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Exploring competitiveness of Thailand's cosmetic industry using Porter's diamond model

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ABSTRACT

Background: The Thai cosmetic industry has continuously grown, but relevant factors impacting on the industry remained un-assessed. **Objectives:** This study was intended to explore the key factors affecting the country competitiveness. **Methodology:** The diamond model was adapted as the conceptual framework. An in-depth interview was conducted in five key informants who were cosmetic executives. **Results:** It was found that three factors currently enhancing Thai cosmetic industry competitiveness were government factor, demand condition, and supporting industries. Gaps in factor conditions, firm strategy, structure and rivalry were detected. The result showed that many government agencies provided several positive supports for the industry. There were high demands in made in Thailand cosmetic products. The multinational company (MNC) products were well-liked by the global markets, whereas the products of small and medium-sized enterprises (SMEs) were trusted by and preferred among Cambodia, Laos, Myanmar. Herbal and natural cosmetics were identified as a niche market. Supporting industries, especially service business (such as tourism, massage, and spa), enhance cosmetic industry growth. Government created cosmetic cluster helped bringing related businesses to meet and enhancing marketplaces. Conditions that found to be barriers for the cosmetic industry were high labor cost and 100% of imported raw materials and packaging. A strategy that should be improved included focusing on research and development, and blending niche consumer needs to produce the good quality and high ended cosmetic products. Although many government agencies try to help the industry, communications between the government and the industry, and co-operations among government parties should be improved. **Conclusion:** To foster the cosmetic industry competitiveness, the government should support the cosmetic industry, particularly SMEs on herbal and natural products as well as promoting "Made in Thailand Product." The government and industry should focus on building network with supported business and related stakeholders. The professional trainings to SMEs on branding and marketing skills should also be continuously provided by government. For MNC, the government should work closely with industry sector, and help reduce unnecessary technical barriers to trades. This will keep Thailand the most attractive cosmetic production-based country for further investment in the region.

INTRODUCTION

Thailand is the main cosmetic production-base country in the Association of Southeast Asian Nations (ASEAN). The cosmetic business in Thailand has continuously grown in an opposite direction of downturn economy caused by political uncertainties such as political crisis during 2013-2014, or uncontrolled natural disasters such as big flooding in 2011 [1]. Thailand's cosmetic industry can be classified into

three groups: Small and medium-sized enterprises (SMEs), multinational company (MNCs), and original equipment manufacturers (OEMs). Thai cosmetic industry includes 762 companies with approximately 220,000 employees [2]. The number excluded non-registered business. Large-sized manufacturers usually produce well known international cosmetic brands, or well accepted local cosmetic brands. SMEs, on the other hands, manufacturer local cosmetic brands

for domestic use. Sometimes SMEs produced special cosmetic products to serve the niche markets.

Regarding ASEAN agreement on trade facilitation among member states, ASEAN economies gained positive trade balance after the full implementation of ASEAN harmonization on the cosmetic sector in 2008 [3]. As for Thailand, the country has now been recognized as a prominent player in the world's beauty industry [4]. Among ASEAN, Thailand and Singapore are the key exporting countries. Singapore is considered a top trader, while Thailand is considered a leading producer in the region [5]. The size of Thai cosmetic market is 250 billion baht; 150 billion baht is for domestic consumption and the other 100 billion baht for the exportation [5]. Thailand has shared the high export values of the ASEAN region, in particular, hair products (>50% of the market share) and skincare product (20% of market share) [3]. For skincare products, Thailand had less competitiveness to export to all markets when compared to Philippines. Since Thailand still has high market share in the region, it is worth to put effort to improve the competitiveness in this category. It needs to find out for which key elements needed to be focused and supported. For hair products, Thailand had absolute competitiveness in all markets. However, it seems the market share of the haircare products tended to be decreased in the last few years [3]. Thailand must put a huge effort to maintain the market share of the haircare products. Because this category is big in term of market size and it makes Thailand as a leader of the cosmetic sector in the region.

As there was no previous study related to competitiveness of Thailand cosmetic industry found in extensive literature search since 2008, this study aimed to explore the country competitiveness of two major cosmetic categories; haircare and skincare products using Porter's diamond model as a study framework.

