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REJUVENATING THE CITY TOGETHER

BUSINESS COMMUNITY PULSE CHECK REPORT 2020

ACKNOWLEDGEMENTS

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Executive Summary

This report contains the survey results for Think City's first Business Community Pulse Check. It was conducted in August 2020 in the downtown areas of Kuala Lumpur, Johor Bahru, and George Town. The survey is intended to understand the market conditions and business sentiments in the downtown areas of Malaysian cities for Think City to make evidence-based recommendations. It aims to provide information that is accurate, current, and representative of these locations.

The key takeaways of the survey findings are as follows:

Past business performance. The business environment in the 12 months to August 2020 in all three cities was marked by a heavy decline, with the vast majority (at least 77%) of businesses reporting a decrease in sales and profit over the period. The notable decline in business performance demonstrates the adverse effects the COVID-19 pandemic has had on the economic landscape in all three cities. Whether we would be seeing similar results (i.e. the majority of businesses reporting a decrease in sales and profit) if COVID-19 did not happen is something we do not know.

Future business performance. Although the outlook for the business environment in all three cities improves slightly (at least 13% of businesses anticipate their sales and profit to increase in the 12 months following August 2020), the vast majority (at least 73%) of businesses still anticipate their sales and profit to remain about the same or decrease in the 12 months following August 2020. This follows similar trends revealed by national surveys. Although the Malaysian economy is expected to recover in 2021, COVID-19 is ultimately affecting the pace of recovery for many domestic economic activities.

Impact of COVID-19. The COVID-19 pandemic has affected the vast majority (at least 88%) of businesses in all three cities and highlighted the vulnerability of these businesses to economic disruptions. To ensure the long-term survival of these businesses and preserve the unique characteristics of these locations, efforts at all levels will need to be made to reduce their vulnerability and improve their resilience.

Improvements to their business. The top business improvement strategy selected by businesses in all three cities was marketing/advertising/promotion. This suggests that businesses in downtown areas have a strong desire to reach a wider audience (especially as Malaysia's shopping mall culture continues to grow) or that downtown area economies have yet to tap into a larger population base. COVID-19 is also forcing businesses in Malaysia and elsewhere in the world to re-evaluate their marketing and advertising strategies to generate a steady stream of income.

Sentiment on development projects. In all three cities, a large proportion (25% to 71%) of businesses believe that development projects in their area have had/will have no impact on their business. Furthermore, 4% to 32% of businesses have never heard of development projects in their area or do not know the answer. This demonstrates the lack of initiative from local governments and developers to involve surrounding businesses in the stakeholder communication process for both parties to mutually benefit one another.

Top priority for improvement. Parking was selected as the top priority for improvement by businesses in all three cities. While there are many key actions that can help improve parking in these locations, the strong need to improve parking suggests that car usage is high in these cities and current transportation systems fail to make public transport and non-motorised transport attractive options for most users.

Business demographics. All three cities feature a diverse mix of businesses in terms of age, size, and industry. There are at least 20 different types of business industries operating in each location and traditional businesses (businesses that have been operating on the site for at least 25 years) make up at least 14% of the business composition in all three cities. While this demonstrates the uniqueness of downtown area economies, it also shows that COVID-19 does not discriminate as most businesses have been impacted by the pandemic in one way or another.

All in all, the survey findings point toward a number of ways through which Think City can build a greater understanding about assisting businesses in downtown areas of Malaysian cities. The survey findings provided by Think City can help business leaders and policymakers develop immediate actions to protect businesses from the impact of COVID-19, ensure that they can participate in the recovery of the economy, and plan for a future economy that is stronger and more resilient.

Background

Think City conducted a survey on businesses in the cities of Kuala Lumpur, Johor Bahru, and George Town in August 2020. The exact dates and locations of the survey period are as follows:

- Downtown Kuala Lumpur (downtown KL): 5-24 August 2020
- Downtown Johor Bahru (downtown JB): 13-27 August 2020
- George Town World Heritage Site (George Town WHS): 13 August 2020 - 1 September 2020

The purpose of the survey is to obtain insights into market conditions and business sentiments in these three locations. The survey also acts as a strong base to understand how businesses in downtown areas of Malaysian cities have been performing amidst the COVID-19 pandemic, which is causing unprecedented economic and social disruptions worldwide. With the prolongation of movement restriction orders, physical distancing, international travel restrictions, and other measures to slow the spread of the virus, the Malaysian economy is sliding into a recession.

The survey findings will better inform any action or solution (relating especially to the improvement of the downtown KL, downtown JB, and George Town WHS economies) proposed for these areas. The survey is meant to be repeated periodically – perhaps annually – to monitor market conditions and business sentiments in these locations.

Methodology

The survey data was collected through an intercept survey, where five to six surveyors in each city were tasked to ask respondents 13 questions relating to the following six topics: past and future business performance, impact of COVID-19, improvements to their business, sentiment on development projects, top priority for improvement, and business demographics (refer to Appendix for full list of questions). Respondents were approached during standard business operating hours and only business owners and managers were surveyed.

To ensure businesses in downtown KL, downtown JB and George Town WHS were fairly and accurately represented in the survey data, respondents were distributed across numerous zones. The distribution of respondents for each zone was based on the distribution of business entities according to Think City's most recent baseline studies for downtown KL, downtown JB, and George Town WHS. For example, the 2014 baseline study for downtown KL found that Masjid India has a higher concentration of businesses compared to its neighbouring zones, hence a higher number of responses was collected from Masjid India during the survey period.

Figures 1, 2, and 3 illustrate the different zones across the three cities and the distribution of respondents for each zone. A total of 324, 249, and 302 responses were collected in downtown KL, downtown JB, and George Town WHS respectively.

