SGCARMART VS SPH
WINNING IN THE FACE OF A GIANT COMPETITOR

BY: CHIN CHEE KAI
Vincent Tan, founder of SGCarMart (SGCM), had to make a swift decision in 2013 that could make or break his company — to sell or not to sell the immensely successful venture SGCM to Singapore Press Holdings (SPH) at a buy-out offer of about SGD 60 million (SgCarMart, 2015). The sum was not huge by Silicon Valley standards, but in Singapore’s short history of start-up buy-outs, it was still a hefty sum. The buy-out money would be a welcome reward for the eight years of toil for Tan and his two co-founders — Henry Seah and Tan Jing Lun.

But SGCM was doing very well. The young online start-up received multiple awards and congregated visiting traffic in the range of millions per month. Most importantly, at the time of the offer, it was enjoying stable recurring revenue close to SGD 5.5 million with a healthy annual profit of SGD 2.3 million. SGCM was also the market leader in online car advertisements in Singapore at that time. With the achievements SGCM had garnered, it would be highly possible to explore other options beyond a buy-out. The company could enter into partnership agreements, or even undertake an Initial Public Offering (IPO) that could be worth much more than the SGD 60 million offered by SPH. With an upper hand in the market, would it be wise for the founders to sell SGCM?

Background
In 2004, three friends discussed the idea of starting up a company when they were about to graduate from the National University of Singapore (NUS) (SgCarMart, 2009). With no business idea in mind, the founders explored different sectors including property, cars, jobs, and travel for business opportunities. After evaluating the potential success of developing a web-based advertisement business in different sectors, the founders concluded that the car advertisement sector was a viable option. It might have helped that Vincent’s father was a car reseller who became one of the company’s initial list of customers (Sim, 2013). The founders aptly named their company SGCarMart (SGCM).

The online car advertisement business was clearly not a ground-shaking idea. Even Vincent’s father was aware that some earlier web-based attempts at serving the car reselling market, and those companies failed miserably. So when Vincent noticed the absence of a dominant online car advertisement website in Singapore in 2004, it could indicate bad or good news — the car advertisement business was simply not viable, or no one had yet found the right way to make it work.

Even Singapore Press Holdings (SPH), Singapore’s only printed newspaper giant agency, kept its focus on their monopoly in printed car advertisement market, and stayed away from online car advertisements. Could it mean that SPH with its team of market analysts had determined that online car advertisements were not viable? Being young and hopeful about their new-found idea about online car advertisement, the founders did not think much about longer-term strategic issues like the reaction from key media players, potential heated competition, and low barriers of entry to such platform businesses. What if SPH decided to devote a significant budget to develop an equivalent website for cars? Between SPH (a multi-decade old, well-run, publicly-listed media giant) and SGCM (a young start-up run by a few fresh graduates), what were the odds that SGCM could persist and fend off competition from SPH? Was it meaningful to chart a course that would ultimately collide with a giant in advertising industry in Singapore? What if other local entrepreneurs are also working...
on a similar idea with the strong backing of venture capital? All these questions did not seem to bother the founders.

Vincent went ahead with his friends anyway and started SGCM. It was only after its first year that the founders recruited their first employee, who would perform data entry at a rented desk. It was a time when the idea of online advertisement for cars had not received local acceptance yet. In a skeptical and fragmented used car dealer market of about 700 dealers, it was not easy to convince car dealers that placing their cars on SGCM website could lead to shorter sales lead time. The founders made weekly visits to convince skeptical dealers of SGCM’s dedication, and to persuade them to list their cars on SGCM, assure them that the results would commensurate with the advertisement fees, and leave them the impression that SGCM would be their excellent partner. When dealers were willing, the founders would take pictures of their inventory of used cars from inside out and at different angles, gather accurate information of the cars for sale, post the information on SGCM’s website to expand the reach of the potential buyers for the cars. In other words, they had to ensure minimum hassle on the part of participating dealers.

Through sheer hard work and determination, the founders digitized the used-cars industry and delivered results in the online car sales market. In 2006, SGCM averaged 60,000 visitors per month (Sim, 2013). By June 2008, SGCM scaled new heights, averaging 900,000 visitors per month with 13 million page views, and 10,000 car listings (iProperty.com, 2008). By April 2010, SGCM reached an average of 1.5 million visits per month with 10,000 car listings (PropertyGuru, 2010). By April 2013, SGCM said on its website that its 10,000 car listings attracted more than 2.2 million visitors per month (Quah, 2013).

