

No short-cut to success

Entrepreneurs should understand just how hard it is to make money



ENTREPRENEUR.

I believe many entrepreneurs out there, like me, find it difficult to spell this word, let alone understand what it means. But I have to admit that it is definitely more stylish to tell your friends that you are an entrepreneur dealing in lifestyle products when you are actually selling cheap imported tee-shirts in a pasar pagi or more elegantly put... Sunday bazaar.

Back in the good old days, life was much simpler. You either aspire to be a teacher, doctor or a businessman. Businessman? Teachers frown upon such childish notions as that would mean you will drop out at Form 5 to take over your father's fish stall in the wet market. You either aim for the civil service or be a professional something. Oh God forbid, you will end up being a small time businessman.

So back in the 80s, many of my university mates joined prestigious banks and major corporations. When we met, I did not know how to tell them I was a small-time businessman so I described to them. I sold razor blades, food products, lozenges, confectionary and now I just tell them I am a lipstick salesman. The entrepreneur word was not in vogue then and till today, I still do not understand why this word is so highly regarded by businessman wannabes.

Fast forward to November 2011.

The Economic Transformation Programme (ETP) is in full swing and moving into its second year of the 10-year road map. Its noble intention is to create a high income nation with per capita of RM48,000 per annum for a population of 32 million in 2020. So, an average size family of four should be earning about RM200,000 pa which should be about middle-class standard in the year 2020.

Last week I attended the ETP seminar organised by Ernst and Young as a panelist. I accepted the invitation because I wanted to listen to the speech by the much-admired Datuk Seri Idris Jala. And also because I was asked to look into what and how SMEs can benefit by participating in the ETP from an entrepreneur's viewpoint.

So I googled ETP and from the excellent and well-presented website, I was inundated with volumes of data and information and, best of all, a zillion acronyms. Conceptually, 12 New Key Economic Areas (NKEAs) were identified to drive the ETP. These are existing economic sectors so I have no idea what is so "new" about it.

Anyway, I concentrated on Wholesale and Retail, an (N)KEA that has identified 13 Entry Point Projects (EPP). The EPP is basically 13 different projects identified to help drive the Retail KEA forward to create more jobs and increase GNI or gross national income. Still with me?

From the 13 EPPs, some were existing projects with new packaging, some with fancy names and acronyms except the words SURE TO FAIL. Definitely written by inexperienced Consultants having

to justify the high fees charged to Pemandu.

But there were some good EPP ideas with good intent. I particularly like TUKAR which sets out to modernise the traditional *kedai runcit* into modern retail shops like KR1M. Five thousand shops in 10 years means an opportunity for 5,000 entrepreneurs assuming that it is based on a franchise concept. Champions like Mydin have been identified to lead the transformation. But will this concept work?

Like all franchise business models, the franchisor develops the concept and the SOPs and makes money from the upfront franchise fees plus enjoys continuous royalty income from a percentage of sales and trading margins from the supply of goods.

Since this project is driven by the ETP, entrepreneurs will be able to obtain bank loans to pay the franchise fees and renovation costs. A typical retail shop should be able to garner a monthly sales turnover of RM100,000 to RM150,000.

To enjoy middle-income status, he would need to have a clean profit of RM15,000 a month after paying rental and staff expenses which is approximately 10% of sales. This is where the math does not add up.

KR1M shops have to compete with the low prices of hypermarkets and supermarkets worldwide make a net profit of 2% to 3% on a huge sales turnover. Low turnover requires high margins, so the current expectations of the politicians and public of KR1M competing with hypermarkets on low prices is unrealistic and foolish. The entrepreneur will suffer a slow and painful death.

But in Malaysia, KR1M entrepre-

neurs can still survive if they do not have to repay bank loans, get better margins from backend bulk purchasing and by not paying royalties to the franchisor.

The champion franchisor will have to forego the bulk of the profits and perform a national service role of developing 5,000 successful entrepreneurs.

Foreign companies now control 65% of our hypermarket business. The ETP retail road map is our only hope for local entrepreneurs to regain lost market share in the retail industry. Local champions like Mydin must step forward and genuinely help Malaysian entrepreneurs to realise our national ambitions. There is still hope.

I strongly advise entrepreneurs to study the 12 NKEAs carefully and look for suitable opportunities that will be created by the ETP. Amid the 131 EPPs, you might just find one good opportunity for yourself. And that will be good enough even if you do not understand the rest of the mumbo jumbo.

As for me, I have to order 24 roses from the flower saleswoman to celebrate my wedding anniversary next week. But I have to cancel my 24-carat EDD initiative with Poh Kong.

Amid the uncertain euro debt debacle, my Expensive Diamond, Darling project would seem unrealistic and foolish. Hope my wife understands or this businessman will suffer a slow and painful death.

● The writer is an entrepreneur who hopes to share his experience and insights with readers who want to take that giant leap into business but are not sure if they should. Email him at thtan@alliancecosmetics.com