Chapter IX

The E-Commerce of SMEs in Thailand

Arunee Intrapairot
Rajamangala Institute of Technology

Anongnart Srivihok
Kasetsart University

ABSTRACT

Small and medium enterprises (SMEs) in Thailand are fundamental business units spread all over the country. Since the severe economic crisis (i.e., Tom Yum Kung disease) in 1997, thousands of SMEs have gone bankrupt and so dropped out of the Thai economy each year. One key means of enhancing the viability of SMEs and assisting in economic recovery of the country that has been suggested is to transform them from a traditional to digital business using the Internet and e-commerce. The expected advantages of e-commerce strategy include decreasing costs, expanding marketplaces, enhancing competitiveness, improving business image, and increasing revenues. However, there are snares and hidden pitfalls in the backend of this business.

This chapter presents an overview of e-commerce of SMEs in Thailand. The first part introduces fundamental background of SMEs in Thailand including types and characteristics. The second part investigates advantages and disadvantages of e-commerce implementation. Finally, the third part discusses SMEs and e-commerce in Thailand in the case of e-tourism.
INTRODUCTION

In the past, Thailand aimed at being an industrialized country. The country's development schemes highlighted large investment depending on foreign capital, labor-intensive production and advanced technology while neglecting the skills and know-how of local people. The severe economic crisis in 1997 brought Thailand to realize that small and medium sized enterprises (SMEs) are important as a mechanism that may help the country to survive and compete in a highly competitive globalized world.

Intense competition and the advent of information technology have stimulated SMEs to invest in and integrate technological infrastructure. They expect that this will attract customers because of greater convenience, better access to information, more efficient transactions, and more attractive variety of products. E-commerce has become the most sought-after technology because it allows SME customers to conduct real-time, remote transactions without limitations imposed by time or geography and to access more up-to-date and transparent information, which helps them to make appropriate decisions and fulfill their requirements (WebAustralia, 1996).

In turn, SMEs themselves may gain fundamental benefits from e-commerce in terms of reduction of costs for office establishment and operating costs (e.g., personnel and equipment). The cost of setting up a full-service e-commerce website is quite similar to that of opening a single physical storefront, but it can reach more customers. Furthermore, e-commerce customers, who tend to be young, affluent, and highly educated, may create a high demand for products and services and opportunities for cross-selling and up-selling (Phillips, 1998). The low operating costs and low technology they employ enable SMEs to offer reasonable prices and effective service to not only domestic but also world markets.

Benefits from e-commerce are contingent upon the completion of telecommunication infrastructure, confidence in the security of the system, and acceptance by customers. Therefore, SMEs wishing to implement this technology need to extend infrastructure, improve the skills of their personnel, and strengthen their security systems (Laudon & Laudon, 2000, Smith, 1997).

However, engaging in e-commerce may increase overall costs unless SMEs reduce expenditures along conventional channels by closing physical branches, downsizing staff, and re-engineering operation systems. E-commerce alone may not reduce costs because SMEs are unable to conduct typical transactions and to undertake back office workload via the Internet. Additionally, while SMEs may save costs for customer support due to front-end self-servicing systems, they have to make expenditures on technology devices, communications support, and product or service support (e.g., delivery, on-line payment and certified security).
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