CHAPTER III

MARKET ANALYSIS

3.1 Market Demand and Trend

3.1.1 Historical record

Please see Table 3.1 for the local car production

: There were three principal negative factors in 1978: A substantial appreciation of the yen which caused prices of Japanese Car to skyroket ; a steep rise in import taxes on both CBUs (completely built up) and CKDS (Completely knocked down units) and then a Complete ban on CBUS. Because of the three factors, Car production costs rose sharply. The price increase was pegged at an average 50% and this proved to be too much for Car users. Car sales tumbled 12.65% from the peak of 10,386 in 1977 to 80,562 in 1978. Galvanized into action by preclictions that 1980 would be a dull year. Car distributions resorted to all methods they could think of to promote sales. Their monthly expenditures on media advertisements to increase sales of new model jumped to an estimated 30 - 50 million both last year so the situation in the automobile market in 1980 improve slightly over the prior year. The grand total of passenger Cars, trucks and buses sold in 1980 was 89,182 as compared with 88,833 in the preceeding year up by 0.39%. This position trend continued to prevail and even improve somewhat in the final two months of 1981. One particular factor that has

Table 3.1 Local car production

year	1976	1977	1978	1979	1980
Units Sold	88,528	101,386	88,562	88,833	89,182
% increase	-	+14.52	-12.65	+0.31	+0.39

Note : 1) Unit sold included cars, trucks, buses etc.

2) Estimated trend was no increase/decrease in the next 5 years for car production. But local demand was forecasted to rise because of the government restrication in ustilizing locally manufactured product.

strong effect on the automobile industry, as Acgust 1981, the Ministry of Industry wants local Car assemblies to utilize locally made parts amounting to half of the value of the passenger Car. T The programme to raise the locally made part content of automobiles Was first implemented in 1971, 25% of their total value. The local content requirements were pushed up to 35% and 45% in 1979 and 1980 respectively. This year, the percentage is being up further to 50%, while the requirements for 1982 and 1983 will be 55% and 60% respectively.

*From 1980 up, market trend is estimated no Change over five years for car local production.

Footwear

Statistics show that of the 46 million pesple in this Country about 70% or roughly 32 millions use shoes. Each of these 32 millions, it is estimated, needs a new pair of shoes every eight months. Demand for footwear in the kingdom should therefore total roughly 48 million pairs a uear. Of these, between 14 ond 15 million pairs or around 30% ore leather shoes and the remaining 70% other type. Owing to the fact that the local footwear industry is scattered throughout the country with many small family style factories not properly registered with Ministry of Industry it is hard to obtain statistics. Nevertheless, it has been estimated that production of footwear throughout the kingdom stood at 73 - 12 million pairs in 1980. The amount had grown by 37% from that of a year earlier at 54.2 million pairs

Table 3.2 Export of ready - made footwear

million pairs

1977	1978	1979	1980
2	4	6.2	25.12

Source Department of Custom

Table 3.3 Inport of ready - made footwear

Thousand Pairs

1977	1978	1979	1980
800	1900	690	420

In 1978, shoe imports peaked at about 1.90 million pairs. The quantity of shoe imports has tended to drop since then. In 1979, only 0.69 million pairs and 0.42 million pairs in 1980, decreasing by 63.8% and 39.2% respectively. Exports of leather shoes in 1980. totalled 3.39 million pairs up by 44.2% ov over 1979. Exports of slipper and other housewear totalled 20.93 million pairs up by 339.6% over 1979. Altogether, Thaibnd exported a total of 25.12 million pairs of shoe, worth 341.30 million bath in 1980, increases of 290.5% and 89.8% over 1979

Table 3.4 Estimated production

Million Pairs

	1977	1978	1979	1980
Total Consumption	47.9	51.1	54.2	73.9
Local Production	47.1	49.2	53.51	73.48
Leather Shoes (30%)	14.13	14.76	16.05	22.14
% increase	-	+0.05%	+8.76	37.3

* Market trend is estimated not less than 15%

$$\left(\frac{8.76 + 37.3 + 0.05}{3}\right)$$

Housing and construction industry

In 1979, as estimated by the Housing Estate Association, private builders were supplying 5,000 - 6,000 houses but it was dropped as much as 50% in 1980. The turnover in sales of shophou and townhouses remain slow, leading contractors to experiment wi a new concept in housing - CONDOMEDIUMS -. But it still remains to be seen how successful these ventures will be.

The National Housing Authority (NHA) continues to be the largest builder of homes, the NHA reported.

Table 3.5 Housing record 1979 - 1982.

	1979	1980 - 1982
% increase	33,580 Units	50,576 Units
		+51.15 or 17% per year

From 1980 up estimated market trend is 17%

Furniture

The requirement of the local market is normally increased proportionally with the percentage increase of new housing. Apart from the local use, about one-forth of the total production was expected in the year before 1977. In 1977 The Government's ban on wood exports means that many foreign countries which used to buy the raw material and make their own furniture now buy the ready-made items from Thai furniture manufacturers.

