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Singapore

HRI Food Service Sector

Executive Summary

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Report Highlights:

The Singapore food service industry is highly fragmented, with a large number of small to medium sized establishments. There are approximately 27,000 licensed food stallholders island-wide and more than 8,000 registered food outlets. A smaller percentage of establishments make up the HRI food service sector, which comprises, hotels, restaurants and institutional establishments. There were approximately 3,500 establishments in Singapore's HRI sector in 2000. Since 1995, the HRI sector has grown in revenues from \$4.7 to \$5.4 billion.

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1. MARKET SUMMARY

1.1 SINGAPORE FOOD SERVICE INDUSTRY

Singapore is a city-state with a population of 4.1 million and a remarkably high GDP per capita of approximately US\$27,500 in 2001. Singapore's economy rebounded from the 1997-99 Asian economic crisis with 10% real GDP growth in 2000, but the economy contracted by 2% in 2001 and is likely to post a 3-4% GDP growth rate for 2002.

The Singapore food service industry is highly fragmented, with a large number of small to medium sized establishments. There are approximately 27,000 licensed food stallholders island wide and more than 8,000 registered cooked food outlets.

A smaller percentage of establishments make up the HRI food service sector, which comprises hotels, restaurants and institutional establishments. There were approximately 3,500 establishments in Singapore's HRI sector in 2000. Since 1995, the HRI sector has grown in revenues from \$4.7 to \$ 5.4 billion.

All three sub-sectors within HRI were hit by the Asian economic crisis in 1997. However, hotels experienced the biggest adverse impact, mainly due to their dependence on the tourism industry. Hotels' sales performance is the most volatile among the 3 sub-sectors while the institution sub-sector is the least volatile. Restaurants, though affected by the weak tourism sector, have received some support from domestic consumption.

Percentage Increase (Decrease) in Number of Establishments and F&B Revenue for HRI Sector								
	Hotels		Restaurants		Fast Food Outlets		Institutions	
	Est.	F&B Revenue	Est.	F&B Revenue	Est.	F&B Revenue	Est.	F&B Revenue
1997 - 1998	4.76	-15.87	-6.66	-12.84	-6.13	-0.71	-2.50	-0.88
1998 - 1999	-2.53	-2.04	10.26	-5.71	5.71	5.53	-7.63	1.06
1999 - 2000	1.55	12.11	2.95	8.75	5.79	6.55	5.74	7.46

Source: Department of Statistics, Singapore

1.2 THE SINGAPORE FOOD SERVICE INDUSTRY GENERAL OUTLOOK

Singapore's food service industry performance is closely correlated with household disposable income patterns. With the unemployment rate expected to peak at 5.5% and GDP growth expected at low single digits in 2003, domestic consumers have become increasingly cautious in their spending. This will affect the restaurant sector and to some extent, the hotel business too.

The hotel sector, which depends heavily on the number of visitor arrivals to Singapore, is expected to remain weak, though spending from higher-income households and tourists from neighboring countries may partially compensate for this. This situation will translate into small growth for the hotel F&B industry in the next 3 years.

Growth in the restaurant sub-sector is likely to be dampened by weak economic growth prospects in 2003. Weak consumer sentiment is likely to contribute to increasingly more Singaporeans eating out less or reducing their restaurant spending per visit - for example, switching to cheaper restaurants.

The institution sub-sector will register the best performance going forward, as it has less dependency on the tourism sector and consumer spending. Corporations are constantly looking for ways to lower costs, including outsourcing non-core activities such as catering and event management.

The table below shows key factors affecting the three sub-sectors within the HRI industry and their impact on the various sub-sectors in the short term.

	Hotels	Restaurants	Institutions
Consumer spending	Important (-)	Highly Important (--)	
Unemployment rate	Important (-)	Highly Important (--)	
Consumer's affluence and international exposure (e.g. being well traveled)	Highly Important (++)	Important (+)	
Expatriate population growth rate	Highly Important (-)		
Trend in women working outside the home		Highly Important (++)	Important (+)
Foreign visitors to Singapore	Highly Important (-)		
Professionalism within the F&B industry			Highly Important (++)
Outsourcing and cost-cutting trends within corporations			Highly Important (++)
Trend in internet sales			Important (+)
Legend:			
Important / Highly Important: Key factor's degree of importance on the sub-sector			
(+) / (++) A positive impact on the sub-sector			
(-) / (--) A negative impact on the sub-sector			

