



Insight

Unlocking the secrets of the digital consumers





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Unlocking the secrets of the digital consumers

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Executive Summary

Consumer behavior has undergone major changes in recent years, especially in Asia. Spending has increasingly shifted toward services, health-related products and differentiated products. Throughout developing countries in Asia, consumption has moved beyond necessities toward discretionary goods and services. Spending on services has especially increased in leisure and lifestyle categories like tourism and entertainment. Health and medical spending has gone way up, and consumers are likely to spend more and more on “wellness” goods and services. Today’s consumers tend to look for highly differentiated products, with niche characteristics or functions. They are willing to spend more on not just things but experiences. Steady growth in incomes has positioned them to now spend more on personalized goods and services and pay a premium for new experiences.

Leapfrog technologies like smartphones and apps have transformed sales channels and marketing channels. E-Commerce enables fast shopping and convenient price comparisons. The ubiquity of social media has altered customers’ referral patterns, moving away from face-to-face communications. Businesses consequently have to focus on developing online and social media platforms for marketing purposes. Moreover, advanced technologies like virtual reality, augmented reality, internet of things and 3D printing are now being used to offer new experiences and more flexibly meet consumer demand. These innovations promise to completely transform consumer behavior from the past.

Thais now consume more entertainment media than in the past, and as their incomes grow they will spend more on travel and home improvement. EIC conducted a survey that found most consumers now focus their spare time on consumption of all kinds of entertainment media, especially social media. New generation and high-income consumers spend more time outside the home than in the past 5 years. Travel ranks first among things Thais want to spend on. Over 70% say they would spend more on traveling if their income were to rise by 20%. Others would opt for home improvement projects, especially in the case of seniors, who prioritize quality of life and health.

Thai consumers are harder to please than in the past, as they search for variety and new experiences. They are also willing to pay more for better quality goods and services. This in turn pushes businesses to compete on quality or differentiate their products and services from competitors through personalization. Companies should also further develop their sales channels to meet more sophisticated consumer demands. Specialty stores provide the answer, since they offer products catering to specific needs. Competition from online businesses has forced brick-and-mortar stores to adjust, and shopping mall are



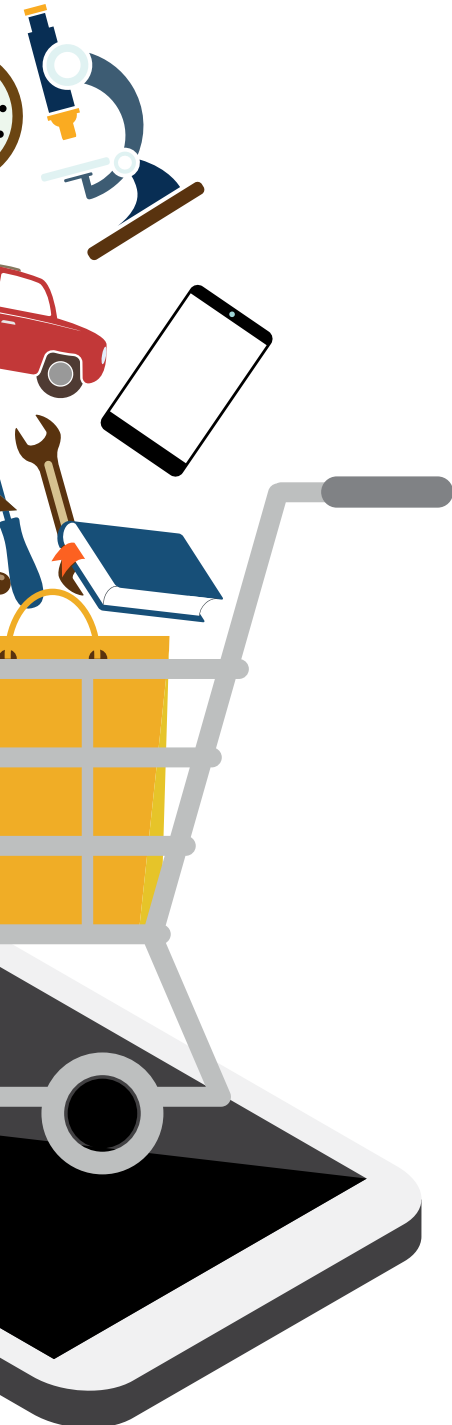
being transformed into “retailtainment” complexes. One-stop shopping is not enough to attract today’s consumers, who seek new experiences and activities not offered online, such as leisure time with friends and other recreational activities.

Although Thai consumers are now more accustomed to online shopping, they do not yet buy online frequently. Nonetheless, online media’s popularity is rising. Over 69% of consumers rely on physical stores as their main shopping channel. But around half take advantage of multi-channel shopping. For example, they might check out a product in a physical store before buying it online. In addition, consumers’ decisions are increasingly shaped by online media. Around half of shoppers take online reviews more seriously than those found in print and broadcast media. One exception is senior consumers, who rely on traditional media such as television to make shopping decisions. Businesses should develop online sales and marketing channels while also continue to strengthen their reach via traditional means.

Consumer preferences are increasingly sophisticated, pushing businesses to adapt new strategies and form alliances within the value chain. Businesses in the same value chain can collaborate to meet customers’ demand. They can use big data to devise and coordinate strategies throughout the value chain, from downstream retail businesses, which can best access information on consumers’ needs backward to upstream producers. This will allow companies to design customized products for each market segment and apply big data to inventory management, pricing and technology-assisted marketing.

Businesses nowadays have to go beyond building brand loyalty. To stay in the game in the long term, they should focus on customer engagement. Maintaining an existing customer base is as important as reaching new customers. Key strategies include developing integrated services that respond to customer demand and offering memorable experiences that will bring them back. In addition, after-sale services play a crucial role in bolstering customer relations.

Another important strategy is using multi-channel and “omni-channel” access to reach customers. While most businesses are now focusing on developing an online presence, online-only stores can benefit from developing brick-and-mortar shops. Instead of competing against each other, the online and physical stores together can give consumers an “omni-channel” shopping experience, with shops, websites, apps, social media and conventional media ads all carefully synched to offer integrated promotional campaigns. Adding or enhancing online channels can help reach international markets and strengthen sales growth.







Global shifts in consumption patterns

Consumer spending has undergone a major transformation in much of the world during the past 10 years. In developing countries, consumption has increasingly moved toward spending on discretionary purchases, particularly of leisure products and services. New trends include the rise of products and services that are personalized; the bigger role of technology in shaping consumer behavior and decision-making; higher spending on health and wellness; and consumers' constant search for new or novel experiences.



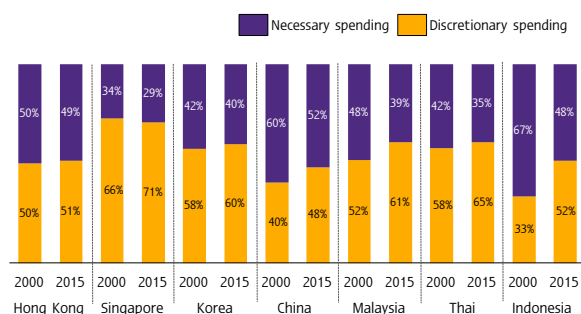
1.1 From goods toward services

Throughout developing countries in Asia, consumption has moved beyond necessities toward discretionary goods. In developing countries across Asia, rising incomes and rapid aging of the population have resulted in spending patterns that increasingly resemble those in the region's developed countries. Spending on necessities such as food, clothes and housing has gone down as a share of total spending. Discretionary goods and services—for example, home decor, health, travel, recreation, telecommunications and transport rose to a share of 50-60% of total spending in 2015, up from 40% in 2000. This pattern has long been observed in countries around the world. Data from CEIC and IMF indicate that when per-capita income rises above USD 20,000, growth in consumption of necessities becomes flat or insignificant.

1 As per-capita incomes rise, the share of spending on necessities declines

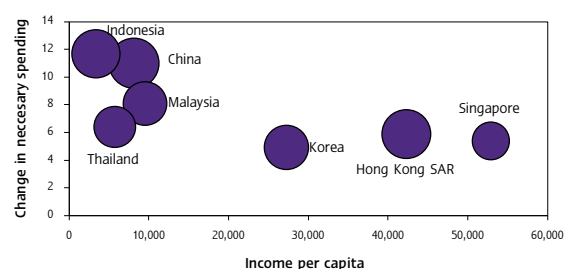
Consumer spending by type of products and services

Unit: % of total spending



Income per capita and change in necessary spending

unit: % CAGR 2005-2015



Remark: Necessary spending is comprised of a spending on food and non-alcoholic beverages, clothing, and housing

Discretionary spending is comprised of a spending on alcoholic beverages, household goods and services, hotel, leisure and recreation, communication, transport

Source: EIC analysis based on data from CEIC and IMF

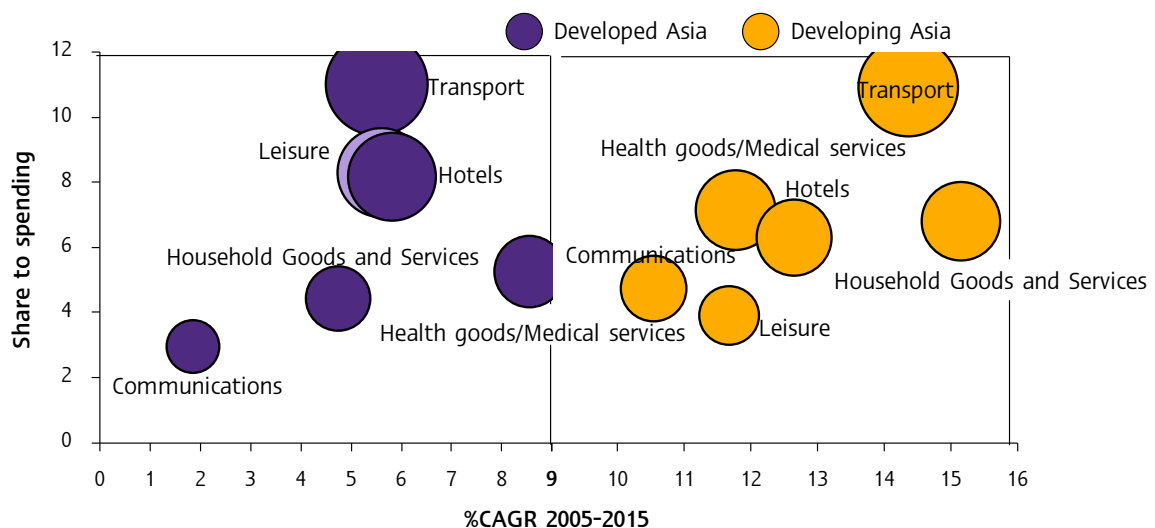


Spending on discretionary purchases is rising faster in developing countries than in the affluent world, particularly for leisure goods and services. This phenomenon took place decades ago in Japan and other Asian countries that are now developed. During the past 10 years, it has been happening in developing Asia. Spending in categories like home products and transportation, for example, surged around 15% annually in developing Asia, compared to 6% in the region's developed countries. Leisure-related consumption also grew fast, as spending on travel and hotels expanded at 12% per year in Asia's developing markets. EIC expects this pace to continue. Within the next five years, leisure's share of spending should reach 15% of total consumer spending in Asia's developing nations, similar to the level in the region's developed countries today.

2 Leisure and lifestyle spending booms across developing Asia

Discretionary spending of consumers in Asia

Unit: %



Source: EIC analysis based on data from CEIC



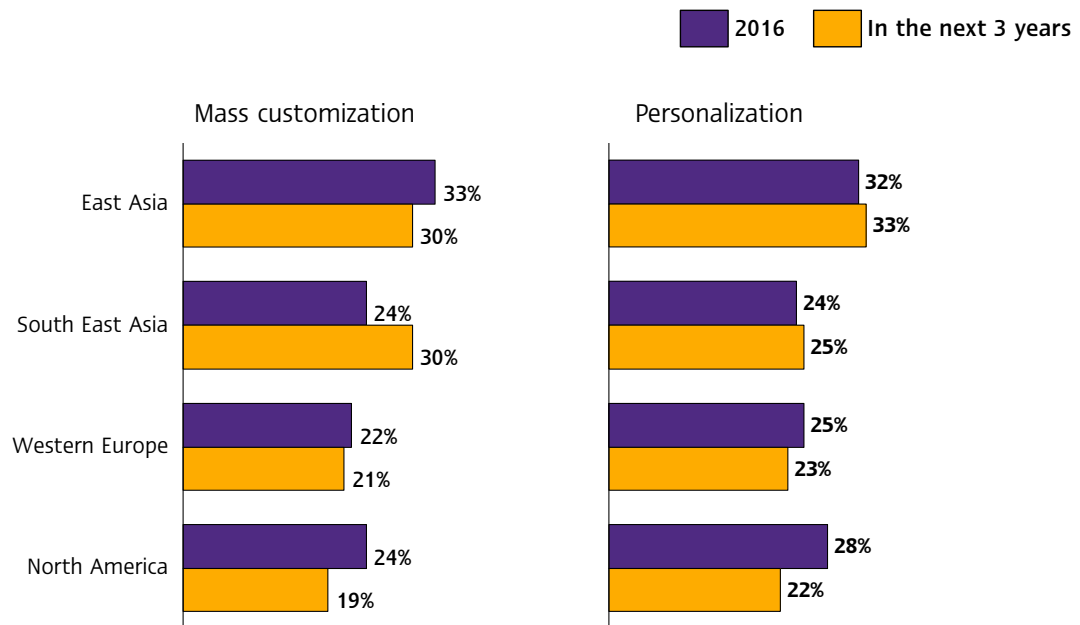
1.2 From mass customization toward personalization

Mass customization of goods and services for different market segments is giving way to personalization of products. Modern consumers have become more sophisticated and choosier, seeking to express their individuality in how they spend. Mass products are losing their appeal. Instead, consumers have come to prefer mass-customized products and services, such as the many types of sports shoes that have been designed for different forms of athletics and recreation. Moving further down this path, companies today are offering more and more products that are personalized, adjusted to serve each individual customer's wishes. When buying a sports shoe today, you can custom design your own model, picking the colors, materials, laces and logos according to your own preference. A survey by the Economist Intelligence Unit found that over 30% of consumers in Asia prefer products that are mass customized or personalized, and some 50% of these customers are willing to pay 30% extra for such products.

