

Market Place.

Marwah und Partner GmbH Elisabethstrasse 26, 1010 Wien, Austria

IN THIS ISSUE

Ainsworth, Asian Headhunter, on Asian Economic Updates

Casey, International Retail Expert, on Worldwide Trends: Online v/s Onsite - A Contrary View

PLUS: Klinger, MUP-Partner: Have we found his Doppelgänger?

MARWAH UND PARTNER ADVISORY BOARD

Sir Anthony Ainsworth, Bt Bangkok, Thailand

H.E. T.P. Sreenivasan, (IFS 1967) former Ambassador of India and former Governor for India of the IAEA, Director General, Kerala International Centre.

Prof. Martin Maltais PhD Quebec, Canada

Dr. Stefan Stoiber, Rechtsanwalt, Vienna, Austria

Erkki Toljamo, Entrepreneur Helsinki, Finland



Sir Anthony Ainsworth, our Advistory Board Member in SE-Asia, takes a 'quick fire question round' from our correspondent and comes up with some interesting answers.
 “Asia: From Chiang Mai to China!”

2018 first quarter deals break all records at \$1.2 Trillion!

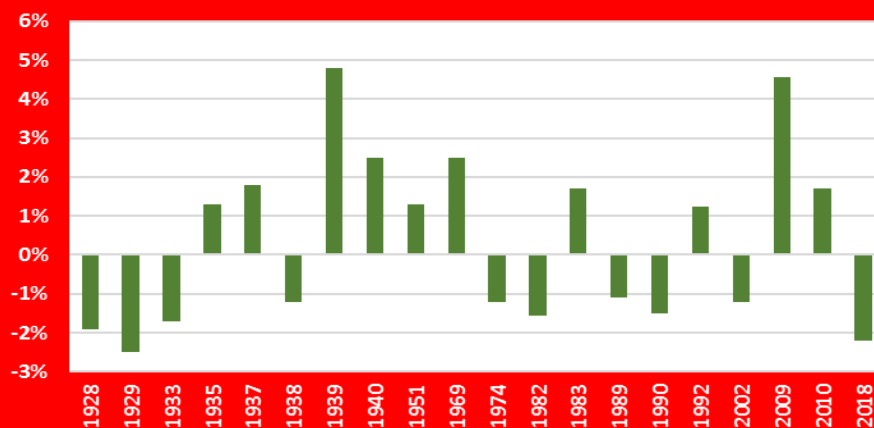
With over half the deals over \$5bln each, the \$1.2 trillion mark was breached by nose-bleed high dollar deals in almost every sector. While the now famous FT front cover last week said many of them were being done to 'head off technology threats and accelerate growth', the disruptive technologies themselves didn't do that well: market caps of Facebook, Twitter, Google Alphabet and Amazon all lost billions in unprecedented nose-dives.

"If you are in the M&A game, surely, this is an interesting time to be alive," said MUP Partner Mag. Michael Klinger, whose team puts together some of our private client reports, as well as this publication, "and though we are too small to play on that big poker table, it's encouraging that the business world is more and more open to creative deal making!"

Worst Second Quarter for Stocks Since the Great Depression

With 2.2% down versus previous quarter the S&P 500 had its worst start into the month of April and the second Quarter since 1929. The reasons jumping to mind are: President Trump's criticism of Amazon and the newly introduced trade tariffs combined with his accusations of China, then – of course – China's retaliation as moderate as it may be. (source: Bloomberg, Graph: MUP)

10 Best and 10 Worst Starts into Q2



Is that our MUP partner Mike Klinger? Read surprising answer below!
This perfect example of Mag. Klinger's 'Doppelgänger' was sent to us by a Marketplace reader in Asia!



The gentleman on the left – shown with Ms. Johanna Mikl-Leitner, Lower Austria's newly elected governor – is not Michael Klinger! He is in fact Karl Hohenlohe, the Editor of the Austrian Gault Millau!

The photo on the right shows The Real Michael Klinger during his ski-holidays - also with Johanna Mikl-Leitner, who he supported during her election campaign and coincidentally met on the slopes of Tyrol.

(Michael, naturally, used the opportunity to congratulate the governor and her Austrian People's Party for winning overall majority in the Landtag, Lower Austria's state parliament!)



For some more of our recent newsletters, please visit: www.mup-news.com

Asia Update

"I have lived and worked in Asia since 1993 and have had the pleasure of experiencing Vietnam and Cambodia well before they were considered emerging markets. My net take? Asia, even if it is divided by different arms of the compass and diverse politics, is fast becoming a powerhouse to rival -- and even supersede -- the trading blocks of the US and the EU." – Sir Anthony Ainsworth

GEOPOLITICS

The Asian pivot that never happened The much-lauded Asian pivot of Obama's second term never materialised. In fact, the reverse happened -- with all the advantages accruing to China.

