Impact of COVID-19 on **tourism in Singapore** & **the road to recovery** and transformation

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VISA

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FOREWORD BY STB AND VISA

The COVID-19 pandemic has led to worldwide health, economic and social challenges. As the world starts to slowly pivot from COVID-19 crisis management to recovery and reopening of economies, it is clear that international travel is unlikely to resume to pre-pandemic levels anytime soon. The period of contagion, self-isolation and economic uncertainty has transformed consumer needs and behaviour, thereby impacting businesses.

As our local retailers and small and medium-sized businesses (SMBs) form the backbone of Singapore's economy and play a critical role in the tourism sector, businesses must be ready to reimagine, innovate and explore new ways of doing business while experiencing a fundamental shift in consumer expectations and industry operations.

To help the rejuvenation of businesses in the tourism sector, the Singapore Tourism Board (STB) and Visa have jointly produced a paper to provide insights to help businesses better curate their consumer product offerings and navigate through these challenging times.

This paper also highlights four key thrusts to help spur local business recovery. This includes empowering merchant partners through a suite of digital productivity tools and resources, leveraging on online commerce to drive spend, and creating engaging content to ensure that Singapore continues to be top-of-mind for both locals and potential international travellers.

We hope you find these insights useful in revitalising the sector for a more resilient future.

The Economic Impact of COVID-19 on Tourism

Singapore's tourism sector takes a hit

The prolonged restrictions on cross-border travel have severely disrupted Singapore's tourism industry.

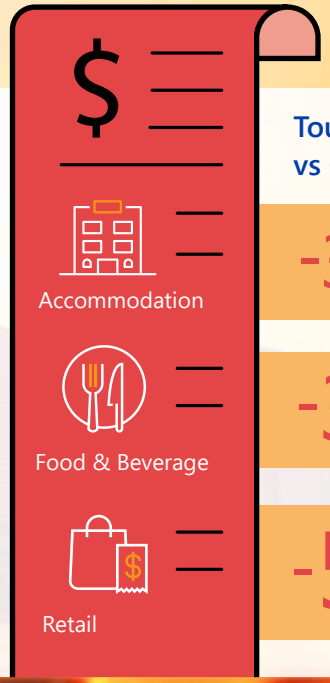
International visitor arrivals fell by 76% Year to date July 2020

YoY decline in tourism receipts at 39% in Q1 2020

YoY drop in Visa transactional spend on goods and services by inbound travellers 61% as of March 2020

Share of Tourism Receipts by Major Components In Q1 2020

47%



Tourism receipts vs Q1 2019

-31%

-36%

-52%

According to STB's tourism receipts data, the top three sectors contributing to almost half of tourism receipts in Q1 2020 are retail, accommodation and food and beverage. As a result of the pandemic, these sectors have suffered significant declines – retail (-52%), food and beverage (-36%) and accommodation (-31%) as compared to Q1 2019.

The pandemic has impacted the tourism industry as businesses continue to struggle with a lack of inbound travellers.

