



# Journal of **ASEAN** PLUS<sup>+</sup> Studies

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The objectives of the Journal of ASEAN PLUS<sup>+</sup> Studies are to promote research study and development in the area of government policy, business practice, and cultural development, and to provide a platform for researchers and academics to exchange their views and publish the results of their studies. It was designed specifically to help produce a clear and concise article, publish original and leading-edge academic research, and disseminate these research results to the global community.

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1. Scope of contents comprises the fields of government policy, business practice, cultural development, and other related fields in ASEAN and its partners such as countries in the Asia Pacific.
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- The first issue: January - June
- The second issue: July - December

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## **Foreword**

As the Journal of ASEAN PLUS+ Studies celebrates its third anniversary, its position as a platform for publishing academic research with a focus on government policy, business practice, and cultural development in ASEAN and its partners becomes well received by its readers and contributors. The central role of ASEAN in the region for economic recovery, political stability, and inclusive development is one of the contributing factors to a wider readership of the journal.

China ASEAN Studies, PIM (CASPIM) contributes a paper based on its year-long research sponsored by the National Research Council of Thailand (NRCT) and the Knowledge Network Institute of Thailand (KNIT). Not only it touches a timely topic of Thai fruits export to China with challenges of logistic breakdown under Chinese ZCP (Zero Covid Policy), it also makes an academic contribution with the concept of “Supply Chain Integration” (SCI) as the key strategy to achieve a “Demand-Driven Supply Chain” (DDSC), with a 5i framework (information, initiation, interconnection, inspection, and investment).

From a geostrategic perspective, Kan Yuenyong, a Ph.D. candidate in NIDA and Charoenchai Chaipiboolwong, discusses the concept of ASEAN Centrality evolved since 2011 in various definitions, especially under challenges from the contest of power between the US and China in Indo-Pacific. They conclude that for Thailand, ASEAN Centrality will be impelled toward a more unified ASEAN similar to the platform of the European Union.

Wilaipan Jaiwilai of NIDA and Wipada Kunaviktikul, a Professor and Vice President in Health Science Affairs of PIM, investigate the decline in wellness tourists caused by the COVID-19 pandemic to determine the most effective strategy and best practices to re-start the industry once the pandemic subsides. They use Thailand as a case study because of the country’s strong potential and its effort to rebrand the country from a low-cost to a high-value destination.

With a quantitative approach, Chanatip Saksai tests how logistics performance could influence the trade flows between Thailand and China. The Thai government is advised to enhance the logistics performance with improvements in physical infrastructure, shipment process, and customs procedures to accommodate the increasing demand for international trade.

In retailing business, Akaraphun Ratasuk discusses the contributions of product quality, service quality, store ambiance, and promotion on customer loyalty, mediated by brand identity with the data of convenience store coffee chains in Bangkok, while Li Zhi and Apirada Chinprateep reveal “New Retail” is the business model positively enhances customer value, based on the investigation on customers of a supermarket in China

Prof. Dr. Tang Zhimin  
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# Demand-Driven Supply Chain: The Case of Thai Fruit Export to China

China ASEAN Studies, PIM<sup>1</sup>

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## Abstract

This paper aims to study the market and supply chain of Thai fruits in China and propose a demand-driven strategy in the context of the COVID-19 pandemic. Data from interviews with more than 100 units in field trips and focused groups covers 20 provinces in Thailand and 12 provinces in China. Qualitative data analysis is applied through open coding, axial coding, and selective coding with the NVivo software. The contributions are 1) It proposes “Supply Chain Integration” (SCI) as the key strategy to achieve a “Demand-Driven Supply Chain” (DDSC), and defines the concept of SCI in a 5i framework (information, Initiation, interconnection, inspection, and investment); 2) It estimates the market size of Thai fruits in China and portrays 21 new consumer behaviors in 3 segments; 3) It describes components, process, and mechanism of the supply chain; 4) It analyses the current issues of impacts and solutions to the problems of ZCP (Zero COVID Policy) in China; and 5) For policy implication, it sets up six strategic objectives from the SWOT matrix, supported by related strategies in supply chain components and a guide to the competitive marketing mix.

**Keywords:** Demand-Driven Supply Chain, Supply Chain Integration, Fruit Export, Thailand, China

## Introduction

Despite COVID 19, the fruit import in China increased by 31% to \$13.5 billion in 2021, with the top five source countries as Thailand, Chile, Vietnam, the Philippines, and New Zealand (Zang, 2022). China continues to be the largest market for Thai fruits. But 2021 is a roller coaster year for Thai fruit exporters: a good first half-year, but the price and export volume dropped significantly in the second half-year. What is the future for 2022 and beyond, when the Covid 19 virus hits us with incessant new variants from Omicron to Deltacron, and the ZCP (Zero COVID Policy) of China causes turmoil in logistics? China’s per capita GDP surpassed \$12500 in 2021 (CEIC, 2021). The Chinese importers extend their supplier chain from farm to retail chain stores, with the channels deepened to rural areas and third/fourth-tier cities. More fruits from our ASEAN neighbors are encroaching on the permission list and kitchen tables of China. Would Thai fruits sustain their growth and reach

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<sup>1</sup>China ASEAN Studies, PIM (CASPIM) is one of the most active think tanks in Thailand on China and ASEAN in Panyapiwat Institute of Management. Corresponding author: Sorawan Pongsang, E-mail: june44310495@gmail.com. The paper is based on a research project supported by the National Research Council of Thailand (NRCT) and the Knowledge Network Institute of Thailand (KNIT)

their potential? How would Thai stakeholders embrace the opportunities and address the challenges? This paper attempts to answer these questions in the following sections: 1) Market of Thai Fruits in China; 2) Supply Chain of Thai Fruit in China; 3) The Demand Driven Strategy and its implementation, and 4) Policy implications.



The method of “Desktop Research”; “In-depth/Focused Group Interview” and “Field Observation” is used in data collection. In Thailand, the interviews and field trips were conducted in 20 provinces involving 87 units (mostly on-site) from December 2019 to June 2021. They covered 7 groups of stakeholders from farmers to exporters etc. and 13 kinds of fruits. In China, the interviews were conducted in January 2022, covering 12 provincial units, mostly importers, whole-sellers, and retailers with national or regional markets in North West, North East, South West, East, and Central part of China. The interview notes, research papers, and news items are managed with the NVivo software for qualitative analysis. Five core categories are chosen (e.g., stage of the supply chain, key competitors in the Chinese market) in the final stage of selective coding.

## 1. The Market for Thai Fruits in China

### 1.1 The Permission List

Thailand has abundant resources of tropical fruits. The government has assigned GI (Geographic Indication) to 21 distinguished fruits with 62 cultivars in 25 provinces (Department of Intellectual Property, 2022). However, there are only 22 fruits permitted by the General Administration of Customs of PRC (GACC) (Thanmanee, 2022) to enter its territory (Table 1).

**Table 1** The Permission List of Thai Fruits in China

No.	Name	Chinese	Thai	Picture	No.	Name	Chinese	Thai	Illustration
1	Banana	香蕉	กล้วย		12	Orange	橙	ส้ม	
2	Carambola	杨桃	มะเฟือง		13	Papaya	番木瓜	มะละกอ	
3	Coconut	椰子	มะพร้าว		14	Passion fruit	西番莲(百香果)	เสาวรส	
4	Durian	榴莲	ทุเรียน		15	Pineapple	菠萝	สับปะรด	
5	Guava	番石榴	ฝรั่ง		16	Pomelo	柚	ส้มโอ	
6	Jackfruit	菠萝蜜	ขนุน		17	Rambutan	红毛丹	เงาะ	
7	Lychee	荔枝	ลิ้นจี่		18	Rose apple	莲雾	ชมพู่สด	
8	Long kong	椰色果	ลองกอง		19	Sapodilla	人心果	ละมุด	
9	Longan	龙眼	ลำไย		20	Sugar apple	番荔枝	น้อยหน่า	
10	Mango	芒果	มะม่วง		21	Tamarind	罗望子	มะขาม	
11	Mangosteen	山竹	มังคุด		22	Tangerine	柑橘	ส้มจีน	

### 1.2 Heavy Weight & Rising Star

Of these 22 fruits in the permission list, Durian Longan and Mangosteen are the top 3, they are the heavyweights, accounting for 95% of the value of Thai fruit exported to China in 2021 (Table 2). Mango, Young Coconut, and Pomelo, on the other hand, are the rising stars. Because Mango has growth potential compared with other Thai fruits, Young Coconut and Pomelo saw rapid growth in the past years (Table 3). These 6 fruits constitute 99.4% of the value of Thai fruit exported to China in 2021, and China is also the dominant market in volume for Durian (72%), Mangosteen (90%), Longan (75%), Young Coconut (87%), and Pomelo (82%). This paper focuses on these 6 fruits in the texts below.

**Table 2** Heavy Weights: Export Value of Durian Longan and Mangosteen in China

รายการผลไม้ 14	Fruits 14	2018			2019			2020			2021			
		Mil B	Δ%	V Rank	Mil B	Δ%	V Rank	Mil B	Δ%	V Rank	Mil B	Δ%	V Rank	share%
ทุเรียน	Durian	13,179	79.4	1	26,341	99.9	1	47,798	81.5	1	98,332	105.7	1	70.6
ลำไย	Longan	4,406	-16.1	2	9,696	120	3	12,661	31	2	18,024	42	2	12.9
มังคุด	Mangosteen	3,261	62.1	3	11,752	260.4	2	11,576	-1.5	3	15,966	37.9	3	11.5
	Heavy Weight													95.0
	Total	23,816			51,289			75,899			139,203			100.0

Source: Custom of Thailand

**Table 3** Rising Stars: Growth of Export Volume of Mango, Young Coconut, and Pomelo in China

รายการผลไม้ 14	Fruits 14	2018			2019			2020			2021		
		Ton	Δ%	Rank	Ton	Δ%	Rank	Ton	Δ%	Rank	Ton	Δ%	Rank
มะพร้าวอ่อน	Coconut Y	54,063	47.2	6	96,700	78.9	5	122,689	26.9	1	226,621	84.7	4
มะม่วง	Mango	8,914	87.0	3	12,024	34.9	6	10,028	-16.6	6	4,941	-50.7	14
ส้มโอ	Pomelo	9,795	3.8	9	7,075	-27.8	11	7,533	6.5	4	25,153	233.9	2

Source: Custom of Thailand

### 1.3 Market and New Consumer Behavior

The customers of Thai fruits are estimated to comprise half of the middle-class according to the definition of NSB (National Statistical Bureau) of China: A typical family of 3 persons with annual disposable income between ¥100,000 to ¥500,000, which covers about 200 million people (15% of the population) and 70 million families. Table 4 segments these customers into 3 groups (New Entry, Frequent User, and Connoisseur), with their income range, estimated size, typical behavior, and marketing focus. Table 5 describes the new behavior of these fruit customers driven by higher income, online and offline shopping, health concern, and social demography.

**Table 4** Market Size and Segments of Chinese Consumers for Thai Fruits

Segment	Family Income ¥/Year	Estimated Size mil	Typical Behaviour	Marketing Implications
New Entry	55,000-160,000	108	Start trial of Thai fruits following words of mouth recommendation, or after experiencing Thai fruits in oversea travel	Wider & deep reach of channels Create awareness and exposure especially in offline point of sales. Nurture their consumption habits
Frequent User	160,001-345000	71	Purchase at least 2 times per month during the fruit season Demand for convenience Shop for value: comparison competing brands.	Manage competition in value Packaging and delivery speed Content management & user involvement to provide sufficient information
Connoisseur	>345,001	20	Happy to pay a premium for quality & safety Look for speciality, exoticness and authenticity Higher-end shopping mall and specialized online store	Manage quality, Marketing message New variety, GI Certificate and brands in developed markets.

Source: Author

**Table 5** New Consumer Behavior for Thai Fruits

Driver		New Consumer Behaviour	Marketing Implication
Higher Income	1	Broader perspective and more choices	Manage competition
	2	Buy larger quantity	Capture bigger market
	3	Buy higher quality	Manage quality, Marketing message
	4	Demand for convenience	Packaging and delivery speed
	5	Demand for service	Onsite/online service, after sale service
	6	Exotic & authentic	New variety, GI
	7	Self realization & emotion	Brand story & social value
Online & Offline Shopping	8	Easy access	Wider & deep reach of channels
	9	Substitute of oversea trip	Capture bigger market
	10	Bigger role of tech savvy young people	Technology & message for young people
	11	Embrace celebrity	Social media promotion
	12	Produce and search for information	Content management & user involvement
	13	Shrewd buyer	Value
	14	Group buying in community	Utilizing the new channels
	15	Longing for Acceptance in social network	Opinion leader in the target circle
Health Concern	16	Nutrition & function	Product development & promotion message
	17	Organic & safety	Certificate & traceability
	18	Low sugar	Low sugar contents in processed fruits
Social Demography	19	Light meal	Freshly squeezed juice & frozen fruit flesh
	20	Nuclear family	Small portion of fruits for small family
	21	Aging society	Health functions for aged people

Source: Author

## 2. Supply Chain of Thai Fruit in China

The supply chain of Thai fruits in China may be presented in 11 components from “R&D”, “Input for Production”, “Farming”, “Collection”, “Processing”, “Export”, “Cross Border Logistics”, “Import”, “Wholesale”, “Retail” to “Consumption” (Table 6); supplemented by the roles of Thai government from “Regulation”, “Extension”, “Promotion” to “Negotiation” (Table 7), and those of Chinese government from “Regulation”, “Taxation”, “Facilitation” to “Negotiation” (Table 8). Their mechanisms are described in terms of “What” (function), “Who” (player), and “How” (process) in each Table.

**Table 6** Components and Mechanisms of Supply Chain

	R&D	Input for Production	Farming
What	Breeding program for disease tolerant cultivars with good quality and high yield Research on production and management for high quality and stable yield	Planting Materials, Fertilizer, Pesticide, Hormone; Equipment & Tools (including automation & digital equipment)	Planting plan, Water & Soil management, Pre-harvest field management, Harvest and post-harvest handlings
Who	Horticultural Research Institute ( <b>HRI</b> ) and Provincial Agricultural R&D Centers under Department of Agriculture ( <b>DOA</b> , MOAC). ARDA, TRF, NSTDA, TISTR, Universities, Private companies, and Farmers Learning Centres in every district under Department of Agricultural Extension ( <b>DOAE</b> )	Commercial nurseries & Learning Centers Community Enterprise, Cooperatives, Land Collectives; Sellers of agricultural machinery & equipments; Developers of IT applications	Small farmers organized in Community Enterprise (วิสาหกิจชุมชน), Cooperatives (สหกรณ์) and land collectives (แปลงใหญ่) New generation of Smart Farmers Farms controlled by collectors & exporters
How	Research with government & private funding Farmers develop own cultivars & practices R&D and learning centers promote new varieties and transfer new technology	Farmers keep and develop seed, sprout or grafting stock; Community Enterprise, Cooperatives, Land Collectives buying at bulk price and resell to its members; Government provide seed/sprout to promote new varieties Government subsidy for buying large agricultural equipment; IT applications adopted for production & marketing	Forming planting plan and producing in response to price signal Regulated and supported by government

**Table 6** Components and Mechanisms of Supply Chain (Cont.)

	Retail	Consumption	
What	Deal with consumers directly	Final demand for imported Thai fruits at the last end of the supply chain. In some cases they are also “prosumers”, providing opinions which may influence the operations of the upper stream	
Who	Registered firms or individual	Any people who utilize imported Thai fruits as part of their diet	
How	High end to middle level supermarket New retail establishment which merges online ordering, onsite experiencing and speed delivery Large national fruit store chain in franchise Community and road side fruit shops Small sellers in e-commerce platform Bars or F&B establishments selling fruit juice, fruit snack, and other processed fruits	Make purchase decision based on need and in response to the marketing mix of the retailers. Share their experience and opinions in various social media groups such as WeChat and Zhihu	
	Collection	Processing	Export
What	Collecting fruits from individual orchards And deliver to processors or exporters	Simple Processing (such as trimming or polishing coconut, or frozen durian ) or deep processing (such as Coconut pudding, Durian paste or preserved Tamarind)	Buying in Thailand and selling in China Participate in forming price in the market
Who	Local collectors with permanent establishment such as cold storage; Seasonal collectors coming during the harvest time; Farmer organizations such as community enterprise Processors and exporters/importers themselves	Fruit processing factories Collector	Many are the Chinese importers themselves using Thai nominees Some are Thai collectors or processors Farmers or farmer organization
How	Collectors collect fruits, separate fruits according to grades with simple packaging; Deliver them to processors or exporters	Collectors or factories transform fruits for easy consumption, longer preserving period or meeting the demand of consumers for better taste or nutrition function	Registered exporters buying from collectors or processors and selling to Chinese importers; Direct export by farmers or farmer organizations
	Cross Border Logistics	Import	Wholesale
What	Deliver the exported fruits from Thailand to major ports of China	Act as an intermediary between the buyers in China and the sellers in Thailand	Sale in bulk to a retailer other than a standard consumer
Who	Thai or Chinese Shipping companies	Licensed Chinese firms as importer in general trade Cross border operator in cross border trade	Registered Chinese firms
How	By land (4 routes: R3a, R9, R12, Nakhon Phanom-Dongxing) By rail Through Pingxiang and Mohen By sea or air Through designated ports for fruit import	Make and execute purchasing decision based on assessment of market information, influence the upper stream through order and feedback. Customs clearance	Buy from importer and distribute to retailers In offline whole sale market Or online for national or regional market In many cases, the whole salers would also provide logistics service

Source: Author

**Table 7** Roles of Thai Government in Supply Chain

	Regulation	Extension
What	Standard & certificate to improve productivity, efficiency and quality. Reduce unnecessarily use of pesticide and other chemicals Quality Control	Strengthen capacity of farmers, farmer families, farmer organizations such as community enterprises in production according to the market needs, to transfer appropriate agricultural technologies and to give agricultural services
Who	National Bureau of Agricultural Commodity Food Standards (ACFS) Under MOAC Department of Agriculture (DOA) Department of Agricultural Economics (DOAE) In MOAC	Department of Agricultural Extension (DOAE) provincial & district office
How	ACFS sets up & publishes Thai Agricultural Standard (TAS) DOA inspects & certifies GAP/GMP, PC/HC & Exporter Registration DOAE issue the harvest date of Durian	Through extension programs for Land collectives, Community enterprise, Cooperatives, Young smart farmers, Offsprings of farmers, Agricultural Labors, and Learning Centers



**Table 7** Roles of Thai Government in Supply Chain (Cont.)

	Promotion	Negotiation
What	Business matching, building awareness of Thai fruits and promotion in online and offline channel GI (Geographic Identification) for marketing advantage	FTA with China Fruit market access and Sanitary and Phytosanitary (SPS) requirement
Who	Department of International Trade Promotion (DITP, MOC) for the marketing part under the coordination of the Fruit Board Department of Intellectual Property (DIP, MOC) for GI Department of Internal Trade (DIT, MOC)	Department for Trade Negotiation (DTN, MOC) National Bureau of Agricultural Commodity Food Standards (ACFS) Under MOAC
How	DITP conducts Online Business Matching Thai fruit exhibitions in China Flagship shop in Tmall, Activities in Modern Trade DIP certifies fruits with GI Farmers & traders in the geographic location may register for GI valid for 2 years DIT sets up Farm Outlet for domestic trade	DTN negotiates on FTA Agreement ACFS negotiates with GACC (General Administration of Customs China) on market access and SPS requirement leading to related protocols

Source: Author

**Table 8** Roles of the Chinese Government in Supply Chain

	Regulation	Taxation
What	Market access and SPS requirement	Tariff & VAT
Who	GACC and SAMR	GACC (General Administration of Customs China)
How	Market Access: The permission list for fruits import Registered orchard & packing house with GAP or GMP Designated port for fruit import (123 July 2021)	Customs Duty: 0% for Fruits from ASEAN Under the CAFTA VAT for Imported Fruit: 13%, 2017: 11%, 2018: 10%, 2019: 9% VAT = (CIF+Tariff) x VAT rate VAT for cross border e-commerce 70% of VAT of General Trade

	Facilitation	Negotiation
What	Promote & facilitate fruit import	FTA with Thailand & ASEAN Fruit market access and Sanitary and Phytosanitary (SPS) requirement
Who	Trade Development Bureau, MOC China Council for the Promotion of International Trade, (CCPIT) and its local branches China International Import Expo Bureau China Foreign Trade Center	MOC (Ministry of Commerce) & SAMR (State Administration for Market Regulation) for FTA GACC (General Administration of Customs China) For market access and SPS requirement
How	Promotion activities in cooperation with DITP, MOC Thailand China International Import Expo China Import and Export Fair	MOC negotiates on FTA Agreement with DTN (Department of Trade Negotiation) under MOC of Thailand SAMR for signing and execution of FTA GACC negotiates with ACFS (National Bureau of Agricultural Commodity Food Standards (ACFS) under MOAC of Thailand on market access and SPS requirement leading to related protocols

Source: Author

### 3. The Demand-Driven Strategy

#### 3.1 Demand-Driven Supply Chain & Supply Chain Integration

The demand-driven Supply Chain (DDSC) has attracted increasing attention in the recent literature (Chartered Institute of Procurement & Supply, 2019; Chi, Huang, & George, 2020; Sharma, 2019). It aims to build supply chains in response to demand signals, with mechanisms of “Demand Detection”, “Anticipation”, “Communication”, “Adaptions & Collaboration”, emphasizing “Alignment” (share vision), “Agility” (respond to change), and “Adaptability” (adjust structure) (Pointe, 2018; KPMG, 2016).

The ideal of a Demand-Driven Supply Chain (DDSC) could be realized through Supply Chain Integration (SCI) driven by emerging leaders of importers or retailers (from both Thailand and China) which have expanded to almost every component of the supply chain, from farming to retailing and customer service.

Their roles in SCI can be summarized in 5i, enhanced in the context of digital transformation as follows:

- Information: Quick feedback from consumer demand;
- Initiation: Trigger reactions in response or in advance to the changing demand with a network of SMEs, research units, and farms;
- Interconnection: Coordinate among different units along the supply chain;
- Inspection: Establish and implement the higher standard with a trace back system;
- Investment: Bring in financial, technological, and human resources by leveraging their economy of scale.

This strategy of embracing SCI driven by emerging leaders of importers or retailers, however, should be complemented by active government regulations to protect the interests of Thai farmers and SMEs, and make sure the Thai and Chinese stakeholders abide by laws and get their fair shares of benefits.

### 3.2 Digital Transformation (DT)

The Supply Chain Integration (SCI) is also made possible in the context of digital technology on the transformation of the supply chain of Thai fruits in China is summarized in Table 9, in terms of 1) Big Data, AI, and Analytics, 2) IoT and Automation, and 3) Mobile Communication and Social Media.

**Table 9** Context of Digital Transformation

Big Data AI & Analytics	Gene selection & modification for better cultivars Risk management such as weather prediction and pest/disease control Demand prediction & inventory optimization CRM & individualized recommendation Smart government for policy making and execution
IoT & Automation	Management of temperature, moisture, and chemicals in the field Locate and adjust conditions of containers in transportation Shelf management in retail stores Drone & robots in field management, processing & transportation
Mobile Communication & Social Media	Shop any time and any place Consumers with product knowledge & trace back ability Producers' access to technology and real time market information

### 3.3 Meet the Challenge of ZCP

Supply Chain Integration (SCI) is also one of the solutions to meet the challenge of ZCP. China is still in the middle of the struggle against COVID-19 and there is still no sign of relaxing its ZCP at this moment, Thailand must meet the challenges of “Logistic Breakdown” and “Fruit Contamination” with the instruments of “International Negotiation” and “Domestic Management” (Thaigov, 2022).

For the issues about “Logistic Breakdown”, the focus of international negotiation could be:

- Possible deal for receiving Thai Fruit through Lao-China railway directly in Kunming.



- Possible deal for speeding up the Customs procedure with a green channel for Thai fruits with GMP plus or CFC (COVID Free Certificate).

The focus of domestic management could be:

- Infrastructure (new bridge, warehouse) for expanding the capacity for utilizing the Lao-China railway. For the issue of “Fruit Contamination”.

