



A study conducted for  
The *Coca-Cola*  
Retailing Research  
Council Asia by  
Accenture

# The **Fresh** Imperative

**Creating Excellence in  
Asian Fresh Food Retailing**



Complete text of The Fresh Imperative study as well as complete set of Appendices to the study in PDF format are available on the attached CD-ROM

Further details can be found on the Coca-Cola Retailing Research Council website: [www.ccrcc.org](http://www.ccrcc.org)

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# The **Fresh** Imperative

Creating Excellence in Asian  
Fresh Food Retailing

# The **Fresh** Imperative – Executive Summary

In the rapidly changing Asian markets, a retailer's Fresh Food offer is one of the most critical success factors, and a key competitive differentiator.

Fresh Food Categories, such as Vegetables, Fruits, Poultry, Fish and Meat are the critical store traffic and shopping frequency drivers that attract consumers and create additional opportunities for retailers to engage with their customers in other grocery categories.





To get their Fresh Food offer right, retailers need information and insights into their customers and their markets. There is a need to examine all aspects of Fresh Food retail operations, from supply chain management through replenishment to assortment and marketing, and benchmark them against the market and consumer preferences.

More than 50%<sup>1</sup> of the Asian consumer's food bill is spent on Fresh Food categories. Food will continue to be Asian consumers' biggest single area of expenditure, and is increasing at 2.6% a year<sup>2</sup> – faster than the rate of Asia's population growth. Not only will Asian consumers be spending more per capita on food in the future, but there will soon be hundreds of millions more consumers. By 2020, it is estimated that there will be 700 million new consumers in Asia<sup>3</sup>.

In this context, the retail industry faces twin challenges of keeping more consumers supplied, as well as satisfying their rapidly changing tastes and preferences. The Coca-Cola Retailing Research Council Asia has commissioned this study with the aim of identifying the future needs and expectations of Asian consumers across key Fresh Food categories, and to create a platform to drive Fresh Food retail excellence in the Asian region.

The study began with 54 in-depth interviews and connected shopping trips across five Asian countries. It then moved to in-depth discussions with close to 1000 shoppers across the region. These discussions were selected to provide insights into the current and emerging needs and expectations in the area of Fresh Food. These interviews were supported by a series of discussions with retail industry leaders working around Asia. Accenture's network of global industry practitioners was also leveraged in this project to provide additional perspective on world's leading practice.

The study results are presented in country clusters to ease the navigation and extraction of insights across the 11 sampled markets. The groupings are based on overall criteria of economic market development and, where possible, cultural similarities:

- Cluster 1 – China
- Cluster 2 – India
- Cluster 3 – Indonesia and Philippines
- Cluster 4 – Malaysia and Thailand
- Cluster 5 – Japan and South Korea
- Cluster 6 – Hong Kong, Singapore and Taiwan

<sup>1</sup>Source: AC Nielsen, Asia Pacific Retail and Shopper Trends Report 2004

<sup>2</sup>Source: Euromonitor International 2005

<sup>3</sup>Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2004 Revision, accessed at <http://esa.un.org/unpp>, October 2004

