



Executive Summary

Thailand ICT Market Landscape Study

Macroeconomics & IT Spend

Thailand's Foreign Direct Investment (FDI) is growing by 116%. Foreign direct investment has been an important element of Thailand's economic development, and the country is an important FDI destination. The country offers an attractive and modern legal framework and its economy benefits from the regional dynamism. In 2016, the Government's new seven-year strategy to stimulate investment should further encourage FDI.

Following 2014 military coup, the military government has been focusing mainly on stabilizing internal politics instead of boosting Thailand's economy, resulting in slow GDP of 2.8% in 2015, increasing from 0.8% in 2014. In terms of domestic political situation, a referendum for a new constitution drafted by the junta will be held on August 7, 2016. With the King being in failing health and the uncertainty of royal succession, the referendum and its outcome can be complicated and may likely weaken confidence within the market, thus a further sluggish economy. Thailand's inflation currently stands at -0.9%. The country's trade balance has shown a strong surplus despite the economy slowdown with the highest surplus reported in 2015 of US\$ 34.6 billion.

The slow economic growth has affected both consumers and corporates in the country in terms of spending. Companies would either hold back or scale back major spending including IT investment. The IT investment has previously been viewed as a means to reduce expense; however, there is a current shift towards utilizing IT to optimize workflow and add value to business operations as well as products and services in Thailand market.

Thailand has been developing its ICT following ICT Policy Framework (2011 - 2020) or ICT2020. Within the framework, The Third ICT Master Plan (2014 - 2018) was being drafted when the 2014 coup was staged by the military bringing the drafting process to a halt. However, with the military government's substantial push for ICT development, Digital Development Plan for Economy and Society (2016 - 2020) or National Digital Economy Master Plan has been created as a substitute to set directions for the country's digital development.

Thailand is positively moving towards a digital economy as many related laws have recently been approved and are waiting to be reviewed by the National Legislative Assembly for further legislation. The 2001 Electronic Transactions Act has been created to recognize the legality of electronic transactions. Laws related to other issues such as cybercrime, cybersecurity, data privacy, are being developed and reviewed in order to create a safe environment to conduct business online.

The National Digital Economy Master Plan will encourage the country to constructively make use of digital technology to its full potential in the development of infrastructure, innovations, information, workforces, and other resources, in a bid to mobilize national economic and social development to stability, prosperity, and sustainability according to the Government's policy. National Digital Economy Master Plan is divided into 4 phases during the 20-year period, that is, laying digital foundation, entering digital economy and society through participation of all sectors, full-potential reform for "Digital Thailand", and digital technology for the upgrade of Thailand to a developed economy. The National Digital Economy Master Plan has 6 strategies: 1) Hard Infrastructure; 2) Digital Economy Acceleration; 3) Digital Society; 4) Service Infrastructure; 5) Digital Workforce; and 6) Soft Infrastructure.

IT Spending in Thailand is expected to grow at 3.7% CAGR (2014-2019) achieving US\$13.6 billion by 2019, pre-dominantly on hardware spending with continued increasing in IT services. Consumer spending is over 53% of total IT spending in 2015 and is driven by purchasing of mobile devices, PCs, and printers. The vast majority of consumer spending still resides on mobile devices, mainly smartphones, while enterprise hardware spending is largely on servers, enterprise network, and telecommunication equipment.

Telco Spending in Thailand is expected to grow at 6.9% CAGR (2014-2019) achieving US\$12.3 billion by 2019. Thailand's telecommunications spending is anticipated to achieve US\$10.7 billion by the end of 2016. The spending has been driven mainly by mobile spending, representing over 70% of telco spending, with wireless data and wireless voice constituting 35.4% and 36.4%, respectively, in 2016. Due to upgrades of local network infrastructure to 3G and 4G following recent auctions of 900MHz and 1800MHz by the end of 2015 and mid-2016, local mobile operators: Advanced Info Service (AIS), DTAC, and True, are pushing consumers to adopt smartphones with smartphone penetration in the country expected to grow to 66.7% in 2016.

With the increase of smartphone adoption, consumers are consuming more content on mobile devices than ever. A localization of popular mobile applications or an application with new services through innovative business models and deliveries such as Grab or Uber can create a profitable investment. There is still a significant growth in fixed data following the growing adoption of FTTX in Bangkok and major provinces. This is in line with a policy laid out by the government to get Hard Infrastructure such as broadband network ready for Digital Economy.

