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Building success in the Philippine retail sector

Jimmy THAI

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Building Success



in the
**Philippine
Retail Sector**

Jimmy Thai tells us about how the Primer Group has expanded to become the retail giant it is now.

In 1985, Jimmy Thai, together with his brother and three friends, established a small trading company in the Philippines named Primer International Corp. Four years later, it acquired an exclusive distributorship with one of the world's best-known and biggest travel luggage companies. Fast forward to today, the Primer Group is a regional retail mammoth that has built relationships with over 100 leading global brands in the areas of outdoor, travel, action sports, footwear, fashion, wellness, and urban lifestyle, and more than 350 stores spanning a dozen countries. Thai shares his experience about building a business with not one but four co-founders, bringing in the second generation, and staying hungry and humble.

HOW WAS THE PRIMER GROUP ESTABLISHED? HOW DID YOU GO ABOUT SEEKING AND CAPITALISING ON OPPORTUNITIES?

The business started in 1985. Most of us were still bachelors back then, and all five of us had our own careers. It was a rough time in the Philippines, with inflation hitting over 50 percent and a huge capital flight was taking place. We did a couple of trading deals and made some quick money. Our big break came four years later, when we were introduced to a Singaporean who was visiting Manila. He asked us if we were interested in distributing a leading global luggage brand in the Philippines. We were not sure whether we could handle it, as until then we had done purely transactional trading. With this new brand, we would have to conduct new activities like pricing and place marketing. But the proposition sounded exciting, so I resigned from my job at a conglomerate to focus on this business. Once our Singaporean partner saw how hungry we were and how hard we worked, he introduced us to his network, so we got to meet his friends dealing in footwear, industrial products, and many more. From then on, we started growing exponentially.

But we quickly realised that, as a middleman, we're very vulnerable so we needed to evolve. We shouldn't rely on only

one brand but should work with a basket of them. When we carried this leading luggage brand, departmental stores in Manila refused to take it on as they considered it an upmarket brand. As a result, we developed our own concept store, The Travel Club. Then The Travel Club grew to a chain of about 50 stores, and other luggage brands began to approach us to represent them. And this was how we built categories, from travel and outdoor to footwear fashion, and concept stores. Today, we represent over 100 brands, including Primer-owned brands like World Traveler, Poler Outdoor, and Sledgers, and have Primer Concept Stores like Recreational Outdoor Exchange, which is an outdoor store concept, and Bratpack, a youth lifestyle store. While some principals have taken over, the brands still work with us because they need our real estate, which comprises the concept stores.

With globalisation, international brands such as Birkenstock, The North Face, Hydro Flask, and Herschel wanted to work with us. This was when we expanded beyond the Philippines. So instead of working with just one market, we present ourselves as a regional player. We have a single platform for communication, marketing, pricing, and logistics. It's standardised and this is how we deal with our international brands.

Then we went up the value chain to build unknown brands into mainstream ones. We started acquiring emerging brands as well. Very soon, we realised this was still not enough. So we further built our infrastructure, from just retail stores to setting up the whole ecosystem, which encompasses an e-commerce platform, digital marketing activities and fulfilment centre operations, among others. Each of these shared backend services is a standalone company with its own revenue stream and profit centre.

Today, physical and digital retail have converged, and we work with many formats, especially when dealing with international brands. Some give us full autonomy; others prefer to go direct to market. But they all still use our physical platform, which is our concept stores. Even when customers

buy online, the fulfilment is done by us. We're very much connected with our principals, as well as our consumers and their families. The ratio of physical to online retail varies considerably across markets, with Singapore leading the online sales. Overall, it's about 90 percent offline and 10 percent online.

AS WE BEGIN TO EMERGE FROM THE PANDEMIC, WHAT ARE THE MOST PRECIOUS LESSONS THAT YOU HAVE TAKEN FROM THIS CRISIS?

The pandemic has taught us major lessons. Primer has been around for 40 years, and before COVID-19 hit, we enjoyed double-digit growth each year and were always in the black. As entrepreneurs, we chart our own destiny and are not answerable to any other shareholder, so our risk appetite is bigger. And since we were always making profits, we just pushed on—forgetting about efficiency and where to cut the fat and focused only on chasing the top line.