METHODOLOGY

A qualitative study with an in-depth interview to explore Thailand cosmetic industry competitiveness by an application of diamond model was carried out from September to November 2014. The study was approved by the Ethics Committee of Chulalongkorn University Faculty of Pharmaceutical Sciences (Ref. No. 13-33-011). Details of methodology; sample selection, study instrument, data collection, and data analysis are demonstrated below.

Sample Selection

Key persons in the cosmetic industry were purposively selected for the in-depth interview. Regarding eligibility criteria, the informants in this study should be executives who fully understood the cosmetic business very well both local and international. In addition, they should also be able to forecast the industry trend and future competitiveness. Most importantly, they should reflect or assess the competitiveness at the company and national levels. Based on Anthony's recommendation on qualitative research data collection, five informants were selected [6]. This study started with a specific group of five key informants who were purposively asked to join the study as they were considered experiential exporters

with thorough understanding about the cosmetic industry. If the information provided by the five key informants was not saturated, additional key informants would be further approached for an in-depth interview until the data were saturated. With the identification codes shown in the brackets, the informants included a representative from the Thai Cosmetics Association (R1), two small and medium enterprise executives, i.e., one from a small enterprise (R2) and the other from a medium enterprise (R3), one executive from a large local company (R4), and one manager from a multinational manufacture (R5).

Study Instrument

The conceptual framework of the study as shown in Figure 1 was adapted from the Porter's diamond model [7]. This model was selected as it has been widely utilized as a tool to assess a country competitiveness in various industries [4,8,9]. Porter's model was aimed to explain the competitiveness of the nations. The model has been widely used to explain competitiveness of various industries in many economies such as USA, Germany, Denmark, South Korea, Britain, Italy, Sweden, Switzerland, Japan, and Singapore [8,9]. The model was selected as a theoretical framework for this study to deeply understand factors that influence the competitiveness of Thailand's cosmetic industry at the macroeconomic level. The five interrelated components of the diamond model were focused and applied in the study [7].

A total of 23 open-ended questions for the in-depth interview were constructed based on five aforementioned factors of the diamond model, i.e., government factor (3 items); demand conditions (5 items); firm strategy, structure, and rivalry (7 items); related and supporting industries (3 items); and factor conditions (3 items); one additional question regarding problems and barriers to competitiveness was also added. The questions were checked for the face validity and imprecise wording by two experts who had more than 5 years of experiences in the cosmetic industry. The questions were

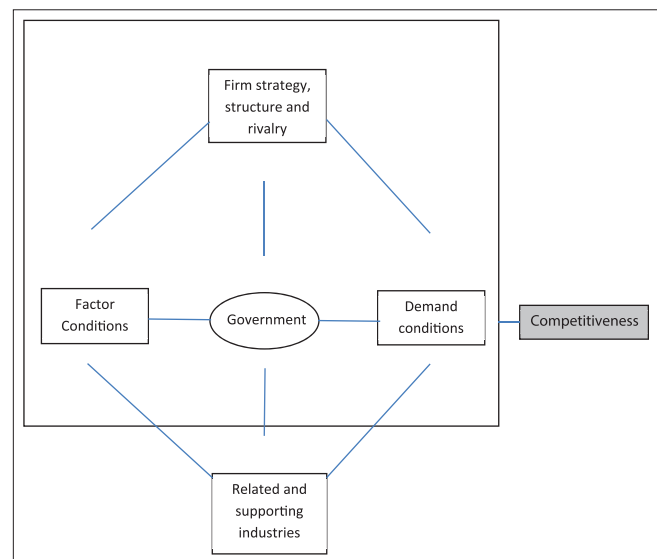


Figure 1: Conceptual framework of the study based on the Porter's diamond model [7]

adjusted for clarity. The operational definitions and examples of open-ended questions were summarized below.

In this study, government factor referred to the rules, laws, and policies established by governmental agencies at national and international levels that have a major influence on the country competitiveness. Example questions reflecting government factor were as follows:

- What are government agencies' rules, laws, policies, and activities that support the cosmetic business? (Please also provide detailed examples)
- Are there any problems or barriers caused by the government policies? If so, what are they? (Please also provide detailed examples).

