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THE PULSE

Monthly Insights 



This year, the "Asian Miracle", Vietnam, celebrates its 77th Independence Day. Recovering from the post war outcome of acute economic challenges for decades, the country has found its strength in exports, manufacturing, and in its young and ambitious population - making the country an attractive destination for businesses to grow.

INSIDE



Underdog Thailand Is Medical Tourism Favourite

🕒 4-minute read



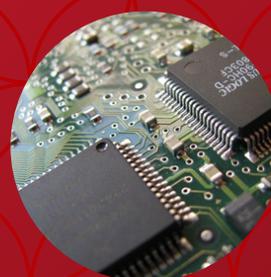
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UNDERDOG THAILAND IS MEDICAL TOURISM FAVOURITE

With medical expenses on a steady rise, affordable markets such as Thailand are becoming popular



Bumrungrad International has over 1.1 million visitors every year from 190 countries. Apart from 21 VIP suites, multiple restaurants, two Starbucks, and a McDonald's, it also has a dedicated travel desk, airport shuttle, and 200 language interpreters. A top luxury hotel, perhaps? No. The Bangkok-based Bumrungrad is Southeast Asia's largest private hospital, boasting revenue of about \$350 million and EBITDA margins of nearly 22% in 2021.

The Covid-19 pandemic has disrupted virtually every industry all over the world. Medical tourism, too, has been reeling under the impact. But as the world learns to live with this virus, patients are slowly returning to Southeast Asia. With its affordable healthcare advantage, key markets such as Thailand and Singapore are popular destinations.

BUT WHY THAILAND?

In a perfect world, the most effective medical services would be accessible to all. But that's not the case. One night at a hospital in Switzerland sets you back by \$1,221, while the same costs \$811 in Singapore and just \$54 in Thailand.

Surgery costs also differ drastically. An angioplasty costs \$28,200 in the United States. The treatment expenses fall to \$13,400 in Singapore, and in Thailand, it costs \$4,200. That makes Thailand the most cost-effective option in this region.

According to reports, the global medical tourism industry was valued at \$11.6 billion in 2019 and will grow to \$53.5 billion by 2028. So, unsurprisingly, hospitals are doing everything to ensure foreign patients turn to them as their first, last, and only option.

In the pre-pandemic period, medical tourists spent \$600 million in Thailand, according to the World Travel and Tourism Council. Even basic testing procedures such as MRIs are cheaper. An MRI scan in the US costs \$2,611 on average, while it is priced between \$250-1,100 in Thailand. In Singapore, it costs upwards of \$1,200.

Medical treatment costs (2019) in US \$				
Procedure	USA	India	Thailand	Singapore
Coronary Angioplasty	28200	5700	4200	13400
Heart Bypass	123000	7900	15000	17200
Hip Replacement	40364	7200	17000	13900
Gastric Bypass	25000	7000	16800	13700
Hysterectomy	15400	3299	3650	10400
Lasik (2 eyes)	4000	1000	2310	3800
Dental implant	2500	900	1720	2700
Breast implant	6400	3000	3500	8400

