

## 1. Nature of Corporate Business

I.C.C. International Public Company Limited is the leader in distribution of fashion brands from both imported and also from innovation of the Company and its affiliates. The corporate main industries are cosmetics and perfumeries, hair and skin care products, full line of textile and garment industries including underwear, outerwear, sportswear, apparel for physical exercise, fabric care and leather goods, etc.

The Company also conducts wholesale business through shops and department stores both in domestic and international markets. Most of our company's products are in the line of fashion and beauty as can be described in our slogan "We make people happy and beautiful"

### - Cosmetics and Perfumeries Industry

From the start of its incorporation in 1964, the Company's core business has been involved in the sale of cosmetics under the Japanese brand name PIAS. Since then, the Company has expanded our cosmetic business by continuously introducing various other brands, such as BSC Pure Care, Sheene', Arty Professional, Honei V, St. Andrews. In October 2005, the Company introduced a new cosmetic brand - BSC COSMETOLOGY, under Saha Group brand for international marketing. The compact powder is the main product for advertising to create brand awareness within the target group. The celebrity and testimonial marketing approaches have been adopted by using celebrities as its presenter to stimulate trial need. Consumer behaviors have changed considerably in line with technology advancement, especially cloud technology. The introduction of new communication system such as Program Line enhances more rapid communication and access to consumers immediately. With the introduction of such technology, emails are no longer popular, consumers' behavior has changed. The BSC Cosmetology is prepared to handle such changes by adding new online marketing channels such as Facebook. Currently, its Fanpage is over 500,000. This customer base is cumulative for other marketing channels, participate with online marketing channels of business partners such as tarad.com, bento website etc. In 2017, BSC Cosmetology has expanded online marketing channel to meet customers' purchasing lifestyle. Nowadays, we have to admit that the way to purchase products has changed from going to selling points to purchase through online channels or we can say that "mobile phone is everything". We cannot refuse that nowadays mobile phone is an equipment we cannot live without, because besides using mobile phones for calling, it has many other functions in daily lives such as joining online social network, watch videos, entertainment, education, account management, transfer money and payment for services etc.. The BSC Cosmetology is aware about the importance of this equipment as a channel to penetrate to target groups by selling on [www.eThailandBEST.com](http://www.eThailandBEST.com), which is a new online marketing channel of the Company and has also joined with online marketing partners in various businesses such as TARAD.COM, Bento website, OKBEE.COM etc. We also increase communication and product distribution channel through Line Application as well. Realizing growth opportunities under the ASEAN Economic Community inauguration, the Company has started shipping out our famous cosmetic brand names, i.e. BSC COSMETOLOGY and Sheene' as the very first cosmetics from Thailand stretching into AEC markets, starting from Vietnam and Cambodia. The Company, in fact, has prepared itself well for complete footings in these near abroad. In 2015, the Cosmetics and Perfume Department has presented new product marketing style or "BSC Beauty Station", which provides opportunity for local and foreign investors especially the ASEAN Market to co-invest in new Cosmetics Business, One-Stop-Shopping Style, which gathers famous cosmetics brands in one place. Investors can plan their investments and marketing targets. They can determine product investments and furniture, which normally is complicated and main problem for investors, due to variety of local and foreign cosmetics brands. Customers can select every type of cosmetics at BSC Beauty Station to meet their lifestyles. These days, customers want to choose a variety of products in one place quickly and completely. Hence, to assist investors not having to bear high expenses for cosmetics business, we put many famous brand names together in one place such as BSC Cosmetology, BSC Panadda, Sheene', Arty Professional, Pure Care by BSC, imported cosmetics and many other famous brand names. The strength is well-known brand names, which have long gained trust from customers. Therefore this will become another channel for local and foreign investors especially ASEAN countries to make bold decisions and confident to invest and engage in business with BSC and conform to welcome the ASEAN Economic Community (AEC).

### - Women's Wear Industry

The Company has been promoting every brand of women product groups which we have dealership on a continuous basis. There are 5 main brands : Wacoal, BSC, BSC Signature, ELLE and Kullastrri. By adding variety to products as well as functions, customers can choose to wear them appropriately to suit the occasions. Customers are also aware about our consistent product developments through our outstanding innovations.

### - Men's Wear Industry

The Company is the distributor of men's wear under such brands as Arrow, Excellency, Guy Laroche, Guy Guy Laroche, Daks, ELLE Homme, Lacoste, Getaway, BSC 2001, Hornbill, Cool Metropolis, Gunze, Mizuno, Le Coq Sportif, Maximus, Felix Buhler And Hazzys. The main distribution channels are department stores in Bangkok and upcountry, with regular sales personnel providing product advice and an after-sales service. A new distribution channel has also been opened in discount stores, as well as in shops that have opened in shopping malls, TV channel and E-COMMERCE.

