, instant sauces and condiments account for 23% of the market value. Among the most popular condiments are instant sauces, instant powders, and bouillon cubes, or the type of instant ingredients that can help save time. Today, the key producers of these instant sauces and condiments offer a greater variety of types and flavors. Moreover, leading producers such as Lobo have engaged in aggressive marketing by launching as many as 80 types of sauces and powders. Similarly, Rod Dee by Ajinomoto now offers up to 15 types of flavors. This type of marketing will help propel the market's growth trends. It is expected that the market value of instant condiments will reach 50,000 million Baht by 2020.

In addition to convenience and variety, the producers are advised to pay attention to

consumer concerns over health and illnesses. According to Strategy and Planning Division, Ministry of Public Health, the top three most common illnesses in Thailand in 2015 are hypertension, diabetes, and kidney failure. It is found that, in the past five years, the numbers of Thai people suffering from hypertension and diabetes have increased by 93% and 67%, respectively. Worse yet, kidney failure is quickly emerging as a top common disease only in the past three years. The causes are attributed to Thai people's high-sodium consumption that is twice as high as the daily optimum amount of 4,000 mg. These illnesses reflect Thai consumers' unhealthy food intakes, such as high-cholesterol, high-fat, and high-sodium food. These health concerns have raised awareness among young Thai consumers, who have become more health-conscious. EIC found that the value of health and wellness food and beverage market which includes fortified products, organic products, and foods with low levels of sugar, fat, sodium, and free-form allergens, have grown 6.2% per year in the last five years. In 2016 the market value of health and wellness food and beverage has expanded to 180,000 million Baht. Especially, the market value of instant healthy food products which registered a high growth rate of 9% per year. On the other hand, we found that healthy sauces and condiments in Thailand are still relatively lacking in variety, less delicious, and twice as expensive as normal products in the market.

EIC believes that, in the future, forms of competition will focus on catering to consumer preferences in both convenience and health concerns. We found that, at present, almost no producers have successfully responded to these two concerns at the same time. Therefore, this gap presents a great business opportunity. Moreover, the growth prospects of the condiments industry have been favorably supported by Thailand's Food and Drug Administration (FDA) since their 2016 campaign 'Healthier Logo' on low-sugar, low-sodium, and low-fat products. As a result, the market has increasingly seen healthier options available among basic Thai sauces and condiments such as fish sauce, salt, soy sauce, and oyster sauce. Growing demand for healthier choices reflects the positive direction of healthy product development, which is expected to grow in variety, type and instant choice. This shift is a positive response to new consumer preferences.

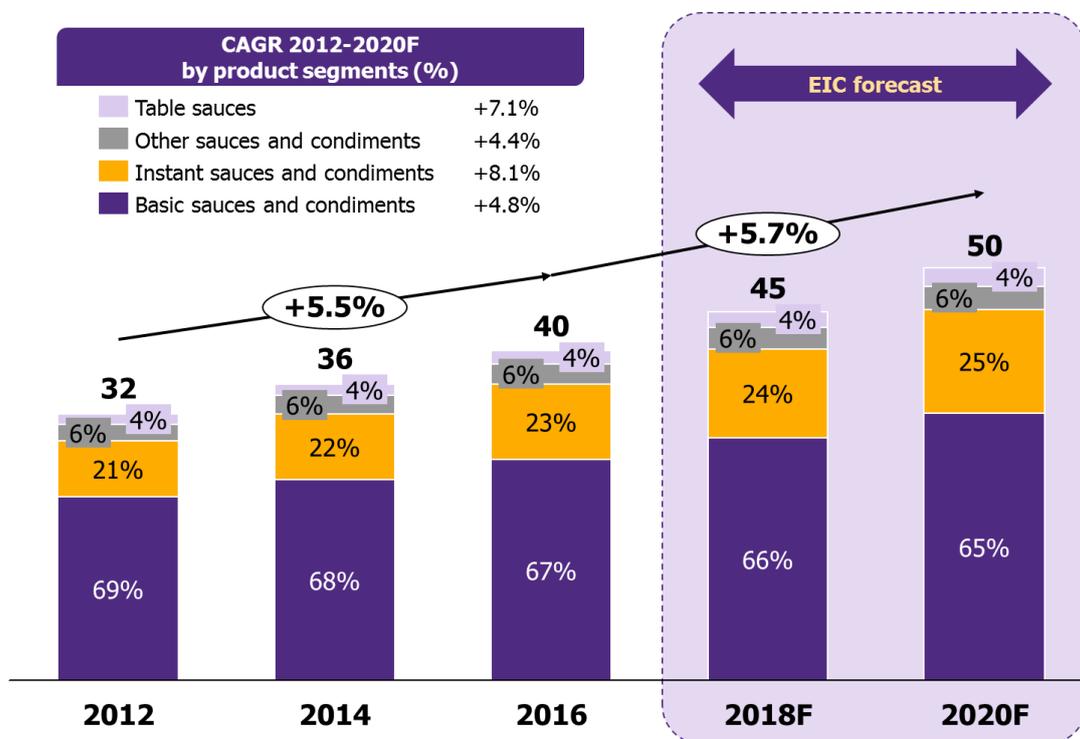
Social media marketing that offers interesting and accessible contents can provide a channel to encourage consumers to cook at home. Here, the main targets are modern households, to whom easy home-cooked recipes can be introduced with simple cooking style. Today, we see a quick proliferation of cooking shows on social media platforms, such as the Facebook pages of Knorr, RodDee, Lobo, Kin Kao Kan, Mhee Me Mhor, Pa Tam Pa Tan, Supachai Samua Mitr, and Easycooking. These Facebook pages boast as many as thousands and up to millions of followers. The viewers of these interactive pages are drawn to the easy home-cooked recipes that they can easily follow at home. The broad viewership reflects the consistent popularity of home cooking as consumers have control over the ingredients and product quality. Moreover, home cooking is a cheaper alternative to eating out. These factors will positively contribute to the growth prospects of the condiments market.

