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Lighting the spark in the Philippines

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LIGHTING THE SPARK IN THE PHILIPPINES

An interview with Rosemarie 'Bubu' Andres

In this edition, we are introducing a new section called 'The Entrepreneur's Corner', in which we will present Asia's entrepreneurs and their journeys, complete with the ups and downs, and twists and turns.

Our segment begins with Rosemarie 'Bubu' Andres, the Global Chair of the Entrepreneurs' Organization (EO), a worldwide peer-to-peer organisation founded by entrepreneurs, for entrepreneurs. Andres is also a serial entrepreneur, having co-founded The Candy Corner in the Philippines that now boasts 110 stores and growing.

Tell us about the Entrepreneurs' Organization (EO).

Our mission is to help leading entrepreneurs learn and grow their business, and make them better, useful members of society. We support all four aspects of an entrepreneur's life—personal, business, family and community—through a type of 'entrepreneurial therapy.' It gets lonely at the top for entrepreneurs, so we provide peer-to-peer support and a network for them.

Entrepreneurs come to us with a problem or issue in their business. We don't just give advice on what they should do, but rather discuss what we have done. The forum, viewed as one's personal Board of Directors, shares its experiences to make it useful for other entrepreneurs. Full confidentiality allows for very open discussions, and the wealth of experience in the forum covers all four aspects of the entrepreneur's life.

The global headquarters of the EO is in Alexandria, Virginia, in the United States. The Philippines chapter of the EO has 17 forums. Learning events are for members on issues, that cover the totality of the entrepreneur. We invite speakers, experts and guests. We also run forums for spouses and are soon starting forums for the children—our next generation.

How do you see the entrepreneurship segment in the Philippines, compared to other countries in the region?

That is a tough question to answer. If we are talking strictly about organising one's business, Asia is a good place for entrepreneurship today as long as you base your business out of Hong Kong and Singapore. But it is difficult to set up shop in the Philippines and then build your business across ASEAN. The import and export taxes and rules around transfer prices and revenue recognition stifle the Filipino entrepreneurs who try to do business abroad with a base at home. Many of the entrepreneurs from the developing countries in ASEAN share similar experiences.

We have a lot of entrepreneurs in the informal sector in the Philippines who keep a lid on pricing back home. But the challenges lie in formalising the sector. The biggest obstacle is heavy taxes in the country, which makes it difficult for us to compete with markets like Singapore that operate almost tax-free.

Entrepreneurs also find it difficult to get funding in the Philippines. Either you have your own capital or you find a relative or friend to fund you. Unfortunately most of our population do not even have a bank account. Thus we have limited credit scoring and credit histories, so we need collateral for the banks to want to get involved. For most of the entrepreneurs, it is the lack of capital and networking opportunities that cripple them. There is no well-developed venture capital market, and IPOs are not lucrative and attractive enough.

Many laws are outdated and archaic and are not ready for the global marketplace. They were designed at one point in time for a specific purpose, but are not relevant today. For medium-sized businesses like mine, we are required to withhold a certain percentage of tax from all types of vendors. And if you don't, they will disallow your expenses. We lack efficient digital payment systems like Paypal. But, how can we withhold taxes from a vendor outside the country? Our laws don't facilitate cross-border business.

Bureaucratic hurdles are another challenge. Setting up a business requires registering with multiple government organisations, making it a time- and cost-intensive process. And finally, the government keeps raising the minimum wage. While I'm not against this, because it is helping the economy, I feel that the government needs to compensate the SMEs for this increase in some way.

Entrepreneurial businesses in Singapore are growing and it is an attractive market for start-ups. Malaysian

businesses are larger than that of the Philippines, and they are stable (but not growing). The Malaysian government has sorted out many regulatory and legal issues. Indonesia is similar to the Philippines in its challenges. Cambodia also seems to be growing fast and the government is very supportive. In the Philippines, the micro sector is growing.

What have you learned from your entrepreneurship journey?

