



# *E-commerce & SMEs* Uncovering Thailand's Hidden Assets

By Sea Insights

October 2019

# About Us

## About the Company

**Sea Insights** is Sea's research and public policy unit. Its mission is to develop a deeper understanding of the rapidly evolving digital economy in Southeast Asia and Taiwan. Its research aims to inform leaders, from both the private and public sectors, on critical policy and strategy matters facing the digital ecosystem in the region.

**Sea** is the leading internet company in Southeast Asia and Taiwan. Sea's businesses include Shopee, the region's largest and most popular e-commerce platform, Garena, a global leader in games publishing and development, and AirPay, one of the pioneers of Southeast Asia's digital financial services sector.

**Shopee** is the leading e-commerce platform in Southeast Asia and Taiwan. It is a platform tailored for the region, providing customers with an easy, secure and fast online shopping experience through strong payment and logistical support. Shopee aims to continually enhance its platform and become the region's e-commerce destination of choice.

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The authors would like to thank Dr. Voraprapa Nakavachara for her contributions to the design and analysis of the survey.

## Source

This report primarily relies on Shopee's proprietary data based on a survey of Shopee sellers

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# Executive Summary

# E-commerce: A Pathway to Inclusive Growth

## Explosive Revenue Growth for SMEs

↑ **130%** in online and offline sales

Up to ↑ **370%** In total sales for fully digital SMEs

## Boost to SME Productivity

Sellers are able to lift sales without large sales force

Potential for

↑ **350%** in efficiency

## Increase in Employment

↑ **17%** In number employed per seller

For those who reinvest profits into hiring labor:

↑ **46%** In number employed per seller

## Connecting Buyers & Sellers Across Thailand

Buyers and sellers are now **no longer geographically limited** to markets in their area

Sellers can access **distant markets**, while buyers can discover a broader range of products

## Upcountry Regions Benefit More

North, Northeast, & South Thailand saw **greatest increase in market discovery**

These regions had the **highest share** reporting an increase in household income

## Improved Household Income Streams

**82%** Report higher household income due to e-commerce

It also provides **flexible working arrangements** for those with full-time responsibilities



# E-commerce: Uncovering Thailand's Hidden Assets

## Reimagining inclusive growth

- In an era of slower global trade growth, it has become more important than ever before to identify new sources of demand, while also ensuring that the benefits of growth filters down to those who need it most.

## E-commerce - a pathway to inclusion for Thailand's hidden assets

- Our research shows that e-commerce can be one way to contribute to inclusive growth, by uncovering the untapped potential of groups such as the small and medium enterprises, merchants outside Bangkok, and also hidden entrepreneurs (e.g. homemakers and students).
- We surveyed close to 7,000 merchants on Shopee Thailand – conducting one of the largest surveys of e-commerce sellers in Thailand – and analyzed how household income, sales, employment and customer locations changed post e-commerce adoption.

## Explosion in revenue and lift to productivity

- We found that e-commerce adoption raises revenue by 133% on average for SMEs. This upside can be as much as 369% for those who fully embrace digital integration<sup>1</sup> (i.e. online sales account for more than 80% of total sales).
- They also attained higher sales without having to hire a large sales force, with a productivity boost of more than 350% for those fully embrace e-commerce.
- Increase in productivity is especially important in Thailand given prevalent talent shortages among SMEs.

## Boost to employment

- In addition to an increase in productivity, SMEs also saw 17% increase in employment on average for the full sample, with merchants who re-invest profits into labor seeing up to 46% increase in headcount after going online.

<sup>1</sup>Digital integration refers to how much of a seller's total revenue are derived from online sales

# E-commerce: Uncovering Thailand's Hidden Assets

## Significant improvement in household incomes

- 82% of SMEs reported an increase in household incomes after adopting e-commerce, with >90% of highly digitalized SMEs witnessing an increase, a reflection of how e-commerce was able to lift sales and productivity of these small merchants with traditional offline businesses.

## "Death of Distance": E-commerce removes geographical boundaries

- One channel through which e-commerce improves incomes is by reducing distance constraints. Through e-commerce, merchants are able to discover new markets, while buyers can find new products from faraway provinces more easily.
- Our research shows that more than 80% of sellers now sell outside their own region, versus just 45% before e-commerce.

## Sellers outside Bangkok saw the greatest increase in incomes and access to markets

- More importantly, the lift to household incomes and access to markets was most pronounced outside of Bangkok, and in particular in regions with lower incomes such as the North, Northeast and South.
- For instance, 86% of merchants in North Thailand reported an increase in incomes post e-commerce adoption, and 92% of them now sell outside their own region.

## Rise of the "hidden entrepreneurs"

- E-commerce also helps groups with full-time responsibilities such as homemakers, students, and employees generate alternative sources of income, greatly improving their livelihoods in the process.
- These hidden entrepreneurs benefit from zero to little overhead costs from e-commerce, allowing them to experiment and try new business models, while at the same time fulfilling their duties such as caring for their families and paying for their education.



# Introduction

# The Three Hidden Assets in Thailand

*SMEs, Outside Bangkok and the Hidden Entrepreneurs*

## Traditional SMEs

SMEs make up **99%** of enterprises



However, productivity of SMEs remain low. They contribute just **43%** of Thailand's GDP

## Outside Bangkok

**87%** of Thailand's population live outside of Bangkok



Regions outside of Bangkok have relatively lower incomes. Outside of Bangkok, GDP per capita is **US\$5,400** versus US\$17,500 within Bangkok

## Hidden Entrepreneurs

**32%** of Thai youths aspire to be entrepreneurs – by far the most popular future job choice



**17%** of the population are outside the labor force but have the potential to contribute to the economy as entrepreneurs



# How E-commerce Can Reveal the Three Hidden Assets

*SMEs, Outside Bangkok and the Hidden Entrepreneurs*

E-commerce can be a pathway to inclusive growth for

**Traditional SMEs**, those **Outside Bangkok**, and the **Hidden Entrepreneurs**

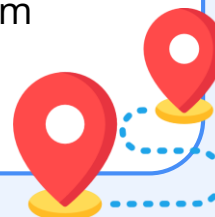
## Lowering Barriers

- Lowers barriers to entrepreneurship
- Eliminates the need for physical stores
- Requires little to zero overhead costs
- Greater economies of scale



## “Death of Distance”

- E-commerce helps to minimize search costs
- Sellers are able to find new markets
- Buyers are able to discover a wider assortment of products, including those that are novel, niche or from faraway provinces



## Alternative Income Streams

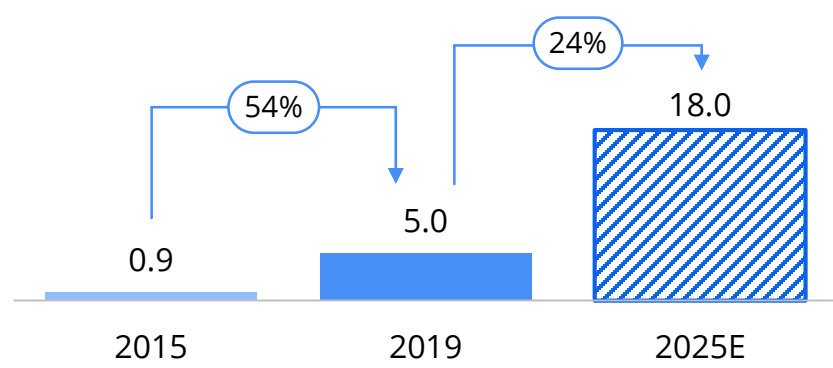
- Ability to work on your own schedule
- Helps to supplement existing streams of income
- Beneficial for those who are not able to take on full-time jobs (e.g. homemakers, students, etc.)