The focus of international negotiation could be:

- The commitment of China to reject only the fruits from specific packing houses or truck companies related to the contamination, instead of an all-out lockdown of the port for Thai fruits.

- A clear mutual understanding about what constitutes a COVID-19 contamination of fruit and the disinfection requirement.

The focus of domestic management could be:

- Incorporate the procedure disinfection against COVID-19 virus into the GMP plus certification and issue reliable CFCs (COVID Free Certificate).

#### 4. Policy Implications

Six strategic objectives are derived from the SWOT matrix (Table 10). The critical issues for achieving these objectives are: 1) Supply Chain Integration (SCI) and related strategies of supply chain components; 2) Digital Transformation (DT); 3) Competitive Marketing Mix (CS and MM); and 4) Meet the challenge of ZCP (CZ).

**Table 10** SWOT Matrix and Strategic Objectives

<b>SWOT Matrix Of Thai Fruits</b>	<b>Strength</b> S1: Abundant resources of fruit and R&D capabilities for new varieties S2: Established reputation, scale & channels S3: Government direction, regulation, extension, promotion & negotiation S4: Entrepreneurial farmers and other stakeholders	<b>Weakness</b> W1: Stable and high quality supply W2: Understanding of Chinese market W3: Innovation in processing and packaging W4: Efficient system for fruit collection and distribution
<b>Opportunity</b> O1: Changing need and behavior of Chinese customers O2: Emerging integration of supply chain in Thailand & China O3: New logistic capability by air and train via Laos O4: Digital technology in production and marketing	<b>SO Strategies:</b> $(S1+S3+S4)+O1=Ob1$ : R&D and Innovation $(S3+S4)+(O2+O4)=Ob2$ : Embrace Supply Chain Integration $(S3+S4)+O3=Ob3$ : Manage External Shock	<b>WO Strategies:</b> $(O2+O4)-(W1+W2+W3+W4)=Ob7$ : Leverage Digital Transformation
<b>Threat</b> T1: Shocks of Covid 19 impacting market demand, cost, logistic, and labor supply T2: Lack of sustainability due to oversupply and price fluctuation T3: Competition from neighboring ASEAN suppliers T4: Malign practice in production & collection undermining the quality & reputation	<b>ST Strategies:</b> $(S3+S4)-T1=Ob3$ : Manage External Shock $(S3+S4)-T2=Ob4$ : Maintain Sustainability $(S1+S2+S3+S4)-T3=Ob5$ : Enhance Competitive Advantage $S3-T4=Ob6$ : Protect Stakeholders	<b>WT Strategies:</b> $T1+(W1+W2+W3+W4)=Ob3$ : Manage External Shock $T2+(W1+W2+W3+W4)=Ob4$ : Maintain Sustainability $T3+(W1+W2+W3+W4)=Ob5$ : Enhance Competitive Advantage

The sub-strategies of each component of the supply chain (SC1 to SC11), and the roles of the Thai governments (GT1 to GT5) are listed in Table 11.

**Table 11** Sub-Strategies for Supply Chain Components (SC) and Roles of Thai Government (GT)

Components	Strategy
R&D (SC1)	Develop disease tolerant cultivars with good quality and high yield in response to the market demand; promote good practices of field management, processing technology, packaging; follow up the adoption process; with digital technology; strive for sustainability and competitiveness.
Input for Production (SC2)	Introduce high quality planting materials (e.g. seed, sprout or grafting stock) of new cultivars in response to the market demand; distribute fertilizer, pesticide, hormone with minimal environment and health hazard; introduce and adapt to the local condition the digital equipments for automation and mobile application for technical knowledge and market information; strive for sustainability and competitiveness.
Farming (SC3)	Adopt new cultivars in response to the market demand; participate in R&D and innovation; apply technologies, especially digital technologies and best practice in capacity planning, water & soil management, pre-harvest field management, harvest and post-harvest practices; with minimal environment and health hazard; follow TAS and GAP; achieve economy of scale through "Cooperatives" and "Land Collectives"; manage external shock with market forecast and government guidance, strive for sustainability and competitiveness
Collection (SC4)	Collect in response to the market demand; promote GMP to be a Registered Packing House for exporting to China; adopt "GMP plus" or "Covid Free Certificate" (CFC) to comply with the Zero Covid Policy (ZCP) in China; maintain the quality standard by government or importers; promote the trace back system; share market information with digital technology; strive for sustainability and competitiveness.
Processing (SC5)	Transform fruits for easy consumption, longer preserving period, better taste or nutrition function in response to the market demand; digest the over supply of raw fruits due to season or external shock; participate in R&D and innovation; apply technologies, especially digital technologies (e.g. for quality control and process automation) and best practice; promote GMP; maintain the quality and safety standard by government or importers; strive for sustainability and competitiveness.
Export SC6	Develop professional exporters, embrace supply chain integration with closer upstream downstream links; in response to the market demand; brand building; maintain the quality standard by government or importers; promote the trace back system; share market information with digital technology; manage external shock with diversification; law & regulation to protect both Thai and Chinese stake holders; strive for sustainability and competitiveness.
Cross Border Logistics SC7	Mitigate the traffic congestion due to the ZCP by using all modes of transportation (land, rail, sea and air), through all possible routes and designated ports; utilize fully the Laos-China railway with proper infrastructure and Customs facility; extend cold storage capability; apply digital technology to monitor and share the cargo information; reach the inland area of China; raise the speed of delivery for freshness and reduce waste, strive for sustainability and competitiveness.
Import SC8	Product selection and development in response to the market demand; expand cross border trade, embrace supply chain integration with closer upstream downstream links; promote the trace back system; share market information with digital technology; build up more trust & cooperation with the Thai government and local partners; comply with ZCP; strive for sustainability and competitiveness.
Wholesale SC9	Efficient distribution and storage service to retailers; embrace supply chain integration with closer upstream downstream links; promote the trace back system; share market information with digital technology; raise the speed of delivery for freshness and reduce waste,; strive for sustainability and competitiveness.
Retail SC10	Deliver satisfactory consumer experience through online and offline contact points and CRM programs; Enhance the awareness and reputation of Thai fruits; embrace supply chain integration with closer upstream links; brand building; set up and maintain standard for quality & food safety; promote the trace back system; share market information, predict sales volume and manage inventory & shelf display with digital technology; strive for sustainability and competitiveness.
Consumption SC11	Discover, communicate and fulfill customer need, participate in R&D and innovation with new product ideas; develop marketing contents from the feedback with digital technology like social media; consumer right protection with quality and food safety, information from trace back system; strive for sustainability and competitiveness.
Direction GT1	Set up and implement national fruit strategy, coordinate MOAC (for production) and MOC (for marketing) by the Fruit Board; promote R&D and Innovation; embrace supply chain integration; manage external shock such as Covid 19, maintain sustainability in demand and supply; enhance competitive advantage; protect stakeholders; and leverage digital technology.
Regulation GT2	Set up standard (e.g. TAS) & issue certificate (e.g. GAP and GMP) to improve productivity, efficiency and quality; ensure Thai fruits meet the SPS requirements of international standard and importing countries with minimal environment and health hazard; manage external shock such as Covid 19; embrace supply chain integration; enact and enforce rules to protect all stakeholders with digital technology; strive for sustainability and competitiveness.
Extension GT3	Promote R&D and Innovation; extend the strength of farmers and enterprises with planning for optimal size, higher efficiency and quality; in response to the market demand; system to manage external shock (e.g. storage, deep processing, insurance, diversification); embrace supply chain integration; provide technology advice through farmer organizations such as local "learning center" and "community enterprise", with digital technology such as mobile apps; strive for sustainability and competitiveness.
Promotion GT4	Build up and enhance awareness and reputation of Thai fruits, expand fruits and areas with GI (Geographic Identification); promote sales online and offline in cooperation with local governments, importers & retailers; through business matching, Thai fruit exhibitions, flagship shop in Tmall, in store activities; embrace supply chain integration, manage external shock with extra marketing efforts; apply digital technology such as social media; strive for sustainability and competitiveness.
Negotiation GT5	Negotiates with GACC (General Administration of Customs China) on market access and SPS requirement; expand the permission list of Thai fruits; update and implement the Protocol on land transportation through third country; urgent action to mitigate traffic congestion due to the ZCP by fully utilizing the Laos-China railway and speeding up the Customs procedure; Coordinate with Laos and Vietnam for cross border land transportation; strive for sustainability and competitiveness.

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# Contributions of Product Quality, Service Quality, Store Ambiance, and Promotion on Customer Loyalty: The Mediating Role of Brand Identity in Convenience Store Coffee Chains in Bangkok

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## Abstract

Branding is an essential function enabling businesses to achieve their goals, particularly brand identity, differentiating their products and services from others, and brand loyalty, which is a key to sustainable success. This study investigated the roles of product quality, service quality, store ambiance, and promotion on customer loyalty and the mediating role of brand identity in convenience store coffee chains in Bangkok. Survey data were collected using self-administrative questionnaires from 410 customers using PLS-SEM. The results showed that all four variables, product quality, service quality, store ambiance, and promotion, promote brand identity while only three variables, product quality, service quality, and store ambiance, promote customer loyalty. In addition, brand identity promotes brand loyalty. The mediation test result indicated that brand identity only empirically mediates between promotion and customer loyalty.

**Keywords:** Product Quality, Service Quality, Store Ambiance, Promotion, Customer Loyalty, Brand Image, Brand Identity

## Introduction

With its generous return, modest investment, and significant expansion of the coffee drinking culture, the coffee shop has become a popular business worldwide (Dhisasmito & Kumar, 2020; Ratasuk & Buranasompob, 2021; Ratasuk & Gajesanand, 2020). In ASEAN, the coffee shop industry has proliferated over the past years (Dhisasmito & Kumar, 2020; Karnadi, 2021). According to Dhisasmito and Kumar (2020), the retail coffee market in Indonesia has grown to 268,000 tons per year and was projected to grow 11.4% between 2017 and 2021. Karnadi (2021) revealed that coffee retails in the six largest Asian countries, including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, enjoyed up to USD 6.5 billion in 2019, which was a six percent annual growth rate from 2014 to 2019 compared to a global average of 5% over the same period, and, in 2019, the region consumed an estimated 1.2 million tons of coffee through retail and foodservice channels. However, with the unexpected severe impacts of COVID-19, according to Karnadi (2021), coffee in food service volume sales in Southeast Asia declined 20% in 2020 compared to 2019. Due to the low start-up cost and unlimited demand in Thailand, coffee shop businesses had proliferated before the

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pandemic hit (Ratasuk & Gajesanand, 2020). According to Statista (2019), the value of the coffee shop industry in Thailand was 21,220 million baht in 2017 and continued with a minimum annual growth rate of 10% Bangkok, with a population of over 8 million people (Worldpopulation, 2018), is also home to many coffee shop businesses. Among various coffee shop business types, convenience-store coffee shops have grown tremendously in popularity, particularly in a big city like Bangkok, known for heavy traffic and the rushing lifestyle (Sripolnork, 2018). With the big city lifestyle, people seek convenient and quick solutions that convenience store coffee shops can effectively fulfill the need (Beard, 2017). A unique feature of this coffee shop is that it opens longer hours than others or even 24/7, allowing it to better respond to city consumers' needs, resulting in rising competition (Billionmindset, 2018). The competition in this coffee shop business sector has grown intensely in Bangkok as it can be seen that almost all convenience stores have their own coffee shops, many of which are chains owned by big companies (Ratasuk & Buranasompob, 2021). To stay competitive and enjoy sustainable success, businesses need to gain customers' loyalty (El-Adly, 2019; Islam et al., 2021). According to Xhema, Metin, and Groumpos (2018), customers always come back to support a business, and this eventually turns to a relationship because of their pleasant experience with its offers. This phenomenon can theoretically be explained by the social exchange theory (Cropanzano et al., 2017). Hence, convenience store coffee chains must know which factors should be focused to promote long lasting relationship with their customers (Filbert & Anthony, 2018).

Even though there are previous studies on factors influencing customer loyalty, the concept has never been explored in the context of convenience-store coffee chains, which is a unique and fast-growing coffee business in Thailand (Islam et al., 2019; Luntungan, Pangemanan, & Rumokoy, 2019; Ratasuk & Gajesanand, 2020). In addition, research on the influences of product quality, perceived service quality, promotion, and store ambiance on brand identity is still scarce in the literature. In this research, the contributions of four factors, namely perceived product quality, perceived service quality, promotion, and store ambiance, to customer loyalty were investigated via brand identity in convenience store coffee chains in Bangkok.

The findings were expected to provide new knowledge to the relevant literature, particularly in customer loyalty, brand image, and brand identity, and a new extension to the social exchange theory. The findings were also expected to provide valuable guidelines for management and marketers in developing effective marketing strategies to promote customer loyalty in their businesses.

## **Literature Review**

This research investigated the contribution of four factors, product, service, promotion, and store ambiance, to customer loyalty and the role of brand image and brand identity based on the social exchange theory.

### **Social Exchange Theory**

Social exchange theory was developed by the famous sociologist George Homans (Cropanzano et al., 2017). The theory proposes that people behave according to an exchange process in which they try to maximize their benefits and, at the same time, minimize their costs (Cook, 2013). According to the social exchange theory, people compare potential benefits and risks before engaging in relationships with others (Cropanzano & Mitchell, 2005). They tend to terminate a relationship as soon as the risks outweigh the rewards. However, as long as the benefits they perceive are still more than their costs, relationships will be continued. The theory has been used to explain various phenomena in various areas of study, such as management, marketing, and others (Ratasuk, 2021; Ratasuk & Gajesanand, 2020).

### **Customer Loyalty**

Customer loyalty refers to an ongoing relationship between businesses and their customers, exhibiting how customers are willing to engage with and repeat their support to businesses (El-Adly, 2019; Islam et al., 2021). Customers' loyalty to businesses is the subsequence of their positive experience and attitudes toward the businesses (Larsson & Broström, 2019; Srivastava & Rai, 2018). Customer loyalty has been studied in a variety of marketing contexts and industries. For example, El-Adly (2019) studied the relationship between perceived value, customer satisfaction, and loyalty in the hotel industry. Islam et al. (2021) studied the impact of corporate social responsibility on customer loyalty via the mediating role of corporate reputation, customer satisfaction, and trust.

### **Brand Identity**

Brand identity refers to a brand's recognition, such as brand name, logo, design, symbol, and many others that distinguish the brand from others and create an emotional relationship with consumers by being committed to their values and delivering as per their expectations (De Chernatony, 1999; Nandan, 2005). Successful businesses are recognized for their strong brand identity since it gives their brands meaning, purpose, and direction (Ghodeswar, 2008; Roy & Banerjee, 2007). Brands identify and differentiate a business's products or services from competitors according to their values by developing a solid brand identity to represent the business's intended image and promise to consumers (Casais & Monteiro, 2019; Chung & Byrom, 2020; Essamri, Mckechnie, & Winklhofer, 2019). Brand identity has been in the spotlight for scholars in several fields, mainly marketing. For example, Casidy, Prentice, and Wymer (2019) studied the effects of brand identity on brand performance in the service sector.

### **Perceived Product Quality**

Perceived product quality refers to consumers' perception and experience with purchased products (Ariffin et al., 2016). Prior studies reveal that perceived product quality fosters several preferred business outcomes: brand loyalty, customer trust, customer satisfaction, brand image, and customer repurchase intentions (Nikhashemi, Valaei, & Tarolfder, 2017; Ratasuk & Gajesanand, 2020). High-quality products satisfy customers and drive pleasant attitudes toward companies and brands (Saleem et al., 2015). Sari and Giantari (2020) found that product quality is critical in making customers repeat their support to businesses. Ratasuk and Gajesanand (2020) revealed that perceived product quality promotes brand image and repurchase intentions in gas station coffee shops in Bangkok.

### **Perceived Service Quality**

Perceived service quality refers to customers' perception of service performance they have experienced compared to their expectations (Kasiri et al., 2017). Service quality has been widely explored in several study areas, such as education, hospitality, food service, and others. (Panjaitan & Yuliati, 2016). High service quality leads to desirable business outcomes: brand image, customer satisfaction, loyalty, and repurchase intentions. (Fatima, Malik, & Shabbir, 2018; Ratasuk & Gajesanand, 2020; Shankar & Jebarajakirthy, 2019). Ratasuk and Buranasompob (2021) examined the roles of perceived service quality on brand image and repurchase intentions in convenience store coffee chains in Bangkok.

### **Store Ambience**

Store ambience or atmosphere refers to visible elements and environments inside and outside stores, such as lighting, smell/scent, temperature, noise, and music (Abimnwi &

Njuguna, 2015; Morrison et al., 2011). These elements have also been found to influence customers' emotions and satisfaction, significantly impacting their buying decision (Cloete & Semente, 2022; Deka, 2019; Morrison et al., 2011). Store ambiance has been studied in various research fields (Deka, 2019; Morrison et al., 2011; Nacass, 2018). Barros et al., (2019) examined the influence of store atmosphere on consumers' positive emotional responses and impulsive purchase behavior. Ilimi, Darma, and Wijayanti (2020) studied the roles of store atmosphere and customer satisfaction and the mediating role of service quality in a restaurant business in Indonesia.

### **Promotion**

Promotion refers to the combination of business communication efforts to market products and services to consumers (Yoo, Donthu, & Lee, 2000). It is an essential element in the marketing mix. It includes five promotion mix elements: advertising, personal selling, direct marketing, sales promotions, and public relations (Jasmani & Sunarsi, 2020; Oladepo & Abimbola, 2015). The promotion mix has been explored in varied research areas and contexts (Aldebi & Aljboory, 2018; Kristanto et al., 2021; Sugiono, Nurwulandari, & Khairina, 2021). Many previous studies showed that promotion improves businesses' communication effectiveness with their customers and effectively promotes brand image (Havidz & Mahaputra, 2020; Hermiyenti & Wardi, 2019; Huang, Nie, & Zhang, 2018). Jasmani and Sunarsi (2020) investigated the contribution of the promotion mix on customer purchase decisions of Sari Roti Products in South Tangerang. There is also evidence that promotion can increase customer satisfaction and promote customer repurchase intentions (Ghezlbash & Khodadadi, 2017; Prianggoro & Sitio, 2019; Ratasuk & Gajesanand, 2020; Setiawan, 2018).

### **Product Quality, Service Quality, Store Ambience, and Promotion, and Brand Identity and Customer Loyalty**

According to the social exchange theory, a relationship is developed when individuals perceive that it provides more benefits than the costs they have to pay to gain the benefits. Thus, customers will return to support a business after considering their total experience with their first visit and whether their benefits are more than their costs (Ratasuk, 2021; Ratasuk & Gajesanand, 2020). Products and services allow businesses and brands to differentiate themselves from others (Ghodeswar, 2008; Nandan, 2005). Good product and service performance fosters customers' impressions, recognizing and remembering their brands (Stompff, 2003). Customers identify product and service features and associate them with their brands (Esmailpour & Hoseini, 2017; He & Li, 2011). Underwood (2003) revealed that packaging, a part of products, can promote brand identity by making brands more accessible to be recognized. Thus, high product and service quality should enhance brand identity. Product and service quality also promote customer satisfaction and drive them to return to stores to continue to support businesses (Hsu et al., 2018; Rahmawati & Sentana, 2021; Ratasuk & Gajesanand, 2020; Taufik et al., 2022; Xhema, Metin, & Groumpos, 2018). Park and Kim (2022) stated that good service can foster customers' satisfaction and positive attitudes toward brands and loyal to them. According to Hsu et al. (2018), product design which is included in product quality can foster customer loyalty of smartphone users in Taiwan. Hence, product and service quality should promote customers' loyalty to businesses and their brands in this context.

Besides, store ambiance and promotion also increase customers' recognition of brands by presenting brands' characteristics and features, allowing brands to differentiate themselves from others, particularly their rivals (Petty, 2016; Yuan et al., 2016). Thus, both store ambiance and promotion are expected to be positively associated with brand identity since the excellent ambiance and effective promotion build customers' pleasant emotions and satisfaction with its uniqueness, and customers tend to associate it with its brands, helping them differentiate their



pleasant experience from others (Burt & Carralero-Encinas, 2000; Pamungkas & Pramesti, 2021). Accordingly, decent store ambiance and effective promotion create a pleasant experience and satisfaction for customers bringing them back to stores repeatedly and eventually becoming loyal (Allender & Richards, 2012; Konuk, 2018; Kwon et al., 2020; Sharma & Patra, 2021; Suartina et al., 2022). Yoon and Park (2018) revealed that in-store experience drives U.S. customers to return to stores. Suartina et al. (2022) mentioned that effective promotion could lead to customer loyalty in e-commerce. Therefore, store ambiance and promotion are supposed to associate with brand loyalty positively.

At last, a concrete brand identity allows customers to recognize, distinguish, and remember a brand resulting in firmly developing their loyalty to the brand (Coelho, Rita, & Santos, 2018; Jin, Yoon, & Lee, 2019; Keshtidar et al., 2018). The study of Jin, Yoon, and Lee (2019) unveiled a positive relationship between brand identity and brand loyalty in Korea. According to Zarei, Feiz, and Maradi (2020), brand identity was found to influence brand loyalty via brand attractiveness in electronic products. Thereby, brand identity is proposed to associate brand loyalty positively.

All the proposed relationships between all variables on the ground of the social exchange theory are presented in Table 1.

**Table 1** Research Hypotheses

<b>Hypothesis</b>	
<b>H1</b>	Perceived product quality positively influences brand identity.
<b>H2</b>	Perceived service quality positively influences brand identity.
<b>H3</b>	Store ambiance positively influences brand identity.
<b>H4</b>	Promotion positively influences brand identity.
<b>H5</b>	Perceived product quality positively affects customer loyalty.
<b>H6</b>	Perceived service quality positively affects customer loyalty.
<b>H7</b>	Store ambiance positively affects customer loyalty.
<b>H8</b>	Promotion positively affects customer loyalty.
<b>H9</b>	Brand identity positively impacts customer loyalty.
<b>H10</b>	Brand identity positively mediates the relationship between perceived product quality and customer loyalty
<b>H11</b>	Brand identity positively mediates the relationship between perceived service quality and customer loyalty
<b>H12</b>	Brand identity positively mediates the relationship between perceived store ambiance and customer loyalty
<b>H13</b>	Brand identity positively mediates the relationship between promotion and customer loyalty

## Methodology

### Population, Sample Group, and Sample Selection

This study aimed to study the customers of convenience store coffee chains in Bangkok. Therefore, the population is considered unknown. Stratified random sampling was conducted to select 500 customers to approach from 50 stores, beginning with dividing all 50 districts of Bangkok into 10 area groups. In each area group, five stores were randomly selected, and in each store, ten customers were randomly approached (Acharya et al., 2013; Ratasuk & Gajesanand, 2020; Singkran & Kandasamy, 2016). However, only 410 customers agreed to participate, or an 82% response rate. This sample size is considered adequate for an unknown (Ahmad & Halim, 2017).

### Research Tool

Self-administrative questionnaires with structured question sets were used since it is suitable for collecting a large amount of data in a limited time (Bryman & Bell, 2015). They included the demographic characteristics of respondents, including gender, age, income, and



education, and sets of question items measuring the perceptions and attitudes towards product quality, service quality, store ambiance, promotion, brand identity, and customer loyalty adapted from prior studies, as presented in Table 2. They have been proven to have sufficient validity and reliability levels and measured using the five-point Likert scale ranging from 1 as strongly disagree to 5 as strongly agree.

**Table 2** Characteristics of the Sample

Variables	Sources	Samples of Question Items
Customer Loyalty	He, Li, and Harris (2012)	<i>“Even if another brand has the same features as this coffee chain, I would prefer to buy my coffee from this coffee chain”</i> and <i>“I would prefer to buy this coffee chain. If there is another brand as good as this coffee chain, I prefer to buy my coffee from this coffee chain”</i> .
Brand Identity	He et al. (2012)	<i>“This coffee chain has a distinctive identity”</i> and <i>“This coffee chain stands out from its competitors”</i> .
Perceived Product quality	Sullivan and Kim (2018)	<i>“The quality of the product sold on the coffee chain was excellent”</i> and <i>“The performance of the product sold on the coffee chain was excellent”</i> .
Perceived Service Quality	Jani and Han (2011)	<i>“Staff provides genuine services”</i> and <i>“Staff provides efficient and capable services”</i> .
Store Ambiance	Akram et al. (2016)	<i>“The store is a pleasant place to visit”</i> and <i>“The store layout is well organized and designed”</i> .
Promotion	Wang, Qi, Kim, and Benbasat (2016)	<i>“The coffee chain always offers discounts and promotions”</i> and <i>“The coffee chain advertises the promotion in social media”</i> .

