Getting ready for business:

Firming up Thailand's startup ecosystem

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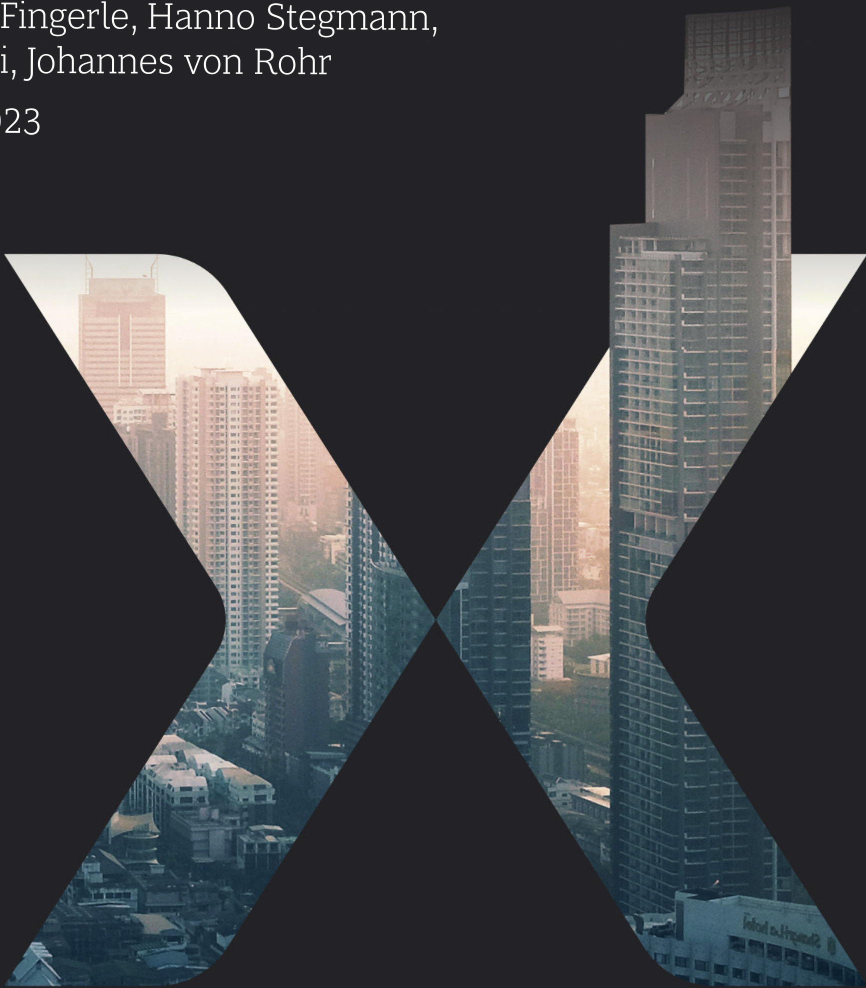
December 2023



BCG BCG X WV ALPHA FOUNDERS CAPITAL

Knowledge and Data Partner: TECHINASIA

Table of Contents

Thailand boasts the second-largest gross domestic product (GDP) in Southeast Asia, yet it has one of the lowest number of startups in the region. What untapped opportunities exist and how can we catalyze growth?

Executive Summary

Thailand, the second-largest economy in Southeast Asia, often finds its startup presence overshadowed by neighboring countries like Singapore, Indonesia, Vietnam, and the Philippines. This dynamic persists despite Thailand witnessing fewer high-profile startup exits in recent years. However, a changing investment appetite favoring a shorter runway to profitability, as well as the new government's policy push towards a digital economy, may soon shift the spotlight. Thailand's structural strengths and abundant potential could set the stage for a revitalized Thai startup environment. In this report, we look at Thailand's startup landscape through five primary sections:

Section 1

Big economy,
few startups

Section 2

Thai startups
breaking borders

Section 3

Unlocking Thailands best
investment opportunities

Section 4

Why the time
is now

Section 5

Thailand's express
lane to innovation

Section 1

Big economy, few startups

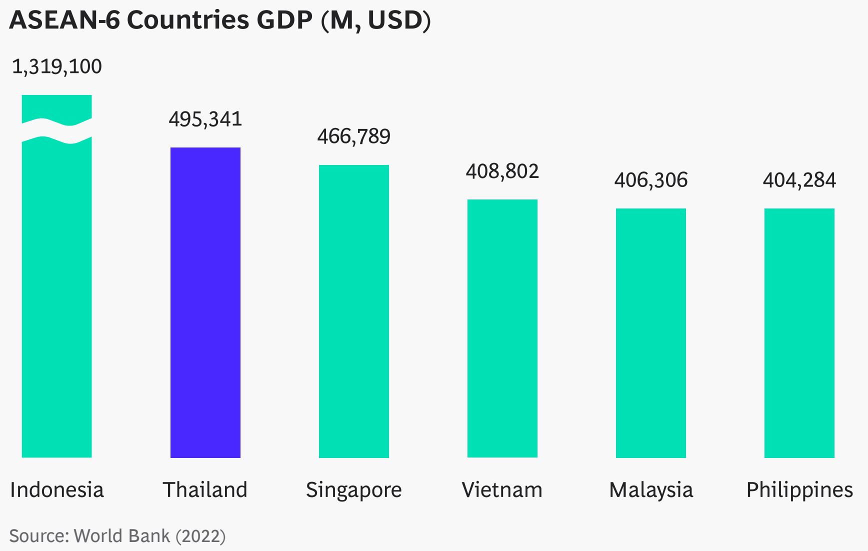
Section 1

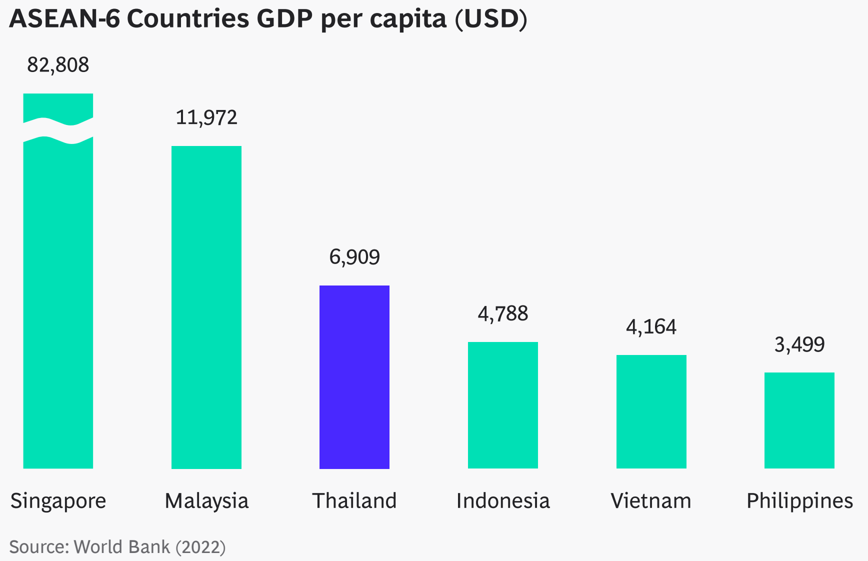
1. Thailand is the second largest economy in SEA, with a sizable digital population

2. The Thai startup ecosystem is actively supported by the government, the media, and large companies

3. However, the Thai startup ecosystem lags behind its Southeast Asian neighbors

1 Thailand is the second largest economy in SEA, with a sizable digital population[1]



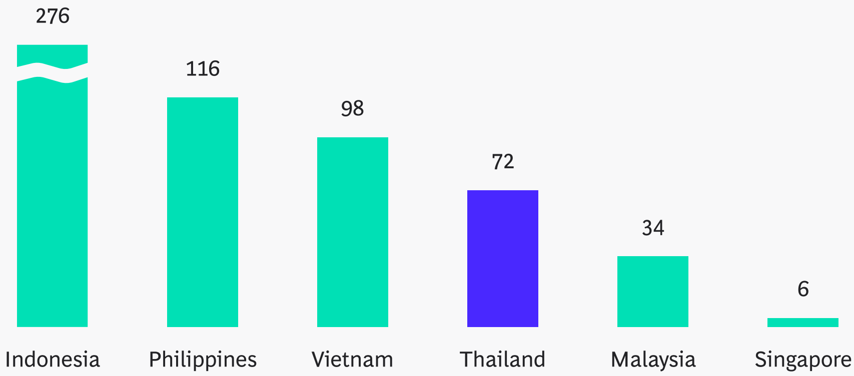


Large economy with high spending power

- Thailand ranks second in GDP and third in GDP per capita among the ASEAN-6 nations
- Spending power in Thailand is notably higher relative to other ASEAN-6 nations
- Exports, manufacturing, and tourism drive the economy
- SMEs and family-owned businesses form the backbone of the economy

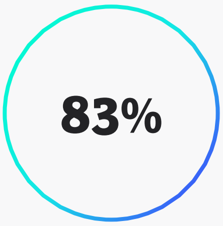
[1]Source: World Bank, International Telecommunication Union (ITU), Electronic Transactions Development Agency (ETDA), Kepios

Population ASEAN-6 Countries (M)



Source: World Bank (2022)

Of households have internet access



Of population using e-commerce

Avg. daily time spent on the internet

Digitally-engaged and substantial population

- Thailand has the fourth-largest population in Southeast Asia
- Connectivity infrastructure is robust
- Majority of the population has internet access
- Internet usage is extensive, spanning various activities

[1]Source: World Bank, International Telecommunication Union (ITU), Electronic Transactions Development Agency (ETDA), Kepios

2 The Thai startup ecosystem is actively supported by the government, the media, and large companies

Thailand is home to approximately **180 startups**, as documented in the Tech in Asia database. The distribution is illustrated in the chart below:

	Seed	Series A	Series B	Series C & above
E-commerce	• SiamCarDeal • NATBAY • AOW • FindYourSpace • Dealcha • Page365	• PropertyScout • Drivehub • FazWaz • N-Squared • Konvy	• Freshket • Priceza • My Cloud	• Flash • Pomelo • aCommerce • LINEMAN • Wongnai
Financial technology	• Maven • Salary hero • Salutat • Eazy • Beam • Credit OK • Stock-Radars	• AppMan • FlowAccount • T2P • Masii • Claim Di • MoneyTable	• Digio • Roojai • SCB Abacus • Finnomena • Sunday	• Ascend Money • Opn • Rabbit Care
Logistic & transportation	• Pombai • Skootar • Bellugg	• APX	• Giztix Express	• Deliveree
Food technology	• Kinkao • Yindii • Cookly	• HungryHub	• Foodstory	• Ookbee
Media		• Techsauce • HeroLeads • Eventpop		
Software as a service	• Kiidu • KYKLO • PropertyScout • Manatal	• Atato • QueQ	• Builk	
Others	• Altotech • Ocean Sky Network • Protomate • GuildFi • Hdmall • EnerGaia • GetVan	• Ricult • Tourkrub • Zanroo • Eventpop • Ooca • Computerlogy	• Amity	

Note: List is non-exhaustive
Source: BCG analysis supported by Tech in Asia data

Thailand's venture ecosystem encompasses a diverse set of stakeholders that engage directly with startups during their ideation, incubation, and scaling phases.

1. Funding

Thai startups benefit from diverse funding sources, including CVCs, VCs, and angel investors. 500 TukTuks stands out as the most active VC based on the number of investments, directing funds to over 40 Thai startups, mostly in the early stages. CVCs also exhibit active participation, primarily investing in Series A stages and beyond.

2. Media, Events, and Community Building

Thailand hosts a myriad of startup communities and events. Techsauce has been pivotal in shaping the ecosystem, ranging from news coverage to fostering connections through its directory and hosting of Thailand's largest tech event. Other significant communities include Startup Thailand and True Digital Park. An emerging player, Siam Paragon Next Tech x SCBX, offers a tech community with seven future community zones dedicated to developers and startups. This platform hosts seminars and workshops to share knowledge and expertise with the wider ecosystem.

3.Accelerators and Incubators

Many local accelerators operate under corporate umbrellas with the objective to identify startups that align with their values. Beyond corporate-driven programs, select incubators are sponsored by governmental bodies such as the Digital Economy Promotion Agency (DEPA) and community groups like Techsauce.

4. Technology, Infrastructure, and Platforms

Thailand is equipped with strong digital and connectivity infrastructure. In addition, the Thai Government, in line with its Industry 4.0 vision, has introduced platforms such as digital ID, electronic payment, and open data, all designed to facilitate participation and innovation in the digital economy.

