

Singapore Productivity Centre **Study Mission Series**

READY-MEALS AS A PRODUCTIVE FORMAT FOR FOOD SERVICES

LEARNINGS FROM BEST PRACTICE STUDY MISSIONS



Singapore's food services sector and its challenges

The food services and retail sectors employ about 9% of manpower and contribute to approximately 2% of GDP¹. Evidently, there is room to innovate and improve productivity as these sectors play vital roles in our economy.

THE FOOD SERVICES SECTOR, IN PARTICULAR, FACES THESE KEY CHALLENGES



HIGH RENTAL AND
INCREASING
INGREDIENT COSTS



RELIANCE ON
MANPOWER



CHANGING CONSUMER
NEEDS & LIFESTYLES

The biggest challenge is the unsustainable reliance on manpower. Singapore's workforce growth is expected to slow to 1.5% till 2020, and to 1% beyond 2020². The foreign workforce is expected to form only one-third of Singapore's total workforce by 2030².

To mitigate this challenge, one of the initiatives under the food services Industry Transformation Map encourages the development and proliferation of ready-meal formats. These are essentially packaged meals that can be made available through retail channels or vending machines.

Such ready-meal formats will require less manpower to operate while ensuring quality and nutritious meals for consumers.

The market for ready-meals in Singapore

Definition of ready-meals

Ready-meals are broadly classified as follows;



Ready-To-Eat (RTE)

Pre-packaged food products that can be consumed immediately without heating or with the addition of hot water. Examples: Cold ham, cheese, roast beef, smoked salmon, sandwiches, soups, cooked dumplings, steamed buns, packet drinks, instant noodles, chilled cooked food, potted food, and other hot foods.



Ready-To-Cook (RTC)

Unprocessed key ingredients that can be easily re-packaged by adding other ingredients to produce a ready-meal product. Examples: Packed meats with vegetables, frozen fish and pasta, raw pizza dough with toppings, etc.



Ready-To-Heat (RTH)

Processed meals in a single or family pack that can be reheated quickly in a microwave oven or by direct heat. No addition of ingredients needed. Examples: Chilled cooked chicken packed in bento boxes, chilled or frozen tempura in a box, vegetables pre-cooked in a sauce packed in a vacuum bag, cooked dumplings in soup in a container.

Market size and trends

\$48 million



Research from Euromonitor shows that the retail value of ready-meals is expected to reach \$48 million in 2016 with chilled ready-meals registering the strongest retail value growth of 5% yoy.

Source: Euromonitor Industry Report 2016 : Ready-meals in Singapore

The growing demand for ready-meals can be attributed to the following conditions:

Consumers seeking convenience

Operators seeking more manpower-lean formats as an alternative to a food service outlet

Perception that chilled ready-meals are fresher and of higher quality compared to frozen meals

