CITY OF OPPORTUNITY

SOCAR gains foothold in Southeast Asia through Greater KL

FOR SOCAR, a company under South Korea's second-largest conglomerate SK Group, Malaysia is its first stop in Southeast Asia. And so far, the leading car-sharing service from South Korea has been having a smooth drive since its launch on Jan 23.

The company, which has more than 40,000 registered users, plans to bring a fresh perspective to the car-sharing scene by rolling out a host of innovative service offerings this year.

Working closely with Prasarana, its strategy includes making its car-sharing service available at public transportation hubs. Its ultimate goal, however, is to be the "Starbucks" of the mobility scene with a SOCAR on every street corner.

Currently, the company boasts a fleet of 280 cars across more than 150 zones. The fleet consists of city cars such as the Perodua Axia and Honda City, as well as the larger Honda HR-V. The trendy Mini Cooper is also part of SOCAR's offering, and recently, Volkswagen was announced as one of its preferred partners when 50 Polo units were added to its fleet.

By end-2018, the company aims to quadruple its fleet to 1,000 cars, with even more variety, says SOCAR Malaysia CEO Leon Foong. "By 2020, we're targeting a user base of one million Malaysians," he adds. "By end-2018, we're aiming for 250,000 registered users, and if we have 30,000 to 40,000 of those active on a monthly basis, we'll be happy with the progress we've made."

The next stage would be expansion into other markets in the region, although each country would require unique positioning to accommodate local cultures and norms, he says.

But that needs to be supported by a strong regional base — and Greater Kuala Lumpur, SOCAR's first overseas expansion from its South Korean home base, is its springboard into Southeast Asia.

From that perspective, among Malaysia's key advantages is that it has a well-developed infrastructure, a competitive cost of doing business and is an ideal launch pad for mobility technology to redefine the transportation ecosystem, he says.

"There is also good access to talent. The automotive industry and ecosystem is fairly developed and mature in the country. We see Greater KL as an attractive place for expatriates to come and work, so that makes it easier for us to hire talent," notes Foong.

"Also, the regulatory clarity is there if we want to apply for a licence or MSC status for example. There are clear frameworks on how to get there," he adds.

Of its 35-strong workforce at present, about three-quarters are Malaysians and SOCAR is likely to ramp up hiring to 80 staff by year-end, Foong says.

Agencies such as InvestKL help tremendously in facilitating SOCAR's business in terms of engagement with various stakeholders, according to Foong. The generally progressive stance of Malaysian authorities to new ideas and disruption, not to mention farsightedness in terms of urban mobility, is also a major plus, he adds. "Throughout my experience in the mobility space in Malaysia, I have seen very progressive transportation regulations."

He points to the passing of key amendments to the Land Public Transport Act 2010 and the Commercial Vehicles Licensing Board Act 1987 in July 2017, which essentially legalised e-hailing services such as Uber and Grab.

"Singapore doesn't have formal regulations on peer-to-peer ride-sharing , nor does Thailand or even Hong Kong," remarks Foong.

Other examples of that progressive stance includes Bank Negara Malaysia's push for the detariffication of motor insurance beginning July 2017.

"And the government is pumping billions into public transportation without our even asking. For me, it would be a huge waste if we don't leverage this opportunity," says Foong.

SOCAR Malaysia, whose office is in Damansara, is 60%-owned by SK Holdings, a vehicle of energy and telco conglomerate SK Group. The other 40% is owned by SOCAR Korea.

For a car-sharing service, setting up shop in Malaysia may seem counter-intuitive, however. Malaysia has a strong driving culture and many people own vehicles, so would they want to rent cars?

But that is exactly what led SOCAR to choose Greater KL as its first foreign market, says Foong. He explains that despite the relatively small population of about 30 million, about 93% of Malaysian households have a car. "That means at least one person in every household has a driver's licence."

Coupled with Malaysia's high smartphone penetration — about two out of every three Malaysians have one, according to Statista — the country is the perfect launchpad into Southeast Asia for SOCAR.

The point is that the convergence of ride-sharing and other forms of public transportation in Malaysia is creating an ideal environment in which more people may opt to be part of the 'multiflex movement', says Foong.

He describes a person who "multiflexes" as one who enjoys the freedom of optimising his travel by interchanging between various transportation options — train, ride-sharing, even bicycle-sharing or driving a SOCAR vehicle — as opposed to the cost-heavy private car ownership mindset.

