

# Market Landscape Analysis

# Chemicals

The study provided a comprehensive analysis of the paints and coatings market and was limited to the geographic region of Thailand. The main objective of this report was to provide an assessment of the market dynamics that affects the paints and coatings market in Thailand, and identify future potential of this market for foreign investment through market entry or acquisition.

## Report Coverage

- Environment - Country specific information
- Political scenario, economic scenario and social stability/growth potential
- Paint market - Market size and overview
- Market segmentation by product and user
- Market players
- Competitive structure
- Distribution structure
- Market challenges
- Market trends and forecast
- Trends by product, trends by application and consumer behavior
- Strategic analysis of each segment of the Thailand paints market by revenue forecast, trends by application, and market share analysis
- Conventional solvent-based coatings market
- High solids solvent-based paints market
- Water-based coatings market
- Powder coatings market
- Company profiles of key players in the Thailand paints market

**1.0 Environment - Country Specific Information**

**1.1 Political Scenario**

The possibility of the ruling Thai Rak Thai (TRT) party and, in particular, the prime minister, Thaksin Shinawatra, has since the beginning of 2004. However, the TRT is expected to mount a populist and well-funded election campaign that should guarantee a victory in the next election, due by early 2005. Economic policy will remain broadly expansionary in 2004-05, with GDP growth expected to increase to 7.7% in the second half of 2005. Real GDP growth is expected to rise to 7.7% in 2004, fuelled by strong domestic demand and a recovery in U.S. demand for exports. A number of factors are expected to drive the Thai economy's expansion: expenditure subsidies and concrete awards should raise household credit. Rate of inflation will rise with stronger economic growth. The trade and current accounts are forecast to remain in surplus.

**Political Stability Risk**

Political connections still play an important role in commercial deal making, particularly in the lower levels of government. Traditionally, Thailand has operated an open and stable political system. However, the possibility of a military takeover has been a concern since the second half of 2005. Real GDP growth is expected to rise to 7.7% in 2004, fuelled by strong domestic demand and a recovery in U.S. demand for exports. A number of factors are expected to drive the Thai economy's expansion: expenditure subsidies and concrete awards should raise household credit. Rate of inflation will rise with stronger economic growth. The trade and current accounts are forecast to remain in surplus.

**Table 1: Major political groups in Thailand, 2003**

Party Name	Leader
Democratic Party or DP (Prachinrat Party)	Sorajong Benjart
National Development Party or NPP (Chat Phattana)	Sam Sombhrom
Thai Nation Party or TNPP (The Nation)	Samak Sundtavej
Thai Rak Thai Party or TRT	Thaksin Shinawatra
United Democrats Party or UDP	Prasit Chulabhorn

**1.2 Economic Scenario**

Thailand has seen one of the best years - a good recovery since 1997. Accordingly

**2.6 Market Segmentation By User**

The following figure depicts market segmentation by various user industries of the paints industry. The market share figure is for the year 2002.

**Figure 2: Thailand paints and coatings market segmentation Market Size: 200 Thousand tonnes in 2002**

Industry	Market Share (%)
Manufacturing	45.7%
Construction	34.4%
Others	14.6%
Transport	8.0%
Marine	2.7%
Others	1.4%

**Figure 1: Thailand Paints and Coatings market forecasts, 1999-2005**

Over the past couple of years, the paint industry has been making rapid strides ahead by some swift policy changes and favourable shift movement against the dollar. The 1997 financial crisis had a direct impact on the paints market. Values of \$37.2 million in 1996, the paints market slumped by 26% the next year and was further decreased in market value to \$29.8 million, due to depreciation of the Thai Baht against the dollar.

**Figure 3: Market share of players in the paints market by product type, 2002**

Key Players	Conventional (%)	Water (%)	High Solids (%)	Powder (%)
TDA	35.0	40.0	33.0	—
SCJ	14.0	18.0	15.0	—
Japan	24.0	13.0	—	—
Kanoo	25.0	—	—	—
Sanger	—	7.0	—	—
Others	—	—	20.0	36.0
International Paints	7.0	20.0	19.0	—
Warranty Direct	—	—	—	10.0
Conductech	—	—	—	12.0
Chiyoshi	—	—	—	15.0
Total	100	100	100	100

**3.2 Key Players in the Thai Paints Market**

The three major players in the Thailand paints and coatings market are TDA, SCJ and Japan and generally hold about 63% market share. However, competitors such as Kanoo, Sanger, and Kanoo etc. control specific application sectors in the market, i.e. and user industries that use powder coatings and high solids solvent based paints. However, TDA, which is predominantly Thai operated, has been leading the market since 1993 and has more than 3000 dealers countrywide.

TDA is getting more ambitious each year as it is a supplier to the highest demanding markets for paints - the construction and automotive sectors. The company aims to increase its organic coatings sales to 30% of total sales in the next two years. Capitalizing on its strong position in Thailand, it plans to expand its operations towards high-end architectural and decorative paints. This effort is an effective tactic to ensure market share against SCJ there, which is the only competitor to TDA so far from its position as leader in the past. SCJ meanwhile has the largest geographic coverage in the paints market, operating across in Latin America, US, UK, and Europe. Its Latin American sales, however, dropped by 17% in 2002, while European and Asian sales were steady. SCJ faces stiff competition from TDA as it, too, controls between 40 to 50 percent of the high-end paints market.

Warranty meanwhile plans to strengthen its hold in the automotive paints segment by increasing production capacity, and plans to produce electro deposition paints in Thailand by the end of 2004. It has also strengthened ties in China and with