

# Welcome Address by Mr Toh Han Li, Chief Executive, CCS, at CCS's E-Commerce Seminar

Distinguished Guests,

Ladies and Gentlemen,

It is my pleasure to welcome you to CCS's E-Commerce seminar. I am glad to see a big turnout today with over 150 representatives from the business community, practitioners, consultants, and government agencies.

2 Online sales in Singapore and the region are expected to grow exponentially in the coming years, driven by the rise of mobile Commerce, and the potential to gain easy access to a wider geographic pool of customers through online platforms. In Singapore, only 4 per cent of household expenditure is currently spent online, suggesting there is room for further growth when we consider the experience of other economies.<sup>1</sup> The global average of online sales as a proportion of total retail sales in 2014 was slightly under 6 per cent, while online sales in more mature e-Commerce markets like China, the United Kingdom and the United States of America account for 10 per cent, 13 per cent and 6.5 per cent of total retail sales respectively.<sup>2</sup> Likewise, within ASEAN, online retail spending is expected to grow by 25 per cent annually due to increasing purchasing power, growing internet penetration and improved online offerings in the region.<sup>3</sup> Many businesses have tapped on, or are looking to adopt, e-Commerce channels to expand their commercial presence in Singapore and beyond. This growth potential can create more innovative companies providing consumers with greater convenience, better services and a wide variety of products.

3 For instance, we are already seeing online grocery shopping becoming a normal part of daily life in Singapore. RedMart, an online retailer, has successfully entered the grocery sector which has traditionally been served by large supermarkets like NTUC FairPrice and

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<sup>1</sup> Singapore Department of Statistics (2015), Household expenditure survey 2012/2013 – Observations on prevalence of online purchase. 11,050 households (headed by a Singapore citizen or permanent resident) were surveyed.

<sup>2</sup> eMarketer (2014), Retail sales worldwide will top \$22 trillion this year.

<sup>3</sup> AT Kearney and CIMB ASEAN research institute (2015), Lifting the Barriers to e-Commerce in ASEAN.

Dairy Farm through brick-and-mortar stores. Over the past 4 years, RedMart has seen its revenue grow by about 15 per cent month-on-month, and it now employs over 530 people.<sup>4</sup> By adopting a new business model which involves no physical stores but rather a pure online sales channel with a strong distribution network, RedMart has been able to avoid the high rental costs of large physical premises. It has also been able to offer customers a wide range of products, as it is not limited to in-store shelf space as well as gain economies of scale from allowing over 100 independent sellers to list and sell their products on its platform using its delivery network.<sup>5</sup> Similar to RedMart, other online grocery retailers such as Purelyfresh<sup>6</sup> and Supernature<sup>7</sup>, have also emerged, offering niche services. For example, PurelyFresh began life as a wet market vegetable store in 1998, and expanded to own both wet and dry markets in heartland areas like Woodlands and Tampines. Earlier this year, it set up an online website to expand its business.<sup>8</sup> The success of RedMart and these online grocery retailers has not gone unnoticed by the incumbent supermarket chains, as they too have innovated and gone online. For example, NTUC's FairPrice Online service, launched in 2002, currently has 135,000 subscribers and it expects a 20 per cent year-on-year increase in customers.<sup>9</sup> These trends in the grocery sector offer consumers the choice of shopping in-store (if they wish to touch and see their fresh produce) or shop online which may be faster and easier.

4 The grocery sector demonstrates that now more than ever, it is necessary for traditional companies to transform their business models and practices to respond to keener competition. Overall, these challenges from new entrants and the response from the incumbents will allow the markets and the respective players to be more efficient and effective, and result in greater quality and choice for consumers.

5 Another mature sector that has seen major upheaval with incumbent operators facing intense competition from unexpected new intermediaries utilising e-Commerce is the taxi industry. Before 2013, the primary means to secure a taxi booking in Singapore was through a call centre. However, it turns out that up to 85-90% commuters preferred to street hail taxis meaning that call centres were not the preferred choice of securing a taxi. Since 2013, the

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<sup>4</sup> Digital News Asia, 20 August 2015, RedMart raises US\$26.7 mil, hires ex-Amazon VP as COO: <https://www.digitalnewsasia.com/startups/redmart-raises-usd27mil-hires-ex-amazon-vp-as-coo>

<sup>5</sup> Channel NewsAsia. 24 July 2015, RedMart launches Marketplace for independent sellers to list products: <http://www.channelnewsasia.com/news/business/singapore/redmart-launches/2006078.html>

<sup>6</sup> Purelyfresh: <http://www.purelyfresh.com.sg/>

<sup>7</sup> Supernature: <http://www.supernature.com.sg/>

<sup>8</sup> The Strait Times, 7 October 2015, number of online grocery purchases set to soar:

<http://www.straitstimes.com/tech/number-of-online-grocery-purchases-set-to-soar>