Thailand market is still highly dominated by hardware spending, followed by services and software. IT services dominates the spending in public sector, while hardware does in private sector.

The spending in terms of hardware contracted at 0.3% due to enterprises tightening their spending and focusing on running more efficient operations, while software and IT services spending grew at a much bigger rate at 8.8% and 11.6%, respectively. The growth of overall 2016 IT spending is expected to be around 6.3%, with the growth of hardware, software, and IT services being 1.9%, 9.0%, and 11.0%, respectively. There have been many investments on infrastructure improvement in many verticals as well as some application development in order for quicker reaction to the market. Following faster broadband connection, some companies have been outsourcing infrastructure to third party service providers as shown by dwindling of the rate of Enterprise's hardware spending compared to overall IT spending from 47.9% in 2015 to 45.9% in 2016.

While the market continues to bode well for hardware players especially smartphones, servers, and storages, IDC is of the opinion that non-hardware focused players will also have the opportunity to capitalize on the burgeoning IT landscape in Thailand. Replacement of legacy infrastructure and modernization projects are key across high spend verticals with hardware refreshes as a key growth contributor. IDC anticipates Banking, Financial services and Insurance (BFSI), government, retail & wholesale sectors, along with healthcare, to increase IT spending in the near future, while communication and media and manufacturing are expected to scale back slightly.

Software spending will grow as a result of new and specific solutions responding to market demands for more affordable pricing model via subscription and innovations through the 3rd Platform such as cloud delivery model. Enterprises are turning towards mobility and security as well as solutions to focus on productivity and efficiency gains. This will be beneficial for players looking at improving the backend.

IT Services Market Overview

IT services will grow in 2016 as a result of companies outsourcing non-core operations and focusing exclusively on their core competency. The healthy IT services penetration will bode well for companies attempting to enter Thailand market. A good approach for higher rates will be with players that focus on hardware/software implementation and operation management. Local system integration companies that have strong background and experience with a potential of end-to-end solution will be a preferred partner as local enterprises prefer the support to be in Thai language.

The military government has allocated approximately US\$561.25 million (THB19,659 million) for the development and improvement of information and communications technology in order to increase the competitiveness of the country. Public spending remains hardware and IT services oriented, especially for hardware deployment and support. Custom applications are developed within ministries and public agencies. There is some spending within the Education and Healthcare sectors by public schools and universities as well as public hospitals. Moving forward, the government has acknowledged the need to begin integration in order to create a holistic smart government. Overall, the government has been looking to deliver public services through mobile applications in order to accommodate the population with more digital literacy.

The IT services market closed at US\$2.77 billion at the close of 2014, and is anticipated to reach US\$3.04 billion and US\$ 4.01 by the end of 2016 and 2019, respectively. Out of US\$2.77 billion in 2014, US\$0.54 billion were from local system integrators (SIs). Breaking down US\$540 million revenue by the local players, 46.3%, 22.2%, and 31.4% are from hardware, software, and IT services, respectively. Under IT services category, top 3 services foundation market are system integration, network consulting and integration, and hardware deploy and support, representing US\$44 million, US\$36 million, and US\$24 million, respectively. Overall, outsourcing market is growing but at a slow rate. In addition, an adoption of Data Center services continues to increase as BFSI, Telecommunication, and Retail/Wholesale sectors have cautiously started investing on IT projects.

Top 3 local IT services players are CDG, MFEC, and Loxley, having market share of 40%, 12%, and 11%, and revenues in US\$ millions of 183.51, 81.28, and 50.78 respectively. These are followed by other local SIs by revenues like Metro Systems Corporation (46.71), SVOA (45.03), Advanced Information Technology (39.96), Datapro Computer Systems (29.44), Yip In Tsoi (29.21), TN Information Systems (26.52), and Stream IT Consulting (7.38).

Majority of local SIs are very traditional in nature. Most of them have started off as “box-sellers” and begin to adjust their positions into services players, following global vendors. The majority of them are part of a business group being a parent company or subsidiaries but the services offered are not limited to only within the group. End-users usually value a relationship with SIs more than product or services innovations. However, due to disruptive innovations presented in the market, SIs are competing to bring solutions that directly respond to distinctive needs of their clients. A list of prominent vendors can be found at the end of this summary.

