# Food & Beverage Information Project
# Markets Stream – Singapore

Final Report

*October 2011 v1.3*

***www.foodandbeverage.govt.nz***

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We work with organisations to help them grow. For corporations, that often means developing strategies for revenue growth. For governments, it means working on national economic development. For non-profits, it means helping to grow their social impact.

We address all the problems that are involved in growth: strategy, marketing, pricing, innovation, new product development, new markets, organisation, leadership, economic competitiveness.

We bring to our clients  specialised industry and functional expertise. We invest significant resources in building knowledge. We see it as our mission to bring this knowledge to our clients and we publish much of it for the benefit of others.

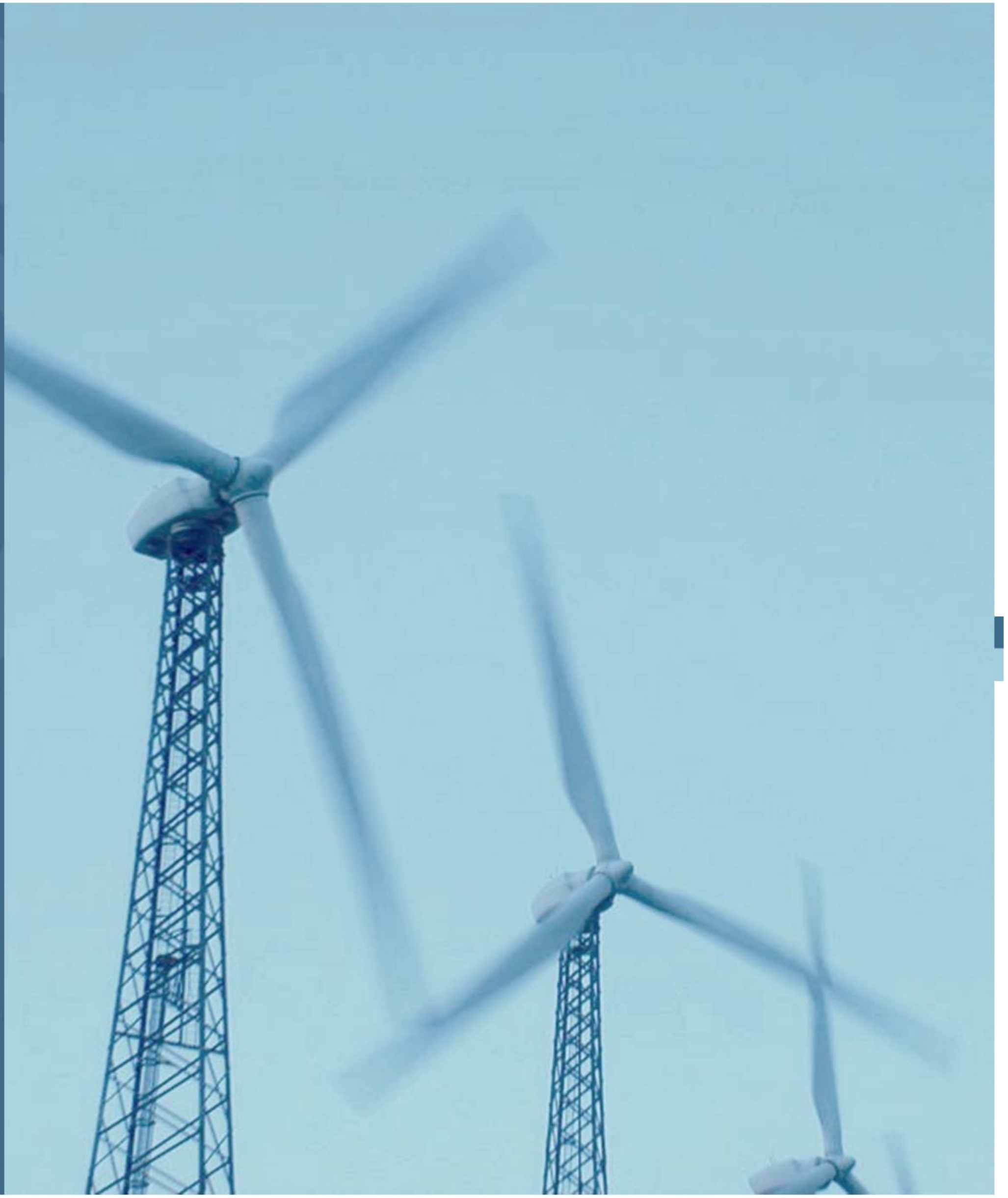
A hallmark of our work is rigorous, fact-based analysis, grounded in proven methodologies. We rely on data because it provides clarity and aligns people.

However, we deliver results, not reports. To that end, we work side by side with our clients to create and implement practical solutions.

**The Coriolis name**

The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere.   *To us it means understanding the big picture before you get into the details.*

PO Box 90-509, Victoria Street West, Auckland 1142, New Zealand
Tel: +64 9 623 1848  www.coriolisresearch.com



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The objective of this report is to provide a **case study** on **Singapore** a high potential market for New Zealand**.**

It also puts forward a **strong case** to New Zealand Food & Beverage firms to **target** the Singapore market.

It provides a starting point , a source of high quality **information** on the Singapore market for four audiences:

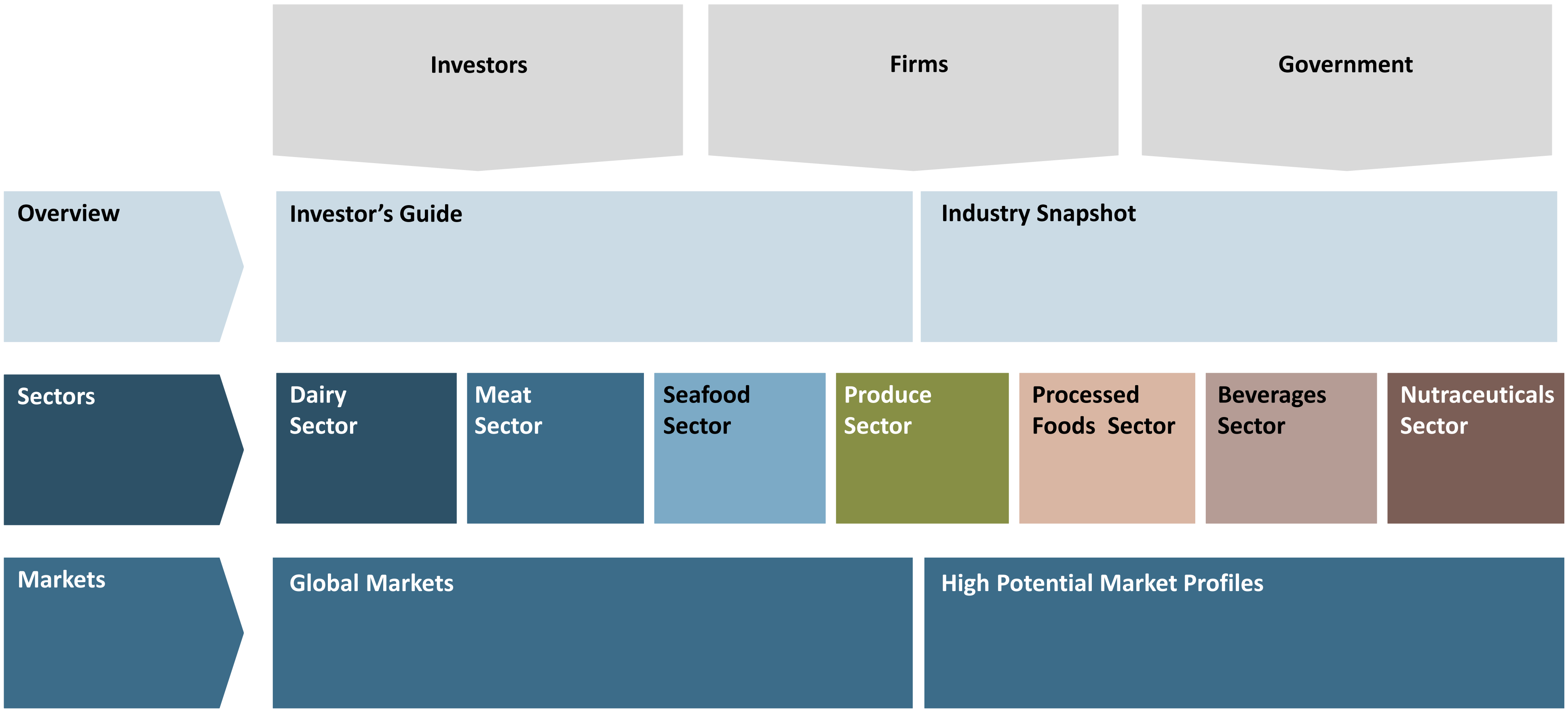
- **Investors** (domestic or international)
- **Industry** participants (firms & individuals)
- **Government** (across all roles and responsibilities)
- **Scientific researchers** (academic, government & firm)

It creates a common set of **facts** and **figures** on the current Food & Beverage trade situation in the country.

It forms a part of the wider Food & Beverage Information Project.

