



## Mexican Tomato Sauce Exportation to Thailand

Cruz García, Carlos<sup>1</sup>; Montemayor Hernández, Linda Valeria<sup>2</sup>;  
Salas Galindo, Fabiola Astrid<sup>3</sup> & Ramos Ruiz, Daniel<sup>4</sup>

<sup>1</sup>Universidad Autónoma de Nuevo León, Facultad de Contaduría Pública y Administración  
Monterrey, Nuevo León, México, *c.cruz.garcia@outlook.es*, Av. Universidad S/N Col. Ciudad Universitaria,  
(+52) 81 2408 4099

<sup>2</sup>Universidad Autónoma de Nuevo León, Facultad de Contaduría Pública y Administración  
Monterrey, Nuevo León, México, *valeria\_montemayor97@hotmail.com*, Av. Universidad S/N  
Col. Ciudad Universitaria, (+52) 81 1801 4959

<sup>3</sup>Universidad Autónoma de Nuevo León, Facultad de Contaduría Pública y Administración  
Monterrey, Nuevo León, México, *fabiola.salas12@gmail.com*, Av. Universidad S/N Col. Ciudad Universitaria,  
(+52) 81 8113 3403

<sup>4</sup>Universidad Autónoma de Nuevo León, Facultad de Contaduría Pública y Administración  
Monterrey, Nuevo León, México, *daaniieel.r.r@gmail.com*, Av. Universidad S/N Col. Ciudad Universitaria,  
(+52) 81 1679 5726

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### Resumen

Bangkok es una gran oportunidad para invertir en comida procesada exportada de México. Los hábitos de consumo, las tendencias, y las estadísticas del mercado justifican el hecho de que los productos como la salsa de tomate son demandados por la población. Por ello “La Costeña” debería poner un ojo en el mercado Asiática, especialmente por los beneficios de intercambio que México tiene dentro de la zona del Pacífico. “La Costeña” tiene una gran y exitosa historia en México al igual que una gigante experiencia en el mercado internacional. Invertir en exportar salsa de tomate a Bangkok es sin lugar a duda un paso que deben tomar para continuar su crecimiento.

**Palabras claves:** economía, bangkok, salsa, exportación.

### Abstract

Bangkok is a great opportunity for investing in processed food exportation from Mexico. The consumption habits, the trends and the market statistics justify the fact that products like tomato sauce are demanded by the population. Therefore a well-known company like “La Costeña” should be taking an eye on the Asiatic market, especially because of the trading benefits Mexico has within the pacific. “La Costeña has a great and successful history in Mexico as well as a huge experience in the international market. Investing in exporting tomato sauce to Bangkok is without a doubt a step they have to take to continue its growth.

**Key words:** economy, bangkok, sauce, export.

## INTRODUCTION

Companies always want to increase profits. One way of doing it, it's expanding their business. Exporting a product is a complete challenge and it is risky. However, if you study very well the market, your company could be very successful.

The president of Virgin Group (a company that provides several products and services such as financial services, beverages, trips, videogames, radio, music, books, sports, mobile telephony, space flights, etc.), Vidal Sassoon once said "The only part where 'success' appears before 'work' is in the dictionary". Exporting a product involves a lot of work. Selecting the correct country or city to export could change dramatically the future of a company. We have to remember that what works in a country, may not in another. It all depends on the characteristics that the foreign population have and the characteristics of the product or service.

There are many benefits of exporting a product. The company could have better opportunities and better prices. If a company exports, it begins to be more competitive (it is excellent because now they are in a global environment). There are so many benefits. However, there are risks too. That's why it is very important to study the market first. That's what we are going to do in our project.

We want to export tomato sauce to Thailand. We studied the market and we want you to show our findings (population statistics, economic environment, GDP per capita, infrastructure, cultural issues, costumes or trends, etc.).

All this information is really relevant in order to choose a good country to export. However, we consider that the GDP per capita is one of the most important because it shows us how much money approximately each person has in Thailand. Nonetheless, if a country has a high GDP per capita but the population there is not interested in our product, the company will fail. That's why there are so many factors to consider.

According to the obtained results, we think it is a great opportunity to "La Costeña" to consider exporting their products to this country.

