

THE EDGE

THE WEEK OF OCTOBER 3, 2016

enterprise

ENTREPRENEURSHIP. LEARNING. CAREERS



Best Practices

Growing big, staying small;
rise of multinationals

Entrepreneurship

Does start-up space need
to focus on corporate sector?

Vision for success

David Low took a calculated risk to give Futuristic Store Fixtures the big break it needed. The winner of the EY Entrepreneur of the Year Award in Manufacturing Supply Chain shares how he can help retailers meet the challenges they face.

COVER STORY



Low: Our business is more of a medium- to long-term partnership model

Vision for success

David Low took a calculated risk to give Futuristic Store Fixtures the big break it needed. The winner of the EY Entrepreneur of the Year Award in Manufacturing Supply Chain shares how he can help retailers meet the challenges they face.

| BY CHAN CHAO PEH |

Big, transformational deals do not come often, but a skilled entrepreneur will recognise one when he sees it. David Low, founder and group CEO of Futuristic Store Fixtures, should know. In 2002, Low hosted executives from Bath & Body Works who were visiting Asia on a trip to locate new suppliers. Low was asked whether he could manufacture store fittings for the US retailer of body care and home fragrance products.

Not only was the multi-million-dollar contract big, but it was to be delivered within a very tight deadline. Once the deal was sealed, the client expected delivery to start in just five weeks. It also meant there was no room for error. The whole process, from manufacturing to delivery across the Pacific, had to move without hiccups.

Low, winner of this year's EY Entrepreneur Of The Year — Manufacturing Supply Chain, knew this contract was his company's big break to specialise in store fixtures — a niche but growing business. Low tells *Enterprise*, "It was risky, but I did my sums and it showed a certain percentage. So I said, yes, let's bite."

It was an extensive undertaking for his company then, with more than 30,000 pieces of fixtures to be made and shipped. With just a small factory, it lacked the capacity needed to take on the job. Fortunately, Low had a network of contacts that he had built over the years. He travelled from Johor to Penang in Malaysia, and managed to persuade seven factories to set aside what they were doing and allow him to outsource this contract to them. "Our reward was a statement that said we made a mark in North America," he says.

To make the contract even hairier, Bath & Body Works did not place a deposit with Low — that would have meant a total loss for him if the company cancelled on him. "It was a mission impossible. Nobody in his or her right mind would do it. Anyone who does is insane," recalls Low with a laugh.

That contract put Futuristic on a rapid path of growth, creating a niche of building fixtures for retail stores worldwide. It has more than 600 employees globally and has rolled out more than 6,500 retail stores across 56 countries. From a combined manufacturing and warehousing space of more than 500,000 sq ft in Malaysia, China and North America, Low serves a list of blue-chip retailers such as Victoria's Secret, La Senza, H&M, Gap, Uniqlo, Levi's Strauss, Adidas, Reebok, Borders and Telstra.

Would he accept such a contract again? "That's a very good question. To do it again, I need to have a strong heart. I keep my heart pumping every day, as I sometimes take on deals people don't dare to touch," Low says.

Heliconia's investment

Futuristic's growth has drawn interest from other parties. In January this year, Heliconia Capital Management, an investment firm that is a wholly-owned subsidiary of Temasek Holdings, announced that it was taking a stake in Futuristic.

Low says contact was made as far back as in 2013, meetings were arranged and both parties got to know each other better. Heliconia was further impressed by the scalability and sustainability of Futuristic's business model. A visit to its Shanghai facilities was made and more in-depth discussions were held.

Initially, Low explained that he did not really re-

quire a cash infusion, as the company was managing well on its own resources. Heliconia pitched from a different angle. "They convinced me that they were looking for a company that could be a globally competitive. I guess we fell into that category," he says.

It is easy to see why Heliconia was drawn to Futuristic. The latter is a proxy to the global consumer growth story.

This consumption theme is one that fits nicely with Heliconia's investments, which include **JUMBO Group**, a leading seafood chain that is making chilli crab popular in growth markets such as Shanghai. Heliconia is also invested in Razer, maker of computer peripherals used by gamers; Star 360 Holdings, a leading distributor and retailer of sports and fashion brands such as Birkenstock, Nike and Polo Ralph Lauren; and FNA Group International, a leading chocolate distributor and retailer with a strong presence in airport duty-free shops in the region. Incidentally, FNA's co-founder and group CEO Loo Lip Giam was overall winner of the EY Entrepreneur of the Year awards in 2013.

The courtship process between Futuristic and Heliconia took two years because Low was cautious. "We looked at what Heliconia could bring to the table — more than money or liquidity — to help take us to the next level."

