

## **Introduction**

You can picture the scene now – you owning that successful bar, making loads of cash, living your days out chasing beautiful girls in the tropical paradise of Thailand. But for many that image is the start of a nightmare than can completely ruin their life, drain them of all resources and lead to them heading back to cold farangland with their sorry tail between their legs. I get emails regularly from guys who lost the lot on ill-thought-out business ventures in Thailand, Philippines and other exotic locations.

It can be so tempting to put your life savings down on that bar, shop or restaurant - but if you are considering "going for it" you might want to consider these few words of advice before you part with your hard earned cash – possibly even your life savings.

### **Why run a business?**

It's the dream of many people to escape the rat race and be their own boss. Running your own business can be seen as a route to freedom, financial success, a more successful and happier life. It can be all of those things. To many hoping to create a new life in a country such as Thailand, owning a business is often seen as the only way to stay in the country indefinitely. Yes, for many, owning a bar or restaurant is their passport to a new life, a way of getting that precious visa, a way to finance a stay in the tropical paradise of Siam.

Running a business can be very rewarding, both financially and from the point of view of personal development – it certainly beats working for someone else. The buck stops with you and you are master of your own destiny. That can be a scary proposition for some people, especially those addicted to a regular pay check, however much of their true selves they give up in exchange for it. The reality is being an employee is not the “safe” option it once was – those little words “you’re fired” can strike at any time. On the other hand “I quit” is equally as easy to say if you are prepared to make a go of it.

### **Have you got what it takes?**

Are you really committed to this business - or is this business an excuse - a way of extending your stay in Thailand? Running a business is hard, damn hard, and long hours are involved - are you ready for that? Do you imagine your Pattaya bar will run itself while you spend your time chasing women and beer and living the life? If so, you are about to blow a lot of money on a business that isn't going to work.

If, deep down, you are just seeking a way to stay in Thailand (or other exotic location), then you owe it to yourself to fully consider the many alternatives to running a business in Thailand. For example, if you really have the sort of money to buy a bar in Thailand why not use that to buy a house in your home country, get a mortgage and let the house out? Why not invest your savings in a tax free ISA and get a job teaching English (but read my article on why you shouldn't teach English first). How about remote working? How about working via the Internet? How about freelance consulting? How about stock market trading?

Seriously consider the options open to you - and really don't consider buying a business in Thailand until you have already spent some time in-country, learnt a bit of the language and got to know a bit of the ways of the local folks.

Also, before embarking on a business venture in Thailand make sure you have got your support network worked out. These can be friends who you can trust to a certain extent (trust is a hard thing to find in Thailand). These would include people who can supplement your Thai language schools, contacts, suppliers, and people who know the situation on the ground.

### **Choosing a business**

Just because you like reading books doesn't mean you can write. Just because you laugh at jokes doesn't mean you can tell them, just because you are good at eating doesn't mean you can run a restaurant, just because you can drink 10 pints of beer doesn't mean you would be a good bar manager. Believe me, there are guys buying bars in Pattaya who have never worked in a bar - never even to learn the ropes. They are going into a business blind. It's a great way to burn up your life savings.

I keep picking on bars and restaurants - the reason is these are the most common businesses that farangs purchase, usually because they are seen as "simple". Bars and restaurants do have the advantage that they have a proven business model - but that doesn't mean you can successfully run one. It takes certain personal qualities, experience, hard work and some luck. I am not saying point blank that everyone who buys a business in Thailand is going to fail - but many set themselves up for failure before they even start. Don't be another statistic. It is possible to run a very successful bar and restaurant in Thailand - but doing so is not easy.

So, how to chose a business? Many will say that the business chooses you. You will be attracted to a certain market segment by your own inclinations and abilities. One of the fundamental decisions you will need to make is whether to start from scratch or buy an existing business. In this article I'm going to assume that you are going to buy an existing business since that's what most farangs do. I'm not necessarily saying that's the best option. But for the purposes of this article I'm going to make that assumption.

### **Buying a business**

When you buy a business you are buying the future profits of that business. So in order to settle on a sensible price you need to have a good idea of what those likely profits are going to be. Also, you are buying the potential future profits of the business. The ideal business is one where there is the most potential - if a business is basically sound, you can look at ways of growing the business. Potential is important. There are many things to look for such as leverage the existing business model, expansion, re-negotiating with suppliers, opportunities to make the business more efficient – discussing these is beyond the scope of this introductory article.

