Benchmarking Research Project on Retail and Food Services Sectors in Asia

(Republic of China, Japan, Malaysia, and Singapore)

ASIAN PRODUCTIVITY ORGANIZATION

Abstract

This first APO Benchmarking Research Project, with a focus on the retail and food services sectors, has paved the way for a comprehensive research on SMEs in Asia – to learn and share best practices in the various business sectors and to enhance the competition and productivity of Asian SMEs.

A tremendous amount of time and effort has been invested in order to collectively design, develop and implement a structured benchmarking framework for conducting this research project, as well as for follow-up studies in the various sectors of interest.

National experts from the Republic of China, Japan, Malaysia and Singapore, together with the Chief Expert of the APO Benchmarking Research Project Team, have followed the research process according to a rigorous 7-step benchmarking methodology that uses a comprehensive performance metric table and a set of survey questionnaires, uniquely developed for both the retail and food services sectors.

Respondents from small and medium enterprises (SMEs) have been extensively surveyed and findings and conclusions drawn from their data as they relate specifically to the fields of finance, customers, operations and human resources. Best practices have been observed and recommended for future implementation by SMEs looking to improve/transform their business models.

Using the insights and experiences gleaned from this first Benchmarking Research Project, the hope is that follow-on project teams will be able to leverage the key learning points and developmental work for use in their particular field. SMEs in the retail and food services sectors could also consider the adoption and implementation of the recommendations highlighted to enhance the business performance and growth of their companies in the years ahead.

Introduction

1.1 Background

The SMEs in the service sector continue to play an increasingly important role in Asian economies in terms of their contributions to gross domestic product and employment; they remain the core engines for productivity and economic growth. The APO recognizes the importance of monitoring the progress of SME performance in the service sector and facilitating the sharing of best practices among SMEs within the APO member economies.

For the purposes of this study, benchmarking is understood as a continuous process of self-assessment and initiation of actions to close gaps, surpass the best performers, and retain a competitive edge. To pursue continuous improvement, it is essential that SMEs not only share useful reference data and information – to allow comparison of performance – but also learn from the achievements and results obtained from the benchmarking exercise.

In July 2012, a study meeting was held in Singapore to discuss the mechanics of making cross-country comparisons of productivity performance of SMEs, in the retail and food services sectors. The meeting identified a set of comparable, cross-country indicators for SME business performance assessment. Based on this set of indicators and the methodology agreed in the study meeting, research was commissioned to collect data, information and best practices by a team of national experts under the direction and guidance of the chief expert. In October 2012, The Benchmarking Research Project on Retail and Food Services began in earnest.

Figure 1: Study meeting in Singapore (July 2012)

The research team comprised of national experts from four countries – Dr. Eugene Lin from the China Productivity Centre (Republic of China); Ms. Kaori Yoshida from Ensemble, Ltd (Japan); Mr. Mohamad Sahril from Malaysia Productivity Corporation (Malaysia); Ms. Loo Ya Lee from SPRING Singapore (Singapore) – who worked alongside the Chief Expert, Mr. George Wong, from Hoclink Systems & Services Pte Ltd (Singapore).
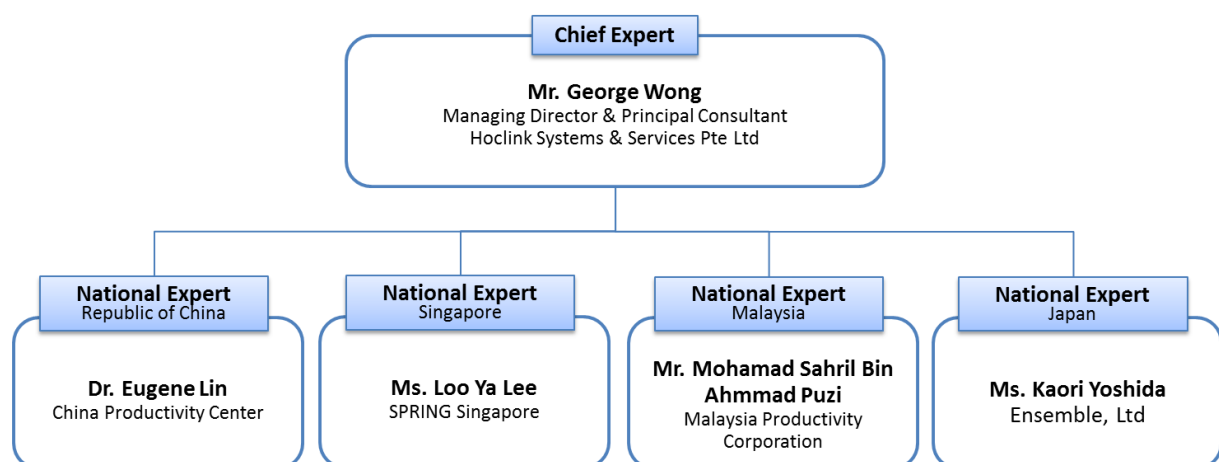
Figure 2: Members of the research team

The project was expertly managed and coordinated by Ms. Yasuko Asano, Programme

Officer, Research and Planning Department, Asian Productivity Organisation (APO).

1.2 Objectives

The two stated objectives of The Benchmarking Research Project are as follows:

I. To collect data and information as per the questionnaire(s) and as articulated during the study meeting – for cross-country assessment of productivity performance of SMEs in the retail and food and services.

II. To compile the data and information in order to generate a targeted research report, and to provide best practice cases.

1.3 Scope

The scope of this research project includes:

I. Benchmarking key business performance indicators for monitoring productivity for the retail and food service subsector.

II. Data collection for the questionnaire(s), information and best practice suggestions for comparative analyses of productivity performance of SMEs in retail and food services. This information will be used for benchmarking assessment.

1.4 Methodology

After establishing the general survey approach, the research project adopted a 7-phase methodology:

Phase 1: Planning and Preparation

A coordination study meeting was organized (22–24 July 2012) in Singapore to bring the various experts from the participating countries together to plan the research project. Ms.

Yasuko Asano (APO Programme Officer, Research and Planning Department) and Mr. George Wong (Chief Expert) facilitated the study meeting.

At the start of the study meeting, the research team members were introduced to the approach, concept and methodology to be adopted for this project. A project milestone was developed for the Benchmarking Research Project and endorsed by the project team during the planning phase.

Thereafter, the research team adopted a 7-step benchmarking framework as shown in the figure below:
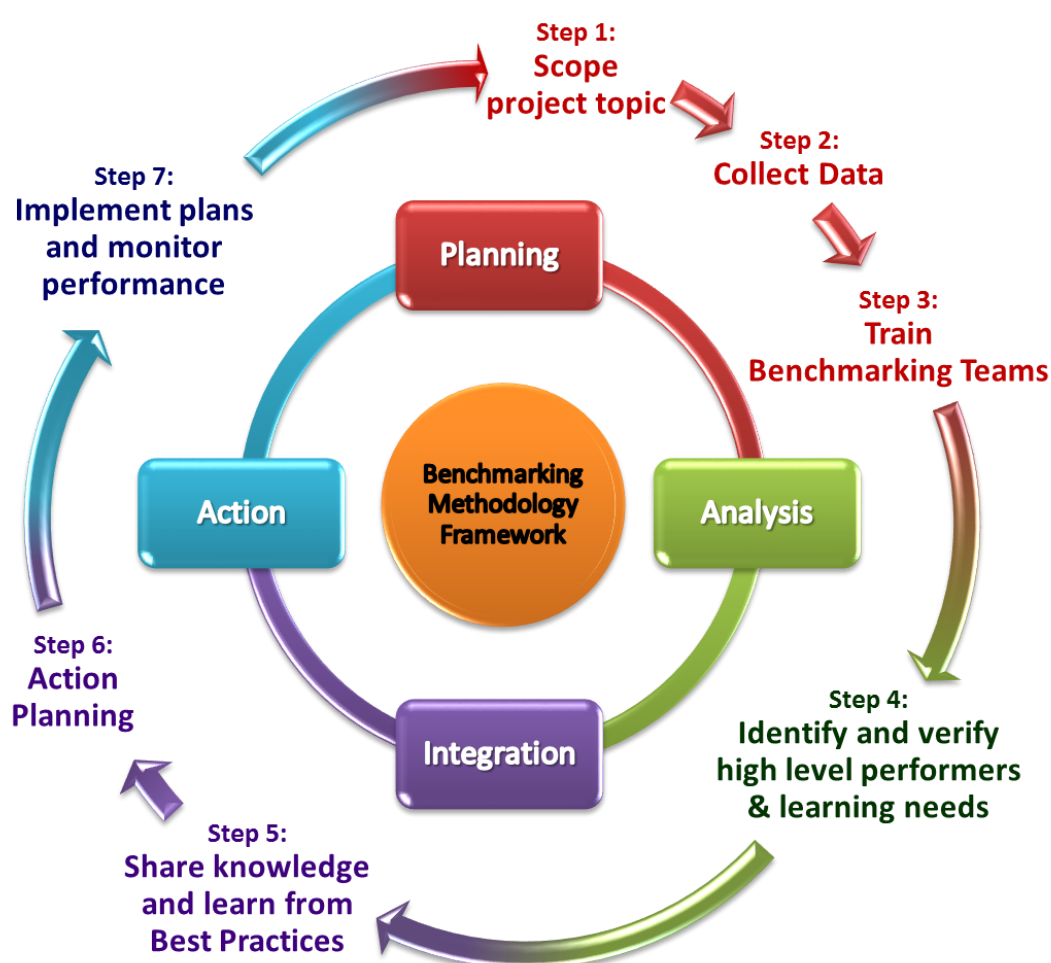
Figure 3: The 7-Step Benchmarking Framework

The above 7-step benchmarking framework enables the SMEs in both the retail and food services sectors first to share their organization performances and best practices, followed by action planning and implementation, in order to achieve greater competitiveness and business growth for their companies.

Prior to action planning and implementation for improvement, the framework's first five steps allow the SMEs to review any existing key processes needing improvement, review their existing performance measures and results, share and learn from the other participating SMEs and determine their relative results status and best practices. During these five steps, there will be useful discoveries and insights that will enable them to proceed forward and perform action planning and implementation that will encourage superior performances in the years ahead.

As such, the 7-step benchmarking framework provides a systematic, continuous process for the SMEs to adapt learnings and insights from best business performers for continuous and breakthrough improvements in their companies.

Phase 2: Formulation of Performance Metrics (Key Performance Indicators) for the Retail and Food Services Sectors

To facilitate a common basis for comparison and benchmarking of the data among the participating countries, the Table of Performance Metrics was formulated and agreed. After much discussion, it was agreed that a comprehensive scorecard of performance metrics would be useful for nurturing and developing the enterprises in a holistic manner.

Performance metrics were formulated for both the retail and food services sectors and they were organized according to four perspectives; financial, customers, operational and people.

a. <u>Financial Perspective</u>: Measures the value creation and financial health of the SMEs using ratios such as Value Added (VA), revenue per employee, profitability ratio, etc. The established list of financial ratios together with their corresponding definitions and formulae are shown as follows:

1. Financial Perspective			
S/N	**Key Performance Indicators**	**What it measures**	**Formula**
1.	VA-to-Sales Ratio	Proportion of sales created by the organization over and above purchased materials and services	VA ÷ Sales

2.	Labor Cost Competitiveness	Efficiency and effectiveness of the organization in term of its labor cost	VA ÷ Labor Cost
3.	Working Capital Ratio	Operating liquidity and short-term financial health	Current Asset − Current Liability
4.	Profit Margin	Proportion of sales left to the organization after deducting all costs	EBITDA ÷ Sales

b. <u>Customer Perspective</u>: Measures the service performance and customer satisfaction in each of the customer segments such as customer satisfaction and customer loyalty. The established list of customer perspective ratios together with their corresponding definitions and formulae are shown as follows:

2. Customer Perspective			
S/N	**Key Performance Indicators**	**What it measures**	**Formula**
5.	Customer Satisfaction Index (CSI)	The degree that products and services supplied by a company meet or surpass customer requirements and expectations	Rating Score by Customer ÷ Maximum Rating Score Possible
6.	Compliments to Complaint Ratio	The customer service level that will enhance customer retention and customer loyalty	Compliments/ Complaints Ratio
7.	Number of customers per staff	Effectiveness and efficiency of marketing strategy	Number of Customers ÷ Staff
8.	Sales per Staff (FTE)	Efficiency and effectiveness of marketing strategy	Sales ÷ Number of Staff (FTE)
9.	Customer Conversion Rate	The total number of customers acquired to the total number of prospects	Number of Sales Transactions ÷ Number of People who entered the Store
10.	Sales per Customer	Which product or service line produces the most sales per customer and therefore which customer relationships are the most important	Sales ÷ Number of Customers (using sales transactions as a proxy)

c. <u>Operational Perspective</u>: Measures the effectiveness and efficiency (productivity level and growth) of key processes such as service delivery responses, utilization of facilities and assets, etc. The established list of operational ratios together with their corresponding

definitions and formulae are shown as follows:

3. Operational Perspective			
S/N	Key Performance Indicators	What it measures	Formula
11.	Tables Utilization	Efficiency and effectiveness of fixed assets in the generation of sales	Table Turns ÷ Operating hours
12.	Sales per Seat	Efficiency and effectiveness of fixed assets in the generation of sales	Sales ÷ Number of Seats
13.	Labor Productivity	Efficiency and effectiveness of employees in the generation of value added	VA ÷ Number of Staff
14.	Annual Inventory Turns (number of turns per year)	Effectiveness in inventory management of the materials used e.g. efficient buying practices, inventory cost and quality (obsolescence level)	Cost of goods sold ÷ Average Inventory
15.	Labor Cost to Sales Ratio (%)	Efficiency and effectiveness of the operational strategy and management of staff	Labor Cost ÷ Sales
16.	Sales per Floor Areas (Sq. Ft.) used	Efficiency and effectiveness of floor areas used in the generation of sales	Sales ÷ Floor Areas (Sq. Ft.)
17.	Sales per Fixed Assets (dollar of capital)	Efficiency and effectiveness of fixed assets in the generation of sales	Sales ÷ Fixed Assets

d. <u>People Perspective</u>: Measures the competency and morale of staff to support the business operations such as training hours per employees and employee satisfaction index. The established list of financial ratios together with their corresponding definitions and formulae are shown as follows:

4. Human Resource Perspective			
S/N	Key Performance Indicators	What it measures	Formula
18.	Training hours per staff	Learning and development emphases of the organization to enhance competencies of staff	Training Hours ÷ Number of Staff
19.	Training Expenditures per staff	Learning and development emphases of the organization to enhance competencies of staff	Training Cost ÷ Staff

20.	Staff Turnover Rate	The retention rate of staff and the overall staff satisfaction level	Number of staff resigned ÷ Total number of staff
21.	Absenteeism Rate	The engagement and morale of staff	Number of Absenteeism ÷ Total number of Staff

In order to ensure uniform interpretation and understanding of the various performance metrics, definitions and formulae were established for each of them. As the retail and food services sectors differ slightly in their key operations, some of the operational indicators had to be different.

The Table of Performance Metrics (Key Performance Indicators) for both the retail and food services sectors can be found in Appendix A.

Phase 3: Development of Questionnaires and Explanatory Notes

After the Table of Performance Metrics had been developed, a comprehensive set of questionnaires was developed for the data collection/survey exercises based on the following four types of questioning techniques:

- Open-ended questions
- Multiple-choice questions
- Scaled-choice questions
- Forced-choice questions

The set of questionnaire templates for both the retail and food services sectors can be found at the Appendix B (retail sector) and Appendix C (food services sector).

Phase 4: Data Collection

To facilitate the ease of data collection, guidelines were established for the national experts from the participating countries to execute their respective data collection process.

Thereafter, it was incumbent on these national experts to execute the data collection process

in their identified organizations for benchmarking purposes. The targeted participating companies were briefed on the approach and objectives of the benchmarking study:

- Familiarization briefings and workshops for the companies
- Data collection according to the key performance indicators template and the questionnaires
- Data computation and validation

Phase 5:   Analysis of the Findings

Upon completion of the survey and questionnaire exercises, the national experts compiled and validated the data that they were able to collect from the participating companies in the sub-sectors of each of the retail and food services sectors.

Data was analyzed as far as possible according to the respective sub-sectors.

Phase 6:   Compilation of Best Practices identified

To facilitate follow-on-improvement implementation by the companies, numerous best practices from the retail and food services sectors were identified and documented.

Phase 7:   Final Report compilation

Upon the receipt of the data and information received from each of the participating countries, the respective findings were reviewed, compared and analyzed to draw out the key recommendations and best practices for this Benchmarking Research Project on cross-country assessment of productivity performance of SMEs in the retail and food services sectors.

1.5 Overview of Report

The report comprises four main parts: Part I (Introduction), Part II (Key Findings of Retail Sector), Part III (Key Findings of Food Services Sector), and Part IV (Conclusion).

Key Findings of Retail Sector in Republic of China

2.1 Introduction and Overview of the Retail Sector in the Republic of China

I. Definition and Scope of Retail Sale in Non-Specialized Stores

According to the Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, retail sales in non-specialized stores includes any sales, on a non-specific transaction basis, of a variety of product lines in retail stores. Retail sales in non-specialized stores are further divided into a) retail sale in non-specialized stores with food, beverages or tobacco predominating and b) other retail sale in non-specialized stores. These are shown in the table below:

Industry Subdivision	Definition	Primary Economic Activities
Retail Sale in Non-specialized Stores With Food, Beverages or Tobacco Predominating	Includes all retail sales in non-specialized stores with food, beverages, or tobacco predominating. In addition to the three predominant categories of food, beverages, and tobacco products who also sell apparel, tools, appliances, hardware, cosmetics, and other types of products.	1. Convenience stores 2. Consumer cooperatives 3. Supermarkets 4. Grocery stores
Other Retail Sale in Non-specialized Stores	Includes all retail sales in non-specialized stores with food other than retail sale in non-specialized stores with food, beverages or tobacco predominating. The products sold in this class are largely general goods, including apparel, furniture, appliances, hardware, cosmetics, jewelry, toys, sporting goods, etc.	1. Department stores 2. Retail hypermarkets 3. Consumer cooperatives 4. Grocery stores

Source: 9th Standard Industrial Classification System Rev. 9, Directorate General of Budget, Accounting and Statistics, Executive Yuan

II. Overview of Retail Sale in Non-Specialized Stores

With the ROC's consumers increasingly putting value on quality of life, a number of consumer industries have flourished. In addition to a variety of international clothing brands setting up stores in the ROC, and various food industry businesses opening in new locations, the development of department stores in the ROC is noteworthy. The ROC's early department stores primarily operated on a model of cosmetics, apparel, and household appliance sales combined with a food court. With the constant changes of the marketplace, department stores are now emphasizing their uniqueness and more fashionable integrated designs. Based on the idea that a flow of visitors (potential customers) means a flow of cash (purchases), many department stores are now closely linked to transportation/transfer stations to attract more customers. In order to make themselves stand out, department stores have also introduced well-known international brands give them advantage. Due to aggressive market competition, each department store must continually advance new ideas and seek out unique features in order to set itself apart from the others.