1.3 ADVANTAGES AND CHALLENGES FOR US EXPORTERS

Advantages and challenges for US products when penetrating the Singapore food service industry are summarized in the following table:

Advantages	Challenges
Singapore's economy remains healthy and its per capita purchasing power is among the highest in Asia	Weak growth in the food service industry is expected in the next few years, in line with uncertain economic growth and visitor arrival prospects
Singapore has limited natural resources and imports 90% of its food consumption	The Singapore Dollar has been weakening against the US Dollar for most of the past 2 years (though it has rallied somewhat in 2H2002). This reduces Singaporeans' buying power and contributes to Singapore sourcing more from other countries
US fast food and restaurant chains are popular among Singaporeans	There is a perception that US food lacks "gourmet", specialty and "fine" variants
US products are generally regarded as high quality products	US products are generally more expensive compared to Australian and New Zealand products
US food products are generally in steady supply	Strong competition from Malaysia and China in the vegetables and fruits group
Singaporeans are generally well-traveled and cosmopolitan, resulting in ready acceptance to foreign food products, new types of cuisine and concepts etc	Consumer spending growth is expected to remain weak in line with modest economic growth and a relatively high forecasted unemployment rate in 2003
Singapore acts as a regional hub for the South East Asian region and benefits from a high level of foreign visitors	Weak growth in tourism industry has been evident over the past two years, worsening after the October 2002 bombing in Bali
A relatively large number of expatriate professionals working in Singapore – this, coupled with the receptiveness of the local population towards different varieties of food, results in Singapore being a good test-bed for new types of cuisine e.g. fusion	Increasing relocation of expatriates back to their home countries as the corporate sector continues cost-cutting

2. ROAD MAP FOR MARKET ENTRY

2.1 ENTRY STRATEGY

When entering the Singapore market, US exporters should be aware of the current US foods' advantages and disadvantages, along with the social profile of and trends in Singapore such as:

- Growing health conscious among Singaporeans
- Popularity of using portion controlled products by HRI establishments as it helps to save cost (for examples by eliminating the need for measurement) as well as helping to improve the establishments' image

Tactics to increase US food product consumption within the HRI sector may include but not limited to

the following:

- ***Strengthen networks with importers and distributors.***

Importers and distributors deal directly with large HRI end users (hotels, restaurants, institutions). Hence these agents have tremendous knowledge on what the end users need and can effectively influence decision-making.

- ***Defend and build on the premium positioning of US products.***

US food products are regarded as of high quality. This advantage should be leveraged to the full, as middle and upper income Singaporeans are increasingly becoming health conscious. These segments will pay a premium for fresh and natural products.

- ***Engineering greater incidence of US food products on menus by:***

- Building networks with chefs, offering and educating them on new menus using US food products
- Creating awareness among HRI patrons by holding regular broad-based marketing activities such as themed food festivals, eg “Louisiana’s Cajun Food”, “TexMex BBQ”, “Natural California”, etc.

- ***Maintain steady supply as a critical success factor***

As one of the major criteria used by chefs when selecting ingredients is steady supply, US exporters should find ways to improve timeliness of supply to better compete with supply from countries that are physically closer to Singapore like Australia.

