Uncovering Retailers' Thoughts and Sentiments – Knight Frank Singapore Retailers’ Sentiment Survey 2018.

BY KNIGHT FRANK RETAIL & RESEARCH
27 APRIL 2018
About the Survey
Knight Frank Singapore carried out its annual Retailers’ Sentiment Survey with 55 Singapore-based retailers with an Asia-Pacific (APAC) presence.

Top Three Overseas Markets with Retail Outlet Presence

1ST Malaysia 62 stores
2ND Indonesia 31 stores
3RD Australia 10 stores

Source: Knight Frank Retailer’s Sentiment Survey 2018
Respondents’ classification by retail trades.

- Books & Stationery: 2%
- Department Store: 2%
- Education & Enrichment: 11%
- Electronics & Technology: 4%
- Fashion & Accessories: 13%
- Food & Beverage Services: 31%
- Food & Beverage Retail (takeways): 4%
- Supermarket: 2%
- Hair, Beauty & Cosmetics: 9%
- Health, Fitness & Wellness: 7%
- Household & Furnishing: 4%
- Kids Fashion, Toys & kids Specialty: 2%
- Leisure & Entertainment: 2%
- Sporting Goods & Apparels: 4%
- Sundry & Services: 4%
- Others: 2%

Source: Knight Frank Retailer’s Sentiment Survey 2018
55.6% of Retailers anticipate positive growth in business profitability for 2018.

Source: Knight Frank Retailer’s Sentiment Survey 2018
More Retailers anticipate positive growth in business profitability for 2018, compared to 2017.

2018
- Anticipate positive growth, 54.5%
- Expect a scale-back, 25.5%
- Predict similar levels of profits as previous year, 20.0%

2017
- Anticipate Positive Growth, 48.1%
- Expect a scale-back, 36.5%
- Predict similar levels of profits as previous year, 15.4%

Source: Knight Frank Retailer’s Sentiment Survey 2018
Concerns about factors that pose challenges to their business.

Source: Knight Frank Retailer's Sentiment Survey 2018

1: Sample size of survey was 55 retail operators, some of which may operate more than one line of retail business and/or brands.

2: A score of 1 indicates a low level of concern, while a score of 6 indicates the highest level of concern. The higher the average score, the higher the retailers’ level of concern towards the particular business challenge.
Strategies on Physical Store development for business.

Higher proportion of retailers exploring expansion plans (local and overseas) are:

- **Food & Beverage**
- **Hair, Beauty & Cosmetics**
- **Health and Wellness**

Source: Knight Frank Retailer’s Sentiment Survey 2018
Retailers’ Considerations When Picking A Location for a New Store.

- Must be within area with a large captive catchment: 34.5% (2018), 50.0% (2017)
- Established retail malls tagged with proactive mall support initiatives to increase footfall traffic: 20.0% (2018), 9.6% (2017)
- Near major transport nodes: 20.0% (2018), 15.4% (2017)
- Location that offers comparatively lower rents: 16.4% (2018), 19.2% (2017)
- Malls that recently underwent Asset Enhancement Initiatives (AEI): 1.8% (2018), 1.9% (2017)
- Unique, niche enclaves such as conservation shophouses, old buildings: 1.8% (2018), 1.9% (2017)

Source: Knight Frank Retailer’s Sentiment Survey 2018
60.0% of the Respondents Generated Sales Revenue from Online platforms in 2017.

82.0% of retailers with online sales engagements, has only up to 10% of total sales revenue generated from online sales. Compared to a year ago, only 63.3% of retailers hit this target.

Balance 18% of retailers with e-commerce platforms have more than 10% of total sales generated from online sales.

The number of retailers engaging in online sales avenues have increased by 2.3 percentage points from 2016 to 2017.

Source: Knight Frank Retailer’s Sentiment Survey 2018
Retailers’ Expectations on Online Sales’ Performance for 2018.

Retailers reflect optimism in online sales’ performance with 43.6% expecting an increase in online sales revenue.

Survey sentiments suggest retailers are optimistic of the potential of e-commerce, which would help them lower costs and potentially generate more profit in the long run.

Source: Knight Frank Retailer’s Sentiment Survey 2018
Importance To Develop and Maintain an Online Versus a Physical Store Presence.

Source: Knight Frank Retailer’s Sentiment Survey 2018

Legend represents the score assigned by retailers to the importance of online store presence. 1 – Not Important, 6 – Extremely Important
Physical stores remain the key avenue for customers’ engagement, suggesting possible revival of brick-and-mortar stores.

