



## An Assessment of the Air Cargo Industry and Future Perspectives in Thailand

Apichaya Chuepan \* • Tiwari Abhishek • Loganathan Hariramakrishnan •  
Hasan Kamrul • Lohar Bhupesh

Faculty of Business Administration, St. Theresa International College, Bungsan, Ongkharak, Nakhonnayok, Thailand  
[apichaya@stic.ac.th](mailto:apichaya@stic.ac.th)

**Abstract.** The Air Cargo industry in the Thailand market has seen exceptional growth in the last decade. This considerable growth in the last decades is expected to continue in the next decade, it creates an interest in researchers and stakeholders to study. In Thailand, the majority of the logistic operators are small-scale based operators. Most of the local logistics companies in Thailand have trekking fleet operators, including pickup products from one location to another. Thailand is one of six countries in the Greater Mekong Sub-Region, strengthen the transport bonds between other countries, which improves boundary-boundary transport connectivity. Market revenue for logistics and warehouses has shown positive growth over the years in Thailand.

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### 1. Introduction:

Freight forwarding services in Thailand especially in storage and shipping of merchandised goods on behalf of its shippers. Services such as preparation of shipping, tracking inland transportation, booking cargo space, export documents, negotiating freight charges, cargo insurance, freight consolidation, and filing of insurance claims. In the country, which contributed to the unprecedented rise in the Freight Forwarding industry in the country, the FMCG sector has been supporting the development of cargo handling in Thailand through the expansion of retail, food and e-commerce industries. In Thailand, road transport dominates the entire transport industry, taking into account the maximum revenue share of the entire logistics market in 2017, followed by air, ocean, pipeline and rail transport.

The level of air cargo services in the contemporary international economy typically describes many of the features of the service. First, services facilitate financial transactions and play a key role in development (Daniels and Moulaert, 1991; Daniels, 1993; Begg, 1993; Illeris, 1996). Second, to secure a competitive advantage in the global economy (Porter, 1990, 1996; Dicken, 1998). Third, national economies are becoming less insular and more mutually exclusive, with techniques, communication and organizational discoveries that exist with the ability to help in the process of internationalization (Dicken, 1992). These changes are accompanied by a significant increase in

production, consumption and services in the trade, particularly producer services (Wood, 2002).

The Express Logistics Market in Thailand is projected to show positive CAGR in 2017. This logistics requires all logistics to correct delivery, sorting, storage, clearance, and duty payments. Delivery time is usually between 24 and 72 hours for the standard package offered by Express Logistics. Express mail services are available throughout Thailand and are represented by all major express delivery companies such as DHL Express, Kerry Express and CJ Express. Other postal services include Nicos Logistics, FedEx, UPS and TNT. Kerry Logistics is the largest logistics service provider for China and ASEAN. Express delivery is mostly used by B2B and B2C clients.

Thailand is the main country in terms of e-commerce in the Asia-Pacific region and has seen a significant increase over the past few years. This industry is in the early stages and gets better in the coming years. This industry is in the early stages and gets better in the coming years. The Thailand e-commerce logistics market has shown positive growth in 2017. Regional competitors such as the international big companies like Alibaba and Singapore-based Shopee Thailand share the market; Korean-based Lazada Thailand, 11 Street Thailand and others. In addition, many other small players are working for their support in the e-commerce market and e-commerce logistics operators. Growing E-commerce activities led to large frequency delivery across provinces throughout the

province, thereby enhancing e-commerce operations in Thailand, especially for logistics services.

