

Asia Retail

What's New and What's Next in **Singapore** Retail

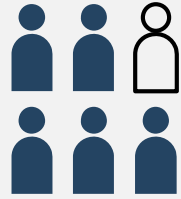


July 2018

Asia Distribution and Retail

 FUNG BUSINESS INTELLIGENCE

Key
economic
indicators



5.6 million*
Population



US\$323.9 billion*
GDP



0.4%*
Consumer price inflation



US\$23 billion**
Retail sales
Down 0.1% yoy

Up 3.6% yoy*
Real GDP growth



US\$96,546*
GDP per head



US\$1.3 billion**
Internet sales
Up 21% yoy



Source: Economist Intelligence Unit actual for 2017*, Euromonitor International figure for 2017**; compiled by Fung Business Intelligence

Major domestic retailers

NTUC FairPrice

Sales 2017: S\$3,402 million
(US\$2,539 million)*

Outlets 2017: >230

Major businesses and brands:

Supermarkets: FairPrice Supermarkets, FairPrice Finest

Hypermarkets: FairPrice Xtra

Convenience stores: Cheers, FairPrice Xpress

Cash-and-carry stores: Warehouse Club

Online grocery store: FairPrice On

Discount stores: FairPrice Shop

Drugstores: Unity Pharmacy

*US\$1=S\$1.34 ; Bloomberg's USD-SGD spot exchange Rate on 29 December 2017

Sheng Siong Group

Sales 2017: S\$829.9 million
(US\$619.3 million)*

Outlets 2017: 48

Major businesses and brands:

Supermarkets: Sheng Siong

Online grocery store: Allforyou

Mustafa Holdings

Annual sales: S\$725 million
(US\$541 million)*

Outlets 2017: <10

Major businesses and brands:

Shopping malls: Mustafa Centre

Restaurants: Kababs & Curries, Handi Restaurant,
Mustafa Cafe

Others: Mustafa Air Travel Pte Ltd, Mustafa Foreign
Exchange

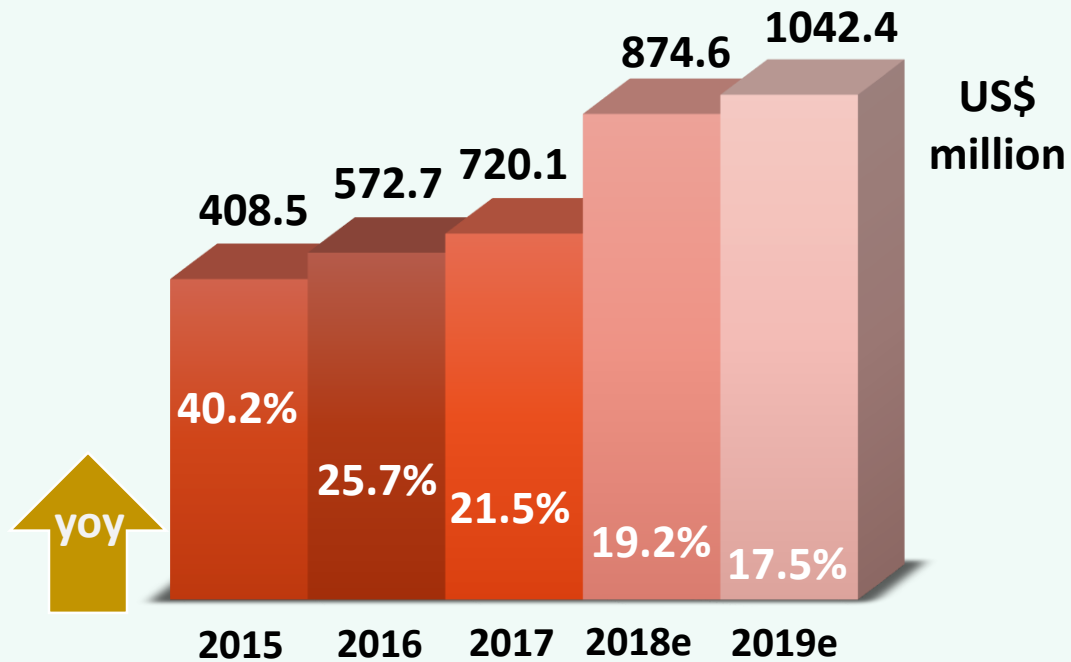
Major retailers by sector

Sector	Major retailers
Internet retailing	Giosis Group, Amazon.com Inc., Apple Inc., Rocket Internet GmbH, Reebonz Pte Ltd.
Apparel and footwear	Uniqlo Singapore Pte Ltd., H&M Hennes & Mauritz Pte Ltd., Nike Singapore Pte Ltd., adidas (S) Pte Ltd., Inditex, Industria de Diseño Textil SA
Beauty and personal care	L'Oréal (S) Pte Ltd., Procter & Gamble (S) Pte Ltd., Estée Lauder Cosmetics Pte Ltd., Unilever Singapore Pte Ltd., AmorePacific Singapore Pte Ltd.
Consumer electronics	Apple South Asia Pte Ltd., Samsung Asia Pte Ltd., Singapore Oppo Electronics Pte Ltd., LG Electronics Singapore Pte Ltd., Sony Electronics (S) Pte Ltd.
Catering	Fairy Rise Development Ltd., Paradise Group Holdings Pte Ltd., Tung Lok Restaurants (2000) Ltd., CoolBrands International Inc., Minor International PCL

Source: Euromonitor International; compiled by Fung Business Intelligence

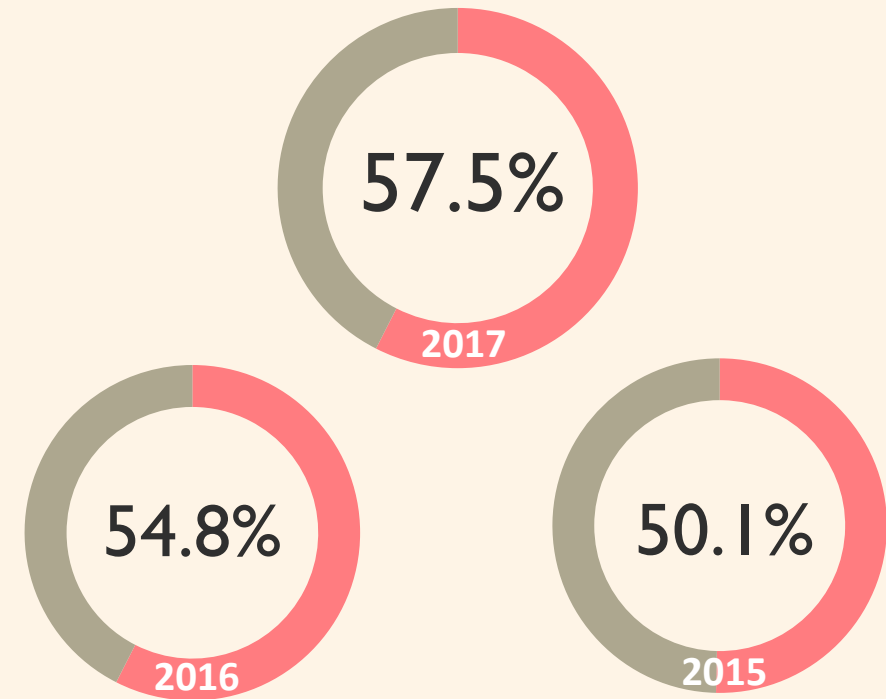
Growth of M-commerce

M-commerce sales and yoy growth in Singapore, 2015-2019e



Source: Euromonitor International; compiled by Fung Business Intelligence

% of M-commerce sales over total B2C e-commerce sales in Singapore, 2015-2017



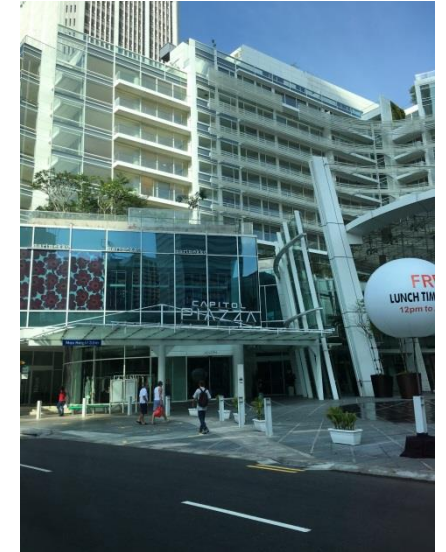
Source: Euromonitor International; compiled by Fung Business Intelligence

