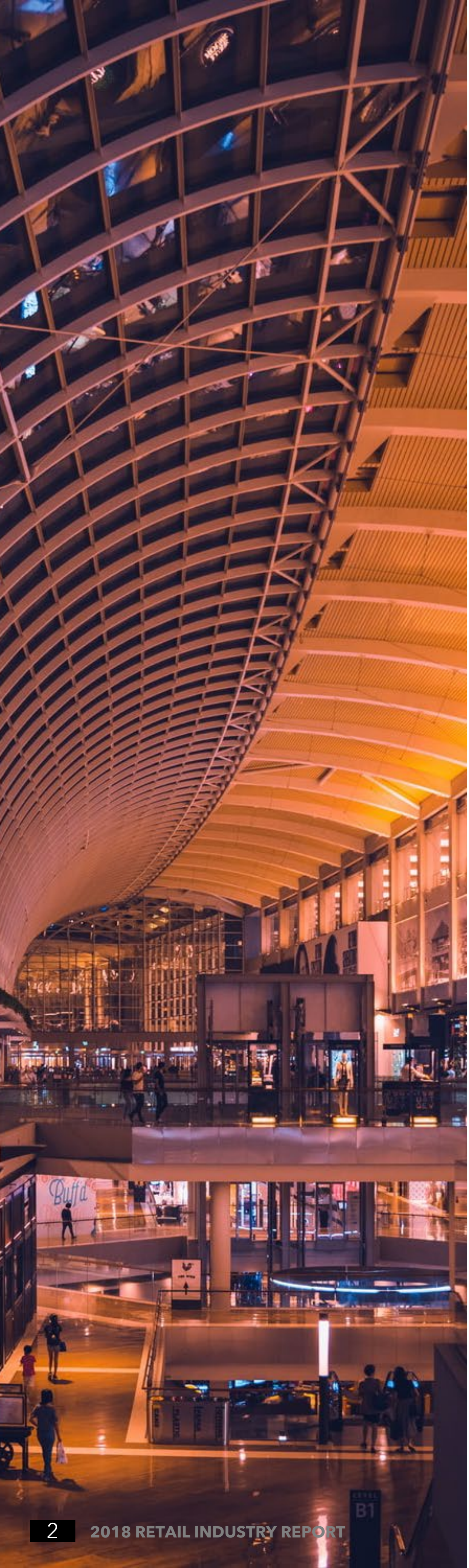
Singapore Productivity Centre

2018 Productivity Benchmarking Report on the Retail Industry

A custom report by Blackbox Research

BLACKBOX



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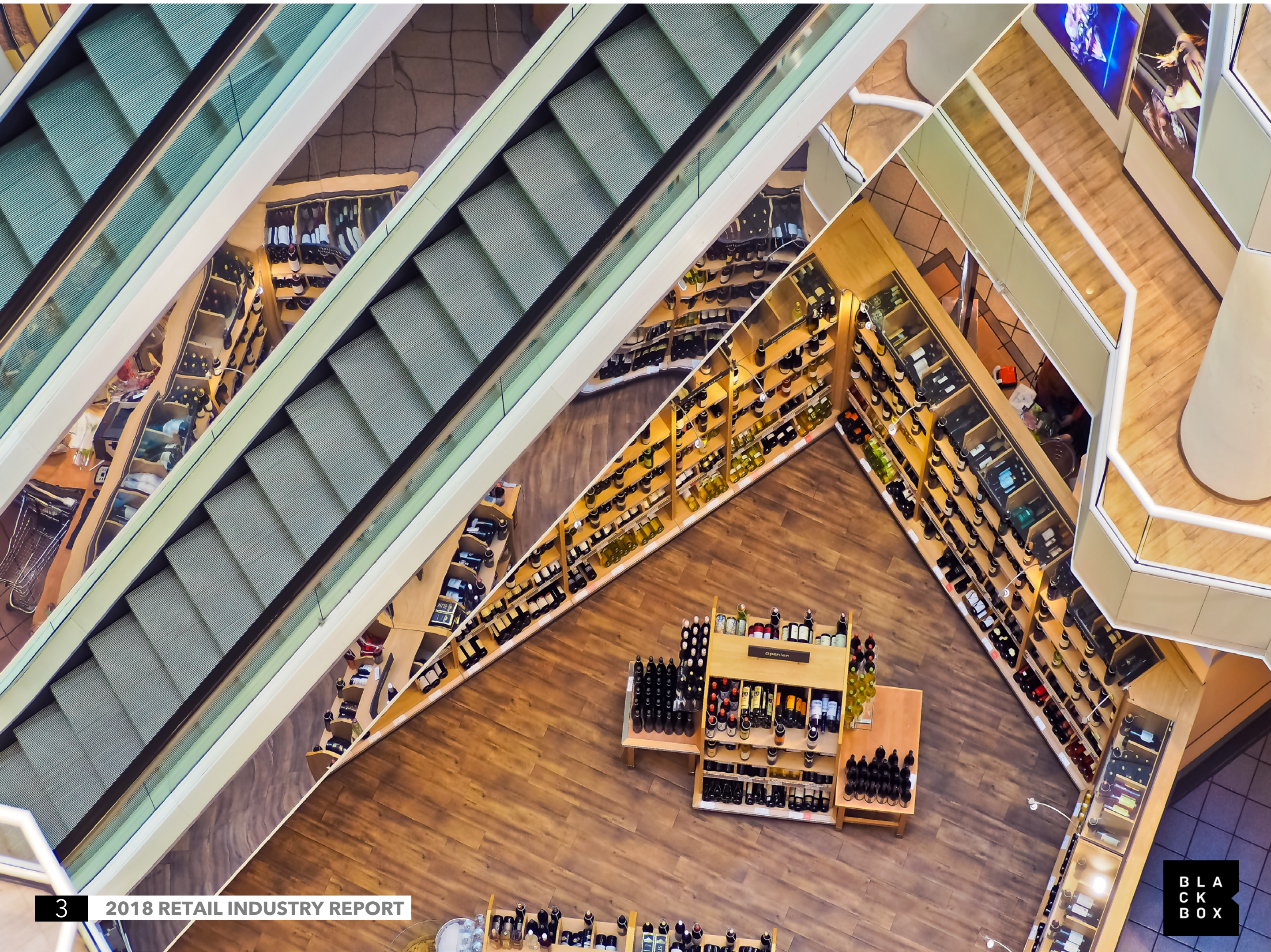
INTRODUCTION

The Singapore Productivity Centre (SGPC) was set up in 2013 under the aegis of the Future Economy Council (previously known as National Productivity Council) with the support of Enterprise Singapore and the Singapore Tourism Board.

SGPC is the national competency centre that assists enterprises in the Food Services, Retail and Hotel sectors to innovate, transform, grow, and be future-ready. Since 2013, SGPC has helped over 1000 companies to improve their productivity through its services and solutions.

SGPC offers in-depth productivity and business consultancy services and workshops. It has a comprehensive resource centre that provides applied research services, case studies, and benchmarking studies for enterprises.

Through the benchmarking study for the Retail industry, companies will be able to compare their productivity performance with the industry average and the sector's top performers. Companies can then identify their strengths and areas for improvement and develop a plan to improve productivity to tackle future challenges.



