



NEWS

Orchard Road's shopping hurdles

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Analysts say that e-commerce is not the only reason for the drop in business along Orchard Road.

Other reasons include:

Competition from suburban malls

[Singapore Polytechnic](#) marketing retail lecturer Amos Tan said that people no longer shop purposefully at large departmental stores.

One indication of this is Metro Holdings, which had opened a new department store in The Centrepoint in the final quarter of 2014, reporting a "disappointing level of sales resulted in losses being incurred by the new store".

Ms Chia Siew Chuin, director of research and advisory at [Colliers International](#), said suburban shopping centres provide access to shopping and dining options for the immediate residential catchment population.

In a February report, sales for department store operator [Isetan \(Singapore\)](#) rose by 2.2 per cent to \$340.3 million last year. Other than its new store in Jurong East, which completed its first full year of operations in 2014, sales at the other stores registered lower sales last year, due to the challenging and competitive environment.

With more heartland malls springing up in the last few years, shopping is not confined to locations and consumers no longer have to go to Orchard Road for the latest offerings, added Mr Tan.

In 2013, Jurong East became the suburbs' answer to Orchard Road when Jem and Westgate opened in June and December, giving shoppers access to international brands such as [H&M](#) and Kate Spade Saturday. The area now has four malls, including JCube and IMM.

Orchard Road also faces competition from destinations including Marina Bay and Changi Airport.

Retailers at Changi Airport registered 9 per cent annual growth in retail sales to a record of more than \$2 billion last year.

Rent, the Reit factor and cookie-cutter malls

Dr **Lynda Wee**, an adjunct associate professor in retail at [Nanyang Technological University's](#) business school, said most malls are managed as Reit-instrument.

Reit or real estate investment trust, is a closed-end investment company that invests shareholders' money in real estate and real estate mortgages.

They include office and apartment buildings, warehouses, hospitals, shopping centres and hotels.

She said that new-to-market brands tend to prefer being located along Orchard Road "for easy accessibility and image because of its positioning as Singapore shopping street".

"But a lot of the new and unknown brands don't survive. They close down or move out in the average time span of two to three years," Mr Tan said.

Too many similar brands

So these new-to-market brands flood the main shopping belt.

Ms Chia: "While each mall positions itself to create a unique identity, the similarities among malls in Orchard Road could be the result of the typical types of tenants that have the ability to attract the masses, as well as their ability to afford retail space rents in Orchard Road.

"Such tenants typically comprise the fast fashion chains and fast-food chains that have the financial muscle and stamina to survive in the highly competitive retail scene."

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