# SHENG SIONG GROUP LTD.

## INFLECTION POINT FOR A GREAT PERFORMER

APRIL 2025

CORPORATE MONITOR LIMITED

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## OBJECTIVES OF THE REPORT

We analysed Sheng Siong's success over the years to see what its secret sauce is and what made the retailer so successful. It has punched its weight above its competitors with a set of strong financial metrics. Its ability to generate free cash flow and achieve a high return on equity are truly impressive.

However, Sheng Siong is at an inflection point now as its revenue and net profit have stagnated since the pandemic. Moreover, there are new threats emerging which threaten the retailer's dominant position and could negatively impact its business in the coming years.

At the same time, we also looked at several corporate finance and corporate governance issues to see if the company can do better. This report makes suggestions on how corporate governance can be improved and provides recommendations on remuneration policies and disclosures that will assure shareholders that management's interests are aligned with theirs.

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## EXECUTIVE SUMMARY

We have great admiration for Sheng Siong. It has become Singapore's most successful supermarket chain since its humble beginnings in 1985. Following its listing in 2011, the group has delivered impressive returns to investors. Its share price grew at a compound annual growth rate (CAGR) of 12.7% per annum over the past 14+ years. This is thanks to its robust financial performance, with consistently strong revenue and profit growth, on the back of increasing gross and net margins. So strong is the cash flow that Sheng Siong has S$353.4 million of cash on its balance sheet as of December 2024. Sheng Siong also stands out among companies listed on Singapore Stock Exchange (SGX) with its consistently high returns on equity (ROEs), averaging well over 20% over the same period.

Compared against its peer group regionally and globally, Sheng Siong outperforms much larger companies like Woolworths, Tesco and Lotte based on ROE, net margins and financial stability. In fact, Sheng Siong's net margin of 10% is way above its peers' 3-4%.

After a strong COVID boost in 2020, when lockdowns increased demand for groceries and consumables, Sheng Siong is experiencing stagnant revenue and profit. From 2020 to 2024, revenue and net profit growth stagnated with revenue growing at a CAGR of just 0.6% while net profit saw a negative CAGR of 0.2%. Meanwhile, with a burgeoning balance sheet and the group's foray into property over the past few years, ROE has started to decline from the high of 37.2% in 2020 to 25.7% in 2024.

Like other retailers, Sheng Siong faces multiple challenges and threats. One is stiff competition from e-commerce platforms, which are increasingly targeting grocery and even fresh foods. The trend had already started prior to COVID in 2020, but the lockdown measures likely accelerated online penetration. Even offline competition has grown more intense. New supermarket chains selling Japanese, Korean and Chinese grocery are expanding quickly in Singapore, given the shifting consumer trends and the continued immigration. This is compounded by potential revenue leakage as budget conscious shoppers, who form the base of Sheng Siong customers, go across to Johor Bahru once the Rapid Transit System link is completed in late 2026.

Sheng Siong is vulnerable because it is still a predominantly Singapore and offline supermarket chain. Singapore is a small market and Sheng Siong is either at or near saturation point in terms of new store openings. This is evidenced by the negative comparable store sales in the last few years, and it is too early to tell if the revival in 2024 has legs. Given the stagnant revenue, continued improvement in gross margin has been a bright spot. The changing mix of product offering towards fresh food is a success, as is the growth of house brands which carry higher gross margins. At 7% of revenue, there is arguably more scope to boost house brands and hence gross margin, given that global peers derive 20-30% of revenues from house brands. However, the increasing cost base has negated the impact of improving gross margin.

Fortunately for Sheng Siong, it has a strong brand name, extensive store footprint in Singapore, sourcing and procurement network globally, and last but not least, strong financial resources. Sheng Siong could emulate its global peers which have developed successful strategies in response to such challenges.

There are two strategic options for Sheng Siong. One is business as usual, which means incremental store openings in Singapore, a tried and tested formula. The second strategic response is to rejuvenate growth, provided such growth could bring good profitability and ROE. Organic expansion in overseas markets, mergers and acquisitions, more progressive online and omnichannel strategy, multiple retail formats etc are all potential avenues. Although they come with execution risks, Sheng Siong could learn from the numerous positive and negative experiences of its peers.

It appears that Sheng Siong has chosen the “business as usual” strategic option. After 8 years, 6 stores in Kunming are the only overseas presence, accounting for less than 3% of revenue. There is no plan to go beyond Kunming and for that matter anywhere outside of Singapore. Despite having started in 2013, online sales are only 1% of total revenues. Neither does it seem keen on mergers and acquisitions (such as the recent sale by DFI of its Cold Storage and Giant business). At past AGMs, management reiterated the need to keep a large cash balance for potential expansion needs, yet did not disclose any strategic plan that may require such a large cash pile.

Business strategy drives corporate finance strategy and together, they have a strong impact on shareholder value. If Sheng Siong concludes that a growth strategy is too risky and it much prefers the “business as usual” approach, it should distribute 100% of profits as dividends. Instead, Sheng Siong has spent S$100 million purchasing commercial real estate for its new stores. While such purchases are still small, it is a major departure from Sheng Siong’s policy of not owning real estate in the past. We believe this has contributed to the lower ROE, and is a disservice to shareholders.

We recommend that Sheng Siong’s management clearly articulate which strategic option it wants. It should then formulate a corporate finance framework to guide its future investment decisions and capital return.

Regardless of its strategic choice, it is timely that Sheng Siong reviews its organisational and governance structures. We recommend specifically that Sheng Siong:

- Formulate a succession plan for key management personnel including the Chairman and CEO. By the company’s own admission, there is no succession plan. As a listed company with such scale, the stakes are high for the family as well as public shareholders. The recent drama at City Developments Ltd is a timely reminder of the importance of having a good succession plan.
- Adopt an executive remuneration structure based on specific performance targets that hold senior management to account. There is no discernible pattern and logic to executive remuneration. For 2024, each of the Lim brothers received a 20% increase in remuneration to S$7m when the group’s net profit inched up by only 2.9%.
- Build up a deep bench of professional management staff in three areas. Firstly, corporate finance, for the reasons discussed earlier. Secondly, Strategy, to evaluate and identify new strategic initiatives to grow the business or to defend its current business. Thirdly, Human Resource, to develop a framework for management and directors’ remuneration structure and instil an appropriate work culture as the company recruits new talents and more professional management.
- Review and make changes to the board’s composition to ensure it is fit for purpose.

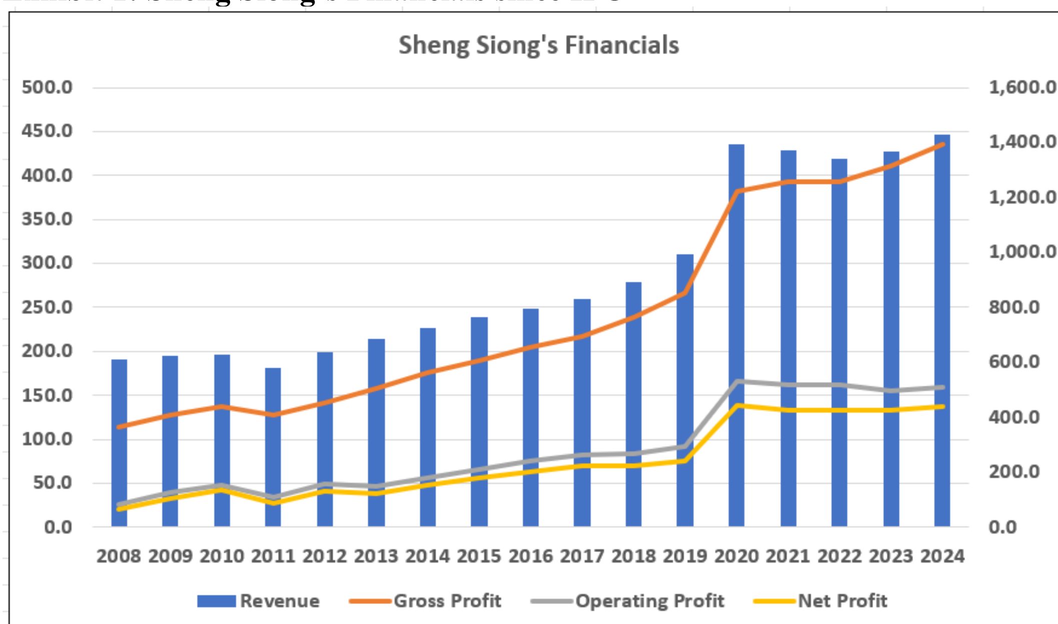
# 1. A SUPER ACHIEVER

Sheng Siong has performed very well since its listing in 2011. It delivered exceptional returns to its shareholders on the back of strong operating and financial performance. Over the last 14 years, capital gain was 397% or a total annual return (including dividends) of approximately 12.5% per annum.

Underpinning the impressive operating results is the growth of both revenues and margins. Revenue more than doubled from S$610.2 million in 2008 to S$1.43 billion by 2024. There was a COVID boost in 2020 but by 2022, revenue growth had stagnated.

Impressively, group operating profit and net profit grew at CAGRs of 12.1% and 12.6% respectively as net profit expanded from a modest S$20.6 million in 2008 to S$137.5 million by 2024, a sixfold increase.

**Exhibit 1: Sheng Siong's Financials since IPO**




Source: Company Reports

## 1.1 Consistent store expansion drove revenue growth

The expansion of Sheng Siong's store network over the years has been a crucial factor in the retailer's ability to drive growth in revenues, thanks to its ability to secure retail spaces within HDB neighbourhoods. Over nearly 17 years, Sheng Siong increased its store count from 22 to 77 as of February 2025. The pace of store opening has been steady, ranging from low to high single digit, and continued even during the COVID years. Sheng Siong's store expansion opportunities are closely tied to the release of new HDB flats. As Singapore extends its HDB flat developments to new areas, Sheng Siong will likely have additional opportunities to secure retail spaces in these emerging regions.

