



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THAILAND 2020

A REPORT FROM TEAM SWEDEN IN THAILAND

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Thailand

Embassy of Sweden in Thailand

Thai-Swedish Chamber of Commerce

FOREWORD

Sweden has an active business community in the Kingdom of Thailand, and currently there are over 85 Swedish companies present – a number that has been growing by an average of 5% each year during the last two decades.

The first Swedish companies entered the Thai market over a century ago, and the early Swedish entrants were large, multinational firms in telecommunications, transportation, and industrial equipment. In recent years, we see a more diverse group of market entrants comprising more and more of medium-sized businesses with niche solutions.

It is no secret that from a macroeconomic standpoint, Thailand has had a relatively tumultuous couple of recent years, and the GDP growth forecast of 2020 risks ending up not reaching 2% with the delay in the fiscal budget and the uncertainties of the effects of the COVID-19 outbreak hurting especially the tourism and transportation sectors, but also risks causing disruptions in global supply chains. Swedish companies also increasingly rate the business climate in Thailand as 'neutral'. However, Thailand remains an important market for many present Swedish companies – two-thirds of companies responded that their Thailand operations were profitable last year, and even more companies expect 2020 to provide healthy margins.

Structural issues disabling Swedish firms to reach its full potential do however remain, with excessive regulations, corruption, and the political climate being listed as the top-three concerns for Swedish firms.

We expect Thailand to continue to become increasingly important market to more and more Swedish firms into the third decade of this century, and companies seeking market success state that achieving a strong brand, running cost-effective operations, building a solid partnership structure, and developing and investing in the staff are paramount.



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EXECUTIVE SUMMARY

COVERAGE

53%



of Swedish companies present in Thailand responded to the survey

ECONOMY

Current profitability

68%

of respondents report profitability for 2019

Outlook

% of respondents that expect to report a better performance in 2020 regarding

Turnover **75%**
Profitability **61%**



MARKET

Business Climate

Neutral



Advantages

Top 3 advantages of doing business in Thailand

Sell on Thai market
Customer collaboration
Nearby market access



Challenges

Top 3 challenges of doing business in Thailand

Red tape & Regulation
Corruption
Political instability



COMPANIES

Business area

40% Professional Services

40% Industrial

20% Consumer

Success factors

- ✓ Brand awareness
- ✓ Cost efficiency
- ✓ Partnerships & local relationships
- ✓ Staff development
- ✓ Sales competence

SUSTAINABILITY

Environmental aspects

64%

of the respondents believe that their customers consider environmental aspects in their purchasing decision to a little or very little extent

ABOUT THE SURVEY

Respondents constitute a mixed crowd

How are the Swedish companies experiencing the business climate in Thailand? Team Sweden carried out the biennial survey that tracks how Swedish companies operating in Thailand perceive the market conditions and the economic prospects of their business, and if and how the views diverge across company type.

Currently, around 85 Swedish companies are present in Thailand. All of them were invited to participate and share their sentiments. Conducted in December 2019, this survey seeks to understand the perceptions of economic and market developments and what opportunities and challenges our companies are facing. With a total of 45 respondents, a response rate of 53% was achieved which is 3% higher than the 2018 study. The web-based survey contained 28 questions and in addition a number of interviews have been carried out during early 2020 where interviewees have been asked to elaborate on survey findings.

This report is presented in four main sections. First off, we elaborate on the economic situation, including current business performance and outlook. We then move on to the Thai market, including respondents' view on the business climate in general and which factors contribute positively and negatively to their commercial success. The third section covers Swedish companies' operations and perceived success factors in the market, and the last section explores sustainability-related aspects and how they are interpreted in the market.

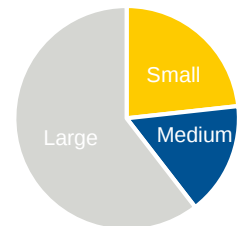
Out of the respondents, 59% are large companies with a global turnover exceeding USD 50 million and/or 249+ global employees. 16% of the companies are classified as medium sized with a global turnover of between USD 11-50 million and/or a number of employees between 50-249. The remaining 25% make up small companies. In terms of number of employees, a few large firms represent a large portion of the total headcount. Collected employment figures show that one third of all Swedish companies employ more than 95% of the total staff. There are few points of similarity between the firms employing more than 100 staff, they are represented in sectors as diverse as automotive, industrial equipment, consumer goods, media, security and healthcare.

The diverse range of business areas represented are in this report grouped into three broad categories; industrial companies (40%), professional services (40%) and consumer companies (20%).

Representatives from mature companies, classified as companies established in Thailand prior to 2001, constitute the largest group of respondents in the 2020 survey. These mature companies make up 57% of the respondents, compared to 27% experienced companies (established 2001-2012) and 16% newcomers (established after 2013).

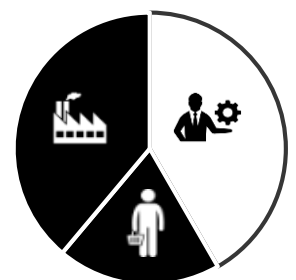
We hope that this report will allow you to explore how different companies within different industries are affected by changes in the business climate, and what they expect to see in the future.

SIZE OF COMPANIES



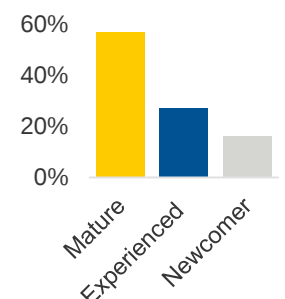
NOTE: Turnover and HC. Large >USD 50m and/or >249 HC. Medium USD 11-50m and/or 50-249 HC. Small USD <11m and/or <50 HC.

MAIN BUSINESS AREAS



NOTE: 40% Industrial. 40% Professional services. 20% Consumer.

AGES OF COMPANIES



NOTE: Mature (<2001). Experienced (2001-2012). Newcomer (2013-)

ECONOMIC OUTLOOK

Steering times of uncertainty

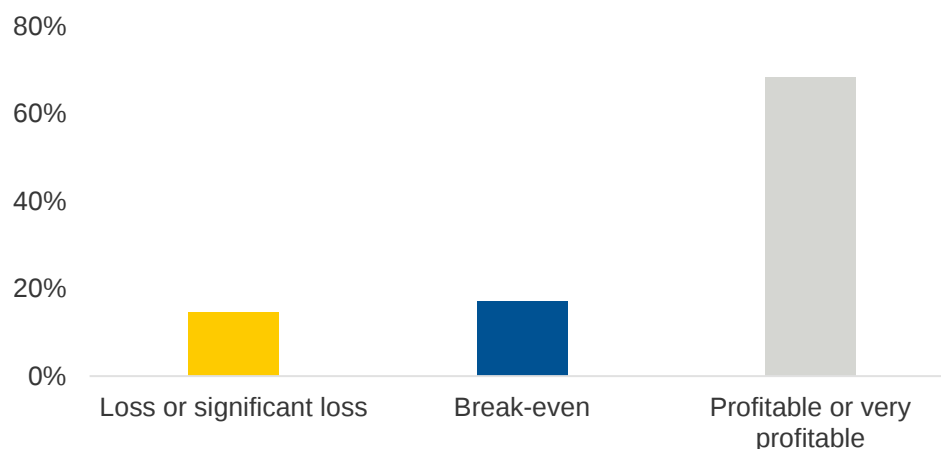
Thailand has made noteworthy progress over the last decades, improving in both social and economic aspects and has gone from a low to an upper-middle income country. Thailand is the second largest economy in Southeast Asia and serves as an important hub for the whole region. The country's economy is continuing its development in a more moderate pace due to uncertain governmental stability and doubts regarding its ability to steer the country in a clear direction.

