

# Home Improvement and Furnishing Retail Market in Thailand

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# Summary

Thailand's home improvement and furnishing retail market has expanded significantly. This is mainly due to an expansion of the housing market, demographic trends and demand for new products and services driven by changing behaviours. Although the home improvement and furnishing retail market has experienced a severe impact from COVID-19 due to the closure of physical stores, various retailers have developed its online sales channels and strengthened its omni-channels systems to serve changing consumer demands and new normal lifestyles.

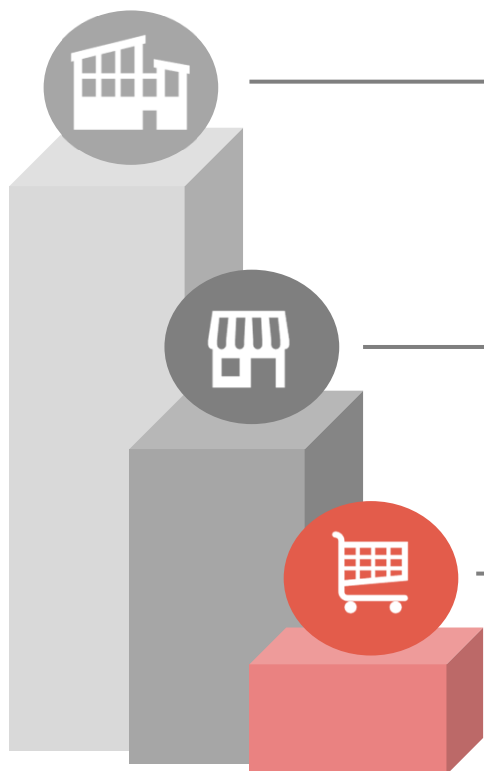
Due to market competition, this retail market is fragmented, and various players have competitively proposed strategies in order to maintain its position in the future such as store expansions, multi-store formats, development of products, services, house brands, adoption of technology in operation, supply chain and sustainability development.

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# Overview of the Home Improvement and Furnishing Retail Business

## Types of Home Improvement and Furnishing Retailer



### Modern Trade Retailer

Large retailers offering a wide range of home improvement and furnishing products, from construction materials, home improvement products and decorative products.

#### Example:

- HomePro
- Thai Watsadu
- Global House

### Specialty Retailer

Large retailers who cater to unique needs of consumers or specialised products categories in the home improvement and furnishing market.

#### Example:

- Boonthavorn
- Index Living Mall
- IKEA

### Traditional Retailer

Small retailers with less complex management systems and offering fewer varieties of home improvement and furnishing products than modern trade.

## Product Category

### Construction Materials

Construction materials such as cement, steel, wood, wires, tanks, pipes and other infrastructure products.

### Home Improvement Products

Repair materials for home improvement such as paints, hardware, tools, gardening, plumbing equipment, tires, sanitaryware, kitchenware, doors, windows etc.

### Decorative Products

Decorative materials such as home furniture, electrical appliances, bedding, lamps, carpets etc.

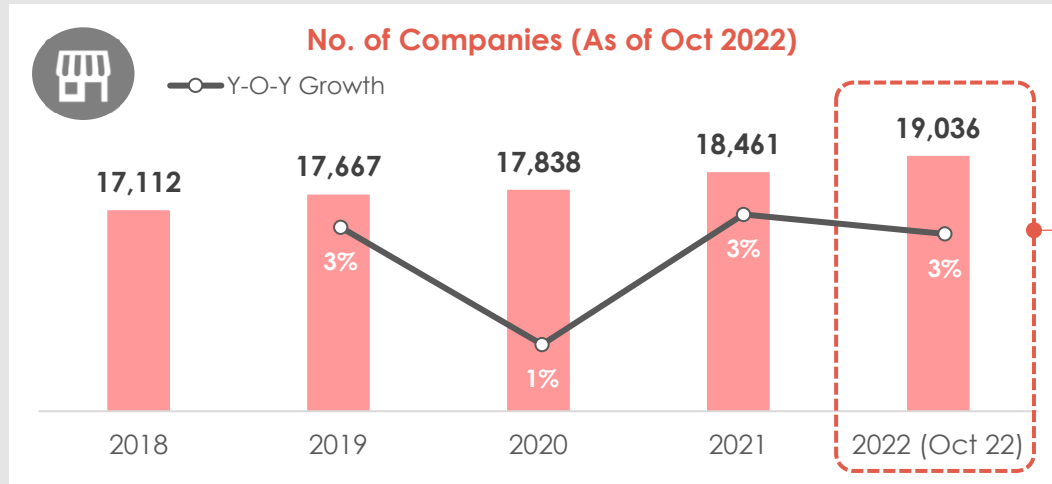
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## Structure of the Home Improvement and Furnishing Retail Business

- The structure of the home improvement and furnishing retail market in Thailand is fragmented, as most companies are small-sized enterprises, accounting for 92%, while large-enterprises make up only 1% of the total number companies.
- However, this retail market is dominated by a few large-sized companies, as they account for more than half of net sales.
- The number of companies in this retail market has grown constantly with a 3% CAGR during 2018-2022 yet slowed down in 2020 due to COVID-19, with only 1% y-o-y growth in newly registered companies in that period.

