

Consumer

NEUTRAL

Workforce Efficiency: Doing More with Less



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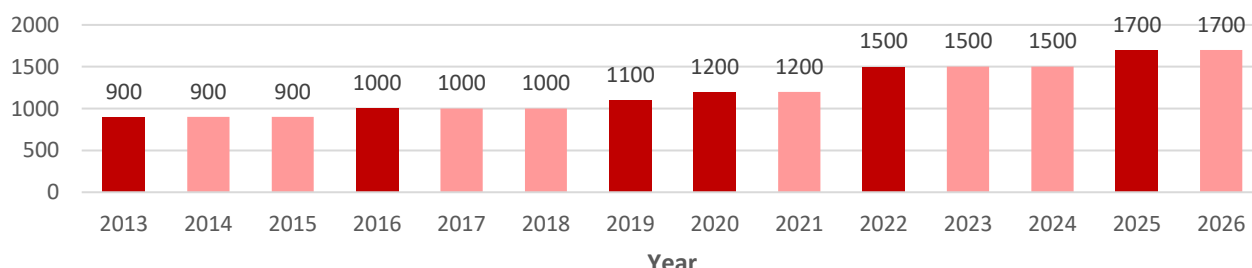
Navigating labour cost pressures is becoming a key driver of margin resilience in the consumer sector, as structurally higher wages and tighter labour conditions reshape cost structures. The impact is uneven, with firms demonstrating stronger workforce efficiency being better able to defend margins. In this report, we introduce a workforce efficiency framework spanning three key pillars, namely labour productivity, cost efficiency and talent sustainability, to identify those best positioned to navigate this shift (see Exhibit 2 to 5). Our analysis highlights F&N, NESTLE and FFB as relative leaders, while labour-intensive retailers face structurally higher labour costs. Automation, however, is supporting incremental efficiency gains, as we examine how companies are deploying solutions such as ASRS-enabled warehousing and self-checkout systems to enhance efficiency and reduce reliance on manual labour.

We maintain ESG ratings across the board and reiterate our NEUTRAL stance, with top picks F&N (OP; TP: RM37.70) for its exposure to essential consumption and defensive F&B profile, which remain resilient amid rising living costs, and MRDIY (OP; TP: RM1.80), for its value-for-money positioning and leverage to ongoing consumer downtrading trends.

Rising labour pressures. Labour is a key cost component across the consumer sector, accounting for up to ~20% of revenue based on our coverage universe. These costs are rising structurally, driven by periodic minimum wage revisions, tighter workforce availability in selected segments, and evolving statutory requirements. The national minimum wage, currently set at RM1,700, is reviewed at least every two years (see Exhibit 1), with the next assessment expected to be completed in September 2026 to determine whether adjustments to the prevailing rate are warranted. At the same time, policy measures such as the 2% EPF contributions for foreign workers (effective October 2025) and the planned implementation of a multi-tiered levy system within this year reflect ongoing efforts to reduce reliance on foreign labour over the longer term. In addition, Malaysia’s Progressive Wage Policy, implemented in 2025 as a voluntary initiative, incentivises firms to raise wages beyond the statutory minimum in line with productivity. As at end-2025, over 51,000 workers have benefitted from the scheme, indicating early traction in supporting wage progression. While adoption remains at an early stage, the policy signals a broader shift towards fairer wage practices, with potential implications for labour costs, alongside reputational benefits for companies that go beyond minimum wage requirements.

Importantly, we believe wage pressures are likely to remain upward biased, as policymakers have signalled that the current minimum wage may not fully reflect the cost of living, suggesting scope for further increases as economic conditions strengthen. While this supports income growth and domestic consumption, it also raises the cost base for consumer companies, where cost structures are closely linked to labour intensity, which refers to the degree to which business operations rely on human labour to drive output and day-to-day operations. In response, companies are increasingly prioritising productivity-led strategies through automation, process optimisation, and workforce upskilling to alleviate cost pressures. This note examines how consumer players are adapting to these structural shifts and why workforce efficiency will be a key determinant in sustaining margins.