3 Over 30% of consumers in Asia want mass-customized or personalized products

Demand for mass customization and personalization product

Unit: % of respondents



Source: Economist Intelligence Unit

Manufacturers find that personalization provides a feedback loop through which they can gather data on customer-specific needs, so as to develop new goods and services. A company can analyze data from past online and in-store transactions and loyalty programs and use that information in conjunction with new design and production technology to develop and differentiate products, as well as increase customer reach and improve marketing campaigns. For example, cosmetics maker Sephora has a loyalty program that lets the customer input her own “beauty profile” covering personal information such as skin condition and other concerns. This data then helps Sephora to make product recommendations tailored to each customer's needs.



1.3 From traditional toward digital consumers

The past decade has seen the spread of “leapfrog” technologies that give consumers direct access to advanced capabilities, as with smartphones and tablets in recent years, and now newer products like smart watches and smart homes. The ubiquity of these products has altered consumers' behavior in everyday activities like interpersonal communications, obtaining information and shopping. Leapfrog tech has helped generate four categories of change in consumer behavior:



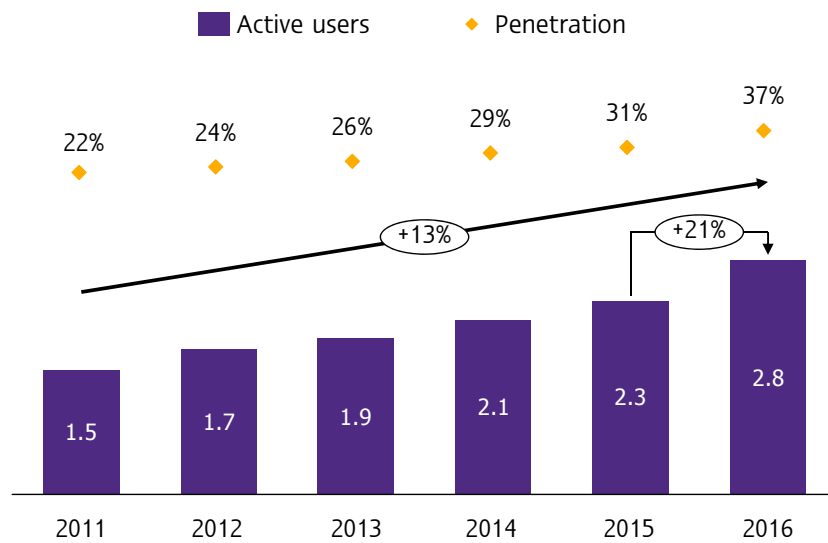
1) The pervasiveness of social media has revolutionized how consumers stay informed and communicate, eclipsing face-to-face interaction. In 2016, the number of social media users around the world stood at 2.8 billion, up 21% from the previous year and accounting for 37% of the world's total population. Facebook is the most popular platform, with around 1.86 billion users. Although social media initially served as platforms for communications among individual users, they have now become a platform for “social commerce,” as businesses themselves have developed their own major presence in social media in order to better reach customers. According to GlobalWebIndex, people now spend on average of 2 hours a day on social media, up 8% from 2015. Businesses have capitalized on social media to create brand awareness and engage consumers.

Using social media to promote products and services helps businesses reach a wider group of consumers faster than other methods. Returns on investment in social media are attractive given its lower cost compared to traditional media advertising based on a study by Nielsen, 7 to 16 seconds prove to be the most effective length for a video ad, and returns diminish for longer ones. The number of “likes” that a message earns is highly correlated with sales. Many global brands now put great emphasis on online marketing campaigns, hoping that they will go “viral.” A viral ad by Coca Cola showed people from different backgrounds and occupations gathered in a pitch-dark dining room, letting viewers see how quickly they befriend each other in the course of their “blind” conversations. The ad sends an uplifting message about not judging people by appearance. It has been viewed over 18 million times, helping boost Coca Cola sales in the Middle East by 51%. In France, Coca Cola's advertisements on Facebook generated 3.6 times higher investment returns than television commercials. According to Facebook business, online ads accounted for 27% of incremental sales growth during 2013, yet they cost only 2% of total ad spending.

4 The popularity of social media keeps rising

Global active social media users

Unit: billion, %



Source: EIC analysis based on data from Wearesocial

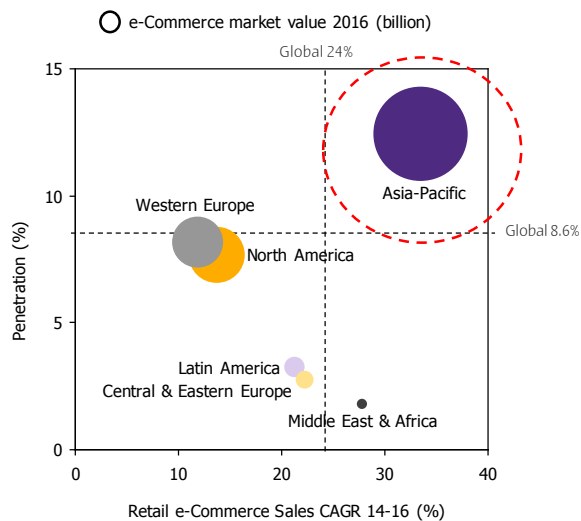
2) E-commerce provides speedy and convenient service, makes shopping decisions easier and offers easy payment and delivery processes. Online platforms tend to greatly shorten the window of time during which consumers deliberate about a possible purchase. And e-commerce has now finally become popular throughout the world. From 2014 through 2016, it expanded at an annual rate of 24% on a global basis, and by 33% per year in the Asia-Pacific region. Nowadays, shopping on international platforms such as eBay, Amazon and Aliexpress has become much easier. Efficient delivery helped drive the rate of growth of international e-commerce to 31% per year during the three years through 2016.

Nevertheless, e-commerce still accounts for just 9% of global retailing, leaving plenty of room for growth. The share is expected to rise to 13% by 2019, driven in part by continuing innovation of online shopping platforms. For instance, Amazon customers can now re-order frequently used products quickly by simply pressing a small, wireless button, called Amazon Dash, installed in the home. Ordering can also be done by voice command using the Amazon Echo device. e-Commerce has taken a big bite out of traditional retailers in the United States, especially department store chains. Macy's has closed down 100 branches, while Sears has shuttered 150 stores. JCPenney will slash 1,000 branches. Traditional retailers are trying to claw back sales by developing online channels themselves.

5 Its market share remains small for now, but retail e-commerce is surging

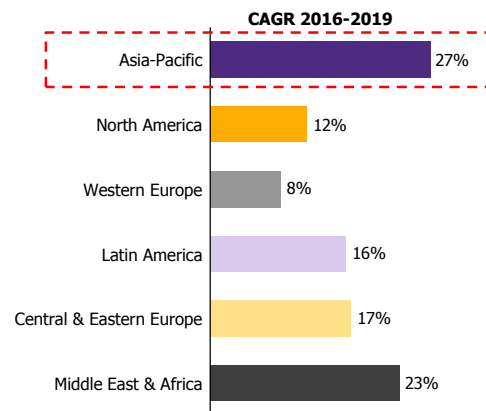
Retail e-Commerce sales worldwide and penetration

Unit: %, billion USD



Retail e-Commerce sales forecast

Unit: %



Source: EIC analysis based on data from eMarketer

Virtual reality (VR) and augmented reality (AR) are two emerging technologies that can help consumers make online purchases with greater confidence. These technologies simulate actual products in a highly realistic way so that the customer feels assured of getting what he or she wants. According to data from Business 2 Community, the rate of product returns among online orders is around 30%, higher than the 9% rate for products sold in-store. VR gives online shoppers a visual experience rather like that of an actual store visit. Artificial intelligence technology can further enhance the shopping experience by providing personalized recommendations, product details and promotional offers. AR technology lets the shopper see three-dimensional digital images overlaid on real ones, to preview the appearance, size and fit of a product. IKEA, for example, offers a mobile app that lets customers see virtual furniture positioned in their own homes.

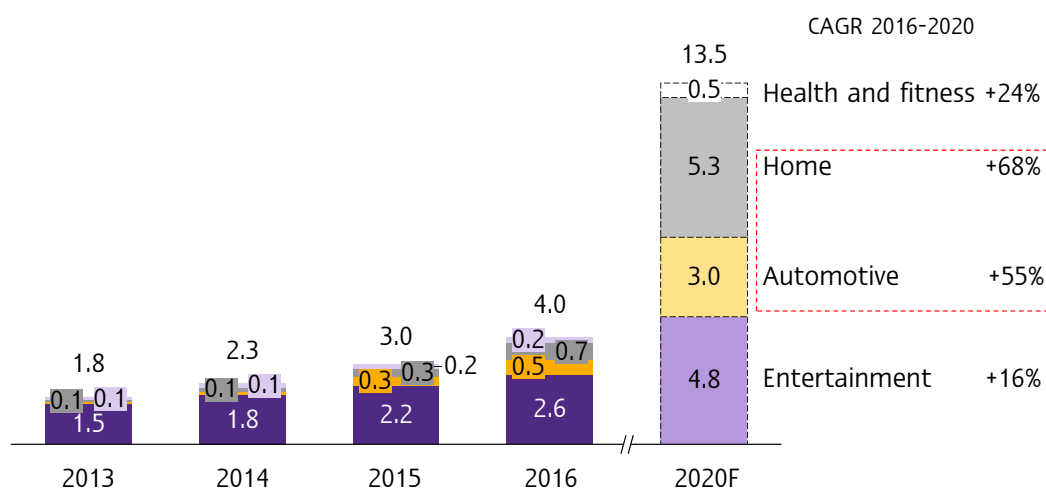
3) The emergence of “internet of things” (IoT) technology, which connects a wide variety of devices to the internet, promises to make consumers’ lives easier and more efficient. Examples of IoT systems include smart homes, whose owners can remotely control all their electrical appliances via mobile phone, no matter where they are, and smart cars, equipped with an online navigational system that allows a faster, safer commute. IoT is expected to become increasingly popular over the next few years, thanks to falling prices and growing recognition of the benefits. Gartner, a top technology research firm, projects that the number of IoT devices will more than triple by 2020, with home-related systems growing by 68% per year and car systems rising 55% annually.

Smartphone apps controlling IoT devices will improve lifestyle quality Calorie-tracking applications, linked to wearables like Fitbit and Apple Watch, encourage a healthy diet and exercise. Widely popular among young people, the number of health-related apps more than doubled within just two years, reaching 90,000 in 2015. A study by New York University found that 58% of those surveyed have downloaded health apps, and that more than 2 out of 3 use them daily.

6 Internet-connected devices will triple by 2020

The number of connected device by category

Unit: billion units



Source: EIC analysis based on data from Gartner

4) New innovations in manufacturing, such as 3D printing, will help cater the demand for personalization, encouraging some consumers to make their own products. The advantages of 3D printing are speed and easy customization, enabling greater flexibility and faster product launches than with conventional processes. Many companies have switched to 3D printing to make a wide variety of products, including pens, food, shoes, construction materials and even cars. Ford started using this technology to make car parts, since 3D printing allows production in small batches without high costs. The price of 3D printers has fallen by around 55% during the past five years, which means more users can now afford this technology. Consumers will be able to design and produce everyday goods for their own use, like tableware and toys.

1.4 From health to “wellness”

Today’s consumers want not just good health, but well-being, as seen in the 14% growth per year of the global wellness market between 2010 and 2015, compared to just 4% growth of the healthcare market. The wellness market is now valued at USD 3.8 trillion, or 5% of global GDP. Continuously evolving, the “wellness” market encompasses a wide range of holistic health and lifestyle offerings, including services and products that enhance physical appearance and those that promote inner well-being, such as health food, health tourism, exercise and alternative medicine. It also includes new trends such as wellness design for the home and workplace. These figures show that consumers are nowadays paying more attention to wellness, making it an integral part of their daily lives. Businesses, for their part, keep developing new products and services to satisfy this growing demand.