2.2 MARKET STRUCTURE

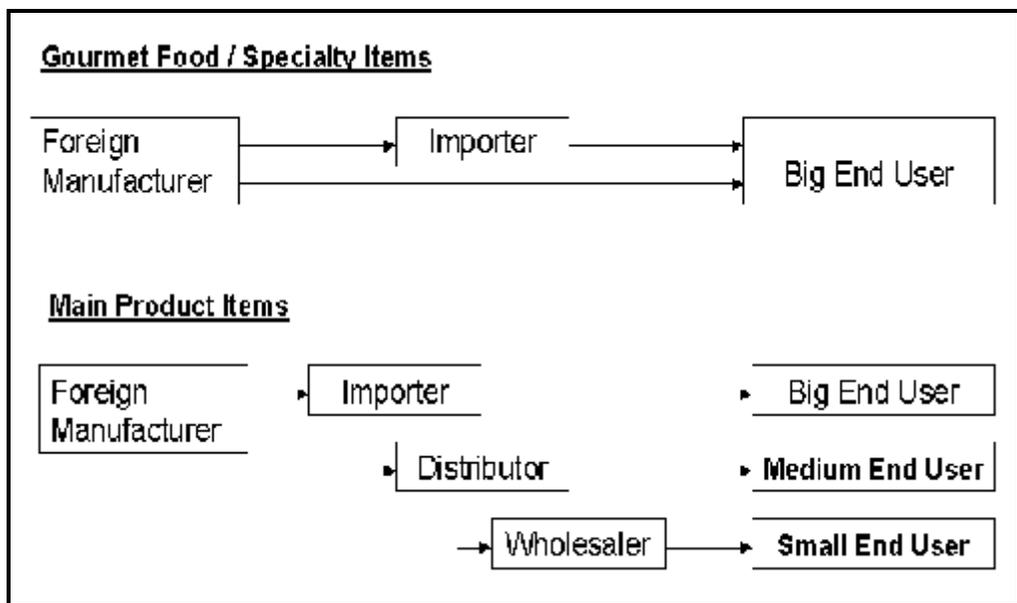
The following diagram illustrates the typical distribution structure for imported food products in the various HRI sub-sectors. *The distribution structure is influenced to a greater extent by the size and purchasing power of the individual establishment, rather than its establishment type.*

2.3 SUB-SECTOR PROFILES

2.3.1 HOTEL

The number of hotels with food service capability has grown from 166 in 1995 to 198 hotels in 2001, but comparable growth in F&B sales, which totaled \$1.69 million in 1995 and grew to only \$1.76 million in 2000, has not been forthcoming.

Hotels generate their F&B revenues largely through activities such as operating restaurants, holding banquets and other events like corporate functions. Typically, a hotel’s F&B revenue accounts for 20 to 40% of total revenue, with the proportion of food at 70% and beverages at 30%.



2.3.1.2 Hotel Industry Outlook

Hotels’ major customer base comprises foreign visitors

and affluent local Singaporeans who dine out frequently for business or social purposes. The hotel food service sub-sector is dependent on tourist/business visitor arrivals and domestic economic growth, which influences sales to Singaporeans. Growth in both measures has been modest in recent times. In 2001, Singapore had 7.52 million visitors, with the majority coming from Indonesia (18%), Japan (10%), Malaysia (7%), Australia (7%) and China (7%). Most visitors came for holidays (46%) and business related matters (21%).

Following the Bali terrorist bombings on October 13th 2002, several Western countries issued travel warnings with respect to South East Asian countries. This is expected to lower the visitor arrivals for 2003. A significant decrease is expected from the Australian tourist segment, due to the strong warnings issued by the Australian government. However the adverse impact will be limited by the fact that most visitors to Singapore come from countries in Asia and in particular South East Asia.

Leading Hotels with Potential for Consumption of US Food Products				
Company Name	Food Sales (US\$ Million)	Hotel Name, Grading	Location	Purchasing Method
Hotel Royal Pte Ltd	1.89	Royal Hotel (3 Star Hotel)	Others	Distributor / Importer,
Goodwood Park Hotel Ltd	11.8	Goodwood Hotel (5 Star Hotel)	Orchard	Direct, Distributor/ Importer
Hotel Plaza Limited	6.6	Plaza Park Royal (4 Star Hotel)	Downtown	Distributor/ Importer
	4.5	New Park Hotel (4 Star Hotel)	Downtown	Distributor/ Importer
	5.0	Grand Plaza Parkroyal (4 Star Hotel)	Downtown	Distributor/ Importer
Raffles Holdings Pte Ltd	17.3	Raffles Hotel (5 Star Hotel)	Marina	Direct, Distributor/ Importer
		Swissotel Hotel (5 Star Hotel)	Marina	Direct, Distributor/ Importer
Hotel Negara Pte Ltd	4.4	Hotel Meritus Negara	Orchard	Distributor/ Importer
Shangri-La Asia Limited	19.21	Shangri-La Hotel Singapore	Orchard	Direct, Distributor/ Importer
		Traders Hotel Singapore	Orchard	
Hotel Properties Ltd	43	Four Seasons Hotel (5 Star Hotel)	Orchard	Direct, Distributor/ Importer
		Concorde Hotel (4 Star Hotel)	Downtown	Distributor/ Importer

		Le Meridien Hotel (4 Star Hotel)	Others, Orchard	Distributor/ Importer
		Hilton Singapore (5 Star Hotel)	Orchard	Distributor/ Importer

2.3.2 RESTAURANTS

Within the restaurant category are full service style restaurant, coffee shops, cafes and fast food chains. There were a total of 895 establishments in 1995 and the number grew to 1,181 in 2000, contributing \$ 2.02 billion in sales in 2000 compared to \$1.68 billion in sales in 1995.