## THEORIC FRAMEWORK

### A) TARGET MARKET ANALYSIS (THAILAND)

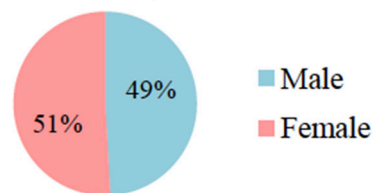
#### 1. Population statistics

- Surface: 513.120 km<sup>2</sup>
- Thailand current population: 68'680,050
- Current male population (49.1%): 33'745,438
- Current female population (50.9%): 34'934,612

Bangkok current population: 8.5 million

- Target market: population between 25 and up. Therefore, our target market represents the 68.35% of the population,(46.55MM)
- 0-14 years old: 17.18% (men 6.000.434/ women 5.714.464)
- 15-24 years old: 14.47% (men 5.030.930/ women 4.839.931)
- 25-54 years old: 46.5% (men 15.678.250/women 16.038.155)
- 55-64 years old: 11.64% (men 3.728.028/ women 4.208.624)
- 65 years old and up: 10.21%  
(men 3.047.938/ women 3.914.070)
- Population density (number of people living per unit of an area): 133.8 per km<sup>2</sup>
- Total area: 513,120 km<sup>2</sup>

## Population



- Median age: 37.8 years
- Life expectancy: 73.6 years (71.2 – men and 76.1 – women)
- Total dependency ratio of population: 41 %.

Dependency ratio of population is a ratio of people who are generally not in the labor force (the dependents) to workforce of a country (the productive part of population).

During this year, Thailand population is expected to increase by 258,671 people and reach 68'871,537 when the year 2019 begins. This will happen because the number of births will exceed the number of deaths by 238,087.

### 2. Political system

- Government: constitutional monarchy

A constitutional monarchy is a system of government in which a monarch shares power with a constitutionally organized government.

- Monarch (Chief of State): King Maha Vajiralongkorn
- Prime Minister (Head of Government): Prayut Chan-o-cha

As Mexico, Thailand has three government branches: Executive advises the king on matters of legislation; Legislative with 375 members of the House of Representatives and Judicial.

### Economic environment

Inflation: 0.79



### GDP: 406.8 billion US dollars

The GDP value of Thailand represents 0.66 % of the world economy.



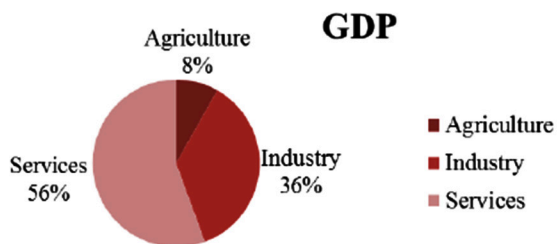
**Currency: Thai Onshore Baht (THB)**

- Exchange rate:
- 1 Thai baht = 0.03197 US dollars
- 1 US dollar = 31.2793244 Thai baht
- 1 Thai baht = 0.583074959 Mexican pesos
- 1 Mexican peso = 1.71504536 Thai baht

**3. Income per cápita**

5,901.40 US dollars

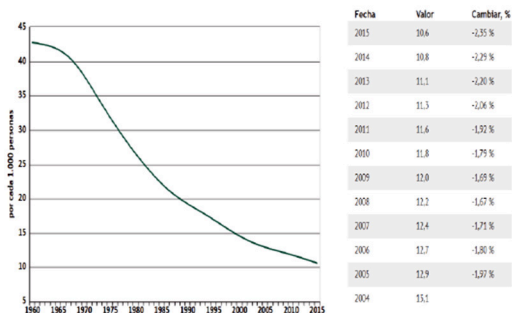
**4. Structure of GDP by primary, secondary, and tertiary sectors**



**5. Degree of Development Index (poverty, education, health, births)**

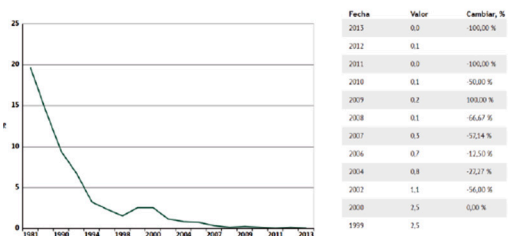
- Birth rate

Indicates the number of live births occurring during the year, per 1,000 populations estimated at midyear (for every 1.000 people) in 2015



