
CHAPTER 1

Introduction

1.1 Research Background

1.1.1 Thailand Tourism and Chinese Tourists

Tourism is the economic pillar of Thailand, which has directly contributed to 17.7 percent (2.52 trillion Baht) of Thai GDP in 2016. While the global average for tourism revenue is 9 percent of GDP. Because of the rapid development of Thailand's tourism, it is boosting much-related business which can compensate for weak growth in the other industry sectors. According to the Tourism Authority of Thailand report (2017), 32.59 million foreign guests visited Thailand in 2016. Chinese tourists are one of the most important sources for Thailand tourism, due to the large percentage of tourist's that they can account for. Based on the number of Chinese tourists in recent years in Table 1.1. In 2014, 4.6 million Chinese tourists traveled to Thailand. In 2015, the number of Chinese tourists reached 7.9 million which occupied 27 percent of total 29.8 million foreign guests; in 2016, 8.7 million Chinese tourists visited Thailand. In 2017, 9.8 million visitors from China and occupied 27.7 percent of total foreign tourists. Chinese tourists brought more than 520 billion Baht in revenue to Thailand, becoming the largest contributor to the country's tourism sector in terms of the number of arrivals and the size of profit, said Pongpanu Svetarundra, Permanent Secretary of Thailand Ministry of Tourism and Sports. On average, the average Chinese tourist spends 6,400 Baht (US\$180) per day—more than the average visitor's 5,690 Baht (US\$160). According to Thailand KASIKORN Research Center report named Thailand tourism outlook 2018, Around 37.8 million foreign tourists will travel to Thailand, up 7 percent over 2017, driven by an expansion of new international routes especially from Thailand to secondary cities in China, among others. From the above information, it suggests that Thailand tourism heavily relies on the Chinese market.

Table 1.1 Top 10 arrivals by nationalities during 2014-2017

Rank	Country	Jan-May 2018	2017	2016	2015	2014
1	China	5,030,488	9,805,753	8,757,466	7,934,791	4,636,298
2	Malaysia	1,429,752	3,354,800	3,533,826	3,423,397	2,613,418
3	Russia	802,496	1,346,219	1,089,992	884,085	1,606,430
4	South Korea	739,971	1,709,070	1,464,218	1,372,995	1,122,566
5	Laos	692,300	1,612,647	1,409,456	1,233,138	1,053,983
6	Japan	661,416	1,544,328	1,439,629	1,381,690	1,267,886
7	India	638,035	1,411,942	1,193,822	1,069,149	932,603
8	United States	477,507	1,056,124	974,632	867,520	763,520
9	United Kingdom	432,786	994,468	1,003,386	946,919	907,877
10	Germany	432,566	849,283	835,506	760,604	715,240

Source: Tourism Authority of Thailand (2017)

1.1.2 Chinese Consumers in Thailand Local Cosmetic Business

According to the report named Thai Tourism: Sustaining Success from Thailand Siam Commercial Bank Economic Intelligence Center (EIC Online), Tourism is a form of consumption that helps drive a wide range of big and small business. The three-key tourism-supported sectors are hotels and restaurants, wholesale and retail trade, and logistics and transportation, which these sectors collectively comprise nearly 30 percent of Thailand GDP. The report especially mentions the significance of tourism to the retail and wholesale businesses. In Bangkok and other main destinations, some 40 percent of retail and wholesale sales come from foreigners until 2015. As the Tourism Authority of Thailand (2017) survey suggests, Chinese tourists will plan 41% traveling budget for shopping in Thailand and 4% of their traveling budget for food, the rest budget for transportation, tour guide fee, accommodations, and entertainment. Of the budget planned for the shopping, 63% of Chinese tourists budget, will be spent on snacks and food, while 51% on clothing and the other 49% will be spent on cosmetic and personal care items. That means Thai cosmetic products are also popular among Chinese tourists. From Chotika Tungsirirup (2017) researcher's article, he also mentions about the contribution of Chinese tourists to Thailand's cosmetic business. Beauty Buffet is a