No. of Companies\*



Source: Department of Business Development (DBD)

Note: \*Please note that the no. of companies mentioned in this section includes only companies that registered with TSIC as a retail business related to home improvement and furnishing which includes:

**TSIC47523:** Retail of plumbing, heating, sanitary equipment and supplies

**TSIC47524:** Retail of other construction materials

**TSIC47525:** Retail of a variety of construction materials including do-it-yourself materials and equipment

**TSIC47530:** Retail of carpets, rugs, wall and floor coverings

**TSIC47591:** Retail of household furniture

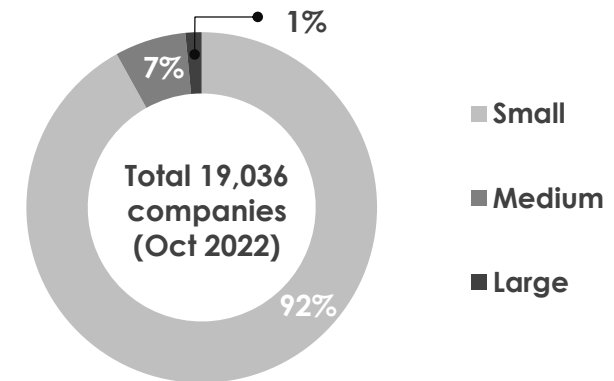
\*\*Please note that business size mentioned in this section are classified as follows:

**Small-sized enterprises:** firms with total business revenue lower than 50 million baht or with fewer than 30 employees.

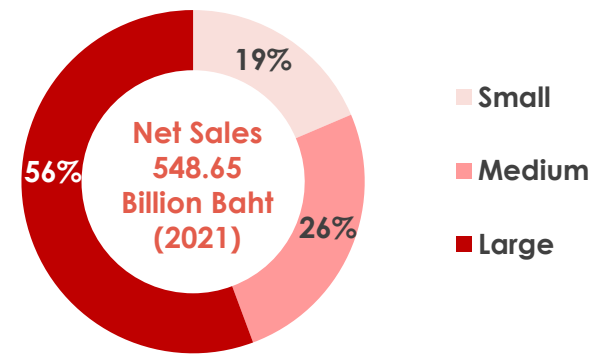
**Medium-sized enterprises:** firms with total business revenue between 50-300 million baht or with between 30-100 employees.

**Large-sized enterprises:** firms with total business revenue more than 300 million baht or number of employees more than 100.

No. of Companies By Size\*\* (As of Oct 2022)



Net Sales By Size\*\* (2021)

