

Internet As a Strategic Tool for Economic Development in Thailand **การใช้อินเทอร์เน็ตเป็นกลยุทธ์ในการพัฒนาเศรษฐกิจไทย**

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บทคัดย่อ

โดยทั่วไปแล้วเศรษฐกิจของไทยจำเป็นต้องพึ่งพาเงินตราต่างประเทศ เพื่อที่จะใช้ในการพัฒนาประเทศ โดยเฉพาะเมื่อหลังวิกฤตเศรษฐกิจในเดือนกรกฎาคม พ.ศ. 2540 บทความนี้จะเน้นถึงการใช้การค้าทางอิเล็กทรอนิกส์ในสามภาคหลักที่นำเงินเข้าสู่ประเทศ ซึ่งได้แก่ การลงทุนจากต่างประเทศ การส่งออก และการท่องเที่ยว จากทัศนะของผู้เขียน การลงทุนจากต่างประเทศดูเหมือนจะเป็นภาคที่จำเป็นต้องได้รับความสนใจมากที่สุดในขณะนี้

Abstract

Basically, Thai economy needs foreign currency in order to develop the country especially since July 1997. The paper will focus on the strategic use of online trading in three major sectors which contributing to the earning of Thailand. These are foreign direct investment, exporting and tourism. From my perspective, foreign direct investment tends to be the area that needs most attention especially for the time being.

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Since July 1997, the Asian economic crisis has resulted in the great adjustment of the business sector in order to survive. Many companies have gone through restructuring, downsizing, merging and being acquired by the foreign companies. This shows as increasing importance of foreign participation in the Thai economy. Due to the devaluation of Thai Baht, Thailand needs a lot more money to pay the debt. Additionally, the shrinkage demand within the country which is due mainly to an increasing unemployment aggravates the need for the country to export. Besides, the cheaper export products from Thailand because of the Baht devaluation made exporting an attractive strategy for improving Thai economy. Another way to earn foreign currency is to attract foreign tourists to the country. In short, economic improvement in Thailand seems to lie in the effectiveness and the efficiency in three main areas which are foreign direct investment (FDI), exporting and tourism. Recently, internet has been increasingly used as the means for providing information and doing business. This paper will address the issue of using internet as a mean to improve Thai economy in the areas of foreign direct investment, exporting and tourism.

Foreign Direct Investment

To improve economics rapidly, foreign direct investment tends to be a better strategy than sole exporting because of three main reasons. First, FDI creates employment directly and indirectly through

subcontracting to the local companies and working with the local suppliers. Second, it can result in a technology transfer both directly to its own workers and indirectly through its relation with the local supporting industries. Finally, it can provide and access to its foreign markets. That is to say foreign firms can use Thailand as a production base and export their products worldwide. Generally, Thai economic downturn has been gradually improving from the negative growth after the crisis to become positive lately. Specifically, Thai economic recovery has started in 1999 after the recovery in South Korea and followed by Malaysia, Singapore and the Philippines. Additionally, foreign businessmen felt that Thai economy will recover within a few years. After the crisis, the form of foreign investment tends to be sole venture more than joint venture because the relaxation of the equity law that starts to allow foreigners to take the major parts of the companies. Moreover, it is the takeover of the local companies and the renewal of the existing businesses rather than the investment in the green field projects or expansion of the businesses. Lately, Board of investment (BOI) of Thailand started its one-stop investment service center on the internet. The website of BOI, www.boi.go.th, covers the services offered by BOI, the incentives, procedures for obtaining investment promotion privileges. Thailand in brief, doing business in Thailand, information on the latest policy, bulletin linked with the latest newspaper magazine and other Home Pages containing important

information about Thailand and BOI publications. Currently, BOI Home Pages are also in Thai, Japanese and French. It will also be extended in some other languages in the future. BOI also has the project for matching the potential joint venture partners. However, this has still not been in the internet form yet. To link the local supporting industries which are basically small and medium size enterprises (SMEs) with foreign companies in Thailand, BOI has offered two services. The first one is Vendors Meet Customers which initially, SMEs producing parts for automobile and electronic industries can have the chances to meet the manufacturers. Later on, BOI plans to extend this service to other industries as well. This service is still only for Thailand. The second one is ASEAN Supporting Industry Database (ASID). This E-Commerce service aims to link ASEAN supporting industries to the global marketplace. ASID provides useful information on various industries in ASEAN member countries, especially in the automotive, electronic, mould and die, petrochemical and plastics industries. In the near future, it will be expanded to cover other industries as well. ASID is a good example of business to business online trading. It provides the mutual benefits of the ASEAN supporting industries and the manufacturers. That is to say the SMEs will gain an access to the global market with minimal cost and vice versa. Moreover, this will help to improve the communication efficiency between the ASEAN SMEs and the manufacturers. In

sum, internet has been used to promote investment by providing information and online trading between organizations which are government to business and business to business.