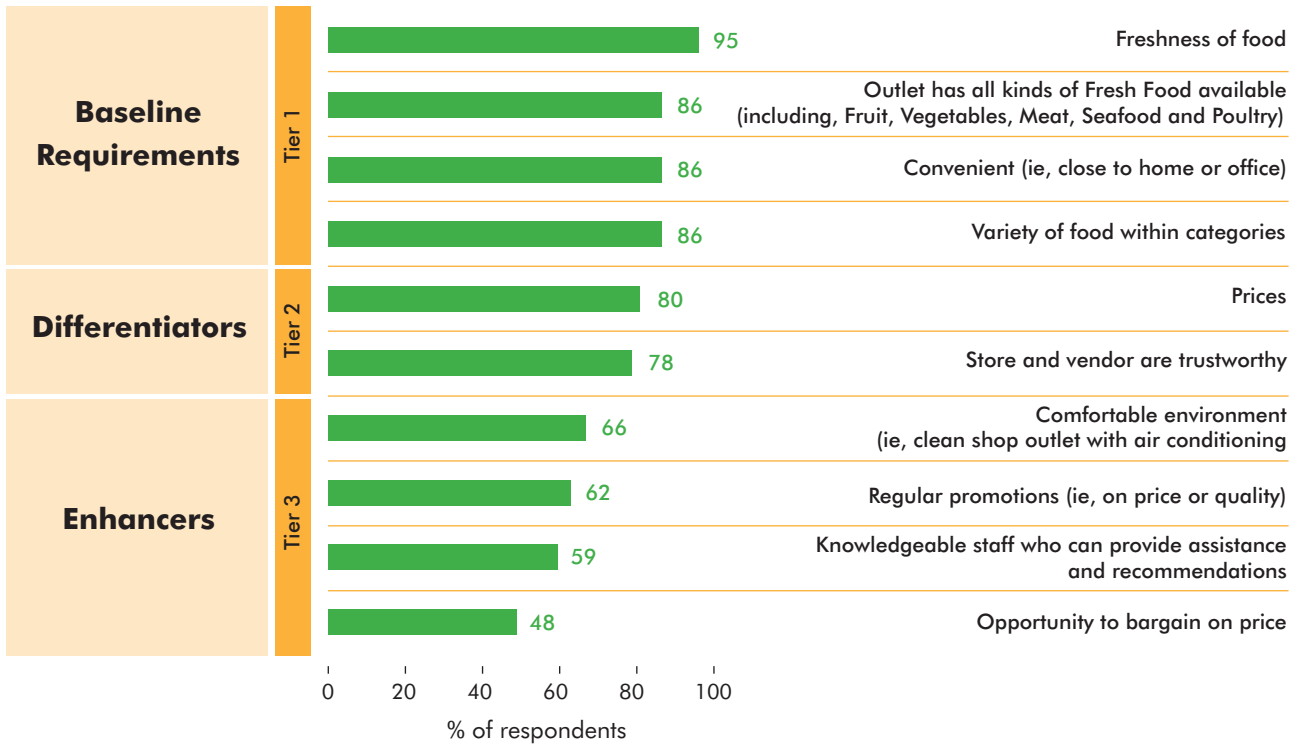
The study also links consumer insights with trends in key operational areas of retail practice in Asia. It seeks to understand what consumers view as excellence in Fresh Food retailing, and the drivers which determine not only their choice of product, but also their choice of retailer. From there, it seeks to identify “leading practices” in the key areas of retail operations, and how these can be developed to improve the Fresh Food offer.



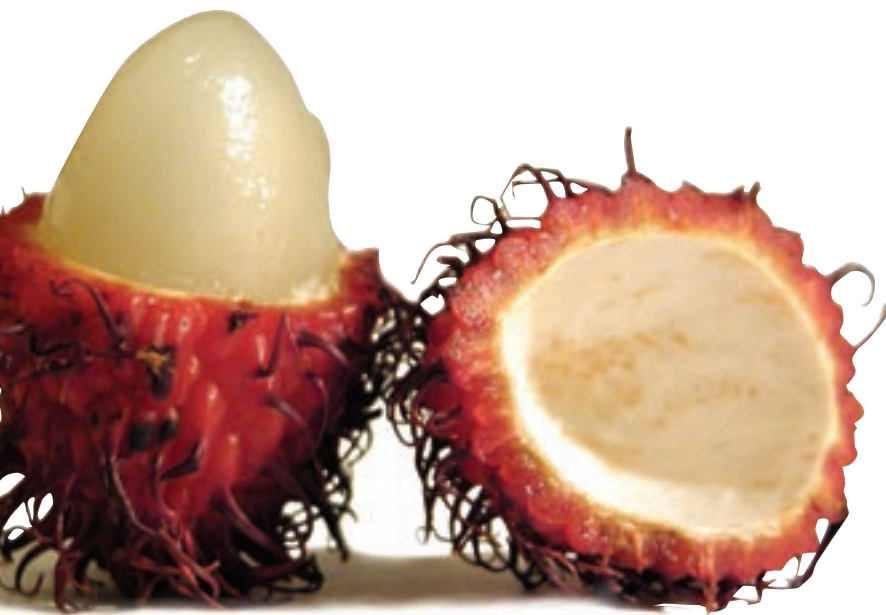
The research confirmed that perceptions of Fresh Food go well beyond the produce for sale. The retail environment sends powerful signals to consumers, who respond to the store layout and also the volume of traffic. A busy store sends a message that the produce is replenished more regularly, and is likely to be fresher. Signals of hygiene and cleanliness, such as staff wearing gloves and clean aprons, serve to reinforce the critically important impressions of Freshness. Asian Consumers also like to see the shelves being replenished while they are shopping – it creates that “just in” impression about the goods. They also don’t mind seeing dirt or grit on the Fruit or Vegetables – it adds to the feeling that the produce has come straight from the farm.



The report explores in detail the key choice criteria that consumers consider while choosing a Fresh Food store. A summary is presented below:



Vegetables are the most crucial category in communicating Freshness, and are the most important Fresh Food category overall. The bright colors and firm texture make a positive impression and image for the whole store.