2.3.2.1 Full Service Restaurants

The full-service restaurant sector is the more volatile of the restaurant sub-sectors, experiencing the highest growth in 1997 due mainly to strong economic growth throughout the mid-1990s and declining by a larger than average percentage in 1998. It too experienced a strong rebound in 2000.

From 1995 to 2000, the number of full service restaurants and cafes grew from 674 to 907 while revenues increased from \$ 1.22 billion in 1995 to \$ 1.48 billion in 2000. The restaurant segment has seen increasing competition over the years.

2.3.2.1.2 Full Service Restaurant Industry Outlook

As with other sectors, *the main driver of growth in the full service restaurant sector is the economic situation* - revenues in this sector are highly cyclical.

With the current uncertain economic situation, demand in the full service restaurant sub-sector is expected to shrink. Frequency of dining and average spending per receipt is expected to decline. *Demand for the full service restaurant dining experience will increase when the economy rebounds.*

Currently, most restaurants are seeking sources of cheaper ingredients which allow them to maintain food quality. This is likely to drive demand for vegetables and fruits from cheaper sources such as Malaysia, and meat from Australia and New Zealand compared to premium beef from the US. However this may benefit US food exporters aligned to fast food chains (see below).

Leading Restaurants with Potential for US Food Products

Company Name	Food Sales (US\$ Million)	Restaurant Name, Type & Number of Outlets	Location	Purchasing Method
Tung Lok Restaurants Pte Ltd	29.4	Holding company for 19 full service restaurants, among them ; Lao Beijing, House of Mao, Club Chinois, Tung Lok Seafood Gallery	Island Wide	Distributor/ Importer, Direct, Wholesaler
ABR Holdings	32.8	Holding company for Swensen's Ice Cream and restaurant, Europa. Total establishments: 17	Island Wide	Direct- for main content, Importer & Wholesaler – for non critical items
Morton's of Chicago	3.5	Morton's of Chicago (full service restaurant) (1)	Orchard	Direct, Distributor / Importer
Lawry's The Prime Rib	NA	Lawry's The Prime Rib (full service restaurant) (1)	Orchard	Distributor/ Importer

2.3.2.2 Fast Food

The fast-food sub-sector is more stable than hotels and full-service restaurants, although the growth in number of establishments has outstripped revenue growth as with the other two sub-sectors. The number of fast food outlets increased from 221 in 1995 to 274 in 2000. 90% of the chains are American fast food chains such as McDonalds, KFC, and Burger King. Revenues in this sub-sector grew from \$ 457 million in 1995 to \$ 544 million in 2000.

2.3.2.2.2 Fast Food Industry Outlook

The fast food industry is relatively less affected by the economic slowdown. Factors such as strong brand name, familiarity with fast food on the part of consumers and an increasing trend of women working outside the home have helped to drive demand for fast food. A key competitive success factor in this industry is value for money, which explains the frequency of promotional campaigns.

However, intense price competition and a *maturing market situation* - underlined by the high penetration of fast food establishments in most retail malls and neighborhoods - *has driven the fast food industry towards consolidation*. Furthermore, the industry has reached saturation, with customer per outlet ratios having reached levels that are not sustainable in the medium to long term. The pace of consolidation has been accelerated by the economic downturn.

Another factor that has been hurting the fast food industry is the trend towards greater health

consciousness. People are becoming more aware of the negative impact of fast food on health, eg the potentially carcinogenic qualities of deep fried foods.

