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**SPEECH BY DR RICHARD HU, MINISTER FOR FINANCE,
FOR THE OPENING OF THE TOKYU DEPARTMENT STORE
ON 8 OCTOBER 1987 AT 9.30 AM**

I am pleased to be invited to officiate at the opening of the Tokyu Department Store and would like to take this opportunity to speak on the development of the retail sector in Singapore.

An Overview

Retailers play an important role in our socio-economic development. Not only do they cater to our daily needs for goods and services, selected retailers form an integral part of our network to distribute essential supplies during emergencies. In addition, retailers also contribute to our export earnings by turning Singapore into a major international shopping centre.

In 1985 alone, tourists spent an estimated \$1.1 billion on shopping which accounted for about 10 per cent of the total turnover of the retail sector. Overall, the retail sector contributed to more than three per cent of our Gross Domestic Product in 1985.

Low Productivity

Nevertheless, the low productivity and high labour intensity of the retail sector is a major concern. This is reflected by the relatively high level of employment, which in 1983 was 66,000, and the low value added contribution per worker of only \$19,000. The productivity of the sector

lagged behind the manufacturing sector by more than 60 percent. Compared to Japan, their retailers are at least 50 to 60 per cent more productive.

The crux of the productivity problem lies with the small retailers which comprised more than 98 per cent of the 16,000 establishments. Their productivity was only 51 per cent of the larger retailers. More importantly, local small retailers lagged far behind their overseas counterparts operating here. Their productivity was only 31 per cent of small overseas owned retailers and fixed asset investment per worker was 27 per cent.

There is an apparent lack of professionalism amongst the smaller retailers. This is supported by the findings of the Retail Sector Futures Survey conducted by the National Productivity Board recently. In particular, I am concerned to note that a large proportion of the retailers in housing estates were living day-to-day without any definite plan for the future. Although retailers in the tourist belt and suburban shopping areas, had more planning, it was mainly confined to improving store appearance, space, product lines and stock. Most owners surveyed paid little or no attention to self improvement, staff training or in exploring new measures to increase productivity.

Prospects and Threats

The environment that retailers operate in is a dynamic one that is undergoing fundamental changes in demography, life style and living standards. Retailers must constantly monitor these changes in order to seek out new opportunities for survival and growth.

Another requirement for retailers is to cope with the rapid technological innovations that is now changing the way the industry operates, particularly in the area of

information technology. Many of these are already in operation in Singapore, such as the point of sales system, automatic checking of credit information, automated offices and computerisation of management information. An electronic order system linking retailers, suppliers and even consumers together and other innovations are currently being tested in the advanced countries, and if successful, will most likely be adopted in Singapore as well.

A third and equally important consideration is the economic and social developments and other changes in the environment in the region which will have a direct impact on our retailers as well as the growing trend towards the internationalisation of the retail business.

The major factors affecting retailers in the immediate future are our economic recovery and the tightening of the labour market. In addition, the extension of the tourist belt from Orchard Road to Marina and the Mass Rapid Transport System will bring about changes in shopping patterns. Retailers therefore need to be innovative and resourceful in turning what may be potential threats into business opportunities.

Though few in number, the slightly more 100 large retailers contributed to a substantial 36 per cent share of the total value added of the sector, even though they had a smaller 26 per cent share in turnover and even smaller 22 per cent share in employment. More significantly, local large retail stores have developed their indigenous capabilities and carved their own niches in the market place. Some of them are now in the position to compete with their overseas counterparts operating in Singapore. Our government encourages them to seriously consider exporting their expertise and expand operations overseas.

The future for small retailers can also be promising if they concentrate on improving their productivity and capitalise on the dynamic environment in which they operate. To survive, small retailers will have to react positively and flexibly to change.

