

Chapter 6

How Can E-marketplaces Turn Thailand into a Distributive Economy?

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How Can E-marketplaces Turn Thailand into a Distributive Economy?

Nuttawut Laksanapanyakul

1. Introduction

Thailand is prosperous but its prosperity has not been fairly shared. Whilst large enterprises and the rich get richer, small and medium-sized enterprises (SMEs) and the poor – most of the people – struggle to survive. The share of SMEs in gross domestic product (GDP) shrank from 45.0% in 1994 to its lowest at 36.6% in 2011 before gradually crawling up to 42.4% in 2017 (Office of Small and Medium Enterprises Promotion, 1995; Office of Small and Medium Enterprises Promotion, 2018). The average income gap between the richest and poorest 10% increased from ฿27,379 in 1986 to ฿85,370 in 2013, more than trebling in 27 years (Tansakun, 2016). As in many countries, SMEs and the poor are hindered from thriving in today's rapidly increasing competition by undeveloped sales channels and lack of information on competent suppliers, amongst other reasons.

The electronic marketplace (e-marketplace) is generally seen as a promising way to connect SMEs and individuals with their customers and suppliers. It provides an additional sales channel and opportunities to partner with suppliers, within and across supply chains, within and across national boundaries. Over the last several years, the number of e-marketplaces in Thailand has exploded thanks to increased Internet access and mobile phone use as well as improved logistics and e-payment systems. E-marketplace providers range from the government and local businesses to leading global players. Whilst Thaitrade is the only viable government-owned e-marketplace, local businesses such as Buik and Tarad as well as multinational businesses such as Lazada and Shopee are in the playing field. But the spread of e-marketplaces also poses challenges that call for practical solutions. Serious problems are, for instance, the uneven access of weak SMEs and the poor to the e-marketplace, and the collection of income tax, consumption tax, and tariffs. Difficulties and conflicts often arise when popular and disruptive companies such as the highly controversial Uber enter the e-marketplace. These issues occur because of regulatory loopholes or because there are no essential and actionable laws.

This chapter explores the ways to unleash the potential of e-marketplace development and transform Thailand into a distributive economy. The research seeks to answer the following. (1) What is the status of the e-marketplace industry in Thailand? (2) To what extent does the e-marketplace industry benefit stakeholders, particularly SMEs? (3) What key drivers and obstacles impact the industry's performance? (4) What should the government do and not do to ensure the successful and impactful development and operation of the e-marketplace?

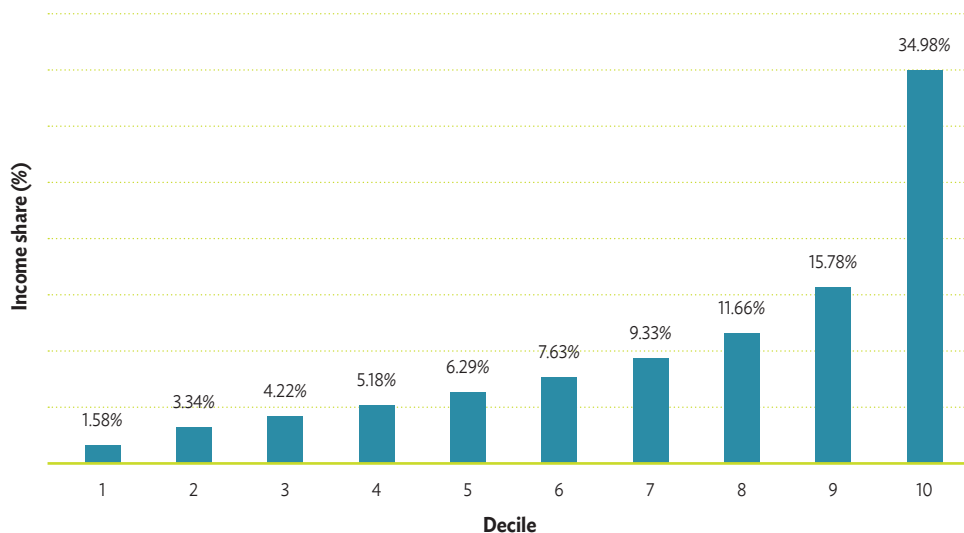
2. Income Inequality Issues

With average economic growth of just above 5% annually over the last 3 decades (World Bank, 2018a), Thailand has been an upper-middle-income country since 2011. If this prosperity were distributed equally, every Thai would have had an annual income of US\$16,913 in purchasing power parity terms in 2016 (World Bank, 2018b) and poverty would have been eliminated. However, about 5.8 million people – 8.6% of the total population in 2016 – lived below the nationally defined poverty line. The Gini coefficient, a commonly used measure where 0 represents complete equality and 1 represents complete inequality, remained moderate and moved slowly between 0.36 and 0.45 during the past 3 decades. Of those living in poverty, 47.7% worked in agriculture, 26.4% were low-skilled workers, and 18.4% were unemployed (National Economic and Social Development Board, 2017). But the number of billionaires has jumped from 5 to 30 in the past decade, and their accumulated wealth totalled about US\$93.3 billion in 2018 (Forbes, 2018).

The richest 10% captured more than one-third of income and almost four-fifths of total wealth, whilst the poorest 10% took no more than a 2% share of income and a 0.1% share of wealth (Figure 6.1) (National Economic and Social Development Board, 2016).

SMEs are Thailand's economic backbone. Whilst they made up 99.7% of all businesses that provided 78.5% of all private sector jobs in 2016, their contribution to GDP was only 42.2% (Office of Small and Medium-Sized Enterprises Promotion, 2018). During the past decade, their output performance, although rising, increased more slowly than that of large enterprises.