"That is our biggest challenge — the notion that people must own a car to enjoy a certain level of convenience or flexibility," Foong says.

The "multiflex movement" is thriving in the UK and Europe. The model is also popular with the growing number of global nomads, eco-warriors as well as champions of the zero-waste movement.

With that in mind, SOCAR welcomes competition from the crowded digital-based mobility solutions landscape in the Klang Valley.

"Competition is always healthy and, to me, it expands the pie, because it helps educate people about what we do and the options available to them," says Foong.

He discloses that the median age of SOCAR Malaysia's active users is mid-30s, implying a demographic that is keen to try other car ownership models or households that need to use a second or third car from time to time.

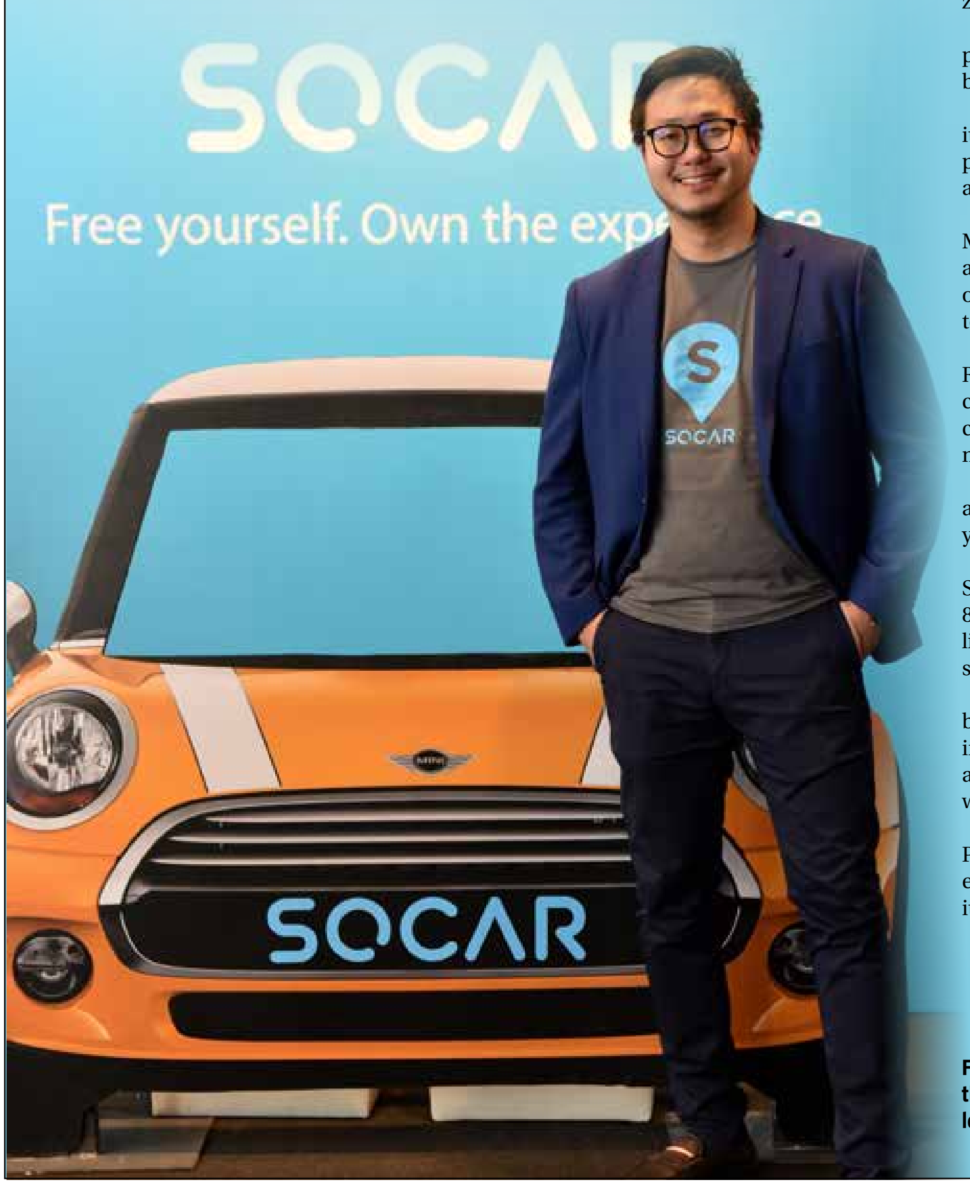
The allure is convenience. From as low as RM8 an hour, SOCAR's rental is inclusive of comprehensive insurance, petrol and parking costs, meaning users can drive with peace of mind for the duration of their rental.