### Control Variable

Four control variables are included in this research which are gender, age, income, and education. In prior research, these control variables affected brand identity and customer loyalty (Hew, Badaruddin, & Moorhy, 2017; Le & Supphellen, 2017). Their descriptive statistics are presented in Table 3.

**Table 3** Characteristics of the Sample (Descriptive Statistic)

<b>Gender</b>	Male	183 (55.37%)
	Female	227 (44.63%)
<b>AGE</b>	18 to 20 years old	50 (12.20%)
	21 to 30 years old	162 (39.51%)
	31 to 40 years old	145 (35.37%)
	41 to 50 years old	40 (9.76%)
	51 to 60 years old	13 (3.17%)
	Older than 60 years old	0 (0%)

**Table 3** Characteristics of the Sample (Descriptive Statistic) (Cont.)

<b>Income (Per Month)</b>	Less than 10,000 Baht	63 (15.37%)
	10,001 to 20,000 Baht	194 (47.32%)
	20,001 to 30,000 Baht	111 (27.07%)
	30,001 to 40,000 Baht	37 (9.02%)
	40,001 to 50,000 Baht	5 (1.22%)
	More than 50,000 Baht	0 (0%)
<b>Education</b>	High school	63 (15.37%)
	Associate degree	135 (32.93%)
	Undergraduate degree	168 (40.98%)
	Master degree	42 (10.24%)
	Doctoral degree	2 (0.49%)

### Estimation Method

Program Warp PLS version 8.0 was used to conduct a structural equation modeling analysis and the Sobel test to test the mediation. Warp PLS works well with a complex research model with several variables and relationship paths (Kock, 2017). The program is also effective for formative and reflective scales (Hair, 2014). It has also been used in varied research areas, for instance, management, marketing, human resource, and other social research areas (Ratasuk, 2020; Ratasuk & Charoensukmongkol, 2019, 2020; Richter et al., 2015).

The Research Ethics Committee (REC), with a reference number of PIM-REC 005/2563, was granted to affirm the ethical standard of the tool and process used in this research's data collection.

### Results

Prior to performing PLS-SEM analysis, the reliability testing was reported using Cronbach's alpha and composite reliability coefficients resented in Table 4. Since none of the variables' coefficients were lower than 0.7, the reliability is ideal (Fornell & Larcker, 1981). The validity was also tested. The results showed acceptable discriminant validity because all square root values of Average Variance Extracted (AVE) were higher than their relevant correlations presented in Table 3 (Fornell & Larcker, 1981). Also, the full collinearity VIF of all variables was lower than 3.3, indicating that the multicollinearity and common method bias (CMB) were not serious issues in this study (Hair Jr, Haward, & Nitzl, 2020).

**Table 4** Correlation Between Constructs VS Average Variance Extracted (AVE).

Variables	Cronbach's Alpha coefficient	Composite Reliability coefficient	Loyalty	BranID	Product	Service	Decor	Promo
<b>Loyalty</b>	0.925	0.947	(0.856)					
<b>BranID</b>	0.900	0.930	0.548	(0.895)				
<b>Product</b>	0.881	0.918	0.683	0.576	(0.866)			
<b>Service</b>	0.924	0.952	0.679	0.584	0.767	(0.884)		
<b>Deccor</b>	0.910	0.937	0.637	0.613	0.699	0.744	(0.887)	
<b>Promo</b>	0.870	0.939	0.499	0.721	0.548	0.539	0.571	(0.957)

**Source:** \* p-value < 0.05, \*\* p-value < 0.01; The Square Root Values Of AVE Are Displayed In The Parentheses; Loyalty=Customer Loyalty, Branid=Brand Identity, Product=Product Quality, Service=Service Quality, Decor=Store Ambiance, Promo=Promotion.

Also, the convergent validity was satisfied since all factor loading values were above 0.7, as shown in Table 5.

**Table 5** Factor Loadings and Cross-Loading

Type	Loyalty	BranID	Product	Service	Decor	Promo
Loyalty 1	(0.865)	-0.074	0.010	0.044	0.002	0.039
Loyalty 2	(0.826)	0.198	0.171	-0.067	-0.088	-0.147
Loyalty 3	(0.867)	-0.065	-0.097	0.002	0.095	0.083
Loyalty 4	(0.868)	-0.049	-0.076	0.017	-0.013	0.019
BranID 1	-0.024	(0.850)	0.049	-0.129	0.217	-0.023
BranID 2	0.013	(0.914)	0.058	-0.027	-0.086	-0.107
BranID 3	0.035	(0.902)	-0.067	0.003	-0.015	0.131
BranID 4	-0.026	(0.911)	-0.038	0.144	-0.101	0.000
Product 1	0.058	-0.073	(0.888)	0.061	0.084	0.022
Product 2	-0.127	0.023	(0.837)	-0.117	-0.138	-0.013
Product 3	0.063	0.053	(0.872)	0.050	0.047	-0.010
Service 1	0.118	-0.107	-0.004	(0.878)	0.152	0.047
Service 2	-0.046	0.099	0.056	(0.891)	-0.117	-0.063
Service 3	-0.032	-0.035	0.041	(0.881)	0.108	-0.033
Service 4	-0.038	0.042	-0.093	(0.884)	-0.140	0.050
Décor 1	0.077	-0.095	-0.030	0.172	(0.899)	0.101
Décor 2	-0.052	0.087	0.082	-0.037	(0.874)	-0.139
Décor 3	0.022	0.014	-0.030	-0.029	(0.899)	-0.064
Décor 4	-0.050	-0.004	-0.021	-0.109	(0.876)	0.101
Promo 1	0.004	0.025	-0.009	0.045	0.010	(0.957)
Promo 2	-0.004	-0.025	0.009	-0.045	-0.010	(0.957)

Source: Loyalty=Customer Loyalty, Branid=Brand Identity, Product=Product Quality, Service=Service Quality, Decor=Store Ambiance, Promo=Promotion

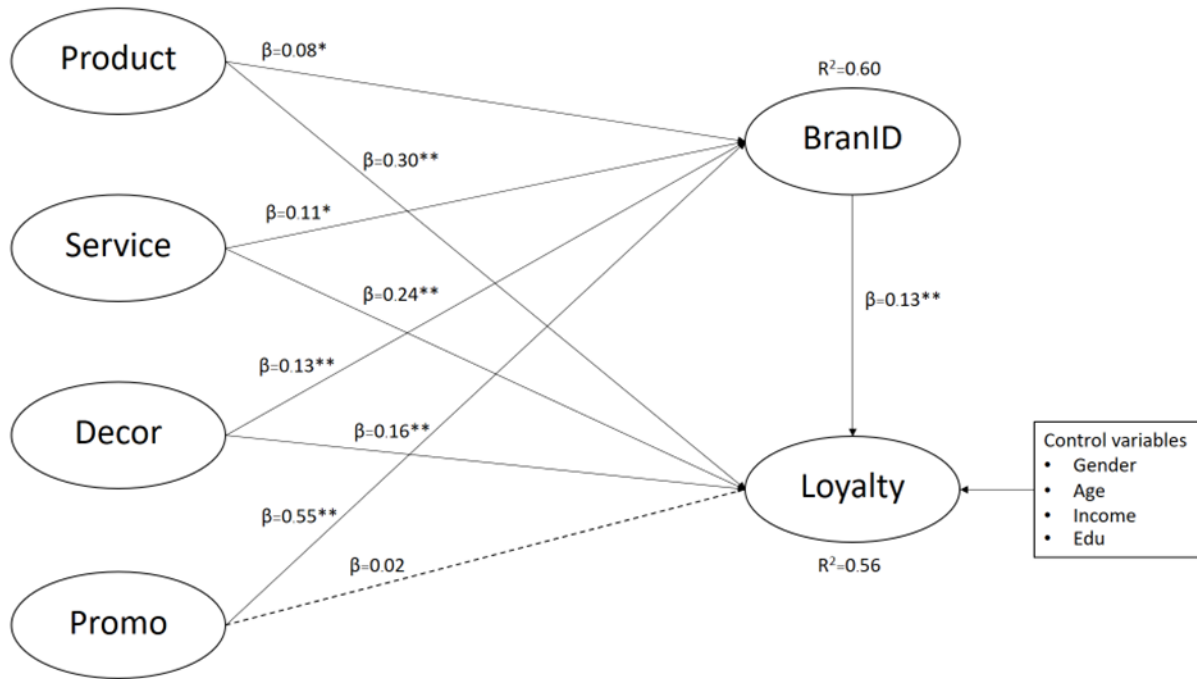
The model fit indices confirmed the quality of the model. All ten indices were satisfactory, as shown in Table 6.

**Table 6** Model Fit Indices

Model Fit Indices	Coefficient	Result
Average Path Coefficient (APC)	0.177**	Significant
Average R-square (ARS)	0.589**	Significant
Average Adjusted R-Square (AARS)	0.583**	Significant
Average Variance Inflation Factor (AVIF)	2.130	Ideal
Average full Variance Inflation Factor (AFVIF)	2.476	Ideal
Tenenhaus GoF Index (GoF)	0.713	Large
Simpson's Paradox Ratio (SPR)	0.933	Acceptable
R-square Contribution Ratio (RSCR)	1.000	Acceptable
Statistical Suppression Ratio (SSR)	0.933	Acceptable
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	0.900	Acceptable

## PLS-SE Results

After the model quality was tested to be satisfactory, the PLS-SEM proceeded to test the proposed hypotheses. The findings are presented in Figure 2. Also, the mediation test was performed using the Sobel test and presented after the PLS-SEM results.



**Figure 2** Main Model Results

**Source** - \*\* and \* means p-value <0.01 and <0.05  
 - Solid Lines Refer to Significant Paths, and Dashed Lines Refer to Non-Significant Ones.

The PLS-SEM analysis results revealed in Figure 2 can be concluded as follows.

Hypothesis 1 proposed a positive relationship between perceived product quality and brand identity ( $\beta=0.08$ ;  $p=0.05$ ). The results indicated a positive and statistically significant relationship; thus, hypothesis 1 is accepted.

Hypothesis 2 proposed a positive relationship between perceived service quality and brand identity ( $\beta=0.11$ ;  $p=0.01$ ). The results showed a positive and statistically significant relationship; thus, hypothesis 2 is accepted.

Hypothesis 3 proposed a positive association between store ambiance and brand identity ( $\beta=0.13$ ;  $p<0.01$ ). The results revealed a positive and significant association; thus, hypothesis 3 is accepted.

Hypothesis 4 proposed a positive association between promotion and brand identity ( $\beta=0.55$ ;  $p<0.01$ ). The results indicated a positive and significant association; thus, hypothesis 4 is accepted.

Hypothesis 5 proposed a positive association between perceived product quality and customer loyalty ( $\beta=0.30$ ;  $p<0.01$ ). The results revealed a positive and significant association; thus, hypothesis 5 is supported.

Hypothesis 6 proposed a positive relationship between perceived service quality and customer loyalty ( $\beta=0.24$ ;  $p<0.01$ ). The results indicated a positive and significant relationship; thus, hypothesis 6 is supported.

Hypothesis 7 proposed a positive relationship between store ambiance and customer loyalty ( $\beta=0.16$ ;  $p<0.01$ ). The results showed a positive and significant relationship; thus, hypothesis 7 is supported.

Hypothesis 8 proposed a positive relationship between promotion and customer loyalty ( $\beta=0.02$ ;  $p=0.35$ ). The results indicated a positive but insignificant relationship; thus, hypothesis 8 is not supported.

Hypothesis 9 proposed a positive relationship between brand identity and customer loyalty ( $\beta=0.13$ ;  $p<0.01$ ). The results indicated a positive and significant relationship; thus, hypothesis 9 is supported.

The mediating roles of brand identity on the relationship between the four factors, perceived product quality, service quality, store ambiance and promotion, and customer loyalty, were also examined. The results from the Sobel test suggested by Preacher and Hayes (2004) revealed that brand identity only fully mediates between promotion and brand loyalty ( $t=2.552$   $p=0.01$ ). Thus, hypotheses 10, 11, and 12 are not supported, and only hypothesis 13 is supported.

The findings also presented that customer loyalty was not statistically associated with any control variables: Gender ( $\beta=-0.03$ ;  $p=0.29$ ), Age ( $\beta=-0.04$ ;  $p=0.22$ ), Income ( $\beta=-0.00$ ;  $p=0.47$ ), and Education ( $\beta=-0.01$ ;  $p=0.40$ ).

## **Discussion and Conclusion**

This research aimed to examine the roles of product quality, service quality, store ambiance, and promotion on customer loyalty and the mediating roles of brand identity in convenience-store coffee chains in Bangkok. The results indicated that product quality, service quality, store ambiance, and promotion promote the chains' brand identity. Even though the results are consistent with prior studies that the four factors are positively related to brand identity, the number of related prior studies that examine the roles of the four factors on brand identity is minimal (Esmailpour & Hoseini, 2017; He & Li, 2011; Petty, 2016; Stompff, 2003; Yuan et al., 2016). For example, Underwood (2003) found a positive association between perceived packaging quality and brand identity by making brands more accessible to be recognized. Esmailpour and Hoseini (2017) found a positive association between perceived service quality and brand identity in insurance companies in Iran. In the context of convenience store coffee chains, customers who are satisfied with provided products, services, store ambiance, and promotions of coffee chains tend to recognize and remember their brands. This may be because the business's quality products and services, store ambiance, and promotion impress them by fulfilling their needs, driving them to differentiate, recognize, and remember the businesses' brands.

The findings also showed positive relationships between perceived product quality, service quality, and store ambiance with customer loyalty, which align with prior studies (Hsu et al., 2018; Park & Kim, 2022). For example, Park and Kim (2022) found a positive relationship between service quality and brand loyalty to offline service quality in Omni-channel (OC) retail environment. Hsu et al. (2018) showed that product design, which is a part of product quality, has indirect positive influences on brand loyalty to smartphones in Taiwan. Furoida and Maftukhah (2018) study revealed that store ambiance and service quality promote brand loyalty of cafe customers by increasing their satisfaction. In the context of convenience store coffee chains, customers who perceive high product quality, service quality, and store

ambiance tend to have a higher level of loyalty to the businesses and their brands. This may be because, according to the social exchange theory, the customers are satisfied with their total experience from products and services offered, as well as in-store ambiance that outweigh their costs, such as the price they pay, the time they spend to travel to the store and other costs.

Moreover, the findings presented a positive association between brand image and brand loyalty, harmonizing with previous research (Zarei, Feiz, & Moradi, 2020). For example, Zarei, Feiz, and Moradi (2020) found an indirect positive relationship between brand identity and brand loyalty via the brand attractiveness of electronic products. According to Jin, Yoon, and Lee (2019), brand identity is positively associated with the brand loyalty of Korean customers. For convenience store coffee chains, customers who perceive a high brand identity tend to have high loyalty to the brands. This may be because coffee chains with a unique and clear identity, such as an easy-to-remember logo, personalized colors, standardized and differentiated staff uniforms, unique menu, standardized and comfortable store ambiance, and many others, impress customers and make it easy for them to recognize and remember and always think of the brands when they need to buy coffee.

Lastly, according to the results, brand identity mediates the relationship between promotion and brand loyalty. This may be explained in the context of convenience store coffee chains that the promotion offered by the coffee chains varies from brand to brand, promoting outstanding characters and features to remember and attracting customers to revisit the stores repeatedly.

## **Research Contributions**

This research provides new knowledge in customer loyalty research with additional evidence of the antecedent roles of the four factors, perceived product quality, service quality, store ambiance, and promotion, along with the mediating roles of brand identity. Since the associations between the four factors and brand identity are limited, this study also supplies a new piece of knowledge and additional evidence to the brand literature. Also, this new knowledge was investigated in the context of convenience store coffee chains for the first time. Lastly, this study provides additional evidence in applying the social exchange theory to explain a phenomenon in a new context, like convenience store coffee chains in Bangkok.

## **Practical Contributions**

The study provides some practical guidelines for management in promoting customer loyalty in their business. For sustainable business success, management should better understand how customers' loyalty to their businesses is developed. The results suggest as follows: 1) According to the findings, product quality is the priority factor to which stores should always pay attention. Stores should regularly focus on providing a wide variety of menu selections using quality ingredients, for example, quality coffee beans, milk, and others, and conduct a strict quality assurance process to ensure that all products are delivered to customers promptly. 2) They should regularly innovate and create signature menus that differentiate their business from others, including innovative and unique packaging. 3) The findings also indicate that service quality is the second after product quality that is important in developing customer loyalty. Hence, stores should focus on providing signature excellent standardized service with friendly and courteous practices that well represent their brands from well-trained professional staff who are always smiley, attentive, and service-minded dressed in proper uniforms presenting with visible and clear brand logo and color. By doing this, brands will maximize customers' satisfaction and trust, differentiate themselves from their competitors, and promote customers' loyalty to them. 4) Also, stores should be well designed with a signature ambiance representing unique and clarified brand characteristics with a pleasant mood and tone that

emotionally drive customers to spend longer time with them, for example, equipment and furniture with brand logo and color, owned brand music. A clear and differentiated store ambiance will be easy to recognize and remember inviting customers to revisit often. 5) Stores should offer promotions that can effectively promote brand identity, for example, sales promotions giving premiums with a brand logo like mugs, caps, t-shirts, dolls, and others, and advertising promoting brands' uniqueness and features. Promotions highlighting promoting brand identity will foster brand recognition and promote customer loyalty. Lastly, Management should create a unique and clear brand identity by developing and delivering features that emphasize the representation of brands, such as organizational work culture, standard employee practices, standard staff appearances, business gimmicks, brand colors, and brand mascot. Moreover, all the suggestions should be in line with one another.

## Limitations and Future Directions

This research has some limitations that require consideration. 1) the data were collected from only 50 convenience store coffee chains in the Bangkok area, which may not represent the true population well. As a result, it may have limited the results' generalizability. 2) the survey was conducted using a self-administered questionnaire which may have caused subjective bias. 3) this study included only the four factors. Many other variables may contribute to customer loyalty that should be explored to develop novel knowledge. Finally, the results may only present the correlations, not their causality, because they were collected cross-sectionally. Future research is suggested to 1) examine other factors and variables' contributions to customer loyalty, for example, perceived value and brand image. 2) apply the same model in other business contexts, such as hotels, restaurants, and airlines. 3) explore the roles of 4 factors on other desirable business outcomes, such as company performance and brand equity.

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# Research on the Impact of Business Model on Customer Value Under the Background of New Retail

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## Abstract

In the mobile Internet era, new technologies such as big data, cloud computing, and the Internet of Things are widely used. As a result, the traditional retail industry is facing unprecedented challenges. Offline brick-and-mortar stores and online e-commerce platforms seek in-depth cooperation and integration to form a new retail business model, and the “new retail” has emerged. Exploring new retail business models has gradually become the focus of enterprises and scholars. This study examines the relationship between new retail business models and customer value from the customer’s perspective, taking Yonghui Superstores as an example.

Based on the business model and customer value theory, this study analyzes the connotation, structure, and elements of the “new retail” business model.

Based on the specific analysis of the “new retail” business model, this study brings the “new retail” business model and customer value into the research framework and empirically tests the relationship.

The multiple linear regression equation was established by taking the business model elements as the independent variables and customer value as the dependent variable. Then the questionnaire for this paper was designed and distributed through various channels, the 223 questionnaires returned were processed, and the model was validated through empirical analysis. The conclusion is that the “new retail” business model positively enhances customer value.

In terms of research significance, the research results have deepened the thinking of retail enterprises about their business models, making them pay more attention to the deep-seated needs of customers in the process of building their business models and attaching importance to the optimization of omnichannel operation platforms and the application of “new technologies” such as big data and artificial intelligence.

**Keywords:** New Retail, Business Model, Customer Value

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## Introduction

With the development of science and technology and the advent of the information age, e-commerce is developing rapidly, and people's daily lives are becoming more and more convenient. However, offline retailers are facing a significant threat. To cope with this situation, they began to seek transformation. Thus, "new retail" was born at the right time. New retail is dedicated to the deep integration of online and offline sales. For companies, a good business model can make profits and win the recognition of customers, forming a virtuous circle. And customers are the final consumers of products and services, and customer value is the reason for the existence of enterprises. On this basis, this paper focuses on the impact mechanism of the "new retail" business model on customer value and tries to analyze the impact of the "new retail" business model on customer value from the customer's perspective, in order to find the focus and new ideas for the development of retail enterprises in this customer-centered era.

## Objective

1. Does the new retail business model have an impact on customer value? How?
2. Can companies improve their business model to achieve a win-win situation for the companies and their customers?

## Theoretical Basis and Literature Review

### 1. The Characteristics of New Retail

This paper defines new retail as a retail enterprise that focuses on user needs and uses advanced technology as a basis to promote the deep integration and collaboration of online + offline + modern logistics, facilitating the linkage of people, terminals, commodities, markets, and logistics at all times. The purpose of reinventing the new retail ecosystem is to enhance user experience, promote sales data, improve retail efficiency, and drive the transformation and development of the entire retail industry.

### 2. Research on Business Model Definition

The business model concept first appeared in Bellman's book in the 1950s. With the development of the Internet, research on the business model from all parties has gradually emerged. So far, various industries have put forward different views on business models.

From the perspective of value, Cantrell and Linder (2000) mention that the core logic of the business model is to earn economic benefits and create organizational value. Gordijn and Akkermans (2001) hold that the essence of the business model is not the process of business activities but the value exchange realized by the parties involved in the activities.

From the operation perspective, it can be roughly divided into organization and transaction from internal and external capabilities. Voelpel et al. (2005) believe that the business model is maintaining enterprise operation and making profits. Santos, Spector, and Van der Heyden (2009) believe that the organizational unit is a part of the business model, and its constituent relationship and management model are essential to the business model's success.

From the strategy perspective, Shafer, Smith, and Linder (2005) believe that the business model represents a company's core strategy. Qiuying (2006) mentions that the business

model is a business practice in which companies continue to reflect on past economic results and adjust their development strategies to provide customers with their core products and unique services.

From the technology perspective, Mason and Spring (2011) put forward an architecture centered on technology, market, and network and believed that these are the three core elements of the business model.

Many scholars integrated the above four perspectives and presented a more comprehensive research framework. Chesbrough and Rosenbloom (2002) believe that the business model can clarify enterprises' value proposition and market positioning, build the value chain accordingly, estimate the cost and profitability, and form their competitive strategies. Pigneur, Morris proposed an integrated framework of business models from design, organization, market, and technology, making the framework more comprehensive and impeccable (Morris, Schindehutte, & Allen, 2005; Osterwalder, Pigneur, & Tucci, 2005).

### **3. Research on the Elements of the Business Model**

Most scholars consider the elements of a business model from a holistic perspective. Osterwalder et al. (2011) put forward the classic nine-factor model: Core capabilities, partners network, value configuration, cost structure, value proposition, customer relationship, distribution channel, source of revenue, and target customer. They also create a template-based and systematic research method for these nine elements.

Yue and Wei (2013) regard the business model as an organic system composed of three dimensions: value proposition, operating model, and profit model, and summarize the nine elements of the business model integrated with previous studies based on these three dimensions. Zhang, Zhao, and Xu (2016) believe that the business model includes five parts: core product, target market, operation process, value distribution principle, and value chain structure.

In summary, by combing the theoretical knowledge of domestic and foreign scholars, we can see that there is no uniform definition of business models and their elements. But the essence of the business model is almost the overall design and description for enterprises to obtain profits and create value. It explains how enterprises position and integrate strategic direction, operation structure, and value creation to establish competitive advantages in specific markets.

Among the views of many scholars, I agree with the nine-factor model of Alex Osterwalder and Yves Pigneur and the three dimensions and elements of Wu Yue and Wang Wei. Based on the above research, this paper regards the business model as an organic system composed of three dimensions: value proposition, operation model, and profit model, mainly study from the eight elements: customer positioning, product positioning, offline scene, distribution channel, partners network, core capabilities, source of revenue, and cost structure.

