Knight Frank

Retailers' Sentiment Survey 2021

Unpacking the new retail order

Knight Frank Singapore 2021

What is the next normal for Retail?

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This report is issued in August 2021.

Time for a new **retail playbook**

Paving a recovery journey in uncharted waters

by **LYNETTE KHOO**
Deputy Director, Consultancy

The tale of two halves is a story being spun for retailers' sentiment this year. Just when things were starting to look up as Singapore slowly loosened its grip on safe management measures earlier this year, spikes in coronavirus cases and emergence of new clusters have prompted fresh rounds of tightened restrictions since May, dampening hopes of recovery for some.

Local business conditions have become highly susceptible to how well Singapore keeps Covid-19 cases under control. The second installation of Knight Frank Singapore Retailers' Sentiment Survey completed by retailers from the last week of June to July points to a deterioration in business outlook. The survey took place after one month of Phase 2 (Heightened Alert) that saw a prohibition on dining in and stricter occupancy limits for malls, attractions and events. Business sentiments have headed further south with the tightened measures from July 22. While the partial lifting of restrictions from August 10 came as a welcome relief and marks a return to the long journey of reopening the economy, it will take a while for sentiments to recover.

This is clearly a setback for retailers who were mostly expecting brighter days ahead at the start of this year. Among those who expressed an interest to seek new physical retail space in Singapore in 2021 during our February-March survey, close to half of them are now either putting these plans on the backburner or canning them altogether in our June-July survey.

Even before the Covid-19 pandemic, retailers and F&B operators have long been burdened by thinning profit margins as they wrestle with rental costs, manpower shortage and challenge from e-commerce. In the short run, the need to reduce cash burn and inefficiencies, optimise costs, and ensure the health and safety of their patrons takes priority for retail players as they grapple with Covid-19 restrictions and business uncertainties.

Beyond the immediate exigencies, however, retailers must embark on long-term strategies to retain customers and grow their business in a digital world where online purchases will settle at a new norm and customers' pathway to purchase gets increasingly fragmented. Consumers have formed enduring online shopping habits and much of this digital shift will stick. Forward-thinking retailers are already leveraging data to predict customers' behaviour and spending power, enhance communication, provide targeted promotions and improve sales.

In many respects, the pandemic has rapidly accelerated and compressed years of retail disruption into a matter of months. The digital leapfrog by businesses has also been supported by government grants. But how each retailer chooses to calibrate its operating format and business model from here will take on varied forms. Our interviews and conversations with various retail players offer a glimpse on how each of them is steering through the unknowns, pivoting their businesses towards areas of higher growth.

Clearly, this is no walk in the park. Restaurants that stood out for their dine-in experiences may not be able to fully replicate the same penetration rate with online food delivery. Commercial schools whose lifeline depends on parents – many of whom are highly sceptical of online learning for the youths – will have to pivot back to physical lessons once it is safe to do so while navigating a hybrid model of physical and online learning in the interim. Fashion retailers will have to continually keep up with the ever-changing expectations of consumers through the right assortment mix, responsive supply chain management, and seamlessly engage customers in their fragmented purchase journey through multi-channel capabilities. Even those retailers whose physical store concepts remain their mainstay for sales will have to adopt a digital mindset in how their in-store experiences can be enhanced and differentiated.

> **Beyond the immediate exigencies, however, retailers must embark on long-term strategies to retain customers and grow their business in a digital world where online purchases will settle at a new norm and customers' pathway to purchase gets increasingly fragmented.**

Notwithstanding such trying times, budding entrepreneurs are still seeing growth opportunities in retail trade and F&B service activities, with close to 12,200 such new businesses being formed last year, up from 8,800 in 2019. Over the same period, the number of retail and F&B businesses that closed in 2020 was around 6,700, down from 7,500 in 2019. The net increase in market players poses heightened competition with the incumbents at a time when they are just starting to rewrite their retail playbook.

In the interim, the waitlist to take up space at the malls have shortened as retailers adopt a wait-and-see approach. Landlords will have to work harder to attract new tenants while keeping their malls fresh and relevant to the patrons they serve. Those that are able to support retailers' omni-channel strategies, allow flexibility and demonstrate fairness in their rental structures will build a more sustainable and lasting relationship with their tenants.

As businesses hunker down for a prolonged period of uncertainties and ongoing structural changes gain traction, retailers and landlords will need to look beyond past strains, strengthen their symbiotic undertakings and create win-win solutions for all.

Retailers in two camps on expansion plans as outlook swings

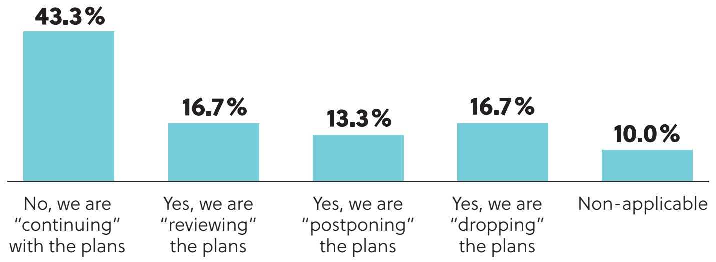
Business sentiments were about to turn the corner for retailers and F&B operators this year, spurring plans for expansion of physical stores, until fresh rounds of tightening in safe management measures since May threw a spanner in the works. During this prolonged journey to recovery, retailers and F&B operators are in two camps over whether to proceed with expanding their real estate footprint.

The second installation of the Retailers' Sentiment Survey by Knight Frank Singapore showed that for 43.3 per cent of the respondents, Singapore's return to stringent control measures under "Heightened Alert" from May onwards have not derailed their plans to seek new physical retail space in Singapore in 2021. The other 46.7 per cent of respondents, however, are either reviewing, postponing or dropping such plans altogether for this year. The remaining 10 per cent of respondents did not have such expansion plans to begin with.

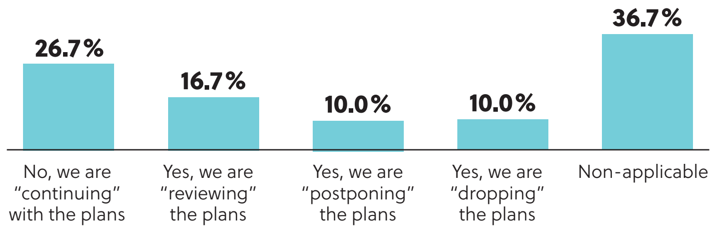
Similarly, 26.7 per cent of the respondents are proceeding with their expansion plans in overseas markets this year, while 36.7 per cent are either reviewing, postponing or dropping their plans. The balance 36.7 per cent of respondents either have no such expansion plans to begin with or are not in overseas markets yet. Among those who have planned to improve in-store experiences or launch in-store advertising and promotions this year, 36.7 per cent are still going ahead as planned; the majority (56.6 per cent) are either reviewing, postponing or dropping their plans.

To do or not to do

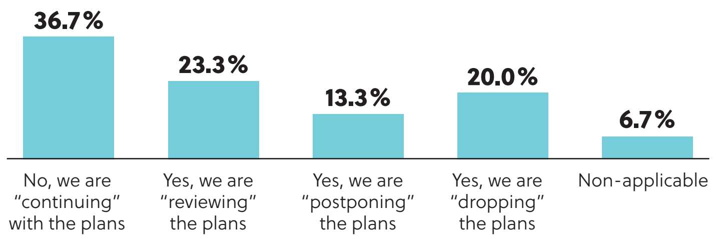
If you have had plans to seek new physical retail space *in Singapore* in 2021, has the past month of Heightened Alert changed your plans?



If you have had plans to seek new physical retail space *in overseas markets* in 2021, has the past month of Heightened Alert changed your plans?



If you have had plans to improve in-store experiences or launch in-store advertising and promotions in 2021, has the past month of Heightened Alert changed your plans?



These findings are derived from a survey on retailers and F&B operators between late June to July, following Phase 2 (Heightened Alert) that took place from May 16 to June 13, during which new measures such as prohibition on dining in and lower caps on capacity limits in malls, attractions, events and social gatherings were imposed. The first installation of the Retailers' Sentiment Survey 2021 was conducted from February to March, with 100 respondents. The turn in business conditions arising from new spikes in coronavirus cases prompted the follow-up survey from late June to July on the same pool of respondents, of whom 30 responded.

Prior to two rounds of restrictions tightening from May 16 till June 13 and from July 22 till August 9, Singapore was gradually re-opening from a lockdown situation under its so-called "Circuit Breaker" period from April 7 last year to June 1, 2020. In the second half of last year, malls – especially those in suburban neighbourhoods – saw a return of shopper traffic, with those owned by publicly listed Real Estate Investment Trusts (Reits) here reporting a recovery in footfall to about 70-90 per cent of pre-Covid levels.

Some 40.2 per cent of the respondents in the February-March survey had expressed interest to expand their physical retail footprint in Singapore, with another 7.5 per cent saying that they were looking at relocation. The disappointing turn of events with the emergence of new Covid-19 clusters since May has caused some of these retailers to hesitate or change tack in a bid to conserve their resources while others remain unfazed. Among the unperturbed is male apparel brand Benjamin Barker, which has launched a brand-new flagship lifestyle store in Ngee Ann City in August and is in the midst of negotiating with a potential new franchisee for a South-east Asian country with the aim of opening new stores in that country by the end of this year.

