OPPORTUNITIES IN SINGAPORE'S FOOD & BEVERAGE MARKET

Accessing the market potential and understanding how to go-to-market

TRY SWEDISH!

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Foreword

Southeast Asia is home to over 660 million people and a diverse, fast-growing region. By 2025, consumer expenditure is expected to reach USD 2.3 trillion and the number of middle income households to grow to 51 million. With rising affluence and improved standards of living, the region will increasingly demand for products focused on quality, innovation and sustainability. This trend extends to the expected growth of the food & beverage market, with most Southeast Asian countries outpacing other economies around the world.

While Singapore has a small domestic market, it remains strategically important as a gateway for businesses to reach consumers across Southeast Asia. Its key geographic location, coupled with the maturity of the financial and logistics infrastructure, Singapore's transformation into a global e-commerce hub enables companies' scalability and distribution to reach throughout the region. As a key culinary capital, the testing of the latest food trends amongst consumers (e.g. shifts towards health and wellness) drives continuous improvements amongst businesses as they adapt to new demands.

Within Singapore, it is important to consider the consumer personas present, the sales and marketing channels which can be utilised and the regulations governing the trade flows. These considerations are evident in the impact of Covid-19, where we have seen shifts in consumers' purchasing behaviour, adoption of digital sales / marketing platforms and the need to increase & diversify import sources.

We hope this brief market report provides valuable insights in understanding Singapore's food & beverage scene and the opportunities within the market. We look forward to continue the discussions on how to support Swedish companies' entry into and growth within this dynamic region.

Emil Akander
Trade Commissioner to Singapore and Market Area Director for Southeast Asia

Introducing Southeast Asia

Southeast Asia is a diverse and fast-growing region, home to over 660 million people with increasingly dynamic demands for the food & beverage products they consume

With a combined GDP of around USD 3 trillion in 2019 and expected growth rate of 4% till 2025, Southeast Asia is home to over 8% of the world's population). Alongside the continued increase in urbanisation rates and rising affluence, the burgeoning middle class population is a key influence to the food trends within the country. From Singapore's highly-developed society which increasingly adopts healthier diets to Indonesia's developing economy which demands for impulse buys and indulgent food products, there are opportunities for companies across multiple food categories.

From 2015 to 2019, the food & beverage market size in the ASEAN-6 countries has grown faster than other economies in the world at 6% year-on-year. This growth is largely driven by developing markets of Indonesia and Thailand, while Singapore's performance aligns more closely with that of developed economies like Europe (2%).

Singapore as the gateway to Southeast Asia

Although the growth in GDP and food & beverage consumption is outpaced by neighbouring countries, Singapore remains a key location when considering entry into Southeast Asia. Singapore is often the testbed for new companies and brands, due to its highly internationalised and mature market. With strong logistics infrastructure present in the country, businesses are able to scale up their operations easily to the region after finding success in the country.

Trends across ASEAN-6 countries

Malaysia: Price sensitivity dominates in groceries purchases, and the sugar tax and rising health concerns will shift consumers towards healthier products

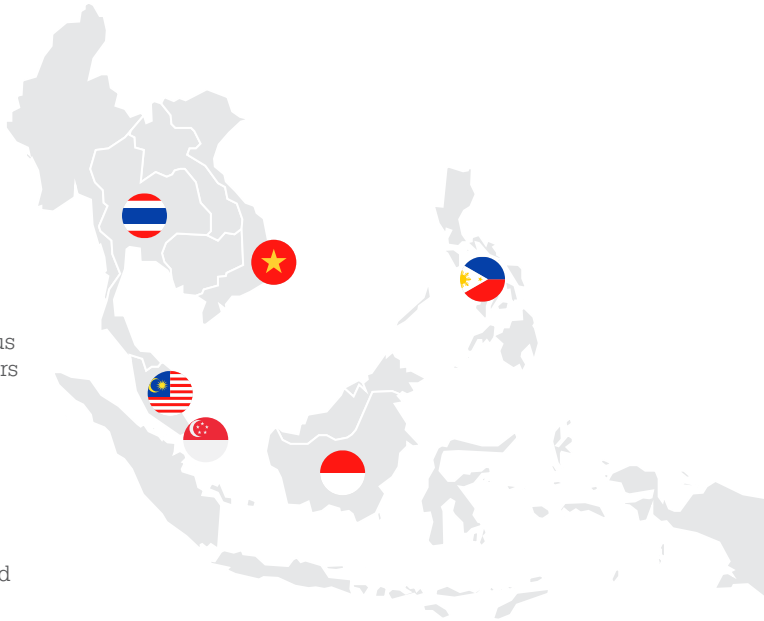
Indonesia: Indulgent categories (e.g. chocolate, liquid milk, mineral water) and Western grains (e.g. bread, pasta) will continue to grow