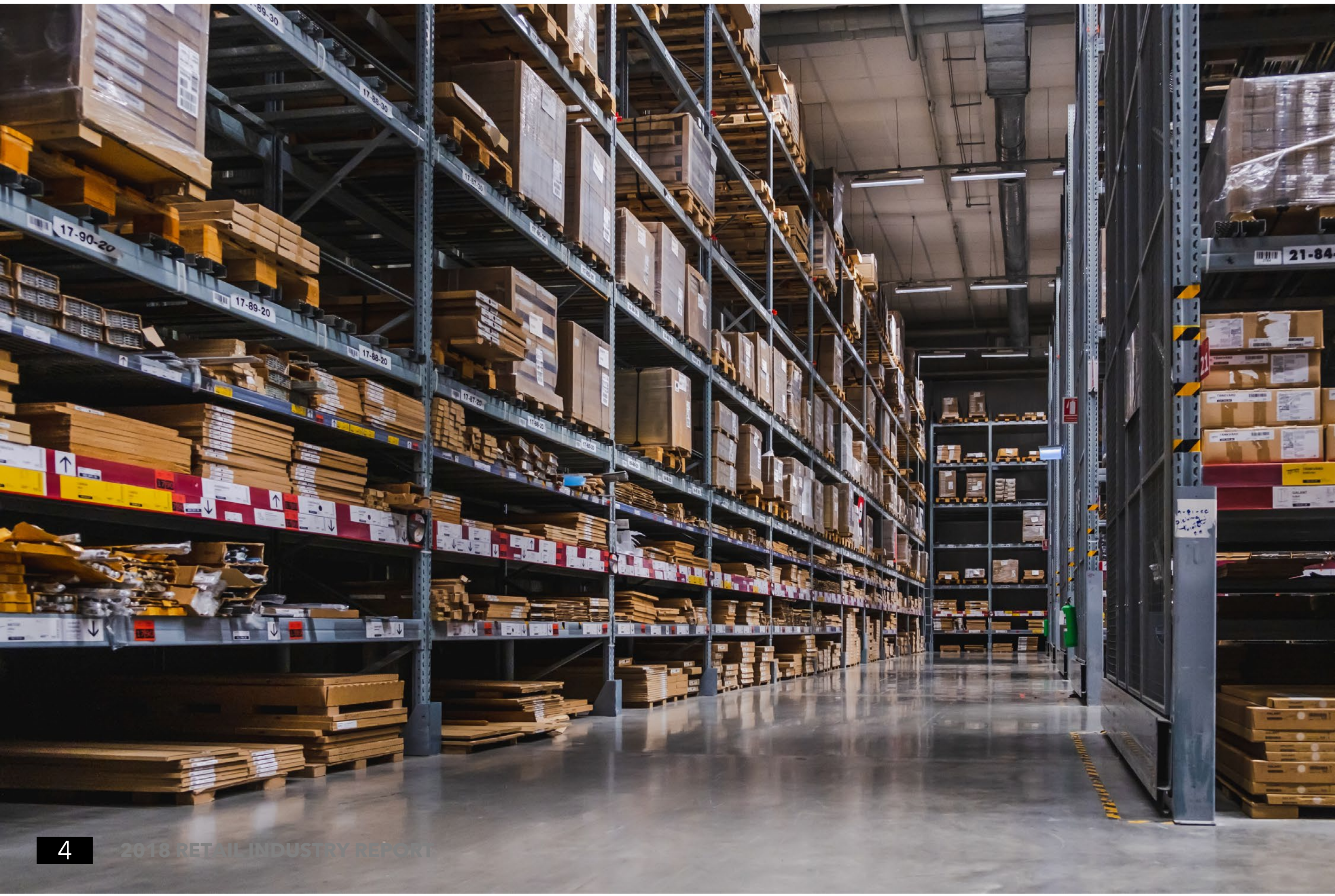
RESEARCH OBJECTIVES

This report focuses on the 2018 Retail industry productivity indicators and builds on the key findings collected in past years. The objectives include:

1. Identifying the main **challenges** faced by the Retail industry

2. Analysing the productivity **outlook** of the industry

3. Understanding current **practices** and **operational needs**



METHODOLOGY

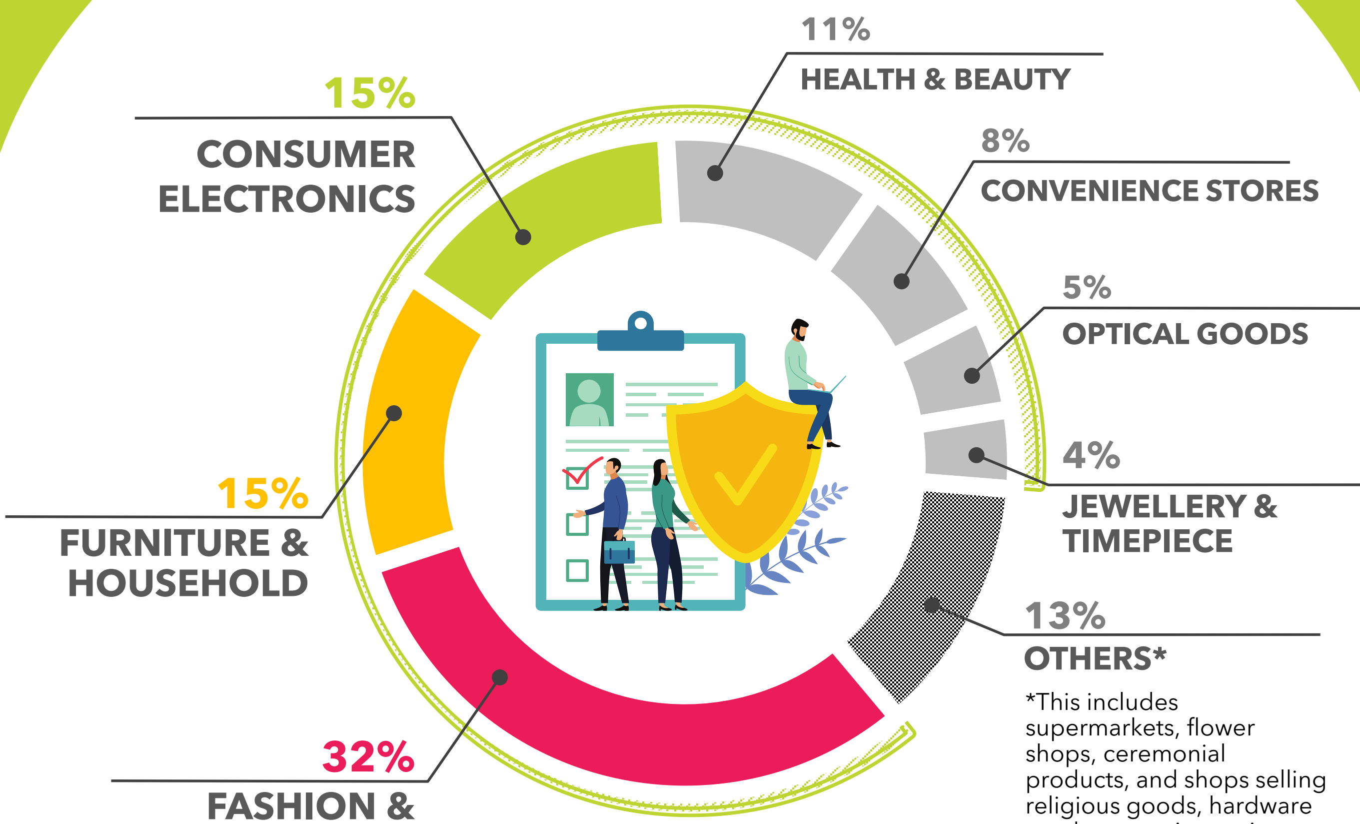
To understand the productivity outlook across the Retail industry, face-to-face and phone interviews were conducted between March and December 2020 with employees from 196 retail establishments, who were holding managerial positions or higher.

Face-to-face & **Phone Interviews**

Length of Interview: ~30 minutes

Target Audience: Respondents in the Retail industry, who held managerial positions or higher

PROFILE OF THE PARTICIPATING BUSINESSES IN THE RETAIL INDUSTRY



*This includes supermarkets, flower shops, ceremonial products, and shops selling religious goods, hardware products, stationery items, pet supplies, and paint.

EXECUTIVE SUMMARY

The Singapore market presents vast opportunities for retailers, as local consumers have high disposable income for discretionary spending. In fact, Singapore's Gross Domestic Product (GDP) is one of the highest in the world and was worth SGD 473.31 billion[1] in 2018.

Over the last 10 years, the Singapore economy has demonstrated strong growth as it recovered from the impact of the 2009 global financial crisis. During this period, Singapore's GDP and household incomes rose by a compounded annual growth rate of over 4%[2].