## The New Zealand Food & Beverage Information Project is designed to be the foundation of facts and figures on which a range of audiences can build

Structure of the New Zealand Food & Beverage Information Project
*(2011)*

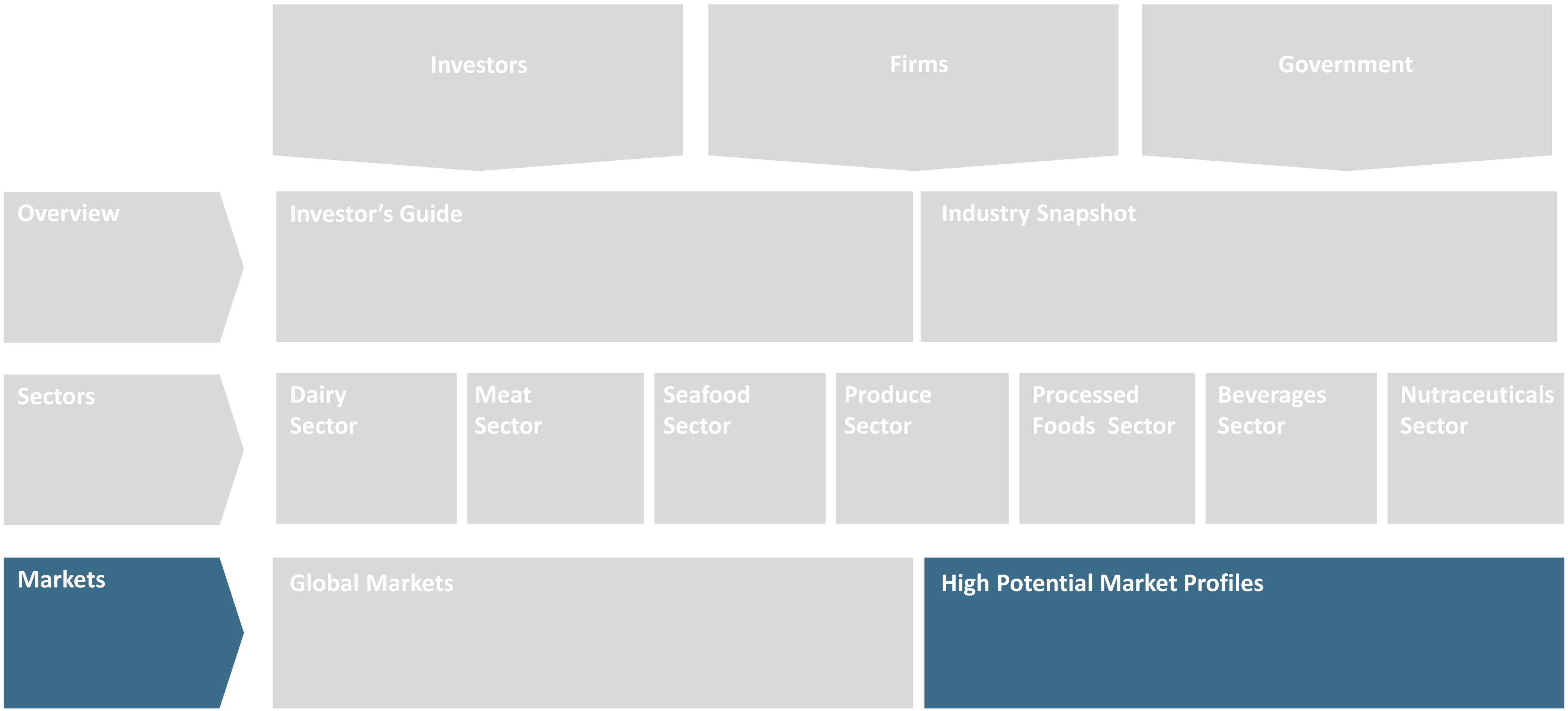



*Note: Every year two subsectors are completed in more detail. Seafood and Nutraceuticals in 2011*

# MARKETS ANALYSIS

## This analysis of Singapore forms a part of the wider Food & Beverage Information Project

Structure of the New Zealand Food & Beverage Information Project
*(2011)*



## SINGAPORE OVERVIEW

Singapore is a small "city state" in Asia with a population +15% larger than New Zealand; it has very limited farmland and is a major importer of food and beverages

Basic details on Singapore
*(2011)*


| | Singapore | New Zealand |
|---|---|---|
| **Population** | 5.1m (2010) | 4.4m (2011e) |
| **Aged under 15**<br>**Aged 65+** | 13.8%<br>9.2% | 20.4%<br>13.3% |
| **Population growth rate** | 0.82% (11e) | 0.88% (11e) |
| **Median Age** | 40.1 years | 37 years |
| **Fertility rate** | 1.11 child/woman (2011) | 2.08 child/woman |
| **Area** | 697 km$^2$ | 267,710 km$^2$ |
| **Coastline** | 193 km | 15,134 km |
| **Population density** | 7,315/km$^2$<br>3rd highest in world | 16/km$^2$<br>200th highest in world |
| **GDP** | US$223b (nominal) | US$140b (nominal) |
| **GDP per capita** | US$43,867/person (nominal)<br>15th highest in world[1] | $32,145<br>24th highest in world[2] |
| **Currency** | Singapore dollar (SGD)<br>US$0.82 (8/2011) | New Zealand dollar (NZD)<br>US$0.82 (8/2011) |
| **Politics** | Parliamentary democracy ruled by PAP since 1959 | Parliamentary democracy |

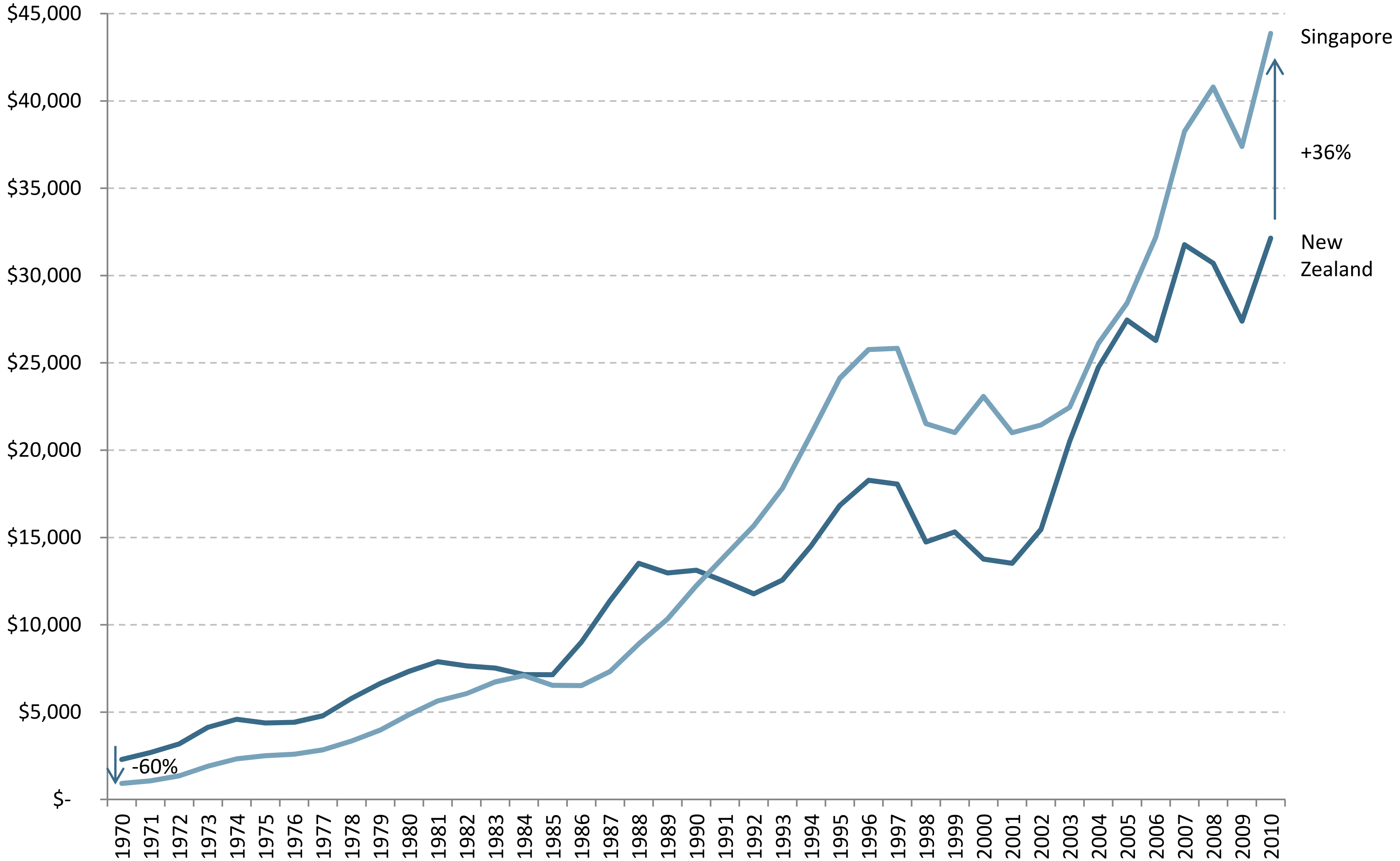
1. 5th at PPP exchange rates; 2. 32nd at PPP exchange rates; Source: CIA World Fact Book 2008; Wikipedia; Coriolis analysis

