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## **Singapore**

### **Agricultural Situation**

### **Food Retail Industry in Singapore**

**1998**

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**Food Retail Industry in Singapore**

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**U.S. Agricultural Trade Office**

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## Executive Summary

The food retail industry in Singapore is going through a period of rapid change. Shopping in supermarkets and other modern food outlets is increasing. This is due to expanding consumer affluence and exposure. In addition, modern retailers offer a wide variety of products and have placed strong emphasis on improving the freshness of their items.

The Singapore market has traditionally consisted of two segments. The first was that of middle and lower income consumers. These consumers lived primarily in Singapore's Housing Estates, were extremely price conscious, and consumed Asian foods. The second segment encompassed expatriates and higher income Singaporeans. These customers resided in the downtown and private residential areas and were more Westernized in their food preferences. In recent years, the line between these segments has blurred. Segmentation by age has become more important.

Globalization is taking place in the supermarket industry in Southeast Asia. The recent currency crisis is speeding up this process. Some analysts predict that supermarket sales in the Region will be dominated by 5 - 6 major global chains in the foreseeable future, while a few progressive local chains will survive. Important to the success of these firms will be an image of "fresh" foods, central warehousing facilities, and the ability to source products directly from a wide variety of countries.

The younger generation is having a major impact on Singapore's food consumption patterns. Foods that can serve as a status symbol are popular with many younger people. Among the best sales prospects for U.S. items are fresh foods, prepared and other convenience foods, wines, frozen products, and healthy foods.

Singapore is an attractive market. However, it is small and extremely competitive. Costs of successful product introduction are high and it is not easy to be profitable. Advice for U.S. exporters includes:

- \* Consider Southeast Asia as a whole in developing marketing plans, but remember that each market is unique;
- \* Select an agent or distribution arrangement that makes sense given that more retailers are buying direct; and
- \* Invest in a marketing program that encompasses research, consumer and trade education, and product sampling.

## Background<sup>1</sup>

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<sup>1</sup> This report is based on interviews with nine supermarket buyers, three industry analysts, and published materials.

The food retail industry in Singapore is going through a period of rapid change. Shoppers can purchase food from a variety of locations, ranging from traditional wet markets to modern hypermarkets.

Singapore is located in Asia, a region of the world expected to have two-thirds of the world's population by the year 2000. This country is home to slightly more than three million people. It is the economic hub for Southeast Asia, an area with a population of 500 million.

Other population statistics are important to understanding the market. The country has a fairly young population, with 30 percent of the people under the age of twenty. However, the population is aging and living longer. The largest percentage of the population, 20 percent, falls in the age range of 30 - 39 years. Eighty-six percent of the population lives in government-subsidized Housing Development Board (HDB) estates. The average household size consists of 3.7 people, compared with the U.S. average of 2.7.

Singaporean consumers are among the most affluent in Southeast Asia. The per capita GNP in 1996 was SD 37,036 or USD 24,940, one of the highest in the world.<sup>2</sup> Strong economic growth has created an expanding middle class with increased buying power.

Singapore is multi-racial and foods from all over the world are found on the Island. Seventy-seven percent of the population is Chinese, 14 percent is Malay, 7 percent is Indian, and the remaining 1 percent consists of other races.

## **Consumer Behaviour**

### **Eating**

Eating and shopping are seen as forms of entertainment to many in Singapore, and finding a low-priced place to eat is easy. A meal for one person can be purchased for under USD 3.00 at hawker centers, and many people eat out at least once a day. Generally three meals a day are consumed. Snacking appears to be on the increase, as most people in the trade report that the snack food business is one of the fastest growing segments of the industry.

The tastes of Singaporeans are somewhat different than those of many Americans. Singaporeans like hot and spicy foods. Chili sauce is offered at McDonald's and most other eating establishments as a condiment for french fries, hamburgers, and other foods. Green and red peppers are also frequently used as an ingredient or topping. Recent studies and trade reports suggest that Singaporeans do not like the cheese and butter sauces associated with some U.S. microwave foods and U.S. chocolate tends to be too sweet for local taste buds.

Consumers in Singapore are willing to try anything once, but most products fail to become part of the culture. There is a strong positive reaction to advertising and promotions, and these are essential in launching new products. In part, this is due to a lack of knowledge about new items, particularly foreign foods. With all of the new products that are introduced into Singapore, consumers are not known to be very brand loyal, and it is difficult to build this loyalty.

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<sup>2</sup> The exchange rates used in this report are USD 1.00 = SD 1.485.

Food retailers segment the market in many ways. The major divisions typically occur between different racial groups and income levels. For example, Chinese consumers generally have different food consumption habits than Indian consumers. More affluent Singaporeans purchase different products than lower income groups. In the past, lines were drawn by residential area, but now these lines are starting to diminish. Segmentation by age is increasing as younger generation consumers have different tastes than older Singaporeans.

Shoppers are more exposed to foods from different cultures than in the past. Maids are doing less of the shopping, thus housewives are more exposed to the variety of items on supermarket shelves. In addition, the growth of the restaurant industry has been significant in recent years. One industry analyst reported that less than a decade ago, almost all Western restaurants were found only in hotels. Now, they are all over the Island.

### **Impact of Younger Generation**

The impact of the younger generation on consumption patterns cannot be underestimated. An increasing number of young people are traveling or studying abroad. Movies are an extremely popular past time in Singapore and young people are exposed to new cultures and ideas through this medium. The influence of young consumers is illustrated by the comments of retailers who were interviewed for this study.

"Kids here too are changing, they want cheese and are more Western inclined. Late teens want to try foods that are non-traditional."

"You just cannot take Western products and plunk them into Singapore. La Casina did a lot of research with their pizza at the National University of Singapore before launching. It's not so much taste as what's "in fashion". It has nothing to do with taste."

"We are selling pagers in 7-Eleven. Kids under 12 are buying them. We are also selling printer catalogs and other electronic items. We want to get shoppers in the store because of what we offer and then rope them into impulse shopping."

Major challenges for Singapore supermarkets are that young consumers generally do not like food shopping and are not brand/store loyal.

### **Shoppers**

Buyers from the largest supermarket chain in Singapore identify women as the primary shoppers for food. Most of the customers of this chain come from households of 4 persons, 2 adults and 2 children. Average monthly incomes are in the neighborhood of USD 3,000 - 3,650.

Shoppers say that the efficiency of a store plays a major role in whether they shop there, and 71 percent of shoppers

pick a store where checkout is fast. Pricing is also a key factor in consumers' choice of a store as well as atmosphere, location, and freshness of products.

In 1997, a survey of 30 consumers was conducted by the Singapore Straits Times to determine whether they preferred to shop in supermarkets or wet markets. The study revealed that:

- \* fifty percent preferred to shop at supermarkets because these outlets are cleaner and air-conditioned and offer a wider variety of goods;
- \* thirty-three percent chose supermarkets because of their product and location convenience; and
- \* seventeen percent still preferred to shop at wet markets.

Changing consumer expectations are resulting in a growing preference for supermarket shopping in Singapore. This is due to expanding consumer affluence and exposure. Consumers are increasingly attracted to these outlets because of:

- \* their image, as western style shopping has become more appealing to consumers;
- \* a wider range of categories of products and many items within each category;
- \* their air-conditioned, cleaner, and more spacious shopping environment;
- \* many people now perceive that products purchased in supermarkets are as fresh as those in the wet market;
- \* health and hygiene considerations; and
- \* economies of scale and bulk purchasing that are resulting in lower prices.

Many households in Singapore do not own cars. This has increased the importance of convenient location in food shopping and also encouraged consumers to shop relatively frequently. It is estimated that Singaporeans currently shop 2-3 times per week for food. Some expect this shopping frequency to drop in the next five years.