## 2. Revenue Structure

The Company classified revenue as 3 principal segments are as follow:

(unit : million baht)

Product lines	2016	%	2015	%	2014	%
Revenue from sale of goods						
Cosmetic, toiletries & perfumeries	1,299.79	9.65	1,296.29	10.03	1,387.04	11.04
Women's apparel	4,388.00	32.59	4,130.21	31.96	3,699.61	29.45
Men's apparel	3,356.02	24.92	3,236.10	25.04	3,252.97	25.89
Other	3,571.57	26.52	3,680.22	28.48	3,693.38	29.40
Other income						
Dividend income	526.68	3.91	378.45	2.93	332.52	2.65
Gain on disposal of property, plant and equipment and investment properties	35.18	0.26	0.59	0.01	5.44	0.04
Gain on disposal of leasehold	-	-	-	-	22.27	0.16
Share of profit of investments in associates	51.13	0.38	44.66	0.34	-	-
Others	237.58	1.76	157.55	1.21	191.86	1.53
<b>Total Revenue</b>	<b>13,465.95</b>	<b>100.00</b>	<b>12,924.07</b>	<b>100.00</b>	<b>12,562.82</b>	<b>100.00</b>

## 3. Major changes and activities in 2016

### • BSC COSMETOLOGY

Founded : October 2005

In 2016, the printing industry encountered severe crisis from readers' behavior changed by current technology. Readers have given up reading information on paper instead they slide on screens to read what they are interested in through online world. The worldwide economic recession also affects advertisement income, which is the "main pipe line" for a variety of printing media channels. Consequently, many famous magazines have to close down their business. Advertisement income in the latter 10 years reduced by more than one-third. Many newspapers also announced no new employment, even though advertisement income decreased lesser than magazines. We must accept the fact that nowadays, digital media has replaced printing media. Digital media has become a part of consumers' daily lives, which directly affects advertising campaigns and media planning. All mobile devices have become personal belongings of most people, especially hand phones, tablets and laptops. Sales of these devices grew evidently in these recent years, thereby shifting behaviors of most consumers. They mostly received messages or comments posted on these devices. The Company, therefore, has to adjust our marketing strategies in line with demand of the target groups, by placing greater emphasis on marketing

communications via digital or online media. Distribution channels have been increasingly expanded for them. Last year, the Company launched more marketing campaigns via such channels as O-Shopping, Bento Website, and Seven-Eleven Online Catalogue, etc. These included the launching of Viral VDO to enhance our image and brands among web buyers. In the past year, we engaged in marketing through E-Commerce channels such as O-Shopping, Bento Website, Seven-Eleven Online Catalogue etc and made Viral VDO to boost image and Brand name to become more well-known. Last year, we launched the marketing campaign “the Best Powder: Soft Filter from BSC” with Miss Natalie Glebova, Miss Universe 2005 as the presenter. The “World Class Cosmetics” concept is retained while boosting image of BSC Cosmetology Brand to become world class cosmetics. The marketing communication emphasizes on new innovation “Soft Focus” concept that has the property to disperse light as if implanted with filter, the skin looks much radiant like using filter from Photoshop application. This campaign is well received by the skincare customer group. BSC Cosmetology also promoted the Whitening product group with the newest innovation: BSC Expert white anti-pollution plus, ready to protect skin since the first usage from every type of weather condition either sunlight, heat and UV ray of Thailand. This product series has introduced new innovation of popular food nutrients (Pollustop), which acts as smart mask to protect skin from pollution in daily lives as our environment is risky for skin diseases. Skin may become dry, scorched, deteriorate due to weather condition and toxic pollution. Hence, BSC Cosmetology created skincare innovation that whitens skin and face, reduces wrinkles, strengthens skin and get rid of toxics from face and protect skin from pollution since its first usage.