# GDP/CAPITA

## In the last 40 years Singapore has gone from being -60% poorer per person than New Zealand to +36% richer today

Growth in GDP per capita: Singapore vs. New Zealand

*(US$/person; current prices; non-inflation adjusted; 1970-2010)*



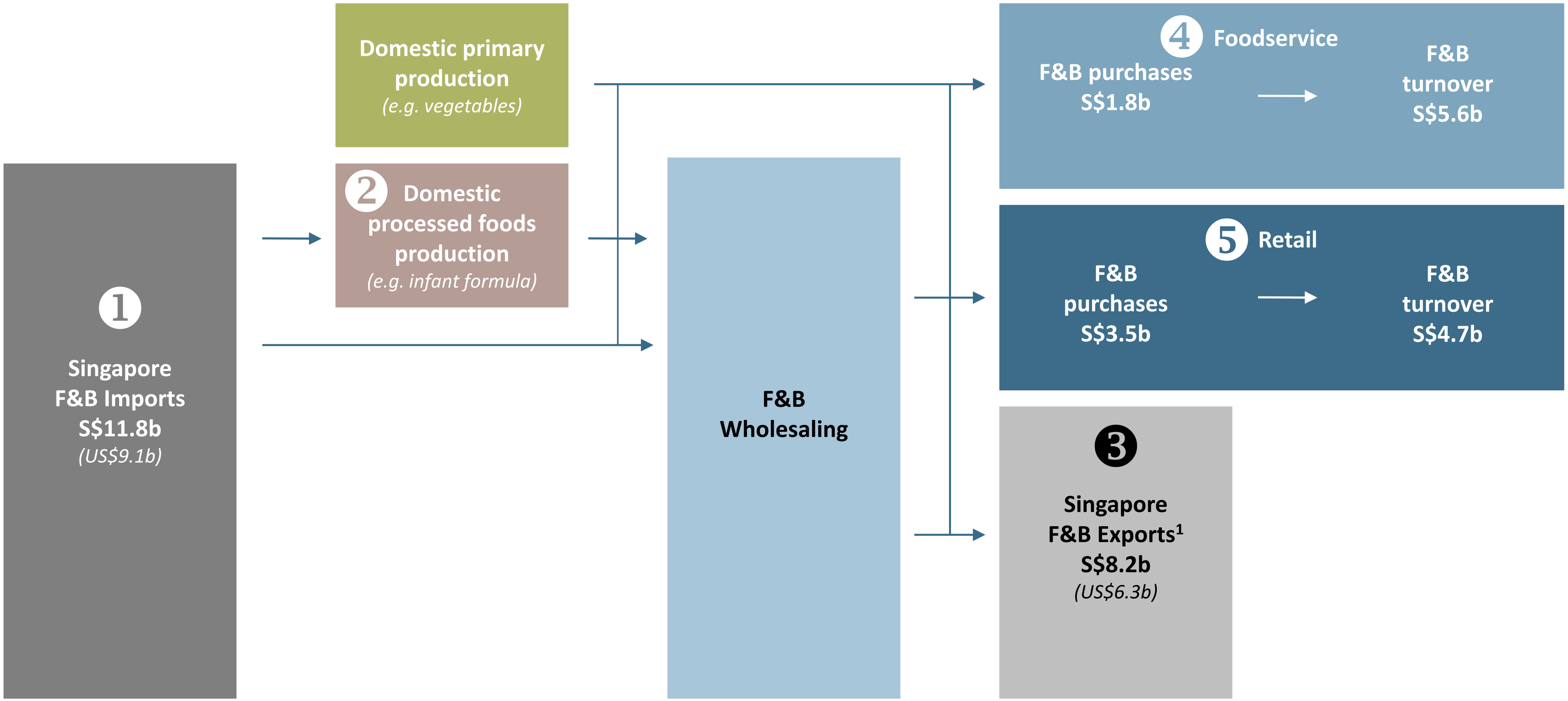



Source: UN Stats National Accounts Main Aggregates database (1970-2009); Wikipedia (2010); Coriolis analysis

## SUPPLY CHAIN STRUCTURE

Due to its small size and modern, efficient economy, Singapore has a relatively simple F&B supply chain

Simplified model of the structure of Singapore's food & beverage supply chain
*(model; 09/10)*



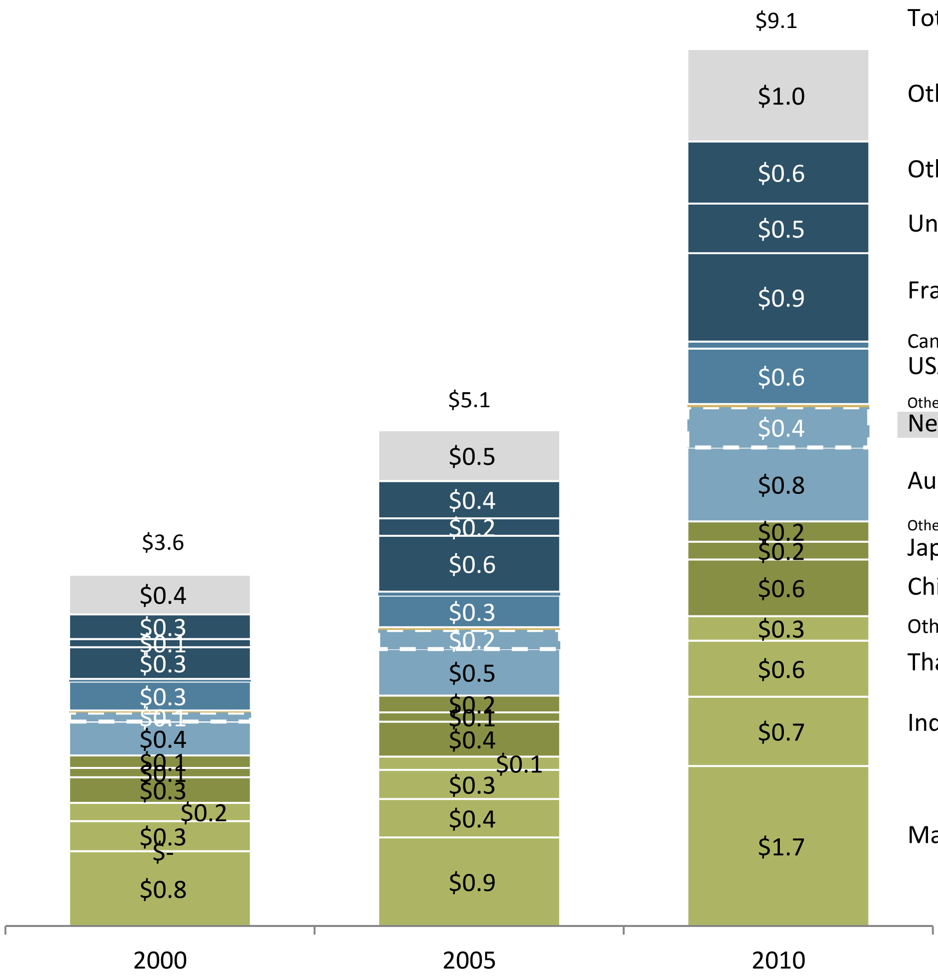



1. Exports and non-immediate re-exports (i.e. taken into inventory); Source: Coriolis from various sources

# 1. IMPORTS – VALUE GROWTH BY COUNTRY

## Singapore's F&B imports are growing strongly; New Zealand is performing above average, growing at a 16% CAGR

Singapore F&B import value by source country
*(US$b; 2000-2010)*




| | 10 Year CAGR | 10 Year Absolute |
|---|---|---|
| Total | 10% | +$5.5b |
| Other | 9% | +$0.5 |
| Other Europe | 10% | +$0.4b |
| United Kingdom | 20% | +$0.4b |
| France | 11% | +$0.6b |
| Canada | 9% | +$0.0b |
| USA | 7% | +$0.3b |
| Other Oceania | 4% | +$0.0 |
| **New Zealand** | **16%** | **+$0.3b** |
| Australia | 8% | +$0.4b |
| Other E Asia | 5% | +$0.1b |
| Japan | 7% | +$0.1b |
| China | 8% | +$0.3b |
| Other SE Asia | 3% | +$0.1b |
| Thailand | 6% | +$0.3b |
| Indonesia | - | +$0.72b |
| Malaysia | 8% | +$0.9b |

Comments

- UK & France growth largely due to rise in spirits warehousing/regional distribution centres in Singapore *(see later)*
- It may make sense to study Australia for lessons on success in Singapore

