



Thailand : Automotive Aftermarket – Specialty Equipment (Styling and Performance)

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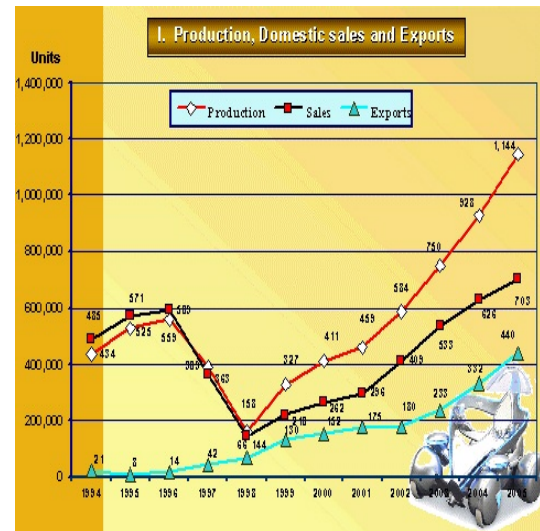
Summary

As the ASEAN region's largest vehicle market and export assembly center, Thailand is of strategic importance to U.S. automotive exporters. U.S. export opportunities exist in Thailand's growing domestic market and export countries worldwide. Thailand's domestic market was 700,000 units in 2005 and is projected to reach 1 million units by 2010. Hosting assembly facilities for most of the global vehicle manufacturers, Thailand is expected to export 550,000 vehicles from its planned production of 1.57 million units this year. By the year 2010, the industry's planned assembling capacity will be 2 million units with domestic and export markets having an equal share of the output. Pickups will make up 70% of its domestic market and 80% of its projected exports. Thus, Thailand offers greater potential to U.S. exporters as it is the source of vehicle export throughout the world and U.S. styling and performance products compete best in the sector with the greatest growth potential, the pickup market.

U.S. styling and performance products are most popular in the Sport Utility Vehicle (SUV) and the premium pickup markets.

They are market leaders in the areas of suspension systems, wheels and tires for SUVs and pickups. They set the trend and are viewed as the best in terms of technology and quality.

This report provides an overview of Thailand's vehicle market and trends important to potential U.S. exporters of vehicle styling and performance products. It also explains the key segments: aero parts, suspension systems, wheels and tires.



Market Demand

Thailand's vehicle market, the largest in the ASEAN region, grew by 12.3% in 2005 to a total of 703,432 units. One-ton pickups accounted for 62% of the overall market, totaling 433,449 units. Their sales increased by 20% while passenger car sales declined by 10%. Total passenger car sales in 2005 were 188,211 units as compared to 209,110 units in 2004.

Sport Utility Vehicle sales grew by a record of 136% in 2005 to over 41,000 units. Toyota Fortuner, a pickup-based SUV assembled locally, has an 83.8% share of the market. Isuzu, Ford, Honda and Mazda make up remainder of the top-five list, though each brand accounts for less than a tenth of Toyota's sales. Premium SUVs such as the Porsche Cayenne, Land Rover Discovery, and Volvo XC 90 account for very little of the market. Popularity of pickup-based SUVs is due mainly to their cheaper price.

Vehicle Market Classification

	Units	%Share of 2005 market*
Pickup Trucks	433,449	62%
Passenger Cars	188,211	27%
Sport Utility Vehicles	41,609	6%
Others	40,163	6%

Source: Isuzu & Toyota

*Note: Percentage is rounded up

Up to 95% of the vehicles sold and 21 of the nearly 40 global makes available in the Thai market are locally assembled. There are approximately 130 basic models, the majority being priced below 1.5 million Baht, (\$37,500) – (\$1= 40 baht). Toyota, Isuzu and Honda are the three most popular makes in Thailand. Toyota and Isuzu together share more than 70% of the pickup market, while Toyota and Honda control about 75% of the passenger car market. Along with these three leading makes, Mitsubishi, and Nissan joined the top five best sellers in the passenger car market. These five makes have a total of 85% of the market. The remaining 15% share of the market made up by more than 30 other makes. Experts foresee minimal change in dominance in the Thai vehicle market and in fact they expect the three most popular makes to become even stronger in the future.

