Chapter 2

Micro-Level Survey Results on Price-setting Behavior

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Abstract

This study examined pricing behavior in Thailand using survey data from Japanese and Thai companies. It explored the factors that influence price-setting decisions, such as market conditions, cost structures, and competitive pressure.

The findings, based on survey responses, show that competition in the Thai market has intensified, particularly with the entry of Chinese companies. Firms are adopting a wait-and-see approach to pricing, especially in response to anticipated cost increases, and are cautious about future market growth. Passing cost increases to prices remains challenging, with Japanese companies facing greater difficulties than Thai firms.

Principal component analysis (PCA), which provides a comprehensive analysis of these responses, reveals that companies adopt a variety of strategies to secure market share, focusing not only on profit maximization. These insights offer valuable guidance for businesses and policymakers to navigate pricing challenges in Thailand.

Keywords: Corporate Pricing Behavior, Cost Structure, Market Conditions, Competitive Pressures, Survey Data

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The views and opinion in this paper are those of the authors and do not represent the position of IDE-JETRO or Senshu Univesity.

1. Introduction

This chapter presents and analyzes the results of a survey that was conducted to understand how Japanese and Thai companies in Thailand determine their prices. The survey was distributed as part of our effort to examine the key factors that firms consider when setting prices and how these decisions relate to market competition and broader economic conditions.

The questionnaire covered basic company information such as industry classification, years since establishment, and market share, along with factors such as market conditions, cost structures, and pricing strategies. This comprehensive approach enables a detailed analysis of corporate pricing behaviors. In particular, we highlight the differences between Japanese and Thai firms and provide insights into price-setting mechanisms in the Thai market.

Building on the previous input-output (IO) analysis, this study shifts the focus to firm-level decision-making by adopting a more micro-level perspective. In addition to summarizing the survey responses, we conducted statistical analyses to examine how firms respond to cost fluctuations and competitive pressures. By quantifying the key determinants of pricing strategies, we identified patterns of price formation in Thailand. These findings contribute to a better understanding of the Thai market and offer valuable insights into the corporate strategies and economic policies in Japan and Thailand.

This section is structured as follows: Section 2 provides an overview of the survey, Section 3 presents the survey results and the statistical analyses based on them, and Section 4 provides concluding remarks.

2. Survey Overview

Survey Methodology

The survey targeted three distinct groups, as summarized in Table 2.1.

1. Japanese Companies:

Data were collected via the Japanese Chamber of Commerce (JCC) in Thailand using online questionnaires.

2. Thai Local Companies:

Responses were collected from two subgroups:

• TCC and FTI Members: Through cooperation with the Thai Chamber of Commerce (TCC) and Federation of Thai Industries (FTI) using online

questionnaires.

• **Outsourced Research:** Conducted via external contractors using a combination of online questionnaires and direct interviews.

Valid Responses

A total of 170 valid responses³ were obtained:

- Japanese Companies: 79 companies
- TCC and FTI Members: 21 companies
- Outsourced Research: 70 companies

By combining responses from the JCC, TCC, FTI, and outsourced research, this approach ensures a comprehensive perspective while accounting for potential sampling variations.

Item	Survey Period	Target Respondents	Valid Responses	Survey Method
Japanese Companies	Nov 1, 2024–Dec 31, 2024	JCC	79 companies: Manufacturing (55), Services (24).	Online
Thai Local Companies	Dec 1, 2024–Jan 10, 2025	TCC and FTI	21 companies: Manufacturing (11), Services (10).	Online
Thai Local Companies	Sep 1, 2024–Dec 31, 2024	Outsourced Research	70 companies: Manufacturing (38), Services (32).	Online & Direct

Table	2.1.	Survey	Overview
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Source: Created by the authors based on survey results

3. Survey Results

This section presents the aggregated survey responses and insights from the companies as descriptive statistics, followed by a statistical analysis to identify key trends in the results.

3.1. Summary of Responses

3.1.1. Basic Information (Q1–Q6)

• Composition of Sector

As shown in Figure 2.1, the responses from Japanese companies (79 in total) consist of

³ We would like to express our gratitude to the JCC, TCC, and FTI, as well as other Thai firms and institutions, for their generous cooperation in facilitating the survey.