Source : Medical Tourism Association (MTA), Krungsri Research

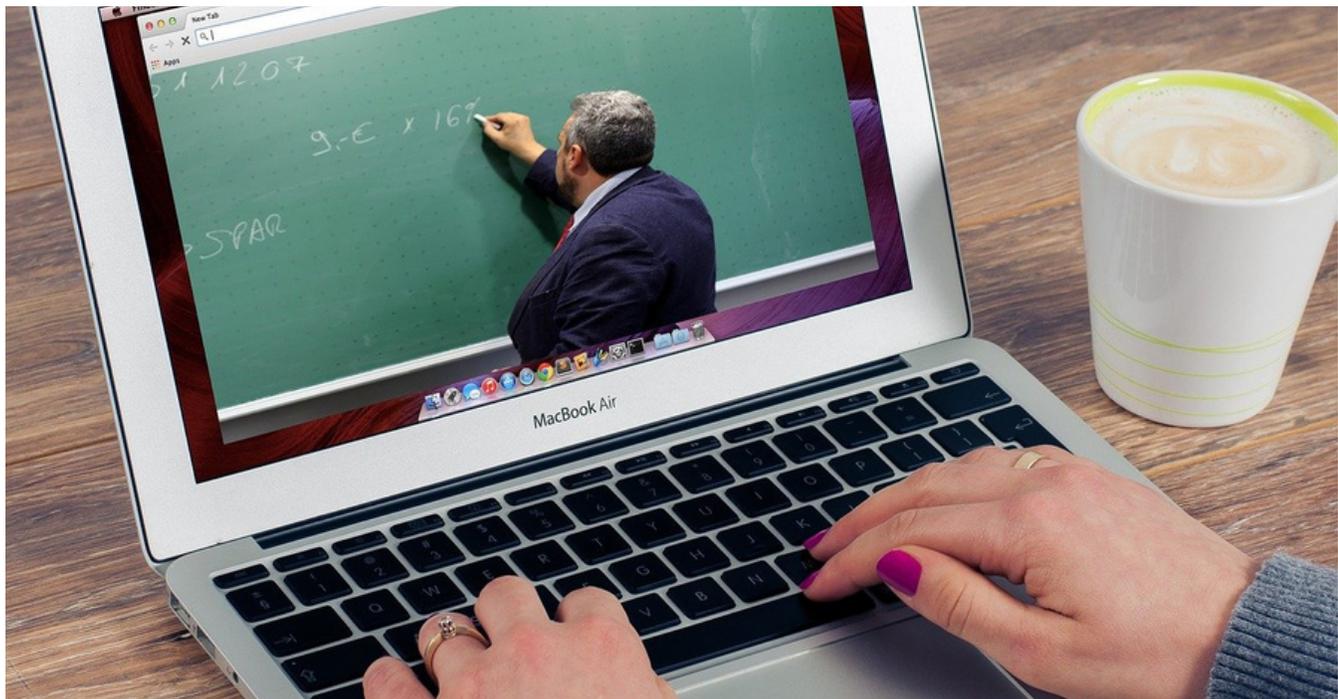
THE UNDERDOG RISES

It's working, especially in Thailand. Before Covid-19 led to lockdowns globally, the country played host to over 3.5 million international patients a year who ran up tabs of \$600 million. Bumrungrad was the first hospital in the country to get the Joint Commission International (JCI) accreditation—considered the gold standard in healthcare certification—back in 2002. Now, there are 59 such organisations in Thailand, compared with five in Singapore.

Thailand scores heavily on the cost advantage, while Singapore has always been the pricey option. But that doesn't stop it from being the second most popular destination across the world for medical tourism, according to the Medical Tourism Index. About half a million people land up in the tiny island nation every year, seeking world-class healthcare. For organ transplants, oncology, and neurology treatments especially, Singapore remains the preferred destination.

DRIVING INNOVATION IN EDTECH IN ASEAN

EdTechs are in demand in SEA, but their journey is not one without challenges



The Southeast Asia region has seen a digital transformation, with internet connectivity increasing significantly over the past few years. With a population of about 700 million, there are over 440 million internet users in ASEAN.

When Covid-related lockdowns increased school dropout rates, affecting 140 million students, EdTech startups stepped in. Now a similar initiative is being taken for adults as well, considering the dearth of job-relevant skills such as English fluency, digital marketing, and data analytics. Today, EdTech companies are slowly but surely changing ASEAN's education landscape.

Number of Edtech startups in ASEAN

Country	No. of EdTech startups (2020)
Singapore	421
Indonesia	291
Vietnam	209
Malaysia	172
The Philippines	108
Thailand	82

Source: [Kaizenvest and EdTech Asia report](#), sourced from Tracxn

WHAT EDTECH STARTUPS OFFER

So far, K-12 focussed EdTech companies such as Indonesia's Ruangguru were prominent since they made education accessible to all children. However, there is a bigger business category emerging in the form of adult education.

Take Thailand's SkillLane for instance. The EdTech firm offers self-paced learning to young adults and working professionals. Local corporations have also partnered with the platform to train their employees.

Another one is the Philippines-based AHA! Learning Center, which uses low-bandwidth text-based foundational literacy and numeracy classes through Facebook Messenger. Vietnam's Topica provides online English language learning for adults and has partnerships with universities that offer online bachelor's degree programmes.

The Taamkru app in Thailand and Pandai in Malaysia provide gamified learning to students, making learning basic concepts of science and maths fun.

These are only a few names from a growing list of 500+ EdTech companies that are trying to breach the many gaps in education. And their demand is growing, but the companies have to still overcome several challenges the region poses.

WHAT ARE THEY?