Leading Fast Food Restaurants with Potential for US Food Products				
Company Name	Food Sales (US\$ Million)	Outlet Name, Type & Number of Outlets	Location	Purchasing Method
KFC	N/A	Holding company for KFC Singapore (70 outlets) and Pizza Hut Singapore (29 outlets)	Island Wide	Direct- for main content, Importer & Agent– for non critical items
Food Junction	9.6	Food Junction (17 food courts- 264 stalls)	Island Wide	Importer
Bonvest Pte Ltd	51.1	Holding company for: <ul style="list-style-type: none"> • Burger King (Bon-Food Ptd Ltd) • Starbucks Coffee (Bonstar Pte Ltd) • BON Restaurant (Bon Concept Pte Ltd) • Orange Julius & Dairy Queen (Bonfresh Pte Ltd) • Brooklyn Bagels Total establishments: 82	Island Wide	Direct- for main content, Importer & Agent– for non critical items

2.3.3 INSTITUTIONAL

The institutional catering sub-sector spans canteens, hospitals, country clubs and golf clubs, military institutions, prisons and catering for transportation. It is the most fragmented of the various HRI segments. There were a total of 2,157 institutional establishments in 2000 compared to 2,113 in 1995, the number being relatively stable.

Contrary to the other sectors where increases in establishment numbers have outstripped gains in revenue, the *institutional category has seen healthy revenue growth* (from \$ 1.3 billion in 1995 to \$1.6 billion in 2000) relative to an unchanged establishment pool. This can be attributed to higher barriers to entry, increasing outsourcing of catering/banqueting events by large companies and greater room for raising profitability by customizing attractive value propositions for large customers.

2.3.3.2 Institutional Industry Outlook

Demand for institutional catering is expected to record the highest growth compared to other segments. Unlike in the past when this segment was populated by small businesses, several big establishments have emerged over the last decade, such as SATS and SFI (see below). The relatively high level of professionalism helps drive the trend towards F&B outsourcing.

The in-flight and maritime catering segments warrant attention, given Singapore's international sea and air hub role. There are approximately 300 scheduled air flights from Changi airport every week to 140 cities in 49 countries, while there are 146,265 vessel arrivals at Singapore's ports each year, or 2,812 vessels each week.

Leading Institutions with Potential for US Food Products				
Company Name	Food Sales (US\$ Million)	Outlet Name, Type, & Number of Outlets	Location	Purchasing Method
SATS Catering	225.6	Catering Service for in-flight services, serves 45 airlines – produces 58,000 meals daily	Singapore	Direct (tender), importer
CIAS Catering	96.5	Catering service for airport and in-flight services. (Account for 30% for airline industry sales)	Singapore	Direct (tender), importer
Singapore Food Industries	73.22	Catering Service for hospitals, corporations and the uniform force	Singapore	Importer
Kriston	5	Catering Service (wedding, corporate, events, contract caterer, take away, etc)	Singapore	Importer, Agent

3. COMPETITION

Singapore imported some \$ 4.5 billion of food materials in 2001. Among the largest sources are: Malaysia (28.4%), Australia (11.4 %), France (10.6 %), Thailand (9.8 %), US (8.6 %) and China (7.8%).

In the HRI industry, US products enjoy relatively significant market share in the following product categories:

- Meat (especially chilled beef) and chicken
- Cereals (potato, corn, wheat)
- Fruits and vegetables (strawberries, peach, plum, orange)
- Fish and seafood (Alaskan king crab, Maine lobster)
- Dried fruits (raisins, pistachios)
- Dairy products (ice cream, cream, processed cheese)

A major competitor in all HRI food categories in Singapore is Australia. Singapore's HRI sector generally regards Australian food quality to be on par with American food, while selling at a lower price and arriving within a shorter time due to the physical proximity between Australia and Singapore. New Zealand has also been increasing its footprint in Singapore's HRI market, especially in the dairy product, meat, and wine sector.

In the specialty products category, America is competing with a wider range of countries, ranging from Australia for Roma tomatoes, Europe in general for fresh fruit and vegetables, France for goose liver pate, and Switzerland for cheese.

On a more general note, for common food products that need to be supplied fresh and in large quantities, such as everyday greens and fruits, fresh fish, rice, etc. Singapore's HRI sector tends to source large volumes from its South-East Asian neighbors, namely Malaysia, Indonesia and Thailand. Price and freshness are the main consideration for these buyers.