- **Sheene´: Presents “Sheene´ Mobile Beauty” Concept.** With Mobile beauty station, customers can select cosmetics products in a new way which has been provided with easy and direct access rather than waiting for customers to come for service. This really meets women’s rapid lifestyle in this digital age which they prefer more outdoor lifestyle. Last year, after this concept was launched in Saha Group Event and received well feedback from customers, trading partners and shops owners during the Event, Sheene´ Brand then expands Sheene´ Mobile Beauty nationwide and have received good response beyond expectation under the concept: “Beautiful, Modern, and Easy Access”. Nowadays, shopping behavior has changed, while the Brand is well aware and has adjusted distribution method to meet customers’ lifestyle.
- **Pure Care: Presents “Royal Rice Series” Product:** Rice bran oil innovation has been inspired by participation in using rice bran oil extract under the Suan Jitladda Royal Patronage Project, to encourage products of local farmers, supporting them to attain sustainable lifestyle, self-reliance coupled with reduction of imported raw-materials. The Riceberry Bran Oil is rich with natural Vitamin-E and gamma oryzanol, which is acceptable worldwide with its properties of skin nourishment and anti-aging with firm and smooth skin effects.
- **Arty Professional : Arty Professional Cosmetics by BSC** launches a concept “**The 4 H.D. Selfie with Confidence and Clear Skin through the Screen**”. This newest product enhances beautiful makeup made easily by the latest innovation: Hybrid Powder technology, which can create film layer on skin to help make a beautiful and clear look on every skin problem either dark marks or blemishes. Users can feel confident that even high definition camera (H.D.) cannot destroy the beauty of their skin.
- **BSC Panadda : Presents “The Power of Make up” Concept.** BSC Panadda, the leading Brand name for false eyelashes emerge to change women’s look to a remarkable beauty with the power of false eyelashes. As we well understand the differences in eye shape of each person, we thus create new beauty for women by using the magic of makeup and false eyelashes. With the concept “Just attach, your life changes”, the new product “Open Your Eyes” false eyelashes can be easily adjusted to any new design by yourself to most fit with your eye shape.
- **Marketing Campaigns to Create Good Activities for Society : ICC The Most Beautiful Day**  
The Company is well aware of participation in social development to good society filled with good stories for enhancing morale and inspiration. Therefore, we launched a marketing campaign “The Most Beautiful Day” to be a channel to encourage and giving assistance to the poor and needy people in society. In 2016, we have joined the project with Ratchanakarin Child Development Institute to procure wheelchairs and medical equipment for children and handicapped people. The objective for this campaign is to receive donations of money or unused wheelchairs and medical equipment for the handicapped, and also calling for volunteers to help repair these equipments at Ratchanakarin Child Development Institute, Chiang Mai Province

- **Distribution Channel by “One Stop Shopping” : Beauty Station**

At present, the purchasing behavior for cosmetics products has changed tremendously due to the new and rapid marketing communication which is easy access to the target groups. Customers have more freedom and choices which are not limited to the traditional way of purchasing at the sales counters. This change has opened up new opportunity to gather cosmetics products of many brands both owned by the Company and other companies, which are of interest to customers into one place (One Stop Service Shop). The Beauty Station then meets customers' lifestyle and gives them freedom for choices while retaining good counter services.

- **Wacoal Pink Ribbon Fight against Breast Cancer Project**

Current statistics shows that the number one cancer found in women is breast cancer. The age of women with breast cancer decreases and this is quite alarming. Wacoal therefore organized the “Wacoal Pink Ribbon Fight Against Breast Cancer Project” to be responsible to society and create good activities for Thai women. The campaign against breast cancer has been launched for 16 years to create awareness among women about the importance of consistent breast cancer checkup as well as assist patients to get the opportunity for immediate treatment of cancer. If it is found early, it can be treated and truly cured. In the past year, we helped promote Thai women to stay away from breast cancer by various activities such as:

- **Wacoal Pink Lady Service**

Wacoal Pink Ribbon Fight Against Breast Cancer Project has joined with National Cancer Institute to organize “Wacoal Pink Lady Service” activity by training our 800 salespersons to be mediators of circulating information to customers on how to check the breast cancer by themselves. The target is to expand Wacoal service network nationwide by organizing activities on a continual basis since early 2016 and with cooperation from experience doctors and nurses in breast cancer from the National Cancer Institute. Salespersons who have been trained will receive Wacoal Pink Lady pin as Wacoal's representatives to provide advice or suggestions to customers about danger from breast cancer, risk factors, and the right method to check for breast cancer by themselves. This also include an advice in selecting proper bra (Balancing Bra) to enhance confidence to customers who have ever been through breast cancer operation as well as guideline for good health and stay away from this disease.

- **Wacoal Cares for Your Breasts. Mammogram Saves Your Life (Year 7)**

Wacoal has cooperated with the National Cancer Institute, Regional Cancer Hospital, Department of Medical Services, and 25 leading Bangkok Hospitals nationwide. The objective is to promote Wacoal customers to check for breast cancer with mammogram and ultrasound machines as well as simple breast cancer checkup technique by themselves. Customers can then change their behavior and check their breasts consistently to stay safe from breast cancer. With this promotion, when His & Her member customers purchase Wacoal lingerie with accumulated value at 12,000 baht (net) between 1 July to 31 October 2016, they will be given one breast cancer checkup coupon for mammogram treatment one time free of charge at National Cancer Institute, Regional Cancer Hospital, Department of Medical Services, and every branch of Bangkok Hospital nationwide (except Samui and Sanamjan) as well as 25 leading clinics nationwide.

- **“Wacoal Pink Ribbon Fight Against Breast Cancer Beauty Inside 2016” Road Show**

Wacoal has cooperated with the National Cancer Institute and the Cancer Association of Thailand under the Royal Patronage to organize roadshow activity “Wacoal Pink Ribbon Fight Against Breast Cancer Beauty Inside 2016”. The objective is to promote a campaign nationwide among Thai women to checkup for breast cancer with mammogram and ultrasound machines as well as educate them to take care of their own health and breasts consistently so as to be safe from breast cancer. The campaign also invites Wacoal customers to be a part of givers and send their well wishes to needy breast cancer patients. A volunteer group has been organized for activity to decorate hats to be given to needy patients who have received chemotherapy treatment. Other activities include selling Wacoal products and souvenirs designed by M.L. Jirathorn Jiraprawat, with proceeds to be donated to the National Cancer Institute Foundation and the Cancer Association of Thailand for needy breast cancer patients treatment.