# Thailand E-commerce – Fast Growing But Still in Early Days

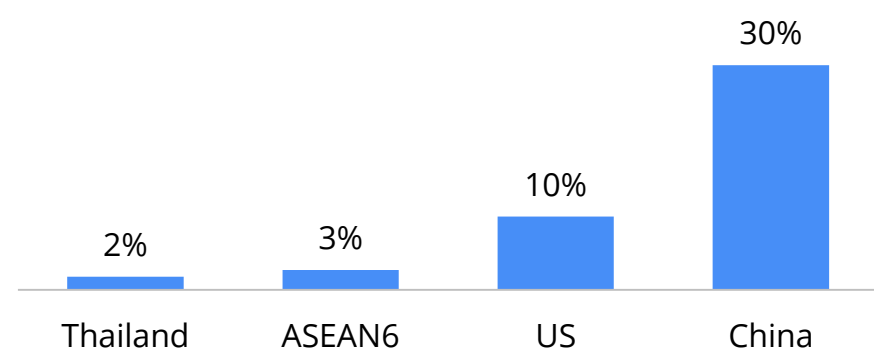
## High Growth in GMV

(Thailand E-commerce GMV in Billions, 2015-2025)



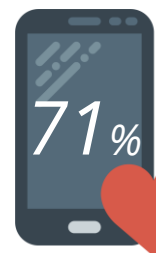
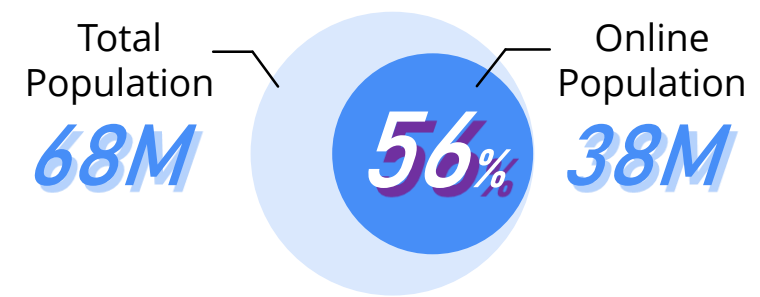
## E-commerce is Still Underpenetrated

(E-commerce as % of Total Retail, 2018)



## Strong Foundation for E-commerce

### Digital Natives



### Smartphone Centric

71% Smartphone Penetration

### Banked Population



Thailand: 78% vs ASEAN6: 41%

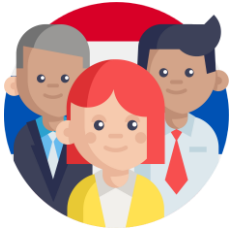
### Social Media Savvy

51% of consumers buy goods using social media



# A Unique & Novel Data Set Focusing on Thai Sellers

*Let's ask 6,900 Thai Sellers on Shopee*



One of the largest survey datasets on Thai e-commerce sellers



**2,100**  
Traditional SMEs<sup>1</sup>



**4,800**  
Brand New Entrepreneurs<sup>2</sup>

## Q: Demographics

- Age & Gender
- Location
- Education
- Employment Status
- Household (HH) Size
- Primary Earner for HH
- Etc.

## Q: Economic Impact of E-commerce

- Revenue
- Profit Growth
- Employment
- Change in Household Income
- Customer Location

## Q: Others

- Motivation for Going Online
- Use of Profits
- Most Important Function or Characteristic of E-commerce Platforms (e.g. ease of use, logistical support, etc.)
- Business Needs

<sup>1</sup>Traditional SMEs refer to sellers in our sample who had a pre-existing offline business before beginning to sell online

<sup>2</sup>Brand new entrepreneurs refers to sellers who did not have any pre-existing businesses before beginning to sell online.



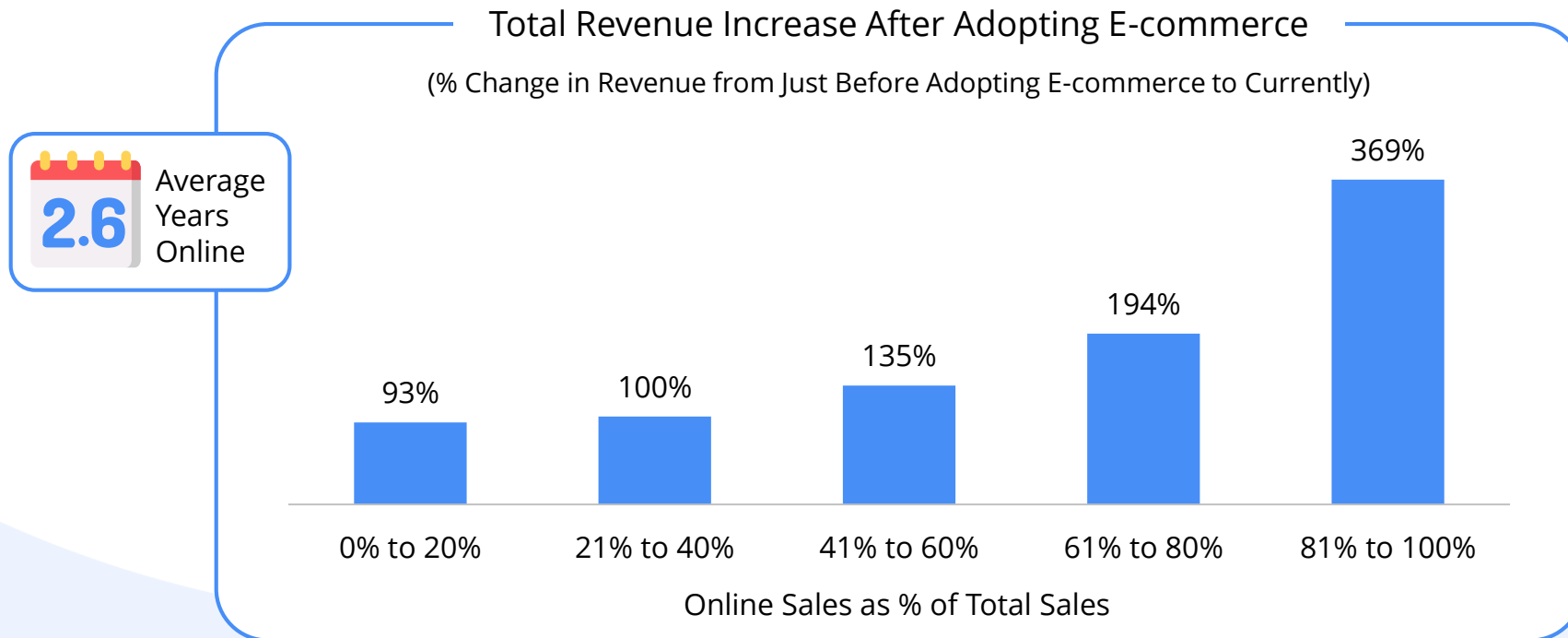
# Traditional SMEs

Note: Traditional SMEs refer to retail SMEs who had an existing offline business prior to using e-commerce

