From distributor to manufacturer

YHI took the leap into making own products to gain full overseas access

By RACHEL SCULLY

YHI International has come a long way from its humble beginning as a small tyre shop to become a global player selling and making automotive and industrial products.

A big part of YHI’s success can be credited to the foresight of its founder, executive chairman and managing director Richard Tay.

His late father started Yew Huat & Company in 1948 and gave the younger Tay $16,000 in 1970 to start his own tyre shop called Yew Huat Tyre Company.

In 1972, when he was just 21, Mr Tay made his first major overseas deals in Japan, clinching the rights to sell Yokohama tyres and Hitachi batteries in Singapore.

He said this success was in line with his principle that one should seize without hesitation any good opportunity that comes his way.

When asked about his ability to convince his first overseas partners to do business with him, Mr Tay said he had to earn their trust and convince them of the mutual benefits from their tie-up.

“If you want to break into overseas markets, you should try and be more localised. I’d always tell them that I trust you, please trust me too,” Mr Tay said.

Over the decades, YHI’s global footprint expanded in tandem with Mr Tay’s growing reputation as a reliable businessman.

In the late 1970s, YHI set up operations in Malaysia, followed by other parts of South-East Asia in the 1980s. By the 1990s, the company had also broken into China.

Mr Tay explained his initial focus on expanding into developing markets: “Developing cities are the best places to move your business operations to because the people there want to learn from you and pick up your firm’s best practices.”

But it was not all smooth sailing.

Appointing responsible and capable staff to run the overseas business units was a challenge. Mr Tay cited the example of how his counterpart in Thailand was unable to take YHI’s business there to the next level.

In 1996, YHI took the big leap of becoming a manufacturer on top of being a distributor.

This decision was prompted by the restrictions in market access that YHI faced as just a distributor. “There was this lack of freedom to make my own decisions. But if I take on the role of the manufacturer, then the world is my market and I can sell my products under my own branding.”

Mr Tay said YHI’s suppliers did not protest against the company’s decision to diversify into manufacturing. “They had no issue with it because YHI started out with (manufacturing) basic and lower-quality tyres, whereas the Japanese brands offered premium-quality ones.”

Over the years, YHI also branched out into manufacturing batteries and alloy rims, achieving notable success in the latter.

In February 2008, YHI became the first Singapore brand to appear on Formula One cars after it inked a three-year, US$6 million ($7.5 million) deal to supply its Advanti lightweight rims to team Toro Rosso.

In addition to Advanti, it also carries other popular alloy rim brands like Enkei and OZ.

As for local companies looking to venture overseas, Mr Tay’s advice is to set up robust audit teams with a firm grasp and overview of their business.

“If you want to break into overseas markets, you must have a strong and trustworthy internal and external audit team,” he said.

“At YHI, we have a system in place which churns out monthly reports for our overseas operations that will be reviewed by the management and finance teams to review the accounts.”

Another tip from the entrepreneur is for businesses to approach banks for financing help. “When you are too insistent on funding everything out of your own pocket or depending solely on the company’s cashflow, it is not only going to be very tough but may cause you to miss the boat.”

Despite being in his 60s, the father of three still clocks about 200 days annually abroad to oversee YHI’s business.

“I’m the sort who can’t sit still and likes to be continuously challenged,” Mr Tay said with a laugh.

But Singapore is always foremost in his mind. “What I miss most when I’m away? Other than my family, it will have to be our local hawker food!”

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