



ASEAN in Focus: The Thai Consumer Market

With a 2016 population of some 68 million, Thailand is the fourth-biggest country in the [ASEAN](#) region, after Indonesia, the Philippines and Vietnam. Compared with most of the other countries in the region, Thailand's consumer market is relatively mature, but the potential for it to grow remains high with its economy poised for sustained, productivity-driven growth in the next five years amid on-going urbanisation and the rise of the middle-income class.

More Opportunities in the Greater Bangkok Area

Like many emerging economies in the region, Thailand has undergone rapid urbanisation. According to the *United Nations*, the share of Thailand's urban population increased to 50.4% in 2015 – up from 38.8% in 2006 – with most of the growth centred around the Bangkok area. Coupled with a sustained improvement in household incomes, this will support the growth of consumer spending on discretionary items, such as lifestyle products and services, while providing good opportunities for Hong Kong suppliers.

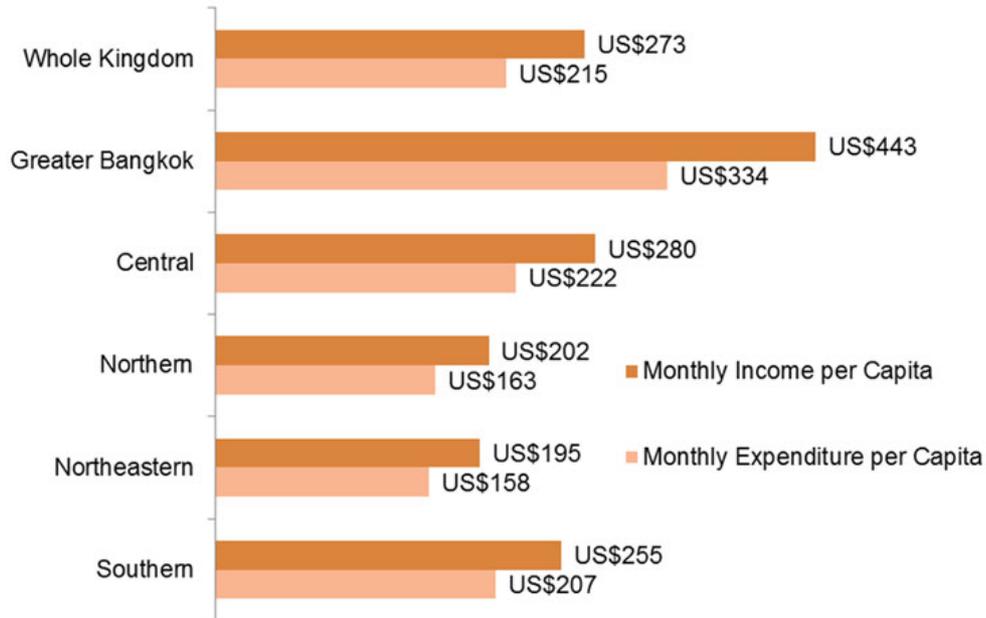


The Thai consumer market: Fuelled by the expanding middle income class.

While the [World Bank](#) classifies Thailand as an upper-middle-income economy, the country's monthly income and expenditure per capita averaged US\$273 and US\$215, respectively, in 2015. In Greater Bangkok, the respective figures were US\$443 and US\$334, some 60% higher than the national average. Hong Kong suppliers offering mid-to-high-end products would find it more cost-effective to focus on the Greater Bangkok Area, where purchasing power is higher and the retail sector and distribution channels are more organised and developed.