However, the growth of the Retail industries has not kept pace with the overall economic growth. Over the same period, the Retail industry recorded an annual growth of only around 2%[2].

	2014	2015	2016	2017	2018
Singapore GDP[1] (in Billions, SGD)	411.16	423.44	437.540	457.32	473.31
Population Size[3]	5,525,626	5,592,152	5,653,634	5,708,041	5,757,499
GDP of Retail industry (in Billions, SGD)[1]	6.90	7.28	7.60	7.78	7.94
Share Of Nominal Gross Value Added, Annual[4]	17.2%	16.4%	`17.9%	18.4%	18.1%

More recently, the growth of Singapore's Retail industry has been affected by the trade war between United States (US) and China that began in early 2018.

The US and China are major economic partners to countries around the world, including Singapore. The city-state's open economy depends on trade, so its access to free and connected markets is paramount. The trade tensions between the US and China, which could lead to declining trade flows, have dampened business and consumer confidence.

Other challenges to the Retail industry include intensified global competition, and the need for businesses to transform from brick-and-mortar operations to e-commerce, and/or omnichannel retailers.

1. Singstat Table Builder. (2021) 'Gross Domestic Product in Chained (2015) Dollars, By Industry (SSIC 2015 Version 2018'. Accessed from: https://tablebuilder.singstat.gov.sg/table/TS/M015231#!.
2. Teo, D. (2019). 'The rise of experiential and activity-based retail'. The Business Times. Accessed from: https://www.businesstimes.com.sg/hub-projects/property-2019-september-issue/the-rise-of-experiential-and-activity-based-retail.
3. Macrotrends (2021). 'Singapore Population 1950-2021'. Accessed from: https://www.macrotrends.net/countries/SGP/singapore/population.
4. Data.gov. 'Share of Nominal Gross Value Added, By Industry (SSIC 2015), Annual'. Accessed from: https://data.gov.sg/dataset/share-of-nominal-gross-value-added-by-industry-annual?view_id=6b57a36a-6f65-4151-990a-91772b13cac8&resource_id=181ed4f4-de95-45ad-bd71-1397251c7c3a.

Rise of Experiential Retail

Stable economic growth continues to drive strong consumer confidence among local and regional consumers[1]. However, even though demand has grown, retailers have had to grapple with more intense competition and ever-shifting consumer preferences.

The rise of e-commerce has disrupted the Retail industry[2]. As shopping habits change and physical store sales decline, retailers must adapt and innovate to keep shoppers engaged.

Retail malls in Singapore are evolving from offering products and services to providing non-retail experiential concepts. These concepts, based on experiences and activities, entice shoppers to visit physical stores and help malls keep their occupancy rates up[2].

One such concept is to contribute to the community by providing communal spaces and non-retail attractions[3]. These spaces are also often focal points where people can gather.

One case in point: Jewel Changi's iconic Rain Vortex[2]. As the world's tallest indoor waterfall, the Rain Vortex attracts large numbers of shoppers who are also seeking memorable moments that they can share with their followers on social media like Instagram. Jewel Changi's canopy park and hedge maze are also attractions that have been designed to encourage higher footfall[2].

Experiences now form an indispensable part of the malls' overall retail mix and strategy to meet the expectations of shoppers.

1. Nielsen, (2019) "WHAT'S NEXT IN SOUTHEAST ASIA", Accessed: https://www.nielsen.com/wp-content/uploads/sites/3/2019/06/whats-next-in-southeast-asia.pdf
2. Mui, R. (2019). ' Singapore malls offering experiential concepts to attract returning customers: Edmund Tie'. The Business Times. Accessed from: https://www.businesstimes.com.sg/real-estate/singapore-malls-offering-experiential-concepts-to-attract-returning-customers-edmund-tie.
3. Teo, D. (2019). 'The rise of experiential and activity-based retail'. The Business Times. Accessed from: https://www.businesstimes.com.sg/hub-projects/property-2019-september-issue/the-rise-of-experiential-and-activity-based-retail.

Seamless omnichannel retail

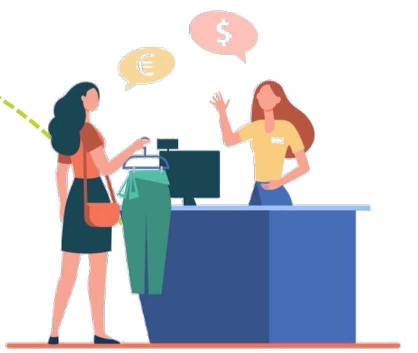
It is boom time for e-commerce in Southeast Asia. Some 150 million people in the region are digitally connected. One quarter of the 400 million people in ASEAN buy online[1].

E-commerce in the region reached US$5.5 billion in 2015 and expanded to US$10.9 billion in 2017. This figure doubled again to US$23 billion in 2018[2]. By 2025, e-commerce in ASEAN is expected to hit US$102 billion, according to a Google study[2].

What is driving the growth of e-commerce in the region? In a nutshell: the rising trend of a digitally infused lifestyle. Take Singapore for example: user penetration rate is expected to hit 74% in 2020, and the number of online users will reach 3.86 million[1].

Consumers with a digitally infused lifestyle are always on their devices and connected to the Internet. With more information at their fingertips, consumers are exposed to wider choices and become more sophisticated shoppers with higher expectations.

By offering a seamless omnichannel retail experience, retailers can better cater to the needs of savvy consumers.



Seamless omnichannel shopping experience

BACK-OF-HOUSE

- Adopt real-time inventory management
- Merchandise team adapts to customer preferences

FRONT-OF-HOUSE

Integrate online and physical stores

E-COMMERCE

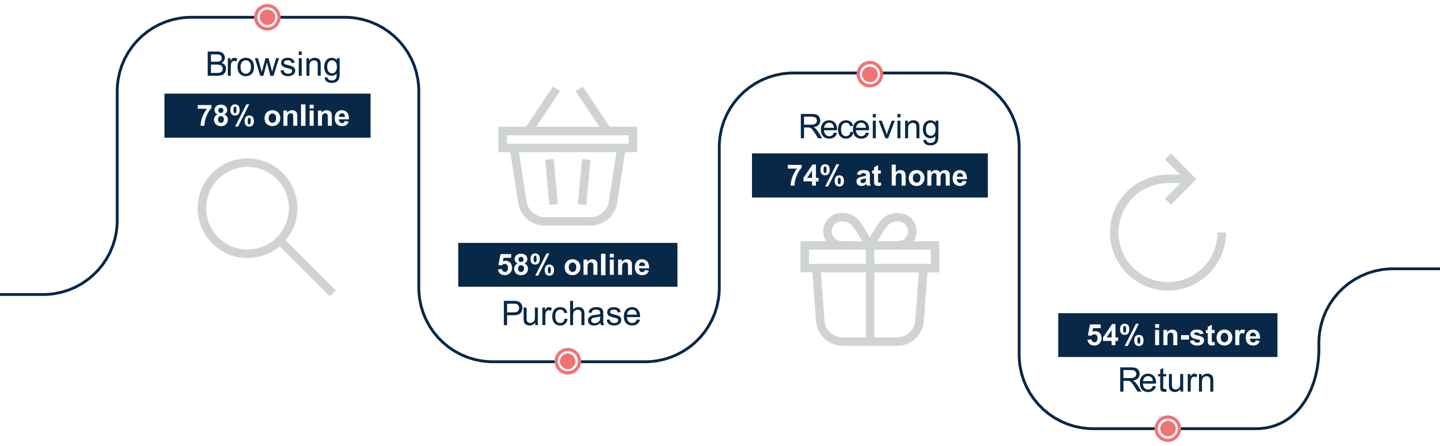
- Tie-up with leading e-commerce platforms
- Enter global markets without physical stores

1. Ministry of Trade and Industry Singapore. 'Retail Redefined'. Spring Singapore. Accessed from: https://www.mti.gov.sg/media/MTI/ITM/Lifestyle/Retail/Retail-ITM---booklet.pdf
2. Yu, E. (2018) 'SEA internet economy to hit 'inflection' value of $72B in 2018'. ZDNet. Accessed from: https://www.zdnet.com/article/sea-internet-economy-to-hit-inflection-value-of-72b-in-2018/

Omnichannel retail

Singaporeans are enthusiastic shoppers. For many consumers, shopping is a journey in pursuit of the best deals. A study conducted by Blackbox Research found that 78% of shopping journeys start with online browsing[1]. Subsequently, the shopping journey switches between online and offline channels.

