

The Impact of Online Business on Going Global of Thai Exporters

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Abstract—This research studied the impact of online business on going global of Thai exporters by focusing on the relationship between the use of online business and the increase of opportunity of Thai exporters in international markets. Both quantitative and qualitative methods were used to collect data from Thai exporters who participated in Bangkok International Trade Fair called BIG+BIH April 2013 and those in the category of light manufacturing exporters. The findings were that most of the Thai exporters have websites as ‘brick and mortar’ to promote their companies and products and services and use email to contact and communicate with customers; none of them uses the websites as a market place to sell products online because of limitation of budget and expertise and concern about security of the internet system. However, large and medium companies have been prepared to improve their websites to maximize advantages from the online business.

Index Terms—online business, Thai exporter, e-commerce, e-business

I. INTRODUCTION

Online business or the internet plays an important role in business and services nowadays, particularly international business, due to its advantages of convenience, cost saving, and speed of contact. Online business can reduce the cost of new market entry and cut the cost of contact between buyers and sellers in a distant market by using a benefit from internet search engines to search information about suppliers, producers, and buyers (Freund and Weinhold, 2004) [1]. Additionally, buyers and sellers are able to seek products and businesses internationally from websites which act as an intermediary.

Several researches that studied the impacts between the internet and trade argued that there is a positive effect of using the internet to promote international trade (Clarke, 2008; Freund and Weinhold, 2004; Adelaar *et al.*, 2004; Lewis and Cockrill, 2002; Lal, 2004; Gabrielsson and Gabrielsson, 2011 [1]-[6]). Freund and Weinhold (2004) [1] conducted a research on internet users and international trade during 1995-1999 by using time series analysis and cross-sectional; they used international trade data from the International Monetary Fund (IMF) and internet usage data from the Internet Software Consortium (www.isc.com) to analyze aggregate data at

the macro level of each studied country. The research found that the internet affected the export growth of each country as a whole. The analysis showed a great impact of ease of access to information on the internet in increasing trade between long distant countries. However, this analysis could not identify the role of the internet toward the change of trade pattern between countries. This may be due to the study at the macro level that cannot identify the relationship between an increase of exports and the use of the internet at the business and industry levels.

To determine the relationship between the internet and the growth of international trade, Clarke (2008) [2] studied the relationship of exports and the use of internet in low-income and middle-income countries in Eastern Europe and Central Asia. He used surveyed data from the Business Environment and Enterprise Performance Survey (BEEPS), which is a cross-sectional survey of businesses in the manufacturing sector and the service sector. The survey was repeated in 1999, 2002, and 2005 by the World Bank and the European Bank for Reconstruction and Development (EBRD). The results of the analysis showed that the internet contributed to the benefits of globalization, especially for the countries in an economic reform in transitional economy; the use of the internet in Eastern Europe and Central had a positive impact on export behaviors in the business and service sectors; businesses with internet use were more likely to export than when they had not had the internet because the internet could do well in international trade of goods and services that do not require face-to-face purchases or service provisions whereas it still had limitation on the products and services that require interaction between buyers and sellers e.g. repairing services or a haircut. In addition, Clarke also found that the internet did not increase export volume for a company that already had an export business; yet, the finding needs further studies. However, the research studied from statistics which could not explain the reasons behind the increase of export in the business with internet uses and could not specify the pattern of internet uses in the business.

It can be said that the research on international trade and online business is quite limited in many aspects. Firstly, the researchers mainly focused on exploring the relationship between the use of internet and export trade at the macro level by using secondary data collected from international organizations such as the World Bank and

the International Monetary Fund (IMF); the results of the studies thus tend to show a positive relationship between increasing internet uses and increasing international trade regardless of a type and pattern of the use of internet in entering international markets. The objective of this research is to study the impact of the internet on entering international market of Thai exporter by using the data at the business level.

II. RESEARCH APPROACH AND METHODOLOGY

A. Research Objectives

- To explore the use of the internet by Thai exporters;
- To examine the pattern of online business adopted by Thai exporters;
- To study the relationship between online business and exporting of Thai exporters.

B. Sample and Participants

The population and the sample were divided for two research methods: quantitative survey and interview.

- The quantitative survey

The sample group of the survey for exploring the use of internet for online business is Thai exporters who attended Bangkok International Trade Fair called BIG + BIH held between April 19 and 23, 2013 at BITEC Exhibition Center. 200 out of 497 companies responded to the questionnaire. Taro Yamane's sampling formula with a 95 percent level of confidence or alpha of 0.05 and purposive sampling by size of business – large, medium, and small - were used to determine the sample size.

- The interview

Nine exporters with large, medium, and small-sized companies who attended BIG + BIH April 2013 and those who did not attend the fair were interviewed with a semi-structured interview. The questions focused on the pattern of internet use for their export business. The interview data were used as case studies in the research.