5. Regulations and Policies

Three principal government agencies lead in startup support and promotion:

- DEPA champions startups and focuses primarily on those in the early stages.
  Their solutions are also designed to facilitate the country's digital transformation.
- The National Innovation Agency (NIA) emphasizes innovation, steering research and development (R&D) and ideation primarily through incubation and funding avenues.
- The Board of Investment (BOI) is responsible for promoting and facilitating foreign direct investment (FDI) and domestic investment in the Thai economy.

Thailand Venture Ecosystem

Talent

Universities

- Assumption University
- Bangkok University
- Sripatum University
- Rangsit University
- Chulalongkorn University
- Khon Kaen University
- Chiang Mai University
- Kasetsart University
- Prince of Songkla University
- Thammasat University
- King Mongkut's University of Technology Thonburi
- Mahidol University
- Suranaree University of Technology
- University of the Thai Chamber of Commerce

Tech/start-ups

- Google Academy
- Huawei ICT Academy
- Microsoft Learning
- True Digital Academy
- NSTDA

Funding

CVC

- Beacon
- ORZON
- BIV
- AddVentures by SCG
- Bualuang Ventures
- SCB 10X
- J Ventures
- Krungsri Finnovate
- GC Ventures
- Fushia
- Singha Ventures

VC

- Alpha Founders
- OpenSpace
- K2 Venture Capital
- Taurus Ventures
- 500 TukTuks
- Vertex
- ECG Research
- Wavemaker
- WV

Media, Events, Community Builder

- Techsauce
- True digital Park
- Digital Council of Thailand
- RISE
- SCB NEXT TECH
- Startup Thailand
- Sprint
- HUBBA
- WeWork

Accelerators, Incubators

- SPACE-F
- Innohub
- True Incube
- Thailand Accelerator
- BCGX
- AIS The Startup
- Allianz Ayudhya Activator
- Plug and Play
- Disrupt
- UOB FinLab
- FOOD INNOPOLIS
- Impact Tech

Technology & Infastructure

- AIS
- True
- AWS
- Azure
- NTT

Platforms

- National Digital ID
- PromptPay
- Open Government Data of Thailand

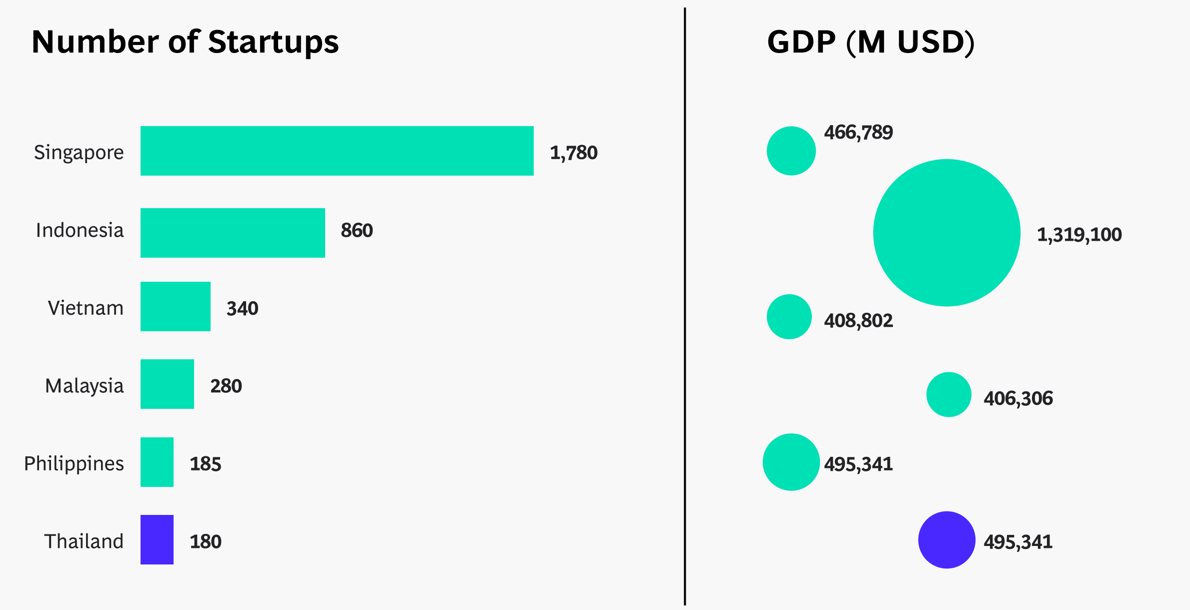
Regulations & Policies

- DEPA
- NIA
- Thailand Board of Investment
- Ministry of Digital Economy and Society
- Office of the National Economic and Social Development Council (NESDC)

Note: List is non-exhaustive
Source: BCG methodology

3 However, the Thai startup ecosystem lags behind its Southeast Asian neighbors

1. Few number of startups relative to its population and GDP



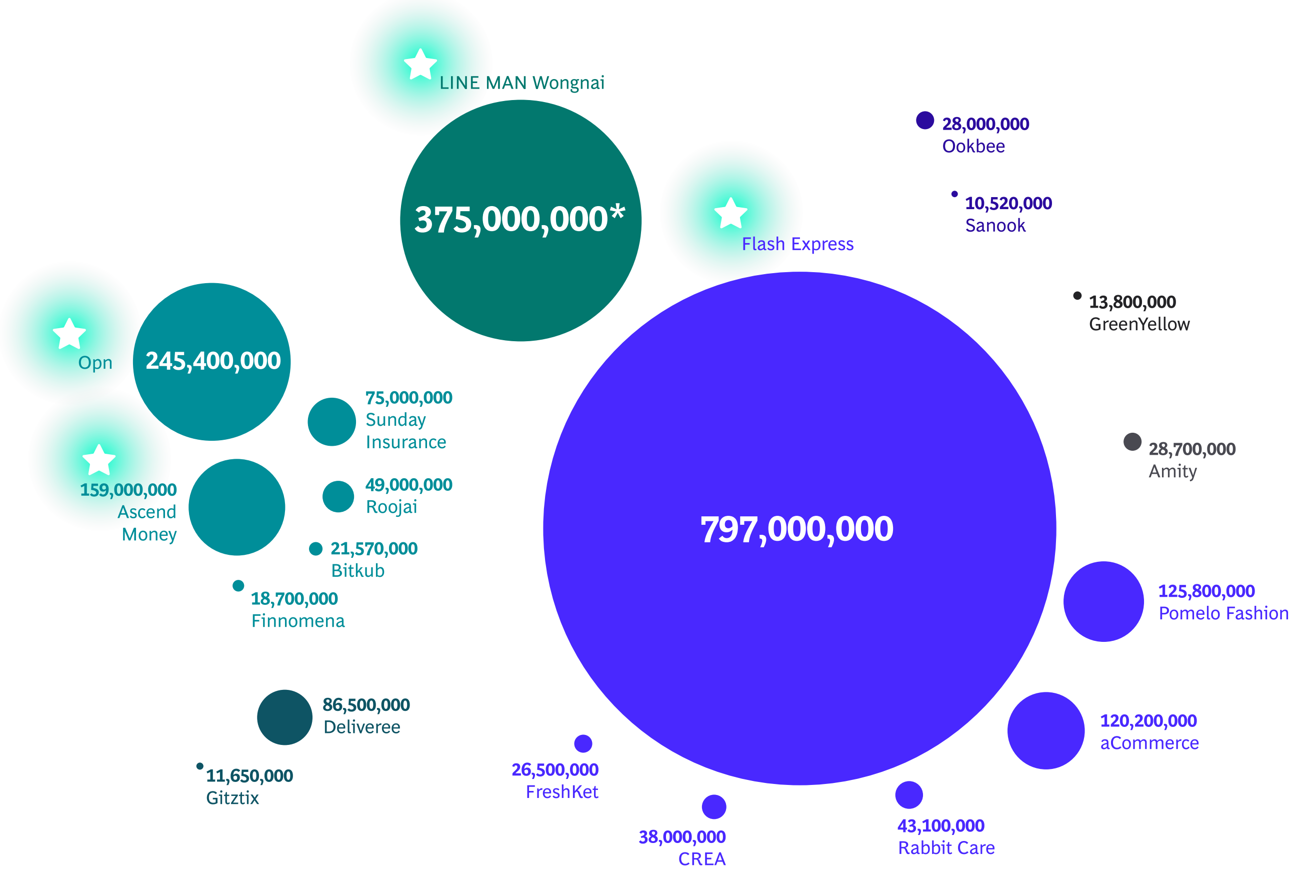
Source: Tech in Asia, World Bank

Although Thailand has approximately 180 startups that have secured funding, this figure is modest when compared to other Association of Southeast Asian Nations (ASEAN)-6 nations[2]. Given Thailand's economic stature – with the nation boasting the second-largest GDP among ASEAN-6 countries – the startup scene appears underrepresented, suggesting vast untapped growth opportunities.

[2]The ASEAN-6 nations comprise Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam

To date, there have been **four unicorns** in the country: (1) **FlashExpress**, an e-commerce logistics provider currently at Series F, (2) **Ascend Money**, a digital financial services provider with TrueMoney being its flagship product, now in Series C, (3) **LINE MAN Wongnai**, an e-commerce platform offering diverse services including food delivery, grocery dispatch, and restaurant solutions, currently at Series B, and (4) **OPN**, a fintech solutions and products provider, at Series C.

Top 20 Thai Startups by Funding Amount

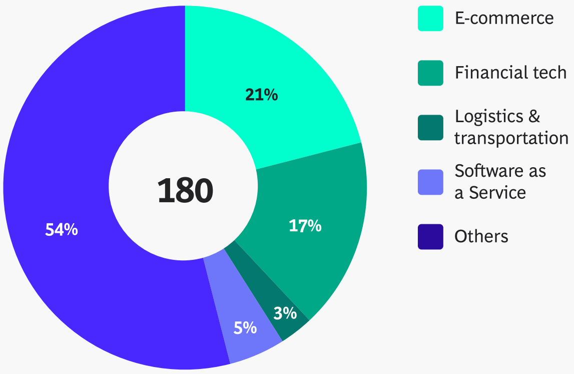


*Funding amount per company

Ecommerce | Food tech | Financial tech | Logistic & transport | Media | Artificial Intelligence | Clean tech

2. High concentration of startups in few sectors

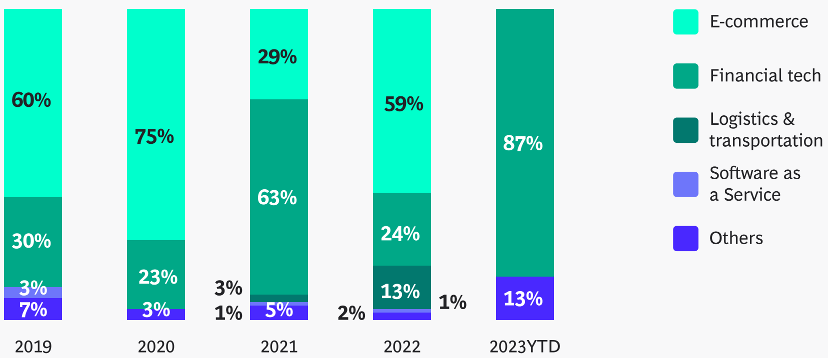
% of Thai startups by verticals



Source: BCG analysis supported by Tech in Asia data

Of Thailand's 180 startups, e-commerce commands a 21% share while fintech accounts for 17%, making these the two most dominant verticals[3].

% of Funds invested by verticals per year 2019-2023 YTD



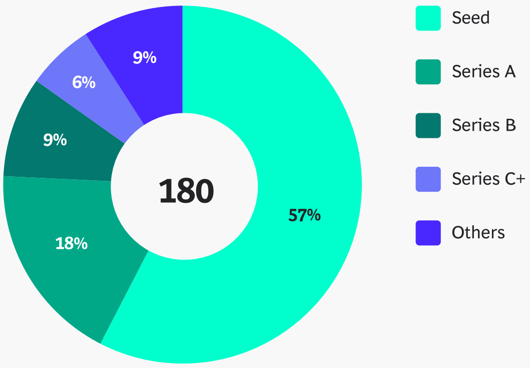
Source: BCG analysis supported by Tech in Asia data
YTD: 1 Jan - 28 Aug 2023

E-commerce and fintech consistently draw the highest investments among Thai startups. Seed investments in healthcare witnessed a rise in 2023. This trend was spurred by post-COVID-19 healthcare evolutions and was complemented by technological advancements in video conferencing, augmented reality (AR), and virtual reality (VR) – enhancing remote healthcare capabilities.