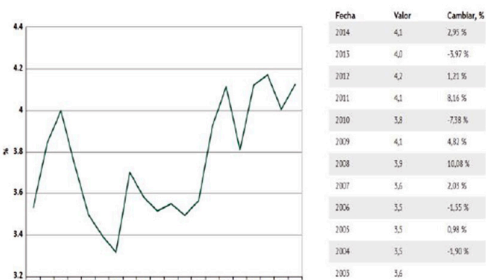
- Poverty Line

0.02% of the population living less than \$1.90 a day at 2013.



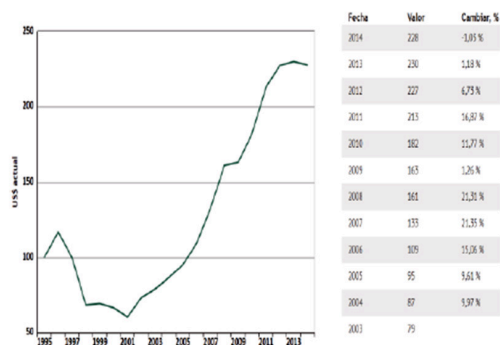
- Health expenses GDP %

4.1(%) In 2014



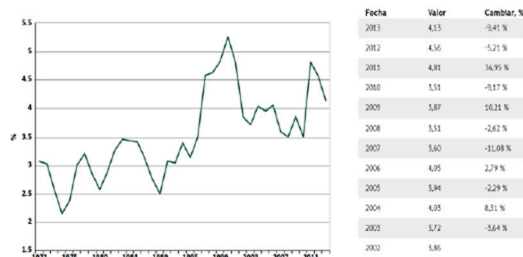
**Health expenses per cápita**

228 (USD) In 2014



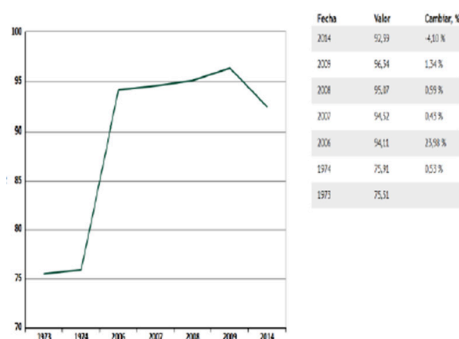
- Education expenses

4.13(%) In 2013



- Total Enrollment Education

92.39(%) enrolled either in primary or secondary education in 2014



Literacy rate

- Ages 15-24 is (98.64%)
- Ages 25 and above (93.98%)

## 6. Infrastructure

- Highways

358 Highways

And in 2006 a road density of 35.1 km per 100 sq. km

- Ports

The major seaports: Bangkok, Laem Chabang, Map Ta Phut, Prachuap Port and Si Racha

- Airports

25 Airports in Thailand

## 7. Telecommunications

- Mobile cellular *subscribers*

116.606.000 In 2016

- Home telephone *lines*

4.706.000 In 2016

- T.V

Up to 22.6 million households have a TV (2013)

## 8. Foreign Trade statistics

To import tomato sauce is needed that the importer has one of the following certificates: to warranty the quality of the product

(1) Certification of GMP (Good Manufacturing Practice)

(2) Certification of HACCP (Hazard Analysis and Critical Control Point)

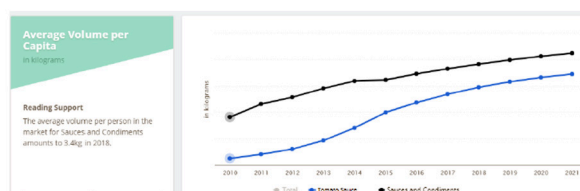
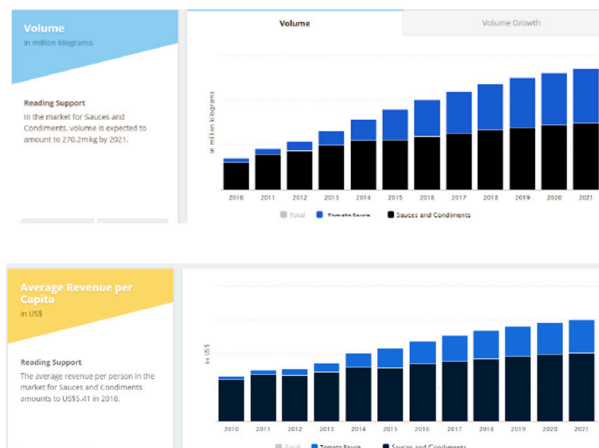
(3) Certification of ISO (Quality Management System)