leading Thai cosmetic company. The reason for the significant growth over these years, primarily being owed to the growing interests and positive feedback from foreign tourists especially mainland China, Hong Kong, and the Middle East. While the King Power is the leading duty-free shop in Thailand, Chinese tourists have grown to the largest parts of their consumption group and benefited from them. Because they uniquely offer Thai branded products and herbal products to meet the high demand for these products from predominantly Chinese tourist customers. They do this by paying attention to Chinese consumers wants and needs when it comes to Thailand cosmetic products. In addition to this they also make sure that more local Thai cosmetic brands can benefit from these Chinese consumers.

In this research, local Thai cosmetic businesses are the beneficiary of promotional knowledge among Chinese consumers. Why did the Thailand local cosmetic business need to know about this? This is a necessary piece of information, since being able to understand the development of the Thai cosmetic situation can help people fill the knowledge gap. According to the Thai Ministry of Industry, the cosmetic business of Thailand is worth around 210 billion Bhat (6.1 billion USD), with 120 billion Bhat (3.5 billion USD) belonging to the local market and exports, which can reach close to 90 billion Bhat (2.6 billion USD). In addition to this, Thailand has become the largest cosmetic market and manufacturing base in ASEAN through the development of international brands manufacturing base's and Thailand's local cosmetic brands emerging over the past 40 years. The main types of cosmetic manufacturing in Thailand include: global manufacturers, local manufacturers and etc. Global manufacturers refer to those foreign brands that have set up subsidiaries in Thailand. Some examples of these subsidiaries include companies like L'Oréal, Nivea, Biore an etc. Local manufacturers are native cosmetic brands like Beauty Buffet, Ray and Mistine. Some of the local manufacturers are successful not only in Thailand but also in many other countries outside of Thailand. According to the Thai Cosmetic Cluster, there are 762 cosmetics manufacturing plants in Thailand, but some 520 of them are SMEs. They are primarily eager to grow locally and regional market. While on the other hand, the Thailand economic 4.0 model also aims to turn its traditional SMEs into the smart enterprise and traditional services into high-value service's. They plan to do this, so they can have the opportunity to propel the development of Thailand cosmetic industry. Thai

cosmetic cluster, which was formed in 2015, is a group of businesses and institutions that push the development and integration of the Thai cosmetic industry. In addition to this they are also focusing their efforts towards driving the 4.0 business model. More importantly, the core task of Thai cosmetic cluster is to help stimulate the cosmetic business in Thailand and build knowledge within the sector by increasing awareness to overcome the four challenges: innovation, standards, effective image and branding and associated packaging problem.

Above all, it is obvious that Thailand cosmetic businesses have the potential resource's and policy-supports, but they also have some problems need to be solved. Global brands have many different advantages among the Thai local cosmetic brands. Some of their advantages include their market, finance and distribution channels and etc. Most of the Thai local cosmetic brands are simply not able to directly compete with them. In the cluster of Thai cosmetic brands, only a few brands have the ability to attract foreign consumers. Most of them are either unknown or ignored by the marketplace. So how can a company help promote local Thai cosmetic brands, while still being able to benefit and get attention from the marketplace, especially the huge number of tourists' group like Chinese consumers? That is the main problem that will be the main focus of this research.

1.1.3 The Importance of Chinese Internet Celebrity in Thai Local Cosmetic Business

With the development of information technology and popularity of social media platforms, China is one of the largest countries, due to its large population of internet users. According to the CNNIC (China Internet Network Information Center) report in 2018, China have 772 million internet users which give various companies to enlarge and attract more Chinese consumers from the internet channel.

