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# SUPER MARKET IN MALAYSIA ON COOPERATIVE LINES

—A Feasibility Study

**RAGNAR ARVIDSSON**

SPECIALIST IN CONSUMER COOPERATION



**INTERNATIONAL COOPERATIVE ALLIANCE**

Regional Office & Education Centre for South-East Asia

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### ANNEXURE.

- A. Programme for a large Super Market to be located between Kuala Lumpur and Petaling Jaya.
  - B. Programme for a large Super Market (Slightly bigger than Weld's)
  - C. Programme for a medium size Super Market (Slightly smaller than Weld's)
  - D. Programme for a small Super Market.
  - E. Some organizational and operational aspects of Cooperative Super Markets.
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The 32nd All Malaysian Cooperative Congress held in April 1970 resolved that possibilities should be explored to establish consumers cooperative super markets in the country. After giving further consideration to this resolution of the national congress, the Cooperative Union of Malaysia approached the Regional Office & Education Centre for South-East Asia of the International Cooperative Alliance (ICA) for making available its experts to undertake necessary preliminary surveys and studies. The ICA, keeping in view the need and nature of the project in Malaysia, made my services available to the Union to undertake a feasibility study.

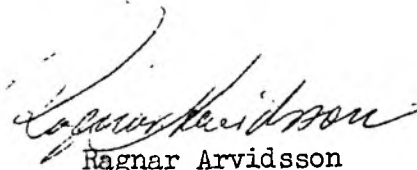
The enclosed report is the outcome of my study. The report contains my findings and recommendations which the Cooperative Movement of Malaysia and its leaders could consider while taking a final decision on the establishment of cooperative super markets in the country.

It must be stressed that before taking a final decision with regard to the location and size of the super markets more detailed feasibility studies will have to be undertaken for each project.

It is my sincere wish that this report would serve as a guide to the national Cooperative Movement and its leaders in arriving at a conclusion whether to have cooperative super markets or not.

I take this opportunity of conveying my special thanks to the President and Honorary Secretary of the Cooperative Union of Malaysia, Mr. N.A. Kularajah, General Manager of the Malaysian Cooperative Insurance Society and his staff, the Commissioner for Cooperative Development and his staff and other interested Cooperators who made my task in Malaysia easy in making available all courtesies and assistance in connection with the feasibility study.

The enclosed report is mainly intended for the Cooperators in Malaysia and therefore please be considered for limited circulation only. The opinions expressed herein are of mine and not necessarily of the International Cooperative Alliance with which I am associated.



Ragnar Arvidsson  
Specialist in Consumer Cooperation

New Delhi

November 1. 1970

## CONCLUSION

The population and consumption will rapidly increase in the years to come in West Malaysia as a whole, but in Kuala Lumpur and Penang areas in particular. The consumption and buying habits will also change necessitating the retailers to adopt themselves to these changes. It is likely that the public to a greater extent than at present may want to make their purchases from a service centre which can offer a suitable assortment of quality goods and other allied services at a reasonable price under one roof and with easy accessibility from the traffic point of view.

2. Supermarkets will be the answer on such demands and the present super markets operated show that they are more and more favoured by the public. At present the growth in Kuala Lumpur District and in Penang State will give scope for an increase in the number of Super-markets. Other important towns such as Ipoh, Johore Bahru, Malacca, Kota Bahru and Taiping might have scope for extension of the present private Mini Super-markets operation after a period of say about 5 years.

3. The retail price index in West Malaysia shows that practically there has been no increase in the retail prices during the period 1963-1969.

The Census of distributive trade indicates that the mark up on food and non-food by the retailers is approximately 10 and 20 per cent respectively. Thus the retailers seem to be operating with fairly small margin.

4. The consumer cooperative societies in West Malaysia are not playing a dominant role in the retail trade, as they cover only 1 - 1½ per cent of the retail trade and only approximately 2½ per cent of the families. The consumer cooperatives are also small in size and are struggling hard to compete with the private retailers.



5. In view of the extensive expected increase in consumption of food in general and non-food in particular, the prices might increase resulting in that there will be a need for a strong consumer cooperative movement particularly in the urban areas. As also the retail distribution in the future to a greater extent than at present will take place through large scale retail shops, the consumer cooperatives might now consider the question of going into super-market operation.

6. However, the success of cooperative super-markets will depend on.

- (a) The managerial skill and trained man-power.
- (b) The efficiency in procurement of goods.
- (c) The location of the super-markets and sales policies adopted.
- (d) The support, loyalty and involvement of the individual members/  
customers.
- (e) The availability of finance.

7. The present consumer cooperatives in West Malaysia do not possess the above prerequisites. This has to be kept in view while deciding about the future possibilities of setting up cooperative super-markets.

8. It could further be assumed that in case the consumer cooperatives do not now enter into large scale retail business, the private retailers will further develop and strengthen their position. In case the consumer cooperatives seriously intend to enter into super-market operation, a plan of action has to be formulated shortly to be able to catch up with the private sector which is at present ahead of the consumer cooperative movement. Such consumer cooperative super-markets should be operated as a chain store-organisation with as many functions as possible centralized

and with proper integration with wholesaling and later on with production, as the present mark up at the wholesale level is similar to the one at the retail level and that much money is likely to be saved for the public through efficient production of consumer goods by the cooperatives. In case the consumer cooperatives decide to go into super-market operations the target should be to achieve 10% of food sales and 5% of the retail sales in the Kuala Lumpur District and 5% of the retail sales in the Penang State and later on after gaining know-how and stabilizing the operation, expand their super-market operation to other important towns in West Malaysia.

9. Such a target would require a sales of the cooperative department stores on the lines as indicated in the following table expressed in 1970 years estimated consumption and Money Value.

Thousands of M\$

		1970	1975	1980	1985
Kuala Lumpur District.	Food	28,000	40,000	60,000	80,000
	Non-food	7,000	10,000	15,000	20,000
	Total	35,000	50,000	75,000	100,000
Penang State.	Food	11,000	13,000	15,000	17,000
	Non-food	4,000	4,500	5,000	6,000
	Total	15,000	17,500	20,000	23,000

10. To achieve the above indicated targets the following cooperative super-markets might be started.

A. Kuala Lumpur District

1970 - 1975

A large super-market at the highway between Kuala Lumpur and Petaling Jaya, see annexure A.

(the sales targets fixed for this project might be delayed so that the sales targets for 1973 might be achieved by 1975 and the sales targets for the year 1980 might be achieved by 1985 depending on the actual growth in population and consumption as well as when the super-market will come into full operation).

or

to start I) one store of the size as indicated in Annexure B and

II) one or two stores of the size as indicated in annexure D depending on the growth in different areas.

A programme as outlined above would require approximately M\$ 6 million for investment in land and buildings and approximately M\$ 3.5 million for investment in furniture, fixture and stock.

1975 - 1980

Expand with one to three stores of the size as indicated in annexure C and D.

A programme as outlined above would require approximately M\$ 4 million for investment in land and buildings and approximately M\$ 2 million for investment in furniture, fixture and stock on hand.

1980 - 1985

Further expand with one or two stores as indicated in annexure C and D, or expand with a store of the size as indicated in annexure B.

A further expansion as outlined above will demand an investment of approximately M\$ 4 million in land and buildings and approximately M\$ 2 million in furniture, fixtures and stock on hand.

B. PENANG STATE1970 - 1975

A large super market of the size as indicated in Annexure B to be located south of Georgetown, close to the Green Line, the planned highway and possible connections with the mainland.

