

CASE TWENTY-TWO

The Food Court Industry in Singapore

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Case Objectives

- To explore the basic process of strategic marketing and its implementation.

Case Synopsis

- The food court industry in Singapore was set up in the 1980s to provide Singaporeans with local fare in a clean, air-conditioned environment. The food courts were mostly found in the central business area and entertainment hubs in Singapore, targeting mainly the office workers. Food courts serve as a cheaper alternative to fast-food outlets and restaurants.
- In the late 1990s, food courts expanded to the heartland areas and major market players till now are namely Kopitiam, Banquet, Food Junction and Koufu. Following the Asian economic crisis and SARS outbreak, the food court industry entered a massive consolidation phase and grew.
- In 2006, the various companies entered the China and Indonesian markets, bringing the food court concept to new markets when the Singapore market gradually saturates.

Case Questions and Answers

Question 1

Conceptualize the food market and the food court market. How are the two related?

Where do the revenues come from in the food court business? How can you estimate its potential market?

- The term *market* refers to people with both the desire and the ability to buy a specific product. The food market refers to the consumers who desire and are able to afford to purchase food items while the food court market is specific to consumers who purchase from food vendors in food courts, and is a subset of the food market.

- The food court operator buys/leases space and provides the infrastructure for food vendors or hawkers to rent the space including a kitchen and provide a diverse variety of food. The food court operator earns from monthly rental, and/or a percentage of the vendors' revenue, and usually manages the beverage stall as it offers high profit margin.
- The potential market, from the point of view of food vendors or hawkers, can be estimated as a product of the average number of patrons, the frequency of visit for each patron per year and the average amount spent during each visit.
- The potential market, from the point of view of food court operators, can be estimated as the product of the number of vendors, the average space occupied by each one and the average rental (in terms of rent per square meter or square foot) paid by each one.

Question 2

What are the key trends and developments in the food court business? What are the opportunities and threats?

- From the food court operators' perspective, the key trends and developments in the business consist of new food courts located in the city areas, overseas expansion and catering to the needs of specific ethnic group (Muslims).
- Consumers in Singapore are developing an "eat-out" culture due to their hectic lifestyle, and some of them also treat dining-out with friends and family as a social activity. Health consciousness drives consumers to favor healthier and more nutritious food.
- Opportunities include using different pricing strategies, place utility, special promotions, bringing unique dining experiences and food court concepts, and providing healthier food choices for consumers.
- Threats include strong competition among major players in a saturating market, constant social concern for food safety and also potential political and economical risks in global expansion.

Question 3

What marketing objectives can Kopitiam set for the next few years?

- Marketing objectives are usually set at a functional level and should be specific, measurable, achievable, relevant and time bound.
- Possible objectives could be: (a) to achieve 75% customer awareness of the brand in the China market within 4 years, (b) to make Kopitiam the preferred brand of the heartlanders in Singapore within 4 years, (c) to achieve market share of 70% in the Singapore market over the next five years, or (d) to achieve sales of \$100 million in the Singapore market over the next three years.

Question 4

What marketing strategies, including product development and market development strategies, can Kopitiam pursue to achieve the marketing objectives in (3)?

- The Product-Market Growth Matrix by Ansoff can be used to determine the market strategies that may be adopted. For example, Kopitiam can use product development by launching more types of food court or by offering more variety of food within its current food courts. It can pursue market development strategy by entering more countries with its food court concept.
- Porter's generic business strategy includes cost leadership, differentiation, cost focus or differentiation focus. For example, Kopitiam can pursue broad scope cost leadership by launching large number food courts charging vendors the lowest rent in the market. Kopitiam can also pursue differentiation focus by starting a small number of specialized food courts targeting at very specialized vendors or consumers.
- Other strategies can include market modifications such as finding new users, reaching a new market, or catch a rising trend.
- Based on the objectives set in (3), Kopitiam can adopt market modifications to catch the rising trend of health consciousness among the Singapore consumers and employ market development tactics such as opening more outlets in the China market.

Question 5

How can your proposed strategies be implemented? What areas must you pay particular attention to?

- The implementation phase consists of obtaining resources, designing marketing organization, developing schedules and executing the market program.
- For resources, Kopitiam needs to obtain financial resources, either from internal operations or from external sources such as investors or financial institutions. Kopitiam also needs to acquire human resources by identifying the kind of people it needs and hiring them from various sources such as the open market or educational institutions.
- For marketing organization, Kopitiam can organized itself by functional specialization (different groups doing different tasks such as advertising, selling, marketing research, etc), by market breakdown (different groups taking care of different markets) or by product breakdown (different groups responsible for different types of food courts).
- For schedules, Kopitiam needs to identify main activities needed to achieve its objectives, set the timing for these activities and identify people who can oversee these activities.
- For the overseas expansion, Kopitiam has to pay particular attention to market research, and understanding consumer trends in new markets so as to develop appealing food court concepts and reduce the potential risks of political and economical instability.
- For the local market, Kopitiam should pay attention to modify marketing mixes to retain existing customers and attracting new users.