### **4. The Concept of Customer Value**

Dodds, Monroe, and Grewal (1991) pointed out that customer value refers to the comparison between the perceived benefits and the cost paid by customers in the process of consuming products and services, which explains the relationship between the perceived benefits and perceived costs of customers. Anderson and Narus (1998) summarized customer value as the difference between the value obtained by customers and the cost of payment in the product and service transaction process. When the difference is more significant than that of



other competitors, customers will feel more affordable and will only get satisfaction in the transaction process. Yi and Lin (2009) mention that in providing products and services to enterprises, customers will correspondingly obtain part of the delivered value from enterprises, which is the customer value.

Based on previous studies, this paper holds that customer value is the comprehensive evaluation of customers in the whole consumption process based on their experience and interaction with products or services, reflecting the relationship between actual gains and losses and expected perception.

### **5. The Dimensions of Customer Value**

Many scholars have studied the dimension division of customer value from different angles based on the concept of customer value.

Sheth, Newman, and Gross (1991) believe that the dimensions of customer value include functional value, social value, emotional value, epistemic value, and conditional value; Kotler and Turner (1997) argue that the dimensions of customer value are total customer cost (product value, personnel value, service value, and image value) and total customer value (monetary cost, time cost, psychic cost, energy cost). Overby and Lee (2006) summarized the dimension of customer value into utilitarianism value and hedonism value; Qinggang (2013) believes that the dimensions of customer value are functional value, emotional value, intellectual value, and social value.

Although scholars chose different dimensions according to their research contents, customer value has core components. Based on Philip Kotler, this paper divides customer value into two dimensions: total customer cost and total customer value, and studies the impact of the “new retail” business model on customer value, total customer cost, and total customer value.

### **6. Research on the Relationship Between Business Model and Customer Value**

Based on the analysis of business model architecture framework, from the perspective of customers, Wei Jian think the business model is core for the process of realize the value proposition, value creation and value obtained, Through the business model constructed by the enterprise itself, the enterprise can develop the value proposition to meet the needs of customers, and realize the increment of its own value while improving the value of customers (Jian, Yang, & Ying, 2012); Song Chunguang and Li Changyun believe that customer value is the source of business model realization, and customer value also determines the realization of business value of an enterprise (Chunguang & Changyun, 2013); From the perspective of customer value, Bocken argue that business model innovation is through the creation of value network to deliver value and obtaining value, or to change its value proposition, to meet customer demand, to achieve customer value, at the same time, a sustainable business model innovation can create value for the whole social environment, reduce the negative impact (Bocken et al., 2014). In terms of value proposition, Lanning and Michaels believe that a value proposition is a complete set of consumption experiences and a clear commitment made by an enterprise to the value of providing customers with a series of benefits. Through customers’ value proposition, enterprises identify customers’ real needs, provide customers with high-quality and reasonable price goods and services, and create value for consumers to achieve the maximum customer value. Customer value can be maximized only when the value perceived by customers constantly increases in purchasing goods and enjoying services (Lanning & Michaels, 1988).

In terms of the operation model, Wang Xiang argues that if an enterprise has more key resources and capabilities and plays a core role in the value network formed by its business partners, the more efficient the operation of the corporate activity system will be so that the enterprise can provide high-quality products and services and lower costs offer value to customers and maximize customer value (Xiang, Dong, & Shixiang, 2015). In terms of the profit model, Duan Zhigang and Li Zhenhua believe that the essence of the profit model is to bring more customer value to customers, obtain more customer recognition, and make customers feel that their buying behavior is cost-effective, thereby increasing customer value (Zhigang & Zhenhua, 2007).

To sum up, scholars generally believe that a business model is a series of activities centered on value activities, in which the realization of customer value is the focus. An effective business model can enable the internal production and operation activities of an enterprise to be carried out effectively, and the value created by the enterprise can be effectively delivered and realized, especially to meet the needs of customers and pass the value to customers, to realize the value of the enterprise itself.

## **Methodology and Questionnaire Design**

### **1 Analysis of New Retail Business Model of Yonghui Superstores**

Yonghui Superstore was established in 1995; its predecessor was a low-profit supermarket. It transformed into new retail in the past 5 years. In 2019, Yonghui released its interim performance report, with operating revenue of 41.176-billion-yuan, 19.71% year-on-year, and a net profit of 1.366 billion yuan, up 82.9% year-on-year. Now Yonghui has become a leading enterprise in China's retail industry.

### **2. Business Model Analysis**

#### **2.1 Customer Positioning**

Customer positioning, also known as Customer Segmentation, defines and divides an enterprise's consumer groups. Yonghui's primary target customers are families. Fresh sales accounted for more than 50% of the total sales. With fresh agricultural products as the core, create a unique "YONGHUI fresh model" to achieve the differentiated management of supermarket chains.

#### **2.2 Offline Stores Positioning**

The offline scene is a crucial point for enterprises to contact customers. Offline stores could create unique scenes to attract customers. To differentiate its operations and meet the requirements of customers with different positioning, Yonghui has launched various types of offline stores. Such as MINI, BRAVO, Red, and green label stores.

#### **2.3 Product Positioning**

Product positioning refers to a company provides to consumers through products, centered on customer needs. Yonghui Supermarket chooses to purchase directly from the origin in product procurement and with the leading fresh producers to research the fresh product quality control process. In addition, it also provides high-quality logistics and financial services. It is in a top position in the industry in terms of sales.

#### **2.4 Distribution Channels**

Yonghui launched omnichannel sales. Based on traditional superstores chains, Yonghui began to transform into retail terminals and explored online sales methods. Under the new retail model, consumers can purchase online, pay, and deliver to the door, or

directly enter the offline store for an experience, making shopping more convenient for consumers.

### 2.5 Partners Network

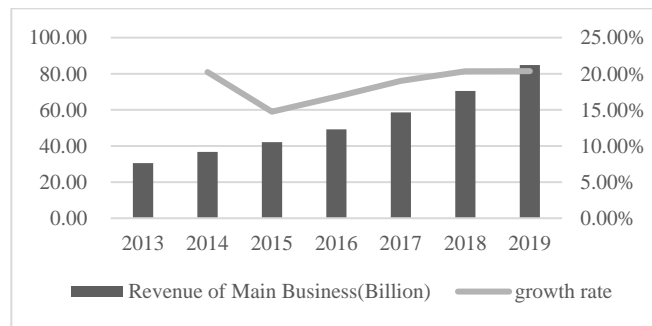
Partners network refers to the external partnership network. In this network, Yonghui and other partners can effectively provide value to each other and achieve the business goals of both companies. After cooperating with partners, we can effectively allocate resources and improve various deficiencies in time.

### 2.6 Core Capabilities

Core capabilities refer to the relatively essential resources and capabilities the company requires to operate. The logistics network built by Yonghui greatly improves transportation efficiency and reduces unnecessary losses. Yonghui also develops a supply chain finance business, which can solve funding needs and reduce operational risk effectively.

### 2.7 New Source of Revenue

Before 2013, Yonghui only involved foodstuff, fresh food and processing, and clothing. After exploring new retail, Yonghui has focused on the fresh food business and innovatively explored new high-value areas such as fresh food+catering service and experiential scenarios. In new places, optimize corporate profit models.



**Figure 1** Yonghui's Revenue and Growth Rate

From Figure 1, we can see that Yonghui's operating income has grown steadily, thanks to the rapid expansion of Yonghui's stores and the integration of online and offline consumption.

### 2.8 Cost Structure

With the increase in income, the operating cost of the enterprise also increases accordingly. Retail still occupies the most significant proportion. Fresh food and processing businesses and foodstuff account for nearly 50%, respectively, while the service industry accounts for 1% of costs and revenues of more than 7%. Table 1 shows the increase or decrease of Yonghui's three expense ratios.

**Table 1** Change of Yonghui's Three Expense Ratios

List	2018	2019	Rate of change
Selling Expense Ratio	16.39%	16.24%	-0.16%
Administrative expense ratio	4.26%	2.37%	-1.89%
Financing Expense Ratio	0.21%	0.41%	0.20%
Expense Ratio=Expense / Revenue of Main Business			

### 3. The Relationship Between New Retail Business Model and Customer Value

#### 3.1 Impact of Value Proposition on Customer Value

The target customers served in the value proposition of the “new retail” model include online and offline customer groups. The target customers have a relatively broad market space and rapid growth. They can clearly define their market positioning according to the transaction and feedback information and can constantly adjust according to customers’ personalized and diversified needs. Therefore, more customers will recognize enterprises and create greater customer value.

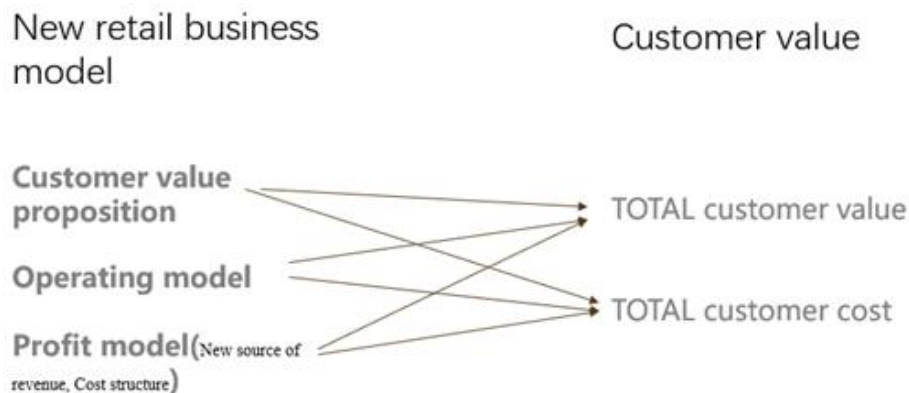
#### 3.2 Impact of Operation Model on Customer Value

Under the “new retail” model, the business operation system of retail enterprises is usually reflected in the selection, organization, and governance of production and management activities, increasing the opportunities for cooperation between enterprises and other stakeholders, enhancing the trust between the whole value network subjects, maintaining long-term cooperative relationships, ensuring that customers’ personalized and diversified value needs are met, making customers dependent on the enterprise’s quality products and services, and increasing customer stickiness. It ensures that customers’ individualized and diversified value needs are met, makes customers rely on the company’s high-quality products and services, improves customer stickiness, and reduces the additional costs of time, physical, mental, and monetary costs in the process of choosing products and services.

#### 3.3 Impact of Profit Model on Customer Value

Under the “new retail” model, the consumer-centric C2 B profit approach has become the main direction of development. The C2B profit approach enables customers to customize their products according to their own value needs, fully satisfying their needs for personalized and experiential services, gaining more customer recognition, and making customer value better realized. In this way, both the online and offline platforms become the center of profit, promoting the stability of revenue and profitability of enterprises, thus attracting customers and increasing customer value.

Based on the literature mentioned above and the relationship between variables, this paper constructs a theoretical model of the value of the “new retail” business model to customers.



**Figure 2** The Theoretical Model of “New Retail” Business Model to Customer Value

#### 4 The Questionnaire Design

Based on previous literature research, according to the existing mature scales of business model and customer value at home and abroad, and combined with the needs of this research, the questionnaire of this paper is designed. The questionnaire in this paper mainly includes the measurement of the value proposition, operation model, and profit model of the independent variable business model. The last is the measurement of the two dimensions of the dependent variable customer value: total customer value and total customer cost. In addition, the measurement items contained in each variable came from the relatively mature scales of scholars. One part chose the ordinary scale to collect customer consumption information, and the other chose the Likert five-level scale method, where the numbers 1-5 indicate strong disagreement, and the numbers 1-5 indicate strong agreement.

This questionnaire mainly includes the “new retail” business model and the customer value scale. The “new retail” business model scale is designed from a value proposition, operation model, and profit model, which include discrete variables, such as income, spending, etc., and categorical variables, such as the customer’s preferred purchase channel and store type. The customer value is designed from two elements: total customer value and total customer cost. Specific items include product value, service value, personnel value, image value, monetary cost, time cost, psychic cost, and energy cost.

### Empirical Analysis

#### 1. Reliability

According to the analysis results in Table 2, the Cronbach’s Alpha coefficient of the “New Retail” business model overall measurement scale exceeds 0.7. At the same time, when any of the three items are deleted, the Cronbach’s  $\alpha$  value does not increase significantly. The “New Retail” business model measurement scale has passed the reliability test.

**Table 2** Reliability Statistics of Business Model

Variables	Items	Cronbach’s $\alpha$ if Item Deleted	Cronbach’s $\alpha$
Operation Model	8	0.683	0.761
	9	0.748	
Profit Model	10	0.675	
	11	0.710	

**Table 3** Reliability Statistics of Customer Value

Variables	Items	Cronbach's $\alpha$ if Item Deleted	Cronbach's $\alpha$
Total Customer Value	1	0.966	0.968
	2	0.965	
	3	0.966	
	4	0.968	
	5	0.967	
	6	0.964	
	7	0.965	
	8	0.966	
	9	0.965	
	10	0.965	
	11	0.967	
	12	0.965	

Tables 2 and Table 3 show that the Cronbach's Alpha coefficient of the customer value measurement scale exceeds 0.9. At the same time, when any of the three items are deleted, the Cronbach's  $\alpha$  value does not increase significantly. It shows that the customer value scale has passed the reliability test.

**Table 4** Reliability Statistics of Customer Cost (Table 2 and Table3)

Variables	Items	Cronbach's $\alpha$ if Item Deleted	Cronbach's $\alpha$
Total Customer cost	1	0.929	0.935
	2	0.930	
	3	0.930	
	4	0.927	
	5	0.932	
	6	0.933	
	7	0.929	
	8	0.928	
	9	0.930	
	10	0.929	
	11	0.926	
	12	0.930	

## 2. Validity

### 2.1 Exploratory Factor Analysis of the New Retail Business Model

The first is to conduct KMO sample measurement and Barlett sphere test on the reliability of the value proposition, operation model, and profit model of the "new retail" business model. The specific analysis results are shown in Table 5 The KMO value is  $0.666 > 0.6$ , and the significance probability of the Barlett sphere test is  $0.000 < 0.01$ , which is suitable for factor analysis.

**Table 5** KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.666
Bartlett’s Test of Sphericity	Approx. Chi-Square	233.858
	df	6
	Sig.	.000

Secondly, the factor analysis method is used to analyze the “new retail” business model scale. The analysis results are shown in Table 6. From Table 6, it can be seen that the four items of the “New Retail” business model scale can be attributed to one factor, item 8-9 corresponds to the operation model, and item 10-11 corresponds to the profit model. The factors are in order. The factor loadings of the corresponding items all exceed 0.5. At the same time, it can be seen from Table 6 that the cumulative variance contribution rate of the three factors reached 80.523%, which means that the cumulative explanation ratio of the information represented by the factors to the total variables reached 80.523%. Based on the above analysis, it can be concluded that the sequentially selected elements in the “new retail” business model scale are representative and can cover most of the variable information. The scale has good structural validity.

**Table 6** Rotated Component Matrixa

Quarter	Component	
	1	2
Q1	-	.809
Q2	-	.899
Q3	.861	-
Q4	.897	-

2.2 Exploratory Factor Analysis of the Customer Value

KMO sample measurement and Bartlett sphere test are shown in Table 7. The KMO value is  $0.929 > 0.7$ , and the significance probability of the Bartlett sphere test is  $0.000 < 0.01$ , which is suitable for factor analysis.

**Table 7** KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.929
Bartlett’s Test of Sphericity	Approx. Chi-Square	6170.455
	df	276
	Sig.	.000

**Table 8** Component Rotation Load Matrix

Numbers	Component	
	1	2
A1	.847	-
A2	.851	-
A3	.717	-
A4	.769	-
A5	.835	-
A6	.734	.510
A7	.729	-
A8	.853	-
A9	.744	-
A10	.732	-
A11	.820	-
A12	.746	-
B1	-	.716
B2	-	.640
B3	-	.670
B4	-	.784
B5	-	.701
B6	-	.510
B7	-	.743
B8	-	.678
B9	-	.657
B10	-	.692
B11	-	.806
B12	-	.725

Secondly, the factor analysis method analyzes the customer value scale. The analysis results are shown in Table 8. From Table 8, the 24 items of the customer value scale are summed up into two factors. The factors composed of item items A1- A12 correspond to the total customer value, and those contained in items B1-B12 correspond to the total customer cost. The factor loads of the corresponding item items, in turn, exceed 0.5. At the same time, it can be seen from Table 8 that the cumulative variance contribution rate of the two factors reached 67.175%, which means that the cumulative explanation ratio of the information represented by the factors to the total variables reached 67.175%. Based on the above analysis, it can be concluded that the factors extracted sequentially in the customer value scale are representative and can cover most of the information of the variables. The variable scale has good structural validity.



### 3. Regression Analysis

Because of the existence of categorical variables, these categorical variables are treated as dummy variables.

Introduce the data into the model to get tables. The corrected model R-square is 0.857, and the goodness of fit is good.

**Table 9** Model Summary

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.926k	0.857	0.849	3.398

**Table 10** Regression Analysis

	Coefficients						
	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	Upper Bound
	B		Beta			Lower Bound	
(Constant)	-2.771	2.333	-	-1.188	0.236	-7.372	1.831
A-1.3 Monthly Income	0.385	0.121	0.166	3.188	0.002	0.147	0.623
A-1.4 Kids	1.712	0.531	0.098	3.224	0.001	0.665	2.760
A-2.1 Super Species	2.532	0.621	0.118	4.08	0.000	1.308	3.757
A-2.2 MINI	1.333	0.675	0.057	1.974	0.050	0.001	2.665
A-3 Others	2.311	0.706	0.096	3.274	0.001	0.918	3.704
A-4.1 Online	2.414	0.739	0.100	3.268	0.001	0.957	3.871
A-4.2 Combining Online and Offline	1.397	0.538	0.078	2.599	0.010	0.337	2.457
A5 Partners Network	1.286	0.444	0.108	2.897	0.004	0.410	2.162
A6 Core Capabilities	2.132	0.450	0.197	4.736	0.000	1.244	3.021
A7. Source of Revenue	2.870	0.462	0.242	6.217	0.000	1.959	3.781
A8 Cost Structure	4.274	0.438	0.401	9.758	0.000	3.410	5.137

Secondly, the factor analysis method analyzes the the element of customer positioning, monthly income Inc=0.385 (p=0.002), indicating monthly income has a positive impact on the total customer value; Whether they have kids, Kid=1.712 (p=0.001), indicating that families with kids have a positive effect on the total customer value, In the element of offline stores, Super species' Spe =2.532 (p=0), indicating that Super species stores have an inverse effect on the total customer value compared to traditional supermarkets. In the element of product positioning, Compared with Yonghui's main fresh food and foodstuff in the past, other things such as logistics and finance are more popular Oth =2.311 (P=0.001).

In the element of distribution channels, compared with offline shopping, the combination of online and offline has a more significant impact on customer value  $Com=2.414$  ( $P=0.001$ ). In the partners network element,  $Par = 1.286$  ( $P = 0.004$ ), and the core capabilities element,  $Cap= 2.132$  ( $P = 0.000$ ), indicating that the two factors of partner and core competence have a positive impact on the total customer value.

In the element of income source,  $Sou=2.870$  ( $p=0.000$ ), and in the element of cost structure,  $Cos=4.274$  ( $p=0.000$ ), indicating that the two factors of partners network and core capabilities have a positive impact on the total customer value.

$Com=2.414$  ( $P=0.001$ ). In the partners network element,  $Par = 1.286$  ( $P = 0.004$ ), and the core capabilities element,  $Cap= 2.132$  ( $P = 0.000$ ), indicating that the two factors of partner and core competence have a positive impact on the total customer value.

In the element of income source,  $Sou=2.870$  ( $p=0.000$ ), and in the element of cost structure,  $Cos=4.274$  ( $p=0.000$ ), indicating that the two factors of partners network and core capabilities have a positive impact on the total customer value.

Finally, the equation is  $Y_1 = -2.771 + 0.385Inc + 1.712Kid + 2.532Spe + 2.311Oth + 2.414Com + 1.286Par + 2.132Cap + 2.870Sou + 4.274Cos$

**Table 11** Regression Analysis 2

	Coefficients						
	Unstandardize d Coefficients	Std. Error	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	Upper Bound
	B		Beta			Lower Bound	
(Constant)	5.868	2.575		2.279	0.024	0.788	10.948
A-1.1 Age	0.148	0.049	0.103	3.015	0.003	0.051	0.245
A-1.2 Gender	1.605	0.519	0.108	3.094	0.002	0.582	2.629
A-1.3 Monthly Income	0.351	0.121	0.179	2.912	0.004	0.113	0.589
A-1.4 Kids	0.524	0.518	0.035	1.012	0.313	-0.498	1.546
A-2.1 Super Species	2.172	0.655	0.120	3.314	0.001	0.879	3.465
A-2.2 MINI	0.993	0.700	0.051	1.419	0.158	-0.388	2.374
A-2.3 BRAVO	1.470	0.694	0.091	2.119	0.035	0.101	2.840
A-3 Others	0.191	0.691	0.009	0.276	0.783	-1.172	1.554
A-4.1 Online	1.882	0.528	0.125	3.563	0.000	0.84	2.924
A-4.2 Combining Online and Offline	0.675	0.726	0.033	0.930	0.354	-0.757	2.106
A5 Partners Network	1.939	0.439	0.193	4.420	0.000	1.074	2.805
A6 Core Capabilities	2.509	0.426	0.279	5.896	0.000	1.670	3.349
A7 Source of Revenue	1.468	0.437	0.160	3.361	0.001	0.606	2.330
A8 Cost Structure	1.844	0.459	0.184	4.019	0.000	0.939	2.750

Among customer positioning factors, age  $Age=0.148$  ( $P=0.003$ ), gender  $Gen=1.605$  ( $P=0.002$ ), and monthly income  $Inc=0.351$  ( $P = 0.004$ ), indicating that age, gender, and monthly income have a positive impact on total customer value. In the offline store element, super species  $Spe=2.172$  ( $P=0.001$ ), indicating that super species stores positively impact total customer value compared with traditional supermarkets.

In the distribution channel elements, compared with offline shopping, online shopping has a more significant impact on customer value  $Onl=1.882$  ( $P=0$ ). In the partner network element,  $Par=1.939$  ( $P=0$ ), and in the core capability element,  $Cap=2.509$  ( $P=0$ ), indicating that the two factors of partner and core capability have a positive impact on the total customer value.

In revenue source factor,  $Sou=1.468$  ( $P=0.001$ ), and in cost structure factor,  $Cos=1.844$  ( $P=0$ ), indicating that partner network and core capability positively impact company performance.

So, the final equation is  $Y_2=5.868+0.148Age+1.605Gen+0.351Inc+2.172Spe+1.882Onl+1.939Par+2.509Cap+1.468Sou+1.844Cos$

## Conclusion

The research in this paper finds that the “new retail” business model plays a positive role in enhancing the value of target customers, which is specifically manifested in the value proposition, operation model, and profit model of the “new retail” business model can effectively increase the total value of target customers, The value proposition, operation model and profit model of the “new retail” business model can effectively reduce the total cost of target customers. Under the “new retail” model, retail companies should proceed from their own reality, choose a suitable business model, establish a united and collaborative relationship with partners in the value network, jointly meet the diverse needs of customers, and enhance the value of the target customers. At the same time, it also enhances the value of the enterprise and its cooperating members. The more the “new retail” business model can continuously explore the actual needs of customers, the more efficiently it can operate the operation model. The more stable the profit model, the more the company’s product value and service value can be recognized by the target customers while saving money and time costs and realizing the customer value.