Figure 6.1: Thailand's Income Distribution by Decile, 2015



Source: National Economic and Social Development Board (2016).

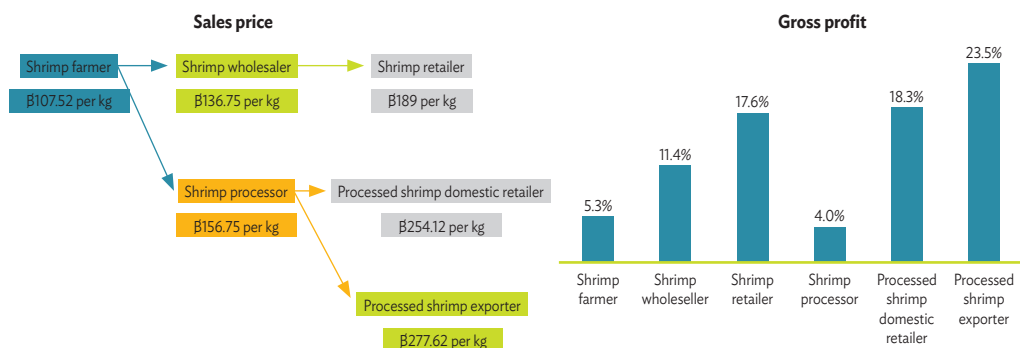
Many challenges hinder SMEs and the poor from thriving in today's rapidly increasing competition. The key challenges include the following:

First, SMEs and the poor have limited windows of opportunity to increase their sales and income. Most SMEs have difficulty finding new customers as they have undeveloped sales channels, resulting in meagre sales and high marketing and sales costs. The poor have difficulty finding decent jobs or even good part-time jobs. Farmers on average earn US\$1.50 a day and are almost 3 times more likely than those in other occupations to fall into poverty, and they often work off-farm during the off-crop cycle (National Economic and Social Development Board, 2015).

Second, SMEs and the poor lack information on suppliers that can give them reasonable prices, which results in higher production and procurement costs for SMEs and raises the cost of living of the poor.

Third, exploitation by middlepersons in many industries results in an unfair share of benefits along the value chain. Farmers and upstream producers are most likely to be victims. For example, shrimp farmers are right at the bottom of the value chain, receiving the smallest share, even though shrimp is amongst the country's top agricultural exports that have integrated into the global value chain (Figure 6.2).

Figure 6.2: Sales Price and Distribution of Gross Profits Along the Shrimp Value Chain in Thailand



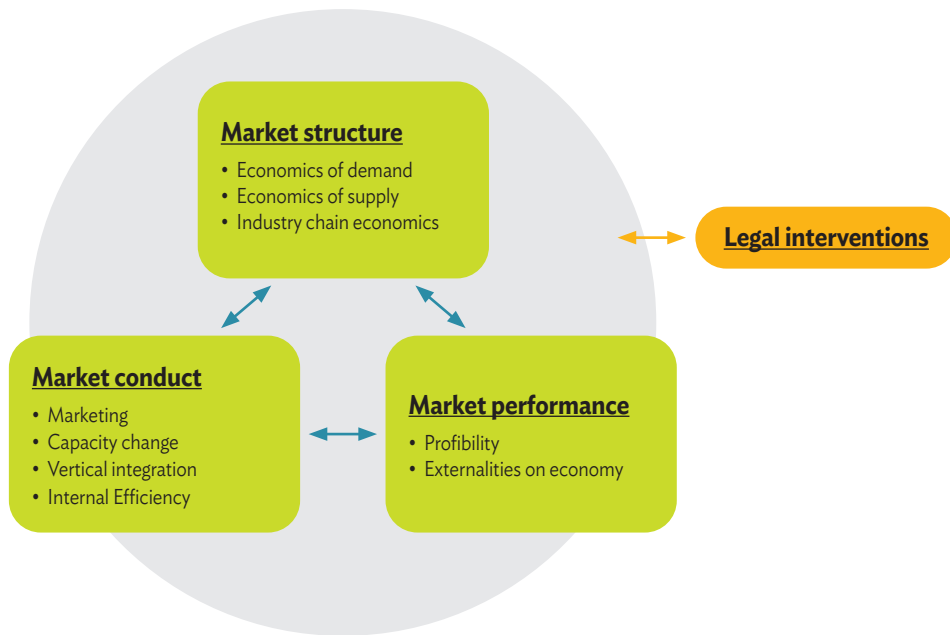
Source: Oxfam (2017).

3. Assessing E-marketplaces in Thailand

Structure-conduct-performance (SCP) is an analytical framework used to analyse the role of e-marketplaces in transforming Thailand into a distributive economy. Introduced by J.S. Bain (1959) and subsequently developed by many industrial organisation economists such as Phillips (1976) and Porter (1981), the SCP framework can provide a complete understanding of industry structure, players, conduct, and their competitive performance over time.

Three main elements in the SCP framework interact with each other: market structure, market conduct, and market performance (Figure 6.3). The market structure directly influences a firm’s economic conduct, which in turn affects its market performance. Feedback effects occur such that market performance may lead to a crucial change in conduct and structure, or conduct may affect the market structure. External factors such as legal interventions may also have an impact on the structure, conduct, and performance of the market.

Figure 6.3: Structure-Conduct-Performance (SCP) Framework



Source: Author.

