

SME WEEKLY NEWS

(22 October 2018 – 28 October 2018)

Countries	Highlights
<p>MALAYSIA</p> <p>SME Corp to continue TUBE programme</p>	<p>SME Corp.Malaysia which has been placed under Ministry of Entrepreneur Development (MED), will continue to implement the Bumiputera Budding Youth Entrepreneurship (TUBE) programme to create more Bumiputera youth entrepreneurs. Its Deputy CEO II, Mohd Rithauden Makip said the assurance was given by Minister of MED, Datuk Seri Mohd Redzuan Yusof who wanted the agency to continue conducting entrepreneurship development programmes, including TUBE. This was in line with the mid-term review of the 11th Malaysia Plan's (2016-2020) presented by Prime Minister, Tun Dr Mahathir Mohamad recently, which emphasised the economic development of SMEs. Since its launch in 2014 until 31 Aug 2018, the TUBE programme has produced 4,396 of Bumiputera youth entrepreneurs in various business sectors out of 4,422 participants, boasting accumulated sales of RM88.1 million. It has created 6,679 jobs, as well as provided opportunities for disabled people to participate in entrepreneurship through entrepreneurial technical facilities and training.</p> <p style="text-align: right;"><i>(Source: Daily Express, 24 October 2018)</i></p>
<p>THAILAND</p> <p>Bank of Thailand weighs SME lending requirements</p>	<p>Bank of Thailand is considering whether to allow banks to demand additional collateral to back loans extended to SMEs that are unable to fully comply with the single account scheme practice. The move is to help SMEs that are not ready to comply with the new lending requirements to access loans from FIs. Under the single account scheme, the central bank requires banks to give greater consideration to financial, which has stoked concerns that the scheme will lessen SMEs access to finance as they tend to use more than one financial account and submit the smallest one to avoid tax. Commenting on the planned implementation of International Financial Reporting Standard 9 (IFRS 9), Mr Chakkrit said the country should adopt local rules such as letting banks fully set aside loan-loss provisions in the first three years for loans extended to SMEs that turn sour to prevent the impact on SMEs. The new accounting report standards that require banks to immediately set aside the entire provision for credit loss would lead to more difficulty for SMEs in accessing borrowing from FIs, as they would be reluctant to lend to SMEs or charge them higher interest in return.</p> <p style="text-align: right;"><i>(Source: Bangkok Post, 27 October 2018)</i></p>
<p>PHILIPPINES</p> <p>Over 400 Cordillera MSMEs benefit from DOST business program</p>	<p>Around 400 MSMEs in Cordillera region have benefitted from the business upgrading program of Department of Science and Technology (DOST) called Small Enterprise Technology Upgrading Program (SETUP). The number of SETUP enterprises in the region increases by about eight enterprises per province yearly. For 2018, DOST has allotted 39 million pesos for the program implementation, which includes capability training and loan for those wanting to upgrade or purchase technologies. SETUP is a nationwide strategy to encourage MSMEs to adopt technological innovations, develop new products and establish or sustain market niches, while enhancing its productivity and competitiveness. Among assistance provided under SETUP are: infusion of technologies to improve/develop products or services; HR training and productivity consultancy services; assistance for compliance to regulatory and market standards; and provision of financial assistance to facilitate acquisition of appropriate technologies. The priority sectors under SETUP are: food processing, furniture making, gifts & decors, handicrafts; agriculture, marine, aquaculture; metals & engineering, ICT and health & wellness products.</p> <p style="text-align: right;"><i>(Source: Philippine News Agency, 26 October 2018)</i></p>

SINGAPORE

**Digital upgrade failed
for 3 in 4 SMEs**

Based on a study by Association of Small & Medium Enterprises (ASME) and Microsoft Singapore, only one in four leaders of SME in Singapore said they were able to succeed in executing digital transformation in their business. The SMEs who are actively implementing digital initiatives projected that their investments will deliver an average of 26% in revenue gains and achieve an average of 22% in cost savings. The strong projection on bottom-line impact revealed in the study suggests that SME leaders are optimistic about the tangible benefits of digital transformation. Majority of SME leaders said they already have basic technology solutions, such as office productivity tools (86%) and email (81%) in place. Big data analytics, artificial intelligence and machine learning solutions currently have the lowest adoption rates, but almost 20% of leaders said that they plan to adopt related solutions in the next 12 months. SME respondents also perceived that digital transformation is high-cost, citing this as a top barrier to digital transformation. However, leaders from the medium-sized enterprises (50 to 99 employees) view employee resistance (15%) as the top challenge to digitalisation.

(Source: Singapore Business Review, 23 October 2018)

SPICING UP A BRAND

Garry Gan, a mechanical engineering graduate, was tasked to take over a debt-ridden company and engineered ways to keep its operations afloat to pay off its debts. The company, which manufactured flour and curry products, was a family investment that went awry. Although he managed to breakeven on its cashflow after three years, the company was in a state beyond repair.

It was a challenging time. "I didn't want to be the youngest bankrupt among my friends," laughs the 35-year-old. When operations somewhat stabilised, he decided to start a new entity to reboot the business. Gan founded Hexa Food Sdn Bhd in 2007 to manufacture herbs and spices for the local market. Coming off from his experience of winding down the previous company, Hexa, he says, was a walk in the park. "Hexa came with a plan. We knew what we wanted to do for the first three years, which was to focus on building the brand," he explains.

According to Gan, brand investment commands about 5% margin or more. Unlike larger established players in the market that have big advertising budgets, brand building for SMEs is like running a very long marathon. And as a small entity, there was little room for margin of error. Mistakes in any of these areas will set you back for some time, he says. Getting quality ingredients and building a strong relationship with its suppliers were also key to Hexa's growth in its early days.

Hexa's business was initially focused on the business-to-business (B2B) market. Gan wanted to ensure the company was on firmer footing and for the brand to be stronger before going into the retail segment. The market then was, and still is, dominated by the likes of Baba's and Adabi. "If you go to supermarkets, the big brands you see on the shelf 10 years ago and now are the same. Your opponents are strong, so if you are going into the consumer market, you will need something to do well," he says.



So he spent some years strengthening its operations and building value in the Hexa brand. It was also about looking for a partner who could understand its challenges. "You need a good partner. Otherwise, you'll be off the shelves very fast," he says. The partnership has served him well. Not only has Hexa grown in the local market, it is also going places with its distributor. Hexa currently works with its distributor in the Malaysia, Brunei, Indonesia and Dubai markets.

Export currently makes up about 18%-20% of its sales. He is hoping to bring that up to 30% in three years' time. And this, also depends on a good partnership with its distributors. Gan notes that different parts of the South-East Asian region have different taste profiles and getting the right product mix is important in capturing the market. For this, it continues to invest in R&D works.

Apart from herbs and spices, Hexa also expanded into seasonings segment, which Gan says will be the future driver of growth. Spices currently make up the bulk of its sales at 70% while seasonings take up the remaining 30%. Over the years, Hexa has also looked into other aspects of its products to help the brand stand out in the marketplace including convenient and innovative packaging and adding fun elements into its product design.

Hexa enjoys an average growth of about 20%. Hexa turned in revenue of about RM12mil in 2017. Gan is targeting sales of RM14mil this year and RM16mil for next year. Hexa has about 75 people under its employment and Gan says the company will continue to focus on human resource policies, training, getting its SOPs right and digital marketing for future growth.

(Source: The Star, 22 October 2018)