- **Balancing Bra Donation**

Wacoal has organized the Balancing Bra Donation Charity Event and invited customers to become givers to help needy breast cancer patients. The activity includes donating Balancing Bra with artificial breasts to women who have had breast cancer surgery directly through organizations and government units such as Red Cross presidents from various provinces, charitable organizations, government and private hospitals including department stores and shops nationwide. This Project has received cooperation from various organizations in delivery Balancing Bras to needy breast cancer patients who need surgery.

- **Contribution of Donations**

Donations have been given to help society under Wacoal Pink Ribbon Fight Against Breast Cancer Project as follows:-

- Vachiravej College Chalermprakit Foundation under the Royal Patronage : Wacoal donated 5 million baht to build Breast Cancer Center at Khon Khaen Hospital to be the breast cancer treatment center for women in North-East Region.
- Cancer Association of Thailand under the Royal Patronage : Wacoal has donated 1 million baht for Fight Against Breast Cancer Activity.
- National Cancer Institute Foundation: Wacoal has donated 1 million baht for the needy breast cancer patients treatment.

- **Bra Day Project : Valuable Bra Creates Jobs and Environmental conservation**

With the 5<sup>th</sup> year social development project, “the Bra Day” helps promote environmental conservation by stimulating women nationwide to checkup their bras, taking care of their health, and donating their unused bras in order to dispose garbage by sustainable eco-friendly method. Jobs are also created for women in safe house to help them regain confidence to live happily in society. These activities can be identified into 3R: 1. Reuse: to donate new raw materials for bra production to the Women Status Promotion Association. These materials shall be handmade into products to create income and jobs for women in safe house. 2. Reduce: the used bras are disposed in the closed disposal system to be used as fuel for cement production. As a result, fuel consumption is decreased while pollution to environment and greenhouse gas effect shall also be reduced 3. Recycle : the remains from used bras such as wire, rings and hooks can be recycled into smelting metal which are considered very efficient and worthwhile way of using resources.

- **Arrow : Fabric-Design Innovation**

**Arrow Shirt “Wrinkle Free No Iron Plus Quick Dry” needs no iron, just wash and wear, easy to iron, dry fast, and comfortable wear.** Shirts are made from cotton fabric with specially long fiber mixed with microfiber and fine yarn at micro level, so that the fabric is fine, soft and has the quality to become wrinkle free, easy to iron or no need to iron at all. Wear after washing, save time and energy, comfortable to wear. Feel cool when wearing, not hot nor foul-smelling.

**Arrow Slack “Freedom for Every Movement”**

- **Max Move : Wonderful pants, most comfortable to wear from fabric and sewing (I-Flex) innovation development.**
- **Easy Move : Working pants, adjustable to individual body shape, size and time period (Adjustable Waist)**
- **Relax Move : Pants for trips, comfortable to wear, many colors selection**

- **Arrow : Social Innovation**

The “Unused Clothing Help Thais and World Population” Year 6 project organized by Arrow helps promote public donation of their unused clothing to help flood victims through Arrow activities. With this ongoing project since 2011, Arrow has been donating clothing through various media channels and charitable organizations nationwide **until Year 2016.**

- **LACOSTE : EXOTIC LOOK**

Lacoste introduces a new idea for outlet decoration by using Standard Fixture for a new set of furniture. This has been inspired by modern architectures that emphasize on the importance of environmentally-friendly furniture. The material is light, energy-savings and using pollution free production method. Additionally, the Pop Up Store design used during the launching of Lacoste L.12.12 Collection has also been applied by adding new and special features with striking colors to attract customers attention while displaying our new collection.

- **LACOSTE : CREATIVE INNOVATION**

Lacoste comes with complete idea LACOSTE Style. The Flagship Store, Central World Branch, 2<sup>nd</sup> Floor, the first and only in Thailand is complete and biggest in the Asia Region with over 500 square meters in the heart of Bangkok. It is

decorated with large Polo bar and the Store has the most colors and designs in Thailand. It meets customers' demand for product variety and designs from head to toe, for ladies, gentlemen and children. It is Lacoste one stop service, Thailand. We also provide embroidery service for initial alphabets on Lacoste polo shirts for various festivals.

- **Lacoste: Technological Innovation**

Lacoste joined hands with Orthorite producing shoes sole with 5 outstanding qualities: bacteria reduction, better air flow, comfort, durability and reusability.

