Singapore Food and Beverage Market

The Allure for New Zealand Exporters

Southeast Asia
Centre of Asia-Pacific Excellence

Table of contents

Introduction and background

Often touted as the 'Gateway to Asia', Singapore has captured the attention of New Zealand food and beverage exporters looking for new overseas markets. Roughly 374 times smaller than New Zealand, Singapore has very limited natural resources, which means that it imports more than 90% of its food (Singapore Food Agency, 2021). What Singapore lacks in land area is quickly made up for by its advanced infrastructure, world-leading IT industry, and innovative culture. With one of the world's busiest shipping hubs, Singapore is highly connected to the rest of the world, which is one of the reasons multinational businesses choose to set up their headquarters in Singapore.

This report gives insights from professionals and leaders in diverse industries, including innovation and technology, food and beverage, and trade. These insights can help us understand the cultural, financial, and regulatory differences that make internationalisation challenging for smaller countries such as New Zealand. Being physically present in Singapore helped us research the realities of this market, providing insights we otherwise would not have gained and prompting discussions about what unique products or services New Zealand can provide for Singapore.

This report explains why Singapore is an appealing export destination for New Zealand companies. It also covers the niche opportunities for New Zealand food and beverage (F&B) exporters created by the increasing number of affluent consumers in Southeast Asia (New Zealand Trade & Enterprise [NZTE], 2022). We also discuss the barriers to entering the Singapore market, highlighting the importance of market research to ensure business investments are worthwhile in the highly competitive F&B market. Finally, we highlight several opportunities for New Zealand businesses in Singapore's F&B market, based on Singapore's 30 by 30 goal and sustainability efforts.

Appeal of the Singapore market

Size and location of Singapore

Sometimes referred to as one of the easiest countries in which to do business (The World Bank, 2019), Singapore has become a hub for business and innovation in Southeast Asia. Multiple non-stop flights from Auckland to Singapore are scheduled every day, and the country's central location in the middle of the ASEAN region means visiting nearby markets is cheap and accessible. For travel within the country, the transportation systems are reliable and efficient with Singapore's MRT (Mass Rapid Transit) train and bus network spanning the entire island. Tensions between China and United States have also encouraged companies to base themselves somewhere politically neutral like Singapore.

Business in Singapore

In 2019, the New Zealand-Singapore Enhanced Partnership was signed to provide further benefits to the two nations. This was the second trade agreement after Singapore's first bilateral trade agreement with New Zealand was signed in 2001 (New Zealand Ministry of Foreign Affairs & Trade [MFAT], 2020). Due to COVID-19 and the subsequent closing of borders in both countries, the benefits of the recent trade agreement are yet to be realised.

The new agreement has extended business stays from 30 days to 90 days and improved access at the border for both Singaporeans and New Zealanders. There are also several advantages for F&B businesses, including a Science, Technology and Innovation Arrangement, cooperation on developing international food standards, and a Partnership for Growth Arrangement. The latter helps businesses build their foundations in Singapore by connecting New Zealanders to the vast food ecosystem in Singapore (for example, organisations such as FoodPlant, Innovate360, and Singapore Food Manufacturers' Association).

Many international businesses choose to set up their headquarters in Singapore because of the favourable tax laws, the ability for foreigners to wholly own the shares in a company that has been incorporated in Singapore, and the country's generally robust economy. Unlike other Southeast Asian countries where corruption is rife, Singapore has very low corruption and bribery is not tolerated.

Consumers in Singapore

As of 2019, the World Bank ranked Singapore as the second most business-friendly country in the world (second only to New Zealand). Consequently, Singapore is home to a highly skilled working population and has a large expat population, which makes up nearly 30% of the total population. The four official languages – English, Mandarin Chinese, Malay, and Tamil – are only a glimpse of the diversity of Singapore. As of 2021, Singapore has a high GDP per capita of US$72,794. With purchasing power parity considered, Singapore is the second richest country in the world.

In terms of food and beverage consumption, there is generally wide acceptance of new products in the market, as most of Singapore's food is imported. With globalisation and interconnectedness via the internet, Singaporeans are increasingly aware of new food trends and international flavours that they would like to see in their supermarkets. Consequently, brand loyalty is low among Singapore consumers as there are always many options available from all over the world.