Demand conditions was defined as the consumers' preference for cosmetic products. Demand conditions were observed at both macro and micro level. Examples of questions used to elicit this factor were:

- Is there a demand for Thai skincare and haircare products?
- What the demand look like?
- Who and where is the demand?

Firm strategy, structure and rivalry embraced relevant strategies for increasing the market share and country competitiveness. Questions for this factor were:

- What are strategies that the industry implement to enhance competitiveness and wider the market?
- How the strategies work?
- Please provide 2-3 examples.

Factor conditions referred to both positive and negative factors that have an impact on the country competitiveness. The following was the question examples:

- What are factors affecting cosmetic production costs?
- How such factor affects country competitiveness?
- Please provide examples.
- If you are an investor, what are the factors that impact your investment decision?

Related and supporting industries were associated business which when matching or collaboration with cosmetic business would enhance cosmetic business. Example questions for this factor included:

- What are other types of businesses that might enhance your cosmetic business?
- How do such businesses help?
- Please provide an example.

Data Collection and Analysis

An in-depth interview with the five informants was conducted in their own offices by the researcher (Neeranard Jinachai). This interview was to elicit their perceptions and assessments of the cosmetic industry and competitiveness. Although the probing questions were prepared for the interview, all interviewees could freely respond without any concern about the question sequence or specific patterns. Overall, the understanding of the informants' points of view was gained [10]. The saturated information obtained from the informants, namely with the same answers, was the signal of information adequacy. Each interview session lasted approximately 2 h. After the interview, the informants' answers were carefully transcribed and entered into the

database. The data were then thematically coded based on the diamond factors.

RESULTS

In this study, the informants composed of three male and two female executives with the age range between 35 and 55. From the in-depth interview, they provided a reflection of the bird-eye view of Thailand cosmetic industry and expressed their opinion on five key factors that affect Thailand's competitiveness, especially for skincare and haircare products (Table 1).

Factor 1: Government Factor

From the study, all informants confirmed that the government perceived that cosmetic industry was a growing sector despite the political uncertainties, unpredictable environments disaster, and country and the world economic downturn. The government provided various positive supports for the business, for instance, the Department of Industrial Promotion, Ministry of Industry, provided training sessions for SMEs in all cosmetic business lifecycle including business startup, market expansion, and exportation. The FDA provided a lot of training sessions for SMEs; good manufacturing practice (GMP), product notification, and product information files preparation. The Department of Community Development, Ministry of Interior also provided special supports and promoted the efficient use of Thai herbal and natural ingredients in cosmetic products for SMEs and One Tambon One Product groups. Moreover, the Ministry of Agriculture and Cooperatives provided grants that support SMEs' investments for relevant technology and equipment, whereas the Department of Intellectual Property, Ministry of Commerce has promoted the industry research and development (R and D) through the National Innovation competition awards to inspire SMEs. Aside from that, the Department of International Trade Promotion, Ministry of Commerce also encouraged manufacturers, or SMEs to export their products by arranging overseas trips for exhibition, market visits, and business matching.

It was mentioned by all informants that the government has endeavored to strengthen the competitiveness of the cosmetic industry. Despite the considerable supports in place, it seemed that the activities were not effectively communicated to all members in the whole industry. Many companies were not aware of the supports provided. The activities were only made known to companies that were members of the Thai Cosmetic Associations. In addition, some unnecessary technical barriers to trades created by government agencies negatively impacted export only products. This was opposed to the national policy aiming to support and improve the country competitiveness including the expansion of the export business. For example, an approved trade name in other countries was not authorized by the Thai authority due to the country-specific control [11]. Nevertheless, this example of barriers has been discussed between the exporters and the authority. Some problematic regulations, especially for processing time, should be carefully considered for the future improvement as an informant described below:

"To encourage the investment in Thailand, the Department of Industrial Works, Ministry of Industry, should support the

