

Malaysia may get first Apple Store. Does S'pore have something to do with it?

Malaysia's rising middle class and big domestic market offer Apple a strategic opportunity to press its advantage in the global smartphone market

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Malaysia may get its first Apple Store soon. The tech behemoth is hiring store managers, technical specialists and account managers among other roles for "various locations" across the nation.

The move, if it materialises, marks Apple's first foray into a brand new country since its last international expansion in 2018 with an opening in Bangkok, and Singapore the year before.

Malaysia is an unsurprising choice for an Apple Store, particularly Kuala Lumpur, with its large middle-class and affluent residents living in Klang Valley. The city, which many anticipate will be Apple's first choice for breaking ground in Malaysia, is also strategically located in the middle of Peninsular Malaysia, with both the north and south linked by excellent transport infrastructure encouraging domestic travel.

With a sizable 33.5 million population and almost 90 per cent of Malaysians owning a smartphone, Apple may harbour hopes of tapping this growing market, in which Apple's iPhones do not yet feature in consumer tech market intelligence firm IDC's top five most purchased smartphone brands, amid a plateauing of its global smartphone market share.

Other pull factors for Malaysia include its tech talent pool with a 260,000-strong tech talent workforce, with roughly half based around Kuala Lumpur and Selangor, according to the Malaysia Digital Economy Corporation's 2021 digital snapshot report.

PHYSICAL STORE ADVANTAGE

Experiential retail forms a core part of Apple's brand strategy to



It is little surprise that Apple would continue to open new stores in the attractive market region of South-east Asia, which has only five stores including those in Singapore (above). This is compared with China's 50 Apple Stores and more than 270 in the US. ST PHOTO: ARIFFIN JAMAR

sell its products and attract loyal consumers to its larger ecosystem of iPhones, Macs, iPads and AppleTV.

Since opening its first physical store over 20 years ago in the United States, Apple's approach to the in-store experience has been proven so successful, its senior vice-president of retail Deirdre O'Brien revealed in 2021 the company's aggressive plans to roll out more stores around the world, even as direct online sales boomed during Covid-19.

That same year, Apple rolled out new stores across the US and Italy. Today, there are more than 500 stores across 25 countries and regions.

The physical Apple Store experience clearly remains the consumer tech titan's crown jewel, which has achieved cult status among hardcore fans and created greater stickiness.

Apple's balance sheets unfortunately do not reveal just

how much their physical retail presence pulls in dollars, and how big a role Apple Stores play in letting people try out their latest models, ask questions or get vital tech support, which swing their decision to buy an Apple product. But 10 per cent to 15 per cent of iPhone sales alone have been estimated by analysts to have been wiped out in 2020 due to a lack of in-store interaction and strained consumer finances.

Today, various after-sale services including education workshops and pop-up events are also credited with drawing traffic and attracting new customers.

Still, despite their expensive location in prime, downtown real estate, Apple Stores have turned a profit. The average Apple Store in Asia is estimated to bring in US\$55 million (\$72 million) of revenue annually, or around 20 per cent of total sales.

But is this a financially prudent

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strategy in the context of a tech-reckoning? We think so. Apple, the only remaining tech titan to have refrained from announcing layoffs in the past two years, has deep pockets to draw from – US\$48 billion worth of cash as per its last earnings report in 2022.

It knows expansion during a widely anticipated global economic downturn where its competitors are holding off fixed investments could afford it a strategic advantage, particularly if this translates into lower retail space acquisition costs.

IN LINE WITH APPLE'S STRATEGY FOR MORE STORES ACROSS ASIA

The Asia-Pacific region (excluding China and Japan) is a huge and lucrative market for Apple products, with the potential for greater growth. Net sales here amounted to a respectable US\$29 billion last

year and enjoyed a growth of 11 per cent, a rate surpassing all other regions except the US. Yet each Apple Store here services 67 million people on average compared with 1.3 million in the US.

Little surprise then that Apple would continue to open new stores in this attractive market region of South-east Asia, which has only five stores compared with China's 50 Apple Stores and more than 270 in the US.

Meanwhile, the pandemic has also taught Apple some useful lessons in pivoting its expansion approach, particularly the challenge faced by regional destinations for tourism and business, like Singapore, Hong Kong and Bangkok, in performing as a hub to sell to a regional consumer base when borders shut.

Singapore, which pulled in \$27.7 billion in tourist receipts in 2019 before the pandemic, saw spending in this sector which includes a share of \$5.64 billion in shopping receipts plummet to a mere \$1.9 billion in 2021 as visitors shrunk to a tenth of pre-Covid-19 numbers. Big retailers like Apple will undoubtedly be impacted.

In this post-pandemic era, Apple's new strategy will likely focus on expanding "outposts" to cities of larger countries with a strong domestic consumer market, like Malaysia, where Apple can defend, capture and retain market share.

Although Apple already has an online presence and third-party retailers like Switch and Mac City in Malaysia, it must play catch-up to its toughest rivals before it can entertain thoughts of market leadership. Samsung operates about 25 experience stores across the country and Chinese brand Xiaomi has several stores.

Opening an Apple Store in Malaysia will help Apple diversify its expansion strategy in South-east Asia that complements its regional hub-and-spokes strategy.

The choice of Malaysia might also be an indication of how Apple will decide on the location of its next Apple Store. It will be interesting to see which country will be chosen next.

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