[3]Source: Tech in Asia as of September 2023

3. Low number of startups in Series A and beyond

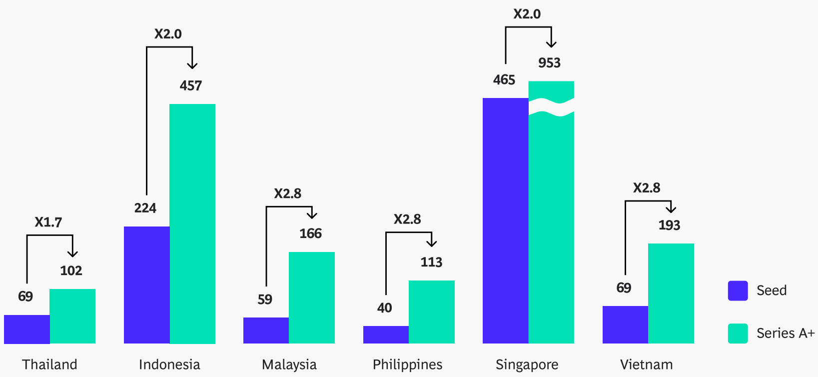
% of Thai startups by funding stage



Source: Tech in Asia

Out of the 180 startups in Thailand, 57% are at the seed stage, 18% are in Series A, 9% in Series B, and the remaining 6% are in Series C or beyond.

Number of Southeast Asian startups: Seed vs. Series A+



Source: Tech in Asia

Compared to other nations, Thailand has a lower proportion of seed startups in comparison to Series A or beyond. Potential reasons might include a scarcity of seed funding and risk capital, alongside talent shortages. Additionally, Thailand-focus VCs and angel investors are few, and even local corporate VCs, despite their active participation, typically focus on Series A investments or higher.

As a result, Thai startups often compete for funding from regional VCs, many of whom prioritize larger, burgeoning markets like Indonesia and Vietnam.

As such, **Thailand's startup ecosystem,** considering its population and economic magnitude, remains underexplored, thus revealing ample opportunities for exploration and growth. However, it is important to discern how to adeptly navigate the country's economic landscape and leverage its inherent strengths for expansion.

Section 2

Thai startups breaking borders

Section 2

1 Recipe for success in the Thai market

For the purpose of this report, we conducted interviews with a broad range of Thai startups from various sectors, funding stages, and backgrounds, exploring their growth trajectories and the strategies that contributed to their success. Notably, a significant number of these startups assessed multiple markets before strategically selecting Thailand as their launchpad – largely because of its favorable characteristics that makes it conducive to achieve cash-flow positivity. Launching a business is inherently challenging, regardless of the market. Reflecting on their journeys, the Thai startups we interviewed highlighted three primary pillars that underpin their success: **People, product, and execution.**

People

- **Founder team composition.**
  A successful founding team should collectively possess a deep understanding of the local market and its customers, strong financial management capabilities, and technical expertise.
- **Strong initial team.**
  In the early stages, it is imperative to onboard talent that thrives in dynamic, high-paced environments. As the business expands, introducing middle management becomes essential for scaling operations and managing the working team.
- **Local anchor.**
  Having a prominent Thai figure, whether as a co-founder or investor, can help to enhance credibility during a startup's early days. Such individuals may often facilitate valuable local connections, helping startups to forge new partnerships.

Product

- **Address major challenges.**
  The problems or pain points that startups choose to address should be substantial in terms of customer reach, economic impact, or environmental significance to ensure
  long-term viability.
- **Customer-centricity.**
  A deep understanding of the target customer base, along with insights into their needs and behaviors, will set startups apart from their competitors. Additionally, committing to continuous product improvement based on customer feedback and ensuring an exceptional user experience can result in customer loyalty and positive referrals.

Execution

- **Agility.**
  Speed and agility are what sets many startups apart. Effective startups adapt quickly based on market feedback, often discovering the optimal business model and product as they progress rather than having it rigidly defined at the start.
- **Sales and marketing efficiency.**
  Startups need to strike a balance between customer acquisition costs and customer lifetime value. Indiscriminate spending on marketing without understanding unit economics can be detrimental. Effective marketing, user acquisition, and growth strategies are essential.
- **Governance and planning.**
  Investors highly value strong governance structures and rigorous financial controls. Effective governance not only aids in scaling, but also in funding.
- **Cash-flow management.**
  In challenging economic conditions, maintaining a healthy cash flow is pivotal. Delays in customer payments or funding can occur, making it essential for startups to plan their cash flow and establish contingency plans.

2 Case Study: Rabbit Care

2013

Marketplace for insurance and financial products

Founders:

Johannes von Rohr
Founding Investor,
former MD at Rocket Internet,
Consultant at BCG

Michael M. Steibl
Former VP at Rocket Internet

Andre O. Prenzlow
Former VP at Rocket Internet

Thomas Maier
Former investment banker,
Lazard Frankfurt

Chayapat Sakulrompochai
Former BD Manager at Boutique Corporation, Analyst at Minor Group

4M+
customers

70+
business partners

700+
staff

Latest Funding Information:
US$20 million in Series C

Active Investors:
Alpha Founders Capital, Korea Growth Investment Corporation, Korea Investment Partners, Samsung Venture Investment, VGI Media,
and Winter Capital

"While navigating the Thai business landscape, it is worth noting that the significance of good governance and meticulous financial diligence is frequently underestimated. However, it is imperative to recognize that these elements play a pivotal role in establishing trust within the ecosystem. They not only enhance the credibility of local startups, but also create an environment conducive to attracting foreign investors willing to support these enterprises."

Johannes von Rohr
Co-Founder Rabbit Care, GP Alpha Founders Capital

Inspiration:

Rabbit Care was founded by the former managing director (MD) and vice presidents (VPs) of Lazada Thailand, who possess a background in private equity and consulting. They identified a gap in the Thai market: the need for a transparent platform dedicated to comparing insurance and financial products while offering personalized consultations. With this vision, they launched Rabbit Care, emphasizing an extensive product range, competitive pricing, and 24/7 customer service.

Success:

Rabbit Care has become Thailand's #1 insurance and financial marketplace. Their operations span Thailand, Vietnam, and Singapore, with plans for further expansion across Southeast Asia.

The company's success is driven by **five key factors:**

- Team
- Funding
- IT product
- Marketing
- Operation

Overcoming challenges
Rabbit Care has successfully addressed five ecosystem challenges:

Stability matters. Contrary to the perception that startups are volatile, Rabbit Care offers a nurturing environment to train talents in digital skills. Their focus on training helps attract and retain top-tier talent, addressing potential labor shortages.

Show me the money. Startups need to ensure efficient fundraising to have the financial resources for experimentation. At Rabbit Care, the team focused on fundraising, securing a pivotal US$10 million Series A investment in 2015.

Adapt and thrive. As the IT talent pool in Thailand is limited, the company adopted a hybrid approach, recruiting leadership in Bangkok and leveraging remote teams to result in cost savings and improved productivity.

Build your moat. Rabbit Care focused on scaling their car insurance vertical rapidly, emphasizing the importance of establishing a stronghold in one domain before diversifying.

Governance is key. To meet the standards set by BTS for listed companies, Rabbit Care reinforced strong governance practices, including monthly reporting and audits by top-tier firms. This helped to set the company up for success in future fundraising.

3 Case Study: Pomelo

2014 Pomelo.

Modern fashion brand with omni-channel distribution across on- and offline channels

Founders:

David Jou
Former MD and Co-Founder at Lazada Thailand

Casey Liang,
Former MD and Co-Founder at Lazada Thailand

40M+
customers

US$126
million total funding raised

33
retail stores across four Southeast Asian countries

Latest Funding Information:
US$8.2 Million in Series D

Active Investors:
Ambient Sound Investments, Deverel, InterVest, Central Group, Provident Growth Fund, Lombard Investments, JD.com, Provident Capital Partners, 500 Global, Start Today Co. Ltd., InnoVen Capital SEA, Jungle Ventures, and Fenox Venture Capital

Inspiration:

Pomelo was founded by two former co-founders and MDs of Lazada Thailand, both seasoned in private equity and consulting. Recognizing Thailand's vibrant fashion scene, rich textile heritage, active social media involvement, and significant disposable income, they sought to increase the industry's potential by infusing Korean fashion into the Thai market, deeming it the ideal environment to start a fashion business.

Success:

Pomelo currently has a customer base of over 40 million consumers. Through their mobile app, customers can choose from over 1,000 brands and experience clothing pieces at a Pomelo store of their choice. The brand has a presence in four countries: Thailand, Indonesia, Singapore, and Malaysia, and ships to over 43 countries worldwide. Its success is attributed to **four key factors:**

- Capitalizing on Thailand's fashion-savvy consumer base to cater to diverse demands.
- Leveraging Thailand's strong digital landscape for rapid online service adoption.
- Utilizing Thailand's high disposable income to translate into higher order values from premium products, thereby demonstrating growth trajectories.
- Offering flexibility to customers to create a signature 'tap, try, and buy' experience.

Overcoming challenges

The Pomelo team has successfully navigated one primary obstacle:

Outperforming formidable fashion/retail forerunners.
Pomelo distinguished itself from incumbents by presenting an expanded array of options and flexibility. They go above and beyond existing incumbents by offering more flexibility and options to the customer base. Their innovative 'tap, try, and buy' model enables customers to select from a brand of their choice, sample at a preferred location, and then purchase what they want.

4 Case Study: Ricult

2016

An agricultural analytics platform for cost optimization and yield improvement

Founders:

Aukrit Unahalekhaka
Former Consultant at Accenture

Usman Javaid
Former Marketing Director at Telenor

587,833
farmers users

5M
acres analyzed

US$ 500,000
financial support for farmers

Latest Funding Information:
US$3.3 million in Series A

Active Investors:
elea Foundation for Ethics in Globalization, Krungsri Finnovate, Bualuang Ventures, 500 Tuktuks, Legatum Center for Development and Entrepreneurship, Global Social Venture Competition, Bill & Melinda Gates Foundation, United Nations Industrial Development Organization, dtac Accelerate, and MIT delta v Educational Accelerator

Inspiration:

Ricult was founded by two Massachusetts Institute of Technology (MIT) graduates with backgrounds in the agricultural sector and a shared passion to enhance the livelihoods of smallholder farmers. They identified that while over 40% of Thailand's population is involved in agricultural activities, this sector accounts for only 10% of the national GDP. To tap into this unrealized potential, they founded Ricult with the goal of boosting agricultural efficiency and promoting community empowerment.

Success:

Ricult currently serves over 587,833 farmer users, achieving a 22% improvement in farm productivity and a 17% increase in profits. It presently operates in three countries: Thailand, Pakistan, and Vietnam. Its success can be attributed to **five core strategies:**

- A localized go-to-market approach which includes physical workshops and partnerships with local governments to ensure effective customer acquisition
- A clear target demographic of tech-savvy, Generation Y (GenY) farmers to facilitate rapid adoption and compelling success stories for investors.
- A commitment to rapid, agile development for competitive advantage against larger corporate entities.
- Strong local ties with strategic investors to provide access to new business partners and opportunities.
- Positive cash flow through conservative expense management to appeal to profit-oriented investors, especially during challenging financial times.

Overcoming challenges
The Ricult team addressed two primary challenges during its early days:

Difficulty in talent attraction. Ricult attracted top talent by emphasizing its social impact, offering exceptional career opportunities – including exposure at the C-level – promoting rapid career progression and cultivating an environment of supportive leadership.

Funding instability due to economic fluctuations. Ricult ensured a steady flow of funds by diversifying its investor base, encompassing local and regional CVCs, environmental, social, and governance (ESG) funds, and social impact funds.

5 Case Study: PropertyScout

2019

An end-to-end real estate transaction platform enabling a trusted renting, buying, and selling experience

Founders:

Mario Peng
Partner at Peng Ventures & former Co-Founder and CFO at HotelQuickly

Dr. Marco Barth
Former VP Group Strategy at Scout24

Salita Kamnerdsiri
Co-Founder and former COO at PropertyScout

Latest Funding Information: US$5 million in Series A

Active Investors: Altara Ventures, Partech, Hustle Fund, AngelCentral, Asymmetry VC, AngelCentral, Swiss Founders Fund, Iterative Capital and Alpha Founders Capital

150,000
property listings on platform

10,000
customer enquiries per month

US$7.5
million raised in total funding

300
employees: 160 property consultants 25 engineering team members

3,000
co-agents

Inspiration:

PropertyScout was co-founded by three experts with backgrounds in private equity and real estate startups. By recognizing that 80% of Thailand's real estate listings were either outdated or inaccurately priced, they saw a widespread mistrust among landlords, agents, buyers, sellers and tenants. To address these challenges, they created a comprehensive platform dedicated to ensuring listing quality and providing expert consultancy to clients.