Cooperatives and Industry Coordination

The small scale of operation invariably results in inefficiency and places small businesses in a disadvantageous position in competitive terms. The most effective measure to overcome these problems is for small businesses to form cooperatives to strengthen their business structure and improve operational efficiency. Excessive competition and undercutting practices, a principal concern of small retailers as identified in the Survey, can also be avoided.

We can learn much from the experience of the Japanese. They have successfully promoted a cooperative movement amongst small business to create economies-of-scale as well as to effect urban redevelopment in cities. Today, 50 to 60 per cent of all small and medium enterprises in Japan are involved in some form of cooperatives. It is common in Japan for small retailers to set up cooperatives to carry out joint purchasing, distribution and warehousing, conduct research and studies, provide guidance and training as well as develop and manage shopping centres.

There is a general lag of industry coordination in our retail sector and they are far less organised than the manufacturing sector. There are only a few small and trade specific associations. The more prominent of these is the Singapore Retail Merchants Associations. However, it has only about 100 members and is dominated by the large retailers. It is therefore extremely difficult for government agencies with their limited resources to render

direct developmental assistance to small retailers. I would strongly urge small retailers to come together in their own interest to create synergy, improve business structure and organise common activities such as training, guidance and studies to upgrade themselves.

The cooperative concept is not new to Singapore. It has been tried out by the Singapore Provision Shops Friendly Association, EconMini Mart and others with considerable success. Similarly, franchising offers another avenue for small retailers to acquire management expertise and business efficiency. Such activities are actively encouraged by our government and full support will continue to be given.

Government Development Assistance

In the next stage of Singapore's economic development, it will be essential for us to develop the indigenous capabilities of our local industries to contribute towards our new economic development objectives of a balanced economy which can grow in a sustainable manner. It is for this purpose that our government set up the Small Enterprise Bureau (SEB) within the Economic Development Board in 1986.

SEB is now spearheading a multi-agency effort involving the National Computer Board, National Productivity Board, Singapore Institute of Standards and Industrial Research, Singapore Tourist Promotion Board and the Trade Development Board to develop small and medium sized enterprises (SMEs). Inputs from the private sector are also being incorporated into the plan. The aim is to raise the productivity of SMEs, promote innovative and entrepreneurial start-ups, grow promising SMEs and develop a strong supporting industry and service base. Besides manufacturers, SEB also provides developmental assistance to SMEs in the commerce and service sectors.

SEB administers several financial assistance schemes to help SMEs upgrade themselves in key areas of needs. The Small Industries Technical Assistance Scheme provides grants to defray part of the costs of approved upgrading projects in consultancy, automation, production and technical improvements. Under the Small Industries Finance Scheme, loans are given to promising SMEs at competitive rates for financing equipment and machineries, industrial buildings, working capital and factoring. In addition, the Business Development Scheme assists SMEs in establishing strategic alliances with foreign organisations for new business opportunities, expertise and technology.

A number of upgrading programmes which make use of the available resources of government agencies and reputable companies in Singapore have been formulated and is being implemented. Of relevance to retailers would be the Small Enterprise Computerisation Programme which promotes the wider use of Information Technology as a tool for productivity improvement.

Development Plan

It is necessary for us to adopt an overall and coordinated approach to develop the retail sector. Many government organisations such as the Housing and Development Board, Singapore Tourist Promotion Board, National Computer Board, National Productivity Board and the Domestic Trade Unit of the Ministry of Trade and Industry are involved in some aspects of the retail sector. We need a government agency to assume overall responsibility and lead a multi-agency effort to examine the issues further so as to formulate an operational plan to develop the local retail sector.

I am therefore happy to note that the Small Enterprise Bureau of the Economic Development Board would be taking on this role to coordinate the study.

Tokyu is a leading international service group of companies engaged in diverse range of activities in transport, distribution, property, retailing, entertainment and leisure. The opening of this department store marks Tokyu's increased commitment and confidence in Singapore. I wish you every success in your endeavour.

It is now my pleasure to declare Tokyu Department Store open.

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