# E-commerce Led to a Surge in Total Revenue

*The higher the level of digital integration the bigger the jump*

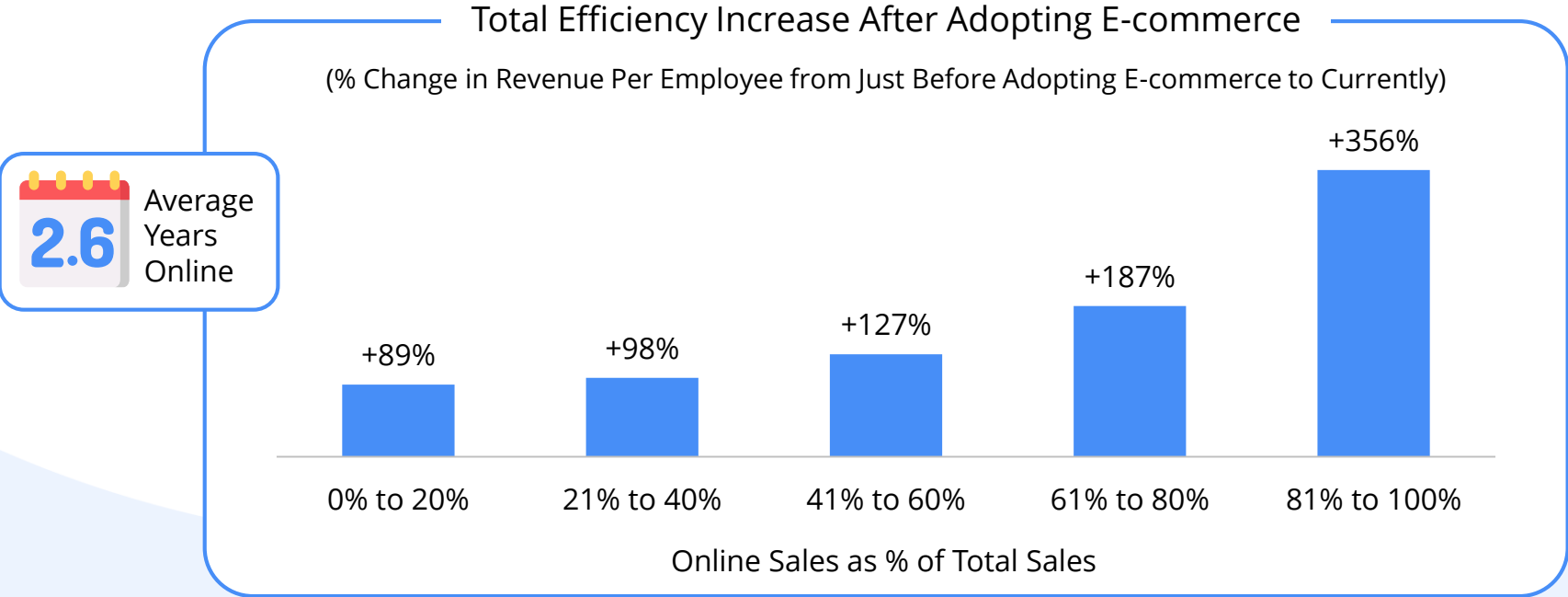
- On average, e-commerce adoption lifts both online and offline revenue by 133% for SMEs with an offline business, which is roughly an average annual increase of 51%
- This increase ranges from a 93% boost for merchants with online sales below 20% of total sales, to as high as 369% for sellers who fully embrace digital integration (i.e. online sales for more than 80% of sales).



# Sellers Benefited from a Sharp Improvement in Efficiency

*The higher the level of digital integration the bigger the jump*

- Merchants also attained higher revenue through an increase in efficiency rather than having to hire a large sales force. In our report we define efficiency as revenue per employee. On average, sellers underwent a 128% increase in efficiency. This equates to an average increase of 49% annually.
- This is especially important in the context of Thai economy where there are severe labor shortages (unemployment rate is below 1%) especially among the SMEs, and hints at e-commerce being an important tool to ease SME constraints.
- Additionally, sellers saw improvement ranging from 89% to 356% depending on their degree of digital integration.

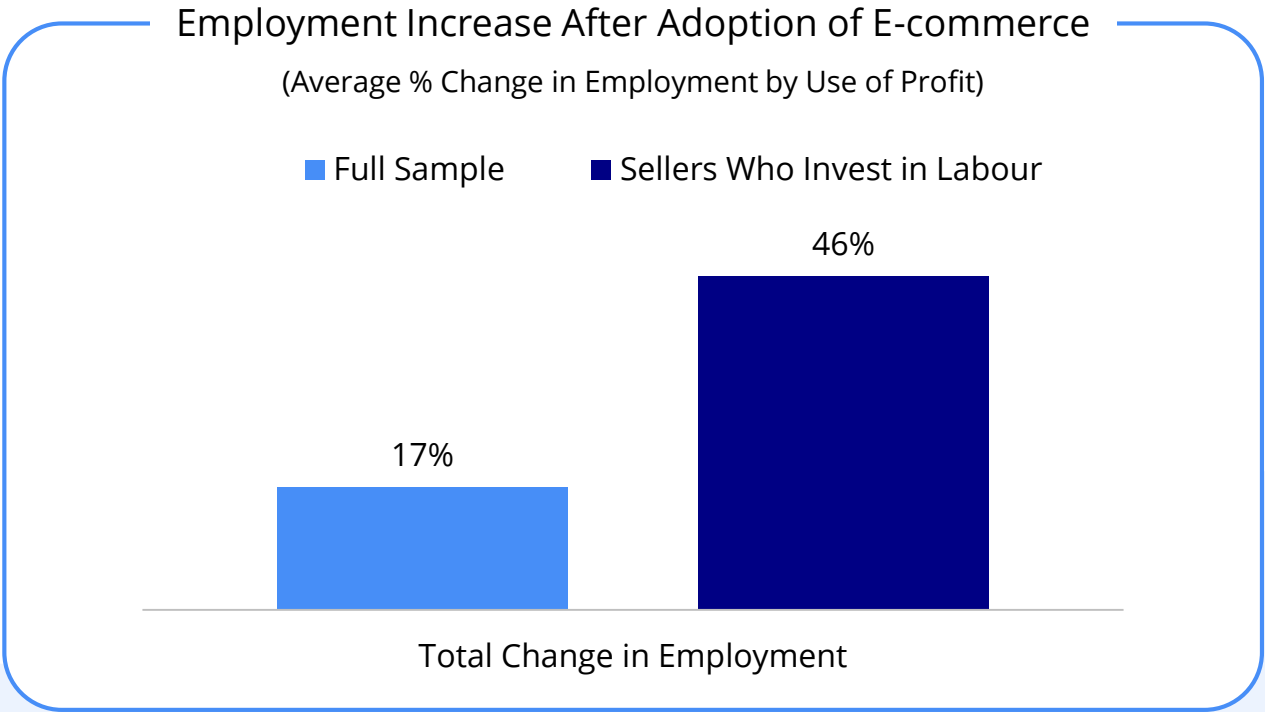


Note: These findings are based on the data of ~2,100 traditional SMEs, those with pre-existing offline businesses, surveyed through Shopee



# E-commerce Boosts Employment

- In addition to the prominent increase in efficiency, Thai sellers also employed more people on average.
- On average, merchants across our sample saw an increase of 17% in employment after selling online on e-commerce platforms.
- When asked what merchants primarily do with their profits from e-commerce (e.g. save, reinvest in business, pay for education, etc.), those that decided to use their profits to invest in labor saw an improvement in employment of up to 46%.