In addition to expanding its store count, the retailer has also invested in upgrading, renovating, and refurbishing its existing locations, thereby increasing floor space and ensuring that the stores remain relevant to customers' needs.

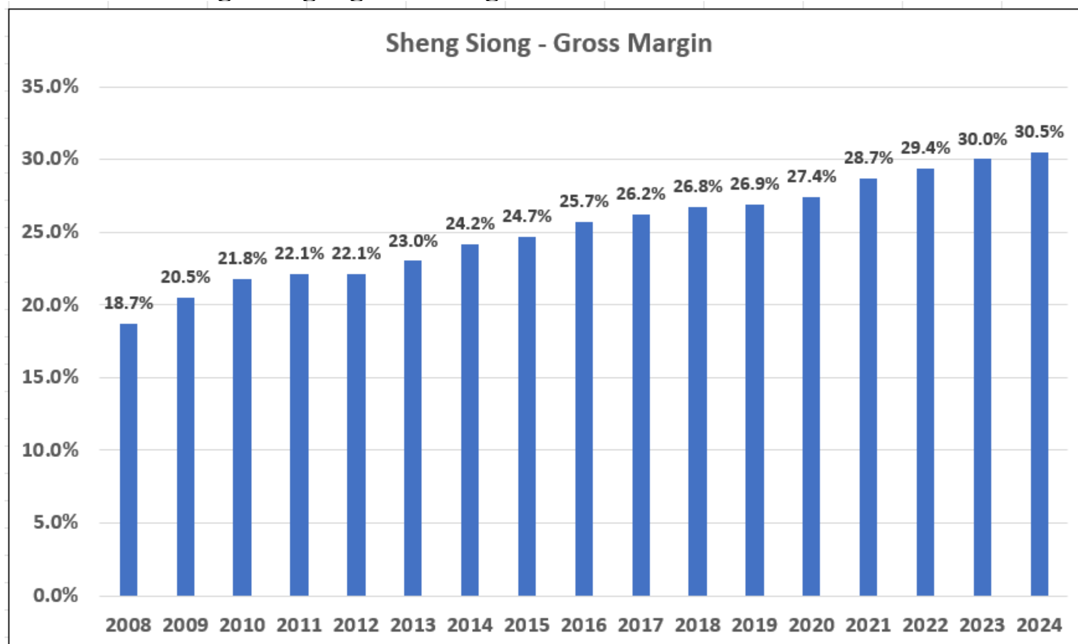
**Exhibit 2: Sheng Siong's Store Count**

Source: Company Reports

## 1.2 Improving gross margins

Sheng Siong's gross profit has outpaced revenue growth, achieving a CAGR of 8.7%, over the past 16 years, helped by rising gross margins. Except for the period between 2011 and 2012, Sheng Siong has consistently increased its gross margin year-on-year.

**Exhibit 3: Sheng Siong's gross margins**




Source: Company Reports

This steady progress in gross margins can be attributed to a few factors:

### 1.2.1 Investment in Mandai Distribution Centre

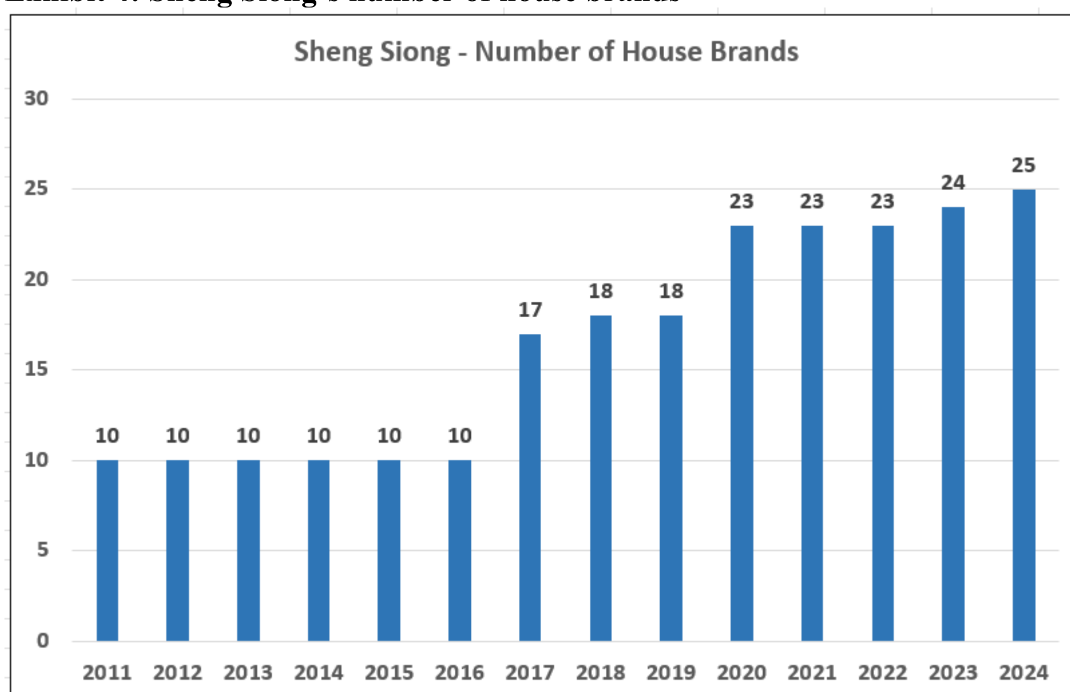
One key reason for the improvement in gross margins was the completion of its Mandai Distribution Centre (DC) in 2011, which increased its warehousing space by 4.5x to 543,000 square feet (sf). This expansion alleviated space constraints and allowed the group to engage in more direct and bulk purchasing, further improving margins. The expanded capacity at the new DC also supported the significant expansion of its stores between 2011 (4 new stores) and 2012 (8 new stores). By 2016, however, the Mandai DC had become too small to accommodate the inventory needs of 43 stores. In 2017, construction commenced on an extension that added another 97,000 sf to the existing warehouse.

### 1.2.2 Shift in sales mix and rise in proportion of house brands

Management has alluded to a shift to higher margin products as a key reason for the improvement in gross margins. The Mandai DC was a key enabler as it allowed Sheng Siong to shift its sales mix towards higher-margin fresh produce and house brands.

From only 10 house brands in 2016, the group ramped up the number of its house brands to 24 over the past 8 years. The range of house brand products at Sheng Siong includes a variety of everyday essentials, such as toilet paper, rice, UHT milk, and mineral water. The rise in inflation has led more consumers to seek out house brand products, which generally offer lower prices while maintaining quality comparable to well-known national brands.

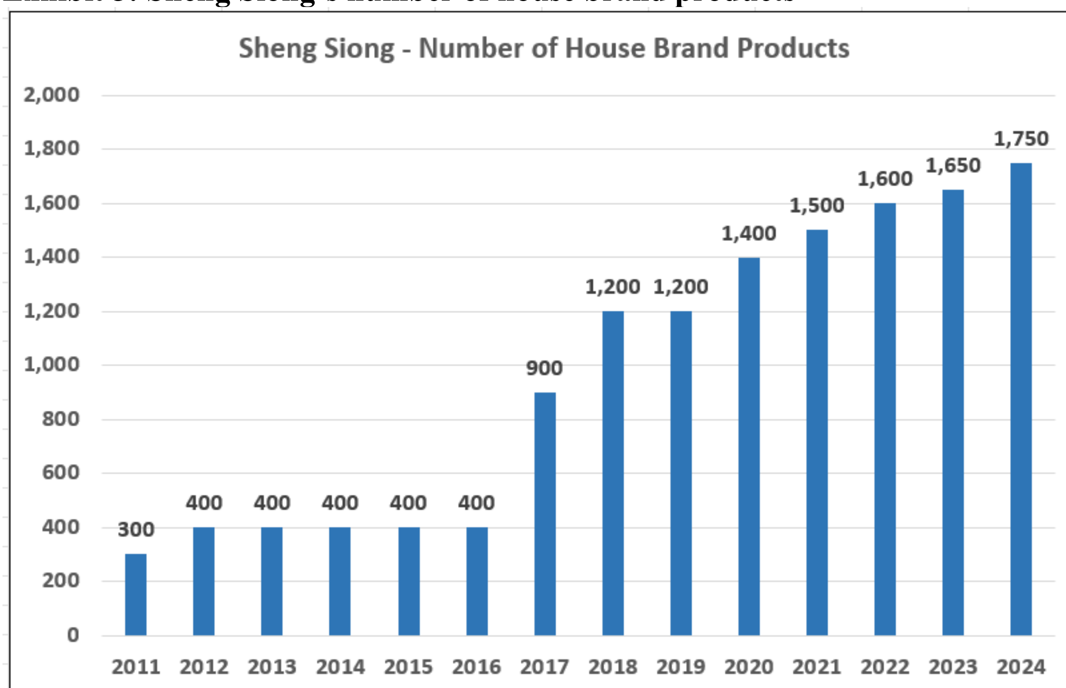
**Exhibit 4: Sheng Siong's number of house brands**




Source: Company Reports

From 2011 to 2023, the number of house brand products grew more than fivefold, expanding from approximately 300 to 1,750, as illustrated in the chart below. The group revealed that house brands contributed about 7% to total revenues for 2023. While still small, the increase in house brands has helped Sheng Siong achieve a steady rise in its gross margin.