Thailand is experiencing a sustainable level of domestic demand, however the value and volume of trade was declining in the last quarter of 2019. Exports decreased with 2.7% after having fallen for five months straight. The U.S.-China trade war and the Thai baht appreciation are pointed out as the main perpetrators. The decrease in exports affected most destinations, especially ASEAN (-10%) as opposed to U.S. where the exports increased with 11.8% making U.S. the biggest trading partner in 2019. Imports experienced a decline (-6%) mainly attributable to the production value chain. For the full year of 2019, Thai GDP growth is estimated at 2.5% by Bank of Thailand.

Exports from Sweden to Thailand saw an increase by 20% for the first three quarters of 2019, partly driven by the strong THB-SEK rate and partly due to increased export of manufactured products. Imports to Sweden from Thailand increased by 6% during 2019.

Conversely, although Thailand is facing challenges in terms of overall growth, only a small number of the survey respondents are reporting a break-even or loss in financial performance for 2019. Among the Swedish companies, 68% report that their business in Thailand is profitable or very profitable, and this result spans across all business areas. Although 2019 was a profitable year and there are vast opportunities in the country, Swedish companies confirm that it remains difficult to wholly tap the market potential and uncertainty is clouding business decisions.

HOW WOULD YOU CHARACTERISE YOUR COMPANY'S FINANCIAL PERFORMANCE IN THAILAND IN 2019?



NOTE: The number of respondents for this question was 41. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“Macro impact paired with political uncertainty has real impact on consumer confidence and spending.”

Sustainability & Communications Director
Large Swedish Consumer Company

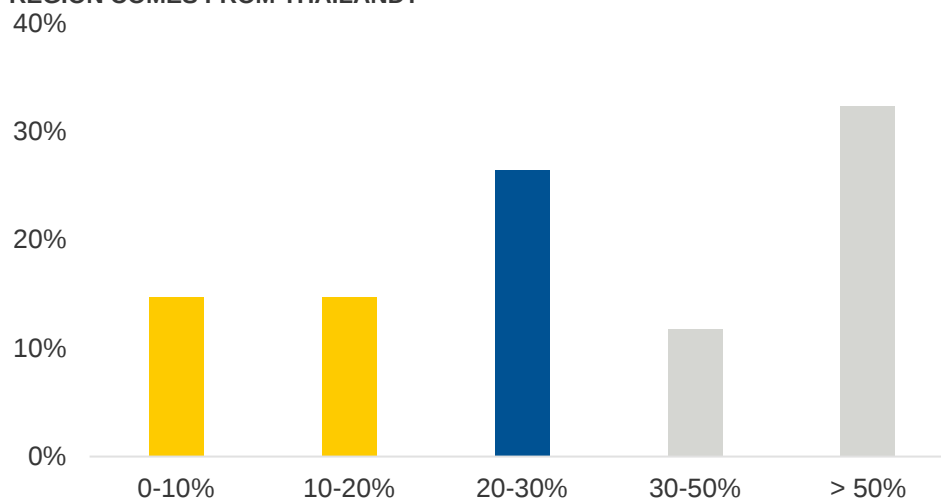
Many of the Swedish companies present in the market also have a footprint in other countries in Southeast Asia. It is common to operate through local distributors or partners and in most cases using multiple distributors to spread the risk.

The Southeast Asian economic growth in 2019 at 4.7% was partly impacted by the U.S.-China trade war which resulted in a drop in demand and reduced exports from the region due to integrated global supply chains. Vietnam and Philippines outpaced other developing countries with 7% and 5.9% GDP growth respectively while Indonesia and Malaysia ended around 5% and 4.3% in 2019. Vietnam has shown impressive development in recent years sailing up as an alternative regional production hub. Philippines, Indonesia and Malaysia can dampen harmful effects from international trade by boosting domestic consumption.

Emerging markets on the rise such as Myanmar, Laos and Cambodia continue at high growth rates with infrastructure development and rising household income as main drivers. However, these countries are still struggling with challenges. The European Commission recently decided to withdraw part of the tariff preferences granted to Cambodia under the European Union's Everything But Arms' (EBA) trade scheme, tentatively affecting about 20% of Cambodian exports to the EU. The election and Rakhine crisis is pressuring the Burmese government and high public debt is discouraging Laos to invest in infrastructure and large-scale projects.

According to the respondents, the most interesting Southeast Asian markets for further expansion are; Indonesia due to a large population and healthy growth, Vietnam due to a strong GDP growth and a comparatively friendly business environment for international investors, and finally The Philippines is also pin-pointed as a country where Swedish companies see opportunities. The surveyed respondents do however highlight the further business potential in Thailand but also points out the need for industrial pushes in conjunction with improved regulations from the government – resulting in a more straightforward business environment to navigate. This year's survey reveals that nearly one out of three companies (32%) generate a significant portion of their SEA revenue from Thailand. A simple but strong correlation emerged; a vast majority of the small and medium sized companies generate above 50% of their SEA revenue from Thailand whereas large companies are more likely to span around 20-30%.

APPROXIMATELY WHAT SHARE OF YOUR REVENUE IN THE SOUTHEAST ASIA REGION COMES FROM THAILAND?



NOTE: The number of respondents for this question was 34. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“Continued growth. Big population. Plenty of opportunities.”

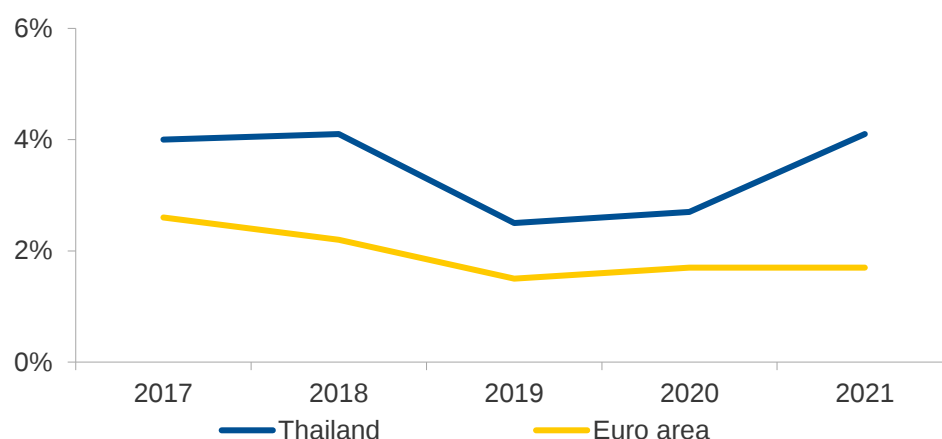
Managing Director
Large Swedish Industrial Company

A shifted degree of optimism

The Southeast Asia GDP growth is forecasted to continue at a high rate of 4.1% in 2020 and 4.6% in 2021 according to estimates by the International Monetary Fund. There is however no shortage of reasons to believe that projections may be adjusted downward due to several external factors; the geopolitical risks, political uncertainty, trade wars, and pandemics are causing hesitation and hampering the trading economy. The economical slowdown would be noteworthy in Thailand given its export orientation.

According to the Bank of Thailand, the Thai economy GDP growth is projected at 2.5% in 2019 which is lower than expected after a decelerating fourth quarter driven by declining exports, governmental expenditure and public investment. The GDP growth in 2020 has already faced several challenges; the U.S.-China trade war, delayed government budgetary approval, a decreased growth of the Chinese economy and the yet-to-be-understood effects of COVID-19 on the tourism sector as well as global supply chains could all contribute to a growth rate of below 2%.

PROJECTED GDP GROWTH IN THAILAND



SOURCE: BoT, IMF, World Economic Outlook.

