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## Philippines

### Retail Food Sector

## PriceSmart Re-opens as S&R Membership Shopping 2006

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**Report Highlights:**

Puregold Price Club, Inc. recently acquired the PriceSmart warehouse club and is set to re-open its 4 stores this November located in strategic areas within Metro Manila under the new name, S&R Membership Shopping.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
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[RP]

Puregold Price Club, Inc. recently acquired the PriceSmart warehouse club and is set to re-open its 4 stores this November located in strategic areas within Metro Manila under the new name, S&R Membership Shopping. PriceSmart is the first US-based retail chain to enter the Philippines soon after the passage of the 2000 Philippine Retail Trade Liberalization Law.

PSMT Philippines originally operated PriceSmart and was jointly owned by PriceSmart, Inc. with 52 percent shares, and local partners with 48 percent share of ownership. In early-2005, PriceSmart, Inc. headquartered in the US, announced its plans to close down its stores in the Philippines due to losses incurred linked to increasing competition. PriceSmart, Inc. eventually sold off to its local partners prior to the recent sell-out to Puregold this year.

Puregold operates 16 hypermarkets in Metro Manila and nearby provincial areas with over 25,000 SKUs in each store. The company also operates 2 duty-free stores in Clark and Subic and a growing fast-food chain called Harvey's under Pure Value, a division of Puregold. They have plans of opening more new stores in 2007.

The administration, operation and purchasing of S&R Membership Shopping shall be independent from Puregold. In the past, the PriceSmart stores maintained roughly 3,000 SKUs as mandated by its US principal. The company has plans of increasing SKU count to 5,000 next year to cater to the needs of the hotel, restaurant and institutional industry and to position itself as a one-stop shop foodservice depot.

The popularity of warehouse clubs is due primarily to the pervading presence of small grocery retailers, specifically traditional Mom & Pop stores known locally as "Sari-Sari" stores. Owners of sari-sari outlets regularly shop at warehouse clubs to purchase in bulk products to be sold per individual pack/sachet in their stores.

Overall retail sales generated from warehouse clubs reached \$500 million in 2005. Pilipinas Makro, Inc. with a market share of 42 percent in terms of value sales in 2005, is the leading warehouse club retailer in the Philippines with 14 stores in Metro Manila and the Visayas province. Puregold ranked second with a 15 percent share and PriceSmart came in third with 12 percent share of the market.

The Philippines is a key market in Southeast Asia for U.S. consumer-oriented agricultural exports, with sales reaching \$218 million in 2005. Major exports include meats, dairy products, snackfood, processed foods, fresh fruit and vegetables and pet food.