55 companies (69.6%) in the secondary industry (manufacturing) and 24 companies (30.4%) in the tertiary industry (services). By contrast, the responses from Thai companies (91 in total) included 49 companies (53.8%) in the secondary industry and 42 companies (46.2%) in the tertiary industry.



Market share

Next, we show the market shares of the Japanese and Thai companies. As Figure 2.2 illustrates, among the responses from both Japanese and Thai companies, manufacturing industries showed higher levels of concentration, with some companies holding larger market shares. However, in the service industry, market competition was more distributed, meaning that several companies share the market more equally.







Source: Created by the authors based on survey results

• Competitive Environment

The following question regarding the change in the competitive environment was asked: "How has competition for your product changed compared to when your company was first established?" (Q6). The answers are shown in Figure 2.3. Both Japanese and Thai companies answered, "Become more intense." Interestingly, 88.6% of Japanese companies and 79.1% of Thai companies reported this change, which suggests that Japanese companies are more likely to perceive increased competition compared to Thai companies.



Source: Created by the authors based on survey results

• Factors Behind Intensified Competition

We included a follow-up question to Q6: "For those who answered 'Became more intense' in Q6, why do you think the competition has become more intense?" As shown in Figure 2.4, Japanese companies primarily cited "An increase in market share of foreign products (imports)" as the main reason, whereas Thai companies pointed to "more domestic competitors entering the market."

This result suggests that the Japanese companies in this survey are more exposed to global competition, whereas Thai companies face increasing competitive pressure within the domestic market.

Figure 2.4. Factors Behind Intensifies Competition by Company Type (Q6a)



Source: Created by the authors based on survey results

In addition, we asked the following question to those who answered "Became more intense" for Q6 the following question: "How are you responding to the intense competition for your product?"

As shown in Figure 2.5, both Japanese and Thai companies engaged in "differentiation by improving product quality." However, it is noteworthy that Japanese companies, which perceive more intense competition in the market, were three times more likely than Thai companies to respond by lowering prices.

Figure 2.5. Competitive Responses of Japanese and Thai Companies (Q6b)



Source: Created by the authors based on survey results

These results suggest that the intensified competition faced by Japanese companies is driven largely by pressure from the global market. The entry of foreign companies, especially Chinese companies, appears to be a major contributor to increased competition. In contrast, Thai companies experience stronger competitive pressure with the domestic market, with the entry of new domestic firms being the primary cause. This indicates that internal competition is a more significant challenge for Thai companies than external factors.

Further, while Thai companies actively engage in price competition, Japanese companies resort to greater price reductions. Although this strategy may help secure a

competitive advantage in the short term, it carries the risk of a long-term decline in margins the long run.

Next, we examined more concrete results regarding the cost structure and price passthrough of companies in the competitive Thai market.

3.1.2. Cost Changes (Q7–Q8)

Cost Distribution

We asked the respondents about the composition of their costs, which were categorized as follows:

- 1. Raw material costs (materials and parts required for manufacturing the product)
- 2. Energy costs (electricity, gas, fuel, etc.)
- 3. Logistics costs (transportation and delivery expenses)
- 4. Other intermediate goods costs (maintenance costs for manufacturing equipment,

machinery upkeep, etc.)

- 5. Labor costs (salaries, social insurance, employee benefits, etc.)
- 6. Other expenses (administrative costs and other related expenses)

In Q7-1, we asked respondents to rank the cost categories (1 to 6) in the order of largest to smallest proportion (in Q.7-1). Furthermore, we asked about the proportion of each cost category (1 to 6) relative to the total cost (Q7-2). The results are shown in Figure 2.6 and Figure 2.7 respectively.

As shown in Figure 2.6, both Japanese and Thai companies commonly cite "raw material costs" as the most significant cost in their production. However, Japanese companies tend to rank "labor costs" and "logistic costs" higher, whereas Thai companies rank "energy costs" as the third most significant costs after "raw material" and "labor costs."

