



Introduction to the Thailand Startup Ecosystem

What we can expect from ASEAN's hidden gem

By STEVE CERVANTES

Thailand's inherent strengths make it a corollary in growing some of SEA's innovative and stylish ecommerce startups.

The Thailand startup ecosystem has grown methodically into ASEAN's hidden gem while attracting moderate notoriety compared to Singapore, Indonesia, and Vietnam. The troika overshadows Thailand's ecosystem of around 540 startups; Singapore is home to 80% of Southeast Asia's (SEA) 10,000 startups, Indonesia has four unicorns, and Vietnam's startup community is 3,000-strong (Enpact Data Lab).



Pundits and media alike fail to recognize Thailand's cyber-behavioral assets and cultural internalization, or when cultural influences serve to mold consumer behavior. The country ranks in the global top ten in terms of social media usage and uncanny openness toward foreigners, and its e-commerce activity through business-to-business (B2B) and business-to-consumer (B2C) ranks higher than other countries in the region (ResearchAndMarkets).

Thailand's inherent strengths make it a corollary in growing some of SEA's innovative and stylish ecommerce startups. Priceza, for example, is becoming one of SEA's leading ecommerce search engines amid Alibaba and Amazon's global preeminence and duopolies. In light of COVID-19's impact on the economy and individual incomes, Priceza has become highly relevant for primarily focusing on price comparisons, and helping customers make more informed shopping decisions.

Priceza's rise is instructive for other regional startups, as interregional localization is often a struggle. Since its founding in 2010, Priceza has expanded into five SEA markets and accounts for roughly 75 and 35% of Thailand and Indonesia's market shares, respectively, according to Priceza CEO Thanawat Malabuppha.

He counterintuitively attributes success in ASEAN to leveraging its regional identity: "Though ASEAN is perceived by many as the world's most regionally mosaic [region] considering language, belief system, etc. However, when expanding, people are more open if the service is proven. ASEAN nations have gradually coalesced the past 20 years, creating

regional fraternity and transparency; thus, expediting expansion and mitigating localization issues."

The fast-fashion startup, Pomelo, is also endeavoring to achieve regional preeminence, having raised US\$52 million in its Series C round in September last year. Established in Thailand and Singapore in 2013, the company plans to expand to Indonesia and Hong Kong and, eventually, the remainder of SEA.

Pomelo's phenomenal rise was an unlikely one given fierce competition from behemoths like Zara and Uniqlo. The company's niche, nevertheless, likewise leverages SEA identity: Thai and Singaporean millennials as early adopters, SEA's distinct aesthetic style, and convenience.

Namkang is a banker in her early 40s

living in Ari, one of Bangkok's chicest areas. She opines Pomelo to be the consummate online-to-offline (O2O) fast-fashion retailer: "Pomelo is great because they have a wide and affordable selection, and they have many satellite fitting rooms and pickup points [over 100 at the time of writing], where I can try on clothing and easily get a refund if I am not satisfied with the clothing."

Keenly aware that Thais spend, on average, "US\$100 a year on online consumer purchases and online shopping still [accounts] for less than 10% of overall retail sales in the region," Pomelo made a game-changing tweak in providing O2O services (Datareportal).

Pomelo is also cognizant of Thailand's rapidly aging population. Generation X, given their age and relatively smaller budgets, and Baby Boomers, are more inclined to try-before-you-buy, so Pomelo's O2O platform encompasses a large swathe of Thai market segments.

The land of smiles as a lodestone for foreign startups

Thailand, as the ninth most popular tourist destination globally (pre-COVID-19), attracts prospective foreign startup founders from the world around (World Economic Forum).

"It's just a place you cannot see yourself leaving. Not only does Thailand's warmth and friendliness factor into foreign founders putting down roots, but a plethora of foreign talent that likewise thinks and does the same," says Anthony Pash, the co-founder of Proseed, a Bangkok-based acceleration consultancy firm.



“The quality and cost of living, indeed, are underlying factors in one of Asia’s most rooted and diverse-expat workforces,” he adds. Aside from Singapore, he says, Thailand is one of the most established for attracting foreign talent.

Parallel to most Asian markets, it is virtually impossible for foreign startups to compete against Thai corporates. However, foreign startups are leveraging their know-how in finding niches, product-market fit, pain points, and symbiotically collaborating with Thai corporates and foreign subsidiaries in Thailand.

One such example is Vimi.co, a B2B digital agency founded by Virode Imtarnasan and Mike Darnell in 2010. The agency’s clientele includes Thai brands such as Siam Commercial Bank and Tops supermarkets. Darnell praises Thailand as “a prominent example of a mobile and social-first digital economy.” He adds that it has set a path that is indicative of much of what embodies SEA as a whole, with a few unique twists of its own.

This unique identity is seen in the country’s use of messaging apps. Line is the app-of-choice and has developed a Line economy around the app, similar to that of WeChat. The platform supports a steadily increasing realm of activity: food delivery (Line Man), cloud storage (Line Keep), media (Line TV), digital wallet (Rabbit or Line Pay), and so on.

A couple of years ago, Bangkok was home to the most ‘Instagrammed’ location on the planet, exceeding that of Times Square, which again gives a perspective on how Thai people use and love mobile.

In addition to mobile penetration, the government’s efforts to spur innovation also places founders in a favorable position. Serial entrepreneur Yannick Zoccola co-founded the waste recycling startup, Wheig Asia, in 2017. Its solution is based on a network of waste treatment plants built as a grid of human-sized recycling plants around major SEA cities. Yannick credits the company’s success to Thailand’s intrinsic advantages.

“In terms of starting up and doing business in Thailand, it is so dynamic and easier than over-regulated countries in the West. You can try an idea and quickly know, at a fraction of the cost and lower liabilities, if it is a winner. Then if it works [...], just go and grow it. If it does not, close shop and move on,” he says adding that “the Thai government incentivizes entrepreneurship in targeted startups and industries.”

Not to be outdone by its SEA con-

temporaries, the Thai government does offer incentives. For instance, the Revenue Department offers startups a five-year corporate income tax exemption for ten targeted industries. They are noted to be next-generation, ‘S-curve’ sectors, which include smart electronics; affluent, medical, and wellness tourism; agriculture and biotech; food; robotics for industry; logistics and aviation; biofuels and biochemicals; digital; medical services; and defense.

Besides Singapore and Hong Kong, there is still a significant disparity between Asian educational systems and global startup expansion, especially when it comes to deeptech.

Thailand’s English education remains a rote, memorization-based system that creates a vicious cycle. Limited English skills inhibit startups from hiring qualified

human resources, interacting with global audiences, and expanding abroad.

Darnell says that “Thailand’s primary challenge is still mostly the language barrier; English skills of the general populace are not as great as they could be.”

The Thai educational system produces only a small number of STEM-qualified talent, which stands to reason why it lacks Fourth Industrial Revolution startups and why agriculture, manufacturing, and tourism remain the country’s dominant industries.

Despite these shortfalls, the country is making rapid progress, addressing structural problems, and building on its favorable conditions for innovation. Thai and foreign startups are exponentially transforming the community from a hidden gem into one of the region’s most promising ecosystems. ⚡