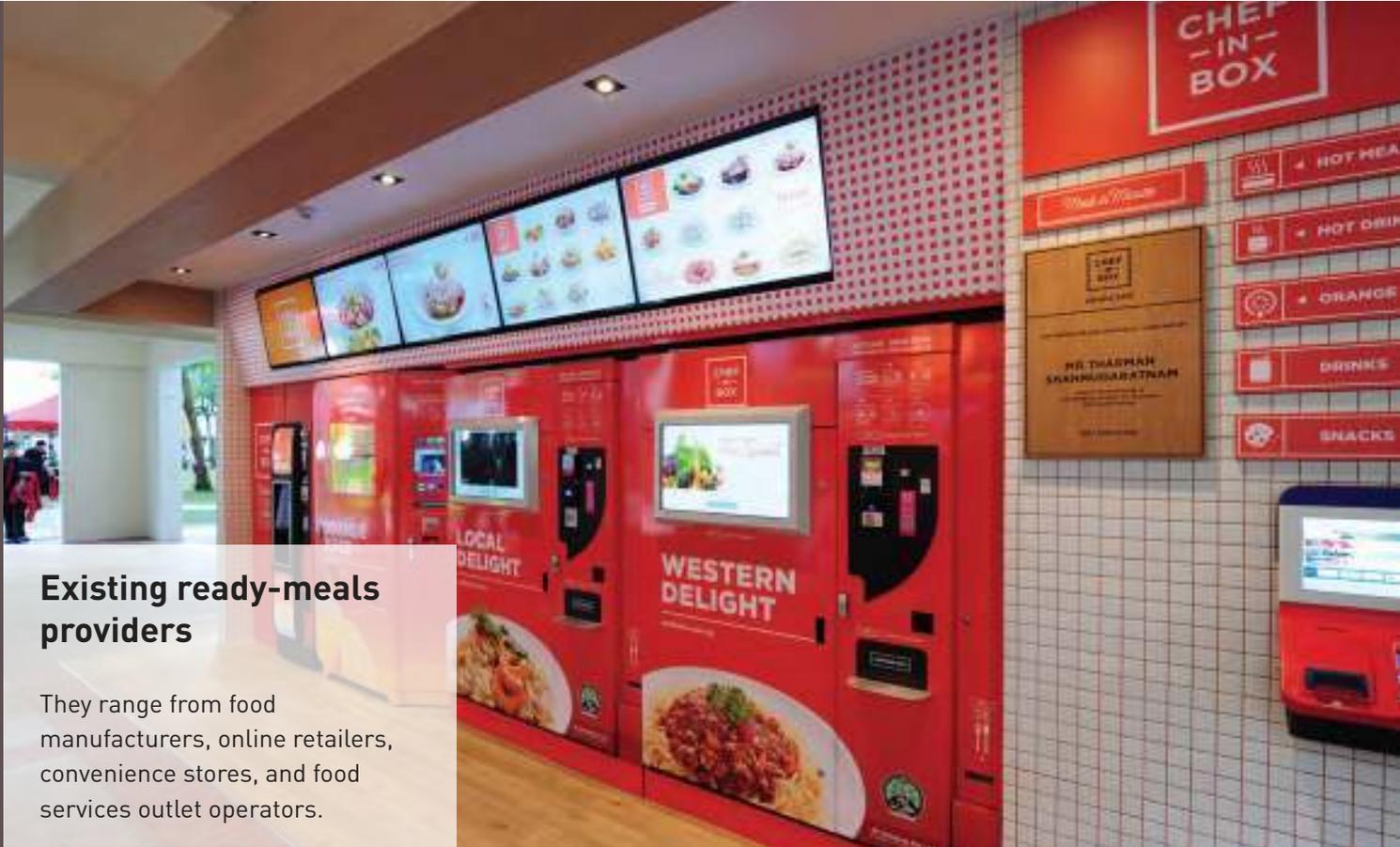
New innovations that extend shelf-life with no added preservatives. For example, blast freezing stops bacteria from multiplying by rapidly chilling cooked food down to -18 deg C within an hour

Greater variety from new product innovation and offerings



High manpower and rental costs are impacting traditional food service operators' capacity to compete. Retail players, food manufacturers and even caterers or food services operators with central kitchen capacity or presence in ready-meals are expected to enjoy significant commercial success by meeting the growing demand for ready-meals.

Current ready-meals landscape



Existing ready-meals providers

They range from food manufacturers, online retailers, convenience stores, and food services outlet operators.

Efforts to promote ready-meals

Industry players worked with SPRING Singapore (now restructured as Enterprise Singapore) on an integrated campaign - targeted at promoting and educating consumers about ready-meals.



Overseas mission trips to learn from international best practices for ready-meals

To encourage the food services sector to adopt manpower-lean formats like retailing ready-meals, Singapore Productivity Centre, with the support of SPRING Singapore (now Enterprise Singapore), organised and facilitated study missions to countries such as the United Kingdom, Thailand, Taiwan and Japan to learn how they have developed a successful ecosystem from food processing, production and packaging, to the successful retailing of ready-meals.



United Kingdom

The UK is one of the most developed markets for ready-meals and makes an excellent reference model. The country's ready-meals category was created by Marks & Spencer (M&S) in the 1970s. In the 40 years since, the market has grown significantly, with all supermarket chains in the country carrying their own extensive range of ready-meals. There are also niche labels of ready-meals that capture a smaller market share but cater to different consumer lifestyles.



Taiwan

The convenience food market in Taiwan is competitive and mature, with many players offering innovative and new ready-meals recipes. The proliferation of convenience stalls makes them the most widely used channel of distribution. Food services outlet operators have also entered the ready-meals market by outsourcing R&D and production to food manufacturers while retaining their own labels.

CONVENIENCE



QUALITY



VARIETY



AFFORDABILITY



Japan

In Japan, the changing demographics and consumer lifestyles (aging population, dual-income families, one-person households) have led to increased demand for home replacement meals. Convenience stalls (CVS) remain the most preferred channel to distribute these home replacement meals. Observations from the study mission also revealed that Japanese companies employ lean methodologies such as 5S and process optimisation. By developing efficient systems, Japanese food services companies were able to reduce reliance on skilled manpower.