High disposable incomes also mean that Singaporeans are willing and able to purchase premium and ultra-premium food products with increasing demand for health-focused and functional foods. A difference in how food is consumed in Singapore compared to New Zealand is the presence of many hawker centres that house multiple vendors selling freshly cooked, relatively cheap meals.

New Zealand food and beverage companies in Singapore

Meat and dairy are the primary New Zealand F&B exports to Singapore (NZTE, 2022). Other quintessentially Kiwi products include honey, wine, apples, kiwifruit, and seafood. Recognisable brands include Anchor (Fonterra), Zespri, Whittaker's, and New Zealand Natural. These brands appeal not only to Kiwi expats living in Singapore but also to Singaporeans who recognise these high-quality New Zealand brands.

Latesha Randall, the co-founder of Raglan Food Co, explained in an interview that they chose to export their line of coconut yoghurts to Singapore because they identified that there was a demand for dairy-free yoghurt with minimal competition – only soy-based products are available there. Randall said they were also very aware of Singapore's demographics. The country has a large number of expats and wealthy consumers, making it a great opportunity for their premium coconut yoghurt products that sell for around NZ$12.50/700ml.

Having contacts in Singapore also helped Raglan Food Co, as they were referred to a distributor, who explained that distribution within Singapore is easier than in larger countries. Raglan Food Co's range can be found at various supermarkets in Singapore, including Cold Storage, RedMart, Sasha's Fine Foods, Amazon Fresh, Scoop Wholefoods, FairPrice Finest, and Everyday Vegan.

Potential barriers for New Zealand businesses entering the Singapore market

Despite the attractiveness of Singapore for F&B exporters, New Zealand businesses must consider several barriers and drawbacks to entering Singapore's F&B market. Singapore's F&B market is highly competitive, and its fast-moving trade environment is especially difficult for New Zealand to enter.

New Zealand is known for its ease of doing business, 'clean-green' sustainability focus, and premium F&B products. Competing in global markets alongside much larger economies, New Zealand has always punched above its weight. However, New Zealand cannot continue to rely on its reputation alone.

Additionally, the long-lasting impacts of COVID-19 on New Zealand's economy caution against high dependence on international trade. The following section aims to highlight the realities of entering the Singapore F&B market.

High costs

The cost of both entering and operating in Singapore is extremely high, which is challenging for smaller economies such as New Zealand. Known as the hub of Southeast Asia and a key trading partner for many large countries, Singapore has one of the busiest and most effective ports in the world. As a result of global connectivity, Singapore has been crowned 'Best Global Seaport' twice consecutively in recent years and the 'Best Seaport in Asia' for the thirty-fourth time (Maritime & Port Authority of Singapore [MPA], 2022). Singapore's strategic location, long trading history, and strong connections to Asian markets make it a preferred port for maritime companies and expanding businesses (MPA, 2022).

While the efficiency of Singapore's ports allows for highly effective and quick trade, it increases the demand for port usage, and in turn increases costs for users. Singapore is taking advantage of the demand for its ports, charging premium fees for those wanting to import and export to and from Singapore and surrounding Asian markets. In January 2022, Singapore also increased their port charges for cargo and passenger ships staying between two and four days by 6%, further increasing the cost of transit through, and trade to and from Singapore (Mohindru, 2021).

High port usage costs and tariffs, in conjunction with the costs of selling products in a supermarket, make entering Singapore's F&B market expensive. For two decades, New Zealand's supermarket sector has been a duopoly, dominated by Foodstuffs and Woolworths. To compare, Singapore's supermarket sector is oligopolistic with several chains, including NTUC FairPrice, Dairy Farm Group, and CMM Sheng Siong. Together, these providers produce more than ten different supermarket brands. In addition, Singapore's vast quick commerce supermarket sector has over 15 online supermarkets and food delivery services (Rajasegran, 2023).

The sheer range of products that Singapore consumers can access is astounding. However, with Singapore importing over 90% of food consumed, shelf-space is highly competitive (Rajasegran, 2023). New Zealand has a strong presence in supermarkets such as Little Farms, which predominantly stocks premium products targeted at expats and consumers with higher expendable income. However, Little Farms has less than 5% market share (Rajasegran, 2023).

To maximise the number of consumers reached, New Zealand businesses would need to expand further, which can be expensive. The following table is an estimated summary of the costs associated with entering and operating in the Singapore supermarket sector.