Wellness consumers will turn increasingly toward internal care rather than external care, demanding more specific products and services both in terms of food and exercise. Looking at the overall wellness market, it is clear that the beauty and anti-aging businesses are losing share, falling from 35% in 2010 to 26% in 2015. On the other hand, things are looking good for wellness businesses that emphasize enhancing beauty “from within.” Healthy food claims the largest share, as consumers increasingly seek healthier diets, take supplements and switch to organic foods. Asia’s organic food accounts for only 4% of the global market but grew 17% per year between 2011 and 2015, outpacing the global rate of 7%. Future prospects appear promising, with a great variety of products in the pipeline.

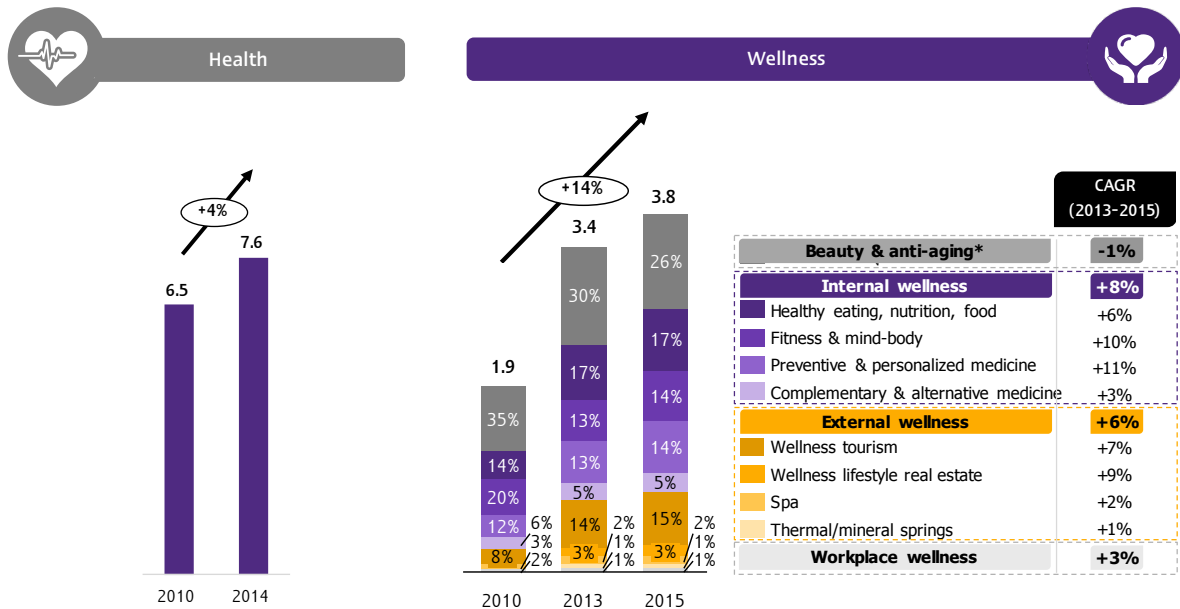


Consumers are not only exercising more, but also seeking ever more specialized fitness services. ASEAN’s fitness market grew 12% per year between 2011 and 2015, four times the global average rate of just 3%. Consumers are seeking new varieties of exercise, shifting toward specialized workouts. This demand is met by the GuavaPass, for example, a membership program that groups a wide variety of fitness studios across Asia. By paying a single monthly fee, members gain access to facilities and classes for yoga, functional training, cardio, Pilates, CrossFit, dance, Thai boxing and so on, reflecting demand for more sophisticated services than membership in a conventional gym.

7 Growing 14% annually, “wellness” market is one third of overall health and wellness market

Global health and wellness market

Unit: USD Trillion



*Skincare Cosmetics

Source: EIC analysis based on data from the World Bank and the Global Wellness Institute



1.5 From ordinary to unique experience

Experience-led consumption is another emerging trend, as consumers increasingly seek fulfillment through enjoyable activities rather than things. Consumers keep spending more on experiences, such as eating out, concerts, festivals and travel. Market research firm Mintel predicts that consumer spending on restaurants and travel will rise by 27% between 2015 and 2019, reflecting the growing value that people place on experiences. Providing a new or pleasurable or socially rewarding experience is increasingly the key to making products or services special, so that customers are willing to pay a premium. One example popular in cities in Europe and America is a new group dining event called Diner en Blanc, a mass picnic in a public place joined by hundreds of people all wearing white. Participants pay around USD 45 to enter, bringing their own tables, tableware and decorations, not to mention food and drinks. In Japan, diners pay to visit a prison-style restaurant called Lock-Up, where customers dine like inmates in cells. In London, a popular restaurant chain called Cereal Killer Cafe offers premium breakfast cereals costing 13 times the price of boxed cereals sold in supermarkets. They offer more than 100 varieties of cereals from around the world. Each location is filled with related souvenirs, decorations and displays like toys, pictures and vintage school milk bottles, almost like a small museum. The nostalgic atmosphere makes adult customers feel like they are children again. Cereal Killer Cafe has three branches in London and three abroad. It shows that the new generation of consumers is willing to pay extra for a unique experience.

The young generation of consumers born between 1981 and 2000, known as Millennials or Gen Y, is the main driver of the experience-led consumption trend. Having grown up amid great change yet relatively free from hardship, this generation has a different outlook from that of their predecessors. They want to chase their dreams and seek fulfilling new experiences. Thanks to social media, they enjoy the instantaneous, boundless sharing of experiences, which compels them to keep seeking new experiences for fear of losing out.

The demand for novel or unique experiences is not limited to restaurants and travel, but is spreading into other types of products and services.

One example is the Color Run, a running event that emphasizes fun more than athletics. It has been held in many countries around the world, including Thailand. As runners proceed along the route, bystanders shower them with powders dyed in all different colors. Participants arrive at the finish line in clothes splashed in a rainbow of hues. In Japan, a quirky service called Ossan Rental lets clients to hire old men (“uncles”) to provide friendly advice or companionship on errands. People are drawn to these kinds of events and services thanks to the unusual experience that each of them offers. Conventional businesses are catching

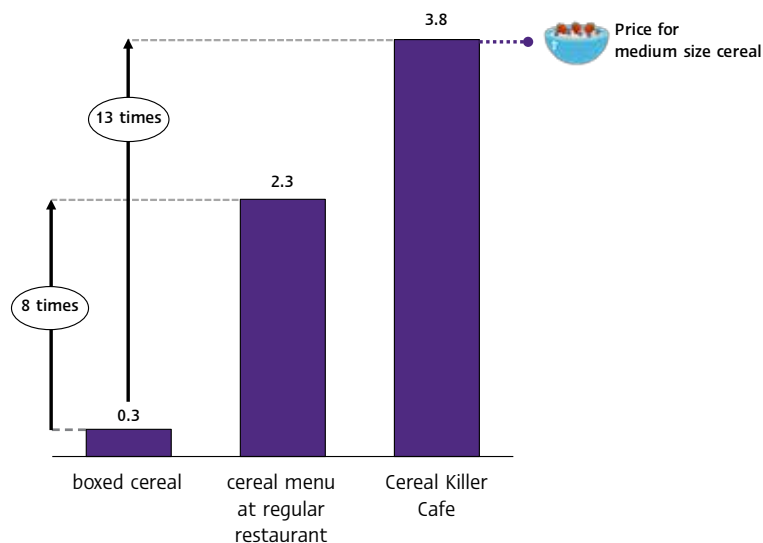


on to this trend. Renowned jeweler Tiffany & Co., for example, has launched its own filters for Snapchat, the mobile app. Other companies are devising events and activities that foster brand loyalty by letting customers enjoy distinctive new experiences.

8 A unique dining experience lets Cereal Killer Café charge premium prices for its product

Price comparison between boxed cereal, cereal menu at regular restaurant and at Cereal Killer Café

Unit: Great Britain Pound (GBP)



Note:

- Boxed cereal price is based on estimated price for one cereal meal, calculated from prices shown on Waitrose England website.
- Regular restaurant price is based on price for “Cold Cereal” on the Otter Rock Cafe website

Source: EIC analysis based on data from Waitrose and websites of Otter Rock Cafe and Cereal Killer Cafe



2

Consumer trends in Thailand 4.0: What's in and what's out?

In general, Thailand's current consumer trends resemble the global ones. Yet some consumer behaviors here are specific to local demographic changes. These changes include the rapid emergence of the aging society, rising incomes and changes in household structure. To better understand the many dimensions of Thai consumer trends now, EIC has analyzed the changing patterns of spending behavior using data from the National Bureau of Statistics. (More on this in BOX: Thai household spending: a closer look). In addition, EIC has conducted its own consumer survey that provides a deeper analysis of current consumer trends involving lifestyles, popular products and services, online shopping and influential media. The data reveal insights that can help businesses adapt to consumer demands in Thailand 4.0.



EIC survey



Sample size

5,701

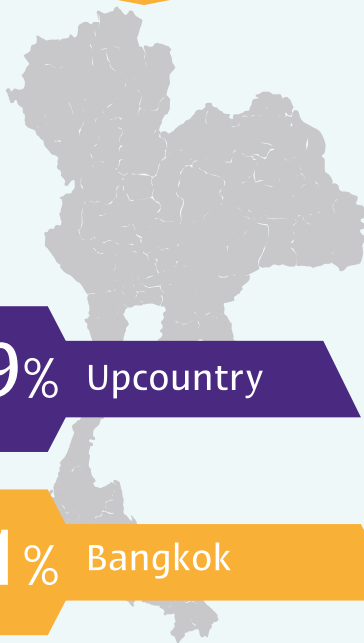


67%
Female

33%
Male



Residential area



49% Upcountry

51% Bangkok

Age

25 or less	12%
26-30	17%
31-40	37%
41-50	21%
51-60	10%
61 or above	3%

Education

Less than High school	2%
High school	9%
Vocational	10%
Bachelor	57%
Master or above	23%

Family size

12% 1 person

63% 2-4 persons

26% 5 persons or more

Occupation

48%

Private sector worker



14%

Government sector worker



11%

Business owner



9%

Freelancer



5%

Student



3%

Retiree



9%

Others

Monthly personal income

17%	THB 15,000 or less
25%	THB 15,001 - 30,000
35%	THB 30,001 - 50,000
16%	THB 50,001 - 100,000
7%	THB 100,000 or above

Source: EIC survey as of February 2017





2.1 What kind of lifestyle do Thai consumers now want?

Consumers in Thailand 4.0 like to stay at home, enjoy entertainment, addict the internet and consume a variety of media. EIC Consumer Behavior Lifestyle survey reveals that over 60% of consumers would rather stay in than go out. In this group, more than 75% say their favorite pastimes are watching TV series and listening to music, while 74% enjoy browsing websites and social media. Consumers now have access to more media alternatives than ever before, thanks to smartphones, tablets, high-speed internet and a wide variety of domestic and international media channels including Line TV, Facebook and YouTube. This means that businesses can reach young consumers faster via more channels, targeting specific markets with ease. However, as consumers become older, their exposure to these media will decline, as they increase the time they spend reading, exercising and enjoying other hobbies.

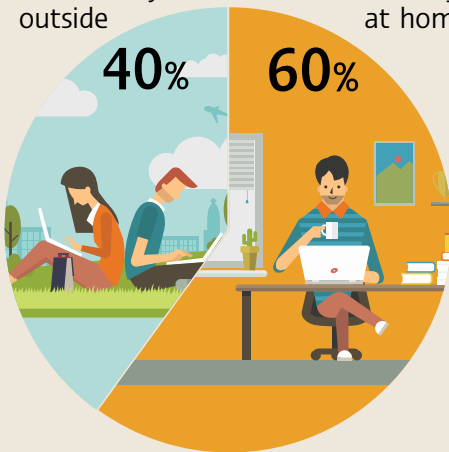
Eating out and shopping are favorite leisure activities. Although the majority of consumers say that they like to stay at home, our survey reveals that 80% of consumers, especially teenagers and high-income people, said that they have actually been spending more time out than at home during the past five years. And when they do go out, they tend to spend more money than in the past. The most popular activities are dining and shopping, which help consumers unwind after a hard day's work, do not take much time and are convenient.

