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Capturing Aerospace Market Share in Asia – Virtual Presence Equals Actual Absence

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Bottom line up front: You have to be here to participate and the AMCHAM Aerospace Committee should be your first place for information and assistance when it comes to setting up your aerospace business in Thailand.

As recently reported by Rajiv Biswas, Asia-Pacific chief economist at IHS Markit Company, “[T]he Asia-Pacific’s aviation industry has experienced remarkable growth over the past decade. In fact, the number of Asian airlines now totals over 230, with an estimated 27 percent of the world commercial aircraft fleet, according to global analytics firm IHS. APAC also accounted for around 28 percent of international and 40 percent of domestic scheduled air passenger traffic last year.”

The primary driving factor for this is simple economics. According to Biswas, “the sharp increase in Asian airline passenger numbers reflects fast-rising household incomes in many of these countries, notably China and India, as well as the rapid growth of Asian low-cost carriers, which have helped to make air travel much more affordable in Asia.”

Besides just being a beautiful place to live and work, Thailand is geographically fortunate to have such a superb location on the planet Earth, as it is physically situated adjacent to both China and India.

Over the next two decades, Asia-Pacific airlines are forecast to account for 38 percent of total new commercial aircraft orders according to Boeing long-term



forecasts, making the Asia-Pacific a key growth market for the commercial aerospace-manufacturing firms such as Boeing, Airbus, Rolls-Royce and Pratt & Whitney, among others.

As a featured industry in this issue of *Thai-American Business Magazine*, the aerospace industry has become a primary focus of the Royal Thai Government’s (RTG) infrastructure plans and development programs. Consequently, with such strategic location in its favor for all of the concurrent aerospace activity in

the region, Thailand is well-suited to take advantage of the opportunities and is laying the foundation for the development of Aerospace Industrial Estates targeting maintenance, repair and overhaul (MRO) and Tier 1,2, & 3 aerospace manufacturing and repair segments.

ARE U.S. COMPANIES POSITIONED TO CAPTURE MARKET SHARE?

While there are plenty of recent aerospace industry business forecasts that will support the notion that the aero-

space sector is poised for growth in Asia, there is less evidence of U.S. companies that are actually positioned to competitively capture that market share by having a regional presence.

There are lots of reasons for this and while some will be mentioned below, others are centered on the old adage: "You don't know what you don't know."

To mitigate this line of thinking, AMCHAM's Aerospace Committee actively seeks participation of aerospace industry leaders and professionals to fill the void of the unknown, and replace it with solid business information from which informed decisions and risk evaluation can be codified and acted upon. To put that in Committee jargon, "You don't know what you could know, or should know, if you had the essential information."

The AMCHAM Thailand Aerospace Committee's membership is made up of business leaders that have 'cracked the code' and are currently working in the region. Our mission is to support and promote aerospace-oriented industries and continually develop effective programs of Chamber support for aerospace-related projects in the region by improving government-to-industry relationships, increasing understanding of U.S. and Thailand/ASEAN aerospace regulations, and increasing the members companies' ability to compete for global business.

KNOWLEDGE IS POWER

While the Board of Investment (BOI) has devised significant incentives to attract foreign aerospace investment, the Committee believes that there is scarcity of knowledge on what it takes to establish, operate, and sustain a successful aerospace enterprise in Thailand.

Granted, "knowledge is power," and armed with information, Thailand's aerospace development prospects will go from 'hopeful' to 'a contender' for the savvy entrepreneur.

Ask any American aerospace company about where the potential growth will come from in the next decade and you

will find that it is 'common knowledge' that the Asia-Pacific market is escalating and will continue to outpace any of the 'traditional' market sectors. So, why is there a lack of knowledge about how to capitalize on aerospace development opportunities in Asia and, more specifically, Thailand, when the incentives are so enticing?

While it is a complex question, the answer first and foremost is that it takes a 'whole Government' approach to establish long-term commitment for the development of the aerospace industry. While it is the responsibility of the BOI to properly promote the incentives, that decree must be echoed by all levels of the RTG. The principal importance of that edict is that it demonstrates to foreign investors that the government is "in it to win it" and the Thai business climate is such that the RTG recognizes that infrastructure support, high quality public services, and suitable schools that produce a well-trained workforce are essential elements to institute such an assurance.

With that pledge in place, and with U.S. companies presently operating in Thailand that can attest to those elements, it is absolutely imperative to get the word out to the aerospace community of companies, so they can better understand the advantages of having a presence in Asia for the benefit of participating in the opportunities on the ground. To assist in that promotion to companies that never considered a business in Asia or Thailand, the AMCHAM Aerospace Committee has a standing offer to the BOI that our team of seasoned professionals will readily contribute in those efforts.

ARE INCENTIVES ENOUGH?

After the glossy brochure is read and the sales pitch is presented, the hard questions get asked and the answers need to be fact-based. Aerospace executives are notorious for drilling down and getting to the details that make for a successful business venture. In addition to the standard list of promotional material, there is a genuine thirst for risk mitigation comprehension. That concept of risk management is ingrained in the aerospace industry and that is precisely where the Aerospace Committee's value can best

be realized. Our membership is living it every day!