Table 1: Estimated Supermarket Pricing Overview (Lim, 2023)

Task	Estimated Cost
Opening Account	S$2,000 + GST
Listing Fee	S$80 per SKU* (decreases with number of SKU) x number of stores + GST
Marketing Costs	Usually charged by maximum of proposed budget
Shelf Display Space	S$2,000 per store
Fucoids	Sold as food or food ingredients
Net Profit	Needs to be upwards of 30% for a chance to be considered/to enter the market

*Stock Keeping Unit

Labour shortages

With a population of over five million, Singapore has limited labour resources. Singapore's small population creates challenges associated with staffing shortages, sourcing talent, and the costs of limited available labour. New Zealand, with a very similar population size (only a few hundred thousand people less than Singapore), has similar issues.

Two key drivers of Singapore's economy are the innovation and technology sectors, with heavy government investment in both. This has resulted in a higher than ever demand for highly skilled labour (Ng, 2022). Limited by an already small population, Singapore is also affected by its reliance on foreign talent. As a result of the COVID-19 pandemic, Singapore, like many other countries, is facing a drastic labour shortage. When borders closed, Singapore was forced to rely on its domestic workforce alone. The labour shortage also means high-skilled workers can demand higher wages, increasing costs to businesses (Ng, 2022).

In 2022, employment agency Manpower Group identified that Singapore had reached an 84% shortage of talent, with 75% of employers reporting difficulty finding the employees they needed (MG, 2022). The issue is not only finding talent but also retaining it. As a result, companies in Singapore are enhancing employee benefits, including mental health support, bonuses, flexible working hours and more (Ng, 2022). As employees demand more benefits, the cost of hiring rises.

The labour market remains one of Singapore's weak points, despite the key opportunities it provides. Although upskilling is a focus for employees, restrictions on foreign labour are tightening, potentially increasing staff shortages in already heavily affected sectors (Singapore Economic Development Board [EDB], 2023). With reduced available labour and high wage/employee retention fees, the costs to enter the Singapore market are high and rising.

High levels of competition

The benefits of the F&B market in Singapore are countless, and the country's reputation is highly regarded. It has retained its position as the world's leading business environment for the 15th consecutive year. It received perfect scores for policy on foreign investment, foreign trade, and exchange controls, and it has the highest scores for technological readiness (EDB, 2023). However, these benefits make Singapore an attractive market for all competitors, with big companies from larger countries also identifying Singapore's potential.

New Zealand's relationship with Singapore is strong, with several free trade agreements and partnerships. However, New Zealand businesses cannot rely on these ties alone to compete effectively in the market. Countries like Malaysia, China and the US are all major trading partners for Singapore, and they are far larger than New Zealand in size, economy, and political influence. Within New Zealand, small businesses represent 97% of all firms (New Zealand Ministry of Business, Innovation & Employment [MBIE], 2022). This impacts New Zealand's ability to compete in international markets, where competitors are likely to have a wider influence, more resources, and added financing. As a result, New Zealand needs to promote its unique advantages for Singapore's F&B market, which other countries cannot offer.

To enter the market, Peter Kempt of MFAT (2023) says that most F&B companies will need a twelve-month ‘runway period’ to get their product/brand off the ground in Singapore. Unfortunately, it is far more challenging for smaller companies to survive this period, due to the high levels of capital, investment, and time required. High levels of competition in this market also impact resource availability. For example, cold storage is a requirement for most F&B companies to keep products safe and fresh for consumption in Singapore’s hot climate. Competition for limited cold storage facilities may therefore be a barrier.

Surrounding markets

Singapore is often referred to as the ‘gateway to Asia’, located in the heart of Southeast Asia and the wider Asia-Pacific region. Singapore’s reputation as an innovation hub, global financial centre and a ‘mixing pot of cultures’, is well respected in surrounding Asian countries. With the rest of Southeast Asia in close proximity and a diverse consumer profile, Singapore is often treated by F&B companies as a ‘test market’ for their products, before expanding into surrounding markets (NZTE, 2022). This allows companies to test their products on a diverse range of consumers and demographics, all in one market. This in turn, identifies other Southeast Asian markets in which a company’s product may potentially be successful.

Singapore has many similarities with other Southeast Asian countries, but there are also many dissimilarities that are often not considered. Each of the surrounding markets is highly diverse, with differences in language, cultural customs, regulatory requirements, political climates, and so on. Consumers in these markets also vary in their expendable income and purchasing preferences. This means product/brand success in Singapore does not guarantee success in other Southeast Asian markets.