Thai consumers' preferences staying home or going out

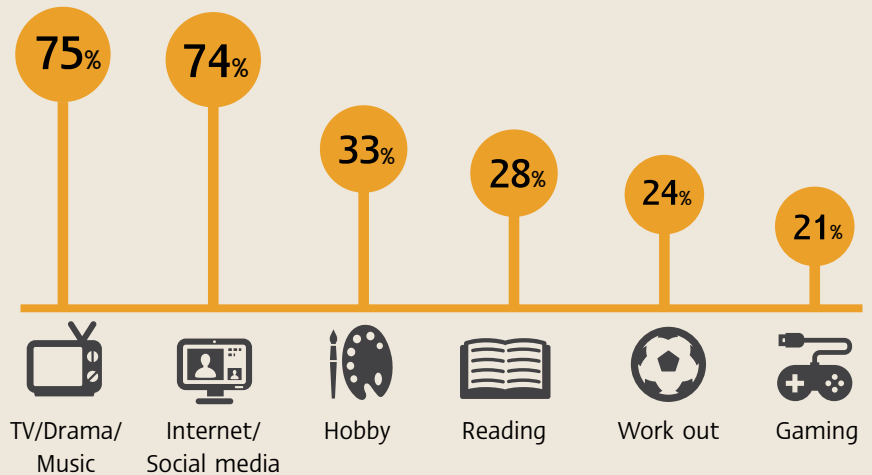


Unit: % (Out of 5,701 respondents)

Thai consumer love to stay outside VS Thai consumer love to stay at home

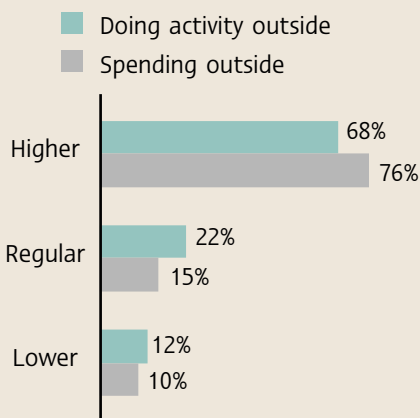


The most popular activity at home

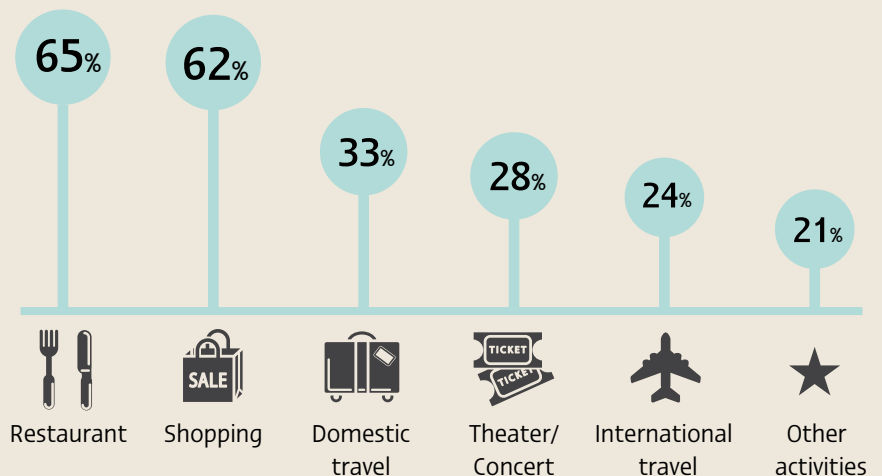


The most popular activity outside

Compared to the last 5 years



The most popular activity outside



Source: EIC analysis based on data from Customer behavior change 2017 EIC survey



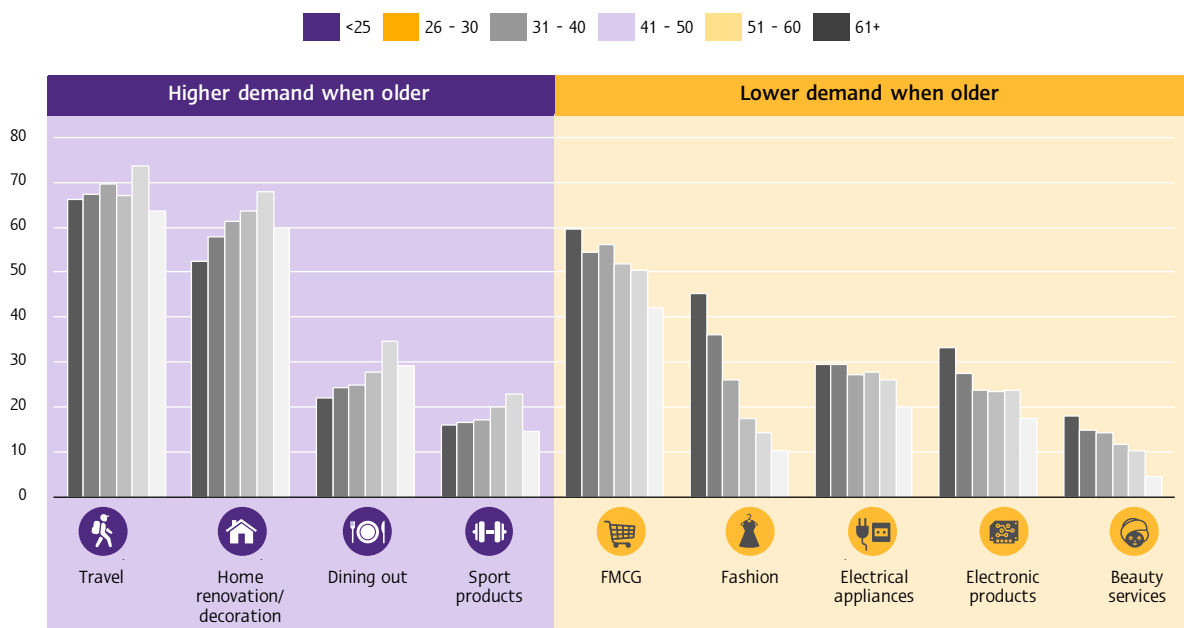
Thai consumers are especially willing to spend on travel. When our survey asked consumers how they would spend if their income were to rise by 20%, more than 70% said they would increase their travel spending, the most popular choice. The survey also showed that the older people get, the more willing they are to spend on travel. In addition, consumers now value new experiences more than before, as 55% of them travel more frequently compared to five years ago.

Thais want to renovate their homes when they earn more and become older. Apart from traveling, more than 60%, especially those aged 50-60, said they would renovate their homes if their income were to rise by more than 20%, indicating the value placed on quality of life. At the same time, as consumers get older, their demand for consumer products tends to fall, as can be seen in the clear drop in demand for fashion products among people aged 30 and over. Businesses should therefore focus on offering products and services that would better meet the demand of this target group.

9 Thai consumers want to spend on travel, eating out and home improvement

If you gain 20% higher income, you will spend on

Unit: % of total respondents in each age group



Source: EIC analysis based on data from EIC survey (February 2017)



Thais are concerned about their health, but rarely exercise

Asked about their top concern, over 40% of those surveyed said they are most worried about their health, while 34% cited their finances. This is especially the case among consumers over 30. Interestingly, however, only 1 in 5 people exercise regularly, despite the fact that exercise is a basis for good health. Instead, consumers are increasingly turning to food supplements to improve their health. EIC survey question on dietary supplement consumption behavior, found that over 55% of consumers between the ages of 30 and 59 take dietary supplements, and the demand increases with age, in inverse proportion to the tendency to exercise. This reflects consumers' busy lifestyles, whereby food supplements are perceived to provide a convenient and timesaving way to take care of health.

Cars top the acquisition wish list among young people starting their working lives.

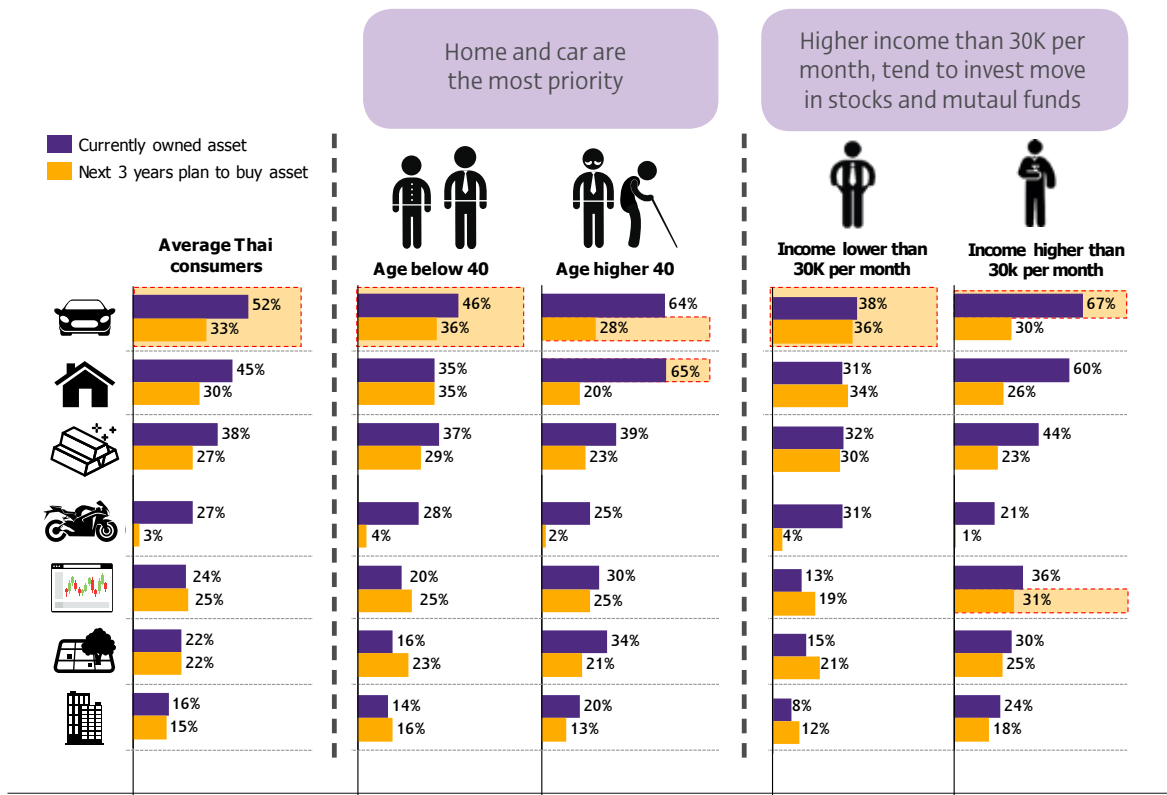
EIC's question regarding asset purchases found that cars, homes and gold are the three most common assets that people own or plan to buy during the next three years. Most of the consumers who buy these assets, especially cars, are those starting out in life, namely, people under the age of 40 or earning less than THB 30,000 per month. This finding suggests that Thai consumers value convenience, and also that the continually improving mass transit system still has not met their transport needs. Moreover, cars are regarded as a status symbol in Thailand, particularly in Bangkok. The demand for cars is higher in the city than in the provinces, where cars are mainly bought for business purposes or essential transportation needs. At the same time, consumers seek financial security, since they tend to decide to buy a house to live in, rent out or as a speculative investment. Gold is also a popular choice, thanks to its perceived status as a safe asset. Consumers earning more than THB 30,000 per month, however, tend to also expand their investment portfolio to include riskier assets, with over 31% planning to invest more in stocks and mutual funds in order to receive higher returns.



10 Cars, homes and gold are the three most popular assets

Income less than THB 30k or age under 40 are the main group who plan to buy a car in the next 3 years

Unit: % (Out of 5,701 respondents by age and income)



Source: EIC analysis based on data from EIC survey (February 2017)



BOX

Thai household spending:
a closer look

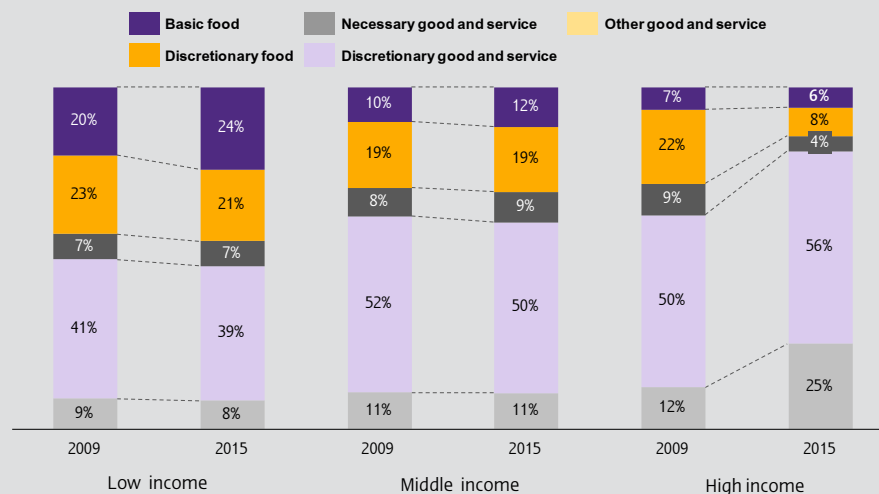
Thai household spending increased 7% annually from 2009 through 2015, according to EIC analysis based on data from the National Statistics Office's Household Socio-Economy Surveys. Consumption behavior varied by age, family size and income level. The proportion of middle-income households rose to 14%, up from 9% in 2009, owing to an increase in the number of lower-middle income earners (salary between THB 15,001 and 30,000 per month). Meanwhile, the proportion of low-income households declined. This reflects the rise of Thai household income and purchasing power, as well as expansion of the middle class.