**Exhibit 5: Sheng Siong's number of house brand products**




Source: Company Reports

### 1.2.3 Improved inventory management

Sheng Siong also implemented a new inventory management system (dubbed pick-to-light) which is a fast, accurate and cost-effective solution designed to improve inventory management. Leveraging years of industry experience, management requisitioned a tailored system to meet the group's operational needs. The system helped to reduce time required for inventory management and provided real time data on order volumes and productivity metrics. This in turn generated business intelligence to drive inventory management, generating further efficiencies and contributed to the upward trend in gross margins. Better inventory control means less staff are required to conduct periodic stocktakes and to identify potential inventory shortfalls, thus helping to optimise inventory management. The group over the years continued to invest in IT and productivity improvement investments to drive greater operating efficiencies.

### 1.2.4 High employee loyalty leads to productive staff

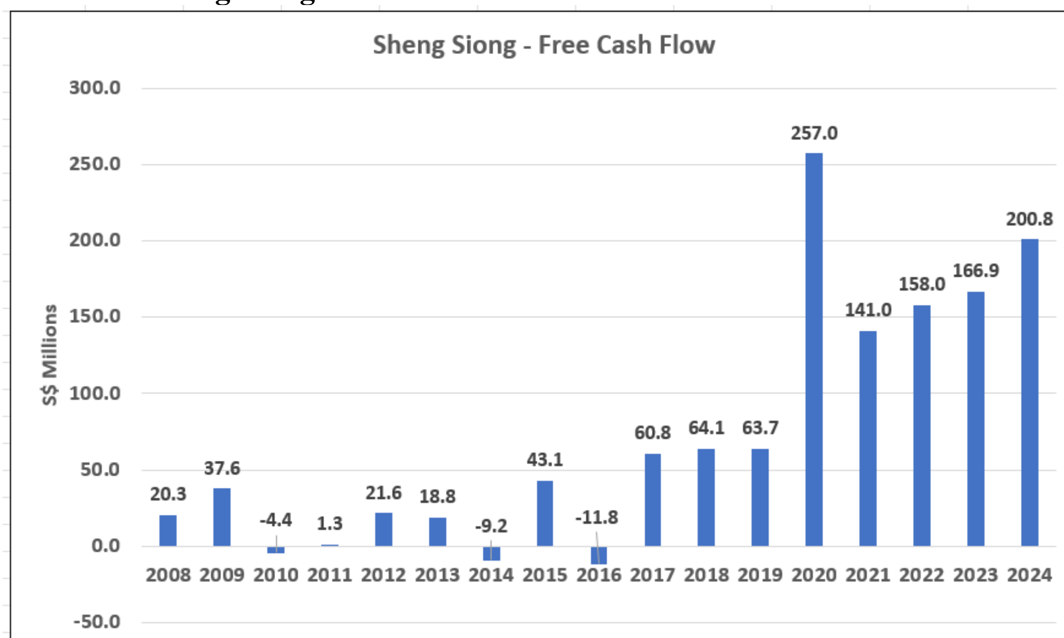
In an industry which is labour intensive, retaining staff and improving productivity are critical. Turnover remains high at 24.3% as per Sheng Siong's 2024 Sustainability Report and therefore improving employee morale helps improve overall productivity.

Sheng Siong adopts a family run approach towards its staff, offering generous compensation when the business performs well. It was reported that the group rewarded staff in 2020 with bonuses that ranged from 4.68 months to 15.72 months. We also understand that Sheng Siong operates a monthly bonus scheme, provides free meals prepared by a central kitchen, and offers long-service awards and bursaries for employees' children. This work culture and environment likely helped to improve employee morale and productivity.

## 1.3 Best in class cashflow generation and return on equity

Since 2008, the group has generated positive free cash flow every year except 2010, 2014 and 2016. The consistent operating cash flow generation, coupled with prudent capital expenditure (capex), has facilitated the robust generation of free cash flow. Free cash flow has risen from a modest S$20.3 million in 2008 to reach S$200.8 million by 2024.

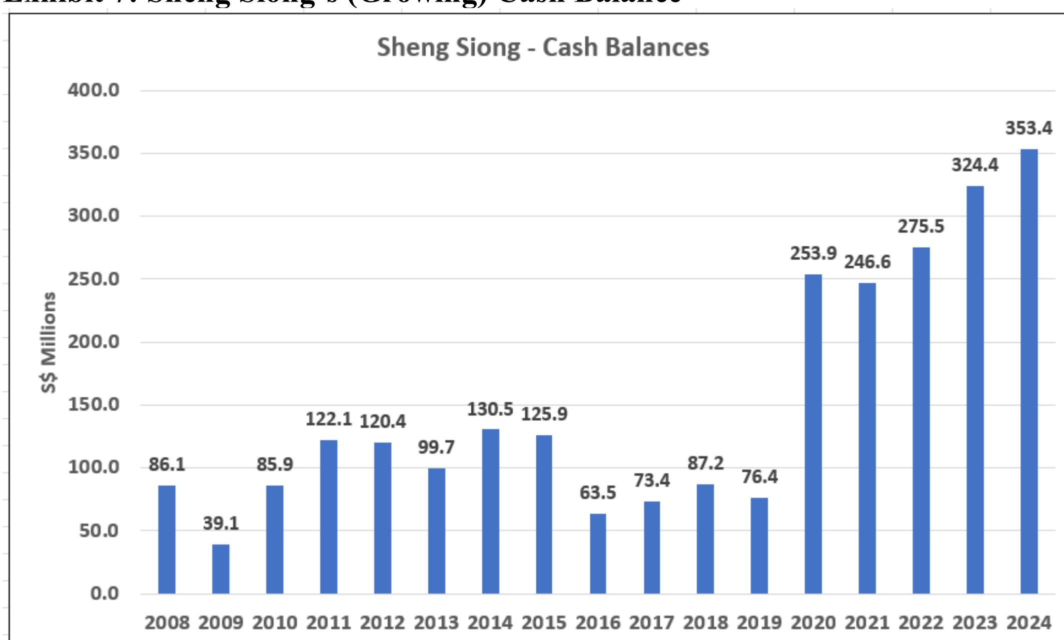
**Exhibit 6: Sheng Siong's Free Cash Flow Generation**




Source: Company Reports

With such strong free cash flow generation, Sheng Siong has accumulated a cash balance of S$353 million as of December 2024, with a dividend payout ratio averaging about 70%.

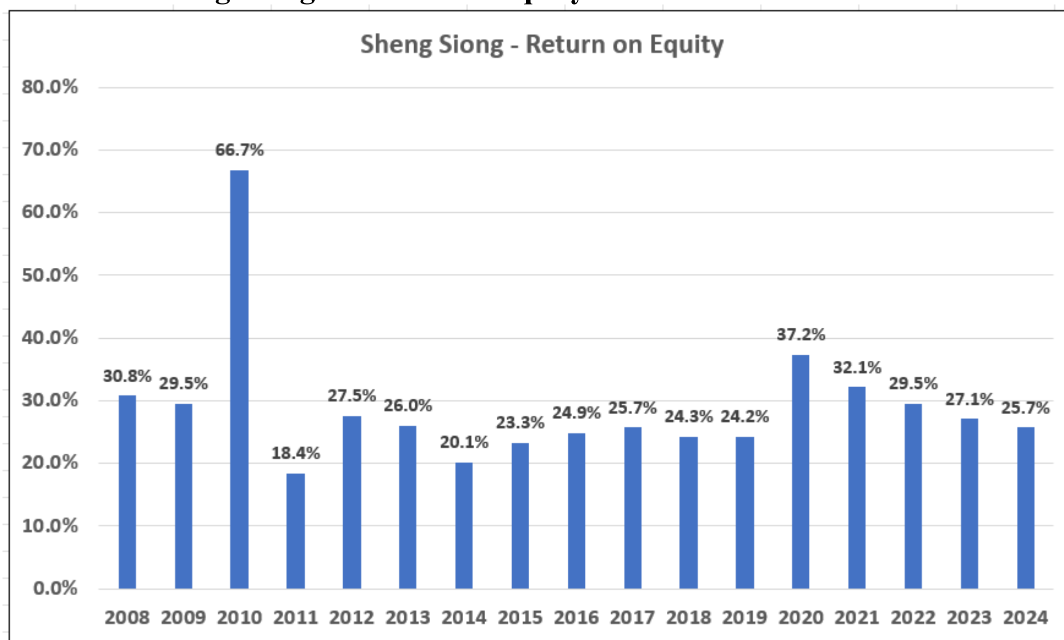
**Exhibit 7: Sheng Siong's (Growing) Cash Balance**




Source: Company Reports

Sheng Siong shines in ROE. Aided by its net margin and strong asset turnover, Sheng Siong's ROE is consistently among the top decile among companies listed on the Singapore Exchange. The average ROE over the 17-year period from 2008 to 2024 was 29%. This is despite a very conservative capital structure; the group has been in net cash position since its IPO in 2011. Had Sheng Siong introduced some debt (which it could easily afford given the strong cashflow generation), its ROE could be boosted significantly.

**Exhibit 8: Sheng Siong's Return on Equity**




Source: Company Reports

## 1.4 Sheng Siong has outperformed local and global competitors

Sheng Siong's operating performance has been ahead of its two main local competitors - **DFI Retail Group** and **NTUC Fairprice**. NTUC Fairprice's retail division saw an average margin of just 1.1% over 2021 to 2023. The ROE during this period was negative, as the division reported more liabilities than assets.

DFI Retail operates across multiple formats, including supermarkets (Cold Storage), hypermarkets (Giant), convenience stores (7-Eleven), health and beauty (Guardian), home furnishings (IKEA), and other businesses (e.g., **Starbucks** franchises) and does not provide details of its supermarket operations. A direct comparison with Sheng Siong is not entirely possible. However, we discuss the local market share dynamics in Singapore in **Appendix B** at the back of this report)

We compared Sheng Siong to other regional and global operators, as shown in Exhibit 9 below. It is important to note that some of the companies included in the list are not "pure" supermarket operators, as they also encompass other retail formats such as hypermarkets and convenience stores. Still, we think the comparison is useful given the large enough sample size here. The results are presented in the table below.

