

The Role of Retail Sector in Agri-food System-Chinese Taipei

by

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1. Introduction

In the past decade, the rapid rise of supermarkets and retail outlets have been observed all over the world, in particularly in South America, East Asia and South Asia (Reardon et al., 2003). Figure 1 indicates that the growth in Chinese Taipei's retail sector in recent years has been very sluggish due to the economic downturn triggered by the slumped world economy, especially the IT industry, which curbed consumption significantly. As the pace of recovery in the US and world economy accelerated, consumption recovered in 2003 and 2004. The SARS epidemic in 2003 did not depress the retail sector because the spread of the disease was not very rapid and was quickly contained within 3 to 4 months. The total annual sales increase from NT\$2.4 trillion in 1999 to NT\$2.9 trillion in 2004, where agriculture and food sales accounts for 11~12 percent in total.

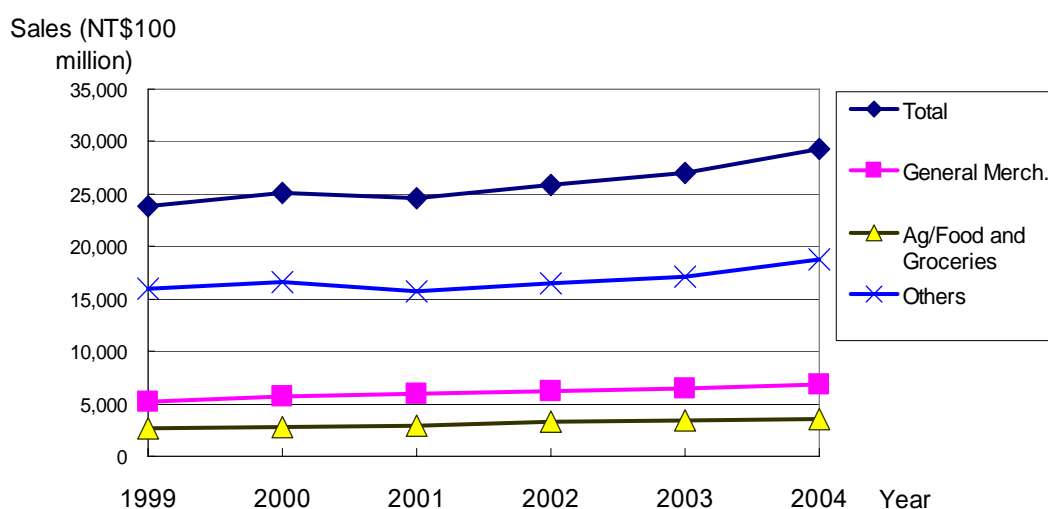


Figure 1. Trends in Retail Sales by Commodity Types, Chinese Taipei, 1999-2004

2. Growth in Retail Sector

In Chinese Taipei, the annual sales of retail sector rose about 2.5 times from 1994 to 2003 (NT\$300 billion to 680 billion). Similar to many developed and developing economies, these movements were driven by both the demand factors

including women entering the away-from-home workforce, rapid growth in ownership of cars, access to affordable urban transport system, and supply factors like technological innovations, trade liberalization and the surge of foreign investment. However, the economic downturn after the mid-90s has re-shaped the sector from supplier-oriented into a consumer-oriented business. Some companies adopted innovative measures, such as increases in in-door services, product lines and service hours, integration with shopping mall, gym, and entertainment facilities, to attract shoppers. Some adopted outward investment strategies after the domestic market was saturated to secure market shares in China and South Asian countries.

After the accession into the WTO in 2003, the retail market was opened wide to imported commodities. It attracted more business because consumers could enjoy more choices and better prices. However, the price competition, varieties, turn-over, quality control of products have all made the daily operations more complex and challenging than before for all players in this sector.

From Table 1, we can see that during the past decade, the retail sector has an average of 8.6 percent annual growth in terms of total sales. Growth in supermarkets sales has been stable at 5.3 percent, slightly lower than the 5.6 percent of department stores. Both convenience stores and retail outlets enjoyed double-digit growth rates with the convenience store sector being the leader of all retail sectors.

The difference in growth performance has made a substantial change in the market share. The percentage shares of retail outlets and convenience stores were 16.5% and 13.7% in 1994, but rose to 20.3% and 23.7%, respectively. The share of supermarket was 16.8% in 1994 and now dropped to 12.3%. These dynamic changes reflect that the retail sector is a highly competitive market and the rapid change in consumers' shopping behavior has placed unprecedented pressures for all players in this market.

According to the 2003 Annual Report of Supermarket, Warehouse and Discount Store, there are 12 fundamental measures adopted by the retailers to secure market share in the low-growth market in Chinese Taipei:

1. Slowdown in opening new stores
2. Re-alignment in store locations
3. Increase in-store customer services
4. Integration with other retailers
5. Strengthening localized strategies
6. Increase product items and varieties
7. Lowering prices

8. Upgrading interior design and shelf displays
 9. Mergers and take-overs
 10. Regional strategic alliances
 11. Increases in fresh produce and own packaging/processing techniques
 12. Reduction in new hiring with more efficient human resource management
- These measures are also key to maintain growth momentum in this highly competitive sector.

Table 1. Sales and Annual Growth Rate of General Merchandise by Industry

	General Merchandise	Department Stores	Supermarket	Chained Convenience Stores	Retail Outlet	Other General Merchandise
1. Total Sales (NT\$ Million)						
1994	305 023	113 837	51 098	41 653	50 472	47 963
1995	356 662	128 858	55 604	49 203	65 460	57 537
1996	399 967	145 060	61 423	59 695	77 497	56 293
1997	446 165	157 034	66 270	71 164	89 830	61 867
1998	486 306	156 691	72 236	84 805	108 198	64 375
1999	523 234	136 933	74 475	105 346	110 431	96 049
2000	569 571	148 834	74 457	115 113	129 124	102 043
2001	592 781	154 746	76 983	128 092	136 671	96 290
2002	622 833	172 411	75 857	141 778	141 680	91 106
2003	644 794	169 328	79 842	153 802	143 040	98 784
2004	689 950	191 092	85 133	163 768	139 698	110 258
2. 1994-2004 Average Growth Rate (%)						
	8.57	5.63	5.31	14.82	11.15	9.62
3. Market share (%)						
1994	100.00	37.32	16.75	13.66	16.55	15.72
1995	100.00	36.13	15.59	13.80	18.35	16.13
1996	100.00	36.27	15.36	14.92	19.38	14.07
1997	100.00	35.20	14.85	15.95	20.13	13.87
1998	100.00	32.22	14.85	17.44	22.25	13.24
1999	100.00	26.17	14.23	20.13	21.11	18.36
2000	100.00	26.13	13.07	20.21	22.67	17.92
2001	100.00	26.11	12.99	21.61	23.06	16.24
2002	100.00	27.68	12.18	22.76	22.75	14.63
2003	100.00	26.26	12.38	23.85	22.18	15.32
2004	100.00	27.70	12.34	23.74	20.25	15.98

Source: Ministry of Economic Affairs, Trade and Eating-Drinking places Activity Surveys, Dec 2004 and 1995 Dec.

