

ADVERTISEMENT

Business

Entrepreneurs try to find opportunity amid the COVID-19 uncertainty



Lee Junxian, co-founder of Singapore-based relocation start-up Moovaz. (Photo: Tang See Kit)



[Tang See Kit](#)

26 Oct 2020 06:08AM | (Updated: 28 Oct 2020 11:08AM)

SINGAPORE: Less than a year after opening their first business, Lee Junxian and his co-founder found themselves wondering if they should keep going or pull down the shutters.

It was 2008, the Singapore economy was feeling the wrath of a global financial crisis. The business – a late-night stall serving up waffles and other snacks to students living in a hostel within the National University of Singapore (NUS) – was still finding its feet and the challenges of an economic downturn were hard to ignore.

ADVERTISEMENT

That was also the year Mr Lee and his business partner graduated from NUS.

“While there were many F&B outlets near the hostels, these operated during the day. At night, we had a monopoly,” he said.

“That was the market gap we saw and we felt we had a sustainable competitive advantage ... but the economic crisis was shaping up to be a major one. As new business owners and fresh graduates, we had to decide what to do next.”

They chose to press on and later as the business stabilised, the pair decided to venture out of campus with a Japanese restaurant in the central business district. But the office crowd proved to be more cautious spenders amid a weak economy so the restaurant closed after a year in 2009.

Mr Lee recalled the experience as a “rite of fire” that sharpened his business strategies.

ADVERTISEMENT

“We had to figure out how to run a food retail business when people were not spending. (After closing the restaurant), we quickly decided to focus on hostels and industrial parks where there’s still demand and competition is relatively low,” he said.

“That turned out to be the silver lining that saw us through the financial crisis.”

Since then, the snacks stall has grown into a cafe chain called Reedz Cafe, which operates primarily in tertiary institutions and business parks. Mr Lee has also gone on to start three technology start-ups.

His latest venture is relocation start-up Moovaz which, like many other businesses, is attempting to navigate the effects of the COVID-19 pandemic.



The Singapore skyline. (File photo: AFP/Roslan RAHMAN) The Singapore trade minister said officials were hopeful of reaching agreement on the China-backed free trade pact - which will be the world's largest - in November AFP/Roslan RAHMAN

Earlier this year as lockdowns kicked in around the world, demand for the start-up's international moving services fell by as much as 90 per cent. But the situation is not all doom and gloom, said the serial entrepreneur.

ADVERTISEMENT

"With the pandemic, the playing field has been equalised because everyone has been hit. People are in a collaborative mood now and even if you're a small player, they will be willing to give you a chance if you have a solution."

For instance, Moovaz has the advantage of having gone digital from the start and is now tapping its wealth of data to solve emerging pain points in global mobility and cross-border logistics industries.

[READ: Companies seek new opportunities to stay afloat amid COVID-19 pandemic](#)

It is also eyeing radical shifts brought about by the pandemic, such as the rise of remote working and how it will lead people to move either back to their home countries or to different locations.

"What happens if people no longer need to stay in high-cost cities just to be near their workplaces? One of our hypotheses is that people will move out of these cities to places that are lower cost but with good infrastructure and a higher quality of life," he said.

These include Indonesia's Bali, which has been attracting digital nomads even before the pandemic, and emerging hotspots like Estonia and Croatia.

ADVERTISEMENT

“There are opportunities, you just have to look for it,” he added.

OPPORTUNITIES

Mr Lee is hardly the only one who has a glass half-full mentality amid the pandemic-induced recession.

“Opportunities occur during a crisis,” said Mr Christopher Quek, the managing partner of early-stage venture capital firm Trive.

He noted how Indonesia’s Gojek, Grab, Tokopedia and Bukalapak – dubbed the country’s four “unicorns”, or new companies valued at more than US\$1 billion in private funding – were launched within two years of the 2008 global financial crisis.

“See where they are today. COVID-19 is just another global crisis for start-ups to innovate and allow the acceleration and adoption of the technology wave,” said Mr Quek.

At the moment, investors CNA spoke to see momentum building in areas such as food security, healthcare, education, online communications, e-commerce and logistics.

E-commerce and health technology start-ups have benefited from the increased demand for at-home services and delivery, said Ms Amra Naidoo, co-founder of Accelerating Asia, an accelerator and venture fund focusing on early stage start-ups.

Among its portfolio, education technology also sees potential as the pandemic has given rise to the value of remote learning tools and platforms, she added.

[READ: Business resilience in the time of COVID-19: The story of a picnic company, a magician and a corporate training firm](#)

Noting that entrepreneurs can take “a broader perspective”, Mr James Tan, chairman of Singapore’s Action Community for Entrepreneurship (ACE), said: “Take a growing industry like food tech, it does not necessarily have to be about starting a vertical farm. What about the other aspects, such as storage and delivery?”

“You can take a part of it and ask yourself if this is being tackled. If there are too many vertical farms, maybe you can look at supply chain and distribution,” added Mr Tan, who is also managing partner at Quest Ventures.

Sectors that are being battered by the pandemic also bear opportunities, although one will need to time for a recovery and be more selective.

Food delivery, for instance, continues to have its moment in the spotlight. Within the food and beverage (F&B) retail business, Mr Lee observed the emergence of “a tale of two cities”.

“Those that are serving the office crowd are having a tough time but there are others that are thriving, like those serving the work-from-home crowd in the malls or closer to residential areas,” he said.

