E-COMMERCE IN THAILAND
A GUIDE FOR AUSTRALIAN BUSINESS
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INTRODUCTION

E-commerce in Thailand is currently experiencing unprecedented growth with the value of Thailand’s e-commerce market reported to be valued at approximately AUD$115 billion in 2017. More and more consumers are opting to shop online than in stores. The Internet is becoming an inseparable part of society in Thailand, especially with the emergence of new technologies changing the way retail is offered to consumers.

To capture market share in Thailand, Southeast Asia’s second largest economy, both local and international companies in retail and service industries are taking steps to understand the nature of digital channels to take advantage of the potential online opportunities.

This guide aims to assist Australian businesses looking to capture e-commerce opportunities in Thailand’s emerging market. It provides an overview of the digital retail sector in the country in the present day, key players shaping the behaviour of consumers and additional details to consider before running an online business or selling products through existing online channels in Thailand.

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THE CURRENT STATE OF E-COMMERCE IN THAILAND

Thailand’s E-Commerce Landscape

Southeast Asia has witnessed an e-commerce phenomenon since 2012 but has grown substantially in the past two years, with Gross Merchandise Value (GMV) of first-hand goods surpassing AUD$13.3 billion in 2017, up from AUD$7.3 billion in 2015².

According to Google-Temasek’s eConomy SEA Spotlight 2017 Report³, the region’s e-commerce market grew at 41 percent compound annual growth rate (CAGR) between the same time period.

Figure 1: SEA e-commerce market size (AUD$)

<table>
<thead>
<tr>
<th>Year</th>
<th>GMV (AUD$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>7.3B</td>
</tr>
<tr>
<td>2017</td>
<td>13.3B</td>
</tr>
<tr>
<td>2025</td>
<td>117.7B</td>
</tr>
</tbody>
</table>

Figure 1: Southeast Asia e-commerce market size, excluding values of second-hand goods; Google-Temasek’s eConomy SEA Spotlight Report, 2017.

<table>
<thead>
<tr>
<th>Business to consumer (B2C)</th>
<th>SMB to consumer (SMB-2-C)</th>
<th>Consumer to consumer (C2C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-hand goods</td>
<td>Second-hand goods</td>
<td></td>
</tr>
<tr>
<td>Included</td>
<td>Excluded</td>
<td></td>
</tr>
</tbody>
</table>

In addition to being the second largest economy in Southeast Asia, Thailand is also the second largest Business-to-Consumer (B2C) e-commerce market in the region⁴ as commerce revenue in Thailand is expected to be worth AUD$4.6 billion in 2018⁵. Equally important, the country observed a 10 percent growth in annual value of e-commerce sales⁶ while the offline retail industry is expected to grow annually between 8 to 13 percent⁷. This growth reflects changing consumer and business preference towards online channels quickly infiltrating day to day life.
E-commerce platforms in Thailand are commonly divided into three main categories:

**Consumer-to-Consumer (C2C)**

This business model facilitates the transaction of products or services between individuals. An example of C2C would be the classifieds section of a newspaper, eBay or Craigslist. Sellers list items online and transactions tend to occur offline once the buyer and seller have initiated conversation (unless the platform facilitates payments). Social commerce, such as transactions done through Facebook, is also considered to be C2C.

Popular examples in Thailand: Hipflat, Kaidee and Weloveshopping

**Business-to-Business (B2B)**

Businesses still commonly perform transactions between one another through offline communications in Thailand, for example, a secretary ordering printing paper in bulk through the telephone. But as traditional supply chains are multi-layered and complex, platforms are being introduced to simplify the transactions between businesses. As consumers become accustomed to the B2C experience online, they anticipate the B2B experience to be the same.

> “The B2B buyers behave very similarly to the consumers. Every online B2B business has to somewhat mimic the same experience because it’s now expected from the buyers.”

Paul Srivorakul, Group CEO, aCommerce⁸

Popular example in Thailand: Officemate

**Business-to-Consumer (B2C)**

The B2C business model refers to a transaction of products or services made online between the brand (a business) and the end consumer. This is the most popular and widely known sales model used globally. Consumers have high expectations for official brand sites such as 24/7 customer support, multiple payments options and flexible return policies.

Popular examples in Thailand: Lazada and kiehls.co.th

Out of the total e-commerce value of AUD$115 billion in 2017, B2B transactions contributed to the largest volume at AUD$70 billion⁹.

The growth of online can be attributed to several economic factors and influence by the government’s push for its digital ‘Thailand 4.0’ agenda to align with the global shift in consumer behaviour towards online.

Local and international firms alike, especially Internet giants from China, are quick to establish e-commerce businesses through new ventures or acquisitions to cement a key role in Thailand’s growing digital economy.
Main Drivers of Growth for E-Commerce in Thailand

1. The Government Push for Thailand 4.0

The Thai government launched its “Thailand 4.0” economic model to reposition and strengthen the country’s economy from one that is production based to one that is knowledge and services based. Within 10 years, Thailand is seeking to become a leading digital hub in South East Asia. A key tenet of this vision is for digital technology to be the driving force behind the country’s economic growth, boost the industrial sector and improve the lives of its citizens.

Under Thailand 4.0, the government agencies responsible for shaping, planning and developing policies to promote and transform Thailand include: the Electronic Transactions Development Agency (ETDA), Electronic Government Agency (EGA), Ministry of Digital Economy and Society, Office of Small and Medium Enterprise Promotion, Ministry of Commerce, Ministry of Industry, and Ministry of Finance.

In 2016, the Ministry of Commerce drafted a National E-Commerce Strategy (2017-2022) as a roadmap to efficiently develop e-commerce in Thailand. Under this plan, the local e-commerce landscape is expected to:

- More than double in value from AUD$188 million in 2017 to AUD$414 million in 2022;
- Increase the number of online business participants from 5.5 million to 10 million;
- Increase the number of buyers from 135,291 to 400,000;
- Increase the number of sellers from 22,734 to 50,000.

The government encourages both private and public sectors to make e-commerce accessible to citizens. One of the initiatives taken by the government is Pracharat Internet1; a project targeting villages where telecommunications and Internet services are not widely available. Under the project, people living in these areas will be provided with Internet speeds of 30 Mbps/10 Mbps to utilise online for healthcare access, educational purposes or explore business opportunities.

Other aspects such as electronic payments, infrastructure and digital talent are covered in the government’s Thailand 4.0 plan. The Ministry of Finance introduced the National E-Payment Master Plan13 to create a conducive environment for a digital economy by promoting greater financial literacy and inclusion.

2. Internet-Savvy, Young and Mobile-First Generation

In a country with a population of 69 million, at least 48 million Thais use smartphones, 57 million are connected to the Internet and 46 million are accessing social media through mobile devices.14 Thailand has an Internet penetration rate of 82 percent15 and out of the 69 million residents, Millennials (also known as Gen Y) make up a majority of the population (19 million)16. The majority cohort spends on average 53.2 hours a week online17.

Only 28 percent of Thai consumers access websites through desktops and laptops, while 69 percent use their smartphones as the primary device to browse websites18. The mobile-first Thai market is also seen in the way its consumers browse. Roughly 15 percent of consumers look for product information via smartphone, versus only 7 percent using computers19. This behaviour emphasises the importance of mobile-first companies and mobile-optimised websites.
THAILAND E-COMMERCE LANDSCAPE
BY THE NUMBERS

Internet Users in Thailand

- **57 million** total number of active Internet users
- **82.4%** Internet users as percentage of the total population
- **+24%** Internet user growth year-on-year
- **54.58 million** total number of active mobile Internet users
- **79%** mobile Internet users as percentage of the total population
- **+11%** mobile Internet users growth year-on-year

Social Media Numbers in Thailand

- **51 million** total number of active social media users
- **74%** active social media users as percentage of the total population
- **46 million** total number of social media users accessing via mobile
- **67%** active mobile social media users as percentage of the total population
E-Commerce Value

Average basket size (Average Order Value or AOV) for a Thai shopper is **AUD$49.73**

71% searched online for a product and service to buy

70% visited online retail store

62% purchased a product or service online

Figure 5: Thailand’s important number for the Internet user profile and e-commerce landscape; We Are Social, Hootsuite (2018) and Electronic Transactions Development Agency (ETDA) (2017).
3. Large Foreign Investment into Thailand

Thailand’s market size and e-commerce potential has made it an appealing market to foreign investment. In the last two years, Chinese Internet giants like Alibaba and JD.com have invested in Thailand. Alibaba through its AUD$5.3 billion investment in Lazada in 2018, and AUD$443 million injection into the first stage of the Eastern Economic Corridor (EEC), while JD.com has poured AUD$662 million into a joint-venture with Thailand’s leading retail conglomerate, Central Group.

E-commerce is the leading category that has received the greatest foreign investment compared to payment, logistics, fintech and food and beverage sectors. The total is 29 funding rounds in 2017 alone.

Consequently, the increase in interest from foreign investors in Thailand’s e-commerce sector has encouraged local firms to increase their competitiveness and encouraged more SMEs in Thailand to innovate in the areas of online commerce, fintech and artificial intelligence (AI). The investment also resulted in more joint ventures between offline wholesale companies and online companies.

Partnerships with foreign investors has benefited Thais living in rural areas tap into the digital economy. Through a partnership with the Thai government and Alibaba, the Commerce Ministry launched the Thai Rice Flagship Store on Tmall.com in April 2018 as the e-commerce channel for rice and durian products to be sold to Chinese consumers.

JD.com’s annual Super Durian Day has also boosted Thailand’s fresh fruit export after 400 metric tons of durian sourced from Thailand were successfully sold to Chinese first-tier cities in under 24 hours.

4. Popularity of Social Media Drives Social Commerce in Thailand

In 2018 there are 51 million active social media users in Thailand, which is 74 percent of the total Thai population.

In 2017, Thailand was reported to be the world’s biggest social commerce market where 51 percent of online shoppers have purchased goods directly via a social channel such as Facebook and LINE.