Figure 2.6. Cost Categories by Importance for Japanese and Thai Companies (Q7-1)





(A) Japanese Companies

40%

30%

20%

10%

0%

2nd largest



(B) Thai Companies







(vi) Other expenses

80%

6th largest



Manufacturing Services

Source: Created by the authors based on survey results

5th largest

6th largest

Figure 2.7. Proportion of Each Cost Category in Total Cost for Japanese and Thai Companies (Q7-2)

or more 50~70% 30~50%

70%

10~30% 10% or less

Manufacturing Services



(A) Japanese Companies



(B) Thai Companies

40%

35%

30%

25%

20%

15%

10%

5%

0%



Source: Created by the authors based on survey results

Impact of Exchange Rate on Costs

Regarding the impact of exchange rate fluctuations on the above costs, we asked, "How much do you think each cost category is affected by exchange rate changes?" (Q8). As shown in the results represented in Figure 2.8, both Japanese and Thai companies indicated that "raw material costs" were most significantly affected by exchange rate fluctuations. However, "energy costs" and "logistics costs" were considered to be "slightly affected," suggesting that these costs are influenced to a lesser extent by exchange rate changes. Regarding labor costs, while Japanese companies reported either a slight or no impact of exchange rate fluctuations, Thai companies showed the opposite reaction. This result suggests that the impact of exchange rate fluctuations on labor costs differs between Japanese and Thai companies. It could be that Thai companies are more likely to make foreign currency payments due to their higher employment of foreign labor, leading to a direct impact of exchange rate risk hedging measures in place compared to Japanese companies. As we could not fully determine the underlying reasons for this finding; therefore, further investigation is required.

Figure 2.8. Impact of Exchange Rate on Costs by Company Type (Q8)



(i) Japanese Companies

■ Significantly affected ■ Slightly affected ■ Not affected



(ii) Thai Companies

■ Significantly affected ■ Slightly affected ■ Not affected

We also asked a follow-up question: "For those who answered 'Exchange rate does not affect' for any of the items in Q8, please select the reason(s) why you think the exchange rate does not impact that item (multiple answers allowed)." The responses indicated that the main reasons were "Because it is a domestic transaction only" and "Because we have a fixed-price contract," which serve as risk mitigation strategies. Additionally, some companies mentioned that "the supplier absorbs exchange rate fluctuations."

The overall results suggest that both Japanese and Thai companies report that "raw material costs" are most significantly affected by exchange-rate fluctuations, with companies heavily reliant on imports experiencing larger cost fluctuations. In contrast, "labor costs" are more influenced by government policies, and "energy costs" and "logistics costs" are affected by international market conditions, though the direct impact of exchange rates is relatively limited.

For companies that reported no impact from exchange rate fluctuations, the reasons typically included domestic transactions or fixed-price contracts as risk-mitigation strategies. In some cases, companies noted that the supplier absorbs exchange rate fluctuations, suggesting that there could be some transfer of risk to suppliers. However, this possibility requires further examination as it may have implications for the overall stability of the supply chain.

Source: Created by the authors based on survey results

3.1.3. Cost Changes and Price Pass-Through (Q9–Q10)

• Changes in Costs Over the Past Year

We asked the following question: "Please provide the changes in the costs of each of the above six categories over the past year (over the past 12 months)" (Q9-1). Figure 2.9 represents that most companies experienced cost increases across several categories, particularly in raw materials, energy, logistics, and labor costs. More than half of the respondents reported rising expenses in these areas, reflecting broader inflationary pressure.

Notably, over 75% of both Japanese and Thai companies reported that labor costs experienced the most significant increase. This finding suggests that increasing inflation contributed to wage pressure.





Source: Created by the authors based on survey results

• Proportion of Cost Increases Passed on to Prices (9-2)

Further, we asked about the proportion of the cost changes of each cost that could be passed on to prices over the past year (over the past 12 months) in question Q9-2.