Market Entry Strategy

In order to penetrate Thailand's market, IDC recommends three go-to-market strategies for MDEC to consider.

Focus on partnership models

When entering the Thailand market, partnership models are highly recommended for consideration to work with local System integrations (SIs). Identifying and partnering with local SIs with strong background and experience will allow fastest market entry as well as access to a pool of potential local clients. SIs and/or other companies will look at how the partnership is offered by MDEC or MSC companies. Building sustainable partnership models are preferable as it is expected to be driven by future focus and management of the companies. Aligning vision, mission and objectives in the partnership will be critical action plan in order to achieve profitable business models in the market.

Focus on product expertise

It will be important for MDEC to bring products and solutions expertise, especially in the area that has few strong players in Thailand market, as an alternative. The expertise will be the key selling point as it will give exposure of the company's track record, skills and past experience to the end-users.

- **Bring product experts to the market.**
 - Strong proposition of products is necessary for partners and end-users in Thailand. Providers should be able to provide expertise especially when there is a lack of capability on end-users' side. Displaying the capabilities will leverage the selling point of the company.
- **Provide solution/product education to the market.**
 - When it comes to the solutions offering, education by the providers is significant. Providing strategic function and utilization to end-users will be the key role of a products expert.

Top 5 solutions which present opportunities for MSC companies based on current market share and growth, as well as the focus for Thailand based on its ICT masterplan.

- **Hot Solutions.** Security and Services Operations Management are top solutions required by end-users at the moment with high potential market in the future. The rise of cyber-attack and the need for more efficient services have increased demands of these applications in the country.
- **Warm Solutions.** Financial Applications continue to be the hot solution primarily in BFSI. Additionally, top local businesses in Thailand have recently start the adoption of Business Intelligence/Analytics Solutions. Human Capital Management is another solution demanded by enterprises for human capital integration.

Vertical-based solution and penetration

One of the most effective market penetration is by being an expert in the industry. The vertical-based solution and vertical-based penetration concept should be discussed and decided along with the vendors. Understanding the pain-points and business process will be the ultimate strengths to assure trust of end-users.

- **Vertical demands and behaviors identification.** Vertical-based sales team will be effective and efficient in targeting or acquiring customers in the country. Sales team will be able to cater and understand vertical needs, demands, and business processes. That being said,

the selling process will be an important factor determining more productivity, thus profitability, for the company.

- **Vertical-based custom solution for end-users.** Offering customer solutions based on vertical needs and demands will be significant for Thailand market. Vertical-based capabilities are considered necessary as most end-users are looking for tailored solutions that are based on company or vertical culture and environment.

Looking ahead to the future, the different verticals that present different opportunities for MSC exporters are as follows.

- **Hot Vertical.** The leading verticals for current and future opportunity in Thailand are BFSI, Telco, and Retails. As 4G will enable faster connection with new services through smartphones, these verticals will much likely to spend more on solutions in order to grow their business quickly and securely. Solutions such as mobile payment and secured payment will become the key solutions in these verticals.
- **Warm Vertical.** Government is currently preparing for Digital Government initiatives across all public agencies through enabling technologies in order to raise its services capabilities as well as efficiencies according to Digital Economy Master Plan. According to the latest plan in June 2016, the implementation will start in 2017 with the end in 2020.
- **Cold Vertical.** Resources and Manufacturing verticals have recently been badly affected from global low oil price and slow domestic economy, respectively. ICT implementation at the moment will mostly aim for cost reduction and optimization in mind. However, IDC forecasts that in the meantime, both verticals are planning for ICT development that will drive digital transformation increasing their productivity and profitability in the near future.