Such a plan would require an investment of approximately M\$ 3.5 million in land and building and approximately M\$ 1.7 million in furniture, fixture and stock on hand.

Around 1985

To start one small super-market of the size as indicated in annexure D in Butterworth on the mainland.

Such a programme would require an investment of approximately M\$ 1.3 million in land and building and approximately M\$ 800,000 in future, fixtures and stock on hand.

For each of the above indicated alternatives, further detailed feasibility studies should be undertaken, and steps taken to procure necessary land in suitable locations in the Kuala Lumpur and Penang areas.

#### Other Towns

##### 1975 - 1980

In the other big towns, Ipoh, Johore Bahru, Malacca, Taiping and Kota Bahru, super-markets of the size as indicated in Annexure D, might be established. Such a project would each require an investment of approximately M\$ 1.3 million in land and building and approximately M\$ 800,000 in furniture, fixtures and stock on hand.

Suitable locations of super-markets in these towns might be spotted and land required if necessary.

At the above indicated projects a petrol station and similar allied services to the consumers could be incorporated.

10. It is to be stressed that an investment in super-markets as indicated above is not likely to give any returns, more than services to the members/consumers, during the first 3-5 years.

11. It is however very important that the cooperators are projecting their thinking towards the future, and make up their minds regarding the future objectives and policies of the consumer cooperative movement in West Malaysia as a decision regarding establishment of cooperative super-market will not take less than three years to implement.

12. Small functional working groups might therefore be founded to look into the various aspects such as :

- A. Bye-laws and other legal aspects.
- B. Finance.
- C. Feasibility studies.
- D. Organization.
- E. Operation
- F. Members and Public Relation activities etc.

13. Term of references and a time schedule for the working groups as well as for the whole project should be worked out and a coordinator appointed, in order to approach the task in a systematic way.

1. GENERAL INFORMATION

1.1 1 U.S.\$ = 3 M.\$

1.2 Malaysia is a federation of 13 states. Western Malaysia consists of eleven states of the Peninsula. Eastern Malaysia comprises Sarawak and Sabah in the island of Borneo. The island of Penang, to the north west of the peninsula and a number of smaller islands on the coast, are also within its boundaries. (see enclosed map).

1.3 The whole of Malaysia covers an area of about 130,000 square miles. West Malaysia has an area of about 52,000 square miles, and East Malaysia covers approximately 78,000 square miles.

1.4 Malaysia lies in a crescent close to the equator between 1° and 7° North and longitudes 100° and 119° East. It is close to the shortest sea route between India and China and almost equidistant between these two land masses.

1.5 Malaysia lies close to the equator between latitudes 1° and 7° N and longitudes 100° and 119° E, and is subject to maritime influences and to the interplay of winds which originate in the Indian Ocean and the South China Sea. The year is commonly divided into the South-East and North-East monsoon seasons.

In the peninsula the North-East monsoon prevails from October to February, and the South-East monsoon from mid-May to September. Average rainfall is between 120 and 160 inches. Maxwell Hill with an average of 232 inches has the heaviest rainfall in Malaysia.

In Sarawak, from October to February the North-East monsoon brings heavy rain particularly in the coastal belt. From April to July, during the mild South-East monsoon, rainfall occurs in the form of afternoon thunderstorms. Annual rainfall is between 60 and 120 inches.

In Sabah the North-East monsoon occurs from March to April and from October to November, and the South-West monsoon from May to August. Rainfall averages about 10 inches throughout the year, though the annual rainfall varies between 60 to 160 inches.

The average daily temperature throughout Malaysia varies from 70°F to 90°F (centigrade 22-32 ) though in elevated areas temperatures are low and vary widely. At Cameron Highlands and at Kinabalu, the extreme temperatures recorded are 79°F (Centigrade 26 ) and 36°F (Centigrade 3 ). Relative humidity everywhere is generally high though night temperatures in most places are comparatively cool.

1.6 These regions are separated by about 400 miles of the South China Sea. West Malaysia has a land frontier with Thailand to the north, while to the south the Republic of Singapore is linked with it by a causeway. To the west, across the Straits of Malacca lies the Indonesian island of Sumatra. The Philippines lies to the north-east of East Malaysia.

At the end of 1967 the population of Malaysia was approximately 10 million, out of which approximately 8,500,000 lived in West Malaysia, 580,000 in Sabah and approximately 900,000 in Sarawak.

There are about 161 persons per square mile in West Malaysia, approximately 18 persons per square mile in Sabah and approximately 17 persons per square mile in Sarawak.

In West Malaysia, the Malays form about 50% of the population, the Chinese about 33% and Indians and Pakistanis about 11%, and the people of other groups make up the rest.

#### KUALA LUMPUR

1.7 Kuala Lumpur is set in the centre of a "rice bowl" rimmed with jungle-clad mountain range and hills. It is situated 26 miles from the west coast where Malaysia's famous Port Swettenham is located, approximately midway between North and South of the Malay Peninsula. It is sited at the confluence of the Klang and Gombak Rivers and is the centre of the tin belt and rubber plantations in the country. Being



located in this ideal position coupled with its modern facilities and amenities, Kuala Lumpur has become the nerve centre of the Commercial world in Malaysia. It is the Capital City of Malaysia having an area of 3,160 sq.miles.

#### PENANG ISLAND:

1.8 The state of Penang comprises of the Island of Penang and Province Wellesley on the mainland.

Penang Island has an area of 110 sq.miles (length 15 miles, breadth 9 miles). The state capital of Penang and Province Wellesley is George Town, situated on the Island which is the commercial and administrative centre for the state.

The George Town on the Penang Island and Butterworth on the mainland have good port facilities which are frequently visited by ships from all over the world.

Penang Island is a free port with all advantages of shopping.

The Province Wellesley on the mainland has an area of 280 sq. miles (length 45 miles, breadth 8 miles) and with the township of Butterworth from which ferries continuously connect the George Town on the Island (Travel distance by ferry is approximately 15 minutes).

The industrial area of Penang is located in the Province Wellesley and contains a few large and a number of medium and small size industries. A big army air base (operated by the Australians) is also located on the mainland. However, most of the foreigner and families of the middle income groups and above have their residences on the Penang Island. On the Penang Island new industrial areas are planned south of George town and close to the international airport.

The Penang state gives an impression of a progressive state with comparatively high standard of living and modern buying habits particularly among the middle income groups and above.

1.9 A survey of progress over the last decade shows that there has been impressive economic growth and financial stability in Malaysia. Each major sector of the economy showed rapid growth while increasing diversification made for more strength and flexibility. By comparison with other developing countries, Malaysia has reached an advanced stage in per capita production and standard of living as well as building up a complex economic structure. The infrastructure of power, transport, communications and other services was fairly sophisticated.

Between 1960 and 1968 the GNP grew at a rate of 5.5% a year to reach \$10,000 million at current market price in 1968 while per capita production rose from \$820 in 1960 to \$986 in 1968. International trade from 1958 to 1968 rose by more than 60% and foreign exchange reserves averaged more than eight months' imports. In spite of increased expenditure, the government managed to avoid inflation by financing its deficit through domestic resources and non-inflationary means.

The last decade saw a shift in the pattern of the economy. In 1960 agriculture accounted for 32% of the gross domestic and services assumed greater importance and made for more stability, so that when rubber prices dropped disastrously in 1967 the effect was less severe than it had been in 1958 when the country was faced with a similar situation.