Settling on a price should be done with the help of a business professional – preferably one who has a proven track record in valuing businesses. I will be saying a bit more on choosing advisors later.

Negotiation of the price of the business is very important. In a way you are making your profit on the deal when you buy – you need to get the best price possible that makes sense from a business perspective. If you have evaluated the business carefully you should have a maximum price in mind that you will be prepared to pay. Do not hesitate to walk away from the deal should negotiation down to this level turn out to be impossible. You have to have a deal that makes sense to you – not the seller!

### **Business = a money machine**

A business is a money-making machine, pure and simple. That is the bottom line. Think about your business as a machine to make money – not as a way to stay in Thailand. Like any machine it needs looking after, bits will need replacing from time to time. It's your job as a business owner to make sure the machine is running as efficiently as possible. You need to oil it, service it and get specialists to work on it – but the business's job is to churn out money. Occasionally, you might need to climb into the guts of the machine, but try to avoid being there too long – always think of yourself as working on the business rather than in the business. You are there to tend and control the machine and ensure the efficient running of it, not become a greased up cog in it. You always need to be looking at ways to improve your machine's ability to churn out money – you might even have several machines all working in harmony and using shared resources. A few years on and the machine might look completely different to the one you started with – it may be bigger and shinier and hopefully will be chucking out a lot more money too!

### **Delegate legal and accounting issues**

If you are buying or setting up a business in Thailand then don't try and go it alone. Equally don't fall into the hands of some unscrupulous farang offering "business services" – there are many rip off merchants out there. By law farangs cannot work as accountants or lawyers in Thailand any way. Go for an established company of professionals, with a great track record of providing services to farang business people. Most important – ask for several documented references – and check them!

Trying to skimp and save on this issue is going to cost you more in the long run. Particularly with the changes that are being drafted for the Foreign Business Act (FBA) in Thailand, you will need to get the best help available to make sure your business is legal, stays legal and that you retain complete control of it! It's tough and it's going to cost you, but this is not optional. Try to circumvent professional advice in buying or setting up a business and you could come unstuck pretty damn quickly.

### **Getting Capital**

This is where many businesses fall at the first hurdle. Common problems are getting into debt to go into business – or selling a stake in the business for seed capital. Most people who go this route live to regret it. If you have a profitable business you wish to expand then maybe borrowing is necessary – even sensible, but starting out in debt is

to be avoided if at all possible. The problem with selling a stake in the company for seed capital is that you lose a measure of control. Which is my next point.

### **Retain control**

Your number one priority has to be retaining complete control of your business. It will be very hard to make the tough decisions that will need to be taken for the benefit of the business if you have to have a committee every time you need to change some aspect of the business. Also, avoid bringing in your Thai wife or her family members as business partners at all costs. Sometimes it works, but in the majority of cases it doesn't and you will live to regret it.

By all means involve your family members in the business where it makes sense to do so, just make sure you have 100% ownership and control though (this is becoming increasingly difficult due to changes in the Foreign Business Act). This is where a business set up outside of Thailand, but controlled by you from wherever you happen to be can be a massive winner. Not all businesses lend themselves to model this but many do.

If you are taking out a lease on a shop, bar or restaurant etc. then the details of the lease need to be gone over, with the help of a trusted professional in microscopic detail. There are no stupid questions when it comes to lease negotiation, so don't be afraid to ask questions until everyone is damn sick of you – and then ask some more. You need to know one hundred per cent what you are getting into.

### **Be wary**

Whenever you buy a business you should be extremely wary. This is doubly true in Thailand. There are many people in Thailand, Thai and farang alike, who will readily relieve you of your hard earned cash. You are especially vulnerable if you are thinking with your heart rather than with your head.

Another trap is where a business “cooks the books”. The accounts might be showing a healthy profit, but the reality is that certain money that is outstanding to creditors have not been taken into account – or are otherwise covered over. As the business is a legal entity in its own right those debts stay with the business even if the director changes. So be warned – be as sure as you can that the company is above board. Get professional advice – there are things that you can do such as a staged takeover of the business, with various contractual obligations to the other party involved.

### **Build your brand**

You should always look to build the brand of your new business. This might mean anything from your staff wearing company t-shirts, to the look of your website, to how you deal with customers or even the style of your menu.