With the ROC's supermarkets and convenience store chains continuing to expand into new locations, there is a high degree of overlap in businesses' trade areas. Competition is increasingly intense, making it necessary for businesses to bring out their distinctive features in order to win customer loyalty. In addition, the difference in product types between channels is becoming increasingly narrow. Supermarket operators are introducing fresh-brewed coffee and expanding their hot foods sections, while convenience stores are expanding in size and adding more perishable items. All these development and changing trends clearly indicate that competition between retail channels is intensifying and becoming more aggressive.

To understand the situation faced by the industry, an analysis of the status of the development of retail sale in non-specialized stores in the areas of revenue, business units and employment were discussed:

a. Revenue

The Ministry of Economic Affairs' (MOEA) Wholesale, Retail, and Food Services Business Activities Statistics Survey indicates that the growth in sales of chain convenience stores was near zero in 2009, while growth in annual revenue was 8.63% in 2010 relative to 2009.

Revenue for department stores in 2010 was valued at NT$251.093 billion, representing growth of 5.08% over 2009, ranking second in terms of growth. Revenue for retail hypermarkets saw major growth of 4.06% over 2009. The rate of revenue growth for supermarkets in 2010 was somewhat lower than for the other three types of operations, at 0.8%.

Looking at the rate of growth in revenue for each type of operation, one can see that the growth rate in department store sales has been highly volatile. With the change in the economic outlook in 2008, revenue growth slid to -1.07%, while the recovery of consumption in 2009 led growth to jump to 3.18%. By 2010, the revenue growth rate was second only to that of chain convenience stores, ranking department stores second in retail sales in non-specialized stores.

As for the other types of operations, due to rapid expansion in the number of locations and the launching of a variety of sales promotions as well as decreased price sensitivity among consumers, the revenue of chain convenience stores grew by 8.66% in 2010, ranking them first in retail sales in non-specialized stores. The trends of revenue growth among supermarkets and retail hypermarkets were essentially the same, with growth slipping in 2009, and experiencing weaker recovery in 2010 relative to the other types of operations.

Table 1: Overview of Industry Revenue for Retail Non-specialized Stores

		2008	**2009**	**2010**	**2011**
Retail Sale in Non-specialized Stores	**Total Value** *(New Taiwan Dollars, Millions)*	836,838	856,025	916,802	978,645
	Average Growth Rate *(%)*	2.35	2.29	7.10	6.75
Department Stores	Total Value *(New Taiwan Dollars, Millions)*	224,784	231,924	251,093	270,186
	Growth Rate *(%)*	-1.07	3.18	8.26	7.60
Supermarkets	Total Value *(New Taiwan Dollars, Millions)*	121,201	126,665	133,393	143,087

		2008	**2009**	**2010**	**2011**
	Growth Rate *(%)*	9.29	4.51	5.31	7.27
Franchise Convenience Stores	Total Value *(New Taiwan Dollars, Millions)*	211,994	212,066	230,440	245,985
	Growth Rate *(%)*	1.12	0.03	8.66	6.75
Retail Hypermarkets	Total Value *(New Taiwan Dollars, Millions)*	145,429	148,092	156,810	167,138
	Growth Rate *(%)*	5.93	1.83	5.89	6.59
Other Retail Sales in Non-specialized Stores	Total Value *(New Taiwan Dollars, Millions)*	133,430	132,278	145,067	152,249
	Growth Rate *(%)*	-0.90	2.88	5.67	4.95

Source: Ministry of Economic Affairs Wholesale, Retail, and Food Services Business Activities Survey data from previous years

b. Business Units

In terms of the number of business units, monthly financial statistics reports from the Ministry of Finance (MOF) indicate that there were 24,864 business units classified as retail sale in non-specialized stores as of December 2011. Observing the rate of growth in business units, one can see some degree of fluctuation. The growth rate was 5.31% in 2008, fell to 2.12% the next year, and then further decreased to 1.98% in 2010. The possible cause was the financial crisis – people who joined the retail sector after losing jobs in other industries began to return to previous roles when the economy recovered.

Table 2: Business Units Engaged in Retail Sale in Non-Specialized Stores

	Dec. 2008	**Jan. 2009**	**Dec. 2010**	**Dec. 2011**
Business Units *(# of Stores)*	23,061	24,101	24,578	24,864
Business Unit Growth Rate *(%)*	5.31	2.12	1.98	1.16
Revenue Growth Rate *(%)*	2.35	2.29	7.58	4.78

Source: Monthly financial statistics reports, Ministry of Finance

c.Employment

137,721 people were employed in retail sales in non-specialized stores in 2011, of whom 73,988 were male and 63,733 were female. With the recovery of the economy in 2011, retail businesses actively expanded and needed more people, thus resulting in a 2.37% growth in the number of people employed in 2011.

By dividing the annual revenue figures by the number of people employed, the average revenue generated per person employed can be computed. In 2011, each person employed generated average revenue of NT$7.11 million. With the exception of 2008, when the financial tsunami led to a decline from the preceding year, the average revenue generated per person has grown steadily each year. In 2010, the rapid growth in revenues from retail sales in non-specialized stores led the average revenue per person to increase to 8.44%.

Table 3: Number of People Employed in Retail Sales in Non-Specialized

	2008	2009	2010	2011
People Employed (Male)	72,505	74,502	73,110	73,988
People Employed (Female)	63,687	61,825	61,423	63,733
People Employed (Total)	136,192	136,327	134,533	137,721
Growth in People Employed (Total) *(%)*	1.86	0.10	-1.32	2.37
Growth in People Employed (Male) *(%)*	0.90	2.75	-1.87	1.20
Growth in People Employed (Female) *(%)*	2.97	-2.92	-0.65	3.76

Source: Price index time series data, Directorate General of Budget, Accounting and Statistics, Executive Yuan

Table 4: Average Revenue per Person Employed in Retail Sales

	2008	2009	2010	2011
Revenue *(New Taiwan Dollars, Millions)*	836,838	856,025	916,802	978,645
Business Units	23,061	24,101	24,578	24,647

Persons Employed (Total)	136,192	136,327	134,533	137,721
Average Revenue per Business Unit	35.46	35.52	37.30	39.71
Average Revenue per Person Employed	6.14	6.28	6.81	7.11
Growth in Average Revenue per Business Unit *(%)*	-1.82	0.17	5.01	6.45
Growth in Average Revenue per Person Employed *(%)*	-1.93	2.28	8.44	4.41

Sources: Wholesale, Retail, and Food Services Business Activities Statistics Survey, MOEA; monthly financial statistics reports, MOF; Salary and productivity time series data, DGBAS.

The average revenue generated per business unit in 2011 was NT$39.71 million. The growth rate has fluctuated significantly in recent years, decreasing substantially in 2008, followed by minimal growth in 2009 and more substantial growth in 2010. By comparing the growth rates in average revenue per business unit with the average revenue per person employed, it was noted that the degree of fluctuation in the growth rate of average revenue per person employed was greater than that of average revenue per business unit regardless of economic conditions.

The average salary for employees in retail sales in non-specialized stores was NT$38,206, with the average being $38,646 for males and $37,765 for females. Salary increases were influenced by the recovery of economic conditions in 2010, which saw the average salaries increasing at a rate of 3.10%.

Table 5: Average Salaries in Retail Sales in Non-Specialized Stores

	2008	**2009**	**2010**	**2011**
Average Salary (Male) *(New Taiwan Dollars)*	34,452	35,191	36,205	38,646
Average Salary (Female) *(New Taiwan Dollars)*	34,281	34,726	35,914	37,765
Average Salary (Combined) *(New Taiwan Dollars)*	34,373	34,975	36,060	38,206
Average Salary Growth Rate (Combined) *(%)*	1.24	1.75	3.10	5.95

	2008	**2009**	**2010**	**2011**
Average Salary Growth Rate (Male) *(%)*	0.49	2.15	2.88	6.74
Average Salary Growth Rate (Female) *(%)*	2.14	1.30	3.42	5.51

Sources: Wholesale, Retail, and Food Services Business Activities Statistics Survey, MOEA; monthly financial statistics reports, MOF; Salary and productivity time series data, DGBAS.

2.2 Profiles of Participating Retail Companies (Republic of China)

Most of the respondents in this survey of the retail service sectors were from department stores and chain convenience stores. 14 responses were received from department stores and 187 from chain convenience stores, giving a total of 201 responses. The background of these retail companies are as follows:

I. *Year Incorporated*

All of the department store respondents have been established for at least 15 years, with the longest, founded 45 years ago. For the convenience store respondents, all have been established for over 14 years, with the longest being established 26 years ago.

II. Type of Businesses

The main types of business of the respondents were from the 'Private Limited' and 'Public Listed'.

III.   Operation Hours

All of the department store respondents polled, opened their stores from 11am to 10:30pm while most of the convenience stores were opened from 9am to 10pm, with some operating 24 hours a day.

IV.   Number of Stores (Directly Managed and Franchised)

All of the department store respondents have at least one outlet, while all of the convenience store respondents have over 40 branches.

V. Business Types

The business type of the respondents in this survey was mainly 'supermarkets, convenience stores, hardware general goods stores' as well as 'department stores and shopping malls'.

2.3 Key Performances of Participating Retail Companies (Republic of China)

Data from the survey, conducted through questionnaires, was collected from the respondents in the retail sector over three years and consolidated.

2.4 Financial Perspective Information of the Retail Companies

Data collected from the survey indicated that the three years, 2010–2012, saw a growth trend in the gross sales revenues of department stores, supermarkets and convenience stores. Enterprises in each industry have established footholds in particular area of trade, and this critical mass has led to increasing sales revenues. Numerous favorable factors are cited: growing niches in international districts; remodeling facilities and sales spaces; Economic Cooperation Framework Agreement (ECFA) with China; rapid increase of mainland Chinese visitors to Taiwan; recovery of the employment market; and many other factors, each leading to the continued increase in the total output value of the industry.

Table 6: Average Figures of 14 Respondents from the Departmental Stores Subdivision

Unit: NT$100 million	**2010**	**2011**	**2012**
Annual Sales Revenues	424.75	455	500.5
Cost of Goods Sold (COGS)	84.95	100.1	110.11
Total Labor Costs	42.48	54.6	60.06
Fixed Assets at Net Book Value	42.48	50.05	55.06
Operating Profit/Loss after Tax	84.95	91	100.1
Interest Incurred from Loans and Hire Purchase	8.5	9.1	11
Depreciation from Buildings, Equipment and Machinery, etc.	21.2	22.7	25

Taxes (Income Tax, Property Tax, etc.)	63.7	68.25	75.08
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	169.85	172.85	200.18
Current Asset	284.5	304.85	335.3
Current Liability	93.89	100.6	110

Table 7: Average Figures of the 187 Respondents from the Convenience Stores Subdivision

Unit: NT$100 million	**2010**	**2011**	**2012**
Annual Sales Revenues	148.27	222.4	296.5
Cost of Goods Sold (COGS)	22.24	35.58	47.44
Total Labor Costs	11.86	20.02	26.69
Fixed Assets at Net Book Value	22.24	35.58	47.44
Operating Profit/Loss after Tax	59.31	88.96	118.6
Interest Incurred from Loans and Hire Purchase	2.96	4.4	5.93
Depreciation from Buildings, Equipment and Machinery, etc.	7.41	11.12	14.82
Taxes (Income Tax, Property Tax, etc.)	22.24	33.36	44.47
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	88.96	133.44	177.89
Current Asset	99.34	149.1	198.65
Current Liability	32.78	49.17	65.55

2.5 Customer Perspective Information of the Retail Companies

Over the three years 2010–2012, the following information was gathered from 201 respondents:

I. Customer Service/Feedback System

Between the years of 2010 – 2012, 95.34% of the total of 201 respondents acknowledged that they had customer feedback mechanisms in place - via the customer service system - to make it convenient for customers to complain or make suggestions whenever they are dissatisfied with their products/services. Customer feedback was also taken as an important reference for the education and training of frontline service personnel.

II. Channel for Customer complaints

79.03% of customers complained to on-site assistants/managers, while 13.01% complained using the customer service hotlines. 7.96% complained through websites and/or customer service mailboxes.

III.   Recording of Customer Complaints/Feedback (Verbal or Written)

98.07% of enterprises recorded customer complaints in their customer service management systems, which captured the time of the complaints, the content, the handling of the complaints and follow-up status situation. Between 2010 and 2012, the average number of customer complaints received was 150, 100 and 90 respectively. All of the questionnaire respondents have an official channel and mechanism in place to allow management to action the customer complaints and deal with the suggestions received.

IV.   Recording of Customer Compliments

All of the respondents collected and recorded customer feedback. Customer satisfaction surveys were conducted and enterprise official websites were used to collect customer feedback. The average annual numbers of compliments received from customers increased over the years – 200, 350 and 400 respectively.

V. System to record and track the number of customers in outlet(s)

All the respondents have a system to record the number of customers through their Point-of-Sales (POS) systems using wireless infrared technology in their outlet(s). In the years surveyed there was an increasing trend of number of customers - from around 7.3 million customers in 2010, 8 million customers in 2011 and 8.5 million customers in 2012.

VI.   Customer Satisfaction Surveys and Factors used

All of the respondents carried out customer satisfaction surveys over the years in question. The Average Customers Satisfaction Index (CSI) was 88.7, 90.2 and 90.8 respectively from

2010–2012. The six common factors used in computing the CSI are:

a. Customer Expectations

b. Perceived Quality

c. Perceived Value

d. Customer Satisfaction

e. Customer Complaint

f. Customer Loyalty

For departmental stores, the greatest difficulties in implementing front-line service were:

• Small number of employees at self-operated counters and information desks

• Counter service staff in the store are managed by outside companies

• Difficulties in managing outsourced security and cleaning staff

For example, a Taiwanese department store gained business advantage by organizing a mystery shopper group to conduct in-store, inter-city inspections of front-line service staff three times a month. This served as an important initiative and reference for improving the quality of service. One of the respondents from the above-mentioned department store disclosed that "Service is to put oneself as a consumer and thinking about consumers empathetically. Service therefore is not just about the attitude of front-line service staff, but also includes a safe, comfortable and fashionable environment as well as the promotion of cultural events."

Supermarkets stress 'convenience' and 'one-stop shopping' experiences to meet the needs and expectation of their customers. Due to the hectic and busy modern lifestyle, several critical success factors (KSFs) are implied in this:

• Convenience and fast service

• Location – closeness to home

• Parking facilities and ease of parking

• Easy access to ready-made, ready-to-eat food, etc.

In response to these growing consumer demands and trends, larger stores have expanded into populated communities in diffused, scaled-down form. Small and medium-sized stores have expanded the types of products they carry to provide customers with more diversified services. They also focus on price appeals, sales promotions, member point discounts,

merchandise redemptions and other added values in order to attract and retain customers.

Chain convenience stores, in addition to actively expanding into untapped business districts, have also reorganized by enlarging and modernizing their existing business areas for customers to select goods, eat and relax as well as providing a complete array of service functions. With these efforts, larger-scale stores have had a chance of developing into food and beverage shops to satisfy the immense consumer demand for food services.

The current survey indicates that the majority of the operators of department stores, supermarkets, and chain convenience stores conducted customer satisfaction surveys. They also established various channels for customers to provide feedback and complaints using information technology (IT) to systematically manage and follow-up on the customer complaints and feedback received.

2.6 Operational Perspective Information of the Retail Companies

The following information was gathered over three years (2010–2012):

I. Total Areas (sq. ft.) occupied by the companies

The average area occupied by the respondents gradually increased over the three years, from 313,130 sq. ft. (2010) to 315,870 sq. ft. (2011) to 316,690 sq. ft. (2012). The percentage of average selling space over the total space also increased from 81.19% to 83.32% and to 90.49%.

II. Key Success Factors (KSFs) for the companies

There were six KSFs highlighted by the respondents that were important for their business growth and to stay competitive:
- Good Customer Service (82.25% of respondents)
- Strong Brand Recognition (77.9% of the respondents)
- Effective Control of Operating Cost and Good Value (70.02% of the respondents)

- Expanded Business Scale to achieve Stock Purchase Advantages (61.57%)

- Ability to satisfy Customized Requirements (52.31% of the respondents)

- Transportation/Parking Convenience (42.15% of the respondents)

III. Applications of IT systems (Technology) to enhance Productivity

a. All of the respondents used IT Systems to enhance their competitiveness
b. 90.48% had POS systems, credit card/bank card payment systems, inventory systems, purchasing systems and personnel shift management systems;
c. 81.07% used internet sales and an Enterprise Resource Planning (ERP) system.

Over the three years surveyed, there has been a steady increase in the average IT systems expenditures and facility capital expenditures from 5.12 million, 5.89 million and 5.93 million for the former and from 15.98 million, 17.80 million and 20.24 million for the latter.

The use of IT to assist the management in re-engineering of business processes has proven to be one of the most efficient strategic methods available for companies. For the customer service systems in particular, the acquisition, analysis, and application of real-time information became the most important factor in improving the management systems and processes. In addition, the development of numerous IT applications enabled the businesses to provide a higher quality of customer service.

With regard to department stores, information systems have been used to assist operators in creating customer databases to better understand their customers' consumption habits and to plan relevant sales events, products and services to better meet the needs of specific groups of customers. With online shopping and the e-commerce market forecasted to break the NT$500 billion mark this year (2013), Taiwan's e-commerce operators have started to attach greater importance to the overall appearance of their websites as well as increased security. Many of them chose to cooperate with densely distributed 24-hour chain convenience stores to provide online shoppers with more convenient and secure payment channels and merchandise pick-up locations.

The survey also indicated that the majority of department stores, supermarkets and chain convenience store operators were already using POS systems and rapid report systems to perform multiple tasks such as i) tracking business data, consumer trends and product sales, ii) performing procurement, sales and inventory management, iii) enabling operational departments and management to obtain the information quickly and accurately. They also worked closely with banks issuing credit cards or to introduce co-branded cards for customers to enjoy discounts and other benefits.

2.7 Human Resource Perspective Information of the Retail Companies

Over the three years (2010–2012), the following information was gathered from 201 respondents:

I. Increased Number of Full-time Employees

All of the respondents had experienced an increase in the average number of full-time employees from 2010–2012, i.e. from 2,985 employees, 3,104 employees and 3,450 employees respectively.