Notes

- Includes alcohol

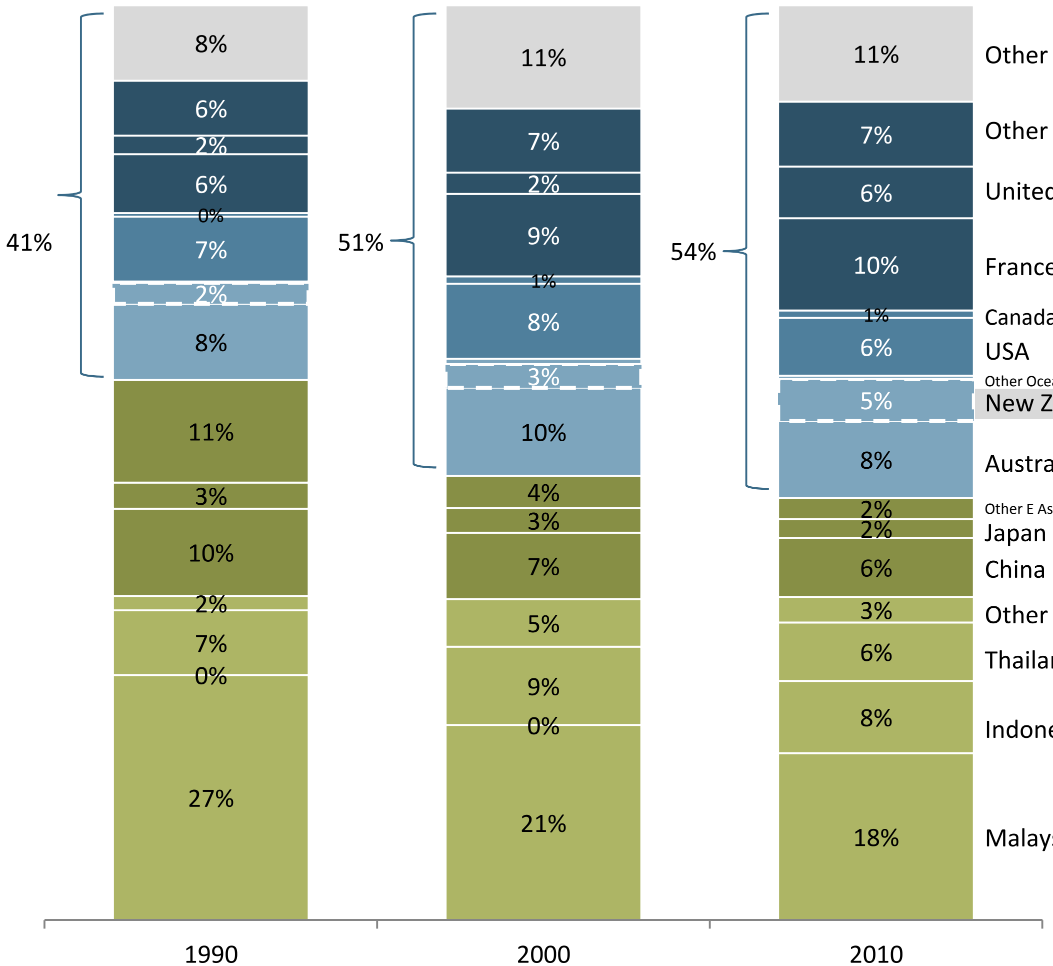


Source: UN Comtrade database; Coriolis analysis

# 1. IMPORTS – VALUE GROWTH BY COUNTRY

## New Zealand is gaining market share in Singapore; Inter-Asia trade is losing share to developed nations

Singapore F&B Import share over time by source country
*(US$m; 1990-2010)*




| | 20 Year Absolute | 10 Year Absolute |
|---|---|---|
| Other | 2% | -1% |
| Other Europe | 1% | 0% |
| United Kingdom | 4% | 3% |
| France | 4% | 1% |
| Canada | 0% | 0% |
| USA | -1% | -2% |
| Other Oceania | 0% | 0% |
| New Zealand | 2% | 2% |
| Australia | 0% | -1% |
| Other E Asia | -9% | -1% |
| Japan | -1% | -1% |
| China | -3% | -1% |
| Other SE Asia | 1% | -2% |
| Thailand | -1% | -2% |
| Indonesia | 8% | 8% |
| Malaysia | -9% | -3% |

Comments

- Clear opportunities for further growth for New Zealand by taking share from higher cost competitors

Notes

- Numbers may not add due to rounding

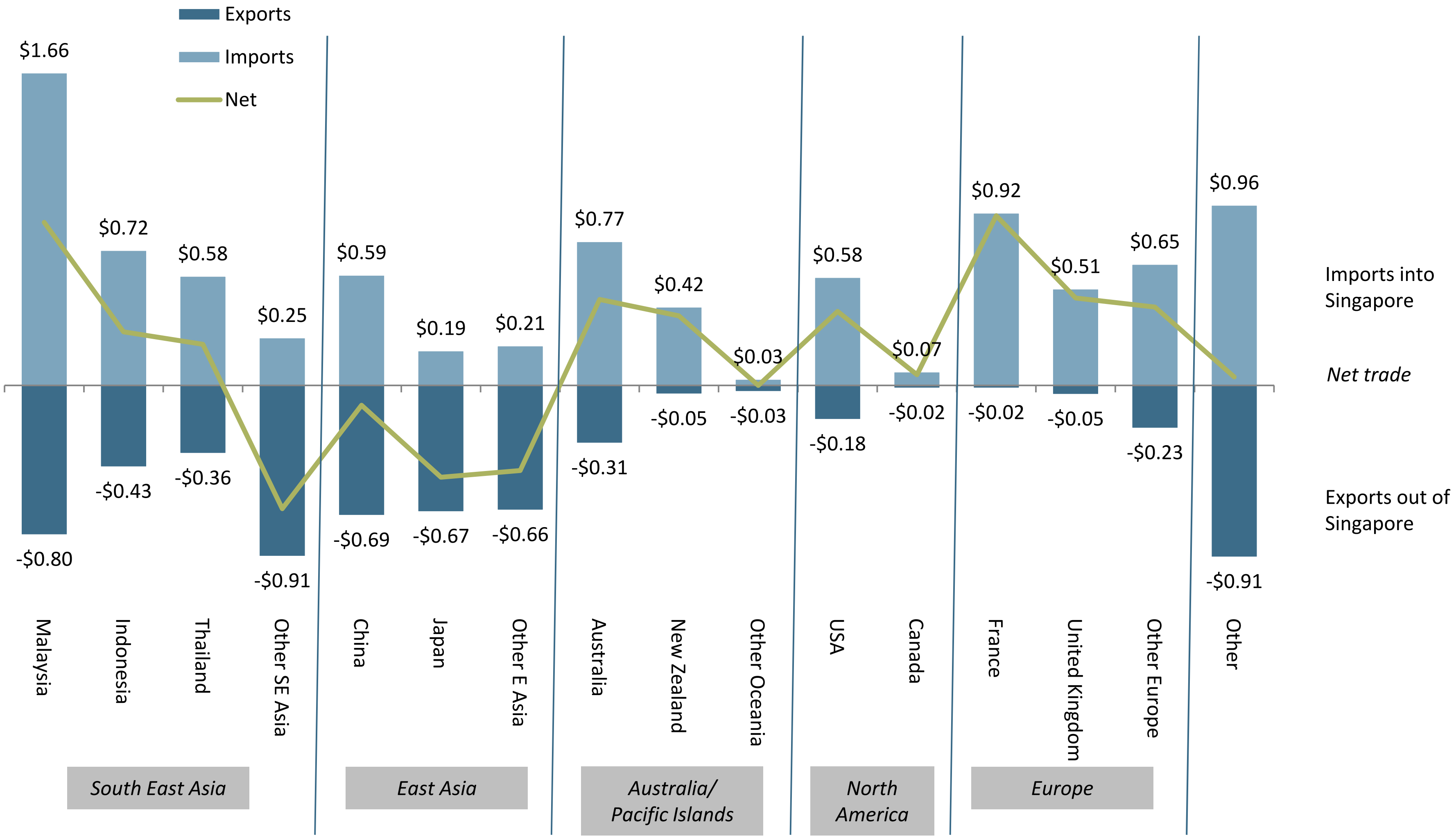


Source: UN Comtrade database; Coriolis analysis

# 1. TRADE FLOW

## Singapore is a net importer of food overall; however it is primarily an importer from Western developed countries and has more balanced trade with Asia

Singapore F&B trade by direction by source country
*(US$b; 2010)*






Source: UN Comtrade database; Coriolis analysis

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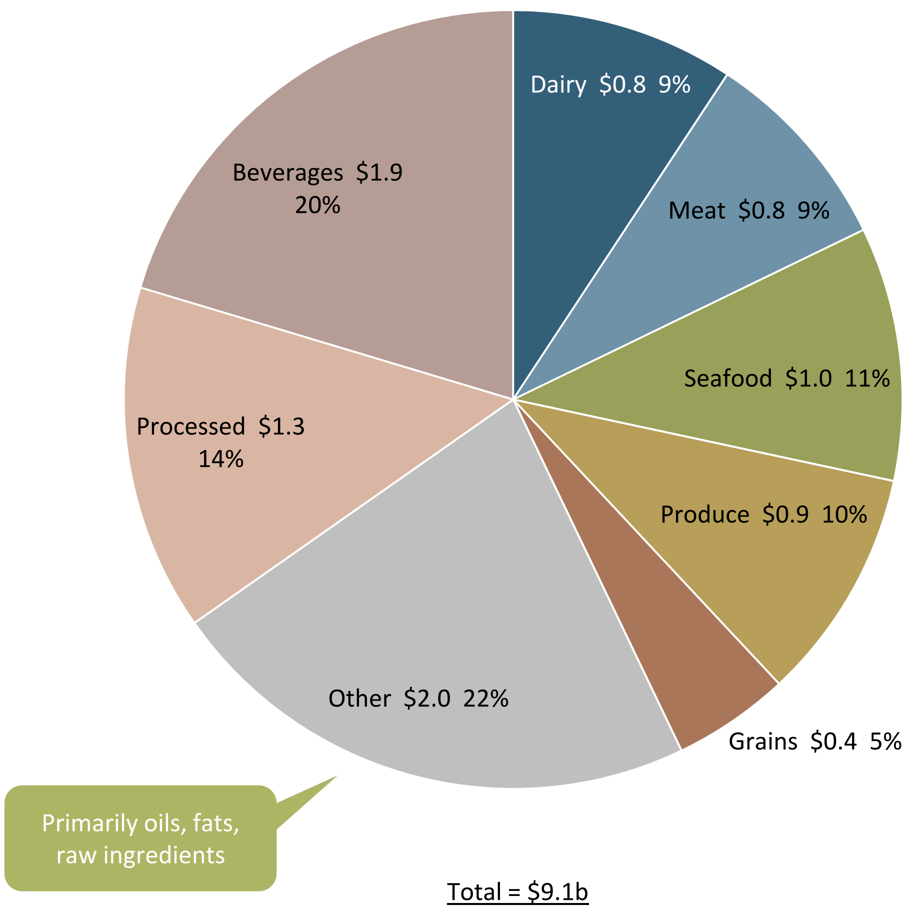
# 1. IMPORTS – BY PRODUCT SEGMENT

