



**A STUDY OF THE NIGHTCLUB INDUSTRY IN
BANGKOK: KEY SUCCESS FACTORS**

BY

MR. THANAPHAT SUETRONG

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILMENT OF
THE REQUIREMENTS FOR THE MASTER OF SCIENCE IN
MARKETING DEGREE PROGRAMME
(INTERNATIONAL PROGRAMME)
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2015
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INDEPENDENT STUDY

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ENTITLED

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ABSTRACT

Bangkok, Thailand, has long been chosen as one of the best nightlife destinations by international travellers as well as numerous global tourism sources. Nightclubs in Bangkok account for more than 150 Million USD each year. Unfortunately, an estimated 80% of new nightclubs fail within the first year. This study has been conducted because there are few reports existing that can help nightclub owners to understand what is needed to survive and succeed in this highly competitive industry in Bangkok. The objectives of this study were to gain an overview of the nightclub industry in Bangkok, explore the unique value propositions for the success of Bangkok nightclubs and identify the key factors for success.

This research was conducted using a qualitative method, which consisted of observation, secondary research, and in-depth interviews. The information was gathered from ten nightclubs with visitations and interviewees with selected nightclub owners, customers, and suppliers.

The results of this study are shown that the competition intensive is high. Nightclubs do not compete by area, but in similarity of target customers. With the different in needs and characteristic, nightclubs customers can be divided into two major segments, which include Thai customers and foreign customers. Nightclubs industry has high bargaining power with supplier, barriers to entry, and also treats of

substitution. Trends are indicated as the change of customer, law, and social media. The key success factor is strong branding with uniqueness.

Keyword: Nightclubs, industry, key success factor

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Mr. Thanaphat Suetrong

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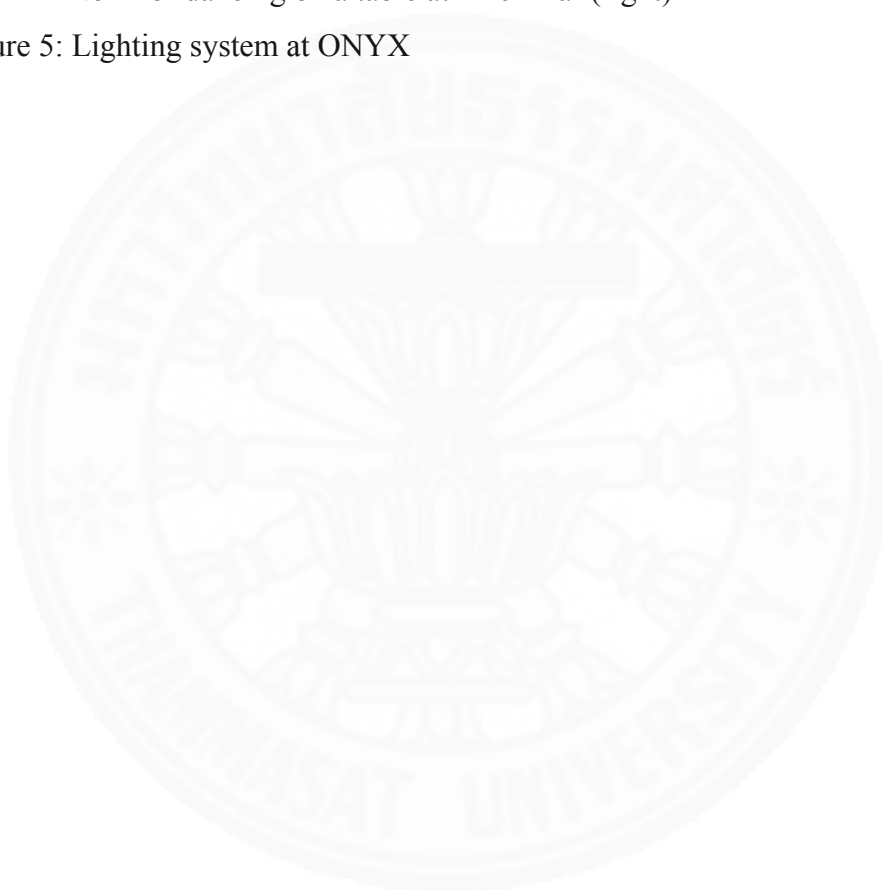
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CHAPTER 1

INTRODUCTION

1.1 Importance of the study

According to a CNN article in 2014 called “World’s best nightlife cities” (Manson, 2014), Bangkok is listed as one of the top 10 cities in the world for nightlife (cities that scored 10/10 for experience). Moreover, the travel section of the CNN article “Where to party: the complete guide to Bangkok nightlife” (Tina Hsiao, 2011) divided the various types of entertainment in Bangkok, which included nightclubs, pubs & bars, lounges, and wine stores. In this report, the researcher will focus primarily on the nightclub industry.