Export

After the economic crisis in July 1997, Thailand has experienced the export growth due to the relatively cheaper products because of the Baht devaluation especially in industrial and agro-industrial sectors. The top ten export items in terms of value in 1999 are computers and their accessories, electric circuits, garments, vehicles and their parts, rice, canned seafood, jewelry and ornament, chilled and frozen shrimps, radios and televisions and their parts, and plastic granules (http://www.moc.go.th/thai/dbc/stat/tra_th/eeu10.htm). Recently, the main trading partners of Thailand are Japan, U.S.A., ASEAN and Europe. The trading with ASEAN has been increasing before the crisis. However, after the crisis, it was decreased for quite some time. Later, it started to be better and tended to be increasing even more with the recovery of the economy. Online trading is likely to be an answer to a start up of many SMEs with limited fund which seems to be the cases after the crisis. In fact, many MBA students in Thailand have already set up their own online businesses at the minimal budget. An example of this is Ton-Tum-Rab company which sells dried mixture of ingredients for Thai hot and sour soup called Ton-Yum to Thai restaurants worldwide and also to ultimate

consumers. However, Ministry of Commerce and some Thai banks provide the free online trading services to the exporters. One example of this is: <http://www/thaicommerce.net> which is Business-to-Consumer web. Another example is <http://www/exporter.org> which is a Business-to-Business web. To be successful in exporting, one has to use effective strategies. For doing so, one should analyze 4C which are conditions, consumers, companies and competitors. However, hereafter, we will focus on more general aspects including conditions and consumers. For conditions, we mean business environment which determines online trading opportunities and limitations. This may include market potential, government policies, technology and law. For consumers, we will focus basically on online consumer behavior.

Online Trading Opportunity

To analyse the opportunity of online trading, a global perspective should be taken instead of an individual country basis. That is to say a country GNP, GDP, purchasing power parity and the number of population do not have much meaning. A more meaningful indicator of market size is the number of users of internet and the potential of market is its growth. Besides, who these users are, where they are and what they want are other bases for analyzing marketing opportunity. The number of internet users around the world have been growing constantly which is due mainly to the technological change of

speed and capacity improvement. Besides, mobile phone and other electronic devices can hooked up to the web. According to the computer Industry Almanac, by the year 2002, 490 million people around the world will have the internet access, that is 79.4 per 1,000 people worldwide, and 118 people per 1,000 by the year 2005

http://cyberatlas.internet.com/big_picture/demographics/article/0,1323,5911_151151,00.html). The highest number of online users is in Canada and U.S.A., followed by Europe, Asia/Pacific, South America, Africa and Middle East

(<http://www.nua.ie/surveys/analysis/>). In the year 1999, the top 15 countries for internet usage are U.S.A., Japan, U.K., Canada, Germany, Australia, Brazil, China, France, South Korea, Taiwan, Italy, Sweden, Netherlands and Spain. This will account for nearly 82 percent of the worldwide internet users including business, educational and home internet users. By the year 2000, there will be 25 countries where over 10 percent of the population will be internet users

http://cyberatlas.internet.com/big_picture/demographics/article/0,1323,5911_151151,00.html). Currently, the number of Thai internet users are approximately 1 million or 1 percent of the population. In the next five years, this number will be around 4 to 5 percent. According to the plan of National Economic and Social Development Board (NESDB), the number of Thai internet users will be approximately 20 percent.

Generally, the internet users tend to be younger. According to the Interactive Consumer Survey in 1998, the products often made a sale online are more of a low touch ones including software, travel products, book and music than those of the high touch ones which are clothes, shoes, small gifts, flowers, groceries and jewelries. Due to the lack of trustworthiness of selling new products online, the replacement buy seems to happen more than the new buy. Moreover, the light and easily transportable products tend to be sold better than the heavy and bulky ones because of their cheaper transportation cost.