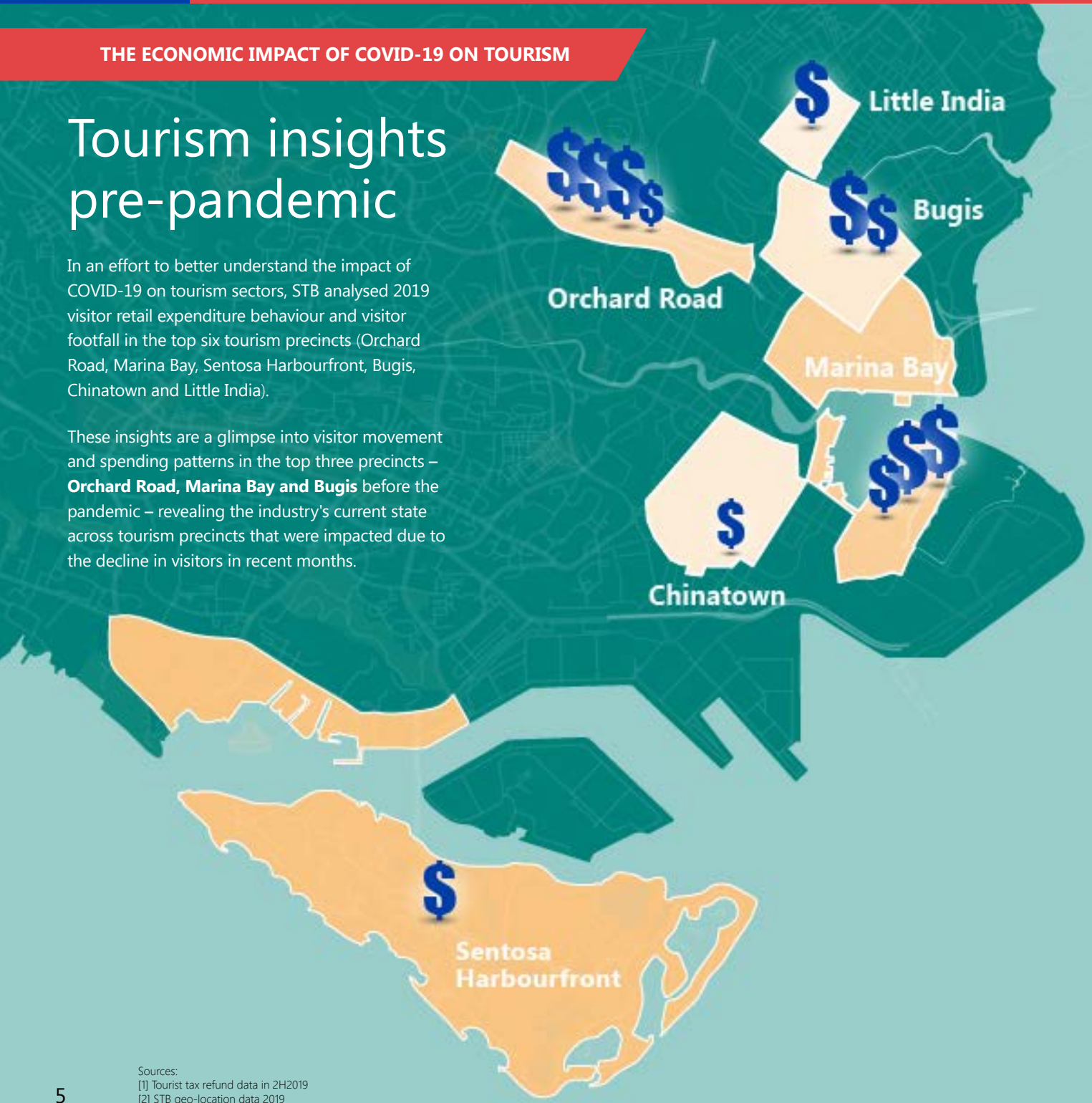
Visa's transactional spend in retail categories shows a similar trend. The data showed a 61% year-on-year decline in expenditure by inbound travellers. More than half of the decline came from retail categories such as department stores, fashion, electronic goods, cosmetics and beauty and others.

Source:
Disembarkation/Embarkation Cards and STB Overseas Visitors Survey (Data is updated as of Q1 2020)
- Total tourism receipts including sightseeing, entertainment and gaming.
- Sightseeing, Entertainment & Gaming includes entrance fees to attractions and nightspots, expenditure on day-tours, leisure events as well as entertainment at the Integrated Resorts.

Tourism insights pre-pandemic

In an effort to better understand the impact of COVID-19 on tourism sectors, STB analysed 2019 visitor retail expenditure behaviour and visitor footfall in the top six tourism precincts (Orchard Road, Marina Bay, Sentosa Harbourfront, Bugis, Chinatown and Little India).

These insights are a glimpse into visitor movement and spending patterns in the top three precincts – **Orchard Road, Marina Bay and Bugis** before the pandemic – revealing the industry's current state across tourism precincts that were impacted due to the decline in visitors in recent months.