While the startups have received significant funding, the nonuniform availability of underlying infrastructure poses a significant challenge. Internet penetration has increased, but some regions do not have proper electricity. Poor teacher quality and teacher training is another issue, as is the lack of common standards for teaching and learning.

According to a study by Massachusetts Institute of Technology (MIT)'s Solve, Indonesia has good government support, but EdTech startup founders are generalists and lack education sector expertise. Malaysia, which enjoys near 100% electrification, has weaker human capital when compared to other nations. And the Philippines sees resistance from teachers in EdTech efforts. Till governments and companies come together and solve for these issues, the struggles to access education will continue.

EDTECH ON THE RISE

Offerings from large players like LinkedIn may have increased the demand for soft skills programmes for professionals, but Southeast Asia's EdTech startups are solving problems at the grassroot level. They enjoy the home advantage, speak the local language, and understand cultural nuances, and the unique challenges of each country. And this is where they score well.

EdTech startups are bringing education to every phone/laptop screen, but it's a long road ahead for most. Their work is important, and these innovative business models are a step in the right direction.

EDUCATION SYSTEMS OF 5 COUNTRIES ARE STRUCTURED AND ORGANIZED DIFFERENTLY						
	System Structure				Strength of reform agenda	Govt. partnership with private sector
	National power	Local power	School power	Commentary		
Indonesia	High	High	Low	Decentralized, with education in the hands of the state, but in practice policy is still driven nationally	Clear and ambitious reform agenda. But challenges with execution	Govt. open to partnering (especially with local partners)
Malaysia	High	Low	Low	Federal system but still centralized. Efforts underway to decentralize and give more autonomy to schools	High level reform agenda, focused on bumiputra system	Openness to partnering, particularly with Malay businesses
Philippines	High	Medium	Low	Very centralized system, although local govt. gained more influence during COVID school closures	Relatively recent, and limited, reform agenda around ICR	Opaque- some partnering with major international players; large-scale PPP for school vouchers
Thailand	High	Low	Medium	Centralized system, although schools have some autonomy on- procurement of teaching aids etc.	Ambitious cross-sector reform agenda around ICT	
Vietnam	High	low	Medium	Highly centralized (single party state)	Clear, strong, ambitious education policy	

Source: Edtech in Southeast Asia report by MIT Solve and Octava Foundation, based on expert interviews

ABP MARKET RESEARCH: LOCAL PRESENCE AND STRATEGY FOR ASEAN



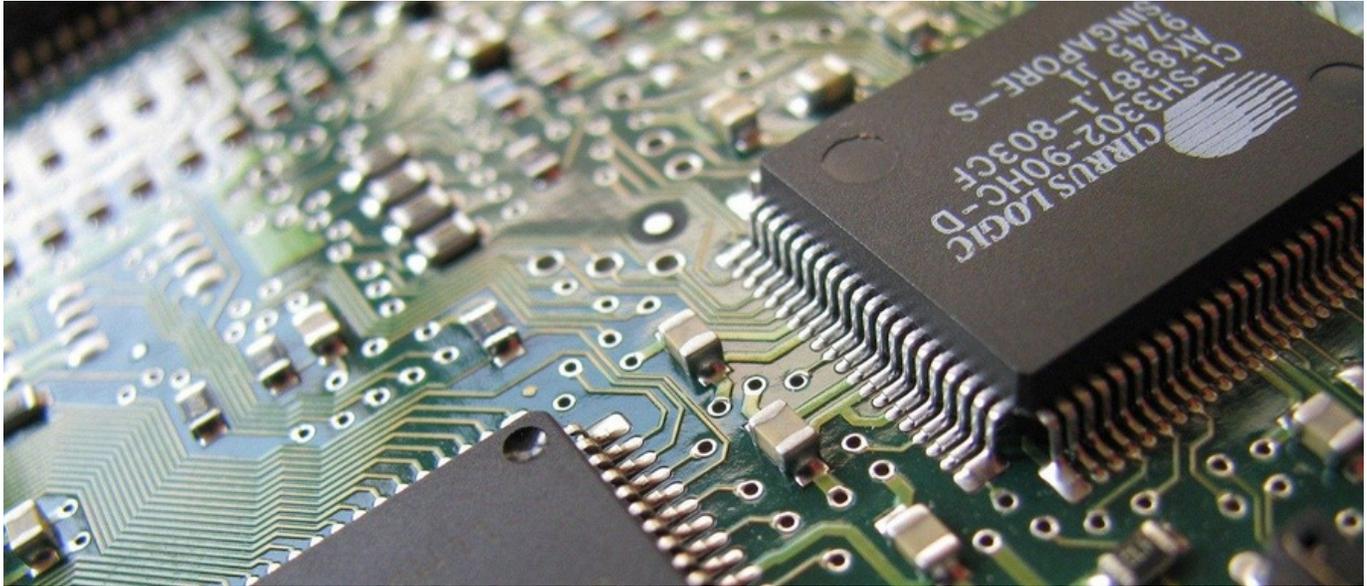
Have a great product or a service offering, that's perhaps universal enough to fit in markets which are oceans apart from you? You might be right, but first things first, familiarize and study the local market needs and its dynamic trends. Let's not forget detail or derail is a fact of any business. Running a business is all about calculated moves and very rarely about luck. Not their fault or ignorance - however mired with calculations and numbers, entrepreneurs often miss the right window of opportunity to introduce their products or overlook one aspect. Whether planning to expand within Southeast Asia or want to enter the region, ASEAN Business Partners (ABP) is ready to be your manfriday - to be that extra pair of eyes (and hands too!) to spot the gaps and steer companies the optimal product and marketing strategies in the 10 countries that form ASEAN - Association of Southeast Asian Nations. Diversity is the beauty of the region and as a market entry and growth firm ABP has embraced this diversity and is sensitive to these unique idiosyncrasies that every market in SEA poses. Not always a solution meant for a market solve the same issue in another. This is where local knowledge and networks are necessary and it is ABP's strengths.

