

Against all Odds



An interview with William Heinecke.

William Heinecke, the founder and Chairman of Minor International, a Bangkok-based multinational company operating in hospitality, restaurants and lifestyle brands distribution, shares his journey as an American-born Thai businessman and serial entrepreneur.

What sparked your decision to become an entrepreneur?

I had a fairly sheltered but independent upbringing growing up in Thailand. My father travelled a lot and my mother was always busy, so I learned to be independent in the familiarity of a family unit. When I got admission into Georgetown University's undergraduate programme, it didn't excite me. I decided not to go as I didn't want to give up the comfort and security of living in Thailand. In any event, I didn't depend on my parents for allowances. I worked with a local newspaper where I sold advertising spaces, and had earned enough to buy a car. So I thought, I just want to keep doing this, and figure it out as I go along.

I wanted a job in advertising, but the employers I approached said I was too young for it—I had just completed high school. So I said, "Fine, I'll just do my own thing." I started working. I had a little apartment that was also my office, a secretary and a messenger. We started with different concepts—a cleaning company and then an advertising agency. I took my first loan for US\$1,200 to register the company, which I paid back in three months. In those days it was 25,000 Ticals (Baht), or 'a nickel a tical', as they used to say. I hired a lawyer and an accountant. By the age of 18, I owned my own little business.

How did you get into franchising?

One thing I learned very quickly is that there's no such thing as a five-year plan when you are starting out—you take up opportunities as they come. You're not really planning except to make sure that you have enough money to pay those few people you've got.

During my youth, I spent a month in the U.S. every year and I would binge on television and fast food, which I thoroughly enjoyed. I returned to Thailand and thought, "My God, there's no fast food here." So pretty soon, I got into the ice cream

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business with Foremost, followed by a franchise for Mister Donut. In 1980, I got the opportunity to take on the Pizza Hut franchise, for a royal sum of US\$5,000. Pizza Hut needed my focused attention so I sold my interest in Mister Donut. Things just kept evolving out of opportunities. You just have to be open to it and be ready to take a chance, you have to believe in it, and then you have to put your heart and soul in it.

We were one of the first companies to get into the fast food business in Thailand, and it was a sharp learning curve. It wasn't easy in the early days. As an American, I loved pizza, but how would I get the Thais to appreciate it and discover the tastes they were missing? I then realised that there was a growing group of young Thais who were returning from western universities, and that was where I started. But the uptake was slow. We had to import the cheese

for the pizza, an ingredient almost alien to the Thais. By the time we got up to five restaurants—we were opening about a restaurant a year—we decided to build our own cheese factory, which is still in operation. Soon after, we launched Swensen’s ice cream. By 1993, we had a cheese and ice cream factory. Then we got into Dairy Queen’s soft-serve ice cream. In our own little way, we discovered backward integration as we produced our main food items.

I was a great believer that some of these businesses just couldn’t fail. But what’s really important are the people operating them. If you don’t have the right people, even though you may have a good idea and a good brand, it is not necessarily going to work. You quickly learn that people are more important than the brand because even big brands can fail in a market. That is when you start developing your HR skills. Suddenly, we’re paying a lot more attention to recruiting people, who we partner with, and who we do business with, because it really makes a huge difference. Look at us today, we currently have more than 1,000 franchised restaurants in over 20 countries across the region.

Tell us about your innovation in delivery.

In the 1980s, Pizza Hut was a sit-down restaurant and one didn’t think of delivery. People came in for takeaway and that was something that caught my attention. Food delivery was big in the U.S. and I thought, “Why not try it in Thailand?” In Bangkok, nobody had cars but everybody had a motorcycle. Keeping in mind the city’s traffic, we chose to deliver within a seven-minute drive time. It took 10 minutes to bake the pizza in the oven and it took another three minutes to sauce it. So we aimed to deliver within 30 minutes! Overnight we created an

easy-to-remember phone number to take orders and started delivering shortly after.

In those days, traffic was so bad in Bangkok that even an ambulance couldn’t get to your house in half an hour. So the fact that we could deliver food in 30 minutes caught the attention of consumers. Our first ‘call centre’ was in the back office of our restaurant, but business grew rapidly and soon we had a call centre with 150 operators housed in a room. That’s how the first call centre came to Thailand.

What happened in China?

In 1989, we signed the contract to buy the rights to a pizza franchise in China, for which I paid US\$50,000. But just before the opening, the Tiananmen Square uprising took place. So we decided to wait a year, and then when things calmed down, we went into partnership with the Beijing municipal government to open the first Pizza Hut in China.

We opened the second one and then a third one—but it was just a year after Tiananmen and it was slow going. We were spending a lot of time and money in China, and by that time, in Thailand, we had around 50 outlets. We had private equity investors and they asked, “Why are you spending all this time in China? You’ve got three outlets that are earning pittance, and in Thailand you have 50 stores and you’re opening a store every month. You should be concentrating your time and efforts in Thailand.” So I gave up and sold my business in China.