## Industries and Competition State

### 1. Cosmetics and Perfumeries Industry

- **State of Competition**

State of Competition can be considered in accordance with following distribution channels :

1. **Counter sale** The cosmetic market is in high competition, due to the continuing entries of new brands in the market. The market grows continuously every year, The intense market competition continued, in line with a higher number of players in the market whereas brand loyalty was tending to drop Even though met the outbreaks of economic and political crises in 2012. Given the fact that most of the Thai women still care for themselves, most of beauty care products still showed good promises in sales. In 2015, the competition in cosmetics market has become more intense due to investors such as cosmetics flagship stores in complete form, world class cosmetics shop "Sephora", which carry world class brand names beauty products, entered the market. Thai ladies will then be updated about beauty. The expansion of discount and convenient stores gain more access to consumers. The marketing strategy is more offensive with brand names cosmetics counter group using Integrated Marketing Communication: IMC, which includes organize promotion, advertisement media and new product market. Organize activities and expand distribution channels to reach targeted groups. In the past, counter brand cosmetics have changed from former advertising channel by television media to create wide brand awareness to online advertisements to access to customers quickly and all the time. This not only includes prime time but the market has changed television advertisements as introductory communication channel and use online advertisement channels as follow up channels for purchase decision. New products are increasingly introduced continuously at theatres, by Internet and in department stores, given the continuous and prevalent popularity of said channels. BSC Cosmetology and Sheene' spent more on advertising on Internet. Following growth in E-Commerce business, distribution channels are no longer restricted among sales counters. Amid greater emergence of the digital world, there is greater popularity of online shopping in all categories of goods, including cosmetics. Cosmetics reported the second highest of growth in online sales after clothes, which will be very beneficial to the cosmetic market. Thailand is now more ready for online trading, due to availability of communication facilities, from EDGE to 3G and 4G going forward. Customers will enjoy more accesses to Internet, seen as a crucial factor for growth in E-Commerce business. Shopping will be much easier. Sales on Internet are only in the beginning process and more marketing strategies will follow soon. Although online sales are not the main sources of income for the current brands, it is undeniable that the trend has already begun with more roles and trading value is worth pursuing. Online sales of various brand names will grow substantially in the next 5 years and advertisement in theatres, and department stores which can bring the higher attention and exposures to the consumers which will help maintain sales volume and expand new consumer base. Counter sales brands have adopted different marketing strategies and organized more activities to promote sales, as seen in higher frequencies and provision of product gift sets at reasonable prices to stimulate the sales. Each brand has launched Value Sets for trial usage and attracting new buyers. Modern technology plays a greater role in sales promotions in order to get more intention from buyers. Most counter brands increasingly use modern technology to promote sales especially skin testing devices. It takes approximately 3-5 minutes for the skin diagnosis. New technology enhances reliability of each brand, which will justify if it is worthwhile to purchase. One of the current strategies adopted by most counter brands is to promote love and loyalty among buyers at all times. Must always be concerned about social responsibility, which adds brand value in consumers' opinion. Department stores respond to plastic bags usage reduction so as to reduce the Green House Effect. Each Store organized campaigns such as higher discount when purchase goods, do not use plastic bags, determine No Bag Day to campaign to customers not to use

plastic bags for their product purchases, accumulate additional points for not receiving plastic bags and make fabric bags as premium for exchanged purchase and gift to customers.

ICC Cosmetic and Perfumeries Division emphasized on the consumer research and product development that aim to meet the consumer needs of products that enhance beauty and personality, including new technology to entail the necessity for use of the product and to show the final results to the consumers. Especially, BSC Cosmetology and Sheene´ have successfully retained their market leader status of foundation powder continuously. The Company aims at strengthening its brand and products, using innovation development as a primary strategy. There was greater spending on R&D in sciences in order to develop innovative products. BSC Cosmetology realizes that innovation is everything, ranged from products, packaging, distribution channels, deliveries and marketing. It aims at achieving innovation for better responsiveness in order to meet consumers' demand.