In terms of industry study, this study uses Michael Porter’s five forces model of competition, which includes: 1) customer perception 2) industry competition 3) supplier bargain power 4) barriers to entry and 5) threat of substitutions, all of which are used in this framework. Moreover, the model is used in this study to cover any additional aspect of the industry such as trends, key success, and unique value position.

Although Bangkok is one of the best nightlife cities for both Thai and foreign adults, there have been few studies or researches conducted about the nightlife industry. This may be because the industry operates in a “grey” area. However, that is also why this particular topic seems very interesting and challenging. This study aims to help new nightclub owners, and even current nightclub owners, to better understand the environment of the industry. In addition to the nightclub industry environment, key success factors, trends, and the value propositions of nightclubs will be discussed.

1.2 Problem statement

There are many studies about the night club industry in developed countries, even nightclub associations in some countries. Unfortunately, there are only a few studies provided for Thailand. This study may be the first academic research concerning the nightclub industry in Thailand. With such a lack of understanding about what makes night clubs successful, it may be no surprise there is a reason that

80% of new nightclubs in Bangkok fail within the first year. (NCIAA, 2015) Therefore, this study hopes to reduce the failure rate and give new owners a better chance of succeeding in the Bangkok nightclub industry.

1.3 Purpose and objective of research

This study is focused on the area of international business, which is considered a summary and analysis of industry type of research. The objectives of this study are identified as follows:

1. Understand the overview of the nightclub industry in Bangkok
2. Explore the unique value propositions for the success of Bangkok nightclubs
3. Identify the key success factors

CHAPTER 2

REVIEW OF LITERATURE

Bangkok is very well known in the nightlife tourism industry among both foreign and Thai tourists. Moreover, Bangkok has consistently been listed by many newspapers and magazines as one of the best cities for nightlife travellers. Bangkok has a wide variety of nightclubs that can serve many types of nightlife travellers, as noted by the Telegraph travel blog (Morris, 2008). Moreover, many travellers come for the very dynamic taste of nightclubs, according to the Forbes travel blog (Murphy, 2009).

Many sources have claimed that one of the factors for Thailand's success in nightlife tourism is its variety of choice, which can provide just about whatever a customer needs. Although there is such a variety of choice, many can be categorised into four major types of establishments (Tina Hsiao, 2011).

1. Club lounge: The characteristics of this kind of place involve customers chatting with a woman they like and buying her a “drink”. This drink acts like a ticket for sitting with that woman for some period (around 300 THB for 30 min). Most of the revenue for the club comes from selling these “lady drinks”.
2. Pub & Bar: This is where customers can drink and have a chat with their friends without a noisy environment. The difference between a pub and bar is that a pub typically has live music, whereas a bar does not. On the other hand, they are similar by providing seats and tables for customers. Most of the revenue for this establishment comes from food and beverages.
3. Wine Club: The wine club is a new trend in Bangkok. It is similar to a pub or bar, except the beverage of choice includes a variety of wines. Normally, wine club decor and food will be more elegant than in a pub or bar. The revenue comes from the same sources as in a pub & bar, but prices tend to be higher.

4. Night Club: Nightclubs typically have similar characteristics that include:
1. Have only standing tables to put drinks on and a few seats. Most of the customers will stand and dance, not sit and chat like in other places.
 2. Usually have louder music compared to other types of places. It is also open the latest compared to other places.
 3. Most of the revenue comes from selling beverages.
 4. Music can be live or provided by a DJ. In some places, they provide both in different areas or rooms. Some places will have particular music styles, such as a jazz nightclub.
 5. Have a dress code. Sometimes customers have to buy a ticket to enter.

According to the National Club Industry Association of America (NCIAA, 2015) in a study from last year:

- 55% of respondents are going out as often as last year
- 70% visit the same types of restaurants and bars
- 65% order drinks most of the time, with males ordering more frequently than females. Surprisingly, young consumer ordered less frequently than older consumers.
- 79% try a new drink every 90 days, with the new drink trial the highest among young consumer.

A lot of customers are loyal to their preference of club, so retaining the character of the club is important. A variety of beverages and cocktails is also a new trend among new vernation customers. This variety of products can also be used as a new advantage in Thai nightclubs. This article also mentions that nightclubs have a low barrier to entry, but this assumption cannot be used with Bangkok because of the laws and regulations for nightclubs in Thailand. This will be addressed further in the barrier to entry topic.

According to Nightclub & Bar Magazine in 2011, an estimated eight out of ten nightclubs fail in the first year of operation, which means that less than 20% have any success in the future (NCIAA, 2015). After an interview with one of the successful nightclub owners, it was noted that he said the first year of operation was critical. Whether or not a club can survive is determined in the first year. A nightclub needs to

be differentiated from its competitors, so club identity and position have to be clear up front.

Even with the low success rate for opening a new nightclub in Bangkok, more than 150 Million USD is taken in by the nightclub industry each year. Moreover, around 60% of Bangkok nightclub industry revenue comes from foreign tourism (OSMEP, 2012).