Thailand Monthly Income and Expenditure Per Capita by Region in 2015



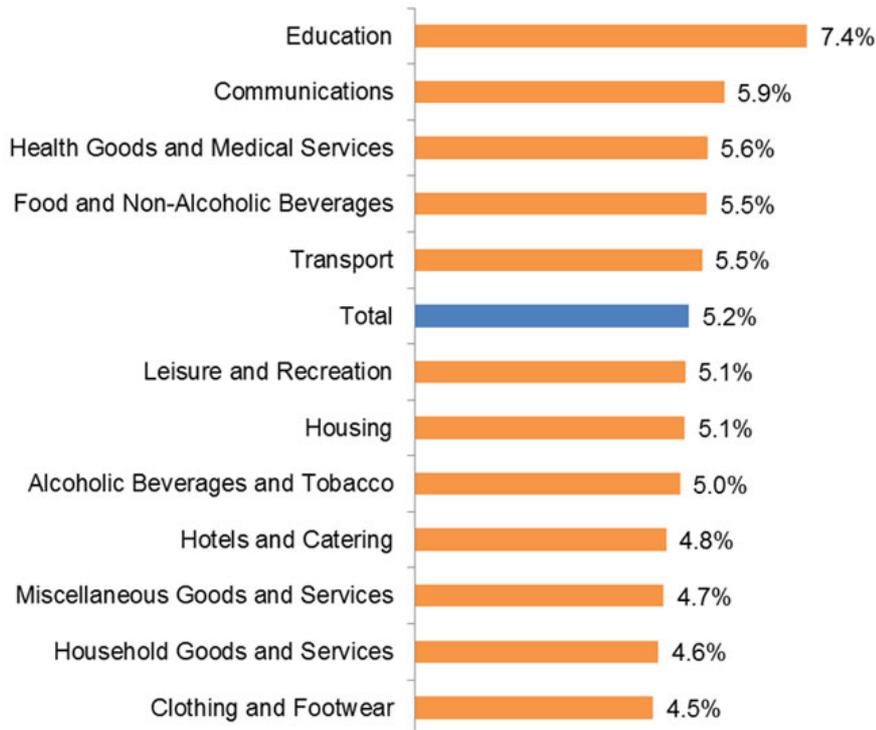
Source: Thailand National Statistical Office

Strong Demand for Education, Communications, F&B and Healthcare

According to *Euromonitor International*, consumer expenditure in Thailand is expected to expand modestly by 5.2% each year from 2016-2021, with stronger growth expected in education (7.4%), communications (5.9%), health goods and medical services (5.6%), and food and non-alcoholic beverages (5.5%). Indeed, as income improves, Thai consumers increasingly crave quality, convenience and high levels of service. The sectors that best match the needs and lifestyles of this middle-income class are likely to offer the greatest potential.



Thailand Consumer Expenditure's Compound Annual Growth by Category in 2016-2021



Source: HKTDC from Euromonitor International

Education

Education is expected to be the category with the fastest growth. Thai parents, as with those in other Asian countries, place considerable emphasis on their children's development, fuelling a boom in demand for international schools and language training, as well as for a variety of extra-curricular activities, including dancing, painting, music and sports classes.

Communications

Spending on communications is expected to increase rapidly amid the development of new technologies and services, as well as by the fall in prices driven by innovation, economies of scale and competition. In Thailand, there is a strong market for premium smartphones, thanks to a desire for high-performance and stylish design among high-end mobile users, especially among those looking to upgrade. In line with this, *Huawei Technologies* has recently chosen Thailand as the sole Southeast Asia market for its Mate 9 smartphone, with the company believing high-end Thai consumers have strong purchasing power. The company also announced it will double this year's investment budget for marketing and expanding distribution channels in Thailand [1].

Health Goods & Medical Services



Similar to other consumers in the region, Thais have become more health-conscious and are now willing to spend more on health goods and medical services. While the desire to look younger and more attractive has led to an expansion of the range of health goods in number of specialist areas, including nutritional supplements, health equipment and spas, local demand for medical services in the private sector has also risen in line with increasing incomes.

Food & Non-Alcoholic Beverages

Thailand’s on-going urbanisation programme has proved a huge boost to the food-and-beverage sector, with people dining out and socialising more. Many chains focus on a particular product likely to be embraced by the young aspirational urban population, typically yoghurts, desserts, coffee, bread or noodles.

Riding the E-commerce Trend

In line with global trends, Thai consumers are increasingly embracing online shopping. According to *Statistica*, revenue in Thailand’s e-commerce market amounted to US\$2,451 million in 2016 and is forecast to grow by 17% a year over the next five years. The market’s largest segment is electronics and media, worth US\$1,117 million in 2016, whereas fashion and toys/hobbies/DIY are the two segments where the strongest compound annual growth is anticipated over the next five years – 27% and 21%, respectively.