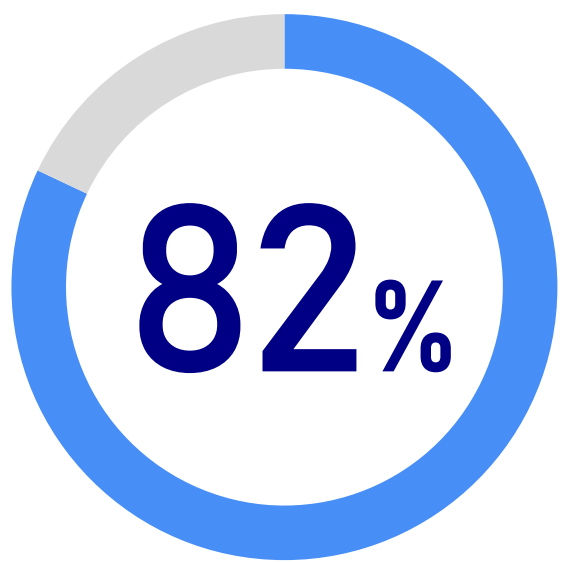
# Household Income and Potential For Economic Inclusion



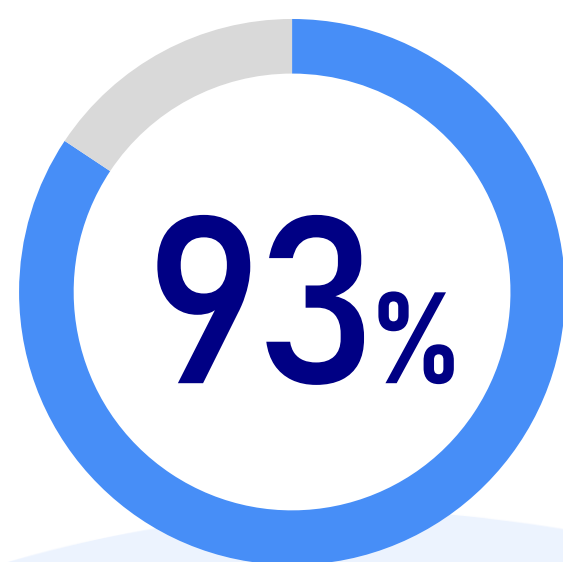
How Has E-commerce Impactd Your Monthly Household Income?



■ Increase    ■ No Increase



of SMEs report an increase in household income



of *highly digitalized*<sup>1</sup> traditional SMEs report an increase in household income

<sup>1</sup>Highly digitalized traditional SMEs refer to those with e-commerce sales contributing to more than 50% of total sales

# Baanbokbok

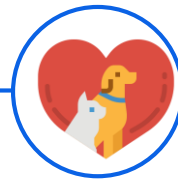
## Case Study: Pets, Passion, and Profitability

Meet Khun Laksana Viriyaphan, owner of BaanBokBok



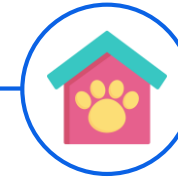
Thanks to her love of animals, Kuhn Laksana began selling pet products in March 2000 directly from her house in Bangkok

Soon after she discovered Shopee and decided to join in January 2017



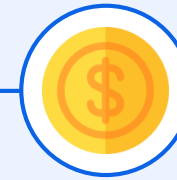
At the **beginning** she only sold 1-4 **orders/month**, and began expanding her products by popular request

Initially she only sold her bestselling cat and dog products online



With features like Shopee Campaigns she now sells **over 300 orders/month** on Shopee and accounts for 60% of her total revenue.

After adopting e-commerce her annual **profits have increased by up to 30%** and have significantly increased her household income



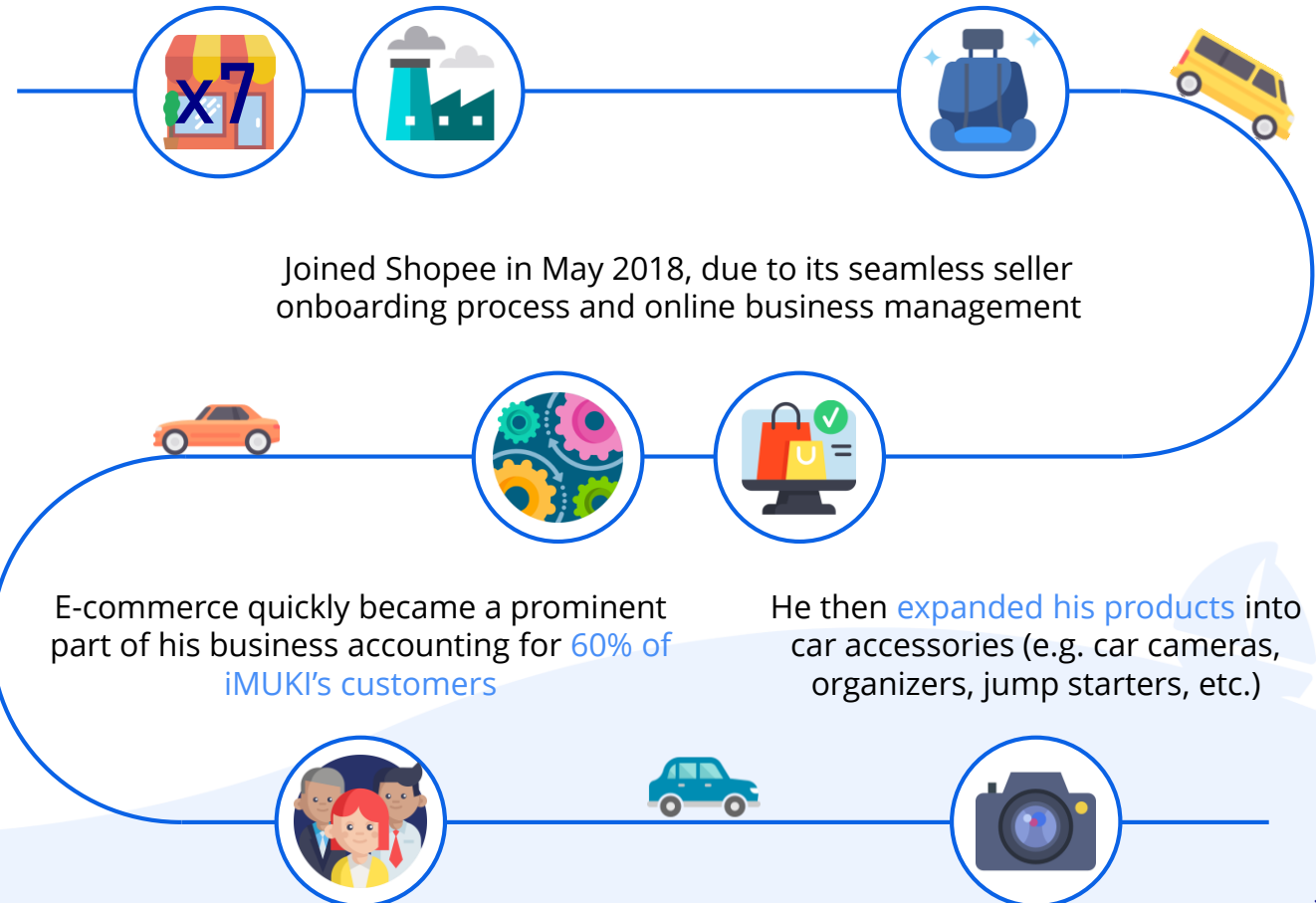
# Case Study: Scaling Existing Operations