Exhibit 1: Malaysia Minimum Monthly Wages (RM)



Source: Trading Economics, Kenanga Research

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Workforce efficiency: Three key pillars

We assess this across three key pillars:

(1) Labour productivity (see Exhibit 2)

Labour productivity reflects how efficiently companies utilise their workforce to generate revenue and earnings. **Revenue per employee** and **EBIT per employee** serve as key indicators of operational efficiency and scalability. Companies with stronger productivity metrics are better positioned to absorb rising labour costs and sustain margins, as higher output and profit per employee supports operating leverage and reduces reliance on incremental hiring.

Companies with higher revenue per employee typically also report stronger EBIT per employee, indicating effective cost control and more efficient utilisation of labour to generate profit. **F&N** and **NESTLE** lead on both metrics, with revenue per employee exceeding RM1.3m and EBIT per employee above RM150k–190k, positioning them at the top of the ranking for companies under coverage. In contrast, companies such as **PWROOT**, **AEON** and **MRDIY** rank at the lower end, with revenue per employee less than RM460k and EBIT per employee below RM50k, reflecting more labour-intensive operating models, particularly in retail, which require larger workforces to support operations. Overall, we see that F&B manufacturers tend to exhibit higher labour productivity, while retail players lag due to structurally higher labour intensity and reliance on frontline staffing for in-store sales, customer service and daily store operations.

(2) Cost efficiency (see Exhibit 3)

Cost efficiency captures how well companies manage labour expenses relative to revenue, primarily through **staff cost as a percentage of sales** and **staff cost per employee**. These metrics highlight cost structure and workforce intensity, indicating how exposed companies are to wage pressures. **FFB** stands out with staff costs at 5.2% of sales and the lowest cost per employee, reflecting tight cost control. At the other end, **PWROOT** and **MRDIY** record higher staff cost ratios of 19.2% and 15.0%, respectively, alongside elevated staff cost per employee, pointing to more labour-heavy operations and potentially higher wage structures. **NESTLE** also ranks weaker on this measure, with staff costs at 11.0% of sales and the highest cost per employee. Consistent with productivity trends, F&B manufacturers generally demonstrate stronger cost control, while retail players carry structurally higher labour costs due to store-level staffing requirements.

Importantly, **cost efficiency should be assessed alongside productivity**, as lower labour costs do not necessarily imply better workforce efficiency. While **FFB** and **AEON** benefit from lower labour costs, they also deliver weaker output per employee, suggesting limited efficiency gains. Conversely, **F&N** and **NESTLE** operate with higher staff costs but achieve stronger revenue and EBIT per employee, indicating more effective workforce utilisation. Notably, **F&N** stands out by combining strong productivity with a relatively lower cost ratio than **NESTLE**. Overall, higher labour investment is favourable when supported by stronger productivity, reinforcing that cost efficiency is increasingly driven by optimising the cost-to-output relationship rather than minimising wages.

(3) Talent sustainability (see Exhibit 4)

Talent sustainability assesses workforce stability and capability development, primarily through **employee turnover rates** and **training hours per employee**. These metrics indicate a company's ability to retain talent and invest in workforce quality, supporting operational continuity and long-term productivity. Lower turnover reduces replacement costs and operational disruption, while consistent training enhances workforce capability.

Companies with lower turnover rates generally demonstrate stronger retention and more stable workforce structures. **NESTLE** leads with the lowest turnover at 5.4%, alongside moderate training hours of 14.1 per employee, indicating effective retention and sustained workforce development. **F&N** also performs well, with relatively low turnover of 18.8% and higher training intensity at 17.2 hours per employee. In contrast, **QL** and **MRDIY** record elevated turnover rates of 53.6% and 44.2%, respectively. For **QL**, turnover is largely concentrated within its CVS segment, reflecting the higher employee turnover typical of retail operations. **MRDIY** similarly attributes this to the inherently higher mobility of front-line retail roles. Training hours remain relatively high for both companies at 22.4–29.8, indicating continued investment in workforce capability despite structurally higher turnover. Meanwhile, **FFB** and **PADINI** lag on training intensity, with only 4.2–5.7 hours per employee, which may constrain long-term capability development. Overall, companies that achieve lower turnover with consistent and effective training investment are better positioned to sustain workforce stability, while retail operators tend to experience higher turnover likely due to fast-paced working conditions and irregular hours.

