



Hong Guan (Tackle): Focus On Your Competitive Advantage

Internationalisation: Focus on Your Competitive Advantage

Hong Guan (Tackle) Private Limited sells fishing rods and equipment to more than 30 markets globally. The company started in 1942 as a distributor with a shop selling general hardware, ropes, and nets along Beach Road, originally a coastal road fronting the sea coast in the early decades when Singapore was a British Crown colony.

The company seized an opportunity to expand its business in the 1970s, when sportfishing, i.e. fishing done with a rod and reel for sport or recreation was introduced. The homegrown company now has a combined staff strength of about 60 in the region.

More recently, with leisure travel disrupted by the pandemic, the population sought alternate ways to keep themselves occupied and opportunities to spend time outdoors. As a result, the market for outdoor activities such as fishing has surged. Decathlon, a sporting goods retailer, said that sales of fishing equipment increased by 118% in 2021 compared to the previous year. The biggest increase, it said, came from the sales of beginner fishing equipment, with products such as rod and reel combos.¹

Feature No. 10 of the SBF Company Case Study Series examines how a Singapore company was transformed from a distributor to a brand owner by unlocking the value chain. Hong Guan (Tackle), which produces its own brand of merchandise, exports to more than 30 countries worldwide and has established itself as a leading fishing tackle distributor in the ASEAN region.

¹ IN FOCUS: As fishing rises in popularity, concerns grow about overfishing and litter, Channel News Asia, 17 July 2021 <https://www.channelnewsasia.com/singapore/fishing-litter-pollution-marine-environmental-impact-in-focus-2032951>

Internationalisation as the core of the business

When Lee Seng Shoy, the current Managing Director of Hong Guan (Tackle), took over the company in 1996, he recognised that the Singapore market was too limited to keep the company viable and sustainable in the long run. He decided to expand the company onto foreign shores because he saw greater growth possibilities abroad. Hong Guan (Tackle) began as a distributor, representing its principal's brands in Malaysia and Brunei. The overseas dealership gave the company a foothold in foreign markets and allowed it to establish a network that was critical in scaling up its internationalisation efforts.

After an unexpected incident where a distributorship was terminated, Hong Guan (Tackle) realised that the company must have its own products to sustain the business. The company saw an opportunity to meet the demand of a market segment that places a premium on quality and the need to derive 'value for money' through a carefully designed and produced in-house (proprietary) brand, to offer what the market needs but at a price point tailored to the target segment. For it to be successful, this plan necessitated a thorough grasp of the value chain, from component sourcing to the Original Designed Equipment Manufacturers' (ODM) production capabilities.

Leverage the supply chain to your advantage

Hong Guan (Tackle) had to do something disruptive to re-engineer its firm because it had big goals and was not limited by its modest stature. It was critical for the company to have a solid understanding of market-leading brands, component suppliers, and manufacturing processes in order to create products that give best-in-class features while remaining affordable enough to capture the "value for money" segment. Without a thorough understanding of these critical success factors, the company would have fallen short to transform its business, owning, and managing its range of merchandise.

Being a distributor, Hong Guan (Tackle) had little machinery know-how. Given that in-house (proprietary) brands were not considered a feasible option at that time, it was an unusual step in the industry. To compete with the "big boys", it required extensive supply chain knowledge as well as investments in designing and establishing a new brand.

For immediate sales and profits, most distributors relied on their principals' created or well-known brands with proven market demand. Notwithstanding, Hong Guan (Tackle) decided to take on the challenge.

Seng Shoy spent two years researching, examining, and learning about the supply chain ecology in Shanghai, China (from 2002 to 2004) in search of best-in-class production partners. From raw materials procurement to production to the logistics of shipping the goods to various markets across the world, every detail was analysed and scrutinised with the purpose of selecting manufacturers that could create the quality and at the cost demanded by the market.



