

NURTURING GROWTH

A GROWING number of entrepreneurs combined with increased recognition of what the community is capable of means that competition is constantly mounting for startups in Singapore. “Compared to a company founded on a ‘me-too’ business model, innovative and high-potential startups with unique technologies create new markets. With their differentiated value proposition, they can better attract investors and customers, and demonstrate greater potential to scale,” says Edwin Chow, executive director for innovation and startups, Spring Singapore.

“However, having a differentiated and scalable business idea is only the first step. Entrepreneurs also need to combine their innovations with savvy business management strategies to build a sustainable business.”

As large an undertaking as this sounds, preparing the business with the right fundamentals is but half the battle. The other half lies in the infrastructure and community.

PROVIDING THE RIGHT INFRASTRUCTURE

To make the journey a less painful one, there has been a collective effort – both by the public and private sectors – to increase the channels of support and resources available. Indeed, these efforts to develop a nurturing environment for entrepreneurs intensified after the 2002 report by the Economic Review Committee which recommended that Singapore transform into a knowledge economy powered by innovation, creativity and entrepreneurship.

To this end, one of the areas of focus has been the creation of a robust financing landscape. Says Mr Chow: “Entrepreneurs today have more access to capital than before. However, sectorially, these liquidity flows are unevenly spread.”

A recent study on the financing landscape conducted by Spring found that there is a declining trend for projects in the in deep technology sectors such as clean technology, robotics and health care, given that they are generally of higher risk and require a longer runway for commercialisation.

To ensure that no business falls through the cracks, a range of enhancements were announced in Budget 2015 to create and facilitate access to smart money for startups. The Spring Start-up Enterprise Development Scheme (SEEDS) for instance, saw the government increase the co-investment cap to S\$2 million per company, thus allowing companies to receive up to S\$4 million each in total funding raised.

“The increase in the co-investment cap to S\$2 million allows us to better support startups in emerging sectors such as advanced manufacturing, advanced materials, cleantech, IoT (Internet of Things) and more, as these startups require a longer time and runway for development,” notes Mr Chow.

And with the S\$75 million top-up to the Business Angel Scheme (BAS), Spring will be seeking to appoint new accelerators to help more technology-based startups in the emerging sectors.

“With a larger pool of smart money and investors, we can help shorten the learning curve and plug the gap to their longer runway needs for commercialisation,” says Mr Chow. “Spring will also be launching a pilot venture debt scheme which offers a

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STARTUP STATISTICS

1

The number of employing startups has grown from about 24,000 in 2005 to close to 42,000 in 2013.

2

Startups employed about 306,000 people (or 9 per cent of Singapore's workforce) in 2013. Only 167,000 people were employed in startups in 2005.

3

The Total Early-Stage Entrepreneurial Activity (TEA) in Singapore has increased from 4.9 per cent in 2006 to 11 per cent in 2014. A total of 51.7 per cent of its respondents view entrepreneurship as a good career choice.

4

Singapore was ranked as the 10th most entrepreneurial country in the 2015 Global Entrepreneurship Index, up from 14th position in 2014.

hybrid debt-equity funding to local startups.”

Beyond creating a hospitable financing environment, the government has also been ramping up efforts to build physical environments that can support entrepreneurs.

JTC LaunchPad@one-north is a prime example of efforts to cluster entrepreneurs, incubators, investors, and advisors. Building on the earlier success of Block 71, the birth of LaunchPad is a deliberate effort to create a startup cluster for the info-communications, media and engineering startups, says Mr Chow.

“By providing a common space for startups, incubators and investors, and being plugged in to nearby R&D (research and development) lab facilities, talent and expertise in the institutes of higher learning, the clustering effect allows for better exchange of ideas and growth of networks. This in turn strengthens innovation and commercialisation linkages from start to growth.”

Beyond building communities locally, Spring is also building links with entrepreneurship and incubation centres in other parts of the world. In the US, the new Block 71 San Francisco will help to connect local startups to the US market and the startup ecosystem of mentors and investors in Silicon Valley, and also help to connect Singaporeans overseas to the startup community in Singapore.

A LAND OF OPPORTUNITIES

While entrepreneurs are encouraged to think global from the get-go, opportunities also abound on the local front. Through the Partnership for Capability Transformation (PACT) initiative for instance, startups and SMEs can work with large enterprises to co-innovate and develop solutions. Working with these large enterprises allow startups to upgrade their capabilities, co-develop and test-bed innovative solutions and learn best practices.

For startups that are keen to access government projects, the Public-Private Co-Innovation Partnership is a platform for the government and local companies to co-develop innovative solutions to meet the government's needs. Through the co-innovation partnership, companies can receive funding support to grow their innovation capabilities and build a valuable track record.

Is the local startup scene busy? Yes. In the last one to two years alone, local startups such as Carousell, ViSenze and QT Vascular have managed to raise significant investments, and there has also been close to 20 exits in Singapore in the past two years, such as Zopim, Viki and more.