(4) another certification equivalent to the mentioned certifications (1-3)

It must be an original certificate or a legalized copy for the ones who produce the certification in the origin country, approved by the Thailand Embassy

If the certification is in another language, the importer should translate the certification in Thailand or English approved by the Thailand Embassy.

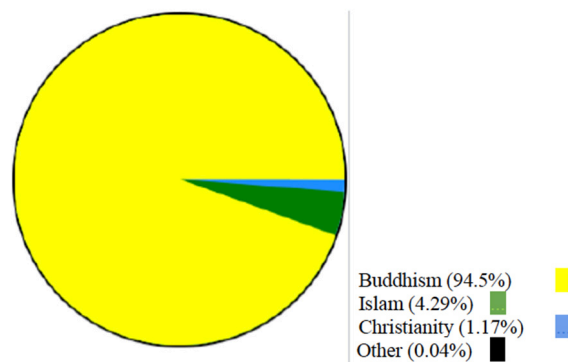
*HIGHLIGHTS. The average per capita consumption stands at 3.4kg in 2018.*



## 9. Cultural Issues

- Religion

*The main Religion in Thailand is Buddhism (94.5%)*



## B) MEXICAN PRODUCT DESIGN

### Information of The Company



Conservas La Costeña, usually called La Costeña, is a Mexican brand dedicated to the canned products market. It was founded in 1923 by Vicente López Recines. The company has become an important brand inside and outside Mexico. Nowadays, La Costeña sells its products across Mexico and in 40 countries around the world. Its Mexican headquarters are located in Santa Maria Tuptletlac Ecatepec Estado De México. La Costeña has around 9,000 employees throughout its various locations in Mexico and around the world

### Labeling and Packing

The applicator section delivers the label to the product. This is accomplished with a pneumatic and electric cylinder with a specially designed label pad. The cylinder extends out and touches (tamp) the adhesive side of the label to the finished product. Once the can is labeled it passes to the packaging line where the specialized machines await their arrival to safely accommodate them in boxes that will be the container until they arrive at stores.



### Catalogs and Advertisement

This company takes pride as a 100 % Mexican company, established in 1923. This is one of its principal marketing banners. LA

COSTEÑA has 500 products of its regular line cataloged and they are advertised widely throughout Mexico and the world with its slogan “Por sabor”



### Price in Mexico

*The prices of the sauce vary on the presentation size.*

#### In Box

- 210 g. – \$5.80 MXN || B 10.04 TBH || \$0.32 USD
- 350 g. – \$12.50 MXN || B 21.63 TBH || \$.693 USD
- 1 Kg – \$23.50 MXN || B 40.67 TBH || \$1.30 USD

#### In Can

- 220 g - \$10.00 MXN || B 17.31 TBH || \$0.55 USD
- 800 g - \$20.00 MXN || B 34.60 TBH || \$1.11 USD

## METHOD

### TARGET MARKET

#### Bangkok, Thailand

Bangkok is the capital and most populous city of the Kingdom of Thailand. The city occupies 1,568.7 square kilometers and has a population of over 8 million, or 12.6 percent of the country's population. Over 14 million people (22.2 percent) lived within the surrounding Bangkok Metropolitan Region at the 2010 census, making Bangkok an extreme primate city, significantly dwarfing Thailand's other urban centers in terms of importance.

#### Bangkok, Thailand



Bangkok is one of the world's top tourist destination cities. MasterCard ranked Bangkok as the top destination city by international visitor arrivals in its Global Destination Cities Index 2016, ahead of London with more than 21 million overnight visitors.