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Exhibit 2: Labour Productivity

	Revenue per Employee (RM '000)	Rank	EBIT per Employee (RM '000)	Rank	Overall Rank
F&N	1,353.3	2	194.1	1	1
NESTLE	1,444.0	1	159.7	2	1
FFB	680.4	4	91.4	3	3
QL	688.7	3	69.4	5	4
PADINI	569.9	5	70.1	4	5
PWROOT	459.3	6	47.5	6	6
MRDIY*	246.3	8	44.2	7	7
AEON*	452.2	7	31.3	8	7

Source: Company, Kenanga Research

Exhibit 3: Cost Efficiency

	Staff Costs as % of Revenue	Rank	Staff Costs per Employee (RM '000)	Rank	Overall Rank
FFB	5.2%	1	35.4	1	1
AEON*	10.0%	3	45.1	3	2
F&N	8.0%	2	108.2	7	3
QL	10.2%	4	70.6	5	3
MRDIY*	15.0%	7	36.8	2	3
PADINI	11.9%	6	67.9	4	6
NESTLE	11.0%	5	159.4	8	7
PWROOT	19.2%	8	88.4	6	8

Source: Company, Kenanga Research

Exhibit 4: Talent Sustainability

	Employee Turnover Rate	Rank	Training Hours per Employee	Rank	Overall Rank
F&N	18.8%	2	17.2	3	1
NESTLE	5.4%	1	14.1	5	2
MRDIY*	44.2%	7	29.8	1	3
PWROOT	36.5%	5	15.0	4	4
QL	53.6%	8	22.4	2	5
FFB	23.0%	3	4.2	8	6
PADINI	25.1%	4	5.7	7	6
AEON*	37.6%	6	11.4	6	8

Source: Company, Kenanga Research

Who comes out on top? (see Exhibit 5). Overall workforce efficiency, derived by summing the individual rankings across the three pillars (where a lower total indicates better performance), highlights **F&N** as the clear leader, followed by **NESTLE** and **FFB**, underpinned by solid performance in labour productivity, cost efficiency and talent sustainability. **QL** ranks in the mid-tier with relatively balanced outcomes but some gaps. Retail-oriented players such as **MRDIY**, **AEON** and **PADINI** rank lower, reflecting structurally lower productivity and higher labour intensity while **PWROOT** ranks last due to weaker overall performance.

This is further supported by **headcount versus revenue growth** dynamics (see Exhibit 6), which provide an additional lens on workforce efficiency. Companies where revenue growth exceeds headcount growth suggest stronger operating leverage and scalability, while the opposite indicates more labour-intensive expansion. **FFB** stands out with revenue growth outpacing headcount growth, signalling improving efficiency. In contrast, **AEON** shows headcount is growing faster than revenue, reinforcing the labour-intensive nature of its retail operations. We also look into the relationship between **staff costs per employee and turnover** (see Exhibit 7), where higher remuneration generally corresponds with lower turnover, as seen in **F&N** and **NESTLE**. Notably, **FFB** again stands out, maintaining relatively low turnover despite lower staff costs, reinforcing its position as one of the stronger performers in overall workforce efficiency.

Importantly, beyond relative rankings, workforce efficiency should also be considered in the context of broader wage dynamics and workforce sustainability. While lower labour costs may support margins in the near term, maintaining wages at minimum levels could lead to higher turnover and training costs over time, highlighting the trade-off between labour cost management and workforce stability. Conversely, higher remuneration, when supported by productivity gains, can enhance retention, reinforcing the link between *cost efficiency* and *talent sustainability*. This is consistent with initiatives such as Malaysia's Progressive Wage Policy, which links wage increases to productivity-related KPIs, ensuring that improvements in output are duly rewarded.

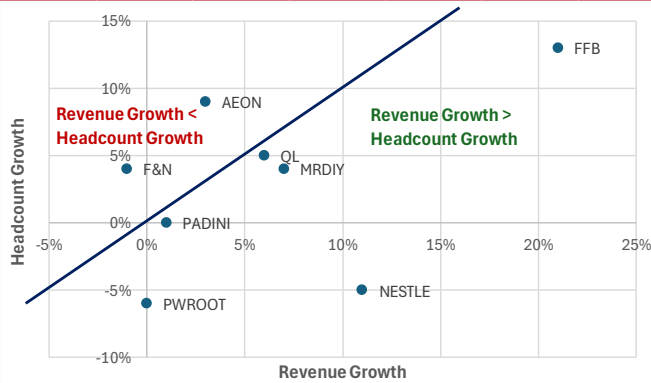
Exhibit 5: Overall Rank Across Three Key Pillars