Philippines: The emerging middle class demands convenience and accessibility, giving rise to trends of eating out and purchases of ready-to-consume meals

Singapore: Consumers are increasingly health conscious with their food & beverage options, with 62% of consumers wanting to eat healthily to maintain health & wellness

Thailand: Rising affluence and urbanisation increases the willingness to purchase more premium products, e.g. liquid milk and snacks

Vietnam: Increasing growth in impulse / non-essential categories (e.g. biscuits, cakes) and key drivers in demand for food are: health, quality, new values and packaging



Sources: Euromonitor International, Nielson, Business Sweden analysis

Deep dive into Singapore's food & beverage market

The food & beverage market in Singapore is valued at around USD 12 billion in 2019 and has grown at the rate of 2% in the past 5 years

The 3 food categories expected to grow the most over the next few years are: *Sauces & Cooking Ingredients* (1.9%), *Confectionery* (1.6%) and *Baked Goods, Grains & Snacks* (1.5%).

Within *Sauces & Cooking Ingredients*, nuts and seed based spreads see the highest growth potential, with increasing awareness of the health benefits of various plant-based and nut products. *Baked Goods, Grains & Snacks* remain stable due to rice and bread being a core part in consumers' diets today (making up 47% of consumption in this category).

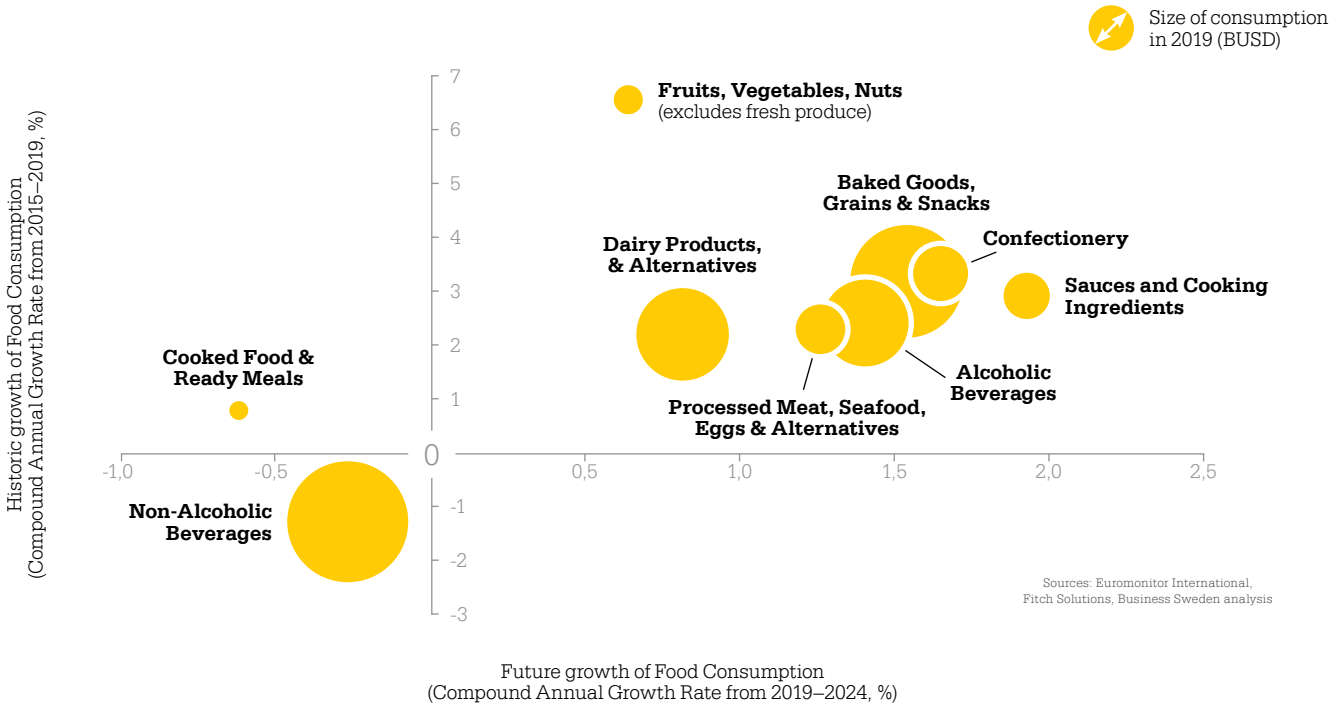
Chocolate confectionery leads the overall growth in *Confectionery*, as consumers shift their preferences for premium flavours, ingredients and artisanal brands.

