

COVID fuels e-commerce. In search of future opportunities



Ready for e-commerce in 2022

Online shopping has been popular with Thai consumers given their hectic lifestyles and busy schedules. According to Statista, Thailand placed second in Southeast Asia behind Indonesia for the size of a nation's internet economy, with a value of roughly USD 16 billion in 2019. The ongoing pandemic has only accelerated this trend. From the beginning of the pandemic in early 2020 to the first half of 2021, Thailand added nine million new digital users and achieved 68 percent growth in e-commerce, resulting in a 51 percent year-on-year increase in the value of the digital economy – to USD 30 billion in 2021. Currently, more than 36.6 million Thais have purchased consumer goods online; 30% of Thai digital service consumers were new to the service due to the pandemic; while 95% plan to continue their online purchasing habits post-COVID-19.

Thai e-commerce: The bottom line

Driving this growth is increased internet and mobile phone use, improved logistics, and e-payment systems, which have contributed to greater consumer confidence and convenience when shopping online. At the same time, Thailand's active development of its ICT infrastructure, especially Thailand 4.0, has elevated the country into a regional leader in mobile commerce, with a market worth more than USD 15.8 billion in 2020. The government's PromptPay service, a national e-payment scheme, is another key driver stimulating e-commerce activities. Meanwhile, the growing number of delivery providers in Thailand is reducing shipping costs, pushing demand for e-commerce even further. It is, therefore, unsurprising that Thailand has seen its rapidly growing internet economy ready to embrace the new opportunities with the global digital revolution in addition to further advances in its e-commerce market. Thailand is quickly becoming the center for multinational companies looking to penetrate the sought-after Asian e-commerce market. Riding this boom is Lazada, the e-commerce arm of Alibaba, which chose Thailand as its hub for product development and marketing to support its operations regionally. To empower local SMEs, Lazada recently joined forces with the Office of SME Promotion (OSMEP) to support more than 2,000 SME entrepreneurs nationwide with the opening of an online store, launching the "Shop for Thai SME products and Fight Covid" campaign. Similarly, the Mall Group, one of Thailand's largest luxury mall operators, now offers a way for shoppers to browse what its stores have to offer without leaving their homes. The company is set to return to digital commerce by using its offline expertise to build a complete omnichannel experience as part of a three-year strategic roadmap.

Every sector can win

Cross-border e-commerce accounts for nearly 30% of Thailand's total e-commerce market, indicating a strong appetite for international goods and brands, but also a lack of local options. China, Japan, and the US are the top three overseas sales destinations for Thai products. Nevertheless, this balance may shift as domestic merchants recognize the benefits of having a digital sales presence. The sectors using e-commerce platforms to increase their productivity include home and living, beauty and personal care, and mobiles and gadgets. Interestingly, the growth in demand for e-commerce services, in addition to Bangkok, is coming from Nonthaburi, Chiang Mai and Songkhla. Not only has business-to-consumer (B2C) e-commerce emerged in Thailand, but business-to-business (B2B) e-commerce is also rapidly expanding. According to the Electronic Transaction Development Agency, the food and service sector is the most likely to use e-commerce platforms to boost productivity, accounting for 31%, followed by manufacturing (16%) and retail and wholesale (15%). Thus, the rise of e-commerce opens the door to increased opportunities for online and traditional businesses wanting to reach a larger customer base by establishing a presence online. Furthermore, businesses can take advantage of Thailand's strategic location and the well-established e-commerce infrastructure to reach out to overseas customers through online businesses.

Green light for digital

Support from the Thai government, coupled with growing smartphone penetration, should also boost online shopping businesses. To drive Thailand's digital economy and trade, the government revamped its regulatory framework related to digital activities in the past few years. In addition, as part of the Thai government's vision for a new digital "Thailand 4.0," the implementation of the national e-commerce development action plan is supporting further growth of the digitalization of business and payment systems. Likewise, both the government and private sector have been heavily promoting online banking, and encouraging stores and consumers to abandon cash in favor of e-payments. The National Science and Technology Development Agency, OSMEP, and Digital Economy Promotion Agency have been supporting SMEs in their digital transformation journeys since 2019 through the Smart Business Transformation Program (SBTP) powering the next wave of digital growth in the region.

Riding the digital wave

While the public sector has been coordinating its approach, the BOI has been aggressively promoting incentives to fuel growth in e-commerce, to support businesses of all sizes. As part of efforts to improve the investment climate for the digital industry, the BOI granted investment promotions under Activity 5.10 which covers software development, platform services for digital services, and digital content. The support being offered includes a corporate income tax exemption for eight years, an exemption on duties for imported equipment, as well as a range of non-tax benefits. The BOI, in recognizing the importance of driving e-commerce systems in Thailand, will continue to support investors throughout their journey as they help transition Thailand into a technology hub through continued advances and innovations that have a positive impact on consumers.

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