So far, Low's new investor has proven to be "very, very active". Even before it officially came on board, it was already introducing Futuristic to companies and brands that it was directly in contact with, as well as Temasek's portfolio of investments and companies across the globe. "We saw a strong ecosystem that we could tap. That's why we walked into this deal," he says.

Things moved pretty quickly. For instance, in March 2015, Temasek and GIC each put in CHF450 million into **Dufry**, an airport retailer. Dufry, in turn was raising funds via a rights issue to fund the acquisition of a 51% stake in Italy-based World Duty Free Group for €1.3 billion from the Benetton family. "Once we got the news [about the acquisition], we asked for the person in charge to be linked up," says Low.

More recently, in July this year, Temasek announced an investment in Italian luxury fashion brand Moncler for an undisclosed sum. The company, noted for its winter clothing, was set up in 1952 and operates in more than 70 countries worldwide. Connections were made right away. "They are very active," notes Low.

Now, even though there is a lot of potential business in the pipeline, Low says it is not about making quick sales in this business. "Our business is more of a medium- to long-term partnership model. We start the process slowly, before getting into a deal with them."

Besides pricing, there are other details to consider such as design and brand value.

Low is already investing in additional capacity so that the company will be ready to take on more contracts. The money from Heliconia will come in handy as Futuristic doubles its manufacturing capacity.

New normal

The popularity of online shopping may be seen as a challenge for physical retailers, but Low points out that consumers benefit. "You used to pay \$1, but you now pay 70 cents, plus, the product is better. At the macro level, e-commerce has actually increased the spending power of consumers."

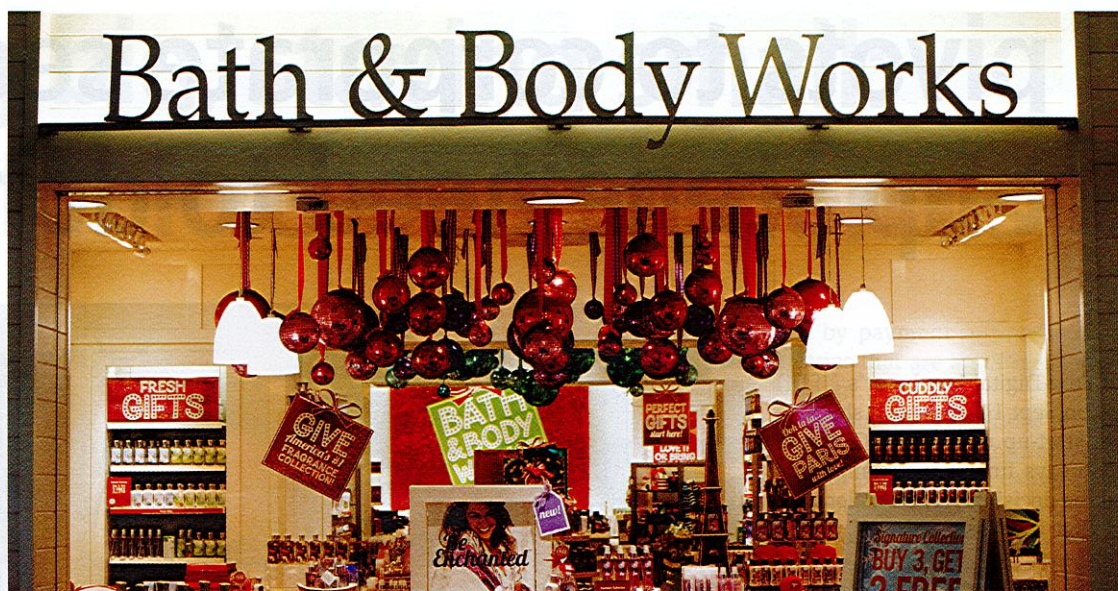
He notes that ever since e-commerce became popular, it was thought that shopping malls would die a natural death. "But, human beings are also about leading a lifestyle. You have to go out. Look at Pokémon Go: People took to the streets; it's crazy. People can't just stay at home and click their mouse to order all their stuff online. If you do just that, after a while, you will find that life has no meaning."

Low sees the online space as an option for retailers and brands to increase their presence in what is a "new normal". For example, people can buy the iPhone 7 online, but does that mean Apple Stores are no longer relevant? Why is Apple still opening physical shops?

The reason, Low says, is that consumers want to be able to touch and feel the products before deciding whether or what to buy. The purpose of the retail shop is to add value to the product.