Success:

PropertyScout features over 150,000 listings on its platform and receives approximately 10,000 customer inquiries per month, catering to renting, buying, and selling needs.

- Developing the most comprehensive property platform network in Thailand to offer clients a wide range of property choices.
- Assembling a strong property consultant team that expertly pairs properties with clients to ensure all needs are met.
- Differentiating from traditional agents by using technology to provide clients a convenient and automated system.

Overcoming challenges
The PropertyScout team has overcome four primary challenges:

- **Engineering team.** Attracted engineering and tech talents from overseas by highlighting the appeal of living in Thailand.
- **Property consultants.** Provided consultants with a good system that balanced property demand and supply, coupled with one of the most competitive commission structures.
- **Raising funds from local investors.** Capitalized on the founders' reputations and past successes, notably with HotelQuickly, to secure investments from global VCs in regions like Singapore and Silicon Valley. Their business strategy aimed to capture 30% of Thailand's market share.
- **Curating a comprehensive property listing.** The team leveraged PropertyScout's technology team to boost online marketing efforts, partnering with co-agents to broaden their property listing network.

6 Case Study: APX

2020

A digital freight consolidator offering shipping, pallet, and warehousing services

Founders:

Uwe Dettman
Former Founder and CEO at Pro-Logistics Group (now Rhenus Logistics)

Sukanya Thamthada
Former Co-Founder of Pro-Logistics Group and MD at Pro-Log Thailand (now Rhenus Logistics)

Sorawit Tantrakulcharoen
Group COO and Co-Founder, APX Solutions

2,485
trucks

15,000+
shipments

80+
customers

41
service providers

Latest Funding Information:
US$1.8 Million in seed and pre-A round

Active Investors:
Alpha Founders, Orzon Ventures, WV, and ADB Ventures

Inspiration:

APX was co-founded by a team of Thai and German entrepreneurs with a collective experience spanning forty years in logistics across Europe and Asia. They observed that the Southeast Asian logistics market was characterized by fragmentation. The region also faced considerably higher logistics costs than their European and American counterparts. Thus, APX was established to provide transparent, customer-centric, end-to-end road transport solutions in Southeast Asia. Thailand was chosen as the launch point due to its rich logistics talent pool and geographically strategic position.

Success:

Within three years post-launch, APX expanded its network to include over 2,400 trucks from 41 service providers, covering areas that contribute to over 80% of the nation's GDP. The company is now gearing up to venture into Malaysia in the first quarter of 2024. Its rapid success can be attributed to **four key factors:**

- Cultivating a family-like culture with its partners by offering end-to-end support for service providers – such as sales training and access to customer networks – which fosters partnership growth and bolsters loyalty.
- Short time to market, ensuring a solid establishment of a first-mover advantage, which includes securing a loyal customer base and forging a competitive edge.
- An experienced leadership team possessing robust backgrounds in tech development and logistics, complemented by expansive regional networks to pave the way for proficient management and uncovering new avenues.
- A tech development squad emphasizing the creation of a data-centric, API-enabled ecosystem that benefits all stakeholders and channel partners.

Overcoming challenges

The APX team successfully navigated four primary challenges during its early stages:

- **Tackling time-intensive fleet and route planning.** The company devised optimized, cost-efficient strategies, tapping into the founders' deep logistics know-how and innovative thinking.
- **Encountering challenges in partnership building.** The strategy was to empower trucking network members through long-term partnerships by offering family-like culture and comprehensive support.
- **Addressing customer misconceptions, such as foreign brands as superior.** The solution was enhancing transparency through features like instant quotes, premium insurance, real-time tracking, cargo safety, and competitive pricing via standardized palletization across the network.
- **Building their logistics expert pool.** APX addressed this by investing heavily in specialized training in digital freight consolidation to combat outdated market practices.
- **Dealing with a lack of understanding among investors.**

Section 3

Unlocking Thailands best investment opportunities

Section 3

1. **Industry 4.0.** Enhancing efficiency, especially in export sectors, to maintain cost competitiveness

2. **Software.** Addressing challenges such as rising labor costs, talent scarcity, and an aging population

3. **Fintech.** Filling gaps in the traditional financial and insurance sectors

4. **B2B marketplace.** Connecting demand and supply in a fragmented B2B industry

5. **Climate Tech.** Thailand's commitment to achieving net-zero targets

1 Industry 4.0. Enhancing efficiency, especially in export sectors, to maintain cost competitiveness

Enhancing efficiency, especially in export sectors, to maintain cost competitiveness

Thailand's economy is heavily reliant on exports, accounting for over 65% of its GDP[4]. Enhancements in efficiency and strategic human-centric initiatives are essential to sustaining its competitive edge as an exporter and addressing long-term labor shortages. The rise in demand for Industry 4.0 solutions is anticipated in response to the implementation of minimum wage policies, which are forecasted to elevate labor expenses by 18% to 28%[5]. This is especially relevant for labor-intensive sectors such as agriculture, dining, food production, and construction, where a significant portion of employees earn lower wages. Such dynamics underscore the vast potential for automation and robotics across pivotal industries in Thailand.

Manufacturing

- **Contributes to 27% of GDP** (US$1,946M) (NESDC)
- **Labor accounts for 5.81% of total manufacturing costs** (Office of Industrial Economics, 2021)
- **Solution:** Robotics and automation.
- **Case study:** Shiseido implemented an automation and robotics system in its Osaka factory to enhance operations and reduce expenses. As a result, Shiseido was able to **decrease floor labor costs by 70% and reduce its workforce from 200-300 individuals to fewer than 50 at peak production.** (BCG analysis)

Agriculture

- **Employs 30% of Thailand's working population** (Ministry of Labor)
- **Labor accounts for 15-20% of the total expenses** (Research Center)
- **Solution:** Robotics, automation, and precision digital agriculture.
- **Case study:** The digitalization of farming systems is projected to **decrease the agricultural industry's fuel and labour costs by US$3 billion.** Additionally, it is anticipated to **enhance efficiencies and streamline operations to result in a value increase of US$13 billion.** (BCG Analysis)

Examples:

Product	Startups	Description	Vertical
RicultX	Ricult	A digital analytics and insight tool designed to assist in the reduction of farms' operational costs and facilitate their digital transformation	Agriculture
EASYRICE MP	Easy Rice	A digital artificial intelligence (AI)-powered tool that differentiates various types of rice seeds to ensure they meet the desired quality standards	Agriculture
Fuctorium Machine Link	Factorium	A real-time machinery monitoring system optimized to deliver operational efficiency	Manufacturing

[4]Source: Trading economics
[5]Source: Kasikorn Research Center

2 **Software.** Addressing challenges such as rising labor costs, talent scarcity, and an aging population

Thailand is undergoing a demographic shift, with its aging population causing a projected decline in the working-age population from 69% in 2023 to 57% by 2050. Along with the potential increase in the minimum wage leading to significant cost increases, as highlighted in the previous section, there is a pressing need for solutions to address labor shortage issues in the long run. As a result, many businesses are turning to software solutions. The software market in Thailand has expanded from US$2.3 billion in 2020 to US$3.0 billion USD in 2023[6]. This growth heralds promising opportunities in software services, including enterprise resource planning (ERP), payroll, and data management, across the country's key sectors.

Tourism

- A key sector of Thailand's economy
- Government prioritizes boosting tourist numbers
- Labor accounts for 25-30% of operational expenditure (OPEX) (Post today)
- Self-service and automation can serve as an area for innovation in the industry
- **Solution:** ERP and tourist self-help system
- **Case study:** Integrating management software with Service 4.0 call centers can reduce costs by 30%. (BCG Analysis)

Healthcare

- Increasing demand for health services due to an aging population
- Diminishing labor supply due to the aging population
- **Solution:** Online portal for medical records
- **Case study:** Kaiser Permanente implemented an online system providing lab results and health records, resulting in a **17% reduction in overall costs**. (BCG Analysis)

Examples:

Product	Startups	Description	Vertical
Clinic Manage-ment	Doctor A to Z	An online platform dedicated to managing confidential patient medical records	Healthcare
Channel Baker	Bed Baker	A centralized room-management system designed to prevent overbooking and allow immediate terms and conditions adjustments	Tourism
PMSBaker	Bed Baker	A cloud-based property management system operated from a centralized dashboard, streamlining hotel operations	Tourism

[6]Source: DEPA

3 Fintech. Filling gaps in the traditional financial and insurance sectors

Alternative Lending

Approximately 40% of the Thai population and 50-60% of SMEs experience **challenges accessing bank loans**[7] due to **stringent lending criteria, excessive administrative requirements, and slow lending procedures.** Consequently, over 1.3 million individuals have turned to loan sharks, who offer quick access to funds but at steep interest rates, ranging from 60% to an astounding 2,000% annually, driving many into cycles of debt[8]. This situation presents a valuable opportunity for **fintech startups to address this underserved market segment.**

Examples:

Product	Startups	Description
LINE BK	Kasikorn LINE	Nano lending integrated into the LINE app with minimal documentation requirements (e.g., no payslip needed)
Truemoney	Ascend Group	Digital lending platform in partnership with Kiatnakin Phatra, offering high credit limits up to THB2M for both individuals and SMEs
Finnix	Monix	Unsecured lending with high credit limits (up to THB1.5M) and flexible payment options (e.g., pay-as-you-wish)
Money Thunder	Abacus Digital	AI- and machine learning (ML)-driven unsecured lending, offering competitive interest rates (from 0.83%/month) and swift approval times (~5-20 minutes)

Cross-Border Digital Payment

The surge in national e-commerce, which now boasts a market size of over US$6 billion, along with the **growing presence of 3-4 million migrant workers,** has increased the demand for cross-border transactions[10]. However, high transaction fees (typically 200-12,000 THB/transaction) and delays (at least 1-2 hours) have been persistent issues for users[11]. Additionally, the Bank of Thailand's (BOT) cross-border payment initiative is highly dependent on neighboring countries' infrastructure and may not provide comprehensive geographical coverage. As a result, **there is a need for fintech startups to invest in the enhancement of cross-border payment systems.**

Examples:

Product	Startups	Description
Rabbit LINE Pay	Rabbit LINE Pay	Digital wallet integrated within the LINE app with a prominent footprint in Asia (including Japan, Korea, and Taiwan)
Truemoney	Ascend Group	A Southeast Asian-based digital wallet offering no fees for cross-border remittances
Deemoney	Deemoney	Cross-border money transfer service spanning 48 countries

[7]Source: Bangkok Post, The Nation
[8]Source: Kasikorn Research Center
[9]Although LINE and TrueMoney are available in multiple countries, Thailand's average MAUs are used given digital lending is only available in Thailand.
[10]Source: Euromonitor, International Trade Administration, Silk Estate
[11]Source: Bank of Thailand
[12]Given that Rabbit LINE Pay is part of Line Pay's Cross-Border Mobile Payment Alliance, a global average MAU of LINE is used.

4 **B2B marketplace.** Connecting demand and supply in a fragmented B2B industry

Thailand's economy is significantly driven by SMEs, which constitute over 99% of all businesses[13]. With over 3.4 million SMEs in the country, several sectors can appear fragmented, especially at regional or city levels. Identifying the right vendors that align with specific terms and specifications can be challenging without local connection. As a result, many businesses often settle for less-than-ideal agreements.

A prime example is the food and beverage (F&B) sector. Many SME restaurants rely extensively on **manual sourcing methods.** They **navigate through various suppliers' preferred communication channels,** such as in-store visits and social media commerce. As these restaurants expand and collaborate with more suppliers, the sourcing process becomes increasingly complex. This situation is further complicated by suppliers' **minimum purchase volume requirements**, which can be challenging to meet.

> "The formula for success in B2B marketplaces is to aggregate supply in a fragmented industry and make it legible to the demand side. The best B2B marketplaces build trust for discovery, quality control, and delivery. This is the foundation for strong B2B marketplaces."
>
> **Wing Vasiksi**
> Founder, WV and iSeed SEA

As a result of these ongoing issues, **startups are well-positioned to address these challenges by providing B2B marketplaces.** These platforms are designed to connect demand with the appropriate supply – thereby providing SMEs with enhanced convenience, a wider array of product choices, and cost savings.