## Spending

Consumer spending on food as a share of total spending was 26 percent in 1996, and 36 percent of total retail sales in Singapore were for food. It is expected that by 2000 this latter figure will decrease to 31 percent as consumer incomes continue to grow. Per capita expenditure on food has been on the rise. In 1991, USD 1,098 was spent on food. By 1995, this figure had risen 43 percent to USD 1,570.

## Food Retailers

### Introduction

Singapore is considered on the border line between a developing and a mature food retail market. Approximately 40-50 percent of Singapore's food sales take place at supermarkets. This is compared with eighty percent in the United States. Wet markets and provision shops account for the other 50-60 percent of retail food sales in Singapore. In other Asian countries, this figure can be as high as 80 percent.

Retail food sales in Singapore exceed USD 1 billion annually. However, there are no official figures in this regard. From data gathered during this study, it is estimated that the retail food market is worth about USD 2.7 billion annually. Market access for new chains has become very competitive, and some believe the greatest opportunities are for stores to find niche markets. As one retail analyst recently commented,

"Singapore is one of the easiest markets to enter, but one of the toughest in which to compete in Southeast Asia."

Traditional markets have started to see their market share drop significantly. Some provision shops have lost up to half of their business in recent years. Some fruit stall operators reported that their business dropped by 20-30 percent after supermarkets started running weekly specials about three years ago.

The food retail sector in Singapore can be divided into six types of outlets: wet markets, provision shops, convenience stores, specialty stores, supermarkets, and hypermarkets.

### Types of Outlets

#### Wet Markets

Wet markets are traditional markets for fresh meat, seafood, fruits, vegetables, flowers, and some dry grocery items. They are open-air markets with a roof to provide shade and keep out the rain. They are divided into stalls that are run by individual operators. Many do not have refrigeration and stall operators hope they will sell all of their products by mid-day. Traditionally, products sold through the wet markets are believed to be fresher than those sold in supermarkets. Generally, prices have been equal to or lower than supermarket prices.

Currently, Singapore has 101 wet markets which consist of 7,535 stalls. The number of stalls has been declining in recent years, from a figure of 10,190 in 1986.

#### Provision Shops

Provision shops are small family-run stores, usually no larger than 100 square meters. They are meant to provide local communities with bread, rice, biscuits, and other essential processed food and household goods. Most are located in HDB estates, thus their convenient location makes them popular. Prices of goods are often not marked, but instead



can be haggled over. Some do not have cash registers.

Some provision shops have joined buying groups which provide buying power, access to technology, and joint advertising. These and other upgraded provision shops are known as mini-marts. In addition to dry goods, some minimarts also sell fresh vegetables, fruit, fish, and meat. Among the strongest chains of these stores are Econ MiniMart, Happy Family, and Food Lion.

The future of provision shops has become threatened by the increasing number of supermarkets. Some sources place the number of provision shops at about 3,000. According to the Retail Promotion Board, a Government agency to assist small retailers, the current number of provision shops in Singapore is 1,500. This has dropped from 1,800 in the past 5 years.

### Convenience Stores

Convenience stores are similar to those in the United States. The dominant chain is 7-Eleven, which is open 24 hours a day. These stores carry snack and convenience foods and a limited number of non-food items. Compared with similar U.S. stores, these outlets offer a smaller range of prepared foods.

### Specialty Shops

Specialty stores are similar to supermarkets. However, they are generally smaller and very specific in the goods that they carry. These stores do not have a large turnover or market share, but have found a niche in the market. Many of these shops target upper income groups or the expatriate community.

### Supermarkets

Supermarkets are the fastest growing sector of the food retail industry. They are rapidly taking market share from wet markets and provision shops. Currently, there are four major chains and a number of smaller chains. Detailed information on these chains is found in Table 1 and Appendix A.

### Hypermarkets

Hypermarkets offer a wide range of items at discount prices in very large stores. Volume purchasing, economies of scale, and direct sourcing often contribute to their ability to make this offer to consumers. At the present time, Carrefour operates the only hypermarket in Singapore. Its current outlet in Suntec City occupies 12,990 square meters of floor space.

### **Shopping in Johor Baru**

Johor Baru, a city just across the border, in Malaysia has become a popular spot for many Singaporeans to go

shopping. Goods are cheaper there due to lower rental and wage costs. In addition, the Malaysian Ringgit has weakened relative to the Singapore Dollar in the recent currency crisis. The actual amount that Singaporeans spend in retail food stores in Johor is unknown, but it is quite large. Carrefour estimates that about 40 percent of the sales of its Johor store are attributable to Singapore shoppers. A recent article in the Singapore Straits Times reported that Singapore shoppers are spending an average of USD 61 per shopping trip to Carrefour in Johor.

**Table 1: Supermarket Breakdown**

Name	Number of stores End of 1997	Expected number of stores End 2000	Target Market
NTUC	62	77	low to middle income, but expanding.
TOPS	13	30	mass market
Prime	16	25	low to middle income
SOGO	3	3	varies among stores
Kimisawa	1	1	upper income and expatriates
Cold Storage	20	25	middle and upper income and expatriates
Shop N Save	19	36	middle to lower income
Daimaru	2	2	middle to upper income
Tierney's	1	1	gourmet food store targeting European expatriates.
Total	<b>137</b>	<b>200</b>	

Among the major supermarket chains which have opened stores to capitalize on this business are Parkson's Supermarkets, Giant, Booker Cash and Carry, Carrefour, and Makro.

### Changes in Retail Operations

Singapore's food retail industry has changed dramatically in the past 5 years. Supermarkets have revised many of their operating practices and become more appealing to consumers. The movement of several new multi-national players into the market has helped to stimulate price, product, and service competition and operations and technology changes. These changes should help supermarkets to continue to rapidly expand their share of the market.

One of the keys to growth has been an emphasis on and positioning strategies which highlight the "freshness" of their produce and meat. In this effort, one retailer has actually invited wet market hawkers to set up their stalls inside the supermarket. Another is calling its fresh sections in some stores a "pasar", the Malay word for market.

Supermarkets have introduced information technology into many of their stores, and most are now up-to-date with what is available. Point-of-purchase (POP) technology is currently used for inventory management and will be employed for space management in the near future. The introduction of category management has resulted in the reduction of product assortments in recent years.

"Efficient Consumer Response (ECR)" and supply chain management are the latest buzzwords and many chains are making improvements in this regard, through concepts such as cross docking.

Training and education in the industry are improving. Some chains have started to send personnel overseas or are bringing in consultants. As a result, standards of fresh produce are better and the assortment of goods has improved. Retailers have greater access to sources of items and good supplies of product are available year-around. Food sanitation and hygiene standards have improved and progress has been made in cold chain management.

Supermarkets are growing in size as well. Traditionally, Asian supermarkets have been small in size, with narrow aisles. Consumers were used to small and crowded stores and viewed these as "successful". The desire for large stores, bigger assortments, and more shopping space is increasing. Some newer stores are as large as 50,000 square feet.

The services that supermarkets offer to consumers have expanded and been made possible by new technology. Now, Singaporeans can place orders to many stores by phone and fax, and some chains have even added Internet services. After orders have been placed, some stores offer home delivery of the products. Chains with a limited number of outlets feel these developments will give them the edge they need. Location will not be as important since consumers will decide on which store to shop at by the products and services available to them.

All of the changes in supermarkets have put pressure on the traditional markets to make changes as well. Wet market stall operators have improved food handling procedures and hygiene. Frozen food is now transported in refrigerated containers and trucks instead of simply packed in ice. As indicated earlier, voluntary buying groups have formed in response to the need to survive in the face of increasing competition from supermarkets.

### **Future Changes in Retail Structure**

Globalization is taking place in the supermarket industry in Singapore and the rest of Southeast Asia. The recent currency crisis is seen as speeding this process up. Some analysts predict that supermarket sales in the Region will be dominated by 5-6 major global chains in the next 5-10 years. Most of these will have local joint venture partners. A few local chains are expected to survive.

