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Japan-Asia Collaborative Research Project

Study report "The New Trends in Asian Urban Lifestyle"

"The New Trends in Urban Lifestyle in the Kingdom of Thailand" (serial in 3 parts)

Part 1 Changes in the Thai Society

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• Subjects of study: Consumer behavior, pricing, brand, services marketing, culture

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Agendas

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2. The aging society with fewer children and the women's advance into the society
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4. The growing trend toward nuclear family and the popularity of condominiums.
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1. The circumstances surrounding the Thai consumers have been changing significantly.

Thailand and Japan have been deeply related from ancient times including the rapport between the Thai royal family and the imperial household of Japan. As early as at the beginning of 1960s, the Japanese auto industry started local production in Thailand, followed by many manufacturing industries relocating their production bases to Thailand after the Plaza Accord in 1985 partly influenced by the yen appreciation. Also the popularity ranks of tourist's destination show that Japan is popular among the Thai and Thailand is popular among the Japanese, which indicates the mutual sense of closeness is shared by the two nations. Thus, both countries have historically built good relations through the manufacturing industry, the tourist industry, cultural-exchange activities, etc.

Reflecting the good relationship, the consumers of Thailand put a high value on Japanese products including not only durables and commodities such as electric appliances, cars and cosmetics, but also cultural products such as music, movies, comics, animations and Japanese-style food. In recent years, however, the so-called Korea boom has boosted the popularity of Korean products and services including home appliances, dramas and music. By contrast with the Korean products, Japan Brand is losing its popularity and competitiveness that were cultivated by J-Pop and other products in the 90s. Though the Thai people are essentially pro-Japanese, their image of Japan has been significantly changing.

In the future, Thailand will see a greater agglomeration in industries in preparation for ASEAN economic integration in 2015, and will provide a major production base exporting components and products to Japan, Asian nations and Western countries. As a result further economic development and improvement of living standards are expected in Thailand. In the meantime, the rapid economic growth has various impacts on the society such as: migration from the rural regions to the urban areas, widening gap between city and farming village, and a variety of problems concerning overpopulated city. In the urban areas of Thailand, however, new and richer types of urban resident lifestyle for the wealthy or the middle classes are produced, and comfortable life environment is being developed through trial and error.

In order to deepen mutual understanding of Thailand and Japan in the new environment, it may be necessary to further understand the current state of Thailand and the people's way of thinking, life culture and lifestyle, as well as recognize the Market Positioning of Japanese culture and Japan Brand.

This special report on Thailand will be serialized in 3 parts starting in October. The

report features an organized study as a collaborative work of Thailand and Japan based on gathered information from people relevant to Thailand, literary documents and various data. In this part, Thai census figures and other data are analyzed to examine the macro social changes of Thailand from past to present, and to consider the consumers' current situation and promising consumer segment. In the next part, an in-depth analysis of lifestyle survey on Bangkok citizens will illuminate the sense of value and the behavior of Bangkok citizens. In the last part, an examination of historic events and current situation will introduce the features of Thai society and consumers.



*The office buildings and high-rise condominiums viewed from "Royal Club" in Bangkok

2. The aging society with fewer children and the women's advance into the society.

It is firstly necessary to comprehend the change of Thai social structure in order to understand the Thai people's life behavior today. The data of the Thailand's national census show major changes of the social structure of Thailand in the past 50 years. Table 1 illustrates the age composition of Thai population, which reveals the social phenomenon of aging and declining in the birthrate in Thailand, as is the case with Japan. In 1960, the population aged 60 and older accounted only for 5%. However, with an improvement of sanitary conditions, higher medical standard and development of medicines, the society has become long lived. The percentage of elderly population is expected to rise to 12% in 2011 and to 23% in 2027. Aging is emerging as a significant social problem of the future.

The other feature is that a greater number of women are participating in society and become higher-education oriented. Also, like in Japan, both men and women develop a higher tendency to marry later. The birthrate in the whole Thailand is 1.58 and is rapidly declining. In Bangkok the rate has already become as low as that in Japan. Accordingly, the proportion of the population aged 19 and younger is estimated to fall from 28% in 2011 to 20% in 2027, which indicates a rapid decline of the age group.

The variation of population dynamics is expected to significantly change the Thai

social structure. Social measures and labor/economic policies are required as pressing challenges to accommodate the change and create a richer Thai society.