Figure 1: Downtown KL distribution of respondents by zone

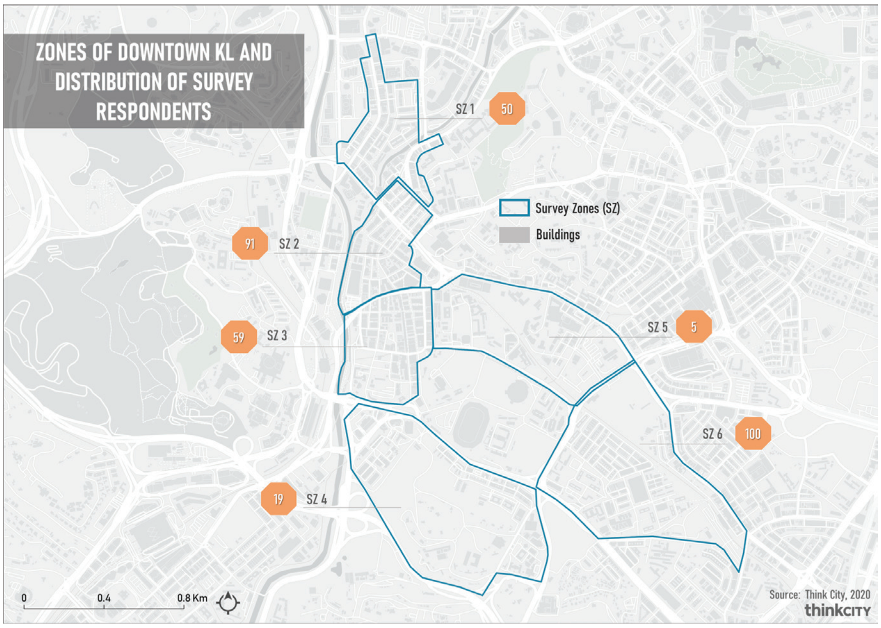


Figure 2: Downtown JB distribution of respondents by zone

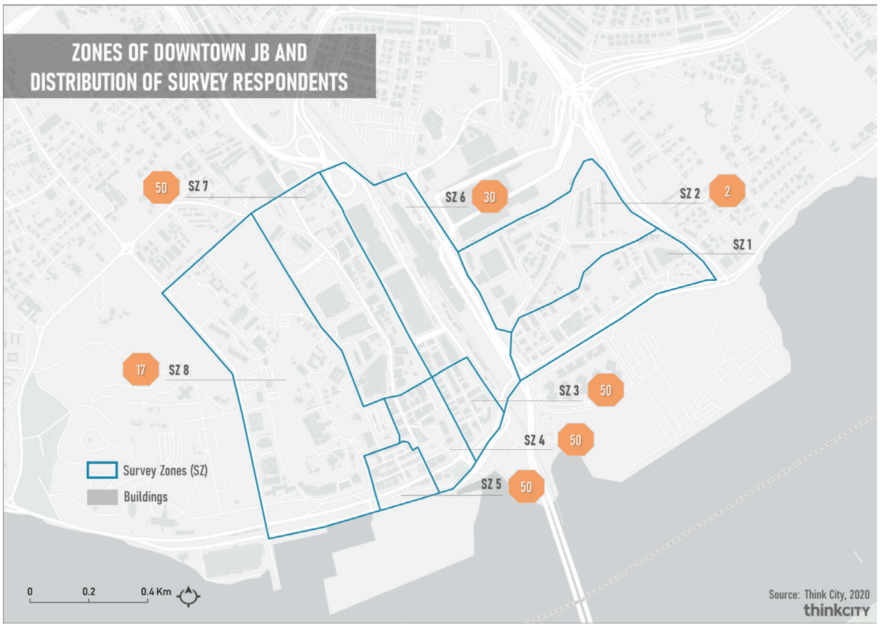
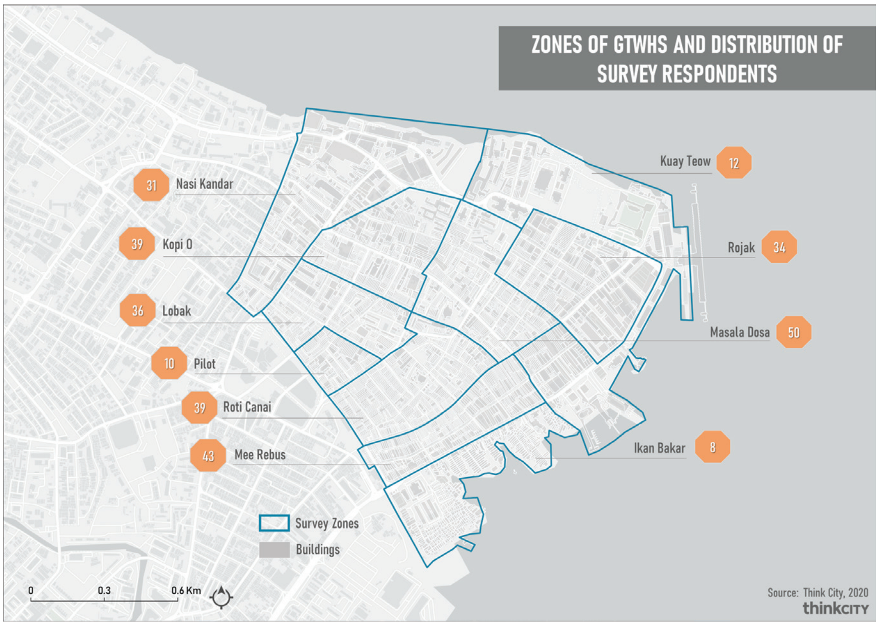


Figure 3: George Town WHS distribution of respondents by zone



Note: Zone names for George Town WHS uses the same zone names found in Think City's George Town Baseline Study 2013.

Limitations

The survey was subjected to a number of limitations. First, the English and Malay languages used in the survey were made to be as simple as possible to take into account the fact that businesses are owned and managed by people from varying backgrounds, including business owners from older generations and migrant workers whose command in these languages may not be very strong. As a result, the intended meaning of certain terms, such as 'sales', 'profit' and 'spending on investment', was not able to be communicated clearly in the survey and respondents may have interpreted these terms differently. In some cases, the surveyors helped explain the survey questions to the respondents.

Second, despite the 95% confidence level, the sample size for each city may not be a true representation of the entire population as businesses vary by age, size, and industry type. Nevertheless, attempts were made to have the survey data be as fair and accurate as possible by distributing the respondents for each zone according to most up-to-date data (i.e. Think City's baseline studies) on downtown KL, downtown JB, and George Town WHS.

Lastly, the survey period coincided with the current COVID-19 pandemic in Malaysia and was conducted during the Recovery Movement Control Order (RMCO) which began on 10 June 2020. The imposition of a nationwide lockdown between 18 March 2020 and 9 June 2020, coupled with the ongoing international travel restrictions into Malaysia, would have inevitably caused the temporary and/or permanent closures of some businesses in these cities. Thus, the survey data is prone to survivorship bias, as the selection of the survey sample was restricted to only businesses that were operating during the survey period.

Results

The results of the survey have been structured into seven key areas: (i) past business performance; (ii) future business performance; (iii) impact of COVID-19; (iv) improvements to their business; (v) sentiment on development projects; (vi) top priority for improvement; and (vii) business demographics.

