

## People at The Peak, THE WHO'S WHO OF SINGAPORE



**PETER TAY BUAN HUAT**

- PRESIDENT AND CEO, SINGAPORE FOOD INDUSTRIES LIMITED

Singapore Food Industries (SFI) is the largest food distributor here in Singapore. Besides supplying raw rations to supermarkets like NTUC FairPrice, Shop N Save, and Cold Storage, their clients also include hotels, shipping lines and cruise ships, and food service outlets like Jack's Place and the Crystal Jade restaurants. It has a staff strength of 1,100 locally and more than 1,000 in the United Kingdom. President and CEO Peter Tay talks about SFI's transformation from the government's supplies arm and armed forces supplier to the international food company it is today.

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**Singapore Food Industries (SFI) was set up in 1973, and you took over the reins in 1989. What were the challenges you faced when you first joined the company?**

Singapore Food Industries was first set up to supply raw rations to the Singapore Armed Forces. From 1973 to 1989, SFI was happy doing just that and supplying some raw rations to hospitals, prisons, and other government institutions. When I came in, I felt that the market was too small, and that the Government might decide to adopt an open tender system for the food supplies and allow other players to come in. SFI won't have much of a future left if that happens, that's why we decided to go into the commercial markets here in Singapore.

When you enter the commercial sector, you need to be a lot more marketing- and customer-oriented. So the challenge for me, then, was to change the entire mindset and operating culture of the Company - from that of just serving the Government to serving commercial clients. Everything had to be revised, even in simple things like setting a price for raw materials and responding to market conditions. That was when I stressed that the team had to be more performance-oriented.

**When it first began its operations, SFI supplied raw rations like vegetables and meats to the Singapore Armed Forces (SAF) and to other government institutions. How did it manage to gain a foothold in the commercial sector?**

We've been in the business, so the hardware was there. It was more of the software that needed to be changed, the orientation of the work force. Initially, we fought on price, then when the clients came in, we paid attention to customer service. It helps that we supplied to the army because that equipped us with a full range of products from meats to fruits and vegetables. So we could offer a comprehensive range of products.

In a commercial market, you need to react a lot faster to what is happening. So even as a relatively big company, we had to act small - that is react quickly to changes with as little red tape as possible. We empower our sales managers with decision-making responsibility. They set the prices. I can't afford to look through every sales invoice that goes out to make sure the sales team hasn't sold below cost. I can't micro-manage this way, so I have to empower my managers. If they make one or two silly mistakes, you just have to let them learn along the way. You have to trust them to do their jobs and judge them on their performances. Our bonus and increment systems are all based on performance.

**SFI has since expanded beyond Singapore with international operations in the United Kingdom, China, and Australia. Its net profit after tax has also grown from S\$16 million in 1998 to S\$30 million in 2002. How did you manage to penetrate the international markets? What led to the company's success?**

Many people feel that the food industry is a low growth industry, but we subscribe to the philosophy that no business is mature and no market is fully penetrated. Our growth is a result of two factors: we moved into higher value-added products and services and we ventured into overseas markets. We started securing the overseas markets way back in 1991. One of our most successful investments was in the United Kingdom (UK), in the category of 'chilled ready meals', food in a tray that only needed heating up in a microwave. The demand for this in the UK is growing very fast, at a rate of 10 to 15 per cent a year, compared to the rate of growth of the regular food market, which is only between two to three per cent. In 1995, we bought a majority stake in International Cuisine Limited, a company touted by the British Secretary of State for Trade and Industry to be the fastest growing company in chilled ready meals. This stake is a marked increase from the 20 per cent share we first started out with in 1991. By 1998, we had become the Company's sole owner. We also own Daniels, the number one brand of fresh soups in the UK.

More than 50 per cent of our turnover comes from our overseas businesses. When we work with our UK companies, we agree on the strategies, but leave the day-to-day operations of the company to the management there. Not a single Singaporean is working amidst the more than a thousand UK employees, so being in the loop of what is happening is very important. We track the performance very closely through weekly conference calls, sales report and a gross margin report. Similarly, businesses in Australia and China are also run the same way.

**Where does SFI go from here? Tell us about your expansion plans both locally and internationally.**

Geographically, we will still be in these three regions. In the UK and Europe, we will continue to concentrate on chilled convenience food. China is a huge market, but at this stage of the country's economic development, consumers are not willing to pay for this convenience. But this situation will not be for long. The Chinese people never owned black and white TV sets; they moved right into colour TV. We think that, similarly, they will move into the area of chilled convenience food in a very big way in the next few years. And we're positioning ourselves to be ready for that. The third region is Australia and Southeast Asia. Here, we will focus on the distribution of raw rations and manufacture of chilled convenience food.