

A SHOPPING REVOLUTION

THAILAND REVOLUTION
Thai retailers and consumers are embracing e-commerce in a big way. B8

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Retailers and consumers are embracing e-commerce, writes **Suchit Leesa-nguansuk**



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Online shopping has become a major focus for many large-scale retailers across segment.

SOMCHAI SITTICHAI SRICHART
Managing director, SIS Distribution (Thailand)



Clothes and fashion items are popular with online shoppers. PORNPRM SATRABHAYA

Parn, 38, hates supermarket queues, so she shops online for a wide selection of groceries and gourmet food from Thailand's leading hypermarket chains.

Mon, 22, shops online for books, clothes, DVDs and shoes as she wants to skip the lines, crowds and travel expenses.

Such shoppers are not alone. People have changed the way they go shopping — and are shaping the shopping experience of the future as more turn to mobile devices and the internet when purchasing products and services.

In just a decade, online shopping — buying goods on the internet — has gone from being virtually non-existent to becoming an activity that is worth billions of baht each year.

Thailand's online shopping market is predicted to top 100 billion baht this year, up from a market value of about 90 billion baht in 2013, according to study by PwC Consulting.

Over the next three to five years, it is expected to grow significantly, fuelled by a proliferation of mobile phone usage.

The widespread adoption of fixed- and mobile broadband connections as well as the number of retailers offering goods online has created a shopping revolution.

Online shopping offers immense choice, while brick-and-mortar retailers are limited in the amount of goods they can show or even keep in their inventories.

Internet retailers have no such constraints. They simply have to show pictures and offer descriptions of the entire range, making things much better for consumers.

Somchai Sittichalsrichart, managing director of SIS Distribution (Thailand), a leading IT distributor, says the e-commerce boom has been crushing the brick-and-mortar retail business for a while now, including Thailand. It has also triggered a transformation in retail and logistics, driving a global wave of demand for new logistics facilities.

"Online shopping has become a major focus for many large-scale retailers across segments ranging from electronics to clothes to cosmetics. On the other hand, customers are also becoming much more sophisticated in taking advantage of online coupons and offers," he says.

IT distributors and IT chain stores are capitalising on the growing appetite of Thais to shop online by expanding sales channels via the internet to penetrate the untapped market.

During 2013-14, up to 500 IT retail shops closed down due to the sharp decline in the sales of notebook computers as smartphones and tablets ate into the market share. The political impasse also eroded consumer confidence and consumption.

According to Mr Somchai higher rental space of physical shops and labour costs plus lagging economic indicators were the key factors in the shutdowns.

To cope with these, shops selling technology-related products and smart devices are gearing up their online sales channel through leading e-commerce websites such as Lazada, Big C's discount supermarket, and CP All's shopat7.com, he says.

Mr Somchai says SIS Distribution has set up an e-commerce working team to develop business and support operations. A back office system and e-commerce software were also installed to serve the online selling platform.

The company is considering providing an e-commerce site for its traditional dealers who are interested in selling their products online.

He says online shoppers can be classified into three groups: those who make purchases online when products or services are on hard discounts; those who

want niche or premium products that they cannot find at normal shops; and those living in remote areas who have difficulties accessing physical shops.

Around 90% of online buyers purchased products priced below 5,000 baht.

Top selling products are ink cartridges for printers, followed by niche and specialised products such as Eye-Fi, SD memory cards with WiFi capabilities used inside digital cameras, says Mr Somchai.

Thongchai Pakwattanachai, executive vice-president of The Value Systems, a leading IT distributor, says it is planning to jump into online trading world.

"We plan to set up our own e-marketplace to facilitate our dealers to sell products directly, bypassing us," he says.

Mr Thongchai admits selling IT products online is not an uneasy task as tech items provided quite low margins. "We cannot offer heavy discounts on that, except when we want to make clearance sales."

But he acknowledges that the physical store is the channel of choice across all ages. It is more important in some product categories including IT products.

Physical retail stores still also play an important role in creating value for companies through product and brand awareness.

"Having multiple channels is good for business. But customers still want to try out products or have face-to-face interaction with a sales representative," he says.

Sura Kanithaveekul, chief executive of Comseven International Co, a leading IT retail chain store, says the company plans to spend 30 million baht improving its www.mangoshopping.com site early next year.

He says Comseven has a policy to use

the online channel to complement its physical IT shops through a combination of online and offline systems. "The online channel is to expand our sales coverage, especially in the second-tier cities and remote areas having less than 50,000 inhabitants," says Mr Sura.

He concedes that selling online can expand to a nationwide reach. Sellers can list an unlimited number of products and can sell them straight to users.

Comseven plans to use its 300 physical shops nationwide as pickup points for online buyers at their nearest locations.

The success of online sites lies in providing attractive product prices lower than those of physical shops, Mr Sura says.

"We believe e-commerce is growing in sales and influence," he says, adding that Thailand's e-commerce stores will become widely popular by 2016.

Comseven expects online sales revenue to account for 5% of its total by 2015, he says.

Ampa Yongpisapop, vice-president of CP All Plc, the owner of 7-Eleven convenience stores in Thailand, says its online sales through www.shopat7.com in the past nine months grew by at least 150% compared with the same period last year.

Electronic products including smartphones are one of the top three best sellers, apart from cosmetics and fashion items.

The company allows its online buyers to pick up products and pay cash at 7,800 7-Eleven stores nationwide.

The number of 7-Elevens is expected to increase to 10,000 by 2018, says Mr Ampa.

Mr Ampa admits that online channel help it widen its customer base and segment, enabling it to tap into upper-middle class.

To capitalise on the growing mobile shopping trend, he says the company plans to introduce mobile apps early next year to allow online consumers to shop on their mobile phones.

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Riccardo Basile, chief executive of Lazada Thailand, says demand for electronic items including mobile phones and tablets at the company's online store are growing at a fast pace, especially sales from people living upcountry as they have limited access to shopping centres.

Lazada's top-three best sellers are home appliances, health and beauty products and electronics products.

Investing in integrated technology platforms and systems is vital for retailers to provide all-in-one transaction services to customers.