Retail on the cusp of recovery by year end, MRA conference speakers forecast

The retail industry in Malaysia is poised for a full recovery by end-2022 with steady quarterly growth, according to market bites shared at the Malaysia Retailers Association (MRA) Retail Forward conference on June 22.

To aid the recovery, the association urged the government to assist in, and review matters such as the minimum wage increase, unemployment rate, depreciating ringgit, inflation, higher cost of living and Goods and Services Tax.

MRA president Datuk Andrew Lim Tatt Keong said during the conference: "We urge the government to come up with better programmes, schemes [and stimulus packages], or even an outright grant to assist us in helping consumers [through this inflation] period."

Leading the way in redefining healthcare

The inclusion of technology in healthcare has become increasingly crucial, with advancements in patient care and medicine. As such, hospitals and healthcare providers carry the responsibility of introducing such innovations to better assist healthcare professionals and provide superior care to patients.

Retail Group Malaysia (RGM) managing director Tan Hai Hsin said the retail industry is expected to return to pre-pandemic growth levels. "We should expect a [good] recovery by the end of this year," said Tan, who is managing director of Henry Butcher Retail.

Encouraging results amid challenges
According to the latest quarterly data compiled by RGM and MRA, the retail market in FY2022 is expected to have an overall growth of 13.1% year on year (FY2021: 2.3% contraction).

Meanwhile, retail sub-sectors such as department store/supermarket and department store saw encouraging growth rates of 18.3% and 39.1% respectively in 1Q2022.

However, challenges abound. "One of them is the rising cost of living … Prices of [basic] necessities are increasing. This trend is expected to continue in the next few months. The rise in food prices has affected both the cost of cooking at home and dining out," said Tan.

"Fresh produce, meat, fish, dairy products, soy products, canned foods, cooking oils and so on, which are found in grocery stores, are more expensive now and at the same time, the majority of eateries have also increased their prices. For the first time in Malaysia, all food sub-groups tracked by the **Department of Statistics** witnessed a rise in prices. In addition, prices of consumer goods have also risen.

"Another challenge is the reduced purchasing power. Bank Negara Malaysia raised the overnight policy rate (OPR) by 25 basis points to 2% on May 11. This was the first rate hike since July 2020. Interest rate hikes will take place again in the near future. This will further erode the purchasing power of Malaysians."

Tan also highlighted the increased cost of operation. "Starting from May 1, the minimum wage increased from RM1,200 to RM1,500 across the country for companies that employ five or more staff. This has increased the cost of operation. Prices of consumer goods will increase due to this hike."

Other challenges that he listed are manpower shortages, the looming economic downturn and oversupply situation. "Prior to the outbreak of Covid-19, shopping centres in major cities and towns — including Kuala Lumpur, Selangor, Johor Baru, Nilai, Melaka and Kota Kinabalu — were facing poor occupancy rates due to oversupply and competition from hybrid retail centres. This situation will remain in the next two to three years."

Opportunities and outlook

There are several windows of opportunity in the retail market, and the prospects appear rather sanguine, according to Tan. "During the [Covid-19] crisis, certain sub-sectors have grown [faster] such as mini markets (for example, KK Super Mart, 99 Speedmart, Potboy Mart, Baloy); snack speciality stores (or snack mega stores) such as Don Don Donki and Mix.com.my; speciality food stores such as KK Fresh and iFruits Market; ready-to-eat convenience stores such as Mynews.com, CU and Family Mart; discount/fixed-price/value stores; and third-generation food trucks."

He also highlighted the growth and transformation of online businesses to physical stores with the opening of more outlets and service centres, giving examples like Pop Meals, ZUS Coffee and myTukar, as well as courier service providers such as Ninja Van, MBE and Parcelhub.

Tan added that there has been pandemic-specific growth, such as that of pandemic-related speciality stores; cloud kitchens (some for dine-in) such as My Virtual Foodhall, Cookhouse and Cloud Hawker; and delivery platforms that use stores as distribution points (also known as dark stores) such as PandaMart and GrabSupermarket. Meanwhile, international luxury brands such as Louis Vuitton, branded electronics stores, Insta-worthy cafés, third-generation modern kopitiams and fine-dining restaurants have also witnessed growth.

"New concepts, new brands … have been [introduced] into the market such as flagship stores and brand showcases, for example, Arabica, Five Guys, Jollibee and the Gordon Ramsay Bar & Grill," he continued.

The sustainable sub-sector has also gained popularity and includes second-hand and zero-waste stores; food and beverage (F&B) outlets that offer plant-based or vegetarian options such as Vegelab; and stores that recycle used items or recycling centres in shopping malls.

