



# Building An Asian Brand Denny Has The Upper Hand

Globally, brand-building is no easy task, and it is no exception too in Asia. But to build an Asian brand in an industry that is dominated by non-Asians proved even more daunting than one's imagination of an uphill task! Nonetheless, armed with product certification against international standards, coupled with strong marketing planning and people strategy, it has finally made the difference for this new emerging company that was trying to penetrate into markets full of established brands. From a humble AEL to now a respectful ACS, which is now listed on the Hong Kong Stock Exchange, read about the man behind the branding success of ACS today. Discover what Denny Wong, Chairman & CEO of ACS, has to share about his business encounters since day one ...

**CNA: As the founder of ACS, what was the original vision that spurred you to start this company a decade ago?**

**Denny:** Before I started the smart card business sometime back in 1994, I was running the previous company Advanced Electronics Ltd (AEL) which I founded and it was owned by my wife and me. AEL was a distributor of Motorola semiconductor components for the Chinese market. Motorola was at that time the world's leading supplier of smart card chips. A customer came to me and told me that he wanted to provide a smart card-based payment system for petrol dispensing in China. As I was exposed to smart cards through business with Motorola, I attempted to provide support to the customer. Then I started the smart card business by buying and selling products as what I had been doing in the semiconductor business – mainly trading. Later, I decided to develop our own products. We started developing a card OS and then a smart card reader. In 1995, the smart card business within AEL was spun-off to become Advanced Card Systems (ACS).

**CNA: How different is ACS today as compared to ACS of its initial years?**

**Denny:** Even though in the initial years of running ACS, I set the objective for the company to develop its own products rather than to buy and sell others' products, but there were very little expertise we could rely on. We started to develop our own technologies from scratch, eg. by studying ISO 7816 documents from page 1. We did not have a single person with expert knowledge about smart cards acquired outside ACS, until late 1999 when Tan Keng Boon joined us. When Keng Boon joined ACS, he already had almost 10 years experience in smart card technologies through his previous work as the Technical Heads of Gemplus in Asia and De La Rue in Asia. I am really glad that Keng Boon joined ACS.

We now have many more professionals in smart cards and its related technologies and business with expertise developed inside and outside ACS. Keng Boon is still with us. Just recently, we enlisted 3 senior management members. We now have Damais Mak who joined us in April 2004 after working 15 years in Motorola. He ran a business unit of "Digital Consumer IC" in Motorola and his business unit had sales many times more than ACS. Damais now heads our product marketing and engineering departments. Before joining us, John Lee was the MD of Toppan Moore (HK) in Asia, a very successful card and card printer company under his leadership. He joined us recently and now heads our China business. We have Dr HC Lui who has over 10 years experience in R&D in Singapore and IT in Hong Kong. With his R&D mindset, he is driving us to move forward faster to the frontier of our core technology. We have many other professionals, each of whom gave ACS a vote of confidence when they joined us. ACS has built a customer base, a reputation in

the industry and the process to run a business. We are also a listed company. In short, we have built a platform on which talented people could demonstrate their efforts and skills.

**CNA: Briefly explain the positioning of ACS in the entire smart card supply chain.**

**Denny:** ACS is a provider of electronics for the smart card industry. We provide smart card readers, their modules and chips and also cards. We consider ourselves to be an enabler of smart card solutions but not a total solutions provider. Most of our customers are software houses and solution providers. We are now also providing the fingerprint readers and electronic modules incorporating smart card reader (contact and contactless) and fingerprint scanners for the physical access control product developers such as manufacturers of safes and locks. Thus we got into the security business, but again we are an electronic component provider rather than an end product provider.

**CNA: It has been a year now since ACS' public listing on the Hong Kong Stock Exchange. How has this turning point transformed the company in terms of direction?**

**Denny:** Talking about directions, I could say that ACS has gone through different stages of development. Initially, ACS focused on the PC-linked readers. It was not easy to convince people that our readers were better or as good as those of the leading suppliers. Thus I tried very hard to get these readers certified against international standards as early as possible. When we first promoted our USB readers in 1999, we asked our customers to check the Microsoft website to see how many companies had been qualified for PCSC compliance. Without much hard-selling, customers were convinced. We did similar things with EMV Level 1 qualification of our readers in order to be more convincing. In the 1st stage, we focus on building a flagship product, the PC-linked reader.

In the 2nd stage, ACS attempted to build alliance partners. We started to cooperate with other companies to jointly develop products. For example, we built a device integrating the smart card reader with a fingerprint scanner together with STMicroelectronics. Both parties sell the resulting product called BioSIMKey. We worked with a South African company to build a PDA-driven handheld POS terminal. Each of the alliance parties contributes its technical know-how and sales channel thus reducing the development time and increasing the success rate to market the product.

While we continue to develop products in compliance with international standards and build more alliance partners, in the 3rd stage, we are increasing our emphasis on innovation on creating products, and improving the process to run the business and etc. We are getting into this 3rd stage after getting listed, given that we now have a bit more financial resources. To register for patents in itself is a costly exercise. We have submitted the applications for quite a few patents since we got listed.

**CNA: ACS' products have penetrated every region in the worldwide market; tell us the secret behind this success.**

**Denny:** We are selling our products to

over 60 countries in the world. We reach customers and potential customers through trade shows, conferences, web-posting, referrals, magazine advertisements and etc. As long as a company stays alive in the smart card industry for a number of years, it is likely to be known to a certain extent given that the smart card arena is not that big. The question is whether we can arouse the interest of a customer to buy from us and then to stay with us. ACS has the culture to improve itself constantly (in products, in services and in everything we do) and to make our customers happy. ACS is far from being a successful company but I always attempt to build a reputation for the company as being trustworthy. We can see our customer base expanding because customers tend to stay with ACS. To win customers' trust is like to win friends' trust, we need to deliver our commitments and be reasonable to others regardless of whether we are bound by contract or not. It may be costly to make customers happy but in the long run, it is a winning strategy.

**CNA: Tell us one interesting moment of dealing with international markets.**

**Denny:** Experience tells us that there is no simple formula to set the price of a product. Certainly, simply putting a "mark up" on cost is not a good formula as the following example shows.

Once, we made a quotation of a product to a Taiwanese customer at US\$6.00 and the customer said, "It is too expensive." On the same day, we made a quotation of the same product to a German customer at US\$9.00. The German customer said, "The price is very good. In fact, you do not need to quote us too low a price." One should not hastily conclude that we will make more profit by selling to the German customer as there are much more requirements. For example, we need to provide drivers for many different computer OS platforms. We need to get various regulatory approval, if not the certification of a German standard. The right price should be set and then adjusted from time to time at a level that both the buyer and the seller can live with in the long run.

**CNA: With ACS' HQ being based in Hong Kong, are there any cost advantages and business opportunities for being rooted in Asia?**

**Denny:** Hong Kong is much more expensive than our Chinese neighbour. However, Hong Kong is still cheaper than the Silicon Valley, Japan and Germany. I often say to my people that if we are good enough to compete with China, we have a big cost disadvantage. If we are good enough to compete with our western counterparts, we have a cost advantage. Our Chinese neighbour is by no means weak. Therefore, ACS must constantly build its reputation among its customers and continuously improve itself in technology and service in order to remain attractive.

Being rooted in Asia, we are closer to our Asian customers and hence we are able to respond to their needs faster. The size of the smart card market is closely related to the population of the user country. Thus, Asia with a big population is the world's biggest market for a range of smart card and related products. However, in Asia there are various local players, particularly those from Taiwan, Korea, and China. Hong Kong is more expensive than most Asian countries. However, we still have our own



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