Most of the trade agrees that the supermarket business will continue to grow at the expense of wet markets and provision shops. However, the rate and extent of decline of traditional outlets are uncertain. Some members of the trade believe that wet market sales will stay at the same level in the foreseeable future, and supermarkets will absorb any new growth in the

industry. Others feel the "demise" of the wet market is the future.

It is expected that whatever changes do occur, they will take one to two generations. Older shoppers are accustomed to buying goods at wet markets and will continue to shop there. Some traders speculate that a "modern wet market" might evolve, but most people do not anticipate this change.

Wet market stall operators are facing many challenges. One of the most important is labor. Many young people do not want to operate a stall in the wet market. They prefer another occupation where they are able to make more money. From a Singapore Government standpoint in land-short Singapore, wet markets are also an inefficient use of space because they operate only a few hours each day.

Provision shops are hoping that the convenience and personal service that they offer consumers will allow them to remain a part of the food retail industry in the future. To do this, most feel that it is essential for them to join buying associations. They predict that those that do not will not be able to remain open.

## Retail Sector Analysis

### Distribution Overview

#### Changes in Traditional Distribution

The most dramatic changes that are anticipated to occur in the Singapore retailing scene in the next five years are expected to be in the distribution system. Nevertheless, most retailers believe that the majority of "power" in the current distribution system is still held by the hundreds of suppliers, which will inhibit change.

Traditional food distribution channels are highly fragmented, and goods pass through many hands before reaching the consumer. This adds to the price of goods as well as greatly decreasing their shelf life. With this system, supermarkets often receive more than 70 deliveries a day and deal with as many as 700 suppliers. Service levels for deliveries to stores can be poor, with levels in the low 80 percent range during the busiest shopping period of the year, Chinese New Year. This system also inhibits the introduction of new products to serve a distinctive niche for a retailer. An example of this system is provided in Figure 1.

**Figure 1: Traditional Distribution Channel**

U.S. Exporter  
x  
x  
Importer/Distributor  
x



In order to solve these problems, supermarkets are beginning to change their buying and storage practices. The larger chains are trying to eliminate the local middleman by directly dealing with U.S. exporters or consolidators. As the larger chains grow, they purchase a higher volume of goods. This allows them to negotiate a lower price as well as import a unique set of merchandise, furthering their advantage over smaller stores.

An example of the distribution system currently in place for most supermarket operators in Singapore is found in Figure 2.



shelves of major supermarkets in Singapore. A less-than-container load order can be shipped and slotting allowances are often waived for direct purchases. It leaves a vacuum, however, in dealing with the foodservice trade and conducting marketing activities to build familiarity with and brand awareness for products.

There are several ways of overcoming these difficulties. One is to appoint a distributor, with special emphasis placed on marketing activities. In addition, some U.S. suppliers are establishing a representative office in Singapore to work with importers and to plan and oversee marketing efforts. This type of representation also permits direct contact with retail and food service buyers, an area where some of these customers have requested that U.S. firms take more initiative.

## **Purchasing**

Most supermarket chains have a team of buyers. Each buyer is responsible for purchasing certain categories of items, e.g., perishables, groceries, snacks, etc.. In most cases, there is a buying manager. The contact information for the head buyer for the main supermarket chains in Singapore is found in the Appendix of this report.

## **Duties and Tariffs**

Most products enter Singapore free from tariffs or duties. The exceptions are alcohol and tobacco items.

## **Retail Market Segmentation**

For many years, there have been two main segments in the food retail market. There has been some competition between retailers within these segments, but relatively limited competition between supermarkets in different segments.

The first category was the "upmarket" segment. This segment consisted of expatriate consumers and more affluent Singaporeans who had traveled or been educated abroad. It was a sizeable segment and served by such retailers as Jasons Supermarket, Tierney's Supermarket, and Cold Storage Supermarkets. More recent entrants have been Sogo Food Hall and Royal Ahold. Supermarkets in this segment:

- \* carried a substantial assortment of Western products and items that appealed to American, European, and Japanese consumers;
- \* were located in the downtown or private residential areas of Singapore;
- \* charged relatively high prices and enjoyed greater margins on sales;
- \* were more willing to introduce new Western food items and placed fewer requirements on suppliers who were interested in getting their products on supermarket shelves; and
- \* operated stores that were relatively large and spacious.

The second segment encompassed primarily middle and lower income Singaporeans. The primary players in this segment were NTUC FairPrice Supermarkets, Oriental Emporium, and traditional retailers. More recent entrants have been Shop and Save and Prime Supermarkets. This segment was much larger than the first. Characteristics of stores in this category were the following.

- \* They carried a variety of traditional Asian products.
- \* Their Western assortments were limited largely to commonly consumed staple products, such as canned corn, fresh fruit, and frozen poultry parts.
- \* Low prices and margins were key elements of their marketing mix.
- \* Their stores were primarily located in HDB estates and were generally much smaller.

These two segments still exist, but the lines between them has become blurred in recent years and competition has intensified. As indicated earlier, this is due to new entrants into the marketplace as well changing consumer behavior. Some of the retailers in the upmarket segment now have stores in the newer HDB estates, and mass market retailers are moving into downtown and private residential areas. Many chains also have a portfolio of stores, some of which are targeted at the upmarket segment and others which appeal to the mass market.

## Market Outlook

### Impact of Currency Crisis

"People still need to eat" was the common response when members of the industry were asked how the current economic crisis has affected them. At the time of this study, no one seemed to be affected by the crisis and most doubted that they would be in the future. They indicated that the food industry is "recession proof". Some predicted an increase in sales as people are likely to eat out less often and buy goods at supermarkets for consumption at home. They also believed that there may be some switching from more expensive food items to cheaper staples.

One major player expressed concern about the worsening economic and political crisis in Indonesia. He felt that if the situation in Indonesia worsened that it would significantly impact Singapore's economy and lengthen the recovery period from the current situation.<sup>3</sup>

### Best Sales Prospects

Supermarket buyers listed many products that they believe have sales potential. One of the "hottest" areas is that of fresh foods. Consumers have always demanded fresh produce and meat and this concern with freshness will continue to drive what they purchase in the future. Exposure is also increasing to Western foods and consumers are developing a taste for

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<sup>3</sup> This situation has since come to pass, with the May 1998 riots in Jakarta. As a result, some retailers in Singapore are generally slowing their expansion plans and focusing on ways to do a better job in their existing business.



them. Foods that can serve as a status symbol are likely to be popular with many younger people.

Although somewhat slower to develop than in the United States, convenience foods are viewed as having good sales potential. With 50 percent of women in the workforce, many are wanting an easier way to prepare meals. Unlike their mothers, many young women do not know how to cook.

Prepared meal solutions are expected to be the fastest growing foods in this category. It is anticipated that these foods will be "sliced, diced, or precut" and will only need to be heated in a wok before serving. They will be healthier than food from a fast food restaurant, but still have to compete with meals from hawker centers or food courts, which provide a quick and inexpensive alternative to cooking. One retailer pointed out that Singapore does not have the food manufacturing base to support the development of this business. He predicted that retailers will do this themselves.

Wine has become very popular with young consumers. They view it as a status symbol and are becoming very knowledgeable about different types of wines and their consumption. Most stores now have large areas dedicated to wines and all buyers said that it is one of their best categories. Foods that complement wines, such as crackers and cheese, are anticipated to grow in sales as well.

Good growth is predicted for frozen items. Once thought of as undesirable because of quality questions, there are now 30 well-established suppliers of frozen foods in Singapore. Quality problems are expected to diminish with improvements in the cold chain. Supermarkets allocate about 15 percent of their space to refrigerated preparation and storage areas.