C. Ethical Issues

Informants' identity to the survey and interview were not revealed in this study. Data provided by the informants were used only for research and statistical purposes.

D. Research Instrument

The instruments used in this research were questionnaire and semi-structured interview questions. The questionnaire asked about business background, internet knowledge, and opinion on the use of online business in the informants' export business, whereas the interview questions asked about in-depth information on the pattern of online business that the informants used for their businesses.

III. FINDINGS AND ANALYSIS

From the data collected, the researchers found interesting information as follows:

A. General Information

The questionnaire revealed that most of the informants were export business owners whose companies were small-sized, with approximately ten to 50 employees, and had been in the business for over ten years, with more than ten million baht sales volume per year. Their major markets were Asia, ASEAN countries, and Europe. The informants used the internet and email for their business. However, they did not have staff that was directly responsible for the internet and information system.

B. Acceptance of Online Business

Most of the informants used online business to promote their company, products, and services and used email to contact customers and sell products and services to customers. The type of online business used for selling goods and providing services to customers was business to business (B2B). Averagely, the informants had been doing trade online for two years; the channels from where they found their international customers were trade fairs, the company's websites, and agents, respectively. The main obstacles of doing a business online were learning process, concerns about payment security, and internet law.

C. Opinion about Online Business for Thai Exporters

The major advantages of online business perceived by the informants were round-the-clock business operation without closing time, saving contact cost, and promoting the company and products. Online business allowed companies to sell their products 24 hours around the world, saved the cost of communication and increased the speed of contact by using email with distant customers, and helped promote their products and allowed customers to bought the products anytime and anywhere.

D. Results of Interview with Thai Exporters

The informants mostly used website and e-mail to promote their products rather than sell their products online. Moreover, some companies used social network applications e.g. facebook and instagram to promote their products. The motivations behind their use of online business were that it helped improve export business, saved cost, required less staff, had a benefit of speed of contact, allowed accessibility with no limit of time and place, and gave easy access to new customers. However, apart from their own websites, Thai exporters did not advertise their companies and products through other websites; instead, they preferred to participate in international trade fairs to promote their products and acquire new customers.

In case of a small business, website or online business did not play an important role because of budget, staff, and capacity constraint. On the other hand, medium and large firms did have more budget and staff and were ready to invest in their online business.

IV. DISCUSSIONS AND CONCLUSIONS

A. Internet Use of Thai Exporters in International Trade and the Pattern of Online Business of Thai Exporters

The results showed that most of Thai exporters had their own website only for promoting the company and products, or a so-called brick and mortar business. E-mail was mainly used in the business to promote the company, products, and services, as well as social network applications like Facebook and Instagram.

Consistent with the finding from the Office for National Statistics (2011) [7], this research indicated that approximately 80.4 percent of electronic commerce business used email and website as a tool for customer care, followed by approximately 62.6 percent via call center, and about 30.5 percent via live chat programs like MSN, Skype, and Gtalk. It was also in line with the finding from the research of Piyaket et al (2004) [8] which explained that the number of electronic commerce websites and business operations by using the website for trading and information exchange has been proportionally increasing.

B. Type of Online Business of Thai Exporters

The findings showed that the type of online business used by Thai exporters was business to business (B2B), which was a combination of business operation through the internet and shops. Most of them were into online business with online transaction and payment for less than two years. Piyaket et al (2004) [8] stated that the number of business to business (B2B) transactions in Thailand was larger than the number of business to consumer (B2C) transactions. The study also found that the companies usually did online business with physical shops (click and mortar company) more than solely online business (click and click company).

The main channels to finding foreign customers and new orders were international trade fairs, the company websites, and agents, respectively, because participating in an international trade fair made it easier to get customers. Small business was less likely to use the internet and online process because it was easier to contact customers by telephone. Trade fair was the best channel for promoting its products and services, because the company could contact customers face-to-face and can reach their target customers more effectively (INCquity, 2010) [9].

C. Relationship between Doing Online Business and Export Performance of Thai Exporters

- Motivating factors for the adoption of online business in the export business

The findings showed that the entrepreneurs thought online business helped make better export, allowed them to sell products around the world for 24 hours, saved the cost of communicating with customers, reduced costs and need of labor, helped promote the company, and made it easier to increase the number of new customers. Considering by business group, it was also found that the three groups shared the same comments that online business enabled them to quickly contact clients or business partners around the world via email. Online

business also allowed customers to get desired information about products at any convenient time and allowed entrepreneurs to sell products around the world 24 hours, which is consistent with the concept of electronic commerce (Department of Business Development, 2012) [10] that customers are able to access e-commerce business anytime given the internet technology. Furthermore, e-commerce helps facilitate mutual benefits between buyers, sellers, and manufacturers in three issues: 1) cost savings, particularly personnel cost, unnecessary process cost, and communication cost; 2) no limitation of location, allowing the entrepreneurs to reach customers around the world, and 3) no limitation of time, making it possible for a 24 hours a day and 7 days a week trading through an automatic system.