ABP's Market bouquet of offering includes market sizing and assessment, demographics segmentation, need assessment, market stability, competition analysis, positioning studies, due diligence and overall market understanding. Understanding local political atmosphere, local geography, various demographic segments, local culture & society, and overall legal & regulatory governance among other aspects is important for holistic understanding and projections. With experienced market professionals based in Singapore, Malaysia, Philippines, Vietnam and Indonesia, ASEAN Business Partners (ABP) can provide companies with insights on consumer interests, cultural nuances, social behaviours / habits and product acceptability. Collectively, professionals at ABP have about 200 years of experiences in finance, marketing and sales segments across Southeast Asia. ABP services committed to making the entrepreneurs comfortable with taking the leap.



ASEAN'S THE SOLUTION TO THE SEMICONDUCTOR SHORTAGE

As global markets battle the chip crunch, they are turning to Southeast Asia.



It is an integral and indispensable part of nearly every electronic device used today. This is why the global shortage of semiconductor chips has companies and governments alike fretting. While governments are worried about the economic and national security aspects, others are feeling the pinch in terms of higher costs and delayed deliveries.

The demand for semiconductors had already been growing rapidly in the past few years. Then came the Covid-19 pandemic. Semiconductor plants had to close during the lockdowns, and silicon—a key ingredient in chips—suddenly became scarce as it was diverted for vaccine manufacture. At the same time, demand for smartphones, laptops, and state-of-the-art medical and laboratory equipment skyrocketed.

THE SITUATION RIGHT NOW

It will take time for the demand-supply mismatch to correct, even though chip companies have ramped up their investment plans and are considering various other options.

The companies that design semiconductors—Apple, Nvidia, AMD, and Qualcomm—don't manufacture them. The "foundries" that make these chips are overwhelmingly located in Asia. A Deloitte [report](#) points out that China, Japan, South Korea, and Taiwan are the "Big 4" in terms of semiconductor revenue. Moreover, Asia Pacific is the world's biggest market for semiconductors with a 60% share. Taiwan's TSMC accounts for 53% of the global foundry market, while other companies in Taiwan have another 10% of the market.

That's a source of concern, given the geopolitical tensions between China and the US, which escalated with US House Speaker Nancy Pelosi's [recent visit](#) to Taiwan. If the trade war between the two nations intensifies, it could impact exports from Taiwan to the US. This is where South East Asia comes in.

WHY SEA IS THE ANSWER

The region has a long history of semiconductor production and Malaysia has been a hub since the 1970s. In 2020, the semiconductors industry accounted for 62% of the Philippines' exports, and electronics components, devices, and mobile phones made up 40% of the exports in Vietnam.