The popularity of social media in the country has paved the way for social commerce to grow in significance. More online shoppers are using social media channels like Facebook and Instagram to browse and negotiate the purchase of products ranging from beauty, apparel to travel luggage.

These platforms provide an inexpensive means for small businesses to sell online compared to building a fully-fledged webstore. The direct communication between seller and buyer also adds a personal touch, which Southeast Asian shoppers find important to gain trust in online shopping.

Page365, a startup helping small retailers sell products via social channels, estimated that social commerce in Thailand is worth more than AUD$665 million per year.
OPPORTUNITIES AND CHALLENGES TO E-COMMERCE IN THAILAND

Opportunities

1. Mobile and Electronics Lead in Product Categories Online

In terms of popularity, mobile and electronics is the leading product category online in Thailand. Thais are accustomed to visiting traditional malls like MBK or Pantip Plaza to purchase small electronic gadgets, but more consumers are opting to purchase these types of items online instead.

On Lazada alone, 14.7 million out of 60 million items are listed in the mobile and electronics category, according to data by BrandIQ29.

Beauty and electronics continued to be the best performing on Lazada from its online shopping festivals30 known as 11.11 (taking place on 11 December) and 12.12 (taking place on 12 December) and its Birthday Campaign (taking place on 6 April).

2. The Blue Ocean is in the Vertical

The e-commerce landscape in Southeast Asia has a number of ‘horizontal e-commerce’ websites that sell items under a variety of product categories ranging from household goods to auto parts and fashion. These include players like Lazada, Shopee, 1street, Central, JD.com, etc., with well-established presence making it difficult to compete as a new comer.

But according to Sheji Ho, Group Chief Marketing Officer of e-commerce enabler aCommerce, the main e-commerce opportunities in Southeast Asia lie in ‘vertical e-commerce’ or specialty or niche sites with a strong user and content ecosystem.

Launching as a vertical e-commerce player is considered more cost-effective31 as the business can focus its marketing on driving one type of audience to the platform for one type of category. The company can also invest heavily in creating a powerful site identity as opposed to being generic to cater to multiple audiences.

Building a brand community creates social centers to drive customer allegiance by building a social network and sense of community. Vertical e-commerce also gives people a sense of well being and connection, which encourages faithfulness to the brand.

3. Demand for Foreign Brands

According to research by Y&R Thailand32, Thai consumers across all market segments are most attracted to leading global brands like adidas and Apple rather than local brands.

Whenever a new international brand launches in Thailand, it’s usually met with huge fanfare, generating local interest. When there is an opening of a well-known brand from overseas, whether it is Krispy Kreme, Ben’s Cookies or the collaborative design collections from H&M, Thai shoppers camping outside stores has become a normal phenomenon.

In the past few years, there were over 100 higher-end foreign brands opening flagship stores in Thailand33.
# Purchasing of Foreign VS Local Brands

<table>
<thead>
<tr>
<th>Monthly household income, THB</th>
<th>Clothing and Footwear</th>
<th>Household Cleaning Products</th>
<th>Personal Hygiene Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 18,000</td>
<td>20%</td>
<td>74%</td>
<td>80%</td>
</tr>
<tr>
<td>18,001-24,000</td>
<td>30%</td>
<td>70%</td>
<td>88%</td>
</tr>
<tr>
<td>24,001-35,000</td>
<td>35%</td>
<td>60%</td>
<td>92%</td>
</tr>
<tr>
<td>35,001-50,000</td>
<td>43%</td>
<td>57%</td>
<td>94%</td>
</tr>
<tr>
<td>50,001-85,000</td>
<td>43%</td>
<td>57%</td>
<td>89%</td>
</tr>
<tr>
<td>More than 85,000</td>
<td>51%</td>
<td>49%</td>
<td>80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly household income, THB</th>
<th>Audio and Video Electronics Products</th>
<th>Digital Cameras and Other Gadgets</th>
<th>Major Household Appliances</th>
<th>Small Household Appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 18,000</td>
<td>94%</td>
<td>84%</td>
<td>92%</td>
<td>73%</td>
</tr>
<tr>
<td>18,001-24,000</td>
<td>85%</td>
<td>81%</td>
<td>90%</td>
<td>72%</td>
</tr>
<tr>
<td>24,001-35,000</td>
<td>92%</td>
<td>80%</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>35,001-50,000</td>
<td>98%</td>
<td>91%</td>
<td>93%</td>
<td>84%</td>
</tr>
<tr>
<td>50,001-85,000</td>
<td>100%</td>
<td>94%</td>
<td>100%</td>
<td>70%</td>
</tr>
<tr>
<td>More than 85,000</td>
<td>90%</td>
<td>95%</td>
<td>95%</td>
<td>81%</td>
</tr>
</tbody>
</table>

Source: Deloitte’s Thailand Consumer Survey

**Figure 8:** Brand preferences by household income level; Deloitte’s Thailand Consumer Survey.

**Figure 9:** Lines of consumers waiting to buy Krispy Kreme donuts were so long that the end of the queue was outside the mall; LINE Today.
Challenges

1. Resistance Towards Digital Payment, Cash is King

Despite government initiatives like PromptPay34 and standardized QR codes aimed at transforming Thailand into a cashless society, cash is still dominant as a form of payment in the country. This resistance is one of the main challenges businesses face trying to convert browsers into online shoppers.

Despite 78 percent of Thais having a bank account, only 6 percent own a credit card35. Lack of trust in digital payments and low financial literacy both play a significant role in the lack of cashless payment adoption despite efforts by major financial institutions in the country.

Figure 10: Siam Commercial Bank encourages SMEs and small merchants to participate in digital payments by introducing a QR code system to allow small stalls to accept payment; Siam Commercial Bank36
Case Study: Tackling the Online Payments Challenge with Cash on Delivery

In order for the e-commerce sector in Thailand to succeed, it has had to adapt to the needs of its customers. In Thailand, like in many other countries in Southeast Asia, Cash/Collection on Delivery (COD) is offered to tackle the resistance to digital payment and boost e-commerce transactions. COD enables shoppers to pay the delivery person with cash upon receiving the goods.

Popular e-commerce websites such as Lazada and Pomelo offer Cash on Delivery as a form of payment but many companies still do not as COD comes with its own challenges. It often involves financial and logistical risks, such as rerouting drivers so they aren’t carrying large amounts of cash and ensuring both the item and the money are collected. Cash also takes longer to process and leaves the seller with money in pocket at a later time than a credit card transaction would.

The seller is also more vulnerable to losses because COD makes it easier for the customer to return the product at time of delivery. For example, a consumer may have placed an order for two dresses and selected COD as the payment method. However, she may change her mind upon seeing the merchandise and use her right to refuse payment for one of the items. The delivery is a greater charge incurred by the seller because the customer decided to buy only one item even though she ordered two.

Offering COD also requires merchants to have high capital on hand as they must pay for the delivery of the package to the customer without being paid first. Typical payment cycles vary from 20 to 45 days and blocks significant capital for websites with high volume. According to data from aCommerce, an e-commerce enabler in the region for global brands, Cash on Delivery is still the dominant payment method preferred by customers in Thailand.

![Thailand - Order Share by Payment Method](image-url)

*Figure 11: Order share by payment method for online shopping channels in Thailand. Cash on Delivery is the most popular payment methods for Thai online shoppers; aCommerce internal data, 2018*
2. Lack of Extensive Infrastructure Coverage

With the rise of e-commerce comes the demand for flexible last-mile delivery companies in Thailand to offer next-day and on-demand delivery to serve consumers in Thailand expecting fast supply times. New and old entrants include Thai Post, Skootar, Kerry Logistics, Lalamove and LINE MAN. But the country’s infrastructural challenges such as poor road conditions and heavy traffic make short delivery times of one to two days difficult and almost impossible for residents living in the countryside, causing frustration with shoppers. According to consumer data collected by ecommerceIQ, long delivery times is a key area of dissatisfaction Thai shoppers dislike about e-commerce.

What Aspect Do Thais Dislike the Most from Shopping Online?

![Bar chart showing the aspects of shopping online that Thais dislike the most.]

- **Product Quality**: 20.8%
- **Delivery Time**: 17.0%
- **Return Policy**: 13.8%
- **UX on Website**: 12.3%
- **Customer Service**: 10.1%
- **Price**: 9.7%
- **Product Selection**: 7.7%
- **Payment Process**: 7.4%
- **Delivery Fee**: 0.7%
- **Unprofessional Sellers**: 0.3%
- **Other**: 0.3%

Figure 12: The dissatisfaction aspects of e-commerce as viewed by Thai shoppers. Delivery time plays an important role in making an online purchase decision for consumers in Thailand; ecommerceIQ E-Marketplace Survey Thailand, 2018.
3. Concerns about Fraudulent Transactions Online

Fraud is a major obstacle to e-commerce adoption. As reported by Thailand’s Electronic Transactions Development Agency (ETDA), more than 40 percent of Thais have never purchased products or services online because of a fear of fraud.

Examples of common “fraudulent acts” include products differing from the images seen online and/or the products are not shipped after payment.

According to ETDA, about 2,000 complaints are made by consumers to their agency each month with half of them being fraudulent e-commerce cases.

There have been proposals by E-Commerce Federations across the world to increase trust in online players and standardise e-commerce regulations. One idea is a Trust Mark39 initiated by Joseph Yuen, the Board Chairman of The Hong Kong Federation of E-Commerce (HKFEC).

“The government should facilitate access to financing sources and terms in order to enhance competitiveness of local e-commerce operators.

Pawoot Pongvitayapanu40, president of the Thai E-Commerce Association and ASEAN Market Advisor of HKFEC.