In the past five years, Thailand's warehouse market has grown steadily at a single-digit CAGR for 5 years between (2012 - 2017). Thailand has seen an important e-commerce boom over the past five years. The e-commerce boom e-commerce companies that combined with customer demand for the same day and the next day were responsible for meeting their warehouse requirements and their logistics associates. In Bangkok, e-commerce warehouse is located in and around the Bang-Na - Trat road from 15-23 kilometers. The transport forwarding industry has broken in the country with the presence of domestic and international players in the industry. Rising in the freight volume through the air has a positive impact on the air cargo-based industry in Thailand. The e-commerce logistics market in Thailand includes the presence of major players in 2017 by Kerry Logistics, DHL, CJ Express, SK Logistics, Shipping, Commerce, FedEx, TNT and others. These logistics companies in Thailand are competing on the basis of coverage area, prices, shipping points, payment methods, delivery boys, and e-commerce merchants. The Thailand warehouse industry is widely dissipated with the availability of a large number of large and medium scale warehouses in the country. The market consists of a combination of unorganized and organized players. Companies in the country are competing against each other based on the size and location of the warehouse (Newswire Association, 2019; Mordor Intelligence, 2019).

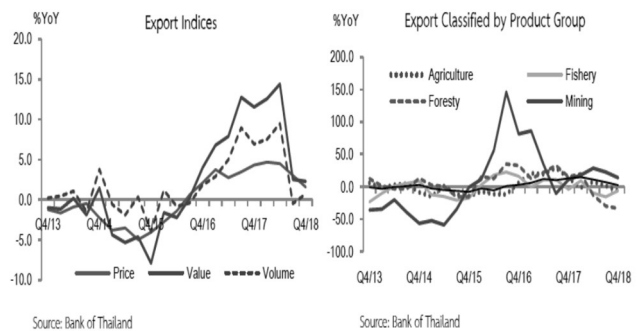
## 2. Discussion:

In 2018, the Thai economy grew by 4.1 percent, which grew rapidly from 4.0 percent to 6 years by 2017. Exports were up 7.7 percent. Private consumption, total investment grew by 4.6 percent and 3.8 percent. Major inflation is at 1.1 percent and the current account recorded a 7.4 percent surplus in the GDP. In 2019, the Thai economy estimated 3.5- 4.5 percent growth. (i) favourable growth of private consumption, (ii) increase of private investments through increased capacity utilization and increased BOI's investment applications, (iii) Reducing the tourism sector in accordance with the generalization of tourism numbers and receipts, (v) a clear redirected global trade, production and investment, and reduces effects from global slowdown. On the whole, exports are expected to increase by 4.1 percent, private consumption and overall investment will increase by 4.2 percent and 5.1 percent respectively. Headline inflation is 0.5 to 1.5 percent and the current account is expected to exceed 6.2 percent of GDP.

Economic Management Priority should be given for 2019 (1) export growth is lower than 5.0 percent growth rate on (i) export products will benefit from commercial security measures and will assist the

affected exporters and monitor changes in key import products related to tariffs imposed by US and China, (ii) implementing foreign trade policies to be followed by the terms of the World Trade Rules and Key Business Partners; (iii) discussing new trade agreements, especially with regional countries, and (iv) Promotes the hedging strategy between exchangers as it reduces costs and facilitates the export process.

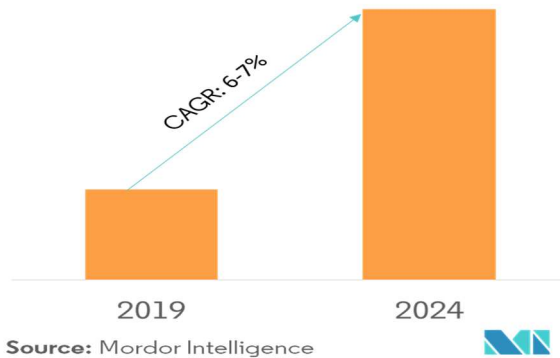
Exports from the last quarter dropped due to the decline in exports and exports of dollar terms last month. In the fourth quarter of 2018, export value was \$ 62.5 billion, a growth of 2.3 percent and 2.6 percent in the previous quarter. Export volume index rose by 0.7 percent, which increased by 0.3 percent of production output. Meanwhile, the export volume of agricultural goods declined by 8.1 percent, the higher base effect and the export volume of fish products decreased to 3.4 percent, due to a decline in domestic aquaculture production. The export price index rose 1.6 percent, down from 3.0 percent in the previous quarter, mainly due to a reduction in crude oil prices and other related products. Especially refined fuel, chemicals, plastic resin and rubber products. Excluding the incomplete gold exports, the value of exports increased by 1.4 percent to 5.4 percent in the previous quarter. In terms of Bath, the value of exports increased by 1.9 percent compared with 1.3 percent in the previous quarter (Figure 1).