Visitor Retail Expenditure[1]

Visitors frequented Orchard Road and Marina Bay precincts for their shopping needs, contributing a significant proportion (76%) of retail spend during their stay in Singapore in those precincts.

Fuelled by visitor retail expenditure before the pandemic, businesses in these precincts are now more affected than the other precincts.

Orchard Road precinct took the hardest hit as visitors spent about half of their total retail spend (52%) there compared to 24% in the Marina Bay precinct.

Visitor Footfall[2]

Key tourism precincts such as Sentosa Harbourfront, Marina Bay and Orchard were most visited by visitors – Sentosa Harbourfront recorded the highest footfall, with 25% of visitors visiting the precinct.

Both Marina Bay and Orchard Road enjoyed substantial footfall at 22% and 16% respectively, followed by other tourism precincts such as Bugis (8%), Chinatown (6%) and Little India (4%).

Sources:
[1] Tourist tax refund data in 2H2019
[2] STB geo-location data 2019

Impact on retail businesses in key tourism precincts

Prior to the pandemic, these are the various retail categories that visitors were spending on in different precincts.

TOP RETAIL CATEGORIES FOR VISITOR EXPENDITURE IN EACH PRECINCT

^Includes medical goods, souvenirs & gifts, other retailing goods.

Orchard Road precinct

Orchard Road, River Valley, Mohamad Sultan, Cairnhill

Orchard Road precinct enjoyed a good mix of retail diversity, with fashion, watches and department stores commanding a 74% share of retail spend by visitors.

^Includes electronic goods, souvenirs & gifts, travel accessories, other retailing goods.

Marina Bay precinct

Marina Bay, Raffles Ave, Temasek Boulevard

Marina Bay precinct has a strong appeal to visitors with its retail mix of high-end luxury fashion boutiques and other categories such as watches, gold and jewellery. This accounted for up to 93% of the retail spend. Fashion, as a sole category contributed 57% of spend in the precinct.

^Includes medical goods, souvenirs & gifts, tobacco & wines, other retailing goods.

Bugis precinct

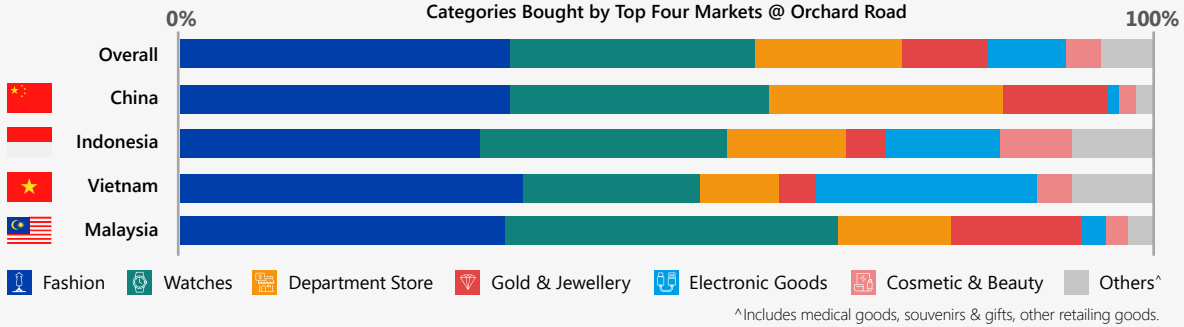
Bugis, Tan Quee Lan, Rochor, Queen Street

Unlike Orchard Road and Marina Bay precincts, the Bugis precinct saw significant consumer spending on electronic goods.