Today's consumers live in a fast-moving society. They want to be able to make their purchases anytime and anywhere. Hence, brands that can harness the strengths of both print and digital touchpoints will succeed and prevail. When brands create the freedom for their customers to shop at their convenience, they appeal to a broader range of customers, be it younger digital natives or baby boomers with more traditional shopping habits.

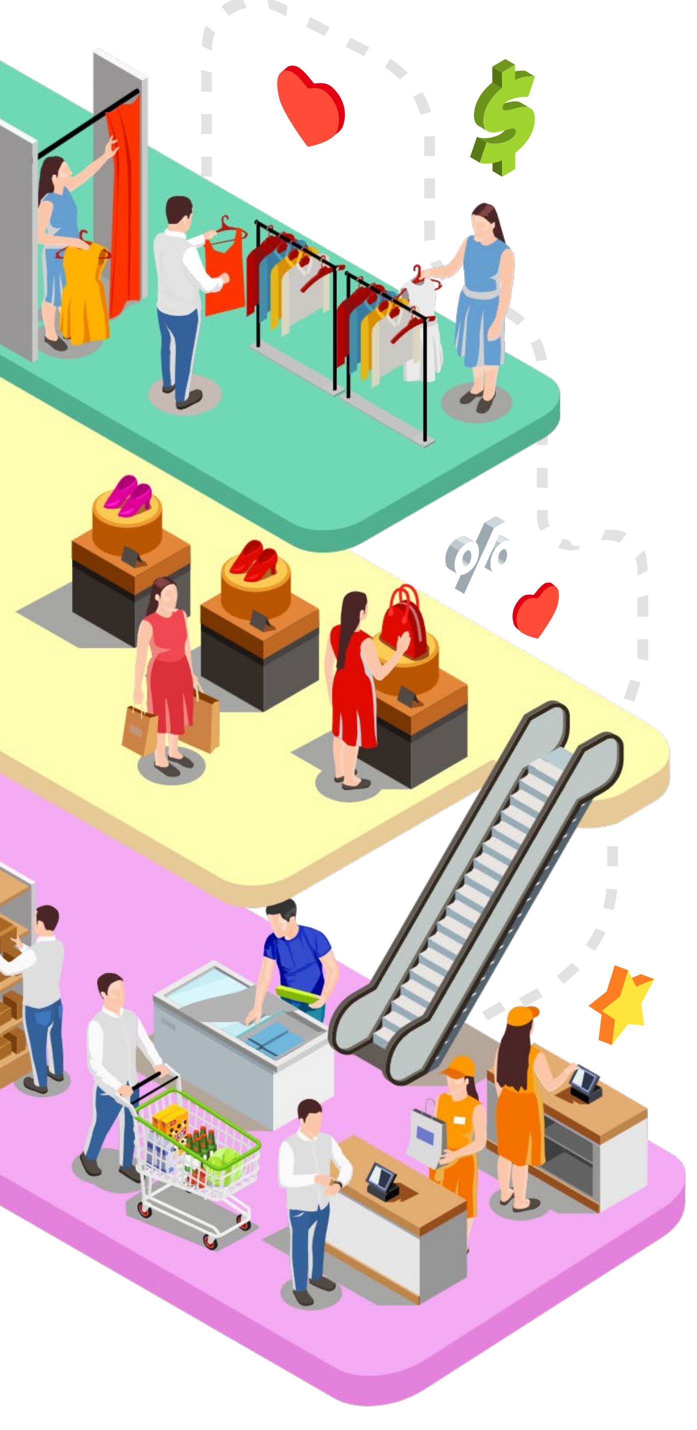


Retailers can optimise consumer experience by offering flexibility, continuity, and consistency across digital and physical sales channels. This includes every step of the shopping journey: from browsing and transacting, to acquiring and using a product or service.

To devise an effective omnichannel retail strategy, retailers can leverage data and analytics to understand customer preferences. Such insights will allow them to deliver seamless customer journeys across multiple touchpoints.

1. Blackbox Research. (2020) '2020 Digital Megatrends: Driving digitalization of Singaporean consumers'. Wirecard and Blackbox.

Challenges in the Retail industry



Operational costs

Brick-and-mortar stores continue to face high labour and rental costs. According to the Ministry of Trade and Industry, labour and rental costs were the top two operational costs for Singapore's Retail industry in 2017[1] and 2018[2].

Intensified competition

E-commerce has unlocked opportunities for retailers, whose markets are no longer constrained by geographical borders. However, e-commerce has also intensified competition as retailers now have to compete with the world for business. At the same time, retailers need to invest in digital marketing and e-commerce operations. This involves additional costs in areas such as manpower, warehousing, and logistics.

Even though some retailers have turned to e-commerce as their main business model, brick-and-mortar stores remain relevant. They complement online stores and provide consumers with opportunities to experience products in person.

1. Ministry of Trade and Industry Singapore. (2017) 'Economic Survey of Singapore 2017'. Accessed from: https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2017/Economic-Survey-of-Singapore-2017/FullReport_AES2017.pdf.
2. Ministry of Trade and Industry Singapore. (2018) 'Economic Survey of Singapore 2018'. Accessed from: https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2018/Economic-Survey-of-Singapore-2018/FullReport_AES2018.pdf.

TAKING A GOOD LOOK AT:

ANNUAL SALES ACROSS THE RETAIL INDUSTRY

Overview of the annual performance of the Retail industry

E-commerce remained as a bright spot in the retail landscape, despite the slowdown of the industry's growth in 2018.

Singapore's shoppers spent an average of US$1,000 each on online purchases of consumer goods in 2018. This amount was considerably higher than the global average of US$634[1].

Marketplace and platform sites dominated Singapore's e-commerce scene. The top three sites – Qoo10, Lazada, and Carousell[1] – were all platforms with a wide range of products[1].

In 2018, the Singapore Government launched a pilot programme on parcel lockers. Located in public spaces, these lockers enabled businesses to deliver purchases more efficiently and cost-effectively by aggregating deliveries and eliminating the risk of unsuccessful delivery attempts. The lockers also offered consumers access to their parcels around the clock. In addition, the programme helped to reduce carbon emissions, as the consolidation of deliveries reduced the number of vehicles and trips required for delivery.

1. Kemp, R. & Moey, S. (2019) 'Digital 2019 Spotlight: Ecommerce in Singapore'. DATAREPORTAL. Accessed from: https://datareportal.com/reports/digital-2019-ecommerce-in-singapore#:~:text=Singaporean%20ecommerce%20shoppers%20spent%20an,than%2020%20percent%20last%20year.

Based on our study, in-store sales remained the key source of sales for 60% of the businesses in the Retail industry in 2018. Across the Retail industry, in-store sales remained the most important retail channel, contributing up to 64% of the total annual sales.

E-commerce is the second biggest sales channel, contributing to 20% of the annual sales for retailers, while online sales through third-party websites accounted for around 9% of the annual sales. In total, online retail contributed to nearly 30% of the annual sales for the Retail industry.

In contrast, franchise royalties generated the least returns, accounting for only 2% of the overall annual sales.

Percentage of sales by channels

In-store purchases remained the key source of sales across retailers. More than 90% of the annual sales of consumer electronics and fashion and sporting goods was attributed to in-store purchases.

E-commerce was the second largest source of sales for the Retail industry, especially for fashion and sporting goods retailers. Third-party websites were another important source of sales for retailers of consumer electronics, and those selling furniture and household goods, making up an average of 18% and 14% of the annual sales respectively.

In terms of average daily number of receipts or transactions, retailers selling health and beauty products, and convenience stores and supermarkets were the industry leaders.