Thailand

In Thailand, the abundant land and natural resources, along with low operational costs and overheads, have provided a conducive environment for the food manufacturing sector to grow. Today, the country is one of the premier producers, processors and exporters of food products in Asia and has earned the accolade, "Kitchen of the World".

Companies like CP Foods boast a 'feed-to-fork' ecosystem that puts them in complete control of the process, from the production of animal feed and the breeding of animals for food, to the production and distribution of the final food products. Despite the widespread availability of street food and food services outlets, the demand for ready-meals continues to grow as consumers are drawn by their affordable prices, quality, range and convenience.

Key learning points from the overseas study mission

RETAILERS ARE INTEGRAL TO THE SUCCESS OF THE READY-MEALS MARKET

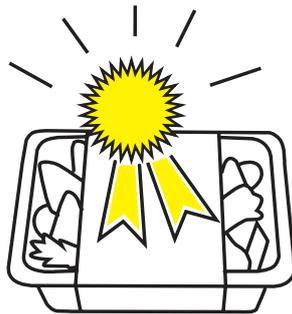


Consumers are less averse to trying new food products from familiar and household brands



Consumers view chilled ready-meals as fresher than frozen or ambient food products, and are willing to pay a premium for them

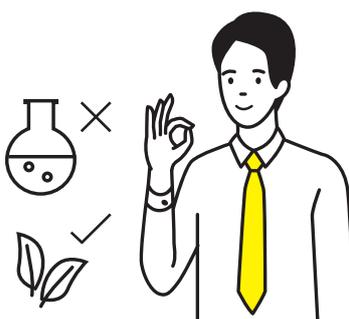
FOCUS ON CHILLED READY-MEALS



Branded labels should reflect their value propositions. E.g. Marks & Spencer products have a premium quality positioning, while Wholefoods focuses on ethical and sustainable products



Convenience is a key driver for the growth of ready-meals, as 60% of the working class consumes lunch at their desks



Consumers prefer products with healthy and sustainably sourced ingredients, with no added preservatives or additives

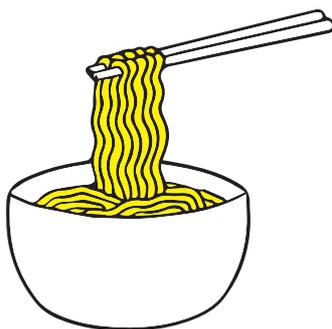


With the focus on chilled ready-meals, it is crucial to have efficient distribution, supply chain and merchandising to maximise sales during the products' relatively short shelf lives

ATTRACTIVE PACKAGING AND VARIETY ARE CRUCIAL TO DRIVING SALES



Strong branding and design are essential for drawing the attention of consumers and highlighting product differentiation. UK meal suppliers have labels that are visually appealing and which provide additional information such as nutritional analysis

