



Changing Retail Food Sector in Malaysia

- Development of the Food Retail Sector
- Drivers for Change
- Impacts on Traditional Outlets
- Impacts on Agricultural Producers
- Impacts on Food Trade
- Impacts on Consumers
- Consumer Preferences & Perception
- Policy Implications: Responding to Change



Profile of supermarkets, 2004

Supermarket	Ownership	Ownership Condition by December 31, 2006	Unit
Giant	Foreign: 100% (Giant TMC, Hong Kong)	Local: 30%	Hypermarket: 16 Supermarket: 46
Tesco	Local: 24.1% (Sime-Darby Group) Foreign: 75.9% (British)	Local: 30%	Hypermarket: 14
Makro	Local: 35% Foreign: 65% (Netherlands)		Hypermarket: 8
Carrefour	Foreign: 100% (French)	Local: 49%	Hypermarket: 10
The store	Local: 100%		Supermarket: 7
X-Tra	Local: 100%		Supermarket: 5
Mydin	Local: 100%		Supermarket: 2



Sales by hypermarkets (RM)

Hypermarket	2002	2003
Giant	1,421,845,000	1,844,228,000
Makro	705,921,458	756,899,970
Carrefour	810,554,660	870,085,000
Tesco	197,110,187	447,685,242

Note: 1 US\$ = RM 3.80

Source: Ministry of Domestic Trade and Consumer Affairs



Drivers for change

- Income growth
- Consumer tastes & changing behavior
- International & globalization influences
- Urbanization
- Food safety concern
- Advances in infrastructure & technology



Impacts

■ **Agricultural Producers**

- Has redefined the supply chain management
- Provides a new marketing channels, but supermarkets prefer large-scale farmers
- Very stringent quality, timing, consistent supply. Can small-scale farmers comply?
- Delay in payments



Impacts

■ Traditional Outlets

- Affecting sales, but still important outlet for fresh fruits & vegetables
- Some are closing down
- Mounting pressure to maintain competitive – prices & variety of goods



Retail Sector Sales Share by Type of Business Entity, 2000 and 2002

Store Type*	Sales (%)	
	2000	2002
Department stores, supermarket and hypermarkets	20.0 (40.2)***	28 (50.1)
Provision stores, grocery stores and alike	20.5 (41.2)	17 (30.4)
Convenience stores	9.3 (18.6)	11 (19.5)
Household, personal goods and other stores**	50.2	44

Source: Ministry of Domestic Trade & Consumer Affairs

* Exclude wet market, morning market, night market and other non-permanent retail facilities. They account for a large proportion of food sales.

** These establishment are not involved in the sale of food products.

*** Figures in parentheses are normalized based on the first-three categories.



Retail Sales by Size of Business, 1999-2003 (RM million)

Business Size	1999	2000	2001	2002	2003
Below RM 250,000	12,758	12,183	11,695	11,700	12,200
RM 250,000 to less than RM 1,250,000	13,042	13,224	13,227	13,382	13,550
RM1,250,000 and above	23,167	26,497	29,403	31,475	32,850



Impacts

■ Food Trade

- No empirical study
- Being a food deficit country, more food imports (fresh, but particularly processed food products, increasing at 3% per year)



Impacts

■ Consumers

- Better food attributes: quality, safety, freshness, taste, consistency
- Lower prices
- Can local producers & market intermediaries comply?



Policy Implications

■ Outlook:

- Domination of modern retail outlets (supermarkets & hypermarkets)
- Consolidation of local retail outlets (mergers & acquisitions)



Forecast Food Retailer Sales by Outlet Type, 2003-2008 (RM million, constant 2003 prices)

Outlet Type	2003	2004	2005	2006	2007	2008
Supermarkets	6,432	6,900	7,365	7,700	8,100	8,570
Independent Grocery Stores	5,774	5,300	5,100	4,900	4,800	4,700
Hypermarkets	5,589	6,000	6,500	7,100	7,650	8,300
Convenience Stores	866	1,200	1,250	1,680	1,900	2,300
Food Specialists						
- Bakers	223	225	232	245	265	280
- Other Food Specialists	213	215	218	235	255	290
TOTAL	19,097	19,840	20,665	21,860	22,970	24,440



Policy Implications

- **Strengthening Linkages between Producers & Retailers**
 - Contract farming & contract manufacturing
 - Accreditation program (“Malaysia Best” Logo)
- **Minimizing the Impacts on Traditional Outlets**
 - New guidelines & trade law
 - Innovative ideas & niche markets
- **Fostering Food Trade**
 - Distribution & warehousing & halal hub
 - Forming strategic alliance



Terima Kasih

Policy Implications