3. Foreign vs. Domestic Investment

In comparison with other countries, purchasing at supermarkets and retail outlets has not been as dominant among Chinese Taipei's consumers. However, some businessmen apparently believe that consumers' behavior is changing overtime, so they are willing to invest. From 1996 to 2001, investment from private companies rose almost four times and foreign investment displayed a slight increase in the same period.(Table 2)

Before 1993, the government held a conservative attitude toward foreign investment so the investment was very limited. Starting from 1994, the government turned to inspire foreign investment so the foreign direct investment in retail sector took off steadily. The second phase appeared in the 2000-2001 period. The investment amount rose rapidly which was almost three times than the first phase. However, the investment seemed to cool down after 2002.

Although the top operators in supermarkets and outlets are mostly collaborated with foreign investment, their foreign counterparts have less financial holdings and mainly provide technical support and business know-how. Foreign investment is not the vehicle to enlarge scales or market shares. Most supermarkets and retail outlets expand their operations through integration, acquisition and merger with other domestic operators.

Table 2. Foreign Direct Investment in Retail Market, 1952-2003

Unit: Million NT\$

Year	1952-93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number	43	83	66	91	80	160	262	516	458	427	405
Amount	106	214	95.7	209	249	192	344	990	790	391	451

Source: Ministry of Economic Affairs website.

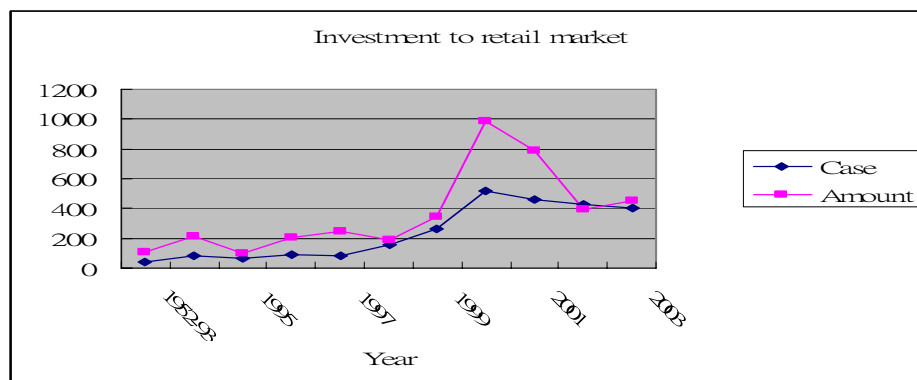


Figure2. Investment Trend of Retail Market, 1952-2003, Chinese Taipei

Source: Same as Table 2.

3. Supermarkets

The first supermarket (named “Simon”) in Taiwan opened in 1971 in central Taipei, selling mainly canned/processed food and some frozen meat. The owner was a Taiwanese national who lived in Japan for many years and learned all the know-how from Japan. Simultaneously, Wellcome(Taiwan) established the first supermarket with all kinds of fresh food. From then on, a number of supermarkets were established in the basements of large department stores in Taipei, the largest metropolitan city in Taiwan, on a rental basis. In this period, supermarkets sold cakes, snacks and canned goods mostly and could be seen as a forerunner of food delivery and marketing system. However, procuring fresh food was very difficult then. Most owners had to look for suppliers themselves and therefore the high cost in selling fresh foods became a major problem. In 1977, the Council of Agriculture set up 16 government-sponsored convenience food stores and within three years flourished into more than 60 stores nationwide. However, later on these stores (named “Chinese Youth Convenience Store”) faced a bottleneck in competing with the traditional groceries because they could not procure fresh vegetables and fruits, and thus phased out of the retail market gradually.

In 1981, the Taipei government-owned wholesaler, Taipei Agricultural Products Marketing Co (TAPM), entered the retail market by opening the first supermarket named Yenchí. This is the second professional supermarket after Wellcome supermarket in Taipei. The new store specialized in selling fresh fruits and vegetables at low prices and thus was an immediate success. The one-day sales record of NT\$5 million on New Year’s Eve and the one-month record of NT\$50 million in January 1989 has not yet been broken. It soon became a model for many new comers, both public and privately owned supermarket chains, large warehouses as well as convenience stores.

In 1986, the Investment Commission of the Ministry of Economic Affairs approved a number of overseas large-scale chained store groups to invest in Chinese Taipei. It was a turning point for FDI to access local retail market. After that, Wei-chuan group (a domestic food processing company) and Essay from Japan jointly established the Sung-Ching supermarket. The Milk group of Hong Kong and Wellcome group of Taiwan respectively invested 75% and 15% on Wellcome.

However, the mushrooming of new comers has quickly saturated the food retail market. Supermarkets entered the era of ‘low margins’ in the 90’s. A number of bankruptcies, closures, and merger/acquisition cases occurred in the late 90’s (see Table 3). In 2003, there were 802 chained stores in Chinese Taipei. Chuan-Lian (A government employee’s co-op supermarket) had the most number of stores compared with other chain supermarkets, followed by Wellcome and Farmers’ Association’s

supermarket (FA supermarket).

Up to June, 2003, there were 802 chained supermarket stores carrying on their business in Chinese Taipei. The PX-mart owned the greatest number of chained stores, followed by Wellcome (Hong Kong-based) and F.A. supermarket (Farmers' Association's Co-op supermarket). The numbers of the three chained supermarkets were 184 stores, 146 stores and 86 stores. In terms of total gross sales, Wellcome is the current leader, followed by the FA Mart and Sung-Ching-Essay (Table 4).

Table 3. Major Supermarkets and Their Foreign Affiliation, 1981-1990

Year Established	Supermarket	Domestic	Foreign	Notes
1981	TAPM	TAPM	-	
1986	Sung-Ching	Wei-Chian	Essay (Japan)	
1987	Wellcome	Wellcome	Milk (Hong Kong)	
1987	Huiyang	Huiyang	Kasumi (Japan)	Bought by Wellcome.
1988	Sinon	Sinon	-	
1990	Marukyu	Wei-Chuan	Marukyu (Japan)	Bought by Essay in 2004

Source: Retail Mart Magazine, 2003

Table 4. Ranking of the Five Major Supermarkets, Chinese Taipei, 2003.