[13]Source: Organization for Economic Co-operation and Development (OECD)

Examples:

Product	Startups	Description	Example of business partners
Freshket	Freshket	Fresh-focused marketplace offering end-to-end supply chain management solutions, such as supply and demand analytics	CP Group Nestle Unilever
Truemoney	OneStock-Home	Fresh-focused marketplace offering end-to-end supply chain management solutions, such as supply and demand analytics	SCG SCCC Tata Group
APX	APX	A digital freight consolidator specializing in less-than-truckload (LTL), providing shipping, pallet, and warehousing services	38+ service provider, spanning areas representing >80% of national GDP
Deliveree	Deliveree	A full-service logistics marketplace powered by advanced mobile and web app technology	Wide range of SMEs across Thailand
Giztix	Giztix	A freight car service featuring a comprehensive and unique transportation status tracking system	Wide range of SMEs across Thailand

5 **Climate tech.** Supporting Thailand's commitment to carbon-emission reduction and achieving net zero

Green and climate tech industries in Thailand are experiencing significant growth, fueled by the nation's robust commitment to addressing climate change. The country aims to reduce emissions by 30%-40% by 2030 and achieve net-zero emissions by 2065, in line with Conference of the Parties' 26th meeting (COP26) imperatives. Between 2022 and 2027, the Government has allocated nearly US$1 billion to the Bio-Circular-Green Economy development strategy[14]. To further support climate tech ventures, the government offers tax incentives for initiatives reducing greenhouse gas (GHG) emissions and encourages the adoption of eco-friendly biotechnologies such as carbon capture, usage and storage (CCUS) and electric vehicles (EVs).

There is a strong demand for GHG emission reduction technologies and solutions from the corporate sector. One notable example is the Decarbonize Thailand Startup Sandbox – a 2022 collaboration between a group of leading corporations and conglomerates. This initiative seeks startups offering innovative and novel technological solutions for corporate decarbonization across various sectors, aiming to establish a roadmap to net-zero emissions.

Additionally, substantial investments in green and climate tech are evident. For instance, Wind Energy Holding's investment of over US$336 million in green and climate tech in 2023[15], and PTT's US$4.4 billion investment plan for net-zero technologies over the next five years. Such investments present considerable opportunities for climate and decarbonization tech startups.

In Thailand's green and climate tech sector, decarbonization solutions encompass renewable tech, EVs, sustainable cement, agricultural biotech, waste management, bioenergy, and waste-to-energy processes. Additionally, the country's emphasis on circular economy practices – fueled by consumer demand for sustainability – promotes material reuse and recycling, amplifying the nation's environmental initiatives.

Examples:

Product	Startups	Description
Yindii	Yindii (Seed, 2023)	Food surplus app enabling retailers to sell their excess food to consumers at discounted rates
Moreloop	Moreloop (Seed, 2021)	One-stop service solution providing surplus fabric from garment factories to designers or SME clothing businesses at competitive prices
ETRAN	ETRAN	Sustainable mobility solutions centered on public electric motorcycles
Thai Carbon	Thai Carbon	Commercial producer of advanced bio-based materials derived from biochar for industrial applications, including carbon storage

[14] Ministry of Higher Education, Science, Research and Innovation
[15] Source: Pitchbook

Section 4

Why the time is now

Section 4

1. Increased government support for startups

2. Thailand as a launchpad for regional expansion

3. Higher demand for digitization and tech solutions

4. Substantial funding pool from VCs and CVCs

5. Deep exit opportunities in local markets

1 Increased government support for startups

Facilitating the growth of new startups

The Thai Government has intensified its efforts to nurture the tech and digital economy, particularly the startup ecosystem, through numerous initiatives, as well as the rollout of new regulations and incentives. In the upcoming year, additional stimulus policies will be introduced, aiming to increase consumption and local demand. A comprehensive list of these Government incentives and policies is available in Appendix IV of this report. Noteworthy policies include:

1. Investment and Funding Support
    - Capital Gains Tax Exemptions (introduced in 2022). Offered for both direct and indirect investments in Thai startups. These exemptions apply to individuals, companies, and CVCs.
    - Innovation One Fund (implemented in 2023). Launched with an initial investment of US$1 billion to bridge startups with tech solutions to SMEs. This facilitates a boost in competitiveness and offers startups a platform to display their solutions.
    - Matching fund (announced in 2023, yet to be implemented). Designed to stimulate private sector investment and raise risk capital for early-stage startups. Expected to launch in the next year.
2. Human Capital and Skilled Talent Support
    - SMART Visa (Implemented in 2018). Designed to encourage highly skilled professionals and talents to work or invest in Thailand's 10 targeted S-Curves industries16.
    - Thailand's Long-Term Resident (LTR) Visa (Implemented in 2022). Initiated to draw in high-net-worth individuals (HNWIs) and top-tier professionals, offering a mix of tax and non-tax advantages during their time in the country.
3. Economic Spending and Business Opportunity Enhancement
    - Upcoming wage adjustments. Expected to incentivize businesses to embrace more technology-enabled solutions, aiming to enhance efficiency and reduce dependency on labor. This transition is anticipated to open up promising business opportunities for B2B startups specializing in tailored technological solutions, such as generative AI (GenAI) and enterprise management software.

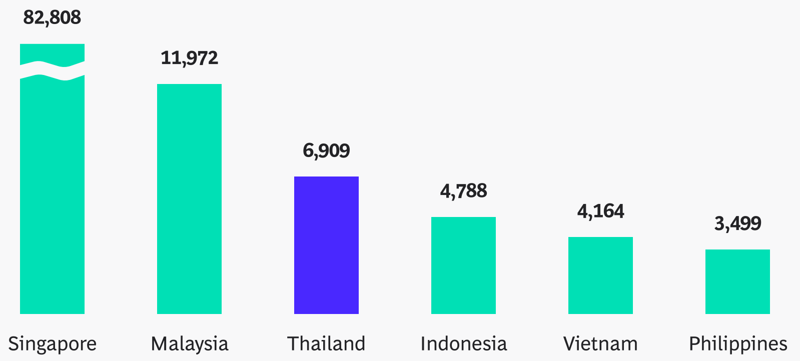
[16]Note: 10 targeted S-Curves industries include next-generation automotive, intelligent electronics, advance agriculture and biotechnology, food processing, tourism, digital ,robotics and automation, aviation and logistics, biofuels and biochemicals and medical hub.

2 Thailand as a launchpad for regional expansion

An investor's ideal hub for early-stage startups poised for international expansion

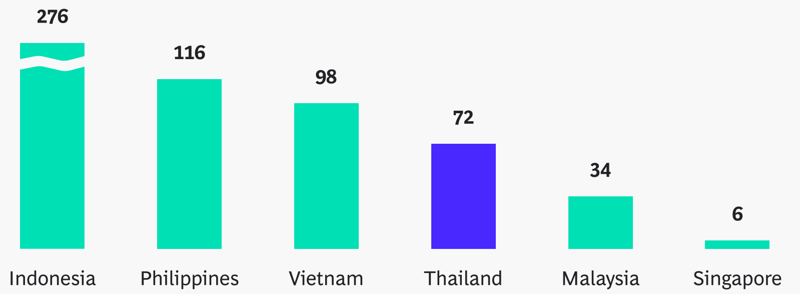
Thailand occupies a unique position in terms of its socioeconomic, demographic, and geographic position. Centrally located in Southeast Asia, it boasts a population exceeding 70 million. Given its combination of relatively high spending power, a sizable population, and limited startup competition, Thailand serves as an optimal initial launchpad for startups considering broader expansion into Southeast Asia.

ASEAN-6 Countries GDP per capita (USD)



Source: World Bank (2022)

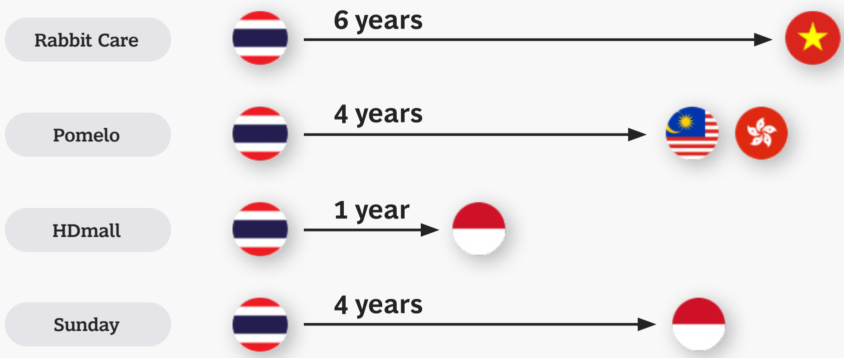
Population ASEAN-6 Countries (M)



Source: World Bank (2022)

Thailand's high spending power translates into a greater customer lifetime value (CLV) compared to larger neighboring markets, such as Indonesia and Vietnam. Such market traits reduce burn rates and pave quicker paths to positive cash flow, which can then fund regional growth. Several established startups, including HD, Pomelo, Rabbit Care, and Sunday, have successfully leveraged this strategy, solidifying their base in Thailand before pursuing regional expansion.

Time before regional expansion



Case Study: HD launching in Thailand before growing regionally

HD | HDmall | HDcare

"We're very lucky to have started in Thailand and have such a strong base. Thailand is one of the healthiest – no pun intended – healthcare markets in Southeast Asia from both a demand and supply point of view. From our position of strength in Thailand, we're able to fund sustainable expansion into other markets such as Indonesia and Vietnam."

Sheji Ho, CEO and Co-Founder of HD

HD, a healthcare and surgery marketplace startup operating the **HDmall** and **HDcare** platforms, strategically selected **Thailand as its initial launch location**. This decision was informed by significant insights garnered from both the demand and supply fronts.

From the demand perspective, Thailand, like many other emerging Southeast Asian countries, has a **notable out-of-pocket healthcare expenditure** due to limited private health insurance coverage. Additionally, the **lack of a private family physician network** presents a gap that a marketplace platform like HD can fill.

On the supply side, **rapid expansion in the private sector** is leading to increased fragmentation. Concurrently, **private hospital bed occupancy and operating theater utilization rates are relatively low**. Furthermore, an estimated **69% of physicians engage in dual practices**. Collectively, these factors create a unique opportunity for a platform like HD to guide patients through the healthcare system, enhancing efficiency for all involved parties.

Since its establishment in 2019, HD has achieved **substantial growth and brand awareness in Thailand**, leading to successful funding rounds with global, regional, and local VCs and strategic angel investors. This achievement forms a strong foundation for future growth across Southeast Asia with the end goal to drive cross-border patient demand from outside and inside the region into Thailand, the premier medical hub in Asia.

3 Higher demand for digitization and tech solutions

New opportunities for tech startups to innovate and capture untapped growth in SME businesses

The increasing demand for digitization and tech solutions is driven by both a generational shift in business leadership and the emergence of a new generation of entrepreneurs.

Thailand is currently undergoing a significant transition. A rising number of the younger generation, notably GenY, are stepping into leadership roles within businesses. This group encompasses individuals inheriting family businesses – making up over half of the publicly listed companies in Thailand – and new entrepreneurs. These modern leaders are receptive to change, continuously exploring ways to update and enhance traditional business operations. This shift underscores an immense opportunity for tech startups to develop innovative digital solutions and capture the growing demands from SMEs, especially since no dominant tech player is currently serving this market segment.

Examples of startups that have successfully addressed existing business challenges through technology include:

Ricult, an innovative agricultural technology (agritech) startup, providing a comprehensive suite of AI, data, technology, and financial-based digital solutions tailored for the agricultural sector in Thailand. According to its founders, a significant segment of Ricult's user base consists of new-generation business owners who have assumed control of family businesses and are keen on integrating new technology into their long-established operations. Looking ahead, the company anticipates an even greater adoption rate of its solutions among this forward-thinking generation.

FlowAccount, an accounting software that effectively bridges the gap for small businesses by simplifying complex accounting systems. The company caters to the burgeoning needs of Thailand's rapidly expanding SME sector.

The adoption of new technologies is further bolstered by government incentives to promote digital transformation within SMEs.

Government initiatives such as the **DEPA digital transformation fund**[17] have been established to promote and facilitate business digitization. This initiative encompasses support for a range of solutions, from front-end applications such as customer relationship management (CRM) and digital marketing, to back-end infrastructure such as cloud computing.

