

# Jackpot Gateway

By Michael Bleby

In a small room on the fourth floor of a Bangkok office building, three men are playing cards. They're not slacking, but doing research for a start-up that sells gamification services. In a nearby room, another small group discusses figures related to their on-line pet-food retailer. At a pod of desks in the main room, more people are working on a business that will sell baby products on-line.

This is the office of Ardent Capital, an investor and incubator of digital ventures that is taking on South-east Asia's growing market of 600 million consumers. It makes sense to start in Thailand, a country with 67 million people that teaches lessons that can be used in larger – and harder – markets such as Indonesia, Ardent Chief Executive Adrian Vanzyl says. Thailand, for example, has a “closed” language, used only in that country.

The country teaches logistics and cash-on-delivery skills. While a large number of Thai consumers have standard banking facilities like credit cards, many still deal in cash only. In Indonesia, even more do. “We start in Thailand because it is difficult, but not too difficult,” Vanzyl says. “We do not start in Indonesia because it is too difficult as a first market, with too many challenges.” For all the challenges, the future is huge.

As an estimated 82 per cent of Thais have a smartphone and 89 per cent of both Malaysians and Indonesians use one, the potential for conducting commerce and influencing behaviour by mobile devices is immense. While many people concentrate on China's growing market, fewer pay attention to South-east Asia. After tackling the Thai market, Ardent's model is to expand to Indonesia, the Philippines, Malaysia, Vietnam and Singapore, in that order.

## Road less travelled

At first glance, Vanzyl's focus on Thailand seems at odds with frequently



Ardent Capital Chief Executive, Adrian Vanzyl

reported views about Singapore being a place for start-ups to find funding and get going, especially given that country's concerted efforts to establish itself as a start-up hub through its Technology Incubation Scheme. “In Singapore, there is plenty of money up to the US\$ 500,000 mark,” Edgar Hardless, Chief Executive of venture fund SingTel Innov8, says.

But there's the rub. Ardent gets 90 per cent of its funding from Japanese investors such as Recruit Strategic Partners and GMO Venture Partners, and Vanzyl, a veteran of early Australian dotcom success Sausage Software, says Singapore, while great for a first-time entrepreneur, is limited in scope and doesn't

provide enough of a testing environment for a business with ambitions to spread regionally.

“We do not start in Singapore because the exits are too small and the market is too small,” the South Africa-born Australian says. “Building a business in Singapore . . . it's the same as building in California, in Sacramento. It proves you can build a business in a city of three million people, where everyone can speak English and has a credit card. It has fantastic infrastructure and is just easy.”

By some measures, South-east Asia – like north-eastern Asian markets in Japan – is ahead of Western markets. This is part of the attraction for

**ga•mi•fi•ca•tion** [gay-muh-fi-kay-shuhn]  
integrating game dynamics into your site,  
service, community, content or campaign,  
in order to drive participation.  
(see Bunchball)

Rob Zepeda, who puts down his cards from a trading game, Magic: The Gathering, to talk to BRW about Playbasis, the business he started, and in which Ardent is a minor investor.

### Playing to win

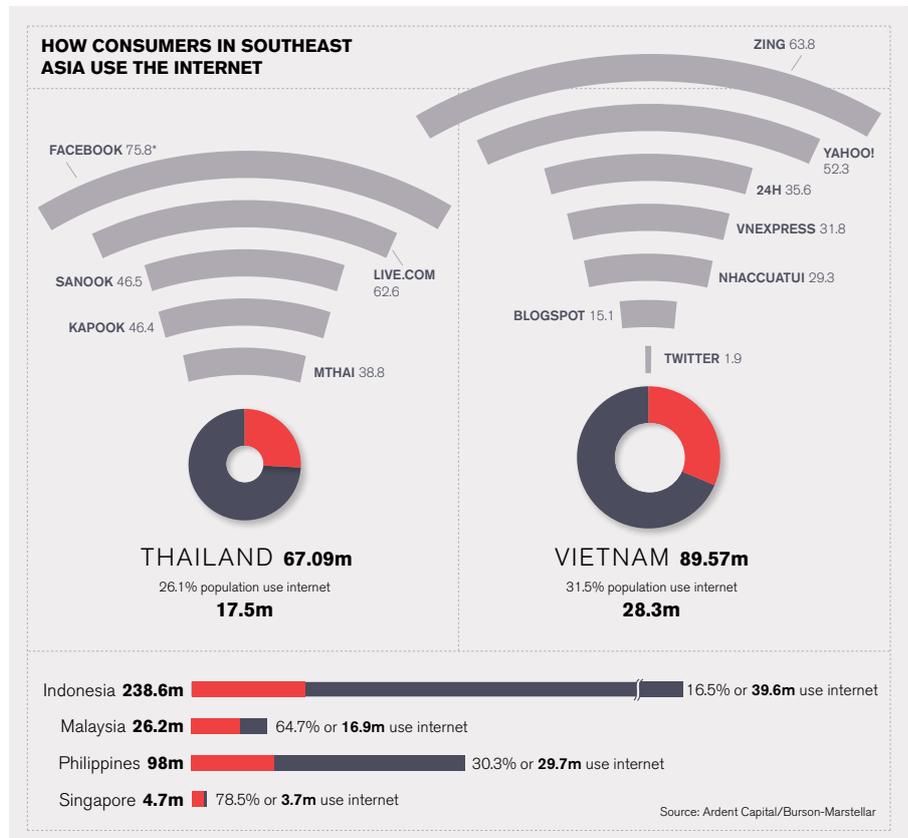
Gamification, or the process of adding gaming elements – such as point-scoring – to ordinary tasks to motivate employees and get customers more involved in a product or brand, is a natural sell in Thailand. Bangkok has more Facebook users claiming to live there than any other city, with the number at almost 8.7 million. Bangkok Airport and the city's Siam Paragon shopping mall were Instagram's two most tagged locations last year. Thais talk about "playing" Facebook or Twitter rather than "using" them, Zepeda says. "The term 'gamification' may be new but the underlying concept isn't."