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# Thailand and ASEAN Centrality Geopolitics

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## Abstract

The paper will argue that although Thailand has its own national geostrategic framework ranging from 1) exploiting “buck-passing” and buffer states with “mini” proxy warfare 2) offshore balancing, and 3) international organizations like the UN, whereas ASEAN is a new regional architecture had been developed quietly and continually. But with the natural development of ASEAN, it will fit with the future geostrategic framework of Thailand, albeit a requirement to get a deeper rethink of ASEAN architecture to address the coming challenges. The major regional challenges will come from the contest of power between the US and China in the Indo-Pacific. While both countries will construct several layers of international and regional institutions to draw ASEAN members to join in, in the end, ASEAN will be preserved independently. From the perspective of national interest to maintain neutrality, Thailand will deliberately support ASEAN centrality to maintain its influence over major powers. The term has continuously evolved since 2011 into various definitions. But this time, for Thailand, ASEAN centrality will be impelled toward a more unified ASEAN similar to the platform of the European Union. During the gradual evolving process, the new concept of ASEAN centrality will face internal contradictions between the double stages of economic development. This contradiction will inevitably dictate the geostrategy of ASEAN centrality to adjust accordingly into two types of internal subgroup into 1) the “old ASEAN” or the maritime ASEAN which are upper middle income economies and developed economies that will generate more unified ASEAN, and 2) the “new ASEAN” or the mainland ASEAN which are underdeveloped in term of economic development than the former one. The two subgroups will not break apart from the ASEAN framework, but instead, it will reinforce each other to cope with the intense competition among rival major powers in Indo-Pacific region.

**Keywords:** Thailand, ASEAN, Indo-Pacific, Geopolitics

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## Introduction

This paper will discuss ASEAN and Thailand's challenges and opportunities as follow<sup>3</sup>:

- Why is ASEAN centrality so important to Thailand? How does Thailand benefit from ASEAN centrality in terms of its strategic position?
- What types of action has Thailand taken to promote and strengthen ASEAN centrality?
- What challenges do you see Thailand facing trying to play a greater role in the organization?
- Despite all 10 members' pledges to promote ASEAN centrality, there appears to be a divide over the South China Sea dispute. How can ASEAN resolve this issue at the next Summit? How can Thailand-as a non-claimant to the conflict-play a constructive role to mediate the conflict? Will they play any role at all?

## ASEAN Formation and Characteristics

In order to make an assessment of the dynamism and the evaluation of ASEAN and its importance of ASEAN centrality, it is needed to firstly reinvestigate its history and background. ASEAN has been established in 1967 in order to regularize the members' political contacts in a structured multilateral setting to correspond to the two challenges at that time which were 1) the escalation of the U.S. war in Vietnam and 2) integrating post-Sukarno Indonesia into a regional order without any domination form them (Weatherbee, 2009). ASEAN has been built upon several principles such as the 1967 Bangkok Declaration, 1971 Treaty of Amity and Cooperation in Southeast Asia (TAC), 1976 Declaration of ASEAN Concord, 1995 Treaty on Southeast Asia Nuclear-Weapon-Free Zone (SEANWFZ), 2000 ASEAN Troika, and 2003 Declaration of ASEAN Concord II, for example (Huang, 2020). Although via ASEAN centrality, ASEAN has become an integrated part of East Asian regional institutions by setting up both interregional and intraregional discussion forums, there are still key concerns among ASEAN member states regarding the continuing US presence in the region and the economic and military rise of China (Jetschke, 2011).

To deal with such concerns, Asian middle powers use several mechanisms and strategies, but generally, it can be said that those Asian middle powers tend to "tame" rather than contain China. This will, in the end, institute varies in responding to the region's increasingly active alliance, the Quadrilateral Security Dialogue (QUAD) that might impact the future direction of ASEAN either, such as South Korea may choose to engage with QUAD, while Vietnam may apprehend QUAD as a hedging mechanism, whereas Indonesia will still rely on ASEAN centrality to making an engagement with QUAD (Jung, Lee, & Lee, 2021).

According to the recent survey, the State of Southeast Asia 2022 Survey conducted by the ASEAN Studies Centre at ISEAS-Yusof Ishak Institute (Seah et al., 2022), it has stated that ASEAN has a more positive view of QUAD (58.5% pros to 13.1% cons) on dealing with tangible cooperation in areas such as vaccine security and climate change more than AUKUS (36.4% pros to 63.6% cons) on dealing with security area. ASEAN has been concerned about the growing assertive influence of China (76.4% concern to 23.6% welcome), while it has welcomed more on the US's growing influence (37.4% concern to 62.6% welcome). In

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<sup>3</sup> The authors would like to thank several international diplomats on their inquiry of Thai political development inspiring the following questions and thus to formulate the idea of this essay.

maintaining rules-based order and upholding international law, ASEAN has trusted the US the most (36.6%), followed by the association itself (16.8%), the EU (16.6%), and China (13.6%) and Japan (7.7%)<sup>4</sup>. But at the dimension of overall confidence in major powers, ASEAN has trusted Japan the most at 54.2%, followed by the US at 52.8%, the EU at 48.5%, China at 26.8%, and India at 16.6%.

The contemporary strategic view of ASEAN is considered by the member states as a platform, to correspond to outsider influence, for greater maneuverability among the great powers, to augment but not to replace the traditional bilateral diplomacy (Weatherbee, 2009). While in internal regional Southeast Asian affairs, ASEAN will also still rely on the “ASEAN way” or consultation and a consensus mechanism among members, which is actually a conflict-avoidance system relying on informal negotiation for “not to allow bilateral disputes between ASEAN states to disrupt wider regional stability and the functioning on ASEAN itself” (2009). This is a de facto conflict management mechanism of the association, and it has been seen again in the Myanmar crisis, in which from the result of the survey mentioned above, that ASEAN has addressed and has taken active steps appropriately to mediate the crisis (42.5%), doing its best within the institutional limits to handle the problem (30.1%), and recommend to use dialogue as a major instrument among stakeholders (37%) and mounting a coordinated and unified response with international partners (24.4%) rather than employing harder methods such as sanctions (19.6%) to cope with the crisis<sup>5</sup>.

Although strictly codified in the article 2 of TAC stating that there should be “noninterference in the internal affairs of one another” reflected the institutionalized “ASEAN way” as explained above, as we will see that ASEAN frequently employs this kind of “quiet and informal diplomacy” or even the so-called Indonesian style *empat mata* (four eyes diplomacy) of ASEAN way, although there used to be a call for “constructive engagement” rather than ASEAN way to resolve the problem of 1997 coup in Cambodia by the then Malaysia’s Deputy Prime Minister Anwar Ibrahim and also “flexible engagement” by appointing ASEAN “troika” consisting of the foreign ministers of Indonesia, Thailand and the Philippines followed by Cambodia troika as an ad hoc ministerial body to resolve the crisis of democracy in Myanmar in 1998 by the then Thailand’s Foreign Minister Surin Pitsuwan. But those extensive mechanisms were both shunned by ASEAN members.

ASEAN has been designed from the necessity of the situation of its time, it is no surprise Thailand was the main actor to formulate the association at that time of the outburst of the Cold War era. At first, with the close cooperation between Thailand and The Philippines with the US, they have first cooperated with the free world, Vietnam had broken with Wikipedia into the North to side with the Communist camp, and the South with France and later the US. The Southeast Asia Treaty Organization (SEATO) had been organized in the same year by Australia, France, New Zealand, Pakistan (including East Pakistan, now Bangladesh), the Philippines, Thailand, the United Kingdom, and the United States to counter the Communist movement. Actually, SEATO was a continued anti-communist effort by the then Thai government under the concept of detaining the enemy in the faraway conflict zone out of the internal conflict or neighboring countries. The Korean war was proof of this concept to detain

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<sup>4</sup> Noted that the trust in Japan has declined from 2021 at 11.6% as well as the EU at 32.6%, while the trust in ASEAN itself can be considered in the same level at 17.5%. However, ASEAN’s trust on China has increased from 2021 at 4.4%. This might be because of relatively assessment of the changing of US administration from Trump to Biden in 2020 and his increasingly active foreign policy to preserve the rules-based international order, as we have seen that ASEAN’s trust has significantly increased from 2021 at 24.5%.

<sup>5</sup> Please noted that this is contrary to the correspondents from Myanmar that they’ve proposed harder method as much as 43.4%, followed by employing the dialogue at 22.0% and cooperate with the international partners at 21.4%. Which is not surprised because it reflects the belief from the correspondents inside the country to wish for more active mechanism than the correspondents from other member states.

the communist invasion at the 38th parallel in 1953, one year before the creation of two Vietnams and the birth of SEATO. The Vietnam war, however, was different. The US withdrawal from Vietnam after the Tet Offensive in 1968, despite military advantages over North Vietnam, led to the collapse of South Vietnam in 1975 and turned Laos into a communist in the same years, generating a question of the domino effect and survival of Thailand itself.

Nevertheless, there was a détente between the US and China in order to break the Sino-Soviet camp during the Nixon administration<sup>6</sup>. And there was a CIA memorandum discussion between Henry Kissinger and the Washington Special Action Group, meeting held on August 10, 1973. It was two months before the popular uprising of October 14, 1973, in Thailand toppled Thanom's military-led government. Early in that year, the US had withdrawn all military out of South Vietnam. The signing of the Paris Peace Accords made Kissinger win Nobel Peace Prize, but instead of peace, it was a ceased fire, The North Vietnam would make an invasion in 1975 and reunite Vietnam as a single country in the same year. The Thai conservative and the army elites had felt insecure and negotiated with a "certain" number of the US army, especially the arms and equipment in Thailand. The situation had changed dramatically in Thailand and in Indochina, it had forced the Thai elites to endorse the infamous "bamboo diplomacy" and "a secret channel to Beijing" quietly led by Marshall Phibun and Zhou Enlai after the Bandung conference in 1955. Led by the then Thailand Minister of Foreign Affairs, Thanat Khoman, to mediate the conflict between Indonesia and Malaysia during the 1960s, it has evolved into the foundation of ASEAN with neutrality from the great powers, according to Zone of Peace, Freedom, and Neutrality (ZOPFAN) in 1967, and ASEAN would thus gradually replace SEATO which had been dissolved in 1977. ASEAN has been perceived as a continued architecture from ASA (from 196 to 1963) and Maphilindo. We can say that with the birth of ASEAN, Thailand can entertain further options for her foreign policy from the only balance of power among great powers to the regional architecture platform as an extensive instrument that she could not possess before the beginning of the Cold War. ASEAN has functioned well ever since for both Thailand and the member states until recently.

### **An Evolved ASEAN Centrality**

ASEAN centrality has been firstly coined by various scholars after a remark by former US Secretary of State Hillary Clinton in 2011 to explain ASEAN as "the fulcrum of an evolving regional architecture". Those claims including an Australian analyst, Malcolm Cook when he saw both the US and Russia attended in the East Asia Summit (EAS) mentioning clearly that "ASEAN's claim to its centrality in East Asian and Asia Pacific regionalism is confirmed" (Caballeo-Anthony, 2014).

There are several further interpretations of the concept of ASEAN centrality as shown in Mueller (2021), such as 1) "centrality of substance" via "setting the agenda, providing direction and resolving disputes" (coined by the late Surin Pitsuwan), 2) "the ability to maintain consensus, carry out collective action and achieve its stated goals" (suggested by Cabellero-Anthony), or even 3) ambiguous and unclear objective (proposed by See Seng Tan) for example. However, the authors do agree with Mueller's definition judged by benefits from ASEAN centrality's function as "a mechanism to manage the organization's resource dependence by managing resource supply risks and by preventing the incorporation of ASEAN in the institutional designs of external actors" including "to offset hedging strategies by

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<sup>6</sup> See "The Beijing-Washington Back-Channel and Henry Kissinger's Secret Trip to China", especially document number 34. The discussion between Zhou Enlai and Kissinger, dubbed "constructive ambiguity", leaving room for the future "evolution of Sino-U.S. relations from a philosophical perspective", the origins of the ambiguity of "Taiwan question", the Shanghai Communiqué (including the two others) to normalize relations between Washington and Beijing, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB66/>, accessed at June 26, 2022.



individual ASEAN member states by precluding contestation of ASEAN's strategic objectives at the regional level". And ASEAN can do so by using its networking strategy to "increase its potential to shape outcomes despite its relative lack of power."

Although these definitions of "ASEAN centrality" are very useful for understanding the concept, but it is necessary to understand that "ASEAN centrality" as well as "ASEAN" is means rather than ends, and it will never replace the primordial objective of nation-state which is a survival of nation or "reason of state" (*raison d'état*) which was firstly popularized the term by Richelieu (Poole, 2015). In the next section, the authors will explain thoroughly why and how the definition of "ASEAN centrality" will evolve from merely benefits mentioning earlier to the necessity of crafting a more unified ASEAN and thus to elaborate a contradictory of various factors ranging from distinctive Thailand's and ASEAN member's national interest including challenging from a competition between major powers especially the US and China in the region. The essay will finally observe the possible strategic optimality on how to strike a sweet spot among those mentioning challenges.

### **Thailand Geopolitics and Lessons from Europe**

China has concerned about the involvement of the US in Myanmar regarding its similarity to the Russian response to its neighbors' "color revolutions" and that Myanmar is at its "soft underbelly" (Embassy Bangkok, Wikileaks, 2007a) and China told Thai diplomat that "they will never let Burma be like Iraq" (Embassy Bangkok, 2007b; Zawacki, 2021). It seems there would be the repeating of the history since the ancient era, because of its geostrategic centered on the Southeast Asian mainland, this has led to the centuries of the geopolitical potential of conflict along with Thailand's neighboring countries like Laos, Cambodia, Vietnam, and Myanmar (Weatherbee, 2009). In 1775, Siam (Thailand) at that time had secured Lanna or nowadays Northern Thailand to be its vassal state to buffer against centuries invasion of Burman force on the Western front, while Cambodia was a joint Siamese-Vietnamese suzerainty in the conclusion of Siamese-Vietnamese War in the Eastern front. This dilemma of the two-pronged attack would continue further into the colonial era; Siam would choose to help the British empire to conquer its long rival, Burma, just to discover that Siam would be the buffer state between British Raj in the West and French Indochina in the East again. After ceding the eastern bank of the Mekong to France as a result of the Franco-Siamese War in 1893, King Chulalongkorn would start his European visiting campaign in 1897; Siam would bother to align with the Kingdom of Prussia and the Russian Empire as a diplomatic deterrence against both British Empire and the French Republic. While during the World War II, Thailand led by Marshall Phibun would align itself with the Japanese Empire, just to end the War by switching to side with the Allies, thanks to the underground Free Thai Movement led by "Ruth"<sup>7</sup> or a war-time codename for Pridi Banomyong, and this flexible diplomacy would repeat itself again during the Cold War era when Bangkok would on one hand, shoulder-to-shoulder join with Washington to wage war in both Korean war and Vietnam war, while on the other hand, it would secure the back channel to establish the secret diplomatic tie with Beijing.

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<sup>7</sup> The inspiration of the codename has come from "Book of Ruth" in which "Ruth (רות), being a pure heart or emotional nature, helps the being so that in time Mahlon, the lower consciousness, dies and as the story proceeds, Ruth (the pure heart) will be united with the higher mind that she as helped to bring into the being."

Instead of interpreting this kind of Thailand's geostrategy as merely "bamboo diplomacy" as mentioned in Kislenko (2002; 2020)<sup>8</sup>, but actually, Thailand has precisely followed the "offensive realism" strategy suggested by Mearsheimer (2014) that Thailand as a middle power in Southeast Asia, it has to use "offshore balancer" to contain its strategic rivals in the region either Myanmar or Vietnam or both. Because of the series of Sino-Burmese wars from 1765-to 1769, the Burmese had to focus on its northeast territory just to pave the way for Siam to free itself from the fall of Ayutthaya in 1767 led to the unifying of Siam in 1771, Siam would rely on major European powers to balance against both British Empire and the French Republic, later Thailand would switch back and forth between the Axis and the Allies during World War II, while at the first period of the Cold War, Thailand had relied on the US, and then it would side with China to counter the Vietnam offensive in its eastern border during the late period of Cold War.

This kind of behavior is similar to Germany which will inevitably face a two-pronged attack from either France or Russia. Furthermore, Mearsheimer (2014) has suggested that in this kind of situation it would prone to the risk of an escalation of the total war between these three major powers because of the miscalculation buck buck-passing France and Russia to miscalculate Germany's intention on which side it will invade first and that this miscalculation due to buck-passing was one of the major factors to lead to the war twice in the European continent.

In order to resolve this dilemma permanently, France, by the suggestion of Alexandre Kojève has initiated the European Union (EU) project by inducing Spain and Italy to help formulate the "Latin Empire" and then to negotiate with Germany separately later (Kojève, 1945; Kletzer, 2006). Therefore, I'd like to argue that Thailand will treat ASEAN similarly to France and Germany's idea of the EU. A reliance on "offshore balancer" and the regional "balance of power" alone will not enough in the 21<sup>st</sup> global politics. The formation of ASEAN led by Thanat Khoman coincided with the situation in the Cold War era when the country had to deal with complicated international affairs and rising liberal global order that was beyond the national capability alone. ASEAN is for Thailand as well as other members in the association a platform "to augment but not to replace the traditional bilateral diplomacy". But for the changing the global situation, similar to the EU, Thailand must rethink the revision of ASEAN into the next stage, a more unified ASEAN. However, there is a need to rethink the lesson of the EU's several crises ranging from Brexit, illiberal democracy, and the rising trend of renationalization of politics (Kirchick, 2017).

The two major strategic choices to move ASEAN further, to borrow the motto from the Chinese Warring States period, are 1) "horizontal alliance system" advocated by Zhang Yi to side with Qin and 2) "vertical alliance system" advocated by Su Qin to unite against Qin. China in the 21<sup>st</sup> century is similar to the Qin problem during the Chinese Warring States period, albeit we will use the word "to tame" China, not to "against" during its ascending to global superpower. The decision to choose the pattern of the alliance will inevitably dictate the outcome of both Thailand, ASEAN, and Indo-Pacific since Thailand is the center of

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<sup>8</sup> Although Kislenko's articles, mentioning Klausner (1993), have been referred widely such as in chapter 5 of Strangio (2020) and in chapter 1 of Poonkham (2022) for example; but after carefully examining, the authors do not find any exact "ancient Siamese proverb" anywhere in Klausner (1993). Although there are some references on the poem about bamboo in page 17, but it's obviously Klausner's "Haiku", without any specific Siamese proverb regarding the bamboo. Klausner has, however, delicately mentioned about "Siang Miang" or the northeast folktale of the similar central folktale of "Srithanonchai", a scheming antihero. It seems Siang Miang's story might inspire Kislenko to coin the term "bamboo in the wind" in his own articles. The earlier mentioning about "flexible diplomacy", however, can be found in Likhit Dhiravegin (1974), mentioning Kumut Chandrung's book of "My boyhood in Siam", stating that King Chulalongkorn believed that "a flexible tree does not break in a storm" (the authors' emphasize).

geostrategy in Southeast Asia, and ASEAN as well will be the center of geostrategy of Indo-Pacific.

In ASEAN, the horizontal alliance system will be Myanmar, Thailand, Laos, Cambodia, and Vietnam, while the vertical alliance system will be Thailand, Malaysia, Indonesia, Brunei, The Philippines, and Singapore<sup>9</sup>. Actually, the vertical alliance system is the original founding members of ASEAN (except Brunei), while the horizontal alliance system is the late members joining the association in 1967, and this alliance system is already recognized in the platform of CLMVT, the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and Greater Mekong Subregion Economic Cooperation Program (GMS Program). We can depict the characteristics of both alliances in Table 1 below:

**Table 1** Comparative Statistics Among Major Alliances and Actors in Indo-Pacific

Alliance system	Members	Total Population in Million	Total GDP (nominal) in Trillion USD	GDP per capita in USD
1. Vertical alliance (founding members of ASEAN plus Brunei)	Brunei, Indonesia, Malaysia, The Philippines, Singapore, and Thailand	495.41	3.06	6,176.65
2. Horizontal alliance (CLMVT)	Cambodia, Laos, Myanmar, Vietnam, and Thailand	246.66	1.13	4,581.19
3. ASEAN	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, The Philippines, Singapore, Thailand, and Vietnam	667.39	3.35	5,019.53
4. China	China	1,412.00	18.46	13,073.65
5. Northeast Asia	Japan, South Korea, and Taiwan	202.64	8.78	43,332.58
6. The Quadrilateral Security Dialogue (QSD or QUAD)	Australia, India, Japan, and the USA	1,836.02	35.10	19,120.16

Considering alliances and major actors in Table 1, we will find that to “tame” China, it has to be a coalition between ASEAN, Northeast Asia, and QUAD. Given that major powers will interact with ASEAN members in a bilateral manner rather than in a multilateral manner, the horizontal alliance will align itself with China, while the vertical alliance will be more independent and, if necessary, will align itself with Northeast Asia and QUAD<sup>10</sup>. According to the survey (Seah et al., 2022), Northeast Asia will side with the QUAD, while the vertical

<sup>9</sup>This strategic option can be considered as an extended form of “ASEAN Minus X” because “the consensus decision-making process has come at a cost. It has led to the adoption of collective decisions based on the lowest common denominator” (Emmers, 2017).

<sup>10</sup>To clarify more in categorizing the alliance, since Thailand will be in both the vertical alliance and the horizontal alliance, as well as Japan will be in both the Northeast Asia and the QUAD, therefore, the table will depict the comparative statistics for strategic insight rather than absolute statistics for any calculation purpose.

alliance will also finally decide to side with both the Northeast Asia and the QUAD, it will be rather done via the “ASEAN centrality” platform. Thus, Northeast Asia will be a close alliance with the QUAD, while the vertical alliance will be a loose alliance with both Northeast Asia and the QUAD.

Nonetheless, we will see that relying on the single ASEAN is not practical for Thailand anymore since too much diversification of the members will drag the whole ASEAN to stay still in the quagmire, or to borrow the famous quote, “two steps forward, one step back”. Consider the case of the human rights problem in Myanmar, it will face several vicious circles of civil war against the ethnics, the coup and the suppression of its civilians, and the temporal democratic climate. Such characteristics of the governing body of ASEAN and “ASEAN Way” will not resolve the problem but leave it under the carpet, albeit it will serve as the de facto mechanism to contain the problem within a specific area, in this case, Myanmar for decades. Thailand needs to push ASEAN into further steps with the vertical alliance. But before talking about the policy recommendation, let’s observe the strength and weaknesses of each form of the alliance first.

The horizontal alliance will be in favor of Thailand in terms of location and cultural and religious similarity except for Vietnam, major religion in this alliance is Buddhism with 97.1% in Cambodia, 66% in Laos, 87.9% in Myanmar, 14.9% in Vietnam<sup>11</sup>, and 93.5% in Thailand, compared to the dominance of Islam in the vertical alliance with 80.9% in Brunei, 86.7% in Indonesia, 61.3% in Malaysia, while there are more diversified in Singapore (31.1% of Buddhism, 20.0% of no religion, 18.9% of Christianity, and 15.6% of Islam), and dominance of Christianity in the Philippines at 88.7%.

But in terms of economic modernization and urbanization, Thailand will be categorized naturally with the vertical alliance thanks to the early economic development policy during the Cold War era, see Figure 1 below:

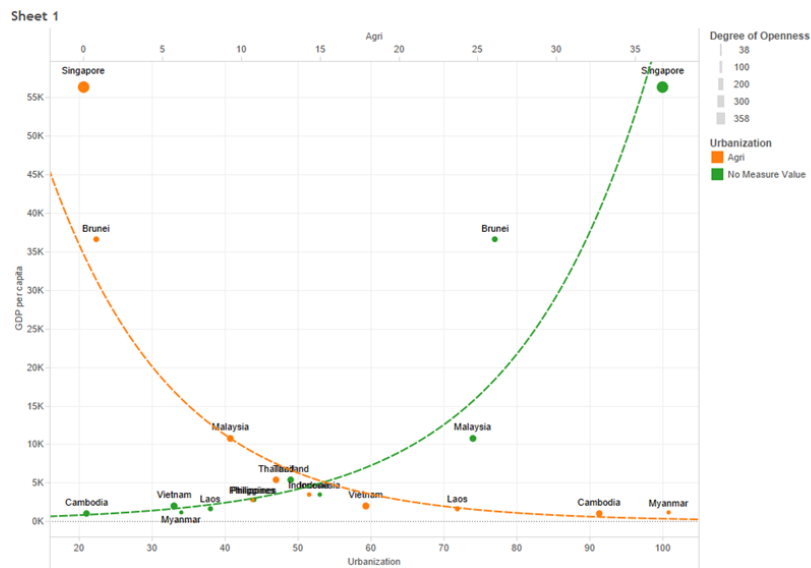


Figure 1 Economic Modernization (Measured by GDP Per Capita) vs Urbanization.