[READ: 'It's about trying until our last breath': New F&B players cook up survival plans for COVID-19 crisis](#)

A new kid on the block who is undeterred by the COVID-19 turmoil is first-time cafe owner Shermaine Khoo.

“Much as it is unfortunate that there is a pandemic, I believe I’m ready and as long as I present a place that is comfortable and that serves good food, customers will come.”

So far, business has held up with the one-month-old cafe “constantly full house” on the weekends. It sits 35 people at any one time with the safe distancing measures in place.

“I was expecting some impact initially but surprisingly, we’ve had quite a crowd. I think people are more willing to go out during Phase 2 and because they can’t travel and are working from home all the time, they have been more open to visiting new places locally to make up for that.”

She added: “COVID-19 has taught me to be thankful for things in life. I’ll like to be optimistic in this case to think that (the cafe was) launched at a better time, compared to before the ‘circuit breaker’ ... and I think it will get better.”



Shermaine Khoo (left) and her brother, Sherman Khoo, at their newly opened cafe along Kampong Bahru Road. (Photo: Tang See Kit)

CHALLENGES

To be sure, these remain tough times for running a business.

At Kream & Kensho, some plans like launching a full menu to include a different concept at night had to be delayed due to safety measures in place and a manpower crunch.

Currently, the F&B services sector faces a 38 per cent dependency ratio ceiling (DRC) and 13 per cent S Pass sub-DRC, which will drop to 35 per cent and 10 per cent respectively in January next year. The DRC refers to the proportion of foreigners a company is allowed to hire.

But recruiting Singaporeans for F&B jobs remains a big challenge. “Even though there are people who have lost their jobs due to the pandemic, they don’t want to work in F&B,” said Ms Khoo.

In the world of technology start-ups, a certain degree of caution has set in among investors, making it difficult for start-ups to secure much-needed investments.

“Certainly at the start of the pandemic and circuit breaker, there was a slowdown as investors focused on supporting existing investments and companies,” said Ms Naidoo.

Noting that some of its portfolio start-ups have managed to close funding rounds amid the pandemic, Ms Naidoo said: "What we're seeing is a shift in the way that investments are being made. While there were multiple visits in person before, a lot of investors and entrepreneurs are taking the conversations virtually and adjusting due diligence procedures now."

[READ: Higher grants, more mentorship support for first-time start-up founders under enhanced programme](#)

[READ: About 330 offered jobs with start-ups under SGUnited package between April and June](#)

Mr Quek noted that there remains funding capital, especially for start-ups in the pre-series A stage, with venture capitalists focused on a few considerations. These include a burn rate which has to last 30 months, up from 18-24 months, as well as a path to profitability.

Burn rate refers to the rate at which new start-ups are spending its venture capital to finance spending before generating its own profits.

"No longer do VCs allow growth with no profits in sight. There is a clear focus on back to basics to ensure the start-up is making money as it grows," he said.

"There is also a need for clarity on the exit strategy. Too often, start-ups focus on the potential of the business that they forget about the investors' requirement of getting a return."

Echoing that, Ms Naidoo said investors are taking a "deeper dive" with a focus on business models earlier in the cycle. Now more than ever, start-ups will have to be "very mindful" of cash flow and work on mitigating risks.

"Having a solid business model and revenue streams is something we've always looked for but there's a trend more generally to dive even deeper and look if it's a sustainable, robust business model for the future."

This is "not necessarily" due to COVID-19 uncertainties alone but also "thanks to the exposure of a lack of a robust business model in some very high profile start-ups globally", she added.

NO IDEAL TIME

Mr Tan from ACE thinks that more people could turn to entrepreneurship amid the uncertain economic climate, with some being "driven by necessity" given the grim labour market.

"Whether this is a positive thing, it remains to be seen because there could be more people with the same idea and not everyone will succeed."

Ultimately, there is no "perfect or ideal time" for entrepreneurs to take the plunge, others said.

"I think that if you have a sound idea, there's room in the market, a solid business model and are passionate about the problem that you're solving, then it's possible to succeed," Ms Naidoo said.

[READ: Commentary: Young Singaporean business owners are more independent than their international peers](#)

Starting a business, especially during a crisis, also requires the stomach for financial risk and more fundamentally, a true passion for entrepreneurship.

This is why Mr Lee had a full-time job in a global financial institution while running his F&B ventures after graduation.

"I was definitely not sleeping much during those few years," he recalled with a laugh. "The Japanese restaurant we had used to be just opposite my office. Every day after work, I'll cross the road and start another work day."

"I think I was trying to discover myself ... I needed to know if I want to be an entrepreneur, am I cut out for it? How committed am I and how far am I willing to go to make things work?"

“But after two months, we decided to go at it again and I think that is the surest sign that having our own business is what we want to do,” added Mr Lee.

“And I think this core purpose or belief is what’s most important.”

The CNA Leadership Summit 2020: Navigating the Post-Pandemic World will discuss through a series of TV programmes and webinars how businesses and organisations have reacted to the pandemic and applied innovative practices.

More details are available at: cna.asia/leadership-summit.

[BOOKMARK THIS: Our comprehensive coverage of the coronavirus outbreak and its developments](#)

Download [our app](#) or subscribe to our Telegram channel for the latest updates on the coronavirus outbreak: <https://cna.asia/telegram>

Source: CNA/sk(gs)

Related Topics

COVID-19

ADVERTISEMENT

Also worth reading