1.10 Nevertheless, agricultural output registered impressive increases - rubber production rose by 52%, from 720,000 tons in 1958 to 1.1 million in 1968. Rice production increased by 5.3%, from 400,000 tons in 1958 to 674,000 tons in 1968. More impressive were increases in the output of palm oil, which rose by 15% from 70,000 tons in 1958 to 280,000 tons in 1968 to 10.7 million in 1968.

Although iron ore production in 1968 was only 5.1 million tons as compared with the peak production of 7.5 million tons in 1963, tin-in-concentrate rose from 38,000 tons in 1958 to 75,000 tons in 1968. Production of bauxite also doubled, and petroleum output in Sarawak rose to 100,000 tons in 1968 after off-shore wells began operation.

Production in the manufacturing sector increased by 9% a year from 1960 to 1968, about twice the rate of growth of the gross domestic product. During the period 140 companies with a capital investment of \$445 million were granted pioneer status.

The construction industry boomed from \$400 million in 1963 to \$550 million in 1967 -- an increase of 37% -- and its share of the gross domestic product rose from 3.5% in 1960 to 5% in 1968. Services such as electricity, water, transport, communications, banking and insurance, registered marked improvements.

1.11. In spite of this overall growth, price stability was maintained and in 1968 the retail price index was 108.2 (1959=100). This indicated an annual increase of about 1%.

1.12 The government's mid-term review of the First Malaysia Development plan, 1969-70, indicated that during the first three years of the plan, the gross national production had grown by 5% as compared with a planned 4.4%, and real per capita income by 1% instead of 0.5%. However, the review called for an increase in the rate of public investment and draw attention to the unemployment rate which in 1968 was 7% of the total work force in West Malaysia.

The main source of economic growth was domestic demand consisting of consumption and investment expenditure in both the public and private sectors. Between 1960 and 1968 consumption expenditure rose by 6.4% a year but investment in the public sector was a stronger stimulus, rising at the rate of 17% a year. This was due to rising population and the need to provide additional services.

1.13 According to the Adviser to the government's Economic Planning Unit, Malaysia would have to achieve more than 7% growth rate to create job opportunities for the unemployed and the under-employed. He said the main failure of Malaysia's economic and development plans was failure to give useful employment to those seeking work.

1.14 The immediate cost of the May disturbances amounted to about a fortnight's loss of production in some sectors of industry more dependent on shift work and in a general decline in consumption. During May there was a \$780 million drop in spending on the basis of cheques cleared and other debits in customers' accounts registered by the commercial banks. However, the recovery was rapid and spending rose quickly to \$4,076 in June and a record \$4,871 million in July.

1.15 In July Razak the new Prime Minister announced a new economic policy aimed at solving the unemployment problem. This involved the establishment of industries in smaller towns, the training of youth in different skills, and the boosting of agricultural development by assisting peasants and small-holders to increase their productivity and income.

A month earlier the NOC<sup>§</sup> had appointed a Capital Investment Committee under the former Finance Minister Tan Siew Sin, to review the industrial development policies of the central and state governments, so that these could be co-ordinated into a stronger and more integrated development strategy.

1.16 To intensify Malay participation in commerce and industry the government was setting up a \$50 million National Corporation, and a Sino-Malay Economic Cooperation Advisory Committee was established at the

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§ On May 15th 1969, a state of emergency was proclaimed by the Yang di-Pertuan Agong and full executive authority was vested in Dy.P.M., Tun Abdul Razak as Director of NOC(National Operational Council) which was set up as the instrument of Government.

end of August. Investigations were carried out on the marketing of products of cottage and backward industries and a government-owned company would probably be formed to make these industries a better commercial proposition.

1.17 The per capita income has increased from approximately M\$650 in 1958 to M\$980 in 1968.

1.18 The Constitution of Malaysia is based on the Constitution of the former Federation of Malaya, but includes safeguards for the special interests of Sabah and Sarawak.

The official language is Malay.

The Constitution provides for one of the 9 Rulers of the Malay States to be elected from among themselves to be the Yang Di Pertuan Agong (Supreme Head of the Federation). He holds office for a period of 5 years. The Rulers also elect from among themselves a Deputy Supreme Head of State, also for a period of 5 years.

The Federal Parliament of Malaysia comprises the Yang Di-Pertuan Agong or Head of State, and the two Houses of Parliament - the House of Representatives and the Senate.

1.19 The House of Representatives consists of 144 members - 104 from the West Malaysia, 24 from Sarawak and 16 from Sabah. In the case of West Malaysia, members are returned from single-member constituencies on the basis of universal adult franchise. The present Sabah and Sarawak representatives are elected by their respective State Legislative Assemblies. The term of the House of Representatives is limited to five years.

1.20 The Senate has a membership of 58, made up of 26 elected and 32 appointed members. Each State Legislature, acting as an electoral college, elects two Senators; they may be members of the State Legislative Assembly or otherwise. The King appoints the other 32 members. Senators serve for a period of six years, but the Senate is not subject to dissolution.

1.21 The King appoints a Cabinet - Council of Ministers - to advise him in the exercise of his functions. This Cabinet consists of a Prime Minister, and an unspecified number of Ministers who must all be members of Parliament. The Prime Minister must be a citizen born in Malaysia and a member of the House of Representatives, not the Senate.

1.22 Although the State religion is Islam, freedom of worship is guaranteed by the Constitution and any person may practice his religion without hindrance, but subject always to public health and morality. Propagation of religion is also permitted, but the States have the right to restrict the propagation of any other religious doctrine to Muslims. Religious organizations may own property and operate their own institutions and schools.

- SOURCES: Dobby, E.H.G. : Monsoon Asia: A Systematic Regional Geography, Vol.V. London: University of London Press Limited, 1961, pages 381.
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- Steinberg, S.H., and Paxton, John: (Edited): The Statesmen's Year-Book 1969-1970 (106th Edition), London: Macmillan & Co. Ltd, 1969, page 1558.
- Far Eastern Economic Review Year Book - 1970.

2. POPULATION

2.1 A new population census was taken in August 1970 and will be published towards the end of 1971. As per the Report of the Department of Statistics, based on the 1957 census and an estimated development of the same, the development of population in West Malaysia was estimated as follows:

## Population: West Malaysia

Period	Malays	Chinese	Indians and Pakistanis	Other Races	All Races
	Thousands				
(Census) 1911	1,370	693	239	37	2,339
" 1921	1,569	856	439	43	2,907
" 1931	1,864	1,285	571	68	3,788
" 1947	2,428	1,884	531	65	4,908
" 1957	3,126	2,334	707	112	6,279
End estimates 1957	3,188	2,378	723	116	6,405
Mid estimates 1958	3,242	2,412	731	114	6,499
End estimates 1958	3,293	2,445	740	118	6,596
Mid estimates 1959	3,346	2,480	751	121	6,698
End estimates 1959	3,406	2,520	767	122	6,815
Mid estimates 1960	3,461	2,552	773	123	6,909
End estimates 1960	3,510	2,595	787	126	7,018
Mid estimates 1961	3,577	2,633	797	130	7,137
End estimates 1961	3,629	2,678	809	134	7,250
Mid estimates 1962	3,699	2,719	819	140	7,377
End estimates 1962	3,753	2,765	832	144	7,494
Mid estimates 1963	3,814	2,805	844	148	7,611
End estimates 1963	3,855	2,845	858	149	7,707
Mid estimates 1964	3,915	2,879	870	150	7,814
End estimates 1964	3,965	2,920	885	153	7,923

contd.....