II. Increased Length of Weekly Working Time

The average length of weekly working time of full-time employees from 2010–2012 was 56, 58 and 62 hours respectively.

III.   Increased Part-time Employees or Work-Cum-Study Students

95% of the respondents employed part-time workers or 'work-cum-study student' employees. The average number of these types of employees from 2010–2012 was 245, 284 and 278 respectively. The average length of weekly working time was 32, 42 and 45 hours respectively.

IV.   Employee Turnover Rates

It was noted that all of the respondents carried out employee turnover surveys. The employee turnover rates for full-time employees tended towards an increase between the years 2010–2012 (15%, 12% and 18%). The turnover rates for part-time employees remained marginally more stable over the same period (21%, 19% and 18.5%).

V. Education and Training

All of the respondents carried out employee education and training using actual lessons and online teaching approaches. The average number of training hours received by employees from 2010–2012 was reported to be 47 hours, 53 hours and 51 hours per employee respectively.

VI.   On-the-Job Training (OJT)

All of the respondents had implemented OJT for their employees. Training Plans were developed after employee competency requirements were known and understood.

VII.   Incentive Mechanisms

All of the respondents had an employee incentive system in place via the profit sharing and performance bonus mechanisms. The Variable Pay as a percentage of Salary had increased over the three years from 2010–2012 (12 %, 15 % and 19 %). Only 15 % of respondents had adopted non-financial mechanisms for their staff, such as company promotion systems and public commendations, as employee incentives systems.

VIII.   Employee Absenteeism Rates

All of the respondents had determined their employee absenteeism rate. There was a decreasing average rate from 2010–2012 (from 3.5%, 2.7% to 1.7%). This was a positive trend observed.

Two factors in the employment of department store employees were noted:

- Long business hours
- Many different shifts

In order to better serve a broad segment of customers, the store operating hours generally need to be longer. This made it necessary for a system of different work shifts to satisfy the need for manpower to serve the heavier customer traffic on weekends and national holidays. In terms of the division of manpower, there were different categories of staff such as:

- Business management staff on each floor to manage each counter and level
- Sales and service staff at each counter
- Administrative support staff (telephone receptionists, accounting and human resources staff)
- Part-time employees, such as the additional sales staff, service staff, cashiers, and other front-line staff members hired during department store anniversary celebrations or other events.

In terms of the average age of employees, the largest percentage of employees was in the 30–35 year group and most of them were female.

Chain convenience store businesses comprised both regular chain stores and franchise stores. Regular chain stores operated directly by the parent companies, who had regional consultants, regional heads, regional supervisors and other people specifically responsible for conveying company information and sales promotion between the parent company and its retail stores. Areas of responsibilities were categorized by regions, which include advising the franchise stores.

Generally, retail store staff members go to the parent company to receive their training on service quality, etc., in accordance with the required training hours stipulated by the parent companies for the different categories of employees. In order to ensure store service quality, each staff member was generally required to receive an average of 20–40 hours of training annually, on a monthly basis for store managers and a quarterly basis for store staff.

For franchise stores, the franchise owners take full responsibility for hiring staff while

training was largely supported by the parent company. There was no special requirement regarding the qualifications or skills of store staff, nor any preferred educational level or training background. The basic requirements are to have graduated from senior or vocational high school and to have a concept of service.

Medium and large businesses provided new employees with about 30–50 hours of pre-employment training, while those working received about 20–30 hours through OJT. The training content mainly related to the respective retail store's business operations and the specific knowledge and skills it required. Different training was also arranged for store staff (such as the trainee store manager) based on their work performance and the knowledge and skills that they required.

For supermarkets, recruitment of full-time employees was more challenging. As such, most supermarket employees were part-timers. Large or chain-operated supermarkets have a greater flexibility and space in terms of controlling costs as well as management and utilization of manpower, which allowed them to maintain a certain level of standards and profits. Training primarily covered the cashiering processes, handling of customer complaints, product purchasing, sales, and inventory management. In terms of promotions, experience and good performance were the key requirements for lower-level employees to be promoted to the management positions.

Data from the current survey indicated that most businesses conducted OJT for their employees and they had put in place established employee performance incentive systems.

Key Findings of Retail Sector in Japan

3.1 Introduction and Overview of the Retail Sector in Japan

There are many SMEs throughout Japan; yet the majority of them are found in Tokyo's metropolitan and urban areas where the population is concentrated. In these areas, the variety of SME businesses is rather wide.

Today, the majority of businesses in Japan, including retail sector businesses, tend to take the form of a limited company. Old-fashioned small-scale one-man businesses still exist but their number is small as they are usually disadvantaged in lending and capital investments. Such one-man businesses often do not report financial accounting of their businesses and thus are not included in these research samples.

The samples do not include department stores, GMS, convenience stores or home electrical appliance stores as, in metropolitan areas, the majority of these businesses (90%) tend to be monopolized by five mega-scale companies. In the case of Japan, due to prolonged recession, it is difficult for SMEs to survive on their own, and hence they tend to become franchised outlets under large franchisers, who manage their entire operations. In Japan, franchisers do not usually allow franchisees to respond to any business surveys.

The number of retail outlets is varied and dependent on the size of the companies. Given that staffing and management costs tend to be high for Japanese retail businesses, those retail businesses handling low-margin products have no choice but to merged into large-scale companies and/or develop many stores. There is no way for them to survive, particularly in the current Japanese economy, under such a prolonged recession.

It should be noted that in Japan, the condition of outlets owned by the same company can vary depending on the type of commercial establishment they are in. Generally speaking specialized shops close their operations between 8pm and 9pm, while small-scale supermarkets close between 10pm and 11pm. Supermarkets with high turnovers recently began operating 24-hours a day.

3.2 Profiles of Participating Retail Companies (Japan)

There were 25 respondents in this survey and their profiles were as follows:

I. Region of Respondents' Headquarters

Region	Number of Respondents
Tokyo	13
Saitama	1
Kanagawa	3
Chiba	1
Other regions	7

II. Form of Company

All of these were limited companies (five of which were publicly-traded companies).

III.   Type of Business

- Food supermarkets: 4
- Mail order companies: 2 (1 x general mail order and 1 x specific mail order)
- Specialty stores: 19
  - 6 food and drinks stores
  - 4 clothing and general merchandise stores
  - 2 bookstores
  - 2 sports goods stores
  - 2 interior and general merchandise stores
  - 1 car goods store
  - 1 souvenirs store
  - 1 pets shop

IV.   Range of Number of Retail Outlets (excluding the mail-order businesses)

- Food supermarkets: 7–76 retail outlets

- Special shops: 1 (souvenirs shop) to 372 retail outlets (books)

V. Business Hours (except for mail-order businesses)

- Food supermarkets: 10am–10pm

- Special shops: 10am–8pm

3.3 Key Performances of Participating Retail Companies (Japan)

The following data was collected from respondents in the retail sector over three years.

I. Financial Perspective Information of the Retail Companies

Table 8: Average Figures of 25 Respondents from Retail Sector

Unit: million JPY	**2010**	**2011**	**2012**
Annual Sales Revenues	3,911 – 107,490	4,049 – 110,241	4,128 – 113,900
Cost of Goods Sold (COGS)	1,204 – 91,072	1,240 – 91,627	1,210 – 90,220
Total Labor Costs	112 – 2,150	105 – 2,490	120 – 2,510
Fixed Assets at Net Book Value	981 – 18,087	1,056 – 18,368	1,100 – 18,368
Operating Profit/Loss after Tax	12 – 891	10 – 921	9 – 920
Interest Incurred from Loans and Hire Purchase	0 – 5,308	0 – 4,512	0 – 4,100
Depreciation from Buildings, Equipment and Machinery, etc.	21 – 1,324	22 – 1,366	22 – 1,350
Taxes (Income Tax, Property Tax, etc.)	3 – 754	2 –850	2 – 862
Current Liability	15,750	16,348	16,000

From the data collected, the following analysis was made:

a. Sales

Many of the retail SMEs in metropolitan areas throughout Japan that were subject to this research were not heavily impacted by the East Japan Earthquake or yen appreciation. Many SMEs in the sector maintained the same level of sales (or even had increased sales) after these events. For those who had diminished sales, the impact was very minimal – reduced by a few percentage points only.

b. Sales Ratio to Cost of Goods Sold (COGS)

This ratio tends to range between 65–85% against COGS. The rate was higher for retail shops that handle fresh foods items (they tend to incur higher losses) and outlets that handle generic goods (i.e. not specialty items). Additional contributing factors to this higher COGS ratio include a hostile economic environment where deflation accelerated the commodity prices, and intensified competition amongst similar shops.

c. Total Labor Cost Ratio to COGS

The ratio ranges between 2–3%. This tends to be lower for the retail sector as the manpower cost is not as high as it is in other sectors, such as manufacturing and general trading sectors. Another factor for the low ratio of manpower cost to COGS for the retail sector was the high number of part-time workers in this sector in Japan.

d. Changes in Net Tangible Asset over the three years

There was no drastic change in net tangible assets in the respondents' companies over the past three years. None of the respondents expanded or diminished their businesses to any great degree. Even those SMEs with increased numbers of outlets did not invest in property, but instead rented premises for their new outlets. Moreover, those retail SMEs located in the Tohoku area, which were affected by the 3.11 earthquake, did not see changes in their net tangible assets, mainly because they did not have their own financial assets in the region.

e. Sales Ratio to Operating Profit/Loss After Tax

This national sales ratio to operating profit ranges between 1–5%, while the majority of respondent SMEs recorded around 2%. This result was due to the fact that corporate tax rates are high in Japan, as well as the high proportion of sales management and labor costs. Henceforth, Japanese retail businesses are not considered high profit-making.

f. Current Liability Analysis

In Japan, SMEs are not mandated to disclose any information regarding their liabilities, therefore this was one of the more challenging areas to research. There were responses from seven companies, out of which two operated on a 'pay as you go' basis. On the flipside, those with liabilities tended to depend on indirect financing, i.e. borrowing from banks rather than direct financing (through stocks and bonds etc.). They borrowed from banks that offered low interest rates – on average the interest rates ranged between 1%–4%.

g. Rate of Depreciations

According to collected data, the average rate of depreciation was less than 1% of total sales.

h. Other financial indicators

In Japan, the corporate tax rate is 30% of profit. This tends to be higher than other countries, although there are special tax reductions (to 22%) if taxable earnings are less than 8 million JPY. However, many retail SMEs taxation rates remain less than 1% of total sales due to high COGS, as well as expensive sales management costs and other indirect costs involved.

II. Customer Perspective Information of the Retail Companies

a. Customer Service/Feedback System

Many Japanese retail shops have introduced the Point Card System (this works by allowing people to accumulate points through purchases, and then using their points for discounts on services). Often the Point Card System is referred to as the Frequent Shoppers Program, which provides preferential and special treatment for frequent shoppers. 76% of companies surveyed had been using this system for more than three years.

Many respondents used public relation (PR) activities, such as advertisements, to attract customers.

One of the respondents had introduced a new customer service concept - delivery services. More food and daily goods supermarkets have started offering this service due to the aging population in Japan.

Major retailers also introduced online shopping avenues to predominantly serve elderly customers who face difficulties shopping by themselves. However, most of the respondent retail SMEs do not yet have capacity to offer this service.

One of the respondents (a mail-order venture) joined up with the 'T Point Card' in 2012, which allows businesses from different industries to share in the same points scheme.

Most of the respondents followed up and monitored customer complaints or requests received from customers in a highly analogue manner, e.g. through emails or verbal sharing at meetings (80% of the respondents). Many respondents reported that once they had received complaints or requests, they would then improve their services accordingly. Thereafter, their respective Operation Chiefs will follow-up and check that improvements have been made. However, when it comes to serious complaints (e.g. accidents or any matters related to hazardous situations), 48% of the respondents say that they would explicitly publicize the information gathered, as food safety problems are considered very important and are of interest to the wider community and the public.

b. Channel for Customers' complaints

72% of the respondents managed and received complaints either via emails or through their company's homepage. Only 28% reported that they usually received complaints by telephone. There were some respondents who systematically and openly avail themselves to face-to-face complaints from customers. Generally, the respondents do not dictate to their customers as to how they should express their complaints. They let the customers decide the route to take to air their grievances.

c. Recording of Customers' Complaints/Feedback (Verbal or Written)

The majority of respondents do not keep a record of the number of complaints received but they do review and screen complaints based on their degree of importance.

For the respondents who do keep records of complaints, they have a designated person in charge of reviewing the complaints, and then compiling and recording the complaints data.

It can be inferred from the respondents' feedback that the majority of complaints received from customers tended to be product related. Complaints about how customers were treated at the retail shops were in the minority. In Japan, complaints tend towards the concrete (specific requests and complaints about products and goods that can be directly responded to) rather than more subjective, behavioral complaints about the attitude of service providers.

Examples of common complaints received were:
  i. Safety of the products (e.g. expiration dates of food items and injuries caused by products)
 ii. Defects or deficiency of products (e.g. defects in sewing of clothing items, quantitative deficiency)
iii. Availability of product choices and selection
iv. Customer services (e.g. delay in delivery, bad-mannered employees, etc.)

d. Recording of Customers' Compliments

None of the respondents recorded compliments. The reason behind this is possibly cultural; that many Japanese retail companies do not understand the criteria of the term 'compliment'. Since good service is expected and always delivered to Japanese customers, it is rare for customers to give compliments to salespersons at shops. In general, the feeling was that silence was a sign of satisfaction.

e. System to record and track the number of customers in outlet(s)

All respondents reported that they had captured the number of customers as well as the amount of shopping done via the POS System. They all had a good grasp of the customers

who actually shopped but they were not fully aware of the number of customers who came into retail shops but did not make any purchases.

Overall, the data showed that there was a small increase in the number of customers who came into the respondent retail outlets and spent money over the past three years. Nevertheless, average spending per customer is trending downwards. As a result, the majority of the respondents had either the same or only a slight increase in total sales over the past three years.

Average number of customers by different type of retail outlets was as follows:

i. Food Supermarkets: 1,500 - 2,000 persons per day

ii. Specialized shops: 80 persons per day (e.g. non-daily goods shops such as golf shops)

iii. Bookshops: 500 persons per day

f.   Customer Satisfaction Surveys and Factors Used 48% of respondents conducted in-store customer satisfaction surveys using questionnaires. However, none of them quantified or had a calculated CSI. In Japan, many retail businesses tend to conduct customer satisfaction surveys with the sole purpose of gaining qualitative information about customers' feelings. However, they were hesitant to quantify this data.

III.   Operational Perspective Information of the Retail Companies

a. KSFs for the companies

There are four KSFs highlighted by the respondents that were important for business growth and to be competitive:

i. Good quality product according to customers' requirements (40%)

ii. Good customer service (24%)

iii. Value for money (12%)

iv. Scale of operations e.g. multiple stores and locations (8%)

b. Applications of IT Systems (Technology) to enhance Productivity

The extent of technology applications among the respondents to increase their

competitiveness were as follows:

i. 96% used the POS system

ii. 84% used the credit card system

iii. 60% used Point Card system (requires system management)

iv. 28% used mail-order system

v. 80% used inventory management system

vi. 20% used anti-shoplifting sensors (retailers, including bookshops)

Major investments in IT, accompanying capital investment, had been already completed before 2010 in all of the sample companies, and they were basically expenditures for maintenance and upgrading of software. Most retail companies in Japan, besides the larger ones and the finance sector, do not spend much on IT. Retail SMEs tend to be slow in adopting new IT systems in comparison to larger retailers. For example, self-register systems were a popular IT innovation for large-scale retail shops and were widely introduced by GMSs several years ago. However, there were hardly any SME supermarkets that introduced the system. However it is worth noting that mail-order companies have recently made an investment in IT innovation as the catalogue-based mail order business has moved towards the IT-based shopping concept.

Although a minor case, there was one respondent company (a retailer focused on fresh food items) who invested approximately 40 million JPY for IT software to strengthen their marketing support system and customer management system, as well as to develop an English homepage.

c. Capital Investments other than for IT

In Japan, the size and capacity of SMEs are quite varied, and therefore, averaging the data of various SMEs is not necessarily a good indicator of a general trend. Also, when analyzing the tendency and size of capital investment, we should be mindful that it comprises investments for both tangible and intangible assets, and hence, the range of capital investment may also widely vary. Generally speaking, investment size was larger for those retailers who had established new outlets or developed new businesses.

Although the earthquake imposed unexpected capital investments, despite government

subsidies, the general trend for capital investment for SMEs in the retail sector is diminishing.

IV.   Human Resource Perspective Information of the Retail Companies

a. Number of Permanent Employees and their Working Hours

In general, there seem to be no drastic changes in the number of permanent employees over the three years reviewed. The small increase in number could be attributed to the increase in number of outlets. It was evident that the burden on permanent employees had gradually become bigger due to the current trend towards labor cost reduction, as well as for ensuring staff mobility by utilizing more part-time staff. Many retail shops in Japan tend to go for labor force reduction, in particular reducing direct concierge services.

Table 9: Range of Number of Permanent Employees

2010		2011		2012	
Specialized Shops	Larger Retailers	Specialized Shops	Larger Retailers	Specialized Shops	Larger Retailers
32 – 804		36 – 798		42 – 805	

In Japan, the retail sector is one where working hours are longer than other sectors. This is because the non-business days have been reduced, while at the same time the number of employees has not been increased.

The working hours (per week) of permanent employees are tabulated as follows:
- FY 2010: average 45.5 hours/week
- FY 2011: average 47.8 hours/week
- FY 2012: average 48.2 hours/week

b. Number and Working Hours of Part-Time Employees

Amongst the respondents of retail shops which specialize in food, supermarkets employed the largest number of part-time employees while retail businesses such as mail-order companies

had smaller numbers of part-time staff. Where the latter employed full-time employees, they were mainly administrative or office-based. These full time employees were likely to be temporary staff who were either directly or indirectly hired by the companies. They usually worked for call centers in mail-order companies. It should be noted that in Japan, these temporary workers are categorized as non-proper employees.

Table 10: Range of Number of Part-Time Employees

2010		2011		2012	
Specialized Shops	Larger Retailers	Specialized Shops	Larger Retailers	Specialized Shops	Larger Retailers
40 – 348		48 – 362		43 – 368	

In the general retail businesses where profits are lower and working hours are longer, there is a tendency to avoid hiring temporary staff because of the strict labor law regulations as well as the high margin that need to be paid to the middle companies who dispatched them.