High-income households spent more on luxury items, especially personal vehicles. In 2015, there was no significant change in spending patterns among low- and middle-income earners. On the other hand, the high-income group spent more on discretionary goods and services, which accounted for 56% of their spending in 2015, up from 50% in 2009. The majority of working-age high-income earners (21 to 40 years old) spent the most on personal vehicles, particularly on car purchases and maintenance.

11 High-income earners spend more on discretionary goods and services

Share of Thai consumer spending by income group

Unit: % of monthly expenditure per person



Note:

Basic food items include fresh food, rice, flour, milk, eggs, vegetables and fruit.

Other goods and services include personal care, healthcare and education.

High income: above THB 100,000 per month per person

Middle income: THB 15,001-100,000 per month per person

Low income: below THB 15,000 per month per person

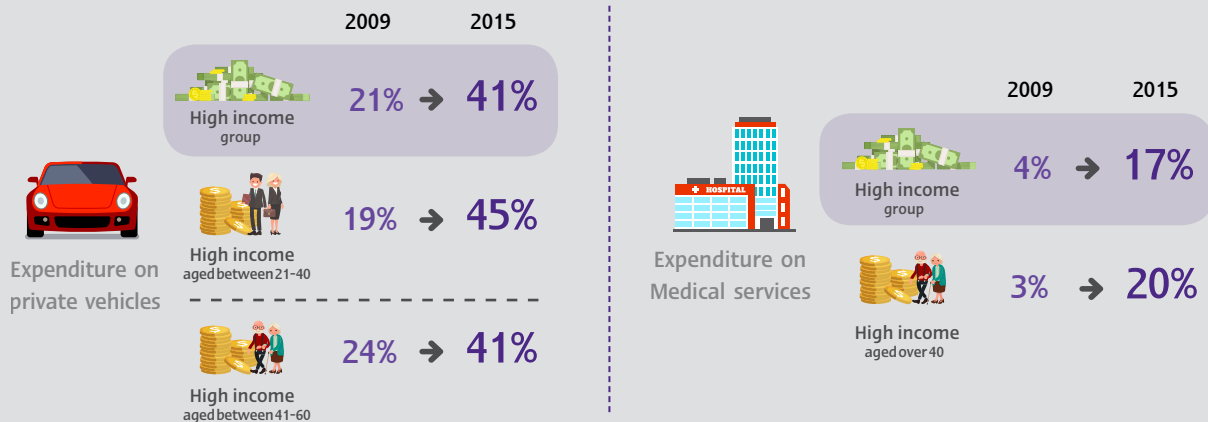
Source: EIC analysis based on Socio-Economic Survey 2009 and 2015 compiled by National Statistics Office

As they earn more, Thai consumers tend to become more health conscious. From 2009 to 2015, spending on medical supplies and healthcare among high-income earners increased from 4% to 17% of monthly expenditure, especially among those 40 years or older whose health-related spending was high as 20%. Most of the expenses was for health examinations and outpatient medical care. This shows that Thai consumers place a high premium on health, and are willing to pay more for check-ups and treatments to keep their health at the optimum level.

12 High-income households spend the most on cars and healthcare

Share of high income group's expenditure on private vehicle and medical service

Unit: % of monthly expenditure per person



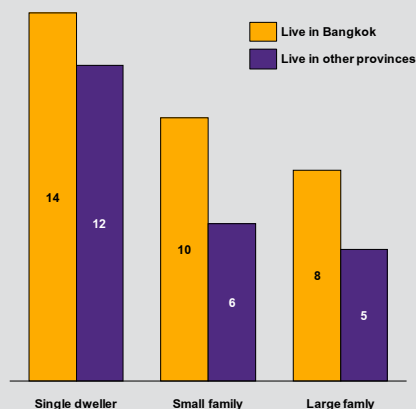
Source: EIC analysis based on Socio-Economic Survey 2009 and 2015 compiled by National Statistics Office

Single dwellers and youngsters enjoy dining out. Grouping households according to size, single occupants expended the most on eating out, They spent around two times more than those living in a big family. Bangkok residents also ate out more often than those living in other provinces. Eating out was especially popular among youngsters (20 years or younger), accounting for 13% of their monthly spending—around 4 times more than the proportion spent on eating out by seniors. Indeed, the proportion dropped as consumers get older.

13 Singles and youngsters dine out the most

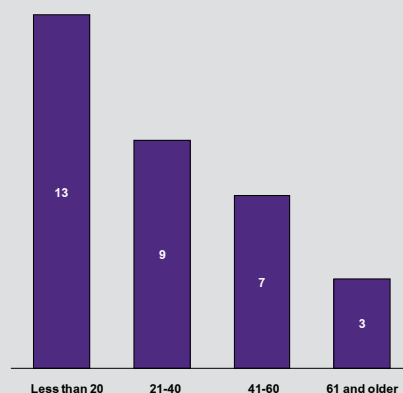
Share of spending on dining out by household size and residence

Unit: % of monthly expenditure per person



Share of spending on dining out by age

Unit: % of monthly expenditure per person



Note:

Small family = 2 to 5 members per household

Large family = 6 or more members per household

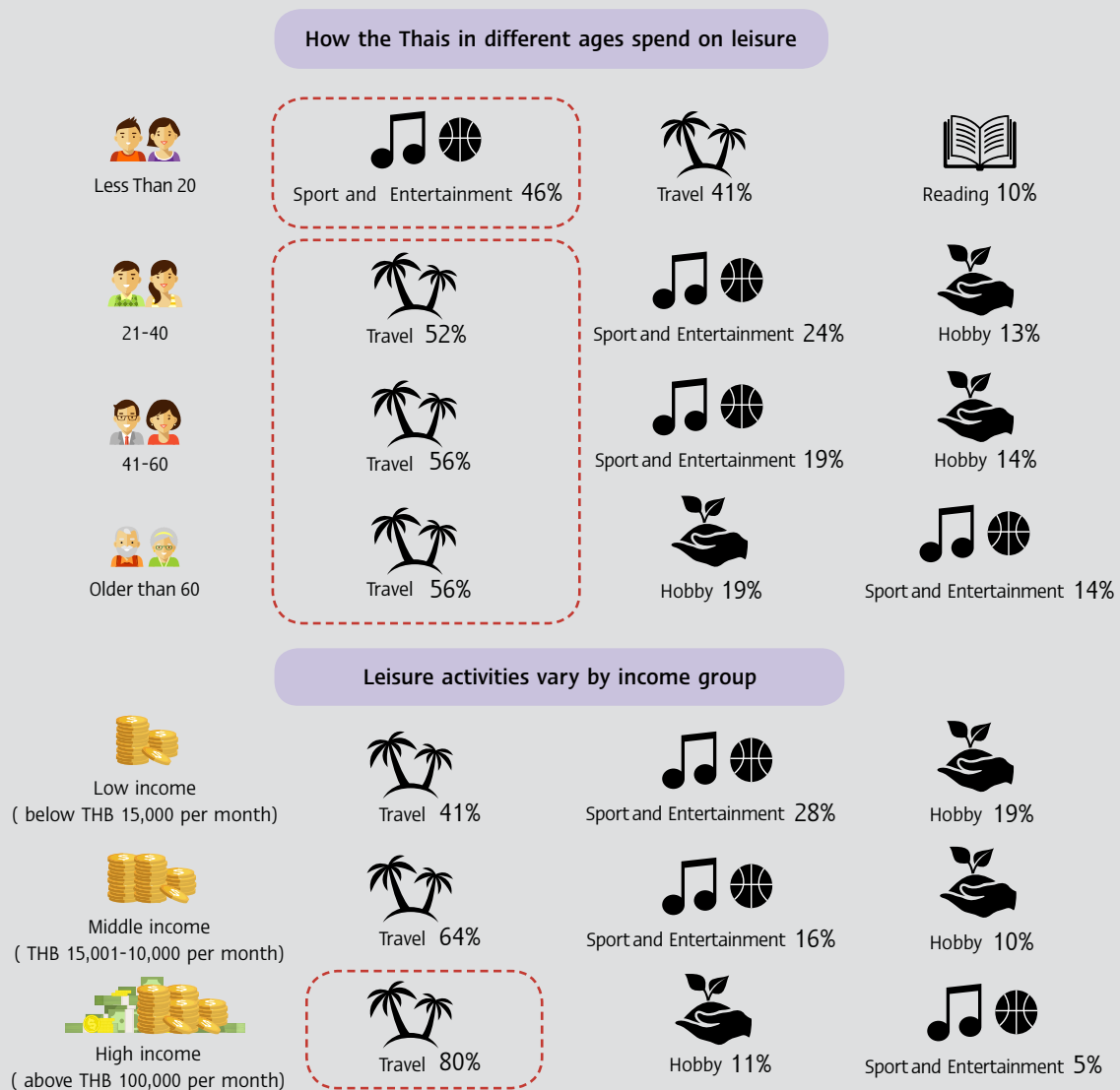
Source: EIC analysis based on Socio-Economic Survey 2015 compiled by the National Statistics Office

Thai consumers' spending on entertainment and travel accounted for 3% of their total spending, and patterns of leisure spending varied according to age and income. Traveling was very popular among high-income earners, whose spending on trips accounted for 80% of their total spending in the entertainment and travel category—more than 2 times the proportion seen in the low-income group. Furthermore, travel- and hobby-related spending increased with age, unlike spending on entertainment and sports, which declined as consumers grew older. This shows that older consumers tend to spend more time on activities at home like gardening and taking care of pets, while younger consumers favor entertainment and sports. Businesses in different industries may need to adjust their strategies to cater to different markets according to age or income. In particular, tourism operators can seize the opportunity to expand their market among seniors, who have more financial resources and leisure time, and are likely to spend more on leisure travel in the future.

14 Spending on leisure varies by income and age

Share of expenditure on recreation and travel by income and age group

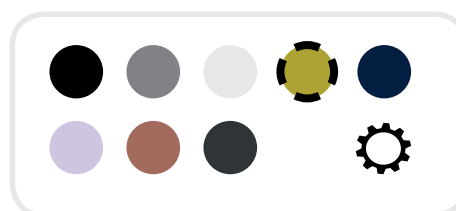
Unit: % of monthly expenditure on recreation and travel per person



Source: EIC analysis based on Socio-Economic Survey 2015 compiled by the National Statistics Office

2.2 What kind of shop appeals to modern consumers?

Thai consumers have become more selective, focusing more on quality and product personalization than price. More than 90% of consumers would pay more for high quality products, while 80% want customized products, unlike in the past when consumers only cared about prices. Consequently, businesses are now focusing more on developing products that customers can personalize, such as by choosing their own colors and materials. Consumers nowadays place a premium on differentiation. More than 50% want to purchase products that are unique. In fashion, for example, many brands now offer limited-edition products, whose popularity is rising despite costing twice as much as regular products.

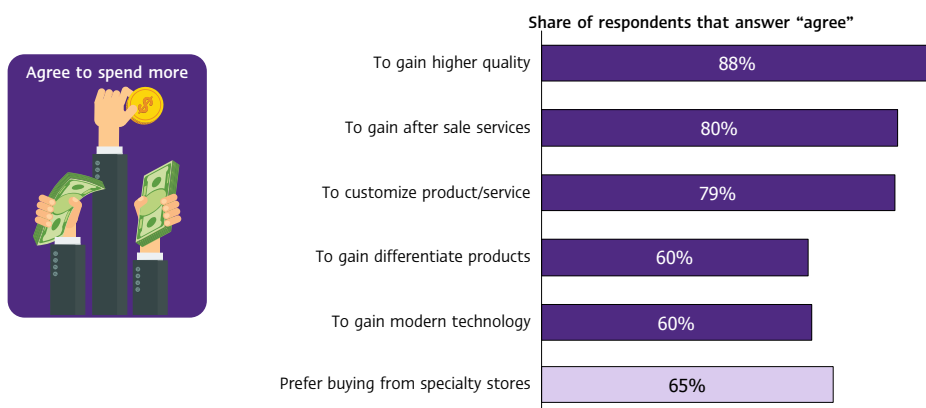


Specialty stores are outselling general-purpose stores. As consumers become more sophisticated and selective, specialty stores provide the answer, since they offer products catering to specific needs. For instance, beauty-care retailers offer a full range of beauty products, usually across multiple brands. This poses a formidable challenge to traditional retailers, such as the single-brand cosmetic counters in department stores. The strength of the specialty store is serving as diverse, one-stop shopping for its particular category of product. This satisfies the demand of modern consumers, who want to compare prices and quality across brands and buy different brands at the same time.

