

Digitalisation & IT Sector Brief  
**THAILAND**



## COUNTRY OVERVIEW

The kingdom of Thailand is located at the very centre of mainland Southeast Asia bordering Myanmar to the West, Laos and Cambodia to the East, and Malaysia to the South. Its border with Myanmar stretches 2,416 kilometres and with Laos 1,845 kilometres – two of the three longest land borders in the ASEAN region. Much of Thailand's frontier with Laos is demarcated by the Mekong, the longest river in Southeast Asia and a major trade route which stretches north to its source on the Tibetan Plateau in China's Qinghai province, and south into Laos, Cambodia and finally Vietnam. Thailand and its capital Bangkok face onto the Gulf of Thailand, a protected coastline due north of Singapore and its main trade route connecting the Malacca Strait with the South China Sea.

Bangkok ranks as the third-largest city in the ASEAN region and the largest in mainland Southeast Asia with a population of 17 million people. Thailand recently surpassed an urbanization level of 50%, the median rate within ASEAN. With 70 million people in total, Thailand is the fourth largest country by population in Southeast Asia. Its economy ranks as the second largest in ASEAN behind Indonesia, the 8<sup>th</sup> largest in Asia and the 22<sup>nd</sup> largest globally.

The Thai capital remained the most visited city in the World in 2019, the year before the onset of the Covid-19 pandemic, with nearly 23 million visitors, well ahead of the next most popular global cities Paris and London. Tourism remains among the key pillars of Thailand's economy, along with manufacturing, real estate, agriculture and finance, a key reason why the economy suffered a significant recession in 2020 as travellers stayed away due to the pandemic. This was only the second year since 1998 in which Thailand has failed to register economic growth. As recently as 2010 and 2012, the Thai economy surged above 7% annual growth, and directly before the pandemic typical GDP growth ranged between 2% and 4.5%.

From September 2021, the rate of those fully vaccinated in Thailand began to speed up so that about two-thirds of the country had received double doses by the end of the year. The quickening of the vaccination program coincided with governmental plans to reopen the country to tourism for fully vaccinated international visitors, without quarantining, from November 1, 2021. Thailand had previously initiated a pilot reopening initiative on the popular resort Phuket which allowed fully vaccinated travellers to visit and stay on the island from the start of July 2021.

Thailand's Covid-19 vaccination program is viewed as the key to kickstarting its tourism-driven economy' with near-full coverage of the population anticipated during the first half of 2022 when booster jabs will also begin a countrywide rollout. The country's economic recovery was expected to start slowly in 2021 with growth forecast at 1 per cent before reaching a projected 3.6% in 2022 and then returning to pre-pandemic levels by 2023. These forecasts were based on a vaccine rollout that took until the end of August 2021 to reach 10 per cent of the population.



## SECTOR OVERVIEW

Thailand ranks among the most connected societies in Southeast Asia with 70% of the population regular internet users by early 2021, and 99% of all Thais owning a smartphone. The number of mobile connections reached saturation point at 100% some years ago – fewer than 7% of all mobile devices are non-smartphones meaning that nearly the entire population owns a device that can connect to the internet and use social media apps. Thai online consumption has also become increasingly concentrated within the everyday routines of people in the country – the average person in Thailand spends nearly nine hours each day on the internet, a rate comparatively high within Asia.