A faster pace of expansion is expected for 2021 as household consumption and private investment are forecasted to gain momentum, coupled with improved public spending following the roll-out of major infrastructure projects. Recovery of exports and the tourism sector would also act as major boosts to the expansion of Thai economy.

► **Decreased confidence levels for 2020 growth explained by unresolved geopolitical tensions, delayed governmental spending, subdued growth in China and COVID-19**

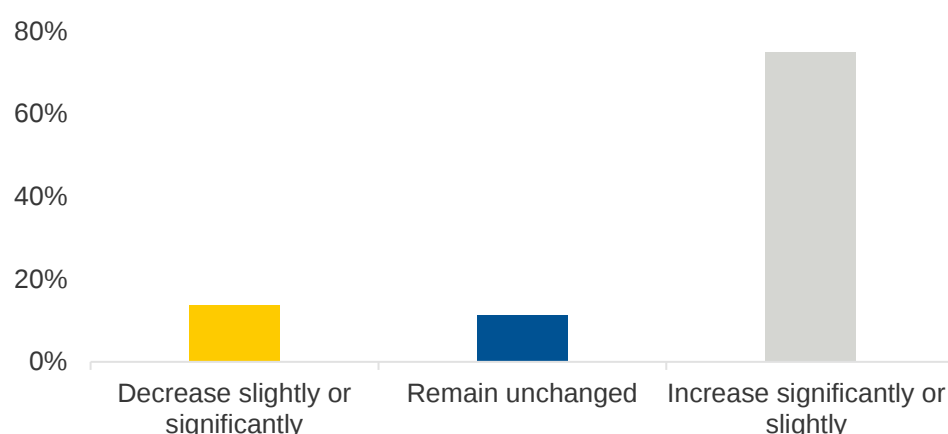


Thailand is looking to capitalise on its **strategic location and quality logistics network** to further expand the economy

Notwithstanding the above-mentioned factors inspiring uncertainty, Swedish companies' expectations for the months ahead are in a positive direction, with 75% of the survey respondents believe in an increased turnover during the coming twelve months. Despite a small share of the industrial and service companies that foresee a decrease in turnover, all of the consumer companies predict a slight or significant increase, but with a somewhat weakened confidence compared to previous years.

WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY/BUSINESS AREA REGARDING TURNOVER?

TURNOVER WILL...

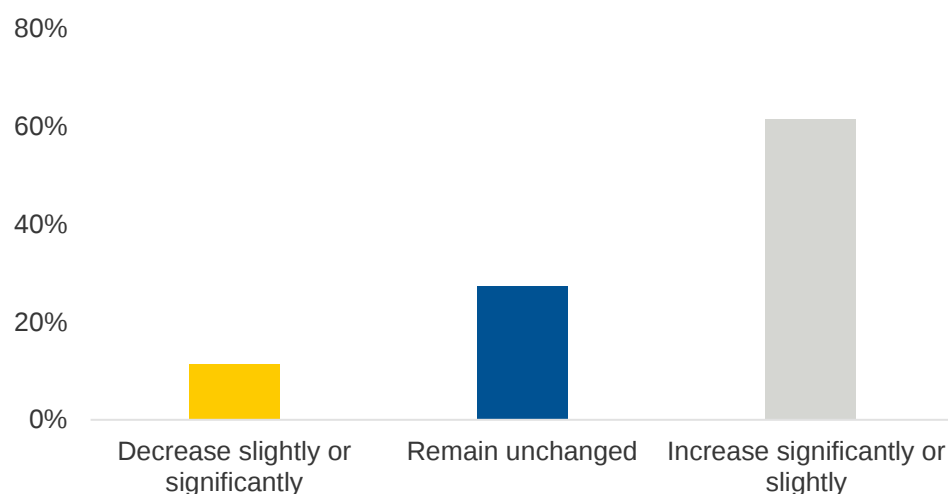


NOTE: The number of respondents for this question was 44. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

The survey indicates a gap between turnover and profitability expectations. 74% of the surveyed predict an increased turnover whereas only 61% are projecting an increased profitability. This outlook is realising a significant drop compared to two years ago when 84% of the respondents believed the profitability growth would improve the coming years.

WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY/BUSINESS AREA REGARDING PROFITABILITY?

PROFITABILITY WILL...



NOTE: The number of respondents for this question was 44. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

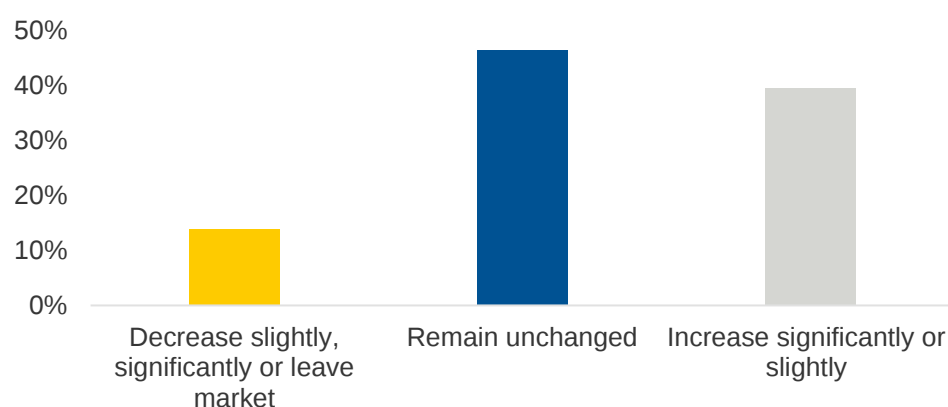
▶ **Turnover prospects outnumber profitability expectations**

Moderate investment plans

Across the board, respondents are exhibiting a more neutral investment attitude compared to previous years. A growing share of respondents report unchanged investment plans for the coming twelve months. In this regard, consumer and industrial sectors tend to be more hesitant than their peers in the service sector.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS COMPARED TO THE PAST 12 MONTHS?

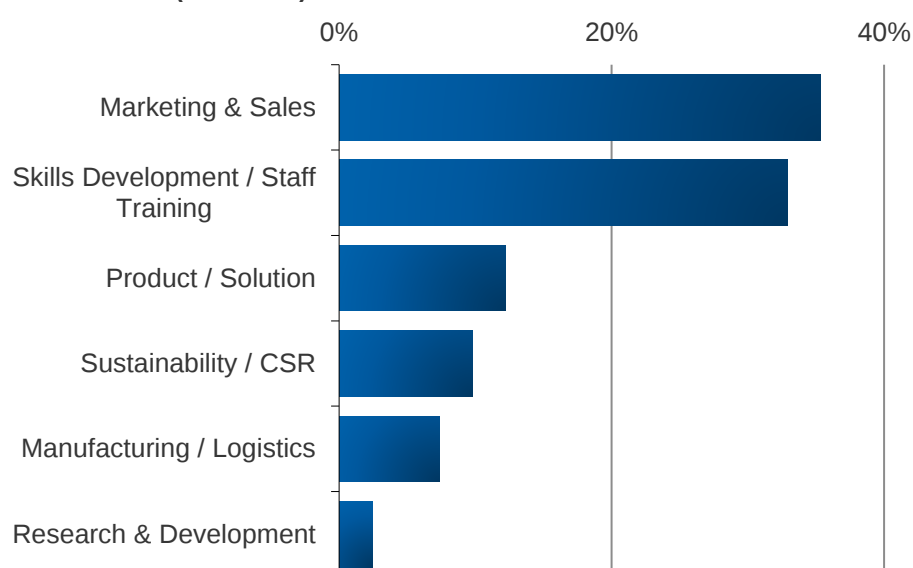
INVESTMENTS WILL...