<sup>11</sup> Major religion in Vietnam is folk belief at 45.3%, followed by no religion at 28.4% and Buddhism at 14.9% and Christianity at 8.5% respectively, given that its governmental form is unitary Marxist-Leninist one-party socialist republic which tend to be more secularist than other member countries of ASEAN, at least officially.

The orange dash line (descending from left to right) represents the agricultural area (see top horizontal axis) vs GDP per capita while the green dash line (ascending from left to right) represents urbanization (see bottom horizontal axis) vs GDP per capita, both lines depict the similarity correlation between economic modernization and urbanization rate (the more economic development, the more urbanization, the less agricultural sector). The size of each circle represents the degree of the openness of the economy.

Chen et al. (2014) have argued that the degree of urbanization (migrant/moving people into the city) which can be measured by either the size of the agricultural sector or urbanization indicator may not lead to the successful economic development (an increase of GDP per capita) on its own, or it means that urbanization alone will not automatically trigger the economic development, albeit there is a close relationship between urbanization and economic modernization via GDP per capita. Contrary, the authors suggest that governments and development agencies should focus on creating a mobile workforce, ensuring broad access to goods and markets, implementing government policies that support commerce, and investing in infrastructure. Therefore, “urbanization” will be the by-product of implementing such economic development policy, or we can say, it can be categorized as another indicator of economic modernization.

The members of the vertical alliance especially Indonesia, Malaysia, the Philippines, and Thailand (sometimes called the tiger cubs economy) had enjoyed high economic growth rates although they can't strike rapid economic growth rates like Japan and Asian tigers during the 1950s and 1990s and China (since late 1970s) and India (since 1990s) (Echavarria & Arias, 2017). Vietnam's rapid economic growth recently might be considered to move it from the horizontal alliance to the vertical alliance. Brunei's energy export-dependent economy<sup>12</sup> might not fit well with the “economic modernization” and may be prone to a resource curse, but Brunei has set its vision for economic development and diversification as seen in Wawasan 2035's goal number 3 are: 1) to ensure high & sustainable economic growth, 2) to achieve economic diversification, 3) to maintain low unemployment, and 4) to strike macroeconomic stability<sup>13</sup>. To achieve such an ambitious goal, Brunei needs to attain a higher development in Human Development Index (HDI)<sup>14</sup>.

Brunei's strategy is also in line with the endogenous growth theory developed by Gary S Becker and Paul M Romer (Romer, 1990). The theory has been developed as a result of dissatisfaction with the Neoclassical growth theory/ Solow growth model which put too much emphasis on savings and investment in physical capital (e.g., factory, transportation, and irrigation) as means to promote growth. Long-term economic growth is also dependent on “human capital development” (particularly skills and education of the population.) According to data from World Bank's World Development Report 1993-2003, East Asian and Pacific countries can generate high savings and therefore leads to higher economic growth, according to the neoclassical model, but in Latin America, despite they can generate higher saving, it fails to generate higher economic growth like East Asian and Pacific countries, but low growth instead. Endogenous growth theory argues that long-term economic growth is also dependent on human capital development. The focus of this theory is therefore to understand how human capital development can contribute to economic growth. The two researchers mentioned above

<sup>12</sup> See <https://oec.world/en/profile/country/brn>, accessed at April 19, 2022.

<sup>13</sup> See Brunei's Wawasan 2035 target to achieve top 10 GDP per capita, <http://wawasanbrunei.gov.bn/SitePages/Goal%203.aspx>, accessed at April 19, 2022.

<sup>14</sup> Brunei has attained HDI ranked number 43 at 0.845 in 2022, compared to other ASEAN members: Singapore ranked number 9 at 0.935, Malaysia ranked number 61 at 0.804, Thailand ranked number 77 at 0.765, The Philippines ranked number 105 at 0.712, Indonesia ranked number 111 at 0.707, Vietnam ranked number 116 at 0.693, Laos ranked number 137 at 0.604, Myanmar ranked number 142 at 0.584, Cambodia ranked number 143 at 0.581, data retrieved from <https://worldpopulationreview.com/country-rankings/hdi-by-country> at April 19, 2022.

took a study in South Korea and found that human capital development can stimulate economic growth through 1) spill-over effect, more educated workers are not only more productive and can get employment in modern economic sectors, but they also can interact and share their knowledge with their workmates so that the productivity of other workers also rises. And 2) learning-by-doing effect, with education and training, the labor will have more capacity to accumulate and learn new skills and new technologies from their works. This causes an increase in the productivity of labor over time. “Knowledge Management” (KM) can play a role here in improving human capital. Sometimes we cannot use the spill-over effect and learning-by-doing effect to acquire new knowledge because it's a trade secret neither and open knowledge, thus “reverse engineering” may play a role here.

It's obvious that the character of members in the vertical alliance is, therefore, economic modernization via increasing human capital development and the HDI will be a good indicator to carry the members in the vertical alliance out of the middle-income trap.

## **The US Grand Strategy and ASEAN**

Since the release of “Revising U.S. Grand Strategy Towards China” in March 2015 (Blackwill & Tellis, 2015), the US has continuously maintained its strategy according to this paper. Its objective is clear on preserving US primacy in the global system by 1) strengthening the internal US economy by encouraging disruptive innovations, 2) revising trade arrangements among US partners and allies to resume the mutual gain and thus automatically excluding China from the vital value chain, 3) engaging technological-control regime to prevent China from acquiring latest innovation to enable its strategic leverage, 4) improving US military capacity and projecting its forces along the Asian “rimlands” (2015) Considering several developments after since from the US ranged from 1) refocusing its strategic focus on Indo-Pacific militarily<sup>15</sup> and economically<sup>16</sup>, 2) engaging several layers of partners and alliance formation (i.e. AUKUS, QUAD, and Indo-Pacific Strategy), 3) waging economic war and technological trade barrier against China, 4) withdrawal from Afghanistan, and 5) maintains its strategic patience toward Russia's invasion against Ukraine, we will see that the US has pivoted to Indo-Pacific, not Europe, and follows the grand strategy recommended in CFR paper very closely.

The CFR paper has mentioned strategic partners such as Japan, Australia, the Republic of Korea, India, ASEAN, and Taiwan (Blackwill & Tellis, 2015), among these, it has advocated that the US strategy toward ASEAN by engaging military reforms, establishing strategic International Military Exchange Training (IMET) programs, and help to build domestic democratic political capacity (2015). This is also in line with the recommendation in the US Indo-Pacific Strategy that the US major partners will be Australia, Japan, the Republic of Korea, the Philippines, and Thailand, as well as ASEAN (The White House, 2022).

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<sup>15</sup> The US has renamed the former unified combatant command from United States Pacific Command (USPACOM) into United States Indo-Pacific Command (USINDOPACOM) on May 30, 2018. There will be a five-year budget on Pacific Deterrence Initiative (PDI) to ensure the refocusing in Indo-Pacific. See [https://www.voanews.com/a/usa\\_china-accelerates-plans-overtake-us-world-stage-top-commander-says/6203097.html](https://www.voanews.com/a/usa_china-accelerates-plans-overtake-us-world-stage-top-commander-says/6203097.html), retrieved at April 20, 2022.

<sup>16</sup> According to an analysis from the Congressional Research Service (CRS) the Indo-Pacific Economic Framework (IPEF) mentioning that the initiative will include different modules covering “fair and resilient trade, supply chain resilience, infrastructure and decarbonization, and tax and anticorruption”. The paper has recognized the recent in absentia of the US from several trade agreements in Asia such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) and thus suggests that the US may use both US-Mexico-Canada Agreement (USMCA) digital trade chapter and the US-Japan Digital Trade Agreement as the template for configuration the new trade agreement in Asia. See paper from <https://crsreports.congress.gov/product/pdf/IN/IN11814>, accessed at April 20, 2022.

We can see that although it has passed for several administrations, it seems the US strategy in Indo-Pacific is quite steady and consistent in a long strategic viewpoint. Thailand and ASEAN should, therefore, adjust their strategy accordingly to the emerging reality via several alliance system layers according to different speeds of modernization mentioned in Table 2 as follows:

**Table 2** Strategic Recommendation for Each Alliance

Alliance System	Strategic Recommendation
1. Horizontal Alliance	Fosters economic integration and investment, especially labor-intensive ones, among members provide economic aid and investment as necessary to leverage the CMLV countries toward the upper-middle-income country. This layer will economically integrate with lower regions in China by nature. It's natural to engage with the members in this layer with the so-called "ASEAN way" to avoid escalation of the crisis.
2. Vertical Alliance	Pursues domestic economic development toward capital intensive and getting out of the middle-income trap. To enable to achieve this target, it's necessary to rigorously invest in human development to gain higher HDI and a better Global Innovation Index (GII). The members in this layer should push toward a more integrated political platform like in the EU, the European Schengen Area style should be endorsed. This layer could easily integrate with an advanced trading agreement suggested in the IPEF that has a higher standard than RCEP with no problem. However, to pursue the integration politically, the members should consider improving the universal democratic and human rights institutions while carefully preserving each "national identity" to co-exist peacefully together. At this rate, the "ASEAN way" in this layer will be upgraded into some forms of "constructive engagement" or "flexible engagement", the fast track ASEAN automatically. This layer should be considered as the advanced WTO plus.
3. ASEAN	Maintains ASEAN centrality to leverage regional momentum in diplomatic negotiation among major powers, while integrating more trading agreements with more partners via the existing ASEAN plus platform. ASEAN will support the UN's Sustainable Development Goals (SDGs) and it will cooperate with the major powers to combat inequality, climate change, the pandemic, and terrorism, for example.

It seems, however, that the US tries to strike a balance on calibrating between the US Indo-Pacific strategy and relations toward ASEAN (Parameswaran, 2022), this kind of readjustment in ASEAN will help to smooth US security fostering in Indo-Pacific, and in the same time it will pose flexibility in engaging diplomatically and economically with China. Fundamentally, the existing structure of ASEAN still acts as the regional settlement intermediary (RSI) among regional great powers' disputes like the South China Sea via multiple instruments such as the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the ASEAN Defence Ministers Meeting Plus (ADMM-Plus). This can be done with several strategies such as institutional balancing, bandwagoning, hedging, and co-option (Koga, 2018).

However, to strengthen the more unified ASEAN, there is a debate about whether Thailand and members of the vertical alliance should endorse the law that will be the lynchpin of the EU such as The European Communities Act 1972 in the UK. Currently, Thailand has enacted its domestic law to conform with the ASEAN charter according to the theory of “dualism” that treats the international and domestic systems of law as separate and independent with the act to protect the conducting of affairs for ASEAN<sup>17</sup> (B.E. 2551) and the act to protect the conducting of affairs for ASEAN (revision 2)<sup>18</sup> (B.E. 2558). ASEAN is recognized by its members as an international organization, but not a supranational organization like the EU. Therefore, there should be rigorous research on both law and policy that how much degree and related law the country should enact to strike the level of optimality to conduct the new concept of the vertical alliance in ASEAN.

## Conclusion

There is no question that the center of geopolitics will pivot back to the Indo-Pacific or what is called the “Yuxi circle”<sup>19</sup> of the new pivot, the centrality of world history in the 21<sup>st</sup> century due to its sheer size of population and middle class. And it’s clear that the Chinese economy will overtake the US somewhere around the 2030s according to the British Think Tank, the Centre for Economics and Business Research (CEBR) (2021), the American economy at the constant price will be at 25 trillion whereas the Chinese economy will be at 27 trillion. The economy is one of the handiest indicators to measure national power apart of the Composite Index of National Capability (CINC), especially GDP per capita. However, the Chinese GDP per capita at that time will still not surpass the US. Furthermore, Beckley’s new measurement which is GDP x GDP per capita, *“To create a rough proxy for net resources, therefore, I follow Bairoch’s advice by simply multiplying GDP by GDP per capita, creating an index that gives equal weight to a nation’s gross output and its output per person. This two-variable index obviously does not measure net stocks of resources directly, nor does it resolve all of the shortcomings of GDP and CINC. But by penalizing population, it provides a better sense of a nation’s net resources than GDP, CINC, or other gross indicators”*, (Beckley, 2018) Compared to the US, China has a less efficient economic system because *“much of China’s GDP is a mirage based on the fruitless investment. It is only when one tours China that the extent of its waste of resources becomes apparent China has built more than 50 “ghost cities” entire metropolises composed of empty office buildings, apartment complexes, shopping malls, and, in some cases, airports. In industry after industry, from refining to ships to aluminum, the picture is the same supply far outpaces demand-and still expansion continues”*, (Beckley, 2020). Therefore, according to Beckley, in the long run, China can’t compete with the US because China’s debt *“has ballooned eightfold and is on pace to total 335 percent of GDP by the end of 2020. China has little hope of reversing these trends because it will lose 200 million working-age adults and gain 300 million senior citizens over the next 30 years”*, and Beckley has warned us that the next decade will be dangerous to international security because instead, a contest of power has come from the rising revisionist albeit it will, it rather comes from *“powers that had been on the ascent but grew worried that their time was running short”*, such as Germany and World War I, therefore, the US must *“not undertake far more drastic measures, such as a full technological embargo, across-the-board trade sanctions, or a major covert action program to foment violence within China. Nor should it dramatically ratchet up pressure on China everywhere at once”* the US needs to *“shows that Beijing cannot overturn*

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<sup>17</sup> See (in Thai) <https://www.krisdika.go.th/librarian/get?sysid=740577&ext=htm>, retrieved at April 21, 2022.

<sup>18</sup> See (in Thai) <https://www.krisdika.go.th/librarian/get?sysid=740570&ext=htm>, retrieved at April 21, 2022.

<sup>19</sup> See <http://www.statsmapsnpix.com/2022/02/the-yuxi-circle.html>, retrieved at April 21, 2022.



*the existing order by force and Washington gradually grows more confident in its ability to outperform a slowing China*”, Beckley & Brands (2020).

Therefore, it's expected that the competition line will be on economy rather than security, but the decisive factor will be innovation, given that the American political and social environment will breed the rigorous innovation more than in China, but China will generate varieties of use-case based on its abundant of data according to the enormous of population, so it's uncertain that at the end who will strike the triumph, and we still do not mention about more and more economic interdependent between the two countries, even though the US tries to leverage the embargo on several trading categories.

But the risk remains especially in the question of Taiwan, since Taiwan's growing sense of identity will define itself differently and independently from mainland China<sup>20</sup>, its domestic political dynamics will inevitably challenge Beijing's ambition to unite Taiwan under its regime of “one country, two systems”. The situation in Hong Kong and the invasion of Ukraine by Russia on February 24, 2022, will be generating more concern about security uncertainty in the Taiwanese administration. Taiwan has maintained ambiguous relations with the US, on one hand, the US has recognized Taiwan as a part of China, but the US has obliged to protect Taiwan via The Sino-American Mutual Defense Treaty which is recognized in The Taiwan Relations Act, while China has sent a very strong signal that the independent of Taiwan is extremely unacceptable<sup>21</sup>.

The new revision of ASEAN and the readjustment against the new Indo-Pacific strategy may generate the optimal economic benefits to ASEAN members, and it may help foster both the security architecture in Indo-Pacific in the long run, which may mitigate the possible tension, but it can't help resolve the real issue of Taiwan dilemma. The best it can hope is that the new revision of ASEAN will help strengthen the global governance architecture, and if the competition between China and the US endures without any armed conflict, it may generate global governance that can be acceptable to co-exist peacefully from every side.

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<sup>20</sup> See the growing trend on the survey of Taiwanese “maintain status quo, move toward independence” at 27%, <https://esc.nccu.edu.tw/PageDoc/Detail?fid=7801&id=6963>, retrieved at June 26, 2022. The dangers, therefore, lie in how the Zhongnanhai will dictate the threshold of the degree of sentiment led to the general referendum regarding the secession.

<sup>21</sup> See for example a statement from Wei Fenghe, China's State Councilor and Defense Minister, “The Chinese military won't hesitate to fight anyone who dares to separate the island of Taiwan from China”, <https://www.globaltimes.cn/page/202206/1267817.shtml>, retrieved at June 26, 2022.

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# The Nexus of Logistics Performance and Trade Flows between China and Thailand

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## Abstract

This study primarily aims to test how logistics performance could influence the trade flows between Thailand and China from 2007 to 2018. An insight into bilateral trade between the two countries shall be examined, but this study also provided a bird's-eye view of the trade pattern. Time series multiple regression analysis is employed to estimate the relationship between logistics performance and trades during the timeframe. The findings suggest that logistics performance is statically significant to the trade flows between Thailand and China. In contrast, other variables such as the GDP per capita, FDI outflows, Stocks traded, and Market capitalization of Thai listed companies revealed a positive correlation of trade patterns for both sides. This implied that the trade flows between Thailand and China are fundamentally dominated by logistics performance effectiveness, respectively supplemented by other external forces. Therefore, to maintain trade momentum with China, the Thai government is advised to improve the logistics performance in various conditions such as physical infrastructure, shipment process, and customs procedures to accommodate the increasing demand for the international trade, specifically from the Chinese firms. To this end, the Thai government is advised to allocate a particular budget to improve port facilities, customs clearance, real-time tracking systems, and reliability of the related service delivery. These executions would boost future trade flows and expand the one-belt-one-road economic policy from China to Asia more productively.

**Keywords:** Logistics Performance, Bilateral Trade, Trade Flows, Thailand and China

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## Introduction

It has been evident that trade flows across the countries are primarily dominated by socio-economic factors, such as GDP growth rate, income per capita, unemployment rate, and national savings. This might be why a vast number of economists tend to emphasize these factors, particularly when it comes to examining trade flows and related commercial exchange.

In the borderless world, considering merely socioeconomic factors is inadequate as the cross-border trade in modern society is critically motivated by external and institutional forces. Integrating additional variables into the analysis is pivotal to better understanding the dynamic trade pattern across the countries. For this reason, considering the Logistic Performance Index (LPI) in the analytical equation to comprehend real-world international trade is thought-provoking. The empirical studies of (Wang, Qiu, & Choi, 2019; Su 2017; Marti, Puertas, & Garcia, 2014) contended that effective logistic performance and joint-policy implementation for logistics development alongside the trade liberalization are necessary to promote trade flows and pave the way to the realization of ASEAN economic integration (Banomyong, 2008). ASEAN countries were then recommended to remove barriers to logistics performance like an improvement of customs clearance and inspection, licensing requirements in each ASEAN country, and regulation of internal point-to-point maritime transport services in a bid to increase regional logistics arrangement and achieve the goal of ASEAN Single Shipping Market (ASSM) more visibly (Tongzon & Lee, 2016).

Nevertheless, relatively few scholarly works employ the LPI as an indicator to estimate its relationship with the trade flows at the country level in the ASEAN region. This missing link emerged in this empirical study with the primary objective of filling the literature gap by examining the relationship between LPI and trade flows in the case of Thailand and China. The researcher employs LPI as the primary variable testing its correlation with the trade flows during 2007-2018, which is set before the hit of COVID-19, to see the business as usual scenario of the bilateral trade pattern. This timing is proper and suitable to predict the future direction, especially toward the AEC 2025. The results of this work could be used as policy guidance to improve economic relations between China and Thailand for the private sector.

## Objectives

- To investigate whether the enhancement of logistics performance of Thailand would result in a positive effect on the trade flows with China from 2007 to 2018.
- To propose policy guidance to further develop trade relations between Thailand and China amid the intensification of the trade war between the United States and China.

## What is the Logistics Performance Index?

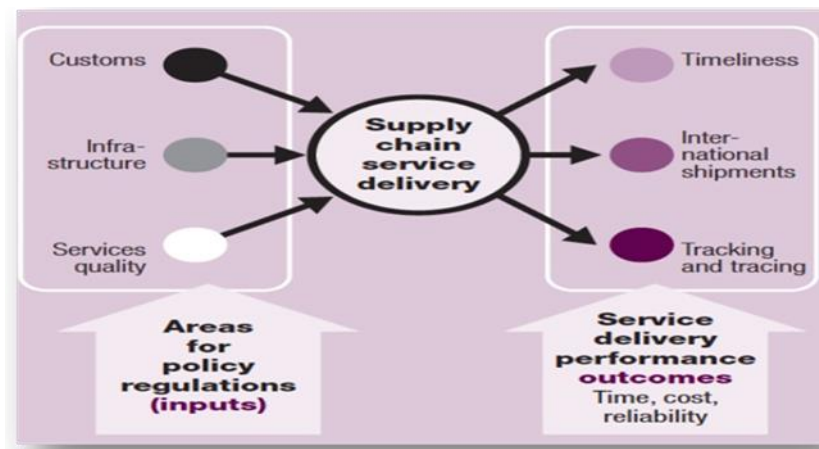
The Logistics Performance Index (LPI) is a benchmarking tool created by the World Bank aiming to identify challenges and opportunities concerning the logistics performance of an economy (The World Bank, 2022). This interactive tool is widely used across the business industries and is represented in the form of ranking. The data used in this ranking tool comes from a survey of logistics professionals who are asked questions about the foreign countries in which they operate. The calculation is based on the weighted average of the total scores of 5 concerning the performance of the followings six sub-components

1. **Customs:** the efficiency of customs and border management clearance.
2. **Infrastructure:** quality of trade and transport infrastructure.
3. **Ease of arranging shipments:** ease of arranging competitively priced shipments.
4. **Quality of logistics services:** competence and quality of logistics services – trucking, forwarding, and customs brokerage.
5. **Tracking and tracing:** the ability to track and trace consignments.
6. **Timeliness:** the frequency with which shipments reach consignees within scheduled or expected delivery times.

According to the World Bank, these components reflect the country’s performance regarding the multi-layers of trade facilitation offered to foreign investors and business people. The capacity of logistics performance is assumed to cause the confidence and long-term prospects of business operation and international investment.

Logistic performance is significantly crucial for regional commerce in many Asia-Pacific countries, where the emergence of production networks has been most pronounced (Saslavsky & Shepherd, 2014) This involves the global logistics cities regarding infrastructure capacity and service responsiveness to develop a cluster-led strategy under China’s Belt and Road Initiative (Chhetri et al., 2018). Moreover, good logistic performance could contribute to economic prosperity and development under the Silk Road Economic Belt. It was also an influential factor for a Chinese development in the future (Li Mengjie Jin & Ng, 2018). Thus, the contemplation of a strategic policy framework to foster logistics and related infrastructure is pivotal for both China and most Asia-Pacific countries.

It is widely hypothesized that a higher degree of LPI would lead to a more significant trade in goods and trade in services as a whole. Diagram 1 exhibited details of the multi-dimensional nexus among LPI sub-components that link to policy regulation and service delivery.



**Figure 1** Inputs and Outcomes Indicators of Logistics Performance Index

**Source:** Logistics Performance Index, World Bank (2018)

The highlighted sub-indicators are extensively used to evaluate logistics performance across the countries. Logistic performance is posited as a positive correlation to the trade flows of an economy. This is because it helps an economy ease trading difficulties by providing

facilitation, accommodation, and physical support to various economic activities, not only the cross-border trade but also international investment and movements of the service sector.

## Macro View of ASEAN-Chinese Trades

Amid intensified trading relations between the United States and China, Chinese trade policy tends to be re-directed to the ASEAN market. For instance, it critically plays a broad spectrum of economic activities, specifically trade in goods with the 6 ASEAN countries (*Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.*) It has ranked the largest ASEAN 6 trading partner since 2010, surpassing Japan, the EU, and the United States. Trade volume between China and ASEAN rose to \$327,456 million in 2017 compared to 2012 at around \$271,340 million. In comparison, the trade volume with Japan, EU-28, and the United States appears to remain constant during the same period (ASEAN Secretariat, 2018). All implied the strong growth of trade between ASEAN 6 countries and China.