The following table lists the more prominent System Integrators in Thailand for MSC companies to consider potential partnership.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
Advanced Information Technology (AIT)	Strong connection with government and insurance. Most solutions depend on the technology of partners	Develop unified communications platform as a smart service through internet of things, applications	Increase competency in Data Center space – Although it currently has a DC division for virtualization, storage, UC and network infrastructure solutions, AIT recently acquired a local data center called, Kirc, a 100-employee company providing Server and Storage co-location services. It is evident that AIT expects to build its competency in this space overtime.	Verticals: Telco, Government, and Manufacturing Solutions Focus: Unified Communication, System integration, IT Rental/Leasing	IDC sees AIT as one of the leading SI and IT services players in Thailand. IDC notes ITSM/ITOM as one of key solutions integrated as part of the total solution. AIT aims to expand and grow in order to become a total ICT solutions provider of network, communications, servers, storage, systems management software and business applications. As the board of directors are looking to develop their software and service capabilities, IDC reckons this as the right time to initiate dialogues with SI that brings extensive experience and competency in executing large-complex infrastructure projects.
CDG Group (G-Able)	Industry/cross industry based solutions support wide area of industries. Majority of focus is on the group holding with low aggressiveness beyond the group.	Product development via partnership program to build competency in software define network as well as Big Data in Thailand	Emphasis of security solutions – The company reported the rise of security for data, application, and system amongst corporate firms. The company plans to tackle the market with their existing one stop solutions including Network Security, Endpoint Security, Mail Security, Database Security, Security Information & Event	Verticals: BFSI, Telco, Government, and Manufacturing Solutions Focus: M&A (Management & Administration), Services, Project consulting services	The company expects a healthy growth rate for infrastructure and Big Data analytics and its top 100-200 customers are mostly driven by large enterprises. IDC sees G-Able as an expert provider, strong consulting experience and ability to advise on solutions that fit well with the end-user requirement and systems environment.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
			Management Control Compliance Application Firewall.		
Datapro Computer Systems (DCS)	Strong portfolio in media platform and network for content delivery with telco partners. Owning an intellectual property esp. HR solutions and accounting, it may be difficult to gain market share because these firms requires international accredited software and system to back up their operation.	Opportunity to develop product/services that particular serve the needs in Myanmar	Building business alliances with other information technology service providers in order to collaborate on products and services presentations for large- scale organizations and industries in domestic and neighboring countries. Building alliances with major entrepreneurs to be a role model of information technology services rendered, such as, in the areas of hospitals, education, industrial estates, and hotels etc.	Verticals: BFSI, Government, and Resources Solutions Focus: Human Capital Management Solutions, for file backup, desktop synchronization, file sharing, and file collaboration	DCS is one of strongest players in the country with skills in infrastructure (ITSM/ITOM) and business applications space. IDC notes that this focus is not opportunistic but rather as a part of a total solution offering to the customer with a strong focus on delivering solutions working with the right principal vendor. In addition, the firm is looking to offer solutions that fit with its existing IT environment such as data center offering for server and storage hardware. Overall, the company relies greatly on a number of key accounts thanks to its success, good connection and ongoing project on a long-term basis.
Loxley	Strong unified communications system integration. As a system integrator, the company has less innovative solutions to serve enterprise market.	Developing unified communications as a smart platform through its existing hardware and internet of things	Introduce Cloud Based Services — Cloud is another focal point to broaden services portfolio in virtualization over the next 12 months but not as service provider. The organization is currently in talks with major 3 rd Party datacenter companies. It is not ready to make heavy infrastructure investments for cloud in-house at this point in time.	Verticals: Government, Telco, Retail, and Professional Services Solutions Focus: Trading and communications	IDC sees that there is a high opportunity for Loxley and/or NetONE, a subsidiary, to develop unified communications as a smart platform through its existing hardware and internet of things. In addition, the company would have an aggressive expansion adding cloud services in the near future, a solution that will

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
					drive the country's IT market forward.
Metro Systems	Strong in SAP implementation and regarded as one of the top SAP SI partners. Low innovation and focus beyond moving into the 3 rd platform.	As SAP is pushing forward on introducing its new SAP HANA and Cloud based delivery, KIP is likely to gain exposure in this new market	The main strategy is to provide after sales service, with a team of experts. The Company focuses on developing individual expertise which can then respond to customer demand, and create value-added products and services, instead of only a price mechanism strategy.	Verticals: Banking, Government, Manufacturing, and BFSI Solutions Focus: Software for business implementation e.g. IBM, Cisco, Citrix (VDI), Security (BlueCoat, Symantec, AcAfee, EMC and NetApp.	Metro Systems usually engages closely with its subsidiaries such as Metro Connect Company (MCC). They do share skilled human resources among each other in order to deliver projects successfully. In addition, the group is optimistic on partnership but has detail-oriented approach when it comes to product selection and benefits. IDC sees this engagement as an opportunity for multiple touchpoints with the group for partnership. In terms of products and solutions, Metro Systems have recently focused on mobility solutions, while the group, as a whole, aims to push aggressively for infrastructure software portfolio moving forward with strong sales service.
MFEC	Possess major corporate customers and strong services and after sale services on customer's sites. The company does not actively seek new customers.	The company may look for new industry to build platform as a service	MFEC focuses on large portion of deal and bidding and maintain existing customers, which are mostly from major corporations. No running –late business alike (small collections of customer portfolio because the management believes it may cost bad quality of service.	Verticals: Telco and BFSI Solutions Focus: General services for application, operations and maintenance of business systems	MFEC could emerge as a strong cloud provider in the near future. For partnership, the firm is selective as it expects the partner to have an established team to build business in the Thailand market in order to maintain its position as a premium consultancy firm. IDC sees MFEC as one of promising alliances with strong

