

# Singapore

## Highlights of consumer co-ops

- ✓ Sole consumer co-op in the country
- ✓ Mission: to moderate the cost of living
- ✓ High market share: more than 50%

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## 1. Co-operative movement in Singapore

### 1.1 Introduction

The Co-operative concept was introduced in Singapore as early as 1924 at a time when money lending was a roaring business. There were, at that time, no institutions, finance companies or banks which wage earners, who were struggling to make ends meet, could depend upon for financial relief in times of need.

The Straits Settlement Co-operative Societies Ordinance was passed in 1924 and came into force in 1925. The first thrift and loan society to be established was the Singapore Government Servants' Co-operative Thrift and Loan Society Ltd, which was registered on 7 October 1925, with 32 members.

Between 1925 and 1940, more people began to see the usefulness of the co-operative concept of self-help and mutual assistance. Altogether 43 thrift and loan societies were formed to cater to the needs of civil servants, teachers, custom officers

as well as those working in the private sector.

The growing number of societies made it necessary to create a central organization to enable co-ordination and collaboration.

The Co-operative Societies Act, 1979, revised the earlier legislation, taking into account social and economic developments since 1925. The Act also made provision for an apex organization to enhance the growth of the co-operative movement.

On 18th September 1980, Singapore National Co-operative Federation (SNCF) was formed as the apex body of the co-operative movement. It was to serve as catalyst and co-ordinator for the co-operative societies in Singapore. Its mission is to promote and develop co-operatives as sustainable enterprises that address social and economic needs through the principle of self and mutual help so as to foster a more resilient society.



## 1.2 Structure and legislation of co-operatives in Singapore

Co-operatives in Singapore are administrated by the Ministry of Community Development, Youth and Sports (MCYS). The Registry of Co-operative Societies of MCYS is the Regulator responsible for the administration of the Co-operative Societies Act and Co-operative Societies Rules.

All co-operatives are governed by the Co-operative Societies Act and Co-operative Societies Rules. In addition, each individual co-operative would have their own by-laws to govern their own activities, etc.

The Code of Governance for Co-operatives (Code) was launched by the Singapore National Co-operative Federation in 2006.

The Code encapsulates the best governance practices of the industry and aims to help co-op boards and management to better fulfill

their roles. The code is meant to assist all co-operatives to examine and raise their governance standards.

The Code of Governance for co-operatives was formulated by a co-operative review team composing representatives from the Ministry of Community Development, Youth and Sports, the Monetary Authority of Singapore, the Ministry of Finance, the National Trades Union Congress (NTUC) and the SNCF.

It consists of principles and guidelines for each of the following broad components: board matters, conflict of interest policy, human resource policy, accountability and audit, capital, assets and funds, corporate communications (communications with members and stakeholders).

In addition, the self-evaluation checklist was formulated to help co-operatives assess their level of compliance with the requirements stipulated in the Code. Compliance with the Code is non-mandatory. The Codes aim to complement the minimum standards set forth in co-operative legislation.

There are two types of co-operative societies, i.e. primary and secondary co-operatives.

A primary co-operative society means a registered society all of whose members are mostly individual persons within the co-operative. A secondary co-operative society means a registered society all of whose registered members are co-operative societies. This is prescribed under Section 39 of the Co-operative Societies Act of Singapore.

More than 99% of co-operative members in Singapore are affiliated to SNCF. The SNCF represents more than 85% of all co-operators in Singapore where an estimate of 1 in every 3 Singapore residents is a member of a co-operative.



## 2. Outline of consumer co-ops

The first consumer co-operative in Singapore was established in the 1970s, during the economic and social turmoil. The global oil crisis in 1973 gave fear of food shortage to the consumers. In such background, NTUC started “NTUC Welcome Supermarket” to moderate the cost of living. The first retail store was opened in the same year.

The NTUC Welcome Supermarket then merged with Singapore Employees’ Co-operative and changed the name to NTUC FairPrice Co-operative Ltd.

Currently, the biggest consumer co-operative in Singapore is the NTUC FairPrice Co-operative Ltd.. The co-operative is owned by the National Trades Union Congress (NTUC) members, but is not governed by the Trades Union Act.

There are campus co-operatives operating retail stores in the campuses of schools, colleges, universities, and polytechnics in the country.

There are also consumer co-operatives operating supermarkets, but FairPrice is the largest consumer co-operative in Singapore and a leading world-class retailer in Asia.