Having such a lively startup scene in Singapore has its pros and cons. On the one hand, the competition is fiercer but on the other hand, it also means that deal flows within the startup landscape will likely increase.

Says Mr Chow: “We expect to see more investors considering startups in Singapore as an attractive investment option. With the extension of the Angel Investor Tax Deduction (AITD) scheme and Section 13H announced in Budget 2015, more investors can be encouraged to commit investing in more Singapore-based startups.” ■



PHOTO: YEN MENG JIN

◀ **KNOWING THEIR STUFF**
Jewel Paymentech founders (from left) Ms Cheim, Mr Lam and Mr Lee know their space yet as a startup, found it hard to gain traction in the industry

STANDING GUARD

Jewel Paymentech's One Sentry and FW-100 make e-payments safer all round

WITHIN six months of starting up, local financial technology (fintech) company Jewel Paymentech has launched two products and garnered the support of some big names in the financial industry. While these sound like impressive achievements – and they are – they did not come without a lot of hard work. “We are a young company and that always creates a question mark – particularly with large institutions,” says Sandra Cheim, director and one of three co-founders of Jewel Paymentech.

This, despite having a product that clearly tackled a key issue in the industry, and having founders that are intimately familiar with the space.

One Sentry – the product that Jewel Paymentech used to break into the e-commerce and mobile merchant risk space – is essentially a fully automated merchant risk management solution that comprehensively manages fraud, brand, credit and data security risks.

While similar solutions are available in the market, what makes One Sentry unique is its ability to sieve out suspicious merchants before they commit fraud.

“What makes One Sentry unique is that we are predictive,” explains founder and chief executive officer Sean Lam who was formerly director of fraud and security risk at Visa and who co-invented Visa's technology to combat counterfeit fraud.

While most banks and payment facilitators currently use retrospective tools – most banks and payment facilitators for instance use a product that contains a repository of all the merchants that have been terminated after they have been found to be committing fraud – this provides limited protection.

“The existing tools are important and useful but what we are doing is adding an additional layer of protection . . . the forward-looking part of it is important because today, in e-commerce, there are so many new merchants coming on board and there is no history to deal with. The world is changing so we have to change our approach in risk management,” says Ms Cheim.

Today, One Sentry is capable of identifying 15 different characteristics of bad merchants; it is also able to spot anomalies ranging from counterfeit to illegal goods and pornography. In addition to scanning the e-commerce website, it also pulls information from social media such as Facebook, Twitter and Hardwarezone forums.

“The way we position ourselves – and this is where our value proposition is – our tool looks at the future. When the merchant comes on board, he provides a URL and he gives out his Internet presence. What we do is we try and look into the profile of the website . . . to determine if he is a bad merchant. We do machine learning, predictive analytics, image analytics, social media (analytics). So (if we spot something) we tell the banks hey something doesn't look right about this merchant, and the banks can take action. So this

prevents losses rather than reacting to something that has happened,” says Mr Lam.

In the case of One Sentry, Jewel Paymentech's pilot customers include DBS Singapore, DBS Hong Kong, CIMB Malaysia and one of the top tier banks in China. They have also secured proof of concepts with four payment facilitators, one marketplace and one payment network. But gaining traction in the industry has not been easy as banks and financial institutions typically look for a track record, and a startup does not necessarily provide the greatest sense of security.

Says Ms Cheim: “Large institutions are not big fans of startups and SMEs. So from that point of view, I would say that has been a battle we are fighting against. Having Spring Singapore's support definitely helps. Putting our name out there in competitions also helps bring credibility to what we're doing.”

In May, the company was one of five finalists from the Asian leg of the Innotrube Startup Challenge. It is the only Singapore company recognised by SWIFT (Society for Worldwide Interbank Financial Telecommunication) as one of the most promising early-stage fintech companies in Asia. Additionally, the company won the Judges' Choice award at e27 Echelon Top100 Singapore leg, which was held in April.

The startup recently launched its second product, the FW-100, short for Fraud Wall 100. “Like firewalls in computers which protect you from malicious hackers, fraud wall essentially does the same thing,” says Mr Lam.

“How different it is (compared with what is available in the market)? We've made an appliance instead of a software which requires you to change your entire banking infrastructure. Our appliance sits between your existing infrastructure so we don't have to change anything. We plug in and we start filtering just like a firewall.”

Having a system that is plug-and-play and competitively priced is key, says Lee Wooi Siang, group managing director and the third co-founder. As to where the company might look for its next big thing, it is staying right where it is, in the e-commerce security space.

“E-commerce is growing so there are a lot of issues we can look to address,” says Mr Lee. Adds Ms Cheim: “At the end of the day, it is the consumer who is dealing with fraudulent merchants and it's banks who are having the problems. This is not what e-commerce is supposed to be about. E-commerce is supposed to be about a simpler, more efficient way to transact – and fraud should have a minimum role in that space. So we want to play a small part in at least making that ecosystem a lot safer for everyone. Because we think that's the future – everything is going to move into the e-payments space.” ■

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