Table 1 Variation and Prospect of the Composition of Thai population

age groups	x1000 persons						
	1960	1970	1980	2007	2011	2017	2027
0-19	13,819	19,224	22,574	17,635	18,855	17,192	14,241
20-59	11,185	13,449	19,805	37,200	40,444	41,571	40,343
60 and older	1,208	1,681	1,944	6,705	8,172	10,691	16,055
total	26,212	34,354	44,324	61,540	67,471	69,454	70,639
							%
0-19	53	56	51	29	28	25	20
20-59	43	39	45	60	60	60	57
60 and older	5	5	4	11	12	15	23

Source : Office of the National Economics and Social Development Board, Thailand.

Table 2 Comparison of Birthrates

	birthrate (2010)
Thailand	1.58
Japan	1.39

Table 3 Comparison of Average Life Expectancies

	average life expectancies (2010)		
Thailand	average 73.9	female 77.4	male 70.6
Japan	average 82.9	female 86.4	male 79.6

Source : World Bank WDI 2012.6

3. Urbanization of Bangkok and expanding consumer market

When the age-specific population compositions of the Bangkok metropolitan area and the other areas are analyzed separately, urban Bangkok turns out to have more serious problem. As shown in Table 4, Bangkok has lower rate of 19 years old and below than

other areas, while the city has higher rate (65%) of 19-59 age group, the labor force generation, than other areas (59%). This is caused by the migrant workers who work away from rural areas to Bangkok seeking larger incomes. Not a few of the cases are the married couples who entrust their children to their parents in country and work away in Bangkok. Another major cause is that the Bangkok citizens have relatively high educational level and economic affluence, and consequently have a growing tendency to marry later, stay unmarried and have fewer children.

On the other hand, the citizens in rural areas produce and raise a larger number of children, although their economic power is relatively low and the educational environment is not as full as in Bangkok. This indicates the reality that many children born in the rural areas can not receive substantial education, and leads to fear of reproduction of poverty and potential adverse effect on the quality of workforce in the future.

In metropolitan Bangkok, since the parents are affluent, education-minded and with fewer children, they can afford various opportunities for their children. Such children in Bangkok are now growing into more sophisticated consumers.

When these customers create new urban lifestyles as the wealthy and the middle classes in the future, marketing targeted at those classes will bring about various business opportunities. Although the gap between rich and poor is widening owing to the large work population flowing into Bangkok, various lifestyles are being created to expand the consumer market in the city.

Table 4 Population Composition of Bangkok and Other Areas in 2011

age group	population(x1000)			rate (%)		
	total	male	female	total	male	female
Bangkok						
0-19	1,604	804	800	23%	25%	22%
20-59	4,461	2,044	2,417	65%	64%	66%
60 and older	800	338	462	12%	11%	13%
total	6,865	3,186	3,679	100%	100%	100%
Other areas						
0-19	17,250	8,835	8,415	28%	29%	27%
20-59	35,984	17,849	18,135	59%	60%	59%
60 and older	7,372	3,266	4,106	12%	11%	13%
total	60,606	29,950	30,656	100%	100%	100%



*New shopping center for upper middle class
"PARAGON"

4. The growing trend toward nuclear family and the popularity of condominiums.

From the viewpoint of family structure, the number of nuclear families is rapidly growing among the Thai people. In the past 30 years, the Thai population has increased 2.6-fold, and as Table 5 shows the number of households has grown from about 9 millions to about 20 millions. At the same time, the average size of a family has decreased from 4.5 to 3.3 persons. The possible explanations for the "smaller households" are the decrease in the number of children and the independent children who live away from their parents. Additionally, not a few married couples decide to live separately from their parents due to troubles between wife and mother or other reasons.

However, in accordance with traditional Thai practice, parents and family are still highly treasured, and the family bonds of Thai people remain very strong.

Table 5 Family Structure and Economic Conditions

	1981	1992	2000	2004	2006	2009	2011
number of households (x1000)	9,005	14,996	17,186	18,905	18,055	19,580	19,986
family size	4.5	3.9	3.8	3.4	3.4	3.3	3.3

Source: National Statistics Office, Thailand.

Another matter of interest is the changes in the number of households according to housing types. As shown in Table 6, detached house (78%) and shophouse (12%) were popular in 2000, but over just ten years, the resident status has significantly changed. Condominium and town house, which are typical housings for nuclear families, were

extremely scarce in 2000, whereas in 2011, the percentage of condominium grew to 8% and town house to 6%. Especially in Bangkok, the percentage of families living in a condominium is as high as 31%. These days, not a few gated towns, a high-class residential area surrounded by fence for the rich, can be seen in Bangkok.