**Exhibit 9: Comparison Against Global Peers**

| Company | Country | Average 3-Year Gross Margin | Average 3-Year Operating Margin | Average 3-Year Net Margin | Average 3-Year ROE |
|---|---|---|---|---|---|
| | | | | | |
| **Sheng Siong** | **Singapore** | **30.0%** | **11.5%** | **9.8%** | **27.4%** |
| | | | | | |
| Carrefour | France | 20.0% | 2.7% | 1.5% | 9.5% |
| Woolworths | Australia | 26.8% | 4.6% | 2.6% | 27.3% |
| Tesco | Great Britain | 6.6% | 4.2% | 1.8% | 8.6% |
| Sun Art | China | 24.6% | -0.03% | -1.0% | -3.4% |
| AEON Co. | Malaysia | No info | 7.2% | 2.8% | 6.3% |
| Lotte Shopping | South Korea | 46.2% | 0.003% | -2.6% | -2.4% |
| Kroger | USA | 22.6% | 3.2% | 1.4% | 19.5% |
| | | | | | |

Source: Company annual reports and websites. ****Note:** The fiscal years from 2022 to 2024 were used for all companies except Kroger where its fiscal 2023 to 2025 were used.

In terms of the three-year average gross margin, Sheng Siong stands out with an impressive average of 30%. The only competitor to surpass this is Lotte Shopping, which reported a gross margin of 46.2%. On operating margins, Sheng Siong's three-year average of 11.5% is substantially higher than the next closest competitor, AEON, at 7.2%. Comparing net margins, Sheng Siong again emerges as the clear leader, with a three-year average net margin approaching 10%. As for ROE, the only competitor to come close is Australia's Woolworths, with a three-year average ROE of 27.3%.

This comparison clearly illustrates that Sheng Siong is an excellent supermarket operator achieving exceptional results across its margin and ROE metrics.

In fact, so far ahead is Sheng Siong against its international peers that one might ask if the financial statements are accurate. For example, a net margin of 10% in the retail world is easily 3 times better than retailers that are much bigger. In our sample, the next best performer is Aeon with net margin of 2.8%. We are comfortable here as the company has been able to pay out dividends for many years at a 70% payout ratio. The company also maintains a large cash balance with presumably local banks which are tightly regulated by the Monetary Authority of Singapore.

## 2. KEY CHALLENGES & THREATS

As we have discussed thus far, Sheng Siong is an excellent supermarket operator. However, its recent performance has been pedestrian and there are key challenges and threats on the horizon that may hinder the group's future growth. These include increasing competition from e-commerce platforms, shifting consumer trends towards stores with more shopping variety, and potential revenue leakage as budget conscious shoppers go across to Johor Bahru once the Rapid Transit System (RTS) is completed in late 2026. We discuss these challenges below:

### 2.1 Stagnant Revenue and Profit Growth

While Sheng Siong saw impressive revenue growth since its IPO, this has started to slow (admittedly from a high base). Sheng Siong posted strong growth in 2020 when COVID-19 restrictions forced many consumers to stay at home, thereby leading to a sharp increase in grocery shopping activity. However, from 2021, the company struggled to sustain meaningful growth in both its top and bottom lines.

From 2020 to 2024, Sheng Siong's revenue achieved a compound annual growth rate (CAGR) of just 0.6%, while its net profit experienced a negative CAGR of 0.2% during the same period. Free cash flow declined at a CAGR of 6% over this four-year period, and dividends similarly shrank by a 0.4% CAGR.

This subdued performance raises concerns about the sustainability of Sheng Siong's previous growth trajectory. A closer analysis of the components driving Sheng Siong's annual revenue growth presents a better perspective, as illustrated in the table below.

**Exhibit 10: Contributors to Sheng Siong's revenue growth**

| Contributor | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| New Stores* | 2.6% | 2.5% | 2.1% | 2.9% | 10.5% | 10.2% | 10.1% | 4.5% |
| Comparable Store Sales | 1.8% | 0.0% | -4.8% | -4.8% | 29.1% | 0.1% | 1.7% | 2.1% |
| Store Closure | 0.0% | -0.3% | 0.0% | 0.0% | 0.0% | 0.0% | -5.4% | -2.4% |
| China | 0.1% | -0.1% | 0.5% | 0.2% | 1.0% | 1.0% | 1.0% | 0.0% |
| **Total** | **4.5%** | **2.1%** | **-2.2%** | **-1.7%** | **40.6%** | **11.3%** | **7.4%** | **4.2%** |
| | | | | | | | | |
| *New stores also include comparable new stores opened in the previous year | | | | | | | | |

Source: Company reports

It is evident that the primary driver of sales growth has been the opening of new stores. However, new store growth has slowed significantly from 10% in 2020 to 2-3% per year from 2021 to 2024. A saturation point may be upon Sheng Siong as it grows its store count, resulting in new stores cannibalising sales of old stores in the same catchment areas.

The important metric to watch is therefore comparable store sales growth. This was very strong in 2020, when the pandemic gave Sheng Siong a boost due to closure of eateries and work-from-home measures. This metric declined in the next 2 years in 2021 and 2022, likely due to the reversal to the norms in terms of buying habits, as COVID measures were eased and eventually phased out. It remains to be seen if the positive comparable store sales growth in 2024 can be sustained, or is just a temporary bounce.

A negative store sales growth will prompt Sheng Siong to be more cautious in opening new stores. If this is the case, it may also take a longer time for new stores to become profitable, further constraining new store growth.

Sheng Siong could of course continue to grow its gross margin, which has risen by nearly 12 percentage points, from 18.7% in 2008 to 30.5% in 2024. Nonetheless, it is pertinent to question whether there is a natural ceiling to further gross margin improvement, especially since Sheng Siong already has the second highest gross margin against its peer group. That said, there is still no clear sign of its gross margin stagnating.

While its gross margin continues to improve, rising expenses have eroded the company's profitability. Operating and net margins peaked at all-time highs of 12.1% and 10%, respectively, in 2022, but these margins have since declined, as inflationary pressures and higher operational costs have exerted a negative impact. Management has frequently cited challenges in hiring suitable retail staff, along with the persistent upward pressure on rental and salary costs. These headwinds suggest that without effective mitigation strategies, Sheng Siong's operating and net margins are likely to face continued pressure.

## 2.2 The Threat of e-Commerce

E-commerce represents an ongoing and significant challenge to traditional brick-and-mortar retail operations. Key e-commerce players in Singapore including RedMart (operated by Lazada), Shopee (a subsidiary of **Sea Limited**), and Amazon Prime (the e-commerce arm of **Amazon.com**) have been operating in Singapore since 2011.

RedMart, founded in December 2011, has been operating for over 13 years. Shopee, established in 2015, quickly gained traction in the online shopping space, while Amazon Prime entered the Singapore market in December 2017. These e-commerce platforms collectively have an estimated 11% share of the grocery market in Singapore today compared to 7% in 2018.

The COVID-19 pandemic further accelerated the shift toward online grocery shopping. A 2023 survey by RedMart and Lazada, in collaboration with consumer research firm Milieu Insights, revealed that 80% of the 1,000 respondents had shopped for groceries online, with three in five engaging in online grocery shopping at least once a month. This trend is particularly pronounced among younger, tech-savvy consumers, suggesting that the shift to e-commerce will continue to grow and make traditional brick-and-mortar stores less attractive over time.

Although Sheng Siong launched its e-commerce platform, allforyou.sg, in 2013 (subsequently rebranded as Sheng Siong Online), revenue from e-commerce however is still small at 1% of group revenues. Sheng Siong might be missing an opportunity. Supermarkets adopting an omnichannel approach – integrating online and offline channels – often experience synergistic benefits. For instance, retailers like Walmart fulfil a significant portion of their online orders through their physical stores. Sheng Siong's network of stores at convenient locations can allow customers to order online and pick up their groceries from Sheng Siong stores near their homes or MRT stations. This "buy online and pick in store" (BOPIS) method is popular in many countries and can allow Sheng Siong to serve more customers. It also could enable Sheng Siong to better understand its customers' shopping preference. Failure to adapt may result in a significant decline in both sales and customer engagement, presenting a serious challenge to the retailer's long-term success.

## 2.3 Increasing Competition from new offline players

In addition to the aforementioned e-commerce players, Sheng Siong faces increasing competition from more brick-and-mortar retailers entering the same market.

Japanese supermarket chains Don Don Donki and Meidi-Ya have expanded their presence in Singapore, offering a wide range of fresh and frozen foods alongside an extensive selection of Japanese products. Don Don Donki currently operates 17 outlets across Singapore, while Meidi-Ya has two locations at Millenia Walk and Great World City. Scarlett, a Chinese supermarket operator, has also made inroads into the Singapore market, with 37 outlets now in operation. Another new entrant, Hao Mart Excellente, has approximately 30 outlets throughout the island.

Younger, more adventurous shoppers may be attracted to these new competitors, drawn by the diverse range of options they offer. Meanwhile, more affluent consumers may gravitate towards specialised supermarkets such as Huber's Butchery, Shine Korea, or J-Mart, which cater to specific, high-quality food preferences. The rise of these niche supermarket operators

reflects a broader shift in consumer behaviour, seeking specialised food ingredients that align with their more globalised tastes.

This trend has also been accompanied by a resurgence in the popularity of wet markets, where consumers are often willing to shop for more unique or specific ingredients for their culinary needs. Among the primary reasons for this resurgence are the significant cost savings and the ability to purchase ingredients in precise quantities, making wet markets an increasingly attractive alternative, particularly in an environment of rising Goods and Services Tax (GST) and inflation-driven cost increases.

This surge in retail options will inevitably siphon business away from Sheng Siong, intensifying competition and placing pressure on the company's market share in the years ahead.