15 Modern consumers are willing to pay more for quality, customization and after-sales service

Do you agree to spend more to gain following goods and services

Unit: % of total respondents



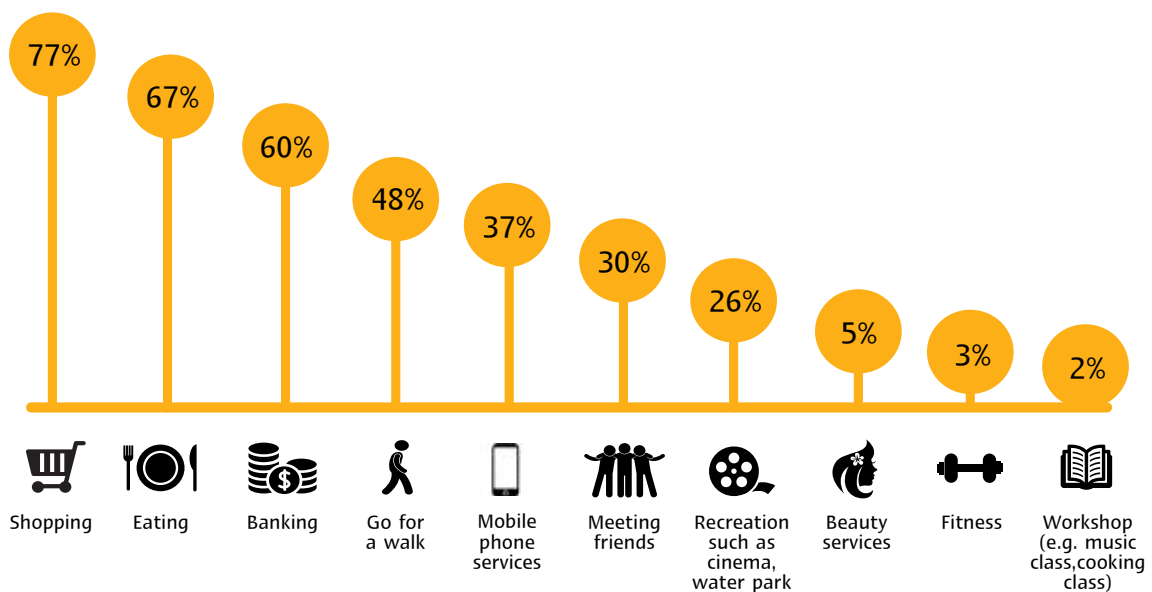
Source: EIC analysis based data from EIC survey (February 2017)

Stores need to offer “retailtainment,” a pleasurable leisure shopping experience. The one-stop shopping concept continues to be relevant, favoring shopping malls. Among mall-goers, 80% not only purchase goods, but also use services such as restaurants, banks and mobile phone service centers. However, these needs might not be enough to attract shoppers in the future due to the rise of online channels for both goods and services. Shopping malls will have to adjust. 48% of consumers go to shopping malls to kill time and 30% go to meet friends or engage in recreational activities. It's clear that consumers want more from shopping malls than a place to buy merchandise. Retail developers will have to provide memorable experiences to ensure that customers keep coming back. This can be done by providing space for leisure activities and entertainment, with a regular stream of events that will drive traffic.

16 Shopping malls must provide more than one-stop shopping

Objectives of going to shopping mall/ community mall

Unit: % of total respondents



Source: EIC analysis based on data from EIC survey (February 2017)

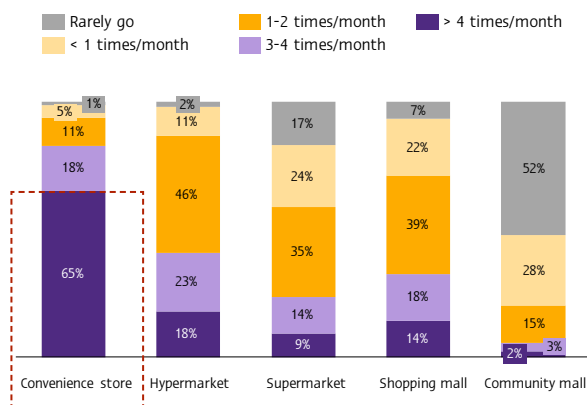
Shopping malls are popular, but community malls have not garnered much enthusiasm among Thai consumers. 52% report rarely visiting community malls, even though these facilities continue to be built in various locations, especially in dense residential areas. The community mall model does not provide the kind of one-stop shopping that consumers prefer. Thailand's tropical climate might also be a factor. Thais prefer enclosed, air-conditioned malls, where many different types of shops, services and entertainment can all be visited in comfort.

Modern consumers like convenience stores Thanks to speed and proximity, despite the fact that 60-70% of Thai consumers like to buy in bulk, such as at modern trade hypermarkets. The majority of consumers appreciate convenience, and convenience stores are increasingly popular. 65% of shoppers visit convenience stores more than 4 times per month. Aging demographics also favor convenience stores, as around half of consumers aged 50 and up like to buy in small quantities and visit stores often. The mushrooming of convenience stores will meet the demand for nearby, quick and small purchases.

17 Convenience stores meet today's needs, especially among seniors

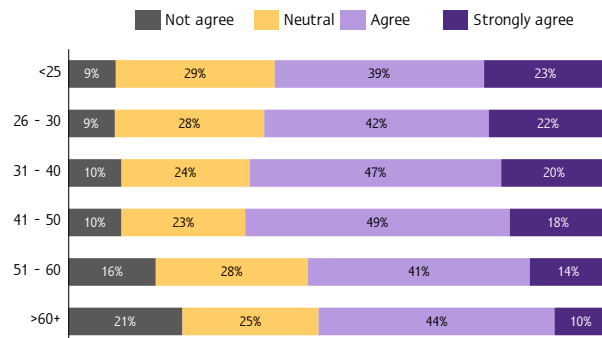
How often do you go to following shops?

Unit: % of total respondents



Do you prefer buying in the bulk rather than buying individual with more often

Unit: % of total respondents



Source: EIC analysis based on data from EIC survey (February 2017)

2.3 Who are Thailand's online shoppers?

Thai consumers have become more comfortable with online shopping and services. The Thai e-commerce market grew around 13% annually between 2014 and 2016 and is now valued at approximately THB 50 billion, or 1-2% of all retailing. Businesses must now further develop their online sales channels. 85% of consumers have made purchases via e-commerce channels. Among those under 40, the number jumps to 90%, and there's an upward trend among seniors, 42% of whom now shop online. These figures show that e-commerce reaches all age groups. In addition, the majority of consumers also use other online services such as travel reservations and banking. 63% book rooms or flights online and 75% bank there. Businesses need to get ready for the digital society.

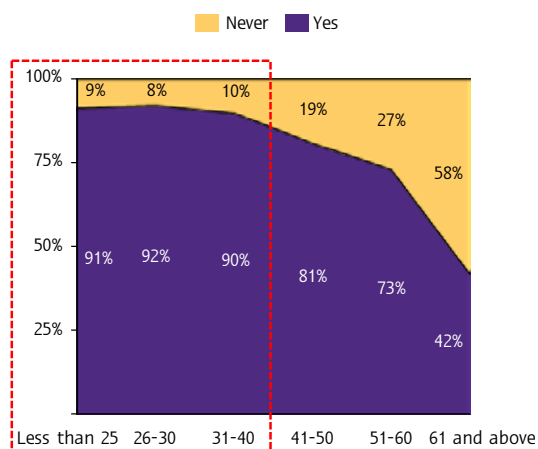


Fashion items, cosmetics and consumer goods are the three product categories bought online most often. More than half of women surveyed go online to buy fashion items, such as clothing, handbags and shoes, as well as health and beauty products, while men tend to buy electronics and clothes. When researching and buying these types of products, consumers are more likely to rely on online channels alone than when shopping for other goods.

18 Thais are starting to embrace online shopping

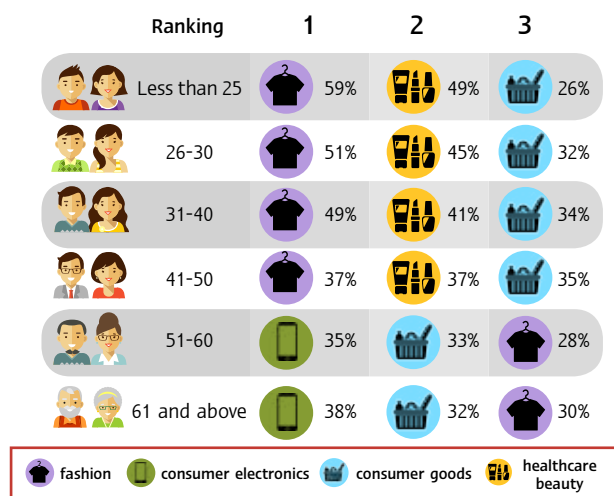
Have you ever shop online?

Unit: %



Type of products which popular through online platform

Unit: %



Source: EIC analysis based on data from EIC survey (February 2017)

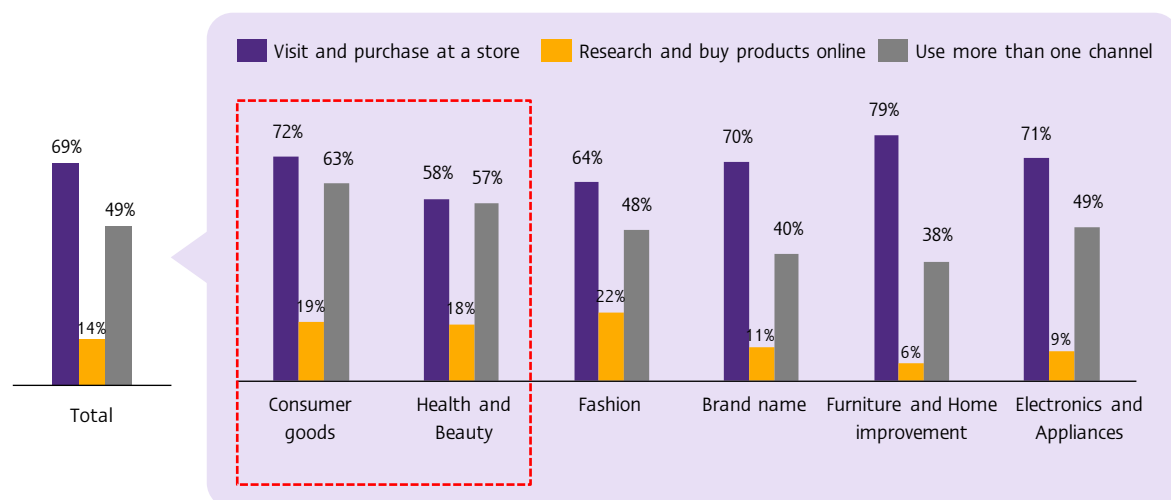
Nevertheless, Thai consumers still do not shop online frequently. Most make online purchases only once or twice per month. Businesses have to develop other sales channels along with e-commerce. Physical stores remain a key sales channel. 69% browse and buy directly in-store. 49% browse and buy using multiple channels. For example, some shoppers do some research online before buying in-store, while others browse in-store before buying online. This is particularly the case with household goods, as well as with health and beauty products.

When shopping for furniture and decor items, consumers still prefer brick-and-mortar stores since they want to see the actual products before buying. This is also the case with expensive goods such as electronics, electrical appliances, brand-name products and jewelry, since a physical shop allows the buyer to test or inspect the item before purchasing. This means that brick-and-mortar shops have not become obsolete and should be developed alongside online channels.

19 Consumers like to use both online and real shops when researching and buying products

Customer journey to purchase a product

Unit: %



Source: EIC analysis based on data from EIC survey (February 2017)



Thai consumers like to shop online via multiple channels. More than half use both websites and mobile apps rather than relying on just one or the other. Those under 25 like to shop on Facebook and Instagram, while other age groups prefer major e-commerce platforms like Lazada. The most popular method of payment is by credit/debit card via an e-commerce website. Consumers prefer this to cash on delivery (COD), showing that online shoppers are familiar with online payments. Seniors, however, prefer COD, a more traditional method, and they increasingly use bank transfers to make payments.

Businesses selling online should focus not only on price and promotions, but also on cyber security and convenience. 90% of consumers surveyed indicated they would use online channels if they offered greater security and convenience. Attractive prices and promotions alone may not be enough to entice consumers. A successful online channel with a steady stream of customers will have to provide comprehensive services, including secure payment channels and product warranties as well as fast, trackable delivery.

2.4 What kind of advertisement will entice shoppers?

New media channels, including YouTube, Facebook, Twitter, Instagram and other social media platforms, have become a top marketing tool. The total number of social media users in Thailand stood at 46 million in 2016, rising by 20% from the preceding year, whereas print media and television declined in popularity. It appears that fewer people are reading newspapers and magazines and watching TV, since 12 print titles and 4 television channels closed down in 2016. Marketers today cannot simply rely on traditional methods but must adjust their strategy in order to match consumers' changing behavior.