Rank	By Number of stores	By Total Sales
1	PX-mart	Wellcome
2	Wellcome	Farmers' Association
3	Farmers' Association	Sung-Ching-Essay
4	Sung-Ching-Essay	Sinon
5	Sinon	PX-mart

Source: 2003 Annual Report of Supermarket, Warehouse and Discount Store, Retailing Mart, 2004.

Because the similarity in agricultural productions (small scales but abundant in varieties), the operations of supermarkets are mostly under the Japanese influences. Currently, there are only four supermarkets (TAPM, FA, Sinon, and Chuan-Lian) have

pure domestic ownerships. All other are affiliated with foreign companies or supermarket chains. For example, Wellcome was jointly established by Taiwan's Wellcome Co. and Hong Kong's Milk Co. Sung-Ching was a jointly operated by Taiwan's Wei-Chuan and Japan's Essay Corp. These big two supermarkets share more than 50 percent of the supermarket sales.

About half of revenues of supermarkets come from fresh/perishable food (see Figure 3). Based on the annual report of supermarkets, fresh food (vegetable, fruit, fishery and meat) is their major defense to the invasion of convenience stores and large-scale warehouses. In the recent year, many chained supermarkets engaged in upgrading their skill in handling fresh food and increasing the diversity of product items. Through the upgrading process, they could raise their revenue by 15~36 percent or even to 50 percent. According to the report of Retail Market Magazine, fresh food generally has profit margin at 25~30 percent and moves faster than other non-perishable products and therefore it is the most powerful product item to rise revenues.

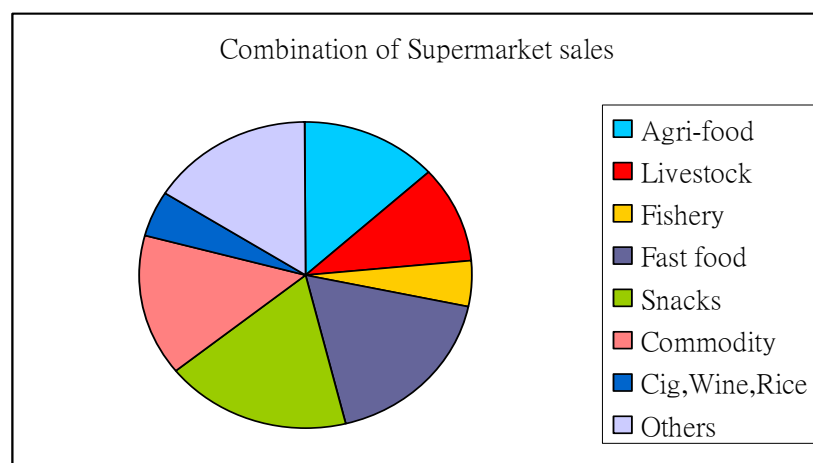


Figure 3. Composition of Supermarket Sales, Chinese Taipei

Source: Ministry of Economic Affairs, Monthly Statistics of Commercial Dynamics.

4. Warehouse and Retail Outlets

The development of warehouse and retail outlet business began at the mid-70's. In 1975, the first domestic wholesale company named Kao-Feng opened its first warehouse store in downtown Taipei on a membership basis. International joint-ventures started at the 80's after the Dutch-owned SHV conducted a market survey in Taiwan. In 1989, the first warehouse store, named Wetro (a wholesale supermarket who sells mainly to retailers), opened in Tao-Yuan County. This was a

revolutionary event in Taiwan's retail-wholesale sector. Two years later, the French Carrefour joint-ventured with the Uni-President opened its first outlet store in Tao-Yuan County. These multinational hypermarkets not only changed consumers' shopping behavior, but also transformed the retail sector from manufacturer/supplier-oriented toward logistic/consumers-oriented operations.

The sales of retail outlets grew smoothly by 16 to 20 percent annually from 1994 to 2004. The market share of retail outlet also rose from 17 to 20~22 percent (Table 1). This growth performance can be attributed to the 1997 Asian financial crisis. Suffering from income losses, consumers had to tighten up their budget during the economic downturn. These retail outlets provided cheaper prices and convenience for parking. They also provided the convenience of one-stop shopping because of a broad selection of packaged and fresh food items and soon became the most popular shopping choice for consumers.

The top five leading retail outlets are listed in Table 5. The three leading retail outlets (Carrefour, R-T mart, and Ge'ant) grew steadily. R-T Mart belongs to Ruen-Tai group originally but in 2000 67 percent holdings was released to Auchan of France. Ge'ant-mart was the outcome of the Far-Eastern group of Taiwan with Ge'ant Group of France.

The number of retail outlets declined in 2003 from 110 stores to 98 stores because of the unexpected SARS outbreak and withdrawal of inefficient firms (Makro). As shown in Table 5, the biggest three operators are Carrefour (owned 28 stores), R-T mart (owned 21 stores) and Ge'ant -mart (owned 12 stores). Carrefour emphasized the expansion of fresh food items to respond to consumer preferences, a strategy not followed by Makro.

Table 5. Ranking of the Five Major Retail Outlets, Chinese Taipei, 2003.

Rank	By number of stores	By Total sales
1	Carrefour	Carrefour
2	R-T mart	R-T mart
3	Ge'ant mart	Ge'ant mart
4	Dollars	Dollars
5	Megaful	Megaful

Source: 2003 Annual Report of Supermarket, Warehouse and Discount Store, Retailing Mart, 2004.

In most retail outlets, promotions extensively focused on fresh food items. Therefore, in recruiting most store managers prefer hiring people with experiences or

skills in handling fresh food. Similar to supermarkets, fresh food departments have become more important than before. The difference between retail outlets and supermarkets is the availability of ready-to-eat food or fresh bakery items. However, supermarkets are picking up this trend very fast. A number of supermarkets have set up ready-to-eat food and bakery departments in their stores.

5. Impact on Traditional Market:

The food retail system in Chinese Taipei has evolved rapidly in past two decades. The new emerging retailers have brought challenges to the traditional food market. Figure 4 demonstrates that marketing system of agricultural products in Chinese Taipei is a very complicated commercial system. Farmers' fresh produce is transported to domestic consumers through different channels daily.