### 2.4 Rapid Transit System (RTS) in Johor Bahru

Another emerging threat to Sheng Siong is the RTS, which will connect Singapore to Johor Bahru (JB) when completed in 2026. It will have the capacity to transport 10,000 passengers per hour on a six-minute journey. With the increased convenience of cross-border travel, more budget conscious Singaporean consumers may opt to shop in JB for groceries, leading to a potential decline in foot traffic for local retailers.

Sheng Siong has acknowledged this risk in its most recent earnings report, stating that management will "carefully monitor this and assess the implications."

To be sure, there are mitigating factors that could reduce the impact of the RTS. An attraction of Sheng Siong for its customer base is the proximity and convenience of its stores in the major residential areas. Second, the perishable nature of fresh food further limits the appeal of cross-border grocery shopping. A long commute to JB could result in food spoilage, reducing the quality and value of the products. While the RTS may lead to some sales leakage for Sheng Siong, the extent of this impact remains difficult to quantify at this point.

### 2.5 Underwhelming overseas expansion

Given the above challenges, expanding overseas may be a logical growth strategy. Sheng Siong appears to be very cautious, focusing only on the city of Kunming since 2017. By 2024, the company has expanded its presence to six stores in Kunming. We agree that the company should "cross the river by feeling the stones", and securing a beach head in Kunming before broadening its presence is an astute move. That said, this is a very sub-scale operation in Kunming, which has a population of more than 8 million.

China's contribution to Sheng Siong's overall revenue remains modest, accounting for only 2.4% of the total revenue in 2024. The company does not break out the profitability data for the China business, which is reasonable given the relatively small contribution. (In 2022, management reported that three of the four stores were profitable.) Given the very competitive nature of the Chinese market, it is fair to question whether the profitability in China is significantly below that of Singapore. Notably, management has not provided specific details regarding the capital requirements for further store openings in China, nor have any formal plans for expansion in the region been communicated.

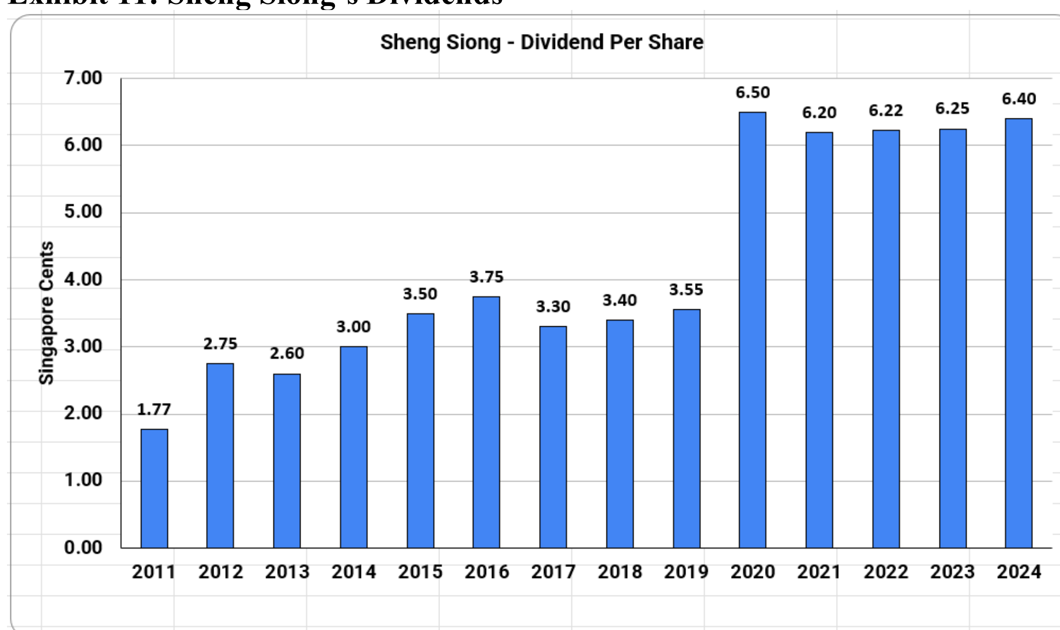
# 3. TIME TO RETHINK ITS STRATEGY

## 3.1 Corporate Finance Decision Framework

It is a happy problem when a company's growth slows but it still generates strong cash flows and has a sizable cash balance. The classic corporate finance decision is whether to invest the cash in new markets or new businesses to create new growth engines, or to distribute more cash to shareholders. Shareholders should be happy for management to invest for the future, provided such investment will yield a similarly high ROE.

Instead of increasing payouts to shareholders, Sheng Siong's management in recent years has stated its preference to retain more cash for future investment opportunities. Payout ratio was cut to 70% in 2017, compared to 90% between 2011 and 2016. The rise in dividend from 2017 just mirrored that of net profits.

**Exhibit 11: Sheng Siong's Dividends**




Source: Company Reports

We are of the view that Sheng Siong's 70% dividend payout ratio is too conservative. This is evident from the company's strong free cash flow (Exhibit 6) and increasing cash balance (Exhibit 7). The operating cash flow more than covered the capital expenditure for new stores.

Sheng Siong has turned to real estate investment to utilise its burgeoning cash pile. In 2019, it acquired a shop unit at Aljunied Avenue 2 for S$30.4 million. Two years later in 2021, it spent S$17.25 million to acquire a property in Jalan Berseh. More recently in 2023, the group acquired Jelita Ltd, which owns 2 retail properties, for S$50.2 million. Altogether, the group has invested close to S$100 million in real estate. Given the low rental yield of just ~5% for commercial properties in Singapore, returns on such investments are almost certainly lower than the double-digit returns from its core business. Of course, if the real estate appreciates in value and Sheng Siong sells them for a profit, that might be a different matter. However, the base case assumption is that Sheng Siong is not changing its strategy to become a real estate investor.

We believe this practice of purchasing real estate has contributed to the decline in ROE over the past 4 years as the group shifts to an asset-heavy business model. From a peak of 37% in 2020, ROE has steadily declined to 25.7% in 2024.

Without a capital management framework to guide management and shareholders of the merits of its investments, the group could further dilute its future ROE. We argue that Sheng Siong should evaluate if its property investments or other new investments meet its cost of capital threshold. Otherwise, it may be better for the group to acquire its own shares or return the surplus capital to shareholders. This framework could also involve optimising its capital structure through strategic use of debt for expansion and investments.

## 3.2 Corporate Governance Improvement

An even more fundamental area that Sheng Siong needs to address is governance. Its approach to governance, with key family members operating the business, has worked in the past but this may not hold true for the future. We see several areas which the group needs to address:

### 3.2.1 Developing a formal succession plan to ensure leadership continuity

As a typical family-run business, Sheng Siong's key leadership positions are held by members of the founding Lim family. While it is understandable that family-run companies may not have formal succession plans, as a listed company the stakes are high for the family and public shareholders. The recent public spat between the Chairman and CEO of City Developments Ltd (CDL) ought to be a timely reminder of such perils. Even short of such drama, the company's leadership could be in limbo should either the Chairman or CEO's position become vacant unexpectedly.

Sheng Siong's nominating committee has acknowledged the absence of a succession plan for the Executive Chairman and CEO. While each of the three brothers is deemed capable of stepping into either the Chairman or CEO role if required, the company has yet to establish a formal succession strategy.

The "Risk Management" section of the 2023 annual report clearly highlights that the lack of succession planning could impede the company's long-term growth. It suggests that a risk mitigation strategy should include the creation of a structured succession planning programme to identify and develop internal talent.

We strongly recommend that Sheng Siong address this critical issue by urgently implementing a succession plan, and this could include seeking candidates from outside of the founding family.

### 3.2.2 Implementing a transparent executive remuneration framework tied to performance metrics

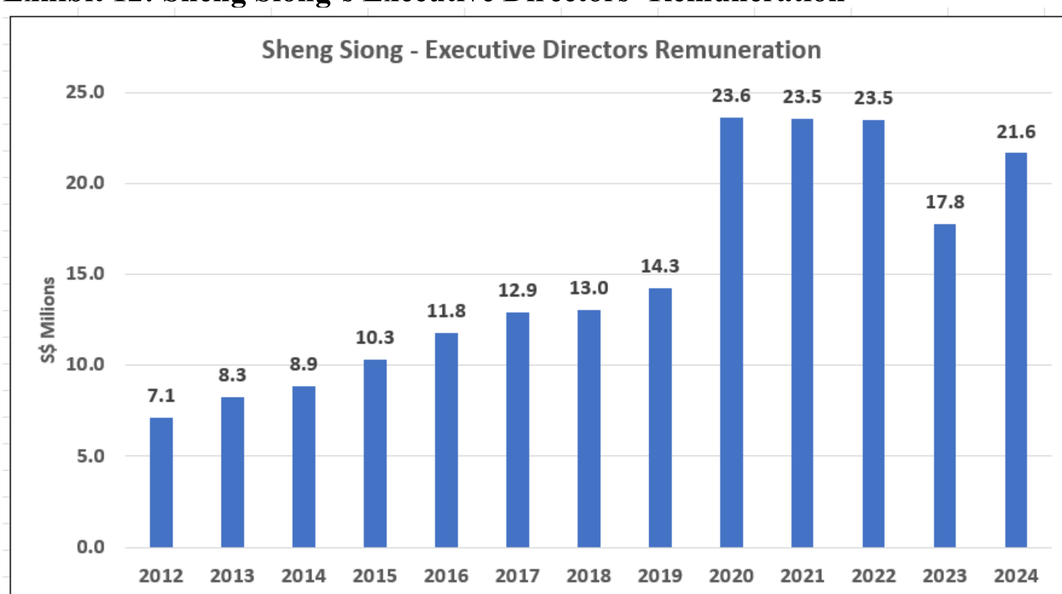
We are not against high remuneration for executive directors provided they are reasonable and based on performance targets.

