

SMALL BUSINESS, BIG DISRUPTION

As Singapore goes Smart, SMEs have to redouble their digitalisation efforts

Cashless payments. Sensors in lamp-posts. Delivery drones. Singapore is on a Smart Nation drive, and small and medium enterprises (SMEs) will play a key part.

As the economy strengthens in 2018 and cash flows improve, SMEs have to continue adopting digital technology, experts said.

Jing Tan, Asia Region Chief Financial Officer at International SOS, highlights the importance of investing in service quality, innovation, and technology to stay competitive.

As early as 2008, the global medical and travel security services firm pioneered a digital travel risk mitigation solution called TravelTracker. The app allows clients to quickly locate and communicate with their employees especially in a crisis, and to render assistance if required. In 2010, they also invested in a mobile app to provide business travellers with up-to-date medical and travel security advice.

In 2016 alone, TravelTracker has helped more than 1,400 clients. The mobile app has also sent 5.3 million pre-trip advisories to travellers to prepare them for their international trips.

"Investing in these digital solutions has led to an increase in the productivity and usage of our services. We have also successfully demonstrated significant value to our clients in terms of their return on investments (ROI)," Mr Tan said.

As travel becomes a mass market phenomenon, he is anticipating bigger opportunities, and is innovating and enhancing the company's services and solutions to meet clients' needs.

International SOS's digitalisation strategy extends to their back-end processes as well.

"In 2017, we began exploring digital payment solutions in China to better manage and to automate our local and cross-border payments. We expect to roll this out in China in early 2018 and to other countries in Asia thereafter," he said.

Castlery, an SME dealing in designer furniture, is also exploring new technologies in 2018.

"Opportunities include new retail technologies to drive customer engagement, sales, and create delightful and differentiated experiences," said Chief Operating Officer, Travers Tan.

Meanwhile, supply chain technologies can drive cost efficiencies that can be passed on to customers, he said.

However, a big challenge is cost.

"Implementing new retail concepts like augmented reality and data-driven location-based engagement is challenging and expensive as the technologies are not widespread yet," Mr Tan said.

Given the costs of implementing new technologies, SMEs need to maintain healthy cash flows, said Celine Chua, Vice President and General Manager of Global Corporate Payments, American Express Singapore.

"For SMEs to plan ahead, they need to focus on freeing up their lines of credit so they always have funds to use for both short-term and long-term growth opportunities – including digitalisation," said Ms Chua.

Ultimately, the rewards of digitalisation are worthwhile, said Associate Professor Randolph Tan from the Singapore University of Social Sciences.

Digitalisation is an important avenue that will expand the market reach of SMEs, as well as enable them to meet the needs of customers more effectively, he said.

Financial technology, or fintech, can also help plug the funding gap or solve issues in cross-border payments.

"Digital technology can level the playing field between large multinational organisations and SMEs, enabling the latter to exploit opportunities that have previously only been accessible by larger firms," he said.

SMEs with a focused digitalisation strategy can strengthen their long-term competitiveness, Associate Professor Tan said.

"A proper digitalisation strategy put in place early can keep expansion costs manageable even as business opportunities grow."

Why SMEs should digitise business payments

It might be easy to set up a business in an efficient economy like Singapore.

But due to the city-state's small size and competitive environment, the cost of doing business can be high, said Celine Chua, Vice President and General Manager of Global Corporate Payments, American Express Singapore.

Ms Chua highlights how SMEs can stay ahead by using technology in three areas.



Managing cash flow digitally

There are many methods to make electronic payments. SMEs need to be aware of the pros and cons of each.

For example, electronic fund transfers are convenient but do not help manage cash flow. This is because funds are deducted instantly even while SMEs have other payment obligations.

On top of salary, rental and utility costs, they have to pay their suppliers within a month, while waiting two to three months for payments from customers.

"There is a gap of 30 to 60 days that SMEs need to bridge with their own cash or shareholder funds. This becomes a struggle in day-to-day operations," Ms Chua said. By contrast, making online payments with a corporate card helps SMEs pay their suppliers efficiently.

This allows businesses to negotiate for early payment discounts and gives them more lead time to settle their payments.

In addition, they can accumulate reward points and rebates to offset their payments.



More efficient cross-border payments

Due to Singapore's limited market, SMEs looking for growth need to expand overseas at some point.

They then have to navigate a bewildering array of suppliers, which need to be paid in different fluctuating currencies.

Traditional forms of payment like cheques, letters of credit, local currency loans and overdraft facilities result in higher processing and payment costs.

Online payments save time and help automate payment processes.

One of American Express' objectives is to make cross-border payments more efficient. This can facilitate an SME's attempts to grow abroad or engage overseas vendors, Ms Chua said.

"We want to keep cross-border payments fuss-free by keeping foreign exchange fees low and allowing SMEs to make payments to their suppliers in foreign currency," she said.



Increased productivity of internal processes

Technology can boost efficiency, and SMEs that use the latest workplace tools to manage their resources can gain an edge, Ms Chua said.

For example, consolidating payments on one digitalised platform simplifies expense management and offers full visibility of a company's spending. This improves spend forecasting and budget planning.

American Express also has a seamless approval process for cross-border payments, Ms Chua said.

"Clients can designate two levels of approval and approval can be done online. There is no need to wait for a director to be present to confirm an invoice or sign a cheque."



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