SME WEEKLY NEWS

(2 September 2019 – 6 September 2019)

Countries	Highlights
MALAYSIA **Malaysia's aerospace businesses to chalk up in revenue**	The local aerospace industry is expected to record an average of RM500 million to RM1 billion increase in revenue yearly, fueled by continued investments from both foreign and local companies in the supply chain network and supported by large aircraft backlog order books. President of Malaysia Aerospace Industry Association (MAIA) said more homegrown SMEs had begun to venture into the aerospace supply chain, manufacturing and maintaining aircraft components and sub-assemblies. Local SMEs could enhance their manufacturing and engineering capabilities to benefit from the OEMs' burgeoning demand for aircraft parts & components but acknowledged the high capability barrier to entry. The aerospace sector can be a lucrative business for local suppliers but they need to get certified and then approved by OEMs to produce aircraft parts & components. Certification provides long-term earnings visibility in high technology sector for the aerospace supply chain network, thus giving a steady cash flow for local suppliers. *(Source: New Straits Times, 3 September 2019)*
THAILAND **TCG to up guarantees for SME financing**	State-owned Thai Credit Guarantee Corporation (TCG) has been instructed to provide 70 billion baht worth of loan guarantees under the 150-billion-baht Portfolio Guarantee Scheme 8 (PGS8) for the remainder of the year as an engine to boost economic growth. Deputy Finance Minister, Santi Promphat said PGS8 enables SMEs to more easily access bank loans at reasonable cost. Interest rates for loans guaranteed by TCG depend on each participating bank, with the lowest rate at 4%. Of the total 150 billion baht, 40 billion is set for low-rate SME loans from Krungthai Bank and Government Savings Bank, 10 billion is for SMEs with a single financial account, 2 billion each is for the SMEs Supply Chain Franchise scheme and SMEs that are cooperatives, and the remaining 3 billion is for SMEs that have a letter of guarantee issued by state agencies. The ceiling guaranteed loan value under PGS8 is raised to 100 million baht per SME from 40 million. At least 43,000 SMEs are expected to tap loans guaranteed under PGS8. *(Source: Bangkok Post, 6 September 2019)*
MYANMAR **Yangon sets out to improve 100 small businesses**	The Yangon Region government is seeking to develop MSMEs for larger growth plans, says Yangon Region Chief Minister, U Phyo Min Thein. As part of its efforts to boost MSMEs, the regional government has been providing financial assistance to 100 selected companies to help them grow and access markets quickly. The selected companies were also recommended for bank loans. Of the 100 MSMEs selected, 40 were qualified to receive loans from banks. The regional government is currently working with the other 60 MSMEs to ensure that they will qualify for loans. As some of these SMEs are home-based, they lack proper documentation and financial records, thus preventing them from applying loans. The Chief Minister says the goal now is to help these businesses to set up things such as financial reports and business plans so they can easily apply for loans. The regional government is now about to select another 100 MSMEs for the programme. The focus for the selection will be on micro businesses in sectors such as tourism services, agriculture and livestock, among others. *(Source: Myanmar Times, 3 September 2019)*

A SPICY JOURNEY

WHEN businesses become so secure in their success that they fail to innovate, the consequences can be fatal. It was also a lesson that Wan Mohd Azizul Solehin learnt. His family business, Pasir Pekan Haji Halim Catering was one of Kelantan’s top two caterers, renowned for its signature gulai. In 2012, the family decided to expand their range by selling the spice blends used in their dishes.

Armed with 200 sachets of spice blends, Wan Mohd walked into Pasar Siti Khadijah, feeling confident that his products would sell like hot cakes. He was in for a shock as only less than ten sachets was sold; customers preferred the cheaper products sold by other traders. At that moment, it hit me that we’d been in our comfort zone for too long, says Wan Mohd.

Thus, began his mission to transform Haji Halim from a business that catered exclusively to local market into a brand with national, and possibly international, to reach through new channels. This was how the idea of selling its spice blends under the Rempah Haji Halim brand came about.

Without a mentor to guide him, Wan Mohd made a string of rookie mistakes. One of them was a RM30,000 investment in a packaging machine that was later found to be unsuitable for their operations. He also hired sales staff who turned out to be deadwood and bought two cars, which were underutilised, to support the business. All in all, he lost about RM100,000 of his hard-earned savings in the first year because he was overconfident.

Swallowing his pride, he made some changes to the business in 2017. Since stocks were not moving as fast as he’d like, he scaled down production by half and got rid of underperforming full-time staff. These days, he hires workers on an ad-hoc basis – they come in only when production supplies ran low.

Crucially, Wan Mohd made a strategic decision to focus on urban market segment. From observing market trends and data analytics, he noticed a growing interest among middle-class urbans in discovering authentic local taste. “Over 80% of sales came from outside Kelantan via the Internet. This group has higher spending power and don’t mind paying more for quality products and a nice presentation,” he says. Over the next year, Wan Mohd went on an online marketing blitz to generate a strong presence on social media and e-commerce platforms like Shopee and Lazada.

With his business at last on a stable financial footing, Wan Mohd worked to penetrate the lucrative food tourism sector. His goal: to put his home state on the culinary map. “I’m talking about brands that instantly recall their place of origin, such as Ipoh’s Old Town White Coffee, Pahang’s Sambal Hitam, and the likes. If you ask anyone to name an iconic Kelantanese food brand, he would have a hard time thinking of a single one.” This is where he believes Rempah Haji Halim can fill the gap.

Wan Mohd is also in the midst of constructing his own mill to grind spices. Sourcing, packing and labelling currently are done in-house, while milling is outsourced to a subcontractor. Located in Pasir Pekan, the completed building will include a gallery where visitors can cook and grind their own spices, and learn the story of Rempah Haji Halim’s evolution told through a collection of old photos and memorabilia. Ultimately, Wan Mohd hopes that Rempah Haji Halim will be like Ramly Burger and Adabi, which not only became big brands but have successfully bridged the generation gap.

(Source: The Star, 2 September 2019)

Knowledge Management & Strategy Division
SME Corp. Malaysia
11 September 2019