Online Trading Limitation

Generally, a main online trading limitation especially Business-to-Consumer is the logistics problem because of the scattering of buyers throughout the world. In Thailand, one main obstacle of online trading is a high cost of using internet due to a high internet infrastructure cost. Currently, this cost is still approximately more than ten times of that in the U.S. Another obstacle is the security issue. Additionally, many laws related to online trading are still in the drafting process. Some example of these laws are electronic fund transfers, data protection, computer crime and universal access.

Consumer Motivation to Buying Online

As compared to the traditional shopping, online trading can better attract consumers to its site mainly because of

lower price, one-stop shopping (i.e., obtaining everything from one source), convenience and time saving

http://cyberatlas.internet.com/big_picture/demographics/article/0,1323,6061-266271,00.html 2000). Additionally, web allows things like customer aggregation and auctions to be done in ways that are impossible in the physical world.

Satisfying Consumers Buying Online

One key advantage of online trading is its ability to satisfy each individual need as well as a number of customers (i.e., mass customization). The 1-to-1 marketing makes possible for the company to deliver the right product to the right person at the right time with the right price and promotional offer. To satisfy the online buyers, the web site should have a rapid response time. Moreover, the additional satisfying factors are product availability, product information, product delivery and price.

http://cyberatlas.internet.com/big_picture/demographics/article/0,1323,6061-266271,00.html 1999)

Online Trading Strategies

To be successful in online trading, the company should be the first mover. Otherwise, over relatively shorter time than a traditional way of shopping, many competitors will come in easily due to a lower entry cost. Moreover, the loyalty has to be emphasized because the switching cost of online trading is low. Some purchase related loyalty programs are membership

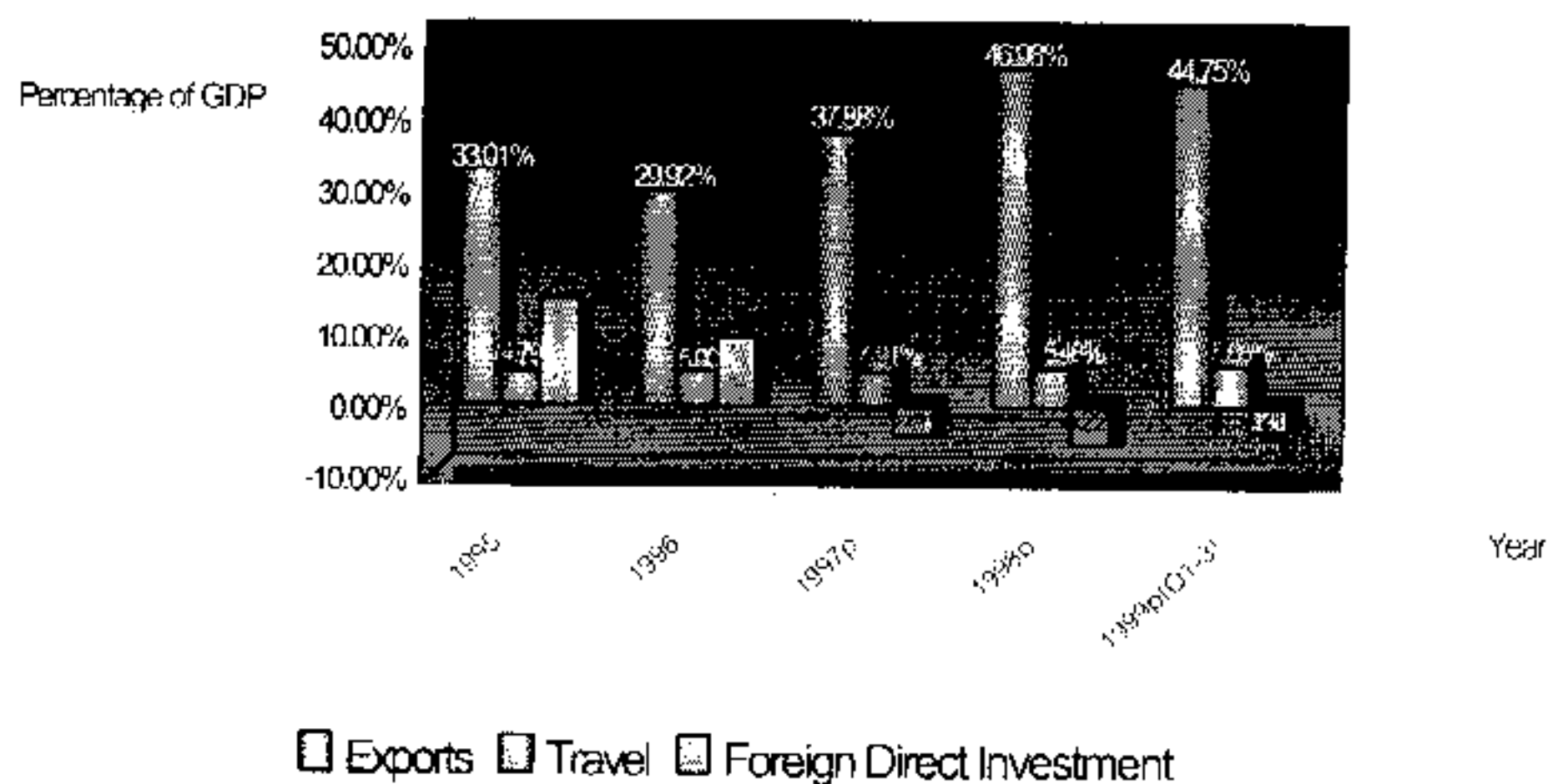
club, accumulation of bonus points. However, to establish a more sustainable long term relationship with the buyers, other aspects of lives besides consumption should be satisfied. The example of these are information offered for health, education, employment and recreation (Leelakulthanit and Hongcharu, 2000; Leelakulthanit and Day, 1992; Leelakulthanit, Day and Walters, 1991) The strength of online trading is its economy of scale and economy of scope. Economy of scale in logistics occurs because of a global coverage of the market. That is to say, generally, direct transportation of products to buyers would be costly. A way to deal with this is to appoint the distributors in certain countries. Economy of scope for online trading happens because of the limited fund of online traders who are often small and medium size enterprises. One good way to