Relationships with retailers are also important to consumers when they make the decision on where to shop. In this area, Traditional Wet Markets have the advantage over Modern Retailers. The Traditional Retailer has the advantage of one-on-one relationships with their customers, built up over many years. They understand their needs and preferences, and are often happy to barter with them on price. The experience with Modern Retailers can be more impersonal. However, their bigger scale gives operators the ability to build up brand values which, when effectively communicated to consumers, can inspire trust and loyalty.

Most consumers welcome additional information from retailers, and this exchange can help to build the relationships and trust levels. Information delivery can be either active or passive in nature, with active information coming directly from a retailer or store assistant, while passive information is communicated through signage and labelling.

Convenience stores are also a prominent feature of the Asian retail landscape and they have an opportunity to move into Fresh Food retailing, particularly with Fruit and Vegetables. 99% of the survey respondents said they had shopped at convenience stores, and 97% said they would consider buying Fresh Food through this channel.

**A key insight from this study was the identification and exploration of four distinct consumer segments in Asia, each with distinct needs and preferences:**

1. **Authority Seekers** are the largest portion of the sample, comprising 41% of the total number of shoppers. These are sophisticated buyers with a focus on quality. They seek information, like to be advised and helped, and enjoy a sense of collaborating with retailers on their choices. More than any other segment, they welcome advice from the retailer, in either active or passive form.
2. **Easy Life Seekers** comprise 27% of the overall number of shoppers in the sample. These people are time-poor, and have a low level of food knowledge. Relationships with retailers, either Traditional or Modern, are unimportant to them. Their focus is on convenience, and shopping is generally perceived as a chore.
3. **Value Seekers** make up 24% of the total number of shoppers in the sample. Their focus is on obtaining what they consider to be the best balance between quality and price, with the emphasis on price.
4. **Quality Seekers** make up 8% of the total number of shoppers in the sample. They are the most discerning shoppers of all, and have a wide knowledge of food and the price/quality equation. While they are the hardest to please, they are also very loyal once retailers have proved themselves.

The level of food knowledge and cooking skills is one of the key differentiators between the consumer segments – with Easy Life Seekers having much lower knowledge levels, for example, in comparison with Quality Seekers. These differences create the need for retailers to adjust their retail practices with the characteristics of the targeted segments in mind.

The report provides guidance to the retailers on the implications of the four consumer segment preferences for the key operational retail practices. This is explored in detail in Chapter 4 of the report, with select highlights below:



### Authority Seekers - Retailer Implications

Assortment, Sourcing and Procurement	<ul style="list-style-type: none"> <li>• Complete range of products with very high levels of Freshness</li> <li>• Branded items and information about source of items an advantage</li> </ul>
Merchandising and Customer Service	<ul style="list-style-type: none"> <li>• Advice and assurance are critical to this group</li> <li>• Consistent execution is the key to long-term relationships</li> <li>• Store comfort and very clear store layout are key</li> </ul>
Price and Promotion	<ul style="list-style-type: none"> <li>• Focus on Freshness over price</li> </ul>
Replenishment	<ul style="list-style-type: none"> <li>• Demonstrate Fresh Food operating principles through visible deliveries</li> <li>• Likely to ask staff for assistance if an item is out of stock</li> </ul>
Food Safety and Hygiene	<ul style="list-style-type: none"> <li>• Need to be sure and reassured that retailers follow high standards in this area</li> </ul>

### Easy Life Seekers - Retailer Implications

Assortment, Sourcing and Procurement	<ul style="list-style-type: none"> <li>• Comprehensive range of fresh, pre-packaged and convenience lines</li> <li>• Acceptable levels of Freshness</li> <li>• Focus on in-stock performance</li> </ul>
Merchandising and Customer Service	<ul style="list-style-type: none"> <li>• Fast, efficient and convenient shopping experience</li> <li>• Easy access into the fresh food section</li> <li>• Information delivered passively</li> </ul>
Price and Promotion	<ul style="list-style-type: none"> <li>• Competitive pricing</li> <li>• Predictability in price and promotion offers across the board</li> </ul>
Replenishment	<ul style="list-style-type: none"> <li>• Focus on in-stock position for core items</li> </ul>
Food Safety and Hygiene	<ul style="list-style-type: none"> <li>• Delivery of safe and predictable shopping environment</li> <li>• Unsatisfactory experiences will lead to loss of future customers due to low loyalty levels</li> </ul>



