

# **Retail Malaysia**

## **2017/18**

### **Diamond Retail Review**

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December 2017

Diamond Retail Media Co., Ltd.

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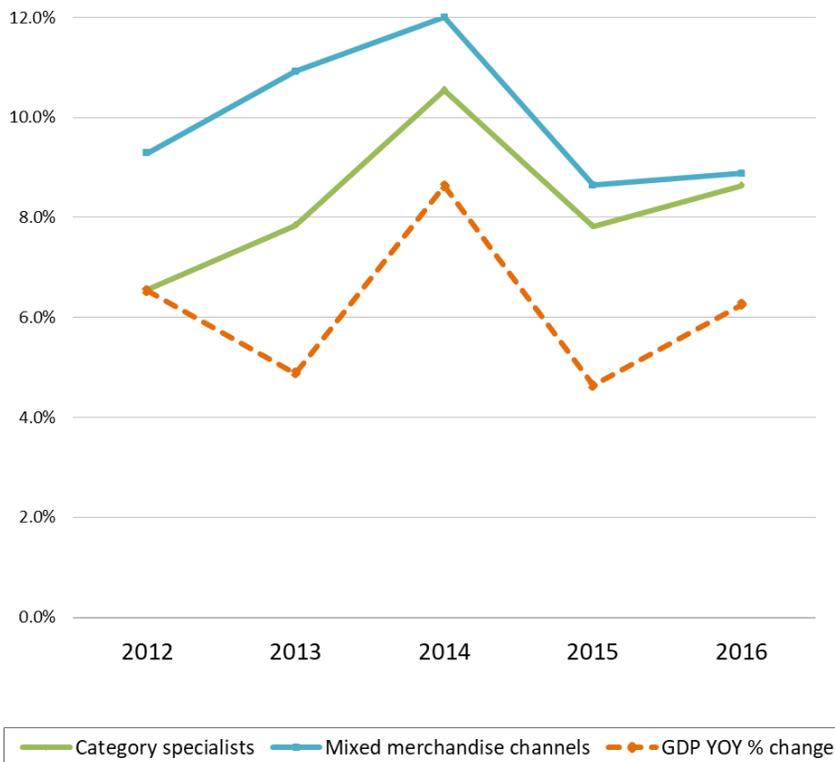
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Mixed merchandise channels registered higher growth than category specialists but closer gap after GST implementation

- Malaysian retail trade has been growing moderately in the past 5 years, from 2012 to 2016, and progressed onto the 1st quarter and 2nd quarter of 2017 (see figure 22, page 31). On a quarterly basis, only 3 quarters in the past 5 years had indicated negative growth from the previous quarters - 2012 Q4 (-0.2 percent), 2015 Q2 (-1.8 percent) and 2016 Q2 (-1.1 percent). The shortfall of 2015 Q2 has apparently reflected the implementation of the 6 percent GST which took place in April 2015.
- Total retail trade market size in 2016 was MYR403.8 billion with 66 percent market share from category specialists (sales value of MYR265.0 billion) and 33 percent share of the market from mixed merchandise channels (sales value of MYR134.1 billion). 1% share of the retail trade market is from non-store retail players with sales of MYR4.8 billion. The sales figure of non-store retail has been omitted in the chart (see figure 23, page 31).
- Malaysian retail trade market gained sales of MYR119.5 billion in the past 5 years (2012-2016) which is equivalent to the growth of 42.0 percent.
- Retail trade market CAGR of 9.2 percent, has always been between 3-4 percent higher than the CAGR of the country's GDP of 6.1 percent in the past 5 years. The growth in mixed merchandise channels is higher than the growth of category specialists in 2012-2014, but the gap is closer in recent years, 2015 and 2016 (see figure 24).