Average No. of Receipts per Day

Average **80.65**

Key sales channels by retail sub-sectors

	Convenience Stores & Supermarkets*	Fashion & Sporting Goods	Furniture & Household	Health & Beauty*	Optical Goods*	Jewellery & Timepieces*	Consumer Electronics
In-store	60%	64%	64%	62%	70%	85%	60%
E-commerce	35%	31%	13%	23%	16%	-	18%
Third-party websites	5%	4%	14%	7%	10%	15%	18%
Franchise	–	1%	2%	2%	4%	-	2%
Others	–	1%	7%	6%	-	-	2%

*Small sample size, read with caution

Singapore had the third-highest GDP per capita in the world in 2017[1], and among its 5.7 million population are high spenders with deep pockets[2]. On average, Singapore consumers spent SGD 2,206.24 (US$1,618) online in 2018. The fastest-growing product categories were food and personal care, electronics and media, and online food delivery[2].

What makes Singapore a viable e-commerce market for retailers?

Pro-business Environment

In 2020, the World Bank recognised Singapore as the best country in Asia, and the second-best place in the world to do business.[2] According to the 2017 Euromoney Country Risk Survey, Singapore had the most stable political climate and lowest sovereign risk globally[2]. When it comes to starting an e-commerce business in Singapore, barriers to entry are low. To sell online in Singapore, businesses just need to register their entity with the Accounting and Corporate Regulatory Authority (ACRA)[2].

Regulations for E-commerce

Singapore has put in place e-commerce regulations to support the industry along with government initiatives to encourage e-commerce investments. In June 2020, Enterprise Singapore and the Singapore Standards Council rolled out a national standard for e-commerce transactions, called Technical Reference 76, to provide guidelines for online retailers and marketplaces[3].

1. International Monetary Fund. (2017). *Promoting Inclusive Growth.* https://www.imf.org/external/pubs/ft/ar/2017/eng/index.htm
2. J.P. Morgan. (2020) '2020 E-commerce Payments Trends Report: Singapore'. Accessed from: https://www.jpmorgan.com/merchant-services/insights/reports/singapore-2020
3. Aw, C. & Chia. C. (2020) 'Singapore launches national e-commerce standard'. Technology Law Dispatch. Accessed from: https://www.technologylawdispatch.com/2020/06/regulatory/singapore-launches-national-e-commerce-standard/

CONNECTING TO OPPORTUNITIES:

INTERNATIONALISATION OF THE RETAIL INDUSTRY

International outlook for the Retail Industry

Based on a report released in 2016 by Google and Temasek Holdings, Southeast Asia (SEA) 's digital market could be worth more than US$200 billion by 2025[1]. With 630 million people, a growing middle class and rising Internet penetration, the SEA market is considered to be the next gold rush for e-commerce.

Singapore and Malaysia generated one third of the total online retail sales in the region in 2020, even though they accounted for only 8% of the region's population[2]. According to The Consumer Barometer Survey 2014/15, Singaporeans were the most active group of buyers in the region, with two out of three people purchasing overseas products online once a year. They were followed by Thais and Malaysians, among whom nearly every second person bought something online from foreign countries[3].

1.Rohit Sipahimalani, Alap Bharadwaj, Jaideep Jhangiani, Danny Kim, Soumi Ramesh, 2016. e-conomy SEA: Unlocking the $200B Digital Opportunity. [online] Google. Available at: <https://www.thinkwithgoogle.com/intl/en-apac/future-of-marketing/digital-transformation/e-conomy-sea-unlocking-200b-digital-opportunity/> [Accessed 10 December 2021].
2. E-commerce in ASEAN: Seizing opportunities and navigating challenges https://www.edb.gov.sg/en/business-insights/insights/e-commerce-in-asean-seizing-opportunities-and-navigating-challenges.html
3. E-Commerce in ASEAN: Seizing Opportunities and Navigating Challenges. Economic Development Board, 5 July 2018, https://www.edb.gov.sg/en/business-insights/insights/e-commerce-in-asean-seizing-opportunities-and-navigating-challenges.html.

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Singapore Productivity Centre

Percentage of sales generated outside of Singapore

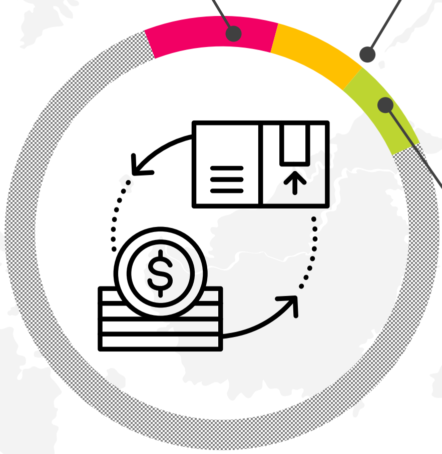
Amid growing trade tensions, businesses in Singapore continued to venture overseas. According to the Singapore Business Federation, 71% of businesses expanded overseas in 2018[1].

Our survey found that on average, 24% of retailers saw sales from overseas sources. Furniture and household retailers generated the most sales from outside of Singapore, compared to other retail sub-sectors.

10% of Retailers
Up to 10% overseas sales

7% of Retailers
More than 10% to 30% overseas sales

Proportion of sales from outside Singapore for the Retail Industry



7% of Retailers
More than 30% of overseas sales

76% of Retailers
No overseas sales

Percentage of overseas sales	Convenience Stores & Supermarkets*	Fashion & Sporting Goods	Furniture & Household	Health & Beauty*	Optical Goods*	Jewellery & Timepieces*	Consumer Electronics*
Up to 10%	0%	10%	10%	19%	0%	14%	14%
10% to 30%	12%	6%	10%	5%	0%	0%	7%
More than 30%	0%	8%	10%	10%	10%	0%	3%
None	88%	76%	70%	67%	90%	86%	76%

*Small sample size, read with caution

1. Singapore Business Federation. (2019) 'National Business Survey 2018/2019: Summary Report'. Accessed from: https://www.sbf.org.sg/images/2019/Research/SBF_NBS_2018-2019_Summary_Report.pdf

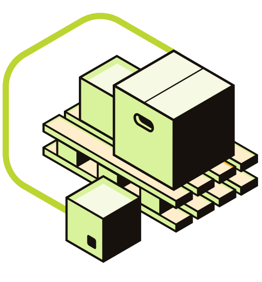
Internationalisation challenges for retailers in Singapore

Payment environment

According to a report by Supply Chain Asia in 2018, Cash on delivery (COD) was the preferred payment method across Southeast Asian countries due to concerns over the security and reliability of payment systems. The report added that in Indonesia, credit card penetration was less than 15%, and in some countries, COD was used for 50–70% of total orders shipped.[1] For Singapore retailers looking to expand to regional markets, access to payment infrastructure would be a major concern.

Customs and border administration

Singapore's customs and border administration is among the top in Southeast Asia (SEA) for clarity and consistency. But for most countries in the region, inconsistent rules and the lack of transparency with custom procedures persist.[1] Import procedures, taxes and duties vary across countries and different types of products. Hence, Singapore retailers must cope with different administrative and regulatory guidelines across the regional markets.



Foreign market access

In Indonesia, Philippines, Thailand and Vietnam, e-commerce is not well-regulated, and non-tariff barriers to trade exist for a broad range of products.[1] This makes it challenging for small international enterprises to sell their products and services in these markets. While our closest neighbour Malaysia has free trade agreements that allow foreign businesses to enter the market, there are still some hurdles to market access.[1] Singapore retailers must strengthen their market knowledge and awareness to succeed in their target markets abroad.

1. Supply Chain Asia (2018). 'Singapore: E-commerce - Gateway to ASEAN and Southwest Pacific'. Ahttps://www.edb.gov.sg/content/dam/edb-en/insights/innovation/e-commerce-in-asean-seizing-opportunities-and-navigating-challenges/Spore-ECommerceGateway.pdfccessed from:

DOLLARS AND CENTS:

TAKING STOCK OF THE COST OF OPERATIONS

Overview of the Retail industry

In 2017, the Retail industry provided more than 140,000 jobs and contributed to about 1.3% of Singapore's GDP.[1] The industry supports the growth of other sectors like tourism and contributes to the quality of life in Singapore.

