

Reaping the wholesale sector

TSI gears for a market that others think is a 'shrinking trade'

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THE Malaysian wholesale sector has been deemed a "dying breed" by some while others feel that it is still an untapped area that will reap benefits.

According to Mydin Mohamed Holdings Bhd managing director Datuk Ameer Ali Mydin, the wholesale sector is a "shrinking trade."

"Wholesalers may have been successful in the past but today, many retailers are also wholesalers themselves.

"Many retailers these days purchase their products direct from the producer and cut out the wholesaler, who is the intermediary or middle-man within the supply chain," he says.

Ameer Ali opines that as the supply chain becomes more efficient, the reliance on wholesalers will continue to dwindle.

Another industry observer also says that with availability of online trade and shopping, many retailers are purchasing their products via the web rather than going to wholesalers.

"These are especially so among small retailers that find it difficult to travel and chose to purchase their goods online. There aren't many wholesalers that offer this kind of service.

"Of course, those wholesalers that do (offer online services) can certainly benefit," he says.

TSI Holdings Sdn Bhd group managing director Datuk Lim Seng Kok, however, believes that the local wholesale sector is not properly tapped and has great growth potential.

The company is currently developing GM Klang Wholesale City, touted as the largest wholesale



An artist's impression of phase 2 of TSI Holdings' GM Klang.

centre in South-East Asia.

The project sits on a 14.5 acres in Bandar Botanic, Klang, and is slated to be completed within the next eight to 10 years in four phases.

Once completed, the RM1.5bil project is expected to house up to 3,000 wholesalers. The company is currently developing the second phase, which it aims to complete by the third quarter of 2010.

Lim says he wants to attract more foreign wholesalers to set up base at GM Klang and make Malaysia a regional hub for wholesaling.

"We want to target regional patrons to GM Klang. We're doing a lot of promotions to attract wholesalers from Indonesia, Thailand, the Philippines, the Middle East, India and Pakistan," he tells *StarBizWeek*.

"We're trying to create a trading area for regional businesses. The target market for GM Klang is basically anywhere that the low-cost carriers can reach," Lim adds.

He says that Malaysia was an ideal location for foreign investors to do business.

"Malaysia has no concerns or

issues with regards to food, language, lifestyle or religion."

He says one of the biggest challenges in attracting foreign wholesalers into the country is that there were too many stringent rules imposed by the Government.

"Before foreign wholesalers can choose to set up shop here, they need to have a paid-up capital of RM1mil."

Lim feels that by removing this restriction, it would create healthy competition, especially with local wholesale traders.

"The Government should liberalise this sector so that Malaysia can be a serious contender as a hub for the wholesale business."

Lim says having a vibrant wholesale hub in Malaysia could also help boost Malaysia as a potential halal hub.

"There are plans to position Malaysia as a halal hub. If processed halal food can be made into a successful wholesale business, it's an opportunity for the country to achieve its goal (of becoming a halal hub).

TSI secured the land (to develop GM Klang) in July 2008 and opened phase one for rental in October last year – just 15 months later.

"We achieved this by building a single storey building (for the first phase) so construction was swift," says Lim.

"The first phase consists of six pavilions, each with a gross floor area of 2,000 sq m.

The first phase, which can accommodate 330 traders, has been fully tenanted. It has 9,000 sq m of net lettable area, with rentals at RM7 per sq ft. It was developed at a cost of RM15mil.

Lim strongly believes that GM Klang is a strategically located wholesale centre.

"GM Klang is easily accessible via a number of highways and expressways. It is also not very far away from entry and exit points such as the KL International Airport, the low-cost carrier terminal, Subang Airport and Port Klang."

In September, TSI soft-launched the second phase. Once completed, it would be a 10-storey building with a gross development value of RM250mil.

"These will be sold by strata title but we retain the ground and fourth floors for ourselves for investment purposes," Lim says.

He says TSI has launched the first three floors – all of which have been taken-up. The three floors comprise 550 units ranging between 200 psf to 300 psf.

Lim says the target market for its second phase were tenants from its first phase (at GM Klang) as well as those of its other wholesale centre, Plaza GM in Chow Kit, Kuala Lumpur.

Plaza GM was acquired by TSI in 2000. The building was originally planned to be an electric and electronic (E&E) centre focusing mainly

on retail and trading of IT (information technology) products as well as E&E-related accessories.

"When we took over, we identified the opportunity and needs of the wholesale industry. We subsequently revamped the building and positioned Plaza GM as a one-stop wholesale centre," says Lim.

The 20-storey Plaza GM was opened for business in 2003 and today houses about 250 wholesalers trading in various goods and products, such as toys, watches, fashion apparels, leather goods, souvenirs and IT and electronic items.

Lim says Plaza GM records total sales turnover of around RM1bil per annum.

"This translates into an average of RM330,000 sales per month for each wholesaler, which in turn translates into a sales turnover of about RM1,000 psf generated by rentable floor space," he says.

Plaza GM was recorded in the Malaysia Book of Records as the largest wholesale plaza in Malaysia from 2007 till 2009.

However, Lim says that due to the limited space at Plaza GM and the inability to attract more wholesale traders, TSI decided to build a bigger wholesale centre – GM Klang.

For the time being, Lim says that the first phase will act as somewhat of a yardstick to determine the type of traders it has attracted so far.

Lim says TSI will hope to attract traders in different types of businesses (not available in the first phase) for its other phases.

"Future phases will be such that we will promote products that are not available from our existing tenants," he says.

Going forward, Lim says once GM Klang is successful and fully taken up, he is confident that rental rates could be increased.