

NAVIGATING THROUGH THAILAND'S ENTREPRENEUR AND START-UP ECOSYSTEM

By Yada Saraneeyatham



For entrepreneurs and start-up businesses, Thailand is the perfect choice for market entry into Southeast Asia, and acts as a springboard to expand further into other Asian markets over time. Providing both vast opportunity and affordability, Thailand offers a great platform for start-up business activity.

Why Thailand? The land of smiles, truly offers the entrepreneur many key factors to support business success. Thailand is a developing nation with significant domestic purchasing power. The country ranks second out of all ASEAN countries with a GDP per capita of USD \$19,200 in 2021. Thailand is also strategically located in the “middle” of Asia, and surrounded by similar economies within a 4-hour flight radius, and includes: the Indian metropolises and the Asian cities of Singapore, Ho Chi Minh, Jakarta, mainland China and Hong Kong.

The nation's capital, Bangkok offers high yet affordable living standards. Housing rents are reasonable compared to other locations like Singapore or Hong Kong. The city has great infrastructure such as the safe and clean BTS/MRT Metro rail systems helping to move you anywhere around town for business or

social engagements. It's also a vibrant city infused with a beautiful blend of Thai culture, and cosmopolitan living in a locale that has long been a crucible of cross-cultural and commercial exchange, a true melting pot of success.

Many Canadians have enjoyed the benefits and opportunities offered by Thailand. Jim Gulkin of Siam Canadian Group ventured into Thailand in the late 1980s as a start-up with a trading office and is now generates USD \$12 million in sales. In 2020 the iconic Tim Hortons brand entered the Thai market under the guidance of the the Wattanavekin family and has 7 stores in Bangkok.

Beyond smiles & Pad Thai

Thailand recorded 73 thousand new business registrations in 2021, a 15% increase from the previous year. The increase was generated by the construction business which accounted for 10% of the total business registrations, followed by real estate and by transportation and logistics businesses with 5% and 3% respectively. Foreign businesses accounted for 18% of these new business registrations, led

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by Japan, Singapore, China, the United States, and Hong Kong. Canada accounted for just one quarter percent of total new companies registered in Thailand last year.

Small and Medium Enterprises, which include manufacturing, wholesale/retail businesses, and services, are the backbone of the nation, where they account for 90% of total active business operations. Most of the start-up businesses are located in Bangkok, but there is a recent trend of moving to the tier 2 locations of Chiangmai, Phuket and Chonburi.

Thailand is ranked 20th among 190 economies in the World Bank's latest Doing Business¹ report in 2020. It depicts how the regulatory environment in the country is conducive to business and how easy it is to operate a business for both Thai and foreign entities. However, there are notable restrictions worth highlighting, as they often become hiccups for new foreign business establishments if a company has not planned properly.

Low barriers but serious red tape - Living the Thai dream comes at a cost

Registering as a foreigner

Foreign entrepreneurs can freely register a company in Thailand. However, for foreign business establishment, the regulations of Thailand's Department of Business Development require that the majority of shareholders must be Thai, while foreign owners

can have a maximum shareholding of 49%. This requirement may be waived if the business can obtain a Foreign Business License (FBL), which is generally granted to foreign owned businesses that by nature do not compete with Thai businesses such as retail, service providers, and hospitality. When applying for an FBL, the foreign company must demonstrate the value-add of the business to Thai society and know-how that it will bring to the local employees. For more information on the full list of businesses that are prohibited or qualified, please see the link below in footnote.²

Visa and work-permit application

After completing the company registration, the next stage for any foreign entrepreneur is to comply with Thai labor law in obtaining an appropriate non-immigration-B Visa and Work Permit. This is requisite for the owner, director, or any other position covered by a foreign employee in the company, regardless of position, who will be working within the country. In addition to maintaining visas for foreign employers and employees, businesses must strictly comply with the required ratio of foreign and Thai staff of 4 Thai staff to 1 foreign employee. The company or the employer must have fully paid registered capital of 2 million Baht to hire one foreigner, and each additional foreigner in the company can be hired for every 2 million Baht. Meanwhile, foreign representative offices or regional offices³ need only employ a one-to-one ratio per visa holder for their authorized representatives.



¹ <https://www.doingbusiness.org/content/dam/doingBusiness/country/t/thailand/THA.pdf>

² https://www.dbd.go.th/dbdweb_en/ewt_d_l_link.php?nid=3922

³ <https://www.mazars.co.th/Home/Insights/Doing-Business-in-Thailand/Legal/Regional-Office-vs-RO-vs-Branch-Office>

Choosing the right partner

Considering all of the restrictions, foreign entrepreneurs who have successful products and services seeking to launch in the Thai market, should consider working with a local agent or distributor. It is the most effective way to enter the market and efficiently reach potential Thai buyers. An agent or distributor can facilitate and expedite market entry with their extensive local market knowledge, language ability, established distribution networks, and relationships with key Thai business and government officials.

Support to drive your business

When you weigh the opportunities available in Thailand against the ease of starting up, the reality is that start-up costs can be lower than in other locations in Asia. Certain key costs constrain the start-up process, starting from legal administration and the requirements of incorporating an entity, to hiring staff before you incur operational and strategic business development expenses.

However, there are a range of service providers that offer company incorporation, HR services and varied models of representation in Thailand. The service provider will also assist the new entrepreneur with addressing responsibilities and risks such as directors and shareholder liability.

Tractus Asia's Business Inc.ubator®

Success and cost minimization are best achieved through working with parties who are experts in their respective markets, and with experience of building new business across industry sectors and having a deep cultural understanding.

Tractus' offices worldwide deliver a range of customized business development services to assist foreign businesses planning to enter or expand their presence in Asia and other global markets. Tractus' Business Inc.ubator® circumvents the need of incorporating an entity by hiring key qualified employees and using Tractus' facilities and administration and management capabilities.

Tractus offers full back office and accounting support, strategic commercial development planning to drive sales, management of distribution relationships, and acts as a growth catalyst for the client's operations. Our expert management team supports the client's business growth across the region and the world. We connect companies with the resources needed to operate in Thailand as well as many other countries quickly and cost-effectively. We also are able to identify the right talent, partners and distribution channels. In short, Tractus offers the entrepreneur a turn-key service to enter the market rapidly and efficiently with little risk.



Case study



Nova-Tech is a leading agricultural technology company based in Wilmar, Minnesota. The company had successfully entered 40 countries, but found their market entry into Asia, especially China a big challenge which resulted in problems.

Result: Through Tractus' Business Inc.ubator®, our team executed a sales driven program that hired 4 Sales and Operation Managers for Nova-Tech's China, Thailand, India and Malaysia business goals. Tractus' Leadership delivered strategic oversight providing a 360-degree service, including office space and administration support. Resulting in 175 complex high-value poultry machines sold in China and 40 machines in Thailand, Malaysia and India.

Tractus' Directors and Senior Managers have decades of hand-on business management experience in their countries executing solutions to market entry challenges, albeit regulatory or targeting the right customers. Tractus Business Inc.ubator® delivered to Nova-Tech a low-cost, low-risk way to enter new markets and rapidly achieve a solid market presence, while minimizing the cost of setting up and staffing a company in a new market.



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Tractus has been assisting companies in making informed decisions about where to invest and how to enter markets and expand their business in Asia and beyond for over 25 years. Whether you need an upfront market opportunity assessment and financial feasibility of your business model, a strategy for investing in markets or execution assistance to identify optimal sites for manufacturing and service operations or to identify the best joint venture partners or acquisition candidate, Tractus can help you develop an informed strategy and assist in its execution. For more information, visit www.tractus-asia.com