



TAKING ON THE WORLD

BY VIVIEN SHIAO

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SINGAPORE is often described as a little red dot – but it has often punched above its weight in many aspects, from innovation to education to finance. It is no surprise that the city-state's enterprises are also making their mark around the world. Even with the trade war uncertainty and growing protectionism in some markets, Singapore's businesses can still be seen making inroads abroad as many come to realise that relying on the small domestic market is not enough.

Luckily for many enterprises, they do not have to go it alone, as support is available for their internationalisation endeavours, either directly from government agency Enterprise Singapore or indirectly through the many free trade agreements (FTAs) signed.

But it is inevitable that challenges still abound as they navigate a maze of political, cultural and regulatory issues in foreign territory, coupled with the global growth slowdown and economic headwinds clouding the demand outlook.

This issue, we find out what some of Singapore's small and medium-sized enterprises (SMEs) are doing to ramp up capabilities to expand abroad, how they are overcoming the odds, and what their plans ahead are.

COMPETING WITH GIANTS

Helping more firms take that first step overseas will be a key priority that Enterprise Singapore will be focusing on in the next few years, notes Kathy

Lai, deputy chief executive officer, Enterprise Singapore (ESG). "We want to see more companies with the ambition to scale, to prepare to venture out earlier than later," she says.

While venturing abroad may be "the only option for firms wanting to scale and grow", it also comes with a certain level of risk, she points out. "Those who succeed are the ones who understand that going overseas is not a quick fix but requires a long-term view, patience and capital," she says.

"They are also the ones who have invested in building their capabilities and expertise, and who are willing to form partnerships whether it be with other local companies or foreign companies."

In addition, she says, expanding overseas requires firms to adapt their products and services, as well as to keep innovating to meet the needs of customers in these new markets.

Boh Wai Fong, head of Information Technology and Operations Management, Nanyang Business School, concurs on the need for localisation. The lack of understanding of the local context is one key difficulty faced by SMEs, she observes.

To be export-ready, Singapore firms need to ensure that their products cater to the demands and conditions of the target countries, she says. She suggests that SME leaders spend time overseas and invest efforts to get insight on the ground, as well as to build partnerships to smoothen the process.

But there are many other areas that SMEs need to watch out for, including various consumer behaviour trends. "Furthermore, SMEs should also take

note of developments in the areas of tax regime on goods importation, labour laws, shareholding restriction, currency controls, profit repatriation rules and so on,” says Prof Boh.

Aside from the unfamiliarity with the operating rules and environment, one key consideration that businesses need to look into is manpower. Ms Lai says: “Even the most experienced and internationalised companies are encountering problems in finding the right talents to run or support their operations abroad.”

PREPARING THE PEOPLE

While the case for venturing abroad has been laid out time and time again, businesses need to make sure that they are prepared and ready before taking the first step.

According to Ang Khim Wee, head of business development at Lim Kee Food Manufacturing, there was almost a two-year gap between when the firm started planning to go overseas in 2015 and when it finally sent out its first shipment of products in the third quarter of 2017.

“Instead of jumping straight into it without clear vision and oversight, we took a phased approach towards researching, understanding, planning and strategising on our export plans,” he says.

Since 2017, it has been exporting its products to China, Thailand, Hong Kong and Australia. The family business is a traditional food manufacturer and distributor of oriental foods such as steamed buns, ready meals and meat dumplings.

Mr Ang says that the business made “significant preparations” for overseas exports in three main areas: people, process and products.

In terms of people, there was a need for training in new sets of knowledge and skill sets to be acquired. For instance, its business services team had to be trained to understand shipping, pricing analysis, market assessments and more – all of which were relatively unheard of when they were just purely focusing on the domestic market, he adds.

Manpower can make or break an overseas venture, and businesses are paying more attention to this aspect. This also entails picking the right partners.

Shermaine Koh, vice-president of marketing at igloohome, shares that the startup has been testing out new markets by exhibiting at trade shows, which also gave it the opportunity to meet potential distributors and partners. It attends more than 30 trade shows a year to source for distribution partners around the world. She adds that ESG has also helped the firm to link up with relevant partners, such as big e-commerce platforms.