Additional areas with potential include:

- \* confectionery items, although this category is competitive and may be difficult to penetrate;
- \* wheat products, such as specialty and healthy breads and value-added noodles, rather than rice;
- \* healthy cooking oils, such as canola or olive oil;
- \* fresh and canned fruit;
- \* organic and healthy products;
- \* health and beauty aids and vitamins;
- \* dairy products, specifically ice cream and milk powder;
- \* lines of "upmarket" private label products; and
- \* beef and chicken wings, doughnuts, fruit juices, dressings, condiments, and prunes.

## Competition

The U.S. currently faces strong competition from Australia and New Zealand in the dairy category; Australia in fresh

produce; Malaysia in poultry; Australia, France, and Chile in wines; and Australia in beef.

It is expected that the currency crisis will encourage Southeast Asian suppliers to step up production and exports to Singapore. This is particularly true if currency values do not return to pre-crisis levels.

## Advice to U.S. Companies

Everyone offered similar advice to U.S. companies wanting to enter the Singapore market. It is well-recognized that Singapore is considered the gateway for trade into the rest of Southeast Asia. It can serve as an excellent test market for the Region. However, it was noted that tastes and cultures vary within the Region. A product that is popular in Singapore may be undesirable in other countries.

Market research should be conducted to gain awareness of what consumers are demanding. It is important to find out what categories of foods are growing and what the niche markets may be. Some believe these niche markets hold the greatest potential, because markets for commodity-type products are already saturated.

It is not cheap to launch a product in Singapore and promotion needs to be undertaken. Some distributors recommend a minimum promotion budget of USD 50,000 to launch a new product. Consumers are constantly flooded with new products, and new items will usually not be tried unless they are heavily promoted. This promotion needs to be continued even after the product has been established. Without this, it will slowly die as additional new items enter the market.

Suppliers need to pursue the product all the way to consumers. In many cases, consumers are not familiar with Western products. Suppliers need to teach consumers how to cook and eat items and in what situations and with what foods the products are consumed. Sampling is also extremely important. The rule of thumb is: "test, teach, and taste".

Trade sources recommended that promotions emphasize two aspects of products. Shoppers are always looking to buy at a bargain, and promotions showing that a product offers "good value for money" may be more successful. In addition, the "freshness" of items should be highlighted in promotion efforts.

The quality and shelf life of products are of great concern to many supermarkets. Some reported that the quality of goods is sometimes poor when they reach Singapore, and others complained about receiving products with little or no shelf life remaining. Consumers are accustomed to eating fresh foods and they will not buy a product if they question its quality or freshness. Most buyers noted that a product will not sell if it has little shelf life remaining when it arrives in Singapore, regardless of how good the product is. Retailers recommend that the shelf life remaining on a product once it arrives in Singapore should be 6-9 months.

It is important to choose a good distributor to develop the market for your items. The following should be considered in selecting a distributor.

- \* Does the company have sufficient refrigerated and frozen storage space?
- \* Does it have transportation and distribution access to all retailers carrying competitive products?

- \* Does the staff have the skills to negotiate price, conduct on-site education for the product, and provide market research?
- \* Will the firm be able to facilitate advertising and promotion activities?
- \* Does the company have the necessary inventory and re-order management skills?
- \* Does the staff have brand management skills?
- \* How much feedback will it provide your company?
- \* Is the company financially stable?

As suggested earlier, an alternative is to station a company representative in the Region, instead of depending on local agents. Distributors often represent 20 or more products, and some do not have much time to spend promoting one item. Using a company representative will facilitate promotion and the feedback of information. Smaller firms, for cost saving purposes, may want to use the services of independent representatives, who do not handle more than 5 products.

Singapore is an attractive market. However, it is small and extremely competitive. Costs of successful product introduction are high and it is not easy to be profitable. Consequently, U.S. exporters should consider the Southeast Region as a whole in developing sales and promotion plans. The multi-national reach of many of the new retailers that are entering the market should facilitate this effort.

## APPENDIX A: RETAILER PROFILES

Company	:	NTUC FairPrice Supermarkets
Address	:	680 Upper Thomson Road Singapore 787103
Tel	:	(65) 450-9709
Fax	:	(65) 458-8975
Target Market	:	Low to Middle Income, Expanding to Upper
Number of Stores	:	62
Key Contact	:	Mr. Gerry Lee Hup Division Manager, Purchasing

NTUC FairPrice is Singapore's largest chain of supermarkets. Started as a union cooperative in the early 1970s, FairPrice was established with the assistance of the Singapore Government to stabilize food prices. This continues to be the chain's mission today. The group is a member of the International Grocers Alliance (IGA).

FairPrice has a loyal customer base. At the end of each year, its 350,000 members receive about an 8 percent rebate on their purchases.

Since opening, FairPrice has constantly expanded. The company has key locations in HDB estates. In 1991, the chain had 45 stores and it was operating 62 stores at the time of this research. Targets of 5 new stores per year and sales growth of 20 - 30 percent have been set for the next five years. FairPrice is concerned that it does not grow too fast or cannibalize sales of its existing stores.

FairPrice has three store formats: supermarkets, fresh markets, and mini-markets. The average store size is 950 square meters. Its supermarkets average 1,300 square meters and have 15,000 skus. FairPrice supermarkets are divided into two categories, depending upon their size and location. One offers goods for the mass market, while the other group is targeted at higher income consumers. Fresh markets sell fruits, vegetables, and meat and have an average size of 400 square meters. The mini-markets are the same size, but they carry dry grocery and some frozen and dairy items.

FairPrice also manages the activities of the Food Lion group of provision shops and mini-markets.

Besides its stores in Singapore, FairPrice manages, but does not own, 5 stores in Indonesia.

## Sales and Market Share

FairPrice has an estimated 50 percent share of supermarket sales, well above that of any other chain. In 1997, its turnover was USD 507 million and net profit was USD 28.3 million. This allowed the group to distribute an extra 6 percent share of profit to members.

Expectations of the group are good. FairPrice foresees a tougher year in 1998, but still expects sales to increase by 10 - 15 percent. The economic crisis as well as competition from other low-priced supermarket chains, such as Carrefour, Shop-N-Save, and TOPS, are anticipated to affect sales. By 1999, a turnover in excess of USD 610 million or SD 1 billion is targeted.

## Marketing Strategy

As indicated earlier, FairPrice has a social mission to help stabilize food prices in Singapore. It has a pledge to offer the lowest prices on a "basket of 111 goods". In a survey of the prices of 100 essential household items by the Singapore Business Times in December 1997, FairPrice had the lowest prices of the five supermarket chains surveyed. As other low-priced competitors have entered the marketplace, however, this price gap has been eroded.

Approximately 27 percent of FairPrice's turnover is accounted for by fresh items, 28 percent by general merchandise, and 45 percent by groceries.

Implementation of a "new generation" store concept is underway. Stores will offer a broader product range and more modern atmosphere. There is an increased commitment to fresh and frozen food. New stores will allocate 40 percent of floor space to these items. All items will be sold under a freshness guarantee, and customers will get a full refund if products are not fresh. FairPrice has also developed a line of 200 private label products, which are sold at 10 percent below the price of comparable brand name items.

FairPrice uses a variety of media for promotion purposes. Weekly sales are usually advertised in the print media. In-store country fairs and seasonal promotions are conducted throughout the year. Promotional activities are largely concentrated on fresh food, but recently wine has been a heavily promoted item. FairPrice is concerned with keeping its corporate image as a "great place to shop and a great place to work". Their promotions reflect this, including some community service events.

FairPrice is upgrading the technology in its stores. Stores have added point-of-purchase inventory systems, and are starting to use the data to make buying decisions. An internet homeshopping system has also been developed, which involves 3,000-4,000 items and home delivery. This system is not currently profitable, but FairPrice feels this is a trend that it needs to be a part of.

## Target Market

NTUC FairPrice describes its target audience as "everyone". It has traditionally targeted low to middle income consumers who live in HDB estates. However, the chain is now attempting to attract higher income consumers with some of its stores. Basically, the chain plans to remain a "workers' supermarket", but also wants to cater to the "rising aspirations of young

Singaporeans".