Figure 24

Malaysia GDP and retail market (category specialists and mixed merchandise channels), Year-On-Year percentage

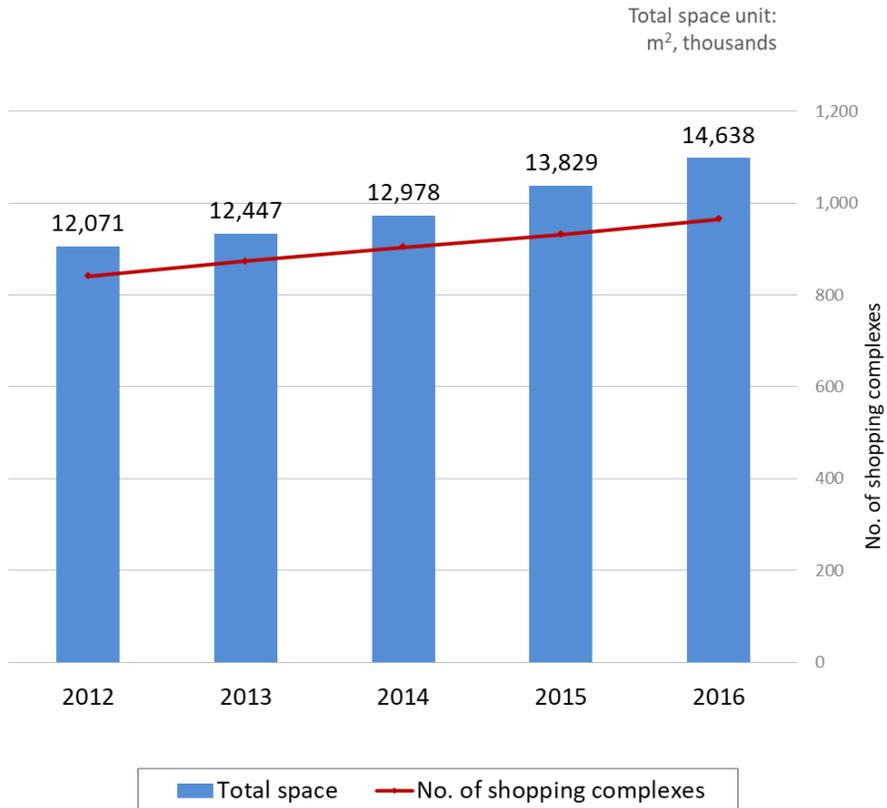


Source: Department of Statistics Malaysia, Quarterly Services Statistics, 2012 – 2016. National Accounts Statistics Division, Department of Statistics Malaysia

Shopping centres' a catalyst for retail market growth, more so for category specialists

Figure 25

Number of shopping complexes and total space in Malaysia, 2012-2016



Source: National Property Information Centre (NAPIC)

- Malaysia is known as the country of many shopping complexes. There were 965 shopping complexes throughout Malaysia at the end of 2016, with a total space of 14,638,030m<sup>2</sup> (see figure 25).
- 124 new shopping centres were added in the past 5 years (2012-2016) which saw a growth of 14.7 percent. In terms of total space, the 5-year growth was 21.3 percent. This means more space was made available which translated to shopping centres with bigger capacities had been developed in recent years.  
Occupancy rate of the shopping centres has sustained high levels of around 80 percent in the past 5 years. The lowest at 79.1 percent in 2012 and highest at 82.4 percent in 2015. Occupancy rate at the end of 2016 was 81.4 percent.
- In Malaysia, shopping centre is perceived as one of the main retail trade marketplace in recent years, correlated with high household ownership of cars. The existence of shopping complexes are highly probable to have assisted the growth of various retail channels, especially category specialists.

## The past 5 years of retail landscape through the eyes of Malaysia Retailers Association

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Malaysia Retailers Association was founded in 1982. The retail fraternity represents some of the largest companies in Malaysia among its 113 members. The Ministry of Domestic Trade Co-operation and Consumerism and other Authorities within the government of Malaysia recognised MRA as the official voice of retailers in the country.