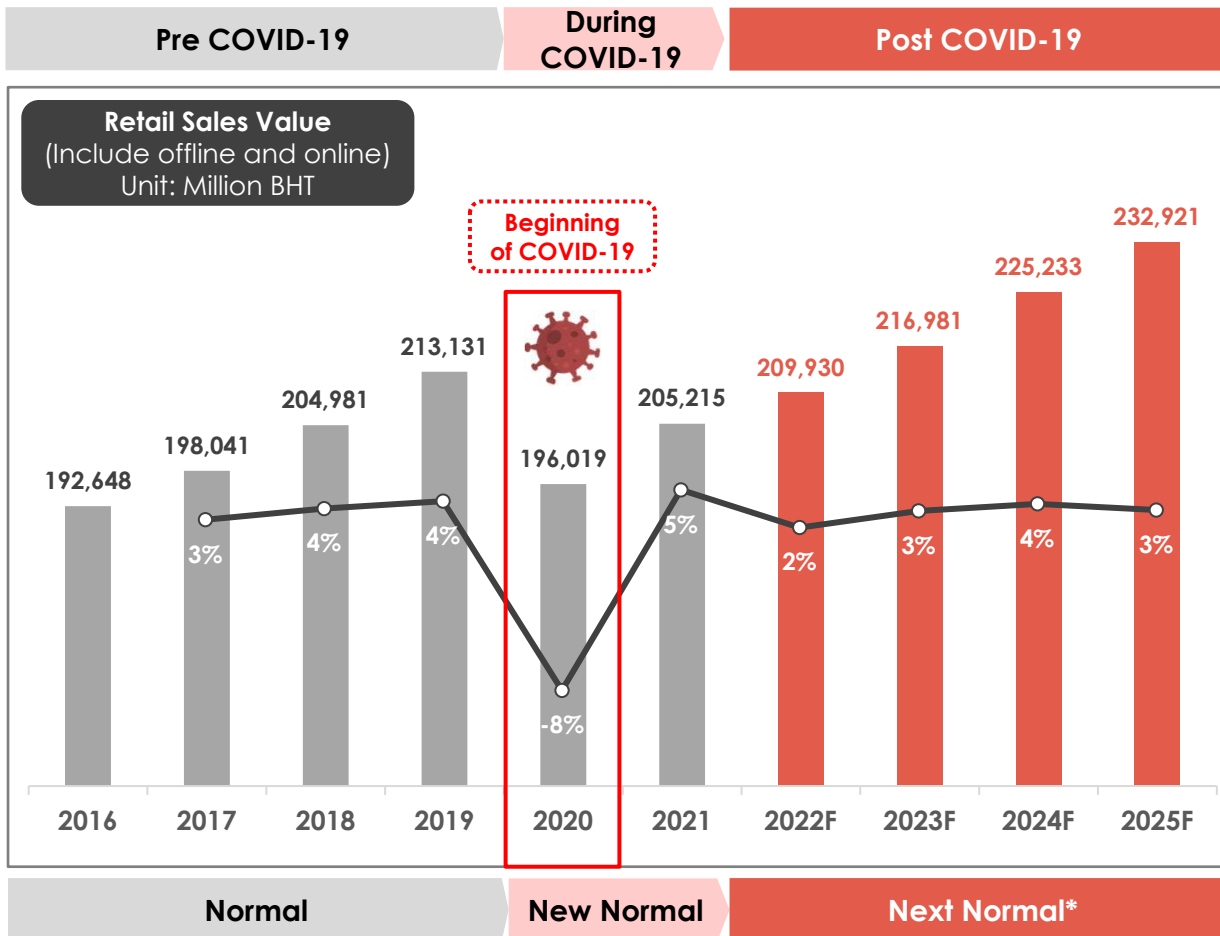


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# Market Situation of Home Improvement and Furnishing Retailers in Thailand

- Between 2016-2019, the growing demand for home improvement and furnishing products had drove the growth of retail sales value to reach 213,131 million baht in 2019, from 192,648 million baht in 2016, while online sales contributed for 2% of total retail sales value on average.
- However, the retail market experienced a dramatic drop in 2020 due to the COVID-19, even though e-commerce sales increased by 28% in that year but cannot offset the huge loss from physical store closures.
- In 2021, the market situation recovered after the severe impact from the pandemic and is expected to have a continuous growth in the future.

## Market Situation of Home Improvement and Furnishing Retailers (2016-2025)



### Pre COVID-19 (Normal)

- Between 2016-2019, the growing demand resulted mainly from an expansion of the housing market, higher purchasing power of consumers, along with store expansions that offered increased accessibility for consumer to make purchases.

### During COVID-19 (New normal)

- In 2020, retail sales hugely dropped by 8% due to the economic slowdown and especially forced department store closures due to lockdowns caused by COVID-19.
- In 2021, sales recovered due to a new demand from consumers who adapted to their 'new normal' lifestyles, spending more time at home, driving up the demand for home-related products.

### Post COVID-19 (Next normal)

- Growth is expected as the future situation of this market.
- This is due to the economic rebound, an increase in housing market investment and demographic trends that drive the growth of this market.
- As a result, various retailers continuously plan to expand their stores to respond this growing consumer demand.

Source: Euromonitor

Note: \*Next normal refers to situations after a pandemic period where people are familiar with the transformation and settle into a routine.

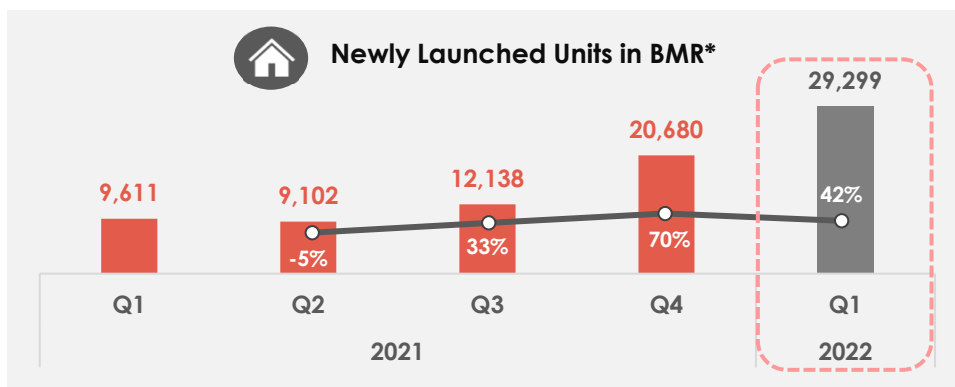
## Main Drivers (1/2)

- Thailand's home improvement and furnishing retail market has high potential growth and competitiveness, driven mainly by an expansion of the housing market, demographic changes, new products, services and demand driven by changing consumer behaviours.

### Main Drivers

#### Expansion of the Housing market

- The housing market in Thailand shows signs of rebounding from Q2/2021 as the overall economy started to recover from COVID-19.
- As a result, **various developers have gradually started to launch new housing units**, especially in the BMR region, located along new BTS and MRT line extensions after having slowed down their project launches during COVID-19.
- The housing market in Thailand is projected to expand in the future, driven mainly by an expansion of urbanization, a rising middle-income group, next normal lifestyles and ease of travel restrictions from foreign tourists or residential investors, especially from China.
- With this potential growth, the housing market expansion has relatively boosted the demand for home-related products.



Source: The Real Estate Information Center (REIC), Public News

Note: \*Newly launched units in BMR mentioned in this section refers to new housing units for sale including low rise (single detached house, semi-detached house, town house, shop house) and condominium projects which started selling in that quarter.