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Top 5 Factors Preventing Thai Shoppers Purchasing Items Online

- **Fear of Scam**: 51.1%
- **Lack of Touch and Trial**: 39.9%
- **No Desired Product Listed online**: 33.9%
- **Prefer to Shop Offline**: 31.1%
- **Lack of Seller Personal Communication**: 22%

*Figure 13: The factors that prevent Thai shoppers from participating in e-commerce; ETDA 2017*. 
Overall Consumer Sentiment and Motivation Towards Online Shopping in Thailand

Thailand Online Consumer Profiles

**BABY BOOMER**
51 - 71 years old

- Personality: Hard working and careful
- WHAT THEY LOOK FOR IN A PRODUCT: Information and rewards
- DIGITAL BEHAVIOUR:
  - Time Spent Online: 4 hrs. 54 mins
  - E-commerce participation: 5.39%
- PRIMARY COMMUNICATIONS TOOL: TV and desktop computer

**GEN X**
37 - 50 years old

- Personality: Know what they want and always look for in-depth information
- WHAT THEY LOOK FOR IN A PRODUCT: Ability enhancement and self-improvement
- DIGITAL BEHAVIOUR:
  - Time Spent Online: 5 hrs. 48 mins
  - E-commerce participation: 32.69%
- PRIMARY COMMUNICATIONS TOOL: Laptop, tablet and smartphone

**GEN Y**
17 - 36 years old

- Personality: Refreshing and carefree
- WHAT THEY LOOK FOR IN A PRODUCT: Convenience and variety
- DIGITAL BEHAVIOUR:
  - Time Spent Online: 4 hrs. 54 mins
  - E-commerce participation: 5.39%
  - Time Spent Online: 7 hrs. 36 mins
  - E-commerce participation: 61.92%
- PRIMARY COMMUNICATIONS TOOL: Smartphone and IoT
Attitude Towards Online Shopping

Thai consumers generally have a positive attitude towards being connected to the online world. When it comes to consumer safety and privacy, 34.5 percent of Thai consumers regularly change their passwords and trust in two-factor authentication and OTP (One-Time-Pin) password options.

In 2018, 68 percent of Thais believe technology offers more opportunities than harm, while 52 percent prefer to complete tasks digitally where possible.

Despite the promising numbers, the average Thai only shops online only once or twice a month, largely due to the fear of fraud. However, as e-marketplaces and sellers gain the trust of users by improving their online experiences and knocking down shopping barriers, it is expected the number of online transactions to improve steadily.

The Online Purchasing Journey in Thailand

The path of purchasing has evolved since the arrival of the Internet. Although the digital revolution hasn’t altered the same stages of discovery, consideration, conversion and loyalty, the journey itself is no longer linear. What do businesses need to consider about the digital purchasing journey?

Discovery

In this stage, it is vital to ensure the brand makes itself and its products visible to its target audience. Traditional advertising such as billboards and newspapers still remain effective as out of home (OOH) media can reach audiences effectively in concentrated, metropolitan areas.

However, digital has caused marketing to shift towards channels that are measurable such as search engine marketing (SEM) and social media marketing.

Based on a 2018 survey conducted by ecommerceIQ, Facebook and Google remain the top two channels where Thais discover Lazada and Shopee, the top e-commerce sites in the country.

How Often Do Thais Shop Online?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only once</td>
<td>2.89%</td>
</tr>
<tr>
<td>Once a year</td>
<td>1.56%</td>
</tr>
<tr>
<td>Once per quarter</td>
<td>10.92%</td>
</tr>
<tr>
<td>Once or twice a month</td>
<td>60.3%</td>
</tr>
<tr>
<td>Once a week</td>
<td>24.34%</td>
</tr>
</tbody>
</table>

![Figure 13: The frequency of Thai online shoppers; ecommerceIQ E-Marketplace Survey Thailand 2018.](image)

E-COMMERCE IN THAILAND: A GUIDE FOR AUSTRALIAN BUSINESS
In countries where the Internet first matured from Internet 1.0 to 2.0, a broad range of online publishers and bloggers built their brands by creating extensive content focused on niche audiences and specific topics, known also as "long tail content".

Southeast Asians leapfrogged Internet 1.0 and were directly introduced to the likes of Facebook and Twitter. This meant these markets lack long tail content making social channels the dominant platforms of discovery.

Google enjoys 97 percent market share in Thailand, making it vital to increase a website’s visibility on the platform through keyword optimisation (SEO) to improve the business ranking in search results.

Paid search, also known as search engine management (SEM) runs on a pay-per-click (PPC) advertising format and holds a slight edge in conversion rates - 1.5 times more likely to convert clicks from the search engine. The volume and recurrence of product reviews also has a direct correlation to SEO rank, which contributes to a higher possibility consumers will discover your brand.

This is supported by an ETDA survey which found that 55.9 percent of Thais discover a product or a brand from online advertisement.

Not to be forgotten, traditional mediums like TV commercials and print advertisements remain a relevant discovery channel among Thais. Major e-marketplaces in Thailand like Shopee and 11street have spent millions on offline marketing.

Figure 15: Thai consumers opt for Google as a search engine more than other search engines by far; Statcounter 2018.

Figure 16 and 17: [left] Shopee has invested in out-of-home media at locations with high traffic especially on the BTS (Bangkok Mass Transit System) trains and the BTS platforms. [right] Shopee’s caravan of cars was driving on the streets of CBD areas in Bangkok to advertise their newly-announced brand ambassadors; TravelerBase
Creating a frictionless e-commerce checkout comes down to flattening the funnel to as little steps as possible. Each form the shopper needs to fill in creates friction during the checkout.”

Mandy Arbillo, aCommerce Regional Director
PMO & Web Development

Consideration

After discovering a product or brand, 89 percent of Thai consumers search for product information online before deciding to purchase high-priced items such as a smartphone or a luxury good.

What commonly prompts browsers to eventually convert is called rich content. This includes high-definition pictures from multiple angles, in-depth product descriptions and user reviews, positive and negative.

For categories such as fashion and furniture, rich content would include providing measurements and sizing charts.

The better the images, the more likely users feel they can virtually touch and try the product, while the product description should serve as a substitute for the salesperson that answers questions from potential buyers.

If you ask me what is one small thing you should do to get great impact, I would say to implement A+ Content: reviews, a 360-view of your product or product description. After I introduced A+ Content, my sales increased 30 percent.

Praponsak Kumpolpun, L’Oreal Thailand Senior E-Commerce Manager

Reviews are also important during the consideration stage of a consumer. 53 percent of consumers say reviews from other buyers often push them to make an online purchase.

Conversion

After driving an interested audience to the website, the likelihood of conversion is impacted by how simple it is for the customer to check out.

Tips for a frictionless process

- **Employ a social media login**: instead of asking users, especially first time ones, to sign up for an account on a website. This minimises the time spent to register and decreases chances for the user to drop off. It is important to note, this is only possible for businesses with a brand.com as the check-out experience cannot be controlled by merchants selling on e-marketplaces.

- **Offer flexible payment methods**: because the majority of Thais do not fully trust online channels, offering counter payment and cash on delivery can increase the probability of a shopper completing the checkout. Counter payment allows shoppers to pick up and pay for packages at a 7-Eleven or partner courier such as SKYBOX.

The common e-commerce site checkout process:

1. Add product to cart
2. Sign up to checkout or checkout as a guest
3. Input address and receiver details
4. Choose payment options and input billing information
5. Confirmation
6. Check My Order status page

Figure 18: The Psych Framework by Andrewchen

Every UX interaction increases or decreases Psych, the unit of measure for motivation to complete an action.

Figure 19: The e-commerce funnel Mandy Arbilo referred to. Starting from channel discovery to advocacy which implies to the strategy brands want their consumers to advocate about their brands and products; LEAP E-Commerce Web Development, 2017.

E-COMMERCE IN THAILAND: A GUIDE FOR AUSTRALIAN BUSINESS
Loyalty

To boost the repurchase rate and ensure consumers come back to shop on the website, retailers commonly implement a membership program as 92 percent of consumers in Thailand say they would be more likely to shop at a retailer that offers one65.

Benefits of a membership program:

1. Increases the chances of a second sale from a first-time buyer
2. Bumps an existing customer into a higher paying bracket
3. Provides user feedback to be used to improve branding and marketing efforts

Case Study: Central Group’s The 1 Card

The 1 Card is a membership card introduced by Thailand’s largest retail conglomerate Central Group. It enables consumers to collect points from purchases made to any business under Central Group56. Points can then be redeemed for cash coupons or discounts for both online and offline purchases.

After humble beginnings in 2006 as a membership card enabling shoppers to collect points, The 1 Card has expanded into a credit card for purchasing and earning points at the department store called Central The 1 Credit Card aimed as a ‘lifestyle platform’ for consumers69.

Since the beginning of The 1 Card, growing its membership program has always been Central’s priority. In 2006, it invested AUD$12 million58 on The 1 Card, primarily on operations, technology and marketing to collect data on user activity and improve existing Customer Relationship Management (CRM) tools to boost further consumer loyalty69.

Online Spending Patterns and Buying Behaviours

Online Behaviour of Thai Shoppers60

- 64 percent are concerned about their online behaviour; the content they post and the people they are communicating with;
- 63 percent are using the Internet for business purposes;
- In 2006, online shopping used to rank eighth place among online activities. In 2017, it ranked in the top five.

Understanding the behaviour of Thai consumers such as the why and how a customer shops online is important for marketing efforts, and localization of a business strategy for success in new markets. This section looks at the changing habits of Thai online shopping patterns and behaviours.

Why Are Thais Buying Goods Online?

51.4 percent of online shoppers in Thailand buy online because of the promotions and discounts offered via an e-commerce website61.
What Devices are Thais Using to Buy Goods Online?

Smartphones play a vital role in Thai participation in e-commerce. 67 percent of shoppers take part in online transactions via mobile devices, making it vital to offer a mobile-friendly site or app.

Only 11 percent reported shopping through a website. However for high-value items, consumers prefer to use desktops for research about the product features.

