



EPICENTRE HOLDINGS

## Building a Lifestyle Empire

From electronics to aesthetics to a potential entry into F&B, EpiCentre is diversifying its business to build a lifestyle brand.

**K**ENNETH LIM took over EpiCentre Holdings last October, determined to breathe new life into a company that had fallen on hard times. The company at the time was focused on reselling Apple products, and realised the need to diversify.

With a combination of discipline in cost containment and fresh business strategies, EpiCentre returned to profitability within a year. In the financial year ended June 30, 2017, it netted a profit of S\$507,000 on the back of a revenue of S\$100 million – a significant turnaround from losses of S\$5.8 million just a year ago. Gross profit margin rose to 11 per cent from 7 per cent.

Key to EpiCentre's renaissance was its move to switch up its business strategy to one that is more customer-centric and always puts customers' interests first. This strategy, branded "Living Out Loud", also brings a wide range of products and services to customers to recreate EpiCentre as a lifestyle brand.

Another key was the acquisition of a new aesthetics business in hair removal and skin rejuvenation, Mr Lim, the company's chairman, says. In February this year, EpiCentre announced its acquisition of a 51-per cent stake in Japan IPL Holdings for S\$3.06 million. In Singapore, the lifestyle and wellness firm has eight branches mostly located near MRT stations. It has four

branches in the Philippines, and in Malaysia, it recently opened its first branch at Pavilion Kuala Lumpur.

To fund its expansion strategies, EpiCentre chose to execute its rights issue with unlisted warrants in September this year. This raised net proceeds of about S\$15.8 million, which will also go towards financing other potential business ventures in food & beverage and health & wellness, likely through acquisitions and strategic investments.

As competition in electronics retail heats up in Singapore and Malaysia, with more consumers shopping from their laptops and mobile phones, EpiCentre needs to move up the customer's value chain and provide products and services that customers cannot just buy with a click, and which its competitors cannot provide, Mr Lim says.

This explains its entry into the aesthetics service business. By November, Japan IPL is planning to open another two branches in Beijing, China to capture a growing segment of men and women willing to spend on aesthetics to improve their appearance. Further expansion into Thailand, Vietnam, and Cambodia are also on the books.

Mr Lim emphasised that a push towards the lifestyle theme does not mean EpiCentre will neglect its electronics retail business. On the contrary, it seeks to

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– Kenneth Lim, Chairman, EpiCentre Holdings

diversify its product range beyond Apple to serve its customers better. In a world that is increasingly moving towards different devices bound by common standards, EpiCentre now distributes brands such as Microsoft, Xiaomi, Oppo, even while it continues to maintain a premium presence in the Apple product space.

This approach will also reduce EpiCentre's concentration risk, especially since Apple has also opened its own Singapore flagship store in Knightsbridge Mall along Orchard Road, Mr Lim adds.

Besides traditional electronic products, EpiCentre's retail stores have also started selling other genres of lifestyle products such as electronic pet feeders and posture correctors. To improve the customer engagement experience, EpiCentre recently established its own online shopping platform for customers. It also analyses customers' buying patterns so that it is able to recommend suitable items to them.

Another service improvement EpiCentre has made is its revamped membership programme. This has evolved into a tiered system which rewards loyalty with more discounts. EpiCentre also took to offering value-added services such as repair consulting services with quick turnaround time – crucial for customers who cannot live without their mobile phones for even a day. EpiCentre also allows customers to trade in their electronic devices.

Mr Lim came onboard the company after buying over part of the previous CEO Jimmy Fong's majority stake in the company in October 2016. Shortly after he joined, he made the difficult decision to close two of the company's retail stores at 313@Somerset and Suntec City Mall, the former due to unsustainably high rentals and the latter because the mall seemed too quiet.

For now, Mr Lim is satisfied with the four locations, which stretch from the start of Orchard Road down to Bugis and the Marina Bay Downtown. He adds that amid the challenging retail environment, retail rents have also softened in the last two years, with more space for negotiation with landlords.

Speaking on the rights issue, he says electronics retail is a business that is heavily reliant on healthy cash flow. This is because a company's net profit usually forms a stable percentage of the total revenue, subject of course to changes in expenses. "At the end of the day, you buy more (handsets), you make more. It's a volume game."

Following Apple's new iPhone launches, he is hopeful about the impact on the company's financials, noting that pre-orders for the iPhone X have been coming in strong, much better than demand for the iPhone 8.

Amid his diversification efforts, Mr Lim remains cognisant that he needs to be disciplined in expanding. "We want to be a lifestyle company, but we don't want to be a pasar malam (night market), selling everything. EpiCentre seeks to provide a unique blend of products and services that our competitors cannot match, and also to position itself a few notches up the value chain for the discerning customer."

The company prides itself as being a premium electronics distributor, a branding that is also reflected in its store locations and the products it sells. But it needs to do more for its customers in order to earn their loyalty and distinguish itself from competitors, Mr Lim says.

"We will definitely explore not just digital lifestyle, but also other aspects of lifestyle. This is my idea of expanding from a reseller business to one which occupies a central position in our customers' psyche. When our customers think about lifestyle, EpiCentre should pop into their minds. With the completion of our acquisition in Japan IPL, it is time for us to look at other businesses, also within the lifestyle category."