FairPrice is a household name with a current market share of 55%.

In 2011, FairPrice Group’s total revenue reached S\$2.4 billion, while group profit from operations before finance costs and rebates was S\$ 166.3 million. After levy deduction (equivalent of tax) to the Central Co-operative Fund and the Singapore Labour Foundation, the Group’s net profit was S\$ 87.8 million.

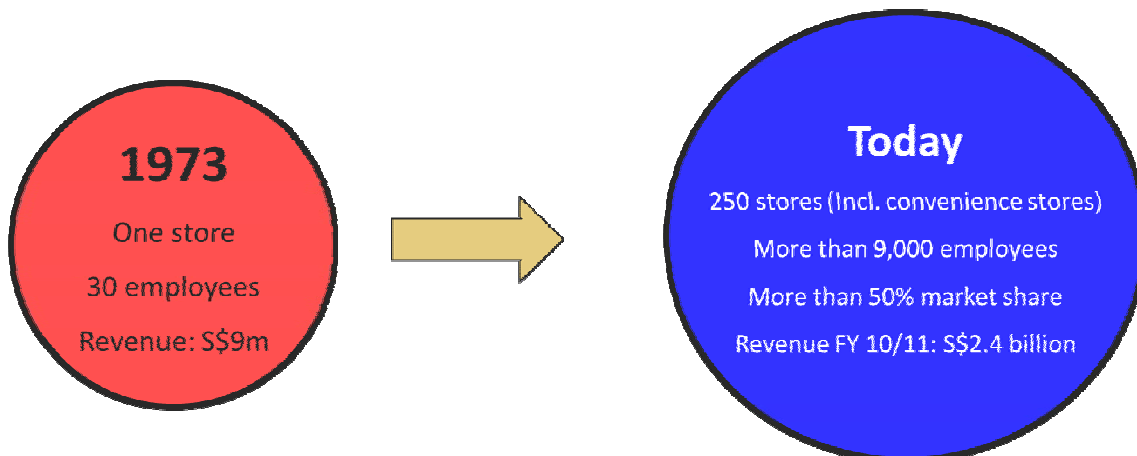
(1US \$ = 1.22 S\$ approx.)



FairPrice has for a long time been included in the 300 global top co-operatives of International Co-operative Alliance (ICA) list, together with NTUC Income Co-operative Ltd..

In addition, FairPrice was given the Gold Award for the 2010 Asia-Pacific Top 500 Awards, as an outstanding retailer in the region.

In 2011, FairPrice won the Platinum Trusted Brand Award for the Supermarket Chain at the Readers’ Digest Trusted Awards ceremony. This Award is voted by the consumers of supermarket chains in Singapore. It was the fourth year that FairPrice won the award.



### 3. NTUC FairPrice Co-operative Ltd.

#### 3.1 History

NTUC FairPrice was first established in 1973 as NTUC Welcome Supermarket in Toa Payoh, in order to solve the rising oil and daily prices



due to inflation. The then prime minister Lee Kuan Yew opened the first supermarket in Toa Payoh.

The global oil crisis in 1973 had led to fears of food shortage. The NTUC decided to establish a co-operative supermarket to ensure that the essential items were made available to Singaporeans at affordable prices.

Around the same time, other unions such as the Singapore Industrial Labour Organisation and Pioneer Industries Employees Union also set up co-operatives to run supermarkets. The two organisations later merged in the early 1980s to form the Singapore Employees Co-operative (SEC).

In May 1983, due to competition, NTUC Welcome and SEC merged to form a larger co-operative which was known as NTUC FairPrice Co-operative Limited.

NTUC became the sole national trade union center in Singapore. Its social enterprises expanded to various fields such as childcare, healthcare, insurance, housing, eldercare, food

business, education and consumer retail. The main objective of NTUC social enterprises is to help stabilize prices of basic commodities and services.

Since the start of its business, FairPrice has not changed its mission to moderate the cost of living. Whenever there is a food crisis, FairPrice has always endeavored to moderate the price of products. In 2003, FairPrice kept the prices of vegetables stable despite a strong demand during the SARS outbreak. During the Bird Flu outbreak in 2004, it was the first to drop egg prices. More recently, during the 2008 rice crisis, FairPrice again took the lead to drop prices of its housebrand rice.

Its 2,000 FairPrice products and the best value basket of 500 Everyday Low Price (EDLP) items have strongly supported the

business. The first FairPrice housebrand products were introduced in 1985 to offer better value and savings to the customers. After that, FairPrice started a basket of Everyday Low Price (EDLP) essential items priced equal to or lower than competitors.



