

Thailand – a nation of shopkeepers?

by

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Introduction: In this article, we discuss recent developments in the retailing world in Thailand, and the legal rules that apply to foreign retailers operating in Thailand.

Recent changes: The most recent developments in Thailand during 2020 are these:

- CP Group has taken over 87% of the TESCO Lotus supermarket chain from TESCO UK
- Central Group has bought out the 49% ownership interest of the Japanese parent company in the Family Mart convenience store chain. As they already owned 51%, they are now the outright owners of the chain.
- ISETAN department store of Japan, have announced that they will close one of their two department stores in Bangkok. TOKYU department stores of Japan will close both their Bangkok outlets. In contrast, Takashimaya Department have opened their first Thailand outlet at the ICON SIAM shopping mall in Bangkok.

In recent years, several foreign mass retailers have withdrawn from Thailand, albeit for different reasons in each case. MAKRO (Netherlands), Food Lion (Belgium), and CASINO and Carrefour (both from France) have sold out their businesses in Thailand. In contrast, Lawson, the convenience store retailer from Japan, has come into Thailand through a joint venture with SAHA Group. The US mass retailers Walmart and Kmart, and the German discount retailers, Lidl and Aldi, have never entered Thailand. Regarding UK retailers, Marks & Spencer has been present in Thailand for over 20 years, through a store-in-store concept within branches of Central Department Stores. However this is the only UK department store/supermarket chain that has established a retailing presence in Thailand, apart from TESCO. The pharmacy sector is dominated by Boots (UK) and Watsons (Hong Kong). Numerous foreign fast food chains and Starbucks are successfully operating in Thailand. The electrical goods sector is dominated by Power Buy and Power Mall, linked respectively to Central Group and The Mall Group. The home improvements/DIY sector is dominated by Thai retailers such as Thai Watsadu, Baa & Beyond, Homepro. And Index Living Mall.

Legal restrictions on foreign retailers or wholesalers: Under the Foreign Business Act or other legislation, the following restrictions will apply to foreign retailers or wholesalers setting up operations in Thailand:

- A retailing business may be majority foreign owned provided that the company has a minimum of 100 million Baht in fully paid capital. Otherwise it may only be 49% foreign owned.

- A wholesaling business may be majority foreign owned provided that the company has a minimum of 100 million Baht in fully paid capital. Otherwise it may only be 49% foreign owned.
- In general, if the company engages in domestic transportation e.g. by operating vehicles for delivery of goods to customers, such activity is limited to 49% foreign ownership. Further provided that up to 75% foreign ownership may be permitted with approval from the Cabinet and where at least 40% of the directors are Thai nationals. A majority foreign owned company can obtain a licence for delivery limited to its own products. Otherwise, the best way to deal with this aspect is by outsourcing such activities.
- Ownership of land, subject to some exceptions, is not permitted unless the foreign ownership level is limited to 49%. However, there is no limit on foreign companies leasing land or buildings.
- Foreign individuals who are employed by such companies must hold a proper visa and work permit at all times. In general, a visa or work permit is valid for one year at a time and must be renewed before expiry.
- Where a retailer sells alcohol or tobacco products, separate licences are required. Where a retailer operates a restaurant within a supermarket, a separate restaurant licence is required for that as well.
- A number of foreign retailers/department stores have set up buying offices in Thailand. This can be done by registering a Representative Office. But note that a RO is limited to carrying activities such as research of the local market and product sourcing. It may not actually enter into contracts or engage in revenue generating activities.

Conclusion: Thailand has the second largest economy of any ASEAN country after Indonesia. It has a domestic market of nearly 70 million people. GDP for 2018 is recorded at US\$500 million. The average monthly wage for greater Bangkok is 40,000 Baht per month. This reduces in other parts of the country to the lowest figure of 20,000 Baht per month in the northern region.

Foreign retailers who are looking to expand their business activities in Asia should consider the attractions of setting up operations in Thailand.

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