**SGCarMart operations**

When SGCM began, its website design was tailored to assist sellers to sell and buyers to search and buy. While dealers might just be interested in advertising to sell their cars, SGCM wanted to serve the larger part of the used-car industry by helping direct sellers to advertise and sell. Direct sellers were car owners who did not mind being involved in the selling process to secure higher transaction prices. To them, car advertisements were part of the process to complete a sale transaction. There were other related tasks involving documentation — guidelines for allowing potential buyers to test-drive their cars, loan settlement, ownership transfer, registration and deregistration procedures, among others. To the first-time direct buyer or seller, this would seem all too daunting. Spending a lot of time to read up the procedures just to settle one transaction would be too demanding on the layman car seller. Through its SGCarMart Connect, SGCM offered free of charge services to direct buyers and sellers to file the paperwork on their behalf with respective regulatory and commercial organizations to ensure that procedures related to loans, insurance, registration, and deregistration were properly carried out. The burden of paperwork filing would drive interested direct buyers and sellers to advertise on SGCM’s website, rather than to other websites that lack administrative support.

Furthermore, SGCM also offered car consignment scheme to help match consignment agents with car owners to sell their cars with some control over the transacted prices. In addition, it offered SGCarMart Quotz which allowed car owners to sell to car dealers via bidding, thereby helping car owners get the highest price for their vehicle while car dealers can to spend time more efficiently as they got to auction for multiple cars at a time.
For car advertisers, SGCM charged a flat SGD 48 for six weeks. With some exceptions, every online advertisement appearing on SGCM is accompanied by pictures of the cars shot at multiple angles, detailed specifications, features, and descriptions, providing features and prices for easy comparison with other similar models. Although pictures were supposed to be submitted the do-it-yourself (D.I.Y.) way, the founders initially visited car showrooms to take pictures on behalf of the advertisers. Online payment made SGCM’s platform very scalable to thousands of transactions without additional manpower. Car buyers found it easy to begin their ideal car search from various parameters — price, model, mileage, number of ownership, age of vehicle, among others. SGCM’s website is specially designed to help car buyers to scan the thousands of listing quickly for their preferred car.

Although SGCM’s revenue model is based on selling car advertisements, its operations include building a community of workshops (car spare-parts or accessory shops) to add to the listing of products for sale, providing customer reviews of workshops to enhance credibility, and providing discussion forums for car enthusiasts and all users. Advertisements placed by workshops on their specialty and services, together with reviews of past customers, guided car owners in their quest for the most suitable workshop.

Essentially, SGCM did not see its role as just selling car advertisements. SGCM was more a platform to build the car community in Singapore. If one thought about cars — whether it was about buying, selling, maintaining — one would think about SGCM.

To boost its online presence, SGCM skillfully picked its online partners with users who were likely to be car owners or buyers, or car-related businesses. For example, SGCM struck a strategic partnership with iProperty.com on 17 June 2008 (iProperty.com, 2008) for cross-posting advertisements. Given that iProperty.com’s users are selling or buying condominiums and houses, they are also generally interested in selling or buying cars. SGCM later linked up with another start-up, TyrePac, on 2 March 2009 (SGCM, 2009) to mutually enhance each other’s online presence and to promote TyrePac’s range of tyres and services to SGCM’s users. The presence of online quality tyres and services from TyrePac would bring greater convenience to SGCM’s users, and help SGCM attract more car users, buyers and sellers. Next, SGCM joined forces with PropertyGuru to share their web content, advertisements, and e-newsletters (PropertyGuru, 2010). PropertyGuru’s users are mostly property sellers, buyers and agents who are generally car users, content sharing helped SGCM expand its reach to more users to advertise on SGCM.

SGCM’s operations are very different from a pure online car advertisement website or printed car advertisements. SGCM did not begin with a legacy of printed advertisements that needed protection. This freed SGCM to price its advertisements very affordably without fear of disrupting any of its existing revenue streams.

**Rise of online advertisements**

Since the public listing of Google on 19 August 2004, the concept and effectiveness of online advertisements had gained acceptance among advertisers. Google had been weaving the web with their Adwords and Adsense advertisement machineries, feeding independent website owners, bloggers, and anyone who was interested in placing a Google advertisement. Because Google had made it extremely simple for Google advertisements to be displayed in many participating web
pages, blogs, and websites, advertisers with Google could enjoy enormous exposure of their web content. Advertisers were persuaded by traffic and effectiveness. With millions of websites and web pages luring readership and traffic to Adsense-embedded websites, advertisers would prefer to channel their advertising budget to Adsense, away from traditional printed advertisement channels such as the newspapers.

