

**SPEECH BY MR S ISWARAN
MINISTER FOR TRADE AND INDUSTRY (INDUSTRY)
AT THE SINGAPORE RETAIL INDUSTRY CONFERENCE 2016 ON
THURSDAY, 15 SEPTEMBER 2016, 9.15 AM AT ORCHARD HOTEL**

Mr R Dhinakaran, President, Singapore Retailers Association and Board Member, Singapore Productivity Centre

Mr Tan Peng Yong, Board Member and Chairman of Programme Advisory Committee, Singapore Productivity Centre

Distinguished guests,

Ladies and Gentlemen,

1. It is my pleasure to join you today at the Singapore Retail Industry Conference. The retail experience is an integral part of our daily lives. For locals and tourists alike, Singapore wouldn't be Singapore without Orchard Road, our diverse shopping malls and departmental stores, and even our neighbourhood markets and commercial centres.

IMPORTANCE OF THE RETAIL INDUSTRY

2. Our retail industry also has a significant economic footprint. There are about 21,000 retail establishments, employing approximately 3% of the total workforce and contributing almost 1.4% of our GDP¹, with operating receipts totalling \$35 billion. A thriving retail industry not only helps to position Singapore as an attractive shopping destination, but also has a sizeable economic impact and can offer attractive career opportunities for Singaporeans.

3. The retail industry also faces several challenges. The growing penetration of e-commerce is one such challenge which is also an opportunity. Savvy consumers are increasingly turning to e-commerce sites, local and foreign, in search of a wider variety of goods. This also means that our retailers can more easily reach potential customers in overseas markets. We also have to contend with growing competition from regional shopping malls and precincts, some of which feature brands and flagship stores that used to be concentrated in Singapore.

4. On the manpower front, the retail industry must restructure to deal with domestic constraints. In particular, we have to adopt productive and manpower-lean business models and practices to sustain growth and optimise the use of our limited manpower.

ADDRESSING THE NEED TO TRANSFORM

5. Despite these challenges, there are strong fundamentals in our region that offer good opportunities. Asia has a growing middle class, rising consumer affluence

¹Source: 2015 Industry figures from DOS.

and purchasing power. ASEAN in particular presents even more opportunities as the economies of ASEAN are expected to grow faster than the global average and even faster than the Asian average. With advancements in technology, there will also be enhanced connectivity and access to information across markets. And, Asia, because of the way we are developing, is also a place where new business models and new ideas are being developed rapidly and shaped. Against this backdrop, Singapore remains a desired shopping destination and it can be one that is an active participant and at the cutting edge of the changes that are taking place in the industry.

6. To build on these fundamentals and opportunities, the Government and retail industry stakeholders must come together to coordinate our efforts and resources to transform the industry and ensure its continued competitiveness and growth.

7. We have in fact embarked on an effort to transform our whole economy. And, the Government is committed to support and drive the development of industry-specific roadmaps for 23 industries. These Industry Transformation Maps (ITMs) are an important initiative in our economic restructuring journey. The ITMs will integrate our efforts to enhance skills through SkillsFuture, productivity, innovation, and internationalisation as part of industry-specific growth strategies. Our economic agencies are coming together, working on a common blueprint in the form of the ITMs, which can then be executed working together with the industry.

8. Today, I am pleased to announce the launch of the Retail Industry Transformation Map, developed by SPRING Singapore (SPRING) in partnership with trade associations, unions, and the industry. This is the second ITM following the launch of the Food Services ITM by DPM Tharman last week. The fact that the Retail ITM is the second ITM that we are launching is an indication of the importance we attach to the transformation efforts for this industry. The 2020 vision of the Retail ITM is for Singapore to have a vibrant retail industry, comprising a mix of highly productive omni-channel retailers, local brand owners with global footprints, supported by a professional and skilled workforce. SPRING will bring together a multi-agency team within the Government, which will work closely with tripartite partners to implement the ITM. I urge all of you to actively engage SPRING with your ideas and support, so as to fully achieve the objectives of our Retail ITM.

9. Strategies have been identified in four key areas to bring about the desired transformation of the industry:

- a. Drive growth through innovation;
- b. Improve productivity with technology;
- c. Build a future-ready and productive retail workforce; and
- d. Help Singapore retail companies internationalise.

Let me elaborate.