	Overall Rank Across Key Pillars	Labour Productivity			Cost Efficiency			Talent Sustainability		
		Revenue per Employee (RM '000)	EBIT per Employee (RM '000)	Overall Rank	Staff Costs as % of Revenue	Staff Costs per Employee (RM '000)	Overall Rank	Employee Turnover Rate	Training Hours per Employee	Overall Rank
F&N	1	2	1	1	2	7	3	2	3	1
NESTLE	2	1	2	1	5	8	7	1	5	2
FFB	2	4	3	3	1	1	1	3	8	6
QL	4	3	5	4	4	5	3	8	2	5
MRDIY*	5	8	7	7	7	2	3	7	1	3
PADINI	6	5	4	5	6	4	6	4	7	6
AEON*	6	7	8	7	3	3	2	6	6	8
PWROOT	8	6	6	6	8	6	8	5	4	4

Source: Company, Kenanga Research

Note: Figures are based on FY25, except * denotes FY24

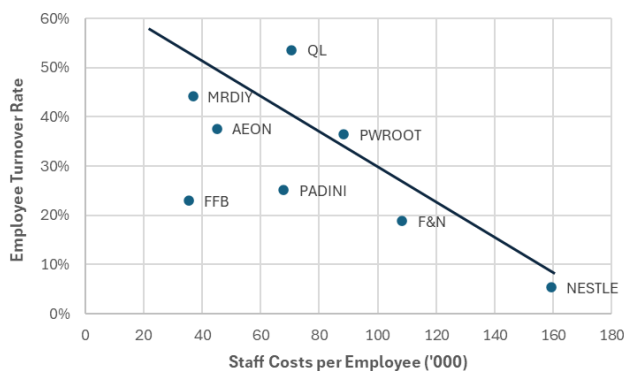
Exhibit 6: Revenue vs Headcount Growth



Source: Company, Kenanga Research

Note: Figures are based on FY25, except for AEON (FY24) and MRDIY (FY24)

Exhibit 7: Staff Costs per Employee vs Employee Turnover Rate



Source: Company, Kenanga Research

Note: Figures are based on FY25, except for AEON (FY24) and MRDIY (FY24)

Automation and operational transformation

To enhance workforce efficiency and manage rising labour costs, companies have increasingly adopted automation and operational improvements in recent years, particularly in labour-intensive areas such as warehousing and retail. Key initiatives include automating logistics and in-store processes to improve speed and accuracy, while reducing reliance on manual labour. We highlight selected company initiatives, based on management disclosures, that support productivity gains and cost efficiency below:

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- **F&N: Driving logistics efficiency through automation.** F&N has invested in Automatic Storage and Retrieval System (ASRS)-enabled warehousing infrastructure across Malaysia (Shah Alam) and Thailand (Rojana). The Shah Alam integrated warehouse, fully operational since 1HFY23 with a capacity of 50,000 pallets, is expected to deliver cost savings of up to RM30m annually by reducing reliance on third-party warehousing and manual labour. Similarly, the Rojana regional distribution centre, operational since January 2022 with a capacity of 30,000 pallets, enhances regional distribution efficiency through faster, more efficient storage and retrieval. With minimal workforce required for system control, both facilities support more efficient inventory management and distribution.
- **MRDIY: Scaling warehouse automation to support growth.** MRDIY operates a RM100m, 600,000 sq ft automated warehouse in Seri Kembangan, which commenced operations in August 2024. The facility is equipped with ASRS and autonomous mobile robot mini-load with a Pick-to-Light system to optimise inventory control, order processing and store deliveries. This reduces reliance on manual processes while improving accuracy and efficiency. The warehouse is expected to generate net annual savings of c.RM10m, driven by lower labour and warehouse rental costs, while supporting better coordination across its expanding retail network.
- **AEON: Enhancing in-store efficiency through digitalisation.** AEON continues to expand its self-checkout counters (SCOs) network across stores, with about 600 units installed and utilisation rates rising to ~52% in FY25 (FY24: 40%). The rollout improves customer throughput by reducing checkout wait times and enhancing the overall shopping experience. It also enables the redeployment of manpower to higher-value functions. This lowers reliance on temporary and casual workers, particularly during peak seasons, and supports more efficient workforce allocation across store operations.