#### Demographic Changes



##### Aging Society

- Thailand has become an aging society, with a growing number of aging population while experiencing lower population growth.
- This trend positively drives the demand for new houses or renovations that are suitable for the elderly.
- As a result, this boosts a rise in demand for home related products, especially elderly care, safety and personalized products.



##### Trend Towards Single-Family Homes

- The rate of living in multigenerational households\* has been declining, as each family are moving out to live in their own separate house, resulting in an increase of smaller households.
- This drives the demand for new houses and relatively boosts growth in home related products.



##### Living Apart from Family Home

- There are many people living apart from their families for the purpose of study, work or other reasons.
- Therefore, they are likely to either buy or rent new residential units nearby locations where their universities or offices are located.
- Consequently, this drives the demand for renovations, new furniture purchases or other home related products.

Note: \*Multigenerational households refer to households that include more than one or two generations living together.

## Main Drivers (2/2)

### Main Drivers

#### New Product & Service Demand Driven by A Changing Behaviour

- The consumption expenditure of home improvement and furnishing dropped in 2020 due to an economic recession caused by COVID-19.
- However, the share of expenditure on home improvement and furnishing to individual household expenditure increased from 5.2% in 2019 to 5.9% in 2021 and maintained the same level in the first half of 2022.
- This is mainly due to changing consumer behaviours in each period that drives new demand for products and services, as follows:

##### Pre COVID-19:

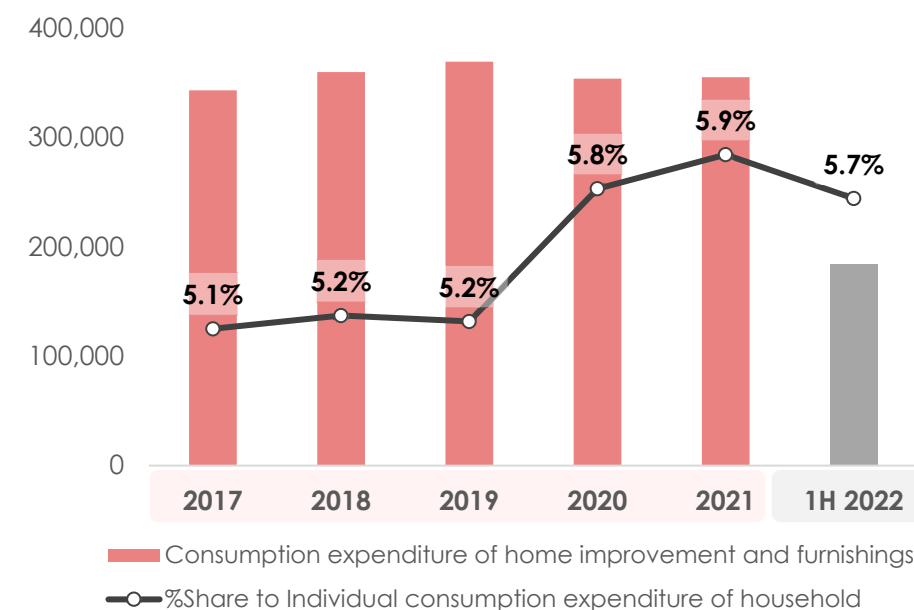
- A rapid change in technology had influenced people to increasingly purchase products online.
- With this trend, home improvement and furnishing retailers developed e-commerce channels to penetrate and serve a growing demand in online sales.

##### During and Post COVID-19:

- People spent more time at home such as WFH, learning from home, cooking from home and gardening.
- Consequently, this has shaped people to become familiar with new normal habits and so they will focus on better home living experiences.
- As such, this drives homeowners to seek for home renovation or purchase home related products that serve changing behaviours and increased convenience.

#### Consumption Expenditure of Home Improvement and Furnishing\*

(Unit: million baht)



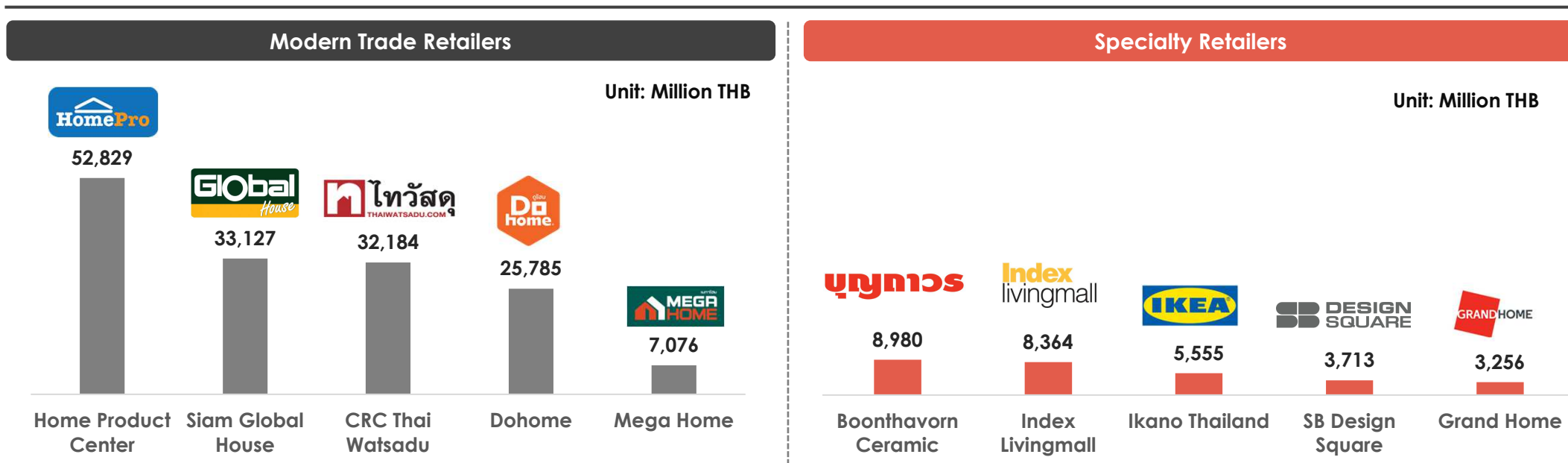
Source: Office of the National Economic and Social Development Council (NESDC)