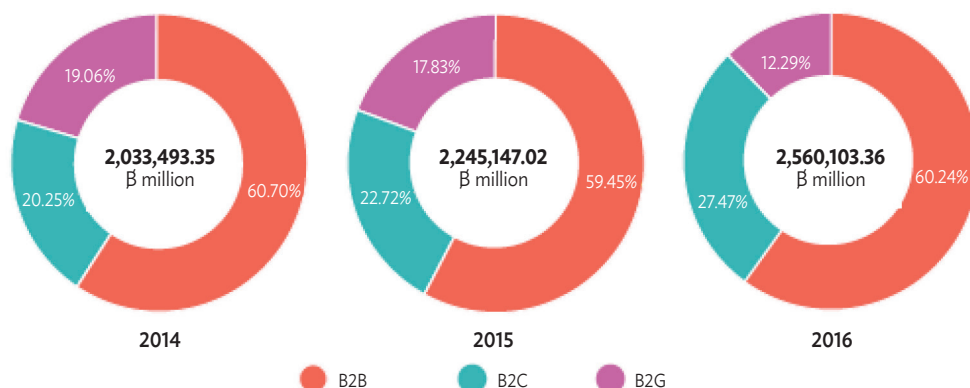
Theoretically, the market structure establishes the overall environment or playing field where each firm operates. Essential market structure characteristics include the number and size distribution of sellers and buyers, types of products offered for sale, barriers to entry, and whether asymmetry of information exists between buyers and sellers. Market structure often differs across industries because of variations in basic conditions, including the underlying technological base, the legal environment, demand, and economies of scale. All these basic conditions tend to affect the number and size distribution of firms. Market conduct shows up in pricing, promotion, and research and development. Whether a firm decides its policies independently or in conjunction with other firms in the market has a crucial impact on the conduct of the industry. Market performance feeds off conduct and is reflected in the degree of production and allocative efficiencies, equity, and technological progress (Santerre and Neun, 2013).

3.1. Structure of E-marketplaces in Thailand

According to the Electronic Transactions Development Agency (2017), in 2016, 592,996 e-enterprises sold their products or services through e-commerce, amounting to β2,560,103 million (US\$77,579 million), a 14.0% increase over the previous year. Of all e-commerce, 60.2% is business-to-business (B2B), 27.5% business-to-consumer (B2C), and 12.3% business-to-government (B2G) (Figure 6.4). E-retailing was the largest e-business (31.8% of total e-commerce in 2016), followed by e-lodging (27.1%), and e-manufacturing (19.1%). The smallest was e-insurance (0.1%). The main customers were in the country; cross-border e-commerce, although increasing, made up only 13.5% of total e-commerce in 2016 (Figure 6.5).

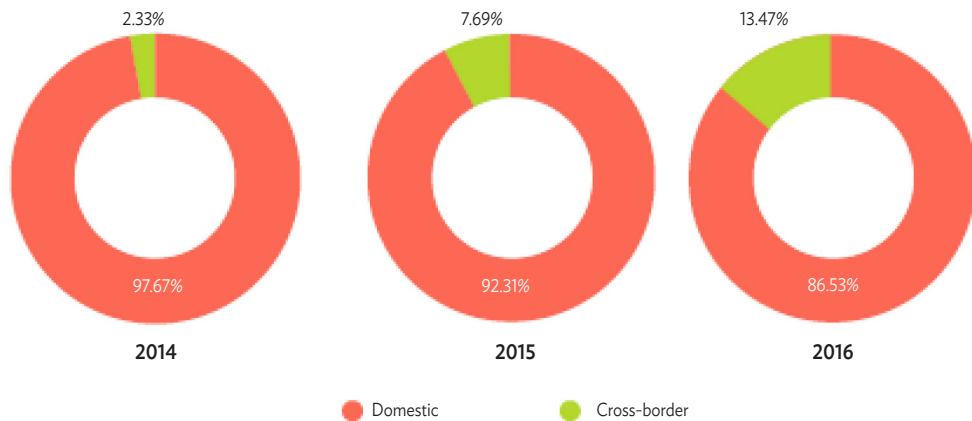
These e-enterprises sell their products and services on a variety of online platforms, from traditional e-mailing and one-way communication websites to more sophisticated interactive websites and mobile applications. These platforms are operated by four main types of e-marketplaces: the e-enterprises themselves, domestic third parties, international third parties, and social media. An Electronic Transactions Development Agency (2017) survey shows that social media are the most popular e-marketplaces through which SMEs in many sectors traded in 2016 (Figure 6.6). Sales through social media reached β2,560,103 149,401 million (US\$4,527 million), accounting for 39.7% of all e-commerce traded in 2016 (Figure 6.7). Sales through domestic third-party e-marketplaces comprised 28.0%, and e-enterprise platforms 27.6%. Only 4.6% of sales were through international third-party e-marketplaces, suggesting that not many SMEs reach external markets.

Figure 6.4: E-commerce Traded in Thailand, 2014–2016



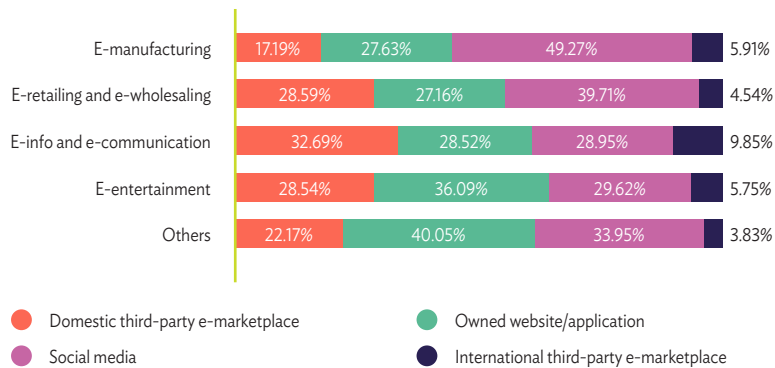
B2B = business-to-business, B2C = business-to-consumer, B2G = business-to-government.
Source: Electronic Transactions Development Agency (2017).