The proliferation of mobile devices in Thailand does not mean every business needs to offer a mobile app for e-commerce success. As they require heavy investment, it is advised companies understand the nature of their product - does the business have a customer loyalty program? Do customers need to input a lot of information? Does the business already have a popular desktop website? Can the mobile experience be further optimised? Do competitors have apps?

Online Product and Brand Preferences

What Products are Thais Buying Online?

The top three categories Thais are purchasing online are 1) mobile and electronics, 2) fashion and 3) beauty.

![Figure 23: Majority of Thai online shoppers tend to make the majority online transaction through mobile; ecommerceIQ E-Marketplace Survey Thailand 2018.](image)

![Figure 24: The top three categories Thais are purchasing online are mobile and electronics, fashion and beauty respectively; ecommerceIQ E-Marketplace Survey Thailand 2018](image)
How Much Do Thais Usually Spend Per Transaction?

The average amount of money spent per transaction known as the average order value (AOV) is between AUD$20 - 40.

![Figure 25: The average order value of Thai online shoppers; ecommerceIQ E-Marketplace Survey Thailand 2018.](image)

How Do Thais Prefer to Pay Online?

Given the low penetration rate of credit card in most parts of Thailand, bank transfer remains the main payment method for Thai online shoppers. Bank transfer and Cash on Delivery are the most preferred payment methods among Thais. Although figure 26 indicates that credit and debit cards is the second most popular payment method, figure 27 shows that most of the respondents who opted for this option reside in Bangkok.

How Do Thais Prefer to Pay on an E-Commerce Website?

![Figure 26: Bank transfers remain the most popular method of payment for online shoppers in Bangkok.](image)

![Figure 27: For consumers residing outside of Bangkok, COD is the preferred method, while credit and debit cards are preferred by residents living in Bangkok; ecommerceIQ E-Marketplace Survey Thailand 2018.](image)
Online Channels in Thailand

Similarly to traditional commerce, it is necessary to identify the most appropriate sales channel for e-commerce as they are not all the same. This depends on factors such as the type of business, target audience and resources available to a company, etc.

Most online sales take place on four different types of channels in Thailand:

1. E-Marketplace
2. Brand Webstore / Brand.com
3. E-Retailer
4. Social Media

1. E-Marketplace

An e-marketplace is where buyers can find a variety of goods sold by thousands of sellers online. The operator of an e-marketplace does not typically keep any stock and is instead responsible for providing a secure, transaction platform for other businesses to sell products to consumers. They make money from taking a commission from each transaction and charging other applicable fees (i.e. production, marketing, etc.).

An online marketplace is a good place for brands to test their online prospects in Thailand as it is relatively inexpensive to open what is known as a shop-in-shop (SiS).

A business can benefit from a marketplace’s already established logistics, web platform, tech system, payments infrastructure and high volume web traffic. The brand itself does not have to invest heavily in building a platform and can focus on pricing strategy, content production and marketing to drive traffic to its shop - a win for the marketplace as well.

Every year since 2012, online marketplaces in Thailand such as Lazada and Shopee have organised “mega-sales” and shopping festivals offering discounts of up to 70 percent. The holidays are similar to that of Black Friday and Cyber Monday in the West and Alibaba’s 11.11 annual campaign.

Brand’s can make up to 40 percent of the entire year’s sales volume during the holidays.

Each year, Lazada rolls out major online sales campaigns. The most popular ones include 11.11 and 12.12 and the Lazada Birthday Festival on April 6.

While opening an official shop-in-shop on a marketplace is appealing, the brand should keep in mind the strong competition from thousands of other merchants offering discounted prices. There is also a lack of control in user experience and access to the full customer data.

Having an official presence on a marketplace is a short-term digital strategy, not a long-term e-commerce play.
<table>
<thead>
<tr>
<th>BUSINESS MODEL</th>
<th>LAZADA</th>
<th>SHOPEE</th>
<th>11STREET</th>
<th>LOOKS</th>
<th>KONVY</th>
<th>KAIDEE</th>
<th>WEBLOVE</th>
<th>TARAD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVERAGE VISITORS PER MONTH</td>
<td>63.6M</td>
<td>6.1M</td>
<td>18.6M</td>
<td>RO6K</td>
<td>6M</td>
<td>12.7M</td>
<td>6M</td>
<td>4.5M</td>
</tr>
<tr>
<td>SELLER COMMISSION</td>
<td>1-10%</td>
<td>No commission</td>
<td>5-10%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>2-10% plus transaction fees 3%</td>
<td>N/A</td>
</tr>
<tr>
<td>LOCAL BUSINESS REQUIRED</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>IN-HOUSE LOGISTICS</td>
<td>Both in-house and third-party – Kerry express, Thai post, LEX, Yusen Logistics, CJ Logistics, DHL, TP Logistics, V Cargo</td>
<td>Third-party – Thai Post, Kerry Logistics, DHL</td>
<td>Third-party – Kerry express, Thai Post, aCommerce, DHL</td>
<td>Third-Party</td>
<td>N/A</td>
<td>Third-party – Thai Post and Kerry express</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>CROSS-BORDER CAPABILITY</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>NEEDED PRODUCTS TO BE STORED LOCALLY</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>DIRECT IMPORT</td>
<td>Yes, especially from China and Hong Kong</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>PAYMENT METHOD</td>
<td>COD, credit/debit card, Paypal, Counter Service, Bank transfer</td>
<td>COD, credit/debit card, credit/debit card, Airpay, Bank transfer</td>
<td>COD, credit/debit card, bank transfers, Rabbit line pay</td>
<td>COD, credit/debit card, Paypal</td>
<td>COD, credit/debit card, counter service, Line pay, COD, Over the Counter</td>
<td>Bank transfer</td>
<td>Bank transfer, Credit/debit card, True Money wallet, Counter Service</td>
<td>Bank transfer, credit/debit card, counter service, mobile wallets, installment</td>
</tr>
<tr>
<td>SELLER REQUIREMENT</td>
<td>Local bank account</td>
<td>Local bank account, The registered company (for brands)</td>
<td>Local bank account</td>
<td>Local bank account</td>
<td>Local bank account, The registered company, Thai registered company (for brands)</td>
<td>Local bank account</td>
<td>Local bank account</td>
<td>Local bank account</td>
</tr>
<tr>
<td></td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
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<tr>
<td></td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
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<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
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<tr>
<td></td>
<td>Local bank account</td>
<td>Local bank account</td>
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<td>Local bank account</td>
<td>Local bank account</td>
<td>Local bank account</td>
<td>Local bank account</td>
<td>Local bank account</td>
</tr>
<tr>
<td></td>
<td>The registered company (for brands)</td>
<td>The registered company (for brands)</td>
<td>The registered company (for brands)</td>
<td>The registered company (for brands)</td>
<td>The registered company (for brands)</td>
<td>The registered company (for brands)</td>
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<td>The registered company (for brands)</td>
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<tr>
<td></td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
<td>Local Merchant of Record (for brands)</td>
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<td></td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
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<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
<td>Importer of Record (for brands doing cross-border)*</td>
</tr>
</tbody>
</table>

Figure 29: A list of General Marketplace⁴⁴ and some specialised e-commerce marketplaces in Thailand; ecommerceIQ

**TABLE APPENDIX:**

- N/A indicates the information at the time was not available.
- The Merchant of Record is an entity authorised and liable by the financial institution to process the end consumer’s credit and debit card transactions.
- The Importer of Record is a customs term for the entity responsible for (1) ensuring the imported goods comply with local laws and regulations, (2) filing a completed duty entry and associated documents and (3) paying the assessed import duties and other taxes on those goods.
Lazada

Founded in 2012 by German incubator Rocket Internet, Lazada is the leading e-commerce marketplace in Thailand in terms of web traffic (on average 66 million visitors per month). It is currently owned by Chinese internet company Alibaba that invested a total AUD$5.3 billion into the company.

Lazada.co.th offers over 5 million of items in Thailand from leading brands and merchants across all categories including electronics, lifestyle, pets, automotive, cosmetics, etc. The company charges a 2 percent transaction fee, and its commission fees range from 1 - 10 percent depending on the category.

11street

Originating from South Korea as a subsidiary of SK Telecom, 11street entered Thailand in 2017 as a late comer and on average, achieves 1.2 million visits each month. The marketplace offers a wide range of products across all categories similar to Lazada and introduced the marketing concept of ‘shocking deals’ where sellers on the platform compete to offer the cheapest prices during a specific time frame. 11street charges 1 - 10 percent commission fees, but does not charge any transaction fees.

Shopee

Shopee started as a mobile first, C2C marketplace in 2015 and started offering official brand stores on its platform in 2017 to compete with Lazada. Headquartered in Singapore, the e-commerce player is under the Sea Group and backed by Chinese conglomerate Tencent. Shopee is the second largest e-marketplace in Thailand with on average 15 million monthly visitors, 80 percent of them based in Bangkok.

Tarad

Previously co-owned by the Japanese e-commerce player Rakuten, the TCC Group-backed Tarad.com is a C2C online marketplace offering products across all major retail categories. Founded in 2009, Tarad now has more than 270,000 merchants and 3 million buyer accounts.

Kaidee

Previously known as Dealfish and later OLX, Kaidee is one of the biggest classifieds marketplace in Thailand. Kaidee’s business motto is: “reduce, reuse and recycle” and boasts categories including cars, Buddhist amulets, mobile phones, motorcycles and real estate. The classifieds website has on average 650,000 monthly visits and 35,000 new items listed daily.

Weloveshopping

The company is one of Thailand’s most established C2C e-commerce platforms belonging to True Corporation, a large telecommunications provider in the country. Weloveshopping was founded in 2004 and is particularly favoured by women across the country. The website sees about 5.9 million monthly visitors and charges sellers a 2 percent transaction fee and 3 - 12 percent commission fee.

Top Specialised Marketplaces in Thailand

LOOKSI

Originally known as Zalora, this fashion-focused e-commerce marketplace was purchased by Thailand’s biggest retail conglomerate Central Group in 2017 and rebranded as LOOKSI. Up to 20 percent of items offered on the platform are either house brands or official brands like Calvin Klein, Aldo and Lacoste. The platform has an average of 1.1 million monthly visitors, 90 percent of whom are women.