Other key growth categories

- *Alcoholic Beverages* (1.4%): Wine and spirits are expected to grow most dynamically due to the current low base of per capita consumption. Beer is potentially a category which may see an increase in entrants from the European Union, due to the removal of tariffs on all beer and stout products per the European Union – Singapore Free Trade Agreement (EUFSTA).

- *Processed Meat, Seafood, Eggs & Alternatives* (1.3%): The most favourable type of product is chilled meat substitutes, especially alternatives made from soya-bean. This is aligned to trend of consumers increasingly adopting healthier living practices and choosing plant-based diets.

Growth in consumption of food & beverage in Singapore



Neighboring countries within Southeast Asia are the key exporters to Singapore across most categories

Singapore's main sources of imports are countries within Southeast Asia, especially Malaysia, which is the top supplier for 6 out of 9 food categories.

Overall, the top import sources are: Malaysia (1st), France (2nd) led by imports in *Alcoholic Beverages* and United States of America (3rd) led by a mixture of imports in *Alcoholic / Non-alcoholic Beverages, Sauces & Cooking Ingredients* and *Fruits, Vegetables, Nuts*.

Imports from countries in the European Union (EU)

EU's main exports to Singapore are *Alcoholic Beverages*, *Dairy Products & Alternatives* and *Confectionery*, with France leading as the top import origin, contributing 64% of Singapore's imports from the EU.

Within *Alcoholic Beverages*, spirits and wine make up 97% of the imports, while concentrated / sweetened milk and cream (53%) is the main product of import within *Dairy Products & Alternatives*.

Imports from Sweden

Amongst the EU countries, Sweden stands in the 10th position, making up 1% of EU's total imports to Singapore. There is potential for this share to increase in the future, with Sweden's export to Singapore measuring at a growth rate of 4% from 2014 to 2018, while top import source countries like France and Netherlands have grown at 1% over the same time period.

Over the past 5 years, Sweden's main exports to Singapore are in *Alcoholic Beverages* (37%), *Confectionery* (26%) and *Dairy Products & Alternatives* (15%).

Imports into Singapore

Categories	Import (BUSD) in 2019	Top Countries of Origin	Imports from EU
Alcoholic Beverages	2,51	France, UK, USA	57%
Processed Meat, Seafood, Eggs & Alt.	2,22	Brazil, Malaysia, Australia	9%
Fruits, Vegetables, Nuts	1,71	Malaysia, China, USA	5%
Sauces & Cooking Ingredients	1,24	Malaysia, USA, Indonesia	4%
Baked Goods, Grains & Snacks	1,04	Malaysia, Thailand, Australia	10%
Confectionery	0,88	Malaysia, Ghana, Thailand	19%
Dairy Products & Alternatives	0,76	New Zeeland, Australia, Thailand	27%
Non-Alcoholic Beverages	0,61	Malaysia, Indonesia, USA	7%
Cooked Food & Ready Meals	0,03	Malaysia, Japan, China	5%

Sources: UN Comtrade, Business Sweden analysis

Sweden's value proposition for its food & beverage products will need to focus on premiumisation, health & wellness and differentiation in its branding

Within Sweden's top performing import categories to Singapore, there is potential to grow further especially in the following products:

- Beers and stouts, premium varieties of wines and spirits
- Premium chocolate confectionery
- Milk alternatives and plant-based products
- Premium, high quality and unique variants of cheese
- Innovative frozen desserts (alternative to ice cream)

Other high potential categories to look into are:

- Baked Goods, Grains & Snacks
- Processed Meat, Seafood, Eggs & Alternatives

Opportunities for Swedish companies across food & beverage categories

HIGH POTENTIAL

Confectionery	Premium / artisanal brands within chocolate confectionery are expected to perform better and the ability to leverage a variety of distribution channels will be a key factor in market outreach
Baked Goods, Grains & Snacks	Differentiated products with a clear health value proposition and innovation in taste, flavours, colour & texture
Alcoholic Beverages	Lowered costs of entry for EU imports in beer and stout, and shift in consumer preferences for premium, high-end varieties in wines and spirits
Dairy Products & Alternatives	Products are expected to perform better within this category are: Plant-based products / milk alternatives, innovative frozen desserts (as opposed to ice-cream) and premium cheese variants
Processed Meat, Seafood, Eggs & Alt.	Plant-based proteins will be of interest to the market with increasing efforts from the government to invest in health food innovation & technology
Sauces & Cooking Ingredients	Highly-fragmented and over-saturated market, hence success in market entry will depend heavily on branding & marketing of your product
Non-Alcoholic Beverages	Swedish products which fit the consumer demand for innovative, healthier variants will work well to provide variety to the market
Cooked Food & Ready Meals	Frozen meals is a fast-growing segment largely dominated by Asian flavours, and hence ready meals & formats through a Swedish branding may pique the interest of consumers
Fruits, Vegetables & Nuts	Little opportunity for Swedish companies as Sweden in general is not a natural exporter of fresh fruits and vegetables

LOW POTENTIAL

Sources: Euromonitor International, Fitch Solutions, UN Comtrade, Business Sweden analysis

Understanding the go-to-market considerations

When accessing the market potential, understanding the considerations across the consumer, sales channel and regulatory landscape is key in go-to-market strategies

Apart from assessing market potential based on existing consumption & import trends, it is critical to factor in the following questions for decisions on market entry:

- Who are the customer groups to target?
- What are the typical purchasing behaviour of the relevant customer groups?
- What are the available channels for sales and distribution?
- What are the regulations governing each type of product?
- How does the import process look like and who to engage?
- What are the costs and investments required upfront (e.g. marketing, logistics & imports)?

CONSUMER LANDSCAPE

As a regional hub for multinational companies, Singapore's multi-ethnic and diverse social fabric is reflected in varying food & beverage demands

Singapore is home to around 5.7 million people, where 71% of its population are residents (citizens and permanent residents). Its resident population is comprised of 4 main ethnic groups: Chinese (74.4%), Malay (13.4%), Indian (9.0%) and Others (3.2%).

The society experiences an ageing demographic, with decreasing birth rates and increasing couple-based households without children. Singapore's middle income population continues to expand, with increased levels of education.

Due to its strategic position as a regional hub for international businesses, Singapore's non-resident community is also large (29% of the population).

Example of customer personas

WORKING ADULT

Jamie is a real estate agent and her working hours can be flexible yet unpredictable. She often dines out on the weekdays and values the time she can save. **Convenience is a key factor and hence delivery for groceries & food is often a preferred choice.**

WHITE-COLLAR EXPATRIATE

Simon keeps track of his food intake and believes in animal rights. He tries to maintain a healthy lifestyle and ensures he uses organic ingredients where he can when he cooks. **High propensity and willingness to spend on premium products for better health.**

HOMEMAKERS

Priya is a homemaker who cooks 3 meals a day for her husband and 2 sons. During her free time, she enjoys baking. Priya and her family are all vegetarian due to their religion. **Price-sensitive over groceries to lower household expenditure. Concerned on nutrition levels and prefers fresh produce**

Sources: Euromonitor International, Singstat, Business Sweden analysis

SALES CHANNELS: RETAIL

Physical retail stores will remain an essential channel for food & beverage brands to reach consumers

Grocery retailers remain the main channel in food retailing, however in terms of future growth, e-commerce is an upcoming channel to leverage when deciding on the distribution of food products.

Grocery retailers

Hypermarkets are increasingly adapting to new demands for consumers for enhanced shopping experiences. Within supermarkets, there is also a growth of smaller, independent grocery outlets, which offer organic and artisanal products.

NTUC Fairprice is Singapore's largest retailer serving over 600,000 shoppers daily, with a network of over 200 outlets.

The Dairy Farm group is a Hong Kong retail company and a major Pan-Asian retailer.

Sheng Siong is a grocery and fresh food supermarket retailing chain which targets mass market consumers.

E-commerce

Food & drinks e-commerce is expected to continue growing as consumers become used to shopping online. Brands are increasingly establishing an online presence through partnerships with e-commerce platforms (listing and marketing campaigns).

Vending

Value sales of vending is expected to see increasing growth as this channel supports Singapore's shift towards cashless transactions and diversifies beyond packaged food & drink retailing.