We also asked companies about the extent to which they could pass on changes in the six major cost categories (mentioned above) to their prices over the past year (i.e., the past 12 months). The respondents were asked to assess their cost pass-through rate using the following equation:

- 1. Unable to pass on any costs
- 2. Passed on 10% of cost increases
- 3. Passed on 10–30% of cost increases
- 4. Passed on 30–50% of cost increases

- 5. Passed on 50-70% of cost increases
- 6. Passed on more than 70% of cost increases

The results are shown in Figure 2.10. The findings clearly indicate that Japanese companies were generally less able to pass on cost increases than Thai companies. In particular, "raw material costs" were the most likely to be passed on to prices, while other cost components, such as labor and logistics, were more difficult to transfer. In contrast, this suggests that Thai companies can adjust prices in response to rising costs, whereas Japanese companies face greater constraints in doing so.

Figure 2.10. Cost Pass-Through Rates by Cost Category and Company Type (Q9-2)



Source: Created by the authors based on survey results

To better understand the overall trend, we calculated the average and variance of price pass-through rates. Higher values indicate higher levels of price pass-through. As shown in Table 2.2, Thai companies, on average, can pass on a higher proportion of costs than Japanese companies across all cost categories. Specifically, the raw material costs have a pass-through rate of 30–50%.

By contrast, Japanese companies have struggled to pass on costs, with many cases showing little to no price pass-through, or, in some instances, a pass-through rate as low as 10% (one or two levels, as mentioned earlier). This suggests that Japanese companies face significant challenges in passing on costs effectively. Overall, both Japanese and Thai companies passed on less than 50% of their costs, reflecting the difficulty of passing

on price increases.

Upon examining the variance, the data show that Thai companies exhibit smaller values than Japanese companies, indicating that Thai companies are more consistent in passing on prices. This suggests that Thai companies have established more stable and predictable pricing strategies in response to cost increases.

	Me	ean	Variance				
	Thai	Japanese	Thai	Japanese			
	Companies	Companies	Companies	Companies			
(i) Raw Material Cost	4.09	3.30	2.26	3.53			
(ii) Energy Cost	3.09	2.18	2.26	2.75			
(iii) Logistics Cost	3.10	1.99	1.50	1.96			
(iv) Intermediate Goods Cost	2.92	1.75	1.68	1.83			
(v) Labor Cost	3.69	1.80	2.50	1.83			
(vi) Other Costs	2.60	1.61	1.58	1.71			

Table 2.2. Cost Increases Passed on to Prices

Source: Created by the authors based on survey results

• Extent of Exchange Rate Pass-Through

Regarding exchange rate pass-through, we asked, "Regarding the portion of cost increases affected by exchange rate fluctuations, to what extent do you think the exchange rate changes have been passed on to prices?" (Q10). The results are shown in Figure 2.11. From these results, we can see that Japanese companies are more susceptible to exchange rate fluctuations compared to Thai companies. However, it is important to note that many Thai companies responded that they were "unable to pass on the cost increases" (experiencing a negative impact).





Source: Created by the authors based on survey results

3.1.4. Pricing Strategies and Determinants (Q12–Q13)

• Frequency of Price Adjustments

Question 12 asked, "How often do you adjust the prices of "products?" to determine the frequency of the price adjustments.

As shown in Figure 2.12, both Japanese and Thai companies exhibited a significant percentage (43.0% and 40.7%, respectively) of irregular price adjustments, indicating that companies may adapt their pricing strategies on an as-needed basis rather than following a fixed schedule. This finding suggests that companies may be responding dynamically to market conditions and cost changes. Both companies showed similar tendencies, with slight differences from Thai companies in terms of annual price adjustments.

Figure 2.12. Frequency of Price Adjustments for Japanese and Thai Companies



Source: Created by the authors based on survey results

Pricing Policies

We also asked the following: "Currently, which of the following a) to f) best describes your company's product pricing policy?" (Q13).

