

THE BUSINESS TIMES



S\$1.30



A SINGAPORE PRESS HOLDINGS PUBLICATION | businesstimes.com.sg | [fb.com/thebusinesstimes](https://www.facebook.com/thebusinesstimes) | [@BusinessTimes](https://twitter.com/BusinessTimes) | CO REGN NO 198402868E | MCI (P) 048/12/2018

Monday, May 6, 2019

WORKFORCE OF THE FUTURE

How should the concept of labour be updated for the new economy?

VIEWS FROM THE TOP / 14-16



TOPLINE

Lendlease: Taking urban regeneration to the next level COMPANIES & MARKETS / 6

COMMENTARY

What the dickens is up with audit firms? TOP STORIES / 3



HOCK LOCK SIEW

Isetan needs more than a store refresh

COMPANIES & MARKETS / 4

MARKETS

	Weekly	Change
STI	3,392.29	+35.34
KL COMP	1,637.30	-1.08
NIKKEI 225	22,258.73	+58.17
HANG SENG	30,081.55	+476.54
SHENZHEN B	1,010.50	-6.20
DOW	26,504.95	-38.38

DAILY DIGEST



Freehold condominium Amber Park sold 115 units at an average S\$2,425 per sq ft during its launch weekend. TOP STORIES / 2

For the four trading sessions from April 26 through to May 2, the Straits Times Index rallied 1.8 per cent while the Hang Seng Index and S&P/ASX 200 Index averaged a 0.1 per cent gain. COMPANIES & MARKETS / 10

Increased speculation that Bangko Sentral ng Pilipinas will ease monetary policy is threatening to break the peso's Asia-beating rally this quarter. BANKING & FINANCE / 20

The price of gold declined to a five-month low of US\$1,268 an ounce last week and bullion dealers and other

Grab's super app goal calls for good grasp of holding on to users

Success of WeChat, Alipay have unique qualities that may not be easy to replicate

BT EXCLUSIVE

By **Claudia Chong**
chongkmc@sph.com.sg
@ClaudiaChongBT

Singapore

ONCE a simple ride-hailing startup, Grab today is a dominant unicorn that wants to be no less than the operator of a "super app". But to succeed in its goal, the company may need to figure out how to increase the stickiness of its budding marketplace, industry watchers say.

Almost a year has passed since Grab declared its goal to be South-east Asia's "everyday super app". Since then, the company has introduced more offerings such as food delivery and finance to its product, hoping to give users more reasons to open up its app. The latest expansion came in April, when Grab said it would introduce four new services in

Singapore by June – hotel bookings, video streaming, ticket purchasing, and integrated transport planning.

But Grab's early progress has drawn its fair share of sceptics. As Michael Smith Jr, partner at venture capital firm SeedPlus, puts it: "If I don't need to open this thing up all the time, I don't understand how you can tell me that you're my super app."

"It would be like me getting up every morning and saying that I'm a male supermodel. And I can feel that way, right? I can sell myself and I can pump myself up that way. But until the rest of the world views me as a male supermodel, I'm clearly not one."

Why try to be a super app? For a start, it gives the company a chance to expand from ride-hailing into potentially higher-margin businesses such as financial services. And, as Golden Equator Capital (GEC) man-

aging partner of venture investments Daren Tan explained, the cost of acquiring a customer for one vertical can be offset by getting that customer to transact on another vertical.

Grab has argued that users prefer to use as few apps as possible, hence the value of having a single app as a gateway to multiple services. Grab president Ming Maa told *The Business Times* that in many regional markets, for example, most people use lower-end smartphones with limited memory space, and therefore prefer fewer, multi-purpose apps over many, single-purpose services.

"Most of South-east Asia is not like Singapore," he said. "If you think about the super app concept which originated from China, some of the trends that existed in China that led to the popularity of the super app also exist in South-east Asia."

Continued on Page 2

The building of a super app



Large amounts of capital
Money is needed to acquire users and merchants, and for research and development.



Platform
Super apps are built on top of existing services that have already accumulated a large base of users. In Grab's case it is trying to leverage its foothold from ride-hailing, like its competitor Gojek.



Network effect
The more participants there are in the network, the more valuable the network should be, and the costlier it is to leave the network.

What does it take to create a successful super app?



Marketplace
Connecting users to multiple third-party providers can greatly increase the user base, and provide revenues from take rates and advertising.



More than the sum of parts
Users must see value in staying within the platform instead of switching to single-purpose apps outside the ecosystem.



Favourable regulatory environment
Regulations surrounding data and competition must be sufficiently flexible and clear.



Mobile payments
A payment infrastructure facilitates commercial transactions, enables rewards programmes and provides important user data. For Grab, this could also be a path towards creating a network effect among its user base.

Grab's super app goal calls for good grasp of holding on to users

■ Continued from Page 1

But the success stories in China – most notably WeChat and Alipay – have unique propositions that may not be so easy to replicate.