Source:
Tourist tax refund data in 2H2019

POPULAR RETAIL CATEGORIES SPEND BY KEY MARKETS*

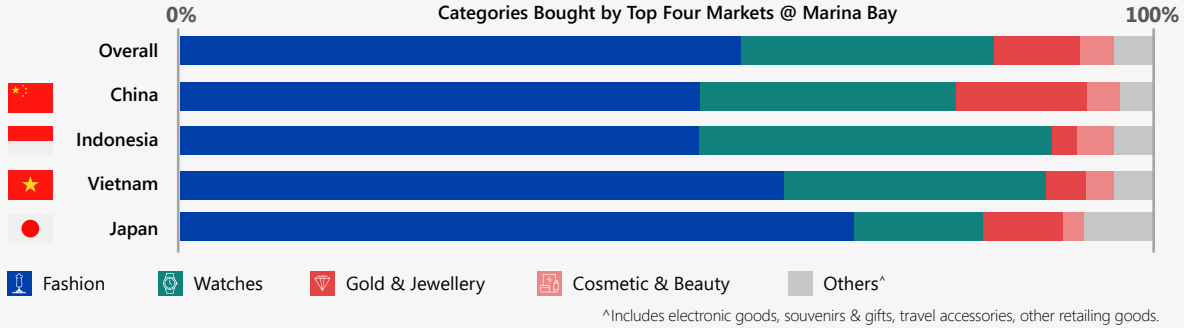
Orchard Road precinct



Visitors from China and Indonesia were the top two spending markets in the Orchard Road precinct, contributing to 29% and 25% of tourism receipts in Orchard Road respectively.

Out of the four key markets, visitors from China were more likely to spend in department stores, while visitors from Vietnam were spending substantially more on electronic goods. Visitors from Malaysia spent most on watches in this precinct.

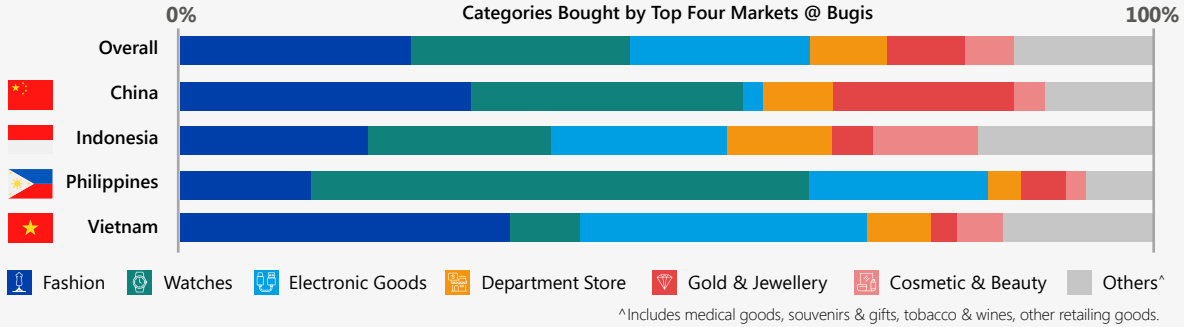
Marina Bay precinct



China is the main contributor (45%) in Marina Bay precinct. Other key source markets such as Indonesia, Vietnam and Japan contributed to 20% of the total spend in the precinct.

Visitors from Japan and Vietnam spent more on fashion (60% of total spend) than other markets.

Bugis precinct



Bugis ranked as a favourite precinct among Southeast Asian visitors, with a third of the visitors (36%) coming from Indonesia, Vietnam and the Philippines.

Visitors from the Philippines spent most on watches, which comprised about half of their total spend in the Bugis precinct. Visitors from the Philippines and Vietnam also spent more on electronic goods in this precinct.