[17]Source: The Digital Economy Partnership Agreement (DEPA)

4 Substantial funding pool from VCs and CVCs

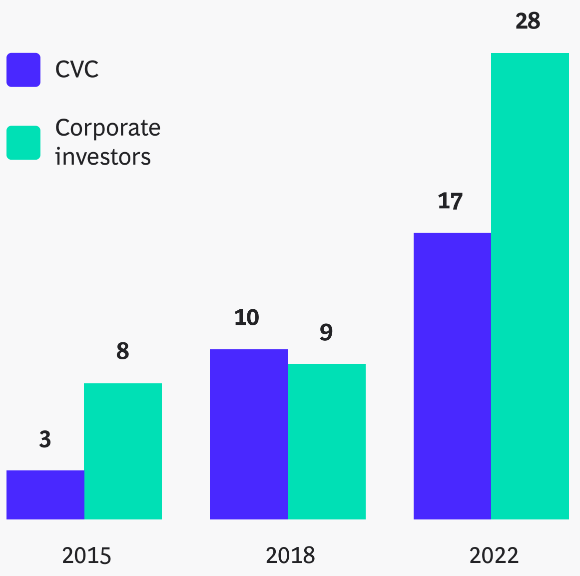
Ready to be deployed to fuel the growth of startups with clear profitability paths and compelling value propositions

The Thai startup ecosystem is characterized by a robust funding environment, driven by the growth of CVCs and corporate investors. There is also an available US$400 million in VC funds ready for deployment. However, investors are now more discerning in their decisions, emphasizing profitability, well-structured business plans, and genuine value. To successfully attract funding, Thai startups must align with these refined expectations.

Larger funding pool from CVCs with more diverse investment areas

The CVC sector in Thailand has experienced significant growth. From having ten firms in 2018, the number grew to 17 by 2021[18]. This growth is mirrored by a rise in the participation of corporate entities in startup investments. Furthermore, the scope of investment sectors has broadened considerably. While earlier investments were predominantly undertaken by telecommunication and bank CVCs, the present landscape boasts diversified players like Add Ventures by SCG, Singha Ventures, Orzon Ventures, and Banpu CVC. This diverse range of investors widens the scope for startups, offering opportunities across various industries.

Numbers of CVC and corporate investors in Thailand



Source: Techsauce

Banking
- SCB 10X
- Beacon
- Bualuang Ventures
- Krungsri Finnovate

Consumer
- ORZON
- Singha Ventures
- Next Ventures
- Fuchsia
- Thai Union
- TrueIncube
- Max ventures
- J Venture

Chemical, Energy
- AddVentures by SCG
- GC Ventures
- BANPU
- Top Ventures

Others
- SABUY
- BCH Ventures

[18]Source: Techsauce Startup Directory

Furthermore, **over US$400 million VC funds are set to be channeled into the startup landscape in the coming years**[19]. This indicates a promising horizon for emerging businesses.

Nevertheless, a significant shift in investment strategy is already evident. VCs and CVCs are transitioning from a hypergrowth focus to a more balanced approach, emphasizing both growth and profitability. For startups, this means a clear route to profitability is essential, and they must remain attractive investments even when potential risks are considered.

"In this new era of higher interest rates, there has been a renewed focus on strong unit economics and profitability for startups. In the previous zero-interest-rate environment, growth at all costs was emphasized, but now investors have shifted their priorities. This benefits many startups in Thailand who have been growing sustainably with a focus on positive unit economics."

Wing Vasiksi
Founder, WV and iSeed SEA

"Post-covid, we have placed more emphasis on the profitability outlook of the startup as well as wanting the startup to achieve a reasonable amount of growth. It is now important for startups to have a competitive edge and a hard-to-copy business model to stay ahead of competitors."

Naranpat Thitipattakul
Investment Director, Orzon & 500 Tuktuks

[19]Source: PitchBook, data as of Sep 2023

5 Deep exit opportunities in local markets

Diverse opportunities for startups to strategically scale and for investors and founders to monetize their return

The Thai startup market offers deep exits opportunities through corporate acquisitions and capital markets, often at attractive multiples.

Startups frequently become acquisition targets for corporations seeking innovative solutions and fresh talent. Acquisitions often serve as a strategy for corporations to diversify their product offerings and penetrate new markets and segments. For instance, LINE MAN merged with Wongnai in 2020 and later acquired FoodStory and Rabbit LINE Pay in 2023. In addition to Thai corporates, prominent overseas startups often acquire Thai startups as a strategic entry point into the Thai market. This is evident in Doctor Anywhere's acquisition of Raksa, and PropertyGuru's acquisition of Thinkofliving.

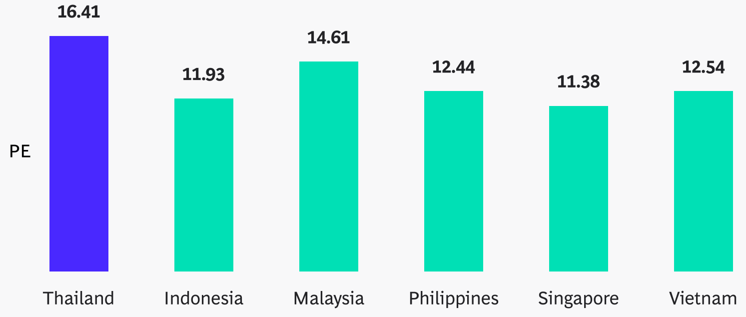
Case study

LINE MAN's merger with Wongnai, a restaurant review and database platform, integrated Wongnai's restaurant database with LINE MAN's delivery capabilities, offering customers a comprehensive food delivery experience. In 2023, to further enhance its merchant services, LINE MAN Wongnai acquired FoodStory, a restaurant point of sale (POS) system provider. In the same year, Rabbit LINE Pay, a leading payment platform, was also acquired by LINE MAN Wongnai in partnership with one of its shareholders, LINE Thailand. These acquisitions have solidified LINE MAN Wongnai's standing as a key player in the restaurant and food delivery sectors.

IPO is a popular exit option for founders who wish to retain control. The Stock Exchange of Thailand (SET) offers both high activity levels and high valuation. With a daily turnover of US$1,575 million, SET is one of the most active stock exchanges in Southeast Asia[20]. In addition to its activities, it also has the highest valuation in the region with a market average price-to-earning (PE) multiple at 16.41[21]. Apart from the main trading board, Thailand also has the Market for Alternative Investment (MAI), a platform for smaller enterprises that may not have fulfilled SET's listing criteria.

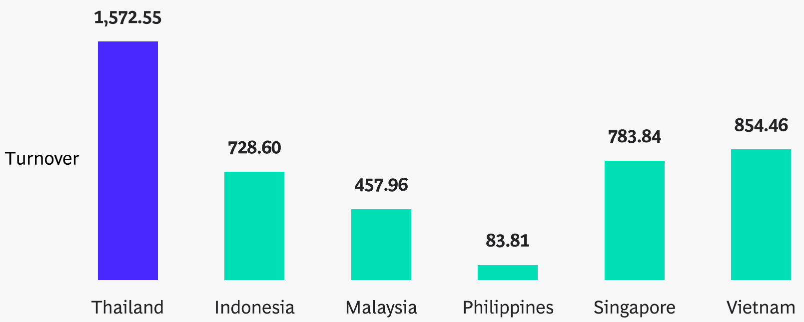
[20]Source: SET
[21]Source: Refinitiv

Price-to-earning (PE) value of SEA's main stock markets



Source: Refinitiv as August 2023

Average turnover rate over 30 trading days (M USD)



Source: SET, IDX, Bursa Malaysia, PSE, SGX, CAFEF as of August 2023

HUMANICA

Case study

Humanica offers HR solutions to Thai corporations. In 2017, it was listed on the SET with a PE of 28.57[22], which allowed Humanica to expand beyond Thailand, all while the founder remained in a decision-making role and was involved in day-to-day operations. In 2022, Humanica merged with DataOn from Indonesia, combining the two companies' technologies and DataOn's experience in Asia to expand their offerings to more countries.

[22]Source: efinancethai

Section 5

Thailand’s express lane to innovation

While the Thai startup landscape presents a promising outlook, several collaborations across different stakeholders could be taken to unlock more potential

While many Thai startups have achieved success, many have also not survived past the early stages. Based on interviews with startups, government bodies, corporates, and VCs, we have identified four main challenges in the Thai startup landscape. Addressing these can unlock significant potential.

In this section, we will look at the five main challenges currently faced by Thai startups:

- *Limited risk capital and early-stage funding*
- *Lack of mentors and local incubation programs*
- *Limited infrastructure resources, such as shared services*
- *Difficulty in attracting local talent*
- *Lack of credibility to secure customers and partnerships*

To address these challenges, collaboration and proactive initiatives from all stakeholders are essential to further enhance the potential of the Thai startup landscape:

- The Government should actively cultivate an entrepreneurial culture, increase risk-capital availability through means such as matching funds or direct VC investments, expand the talent pool, and facilitate startup exits with supportive policies and regulations.
- Corporates can go beyond financial support to offer mentorship, present pilot and testing opportunities, and grant startups access to their extensive networks.
- Experienced founders and industry experts can offer their expertise and connections to aid startups in their growth journey.
- Media can help to boost event outreach, promoting Thai startups internationally, and enhancing overall global awareness of the Thai startup community.
- Universities can help to nurture a risk-taking spirit while equipping students with the necessary skills and mindset for startup success.

Limited risk capital and early-stage funding

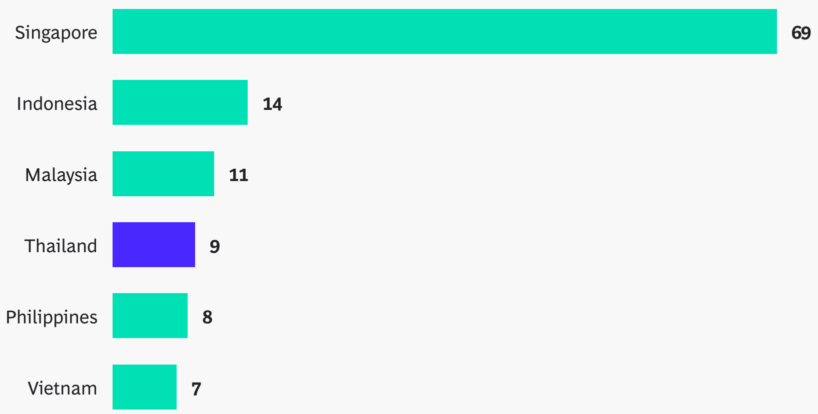
restrict startups from reaching the seed stage and advancing further. This is due to a scarcity of VCs specifically focused on Thailand and local angels. Regional VCs frequently prioritize larger, high-growth markets, such as Indonesia and Vietnam. The limited visibility of exit strategies and lack of understanding of the Thai market also deter regional investors. Additionally, local corporate VCs who are active players in the ecosystem predominantly invest in Series A rounds and beyond.

Lack of mentors and local incubation programs

pose a significant challenge to Thailand's startup ecosystem. As of 2023, there are only nine local incubators and accelerators, the majority of which are corporate-run. Among these, only five have remained active in the recent years, each incubating 10-20 startups annually. This shortage of incubators and accelerators contributes to a lower number of seed startups in the country. Access to international incubators is also challenging due to stiff competition from other markets.

As a result, early-stage startups in Thailand face increased difficulties in securing funding and receiving essential support for scaling and progressing.

Number of accelerators and incubators (As of Sept 2023)



Source: PitchBook

Accelerators and incubators in Thai startup ecosystem

Local players

- Allianz Ayudhya Activator
- AIS The StartUp
- Bangkok Bank Innohub
- Krungsri Finnovate
- DEPA
- FoodInnopolis
- TrueIncube
- SPACE-F
- disrupt

International players

- Plug and Play
- UOB FinLab
- ImpacTech

"The Thai startup ecosystem still lacks accessible and affordable shared services for critical functions like HR operations, legal, and accounting for startups to leverage. This will reduce their cost considerably and support their growth."

Nichapat Ark
Director Openspace Ventures Thailand

Limited infrastructure resources such as shared services

hampers startups' ability to optimize operations and cut costs. The broader landscape still needs affordable infrastructure. Essential support functions such as HR operations, legal services, and accounting are pivotal for startups to operate efficiently and innovate, especially given their small scale.

Difficulty in attracting local talent,

especially across the technology and sales domains, also poses a challenge. This hurdle largely arises from a scarcity of talent and stiff competition from larger corporates for the same pool of professionals. Annually, fewer than 3,500 fresh graduates step into IT roles, despite the soaring demand for over 15,000 new IT professionals in 2022. This situation is intensified by established corporates who are attracting leading professionals with competitive compensation and prospects of long-term career stability. As a result, many prospective talents remain hesitant to embark on careers with startups as they perceive them to be riskier alternatives compared to well-established corporations.

Lack of credibility to secure customers and partnerships

is also a significant challenge for early-stage startups. These challenges are especially pronounced for those without strategic investors to bolster their networks as they may be perceived as lacking credibility, particularly given the limited track record of Thai startups. Consequently, these startups often face difficulties when seeking potential partners.