Because of these factors, China have been able to create their own original social media platforms which are vastly different from the social media platforms found in Thailand. Thai people primarily prefer to use Facebook, when it comes to sharing moments with friends. However, for Chinese people, the primarily prefer using Weibo to share moments. WeChat is the main social media application for Chinese people, while for the Thai people the main social media application would be Line. In regard to

a video platform, Thai people primarily prefer to use YouTube to watch video content, while for the Chinese, their normal preference for video content would come from the YouKu application. There is a major difference between the patterns of behavior, in terms of use of social media platforms between Thailand and China. This is something that Thai related businesses should consider, when they consider promoting products to Chinese consumers via social media platforms.

In another report from China Network, in the New Media Users Research in 2016, 60.8% of the new Chinese media users tend to use social media platforms like Weibo (like Twitter) and WeChat (like Line) as their primary channels to get the sources of information. In addition to this the users have also become accustomed to getting information and expressing their demands through these social media platforms.

Internet celebrities are another interesting new trend that are being born from various different social media platforms. Internet celebrities have been an emerging social phenomenon that influences the behaviors of people, especially young generations of social media users. Internet celebrities have experienced three distinct times of development in recent times. The first distinct time era of different emerging content creators would be when internet writers were at an all-time high in popularity. (text writing internet celebrities), The reason for their explosion in popularity would be because for many Chinese people at this time, text communication was primarily the only form of communication available to the mass market of consumer's. These text internet celebrities are often active in BBS and other online literature forums and communities. Usually, no commercial operations were normally being applied or used during this stage of the internet. However, during the second era, many things would begin to change.

The second era of change would come in the form of the use of graphics and literary pieces. This change was primarily seen in 2005. The internet speed at this time was rapidly improving. These rapid improvements would lead to a new wave of thinking in the minds of user's were, 'No picture no truth'. This slogan suggests that the decline of text communication and the rise of picture communication was beginning. This was coming about because at this time many of the Chinese internet celebrities were mainly using their beauty or good-looks to help capture attention from their internet audience. Meanwhile, some content creators also created spoof and vulgar

content, which was used to catch some of the other internet user's attention. Celebrities would also at this time began to pay attention to commercial promotion after acquiring much fame through the various different channels of the internet.

When looking at the third era of change in internet usage, we finally are able to come and talk about the current market today. There was a rise of Full media internet celebrities, following the popularity of 4G networks and social media platforms after 2014. Apart from the text and picture communication, online audio, online music and online video began to gain a lot of momentum and attention from the various different online users. While era of using began to involve even more different forms of communication. Especially online live and video. During this stage, Internet celebrities not only preferred to use their beauty, but they decided to follow a more grassroots show approach, by showcasing their different talents and personalities to acquire a lot of attention and followers from the various different social media platforms.

When more and more internet celebrities chose to transfer their reputation and fame into commercial value, the 'internet celebrity economy' began to emerge. Yi Guan Analysis institution predicted that the scale of Chinese internet celebrity will reach to almost 101.6 billion RMB. Due to this fact it is being viewed as a potential group that requires a lot of attention. The main difference from traditional marketing, is that the internet celebrities have the ability and power to specifically take the given form of marketing and present it and make sure that it reaches the intended audience successfully. According to the observation from main social platforms in China, the researcher found that most of these platforms would divide internet celebrities into many different categories. These categories include, comedy, music, gourmet dining, dance, stunt, baby, pet, DIY, celebrity (Star), cosmetic, dressing, gaming and internet sport celebrity. These categories would be used to provide a definite classification to the different corresponding industries that were being used to aid in the pursuit of cooperation and promotion of different products.

With the rapid development of internet celebrities, the Chinese consumer behavior was also beginning to develop and change because of the internet celebrities. In an article detailing this development and change, Cai Kai Long (2016) stresses that the internet celebrity primarily come from the grass root level. When in comparison with real life celebrities, they are very close to reality. In addition to this every internet