However, we could not find any discernible formula and logic in Sheng Siong's compensation for executive directors. From 2020 to 2022, the total remuneration amounted to S$23.5 million per year, for the five executive directors. In 2023, this was reduced to a total of S$17.8 million for its four executive directors. Each of the three brothers - Lim Hock Eng, Lim Hock Chee, and Lim Hock Leng - received approximately S$5.8 million each, while Lin Ruiwen (a family member) was compensated with S$332,000. We also noted that Mr. Tan Ling San (who joined Sheng Siong in 2005), is not a member of the Lim family. However, he received a remuneration comparable to that of the three brothers.

Sheng Siong claims that the variable bonus for the executive directors and key management personnel is "based on the performance of Group and its business units. To link rewards to performance, staff are assessed based on a matrix of indicators which includes non-quantitative criteria and is not limited solely to financial performance. Such non-quantitative criteria include contribution to the team, attitude, and special qualities in discharging their responsibilities". However, this is not consistent with the fact that most of the executive directors received the same variable bonus each year. It is therefore likely that the variable bonus is in the form of similar annual profit-sharing percentages for these executive directors. Bonuses based on annual profit-sharing may lead these executive directors to pursue absolute annual profit growth which is not the same as creating shareholder value. Further, they do not provide incentives to improve individual performance of the executive directors.

For 2024, CEO Lim Hock Chee received S$7.06 million in total remuneration, a 20% year-on-year increase from 2023, even though net profit for 2024 inched up by just 2.9% year on year. This is primarily due to the variable bonus, which shot up from S$5.45 million in 2023 to S$6.66 million in 2024. Lim Hock Chee's brothers Lim Hock Eng and Lim Hock Leng received total remuneration of S$7.01 million and S$7 million, respectively, which was also a 20% year-on-year increase. Again, the variable bonus for the three brothers was an identical S6.66 million each. We find it tough to justify this significant increase in total remuneration when the retailer has delivered just a miniscule increase in profits. Lin Ruiwen saw an even larger percentage increase, with her total remuneration surging 71.7% year on year to S$570,000.

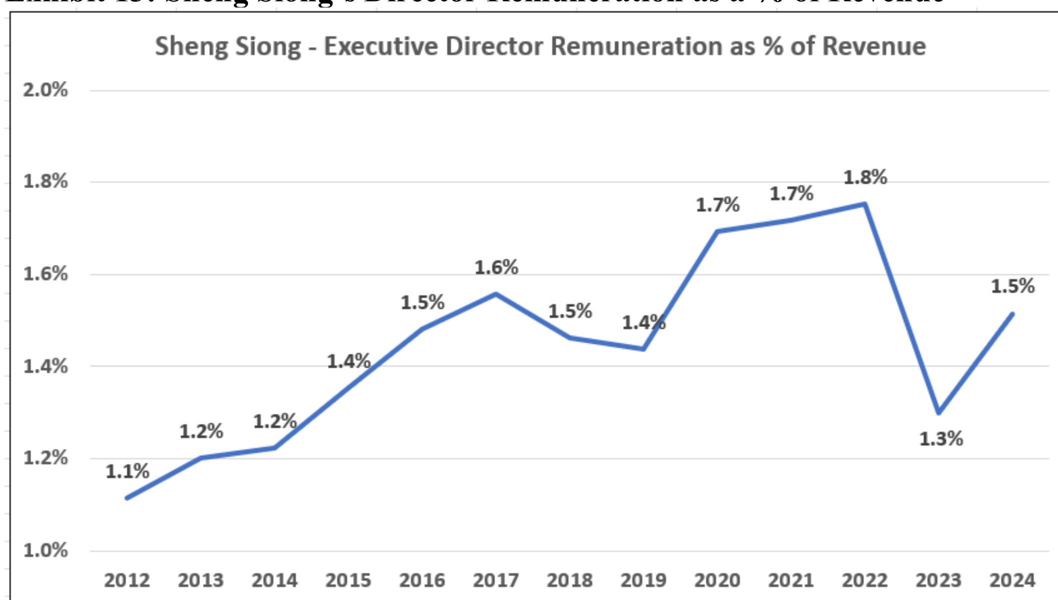
**Exhibit 12: Sheng Siong's Executive Directors' Remuneration**




Source: Company Reports

When viewed as a proportion of revenue, the group paid 1.5% of its 2024 revenues to its executive directors, which is high.

**Exhibit 13: Sheng Siong's Director Remuneration as a % of Revenue**




Source: Company Reports

We observed that over the past 4 years (2020 to 2023), the executive directors were paid a constant total compensation of S$5.8 million each without any disclosure on how this compensation was arrived at or the rationale behind it. Indeed, there was no linkage on how the executive directors were compensated to specific performance indicators. We believe this is not aligned to minority shareholders' interests.

The absence of clearly articulated Key Performance Indicators (KPIs) tied to executive compensation represents a governance weakness. Without transparent performance targets linked to remuneration, there's limited accountability for executives to deliver shareholder value.

Under the Singapore Code of Corporate Governance 2018, companies are expected to be transparent on their remuneration policies, level and mix of remuneration, procedure for setting remuneration, and the relationships between remuneration, performance and value creation. Sheng Siong should disclose clearly the Key Performance Indicators (KPIs) used for its executive directors, and link their remuneration to performance metrics such as return on equity and total shareholder return, among others.

One possible example to refer to is the disclosures of the remuneration of the executives of **Woolworths**, one of the companies used as a comparison against Sheng Siong.

Woolworths is Australia's largest retailer employing more than 190,000 employees across Australia and New Zealand. The company has a structured remuneration framework for its executives that Sheng Siong can learn from.

**Exhibit 14: Woolworth's Executive Remuneration Framework**

## F24 remuneration framework

**Our remuneration framework supports the Group strategy**

### Total Fixed Remuneration (TFR)

**TFR consists of base salary, superannuation and car allowance.**

TFR is set in relation to the external market and considers:

- strategic value of the role
- size and complexity of the role
- individual responsibilities
- experience and skills.

TFR is positioned so that total target remuneration (TTR) is around the median of our comparator group, which includes the ASX 25 plus additional reference to major national and international retailers as required. Generally, an executive who is new to a role will start on a TTR package below the median and as they develop skills and experience in the role their pay may progress beyond the median position.

### Short-Term Incentive (STI)

**50% of the STI is delivered in cash and the remaining 50% is deferred as share rights for two years.**

The STI awards executives for annual business performance and individual contribution towards achieving those results. Business performance is measured through a balanced STI scorecard, with 60% weighted on financial objectives and 40% on non-financial objectives:

- Sales – 20%
- Earnings Before Interest and Tax (EBIT), before significant items – 20%
- Working Capital Days – 20%
- Customer Satisfaction – 20%
- Safety – 20%.

Individual performance includes assessment against business, strategic goals, ways of working and core values.

### Long-Term Incentive (LTI)

**Performance rights vesting based on Group performance over three years.**

The LTI aligns executives to overall company performance through three measures focused on strategic business drivers and long-term shareholder return:

- Relative Total Shareholder Return (rTSR) – 40%
- Return on Funds Employed (ROFE) – 40%
- Reputation – 20%.

Source: Woolworths' 2024 Annual Report

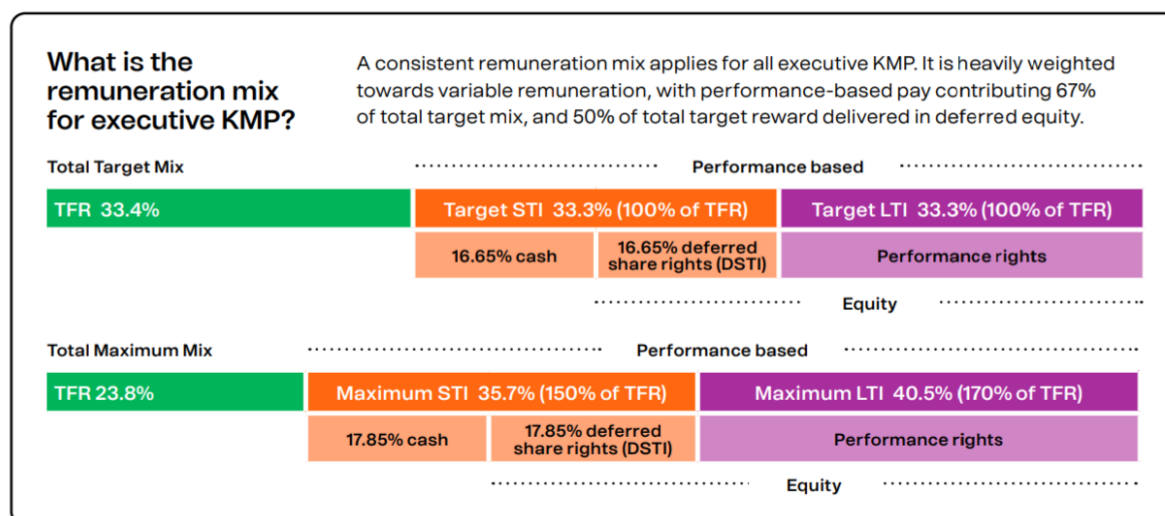
As shown above, total remuneration is broken down into total fixed remuneration (TFI), short-term incentive (STI), and long-term incentive (LTI). Note that 50% of the STI is paid in cash while the remainder is deferred as share rights for two years, thus encouraging a medium-term perspective of the business rather than an obsession with the short-term. Furthermore, STI is split into five components, each with an equal weight of 20%, covering the major financial and customer aspects of the retail business.

As for LTI, it is based on the group's performance over three years so this is an element that demands consistency as the executive's remuneration is based on a three-year period and not just one year. The metrics include relative total shareholder return, return on funds employed, and reputation.

Interestingly, the breakdown below shows the mix between TFI, STI, and LTI.