Source:
Tourist tax refund data in 2H2019

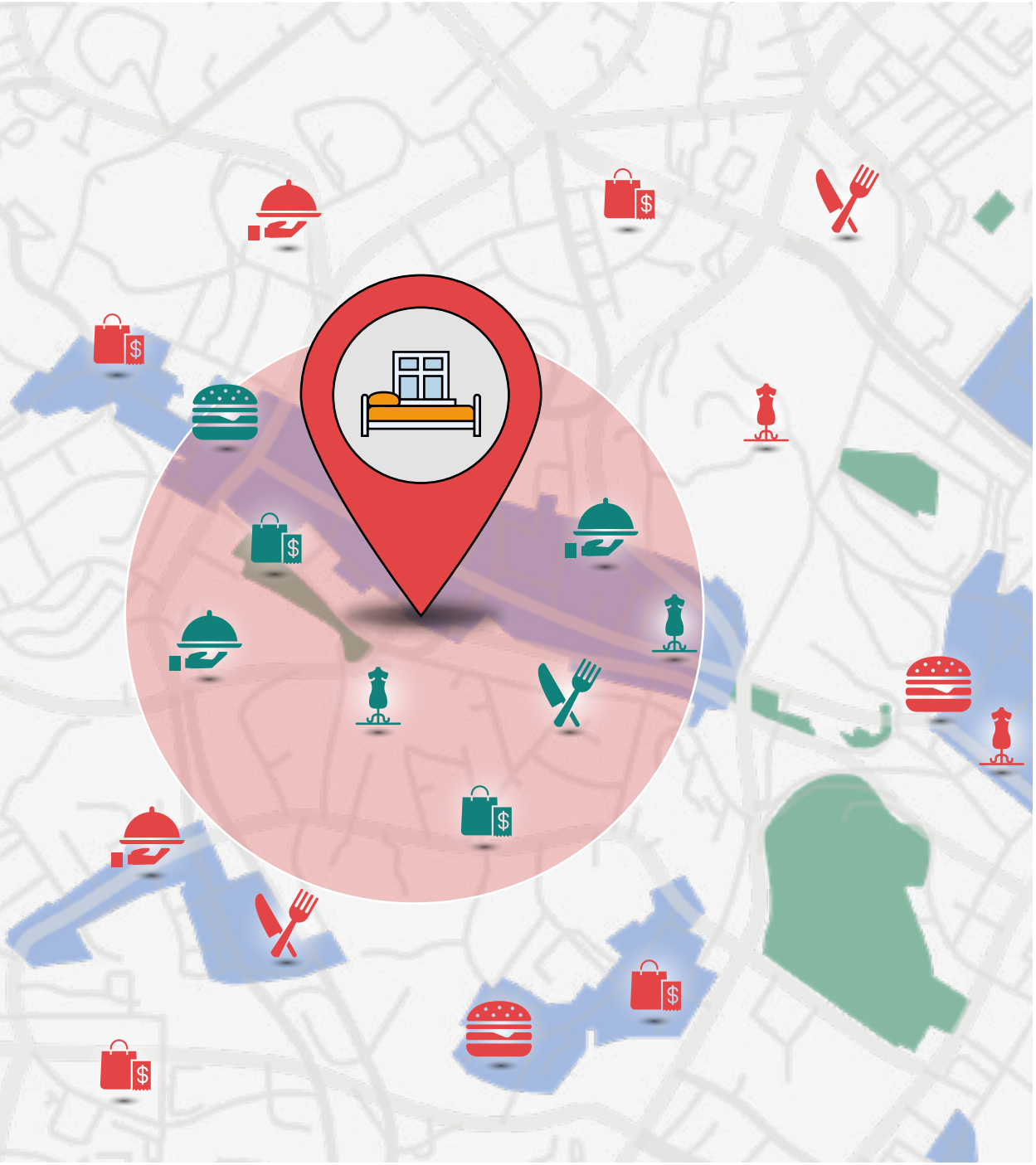
*Key markets with highest expenditure in the precinct

Ancillary spend in tourism precincts impacted

Most visitors spent at least 40% of their waking hours within 1 km of their respective hotels.

Visitors who were staying in the Marina Bay precinct spent the most amount of time around their hotel - with 52% of their waking hours spent within the vicinity.

With the fall in number of visitors, ancillary businesses around these hotels in the three precincts, which used to benefit from visitor spend, naturally took a hit.



