

# SME WEEKLY NEWS

(2 July 2018 – 6 July 2018)

Countries	Highlights
<p><b>MALAYSIA</b></p> <p><b>MATRADE ties up with Avana to boost SME exports</b></p>	<p>MATRADE is collaborating with local e-commerce platform Avana to increase exports of Malaysian SMEs via e-commerce and social media. MATRADE CEO, Mohd Shahreen Zainooreen Madros said the partnership targets 2,000 local merchants and brand owners who are export-ready to market their products. This is aimed at empowering businesses to break into the digital economy and with the addition of Avana as the new e-commerce platform under the eTrade Programme, there will be more opportunities for SMEs to kickstart their venture into cross-border e-commerce. The eTrade programme is part of MATRADE's initiatives to increase the export contribution of SMEs from the current 17.8% to 23% by 2020. By leveraging the power of e-commerce and social media as well as Malaysians' high level of engagement in both e-commerce and social media, the initiative can help expand the pool of exporters. Shahreen also said that MATRADE is always open to working with the private sector to push our local brands overseas, as it eases access to global markets using a mechanism most entrepreneurs are familiar with.</p> <p style="text-align: right;"><i>(Source: The Star, 2 July 2018)</i></p>
<p><b>THAILAND</b></p> <p><b>Industry Ministry earmarks funds from 2019 for SME growth</b></p>	<p>The Industry Ministry is planning to allocate part of its 2019 budget starting in October as financial tools for SMEs to expand their businesses at home and abroad. SMEs and startups are major engine to mobilise the country's economy as they represent 80% of all enterprises. To drive SMEs' strength &amp; competitiveness, the ministry needed foreign partnership, for example, with the Japanese government, as that country has been successful in implementing SME support measures. The governments have teamed up in helping SMEs and startups gain access to high technology like artificial intelligence, robotics and automation. They are setting up a consortium for high technology, including a master plan covering human resource development to give SMEs and startups access to new robotics and system integrators. The consortium consists of the Industry Ministry, the Technology Promotion Association (Thailand-Japan), the Japan-Thailand Economic Cooperation Society, Japan External Trade Organization Bangkok and the Ministry of Economy, Trade and Industry. The consortium's cooperation time frame spans from 2018-2021.</p> <p style="text-align: right;"><i>(Source: Bangkok Post, 6 July 2018)</i></p>
<p><b>MYANMAR</b></p> <p><b>Myanmar to form special task forces to combat illegal trade</b></p>	<p>Myanmar will form a special task force to curb illegal trade and will conduct surprise check with mobile teams at some main gates. Myanmar Vice President, U Myint Swe said that SMEs suffered from illicit trading while paying tax as they cannot keep up with non-competitive import practices whereby foreign companies undercut Myanmar's domestic producers by flooding the market with cheap surplus goods. The special mobile teams will start operation in Kachin, Shan, Kayin and Mon states and Tanintharyi region, calling for support from the private sector in the move. SMEs are the key player to drive up the country's economy as it accounts for over 90% of total enterprises. According to the Ministry of Commerce, in 2017-2018 fiscal year, Myanmar's foreign trade was worth USD33.52 billion with the private sector performing USD27.24 billion or over 81% of the total trade value. Meanwhile, from April to June 2018, Myanmar's foreign trade amounted to USD7.98 billion, of which the private sector accounted for USD6.92 billion or 87%.</p> <p style="text-align: right;"><i>(Source: Xinhua Net, 6 July 2018)</i></p>

## ONE STEP AHEAD OF THE OTHERS

Home-grown Kong Brothers Enterprise Sdn Bhd, a local shoe manufacturer has been around since the 1970s. Its founder, Kong Kwai Meng says he started his journey in the trade during the 1960s as an apprentice shoemaker. As the fortunes of local shoe manufacturers changed over the years, Kong has tweaked his business model accordingly to ensure Kong Brothers continued flourishing.

Kong Brothers currently works with over 100 wholesale customers while managing their own network of over 100 consignment counters across departmental stores in Malaysia. Kong is focused on creating a clear division between his business models, namely, assigning select brands to either its wholesale or retail channels.



“By having wholesale specific brands such as Green Point Club and Speedy Rhino, it reduces the conflict of interest among our wholesale customers and us running our own retail consignment operations,” he reasons. They retail brands such as Knight, Noveni and Louis Cuppers.

Currently, over 70% of the company’s total sales are made up of women’s shoes. Men do not purchase shoes as often compared to women, but he notes that style-conscious men have more than one pair of shoes beyond their formal work shoes. Brighter colours and glossy-patent finish are often favoured by younger shoppers while muted and matte-finished shoes appeal to the older crowd, says Kong.

When asked about their venture into e-commerce, Kong says they do work with online marketplaces such as Zalora. However, sales from online platforms remain fairly mediocre as consumers largely prefer to try on a pair of shoes prior to purchase. He ensures that shoes sold through e-commerce channels do not cannibalise its brick-and-mortar market by

having an online specific collection. Also, Kong Brothers exports its products to countries in South-East Asia, the Middle East and Africa.

In terms of R&D, the company moved their R&D department from Malaysia to China recently due to ease of access to raw materials there. It typically takes about six months to develop and produce one design. But with the R&D department closer to the source materials, it allows them to come up with new designs faster. Kong says only a small selection of men’s shoes and sandals are still made locally while the bulk of its production has been outsourced to China. This helped them reduce production cost as investments into manufacturing assets decreased.

One of the key drivers for the business is its investment into advertising and promotion (A&P). Kong says they would spend a minimum of RM100,000 per annum. Much of their A&P spending is spent on in-store point-of-sales advertising such as merchandising display, shelf strips and shelf blades. Out-of-home marketing efforts include placing billboard advertisements.

Despite the rising prominence of fast fashion in Malaysia, Kong is adamant that the old adage of a pair of comfortable shoes will remain timeless. “We cannot escape the fact that shoes are a fashion item and it is up to us to ensure our collections follow current trends. However, if a shoe is uncomfortable, the likelihood of the user to repurchase from that brand is much lower,” he says.

*(Source: The Star, 2 July 2018)*

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