Table 1: Themes related to five factors that affect the country competitiveness

Factor	Theme (number of informants)
Government	<ul style="list-style-type: none"> • Positive impacts: Training, financial support, R and D competition awards, overseas business matching and exhibition trips (5/5) • Negative impacts: Unnecessary technical trade barriers, regulations for exported products (5/5)
Demand conditions	<ul style="list-style-type: none"> • Made in Thailand products demand in neighbor countries, especially for CLM (5/5) • Medium- and high-income consumers preference on imported premium skincare (3/5) • Mass MNC haircare demand in general (3/5) • Thai herbal and natural cosmetic products accepted by extra-ASEAN countries, e.g., Japan, EU (5/5) • Thai herbal products expanded together with related industries, e.g., spa and massage (4/5)
Factor conditions	<ul style="list-style-type: none"> • Higher labor cost of Thailand when comparing with other cosmetic production base countries in ASEAN, especially Indonesia and Vietnam (5/5) • Almost 100% imported, and only 1-2% locally produced raw materials for production in Thailand (5/5) • 70-80% locally supplied materials for primary and secondary packaging and 20% imported (5/5)
Firm strategies, structure, and rivalry	<ul style="list-style-type: none"> • More investment on R and D (5/5) • Strategy for innovation-driven economy combing the cosmetic science and technology to meet “green,” “organic,” “natural,” and other health-related services (4/5) • GMP, COA, halal certification for exportation (4/5) • Tax incentive and incentive package, and investment strategy from BOI to attract MNC’s investment (4/5) • Strategy for the weakness on English communication, marketing skills, and branding skills (5/5) • Crucial strategies for “Thai brand loyalty” and “sustainable business” (5/5) • Brand loyalty and trust building strategies via product quality, effectiveness, safety, authority’s rewards and endorsement (4/5)
Related and supporting industries	<ul style="list-style-type: none"> • Contribution of Thai service business relating to cosmetic industry competitiveness (5/5) • Supporting of wholesalers and retailers to cosmetic business (5/5) • Two major clusters for cosmetics made up of related and supporting industries (5/5)

CLM: Cambodia laos and myanmar, MNC: Multinational company, GMP: Good manufacturing practice, COA: Certificate of analysis, SME: Small and medium-sized enterprise, BOI: Board of Investment

industry for the plant starting up and approval. The process should not be too complicated or take too long for SMEs.” (R3)

Overall, the government factor had a positive impact on the country competitiveness. However, the area for improvement would be the coverage of supporting activities throughout the country. The technical barriers to trade should be minimized particularly for export-only products.

Factor 2: Demand Conditions

The findings from all informants could be grouped in three major themes: (1) Existing markets for Thai cosmetics, (2) consumer preference, and (3) potential unique demand.

It was found that the top three markets for Thai skincare products were Singapore, Malaysia, and Indonesia. For the haircare, the top three markets for Thai products were Indonesia, followed by Malaysia and Singapore. All informants conceded that the products required in those specified markets were MNC brands. This is because the MNC products have long established reputation and customers trust products’ quality. Moreover, MNC products did cover all cosmetic types in the market, i.e., the mass, premium, and cosmeceutics. In regard to the local Thai brands, all respondents unanimously agreed that the ASEAN consumers, i.e., Cambodia, Lao PDR, and Myanmar (CLM) in particular, trusted and liked made-in-Thailand cosmetics. This group of consumers believed that the products manufactured in Thailand were high in quality compared with the same products or brand names made in their own countries.

All informants revealed that consumers had different preferences for skincare and haircare products. Skincare composed of a very wide range of products. Three informants stated that the medium- and high-income consumers tended to use the imported premium products owing to their brand loyalty. The haircare, however, had a lot lesser product choices. The main consumer’s consumption was mostly mass MNC products for daily use. One informant from SMEs articulated this demand as follow:

“...Middle-to-high-income people tend to use imported products in particular skin care products. For haircare stuff which is the routinely used products, the perception and trust of consumers on the MNC brands are still high; 80-90% of sales volumes are from the MNCs, but 10% from SMEs. Consumers consider hair products as general goods for daily life, while skin care products are for beauty. Fewer consumers want to switch a hair product, but most are always ready to try a new skin care one. The brand switching happens with skin products more frequent than the hair products.” (R3)