The group is beginning to open stores in shopping centers and downtown locations. These stores will have a different format than those in HDB estates.

### **Buying**

The group is very aggressive in its buying practices. Currently, it purchases items from 800 - 1,000 suppliers and more than 20 countries. Because of volume purchases, FairPrice is usually able to obtain price discounts on purchases.

FairPrice's buyers have begun to travel to source items from new suppliers and countries. Basic commodities are often purchased from developing countries for price reasons. At the present time, FairPrice is importing some fruit direct and plans to expand its direct purchasing activities in the near future.

A new product must be approved by a new products committee before it can be sold in FairPrice. This committee assesses the marketability and profitability of the product relative to other items. If promotional support is provided, products have a much better chance of approval. There is a USD 185 new product application fee. If the item is approved for listing, a fee of USD 52 must be paid for every store the product will be placed in. The item then undergoes a 4-6 month trial period, during which its performance is closely monitored.

New product listing fees may be waived on direct imports, especially if exclusivity to FairPrice is promised for a certain period.

### **Distribution**

FairPrice's warehousing and distribution system has gone through many changes in the past 5 years. In the past, individual suppliers delivered goods directly to FairPrice stores. Stores would receive up to 70 deliveries per day. A partnership was subsequently formed with David's Asia and a central distribution system established. With this system, 60 - 70 percent of products passed through a central warehouse where they were consolidated for store delivery. FairPrice has just recently purchased David's share of this business.

### **Sales Opportunities**

Currently, wine is one of the hottest selling items in FairPrice. This is attributed to that fact that many younger Singaporeans are beginning to drink wine as a status symbol. Singaporeans are more exposed to wine as a large number of wine shops and wine boutiques have been set up. As wine sales continue to increase, FairPrice will be looking for foods that compliment wine. In FairPrice, Australian wines are more popular than U.S. wines, due to more aggressive promotion.

FairPrice buyers have traditionally carried a limited range of U.S. products. However, there is increasing interest in these items and working with U.S. suppliers. For example, the U.S. Agricultural Trade Office conducted a U.S. food fair with

FairPrice last year. The event was so successful that there are plans to repeat the event with a larger selection of U.S. items this year.

FairPrice buyers often look to the U.S. for new product trends. However, they are cautious, indicating that "what sells well in the U.S. may not sell in Asia because of different tastes and eating habits".

Company : TOPS - Royal Ahold

Address : 61 Stamford Road  
#04-03 Stamford Court  
Singapore 178892

Tel : (65) 333-0030

Fax : (65) 333-0010

Target Market : Mass Market for Most Stores

Number of Stores : 13

Key Contacts : Wouter Kolk  
Merchandising Controller

David Than  
Regional Manager for Private Label

John Glover  
Regional Manager, Perishables

One of the new chains in Singapore, TOPS is looking to quickly gain a large share of the supermarket industry. The group is owned by Royal Ahold, a global food retailing company. As a result, TOPS came into the market with a lot of experience and financial backing. TOPS entered the market with its Tanglin Marketplace store. Last year, it opened a store in Great World City and purchased 11 of the 16 Oriental Emporium supermarkets. Its goal is to be the second largest chain within a few years.

TOPS is not only looking to establish itself in Singapore, but is expanding across the entire region. TOPS has 120 supermarkets throughout Asia, in addition to the 13 stores it operates in Singapore. The group has rapid plans for expansion through store development, acquisition, and mergers. By the year 2000, it would like to have 30 stores under the TOPS name in Singapore, and a minimum of 200 stores regionally.

### **Sales and Market Share**

Sales data for TOPS are not available for 1997. In that year, it is estimated that TOPS accounted for 5 percent of supermarket sales in Singapore. It is anticipated that TOPS sales will increase by double digit figures in the future.

### **Target Market**

TOPS stores cut across market segments. The group has one store which is targeted at the expatriate community and one which is located in an area of higher income Singaporeans. Its former Oriental Emporium stores are designed to appeal



to the mass market. TOPS is revamping these latter stores to attract the young, trendier consumer. They see good and growing opportunities to serve the 25 - 35 year age segment.

## Marketing Strategy

The chain is using newspaper advertisements, bus advertisements, mailings, and the sponsorship of community events to deliver its promotional message. Country and seasonal fairs are also held in their stores throughout the year. Because TOPS is new in the market, a large portion of its advertising and promotion dollars is focused on developing name recognition.

The atmosphere that TOPS is attempting to project in its stores is one of open space, where shoppers have plenty of room to move. Larger stores have a place for children to play while parents are shopping. Stores have a modern design and some offer home delivery.

Most of the TOPS stores are targeted at the mass market. In these stores, TOPS uses prices in FairPrice as a guide for pricing decisions for dry goods and wet markets for prices of produce. In the 1997 Business Times survey, TOPS ranked fourth out of the five major chains on the price of 100 basic goods.

TOPS' Tanglin Marketplace store is stocked for the expatriate community. Direct imports account for much of the merchandise in this store. The store also has the widest range of U.S. foods in Singapore.

TOPS stores are characterized by:

- \* a line of private label merchandise which is sold at lower prices than comparable national brand items;
- \* many ready-to-eat items and large beer and wine sections; and
- \* unique products that people cannot find in other stores.

## Buying and Distribution

TOPS buying, warehousing, and distribution systems are rapidly being developed. Currently, purchases are made from 350 - 400 suppliers, and a limited number of shipments are imported direct. TOPS has a goal to increase direct imports to 30 - 40 percent of their merchandise in the next five years, and 100 percent over the long term.

"Stone-age" is how TOPS staff describes the distribution system that is currently in place. TOPS stores are receiving up to 100 deliveries daily. There is a plan to move to a central distribution system by the end of this year, to reduce inefficiencies and give TOPS better quality control over its merchandise.

With its strong expansion plans, TOPS is experimenting with globalization of the purchasing of some of its products. Under this system, TOPS will buy substantial volumes of items from a limited number of suppliers for sale or use in many of its stores worldwide.

TOPS staff is also putting in place a system that will allow them to purchase goods from Singapore for distribution to all of their stores in the Region. Purchasing and planning for regional promotions will also be a part of this effort.

Individual buyers of TOPS make the decisions on what products will be put on the shelf, but they have very strict guidelines to follow. A computerized system for shelf management has been developed which establishes these guidelines for buyers. In considering products for their stores, TOPS buyers expect a large amount of promotional support from suppliers, the possible return of stock to suppliers if it does not move, and credit terms.

As in the case of other supermarkets in Singapore, TOPS has different buyers for different categories of merchandise. A separate group purchases for its expatriate store.

A list of trading terms and conditions for sales to TOPS can be obtained by contacting the U.S. Agricultural Trade Office in Singapore.

### **Sales Opportunities**

Some of the best sales prospects for U.S. exporters to TOPS are canned fruits and vegetables and snacks.

The currency crisis has encouraged TOPS to increase its purchases from Australia, as the U.S. Dollar has strengthened relative to the Australian Dollar.

Company : Cold Storage Supermarkets

Address : 1 Sophia Road, #06-38  
Peace Center (Rear Podium)  
Singapore 228149

Tel : (65) 337-23766

Fax : (65) 333-4032

Target Market : Middle to Upper Income Singaporeans  
and Expatriate Consumers

Number of Stores : 21

Key Contacts : Shum Poh Choo  
Buying and Marketing Manager

Cold Storage has been in Singapore longer than any other supermarket chain, opening its first store in 1902. It has been owned by many different companies through the years. Since 1993, the firm has been part of Dairy Farm International. In addition to Cold Storage Supermarkets, Dairy Farm operates Guardian Pharmacies and 7-Eleven Convenience Stores in Singapore.

At the end of 1997, Cold Storage was operating 20 full-service supermarkets and Jasons Supermarket, a specialty store that sells primarily gourmet food. Twenty-five stores are planned by the year 2000.