Figure 6.5: E-commerce Customers in Thailand, 2014–2016



Source: Electronic Transactions Development Agency (2017).

Figure 6.6: Ratio of Sector-wise SME E-commerce by Sales Channel in Thailand, 2016



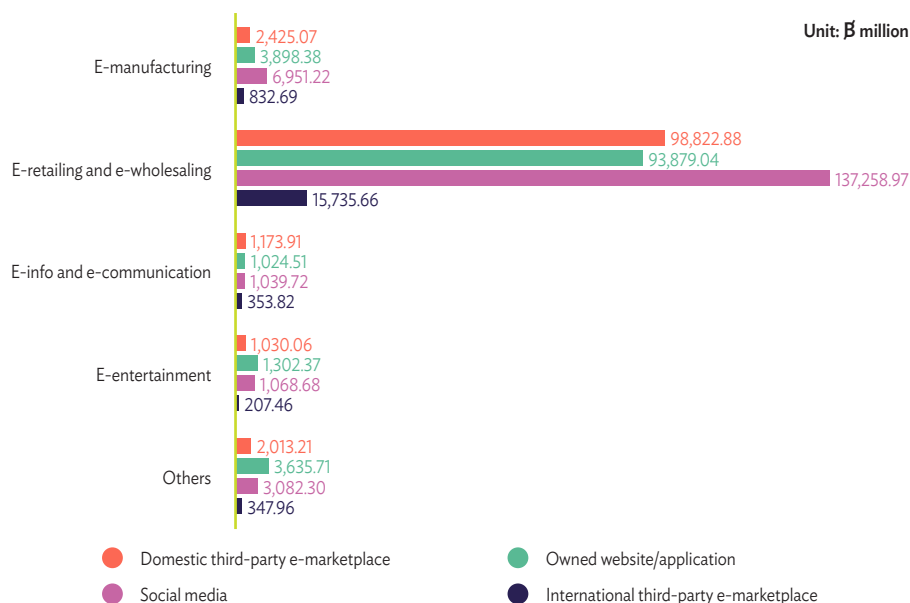
SMEs = small and medium-sized enterprises.

Source: Electronic Transactions Development Agency (2017).

E-commerce Connectivity in ASEAN

Thailand has many e-marketplaces, especially for e-retailing and e-wholesaling, which comprise 91.9% of total e-commerce (Figure 6.7). E-marketplace operators can be categorised into four distinct categories, depending on their nationality and main customers: (1) outside-out, (2) outside-in, (3) inside-out, and (4) inside-in (Table 6.1).

Figure 6.7: Sector-wise SME E-commerce traded by Sales Channel in Thailand, 2016



Source: Electronic Transactions Development Agency (2017).

Table 6.1: Examples of E-marketplace Operators in Thailand

Category	Characteristics	E-marketplace Operators
Outside-out	Owned by multinational companies with eyes on the international market	eBay, Amazon, Alibaba
Outside-in	Owned by multinational companies with focus on the domestic market	Lazada, 11street, Shopee, Foodpanda, Line@, Uber, Grab
Inside-out	Nationality is Thai but aims for the international market	Thailandmall, SMEsiam, Buzzebees, BBNova, Thaitrade
Inside-in	Owned by Thais whose focus is on the domestic market	Builk, Wazzadu Onestockhome, Tarad, Pantipmarket, Weloveshopping, Kaidee, Central online, Cmart, 24catalog, Tesco Lotus online, Se-ed, Ookbee, Pinsouq, Event Pop, ZipEvent, Freshket, Zabdelivery

Source: Author.

The major e-marketplace operators are large multinational companies such as Lazada. Large Thai companies active in e-marketplaces are, for instance, Central online, cmart.co.th, and 24catalog.com. Although facing fierce competition, some small and medium-sized operators have won the share of some markets. These operators are new start-up companies that have developed a fascinating and scalable business model. Amongst them, Builk is considered one of the most successful pioneers in building and construction, and Event Pop and ZipEvent are movers in event organising. Freshket matches up restaurants and cooks with suppliers of ingredients. Some e-marketplaces are developed and operated by the government, such as the long-running ThaiTrade and the recently shut-down RiceOnline.

3.2. Conduct of E-marketplace Operators in Thailand

Continually growing market demand has been attracting more operators to e-marketplaces. To thrive and survive, incumbents and new entrants have adopted modern and sophisticated marketing strategies, including the following:

First, many e-marketplace operators strive for innovation that can provide their customers with better experiences and greater satisfaction. As in many countries, passengers in Thailand suspect that they are cheated by dishonest taxi drivers and are weary of being repeatedly rejected by them, especially when it is raining. The Thailand Development Research Institute (2018) found that 78% of traditional taxi drivers were the subject of at least one complaint from rejected passengers. Seeing an opportunity, Uber and Grab introduced ride-hailing: a passenger is notified once a driver is ready to serve, and they can settle the transaction at a pre-determined price.

Second, many e-marketplace operators adopt a customer-centric strategy by providing options for product and service delivery and payment methods. Foodpanda and Zabdelivery allow customers to set the time of food delivery as well as the payment method: hungry customers can have food delivered right away, whilst food for special occasions, such as a surprise birthday cake, can be ordered in advance. Customers without a credit card or those reluctant to use one can pay by cash on delivery.