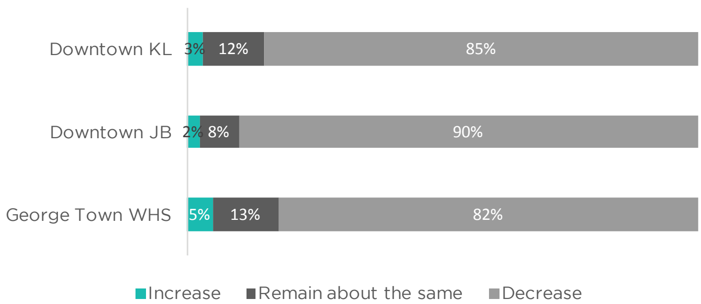
Past business performance

Sales

Respondents were asked how their business performed in the 12 months to August 2020. The vast majority (at least 82%) of businesses in all three cities reported a decrease in sales over the period (Figure 4). The city to have the greatest proportion of businesses report a decrease in sales was downtown JB (90%). This was followed by downtown KL (85%) and George Town WHS (82%).

Only 2% to 5% of businesses in all three cities reported an increase in sales in the 12 months to August 2020. There was no 'one' size, age, or type of business that outperformed the rest as those who reported an increase in sales were businesses of varying age, size, and industry type. The remaining respondents (8% to 13% of businesses) reported sales to remain about the same.

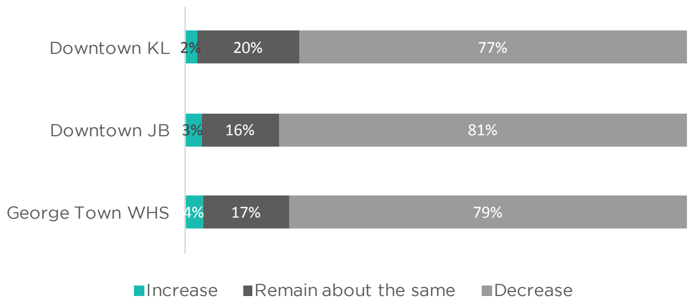
Figure 4: Change in sales in the 12 months to August 2020



Profit

With most businesses reporting a decrease in sales in the 12 months to August 2020, this led to a decrease in profit for most (at least 79%) businesses over the same period (Figure 5). Only 2% to 4% of businesses reported an increase in profit while 16% to 20% of businesses reported profit to remain about the same.

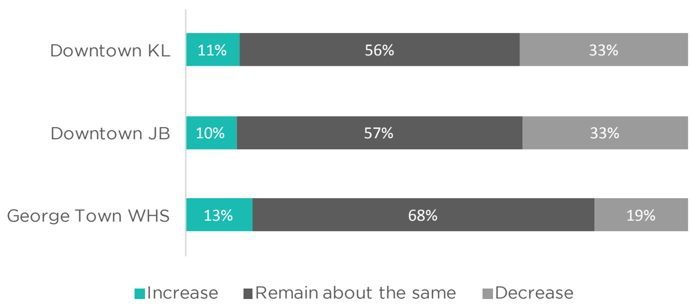
Figure 5: Change in profit in the 12 months to August 2020



Investment spending

Despite the fall in sales and profit, the majority (at least 56%) of businesses in all three cities reported investment spending to remain about the same in the 12 months to August 2020 (Figure 6). George Town WHS had a slightly higher proportion (13%) of businesses increase their investment spending in the 12 months to August 2020 than downtown KL (11%) and downtown JB (10%). Furthermore, only 19% of businesses in George Town WHS reported a decrease in investment spending, whereas in downtown KL and downtown JB, both cities had 33% of businesses report a decrease.

Figure 6: Change in investment spending in the 12 months to August 2020



Employment

The majority (at least 64%) of businesses in all three cities also reported their number of employees to remain about the same in the 12 months to August 2020 (Figure 7)

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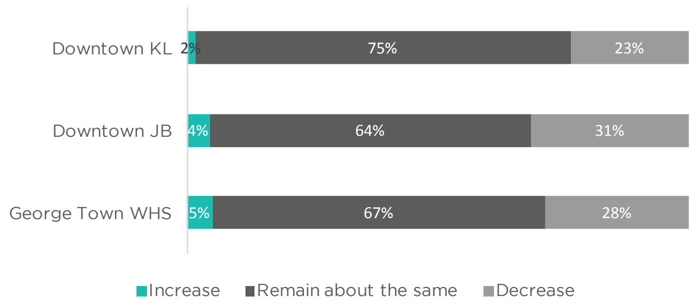
In downtown JB, 31% of businesses report a decrease in the number of employees over the period, compared to 23% and 28% in downtown KL and George Town WHS respectively. In downtown KL and downtown JB, it was predominantly food & beverage operators (at least 23%) and fashion retailers (at least 21%) that reduced their number of employees. In George Town WHS, it was predominantly food & beverage operators (34%) and hotel operators (10%) that reduced their number of employees.

Figure 7: Change in employment in the 12 months to August 2020



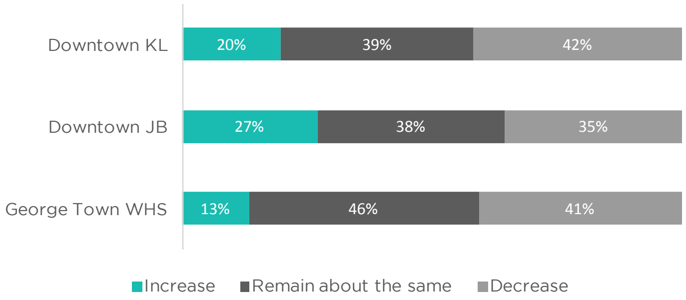
Future business performance

Sales

When asked how their business might perform in the 12 months following August 2020, at least 13% of businesses in all three cities anticipate their sales to increase (Figure 8). Downtown JB businesses are the most hopeful about the future, with 27% of businesses anticipating their sales to increase over the period. This compares to 20% and 13% of businesses in downtown KL and George Town WHS respectively.

However, the majority (at least 73%) of businesses in all three cities anticipate their sales to remain about the same or decrease over the next 12 months. Of those who selected this outlook, the majority (at least 83%) were businesses that had previously reported a decrease in sales in the 12 months prior, indicating that they anticipate their sales to decrease further.

Figure 8: Anticipated sales in the 12 months following August 2020

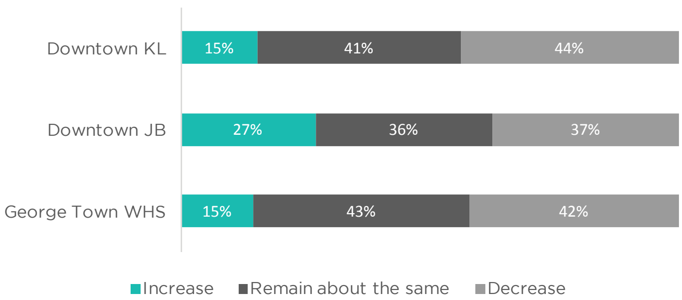


Profit

The outlook for profit was highly similar to the outlook for sales. At least 15% of businesses in all three cities anticipate their profit to increase in the 12 months following August 2020, with a higher proportion of businesses in downtown JB (27%) anticipating an increase in their profit compared to businesses in downtown KL (15%) and George Town WHS (15%) (Figure 9).