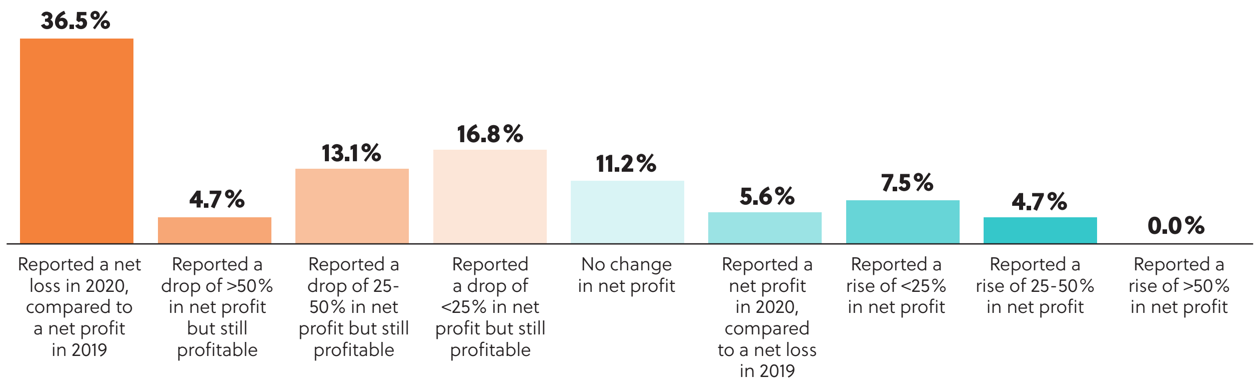
The re-introduction of tightened measures since May still marked an evident downward shift in business sentiment among retail players. The sudden spikes in Covid-19 cases, the ban on dining in, new constraints on group sizes and occupancy limits in malls triggered another dive in shopper footfall. Restaurants and other food eateries in malls immediately become

Pendulum swing in outlook

Retailers who were profitable in 2020 (Survey conducted from February to March)	Retailers who were expecting to be profitable in 2021 (Survey conducted from February to March)	Retailers who are expecting to be profitable in 2021 (Survey conducted from June to July)
58.9%	85.4%	76.7%

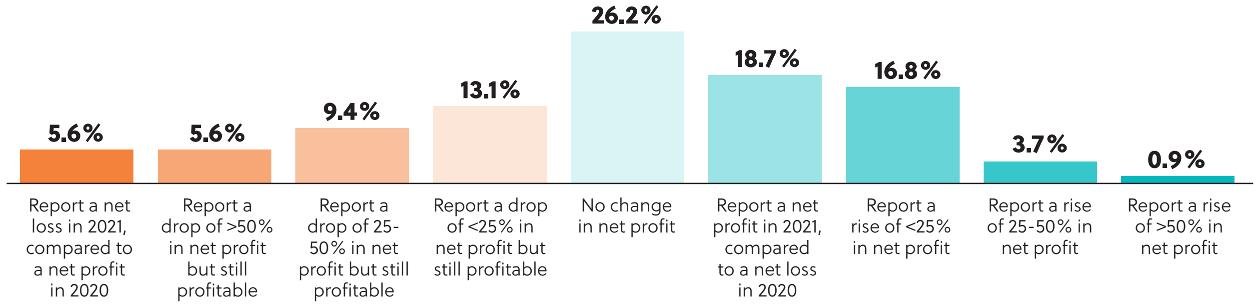
2020 performance reported in first survey from February to March

How has your business profits changed in 2020 compared to 2019?



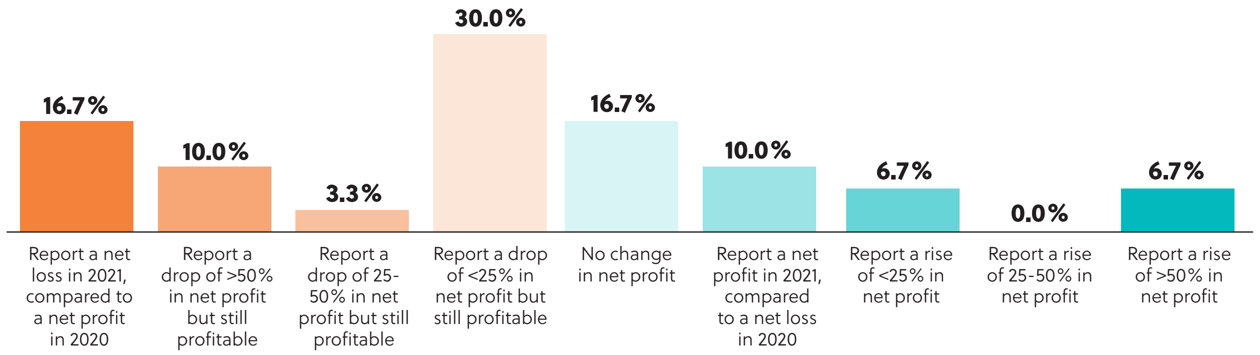
Profitability outlook improved from February to March (first survey)

How would you expect your business profits to change in 2021 compared to 2020?



Profitability outlook soured from June to July (second survey)

How would you expect your business profits to change in 2021 compared to 2020?



"dark kitchens" as they can only cater for takeaways and deliveries - until the lifting of dine-in ban from August 10.

Half of the respondents who took part in both surveys report a deterioration in profitability outlook for 2021 compared to their earlier projections in the first survey. In other words, they are either expecting a smaller increase in net profit than earlier projected, a larger drop in net profit than previously forecast, or a fall in net profit instead of having no change in profit. The proportion of respondents who expect to remain in the black for 2021 has fallen from 85.4 per cent in February-March survey to 76.7 per cent in the June-July survey.

Suburban locations shine but cost remains a priority

Locally, suburban locations are the preferred places for expansion or relocation given the prolonged period of work-from-home arrangements. North-east and North regions were cited as top choices among suburban locations for retailers' next outlets in the February-March survey.

The top reasons for expansion or relocation of physical stores were broadening of customer base, being located in areas enjoying larger residential catchment and higher footfall or being in an established mall with more proactive initiatives to draw footfall. Cost considerations also weighed on their decisions, as a significant proportion of respondents also cited lower rents or incentives from landlords as the top selection criteria for their next retail outlet.

The top reasons driving retailers' decision to consolidate, downsize or repurpose their retail outlets were reducing operating costs (66 per cent), lack of manpower, and a decline in customers since the onset of Covid-19.

Digital tools and in-store experience as inseparable bedfellows

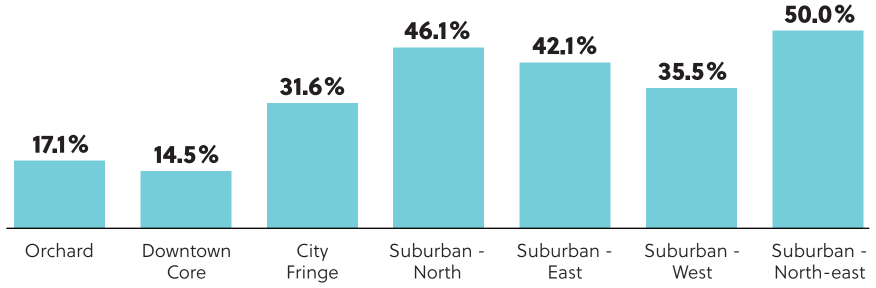
Reflecting the need to pivot to online sales during periods of tightened restrictions, one in every five respondents in the June-July survey had 100 per cent of their sales derived from online platforms during the one-month period of Phase 2 (Heightened Alert). On average, online sales made up 34.5 per cent of total sales for respondents during that month, up from 11.6 per cent pre-Covid. They are expecting that online sales will settle at a new equilibrium level of 20 per cent on average when all safe management measures are lifted in the "new normal".

With much of online shopping habits likely to stick in the post-Covid world, retailers are cognisant that they can no longer keep their customer strategies anchored only in brick-and-mortar stores. Their increased use of digital tools has been a natural response to the fragmented customer journey.

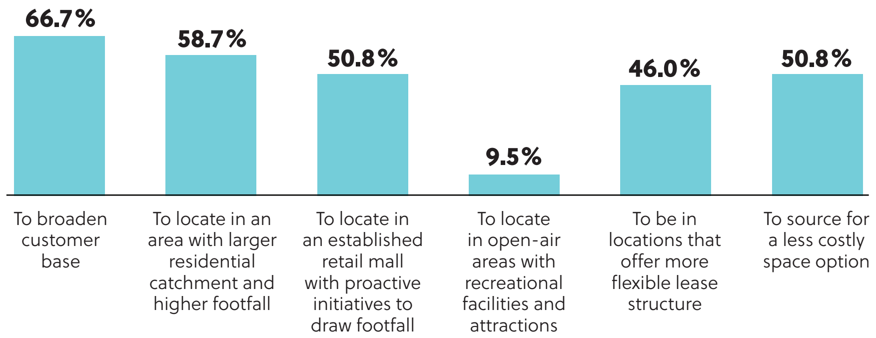
Since the pandemic set in, the majority of retailers have increased their efforts in digital advertising and promotions and leveraging on e-commerce. However, they are not letting up on their efforts to enhance the in-store experience too in what is seen as an increasingly interwoven consumer journey.