It was not a brilliant move because five or six years later, Pizza Hut in China was bigger than my entire operation. I listened to those people that said, “don’t spread yourself too thin.” So that was a major learning that you better look

longer term rather than just focusing on the current enterprise. If I hadn’t heard all that advice, maybe I would have been stubborn enough to have kept it going, flying between China and Thailand, and recruiting more people—things could have been very different today, but that’s life.

However, I was still a big believer in China’s long-term growth potential. We brought a couple of our successful brands in Thailand to China again in 2005. Our small operation in China was still making losses but we believed we had to be in the market to understand what was going on for the sake of long-term success. Eventually, our small footprint in China allowed us to spot an opportunity that led to a turnaround in our China operation. In 2012, we acquired a distinctive local concept, Beijing Riverside & Courtyard, catering to local tastes with a well-connected management team.

Our operation in China has turned profitable since then and we finally have a successful restaurant platform in the largest dining market in the world. China continues to grow and we have plans to expand the number of outlets in China from 84 currently to more than 400 outlets over the next five years.

Who are, or what has been, the greatest influence in your life?

Many people have been an influence in my life. It starts with your parents because they teach the basic values of what’s right and what’s wrong. And then as time goes on, you admire people that are generous with either time or money, and you admire people that have been successful or have given you good solid advice—and they don’t necessarily have to be entrepreneurs. They could be teachers or someone else. My English teacher

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defined my future. She had said, “I’ll help get you to Georgetown. I’ll write a letter for you. But I have got to tell you that I don’t think that’s what you should be doing. You should go do your own thing. You’ve got energy, go start your own business.”

It’s not any one person, it’s many people that help you grow in different aspects. And you learn from other fields. I was always fond of racing car drivers and from them, you learn about competition, winning and losing.

A serial entrepreneur is bound to have a few failures. How did you face failures?

You have to learn how to face failure because no one wants to admit failure. There was no plan B, so you have to succeed with plan A. The 1997 Asian crisis was a sobering time for us because we had to dramatically cut costs and let go of people, even someone who may have been with the company for 10 or 15 years. The more people you lead, the greater the responsibility. At that time, we were just trying to survive; we never thought about management refocus. That’s when we realised that we had to figure out how to keep growing, and we can only grow if we retain great people. We reviewed our options for the bottom 20 percent of the company—the people who weren’t performing—because then we could hopefully reward those who were good. But if we didn’t cut that 20 percent, then for sure we couldn’t afford to pay the remaining staff more money. Everybody would then be making a little bit less. And then soon the good people would leave because they want to do better for themselves. That’s how you lose your best people.

In times of financial distress, you’re caught between your people and the banks, trying to keep everyone happy. And I never knew what ‘haircuts’ on loans were, and couldn’t fathom trying to ask banks to take only half their money back. A lot of the big companies had restructured their debt in such a manner. But I didn’t know how to ask people—it was almost like asking me to give you free pizza. I can sell you a pizza but I’m not going to do it for free and I’m not even going to sell it to you at half price! So the pressure to perform was great. And as a young entrepreneur, it is even more personal.

After recovering from the crisis, we continued to retain existing, and attract new talent to our organisation. Since then, our financial performance has become stronger and stronger and our year-end results continuously reflect this.

The 2004 tsunami in Phuket was also a big setback for our business. We had made a lot of big investments in Phuket, invested in timeshare, and even developed our first Anantara Vacation Club there which was wiped out. What was one of the most popular tourist destinations in Thailand became barren overnight. Over 8,000 people died in an hour. Who would want to come back there? We owned a JW Marriott, one of the biggest and best hotels in Phuket, which survived, but our share price tanked by 75 percent. That year was our lowest point, but having survived it, we began to rebuild people’s confidence in Thailand and Phuket.

Today, our portfolio in Phuket comprises three hotels, the Anantara Vacation Club timeshare inventory and two high-end luxury residential projects. The portfolio represents one of the most prominent hospitality offerings in one of the world’s most-visited destinations.

After the tsunami, we began to grow abroad in a big way because we realised the need for diversification in terms of business and also geography. Spread yourself out so you’re not going to be hit by one thing that can be as devastating as a tsunami or a 1997 Asian financial crisis. So we moved into the Maldives, one of our first international operations, and started making investments in Sri Lanka, Tanzania and Kenya. We invested more in Vietnam, Australia and Singapore, and those markets began to really grow. Today we have very diversified businesses across a broad geography. We run the gamut of real estate investments from three-star hotels all the way up to six-star properties. We also started developing shopping centres, residential developments and office complexes alongside our hotels.

What was it like running multiple businesses as a foreigner?

I took up Thai citizenship in 1991. I didn’t do it for taxes; I did it because I wanted to explore opportunities in Vietnam. In 1991, doing business as an American was impossible as it was illegal to trade with Vietnam. So I became a Thai. Also, as a foreigner working in Thailand, people were polite but often distrustful of you. They believed foreigners were here just for a temporary period—the minute they made money, they’d go back to their home country and settle down. So the Thai passport was a way of telling people that I’m here to stay, I don’t have another passport, and I don’t have another country to go to.