Toyota	277,648	39.5	18.8
Isuzu	176,718	25.1	17.9
Honda	58,515	8.3	-22.0
Mitsubishi	47,419	6.7	28.7
Nissan	41,868	6.0	-10.7
Chevrolet	33,939	4.8	95.7
Ford	23,449	3.3	-5.1
Mazda	18,670	2.7	32.1
Hino	8,649	1.2	-12.5
Mercedes-Benz	5,536	0.8	4.8
KIA	3,169	0.5	-8.0
BMW	2,502	0.4	-27.5
Volvo	1,171	0.2	-26.4
Suzuki	1,073	0.2	83.4
Volkswagen	678	0.1	40.4
SSANGYONG	458	0.1	275.4
Mini	350	0.0	9.0
Land Rover	308	0.0	-37.5
Lexus	307	0.0	-42.9
Peugeot	238	0.0	35.2
SCANIA	220	0.0	-12.0
Citroen	162	0.0	-41.3
Alfa Romeo	68	0.0	-44.7
Audi	61	0.0	-36.5
Subaru	61	0.0	-1.6
Porsche	58	0.0	-56.7
Jaguar	50	0.0	-36.7
Saab	40	0.0	-25.9
Man	9	0.0	50.0
SKODA	5	0.0	-44.4
Daewoo	3	0.0	N/A
Seat	3	0.0	-50.0
Total	703,432	100	12.4

Market Trends

This year's vehicle market is projected to total between 695,737 and 700,000 units, a small decline of 1% from 2005. Sales of pickups and pickup based SUVs will reach 471,000 units a 68% share. Passenger car market will regain its traditional share of 31% from the expected demand increase of 13.8 % to total 214,000 units. The sales increase in this segment is due largely to car buyers postponing their purchases from last year in anticipation of new models. New model launches of the Honda (Civic, Jazz), Toyota (Yaris), Ford (Focus) and more recently the Nissan (Tiida) have been the major growth drivers in this segment.

The decline in the overall market is due mainly to the global oil price increase, rising interest rates, and political uncertainties in the country. Experts believe the setback is temporary and maintain an optimistic outlook for the vehicle market over the long-term. They maintain their projection for vehicles sale in Thailand to reach 1 million units in 2010. Sales of pickups and passenger cars will reach 700,000 and 250,000 units respectively. The

current size and potential growth of the Thai vehicle market especially that of pickups promise opportunities for U.S. exports of automotive styling and performance tuning products.

Moreover, as the ASEAN regional automotive production hub, Thailand offers export opportunities for styling and tuning products beyond its own territory. Eleven of the twelve global assemblers are assembling for exports worldwide. They have a combined annual capacity of 1.4 million units. Last year, they exported 39% of the total 1.15 million units of their production. Their exports are expected to continue to increase. It is projected that exports will account for half of Thailand's expected production of 2 million units by the year 2010. Of the 1 million units exported, pickups will account for 80% and passenger cars for 20%. As a result, U.S. export opportunities expand to include countries where vehicles from Thailand are exported.

2006 Assemblers & Capacity

I. PRODUCTION CAPACITY IN 2006				
COMPANY	PC	1 TON P/U	CV	TOTAL
1. TOYOTA	200,000	200,000	50,000	450,000
2. MITSUBISHI	50,000	150,000	80,000	208,000
3. ISUZU	-	180,000	20,000	200,000
4. AUTO ALLIANCE (Ford & Mazda)	-	150,000	5,000	155,000
5. HONDA	120,000	-	-	120,000
6. GENERAL MOTORS	40,000	120,000	-	160,000
6. NISSAN	36,000	96,000	2,400	134,400
8. HINO	-	-	28,800	28,800
9. DAIMLERCHRYSLER	16,300	-	-	16,300
10. YMC Assembly	12,000	-	-	12,000
11. BMW	10,000	-	-	10,000
12. VOLVO	10,000	-	-	10,000
TOTAL	494,300	896,000	186,200	1,576,500

Source: Toyota Motor Thailand

Note: PC: Passenger Car, P/U: Pickup, CV: Commercial Vehicle

Import Market

Styling products popular among vehicle owners in Thailand are aero parts, alloy wheels, and tires. Suspension systems are popular performance enhancement products. Industry experts were unable to give an estimate of their combined market value but believe it grows 7-8% annually.