Period	Malays	Chinese	Indians & Pakistanis	Other Races	All Races
	Thousands				
Mid estimates 1965	4,030	2,955	896	158	8,039
End estimates 1965	4,086	2,996	908	167	8,157
Mid estimates 1966	4,168	3,034	920	176	8,298
End estimates 1966	4,221	3,076	932	186	8,415
Mid estimates 1967	4,293	3,115	945	187	8,540
End estimates 1967	4,351	3,157	958	189	8,655
Mid estimates 1968	4,431	3,197	971	190	8,789
End estimates 1968	4,488	3,237	982	192	8,899

2.2 As can be seen from the above, the estimated yearly increase in population in West Malaysia amounts to approximately 225,000 -- 250,000 inhabitants or 2.8% per year

2.3 The population projection for West Malaysia 1967-1997 (as on 1st July) shows the following developments :

In thousands

	1967	1972	1977	1982	1987	1992	1997
High hypothetical assumptions	8,786	10,120	11,745	13,717	16,036	18,693	21,733
Medium A assumption	8,786	10,109	11,622	13,359	15,158	16,965	18,618
Medium B assumption	8,786	10,083	11,509	13,116	14,783	16,531	18,188
Low hypothetical assumption	8,786	10,085	11,568	13,208	14,896	16,502	17,936

Sources : A) Monthly statistical Bulletin of West Malaysia (June 1970)  
 B) Research Paper No.1. Estimates of population for West Malaysia March 1969.  
 C) Research Paper No.4. Population projections by age, Race and Sex for West Malaysia 1967-1997 (November 1969).



2.4 The above projections indicate that the population of West Malaysia will be doubled within a period of approximately 25 years.

2.5 The percentage distribution of population by 5 years age group indicates that approximately 69% of the population of West Malaysia in mid-1967 were below 30 years of age, and approximately 55% were below 20 years of age.

2.6 The population projection by age groups by the Department of Statistics indicates that approximately 70% of the population in West Malaysia until 1997 will be below 30 years of age, and approximately 53% will be below 20 years of age.

2.7 As per the 1957 census for West Malaysia, approximately 32% of the population was living in the Urban areas, while approximately 68% was living in the rural areas. Latest figures are not available in regard to the rate of urbanization. However, one can assume that it has increased and will be still further intensified in the years to come.

2.8 The following towns contained 10,000 or more persons or 1,500 or more households at the time of 1957 year's Census. (No later official information is available.)

<u>Town</u>	<u>No. of Households</u>	<u>Population</u>
Kuala Lumpur Municipality	59,911	315,040
City of George Town	39,081	234,855
Ipoh Town Council	22,979	125,855
Klang Town Council	13,406	75,678
Johore Bahru Town Council	13,214	74,495
Malacca Municipality	11,572	69,865
Alor Star Town Council	9,397	52,772

§ The 1957 Census : A preliminary report based on "First Count Total" return by T.E. Smith O.B.E. Superintendent of Census.

<u>Town</u>	<u>No. of Households</u>	<u>Population</u>
Seremban Town Council	9,789	52,038
Taiping Town Council	8,196	48,199
Butterworth Town Council	7,536	42,598
Bandar Penggaram Town Council (Batu Pahat)	6,640	39,308
Bandar Maharani Town Council (Muar)	6,339	39,137
Kota Bharu Town Council	7,364	38,075
Telok Anson Town Council	6,363	36,986
Kluang Town Council	5,594	32,457
Kuala Trengganu Town Council	5,717	29,441
Bukit Mertajam Town Council	4,177	24,697
Kampar Town Council	4,808	24,583
Kuantan Town Council	4,515	23,025
Sungei Patani Town Council	4,181	22,897
Ayer Itam Village (Penang)	3,404	22,350
Bentong Town Council	3,514	18,825
Segamat Township	3,059	18,454
Kulim Town Board	3,217	17,611
Jinjang Local Council	2,696	16,701
Petaling Jaya Authority	3,051	16,449
Raub Town Council	2,842	15,342
Kuala Kangsar Town Council	2,762	15,310
Sungei Siput Local Council	2,919	15,286
Guntong Local Council	2,690	15,089
Pasir Pinji Local Council	2,467	13,912
Dungun Town Board	2,862	12,504
Temerloh/Mentekab Town Council	2,476	12,302
Kuala Pilah Town Council	2,078	12,026
Batu Gajah Town Board	1,972	10,174
Serdang Bharu Local Council	1,845	10,025

Population in Kuala Lumpur District

2.9 As per the population census of 1957 the population for Kuala Lumpur city amounted to 276,210. The population survey undertaken in 1963 estimated the population of Kuala Lumpur city at 303,312, and the population estimates for 1966 showed 396,400 inhabitants. The Federal Department of Town and Country Planning has based on its estimates land use and land ability estimated the population for Kuala Lumpur city to be 766,150 in 1987.

2.10 In Greater Kuala Lumpur, the suburbs of Petaling Jaya, Sungei Way, Kuchai, Salak, Ampang, Setapak, Jinjang, Batu, Kepong and Segambut areas etc, included, the population for 1966 was estimated at approximately 600,000, and in 1970 at approximately 700,000. The Federal Department of Town and Country Planning has estimated that the population in Greater Kuala Lumpur will be 2.1 million in the year 1987.

2.11 The above Department has also estimated that the population for Port Swettenham and the new township Shah Alam, (the latter located on the Federal Highway in between Kuala Lumpur and Port Swettenham) will be 337,000 and 100,000 respectively in 1987.

2.12 Thus the population growth in Kuala Lumpur District and in Greater Kuala Lumpur in particular would be tremendous. Below are some details of the assumed distribution of population in different areas of Kuala Lumpur District.

1. Kuala Lumpur City 1)

	1957	1963	1966	1987
Central Area	130,000	142,000	175,000	285,000
Development Index	100	109	135	220
Surrounding Areas	147,000	161,000	221,000	481,000
Development Index	100	110	150	325
Total population Kuala Lumpur City	277,000	303,000	396,000	766,000
Development Index	100	110	143	280

1) Source: Information printed on maps in the Town and Country Planning Office.

2. <u>Other Areas</u>	<u>1967</u>	<u>1987</u> §
Petaling Jaya	60,000	70,000
Kuchai	2,000	31,000
Sungei Way	7,000	107,000
Salak	7,000	122,000
Segambut	1,000	49,000
Kepong	7,000	66,000
Jinjang	22,000	82,000
Batu	4,675	105,000
Setapak	26,000	44,000
Ampang	13,000	64,000
Cheras	10,000	78,000
Kampong Pandan	31,000	47,000
Ampang Golf Course	15,000	27,000
Serdang	NA	30,000
Puchong	NA	30,000
Shah Alam	NA	100,000
Port Swettenham	NA	337,000

2.13 Proposed distribution of population in Kuala Lumpur city/Municipality can also be seen on maps in the Town and Country Planning Office.

2.14 It is to be stressed that before taking a decision with regard to location of a supermarket, the relevance of the above indicated distribution of population have to be confirmed by the Department of Town and Country Planning or by any other relevant source.

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§ The detailed figures as given above, Port Swettenham and Shah Alam excluded, for the year 1987 are not official figures but can be seen on maps in the Town and Country Planning Office.

Population in Penang State

2.15 As per the 1957 population census the population of the State of Penang amounted to 572,100, out of which 336,000 lived in the urban areas while 236,100 lived in the rural areas.