**2. Discount Store** The major change occurred in discount store industry when Carrefour, giant discount store, announced to sell its business. Casino Group won and bought the business. The major shareholder is BigC Supercenter Public Company Limited. In 2016, Casino Group wanted to sell 58.6% of paid-up capital shares to reduce debt in business operation abroad. Lately, it announced to sell its business in Thailand to **"TCC Corporation"** or TCC Group that belongs to **Mr. Charoen Siriwattanapakdee**, owner of Chang Beer. The deal in Thailand was carried out "quickly" in a period of **"less than 2 months"**, because of the "demand" that Mr. Charoen wants to own BigC and thus tried to end the deal quickly by **"cutting out competition"**. This emerges a new era for the hundreds of billion baht deal since beginning of the year. From this deal, TCC Group will have the integrated business from upstream to downstream in Thailand (production till distribution) and become the major company in retail group in Thailand and Vietnam. In Vietnam, METRO is the wholesale store similar to MAKRO while BJC group has B'smart shops. BigC may benefit from business expansion abroad, especially in CLMV, which is the main target of TCC Group. Vietnam is particular country where the Group has wide connection. Currently, there are both traditional distribution channel (distributors) and modern trade (wholesale + convenience stores). It is believed that TCC Group will join the bidding for BigC in Vietnam, which has the policy to sell its business as well. Now BigC has 125 hyper market branches (BigC Supercenter, BigC Extra and BigC Jumbo), including 55 branches of BigC Market, 394 branches of Mini BigC and 146 branches of Preaw Drug Store. This TCC Group's business is second only after Tesco Lotus. The BigC business takeover deal not only shook the market leader "CP-Tesco-Central" to seize the retail-wholesale market share in Thailand worth 3.3 trillion baht, but also will act as a spring board to complete Mr. Charoen's group to cover the whole range of business including products, distribution and sales channels. Particularly in Vietnam, even though the current market has not much grown up compared to the retail stores in Thailand, but it obviously foresee a great potential to grow in the future. Therefore, it is not surprising to see that after "BigC" Thailand deal has already ended, the Casino Group also announced to sell "BigC Vietnam" business since mid-December 2015 as well, and the major discount store groups in Thailand showed interest in this deal all along. After such business disposal, the competition in discount stores market become more intense while consumers still gain the most benefit from this competition. Discount stores have tried to enhance their image while price strategy has also been used in competition which is so fierce that many competitors have disappeared from the market. Price dumping resulted to gaining the negotiation power on hand, business entities then can request for margins and benefits in an offensive way with every type of operation strategies. This caused heavy burden to trade partners in facing greater competition, with higher cost of sales and marketing. Additionally, discount store business is mostly foreign investments, which can expand its base and open more branches continuously, including expansion in terms of the convenient stores and small supermarkets implanted into various communities to establish base where they can negotiate with trading partners. Discount stores also cooperate with more than 70 business allies to provide joint service for bill payments and will cover to more services in the future. This marketing tool attracts customers to use this service as it meets their lifestyle with time limit, so they prefer going shopping and using other services in the same place at "One Stop Shopping and One Stop Service". In the future, discount stores expect to expand the services by searching for other allies such as ThaiTicketmajor to increase ticket sales channel for buses, concert tickets, postal services, etc. With this strategy, discount stores can organize marketing campaign along with selling their products. For example, if you use pay bill service, you will get discount coupon for purchasing products. This is the pool marketing with high and efficient result. In the future, discount stores plan to do an integrated Online Shopping to reserve for the intense competition and changing behavior of consumers in the future.

## 2. Women's Wear Industry

### - State of Competition

#### 1. Competitive Situation

Competitive strategies in 2016 included the followings:

#### - R&D for Women's Lingerie

The Company emphasizes on creating innovation so as to satisfy ever changing customers' needs in accordance with digital lifestyle. New technologies from Japan are introduced to improve product designs for best selection and help women to look after their body shape, choose products which fit their physiology at each age group, feel more confident about their look, including different needs for each daily activity.

Consumers' behavior changes rapidly. It is important that the Company focus on consumer behavior research and analysis to improve and develop products as well as communicate with consumers to make them understand products benefits. Internal working procedure has also been developed for smooth and flexible operation and satisfy consumers' needs. For the past year, the Company has improved working procedure of both factory and sales department by taking consumers' needs into account as a guideline for new product launch. The factory, merchandiser and sales department have worked as One Body, starting from brainstorming to design products to meet consumers' needs in every age group, size, cup and lifestyle in terms of function and fashion based on good quality products.

The Company still emphasized on improvement. The Company has still placed emphasis on research and development of technology and innovation, including consumer behaviors. Research has been conducted regularly and continuously in order to produce bras that fit your body and meet the needs of women.

The Company has promoted research on human body for more than 3 decades. The research findings have been compiled, including knowledge from site visits in Japan, for the development of bras appropriate for body structures of the Thai women at different ages and occasions of use.

As for consumer behaviors, the Company has emphasized research on consumer behaviors on a regular basis, given the rapid changes in the market. Realizing such facts, the Company has developed Focus Group Seminars, attended by users in order to gain firsthand comments, level of appreciation, and all their needs, both before and after the launch of our products. These include the site visits in Europe, especially France, and Asian countries, such as Japan and Korea. The research findings and knowledge from site visits in foreign countries have been used for new product development that meets the needs of and remains consistent with the consumer behaviors at different ages and lifestyles, based on high quality and reasonable prices.

The Company still emphasizes on improvement and develop integrated product management on a continuous basis in terms of products and target groups, sales persons with close relationship with customers before product sales, divide goods to be produced into batches, product distribution plan and Auto Replenishment by introducing the Quick Response Management System (QRMS). The application of this System results in more effective product management in shops, goods are sufficient and coincide with customers' needs, balanced stock with sales volume, not too many or too little. It reduces the loss opportunity for sales, speed up transportation and distribution to shops, more efficient and effective inventory management. As a result, the lead time for delivery and loss opportunity for sales decreased, hence product management is more effective.