**Figure 1.** In 2018, exports grew by 7.7 percent to 9.8 percent by 2017. Exports have increased by 2.7 percent during the period of Bath.

The Thailand Freight and Logistics Market is classified by Function (Freight Transport, Freight Forwarding, Warehousing, and Value-added Services) and End User (Manufacturing and Oil and Gas, Automotive, Mining and Quarrying, Fishing, Agriculture, Construction, and Forestry, Healthcare and Pharmaceutical, Distributive Trade, and Other End Users) - Growth, Trends, and Forecast (2019-2024) (Figure 2).

### Thailand Freight and Logistics Market Summary



**Figure 2.** Thailand's freight and logistics market summary

Thailand's logistics performance was significantly improved in 2018 due to heavy investment in transport infrastructure and related legal reforms. According to the World Bank's Logistics Performance Index, Thailand ranks 45th in 2016 and 2018 32. Thailand's ranking is seventh in Asia, surpassing Malaysia and Singapore. Thailand is widely invested in the 12th National Economic and Social Development Plan, which aims to reduce the logistics expenditure of the country by 12% to 20% by 2016 from 14% in 2016, after the 11th Plan (2012-16). The 12th Five Year Plan (2017-2021) connects not only with the development of transport infrastructure in major cities and border towns but also with neighboring countries. Some years ago, Thailand's strong growth rate slowed. In recent years, its GDP growth has provoked its regional neighbors, with 3-4% stroke from 2015, Vietnam rising by almost 7%; The government has entered into programs in an effort to revolve around this situation. Thailand 4.0 vision, predicts a new economic model for the country, which is leading the global digital economy.

#### 2.1. Scope of the industry in Thailand

The Full Background Analysis of the Thailand Commodity and Logistics Market, which is included in the report, through an assessment in the economy and the share of sectors in the financial sector, market overview, market size assessment for key sectors, market trends, market dynamics and logistics cost to end consumers industries.

#### 2.2. Demand for Logistic Services in Thailand

As ASEAN countries grew gradually, demand for consumer goods was created, the emerging e-commerce ecosystem and the spending of people in those countries. The second-largest economy in Asia in Thailand is one of the largest Internet users. Digital technology, mobile

and e-commerce have 57 million Internet users. An enhanced growth environment for Thailand for the growing Internet user base e-commerce businesses.

The expansion of the e-commerce business has created a demand for the logistics area and has brought significant changes in supply chain and logistics operations in Thailand. Many courier companies have launched their expensive and high-quality logistics services in the country, bringing the end-to-end delivery to the market. Many other companies have established domestic warehouses, along with the small downfall and pickup points in the country, demand growth. Small and medium-sized enterprises (SME), which means more efficiency and faster process for their customers. Aden, Central Group, DHL Express Thailand, Lazada, Kerry Express, Pomelo, and Shopee, major e-commerce and logistics companies in the country. In addition, due to the demand created by e-commerce, air traffic will increase air traffic significantly. AOT's airports managed and handled (Figure 3) more than 1.5 million metric ton of freight in 2017.