DRIVING GROWTH THROUGH INNOVATION

10. First, innovation to drive growth. 41% of Singaporean consumers surveyed in a 2015 Nielsen survey² said that they were “Omni-channel” shoppers. In other words, they browse online for information, before purchasing through online and offline retail channels. The survey also found that Singaporeans are among the most active online purchasers globally. As consumer expectations and buying patterns evolve, retailers must understand, innovate and update their customer journey maps, use online channels at the right time, and across a variety of touch points such as mobile applications and social media, to engage shoppers. This is not unique to the retail industry. We have seen how the old digitalisation process has transformed the industry from the retailing of books, music, airline services and more recently, the taxi industry. This is a global phenomenon that cuts across all sectors and the real challenge for us is how do we turn this around into an opportunity and be at the cutting edge.

11. For example, Challenger, a traditional brick and mortar electronic goods retailer, has remodelled its business to embrace e-commerce with Hachi.tech, an online tech and lifestyle marketplace. Now, its online and offline retail platforms are seamlessly integrated. Customers are able to purchase online and collect their purchase through Challenger’s network of retail outlets, allowing further engagement with their online customers at the physical stores. Likewise, Challenger follows up closely on in-store consumers with personalised online marketing efforts to encourage further purchases. These strategies contributed to an 8% revenue increase in the last quarter. So it is not about necessarily choosing one channel or the other, but designing how you want to work to bring the two together and leverage it for your engagement with your customers on an ongoing basis.

12. SPRING and IDA are taking a concerted approach to help SMEs with e-commerce, because in particular for SME retailers, it can be a daunting challenge and we want to ease the pathway of transition into that space. Under the Enhanced iSPRINT programme, SPRING and IDA are jointly identifying and pre-qualifying online platforms that SMEs can use. One such solution is Dodoca, an IT platform which allows retailers to build customer communities and engage them more effectively through data analytics. More than 500 SME retailers are expected to benefit from this solution by end-2017. The overall aim is to grow the e-commerce share of total retail receipts from the current 3% to 10% by 2020.

13. Aside from new business models, our companies must also have their own brands and innovative products to raise top-line revenue. Every retail company should undertake a deep review of its branding, product and design capabilities. One of our SMEs, Tai Wah, developed its own brand of personal hair and beauty equipment, “Play by TUFT”, that has gained popularity in the region. To achieve this, Tai Wah ventured beyond the B2B market to enter the B2C market by leveraging on its reputation as a provider of hair and beauty products to professional salons.

14. To assist retailers develop new retail concepts and identify untapped opportunities, the Singapore Productivity Centre (SPC) has collaborated with Boston

² Source: [Nielsen Report: ASEAN 2015](#)

Consulting Group (BCG), with the support of WDA and SPRING, to offer Retail Best Practice Masterclasses. These practical and hands-on programmes will help our retailers develop innovative and differentiated concepts, as well as adopt manpower-lean business models and solutions. The programmes commenced their pilot run in August 2016. SPRING will also work with companies to support R&D and prototyping for in-house product development, so as to create products and brands that can be marketed globally.

TECHNOLOGICAL EFFORTS TO BOOST PRODUCTIVITY

15. Another aspect of the Retail ITM is to drive operational excellence and productivity through technology adoption in the retail industry. Our goal is for the retail industry to achieve an average annual productivity growth rate of 1.0% from now till 2020 without increasing the sector's overall reliance on manpower. This is a challenging task given the track record and what has been achieved over the last five to 10 years in the sector – we do need to have a strong focus to achieve this level of momentum. This will call for aggressive deployment of manpower-saving technologies at the store-front and back-end. Examples are Radio Frequency Identification (RFID) for inventory management, automated retail services and cashier-less stores. These solutions have already been widely implemented in Europe, Japan and the US with proven manpower savings, so we can do this too. Through SPRING's Automation Support Package, our target is for 50% of large retailers to adopt these established technologies locally by 2020.

16. Our retailers should also be bold in piloting emerging technologies which have been experimented with elsewhere. For example, IKEA has launched an application with Augmented Reality features in selected countries, which allows customers to virtually place and view some 400 products in their own homes. Today's "emerging" technologies will be tomorrow's norm. Humanoid assistants are another example. Earlier this year, Softbank, the third largest public company in Japan, launched "Pepper", a smart, friendly, unintimidating robot that helps customers wanting to buy a mobile phone. I understand that Pizza Hut Restaurants Asia has tied up with Softbank and Mastercard to launch "Pepper" in an outlet to assist customers with checking out and payment.

BUILDING A FUTURE-READY AND PRODUCTIVE RETAIL WORKFORCE

17. Our efforts to drive innovation and productivity will free up manpower resources to serve other functions, and shift jobs towards those that require more skills. This means we will have to redesign jobs (especially the rank and file), enhance career progression pathways, and invest more in skills training. Hence, the Adapt & Grow initiative under WDA will help Singaporeans adapt to changing job demands and grow their skills. The Retail Professional Conversion Programmes (PCPs), P-Max and the Career Support Programme (CSP) will provide PMETs with greater access to good jobs with better career progression pathways.