Meet Khun Phossakorn Tanratsuan, owner of iMUKi Auto Boutique



Initially, iMUKi consisted of 6 offline stores and 1 factory in Thailand and an 1 additional store in Myanmar

He started his online business with selling leather car seat covers under the iMUKi brand





Outside Bangkok

# “Death of Distance” – E-commerce Increases Trade Connections

- E-commerce allows merchants to discover new markets by reducing distance constraints.
- It also helps buyers find new products from faraway provinces more easily by reducing search costs.

Before E-commerce



Currently



Before E-commerce

45% of SMEs sold outside of their own region

After E-commerce

81% of SMEs now sell outside their own region

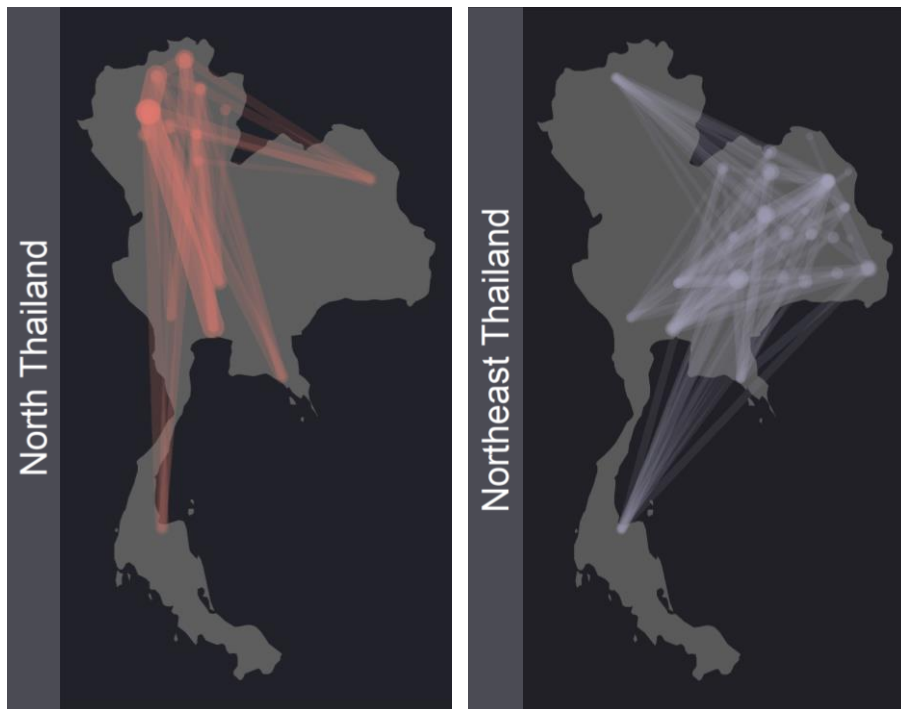
The number of trade connections roughly doubled after adopting e-commerce



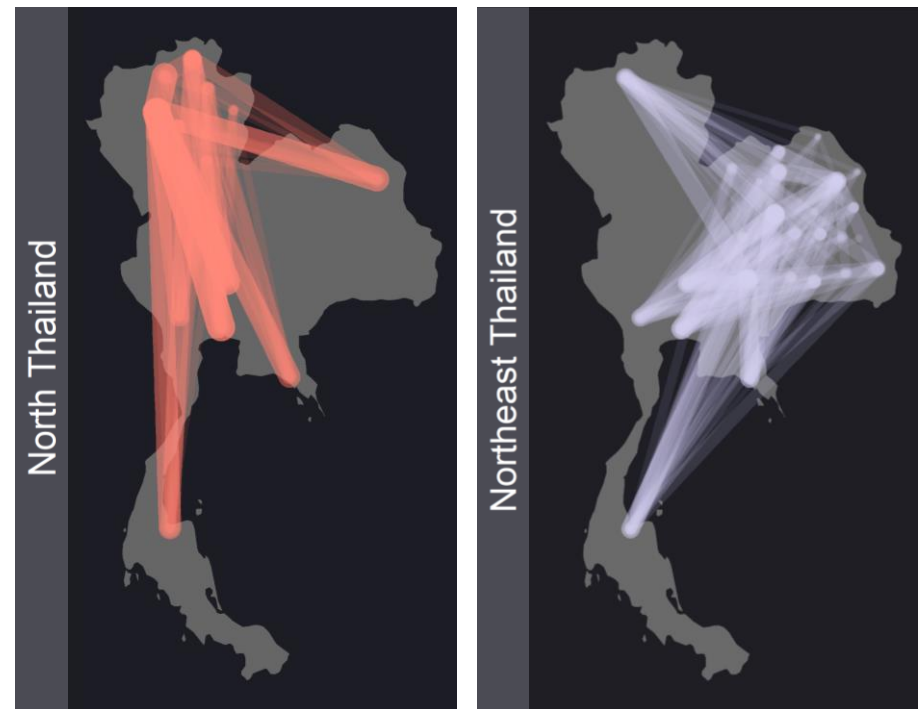
# Outside of Bangkok Saw Greatest Increase in Market Discovery

- This improvement in trade connectivity was most pronounced among the regions with the lowest incomes in Thailand, such as North and Northeast Thailand.