**Table 1** Logistics Performance in Key ASEAN Countries and China (2007-2018)

Unit: the total score is 5

Year	2007	2010	2012	2014	2016	2018	Ranking (Based only on 2018)
China	3.32	3.49	3.52	3.53	3.66	<u>3.61</u>	2
Thailand	3.31	3.29	3.18	3.43	3.26	<u>3.41</u>	3
Singapore	4.19	4.09	4.13	4.00	4.14	<u>4.00</u>	1
Malaysia	3.48	3.44	3.49	3.59	3.43	<u>3.22</u>	5
Indonesia	3.01	2.76	2.94	3.08	2.98	<u>3.15</u>	6
Philippines	2.69	3.14	3.02	3.00	2.86	<u>2.90</u>	7
Vietnam	2.89	2.96	3.00	3.15	2.98	<u>3.27</u>	4

**Source:** World Bank, international logistics performance index (2007-2018)

According to Table 1, it is interesting to note that Singapore comes first with the highest score of 4.0, leaving behind other ASEAN economies like Thailand, Vietnam, and Malaysia for more than 0.5 average points. The figure implies the divert logistics performance across the ASEAN members, which might potentially deter the realization of ASEAN market integration in 2025.

Source: ASEAN Secretariat, ASEAN Statistical Yearbook (2018)

The trade volume between ASEAN 6 countries and China has a typical pattern with the remaining 4 ASEAN countries known as CLMV (*Cambodia, Laos, Myanmar, and Vietnam.*) More interestingly, as one of the most prominent investors in these countries, China has ranked the major trading partner since 2008, followed by the EU and Japan. The trade amount had skyrocketed from 22,301 million USD to 113,552 million USD in 2017, or around a 500% increase from the base year 2008. According to this figure, it is expected that the trade between these economies is likely to soar due to a greater ASEAN market integration and Chinese outward economic policies.

### A Macro View of ASEAN-Chinese Trades

Amid intensified negative trading relations between the United States and China, Chinese trade policy tends to be re-directed to the ASEAN market. For instance, it critically exhibits a broad spectrum of economic activities, specifically trade in goods with the 6 ASEAN countries (*Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand*). It has ranked the largest ASEAN 6 trading partner since 2010, surpassing Japan, the EU, and the United States. Trade volume between China and ASEAN rose to \$327,456 million in 2017 compared to 2012 at around \$271,340 million. In comparison, the trade volume with Japan, EU-28, and the United States appears to remain constant during the same period (ASEAN Secretariat, 2018). All implied the strong growth of trade between ASEAN 6 countries and China. See full details in Table 2 below:

**Table 2** ASEAN 6 Trade in Goods by Trading Partners (2008-2017)

Unit: Million USD

TRADING PARTNER	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASEAN	432,748	345,019	465,301	534,506	553,429	560,700	547,707	472,471	455,843	517,267
TRADING PARTNER	1,305,045	1,044,815	1,354,853	1,629,233	1,665,204	1,662,902	1,643,035	1,417,253	1,374,014	1,565,384
Australia	52,943	43,760	52,881	62,248	64,977	63,222	67,411	52,462	47,383	52,355
Canada	10,430	8,826	9,294	10,958	10,296	11,089	10,311	9,168	8,813	9,489
China	174,406	154,410	205,341	254,811	271,340	290,721	293,743	280,252	279,024	327,456
EU-28	153,192	155,205	184,698	213,538	211,029	209,217	207,671	184,830	182,767	203,255
India	48,323	37,961	52,786	68,988	65,808	61,555	60,805	53,442	50,833	63,993
Japan	197,436	146,521	201,462	234,032	238,017	212,769	200,298	171,221	169,366	182,245
Korea, Republic of	78,001	65,249	88,491	105,771	109,289	105,394	101,558	82,698	79,598	90,591
New Zealand	7,811	5,365	7,117	8,488	8,701	9,048	9,888	8,018	7,152	8,561
Russian Federation	9,755	6,713	10,828	14,767	15,622	17,083	19,950	11,711	9,120	13,121
USA	168,419	132,643	161,142	174,165	173,409	173,829	173,760	166,713	161,912	179,845
Rest of the World	404,329	288,163	380,813	481,467	496,718	508,975	497,641	396,737	378,046	434,474
<b>TOTAL</b>	<b>1,737,793</b>	<b>1,389,834</b>	<b>1,820,155</b>	<b>2,163,739</b>	<b>2,218,634</b>	<b>2,223,602</b>	<b>2,190,742</b>	<b>1,889,724</b>	<b>1,829,857</b>	<b>2,082,651</b>



**Table 3** CLMV Trade in Goods by Trading Partners (2008-2017)

Unit: Million USD

TRADING PARTNER	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASEAN	39,079	31,960	35,573	45,808	48,928	53,706	57,129	62,910	60,733	72,960
TRADING PARTNER	124,100	116,002	137,114	177,560	200,233	240,883	270,930	320,229	348,011	418,678
Australia	120	218	4,518	5,195	5,402	5,753	5,878	5,030	5,496	6,785
Canada	296	202	1,161	1,321	1,636	1,975	2,498	3,487	3,819	4,328
China	22,301	23,639	28,955	38,291	45,644	57,603	68,901	83,245	89,670	113,552
EU-28	17,435	16,112	18,103	24,864	29,679	34,679	37,605	45,825	50,798	58,147
India	981	1,211	3,879	5,157	5,324	6,614	7,031	6,723	7,765	9,637
Japan	17,289	14,436	17,238	21,966	26,018	27,173	28,188	31,579	33,042	37,014
Korea, Republic of	312	9,473	13,253	18,632	21,686	29,006	29,367	37,869	44,857	63,089
New Zealand	17	7	488	551	582	736	811	735	747	963
Russian Federation	29	43	1,839	2,036	2,470	2,842	2,575	2,258	2,836	3,670
USA	16,784	16,025	18,077	21,713	24,678	29,298	35,531	43,870	49,895	54,424
Rest of the World	48,536	34,638	29,604	37,833	37,114	45,203	52,544	59,608	59,087	67,069
<b>TOTAL</b>	<b>163,179</b>	<b>147,962</b>	<b>172,687</b>	<b>223,368</b>	<b>249,161</b>	<b>294,589</b>	<b>328,058</b>	<b>383,138</b>	<b>408,743</b>	<b>491,638</b>

Source: ASEAN Secretariat, ASEAN Statistical Yearbook (2018)

The trade volume between ASEAN 6 countries and China have shared a typical pattern with the remaining 4 ASEAN countries known as CLMV (*Cambodia, Laos, Myanmar, and Vietnam*) as shown in Table 3. More interestingly, as one of the most prominent investors in these countries, China has ranked the major trading partner since 2008, followed by the EU and Japan. The trade amount had skyrocketed from 22,301 million USD to 113,552 million USD in 2017, or around a 500% increase from the base year 2008. According to this figure, it is expected that the trade between these economies is likely to soar due to a greater ASEAN market integration and Chinese outward economic policies.

### A Comparative Analysis: Thai-Chinese, Thai-USA, and Thai-Japanese Trade Patterns

At the country level, apart from the long-standing political and economic relations, trade volume between Thailand and China, in comparison with Japan and the United States, disclosed the same pattern similar to the overall ASEAN-Chinese trade. The trade volume between Thailand and China has been progressively higher in recent years. To be more precise, China became the largest trading partner with Thailand in 2014, with the trading amount going up to 63,582 million USD surpassing Japan at 57,205 million USD. The trade volume between the two rose from 64,798 million USD in 2015 to \$80,220 million in 2018 (Thai Ministry of Commerce, 2019). The evidence suggests that Chinese trade is essential for the Thai economy to maintain growth and competitiveness. See full details below:

**Table 4:** Thai-Chinese Trade (2007-2018)

Unit: Million USD

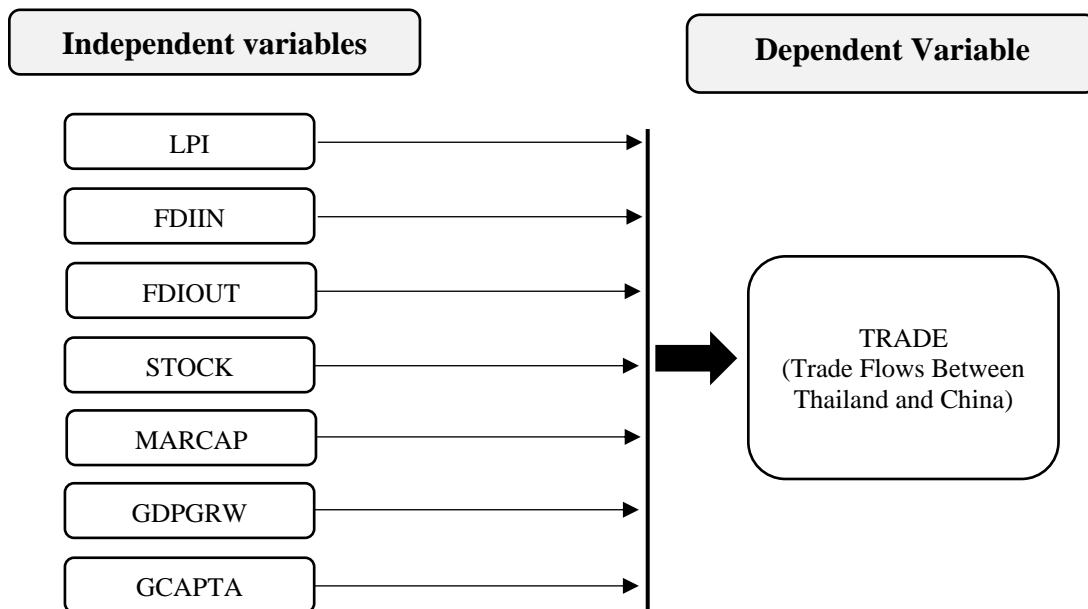
Year	2007	2010	2012	2014	2016	2018
Thai-Chinese Trade	31,072	45,711	63,990	<b>63,582</b>	<b>65,830</b>	<b>80,220</b>
Thai-Japanese Trade	46,501	58,164	72,183	57,205	51,154	60,193
Thai-United States Trade	28,910	30,878	35,306	38,470	36,541	43,010

**Source:** Ministry of Commerce, Thailand, and Foreign Trade Statistics of Thailand (2018)

The overall trend indicates a robust trading relationship between Thailand and China with the potential to grow further. The growing amount of trade can be assumed to be caused by China’s more significant trading policy toward Asia, with an intensification of the trade war with the United States forcing China to shift the focus to the ASEAN market.

### **Conceptual Framework and Research Methodology**

Concerning the justifications in the previous sections, the conceptual framework consists of 7 variables for the hypothesis testing; 2 factors are categorized as controlled variables: the GDP growth rate and GDP per capita, as they correspond to socio-economic factors. While the dependent variable is only one, that is the trade volume between Thailand and China. The below shows the conceptual framework for data analysis:



**Figure 2** Conceptual Framework

This study employed the Multiple Regression Technique to estimate the relationship between a dependent variable (trade volume between Thai and China) and a set of independent variables, which are hypothesized to affect the trade flows between the two countries. See Appendix for full details on the measurement of variables and data sources.

*Model specification: Multiple Regression Equation*

$$Y = a + b1X1 + b2X2 + b3X3 \dots + bnXn$$

**Table 5** Signs, Details, and Symbols for Multiple Regression Analysis

Sign	Details	Symbol
Y	Trade Volume Between Thailand and China (Million USD)	TRADE
X1	Overall Logistics Performance Index (LPI) Ran	LPI
X2	FDI inflows of Thailand, Net Inflows (% of GDP)	FDIIN
X3	FDI Outflows of Thailand, Net Outflows (% of GDP)	FDIOUT
X4	Stocks Traded, Total Value (% of GDP)	STOCK
X5	The Market Capitalization of Listed Domestic Companies (%)	MARCAP
X6	GDP Growth of Thailand (Annual %)	GDPGRW
X7	GDP Pcapita of Thailand (Current US\$)	GCAPTA

**Table 6** Empirical Results of The Regression

Independent Variable	Dependent Variable: Trade Flows Between Thai-China		
	Coefficients ( <i>b</i> )	T	Sig.
(Constant)	-	3.626	.022
LPI	-.185	-5.364	.006**
FDIIN	.060	1.236	.284
FDIOUT	-.182	-4.198	.014*
STOCK	-.232	-3.466	.026*
MARCAP	.162	2.865	.046*
GDPGRW	-.085	-1.964	.121
GCAPTA	1.275	17.284	.000**

*R Square = .999; adjusted R Square = .996; F = 427.508; p = .000; Durbin Watson = 1.469*  
 \*statistically Significant at 0.05 level.  
 \*\*statistically Significant at 0.01 level.

## Results and Discussion

The findings revealed that the logistics performance index (LPI) is statistically significant to Thai-Chinese trade flows at the confident level of 0.01. The FDI outflows (FDIOUT,) Stocks traded (STOCK,) and Market capitalization of listed domestic companies (MARCAP) also revealed a strong association at a significant level of 0.05.

This implies the LPI is a crucial factor in bolstering the trade flows between Thailand and China during the past decades, which means effective logistics performance of a country, especially in the case of Thailand, would result in the positive effect of an increase in international trade. This is because the well-functioning of customs procedure, coverage infrastructure, speedy shipment arrangement, excellence of logistics services, and efficient tracking system in a timely manner can encourage cross-border trade and provide more confidence to investors. At the same time, other external factors such as strong FDI outflows, a high volume of stock traded, and the size of the market capitalization of listed domestic

companies are still playing a pivotal role in causing the productive impact on international trade. The government policy support to the domestic investors, promotion of domestic stock traded, and empowerment of the listed companies in the home country are considered to indirectly promote trade flows among countries. A friendlier business environment accommodated by effective logistics performance might lead to other economic activities such as trade-in services, business relocation, and capital mobility. The study of Xu et al. (2021) consolidated this finding and suggested that policymakers should consider enhancing their support to the logistics and transportation sector in China to mitigate the undesirable impact of the novel COVID-19 that vastly causes a negative effect on the logistics operations, especially in the areas of air and land freights.

## **Conclusion and Policy Recommendations**

This present study is a country-based analysis aiming to examine the trade flows between Thailand and China from 2007 to 2018. The logistics performance index (LPI) is chosen as a primary factor to test the hypothesis of the relationship between effective logistics performance and trade flows in the case of Thailand and China. The findings suggested that the productive logistics performance and other external forces like strong FDI outflows, a high volume of stock traded, and the size of the market capitalization of listed domestic companies would positively affect trade flows between Thailand and China. To this end, the gradual improvement of logistics procedures ranging from customs clearance to promoting investment in the stock market could promote the trade volume constructively.

The government expenditure and budget allocation to develop the domestic infrastructures such as road, rail, shipment process, and relevant customs procedures are vital to stimulate international trade, especially in Thailand. The government investment in port facilities, electronic customs clearance, and real-time tracking systems is considered necessary as it could supplement the one-belt-one-road policy of China toward Asia in the future. In conclusion, Thailand is a geographical gateway to the broader ASEAN market and can serve the needs of Chinese investment in the coming years. Thus, a good foundation of logistics in all forms would be a pre-condition to promote more outstanding trade relations with China, bringing Thailand to a higher plane of competitiveness in the ASEAN market.

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# Wellness Tourism in ASEAN Countries Among Aging Travelers Before and During the COVID-19 Era: Thailand's Perspectives

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## Abstract

This article discusses the worldwide aging phenomenon and the resulting aging tourists' travel patterns with special emphasis on the factors influencing their travel decisions. Specifically, the decline in wellness tourists caused by the COVID-19 pandemic is investigated to determine the most effective strategy and best practices to re-start the tourism industry once the pandemic subsides. Thailand's preparation activities to regain the tourism momentum post-COVID serve as a case study because of the country's strong innate potential for wellness tourism and because the effort to rebrand the country from low-cost to high-value including food spa and sports tourism was underway and gaining traction prior to the COVID-19 setbacks. Such potential is not unique to Thailand, but common to many ASEAN countries. The perspectives from this work can hence be applicable to other ASEAN members aspiring to use wellness tourism as a vehicle for recovering, rebranding, and rejuvenating their tourism industry towards a post-COVID goal that combines high-value tourism and sustainability. This furthers the work that ASEAN countries have done to collaborate on accomplishing a gradual and progressive reopening of the region while increasing cooperation and partnership.

**Keywords:** Aging Society, Wellness Tourism, COVID-19, ASEAN Tourism, Thailand Tourism

## Introduction

The COVID-19 pandemic has grinded global tourism to a halt. The shockwave is particularly felt in the ASEAN nations whose economies depend significantly on tourism. Bali, for example, has seen an unprecedented decline in international arrivals: from 6.2 million in 2019 to 45 in 2021 (Jamaluddin & Marcus, 2021). Navigating the path towards recovery from this cataclysmic moment requires not just a more-of-the-same approach to tourism, but rather a fresh shift in paradigm to pave the way towards sustainability. Wellness tourism presents such an opportunity for ASEAN economies. The strong growth in wellness tourism was becoming evident up to the moment before COVID-19 struck — globally, wellness tourism has grown at 8.1% CAGR from 2015-to 2017 according to the Global Wellness Institute (a US-based think-

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tank; GWI), which is 50% larger than the 5.2% CAGR during the same period for overall tourism. Wellness tourism's unique resilience is evident, especially during the midst of the COVID-19 pandemic. Despite a global reduction of 74% in year-on-year international arrivals in 2020 (UNWTO, n.d.), the global shrinkage of the wellness tourism sector remained comparatively small at 40% year-on-year (Global Wellness Institute, 2021).

In ASEAN, according to the World Travel & Tourism Council, the tourism industry contributed \$393.1 billion USD to Southeast Asia's GDP in 2019, nearly doubling the \$197.3 billion USD it provided in 2010. In 2019, tourism accounted for about a third of Cambodia's GDP, and around 20% in Thailand. However, the travel industry was one of the hardest damaged when international travel came to a standstill in 2020 (Vadakan, 2021). Yet, GWI predicted that wellness tourism is expected to rise substantially in the coming years as the world recovers from the pandemic at an estimated +20.9 percent annual growth, with the market reaching \$1.1 trillion in 2025 (Global Wellness Institute, 2021).

To increase the industry's sustainability after COVID-19, ASEAN tourism destinations should prepare themselves by rebranding and shifting from low-cost tourism to high-value tourism to gain tourists from other niche markets. A popular research trend is the world's aging society, which is fueled by medical progress that extends people's lives from an average of 80 years to 90-100 years. The world's life expectancy has improved dramatically while, simultaneously, in several countries, the birth rate has been increasing tremendously. Based on these trends, aging tourism should be a focus of current and future research as the geriatric tourist market and possibilities for tourism consumption are enormous and the prospective improvements to older adult wellbeing tourism are beneficial to overall older adult health.

Similar to the global tourism situation, tourism in the ASEAN region has been negatively impacted by the COVID-19 crisis. A literature review of the current situation regarding COVID-19's effect on tourism, aging society, wellness tourism, and related issues was conducted with an aim toward the preparation of aging tourism within the wellness business in Thailand's Perspectives as well as guidelines for the development of wellness tourism for older adults, and how the case study in Thailand can be adapted in other ASEAN countries in a post-COVID era.

## **Definitions of Population Aging and Aging Society**

According to the UN report on World Population Aging: 1950-2050, "Population aging" is "The process by which older individuals become a proportionally larger share of the total population". The Encyclopedia of Population defines population aging as "Aging of the population is a summary term for shifts in the age distribution (i.e., age structure) of a population toward older ages." The Encyclopedia of Population mentioned that increases in the percentage of older adults of retirement age are frequently used to gauge population aging, and perhaps the most often used indicator is median age, which is defined as the age at which half of the population is older and the other half is younger. Additionally, the old-age dependency ratio (the number of individuals of retirement age compared to the number of those of working ages) is employed as a related measure of population aging, since the study of population aging is often driven by a concern for its burdening of retirement systems (Scherbov & Sanderson, 2019).

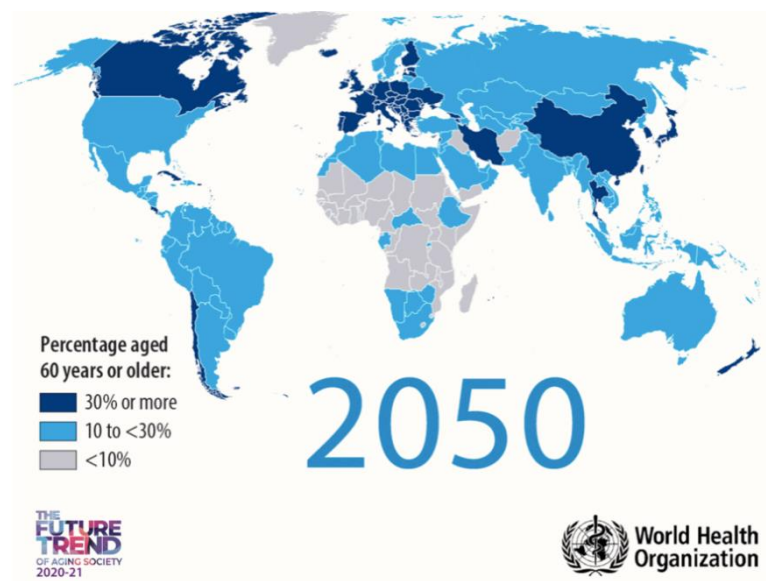
The United Nations defines older adults as individuals who are 60 years or older. It is frequently characterized as 65 and above.

Demographic definitions are used to cate an "Aging Society" - a population that is getting older as indicated by the proportion of older adults to the total population that is steadily increasing (Foundation of Thai Gerontology Research and Development Institute, 2021) - into;

1. “Aged society” - a population in which the proportion of people aged 60 and up surpasses 10% of the total population (or a population in which 7% of the population is 65 and up)
2. “Complete-aged society” - a population in which the proportion of people aged 60 and over surpasses 20% (or a population in which 14% of people are 65 and up)
3. “Super-aged society” - a population in which the proportion of people aged 60 or older is greater than 28% (or a population in which 20% of people are 65 and up)

## Global Aging Society Trend

According to the Future Trend of Aging Society, 2020-2021 in the Future Lab Forum 2019 by Baramizi Lab (Trend and Future Concept Research Lab), one of the megatrends in global demographics is that of the “Aging Society.” The United Nations reported that currently the over 60-year-old population accounts for around 11.11% globally, and by 2050 this number is expected to reach 20% (Assarut, 2019). The United Nations also predicted that, by 2050, one in every six persons on the planet will be over the age of 65 (16%), up from one in every eleven in 2019 (9%). One in every four people in Europe and North America could be 65 or older by 2050. For the very first time in history, people aged 65 and up outnumbered children under the age of five on a global level in 2018. The number of people aged 80 and up is expected to triple from 143 million in 2019 to 426 million in 2050.



**Figure 1** Percentage Aged 60 Years or Older in 2050 by Location  
(United Nations, n.d.)

As the older adult population has increased dramatically, one of the challenges is the increased need for care within the older population. As such, there will be a huge opportunity for entrepreneurs to expand their market or business to serve the needs of this population, such as innovations for a better life in several dimensions including the social, economic, and physical environment.



## Aging Travelers' Behavior

The Baby Boomers, commonly defined as those born between 1946 and 1964, are 12 times wealthier than Millennials according to the analysis of US Federal Reserve's data (Ellis, 2019). They have more free time, especially those who have already retired, and life expectancy has increased dramatically in recent decades. According to World Bank and World Health Organization (WHO) statistics, the global life expectancy is 72.6 years in 2020, which is 20 years longer than in 1960 (World Health Organization, n.d.).

When it comes to the economic value of the older adult market, the WHO predicts that people aged over 60 will increase at least three percent each year. In 2017, the global aging population was around 963 million people, accounting for 13 percent of the global population, with an estimated 1,400 million people aged 60 and over by 2030 and 2,000 million people in 2050. This increase has resulted in the emergence of an aging economy known as the "Silver Economy" (Maifeay, 2021).

The silver economy encompasses all economic activities, products, and services designed to meet the needs of people over the age of 50. This principle, derived from the so-called silver market that emerged in Japan — the country with the largest percentage of people over 65 — during the 1970s to refer to the senior market, draws together sectors as varied as health, banking, automotive, energy, housing, telecommunications, leisure, and tourism, among others.

