

Food and fashion take opposite routes in Singapore's retail scene

If it seems like your favorite restaurant now has branches everywhere you look, but your preferred fashion boutique is closing down its stores, then you are not mistaken. Singapore is currently facing a divergence in retailers' fortunes, with F&B players keen to expand into the local market while fashion brands do away with brick-and-mortar stores. But this disparity isn't that surprising, according to Donna Lee, chair of the Franchising and Licensing Association of Singapore (FLA), as the divergence can be attributed to the completely different environment and market that each industry is operating in.

Retailers and restaurant operators in Singapore are weighed down by extremely high leasing expenses. Maybank Kim Eng reveals that listed consumer companies such as Jumbo, Tung Lok and Soup Restaurant are bedevilled by high rental costs, with rents eating up a fifth of total revenue for Soup Restaurant. For Tung Lok, rents take up 15% of total earnings. Other players spend less than 10% of their revenue on rents, but are still impacted by high wage costs.

Damien Koh, owner of café Joe &

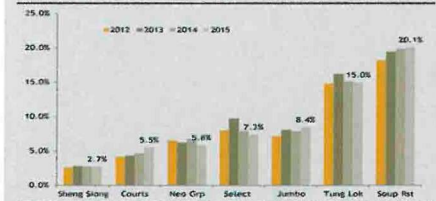
Dough agrees that the F&B retail climate in Singapore is getting more challenging. "Retail landscape has been changing - malls used to be about 15 to 20% tenanted by F&B operators, but nowadays it is closer to 30 to 40%. The number of retail spaces have also more than tripled over the past 3 to 5 years amidst slowing consumption," he adds. Online platforms are also introducing a lot of cost structure into the ecosystem, and while they help to provide consumers with more choice and convenience, ultimately they do not increase the overall consumption much. Joe & Dough currently has 11 outlets, and Koh admits that despite the "hypercompetition in Singapore," F&B outlets don't expand for the sake of numbers.

A highly competitive fashion retail market

In contrast, FLA's Lee explains that fashion is considered a luxury, and fashion retailers are now beginning to feel the heat in a highly competitive market. Throw in the hype of Singapore's burgeoning online retail scene, and you have fashion retailers finding new and creative ways to sell their products

Restaurant costs

Fig 2: Rental costs
There are clearly two camps: those with rental costs <10% and >15%



SOURCE: Maybank Kim Eng

to consumers. "Consumers in the local market are fashion-forward, price conscious, and enjoy having unlimited options. As such, the online retail sector holds great appeal for a number of reasons," Lee says.

An urge to innovate in F&B

However, despite the disparity, Lee says one thing is common in all of Singapore's retail industries. "Nevertheless, businesses and franchises in both the fashion and F&B industries need to constantly innovate and stay ahead of the trends in order to remain relevant and competitive in the market," Lee says.

In addition, even though there has been a rise in the number of food delivery services being made available, the very nature of this industry renders traditional brick-and-mortar stores highly relevant, as food is a basic necessity.