Thailand’s E-commerce Market

	Revenue in 2016 (US\$ million)	Revenue in 2021 (US\$ million)	% Change in 2016-2021
Electronics & Media	1,117	1,774	+10%
Toys, Hobbies & DIY	398	1,029	+21%
Furniture & Appliance	391	855	+17%
Fashion	390	1,310	+27%
Food & Personal Care	154	340	+17%
Total	2,451	5,307	+17%

Note: Revenues include sales of physical goods via a digital channel to a private end user (B2C) and purchases via both desktop computer and mobile devices, but exclude digital media, digitally distributed services, B2B markets, and resale of used goods and sales between private persons.

Source: Statistica

The rapid adoption of e-commerce in Thailand presents a number of opportunities for Hong Kong suppliers. Merchants with their own online platforms may consider increasing their advertising and marketing efforts in Thailand in order to lure sales. This could be done by placing advertisements on *Google*, the country’s dominant search engine, for example, or on *Facebook*, Thailand’s most popular social media platform with an estimated 30 million domestic users. As cash-on-delivery (COD) is the preferred payment method, however, foreign sellers should make sure they choose third-party logistics suppliers familiar with this system. It would also help if merchants could provide their e-commerce sites in Thai.

Hong Kong manufacturers that are not ready to sell online could still capitalise on the trend by supplying their products to online merchants or marketplaces. In Thailand, the



dominant player is *Lazada*, whose website traffic has significantly advanced over its local rivals, according to *ecommerceIQ*. More recently, *11street*, South Korea’s biggest e-commerce player, has extended its services into Thailand, posing a possible challenge to *Lazada*.

Top 10 B2C Websites and Mobile Apps in Thailand

	Websites	Apple iOS Apps	Google Play Apps
1	Lazada	Lazada	Lazada
2	JIB	Chilindo	AliExpress
3	Advice	Konvy-Cosmetic Shopping	Chilindo Auctions
4	Cmart	Zalora	Goxip
5	Central	Aliexpress	The Pizza Company
6	Zalora	Tesco Lotus	Zalora
7	Tesco Lotus	LnwShop	Konvy-Cosmetic Shopping
8	Orami	Ezbuy	O Shopping
9	Munkonggadget	Wish	Big C
10	Thai Ticket Major	Amazon	LINE SHOP

Source: *ecommerceIQ*

Suppliers should, however, be prepared for small-order requests – if not order-on-demand – by many of these online merchants and marketplaces as they tend to keep very low inventories. When preparing price lists and product catalogues for their potential partners in Thailand, suppliers are advised to clearly state the required minimum order. Product samples, both free and paid, should also be made available to potential buyers, allowing them to evaluate product quality. In addition, manufacturers should prepare copies of legal documents for inspection by buyers, while also inviting to visit their factories in order to gain their confidence and nurture the relationship.

Keeping an Eye on the Tourists, Expatriates and Retirees

The tourism market in Thailand is no less important than the local consumer market. In 2016, Thailand received 32.6 million tourists, equivalent to 48% of the local population, with most of them arriving from China or from other ASEAN countries. In recent years, Chinese tourists have become increasingly enthusiastic about travelling to Thailand, registering growth of 71% and 10% respectively in 2015 and 2016.



International Tourist Arrivals to Thailand by Major Nationality

	Number (million)		Share		Growth	
	2015	2016	2015	2016	2015	2016
China	7.9	8.8	27%	27%	+71%	+10%
Other ASEAN countries	7.9	8.7	26%	27%	+19%	+9%
Europe	5.6	6.2	19%	19%	-9%	+10%
Korea	1.4	1.5	5%	4%	+22%	+7%
Japan	1.4	1.4	5%	4%	+9%	+4%
USA	0.9	1.0	3%	3%	+14%	+12%
Hong Kong	0.7	0.7	2%	2%	+39%	+12%
Others	4.1	0.7	14%	13%	+11%	+6%
Total	29.9	32.6	100%	100%	+21%	+9%

