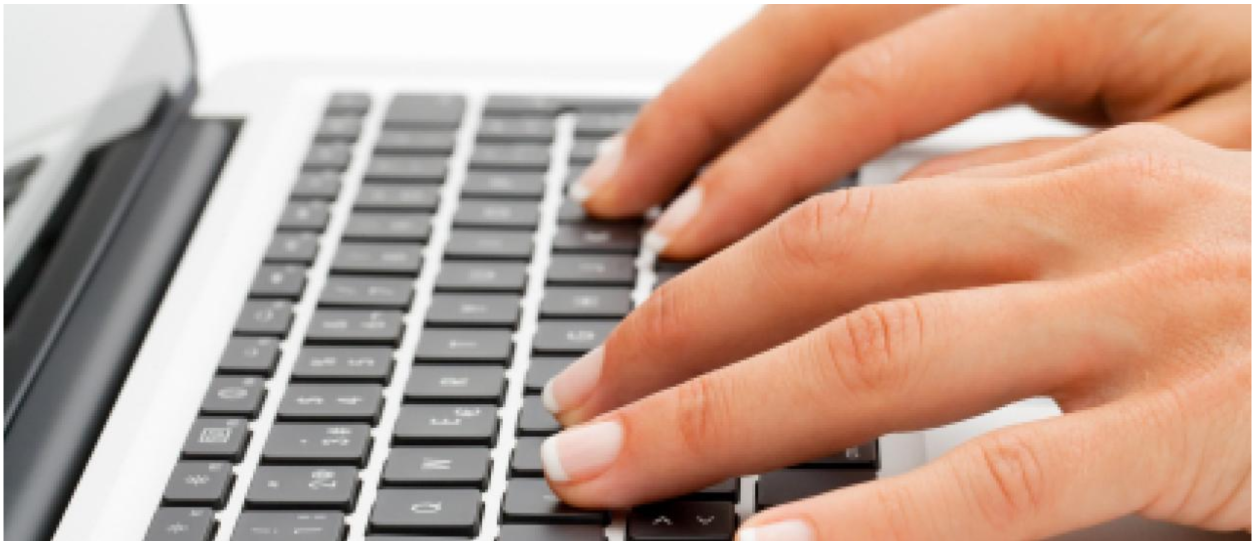
Can you really make money online?



By John Church

Ecommerce startup investment options are plentiful in Asia, so how do you capitalise and avoid losing it all?

After taking on the world with his own online startups, William Klippgen now invests in and nurtures the ones he thinks will do the same from his base in Singapore, where he has founded seed investment companies and funded startups since 2003, the same year he completed an INSEAD MBA.

As an investor, Klippgen sees enormous potential for ecommerce in the region. “In Singapore, and Asia, you see people actually propose by SMS, so that kind of shows a propensity to use social media to interact on everything from a personal level to forming opinion and carrying out debates,” he says. “You see a huge population in Asia moving into the middle class and with that comes a huge demand for products. I think the fundamentals for a huge uptake in ecommerce are there.” Klippgen identifies Singapore (very affluent and connected), India (huge future potential) and Indonesia (ultra-high growth in mobile penetration) as his top three markets to watch.

What’s lacking, he says, is that for countries like India and others, the percentage of the population that is online is small. The real potential will be realised as the region sees more people getting online and better bandwidth infrastructure. A 2010 Global Web Index survey appears to support his observations. It shows the percentage of internet users using social media in Asian countries including Indonesia, the Philippines, Malaysia, Singapore, Hong Kong, China and India are outstripping those in the US and the UK, in some countries (like Indonesia) by up to 30 percent. Klippgen says his own observations tell him there are cultural issues affecting demand for social media. “I think when it comes to social media, what people tell me is that Asian cultures are somewhat more open (than Westerners) to electronic communication as opposed to face-to-face communication.”