The change in lifestyle has significantly varied the resident status, but to put it in the other way around, the new trend in the resident status will greatly influence the changes in the Thai's, particularly the Bangkok citizens', lifestyle.

Table 6. The number of households according to housing types

	2000		2010					
	number of households	rate	total		Bangkok		other areas	
			number of households	rate	number of households	rate	number of households	rate
detached house	12,336,555	78%	14,934,919	73%	915,870	32%	14,019,049	80%
town house	586,716	4%	1,160,436	6%	419,937	15%	740,499	4%
condominium	470,469	3%	1,714,439	8%	891,388	31%	823,051	5%
shophouse	1,977,409	12%	2,432,202	12%	586,551	21%	1,845,651	11%
others	506,037	3%	86,508	0%	32,303	1%	54,205	0%
total	15,877,186	100%	20,328,504	100%	2,846,049	100%	17,482,455	100%

Source : National Statistics Office, Thailand.

*Town house: Individual residences share the front wall of a building while each has its own entrance facing the street.

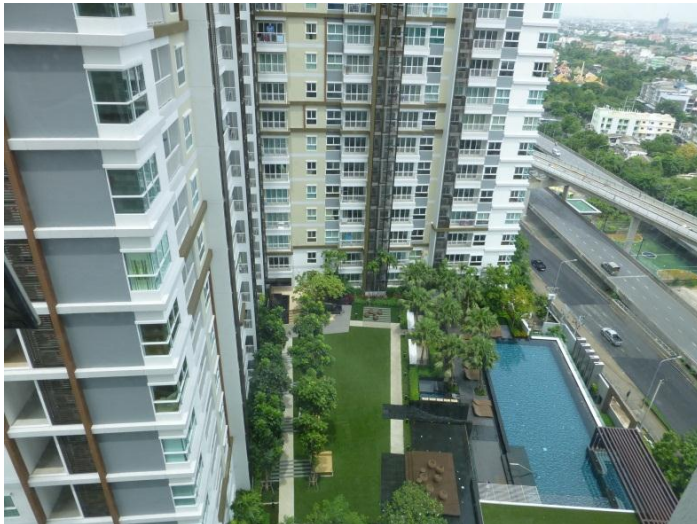
*Condominium: Residences sold in lots, which are called "mansion" in Japan.

*Shophouse: Row houses consisting of shops on the first floor and residences on the second floor. This style of houses originated in the lifestyle of overseas Chinese in Singapore.

*Gated town: Originated in the United States, the gated town is a security-oriented residential quarters with closed perimeters of fence and standing guards. In Bangkok this type of residence is popular among the rich people because of the high status rather than the security.



*Popular condominium



*Condominiums have swimming pools and gyms.



*Traditional shophouse consisting of a shop on the 1st floor and a residence on the 2nd floor.

5. The household income has increased sevenfold in the past 30 years, while the income gap between urban and rural areas has widened.

In the past 30 years, the economic situation of Thailand has favorably improved, in spite of some crises including the currency crisis and the recent deluge. Although the national average income per household in 1981 was 3,378 bahts, the average income in 2011 increased to as much as 23,544 bahts, despite of the stronger trend for nuclear family.

Moreover, the rate of expenditure among income has consistently fallen, with expenditure accounts for 76% of income and savings for 24% in 2011, which indicates that Thai families have become positively better off than 30 years ago.

The transition of household loans also deserves attention. The loans for consumption in advance have increased in the past ten years. Most of the loans are for purchase of real estates. The boom of condominium in Bangkok in the last few years may have partly caused the increase of loans

Table 7. National household income and expenditure per month in chronological order in Baht, 1B=about 2.5yen (as of September, 2012)

	1981	1992	2000	2004	2006	2009	2011
income per household	3,378	7,062	12,150	14,963	17,787	20,903	23,544
expenditure per household	3,374	6,529	9,848	12,297	14,311	16,205	17,861
expenditure/ income	100%	92%	81%	82%	80%	78%	76%
loan per household	-	-	68,405	104,571	116,585	134,699	136,562

Source: National Statistics Office, Thailand

Further analysis of the household budget by regions indicates that Bangkok citizens have higher income (43,669 bahts) compared with those of other areas. The proportions of expenditure and income also demonstrate that Bangkok citizens are better off with more disposable income. Meanwhile the people of Northern and Eastern north areas earn less than half of the Bangkok citizen's income. The income gap between Bangkok and local citizens has become a significant social issue.