Key retail districts



Singapore

- Orchard Road
- Marina Bay
- City Hall
- Harbour Front
- Bugis Street



Prevailing trends



Singapore plans to raise GST to 9% during 2021-2025; may affect consumer sentiment in short term

In February 2018, the Singapore government confirmed that the goods and services tax (GST) will be raised progressively from the current 7% to 9% between 2021 and 2025. The exact timing for implementing the tax hike will depend on the state's economic conditions, including the growth of expenditure and revenues from existing taxation. The additional tax income from the GST hike will be used to fund expenditure in healthcare, security, education and other social spending, of which healthcare expenditure is expected to further increase as the government is planning to build new healthcare capacity to meet the rising demand amid an aging population.

GST, as a consumption tax, is eventually borne by consumers. Being a burden for individual consumers, the GST increase is expected to negatively affect the consumer market and drag down consumer sentiment and depress retail sales in the short term as consumers may cut back their spending because of increased prices after the GST hike. To lessen the immediate burden on consumers, the Singapore government will enhance permanent GST Voucher scheme to provide more help to seniors and households when the hike comes into force. The government will also carry out an offset package for a period of time to help the locals adapt to the GST hike, with lower income households receiving more support.

Prevailing trends



Tourist receipts hit record highs in 2017, the second time in two years; Chinese travellers are the largest source of tourist arrivals

Singapore recorded new highs in tourist receipt (TR) and international visitor arrivals (IVA) in 2017, the second time in two years. In 2017, IVA rose 6% yoy to 17.4 million visitors, while TR also increased by 4% to reach S\$26.8 billion, according to Singapore Tourism Board. The higher TR in 2017 was mainly driven by higher expenditure by visitors across most major components including sightseeing, entertainment & gaming, shopping, and accommodation.

Chinese travellers are currently the largest source of tourist arrivals and spending in Singapore, followed by Indonesia, India, Malaysia and Australia. In 2017, 3.2 million Chinese visitors travelled to Singapore, representing almost one-fifth of all visitor arrivals, according to Singapore Tourism Board. Already the biggest spender in the world, Chinese visitors spent 19% more in major TR components including shopping, accommodation, food & beverage in 2017.