Source: Thailand Department of Tourism

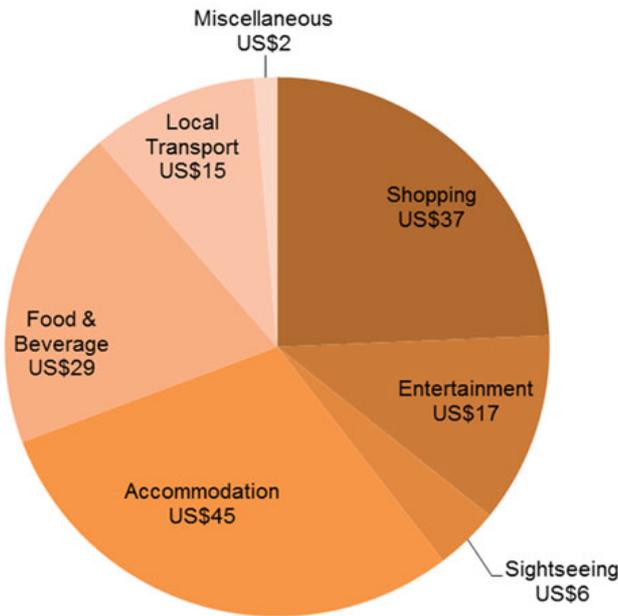


Thailand is a shopping paradise, with its outlets visited by 30 million tourists a year.

The average international tourist spent around 9.47 days in Thailand in 2015, and spent some US\$151 a day, translating into business receipts of US\$43 billion. Expenditure on shopping accounted for about a quarter of the total, with tourists fond of all types of mid-priced designer goods, silk products, fashion jewellery, housewares, handicrafts, art and home décor, etc. Typically, these were bought in shopping malls, night markets and floating markets. Snacks and healthcare products are also popular items to buy in supermarkets such as *Big C* and *Tesco*, as well as in drug stores such as *Boots* and *Watsons*.



Per-Capita Expenditure of International Tourists in 2015 (Daily Average)



Source: Thailand Department of Tourism

Not only an in-demand tourism destination, Thailand is also a popular option for expatriates as a place to live, work or retire, largely thanks to its low cost of living and high quality of life. At present, some estimates indicate there are as many as one million expatriates living in the country. According to an official in Thailand’s *Department of Tourism*, most long-stay tourists in Thailand are Japanese retirees, but the numbers of Chinese and European retirees are also high [2]. In fact, obtaining a retirement visa is relatively easy in Thailand. Applicants must be aged 50 or above and able to show a bank balance exceeding US\$25,000 or a minimum monthly income of about US\$2,000. Products and services that are tailored to older, wealthy consumers in Thailand are expected to have long-term potential.



Medical Tourism in Thailand

Thailand is one of the world's leading medical tourism destinations, with millions of international patients taking advantage of its renowned medical services every year. With more than 1,000 public and 400 private facilities, Thailand was the first country in Asia to receive the prestigious Joint Commission International (JCI) accreditation. As in Western countries, Thailand's medical industry is serviced by fine hospitals and physicians, long-term care facilities, health spas, diagnostic laboratories, pharmacies, and the manufacture of drugs and medical equipment. The country is also earning respect as a prime centre for R&D and as a location for advanced medical clinical trials, such as stem-cell therapy.

Bangkok's Bumrungrad International Hospital is one of the largest private hospitals in Southeast Asia, serving 1.1 million patients a year, including more than 520,000 international patients. According to Sudi Narasimhan, the hospital's Corporate Director of Marketing and Business Development, the prices it charges are 60-70% lower than that of comparable establishments in the US. The hospital is now receiving growing numbers of patients from Greater China, Myanmar, Cambodia and the UAE.

According to Sudi, the strong demand for medical services in Thailand will boost the need for medical devices and supplies, such as hospital equipment, household medical products, laboratory equipment, medical disposables, and this will be a trend that will benefit high quality suppliers of these products.

[1] Source: "Huawei Takes Aim at Oppo in Smartphones", Bangkok Post, 8 December 2016.

[2] Source: "Growing Old in Comfort", Bangkok Post, 11 July 2016.

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