

SINGAPORE'S annual two-month Great Singapore Sale (GSS), intended to boost the retail and hotel industries by attracting locals to shop more and give yet another reason for tourists to visit the country, has recently ended. After last year's less-than-stellar performance, retailers kept their expectations in check and hoped for the best while preparing for the worst.

With property-cooling and loan-tightening measures as well as labour restrictions dampening consumer demand, the outlook remains cloudy. Weak economic indicators in China and Chinese government travel restrictions have also been reducing one of the highest spending tourist groups since last year, a decline that may also impact the GSS.

Stronger still is the rise of e-commerce competitors such as Alibaba's Taobao and Amazon as well as new online upstarts such as Zalora and Reebonz which are sweeping up fashion sales, and Qoo10 and Carousel for jewellery and tech products.

Starting in 2014, Alibaba's Taobao began shipping products to Singapore directly. Amazon had earlier started providing free international shipping on selected items. With prices comparable to sales during the GSS, it is not hard to see why interest in GSS has been waning in recent years.

Why wait for a sale in the future when you can simply get it today from Amazon or Taobao at an equally, if not lower, price?

This shift demonstrates that consumers are using actionable intelligence – the right information at the right time to make a better decision. They look for price and convenience when shopping online, comparing with prices at retail stores while they take in a bite to eat, and when the price is right, make the buy decision online.

Google's search analytics tool, Google Trends, shows that interest in GSS has been declining year on year since 2011, while at the same time, e-commerce has been on the rise in the region.

With e-commerce growing at an average of 20 per cent year-on-year globally and 58 per cent of Singaporeans making online purchases at least once a month,



A NEW WAY TO SHOP

Why wait for a sale in the future when you can simply get it today from an online store at an equally, if not lower, price?
FILE PHOTO

Retailers need to move with shoppers

Consumers are going online to do their shopping, and malls need to do the same to meet their expectations of price and convenience. **By Keith B Carter**

the signs are there that e-commerce is obtaining mainstream status and will be a strong competitor to mall-based retailers.

Why is this so? Firstly, transparent global pricing is becoming accessible to everyone. It used to be that retailers could charge a premium in Singapore because it was costly to ship in from outside or inconvenient to have a friend hand-carry products from other markets.

Singapore Post's service vPost and Amazon eliminated the logistics cost in exchange for using e-commerce, shifting cost savings from traditional store infrastructure to substantially cover the overseas shipping cost.

Secondly, convenience. E-commerce stores don't close. During the Supply Chain Management Summit 2015, Syed Ali, head of logistics for Zalora, shared that their data shows Singaporeans are more likely to order online after work hours, which also tends to be after retail store hours as well.

Overall, e-commerce provides a cheaper, hassle-free, queue-free alternative to retail malls.

Does this mark the end of traditional mall-based retail in Singapore? Some international retailers think so. Vacancy rates for retail space has been on the rise to 6.8 per cent in Q1 of 2015, with big-name retailers moving out from spaces in Orchard, Downtown Core, and even in the Rochor and Outram areas.

But some products and services that can only be experienced in-person are increasing their retail square footage. Jones Lang Lasalle's *The Retail Index 2015* report projects year-over-year growth for food and beverage and new mid-tier fashion brands.

While overall revenues remain close to the same year over year, the difference is in the categories of business renting space in the malls. A comparison of Capital Land's retail tenants from 2010 to 2014 shows the following changes:

- ▶▶ Food and beverage +7 per cent
- ▶▶ Health and beauty +2 per cent
- ▶▶ Fashion -5 per cent
- ▶▶ Shoes and bags -3 per cent
- ▶▶ Jewellery and watches -5 per cent

There has been a net increase in rental revenue for service-related businesses (food and beverage, and health and beauty) because to experience them, consumers have no choice but to go to the mall.

In contrast, there is a net decrease in rental revenue coming from goods-related sectors, because e-commerce provides shoppers with these same goods from the comfort of their own homes.

Malls promise shoppers the convenience of buying everything that they need in one place. However, price-sensitive shoppers have always travelled between malls to find the bargains that they seek, such as going to Orchard's Takashimaya for high fashion, Funan for electronics and Queensway for sports goods.

Now, with e-commerce, consumers can simply grab the latest products from around the world at the lowest possible price and at their convenience, be it at home, at work, or even on the MRT.

Retailers will have to rethink their strategies. Retail malls can no longer compete on value-added convenience.

Investors should take note with regard to investments in retail/commercial property. The composition of tenants within the retail space must be priced into the investment because product retail stores are beginning to reduce their footprint by moving to a model of having a smaller "showroom" which allows consumers to try out the product but to buy online for direct delivery. This will reduce inventory, rental and staff costs but may also impact property owner revenue.

This year, the winners of the Great Singapore Sale will be retailers who follow consumer wants online and use actionable intelligence to meet their expectations of price and convenience.

Companies such as Salon Vin on Orchard are reaching out to customers with both physical and online activities by providing GSS discounts in their store and informing consumers through multiple channels including Facebook.

Retailers that are still advertising in print or at their store fronts are at risk of losing their customers to more online savvy competitors.

Moving forward, retailers should meet consumer expectations by establishing a stronger online presence to sell and then deliver by leveraging new logistics services, including direct to home, and secure boxes at the office or along the commute. This will allow retailers to get back to profitably maximising growth.

E-commerce has empowered consumers, bringing the world to their doorsteps. **The writer is visiting senior fellow at the National University of Singapore (NUS) Business School, which is celebrating its 50th anniversary**