

Niche player gains traction after rough start

To convince sceptical clients, you may sometimes have to give away your product for free. That was exactly what software company T-Melmax Sdn Bhd did when it could not get banks to use its e-payments software.

T-Melmax was founded in 2002 by Abdul Mushir Che Chik, along with five ex-bankers. As a start-up, the company had to be focused and because of the banking background of the other co-founders, it was natural for it to zero in on banking.

"If you are a start-up, you cannot be all over the place. You have to focus [your] expertise on certain areas and then people will respect you. That's why we stumbled upon that industry (finance) because the people who formed the company... have a lot of ideas [on how] this interesting technology can be applicable in the banking industry," he said in an interview on Sept 11 at T-Melmax's office in Kuala Lumpur.

Today, Mushir is the only one among the co-founders still with T-Melmax. "It didn't work out the way we planned but I'm the only crazy one who continued to pursue [the dream]," says Mushir, who is CEO of the MSC-status company. Before forming T-Melmax, he had worked for a few technology companies including IBM and Ericsson.

The company's software, Max-Paygate, caters for bulk payments and collection, retail and other types of payments with interface to Inter Bank Giro, Financial Processing Exchange and statutory bodies such as the Employees Provident Fund, Socso and Inland Revenue Department.

Max-Paygate was patented on July 8 this year. Mushir is very proud of the software, which was developed locally through a lot of hard work. The innovative thing about Max-Paygate is that it has the ability to extract payment information no matter what format a company is using, he says.

"Our feature that is very different from other people's is we have a multiple inbound and outbound file format. Basically what it means is that it doesn't matter what accounting

software or what payroll package your company is using; we have the ability to 'pull' those information and process it," he says.

"You can tell us that your bank is A and we will reformat according to Bank A's format because every bank will read in [a] different format. Then you have another company that's using B software. So, we will reformat according to Bank B," he explains.

However, in the early years of the company, even with Max-Paygate's innovative feature, it wasn't easy convincing financial institutions to use the software. And Max-Paygate, which was initially funded by the co-founders and an angel investor, ran out of money fairly quickly, says Mushir.

"We thought the banking industry would be very receptive to all these new ideas that we had. But the banking industry is generally very conservative. So when we came out with the new idea, [they said], 'Oh we'll think about it. We used to do it this way and it's very safe so, you know, we're not sure whether your idea will work'," he recalls.

That led to the software company giving away the software for free to prove that it worked, says Mushir. He asked companies to share the revenue with Max-Paygate if the software worked. In the end, one bank said yes to revenue-sharing.

The company then moved to another marketing strategy that, according to Mushir, is another innovation. Instead of knocking on doors and demonstrating how the software worked, T-Melmax opted to use the Software as a Service (SaaS) practice in its second

year of operation. That allowed people to access the software (hosted at Telekom Malaysia's Data Centre) using the Internet. The users were only asked to pay as they used it.

Most companies use the software for payroll purposes. The rates are relatively cheap — Mushir says that a basic package for a company with 30 staff would cost RM30 per month, compared with other payroll packages where companies would need to pay several thousand ringgit for the software, hardware and training.

"That combination of the new Web-based banking application and the pay-as-you-use business model gave us a very interesting competitive edge," says Mushir, who has a degree in business administration and computer science from Portland State University in Oregon, US.

The company has not looked back since. It now counts RHB, Affin Bank, Ambank, Maybank and CIMB Bank among its clients.

Testing is crucial in coming up with products used by financial institutions, says Mushir.

"You have to do a lot of testing and a lot of this testing can only happen during the night because during the daytime, people are using the system. It took a long time, a lot of hard work, a lot of late nights, and over the years, we have developed all these interface to all of these banks and to many types of software," he says.

Before the software is tested at the client's site, it is pre-tested by T-Melmax's employees for several months in-house. Mushir says that T-Melmax has spent roughly RM5 million in research and

development so far, or an average of close to RM1 million a year.

In 2005, T-Melmax became a 25% investee company of Malaysia Venture Capital Management Bhd (Mavcap). Asked what was T-Melmax's selling point in getting Mavcap to invest, Mushir said T-Melmax was just lucky, as there was no other tech company focusing on the banking industry at the time.

The company is looking to specialise in different industries through its programme, T-Melmax Application Partnership (TAP). Earlier this year, it collaborated with regional accounting software company Sage-UBS and the result is e-Paymaster, a module of UBS's Version 9.4 accounting software which was launched by UBS recently.

Mushir says T-Melmax would also be interested in specialising in the manufacturing, insurance, legal and healthcare industries.

Although T-Melmax has felt some effects from the economic slowdown, it is looking ahead.

"I think this year has been pretty tough, especially the first six months. In a way, we were also affected by that but we have some regular clients who have been with us for a while so they continue to use our product," says Mushir.

"Starting in August, I think there's a little bit of confidence building up. People think that the worst is over. We're beginning to get calls again from people to start serious negotiations. And in fact, we've closed a couple of deals for the last few weeks with local banks," he adds.

T-Melmax is looking to expand abroad. It is in the final stage of negotiations with a medium-sized bank in Thailand, and is also looking at Indonesia and Vietnam.

"We have regional aspirations but we want to strengthen ourselves in Malaysia first before we go and start investing overseas. I think we're quite fortunate we've gained quite good commercial traction and good customer acceptance in Malaysia. So, I think it's about time we should start looking at the overseas market," says Mushir.



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