The downside of all this social media demand for some countries is its propensity for political dissent, as was witnessed with the Arab Spring in the Middle East. In Asia, a region not overly endowed with free democracies, Klippgen sees potential from social media platforms for either growing freedoms - or tighter controls. “I believe that social media at its core is a way to organise opinion and discuss different issues online. As such, it is a fundamental tool for organising dissent in countries that are oppressive. I think in Asia, as in the rest of the world, as more people come online in a country, you will see that that power using social media to organise dissent will just grow. So the big question for countries like China or India, or other countries out here, will be in what way the various governments actually try to control this social media communication when it becomes a really powerful force – even more than today.”

So why pick Singapore as a base? “Singapore … had a government that was really driving the adoption of IT. It uses English as a language but it’s in the middle of the fastest growing market for my kind of business in the world – the middle of Asia.” He says historically Singapore has been hesitant to open up for anything that causes too much political debate and that has included online space, “although I think we’ve seen in the last 12 months a kind of relaxation on that”.

“The only real issue for me is that the government apparently has a country-wide firewall that significantly reduces download speed for any content coming from outside Singapore. I do hope the government will address this soon. But when it comes to ecommerce and my activities, it has not impeded me at all. Singapore on the contrary is a very easy country to do business in.”

After founding the ecommerce portal Zoomit in 1997, that company’s 2000 merger with Kelkoo, which evolved into one of Europe’s most popular shopping sites, was Klippgen’s first online triumph. “At that time ecommerce was really taking off in Europe - pretty much the same situation that you have now in Asia, which makes it exciting for me,” he recalls. “We had two or three big companies in Europe and Zoomit was one of them. We had a clear strategy after the fatal dotcom crash, and we tried to merge with our competitor as a strategy to try to survive, and it turned out that Kelkoo had the exact same strategy so when we met them we agreed to a merger and we carried it out across a very short time.”

However, too many cooks in the Kelkoo broth told Klippgen it was time to bail out. “Kelkoo was forming a very aggressive M&A strategy and had consolidated companies in the UK, Spain, France, Norway, Scandinavia and the Netherlands. So it was actually a founder team of more than 10 people and I think that was just too many founders in one company. After an initial time, I think some of the founders stepped back and some founders remained, and I think that was the right decision for me.” The popular European shopping comparison site was purchased by Yahoo in 2004 for 475 million euros.

Klippgen’s Tigris Capital has a diverse portfolio including PropertyGuru, Singapore’s leading property site since 2008; Attentio, which monitors social media for Fortune 500 companies; Anafore, which develops social media mining tools; and Tickled Media, which just signed a deal to represent LiveJournal, one of the world's first blogging sites, in Asia. BAF Spectrum, an accredited Singapore angel fund, is also his and he sits on a dozen boards in one form or another advising the startups he helped fund. His strategy for investment is simple. “I try to go into the markets that are most easy for me to access and that would be countries where a large part of the population speaks English, where governments are less corrupt and where there’s a certain amount of people already online, so that there’s a certain base for a business to actually gain traction and make enough revenues to actually sustain itself.”

He says early-stage investments require supporting as many companies as possible to offset the enormous risk you take in one single investment. "The best strategy is to be invested in at least 10 or 15 companies because in many cases the company will fail and you will lose your money, your time and efforts in trying to make the company successful".

Klippgen has four rules of thumb for investing, all preceded by “gut feeling – and this goes for business angels and early-stage investors in all kind of industries – I think you need to know an industry really well to be able to have that gut feeling, and that’s why I only invest in companies where I have some prior experience”. First, he looks at the management team. “There should be ideally two founders that complement each other. It’s difficult with three – it’s good when you have two. (Second) I’ll look at technology and the mastering – actually using the products and services that they are proposing to give the market. The third thing I’ll look at is the ability to ‘bootstrap’ - that is that they are able to start and grow the company, also without any financing. There’s a big misconception sometimes that as soon as you get the investor on board, this company will take off and this is very rarely the thing. Sometimes if you get funding too fast you stop trying.

“The fourth thing is timing. Any big success is created at the right time. If you look at the really big successes in my field – the Yahoos, Googles, Facebooks; they were all created at the right time. So sometimes you can spend a lot of time and funding to make something go into the marketplace but if the market’s not ready for it you will potentially, in the end, fail. With all those four criteria matched, I would be interested in investing in the company.”

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