Air Freight and Mail Handled, in million tons, Thailand (2012 - 2017)



**Figure 3.** Airfreight and mail handled goods in Thailand

#### 2.3. Thailand's Emerging Opportunities for Contract Logistics

Thailand provides excellent investment potential as a leading automotive production base in the ASEAN region, a rapidly growing area for the automotive manufacturing industry. Over 50 years, the country has been developed as an excellent automotive manufacturing and export hub. With over 100 countries, Thailand is the 13th largest automotive parts export and the sixth-largest commercial vehicle manufacturer in the world, and the largest in the ASEAN region. By 2020, Thailand aims to have 3,500,000 units targeted at one of the world's top automotive markets. Most of the world's most popular vehicles, assemblers and spare parts are manufacturing in the country. Companies like Toyota, Isuzu, Honda, Mitsubishi, Nissan and BML share nearly two million vehicles produced each year.

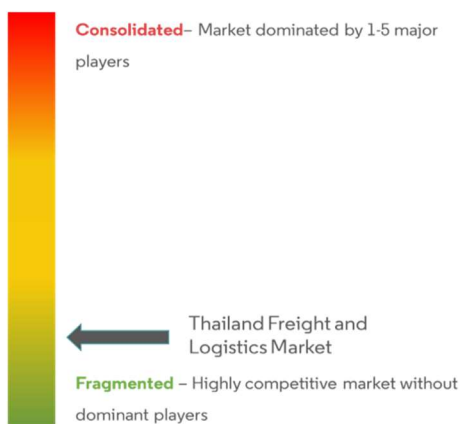
The existence of multiple organizations indicates a growing opportunity for their supply chain management, and thus, logistics service providers

benefit from the nation's rich automotive industry. Automotive logistics has become one of the most important sectors in Thailand and continues to this day. Recognizes the importance. ANJI-NYK Logistics (Thailand), a leading automotive logistics provider, offers automobile manufacturers in Thailand with final-end-end automotive logistics focusing on delivering manufactured vehicles and automotive parts.

Thailand's Logistics Market landscape has been broken up in nature with the combination of geographical and local players. According to industry sources, DHL has a significant role in the Thai Logistics market, with its expertise in air and marine cargo and 3PL services. Other global competitors like CEVA, Nippon Express, DB Schenker, Yusen, Expeditors, and FedEx, have a significant role in the market in specific segments. In addition, Japanese logistics companies are planning to expand their services on the market due to rising trade and industrial activity. The Thai manufacturing industry is dominated by global players and these world players prefer global competitors to their logistics operations.

The evolution of Asian Economic Community (AEC), Thailand has transportation hub potentiality for the Greater Mekong Sub-region (GMS) and it has been strengthened.

This initiative has increased the country's prospects for border trade and import-export goods. Road transport is the most important transport system. The fierce competition is that professional multinational logistics companies of foreign competitors can use significant competitive market share and use the competitive advantage to compete with local logistics providers. In order to meet competition, domestic logistics companies can find ways to identify risks associated with their services in neighboring countries and find ways to manage the risks (Figure 4).



Source: Mordor Intelligence



**Figure 4.** Freight and logistic market concentration in Thailand.

### 3. Conclusion:

This research reveals air cargo services in global production networks connected with Thailand. The literature on advanced producers service has focused on supply, rather than demand for services. As mentioned above, specific products, such as semiconductors, are more likely to utilize air transport than goods defined as consumer electronics, and the next category also has a significant variation. Many differences in the use of air cargo services are related to product attributes beyond value-to-weight ratio. The high air cargo intensity in the semiconductor company is also more likely to accelerate faster production wheels and marine cargo than the high value of their lightweight products. Because of the increasingly sophisticated nature and variations of these services, they argue that they should be treated as a sophisticated producer. Types of products as a discriminatory variable for air cargo intensity is the product of production The Customer Preference and Management Policy is often crucial to explaining the demand for air transportation. The main reasons for local sourcing of major markets, seasonal, and input are the causes of different behavior.

### Corresponding Author:

Apichaya Chuepan

Faculty of Business Administration, ST Theresa International College, Bungsan, Ongkharak, Nakhonnayok, Thailand.

E-mail : [apichaya@stic.ac.th](mailto:apichaya@stic.ac.th)

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