



TOPSTORIES

Why some things cost more here

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TAKE a small but demanding consumer market like Singapore and factor in high freight charges and skyrocketing rentals – it then comes as little surprise that Singapore is one of the most expensive cities for certain lifestyle products.

A government-commissioned study of over 640 products across three global brands has found that prices in Singapore are often at the high end, with two thirds of the items costing above the median in 11 cities.

However, the price differentials are “fairly moderate”, said the report, which sampled goods from Apple, Ikea and Zara, and compared Singapore to cities such as New York, London, Hong Kong and Tokyo.

Typically, at most, prices are 21 per cent lower in the cheaper locations, and up to 15 per cent higher in the most expensive ones, compared to Singapore’s, showed the findings released yesterday.

The study, which sampled everything from Apple iPads to Zara underclothes and Ikea textiles, also found that 6 per cent of the products are the most expensive in Singapore.

CIMB regional economist Song Seng Wun said the findings were “not surprising”, considering that Singapore is a wealthy city state with affluent consumers, and that high rentals and rising wages have also pushed up business costs.

The report noted that Singapore’s small market size could possibly account for the relatively higher prices of some goods, compared to cities such as Hong Kong and New York. “Larger markets allow retailers to spread distribution overheads over a larger sales volume,” it noted.

Lynda Wee, an adjunct associate professor in retailing at Nanyang Technological University, said that, depending on where the products are made, freight charges could also vary significantly, even within a brand.

She explained that a T-shirt could be made in China while a dress stitched in Spain. These could result in different pricing when they are shipped to Singapore.

Depending on how tech-savvy or fashion-conscious the market is, companies also price their products differently. Dr Wee said Apple will, for example, price its iPhone 5 at a premium when it is just launched, because they know customers are willing to pay top dollar to be the first to get it.

The Consumer Price Differentials across Geographical Locations report, part of the Monetary Authority of Singapore’s half-yearly Macroeconomic Review, comes in the wake of the Economist Intelligence Unit’s standard of living study released last month, which found Singapore to be the costliest city in the world for expats.

That report raised eyebrows, with Deputy Prime Minister Tharman Shanmugaratnam clarifying that the basket of goods used did not reflect the consumption patterns of the average Singaporean.

Asia Competitiveness Institute co-director Tan Khee Giap said that, with just three product categories and relatively few cities, the scope of the latest report is limited and should not be indicative of Singapore’s cost of living.

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