The majority (at least 73%) of businesses, however, anticipate their profit to remain about the same or decrease in the 12 months following August 2020.

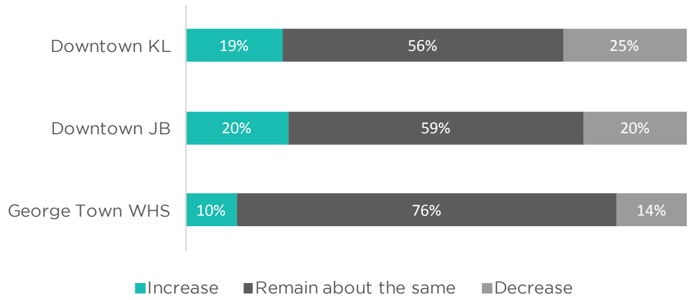
Figure 9: Anticipated profit in the 12 months following August 2020



Investment spending

The majority (at least 56%) of businesses in all three cities anticipate investment spending to remain about the same in the 12 months following August 2020 (Figure 10). Compared to investment spending performance in the 12 months to August 2020 (Figure 6), a higher proportion of businesses in downtown KL (19%) and downtown JB (20%) anticipate an increase in investment spending in the 12 months to follow.

Figure 10: Anticipated investment spending in the 12 months following August 2020

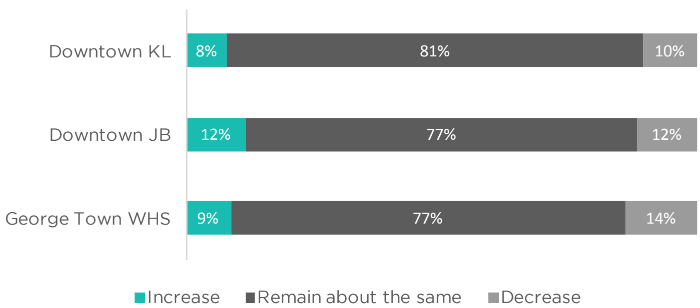


Employment

The majority (at least 77%) of businesses in all three cities anticipate their number of employees to remain about the same in the 12 months following August 2020 (Figure 11).

At least 10% of businesses in all three cities foresee a reduction in their number of employees over the same period. Businesses who selected this outlook all reported a decrease in sales in the 12 months leading to August 2020.

Figure 11: Anticipated employment in the 12 months following August 2020



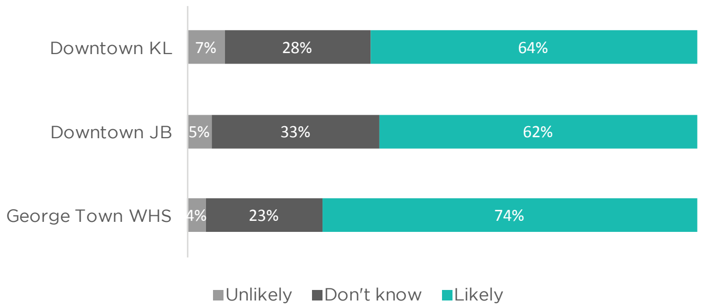
Likelihood of remaining open at the end of 2021

Despite the decline in business performance in the 12 months to August 2020 and the clouded economic outlook in the 12 months to follow, most (at least 62%) businesses are confident they will remain open at the end of 2021 (Figure 12).

However, at least 4% of businesses had contrasting views, having mentioned that they are not confident they will remain open at the end of 2021. Businesses who selected this answer option were predominantly fashion retailers. A number of hotels in George Town WHS also selected this answer option.

The remaining respondents (at least 23%) do not know if they will remain open at the end of 2021, most likely due to the uncertainty COVID-19 has brought over the economy, especially to the tourism and hospitality sectors.

***Figure 12:** Likelihood of businesses remaining open at the end of 2021*



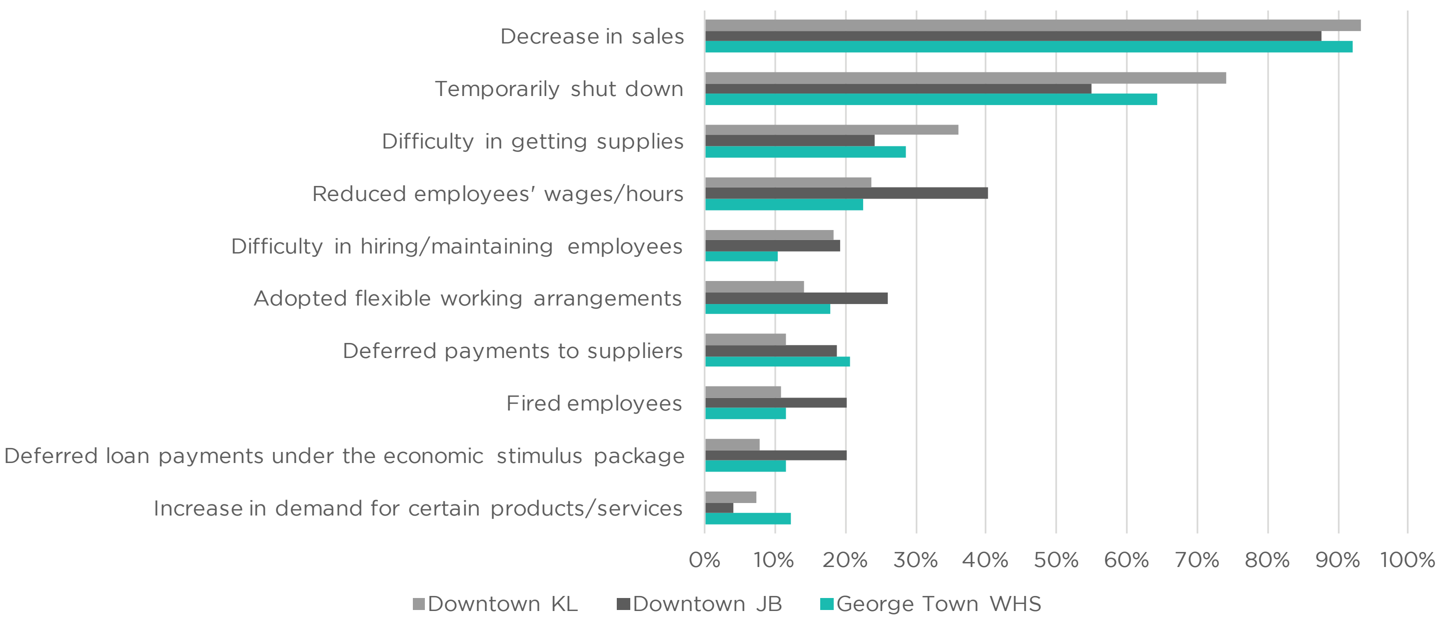
Impact of COVID-19

The impact of COVID-19 was explored, with respondents asked how their businesses have been impacted by the ongoing pandemic. Nearly all businesses in all three cities were impacted by COVID-19, with at least 88% of businesses reporting a decrease in sales (Figure 13). This is a key indicator that the decline in business performance in the 12 months to August 2020 was largely caused by COVID-19.