## 3.2 Member admission and withdrawal

Membership of co-operatives are governed by both the Co-operative Societies Act and the by-laws of the respective co-operative societies.

In the case of FairPrice, the requirement is to be a member of a trade union affiliated to NTUC.

Those who want to become a FairPrice member pay share capitals. FairPrice has both individual and institutional members.

Members receive dividends to their share capitals every year. The rate of the dividend

is determined at the Annual General Meeting, after taking into account the co-operative's financial performance of the relevant year. Members are allowed to request for a refund of their shares provided that their shares have been held for a year.

For withdrawal from FairPrice, a member has to write to the Co-op and has to have the approval of Board of Directors. When approved, the share capital will be refunded at S\$1 each. At the same time, the membership will also cease.



## 3.3 Governance of Co-op

FairPrice's constitution and principles are set out in its by-laws. Briefly, the by-laws state that the objective of FairPrice is to stabilize the cost of living in Singapore. It also outlines that the roles and duties of Management, Board of Directors as well as their power and authority.

FairPrice has 3 categories of members. They are Founder member (NTUC), Institutional members (Trade Unions), and Personal members (members of Trade Unions).

Each of these class of members are entitled to nominate a specified number of individuals to be elected as Directors. Their elections are carried out at the Annual General meeting.

If elected, they serve for a term of 3 years and can stand for re-election thereafter.



Currently the Board of Directors is composed of 14 members, including one Chairman and one Deputy Chairman.

### 3.4 Housebrand and private brand products



FairPrice first introduced its housebrand products in 1985. The main objective of developing housebrand products was to offer its customers “Better Value and Savings”.

At first FairPrice owned only “FairPrice” products. Over the years, with the diversification of its customers’ needs, FairPrice added sub-brands and private labels under the FairPrice housebrand umbrella.

Nowadays, FairPrice has more than 2,000 SKUs of housebrand and private label products, offering its customers 10% to 15% lower prices than those of comparable national brand products.

FairPrice housebrand products help it differentiate from other retail chains, increasing psychological costs for its customer switching retailers. In addition, heavy store brand buyers are considerably more store loyal.

To ensure the quality of products, FairPrice regularly conducts laboratory test, factory

audit, consumer monitoring. Its products is labelled with trans fat free declaration and allergen declaration.

FairPrice endeavors to build a strong brand trusted by customers to deliver quality products at great value and service.

#### PRIVATE LABELS



## 3.5 Central Distribution system

### <Central Distribution and Warehousing System>

When the suppliers used to deliver goods directly to FairPrice stores, some stores recorded up to 200 deliveries per day. With more than 30,000 items to manage, the distribution system was unproductive and caused errors and pilferage.

FairPrice started a central-distribution system in 1993 to change the way goods were delivered to stores, to enhance efficiency. This was owned by another company, but in 1998, FairPrice took full ownership of the warehouse and distribution company.

It was renamed Grocery Logistics of Singapore (GLS). With the central distribution system, most of the products in the stores come from



Grocery Logistics of Singapore

the GLS with only 15% of the items coming directly from suppliers.

Currently, FairPrice operates 2 Distribution Centers, one at Joo Koon Circle (300,000 sq. ft.) and at Penjuru (200,000 sq. ft.).



### <Cold Chain Management>

In 2003, FairPrice opened a new 180,000 sq. ft. Fresh Food Distribution Centre (FFDC).

The refrigerated-distribution facility centralizes the distributions of fresh and chilled products to all the outlets in the chain. It was the first supermarket retailer in Singapore to build, own and operate its own fresh-food distribution center.

FFDC is equipped with cold rooms of varying temperatures: from +18°C to -20°C to meet food safety requirements for different types of food.

To maintain the cold chain integrity at stores, the delivery trucks are refrigerated with the temperatures as low as -20°C. The tempera-

ture of the trucks are monitored at the same time. At the stores, the chillers are maintained at below +4°C and the freezers at -18°C.



