



# LEADER OF THE PACK



## BIGGER IN CHINA



**P**ARKiNSHOP's trailblazing supermarket revolution is now being exported across the border to China, where the chain's biggest outlet to date has just opened.

The new PARKiNSHOP MegaStore in Guangzhou's Tian He district is essentially a hypermarket. Nearly twice the size of Hong Kong's

largest superstore, it extends over a massive 136,000 sq ft.

"It's an entirely new model, far bigger than anything we have opened so far in Hong Kong," says Iwan Evans, managing director for PARKiNSHOP in China.

Designers and planners spent 18 months perfecting the 'hypermarket' model, which is the first of many envisaged for Guangdong province.

"We didn't want to just copy others, we wanted to ensure it had its own identity," says Evans. "And I'm delighted. You could put it anywhere in the world and people would be impressed."

In fact, by adding the hypermarket dimension, PARKiNSHOP believes it has gone one better than any other retailer in Asia.

Explains Evans: "I don't know of any other that incorporates all of the three major retailing formats, from traditional small supermarkets to superstores and hypermarkets."

The Guangzhou MegaStore is essentially a "one-stop-shop" for virtually everything people need to buy.

The enormous range over two floors incorporates: electrical products and household appliances; a Home World selling everything from bedding and kitchen appliances to personal computers; a Toy World; a Beauty Zone offering cosmetics, bathroom products and baby apparel; an Expat

Corner featuring imported favourites; and a giant supermarket including the enormously successful 'wet-market' concept pioneered at PARKiNSHOP's Hong Kong superstores. The bakery alone extends over 8,000 sq ft.

PARKiNSHOP was the first foreign retailer in China, having opened its first store in Shekou 17 years ago.

Over the years the Mainland arm grew to a total of 75 stores. But they were all very small supermarkets known for selling only imported products from Hong Kong. "Our reputation was very much at the luxury end," Evans explains.

"But shopping habits have changed dramatically in China, and when rivals started opening hypermarkets, PARKiNSHOP was unfortunately left behind.

"So in 1999 it was decided to completely change our format. We closed down a lot of 'no hoper' supermarkets, to the point where today we only have 22.

"We have stores in Beijing and Shanghai, but the thrust of our operation is in Guangdong, which we see as an extension to Hong Kong — and where we see our future."

PARKiNSHOP is following just two models for new outlets in Guangdong. Most will be downtown superstores of around 50,000 sq ft, similar to Metro City in Hong Kong. The first of these opened last year in the China Travel Services building in Guangzhou, and has proved enormously popular.

But the strategy now is to also build gigantic hypermarkets on the fringes of Guangdong's major cities.

"These are exciting times for PARKiNSHOP in China," adds Evans. "To meet the challenge we've recruited an entirely new management team, nearly all of whom are bright, young Mainland graduates. It's actually the youngest management team in retailing in China, with an average age of only around 30, and the new blood is extremely ambitious!"

have transformed their factories to achieve hygiene standards as good as anywhere in the world," says Johnston. "We even get involved in factory design. For example, over the past year I have been working closely with a chicken processing firm in Mainland China and completely redesigned its factory with a unique 'Fresh Check' chilling system that enables them to hygienically process and chill chickens with the heads and feet still attached, which is how local consumers prefer them.

"It's been an extremely rewarding experience, working through all the frustrations, negotiating and persuading suppliers to invest, laying out and agreeing the plans, and paying regular visits during the factory reconstruction and production trials. It adds to the challenge and satisfaction that all this is in a state-owned company in Mainland China!"

In the meantime, PARKiNSHOP opened three laboratories at its centralised supply depot close to the border, the Fresh Food Distribution Centre in Sheung Shui.

"They test food virtually around the clock," says Johnston. A microbiological laboratory tests about 500 samples of 2,500 products a month for bacteria. An analytical laboratory tests for banned drugs that "unfortunately seem to appear in pork from time to time and cause food poisoning". All pork must now pass this test before reaching stores. Nutritional analysis is also conducted to meet consumer information commitments. Food is further tested for additives.

