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*Rising costs, change mean new products, services are vital, say panellists at post-Budget forum*

SINGAPORE — Instead of making work processes faster, companies need to make the leap into innovation by, for example, creating new products and services, said panellists yesterday at a post-Budget forum as they noted a shift in the Government's emphasis from productivity to innovation.

Speaking at the forum organised by the Economic Society of Singapore, panellist Selena Ling, who is head of treasury research and strategy at OCBC Bank, said: "In the last five years, a lot has been done on the productivity front and the low-lying fruits have been picked. But to go on to the second phase, the quantum leap has to come from innovation."

She added: "Productivity may enable you to do things faster, but it may not result in you selling a new product. How much more can you squeeze from that extra two seconds? One sells kopi at S\$1, but Starbucks sells it at S\$6, because they are marketing it as a lifestyle story and not merely selling coffee."

Another panellist, Mr David Lee, a professor of Quantitative Finance at the Singapore Management University, noted that "innovation" was mentioned 37 times in the Budget statement this year, compared with 20 times for productivity.

Facing increasing costs and decreasing margins, and with major disruptions in every industry, companies will have to innovate, he said.

"Every sector is going to be disrupted, the margins are going to be very different in the next 20 years, and jobs are going to be replaced. So how do we deal with it?" He cited the example of how even traditional industries such as banking are being disrupted, such as by China e-commerce giant Alibaba, whose affiliate company recently started a new Internet-based private bank.

During the Budget statement on Monday, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam said the Government will strengthen support for all forms of innovation, be it new ways of reaching customers, or devising a new design or brand. He noted that for most small and medium enterprises, innovation will not come in the form of major technological breakthroughs.

Mr Lee acknowledged that there will be some companies which intrinsically have limited scope to innovate or raise productivity, but they will have to find ways to get around this.

"WhatsApp does not make money, but Facebook still bought it at a high price because of the customer stickiness it has built up," he said, referring to the popular messaging platform, which has 600 million monthly active users as of August last year.

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CIMB regional economist Song Seng Wun, another panellist, concluded: "Inevitably, some businesses are not going to survive. But new firms will be able to come in ... there will be an evolution in how businesses offer services. I am confident of that."