This is not to say that Singapore does not provide ideal grounds for testing product success. With a diverse population, heavy government investment in innovation, and technological advances in the food and beverage space, Singapore has many opportunities. However, companies must be aware that a high level of investment and market research is required to successfully enter different ASEAN markets. Companies need to know the market, understand what they can provide the market that others cannot, and identify how a relationship can be established, to enter the market effectively.

Opportunities for New Zealand food and beverage businesses

Based on the insights in this report, we have evaluated three opportunities that attract New Zealand businesses to the Singapore market.

Using New Zealand's indigenous intellectual property to solve health and wellness problems for the Asian consumer

Singapore, as well as the wider Asia region, has had a growing demand for health and wellness in recent years with an increase of 11% between 2019-2021. The demand for vitamins increased 13% from 2019-2021.

This increase is driven by rising awareness of preventive health measures and an ageing population. For instance, four out of five over-65 year olds have osteoporosis, low muscle mass, lack of protein, and malnutrition (Hunt, 2023). Current supplements sold in Singapore include herbal remedies, red ginger, turmeric, and ginseng.

There is an opportunity for New Zealand businesses to partner with iwi to develop products and technologies that can address these health concerns by using mātauranga Māori. There is a high similarity between traditional Asian and Māori medicine. Because Singapore is a compact, yet highly diverse country with three significant ethnicities (Chinese, Malay, and Indian), it can be a convenient testing ground to understand the probable uptake of potential technologies by Asian consumers.

This research can help determine the best markets for a product beyond Singapore, based on the feedback from consumers.

For expansion into other Asian countries, Singapore can serve as a highly strategic base market. Its proximity to other markets, high-tech ports, and the potential to develop partnerships with locals who understand the cultural and social differences of neighbouring markets are huge advantages.

However, Singapore has significant cultural and social differences compared with neighbouring markets in terms of doing business, language, food, and religion. For example, requirements for Halal certification are different in each market. A strong local partner that understands these differences will increase the speed to market and chances of sucess for New Zealand businesses.

Plant-based and animal-free technologies

Singapore imports 90% of its food due to a lack of land and resources to produce their own food. This makes them extremely vulnerable to natural disasters. The Singapore government has introduced an initiative to produce 30% of their own food by 2030 to help mitigate this risk.

This strategy has led Singapore to become a hub for 'animal-free' technologies that require less land to produce food. Technologies such as precision fermentation, cellular agriculture, and vegetable-based formulations all enable the production of animal-based food sources like dairy and meat without farming animals. For example, Shiok Meats produces meat in a lab using cells, and Shandi Global uses vegetable protein and a novel process to extrude 'chicken'. Larger co-operations like Oatly are also utilising Singapore as a hub.

On the other hand, despite a focus on these technologies, animal welfare is a low priority for Singapore consumers. The ethics of eating animals is generally not challenged. However, this view is starting to change in younger generations.

New Zealand has an opportunity to develop technologies to support plant-based and animal-free technologies. Technologies could include a unique ingredient (such as seaweed) to assist in the production of 'animal-free' dairy and meat that meets customer expectations and processing equipment to enable efficiencies.

New Zealand has a long history of producing premium dairy and meat for the world, all the way from farm to plate. This reputation can help New Zealand businesses enter Singapore with new animal-free products.

Introducing innovative and sustainable packaging solutions to Singapore

Currently, consumers in Singapore do not value sustainability over convenience and price. Value for money is very important to consumers and therefore if a sustainable option costs more, they are unlikely to want to pay for it. Single-use plastic is still highly prevalent in Singapore and a significant part of daily living. For example, consumers like receiving plastic bags when they buy things so they can reuse them for collecting rubbish at home.

The government has an initiative to reduce landfill waste by 30% by 2030. This is on top of their existing target to achieve a 70% overall recycling rate by 2030 (Singapore Ministry of Sustainability and the Environment, n.d.). Singapore Food Manufacturers Association (SFMA) has expressed interest in learning about sustainable packaging options and potential collaboration with New Zealand. Singapore is only starting to learn about sustainable packaging, and this presents an opportunity for New Zealand.

Sustainable technologies and solutions could include:

- Helping to implement return schemes, like the one recently introduced by Pic's Peanut Butter for their jars
- Completing recycled plastic solutions (using recycled plastic to produce new packaging and providing return schemes)
- Home compostable solutions.