Note: \*The expenditure of home improvement and furnishing is the composition in GDP's private final consumption expenditure.

## Competitive Landscape: Key Players

- The home improvement and furnishing retail market in Thailand is competitive in all its distribution channels, as the majority are traditional or small players, with a few large players.
- Within this competition, large players are dominating the market in which HomeProduct Center, a joint venture between Land and Houses Plc. and Quality Houses Plc., is the market leader and leading in modern trade retailer, while Boonthavorn is leading in the specialty store category.
- Leading players, both modern trade and specialty retailers, generally offer similar range of products and services, as well as offerings through various online distribution channels.

### Large Players by Net Sales (2021)\*



### Example of products category, service offerings and online sales channels of key players

#### Products



- Construction materials
- Home improvement products
- Decorative products

#### Services



- Renovation
- Installation
- Design & consultation
- Maintenance
- Cleaning

#### Online Sales Channels







- Own e-commerce website
- Social media: Line, Facebook, Instagram
- E-marketplace: Shopee, Lazada, JD Central

Source: Euromonitor, BOL, Company' websites

Note: \*Net Sales mentioned in this section include all the company's sales activities.

# Competitive Landscape: Key Players' Businesses & Strength (1/2)

## Key Players: Modern Trade

Company Name		Example Brand	Business Classification	No. of Stores* BMRUpcountry		Target Customers	SKUs	Strengths
HomePro Group	 <b>HomeProduct Center Plc.</b>	HomePro	Home Center	31	56	• Homeowners	40,000 – 80,000	• Large store coverage nationwide • A complete range of products • Emphasis on a variety of services • Seamless omni-channels
		HomePro S	Small store	5	1	• Homeowners (urban area)	n.a.	
	 <b>Mega Home Center Co., Ltd.</b>	Mega Home	Large warehouse store	3	11	• Contractors • Developers	> 80,000	• A complete range of product & services • Affordable prices
SCG Group	 <b>Siam Global House Plc.</b>	Global House	Large warehouse store	6	69	• Homeowners • Contractors • Small retailers • Developers	> 280,000	• Highest product variety and a complete range of services • Affordable prices • Strong presence in upcountry • Seamless omni-channels
Central Group	 <b>CRC Thai Watsadu Ltd.</b>	Thai Watsadu	Large warehouse store	18	42	• Contractors • Developers • Small retailers	> 100,000	• Affordable prices • A complete range of product & services through seamless omni-channels • Synergies across business units • Various brand Portfolio to cover the wider market
		BnB Home/ Baan&Beyond	Large warehouse store	4	6	• Homeowners • Contractors	> 40,000	
		Go! Wow	Small store	9	14	• Homeowners	> 14,000	
Do Home Group	 <b>Dohome Plc.</b>	Do Home	Large warehouse store	4	12	• Homeowners • Contractors • Small retailers • Developers • Government agencies	> 150,000	• A complete range of product & services • Affordable prices • Strong presence in upcountry • Seamless omni-channels
		Do Home ToGo	Small store	9	1	• Homeowners (urban area)	> 10,000	

Source: Company' websites, public news






Note: \*No. of Store of HomePro Group, Siam Global House and Do Home Group are based on annual report 2021 and no. of store of Thai Watsadu is based on website.

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## Competitive Landscape: Key Players' Businesses & Strength (2/2)