This meant that, for example, a car dealer could purchase advertisements from Google to be selectively displayed when people searched for “used cars” or “reliable dealer”. Various features of Google’s advertisements permitted advertisers to selectively target a specific customer segment, thus increasing the likelihood of converting the advertisement viewer to a potential sale. When a viewer became interested in a car advertisement, a simple click on the advertisement would show a website with further photographs and details on the car, making the online advertisement an attractive tool for car sales. Such features were not available on traditional newspaper car advertisements.

Online advertisements are not limited to merely websites and blogs. Mobile apps which run on widely popular Apple iPhones (Wikipedia, 2015), launched on 29 June 2007, and Google’s Android-based phones have attracted advertisers’ attention. With Apple and Google relentlessly pushing for mobile advertisements to be embedded within their growing inventory of mobile phone apps, mobile advertisement viewership grew. This led to more money spent on mobile advertisements, either to supplement or replace traditional printed advertisements.

As the Internet developed, the options for online advertisements increased. For example, Facebook leveraged its billion-user base and mobile-advertisement platform to attract advertising dollars. Advertisers could instantly reach out to interest groups such as car enthusiasts by advertising with Facebook. YouTube video advertisements presented yet another viable, high-viewership platform for the advertisers to channel their advertising budget away from traditional printed media. In addition, classified websites such as Craigslist and Gumtree required no payment and thus appealed to a wide-ranging user base, which might not be willing to pay for printed advertisements.

Online advertisements are easy to set up and effective in targeting market segments; newspaper advertisements are relatively less informative, selective, and up-to-date. The time taken from placing an advertisement on printed newspaper advertisement to the actual advertisement appearing on the newspaper could take at least a day. Once committed, the advertiser would have no room to change the content even if the car was sold before the advertisement appeared on newspaper. After the car is sold, car advertisers might also waste time answering phone calls from interested buyers who read the outdated newspaper advertisement. Online advertisements, in contrast, appear almost instantly online the moment the advertisement was confirmed. Once the car is sold or if the seller decides not to sell, the car advertiser simply deletes the advertisement so that future potential buyers do not see it. Car advertisers save time from not having to answer enquiries about already-sold cars. Potential car buyers save time knowing that the cars they see online are cars available for sale.

Car advertisers are sensitive to the effectiveness of every dollar spent on advertisements. They find the cost-savings on online advertisements much more attractive than printed newspaper...
advertisements. Car advertisers might channel their advertisement budget away from newspaper to the Internet, thus discouraging newspaper companies from charging relatively high fees for car advertisements on their newspapers. Unlike online advertising, newspaper advertising also lack targeted focus on specific customer segments.

**Notorious used-car market**

Whether owning a car in Singapore is a need or a want, the world agrees that Singapore has the world’s most expensive car market (Naidu-Ghelani, 2013). A typical Toyota Corolla Altis cost about SGD 114,000 in 2012. Second-hand car sales market which typically sold cars requiring less upfront cash, therefore, played an important role in making used cars available to eager buyers. In the United States, it is common for buyers and sellers to transact directly; in Singapore, it is different because of the hassle of legal documentation on car transactions. Loan settlement, insurance cancellation, transfer of ownership, road tax payments, and refunds — all involve complicated procedures that are beyond the layman’s knowledge and skill. As a result, car owners are more willing to sell at lower-than-market prices to dealers and agents who specialise in handling documentation procedures. More used cars are transacted through dealers and agents who would buy the car from the seller, add finishing touches to the car, and source for potential buyers through newspaper advertisements.

However, used car dealers and agents are also known to be notorious. The large amounts of money involved in pricey-used cars attracted all kinds of traders to act as used-car dealers. Anyone could become a used-car dealer overnight to handle high-valued complex transactions such as used-car buying and selling. It was inevitable that the industry is plagued by poor service. Forums are rife with stories of dealers giving misleading information to close sales, making empty promises, selling cars in poor working condition, denying responsibility for repair and compensation after sales, and even outright cheating. For example, Volks Auto, a used-car company owned by Alvin Loo before December 2014, used printed and online advertisements to sell cars priced significantly lower prices than those offered by competing dealers. Eventually, Volks Auto closed down its business after collecting over SGD 3.6 million from more than 100 buyers without delivering the cars (Cheng, 2014; Hussain, 2015). Alvin Loo left Singapore and absconded with all the cash deposits just before the buyers found out.