Homeshopping

Homeshopping is generally not a lucrative channel, with no new entrants and low value sales. Also, there is an increasing competition from e-commerce with high internet accessibility and high smartphone penetration.

Direct selling

High personalization, with explanation and demonstration is a key driver of success for sales through this channel. However, this channel mainly caters to an older audience and is dominated by health and beauty products.

RedMart is a leading online supermarket site in Singapore, established in 2011 and acquired by Lazada (Alibaba Holdings) in 2016.

Amazon is a leading e-commerce platform which launched in Singapore in 2017. The **Prime Now** service offering caters for groceries with its one- and two-hour delivery options for customers.

Shopee is a Singaporean e-commerce platform headquartered under the Sea Group (previously known as Garena), which was founded in 2015. They function as an online marketplace for sellers to set up shops and sell directly to consumers.

New entrants in the e-commerce space to provide on-demand delivery services for groceries, **GrabMart** and **pandamart**, launched by Grab and Foodpanda respectively.

Food & beverage retail channels

Retail Channel	Value in 2019 (MUSD)	% of future growth (CAGR 19-24)
Grocery retailers	5,568	▲ 0.8
E-commerce	105	▲ 10.4
Vending	42	▲ 0.2
Homeshopping	21	▲ 1.2
Direct selling	20	▲ 2.5

Sources: Euromonitor International, Business Sweden analysis

SALES CHANNELS: FOOD SERVICES

Although the consumer food service scene is largely dominated by chained restaurants, the landscape is dynamic and constantly disrupted

Although the value generated within the consumer food service space is relatively distributed across outlet types, Street stalls / kiosks and Cafés / Bars hold the highest potential to grow.

Overall, food service operators are increasingly adopting new digital tools (e.g. delivery apps, mobile ordering apps) to provide convenience to consumers and generate faster turnovers. This is especially relevant in the current Covid-19 situation, as restrictions on food & beverage operations has led to companies venturing into the e-commerce space, e.g. setting up online ordering systems, offering new takeout menus and providing delivery services.

Street stalls / kiosks

The government's push to promote hawker culture is expected to positively impact the growth of street stalls / kiosk. As food fads come and go, street stalls / kiosks are more cost-effective options to enter the food scene.

Cafés / Bars

Specialist coffee outlet is a key growth driver, increasing awareness amongst consumers about the quality of coffee and various methods of coffee preparation.

Growing popularity of a cocktail culture and production of local craft spirits & beers likely creates demand in more bars / pubs.

Full-service restaurants

The future value within this outlet type is set to decline amidst high costs (rising labor costs) and strong competition (growth of third party food delivery apps). Shifting focus on sustainability and unique dining experiences are emerging themes to meet new consumer demands.

Limited-service restaurants

Healthier menus and products are pushed out with the support from the government to encourage healthier eating habits and more collaboration between food manufacturers (e.g. Quorn, Impossible Burger) and food & beverage companies.

Self-service cafeterias

Growth in this outlet type remains stagnant as the concept of self-service cafeterias show no significant development in the future. The main competition in this space is with local food courts, which offers greater variety and lower prices.

Outlet types within consumer food services

Outlet Type	Value in 2019 (MUSD)	% of future growth (CAGR 19-24)
Street stalls / Kiosks	2,047	▲ 2.5
Cafés / Bars	1,796	▲ 1.5
Full-service restaurants	1,664	▼ -1.1
Limited-service restaurants	1,222	▲ 0.9
Self-service cafeterias	30	▼ -0.1

Sources: Euromonitor International, Business Sweden analysis

REGULATORY ENVIRONMENT

Food importation is a relatively straightforward process, although there are additional restrictions on certain food categories

Most products imported to Singapore are not dutiable goods, but all imports are subjected to a 7% good & services tax. Depending on the category of your food product, additional duties and restrictions may apply.

The Singapore Food Agency (SFA) and the Singapore Customs are the key agencies whom oversee food importation. Although for specific food categories, additional agencies will need to be engaged, e.g. the Health Sciences Authority (HSD) for medicinal products and the Animal & Veterinary Service (AVS) for pet food.