- The number of new customers that purchased products from the company website or online business and customer satisfaction with the online business

The results showed that three small sized firms argued that online business had no effect on the increase in their new customers. However, in medium and large sized firms, online business helped attract customers to buy products via the websites that the entrepreneurs had used to promote their company and products. If Thai exporters have a website as an alternative channel to communicate with customers, their company will have the opportunity to gain new customer. In addition, the survey showed that overall customers were satisfied with the online business.

The research also indicated that the companies with the increasing number of customers were those employing online trading strategy together with the public relation, since a product purchase via website was more convenient and helped save transportation cost. Therefore, the companies with more channels could increase its sales volume and new customers better than the companies with only public relation and company and product promotion. These findings were consistent with the research of Rodkitaumnuy (2002) [11] who studied the factors that led to the success of e-commerce business model in Thailand, which found that the promotion and sales support system was a key factor to the success and had direct relationship with sales growth and returns on investment. The promotion and sales support factors consisted of frequent advertising of the domain name of the website, sales promotion, having an efficient business partner, website update and improvement to keep pace with changing circumstances, penetrating new markets or gaining new customers, and having trading system in place to facilitate online purchase.

- Investment on online business development of Thai exporters

The results showed that a website or online business had an insignificant role in small businesses because of their limitation of budget and manpower. Moreover, some companies already had sufficient customer base and thus did not realize the importance of online business. On the other hand, medium and large businesses generally had a

budget and manpower to take care of this aspect, so they were ready to adopt online business for better export.

Investment budget for electronic commerce is important to creating competitive advantages for the business. The group with a small investment budget will have advantages of profitable return that is worthwhile for its investment and readiness in the development of the information technology and human resources for this new business strategy. For the group with a moderate investment budget, its advantages will be quickly expanding electronic media, all-area distribution channel, better image about speed and punctuality and responsibility both before and after service provision, and higher brand credibility. The group with a large investment budget will have advantages of sufficient staff for continuous research and development, better quality products and services, and more accurate business outlook prediction. The sufficiently large investment will also allow a company to make the difference and become a market leader, produce a variety of products to meet customers' demand, and build good relationship with customers and business partners.

- Obstacles in adoption of online business to export business in Thailand

The results showed that entrepreneurs from all three groups thought that adopting online business would lead to a transformation of the company's operation procedure. Also, they did not trust the security of online payment system that did not have a law to support. An important disadvantage of electronic marketing that involves many parties' attempt to resolve is the uncertainty and lack of understanding of the online payment systems and the security of the internet and e-commerce tax payment for both entrepreneurs and users. Despite electronic certification (Certified Authority: CA) available both in Thailand and abroad nowadays, entrepreneurs still lack proper understanding and the CA cost is still very high. Although the relevant organization in Thailand is now able to verify the identity of the website and the cost has become much cheaper, consumers in other countries are still not confident in the security of Thai e-commerce. Furthermore, the news about hackers and copy of personal information of users is the threat that makes users feel insecure to do online transactions, which is a considerable obstacle for the development of electronic markets (Electronics and Computer Technology Center, c (2010) [12].

In addition, personnel, especially executives, play an important role in encouraging the adoption of online business to provide a better output in exporting. If the companies' executives have sufficient knowledge and support the adoption of online business well, the export market of Thailand will be known more broadly. This finding was consistent with the research of Hohenthal (2002: 25-C) [13] which found that the success in business was brought about by knowing to learn and turn obstacles into opportunities and the following

characteristics of entrepreneurs themselves were essential to the survival and competitiveness of the business: knowledge, sufficient budget, and ability to make accurate business outlook forecast.

State's policies to support online business among Thai exporters were another important factor that was still currently insufficient. Therefore, entrepreneurs in many parts are still not convinced to invest in this business because they have seen the risk of investment. Even in the case of trading through website, there is still a greater risk for a high payment. If the government's legislation had been more explicit, the online business would have been more advanced today. This is consistent with the research of Rodkijaumnuy (2002) [11] which found that the supporting policies of the government (government support) had a negative relationship with the sales growth, which shows that entrepreneurs on the internet viewed that the government did not provide sufficient support for internet transactions that would result in the growth of sales in 2001. Business website in Thailand could be categorized into three groups namely 1) group that are supported by the government; 2) group with a variety of goods and 3) general group. In general, most Thai websites had low investment for internet transactions whereas the group received support from the government and group with a variety of products were the groups with higher advertisement, sales growth, and return on investment than the general group.

However, according to this research, the sample group exporters of Thailand in the survey and interviews are limited to just one industry. Therefore, it may not represent the overall online business of Thai exporters. If the group in the study is larger, it might be possible to vision the different contexts in order to develop and improve online business system in Thailand.

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