While rogue dealers are always present in any industry, they tend to be disproportionately more prevalent in the used-car sector. The Consumer Association of Singapore (CASE), an association which champions consumer rights, observed that nine out of 10 complaint cases involved used-car dealers between 2012 and 2014 (Chew, 2014; Dhanaraj, 2014). But CASE does not have the legal authority to do more than hearing and documenting consumer complaints.

To protect consumers against irresponsible sellers, the Consumer Protection (Fair Trading) Act (CPFTA), part of Singapore’s existing law, was strengthened and implemented on 1 September 2012 to produce the Lemon Law. Under this law, when a car fails to perform to the terms of sale shortly after the purchase date, the buyer can pursue the dealer for a reprieve from the risky purchase of a “lemon” (faulty car). After the introduction of the Lemon Law, CASE handled 98 defective claims for motorcar sales in six months as at March 2013 compared to 19 cases in six months before the Lemon
Law was introduced (Lim, 2014). But claims and counterclaims under the Lemon Law took time and money to resolve, without entire certainty of the outcome.

Car workshops form another part of the car industry in Singapore that has the dubious reputation of shoddy services. Although outright cheating is seldom heard of, overcharging customers and inflating car accident claims to insurers is very common. The situation was bad enough for the Singapore Motor Workshop Association (SMWA) to partner with CASE to launch an accreditation scheme specifically for car workshops (OneMotoring, 2012). With this voluntary partnership scheme, it is hoped that accredited motor workshops would be accorded with higher trusts by the consumers as they would have earned the creditability by practicing and adhering to fair service guidelines stated in the accreditation scheme.

SGCM’s SGCarMart Connect services have reduced the individual’s fear of buying and selling. Individual buyers could have their deposit money cheated, much like the buyers of Volks Auto’s cars. Individual sellers, similarly, might not get paid in full. With SGCarMart Connect services, SGCM plays the role of a trusted middleman between the direct buyer and the direct seller. While SGCM is not able to eradicate or detect rogue dealers in the used-car dealers market, the Connect services enhances the confidence of buyers and sellers to buy or sell their own cars.

Key competitor — SPH
Singapore Press Holdings (SPH) started on 4 August 1984 through a merger of four news and publishing-related companies (National Library of Singapore, 2015). Being the only media-publishing company in Singapore, SPH enjoys a virtual monopoly of the printed newspaper market as its operations expanded. As a publicly-listed company on the Singapore stock exchange, SPH has a market capitalization of approximately SGD 6.4 billion dollars, annual operating revenue of about SGD 1.3 billion, and a profit before tax of about SGD 442 million dollars in August 2012, according to the SPH Annual Report 2012. By 2015, SPH published 19 newspapers across four languages, covering almost all demographics in Singapore. As a press monopoly, SPH enjoyed unrivaled status in its offering of newspaper advertisements on new and used cars. In addition to newspapers, SPH published close to 100 magazines in Singapore and in the Asian region. It operated other businesses including a website with Asian-oriented content AsiaOne, an online classified website ST701, a social networking and Singapore citizen media website Stomp, an online TV SPH Razor, a book publishing arm Straits Times Press, a Real Estate Investment Trust SPH REIT, and also events and exhibition services (AsiaOne, 2016; Stomp, 2016; SPH Razor, n.d.).

As the only printed newspaper in circulation in Singapore since 1984, SPH was the de facto newspaper advertisement channel for both new and second-hand car sales, with 978,000 newspaper copies per day of circulation in Singapore, according to the SPH Annual Report 2012 (p 15). Its Straits Times Classified for cars in printed newspaper is popular among car owners and second-hand car resellers and agents who wish to reach their potential buyers in Singapore.

But the wave of digital content and connectivity which had hit many industries and commercial sectors such as printing and book publishing has taken a heavy toll on printed newspaper advertisements. The local people have assimilated the convenience of searching through portals and the instant updates of the searched results for all sorts of advertised items from low-priced goods such as watches and shirts to million-dollar properties. The search for cars online is no exception.
There is a pool of ready car buyers and sellers waiting for the right platform for them to perform efficient posting and searching for selling and buying cars.

Even though SPH has enjoyed steady revenue and high-profit margins from its printed newspaper car advertisements with little competition, pressure is building up for SPH to do “something” online, even if it meant initial potential losses. Owing to the positive impact of online advertisements, mobile app advertisements, social advertisements, video advertisements and other focused platforms on e-commerce sales, the assumption that car advertisers would always depend on printed newspaper advertisements is very much challenged.