alleviate this problem is to form the strategic alliances with other companies through the portal concept. Another weakness of online trading is its trustworthiness. To solve this problem, a good return policy as well as an on time delivery are likely to be helpful. However, a certifying agency which is trustworthy can also help. In Thailand, there has been a attempt to set up this certifying body. To better serve the online customers, human touch can be incorporated by linking the web to call center which enable them to ask for direct personal advice as they surf.

Tourism

Tourism has been the second important source of foreign currency after exporting since the economic crisis in 1997 whereas FDI has been decreasing as shown in Figure 1.

FIGURE 1. THE TREND OF EXPORT, TRAVEL & FDI



Source : Bank of Thailand

The growth of tourism industry has the positive impacts on its supporting industries which are airlines, hotel and retailing businesses. In fact, the revenue from these businesses can be considered as export especially the retailing one. The success of Thai tourism is likely to be due to the devaluation of Baht which makes traveling in Thailand relatively more affordable. Besides, Tourism Authority of Thailand (TAT) has launched the Amazing Thailand program. Additionally, Thailand has been considered as a land of diversity including, for instance, its natural beauty, historic sites, architecture, music, food, fruits, dances, sports and its friendliness. At the moment approximately only 10 percent of tour operators and hotels use the online trading. This may be due to the obstacles in laws, the lack of online payment with credit cards and an inadequacy of internet infrastructure. In fact, this indicates a good opportunity for setting up an online touring. An example of this is C4U web: www.diveinthailand.com which is an inbound tour operator run by a group of our MBA students. It offers a tour for scuba diving in the southern coast of Thailand. To promote online touring, TAT plans to set up a portal site for the tourism businesses in the future.

Strategic Insights for Thai Economic Development

Among the three sources of foreign revenue, an attention to FDI in Thailand seems to be warrant. This is due to at least four main reasons. First, the economic crisis puts Thailand in an increasing need of foreign fund. Second, the products from FDI company are mostly exported to its worldwide distribution network. Third, technology transfer from FDI company to local workers and suppliers seems to be possible to a certain extent. Finally, the economic downturn deteriorates the FDI climate and this should be strengthened. Recently, Thai government has been using internet as a tool to promote exporting, FDI and tourism and it has the policy to facilitate the usage of internet for online trading. Roughly speaking, Thailand is still in its early stage of online trading in tourism. Thus, it is a good chance for many SMEs to take the first mover advantage in this area. The companies can also take the opportunities for product-line extension in their webs. Alternatively, this can be better done by forming the strategic alliances with other companies through the portal site.

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