I was also making a commitment to Thailand, and, I think, in its own way, Thailand welcomed me. I don't know what would have happened if we hadn't survived that Asian financial crisis of 1997. Where would I have gone as a Thai citizen with no money? I may not have been welcomed in Thailand if I was bankrupt and I may not be welcomed anywhere else with a Thai passport. So there were all those pressures too.

Where do you see growth in the next 5-10 years?

I'm very, very bullish overall and especially about ASEAN. You can't get away from the European Union, America, China, Brexit and other trade complexities. Africa is the only region where I still feel we are pioneering. But if you talk to the South Africans, they've written off Africa. They basically have no confidence. I think if you want to see a new China, then you have to look at Africa. They've got the mineral wealth, human capital, and good education. And it is undeveloped and untapped. Russia also has potential, and while it has had its ups and downs, it is still another major superpower.

I see ASEAN as a major player and I think it's going to get even more so in the future. When you look around, I think Thailand is by far the strongest member of ASEAN and it's going to play a pivotal role in the development of this region. We see a lot of people coming in to build factories here. And this could again be because nobody colonised Thailand and the Thais are always adjusting to American or Chinese influence. So it's a great place to

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put an automobile factory—then you'd be able to keep on the good side of America and export to them without restriction, and you'd also be able to export to China because China is going to be a valuable trading partner. I am as optimistic today about Thailand as I was in the 1960s because the country continues to maintain strong global relationships. It's going to be able to repeat that going into the next generation. That said, I do not underestimate the growth potential of other ASEAN countries, especially the CLMV (Cambodia/Laos/Myanmar/Vietnam). They have large populations, strong demographics and huge foreign direct investment, particularly in factories. These countries are also witnessing emerging middle-class consumers with an appetite to spend and try new things, which is great for hotels and restaurants.

Any advice for young entrepreneurs?

Entrepreneurship teaches you resilience, so learn from it. It isn't over till you say it's over. But know when to call it quits. One of the mistakes we often make is that we think we can make things right. And in the old days, we prided ourselves on that. I remember, when we were losing Pizza Hut we tried to fill that hole by going into chicken, which is one

of the things that Pizza Hut was always afraid of because they own KFC too and did not want the brand challenged.

Around the year 2000, just before we ended the Pizza Hut franchise, we took on a roast chicken franchise in Australia, as we thought roast chicken was healthier than fried chicken. So we embarked on it, and we opened 20 stores in one year. But it failed. We closed 20 stores that same year! The roast chicken business just didn't work. But, because we were focused on it, we recognised it quickly enough to not cause a lot of pain or added expense.

I think now that we are bigger, we have less focus and therefore we often keep throwing money at things that aren't going to work. An example would be The Pizza Company. It took us probably 10 years to realise that we weren't going to win in China with Pizza Hut, which was well entrenched, and we finally closed The Pizza Company there. Just because The Pizza Company did well against Pizza Hut in Thailand does not mean it will see the same successes in China.

So sometimes you have to recognise what made you—and one of the things that made us successful was this willingness to shut something down quickly when it wasn't working. And when you get big, there's an attitude that we will make it work. "We'll give it another year. We've got a new look and a new formula and some new people. We put a new manager in there, and he wants another six months to figure it out." But learn to recognise a loser quickly and cut your losses.

Are today's entrepreneurs different in their expectations?

It used to be that entrepreneurs were entrepreneurs and they became serial entrepreneurs. They started a business and then they started another business and another business. What I'm seeing now is that more of the young people sell the business and then they become investors, they don't want to go through the start-up process again. They don't want to go back into starting a business, running a business, operating a business. They become more passive investors. One of my partners said, "There're only two ways to get rich. Either work damn hard, sacrifice your family life and personal life, kids, free time—or you find someone who'll do that for you."

But I belong to the older generation. Minor is my entrepreneurial vehicle and we continue to go into new fields, new geographies, and we make new acquisitions. In fact, we are already at the beginning of a new adventure. In 2018, we made our biggest investment yet through the acquisition of one of the most prominent hotel chains in Europe, NH Hotel Group, for €2.3 billion, tripling the size of our hotel group. NH, based in Spain, is much larger than us, so there are exciting times ahead. These next couple of years are going to be transformational for us, as we become a global player competing on the world stage. And so, as much as I would like to be an investor today, I can't get out of being in the driver's seat and wanting to be a part of the action, not leaving it to someone else or being dependent on someone else to create the success.

The years go by so quickly. You blink your eyes and suddenly find that you've been in business for 50 years. You've survived 50 years of challenges. Any regrets? No, none whatsoever. There have been times that I have thought that I picked the wrong road, but in the end, no, I think all roads have been learning opportunities.

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