The working hours (per week) of part-time employees were tabulated as follows:
- FY 2010: average 28.5 hours
- FY 2011: average 29 hours
- FY2012: average 28.8 hours

Looking at the data above, the working hours are more or less remained the same for part-time employees over the three years in question. Many part-time workers in the retail sector were women (except for certain type of businesses such as car and golf products). This was one of the reasons why the working hours for part-time staff in the retail sector remained steady – women need to keep their part-time income at a certain low level in order to avoid the reduction of the benefits from their husbands' income tax deductions under the current Japanese taxation law.

c. Record of Staff Turnover Rate

Many of the respondents disclosed that they kept records of fully retired persons. However, 88% of the respondents did not record the rate of staff turnover. The 12% who did record staff turnover rates only did so for regular employees. From the respondents, the average staff turnover rate was 5% (fully retired persons were not included).

From the survey exercise, it was found that retail companies in Japan have not yet standardized how to keep records of staff turnover rates. One of the respondents reported that

they only keep records of turnover rates for new graduate employees.

d. Training Program

Only 40% of the respondents reported that they provided training for new employees. Examples of subjects covered were basic concierge services, IT knowledge and languages. None of them had a formal training program for part-time staff. There was no standard system of training and they did not keep records on the training hours per employee. It was also noted that not everybody received training equally.

e. OJT Programs for New Employees

Although many respondents reported that they offered OJT to new employees, only 12% of them responded that they had a structured process to conduct OJT programs. The 12% of the respondents who provided structured OJT had designated senior staff members to act as mentors for the new employees. The mentors also evaluated the employees' OJT progress.

f. Incentive System as per Operational Performance Results

None of the respondents had implemented incentive system although some of them had commission systems.

In Japan, retail businesses have not yet reached a stage that allows them to adopt incentive systems for staff members. Particular businesses, such cars and cosmetic housing sales, had adopted commission-based systems as there were direct correlations with individual performances.

g. Non-Cash Incentive System

Only 20% of the respondents had adopted some form of non-cash incentive systems, such as rewards for perfect attendance, which was generally considered unrelated to sales performance. Such non-cash rewards were given out in the form of company travels, special paid leaves and so forth.

h. Absenteeism Levels

None of the respondents kept records of absenteeism levels as a standardized indicator. Some respondents collected the data for calculating employees' salaries.

Key Findings of Retail Sector in Malaysia

4.1 Introduction and Overview of the Retail Sector in Malaysia

The retail industry in Malaysia is growing. With the increased number of hypermarkets in the country, it opens up opportunities for SMEs to increase their participation and contribution to the country's national income. Though competition has gotten tougher, players of the industry have become more innovative with the introduction of new initiatives for developing their products and services, which eventually contributes to higher growth of the economy.

4.2 Profiles of Participating Retail Companies (Malaysia)

There were nineteen SMEs involved in the research study. Thirteen (13) were sole proprietors, four (4) were in partnership arrangements, and the remaining two (2) were private limited companies.

The business types of these SMEs are shown in the following table:

Table 11: Type of Retail SMEs

Type of Business		Retail Divisions	
Sole Proprietor	13	Supermarkets, Mini-marts, Convenience Stores and Provision Shops	1
Partnership	4	Department Stores, Hypermarkets and Other Non-Specialized Stores	-
Private Limited	2	Food, Beverages and Tobacco Products	3
Public Listed	-	Motor Vehicles, Parts and Accessories	1
		Automotive Fuel	1
		Computers, Peripheral Units, Software, Telecommunications, Audio and Equipment	4
		Textiles, Hardware, Paints, Glass, Electrical Household Appliances, Furniture, Lighting Equipment and Other Household Articles	6
		Books, Newspapers, Stationery, Music and Video Recordings	2
		Sporting Equipment, Games and Toys	-
		Clothing, Footwear and Leather Articles	2
		Pharmaceutical and Medical Goods, Cosmetic and Toilet Articles	2
		Jewelry, Costume Jewelry, Watches and Clocks	-
		Handicrafts and Fancy Goods, Flowers, Plants and Pets	2
		Optical and Photographic Goods	-
		Other New Goods, Second-Hand Goods	1
		Retail Sale via Mail-Order Houses or via Internet and Other Retail Sale not in Stores	1

4.3 Key Performances of Participating Retail Companies (Malaysia)

The key performances of the participating companies were reviewed using the four key perspectives: financial, customers, operational and human resources.

I. Financial Perspective Information from the Retail Companies

In this research study, the following four financial indicators were used: VA-to-sales ratio, labor cost competitiveness, working capital ratio and profit margin.

It was noted that the VA-to-sales ratio, which refers to the proportion of sales created by the organization over and above purchased materials and services was on an average 0.49.

As for the efficiency and effectiveness of the organization in terms of its labor costs, a relatively high score of 8.71 had been recorded based on the data from seventeen SMEs. The average profit margin that was computed from the respondents was 23%.

II. Customer Perspective Information of the Retail Companies

For the customer satisfaction index, it was noted that a high score of 0.86 was experienced by the respondents. This signified the good effort made by the respondents in servicing their customers.

III.   Human Resource Perspective Information of the Retail Companies

From the survey study, it was noted that a small number of the respondents had taken the proactive initiative of providing training for their employees to enhance their knowledge and skill competencies. However, as previously mentioned, only some of the respondents actually measured and recorded the training hours per employee.

Key Findings of Retail Sector in Singapore

5.1 Introduction and Overview of the Retail Sector in Singapore

The retail[1] sector comprised 19,300 establishments and employed more than 112,000 workers[2]. The productivity level of the retail sector, measured by value added per worker, was S$44,000.

There are six (6) key sub-sectors under the retail sector:

- Fashion and sporting goods
- Supermarket and convenience stores
- Furniture and household
- Jewelry and timepiece
- Department stores
- Consumer electronics

5.2 Profiles of Participating Retail Companies (Singapore)

A total of 19 SMEs from the retail sector participated in the benchmarking study. The average annual sales turnover of these retail participants was S$23.7 million.

Data on key productivity indicators were collected from the companies, and more in-depth interviews were conducted with a select group of companies to identify productivity best practices. As not all companies measured all of the indicators identified for the cross-country assessment in the same manner, the analysis focused mainly on financial indicators.

5.3 Key Performances of Participating Retail Companies

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1 Retail cluster refers to retail trade excluding motor vehicles and petrol stations as well as hawkers and stall-holders

2 Source: Department of Statistics, 2010, excludes motor vehicles and petrol stations

I. Financial Perspective Information of the Retail Companies

The respondents, who were mostly SMEs, focused mainly on the typical financial indicators (e.g. sales revenue, costs and profits) instead of productivity indicators. Productivity was not 'top of the agenda' for businesses, and most of the companies did not understand how to measure, use and keep track of productivity indicators (e.g. VA) per worker. For the majority of companies, increasing and expanding new stores/outlets was their preferred way to grow sales revenues. The companies were generally weak in converting sales to VA, which indicated scope for the companies to better control their costs and to optimize the use of their resources. The top three expenses for companies in the retail sector were (1) cost of goods sold; (2) labor costs; and (3) rental cost.

II. Customer Perspective Information of the Retail Companies

Many companies in the retail sector do not have clear definitions or consistent business models to support their business concepts. Most of them offered products that were rather similar to their competitors. Some companies were able to differentiate their concepts from their competitors, but the concept or value proposition was not applied consistently within the company. Similarly, most retail SMEs do not have clear ideas regarding the positioning of their concepts.

Local companies, especially the bigger ones, have put in place systems to collect customer feedback and complaints. Some of them conducted customer satisfaction surveys and mystery shopping. However, most companies do not make good use of the information collected to improve their operations, product offerings and pricing. Most companies review outgoing costs and competitors' charges to compute their prices rather than looking at what customers are willing to pay.

III.   Operational Perspective Information for the Retail Companies

The respondents and companies in the retail sector in Singapore relied heavily on manual labor in their operations. The use of basic systems and technology in their businesses was relatively low.

Many of the retail companies continued to rely on time-intensive and manual ordering processes for product replenishment. They were also weak in managing their space productively. Their store sizes might be either too large or too small to optimize the ratio of 'sales per square foot'.

IV.   Human Resource Perspective Information for the Retail Companies

The companies that have participated in the study have put in place basic human resource management systems to recruit, train and compensate their employees. However, these same sectors have not made much use of part-timers and deployed their manpower effectively to meet the demand fluctuations of their businesses. The incentive structures tend to be tied solely to sales performance, with weak alignment to business strategies and areas such as teamwork.

Key Findings of Food Services Sector in Republic of China

6.1 Introduction and Overview of the Food Services Sector in Republic of China

I. Definition and Scope of Food and Beverage Services Sector

According to the definition of the Standard Industrial Classification System of the DGBAS, the food and beverage service activities 'include all businesses engaged in food and beverage serving activities providing prepared food and drinks for on-premise or immediate consumption.' Under the food and beverage service activities division are the groups of restaurants, beverage service activities via shops, food and beverage service activities via stalls, and other food and beverage service activities.

Table 12: Classification of Primary Food and Beverage Service Types in ROC according   to the DGBAS Standard Industrial Classification System

Division	Group	Class
56 – Food and Beverage Service Activities *Includes all businesses engaged in food and beverage serving activities providing prepared food and drinks for on-premise or immediate consumption. Take-away or delivery of food and drink, catering, and other services are classified under this division.*	**561 – Restaurants** *Includes all restaurants engaged in providing prepared food and drinks for on-premise or immediate consumption. Take-away or delivery shops providing items such as boxed meals, pizza, or hamburgers belong to this group.*	**5610 – Restaurants** *Snack shops, Japanese restaurants, fast-food restaurants.*
	562 – Beverage Service Activities via Shops *Includes all shops engaged in the serving of prepared alcoholic and non-alcoholic drinks for on-premise or immediate consumption.*	**5621 – Non-Alcoholic Beverage Service Activities via Shops** *Fruit shops, cold drink shops.* **5622 – Alcoholic Beverage Service Activities Via Shops** *Bars.*
	563 – Food and Beverage Service Activities via Stalls *Includes all fixed or mobile stalls engaged in the serving of prepared food and drinks for o- premise or immediate consumption.*	**5631 – Food-Service Activity via Stalls** *Snack stalls, noodle stalls.* **5632 – Beverage Service Activities via Stalls** *Mobile coffee carts, cold drink stalls.*
	569 – Other Food and Beverage Service Activities *Includes all businesses engaged in food and beverage service activities other than those classified under Groups 561 to 563, such as catering services (including the catering of banquets etc.).*	**5690 – Other Food and Beverage Service Activities** *Employee canteens, airline catering companies, group meal providers, banquet catering.*

II. Overview of Food and Beverage Services Sector

Food and beverage service activities are primarily divided into the two major categories - independent operations and franchise chains. Independent operations refers to restaurants established through the independent investment of one person or the joint investment of multiple people with the same business idea; these businesses are characterized by there being one or several restaurants but with no chain relationship between them - with each being independent in terms of menu production, purchasing process, and production, and having relative flexibility with regard to funds invested, business model, and promotional and marketing methods.

A franchise chain, on the other hand, refers to businesses with two or more stores of the same type, which can provide the chain with assistance in areas such as storage, purchasing, advertising, and marketing strategy. In other words, a franchise chain is a parent company issuing a license to a subsidiary company to do business under its distinct name and management. As soon as the subsidiary company is established, it can enjoy the name recognition of the brand created by the parent company but it must pay fixed royalties or a certain percentage of its profits to the parent company. The franchise chain system is currently subdivided into regular chains, subsidiary chains, voluntary chains, cooperative chains, and license chains.

According to statistics from the Taiwan Chain Stores and Franchise Association, the number of food and beverage establishment chains (headquarters) in Taiwan in 2011 was 557, an increase of 31 over the previous year. Among these were 192 fast-food restaurant chains, 52 coffee shop chains, 229 restaurant chains and 84 leisure drink chains. As for the number of chain establishments (including both regular chains and franchises), the number of establishments in Taiwan's food and beverage service industry had reached 30,731 in 2011, an increase of 1,434 from the previous year. Among these were 19,596 fast-food chain restaurants, 2,235 chain coffee shops, 2,749 chain restaurants, and 6,151 leisure drink chain shops.

Table 13: Number of Establishments and Proportion of Total Number of Establishments by Chain Type, 2010–2011

	2010	2011

	Companies	Establishments					Companies	Establishments				
		Regular Chain		Franchise		Total		Regular Chain		Franchise		Total
		(#)	(%)	(#)	(%)	(#)		(#)	(%)	(#)	(%)	(#)
Fast Food	171	2,512	13	16,941	87	19,453	192	2,629	13	16,967	87	19,596
Coffee Shops	50	627	37	1,090	63	1,717	52	765	34	1,470	66	2,235
Restaurants	222	1,482	53	1,332	47	2,814	229	1,565	56	1,184	44	2,749
Leisure Drinks	83	666	13	4,647	87	5,313	84	677	11	5,474	89	6,151
Total	526	5,287	18	24,010	82	29,297	557	5,636	18	25,095	82	30,731

Source: Taiwan Chain Store Almanac 2012, Taiwan Chain Stores and Franchise Association

Subdividing them by business model, Taiwan's food and beverage chains primarily operate on a franchise basis. The total number of franchise establishments in 2011 was 25,095, while the number of regular chain establishments was 5,636. The 5,474 leisure drink chain franchise shops made up 89% of all leisure drink shops, while the 1,470 chain coffees shop franchises made up 66% of all chain coffee shops.

There were more companies operating chain restaurants than any other type of stores in the food and beverage industry. In 2011, there were 229 chain restaurant headquarters, an increase of seven over the previous year. The three most common types of chain restaurants were Hotpot restaurants, Chinese restaurants, and Japanese & Korean restaurants.

Table 14: Number of Restaurant Chains and Total Chain Restaurant Establishments in Taiwan, 2011

	Chains	Total Establishments	%	Regular Chain	Franchise

Western Restaurants	43	244	9	227	17
Japanese and Korean Restaurants	44	626	23	404	222
Southeast Asian Restaurants	8	51	2	48	3
Chinese Restaurants	48	370	13	245	125
Steakhouses	18	351	13	165	186
Hotpot Restaurants	56	981	36	350	631
Cafés	12	126	4	126	0
Chain Restaurants Total	229	2,749	100	1,565	1,184

Source: Taiwan Chain Store Almanac 2012, Taiwan Chain Stores and Franchise Association

For the major leisure drinks and coffee shop chains in Taiwan, there were 52 coffee shop chain headquarters in 2011, which was only two more than the previous year. The total number of establishments increased by 518, reaching 2,235 establishments. From this, we can see that the major coffee chain businesses were no longer taking the expansion of the number of shops as their developmental goals, seeking instead to streamline operations by making adjustments at locations where profits and performance are not meeting expectations. In 2011, there were 22 chain headquarters selling ice and milk-based drinks, which was two more than the previous year, and a total of 572 establishments.

As relatively little capital is needed to open and expand leisure drink businesses, it has always been a highly competitive market for franchise chains. There were 62 chain headquarters, an increase of five from the previous year, with the total number of establishments increasing by 827 from the previous year, reaching a total of 5,579 shops.

Table 15: Taiwan Leisure Drink and Coffee Shop Chains and Total Establishments- 2011

	Chain	Total Shops	%	Regular Chain	Franchise
Coffee Shops	52	2,235	27	765	1,470
Ice and Milk-Based Drinks	22	572	7	112	460
Leisure Drinks	62	5,579	66	565	5,014
Leisure Drinks Total	136	8,386	100	1,442	6,944

Source: Taiwan Chain Store Almanac 2012, Taiwan Chain Stores and Franchise Association

Chain restaurants in Taiwan are numerous and varied, making competition exceptionally intense. Local Chinese food brands, such as Din Tai Fung and Shin Yeh combine the traditional flavors of Taiwan with innovative service and are actively moving towards internationalization. Other new types of foreign cuisines and brands, such as Wowprime, the Namchow Group and numerous foreign franchise chains, have also cropped up and seized much of the Taiwanese market. The influence of the economic recovery means that coffee chain businesses have seen good growth trend in their operations. But fast-food chains, supermarkets, and bakeries entering the market have given consumers more choices, and forced coffee chains to focus more on increasing segmentation and differentiation of products and services. Building on the success of the Taiwanese coffee chain industry – a mature market with perfect competition – there have been plans for international development. For example, the company 85°C is actively planning on expanding into the second and third-tiered cities in mainland China. Lakaffa is one of the few coffee companies that has yet to undergo a major expansion within Taiwan. However, it had already stepped into the west coast of the United States, Australia, Southeast Asia, mainland China, and other overseas markets. Leisure drinks have a strong Taiwanese character, and with the funds required to open new locations, and the relevant ease of the related technology transfers, they have become the vanguard of the internationalization of Taiwan's food and beverage service industry.

a. Revenue

According to MOF statistics, total revenue for food and beverage service activities in Taiwan was NT$353 billion in 2012 - with restaurants bringing in a total revenue of NT$295.8 billion, ranking first among food and beverage service activities and accounting for 83.8% of total revenue (an increase over the previous years). As for the revenue of other activity types, beverage service activities via shops earned revenues of NT$33.6 billion, accounting for 9.55% of total revenues (which is less than the previous years). Food and beverage service activities via stalls earned revenues of NT$980 million, accounting for 2.79% of total revenues (which is less than the previous years). Other food and beverage service activities earned revenues of NT$1.36 billion, accounting for 3.86% of total revenues for food and beverage service activities.

b. Business Units

The number of business units has been positively influenced by the relatively flexible capital levels and skills needed to enter the food and beverage service business - making it the first choice for entrepreneurs. The number of business units has shown a growth trend over the years; in 2012, the total number of business units engaged in food and beverage service activities was 109,816, with restaurants accounting for the largest number of business units at 82,201. There were 14,985 units engaged in beverage service activities via shops, 10,802 units engaged in food and beverage service activities via stalls, and 1,828 units engaged in other food and beverage service activities.

Table 16: Comparison of Total Revenues from and Business Units Engaged in Food and Beverage Service Activities in Taiwan for the Years 2011-2012

Units: New Taiwan Dollars, millions	2011				2012			
	Units	**(%)**	**Revenue**	**(%)**	**Units**	**(%)**	**Revenue**	**(%)**
Restaurants	79,193	74.51	269,989	83.03	82,201	74.85	295,870	83.8
Beverage Service Activities via Shops	14,282	13.43	32,641	10.04	14,985	13.65	33,672	9.55
Food and Beverage Service Activities via Stalls	11,084	10.43	10,033	3.08	10,802	9.84	9,863	2.79
Other Food and Beverage Service Activities	1,728	1.63	12,527	3.85	1,828	1.66	13,645	3.86
Food and Beverage Service Activities Total	106,287	100	325,190	100	109,816	100	353,050	100

Source: Monthly financial statistics report; DGBAS, Executive Yuan

c. Employment

Food and beverage service is an industry requiring large amounts of manpower resources. Although there were many businesses that employed computerized operating systems or have standardized their service, these techniques can only help increase revenues and reduce customer waiting time to increase profits. They are unable to reduce the need for manpower. With the current trend of the internationalization of cuisine and food and beverage businesses there is an urgent need for upper-level and middle-level management talent, in addition to front-line service staff.