Omni-channelling has long been a buzzword for the retail industry as consumers today go through a variety of touchpoints before making a purchase. The global pandemic has only elevated consumers' use of both on- and offline channels in tandem. On that note, a majority of retailers have integrated their online and offline purchase platforms, with 60.8 per cent of respondents saying that they are able to make use of data analytics from their online and offline channels to improve sales. About 45.8 per cent of the respondents also shared that they are able to provide customers with an integrated experience across in-store and online channels.

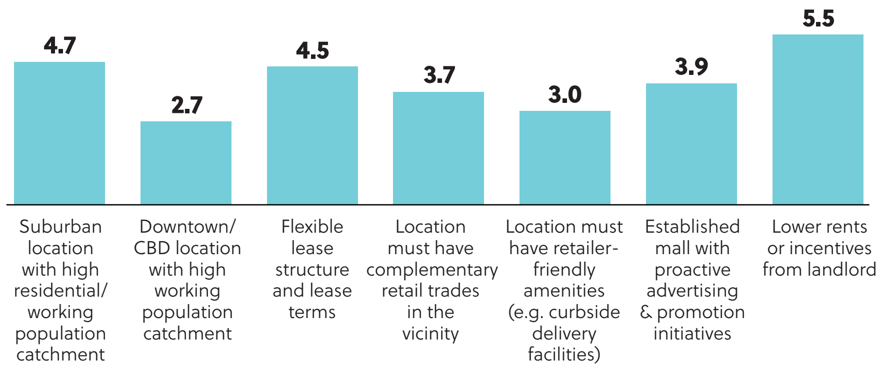
Which location(s) are you looking at for your next outlet? Check all that apply.



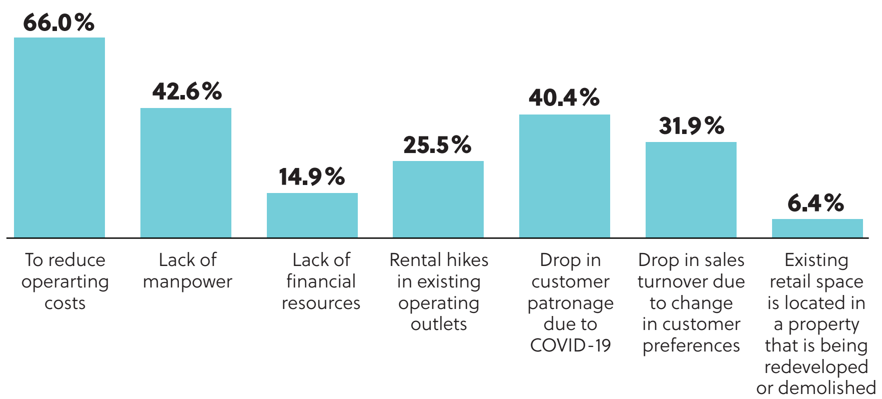
If your answer is expansion or relocation of retail outlet(s) in Singapore, what is your reason? Check all that apply.



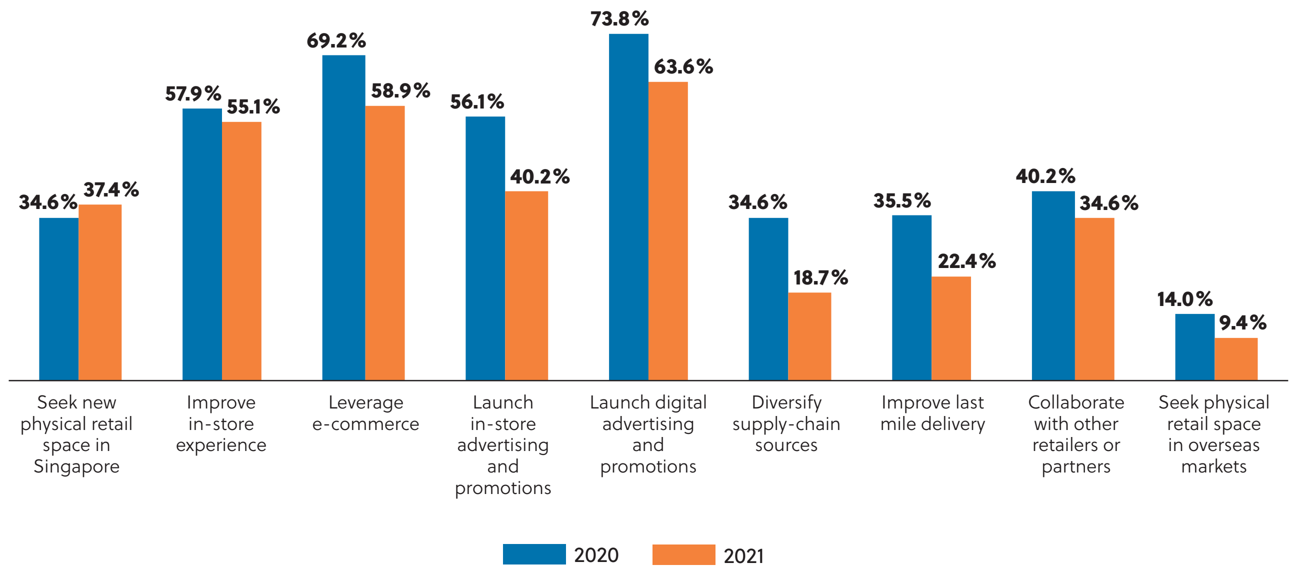
Rank in order of priority, your selection criteria for your next retail outlet(s).
(Weighted score of 1 to 7, with higher order of priority translating to higher score)



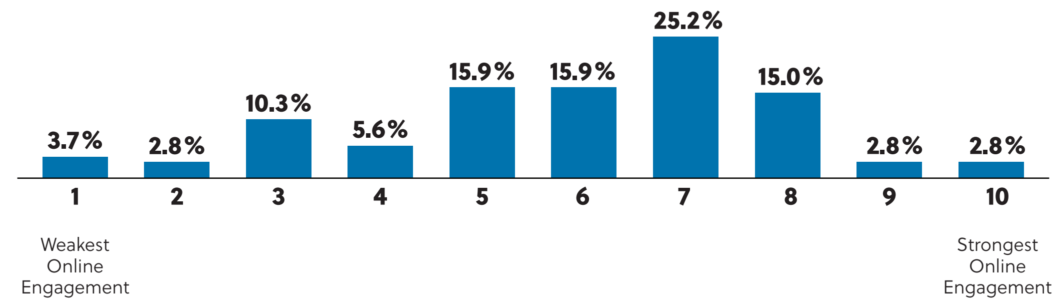
If your answer is consolidation, downsizing or repurposing of retail outlets in Singapore, what is your reason?



What will you do more to stimulate business growth in 2021? Check all that apply.



How strong would you rate yourself when it comes to engaging customers online? (No. of respondents)



Above: *Restaurants have immediately become "dark kitchens" during Phase 2 (Heightened Alert) when the ban on dine-in set in.*

Since the pandemic set in, the majority of retailers have increased their efforts in digital advertising and promotions and leveraging on e-commerce.

The most commonly used digital tools among respondents to engage customers are social media, website, emails and mobile messaging. However, there remains some 33.6 per cent of retailers who have yet to establish an online sales platform based on the February-March survey.

Retailers generally view themselves favourably when it comes to engaging their customers online. More than half of the respondents in the February-March survey rated themselves as being above-average (Score of 6 to 10) in their ability to do so.

Government grants to the rescue but simplicity is needed

To the government's credit, much of the digital leapfrog during the Covid-19 pandemic has been facilitated and supported by various public grants. To alleviate costs relating to digitalising their operations, some retailers have applied and benefited from the relevant government initiatives. About 42.1 per cent of the respondents said in the February-March survey that they have applied and benefitted from at least one of the government grants for digitalisation, with most respondents benefitting from the E-commerce Booster Package[1], Digital Resilience Bonus[2] and SMEs Go Digital Programme[3].

Beyond grants related to digitalisation, a larger 68.2 per cent of respondents gained from at least one of the government support measures to help SMEs and retailers tide through the Covid-19 pandemic, with most benefitting from the Enhanced Jobs Support Scheme, rental relief schemes and Enhanced Wage Credit Scheme and Waiver of Foreign Worker Levy. A total of 75.7 per cent of all respondents in the February-March survey benefitted from at least one government support measure or grant.

Despite the apparent success of these government initiatives, many retailers still find themselves in need of help when it comes to understanding the types of schemes available to them. One Singapore-based regional retail player noted that there are "too many government agencies, too many people who create many diverse support schemes which are absolutely confusing and not user-friendly to digest, not to mention to apply". Among suggestions given by the respondents to minimise the confusion is to consolidate similar schemes into one or two major schemes and do away with the "micro-specific ones".

On which additional services would be useful to their business, a majority of retailers opted for government grant advisory (65.7 per cent); followed by digital marketing advisory and tools (58.8 per cent); and advisory and tools to improve current digital platforms and applications, and leverage data analytics (48 per cent).