Hong Guan (Tackle) unlocked the value of the supply chain by identifying ODMs that produced fishing rods for leading brands based in China. The backing of the manufacturers gave the company the capability to create its in-house brand with the required specifications to win customers in overseas markets.

”You pay school fees along the way to figure out which factory is capable of delivering (or not) the quality we require. In general, we consider the scale of the counterparty’s business, their commitment to quality, as well as trust and rapport to be important.” Seng Shoy remarked.

With big brands serving as both inspiration and benchmarks, Hong Guan (Tackle) realised that if these brands could be successful, working with the same factory that produced their merchandise may provide a smaller business with the same potential.

Customer Focused

Being client and market-focused has always been part of Hong Guan (Tackle)’s DNA. Despite Singapore’s small market for this niche product, the company piloted a ‘Pro-Shop’ (2017-2020) that featured only its brand (Pioneer Tackle).



Seng Shoy believes fishing rod shopping has to be an in-store experience. The product needs to fit the angler’s profile and personal preferences, hence the sales process and in-store display approaches have to deliver an experience that enables the buyer to make the right decision.

Customers have praised the “helpful and friendly staff”, “great place to get quality fishing gears and accessories at very reasonable prices” and “proprietary rods and reels designed in Singapore”.² These successes are the result of the value chain integration, working with manufacturers who also make quality products for major brands, as well as a customer-focused sales process.

Hong Guan (Tackle) has plans to make a comeback to Singapore with a flagship outlet when the time is right.

Accelerate internationalisation through multiple market entry modes

Hong Guan (Tackle) has subsidiaries in Malaysia, Thailand, Indonesia (Joint Venture), and more recently, a subsidiary in China (Q4 2019). It also exports to more than 30 markets globally via distributor partnerships. It targets the affluent market where leisure fishing is part of their lifestyle. Internationalisation has a significant influence – it adds to the company’s sales, with Southeast Asia accounting for over 70% of the company’s revenue.

Hong Guan (Tackle) examines various aspects while evaluating markets for internationalisation. These factors include (i) the market’s population size, (ii) the presence of a growing affluent consumer segment (for lifestyle goods consumption), and (iii) an age cohort that facilitates outdoor activities. Southeast Asia has a younger population (in comparison to

² https://www.tripadvisor.com.sg/Attraction_Review-g294265-d12398968-Reviews-Pioneer_Concept_Store-Singapore.html

Singapore), a big population base, and the consumer spending in the region is likely to increase as economies improve. The region is a great place for internationalisation because of its proximity to Singapore.

While Southeast Asia has been one of its largest markets, Hong Guan (Tackle) sees China as a prospective market for its products (which are also made in China). “The China market offers opportunities, but it is also extremely competitive. Anyone who succeeds in China can compete everywhere,” Seng Shoy remarked.

When it comes to partnership strategy, Hong Guan (Tackle) selects its overseas representatives with great care. Its criteria for partnership selection are:

1. **Strategic match** – long-term commitment to develop the brand in the local market and the ability to complement Hong Guan (Tackle)’s capabilities.
2. **Local market reach** – understands the local market and has distribution reach to the emergent affluent segments, ability to provide local expertise, insights, and contacts.
3. **Business structure** – a setup that shares the same business priorities as Hong Guan (Tackle), deriving its core revenue from the same business.
4. **Trade credentials** – have good references from the industry.

“Do your homework on possible agents or representatives to ensure that they are truly serving your interests,” Seng Shoy advised. In terms of partnership evaluations, any prospective partners with conflicting priorities such as maximising short-term profits and dealership margins could jeopardise Hong Guan's long-term local brand and market development. It is vital to have partners who are committed to helping the company expand in a mutually beneficial, win-win situation.

Participating in trade exhibitions, according to Seng Shoy, is an important aspect in establishing the company's international footprint. Hong Guan (Tackle) also took advantage of various government schemes that helped defray its overseas exhibition costs.

Human capital and market intelligence drive internationalisation

According to Hong Guan (Tackle), human capital is a vital component in internationalisation.