2.16 The estimated population as per December 31st 1968 amounted to 778,750 for the State of Penang (29% Malays, 57% Chinese, 12% Indians and Pakistanis and 2% others). Approximately 460,000 lived in the Island of Penang, out of which approximately 320,000 lived in the city of Georgetown, while approximately 318,000 lived in Province Wellesley on the mainland with a concentration in the township of Butterworth.

2.17 No estimates regarding the future development of population in the Penang States are available, but if one assumes a yearly increase of 2% in population, the projected population should be as follows :

	<u>1968</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>
Penang State	778,750	900,000	985,000	1,090,000
Island of Penang	460,000	525,000	575,000	640,000
Georgetown	320,000	375,000	410,000	450,000
Province Wellesley	318,000	375,000	410,000	450,000

2.18 However, it is likely that the Island of Penang and the Butterworth will grow still faster due to urbanisation.

2.19 The population expansion of Penang Island is likely to take place in the areas between the city of Georgetown and the Airport.

2.20 The commercial areas of Georgetown are between the water-front towards the south channel and the Penang Road. The semi-commercial

which future expansion areas in is expected, are between the Penang Road and Anson Road. The indicated areas are also densely populated particularly with families from the lower income groups. The areas between Anson Road and the hills are populated by middle income group families and above, living in bungalows. The concentration in population of the middle income group is particularly around Green Lane Road and towards the south, in which direction also future expansion is expected as indicated above (see enclosed maps).

2.21 It is to be stressed that before taking a decision with regard to final location of a supermarket in Kuala Lumpur and Penang area the most accurate information regarding population and its expected distribution in various geographical areas has to be obtained from the Town and Country Planning Office or any other relevant source.

Note:

The Department of Statistics and various other Government Departments and the Reserve Bank/s (National Bank/s) yearly reports often give detailed and useful information regarding population. The Department of Town and Country Planning has also often distributed the estimated population on various geographical areas and sometimes worked out maps indicating the distribution of population mentioned above. Universities might also have conducted detailed studies of matters related to population etc.

### 3. CONSUMPTION

3.1 Relevant information related to consumption of food and non-food is not readily available. "The Sample Survey of Consumption and Expenditure Income of Housing Conditions of 2,760 Malay, Chinese and Indian Households in Urban and Rural Areas", undertaken by the Department of Statistics during the period April 1957 to March 1958, is the only information available in this regard.

3.2 The average consumption of Malay, Chinese and Indian Households in Urban areas as given in the report of the above survey is as given below:

Average Consumption of Malay, Chinese and Indian Households in Urban areas

Items	Income Group M\$ 1 - M\$ 150		Income Group M\$ 151 - M\$ 300		Income Group M\$ 301 - M\$ 500		Income Group M\$501- M\$1,000		Income Not definite		Total all Income Groups	
	Value in M\$	%	Value in M\$	%	Value in M\$	%	Value in M\$	%	Value in M\$	%	Value in M\$	%
Food	72.15	64.8	125.98	59.0	184.89	51.6	278.86	46.8	221.88	55.8	142.09	54.8
Drinks and tobacco	5.99	5.4	12.21	5.7	18.37	5.1	23.91	4.0	23.30	5.9	13.27	5.1
Clothing	3.64	3.3	6.52	3.1	11.40	3.2	27.49	4.6	14.74	3.7	9.08	3.5
Household goods	1.01	0.9	2.89	1.4	4.85	1.4	8.39	1.4	3.89	1.0	3.33	1.3
Fuel & power	3.44	3.1	7.04	3.3	14.14	3.9	24.13	4.1	14.50	3.6	9.43	3.6
Transport	1.48	1.3	3.96	1.9	11.44	3.2	36.45	6.1	8.66	2.2	8.05	3.1
Services	6.60	5.9	17.26	8.1	40.05	11.2	74.30	12.5	40.57	10.2	25.34	9.8
Sundry items	7.82	7.0	20.09	9.4	39.05	10.9	77.78	13.1	35.01	8.8	26.65	10.3
Rent, etc.	9.31	8.4	17.61	8.2	34.05	9.5	44.53	7.5	35.34	8.9	21.98	8.5
Total	111.44		213.56		358.24		595.84		397.89		259.22	

3.3 For Kuala Lumpur and Penang areas, the average consumption might be higher than what is indicated in the above table for the urban areas.

3.4 The retail price index for West Malaysia for the year 1959 = 100 indicates the following development.

Items	1963	1964	1965	1966	1967	1968	1969	1970 March
Food	104	104	103	104	110	109	108	107
Drink, tobacco	101	101	102	104	105	105	107	108
Clothing	100	100	101	103	103	103	103	104
Household goods	100	100	101	101	102	102	100	102
Transport	103	103	109	109	109	110	111	126
Service & Entertainment	88	88	89	94	95	108	108	108
Sundries	107	108	112	112	112	115	115	117

3.5 The retail index indicates that the retail prices for West Malaysia have had a fairly even and slow growth. However, for the Kuala Lumpur and Penang areas the retail prices might have had a more uneven and faster growth than for West Malaysia as a whole.

3.6 The per capita income in West Malaysia as shown in the UN Statistical Year Book 1969, for the years 1958, 1963, 1965, 1966 and for the year 1968 in the Far Eastern Economic Review Annual Number 1970 is as follows :

1958	1963	1965	1966	1968
US\$217	US\$252	US\$278	US\$283	
M\$650	M\$755	M\$830	M\$850	M\$980



3.7 The above information indicates an increase in the per capita income of approximately 50% during a 10 year period which, keeping in view the movement of the retail price index, the increase in per capita income, would give scope for considerable increases in the consumption.

Kuala Lumpur District

3.8 During the period 1957 to 1970 the consumption of food and non-food per capita could be assumed to have extensively increased particularly in the Kuala Lumpur area. However, there are no statistical ratios available to justify such an assumption. The statistics regarding retail sales in the Selangor and Negri Sembilan States as indicated under "Competition" (page 38,39) and the statistics regarding the sales in selected towns (page 34) might second such an assumption.

3.9 If one assumes that the consumption of food, tobacco and drinks has increased by approximately 150% since the Household Budget Survey in 1957-1958 to M\$400 per capita the value of the total consumption of the above items in Greater Kuala Lumpur would amount to approximately M\$280 million by 1970 and approximately M\$840 million by 1987 as expressed in terms of 1970 years money value and consumption pattern.

3.10 The consumption of non-food has probably increased still faster and if one assumes that the consumption of non-food per inhabitant and year amounts to M\$200, thus a considerable increase compared to the consumption in the Household Budget Survey, the total consumption of non-food goods would amount to approximately M\$140 million in 1970 and would increase to approximately M\$420 million by 1987 as expressed in terms of 1970 years money value and consumption pattern.

3.11 However, the above calculations should just be treated as examples. One can also assume that the consumption per capita of food and non-food in particular will increase extensively during the years to come.

#### Penang Area

3.12 For Penang area during the period 1957 to 1970 the consumption of food and non-food per capita could also be assumed to have extensively increased compared to the figures for the urban areas as shown in the Household Budget Survey. The statistics regarding retail sales in Penang, Kedah and Perlis states as indicated under "Competition" page 43 and the statistics regarding the sales in selected towns (page 35) might second such an assumption.

3.13 The per capita consumption of food and non-food in particular would probably also extensively increase in the years to come.

3.14 If one assumes that the consumption of food, drinks and tobacco have increased with approximately 100% since 1957 to M\$300 per capita and year, the total consumption of the above amounted to approximately M\$140 million on the Penang Island in 1968 and approximately M\$95 million in George Town and approximately M\$230 million for the whole State of Penang.