Last, partnership-seeking for business synergies is widespread amongst e-marketplace operators. Horizontal partnership is good for expanding outreach, whilst vertical partnership, in cash or in kind, can reduce costs or build capacity. Discount, exclusive privilege, reward, and special promotion campaigns are commonly organised by e-marketplace operators in partnership with credit card companies. Line@’s partnership with seven leading digital marketing companies is a striking example of how benefits accrue not only to the e-marketplace operator and its partners but also to SMEs that join the programme.

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Even though they have limited digital marketing skills, experiences, and resources, the SMEs are helped by e-commerce enablers to grow the number of LINE@ followers for a business, complete back-end order fulfilment and last-mile delivery, as well as manage LINE@ daily accounts, such as by answering incoming messages and pushing out targeted promotions.

3.3. Performance of E-marketplace Operators in Thailand

Although starting an e-marketplace business is not difficult in Thailand, building a stronghold in this dynamic market requires much more effort. As competition is exceptionally fierce, only the strongest survive and many firms have gone out of business.

The commodity e-market is considered a 'red ocean', where many e-marketplace operators are born, grow, thrive, and are eliminated. Low profit margins and high operating costs are not uncommon. E-marketplace operators must not only pay high prices for relentless marketing campaigns but also cut selling prices to compete. According to the Department of Business Development (2018) corporate accounting and financial databases, major players in e-marketplaces have reported considerable losses in recent years. In 2016, Lazada, the biggest player, with revenue of ฿4.3 billion, recorded a loss of ฿2.1 billion or a 49.6% net loss margin. 11Street, with ฿1.5 million in sales, also saw a loss of ฿185.0 million or a 126.7% net loss in the same year. Some operators such as Ensogo and Rakuten closed down in 2016.

When operators shut down, the e-sellers who had joined them are forced to look for other e-marketplaces and migrate their information. SMEs and the poor incur great losses in cost or time as they have limited resources and capacity to navigate new e-marketplace requirements, including terms, conditions, technical infrastructure, user interface, payment method, customer communication method, membership account management system, and all other back-office activities.

To avoid the 'red ocean' battlefield, many e-marketplace operators opt for a 'blue ocean' strategy, where profit and survival are generally more predictable. For instance, Builk is a famous technology start-up company that developed an innovative e-marketplace, which not only links construction-material providers with construction companies but also provides free software-as-a-service (SaaS) for construction-specific enterprise resource planning. Despite hard times in 2010, Builk realised solid revenues from major construction-material companies' sponsorships and from industry-specific B2B digital media as a large number of SME construction contractors adopted SaaS and made purchases on the Builk platform. Today, there are more than 18,000 construction SMEs in Thailand, Indonesia, Lao PDR, Myanmar, and Cambodia (Builk Construction United, 2018).

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Developing and operating 'blue ocean' e-marketplaces, however, requires vision, bravery, creativity, innovation, and deep understanding of market needs. It also needs good design and the collaboration of many stakeholders. Lack of even just one crucial factor may lead to instability.

Uber is one amongst many thought-provoking examples of 'blue ocean' operators. Enjoying success in Thailand for many years, Uber later ran into trouble as it disrupted the conventional taxi business. Customers and Uber drivers were on the winning side. Customers were fed up with conventional taxi drivers who refused to pick them up during rush hours or at certain locations and who preferred to take only foreigners. Many customers also preferred the conveniences offered by Uber, such as better cars, mobile apps for booking and tracking, and an option for credit card payment. Demand drove up the numbers of individuals with a private vehicle who wanted to earn more money. Uber drivers could work anytime, day or night, 365 days a year, and, because of the surge pricing system, were paid more when demand rose during rush hour. Conventional taxi drivers, however, thought they were on the other side of this zero-sum situation. They felt that Uber drivers stole customers from them and they complained that competition was not fair since they were bound by regulations whilst Uber drivers were not. Clashes between taxi drivers and Uber drivers increased and even became physical. In 2016, the Department of Land Transport of Thailand halted the motorbike taxi services by Uber and Grab and later announced that Uber and similar private ride-hailing services were illegal. Uber drivers were reportedly fined ฿2,000 (about US\$60) for providing taxi services without a licence. Uber and other operators approached the government to discuss how to resume operations. Uber ceased operating and sold its business to Grab, which remains in an uncertain and ambiguous market.

Government-supported e-marketplaces must also compete in the free market. RiceOnline, operated by the Department of Business Development, is an example of failure. The project's objective was to connect rice farmers throughout the country with grocery stores. Before shutting down, the project reported that 399 farmers and 76 grocery stores had participated. The authorities said a key reason for failure was many farmers' lack of Internet access.

Thaitrade.com, a government-run B2B e-marketplace established in 2011 by the Department of International Trade Promotion, aims to connect Thai sellers, particularly SMEs, with international buyers. In 2016, deals made via Thaitrade.com totalled 766, by buyers from 61 countries, amounting to ฿693.9 million. The most popular goods were food and beverages, automobile and auto parts, souvenirs and home decorative items, furniture, gems, and accessories (Thaitrade, 2018).