"Raising funds at the initial stage was challenging. We had to rely on family funds to build our venture. Driving adoption in the early days was also difficult. However, once we passed that phase, expansion became much easier."

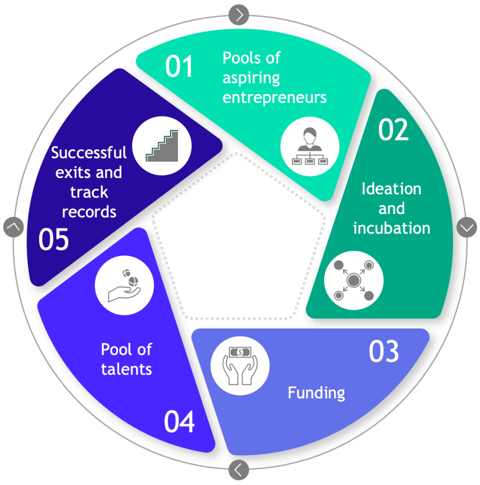
Amarit Franssen
Co-Founder, AppMan

While these challenges are distinct, they are interconnected and can create a cycle that reduces the number of startups in the future. A shortage of talent hinders startups' ability to scale, leading to fewer success stories. This diminishes the appeal of the Thai startup scene for investors and upcoming entrepreneurs, further eroding credibility with potential business partners and adding obstacles for startups aiming for success and growth.

To address these challenges and unlock more potential in the country, **we need to build a vibrant startup ecosystem.** This ecosystem should foster a cycle where the success of established startups inspires new entrepreneurs, whose ideas mature within a strong incubation system. Sound ideas draw investors, facilitating talent acquisition and scaling, ultimately leading to a successful exit.

Introducing a self-reinforcing cycle to fuel the sustainable growth in Thai startup ecosystem

The development stages of Thai startup ecosystem operates through interconnected cycle



Collaborative efforts are required to activate the wheel

01 More entrepreneurs lead to a larger pool of ideas, amplifying the number of new startups

02 Entrepreneurial ideas are transformed into products through strong incubation support

03 Innovative startups attract funding for growth and offer attractive returns, drawing in more investors

04 Startups draw highly skilled professionals, enhancing their chances of success

05 Successful exits create serial entrepreneurs who reinvest and mentor, strengthening the startup community's resilience and evolution

> "The current landscape faces a notable absence of impactful exits capable of providing liquidity to both investors and founders. Thailand needs more experienced founders to reinvest their knowledge and resources by engaging in mentorship and angel investing activities, thereby nurturing the growth of the next generation of entrepreneurs."
>
> **Johannes von Rohr**
> Co-Founder Rabbit Care, GP Alpha Founders Capital

Collaborative efforts required from all key stakeholders to fuel growth in Thai startup ecosystem

Key stakeholders	Pools of aspiring entrepreneurs	Ideation & incubation	Funding	Pool of Talents	Successful Exits
	Success story				
Success factors for Thai startup ecosystem	• Cultivate risk-taking mindset and establish support system • Promote education in entrepreneurship	• Increase access to mentorship and incubation	• Increase risk capital for early-stage investment • Enable local founders to secure international funding	• Expand pool of talents in Thailand • Increase competitiveness of startups as a place to work among new generation	• Increase exit opportunities to create more success stories in Thailand
Government	• Encourage more risk-taking e.g., Tax exemption • Attract foreign entrepreneurs through flexible Visa scheme and policies	• Provide R&D tax benefits and grants • Incentivize new incubation programs	• Create attractive investment environment esp. for early-stage startups e.g., matching fund, tax benefits scheme	• Facilitate employment benefits e.g., ESOP • Acquire skilled talent abroad e.g., Flexible visa • Initiate training & reskilling program	• Review capital market requirements to ensure no listing roadblock • Explore new listing options e.g., SPAC
Corporate		• Share industry insights to stimulate ideation • Provide mentorship	• Provide synergetic startup funding • Establish CVC		• Prioritize startups M&A to seek new innovation
Investors (VC, CVC, angle)			• Advocate for the right policies and support to policymakers		
Accelerators	• Leverage community to enable skill transfer and networking among startups, entrepreneurs, and mentors		• Provide mentorship on business building and pitching to founders		
University	• Expand curriculum towards entrepreneurship • Provide outside-class workshops, learning for entrepreneurs	• Establish incubation and acceleration programs • Share R&D capabilities and facilities	• Provide training on pitching and marketing to founders	• Promote education and graduates in high-demand sectors such as Tech	
Past founder & industry veteran		• Provide mentorship from product ideation stages to business scaling and management	• Help connect startups with potential partners and investors		• Advise startups on exit opportunities and options
Media players	• Promote success story of Thai founders e.g., recognition and awards	• Promote community and networking events	• Collaborate with global media player to promote Thai startup market internationally	• Reshape perception of startups as high-growth workplace among young talent	• Promote success stories of Thai start-ups

To set this cycle in motion, collaboration from all stakeholders is essential to facilitate the flow of startups through these development stages. This collective effort should involve governments, corporations, investors, accelerators, media, and universities. Continuous efforts will make this cycle self-sustaining.

The Government, as a central body, can play a pivotal role by shaping a conducive environment, prompting other stakeholders to contribute. Corporations, with their dominance in the Thai market, can provide resources through incubation and investment. Media can highlight successes, and educational institutions can nurture entrepreneurial spirits. Collectively, they can solidify the foundation of the Thai startup ecosystem.

The Government can cultivate a more risk-taking environment, encouraging founder growth, increasing risk capital via mechanisms like matching funds or direct VC investments, expanding the talent pool, and facilitating startup exits with supportive policies and regulations.

While several Government-led initiatives have been implemented, like adjustments to the capital gain tax scheme and R&D grants, there is still room for additional policies and measures to support startups across their development stages and unlock further potential within the Thai startup ecosystem.

1. **To increase founders and entrepreneurs,** the Government can offer tax benefits or credits, especially during the early stages. Simplifying documentation for foreign entrepreneurs and skilled workers can also promote foreign business establishment in Thailand, fostering skill and knowledge exchange.
2. **To support ideation and incubation,** the Government can offer R&D tax benefits beyond existing grants. They can also partner with prominent educational institutions and corporations to launch incubation programs through policy and tax incentives.
3. **To support funding and expand risk capital,** the Government should proactively promote new initiatives to entice investors. For example, the Thai Government recently introduced policies to ease investment, such as capital gains and tax exemptions. New strategies, like a government-backed VC fund or a national Thai startup fund, could also be explored. Streamlining cross-border investment processes and fostering global collaborations can also expose Thai startups to international funding opportunities.
4. **To expand and diversify the talent pool,** the Government should enhance the appeal of startups as employers. Implementing favorable employment policies, such as flexible employee stock ownership plan (ESOP) and competitive wage systems, is one strategy. Additionally, introducing more flexible visa programs and tax incentives that extend beyond those provided by the BOI will attract international talent, enriching the talent pool with diverse skills and expertise.
5. **To enable more successful exits,** the Government should explore alternative exit strategies like direct listings, dual-class shares, and special purpose acquisition companies (SPACs). While Thailand already boasts one of the most active and largest stock exchanges in Southeast Asia, efforts should be made to make this financial resource more accessible to startups.

Various governmental units, including DEPA and NIA, are already rolling out initiatives that demonstrate the Government's commitment to supporting startups. However, many startups have faced challenges **in accessing the right source of information regarding various policies, regulations, and benefits provided by different government bodies.** To address this issue, there is a need for a centralized information hub, consolidating and standardizing all pertinent details, ensuring easy access for startups, founders, and stakeholders.

Case study: Singapore's Startup Ecosystem Fueled by Government Initiatives

Success story inspire next generation of entrepreneurs

1 Pools of aspiring entrepreneurs	2 Ideation and incubation	3 Funding	4 Pool of Talents	5 Successful Exits
• **Tax benefits for entrepreneurs (since 2021):** Productivity and Innovation tax credit, R&D Expenditure tax credit, and ESOP Tax Deferral option • **Specialized visa program:** EntrePass(2013) & Tech.Pass (2021) designed to facilitate foreign and Tech entrepreneurs to enter and establish business in the country	• **Tax exemption and incentives for early-stage startups:** Startup tax exemption (SUTE), The pioneer tax incentives for focused sectors such as manufacturing and R&D • **Startup loan and grant:** e.g., SG Tech grant, Enterprise Financing Scheme (7 types of loans) • **Infrastructure support:** Singapore Launchpad (R&D & startups hub), Singapore Water Exchange (a hub for water business)	• **Angel Investors Tax Deduction (2010-2020):** based on 50% of the investment amount under cap value. • **Technopreneurship Investment Fund (TIF):** direct government investment in leading international VC fund to be invested in local startups • **Matching fund:** Startup SG founder grant provides matching investment and a platform for connecting mentors to start-ups,	• **Progressive Wage Credit Scheme (2022):** government investment to co-fund wage increases • **ONE Pass visa:** attract international talents through exceptional benefits e.g., 5-year validity and the option for spouses to obtain a work permit • **Skill development program:** e.g., Technology for Enterprise Capability Upgrading (T-Up), Global Ready Talent Programme (GRT),	• **Flexible listing scheme in SGX:** introduce Dual-Class Shares (DCS) structures (2018), Special Purpose Acquisition Companies (SPACs) (2021) • **Leverage startup SG** to promote Singapore Exchange (SGX)

> **A dedicated government unit enables holistic and unified policies across the ecosystem**
>
> STARTUP SG
> Launched in 2017
>
> A government-backed unit launched by Enterprise Singapore. The initiative aims to foster a vibrant startup ecosystem by offering financial and non-financial support to early-stage startups
> - **Enable structure and unify initiatives,** connecting all the stakeholders in the ecosystem together within one platform
> - **Central point of information** regarding startup events, regulation & and policy updates, and incentives

Corporations, in addition to investments, can play a pivotal role in nurturing startups by offering mentorship, providing opportunities for piloting and testing, and enabling startups to tap into their expansive networks.

Given the significant influence of corporations in the Thai economy, their active participation can substantially contribute to the success of startups:

1. **To enhance mentorship and guidance,** corporations can impart insights about industry practices, current challenges, and bottlenecks, fostering ideation and incubation. Additionally, they can share industry expertise, tactical business strategies, and operational insights with startups.
2. **To provide piloting and testing opportunities,** established corporations can offer startups the platform to pilot or test their innovations within their ecosystem. Collaborative proof of concept (POC) programs can further empower startups to iterate and refine their pioneering concepts, allowing them to optimize their solutions and gather invaluable feedback.
3. **To support funding and investment,** corporations can strategically invest in sectors that align with or complement their business goals. This can be achieved either through direct investment or via dedicated CVC arms.

4. To expand access to networks and partnerships, corporations, with their vast networks and affiliations, can orchestrate introductions and collaborations, connecting startups with potential partners, clients, or investors, thereby unlocking new avenues and prospects.
5. To offer resources and infrastructure, corporations can provide shared resources such as office space, equipment, or technological platforms. Granting startups access to their infrastructure can help reduce operational costs and enhance productivity.

Universities play a pivotal role in cultivating an entrepreneurial mindset and equipping the new generation with essential skills.

Universities, as an initial touchpoint for young individuals, can foster an entrepreneurial culture by inviting seasoned entrepreneurs to share their experiences, offering specialized training courses, and facilitating mentorship and networking opportunities with alumni and institutional contacts. Moreover, universities can spearhead formal incubation programs, helping students refine their ideas using institutional data and resources and securing initial funding.

Past founders and industry veterans can provide mentorship and network support to help startups develop and scale.

Thailand boasts a number of successful entrepreneurs who possess invaluable insights about establishing and scaling startups, an area where many new founders seek guidance. Their vast networks can help startups identify potential partners and investors. The creation of a centralized platform or events, similar to Startup SG, is important to bridge the gap between these experts and startups seeking their expertise.

Media agencies can spotlight networking events, promote Thai startups internationally, as well as spread the word to enhance the global visibility of Thai startups.

Beyond just observing, media entities can actively contribute to the vibrancy of the startup ecosystem. By connecting ecosystem stakeholders, organizing networking events, and spotlighting startup triumphs, media can inspire aspiring entrepreneurs and highlight startups as thriving, growth-oriented ventures.

Additionally, media is instrumental in attracting international investors. By expanding their presence and collaborating with international counterparts, they can significantly enhance Thailand's global appeal and draw foreign investors to the market.

Conclusion

The Thai startup ecosystem is fueled by success stories, which, in turn, attract more startups and investors. The present offers a prime opportunity for all stakeholders to collaborate and drive this ecosystem's expansion. By nurturing a conducive environment for startups at every stage of their journey, it is possible to tap into the immense potential of Thai startups, catalyzing both economic growth and technological progress.