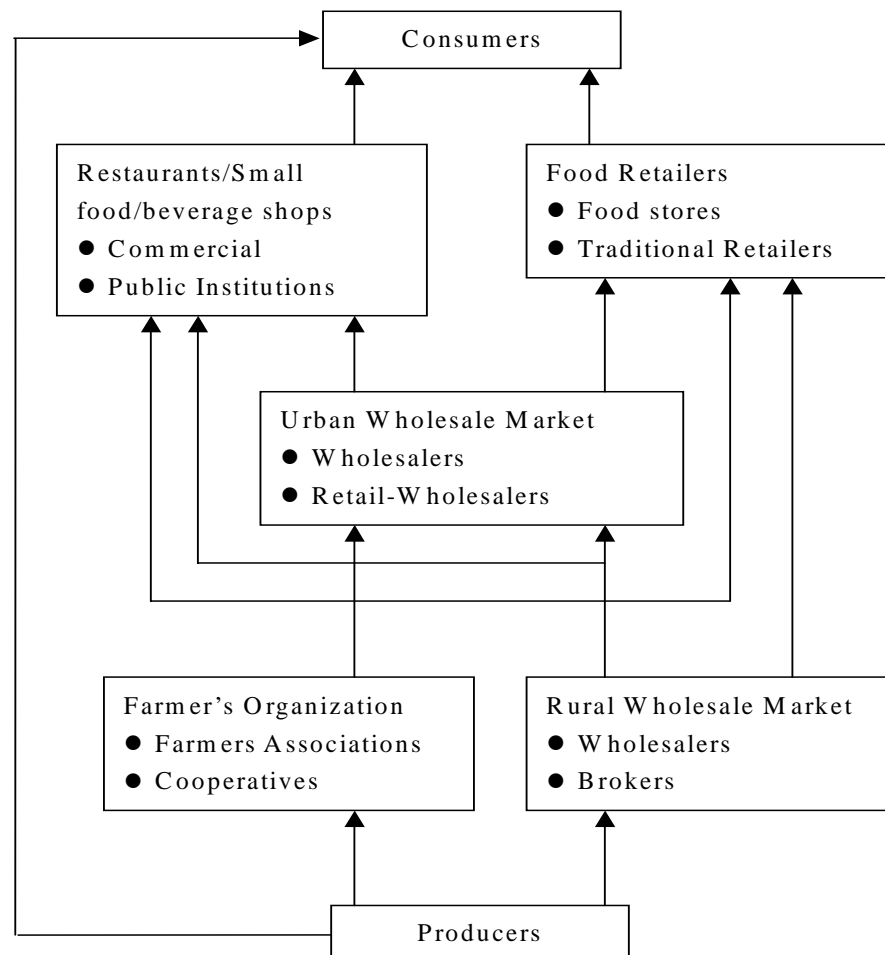


Figure 4. Marketing System of Agricultural Products in Chinese Taipei

Source: Lee, H.C., "An Overview of Food Retail Market and development Trend", *Taiwan Financial Economic Monthly*, Vol. 40, No.4, 2003, p.111-128, Fig 1.

In recent years, because food manufactures/processors opt to adopt vertical integration strategies to procure their products, the price determination system has been broadened. Price discovery is no longer centralized in the wholesale market. In addition, government policies also enhance the rapid development of direct marketing to reduce marketing cost. Many farmers' organizations or co-ops have developed direct marketing channels, especially for high quality, brand fruits and organic products, to the retailers or city customers. Pricing through contract or negotiation has become more popular than the traditional wholesale auctions

Figure 5 shows the structure of the food retail system by types of operations in Chinese Taipei. The modern system includes supermarket, hypermarkets, convenience stores and other specialized brand stores. The traditional market consists of wet markets and street vendors in flea markets.

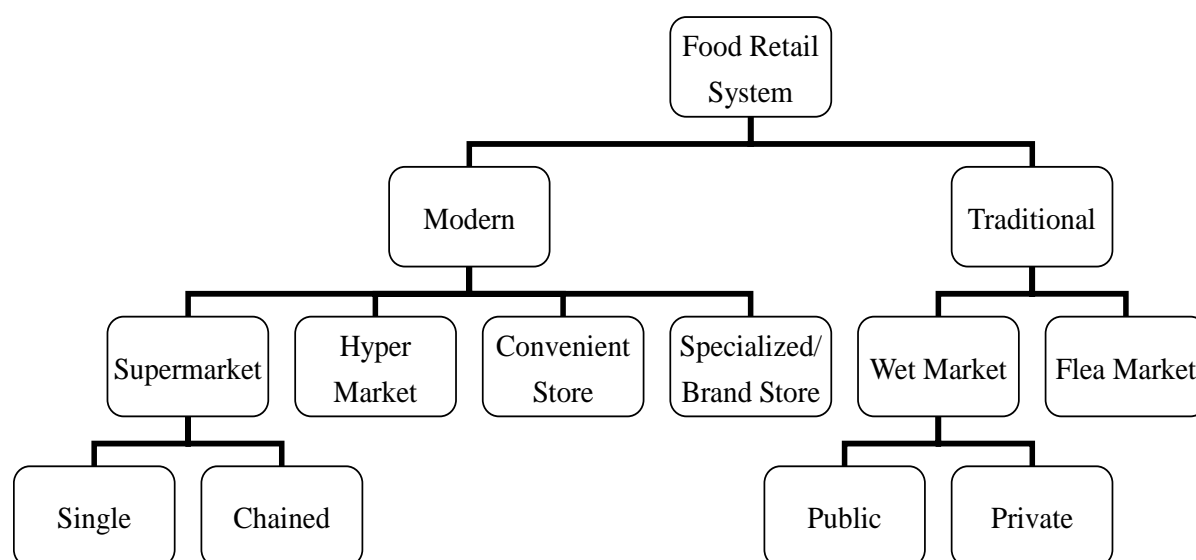


Figure 5. The Agro-food Retail System in Chinese Taipei

Source: Lee, H.C., “An Overview of Food Retail Market and development Trend”, Taiwan Financial Economic Monthly, Vol. 40, No.4, 2003, p.111-128, Fig 2.

Table 6 indicates that the total annual food retail sales are approximately NT\$ 900 billions. About 78 percent of the transactions were completed in the food markets and grocery stores for home-consumption purposes. Only 22 percent took place in restaurants or smaller food and beverage service providers. Among the 78 percent of home consumption sales, the traditional market (or the so-called “wet” market) still occupies half of the market share.

Although the public's bad image of the wet market remains, consumers are accustomed to the friendly interactions with the vendors and the freshness of the products which are irreplaceable by their modernized competitors. Nevertheless, in the face of an increasingly competitive situation, traditional markets are offering to customize services, like taking telephone orders and making home deliveries, in addition to promoting high-quality products. Many vendors provide prepared meals for working housewives and make home-deliveries. So far, most supermarkets and outlet stores have not yet been successful in penetrating this market. The market share between the modern and traditional markets are fairly stable.