### **Sales and Market Share**

Cold Storage is Singapore's second largest supermarket chain. Its share of supermarket sales is estimated at 14 - 16 percent. In 1996, the chain experienced double digit growth, but expects that this may slow in the near future as the Singapore market becomes increasingly saturated. Buyers from Cold Storage still view the wet markets as strong competitors to supermarkets, and estimate that 80 percent of consumers still shop at wet markets.

### **Target Market**

In the past, Cold Storage targeted upper income Singaporeans and the expatriate community. After the acquisition by Dairy Farm, the group began to expand rapidly and open stores in the HDB estates. Their target market was expanded to include middle income Singaporeans. They tried to satisfy these new customers by reducing their prices, re-evaluating their product mix, and building a strong image on their "fresh" merchandise.

Now, expatriates only make up 10 percent of Cold Storage's customer base. However, expatriates are still important to Cold Storage as they are reported to have more spending power than local customers. The typical age of the customers

of Cold Storage is 25 - 49 years.

### **Marketing Strategy**

The marketing strategy of Cold Storage reflects its attempts to serve both its old and new customers. Although some of its new stores are found in HDB estates, many of its outlets are located in shopping complexes in downtown locations or private residential areas. The chain tries to locate its stores near other businesses and does not operate any stand-alone stores.

In the recent Business Times survey, Cold Storage was ranked third lowest in its pricing of essential goods.

The "Fresh Food People" is the theme that Cold Storage uses to promote its outlets and compete with lower-priced supermarkets. The chain focuses on providing fresh food and quality goods and services at competitive prices. It is believed that price is not as important to consumers if the company adds value to the goods it offers.

Because of its merchandising and promotion efforts, Cold Storage has an excellent reputation among local consumers for its fresh produce. Cold Storage has just unveiled a new logo, which features fresh produce in the background. It has also just renovated its flagship store at Centerpoint to reinforce its fresh image.

As in the case of other supermarkets, Cold Storage relies heavily on print media for its promotion program. In-store fairs are also a commonly used promotion tool. In-store communication is being stepped up to provide customers with product information. Cold Storage is the first chain to experiment with the use of an in-store media agency, primarily to conduct all of its sampling activities.

Cold Storage is also attempting to strengthen its position in the market by providing new services to customers. The group is developing a way for customers to shop at home using the Internet.

Cold Storage attempts to offer a wider range of products than other chains in Singapore, including Western items. Consequently, the group is always looking for new products from overseas suppliers and is open to trying these items. The types of items carried in any particular store will vary depending upon its location and target market.

Nevertheless, Cold Storage has started using scanner data to change some of its product lines. To be more efficient, the group has lowered the number of products stocked to concentrate on the ones with the greatest demand.

A private "no frills" label, involving approximately 150 items, has been added to the merchandise mix of Cold Storage in recent years. The sales potential for this line is anticipated to be higher than that of other products.

### **Buying and Distribution**

Cold Storage purchases goods from 300 suppliers. The company directly imports some dry goods and produce. Generally, buyers prefer to purchase from local agents, but will buy direct to obtain better margins or unique products. Direct imports are anticipated to grow to cut costs and improve service levels. When purchasing direct, Cold Storage will buy on an F.O.B. (U.S. port) or C.I.F. (Singapore) basis.

In the next few months, Cold Storage plans to implement a new distribution system. The system will focus on a flow-through style warehouse, have a limited amount of space for the traditional warehousing of products, and continue to encompass direct delivery for some items. Cold Storage uses the services of EAC, a third party logistics supplier, in its distribution efforts.

New products for Cold Storage pass through a screening committee who look at the following criteria.

- c Does the company have a marketing plan to support the product?
- c Will the product provide a higher return than the one it will replace?
- c Is the item in a category with growth potential?

A new product application fee of USD 22 is required, and if the item is selected, a new product fee of USD 610 is charged. This fee can be waived if the exporter/supplier offers exclusiveness to Cold Storage and agrees to provide additional promotional support.

In the past, the purchase of products for Jason's Supermarket was conducted by a separate buying group in a different location. This group imported a substantial amount of its items direct from the United States and other Western countries. However, this system has recently been changed and buyers for Jasons will be joining the Cold Storage purchasing staff.

### **Best Sales Prospects**

The economic crisis has not slowed sales for Cold Storage. The effects they have noticed are what consumers are buying. Many customers have moved away from luxury goods towards more basic items.

One of the hottest selling categories in Cold Storage is cereals. Best sales prospects for U.S. suppliers are believed to be convenience foods, snacks, and drinks.

Company : Shop-N-Save

Address : No. 48, Lorong 21, Geylang #04-01  
Tai Thong Building  
Singapore 388464

Tel : (65) 746-9188

Fax : (65) 746-7861

Target Market : Middle to Low Income

Number of Stores : 19

Key Contacts : Francis Tay  
Head of Buying and Merchandising

Shop-N-Save is one of the newer chains that has its sights on over-taking Cold Storage as the second largest supermarket chain. This group opened its first store in 1993, and is now operating 19 outlets. Four-to-five additional stores are in the plans for 1998. The chain wants to operate 36 stores by the year 2000.

The original name of Shop-N-Save was "Smart Supermarkets". This name was changed to reflect the group's new operating format, a 365 day discount store. At present, three stores still carry the Smart Supermarket label, while the remaining retail under Shop-N-Save.

Two different store formats are operated by the group. The first is traditional supermarkets, with an average size of 15,000 square feet and a full range of products. The second is a "Junior Market" format, which encompasses less than 8,000 square feet. This latter format carries about half the number of skus of larger stores.

### **Sales and Market Share**

In 1997, the turnover of Shop-N-Save was more than USD 61 million. The group accounted for an estimated 8 - 9 percent of supermarket sales. By the year 2000, Shop and Save hopes to increase its turnover and market share to USD 214 million and 20 - 25 percent of the market, respectively.

Prospects appear bright for this chain. Sales growth in 1997 was 30 percent and 1998 sales are predicted to increase an additional 25 percent. A slight drop in sales is projected for existing stores this year, but the sales of new stores are expected to more than compensate for the decrease. Overall, Shop-N-Save has not felt much of an impact of the economic crisis.

## Target Market

Shop-N-Save concentrates on attracting shoppers from the HDB areas. Sixteen of their stores are located in these areas, with the remaining three in city centers. HDB stores target the middle to low income groups, and shoppers are usually between the ages of 30 - 45. City stores target the middle to upper income groups, and shoppers at these stores are generally 25 - 35 years old.

## Marketing Strategy

Shop-N-Save does not have the buying power of some of its competitors, thus it is attempting to build an offer to customers that highlights its "fresh" products. The chain recently started to open 6 stores at 7:00 a.m., to bring in customers that have traditionally shopped at wet markets for fresh food. It is too early to tell how successful this program will be.

Other elements of the Shop-N-Save marketing mix include:

- o Strong customer service, that extends beyond just having friendly employees;
- o Convenient store layouts and modern equipment; and
- o Competitive prices on groceries with other chains in the same markets.

Shop-N-Save's advertising and promotion program consists largely of weekly newspaper advertisements announcing sales. In-store promotions are also undertaken, including sampling and lucky draws. In the past, the chain has conducted country fairs, but has not been involved in these events lately due to lack of funding.

As indicated earlier, Shop-N-Save's merchandise mix emphasizes fresh fruit. The day's supply is purchased during the night and early morning deliveries are made to the stores. The chain also carries a significant amount of dry groceries and general merchandise items and has developed a line of private label products.

## Buying and Distribution

At the present time, Shop-N-Save is part of the traditional distribution system, which involves 50 - 60 deliveries from local agents to its stores per day. If the chain continues to grow, a central distribution system will be considered.

Shop-N-Save is buying from approximately 400 suppliers. It is purchasing some produce and dry groceries direct because of the price advantage that these shipments offer. Approximately 5 percent of the items in their stores are from Western countries, primarily Australia and the U.S.. Nevertheless, Shop-N-Save has identified imports as a possible means of price and product differentiation and has shown interest in expanding this part of their business.