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Alpha Founders Capital (AFC) is an early-stage VC firm investing in Southeast Asia. Our portfolio includes notable companies like Rabbit Care (Financial Marketplace), PropertyScout (Real Estate Marketplace), Konvy (Beauty E-commerce), Sirius Technologies (SaaS), among others.

Our team of venture partners, composed of experienced operators and investors, specializes in identifying high-growth opportunities across sectors such as Consumer Internet, Fintech, SaaS, Cleantech, and Industry 4.0. Beyond financial support, we collaborate with founding teams to accelerate crucial aspects of their journey, including fundraising, strategy development, and operational excellence. Our track record includes meaningful exits, such as Chilindo's transition to CP Group, Rabbit Care's strategic partnership with BTS Group, and FazWaz's acquisition by Lifull, consistently delivering top-tier fund performance.

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WV

About WV

WV is the VC firm of Wing Vasiksiri.

The fund manages over US$15M in AUM and partners with founders across Southeast Asia at the earliest possible stages. The fund has backed over 40 companies from day one in Thailand, Singapore, Indonesia, and Vietnam. The portfolio has raised follow-on funding from top funds including Y Combinator, Peak XV, Alpha JWC, AC Ventures, East Ventures, MonksHill Ventures, Openspace Ventures, GGV, and Jungle Ventures.

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Tech in Asia (YC W15) is the largest English-language technology media company that focuses on Asia. From the latest news to the hottest trends and the boldest startups to the strongest titans, Tech in Asia covers everything tech in the region. The company's goal is to build and serve Asia's tech and startup community.

Appendix I: Overview of the Thai market

Understanding Thai consumers

I. Rising middle-class[23]:

Thailand has a large growing middle class with an average of US$6,908 GDP per capita (2022). In Southeast Asia, it ranks fourth by GDP per capita and second by total GDP. The country has a population of around 72 million, ranking fourth in the region.

II. Digital savvy[24]:

Thailand's population has a high adoption of digital technology, with 90% of Thais using digital payment gateways and 88% owning mobile phones. Thai people view the online world as an integral part of daily life, spending an average of two hours and 56 minutes daily on platforms such as Facebook and TikTok.

III. Aging population[25]:

Thailand is experiencing a demographic shift toward an aging population. The current median age of the population is 38.8 years old, the second highest in Southeast Asia behind Singapore. The proportion of the Thai population aged over 60 is predicted to increase from 20.4% to 38.3% between 2020 and 2050.

Thai business landscape

I. Export, manufacturing, tourism-led economy[26]:

The Thai economy is driven by its export and tourism sectors, which combinedly contribute to 68% of the country's GDP. Auto parts, computer software, and agricultural products are the primary exports, making industrial, manufacturing, and agriculture key sectors of the country.

II. Large share of micro, small and medium enterprises (MSMEs) and informal sector[27]:

Thailand's economic landscape is characterized by a significant presence of SMEs, defined as businesses with less than US$2.76 million in revenue or 50 employees for the manufacturing sector, and less than US$1.38 million or 30 employees for the trade and services sector. There are 3.2 million SMEs in Thailand, making up 99.6% of all Thai enterprises and contributing 35.2% to the Thai economy.

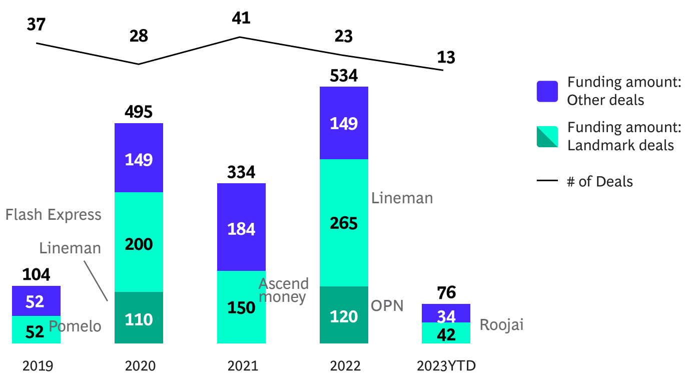
III. High proportion of family-owned businesses[28]

The majority of Thai businesses are family-owned or family-run. Approximately 57% of all publicly listed companies in Thailand, representing 43% of total market value in 2022, are family businesses. Collectively, family-owned businesses account for 38.3% of Thailand's GDP.

[23] Source: World Bank
[24] Source: International Telecommunication Union (ITU)
[25] Source: Economic and Social Commission for Asia and the Pacific (ESCAP)
[26] Source: National Economic and Social Development Council (NESDC)
[27] Source: The Office of SMEs Promotion
[28] Source: Money club
[29] Source: Money club, SET

Appendix II: Thailand’s startup investment landscape

Funding amount dominated by E-commerce and Fintech, with CVCs playing a key role.[30]



Source: Tech in Asia YTD: 1 Jan - 28 Aug 2023

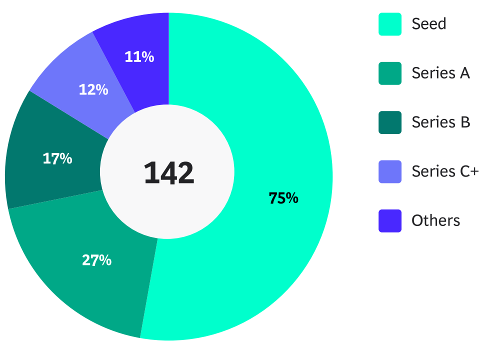
Funding amount (M US$) and number of startup deals in Thailand (2019-2023YTD)

The startup deal volume in Thailand peaked in 2021 amidst the tech boom, but saw a decrease in 2022 due to rising interest rates and a tighter economic setting. The total funding amount, however, varies based on significant investments made each year which constitute the majority of the funds.

Seed funding dominates number of deals

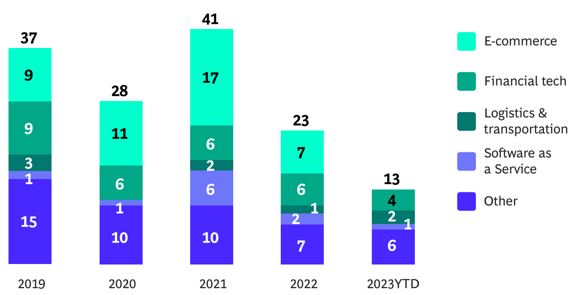
Roughly over 50% of annual startup deals are from the seeding round. While seeding rounds represent the majority of deals in Thailand, the absolute count is lower in comparison to other Southeast Asian nations.

Number of deal counts 2019-2023 YTD by funding stage



Source: Tech in Asia YTD: 1 Jan - 28 Aug 2023

Number of deal counts by verticals per year (2019-2023YTD)



Source: BCG analysis supported by Tech in Asia data
YTD: 1 Jan - 28 Aug 2023

E-commerce and Fintech have the highest number of deals from 2019-2023 YTD

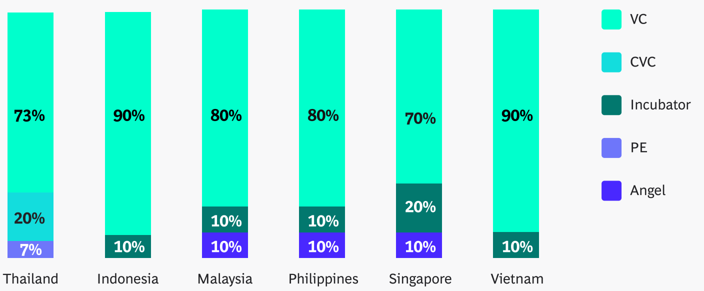
However, e-commerce deals decreased in 2023 due to a slowing market and investors’ focus on profitability.

[30]Source: Tech in Asia

CVCs play a key part in Thailand's startup investment scenes

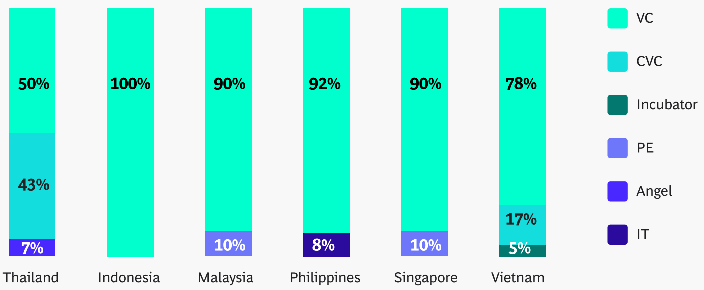
Among the top 10 investors in Southeast Asia, only Thailand features CVCs. In Series A or later rounds, CVCs comprise 43% of these top investors. CVC investments often align with their main business, leading them to sectors complementary to their core. This results in concentrated funding in areas with active CVCs like finance, insurance, and retail.

% of top 10 investors in each country by investment numbers[31]



Source: Tech in Asia

% of top investors in each country by investment numbers (Series A+)



Source: Tech in Asia

[31]Note: Thailand, Indonesia, and Philippines have more than 10 top investors due to multiple investors having the same number of investments

Appendix III: Government policy and support for startups

	DEPA	NIA	BOI
Demand creation			
SME demand	**Digital transformation matching fund:** Provides a matching fund for SMEs to invest in DEPA-certified startups.		
Government service	**Government transformation project:** Provides a platform for DEPA-certified startups to work with government agencies to digitally transform the organization.		
International expansion	**Startup born global:** Supports potential foreign digital startups operating in Thailand's special economic zones, such as Thailand Digital Valley II, and works with international business organizations to provide full support to digital startups.		
Funding			
Matching fund	**Dventure:** Matches fund schemes with DEPA-certified VCs to invest into early-stage startups. Maximum of US$26,000 to US$105,600 grant per year.		
Grants/ Investments	**Convertible grant:** Provides grants to startups that can be returned as soft loans with low rates or as equity. **Digital startup fund:** Offers a maximum of 50,000 THB for the conceptual plan stage, 1M THB for the launch stage, and 5M THB for the growth stage, on an annual basis.	**Open Innovation project:** Offers a maximum funding of 1.5M THB to startups and SMEs with projects focused on transformative, productivity, and value-added innovations. **Thematic Innovation project:** Offers a maximum of 5M THB funding for entrepreneurs in target industries to create leapfrogging innovations that drive technology and business development.	**BOI startup grant:** Co-funds up to a maximum of US$132,000 for startups' human capital expenses to enhance competitiveness via human capital support.

	DEPA	NIA	BOI
		Social innovation grant: Offers a maximum of 1.5M THB fund in social innovation projects that aim to develop prototypes or pioneer social innovations addressing various social issues in Thailand.	
		Investor support	
Tax Policies	**Capital gain tax exemption** for VCs on the sale of startup ownership or VCs' profits. Provide **tax exemptions to** SMEs which use DEPA-certified startups' services for digitalization, with paid capital not exceeding 5M THB, and income in accounting period not exceeding 30M THB. 1.5x **tax reduction for SMEs that provide digital skills training.**	**Capital gain tax exemption:** for investors and startups that have technology and innovation as the core of their business under 14 focus industries: modern automobile, AI, tourism, agriculture/ biotech, processed food, robotics, aviation, chemical energy, digital, comprehensive medical care, national defense, circular economy, HR development, industries related to Thailand's 20-year national strategy.	**Corporate income tax exemption:** Maximum 13 years exemption with no cap for investments into biotech, nanotech, and advanced material tech, with the condition to transfer technology to education or research institutions.
Ownership			**Foreign ownership exemption:** The foreign business license allows removal of 49% of foreign ownership limits. **Foreign nationals' land ownership permit:** Permit for foreign entities to own maximum 5 rais for office space, 20 rais for executive residence, and 20 rais for workers' residence.
		Talent	
Visa/ Immigration			**SMART Visa:** Offers a maximum four-year stay in Thailand for internationally skilled individuals. **LTR Visa:** Ten years renewable visa permission, with exemption for up to 17% of personal income tax on overseas income, and access to immigration and work permit facilitation services.

	DEPA	NIA	BOI
Talent Skill Development	**Digital Manpower Fund:** Offers up to 100,000 THB per person depending on digital skills level. **Digital Manpower for Executive:** Offers a maximum of 300,000 THB per executive.	**NIA Academy:** Provides courses for youth, entrepreneurships, organization, and executive groups in innovation, startups, and conducts incubation programs.	**Advanced-skill personnel development training grants:** Offers up to 5M THB, with a 100,000 THB per person grant for training expenses related to advanced technology within the 13 target industries, aimed at Thai nationals with a minimum vocational educational level.

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