One of the main hurdles for the RTG to overcome is that it has only been recently announced that Thailand has made the strategic decision to promote aerospace as a country priority. Prior to this, a few of the ASEAN countries made aerospace development a national priority. Consequently, countries such as Singapore and Malaysia are out in front of Thailand, due primarily to 'brand' recognition.

This is important because of 'herd mentality' and if others are there, then maybe they have already figured out how to mitigate the risk. However, what is really at stake is, again, the unknown. A wise man once said, "Knowing and feeling are two different things, and feeling is what counts." Therefore, it is highly recommended that the RTG aerospace industry promotional package also address that critical aspect.

The reasons for targeting this mindset are legion, but here are just a few:

- Companies often do not know where to begin when it comes to green-field operations in foreign locations. At the onset, the perceived risks can often outweigh the apparent gains. Both are simply perceptions and need to be reduced to facts. There are probably less than half a dozen people in the USA aerospace community that have 'been there and done that' in Thailand in any measurable way and, as a result, any venture becomes a leap of faith. This is in stark contrast to the electronics or automotive industry, for example. How do you take that leap of faith and make it a calculated business decision? It has been highly recommended that the answers to address those "feelings" must be woven into the RTG pitch. This is not a Low Cost Market (LCM) venture for a U.S. based operation to service the U.S. market. Rather, the absolute fundamental point to be highlighted is that with all the advantages that the RTG has laid out, and given the market access that this location has to offer, Thailand is the absolute best locale to capture the MRO aerospace business of Asia, in Asia.

- There can be a “perceived feeling,” or real lack of business trust in Asia. However, for Thailand, American companies can have a wholly owned business, or have a Thai partner to reduce cultural risk, but there are proven options for how this can be accomplished.
- At present, these ventures require numerous visits by corporate decision-makers taking them away from their primary business responsibilities in the USA. The Committee and the experience of the membership can assist with this dilemma. Additionally, answers to issues such as how to measure variable costs and what does it actually cost to run a business in Thailand are subjects that are the core competencies of the Committee’s membership and that expertise is available for companies seeking to launch operations in Thailand.
- Albeit there are RTG ministerial offices that will be helpful in fielding questions, there is no one place to gain a clear understanding of the process for establishing an aerospace company in Thailand. Issues such as those listed below are another capacity in which the AMCHAM Aerospace Committee membership stands ready to support and assist:

- Business Licenses options (advantages & disadvantages of each)
- Builders and sourcing of suppliers for construction
- Certifications (ISO, DCAA, FAA, EASA, NADCAP)

- Regulations, compliance (BOI, Customs, Environmental, Taxes)
- Workforce (engineers and skilled labor)
- Training (specific to the products)
- Banking, Insurance(s)

Given the priority that the RTG has placed on establishing and developing the aerospace industrial sector, your takeaway from this article should be that Thailand is open for business and your company’s chance to participate in the Asian aerospace market is not going to be founded on some unfortunate gamble. There is a process in place, you are not alone, and we are here to help.

Additionally, in the case of the U.S. MRO aerospace industry, the notion that this undertaking would be exporting American jobs overseas for low cost maintenance motivations is unequivocally untrue. As stated upfront, you have to be here to participate and the investment that U.S. companies make to set up in Thailand would be an expansion of the U.S.-based company ability to service the Asian customer base. The Committee has numerous member companies doing just that and their customers are foreign airlines located in the Asia-Pacific market, not the U.S. market.

No matter how much of a share of the Asian market you think your company currently has back in the USA, to achieve more of that segment and cap-

ture additional market share, your company needs to establish a physical presence in Asia. Besides the tangible BOI incentives that now make it extremely competitive to operate in Thailand, the cost offsets in shipping alone will most certainly enhance any U.S.-based company’s competitive edge when considering serving customers based in the Asia-Pacific.

Whether you think your company is truly ready to expand to compete in the Asia-Pacific aerospace market or not, you are right! The AMCHAM Aerospace Committee’s members are the industry pathfinders and are more than willing to help assuage your “feelings” and help codify business decisions based on sound information as to why Thailand would be the best choice for your expansion plans and partake in the Asia-Pacific regional aerospace business.

Every aerospace entrepreneur can agree that the secret to getting ahead is to get started, and for that quest, the AMCHAM Thailand Aerospace Committee stands ready to help. ■

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Prizes Needed for Independence Day Raffle

The 2017 Independence Day Picnic is almost here! We need your help to provide prizes for the Charity Raffle and I-Day Games and Contests. All proceeds raised will benefit the AMCHAM Thailand Foundation, which provides education facilities to needy schools in Thailand and gives scholarships to disadvantaged Thai university students. Prizes can be, but are not limited to, hotel stays, dining vouchers, gifts cards, gift sets, toys, premium items, or any prizes or items that are convenient for you to donate.

There is no minimum value for a donation; all donations are accepted. As a donor to our charity games, you will receive the following:

1. Your company’s logo will be displayed at our AMCHAM Charity Booth.
2. Your company’s name will be listed in the July issue of *T-AB Magazine*.
3. You will receive advertising space on our Travel & Food Corner or Products & Services promotion page on the AMCHAM website for up to three months.

Please contact Sheree at sheree@amchamthailand.com or call 0-2254-1041 ext. 212 to make a donation or for more information.