Brand is important and one of the best ways you can add value to your business is by building up the brand. You don't have to be a Virgin to leverage the value of brand.

Brand is important for all businesses – from the smallest beer bar to the national carrier.

When you are buying a business also look for a solid business model where there is potential to build the brand further – it's an area many owners neglect to their great cost.

### **Invest in your people**

It is vital to invest in your staff. Many don't because they believe the staff will go elsewhere and your investment will be lost. The opposite is true. If you fail to invest in your staff – even the person who cleans your kitchen floor – they will go. They won't want to leave if they are progressing, taking on new opportunities and feel well looked after.

It is really important to train your staff to perform their tasks, as you, their business manager, want them to. If you buy a business and the staff carry on with their old bad habits, when you want them to deliver a superior service, then you are doomed.

In the case of your restaurant the difference that some simple training can make is remarkable. Take any restaurant on Walking Street in Pattaya. How is your waitress dressed – is she smart, clean and readily identifiable as a member of staff, or does she look like she walked in from a bar down the road? How does she greet the customers? How does she present the menus? Does she suggest a special of the day, or perhaps recommend particular side orders that genuinely enhance the main course? Does she serve the customers promptly and attentively, or does she appear in a dream world? We are not talking Haute Cuisine here – just fundamental good service. These are all things that can be improved with adequate training – and incentive. I've found that performance related bonus does work – but you need to do it right. It needs to be targeted. There will be a fixed bonus for meeting certain targets – such as correct greeting of the customers. Hygiene is another area where there is much room for improvement in staff training in restaurants in Thailand.

I could go on, suffice to say training makes a huge difference, especially with Thais who are often reluctant to operate on their own initiative – many a failing business in Thailand can be picked up for a song and turned around simply by giving the staff adequate training.

### **Lead by example**

As the business owner you are the leader – you shouldn't expect to sit back drinking the profits while people around you do all the hard work. The business owner is a leader – he should roll his sleeves up, get his hands dirty and lead from the front. It's really important to demonstrate by example how you want things done – especially in Thailand where the Thai staff can have a different work ethic – or at least see work differently to how we see it in the West. Your employees are just that...employees, they are not stakeholders in the business, so they do need motivating. That motivation is best achieved by setting an example of what is required and rewarding those adequately who deliver the goods (so to speak).

## **Guerilla marketing**

Always look at novel ways to market your business. There are literally hundreds ways to pull punters into any bar or restaurant – it's not hard but it does require a bit of preparation.

Freebies are always good – and needn't eat into the profit margin. It's really appalling (from a businessman's perspective) to see the girls trying to pull punters into the bars and restaurants with their tired old "Hello handsum man" act. Spare me please! I would rather have a stunner dressed in a bikini handing out leaflets offering me a free shoulder massage with my beer. Or a beauty dressed in a hula skirt inviting me to a Hawaiian night where I will be welcomed with some fresh pineapple served by some young lovelies in flower garlands. Just let your imagination wander a bit. Point is some of these events will work and some won't – you just need to be prepared to try new things. Believe me there is massive scope for improving the customer experience in both Bangkok and Pattaya and that represents a massive opportunity right now for a canny entrepreneur. Always get feedback from customers. One of the few bars I visited in Pattaya I was effectively chased off by a Katoey before I'd finished my first beer – and she was the owner of the business! There is massive scope for doing it right.

You also need to spot opportunities for joint marketing ventures – "you scratch my back I'll scratch yours". This can be something as simple as having a stack of flyers for a nearby hotel – while they agree to hold flyers for your bar (don't forget the map!). How many small bar owners join forces to negotiate better beer prices for their bars? What kind of deals can you strike up with the local taxi drivers? What businesses provide a compliment your own?

It's important to figure out new, low cost ways to make sure people know about your business.

## **Conclusion**

Well in this article I have only touched the tip of a very big iceberg. There's no doubt there are issues with setting up a business in Thailand – or anywhere else for that matter – but I also believe there are real opportunities to be had in Thailand. In Thailand your costs are likely to be much lower, while the prospect of being able to tap into a huge market of relatively well-off farangs is attractive. The current anti-farang climate is a definite negative, but increases the risk/reward ratio in your favour. Take your time, do your homework and get a feel for the country before taking the plunge. Good luck!