All informants had simultaneously mentioned that the Thai cosmetic could be created with more unique characteristics. Having herbal ingredients and being natural were two identified characters that could add significant value to the cosmetic product. The concept idea of herbal ingredient and being natural could create high ended product that serves niche market. Moreover, four informants mentioned that as Thailand is very famous for providing service, cosmetics could be offer together with high demand services such as Thai massage or spa. All informants confirmed that most Thai herbal and spa products were perceived as premium and were greatly

accepted by extra-ASEAN markets, e.g., the US, EU, Japan, Taiwan, and Korea. One informant from SME articulated that:

“...For the niche products, if the brand is built strongly, the potential markets would be worldwide. Customers will walk into the country for the products, and it is no need to do a door-knocking business. In Asia, Japan, Korea, and Taiwan are potential markets for niche items like THANN products. Price is not a key concern for this category. The unique aromatherapy and Thai spa are demanded worldwide.” (R4)

On the whole, the demand conditions remained satisfactory for the Thai cosmetic industry. The markets for made-in-Thailand products, MNC brands, and the niche products had the growth potential. The positive trend of global demand for cosmetics containing Thai herbal and natural products, along with the combination of Thai services, in particular spa and massage, were clearly observed.

Factor 3: Firm Strategy, Structure, and Rivalry

All informants agreed that the crucial strategies should be focused on SME business, as the MNC business strategies were globally managed by the head offices. Regarding the SMEs, the main strategies cited by the informants were (1) more investment in R and D (2) combined cosmetic science and technology for Thai herbal and natural products, and (3) increased brand awareness and loyalty. To run a sustainable business, it was important to improve R and D as asserted by all informants. SMEs, at present, needed to fiercely compete in the market where the Korean and Japanese products had dominated over the past 2-3 years. The SMEs, unfortunately, did not focus on the long-term basis, but rather on the short-term success with little innovation for cosmetic products. They slightly invested in R and D, but mostly outsource R and D tasks to OEMs. A total of 20-30 new items per year were created by the medium-size enterprises and <3 for the small size, whereas the MNCs produced on the average of 10,000 new unique product items. In fact, the technology and machines were not the SMEs constraint as they could be locally produced by Thai suppliers with reasonable prices. Four informants mentioned that the reward for R and D and innovation in the cosmetic area should be continuously provided and promoted to motivate the researchers and increase innovation in the country. Aside from that, the reward and endorsement by authorities could also be encouraged to help build the consumers' trust.

In regard to the demand markets, it was confirmed by all informants that the cosmetic tendency in the next few years would be products containing Thai herbal or natural ingredients and their combination with service packages. With the booming tourism and related industries, unique Thai herbal and natural cosmetic products would be highly demanded by the world markets. As a result, Thailand should have the innovation-driven cosmetic economy with the strategy for incorporating cosmetic science and technology into the herbal and natural products. This kind of economy would support the world's needs for green, organic, natural, halal, nano-technology, and/or other related health businesses, i.e., massage, spa, tourism, and fashion. Nevertheless, the huge investment in innovation needed to be partly supported by the government. One SME informant stated,

“...Thailand should focus on natural and/or herbal cosmetics. This will help promote the “Made in Thailand” products. The country could be the leader in cosmetics “NOT” just for the finished products but also as a hub of cosmetic business in the region. To become a regional hub, the country should convince the international investors to use Thailand as the headquarters...” (R5)

Brand awareness and loyalty were another strategy that Thai SMEs put as a priority. Most SMEs' products were fashion driven and very fast-moving, but the business owners were not aware of the necessity for building up the brand loyalty. To increase the loyalty and gain consumers' trust, improving products' quality, effectiveness, and safety should be set as top priority. Four informants specified that the GMP, certificate of analysis (COA), and halal certification should also be emphasized to increase the exportation growth. A few informants pointed out that only 132 of 700-1000 manufacturers had obtained the GMP certificate, which was required by certain countries. In some business partners, such as Indonesia and Vietnam, the GMP and COA were required for all imported products. In addition, the halal certification was planned to be mandated by Indonesia and Malaysia authorities for products placed in their markets. Thai cosmetic companies should thus improve their strategies to comply with some specific countries' requirements so as to expand the business abroad. However, the export strategy should focus more on intra-ASEAN markets than the extra-ASEAN during this period. The main potential markets for SMEs should be Indonesia and CLM countries. The reason was that there are many potential users in Indonesia with the highest population in ASEAN and the consumers in CLM countries trusted in Thai quality products. Although Thailand had the high export values, it should be kept in mind that the values did not portray the absolute competitiveness.