### General characteristics and trends

- **Rapid connectivity:** Although Thailand has already connected more than two-thirds of its population to the internet, the pace at which the country is adding new online users' remains high. Between the start of 2020 and early 2021, 3.4 million people went online for the first time, representing a growth of 7.4%. This rapid rate of internet adoption was fueled in part by the pandemic and the need for people in the country to go online to shop, stay connected and entertain. Nonetheless, there are few signs that this pace is slowing. The main areas of growth are expected to be the north and northeast, home to numerous ethnic minorities and rural populations on the fringes of the country. SMEs seeking to engage with these populations can expect rapid internet adoption as Thailand moves towards internet saturation by the end of the decade.
- **Heavy video streaming usage:** Thais use video streaming for an average of three and a half hours each day, the same as in the Philippines – although people in the latter use the internet for two hours more than the average Thai. This statistic demonstrates the extent to which internet usage in Thailand is focused on video streaming. No other nationality in ASEAN watches more online videos each day than Thais. This trend is fueled by the high level of smartphone use in Thailand combined with mobile saturation. SMEs and start-ups engaged in video content, including digital marketing, can therefore expect a highly receptive audience.
- **Climbing Internet usage:** One survey of internet usage in Thailand conducted during the last quarter of 2021 found that people in the country spend 11 hours and 25 minutes each day on average on the internet. This compared to 8 hours and 44 minutes a year earlier, according to a survey conducted in 2020. These results point to average online usage which is rapidly expanding in Thailand. Small businesses entering the digital sector in Thailand can therefore expect a potential client base that is accustomed to long sessions online.
- **Quickening 5G rollout:** Having completed a private sector auction for 5G licenses and bandwidth during the first quarter of 2020, by the last quarter of 2021 5G connectivity reached nearly 20% of mobile use time. In the Asia-Pacific region, Thailand ranks below only Taiwan, South Korea and Hong Kong in regards to 5G video speed which climbed to 80.7 Mbps by October 2021. Having rolled out 5G infrastructure quicker than most countries in the region, Thailand is expected to see the majority of its population benefit from the usage of the technology in the next few years. This presents numerous opportunities for start-ups and small businesses aiming to harness faster internet speeds, particularly on mobile devices.



## MAIN PRODUCTS, SERVICES, AND SEGMENTS

### Fintech

Usage of real-time digital payments surged by more than 100% in Thailand since the start of the pandemic in early 2020. Thailand had already started an ambitious drive towards digital payments prior to the pandemic following the government's National e-Payment Master Plan of 2017 which included the promotion of PromptPay, a Thai-based digital transfer system commonly used by domestic banks. Mobile banking has seen wide usage in Thailand for the past decade since Kasikornbank launched the first such app in 2010. The market has traditionally been dominated by large local banks but other e-payment players have recently come into the market – in 2020, the government launched its own e-payment platform called 'Pao Tang Wallet' which was used to help disburse benefits and fiscal relief to people affected by Covid-19. This in turn has helped to rapidly increase e-payment literacy among the general population.

### E-Commerce

The e-commerce market in Thailand witnessed 60% in 2020, double the global average rate for the same year. This, in turn, has prompted an e-commerce drive by local companies seeking to sell their wares online, including companies operating within the 'One Tambon One Product (OTOP)' network, which includes producers and retailers at the tambon, or township, level – OTOP launched its own e-commerce platform in 2020. Kaidee, only available in Thai, is the biggest local player, while JD Central represents a collaboration between Thailand's largest mall retailer Central Group and one of China's largest e-commerce firms, JD.com. Popular Southeast Asian companies Lazada and Shopee both offer local Thai platforms for shoppers.

### Proptech

Thailand's Proptech sector has started to go global following a rapid period of expansion. Local online property agency Lazudi became the latest Thai Proptech company to secure overseas venture capital at the end of 2021 after announcing a US\$2 million investment by PropTech Farm of Sweden. Although virtual listings and viewings have become the mainstay of the market, including in Thailand, in Bangkok popular serviced apartments have begun to use technology, including robots, for sanitizing communal spaces and wider property management.

### Telemedicine

Already ranked among the leading global destinations for medical tourism, particularly among other Asian and Middle Eastern countries, Thailand has begun to roll out a growing selection of online medical services during a period in which physical travel has remained restricted. Bangkok and Chiang Mai have emerged as major suppliers of telemedicine services which allow patients elsewhere in the country and overseas to conduct live video calls with qualified doctors at Thai hospitals. These services tend to be low cost and depend only on a strong internet connection suitable for video streaming. Doctor Raksa, the largest telemedicine platform in Thailand, also offers pharmacist consultations, prescription refills and medical summaries online. About 300 hospitals in Thailand are now using some form of telemedicine services.

