

**RETAIL REVIVAL**

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# Ringing up sales in 2012

Retailers express optimism about the year to come and expansion plans, writes **Pitsinee Jitpleecheep**

**R**etailers are cautiously optimistic about their outlook in 2012, believing there will be a slow business recovery from the recent flood crisis.

Some investments may be delayed due to the continuing global economic slowdown and oil prices fluctuating on further problems in the Middle East. Thais are also still concerned about the possibility of future flooding.

The sector will face new challenges such as the hike in the daily minimum wage to 300 baht and starting salaries of 15,000 baht a month for new university graduates. If such government policies drive retail prices up, then inflation will also rise and have a modest effect on local consumption.

People's purchasing power will recover this year after the heavy flooding, although product supply will not be enough to meet demand, as manufacturers still need time to return to normal operations.

"In the best-case scenario, business will start to recover in the first quarter, returning fully to normal in the second half," said Piyawat Titasattavorakul, the managing director of CP All Plc, local operator of the 7-Eleven convenience store chain.

He said major product purchases will tend to be mostly for home repairs and renovations in the first half of this year, but that will not affect 7-Eleven, which deals in food items and small necessities.

Sompop Manarungsan, president of



**Central Plaza Chiangrai, which opened its doors on March 30 last year.**

Nonthaburi's Panyapiwat Institute of Technology, said the main economic drivers for 2012 will be higher local consumption spurred by the higher daily minimum wage and civil servant salaries, post-flood spending on home renovation and rising crop prices.

Positive external factors will include the many general elections in Europe and the US this year, he said. That means a lot of money will be pumped into the system and eventually flow to Asian stock markets. If the Thai bourse does well, the department stores will benefit too.

"For the retail sector, the most important factor boosting spending will not

be economic but rather political. If the government manages not to have any new confrontations with people with differing political views, then consumption will go very well," said Dr Sompop.

Likit Fahpyochon, an adviser to Central Retail Corporation (CRC), agreed with Dr Sompop. He said politics and state measures to restore foreign investor confidence will significantly revive the economy.

However, he warned that Europe's economic woes will continue to affect Thai exporters and urged them to focus more on new markets such as India and within Asean to offset the decline in Europe.

"I think the retail sector could grow by 5% in 2012 in the worst-case scenario, possibly 10% if the government can quickly resolve problems such as the daily minimum wage rise for SMEs and the labour shortage," said Mr Likit.

He said the government should seriously weigh which problems to tackle first as the best way to help boost investor confidence.

If the government measures can restore investor confidence, retailers will continue to invest this year.

However, each of them will keep their focus on expanding small to medium-sized projects because they are not confident that when the retail law takes effect, it will hurt them or not.

Chadati Chuttrakul, the chief executive of Siam Piwat Co, which operates Siam Center and Siam Discovery, is very optimistic about the retail outlook this year.

"More than 100 new international brands will open their outlets at our three shopping complexes — Siam Center, Siam Discovery and Siam Paragon — and this reflects their confidence and trust in our country," she said.

A market analyst said competition in the local retail market will continue to intensify in the coming year.

Retailers will continue to open new outlets in order to have a presence in a variety of locations. Individual spending on these expansions will be anywhere from 300 million to 20 billion baht.

Tesco will spend 7 billion baht on new outlets, focusing on Tesco Express,

Talad Lotus and a department-store concept.

Similarly, its archrival Big C will open more Mini Big C's. The Mall will continue to spend billions of baht on developing its Emporium II, opposite the original Emporium on the corner of Sukhumvit Soi 24.

CRC will spend 15-20 billion baht on expansion this year, including 200 Tops Daily mini-supermarkets.

Robinson Department Store plans a 2.5-billion-baht investment for four or five new projects, while Central Pattana Plc will spend 10 billion baht on its four new shopping complexes.

Watsons, the health and beauty store, plans to spend 300 million baht on 100 new outlets in 2012.

The retail battlefield will be the most intense in eastern Bangkok, fuelled by the opening of Ikea in the Megabangna complex.

"In each location, we will no longer see Tesco Lotus located across the road from Big C. What we'll see instead is most retail categories — supermarkets, convenience stores, community malls, department stores and specialty stores — going to potential areas," said an analyst.

More new players will jump into community malls this year too.

Apart from adding new retail outlets, retailers will modify and revise their structural designs of future shopping complexes or convenience stores to reduce risks from natural disasters such as floods and earthquakes.