Konvy

Konvy is Thailand’s number one e-commerce platform for cosmetics and is known for heavy discounts and deals from leading global cosmetic brands. The cosmetics e-marketplace operates under Singha Life, the lifestyle division of Thailand’s largest beverage manufacturer. The platform sees roughly 6 million visitors a month and hosts over 800,000 customer reviews.
2. Brand Webstore / Brand.com

A webstore, commonly referred to as brand.com, is a standalone website allowing consumers to purchase an item directly from the brand. This enables the brand to have full control of the website, ensuring access to customer data, the ability to customise the user experience and manage all other elements of the platform to improve direct conversions.

Developing a fully integrated e-commerce store with a popular open-source e-commerce platform like Magento can cost anywhere between AUD$26,000 - $105,000\(^7\) per project. This doesn’t include hiring a webmaster, technical experts who maintain and fix site issues and bugs, who can charge a AUD$3,900 monthly management fee.

Web hosting and bandwidth usage can also range anywhere between AUD$2,600 - $13,000 per month, depending on the size of the business\(^7\).

Investing in a webstore is ideal for major, established brands, so the company has complete control over the brand’s consistency and customer experience across channels both online and offline.

3. E-Retailer

An e-retailer is an online platform run by a retailer. The main difference between a marketplace and an e-retailer is that marketplaces allow third parties to list and sell products through the site, and marketplaces tend to take a percentage cut of the sale, while an e-retailer is selling a variety of brand products from their own store\(^7\).

E-Retailers in Thailand

- **GROCERIES**
  - Tesco Lotus
  - Tops Supermarket
  - Big C
  - Makro Click

- **FASHION AND BEAUTY**
  - Central Department Store
  - Super Sports
  - Watsons
  - Robinsons
  - Tsuruha

- **IT AND ELECTRONICS**
  - JIB
  - Advice
  - Banana IT
  - IT City
  - PowerBuy

- **BOOKS AND STATIONERY**
  - Naiin
  - Se-ed Book Centre
  - Officemate
  - Kinokuniya

- **HOME AND LIVING**
  - HomePro
  - Homework
  - Boon Thavon

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Figure 30: An example of a brand webstore in Thailand; Kiehl’s Thailand

Figure 31: Names of leading retailers in Thailand who have expanded from physical stores to online retailers; ecommerceIQ.
4. Social Commerce

Social commerce consists of all digital transactions made via social channels such as Facebook, Instagram and LINE.

Social media users make up 74 percent\(^7\) of Thailand’s total population making social platforms a popular and important channel for commerce. Thailand is the world’s biggest social commerce market where 51 percent\(^8\) of online shoppers have purchased goods directly via a social media channel and 72 percent of social commerce transactions took place on Facebook in 2017\(^8\).

Facebook, YouTube and LINE are the most active social media platforms in Thailand\(^7\). To capture the retail opportunity, the country’s most popular messaging app, LINE, launched a new service called LINE@ in 2016\(^8\). LINE Official Business Accounts are commonly used as communications tool between sellers and end-consumers in Thailand.

By becoming ‘friends’ with these accounts, brands can directly send news, product and sales updates, directly to a consumer’s smartphone.

**Top 5 Industries on Facebook**

<table>
<thead>
<tr>
<th>Industry</th>
<th>SUM of Fans</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-commerce</td>
<td>58,266,206</td>
</tr>
<tr>
<td>Services</td>
<td>39,669,502</td>
</tr>
<tr>
<td>Beauty</td>
<td>38,803,430</td>
</tr>
<tr>
<td>Retail</td>
<td>38,680,804</td>
</tr>
<tr>
<td>Finance</td>
<td>34,740,211</td>
</tr>
</tbody>
</table>

*Figure 32: E-commerce is the top industry of Facebook in terms of the number of fans following the page; SocialBakers 2018.*

**Channel Comparison: Which Online Channel to Invest in?**

The table below illustrates the advantages and disadvantages of each type of online channel in Thailand:

<table>
<thead>
<tr>
<th></th>
<th>E-MARKETPLACE</th>
<th>BRAND WEBSTORE</th>
<th>E-RETAILER</th>
<th>SOCIAL COMMERCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTROL OF USER EXPERIENCE</strong></td>
<td>Average</td>
<td>High</td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td><strong>COMMERCIAL CONTROL</strong></td>
<td>More than average</td>
<td>High</td>
<td>Less than average</td>
<td>High</td>
</tr>
<tr>
<td><strong>MARKETING INVESTMENT</strong></td>
<td>More than average</td>
<td>High</td>
<td>Low</td>
<td>More than average</td>
</tr>
<tr>
<td><strong>OPERATIONAL EFFORT</strong></td>
<td>Average</td>
<td>High</td>
<td>Less than average</td>
<td>Average</td>
</tr>
<tr>
<td><strong>THIS CHANNEL IS SUITABLE FOR:</strong></td>
<td>Almost all types of brands, except selective retail</td>
<td>Almost all types of brands, except selective retail</td>
<td>Brands with high awareness, especially high-end brands</td>
<td>All types of brands, but more common for local SMEs and classified goods</td>
</tr>
</tbody>
</table>

*Figure 33: The comparison table showing which channel should a brand invest in; aCommerce.*

**Table Appendix:**

- **User Experience** - The authority the brand will have to control the purchase journey on the website for its consumers (i.e. position of shopping cart, number of check-out steps, etc.).
- **Commercial Control** - The control the brand has on pricing, promotions, inventory level, etc.
- **Marketing Investment** - The amount of investment a brand needs to make to draw traffic to its ecommerce store.
- **Operational Effort** - This refers to the operational aspects of an ecommerce site, including technology, and logistics.
E-commerce enablers offer a wide range of services, spanning from e-commerce technologies, performance marketing, channel management, webstore design and operations, content production, order fulfillment and warehousing, to localized customer care, depending on the needs of the brand. Some enablers act as a one-stop solution for brands to sell online, some offer a la carte services, to provide only fulfillment or digital marketing.

The working procedure and cost associated depends on the selected service and quality of the company.

Some of the leading enablers in Thailand include:

- **aCommerce**: Having raised one of the largest series B funding rounds of Southeast Asia, aCommerce is the leading end-to-end e-commerce enabler in five Southeast Asian markets headquartered in Thailand. The company serves global brands such as L’Oreal, Nescafe, Samsung and Unilever, and an ecosystem partner to Thailand’s leading logistics providers and e-marketplaces.

- **Ascend Group**: Ascend Group is a spin-off of Thai telecommunications provider True Corporation and offers various fintech, e-commerce, e-procurement, data centres, cloud services, fulfillment and digital marketing services. Ascend Group is also the parent company of e-commerce marketplaces WeMall and WeLoveShopping.

- **Seven Digital**: Seven Digital is a local digital agency specialized in web development and digital marketing. The company has served numerous leading Thai and International brands like The Sukhothai hotels, Kodak and Canon.

**Snapshot: Can Australian Companies Conduct an E-Commerce Business without Local Presence?**

Yes, Australian companies are able to have an e-commerce business in Thailand without establishing a local presence, whether it is having a local office or registered company in Thailand, but not all channels allow it.

Social media channels like Facebook Marketplace or Instagram naturally allow anyone to sell from anywhere in the world. Similarly to brand websites, it is possible to run an online business from Australia even if the brand does not have an office in Thailand.

The case is different for launching on e-marketplaces, especially Lazada, which usually requires the inventory to be stored on-shore but it is possible for an Australian brand to negotiate with them to do cross-border.

Lazada is already doing cross-border e-commerce with products from China and Hong Kong, where it has fulfillment hubs and local offices.

Australian businesses must take these concerns into consideration.

> **Marketplaces may accept to do cross-border but it's a long shot, as marketplaces would rather have the product available locally in their warehouse due to the shipping lead time and cost associated with cross-border.**

*Raphael Gaillot, Director of Business Operations, aCommerce*

The concerns for businesses without a local presence are time taken for product delivery and cost associated with shipping across borders. Overseas inventory can take up to two weeks to reach the end consumer, while in normal cases, delivery can be two to five days depending on the market.

Establishing a local presence, even if it means hiring a few remote staff to sit in the country is the best way to penetrate e-commerce. The exception would be if the company offers a product assortment hard to find in Thailand and/or has some competitive advantage, such as price.
Once a website is built and goes live, the company must focus on creating demand because it will not naturally come. This is an important aspect of running any online business because unlike conventional stores where people walk by and can be drawn to enter, online stores can be buried under a sea of links in the millions.

Digital marketing can be categorised into two main types:

1. Paid marketing

Paid marketing refers to any marketing or online advertising activity requiring financial investment to complete a certain goal, whether this is directly converting a user to check out, sending a user to the website or acquiring a user’s email etc. Popular examples of effective paid marketing in Thailand include Facebook ad retargeting and buying Google keywords.

**Email Marketing**

Email marketing occurs when a company sends a commercial message to a group of people through email. Whether the message contains advertisements, business updates or donation solicitation, the goal is to enhance the relationship between the sender and receiver.

Email direct marketing (EDM) is an effective way to influence consumer segment to perform a variety of action items such as: click to website, click to buy, click to share, click to receive a discount, etc.

According to email marketing platform Mailchimp, the average email open rate from EDM campaigns is about 20-25 percent, while emails sent from e-commerce companies achieve about 16.75 percent and a conversion rate of 2.32 percent.

Figure 34: An example of an e-commerce EDM from Kiehl’s Thailand offering a discount code to persuade its existing database to return to the website and shop; Kiehl’s Thailand
It is important not only to send emails at a consistent time but also ensure they are tailored to be attractive for receivers whether the brand decides to segment its database into: females over 20, frequent shoppers, etc.

Content Marketing

Content marketing involves the creation and sharing of online material such as articles, videos, blogs and social media posts intended to stimulate interest in its products or services.