Table 3.6 shows the estimation of total production of furniture in the value of million baht

Table 3.6 Furniture production 1976 - 1980 (million baht)

	1976	1977	1978	1979	1980
Export	72.3	105.3	211.4	406.3	600
Local (estimated)	216.9	253.8	296.9	347.4	406
Total	289.2	359.1	508.3	753.7	1006
% increase	-	+24.1	+41.5	+48.3	+33.5

From 1980 up, market trend is estimated not less than 24%

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3.12 Estimation of Neoprene Adhesives Market 1980

1. Car - estimated from unit cars sold of 18 car assembly factories (Economic Review, Bangkok Post June 30, 1980, Dec.3, 1980)

   Calculation:

   004080

   Unit cars sold 88,182

   Consumption of Neoprene dhesive per nit 1.75 - 2.5 Kg

   ∴ Total consumption = 88,182 x 2 = 170,634 Kgs

   say = 170,000 Kgs

2. Furniture - There are two Neoprene adhesives supply areas for the furniture manufacturers, Damrongrak Rd. and Seirphra Rd. About 60 shops are selling Neoprene adhesives as the supplementary item with the plywood and laminated plastic each shop is selling approximately 550-600 tins of 750 - 850 gm pack size Neoprene adhesive per month

   Total consumption = 550 x 60 x 12 x 0.75

   = 297,000 Kgs

3. Footwear - In 1980 there were 2.2 million pairs of leather shoe produced locally (see market analysis) Since 4 - 8 gm is used per pairs of shoe, the consumption per year is

4 x 22,000,000 ÷ 1,000 = 88,000 Kgs.

4. Others

In 1980, estimated from the toluene supplied to the adhesives manufacturers by Exxon, Shell, Mobil and Union Carbide in Thailand, 123,000 U.S. Gallons. Taking average of 50% toluene content in Neoprene adhesives, the local production was 247,000 U.S. Gallons or equaled 700,000 Kgs. Since this market segment is purshasing mostly local product, it is estimated.

700,000 - 170,000 - 297,000 - 88,000 = 145,000 Kgs

Total adhesives market demand is summarised in Table 3.7

Table 3.7 Total adhesives market demand

1980 - 1986(KG)

	1980	1981	1982	1983	1984	1985	1986
Car	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Furniture	297,000	368,000	456,000	565,000	700,000	800,000	900,000
Footwear	88,000	100,000	115,000	130,000	152,000	175,000	200,000
Others	154,000	169,000	197,000	230,000	269,000	290,000	310,000
Total	700,000	807,000	938,000	1,095,000	1,291,000	1,435,000	1,580,000

3.2 Sales Estimation

3.2.1 Car industry

There are two products (Semidine, Dunlop) sharing over 80% of the market consumption in car assembly industry apart from the small amount of imported products which will become loss due to the Government's restriction. The products are sold at premium prices and high qualites. But from the situation of market trend, the product at same quality but cheaper price has a bright opportunity to obtain the share. One part from four or 25 percentage share is most likely to be for 5 years acchievement. However, to be more optimistic, steady 20 percentage from the third year after the completion of the factory is estimated.

3.2.2 Furniture industry

There are more than 50 brands locally manufactured products supplying to the furniture industry. From the survey, about 3 major brands (Herferin, Jemsbone, World) are happy in sharing 75-80% of the total market. Purchasing consideration is moderate quality and competitive price. Sales are therefore estimated to be one of the top 3 market leader 20% ofter 5 years sales.

3.2.3 Footwear industry

There are about 20 brands available in the present market. Products in this market segment are classified into two area. Good quality adhesives are being supplied to well respected shoe manufacturers, market sharing 70%. Low quality adhesives are existing in the family-type shoe manufacturers. Our forecast over the next 5 years is aimed at the former market. Since 3 brands are leading the market (Elephant, NanPao, Pentax) 20% after 5 years is planned.

3.2.4 Others (Housing, television and radio set, upholstery)

There are 20-30 brands selling at moderate price and quality. This obviously meets the ability of the expected factory operation. Therefore, 20% is estimated after 5 years in the market.

Five years forecast of sales volumes are summarised in Table 3.8 and a comparision with market demands is presented in Table 3.9

Table 3.8 Estimation of sales forecast

1982 - 1986 (KG)

	1982	1983	2984	1985	1986
Car	6,000	26,000	34,000	34,000	34,000
Furniture	45,000	68,000	100,000	147,000	180,000
Footwear	9,000	1,300	18,000	26,000	40,000
Others	4,000	25,000	41,000	59,000	62,000
Total	64,000	132,000	193,000	266,000	316,000

Table 3.9 Market demand estimate and projected market share

year / Description	1982	1983	1984	1985	1986
Market Demand	938,000	1,095,000	1,291,000	1,435,000	1,580,000
Projected Sales	64,000	132,000	193,000	266,000	316,000