Since one of the biggest food safety risks in Hong Kong is pesticide poisoning from Chinese vegetables, which results in several hospitalisation cases a

year, PARKiNSHOP countered with a pesticide testing laboratory that operates all night, every night. Every single batch of vegetables from China is tested before being sent to stores in the morning.

PARKiNSHOP even has its own agricultural scientist, Sammy Pan, based permanently over the border, where he monitors suppliers and teaches them how to use pesticides safely. The chain's Food Hygiene Academy, which all staff who handle food must attend, now boasts 3,500 graduates.

### A CULTURE OF IMPROVEMENT

"We have worked hard to improve food hygiene within the existing supply chain and in most cases have now stretched the improvements to what is achievable under the existing system," says Johnston. "But as we believe in continuous quality improvement we are never satisfied."

For that reason, world-class quality assurance and "traceability" of the food chain first extended from Chinese vegetables to local pork and beef. Most recently, the initiative has been applied to live fish, with the opening of the PARKiNSHOP Fresh Fish Centre (FFC) in Aberdeen.

The state-of-the-art central storage depot for live seafood sets another new milestone for Hong Kong's fresh food industry by enabling PARKiNSHOP to source seafood directly from suppliers — and keep it in pristine water during the crucial stage between delivery from trawlers and distribution to the supermarkets. Unique hygiene features include two separate purifying systems, temperature-controlled water, biological filters and UV lights installed over each of the 35 independent fish tanks to prevent bacteria. The tanks contain unpol-

luted seawater from outlying Hong Kong waters.

"It's another 'first' for a local retailer and a fundamental change to the fish supply chain for the benefit of Hong Kong consumers, suppliers and the community at large," says Taylor.

"Through the wholesale market it is difficult to implement proper food safety and hygiene controls. A centralised, accountable and traceable distribution system is critical to ensure quality, hygiene and safety assurance. Cleaner water for safer fish underlines our passion for food safety."

The pioneering initiatives on land and at sea are already attracting accolades, and not only from customers. Sales through PARKiNSHOP's 42 new superstores alone now equal turnover across the entire chain of supermarkets five years ago. For its efforts, PARKiNSHOP last year also won top prize in the Hong Kong Management Association's HKMA2000 annual awards for businesses that break new ground in management excellence. The HKMA concluded that PARKiNSHOP had transformed into a "truly quality-driven organisation".

But the commitment to food hygiene and quality is not over yet. "We have a culture of continuous improvement," notes Taylor. "We want to get better all the time." On this subject, he likes to repeat a famous quote from Enzo Ferrari. Asked which Ferrari model he personally preferred, the legendary carmaker always answered: "The next one." And so, which is Logan's favourite PARKiNSHOP store? "The next one" of course.

IT'S THE DETAILS (TOP) THAT MAKE STOCKING UP AT PARKiNSHOP A DELICIOUS EXPERIENCE. THE MEGASTORE IN GUANGZHOU DREW HUGE CROWDS (ABOVE LEFT) AT ITS RECENT OPENING.

## PERFECT PORK



GARY HUI/LEEN

Hong to develop a new pork-cutting facility at Fanling in the New Territories. Designed in line with the world's best hygiene operating principles, the multi-million-dollar plant is close to the government-controlled slaughterhouse in Sheung Shui. The pigs selected for PARKNISHOP are brought quickly from the slaughterhouse in chilled, sealed trucks to the cutting plant, processed and cut in an environment of the highest-standard hygiene and transported to stores in the same chilled trucks. The process takes only around six hours from slaughter to arrival at stores.

The alliance provides PARKNISHOP with a fresh pork supply chain whose standards equal the best in the world. PARKNISHOP pigs, and samples of pork, are also tested for biological or chemical contamination, including Clenbuterol, a drug used illegally to enhance growth rates.