On 24 March 2006, SPH launched ST701 to bring SPH’s classified advertisements online (ST Cars, 2015). With the website address www.st701.com (ST701, 2015a)\(^1\), SPH attempted to start meeting local consumers’ demands for online items and sellers’ needs to advertise online. The website featured classified advertisements for jobs, cars, property, and others found on the classified advertisement section of SPH’s flagship newspaper *The Straits Times* (ST).

The design of the website, however, was primarily to reproduce the print advertisements found in the classified sections of the newspaper. ST701’s car section was just a category under its advertisement division. To SPH, car advertisements are processed in the same way as advertisements for other sectors, such as advertisements for property, jobs, and others. On ST701’s website, “car” was just another link alongside other links to other classified advertisement sections for jobs and property. Transactions for car advertisements are also processed the same way as other classifieds. In all advertisement transactions, the content and dates are first confirmed with the advertiser. The advertisements are then printed and circulated. With a small additional fee, car advertisers have the option to feature their advertisements on the ST701 website.

On 18 September 2007, ST701 was split into verticals, meaning that a website was created for each major section — property (ST Property), car (ST Cars), job (ST Jobs), and general classified advertisements (ST Classifieds). This enabled the ST Cars website to develop its own unique character to improve its competitiveness against SGCM. But SPH’s primary source of income for car advertisements came mainly from newspaper advertisements. The positioning of ST Cars with respect to printed car advertisements appeared more as a supplement rather than a separate entity with its own character for development. The value of synergy of having both printed and online versions of the same car advertisement was not exploited sufficiently to SPH’s advantage.

The SPH car advertisement costs about SGD 11 per line of about 3 centimeter-wide text on printed newspaper. A car advertiser spending SGD 48 would get a basic advertisement with four short lines of text with no picture for just one day on printed newspaper. Because car advertisements are transacted with advertisers and printed on newspaper in the same way as other advertisements for property, jobs, travel, and other classified sections, each car advertisement placement represented minimal marginal cost to SPH. The profit margin per car advertisement placement would be high. From this vantage point, the online ST Cars which could display colorful pictures to enhance the attractiveness of the car on sale would require extra work. For example, ST Cars might have to manually and visually scan the user-uploaded car images to ensure no indecent picture was intentionally or accidentally uploaded. In order to ensure some level of accuracy when ST Cars

\(^1\) According to the website’s FAQ page, “7 stands for 7 days a week, search at the 01 place that matters”.

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displays detailed information about a car, such as age of the car and number of past owners, ST Cars would have to take time to verify the details of the advertised car. This will result in higher costs and lower margins.

By 2010, SPH was well aware of the impact of intensifying competition brought about by the digital evolution of media news and advertisements. “[I]n the face of keen competition from digital and other media [...] the global trend of [...] newspaper circulation and advertising revenue [is declining],” noted SPH Chief Executive Officer (CEO) Alan Chan Heng Loon (SPH’s Annual Report, 2010).

To make a stronger breakthrough in the online space, SPH revamped the verticals. The ST Cars website was relaunched on 20 November 2012. In what was supposed to be the largest counterstroke against SGCM, the relaunch made several major changes. According to the “About Us” page on ST Cars website, “ST Cars now provides an improved buy-sell-rent platform for motorists and dealers, with more than 10,000 listings” (Singapore Press Holdings Limited, 2012a). In its press release, it mentioned that the newly introduced “federated search feature” as “the best-in-class function [that] can yield multiple results from a single query”. ST Cars also rallied new partners of the car industry, such as Singapore Petroleum Company, Automobile Association of Singapore, Comfort Delgro, VICOM, and Singapore Road Safety Council in a move seen as positioning ST Cars as the “most trusted car [web]site”. In what was the punchiest move, the press release stated that “users can now post ads on ST Cars for free”. The senior product manager of ST Cars Jack Chua said, “Unlike some competitors who charge as much as SGD 96 for a 6-week online ad listing exposure, ST Cars wants to provide a real and timely benefit to dealers, direct sellers, and individual buyers”.

In the meantime, SPH watched its property advertisements shrink due to strong competition from PropertyGuru and iProperty (PropertyGuru, n.d.; iProperty, n.d.). Other classified sections including travel, tuition, products, and services were not spared either. If the revamp of ST Cars and other vertical portals did not work, there would be some urgency for SPH to find a more effective and drastic action to arrest the slide in printed advertising revenue.