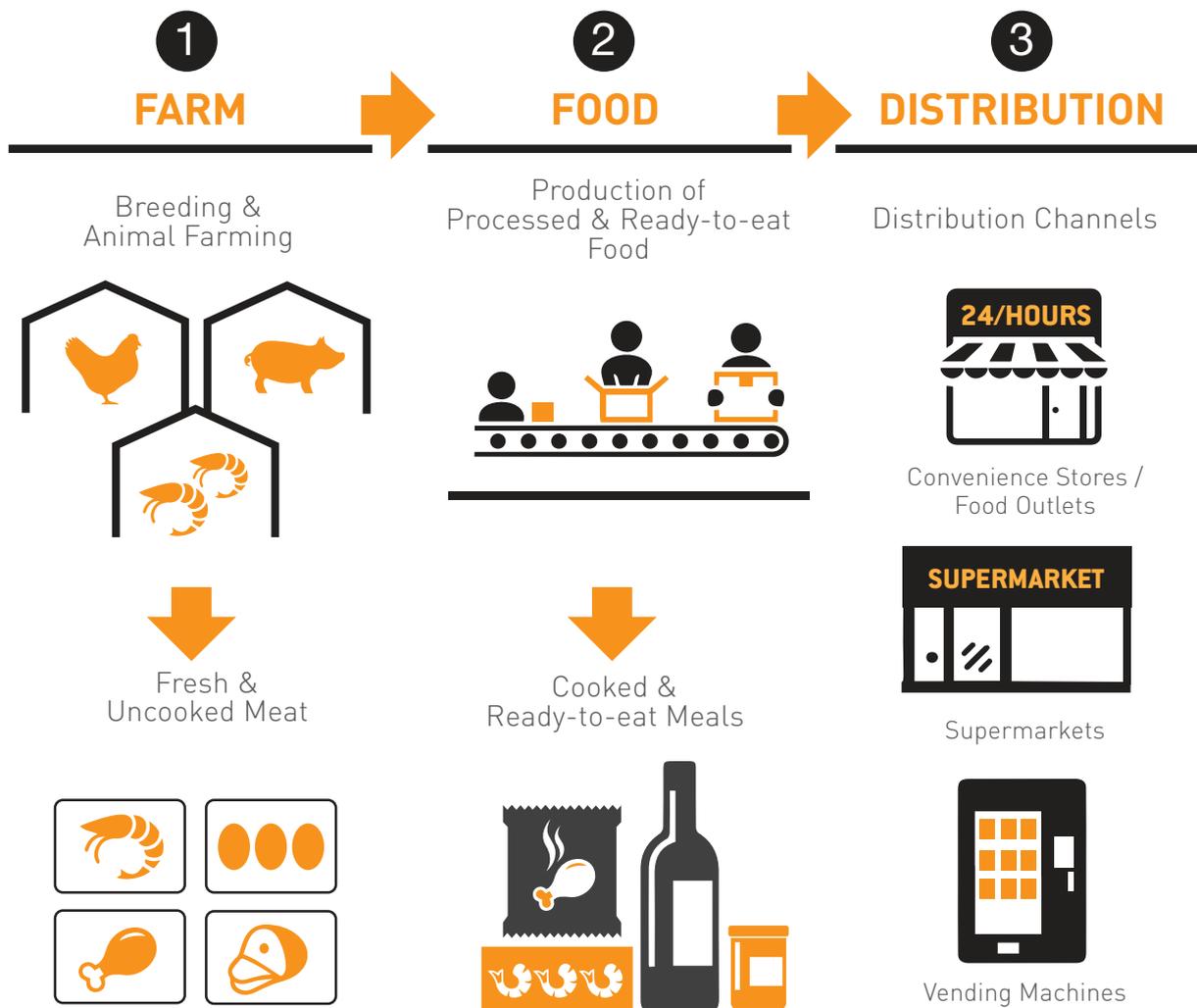


For markets like Thailand and Taiwan, it is crucial to focus on offering local cuisine at competitive pricing when positioned against other food services outlets