What additional services would be useful to your business going forward? Check all that apply

[1] The E-commerce Booster Package enables eligible local retailers to receive support to defray costs when they sell their products online. Retailers can receive a one-time 80% support on qualifying costs for the service fees charged by the appointed platforms, capped at S$8,000. This Package is now extended till 16 November 2021.

[2] The Digital Resilience Bonus (DRB) aims to uplift digital capabilities in the Food Services and Retail sectors. It provides payouts of up to S$10,000 to help businesses digitalise with PayNow Corporate, e-invoicing, e-commerce solutions, data mining and analytics. The DRB has concluded on 30 June 2021.

[3] SMEs Go Digital Programme, launched in April 2017, aims to make going digital simple for SMEs by providing a list of pre-approved solutions assessed to be market-proven, cost-effective and supported by reliable vendors. Government grants are available to defray the costs of adopting these solutions.

About the surveys

The Retailers' Sentiment Survey by Knight Frank was conducted on 100 respondents from February to March this year. F&B operators made up one-quarter of the respondents, followed by beauty and hair service providers at 18.7 per cent. Fashion apparel, bags and footwear retailers accounted for 12.2 per cent, while education and enrichment schools made up 11.2 per cent. Other trade categories accounted for the remaining 32.7 per cent of the respondents. A second survey was undertaken on the same pool of respondents from late June to July to track changes in sentiment following a return to Phase 2 (Heightened Alert) from May 16 to June 13 and 30 of them responded.

BENJAMIN BARKER spruces up for new WFH attire needs

by **LYNETTE KHOO**
Deputy Director, Consultancy

Consumers are trading style and formality for comfort as work-from-home remains the default mode of working, changing the way people dress for work. Apparel brands have to adapt to this new normal as wear-to-work fashion gets upended. In response to growing demand for more comfortable wear, Benjamin Barker has rolled out a new line of casual home-wear catering to male customers working from home.

The Benjamin Barker Group's chief operating officer Damien Tan, who oversees the daily operations and sales growth of the retail and F&B entities under the group, notes that there has been a shift in demand from formal wear to casual and comfort wear.

"In terms of our product mix, we've identified and anticipated that there will be a drop in demand for formal wear, so we've undertaken our research and developed an expanded range of casual wear activewear, home wear and inner wear," he says. "We have designed and produced an entirely new category (casual/home wear) to cater for our customers who work from home."

By the third quarter this year, customers can expect a new range of "technical active wear" at Benjamin Barker stores, on top of sustainable inner wear and loungewear.

"Going beyond what we put on our bodies, we are diving deeper into the fabrics at home. Our strengths lie in having direct access to the best mills in the world coupled with years of R&D on experimenting with fabrics and listening to our customers," Mr Tan says. "Imagine waking up in the softest Benjamin Barker bed sheets, towelling in a plush Benjamin Barker towel and getting dressed in Benjamin Barker's sartorial styling of technically advanced attires that brings them from a date to a golf session in the sun."

Benjamin Barker, which was started by Singaporean Nelson Yap who lived in Australia, specialises in modern menswear with sartorial sensibilities. It now has 13 stores in Singapore, including its latest outlet in Takashimaya that has opened in August, as well as stores in Australia, Malaysia and Cambodia. It is still keen to expand its physical presence in South-east Asia, with Vietnam being the new market where it hopes to open two new stores by the end of this year.

Though the retail fashion industry is among the hardest-hit sectors amid dwindling shoppers' footfall, reduced demand for new garments, and more consumers turning to e-commerce, Mr Tan explains why things are looking up for Benjamin Barker.

1. How has Covid-19 and the WFH phenomenon impacted your sales performance?

Demand for our apparels was good before Covid-19 hit and 2019 was our best year ever. Now, the Heightened Alert has affected almost every business except the supermarkets. Sales have dropped significantly during the Circuit Breaker period from pre-Circuit Breaker. Prior to Heightened Alert, we were recovering though sales revenue was not as good as the pre-Covid level. It took about three to six months for sales to pick up again. But sales have dropped to the Circuit Breaker levels again during the Heightened Alert. Our first-quarter results were positive, but with Heightened Alert, the second quarter was challenging. Hopefully, we will pick up in the third and fourth quarters. Throughout this time, we have not let go any of our staff and have managed to retain everyone.

The majority of our products were shirts and suits but with WFH, we are wearing more polo tees or casual jackets that are lightweight and comfortable. That is the trend that we are seeing. We have seen a shift among male customers from being more formal to more casual. By end of the year, we will have more complementary products like socks, inner wear, and other more "basics".

In terms of our clientele, some 20 per cent of our customers are tourists and business travellers. This group is probably not coming back in the next two years. So, we have to make up for this 20 per cent shortfall. Our strategy in the next few years is to reach out to local customers and introduce them to our stores.

2. How have you pivoted your retail business amid changes to consumer preferences and challenge from e-commerce? How have these initiatives helped to mitigate the sales decline?
We are multi-channel or omni-channel to meet the needs of our customers and be present where they want us to be – whether it is the physical or the online store.

During the Circuit Breaker, we had to move our frontline team to assist the e-commerce team as online was the only way of transacting for our customers, so we marketed the online store aggressively to drive our customers to make their purchases. But online sales still make up a single-digit percentage share of our revenue. It seems to be the same for other apparel retailers – in that their online sales are not enough to cover their expenses. In another lockdown situation during which we were to redeploy all our staff to the online business, we would not be able to recover all our overhead costs.

The online business for apparels is a very challenging space to be in because there is so much competition. And if you look at it closely, online sales are not generating sufficient revenue to make up for the brick and mortar sales. That is why many e-commerce players like Amazon eventually set up their own stores. Amazon started out as e-commerce player but they eventually needed physical stores to expand and grow their shopper base. There is a limit to online growth.

While many of our customers moved online to buy products during the Circuit Breaker, many flocked back to the stores after the lockdown. Due to the nature of our products and price point, our customers prefer to shop in-store rather than online. At the end of the day, male shoppers still prefer to buy in-store because they can try on the clothes and avoid the hassle of returning clothes that they buy online. The psyche of male shoppers is different from female shoppers. They tend to buy in bulk for six months to one year rather than piecemeal. We want things to be easy and convenient for male shoppers.

3. How are you looking to grow this year locally and overseas?
While sales and revenues are down, the pandemic has accelerated many of the plans we have for the future. Our product range has expanded from formal menswear to home wear and homeware. Every new product we introduce are with our customers in mind – what do men need and how can they have easy access to our products. Most men prefer to try on shirts and suits in our physical stores for sizing before purchase, but they will definitely be more open to buying casual tees and home essentials online, even without stepping into our stores.

With the new range of lifestyle products that we are releasing this year, we hope to be able to reach out to a wider customer base, not just in Singapore, but all over the world through our online store. In Singapore, we have launched a brand new flagship lifestyle store in Ngee Ann City in August this year.

At the same time, we are also venturing overseas. In the third and fourth quarters, we will open new stores in South-east Asian countries through our franchisees. We are currently in Cambodia and Malaysia within South-east Asia. Our targets would be markets of high growth potential and high-income spending. Our Cambodia business is doing very well with two stores and the group is considering opening a third one. The Malaysian market is, however, facing a challenging time.

Covid-19 put a halt to our plans to enter Indonesia last year. We are now looking at Thailand and Vietnam, with the hope of opening two stores in either of these markets by the end of this year.

4. Which of the government support measures have you found to be the most beneficial, and why?
The two-month rental rebate that the government supported, and the two-month rental rebate matched by the landlords were beneficial to us as it helped us to tide through the three months when our physical stores were closed.

The Jobs Support Scheme (JSS) was extremely beneficial too as we managed to keep all our people on board last year. We can't expect the government to keep supporting us as we are after all a business, but the landlords could do more to share the burden.

5. Do you find landlords improving in terms of tenant engagement and seeking an effective partnership with tenants? Why or why not?
Many landlords are not sharing the burden but are taking a wait-and-see approach unless there are mandatory requirements from the government. For instance, there is no mandatory obligation for landlords to help us during the Heightened Alert phase from May 16 to June 13, unlike during the Circuit Breaker.

We have four leases up for renewal this year and each time the renewal numbers come back, we are seeing a 10-15 per cent increase in rental on a per square foot basis if we were to continue with the lease. But our sales in the stores are not growing by the same percentage increase, so this is something that beats me.

6. In your view, are the terms spelt out under the Fair Tenancy Framework sufficient to level the playing field between landlords and tenants? What is lacking and should be addressed further?
I believe the Code of Conduct for Leasing of Retail Premises (CoC) in Singapore is a good step forward and I hope all the landlords in Singapore will support this and adopt the CoC. This is a good start to ensure a win-win relationship between landlords and tenants and there are terms which will impact us, as tenants, financially and strategically. For now, we, as tenants have slightly more bandwidth for negotiation; previously, there was none at all on certain terms.

The task-group for the CoC has done a lot of work and that bodes well for us. On the fair tenancy framework, it still boils down to whether it is embraced by most landlords and whether they would comply in spirit, not just on paper. For instance, a rental structure that goes by a fixed rent per square foot or percentage of gross turnover, whichever is higher, is no longer allowed unless both the landlord and tenant agree to it and declare their agreement to a Fair Tenancy Industry Committee (FTIC) within 14 days of signing the lease. But landlords can get around this restriction by charging tenants higher base rent and in so doing, are not complying with the spirit of the code.