Innovative ideas, the ability to present products in a professional manner that is tailored to local market demands, knowledge of local tariffs, distribution networks/trade incentives, and market behaviour are all critical to the company's internationalisation success.

Marketing efforts are researched and tested to appeal to the local audience. Particularly for the company's marketing materials, close attention was placed on specifics such as colour usage. Certain styles and colours that have differentiated connotations in different geopolitical contexts are avoided. "One must have a global mindset yet localised execution to be successful." Seng Shoy revealed.

The international team at Hong Guan (Tackle) stays engaged and connected to the company's supply and distribution networks, gathers intelligence, picks up global market trends, competitor activities, and customer requirements. They then use these information to curate insights and product ideas. Market intelligence is sourced directly from the company's value chain, which is critical for acquiring customers and increasing sales.

The company also took advantage of various government talent development grants to upskill its talent pool, such as the Capability Development Grant (CDG), the Professional Conversion Programme (PCP), and the P Max: Place and Train Programme³.

Advantages of cost competitiveness and local market presence

For its business operations, Hong Guan (Tackle) developed a lean culture and implemented efficiency enhancements. While the company's headquarters and core staff (which include worldwide sales, product design, accounts and finance, and marketing) remained in Singapore, the operations and logistics departments were merged into the Malaysia office.

Malaysia offers various cost advantages compared to Singapore due to its proximity, with the option to travel by road from Singapore instead of relying on flights. Moreover, for the export business, the country of manufacture does not pose an issue, provided that the quality of the products meets market requirements and is competitively priced.

³ The CDG has been replaced by the Enterprise Development Grant (EDG), while the PCP and P-Max Programme are now known as the Career Conversion Programme (CCP), with 'Place-and-Train' being a mode of the CCP.

Cost aside, including locals on the ground while developing a company internationally could be beneficial in gaining insights and understanding of the local market.

Don't let a crisis go to waste – adapt and reshape business operations

Businesses have witnessed how the pandemic has affected today's and future markets. It was no different for Hong Guan (Tackle). Logistics interruption could not have come at a worse time for a worldwide exporter with over 30 overseas markets.

The cost of air freight skyrocketed. While sea freight rates were affordable, there were fewer ships on the water, lengthening the time it took for a product to arrive. With its in-depth knowledge of the supply chain, the team took on the task of sourcing alternative logistical solutions and decided to use the Belt-and-Road Initiative to carry its products to the European clients via rail from China. This business continuity initiative was pivotal in mitigating the impacts of the pandemic and it provided some relief to the company, boosting the team's confidence during this time of crisis.



SBF Company Video Series: Hong Guan (Tackle)

CHOP HONG GUAN
IMPORTERS AND EXPORTERS

Chop Hong Guan at Beach Road, 1970

THE STRAITS TIMES
Reeling in the rewards

THE STRAITS TIMES
Casting the net wider

“Singapore is just too small for most businesses. You really need to consider, at least, Southeast Asia as your platform.”
Mr. Lee Seng Shoy, Managing Director, Hong Guan (Tackle)

Epilogue

Hong Guan (Tackle) has overcome multiple challenges to become a worldwide player with products marketed in more than 30 countries.

The company carefully examined and assessed the opportunities of its supply chain, sourced products from the same manufacturers that produce for major brands, and capitalised on its local market knowledge and downstream distribution capabilities. It transformed itself from a distributor of other brands to a proprietary brand owner and a major distributor in the ASEAN region.

Hong Guan (Tackle)'s relentless focus on internationalisation, with its deep understanding of the supply chain, along with support from various government schemes, has indeed paid off.

“No matter how brilliant an idea is, unless you work on it, it will never work. Passion gets you started, but it's tenacity and dedication that keeps you going, even when things go rough. Always be flexible, ready for a crisis, step outside of your comfort zone, and question the status quo.”

Lee Seng Shoy, Managing Director, Hong Guan (Tackle)

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