**Exhibit 15: Woolworth's Executive Remuneration Mix**

**1.2 F24 executive KMP remuneration mix**




Source: Woolworths' 2024 Annual Report

Although each component makes up a third of the total remuneration, it is clear that two-thirds are performance-based using measurable KPIs. Around 50% of the remuneration is paid out in cash while the remainder comprises deferred share rights and performance rights.

Woolworths goes to great lengths to provide a breakdown for its STI, providing more useful information on each metric, how it is measured, and what the organisation hopes to achieve. We laud this practice and hope to see the same for Sheng Siong, too.

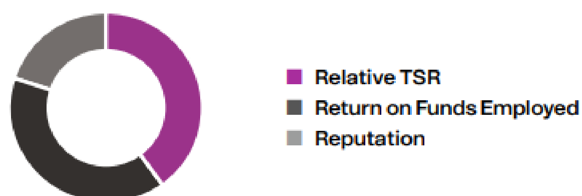
What is most impressive is Woolworths' clear linkage of shareholder returns and return on funds employed (a variant of ROE) to its LTI (see below). It provides additional information the importance of each metric and why it factors into the measurement of each executive's remuneration.

From the above example, Woolworths has provided clear guidelines on evaluating executive remuneration and has provided KPIs for both its STI and LTI. We recommend that Sheng Siong establish clear metrics, KPIs, and targets to transparently link executive remuneration to company performance, thereby promoting good corporate governance and alignment of interests with shareholders.

**Exhibit 16: Woolworth's Long-Term Incentive Framework**

**Assessing business performance:**

The LTI rewards executives subject to performance against three measures over a three-year performance period:




***Relative TSR***

Relative TSR is used as a measure in our LTI plan to align executive outcomes with long-term shareholder value creation. The peer group is the top 30 ASX companies, excluding metals and mining companies[1]. Vesting of 50% is achieved when our peer group ranking is at the median and vesting of 100% is achieved at the 75th percentile or higher. Between the median and the 75th percentile there is straight-line vesting from 50% to 100%. Peer group ranking below the median results in zero vesting. rTSR outcomes are calculated by an external provider.

***Return on Funds Employed***

ROFE is an important measure to drive behaviours consistent with the delivery of long-term shareholder value. ROFE improvements can be delivered through earnings growth as well as the disciplined allocation of capital and management of assets and working capital. ROFE is defined as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed.

***Reputation***

Reputation plays a key role in the extent to which customers choose to engage with Woolworths Group, and in turn contribute to the sustainability of our business. It represents the ability to build and maintain credibility – including in matters such as climate change – with customers and other stakeholders. Reputation is measured independently through RepTrak® Pulse Score, and measures brand reputation across four key metrics: trust, admiration, positive feeling and esteem.

Source: Woolworths' 2024 Annual Report

### 3.2.3 Analysing the board's composition

Sheng Siong needs to ensure that its board of directors has a diverse slate of capabilities and experience. This is important because different skill sets are needed to navigate a competitive retail environment.

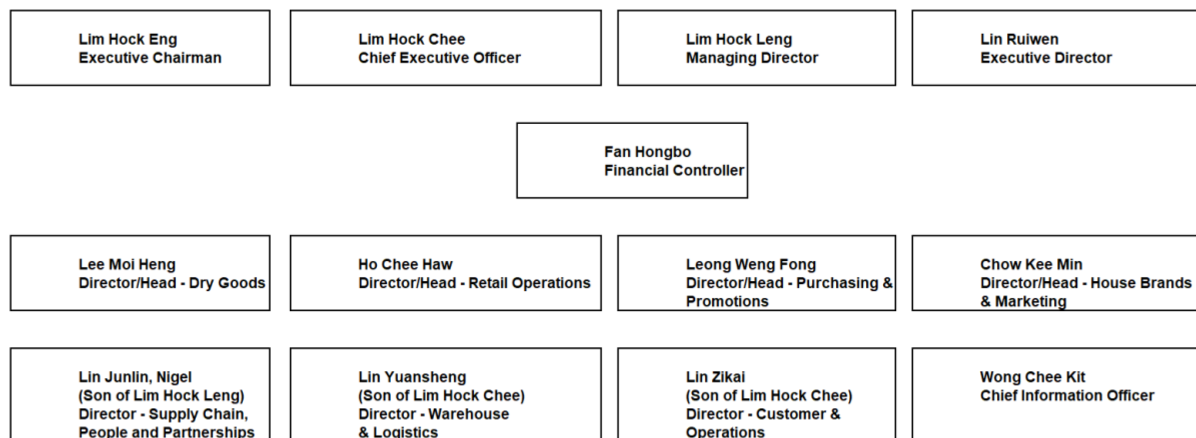
We undertook a review of Sheng Siong's board using the 2024 Annual Report. The board members' education, roles and experience are listed in the table below.

| Board member | Position | Roles, Education and Work Experience |
|---|---|---|
| | | |
| Lim Hock Eng | Executive Chairman | Business strategy, planning and business administration<br><br>Previously employed in family's hog rearing business |
| Lim Hock Chee | Chief Executive Officer | Oversees Sheng Siong's operations, explores new growth avenues and develops business strategies<br><br>Has 40 years of experience in grocery retailing |
| Lim Hock Leng | Managing Director | Manages day-to-day operations and the seafood division of the grocery retailing business<br><br>Has over 30 years of experience in grocery retailing |
| Lin Ruiwen | Executive Director | Identifying and implementing business strategies in merchandising, marketing, management, and business development for fresh fruits and vegetables.<br><br>Graduated from SMU with a Bachelor of Science (Economics) degree and obtained a Master's Degree in Public Affairs from Sciences Po Paris (France) |
| Patrick Chee Teck Kwong | Lead Independent Director | Bachelor of Law (Honours) degree from NUS and an advocate and solicitor of the Supreme Court of Singapore.<br><br>Advises on property law and handled property development projects in Singapore, Indonesia, Malaysia, Vietnam, and China |
| Tan Huay Lim | Independent Director | Bachelor's degree in Commerce (Accountancy) from NTU and a member of ISCA.<br><br>More than 40 years of experience in audit and served as a partner at KPMG Singapore for 23 years |
| Tan Poh Hong | Independent Director | BSc (Hons) in Estate Management from NUS with an MBA (with distinction) from New York University.<br><br>Ex-CEO of Agri-Food & Veterinary Authority (AVA) of Singapore and ex-deputy CEO of the Housing and Development Board (HDB) |
| Ko Chuan Aun | Independent Director | Ex-executive director and CEO of Scorpio East Holdings with 15 years of experience working with Trade Development Board.<br><br>30 years of experience with business investments in China. |
| Cheng Li Hui | Independent Director | Bachelor of Arts from NUS and a Master of Applied Finance from Macquarie University.<br><br>Served on the board of NTUC Foodfare and ex-deputy CEO and director of Hai Leck Holdings Limited. |

Overall, the board has a good mix of talents. To summarise, the CEO, MD, and Executive Director have extensive experience in grocery retailing, merchandising, marketing, and business development to run the company. The IDs have a range of experience that includes business investments, legal, accounting/finance, and real estate. However, Sheng Siong should ensure that the skills and experience of its board remains relevant as its strategies evolve. While the current board members may have the skills sets for the current business environment, we believe it should look to renew its board members to include those with experience in e-commerce, omnichannel, international expansion, capital allocation and modern supply chain management. Sheng Siong has also ventured into property development without clear expertise in this area on its board.

### 3.2.4 Creating a bench of external professional managers

**Figure 17: Sheng Siong's Organisational Chart**




Source: Company Reports

Besides the brothers Lim Hock Eng, Lim Hock Chee and Lim Hock Leng who hold the most senior positions at Sheng Siong, their family members are also senior leaders in the business. Lim Hock Eng's daughter, Lin Ruiwen, oversees the merchandising, marketing, and business development functions. Lim Hock Chee's wife, Lee Moi Hong, is responsible for the packing and distribution of dry goods. As disclosed by Sheng Siong, 7 other relatives are involved in running the business and are holding key positions in the group. Note that the sons of Lim Hock Leng and Lim Hock Chee oversee key roles such as supply chain, warehousing, logistics, customers, and operations.

There is no suggestion that meritocracy is not a core culture at Sheng Siong. It is understandable for majority family-owned business to have family members and close relatives as part of the senior and middle management. What the company needs to guard against is the perception that professionals have a glass ceiling at Sheng Siong.

The problems that have emerged in family-owned businesses such as CDL and Hwa Hong are a reminder to Sheng Siong that good family governance practices can be just as important as good corporate governance practices.

We recommend that Sheng Siong reassess its organisational structure and build a deep bench of professional managers. Given our discussion in the preceding sections, we see the need to bring in capable senior hires in the following areas:

- Finance professionals who have experience in capital management. Sheng Siong needs to strike a balance between prudence and ROE. Too much cash on its balance sheet is not good for ROE. Investing the cash in lower-yielding real estate is not helping either. For new strategic initiatives such as e-commerce or new markets, there will naturally be learning curves and initial returns may be low. A strong finance team will be able to set up the right monitoring mechanism to ensure that more capital is not invested without eventual evidence of an acceptable ROE. In short, Sheng Siong needs to have the expertise to decide when and where to invest the cash and when to distribute it.

- Strategy, to help Sheng Siong identify and evaluate strategic options. Even if Sheng Siong opted for "business as usual", it faces challenges to its home market and how to defend it entails a wholistic assessment of the threats and responses.

- Human Resource, to develop the requisite compensation and career plan to recruit, retain and motivate new hires. This is not a trivial matter as such talents are likely to be keenly sought after. It is likely that the company's culture needs to be updated to cater to more external professionals.

## 4. CONCLUSION

There is no question that Sheng Siong is a very successful and profitable supermarket operator, better than all its local and global peers across all financial metrics. It has also delivered strong shareholder returns since its initial public offering (IPO) in 2011. As Singaporeans, we are proud of Sheng Siong, which has a humble beginning like many of us.