### Food delivery

With major international companies including Grab Food and Uber Eats, regional delivery firms Gojek and Food Panda, and local players including Robinhood of Siam Commercial Bank, the food delivery segment in Thailand has become highly competitive and large in scope. Thailand's food delivery sector ranks second in ASEAN behind Indonesia, and per capita, only Singapore is larger, with US\$2.8 billion in revenues in 2020. During the pandemic, services spread to grocery deliveries including by the popular convenience store chain 7-Eleven. Where such apps once focused almost exclusively on Bangkok and Chiang Mai, along with a small number of other cities, in the past two years most towns and cities in Thailand have started to see food delivery app availability.



## REGULATION

Thailand has in the past few years rolled out several long-awaited legal changes to the e-commerce and wider digital landscape designed to better protect consumers and their privacy. These new laws have brought Thailand in line with international norms in Europe and North America and positioned the country as among the most developed in the ASEAN region regarding legal frameworks governing online

### Legal requirements

After passing the Personal Data Protection Act in May 2019, the government has twice postponed bringing into force the new regulations, most recently until June 2022, citing the pandemic. The new measures will be enforced by a Personal Data Protection Committee which is in the process of being established. Although not fully enforced as yet, Thailand still requires companies to have in place personal data security measures.

Thailand also passed a new Cyber Security Law in May 2019 which is already in effect. Any business operating in banking, logistics, IT, telecoms, energy and public health is required to abide by the new measures which are regulated by the National Cyber Security Committee. The NCSC classifies cyber threats at three threat levels and is permitted to request internal documents from organizations if required.

Regulations governing e-commerce have not been updated since the passing of the Electronic Transactions Act, and Direct Sale and Direct Marketing Act, both enacted in 2002. Neither law explicitly requires an online seller to submit a confirmation email after a purchase is concluded but this is implied and remains standard good practice.

Thailand became one of the first countries in Asia to explicitly legalize cryptocurrencies with the passing of the Digital Asset Act in May 2018. The Securities and Exchange Commission was entrusted as the regulator for initial coin offerings. Further legislation is expected as the market evolves and expands – already mainstream financial institutions have moved into the sector with Siam Commercial Bank buying a stake in the largest Thai crypto exchange Bitkub in 2021.

### Taxes

New regulations in effect from September, 2021 require overseas e-commerce platforms to pay sales tax to services supplied to customers in Thailand – providing annual sales exceeding 1.8 billion baht (US\$57.1 million). The law, which was first proposed in 2017, applies regardless of whether a company maintains an office in Thailand.

Thailand has decided to maintain its lower sales tax rate of 7% until the end of September 2023 as a measure to mitigate the impacts of the pandemic on businesses. After this date, the sales tax rate will return to 10%, unless the government decides on a further extension.



## MARKET ENTRY

Following a series of reforms aimed at protecting minority investors and making construction permits easier to come by, Thailand continued to rise up the rankings on ease of doing business in 2021. Within ASEAN, Thailand ranks behind only Singapore and Malaysia when it comes to business-friendly policies.

### Setting up a business in Thailand

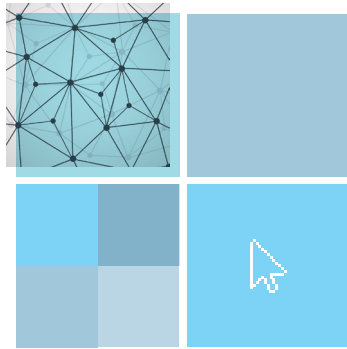
The Foreign Business Act B.E. 2542 (1999) (FBA) is the main law governing foreign investment. It stipulates a range of business activities that may not be carried out by foreigners, and defines the term "foreigner" as: (i) a person who is not a Thai national; (ii) a "juristic" (i.e. legal) person registered under foreign laws; or (iii) a juristic person registered under Thai law with 50% or more of its shares held by foreign parties (either natural or legal persons). Foreigners conducting business in Thailand must comply with FBA requirements, and other applicable laws. Indeed, foreign investment in certain business activities (e.g. transportation, mining, financial services, telecommunications, and tourism) is restricted under sector-specific laws.