Implication ■ **Entrepreneurs in the condiments market are advised to adjust their strategies to foster the development and expansion of healthy sauces and condiments option.** The adjustment will not only expand their consumer base to

health-conscious consumers, but also respond to food and beverage sector's stricter nutrition regulations in the future. A good example is the regulation on sugar tax that went into effect in mid-September this year, impacting the producers in terms of both cost and price competitiveness. Therefore, in order to remain competitive, the producers are advised to bring in innovation and adjust their recipes to suit consumers' health concerns. However, in developing both general condiments and instant condiments, the producers must pay attention to change in flavors, since it may adversely affect the consumer base and brand loyalty.

Figure 1: Increasing demand for instant sauces and condiments have been a positive factor for the overall growth of the sauces, dressing and condiments market between 2012-2020F

Unit: Billion Baht



Remarks: Table sauces include sauces or dipping sauces served with food, such as chili sauce, salad dressing, chicken chili sauce, or mustard.

Other sauces and condiments include tomato concentrate or pickles.

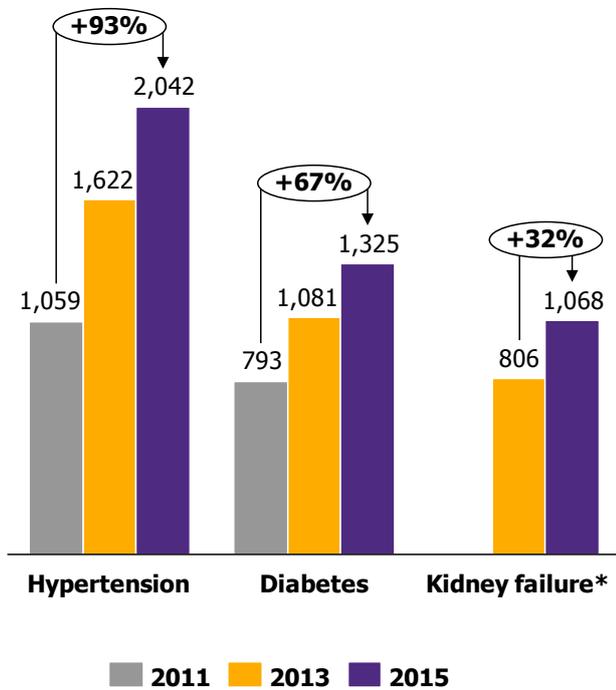
Instant sauces and condiments include bouillon cubes, powders, and instant sauces.

Basic sauces and condiments include sauces or powders, such as fish sauce, soy sauce, salt, pepper, ground dried chili, and oyster sauce.

Source: EIC analysis based on data from Marketeer and National Food Institute

Figure 2: Between 2011 and 2015, the percentages of Thai people suffering from hypertension and diabetes increased to 93% and 67% respectively, while kidney failure has emerged as a top common disease within three years

Unit: rate of patients per 100,000 people (inclusive of all illnesses)



**Top 5 disease found in Thailand 2015
(In-Patient-Department)**

- 1 Hypertension 
- 2 Diabetes 
- 3 Kidney failure 
- 4 Aplastic anemia 
- 5 Other heart disease** 

Remarks: Statistics based on a 2013 base year due to limited data for preceding years. ** Other types of heart disease refer to non-life-threatening heart conditions, e.g. pericarditis and congestive heart failure.

Source: EIC analysis based on data from Strategy and Planning Division

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