celebrity has their own obvious characteristics and distinct personality. Their fans are easy to accept and identify with their value. Researcher Wang Wei Bing (2016) comments that internet celebrity commercial model in comparison with traditional commercial model. Internet celebrities have a lot of characteristics like inducibility, fusion and personality etc. Especially the inducibility, which can help viewers become immersed in the celebrity's aura, which then helps push purchasing decisions. For example, In the analysis of factors influencing college students purchasing domestic cosmetics article, Zhao Xu Xin (2016) proves that more than 72.3 percent college students would choose to consider internet celebrities and friends recommendation before making a decision to purchasing a cosmetic product whether it be domestic or foreign. It is because of this factor that now, more and more cosmetic brands are try to choose proper products when collaborating and cooperate with internet celebrities in China. Even though extremely few Thailand companies like Do Day Dream Pcl, the company behind the skin-whitening Snail White cream, Sales of the Snail White products have been skyrocketing since 2014 as beauty bloggers in Hong Kong and Singapore gave them rave reviews, according to Do Day Dream Chief Financial Officer Piyawat Ratchapolsitte. Also, in 2017, the company's revenue ballooned nearly 35 percent to 1.7 billion baht (\$52 million) as the company also built a strong Thai domestic market and was also able to increase online sales to its Chinese consumers. It proved that the power of the internet celebrities was real and opened the doorway for many more local Thai cosmetic brands to gain benefit from them.

A few Thai scholars also began to pay attention to the internet celebrity phenomenon. TSuwan Juntiwasarakij (2016) proved the importance and significance in Thai content that internet celebrity economy (Thai scholars translate internet celebrity as 'net idol'), which has the ability to influence the consumer behavior and propel the development of culture and economy. In addition to this he also regards internet celebrity capital as a part of social capital, which also had the ability to be transferred into economical capital. However, Rachanon Thaveephol and Parinya Nakpathom (2017) referred that some internet celebrity's promotional activities as not being able to bring the substantial increase of sales or economical income, due to the fact that some companies didn't know how to choose proper internet celebrity to communicate accurately with targeted consumer group. Based on the current development situation of

local Thai cosmetic business's and previous Chinese internet celebrity promotion practice, this research will further explore the related Chinese internet celebrity promotional knowledge which can be of benefit to local Thai companies that which to promote cosmetics to Chinese consumers.

1.2 Research Problem

1.2.1 Problem Statement

Actually, internet celebrity promotion is a new field for Thailand and China. From the practice of those years in China, some companies have gained obvious benefits from them, and a lot experience has been accumulated and concluded because of this stage. Also, some scholars have been able to conclude that the development of internet celebrities and the internet celebrity economy model, have been able to provide others with a basic understanding of this field. However, in some terms of specific characteristic's, internet celebrities like the Chinese cosmetic internet celebrities have found that many people have the ability to pay attention to their influence when promoting of a specific industry.

As mentioned before, some Thai cosmetic brands have already benefited from internet celebrity promotion towards Chinese consumers. However, for some Thai cosmetic business are experiencing a current situation where, only the larger name brand Thai cosmetic companies are using these channels to reach the Chinese audience. While at the same time the smaller independent cosmetic companies are just unable to have access to these promotional channels. The reason for this is because most of the local Thai SMEs cosmetic brands don't have proper channels to get in touch with Chinese consumers in comparison with the other major brands. More importantly, From the results of online questionnaire about Chinese consumer's behavior among Thai local cosmetic brands, the author concluded that cosmetic internet celebrities are the vital channel that leads to them choosing Thai cosmetics. In order to meet this knowledge gap, the author conducted this research in hopes to provide the local Thai cosmetic companies with an effective channel to promote their products to Chinese consumers.

1.2.2 Research Objectives

In this research, there are two main objectives: 1) Explore the meaning of ‘Chinese internet celebrity’ and Chinese consumer’s behaviors toward Thai local cosmetic business. As well as 2) Developing promotional knowledge to help local Thai cosmetic businesses promote their products through Chinese cosmetic internet celebrities. Since it is a new field for local Thai cosmetic business, the scope of knowledge available to these companies primarily comes from the knowing-what of current Chinese celebrity promotional content as well as general knowledge of the process of cosmetic internet celebrity promotion.



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