Under the FBA, industries are classified into three categories or lists according to the level of restrictiveness, with different foreign equity limits and approval requirements for each of them. List 1 sets out the industries in which foreign investment is not permitted, including businesses such as newspapers, media broadcasting, rice farming, livestock, forestry and timber processing from natural forests, fisheries, and trading in land. The industries in List 2 are permitted only if foreign investors obtain prior approval from the Cabinet and a licence from the Minister of Commerce (MoC). Moreover, they are subject to a foreign equity limit of 60% (up to 75% in some cases), and at least two fifths of the board of directors must be Thai nationals. List 2 industries include those concerning national safety and security, and those which have an impact on the arts, culture, tradition, local handicrafts, natural resources or the environment. List 3 includes industries in which "Thai nationals are not yet ready to compete with foreigners". These are open to foreign investors provided they receive a licence from the Director-General of the Department of Business Development of the MoC and approval from the Foreign Business Committee; no foreign equity limits apply in this case. A wide range of businesses are covered under List 3, including rice milling, construction, engineering, legal and accounting services, and hotel businesses (except management). Notwithstanding the above, foreign companies making substantial investments that benefit the Thai economy may be authorized by the Board of Investment to operate businesses in Lists 2 and 3.



## RECOMMENDATIONS AND TRENDS

- **Less restricted travel:** After reopening to tourism from the start of November 2021, Thailand is expected to slowly resume its position as among the leading tourism destinations in the world – Bangkok, Pattaya and Phuket all rank among the top 20 destinations globally. Before the pandemic, the country registered about 40 million tourists each year, falling to 6.7 million in 2020 – most of whom visited in the first weeks of the year before lockdowns took effect – and just over 100,000 in 2021. The state tourism authority is targeting 700,000 visitors in 2022 with travel-friendly policies including relaxed quarantining rules. SMEs and business people seeking to explore the market can therefore expect easier entry and travel within the country.
- **Devalued, volatile currency:** Having lost tens of millions of international visitors and in turn significant foreign currency revenues and reserves during the past two years, Thailand has seen its currency the baht lose ground against major global currencies including the US dollar. Generally, the Thai baht is considered weak when it trades at more than 30 baht to the US dollar, which has been the case for the period since the onset of the pandemic. This trend is likely to continue into 2022 as the country slowly opens to international tourism. SMEs and foreign start-ups are therefore advised to keep track of currency fluctuations to mitigate foreign exchange costs during what has been a volatile period for the baht.
- **Faster-than-expected digital transformation:** With 56% of businesses stating they had already transitioned to digital adoption in early 2021, versus just 12% a year earlier, Thailand has witnessed among the most rapid offline-to-online evolutions anywhere in the region. This rapid rate of digital adoption has been most evident in e-commerce as Thai businesses became increasingly aware of the restrictions imposed by physical stores compared to online marketplaces. SMEs should expect this trend to continue towards rapid online shopping saturation during the current decade.
- **Focus on Green practices:** Electric vehicle usage and renewable energy usage has been relatively slow to take hold but there are signs that this is changing. The government recently announced plans to have one million electric vehicles on Thai roads by 2025, and 15 million by 2035. Also, Thailand has recently initiated a near ban on plastic bags in retail. These government and industry-driven changes point to a much greater emphasis on green practices and technology than was the case until recently in Thailand. SMEs can therefore expect related legal changes and challenges, but also opportunities, particularly among companies looking to embrace these new market dynamics.



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