SME WEEKLY NEWS

(23 December 2019 – 27 December 2019)

Countries	Highlights
MALAYSIA **Free ad space worth RM1m for SMEs under SME Corp**	Adwork is offering RM1 million worth of free advertising space to local SMEs registered with SME Corp Malaysia. While mainstream advertising has been a 'privilege' to big players with huge marketing budgets, SMEs do not have this luxury. Thus, Adwork is making advertising more accessible online and affordable for SMEs. Adwork will be offering RM1 million worth of free advertising space to users through cash rebates, value-added deals and discounts of up to 70%. While Adwork is available for all businesses and organisations, the platform is specially designed for SMEs with an annual revenue of RM50 million or below. Adwork expects to see a strong take-up and increased overall advertising expenditures by SMEs, with an initial estimated target of RM5.7 million in revenue by the end of 2020. SMEs make up 98.5% of all businesses in Malaysia, yet only 25% of these businesses allocate advertising expenditure to create brand awareness. One of the main reasons for the reluctance to spend on advertising is the misconception that advertising is for larger business players. *(Source: The Malaysian Reserve, 27 December 2019)*
SINGAPORE **SME business expansion outlook dampens for 1H 2020**	Smaller firms are scaling back expansion plans next year in the wake of lower expectations amid the trade war, reported a survey by Singapore Business Federation (SBF) and Experian, polled about 3,600 SMEs. Companies remain pessimistic about 1H 2020, with the gloom is most apparent in industries that rely on exports given the uncertainties stemming from the trade war. The SBF noted that export segments like commerce and trading expect continued challenges as a result of the uncertain global economy. SMEs in this sector may struggle to raise financing as lenders might be more cautious in extending credit to a high-risk industry that can be impacted by global headwinds, the SBF said. The trade war is also affecting domestic segments such as retail and F&B as they registered the most significant decline in turnover expectations. SMEs, especially in the commerce, trading & retail and F&B sectors, seem to be approaching 2020 with caution, acknowledging the anticipated slow pace of the economy's recovery and risks arising from global uncertainties. However, manufacturing is a bright spot, as the sector may be seeing order books stabilising in 1H 2020. It also registered an increase in hiring expectations, possibly suggesting that companies are anticipating a need for more manpower to handle volumes over 2020. *(Source: The Straits Times, 23 December 2019)*
LAOS **Laos' central bank set to use $300M China loans for SME financing**	The Bank of the Lao PDR (BOL) is gathering information on commercial banks as it expects to allocate credit for SMEs. Twelve commercial banks involved in the government's SME promotion project will receive loans totalling $300 million from the China Development Bank (CDB), to be channeled to SMEs in three phases, with each phase comprising $100 million. The central bank is now collecting information about the readiness of the banks involved in the initiative on SME funding before submitting a request to the CDB for the withdrawal of the first tranche of $100 million at the end of this year. It is hoped that the $300 million provided by the CDB will enhance the ability of Lao banks to finance SMEs. The Governor said banks had worked hard to minimise burdens and provide borrowers with access to finance, but in some cases loan applicants were unable to meet banks' lending criteria. In 2020, BOL as the nation's central bank will continue to partner with various sectors to roll out important policies related to the management of foreign currencies, debt, and exchange rates, and other issues. *(Source: The Phnom Penh Post, 24 December 2019)*

THAILAND **Scheme okays 28 SMEs**	An initiative offering 3 billion baht in soft loans to SMEs has had 28 companies approved, obtaining loans for a combined 70.8 million baht, according to an Industry Ministry report. The loan programme is part of the 20-billion-baht Pracha Rat fund supporting SMEs, offering an annual interest rate of 1% for seven years. The loans aim to support SMEs in the agriculture, creative and digital sectors. The government's policy prioritises the effort of improving the business efficiency of SMEs in a bid to boost the country's economy. Going forward, the ministry plans to spend 52.6 million baht in 2020 for five SME support projects for new entrepreneurs; food and processed food companies; SMEs in the eastern region; new circular economy businesses; and research and innovation activities. These five new projects will help SMEs to contribute more than 150 million baht. The ministry is also considering 17 new SME support projects worth 143 million baht. It plans to propose an administrative committee for SME development funds under the Pracha Rat scheme to approve the plans. *(Source: Bangkok Post, 27 December 2019)*

A DOSE OF GOOD MEDICINE

Steve Loh remembers vividly the days when everything seemed to work against him. "Growing up in a house without running water or regular electricity supply, most of my spare time were spent helping out at my parents' fruit stall. When other kids were busy playing, I would follow my father into the jungle to collect durian to sell," says Loh. But instead of whining about his circumstances, Loh took his tough beginning in strides, excelling in studies and graduated to become a pharmacist.

After serving more than 4 years with the government, he worked as a pharmacist with one of the local pharmacy chains for about two and half years before deciding to step out on his own. Things certainly did not get easier once he started his first outlet under the OK Pharmacy brand with his wife in 2011. His former employer-turned-competitor deliberately bought the premises he was renting and ordered him to move out within 24 hours. "We moved out in desperation but managed to get another shop as a last minute replacement, allowing us to at least continue serving the area," Loh recalls.

Today, through hard work and with the right team and determination, Loh is leading the business as the CEO of OK Pharmacy, one of the fastest growing privately held pharmacy chains within the Klang Valley. The company is now well placed for steady growth, but only if it continues to sharpen its strategies, invest in its people and put in place a plan for succession. This is crucial in order to stay the course in delivering competitive products and improve customer satisfaction.

OK Pharmacy is looking at acquiring other pharmacy chains to grow its market scale next year. The pharmacy retailer is currently finalising talks to acquire smaller peer which has around 6 to 7 outlets to add to its current network of 15 stores. Besides acquisitions, they are also developing franchise opportunities for young pharmacists to be business owners. According to Loh, scale is getting increasingly important as the industry is experiencing a margin compression for supplements and generic drugs as price competition is getting stiff with increasing number of pharmacies. Nevertheless, the group believes with products & service quality, it will continue to expand.

Loh and his wife Carol Liew currently own more than 70% of the shares in the company. It currently operates throughout Klang Valley with a staff strength of more than 80 people, including more than 20 pharmacists. Its turnover breached RM25 million this year and Loh expects sales to hit more than RM30 million by end-2020.

One of the main challenges in expanding its store count is getting the right partner to manage the outlets. But they will continue the effort to recruit young pharmacists and turn them into business owners. This will also help to elevate the financial standing of pharmacists. Loh ensures that enough attention is given to grooming his team so they are able to give the best service to customers.

Going forward, Loh says the team at OK group will continue its quest towards expansion, includes building up an online presence. Plans are also in place to set up or acquire a manufacturing facility to move upstream and start a generic drug and food supplement manufacturing division. While the overall consumer retail spending in Malaysia has been sluggish in the past three years, Loh is confident that the healthcare industry, including the pharmaceutical segment, will continue to grow.

"Given my family's background, it is obvious that to achieve success in life is never going to be easy. Similarly, OK Pharmacy's journey from a struggling single outlet to a fast growing chain of stores has been filled with challenges. But Loh and his wife show that the willingness to swallow the bitter pill is the best medicine to overcome your ruthless business rivalries and naysayers.

(Source: The Star, 23 December 2019)

Knowledge Management & Strategy Division
SME Corp. Malaysia
31 December 2019