Import process

1. Check on the classification your food product
2. Apply for a trader's license or register with SFA
3. Comply with relevant food legislation
4. Satisfy SFA's labelling requirements
5. Apply for an import permit
6. Payment of import fees
7. Inspection of imported food

Regulations across food & beverage categories

Categories	Import restrictions	Import tariffs
Alcoholic Beverages	No import restrictions	Excise duty of SGD60 to 88 / per litre of alcohol
Baked Goods, Grains & Snacks	No import restrictions	0% import tariff
Confectionery	No import restrictions	0% import tariff
Cooked Food & Ready Meals	No import restrictions	0% import tariff
Dairy Products & Alternatives	Raw milk is not allowed to be imported for direct human consumption	0% import tariff
Fruits, Vegetables & Nuts	No import restrictions but licenses to import are governed by different agencies depending on classification of product	0% import tariff
Non-Alcoholic Beverages	No import restrictions, but flavoured waters may be subjected to review under AVS	0% import tariff
Processed Meat, Seafood, Eggs & Alternatives	Sweden is SFA-approved to import raw and/or processed meat of beef, pork and table / processed eggs, but they must be derived from SFA-approved establishments	0% import tariff
Sauces & Cooking Ingredients	No import restrictions	0% import tariff

Sources: Singapore Customs, Singapore Food Agency, Singapore Statutes Online, Business Sweden analysis

Roadmap from Sweden to Singapore

Swedishness is an asset and a strong value proposition when introducing its products to the world

In general, Sweden brings a positive perspective and commands respect in sustainability and quality. Swedish food products are generally known for: quality, sustainability, consciously produced and innovative. Companies who can build a compelling brand and points of differentiation will be able to target the niche value market.

Singapore's dynamic and urbanised market creates opportunities for Swedish products, with favourable trends of increasing consumer demand for premium products and health-consciousness. The food & beverage industry is highly competitive with the internationalisation of consumers' taste buds, hence innovative packaging and a strong brand story will be key to success as a start. In order to capture local brand share, investment into building brand awareness through various marketing campaigns (e.g. social media, sampling) and ease of accessibility (e.g. pricing to consumers, distribution channels) will need to be considered.

RECOMMENDATIONS ON MARKET ENTRY

Finding the right partner: As your representative on-the-ground, it is critical to engage a local partner 1 who believes in the sales potential of your product, 2 covers both offline and online sales channels due to increasing importance of an omni-channel retailing strategy and 3 has in-house marketing capabilities to support the promotion of your product and / or an existing strong customer base.

Taking the e-commerce route: Market entry through the e-commerce channel can be an alternative and more cost-effective method to test how well-received your product is in the market, as opposed to sourcing for local distributors & partners. During the Covid-19 situation, we have seen tremendous growth in this channel, both in terms of new entrants and improvements in infrastructure & logistics for current players. The key steps required are to: 1 find a suitable 3PL partner that can match your need (e.g. pure logistics & storage vs storage with distribution capabilities), 2 use platforms (e.g. RedMart) to reach the masses and / or sell through your own web shop, 3 create a strong brand story and differentiation of your product.

Investing marketing dollars: The food & beverage market in Singapore is highly competitive and multiple marketing channels could be leveraged to ensure a wider outreach to consumers. Possible channels include: 1 in-store sampling and branding in grocery retail stores / tasting kits sent to key influencers, 2 social media platforms like Facebook and Instagram, where activities can range from paid targeted advertisements to influencer marketing, 3 participation in several food trade fairs which occur in Singapore every year, with coverage of visitors across Asia-Pacific, 4 collaborations with key industry players in food services and / or hospitality (e.g. pop-ups usually attract a large crowd as Singapore consumers are followers of food fads and long queues for food).

About Business Sweden

Business Sweden is commissioned by the Swedish government to help Swedish companies grow global sales and international companies invest and expand in Sweden. Business Sweden offers hands-on support to Swedish companies with global ambitions. With over 50 offices across the globe, we have a strong presence in each of our three key regions: Europe, Middle East & Africa, Americas and Asia–Pacific. We drive global sales and profits for both B2B and B2C businesses across all industries. With 45+ years of proven experience, we help companies navigate in unfamiliar and complicated market environments to transform their business.

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TRY SWEDISH!

Try Swedish! is the official concept and trademark owned by Business Sweden to promote Swedish food and beverages globally.

The Try Swedish! program's overall aim is to contribute to an increase of Swedish food exports. It constitutes a significant role in the Swedish government's National Food Strategy, which is a cross-party agreement to dedicate resources to support the Swedish food industry.

For more information, inspiring articles and exciting new products and companies, visit our website at **www.tryswedish.com**

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