% OF TIME SPENT WITHIN 1KM FROM HOTELS

Overall	42%	Marina Bay	52%
Orchard Road	46%	Bugis	45%

Source:
STB geo-location 2019

Local brands experiencing double-digit decline in spend

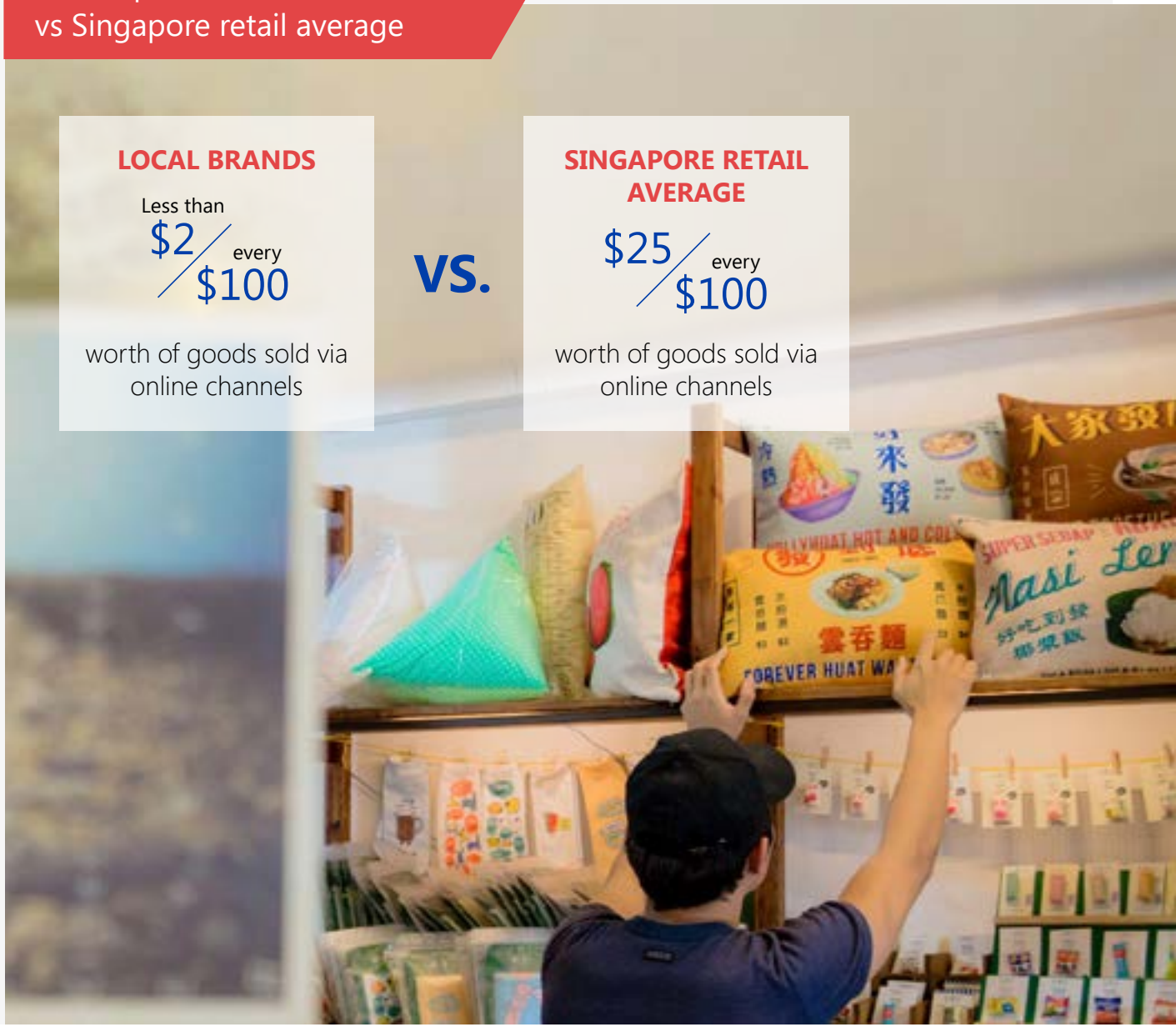
Local brands* have been affected by the pandemic, with consumer spending falling by 14% drop due to lack of foreign visitors, and change in shopping preferences among locals.