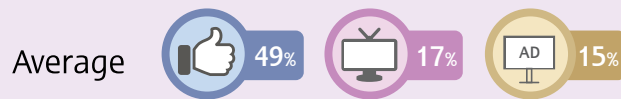
Thai shoppers are strongly influenced by online media. EIC's survey found that almost 50% of consumers are more persuaded by reviews and information shared online than those found in other media because the internet allows access to trends and reviews from around the world. Online media is expected to grow in importance, especially for the service industry, and most particularly in consumers' selection of tourism services and restaurants. 71% of travellers and 58% of restaurant-goers agree that reviews and experiences shared online are the most effective channel to persuade consumers. This shows that social media is an important marketing tool that businesses cannot overlook.

Regardless, television advertising remains the main channel of influence for sales of daily-use products, especially consumables and electronics. This is because consumers generally do not require much information when deciding to purchase these types of products. Shoppers tend to choose the brands that they are already familiar with or that have well-known presenters. 1 in 4 consumers still rely on TV commercials to help them make purchase decisions. TV ads are especially influential among senior consumers (over 60 years old): more than 32% regard television as the most influential channel, affecting all purchase decisions in all product categories, whether it be daily-use products, fashions or even beauty products.

Billboards and posters in front of stores are still necessary for products that need to be seen in person by the customer. These include fashion items, brand-name products and furniture. More than 20% of consumers see these types of advertisements as a crucial marketing tool that can spark interest and motivate them to walk into a store and try the product. This shows that businesses still need to use traditional commercial media, but must tailor them according to product type and target customer group.

In this new era, businesses need to use a mixed approach in marketing. They can combine online channels with other media to attract target customers by, for example, having bloggers and influencers review their products to capture Gen X and Gen Y customers, while using television commercials to create brand awareness among senior consumers, who are a large and fast-growing share of the populace. As for specialized products such as health products for seniors, marketing efforts should focus on television, mixed with a bit of social media marketing. Magnum ice cream provides a good case study of effective combined use of old and new media. At first the brand used well-known stars as influencers to attract interest via Instagram. Then Magnum launched a media blitz via traditional channels like television and radio to reach the broad mass of consumers. This strategy worked well, boosting sales of Magnum ice cream up to 10 million bars within the first month of the campaign launch or twice the average annual sales figure in the year preceding.

What kind of advertisement will entice shoppers?

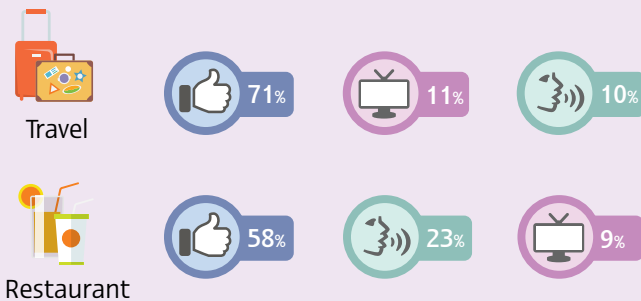


Unit: % of total respondents

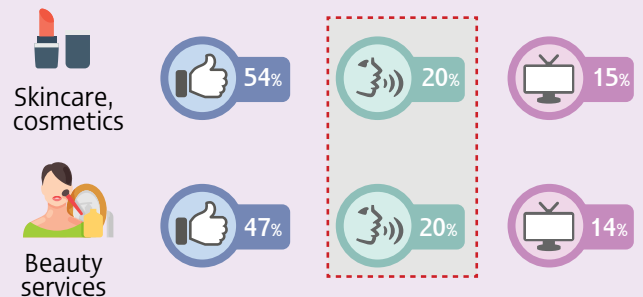


Social media are the most powerful media channel today. Other media are influential in some cases, such as television's influence on senior consumers

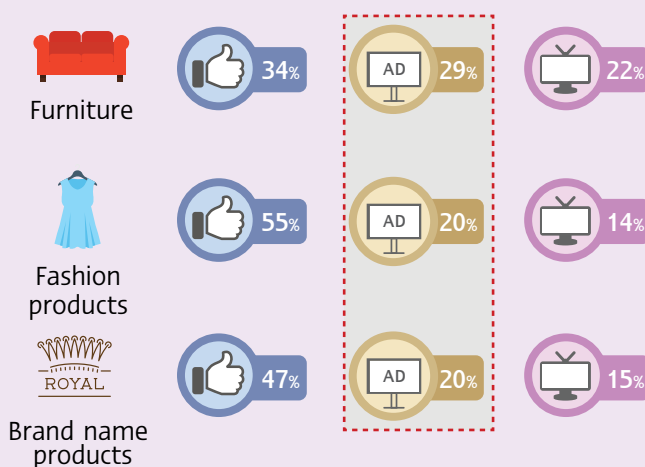
Online media is the top marketing tools for shopping and dining



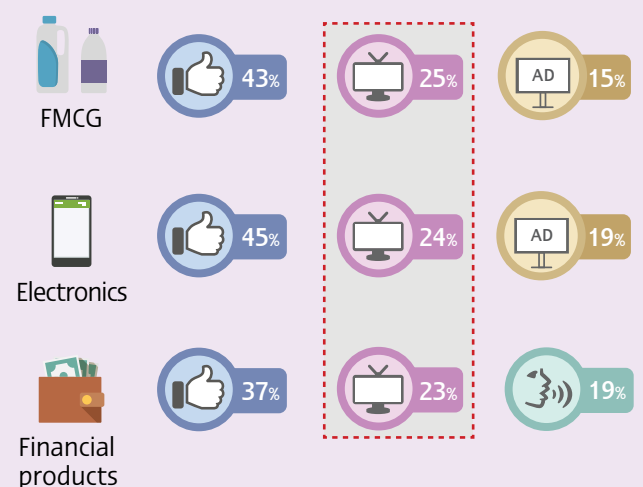
Word of mouth is crucial for beauty products & services



Billboards are necessary for products that need to be seen in person



TV is powerful for daily use products



Which media is influential among the elderly



Source: EIC analysis based on data from EIC survey (February 2017)





3

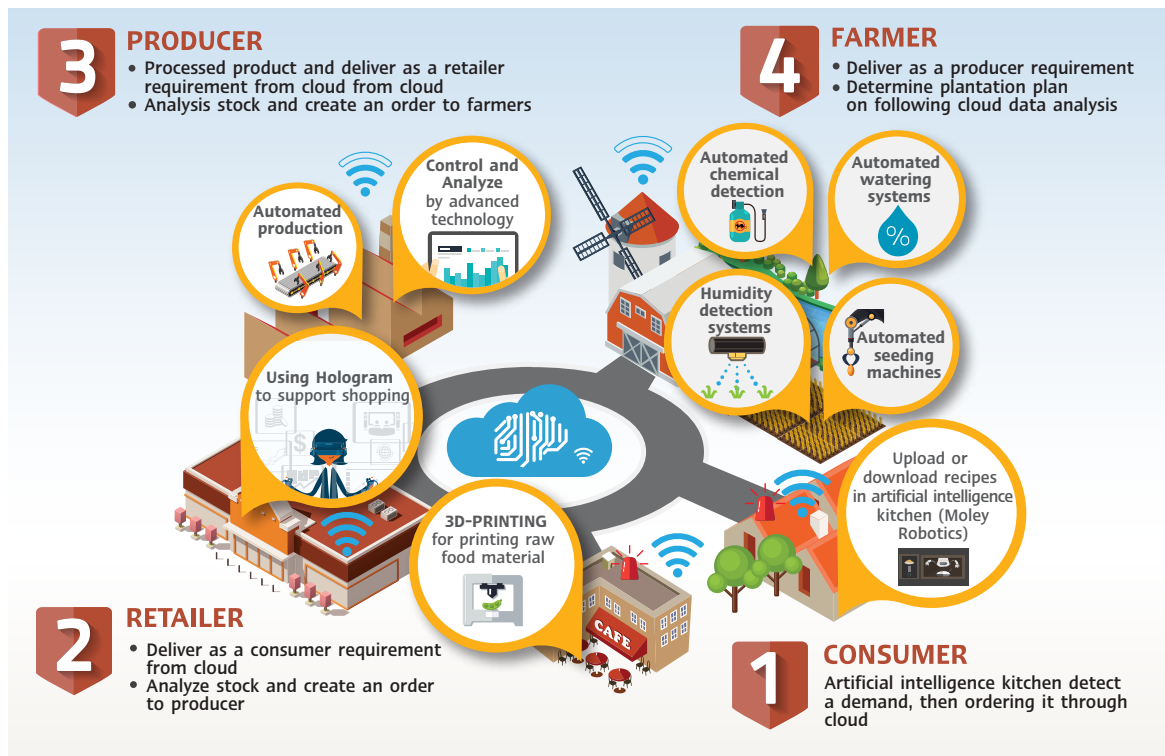
Winning consumers' hearts and minds in the 4.0 era: How should businesses adapt?

Consumer behavior is becoming increasingly sophisticated and varied in the 4.0 era. Businesses that want to thrive will need to adapt to phenomena like technology-driven changes in lifestyle, demand for personalized products and the proliferation of distribution channels enabling unlimited access to consumers.

3.1 Collaborations across the value chain and use of big data will help businesses well responding to growing demand of personalization

Consumers' increasing sophistication and desire for personalized products will transform business models, requiring companies to collaborate with others within the same value chain. Businesses will need to use technology to enhance connections between all players in their value chain in order to develop products that better satisfy consumers. Technology can help expedite communications and information-sharing among players within a value chain. For instance, food businesses can use augmented reality to let customers view 3D product information via mobile phone. Integration along the food supply chain can give customers access to helpful information starting from upstream production processes all the way through to final delivery.

20 Players within the same value chain should work together to form an intelligence network and technology



Source: EIC analysis

Moreover, new artificial intelligence technology such as Moley Robotics, an automated kitchen, can cook meals based on uploaded recipes or even suggest recipes and ingredients (and where to find them) based on consumers' favorite menus. It can also provide personalized nutritional information, including caloric intake, linking users with online nutritionists and providing suggestions for special needs such as food for the elderly or children. All of which points towards ever more demand for personalization in the future. This type of new technology has also enabled automated ordering from manufacturers and retail suppliers as well as linked-up food packaging, smart kitchen utensils and the robotic kitchen. Real-time sharing of data from organic vegetable shelves in modern retailers can help farmers manage stocks more efficiently and better forecast future consumer demand, allowing harvests and transports to be optimally timed, always fresh on shelf and reducing waste from overstock.



Business partners could make the most benefit from using big data in planning business strategy.

Customer information collected downstream in the value chain (i.e., close to consumers), such as information from credit cards or store membership cards, can help producers and retailers better understand consumption patterns and trends among different consumer segments and age groups. Such information can also be beneficial to other players in the value chain, such as mobile phone operators, who, collaborating with retailers, can use customers' mobile phone usage information to identify where to establish a store in order to serve the most people.

Stores can also use economic data, consumer preferences and online customer feedback to determine a suitable price scheme for each target consumer.

Stores and brands abroad that have begun to integrate such technology have seen great results. 100% Pure, a cosmetics company, for example, makes use of big data to analyze customer behavior as they shop for products online. Using a machine learning algorithm, the website then estimates the price each customer is willing to pay and provides suitable promotions and discounts. Special discounts, for example, are given to customers who are unlikely to make a purchase after browsing the company's website. This technology, which has proven to be rather accurate, helped 100% Pure boost its online sales up to 14% within just three months. Another example is Tesco in South Korea. The company decided to use virtual shops via waiting platform subway to help increase sales among office workers after learning that these consumers generally do not visit retail and online stores because of long-hours work culture, but commute daily by subway.

The new Customer Revolution 4.0



Customers

- Principal thing to live or a basic needs
- Benefit compare to price
- Few product varieties
- Few product available

- Functional first
- Differentiate selection
- The best product

- Emotion first, functional later
- Socialization / Viral
- Peer sharing
- Mass customization
- Stay online
- The best satisfaction

- They buy when and where they want
- Fragmented
- Initial demand
- Sophisticate
- Connection to everything
- The best match



1.0 Mass market customer

- Fragmented players
- Low capacity
- Distribution is the most important



2.0 Value customer

- Monopoly from few players
- High productivity
- Low cost production
- Branding / Advertising
- One-way communication
- Offline / Online - chained channels



3.0 Digital customer

- Business creativity
- Product experience
- Positioning / More accurate target
- Two-way communication
- Multi-channels
- Disruptive technology / business model



4.0 Sophisticated customer

- Try to be a choice when customer want to buy
- Intelligence business
- Multi communication
- Omni-channels
- Experience-led consumption
- Big Data integrated (Learning / Smart decision)

Businesses



Source: EIC analysis





3.2 Consumption patterns are changing in the 4.0 era

Brand image is no longer enough to earn customer loyalty. Consumers today tend not to stick with popular brands, but rather change brands or try out new things all the time. Disruptive technology like the internet has sped up product cycles, intensifying marketplace competition due to the constant emergence of new brands. To survive in this era, businesses need to emphasize customer engagement by strengthening their relationships with existing customers and meeting their demands rather than just by looking for new customers.