3.15 The consumption of food in 1970 money value for the year 1980 would amount to approximately M\$175 million for the Penang Island, approximately M\$125 million for the George Town and approximately M\$300 million for the whole State of Penang.

3.16 The consumption of non-food has probably increased much faster than the consumption of food. If one assumes that the consumption of non-food per capita and year would amount to approximately M\$100/- the total consumption for the year 1968 for the Penang Island would amount to approximately M\$50 million and for George Town approximately M\$33 million and approximately M\$80 million for the whole State of Penang.

3.17 The consumption of non-food in 1970 money value and consumption per capita would amount to approximately M\$60 million in 1980 on the Penang Island, approximately M\$40 million in George Town and approximately M\$100 million in the State of Penang for the same year, calculated as per above. However, due to the free port trade on the Penang Island the retail sales of non-food will probably be considerably higher than the consumption as indicated above.

3.18 More relevant information with regard to consumption, its future development and its present and future distribution in various regions of the Kuala Lumpur and Penang areas is necessary in order to make proper estimates regarding the size and location of a supermarket. Thus before taking a final decision with regard to the location and size of a supermarket, the total consumption within the area concerned have to be studied in greater detail.

#### 4. TRAFFIC AND TRANSPORT

4.1 The Domestic Transport in West Malaysia is mostly by road, and the private motorcycles and motor cars will continue to play a very important role in the passenger transport.

4.2 The table below indicates the number of motor vehicles registered in West Malaysia. §

Period	Private Motor cycles	Private Motor cars	Buses	Taxis	Hire & drive Motor cars	Lorries and vans	Road Rollers & Trailers etc	Total No. of vehicles registered
1960	49,056	92,217	2,722	4,252	119	28,920	8,189	185,477
1961	68,296	103,149	2,908	4,337	49	31,083	9,000	219,410
1962	88,207	112,843	3,125	4,671	36	33,645	10,733	253,260
1963	112,086	124,651	3,332	5,036	37	35,637	12,235	293,014
1964	142,746	139,049	3,543	5,092	43	38,449	13,469	342,391
1965	175,842	154,277	3,763	5,240	61	41,854	14,081	395,118
1966	214,691	169,008	3,967	5,393	50	44,411	14,482	452,002
1967	251,529	182,447	4,234	5,558	50	46,502	15,135	505,455
1968	278,836	194,712	4,636	5,685	64	48,301	15,718	547,952
1969	312,686	213,247	5,347	5,955	71	51,375	16,681	605,362
1970	324,489	218,626	5,530	6,259	82	52,392	17,279	624,657

#### Kuala Lumpur District

4.3 The population of Kuala Lumpur area is spread over a fairly large area, as a majority of the families live in bungalows. This is particularly

§ Source: Monthly Statistical Bulletin of West Malaysia June 1970  
Department of Statistics.

true with regard to people in the middle and higher income brackets which means that there is not much concentration of such groups around the local service centres. If, therefore, these people wish to visit a shopping centre, they will have to travel quite a distance. Hence, home delivery is common, and families are increasingly using their cars for shopping purposes. The family car is thus likely to play a more important role with regard to shopping tours.

4.4 As per the statistics available, there were 218,000 private motor cars registered in West Malaysia in April 1970, as compared with 92,000 in 1960. Out of this number, approximately 110,000 belong to the Kuala Lumpur District alone.

4.5 In the central areas of Kuala Lumpur there is at present heavy congestion of traffic, and parking space is an acute problem. Because of this, and the rapidly increasing number of cars in the Kuala Lumpur District, measures are being undertaken to improve the roads and to enforce better traffic control. The master plan for the down-town area of Kuala Lumpur has also been amended to allow for widening of roads, construction of multi-storeyed buildings, and additional parking spaces, to provide for better handling and smoother flow of the increasing traffic.

4.6 Traffic problems in the central and down-town areas of Kuala Lumpur, combined with the high cost of land in these areas, would seem to make it advisable to locate supermarkets close to highly frequented roads and traffic junctions, where accessibility to such supermarkets will be easy from the traffic point of view, and where plenty of parking space is available. The cost of land in such areas might also be lower.

Penang State

4.7 In penang State there were, in August 1970, approximately 58,000 cars, out of which about 40,000 belonged to families residing in the Island itself. There are also 60,000 motor-cycles registered in Penang State.

4.8 Here too as most families reside in bungalows which are spread over a wide area, shopping by car is assuming importance.

4.9 The traffic in George Town although considerable, is not congested. Parking spaces also seem to be easily available.

4.10 To cope with the increasing traffic due to the growing number of cars, the Master Plan of the commercial areas has been amended, and it is proposed to have one-way traffic to make the smoother flow of traffic possible. However, such a step is not likely to provide for additional parking places which will be needed in the near future.

4.11 There are four main roads which lead to the down-town area of George Town :

- (a) Dato Kramat Road and Northern Road, each with a traffic load of approximately 1,000 cars per hour during peak hours, and 500 cars per hour during slack hours.
- (b) Macalister and Burmah Roads, each with a traffic load of approximately 600 cars per hour during peak hours, and 300 cars per hour during slack hours.

4.12 In the near future a highway will connect the airport and the industrial and residential areas between George Town and the airport.

4.13 A road connection with the mainland is planned, and surveys have

been undertaken. It is likely that this road will connect the Islands of Penang and Pulau Jerejak with each other, and with the mainland. On the Penang side the road will connect with the planned highway to the airport. If this plan is implemented, there will be heavy traffic on the approach roads from the south towards George Town, and customers from the mainland might also, to a greater extent than at present, patronize the shops on the Penang Island.

4.14 Keeping in mind the following factors: (i) the planned road connection mentioned above, (ii) the heavy residential expansion south of George Town, (iii) the easy flow of traffic on Scotland Road, which connects the central and northern parts of the residential areas occupied by the middle and higher income groups, and (iv) the problem of finding suitable land and parking places in the central areas, the retailers might consider establishing super-markets on the Green Lane, or at suitable traffic junctions close to the planned highway.

4.15 Before deciding on the location of supermarkets in the Kuala Lumpur and Penang areas, alternative locations should be explored. Easy access from the traffic point of view, as well as advantages from the architectural and town planning points of view should also be taken into consideration. Here the Traffic Engineer, the Town Architect and the Town Planner can be of assistance. Relevant information together with maps are, as a rule, available with the Department of Town and Country Planning, under which a Traffic Engineering Office operates..

## 5. COMPETITION

5.1 The Census of Distributive Trade (Catering, Retailing and Wholesaling) in West Malaysia by the Department of Statistics, gives a great deal of valuable information regarding number of establishments, sales turnover, value of stock in hand, value of purchases, number of employees, ownership, etc. The above information generally shows that catering, wholesales and retail enterprises are mostly small in size and that the competition is tough.

5.2 The following table shows the number of establishments and the value of the total sales turnover of selected towns for the year 1966.