Table 6. Sales of Food Markets and Restaurant Services, Chinese Taipei, 1999-2004

Unit: NT\$ 100Million

Year	Total	Food Markets and Groceries			Restaurant and Food/Drink Services			
		Sub-total	Modern	Traditional	Sub-total	Restaurant	Coffee/Tea Shop/Bar	Others
1999	7,916	5,197	2,574	2,623	2,720	2,355	276	88
2000	8,480	5,474	2,680	2,794	3,006	2,618	300	89
2001	8,285	5,647	2,674	2,973	2,638	2,281	280	77
2002	8,790	6,157	2,890	3,267	2,633	2,263	288	82
2003	9,246	6,583	3,113	3,470	2,663	2,328	259	75
2004	—	—	—	3,613	2,740	2,396	261	83

Source: Ministry of Economic Affairs, Monthly Statistics of Commercial Dynamics.

Recent survey by the Department of Commerce in the Ministry of Economic Affairs shows that there are more than 50,000 licensed vendors in the 689 traditional retail markets and 16,000 un-licensed vendors in temporary (or flea) markets. The number of daily customers is over 400,000 on weekdays and can be more than 600,000 on weekends or holidays. More than 70 percent are female shoppers while 80 percent shop on a regular basis (i.e., they are regular customers). The daily sales average is about NT\$ 5,000 per vendor and total monthly sales nationwide can be as high as NT\$10 billion.

6. Conclusions

In the face of competitive pressure, food retailers must be innovative in developing store formats and offering a wide selection of products to secure market

share in the low-growth home market. In Chinese Taipei, while Carrefour, RT-mart, and large convenience chained stores like Family-mart, 7-11 of Uni-President have evolved into leading retail firms, smaller players would not necessarily find themselves squeezed out as long as they are innovative and efficient. Many traditional markets and smaller independent food stores are able to take locations and carry specialized products with customized services that complement those of multinational supermarkets or retail outlets. Therefore, the improved business strategies receive good response from the consumers and they are doing very well in this increasingly competitive market.

	2000	2001	2002	2003	2004
Food Consumption Pattern(a)					
Per capita caloric intake(Cal/day)	3047	3050	3053	3078	3125
From animal products(Cal/day)	776	747	718	711	725
From vegetable products(Cal/day)	2271	2303	2335	2367	2400
Protein(% of calories)	13.1	13.2	13.3	13.4	13.5
Fat(% of calories)	37.8	37.6	39.1	38.6	36.3
Carbohydrates (% of calories)	49.1	49.2	47.6	46.1	44.6
Income and Food Prices					
Per capita income(US\$/capita) (b)	12916	11637	11627	11841	12059 12750
% disposable income spent on food	18.46	18.3	18.5	18.53	19
% disp. income food away from home	5.3	5.2	5.3	5.3	5.4
Food price index(Index2001=100) (c)	100.93	100	99.8	99.72	104.07
General price index(CPI)(Index 2001=100) (c)	100.01	100	99.8	99.52	101.13
Population (d)					
Total population(Million)	22.2	22.4	22.5	22.6	22.7
Urban(Million)	13.76	11.65	11.02	10.06	10.10
Non urban(Million)	5.68	5.71	5.73	5.80	5.85
Share of population in each age group:					
0-4 years(Percent)	6.99	7.16	6.14	5.80	5.48
5-14 years(Percent)	15.19	15.79	13.78	14.03	13.85
15-19 years (Percent)	8.8	8.82	8.18	7.28	7.02
20-44 years (Percent)	44.37	46.21	42.41	42.07	41.82
45-64 years (Percent)	15.62	13.02	20.59	21.58	22.35
65-79 years (Percent)	7.61	8.08	7.45	7.57	7.70
80-over (Percent)	1.42	1.58	1.49	1.66	1.78
Median age of population(years)	32.1	32.6	33.1	33.6	34.2
Female labor force participation(Percent)	46.02	46.10	46.59	47.14	47.71
Life Expectancy at Birth (d)					
Males (Years)	72.67	72.87	73.22	73.35	73.4
Females(Years)	78.44	78.75	78.94	79.05	79.2
Food Infrastructure					
Trade capacity (f)					
Grain exports(1000 Tons)	166	203	142	42	49
Grain imports (1000 Tons)	6469	6616	6694	6734	6485
Total food and agricultural trade(Million US\$)					
(f)					
Total food and ag. exports (Million US\$)	3278	3030	3148	3238	3554
Perishable products exports (Million US\$)	224	196	171	199	199

Fishery exports(Million US\$)	1211	1143	1226	1311	1536
Total food and ag. imports (Million US\$)	7590	6851	7080	7782	8862
Perishable products imports (Million US\$)	565	506	545	569	608
Fishery import s(Million US\$)	596	503	501	496	526
Port Capacity (Incoming and outgoing vessels, 1000 tons)(g)	1051403	1058781	1095894	1119825	1152093
Road Access (Kms) (g)	18182	17735	17731	18164	20160
Rail Access(Kms) (g)	1150	984	919	864	914
Telecommunications(1000 subscribers) (g)	12642	12858	13099	13355	13355
Power Generation(Gwh) (h)	171950	175909	186407	195963	na
Percent of population w/refrigerators(Percent) (i)	99.45	99.45	99.5	99.6	99.6
Post harvest losses (percent of production) (a)	5.65	5.4	5.3	na	na
Foreign Investment in the Food Sector (j)					
Inward FDI in the food sector,total(Million US\$)	49	na	na	na	na
From other PECC economies(Million US\$)	17	na	na	na	na
Outward FDI in the food sector,total(Million US\$)	50	na	na	na	na
To other PECC economies(Million US\$)	38	na	na	na	na
Role of Agriculture and Trade in the Economy (i)					
Agriculture as share of GNP(Percent)	2.09	1.95	1.86	1.82	1.64
Self sufficiency in grains (% , energy base)	19.1	18.8	18.3	18.1	17.8
Self sufficiency in horticultural products (% , energy base)	81.3	78	75	72	65
Policy Transfers					
Consumer subsidy equivalents(Percent)	na	na	na	na	na
Total transfers(subsidy/tax)	na	na	na	na	na
Total transfers per capita	na	na	na	na	na
Macroeconomic Data					
GDP Growth(%) (k)	4.02	-1.25	3.59	3.24	5.42
Interest rate (%) (l)	4.62	2.13	1.63	1.38	1.45
Exchange rate Currency/US\$ (l)	31.23	33.81	34.75	33.98	33.02

(e) = estimates ; na = not available.

