

S&P AIMS TO DELIVER MORE TO THAI TASTEBUDS

EXECUTIVE Q&A

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After serving food, bakery products and beverages to Thai consumers for 40 years, SET-listed S&P Syndicate Plc (SNP) still sees "huge potential" to grow both domestically and internationally, says Vitoon Sila-On, senior vice-president for domestic operations. "Even with 424 outlets across the nation, the expansion has only just begun," he says in a discussion about the company's strategy and outlook.

How do you see quick-service restaurants (QSR) doing in Thailand?

Obviously, there's a lot of competition. But the Thai market is far from saturation. By nature, Thai consumers love eating out; we eat all the time, so there are always opportunities out there. Our studies show that the QSR market has grown massively in the past decade. However, it still accounts for less than 4% of all meals consumed in terms of the number of occasions. Hence, there are many things we can do, especially given the fact that Thai consumers respond well to the chain-store concept.

What is your plan to expand S&P Restaurants?

We are better known for our bakery products and we already have 310 bakery outlets in Thailand. For our full-service restaurants, awareness and perception have improved significantly over the years. However, we have only 113 locations.

Given the modest base, there's plenty of room for us to expand and bring the S&P brand to the next level. We need to provide customers convenience and accessibility. There are untapped opportunities in the provinces and many shopping malls that we plan to explore. In addition, we have more than 200,000 loyal Joy Card members in our database which we plan to utilise more fully.

Do you also see ample growth opportunities in the bakery business?

Yes. Our expansion plan for bakery outlets remains rapid. In addition, we have been working hard on supplying our products to convenience stores. We understand the change in consumer lifestyles and we think it is time for us to look at this channel more seriously.

Our brand is already well recognised. Therefore, we are ready for the next challenge. In this initial stage, we have started supplying some bakery items to



'Finding, training and retaining good people is our biggest challenge,' says Mr Vitoon.

Lawson 108 stores while distributing our famous moon cakes through 7-Eleven outlets.

What about other brand developments?

We are fairly risk-averse. We have spent years to make sure we can find the right products and partners in order to maximise shareholders' returns. We have just launched Maisen, which is a famous tonkatsu restaurant from Japan. And we plan to roll out four more restaurants by the end of this year. We are also looking to add more international brands to our portfolio which will be revealed in due time.

With regard to our own brand, we aim to leverage our up-and-coming BlueCup coffee brand further via a standalone cafe-style concept in the pipeline. There are sure to be other brands and product innovations to enrich our portfolio as well.

What will be your key growth drivers this year?

We usually plan to expand by 40-50 new outlets annually. However, we have become more aggressive this year with 70 locations already in the pipeline. In terms of same-store sales, we achieved overall year-on-year growth of 4.5% in the first half of 2013. That was led by 7.6% year-on-year growth from S&P Restaurants.

We believe the trend will remain favourable throughout the rest of the year as we are driving our growth through

better product innovation and quality communication. So far, we have introduced highly valued raw materials such as herb-fed chicken, Kurobuta pork and Hokkaido milk into our menus. To date, the results have been positive.

How do you cope with rising costs?

There is no easy answer for this.

However, we need to balance costs and pricing to achieve good value for our customers. Internally, we have flattened our organisation, cross-trained staff, and automated many processes — all in an effort to optimise costs.

What is your biggest challenge today?

Our greatest challenge is managing human resources. Finding, training and retaining good people should be equally demanding for everyone in the service industry.

Are you looking to expand more overseas?

Definitely. We already have 22 outlets in seven countries and counting. At S&P, we adopt a slow-but-sure approach to keep our stakeholders happy. We aim for healthy and consistent growth in the long term. Therefore, we always carefully plan and fine-tune our models for each country. We will surely expand into Asean and major Asian countries, mostly through a joint-venture or franchise model.

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