Pork accounts for over 50% of all the meat sold in Hong Kong, but the traditional supply chain has been vulnerable. PARKNISHOP's new system means pigs are now audited, monitored and tested, all the way from the farm to the stores.

An alliance between PARKNISHOP and Ng Fung Hong, a leading fresh food distributor and wholesaler, has taken fresh pork on sale to new levels of hygiene.

Historically, the supply of pigs to the Hong Kong market has been conducted without a cold chain, despite the fact that meat spoils rapidly in hot temperatures. It was not unusual to see butchered meat being carried in open trucks in the heat of the sun, or sides of pork being wheeled around the city on a bicycle.

Realising the flaw in this process, PARKNISHOP worked with Ng Fung



GARY HUI/LEEN

## LIFE IN THE FREEZER

Where is the healthiest place to work in PARKNISHOP? Believe it or not, in the coldest of three warehouses at the Sheung Shui Fresh Food Distribution Centre – maintained at a shivering -18°C. There are two other controlled-temperature levels at the depot, one at 2°C and the other at 8°C.

But depot manager Richard Leung

reveals: "Absence due to sickness among our staff of around 190 is far lower in the coldest warehouse than anywhere else."

Despite having to wear warm jackets, gloves and woolly hats, it seems employees are the picture of health because the "Arctic Zone" is not only too cold for most humans, but also for germs!

## FISHY BUSINESS

Over 100 varieties of fish are already being distributed through PARKNISHOP's new Fresh Fish Centre (FFC) in Aberdeen. The 10,000-sq-ft facility only opened in January 2001 but has proven so popular that FFC manager Joseph Hui is extending the range of seafood to shellfish, abalone, shrimp, crab and lobster.

The FFC's 35 holding tanks currently contain around 15,000-20,000 cabbies of fish at any one time, he says. "Most importantly, the water is uncontaminated and well circulated, so they are happy fish."

Happy fish? "You can tell very easily," Hui laughs. "When fish are happy they swim slowly; when they're not happy they swim crazily!"

The new system was designed by Professor Daniel Kwong On Chan, an expert on seafood and seawater safety who is Chair Professor of the University of Hong

Kong's Department of Zoology, and Director of the Kadoorie Agricultural Research Centre.

Sourcing a supply of seawater was an interesting challenge. Chemical salt could be used but is very expensive, while inshore waters around Hong Kong are not suitable for keeping fish.

So PARKNISHOP decided to fit a boat with a giant water tank. The boat makes daily trips to offshore waters where it monitors for red tide and dredging. Its Global Positioning Satellite System records

where it has been to within a few metres and a copy is e-mailed to PARKNISHOP every morning. If the need arises, it can switch the location to source the cleanest water.

The boat then returns to the dock at Aberdeen where the water is pumped out to the FFC then filtered, UV sterilised and laboratory tested before flowing into the holding tanks.