**Table 1** The World's Most Aging Countries by Population Reference Bureau (2019)

Counties	% Of the Total Population Over 65 Year
1. Japan	28.2
2. Italy	22.8
3. Finland	21.9
4. Portugal	21.8
5. Greece	21.8
6. Germany	21.4
7. Bulgaria	21.3
8. Croatia	20.4
9. France	20.3
10. Latvia	20.3

The characteristics that best describe silver economy consumers, as observed by Iberdrola, a Spanish multinational electric utility company (Iberdrola, 2022), are the following.

- They have strong purchasing power and are not burdened by financial obligations.
- They spend their time doing things they've always wanted to do: travel, try new things, spoil themselves, and so on.
- They are energetic people who enjoy taking care of themselves, participating in sports, eating well, dressing well, and having fun.
- They are brand loyal, consume more than young people, and demand more personalized and individualized products and services.
- They have more free time and enjoy filling it with cultural and recreational pursuits.

Maifeay, 2021 found that older adults' behavior and lifestyle have been changing, especially during the past two decades; their current and future needs are different from before. For this reason, entrepreneurs should learn and understand their insights and needs, and prepare for businesses to adapt to serve this potential niche market. In addition, the current older adult population is known as "Young Old," meaning they are older adults who are young at heart and still in good health (in Japan, they are called "YOLD"). This group of consumers, especially in developed countries, are much healthier and have longer expected lifespans than ever before. As consumers, they tend to have higher income, a larger fraction of discretionary spending, and a willingness to spend toward a luxury lifestyle. Entrepreneurs who want to enter the older adult market may consider Business to Customer (B2C), or Business to Business (B2B) models in the following business: food and beverage, anti-aging products and services, shops for older adults, accommodation-related businesses for older adults, teaching online media skills, internet-related businesses, health technology, wellness tourism and pet-related businesses (Maifeay, 2021).

### Wellness Tourism

The Global Wellness Institute or GWI (Global Wellness Institute, 2021) defines Wellness Tourism as "Travel associated with the pursuit of maintaining or enhancing one's wellbeing." With so many maladies embedded in today's travel, wellness tourism carries the potential of combating those negative qualities and transforming travel into an opportunity to sustain and enhance our wellbeing. There is a distinct difference between wellness tourism and medical tourism. GWI differentiates them in the following figure;

**Table 2** The Difference between Wellness Tourism and Medical Tourism

<b>Reactive</b>	<b>Medical Tourism</b>
	Travel to receive treatment for a diagnosed disease, ailment, or condition, or to seek enhancement.
	Motivated by the desire for lower cost of care, higher quality care, better access to care, and/or care not available at home.
	Activities are reactive to illnesses, medically necessary, invasive, and/or overseen by a doctor.
<b>Proactive</b>	<b>Wellness Tourism</b>
	Travel to maintain, manage, or improve health and wellbeing.
	Motivated by the desire for healthy living, disease prevention, stress reduction, management of poor lifestyle habits, and/or authentic experiences.
	Activities are proactive, voluntary, non-invasive, and non-medical in nature.

Regarding wellness travelers, GWI clarifies that there is a widespread misconception that wellness tourists are a small, privileged and wealthy group of leisure tourists who visit destination spas, health resorts, or yoga and meditation retreats. In reality, wellness travelers are a much larger and more diverse group of consumers with a wide range of motivations, interests, and values (Global Wellness Institute, 2021). According to GWI, wellness travelers can be categorized into two types, though both sets of activities may be undertaken by the same person on separate trips, and these two types of wellness travel complement one another. The two types include:

- **Primary wellness traveler:** A traveler whose trip or destination selection is primarily motivated by their aim to enhance their wellbeing.

- **Secondary wellness traveler:** A traveler who focuses on maintaining wellness while traveling or engages in wellness experiences while on any type of trip, whether for pleasure or business.

The GWI report also mentions that both types of wellness tourists will find something special in any destination. Every destination has its own characteristics when it comes to wellness, which is influenced by the local culture, natural resources, meals, and other factors. Indigenous healing practices, ancient/spiritual traditions, native plants and forests, special muds, minerals, and waters, vernacular architecture, street vibes, local ingredients and culinary traditions, history and culture, and so on, can all be incorporated into these one-of-a-kind and authentic experiences. Since each location is unique, wellness tourists will always discover something new to appreciate.

**Table 3** Every Destination has Something Unique to Offer

<b>Counties</b>	<b>Destination</b>
1. Colorado	Hiking & Mountain
2. New York	Urban Healthy Hotel & Spas
3. California	Weight Loss & Detox retreats
4. Arizona	Destination Spas
5. Mexico	Temazcal Beach resort spas
6. Caribbean	Wellness cruises
7. Costa Rica, Belize	Rain Forest Spa Retreats
8. Argentina, Chile	Thermal Resorts
9. Brazil	Thermal Waterparks
10. Zambala	Walking Yoga Safaris
11. Kenya, Tanzania, Botswana	Safari Spas
12. South Africa	Health Hydros Yoga & Wine Retreats
13. Australia	Surf & Yoga Retreats
14. New Zealand	Hot Springs
15. India	Meditation, Yoga, Ayurveda Retreats
16. Malaysia, Thailand	Executive Checkups
17. Japan	Onsen Supersento
18. Korea	Jjimjilbang
19. China	Hot Spring Resorts, TCM
20. Russia	Sanatoria Banya

**Table 3** Every Destination has Something Unique to Offer (Cont.)

Counties	Destination
21. Germany	Climatic health resorts
22. Turkey	Turkish Baths
23. Finland	Sauna
24. Norway	Nordic Wellness
25. UK	Weekend Wellness Retreats & Bootcamps
26. Austria	Alpine Wellness Hotels
27. France	Thalassotherapy
28. Morocco	Thermal Hammams
29. Egypt	Sand Baths
30. Israel	Dead Sea Spa Resort

Wellness tourism in Asia has a high potential. GWI reported that in 2017 Asian countries accounted for 15% of the global healthcare tourism market. Thailand, Singapore, India, the Philippines, and Malaysia, in that order, play a key role in offering health tourism. When comparing the country’s health market share to Asia’s total health market share, Thailand takes the lead with 38%, followed by Singapore with 33% (Chusri & Lalitsasivimol, 2020). The GWI report shows that the wellness tourism market in Asia, especially in ASEAN countries, tends to grow positively.

Tanupol Virunhagarun, Chief Operating Officer and Director of Bangkok Dusit Medical Services (BDMS — Thailand’s largest private healthcare group) Wellness Clinic, noted that wellness tourism is the new “unicorn” of Thai tourism, even during and after COVID-19. This is because wellness tourists are primarily healthy people seeking to proactively take care of their health, and hence they will travel further and engage in a wider range of health-conscious activities than sick people, who invariably seek the nearest possible remedy for their malady. Wellness tourists want to go out to dine, travel, exercise, use spa services and enjoy a Thai massage. Whether it is through food or a physical examination, stress-reduction services can help them change their health habits. This is proactive health care rather than reactive health care (Thairath Online, 2021).

Kasikorn Research Center claims that, in 2019, 3.6 million visitors came to Thailand for medical tourism purposes, contributed 41,000 million Thai Baht to the economy, and helped to employ more than 9,000 local people. For wellness tourism, 12.5 million visitors-trips came to Thailand and contributed 400,000 million Thai Baht and helped to employ over 530,000 local people (Thairath Online, 2021).

Phudit Tejativaddhana, Director of the ASEAN Institute for Health Development at Mahidol University (AIHD), added that “Wellness” and “Wellness Economy” are different. Alternative activities and lifestyles that promote holistic health are referred to as “wellness”. Good physical and mental health, a healthy society, and a healthy environment are all important factors of wellness, while the “Wellness Economy” is a business that allows individuals to incorporate healthy activities and lifestyles into their daily lives.

## Older Adult Tourists and Wellness Tourism

Regarding older adult travelers and wellness tourism, older adult traveler behavior is different from common travelers because they focus more on the satisfaction of travel and services, safety, quality, and value; they have purchasing power; and their purchase decisions are based more on reason, not an emotion at whim. However, they may suffer from some health limitations. These limitations are what entrepreneurs should consider and adapt their business models in order to welcome the older adult market. Older adults will soon be the primary group of travelers consisting of healthy couples and single individuals with significant disposable income, plenty of time, and a strong desire to travel and meet or make friends. Mostly they spend their time after retirement on vocational activities or travel, making them high-quality travelers. Wellness tourism, as well as medical tourism, such as spa services, medical checkup services, exercise activities, and choices of healthy foods and beverages, attracts older adult travelers and are good for their physical and mental health. Therefore, wellness tourism businesses should prepare themselves to serve their needs in the very near future (Maifeay, 2021).

The Kasikorn Research Center reveals that, according to the Office of Small and Medium Enterprises (SMEs) Promotion report in 2014, the expenses of older adults are classified into two categories: health-related expenses, which include the cost of maintaining health care when sick, Thai traditional spa massage, healthy food and beverages and services in a care facility for older adults and leisure activities for relaxation, such as tour packages, making merit, entertainment and goods purchasing (Kasikorn Research Center, 2017). Wellness is a top priority for older adult tourists and the wellness tourism industry is on the path to success.

Traveling on special holidays is popular among Thai older adult tourists; the goal of the trip is to revitalize their body and mind, as opposed to foreign older adult tourists, whose goal is to enjoy and experience nature. In terms of wellness tourism, this is not only hotel stays or sightseeing, but also includes spa treatments, sporting events, food, etc. The specific services are described in detail below.

### Health Spa Services

Health spa services are widespread, and Thailand is well-known for them. According to the Kasikorn Research Center, revenue from spas, massages, and spa items reached 31 billion THB in 2015 (Kasikorn Research Center, 2017) and the services were particularly popular among older travelers. The health spa service model has integrated Thai culture and wisdom with elements of a health spa in terms of form, taste, smell, sound, and touch (Klunklin, et al., 2021). Travelers may spend their time on health-promotion services such as spas and Thai massages. Foreign tourists prefer Thai spas for a variety of reasons, including the use of aromatherapy for relaxation, service sites that use sound and light to reduce customer stress, and relaxing tools or services such as water therapy and natural hot springs. For example, Scandinavian older adult tourists were satisfied with the spa tourism business and Thai massage and fitness and relaxation centers in Pattaya and there is a trend toward holistic healthcare in the future, incorporating massage, skin treatment, nutrition therapy, counseling, movement and exercise and meditation (Wisnom & Capozio, 2012).

### Healthy Food and Beverages

Consumers are focusing on health care and eating nutritious foods. As a result, there are food-related health tourism services, such as organizing a variety of foods, such as herbal cuisine, vegetarian food, food produced from fresh fruit, and meals prepared using locally grown vegetables as raw materials. The presentation highlights the distinct flavor of each

region’s cuisine, increasing the number of meal options available. Additionally, consumer experience can be further enhanced by adopting the concept of slow tourism — avoiding fast food and engaging more in immersive local culinary heritage, as well as offering wellness tourism services such as health-focused cooking activities as a part of tourism activities (Suanpang, 2016). Also featured are food and leisure services that incorporate eating into the relaxing process, such as the “Kin Kao Saa Huen” activity (literally “eat rice [and] rest [in the] house” — roughly translated to B&B service in the Northeastern Thai dialect), which is one of the touristic activities established for health promotion for older visitors based on the Mekong River Basin health culture. Older travelers were found to be the happiest and most satisfied with the service (Trumikaborworn & Apinandacha, 2016).

### Sport Activities

Older adult travelers hope to feel vitality and rejuvenation while relaxing their body and mind through a variety of sports activities such as golf, yoga, or sporting events such as jogging, biking, and so on (Thaipost, 2017). Before COVID-19, sport-driven tourism was popular among senior citizens and various events were accommodating to them, e.g., natural trail hikes, biking, golfing competitions, and even a marathon, all of which focused on both competing and enjoying nature. Mainstream sporting events such as the Chombueng Marathon in Ratchaburi (a famous Thai annual marathon organized since ca. 1985) have witnessed participants as senior as 95 (Thai Health Promotion Foundation, 2010).

Sports tourism refers to three types of tourism that include travelers participating in sports while on vacation; 1. Sports event tourism, 2. Celebrity and nostalgia sport tourism and 3. Active sports tourism (Gibson, 2006). Sports tourism is becoming increasingly popular among older adult tourists, not simply among adults and teens. At a marathon event in Manal, India in 2012, for example, 180 senior international racers participated, which has brought the spotlight onto sports tourism (Times of India, 2012). Moreover, biking is another popular type of sports tourism among older adults as they can enjoy natural sightseeing during their exercise. For example, the Taiwan Tourism Bureau arranged and promoted bicycle tourism by planning ten beautiful biking routes, and they found that cycling tours are highly popular among older adults, which is the age at which they are ready, in terms of both time and money, to join a bicycle tour that is both good for their health and good for their appreciation of nature (Tourism Bureau, Republic of China (Taiwan), 2022).

### Wellness Tourism Situation Pre-COVID and Post-COVID

The ASEAN region, like other places, has been damaged by COVID-19. The Center for Statistic and International Studies, or CSIS, investigated the COVID-19 situation in ASEAN countries, compared to the world, China and USA, in February 2022, as follows

**Table 4** COVID-19 Situation in ASEAN, Compared to the World, China, and the USA, 28 February 2022

Country	Cases (Million)	Cases Last 24hr	Deaths	Total Fully Vaccinated	Percent Fully Vaccinated (%)	Cases per Million
<b>World</b>	432,127,008	1,619,729	5,932,306	4,373,402,508	56.1	55,401
<b>China</b>	147,576	6,556	5,133	1,234,540,000	85.8	103
<b>USA</b>	78,809,456	65,138	945,242	214,746,544	64.9	238,093
<b>Indonesia</b>	5,457,775	49,447	147,586	143,778,623	53.6	20,365
<b>Philippines</b>	3,658,892	1,550	56,224	63,091,847	60.1	34,880
<b>Vietnam</b>	3,120,301	78,795	39,962	76,783,305	80.4	35,660
<b>Thailand</b>	2,819,282	24,932	22,809	49,646,601	71.5	40,624

**Table 4** COVID-19 Situation in ASEAN, Compared to the World, China, and the USA, 28 February 2022 (Cont.)

Country	Cases (Million)	Cases Last 24hr	Deaths	Total Fully Vaccinated	Percent Fully Vaccinated (%)	Cases per Million
<b>Myanmar</b>	581,837	3,391	19,356	20,919,933	39.2	10,902
<b>Malaysia</b>	3,367,871	62,714	32,591	25,749,085	82.5	107,945
<b>Cambodia</b>	129,078	479	3,027	13,841,557	86.5	8,062
<b>Laos</b>	142,237	304	619	4,294,399	58.3	19,313
<b>Singapore</b>	679,795	18,597	986	4,898,322	87.3	121,132
<b>Timor Leste</b>	22,584	0	126	571,418	42.6	16,855
<b>Brunei</b>	51,516	3,461	115	404,301	94.3	120,194

According to GWI, given the widespread travel disruptions during the outbreak, the wellness tourism sector shrank from \$720 billion in 2019 to \$436 billion in 2020, and domestic and global wellness excursions totaled more than \$600 million in 2020, down from \$936 million in 2019. As the world recovers from the pandemic, GWI predicts that wellness tourism will increase significantly in the future years (+20.9 percent annual growth), with the market reaching \$1.1 trillion in 2025.

GWI forecasts that the healthcare segment is expected to grow again and expand among consumers. Amid the COVID-19 pandemic, the growth of healthcare continues to be attractive among the middle class, older adults, those with chronic diseases, and health-conscious consumers. The COVID-19 pandemic has resulted in significant shifts in health mobility such as promoting a healthy atmosphere, a desire to learn more about mental health and well-being, and rethinking the work-life balance, with a focus on environmental sustainability. The global health industry is expected to increase at a rate of up to 9.9% annually during the next five years. The rate of increase will be far faster than the global economic growth forecast. Additionally, healthcare will be worth \$5 trillion in 2021 and \$7 trillion in 2025 once the COVID-19 pandemic has passed. The three products with the largest growth compared to the total global output are notably concentrated in wellness: health tourism, mineral spring bathing, and spa business at 20.9%, 18.1%, and 17.2%, respectively (Global Wellness Institute, 2021).

In Thailand, the Ministry of Tourism and Sports is attempting to open the country to tourists in order to improve the tourism sector's income, but traditional tourism is also dependent on the number of visitors. The benefits of tourism are not worth destroying natural resources. The way we think about the world has shifted in recent years. COVID-19 spread all over the world after it was discovered. People across the world are becoming increasingly aware of their health, as they have never been before. Therefore, wellness tourism has the prospective to become a high-earning industry in the very near future. As Thailand has strong potential in both medical and wellness tourism, Thailand will benefit greatly from health-conscious travelers from all over the world if they are linked together. The typical tourism income is many times greater (Thairath Online, 2021).

### **Wellness Tourism Recovery Practices and Guidelines for Thailand and the ASEAN Region**

Phudit Tejativaddhana of the ASEAN Institute for Health Development (AIHD) divides the wellness industry into two categories according to the nature of the service: internal and external health care services. The former covers personal preventive medicine, comprising dietary supplements and alternative treatments, as well as healthy nutrition advice services. The latter covers spas, massages, and wellness tourism, where wellness-related activities are more expensive than regular activities, as tourists agree to pay for their individualized experiences

(Thairath Online, 2021). In addition to the proactive wellness tourism, Thailand attracts reactive medical visitors from developed countries with high-quality health care at a fraction of the cost, which will further spill over into the general wellness segment once the patient recovers (and perhaps becomes more health-conscious).

For these reasons, it is a great opportunity for ASEAN countries to prepare to welcome foreign wellness travelers again after COVID-19. On 19th January, Cambodia organized the 25th Meeting of the ASEAN Tourism Ministers at the seaside tourist town of Sihanoukville. Amid the COVID-19 pandemic, the industry has to be revitalized. Ministers of tourism from ASEAN countries were not only upbeat about the reopening but also expected that the industry will rebound with better resilience and sustainability. For fear of being left behind in the global fight for tourism dollars, ASEAN has committed to boosting cooperation and working more closely to ensure the region's slow and steady reopening. As vaccinations are rolled out across ASEAN, several ideas involve a standardized COVID-19 immunization recognition system (such as the internationally recognized Vaccine Passport, including those with a centralized digital verification system). Other initiatives include an ASEAN safe tourism travel stamp to reassure ASEAN visitors of cleanliness and safety standards (such as Thailand's SHA Plus scheme), increased digitalization of ASEAN tourism, the strengthening of data and information networks, and the promotion of connectivity and travel facilitation to and within ASEAN (Lin, 2022).

As part of the plan to support tourism recovery, Cambodia's Minister of Tourism announced the adoption of the New ASEAN Tourism Logo and the ASEAN Safe Travel Stamp "Safe and Warm" (Ross, 2022). Innovative certification schemes such as this may play a key role in building consumers' confidence in embarking on a new journey to ASEAN nations for wellness tourism, thereby helping penetrate a new and untapped segment of the target group.

According to a Bangkok Bank report year 2021 on developing wellness tourism in Thailand, it is suggested that entrepreneurs may create a new format, or adapt their services, for example, using products containing locally sourced herbs, natural sound therapy, aromatherapy, thalassotherapy, mud therapy and so on, to provide customers with memorable experiences. Hotels can also reach out to their customers and continue to create added value from health-related services by offering various related activities, or they could collaborate with other local companies to offer a variety of activities during tour stays. Alternatively, they may start a different service model out of an old one (Bangkok Bank SME, 2021).

### **Guidelines for the Development of Wellness Tourism for Older Adult Tourists, A Thai Perspective**

It is critical to have a thorough awareness of, and access to, products and services. Today's older adults have radically different attitudes and actions than previous generations. For entrepreneurs who define older adults as their target market, the key to success is a thorough awareness of their demands. This includes increasing the accessibility of products and services to older adults, as well as their convenience in accessing goods and services using quality, pricing, and usability to impress those who purchase items or services.

In addition, because the traditional marketing notion of market segmentation based on age alone is insufficient to comprehend all client behaviors, marketers should pay greater attention to older adult behavior by utilizing current marketing tools such as free and paid monitoring and listening tools. Further, amid the COVID-19 outbreak, where safety requirements are a primary focus, operators must adapt to the behavior of tourists, for example, hotels should pass the Amazing Thailand Safety and Health Administration (SHA) standard, and entrepreneurs must have strict policies for COVID-19, or they may have to halt their services temporarily and prepare the facility and services for future revenue.



According to Sustainable Tourism after COVID-19 Insights and Recommendations for Asia and the Pacific report by the Asian Development Bank (2021), tourism has played a significant part in Thailand's economic growth, with a 485% rise in visitor arrivals from 1997 to 2019. Growth and development, on the other hand, have been concentrated in a few areas of the country, and gains have not been dispersed equitably. As the country restructures its tourist business, the transition from reaction to long-term recovery should include a mindset shift; a good place to live is always a good place to visit, not the other way around.

One of the ways to achieve this is by rebranding. Thai tourism is frequently linked with low-cost vacations. While it is still a significant issue of discussion, many people feel the country should focus on high-spending guests and promote sustainability. For instance, with 10 million visits in 2018, Chinese tourists have become Thailand's largest market. However, their average per-person spending in Thailand (\$2,026 USD) is less than in the United States (\$4,462 USD), Japan (\$3,000 USD), and the Republic of Korea (\$4,000 USD). Before the pandemic, Thailand's tourist industry attempted to address this by rebranding and diversifying offerings in order to attract higher-spending luxury customers. Thailand has begun to introduce community-based tourism in the form of visiting rural areas, in addition to focusing on high-end markets. Over 180 towns in Thailand currently provide cultural experiences to guests interested in learning about Thai traditions. With the variety of tourism offers, attempts are still being made to find effective strategies to develop a long-term tourism brand for Thailand, as well as to define what exactly defines a sustainable brand (Asian Development Bank, 2021). Consequently, the entrepreneurs and policymakers, with support from the government, may rebrand Thai tourism by setting wellness tourism as a tool to appeal to high-spending customers, especially international and domestic older adult travelers. By doing this, Thailand can enjoy more spending from each traveler, more sustainably, with less harm to natural resources.

## **Conclusion**

Aging traveler is an emerging global trend that starts to have an acute impact on ASEAN tourism and even more so in the post-COVID Era. A careful analysis of factors underlying the cohort's demand underpins a proactive strategy: they tend to spend more money on their travel and leisure due to several factors, chiefly that they have a large amount of disposable income and free time for personal recreation. As such, now is a cusp of great opportunity for the tourism industry to recover after the COVID-19 pandemic. Since COVID-19 has prompted substantial changes in health mobility, including the promotion of a healthy environment, a desire to learn more about health and well-being, and a reconsideration of the work-life balance with an emphasis on environmental sustainability, wellness tourism is expected to grow greatly after the outbreak, continuing the momentum that has been building up since the mid-2000s — when the Baby Boomers start to retire en masse. Specifically, the areas of notable potential highlighted in this review are those driven by health spa services, healthy food, and beverages, and sports activities.

Meanwhile, all stakeholders, including the public sector, private sector, civil society, entrepreneurs, and policymakers must be incentivized to stay up to date with current market conditions as they are continually changing in terms of behavior and demand. The stakeholders need to focus on the growth of wellness tourism, particularly the tourism behavior of older adults, to see their niches, opportunities, and roles in tapping into this emerging segment that is certain to stay for decades to come. Specific actionable items are suggested in the areas of demand-side analysis, non-traditional marketing and rebranding, and the paradigm shift in policymaking that investment in sustainability has a direct impact on the promotion of tourism.

This will bring about economic opportunities that reflect the needs of aging travelers locally and abroad.

Thailand had strong potential in wellness tourism even before the pandemic. On top of that, rebranding from low-cost tourism to high-value tourism is one of the keys to success. Thailand may enjoy tourists' spending and at the same time preserve its nature in more sustainable ways. Travel businesses should prepare themselves for welcoming travelers after the crisis by improving and tailoring their products and services to suit the needs of high-value customers, achieving national/global standards in safety and health through vaccination for service providers, and so on.

Lastly, the 25th Meeting of ASEAN Tourism Ministers in Cambodia showed that ASEAN — as a region — shares a common eagerness to welcome tourists and enhance cooperation and collaboration to achieve a cautious and steady reopening post-COVID. Perspectives gained from Thailand can serve to help them prepare themselves to welcome foreign wellness travelers again.

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