Bangkok Magazine ranked the top 10 nightclubs in Bangkok (Smith, 2014). Each nightclub has their unique character and sensations to offer customers. However, the common target for the clubs in the industry is foreigner customers, so the DJs in such places mostly play music designed to appeal to this group. Therefore, a top 10 list of places that target Thai customers is needed.

Fortunately, the TopTenThailand website (Thailand ranking website, ranked mostly by Thai people), also ranked the top 10 nightclubs in Bangkok (Wongcharoen, 2013), selecting entirely different nightclubs. That means none of the clubs is ranked in the same list. After considering the Thai ranking, similarities were found including: 1) music played by a live band, 2) most of the customers was Thai and, 3) the nightclub is very popular among local people. With these two results for ranking, the two different segments have different perceptions about the best nightclub. Foreigners and locals have different values for nightclubs. Foreigners seek the experience, while locals seek an intimate and popular nightclub. In conclusion, there are many aspects to cover according to the study objectives after completing all of the literature review. Therefore, the topic that needs to be studied, the scope of the study, is addressed in the next topic.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research design

Since this study is industry-based, the research will be exploratory. The methods that will be used in this study are observation, secondary research, and in-depth interview.

3.2 Observation

As mentioned in the literature review, different segments of customers have different rankings. Therefore, the nightclubs that are ranked by both lists will be observed. The following list includes examples of what will be covered, which is also cross-checked with the information garnered from club owners and customers.

- Nightclub sensation, character, and decoration responsible for club position
- Customer stereotypes
- Types of music
- Price, promotion, place, product offering

Nightclub value proposition

3.3 Secondary research

The information about the nightclub industry in Bangkok will be gathered through websites, newspaper articles, and reports, as well as documentaries, government data, and journals. After collection of data, it will be crosschecked with real situations or interviews before development of any conclusion. As mentioned previously in the introduction, few journals exist about nightclubs in Thailand, which might be a limitation.

3.4 In-depth interviews

There are three groups of people who will be interviewed for this study, which are comprised of: 1) Clubs owner, 2) Club suppliers and 3) Customers.

- Club owners: The decision makers for nightclubs will provide information about key success factors, positioning, trends, competition, and customer segmentation. This group of people will be the main respondents for this report.
- Club suppliers: To understand the industry from other aspects, information from the supply chain is also needed. Not only can club suppliers offer their view of the industry situation from a supplier viewpoint, but also the bargaining situation with clubs.
- Customers: This group plays the most important role in the industry, but might not be able to provide the most useful information for the purposes of this study. However, customer value perception and reason for switching can be understood better by interviewing customers. Customers are divided into two groups, foreigners and locals.

3.5 Target population

To complete all of the objectives, the study aims to visit ten nightclubs from both lists of ranking. For in-depth interviews, the study intends to meet with 10 club owners, 5 club suppliers, and 20 customers, or 35 interviewees in total. The name listed of interviewees that allow revealing is shown in table 1, 2, and 3.

Night club Owner		
Name	Position	Night club name
Ms. Tongsiri	Manager	Brick Bar
Mr. Yulanan	Co-owner	Mamao Bar
Mr. Munto	Partner	Myst
Mr. Nontadaje	Owner	Rock Pub
Mr. Pae	Former owner	- (Privacy)
Ms. Cheraim	Owner	Acheraim club
Mr. A	Owner	Nadia club
Mr. Kwang	Former owner	- (Privacy)

Table 1: List of club owners interviewees

Supplier		
Name	Position	Company
Ms. Tong	sale representative	One of beer brand
Dj. Pam	DJ night club	- (Privacy)
Mr. Arrun	sale representative	One of whisky brand

Table 2: List of suppliers interviewees

Customer			
Name	Position	Company	Age
Ms. Nattida	College Student	- (Privacy)	20
Ms. Manusawee	College student	- (Privacy)	22
Mr. Chaiwat	Business developer	One of banking company	27
Mr. Nithit	Business Owner	AST industry	53
Mr. Sorwapong	Business Owner	RHE'a company limited	27
Ms. Pavidaa	Sale representative	One of Cosmetic company	28
Mr. Worapong	Programmer	Freelance	27
Mr. Thannisorn	College Student	Rangsit University	25
Mrs. Angkhanarak	Business Owner	Tong dang industry	42
Mr. Pomrapee	College Student	- (Privacy)	21
Mr. Sommart	Chef	Risotto	28
Mr. Pongsiri	Owner	Ensure production house	35

Table 3: List of customers interviewees

3.6 Data collection

To collect data, in-depth interviews are conducted in three forms consisting of 1) face to face interview, 2) phone interview, and 3) online interview. Most of the interviewees will be done by face to face method. However, the other methods will be considered if target interviewees are not available. Each interview takes more than 30 minutes depending on the category of the interviewee.

