

## Retail segment poised for a better 2022

THE Malaysian retail market is gearing up to make the best of 2022, following two straight challenging years as businesses were hit hard by the Covid-19 pandemic.

At the virtual Malaysian Property Summit 2021 earlier this month, Sunway Malls and Theme Park chief executive officer HC Chan said that the local retail sector will be spurred by private consumption drivers such as continuing fiscal support and pent-up spending.

“Accumulated savings among the M40 and T20 groups, as well as potential job and income growth, are expected to spur the segment,” he says during a presentation.

Nevertheless, Chan also cautions that prolonged Covid-19 infection risks, persistent unemployment and household debt servicing issues could potentially derail a recovery of the local retail segment.

“Recovery will be fragmented. The food and beverage, leisure and entertainment sub-sectors will be limited by capacity issues.

“We also expect to see more purposeful shopping, in that there will be more buying than browsing. Sales will not be matched by footfall and traffic.”

In terms of recovery, Chan says that there will also be a widening gap between successful and average malls.

Following the country’s increase in vaccination rate and the easing of lockdown restrictions in some states, Zerin Properties, in a paper titled “The Next Normal in Retail Industry,” says retailers must be prepared as they welcome eager customers to their stores.

“The reopening of stores means retailers must rethink their assortment and channel strategy to match shifts in consumer preferences and behaviours.

“More importantly, they must implement appropriate health and safety protocols to protect staff and customers while Covid-19 is prevalent in the community.”

Zerin Properties says trends in the retail landscape will take time to normalise.

Among the key retail trends retailers will be embracing on the path of recovery include the acceleration of e-commerce, says Zerin Properties.

“The closure of physical stores due to lockdown and social distancing measures have led consumers to resort to online shopping, which in turn reinforced the e-commerce market growth in Malaysia.

**“According to the Statistics Department of Malaysia, income from e-commerce transactions recorded RM896.4bil in 2020, an increase of 32.7% compared to 2019 (RM675.4bil).”**

Zerin Properties adds that recorded e-commerce transactions in the first quarter of 2021 stood at RM254.6bil, which was a year-on-year increase of 30%.

“Consumer behaviour changes during the pandemic have resulted in retailers having to re-strategise their business models by incorporating online services to drive their business in the new normal.

“Customers will remain glued to the online platform for years to come and the acceleration of e-commerce will continue as retailers solve supply chain issues.”

For retailers, Zerin Properties says the economics of e-commerce remain challenging due to operations, infrastructure, shipping offerings and price competition.

“It is crucial for retailers to take a long-term view of e-commerce profitability and make investments to meet growing demand.”

Additionally, Zerin Properties says the digital shopping experience has shifted customer preferences and expectations.

“Along with easy access and convenience, consumers find that there is a wealth of product information, reviews and recommendations when purchasing online.

“Moving forward, to provide a truly omni-channel experience, brick-and-mortar stores will adopt elements of the online experience to the retail stores. This involves a couple of other trends such as artificial intelligence, robotics, virtual reality and augmented reality.”

Following months of lockdown, Zerin Properties says consumers may also feel less confident about visiting enclosed shopping malls again.

“Apart from the hassle-free shopping experience, today’s consumers demand a safe and clean environment while shopping.”

Zerin Properties says the key to getting them back into malls will be for retailers to invest in customer’s safety and health and to provide tools and applications that lead to a smoother shopping experience.

“While the national standard operating procedures such as wearing face masks and social distancing measures should be adhered to, consumer expectations would include scannable registration QR codes, hand-sanitising stations, checkout barriers and occupancy limits.

Zerin Properties says the future of shopping will be experience-driven.

“Consumers will likely be craving more social interaction. Shopping malls are a meeting place for the community and a multi-purpose destination that offers extensive leisure activities.

“A tenant mix of complementary uses allow customers to have an interactive experience. Shopping malls could provide short-term pop-ups, art exhibitions and community lounge spaces with meditative and calm environments.” Innovative opportunities

All in all, Zerin Properties says the pandemic will offer retailers an opportunity to become innovative.

“Though 2021 remains a challenging year for the retail industry, it allows opportunity to be innovative in exploring new business formats.

“Shopping mall owners and retailers could leverage this opportunity to build on their omni-channel strategies, incorporate experiential elements, embrace digitalisation and rethink the spatial design of their stores.”

It adds that newly-planned shopping malls will need to consider integration and connectivity, as well as a safe and healthy shopping environment for their visitors and occupiers.

“These initiatives will help the retail industry recover in the medium-to-long term to accommodate changing patterns of consumer behaviour in the retail landscape.”

Meanwhile, earlier this month, Retail Group Malaysia (RGM) announced its latest Malaysia Retail Industry Report that it was revising downwards its sales growth forecast for 2021 to 0.8% from 4% initially.

The association says this was mainly due to business disruptions caused by the various movement restrictions imposed this year.

RGM notes that retail businesses were hit hard by the numerous lockdowns that were implemented to curb the rise in Covid-19 cases.

“In June this year, RGM estimated a 4% growth rate in retail sales for 2021. However, this projection needed to be revised downwards again, taking into consideration the lower growth in the second quarter and estimates revision in the third quarter.”

RGM also notes that the enhanced movement control order (MCO) was enforced in large parts of Selangor and selected locations in Kuala Lumpur from July 3 until July 16.

“Businesses in the largest retail market of Malaysia were badly hit during this critical period.”

With the gradual opening of the economy, RGM expects the retail industry to gain momentum and recover by the end of the year.

“For the fourth quarter of 2021, RGM maintains its sales growth estimate of 12.7%, as compared to the same period a year ago.”

On the retail industry’s performance during the second quarter of this year, RGM says the sector recorded a growth rate of 3.4%, compared with the same period in 2020.

“The positive growth rate during the quarter was due solely to the low base effect a year ago. During the second quarter of 2020, Malaysia’s retail industry suffered a year-on-year decline of 30.9% because of business closures.

“Retail performances during the second quarter of this year had been affected by a series of lockdowns,” it says.

**RGM added that shopping traffic recovered when the MCO 2.0 ended in March 2021.**

Although Malaysia was under the conditional MCO during the first month of the second quarter, shopping malls in all major cities received large crowds on the first weekend after MCO 2.0 was lifted. The association adds that some tourist areas received good crowds during the weekends.

“After Covid-19 cases began surging, MCO 3.0 was imposed from May 3, 2021 and ended on May 31. During this period, the majority of retailers suffered from poor sales when Malaysian shoppers avoided enclosed places.

“Starting from June 1, the full MCO was imposed for a period of two weeks. During this time, non-essential retailers had been ordered to shut down. Malaysians nationwide were asked to stay at home.”

Subsequently, RGM points out that the National Recovery Plan was implemented from June 15, 2021.

“Non-essential retailers remained closed and Malaysian consumers were asked to stay at home.”

For the third quarter of 2021, RGM expects retail industry sales to plunge 15.1%.

<https://www.thestar.com.my/business/business-news/2021/11/06/retail-segment-poised-for-a-better-2022>