Four informants said that to keep the operation of MNCs which were the key player in the country, tax incentives should be provided by the Board of Investment, i.e., reducing the imported equipment and raw material taxes by 20-30%, waiving the tax for the legal entities of foreign investors, and treating them equally as local investors. An incentive package should also be offered. This policy would help prevent the relocation of manufacturing sites to other countries.

In general, the firm strategy, structure, and rivalry at the company and national levels were slightly negative for SMEs. The area of improvement for SMEs' strategies should be more investments in R and D, innovative herbal and natural products as well as products combined with services packages. All SMEs should have brand loyalty and awareness strategies in place. At the country level, the government should focus more on promoting R and D and technology for Thai herbal and natural products and their combined services.

Factor 4: Factor Conditions

It was confirmed by all informants that two major factor conditions elaborated by the informants were labor cost and imported raw materials and packaging. Among the countries regarded as cosmetic production bases, Malaysia and Thailand had the highest labor cost. The minimal labor

cost in Thailand had increased to 300 baht (US\$ 8.4) per day according to the government policy since 2012. This high labor cost affected all business types and sizes. It was likely to cause some MNCs to move their investment to other countries. Compared with other ASEAN members such as Indonesia and Vietnam which were potential cosmetic production based countries, Thailand's monthly labor cost was the highest of all. Although Thailand had good infrastructure, Vietnam was considered another attractive country due to the lower labor cost.

Considering the raw materials for cosmetics, the majority of them (98%) were imported. Raw material such as essential oil, rice oil, and palm oil derivatives which could be supplied locally accounted for 2%. These numbers indicated that raw material supply was not self-sustainable for the local cosmetic industry. For the primary and secondary packaging, nearly 70-80% of materials were locally supplied, and the rest were imported. A response to this factor was as follows:

“Thailand could not produce the cosmetic raw materials locally. Most of the materials are imported and require stock planning. The logistics could be an issue of concern if not well planned. This may be a risk regarding the shortage and unpredictable price from suppliers. Thailand has the best infrastructure to be the cosmetics production base...” (R2)

The factor conditions were overall construed as negative to the Thai cosmetic industry and required urgent improvement and supports from the government. The labor cost should be contemplated along with increased skills and multi-function labor. The high cost of imported raw materials and packaging would be resolved with the government policies on tax reduction and production based promotion.

Factor 5: Related and Supporting Industries

All informants identified two key industries; service industry and distribution industry, which highly related and supported the cosmetic industry. Examples of service industry were spa, massage, hotel, and tourist businesses. These businesses need cosmetic products to complement with their main services. To expand the market of cosmetic products, the businesses should target both end and intermediate customers.

Expansion of cosmetic product depends largely on product distribution channel. Modern trades such as Tesco Lotus and 7-Eleven were highly influenced cosmetic product sales. As these modern trades were located in urban and rural area, they create consumer awareness and provide convenient access for customers. Although modern trades were considered highly influential distribution channel, extremely expensive entry fee was identified as a major barrier for the cosmetic industry, especially the SMEs.

Cosmetic industry cluster, created by the Department of Industrial Promotion, Ministry of Commerce in 2014, aimed at gathering related cosmetic industries to know each other. The cluster enhanced its members to access their business partners; upstream and downstream business.

The related and supporting industries could overall be perceived as crucial for the Thai cosmetic industry competitiveness.

Relevant services were the star business of the country that was well known worldwide, and the rising trend of service business resulted in the growth of the Thai cosmetic industry.