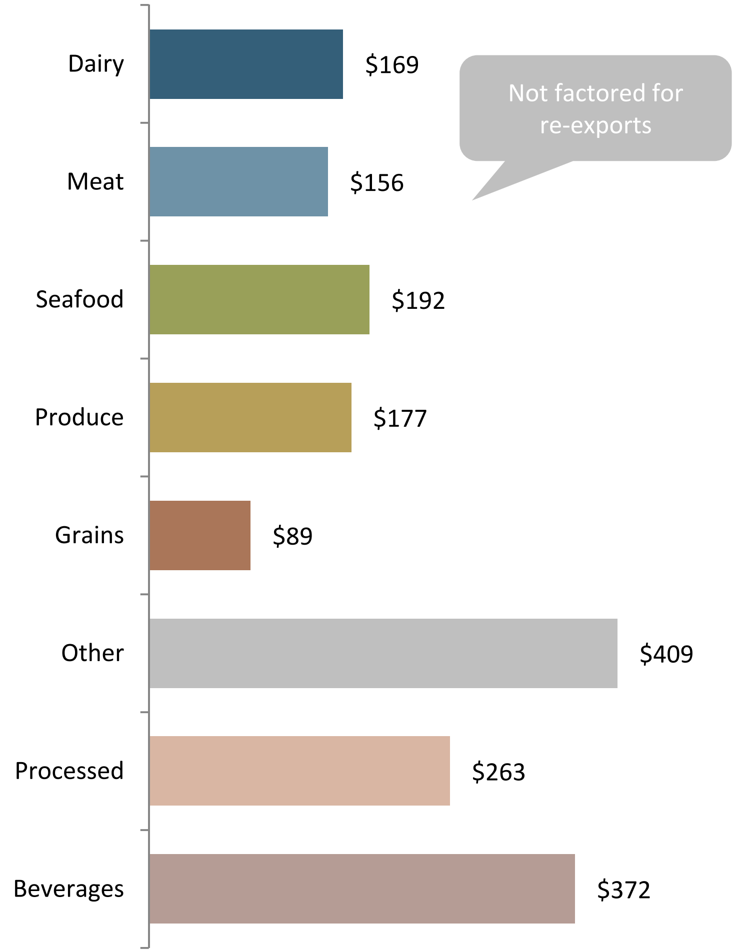
## Singapore is a city state effectively without farms and limited primary production; it therefore imports a wide range of F&B, across all segments

Total Singapore F&B import value by product segment
*(US$b; 2010)*




Total = $9.1b

Singapore F&B import value per capita by product segment
*(US$/person; Singapore resident; 2010)*



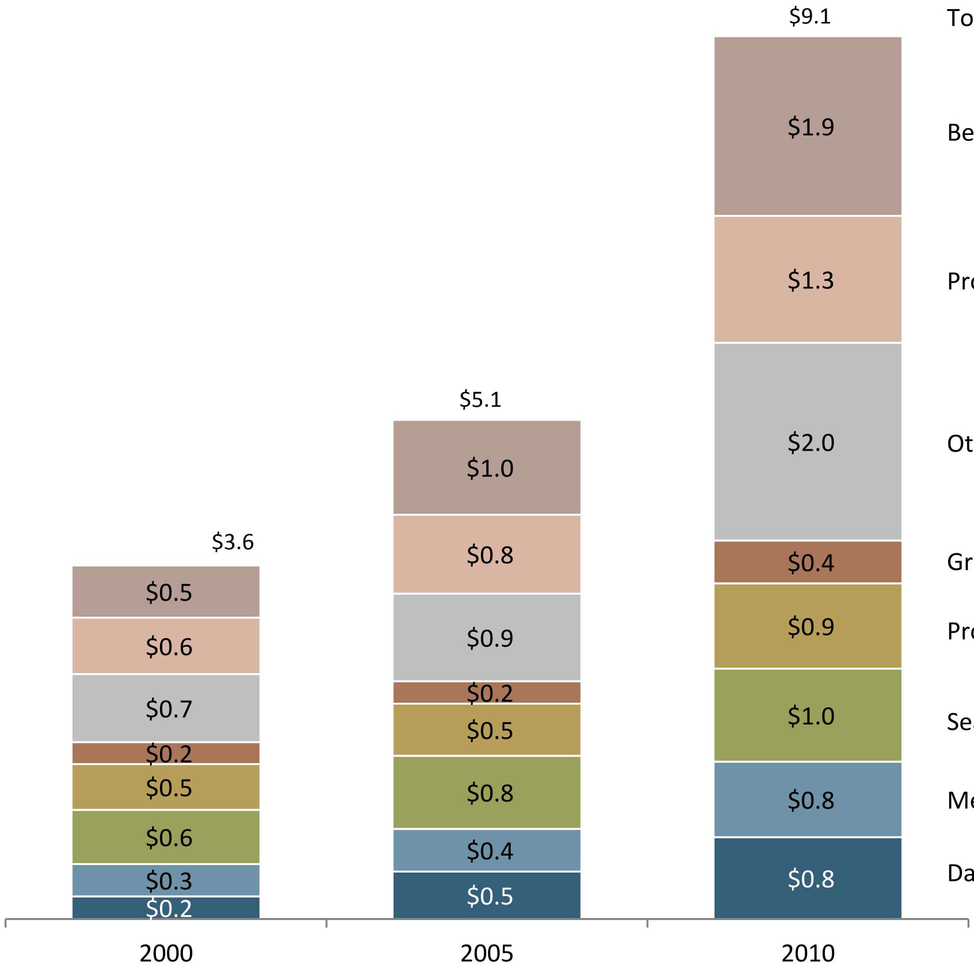



Source: UN Comtrade database; Coriolis analysis

# 1. IMPORTS – BY PRODUCT SEGMENT

## Singapore's F&B imports are growing, particularly in dairy and beverages, both categories which New Zealand competes internationally

Singapore F&B import value by product segment
*(US$b; 2000-2010)*




| | 10 Year | |
|---|---|---|
| | CAGR | Absolute |
| Total | 10% | +$5.5b |
| Beverages | 13% | +$1.3b |
| Processed | 8% | +$0.7b |
| Other | 11% | +$1.3b |
| Grains | 7% | +$0.2b |
| Produce | 6% | +$0.4b |
| Seafood | 6% | +$0.4b |
| Meat | 9% | +$0.4b |
| Dairy | 14% | +$0.6b |

Comments

- Growth of dairy driven by construction of infant formula plants
- Growth in beverages is the increase of alcohol imports from Europe