PA CHIU/LEEN

## Fresh Food Supply Chain

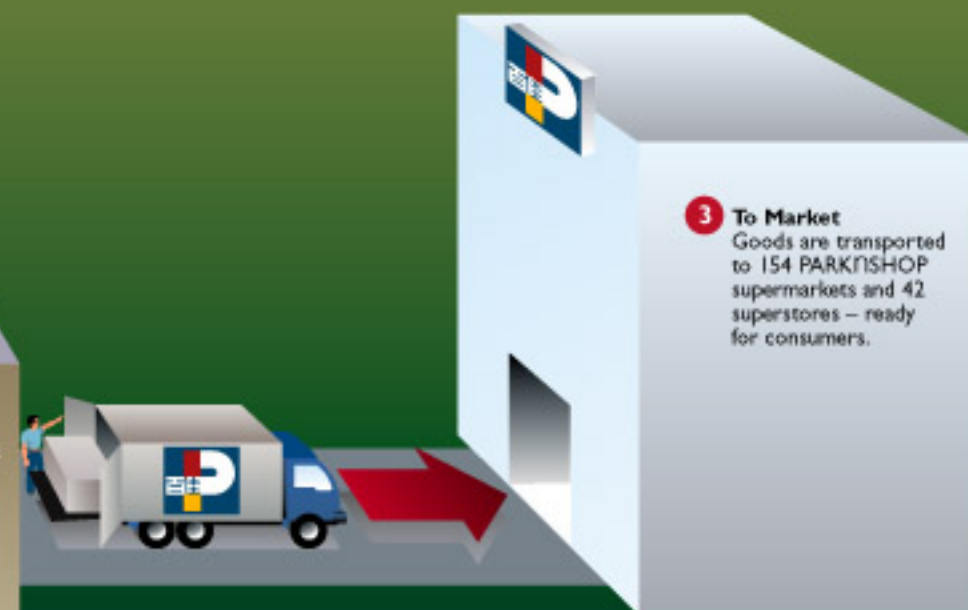
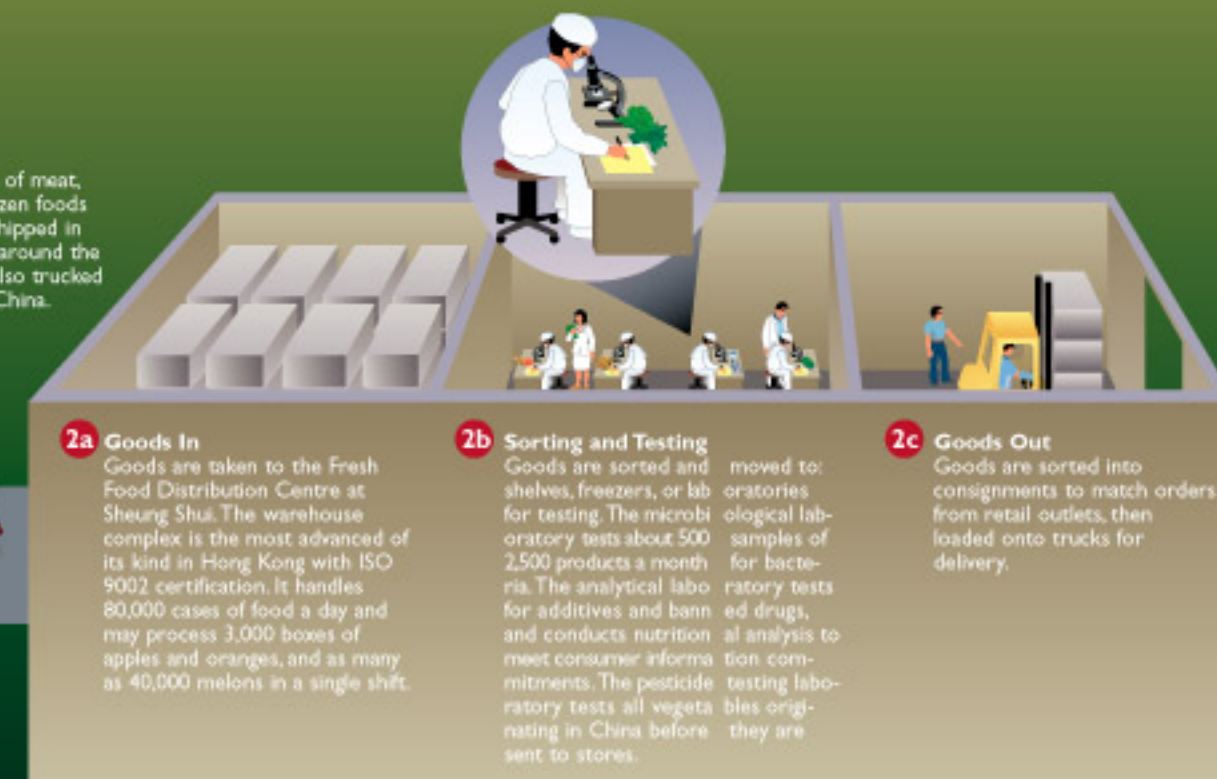
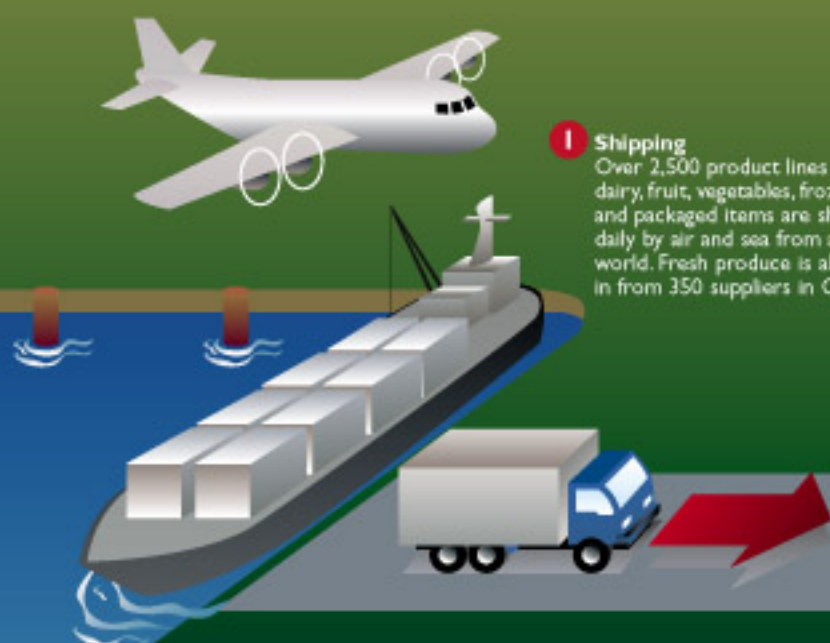
**1 Shipping**  
Over 2,500 product lines of meat, dairy, fruit, vegetables, frozen foods and packaged items are shipped in daily by air and sea from around the world. Fresh produce is also trucked in from 350 suppliers in China.