In 2012 the Thai government raised the minimum wages of laborers by 40 %, setting the day pay at 300 bahts. The beginning salary of a college graduate was also raised to 15,000 bahts per month. In addition, the government raised the procurement price of agricultural products in the Thai rural areas in an attempt to narrow the gap between urban and rural areas. Owing to these measures, the national average income is expected to be levelled to some degree and will further increase on the whole.

Table 8 Economic conditions by districts in 2011

	income		expenditure		loan	expenditure/i
	household	person	household	person	household	ncome
Nation	23,544	7,403	17,861	5,616	136,562	75.9
Bangkok and its outskirts	43,669	14,179	29,031	9,426	220,226	66.5
Central	20,445	6,722	17,052	5,607	111,916	83.4
Northern	17,247	5,768	14,083	4,710	117,700	81.7
Eastern north	18,159	5,352	14,750	4,348	133,026	81.2
Southern	27,720	8,503	19,570	6,003	114,645	70.6

Source: National Statistics Office, Thailand.

Thailand is a class society with a wide gap between the rich and the poor, but thanks to the country blessed with fertile land and abundant natural advantages, people of each class can enjoy fairly comfortable life according to their income. For the poor people basic commodities such as budget food and clothes are provided, while the rich people are accommodated with high-quality life services that are worth the prices. Even when they can't make a living in urban areas, they still have an option to return to their family in local regions, so they will never find it hard to keep their body and soul together. Such national environment is reflected in the Thai people's disposition of "Mai Pen Rai" (something will come of it).

*Shopping area for the rich and middle classes



6. The women are harder workers and have greater desire for learning.

As Thailand gets economically richer, the educational level of the country becomes higher year after year. Especially in the past ten years, the economic conditions of household has so greatly improved that the percentage of students who go on to universities has rapidly increased. As a result, the population having college or higher education accounts for 10% of the whole population today (see Table 9). It may be more interesting to note that the females account for larger percentage of the group with university graduate or higher level of education.

In Thailand, women are generally more eager to learn at school and after joining society they are highly valued by companies. As the percentage of dual-earner couples is as high as 66% (42.4% in Japan), the Thai women have become a source of valuable workforce.

Women are cheerful and diligent workers at home too. Mothers are in particular the centers of families with influential voice and presence.

Table 9 Population of age 6 and older categorized by education in 2011

	population(person)			rate		
	male	female	total	male	female	total
no education	1,248,516	1,944,228	3,192,744	2%	3%	5%
under elementary	9,877,995	11,524,671	21,402,665	16%	18%	34%
elementary	6,873,999	6,216,627	13,090,626	11%	10%	21%
junior high	5,191,129	4,610,302	9,801,431	8%	7%	16%
senior high	3,882,348	3,458,722	7,341,070	6%	6%	12%
junior college	1,148,352	926,766	2,075,118	2%	1%	3%
university and higher	2,237,124	3,115,788	5,352,912	4%	5%	9%
other	14,843	16,370	31,214	0%	0%	0%
unaccounted for	75,799	50,656	126,456	0%	0%	0%
total	30,550,105	31,864,130	62,414,235	49%	51%	100%

Source: National Statistics Office, Thailand.

7. The wave of motorization caused by the rapid increase in the number of cars

In the rural areas, the farm people's income has improved owing to the government policy to lead the procurement price of agricultural product higher. As a result, the

sales of pickup trucks have been rapidly expanding. In the urban areas, partly because of the preferential treatments such as the subsidy for eco cars, the customers are waiting for delivery of new cars for several months. As the sales quantity of cars is expected to run up to 1.2 million in 2012, Thailand is transforming into a motorized society. More than 80% of the cars on the road are made in Japan, which indicates the Thai people's highest confidence in Japanese cars' reliability.

Owing to the rapid popularization of cars and increasing number of motorbikes for citizen's transportation, Bangkok city center suffers serious traffic congestions. In an ideal world, city planning and concrete development including improvement of public transportation system are required in view of future population dynamics and development of urbanization, but in reality necessary measures are far behind the speed of urbanization.

The influence of motorization has significantly varied the life of Thai people. Auto vehicles have enabled the citizens to live in the suburbs, and more expanded suburban areas for housings are under development today.