- a) **<u>Profit-oriented</u>**: Prices are set based on costs, such as labor and raw materials, applying a fixed markup rate.
- b) **Supply and demand-oriented:** The relationship between costs such as labor and raw materials is weak, and prices are determined by current supply and demand. Prices are set at the highest acceptable level in the market.
- c) <u>Market share and future profit-oriented</u>: The company emphasizes securing market share (volume growth) over the markup rate (or current profit) and strongly considers competitors' prices (including foreign companies and imports).
- d) **<u>Buyer-driven</u>**: The pricing is led by the purchasing side.

e) **<u>Regulation and law-oriented</u>**: Prices are set by supervisory authorities or regulations.

f) <u>Other</u>

As shown in Figure 2.13, the pricing policies of Japanese and Thai companies exhibit distinct overall characteristics. In particular, 32.9% of Japanese manufacturing firms chose a "profit-oriented" approach, whereas 23.1% of Thai manufacturing firms adopted a "buyer-driven" pricing strategy. This contrast highlights the different priorities of Japanese and Thai companies. Thai companies tended to adopt a diverse range of pricing strategies, indicating greater flexibility in their approaches.

Notable differences were also observed in the service sector. Japanese service companies were less focused on "profit-oriented pricing" (12.7%), whereas Thai service placed greater emphasis on "market share and future profit-oriented" pricing (17.6%).

Regarding regulatory influence, both Japanese and Thai companies showed relatively low reliance on "regulation-driven pricing." However, Thai manufacturers exhibited a slightly higher tendency (3.3%) to set prices based on regulations and legal requirements than their Japanese counterparts (1.3%). This may reflect differences in regulatory environments.

Figure 2.13. Price Policies for Japanese and Thai Companies (i) Japanese Companies





Source: Created by the authors based on survey results

Moreover, we asked respondents, "For those who answered 'Increased in importance' or 'Decreased in importance,' please select all the factors that apply to the reasons behind the change in the importance of your pricing policy" (Q13a-3).

3.1.5. Future Cost and Pricing Expectations (Q14–Q19)

Finally, this section outlines the companies' expectations regarding future costs and pricing.

Impact of Workforce Utilization on Costs and Pricing

The survey asked, "How do you think the employment situation of your company will impact costs and pricing decisions over the next year?" (Q14) The response options for this question were as follows:

a) Large surplus \rightarrow Layoffs & cost reduction:

 \rightarrow There is a large surplus of employees, which makes it possible to reduce labor

costs through layoffs or transfers.

b) Moderate surplus \rightarrow Small staff reduction & cost decreases:

 \rightarrow There is a certain level of surplus employees, which will allow for some staff

reductions and a slight decrease in labor costs.

c) Surplus & shortage \rightarrow No significant cost change:

 \rightarrow There is a significant surplus of employees; at the same time, there is also a labor

shortage in some areas, so there is no significant change in costs.

d) Adequate workforce \rightarrow No cost impact:

 \rightarrow The workforce is adequate, and there is little to no impact on costs or pricing

decisions.

e) Labor shortage \rightarrow Higher costs & price changes:

 \rightarrow There is a labor shortage, which results in additional labor costs and necessitates

changes in pricing decisions.

f) Other

As shown in Figure 2.14, response D was most common for both Japanese and Thai companies. This suggests that in both countries, many companies have adequately staffed workforces, providing a stable foundation for cost management. However, there is a notable difference between Japanese and Thai companies regarding Response A. This discrepancy may reflect the differences in labor market conditions and regulations between the two countries.



Source: Created by the authors based on survey results

• Short-Term Expectations (One Year)

Cost Change

Figure 2.15 illustrates the responses to the question "How do you expect your company's costs (per unit cost) to change over the next year?" (Q15). Most companies in both Japan and Thailand expected a 1–20% increase in future costs.

Figure 2.15. Expected Change in Costs (Per Unit) Over the Next Year (Unit: Responses)



Source: Created by the authors based on survey results

Pricing Strategy Adjustments

Regarding Q16, "How do you expect your company's pricing strategy to change in the next year?", most companies in both Japan and Thailand mentioned that costs would increase in response to the previous question about future cost changes, as shown in Figure 2.16. Despite this, the number of companies choosing to increase prices was relatively small, with about half of the companies opting for a "no change" pricing strategy.