At least 55% of businesses reported being temporarily shut down, likely a result of the nation-wide Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) between 18 March 2020 and 9 June 2020. At least 23% of businesses reported having to reduce employees' wages/hours.

Given the ongoing occurrence of the pandemic which has caused changes in customer behaviour and certain states to go back into MCO, COVID-19 is likely to continue impacting the sales performance of businesses in all three cities. Economists from Bank Negara, Maybank Investment Bank Research, and UOB Research have all stated that despite most restrictions being lifted and economic activity being allowed to continue, business and consumer sentiment is expected to remain cautious well into 2021.

***Figure 13:** Top 10 impacts of COVID-19 (multiple answers allowed)*



Improvements to their business

When asked what strategies would help improve their business, marketing/advertising/promotion was selected as the top strategy in all three cities, with at least 46% of businesses selecting this answer option (Figure 14). This suggests that either businesses have a strong desire to reach a wider audience or that the downtown KL, downtown JB, and George Town WHS economies have yet to tap into a larger population base.

The second most selected strategy was planning for the long-term survival of their business, with at least 38% of businesses selecting this answer option. Traditional businesses (25+ years) made up at least 13% of the responses to this answer option in all three cities. However, it was young businesses (0-4 years) that expressed a greater need for this form of assistance as they made up at least 24% of the responses to this answer option in all three cities.

The third most selected strategy was building or improving online presence, with at least 26% of businesses selecting this answer option. The majority (at least 55%) of businesses who selected this answer option were micro-businesses (0-4 employees). As online sales continue to grow exponentially all across the globe (partly due to the COVID-19 pandemic), so will the desire for businesses, including those in downtown KL, downtown JB, and George Town WHS, to move online.

Figure 14: Strategies that would help improve their business (multiple answers allowed)

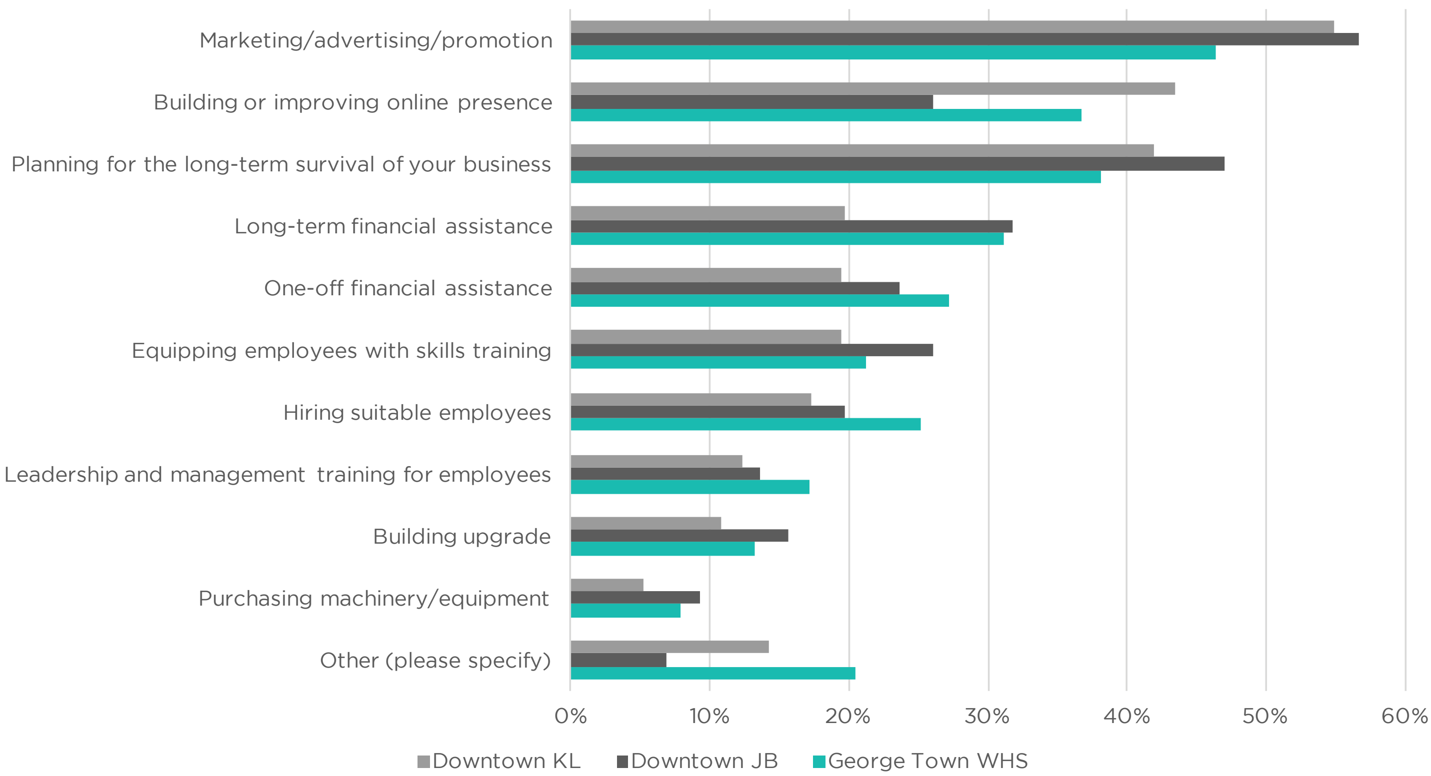


Table 1: Top three strategies that would help improve their business by city

	Downtown KL	Downtown JB	George Town WHS
#1	Marketing/advertising/promotion (55%)	Marketing/advertising/promotion (57%)	Marketing/advertising/promotion (46%)
#2	Building or improving online presence (44%)	Planning for the long-term survival of their business (47%)	Planning for the long-term survival of their business (38%)
#3	Planning for the long-term survival of their business (42%)	Long-term financial assistance (32%)	Building or improving online presence (37%)