MRA deputy president Mr. James Loke and council member Mr. Raymond Teo, during an interview with Diamond Retail Review, expressed their sentiments when asked about the Malaysia retail landscape of the past 5 years. These are excerpts of what they said:



MRA Deputy President  
Mr. James Loke

### Oversupply of shopping malls

Supply is more than demand and a lot of shopping malls are not reaping the returns. It is said that among the winners are the top 5 shopping malls, for the rest competition is stiff. The upside is that shopping malls are creating opportunities for shoppers and retailers alike. In terms of shoppers, it creates the convenience of shopping for endless choices of brands in one venue. And, for retailers especially for category specialists (such as those selling apparel, footwear, etc.) which does not require huge premises, selects prime shopping malls as part of their organic growth strategy. The next time you shop at different shopping malls, observe the common brands.



MRA Council Member  
Mr. Raymond Teo

### Influx of multinational brands

A lot of global multinational brands are setting up store in Malaysia. Category specialist stores such as Uniqlo, H&M, Cotton On and other multinational brands are filling up space in shopping malls and competing with local brands.

### Premium outlet malls craze

Premium outlets are the new norm. More and more premium outlets are opening their doors. There is the first outlet mall - Johor Premium Outlets in Johor Bahru (opened in 2011); followed by Mitsui Outlet Park KLIA Sepang in Selangor (2015); then Design Village Outlet Mall in Penang (2016); and recently, Genting Highlands Premium Outlets in Pahang (2017).

### Local brands seek opportunities in rural communities

Local brands are under pressure to compete with multinational brands and one of the avenue for them is to go outskirts (rural). Multinational brands will undoubtedly make Kuala Lumpur city (urban) their grand entrance. Local brands who are versatile in target segmentations find inroads into rural communities where potentials are untapped.

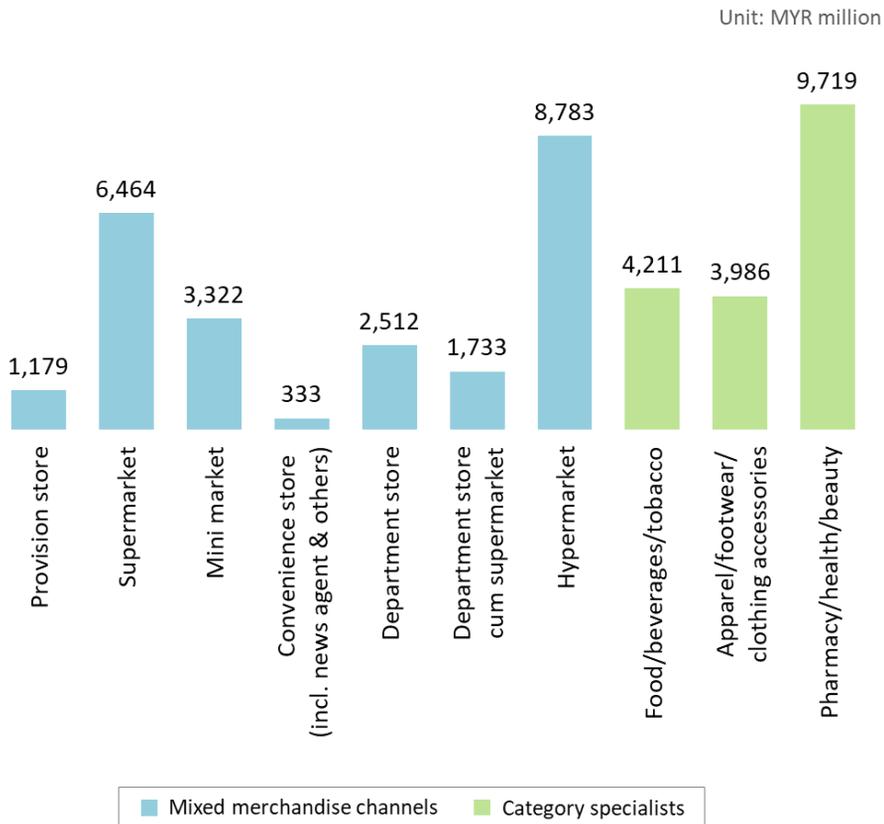
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Pharmacy/health/beauty outperforms other channels in the Malaysian retail market, followed by Hypermarket and Supermarket