Region and town	Catering establishments (b)		Retail establishments		Wholesale establishments	
	Number	Total turnover	Number	Total turnover	Number	Total turnover
SOUTHERN REGION		M\$'000		M\$'000		M\$'000
Malacca	331	8,315	945	55,230	277	249,496
Johore Baharu	181	6,909	761	55,731	122	127,968
Muar (Bandar Maharani)	124	2,888	588	31,606	87	39,177
Segamat	74	2,011	242	11,963	66	38,227
Kluang	108	2,490	425	24,151	70	37,712
Batu Pahat (Bandar Penggaram)	142	2,452	514	29,370	94	51,973
Pontian	43	800	168	9,310	34	14,865
Tanjak	46	710	105	3,936	10	3,309
Kulai	41	838	164	6,593	19	14,801
Total for selected towns	1,090	27,413	3,912	227,890	780	557,323



Region and town	Catering establish- ment. (b)		Retail establish- ments		Wholesale establishments	
	Number	Total turnover	Number	Total turnover	Number	Total turnover
CENTRAL REGION		M\$'000		M\$'000		M\$'000
Klang and Port Swettenham	219	7,407	808	56,889	123	110,203
Kuala Lumpur	1,165	55,684	2,899	278,967	1,063	1,322,722
Petaling Jaya	103	4,129	384	24,619	37	63,397
Ampang	26	376	57	3,427	6	762
Kajang	44	1,297	147	9,241	10	6,863
Seremban	197	6,986	652	40,927	141	128,102
Kuala Pilah	50	981	181	7,816	31	11,802
Jiniang	24	288	68	2,444	5(c)	906
Serdang Bahru	23	308	66	1,975		(c)
Total for selected towns	1,851	77,456	5,262	426,305	1,416	1,644,757
CENTRAL NORTHERN REGION						
Ipoh	947	22,129	1,677	123,363	454	342,331
Taiping	181	4,210	623	31,628	130	76,526
Telok Anson	111	2,472	615	25,859	105	51,083
Kuala Kangsar	93	1,158	256	9,739	37	45,764
Batu Gajah	47	560	141	6,620	14	6,260
Kampar	87	2,236	257	15,262	43	28,729
Sungei Siput (North)	59	931	180	7,249	28	10,697
Pokok Assam	19	125	68	1,652	4	766
Tapah	34	536	119	5,355	16	13,994
Bidor	30	904	85	3,912	12	6,824
Total for selected towns	1,608	35,261	4,021	230,639	843	582,974

Region and town	Catering establishment (b)		Retail establishment		Wholesale establishment	
	Number	Total turnover	Number	Total turnover	Number	Total turnover
		M\$'000		M\$'000		M\$'000
<b>NORTHERN REGION</b>						
George Town	1,018	20,082	2,683	161,100	803	705,320
Bukit Mertajam	40	1,044	241	12,631	110	61,050
Butterworth	74	1,219	378	14,589	103	52,269
Ayer Hitam	12	145	112	3,840	6	875
Alor Star	144	3,874	538	31,961	133	90,343
Sungei Patani	59	1,204	299	18,902	69	35,437
Kulim	45	730	183	8,774	32	13,125
<b>Total for selected towns</b>	<b>1,392</b>	<b>28,298</b>	<b>4,434</b>	<b>251,797</b>	<b>1,256</b>	<b>958,419</b>
<b><u>EASTERN REGION:</u></b>						
Kuantan	80	3,320	359	18,721	57	29,573
Bentong	40	1,010	184	9,510	20	13,811
Kuala Lipis	30	641	124	5,900	8	3,198
Raub	40	1,200	147	6,161	20	12,375
Temerloh and Mentakab	86	1,793	192	10,905	32	14,497
Kuala Trengganu	165	1,897	648	19,634	87	26,394
Dungun	54	608	197	4,939	15	3,695
Kemaman	38	667	115	3,609	16	4,296
Kota Bahru	284	4,304	793	36,799	136	93,477
Pasir Mas	110	724	214	6,866	17	6,023
Tumpat	57	410	92	1,386	5	575
Pangkal Kalong and Peringkat	47	163	140	2,374	20	6,172
<b>Total for selected towns.</b>	<b>1,031</b>	<b>16,737</b>	<b>3,205</b>	<b>126,804</b>	<b>433</b>	<b>214,086</b>
<b>WEST MALAYSIA - Total for selected towns 6,972</b>		<b>185,165</b>	<b>20,834</b>	<b>1,263,435</b>	<b>4,728</b>	<b>3,957,564</b>

(a) Towns with estimated population of 10,000 or more.

(b) Includes coffee shops, drink stalls, bars, food stalls, restaurants.

(c) Figures cannot be published separately.

5.3 The statistics regarding ownership for West Malaysia as a whole indicate that approximately 90% of the stores were owned by individual proprietors, and these stores had about 50% of the total sales volume. Approximately 7% of the stores were owned in partnership and had about 25% of the sales volume, while the remaining 3% had other ownership but had approximately 25% of the sales.

Kuala Lumpur District

5.4 The competition in Kuala Lumpur is very strong. There were in 1966 approximately 2,900 retail shops in Kuala Lumpur Municipal area with a yearly sales of approximately M\$ 280 million. In Kuala Lumpur district there were approximately 4,400 retail shops with a yearly sales of approximately M\$375 million in 1966. These private retail shops are mostly run by families of Chinese or Indian origin and have also a very close link with wholesalers, and sometimes the same traders are both wholesalers and retailers.

5.5 There is also one private supermarket (Weld's) located close to the Central area. This supermarket was started approximately five years back and is owned by big wholesalers. The yearly estimated sales for 1970 are M\$ 8-9 million in food sales and approximately M\$2 million in non-food sales, and it operates approximately 20,000 sq. feet selling area and 175 parking places. Two more department stores are located in the central area, (Robinsons' and Selangor Emporium) with a sales of approximately M\$ 8-9 million respectively. These two stores are not dealing much in foodstuffs.

5.6 In the Petaling Jaya area there is also a commercial area with a number of shops (approximately 385 with an approximate sales of M\$25 million in 1966) of the same type as indicated above. In that area there are small

supermarkets in operation since a few years back (the Ben's Mini market estimated sales approximately M\$3 million and 5,000 sq. feet selling area and the Thrifty supermarkets with a yearly estimated sales of approximately M\$2 and 4 million and 2,000 and 5,000 sq.ft. selling areas respectively.

5.7 A few consumer cooperative societies are operating in Kuala Lumpur area but without much success.

5.8 There are also a few small supermarkets (3,000 - 5,000 selling area) under construction in some of the new localities close to the Petaling Jaya area.

5.9 Home delivery and credit sales in particular are very common also in some of the supermarkets.

5.10 The information from the Consumers and Distributors Trade in West Malaysia by the Department of Statistics further stress the strong competition.

§) 5.11 The following information covers the Selangor and Negri Sembilan States, of which Kuala Lumpur is the main commercial centre. The census relates to business which operates from fixed premises, including fixed stalls, shops and sales offices. Collapsible stalls & businesses which are mobile (barrows, vans) and traders who display their goods on the pavement have been excluded. The information covers the financial year 1966. The practical difficulties in conducting a survey as above shall be kept in mind while viewing the information.

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§) Source: Census of Distributive Trade West Malaysia 1966  
Department of Statistics

## A. Number of retail establishment and total sales turnover M\$1000

	Below M\$ 5,000	M\$ 5,000 to 9,999	M\$ 10,000 to 19,999	M\$ 20,000 to 49,999	M\$ 50,000 to 99,000	M\$ 100,000 to 249,999	M\$ 250,000 to 499,000	M\$ 500,000 to 999,999	M\$ 1 mil and above	Total
Number of Retail outlets	1,467	1,637	2,658	2,995	1,617	1,010	256	123	50	11,813
Value of total sales M\$1,000	4,228	12,114	38,068	95,922	114,773	152,677	86,472	82,620	83,991	670,844

## B. Retail Establishments, West Malaysia, 1966: Central Region

Particulars for Establishments with Accounts (Number, Value of Turnover, purchases, stocks) compared with number and turnover of all establishments.