### Key Players: Specialty Retailers

Company Name	Example Brand	Business Classification	No. of Stores*		Target Customers	SKUs	Strengths
			BMR	Upcountry			
 Boonthavorn Ceramic Co., Ltd.	Boonthavorn	Ceramic, sanitary ware, kitchenware store	7	10	<ul style="list-style-type: none"><li>Homeowners</li><li>Contractors</li><li>Developers</li></ul>	> 100,000	<ul style="list-style-type: none"><li>An expert in its specialty</li><li>A complete range of vertical product lines &amp; services</li><li>Seamless omni-channels</li></ul>
 Index Livingmall Plc.	Index Living Mall	Furniture & home decoration Store	16	18	<ul style="list-style-type: none"><li>Homeowners</li><li>Developers</li></ul>	n/a	<ul style="list-style-type: none"><li>Wide variety of furniture and related products &amp; services</li><li>Seamless omni-channels</li><li>Also has OEM products</li><li>Variety of store formats and merchandising</li></ul>
	Other brands (Winner, Trend Design, BeConcept, Momentous)		9				
 Ikano (Thailand) Ltd.	IKEA	Furniture & home decoration store	2	1	<ul style="list-style-type: none"><li>Homeowners (DIY)</li></ul>	> 18,000**	<ul style="list-style-type: none"><li>Strong global brand reputation</li><li>Remarkable in-store customer experience</li><li>Affordable prices</li><li>Seamless omni-channels</li></ul>
 SB Design Square Co., Ltd.***	SB Furniture	Furniture & home decoration store	21	17	<ul style="list-style-type: none"><li>Homeowners (mainly condo)</li></ul>	n/a	<ul style="list-style-type: none"><li>Variety of furniture products &amp; Integrated service solutions</li><li>Unique, modern, personalized and multi-functional products</li><li>Specializes in condo solutions</li></ul>
	Koncept		2	-			
 Grand Homemart Co., Ltd.	Grand Home	Ceramic, sanitary ware, kitchenware store	7	9	<ul style="list-style-type: none"><li>Homeowners</li><li>Contractors</li><li>Developers</li></ul>	> 65,000	<ul style="list-style-type: none"><li>A complete range of vertical product lines &amp; services</li><li>Variety of store formats and merchandising to respond a different customer groups</li></ul>

Source: Companies' websites, public news

Note: \*No. of Stores of Index Living Mall based in Thailand from annual report 2021, while no. of stores of specialty retailers are based on companies' websites.

\*\*SKUs mentioned in this section are based on the company's e-commerce website.

\*\*\*The no. of stores mentioned in this section does not include stores operated by dealers.

## Competitive Landscape: Key Players' Movements (1/4)

- The rising competition in the home improvement and furnishing retail market is forcing retailers to maintain its competitiveness to correspond to a changing customer demand and follow future trends.
- Recently, leading players, both modern trade and specialty retailers, have strategized with similar movements including store expansions, multi store formats, products and services development, expansion of house brands, adoption of digital and technology, marketing activities and sustainability.

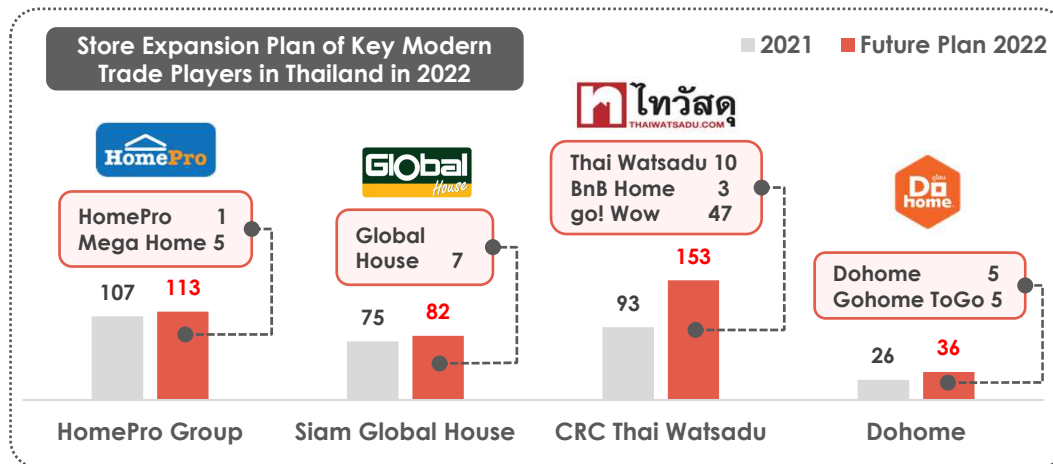
### Key Movements of the Home Improvement and Furnishing Retail Business

#### Store Expansions



##### Physical Stores:

- Major retailers, particularly modern trade players, have continuously expanded their store network to cover a wider market across Thailand to offer more accessibility and convenience for customers in each region.
- Moreover, some leading retailers such as HomePro, Global House and Index Living Mall, have already established store networks in an international market and already plan to open more stores.



##### Online Stores:

- A changing consumer behaviour driven by the COVID-19 has influenced various retailers to aggressively expand its online distribution channels and develop omni channel systems to respond to the surge in online sales and to increase customer convenience in purchasing products and services.

Source: Company' websites, Public news

#### Multi-Format Stores

- Recently, retailers have introduced multiple formats in order to penetrate new markets, such as small branches, or hybrid formats;



##### Small Branches

Modern trade retailers opened small branches (300-2,000 sqm.) to reach more customers in urban areas or areas with high population densities, for instance;

- HomePro launched **HomePro S**, located in department stores in urban area such as Gateway Ekkamai.
- Do Home opened **Dohome ToGo**, located in supermarkets such as Lotus, Big C or Makro.



##### Hybrid Format

- In 2021, Central Group, which has various home improvement store brands, introduced a new '**hybrid format**' by combining Thai Watsadu and BnB Home in the same location to provide a one-stop shopping solution for homeowners.