3.7 Question design

All of the interviews are semi-structured. Every topic for each type of interviewee will be covered before moving on to the flexible questions. The interview is divided into three parts. The first part involves introduction questions that aim to gain familiarity with interviewees before getting into deeper question. The second part involves questions covering the main topic related to the scope of the study. In this part, the probe and follow-up questions are offered to get the clearest answers. The last part asks interviewees to comment on the industry with more flexible question prompts.

3.8 Data analysis plan

There are many ways to analyse qualitative data. In this study, a series of steps are followed.

3.8.1 Organise the data

There is a significant amount of data from interviewees. Most is quickly written or recorded. Therefore, the data has to be in a format that is easy to interpret.

3.8.2 Finding and Organising Ideas and Concepts

After reading through every interview, many different words are used but have same the meaning or concept. This finding organises the information in the same way.

3.8.3 Match with the framework

Matching the core answers from the interviews to the scope of the study, involves analysing the answers from each respondent and looking for similarities and differences. Validation is done with information from secondary research and observation.

3.8.4 Make conclusion

The answers from all respondents are concluded into the explanation. The process is repeated for every research question and subsequently summarised together to achieve the three objectives of this study.

3.9 Limitations of the study

This study only interviewed a portion of participants in the industry. Therefore, it may not be applicable to the entire nightlife industry (including pubs & bars, wine clubs, lounges). Not all of the intended interviewees from both lists may attend the interview due to lack of availability or personal connection. A police officer might not agree to help with information about bribery. Therefore, club owners are used for information by a substitute source.

3.10 Scope of study

Since time limitation is the major constraint of this study, the following Aspects are included in this study.

- Industry competition
 - Intensity of the competition
- Customer
 - Customer segmentation types
 - Customer value perception
- Bargaining power of suppliers
- Barriers to entry
 - Capital requirements
 - Laws and regulations
- Threat of substitutions
- Trends of the nightclub industry
- Successful nightclubs
 - Key success factors
 - Unique selling propositions

CHAPTER 4

RESULTS AND DISCUSSION

The results are interpreted using secondary research and a qualitative method, which includes observation and in-depth interviews. The findings are summarised and then addressed in the scope of study pattern.

4.1 Industry competition

Initially in this study, the assumption is that nightclubs are competing on an area basis. However, secondary walkthrough research and in-depth interviews with club owners and customers, that assumption is wrong. In the competition of the nightclub industry, area is not important. According to a Thai survey of the nation by a statistics organisation, around 88% of Bangkok night club customers are willing to travel up to 30 minutes for a drink (Statistical Forecasting Bureau of Thailand, 2014). With 30 minute of travel time, customers can travel to any place in Bangkok from the centre area (with night traffic).

After interviews with customers, there is agreement that area is not important. During the week, one can fully enjoy drinking for only two days (Friday and Saturday). Therefore, distance is not a necessary element if comparing the quality of nightclubs. A nightclub owner also mentioned that the nightclub industry is not dependent and competitive on location nor area, but by similar target customers.

"In my opinion, nightclubs are not competing in area basis. We compete against each other on acquiring similar target customer. Customers are willing to travel to the nightclub they like."

Ms. Cheraim, owner of ACheraim nightclubs

"In one week, I can only visit nightclubs on Friday and Saturday. Therefore, it must be the best nightclub for me, regardless to distant."

Mr. Chaiwat, age 27, business developer.

4.1.1 Intensity of the competition

According to Wilkinson (2013), the intensity of rivalry is determined by 11 factors, which are addressed below.

1. The number of competitors: In Bangkok, there are around 800 pubs and nightclubs legally registered with the government. After consulting with nightclub owners in the interviews, that is a considerably high number.
2. The diversity of competitor size: Nightclubs in Bangkok have very similar size. Most have a capacity of around 250 people per location.
3. The diversity of competitor market share: Market share is a similarity among large and popular nightclubs. On the other hand, new night clubs and less popular ones have fewer shares.
4. Industry growth: The nightclub industry shows slight growth because new nightclubs have a likely chance to fail and investment is high.
5. Fixed cost: Opening a nightclub requires a lot of fixed cost. It includes the structure or building, decoration, and land rental.
6. Product differentiation: The product differential is very low. Every nightclub has a core product, which is alcohol. Some differentiate with the music provided.
7. Significance of loyalty: Customer loyalty is important to the nightclub industry. Loyal customers provide word of mouth as recommendations, which is important for gaining new customers (explained more in the customer topic).
8. Customer switching cost: As the nature of the nightclub industry, customer switching cost is very low, especially for foreign customers.
9. Moderate diversity of competitor strategy: For less popular nightclubs, their strategies are quite similar. More successful nightclubs have more diversity in their strategies as they can afford to do so.
10. Equality of demand and supply: Since demand fluctuates between weekday and weekend, increased demand usually occurs at the weekend, while increased supply occurs at the weekday.
11. Exit barriers: Without considering the investment, exit barriers are low.

After considering every factor and consulting with the club owners, the intensive of competition is moderate. The competition for target customer base is not dependent on area or location.