**2a Goods In**  
Goods are taken to the Fresh Food Distribution Centre at Sheung Shui. The warehouse complex is the most advanced of its kind in Hong Kong with ISO 9002 certification. It handles 80,000 cases of food a day and may process 3,000 boxes of apples and oranges, and as many as 40,000 melons in a single shift.

**2b Sorting and Testing**  
Goods are sorted and shelves, freezers, or lab for testing. The microbiology tests about 500 2,500 products a month. The analytical laboratory tests for additives and banned drugs, and conducts nutrition analysis to meet consumer information commitments. The pesticide laboratory tests all vegetables originating in China before they are sent to stores.

**2c Goods Out**  
Goods are sorted into consignments to match orders from retail outlets, then loaded onto trucks for delivery.

**3 To Market**  
Goods are transported to 154 PARKNISHOP supermarkets and 42 superstores – ready for consumers.



"When I joined in 1997 there was no recognisable quality assurance in our business," says Johnston. "PARKNISHOP was starting to open more superstores selling a range of fresh foods, but there was an array of food scares — from cholera and E. coli to toxic poisoning of coral fish, red tides and toxic pesticides in vegetables from China.

"We realised that if we wanted to succeed in selling fresh foods, we couldn't just tap in to the existing supply chain of the wet markets without inheriting all their inherent vulnerabilities."

So a daring new benchmark standard was set: that fresh food at PARKNISHOP would "match the best food safety standards in the world".

"Fresh Check" stands for quality assurance, all the way down the PARKNISHOP food chain, from the farm (or ocean) to the supermarket. The concept embraced suppliers, storage, delivery, staff hygiene training, medical testing, store hygiene, laboratory testing and consumer information.

"The programme was the first of its kind in Hong Kong and initially there was some astonishment that PARKNISHOP was placing such emphasis on food safety, as no one had bothered much about it before," says Johnston.