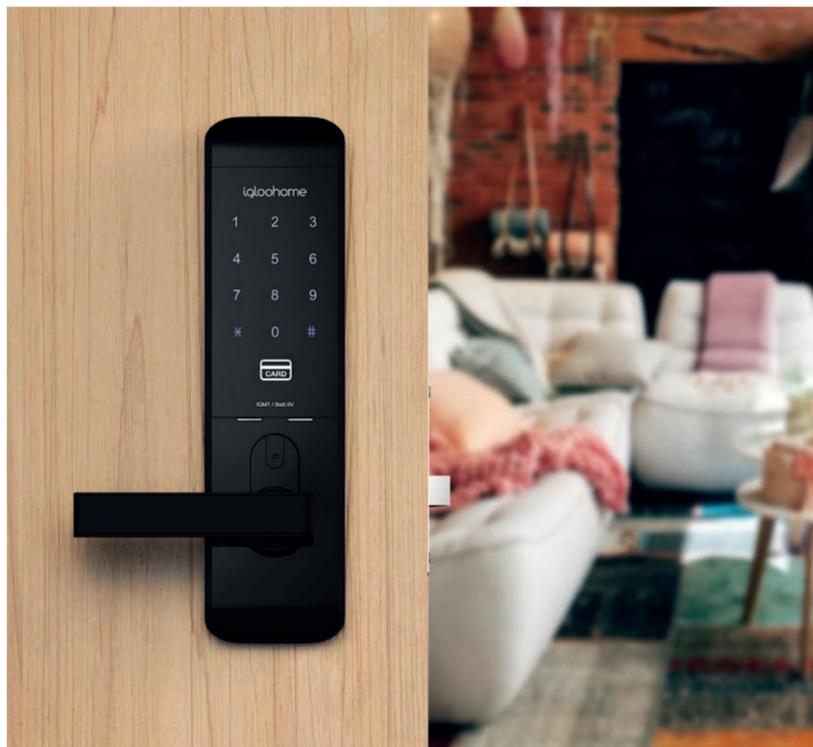
Set up in 2016, igloohome designs smart locks for hospitality and residential properties which allow owners to manage their properties remotely via a mobile app. It is also one of the preferred partners of house-sharing platform Airbnb.

It has now built an extensive network of over 40 global distributors, rolling out its products to over 90 countries including in the Asia-Pacific and the US. Over 80 per cent of its revenue comes from abroad, says Ms Koh.

The firm also had to prepare its staff to cope with its overseas exports. “We set up processes to ensure that our operations and customer support were prepared to handle overseas sales, which includes shipping, and a support hotline that provides round-the-clock customer help to cater for the different time zones,” she says.

Similarly, Jerald Tew, director of high-end ceiling fan brand Spin, says that its business model involves working with distributors to offer its products to local markets. “As a business, we had to minimise the risks by exploring the possibilities of appointing resellers or distributors to carry our products first to test out our ceiling fan’s viability and acceptance in the market first,” he says.

REACHING OUT
Scanteak has built a designer range to penetrate the Japanese market as it wanted to create a collection that would appeal to the Japanese aesthetic



A UNLOCKING POTENTIAL
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READY TO GO
Aalst Chocolate has ensured that it was export ready from the very beginning, equipping its plant with the latest equipment and maintaining stringent quality control

Spin participates in business matching trips or trade shows to look for interested business partners and customers as well as to explore the market’s viability at the same time.

In 2017, it tapped into ESG’s Market Readiness Assistance grant to participate in a trade fair in the Middle East for the first time, where it managed to secure three distribution partners. Currently, its fans are exported to countries such as Dubai, India, Indonesia and Myanmar. Going forward, there are plans to set up offices to support local distributors and resellers in some of the markets that the company is in, Mr Tew says.

PROCESS AND INNOVATION

To go overseas successfully, firms will need to ensure that their processes are efficient and productive to cope with the added demand.

Aalst Chocolate, one of the first chocolate manufacturers in Singapore, has leveraged on technology and innovation since its inception to grow. Connie Kwan, its chief operating officer, says that the firm ensured that it was export ready from the very beginning.

Its plant in Singapore uses the latest equipment and maintains stringent quality control to produce premium chocolate ingredients for the food industry. For example, the auger filler was purchased in 2018 to help with the packing of its premix powder, allowing the firm to target new segments in the market.