4.2 Customer Analysis

Customers play the most important role in the nightclub industry because they account directly for an establishment's revenue earnings. Further, a satisfied customer will lead to brand royalty and great advertising. On the other hand, a customer that is dissatisfied will lead to a bad reputation in the long term, which can go viral even faster in the digital era.

4.2.1 Customer segment profile

After discussing this topic with nightclub owners, customers are first divided into Thai and foreign. Thai customers can be segmented further into three main groups, while foreign customer can be segmented into two main groups.

4.2.1.1 Thai customers

- Volume Optimiser

This segment of customers includes mostly students and junior employees. Most volume optimisers are between 20 and 30 years old. They tend to consume mainstream whiskey, such as Johnnie Walker Red Label, and Thai brand whiskey. Volume optimisers are highly sensitive to price, with a large amount of consumption per night. They also have low health consciousness and cannot generate income by themselves. Weekday or weekend is not important to this segment of customers.

“Price is important to me. Each month, I received limited money from my parent. We like to visit nightclub near campus in weekday, and nightclub in downtown in weekend. I like to have fun, and dancing around with my friend at nightclub.”

Ms. Nattida, age 20, college student.

- Image customer

The image customer segment is usually between 25 and 35 years old. This segment of customers is comprised mostly of senior or managerial employees. They tend to consume imported whiskey such as Johnnie

Walker Red Label, Black Label, and Jack Daniel's. They are moderately sensitive to price, but spend more because it is one of the characteristics of image. With a higher level of responsibility, their alcohol consumption during the week is limited, but not in at the weekend. This customer segment has moderate health consciousness.

“For me nightclubs are where I can meet new people. I also meet my ex-girlfriend at the nightclub. Unfortunately, I cannot go there every day like I did when I was young. The nightclub I choose will reflect me”

Mr. Chaiwat, age 27, business developer.

- Business owner

Like the name implies, most of the customers in this segment are business owners aged over 30 years. The business owner segment tends to consume imported premium whiskey such as a Gold Label, Chivas and Hennessy. Among other segments, business owners have the lowest price sensitivity. They're usually loyalty to the same nightclubs. They have a limited amount of alcohol consumption each day. This customer segment also has the highest health consciousness compared to other segments.

“Actually, I barely go to nightclub. I think I am too old for this. But when I go, I will choose the night club that I used to go. It feels more safety and feel like an old day. Hangover is serious when you get older. Therefore I will drink only premium grade whisky. It makes me feel better in the morning.”

Mr. Nithit, age 53, owner of AST industry

4.2.1.2 Foreign customers

- Young foreign traveller

This segment includes foreigners who come to Bangkok as travellers or tourists. Because of the differential in nightclub culture, they usually order cocktails and Thai beer. In one night, they shift around Bangkok in order to try as many places as possible. Compared to the Thai customer segments, foreigners have very low loyalty to nightclubs. They consume a lot of alcohol in one night, but usually at different places.

- Foreign businessmen

Foreign businesspeople segment includes those foreigners who live in Thailand and those visiting Thailand for business purposes. This segment has higher purchasing power, but lower alcohol consumption compared to the young foreign traveller segment. They tend to visit the same luxury nightclubs.

4.2.2 Customer needs

To understand customers properly, this study has to explore customer needs. After interviewing customers and owners, the results indicate that each segment has different needs from a nightclub.

1. Volume Optimiser

Since this segment is very price sensitive, the price is very important to a volume optimiser. This segment is usually new nightclub customers since regulations allow only those 20+ years old to enter nightclubs. They use word of mouth from friends to make decisions for first time entry. For entertainment, volume optimisers like live music, playing new Thai dance songs, and EDM (Electro dance music). They are also seeking an energetic and crowded place with promotions.

“I prefer 1.The nightclub with crowded people to dance with
2.Nightclub with affordable price. Before I try new nightclub, I will ask my friend about it. If they do not know it, I will search for more review.”

Mr.Pomrapee, age 21, college student.

2. Image customer

Image customers seek a luxury nightclub, in terms of decor, building, and environment. The reason is that an image customer considers going to a popular nightclub a positive reflection on their image. In addition, they also have a habit of posting and checking-in through social media concerning their location. They tend to visit the nightclub that has similar lifestyle customers in it. For example, those with a hip-hop lifestyle will not likely visit the same place rocker frequent. Therefore, the nightclub with strong position or image will gain the image customer segment's attention.

“I like to visit Brick bar, because I like the environment. It very fun and energetic, people even dance on the table. I can dance like crazy, because every did it in Brick bar.”

Mr. Sommart, Chef, age 28

“Nightclubs in Thonglor district are crowded with fully dress up people. I can wear dress to these nightclubs without awkward look from other. It not consider as over dressing in these nightclub. Actually it feels like fashion show rather than nightclub (laugh)”

Ms.Pavida, sale representative, age 28

3. Business owner

Excellent service and treatment are what the business owner segment needs. They also seek luxury nightclubs with good-looking customers. Customer relationship between a nightclub and customer are also key to keeping this segment loyal. In additional, a business owner is also concerned about nightclub security and security measures.

