



## REFRAMING CHALLENGES AS OPPORTUNITIES

The region's 10 member states, vastly different from one another, present both challenges and potential for unbridled growth

BY LEILA LAI & LYNETTE TAN

**A**SEAN'S diversity presents challenges for Singapore companies looking to expand abroad, but these challenges can be reframed as opportunities, said a group of panellists at a roundtable organised by *The Business Times* (BT) and presented by HSBC on Sept 24.

The hour-long session featured four speakers: Alan Turner, managing director and head of commercial banking at HSBC Singapore; Lee Yee Fung, director of infocomm & media and digitalisation at Enterprise Singapore (ESG); Limeng Lee, chief strategy officer at Razer; and Lee Nai Jia, senior director and head of research at Knight Frank Singapore.

Moderated by BT's deputy news editor Lee U-Wen, the lively discussion centred on the vast business and expansion opportunities across the region, and ways that Singapore's small and medium-sized enterprises (SMEs) can best leverage them.

### VARYING DEVELOPMENT

Although Asean is commonly referred to as a single bloc, the 10 member states are vastly different from one another, with economies that grow at different rates and unique sector strengths in each. For instance, Indonesia is enjoying a rapid uptake of digital services in a relatively young population of 270 million people, noted Mr Turner. This could explain why Indonesia – South-east Asia's largest economy – is now an e-commerce platform battleground.

On its part, Thailand – the current Asean chair for 2019 – has been developing its Eastern Economic Corridor to drive the Thai economy forward. Having identified 10 "S-Curve" industries, or high-growth sectors, including smart electronics, automotive and food processing, the Thai government has established investment incentives to attract investors into these sectors.

Meanwhile, Vietnam has captured headlines as a China supply chain diversification play, and for good reason too. With electronics giants Samsung and LG relocating production to Vietnam, the country's electronics

manufacturing sector is booming.

And although stages of development for each industry vary widely across the 10 countries, Singapore businesses should not dismiss the potential of the less developed economies, said ESG's Mr Lee. "It's about looking at the opportunities in their own light. Myanmar is a bit more recent on the tech journey. But because they don't have legacy systems, they are in the leapfrog phase," he said.

"Everything is almost 'mobile first' by default. It gives rise to a completely new set of opportunities that the enterprises can think about." Hence, SMEs here should think about how they can serve each country's local populations and businesses, which are experiencing tremendous growth, he added.

Being clear from the start about the company's ambitions, whether to go regional or global, is key in developing a strategy to tackle country-specific differences. Razer's Mr Lee gave the example of dealing with financial regulations in various countries.

"It takes a different look because of the disparate stages of where the development and regulators are in each country. When we went into this digital payments business, it was never about a Singapore business, a Malaysia business or an Indonesia business. It's about the connectivity across the entire Asean.

"I think the governments are all very supportive. Obviously, they have to look internally and standardise things, like with 'SG QR' in Singapore. But over time, the governments also realise that we as a region need to work together for that, and we are helping as best we can to build the community."

### LEARNING FROM THE PAST

Recent reports highlighting Asean's increased vulnerability to global economic downturns may give businesses pause in their plans to expand at this time. The region has experienced several structural shifts, including lower economic growth rates, a lower current account balance because of a decline in net trade, and South-east Asia's greater exposure to slowing

### IN DIALOGUE

(From left) Lee Nai Jia, senior director and head of research, Knight Frank Singapore; Limeng Lee, chief strategy officer, Razer; Alan Turner, managing director and head of commercial banking, HSBC Singapore; Lee Yee Fung, director, Infocomm & Media and Digitalisation, Enterprise Singapore. The Roundtable was moderated by Lee U-Wen (right), deputy news editor, *The Business Times*.

growth in China, said Bain & Co in a Sept 20 report.

However, Asean's position has changed since the last financial crisis, Mr Turner pointed out. "Asean isn't the low-cost manufacturer for everyone else's consumption," he said. "Asean is its own direct consumption market. The idea that we're just an appendage to someone else's economy without any control over our own destiny is too overstated." Too much talk of China's economic demise is also premature, he added.

Razer's Mr Lee agreed, noting that Asean countries have bolstered their domestic economies to brace against another recession. He credits some of this to lessons from the 1998 Asian financial crisis, which left the region reeling for some time. "A lot of people learnt (about) the kind of potential exposure and the sudden downturn that can come in. In the last 15 years that I have gone around South-east Asia, individually all the countries have put in place regulations. The businesses have learnt from their mistakes in the 1998 crisis on how to be better prepared."

Mr Lee of Knight Frank added that companies have become more nimble, consolidating their property holdings by embracing the co-working office model, for instance. "Companies are now in a better position to overcome such recessions and grow from there even more. Through the recession, they can remodel their business to be more efficient and effective, and sometimes get a bigger share (of the market). I think that this kind of downturn can give companies a new set of opportunities altogether."

### ADVANCING TOGETHER

Companies can take steps to derisk their expansion plans in several ways, such as by partnering local players or existing partners to enter new markets. One must let go of the need to always be in control, and be willing to let those who know best lead in their areas of expertise, said Razer's Mr Lee.

While Razer has access to the notoriously hard-to-reach youth and millennial consumers, it does not claim to know about every kind of business that these customers want, and therefore is keen to work with local traditional businesses that can offer relevant products and services. "We know what we know, and we also know what we don't know. For certain things, it's obviously better to work with partners who know those things better," he said.

Leveraging digital platforms such as e-commerce marketplaces is another way to lower the costs and risks of expansion, said ESG's Mr Lee. "You can quickly get on some platforms to get some quick feedback and sales to see whether this product works for the market. If not, try another market quickly so you can find where the product market fit is, and that's where you're able to say, 'I'll double down on this market'"

Existing customers can also pave the way, noted Mr Turner. "Greenfield or the brand new is very exciting . . . but it's not the only route. A lot of companies in Singapore are engaged with regional or global customers who will want to bring them with them as they enter new markets. You don't have to do everything fresh yourself from a blank sheet of paper."

Said Knight Frank's Mr Lee: "The fascinating thing about South-east Asia is that we are all at different stages of development and complement each other very well. There's a lot of untapped potential. Of course, there are risks involved, so it's critical to find the right partners and do the right due diligence. You don't need to do everything yourself, but just having the right partners will open things up quite a fair bit." ■