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Entrepreneur in overdrive

Carro founder Aaron Tan has set out to revolutionise how cars are bought and sold in Southeast Asia



Do you remember what you were doing when you were 13? Aaron Tan, a teenage prodigy in Singapore, was running his first tech startup. He then went on to set up two more companies before turning 21. Today he is the CEO of Singapore-based Carro, an automotive marketplace and services portal that started from his love of trading cars, not driving them.

"My first startup when I was 13 was a network hosting company. Then I reached my second company when I was 16 and that was an ad-tech (advertising technology) company, which was one of the first pay-per-click search engines back in those days," he breezily tells Asia Focus.

"When I sold my first company, the buyer actually flew into Singapore and basically told the lawyers, 'This guy is underage', and that whatever had been signed would not be legally binding, which almost collapsed the deal, but it worked out in the end," he recalls with laughter. His first two companies, he notes, were actually in his grandmother's name for legal and tax purposes.

Mr Tan traces his online experience back to 1995 when his family's home became connected to the internet. During those early days he became "fascinated" by how Yahoo worked, back when the search engine was just a direct feedback platform.

"Other search engines such as Lycos, Excite, AltaVista, those things got me super-interested in that space in general," he says.

How did they create their webpage? What was the background behind it? To answer some of the questions he had about search engines, he went to the local library and also taught himself how to program using C++ language and CGI (common gateway interface) script.

"I got my early innings because I was curious and once I found out how to do it, I became really interested in how to make a business out of it," he recalls. "I can remember that I wasn't doing that much schoolwork when I was 14 and my scores sucked, as I was spending most of my time replying to customers because 99% of them were from the United States and Europe."

Mr Tan made money by selling ads on the search engines that he created. Business went well until he turned 18 and wanted to get more serious on the academic side. But that was not the reason why he sold his first company. The decision, again, resulted from his curiosity.

"I sold my companies because I wanted to see whether I could actually do it. I actually sold my first company on eBay back when you could sell all kinds of stuff on eBay, including a startup company," he says.

"Number one, I wanted to see if I could do it. Number two, I wanted to know how to do it. And after I sold the first one, I realised that it was not a bad decision as I had made some income, so I sold the second one, and both transactions allowed me to have my first pot of gold to do more things in the future."

At the same time, he was getting serious about his studies, obtaining a bachelor of science (summa cum laude) from the Singapore Management University School of Information Systems. That led to a

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scholarship from the Infocomm Development Authority of Singapore to study computer science at Carnegie Mellon University where he graduated with a master of science in 2010.

Aaron Tan

Co-founder and CEO, Carro

Born
Nov 14, 1984, Singapore

Education

- Bachelor of Science, Singapore Management University School of Information Systems
- Master of Science in Computer Science, Carnegie Mellon University, USA, 2010
- Executive Master of Business Administration, Tsinghua University, 2018

Career

- 2015-present: Co-founder and CEO, Carro, Singapore
- 2010-15: Director, Singtel Innov8 Ventures, Singapore
- 2010-15: Co-founder of Blk71 in Singapore and Block 71 in San Francisco

Awards

- 2010 and 2014: ITMA Future IT Leader Award
- 2018: VC Deal of the Year Award for Carro

NEW VENTURES

Back home in Singapore, Mr Tan went to work with Singtel Innov8, the venture capital arm of Singapore Telecommunications, and stayed there for five years, as one of the terms of his state-sponsored scholarship.

Southeast Asia's largest venture capital group, Singtel Innov8 is a major shareholder in AIS The Startup, an incubator established by the Thai mobile market leader, which in turn is 23% owned by Singtel. The Innov8 Sparks programme also supports incubators set up by other telecom firms in which Singtel has stakes, including Telkomsel in Indonesia and Optus in Australia. Other significant investments include Adtel Group, a North American audio- and video-based marketing specialist, Sense Time and Yodo1 in China, Data Republic and Myriota in Australia, along with Carro and Shopback in Singapore.

During his time with Singtel Innov8, Mr Tan was instrumental in setting up Blk71, Singapore's largest startup ecosystem. He then relocated to the United States and started Block71 San Francisco before returning to Singapore in 2015, when he was put in charge of the fund's investments in Southeast Asia.

"At the beginning of the fund in 2010-11, we started off by looking to invest in startups in Southeast Asia but we couldn't find anything and we ended up spending the first two or three years investing heavily in the US," he notes.

"We were at 80-90% in the US and the rest in China with only two or three deals in Southeast Asia, so we decided that we needed to kickstart the ecosystem here."

That led to the first regional startup weekend in Southeast Asia and funding for JFDI, the first accelerator in the region.

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Blk71 grew out of the realisation that there was a need for a centralised location, similar to Silicon Valley, where all those interested in innovation -- from tech startup founders to prospective funders, corporate partners and researchers -- could meet, collaborate and network. Mr Tan was a prime mover behind the project, along with state bodies including the Media Development Authority and the National University of Singapore.

But all the startups that he helped to fund during that busy time, and all the projects that have become an integral part of his country's startup ecosystem did not give him the kind of satisfaction that owning one's own business can. It was time for something new.

"I like to buy cars," says Mr Tan, while admitting that the mechanical side of cars and driving is not his strong suit. "As a person I love cars but if you asked me about engines and how to best tune them, I wouldn't know, but I love to trade cars and it is something that came to me since I was young."

Ever since he owned his first car at 18, matching money and horsepower has become more than a hobby. It has become his passion and career. Carro -- the name is a play on "car hero" -- has also become a platform to test out innovations, such as a subscription-based car service in Singapore.

"Since I started when I was very young, I basically learned how to buy and sell cars through experience. Things went crazy when I was in the United States when I started buying supercars just to learn how to trade them," he says with enthusiasm.