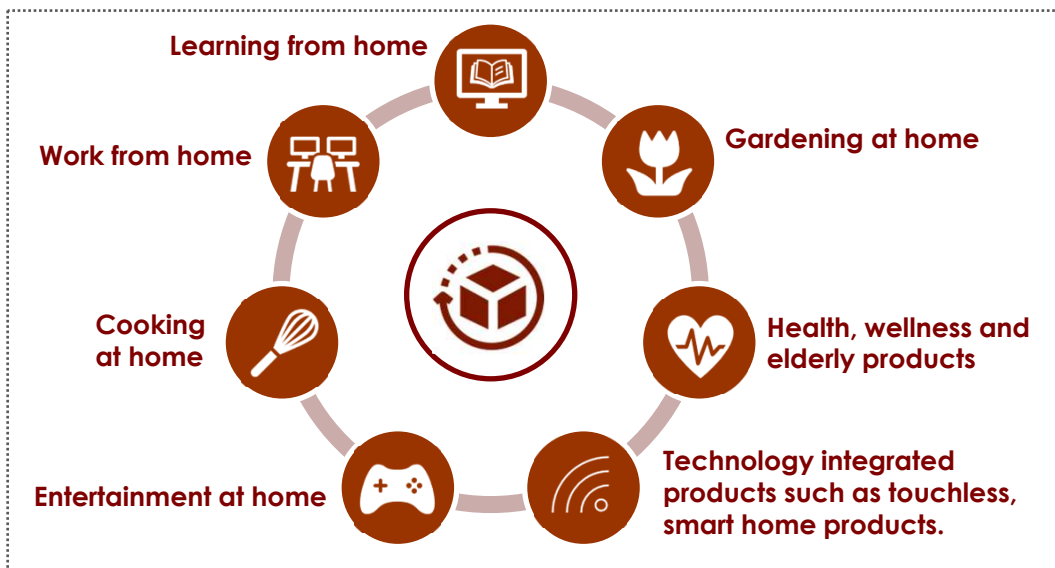
## Competitive Landscape: Key Players' Movements (2/4)

### Key Movements of the Home Improvement and Furnishing Retail Business

#### Development of Products & Services

##### Products

- Due to COVID-19, the demand for home-related products has increased. Various retailers have responded to the changing demand by developing and launching a wider range of home products supporting the need for a changing new normal lifestyle such as those related to:



##### Services

- Leading retailers have continuously developed various services to deliver customers' convenience to support the new normal lifestyle.



HomePro developed its own application named Home Service to offer various services such as 24-hour home emergency, installation and maintenance that can be booked and paid for online.



#### House Brand Products

- Apart from Index Living Mall, IKEA, and SB Design Square who have their own private brands, other leading retailers have also continuously focused on selling and developing house brand products.
- These house brand products are sourced or manufactured from local or international manufacturers, especially China due to its low-cost production.
- Retailers are increasingly developing house brands due to its profitability from low-cost products with complete control over product development and quality.

#### Example of Leading Retailers' House Brand Products (Bathroom Products)

HomePro	Brand: MOYA				
	 Toilet	 Ceramic Washbasin	 Basin Faucet	 Mirror	
Global House	Brand: Verno		Thai Watsadu	Brand: KASSA	
	 Toilet	 Washbasin with cabinet		 Hand shower	 Toilet
Do Home	Brand: Marine		Boonthavorn	Brand: DARA	
	 Bath			 Faucet	 Ceramic Washbasin

Source: Company' websites, Public news

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## Competitive Landscape: Key Players' Movements (3/4)

### Key Movements of the Home Improvement and Furnishing Retail Business

#### Adoption of Digital Technology in Operation and Supply Chain

- With the development of technology and the growth of Omni Channels, various companies strive to adopt technological systems to strengthen the company's infrastructure for instance;



#### Automated Storage and Retrieval System (ASRS):

a warehouse automated system that places, stores and retrieves products on demand.

- Various leading modern trade retailers such as **HomePro**, **Global House** and **Do Home** have invested and installed ASRS to increase the efficiency of inventory and warehouse management.



- ✓ Improvement in accuracy,
- ✓ Faster product distribution
- ✓ Maximizes storage and shelf capacity
- ✓ Reduce working time and labour to transport products between shelves.



#### Innovation and system development in business operation and digital platforms:

Various companies developed IT infrastructure systems to strengthen their business operations and manage omni-channel systems smoothly, such as order management and fulfillment system, delivery tracking system and transportation management system.

#### HomePro

- Order fulfillment system** to shorten delivery times distributing products directly from stores to customers, not from the central warehouse.

#### Index Living Mall

- Transportation management system (TMS)** to enhance delivery accuracy and reduce errors
- Delivery tracking system** to manage customers who make purchases through various online platforms.

#### Marketing Activities

- As the competition in this retail market is still high in all distribution channels, all retailers have aggressively proposed various marketing strategies to stimulate sales, especially in online channels that has surged in popularity due to COVID-19.



#### Marketing Communication

To communicate with customers through different types of social media or PR activities.