TAKASHIMAYA

Buoyed by local demand, TAKASHIMAYA plans to enhance its in-store experience

by **LYNETTE KHOO**
Deputy Director, Consultancy

For Takashimaya, home to signature flagship stores of top luxury brands, one would expect this prime Orchard Road shopping mall to be highly reliant on tourist shoppers. On the contrary, it has derived 70 to 80 per cent of both its shoppers' footfall and sales from Singapore residents even before Covid-19 hit. This surprising fact reflects its success in penetrating Singapore's consumer market since the Japanese departmental store operator set foot here in 1993.

Its focus on local customers came about as an attempt to save Takashimaya from the brink of withdrawal from Singapore after only five years of operations here. Back then, the earlier strategy of catering to foreigners and tourists turned out to be a "mistake" – in the words of then-managing director.

That strategic pivot has paid off, and more so in today's context. Takashimaya's popularity with locals has mitigated the ravage caused by the global pandemic as tourist-reliant venues are hard-hit by restrictions on international travel, says Takushi Fujikawa, deputy managing director of Takashimaya.

Even as many retailers have moved to selling more online post-Covid, Takashimaya is focused on improving its physical in-store experience with more popular merchandise and a hassle-free experience enabled by digital tools. With the current model of departmental stores being incompatible with e-commerce, Mr Fujikawa shares how Takashimaya navigates the new normal.

1. How is your business adapting to shifts in customer behaviour as increased e-commerce and the work-from-home phenomenon alter the retail business landscape?

We are a very typical brick and mortar retail player, with limited number of merchandise currently available online and only a handful of staff headcounts allocated to the online platform. When Covid-19 happened, there was nothing much we can do about this. We quickly reviewed our strategy and decided to beef up our online store. Now, we are working with some external parties to revamp our online store. We will increase the number of merchandise available online.

Still, our advantage is the same. We still emphasise the physical store – that is the source of our competitiveness. When Covid-19 is over, some consumer behaviour will revert to pre-Covid times but some behavioural changes are here to stay. We keep reviewing our merchandise

and changing them to cater to customer needs. But we are not selling the same products as those that we carry in the stores because of our business model. The typical departmental store business model is not exactly compatible with online merchandise. This is because we mainly sell consignment goods in the physical store.

Some other retailers may emphasise more of online sales but it really depends on what they are selling. While we keep stepping up on our online business, we see online store as a secondary income source and it is now less than 5 per cent of our total revenue.

2. The retail sector has been one of the worst-affected by pandemic restrictions. What were the most immediate actions you had to take to keep the business going?

We had to split our teams into two but did not have enough manpower to stick to long operating hours. So, we shortened our working hours by opening at 11am and closing at 8pm. Some retailers just cut staff salaries, but we kept the salaries of our staff even though we are running the team at half the capacity and the other half – who were technically "working from home" especially the sales staff – were effectively not working. We also needed to concentrate on how to run the stores according to government safety measures. As one of the leading retailers here, we should positively adhere to all those rules.

Before Covid-19, we had engaged only one security company. Since last year after the Circuit Breaker was lifted, we have engaged a second security company to increase manpower to control crowds and queues. All this has resulted in an increase in operating expenses but the decrease in revenue is more serious.

Our revenue fell more than 90 per cent during the Circuit Breaker from pre-Covid level. We were back to 80 per cent of pre-Covid level during Phase 2 before Heightened Alert. Shopper traffic of local customers was quite healthy and recovered to nearly pre-Covid level. The other 20 per cent of our overall footfall and sales used to come from tourists. Our financial performance last year was bad because of 2.5 months of lost revenue. But 2021 should be somewhat better.

We have done very well compared to other big-sized retailers, so I really appreciate the support of local customers. Even our more expensive merchandise sold well – the luxury brands did extremely well even without the tourists. Sales of household appliances and kitchenware went up.

That's why we have been innovating Basement 1 and bringing in more household appliances and kitchenware. We are also planning to revamp the other floors. This is because we need to cater for the change in our customers' lifestyles.

3. With cost pressures and rising competition from online platforms and retail brands, what are your key plans to sustain your business as a leading department store in Singapore?

We will increase the number of our merchandise in the online store. The shift in market share from physical to online in the overall retail scene will continue. Customers purchase more online than in physical stores but it does not mean a 100 per cent shift.

We still emphasise the physical store – that is the source of our competitiveness.

Takushi Fujikawa,
Deputy Managing Director
Takashimaya

In our physical stores, much of our investments has gone into increasing household living products and food. Categories like ladies' and men's' apparel have been shrinking, so there is no point maintaining the same space allocation for them. We also need to remove the less effective merchandise and bring in the more effective ones.

We plan to spend more on digital elements within the store. Currently, whenever our card members come to our store, they need to queue multiple times here – to exchange for vouchers, carpark redemptions and for the cashier. We do not have any store app but we are planning to introduce an app and digitise these procedures so that customers can have a stress-free experience. Whatever we do, we think of what we can do with digital.

4. Which of the government support measures have you found to be the most beneficial?

The Job Support Scheme (JSS) is most supportive because we receive the grants directly from the government. So, we have managed to avoid any retrenchment or salary cuts. Retailers and F&B operators were hard-hit by Covid-19, but thanks to the JSS, we managed to keep the jobs of our employees and did not touch their salaries.

We also received the rental relief from the landlord but we gave all the money to our concessionaires and tenants even though it is only compulsory for us to do so for the small and medium enterprises. What we did was above and beyond government requirements. We also helped our small concessionaires and suppliers on a case-by-case basis.

5. Do you find landlords improving in terms of tenant engagement and seeking an effective partnership with tenants?

It depends on the individual landlords. They know this is a business. Landlords will become serious when they fear that their tenants will run away. But it is not so feasible for us to move elsewhere.

6. What other new measures do you think the landlord and government should implement for the betterment of the retail industry?

In the long run, it is difficult for retailers and F&B tenants if there is a sudden increase in rents. Sometimes, landlords may raise the rent beyond a reasonable level to either increase their rental revenue or to switch out certain tenants. This is less of an issue when the economy is sound, there are new entrepreneurs starting new retail or F&B business, the less-competitive shops close and new players come in. But if the landlord keeps doing this and government turns a blind eye, this will kill the retail business. There will be more closures than newcomers.

YA KUN's new recipe for growth

by **LYNETTE KHOO**
Deputy Director, Consultancy

As with any of its expansion plans pre-Covid for its operated stores or franchisee outlets, Ya Kun International has always taken on a prudent approach with thorough profit-and-loss analysis. This is even more crucial as Ya Kun treads an expansion path for its physical stores as costs increases, competition heats up and market conditions remain fluid.

Rachel Tay, business development and franchise support assistant general manager at Ya Kun International, notes that new players in the F&B market have intensified competition further. But not all incumbents could grow the online share of their business seamlessly, depending on their business models. In Ya Kun's case, the F&B player leverages delivery platform alongside its physical stores.

Since the 1940s, the name Ya Kun has become synonymous with traditional kaya butter toast, soft-boiled eggs and fragrant coffee and tea. To harness other means of growth, Ms Tay tells Knight Frank that it is increasing its menu offering for different time segments. "Ya Kun serves most customers during the day," she says. "Since we started food delivery after the Circuit Breaker in April last year, our delivery orders are jam-packed for morning breakfast and afternoon lunch. We look forward to a successful dinner menu creation and enhancement for our customers."

With that, customers will soon go for Ya Kun as their source of meals at all times of the day.

1. What are some new initiatives or investments that you have implemented to adapt to a "new normal" post-Covid?
We are still on continued expansion for our corporate-run and franchisee stores, with a focus on franchise store growth. The heartland will be our preferred choice, as this is more appropriate for today's business climate. We are still hopeful for other locations to return to normalcy and we can be there to serve our customers. We also hope to be able to return to pre-Covid sales level in 2023.

So far, we have taken on a careful approach to taking up new stores. Besides the importance of brand presence, the P&L has to make sense. This is how we build trust with our franchisees. They have been with us for as long as 13 years.

2. How else are you pivoting your business, build resilience and seize new opportunities?
Currently, we have coffee powder, tea dust and kaya jars sold in our stores. Our kaya jars receive a fair amount of demand from locals and tourists. A dip was experienced since demand from tourists was hit by Covid-19. On top of our existing retail merchandise, we hope to develop new ones in the near and long term.

Ya Kun has started selling full menu on delivery platforms after the Circuit Breaker around April last year. Since then, our dine-in and takeaway accounted for 70 to 80 per cent of our total revenue, while delivery made up 20 to 30 per cent (before Heightened Alert since May this year).

We will continue to persevere amid this Covid situation and with the entry of more F&B players. During this crunch time, there are brands that move out of malls and also others which take the opportunity to move in, along with those selling online. While competition remains stiff, we continue to focus on offering good food and service to our customers.

3. What are the top challenges that you face in the F&B business since the Covid-19 pandemic and how have you coped?
Our key challenges are continued lack of manpower, decline in footfall and higher operating costs due to safe management measures' compliance.

During the Circuit Breaker lockdown and closing of borders, we were left with the option of hiring only locals who also have other choices such as joining other hiring F&B players and other new industries.