NOTE: The number of respondents for this question was 43. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

Areas of investment show the same pattern as in previous years. Marketing and sales followed by skills development and staff training remain the most prioritised areas. Companies are less prone to invest in R&D or to make bigger investments and are instead more focused on developing the existing business, for example by focusing on increased dealer coverage, sponsored growth of network and digitalisation of investments.

IN WHAT AREAS DO YOU PLAN TO INCREASE INVESTMENTS IN THAILAND IN THE COMING 3 YEARS (2020-2022)?



NOTE: The number of respondents for this question was [40]. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“Location, partnership, co-creation, availability of land and location – can all support and drive investments

Sustainability & Communications Director
Large Swedish Consumer Company

THE MARKET

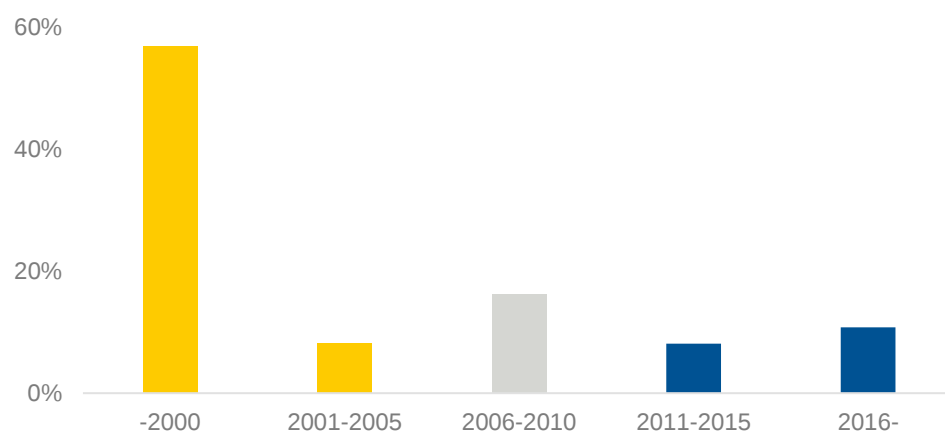
Diverse range of Swedish companies are entering the Thai market

Since the Foreign Business Act was enacted in 1999, over 12 000 foreign majority-owned companies have been granted permission to set up entities in Thailand. Of these, around 9 000 of them are still active. New foreign entity establishment reached its peak in 2016 when 959 entities were established. In 2019, 260 foreign companies closed their operations, much above the yearly average of around 110.

Japan, U.S., Singapore and China are the largest foreign investors in Thailand. Even though Japan and U.S. are still the biggest sources of foreign direct investment, the relative Chinese economic influence is increasing. In 2019, 203 Chinese projects with total value of 261 bnTHB were approved in 2019 by BOI – a significant increase over the 124 projects of 50 bnTHB in 2018.

The early Swedish entrants into the Thai market entered in the 1960s and the 1970s, following a general uptake in foreign direct investments into Thailand, driven in no small part by Japanese players. These companies were often large Swedish multinationals with global reach. The rate of establishments halted somewhat during and immediately following the 1997 Asian Financial crisis. With an uptake during the 21st century, the number of Swedish companies in Thailand have been growing by on average 5% each year during the last two decades. These companies with a more recent footprint generally operate in a diverse field of sectors and in general tend to be slightly smaller players, often in specialised fields and supplying to Thailand's most significant economic sectors – especially industrial equipment and automotive. Looking at establishment data, it is clear that the number of new entrants during and immediately following years of uncertainty (e.g. aforementioned 1997 Asian Financial Crisis and the 2006 and 2014 coup d'état) tend to temporarily decrease. The recent few years have seen a steady pace of new Swedish companies entering the market.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN THAILAND?



NOTE: The number of respondents for this question was 37.

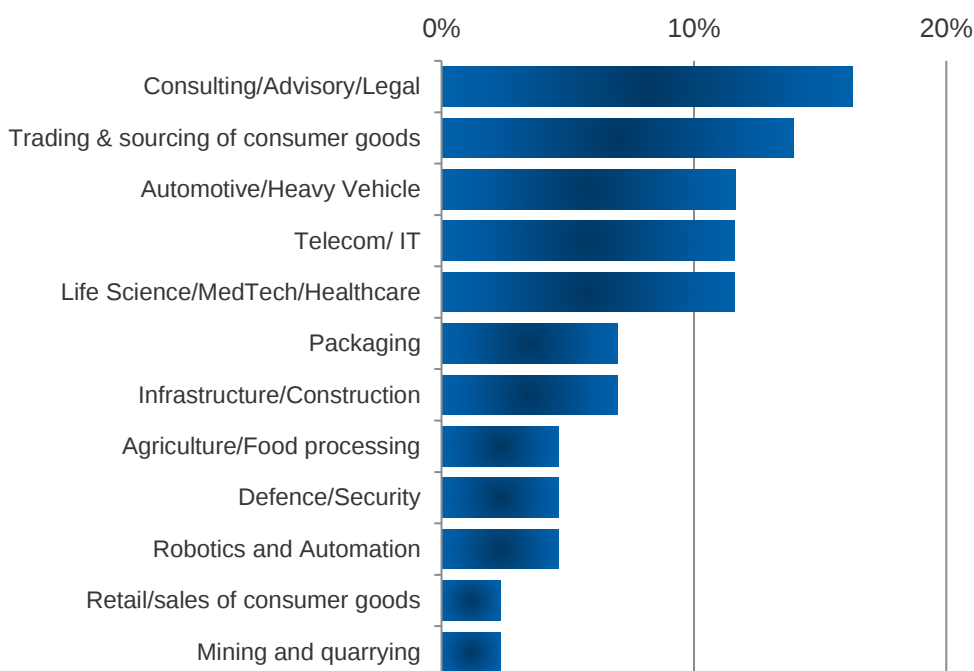
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

A solid growth of Swedish company entrants of around 5% yearly during the last two decades

While Swedish companies have chosen different forms of legal setups, around 7 of 10 companies are majority or fully-owned entities, with the remaining faction being minority-owned joint ventures or representative offices. Given the investments in time and money necessary to set up a majority-owned foreign entity, smaller Swedish companies tend to be over-represented among the firms that are minority-owned together with a Thai partner.

As can be seen in the chart below, Swedish companies are active in a wide range of operations. Companies identifying as being active within the consulting and legal space constitute the largest individual category, however in terms of sales the largest companies are within industrial equipment and automotive products.

WHAT IS YOUR COMPANY'S MAIN BUSINESS AREA IN THAILAND?



NOTE: The number of respondents for this question was 43.

SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.