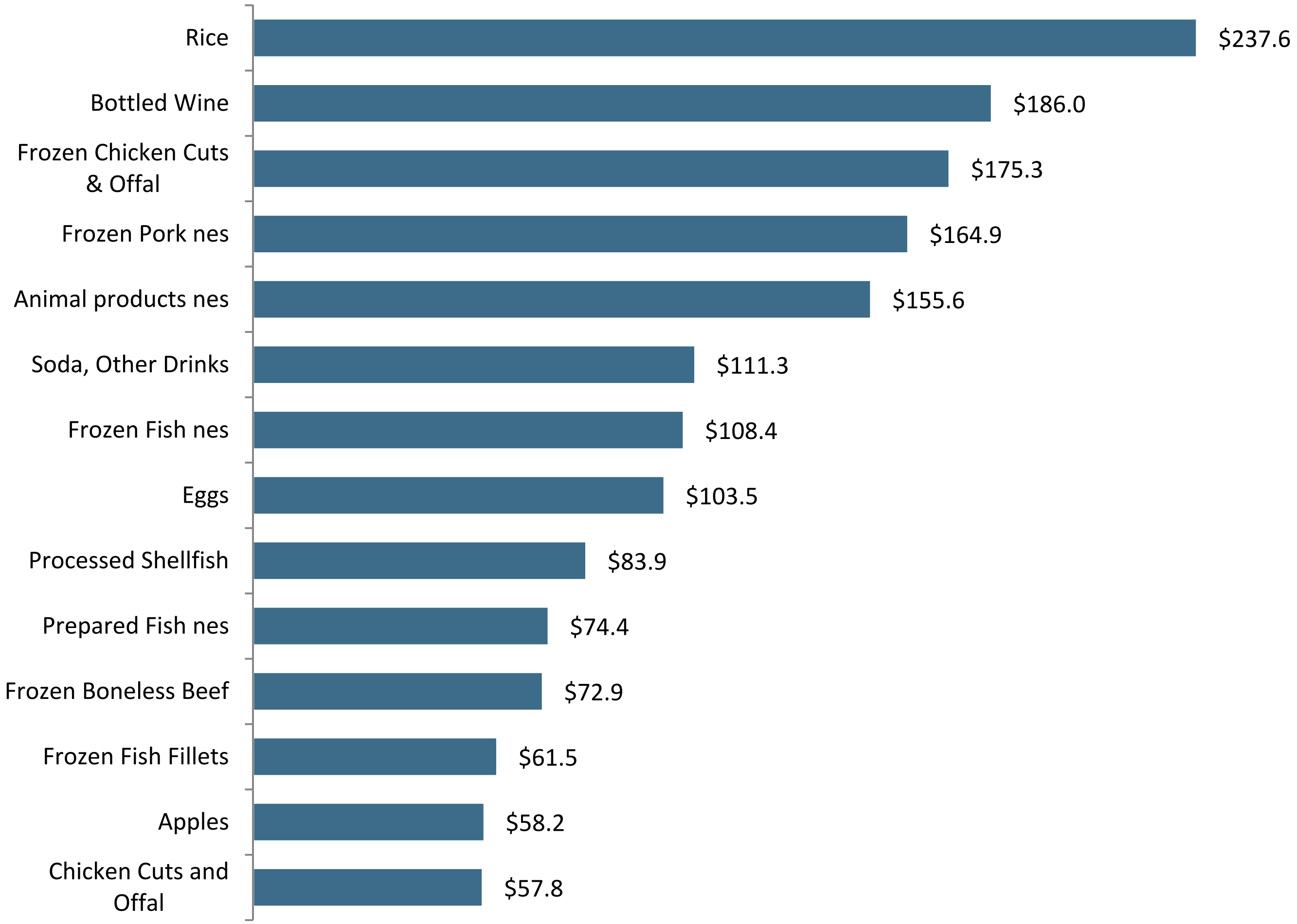


Source: UN Comtrade database; Coriolis analysis

## 1. IMPORTS – BASIC STAPLES

### A significant amount of imports are staples for domestic consumption

Select Singapore food Imports primarily for domestic consumption
*(US$m; 2010)*




Comments

- Import profile represents Asian eating habits (for instance rice as the staple)
- List excludes re-exports and ingredients



Source: UN Comtrade database; Coriolis analysis

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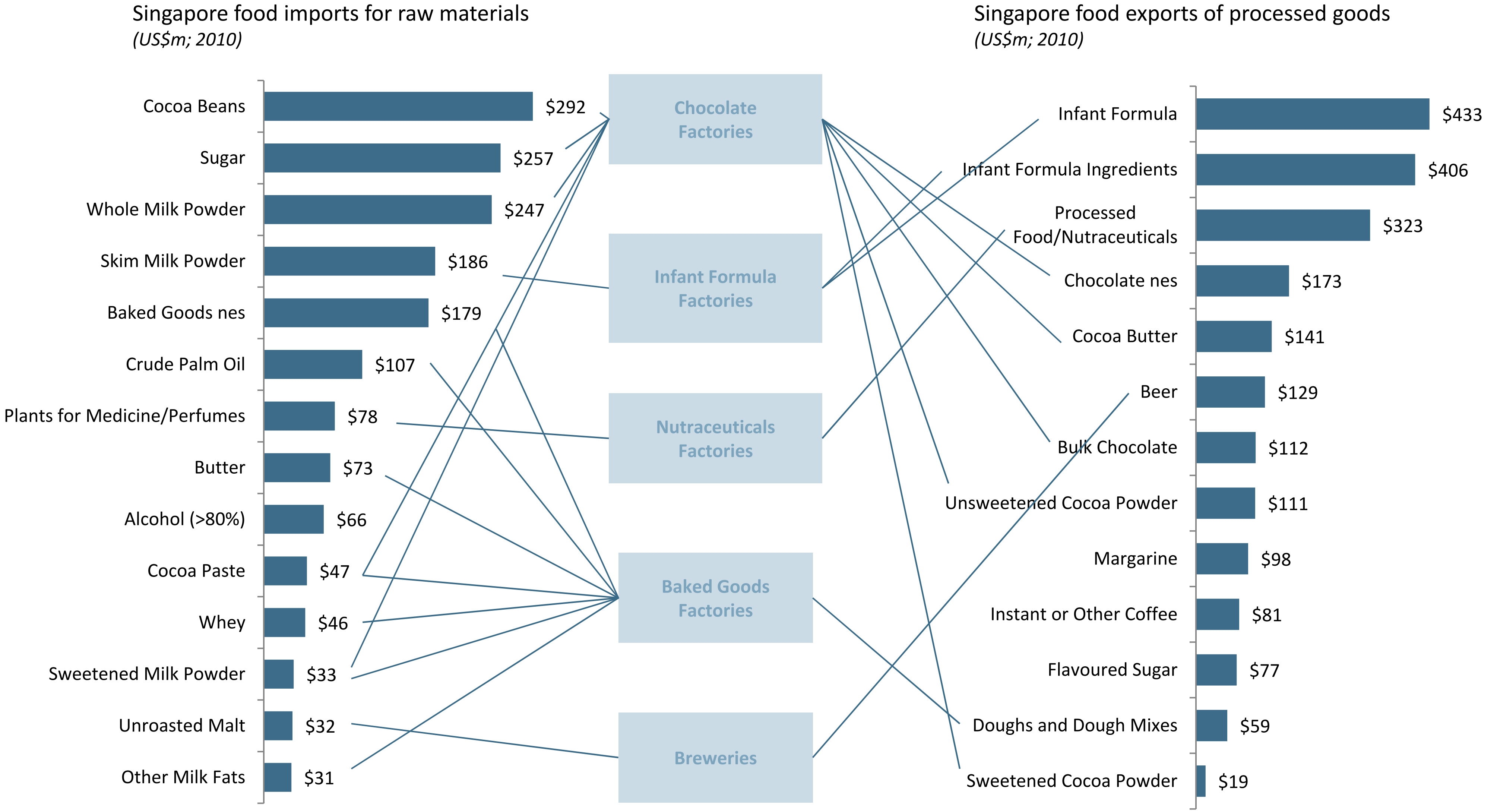
## 2. PROCESSING – INGREDIENTS FOR PROCESSED FOODS

Singapore also has a strong food processing sector that draws in raw materials (e.g. milk powder) and turns them into consumer products which it then consumes domestically or exports






Source: UN Comtrade database; Coriolis analysis

# 3. EXPORTS – WAREHOUSED & RE-EXPORTED

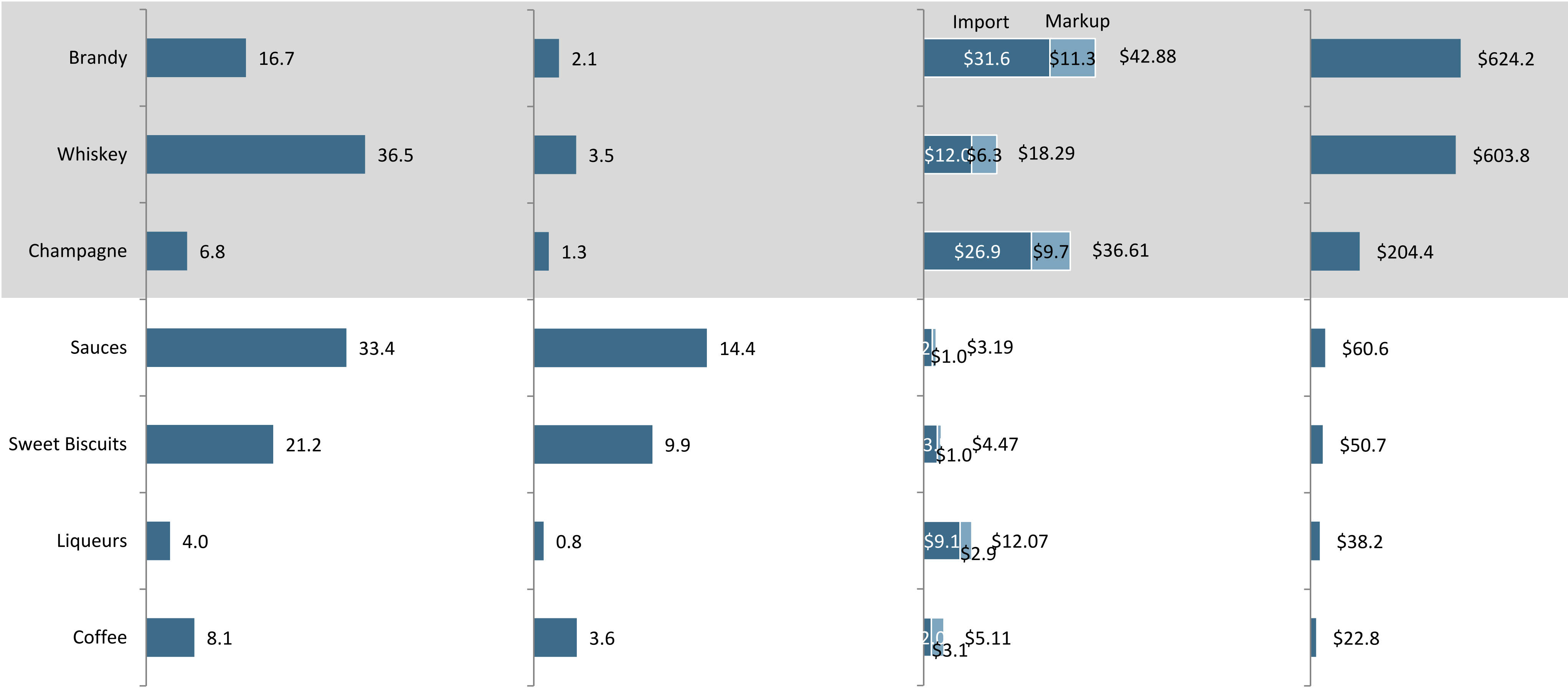
## Due to its central location and low tax rates, Singapore is used as an Asia-Pacific hub for F&B re-exports, particularly spirits and processed foods