When working with overseas companies, buyers of this chain prefer to deal with small and medium-sized companies. They feel that large manufacturers are too focused on turnover and do not offer good service, because Shop-N-Save does not

buy in large quantities. The group is willing to work with consolidators if it will help them to get better service.

New products are subject to several requirements. Shop-N-Save has a new product committee that decides what products will be carried. For a product to be evaluated by this committee, it must first pass through the category buyer who decides if it has enough potential to be evaluated by the entire committee. One of the things that the committee looks for is the amount of in-store promotion support that the supplier is willing to offer. A listing fee is charged if the product is subsequently selected. Shop-N-Save is also the only chain that charges for shelf space.



Company	:	SOGO
Address	:	290 Orchard Road, B1-01 Paragon Shopping Center Singapore 238859
Tel	:	(65) 732-7511
Fax	:	(65) 732-9618
Target Market	:	Varies Between Stores
Number of Stores	:	3
Key Contacts	:	Ann Shuhler Supermarket Manager

SOGO is a Japanese-owned retail chain, which combines a supermarket and department store operation. The group has stores throughout Southeast Asia, but these operate relatively autonomously. In Singapore, SOGO has three stores. These include one on Orchard Road in the Paragon Shopping Center (SOGO Food Hall), one in Raffles City convention and shopping complex (Gourmet Fresh), and the remaining store in one of the newer housing estates (Tampines).

### Target Market

Each of SOGO's stores has a different target audience. SOGO Food Hall appeals to expatriate consumers and higher income Singaporeans. The customer base of this store is 60 percent expatriate, with the Japanese community accounting for 20-25 percent of buyers. In contrast, SOGO at Tampines is targeted at middle income Singaporeans. The clientele of Gourmet Fresh falls somewhere between these two extremes. In all three stores, most customers are women above the age of 35.

### Sales and Market Share

No sales and market share data are available for SOGO. However, it is estimated that this group accounts for less than 5 percent of supermarket sales.

### Marketing Strategy

SOGO views its small size as an opportunity to provide its customers with a unique mix of products and services. SOGO Food Hall encompasses Rigby's, a very upmarket specialty shop with a range of gourmet items. Customers are also able to find a unique set of products in the deli section of this supermarket. One of the buyers for this store searches U.S. food trade magazines and newspaper supplements for new product ideas. She considers the store to be a "trend-setter", one which other chains in the Orchard Road area emulate.

Nevertheless, the assortment of products differ by store and each store has its own buyers. SOGO Food Hall has a significant portion of its space dedicated to Japanese food, while Tampines carries more Asian items that are likely to appeal to local consumers.

Areas of emphasis for all SOGO stores are their fresh produce departments and customer service.

SOGO's promotion program includes newspaper advertising and direct mail to its Japanese customers. An important activity is in-store fairs, which feature products from a particular country.

As in the case of its merchandise mix, SOGO's pricing varies between stores. Prices in its downtown locations are higher than those in its housing estate store. The competition is an important consideration in SOGO's pricing decisions due to the ease with which customers can visit other supermarkets.

### **Buying and Distribution**

Purchases are made from 300-400 suppliers by six different buyers, two in each store. Because of its small size, SOGO buys 85 percent of its goods from local suppliers. In addition, SOGO directly imports items that it cannot obtain from local sources through its trading arm, Tararone Investments. In most cases, imports are purchased through consolidators.

Buyers make individual decisions as to what new products will be introduced into their stores. There is no application process for new products and slotting allowances are not charged. As in the case of other supermarkets, however, cooperative advertising and space rental fees apply.

### **Best Sales Opportunities**

SOGO is a good venue to introduce new U.S. items. This is particularly true of SOGO Food Hall. Because purchases are made through consolidators in the U.S., the chain is in a position to buy relatively small quantities of new products for trial. Best sales opportunities include fat free and organic food, cheese, noodles, mineral water, pretzels, and canned food.

Company	:	Prime Supermarkets
Address	:	125 Defu Lane, No. 10 Singapore 539233
Tel	:	(65) 282-5349
Fax	:	(65) 284-9248
Target Market	:	Middle to Low Income
Number of Stores	:	16
Key Contacts	:	Ms. Loh Bak Choo Merchandising Manager

Along with NTUC FairPrice, Prime has been one of the low-price supermarket chains in Singapore since it opened in 1984. This group has 16 stores located throughout the Island, 50 percent of which are in HDB estates. Depending on the availability of locations, Prime wants to open three stores per year in new HDB estates. Its current store sizes range from 250-1,700 square meters, and average 600 square meters. Merchandise assortments vary by store.

### **Sales and Market Share**

In 1997, Prime's turnover was USD 67 million, which was equal to 6-7 percent of total supermarket sales.

### **Target Market and Marketing Strategy**

Prime is trying to build an appeal to consumers based on strong fresh produce and perishable foods departments and value-for-money. The chain wants to project a local image that will attract HDB customers in the middle and low income groups. As a part of this effort, Prime keeps its prices very close to those of NTUC FairPrice, TOPS, and Shop-N-Save. It is developing a housebrand as a low-price alternative to national brand names.

Prime's promotional activities include television and radio advertising, newspaper advertising of special offers, in-store promotions, joint promotions with suppliers, and in-store sampling. In recent years, in-store premium programs have helped to build customer loyalty and Prime's value-for-money image.

### **Buying and Distribution**

Prime has four buyers who purchase from 450 suppliers. Currently, all products are bought from local distributors and no direct import is undertaken. Central distribution is in place for fresh produce and meat and 200 fast-moving grocery items. Other goods are still delivered directly to its stores by suppliers.

A committee is in place to evaluate new products. Prime compares the sales and profit potential of these items to products that are currently stocked on the shelves. New items undergo a three-month trial period. Promotional support is expected during this period and a USD 800 listing fee is charged.

### **Best Sales Opportunities**

Products that are selling well for Prime include soft drinks, canned food, milk powder, and detergents. Among the best sales prospects for U.S. suppliers are prunes, snacks, and fresh foods.

Company : Kimisawa Supermarket

Address: : 49 Jalan Pemimpin, #04-09  
APS Industrial Building  
Singapore 577203

Tel : (65) 354-2221

Fax : (65) 727-6597

Target Market : Middle to Upper Income Singaporeans  
and Expatriate Consumers

Number of Stores : 1

Key Contacts : Mr. Lim Tay Beng  
Merchandising/Advertising Manager

Kimisawa has one store in Singapore. It is located on Orchard Road, in the basement of Isetan Department Store. There are no plans for additional stores in the foreseeable future. The focus will be on upgrading the services, merchandise, and quality of Kimisawa's existing outlet. Kimisawa is Japanese-owned.

### **Sales and Market Share**

Kimisawa's turnover for 1997 was nearly USD 26 million.

### **Target Market and Marketing Strategy**

Kimisawa is an upmarket, quality store. In this respect, it is similar to other supermarkets along Orchard Road, such as Cold Storage, Sogo, and Tanglin Marketplace. Its target audience is largely expatriates, i.e., Australians, Italians, Americans, and particularly Japanese. Kimisawa has 28,000 Japanese members. Office workers are an important segment of its clientele.

The focus of Kimisawa's marketing mix is quality products and customer service. Its prices are competitive with those of other supermarkets along Orchard Road. A same-day, home delivery system has been established for orders over USD 60. This includes delivery of perishable products, which most other supermarkets do not offer.

Kimisawa's promotional activities consist largely of mailings to its Japanese members and one in-store country fair per year.

**Buying and Distribution**

Purchases are made from 600 different suppliers. Kimisawa does not import. Shipments of perishable items are delivered to the store every day, while suppliers of other items deliver 1-2 times per week, based on need.