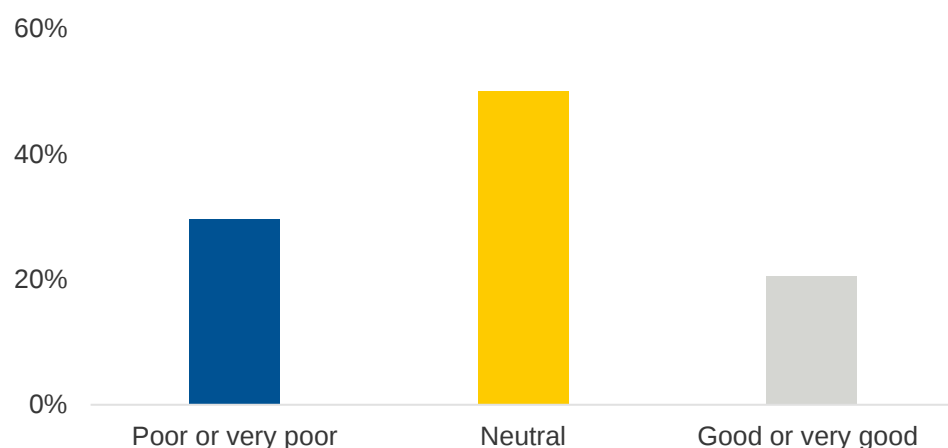
150 years of
Swedish-Thai
relationship,
**Thailand is
Sweden's largest
trading partner in
SEA**

Swedish companies view the business climate as neutral

Precisely half of all respondents indicated that they perceive the business climate as neutral, with slightly more companies holding a negative than a positive view. Overall, respondents indicated that the market was growing at a sluggish pace, and that consumer confidence and spending remains low. Price sensitivity among customers remain an issue for Swedish companies, especially those with a premium offering in contested areas where price tends to be the most important factor. In general, there is a tendency among Swedish firms to rate the overall business climate as slightly lower in 2020 as opposed to two years ago, with minor or no perceived governmental progress in decreasing regulation and red tape. On the other hand, a not-insignificant range of Swedish companies maintain a positive business outlook and see increasing levels of market growth.

The Southeast Asia region however remains attractive, with the large population and untapped opportunities for early movers.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN THAILAND, FROM VERY POOR TO VERY GOOD?

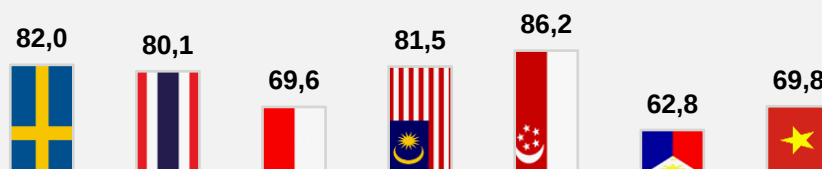


NOTE: The number of respondents for this question was 44. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“Neither good nor bad. It’s difficult to navigate the regulatory landscape

Sales Director
Large Swedish Automotive Company

Ease of Doing Business



NOTE: An index published by the World Bank. Score 0-100 where 100 = most business friendly.
SOURCE: World Bank 2019

Domestic market attractiveness triumph access to nearby markets

Selling to the Thai market remains the most common reason for operations in Thailand for Swedish companies. However, a non-negligible amount of companies also list being able to access nearby markets from a regional headquarter in Thailand to be a key reason for market presence.

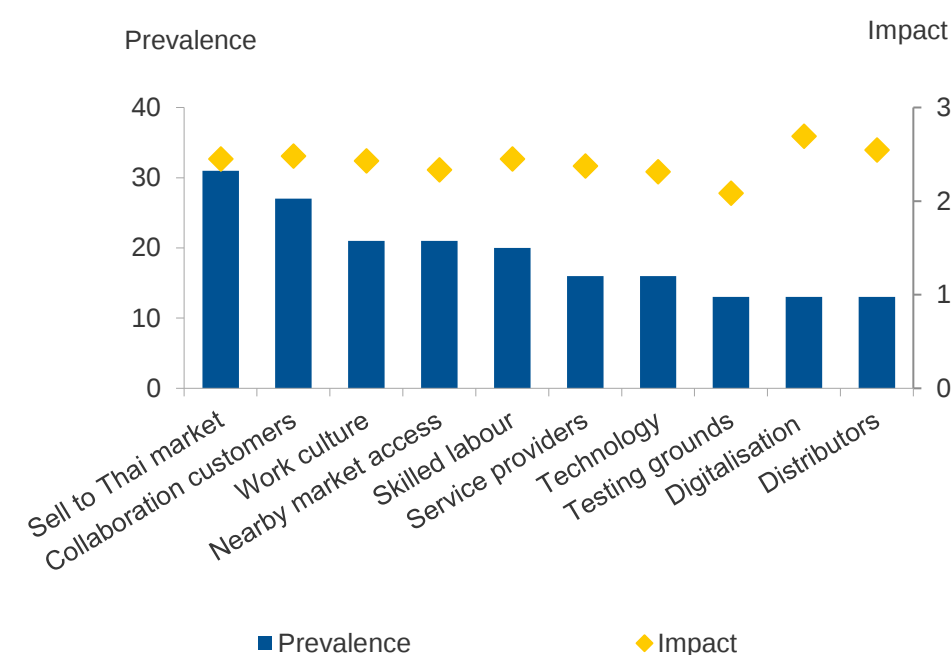
Swedish companies within the service sector rate technology and work culture as the most important success factors, whereas industrial companies instead rate customer collaboration and market access the most highly.

Looking at the responses in terms of company size, small companies list technology as well as work culture as increasingly important, while medium and large companies again list customer collaboration and market access (domestically as well as regionally) as paramount.

The importance of digitalisation was brought up in several of the interviews, where companies are using digital technologies at an increasing rate, both in terms of moving advertising and marketing activities to the online space as well as establishing e-commerce sales channels.

DO ANY OF THE FOLLOWING FACTORS CONTRIBUTE POSITIVELY TO YOUR BUSINESS IN THAILAND?

TOP TEN AREAS



“Thailand remains an attractive market for us, contributing a fair amount of our APAC revenue

Regional Director
Industrial Tools Manufacturer

NOTE: The number of respondents for this question was 42. This question was separated into two parts. First, respondents were asked to select all factors contributing positively to their business in Thailand. Secondly, they were asked to rate the impact of the factors they selected, from limited (score 1) to large impact (score 3) on their business success in Thailand. The bars in the figure show the number of firms that selected a certain factor, and the dots show the average rating of that factor among the firms that selected it.

SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

Red tape and regulatory burdens remain challenging

In line with the survey conducted two years ago, the main hurdles for Swedish companies in Thailand remain red tape, complex regulations, as well as corruption. Matters related to regulation and compliance are generally perceived to take longer time than necessary and may involve excessive paperwork. However in certain other areas, an issue is instead a lack of regulation, especially in certain environmental standards.

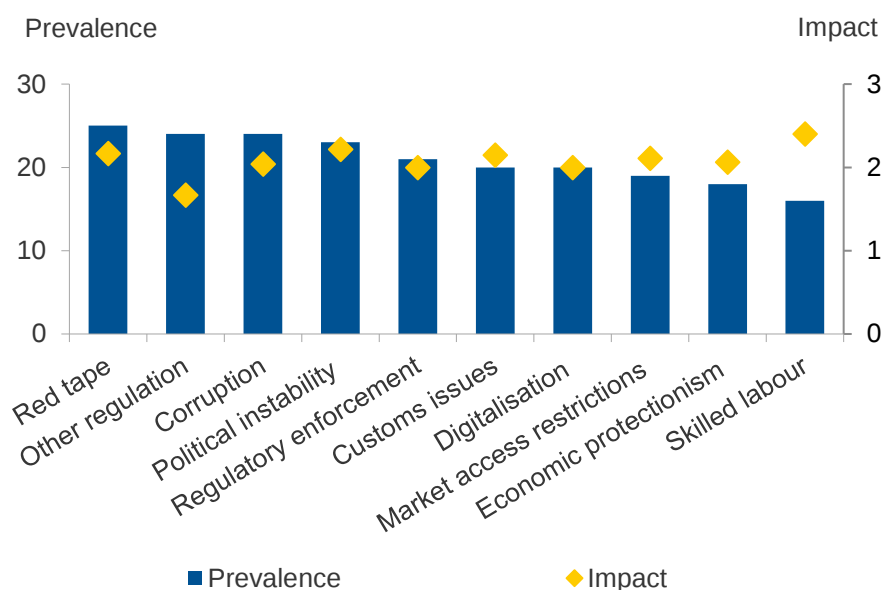
The types of challenges reported differ based on industry type. Consumer companies especially list customs regulations and red tape as challenges, while firms in the service sector list operational restrictions, and industrial firms tend to find corruption and the level of digitalisation large obstacles to overcome.