Most countries in the region are home to a multilingual, highly skilled workforce and offer strengths across the semiconductor value chain. Thailand is offering tax incentives for semiconductor investments. Indonesia does that as well, in addition to creating 19 Special Economic Zones with easy business licensing and customs exemptions.

In Vietnam, the semiconductor business is expected to grow at a compounded annual rate of 19% between 2020 and 2024. The government has earmarked \$3.2 billion for a number of integrated circuit R&D centres.

With a 22.5% market share, the ASEAN region is already the world's second-largest semiconductor exporter. And now, the entire region is gearing towards growing its share of the global semiconductor business.

MEKONG TO HOLD KEY TO SUSTAINABLE DEVELOPMENT

Vietnam aims to expand the Mekong Delta's economic potential while keeping the ecology intact.



Vietnam has set out an ambitious plan for the agriculture-rich Mekong Delta. The country aims to expand the area's economic potential by 2.5 times by 2030. Public-private partnerships, new projects, and additional investment will aid the region's growth. All this while keeping in mind the sensitive ecology of the region.

As part of the growth path, a \$342 million plan to link two Mekong Delta provinces has been approved. But, climate change is a concern for farmers in the Mekong Delta because the area is prone to extreme floods, soil erosion, and drought. To ensure minimal depletion of endangered species, sustainable aquaculture has also been proposed. In addition, river embankments are also being built to prevent erosion.

However, the administration also needs to overcome challenges such as labour quality and inadequate support for new businesses. That is where a mix of infrastructure development and investment will be crucial.

ENVIRONMENT-FRIENDLY DEVELOPMENT

The Mekong Delta is among the most fertile regions of the world. It accounts for almost half of Vietnam's rice production, 70% of its aquaculture, and one-third of its GDP. At the same time, it is among the most vulnerable to climate change.

The area loses 500 hectares of land every year to erosion. One province within the Delta has declared an emergency over the erosion of the coastal embankment.

Water pollution and sand mining are added concerns. To deal with this crisis, the Vietnam government has partnered with the World Bank in applying broad policies and operating activities in the Mekong Delta. The plan is to enable more than one million farmers to transition to more climate-resilient and resource-efficient ways of living.

A \$26.6 million World Bank loan will enable irrigation works, roads, and power supply systems. New livelihood models, such as rice farming and farming of giant river prawns, will help regain the balance.

Bringing technology into the equation would help too. Here:

- Artificial intelligence and IoT could be used to detect water levels.
- Startups could present use-cases for using drones on rice fields.

GETTING THE INFRASTRUCTURE IN PLACE

The private sector has begun work on the development of the Mekong Delta region. Here, the Netherlands has invested \$50 million to partner in the areas of agricultural development, climate change risks, and water management.

Since the current expressway connecting major cities to the Delta is congested, infrastructure facilities are also being upgraded. The Asian Development Bank is working on a project to connect Ho Chi Minh City with the presently isolated branches of the Mekong River.

With lush greenery in the region, tourism projects have also found takers. Japan's Tokyu Corp has partnered with Vietnamese realty firm Danh Khoi Group to develop a resort in the Mekong Delta.

Meanwhile, Vietnam Prime Minister Pham Minh Chinh has also nudged Mekong Delta provinces to turn their existing resources into business opportunities. A climate-resilient future for the Mekong Delta will need to involve all stakeholders so that economic progress doesn't hinder the environment.

ABOUT US



ASEAN Business Partners is an independent, market entry and market growth specialists that helps internationally oriented companies manage and grow their operations in ASEAN sustainably and profitably. We are well-networked, independent of governments, and dedicated purely to serving our clients. Our management and country experts are unrivaled in their ASEAN network, experience, and expertise, with proven credentials.

We are a team of top-class professionals with expertise in different industries. Our executives have worked as CEOs, CFOs and in other senior positions in top multi-national companies and represent the best talent available globally. Our founder, Sumit Dutta, is an ex-HSBC CEO who has worked in Indonesia, Vietnam, Hong Kong, India, and the US. A majority of our team and country experts are former senior-level executives from multinational corporations.

We are passionate about the ASEAN region, one of the highest growth markets in the world, and believe it will be the market of choice for all forward-looking international companies. We seek to create value for our clients and their customers in ASEAN, and so contribute to the prosperity of ASEAN nations and their people.

Please take a moment to review our website. If there is any way we can assist you, please reach out to us.

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