The lack of online presence has left local brands increasingly vulnerable to the adverse economic impact of the pandemic. Less than $2 per $100 of goods sold by local brands were transacted online, which is lower than the normal retail average.

Higher adoption of contactless payments was also observed among Singaporean consumers during the pandemic (close to 15% increase in contactless adoption in Q1 2020), which could be due to consumers becoming more hygiene conscious and preferring contact-free payments.

This is why local businesses must adapt to this new environment, if they want to stay relevant and compete for business effectively.

Online presence for local brands vs Singapore retail average



LOCAL BRANDS

Less than $2 every $100

worth of goods sold via online channels

vs.

SINGAPORE RETAIL AVERAGE

$25 every $100

worth of goods sold via online channels

Source: VisaNet
Analysis period: Jan -2020 to Mar-2020
YoY Growth : Jan-2020 to Mar-2020 vs Jan-2019 to Mar-2019

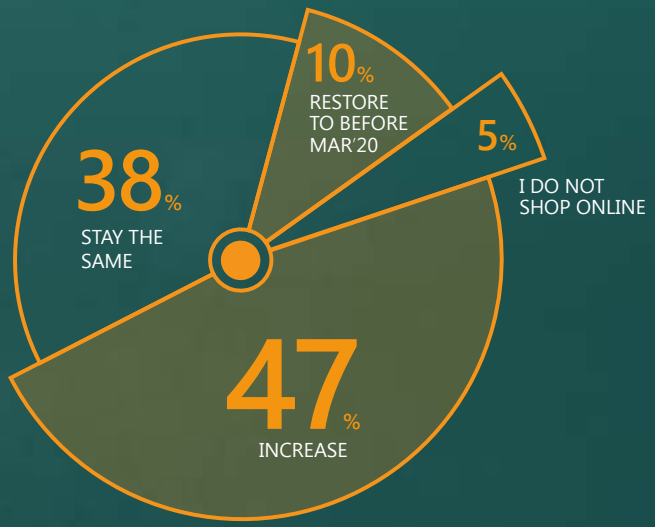
*Local brands refer to a basket of home-grown retail brands with 9 sub-categories observed in VisaNet data. The sub-categories range from fashion apparel, jewellery & accessories, leather goods & bags, shoes, accessories, watches, departmental stores, souvenirs, food and confectionery.

Adapting to
Changing
Consumer Demands

Going online is preferred and here to stay

Many consumers in Asia Pacific are shopping online for the first time and are likely to continue doing so post-pandemic. Over four in five consumers also intend to continue or make more purchases online (85%), while less than two in five intend to revert to pre-pandemic patterns of purchasing in-store.

My Future Online Purchases Will...



Most Popular Categories for First-Time E-Commerce Buyers[3]

- 19% FOOD & BEVERAGES
- 16% OVER-THE-COUNTER PHARMACEUTICALS
- 15% SERVICES (I.E.: INSURANCE)
- 15% COSMETICS & PERSONAL CARE
- 14% CLOTHES & ACCESSORIES
- 11% ELECTRONICS
- 14% OTHER PRODUCTS

Source:
[3] Kantar COVID-19 Barometer, fieldwork 27-31 March 2020

Singaporeans shift towards online platforms as preference for e-commerce grows.

EMERGING "NEW NORMAL" ONLINE BEHAVIOUR

These new online habits have fuelled a shift towards online platforms and will likely remain post-pandemic to become the "new normal".[4]

GROWTH OF ONLINE SPEND ACROSS MERCHANT CATEGORIES

RESTAURANTS	181% ▲▲▲▲
COMMERCIAL/B2B SPEND	79% ▲▲
HEALTHCARE	31% ▲
ENTERTAINMENT	27% ▲
RETAIL	12% ▲
OTHER SERVICES	5% ▲

Singaporean consumers' shift in preference towards online platforms is shown by the significantly larger year-on-year growth in online spend across the top five merchant categories, compared to face-to-face spend. This disparity was particularly pronounced for consumer spend at restaurants (181% YoY growth for online spend, 8% YoY drop for face-to-face spend), healthcare services (31% YoY growth for online spend, 4% YoY drop for face-to-face spend) and entertainment services (27% YoY growth for online spend, 12% YoY drop for face-to-face spend).