#### Marketing Events

i.e., HomePro's Super Expo, BNB Home Expo 2022



#### In-Store and Online Sales Promotions

i.e., in-store price discounts or online promotions such as monthly campaigns through Shopee, Lazada (10.10, 11.11)



#### Influencer Marketing

i.e., SB Design Square hires popular celebrities to review their condo renovation service.



#### Advertising

To promote products and services through offline and online channels such as billboards, social media ads, Pay-Per-Click.



#### Customer Loyalty Program

i.e., HomeCard (HomePro) and Boonthavorn Family (Boonthavorn) to collect and redeem points for price discounts.

Source: Company' websites, Public news

# Competitive Landscape: Key Players' Movements (4/4)

## Key Movements of the Home Improvement and Furnishing Retail Business

### Sustainability

- Leading companies are stressing the importance of sustainability and implementation of sustainable development strategies to reduce their impact on the environment throughout their operation and supply chain, such as installation of solar rooftops and EV charging stations, adoption of EV trucks in logistics, promoting waste management, development of eco-friendly packaging and products.



#### Installation of Solar Rooftops:

- Solar rooftop installation is the most popular way for large retailers, who have large roof areas available, to show their sustainability practices. In addition, it can reduce energy bills.

#### Example of home improvement retailers' solar rooftops installations

Company Name	No. of Stores with Installed Solar Rooftops	Production Capacity (kWh)
HomePro	48 stores	42,359,424
Index Living Mall	14 stores	10,677,050
Global House	75 stores	78,860,821



Installation of Solar Rooftop at a Global House Store



Installation of Solar Rooftop at a HomePro Store



#### Adoption of EV Trucks in Logistics to Reduce Transportation Costs



- In May 2022, Thai Watsadu started to use 6 EV trucks for product distribution, reducing cost of transportation by 50%.
- In 2023, the company plans to increase the proportion of EV trucks to 50%.



#### Installation of EV Charging Stations in Stores:

- EGAT, BMW and HomePro** joined together to open 7 'EleX by EGAT x BMW' EV charging station in 4 HomePro stores.
- Global House** installed EV charging stations at 12 stores.



EV Charging Station at a Global House Store



#### Promoting Waste Management:

- Regarding the circular economy trend, IKEA launched a **Circular Shop** that allows customers to trade unwanted furniture with a gift card, and a **Recycling Center**, allowing customers to turn recyclable trash into cash.



#### Development of Eco-Friendly Packaging and Products:

##### IKEA Sustainable Products



Duvet covers from sustainably sourced cotton



Rugs made from plastic bottles

- Various companies have developed environmentally friendly products that contain organic, recycled or biodegradable resources, as well as production processes with low pollution and less harmful to the environment.
- For instance, 'ECO CHOICE' products from HomePro, sustainable products from IKEA.

Source: Company' websites, Public news

# Challenges and Recommendations for the Future Market

- Although robust competition and rising demand have the potential to drive growth in the future, the retail market has been disrupted by several challenges.
- Despite the challenges, there are some recommendations and directions for retailers to compete and drive growth in this market, as follows;

## Challenges



### High Market Competition

- As the home improvement and furnishing retail market is fragmented and competitive, players are focusing on differentiation in order to deal with competitors.
- Moreover, due to a growth of e-commerce, manufacturers can sell products directly to consumers, without the need to sell through middlemen or retailers, leading to increased margins.
- Therefore, these create challenges for retailers to maintain their positions, penetrate shares or take a lead in this market.



### An Emerging Demand for New Product Trends

- Due to COVID-19, people are spending more time at home, such as WFH, learning from home and cooking at home.
- This creates challenges for retailers to procure or manufacture products that serve a new normal lifestyle, or more personalized products to meet demands from customers.



### Behavioral Shift to Online Channels and the Technological Disruption

- Due to COVID-19 and a rapid change in technology, consumers have shifted their behaviours to purchase more via online channels.
- This creates challenges for retailers to promptly adapt new technological systems into their business operations in order to support the growth of online sales channels, as well as to provide in-store shopping experiences for customers online.



### Economic Slowdown

- Thailand's economy remains fragile from the long-term impact of the pandemic and the ongoing Russia-Ukraine war, causing higher inflation and interest rates and tighter approvals for mortgages.
- This directly cause homebuyers to delay their housing purchases and remain more cautious about spending, which relatively affects the demand for home improvement and furnishing products.

## Recommendations

- ▶ **Physical store expansion** to cover a wider customer base, such as in the locations where mass transit systems have expanded.
- ▶ **New online sales channels expansion** such as **NocNoc** and **One Stock Home** (recent online retailers specialising in home improvement and furnishing products)
- ▶ **Product development**, both house brands and non-house brands, that support better home living experiences, such as home office products, health and wellness products and smart products.
- ▶ **Services development** such as offering AR or design programs that virtually assist consumers with planning their purchases.
- ▶ **Operational system efficiency development** in order to strengthen the company's infrastructure, such as invest in logistics and digital tech to serve both physical and online store expansions.
- ▶ **Implement marketing strategies** to stimulate sales during this economic situation. For instance, retailers might encourage consumers for home renovations by implementing online contents.
- ▶ **Sustainability development** that retailers are increasingly taking action to reduce the environmental impact such as installing more solar rooftops and the development of eco-friendly products.

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