From automation to higher-value roles. From a sustainability perspective, the integration of automation across warehousing and retail operations is reshaping workforce dynamics beyond efficiency gains. By reducing exposure to hazardous and physically demanding tasks, automation fosters safer working environments and enhances employee well-being, while simultaneously driving the need for workforce upskilling. This transition enables employees to take on more technical and value-added responsibilities, such as system monitoring and digital inventory management, as seen in **F&N** and **MRDIY**. In parallel, automation supports more resilient workforce planning by lowering dependence on temporary labour and facilitating redeployment into customer-facing or higher-value roles, as reflected in the cross-functional staff reallocation undertaken by **AEON**. These shifts help companies manage rising labour costs more sustainably while preserving workforce stability.

That said, the benefits of automation must be balanced with responsible labour practices. Companies should prioritise continuous upskilling, structured redeployment pathways, and inclusive workforce strategies to mitigate displacement risks and support long-term employment sustainability.

Conclusion

In summary, workforce efficiency will be an increasingly important determinant of margin resilience within the consumer sector as labour costs trend higher. Companies that effectively balance labour productivity, cost efficiency and talent sustainability, such as **F&N**, **NESTLE** and **FFB**, are leading in workforce efficiency and are better positioned to manage wage inflation and sustain earnings, while retail-oriented players remain more constrained by higher labour intensity and turnover. While automation and process optimisation provide a clear pathway to improve efficiency, outcomes will ultimately depend on execution, particularly in aligning technology adoption with workforce upskilling and retention. Notably, **AEON**, **MRDIY** and **QL** are constituents of the FTSE4Good Index, reflecting strong environmental, social and governance practices, including ongoing efforts to strengthen workforce management and operational sustainability.

We maintain our ESG ratings across the board and reiterate a **NEUTRAL** stance on the consumer sector. Our top picks remain **F&N (OP; TP: RM37.70)** for its exposure to essential consumption and defensive F&B profile, which stay resilient amid rising living costs, and **MRDIY (OP; TP: RM1.80)**, for its value-for-money positioning and leverage to ongoing consumer downtrading trends.

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	OP	1.17	1.30	11.1%	1,642.7	Y	12/2026	10.3	11.3	8.6%	9.0%	11.3	10.4	0.8	7.1%	5.0	4.3%
FARM FRESH BHD	MP	2.38	2.40	0.8%	4,484.9	Y	03/2026	7.5	8.6	29.2%	15.5%	31.9	27.6	5.5	18.2%	3.0	1.3%
FRASER & NEAVE HOLDINGS BHD	OP	30.92	37.70	21.9%	11,340.8	Y	09/2026	144.2	160.7	3.6%	11.4%	21.4	19.2	2.7	13.2%	70.0	2.3%
MR D.I.Y. GROUP (M) BHD	OP	1.60	1.80	12.5%	15,164.0	Y	12/2026	7.5	8.2	11.6%	9.0%	21.3	19.5	7.5	35.3%	8.0	5.0%
NESTLE (MALAYSIA) BHD	MP	98.74	106.00	7.4%	23,154.5	Y	12/2026	256.9	284.7	20.2%	10.8%	38.4	34.7	39.9	104.1%	255.0	2.6%
PADINI HOLDINGS BHD	MP	1.58	1.75	10.8%	1,559.2	Y	06/2026	14.0	15.9	-15.0%	13.5%	11.3	10.0	1.3	11.1%	8.2	5.2%
POWER ROOT BHD	MP	1.18	1.08	-8.5%	494.4	Y	03/2026	5.6	7.2	-21.5%	28.3%	21.0	16.4	1.7	7.5%	5.0	4.2%
QL RESOURCES BHD	MP	3.82	4.05	6.0%	13,944.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	31.3	28.5	3.9	14.1%	5.0	1.3%
KAREX BHD	MP	0.590	0.580	-1.7%	621.5	Y	06/2026	1.0	2.3	5250.0%	126.2%	58.1	25.7	1.3	2.3%	1.5	2.5%
SECTOR AGGREGATE					72,406.0					8.2%	11.1%	26.4	23.7	4.8	18.1%		3.2%

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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