DISCUSSION

The cosmetic business in Thailand has continually increased despite the political uncertainties and unpredictable environments [1]. All informants reflected on the SMEs and MNCs that were currently two major business sectors. Both sectors required different strategies for driving their own businesses. MNCs are the key contributors of Thai cosmetic business. Examples of large MNCs established in Thailand are Unilever, P and G, Biersdorf, and Johnson and Johnson. These business groups had strong R and D and apply new technology with powerful marketing strategies. However, the main technical barrier to MNC business is the country-specific requirements for export-only products. These unnecessary technical barriers could prolong 6-8 months of logistic flow and supply chain timeline for exportation. Those cosmetic products would be notified or registered again at the destination countries before placing in markets. This would impact Thailand cosmetic exportation value which is currently more than 80,000 mil baht (2286 mil US\$), and tended to be increased in the future. Since MNC business is the main exportation driver of the country, it is always convinced by the government to maintain their production bases in the country. Thailand puts a lot of efforts to attract new investors. The big challenge of the country has so far been the high labor cost compared with other ASEAN countries, i.e., Indonesia, the Philippines, and Vietnam. Given the higher cost, Thailand is still considered attractive to new entrepreneurs because of its geographic location, infrastructure, and transportation system. Aside from the country's strategy for being the best cosmetic production-base in the region, the co-operation of the government and industry, including in-between industries, on the technology and knowledge transfer should also be more concentrated. The technology transfer could be an impetus for the country competitiveness in a positive and sustainable way.

The SMEs might not be a major contributor to the country's cosmetic industry in terms of export values compared with MNCs. However, it is the most important business sector that the government put tremendous efforts and supports into it so as to propel its competitiveness for both domestic and international markets. Some examples of successful SMEs are Mistine and Giffarine that currently become large local companies and are able to compete in the world markets. The success of such companies lies with R and D and product quality. Therefore, all SMEs should consider increasing investment in R and D with innovation. The emphasis on the short-term business without the awareness of sustainability based on appropriate R and D could put the whole SMEs at risk. The utilization of qualified R and D personnel in the country should be maximized to achieve more innovative, high-quality products and confidence in Thai cosmetic brands. The reward and endorsement for R and D by authorities could also help increase the trust from consumers. To improve the product quality for the world markets, the SMEs should meet the requirements of GMP or equivalent international standards. The Thai SME brands should be strategically promoted to the

international markets. Training sessions on brand building and marketing skills should be provided and supported by the government. To expand the SMEs' markets, a co-operative cosmetic cluster is the major support business. The tourism, hotels, massage, and spa are also the key supporting businesses for the Thai cosmetic industry, as they share the same group of target consumers. Moreover, SMEs should also expand their businesses to the certain markets of niche products, i.e., Thai herbal and natural cosmetic products for target extra-ASEAN countries. Thailand has a good reputation of unique Thai herbal and natural cosmetic products that are required by the world markets, particularly in EU and Japan.

Compared with other sectors using the diamond model to explore competitiveness of food and car industries [2,6,7], the government factor was all reported as the most important factor affecting business competitiveness. Impact from the government has a tremendous effect in promoting and supporting the industry. Same as findings from this study, the related and supported business has also been recognized as an important factor for the industry competitiveness.

To improve the country competitiveness, the policy recommendation should focus on; (i) provide continuously support the herbal and natural products; (ii) promote "Made in Thailand Trusted Products" by performing strong and professional training to local industry on Business Communication, Branding, and Marketing skills; (iii) arrange a business matching between cosmetic industry and other related and supported business, i.e., spa, massage, tourism business, hotels, airways, beauty medicinal, and treatment clinics; and utilize the qualified R and D by matching the academic resources with the real business; and help provide the special event for the industry to meet the trade partners, i.e., roadshow, business matching, and exhibition. The business barriers and issues could be possibility solved when there is a face to face meeting between the two partners with the same purposes.

There are some limitations of the study. Although the saturated answers were obtained from the five qualified informants, to generalize the result for specific business group, i.e., SMEs, and to get more precise policy recommendation, further study should be specific and involve more participants from such particular type of business.

CONCLUSION

It can be summarized that the government factor, demand condition, and related and supporting industries are positive factors related to Thailand cosmetic industry competitiveness. The negative factors from this study are factor conditions and firm strategy, structure, and rivalry. An immediate action is required to improve regulatory process efficiency, especially export only products. Other important strategies that could

enhance Thailand cosmetic industry competitiveness are promotion of R and D, emphasis on product quality, sale cosmetic couple with famous services, and looking for niche and high-ended markets.

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