Sources:

- (a) Council of Agriculture, Food Balance Sheet
- (b) Directorate-General of Budget, Accounting and Statistics, Report on the Survey of Family Income and Expenditure
- (c) Directorate-General of Budget, Accounting and Statistics, Commodity-Price Statistics Monthly
- (d) Council of Economic Planning & Development, Urban and Regional Development Statistics
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- (i) Council of Agriculture, Basic Agricultural Statistics
- (k) Directorate-General of Budget, Accounting and Statistics, Quarterly National Economic Trends

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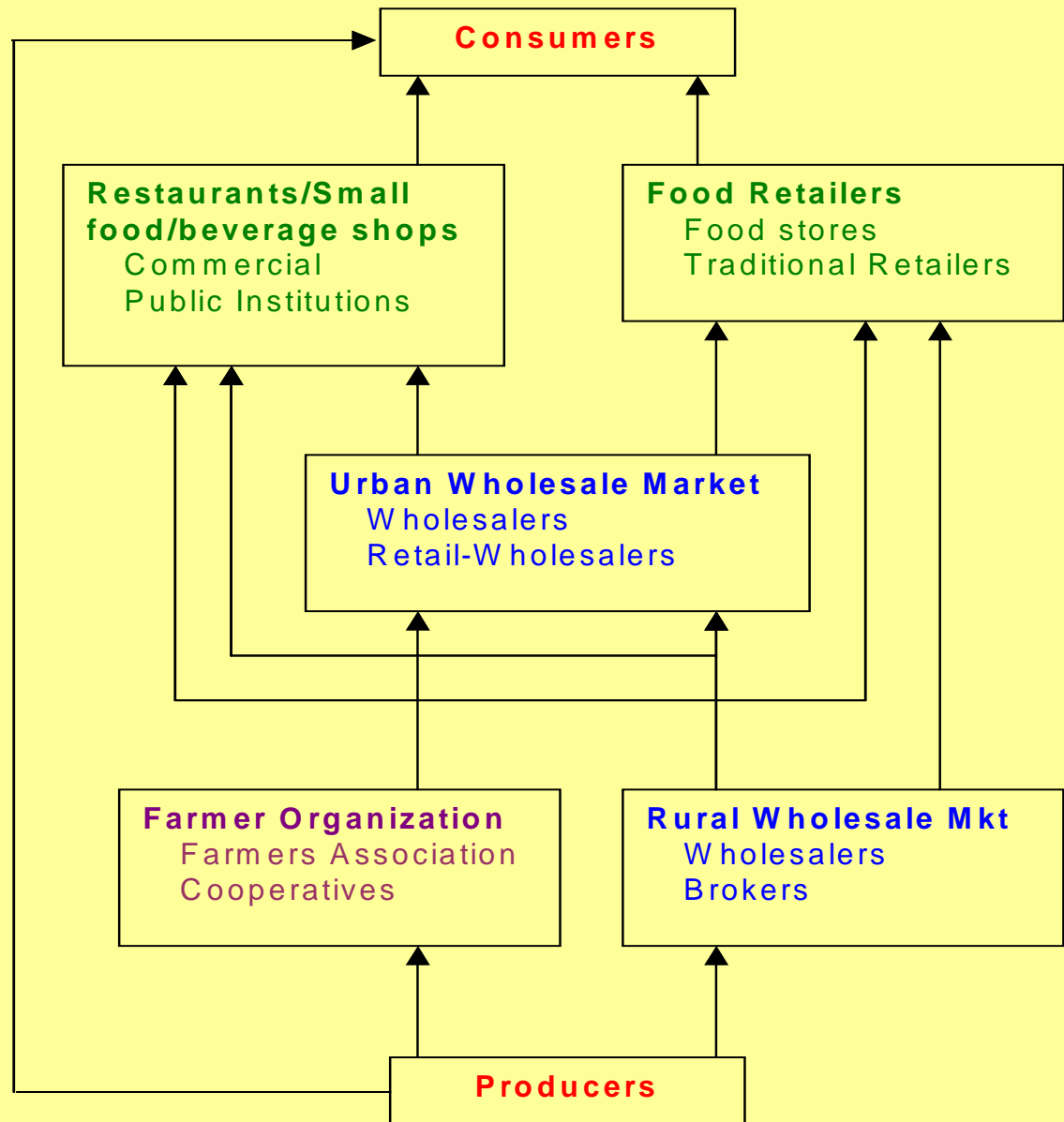
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Outline