Fresh Food Distribution Center

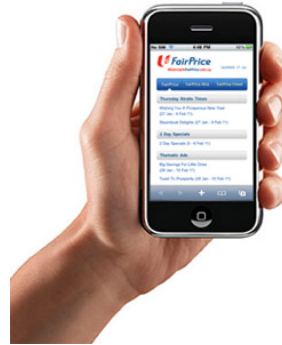
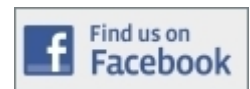
## 3.6 Stretch your Dollar Program

The “Stretch Your Dollar Program” was launched in 2007 to moderate the price of products. Fairprice started the Program with 5% discount of its FairPrice products that is on average 10% to 15% cheaper than the national brand products.

The Program has expanded and provides a variety of promotion services, including “200 Yellow Dot” items: selected basic items with 20% to 25% discount, 500 “Everyday Low Price (EDLP)” items, “Membership Rebate”, “2 % off for 60 or above Seniors”, etc.

The customers can check the information on newspapers, free papers, home page, Facebook page and even at mobile FairPrice web site.

In 2011, FairPrice started a new discount program in collaboration with the credit card company. The customers who hold the Plus! Visa Card or NTUC Plus! Card started to enjoy 10% discount over 500 FairPrice brand essential products.



## 3.7 Co-op Stores and Business

Most, if not all, co-operatives in Singapore are self-managed and are responsible for their own activities. In case of FairPrice, the following departments are responsible for the opening, financing, employment and profit of co-op stores;

- Overall : Board of Directors
- Opening of stores : Operations
- Financing : Finance
- Employment : Human Resource
- Profit : Management

Currently, FairPrice is the only consumer based co-operative in Singapore. Although it is a labor-co-op, it is independent of the national union as it has a professional management team employed from the market and not unionist.

As well, the Board of Directors is composed of professionals from different fields, such as bankers, lawyers, and businessmen. These Directors serve on the Board a gratis.



### 3.8 Representative Stores

#### 1. FairPrice Supermarket

FairPrice operates in various types of format, i.e. supermarket, fresh marts, mini-marts and hypermarkets. The FairPrice supermarkets have been a successful format.

However, with the recent opening of Xtra hypermarkets, it has been also well received by the consumers because it not only offered food but at the same time a wide range of non-food items.

In addition, with increasing influence, FairPrice has also ventured into high-end supermarkets known as FairPrice Finest. Fine food products are offered in Finest outlets. This concept is also well received by the customers because they are strategically located at estates with a large group of middle income earners.

FairPrice supermarkets have greatly increased their accessibility to customers by offering great shopping convenience through its network of over 90 stores located inland wide and close to the heartlands

Among the FairPrice supermarkets, Bedok branch was the best selling outlet in 2010. It was opened in 1979 and is located in the Bedok HDB hub. Being located at walking distance from the Bedok MRT station, and being open 24 hours, the outlet has been frequented by the local residents.

The store size is 37,000 sq. ft. The average turnover per month in 2010 was S\$5 million. The average purchase per customer was S\$16.



#### 2. Xtra Hypermarket

Offering extra savings, extra variety and extra fun, the FairPrice Xtra hypermarket is a shopping destination for the whole family. FairPrice Xtra features wider aisles and extensive variety of products and services, including fresh food, groceries, electronic products, household appliances as well as casual and basic apparel. Products are available in family-sized packages so that families can enjoy services such as interest-free installment payment and free delivery of electronic products.

Xtra Ang Mo Kio branch was the best selling store in 2010. It was opened in 2006. The store size is 76,000 sq. ft., operating from 7:00

to 23:00. Its average turnover per month in 2010 was S\$12 million and the average purchase per person was about S\$30.

FairPrice opened its fifth Xtra in Changi Business Park near the airport in July 2012.



## 3. Finest: Value Added Supermarket

FairPrice Finest brings the fine life closer to its customers by combining the heritage of a trusted brand with a whole new experience of fine living.

Besides offering daily essentials at the same price as FairPrice supermarkets, it also offers a cosmopolitan range of fine foods not found in other FairPrice stores.

With a wider product assortment, value added services and a more conducive shopping environment, FairPrice Finest is sure to bring the fine life closer to its customers.

Bukit Timah branch was the best selling outlet in 2010. Bukit Timah branch was FairPrice supermarket before it was converted to Finest format.

Its turnover in 2010 was S\$60 million, selling S\$170,000 per day. It deals with a wide range of products of 20,000 items in its 44,000 sq. ft. store.

The average turnover per customer was S\$50. The opening hour of the store is 9:00 to 23:00 on the weekdays and 8:00 to 23:00 on weekends.