But running a retail business in Singapore is no easy feat. A tight labour market means retailers struggle with manpower shortage. Local retailers also face rising operating costs and more intense competition from overseas businesses and online platforms.

As a result of these challenges, some international brands have either reduced their physical presence in Singapore or completely exited the market. Japanese brands such as department store Parco, lifestyle store Francfranc, skincare brand Fancl, and the casual-wear label Lowrys Farm have all pulled out of Singapore[2].

Considering this, it is crucial that retailers pivot their businesses to keep up with the changing consumer trends. One of the most prominent ways is digitalisation. Sporting goods chain Lululemon is a successful example as it launched MIRROR, a reflective mirror-screen hybrid that offers consumers a vast selection of customisable workouts from the comfort of their living rooms, providing an omnichannel experience[3].

The use of live streaming and popular influencers are also promising ways adopted by retailers to promote products and boost retail revenue[4].

1. Ministry of Trade and Industry Singapore. (2018) 'Speech by SMS Chee Hong Tat'. Accessed from: https://www.mti.gov.sg/Newsroom/Speeches/2018/10/Speech-by-SMS-Chee-at-the-Singapore-Management-University-Retail-Centre-of-Excellences-Asia-Retail-L.
2. Tang, S.K. (2015) 'Are global brands throwing in the towel in Singapore'. CNBC. Accessed from: https://www.cnbc.com/2015/01/27/global-retailers-face-challenge-in-singapore.html.
3. Drake, D. (2021, April 28). *The Power of 'Pivot or Perish' in Retail*. https://globalyouth.wharton.upenn.edu/articles/business/power-pivot-perish-retail/
4. Arora, A., Glaser, D., Kim, A., Kluge, P., Kohli, S., & Sak, N. (2021, July 21). *It's showtime! How live commerce is transforming the shopping experience.* Mckinsey Digital. https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/its-showtime-how-live-commerce-is-transforming-the-shopping-experience

Cost of operations across the Retail industry

Based on our study, the top three components of operational costs – cost of goods sold, labour, and rental – comprised about 66% of the total sales for retailers on average.

Cost of goods sold was a key cost factor, especially for convenience stores and supermarkets. Labour costs and rental, each accounted for 16% of total sales on average across the industry.

Operational costs as a percentage of total sales

Average percentage of costs as a proportion of total sales:

*Among participating Retailers

MANY HANDS AT WORK:

WORKFORCE PROFILE OF THE RETAIL INDUSTRY

Employee turnover rate in the Retail industry

High employee turnover is costly for businesses. It takes a lot of time and resources to train new employees to replace those who leave. High turnover also dampens the morale of the remaining employees[1].

High turnover is a chronic challenge for the Retail industry. It negatively impacts business operations by causing recurring changes in manpower scheduling and disrupting work distribution among staff.

To motivate, engage, and retain employees, retailers can implement these strategies:

Reward frontline retail staff
When employees perform well, they expect to be rewarded. If they do not receive rewards that are aligned with their efforts, they may look for other jobs where compensation commensurate with their contributions. Monetary incentives as well as non-monetary rewards can help retailers retain their talents.

Training as a pathway for growth
Both new and existing employees need training. Training equips new hires with the skills and knowledge to perform well in their jobs, while upskilling prepares current staff for new roles in the company. Through training, retailers can create opportunities for their employees to be promoted and motivate them to grow together with the company.

Encourage contribution and ownership
Employees feel a greater sense of ownership to the company if their ideas and opinions are heard and implemented by the management. Therefore, employers need to involve their staff in business decision-making and encourage the sharing of ideas to improve workforce morale, especially among millennial employees[1].

1. How to Revitalize Morale after a Period of High Staff Turnover. (2020, July 8). *Business.com*. Retrieved from: https://www.business.com/articles/stuart-hearn-how-to-revitalize-more-after-high-staff-turnover/

Yearly staff turnover rate across the Retail industry

Average Yearly Turnover:

- **81%** Up to 10%
- **15%** More than10% to 30%
- **4%** More than 30%

The Retail industry is labour-intensive and relies on employees to deliver products and services to customers. One of the biggest challenges for Singapore's Retail industry is high employee turnover.

Our study found that 81% of retailers reported an annual staff turnover rate of up to 10%, while almost 1 in 5 (19%) retailers reported an annual staff turnover rate of more than 10%. A small portion (4%) of retailers experienced an annual staff turnover rate of more than 30% in 2018.

Across the different sub-sectors of the Retail industry, retailers of furniture and household goods and retailers of consumer electronics saw the highest annual employee turnover rates on average, with more than 25% of retailers in these sub-sectors reporting an annual employee turnover rate of more than 10%.

While chronic employee turnover rates could discourage some retailers from investing in staff development, overlooking employees' needs can lead to greater loss in productivity.

Yearly staff turnover rate	Convenience Stores & Supermarkets*	Fashion & Sporting Goods	Furniture & Household	Health & Beauty*	Optical Goods*	Jewellery & Timepieces*	Consumer Electronics*
Up to 10%	94%	79%	73%	76%	80%	100%	72%
10% to 30%	-	16%	20%	24%	20%	-	21%
> 30%	6%	5%	6%	-	–	-	6%

*Small sample size, read with caution

Overview of the Retail industry workforce

In a customer-oriented industry like the Retail sector, businesses depend on human labour to keep operations running smoothly. Many people take up part-time roles in the Retail industry as such jobs offer more leisure time, better work-life balance, and easier transition to full-time roles.

For employers, a part-time workforce offers higher flexibility to meet seasonal demands, which helps keep employment costs low. During tough times, it may not be viable for businesses to maintain a large full-time workforce. A part-time workforce can help employers adapt to economic conditions and sustain their businesses.

As competition heats up in today's Retail landscape, the frontrunners in the race will be those who can adapt to shifting consumer behaviours and enhance productivity quickly. Retailers must recalibrate their strategy to ensure that their workforce is future-ready. They need to implement structured action plans to prepare for the future of the Retail industry, starting with job redesign.

A skilled and productive workforce will not only enable retailers to capture new growth, but also ensure the industry's vibrancy and sustainable development. Retailers must thus redesign jobs and invest in the upskilling of their workforce.

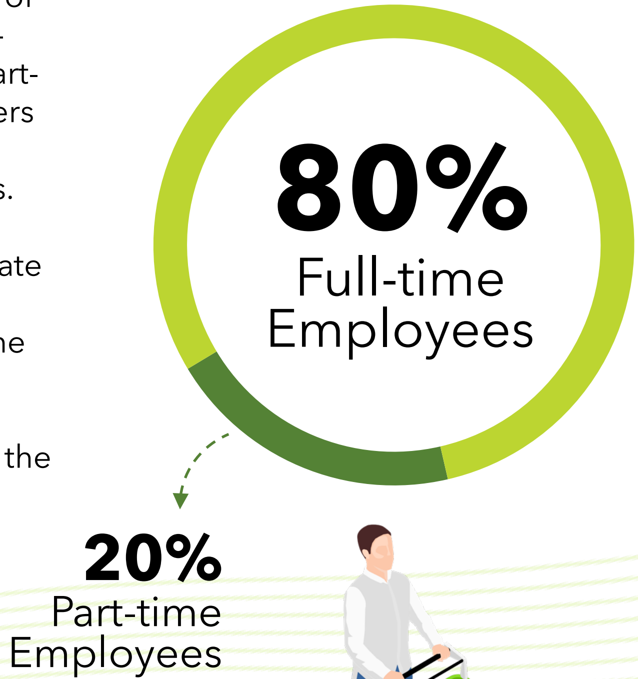
What is Job Redesign?