A year-long enterprise resource planning (ERP) project was also completed, which improved the company’s internal controls and traceability. In addition, the ERP software also helped the firm evaluate business decisions in a timely manner.

To date, 99 per cent of its products are exported overseas to more than 50 countries.

Ms Kwan shares that the firm has completed a number

of automation projects, enabling the firm to reduce reliance on manual labour and increase production capacity by more than 100 per cent.

Lim Kee Food Manufacturing’s processes are also calibrated to facilitate overseas exports. The company made sure that its infrastructure, standards and accreditation were all appropriately revised and upgraded. For example, it tapped into the Enterprise Development Grant to adopt full-scale automation to improve productivity as well as switching from analogue machines to digital systems to utilise data analytics, smart systems and technologies.

The business operations team also upgraded from a locally-recognised SAC (Singapore Accreditation Council) certification to a HACCP (Hazard Analysis Critical Control Point) certification, and finally to an ISO22000:2005 certification, shares Mr Ang. There are further plans to upgrade its food safety management and processes to keep up with evolving standards.

The company has also developed shelf-stable products, customisation and standard operating procedures for its international partners to better serve their end markets.

Lim Kee is now going one step further to increase the value-add of its products and competitiveness in overseas markets through food innovation. For example, it is collaborating with foodtech startup Alchemy Foodtech to incorporate low glycemic index ingredients into its products.

All these considerations went into preparing the company to penetrate overseas markets successfully, with the European market next on the horizon, Mr Ang adds.

Scanteak is another local brand that is tapping into innovation to compete with global players. Aside from Singapore, the teak furniture specialist is present in Taiwan and Japan currently.

Jamie Lim, CEO of Scanteak, says that the brand started building a designer range in 2012 in order to penetrate the

Japanese market as it wanted to create a designer collection that would appeal to the Japanese aesthetic.

The concept took off and now, Scanteak is in its third designer collection, which is a collaboration with student designers from the Nanyang Academy of Fine Arts. It recently won the Singapore Good Design Award, helping to draw greater interest from around the world.

“To separate ourselves from the region, being a Singapore brand makes a difference. They trust you more,” Ms Lim notes. “Strengthening our brand proposition through design is one aspect, but what separates us from global players is that we are scalable.”

She points out that when Scanteak expanded into Japan, it found ways to shrink its showrooms to bring the same experience to its customers. In this way, less manpower is needed and rental is more affordable, she explains.

Ms Lim says that the homegrown business intends to further deepen its presence in the markets that it is currently in as there is still room to expand its reach, especially in Japan.

GOING ALL OUT

Singapore companies which intend to go overseas can count on the nation’s extensive network of free trade agreements to give them a lift, enabling firms to save on tariffs and improve market access.

Lim Kee Food Manufacturing is among the SMEs that have benefited from Singapore’s FTAs. Mr Ang says that the upcoming European Union-Singapore FTA, in particular, will help the company gain a foothold in Europe.

With the FTA, Asian processed food products will be allowed to be imported into the EU under a reduced tariff concept. While the company is not yet in Europe, it is making plans to do so.

“Though FTAs do not reduce the cost of operations, it helps to increase cost competitiveness when entering into a new market,” he says. “While FTAs seem complex, SMEs should try their best to leverage on them.”

Obstacles may abound as firms venture into uncharted waters, but they do not do so alone. ESG has overseas centres across 36 cities set up to support local firms with market insight and access to local conglomerates as partners or co-investors.

It also has a plug-and-play network of 16 partners in nine markets providing pre-entry market advisory, research and customised business matching services. These are all just a taste of what the government agency offers.

Ms Lai says: “Besides turning to some of the initiatives that Enterprise Singapore has to help SMEs go overseas, I think what’s more important when overcoming challenges is to have an open mind and be flexible.”

She points out that firms cannot expect things to be done similarly to how it is here. “Business owners must also be prepared to navigate a business landscape that can be very different from Singapore.”

She urges firms to invest time and effort to build relations with partners and stakeholders in the market, as well as to get executive talent to spend time there. “The exposure goes a long way to increase their comfort level in operating overseas,” she adds. ■