Stores located in suburban malls are coping better relative to stores in tourist and office community premises. To mitigate the decline in revenue due to diminished footfall at our outlets in tourist venues and the CBD arising from work-from-home measures, we work with third-party delivery companies.

Significant operating costs associated with safe management measures such as cleaning chemicals, sanitisers and masks have set in last year and coupled with cost increase for some supplies due to border and global supply chain disruption, we are managing these additional costs while maintaining menu prices to customers during this period.

4. Is your F&B business back to pre-Covid levels? If not, how does it currently compare to pre-Covid levels? What remains to the key bugbears?
Before Heightened Alert, we were witnessing a U-shape recovery and were heartened that our heartland stores were somewhat back to pre-Covid levels, relying on also takeaway and delivery sales. While we continue to rely on delivery sales, platform fees that we pay to third-party delivery operators add to our operating expenses.

5. Since news reports on high commission fees charged by food delivery apps, has things improved since?
Delivery apps serve as conduit between operators and customers. While we understand they have their operating costs to consider to ensure seamless delivery, not all operators can sustain based on the current commission fee structure.

6. How have you coped with the requirements on safe distancing and the higher costs associated with more regular cleaning and sanitisation?
Safe-distancing measures have taken away half of our sitting capacity in Phase 2 before the prohibition on dine-in during Heightened Alert. Some landlords were able to offer us additional seating space, hence enabling some stores to achieve pre-Covid levels. In order to cater to as many customers who wish to dine-in, we have to impose time limit, to counter the move to make certain seats unavailable for safe-distancing.

7. Do you feel there has been enough support from the government, landlords and trade associations for F&B operators?
The government has helped with providing rental rebates and legislating that on the landlords, as well as rolling out the Jobs Support Scheme and Delivery Booster Package. We are optimistic that things will get better. We are grateful for the help that the government has extended. We have also received rent rebate support from some landlords. The government has also acted very swiftly with the code of conduct for fair tenancy that kicked in from June 1 this year. In a way, I sense that this will set a certain level of fairness to tenants.

8. What else do you think can be done to provide better support for your business?
Singapore is very blessed – in that when we encounter any problems, we will surely get timely support from our government. At the end of the day, we also need to help ourselves. We need to have the entrepreneurship, the will to want to survive. With our sole focus on the single brand Ya Kun, we strive to continually develop and increase our menu offering for different time segments.

9. Do you think the terms spelt out under the Fair Tenancy Framework is sufficient to level the playing field between landlords and tenants? What is lacking and should be addressed further?
We are thankful to the government's involvement to create a level-playing field as much as possible. It still largely depends on joint efforts of landlords and tenants to engage in a friendly and long-lasting relationship.

PARADISE GROUP

Riding the recovery a top priority for PARADISE GROUP

by **LYNETTE KHOO**
Deputy Director, Consultancy

Like its F&B peers that prides themselves on the dine-in experience, Paradise Group has been impeded by mandatory safe management measures to cope with the Covid-19 pandemic. With the dine-in restaurant business historically making up more than 90 per cent of the group revenue, Paradise Group has to pivot quickly to delivery and takeaways during periods when dining-in is prohibited.

The oriental cuisine empire, whose brands include Taste Paradise, Paradise Teochew, Beauty in the Pot and LèTen among others, is now tapping all delivery platforms to reach out to its customers and tweaking its menu for the delivery and takeaway business.

Paradise Group CEO Eldwin Chua remains sanguine that his business is poise to ride the upside of "revenge dine-in" by patrons as restrictions are gradually eased.

1. What are the top challenges that you face in the F&B business since the Covid-19 pandemic? How have you sought to address them and to what degree of success?
Given the restrictions on dine-in, we have tried as much as we can to ramp up our delivery sales since last year. We are leveraging on whatever delivery platforms out there. We have to partially pass on some of the delivery charges to our customers, but these are not a 100 per cent transfer of the additional cost.

Local manpower, as you know, is limited in Singapore for F&B and it is very hard to bring in foreigners now. There is a huge shortage of manpower in our industry and this has caused unhealthy challenges in terms of wages. Costs are going up despite F&B businesses in Singapore coming down.

Our business in locations like Resorts World Sentosa, Jewel and the CBD are more challenging but those in suburban areas are holding up very well at 75 to 85 per cent of pre-Covid levels before fresh rounds of restrictions since May. Smaller chain operators with a few outlets in suburban areas have coped better and they may now have a window of opportunity to expand. For a large operator in diversified locations, we are mindful of conserving our cashflows and refrain from further expansion-related capital expenditure as we focus on boosting overall sales and revenue, because cash is most important in times of crisis.

We have mitigated our overall costs. Wages have gone up about 15 per cent last year though they were already pretty high before Covid-19. But we are unable to pass on the higher cost to customers. The fortunate thing in Singapore is that the government has given the push on rental rebates. Landlords are also very supportive in terms of passing the rental rebates to us. Hence, despite the fall in sales and rise in costs, they are mitigated by the support from the government and landlords.

2. Could you share the new initiatives or investments that you have adopted to adapt to a "new normal" post-Covid?
In this climate, it is all about mitigating losses and increasing sales, so we have controlled our costs very delicately down to that one or two cents. We have also increased the range of our food-delivery menu to include frozen food such as rice dumplings and introduced set meals in addition to the ala carte options.

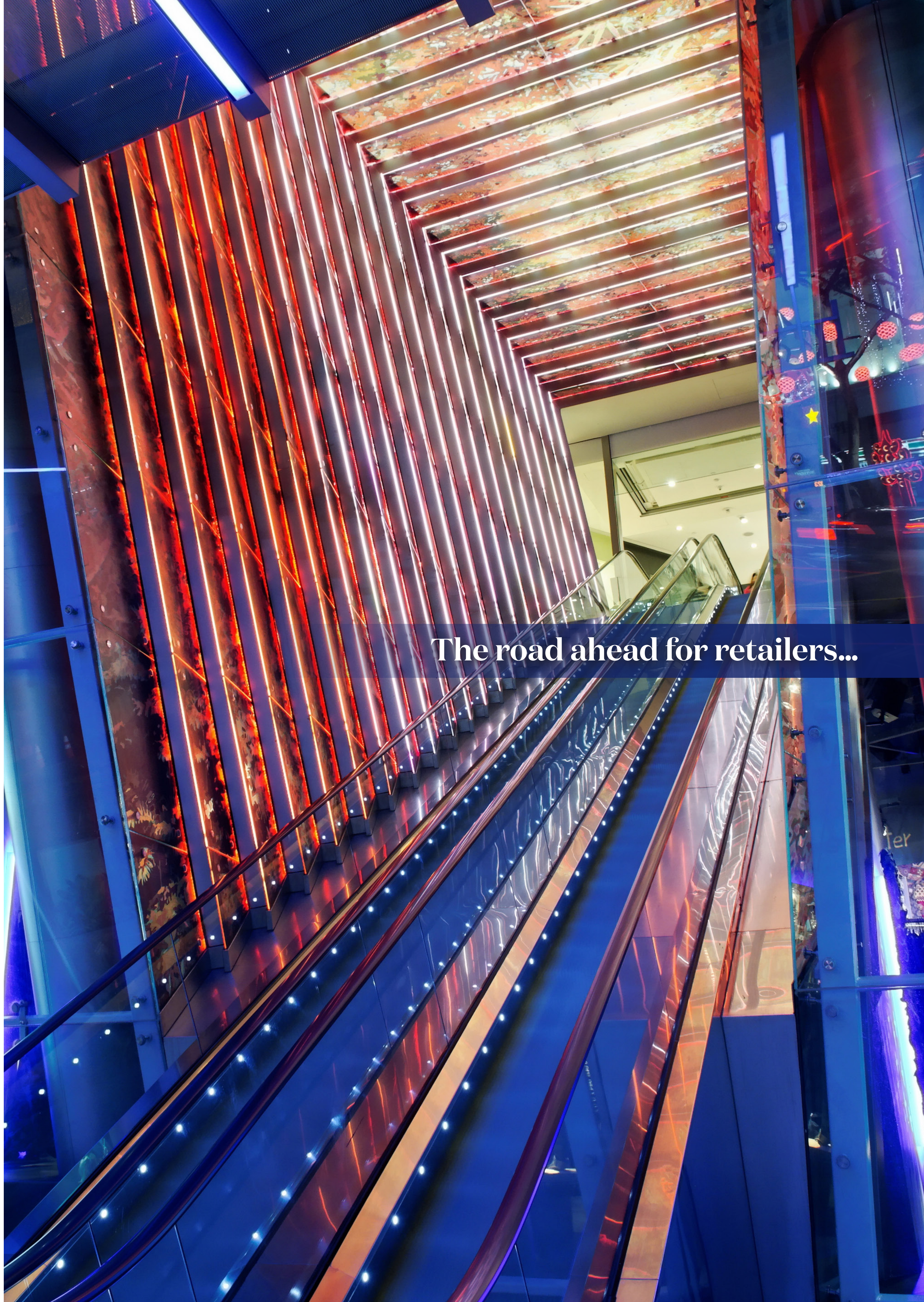
3. Do you feel there has been enough support from the government, landlords and trade associations for F&B operators?
The Jobs Support Scheme is good for us and Singaporeans. It has enabled us to retain Singaporeans and we are now enticing more locals to join the F&B industry. We are in several markets regionally, with about 40 per cent of group revenue from overseas markets, namely Malaysia, China, Taiwan and Hong Kong.