## Value Seekers - Retailer Implications

Assortment, Sourcing and Procurement	<ul style="list-style-type: none"> <li>• Comprehensive range of fresh products, with options of lower quality grades and end of day markdowns</li> <li>• Acceptable levels of Freshness in food</li> <li>• Loose product lines (eg, displayed in fruit bins)</li> </ul>
Merchandising and Customer Service	<ul style="list-style-type: none"> <li>• Advice as to the best items for today</li> <li>• Delivery of high presentation standard</li> <li>• Too much comfort may impact on value perceptions</li> </ul>
Price and Promotion	<ul style="list-style-type: none"> <li>• Options to allow Freshness and price trade-offs</li> <li>• Options to bargain</li> </ul>
Replenishment	<ul style="list-style-type: none"> <li>• Most likely to abandon the whole store in case of out-of-stocks</li> </ul>
Food Safety and Hygiene	<ul style="list-style-type: none"> <li>• Need to deliver satisfactory hygiene standards</li> <li>• Able to make their own judgements and trade-offs</li> </ul>



## Quality Seekers - Retailer Implications

Assortment, Sourcing and Procurement	<ul style="list-style-type: none"> <li>• Exceptional levels of Freshness in Fresh Food</li> <li>• Inclusion of exotic lines, organic lines and loose products</li> </ul>
Merchandising and Customer Service	<ul style="list-style-type: none"> <li>• Provide Passive forms of information to support purchase process</li> <li>• Store staff need to be knowledgeable on freshest products today</li> <li>• They will trade-off comfort to receive Freshness</li> <li>• Need clear lay-out to efficiently find what they need</li> <li>• Loyal once trust levels are established and proven</li> <li>• Like to be treated as special customers</li> </ul>
Price and Promotion	<ul style="list-style-type: none"> <li>• Typically select freshness over price, however getting the best deal is also very important to them</li> </ul>
Replenishment	<ul style="list-style-type: none"> <li>• In case of out-of-stocks they will selectively pick alternatives acceptable to them</li> <li>• If out-of-stocks pattern repeats over time – retailer risks losing their loyalty</li> </ul>
Food Safety and Hygiene	<ul style="list-style-type: none"> <li>• High standards and ability to make their own judgements in this area</li> </ul>

These identified consumer segments display different retail channel preferences, and demand very different performance characteristics from their Fresh Food retailers. They also have different peak shopping times that retailers need to adjust to. The two peak times for consumer Fresh Food shopping trips are before 11 am each day, and between 5 and 7 pm. Retailers also need to focus on being in-stock for popular Fresh Food items at those times, as around 11% of consumers indicated they may abandon the store and go somewhere else if one of their key items is not unavailable.

**From this customer-centric perspective, the focus of the study then shifts to look at the current state of play in Asian retailing, and how it is changing in response to these consumer preferences.**

**Through the analysis of current and near-future trends, in key Fresh Food retail operational areas, across eleven countries, the study also includes the guide to determine the potential priorities in regards to enhancement of Asian Fresh Food retailers' capabilities.**

While some retail practices, such as Food Safety and Hygiene, have been a focus of Asian retail for some time, other areas, such as Supply Chain Management, have been more static as a result of infrastructure constraints, and due to the large number of smaller suppliers that retailers need to deal with in Asia. The study also anticipates significant changes in areas such as Assortment, Sourcing and Procurement, and Price and Promotion.

**The overall picture that emerges is of a market, and an industry, in transformation. Retailers will have to make some clear and potentially mutually exclusive choices, with regard to how they target and appeal to their chosen target consumer segment, through their Fresh Food retail strategies and tactics.**

**This study, through its consumer-led analysis, provides new insights to the retailers to allow them to more effectively focus their Fresh Food strategies across the Asian region.**

**It delivers clear guidance as to what are the store-choice drivers, and provides consumer-segment specific retail strategy recommendations to better attract and retain the Fresh Food shoppers.**

**Lastly, it merges consumer insights, together with industry leaders' views, to develop and deliver a country-level, action-oriented guide. This guide identifies the necessary steps retailers need to take to address this changing consumer landscape, and to create excellence in Asian Fresh Food retailing.**

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## Coca-Cola Retailing Research Council, Asia

The Coca-Cola Retailing Research Council Asia (CCRRCA) is dedicated to the development of a better understanding of the food retailing and allied merchandise distribution business in Asia. The focus of its energies is to identify and then to study selected critical issues and problems and, when appropriate, to present the findings in a suitable forum, so that full advantage of the information can be taken to further develop and enhance the effectiveness of the food retailing distribution business.

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