



Kingdom of the Netherlands

Design Sector in Thailand

Thailand is the second largest economy of Southeast Asia with an open, export orientated economy. The expansion of the country's middle and upper income households has increased demand for high-end design products. The Thai government recognizes the importance of the creative industries for its economy and is providing interesting incentives to attract companies active in this industry, including those in the design sector.

Thailand's creative industries had a total value of THB 1.61 trillion in 2014 accounting for 13% of the country's GDP. Between 2012 and 2017 the sector is expected to increase 3.1% annually. The design sector is the second largest creative industry, holding a 23% share of the total nominal value of the creative industries of Thailand. In 2016, 2% of the country's total labor force was linked to Thailand's creative industries with the design sector making up 9% of the total. Most creative workers are concentrated in Greater Bangkok and the Central Region (37% and 27% of the creative workforce respectively).

The addressable market for the design industry in Thailand is mainly to be found in the Thai upper and middle income groups, i.e. those with an annual income of THB 360,000 or more. Changing lifestyles and expanding middle and higher income groups have led to a growing number of consumers interested in design products. The potential market size stands currently at THB 110 billion. The majority the upper and middle income households are located in the Greater Bangkok area, which has the highest average monthly household income, currently around THB 41,002. The growing middle class and increasing access to social media are major drivers of the design industry.

According to Thai government figures, Thailand's creative indu-

stries are expected to flourish over the next five years with a strong growth of 20-25% annually. The Thai government has the ambition to establish Thailand as the 'Creative Industrial Hub of ASEAN'. This is part of the country's 'Thailand 4.0 strategy', which aims to transform the Thai economy into a value-based economy driven by innovation, technology and creativity, to remain competitive and to overcome the middle-income trap. As the creative industry is one of the targeted industries in the Thailand 4.0 policy, it is expected that there will be an increasing number of future incentives and investment in the sector adding to the attractiveness of this sectors for (foreign) product design businesses and companies selling high-end design products.

With the mutually reinforcing combination of the demands of Thai domestic market, the easy access to other markets in Southeast Asia, and the Thai government policies to incentivize investments in the creative industries generates potentially interesting business opportunities for Dutch designers in Thailand.

Design Products and Services

Design products are manufactured in Thailand, the country of a brand's origin or in developing countries (generally in Southeast

Asia) or in China. Products manufactured in the country of a brand's origin are perceived by some consumer groups as more luxurious and having higher quality (e.g. Italian or Scandinavian design).

Most brands have both in-house designers for general design and outsourced designers for special projects, while some brands use in-house designers only. Examples of the latter are foreign brands with design teams centralized under parent companies based abroad or Thai brands emphasizing their Thai heritage.

Well-known design service agencies and freelance designers are perceived to help endorse the brand, increase brand awareness among customers, as well as positively influence consumers' purchasing decisions.

Distribution channels of design products can be broadly categorized into four groups: department stores / shopping malls, stand-alone shops, e-commerce, and distributors / retailers. Department stores / shopping malls are chosen by many brands as their top distribution channel due to high customer traffic. Most of the mid-to high-end department stores / shopping malls are clustered in the Siam, Chidlom, and Phrom Pong areas. Despite being located farther out in the East of Bangkok, the Crystal Design Center (CDC) also remains popular as it is one of the most comprehensive and integrated design centers in Thailand. Department stores/ shopping malls are generally less preferred by smaller brands due to the high space rental fees and ratio of gross profit collection.

brands as they require lower fees than department stores while still providing high customer traffic. While most existing retailers focus mainly on furniture, there is an increasing number of 'design concept stores' which offer all kinds of design products. Stand-alone shops selling design brands are clustered in the Sukhumvit area, particularly around Thonglor and Ekkamai. These areas are popular for residential and hang-out amongst expats and Thais from the middle- and higher income groups Thais.

E-commerce is currently the least popular channel due to several impracticalities e.g. products being too fragile and products requiring pre-purchase consultation. Nevertheless, e-commerce is starting to gain momentum and a substantial growth is expected as consumer behavior shifts towards the digital realm.

Social media has become a significantly influential platform that not only increases consumers' access to design products but also enables brands to execute marketing campaigns. Purchasing decisions of Thai consumers are heavily influenced by celebrities, as well as interior designers who are popular among upper-end consumers. Design from Scandinavia, Western Europe (Italy, France, England), and Japan is best-known among Thai consumers. Thai design is gaining competitiveness and popularity, due to lower prices and rising quality.