Sentiment on development projects

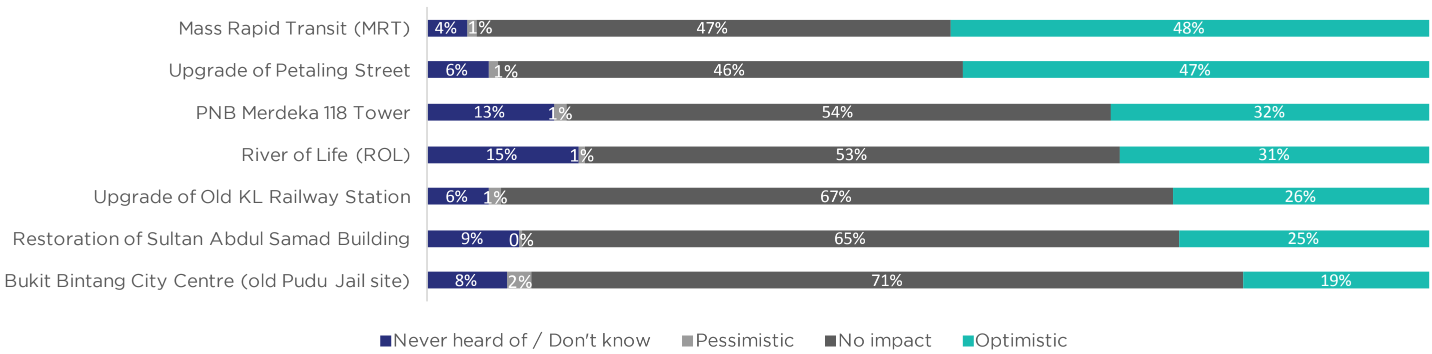
Downtown KL

A large proportion of respondents believe that completed/upcoming major development projects in downtown KL have had/will have no impact on their business. For all seven development projects listed, at least 46% of businesses believe that no impact has/will be incurred (Figure 15). Nevertheless, the Mass Rapid Transit (MRT) was most optimistically viewed by 48% of respondents.

Almost half of businesses (47%) believe that the upgrade of Petaling Street will have a positive impact on their business, likely owing to the fact that Petaling Street and its surrounds form a large part of downtown KL's historic and cultural identity, and is a popular tourist destination. While there are no current plans to upgrade Petaling Street, this indicates that any improvements to the area will receive strong support by its surrounding businesses, seeing as to how it could improve the overall quality of the area and the performance of their business.

Development projects located further away from the bulk of respondents, such as the Old KL Railway Station, Sultan Abdul Samad Building, and Bukit Bintang City Centre (old Pudu Jail site), received the lowest levels of optimism (19% to 26%) as most businesses (65% to 71%) believe that these development projects will have no impact on their business.

Figure 15: Impact of development projects in downtown KL

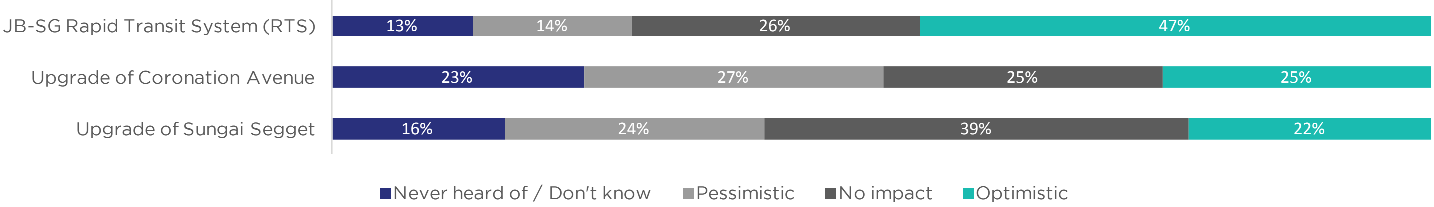


Downtown JB

The JB-SG Rapid Transit System (RTS) is believed to have the most positive impact on downtown JB businesses, with 47% selecting this answer option (Figure 16). This was followed by the upgrade of Coronation Avenue (25%) and upgrade of Sungai Segget (22%).

A greater proportion of businesses in downtown JB have a pessimistic view on development projects in their area compared to downtown KL and George Town WHS, with 14% to 27% of downtown JB businesses believing that the three development projects in their area has had/will have a negative impact on their business. In downtown KL and George Town WHS, the range is only between 1% and 4%.

Figure 16: Impact of development projects in downtown JB



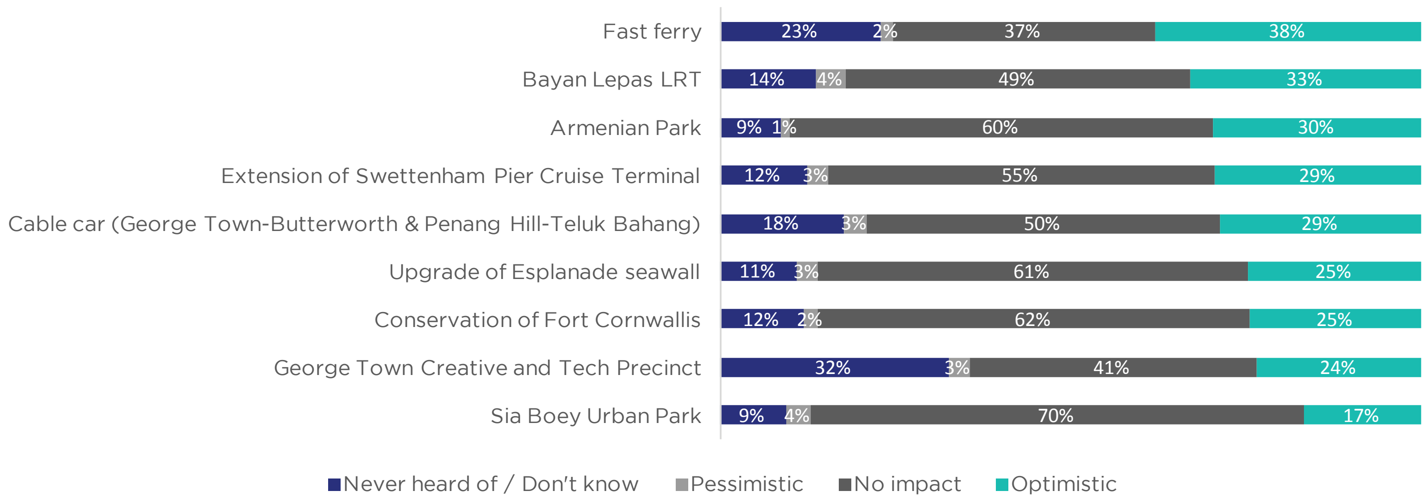
George Town WHS

With a large number of development projects currently underway or in planning in George Town WHS, respondents were provided with nine development projects to rate in terms of level of impact on their business. Transport infrastructure projects, such as the fast ferry, Bayan Lepas LRT, and the cable car, is believed to have the most positive impact on their business, with at least 29% of businesses selecting this answer option (Figure 17).