**Dilemma**

*SPH’s dilemma*

By February 2013, three months after ST Cars’ most decisive revamp aimed squarely at diminishing SGCM’s dominance, SPH reviewed the strategic direction of its car advertisement business. SPH was losing millions of dollars of car advertisement revenue to SGCM annually, and SPH needed to decide whether it should improve its ST Cars to compete with SGCM or acquire SGCM. If improving ST Cars’ website would help, what should be done? If acquiring SGCM was the way, would the acquisition eliminate SGCM to strengthen ST Cars’ dominance, or should SPH take down ST Cars and grow SGCM further, or merge both into a new brand, or let both websites function independently?

According to SGCM’s filing at Accounting and Corporate Regulatory Authority (ACRA), SGCM’s financial year (FY) 2011 revenue was SGD 5.5 million with a net profit after tax of SGD 2.33 million

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2 The comment was made about SPH Group’s revenue from newspaper and magazines rising by 9.2 per cent from previous year’s revenue.
3 SGCM was charging SGD 96 for 6 weeks with inclusion of a one-day StarAds that guaranteed 100,000 views per day.
(Quah, 2013). While it had a good healthy annual turnover for a small medium enterprise (SME), it paled in comparison with SPH’s FY2011 operating revenue of SGD 1.27 billion with a net profit after tax of SGD 384 million, according to SPH Annual Report 2011’s income statement. Should acquisition of SGCM happen, there would be assured revenue from SGCM but SPH needed to be mindful of the overall acquisition cost in order to maintain a healthy bottom line. Using a standard industry practice of multiplying the acquiree company’s annual turnover by 11, SPH derived at a value of SGD 60 million which it believed to be a fair offer price for SGCM. There were three compelling reasons for SPH to acquire SGCM.

**Reason 1**
SGCM was more than an ad-placement machinery; it had built a car community around its platform. The synergistic presence of parties — car workshops, car parts sales, used cars, new cars, export cars, dealers, buyers, and documentation services — helping direct buyers and sellers has created much desired value. SPH could certainly try to build a similar community. However, it would take time, perhaps years, to build up good working relations with various platform users — car dealers, workshops, parts sellers, direct car buyers and sellers, car manufacturers, and the general public participating in car forums and discussions. Even if all the necessary executions were carried out, there is no assurance that the resulting community website would be as successful as SGCM’s website. By acquiring SGCM, SPH could instantly gain access to a community of networks and relationships, a task which would be difficult to build in a short time with certainty of success.

**Reason 2**
In acquiring SGCM, SPH could certainly eliminate a strong and dominating competitor which could adapt and execute its plans quickly. SPH’s agility to try out new ideas and services to compete in the online car advertisement business was being weighed down by two burdens — bureaucracy and legacy of printed car advertisement. First, while SPH’s bureaucracy might be necessary for proper management of a large corporation, applying the same bureaucratic procedures to manage a rapidly evolving online advertisement business could be ineffective. Second, SPH could not risk cannibalising its still lucrative printed car advertisement due to implications to other printed advertisement sections such as property and jobs. For example, if car advertisers on SPH’s printed car advertisement section found it more effective to switch to online advertisement, they might spread by word of mouth to encourage other property and job advertisers to switch to online advertisement websites, thereby reducing revenue from printed advertisements. If SGCM is successfully acquired, SPH will have the luxury of taking over SGCM’s platform and relabeling it as ST Cars to preserve its in-house brand. With the combined market share of SGCM and ST Cars, SPH would be in a very firm position to fend off the next competitor in the online car advertisement sector.

**Reason 3**
SPH could also explore the possibility of operating SGCM as a separate company with management autonomy and serving its own markets of users. SPH could take advantage of differentiated marketing by setting different online advertisement price points to better reflect the value of the advertisements in targeted segments of car advertising users.
Besides buying SGCM, what other options did SPH have?

SPH had three alternative options if it decided against acquisition.

1) Option A
The offer amount of SGD 60 million could be used to enhance and develop the ST Cars website to compete head-on with SGCM. The actual cost of revamping a website would not be that high. The bulk of the money could be used for poaching key staff, partnership deals with car industry players, enhancing technologies, among others. Basically, the SGD 60 million could be yet another punchy revamp of ST Cars to fight on with SGCM.

2) Option B
SPH could leverage its market power of discounts, bundling printed and radio advertisements to expose SGCM’s weakness in channel access. Dealers and users looking for good deals are not necessarily loyal to SGCM. The SGD 60 million could be used to fund promotional discounts such as dealer-loyalty discounts, car-seller incentives, car-buyer discounts, as well as other marketing activities. With monetary incentives, it could possibly dislodge enough users from SGCM to ST Cars, thereby regaining its market position.