"In the past, without that space, you would walk into a shop. If you didn't want to buy, it's okay, that's your choice. Today, it [adds to the experience] of making a purchase. There are people serving you, talking to you, doing the best they can to sell. Yet, the decision is yours. You can buy from this shop or you can buy online."

"If you buy online, it will go into my left pocket; if you buy from the shop, it will go into my right pocket. What does this mean? The brand, by engaging consumers online and offline, is able to capture a bigger market and will be able to grow even more revenue."



Bath & Body Works gave Low his first big contract. He had to fit out more than 700 of its stores in just over a month.

Low adds, however, that there are certain product categories where retail outlets are especially pertinent. For example, the so-called fast fashion that's dominated today by three big brands: Sweden's H&M; Spain's Zara, and Japan's Uniqlo.

Here, the physical presence is there to address a necessity: Women usually prefer to try on clothes before buying them.

Meanwhile, retailers can enhance the shopping experience by improving how the store interior looks or creating an environment that is welcoming, friendly and personal. "Consumers like to be served; they want to feel like a queen," says Low.

At the end of the day, for all the talk about whether physical shops can co-exist with online sales channels, much of it boils down to how retailers adapt with the times and how they can be more savvy in capturing new customer segments or holding on to existing ones. "They have to be engaged, make their customers comfortable and want to come back. The brands we deal with love this online space. It gives them room to expand, instead of killing retail space," says Low.

Not all retailers were able to manage the shift as quickly, though. US bookstore chain Borders was one of Low's big customers. No thanks to the likes of **Amazon.com**, Borders' business suffered because it did not move as quickly into selling online, unlike **Barnes and Noble**, another leading book retailer.

Borders went under in many markets, including the US and Singapore, but is still in certain markets such as Qatar. Low managed to continue his relationship with them, and he is happy that the existing owners are doing certain things right. "People still need to get out there. The new owners made changes and have shown that books are still relevant. I think they are doing fine."

Education, reading

Low did not have much of a formal education. That's a badge of honour that few successful entrepreneurs today can claim. "Primary one, I failed, and

got pushed to primary two, three, four, failing all the way to primary six. I was retained; I failed again, retained, I failed again. Then they pushed me to secondary one, I failed again; got pushed to secondary two, I failed again. They kicked me out," Low says with a mock grimace.

He had a good reason for not doing well: His father made him help out at the family's factory, leaving him with little time to study. "I was told to do anything: furniture, painting, dismantling, anything. Immediately after school from noon until midnight, I was free labour. That shortened my childhood," he recalls.

Low's father's insistence that he put aside his studies to help out with the family business was the norm in those days. He was the eldest and had two sisters and a brother who was seven years younger. "I am the only one who suffered that much," he says.

Low became more conscious of his lack of formal education after he joined his uncle and aunt at their interior contracting design business in 1979, when he was just 18. In their line of work, they had to deal with interior designers, who spoke English, whereas he could hardly speak the language. "What are you going to do? I learn. And I've been learning for the past 37 years," he says.

When he learns, he is indulging in his hobby and addiction: reading. "I am so crazy, I love to read books on politics, economics, business; the success stories of **General Electric Co**, and so on. I love to read and analyse."

From his expansive reading diet, he has two stand-out favourites. The first is *One Man's View of the World* by Lee Kuan Yew, which Low says helps him see the dynamics of the global economic and political system and offers valuable insights for running his expanding company.

He also loves the Dalai Lama's *The Art of Happiness*, which he has read at least three times. The book helped manage his mindset. He says, "It is a constant reminder for us to stay calm in dealing with issues, especially in the very, very challenging environment we face today. I learnt how to stay cool, stay calm. Every morning, when you wake up, you will have all sorts of news, both good and bad. When the news is bad, don't be affected; when the news is good, don't get too excited."

Low makes it a point to keep up with trends and he has been eagerly learning about new technologies as well, thinking about how his business can tap them instead of suffering from disruption.

For example, he is thinking about using augmented reality or virtual reality technologies to come up with what is called "live extension", to enhance his company's supply chain management.

Using AR and VR, customers in one location can "walk through" the finished fittings even though they are still on the drawing board. This method can translate into savings in labour costs, and better efficiency in design and installation. Low says, "We continue to think out of the box. There are many things that technology can help us with; it's just amazing. I am a tech-crazy person."

If Low can tap these new technologies and run a more efficient business, he will have greater impetus to expand into even more locations worldwide. "We plan to put representative offices in key cities such as Hong Kong, Shanghai, Dubai and London; we want to expand our reach to the brands globally," he says. ■



Over the years, Futuristic has won over global brands such as Adidas, Victoria's Secret and H&M as clients