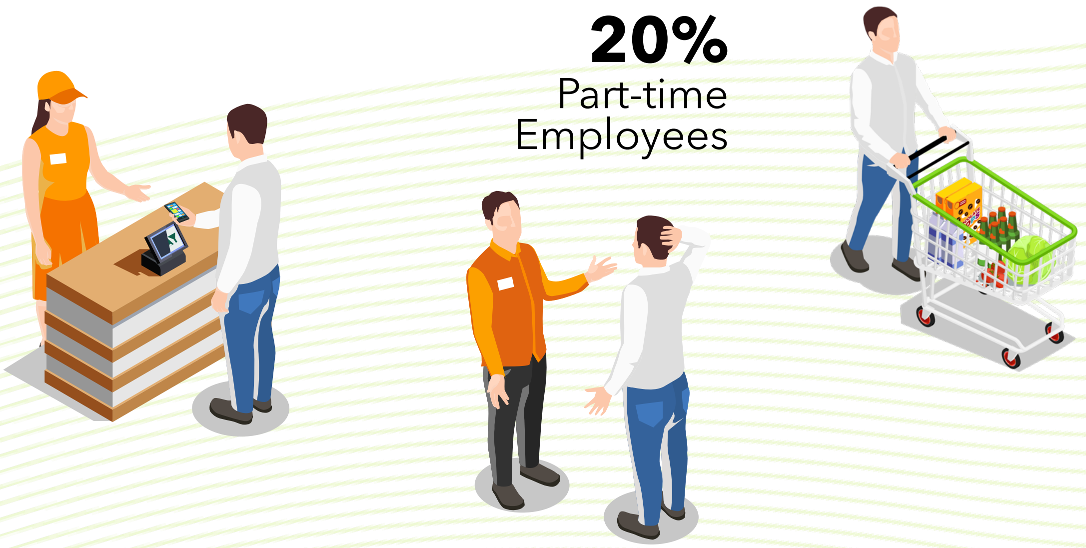
Job redesign has been around for a long time, and many people have experienced job redesign knowingly or unknowingly in their careers. In a job redesign process[1], the tasks assigned to job roles are realigned to ensure that work is:

1. Workforce Singapore. (2018) 'Retail Job Redesign Framework: Simplified Guide and Templates'. Accessed from: https://www.wsg.gov.sg/content/programmes-and-initiatives/manpower-lean-productivity/retail-job-redesign-framework_3-step-process_for-download.pdf.

Average proportion of full-time & part-time workforce

According to our survey, around 20% of workers in the Retail industry are part-time employees. The proportion of part-time workers was higher across retailers of fashion and sporting goods, and convenience stores and supermarkets. The Retail industry in Singapore depends heavily on manpower to create a customer-centric experience. Faced with chronic manpower constraints, the Retail industry needs to invest in innovation and redesign retail jobs to focus on tasks that add more value to the business.





Proportion of workers	Convenience Stores & Supermarkets*	Fashion & Sporting Goods	Furniture & Household	Health & Beauty*	Optical Goods	Jewellery & Timepieces*	Consumer Electronics*
Full-time	89%	80%	91%	91%	93%	92%	93%
Part-Time	11%	19%	9%	9%	7%	8%	7%

*Small sample size, read with caution

Changing workforce demographics

As Singapore's ageing population expands, it is projected that by 2030, 900,000 Singaporeans will be 65 years and older, representing a quarter of all Singaporeans[1].

By 2030, workers over 50 years old will be the fastest-growing group among the workforce[2]. The rise of an ageing workforce is also predicted to lead to a loss in workforce productivity.

The Retail industry must recognise the impact of elderly workers on productivity, while acknowledging their contribution to Retail establishments.

IMPACT OF AGEING WORKFORCE

Workers over the age of: **50**

Represent the **fastest growing** segment of Singapore's workforce[2]

This will likely increase costs and **reduce workforce productivity**

Productivity loss by way of sick leave in 2030 is estimated to be:

$3.3 billion SGD[2]

Proportion of older workers

Our survey found that in 2018, 18% of workers in the Retail industry were above the age of 50. Fashion and sporting goods retailers reported a higher proportion of workers over 50.

As the demographic shift continues, the Retail industry must redefine its manpower strategies. Retailers may wish to adopt a progressive approach to training elderly workers and implement age-appropriate practices at workplaces.

18% Employees aged above 50

Across Retail sector:

	Aged 50 & below	Aged above 50
Convenience Stores & Supermarkets*	83%	17%
Fashion & Sporting Goods	85%	14%
Furniture & Household	78%	22%
Health & Beauty*	81%	19%
Optical Goods	82%	18%
Jewellery & Timepieces*	69%	31%
Consumer Electronics*	89%	11%
Convenience Stores & Supermarkets*	77%	23%

*Small sample size, read with caution

1. Vaithianathan, R & Hoskins, S. (2017) 'Retirement Adequacy of Mature Workers in Singapore', *Research Collection School Of Economics*, pp.1-19.
2. Williams, A. (2017) 'Singapore productivity loss due to sick leave may hit $3.3b by 2030: Mercer study'. The Straits Times. Accessed from: https://www.straitstimes.com/business/economy/singapore-productivity-loss-due-to-sick-leave-may-hit-s33b-by-2030-mercer-study.

Average sales per employee

Average Annual Sales per Employee	
Industry Average	$349,649

Our survey found that in 2018, the average sales per retail employee was $349,649. The rise of new technological innovations have a tremendous impact on the industry. Hence, retailers must constantly stay ahead and be prepared to upgrade their business processes to meet the latest industry standards. They need to understand the preferences of different customer groups in order to offer solutions and service experiences that cater to each target segment.

Retailers can use digital technology to build a seamless online-to-offline customer experience. Digital solutions can also automate repetitive and tedious tasks, so staff can be redeployed to higher-value roles that support business transformation.

Retailers looking to improve productivity and optimise processes can also explore job redesign as an option. Job redesign helps retailers to build a more effective workforce and stay manpower-lean.

Retailers can implement job redesign to achieve various benefits:

- Adopt technology and redesign job roles to enhance productivity
- Equip employees with the right skills to deliver better shopping experiences for consumers
- Attract and retain talent through redesigned, and better job roles

GETTING PRACTICAL:

USAGE OF SPACE IN THE RETAIL INDUSTRY

Overview of the Retail industry

Today's consumers expect to buy almost everything with a few clicks of the mouse and pick up their purchases conveniently at the store or receive them hassle-free at home. They also expect their buying journeys to be personalised and unique to them.

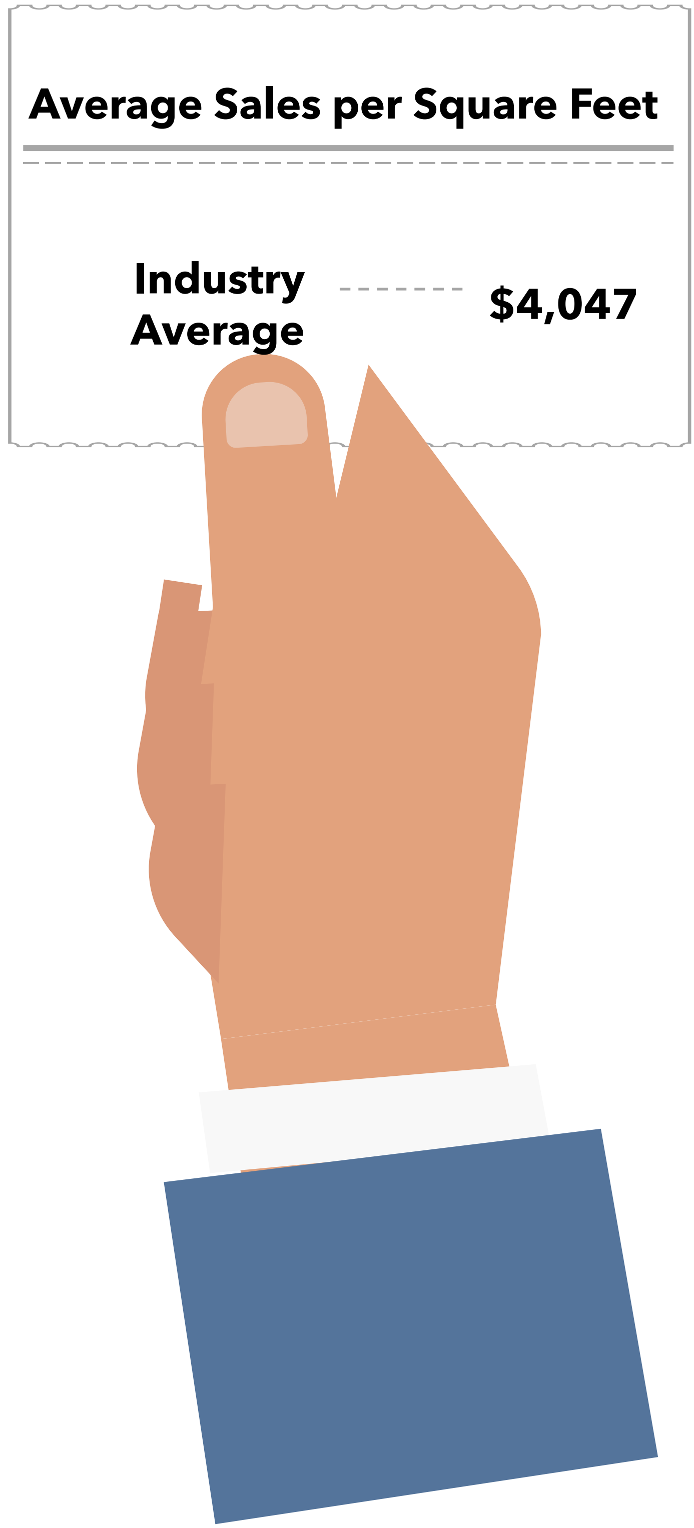
Indeed, consumers' shopping behaviours and expectations have been reshaped by technology. Just as consumers' preferences have changed, so should the Retail industry. To stay relevant, retailers need to embrace technology and offer an omnichannel shopping experience for consumers. To engage customers, improve operational efficiency, and grow profits, retailers must transform or risk going out of business.

