Why Carrefour failed in Singapore

The French hypermarket chain faced huddles in attracting customers with its one-stop shopping proposition. By Trichy Krishman

As a consequence, Singapore’s four local supermarket chains have embedded themselves across Singapore’s residential landscape with 230 outlets, averaging one for every 2.5 square kilometres of the country.

This continual replenishment process reduces the need for big shopping trips. Conversely, the frequency of big shopping trips is reduced by the higher number of “800 Yards” the household makes to local groceries.

Different proposition

Convenience, megamarkets like Carrefour have bigger huddles in attracting customers here with their one-stop-shopping proposition than they face in overseas markets. In order to encourage consumers to visit their stores more frequently and entice them to buy big when they do, the super- mark has been on Carrefour to look smaller and revise their proposition accordingly to the local market. But, in Singapore at least, that did not seem to happen.

First, Carrefour’s prices were not attractive. While their stores did carry private labels, given the Western tilt in product range, prices remained generally higher. Plus, since their stores were located only in prime downtown locations, rent and other running costs were higher, putting further pressure on pricing.

Meanwhile, from the consumer’s perspective, visits to Carrefour stores involved significant travelling costs because of its downtown location. Longer travelling time, higher parking fees, and traffic congestion.

And add to that the fact that the store’s product assortment did not offer any unique, compelling reason for consumers to choose them over other local grocery chains.

In contrast, the four established local supermarket chains offer a very clear proposition to the consumer, targeting various segments of the market: the discount, middle-market, and premium ranges.

Broad appeal

Finally, given the peculiarities of the Singapore market, how has Giant, the rival hypermarket, been able to thrive with its nine stores while Carrefour could not manage to survive with its two outlets?

The key differentiator appears to be the fact that Giant offers its products at strongly competitive prices – a proposition that compensates for and outweighs the travelling costs incurred by consum- ers. Further, their product assortment seems to appeal to a broader segment of the market.

As part of Hong Kong-based retail group Dairy Farm, which also owns 133 Cold Storage and Shop N Save supermarkets across Singapore, Giant is able to achieve considerable economies of scale, with its lower sourcing costs and efficient operations allowing it to offer lower prices to the consumer.

So, when a hypermarket or any other retailer from the West moves into an Asian city, it is critical for them to understand the local retail set-up, including the positions held by the incumbent retailers and the factors that control the consumer’s shopping behaviour.