The number of males and females employed in restaurants and other food and beverage service activities, as well as average salaries, increased in 2012. The total number of people employed by restaurants in 2012 was 200,866, while other Food & Beverage service activities employed a total of 47,669 people, giving a total of 248,535. The average salary for restaurant employees was NT$27,926 per month in 2012, while the average salary for employees engaged in other food and beverage service activities was NT$44,763 per month. Comparing the average number of people employed and average salaries between the two, one can see that while the number of persons employed by restaurants was larger than that employed in other food and beverage service activities, the average salary is lower.

As for the percentage of males and females among people employed in restaurants and other food and beverage service activities, there were more female than male employees in both categories. The average salary of female employees is lower than that of male employees.

Table 17: Comparison of the Average Number of Persons Employed in Restaurants and Other Food and Beverage Service Activities Average Salaries for the Years 2011-2012

Units: New Taiwan Dollars per Month	2011				2012			
	Persons Employed		Average Salary		Persons Employed		Average Salary	
	Male	Female	Male	Female	Male	Female	Male	Female
Restaurants	84,649	109,367	29,230	28,467	87,361	113,505	29,967	26,354
Other Food Service Activities	14,966	27,278	76,470	54,056	15,733	31,936	56,672	38,896

Source: Salary and Productivity Time series Data, DGBAS, Executive Yuan.

Intense competition in the food and beverage industry and increased demand from consumers with different consumption patterns means that most food and beverage businesses operate long business hours - with some even operating 24 hours a day. This gives rise to a greater need for manpower compared to the other industries. In December 2012, the number of

temporary employees employed by restaurants was 19,799, which was higher than in other industries. The number of temporary employees in other Food & Beverage service activities was 4,986, making these businesses second in terms of the proportion of temporary employees among the total number of persons employed (10.46%) in comparison with other industries.

Table 18: Number of Temporary Employees and percentage of Total Employees by Industry

	Number of temporary employees	Proportion of total number of persons employed in industry (%)
Wholesale Trade	13,258	1.35
Retail Trade	16,513	4.13
Retail Sale in Non-Specialized Stores	15,310	10.68
Restaurants	19,799	9.86
Other Food and Beverage Service Activities	4,986	10.46

Source: December 2012 Monthly Salary and Productivity Statistics Report,
Table 3,   DGBAS, Executive Yuan.

6.2 Profiles of Participating Food Services Companies (Republic of China)

The respondents in this food services sector were mainly cafés and simple meal restaurant operators, restaurant operators and drinks shop operators. 49 respondents were cafés and simple meal restaurant operators, 100 were restaurant operators and 54 drinks shop operators, giving a total of 203 respondents. The background of these food services companies were as follows:

I. Year incorporated

Of the cafés and simple meal restaurant operators, the longest was established 25 years ago while the most recently established venture was two founded years ago. The longest established restaurant operator opened 45 years ago, while the most recent addition is two years old. The longest established drinks shop company is 30 years old while the most recent is three.

II. Type of Businesses

The main type of business of cafés and simple meal restaurants, restaurants or drink shop operators is 'Private Limited'.

III.   Operation Hours

The cafés and simple meal restaurants were mostly opened from 11am–10pm, the restaurants mainly from 11am–9pm and the drinks shops mostly from 11am–10pm.

IV.   Number of Stores (directly managed and franchised)

All of the cafés and simple meal operators polled had more than five branches. All of the restaurant operators that responded had more than two branches. Drink shop operators all had more than four branches.

V. Business Types

The main business types of the respondents were medium-price restaurants, cafés and simple meal restaurants (both with and without central kitchens), and other leisure drink shops.

VI.   Mode of Operation

The cafés and simple meal restaurants as well as restaurants provided mainly lunch and dinner.

VII. Franchising

Among the 203 respondents, 85% were involved in franchising, 95% were the franchise headquarters and 5% were franchise stores.

6.3 Key Performances of Participating Food Services Companies (Republic of China)

Using the set of questionnaires specifically developed for the survey, the following data was collected from respondents in the food services sector over the space of three years.

Financial Perspective Information of the Food Services Companies

The food and beverage service market in Taiwan is in a state of saturation. Businesses operate primarily on a chain or franchise model, and are developing in the direction of regionalization and internationalization to increase company profits. In recent years, enterprises have employed a business model of using over-the-counter (OTC) securities sales and initial public offerings (IPOs) and inter-industry and cross-industry integration to raise funds, maintain service standards, attract more customers, and to increase competitiveness.

Since the public listing of Taiwan food and beverage service operations such as Wowprime and 85°C, a succession of other companies in the industry have followed suit by making IPOs or selling OTC securities, or are preparing to go public. An estimated 60%–70% of Taiwanese chain businesses are expected to make IPOs in the next two years. Many of these are Taiwanese enterprises that have been successful in mainland China, such as Zoe

International and Eatogether. IPOs are one of the primary means by which enterprises can raise funds. They usually occur when an enterprise is undertaking large-scale expansion or it is statutorily required by local regulations when expanding into other countries. Enterprises can also use IPOs as an impetus to create a more robust internal organizational system in order to boost competitiveness.

In addition, many food and beverage service operators are moving toward the 'hybrid' business model in order to attract more customer sources. Another method for attracting customer sources is 'multi-brand' operations, such as those of the Wowprime Group, which segmented the consumer market by prices and business type.

Faced with globalized competition, Taiwan's food and drink service industry is trending toward cross-industry integration. This refers to the business strategy of merging or integrating related or unrelated products, services, supply chains, and production or business models across different industries or business types to meet market demand in an integrated manner.

The more common forms of cross-industry integration currently seen in the food and beverage industry include the more typical integrated business models (integration with cultural and creative industries, cultural tourism, leisure farms, health, and conference and exhibition industries). However, food service enterprises are also gradually drawing on everyday cultural, leisure, health, and other elements to develop a variety of different food and beverage themes, using innovative methods to provide consumers with different experiences.

Table 19: Average Figures of 203 Respondents from the Food Services Sector

Unit: NT$100 million	**2010**	**2011**	**2012**
Annual Sales Revenues	89.38	93.57	100.03
Cost of Goods Sold (COGS)	13.41	16.84	19.01
Total Labor Costs	13.41	18.71	22.01
Fixed Assets at Net Book Value	10.73	12.16	15.01
Operating Profit/Loss after Tax	35.75	37.43	40.01
Interest Incurred from Loans and Hire Purchase	1.79	1.87	2.01

Depreciation from Buildings, Equipment and Machinery, etc.	11.62	12.16	13.04
Taxes (Income Tax, Property Tax, etc.)	13.41	14.04	15.03
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	60.78	63.63	68.08
Current Asset	59.88	62.69	67.02
Current Liability	19.76	20.69	22.12

I. Customer Perspective Information of the Food Services Companies

Over the three years 2010–2012 the following information was gathered from 203 respondents:

a. Customer Service/Feedback System:

85.37% of the total of 203 respondents said that in the three years surveyed new solutions had been introduced into the customer service system.

b. Channel for Customers' complaints

87.17% of customers complained through on-site sales assistants/managers; 10.43% through the customer service hotlines; and 2.40% through the websites/customer service mailboxes.

c. Recording of Customers' Complaints/Feedback (Verbal or Written)

90.39% of the respondents recorded customer complaints through on-site customer satisfaction surveys. The content of these complaints were filed in the store manager journals and the customer management systems. The average number of complaints each year from 2010–2012 were 587, 520 and 517 respectively. All of the respondents had formal channels and mechanisms to allow management to grasp customer complaints and suggestions.

d. Recording of Customers' Compliments

80.29% of respondents collected and recorded customer feedback via on-site customer satisfaction surveys, companies' websites and food and beverage website discussion forums. The average annual numbers of compliments received from customers over the past three years was positive and increased from 200 in 2010, to 350 in 2011, and 400 in 2012.

e. System to record and track the number of customers in outlet(s)

80.41% of enterprises used information systems and POS systems to record number of customers. The average number of customers' visits had increased significantly from 3.53 million customers in 2011 to 4.57 million customers in 2012.

f. Customer Satisfaction Surveys and Factors used

92.47% of the respondents carried out customer satisfaction surveys over the three years. The average CSI was 83.4, 87.5 and 89.7 respectively from 2010 - 2012. The customer satisfaction surveys focused on customer expectations, customer satisfaction and customer complaints.

Taiwan's food and beverage service enterprises have introduced standard operating procedures (SOPs) - clearly defining, regulating, and strictly executing operational, service and other processes. This had been a crucial factor in their being able to rapidly expand while also maintaining a certain standard of service. Although standardization of work processes was not universally applicable worldwide, suitable adjustments can be made on the basis of the existing program to account for the varying customs and conditions of different countries, allowing for a consistent standard of service to be maintained.

Taking Taiwan's Wowprime as an example, standardization was the basis for replicating its successful experience. The company listened to customers and measured its service quality. To achieve the goal of service, the company collected over 300,000 'Guest Suggestion Cards' each month to learn more about customers' experience with their meals. When bills were brought to customers, service staff members not only verbally asked customers how their meal was, but also included a card with a toll-free number so that customers could give their opinions. When dealing with the many customer opinions, complaints and suggestions, the company first classified the problem to tackle them appropriately. When the feedback is a

complaint, service staff needs to report the customer's opinion to the restaurant manager, manager, general manager, and chairman of the board within 30 minutes. The restaurant manager then has to handle the problem within three days and the general manager was required to personally conclude the case within seven days. Furthermore, customer complaints were used as examples during training courses.

Data from the survey indicated that the majority of businesses conducted customer satisfaction surveys. Each of them had established various customer complaint channels for consumers to give feedback and used IT to systematically manage and follow-up with customer complaints.

II. Operational Perspective Information (Food Services Sectors)

The following information was gathered over three years (2010–2012):

a. Total Areas (sq. ft.) occupied by the companies

The average area occupied increased from 1,920 sq. ft. (2010) to 2100 sq. ft. (2011) and to 2,240 sq. ft. (2012).

b. Seating Capacity

Generally, the seating capacity of the respondents had increased over the three years from 2010 – 2012 (250 seats, 278 seats and 323 seats).

c. Estimated number of table turns per day

The average daily table turns was two or three sets of customers for lunch, and three to five for dinners.

d. percentage of sales for food and beverages

The percentages of meals and drinks over the three years were 80/20 in 2010, 75/25 in 2011 and 85/15 respectively

e. percentage of take-away sales

Take-away meals as a percentage of sales from 2010 - 2012 were 23.38%, 37.33% and 31.41% respectively.

f. Central Kitchens

45% of the respondents have central kitchens with average areas of 4,200 sq. ft.

g. Key Success Factors (KSFs) for the companies

There were five KSFs highlighted by the respondents that were important for business growth and competition:

i. Effective control of operating cost, goods value and expanded business scale (cited by 81.19% of the respondents as crucial)
ii. Good customer service (cited by 77.47% of respondents)
iii. Ability to satisfy customized requirements (cited by 73.03% of the respondents)
iv. Strong brand recognition (cited by 66.12% of the respondents)
v. Transportation/parking convenience (cited by 42.15% of the respondents)

h. Applications of IT systems (Technology) to enhance Productivity

2010 - 2012 had seen an increase in the average IT system expenditures and facility capital expenditures from 1.23 million, 1.37 million and 1.45 million for the former and from 3.43 million, 3.97 million and 4.17 million for the latter.

i. 83.49% of respondents used IT systems to increase their competitiveness
ii. 85.38% used the POS system, credit card/bank card payment system, inventory system, purchasing system and personnel shift management system
iii. 71.27% used internet sales and ERP systems.

Supply chain management played an important role in the expansion of the food and beverage service industry. To take chain and franchise businesses as an example, a chain headquarters with five or more franchise locations needs to establish a distribution centre. Having a consistent overarching strategy in terms of the import and export of ingredients, ingredient serial numbers, warehousing and distribution systems, and the integration of warehousing logistics systems and information systems allows the business to maintain the supply and quality of products.

In order to rapidly and effectively satisfy the massive consumer demand for food services and maintain stable food quality, economies of scale must be employed in kitchen work to achieve customer satisfaction. This is the background against which the 'central kitchen' was developed and has become a necessary condition for the food and beverage service business to expand.

Automation, information and communication technologies have improved the business model of the food and beverage service industry. Technological developments, whether in terms of up-front operations or back-office management, have resulted in breakthroughs in the development of products, marketing approaches, procedures, and systems to achieve greater operational efficiency.

Data from the current survey indicates that 45% of enterprises were equipped with central kitchens. And that 85.38% of enterprises used POS systems, credit card/debit card payment systems, inventory systems, purchasing systems and personnel shift management systems. 71.27% of enterprises used internet marketing and enterprise resource planning (ERP) systems. All of them used the complete supply chain of a central kitchen distribution system and IT systems to increase overall enterprise competition.

III.   Human Resource Perspective Information (Food Services Sector)

Over three years (2010–2012), the following information was gathered from 203 respondents:

a. Increased Number of Full-Time Employees

All of the respondents had experienced significant increase in the average number of full-time employees from 2010 – 2012 (143 employees, 256 employees and 313 employees respectively).

b. Increased Length of Weekly Working Time

The average length of weekly working time of full-time employees from 2010–2012 was 70, 72 and 74 hours respectively.

c. Increased Part-Time Employees or Work-Cum-Study Students

95% of the respondents employed part-time workers or 'work-study student' employees. The volume of part-time employees from 2010–2012 was 1120, 167 and 189 respectively. The average working week was 24, 26 and 32 hours respectively.

d. Employee Turnover Rates

65% of the respondents performed employee turnover surveys. The employee turnover rates for full-time employees increased from 2010–2012 (20%, 19% and 18%). However, the turnover rates for part-time employees were moderately stable over the same period of years (12.1%, 13% and 11.2%).

e. Education and Training

All of the respondents carried out employee education and training using actual lessons and online teachings. The average number of training hours received by employees from 2010–2012 was 24 hours, 30 hours and 36 hours.

f. On-the-Job Training (OJT)

All of the respondents carried out OJT for their employees.

g. Incentive Mechanisms

All of the respondents had an employee incentive system in place (profit sharing and performance bonus). The variable pay as a percentage of salary increased from 2010 to 2012 (15%, 18% and 20%). Only 10% of respondents used non-financial methods as employee incentives, such as employee trips and promotion systems

h. Employee Absenteeism Rates

All of the respondents computed employee absenteeism rates. There was a decreasing average rate from 2010–2012 (from 4.7%, to 3.5% to 2.3%).

Talent cultivation had always been central to Taiwan's manpower as the food and beverage businesses face shortages of service staff, professional skilled staff, middle and upper managers. Cultivating talent was done based on two major focal points:

a. Raising the social status of those employed in the food and beverage service industry – by encouraging professionally-skilled staff to take part in international competitions and earn international recognition, the food and beverage industry may be able to attract more international talent and raise the standard of professional talent.

b. Cultivation of high-level management talent – there were a number of enterprises with a large demand for talent that have established corporate universities. These companies may inspire Taiwanese food and beverage industry education brands, attracting people from other countries to come to Taiwan for training.

Key Findings of Food Services Sector in Japan

7.1 Introduction and Overview of the Food Services Sector in Japan

There were a large number of food service SMEs and a variety of menu items in the Japanese food industry. Compared to other industries, there are not as many traditional large-scale companies or publicly-traded companies in this sector. Yet, due to the introduction of franchise-style food chains, and prompted by a demand for efficient development of menus and procurement of ingredients, recently there has been an observable trend of larger enterprises entering the food industries in Japan. However, unlike in other industries, smaller restaurants (food services SMEs) do not appear as menaced by the prospect of large-scale brand restaurants.

The survey's respondents do not include café shop chains, fast-food shops or family restaurants, because in Japan these food shops are owned by large-scale companies, and they are not SMEs. In Japan, where real estates and manpower costs are high, it is difficult for SMEs to develop multi-store operations, with long opening hours and stable menu varieties, in terms of finance and store management.

The number of stores belonging to the respondents varies according to the size of the enterprise. Restaurants that offer lower priced food tend to develop more stores in order to achieve their profit levels against their high management and manpower costs

Operation hours for the majority of stores are up to 11pm in urban areas. This is because many people in urban areas use public transportation for commuting. A small number of the respondents - family-run or very small-scale food shops - keep their stores open until 3am. In Japan, medium- to large-size food shops are generally open until 11pm and open again at 5am when the first public transportation starts running.

Both the shop employees and the customers usually use public transport, and therefore the pattern of the operation hours seems efficient and sensible. Taxi fares are expensive. However, there are food retail shops which are open 24 hours a day, but these are usually owned by large-scale companies.

7.2 Profiles of Participating Food Services Companies (Japan)

There were 25 respondents in this survey and their profiles are as follows:

I. Region of Respondents' Headquarters

Region	Number of Respondents
Tokyo	18
Kanagawa	3
Chiba	2
Osaka	2

II. Form of Company

All company limited (no publicly-traded companies)

III.　　Type of Business

- Expensive restaurants: 3
- Middle-priced restaurants: 10
- Low-priced restaurants: 5
- Cafés: 3
- Take-away: 4

IV.　　Range of Number of Outlets

- 1–58 shops

V. Menu Provided

- Only dinner：8

- Lunch and dinner: 8

- All-day service：5

- From noon to midnight: 4 (prepared food shops)

VI.　　Mode of business operations

Most of them were not franchises (92%); only 8% were franchisees.