That is in contrast to South Korea, where a sizeable proportion of SOCAR's users are younger students and professionals.

Since its debut in 2011, SOCAR has taken South Korea by storm — it is now present in 86 cities across the country, serving three million registered users with a fleet of 9,000 cars spread across 3,000 locations.

In Malaysia, SOCAR is taking it one neighbourhood at a time. It is focused on maintaining its presence in areas such as Cyberjaya and Bangsar, ensuring users do not have to walk more than 10 minutes to access a vehicle.

By 3Q2018, SOCAR plans to spread to the Penang and Johor Baru. It is also open to the entry of a local partner that could help drive its plans forward, Foong says.



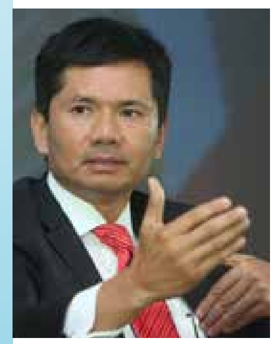
Foong: Our biggest challenge is the notion that people must own a car to enjoy a certain level of convenience or flexibility

Digital edge vital to support government's development vision

South Korea's second-largest conglomerate SK Group recently launched its car-sharing business in Greater Kuala Lumpur via its subsidiary SOCAR. SOCAR Malaysia is 60%-owned by SK Holdings, a vehicle of energy and telco conglomerate SK Group. The other 40% is owned by SOCAR Korea.

The leading car-sharing company from South Korea is on a mission to strengthen its business competitiveness and growth in Asia-Pacific by gaining a foothold in Greater Kuala Lumpur.

"SOCAR in Greater Kuala Lumpur is a unique multinational investment for InvestKL. The business proposition is aligned with our vision of increasing the digital economy's contribution to our GDP," says InvestKL CEO Datuk Zainal Amanshah. "InvestKL focuses on attracting high-value and high-skilled investments that have a digital edge. These include MNCs that have access to the digital space and advanced technologies, Internet of Things or Industry 4.0 technologies, such as artificial intelligence, big data analytics and cybersecurity."



Zainal: InvestKL focuses on attracting high-value and high-skilled investments that have a digital edge

InvestKL has the mandate to draw 100 MNCs to invest in Greater Kuala Lumpur by 2020. So far, it has attracted 73 MNCs, with committed investment totalling RM11.07 billion.

Of that amount, about RM4.5 billion of the investments have been realised, according to InvestKL. It mainly focuses on services-based MNCs that intend to set up regional hubs that serve the Southeast Asian region.

With the federal government's move to build a strong digital economy that spans Southeast Asia, attracting MNCs with strengths in the areas where services and technology converge will take the agenda further forward.

That is crucial as Malaysia continues to shift from manufacturing and agriculture-based activities to a technology-driven and services-centric economy.

The key targets to hit are already outlined. For example, the federal government has set a target for e-commerce to make up 20.8% of the national gross domestic product (GDP) by 2020, according to the National eCommerce Strategic Roadmap prepared by the Ministry of International Trade and Ministry.

While that may not seem to be a spectacular increase from 18.2% currently, it is a moving target nonetheless, considering Malaysia's strong GDP expansion pace in recent years — 5.8% growth in 2017.

In line with that objective and to support the government's move to shift the economy towards higher-value activities, InvestKL is selective of the MNCs it courts.

Zainal has previously disclosed that InvestKL assesses hundreds of MNCs from around the world via a rigorous, multi-stage evaluation process designed to select the best fit for Greater Kuala Lumpur.

This ensures that Greater Kuala Lumpur and Malaysians in general can reap the most benefits from having MNCs come and set up shop in the city while maintaining a cohesive direction that is in tandem with the federal government's long-term development plans.

Traditionally, European and North American outfits have seen the value proposition of establishing a regional hub in Malaysia and now, East Asian firms are beginning to realise the benefits of being closer to their regional customers in Southeast Asia.

In addition, Greater Kuala Lumpur makes strategic sense as it has the perfect ingredients for MNC professionals — a strong urban public transportation network, conducive international education environment as well as great liveability relative to other capital cities in the region.

These factors, alongside the strong talent pool in Malaysia that is supported by a robust education system, enable MNCs to establish a regional base of operations here and obtain a strategic competitive advantage in the region, says Zainal.