Compared to downtown KL and downtown JB, businesses in George Town WHS are not as optimistic about the impact development projects in their area has had/will have on their business (17% to 38% in George Town WHS versus 19% to 48% in downtown KL and 22% to 47% in downtown JB). This is because a higher proportion of George Town WHS businesses have never heard of the development projects in their area or do not know the answer.

The George Town Creative and Tech Precinct had the highest proportion (32%) of businesses stating that they have never heard of the project or do not know the answer. This is because the project is currently in its early planning phase and has only recently been made known to the public via the Penang State Government and Think City's Penang Bay International Ideas Competition.

Figure 17: *Impact of development projects in George Town WHS*



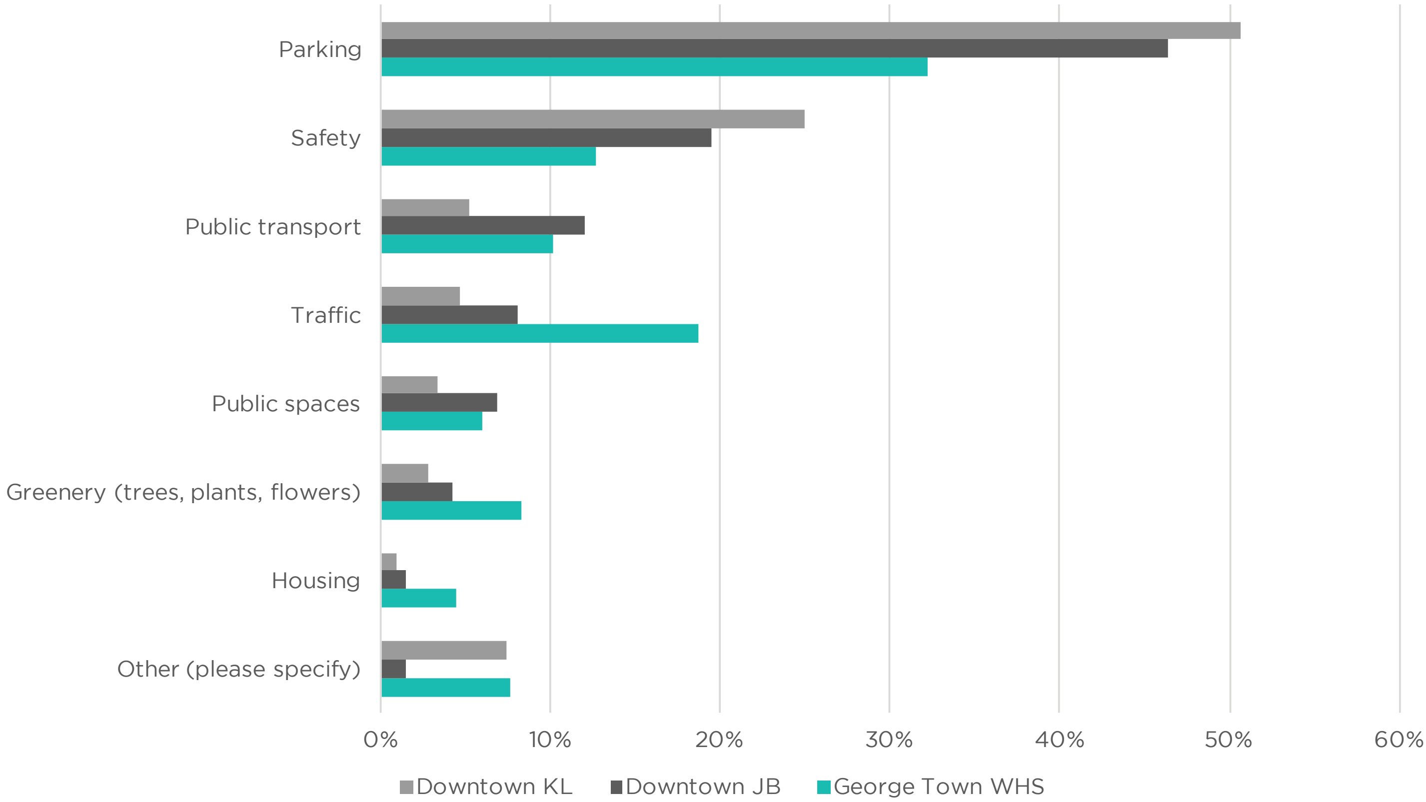
Top priority for improvement

Respondents in each city were asked what they believed would be the single greatest priority to improve in the area (Figure 18). Respondents indicated that parking needs to be the top priority for improvement in all three cities, with at least 32% of businesses selecting this answer option (Figure 18). Safety was also important, with at least 13% of businesses selecting this answer option.

Key actions for improving parking include increasing parking supply, providing parking information, and designing parking facilities to be safer and more attractive. However, the strong need to improve parking suggests that car usage is high in these cities and public transport has not effectively met the needs of users. Several businesses (at least 12%) in downtown JB and George Town WHS believed that public transport should be the single greatest priority to improve in the area.

Other unanticipated responses shared by a number of businesses in all three cities included the need for better tourism and marketing, public amenities (especially seating and public toilets), sanitation and hygiene (especially rubbish bins and drains), and addressing homelessness. In George Town WHS, a number of businesses also highlighted the need for better internet connection and the control of mosquitos (Penang was experiencing a Chikungunya outbreak at the time).

Figure 18: Top priority to improve in the area (only one answer allowed)

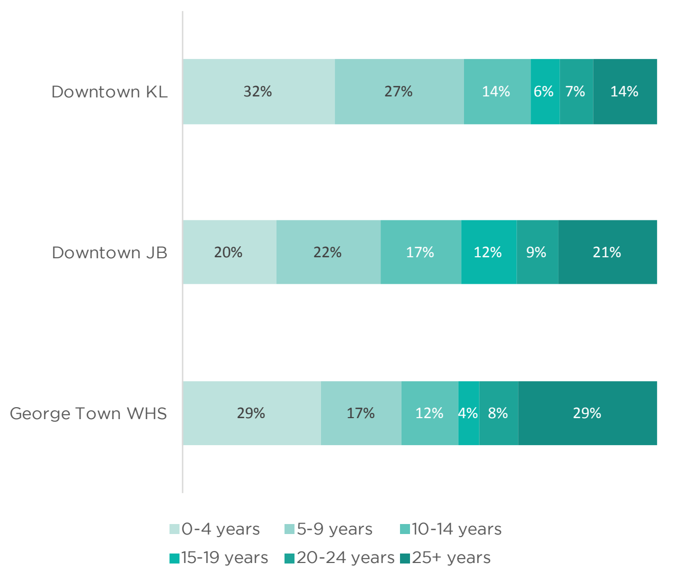


Age of businesses

The age demographics of businesses in all three cities is fairly mixed, with young businesses (0-4 years) making up the highest proportion at 20% to 32% (Figure 19). Downtown KL has the highest proportion (32%) of young businesses (0-4 years), whereas George Town WHS has the highest proportion (29%) of traditional businesses (25+ years).