18. E-commerce will pave the way towards a leaner workforce with enhanced functions. With omni-channel retail models, front-of-house roles can evolve to include the roles of brand advocates and even fashion stylists. The workforce will have to be empowered with the latest in-store technologies, with an increased

demand for specialists in digital marketing and data analytics. SPRING is working with WDA to develop a Skills Framework for Retail so as to upskill the workforce to move into these new jobs and functions as part of the Retail ITM.

19. SPRING and WDA will also conduct master classes in the areas of omni-channel retailing and digital marketing, with more than 25 companies benefitting to date. SPRING and WDA will continue to work closely to introduce more initiatives to equip the workforce with the relevant skills to help businesses build up their omni-channel retailing capabilities.

GROWING SINGAPORE RETAIL COMPANIES INTERNATIONALLY

20. We will also help our retail companies internationalise for growth to generate higher value-added jobs in Singapore. In that regard, SPRING and International Enterprise Singapore (IE) will continue their efforts to help our companies create regional and global brands.

21. E-commerce will be a key enabler, especially in Asia. In Southeast Asia alone, the market size for e-commerce is expected to reach \$34.5 billion by 2020. To accelerate companies' internationalisation, IE has facilitated access to global markets through various digital channels. These include facilitation to join e-commerce platforms, like T-mall, JD.com, Blibli, Reliance, 11 Street and Newegg.com, which can connect our companies with new consumers from Southeast Asia, China, India and the US.

22. Beyond understanding "where to sell", companies also need to know "how to sell better" particularly in foreign markets with which they might be less familiar. Benjamin Barker and Mothers Work are two companies that worked with IE Singapore to capture new customers overseas and develop omni-channel capabilities as an enabler. To grow its customer base beyond Singapore, Menswear lifestyle retailer Benjamin Barker built up in-house digital capabilities to develop its own e-commerce platform, allowing it to move from the offline to online space. For baby products company Mothers Work, it redeveloped its e-commerce platform for the China market to target customers more effectively. This included refining the platform to support multi-language product searches and selection, multi-currency payments, and integration with the backend inventory system to allow for instantaneous confirmation of customers' orders.

23. Companies can also tap on the efforts of their industry associations to shorten their learning curve. For instance, the Singapore Furniture Industries Council (SFIC) has helped its members enter complex markets like China, by riding on SFIC's existing backend infrastructure, developed to bring Singapore furniture retailers onto Chinese e-commerce platforms. Members also benefit from consumer insights ranging from pricing intelligence to competitor scans, which helps them better position their products for the Chinese market. Looking ahead, there will be more of such efforts to raise awareness of our local brands abroad.

STRONG PARTNERSHIPS CENTRAL TO INDUSTRY'S TRANSFORMATION

24. More broadly, our trade associations and industry stakeholders play an important role in our efforts to transform the retail industry. The Singapore Retail Association (SRA)'s and the Singapore Productivity Centre (SPC)'s joint effort to organise this conference is a good example of how we can collaborate and help each other to achieve more. For the past 30 years, SRA has consistently helped the industry through activities such as courses run by the Institute for Retailing. Its two subsidiaries, the Institute for Retailing and the Retail Academy of Singapore (TRAS) run numerous skills and management courses. SRA has also taken steps to broaden its membership base and outreach to include pure e-tailers.

25. The SPC, set up in October 2013, is a one-stop competency centre to help retailers stay competitive. It offers consultancy services in the areas of process optimization and business re-modelling, conducts annual benchmarking studies, and organises seminars and learning trips. I urge all our retail companies to work with SRA and SPC to deepen the interaction between the industry, our trade associations and the Government.

CONCLUSION

26. The Retail Industry Transformation Map envisions a pathway towards a more sustainable and vibrant future for our retail industry. It is not just about overcoming challenges but also how we can seize the new and exciting opportunities that are unfolding in our region because of growth in Asia and also new technology possibilities. All four prongs that I have outlined – boosting innovation, using technology to enhance productivity, re-skilling our workers, internationalising our local companies – require strong partnerships and industry support. There are many programmes run by SPRING, IE Singapore and WDA, which can help our companies undertake some of the specific efforts in this area. Ultimately, this is an effort that requires the collective will and effort of all stakeholders – industry, workers, unions and the government – in order to succeed. We need to compete and work together as a system to position our retail industry for growth and competitive positioning for the future.

27. As we stand together at the beginning of this journey of transformation, I urge all of you to fully support this effort, benefit fully from the programmes, and collectively build a brighter future for our retail industry. I wish you a fruitful and productive conference.

28. Thank you for inviting me.