The US left a gap and China moved in with generous incentives. In my opinion, the US has as a result lost four key allies to China: The Philippines, Thailand, Cambodia and Malaysia.

China spreads its wings. The rising influence of Chinese companies and individuals across ASEAN has now reached a level where it can no longer be left unnoticed. Perhaps the best example that reflects this trend is in Cambodia and the sea side / port town of Sihanoukville that now represents a mini Macau. Unlicensed casinos and large neon Chinese signs now dominate this one sleepy seaside town. A new airport for Phnom Penh has also been announced and this will be fully financed by Chinese capital. Vietnam is still holding out and to show case its new ties with the USA, the aircraft carrier SS Carl Vinson visited Danang in March 2018. The US is certainly concerned enough over the shipping routes through the South China Sea to send a carrier to Vietnam.

Belt and road. Three major rail links starting from Kunming in China all heading south via Myanmar, Laos and Vietnam, connecting once again near Bangkok and then heading south to Singapore.

Well, that is the plan anyway!

Pricing and who pays for what are the number one and two obstacles for the

main railway links from China through Laos into Thailand, followed by the 'need' to import Chinese railway engineers to build the tracks, and who controls the land adjacent to the railway, is still up in the air.

Thailand is also looking at expanding other in-country networks and is trying to entice Japanese and French rail companies to invest. There is much discussion whether the lines will be high or medium speed lines.

Submarines. As long and as predictable as a Thai soap opera entitled 'Copy thy Neighbour', Thailand finally ordered three Chinese Yuan Class diesel submarines for \$1bn (with access to Sattahip dock) The diesel- powered submarines are quiet, operationally, but in the very shallow Gulf of Thailand, questions remain about tactical usefulness.

Elections are all but in name. Elections are due to be held in Cambodia and Malaysia this summer and no one is expecting a change in the status quo. Hun Sen, the PM of Cambodia, is strengthening his hand by banning most of the opposition parties.

The pork barrel politics in Malaysia will see PM Najib Razak returned to power. The party will continue play soft tunes towards both China and the Mid-East.

In Thailand, the date of the election promised to President Trump scheduled for November this year is being pushed back further. A sighting of the Yeti may happen before we see a confirmed election date in Thailand. Whatever happens we expect to see the military pulling the strings behind the scenes.

THE ECONOMIES

Vietnam continues to be in the sweet spot for direct and indirect investment. In 2017 the stock market rose 47% aided by the divestment of state owned enterprises and the regulators taking a tougher stance against stock manipulators, companies with qualified accounts and under-performing auditors. Caveat Emptor. Vietnam has a history of boom and bust and the recent surge of the index has just surpassed the high recorded in 2007. The country still has a Communist government and Marx's teachings tend to move in a cycle in Vietnam.

Thailand. Over the last 20 years Thailand has been facing increasing competition for FDI from the likes of Vietnam and Indonesia and its geopolitical position holds less relevance than it did in the 1970s when many governments feared the Communist domino theory would roll into Thailand. And as a result it capitalized exceedingly well -- receiving strong political, military and commercial support from the US and European countries.

Fast forward, China is the dominant player both political and an economic driver for the export-led economies of ASEAN. The Thai stock exchange, which has more than 800 companies listed, rose by 14% in 2017 after increasing more than 20% during 2016.

However, Thailand faces many threats: much greater economic competition from its neighbours than ever before, an ageing population, a weak educational system, and a lack of a coherent policy to manage the much need immigrant workers from Myanmar.

Asia Update contd.

It is estimated that up to 3 million live and work in Thailand mainly employed in the sea food industry.

The implementation of the Asian Economic Community (AEC), think EU light with no plans for monetary union or a secretariat to enforce a common trading platform, will offer some respite to industries in the region that need to import qualified foreign workers. The hospitality sector in Thailand has woken up to advantages of employing Filipino nationals who have solid English skills and a good understanding of customer service. At the top of the market there may be calls to tighten the controls on capitalistic platforms.