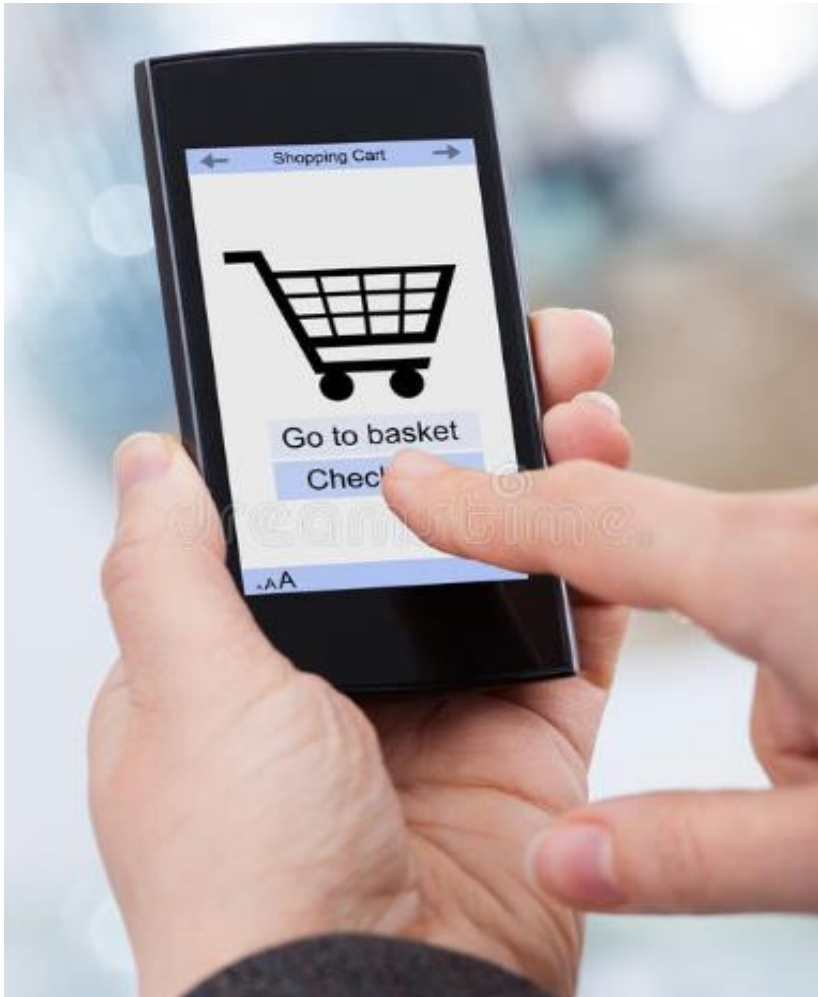
Prevailing trends



Tourist receipts hit record highs in 2017, the second time in two years; Chinese travellers are the largest source of tourist arrivals (cont'd)

To accommodate the increasing number of passengers and facilitate aviation development, the Singapore government is developing a new airport – Jewel Changi Airport which is scheduled to open in 2019. The new airport, an addition to Changi Airport which has been voted the world’s best airport for six straight years with its amazing amenities on offer, is expected to further cement Singapore’s position as a leading international air hub. Jewel Changi Airport will feature a large mall covering seven stories of retail and food offerings catering locals and foreign visitors, making it potentially a destination on its own.

Prevailing trends



Mobile e-commerce to see explosive growth over next couple of years

Advancements in mobile technology and mobile payment systems have fuelled the growth of m-commerce in Singapore; the country's m-commerce market is estimated to expand by 33% by 2021, according to Worldpay's Global Payments Report. Currently, Singapore leads Southeast Asia in smartphone and mobile broadband use and is the third largest e-commerce market in region with 73% of its Internet users already shopping online. For payment preference, many shoppers in Singapore still prefer to pay with credit cards; yet, alternative payment methods are gaining a foothold in the city, with bank transfers and e-wallets both expected to nearly double in share by 2021, rising from 11% to 21% and 13% to 21% respectively.

For instance, Singapore's digital payment service provider CCPay has inked a pact with Alipay to offer cashless payment service to retailers in Singapore. The cashless payment service will first be introduced in merchants around the Chinatown area, and will further be rolled out in shopping malls in Singapore later.

Prevailing trends



Cross-border online shopping thrives in Singapore

Singaporeans are particularly fond of cross-border shopping, which constitutes 60% of the city's e-commerce sales, significantly higher than other key Asian markets, including Malaysia (40%), South Korean (25%) and Japan (18%), accordingly to Forrester Research. In addition, among the top five most visited e-commerce websites in Singapore, two of them, namely eBay and Ezbuy, mainly focus on selling foreign goods and provide dedicated payment and logistics services to support cross-border purchases, aiming to make cross-border shopping more convenient and easy for Singapore shoppers.

Considering Singaporeans are keen on cross-border shopping and interested in foreign goods, local e-commerce platform Shopee has set up a new marketplace dedicated to offering Chinese products. Online shoppers can access the marketplace via Shopee's home page and enjoy free shipping and agent fees for purchases, as well as easy access to millions of translated listings. Apart from offering ranges of fashion, home and lifestyle products from China, the marketplace also provides inroads for Chinese vendors to tap into Shopee's retail ecosystem in Singapore.

Prevailing trends



Embracing omnichannel strategies to create seamless shopping experience

Developing omnichannel strategies has been increasingly important for retailers in Singapore, where consumers are more tech-savvy and place great emphasis on customer service. To better serve Singaporean consumers, traditional and e-commerce retailers are striving to connect consumers both online and offline in a bid to create a seamless shopping experience.