Figure 2.16. Pricing Strategy Adjustments to Cost Expectations Over the Next Year (Q16)



Source: Created by the authors based on survey results

We also asked, "What do you think is the most important factor for the reason behind your expected pricing change in Q16?" (Q16-a) As Figure 2.17 shows, companies exhibited similar trends, with fluctuations in raw material costs being the most significant factor influencing expected pricing changes. This suggests that both countries view raw material costs as the primary driver of price adjustments.

Figure 2.17. Factors Influencing Expected Pricing Changes in Japan and Thailand (Q16a)



Source: Created by the authors based on survey results

• Long-Term Expectations (Five Years)

Cost Change

Regarding future cost changes, we asked, "How do you expect your company's costs (unit costs) to change over the next five years?" (Q17). Figure 2.18 shows that the proportion of companies answering "significantly increase" rose slightly. However, apart from this, the overall trends were the same as those regarding Q16.

Figure 2.18. Expected Change in Costs (Per Unit) Over the Next 5 Years (Unit: Responses)



Source: Created by the authors based on survey results

Pricing Strategy Adjustments

Question 18 asked, "How do you expect your company's pricing to change over the next five years?" The results in Figure 2.19 show that the proportion of companies choosing "slightly increase prices" rose by approximately 20% compared to the results in Figure 2.16, which reflects expectations over the next one year.



Figure 2.19. Pricing Strategy Adjustments to Cost Expectations over the Next 5 Years (Q18)

Source: Created by the authors based on survey results

This suggests that companies are adopting a wait-and-see approach in the short term, whereas in the long term, prices are expected to increase moderately by less than 20% over the next five years.

• Market Growth Prospects

Lastly, we asked a question to assess expectations for future market growth in Thailand: "How do you expect the growth of the 'product' market in Thailand to evolve in the future?" The results are shown in Figure 2.20. The bar graph shows the responses accumulated by sector for each company.

The proportion of Thai companies with pessimistic views, such as those expecting "negative growth," was higher than that of Japanese companies. Moreover, for Japanese manufacturing companies, the combined percentage of responses indicating "nearly zero growth" and "negative growth" was approximately 60%, suggesting a considerably pessimistic outlook.



Figure 2.20. Future Market Growth for Japanese and Thai Companies (Q19)

Source: Created by the authors based on survey results

3.1.6. Other

Open-ended responses were included in this survey, and the results are summarized in the Appendix. Notably, several respondents mentioned the intensification of competition due to the entry of Chinese companies, which is an important point to highlight.

3.2. Statistical Analysis

This subsection analyzes the survey results cross-sectionally and clarifies the tendencies and main factors of companies' pricing strategies using statistical methods.

3.2.1. Competition Market Conditions

To assess the competitive environment of the Thai market, we calculated the Herfindahl-Hirschman Index (HHI), indicating market concentration, based on the market share data obtained from the survey responses. A higher HHI value indicates greater market concentration. However, since this calculation is approximate, it should be noted that the values might differ from the standard HHI.

As a result, the market concentration of Thai companies (HHI = 271.9) was higher than that of Japanese companies (HHI = 141.7). This suggests that while the Thai companies in this survey operate in more concentrated markets, Japanese companies face

more intense competitive pressure among firms.

3.2.2. Cost and Pricing Behavior

Table 2.3 summarizes the ranking of cost importance based on the different pricing strategies. The scores for each cost factor (raw materials, energy, logistics, intermediate goods, labor, and other costs) were calculated for each pricing strategy, and the overall average score was computed to reflect the relative importance of each cost type across all strategies. From Table 2.3, we can observe how the importance of costs varies according to the chosen pricing approach. Higher values indicate greater importance of the associated costs.

Under a profit-oriented strategy, Thai companies tend to place higher importance on raw materials and labor costs than Japanese companies. By contrast, buyer-driven strategies reveal that Thai companies prioritize raw material and labor costs, whereas Japanese companies place relatively less emphasis on these factors.