VII. Business Hours

- Only dinner: 5pm–11pm

- Lunch and dinner: 11am–2.30pm and 5pm–11pm

- All-day service: 8am–8pm

7.3 Key Performances of the Participating Retail Companies (Japan)

The following is based on data collected from the respondents in the retail sector, over three years, using the set of questionnaires developed:

I. Financial Perspective Information of the Food Services Companies

Table 20: Average Figures of 25 Respondents from Food Services Sector

Unit: million JPY	**2010**	**2011**	**2012**
Annual Sales Revenues	186 – 9,622	178 – 9,474	182 – 9,912
Cost of Goods Sold (COGS)	52 – 8,725	49 – 8,605	48 – 8,701

Total Labor Costs	48 – 572	46 – 513	47 – 542
Fixed Assets at Net Book Value	82 – 7,679	79 – 7,303	80 – 7,400
Operating Profit/Loss after Tax	4 – 130	4 – 52	4 – 95
Interest Incurred from Loans and Hire Purchase	15 – 380	12 – 380	13 – 380
Depreciation from Buildings, Equipment and Machinery, etc.	9 – 480	11 – 482	11 – 482
Taxes (Income Tax, Property Tax, etc.)	0.8 – 46	0.6 – 149	0.5 – 151
Current Asset	21 – 7,801	19 – 7,530	22 – 7,620

The following data analyses were made:

a. Sales

Food shops, which are categorized as SMEs, tend to have particular characteristics – the chefs and special food – and thus appeal to customers as being 'innovative' and 'unique'. These food shops are less affected by macroeconomic trends and the impact of business climates. On the other hand, they are prone to the lifestyle trends and actual societal experience of customers, as well as to the legal reforms which directly affect customers. In recent years, some examples of influential changes for these food shops are:

i. Tightening of traffic regulations (drink driving) – this change impacted the tavern business significantly. However, the tightened regulations were introduced at the genesis of this research project so do not markedly influence or detrimentally affect this study.

ii. Changes in the younger generation (youths) tastes/requirements – young people in Japan nowadays tend not to enjoy alcohol and they do not spend much time eating and drinking after work. This trend/change has gradually affected restaurants that operate at night.

iii. Less eating out – traditionally, Japanese people cook and eat at home. This trend has become stronger in recent years. Nowadays, businessmen take lunch boxes from home and eat out less.

iv. Home-meal replacement: While there are many who like to cook and eat at home, there

are many single-person households where people prefer a simpler way of food preparation – i.e. purchasing ready-made meals.

v. For the above reasons, restaurants in Japan have made extra efforts to maintain their sales revenues. With the increasing number and types of restaurants offering varied menu items, and in a culture where less people eat out and lifestyle requirements are shifting, it is becoming harder for restaurants in Japan to be successful and to operate stably over a long period of time.

b. Sales Ratio to COGS

The ratio tends to range between 35%–40% against COGS. For cafés, it is around 25%. Those restaurants that serve fish dishes were affected by volatile price changes and as such the ratio was on average higher (about 40%) due to the shorter shelf-life of the fresh food.

c. Total Labor Cost Ratio to COGS

The respondents divulged a rate of approximately 25% on average, which is relatively high in comparison to retail businesses – which can operate on mail orders. The reason for a high total labor cost ratio for food services business was that they have to stay open during low-peak periods. The traditional restaurants offering a high-level of services tended to have greater labor costs, and the ratio for such traditional restaurants was above 30% (as per our respondents' feedback). In the case of restaurants in Tokyo, the ratio was high because Tokyo Municipality stipulates that the minimum wage is relatively high for part-time workers (i.e., 837 JPY per hour is the lowest), who are usually the main labor sources for food services. In the Tokyo city center, the average part-time pay is about 1,000 JPY per hour during the daytime.

d. Changes in Net Tangible Asset over the Three Years

Generally speaking, there were no significant changes in net tangible assets for all of the respondents over the three years covered in this research.

e. Sales Ratio to Operating Profit/Loss after Tax

The ratio ranged on average between 3%–8% with the majority recorded between 4%–5%. Smaller companies recorded higher rates as they were more successful in controlling and reducing the cost of labor as well as shortening opening hours. The bigger restaurants operated on a low-margin, high-turnover basis. Food services businesses are usually labor-intensive.

f. Current Liability Analysis

In Japan, SMEs are not legally obliged to disclose this information and therefore it is difficult to collect. There were five SMEs which responded to this item, and the respondents were all operating on a 'pay as you go' basis. This suggests two possible situations – either they are in healthy company management or it is difficult for the SMEs to obtain low-interest financing from banks.

g. Rate of Depreciations

The respondents recorded the rate to be approximately 3% of the total sales, on average.

II. Customer Perspective Information of the Food Services Companies

 a. Customer Services/Feedback System

Restaurants, like retail shops, have recently introduce the Point Card Service – a system that allows customers to accumulate points, as per their shopping, and use them to get discounts on services. Generally speaking, it is the restaurants that serve lunch and are likely to have repeat customers that tend to adopt the Point Card Services. Nine respondents used the Point Card Service, out of which three reported that they had introduced the system three years ago. The difference between the system in restaurants and retail shops is that restaurants' Point Card System is very analogue in nature (e.g. stamp cards), and does not use IT innovations. This is because restaurant owners do not readily invest in equipment, assets, infrastructures etc.

Other than the Point Card Service, the following incentives were listed as services provided by the respondents for their customers:

- Free drink service for customers who ordered from the lunch menus
- Serving of wine or similar beverage for those customers celebrating their birthdays
- Discount coupons

Over the past three years, there has been an aggressive and proactive introduction of discount coupons distributed throughout news and gourmet websites by the majority of middle-priced restaurants.

b. Channel for Customer Complaints

20% of respondents received complaints via emails, mobile phones and through suggestion boxes. However, the majority of restaurants received complaints directly on site. Restaurant operations need to be very service-oriented to handle feedback with operators facing complaints in areas such as quality and quantity of food offered and the attitude of waiters and waitresses.

Restaurants are service industries. The quality and quantity of food they offer, as well as the attitude of waiters and waitresses, are subject to complaints and these complaints must be dealt with efficiently and to the satisfaction of the customers, on site. Even the 20% of respondents who received their complaints via indirect media would not proactively encourage customers to send complaints through such channels.

c. Recording of Customers' Complaints/Feedback (Verbal or Written)

The majority (80%) of respondents kept records of customer complaints/feedback. For the minority (20%) who did not keep record of complaints about quality and quantity, records of feedback on critical issues such as food poisoning, were retained.

Only three of the respondents kept the record of complaints in a proper data system. The rest usually keep records in Excel or Word documents.

Recorded information comprises:

- Reported food security information (food poisonings and stomach aches caused by the food)
- Complaints on taste of food and the way the food was prepared (e.g. cold)
- Complaints on missing menus
- Complaints on service attitude
- Complaints on speediness

d. Recording of Customers' Compliments

None of the respondents recorded compliments. The reason behind this was that many Japanese food service companies do not understand the criteria of a 'compliment'. Restaurants are the kind of business where the opinion of customers can be easily monitored on site. The respondents commented that if customers wanted to pay a compliment, they could convey it directly to the service providers instead of doing it in a written form.

e. System to record and track the number of customers in outlets

Sixty four % of the respondents captured and recorded the number of customers on the POS System. 36% of the respondents did not capture this data. The volume/number of customers appear dependent on the size of the company, opening hours and food they offered, and therefore it was not so meaningful to get an average figure of the number of customers of the various sample companies under this research.

The following charts the shift of customer numbers, per type of restaurant, over the three years:

- Only dinner (taverns): average 60 customers/day/restaurant; over the three years, slight decline in number.
- Lunch and dinner: average 90 customers/day/restaurant; over the three years, status quo.
- All-day café (average-priced): 100 customers/day/café; over the three years, slight decline.

Taverns that are only open at night experienced a larger decline of customer numbers, while restaurants kept their customer numbers relatively stable. In big cities, taverns are facing

extinction by the new-style bar and food stands.

f. Customer Satisfaction Surveys and Factors Used

The majority of respondents (80%) did not conduct customer satisfaction surveys. Those who did (20%) gathered information on customer satisfaction via questionnaires that they distributed. None of the respondents have used a set of 'factors' or quantifiable indexes to assess the overall customer satisfaction and compute the customer satisfaction index.

III.   Operational Perspective Information for the Food Services Companies

a. KSFs for the companies

There were six KSFs highlighted by the respondents that were important for business growth and to be competitive:
  I.   Good-quality product according to customers' requirements (48%)
 II.   Good customer service (16%)
III.   Scale of operations e.g. multiple store and locations (12%)
IV.   Value for money (8%)
 V.   Strong reputation/brand name (8%)
VI.   Low operating cost (8%)

b. Rate of Seat Turn per Day

 i.   Middle to high-class restaurants
  •   average 2.2 turns (dinner only)
  •   average 8 turns (lunch and dinner)
ii.   Café: average 5.4 turns
iii.   Take-out (with eat-in space): average 5.8 turns

Over the three years, the only ventures showing an increase of covers are take-out with eat-in space. For cafés, the seat turn rate remained stable, while restaurants' seat turn rate tended to be lower.

c. Ratio of Food Menu against Drink Sales

  i. Restaurants offering alcohol: 7:3 (food:drink ratio)

    (Note: for taverns, food is 60%)

 ii. Café: 2.5:7.5 (food:drink ratio)

iii. Take-out: 9:1 (food:drink ratio)

Over the three years, only those restaurants offering alcohol increased the ratio of food they served. Other than that, there was no change in trends, as above.

d. Central Kitchen Facilities

Only a minority (12%) had central kitchens, where they cooked the food items and then kept them in appropriate temperatures in their take-out restaurants.

e. Applications of IT Systems to Enhance Productivity

The extent of technology applications among the respondents to increase their competitiveness are as follows:

  i. 64% use the POS system

 ii. 72% use the credit card system

iii. 24% use the inventory management system

iv. 4% use the net sales system

Except for franchise restaurants, there are no SME restaurants that invested in information technology. In the past three years, innovative IT systems have only really been introduced for large companies.

f. Capital Investment Other than for IT

It has been difficult to obtain an average for all samples, because the size of such investment varies, depending on the company. Also, when analyzing the tendency and size of capital investment, it comprises of investments for both tangible and intangible assets. Hence, the

range of capital investment may widely vary. Generally speaking, investment size is larger for those retailers who have established new outlets or developed new business.

IV. Human Resource Perspective Information for the Food Services Companies

a. Number of Permanent Employees and their Working Hours

Generally, the range of number of employees over the three years has been constant:
- FY 2010: 4–148 employees
- FY 2011: 4–160 employees
- FY 2012: 3–172 employees

The working hours (per week) of permanent employees are tabulated as follows:
- FY 2010: average 48.2 hours/week
- FY 2011: average 48.8 hours/week
- FY 2012: average 49.6 hours/week

This data showed that the workload per person, over the three years, had become longer. This was due to utilization of part-time staff for reducing labor costs and ensuring staff rotation, as well as a reduced number of service staff/back-office employees. Food service employees tend to work, in general, eight hours per day and six days per week.

This working pattern is more labor intensive than the office worker's working style, which is usually eight hours per day and five days a week. This situation is considered to be caused by the fact that the food services sector utilizes part-time employees.

b. Number of Working Hours of Part-time Employees

Among respondents, the largest number of part-time staff was employed by, high turnover, take-out food services with multiple shops.
- FY2010: Average 18–1280 employees
- FY2011: Average 20–1380 employees
- FY2012: Average 30–1450 employees

These shops operated long opening hours, and therefore managed their shop operations through shift work manned by many part-time workers. For that reason, the number of part-time workers for such businesses was larger; although the actual working hours per part-time employee was not necessarily that long.

The working hours (per week) of part-time employees are tabulated as follows:
- FY 2010: average 20.2 hours
- FY 2011: average 21.6 hours
- FY2012: average 21.8 hours

From the data above, we can see that the working hours (per week) of part-time employees have increased over the three years. University students form the core of part-time workers for the food services sector, however, recently, housewives and job-hopping part-timers have become the main source of workers for the sector. As the sector primarily operates by shift work, the working hours per part-time worker may not be too long.

c. Record of Staff Turnover Rate

Although many of the respondents shared that they do record the number of retired persons internally, none of them record their staff turnover rate.

Compared with other sectors, the food services sector has one of the highest staff turnover businesses. Family owned food service shops responded that they do not keep a record of staff turnover, but they indicated that the rate was very low.

d. Training Program

Only 20% of the respondents reported that they gave training to those who have the potential to become future store managers, but do not give training to every employee. None of the respondents recorded training hours of employees.

e. On-the-Job Training (OJT) Programs for New Employees

Most of the respondents (84%) do not provide OJT for new employees. Of the 16% who said that they provided OJT, only 8% provided programed OJT. Their programed OJT was simply to refer and check with the work manuals established. Most employees learn during their daily work routines.

f. incentive System as per Operational Performance Results

None of the respondents have implemented the incentive system. A small number of them responded that they sometime gave small incentive tips but this was not systemized.

g. Non-Cash Incentive System

Most (88%) respondents do not have a structured non-cash incentive system. Only 12% of the respondents reward employees for perfect attendance regardless of their performance. Some of them gave birthday presents for part-time employees but none of these incentive actions were systemized.

h. Absenteeism Rate

None of the respondents systematically kept records of absenteeism rate as a standardized indicator, although some automatically collect the data for calculating employees' salaries.

Key Findings of Food Services Sector in Malaysia

8.1 Introduction and Overview of the Food Services Sector in Malaysia

Generally, Malaysia's food service industry is as diverse as its culture, with a wide range of processed food of Asian origin. The food processing industry and services are predominantly Malaysian-owned and the food services sector is dominated by small- and medium-scale companies.

The food services sector serves to sustain the economic growth of the country and is recognized as having the potential to propel the Malaysian economy forwards. In the same interest, this sector also promotes local and international foods and services from Malaysia. It provides strong multiplier effects in contributions to the Gross National Income (GNI) in 2020 and plays an important role in assisting Malaysia to achieve high-income status.

In general, Malaysia is one of the countries that emphasize the growth of its food services sector. With the increase of Malaysian economic growth, this sector is being classified into a few categories of business ownership, such as the sole proprietor, partnership, private limited and public listed. In this research, twenty SMEs were identified and eighteen of them were sole proprietors. One of the respondents was a partnership and another one a private limited company.

8.2 Profiles of Participating Food Services Companies (Malaysia)

The breakdown of the respondents in each of the business types is shown in the table below:

Table 21: Type of Food Services Sector Respondents

Type of Business		Business Type		Mode of Operation	
Sole Proprietor	18	Fine Dining Restaurant	0	Breakfast only	1
Partnership	1	Mid-Price Dining Restaurant	1	Lunch only	1
Private Limited	1	Casual Dining Restaurant	1	Dinner only	0
Public Listed	0	Fast Food Restaurants	2	Breakfast and Lunch only	4
		Food Caterers	4	Breakfast and Dinner only	1
		Café, Coffee House, Snack Bar (With a Central Kitchen)	2	Lunch and Dinner only	1
		Cafés, Coffee House, Snack Bar (No Central Kitchen)	1	Whole Day *(Breakfast, Lunch and Dinner)*	3
		Food Court, Coffee Shop, Eating House (With Mainly Food and Beverage Income)	2	Others	12
		Pub (Including Bar)	0		
		Other Restaurants, Cafés and Bars	6		
		Canteen	1		

8.3 Key Performances of the participating Food Services Companies (Malaysia)

The key performances of the participating companies were reviewed using the four key perspectives of financial, customers, operational and human resources.

I. Financial Perspective Information of the Food Service Companies

In this study, the following four financial indicators were used – VA-to-sales ratio, labor cost competitiveness, working capital ratio and profit margins.

The VA-to-sales ratio, which refers to the proportion of sales created by the organization over

and above purchased materials and services, was noted to be on average 0.68.

As for the efficiency and effectiveness of the organization in term of its labor cost, a relatively high score of 8.0 was recorded based on data from respondents.

The average profit margin that was computed from the respondents was 52%.

II. Customer Perspective Information of the Food Services Companies

For the CSI, it was noted that a medium score of 0.58 was experienced from the respondents. This signals additional effort needed by the respondents in servicing their customers.

III. Human Resource Perspective Information for the Food Services Companies

The study showed that not many of the respondents had taken the initiative of providing training for their employees to enhance their competencies – only some of them measured the training hours per employee as per their staff policy.

Key Findings of Food Services Sector in Singapore

9.1 Introduction and Overview of the Food Services Sector in Singapore

The food services [3] sector comprises 6,500 establishments employing around 102,000 workers [4]. Measured by value added per worker, the productivity level of food services is S$26,000 respectively, less than the services sector's average of S$97,000.

There are five key sub-sectors under the food services sector:

- Restaurants
- Cafés, food court and kiosks
- Pubs and bars
- Fast-food restaurants
- Food caterers

9.2 Profiles of Participating Food Services Companies (Singapore)

27 SMEs from the food services sector participated in the benchmarking study. Their average annual sales turnover was S$40.2 million.

Data on key productivity indicators was collected from the companies, and more in-depth interviews were conducted with a selected group of companies to identify best practices for productivity. As not all companies measure all of the indicators identified for the cross-country assessment in the same manner; the analysis performed focused mainly on the financial indicators.

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3 Food services cluster refers to food and beverage services excluding hawkers and stall-holders
4 Source: Department of Statistics, 2011

9.3 Key Performances of Participating Food Services Companies (Singapore)

I. Financial Perspective Information of the Food Services Companies

Generally, the respondents focused more on the key financial data such as typical financial indicators (e.g. sales, costs and profits) to manage their businesses instead of analyzing their financial statements to determine the key productivity indicators. It was noted that productivity is not 'top of the agenda' for respondents, and most of them did not understand, measure or keep track of productivity indicators (e.g. the VA) per worker. To the majority of companies, opening new outlets/stores was the preferred way of increasing sales revenue. The companies were weak in converting sales to value added, which indicated scope for them to better control their costs and optimize the use of their resources. The top three expenses for the food services companies were:

a. Cost of goods sold

b. Labor costs

c. Rental cost

II. Customer Perspective Information of the Food Services Companies

From the research study, it was found that many food services companies do not have clear definitions or consistent business models to support their operating concepts. Most of them offer similar products to their competitors (e.g. offer set meals during lunch hours). They usually target families as their key customers. Some companies were able to differentiate their concepts from their competitors, but the concept or value proposition was not applied consistently throughout the company.

For the larger-sized respondents (SMEs) it was noted that they have put in place customer management systems to collect feedback, compliments and complaints. Some of the respondents conduct customer satisfaction surveys and mystery shopping exercises as well. Where these customer-related activities were undertaken, it was noted that the companies usually do not make good use of the information collected to improve their operations, product offerings and pricing levels. Most of the companies tended to focus mainly on costs instead of determining what customers were willing to pay for their products and services. As

such, the emphasis was to study and compete based on price comparison with your competitors.

III.   Operational Perspective Information for the Food Services Companies

All of the food services companies relied heavily on manual labor in their daily business operations. The use of technology and even a basic automation system was very low. An example was the labor-intensive food preparation and serving process which relied largely on manpower. At the present moment, most companies have not objectively analyzed the advantages and potentials of central kitchens. Due to perceived challenges some were reluctant to start a central kitchen as they considered their processes to be highly customized. Some companies who do have central kitchens have yet to benefit from cost savings due to the under-utilized capacities in their central kitchens.