The strong dominance of Japanese makes in the market and German makes in the luxury segment influence market styling and performance tuning preferences. German and Japanese exporters have a natural advantage. Similarly, U.S. products have given advantages in the SUV and pickup markets. As the long time world's largest market for pickups, the U.S. naturally sets the trend for light trucks including the more recent SUV. Some of the many styling and tuning products developed for the U.S. market are readily adaptable to the Thai market. Moreover, the market has a strong and positive perception of U.S. products as having good technology and quality.

However, target buyers of genuine imports tend to concentrate on the high-end segments of the market where consumers have the purchasing power to afford their preferred products. Consequently, lower end segments of the market become opportunities for a wide variety of cheaper products. They range from used genuine makes to imitations of different quality and price. Imports from Taiwan and more recently China are major players in this market.

Key Suppliers

Aero Parts: Most vehicle makers have a division / affiliation for accessories / styling products developed specifically for their own makes /models. Thus, German exporters control the aero parts made for the Mercedes Benz and BMW market, while Japanese exporters dominate the upper end segment of aero parts made for Japanese vehicles. The fact that more than 90% of vehicles sold in Thailand are locally assembled gives local manufacturers great advantages in terms of accessing latest vehicle models, understanding market preferences, transportation costs and import duties. These advantages, along with an increase in their technological competence enable local manufacturers to expand their local market sales as well as exports. The increasingly competitive local manufacturing industry and the market preference towards Japanese and German products restrict potential for U.S exports in the aero parts market in Thailand.

Listed are the popular brands of aero parts products.

Mercedes Benz: AMG/LORINSER/WALD/ FAB/BRABUS

BMW: HAMANN/AC-SCHITZER/ALPINA/BREYTON/M-TECHNIC

TOYOTA: TRD/TOM'S, C –West, Veilside

NISSAN: NISMO/Topsecret, TBO, C-West, BOMEX/URAS/ Veilside

HONDA: MUGEN/SPOON/ Samurai, Modulo

MITSUBISHI: RALLY-ART

MAZDA: MAZDA-SPEED/RE-AMIYA/ C-West

Alloy Wheels: Once the most popular automotive styling products, Alloy Wheels generally come first in car owners' styling considerations for their vehicles. However, the recent trend for assemblers to include alloy wheels as original equipment components of the vehicles has slowed demand growth for alloy wheels in the replacement market. Vehicle owners are less likely to replace original alloy wheels with an aftermarket product.

More than 90% of the alloy wheel market is locally made by the manufacturing operations of global brands such as Enkai, Lemerz, Kosei, Yashiyoda and Asahi. The most common size are 17 inch and below. Imported wheels are those of special size and design, mainly from Germany or Japan. This is because Japan and Germany set the trend for passenger cars and their makes dominate the passenger car markets

Listed are the popular brands of Alloy Wheels

Mercedes Benz: AMG/LORINSER/WALD/ FAB/CARLSON/BBS MAE/BRABUS

BMW: HAMANN/AC-SCHITZER/ALPINA/BREYTON/M-TECHNIC/BBS

TOYOTA: TRD/ENKAI/BLITZ/ADVAN/AVS/W-WORK/LOWENHART

NISSAN: NISMO/ENKAI/SPARCO/G7/VOLK/SSR/VERSUS

HONDA: MUGEN/SPOON/BUDDY-CLUB/ENKAI/W-WORK

MITSUBISHI: EVO/RALLY-ART/ ENKAI/ADVAN/DTM

MAZDA: MAZDA-SPEED/RE-AMIYA/W-WORK/VOLK

For the same reason, U.S. alloy wheels are most popular among SUV owners in Thailand. Thais follow American truck and SUV styling trend. American makes popular in the Thai market, more specifically the 4W pickups and SUV market, are Pro Comp, American Racing, U.S. Wheel, and Rock Clawer. They are available in the Thai market generally through independent importers.

Tires: Thailand is a manufacturer/exporter of tires. Combined annual production capacity of the 10 tire manufacturers is 31 million. In 2004, the industry turned out 25.8 million tires and exported 15.09 million. Demand by assemblers (as Original equipment) was 4.7 million while replacement market demand was around 7.8 million. Bridgestone, Goodyear and Michelin are global makes that have local manufacturing facilities in Thailand and are the majors in the industry.