Before E-commerce

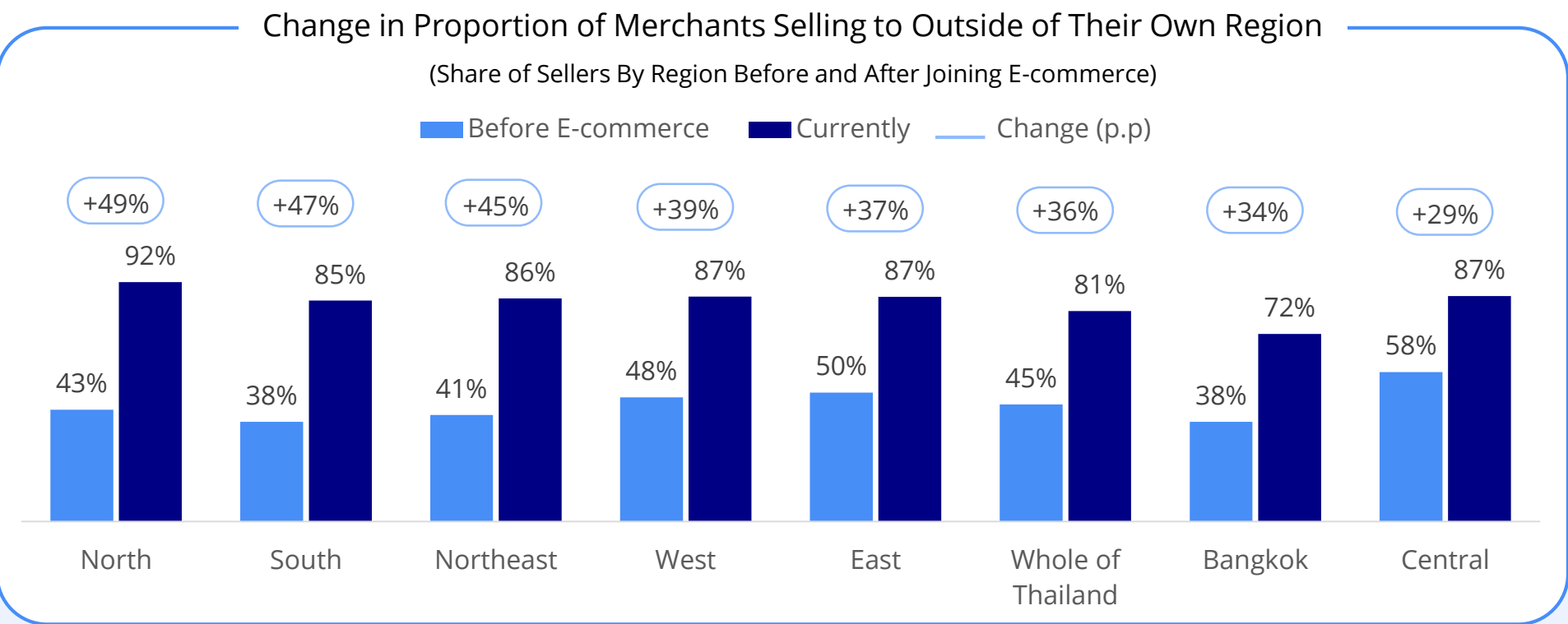


Currently



# E-commerce: A Pathway to Economic Inclusion for Poorer Regions

- E-commerce allows for instantaneous reach across the country, with the lower income regions such as the North, Northeast and South seeing the greatest increase in share of merchants selling outside their own regions
- E.g. The proportion of sellers in the North of Thailand who sell to customers outside the region they live in rose by 49 percentage points, from 43% of all sellers to 92%

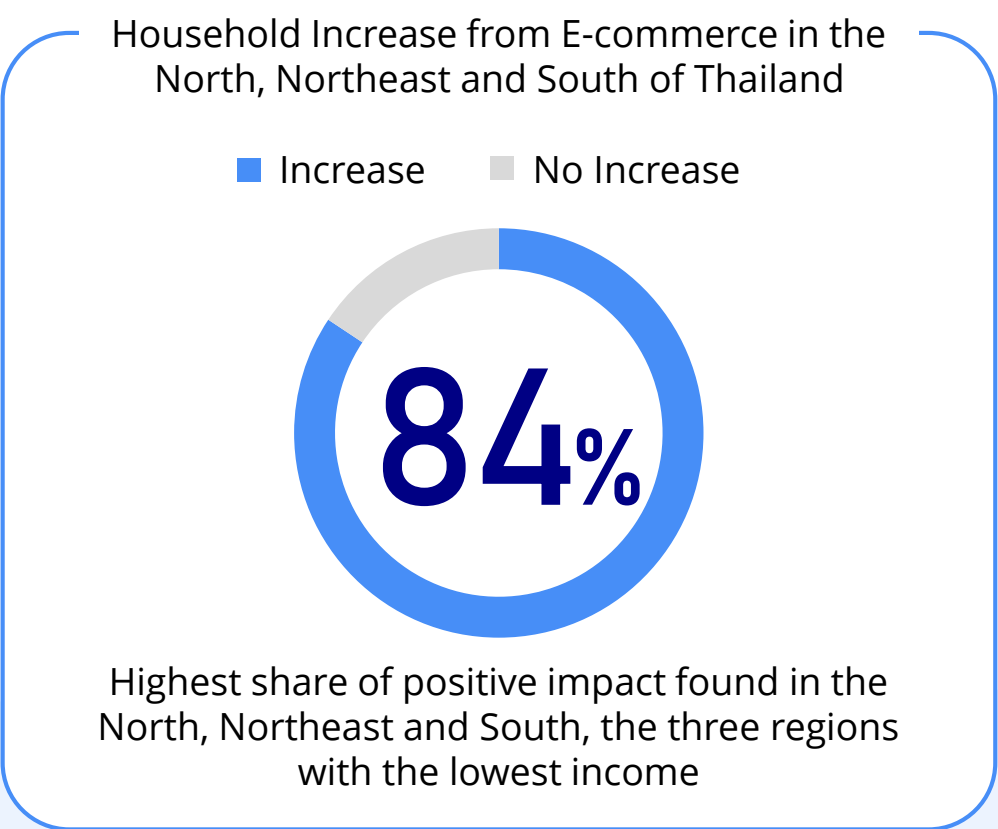
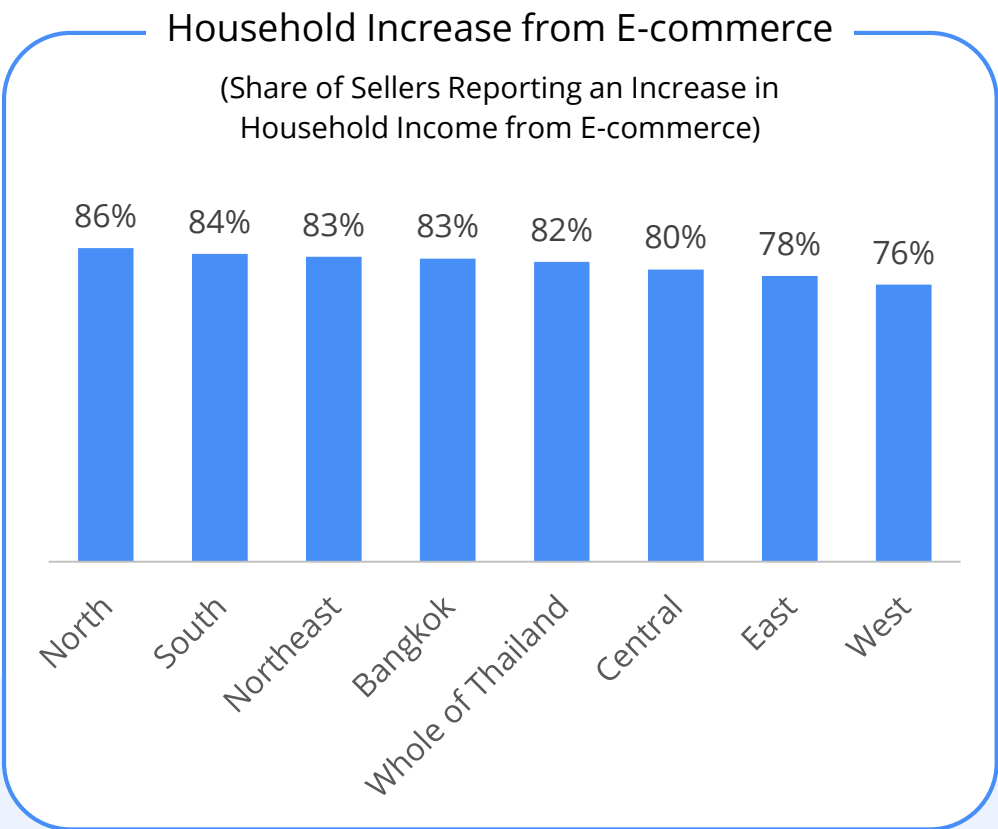


# Upcountry Regions See Greatest Improvement in Household Income



How Has E-commerce Impacted Your Monthly Household Income?