Meanwhile, companies who recently established operations in Thailand find obtaining skilled labour as a bigger hurdle than companies with a longer history in the country.

As for labour, main challenges listed are the relative lack of English skills, high yearly expectations for salary increases, and high staff turnover. Finding educated labour with skills in science and technology remains a particular challenge.

DO ANY OF THE FOLLOWING FACTORS CONTRIBUTE NEGATIVELY TO YOUR BUSINESS IN THAILAND?

TOP TEN AREAS



“Regulations can be a mess, and sometimes we get the feeling that they are there in order to protect the vested interests

Country Manager
Transportation Solutions
provider

NOTE: The number of respondents for this question was 41. This question was separated into two parts. First, respondents were asked to select all factors contributing negatively to their business in Thailand. Secondly, they were asked to rate the impact of the factors they selected, from limited (score 1) to large impact (score 3) on their business success in Thailand. The bars in the figure show the number of firms that selected a certain factor, and the dots show the average rating of that factor among the firms that selected it.

SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

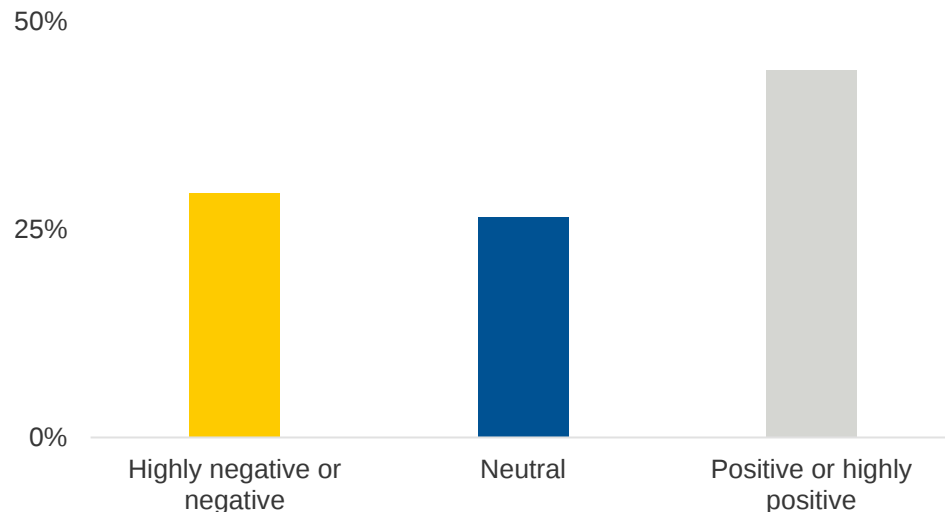
Shared opinions about the post-election government

During the most recent military regime, Thai GDP growth averaged a moderately healthy 3.1% between 2014-2018. However, the confidence among investors and consumers was in doubt resulting in fluctuating FDI inflows, exports, and imports.

The current post-election coalition government sees several different political parties vouching for control in ministries related to the economy. Palang Pracharath – the military-backed party leading the government – lost control in several key ministries; Transport, Agriculture and Commerce. Since the coalition was formed, transport infrastructure investment and consumer spending stimulation remain two key economic priorities. Nevertheless, it is yet to be seen how the government will drive the economy and its ability to push through reforms given the fragmented power centers in the different ministries.

Many survey respondents applaud the return of an elected parliamentary body in principle, but several companies also raise worries regarding the relative strength and longevity of the government and the fact that the parliamentary deliberations appear to be slower under the ruling coalition. Many respondents also express concerns related to the stability of the democracy with concerns raised about the banning of opposition parties, the postponement of long-needed infrastructure projects, and environmental concerns not seen as being acted upon forcefully enough.

WHAT IS YOUR PERCEPTION OF THE POLITICAL ENVIRONMENT POST-ELECTION – HAS THE NEW GOVERNMENT AFFECTED YOUR BUSINESS?



NOTE: The number of respondents for this question was 34.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“It’s great that the people have a voice again, but I don’t think that the current government has the ability to carry through necessary reforms

CEO
Swedish middle-sized company

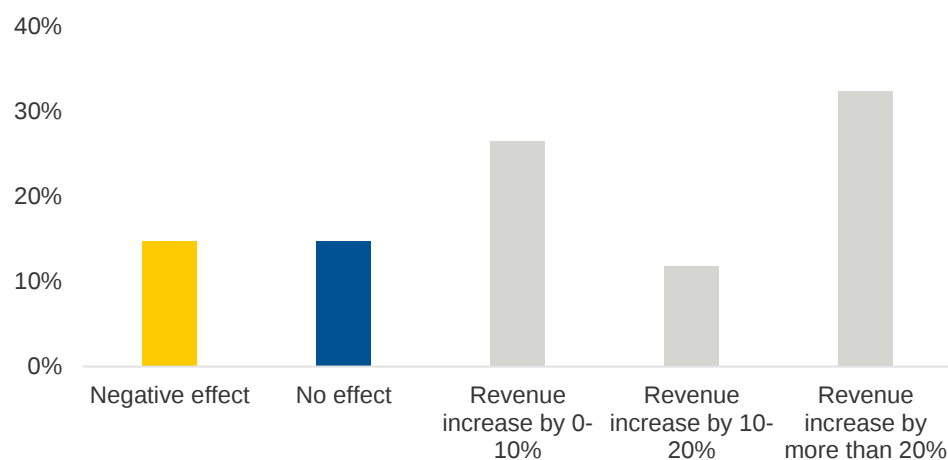
A free trade agreement would have a substantial business impact

Thailand and the EU started negotiations about a Free Trade Agreement (FTA) in 2013. These discussions were subsequently frozen during the years of the military regime. Thailand proposed to resume the negotiations after the election in 2019, and the EU accepted due to the democratic progress.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and a EU-Thailand FTA are top priorities from the Thai government's view. Nonetheless, discussions are still in an early stage and both parties urge each other to be more active and serious in the negotiation. It is likely that the negotiation would take several years before any fruits can be reaped.

Many respondents specifically bring up the topic of an EU-Thailand FTA and the positive effects it would have on their sales in the country, as a significant amount of goods sold by Swedish companies have their origin in Sweden or within the EU. Almost one-third of companies indicated that their revenue would increase by more than 20% should such an agreement be concluded.

IF THAILAND AND THE EU WERE TO CONCLUDE A FREE-TRADE AGREEMENT, WHAT IMPACT WOULD THAT HAVE TO YOUR BUSINESS?



NOTE: The number of respondents for this question was 34.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“A Free-Trade Agreement would be the top of my wish-list. It would enable us to compete much more fairly

Regional Manager
Swedish infrastructure company



HOW SWEDISH COMPANIES SUCCEED IN THAILAND

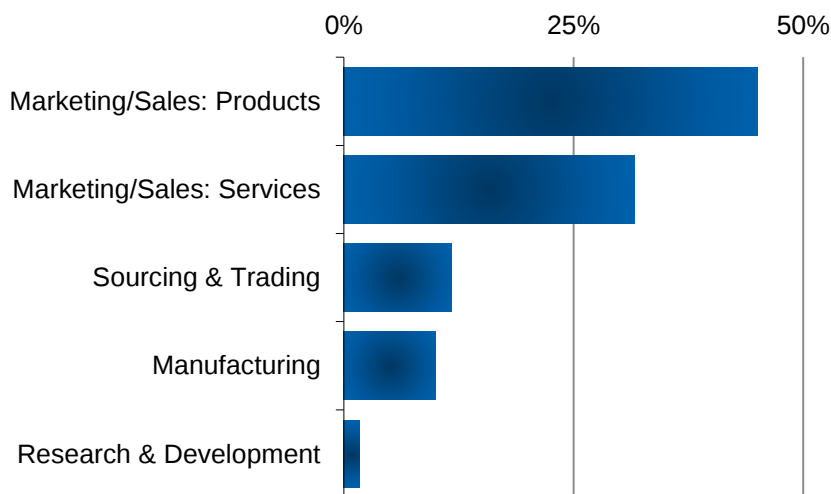
Swedish offering

Most of the companies are keenly aware that the Thai market has seen fundamental shifts over the last few years. Consumers have become older, have higher purchasing power and have evolved in their demands. Digitalisation is disrupting traditional sales and marketing models across industries. Several new trends are showing among global companies and successful business practices may need to advance in order to retain market success.