4. Young foreign traveller

For this segment, customers use recommendations from online channels. They mostly attend the nightclubs that have EDM music because of a lack of understanding in Thai language. Sometimes, foreign travellers also visit Thai target nightclubs to learn about Thai culture. This segment of customers is likely to visit a nightclub in an area of attractions geared toward foreigners, such as Kao-Sarn Road or Patpong Road. Basically, location and online recommendations are important to this segment.

5. Foreign businesspeople

This segment has similar needs to the business owner segment. However, foreign businessmen tend to choose nightclubs that play English songs or EDM music. Luxury nightclubs will get more attention if compared with other types of nightclubs.

4.3 Bargaining power of suppliers

In terms of suppliers in the nightclub industry, most are suppliers of alcohol products. There are many alcohol manufacturers and suppliers in

Thailand who aim to sell their products through nightclub channels. Currently, the competitive situation in alcoholic beverages is high. Johnnie Walker, the leader in the whiskey market, has to compete with new incoming brands such as Jack Daniels and Hennessey. Alcohol suppliers are support nightclub by using incentives, waitresses, and exclusive promotions to attract nightclub attention. Alcohol suppliers are not fully support every nightclub in the market, they aim to support the night club that have similar target customer with their brand

“We encourage nightclub to promote our brand to their customer with our promotion. We will gain opportunity to offer trial to new customer, and also emphasize our brand image throughout night club image.”

Ms. Tong, sale representative of one beer manufacture.

This situation offers an advantage to nightclub owners. There are also cooperating events between nightclubs and alcohol suppliers, where the conditions depend on reputation and the sales of the nightclub. In the event nightclub owner will get more income form increasing customer, while supplier will gain benefit by increasing brand awareness with their target customer. An example is shown in Figure 1.



Figure 1: Example of corporate event (left: Singha brand) (right: Johnnie Walker brand)

4.4 Barriers to entry

The barriers to entry are also important to indicate the industry situation. A low barrier to entry can lead to the entrance of new nightclubs, resulting in more competition and decreased profit. After consulting with the nightclub owners, the barriers to entry are indicated as 2 main factors.

4.4.1 Capital requirement

Opening a new nightclub requires a lot of capital investment. In terms of money, most of the initial capital is used to establish the location by securing the land and structure as well as completing the design and décor. Initial stock of products for sale (alcohol) is also a consideration.

“There are 2 important things you need to consider before open a nightclub. The first thing is money. The second thing is law. My nightclub was force to close because of law violation.”

Mr.Kwang, former nightclub owner

- **Land rental cost**

The land rental cost is the highest expenditure that is needed to open a nightclub. For example, the price of buying 4 square meters in Kao-Sarn Road is 420,000 THB (The Treasury Department of Thailand, 2016).

- **Structure building and decoration**

This cost depends on the scale and position of nightclubs. After an interview with nightclub owners, the budget for a new structure or building is around 15 million THB, with around 5 million THB for decor and entertainment system. It should be noted that the nightclubs interviewed for this study have been open for business for more than ten years. Therefore, prices might have fluctuated through the course of time.

4.4.2 Law and regulation

After looking through the latest updates of laws and regulations for nightclubs in Thailand, several conclusions can be made (State, 2003)

- **Location**

Nightclubs can be legally opened in only 6 Bangkok districts. Otherwise, the owner has to write a special request to the government. Moreover, the clubs cannot be near a 1) school or university, 2) temple or religious place of worship, 3) hospital or 4) residential home or village (unless specifically allowed by the house owners nearby).

- **The time frame**

Nightclubs can open “legally” only from 18:00 pm to 1:00 am, for 7 hours of operating time. However, interviews with nightclub owners revealed that most stayed open longer than allowed by law. This action can be done by paying the district police station, which amounts to bribery (which will not be included in this study).

As mentioned previously, the law allows operation only until 1:00. Many nightclubs stay open past that time (with a police connection or bribery). The latest a nightclub from our interviews stayed open was 5 am. The aspect of bribery is not included in this study.

4.5 Threat of substitutions

As mentioned in the characteristics of the review of literature, club lounges, wine clubs and pubs are considered substitutions for nightclubs in the nightlife industry. After consulting with club owners and nightclub customers, pubs and bars are considered a high threat of substitution (Hines, 2013). The reasons are addressed as follows.

“For me, I seem pubs and bars are competitor. Natural of customer are usually going to pubs and bars on weekday and nightclub on weekend. Therefore I open both nightclub and bar in same place to increase the profit opportunity.”

Mr. A owner of Nadia nightclub.

4.5.1 Consumer switching

As the nature of nightclubs, customers can switch from a nightclub to pub with little cost. Consumer switching cost in nightclub industry is low.

