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Singapore Government

PRESS RELEASE

Media Division, Ministry of Information and the Arts, #36-00 PSA Building, 460 Alexandra Road,
Singapore 119963. Tel: 3757794/5

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SPEECH BY MR YEO CHEOW TONG, MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY, AT THE SINGAPORE E-AWARDS GALA, RITZ CARLTON, 20 JAN 2000 AT 9.30 PM

Introduction

I am very happy to be here with you this evening at this inaugural Singapore eAwards. Tonight, we recognise local enterprises, both in the private and public sectors, which have successfully adapted their business operations and processes to the new Digital Economy. The success stories that we honour this evening illustrate how the Internet Economy is reshaping the way businesses operate in the new environment. That the Internet Economy has become mainstream business is best underlined by AOL's recent merger with Time Warner to create the world's first fully integrated media and communications company valued at US\$350 billion. This is a monumental validation of the Internet sector. I will not be surprised if many business leaders are now watching eagerly to see how this merger will impact the way people get information, communicate and transact.

In the Awards tonight, we celebrate our own success stories. Local

companies are indeed excited by the Internet Economy. Spurred by the huge amount of coverage in the media everyday, many are now asking how they too can go into e-commerce. Can Singaporean companies compete successfully in this new marketplace? The answer must be a resounding “Yes”.

Hearing our very own local success stories will help the rest of the business community better understand the critical success factors that made these e-commerce companies stand out. They have successfully adapted their business strategies and processes to the digital marketplace and have shown that they can reach new markets through this new medium. They have also proven that there are efficiencies and productivity gains from e-commerce and are challenging the traditional pure brick-and-mortar companies.

Singapore and E-Commerce

Singapore businesses have also begun to embrace the Internet Age. According to the preliminary results from a recent ICT Usage Survey conducted by the International Data Corporation, over **80%** of our businesses that have computers have access to the Internet. This statistic is most encouraging because it shows that the majority of companies, including SMEs, have realised the need to make use of the Internet. However, in the same survey, only about one in every three companies have web-sites, and only **5%** of these are on doing transactions on the Internet. The survey shows that we need to actively encourage and persuade businesses which are aware about the Web, to climb to the next business growth stage of performing on-line transactions and coping successfully with the different challenges of the e-commerce world.

The latest IT Household Survey conducted by the Survey Research Unit of IDA also shows that in terms of readiness, Singaporeans have the “tools” to transact their daily activities electronically. According to the findings, our household PC ownership stands at a high **59%**. This surpasses that in the US (54%), Finland (54%), Australia (47%) and Japan (42%). Even more encouraging is the fact that **42%** of homes are connected to the World Wide Web, a figure that is also higher than those in the US, Australia, Japan and Finland. And we can expect these figures to jump up significantly following the recent offers by our ISPs to provide free Internet access. This will create an even larger on-line market for e-commerce.

Need for Local Enterprises to Embrace E-Commerce

Jeff Bezos, the founder of Amazon.com, was quoted as saying that to succeed in the on-line world of commerce, one needs to create the most value for customers. Value is defined as something customers crave: be it the range available for selection, or convenience, or low prices. That leads to the key question that we need to answer in driving the adoption of e-commerce - what is the value offered to customers and how should customers be viewed in formulating on-line strategies?

This Internet has in fact started a revolution in marketing. Let me give you an example. It seems Jeff Bezos last month sent a Christmas card to one of his good friends, who is the CEO of a global MNC, one of the leaders in the global info-comms market-space. His friend was, of course, very happy to receive the greeting card. But he was shell-shocked by the footnote written by Bezos, that Amazon knew how many staff in this MNC bought books from Amazon, and what sort of books they bought. This led to the CEO immediately asking his own officers, "do we know as much about our own customers?"

E-commerce holds tremendous potential. It has opened up new markets for companies that would not have been accessible to them in the past. A good example is an interesting e-business project done by the Singapore Computer Systems, or SCS. This project provides the platform for the e-commerce sale of second-hand cars from Japan to New Zealand. This has effectively made them a valuable middleman in a market that you would previously not associate SCS with. Clearly, e-commerce allows us to overcome the constraint of a small local market by tapping on the wealth of opportunities available in new and larger markets. For example, the latest figures from the Boston Consulting Group showed that on-line retail e-commerce revenues in the Asia-Pacific region grew from less than US\$1 billion in 1998 to US\$2.6 billion in 1999, and is expected to rise to US\$6 billion in this year.

However, to be successful, companies must be prepared to invest time and effort to develop a good understanding of the needs of these new customers. They must be willing to think creatively and innovatively. Using the same example, SCS' e-business would not have taken off if they did not know what the second hand car dealers in New Zealand were looking for, e.g., how to provide quality assurance. These are new areas of expertise that e-commerce companies will need to build up if they wish to successfully compete in new markets.

While e-commerce creates new opportunities for Singapore businesses

and offers access to new marketplaces, the reversal is also true -- foreign companies now also have access to Singapore customers via the Web. E-commerce is therefore intensifying competition by adding a whole new global dimension to the marketplace. To be a winner in this game, local companies cannot rely steadfastly on old business models and processes. They will have to re-think their business strategies, and act fast and nimbly to stay competitive and relevant to their customers. They must also re-engineer their entire business process chain to tap on the synergies and efficiencies offered by e-commerce. One key competitive advantage is the level of customer knowledge. E-commerce businesses that have an in-depth understanding of the markets will be able to offer new and improved value propositions to meet the changing needs of their customers.

Initiatives by the Singapore Government

To facilitate the take-off of e-commerce in Singapore, the Government has been putting in place a supportive legal and policy framework. For example, the Electronic Transaction Act, passed in Jul 98, provides a favourable legal environment for safe and secure e-transactions.

The Government also offers several financial assistance programmes to promote the early adoption of e-commerce by SMEs. For example, the Local Enterprise Electronic Commerce Programme allows local enterprises that are embarking on e-commerce initiatives to enjoy a grant of up to 50% of the total project cost, subject to a maximum of S\$20,000. And under the Critical IT Resource Programme, the Government has set aside about \$2.5 million to train more than 1,300 IT professionals in new emerging skills, such as Info-communications Convergence, Broadband Multimedia and e-commerce.

In addition, to set the example, the Government will also become a leading e-commerce player. We intend to bring all Government procurement activities on-line. We are now working out the details. We are also reviewing the strategies and initiatives to promote e-commerce, and plan to announce the new expanded programme later in the year.

Conclusion

In closing, I congratulate tonight's winners and nominees for the Singapore eAwards. They have recognised the importance of e-commerce. I hope they will serve as role models to encourage our local enterprises to take

the plunge and exploit the many rich opportunities offered by e-commerce. My wish is that when the Singapore eAwards comes around again next year, the judges will have an even more challenging time choosing the winners because of the large number of nominees. With that, let me end by wishing all of you the very best for the future.

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