From customer service to customer engagement. To build relationships with customers, businesses must go beyond customer service basics such as convenience and responsiveness to complaints and inquiries. Rather, businesses need to learn the different characteristics of each consumer group and develop services that can cater to very specific needs, encouraging more return customers. The U.K.-based tourism company Thomas Cook, for instance, launched a lead generation campaign to build relationships with customers and respond to demand for personalized services. The campaign centered a survey asking customers about their travel interests, such as planned trips, budget, preferred tour types, and factors influencing their decisions on travel programs. The company then sent out travel offers tailored specifically to each customer. The campaign achieved remarkable success, enticing 15,000 new customers, while the click rates shot up to more than three times the average. The company was also able to use the survey data to improve its strategy for customer relationship management.

Providing memorable experiences that build customer relationships is another way to foster engagement, encouraging customers to return. Now that consumers have equal access to information and communication, the sharing of experiences via social media can be instantaneous. Offering a unique experience can help a brand stand out. Starbucks, for example, has been opening new branches designed under the concept of "Starbucks Reserve Roastery & Tasting Room." These branches combine a coffee shop and a coffee bean roasting facility, letting customers learn from baristas and get more involved in coffee preparation. The stores engage customers with new experiences, which strengthen ties between the brand and coffee lovers.

A good impression starts from a brand's story. A brand's way of thinking and concept are crucial to creating differentiation. TOMS Shoes, for example, started with a social purpose: to provide poor children in Argentina with new shoes. Their concept was "One for One," meaning that for each pair of shoes sold TOMS would donate a pair to a needy child. This helped to cultivate customers' goodwill toward the company. TOMS has lately expanded its line of products to include eyeglasses, with sales funding vision treatments for the poor, as well as coffee beans, whereby, for each bag sold, the brand provides a one-week supply of clean water to person in need. Disney is another brand whose business relies on its stories and relationship with customers. The company literally creates stories through its popular movies and cartoons, and bring these stories to life in Disney's theme parks around the world. It is constantly opening up new zones in its theme parks, bringing in new technology to improve rides, management and service in order to enhance the customer experience, ensuring good memories and an emotional connection to the brand.

After-sales services can help ensure return customers. EIC's consumer survey found that 80% are willing to pay more for better after-sales support. They don't want just to acquire the product but also an assurance of good service afterward. LG Electronics, for instance, improved service by expanding its "directly-managed services" department, which consists of teams of its own maintenance engineers in various countries. This expansion helped LG to provide services faster and reduce the rate at which customers returned goods for maintenance. LG also takes pride in what it calls "humanism service," which aims to use services to build caring relationships with customers under the slogan "Skills in Hands and Customers at Heart." In China, for example, LG service engineers check air pollution levels and the acidity of laundry detergent when they visit households in China. In a flooded area in India, the company established a special repair center and laundry service center. Another company that prioritizes after sales services is Thai real estate developer Sansiri, which designed a mobile application for various home services for its residents. The application can provide parcel delivery notifications, fee payment reminders and broadcast information from the community management office. Sansiri also provides customer lounges in shopping malls.



Consistent marketing enhances customer engagement

- ✓ **Marketers in the 4.0 era should re-think their marketing strategies.** Ad content should no longer focus on sales, but on creating a positive and memorable brand image by, for example, connecting the brand with consumers' lifestyle and relevant social issues. Many brands overseas have employed this strategy. For example, Chipotle, the U.S. chain of Mexican restaurants, developed an ad campaign called "A Love Story." The ads depicted fast food restaurants using chemicals in their production processes and forgoing quality for mass production. It positioned Chipotle, on the other hand, as a brand that cares more about the quality of its food and the health of its customers than it does about profits. The campaign had a positive ripple effect: 72% of customers reported gaining trust in the brand and feeling more connected with it after watching the commercial.
- ✓ **Shops and brands should make customers feel like VIPs by using new technology in their marketing.** Geo-location technology like GPS and Beacon, which identify a customer's precise location via data from his or her smartphone, can help shops send targeted promotions directly to customers in each area. Machine learning technology, which observes consumer behavior in order to form predictions, can help determine suitable ad content for each customer, for a so-called "proactive personalized ad." This technology can help reduce the negative feeling that an ad is an interruption, transforming it into a service.

21 3 steps to 4.0 marketing: Building content, memorable experiences and relationships

3 steps for marketing in the 4.0 era



Source: EIC analysis

- ✓ **Moving away from traditional marketing methods, marketers should embrace the creation of long-term relationships through social media platforms and games.** Some examples include: 1) using social media to share memorable moments linking the brand and the customer (More on this in Box: Mastering marketing on Facebook) 2) using chat bots to interact with customers, providing advice and creating personalized experiences for customers anywhere, anytime, and 3) using gamification, or games as a tool to put some fun into marketing. Examples include stamp-collecting contests among customers, lucky draws on social media, and new mobile phone apps. Domino Pizza, for instance, created an application called Pizza Hero, a game in which customers can design their own pizzas. Not only did the application generate excitement and customer involvement, it also drew in new customers, raising sales by 30%.



BOX

Mastering marketing on Facebook



Despite the popularity of marketing via Facebook, it's not as easy as it looks. Any business, brand, organization or public figure can create a Facebook Page, and today there are over 60 million of them worldwide. But only a small percentage of them have succeeded in attracting avid followers. A new Facebook newsfeed algorithm, introduced in mid-2016, prioritizes news and posts by friends and family members, reducing the individual user's exposure to information from Facebook Pages. This now makes marketing on Facebook doubly difficult.

Based on studies by numerous companies, EIC recommends three strategies for promoting your business on Facebook: "Time your post right. Find ways to go viral. Avoid social-media drama."

1) Time your post right to maximize reach Studies by Hubspot, Microsoft and Quicksprout suggest that the optimal window of time to post on Facebook is between 1 p.m. and 3 p.m. on a Thursday or Friday. During this time period, people are most disengaged from work and are looking for distractions in order to unwind. It should be noted, however, that this finding is a global average. Companies in Thailand may need to monitor the behavior of their Facebook Page followers more carefully to maximize reach for every post.

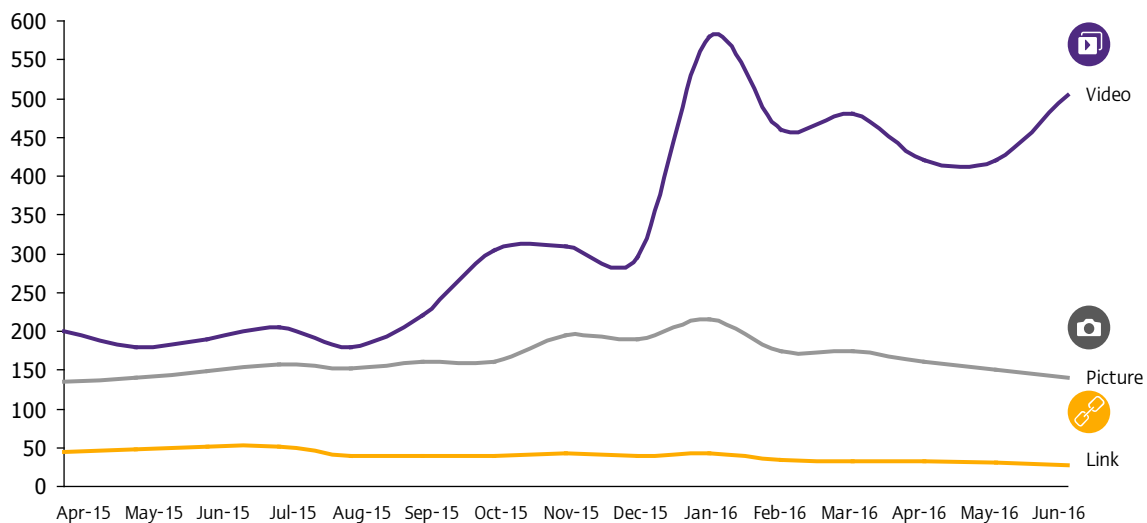
2) Find ways to go viral to enhance customer engagement, encouraging them to buy and spread the word There are several ways to become the talk of the town on social media, such as posting content that relates your product to a hot news topic (while taking care to maintain a good brand image). For example, KFC Thailand gave its Page a funny and cute personality by using aphorisms and teenage slang. This helped KFC support its "So Good" slogan and brand image, while also creating viral content and driving up brand recognition. Its Facebook Page eventually reached 3.4 million "likes"¹, the highest among all restaurants in Thailand. In 2015, the company made the top 10 list of Thailand's Buzz rankings by YouGov, an independent research firm that focuses on online consumer behavior. In addition, businesses should carefully select content to be shared on their Pages to maximize subsequent shares and likes by users. Video posts are the most popular and are shared 3-10 times more than other types of content.

¹ The information as of 5 April 2017

22 Videos get shared far more than other types of Facebook content

The average shares on facebook

Unit: number of shares



Source: EIC analysis based on data from Buzzsomo (sample size: 10,000 Pages, 25 million posts)

3) Avoid social-media drama to maintain customer base and brand reputation Page administrators should respond promptly to customers' questions and concerns. In the case of a potentially damaging situation, businesses should take three steps as follows: 1) listen to customers' concerns and take fast action, 2) analyze the cause with professionalism and 3) find solutions and design preventive measures.

Bar B Q Plaza provides a case study of a company that successfully managed a social media storm. In mid-2016, the restaurant chain switched to a new type of cooking pan. It soon turned out, however, that the new pan had several issues that prompted customers to post complaints on social media. The company responded by closing down the branches in question for two days, deftly using social media to inform customers about the situation. The problem, the company said, had to do with the cleaning process for the new pan, and it outlined the steps that its staff would take to prevent future incidents.

EIC recommends the three strategies above as a starting point that can be fine-tuned to an individual business plan. Businesses should analyze customer behavior further and mix in other strategies for a successful online marketing campaign that leaves customers wanting more.



3.3 From multi-channel to “omni-channel”: Staying connected with customers at all times in the digital age

All customer access channels must be connected and synchronized as if they were a single “omni-channel.” Most businesses these days employ a multi-channel model to reach customers. These channels include brick-and-mortar stores, websites and social media. The problem is that a business tends to offer different promotions via each of the different channels, even though they all represent the same store. In the omni-channel model, these sales channels are integrated. Different departments within a company must collaborate to communicate the same message and information to customers. If a product is sold out in a physical store, customers should be able to buy it online at the same price with the same promotion. One example is the Starbucks Reward mobile application. The app differs from other loyalty programs because of the seamless experience that it provides: once a customer has added his or her loyalty card information into the application, all information, including transaction data, is synced with the Starbucks' website in real time.

Following an omni-channel strategy, not only would a traditional store create an online presence, but an online business might open a brick-and-mortar store. Amazon, the largest e-Commerce company in the U.S., for example, has recently opened physical bookstores. Via “Amazon Go,” the company is getting into grocery stores, responding to consumers' rising demand for a fast and convenient shopping experience. The prototype store is similar to a supermarket, but customers can pay without going through a cashier counter. Amazon's technology detects what the customer has selected and charges the bill to an e-wallet. The customer can exit without waiting in line. Amazon plans to expand into other types of physical stores in the future. Similarly, Alibaba has invested some \$5.6 billion in several traditional retailers as a part of its omni-channel strategy. These retailers include Suning Commerce (electronics retailers), Sanjiang Shopping Club (supermarkets) and Yintai Group (shopping malls).

The omni-channel strategy can make expansion to foreign markets easier thanks to the power of e-Commerce.

Having an e-Commerce platform reduces costs when selling abroad, since a business does not have to invest in costly new marketing channels and logistics. It also mitigates the negative impact in case the expansion plan does not achieve its target. On the other hand, e-Commerce might be a threat to local players as it also lets foreign companies easily access the domestic market.



Businesses should keep pace with new legal developments

related to e-Commerce. In response to the rapid growth of cross-border B2C e-Commerce in recent years, regulators have started to revise laws and regulations in order to better protect consumers. Based on data from UNCTAD, 60-70% of countries already have established regulations governing e-Commerce businesses. These include laws covering electronic payments, privacy data protection, cybercrime and online consumer protection. In some countries, the rules are especially strict. China, for example, has plans to extend its regulations on domestic goods to cover imported goods through online platforms as well. Going forward, regulatory change will likely continue. The Thai government has been developing new laws to tax online businesses and to protect private information. Businesses should analyze the potential impact of such developments as they work to improve sales channels and gain access to foreign markets.

Amid intensifying competition, businesses that want to capture the hearts and minds of modern consumers must truly respond to their demands. A key strategy is to join hands with other companies in the value chain to develop a clearer picture of consumer demand and better cultivate relationships with customers. Businesses should also develop an omni-channel capability and stay creative in adapting new technologies to connect with consumers in the 4.0 era.



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Sutapa Amornvivat is Chief Economist and First Executive Vice President at Siam Commercial Bank (SCB), where she leads the Economic Intelligence Center. She previously set up and led Risk Analytics Division under Risk Management Group. Sutapa currently sits on Subcommittee on Finance, Banking, Financial Institutions and Capital Markets, The National Legislative Assembly.

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