4.5.2 Price

Substitutes may have cheaper prices. Pubs sometimes have lower cost compared to nightclubs. Nightclubs have to invest in lighting and sound systems, while a pub requires lower investment.

4.5.3 Place

Substitute place quality is the same. Considering alcohol as the core product, pubs and bars have the same quality as nightclubs because they share the same suppliers. On the other hand, live DJs and bands are an advantage for nightclubs over pubs and bars.

4.5.4 Function and performance

Substitute function and performance. As mentioned in the review of literature, a pub & bar has different functions and characteristics compared to nightclubs. Moreover, pubs and nightclubs also have different target customers. Pubs have a target age of between 35 and 45, while nightclubs target younger patrons between 20 and 35 years old. Therefore, measuring a pub and nightclub directly in function and performance will be not accurate.

4.6 Trend of nightclubs industry

After consulting with nightclub owners, the nightclub industry trends can be divided into three categories.

4.6.1 Shifting of music trends

EDM (electronic dance music) is becoming more and more popular in Thai nightclubs. DJs used to play an unimportant role as halftime show between live music sections. Now, DJs have evolved into the main attraction in many successful nightclubs due to the popularity of EDM music. Therefore, famous DJ will play an important role in customer attraction for the future.

4.6.2 Strict laws and regulations

After the most recent coup in Thailand, many nightclubs have been suffering from even stricter laws and regulations. According to the National Council for Peace and Order (NCPO), Order number 22/2558 (National

Council for Peace and Order (NCPO), 2015), if any nightclub violates the five commands, the nightclub will be closed for 5 years.

1. Allow customer aged under 20 years into the nightclub, pub, or bar
2. Sell alcoholic products to customers aged under 20 (for restaurant)
3. Open longer than 1:00 am
4. Sell alcohol after 1:00 am
5. Customer in the nightclub has drugs

Even if nightclub owners follow such orders, policemen and soldiers are allowed to interrupt and stop nightclub activity for ID and drug inspections. If the nightclub has been interrupted too much time in a week, customers will have a bad opinion toward the nightclub and stop going there.

4.6.3 Era of social media

This is the trend that affects a nightclub the most. In the past, word of mouth and online reviews were mainly used for nightclub advertising. Now, social media such as Facebook, YouTube, and Instagram are playing an important role as an advertising channel and reminding tool for customers. Moreover, nightclubs can also use social media to communicate their brand position.

“We use YouTube as our main media of advertising. We will record the live perform of famous band that invited to play in our club. Then post it on YouTube. Viewers who search for the band will also found us as result. Right now we have 100,000 subscribers and 100 video from 20 bands. One of our video has more than 6 million views. It make customer want to know more and visit our place.”

Mr. Yulana co-owner of Mamao bar

4.7 Success of nightclubs

As mentioned in the review of literature, only 20% of new nightclubs survive and succeed. Therefore, this topic involves exploring the key success factors as well as how to gain a successful nightclub position.

4.7.1 Key success factor

After interviewing both successful nightclub owners and less successful nightclub owners, the key success factors have been concluded as follows.

4.7.1.1 Strong brand position

Like any other industry, brand position is important in the nightclub industry. Not only will a strong brand position differentiate a nightclub from a competitor, but also serves as a promise to the customer of what to expect. In the Thai nightclub industry, brand position can be communicated by advertising and nightclub features.

“For 30 years, Rock pub never loses our position. We position ourselves as best live rock music in Thailand. There is a time that rock music is become less popular in Thailand. So I change direction from only rock to mainstream, and hope to gain more mainstream customers. You know what, we loses customer even more. Customer experience is conflict with their expectation in our brand. After, Rock pub switch back to concentrated in the direction it used to be, everything is better. It worth to capture small segment if you can have it all”

Mr.Nontadaje, owner of Rock pub (one of the oldest club in Bangkok)

1. Advertising

As mentioned before about trends, nightclubs used to be advertised by word of mouth. However, now social media has become another channel for nightclub advertising. The key to success of using social media is content. A nightclub might have a fan page on Facebook, but it is useless if the content inside does not represent the brand position well.

MAMAO nightclub is a good example of using social media effectively. MAMAO is well known for its great live music atmosphere. This

is because, unlike others, MAMA O invests in sound and video recording. After that, MAMA O will post the recorded live music on YouTube. By doing this, it reminds customers about their feelings and also gets the attention of new customers. The highest number of views for a MAMA O video on YouTube is over 4 million, as shown in Figure 2.



Figure 2: Example of MAMA O live recording on YouTube

2. Nightclub feature

Everything in a nightclub can be used as a communication channel. Some nightclubs like Brick Bar sell Thai whisky brands, while others like Funky Villa do not. This is because the Brick Bar also wants to capture the volume optimiser segment, while Funky Villa captures the image customer segment. Type of music also reflects brand position. The Brick Bar usually plays ska song and dance hall song, in their live music section. Also, Brick Bar uses wind instruments in their live performance, as shown in Figure 3. For the result, it makes Brick Bar's position stronger because it has an energetic and entertaining atmosphere.