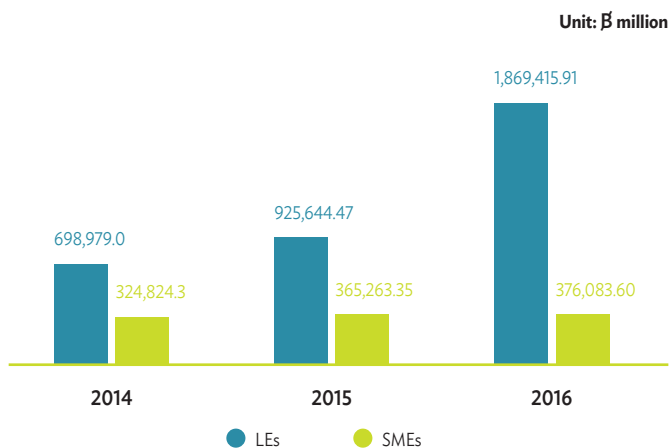
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Recently, Thaitrade.com Small Order OK (Thaitrade.com SOOK) was launched as a business-to-business-to-consumer (B2B2C) platform: SMEs can offer small quantities of products to international buyers, who might want to try the product before making a large order later. Whilst success stories are numerous, the platform's wider impact is yet to be evaluated.

As for outside-out e-marketplaces, despite the lack of official records, many experts believe that few Thai SMEs can sell their products abroad. Thai officials recently reached an agreement with Chinese officials and the e-commerce giant Alibaba Group to place Thai durian on Tmall.com. CNY3 billion (US\$478 million) worth of Monthong durian (80,000 pieces) was snatched up in minutes (Bangkok Post, 2018). This e-marketplace should focus on orders' regularity and consistency to sustain Thai SMEs and farmers.

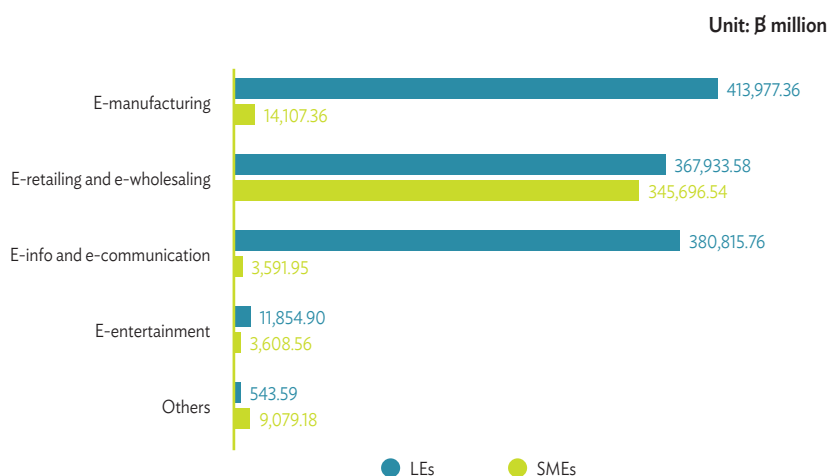
The lack of data makes impossible any detailed analysis of the impacts of e-marketplace operations on the performance of SMEs and the poor. There is no solid proof that e-marketplaces can provide farmers with either greater farm-to-fork opportunities or limitless opportunities for off-farm earnings. The evidence suggests that although SMEs can reap benefits from e-marketplaces, their sales are much smaller than those of large e-enterprises, and the gap has been widening in recent years (Figure 6.8). Only SMEs' retail sales are comparable to those of large e-enterprises (Figure 6.9) (Electronic Transactions Development Agency, 2017).

Figure 6.8: Sales of Large and of Small and Medium-sized E-enterprises in Thailand, 2014–2016



LE = large enterprise, SMEs = small and medium-sized enterprises.
Source: Electronic Transactions Development Agency (2017).

Figure 6.9: Sector-wise Large and Small and Medium-sized E-enterprises in Thailand, 2016



LE = large enterprise, SMEs = small and medium-sized enterprises.
Source: Electronic Transactions Development Agency (2017).

3.4. Legal Interventions Affecting the Development and Operation of E-Marketplaces in Thailand

The rapid growth of e-commerce in Thailand has been driven mainly by the private sector. Recognising that private e-marketplaces would be vital for developing e-commerce, the government has attempted to create a favourable regulatory eco-system to ensure predictability, transparency, security, fair competition, and consistency. The government has also facilitated and promoted greater business participation, particularly by SMEs and the poor, in promising e-marketplaces.

There are at least five legal and regulatory requirements for those who participate in developing and operating e-marketplaces.

First, the Regulation of Ministry of Commerce on Persons who Have the Duties for Commercial Registration (No. 11), B.E. 2553, requires e-marketplace operators and e-sellers to register with the Department of Business Development within 30 days or pay a fine of up to ฿2,000 (US\$64) and a daily fine of up to ฿100 (US\$3) until registration is complete. Yet, official statistics reveal that unregistered sellers are not uncommon. As of January 2018, there were only 32,235 registrants or about 5% of the total number of e-enterprises estimated by the Electronic Transactions Development Agency (2017), implying that enforcement of the Commercial Registration Act is weak.

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Second, just like traditional merchants, e-marketplace operators and e-sellers must comply with the civil and commercial code, and their products and services must be regulated under the Electronic Transactions Act B.E. 2544, which gives electronic transactions the same legal effect as traditional ones. Due to loopholes and regulatory agencies' passivity and ignorance, some e-marketplaces are susceptible to unfair commercial practices. The Department of Business Development says that Uber registered itself as providing market research services and claimed public transportation regulations did not apply to it. Grab was questioned about its excessive promotional fare subsidy; in its 5 years of the operations, its revenue was ฿665.8 million (US\$20.1 million) but its net loss was ฿2,123.1 million (US\$63.9 million): sceptical regulators questioned the 300% loss-to-revenue ratio.

Third, to protect consumers against false, misleading, and unfair advertising of goods and services, the Consumers Protection Act B.E. 2522 stipulates that goods and services purchased through electronic means should be treated the same way as those purchased through traditional means.