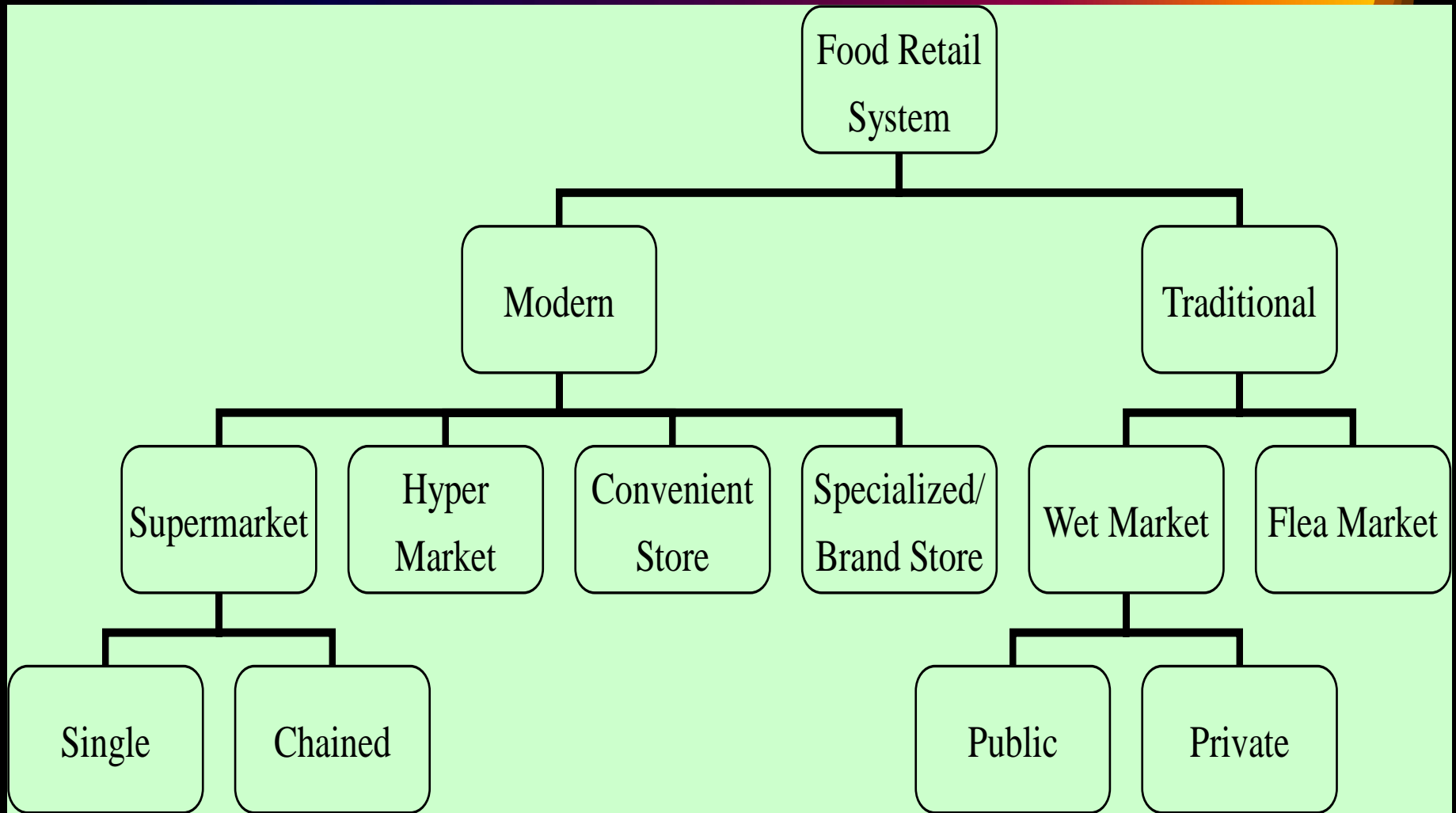


- Agro-Food Marketing System
- Retail Sector-Major Players
 - Supermarkets
 - Retail Outlets
 - Convenient Stores
- Implications
 - Traditional market
 - Policy

Agro-Food Marketing System



Agro-Food Retail System



Annual growth rate 1994-2004



- Overall: 8.6%
- Dept Store: 5.6%
- Supermarket: 5.3%
- Convenient store: 14.8% (leader)
- Retail Outlet: 11.2%
- Other: 9.6%

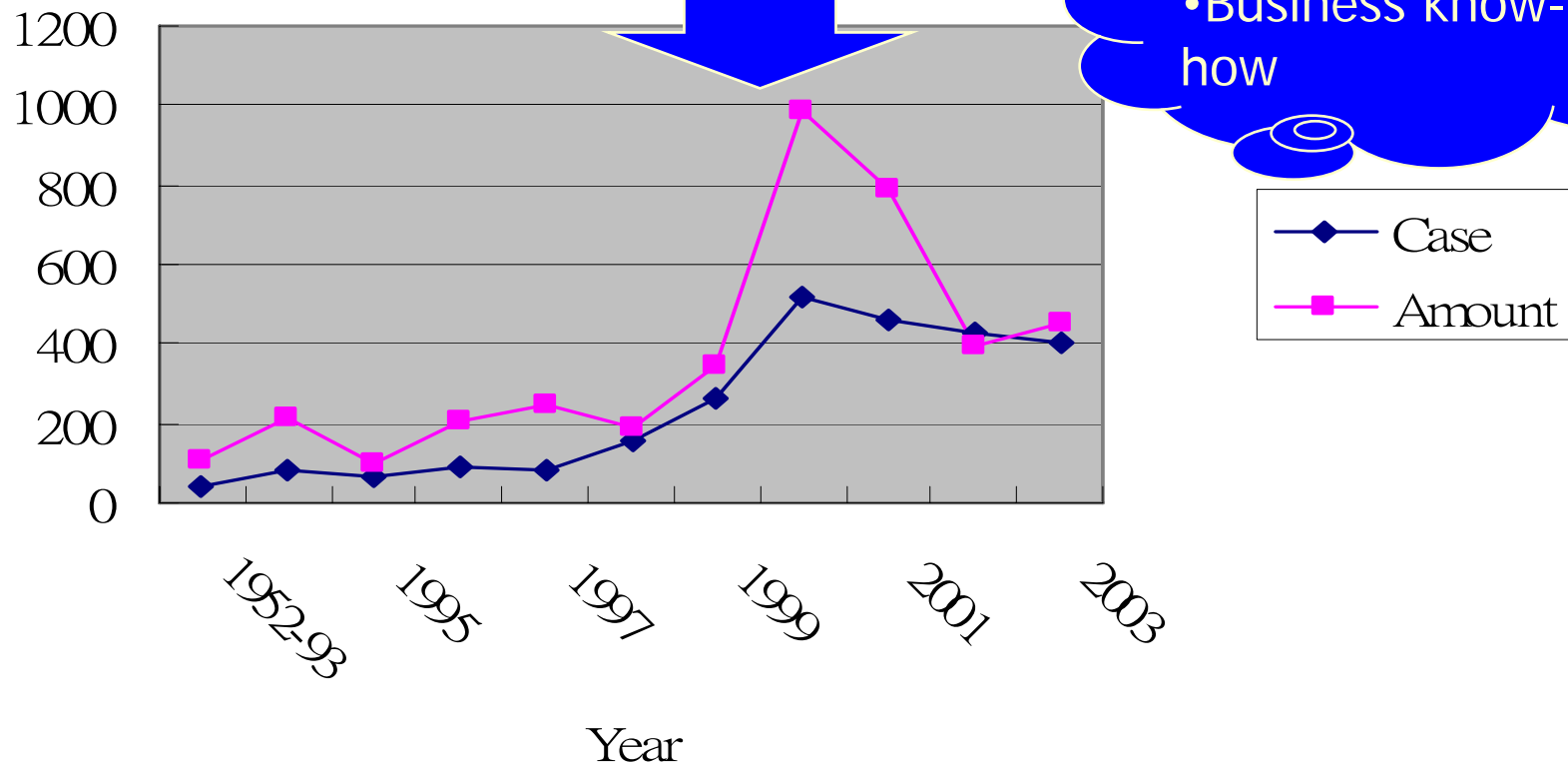
Changes in Market Share



Foreign Investment

Relax land Zoning

- Technical support
- Business know-how



Supermarkets



- History:
 - 70's: small independent
 - 80's: taking off w/ **chained**
 - 90's: low margin + merger
- Characteristics:
 - Low margin
 - Strong Japanese Influences
 - High Concentration

Entry/Exit History of Main Players

Year Established	Supermarket	Domestic	Foreign	
1981	TAPM	TAPM	-	
1986	Sung-Ching	Wei-Chuan	Essay (Japan)	
1987	Wellcome	Wellcome	Milk (Hong Kong)	
1987	Huiyang	Huiyang	Kasumi (Japan)	Bought by Wellcome.
1988	Sinon	Sinon	-	
1990	Marukyu	Wei-Chuan	Marukyu (Japan)	Bought by Essay in 2004