Consumers' increasing preference for online shopping in Singapore is clearly shown by the rapid growth of Singaporean consumers on online platforms.

Source:
[4] Visa "The New Normal" 2020; Nielsen "COVID-19: Where consumers are heading?: March 2020 survey

Key Insights

1

Orchard Road and Marina Bay were the hardest hit precincts.

Visitors frequented Orchard Road and Marina Bay for their shopping needs - A significant proportion (76%) of their retail spend during their stay in Singapore occurred in the Orchard Road and Marina Bay precincts.

2

Diversity of spend vary across top tourism precincts.

Orchard Road enjoyed the widest retail spend diversity with fashion, watches and department stores comprising 74% of retail spend by visitors shopping in the precinct.

Marina Bay precinct appealed to visitors with its retail mix of high-end luxury fashion boutiques.

Bugis precinct stood out for electronic goods spend, which was not a common category of spend at other precincts.

3

Visitors spent a considerable amount of time within 1km of their hotel.

With visitors spending at least 40% of their waking hours within 1km of their hotel, they are most likely to explore and spend more in places within their vicinities. Due to the lack of visitors in the current climate, tourism-related businesses such as retail, restaurants attractions around the hotel were directly impacted, especially in the key tourism precincts.

4

Local brands lacked online presence.

Due to the lack of online presence, local brands were more vulnerable to the adverse economic impact of the pandemic. Unable to capture the growth of online spend, local brands experienced a double-digit decline in revenue. On the other hand, non-local brands experienced an increased demand on their e-commerce platforms.

5

More local consumers are spending online.

85% of Singaporean consumers intend to continue or increase their online purchases. There is significant growth in online spend across the top five merchant categories including restaurant, commercial, healthcare, entertainment and retail. Consumers' online spend was particularly pronounced in the restaurant category.

COVID-19 Recovery and Transformation Towards a Resilient Future

Recovery and Transformation

The economic impact of COVID-19 has clearly battered the entire local tourism industry. The pandemic has also accelerated key payments and commerce trends, such as the shift towards online channels and experiences, as well as increased usage of electronic payments. Changes in consumer preferences and behaviour are likely to persist. Hence, businesses need to be agile in adapting to the new paradigm.

While we continue to drive domestic support for local brands, the shift in consumer expectations and behaviour means that brands must reimagine, innovate and explore new ways of doing business. As a starting point, they can focus on digitalisation by establishing an online presence, pivoting product and service offerings, and ensuring acceptance of electronic payments to continue engaging consumers who are spending more time online and in their homes.

We believe these are the four key thrusts to help businesses spur recovery:

- Driving domestic spend to affected tourism-related businesses
- Support for Singapore Small and Medium-sized Businesses (SMBs)
- Digitising Singapore Small and Medium-sized Businesses (SMBs)
- Improving consumer experience

References

This report includes the analysis and insights based on a variety of sources contributed by Analytics & Insights department from STB. The sources include Disembarkation/Embarkation cards, Overseas Visitors Survey, geo-location data and tourist tax refund data.

This report also includes data by Visa Consulting and Analytics (VCA) which is the payments consulting advisory arm of Visa. This group is a client-facing global team of several hundred payments consultants, data scientists and economists across six continents. In FY19, we executed over 1,000 payment projects in more than 100 cities around the world, addressing business pain points and creating significant value for clients in the process.

The combination of our deep payments consulting expertise, our data science capabilities and our economic intelligence, allows us to identify actionable insights, recommendations and solutions that drive better business decisions and outcomes for clients. We offer consulting services for Issuers, Acquirers, Merchants, fintechs and others across six practice areas: Strategy, Product, Portfolio Management, Risk, Digital and Execution. VCA works with clients on high impact topics spanning the full customer lifecycle.