Tourism With the indebted Thai consumer unable to fully support much in the way of consumer spend the Thai Government has gone head over heels to attract mass tourism with China answering the call. Tourism and related services account for 10%+ of GDP. International tourist arrivals rose 8.8 percent in 2017 to a record 35.38 million, with Chinese tourist arrivals at 9.8m. In 2010 total arrivals were just 16m. Kasikorn Research Centre, a Thai think tank, anticipates the number of international tourists in 2018 to reach 37.64 million and inbound tourism activities in 2018 to generate \$62.5 billion

Nevertheless, such volumes have started to have a negative impact on the environment especially around the islands near Phuket and Krabi where armadas of tourists head off each day to take a selfie on a tropical beach along with 1,000s of other tourists. Hardly a paradise now, in my opinion!

Thailand 4.0 EEC and all things digital The Thai government has rolled out a masterplan for the country's development entitled Thailand 4.0 and part of which is the three-phase development of the Eastern Economic Corridor spanning from Bangkok Airport to Rayong requiring a total budget of \$31bn to develop rail, air and maritime

infrastructure. Also, targeting four key industries: Bio-economy, Auto & Electronics, Aviation & maintenance, and Medical Hub. The government is expecting the private sector to stump up 60% of the budget via a PPP.

The government trumpets all things digital at any opportunity, but the reality is that the legal infrastructure does not support digital transformation in any major way. In reality, what we are seeing in terms of digital transformation is the closure of small bank branches and at the same time we have banks pushing the customers to use their ATMs and phone apps.

Auto Industry Now entering a mature phase. Annual production is close to 2m units of which over half are exported. 2012 and 2103 marked the high point at production at 2.45m units respectively. The Japanese OEMs continue to be the leading players in the local market, with Ford and GM taking the next spots.

Collapse of FDI Thailand's FDI inflows have been on the decline since the military took over in 2014 having reached an all-time high of \$15.5 billion in 2013. FDI inflows to Thailand dropped significantly from \$5.7 billion in 2014 to \$1.6 billion in 2016.

Vietnam has been the main beneficiary seeing its 2016 FDI rise to \$24.4bn with

South Korea, Japan and Singapore the main investors. The majority of the Vietnamese FDI is directed towards manufacturing and in particular electronics.

Thailand struggles to attract new FDI and even the grandiose government launched EEC Investment plans are unlikely to garner enough interest to make a big difference. Thailand is grappling with the classic mid income trap and the educational system is too weak to generate the next level of workers required to take Thailand to the next stage of manufacturing competence.

Why the Thai Baht is so strong and likely to remain so:

Thailand recorded a current account surplus of \$44bn in 2017 with exports rising 10% in the same period. From April 2017 to Jan 2018 Thailand's foreign exchange reserves rose from \$185bn to \$215bn.

Thailand current account surplus to GDP is running at almost 12%, one of the highest in the world and the Baht rose 9% against the US Dollar in 2017.

Thailand has more than enough dollars for its everyday needs and anyone thinking of selling the Baht would need to have a very good reason. – A. Ainsworth

Since 1998, Sir Anthony has lived in Bangkok operating as a headhunter, placing senior managers, directors and CEOs across a wide spectrum of industries with a particular focus in financial services and life sciences. (Needless to say, the article reflects the views of the writer, not necessarily those of this publication.)



On-Site v/s On-line shopping: Who will win the retail showdown?

Surprisingly, International Retailing Expert Dennis Casey, writing in today from Malaysia, informs MUP Marketplace of his unexpected conclusion: "The Battle is already decided. The On-Sites will win this one against the On-Liners, hands down."

Sure, there is a trend. But that is because everyone is blindly following each other. They ALL want to be seen as keeping up with the latest changes. And yes, it has had a positive effect: it has especially woken up the real retailers. Disruption is indeed the order of the day. But behind the scenes the Giants of the New Order - Ali Baba and Amazon -- are moving into 'on site' retail. Why are they doing that? The answer is simple. When the public and consumers tire of wrong size, when they get the wrong colour, when they curse the late delivery (and let's face it: often hate the not-so-special pricing!) what do you think they are going to do? They will return in droves to the Malls and High Streets. Right now, don't forget: the incidence of fakes and faulty goods is disturbingly high. Right now, as I write this, I have information that fake products on some sites is getting as high as 80% on some on line deliveries.

OK, let's face it: some products like books, cosmetics and music will of course remain an on-line favourites. But look around you: the big on-line brands are already opening 'real' shops

('on site'!) around the world. We are already seeing some convergence: "click and collect" is already emerging as a solution. It will continue to be seen more and more as convenient and speedy, along with the option of personally, on site, "cancelling and rejecting" the goods, for whatever reason. Ultimately, we are already beginning to see, the customer likes the chance to examine the goods. And one thing will never change: service! More importantly, face-to-face customer service will always be the winner. At what point do you want to go back to the real world from the virtual world? It's going to happen, and in many places, it's happening already. All said and done, let's not forget that we LIVE in the real world!