Imports volume
*(tonnes; 000; 2010)*

Apparent domestic consumption
*(tonnes; 000; 2010)*

Singapore markup
*($/kg; 2010)*

Singapore export value
*(US$m; 2010)*



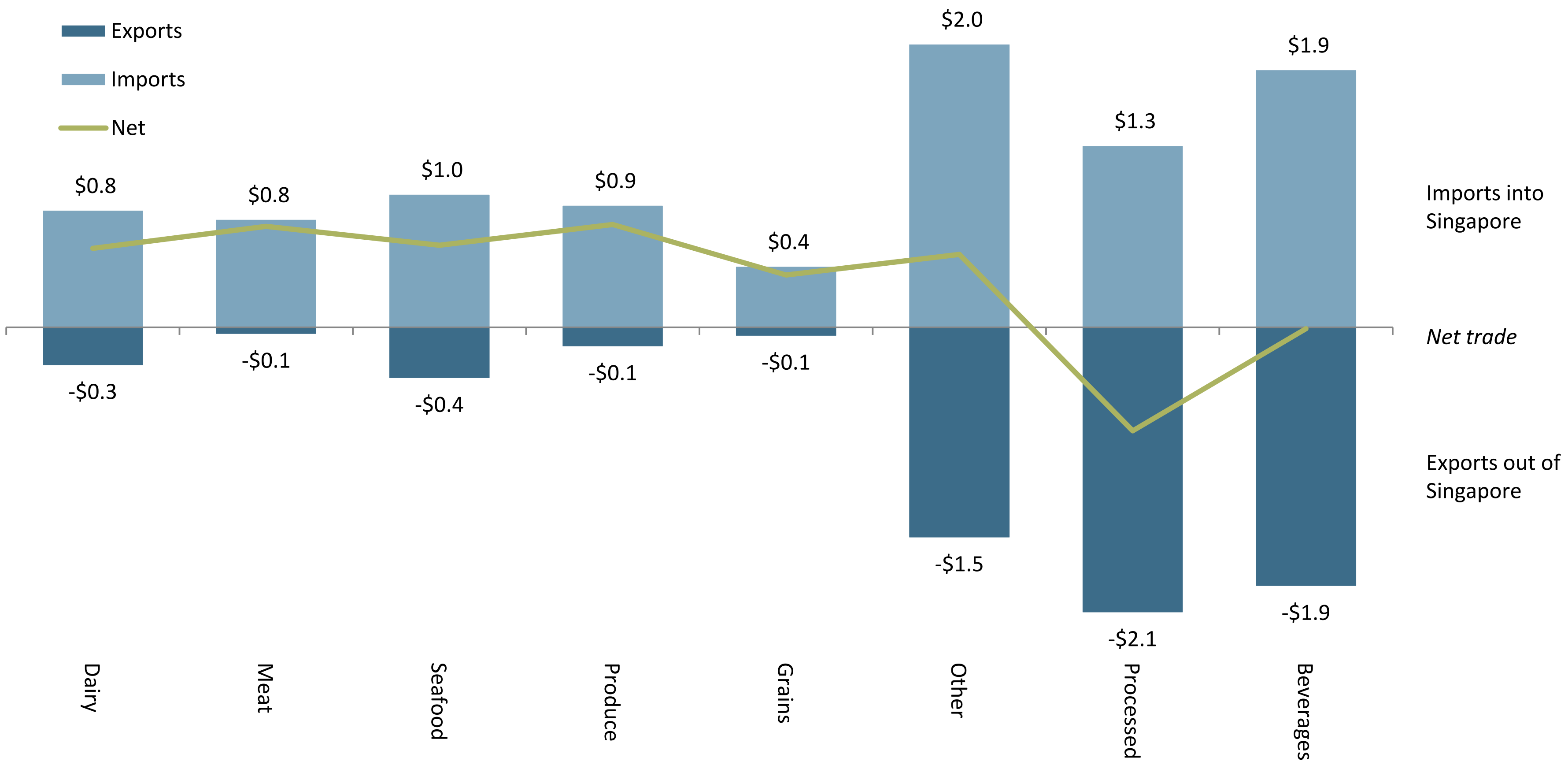



Source: UN Comtrade database; Coriolis analysis

## NET TRADE FLOW BY PRODUCT SEGMENT

### Singapore is a net importer of all food and beverage segments except processed; Singapore's food industry imports raw materials from countries like Ghana and New Zealand and exports consumer-ready processed foods

Singapore F&B import value by product
*(US$b; 2010)*






Source: UN Comtrade database; Coriolis analysis

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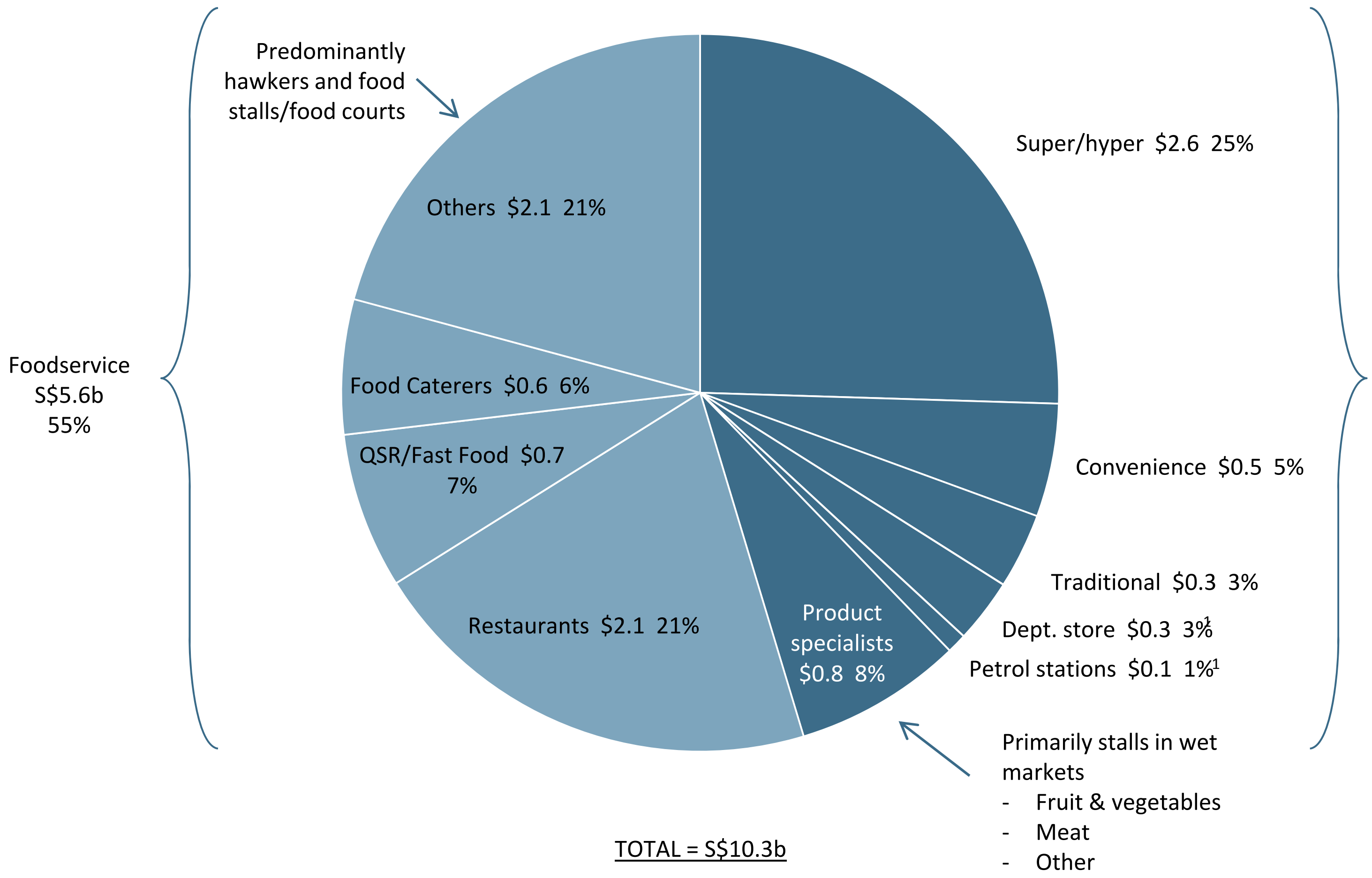
## 4&5. F&B MARKET STRUCTURE

Unlike some markets (including New Zealand) in Singapore expenditure on food and beverages is greater in foodservice (55%) than in retail (45%)

Expenditure on food, beverages and grocery by channel in Singapore
*(S$b; 09/10)*

Includes significant Coriolis estimates based on available data






1. Estimated F&B component only; Source: Statistics Singapore (essfnb2009; essretail2009); various published articles; various articles; Coriolis analysis and estimates