In e-commerce, content marketing is intended to educate consumers about the benefits and uses of a company’s services/product, create customer loyalty and evoke positive sentiments towards the brand. Because Thailand ranks relatively low for English proficiency (on average 49.8 out of 100 points85), to effectively conduct marketing in Thailand, it is essential for the content to be in Thai language to maximise the ads’ reach and engagement.

Social Media Marketing

Social media marketing leverages data collected from social channels to interact with a large global network of users that match the brand’s consumer profile. As Thai consumers commonly use social media like Facebook as a platform to read news, search for information86 and stay connected with family and friends, it is an effective way to draw traffic to a particular website or Facebook page.

Which Social Media Platform is Best for your Business?

Facebook

As the world’s largest social media platform, Facebook’s massive audience is highly coveted by online businesses. In Thailand, the most popular e-commerce categories sold through Facebook include small electronic goods, fashion and apparel and sports and lifestyle. For fashion shoppers on Facebook, free delivery, discounts and next-day delivery are the top factors that stimulate purchases87.

Instagram

Instagram in Thailand is commonly used to sell fashion and private label apparel and used luxury goods - items that inspire certain lifestyles. The use of hashtags is also frequently effective when consumers are looking for something in particular on Instagram.
2. Organic Marketing

Organic marketing refers to the act of getting your customers to come to you naturally over time, rather via paid links or boosted posts. Popular examples of this in Thailand include search engine optimisation and media relations.

Search Engine Marketing (SEM)

Marketing plans should make use of Google’s position as the leading search engine in Thailand. Brands can use a search engine maximisation (SEM) strategy to appear at the top of the search ranks.

E-Commerce Logistics and Fulfillment

An important component of a successful e-commerce strategy is delivering the package to the door of the consumer in an efficient and timely manner. Free delivery is among the top three reasons why Thai shoppers choose to shop on their preferred e-commerce website.

Unless the business has invested in its own delivery fleet and fulfillment centres, it is important to consider the key logistics players available in Thailand.

Third-Party Logistics Provider

Third-party logistics (3PLs) refer to a comprehensive range of outsourced services for almost all aspects of supply chain. One of the many reasons e-commerce players turn to third-party logistics suppliers is because it’s cost-effective versus investing heavily on building an in-house delivery fleet and warehouse management technology.

Top Logistics Providers in Thailand

**Thailand Post**

Thai Post is a state enterprise that provides postal service across Thailand. Thailand Post has a total of 1,275 locations including hubs, post offices and dropship counters enabling extensive country coverage by even assigning mom-and-pop shops to be its point of delivery and pick-up. Express Mail Service (EMS) and same-day delivery are the two most commonly-used services by Thai individuals and companies.

**Kerry Express**

Established in Thailand in 2006, Kerry Express (Thailand) is an end-to-end supply chain solutions provider originating in Hong Kong. Kerry Express has over 1,500 locations across Thailand and offers a wide range of services including B2B, B2C and C2C delivery.

Kerry Express promises same-day delivery for destinations within Bangkok. It is also the biggest Cash on Delivery (COD) logistics service provider in Thailand.

**DHL**

DHL is among the top international logistics courier present in Thailand. DHL E-Commerce has also introduced DHL ServicePoint, which allows online merchants to easily drop-off their parcels at convenient locations such as local cafes, bookstores or fashion outlets.

There are now approximately 500 DHL ServicePoints in Thailand.

**honestbee GoodShip**

Singapore-based company honestbee is an online B2C grocery and food delivery service and a concierge service and offers a logistic service called Goodship. The service focuses on last-mile same-day or next-day deliveries.

The company’s fleet comprises of 80 percent delivery motorbikes and 20 percent delivery trucks.
## Top On-Demand Delivery Service Providers

<table>
<thead>
<tr>
<th>Services Offered</th>
<th>Deliver From Any-Where</th>
<th>Delivery Fee (Base Fare Per Time)</th>
<th>Offered Payment Options</th>
<th>Providing Customers With GPS Tracking</th>
<th>Value-Added Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LINE MAN</strong>&lt;sup&gt;92&lt;/sup&gt; Operates within popular messaging application Line</td>
<td>✅</td>
<td>Base fare ฿48 (AUD$2)</td>
<td>COD</td>
<td>- Food Delivery</td>
<td>- Food Delivery</td>
</tr>
<tr>
<td>An on-demand application with professional services spanning from transportation to queuing up to buy concert tickets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Transportation</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Online Grocery Service</td>
</tr>
<tr>
<td><strong>GRAB</strong>&lt;sup&gt;93&lt;/sup&gt; Grab is an on-demand platform that allows users to request for taxis, private cars, food, documents, etc.</td>
<td>✅</td>
<td>Base fare ฿25 (AUD$1.05)</td>
<td>COD</td>
<td>- Food Delivery</td>
<td>- Food Delivery</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Card</td>
<td></td>
<td>- Transportation</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- e-Wallet</td>
</tr>
<tr>
<td><strong>LALAMOVE</strong>&lt;sup&gt;94&lt;/sup&gt; (FORMERLY EASYVAN) An on-demand logistics company in Asia pairing users and drivers</td>
<td>✅</td>
<td>Bike: Base fare ฿48 (AUD$2)</td>
<td>COD</td>
<td>- Same-day delivery</td>
<td>- Same-day delivery</td>
</tr>
<tr>
<td>Lalamove can transport goods from documents to huge bulky furniture or commercial goods.</td>
<td></td>
<td>Hatchback Base fare ฿240 (AUD$9.90)</td>
<td></td>
<td></td>
<td>- Courier services</td>
</tr>
<tr>
<td>Specialises in motorcycle and utility van deliveries</td>
<td></td>
<td>Pick-up Truck: Base fare ฿450 (AUD$18.70)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DELIVEREE</strong>&lt;sup&gt;95&lt;/sup&gt; A local logistics marketplace that matches drivers with users.</td>
<td>✅</td>
<td>Base fare ฿180 (AUD$7.50)</td>
<td>COD</td>
<td>- Movers</td>
<td>- Movers</td>
</tr>
<tr>
<td>Platform allows users to book and manage pickups and deliveries to select metro areas across Southeast Asia.</td>
<td></td>
<td>Fixed fare ฿1,350 for 10 hours (AUD$56)</td>
<td></td>
<td></td>
<td>- Moving equipment, eg, ladders, bubble wrap.</td>
</tr>
</tbody>
</table>
Shipping Clearance in Thailand

For companies with inventory overseas, it is advisable to use an agent or shipping clearance provider to make the process of importing goods to Thailand more efficient.

With these providers, they will be able to communicate effectively in the local language, minimise customs problems, negotiate additional costs and shipping delays in line with Thailand’s custom clearance procedure. In order to get the goods cleared at customs, the foreign company has to be registered with the local authority as a Thai company96. Otherwise, Australian brands without a registered companies in Thailand are able to source out to clearance shipping providers in Thailand to assist with cross-border shipping procedure to Thailand, provided that the consignee has a locally registered company, e.g. Lazada97.

Leading clearance shipping providers in Thailand include:

› Agility Thailand
› Axium Shipping
› Bangkok Freight Forwarder
› Cargo-Partner Logistics
› Ceva Freight (Thailand)
› DHL Global Forwarding (Thailand)
› Eagles Air & Sea
› Siam-Shipping

Warehousing and Fulfilment Service

For Australian businesses doing ecommerce in Thailand, it is advisable to have the inventory stored locally for time and cost efficiency. One of the most-opted solution for overseas companies is localised fulfilment98.

Fulfillment services include product storage in a warehouse in a safe and favourable condition in addition to the picking and packing of ordered items before being delivered to the end customer. Service providers typically utilise a warehouse management system and shipping management system to keep track of inventory levels and lead time management.

Most warehouse, also called fulfillment centres, are equipped with standard storage areas segregated by mezzanines for added space, and if needed, a cold room with temperature control for products such as cosmetics and supplements, and high-security vaults for high-priced items such as smartphones and luxury goods99.

Companies offering leading warehouses and fulfilment centres in Thailand include:

› aCommerce
› DHL
› DKSH
› My Cloud Fulfillment
› Nikos Logistics
After-Sales Service and Return Policy

After-Sales Service

A common mistake made by new e-commerce companies is assuming the purchase journey ends once the product is delivered to the consumer. After-sales service - managing returns, running experience surveys, customer service, etc. - is an equally important element of an enjoyable e-commerce experience companies should not neglect.

The post-sales period is a crucial time for retailers to show customers they are dependable and to increase the chances of more sales down the road. The digital economy has provided companies with more options to stay in touch with their key customers. In recent years, brands have adopted new communications channels as part of the after-sales service, including live chat and Facebook Messenger.

Return Policies

There are several return policies employed by e-commerce companies in Thailand because they increase the likelihood of converting an online shopper.

31% of Thai consumers think a complicated return process is the challenge to e-commerce in Thailand. These are key considerations when it comes to crafting an effective return policy:

Make The Policy Easy to Understand

List out the terms, conditions and procedures of the return process as clearly and simply as possible. As with product and marketing content, the return policy should also be offered in the Thai local language.

Make The Policy Easy to Find

The return policy should be apparent to customers at check out, whether in the product description box, check out page or in the e-invoice.

Figure 38: On Lazada Thailand’s website, the return policy is clearly stated; Lazada.co.th
Case Study: Pomelo’s Return Policy

The Thai-born pure play fashion business Pomelo has become a staple brand in Southeast Asia.

The reason for the company’s success as a digitally native vertically integrated brand (DNVBs) is that it focuses on each and every single customer. CEO and co-founder of Pomelo David Jou, explains his reasoning behind a successful DNVB:

1. DNVBs are maniacally focused on the customer experience
2. Digital is the primary means by which they interact with customers
3. DNVB is a place where everyone knows your name

The fashion company’s return policy is important because the fashion category is built heavily on touch and feel and this is why Pomelo offers free returns up to 365 days after purchase. It also makes the return process convenient by offering multiple ways to drop off the goods: in-store, at the brand’s offline pop-up locations or through postal service providers.