3) Option C
If an acquisition was necessary and inevitable, it might have been better to use the SGD 60 million to buy a more prominent platform advertiser that had wider market reach, such as property. Within SPH’s management, it could be harder to justify why an acquisition was mooted on car advertising platform rather than property.

By February 2013, three months after SPH’s major assault on SGCM — revamping its ST Cars portal and making car advertisements free on ST Cars — SPH was still suffering from decreasing circulation number and declining advertiser’s interests in printed newspaper advertisements. Now that it had come to a point where a decisive action had to be made, how should SPH proceed?

SGCM’s dilemma
Vincent Tan, one of SGCM’s three founders said, “[We] had no intention to sell SGCM from day one” (Quah, 2013). But when SPH ultimately decided to offer SGCM SGD 60 million to acquire various assets as well as the founders, Vincent had to think really hard. Would SGCM shareholders want more? Why should SGCM not be sold? There were contentions against the sale.

Reason 1
A post-acquisition SGCM might have to work according to corporate strategies defined by SPH. It might be restricted to operate solely as an advertising medium for buying and selling of cars in Singapore. As an independent company, SGCM could enjoy the liberty to decide when, where, and how to venture into overseas markets with larger car population than
Singapore’s. Numerous opportunities, such as expansion into car rentals, car loans, car exports, or even special car sale events, could be explored both in Singapore and overseas. As an experienced and successful car community builder in Singapore, SGCM could have succeeded by taking advantage of these opportunities. But going overseas might divert from the reasons for SPH to acquire SGCM in the first place.

**Reason 2**
SPH might acquire SGCM just to eliminate a competitor so that ST Cars could flourish. If so, the founders would have to take the bitter pill of watching their own fruits of labour demolished.

**Reason 3**
SGCM could worth more in value in future. For example, the local television broadcaster and SPH’s media rival MediaCorp might be keen to discuss a higher offer after SPH made the offer to SGCM. SGCM could also explore going for IPO to get a higher valuation from the market. This was not a remote dream. For example, Facebook did not take up Yahoo’s USD 1 billion offer (Carlson, 2014) and subsequently got an IPO price of USD 38 per share valuing the company at USD 108 billion. Furthermore, if the SGCM founders rejected SPH’s offer, the SGD 60 million would serve as a legitimate valuation of SGCM at that juncture, requiring future interested acquirer to bid at a higher price.

But there were also three contending reasons to accept SPH’s offer.

**Reason 1**
The founders were not the only shareholders. Since 2008, the recruitment jobs website JobsDB has invested an estimated sum of SGD 800 thousand in SGCM (Quah, 2013; Lim, 2013). As a major investor, JobsDB might want to cash out instead of waiting for higher future valuation.

**Reason 2**
SGCM has encountered the saturation of car listings since 2008. The number of car listings on SGCM’s website has literally stood still at 10,000 from 2008 onwards. Major announcements by SGCM after 2008 would only quote a car listing size of 10,000 without trying to present a higher number, even when its visitors per month and page views increased substantially year after year. It was an indication that SGCM had most likely cornered the market in Singapore. At such saturation, there would be limited growth opportunities if SGCM continued operating within Singapore. A further concern is that limited resources would limit the scope of innovation because SGCM has to dedicate itself fully to defend its market share, and counter the risk of being caught unprepared by other more start-ups.

**Reason 3**
More competitors are entering the online car advertisement sector. Vincent noted that “we could fight five competitors, or we could join one and fight four” (Sim, 2013). More used-car buying and selling websites were offered to the public by other start-ups as SGCM battled on
with SPH’s ST Cars. Google search revealed a list of car buying and selling websites such as www.oneshift.com, www.automart.sg, www.motorist.sg, www.sellcar.sg, www.sellcaronline.sg, www.directcars.com.sg and carquotations.com.sg. Although not all these websites are as well managed as SGCM and ST Cars, the market dynamics would change if new investors join these competitors. SGCM founders need to be wary that SPH might fund one or more of these smaller competitors to attract SGCM customers. Would it not make more sense for Vincent Tan to accept SPH’s offer and work with SPH to ward off any strong and promising competitors? This would be a win-win solution for both SGCM and SPH.

What should Vincent Tan do?

End-of-Case Questions

**Question 1**
Using the SWOT framework, analyze SGCM in the car advertisement market in 2004.

**Question 2**
If you were on SPH’s executive board, would you recommend SPH to continue its battle with SGCM or would you recommend SPH to acquire SGCM? Explain with justifications.