Our retail group, Candy Corner, is 22 years old. We started in the distribution business 27 years ago, mostly dealing with toys and stationery, and confectionery on the side. We bought toys and stationery in the United States, consolidated the goods and shipped them to the Philippines. We had exclusive distribution rights for the Lisa Frank brand of stationery and school supplies. We serviced specialty stores. Then, five years later, we moved into the retailing of confectionery and candies.

My biggest learning all these years has been—keep going; don't give up. Things will eventually work out. This is the Philippines, you can't give up. We have about 26 typhoons a year and have not gone three years without a recession since 1985. I have learned to be resilient.

We were hit by the 1998 financial crisis shortly after we moved into the retail business. In July 1998, we were at a show in San Francisco, and from the beginning to the end of the show, the currency went from 26 to 39 Philippine Pesos to the US dollar! And if that was not enough, in 1999 we had a fire that burned down our entire head office and warehouse.

I guess what I have learned is that you have to keep moving forward and also that anything is possible—good or bad. Hence, my advice to the younger generation would be: Don't give up. Keep working at it. Everything is possible. Keep up the passion.

What should young people be cautious of?

My first advice to them would be, don't take big leaps, just focus on taking baby steps. It's easy to dream big,

It is difficult to set up shop in the Philippines and then build your business across ASEAN.



but your business won't become big right away. It will take time, it will require long hours, and it calls for lots of hard work. If you start a business, you need to be in it for the long term. Too often people start businesses to make a quick buck but that rarely happens. So you need to be prepared to be in it longer and work harder than you ever imagined. That becomes difficult to do if you are not passionate about the business.

Second, adaptability is also important, and you have to be ready for that. There are some non-negotiables, but for the most part, change is a given. You can have a scenario in your head and you can imagine it playing out. But it rarely does so in the way you envisioned.

Third, listen to the market. It's not what matters to you, it's what matters to the customers. You need to understand and feel the pulse of the market. We brought Ghirardelli to the Philippines, but had to cut down many flavours after testing the market. We even had to remove the milk chocolate flavour from our product range. Another learning was that people buy chocolates as gifts, and buy for themselves after that. One would normally think it is the other way around. Once we learned that, it completely changed the way we communicate with the market. So, don't assume that you understand the market. Talk to your customers, observe them, and ask questions. Nothing works better than having insights from the market.

What are the big trends in entrepreneurship today?

Obviously, the big trend is 'going digital.' Whether it is marketing and selling your goods online or settling invoices, scheduling operations, or just about anything—the genie is certainly out of the bottle. You may have grown up in a tactile world where you like to touch and feel, but today you need to recognise that the omnichannel is upon us and that all of your stakeholders expect you to have a digital presence, be digitally competent, and be digitally responsive.

I think the second trend is that entrepreneurs today don't build their business as a legacy to be passed on to the next generation. They have more of a 'build-it-to-sell-it' approach. This is due to the fact that children are moving to other countries and continents and not returning home. Also, the next generation is very often uninterested in running the family business. This leads to increasing M&A activity too.

I am also seeing that for some of the most successful entrepreneurs, after they choose to sell their business, they don't become serial entrepreneurs. Most of them seem to gravitate towards being a venture capitalist or an active investor rather than getting back into the fire.

What headwinds do you see in Asia?

As a country, change is slow in the Philippines, so we really need to catch up by looking outside for lessons. Some of the other ASEAN countries are much better off compared to the Philippines. Even Thailand, despite its military government, is attractive to entrepreneurs and foreign investors. A lot of this stems from investments and regulatory changes they made years ago. For instance, Thailand is often referred to as the 'kitchen of the world', but that would not have happened without government commitment and the commitment of institutions of higher learning to programmes on food science and agriculture, and investments in farm-to-market roads, enabling industries to enter and compete in the global supply chain. You can see a number of countries in Asia trying to model these steps.

As the Asian Economic Community and ASEAN wrestle with integrating their markets, there is going to be a need for an upskilling of government administrators. Sure, the market looks attractive. But entrepreneurs from some of these countries will have a harder time running the race as their feet and hands are somewhat tied.

Rosemarie 'Bubu' Andres
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