Seven department managers make decisions as to which products Kimisawa will buy. There are no listing or new account fees. However, promotional support is requested for new products.

**Best Sales Prospects**

The management believes that supermarkets have not been affected as badly as other retailers by the economic crisis. Sales growth is expected to slow from recent two-digit to one digit expansion.

Best U.S. sales prospects are fresh fruit (oranges, strawberries, grapes, etc.), ice cream, chocolates, biscuits, and canned food. Kimisawa is one of the largest sellers of U.S. beef among supermarkets in Singapore.

Company : Provision Suppliers/Econ-Minimarts

Address : 348 Jalan Boon Lay  
Singapore 619529

Tel : (65) 268-4822

Fax : (65) 266-2606

Target Market : Middle Income

Number of Stores : Supplies 200

Key Contacts : Mdm. Lee Lay Chin  
Main Buyer

Econ Minimart is a voluntary chain of provision shops that joined together to increase the buying power of their individual stores and modernize operations. The chain currently consists of about 200 stores. This number is expected to remain stable over the next few years.

Provision Suppliers is a wholesaler that provides support services to shops selling under the Econ Minimart name. The major role of this group is to :

- o make bulk purchases of products for the stores;
- o provide access to latest technology and ideas in management, inventory, and financing; and
- o organize advertising and promotional activities for its members.

Provision Suppliers currently supplies 70 – 80 percent of the products that Econ Minimart stores carry.

## **Sales and Market Share**

Management estimates that Econ Minimart accounts for 10 - 12 percent of dry grocery sales in Singapore.

## **Target Audience and Marketing Strategy**

Middle income households are the largest customers for Econ Minimart. Their stores are located throughout the Island, but most are in HDB estates. Although younger housewives are shopping at Econ Minimart stores, most of their customers are housewives above the age of 30.

Econ Minimart shoppers spend small sums of money per visit, about USD 15.

Econ Minimart tries to convey the image of "value for money", "a friendly place to shop", "good customer service", and a "pleasant shopping atmosphere".

Econ Minimart is more of a convenience store than a supermarket operation. The chain does not try to compete with supermarkets, but hopes to complement the goods that they carry. Econ Minimart's stores serve as a quick way to purchase one or two items that customers need.

Stores in the chain sell mostly dry goods, but a limited amount of refrigerated space is available. Typically, stores carry 2,000 – 3,000 products. Most items are Asian or products that will suit Asian tastes. Their fastest moving items are edible oil, rice, beverages, and snacks.

Econ Minimart is positioned somewhat differently than 7-Eleven. The latter chain carries more goods that are targeted at young people, i.e. snacks, confectionery, biscuits and more Western items. It is also open 24 hours. In contrast, Econ Minimart sells more staple goods.

Econ Minimart stores are small and comparable in size to other provision shops. However, the chain offers a better shopping environment than most of these shops. Store fixtures and layouts are more modern. All stores have cash registers and stores are cleaner and air-conditioned. There are plans to introduce scanning and other inventory management tools into these outlets.

Econ Minimart's prices are competitive. They tend to be somewhat higher than those of supermarkets, but the chain's convenient locations help to overcome this disadvantage. In contrast, the group's bulk buying practices contribute to lower pricing than most provision shops. The chain believes that its buying and distribution systems also contribute to fresher products and faster turnover than in traditional outlets.

Econ Minimart's promotion program consists largely of joint promotions with suppliers and monthly sales on certain items. At the end of each year, the chain sponsors a television program to promote the chain and advertise year end sales.

## **Buying and Distribution**

Provision Suppliers purchases from more than 100 suppliers. The group does not engage in direct importing. Most goods are delivered to a central warehouse by suppliers and then distributed by Provision Suppliers to stores as needed. However, some items move directly from suppliers to Econ Minimart stores.

Provision Suppliers looks at the following when purchasing new products :

- c good margins;
- c strong promotional support; and
- c well-known brand names and fast turnover potentials.



## **Best Sales Opportunities**

Buyers believe that U.S. snack foods have the best sales potential in their stores.

Company	:	7-Eleven
Address	:	No 1. Sophia Road #06-38 Peace Centre Singapore 228149
Tel	:	(65) 337-2766
Fax	:	(65) 333-4018
Target Market	:	People under 30, Middle to High Income
Number of Stores	:	85
Key Contacts	:	Robert Tjon Buying and Marketing Manager

Since opening its first store in 1984, 7-Eleven has expanded rapidly across Singapore. The chain is currently operating 85 stores and hopes to add 10 per year until a saturation point of 120 – 150 stores is reached. In Singapore, Dairy Farm International holds the franchise for 7-Eleven. This is the same company that operates Cold Storage Supermarkets.

### **Sales and Market Share**

In 1997, the sales of 7-Eleven exceeded USD 61 million. The market share of the group was estimated at less than 5 percent.

### **Target Audience and Marketing Strategy**

Convenience is a key to the success of 7-Eleven. The vast majority of its stores are open 24 hours per day. Seventy percent of its outlets are located in HDB areas and others are found in private estates, downtown and residential shopping complexes, cinemas, hospitals, and other profitable locations. Most stores draw customers from a 1 kilometer area and 70 percent of shoppers walk to 7-Eleven.

7-Eleven is attempting to develop an image for its stores as "a fun place to visit" and a place where "customers can get what they want". The chain's core customers are young, i.e. below the age of 30, and come from households with above average income. Approximately 55 – 60 percent are male and most are adventurous and willing to try new products.

The merchandising strategy of 7-Eleven is to draw people into the stores for one item, then to encourage impulse purchases. In part, this is accomplished by offering products that people can relate to, like Slurpies and Big Gulps, and a wide range of services, such as the sale of parking coupons, lottery tickets, and phone cards.

Print, radio, and television advertising is used along with mailers to promote products and activities that are taking place in the stores. 7-Eleven also sponsors events and activities to promote name recognition, such as the Singapore Rugby Union.

Management believes that prices are perceived to be slightly above those of competitors, but are justified by the long hours of the chain.

### **Buying and Distribution**

Food products are purchased from 100 different suppliers. The company imports directly from the U.S., through consolidators.

A combination of two distribution systems is used. The first is the traditional system, where the suppliers deliver directly to 7-Eleven stores. A flow-through warehousing system is also under development. In this system, stores place orders to headquarters. Headquarters then consolidates orders and places a single order with the suppliers. Goods are then delivered to the warehouse and deliveries are made overnight to stores. This system usually takes 36 hours to complete. In the future, it is hoped that the system can be modified to allow 3 deliveries to stores per day, which is similar to a practice occurring in Japan.

Buyers gather weekly to evaluate new products and decide if they will be added to the chain's product list. An application fee for new items exists and an additional fee is charged if an item is selected for listing. Because of limited space, new products have to prove that they are more profitable than the goods that they replaced. Once new products are placed on the shelf, they are re-evaluated after a 3-month trial period.

### **Best Sales Opportunities**

Beer, other beverages, and confectionery items are among the fastest moving products in 7-Eleven. The best prospects for U.S. foods include snacks and confectionery.

Company : Carrefour

Address : 3 Temasek Boulevard #01-199  
Suntec City Mall  
Singapore 038983

Tel : (65) 333-6868

Fax : (65) 333-9869

Target Market : Mass Market

Number of Stores : 1

Key Contacts : Bernard Rolland  
Managing Director

Carrefour opened its doors in October of 1997, becoming Singapore's lone hypermarket. The French-owned outlet quickly made a name for itself with its style of retailing and low-pricing. Carrefour hopes to open an additional 5 stores over the next five years.

Carrefour's first store is in Suntec City, an area of Singapore that has convention, shopping, and hotel facilities. The store has two levels. The first level is devoted entirely to the sale of food and carries more than 25,000 skus. Bread and pastries are baked daily in the store. In the study conducted by the Business Times, Carrefour ranked second to NTUC FairPrice in its pricing of 100 essential items.

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