**Question 3**
If you were Vincent Tan, would you reject or accept SPH’s offer of SGD 60 million? Explain with justifications.

**Question 4**
If you were tasked to run SGCM independently, what would you do to grow its business? Discuss with justifications.
Figure 1 compares the share price performance of Singapore Press Holdings (SPH) versus the Singapore Straits Times Index (STI) with standardised prices (the z-scores) for a period of 5 years from 1 January 2008 to 28 February 2013.

Z-SPH refers to the standardized share prices for SPH. Z-STI refers to the standardized index values for STI. The share prices of SPH and STI were sourced from Yahoo Finance and synchronised to compute the z-scores of SPH and STI respectively.

Figure 1: SPH share price performance versus the Singapore Straits Times Index from 2008 to 2013
Printed newspaper circulation numbers were taken from SPH’s Annual Reports from 2008 to 2012. Circulation numbers were crucial to determine the attractiveness of a newspaper. A drop in circulation number not only spells a decline in sale of newspapers, but also a drop in estimated readership which would inevitably lead to a decline in associated advertising revenue.

Using known newspaper circulation numbers published by SPH in its annual reports from 2008 to 2012, a regression model was obtained that gave the relationship between $Y$, the newspaper circulation number, and $X$, the year index where 2008 had an index of 1. The regression model, which was statistically significant, yielded $Y = -15,266.1X + 1,048,230.70$ with an adjusted-$R^2$ equal to 0.9044. To obtain estimated expected physical circulation numbers from 2013 onwards, approximated values could be obtained by applying $X = 6, 7, \text{ and } 8$ respectively for years 2013, 2014, and 2015. The extrapolated physical circulation numbers came to be 956,634, 941,368 and 926,102 respectively.

The model also indicated a statistically significant negative slope that pointed to a drop in 15,266 copies of newspapers for every year that passed or would pass. While the annual expected drop of 15,266 copies might not seem big, this could represent just an average — with so many factors at work to lure consumers away from reading printed newspapers, the annual decrease in circulation of physical newspapers might accelerate with time. Furthermore, below a certain number of circulation copies, advertisers might psychologically be less convinced about the potential results of their advertised content and be less willing to pay for the printed newspaper advertisements. It could be a cliff-like decline in newspaper advertising dollars below certain circulation point that could not be yet determined.
Appendix C
SGCarMart’s monthly visitor growth

Figure 3 shows monthly visitor growth for SGCarMart’s website. Data were extracted from different sources to complete the chart. There were no data for years 2007, 2009, 2011, and 2012. For these years, the before-and-after visitor counts were used to interpolate to obtain the in-between counts. As SGCarMart had shown consistent growth in monthly visitor, the interpolated counts should be reasonably good estimates.

Figure 3: Monthly visitor growth for SGCarMart’s website from 2006 to 2013
References


About Nanyang Technopreneurship Case Centre

With funding from both the National Research Foundation of Singapore and Nanyang Technological University, the Nanyang Technopreneurship Case Centre (NTCC) was one of the initiatives of the Nanyang Technopreneurship Centre (NTC) to enhance the quality of entrepreneurship education through the case pedagogy. These are part of NTC’s efforts to foster, promote and nurture enterprising mind-sets, skills and knowledge in entrepreneurship education.

There is a plethora of business cases but a general paucity of cases highlighting the specific problems faced by technopreneurs in growing their ventures. NTCC adds value to Technopreneurship education by developing a pool of cases on technology-based local and international enterprises. Through the cases, NTCC hopes to share the experiences, success stories and challenges faced by entrepreneurs/intrapreneurs in growing their organisations and how they overcome their problems to sustain growth.

The theme of this first compendium is “innovation through technology”. It features Singapore-based and global companies confronting issues and challenges due to technological shifts in the industry and changing market and competitive dynamics; when introducing new products in the marketplace; and in using technology to drive organizational change.

Online versions of these cases are available for complimentary downloads at [www.ntc.ntu.edu.sg/ntcc](http://www.ntc.ntu.edu.sg/ntcc).

Teaching notes are also available to faculty members for use as reference, reading and/or teaching materials in various academic and professional programs. For further information, please contact Ms. Denise Lee ([deniseleecw@ntu.edu.sg](mailto:deniseleecw@ntu.edu.sg)) and Mr. Wu Chong Chuan ([wucc@ntu.edu.sg](mailto:wucc@ntu.edu.sg)).

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