For example, Singapore's major shopping mall operator CapitaLand and Southeast Asian largest e-commerce platform Lazada have paired up to create a "shop-in-shop" concept, which offers a seamless online and offline shopping experience. CapitaLand has opened an official online store on Lazada.sg, enabling its customers to shop online on its e-commerce site on Lazada.sg and choose to collect their purchases offline at CapitaLand malls. At the same time, Lazada.sg has launched two click-and-collect unmanned lounges in CapitaLand shopping malls – Plaza Singapura and Bugis+, giving more convenience to online shoppers by allowing them to collect their purchases offline. Housing collection lockers, fitting rooms and product-testing bench, the two click-and-collect lounges not only enhance overall shopping experience but also develop an eco-system to drive shopping traffic both online and offline.

Prevailing trends



Embracing omnichannel strategies to create seamless shopping experience (cont'd)

Another CapitaLand's shopping mall Funan has unveiled its digital blueprint aiming to become Singapore's first shopping mall to integrate online and offline with technology and automation. To seamlessly integrate physical and digital worlds and provide outstanding customer service, Funan has set up several initiatives, which include conducting customer analytics with transaction and demographic data, adopting robotic automation by pioneering the use of automated guided vehicles (AGVs) and robotic arms in a retail setting, as well as offering a 24-hour click-and-collect drive-through service supplemented by warehousing facilities within Funan.

Foreign retailers have also stepped up their omnichannel efforts in Singapore. For example, Japanese fast-fashion brand Uniqlo has launched click-and-collect service in Singapore, allowing consumers to pick up their online purchases at any of its Singapore stores except for the Changi Airport Terminal 1 outlet. Customers can pick up their orders within 14 working days after receiving their notification email or SMS message.

Prevailing trends



Retailers adopt digital technologies and experiential elements to drive in-store traffic

With an increasing number of shoppers doing their shopping online, many brick-and-mortar stores suffer from declining traffic and sales at their stores. To drive in-store foot traffic and encourage customers to shop in the physical stores, more offline retailers have created innovative in-store shopping experience with the use of digital tools.

As a case in point, the Shoppes at Marina Bay Sands, one of the largest luxury shopping malls in Singapore, has unveiled an interactive concept – the Virtual Closet, which is a walk-in wardrobe with interactive digital mirrors that enable shoppers to browse and try on clothing and accessories with the help of augmented reality (AR) technology. Shoppers can also interact with the display cases and mirrors to switch colours and create their own clothes and accessories.

Another local premium shopping mall Paragon Shopping Centre has launched a high-tech visual merchandising display that combined fashion with robotics and virtual reality (VR) to provide shopper a fresh shopping experience. With Samsung VR Gear provided by the mall, customers can enjoy a 360-degree view of fashion run away show projected onto the floor inside the mall. In addition, the display also showcased a large robotic arm, which can pick up transparent boxes containing fashion pieces such as bags and shoes, providing shoppers a 360-degree view of each item.

Prevailing trends



Retailers adopt digital technologies and experiential elements to drive in-store traffic (cont'd)

Singapore's largest supermarket and hypermarket operator NTUC FairPrice is also a case in point. The retailer has introduced an experiential concept at its FairPrice Xtra hypermarket in Jurong Point shopping mall. Designed to engage and entertain families in a carnival-like atmosphere with dedicated zones, the revamped store houses five specific zones catering specific shopper needs – the Parenting Zone, Health and Beauty Zone, Healthy Eating Zone, Kitchen Zone and Total Home Solutions Zone. Besides, the store also offers activities like claw machines, roving magicians and musicians. To provide more convenience to shoppers, the store is open 24 hours per day.

To offer innovative shopping experience, local convenience store chain Cheers has opened its first unmanned convenience store at Nanyang Polytechnic (NYP). To enter the store, customers need to scan the QR code on the mobile app "Shop It Yourself". The store features a self-checkout system which accepts cashless payment, such as NETS, credit card, ez-link, mobile and contactless payment. The outlet is the first convenience store to accept NETS QR code payments, a new form of payment that utilizes DBS Paylah, OCBC Pay Anyone and UOB Mighty.