That said, there are growing challenges and threats to Sheng Siong and the group is vulnerable given that it is a predominantly Singaporean and offline supermarket chain. Revenues and sales have been stagnating in the last few years. ROE has also been trending down, although it is still high (and substantially higher than other SGX listed companies).

Sheng Siong is at an inflection point and should rethink how it continues to deliver shareholder returns in the future. There are two strategic options. The first is "business as usual", where the challenge is to defend its existing business from the increasing online and offline competition. The second is to rejuvenate growth. This includes beefing up its online presence and developing an omnichannel strategy, reviewing the need and pace for more overseas expansion. It might even consider mergers and acquisitions, as well as expansion into an adjacent sector.

Sheng Siong's choice of business strategy will drive its corporate finance strategy, to deal with the happy problem of dealing with its huge cash pile. If business as usual is the default choice, management should distribute all the net profits, rather than hoarding the cash or deploying it in low yielding assets. If growth option is pursued, then a good balance between dividend and investment capex should be articulated. We are not impressed by its recent acquisitions of commercial real estate in Singapore. Management enjoys the trust of shareholders, but such forays into real estate have eroded Sheng Siong's stellar ROE history. Increasing distribution to shareholders will be logical if there is no business growth to warrant the use of cash.

More fundamental is the improvement in corporate governance. Sheng Siong needs a proper succession plan. The recent drama between Chairman and CEO at CDL serves as a cautionary tale of the risks associated with family-run businesses, particularly when disagreements arise

among family members. Greater accountability in executive remuneration is also needed. There should be clear link between KPIs and remuneration. There is no discernible logic and link to business performance for the remuneration i for its executive directors in recent years. The 20% increase in remuneration for each of the Lim brothers in 2024 is baffling to say the least. In addition, there is a need to build up professional management, especially in the areas of corporate finance, strategy, and human resource.

To be sure, Sheng Siong is looking into the future from a position of strength given its solid balance sheet, strong operating margins, its established brand reputation and customer loyalty. It is therefore timely for the group to relook at its organisational and governance structures with the view to making needed change to meet the challenges of the future.

# 5. APPENDICES

## 5.1 The Sheng Siong Story

**Sheng Siong: Your friendly neighbourhood supermarket**

For those who regularly engage in grocery shopping, Sheng Siong is undoubtedly a well-known name. As of 31 December 2024, the supermarket operator boasts a total of 77 stores across Singapore, offering a wide range of products. These include fresh and chilled produce such as seafood, vegetables, and meat, as well as essential household items, general merchandise like toiletries, and various processed and packaged food products.

Although Sheng Siong has grown into a retail powerhouse with a market capitalisation of S$2.48 billion as of 19 February 2025, its origins are far more modest. The company is led by CEO Lim Hock Chee, who, alongside his brothers—Lim Hock Eng (Executive Chairman) and Lim Hock Leng (Managing Director)—has played a pivotal role in its development. Lim Hock Eng's daughter, Lin Ruiwen, also serves as an executive director and oversees the merchandising, marketing, and business development functions of the business.

Sheng Siong's journey began in 1985 when Mr. Lim's father acquired a 1,400 square foot Savewell Supermarket, which had encountered financial difficulties, for S$300,000. The supermarket was subsequently renamed "Sheng Siong," with the word "Sheng" symbolising the "rising sun" and "Siong" representing the "evergreen pine."

This acquisition marked the start of an ambitious expansion, which has seen Sheng Siong establish a presence in virtually every corner of Singapore. Today, the retailer's stores are strategically located in residential HDB heartland areas, rather than shopping malls, making it a convenient choice for many consumers.

With a current store count of 77, Sheng Siong's remarkable transformation from humble beginnings to a prominent retail entity is truly impressive.

Additionally, Sheng Siong has extended its footprint internationally, operating six stores in Kunming, China. However, these stores contribute approximately 2.4% to the group's total revenue, and thus remain relatively immaterial at present.

## 5.2 E-Commerce Disruption in Singapore's Supermarket Industry: Market Share Analysis and Competitive Landscape

The supermarket industry in Singapore has undergone significant transformation as e-commerce platforms have firmly entrenched themselves in the grocery retail space. This section looks at how digital players have disrupted traditional brick-and-mortar operations and examines the current competitive landscape, focusing on market share distribution among key players.

### The Rise of Online Grocery Shopping in Singapore

E-commerce has made substantial inroads into Singapore's supermarket business, particularly accelerated by the COVID-19 pandemic. Before the pandemic, online grocery shopping

represented just 7.5% of supermarket sales, but this figure doubled to 15% by September 2021. As of January 2025, online sales account for 11.3% of all supermarket and hypermarket revenues in Singapore, indicating a slight normalisation but sustained higher adoption compared to pre-pandemic levels.

The growth trajectory remains strong, with the Singapore Online Grocery Market projected to:

- Reach US$1.2 billion by 2025, representing 12.4% of Singapore's total e-commerce market
- Grow at a CAGR of 23.7% between 2025-2029, potentially reaching US$2.8 billion by 2029
- Maintain steady expansion with a CAGR of approximately 9% through 2030

Consumer behaviour has fundamentally shifted, with approximately 80% of Singaporeans continuing to shop for groceries online post-pandemic, and about 60% of these consumers ordering online at least once a month. This persistent behaviour change suggests e-commerce has established a permanent foothold in the grocery sector.

### Traditional Supermarket Market Share Analysis

The traditional supermarket landscape in Singapore remains dominated by three major players, though their market positions have evolved over time:

### NTUC FairPrice

- Current market share: Approximately 49.3% in 2024
- Remains the undisputed market leader despite increased competition

### Sheng Siong

- Current market share: Approximately 20.4% in 2024

### Dairy Farm International (DFI Retail Group - Cold Storage/Giant)

- Current market share: Declining from 19.5% in 2017 (down from 23.9% in 2012)
- Recent developments: Closed nine Giant stores, further ceding market share to competitors
- Operates multiple formats including Cold Storage, CS Fresh, Market Place and Jasons Deli across 50 stores
- **Note:** DFI Retail Group sold off its entire portfolio of Singapore Cold Storage and Giant stores to Malaysia's Macrovalue for S$125 million in late March 2025

### E-Commerce Players' Impact on the Grocery Market

### RedMart (Lazada/Alibaba)

- Founded in 2011 and acquired by Lazada in 2016 (deal valued between S$30-40 million)
- Part of Lazada, which holds approximately 35% of Singapore's overall e-commerce GMV

- Originally predicted to serve up to a quarter of Singapore's grocery industry
- Leverages Lazada's platform strength with 6.15 million monthly visitors

### Amazon

- Entered Singapore's grocery market in 2017 with Prime Now (later renamed Amazon Fresh)
- Has invested over US$1.49 billion across its retail and cloud businesses in Singapore in 2023
- Maintains approximately 11% of Singapore's overall e-commerce market share
- Generates 5.04 million monthly visitors to its platform
- Despite significant investment, has not captured a dominant grocery market share

### Shopee

- Leads Singapore's overall e-commerce market with a 28% market share
- Contributed 53% to Singapore's e-commerce GMV in 2022
- Attracts 13.21 million monthly visitors, more than double Lazada's traffic
- Has expanded beyond general merchandise into grocery categories

### Traditional Supermarkets' E-Commerce Response

Traditional supermarket chains have not remained passive in the face of this e-commerce competition:

### NTUC FairPrice Online

- Developed robust e-commerce capabilities to defend its market position
- Leverages its physical store network for fulfilment advantages
- Offers same-day delivery to compete with pure e-commerce players
- Extended its loyalty program and discount schemes through 2025 to retain customers

### Cold Storage Online

- Part of DFI Retail Group's digital transformation efforts
- Won "Supermarket of the Year - Singapore" at Retail Asia Awards 2024, partly for its e-commerce innovations
- Implemented contactless shopping options and home delivery services

### Sheng Siong Online

- Launched online grocery services in 2013
- Leverages its strong brand reputation for fresh produce in its online offerings
- Continues to focus primarily on its physical store expansion strategy

### Current Supermarket E-Commerce Ecosystem

The lines between traditional supermarkets and e-commerce players have blurred significantly:

1. **Hybrid Models**: Traditional retailers have developed omnichannel strategies, while e-commerce players like Amazon have explored physical retail concepts.
2. **Delivery Partnerships**: Supermarkets have partnered with delivery platforms like foodpanda's pandamart for 1-hour deliveries to match pure e-commerce players' convenience
3. **Consumer Behaviour Segmentation**: Different platforms attract distinct consumer segments:
    - Traditional supermarkets retain older and less tech-savvy shoppers
    - E-commerce platforms attract younger, time-constrained professionals
    - Specialty online grocers target niche needs (organic, premium, etc.)
4. **Competitive Pricing Dynamics**: Consumers increasingly compare prices across both physical and online channels, with 42% of households reducing grocery budgets by 10-20% due to inflation

### Singapore's Supermarket and Grocery Market is Evolving and More Competitive

E-commerce has undeniably transformed Singapore's supermarket landscape, capturing over 11% of the market and growing rapidly. However, traditional supermarket chains have largely maintained their market dominance by developing their own e-commerce capabilities, with NTUC FairPrice and Sheng Siong increasing their overall market shares despite e-commerce competition.

The data suggests a complementary rather than purely substitutive relationship between physical and online grocery channels. While pure e-commerce players like RedMart and Amazon have established significant positions, traditional supermarkets' hybrid strategies have proven effective in defending their market leadership while adapting to changing consumer preferences.

As Singapore's grocery e-commerce market continues to grow at double-digit rates, competition will intensify further, potentially driving additional innovation, consolidation, and evolution of business models across both traditional and digital grocery retail channels.