3.1 Competitor Activities

With the help of local organizations or publications, some of the activities used by other countries or regions to promote their food products in Singapore include but are not limited to the following:

- q Singapore-Australian Wine Education Award (SAWEA).
- q Spanish Wine and Dine 2002.
- q "Wine and Dine" Wine Tasting Review.
- q Chocolate Seminar.
- q The Australian Pavilion.
- q New World of Food and Wine Festival at the Ritz Carlton Millenia
- q Thai food promotion with NTUC Fairprice

Major events that US suppliers can use for marketing include the annual Food and Hotel Asia and SIAL Asia events held in Singapore.

4. BEST PRODUCT PROSPECTS

US best product prospects are summarized in the following table, which also recommends strategies for each category.

	US having presence in the food category		US having no presence in the food category	
	US IS a major supplier	US IS NOT a major supplier	Supplied by many countries	Supplied by few countries
High Import Value	Category A Maintain	Category B Increase Presence	Category D Identify Barriers	Category B Increase Presence
Low Import Value	Category C Increase / maintain presence in niche area	Ignore		

US exporters best prospects would be foods in categories A, B, and C, where US foods have a high presence. Food categories classified as A, B and C for the USA in the Singapore market are as follows:

Category A:

- q **Fruits & Vegetables:** Grapefruit, grapes, apples, fresh strawberries, lemons & limes, oranges, vegetable/fruit nuts, celery, and ginseng roots
- q **Wheat:** Sweet corn, frozen/fresh/chilled potato, potato chips & sticks, breakfast cereals
- q **Meat:** Boneless beef (fresh & chilled), animal's stomach, frozen chicken thigh, sausages containing non beef meat
- q **Types of oil:** Vegetable fats & oil fractions, refined corn oil.
- q **Coffee:** non decaf roasted coffee
- q **Confectionery:** cocoa confectionery block, chocolate coated confectionery tablets, cocoa powder (unsweetened), cocoa biscuit (sweetened), other types of chocolates, mixes dough bakery preparation.
- q **Seafood:** Frozen scallops
- q **Other Processed Food:** Crisp savory products, grated/powdered cheese.

Category B:

- q **Fruits & Vegetables:** Onions, spinach, headed broccoli, fresh carrots, seaweed and other algae, vegetables/fruits in vinegar, fresh pears & quinces, fresh grapes, mandarins.

- q *Wheat: Soya beans, whey and modified whey, wheat flour, refined sunflower seed.*
- q *Meat: Frozen boneless beef, other chicken prepared or preserved, luncheon meat, frozen chicken wings, frozen whole chicken.*
- q *Nuts: Groundnuts (shelled), black pepper (not crushed or ground)*
- q *Types of oil: Refined coconut oil*
- q *Beverages: Frozen orange juice.*
- q *Dairy Products: Milk & cream powder (low fat, high fat), milk & cream sweetened power (high fat), milk & cream (1 to 6%), butter, margarine*
- q *Seafood: Tuna skipjack & atlantic bonito, prepared or preserved abalone, frozen fish fillets*
- q *Confectionery: Cakes, medicated sweets, wafers, sweetened biscuit, toasted bread*
- q *Other Food: Natural Honey, coffee extract essences*

Category C:

- q *Fruits & Vegetables: Fresh or chilled asparagus, frozen peas, frozen mixtures of vegetables, dried onions, avocados, frozen strawberries, dried apricots, dried prunes, peel of citrus fruit, tomatoes (preserved & whole), prepared mushroom.*
- q *Wheat: Frozen sweet corn, corn flaked, worked oats and corn, flour meal & potatoes powder, corn bran, potatoes granules & pellets.*
- q *Meat: Beef with bone in (frozen, fresh, and chilled), frozen turkey, frozen duck, frozen geese or guinea fowl cuts, frozen duck cuts, boneless ham, pork sausages, turkey cuts.*
- q *Nuts: Almonds (in shell or shelled), hazelnuts, walnuts, pistachios, mixtures of nuts and dried fruits, pepper (crushed and ground)*
- q *Types of oil: Fish oil and castor oil*
- q *Beverages: other type of fruit juices, whiskies, rum,*
- q *Coffee: Non-decaffeinated roasted un-ground coffee, decaffeinated roasted ground coffee.*
- q *Seafood: Live lobsters*
- q *Sweet Processed Food: Lactose syrup, maple sugar (including maple syrup), maltose, caramel, fruit jams & jellies*
- q *Other Processed Food: Processed fruits, stuffed pasta, waffles*

END OF REPORT