The customer profiles have also changed over the years but Swedish companies are happy to continue serving the Thai market, something that is shown in the ambitions reflected in the survey. The main target customer group for Swedish companies is B2B whereas some companies target B2C and B2G. The revenue coming from Thai operations is typically not reliant on one or a few large accounts but rather largely dispersed among multiple different customers and clients. Several companies also focus on fostering innovation through employee development programs, exceeding customer expectations in delivery and/or support through scholarships.

Regarding key operational areas of focus, the vast majority of the Swedish companies present in Thailand establish a local office to manage sales and marketing, distribution and customer service. The target market is mainly the industrial sector including aftermarket followed by professional services including consultancy, logistics, facility and software. Compared to previous years, there is a propensity among businesses in the region to largely focus on the sourcing and trading model to leverage volumes, reduce risk and costs as well as increase efficiency on overall logistics. Moreover, the strategic location and access to markets with increased importance nearby make Thailand an attractive regional manufacturing hub for companies with a multimarket footprint.

OPERATIONAL FOCUS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 40.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

▶ While **80%** of the surveyed state their main operational focus is marketing and sales, sourcing strategies see an increased focus

Key pillars to remain viable and ahead of competition

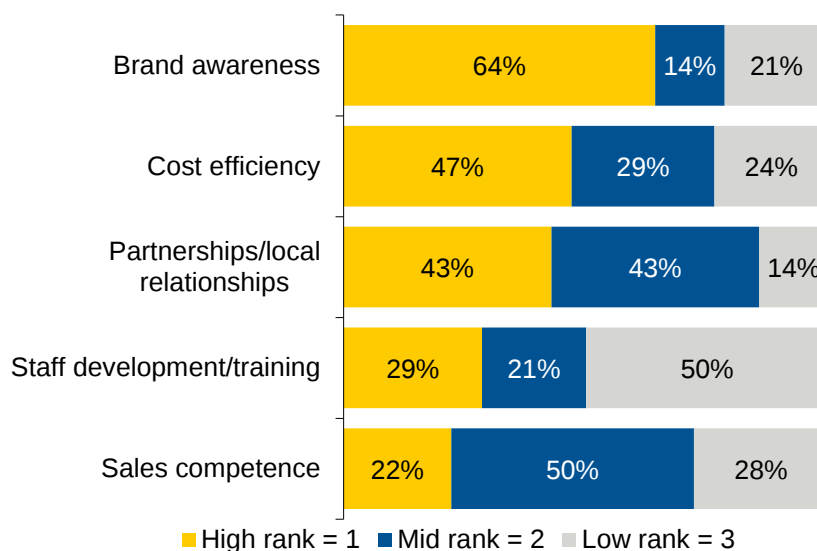
In a changing business environment it is of great importance to have a clear market approach, especially in times impacted by disrupted strategies, business models, technologies, changing customer behaviour, an macro-economic uncertainty. Action is needed to take the business forward, stay relevant and ahead of the competition.

There are some tell-tale signs of how Swedish companies perceive the competitiveness in the market. While B2C companies find price competition with imports from e.g. China, India, and Japan in combination with a fierce competition from domestic companies, B2B companies' voices are more varied. One success factor is to maintain a diverse portfolio or sometimes a dual-brand strategy to meet different customer needs. Furthermore, most large companies recognise the importance of a dealer structure enabling good market coverage and the relationship to distributors as sales partners. Distributors are often the first step in internationalisation to the Thai market.

Among the twelve areas presented to respondents, brand awareness (64% high rank), cost efficiency (47% high rank) and partnerships (43% high rank) are considered the top three focus areas in order to maintain competitive in the market. Brand awareness and partnerships are listed as the paramount areas for newcomers as a solid and thought-through brand awareness strategy is essential to break through and differentiate to competitors and capture the attention of the target demographic. Experienced and mature companies tend to rank cost efficiency higher.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN THE MARKET?

TOP FIVE AREAS



87% of the respondents think that the “Swedish brand” contributes to their business in Thailand

NOTE: The number of respondents for this question was 40.

SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

ACTING SUSTAINABLY

Legislative priority is on the rise

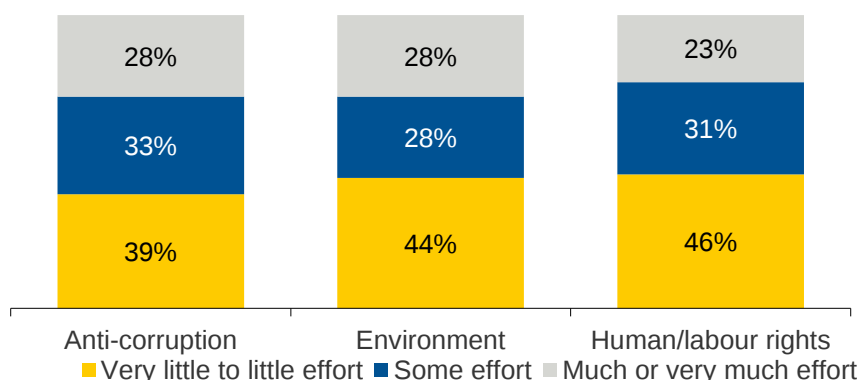
The Thai government has announced that to counter corruption is a top priority. As a result, laws empowering authorities to deal with corrupted politicians and civil servants are being passed. An example is a public procurement law enacted in 2017 which is centered on anti-competitive behaviour and amplified transparency in the public procurement process. There are also a number of institutions working to prevent corrupt practices.

Human trafficking is another main priority. Thailand has around five million vulnerable migrant workers from neighbouring countries that are active in labour-intensive industries. In 2014, Thailand got downgraded in the U.S. Trafficking in Persons (TIP) report and in 2015 the EU issued a 'yellow card' towards Thailand's fishery sector. The US announced suspension of Generalized System of Preferences (GSP) certain Thai exports in late 2019, stating a "failure to adequately provide internationally-recognized worker rights". Thailand has however lately taken actions to improve conditions, and in 2018 Thailand got upgraded back to Tier 2 in the TIP-report and in 2019 the EU lifted its yellow card. Thailand recently became the first country in Asia to adopt a National Action Plan for Business and Human Rights, a recommendation proposed by Sweden during the Universal Periodic Review.

In response to environmental concerns the government launched a campaign in the beginning of 2020 aiming for no plastic in modern trade. The intention is to increase public awareness and the movement is a step towards a complete single-use plastic ban by 2021. Apart from these areas, there is however lack of additional initiatives to tackle environmental concerns, and levels of pollution have become a regular talking point of inhabitants in the larger city clusters.

Asking the respondents how much effort it takes to act sustainably in the market, the result shows that about a third put much or very much effort to comply with legislation around corruption (28%) and environmental laws (28%), whereas a slightly lower share of respondents put effort into human and labour right laws (23%).