The idea for Carro emerged at a time when Mr Tan was setting out to write an algorithm that would make it easier for him to search for the best car deal. The algorithm can also calculate the value of a car throughout its life cycle and estimate the possible turnover revenue of each vehicle.

"When I buy exotic cars, I rarely lose money. In fact, I mostly make money," he says, giving the example of a Maserati he brought into Singapore when demand was low and drove for a year, and still managed to resell for more than S\$5,000 in profit.

"In Indonesia or Thailand, you can drive just one car forever but in Singapore it is different, as cars there only last for 10 years. So in theory, the car should only depreciate after 10 years and in the case of exotic cars such as Ferrari or Maserati, you do not see many issues there," he says.

In Singapore, cars must be scrapped or exported after they have been owned for 10 years, unless the owner renews the Certificate of Entitlement (COE). But if you obtain a new COE, you forfeit the rebate you would have received from the government for scrapping the car. In short, it's not worth it to drive your car for longer than a decade.

"I see a car as an investment and something that I can trade and something that I can potentially make money out of. That is what I do for fun and this is part of the reason why my business became cars," says Mr Tan.



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REGIONAL FOCUS

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One of the things Mr Tan learned from his experience as a venture capitalist is that the size of the addressable market matters. Also, and especially for startups from tiny Singapore, it is important to take your business regional as early as you can.

"After my educational bond with the Singaporean government was finished, there was no question in my mind that there were only two things that I was interested in life, property and cars," he says. "Both are huge markets and property might be way bigger and bans certainly interested in both, but the tiebreaker was competition and market momentum."

In the end, he decided to go with cars because Uber had just become a unicorn (a startup valued at more than US\$1 billion) and Grab was growing fast in Southeast Asia, so the market momentum was going in the direction of transport, which was perfect for Carro to take shape.

"Market momentum is actually very important as you go into any new verticals. It is super important to understand whether the market is trending or not," he says.

"Back in 2016, it was very clear that autonomous vehicles were there, Uber was there, China's RenRenChe (a used-car trading portal) was doing very well. ... On the other hand, the property market in Singapore was dampened and I could not see any new innovation in the property tech vertical beyond Airbnb, so it became very clear that there was more market momentum for cars than property back then."

Further research told him that there was also a lot less competition in the car market than in property in Singapore. At that point he called his Indonesian housemate and the rest is history, no to speak.

"I called him up, knowing that his [educational] bond was soon to be over, and he became my Indonesian co-founder and the next guy we talked to was my housemate in San Francisco, who is Thai, and from that point I had both sides covered since these are the two largest markets in Southeast Asia," he recalls.

"Our business became used cars based on the size and momentum, while the actual markets became Singapore, Indonesia and Thailand which is where we came from."

Mr Tan describes his business as "Alibaba for cars", calling Carro the "fastest, easiest way to get rid of a vehicle" for a consumer, dealer or corporate owner, or any other place in the ecosystem where there is a need to sell a car to earn a return.

On the supply side, Carro encountered some initial backlash from dealers, as cutting out the middleman was one of its proclaimed goals. "Looking back, positioning ourselves as an anti-dealer brand to start was a bad idea," Mr Tan admitted in an earlier interview with e27.

Over time, though, the company sought to prove communication and mend fences, and now works with dealerships such as those of Toyota and Nissan, as well as applications such as Grab and Go-Jek along with rental companies, and financing companies that repossess cars and corporate fleets. This diversity is unique in the market. As Mr Tan has observed, buying and selling cars is one thing, but creating an entire marketplace is something else again.

"In Thailand today, if you own a dealership, where would you go? You wouldn't, for example, sell your car on Kaidee.com because that would take too long," he says. "For that matter, C2C (consumer-to-consumer) sales are also a bit problematic so the first thing that we do is to try and solve the marketplace issues which is why we call ourselves Alibaba for cars."

"As long as you acquired it legally, it doesn't matter where you are. You can be in Laos, the Philippines or Thailand, I don't care because cars can be anywhere. They can be shipped to Africa if that's what you want, we can do it," he adds, noting that cars traded on Carro have in fact ended up in Mauritius and Kenya.

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On the demand side, the company works with small used-car dealers that could be based anywhere, but most of the customers are in Singapore. It also works with car rental companies looking to start their own fleet, or corporate customers looking for access to quality vehicles.

"This is something that we found as a gap in the market, where an individual can sell a car on almost any platform but a corporate customer or a dealership will not do that because of problems regarding workflow and processing, and that is what we specialise in, which is how to get rid of cars at scale quickly."

Carro also deals with multiple financial services by offering insurance and warranty products, as well as after-sales services that car owners might need throughout the vehicle's lifespan, including car care and roadside assistance. Carro Workshop, meanwhile, is a mobile app that recommends garages to car owners based on services provided, reputation and ratings, operating hours and location.

Other Carro offerings include Graph.sg, which helps buyers and sellers determine the fair price for their cars through machine learning algorithms and proprietary data sources, and Carro Accessories, which offers high-quality and unique gadgets sourced globally by car specialists.

"We took a page out of the Chinese playbook and I believe that this is the most interesting model right now. I don't see any other players that deal with all aspects of the automotive vertical like us," Mr Tan says confidently.

Carro has raised \$75 million to date, including \$60 million last year in a Series B funding round led by SoftBank Ventures, Insignia Ventures Partners and B Capital Group but despite this success, Mr Tan is far from satisfied. Like many driven entrepreneurs, he still believes he has everything on the line. "I have to make sure that this works," he says. "I invest actively and I have invested across Southeast Asia but 99% of my time and effort is spent with Carro to do what I need to do, which is getting this company to an IPO, and I have to make sure that this company works because my reputation is at stake."