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## Going big: Warehouse retailing in Singapore

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Warehouse retailers in Singapore reap the benefits of lower rent, particularly in the current environment where business costs are rising, but industry watchers say it is key that they have more to offer to keep consumers coming in.



Electronic goods are sold at a warehouse retail store in Singapore.

SINGAPORE: A new warehouse retail store, Big Box, is set to open soon in Jurong East.

Warehouse retailing in Singapore was initiated by the Economic Development Board in 2004, through the 'Warehouse Retail Scheme'.

The pilot programme was discontinued after three years, as new government schemes to support productivity improvements were introduced soon after, but it has allowed the likes of Ikea and Courts to set up store here.

Warehouse retailers reap the benefits of lower rent, particularly in the current environment where business costs are rising.

Retail development Big Box was the fourth and last to be approved under the Warehouse Retail Scheme (WRS).

The initiative was designed to allow the use of industrial land for retailing and warehousing -- enabling retailers to save on distribution and rental costs incurred when operating in commercial malls.

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For small- and medium-sized enterprises (SMEs), this can be beneficial.

The Big Box operators are working together with Infocomm Development Authority and SPRING Singapore to develop the mall into a hub for SMEs to showcase their products.

“Big Box can facilitate showcasing SME products and also provide the avenue for the consumers to test their products,” said Julia Tong-Sng, deputy CEO of Big Box.

“By doing so, the SMEs will be able to reduce their business costs and improve their productivity. We will have a lot of technological base platforms, like drive-through, m-commerce, and e-commerce to assist them to bring down their business costs.”

The other three warehouse retail stores under the scheme are owned by retailers Courts, Ikea, and Giant, located in Tampines.

As these stores are not centrally located, industry watchers say it is key that they have more to offer to keep consumers coming in.

For example, they may offer lower prices or products which cannot be found elsewhere, said S Ramaswami, associate professor of marketing (education) at Singapore Management University.

He added: “Singapore is a very saturated retail market. People have seen and been to these stores many times.”

“The fact that it's a new store will invite the traffic once at least; even if it's far away they'll come once to see it.

“If they're going to take all the effort to travel to Tampines, they're going to look for lower prices.”

Courts said its Tampines Megastore attracts lower shopper traffic compared to its mall-based stores. Yet, it said the lower sales per square foot is compensated by the lower rental cost per square foot.

For shoppers, industry observers estimate that prices in warehouse malls may be discounted by up to 15 per cent.

Courts said one advantage of having a large space is that it can offer a more extensive range of products at its megastore -- under the same roof as its warehouse.

It has been working on fitting even more products into that space.

“We renovated the megastore market hall less than six months ago. The aim of that was productivity and trying to fit more products into that space,” said Tim Luce, country CEO of Courts Singapore.

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"We've improved productivity by about 25 per cent that means a lot more stock keeping units in the same area for the space."

Apart from offering more products at lower prices, big box retailers say they are attracting customers through different services.

Some have eateries and entertainment facilities on their premises to cater to families who decide to spend the day there.

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