Usage of space

Our study found that in 2018, the average sales per square feet across the Retail industry was $4,047. Consumer electronics retailers reported the highest average sales per square feet at $8,061 while convenience stores and supermarkets remained at the tail end with an average sales value of $930 per square feet.

Given that high rental and labour costs are chronic challenges faced by retailers, optimising the use of front- and back-of-house spaces will play a vital role in increasing margins.

Retailers should aim to become lifestyle and entertainment hubs. They can offer personalised interactions and seamless service experiences across retail channels to nurture customer loyalty. This can be achieved with the support of technology and digital retail spaces.

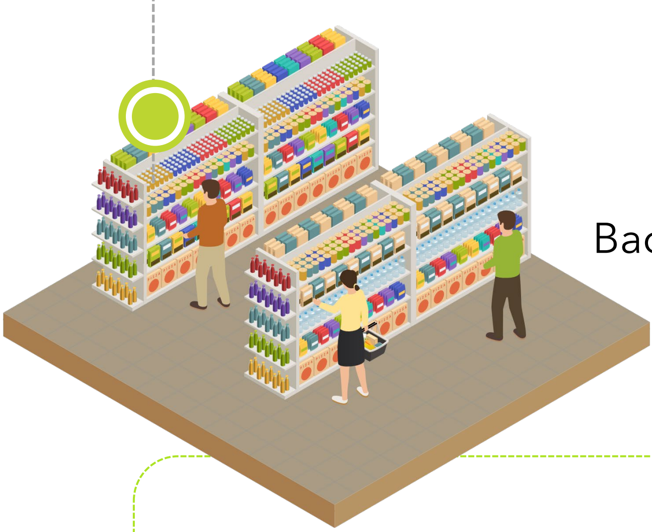


Space optimisation for Back-of-House

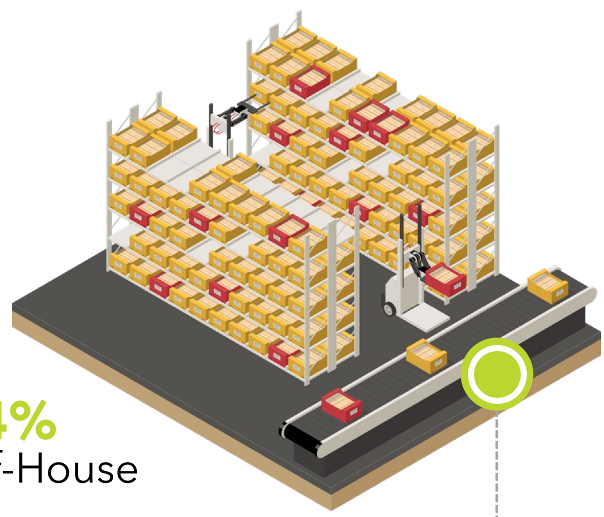
The Retail industry is going through a transitional phase, with greater emphasis on experiential shopping.

While customer engagement and glitzy front-of-house store displays are paramount, retailers must also optimise their back-of-house storage to resolve any systemic issues and adopt digital strategies to manage inventory.

Space distribution for Front-of-House (FOH) and Back-of-House (BOH)



66% Front-of-House



34% Back-of-House

	FOH	BOH
Convenience Stores & Supermarkets*	71%	29%
Fashion & Sporting Goods	67%	33%
Furniture & Household	65%	35%
Health & Beauty*	55%	45%
Optical Goods	77%	23%
Jewellery & Timepieces*	50%	50%
Consumer Electronics*	36%	64%

*Small sample size, read with caution

CONCLUSION:
THE WAY FORWARD

Sectoral changes in the Retail industry

In today's hyper-connected world, successful retailing is all about building differentiated customer experiences. Seamless integration between digital and physical touchpoints is key to providing shopping experiences that satisfy consumers' heightened expectations.

As retail technologies begin to proliferate and shape how consumers shop, retailers must learn to harness new technologies to stay ahead.

The Retail industry of the future is likely to be propelled by both physical tools and technologies, as well as advanced analytics. This enables retailers to meet changing consumer expectations while gearing up for the retail scene of the future.

The four emerging trends that retailers are most likely to adopt include:

Emerging retail trends

- **Experiential Retail**
- **Omnichannel Value Creation**
- **Automation & Technology**
- **Advanced Analytics**

BLA CK BOX

CONCLUSION:
THE WAY FORWARD

Workforce changes in the Retail industry

Our study found that the average value-add per employee for the Retail industry was $249,313 in 2018, higher than the national average of $150,021 for all industries in Singapore.[1] However, sub-sectors such as fashion and sporting retailers, and convenience stores and supermarkets had the lowest average value-add per employee in the industry.

Average Value-add per Employee

Industry Average **$249,313**

Retailers looking to boost their workforce competitiveness and productivity may refer to the Job Redesign Framework for Retail.

Employers can use the framework to review job roles and raise the productivity and efficiency of their workforce. Through job redesign, retailers can also make their companies and jobs more appealing to job seekers, while improving staff retention.

The Job Redesign Framework for Retail involves three phases :

1. **Diagnose** – identify problem areas and define the job redesign plan
2. **Redesign** – select job redesign solution and create implementation and communications plans
3. **Implement** – deploy solution and measure outcomes

1. Ministry of Trade and Industry Singapore. (2021). *Value Added Per Worker At Current Prices, By Industry (SSIC 2015 Version 2018), Annual.* https://data.gov.sg/dataset/value-added-per-worker-at-current-market-prices-by-industry-ssic-2015-annual?resource_id=70386e54-c54e-4595-ad05-f3f79ecbdada

Singapore Productivity Centre

The Singapore Productivity Centre (SGPC) is a one-stop competency and resource centre supported by Enterprise Singapore (formerly SPRING Singapore) and is a wholly owned subsidiary of Singapore Productivity Association (SGPA).

With a focus on the retail, food services and hotel sectors, SGPC's vision is to be the go-to experts for enterprise excellence, playing leading roles to guide small and medium-sized enterprises (SMEs) in creating a roadmap for growth.

SGPC provides a comprehensive range of services and programmes including in-depth productivity consultancy, workshops, study missions, benchmarking for best practices and industry insights.

Through its expertise and services, SGPC helps enterprises to be future-ready in and beyond Singapore by creating value through innovation, productivity improvement and capability building.

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