Imported tires account for 1.65 million. The majority of them are from Japan, Indonesia, China, South Korea, Taiwan and the Philippines. Many imported tires compete on price for the mass market while others of a much smaller volume compete on quality for a small hi-end segment of the market. Popular imported makes in this segment are Continental, Pirelli, Yokohama Falken, Dunlop and Maxxis. Meanwhile, BF Goodrich, Pro Comp, Micky Thompson, Super Swamper and Cooper are U.S. makes popular in the SUV market.

Suspension Systems: Car, SUV and pickup owners replace their suspension for different reasons. Car owners tend to replace theirs only when their existing systems are due for change while SUV and pickup owners replace theirs for those with specific qualities and features. Pickup owners in this market segment are those owning premium models who use pickups for leisure rather than for its traditional goods carrying purpose. Up to 15% of this target group replace the original suspension system with a new set from one of the popular makes, most of which are imported.

For the replacement market, locally made Kayaba dominates with an estimated 70% share. Imports such as Bilstine (German), Koni (Netherlands), Gabriel (U.S.), Monroe (U.S.) and a few others share the remainder of the market. Imported suspension systems are subject to 30% duty.

As performance enhancing accessories largely for SUV and pickups, suspension systems have an estimated annual market value of \$10 Million. Pro Comp and Rancho from the U.S. are the two most popular makes among buyers in this market. Makes imported from Australia such as Old Man Emu, West Coast and Iron Man are gaining more market acceptance and increasingly popular in recent years. Market share of U.S. and Australian imports are 20% and 30% respectively.

Prospective Buyers

Automotive experts believe an average 10% of vehicle owners tune and/or style their cars. Of that 10%, those with new vehicles aged up to 3 years make up the majority of the styling and tuning market. They are updated with the latest global trends. Passenger car trends are particularly influenced by Germany and Japan. In a similar manner, the U.S., as the world's largest pickup market, set the trend in styling and tuning of the pickups and particularly SUVs in Thailand.

Genuine imports of styling and tuning products, because of their relatively high price, enjoy an even more specific group of buyers that are at the upper end of the market. This group of buyers comprises car enthusiasts who style and tune their car for their functional or aesthetic value. The other group are those using the products as a sign of their wealth. They may not always understand or appreciate the functional benefits of the products. Therefore, products emphasizing better functional quality yet having a higher price are less likely to appeal to this group of buyers than cheaper products of lower quality but displaying similar features.

Market Entry

Importers of styling and tuning products operate under all forms of business arrangements wholly owned subsidiaries of global automotive manufacturers, authorized agents, brokers, non-exclusive wholesale importers, and unconventional importers. Ease of entry and exit contributes to the highly dispersed nature of the market. Because of the owner's interest in cars, retail and or service shops can be easily set up. Some of them survive into an established business while many fail and exit. These operators do not always retail products of local authorized wholesalers and often source popular items via non-conventional channel imports. These unofficial means of imports provide cost advantage specifically on duty and hence enable importers to undercut retail price of authorized distributors. Thus, being an authorized distributor in the automotive styling and tuning market may not add as much value to local operators as it may in other markets. However, qualified local distributors are instrumental to U.S. exporters as they provide effective market penetration even when the market is highly dispersed.

Thus, U.S. exporters may consider volume discount an incentive to become their authorized distributors. Established distributors value discount as it lowers some of the cost disadvantages they have in competing with unconventional importers. Moreover, volume discount often displaces these importers' concern for credit terms. In general, most importers that are financially sound abide by the payment conditions set by their U.S. suppliers.

Market Issues

Importers of automotive styling and tuning products do not consider the 20-40% duty on aftermarket parts and 60% on accessories as a deterrent. As long as importers are subjected to the same duty standard, they would be competing on the same basis. Moreover, the Royal Thai Government does not develop standards or other regulations to specifically bar import of styling and tuning products.