IV.   Human Resource Perspective Information for the Food Services Companies

It was noted that the respondents who had participated in the study have in place basic human resource management systems to recruit, train and compensate their employees. However, the sectors have not made use of part-timers effectively to meet the demand fluctuations of their businesses. Manpower planning and deployment were not well structured and implemented due to several of the factors that the companies were facing. The incentive structures tend to be tied solely to sales, with weak alignment to business strategies and areas such as teamwork.

Best Practices

Based on the references from related literatures, the common characteristics of the retail and food services sectors and the key best practices can be summarized as follows:

I. Organization Culture

Excellent enterprises that have employees with good service attitude possess a 'family' style of management and a happy working environment, with most of them having the deep belief that 'happy employees lead to satisfied customers'.

The role cognition and self-management of service providers often influence their service attitude. In these flagship enterprises, the employee is treated as 'boss' in representing their company as they fulfill their obligations to serve their customers diligently. Employees were encouraged to be autonomous and to make every effort to preserve their professional service image and improve the service level. They are taught not to readily say 'no' to customers and to 'think before the customer does'.

II. Customer Service Attitude

Excellent enterprises that achieved a high level of customer satisfaction had made a great effort to improve 'service attitude', to strengthen their competitive advantage. Service attitude is thus an effective enabler and indicator of service quality. Service attitude is thus receiving greater attention to meet growing customers' requirements and expectations besides facilities, product offerings and prices.

It had been acknowledged that while service attitude is explicit in nature and difficult to measure, enhancing its level will bring intangible advantages such as increased customer compliments and reduced customer complaints. Service attitude is a 'two-way' process, with 'empathy' as a key enabling factor. Thus, managers of enterprises often use 'role swapping' by putting employees in different positions to achieve the desired service concepts and modify service attributes and the mentality of their employees.

III. Recruitment Policy

When excellent enterprises select and recruit new employees, their service attitudes are measured through interview observations of personality and characters as well as by exchanging opinions about habits, ideas and values. Potential employees with major shortcomings in personality or attitude will not be recruited.

The molding of service attitudes for new employees begins early by their managers through regular chatting, observation of their attitudes, eye contacts and through early education and work habit cultivation. Most service attitude education is carried out through 'observation and emulation' where people are engaged in social learning and behavioural modelling. New employees are also paired with experienced employees who pass on their skills and knowledge through demonstrations and OJT approaches. These practices were found to be the most effective ways of teaching.

Senior employees and basic level managers can have an extremely important role to play in 'attitude' education through an 'apprentice' or 'nanny' system where they guide new employees for one to three months using different methods to lead and persuade. Attitude development is also being carried out by using videos (attending classroom sessions), handbooks (teaching materials) and implementation (execution) via three-in-one training and one-to-one demonstrations/observations.

Through a managerial process of 'leading by example', experiences are passed on and emulated by subordinates, which results in enhanced employee service attitude.

IV.   Communication by Leaders

Excellent enterprises were found to correct and improve service attitude through encouragement, guidance and sharing as well as attaching importance to future performance. It was found that the key to service attitude correction was not merely paying attention to apportioning responsibility and blame for external realities, but to adjust, changing and guiding the mentality of the service providers.

In terms of management methods, it was found that the better organizations provide guidance to their employees through positive encouragement instead of negative reinforcement and punishment. Examples of positive approaches and steps to improve attitude comprise:

- Thinking of employee's good and positive points
- Affirming employee's good points and actions
- Putting forward questions
- Thinking of solutions
- Putting thoughts in writing

Enterprises that employ people with good service attitudes were found to perform these steps very often together with their managers, due to their long-term insistence on leading by examples and providing good leadership role models. These regular practices give rise to enhance service attitude reputation and corporate image.

V. Performance Assessment and Rewards

The service attitude performance evaluations used by excellent enterprises attach great importance to encouragement and rewards, measurement and evaluation of internal and external customers and key stakeholders. Various reward mechanisms and schemes were provided at appropriate times.

Performance evaluations were used as the enterprises' communication, encouragement and reward tool. Various forms of evaluation were carried out through practices and feedback mechanisms such as opinion cards, management by walking around and visiting with customers.

Other best practices that enterprises adopted include:

- Generous rewards and public praise for employees who received high regards and good feedback from customers.
- For employees who had made mistakes in their effort to serve customers, managers will first give their support and thereafter share their experience and views to address them.
- Performance evaluation is positioned as searching for the crux of problems, looking for the foundation facts, finding answers and thereafter making significant improvements.

- Proactive actions by employees to ask customers to rate their performances.

VI. Workflow and Standard Operation Procedures (SOPs)

In order to ensure the performance of the staff at its optimum level, Standard Operation Procedures (SOP) had been planned to ease the workflow for the employees. The SOPs contain necessary work instructions, procedures for the maintenance of equipment, account management, etc. This created a conducive working environment for all.

VII. Meeting Customer Requirements

To ensure that consumers are comfortable when visiting an outlet, a lifestyle concept has been introduced to meet the needs and aspirations of the young and career minded customers. Location of the outlet was carefully and strategically chosen to better serve the targeted customer segments/markets.

VIII. Reduction of Staff Turnover

Systems have been incorporated to stipulate job descriptions and roles of each employee clearly, thereby helping employees to better understand their roles in detail through a structured training and learning process. These systems have enhanced employee's working experience and led to greater staff satisfaction and lower staff turnover.

IX.   Effective Cost Control to Maximize Revenues and Profitability

An integrated automated system helps to monitor and review company's and franchisee's performance on a regular basis to ensure the business performance results are on par with the target (key performance indicators) established. Key processes were being scrutinized closely to reduce and/or eliminate unnecessary wastes (the seven types of wastes comprising transportation, inventory, motion, waiting, overproduction, defects and processing).

X. Innovation and Creativity

Principle, such as 'tolerance to mistakes', has been introduced, and policies established for employees to have time for experimenting with new practices to create new products and service offerings.

Recommendations

Based on this research study, the team noted that numerous approaches could be adopted by the SMEs in both the retail and food services to improve their business performance (financial, customer results, operational results and human resources results) through the following recommendations:

I. Improving Financial Results

a. Focus on tracking and reporting the VA to review the wealth generation of the company, in addition to the commonly-used sets of financial indicators. From the computed VA and financial indicators, the companies will be able to review and improve their labor productivity and capital productivity, labor cost, competitiveness and profitability to become more competitive and to achieve sustainable business growth.

b. Link the financial indicators with the other three perspectives of performance indicators so that the company can better align themselves to business strategies. The management could share findings with their outlets/store managers so that they could motivate their employees towards achieving the company's objectives by setting departmental KPIs. The KPIs identified and the data collected could be used to develop strategic action plans within the organization, linked to an employee incentive structure.

II. Improving Customer Results

a. SMEs could cultivate customer loyalty to generate greater customer spendings by upselling and differentiating themselves from their competitors. They could increase average transaction value by bundling products, displaying complementary product offerings next to each other and creating customer loyalty programs to retain existing customers and attract new customers.

b. The customer-centric experiences should be developed based on customer insights (e.g. data collected from surveys and mystery shopping exercises).

c. Companies could also develop and leverage on multiple channels to drive productivity and enhance customer experiences.

d. Companies could better explore and leverage on technology and e-commerce (such as social media and the Internet) to promote their products and drive traffic to their stores. This will then help to mitigate rising rental costs and extend their reach to new markets.

III. Improving Operational Results

a. Companies could optimize their processes and workflows. This could be done by standardizing operations across retail and food services stores/outlets, streamlining low-value and administrative tasks and implementing 5S Housekeeping practises.

b. Companies could also analyze and redesign their menu items (food services) and product offerings (retail) to improve management of inventory and streamline processes.

c. Companies could make greater use of technology to improve productivity such as:
- Simple IT systems to process invoices so as to minimize human errors
- Integrated POS systems for better management of inventories
- Self-ordering and self-checkout systems to reduce reliance on manpower
- Customer relationship management (CRM) systems
- Enterprise Resource Planning (ERP) systems

IV.   Improving Human Resources Results

a. Optimizing work schedules to efficiently allocate manpower to meet customer demand while reducing overall labor requirements. Labor scheduling should be data-driven (e.g. based on POS/ historical data and sales forecasts).

b. Making better use of part-timers to increase flexibility so as to ensure sufficient manpower during peak periods, and reduce excess labor during lull periods.

c. Complementing the use of part-timers with a structured training system and comprehensive standard operating procedures to ensure consistency in service.

d. Implementing comprehensive training programs across all job functions and different levels of employees. In addition to supporting their employees to attend external training programs, the companies could also put in place in-house training curriculum customized to the concept of the stores.

e. Aligning compensation and benefits packages with business objectives to better retain employees and reduce staff turnover. The incentives programs should encourage profit maximization and productivity improvement, instead of just sales maximization.

f. Using non-monetary incentives to reward desirable behaviors (e.g. learning trips and awards).

Conclusion

As this is the first APO Benchmarking Research Project in the retail and food services sectors in Asia, several interesting and valuable learning insights have been achieved:

I. While it was noted that the Benchmarking Process is a powerful and proven methodology to enhance continuous and breakthrough improvements, it was noted that companies were generally cautious and concerned about data and information of their companies being made public due to the highly competitive business environment in these two sectors.

As such, in order to motivate companies to take part in this research project, a common approach has been taken to assure that specific company's information would not be mentioned in the findings. In particular, financial perspective information and data of the other three perspectives will only be expressed as overall averages and not based on individual company's figures.

II. Due to the different business environment and practices, each country has their own specific definitions and categories of the sub-sectors in the retail and food services sectors that are linked to their national statistics from the Department of Statistics.

III. Generally, most of the SMEs in the four countries do not have a structured approach for collecting, analyzing and sharing key organizations' data and information, besides the basic financial data. Also, the applications and practices differed from each of the countries.

IV. While the VA, number of companies and the employment size of the two identified sectors are available at the national level, this data and information are not further segmented and categorized into the corresponding sub-sectors within them. This makes it difficult for the SMEs in each of the sub-sectors in the retail and food services sectors to compare and benchmark each other for continuous and breakthrough improvements due to the wide variation of their companies' structures and sizes.

V. It was insightful to note the numerous interesting best practices and achievements that were found among the SMEs, in both the retail and food services. Adaption and

implementation of these best practices will help enhance competitiveness which will lead to sustainable business growth of the SMEs in the years ahead.

As this is the first Benchmarking Research Project, every effort has been taken by the research team to develop and endorse a framework and structure of benchmarking; to define a holistic set of key performance indicators based on the four perspective of balanced scorecard; and to design a comprehensive set of questionnaires to gather additional data. It is the hope of this project that the findings and the framework will be beneficial for the follow-on research projects for other business sectors in the years to come.

Thanks go to all of four national experts – Dr. Eugene Lin, Ms. Kaori Yoshida, Mr. Mohamad Sahril and Ms. Loo Ya Lee – for their personal contributions and efforts in making this research project possible.

Appreciations also go to APO for the opportunity for us to work together on this project. A special mention and thanks to Ms. Yasuko Asano, APO Program Officer, Research and Planning Department, for her invaluable assistance and support throughout this benchmarking research project for the retail and food services sectors.

12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Final Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

4. Human Resource Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**
			2009	**2010**	**2011**	
18. Training hours per staff	Learning and development emphases of the organisation to enhance competencies of staff	Training Hours ÷ Number of Staff				The definition of "training" should be only "formal or structural training" Ratio to be computed for each level of staff, i.e. Management, Executive and Frontline
19. Training Expenditures per staff	Learning and development emphases of the organisation to enhance competencies of staff	Training Cost ÷ Staff				The definition of "training" should be only "formal or structural training" The definition of "staff" should be only "permanent staff"
20. Staff Turnover Rate	The retention rate of staff and the overall staff satisfaction level	Number of staff resigned ÷ Total number of staff				
21. Absenteeism Rate	The engagement and morale of staff	Number o f Absenteeism ÷ Total number of Staff				Ratio can be computed either on a weekly or monthly basis. Part-time staff to be converted to Full Time Equivalent - FTE

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12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

1. Financial Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**
			2009	**2010**	**2011**	

1. Value Added-to-Sales Ratio	Proportion of sales created by the organisation over and above purchased materials and services	Value Added (VA) ÷ Sales				*Commutation of VA*
						 1) Subtraction Method
						    VA = Sales – Bought-in
						    Materials and Services
						 or
						 2) Addition Method
						    VA = Labour Cost + Interest
						    + Depreciation + Profits +
						    Taxes + Donations

2. Labour Cost Competitiveness	Efficiency and effectiveness of the organisation in term of its labour cost	Value Add (VA) ÷ Labour Cost				
3. Working Capital Ratio	Operating liquidity and short-term financial health	Current Asset – Current Liability				
4. Profit Margin	Proportion of sales left to the organisation after deducting all costs	EBITDA ÷ Sales				EBITDA = Earnings before Interest, Tax, Depreciation and Amortization)

12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Final Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

2. Customer Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**
			2009	**2010**	**2011**	
5. Customer Satisfaction Index (CSI)	The degree that products and services supplied by a company meet or surpass customer requirements and expectations	Rating Score by customer ÷ Maximum Rating Score Possible				
6. Compliments to Complaint Ratio	The customer service level that will enhance customer retention and customer loyalty	Compliments/ Complaints Ratio				
7. Number of customers per staff	Effectiveness and efficiency of marketing strategy	Number of Customers ÷ Staff				
8. Sales per Staff (FTE)	Efficiency and effectiveness of marketing strategy	Sales ÷ Number of Staff (FTE)				FTE = Full-time Equivalent Part-time staff to be converted to Full Time Equivalent (FTE)
9. Customer Conversion Rate	The total number of customers acquired to the total number of prospects	Number of Sales Transactions ÷ Number of People who entered the store				For Retail Sector
10. Sales per Customer	Which product or service line produce the most sales per customer and therefore which customer relationship are the most important	Sales ÷ Number of Customers (using sales transactions as a proxy)				

12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Final Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

	3. Operational Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**	
			2009	**2010**	**2011**		
11. Tables Utilisation	Efficiency and effectiveness of fixed assets in the generation of sales	Table Turns ÷ Operating hours				For Food Services only	
12. Sales per Seat	Efficiency and effectiveness of fixed assets in the generation of sales	Sales ÷ Number of Seats					
13. Labour Productivity	Efficiency and effectiveness of employees in the generation of value added	Value Added (VA) ÷ Number of Staff					
14. Annual Inventory Turns (number of turns per year)	Effectiveness in inventory management of the materials used e.g. efficient buying practices, inventory cost and quality (obsolescence level), etc	Cost of goods sold ÷ Average Inventory				Average Inventory = Average amount of raw materials and/or items available for sales or in the progress of being made ready for sales	
15. Labour Cost to Sales Ratio (%)	Efficiency and effectiveness of the operational strategy and management of staff	Labour Cost ÷ Sales				Ratio to be computed in (%). Labour Cost = all personnel costs incurred.	
16. Sales per Floor Areas (Sq. Ft.) used	Efficiency and effectiveness of floor areas used in the generation of sales	Sales ÷ Floor Areas (Sq. Ft.)				Floor areas computed in Sq Ft. used	
17. Sales per Fixed Assets (dollar of capital)	Efficiency and effectiveness of fixed assets in the generation of sales	Sales ÷ Fixed Assets					

12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Final Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

4. Human Resource Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**
			2009	**2010**	**2011**	
18. Training hours per staff	Learning and development emphases of the organisation to enhance competencies of staff	Training Hours ÷ Number of Staff				The definition of "training" should be only "formal or structural training" Ratio to be computed for each level of staff, i.e. Management, Executive and Frontline
19. Training Expenditures per staff	Learning and development emphases of the organisation to enhance competencies of staff	Training Cost ÷ Staff				The definition of "training" should be only "formal or structural training" The definition of "staff" should be only "permanent staff"
20. Staff Turnover Rate	The retention rate of staff and the overall staff satisfaction level	Number of staff resigned ÷ Total number of staff				
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12-RP-25-GE-RES-B:
APO Research on Benchmarking for SMEs in the Service Sector (Retail and Food Subsectors)

Key Performance Indicators for Retail and Food Services
(Categorised in the 4 Perspectives of Financial, Customer, Operational and Human Resource)

1. Financial Perspective						
Key Performance Indicators	**What it measures**	**Formula**	**Data (Performance Results)**			**Notes / Remarks**
			2009	**2010**	**2011**	

1. Value Added-to-Sales Ratio	Proportion of sales created by the organisation over and above purchased materials and services	Value Added (VA) ÷ Sales				***Commutation of VA***
						1) Subtraction Method
						  VA = Sales – Bought-in Materials and Services
						  or
						2) Addition Method
						  VA = Labour Cost + Interest + Depreciation + Profits + Taxes + Donations

2. Labour Cost Competitiveness	Efficiency and effectiveness of the organisation in term of its labour cost	Value Add (VA) ÷ Labour Cost				
3. Working Capital Ratio	Operating liquidity and short-term financial health	Current Asset – Current Liability				
4. Profit Margin	Proportion of sales left to the organisation after deducting all costs	EBITDA ÷ Sales				EBITDA = Earnings before Interest, Tax, Depreciation and Amortization)

APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Introduction and Background of this APO Research Project

The objective of this questionnaire is to identify the productivity level and best practices adopted by SMEs in Retail and Food Services Sectors among 4 Asian countries comprising Republic of China, Japan, Malaysia and Singapore. The compilation of the data and information will help generate the pertinent research publication/report and to provide best practice cases.

The small and medium enterprises (SMEs) in the service sector continue to play an increasingly important role in the Asian economies in terms of contributions to gross domestic product (GDP) and employment. Hence, they are the core engines for productivity and economic growth. The APO recognizes the importance of monitoring the progress of SME performance in the service sector in the region and sharing the best practices of high business performers to the others in other member economies.

Benchmarking is a continuous process of self-assessment and initiating actions to close gaps, surpass the best performers, and retain a competitive edge. To pursue continuous improvement, it is essential that SMEs not only have a relevant basis for comparison but also learn from the achievements and results obtained from the benchmarking exercise, as well as sharing useful reference data and information to compare their performance.

In July 2012, a study meeting was held to discuss on how to make cross-country comparison of productivity performance of SMEs in the retail and food services sector. The meeting has identified a set of comparable indicators for the pertinent SME business performance assessment amongst countries. Based on the set of indicators identified and the methodology agreed in the study meeting, this research project will collect data, information and best practices by 4 National Experts under the direction and instruction of the Chief Expert.

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Company Background/Outline
Please complete the boxes/check off the appropriate choices.