Prevailing trends



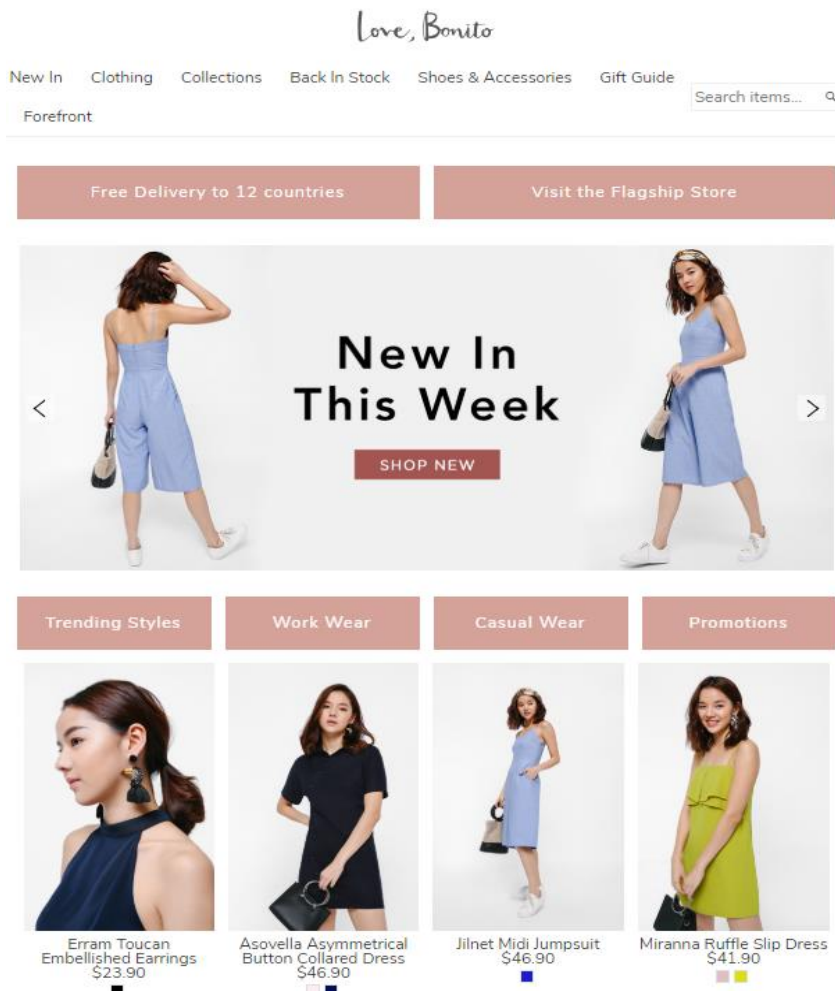
Sportswear retailers thrive amid the booming health and wellness trend

Sportswear retailers have become one of the bright spots in the market, thanks to the booming health and wellness trend underpinned by a slew of sports activities launched by Singapore's Health Promotion Board to encourage a healthy lifestyle. Realizing the promising outlook of Singapore sportswear market, a number of international sportswear retailers have accelerated their expansion in the market recently.

For instance, French sportswear retailer Decathlon has entered into a memorandum of understanding with Singapore's national sports agency Sport Singapore to open its largest store Decathlon Singapore Lab in the country. Covering a floor area of about 5,000 sqm and slated to open in January 2019 in Stadium Boulevard in Kallang, the mega store will be the brand's fourth outlet in Singapore and will draw on advanced technology including VR and AR to bring a unique sporting experience to its customers.

Another example is Italian sportswear retailer AW Lab. In November 2017, the retailer opened its first Asian store in Suntec City, Singapore. The 240-sqm new store offers footwear from various international sportswear brands and AW Lab's own fashion and street-based apparel labels – Down Up and Two of a Kind, as well as exclusive collaborations with well-known sportswear brands.