Conclusion

The Singapore market is an excellent choice for New Zealand F&B businesses looking to expand. Among Singapore's many advantages are its cultural diversity, efficient ports, and world-leading innovation and technology sectors. The strong relationship between the two nations is reinforced by similar population size, ease of doing business, and political partnerships.

The COVID-19 pandemic has prompted a major shift towards health-focused spending and the development of sustainable food and waste policies. This increasing demand provides significant opportunities for New Zealand and its F&B market in particular.

This report highlights the opportunities in Singapore for New Zealand F&B companies, as well as the realities and challenges of entering a competitive market. Exploring potential opportunities for New Zealand in the Singapore market, considering their present and future goals, and what New Zealand uniquely has to offer, we suggest several potential opportunities: utilising New Zealand's indigenous IP, developing animal-free technologies, and introducing sustainable packaging solutions.

Report written by:

Mrinali Kumar
Massey University
Master of Food Technology

Kate Mori
Massey University
Bachelor of Food Technology with Honours

Laura Pattison
Victoria University of Wellington
Bachelor of Commerce

Academic mentor

Dr Fandy Tjiptono
Associate Professor, Marketing and International Business
Victoria University of Wellington

References

Hunt, V. (2023, February, 20). *Pandemic learnings*. [Presentation]. Tertiary Market Immersion Programme Singapore.

Kempt, P. (2023, February, 20). *Market conditions Singapore*. [Presentation]. New Zealand Ministry of Foreign Affairs and Trade.

Lim, G. (2023, February, 20). *Costing of Singapore market*. [Presentation]. Singapore Business Federation.

Manpower Group. (2022). *Singapore's 2022 talent shortage*. https://go.manpowergroup.com/hubfs/Talent%20Shortage%202022/MPG_2022_TS_Infographic-Singapore.pdf

Maritime and Port Authority of Singapore. (2022). *Global connectivity*. https://www.mpa.gov.sg/maritime-singapore/what-maritime-singapore-offers/global-hub-port

Mohindru, S. C. (2021, April, 12). *Singapore port change hike to boost quicker movement; maritime expenses up in pandemic.* S&P Global Commodity Insights. https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/shipping/041221-singapore-port-charge-hike-to-boost-quicker-movement-maritime-expenses-up-in-pandemic

New Zealand Ministry of Business, Innovation and Employment. (2020). *Small business in New Zealand*. https://www.mbie.govt.nz/business-and-employment/business/support-for-business/small-business/

New Zealand Ministry of Foreign Affairs and Trade. (2020). *CEP overview*. https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-singapore-closer-economic-partnership/cep-overview/

New Zealand Trade and Enterprise. (2022). *Singapore's food and beverage retail sector.* https://my.nzte.govt.nz/article2/singapores-food-and-beverage-retail-sector

Ng, A. (2022, June, 6). Huge pay bumps and flexible work policies: How Singapore companies are fighting the war for talent. *CNBC*. https://www.cnbc.com/2022/06/07/singapore-jobs-companies-fight-for-talent-in-tight-labor-market.html

Rajasegran, K. (2023, February, 20). *E-Commerce opportunities (Singapore)*. [PowerPoint slides]. Business Engineers Asia Limited (Singapore).

Randall, L. (2023, April, 25). *Reasoning behind choosing Singapore as an export destination*. [Email Interview]. Raglan Food Co.

Singapore Economic Development Board. (2023, April, 14). *Singapore still leads the way as the world's best place to do business.* https://www.edb.gov.sg/en/business-insights/insights/singapore-still-leads-the-way-as-the-worlds-best-place-to-do-business.html?cid=soc-li-eiuranking-bau-cotnt-202304-nil-na:na:ae:na:at:ct:sy&utm_medium=soc&utm_source=linkedin&utm_content=-sgbrand-aware-notapplicable-article-customer-syndicated

Singapore Food Agency. (2021). *Singapore food statistics 2021*. https://www.sfa.gov.sg/docs/default-source/publication/sg-food-statistics/singapore-food-statistics-2021.pdf

Singapore Ministry of Sustainability and the Environment. (n.d.). *Clean Land*. https://www.mse.gov.sg/policies/clean-land

The World Bank. (2019). *Ease of doing business rank*. https://data.worldbank.org/indicator/IC.BUS.EASE.XQ

cape.org.nz