Compared to other markets, the level of government support in Singapore is the most generous. When a country imposes a lockdown and there is no government support, it will be challenging to keep existing manpower and salaries. Markets like China and Hong Kong are on a path of recovery.

4. What else do you think can be done to provide better support for your business?
In such crises, everyone plays a part and takes his fair share of the damage. Landlords have to support their tenants. Tenants cannot be paying the same rent when their sales are down by 50 per cent or more. But current rental arrangements with landlords are not that flexible to factor in that revenue fall among tenants.

5. Do you think the terms spelt out under the Fair Tenancy Framework are sufficient to level the playing field between landlords and tenants? What is lacking and should be addressed further?
For chain operators like us, we are always eyeing good locations. For popular locations that are highly sought-after, the landlord makes the call. The Fair Tenancy Framework still allows a clause for the landlord and tenant to jointly declare an alternative rental structure with either a fixed rent or a percentage of gross turnover, whichever is higher. But what is fair this time under the new framework is the inclusion of mutual or unilateral pre-termination rights in the lease agreement.

Still, landlords have a part to play in supporting the tenants through this crisis. The government is seen doing more by giving rent-free concessions to hawkers. Right now, we still see retail rentals at pre-Covid levels for popular locations because landlords have the mentality that things will go back to normal. Based on our experience in renewal leases this year, renewal rents in good locations are still going up.



Top retail trends that will reshape your real estate portfolio

by **LEONARD TAY**, Head of Research

Several tectonic shifts in Singapore's retail landscape were already percolating before the Covid-19 pandemic came along and acted as catalyst to accelerate – and some might even say forced the widespread adoption of these movements. These include more retail spaces being used as activity-based venues rather than just mere shop space, and the increased use of e-commerce to create multiple points of sale, just to name a few.

Activity and Service-based Retail to Overtake Traditional Stores

As at Q2 2021, there was a total of 66.4 million square feet of retail space in Singapore. This comprised 37.6 million square feet of shop space, making up some 56.7 per cent of all retail stock and 28.8 million square feet of non-shop space with the remaining 43.3 per cent proportion. Shop space does not include food and beverage (F&B), entertainment and health and fitness spaces, and only includes space used or intended to be used for any trade where the primary purpose is the sale of goods by retail, for example, provision shop, take-away food shop, departmental store as well as selected services, such as tailoring, barber/beauty salon and photographic services. Non-shop space would then comprise F&B, entertainment and health and fitness uses, or other service-related trades such as enrichment centres, etc.

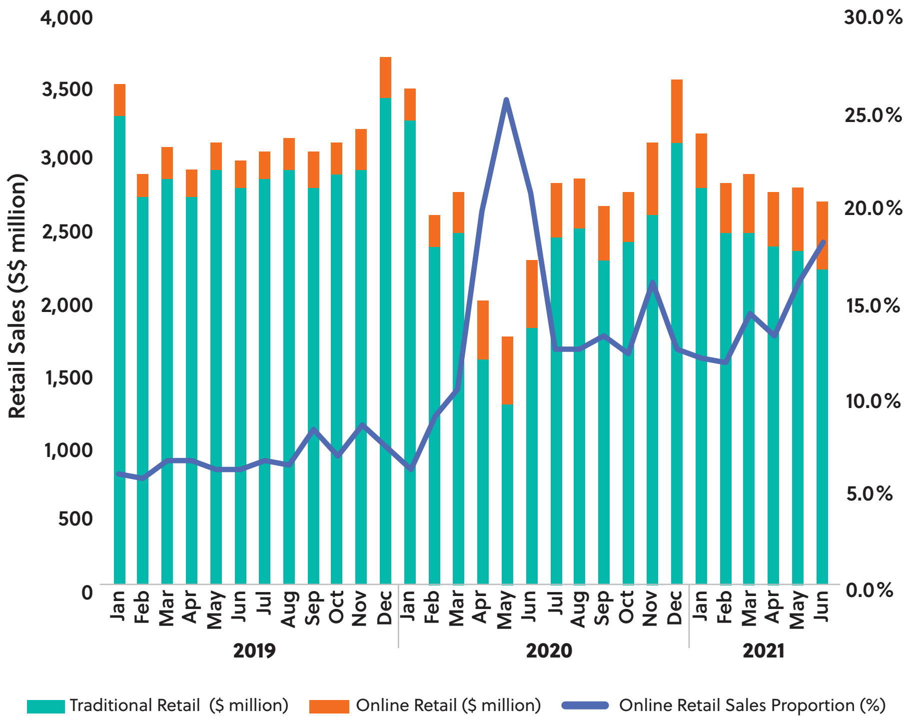
It is a telling sign how much non-shop space has grown since 2011 (the year when the official breakdown between shop- and non-shop-space first became available), when non-shop space islandwide was 38.3 per cent of all retail space. The growth of non-shop space in Singapore's retail scene by 5 percentage points in 10 years signals that shopping centres were slowly but surely pivoting from stores to activity, food and service-related offerings to not only draw in the crowds, but also to keep them within the mall for longer periods of time. Gone are the days when shopping centres first came to Singapore that non-shop functions were just a mere 5 per cent of the total space typically consisting of a small cafeteria. Nowadays, contemporary malls would typically ramp up activity, service or F&B-based trades to about 30 per cent of their lettable areas.

With new-found convenience in online shopping, consumers will require a lot more enticing to leave their homes and head to the stores, prompting landlords to introduce more experiential non-shop elements within malls.

Infusing digitalisation into retail

The rise of smart mobile devices about a decade ago led to the inevitable birth of online stores residing in cyberspace, making a challenge to their brick-and-mortar counterparts sometime around

Total Retail Sales (Excluding Motor Vehicles) vs Online Retail Sales



Source: Department of Statistics, Singapore

early 2010s. Pioneering e-commerce platforms such as Amazon, which started out as an online bookstore, have grown to behemoth proportions selling practically "everything under the sun". If there are lessons to be gleaned from the unexpected COVID-19 outbreak, it is that e-commerce and physical stores need not necessarily be competing forces. Online fashion retailer Love, Bonito has been moving towards establishing physical shops, while many brick-and-mortar retailers are incorporating online platforms. Sooner rather than later, the retail landscape will be populated with retailers that offer a combination of physical and virtual shopping options. And this dualism is the face of shopping in the future that is already here today.

Narrowing rental gap between suburban malls and Orchard malls

For quite some time now, the rental premium that Orchard Road malls have commanded over their suburban cousins in the heartlands has been narrowing. Suburban malls generally cater to localised catchment populations, offering necessities and sundries as well as food and entertainment in close proximity from home. This was further exacerbated when the Covid-19 pandemic shut off the flow of tourist arrivals that Orchard Road malls are heavily reliant on. From a retail rental premium hovering around 20 per cent in the years 2017 to 2019, prime rents at Orchard Malls have since shrunk to under 15 per cent after the ravages of the pandemic. Malls at Singapore's premier shopping belt will need to improve their mass appeal to both locals and international visitors once travel restrictions ease and borders reopen.