# 4. FOODSERVICE

## The Singaporean foodservice market is more fragmented and power rests with wholesalers

Basic details of foodservice industry in Singapore
*(S$b; 09/10)*

| | # of outlets (2009) | Employees (2009) | Purchases (2009) | Turnover (2009) | Simplified description | Key chains or groups |
|---|---|---|---|---|---|---|
| Restaurants | 2,107 | 35,078 | S$0.7b | S$2.1b | - Establishments with table service and four walls | Key hotel operators |
| QSR[1]/Fast Food | 336 | 12,966 | S$0.2b | S$0.7b | - Effectively defined as “chain” fast food restaurants | McDonalds<br>Kentucky Fried Chicken<br>Burger King<br>Pizza Hut |
| Food Caterers | 289 | 5,159 | S$0.2b | S$0.6b | - Contract suppliers of foods | *Fragmented* |
| Other | 3,260 | 33,573 | S$0.7b | S$2.1b | - Predominantly hawkers and food stalls/food courts<br>- Also cafes and snack bars | *Fragmented* |
| | | | S$1.8b | S$5.6b | | |



1. QSR = Quick Service Restaurants (industry term for fast food); Source: various company websites; various company annual reports; published articles and websites; Coriolis analysis and estimates

# 5. RETAIL FOOD – KEY FIRMS

## The Singapore retail F&B environment is highly consolidated; the three key groups are NTUC FairPrice, Dairy Farm/Cold Storage and ShengSiong

Major retail food store operators in Singapore
*(2010)*

| | Year founded | # of stores | Ownership | Group sales | Store formats | Firm/Concept summary | Website |
|---|---|---|---|---|---|---|---|
| ntuc National Trades Union Congress / FairPrice | 1973 | 106 (s/h) | Cooperative | S$2.3b (2010) | FairPrice (95) [SM]<br>FairPrice Finest (7) [SM]<br>FairPrice Xtra (4) [HM]<br>FairPrice Xpress (18+) [CS]<br>Cheers (120+) [CS]<br>Foodfare [Foodservice] | Owned by National Trades Union Congress (NTUC) itself owned by 60 unions (550,000 members) | www.fairprice.com.sg<br>www.cheersstore.com/ |
| Dairy Farm / Cold Storage The fresh food people | 1903 | 111 (s/h) | Dairy Farm (HK) | ~S$1.8b (estimate) | Cold Storage (39) [SM]<br>Market Place (6) [SM]<br>Shop N Save (59) [SM]<br>Giant (7) [HM]<br>7-Eleven (549) [CS]<br>Guardian (135) [Ph] | Singapore operations of Dairy Farm (listed; Hong Kong); former owner of Woolworths NZ | www.coldstorage.com.sg<br>www.gianthypermarket.com.sg<br>www.7-eleven.com.sg<br>http://www.guardian.com.sg |
| ShengSiong ... all for you! | 1985 | 23 | Private (Lim Hock Chee) | S$0.5b (2009) | Sheng Siong (23) [SM/HM]<br>Food Courts (5) | Local chain started by former wet market pork seller | www.shengsiong.com.sg |
| Isetan Singapore | 1972 (SG) | 4 | Listed (SGX); 60% Japan parent | S$0.3b[2] (2010) | Isetan (4) [DS]<br>Scotts (1) [SM][1] | Japanese department store chain; 1 has supermarket | www.isetan.com.sg |
| Carrefour | 1995 (SG) | 2 | Listed; France | €$86m[2] (2010) | Carrefour (2) [HM] | French inventor of hypermarket | www.carrefour.com.sg |
| Mustafa | 1973 | 1 | Private (Mustaq Ahmad) | N/A | Mustafa 1 [DS/HM] | Indian entrepreneur expands from clothers store to department store w/food | www.mustafa.com.sg |
| Singapore Meidi-Ya Supermarket More Than Just Freshness | | 1 | Japan | N/A | Meidi-Ya 1 [SM] | Fresh food imported directly from Japan (!); other products local & imported | www.meidi-ya.com.sg<br>www.meidi-ya-store.com |

1. Inside Isetan Orchard store; 2. Includes non-food sales; Supermarket (SM), Hypermarket (HM), Convenience store (CS), Department store (DS), Pharmacy (P) Source: various company websites; various company annual reports; published articles and websites; Coriolis analysis and estimates

# 12 REASONS FOR SINGAPORE

## New Zealand food & beverage firms should target the Singapore market for 12 reasons

Reasons for a New Zealand food & beverage manufacturer to target the Singapore market
*(2011)*

| | Sitiation | Implication for New Zealand food & beverage firms |
|---|---|---|
| 1. | Existing free trade deal | - Easy to get products into the market<br>- No tariffs |
| 2. | City state with very limited primary production | - Not a food & beverage producer<br>- A natural trading partner to New Zealand |
| 3. | High income; sophisticated tastes | - Consumer understand soft attributes (e.g. free range)<br>- Able to pay for premium quality (e.g. wine) |
| 4. | Mixed ethnicity (Chinese, Malay, Indian) | - Ethnicities with a significant presence in New Zealand<br>- A good testing ground for pan-Asian success |
| 5. | Relatively small market (5m people) | - New Zealand manufacturers can scale up successfully without capital expenditure |
| 6. | Daily direct flights (10 hours) | - New Zealand based staff can get there |
| 7. | Speak English, cultural similarities & shared history | - No changes to English packaging required<br>- Communication and socialising easier than with other Asian markets |
| 8. | Rule of law; modern, reliable legal system | - Contracts can be enforced; rules don't change<br>- Corruption non-existant |
| 9. | Growing Singapore investment in New Zealand food & beverage | - Examples: Olam (Open Country, NZ Farming Systems), Wilmar (Chelsea), Cerebos (Cerebos Greggs)<br>- New Zealand is "on the radar" for Singapore and primed for investment either FDI or ODI |
| 10. | Modern, consolidated supermarket system | - Similar to New Zealand: 1 coop (NTUC); 1 corporate (Dairy Farm/DFI which used to own Woolworths NZ)<br>- Function along modern lines with standard terms and conditions, promotional allowances, etc. |
| 11. | Modern, developed foodservice system | - Similar set of QSR/fast food operators<br>- Similar need for cost/labour saving products |
| 12. | Centrally located to all of SE Asia | - Natural trade hub to the region<br>- Starting point for a SE Asian expansion strategy |

# EXAMPLES

## New Zealand F&B exporters are succeeding in Singapore

Examples of New Zealand products on the shelves in Singapore
*(2011)*

Milk powder based


Yoghurt


Butter/Spreads


Cheese


Fruit


Honey


Frozen food


Ice Cream


WIne



Source: photo credit (fair use; low resolution; complete product/brand for illustrative purposes); Coriolis

## PROPOSED GENERIC STRATEGY

For New Zealand F&B manufacturers looking at the Singapore and the wider South East Asian market, we propose the following generic strategy as a starting point

**Vision:** Build a strong export business in South East Asia

**Start in Singapore** → **Expand into Malaysia** → **Embrace Asia**

**Start in Singapore**

- Commit to the market; treat as a "region of New Zealand"
  - Put salespeople in the market
  - Regularly call on retailers
  - Offer standard NZ terms and conditions
  - Run promotions
- Central location that is a natural regional base and distribution hub

**Expand into Malaysia**

- Slightly larger population than Australia (28m people)
- Already imports proportionally a lot of F&B from NZ
- Easily serviced from Singapore
- Commit to the market; duplicate Singapore offer to Malaysian retailers

**Embrace Asia**

- Expand into other key market in the region: Thailand, Indonesia, the Philippines and Viet Nam
- Modify range to increase appeal to Asian consumers
  - New flavours (e.g. kiwifruit)
  - Gift packs

# POTENTIAL GOVERNMENT DIRECTIONS

## In addition, the New Zealand government has a number of potential directions for encouraging the growth and integration of the New Zealand and Singaporean food & beverage industries

| Objective | Potential government direction | Outcome(s) |
|---|---|---|
| Make it as easy as possible to sell NZ food & beverages in Singapore | - Invite Singapore to join FSANZ<br>- Align AU/NZ food standards with Singapore | - As easy to sell NZ food & beverage in Singapore as it is in Australia |
| | - Open a SE Asia sales/support shared office "incubator" in Singapore for NZ firms<br>- Align export development funding with this objective | - More NZ firms open sales/support offices in Singapore<br>- Singapore perceived as the "next stop" after Australia by mid-sized F&B firms |
| Make Singaporean retail/foodservice buyers more aware of NZ as a source of all types of food & beverage | - Fund regular trips by Singaporean supermarket and foodservice buyers to New Zealand<br>- Facilitate top-to-top discussions by New Zealand and Singaporean food & beverage retailers | - Singapore buyers become more familiar with the full range of food & beverage available from NZ<br>- Singapore buys more food & beverage from NZ<br>- Singaporean retailer use NZ as a source for more private label/store brands (an area of current NZ success in Australia) |
| Integrate Singapore and New Zealand food & beverage industries more tightly together | - Encourage more Singaporean investment in New Zealand food & beverage system<br>- Position New Zealand as Singapore's farm<br>- Provide Singapore with some form of "guarantee" around food security | - Singapore invests more in New Zealand |
| | - Encourage more New Zealand investment in Singaporean food & beverage system | - New Zealand invests more in Singapore |
| Sell New Zealand to Singaporean consumers | - Joint promotion of New Zealand F&B products in Singapore (copy successful Australia programme) | - Singaporeans buy more from New Zealand |

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