		Raw material costs	Energy costs	Logistics costs	intermediate goods costs	Labor costs	Other costs
	JPN	3.58	2.19	1.92	1.75	1.86	1.67
a) Profit-oriented	THA	4.33	2.33	2.67	2.78	2.89	2.44
b) Supply and demand	JPN	3.57	2.43	2.36	2.14	2.00	1.64
-oriented	THA	3.32	3.00	2.89	2.58	3.42	2.84
c) Market share and	JPN	3.00	2.07	2.36	1.79	2.00	1.86
future profit-oriented	THA	4.42	3.00	3.19	3.00	3.58	2.50
d) Puuron drivon	JPN	2.46	2.15	1.54	1.38	1.23	1.23
a) Buyer-ariven	THA	4.57	3.43	3.50	3.36	4.36	2.68
e) Regulation and law-oriented	JPN	2.00	1.00	1.00	1.00	2.00	1.00
	THA	3.20	3.80	3.00	2.60	4.00	2.80
f) Other	JPN	6.00	1.00	1.00	1.00	1.00	1.00
	THA	2.75	2.50	1.75	1.75	2.50	1.75
Overall Average	All	2.69	2.22	2.02	1.96	2.08	1.82
	JPN	1.47	1.14	0.78	0.92	0.87	0.99
	THA	1.53	2.36	2.22	2.25	1.62	2.03

Table 2.3. Cost Importance Across Pricing Strategies

Source: Created by the authors based on survey results

3.2.3. Price Determination Behavior by Producers

Finally, to comprehensively assess how a company's market share and price pass-through situation influence pricing behavior, PCA was used to clarify these relationships. PCA evaluates multiple variables and extracts the underlying data structure. In this analysis, factors such as the price pass-through rate for "raw material costs," "energy costs," and "labor costs," the exchange rate pass-through rate, market share, pricing strategy, and

company type (Thai or Japanese companies) were examined to reveal the extent of their impact and the interrelationships in price pass-through.

The company's pricing behavior was categorized into six groups:

- 1) Profit-oriented
- 2) Supply and demand-oriented
- 3) Market share and future profit-oriented
- 4) Buyer-driven
- 5) Regulation and law-oriented
- 6) Other

Higher values indicate a greater emphasis on factors other than profit in pricing behavior.

Table 2.4.	Influence of	of Key	Factors	in	Pricing
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(a) Raw Material Costs

	PC1	PC2
Ras material costs pass-through rate	0.54	0.39
Exchange rate pass-through rate	0.48	0.49
Market share	0.40	-0.12
Pricing strategy	0.30	-0.64
Company type (Thai/Japanese)	-0.47	0.43
(b) Energy Costs		
Energy costs pass-through rate	0.53	0.36
Exchange rate pass-through rate	0.39	0.64
Market share	0.36	-0.08
Pricing strategy	0.40	-0.58
Company type (Thai/Japanese)	-0.52	0.34
(c) Labor Costs		
Labor costs pass-through rate	0.56	0.20
Exchange rate pass-through rate	0.29	0.78
Market share	0.27	0.01
Pricing strategy	0.42	-0.56
Company type (Thai/Japanese)	-0.59	0.19

Source: Created by the authors based on survey results

The values in Table 2.4 represent the contribution of each variable to the two principal components (PC1 and PC2) extracted from the overall data. PC1 represents the main pattern or trend in the data and explains the most significant variation across all observations. PC2, which is independent of PC1, captures the next most important pattern not captured by PC1. PC1 and PC2 summarize the most important aspects of the data, making it easier to understand and interpret complex relationships. Thus, a value closer to one indicates a stronger contribution.

For raw material costs, the results of the first principal component (PC1) indicate

that the price pass-through rate for raw materials, the exchange rate pass-through rate, and market share contribute significantly (0.54, 0.48, 0.40, and 0.30, respectively). This finding suggests that price pass-through and securing market share are closely related. Additionally, the positive correlation (0.3) between pricing behavior and companies indicates that, unlike profit-oriented strategies, companies are adopting various pricing strategies focusing on competitive environments and market strategies.

In the second principal component (PC2), pricing strategies show negative values, strongly expressing profit-oriented pricing behavior. This indicates that profit-focused companies actively engage in price pass-throughs, a trend observed in both Japanese and Thai companies.