"I was constantly reminded that

"Hong Kong people don't care about food safety because they are too busy making money", and when it came to food they were only interested in *peng, leng, jeng* (cheap, nice and good). But our customer surveys revealed a very different picture — that Hong Kong people really do care about food safety. This was clearly demonstrated by plunging sales figures of almost any item involved in a food scare."

#### CHALLENGES AND REWARDS

Tackling the entire food chain was (and continues to be) an enormous challenge. Every one of 350 suppliers of fresh food was from then required to meet exacting international hygiene standards. For many this required substantial investment, but the alternative was losing their PARKNISHOP business, and most accepted the necessity to improve.

"We have had some great success stories with suppliers, many of whom

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WORLD-CLASS QUALITY ASSURANCE AND TRACEABILITY OF THE FOOD CHAIN EXTEND FROM CHINESE VEGETABLES TO LOCAL MEAT, AND MOST RECENTLY, TO LIVE FISH.

CLOCKWORK BACKROOM OPERATIONS, FROM THE SUPPLY SOURCE TO THE SUPERMARKET SHELVES, ENSURE A PLEASANT SHOPPING EXPERIENCE FOR CUSTOMERS.



GRAHAM LUSH INC



GRAHAM LUSH INC

Another elaborates: "Caught Yesterday 5pm South China Sea; On Sale Today 7.30am". Not only is the seafood freshly caught, the range is extensive, embracing both familiar local catches and favourites from across the world's oceans: Atlantic cod, salmon and halibut; Californian sea bass; New Zealand wrasse . . . even live eels and frogs.

Shoppers never had it so good.

### COME THE REVOLUTION

Welcome to a 21st-century wet market. This one is at PARKNSHOP's latest superstore in Metro City, Tseung Kwan O, which at 75,000 sq ft is also the biggest food store in Hong Kong. Its Fresh Market features not only seafood but also fruit & vegetables, sushi, a butcher's, French-style bakery and even a kitchen serving ready-cooked dishes and roasted *siu mei* meat.

Until recently, local supermarkets lagged embarrassingly behind their counterparts in North America and Europe. But an executive from Sainsbury's, the popular British supermarket chain, recently toured the Metro City Superstore and declared it to be "world class".

In fact, a shopping "revolution" is underway in Hong Kong and PARKNSHOP is unquestionably the trailblazer for the changes in an industry worth HK\$120 billion (about US\$15 billion) per year. Hong Kong's spending on food divides approximately into four groups: 25% in supermarkets and 25% in wet markets, with the remaining 50% shared by restaurants (mostly Chinese) and fast-food outlets.

When he took the helm at PARKNSHOP five years ago, Logan Taylor, a British supermarket industry veteran, quickly realised that shopping habits were ripe for change. "People in the business insisted there was little opportunity to increase our market share in food sales but I knew that was rubbish," he says.

Research indicated that shoppers frequented wet markets on a daily basis, and visited supermarkets four times a week. Wet markets had the edge on total spending, not least because supermarkets were not serious

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challengers in the fresh/live food business, offering little beyond a small range of fruit and vegetables, pre-packed meat and frozen poultry.

However, public disquiet over hygiene and disease scandals in the wet-market sector was apparent. Other key findings from surveys concerned the changing lifestyle of the "Westernised" young to middle-aged. Firstly, they were too busy to shop every day, they preferred buying groceries in one quick swoop.

Secondly, despite appreciating that wet markets offered the cheapest prices, they were becoming increasingly intolerant of the "traditional" smells, slippery floors and generally unpleasant shopping environment. "They are not the sort of places you like to take babies in prams, or even young children," notes Taylor.

So, in response to perceived public demand, Taylor led PARKNSHOP into a series of milestone initiatives.

"I wanted to lead a management

team that revolutionised the way people shop for food in Hong Kong," he recalls.

The bottom line, of course, was to capture a greater market share of the food industry.

### A FRESH APPROACH

As in all revolutions, addressing the key issues took priority. In this case that involved matching the wet markets with an extended range of fresh and live food, then outscoring them not on price, but with food safety and hygiene. The public, Taylor reasoned, was happy to pay a premium for its health.

