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SME INC

## If at first you fail, try again

***Mistakes help the founders of Tactica Labs highlight critical aspects of business they ignored previously, reports JOANNE TANG***

AS the saying goes - mistakes are part of life. This rings especially true in the business world where marketing positioning, timing of entry, adequacy of cost control measures and a host of other factors can make or break a venture.

But mistakes are also valuable because they strengthen budding entrepreneurs and highlight critical aspects of business they had previously ignored.

The ability to learn from one's mistakes and the courage to try again can pay off tremendously, as Cen Lee Chee How and Donny Soh have found out.

Fresh out of the computing science school at the National University Singapore (NUS), the duo put their computing skills to good use by establishing the social networking business Frensville with a few friends.

Launched in 2003, Frensville was an Internet-mobile phone application program that enables people to organise activities in a simpler manner.

At that time, Friendster had just been launched about a year and a half ago, and the entire social networking trend was still nascent. In some ways, the application was a prelude of the social networking trend that would take the world by storm.

Yet, the Frensville venture failed, resulting in a loss of some \$40,000.

In trying to improve the features of Frensville, the team lost sight of the most vital aspects of business - cash flow and sustainability.

'We thought that as long as the product is good, sales will follow,' Mr Soh says.

Hence, even though Frensville was loaded with many applications, the trend never caught on.

Mr Lee thinks that the market was, in general, not ready for the product yet. 'We did a lot of applications for Frensville. But at the end of the day, it's not an easily sustainable model.'

Instead of being a source of discouragement, the failed venture had the reverse effect of spurring them on. 'We realised that losing wasn't that bad,' Mr Lee explains. 'It made business risk seem over-hyped.'

So the duo set up their digital marketing business - Tactica Labs in 2007.

Unlike Frensville, Tactica Labs had a less complex business-to-business model focusing on customer relationship management (CRM).

Having learnt their lesson well, they focused on bringing in the revenue and maintaining healthy cash flows. This meant turning in quality work to keep their clients satisfied and adopting a very lean cost structure.

'Our first client was ExxonMobil,' Mr Lee recalls. 'Just a very small project. But we made them very happy with it and we started receiving more projects from them.'

To date, ExxonMobil remains one of the major clients, which also includes Clarins and Ogilvy. Cumulative revenue over 2 and a half years reached \$800,000 - impressive for a two-man show.

Given that overheads are pretty low - the company has only contract staff - the profit margin is high, making Tactical Labs a very lucrative business.

With strong cash flows from a diversified stream of revenue fed by ad-hoc and recurring projects, the duo now turn their attention to rolling out new products that leverage on the latest technology.

Their latest product - NeoRewards - taps cloud computing technology to allow clients to conveniently customise CRM modules to fit their specific needs.

Looking beyond their existing client base, they have also identified small and medium-sized enterprises (SMEs) as a key segment for growth.

'The SMEs are growing rapidly and most of them are still doing very well in this crisis,' Mr Soh points out. 'The pie is pretty big and growing.'

There is one problem though. Most SMEs shy away from digital technology because of the high capital outlay and the mistaken belief that such technology is applicable only to large companies.

Mr Lee explains: 'Technology is applicable to all business - big or small. And SMEs can benefit a lot from IT in terms of operational costs saved and improved efficiency.'

However, the fact remains that the upfront costs for implementing technological systems can run up to \$100,000 - something that most SMEs would neither be willing nor able to cough up.

Still, the partners are convinced that the market is ripe.

For one thing, Spring Singapore's Technology Innovation Programme (TIP) has greatly lowered the cost by providing grants for local businesses to build their in-house technology innovation capabilities.

Secondly, most of the SMEs that have stayed away from investing in IT infrastructure are making use of the downturn to do so.

In fact, most businesses view the downturn as a good time to update their systems, so much so that the partners were busier than ever in the first half of the year.

Revenues are expected to be between \$200,000 and \$300,000 for 2009.

The story of Mr Lee and Mr Soh is a classic one of perseverance. Having paid the 'tuition fees', they kept their focus on cash flow, client needs and timing of entry - thereby trading their earlier mistakes for a business generating about \$200,000 a year.

Even Lee Yi Shyan, Minister of State for Trade and Industry and Minister-In-Charge of Entrepreneurship, gave them a special mention at the opening ceremony of the Global Entrepreneurship Week last year. 'What Donny and Cen has shown us is that if we don't fear failures and persevere, we would ultimately succeed.'

# THE BUSINESS TIMES



**Dynamic duo:** Donny Soh, chief data officer (left) and Cen Lee Chee How, CEO of Tactica Labs. Mr Lee says Technology is applicable to all business - big or small. And SMEs can benefit a lot from IT in terms of operational costs saved and improved efficiency

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