On weekends, a greater number of families enjoy shopping and meals at shopping malls in city centers or in the suburbs. Since the population is expected to further concentrate into urban areas in the future, the wave of motorization will change the life environment in Bangkok more drastically.

Table 10 Domestic sales of automobiles in Thailand x 1000

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
533	626	703	682	631	615	549	800	794	1200 (expected)

Source: JETRO, 2012

Table 11 Domestic sales of motorbikes in Thailand x 1000

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1353	1710	1956	2043	1918	1554	1746	1522	1869	2008

Source: Bank of Thailand, 2012



* Chronic traffic jam in Bangkok city center



* Motorbikes are indispensable transport

8. Bangkok is a highly-advanced network society as that of developed countries.

In Thailand, the Internet and IT gadgets have spread quickly to have a great influence on the lifestyle and the working style, including the methods of information gathering and communication with one's family or friends. Obviously the changes in the market provide business organizations with new opportunities.

How far have these IT gadgets spread in Thailand? Table 12 shows that in terms of whole Thailand, cellular phones, personal computers and the Internet are not as widely popularized as in developed countries.

Table12 Rate of the Thai population of age 6 and older using IT devices.

	2003	2004	2005	2006	2011
cellular phone	22.5	28.2	36.7	41.6	66.4
personal computer	19.6	21.4	24.5	25.9	32.0
the Internet	10.4	11.9	12.0	14.2	23.7

Source: National Statistics Office, Thailand

However, when the data of Bangkok and other areas are analyzed separately, different figures will appear. In Bangkok, 80% of the population have cellular phones. This figure indicates that the cell phone market in Bangkok is almost saturated considering the elderly people who are not familiar with IT gadgets. Personal Computers and the Internet are owned by about 50% of the Bangkok citizens, so in substance, almost all of the households use the personal computers and the Internet. In other words, concerning the urban people who can afford IT gadgets, Bangkok has

already become a network society as highly advanced as developed countries.

These days, the sales amount of tablet PCs and smartphones is growing rapidly, and the information environment has improved where many consumers can be connected via network. Especially the younger people use social media such as Twitter or Facebook as indispensable communication tools for their daily life.

Although online shopping is not very popular yet, many people habitually collect information about merchandises on the web before actually buying them. The influence of the Internet on distribution will certainly become more significant.

Table13 Rate of the population of age 6 and older using IT devices in 2011.

	personal computer	the Internet	cellular phone
nation	32%	24%	66%
Bangkok	48%	41%	80%
other areas	30%	22%	65%
male			
nation	32%	23%	67%
Bangkok	50%	41%	81%
other areas	30%	22%	66%
female			
nation	32%	24%	66%
Bangkok	47%	40%	79%
other areas	30%	22%	64%

Source: National Statistics Office, Thailand.



* Korean digital devices enjoy great popularity.

9. It is necessary to understand the lifestyle and preference unique to the Thai.

In this part, the analysis of census data and other macro data illuminated the changes in the social structure of Thailand. Thailand is already transforming into an aging society with fewer children. Especially in Bangkok the trend is remarkable. The major reasons are: the Bangkok citizens are highly educated, many women work in the society, they marry later, the percentage of unmarried people is high, and the birthrate is dropping dramatically.

At the same time, Bangkok citizens are economically affluent with fewer children and provide a source of various urban lifestyles. As consumers they are an attractive middle class with high ability to purchase. As for housings, unlike before, a greater number of people live in a condominium rather than a detached house. This change may have significant impact on their lifestyle and consumption of goods and services.

Also the educational standard in Thailand has definitely improved than before. In particular, women are more eager to learn and the rate of highly educated women exceeds the percentage of their counterpart. The women are a promising consumer group and a potential motive power for drastic change in the Thai society.

With regard to the pervasion of the Internet and other IT gadgets, Bangkok is as advanced as other developed countries. Also regarding medical technology, production engineering, and other various services, Bangkok boasts as high standard as other developed countries. When various products and services from the developed countries are accommodated and established in the city, the quality of Bangkok citizens' life will further improve.

Meanwhile, it should be noted that the Thai people have their own unique lifestyle and tastes. It is essential to understand their uniqueness to charm the newly risen, rich consumers. In the next part, micro data from survey on the Bangkok citizens' lifestyle and sense of value will put the spotlight on the characteristics of the Bangkok citizens.