Prevailing trends



Blogshops dominate informal retailing

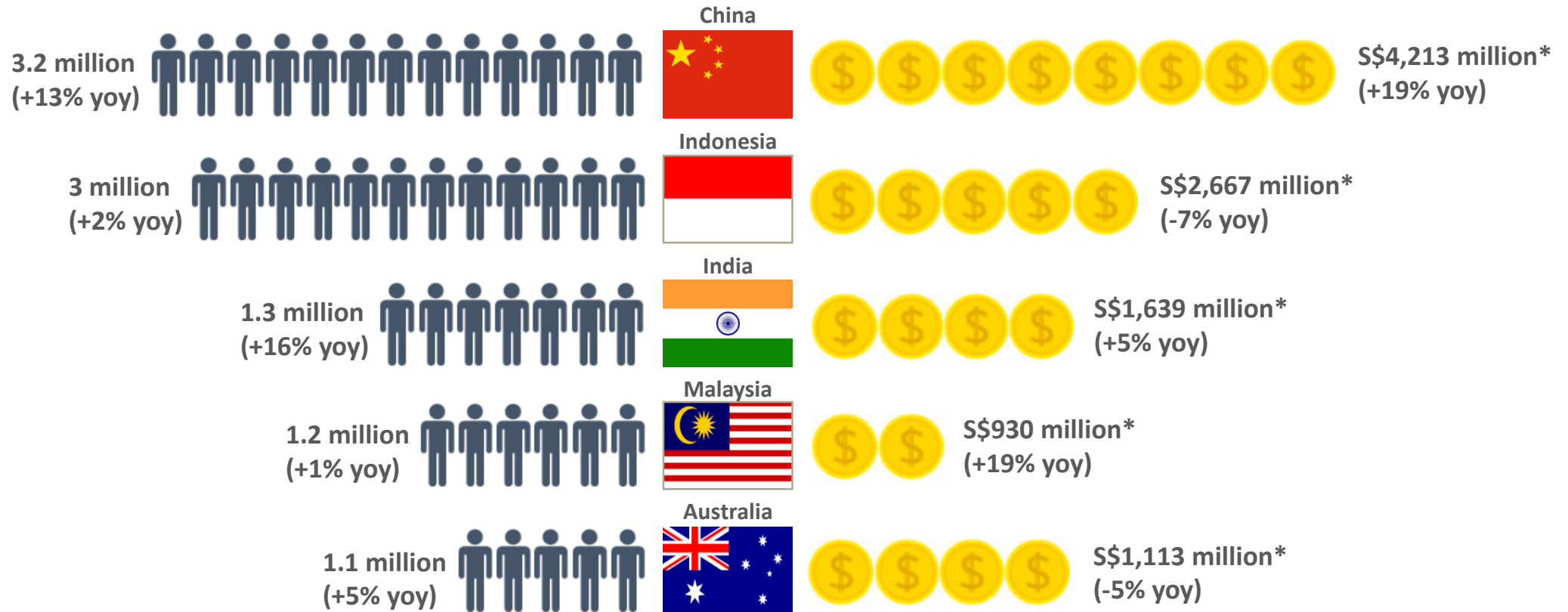
Blogshops – online fashion stores using blogs to sell their goods, mostly fashion and lifestyle products, continue to dominate informal retailing in Singapore and remain a mainstay in many Singaporeans' lives. Appealing to a burgeoning community of young shoppers, some successful and popular blogshops have even ventured into brick-and-mortar retailing.

Local blogshop Love, Bonito is a typical example. Started out as a blogshop selling imported clothes in 2010, Love, Bonito opened its first physical store at 313@Somerset shopping mall on Orchard Road in October 2017, followed by other overseas stores in Malaysia, Indonesia and Cambodia. Apart from entering physical retailing, Love, Bonito has also developed its in-house clothing lines. The e-tailer has secured US\$13 million in a series-B round funding led by Japanese comparison shopping website Kakaku and joined by current investor Singapore-based venture capital firm NSI Ventures. Its revenue reportedly surged 85% yoy to about US\$14 million in 2017.

DID YOU KNOW?

Singapore's top five tourist source markets

Singapore's top five tourist source markets, 2017



*Tourist spending in shopping, accommodation, food & beverage and other TR components including expenditure on airfares on Singapore-based carriers, port taxes, local transportation, business, medical, education and transit visitors. Sightseeing, Entertainment & Gaming has been excluded in this analysis due to commercial sensitivity of information

Source: Singapore Tourism Board; compiled by Fung Business Intelligence

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