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
					financial support, expertise and confidence to expand its capabilities across infrastructure as well as ITSM/ITOM space.
Stream IT Consulting	Small companies but high competency in e-commerce, e-payment, mobility and SAP automation. Not prominent as infrastructure providers.	Stream IT may focus on B2C payment and e-commerce service. The company is the market leader to enable e-payment service in Thailand	Expand Infrastructure Solution — As competition rises, the company aims to add more principle solutions (beyond IBM products) to meet client growing requirements. With a vision to build become a total solution provider, expanding software and services portfolio is one area the company is expanding.	Verticals: BFSI, Government, Resources, and Manufacturing Solutions Focus: Mobility via Google solutions as well as payment service via Vocalink	IDC believes that the company is a key partner to MSC companies with a strategic direction in e-commerce and e-payment system as there are a lot of room for improvement in these areas. The firm's direction will create a variety of opportunity for partnership. As e-commerce has become more mainstream in recent years following the increase in smartphone adoption, Stream's current investment would support the company in gaining more market share in the near future.
SVOA	Strong hardware and software application development distribution channels in Thailand and neighboring countries. No outstanding key selling point of SVOA in terms of SI.	IoT platform may encourage their sales volume to hardware	Target customers include banking and financial institutions, telecommunication companies, manufacturing and insurance industries, savings cooperatives, hospitals, and government agencies.	Verticals: BFSI and Manufacturing Solutions Focus: Business Intelligence (Business Objects from SAP)	IDC sees SVOA as a dedicated provider for ITSM/ITOM as the group does not hesitate to extend arms to other companies in order to fulfill customer requirements. IDC believes the company has built competitive landscape for ITSM/ITOM and now is the right time to initiate talks to gain expertise and perhaps be part of its overseas expansion.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
TN Information System (TNIS)	Very high competency and recognized amongst financial institutes in Thailand and ASEAN countries. Not interest to expand their services in other industries.	Solutions for banks that establishes itself as FinTech department to support existing banking business	TNFIS to remain its central focus to build competency in end-to-end IT and banking solutions (hardware infrastructure and applications)	Verticals: BFSI and Government Solutions Focus: Core banking process, ERP for backend office, and loan processing	IDC sees that TNIS has established itself as a financial technology (FinTech) company supporting overall banking industry. The company aims to drive business in internet and mobile banking through a more secured access as well as its other solutions to reduce cost of providing services through branches. As the company aims to maintain its premium branding in larger enterprises, TNIS values its existing relationship with current set of partners and is open towards embracing new technology partners that are in line with its vision. Since TNIS has been building and expanding its ITSM/ITOM capabilities, IDC concludes that the company is one of the major players in this capability space with drive to become solution provider of international standards.
Yip In Tsoi	Strong portfolio in financial customers and wide range of customized solutions among industries. Strong government portfolio may cause problems to the company e.g. changes of policy and budget control policy.	With its capability and competency, YIT should focus on industries other than government and BFSI	Expand consultancy/services business – With strong HR system in place, Yip In Tsoi aims to build technical proficiency in line with business objectives in order to grow its services business across infrastructure consulting. For instance, it is already in process of build competency	Verticals: Government, BFSI, and Resources (Oil & Gas) Solutions Focus: Data center and network operations, Call center operations, Hardware and software maintenance	The company has expanded its solutions portfolio in software and services, including outsourcing and data center, as well to increase revenue and build branding. IDC notes that has managed a balanced portfolio across infrastructure/ITSM/ITOM and business applications to cater

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			for ITIL frameworks by training and certifying up to 50 employees.		the needs of different business needs. Overall, as the firm is exploring new solutions in order to grow the business aggressively, Yip In Tsoi, therefore, is positively open to business alliances.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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