<sup>9</sup> Ibid

entry of third-party taxi booking applications such as GrabTaxi, Hailo, MoobiTaxi and Uber Taxi in Singapore have reduced the need for physical call booking centres, as these mobile apps provide customers with a faster and easier way to book a taxi in Singapore. These third-party taxi apps have been well received by passengers in Singapore. A survey found that 66% of the respondents said they used the app because of its ease of use and 52% said that the apps were more convenient in getting a ride compared to other ways.<sup>10</sup> Rigorous competition has spurred the traditional taxi companies such as ComfortDelGro and SMRT to improve their own mobile taxi booking apps, with ComfortDelGro having responded to the competition and recently formed a new partnership with a taxi-booking company, Karhoo, to launch a new ride-booking application next year.<sup>11</sup> In the meantime, third-party app companies have continued innovating and providing new services, with GrabTaxi, recently unveiling a carpooling option called GrabHitch.<sup>12</sup>

6 Government agencies have recognised the growth potential of e-Commerce activities and they are keen to help businesses invest in innovation and expand beyond Singapore. As such, IE, SPRING, and other agencies have come up with various initiatives to assist businesses develop their e-Commerce strategy – be it to directly defray the costs in developing their e-Commerce activities or developing the necessary infrastructure like payments systems and delivery networks which are required to support such strategies. For instance, businesses can tap on IE’s Market Readiness Assistance (MRA) and Global Company Partnership (GCP) grants to lower expenses for their e-Commerce plans. SPRING and IDA have also worked with SMEs to gain access to a common e-Commerce platform. With these e-Commerce initiatives, even smaller players will be able to break into established markets and compete with incumbent players. Furthermore, online B2C marketplaces have made it easier for small businesses to sell their products online, enabling these companies to gain access to a wide pool of customers in different locations. For instance, more than 30 Singapore businesses from food and beverages, retail and consumer electronics are in talks to be on-board with Amazon, the US-based global online B2C platform. In addition, six

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<sup>10</sup> YouGov, 20 October 2015, Singapore 3<sup>rd</sup> party taxi apps:

<https://ap.yougov.com/en/news/2015/10/20/singapore-3rd-party-taxi-apps/>

<sup>11</sup> The Straits Times, 16 November 2015, New Taxi App Karhoo partners taxi giant ComfortDelGro: <http://www.straitstimes.com/singapore/transport/new-taxi-app-karhoo-partners-taxi-giant-comfortdelgro>

<sup>12</sup> Channel News Asia, 11 November 2015, GrabTaxi launches new carpooling service in Singapore: <http://www.channelnewsasia.com/news/singapore/grabtaxi-launches-new/2252114.html>

Singapore SMEs are listed on Lelong, a Malaysian online B2C platform, with 15 more SMEs in the pipeline.<sup>13</sup>

7 At CCS, we recognise that a level playing field in the e-Commerce space – “a level e-playing field” – is vital to facilitate businesses in their expansion plans in Singapore and overseas. This is because anti-competitive practices in the online and/or offline market may stifle innovation and the entry and expansion of new businesses. In the case of the taxi industry in Singapore, CCS received feedback suggesting that one of the third party apps was abusing their dominant position by offering loyalty discounts to taxi drivers on the condition that these drivers would not use any other third-party apps. While it is premature to conclude that the third party app behind the conduct was dominant or that it had abused its dominant position, CCS will be monitoring market developments closely to safeguard the healthy growth of the market. We note that, Easy Taxi, a third-party app, has wound up operations in Singapore citing “highly funded competition and market dynamics” as the reason. We will also learn from the experience of other countries in how they deal with the opportunities and challenges presented by e-Commerce, including how competition authorities have dealt with such cases.

8 To this end, CCS commissioned a study earlier this year to better understand the development and characteristics of e-Commerce, the specific competition issues that e-Commerce activities can give rise to as well as the implications for competition policy and law in Singapore. I am delighted to have with us Dr. Christian Koboldt from DotEcon, to share the findings of that study as it helps us better understand the drivers and barriers for e-Commerce activities in Singapore and what to look out for in maintaining a level e-playing field. This year, CCS will also be embarking on a new joint study with IDA to further examine the impact of e-Commerce on the postal and logistics market in Singapore.

9 For today’s seminar, we also welcome legal and business experts in the field, and successful e-Commerce-related businesses that will share with us their experiences. We are also grateful for the support of our fellow agencies IE and SPRING, as well as our parent ministry MTI. We hope this seminar will provide an excellent platform for you to expand your business networks, and gain useful information on how to navigate the e-Commerce space, avoid and identify anti-competitive practices and tap on the growth of e-Commerce in

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<sup>13</sup> Channel NewsAsia, 30 July 2015, SMEs to get help with expanding abroad through e-Commerce: <http://www.channelnewsasia.com/news/business/singapore/smes-to-get-help-with/2018100.html>

Singapore and overseas. I hope you will enjoy the seminar and find the discussions and networking useful.

10 Thank you.