Resources and Key Contacts

Thailand Automotive Institute

655 soi 1, Bang Poo Industrial Estate, Moo 2,
Sukhumvit Road, Km.34, Muang, Samutprakarn 10280.
Tel: 662-324-0710
Fax: 662-323-9598
Website: <http://www.thaiauto.or.th>
Contact: Mr. Vollop Taesiri
Managing Director

The Customs Department

1 Sunton Kosa Rd., Klongtoey, Bangkok 10110
Tel: 662-249-0431 thru 40
Fax: 662-249-2874
Website: <http://www.customs.go.th>
Contact: Dr. Satid Limpongpan
Director General

The Office of Industrial Economics

Ministry of Industry
75/6 Rama VI Road, Rajathevee, Bangkok 10400
Tel: 662-2202-4395
Fax: 662-2354-3292
Website: <http://www.oie.go.th>
Contact: Dr. Atchaka Brimble

Director General

Websites of Car Makes Sold in Thailand

Toyota	http://www.toyota.co.th
Isuzu	http://www.isuzu-tis.com
Honda	http://www.honda.co.th
Nissan	http://www.nissan-th.com
Mitsubishi	http://www.mitsubishi-motors.co.th
Mazda	http://www.mazda.co.th
Hyundai	http://global.hyundai-motor.com
Kia	http://thailand.kia-global.com
Daewoo	http://www.daewoo.com/english/index.jsp
FORD	http://www.ford.co.th
Mercedes-Benz	http://www.mercedes-benz.co.th
BMW	http://www.bmw.co.th
Volvo	http://www.volvocars.co.th
CHEVROLET	http://www.chevrolet.co.th
Volkswagen	http://www.volkswagen.com
Chrysler	http://www.chrysler.co.th
PEUGEOT	http://www.peugeot-th.com
Seat	http://www.seat.com
Citroen	http://www.citroen.co.th
Skoda	http://www.skoda-auto.com
Land Rover	http://www.landrover.co.th
Saab	http://www.saabthai.com
Lexus	http://www.lexus.co.th
Jaguar	http://www.jaguar.com/lt/
Porsche	http://www.porsche.co.th
Subaru	http://www.subaruthailand.com
Hino	http://www.hinothailand.com
Audi	http://www.audi.co.th
Ssangyong	http://www.ssangyong.co.th
Daimler	http://www.daimlerchrysler.co.th
Opel	http://www.opel.com
Jeep	http://www.jeep.co.th
Mini	http://www.mini.co.th
Yontrakit	http://www.yontrakit.co.th

Trade Events

BANGKOK INTERNATIONAL MOTOR SHOW

Consumer show for automobile and accessories with primary focus on end users market

Date: March 22 –April 2, 2007

Venue: Bangkok International Trade Exhibition Center (BITEC)

Organizer: Grand Prix International
4/299 Moo 3 Lardplakaow 66 Road
Anusaowary Bangkhen
Bangkok 10220
Tel: 662-971-6450 thru 85, 662-522-1731 thru 8
Fax: 662-522-1730
Website: <http://www.bangkok-motorshow.com>

Motor Expo 2006

Consumer show for automobile and accessories with primary focus on end users market

Date: November 30 – December 11, 2006

Venue: Impact Exhibition & Convention Center, Bangkok

Organizer: Inter-Media Consultant Co., Ltd

1143/1 Soi Suthiporn

Rachadapisek Road Dindaeng

Bangkok 10400

Tel: 662-641-8444

Fax: 662-641-8480

Website: <http://www.autoinfo.co.th>

U.S. Automotive Trade Mission to Southern China & Thailand

A matchmaking mission organized by Commercial Service, U.S. Department of Commerce

Date: March 25- April 1, 2007

Venue: Guangzhou and Bangkok

Organizer: U.S. Commercial Service

302 3rd Floor Diethelm Tower A

93/1 Wireless Road

Bangkok 10330 Thailand

Phone: 662-205-5272 (Direct Line), 662-205-5090 (Central Line)

Fax: 662-2552915

Email: wcharuku@mail.doc.gov

and

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Fax: 0086-20-86666409

E-mail: ying.liu@mail.doc.gov

For More Information

The U.S. Commercial Service in Bangkok/Thailand can be contacted via e-mail at: wcharuku@mail.doc.gov ;
Phone:662-205-5272; Fax: 662-2255-2915 or visit our website: www.buyusa.gov/thailand

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