Figure 29  
Market growth (value) of major channels, 2009-2014



Source: Department of Statistics Malaysia, Census of Distributive Trade 2009, and 2014

- Pharmacy/health/beauty channel has increased its market size the most in the past 5 years, 2009-2014. The 5-year gain was MYR9,719 which is equivalent to 90.7 percent growth. Followed by the Hypermarket channel with MYR8,783 million (82.6 percent) and the 3<sup>rd</sup> channel was Supermarket with a growth of MYR6,464 million. Among the total 10 major channels, these 3 channels' growth occupied 59.1 percent (see figure 29)
- The underperformed channel among the 10 major channels in the same period was Convenience store (which includes the revenue from news agents and others), with a revenue gain of MYR333 million (or 21.8 percent). Even Provision store, a traditional trade format, outperforms Convenience store in revenue gained.
- The growth tendency of these 10 major channels is most likely to continue beyond 2015, judging from the growth of category specialists and mixed merchandise channels (see figure 30, page 45). The next government census scheduled for 2019 shall attest the latest growth of major channels.

Company name 99 Speed Mart Sdn Bhd

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Tel +60 3 3362 6863

Fax -

Home page www.99speedmart.com.my

History / Background

- Mr. Lee Thiam Wah started his mini market business in 1987.
- In 1992, he became the founder of a chain of integrated mini markets with the first store that bore the name “99” opened in Klang Utama.
- From 2000, new stores were rebranded 99 SPEEDMART and within the next 2 years all existing stores follow suit.
- Today 99 SPEEDMART has grown to more than 1,000 stores and celebrates its 30<sup>th</sup> anniversary.

Channel coverage (store brand) Mini market (99 SPEEDMART).



2016 99 SPEEDMART

Number of stores (estimated) 890

Area covered Peninsular Malaysia: Perak, Kuala Lumpur, Selangor, Negeri Sembilan, Melaka, Johor, Pahang  
East Malaysia: Sabah

E-commerce platform na

E-commerce ratio na

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Unit: MYR '000	2014	2015	2016
Revenue (estimated)	2,100,000	2,400,000	3,000,000
No. of stores (estimated)	620	750	890

Source: Diamond Retail Review estimates based on various sources of information

### Speeding ahead with the right combination

A fairy tale of sheer grit and determination from a wheelchair-bound entrepreneur who reshaped the concept of neighbourhood shopping convenience.

As the country move towards urbanisation and new townships sprout out, 99 SPEEDMART is poised to take the brand further.

#### Financial perspective

- 2017 marked the 30<sup>th</sup> anniversary of 99 SPEEDMART. With growth at such a fast speed, it has achieved more than 1,000 stores and is still growing today. This has contributed MYR3.0 billion to their 2016 revenue, an increase of 20 percent compared to 2015 although the net profit is at low level since the company is investing heavily for implementation of strategies for future growth.

#### Strategic highlights

- 99 SPEEDMART's formula is about taking away the hassles of traffic jams, crowds, tedious product search, long queues at counters, high pricing and inconsistent availabilities of products. They strive to provide customers with an "ideal shopping environment" that incorporates the elements of time and money-saving. Their slogan is NEAR 'n SAVE.
- To remain competitive, founder Mr. Lee Thiam Wah plans to stick to his forte in operating mini markets. He does not want to go into the hypermarket or supermarket business. The retailer also does not have a budget for advertising and promotional activities, so it can continue to offer the lowest prices to its customers.
- The strategy is to focus on cities with large concentration of the population. For example, in Kota Kinabalu, the state capital of Sabah, before moving into other smaller cities within the state.
- 99 SPEEDMART has plans to expand overseas as some Asian countries still do not have mini markets, according to Mr. Lee Thiam Wah, the founder and managing director of 99 SPEEDMART. He went on to comment that the overseas expansion will only happen after 5-10 years. The company is currently studying the markets in Thailand and China.
- The company has no intention of franchising, nor listing because the business' net profit is insufficient to distribute a fair share to franchise owners and shareholders.

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