Businesses that opened in the 12 months to August 2020 in all three cities were predominantly food & beverage retailers.

Figure 19: Age of businesses

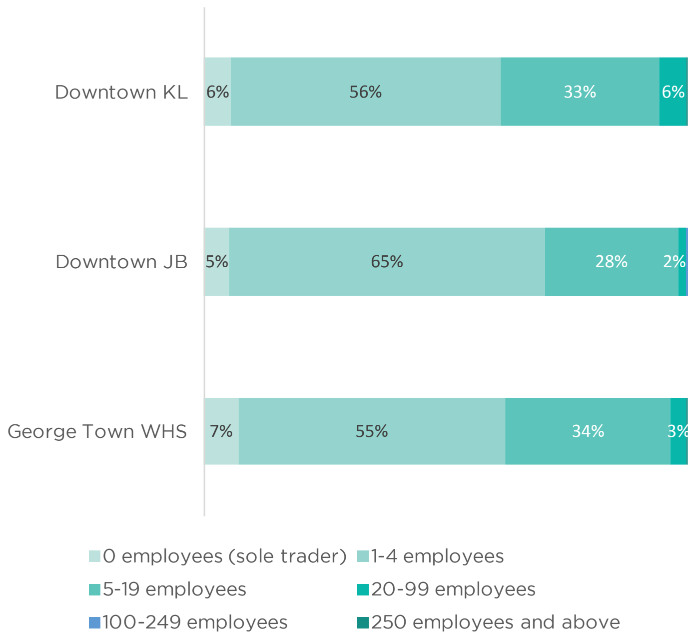


Size of businesses

The vast majority (at least 95%) of businesses in all three cities are small businesses (0-19 employees) (Figure 20). The upper hand of small businesses is they tend to offer one-of-a-kind products and services which creates a unique community identity. Downtown KL's Petaling Street, which is known for its imitation goods and culturally diverse culinary options, is a perfect example of this.

However, small businesses also tend to have less capital and this makes them more vulnerable to economic threats including COVID-19. Of the businesses who stated they are unlikely to remain open at the end of 2021, most (at least 82%) were small businesses.

Figure 20: Size of businesses



Business industries

Downtown KL, downtown JB, and George Town WHS support a wide range of economic activities. There are at least 20 different types of business industries operating in each location, ranging from conventional, in-demand industries, such as food & beverage and personal services, to more traditional industries, such as religious & cultural products and services.

The top three industries in all three cities are as follows: (1) Fashion, Clothing and Textiles; (2) Restaurant/Bar – Food and Beverage, and (3) Department/General Store (Table 2).

The proportion of the top business industries varies for each city. Fashion, Clothing, and Textiles makes up 42% of all businesses in downtown KL, however, in George Town WHS, it only makes up 7% of all businesses (Table 2). That said, the lower economic diversity of downtown KL makes it less resilient against external economic shocks compared to downtown JB and George Town WHS.

Figure 21: Top 10 business industries

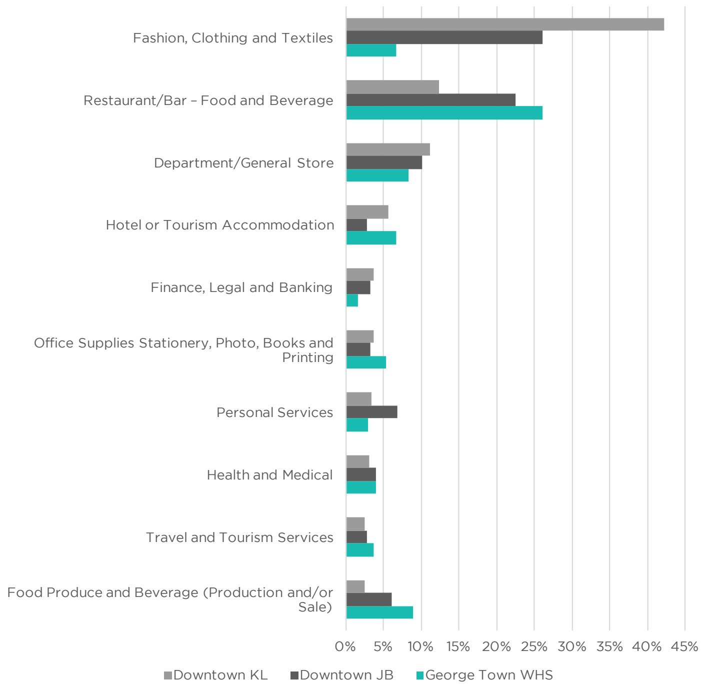


Table 2: Top three business industries by city

	Business industry	Downtown KL	Downtown JB	George Town WHS
#1	Fashion, Clothing and Textiles	42%	26%	7%
#2	Restaurant/Bar – Food and Beverage	12%	22%	26%
#3	Department/General Store	11%	10%	8%

Summary

The purpose of the survey is to obtain insights into market conditions and business sentiments in the downtown areas of Kuala Lumpur, Johor Bahru, and George Town. The survey explored 13 different questions relating to six different topics: past and future business performance, impact of COVID-19, improvements to their business, sentiment on development projects, top priority for improvement, and business demographics.

Despite being located in different parts of the peninsular, all three cities recorded similar results in market conditions and business sentiments. The survey revealed just how vulnerable businesses in downtown areas of Malaysian cities are to unexpected crises and that work is need to improve their resilience. By improving their resilience, businesses will be better placed to cope with a variety of risk and challenges. The survey also revealed how diverse businesses are in terms of age, size, and industry, bearing testimony Malaysia's downtown areas are unique in terms of culture, heritage, and creativity.

To improve the next round of the survey, we recommended that the following be taken into account:

- Conduct the next round of the survey during the period (i.e. the month of August). This helps account for fluctuations in seasonality and provides an objective view of overall performance.

- Approach the same businesses that were surveyed in the first round of the survey for a true side-by-side comparison of how businesses have performed within the span of the period.

- With COVID-19 still ongoing, include one or two questions related to the pandemic. The questions may not only be restricted to understanding its impacts on businesses (as it did in the first round of the survey), but on other developing matters, such as how businesses have adapted to COVID-19 over time.

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