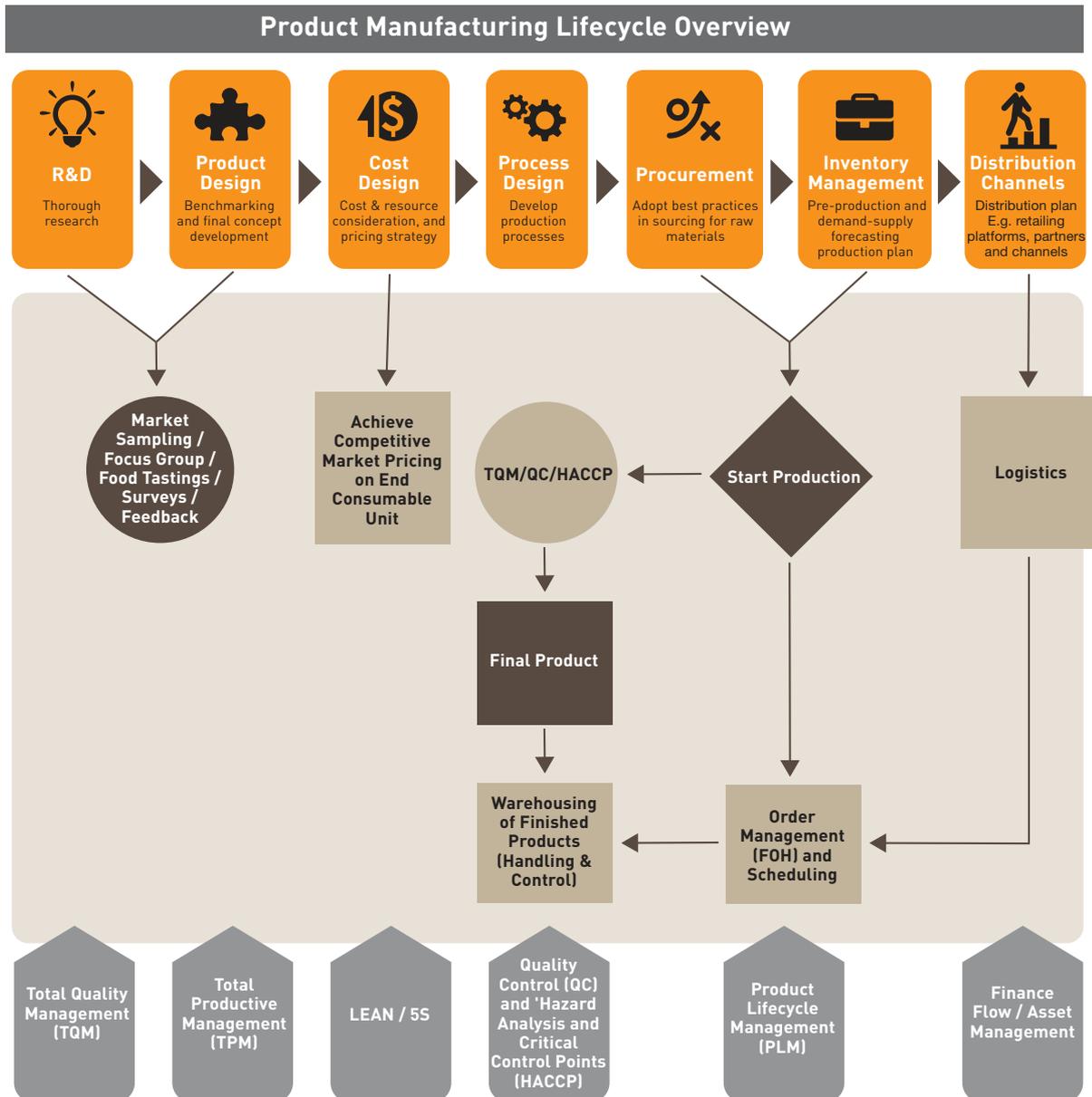
Effective marketing strategies are critical to driving sales. Eg. Marks & Spencer bundles ready-meals with wine and packages it as “Dine In For Two At \$10, With Free Wine”, making it a more affordable treat than dining out

Overview of the ready-meals



Typical production process of ready-meals

Process Flow of Ready-Meals Production





Considerations for entry into the ready-meals market

Substantial investment is required to develop facilities, conduct R&D and acquire necessary certifications



Enterprises with larger production capabilities are likely to have added advantage when making an entry into ready-meals production



Food services outlets and retailers with strong popular brands but without the production capability can consider outsourcing the production of ready-meals to existing ready-meals providers



How SGPC can help

SGPC has various solutions targeted at boosting productivity and building capabilities for businesses in the Food Services sector. Together with Enterprise Singapore, companies can tap into various assistance schemes that cover areas such as central kitchen implementation, automation, shared services and workflow redesign.

Productivity Improvement Programme Partners



The Singapore Productivity Centre (SGPC) is a one-stop competency centre that is endorsed by the National Productivity Council.

The mission of SGPC is to drive enterprise productivity for sustained growth and competitiveness. It focuses on the retail, food services and hotel sectors.

SGPC provides a comprehensive range of services and solutions to help enterprises effectively, including in-depth productivity consultancy, conferences and workshops on productivity-related topics, benchmarking and applied research.

With the formation of SGPC, companies in the retail, food services and hotel sectors can now approach a single centre for expert productivity assistance.

Over the last three years, SGPC has assisted over 1,000 companies through productivity improvement projects, productivity training programmes, conferences and workshops.

Through its activities, SGPC hopes to demystify the concept of productivity thereby promoting better understanding of its measures and how to improve productivity in the organisation.

For more information
visit www.sgpc.sg



Enterprise Singapore is the government agency championing enterprise development. Its vision for Singapore is a vibrant economy with globally competitive Singapore companies.

International Enterprise Singapore and SPRING came together on 1 April 2018 as a single agency to form Enterprise Singapore. Its mission is to grow stronger Singapore companies by building capabilities and accessing global opportunities, thereby creating good jobs for Singaporeans.

The agency works with committed companies to build capabilities, innovate and internationalise. It also supports the growth of Singapore as a hub for global trading and startups. As the national standards and accreditation body, Enterprise Singapore builds trust in Singapore's products and services through quality and standards.

For more information
visit www.enterprisesg.gov.sg



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