Fourth, the Penal Code of Thailand stipulates that the offences related to electronic card forgery – for example, making, using, and owning forged electronic cards – are criminal offences and shall be punished with a fine or imprisonment.

Fifth, e-marketplace operators as well as individual or corporate e-sellers with incomes exceeding the exemption threshold are required to pay income and value-added taxes. Although this requirement applies to anybody who has earnings in Thailand, tax avoidance and tax evasion are not uncommon amongst online SMEs and even large multinational companies that do not have a presence in Thailand under domestic rules. The Department of Business Development says that only 533 registered e-enterprises submitted their financial reports to the department and paid income tax. At the time this chapter is drafted, Thailand was developing e-commerce taxation rules against tax avoidance and tax evasion.

The long-awaited Personal Data Protection Act (PDPA) became law on 28 February 2019 but entered into force when it was published in the Royal Gazette on 27 May 2019. It will be the first consolidated law generally governing data protection and is likely to have impacts on the development and operation of e-marketplaces. For example, the law requires overseas e-marketplace operators to appoint a local representative, defines the requirements and exemptions for the transfer of personal data to a third country that does not have an adequate level of protection, and provides for punitive damages up to twice the value of the actual damage.

The following are the latest government efforts to facilitate and promote the development and operation of e-marketplaces:

First, the Department of Business Development has long used a trustmark to set development and operation standards for secure and trustworthy e-platforms. E-marketplace operators and e-sellers are encouraged to apply for a department-verified trustmark to increase customers' confidence. As of January 2018, 314 websites had the trustmark (Department of Business Development, 2018).

Second, the Electronic Transactions Development Agency launched Thaiemarket.com as a gateway to promote websites of verified e-marketplaces and e-sellers. Some food-, travel-, and health-related products and services are typical showcases (Electronic Transactions Development Agency, 2018). English-language content is scant but developing.

Last, the Electronic Transactions Development Agency has set up an e-commerce complaint centre to deal with complaints and inquiries about online transactions: 24-hour '1212 hot line', '1212@mict.mail.go.th', '1212OCC Facebook', and '1212OCC mobile application' are one-stop services. In 2015, there were 592 complaints about online transactions (Electronic Transactions Development Agency, 2018).

The government, however, has taken no concrete, specific action to support SMEs and the poor. The Social Enterprise Act – under which companies investing in social enterprises can enjoy corporate income tax exemption of the amount invested in the social enterprise, provided the social enterprise meets all the requirements – has been put on hold. The government may need to enact it soon and consider providing more incentives to those who wish to develop innovative and more efficient models to increase opportunities for SMEs and the poor.

4. Key Success Factors for and Obstacles Against the Development and Operation of Pro-equality E-marketplaces

Available data shows that the impacts of e-marketplaces on SMEs and the poor are mixed. Whilst many e-marketplaces provide them with sales channels and opportunities to partner with suppliers, some pose sizable challenges. This section uncovers lessons learned, good and bad, from the development and operation of e-marketplaces, and solutions to alleviate income inequality.

4.1. Key Success Factors

The proliferation of e-marketplaces has changed the way businesses and individuals interact with customers. Enabling this shift are four factors:

First, consumer behaviour has changed dramatically: it is now more convenience- and mobile-oriented as observed by increased Internet and mobile phone use. The Internet penetration rate markedly increased from 28.9% in 2013 to 52.9% in 2017, whilst the mobile phone penetration rate stayed high at more than 70% in the same period. Strikingly, the country's smart phone penetration rate reached 72.3% in 2017 from only 8.0% in 2013 (National Statistical Office, 2017). The changes suggest that most Thais consider the mobile device as part of life and are well-versed in digital technologies and e-commerce. Although a large player dominates the market, SMEs have much room for growth as Thais become accustomed to e-commerce.

Second, rapidly improving logistics and e-payment systems allow more people across the country to quickly buy and sell at their convenience. The moment of effective consumption can be separated from the moment of purchase: after buying, e-buyers can choose the delivery time (immediate, scheduled) and location (home, office, store, designated collection point). Thanks to the liberalised business environment, there are many efficient logistics providers such as Thailand Post, SCG Express, Kerry, and Lalamove. Fierce competition keeps delivery costs down.

The e-payment system is ready to move towards a cashless society, where money transfer is easier, faster, and cheaper. Introduced in 2016, PromptPay aims to reduce transaction costs and facilitate money transfers amongst individuals, corporates, and the government. The PromptPay system matches the bewildering 10-digit bank account number with an identification card number and/or cell phone number. Instead of using a traditional bank account number, a national identification number or phone number is used as a fund transfer code. Normally, banks charge ฿25 (US\$0.75) for an interbank transfer of up to ฿10,000 (US\$300), and ฿35 (US\$1.06) to transfer ฿10,001– ฿50,000 (US\$301–US\$1,500). With PromptPay, fees are waived for transactions of up to ฿5,000 (US\$150); ฿2 (US\$0.06) is charged for transactions of ฿5,001–฿30,000 (US\$151–US\$900), ฿5 (US\$0.15) for ฿30,001– ฿100,000 (US\$901–US\$3,000), and ฿10 (US\$0.3) for anything above ฿100,000 (US\$3,000). Seven banks have removed fees for interbank and cross-clearing-zone money transfers through their digital platforms. Even if e-buyers and e-sellers live in different provinces, they pay no fees when paying through Internet banking services.