# Case Study: Transitioning From Offline to Online

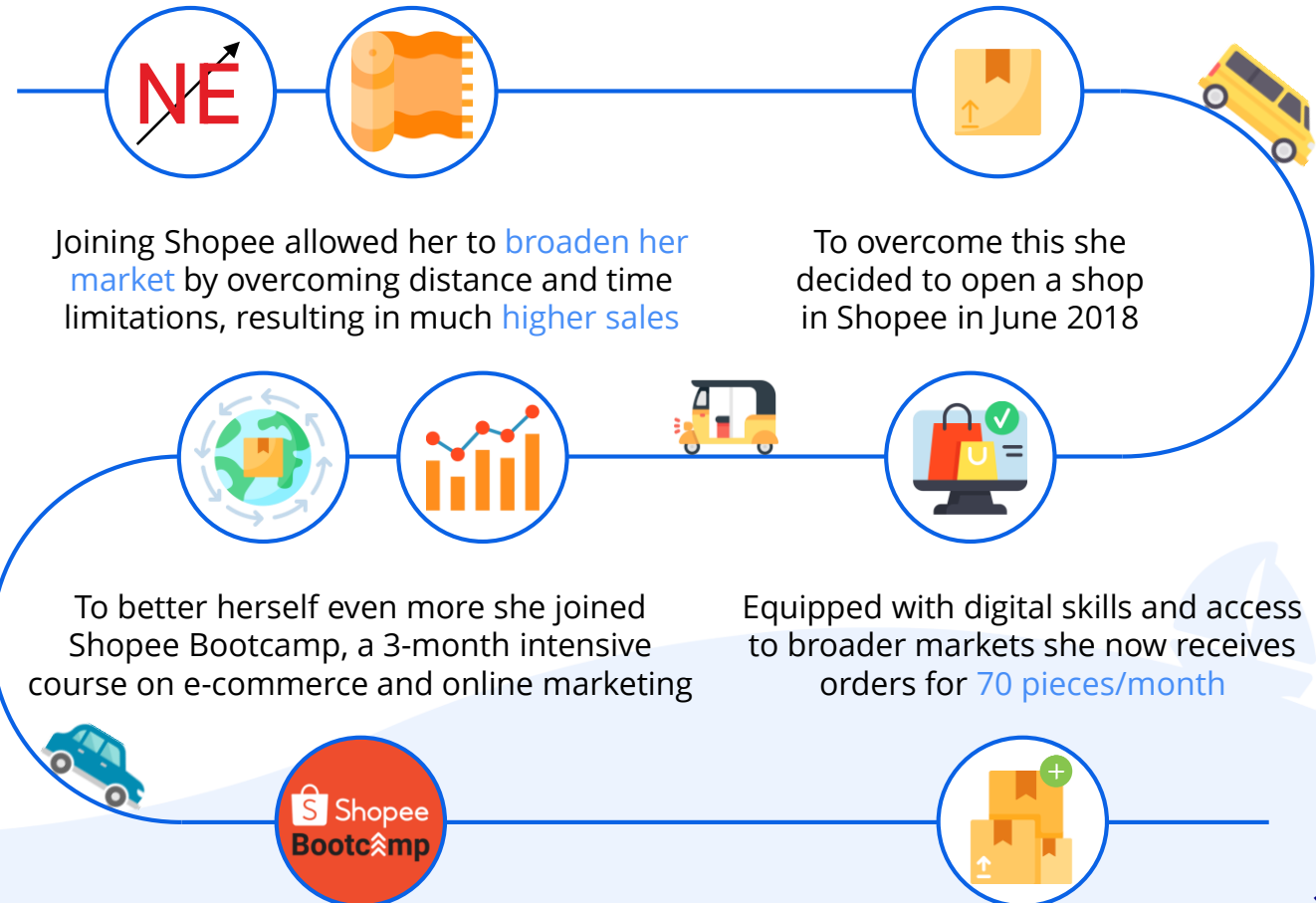
Meet Kru Na, owner of Charoenphahomnuam

เจริณู พาณิชย์



Kru Na lives in Loei in Northeastern Thailand. She has an offline business selling hand-made quilted bed linens

Due to geographical constraint, she could **only sell seasonally**. At peak tourist season she would sell **only 2-5 orders/month**



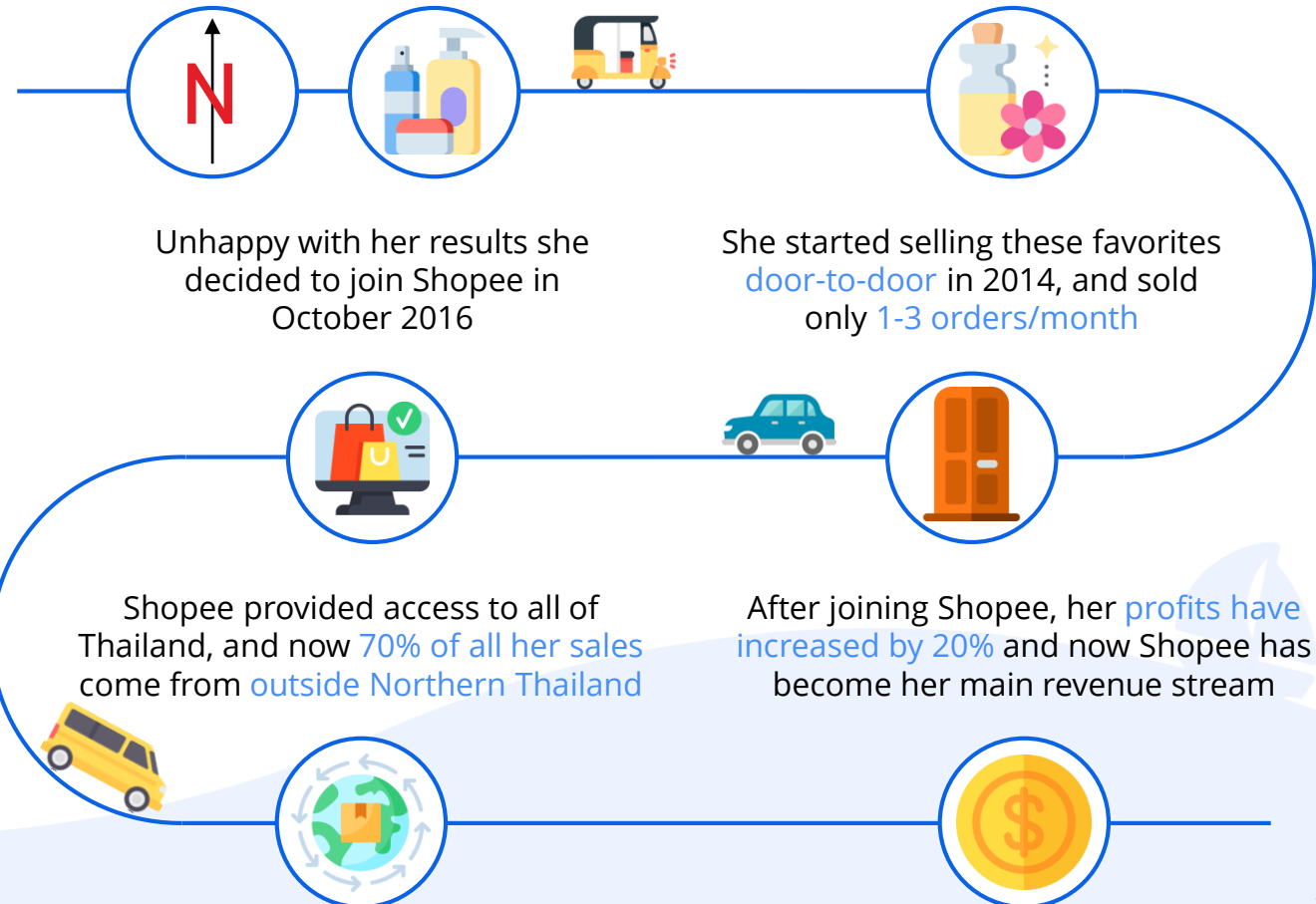
# Case Study: Made Locally, Sold Nationally