#### - New Consumer Expansion and Maintain existing Consumer

To retain existing customer base systematically, the Company focus on giving customers satisfaction continuously through a variety of activities ranging from counter sales activities or giving special privileges through His & Her Plus Point card, in order to build up good relationship with customers. The Wacoal Beautiful Moment concert is one of the activities organized last year under the Brand Loyalty Building and Customer Retention program. Activities at the sales areas have also been organized in much more interesting aspect by allowing customers to participate the programs resulting to their impression, satisfaction and having positive attitude towards our products and quality which are worth of its prices coupled with good service standard and Customer Relationship Management (CRM).

According to the growing severe competition of ladies lingerie resulted from both marketing activities by the local manufacturers to retain their market shares as well as by the western brands or economic price brands from neighboring countries such as China, etc. To avoid price competition, the Company then put an emphasis on building good relationship with existing



customers to promote brand loyalty, satisfy customers' needs at every Touch Point, impress them with good quality products for price worthy coupled with good service standard to give customers maximum satisfaction.

**New Customer Acquisition Strategies** have been mapped out in 3 parts:

- **Starter Group (First Buy):** The Company emphasizes on Brand Awareness through activities organized in sales area in order to implant correct product usage methods for teenagers from puberty age onwards. Demonstration teams have also been invited by various schools to give information on correct product usage suitable for physiology to students in primary and secondary schools nationwide.
  - **General customers, having never used the Company's products:** The Company still focus on Brand Awareness to new customer group by employing variety of marketing strategies to meet people's modern lifestyle through offline-online media such as advertisements on television, newspapers, magazines. Out of home media, media in movie theatres, social media channels such as Facebook, Fan Page, Line, Email have also been used, which can save more time, expenses and ready access to targeted customers. This also includes building up relationship with TV Shopping channels for digital and cable TV advertisements. Giving special privileges to targeted customers for brand experience through physiological expertise and good services in order to create customers' satisfaction and impression (Brand Preference) and brand loyalty respectively.
  - **Consumers with Cross Product Experience:** The Company has offered special prices for some recommended items for buyers in order to create brand awareness and trials of other products of the Company.
- **Omni Channel Marketing**

Nowadays, competition in ladies lingerie has been found in various distribution channels, starting from traditional channels such as department stores, discount stores, the Company shops as well as new online channels (E-Commerce) or TV Shopping. The growth in these new channels is expected to increase yearly due to its easy access and can meet customers' demand more rapidly and perfectly. Building up partners with famous online selling websites, TV shopping channels or catalogue sales are the channels whereby producers can communicate their product innovations completely and totally. This is the method that consumers can be familiarized about the innovation of products before connecting them to visit the selling points at Department Stores to see the real products under the Omni Channel marketing. This new channel is expected to growing expansion in line with the changing consumers' behavior in this modern age.

Nevertheless, each channel has different strong and weak points. For the online shopping (E-Commerce) channels, advantages are that there are many products to choose with price comparison, asking for opinions or review through social media and receive quick responses. Customers can make order and wait for goods delivery. This way is easy but customer cannot touch products by themselves and they can be unsatisfied if the delivered product has been found defective or did not turn out as expected. Unlike shops or stores which may carry many products but their space is limited, and price comparison is not as quick as the online shopping. The strong point is that customers can receive product immediately, try on and touch real products with fast decision making.

For this reason, Wacoal has developed an integrated marketing or Omni Channel by improving and updating internal operation systems to facilitate the modern lifestyle. First implementation starts at Wacoal Shop, Srinakarin which has been developed for new shopping experience. By connecting an interactive system with Wacoal warehouse system, customers can see every functional product group covering all the needs of every woman's lifestyle with free and immediate home delivery service.

The Shop Interactive is another new Marketing Channel System developed to connect with former existing system of the Company, to handle product sales at shops and satisfy customers' needs. Online marketing channels are introduced and delivery to customers' homes rapidly. This will be additional channel for customers to access Wacoal products, increase online product purchase experiences, can actually touch and test products or see and touch real products. This solves the problem and gather outstanding points of each distribution channel together as well as reduce some weak or limited points to strengthen distribution channels and suitable for digital lifestyles in this modern time

## 2. Number and Size of Competitors

Only the integrated business can survive in various industries. However, women's lingerie is a specific industry, which has faced many obstacles in entering the market, starting from importing raw materials, local production of some raw materials, sewing technique and distribution method that needs an agent helping to enter into department stores or discount stores, which are difficult to negotiate. This is due to the fact that the Company has 5 different brands: Wacoal, BSC, BSC Signature, ELLE and Kullasatri. These five brands have the same potential for customer base expansion to cover every consumer's needs with more than 60% market share through main distribution channels.