Tan said, "Despite the pandemic and closed borders in 2020 and 2021, Malaysia continues to attract foreign retailers through direct investment, licensing and franchising. The new supply of high-quality shopping malls in the Klang Valley in the last few years has encouraged foreign retailers to set up stores here." They include Yole, Dookki, Zhaoji Dessert, Matcha Eight, Wok Hey, The Coffee Academics, Nitori, -Nojima and Fat Daddy, he added.

In terms of future prospects, he said, "Since the relaxation of SOPs (standard operating procedures), Malaysian consumers have returned to shopping malls. In addition, they have been back to their favourite cafés and restaurants. They have been meeting friends and families at outdoor premises.

"Shopping centres will continue to attract crowds as long as they are able to offer a safe and convenient environment for shoppers. In order to remain relevant, shopping centres can no longer be just physical premises for selling goods and services."

Tan added that grocery stores have strengthened their position as critical anchor tenants in shopping centres, both large and small. "The trade and tenant mix have changed in response to the pandemic and will remain so in the near future. The retail layout and trade mix planning need to be modified to meet future crises, and the relationship with retail tenants needs to be closer, with new rental structures."

He opined that consolidation this year would likely be seen in mini-markets, low-priced large-format stores (especially RM2+ stores), courier delivery stores, beverage-focused F&B outlets (bubble tea, yogurt drink, coffee, tea), dessert-focused F&B outlets (cake, ice cream, French patisserie) and cafés focused on the dining environment rather than food.

Also likely to see consolidation are retail companies that use franchising, licensing and investment schemes and crowd-funding. "Why are [these sub-segments] expected to consolidate? Many of them expanded too fast — and there are too many of them — during the last three years. Now that Malaysians' shopping behaviour and patterns [have returned to that in pre-pandemic times], some of these operators are suffering from declining sales. Closures have already started," said Tan.

"Retail winners during this new normal are not trade-specific, but company-

specific. It is all about offering value-for-money goods and services that are trustworthy and convenient to buy in a safe environment. Winning retailers invest more in digital infrastructure (software, hardware and human resources) that allows consumers to buy goods and services in multiple formats with ease."

In the second half of the talk, the panellists sat down for a roundtable titled "Transformation & Creativity — Rethinking Strategies", moderated by PayHalal partnership and business development director Edwin Joseph Peter.

Sunway Malls and Theme Parks CEO HC Chan emphasised the importance of staying current and innovative during the pandemic. "Transformation and innovation are key to any business success. The past two years have prepared us to transform, to adapt and to be more agile in our business. An example would be our new addition of the Gordon Ramsay restaurant to attract the crowds.

"Working with big brands, obviously, is important, which in turn will bring footfall to the businesses," he continued.

"We have to think strategically in the coming years as the cost of doing business becomes higher. We have to relook at the operating hours, because it does help you to [control] your costs … If your operating costs can come down, that goes into your profit. "

ADA Asia head of marketing technology Chris Wiseman shared: "What we have seen through the pandemic is a shifting of consumer [behaviour] — they know what they want, they're expecting different ways to look at things, and they're demanding nowadays, and we've obviously built on that. A lot of these consumers are looking at a sort of personalised experience.

"The areas that we have been talking to a lot are in retail and property, and fast-moving consumer goods … building on your e-commerce site, the staff, mall, building and activation. It is not about reinventing the wheel; we have done a lot of the hard work during the pandemic, especially with digitisation."

He suggested the use of conversion rate optimisation. "As your conversion rates go up, you are getting more efficiency from every dollar you're spending in-store and online, followed by retaining those customers."

Aeon Co. (M) Bhd CEO Shafie Shamsuddin relayed his experience with the challenges in retail. "The question would be, how do we acknowledge who we are before we transform ourselves? In Aeon, we want to transform ourselves into not just a retailer, not just a mall, but rather an ecosystem.

"How do we offer the services or a segment of the varieties of merchandise that we have? As a retailer, we [are focused] more on general merchandising. We are used to offering our assignments based on supply. We even have consultants insisting that these are the categories that we need to focus on," he shared.

"We had to change the structure; and while working from the bottom up, obviously it's not easy. We need to give space for human capital to develop the understanding of wanting to make this transformation. We are sharing, collaborating and learning together.

"The volatility and uncertainty [of the retail market] will persist, so the solution is to equip and [empower] our workforce with the necessary capabilities," Shafie stressed.

https://www.theedgemarkets.com/article/retail-cusp-recovery-year-end-mra-conference-speakers-forecast