Third, with respect to growing market opportunities, e-sellers are becoming more aware, adaptive, and proactive. Many employ digital marketing strategies to build strong relationships with customers, engage them with customised advertising messages, and proactively close sales. While the first and second factors are indifferent to e-seller size, the capability to successfully utilise digital marketing strategies depends on business size. Online SMEs in almost all industries have been outperformed by large rivals. The government has therefore developed a variety of projects to make SMEs more competitive, including SMEs Go Online implemented by the Office of Small and Medium Enterprises Promotion. SMEs and One-Tambon-One-Product community enterprises are provided with hands-on capacity-building courses. As of December 2017, about 20,000 participants had placed a total of 30,000 products and services in e-marketplaces (SMEs Go Online, 2018). Two main questions arise: Are the courses practical enough to help these SMEs survive? And will a post-project monitoring and/or mentoring system be put in place?

Last, Thailand has witnessed the widespread emergence of supporting industries, especially in the last few years. They provide the ‘secret ingredients’ of e-business success, such as digital platform development, digital marketing consultancy, brand image building, customer relationship management, big data analysis, consumer-behaviour machine learning, and language translation. With these services, e-marketplace operators and e-sellers can engage with wider and better-targeted customer prospects in a more cost-effective and labour-saving way. SMEs whose resources are limited can use these services to benefit their business and strive for bigger goals.

4.2. Key Obstacles

Many SMEs and the poor cannot take advantage of opportunities in a digitalised competitive arena. The following are some bottlenecks that stifle the development and operation of e-marketplaces and must be unblocked:

First, SMEs and the poor have uneven access to the Internet. Official statistics show that no more than 10% of the bottom half of Thais were able to surf the Internet, and far fewer rural than urban people had Internet access (National Statistical Office, 2017). The government therefore started a mega-project to construct countrywide fibre-optic broadband networks and provide universal low-cost Internet access and even thousands of free WiFi hotspots. Of 75,032 villages countrywide, 40,423 have no Internet connection and are expected to be equipped with 30/10 Mbps Internet connection. Physical infrastructure in 24,700 villages has been completed but no one has been able to use the Internet because the government and the Internet service providers disagree on prices.

Second, some e-marketplaces lack a reliable seller-screening mechanism. E-marketplace operators have to compete for expanding supplier and customer bases. Whilst an increasing number of sellers could benefit customers, it could also be a peril. Without a proper screening mechanism, untrustworthy sellers can damage the reputation of not only the e-marketplace but also of innocent sellers. In December 2017, a Thai customer filed a complaint against Agoda, one of the world's fastest-growing online travel booking e-marketplaces, after booking a non-existent hotel in Bangkok. Normally, Agoda screens accommodations before adding them to its list, but in this case it did not detect the fraud: the seller used a false address and pictures of another hotel.

Third, legal interventions related to regulating, facilitating, and promoting e-marketplaces are inadequate or ineffectively implemented or have loopholes. New laws and regulations are urgently needed to cover social enterprises, personal data protection, and e-commerce taxation. A social enterprise law is needed because incentives to develop innovative and pro-equality e-marketplaces are unclear and insufficient. The upcoming Personal Data Protection Act should meet international standards to build trust amongst e-marketplaces, e-sellers, and e-buyers, especially in cross-border electronic transactions. Well-designed regulations on e-commerce taxation could narrow the loopholes in collection of income tax, consumption tax, and tariffs.

Last, some regulatory agencies are blamed for their passivity, ignorance, and indecisiveness. In the case of Uber, it took about 7 months for the Department of Land Transport to announce that using privately registered 'black-plate' or newly purchased 'red-plate' vehicles was in violation of the Motor Vehicle Act. Then it took another 11 days for the department to hold the first meeting with Uber and similar operators. No agreement was reached and it took almost 3 months for the department and police to start arresting and fining Uber drivers. Uber was not charged although it matched drivers and customers. Two weeks later, the second meeting also failed to reach an agreement as Uber insisted it did not violate any law since no legal instruments on ride-sharing services were in place. Uber operated until late March 2018, when it decided to sell its Southeast Asian operations to Grab. Although ride-sharing service providers have been doing business in the country for more than 4 years, there is still no clear direction in policy, regulations, and regulatory practices to deal with this diverse, sophisticated, and disruptive industry. Regulatory agencies should be forward-looking and decisively position themselves as risk-based or precautionary. If they want to gather more data before taking action, the regulatory sandbox – a mechanism for developing regulations that keep up with the fast pace of innovation – may be a good option. Once regulations are determined, strong enforcement accompanied by strong penalties should be pursued.

5. Conclusion and Policy Recommendations

Thailand is prosperous but its prosperity has not been fairly shared. Whilst large enterprises and the rich get richer, SMEs and the poor must struggle to survive. Serious social intervention is needed to give SMEs and the poor greater opportunities, especially to generate income.

Using a structure-conduct-performance framework, this chapter argues that e-marketplaces, although promising, have not reduced income inequality. Many have failed. Only those thoughtfully designed and well implemented have survived and government support is needed to ensure their sustainable growth.

Policymakers envision 'Thailand 4.0' – an economic model to pull the country out of the middle-income trap and transform it into a distributive economy with sustainably inclusive growth. They emphasise technology as a tool to boost the economy and have mandates to develop e-commerce. To unlock untapped potential and ensure that e-marketplaces will achieve Thailand 4.0, the following are recommended:

The government should

- act as a facilitator and a regulator, not an operator;
- be more active and impartial, and provide an attractive investment climate for innovative e-marketplaces;
- promote the development and operation of pro-equality e-marketplaces through the long-awaited Social Enterprise Act; and
- provide universal access to reasonable quality of Internet services at an affordable cost.

Private companies should

- be more innovative and customer-centric, and aim for a 'blue ocean' strategy;
- register under the legal and regulatory regimes; and
- collaborate more with all stakeholders, especially media and customers.

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