<table>
<thead>
<tr>
<th>Channel</th>
<th>2018 Weighted Average Score</th>
<th>2017 Weighted Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical store</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Social media portals (e.g. Facebook, Instagram, Twitter)</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Provide all available POS (point-of-sales) systems &amp; Payment options</td>
<td>3.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Official website for browsing of products</td>
<td>3.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Official website with online contact centre</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Official website for purchase of products</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Placement &amp; Marketing via other established e-commerce platforms (e.g. Zalora, Lazada, Tmall, Qoo10 etc.)</td>
<td>2.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Roadshows, exhibitions and seminars</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Smartphone interactive apps</td>
<td>2.2</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Knight Frank Retailer’s Sentiment Survey 2018
Types Of Experiential Retailing That Respondents Opine Will Appeal To Consumers.

- Showrooming: 43.6%
- Exclusive in-store Advertising & Promotions: 36.4%
- Social spaces in store: 30.9%
- Café-in-Store: 20.0%
- Interactive in-shop classes: 14.5%
- AR provision: 14.5%
- Interactive Games-in-Store: 5.5%
- Virtual fitting rooms: 3.6%
- Others: 14.5%

Source: Knight Frank Retailer's Sentiment Survey 2018
Types Of Big Data Content that Retailers opine to assist In Business Development and Operational Strategies.

Respondents were able select more than 1 of listed options above

- Competitor benchmarking for footfall: 67%
- Customers' demographic profile: 62%
- Customers' frequency of visit: 45%
- Customers' response to promotions, events, & discounts: 44%
- Customer preference in products and services: 44%
- Customers' dwell time in physical retail space: 42%
- Customers' spending patterns of retail product and services: 36%
- Footfall & Pedestrian vehicular traffic: 35%
- Customers' preferred mode of shopping: 29%
- Customers' time spent online and at brick-&-mortar shops: 27%
- Customers' mode of payments online and offline: 22%
- Tracking product inventory consumption: 20%
- Customers' locale preference for online orders' product pick-ups: 18%
- Customers' endeavoured time for delivery: 18%

Source: Knight Frank Retailer's Sentiment Survey 2018
Retailers are generally receptive to the use of big data to improve consumer experience. Compared to a year ago, retailers who agree to big data’s usefulness increase by 6.8 percentage points.

Present resistance to big data usage could stem from the perceived high costs of implementation and lack technical knowledge.

Source: Knight Frank Retailer’s Sentiment Survey 2018
Areas Of Technological Adoption In Retail Business.

- **Mode of Payment**: High Adoption in 2018, similar in 2017.
- **Inventory Management**: High Adoption in 2018, slight decrease in 2017.
- **In-store Interactive Technology**: High Adoption in 2018, slight decrease in 2017.

Source: Knight Frank Retailer's Sentiment Survey 2018
Retailers are also very concerned **flexibility in hiring of service staff** in the retail sector.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve &amp; better manage labour productivity</td>
<td>40.0%</td>
</tr>
<tr>
<td>Using Big Data to generate insights on consumers’ behaviour</td>
<td>32.7%</td>
</tr>
<tr>
<td>Consolidation of retail outlets to key locations</td>
<td>27.3%</td>
</tr>
<tr>
<td>Alter retail space requirements to either manage rentals or offer a new concept</td>
<td>23.6%</td>
</tr>
<tr>
<td>Increase exposure on website and social media platforms</td>
<td>20.0%</td>
</tr>
<tr>
<td>Streamline inventory, warehousing and distribution process</td>
<td>18.2%</td>
</tr>
<tr>
<td>Introduce e-commerce to reach out to customers beyond Singapore</td>
<td>14.5%</td>
</tr>
<tr>
<td>Expansion of retail business beyond Singapore’s market</td>
<td>14.5%</td>
</tr>
<tr>
<td>Relocating retail outlets to locations that offer lower rents</td>
<td>14.5%</td>
</tr>
<tr>
<td>Offer differentiated product offerings for online and offline platforms</td>
<td>12.7%</td>
</tr>
<tr>
<td>Expand product and service offerings</td>
<td>7.3%</td>
</tr>
<tr>
<td>Increase wages or offer other non-tangible benefits to attract workers</td>
<td>7.3%</td>
</tr>
<tr>
<td>To maintain status quo</td>
<td>5.5%</td>
</tr>
<tr>
<td>Adopt shorter operating hours</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Respondents are required to select their top three choices from the list above.

Source: Knight Frank Retailer's Sentiment Survey 2018
Retailers are still keen to expand in Singapore, but more of them are looking abroad as well.

Retailers hope more support can be provided to help them manage cost of rental and shortage of manpower.

More than half of the retailers have adopted the use of technology to drive their retail business.

Notwithstanding the increasing popularity of e-commerce, retailers still believe in maintaining physical stores to strengthen their brand presence.