Figure 3: Wind instruments used by bands to perform live music.

4.7.2 Unique selling proposition

“In my opinion, open a success nightclub is same as creating your own signature. You must have uniqueness. If you cannot be unique, you must be better than other. Without uniqueness, your night club is just a place that sells alcohol.”

Mr. Yulana co-owner of Mamao bar

Most of the nightclubs have the same core product, which is alcohol. This means that without any unique value, every nightclub is the same from the customer point of view. Therefore, nightclubs need to find their unique value to differentiate from competitors. The terms of unique experience cover many angles. The following are examples of current uniqueness in some nightclubs.

1. Unique nightclub norm: Normally, the Thai nightclub culture for drinking involves politely standing around a table with whiskey and mixers. To deliver a unique experience for customers, Brick Bar allows and even encourages customers to stand and dance on the tables (shown in Figure 4). As a result, it leads to more fun and an energetic environment for customers.



Figure 4: Singer encourages customers to dance on the tables (Left), Norm of dancing on a table at Brick Bar (right)

2. Unique environment: The environment of each nightclub can be designed to be unique from others. The environment includes decoration, lighting and sound system. A great example of a nightclub with a unique environment is ONYX. ONYX has invested a lot of money in their lighting system, which makes the customer feel more entertained (an example is shown in Figure 5).



Figure 5: Lighting system at ONYX

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Conclusion

Thailand has been ranked as a top international destination for nightlife by many websites and news outlets. One of the nightlife categories is nightclubs. Because of the low success rate for new nightclubs, this report aims to help new nightclubs understand the industry situation and key success factors. To understand the nightclub industry, there are five prospective elements for examination.

5.1.1. Industry competition

Nightclubs in the industry have high competition. Nightclubs do not compete by area, but in similarity of target customers. In Bangkok, there are many nightclubs with similar size. Equity of demand and supplier fluctuate depending on whether it is a weekday or weekend. Their core product is the same, except there are additional unique features in various nightclubs.

5.1.2. Customer

Customers in nightclubs can be divided into two major segments, which include Thai customers and foreign customers. Thai customers can be divided into three sub-groups including volume optimiser, image customer, and business owner. On the other hand, foreigners can be divided into foreign traveller and foreign businessman.

5.1.3. Bargaining of supplier

The bargaining power of suppliers in the nightclub industry is low. Because there are a lot of alcohol suppliers, the aim for alcohol manufacturers is to sell products through the nightclub channel. Alcohol producers also support nightclubs by giving incentives and hosting collaborative events.

5.1.4. Barriers to entry

In the nightclub industry, the barriers of entry are high. There are 2 factors considered as barriers to entry. The first factor is large amount of capital requirement. The second factor is strict law and regulations.

5.1.5. Threat of substitution

The threat of substitution is high. In this study, the term substitutions include other types of nightlife service. A customer can switch to a substitution with low cost. Substitutions may also be able to deliver the core product, alcohol, at a lower price. Only the functions of a nightclub make it better than any substitutions.

5.1.6. Trend of nightclub industry

There are three major trends in the industry. The first trend is the increase of EDM fans. This leads to a more important role for DJs in the future. The second trend is laws and regulations. Since the most recent coup, the police heavily monitor nightclubs. The last trend is the impact of social media. Recently, social media has become another channel for a nightclub to advertise and communicate with customers.

5.1.7. Success of nightclubs

After understanding the environment of the nightclub industry, the second objective is determining the keys success factors for the industry in Bangkok. In summary, there are two factors that can indicate success for nightclubs.

Strong brand position

Strong brand position will help a nightclub to differentiate itself from competitors, as well as make customers interested with expectation. Brand position must relate to the target segment. A strong brand can be created by advertising and unique features.

1. Advertising

As mentioned in trends, social media is currently an effective tool for advertising. However, a Facebook page or YouTube channel is not enough. The content inside those social media channels must also be interesting, related and able to communicate brand position to customers.

2. Unique features

Everything in a night club can be used for communicating brand position. Pricing and product are the simplest ways to communicate with customers

and signal to the interested segment. Music is another tool that can reflect brand position. With the right music, image customers will have more interest in a particular nightclub.

The last objective is exploring the unique value propositions for the success of Bangkok nightclubs. Without uniqueness, every nightclub is the same. Only providing alcoholic products and general entertainment cannot help a nightclub to survive in this competitive industry. There are major unique selling propositions that help sample nightclubs succeed.

Unique selling proposition

1. Unique nightclub norm

Nightclub owners should come up with a unique norm in the nightclub because most nightclubs have very similar activities and environments of drinking. With a unique feature, customers will remember a nightclub and become one of the customer consideration set.

2. Unique environment

The environment includes decoration, lighting, and sound system, as well as service level. Because of the differentiation in customer needs, nightclubs should design uniqueness into their environment according to the needs of the customers.

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