To serve this market, the Playbasis team needs to spend time playing games, says Zepeda, an American who came to Thailand three years ago. "One thing that is really important is that the people on our team making gamification designs and recommendations to companies really understand games," he says. Playbasis clients include Thai mobile telecommunications company True and bank TMB.

In other respects, Asia already has a more established market for online commerce than in the West. There is, for example, a love of personalising their SMS and a willingness to pay real money for "stickers" – or emoticons – used to adorn messages. Japan-based Line, a free messaging and game app, in May said revenue jumped to ¥5.8 billion (A\$ 63 million) in the first quarter of this year from ¥3 billion in the previous quarter. Half of the revenue – admittedly, mostly from Japan – came from in-app purchases.

Paid stickers generated a third of that revenue. What is happening in Asia

***"There are people who build gamification apps to solve specific needs but no-one offering a platform. We give the tools, consultation; support how to integrate it into your processes."***



will spread, possibly via companies like Playbasis. "Paying for virtual goods, these are hugely profitable business models for Asia that are only starting to find their way into the West," Zepeda says. Playbasis, which took about eight months from idea to first paying customer, is a market leader, he says. "Part of that is by default," he adds. "There are people who build gamification apps to solve specific needs but no-one offering a platform. We give the tools, consultation; support how to integrate it into your processes."

Not all the businesses are run by foreign imports. Zepeda's colleague, Prem Doowa, an Indian of Thai nationality, is co-founder of PetLoft.com, the first of a suite of online consumer-oriented retail ventures that Ardent is rolling out as part of a separate business called WhatsNew,

following the model of quidsi.com in the United States. PetLoft.com started selling pet food to Thai consumers in June. It has been followed by Venbi, a site that sells nappies and other baby-related products. Cleaning products, sold under the Missclean.com brand, and make-up products will follow.

### The right target

In each case, Vanzyl says, the verticals target the same consumer: women aged between 25 and 45, who make the key household spending decisions. This makes customer acquisition cheaper. For example, it is cheaper to buy Google search terms such as "pet food online" in Thailand than it is to buy terms relating to women's health and beauty. However, having won customers with pet food, cross-selling make-up is easy. The goal, of course, is to sell WhatsNew, and Vanzyl says running businesses across a range of different countries is key to that. Ardent will issue share options in the businesses to key staff and subsequently dilute its own holding with share sales to external investors.

They have done it before. The Ardent co-founders, Thai-American brothers Paul, John and Tom Srivorakul, were the successful entrepreneurs behind start-ups including Ensogo (sold to LivingSocial) and Admax (sold to Komli). There is a limit on how big these retail ventures can become. "We are unlikely to build a billion-dollar business here but we are very likely to build several US\$ 100 million businesses," Vanzyl says.

There may be a way to build that US\$ 1 billion business, however. Serving an untapped market of online consumers is one thing. Having a logistics and fulfilment business to support those sales is another, and it on this score Vanzyl holds big hopes. Ardent owns a separate venture, aCommerce, which offers marketing, call centre, cash on delivery, distribution and other operations. In this, it is not alone. Singapore Post, to name one example, has started logistics service SP eCommerce to support the region's growing e-commerce players.

Vanzyl is unperturbed. "We help our customers with everything from the website, shopping cart, marketing and customer acquisition, payment gateways, cash on delivery, customer service in local language, returns," he says. "SingPost clearly has ambitions here but we think our knowledge . . . will exceed theirs." aCommerce charges a percentage fee of each transaction, meaning its revenue grows with customer numbers and with their spend. These are expected to grow as a business like WhatsNew rolls out more product verticals.



And this is where aCommerce could hit the jackpot. The nascent WhatsNew businesses are customers of aCommerce, but aCommerce isn't exclusive. Vanzyl is touting its services to foreign brands that wish to enter south-east Asia and sell directly to consumers, rather than relying on distribution via traditional retail channels. The scope to partner with luxury brands is huge.

A foreign investor who wants to buy that capability may indeed push the business into the billion-dollar territory, Vanzyl says. "If we can get a fair slice of the direct-to-consumer commerce for

big brands coming into South-east Asia, and we get a percentage of every dollar transacted, across all six markets, that is a very, very big business." ■

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