The company sets clear expectations by stating the procedure and time taken for the return process to be completed.

Figure 39: Pomelo’s return policy was clearly stated on its e-commerce website with FAQ and processing time for its consumers; Pomelo
THAILAND’S REGULATIONS FOR E-COMMERCE AND IMPORT GOODS

Under the laws of Thailand, electronic commerce is defined as the dispatch and/or receipt of a data message by electronic means to conclude a commercial transaction.

Product Registration, Inspection and Quarantine Procedures

To establish an e-commerce business in Thailand, whether an e-commerce website or dealing with marketplaces directly, the owner must begin by registering the company with the Department of Business Development (DBD), under the Ministry of Commerce. This will require the following documents:

1. A request of commercial registration (Thor.Phor. Form)
2. A copy of identification card of the manager/partner (in case of an ordinary person)
3. The copy of commercial registration and identification card of managing partner/authorised board up to cases (in case of a juristic person)
4. An authorisation letter (if any)

The owner must have a domain name and an active website. The details of the website must be submitted with the commercial registration form and the domain name is registered with the Thai Network Information Centre Foundation (THNIC).

Additionally, the owner can choose to trademark the company’s name.

In order to register a domain name for an e-commerce company with the “.co.th” extension, the owner must file the following documents with THNIC:

1. Certificate of registration
2. The VAT registration document
3. The VAT modification request document

This process can take up to six months or one year from the date of filing. Trademark protection begins on the day the application is filed.

E-Commerce Licence

A special e-commerce business licence must to be obtained at the Department of Business Development (DBD) within 30 days after the business begins operating. An e-commerce licence is required when your company is operating one or more websites selling goods or services in Thailand.

Be aware, even a social media page can qualify as an e-commerce business if it specifies pricing and payment procedures online. An e-commerce licence costs THB 9,500 or AU$392.

To apply for the e-commerce business licence, the following details are required the website owner:

1. Name of the website
2. Nature of the goods or services being sold on the website
3. The date at which the website starts/started operating (application should be made within 30 days from the start date)
4. Method of payment for the purchase
5. Document evidencing the domain name registration or certification document from the service provider (ISP or web host)

Any organisation handling online credit card payments must be compliant with specific security requirements by the Bank of Thailand.

Foreign Business Licence

E-commerce businesses in Thailand with a foreign majority shareholder need a Foreign Business Licence. The Foreign Business Act provides an exception if the retail business or wholesale business is undertaken with a company that has registered share capital of AUD$4.1 million or more. The exception also applies if the enterprise carries out a combination of retail and wholesale business with the required equity amounts of AUD$8.3 million.

Thailand’s Board of Investment (BOI) provides incentives for certain foreign businesses to establish operations in Thailand. The Board of Investment considers e-marketplaces as being promoted under Section 5.8 in the category of Electronics and Electrical Appliances Industry. By processing transactions, the marketplace operator generates income from Internet transactions (sales, services, commissions, advertisements).
The BOI investment promotion does not provide tax holidays or merit-based incentives but allows 100 percent foreign shareholding and land ownership in order to carry out the promoted activity as well as other non-tax incentives.

(The promotion would be more beneficial in the case of “software development”, but that requires income from the sale of software or applications; and compliance with the BOI’s software development procedures.)

Import Procedure

According to the Foreign Business Act of 1999, a foreigner can engage in an import/export business without a Thai citizen shareholder owning 51 percent of the company and without having to apply for permission from the Thai government.

When a shipment arrives in Thailand, importers are required to file a Goods Declaration application and supporting documents with a Customs officer at the port of entry. Imports are not allowed to legally enter Thailand until 1) the shipment has arrived at the port of entry, 2) been authorised by Customs, and 3) applicable taxes and duties have been paid.

Depending on the nature of the imported goods such as pharmaceutical and chemical commodities, regardless of value, the importers will need to obtain a permit to facilitate clearance.

To import goods into Thailand, businesses will need to provide:

- Import Declaration
- Bill of Lading (B/L) or Air Waybill
- Invoice
- Packing List
- Import Licence (if applicable, see below for more details)
- Certificates of Origin (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc.

Import Licence

There is no overarching law regulating the import of goods into Thailand, which means general goods, such as clothes or furniture, can be imported into Thailand without restriction.

The Ministry of Commerce designates classes of goods such as drugs, foods and supplementary products, antiques or object of arts, weapons and ammunition, and wild fauna, flora fish and other aquatic creatures to further import controls, which usually take the form of permission and licensing.

Different types of goods are issued by different government departments with their own policies and the importer is responsible for obtaining the import licence. For example, to import drugs or food, the business is required to have permission from the Food and Drug Administration Thailand.

Types of Taxes in Thailand

Company Tax

A foreign company carrying out a business in Thailand, whether it has a branch, an office, an employee or an agent in the country must pay 30 percent tax on profit deriving from business in Thailand.

Tax Registration

A foreign company carrying out business in Thailand, whether setting up a branch or an office must apply for a tax identification number from the Revenue Department. An application form (Lor Por 10.3) together with other relevant documents including a copy of a company’s registration licence should be submitted to the Area Revenue Office within 60 days for the date of registration or operation.

Electronic Filing and Payments

A company can submit income tax returns (CIT 50, 51, 52, 54) and make tax payments through online at http://www.rd.go.th.

E-Commerce Tax

The Thai cabinet recently approved a proposal on July 17, 2018 to collect a 7 per cent value-added tax (VAT) from foreign vendors and e-commerce platforms. Under the amended Revenue code, all foreign business operators selling goods in Thailand produced abroad via Internet platforms (e.g. brand websites, social media, etc.) are subject to 7% VAT to the Revenue Department.

The business operators are required to register as a Thai company in order to pay VAT in Thailand. The government will first forward the draft bill to the Council of State, the government legal advisory body, before submitting it to the National Legislative Assembly for a debate.
The Revenue Department’s ecommerce tax main principles as published by the Revenue Department

### E-COMMERCE TAX PRINCIPLES

<table>
<thead>
<tr>
<th>E-COMMERCE TAX PRINCIPLES</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. An entity incorporated under the laws of a foreign country that conducts trade or business through electronic methods, if it falls into one of the following categories and as a result receives income or profits in Thailand, shall be deemed to be carrying on business in Thailand and subject to income tax in Thailand, only with respect to such income or profits:</td>
<td>Under Thai domestic tax law, a foreign entity is regarded as carrying on business in Thailand and subject to corporate income tax in Thailand if it:</td>
</tr>
<tr>
<td>(1) having a Thai internet domain;</td>
<td>(a) carries on business in Thailand by itself, e.g. opens branch office in Thailand; or</td>
</tr>
<tr>
<td>(2) having created a payment system in Thai Baht or that requires a money transfer from Thailand; and</td>
<td>(b) is deemed to carry on business in Thailand, e.g. has an employee, go-between, or an agent generating income in Thailand.</td>
</tr>
<tr>
<td>(3) any other cases as further prescribed by the Director-General.</td>
<td>However, the foreign entity may be entitled to benefits under an applicable tax treaty. Under the general rule of tax treaty, the foreign entity will be taxed under the domestic tax law only if it carries on business in Thailand through a permanent establishment (PE).</td>
</tr>
<tr>
<td>b. If an entity incorporated under the laws of a foreign country conducts trade or business using electronic methods and does not carry on business in Thailand but receives taxable income from such trade or business in the form of online advertising fees, web hosting fees, or any other types of income prescribed in a Ministerial Regulation, the payer of such taxable income shall withhold income tax from the taxable income at the rate of 15 percent and remit it to the Revenue Department.</td>
<td>In some cases, a foreign entity is considered to be carrying on business in Thailand under Thai domestic tax law, but is not regarded as having a PE in Thailand, and therefore it will not be taxed in Thailand by virtue of tax treaty protections.</td>
</tr>
<tr>
<td>c. Entrepreneurs outside the Kingdom of Thailand that sell intangible assets or provide services by using electronic methods to a purchaser or client who is not a value added tax registrant, if its income from selling intangible assets or providing services exceeds Baht 1.8 million per year, shall register as a value added tax registrant and be subject to the value added tax pursuant to the rules, procedures, and conditions prescribed by the Director-General.</td>
<td>This proposal is to amend the domestic tax law to expand the meaning of “carrying on business in Thailand”, in order to make foreign e-commerce operators subject to Thai corporate income tax. However, the Revenue Department’s proposal still does not cover how the e-commerce tax proposal will interact with the applicable tax treaty.</td>
</tr>
<tr>
<td>d. If an entrepreneur outside the Kingdom of Thailand sells intangible assets or provides services through a website or application owned by a third party, the owner of the website or application shall be deemed to be the representative of the entrepreneur and shall apply for value added tax registration for the entrepreneur.</td>
<td>It is still unclear whether the mechanism to impose withholding tax on the payment related to online advertisement or web hosting fees will be through a re-categorization of such fees as royalties or the imposition of a new type of withholding tax under the Revenue Code.</td>
</tr>
<tr>
<td>e. The exemption of VAT on the importation of goods with value less than Baht 1,500 will be repealed.</td>
<td>In addition, the Revenue Department is still silent about possible relief under the DTAs for to the withholding tax.</td>
</tr>
</tbody>
</table>

If a foreign operator provides a marketing platform to sellers or service providers it may be deemed as a VAT agent having obligations to register for VAT in Thailand for the sellers or service providers, there is still questions about the mechanism to enforce such VAT agent system.

Thailand’s standard rate of VAT remains 7% for another year, from 1 October 2018 to 30 September 2019.112

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112 E-COMMERCE IN THAILAND: A GUIDE FOR AUSTRALIAN BUSINESS
Getting Goods to Thailand

All goods imported into Thailand must be reported to the Customs Department. The duty free allowance will be applied to accompanied personal effects up to AU$\$820^{113}$ if the items are intended for personal or professional use.