## 4. FairPrice Online

FairPrice launched its Online business in 2008. Although it was slow in the initial stage for various reasons such as the shoppers were not familiar with the new concept and preferred to view actual products, its business is growing.

As a result, an outlet has been specifically set aside to handle Online sales. This outlet was opened in 2010 and its business situation is being monitored.

FairPrice Online is a virtual supermarket that enables customers to shop in the comfort of their homes anytime. With FairPrice Online, customers can view the products from home, place orders online and have the groceries delivered to their doorsteps. Fairprice

members can also continue to enjoy rebates when they shop online.

The average turnover per month in 2010 was S\$400,000. A delivery fee is charged according to the purchase; S\$7 for the purchase of more than S\$60 and S\$10 for less than S\$60.



## 5. Convenience Stores: Xpress and Cheers

FairPrice provides its customers with two formats of convenience stores. One is Xpress that has a wider size compared with the conventional convenience stores, and sells a wider product range including fresh produce and chilled products. Another one is Cheers, that is small sized but offers convenience to the customers.

FairPrice Xpress is an industry-first initiative made possible when the retail quantum in petrol stations was relaxed in November 2006, making way for the alliance between FairPrice and Exxon Mobile to implement its “Big Box” convenience store concept.

FairPrice Xpress outlets are almost twice the size of a conventional petro mart, offering customers a wider product range, greater value and 24-hour shopping convenience.

While Cheers, a chain of homegrown 24-hour

convenience stores, caters to a diverse group of customers from all walks of life including the young and trendy, students and working professionals who lead active and busy lifestyles.

Officially launched in 1998, Cheers has since expanded to over 100 outlets located across Singapore at convenient locations.



## Outlook of Singapore retail market

The retail market in Singapore consists of retail outlets, hypermarkets and small specialists stores. International retailers compete with domestic retailers.

According to the data of Department of Statistics Singapore, the retail sales rose 2.2% in April 2012 compared with the previous year.

The current trend in the retail market, especially in the food sector, is seeing a decline in small businesses, especially sole proprietorships.

Such small businesses are usually family-run shops (known as Mom & Pop Shops) and are operated by the head of the family, i.e. mother and father. Hence, they are called “Mom & Pop”.

The next generation is not prepared to take up this business because it is not as glamorous as working in the financial sector, for example: rental costs and other operation costs (such as salary and utilities) in Singapore are high. In addition, margin on food items is low.



## 4. FairPrice's Future Visions

In 2011, Chairman of the NTUC Social Enterprise Development Council, Mr. Lim Boon Heng, shared the NTUC Social Enterprise 2015 Vision which articulated a collective commitment by NTUC social enterprises to expand their social impact in the next five years.

NTUC social enterprises will do this in three key ways; expanding FairPrice's role to stabilize the prices of essential products and emergent needs; being innovative in meeting new and emergent needs; and expanding services to support three-generation families in Singapore.

As part of the NTUC family, NTUC FairPrice

is committed to support this vision by upholding its social mission “to moderate the cost of living in Singapore”, and striving to be Singapore's “best corporate citizen” as a leading world-class retailer.

FairPrice set 8 factors for success, i.e. social focuses, professionalism, infrastructure capability, customer focus, employee focus, corporate citizenship, brand equity and strategic partnerships and alliance.

Future challenges might be how to maintain its high market share in the limited territory and be outstanding in the severe competition of the market.



## 5. Relationship with the Government

The legal status of FairPrice is a body corporate (i.e. a corporation) and is governed by the Co-operative Societies Act, just like the other co-operatives. It has to be registered with the Registrar of Co-operative Societies. Although co-operative societies do not pay tax, it has to contribute to the Central Co-operative Fund which is a fund to develop Co-operative Societies in Singapore.

FairPrice maintains very good relationship with the government although it doesn't

have any special favors or advantages. FairPrice is independent from the government and does not receive any special financial support or subsidy.

The good relationship with the government stems from a good tripartite relationship (tripartism) involving the government, NTUC and employers. The tripartism partners are the Ministry of Manpower, NTUC and the Singapore National Employers Federation (SNEF).

## 6. Basic information on Singapore

Name	:	Republic of Singapore
Capital	:	Singapore
Largest city	:	Singapore
Government	:	Unitary Parliamentary Republic
Area	:	710 km <sup>2</sup>
Population	:	5,183,700 [2011 census]
GDP (PPP)	:	US\$314.911 billion [2011 estimate]
Currency	:	Singapore dollar (SGD)



*From: Wikipedia*