The pandemic was a big blow, because all of a sudden, everything stopped and yet we still had our overheads. How could we continue to provide a livelihood to our employees and our partners? And that was the moment when the realisation came that we had to tighten our belts. We guaranteed our employees that there would be no layoffs, and instead asked them to accept a voluntary pay cut. The temporary cut was most drastic for those at the executive level.

As a result, over 2021-22, we saw savings of 20 to 30 percent in our operating costs. This is the key lesson that I have learnt—we must be prudent. Even today, when business is back to pre-pandemic levels, we're very conscious about managing our costs and resources. With the emergence of e-commerce platforms and digitalisation, we also don't have to open, say, 10 stores in one district. This is how our resources are being allocated today—to further build our technological capabilities. We're also focusing on digital marketing, as well as enabling our e-commerce and warehouse logistics. In fact, we're even forming a joint venture with a technology company. This would complement our offline businesses, making our online-offline interface much more seamless.

WHAT ARE THE AREAS THAT WORRY YOU THE MOST TODAY? CONVERSELY, WHAT DO YOU FIND MOST PROMISING?

I'm most concerned about the availability of talent. Today, with the growth of technology companies, there's very limited talent available, especially in the Philippines. There is so much buzz about data scientists and AI (Artificial Intelligence), but in terms of skill sets, there is still a big gap.

Our talent is also regularly poached by our competitors. We feel proud when we hear that when Primer staff apply at their companies, they don't even interview our staff and just grab them. But because of this, we've also become more vulnerable.

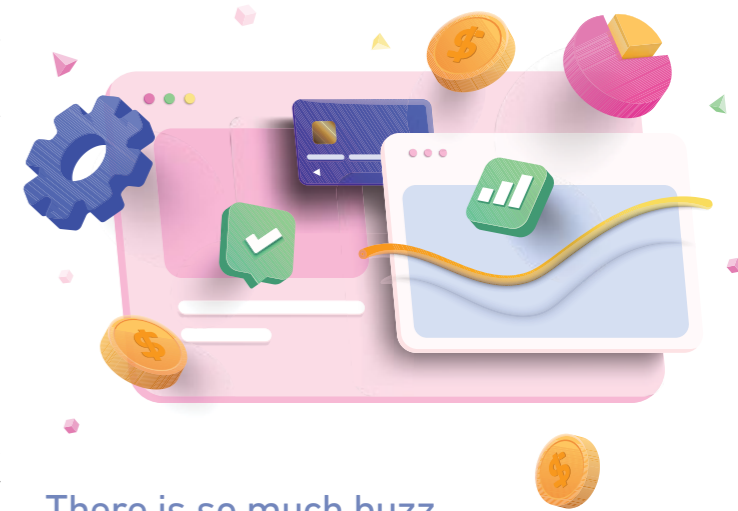
There are also several external factors, such as geopolitics, at play. Meanwhile, there are now new issues at the forefront such as climate change, which I never would have thought would bother us when we started the business 40 years ago. In the Philippines today, we have on average 20 typhoons a year, where three to four are major ones. So it's not just about the business but also taking care of the welfare and well-being of our people. The bigger issue for us is to really take on our responsibility to address climate change.

On the brighter side, especially in our area of business, I see technology as so much more than just a tool. It would definitely help us manage the talent issue. Another plus is that our main market is Southeast Asia which everybody is now paying attention to. It's a major emerging economy, with a growing middle class and a very young demographic. It makes me so glad that we have established our presence in this region. We continue to expect strong double-digit growth while monitoring the trends and offering new categories to our customers. For instance, we're creating a new wellness category. This is how we're going to grow—not only organically, but also by offering new categories.

HOW DID YOU AND YOUR PARTNERS FIGURE OUT HOW TO WORK TOGETHER, ESPECIALLY WHEN THERE ARE DISAGREEMENTS? HOW CAN THE NEXT GENERATION OF LEADERS HAVE THE SAME KIND OF CHEMISTRY AND CAMARADERIE THAT YOU ALL HAVE?