The steps required to meet these legal requirements are outlined below$^{114}$.

**Step 1 – Register to use the e-Customs system**

The procedure for importing goods into Thailand has been centralised in the online e-Customs system. In order to register for the system, the importer (either an individual or business entity) must possess a ‘digital certificate’.

The digital certificate is an electronic signature file used to confirm the identity and authenticity of the sender of electronic documents; it is essential for all companies in Thailand with any online operations, including import and export registration.

The import and export registration can be completed by filling in an application form and preparing documents to submit to the Customs Department. The application process usually takes one day after which you will receive your company licence number to carry out the import and/or export of goods.

The documents required are:

- KSK 1 application (only 1st and 2nd pages)
- Copy of company affidavit (updated within six months)
- Two copies of value added tax certificate (PP 20)
- Copy of first page of bank account and bank statement
- Copy of seal registration (BAJ 3)
- Copy of passport
- Power of attorney (The 3rd page of KSK 1)

Once a digital certificate is in place, the importer may proceed to register for the e-Customs system. Companies can choose to either register with the system directly (i.e. at their own office) or through an agent who handles the registration.

When registering to use the e-Customs system directly, the following tasks should be completed:

- e-Customs software must be installed on the company IT system and digital certificates verified
- The importer must register with Thai Customs at one of the following: the Registration and Customs Privileges Sub-Division; Customs Procedures and Valuation Standard Bureau; or the General Administration Division
- The accuracy and readiness of message exchange with e-Customs system must be tested
- Once tests are completed successfully, the Communication and IT Bureau will issue e-Customs registration ID, and the process is complete

**Step 2 – Review controlled goods**

Two separate checks need to be made before goods are imported: 1) to identify if goods require an import permit, and 2) to ascertain if goods are considered ‘red line’.

1) A range of goods require import permits issued by different agencies prior to their arrival. For example, used motor vehicles and motorcycles require a permit from the Department of Foreign Trade, while imports of medicines and food supplements require permission from the Food and Drug Administration within the Ministry of Health.

A full list of goods requiring a permit can be found on the Customs Department website. The government is working to combine the permit application process and the e-Customs system.
The second check required is to establish if the goods to be imported are classified as ‘red line’ goods (as opposed to ‘green line’). Red line goods are considered to be high risk or requiring extra certification and verification upon arrival, including food, edibles, liquids and plants. It is necessary to provide the following supporting documents when importing red line goods:

› Bill of Lading (B/L) or Air Waybill
› Invoice
› Packing List
› Import Licence (if required)
› Certificates of origin
› Other relevant documents (e.g. list of ingredients, technical standards certificates, etc.)

There is no definitive list of red line goods; the e-Customs system will inform the importer once the Import Declaration has been submitted (see Step 3). It is important to ensure the correct paperwork is in place for all imports in order to be prepared for a shipment being flagged as red line.

**Step 3 – Submission and verification of declaration**

Once all documentation is in order, an Import Declaration can be submitted to the e-Customs system along with an arrival report with information regarding the carrying vessel. The e-Customs system will then check and verify the submission, identifying any discrepancies and specify whether the shipment is green line or red line.

**Step 4 – Payment of duties and taxes**

Thai Customs Tariff Decree B.E. 2530 states that “goods imported or brought into, exported, or taken out of the Kingdom shall be chargeable with and liable to duty”. A number of items are exempt from import duties; a list can be found on the Integrated Tariff Database.

For dutiable goods, payment can be made at the Customs Department of the port of entry or via the e-Payment section of the e-Customs system.

**Step 5 – Inspection and release of cargo**

The final step before the cargo is released is an inspection. For green line goods, this is simply an online screening and will take only a few minutes. For red line goods, the supporting documents will have to be presented and the cargo physically examined by customs officials.

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**Thailand-Australia Free Trade Agreement**

Access to online distribution channels complements the benefits granted to business by the Thailand-Australia Free Trade Agreement (TAFTA), which came into force on 1 January 2005, reducing tariffs and further strengthening business cooperation between Australia and Thailand. (The agreement’s Certificate of Origin is required to be attached for importation)

Being able to establish online channels in Thailand gives extra advantage for Australian companies to expand to regional market in the future. A number of well-known e-marketplaces such as Alibaba, plus local fulfilment companies are establishing regional warehouses to facilitate shipment within Thailand and to Thailand’s neighbouring countries.

As exports between Australia and Thailand can be subject to both TAFTA and ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), Austrade encourages exporters to speak with their Chamber of Commerce or AiGroup to clarify the rules around how certificates of origin should be applied.

**Why you need to know your product’s HS codes**

Exporters need to know the HS codes of their products in order to:

› Determine applicable import tariff rates and determine whether a product qualifies for a preferential, or lower, tariff under a free-trade agreement;

› Complete required shipping documents, including commercial invoices, certificates of origin, and other documents.

Are beneficial import duties for my product in the Thailand-Australia Free Trade Agreement or ASEAN-Australia New Zealand (AANZFTA) Free Trade Agreement? * You can check your product at: www.ftaportal.dfat.gov.au

› If you know your product’s HS code you should check the Thai Integrated Customs Database (English version) : http://igtf.customs.go.th/igtf/en/main_frame.jsp
THAILAND’S INTELLECTUAL PROPERTY PROTECTION

Registering a Trademark

Although a trademark is not compulsory to run an online business in Thailand, there are significant benefits to doing so. Registering a trademark provides legal protection against counterfeit, infringement and expedites the company’s ability to enforce its rights.

Registration of a trademark also ensures the company is not unknowingly infringing on an existing mark. Without a registered trademark, it will be exceedingly difficult to enforce your proprietary rights against providing reciprocal enforcement against infringement. The trademark is registered with the Department of Intellectual Property.

What document do you need for a trademark registration?

1. A logo of the trademark in the exact color
2. A copy of the company affidavit of the applicant (if based abroad) and an original set of the company affidavit in the case of a Thai company
3. Signed passport copy of the authorised director(s)
4. A signed power of attorney (should be notarised if signed from abroad)

Intellectual Property Disputes

A trademark protection strategy is strongly advised before the launch of any new brand and preferably before entering the Thai market. This is particularly true in Thailand where the process for registration of a trademark usually takes around one year. Brand registration, anticipation of possible infringement and costs associated with enforcement actions and/or loss of sales do not suffice to solve the problem of counterfeiting but do a lot to protect the right of the trademark owner.

In case of trademark infringement it is worth noting the law states the trademark owners can enforce both unregistered trademarks and registered trademarks in Thailand. However, this should not be interpreted as brand registration is not necessary. Registered trademarks receive a considerably broader protection than unregistered marks and benefit from the protection of the provisions contained in the Trademark Act.

Unregistered marks are protected through provisions of the Thai Penal Code and the Civil and Commercial Code. Infringers of a trademark registered in Thailand may be liable to imprisonment of up to four years and/or a fine of up to AUD$16,000, while infringers of an unregistered trademark may be liable to imprisonment of up to three years and/or a fine of up to AUD$250.
Case Study: Australia’s Top Health Company Captures Online Demand for Vitamins and Supplements in Thailand

Blackmores is the leading natural health brand from Australia and has a vision to become the first choice for anyone looking for the best natural health solutions. Founded in the 1930s by Maurice Blackmore in Queensland, the company has been awarded Australia’s ‘most trusted brand’ for vitamins and supplements for the ninth year running.

Being locally recognised for its excellence, it comes natural for Blackmores to grow its presence abroad to capture untapped markets like Thailand where health supplements are in high demand. After some 30 years of exporting its products globally, Blackmores announced in 2016 it would shift focus to Asia, where the health and supplement market is worth $50 billion, to bring new business and revenue to the company.

Since Blackmores’ initial e-commerce launch in Thailand and emphasis on digital, the company’s revenue across South East Asia rose to 45 percent in 2017 from 39 percent in 2016. At present, Blackmores Thailand runs an official e-commerce shop through local e-commerce enabler aCommerce, as well as on leading e-retailer Central.co.th.

To control the brand’s image, Blackmores signed with e-commerce enabler aCommerce to build and enhance its online business in Thailand. One of the first steps taken by the enabler was to rank the brand at the top of search for certain keywords such as “vitamins” and “Blackmores” by building a SEO friendly, shoppable website.

Given the nature of its products, Blackmores needed to educate visitors of the benefits of its supplements and crafted product descriptions in the local language. Blackmores clearly states online all the ingredients, dosages and FDA approval codes so customers have all the vital details.

The Australian brand launched its own brand.com with aCommerce in a total of four Southeast Asian countries: Singapore, Thailand, the Philippines and Indonesia.

Blackmores uses the website to publish insightful articles, FAQs and a variety of health tips about its products to help customers make informed decisions. This puts Blackmores in the position of a trusted health expert.

Based on an exclusive interview with Blackmores Thailand’s Marketing Manager, Ms. Phornphat Jiraruangpanya, the biggest challenge the company faced before entering the e-commerce was grey-market sellers.
HOW AUSTRADE CAN HELP

The Australian Trade and Investment Commission — Austrade — contributes to Australia’s economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:

› develop international markets
› win productive foreign direct investment
› promote international education
› strengthen Australia’s tourism industry
› seek consular and passport services

Austrade provides information and advice that can help you reduce the time, cost and risk of exporting. We also administer the Export Market Development Grants scheme and offer a range of services to Australian exporters in growth and emerging markets.

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AUSTRADE IN THAILAND

Seeking the right advice and assistance is critical to the success of doing business in Thailand. Austrade has an office in Bangkok. Austrade’s English-and Thai-speaking staff members can provide exporters with market guidance and access to information, promotions and referrals such as:

› introductions to appropriate contacts in offline and online channels
› feedback on the suitability of Australian products and services for the Thai market
› advice on applicable regulations in Thailand
› opportunities for participation in online and offline promotions and trade missions

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