*By knowing this we will focus our target market in 3 segments:*



Young Adults who are beginning their independency  
(25 – 33 Years old)

Young Families with households  
(33 – 45 Years old)

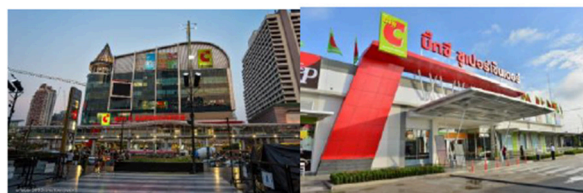
Adults  
(45 – 55 Years old)

The Asia Pacific seasoned sauces market is expected to reach US \$ 8.6 billion for 2020, and to advance at a compound annual growth rate of 5.85% during the period 2014-2020.

The Asia Pacific condiment sauces market is primarily driven by the rising consumption of sauces in countries such as Australia, Hong Kong, India, China, New Zealand, the Philippines, Thailand, South Korea, and Malaysia. In 2014, China led the Asia Pacific condiments sauces market.

Our plan is to capitalize this growing market to set a distribution center in Bangkok, taking advantage of new trends in consumption habits in the capital where consumers are preferring supermarkets and hypermarkets.

#### Big C



Big C, or Big C Supercenter is a grocery and general merchandising retailer headquartered in Bangkok, Thailand. Big C is now (2016) Thailand's second-largest hypermarket operator after Tesco Lotus's Thai unit. It has operations in three countries, namely Thailand, Vietnam and Laos. Big C and its subsidiaries operated 697 stores in Thailand

- Number of employees 27,000
- Big C counts with 36 Stores in Bangkok and Surroundings
- And 68 more near the area.
- Distribution Channel:
- Wholesale channel:

We will enter the Thai Market by selling our sauce to the second biggest Wholesale store in the country with the biggest amount of stores in Bangkok (our initial goal market)

- Trade Agreement: Asian Pacific Economic Cooperation (APEC)
- Average sale price per 100 gr: 2.76 Mxn Pesos
- Production cost estimate per 100 gr: 1.20Mxn Pesos
- Port in Mexico: Manzanillo
- Port in Thailand: Bangkok Port
- Bangkok Port is located on the left side of the River at Bangkok. It is well connected with road and rail systems.
- Transport to Ecatepec : FTL
- Transport from Manzanillo to Bangkok Container
- Transport: Bangkok Port – Big C Distribution center TL
- Incoterm CIF Bangkok Port, (we will cover all cost until the destination port. After that the Company will use its logistic system to add our products with other imports and take them to their warehouse at Krung Thep Maha Nakhon.



## RESULTS

Earnings per unit	\$ 5,46	\$ 9,36	\$ 13,26
Earnings per Pallet	\$ 16.380,00	\$ 15.600,00	\$ 10.313,33
Total Earnings	\$ 163.800,00	\$ 46.800,00	\$ 92.820,00
\$	303.420,00		

Earnings After  
Transportation and  
Tariffs **\$ 260.920,00**

### COST OF PRODUCT INVESTMENT

Grams	350	600	850
Cost Per Unit	\$ 4,20	\$ 7,20	\$ 10,20
Units Per Box	80	40	20
Boxes Per Pallet	37,50	41,67	38,89
Pallets	10	3	9
Cost Per Pallet	12600	12000	7933
Total Units	30000	5000	7000
Units Per Pallet	3000	1667	778

Transportation Cost	\$ 19.318,18	\$ 5.795,45	\$ 17.386,36
\$	42.500,00		
APEC Tariff Cost	\$ -	\$ -	\$ -

### In-house Supervisor:

The wholesale system requires a point person in charge of the sales in this new market:

For starters we will send a supervisor who will make sure the container starts rotating in the market, by hiring sellers in the most important stores. We expect to sell the whole container in 2 months, sending 1 pallet to the hypermarkets stores and ½ pallets to the supermarkets. By the moment our in-house supervisor ensures there is only 3 boxes left in the warehouses we will send the next ship, now with 2 containers expecting to sale this containers in the same amount of time by giving branding to the product as well as promotions.

Our vision is to export 8 containers the first year and double the amount in the next one.

### Competition in Mexico:

**HERDEZ**



### Competition in Thailand:



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