1. **Name of Company**

2. **Correspondence Address**

3. **Contact Person & Designation**

4. **Telephone Number**

5. **Email Address**

6. **Name of Chief Executive Officer**

7. **Year Incorporated**

8. **Type of Business**
   - ☐ Sole Proprietor
   - ☐ Partnership
   - ☐ Private Limited
   - ☐ Public Listed

9. **Operation Hours**

10. **Number of Stores/Outlets**

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11. **Business Type**

☐ Supermarkets, Mini-marts, Convenience Stores & Provision Shops

☐ Department Stores, Hypermarts & Other Non-Specialised Stores

☐ Food, Beverages & Tobacco Product

☐ Motor Vehicles, Parts & Accessories

☐ Automotive Fuel

☐ Computers, Peripheral Units, Software, Telecommunications, Audio & Equip

☐ Textiles, Hardware, Paints, Glass, Electrical Household Appliances, Furniture, Lighting Equipment & Other Household Articles

☐ Books, Newspapers, Stationery, Music & Video Recordings

☐ Sporting Equipment, Games & Toys

☐ Clothing, Footwear & Leather Articles

☐ Pharmaceutical & Medical Goods, Cosmetic & Toilet Articles

☐ Jewelry, Costume Jewelry, Watches & Clocks

☐ Handicrafts & Fancy Goods, Flowers, Plants & Pet Animals

☐ Optical & Photographic Goods

☐ Other New Goods, Second-Hand Goods

☐ Retail Sale via Mail Order Houses or via Internet & Other Retail Sale not in Stores

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APO Research Project on cross-country assessment of productivity performance of SMEs
in the Retail and Food Services Sectors

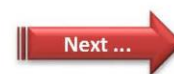## Survey Questionaires for Retail Sector

Company Background/Outline
Please complete the boxes/check off the appropriate choices.

1. **Name of Company**

2. **Correspondence Address**

3. **Contact Person & Designation**

4. **Telephone Number**

5. **Email Address**

6. **Name of Chief Executive Officer**

7. **Year Incorporated**

8. **Type of Business**
   - ☐ Sole Proprietor
   - ☐ Partnership
   - ☐ Private Limited
   - ☐ Public Listed

9. **Operation Hours**

10. **Number of Branches**

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11. **Business Type**

☐   Supermarkets, Mini-marts, Convenience Stores & Provision Shops

☐   Department Stores, Hypermarts & Other Non-Specialised Stores

☐   Food, Beverages & Tobacco Product

☐   Motor Vehicles, Parts & Accessories

☐   Automotive Fuel

☐   Computers, Peripheral Units, Software, Telecommunications, Audio & Equip

☐   Textiles, Hardware, Paints, Glass, Electrical Household Appliances, Furniture, Lighting Equipment & Other Household Articles

☐   Books, Newspapers, Stationery, Music & Video Recordings

☐   Sporting Equipment, Games & Toys

☐   Clothing, Footwear & Leather Articles

☐   Pharmaceutical & Medical Goods, Cosmetic & Toilet Articles

☐   Jewelry, Costume Jewelry, Watches & Clocks

☐   Handicrafts & Fancy Goods, Flowers, Plants & Pet Animals

☐   Optical & Photographic Goods

☐   Other New Goods, Second-Hand Goods

☐   Retail Sale via Mail Order Houses or via Internet & Other Retail Sale not in Stores

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Financial Perspective Information (for the past 3 years)

	2010	2011	2012
1. What were your Annual Sales Revenues over the past years?			
2. What was your cost of goods sold (COGS) over the past years? *i.e. Cost of all retailed items*			
3. What were your total Labour Costs?			
4. What were the Fixed Assets at Net Book Value?			
5. What was the Operating Profit/Loss after Tax?			
6. What were the Interest Incurred from Loans and Hire Purchase?			
7. What were the Depreciations from Buildings, Equipment and Machinery, etc.?			
8. What were the Taxes (e.g. Income Tax, Property Tax, etc.)?			
9. What were your Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)? *i.e. Sales-COGS – Labour Cost – other operating expenditure (e.g. Selling & Admin expenses)*			
10. What was your Current Asset?			
11. What was your Current Liability?			

12.   **What other performance indicators have you used in the area of Financial Management?**

	2010	2011	2012

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Customer Perspective Information (for the past 3 years)

1. In the past 3 years, what practices have you introduced to your customer service system to make it more convenient for your customers to complain whenever they are dissatisfied with your products/services?

2. How do your customers make complaints?
   - ☐ By Telephone
   - ☐ In Writing
   - ☐ In Person
   - ☐ Others:

3. Are customer complaints (whether verbal or written) recorded?
   - ☐ Yes
   - ☐ No

   If Yes,
   a. How are the complaints recorded?

   b. What types of key information are recorded?

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4.   Do you have a system to record and track the number of potential customers' arrivals (prospects)?

☐   Yes
☐   No

If Yes,

a.   Describe the system you are using to record and track

	2010	**2011**	**2012**
b. What were the total average number of potential customers' arrival over the past years?			

5.   Do you have a system to record and track the number of customers in your store(s)?

☐   Yes
☐   No

If Yes,

a.   Describe the system you used to record and track the number of customers in your store(s)

	2010	**2011**	**2012**
b. What were the total annual number of customers recorded over the past years?			

6.   Do you conduct Customer Satisfaction Survey?

☐   Yes
☐   No

If Yes,	**2010**	**2011**	**2012**
a. What were the Customer Satisfaction Index (CSI) for the past years?			

7.   Do you collect and record number of customer complaints?

☐   Yes
☐   No

If Yes,	**2010**	**2011**	**2012**
a. What were the average numbers of customer complaints received over the past years?			

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8. **Do you collect and record number of compliments from your customers?**
   - ☐ Yes
   - ☐ No

   If Yes,

   a. Describe the system you are using to record and track compliments from customers

   b. What were the numbers of compliments received from customers over the past years?

2010	2011	2012

9. **Is there a formalised system in your organization that keeps the management informed of customer complaints, suggestions and/or feedback?**
   - ☐ Yes
   - ☐ No

   If Yes,

   a. Briefly describe your formalised system.

10. **Please describe your system to monitor all customer complaints and ensure that follow-up actions are taken.**

11. **What other performance indicators do you used in the area of Customer Management?**

	2010	2011	2012

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Operational Perspective Information (for the past 3 years)

	2010	2011	2012
1. What were the total areas (sq. ft) you occupied for your business ?			
2. What was the Average Annual Inventory? *Average Inventory is the amount of items available for sales or in the process of being made ready for sales*			
3. What was the percentage of selling space over the total space in your outlet?			

4. What are the Success Factors for your business?
- ☐ Value for money
- ☐ Good, quality product according to customers'
- ☐ Strong reputation/brand name
- ☐ Good location e.g. high foot traffic, availability
- ☐ Low operating cost
- ☐ Good customer service
- ☐ Scale of operations e.g. multiple stores and

5. Do you use IT systems to increase productivity?
- ☐ Yes
- ☐ No

If Yes,

a. Please indicate the type of system used
- ☐ Computer-based Point-of-Sales system
- ☐ E-commerce as a channel for business
- ☐ Mobile credit/debit payment system
- ☐ Inventory Management System
- ☐ Enterprise Resource Planning System
- ☐ Purchasing System
- ☐ Staff scheduling System
- ☐ Others: Please specify

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		2010	**2011**	**2012**
b.	How much capital expenditure did you spend on IT over the past years?			
c.	How much capital expenditure did you spend on equipment over the past years?			
d.	How much total capital expenditure did you spend over the past years? *i.e. All asset expenditures that were capitalized and depreciated over the past years*			

6.   **What other performance indicators do you used in the area of Operational Management?**

	2010	**2011**	**2012**

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Human Resource Perspective Information (for the past 3 years)

	2010	2011	2012
1. What was the average number of full-time employees you have over the past years?			
2. On average, how many hours do full-time employees work a week?			

3. Do you employ part-time employees?
   - ☐ Yes
   - ☐ No

If Yes,

	2010	2011	2012
a. What was the average number of part-time employees you have?			
b. On average, how many hours do part-time employees work a week?			

4. Do you track Staff Turnover Rate?
   - ☐ Yes
   - ☐ No

If Yes,

	2010	2011	2012
a. How many full-time staff left the company during the past years?			
b. How many part-time staff left the company during the past years?			

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5. **Do you provide training to your employees?**
    ☐ Yes
    ☐ No

    If Yes,
    a. What are the types of training do you provide to your employees?

	2010	2011	2012
b. What was the average number of training hours for each employee per year?			

6. **Is there any form of On-the-Job (OJT) training programmes for new front-line staff?**
    ☐ Yes
    ☐ No

    If Yes,
    a. What are the OJT programmes?

7. **Do you have a performance-based monetary incentive system?**
    ☐ Yes
    ☐ No

    If Yes,
    a. Please indicate the types of incentive system you used?
        (e.g. commissions, bonuses, profit sharing, etc.)

	2010	2011	2012
b. On average, what percentage of a full-time employee's compensation is variable?			

8. **Do you use utilize non-monetary tools to incentivise your employees to perform?**
    ☐ Yes
    ☐ No

    If Yes,
    a. What were the non-monetary tools you had used?

9. **Do you track Absenteeism Rate?**
    ☐ Yes
    ☐ No

    If Yes,

	2010	2011	2012
a. What were the absenteeim rates for the past years?			

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10.   Do you track Staff Turnover Rate?

☐   Yes

☐   No

If Yes,

	2010	*2011*	*2012*
a. What were the turnover rates for the past years?			

11.   What other performance indicators do you used in the area of Human Resource Management?

	2010	2011	2012

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Retail Sector

Thank You for your participation in this APO Research Project

Thank you for agreeing to participate in our survey.

Your inputs will be very valuable to us in our efforts to help enhance the productivity performance of SMEs in the Retail Sectors in Asia.

Thank you for your participation.

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Food Services Sector

Introduction and Background of this APO Research Project

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Food Services Sector

Company Background/Outline

Please complete the boxes/check off the appropriate choices.

1. **Name of Company**

2. **Correspondence Address**

3. **Contact Person & Designation**

4. **Telephone Number**

5. **Email Address**

6. **Name of Chief Executive Officer**

7. **Year Incorporated**

8. **Type of Business**
    - ❑ Sole Proprietor
    - ❑ Partnership
    - ❑ Private Limited
    - ❑ Public Listed

9. **Operation Hours**

10. **Number of Outlets**

Page 2 of 15

11.   Business Type

☐   Fine Dining Restaurant

☐   Mid-Price Dining Restaurant

☐   Casual Dining Restaurant

☐   Fast Food Restaurant

☐   Food Caterer

☐   Cafe, Coffee House, Snack Bar (With a Central Kitchen)

☐   Cafes, Coffee House, Snack Bar (No Central Kitchen)

☐   Food Court, Coffee Shop, Eating House (With Mainly Food & Beverage Income)

☐   Pub (Including Bar)

☐   Other Restaurant, Cafe And Bar

☐   Canteen

12.   What is your mode of operation?

☐   Breakfast only

☐   Lunch only

☐   Dinner only

☐   Breakfast and Lunch only

☐   Lunch and Dinner only

☐   Whole Day (Breakfast, Lunch and Dinner)

13.   Is your company involved in franchising?

☐   Yes
☐   No

If Yes,

a.   Are you a franchisor or a franchisee?
☐   Franchisor
☐   Franchisee

b.   What brand are you representing?

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APO Research Project on cross-country assessment of productivity performance of SMEs
in the Retail and Food Services Sectors

Survey Questionaires for Food Services Sector

Financial Perspective Information (for the past 3 years)

	2010	2011	2012
1. What were your Annual Sales Revenues over the past years?			
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3. What were your total Labour Costs?			
4. What were the Fixed Assets at Net Book Value?			
5. What was the Operating Profit/Loss after Tax?			
6. What were the Interest Incurred from Loans and Hire Purchase?			
7. What were the Depreciations from Buildings, Equipment and Machinery, etc.?			
8. What were the Taxes *(e.g. Income Tax, Property Tax, etc.)*?			
9. What were your Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)? *i.e. Sales-COGS – Labour Cost – other operating expenditure (e.g. Selling & Admin expenses)*			
10. What was your Current Asset?			
11. What was your Current Liability?			

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12.   **What other performance indicators have you used in the area of Financial Management?**

	2010	2011	2012

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APO Research Project on cross-country assessment of productivity performance of SMEs in the Retail and Food Services Sectors

Survey Questionaires for Food Services Sector

Customer Perspective Information (for the past 3 years)

1. In the past 3 years, what practices have you introduced to your customer service system to make it more convenient for your customers to complain whenever they are dissatisfied with your products/services?

2. How do your customers make complaints?
   - ☐ By Telephone
   - ☐ In Writing
   - ☐ In Person
   - ☐ Others:

3. Are customer complaints (whether verbal or written) recorded?
   - ☐ Yes
   - ☐ No

   If Yes,

   a. How are the complaints recorded?

   b. What types of key information are recorded?

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4.   **Do you have a system to record and track the number of potential customers' arrivals (prospects)?**

☐   Yes
☐   No

If Yes,

a.   Describe the system you are using to record and track

	2010	*2011*	*2012*
b. What were the total average number of potential customers' arrival over the past years?			

5.   **Do you have a system to record and track the number of customers in your outlet(s)?**

☐   Yes
☐   No

If Yes,

a.   Describe the system you used to record and track the number of customers in your outlet(s)

	2010	*2011*	*2012*
b. What were the total annual number of customers recorded over the past years?			

6.   **Do you conduct Customer Satisfaction Survey?**

☐   Yes
☐   No

If Yes,	*2010*	*2011*	*2012*
a. What were the Customer Satisfaction Index (CSI) for the past years?			

7.   **Do you collect and record number of customer complaints?**

☐   Yes
☐   No

If Yes,	*2010*	*2011*	*2012*
a. What were the average numbers of customer complaints received over the past years?			

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8. **Do you collect and record number of compliments from your customers?**

    ☐   Yes

    ☐   No

If Yes,

a.   Describe the system you are using to record and track compliments from customers

	2010	**2011**	**2012**
b. What were the numbers of compliments received from customers over the past years?			

9. **Is there a formalised system in your organization that keeps the management informed of customer complaints, suggestions and/or feedback?**

    ☐   Yes

    ☐   No

If Yes,

a.   Briefly describe your formalised system.

10. **Please describe your system to monitor all customer complaints and ensure that follow-up actions are taken.**

11. **What other performance indicators do you used in the area of Customer Management?**

	2010	**2011**	**2012**

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Survey Questionaires for Food Services Sector

Operational Perspective Information (for the past 3 years)

	2010	2011	2012
1. What were the total areas (sq. ft) you occupied for your business ?			
2. What was the Average Annual Inventory? *Average Inventory is the amount of items available for sales or in the process of being made ready for sales*			
3. What is the seating capacity of your outlet (number of seats)?			
4. What is the estimated number of table turns per day?			
5. What is the percentage of sales for food and beverages? *e.g. 70% of sales in food and 30% of sales in beverages*			
6. What was the percentage of Take-away sales? *i.e. food & beverages not consumed in the outlet*			

7. Do you operate a central kitchen?
☐ Yes
☐ No

If Yes,

	2010	2011	2012
a. What was the size of the central kitchen (sq ft)?			

b. What processes do you conduct in your central kitchen ?

8. What are the Success Factors for your business?
☐ Value for money
☐ Good, quality product according to customers'
☐ Strong reputation/brand name
☐ Good location e.g. high foot traffic, availability

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☐   Low operating cost
☐   Good customer service
☐   Scale of operations e.g. multiple stores and

9.   **Do you use IT systems to increase productivity?**
☐   Yes
☐   No

If Yes,
a.   Please indicate the type of system used
☐   Computer-based Point-of-Sales system
☐   E-commerce as a channel for business
☐   Mobile credit/debit payment system
☐   Inventory Management System
☐   Enterprise Resource Planning System
☐   Purchasing System
☐   Staff scheduling System
☐   Others: Please specify

		2010	**2011**	**2012**
b.	How much capital expenditure did you spend on IT over the past years?			
c.	How much capital expenditure did you spend on machinery/equipment? *e.g. kitchen equipment, etc.*			
d.	How much total capital expenditure did you spend over the past years? *i.e. All asset expenditures that were capitalized and depreciated over the past years*			

10.   **What other performance indicators do you used in the area of Operational Management?**

	2010	**2011**	**2012**

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Survey Questionaires for Food Services Sector

Human Resource Perspective Information (for the past 3 years)

		2010	2011	2012
1.	What was the average number of full-time employees you have over the past years?			
2.	On average, how many hours do full-time employees work a week?			

3. **Do you employ part-time employees?**
   ☐ Yes
   ☐ No

If Yes,

		2010	2011	2012
a.	What was the average number of part-time employees you have?			
b.	On average, how many hours do part-time employees work a week?			

4. **Do you track Staff Turnover Rate?**
   ☐ Yes
   ☐ No

If Yes,

		2010	2011	2012
a.	How many full-time staff left the company during the past years?			
b.	How many part-time staff left the company during the past years?			

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5. **Do you provide training to your employees?**
   ☐ Yes
   ☐ No

   If Yes,
   a. What are the types of training do you provide to your employees?

	2010	2011	2012
b. What was the average number of training hours for each employee per year?			

6. **Is there any form of On-the-Job (OJT) training programmes for new front-line staff?**
   ☐ Yes
   ☐ No

   If Yes,
   a. What are the OJT programmes?

7. **Do you have a performance-based monetary incentive system?**
   ☐ Yes
   ☐ No

   If Yes,
   a. Please indicate the types of incentive system you used?
   (e.g. commissions, bonuses, profit sharing, etc.)

	2010	2011	2012
b. On average, what percentage of a full-time employee's compensation is variable?			

8. **Do you use utilize non-monetary tools to incentivise your employees to perform?**
   ☐ Yes
   ☐ No

   If Yes,
   a. What were the non-monetary tools you had used?

9. **Do you track Absenteeism Rate?**
   ☐ Yes
   ☐ No

   If Yes,

	2010	2011	2012
a. What were the absenteeim rates for the past years?			

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10. **Do you track Staff Turnover Rate?**
    ☐ Yes
    ☐ No

    If Yes,

	2010	2011	2012
a. What were the turnover rates for the past years?			

11. **What were the important aspects of labour management in our business?**

12. **What other performance indicators do you used in the area of Human Resource Management?**

	2010	2011	2012

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Survey Questionaires for Food Services Sector

Thank You for your participation in this APO Research Project

Thank you for agreeing to participate in our survey.

Your inputs will be very valuable to us in our efforts to help enhance the productivity performance of SMEs in the Food Services Sectors in Asia.

Thank you for your participation.

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Acknowledgement