There have been many retail revolutions that were 'game changers'. This one is no different. This particular 'retail revolution', of course, is already reverberating around the world in some interesting ways. Retail shops are, and will continue to go through, a massive re-design. Already, in some beauty stores in Korea, you can order by scanning on the shelf of a sample product

in-store - have the goods being paid-up while you are shopping - and bingo: you have it all bagged and ready when you want to leave the store. Further than that, also in Korea where I was advising a major player last week, there are panels on the doors of the underground trains as you are riding, with pictures of a shop layout with basic essentials you are looking for, and it has a QSR code and also barcodes. The commuter simply scans and the goods are ready when she is on her way home. Or, of course, it can be easily delivered to her home, if customer decides she is too tired after a long day to get off the train to visit the store. But what is nice is that customer now has two options, both much more convenient than her mom ever did.

Recently, we have been hearing a lot about 'traditional retail' challenges: real estate is expensive and other costs such as stock holding and personnel, the cost of sorting, delivery, invoicing, accepting the high level of returns, etc. But all this can (and is) already be mitigated with serious re-designs of the selling space. Apple is a good example: they have started a trend of larger stores, less stock, high penetration of staff, learning and comfort -- and yet most of the ordering is online or pre-ordering. BUT, clearly, the consumer wants to see, feel and touch the latest offer. The customer wants to learn - and be offered some choice. Here's the bottom line: if the offer was only online, I think the dissatisfaction index would be off the scale.

The future really is going to be back in retail and the giants of the future will be the present large, successful retailers -- with some of the online winners joining them - respectfully!

And the old rules, the three golden rules, will never change: service, service and service will always be the main key to success. (If Gordon Selfridge was alive today he would surely agree!) - **D. Casey**



Dennis Casey is the Owner/ Founder of Born Retailer International, based in Australia, the UK and Philippines, with his main office in Hong Kong, BRI has worked in 60 countries with more than 100 companies.

Recently focused on Eastern Europe, South America and Asia, BRI has worked with top Fortune 500 company retailers and been involved in all aspects of re-tailing from IPO to start-ups to fast track growth. BRI is backed by over than 50 years of experience. (This article reflects only the views of the author.)

Marwah und Partner GmbH (MUP) was originally founded in 1999 in Vienna, Austria, as an advisory company to leverage Mr. Marwah's worldwide network, and to provide a vehicle for his private investments. After Mr. Marwah closed some successful and quite large M&A transactions, we have also focused **Marwah und Partner GmbH** on smaller transactions providing M&A advisory services for companies with unique technologies seeking global expansion. At MUP we take an active role in each client or investment, and provide access to world class international marketing and management expertise. **Marwah und Partner GmbH** has several European investments/clients and is also currently exploring opportunities worldwide, seeking key private or state owned companies that are looking for capital and know-how to expand into international markets.

MUP Chairman/CEO Raj Marwah also has more than 21 years of worldwide advertising and marketing experience, working globally for multinational accounts in Sydney, Hong Kong, Toronto, Auckland, Dubai, Vienna, Bangkok, and New York. Raj was Chairman/CEO in New Zealand and Canada producing outstanding results. For the last 15 years, Raj has executed major mergers and acquisitions in Europe and Asia on behalf of multinational clients based out of Hong Kong, Germany, and the USA.



Mag. Michael Klinger, MBA, International Associate, is an experienced senior manager having served as CFO for several US corporations, most recently was the Financial Officer on the Management Board of a large Gas Distribution Company in Central Europe, and has also been the Regional (Europe) Vice President for Western Union International. Austrian-born Michael brings his hands-on corporate experience towards enhancing our ability to deliver the highest quality M&A services to clients, and to companies in which **Marwah und Partner GmbH** (MUP) occasionally invests.

IMPORTANT MESSAGE

This document does not constitute an offer to sell, or is a solicitation of an offer to buy membership interests in Marwah und Partner GmbH, or any companies represented in this document. We will not make such offer or solicitation prior to the delivery of an offering memorandum, the operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein.

Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its veracity. We present our opinions without warranty as of the publication date. Our opinion is subject to change at any time. Past performance is no guarantee of future results.

**This Publication is produced by Marwah und Partner GmbH
Elisabethstrasse 26, 1010 Vienna, AUSTRIA**

Our company was founded in 1999 and is registered in Vienna/Austria
Firmenbuch/Commercial Register Number: FN 189016 s UID/VAT-Number: ATU48636105

For some more of our recent newsletters, please visit: www.mup-news.com