Supermarkets grew bigger to accommodate the wet market range, while an initiative called Fresh Check was introduced in support of Taylor's determination to "take the high safety ground".

To implement it, Taylor hired quality assurance specialist Peter Johnston, a food science graduate, and Fellow and Counsel Member of Britain's Institute of Food Science & Technology.

CUSTOMERS ARE INCREASINGLY DEMANDING THAT FRESH FOOD PASSES THE HIGHEST SAFETY STANDARDS, AND PARKNSHOP IS HAPPY TO OBLIGE WITH STRINGENT QUALITY CONTROLS.

### THE PRICE IS RIGHT

The territory's populace had traditionally regarded PARKNSHOP as pricier than its historic rivals, so the PriceWatch initiative has been a key strategy in PARKNSHOP's campaign to become Hong Kong's No. 1 supermarket chain.

"In the 90s our prices became a lot more competitive, but the public still didn't seem to believe it," says PARKNSHOP chief Logan Taylor. The PriceWatch initiative was launched in 1997 to combat the misconception.

A "Yellow Label" campaign indicates bargains every day on over 2,000 items — PARKNSHOP prices are monitored against rivals every day and reduced to match any other product on offer. So confident is PARKNSHOP in its Yellow Label operation that it guarantees shoppers a refund of twice the difference between the price of any product found to be on sale cheaper elsewhere.

The initiative was backed by an intensive public relations and advertising effort. "When we started, there was a large price perception gap," says Taylor. "But in two years we closed the gap significantly. Before, we scored high with the public on stores and service, but low on prices. Now, the public believes there are no longer compelling reasons to shop elsewhere.

"We have never set out to be price leaders, but the idea was to neutralise the perception of being pricier, and PriceWatch helped us achieve that. Interestingly, very few retailers have managed to close such a big gap in price perception before."

The strategy proved literally priceless during the supermarket "price war" of the late 1990s. But PARKNSHOP fought off the opposition, and in the process became the undisputed No. 1 chain in Hong Kong.



*PARKVSHOP takes the lead in trailblazing Hong Kong's supermarket revolution.*

By Tim Metcalfe.



Browsing customers can hardly resist the sales pitch. "Look! Our fish is so fresh and so cheap they're taking photographs of it!" the saleslady bellows. Her audience takes the bait and quickly crowds around the celebrated seafood, probing for more information about the quality and the price. The photographer is on a shoot for this article, and the saleslady, in the grand improvising tradition of market traders, had spotted an extra opportunity to promote her products.

The atmosphere, banter and flapping fish are familiar aspects of any traditional Hong Kong wet market. But any similarities between them and my current location end there. Here, a quantum leap in hygiene standards is immediately apparent. Unlike at typical wet markets, modern air-conditioning

and extractors keep the air comfortably cool and fresh, and the ground underfoot is spotless and dry rather than slippery from fish scales.

Staff wear clean white smocks and rubber boots. None has a cigarette dangling from their mouth or splashes of blood on their uniform — which are laundered daily. They even wear hairnets, and badges indicating they are graduates of the Fresh Check Food Hygiene Academy.

Behind the semicircular market stall, ice cascades from the ceiling to replenish the frosted display areas. Some customers still satisfy their Hong Kong habit of handling fish before they buy to test the firmness of the flesh, so a small sink is provided for customers to wash their hands so they don't end up with "fishy" fingers.

To stress the seafood's freshness, one slogan above the stall declares: "Nobody's Faster, Nobody's Fresher".

IT'S SMILES ALL ROUND AS FRIENDLY STAFF COMBINE THE BUZZ OF TRADITIONAL WET MARKETS WITH THE ALTOGETHER MORE HYGIENIC SURROUNDINGS OF A MODERN SUPERSTORE.



GRAHAM LEBEH (TOP LEFT) • BA CHAN WAI (TOP RIGHT) • BOBBI (BOTTOM LEFT) • BOBBI (BOTTOM RIGHT)