HOW MUCH EFFORT IS REQUIRED TO COMPLY WITH RELEVANT LEGISLATION IN THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 40. "Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“Now with the plastic ban, there is a difference in Thailand. However, not many environmental ISO standards are in place yet.”

President

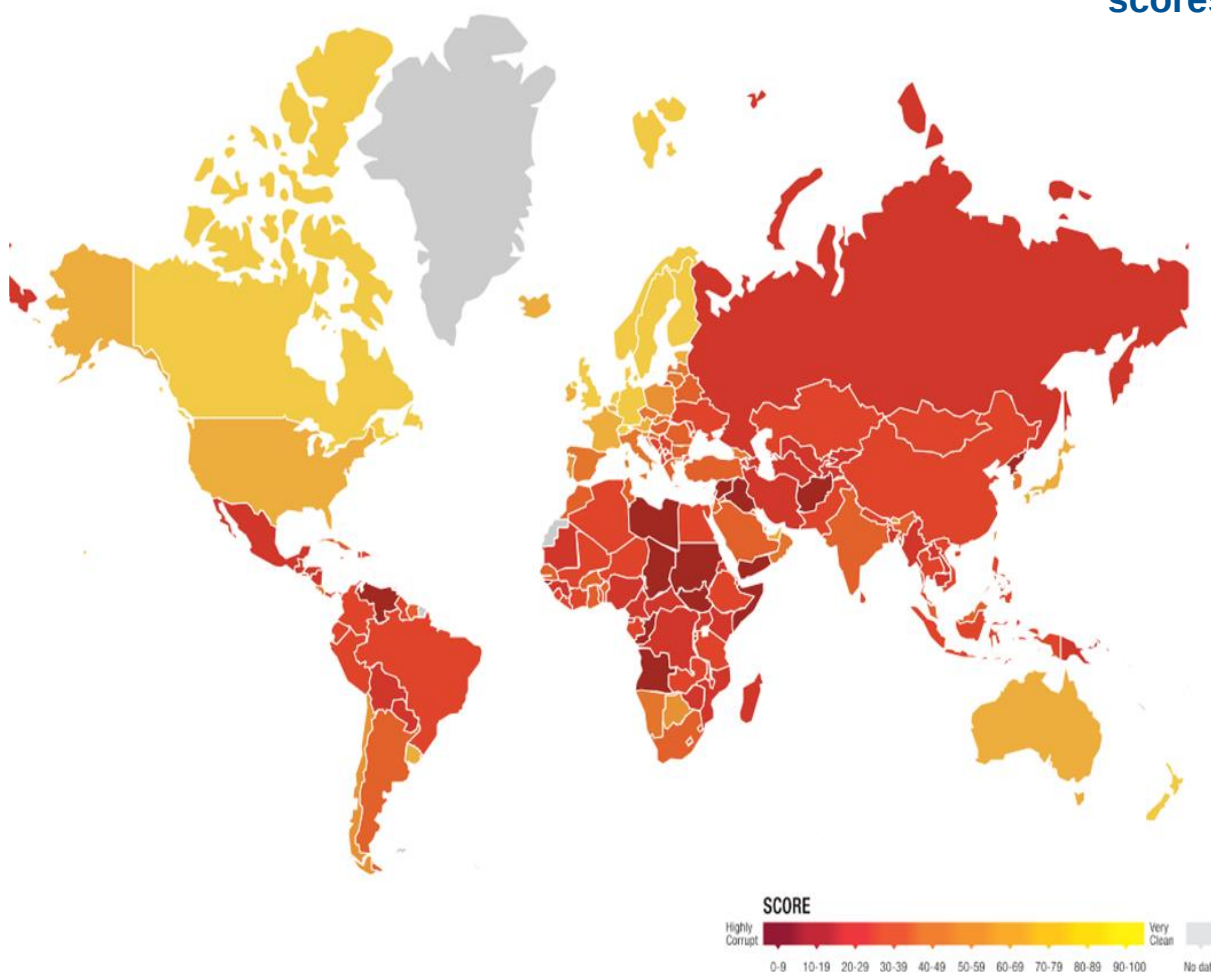
Large Swedish Industrial Company

Corruption remains a challenge in the region

Thailand has dropped for the third consecutive year in the Corruption Perceptions Index (CPI). Even though the country has the same score as previous year; 36 of 100, Thailand is ranked at 101st place of all countries in 2019, a drop from 99th last year. Compared to its ASEAN neighbours, Vietnam (96th), Indonesia (85th), Malaysia (51st) and Singapore (4th) are all doing better.

Both the government and the business community have campaigned for anti-corruption efforts. However, it seems that the society sees only modest development in the area. The CPI reflects the situation from the perceptions of business people. Several scandals involving the elites and people close to the government have affected public confidence in the area.

CORRUPTION PERCEPTION INDEX 2018



SOURCE: Transparency International.

▶ **Despite numerous efforts to combat corruption, Thailand – amongst other Asian countries – scores low**

The sustainability agenda

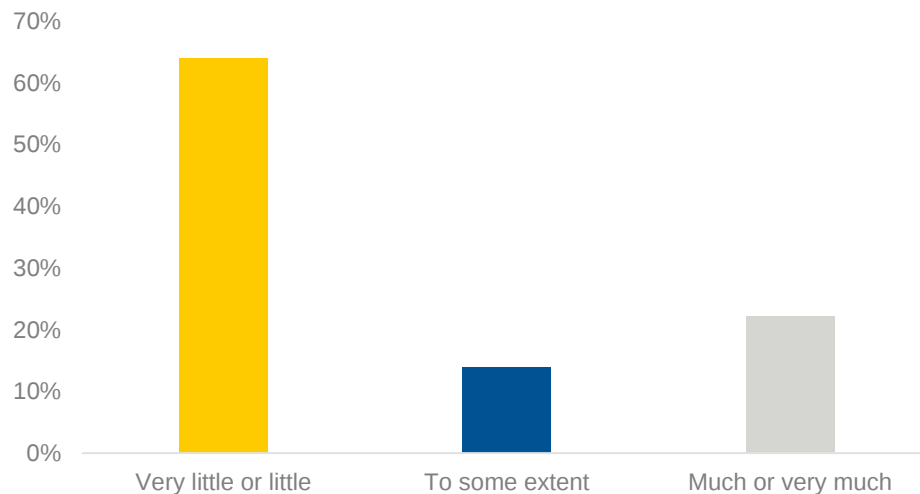
Environmental concerns have been growing among businesses in Thailand and Thai consumers. Thai consumers increasingly expect businesses to act with a degree of environmental responsibility. We see an increasing number of projects and activities from the business community promoting environmentally friendly solutions and sustainability in general.

Research conducted by Mahidol University found that 37% of the respondents were committed to “green products” and willing to pay more because of environmental concerns. Meanwhile, another 15% would agree to pay more for green products due to the prevailing trends. The rest admits that it is difficult to support green products because of inconvenience and of price sensitivity.

In every business area – Industrial, Professional Service, Consumer – the dominant sentiment is the same; customers consider environmental aspects in their purchase only to a little or very little extent. There is no push from the customers, instead they rather care about the product specifications and price point. Even though there seems to be a limited interest in environmental aspects in the purchasing decision, the majority of the surveyed claim that sustainability is on the agenda and something they work with locally.

TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY/BUSINESS AREA IN THAILAND CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?

FROM LITTLE TO GREATLY



NOTE: The number of respondents for this question was 40. “Not applicable” responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2020.

“ If there are some environmental or social benefits associated with the product it is a positive characteristic for the customer – but not sufficient for the buying decision.

Sustainability &
Communications Director
Large Swedish Consumer
Company