At Primer, we truly manage the business like a family; it's not just five individuals but five families. It goes back to how we started our business. The objective then was not to formally start a business or make great wealth—that was just accidental—we basically started out as friends. So we hung around so much, that even today, I would say communication remains the key to us working well together. Even during our board meetings, we talk about our personal life. The discussion is very informal, and it creates a bond. Of course, we also disagree, especially when doing business, so we simply follow the 'majority wins' principle. This works well, given that there we're an odd number with five of us! Even when we make the wrong decision, we never point fingers at one another. It's never personal and we just laugh it off. This is what makes our foundation so strong. It also makes the job 'lighter' because you don't have to worry about your relationship with your partners and friends.

Now, with the second generation coming into the business, we can't and shouldn't adopt the same methods.




There is so much buzz about data scientists and AI (Artificial Intelligence), but in terms of skill sets, there is still a big gap.

We have known one another for so many decades; the second generation though have their own lifestyle and friends. They went to different schools and have disparate interests. They are also more formal with one another than we are.

We crafted a partnership constitution about 15 years ago, but the younger generation was not involved then as they were still so young. We realise it's time to rewrite it with their involvement, as we're passing the baton on to them. The key though is still communication. We also organise activities to enable them to build their own group dynamics, like getting them to do projects together. While we already have our core values stated in the constitution, we need to get them to gel and develop respect for one another. They need to understand that everyone brings different strengths and talents to the table, and by coming together, they can complement one another.

Our key task now as founders is not so much to drive the day-to-day business, but to set the vision, and ensure that the second generation and our new generation of managers have that kind of cohesiveness that we do. Today, the second generation are reporting to professional managers, and a few of them are holding positions three to four job levels below the founders. We hope this arrangement cultivates humility. At the same time, we're observing them—are they hungry and driven, or are they complacent and entitled?



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WHAT ARE SOME OF THE MOST VALUABLE QUALITIES THAT BUSINESS LEADERS SHOULD PAY MORE ATTENTION TO?

To be a leader, you should be ready to make sacrifices. You should always think about the bigger picture and the greater good, rather than only for yourself. A leader should have this kind of character and values, and you've got to be very passionate about the business.

A leader must also have a long-term vision. What preoccupies me today is what will happen in the next 30 to 40 years—will our business models still be relevant? I think about what the purpose of our business should move towards, especially in this day and age when the youths are moving away from consumerism. You can say that we're creating wealth and jobs, but there should also be something more meaningful. We need to examine what kind of brands we plan to work with and what type of business we want to venture into. I'm also looking at the level to which the ESG (environmental, social, and governance) elements have developed.

Last year, we started a new campaign called "Reimagining Primer". We asked: what should "Primer 3.0" be like? We're in a very traditional business, so posing this question is actually getting ourselves to consider if we would still be relevant in 30 years' time. This means understanding what our assets are. In my mind, there are three such key assets. First, we own seven global brands and we're no longer only distributors. Second, we have our intellectual property (IP) in terms of our concept stores, but how could we further capitalise on this? And third, we need to talk about community marketplace partnerships if we want to become more collaborative.

I'm also spending more time reading about global economics and the trends in the 10 markets that we're in. People often make the mistake of believing that Southeast Asia is homogeneous when it's so diverse, be it religion, ideology, language, or culture. I would say the only homogeneous part is the weather!

TODAY'S ENTREPRENEURS ARE FACING VERY DIFFERENT MARKET CONDITIONS FROM WHEN YOU AND YOUR CO-FOUNDERS BUILT YOUR BUSINESS. WHAT ADVICE WOULD YOU OFFER THEM?

People tend to say that it's more challenging today to be an entrepreneur than when we set out 40 years ago. There are all these pressing global issues, especially the pandemic lockdown, typhoons, the Ukraine war, and other crises. But while these are all the challenges, what's the upside?

To begin with, during our time, we had no financial support. We had to do everything on our own. Some of us were not even very well-educated. But today, most of the youths are learned. They have knowledge, access to technology, and easier access to the capital market. So, while it's undoubtedly a very chaotic environment, at the same time the youths have what we did not 40 years ago.

If you are smart enough, and you are very hungry and determined, I think you would still have better opportunities than we did, especially if you have had a good education. The youths today also have a wide social network, and with globalisation, they travel so much and can build on it. I would say, focus on what you're doing, and there will surely be good opportunities for young entrepreneurs. [LNU](#)