Jason Davis, an associate professor at international business school INSEAD, said successful super apps share two features: a platform that provides the operator's own services, and a marketplace that links multiple third party sellers to users. Marketplace providers typically earn money through advertising and the take rate, where they keep a cut of the transactions they facilitate.

"We know from the stories of the United States and China that the real money to be made is actually on the marketplace side," Prof Davis said.

Grab has picked a less-is-more model for its marketplace, choosing to launch each vertical with a carefully selected partner – such as HOOQ for content streaming and Booking Holdings for hotel bookings – rather than offering a range of competing service providers. Users want best in class, Grab has said, though qualifying that these partnerships are not exclusive.

Prof Davis described Grab's strategy as resembling the "old computer industry model" where you pick your best vendor, and both take a cut of transactions. But for the mar-

ketplace model to really take off, users must be able to look at a range of offerings and pick the best, he argued.

"If I were to grade Grab, I'd say they've been a really good platform, but so far have been weaker on the marketplace ecosystem side."

The key test for Grab may be its ability to create a network effect on its platform, where the more participants there are, the more valuable the platform is and the harder it is for users to jump ship.

While WeChat's start as a messaging platform gave it a naturally sticky user base, Grab's users face lower hurdles in switching to a different ride-hailing service.

Grab's Mr Maa said the company will encourage more cross-usage of verticals to enhance existing network effects. For instance, Grab's e-wallet GrabPay was first used for ride-hailing transactions but quickly propagated to offline merchants. In Singapore, GrabPay's merchant base grew more than seven times to close to 9,000 merchants in the past year. The company also said that around 75 per cent of Grab users in Singapore use GrabPay every day.

Zennon Kapron, director of consultancy firm Kapronasia, agreed that GrabPay and its rewards programme might be the company's best shot at achieving a stronger network effect. "I

think given their capabilities, and given their footprint, it's probably the most sensible way to go forward. Because they're not going to be able to replicate a chat app, at least in the short term. So playing to their strengths, which is around payments and commerce, seems to be a sensible way to go forward on that side."

Grab could take a page from its biggest super app rival, Gojek, which launched with ride-hailing, food delivery and courier services and now has 21 services in Jakarta.

Gojek has "realised that the real problem – and maybe it's coming out of the Indonesian experience – is in

transportation and logistics," said INSEAD's Prof Davis. "So they really focused a laser beam on all services that encounter that problem. Food delivery, or anything that would involve getting either a good, a service or a person from point A to point B."

It turns out that building a regional super app is also an expensive endeavour. Grab, for instance, has been raising billions of dollars to fund its expansion. The company expects to raise US\$6.5 billion in total capital this year, it announced in a press statement last month.

Much has been said about Grab burning money without turning a profit. But one of Grab's earliest in-

vestors would like to offer another perspective.

Jixun Foo, the partner that led GGV Capital's Series B investment into Grab in 2014, said: "Tech companies are a bit different because they invest a tremendous amount of capital and profit into R&D, and new products and services. Look at Amazon – it went into cloud services, and Alibaba into new retail."

Mr Foo dismissed consolidated profits and losses and growth projections as "old economy" ways of measuring profitability, pointing out that Amazon was unprofitable for many years even after going public. He thought that unit-level economics

were more informative.

"I would say that today, for many of the cities that Grab operates in, they are profitable at the unit level," said Mr Foo, referring to a metric excluding costs related to R&D, engineering, and headquarters, and including expenses such as driver retention and user acquisition.

Mr Maa told BT that in its more mature markets, Grab is profitable at the net profit level in mature verticals such as transport. He did not say how profit was calculated.

"In the markets where we haven't reached profitability yet, we have a very clear line of sight on how to get there," he added, without elaborating.

Is China the only place for super apps?

By Claudia Chong
chongkmc@sph.com.sg
@ClaudiaChongBT

Singapore

SOME have argued that China is uniquely conducive for super apps. They point to how the country's anti-trust laws focus more on foreign investment rather than domestic businesses, in part explaining why some Chinese tech unicorns have gained such enormous market share and penetration.

But Jixun Foo, managing partner at GGV Capital in Shanghai, pointed out that the competition within China is intense. Super apps like WeChat face pressure from companies like ByteDance and Baidu, he said.

Jake Robson, a partner at law firm Morrison & Foerster, reckoned that South-east Asia's lack of a unified and sophisticated approach to regulating anti-competitive behaviour can favour super app operators, too. It enables them to gain critical mass in the

region quickly through acquisitions and joint ventures, without the risk of the acquisition being blocked or divestments being required, he said.

As Grab and Gojek expand their product and collect more data about their users, they may increasingly face risks related to data privacy and protection.

"Regulation of data privacy and protection in South-east Asia is very fragmented and, to the extent it exists, is on a national level and there is

no unified approach across the region," said Mr Robson.

The fragmented environment can be both an advantage and a hindrance. "It is an advantage in that it allows these platforms far greater flexibility in how they collect, store and use customer data. But at the same time it means that they need to adapt their business models and compliance regimes to multiple regulatory regimes, which can lead to inefficiency," Mr Robson said.