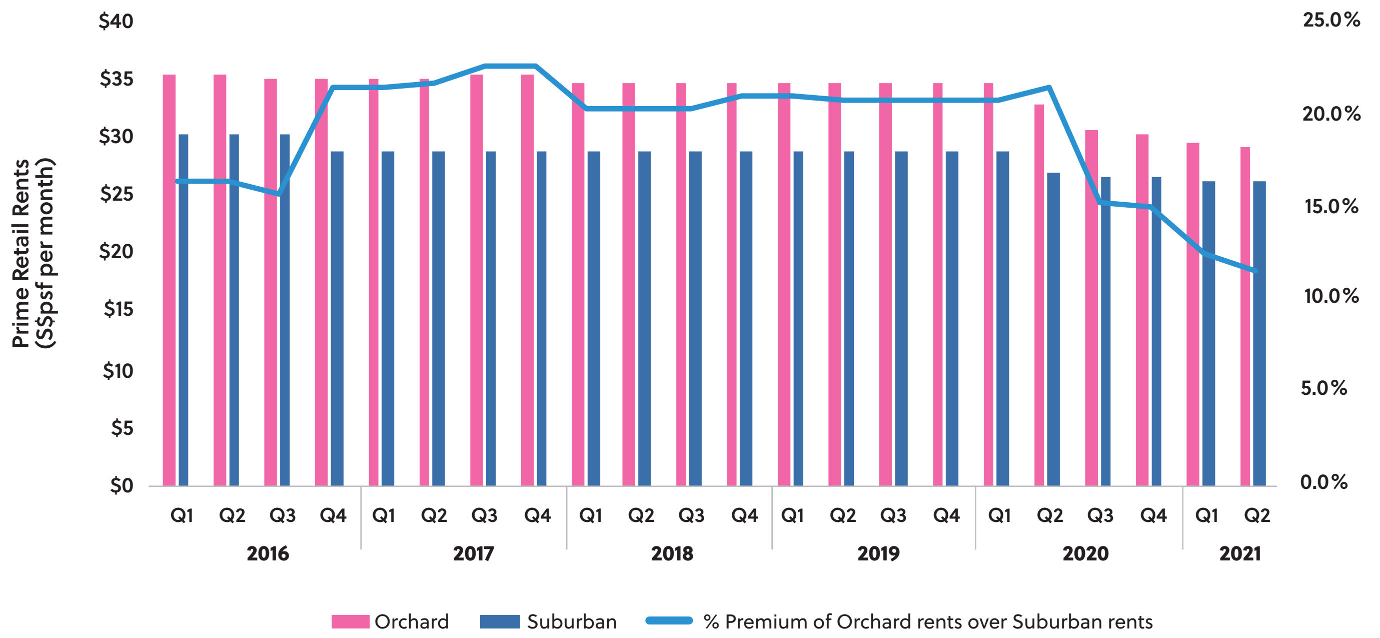
The Return of Physical Retail

In the two years before COVID-19, when the proportion of online retail sales generally ranged between 5 to 10 per cent, many brick-and-mortar retailers were already concerned with the erosion of their revenue streams by virtual stores. During the circuit breaker, the proportion of online sales naturally increased to a high of 26.2 per cent of retail sales (excluding motor vehicles) in May 2020. Many thought that the virus had sealed the fate of physical retail stores. However, when Singapore opened up in phases from June 2020 onwards, physical retail trade recovered, bringing the online proportion of retail sales (excluding motor vehicles) to between 11.9 and 18.4 per cent from July 2020 to June 2021. Despite the growth and evolution of online shopping, the compelling data contrasting online sales volume in and out of lockdown conditions illustrates that the human shopping experience still holds an innate desire for physical interaction with product as well as with community.

Even though travel restrictions continue to suppress tourist spending, the recurring imposition of restrictions disrupt retail activity when community infections strike, and many retailers are still in the process of restructuring either by adding complementary online options or setting up physical stores in malls, physical retail will return when the dust settles, repackaged and ready for the post pandemic shopper.

More activity-based retail offerings will sprout up alongside traditional shops that include cooking classes, fitness-related as well as recreational and experiential centres that will take up space alongside the increasing number of F&B outlets. Especially so with the burgeoning spirit of entrepreneurship evident in Singapore's retail sector today. Based on information from the Accounting and Corporate Regulatory Authority (ACRA), in the pre-COVID-19 year of 2019, 5,798 retail and 2,985 F&B businesses were formed, while in the pandemic-led recession year of 2020, 8,943 retail and 3,285 F&B businesses were formed. The inexorable rise of new age retail by enterprising pioneers will in time take over space previously occupied by department stores.

Rent Premium of Orchard Malls Narrowing Against Suburban Malls



Source: Knight Frank

Wellness in Retail for a post-Covid future

Concepts to promote wellness can breathe new life into retail spaces

by **ALICE TAN**, Head of Consultancy

Covid-19 has significantly changed the way we shop, dine, and entertain at retail malls since early 2020. Trace-Together entry sign-ins, safe distancing requirements in restaurants, crowd density controls have all disrupted our usual retailing experience. While it remains to be seen if shoppers and diners will fully return to the malls at pre-pandemic levels, Covid-19 has introduced new priorities that will matter for communities, in particular health and well-being, as well as greater appreciation for socialising and having physical touchpoints with products, services, and the environment. More visitors will be conscious of the interior spaces that retail malls provide such as ventilation, hygiene, cleanliness, and spaces of comfort to rest and enjoy.

Improving Air quality

Introducing wellness in retail malls can become a refreshing concept to provide a more comfortable and pandemic-safe environment – indoors and outdoors. To improve air quality and ventilation in retail spaces, implementing ventilation system upgrades or enhancements can increase delivery of clean air and dilute contaminants. In addition, integrating indoor and outdoor settings can be one of the new design imperatives for architects as they seek to introduce more natural ventilation in retail spaces. Open-air atriums or plazas in retail malls that can showcase pop-up stores and weekend markets will present higher attractiveness to patrons who desire to shop in fresh air. As anecdotally observed at restaurants and cafes, which are usually filled every time dine-in capacity limits are increased in Singapore over the past year, the demand for outdoor or al-fresco dining will likely increase. Landlords and tenants may create more outdoor spaces going forward and introduce weather-proof and well-ventilated spaces to improve comfort levels for the diners.

Greening spaces

It is widely known that foliage landscapes and greenery bring a plethora of benefits – reduce thermal heat gain in buildings and streets, remove air pollutants, reduce noise, and improve sense of well-being and health for occupants. Retail mall owners can do more to introduce greenery, such as outdoor and indoor living green walls. To take greening spaces further, mall owners can explore biophilic design – a design principle to bring direct and indirect elements of nature closer to people, such as natural light, gardens, green roof spaces and natural surface materials. This biophilic concept have been demonstrated through research to help reduce stress, blood pressure levels and heart rates, while increasing creativity, productivity, and self-reported rates of well-being for occupants.

Injecting Urban Farming and Farm-to-table

Covid-19 and global supply chain disruptions, coupled with climate change, have thrust the importance of food sustainability to the forefront for policymakers. Underpinned by the Singapore '30 by 30' vision - to produce 30 per cent of our nutritional needs locally by 2030, the authorities are pushing for the urban farming movement since mid-2020, to promote the awareness of community sustenance of agriculture with 'grow-your-own-food movement'. In the higher pursuit for simplicity and good health among people, urban farming is becoming a new refreshing activity in Singapore, providing respite and fresh produce, and serving as healing spaces for the community. As the public sector identifies more spaces available for urban farming, private retail landlords can explore having such niche farms at mall rooftops and open spaces, and to involve visitors and tenants in the urban farming initiative. At the same time, farm-to-table F&B concepts, which have been gaining popularity, can be incorporated and expanded for the enjoyment of diners.

Wellness as a differentiation

With the increased competition from e-commerce players and consumers gravitating towards online retail, coupled with the likelihood of a prolonged pandemic, transforming retail spaces towards a wellness initiative can be a key differentiating factor for mall owners to position their assets uniquely and attract patrons with a new purpose. This process would first require a conviction from mall owners to provide healthier spatial environment for customers and visitors, followed by design curiosity and research rigour to understand the target audience and next, creative delivery of ideas into a wellness proof of concept in physical retail.

Fair Tenancy Framework Reshaping Landlord-Tenant Relationship for a Brighter Future

by **ETHAN HSU**, Head of Retail

If there is a silver lining to the Covid-19 pandemic for the retail sector in Singapore, it will be the industry-led Code of Conduct for Leasing of Retail Premises in Singapore. Borne out of sheer necessity during the height of the pandemic outbreak, the Fair Tenancy Pro Tem Committee was formed on 26 June 2020 under the auspices of the Singapore Business Federation to strengthen collaboration and increase the vibrancy and competitiveness of the local retail, dining and lifestyle sectors. Comprising representatives from both the landlord and tenant communities, the government, industry experts and academia, the Fair Tenancy Pro Tem Committee developed a set of comprehensive guidelines that laid out specific fair tenancy practises based on the principles of transparency, reciprocity and sustainability.

Some would remember that this was not the first attempt at improving fair tenancy practices in Singapore. In 2015, the Singapore Business Federation had published a Fair Tenancy Framework listing best practices for key legal provisions in lease agreements of retail premises. However, that effort was mostly driven by the tenant community and had little impact without the participation of the landlords. Therefore, the formation of the Fair Tenancy Pro Tem Committee and the consequent Fair Tenancy Industry Committee (FTIC) to act as custodian of the new Code of Conduct, represent major breakthroughs. For the first time, we see industry stakeholders coming together to push for a collective change in mindset, values and behaviours in the common hope for a better future for the local retail landscape.

The new Code of Conduct that was created out of those discussions addressed far-reaching concerns across 11 categories of lease negotiations including rent structure and computation, early termination provisions and third-party fees, many of which are seen to be long-standing points of contention between landlords and tenants.

While it is still early days in its implementation, and adoption of the Code remains voluntary until it is mandated through legislation, members of the Fair Tenancy Pro Tem Committee have publicly pledged to adopt and abide by the Code from 1 June 2021. These include major corporate landlords such as CapitaLand, Frasers Property Retail and City Development Ltd. Various trade associations such as the Restaurant Association of Singapore, Singapore Retailers Association, Association of Small & Medium Enterprises, Reit Association of Singapore, and Real Estate Developers' Association of Singapore have also been encouraging their members to adopt the Code. The sizeable commitment to the new Code paves the way towards bringing about much-needed change to strengthen the local retail industry's resilience and competitiveness in a rapidly evolving market environment.

These changes were long overdue even in the pre-Covid world, evidenced by an increasingly lacklustre retail sector challenged by e-commerce and shifts in consumer behaviours. The balance of power between landlords and tenants has been lopsided in favour of the former and the costs of failure were deemed too high for entrepreneurs to experiment and innovate.

Still, the move is no less welcome than for it to be delayed. Hopefully, with the fair tenancy framework enforced through imminent regulation and reinforced by a shift in the industry mindset, we can see true transformation of the retail industry materialise in the post-Covid era. One that will be enduring and well-supported by a shared and united desire to grow the retail ecosystem in Singapore.

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