Meet Khun Kronrakarn Tungkanitanon (Biw), owner of Kronrakarntungkanitanon



Khun Biw, from Khonkaen in Northern Thailand has had a passion for self-care and beauty products since she was a teenager

After trying many products she found a few **products made locally within the region** that became her favorites





# The Hidden Entrepreneurs



# E-commerce Helps to Generate Alternative Sources of Income

- Entrepreneurs come in many forms, and are not limited to those who own offline businesses. These “hidden entrepreneurs”, as we like to call them, are like seeds of economic opportunity waiting to grow. And like seeds, they each have unique contexts, nuances and environments that they require to properly flourish.
- These hidden entrepreneurs include students, homemakers, and employees. They are more likely to be female, have full-time responsibilities, and are not the primary income earner of their household, unlike sellers with pre-existing offline businesses.
- For this group, the flexibility of e-commerce allows them access to alternative streams of income.

Traditional SMEs  
*From Offline to Online*

Hidden Entrepreneurs  
*Straight to Online*

are more likely to be...

Self-Employed

59%

*are self employed*

Full-Time Responsibilities

63%

*are homemakers, employed, or students*

The Primary Earner

52%

*are the primary earners*

Not the Primary Earner

58%

*are not the primary earners*

Male

36%

*male; 64% female*

Female

75%

*Female; 25% male*

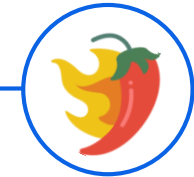
# Case Study: Recipe for Success

Meet Khun Aimy, owner of Chili Crunch



Khun Aimy is a 28 year old mother of 2 kids living in Nonthaburi

She was originally helping out in the family restaurant. In her spare time she would **dry chilies as a hobby**



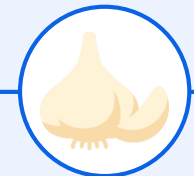
With e-commerce she can **run the whole business by herself**, end-to-end

She found a new interest in selling her dried chilies online and opened Chili Crunch on Shopee in January 2018



She started receiving orders on day one and has gradually grown her shop, which is now **her primary source of income**

Since joining she has added **5 more new flavors** and a new garlic based snack.



# Case Study: Earning While Learning

Meet Khun Kwanporn Varasin (Kwan), owner of Best.Shortnote

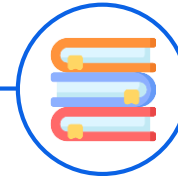


Khun Kwan is a **full-time Mahidol University student**

She started her online only business in Shopee in August 2018



She sells beautifully decorated and organized study notes for all education levels from primary to high school level.



She is now able to make over **100,000 THB (3,030 USD)** annually

The ease of managing a business using e-commerce allows her to **earn and learn**



# Motivation for E-commerce Differs by Employment

*Different priorities for those in different forms of employment*

- Hidden entrepreneurs have different motivations for adopting e-commerce. For instance, full-time employees are motivated most by the ease of setting up a business through e-commerce, and also the flexibility it affords them.
- On the other hand, homemakers value the ability to have more household time through e-commerce. This could reflect e-commerce's ability to boost productivity, achieving higher sales with less resources and fixed costs.
- For students, the two important motivations are the ease to set up a business and lower business cost. Students could view e-commerce as a cost effective means to experiment and try out new business ideas.

## Motivation for Adopting E-commerce

### Full-Time Employees

Ease of  
Setting Up



(58%)

Flexible  
Times



(51%)

### Homemakers

More Household  
Time



(70%)

Ease of  
Setting Up



(65%)

### Students

Ease of  
Setting up



(87%)

Lower  
Business Cost



(51%)

# Use of Profits from E-commerce Differs by Employment

*Different priorities for those in different forms of employment*

- Hidden entrepreneurs also use profits from e-commerce differently depending on their needs and situation.
- For example, students are most likely to utilize profits to pay for their education, and in doing so, achieve a higher standard of living for themselves.
- On the other hand, the top use of profits for homemakers is to care for their family.

## Use Of Profits:

### Full-Time Employees

Save Profits

Reinvest into Business



(61%)



(52%)

### Homemakers

Care for Family

Save Profits



(65%)



(50%)

### Students

Save Profits

Pay for Education



(76%)



(41%)



Putting It All Together



# Putting It All Together



Thailand is a nation brimming with untapped potential, full of seeds of opportunity. However, these seeds are far from homogenous and require specific tools to properly let them thrive. As a tool, e-commerce has the potential to help create a fertile environment for these seeds to flourish and grow.



We find that e-commerce can be an important economic leveler and that, with proper utilization, SMEs, merchants outside Bangkok, and also hidden entrepreneurs can use it to significantly improve their businesses.



Sellers saw a lift to household incomes, an explosion in revenue and productivity, and also a boost to employment post e-commerce adoption. This increase in sales and productivity is particularly important for Thailand given the tremendous labor constraints that the SMEs and general economy face.



E-commerce also reduces distance constraints, increasing connections between buyers and sellers from faraway provinces, while allowing groups with full-time responsibilities generate alternative sources of incomes.

# Putting It All Together



Although e-commerce can has the ability to be extremely powerful productivity tool, our experience in Shopee shows us that unlocking this potential rests crucially on closing the digital skills and education gap.



One of the ways Shopee does this is through offline training courses, which we call Shopee University. We train sellers on the basics of e-commerce such as taking photographs, marketing their products, and have trained more than 12,000 entrepreneurs all over Thailand.



Shopee pilots various different SME empowerment initiatives. "Shopee Bootcamp" is the latest addition to these programs. Together with various government & private sectors, Shopee Bootcamp aims to increase the sales of participating SMEs by 100% within 3 months nationwide. Of all the SMEs upskilled by the program, 76% have successfully met the target of increasing sales by at least 100%.



While this is certainly a good starting point there is still much that can be done to facilitate the digital enablement of the nation. This includes efforts such as furthering Thailand's progress of digitalization under the Thailand 4.0 initiative, and public-private partnerships to help uncover and support the hidden assets of the nation.

Terima kasih

Cảm ơn bạn

Salamat

ขอบคุณ

謝謝

Thank you!