Top Five Players

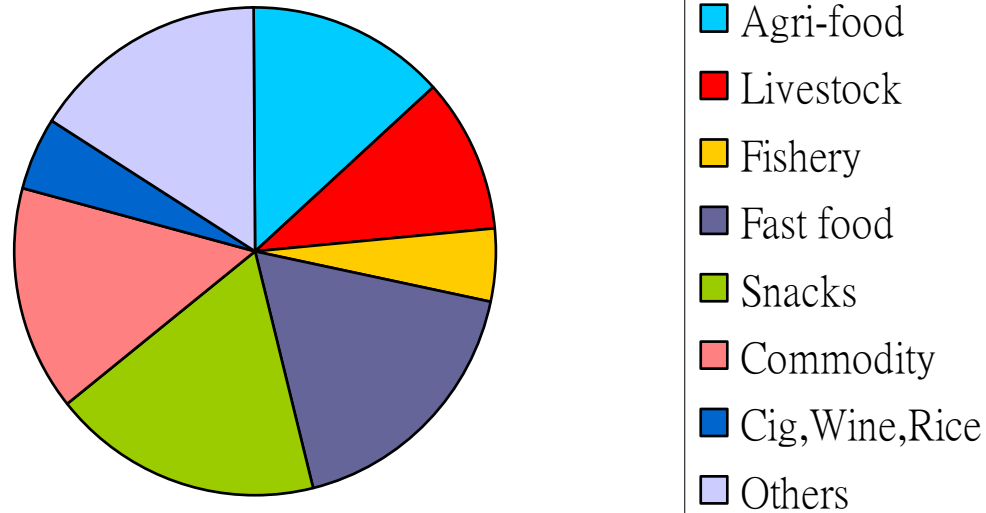


Rank	By Number of stores	By Total Sales
1	PX-mart	Wellcome
2	Wellcome	Farmers' Association
3	Farmers' Association	Sung-Ching-Essay
4	Sung-Ching-Essay	Sinon
5	Sinon	PX-mart

Percentage of Perishables

- Fresh food has profit margin at 25-30 %
- Mover faster than non-perishables

Combination of Supermarket sales



Outlets



- **History**
 - Mid-70's: Domestic only
 - Late 80's: Foreign investment
 - 90's : Take off
- **Characteristics:**
 - Domestic to Foreign joint venture
 - Main competitor of supermarkets
 - Fresh and ready-to-eat food are important

Top Five Players



Rank	By number of stores	By Total sales
1	Carrefour	Carrefour
2	R-T mart	R-T mart
3	Ge'ant mart	Ge'ant mart
4	Dollars	Dollars
5	Megaful	Megaful

Convenient Stores



- **History**

- 1979: Uni-President/7-11
- Late 80's: Wei-Chun/am-pm, Fen-Chun/Circle K
- Serve 3,357 per store
- (Next to Japan: 3,421 per store in 2002)

- **Characteristics**

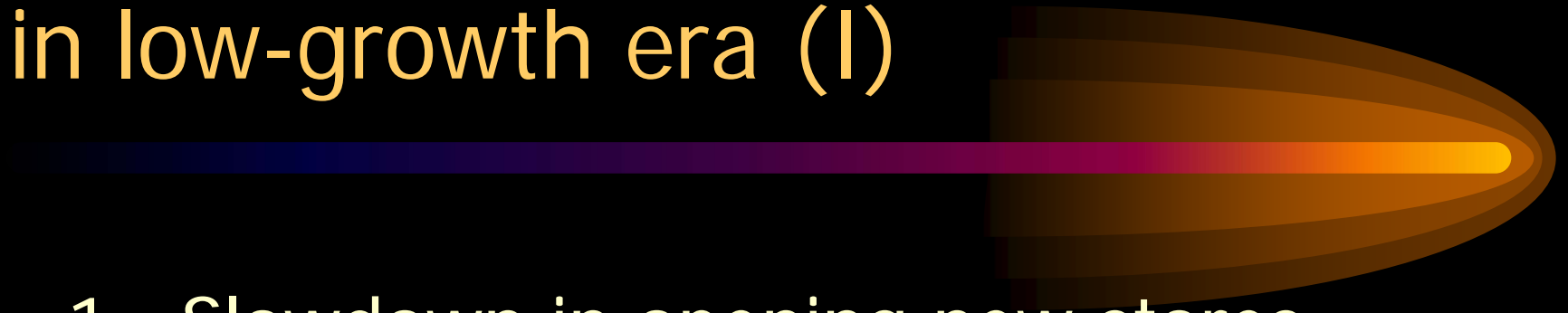
- 80% franchised, 20% direct
- High concentration
- 24-hour neighborhood services

Top 5 players



- 7-11 (3211)
- Family (1303)
- Life (810)
- OK (677)

Measures to secure market share in low-growth era (I)



1. Slowdown in opening new stores
2. Re-align store locations
3. Increase in-store customer services
4. Integrate with other retailers
5. **Decentralization (Localization)**
6. Increase product variety

Measures to secure market share in low-growth era (II)



7. Lower prices
8. Upgrade interior design and displays
9. Merger and take-over
10. Regional strategic alliances
11. Increase fresh produce w/ standard
12. Reduce new hiring

Challenges on Traditional Market



- Convenience store is quickly take over mom-pop shops
- Wet Market remain competitive
 - Government's 5-year renovation projects
 - Improved services: home delivery, prepared meals

Agro-Food Market Sales

Total	Food Markets and Groceries			Restaurant and Food/Drink Services			
	Sub-total	Modern	Traditional	Sub-total	Restaurant	Coffee/Tea Shop/Bar	Others
7,916	5,197	2,574	2,623	2,720	2,355	276	88
8,480	5,474	2,680	2,794	3,006	2,618	300	89
8,285	5,647	2,674	2,973	2,638	2,281	280	77
8,790	6,157	2,890	3,267	2,633	2,263	288	82
9,246	6,583	3,113	3,470	2,663	2,328	259	75
—	—	—	3,613	2,740	2,396	261	83

Conclusions



- **Retailers**
 - innovative in securing market share
 - Joint procurement (supermarket)
 - Strategic alliances (outlet)
 - Small players must be
 - efficient
 - good locations
 - Complement large retailers
- **Farmers**
 - Organized
 - Integrated

Policy Recommendations



☐ Competition policies:

- ✓ Large/corporation vs Small/independent
- ✓ Price determination
- ✓ Direct marketing → Private information

☐ Contracting farming:

- ✓ Farmers organization → small farm, leader
- ✓ Risk sharing in natural disasters

☐ Food safety/Inspections

☐ Rules/Regulations

THANK YOU
Comment/Suggestion