Dutch Design In Thailand

Dutch design is not as popular among Thai consumers yet as design from other European countries. This is mainly due to the lack of awareness of Dutch design and brands in Thailand. To increase the awareness of Dutch design, Dutch designers and stakeholders should enter the Thai market as market experts. Especially now, while awareness is still low, most opportunities will be seized when Dutch designers present themselves as experts in the design area. This can be done by Dutch brands collaborating together with the Thai government and local universities as to increase awareness of Dutch design and brands among key opinion leaders such as Thai design professors and students. Activities in which Dutch designers and stakeholders can act as market experts include but are not limited to participating in a judging panel of a design competition or being a guest lecture at a university or public forum. Alternatively, Dutch designers and stakeholders may consider collaborating with local players, and launch joint design products together. Once the awareness is realized, the Dutch designers might choose to enter the market by themselves either via distributors or by opening their own stores.

Home Furnishing, Homeware and Home Appliance Industries

Thailand's home furnishing, homeware and home appliances industries have been growing steadily, with an estimated compound annual growth rate of 5.3% between 2010 and 2015. These industries are highly fragmented though. This is particularly true for home furnishing and homeware where top players in these markets control 15% and 25% of the market respectively. Players in these industries are concentrated in the low-to-mid end market. Moreover, looking at home furnishing specifically, this industry is expected to grow 3% continuously annually over the period 2014-2019. This increase can partly be explained by the Thai middle class being willing to spend more on home furnishing as they feel that possessing well-known brands reflect the social status of the homeowner. This development potentially generates opportunities for foreign design companies.

The Thai government is dedicated to establish Thailand as a regional hub for furniture production and exports. The Thai market was one of the first markets that benefitted from production migration of European and US manufacturers looking for low production costs. Over the years, that advantage of low production cost has moved to other countries, such as China. Ever since, the Thai market has established itself as a market that can combine high-end design with product services. Its full-cycle supply chain and well-developed infrastructure makes the country a one-stop provider of design, manufacturing and distribution. As such, it escapes the heat in a market of price wars and cheap production. The design market in Thailand is turning into a market based on added-value and innovation. As a result, it mainly serves middle- and upper-class price markets in Europe and the US.

On request, the Embassy has the full market analysis available for interested Dutch companies/design agencies.

We support your business

The Netherlands Embassy in Bangkok offers active support to Dutch companies already present in Thailand, Laos and Cambodia, and Dutch companies interested in doing business in these countries. Our main services include the following:

Providing information on sectors and rules and regulations

- Finding potential business partners.
- Supporting trade missions and visiting programs to Thailand
- Organising meetings with relevant authorities at local, provincial or government level.
- Monitoring business opportunities.
- Troubleshooting and advice on resolving disputes.
- Advising on available instruments and services.
- Promoting Dutch business in Thailand.

Business support instruments

The Netherlands government has developed multiple instruments to support Dutch business in Thailand. Please visit the website of the Netherlands Enterprise Agency (www.rvo.nl/thailand) for more information. Atradius Dutch State Business may help you with your export insurance (www.atradiusdutchstatebusiness.nl).

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Trade fairs and events

A wide variety of regional and domestic fairs is organized in Thailand and the region throughout the year. At several of these exhibitions, Netherlands Embassies organize events, such as Holland pavilions, matchmaking or networking opportunities. Please contact us for more information on relevant trade fairs and our support.

Bangkok Design Week by TCDC: <https://web.tcdc.or.th/en/home/>

Bangkok International Fashion Fair & Bangkok International Leather Fair (BIFF and BIL): <http://biffandbil.com/>

Chiang Mai Design Week by TCDC: <https://web.tcdc.or.th/en/home/>

Creativities Unfold by TCDC: <http://cu-tcdc.com>

Design Excellence Award (DEmark): <http://demarkaward.net/en/>

Garment Manufacturers Sourcing Expo: <http://www.gftexpo.com/> (supporting services etc. in the Textile, Fabrics & Yarns industry)

Thailand BIG+BIH Gift & Houseware Fair (bi-annual): <http://www.bigandbih.com/>

Thailand Innovation and Design Expo: <http://www.thailandinnodesign.com>

Thailand International Furniture Fair: <http://www.thailandfurniturefair.com/> (annual comprehensive furniture exposition)

Relevant contacts

- Netherlands Enterprise Agency (RVO): www.rvo.nl
- The Netherlands-Thailand Chamber of Commerce (NTCC): www.ntccthailand.org
- MKB Thailand: <http://mkbthailand.com>

‘NL exporteert’ app

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