## 3. Status and Potential for Corporate Competition

The Company has strong competitive potential in the ladies' lingerie industry, as it foresees opportunities and the structure of the market as being the distributor of five brands of lingerie, with each brand being positioned differently to support the market and clearly cover the target group. It is also the distributor of Wacoal, which is a valuable brand leader, a very strong selling point in various negotiations. It has an advantage over other competitors in terms of creating strategic synergy in helping other brands of the Company gain a greater income and fill the market gaps, resulting in maximum benefit to the Company

### - Product Acquisition

ICC is currently carrying five lingerie brands, produced by two major manufacturers:

1. Thai Wacoal Public Co. Ltd., manufacturer of Wacoal.
2. Pattaya Manufacturing Co.Ltd., manufacturer of Kullasatri, BSC, BSC Signature, ELLE

Suppliers of raw materials for both these companies are Textile Prestige Plc., Thai Takeda Lace Co. Ltd., and Thai Sakae Lace Co. Ltd., all three of which belong to the Saha Group with manufacturing standard ISO 9001. Research into and development of new materials have consistently been conducted resulting in an advantage over competitors in terms of having a wide range of raw materials and also lower production costs.

### - Industrial Trend and Future Competition

In overall, the textiles and garment industry can foresee expansion trend in both production and export sectors. Most of production are for ASEAN market, as we entered into ASEAN Economic Community since the end of 2015. It is an opportunity to expand production capacity and increase consumers market from 60 million to 600 million persons, which is a huge market with high potentials.

In 2016, the whole undergarment market is estimated at 12 billion baht. The expected growth is at least 3% from Year 2014, because of slow economic recovery both locally and abroad, due to world economic recovery and trading volume, whereby consumers are more confident about the economy.

In 2016, the Company still focus on researching and developing new Innovations and Technology to design lingerie that Suitable for Thai women physiology and coincide with consumers' behavior for every age group, lifestyle and fashion. This is based on good and quality products at worthwhile prices, integrative product management, to retain inventory at reasonable amount and balance with sales volume, not too much nor too little. Increase transportation channels to distribute products to shops more rapidly instead of retaining large amount of inventory at shops as well as implement strategy to create uniqueness in Omni Channel Marketing to meet consumers' lifestyles in this Digital Age as much as possible.

## 3. Men's Wear Industry

### - State of Competition

In the past year, men's wear market expanded by 4% compared to the year before. Consumers were not confident on the economic situation in the first 3 quarters. Therefore, they were more careful when spending and more selective on purchasing products while keeping in mind about the quality and product innovation. Manufacturers then come up with innovation technology to improve their products to satisfy customers' needs for price worthiness. They have to communicate consistently with consumers and manage the sufficient amount of product designs to meet consumers' demand. Particularly during the last quarter when the demand for black and white apparels increased drastically, any big manufacturers who have better access to raw material sources, can gain more market shares.

Besides, most producers emphasized on the discount, redemption, giveaways and distribution of premium goods to stimulate sales and minimizing their products in stocks, but rarely conducted new marketing campaigns. Many of them have to develop their production efficiency to achieve lower costs, and to ensure flexibility in management for higher competitiveness. In addition, they have to set aside budget for marketing activities for competitive advantages in the long run.

As far as the state of competition is concerned, some advantages still prevail. They are:

1. The Company's men's wear has created a wide range of product lines (portfolio) which can cover the whole target market in many various segments, resulting in wide distribution and a strong market share as well as the balance of negotiating power in distribution.
2. The Company's products are well-known and well-accepted for their high reputation and quality.
3. The Company's products have undergone development and it has successfully and consistently launched innovations into the market owing to support from major suppliers (belonging to the Group). There is an expansion of factories to cater for this growth, from the thread-spinning factory, dyeing factory, cloth decoration factory to ready-made shirts manufacturing factories, to support the Company in its potential to create a constantly growing market share.
4. The Company has strong personnel with good habits of thought and the determination to achieve the corporate targets and they are consistently ready to learn and improve.

#### - **Product Acquisition**

The Company has acquired products from 3 major suppliers, namely:

1. Thanulux Plc., manufacturer of shirts, T-shirts, suits, bags and leather goods.
2. People's Garment Plc., manufacturer of T-shirts and trousers.
3. Bangkok Tokyo Socks Co.Ltd., manufacturer of socks.

Manufacturing technology is medium-ranged, with a fair number of workers and the modern use of automated machinery for higher production efficiency.

Moreover, the manufacturing group has established factories within the BOI-promoted Industrial area (Zone 3), resulting in a decisive advantage in production costs.

#### - **Industrial Trend and Future Competition**

Although the market remains sluggish, the industry at large tends to remain stable and to continue growing because consumers still have to pay attention to their dresses, market competition will tend to rise, due to foreign rivals and products including cheap products from People's Republic of China. The local producers will have to analyze the market and consumer behavior in each area, create innovations in various forms in terms of products, marketing channels and develop strengths of each product for each target group of buyers in order to survive in the market amid the more intense competitions.