For energy and labor costs, similar relationships between price pass-through rates and market share were observed in both PC1 and PC2, indicating consistent trends.

4. Conclusion

This survey received responses from 170 companies, both Japanese and Thai, and provided valuable insights into competition in the Thai market and the factors influencing price-setting behavior. Specifically, the following key findings were obtained:

- Competition in the Thai market has intensified, particularly with the entry of Chinese companies.
- Passing cost increases on prices has become more challenging in this competitive environment.
- Japanese companies in particular have been struggling more with price pass-through than Thai companies.
- Although cost increases are expected in the next year, companies are likely to take a wait-and-see approach before adjusting prices.
- There is a high likelihood that price adjustments will occur in the next five years.
- Many respondents expressed a pessimistic outlook on the future growth of the Thai market.

Based on these responses, we conducted a PCA of price-setting behaviors. The results indicate that companies tend to adopt various pricing strategies to secure market share, not only focusing on profit maximization.

However, it is important to note that this survey focused on one aspect of the price formation mechanism and did not take demand-side factors into account. Therefore,

future research should consider demand- and supply-side factors.

We also conducted household interviews in several provinces of Thailand (Songkhla, Trang, Udon Thani, Khon Kaen, Phitsanulok, Sukhothai, and Ratchaburi) and found that despite annual wage increases due to labor laws, the wage growth did not keep pace with inflation. Many households reported feeling financial strain due to rising costs, and some altered their spending behaviors as a result. It is important to note that this sample is limited in terms of both geographic scope and number of respondents and therefore may not fully reflect the broader population.

Considering these situations, we cannot definitively deny that the inability to pass on cost increases to prices may become more pronounced if competition from Chinese companies intensifies, and demand continues to decline. If companies are unable to reflect rising costs in their prices, this will lead to pressure on profitability and a reduction in investment, which could ultimately impact the economy's long-term stability. Therefore, it is crucial to monitor not only companies' pricing strategies but also changes in market structure and demand trends to create an environment in which appropriate price formation can occur.

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Appendix A. Feedback from Japanese and Thai Companies on Cost, Pricing, and Market Growth

This appendix presents comments from Japanese and Thai companies that offer useful perspectives for businesses and policymakers.

	Japanese Companies	Thai Companies		
1. Cost and Profit /	• The slowdown in the market	• Market growth allows for an		
Pricing	and rising costs make it	increase in demand and production		
	difficult to pass on price	volume, leading to the expansion		
	increases, increasing the risk of	of economies of scale.		
	profit pressure.			
	Improved productivity is	• Investing in advanced		
	required to absorb costs.	technologies improves		
		productivity, leading to cost		
		reduction in the long run.		
2. Intensification of	• The entry of Chinese products	• Competition from China may lead		
Competition / Impact	has led to over-competition,	to price reductions, potentially		
of China	increasing pressure to lower	causing losses in specific projects.		
	prices.			
	• With pressure to reduce prices,	• Market growth leads to intensified		
	it becomes difficult to secure	competition, making pricing		
	profits.	strategies crucial.		
3. Market Maturity	• The slowdown in market	• Market growth is expected, but		
/ Market Growth and	growth (by market maturity)	intensified competition makes		
Forecast	makes pricing difficult, and	price reductions inevitable.		
	there is a high likelihood that			
	price reductions will be			
	necessary due to decreased			
	demand.			
	• Intensifying competition and	• To balance competition and		
	rising costs, it is necessary to	growth, flexibility in pricing is		
	explore ways to maintain	required.		
	profits			

4. Raw Material Costs	•	Fluctuations in raw material costs have a significant impact on pricing. Particularly, due to the strong influence of international raw material markets, cost management is crucial.	•	The fluctuation of raw material costs affects price determination. An increase in raw material costs directly impacts production costs, requiring price adjustments.
5. Government Measures		_	•	The government should provide support to protect domestic companies as much as possible.
			•	SMEs should focus on research and development to create innovative products that can change the world and enhance their competitiveness.
			•	The government should support companies that have the courage to take risks.

Source: Created by the authors.