Kind of business	All establish- ments		Establishments with accounts				
	Number	Value of turnover	Number	Value of turnover	Value of purchases	Value of stocks at 31st December	
						1965	1966
Retailers selling mainly.		M\$'000		M\$'000	M\$'000	M\$'000	M\$'000
Butchers' meat & poultry	715	32,812	104	14,535	13,015	370	515
Fish .....	655	18,613	42	8,151	7,248	445	487
Fruits and vegetables	1,170	20,303	67	5,303	4,415	168	164
Confectionery	219	7,059	41	5,923	5,475	400	301
Biscuits, cakes, bread etc.	70	1,147	20	875	783	64	66
Provisions (including rice)	4,872	293,654	2,362	251,393	230,488	24,059	23,997
Tobacco, cigarettes	368	8,916	142	5,746	4,553	306	323
Beer, wine, spirits	101	7,635	95	7,464	6,809	1,426	1,390
Total	8,170	390,139	2,873	299,389	272,786	27,238	27,243

Source: Census of Distributive Trade West Malaysia 1966  
Department of Statistics.

Contd...

Kind of business	All establishments		Establishments with accounts				
	Number	Value of turnover	Number	Value of turnover	Value of purchases	Value of stocks at 31st December	
						1965	1966
		M\$'000		M\$'000	M\$'000	M\$'000	M\$'000
Domestic hardware china etc. ....	256	18,428	145	16,550	15,048	3,062	3,428
Electrical goods, appliances etc. ...	303	56,926	258	36,049	27,681	4,955	5,603
Furniture, furnishings	195	13,734	151	13,116	11,142	1,386	1,371
Clothing and textiles	540	59,438	330	55,966	49,416	13,528	15,847
General merchandise	345	25,591	233	23,267	17,616	9,312	8,490
Footwear	130	7,690	74	6,911	5,800	1,938	1,850
Chemists' goods, cosmetics	478	27,304	352	25,385	22,181	5,405	5,647
Books, stationery, etc. ....	303	26,049	181	23,718	19,442	5,411	6,181
Jewellery, watches, etc.	242	23,263	208	22,666	20,067	6,665	6,905
Bicycles, motorcycles and parts	551	22,631	321	19,998	16,739	3,886	3,762
Other household personal goods.	300	19,671	193	18,469	14,997	2,919	2,903
Total	3,643	280,725	2,446	262,095	220,129	58,466	61,988
Grand Total ...	11,813	670,864	5,319	561,484	492,915	85,704	89,231

5.12 The above figures indicate that the average sales per food store amounted to approximately M\$48,000 for the year 1966. The average mark-up on food amounted to approximately 10% and the average stock was rotated approximately 10 times in the year.

5.13 The average sales per non-food store amounted to approximately M\$78,000, the average mark-up on non-food amounted to approximately 20% and the average stock in non-food stores was rotated approximately 4 times in the year 1966.

5.14 With regards to employees the census indicates that in running the above mentioned stores 9,156 paid full-time employees were enrolled together with 12,401 owners and 12,202 family members, out of which 3,231 were part-time employees.

5.15 The statistics relating to wholesalers catering to retail stores in the Selangor and Negri Sembilan States indicate that the wholesalers are small scale entrepreneurs with an average turnover of approximately M\$52,000, a wholesale mark-up of approximately 8%, and a stock turnover of approximately 12 times for the year 1966. This also indicates that the mark-up at the wholesale level and size of the wholesales is more or less the same as in the retail level.

#### Penang State

5.16 The competition in Penang Island and in George Town in particular is very strong. In George Town there are approximately 2,700 shops with an approximate sales turnover of M\$160 million in 1966, mostly run by families of Chinese and Indian origin. These small shops also have a very close link with the wholesalers, and sometimes the same traders are both retailers and wholesalers. The commercial and semi-commercial areas are indicated in the enclosed map.

5.17 There is also a private supermarket, located on Penang Road, with an estimated sales volume of approximately M\$ 8-10 million per year. One supermarket (with approximately 10,000 sq.ft. selling area) is under construction in the semi-commercial area on the Macalister Road. Another supermarket is said to be under projection in the same area but on Burmah Road.

5.18 As per information available, two European consultants have explored the feasibility of setting up other super-markets in the area.

5.19 In the residential areas outside the central area there are small markets catering to the surrounding population, and in the northern residential area there is one fairly big market which is patronized also by customers from the Green Lane areas (southern areas).

5.20 There are a few consumer cooperative societies operating in the State but without much success.

5.21 Credit sales and home delivery are very common.

5.22 The following information <sup>§)</sup> covers the States of Penang, Kedah and Perlis, in which George Town is the main commercial area. The census relates to business operated from fixed premises, including fixed stalls, shops and sales offices. Collapsible stalls, businesses which are mobile (barrows, vans) and traders who display their goods on the pavement have been excluded. The statistics on page 34-35 also show the number of establishments and their sales turnover in some selected towns in the State.

5.23 The information covers the financial year 1966. The practical difficulties in conducting a survey as above shall be kept in mind while viewing the information.

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§) Source : Census of Distributive Trade West Malaysia 1966  
Department of Statistics.



## A. Number of retail establishment and total sales turnover M\$1,000

	Below M\$ 5,000	M\$ 5,000 to 9,999	M\$ 10,000 to 19,999	M\$ 20,000 to 49,999	M\$ 50,000, to 99,000	M\$ 100,000 to 249,999	M\$ 250,000 to 499,000	M\$ 500,000 to 999,999	M\$ 1 mil. and above.	Total
Number of Retail establish- ments.	1,893	2,058	2,362	1,875	755	508	153	51	8	9,663
Value of sales turnover M\$1,000	4,956	15,102	32,765	59,262	52,835	79,335	53,951	34,123	14,669	346,999

B. Retail Establishments, West Malaysia 1966: Northern Region

Particulars for Establishments with Accounts  
(Number, value of Turnover, purchases, stocks)  
compared with number and turnover of all establishments.

Kind of business	All establish-ments		Establishments with accounts				
	Number	Value of turnover	Number	Value of turnover	Value of purchases	Value of stocks at 31st December	
						1965	1966
Retailers selling mainly		M\$'000		M\$'000	M\$'000	M\$'000	MS'000
Butchers' meat and poultry	369	12,405	59	5,484	4,820	52	66
Fish	739	10,683	33	3,235	2,920	55	46
Fruits and vegetables	751	11,073	77	4,644	4,191	150	168
Confectionery	129	4,941	78	4,578	4,154	341	370
Biscuits, cakes, bread, etc.	109	2,197	14	824	722	77	93
Provisions (including rice)	4,300	122,938	393	94,131	86,592	8,565	9,088
Tobacco, cigarettes	911	18,522	254	11,282	9,733	559	538
Beer, wine, spirits	54	4,123	46	4,048	3,673	745	693
<b>Total</b>	<b>7,362</b>	<b>186,882</b>	<b>1,954</b>	<b>128,226</b>	<b>116,805</b>	<b>10,544</b>	<b>11,062</b>
Domestic hardware, china, etc.	133	6,257	91	5,811	4,939	1,578	1,606
Electrical goods, appliances, etc.	195	21,017	153	20,487	13,110	4,116	4,714
Furniture, furnishings	58	3,359	54	3,291	2,674	351	406
Clothing & textiles	575	45,785	336	43,333	39,283	10,710	11,762
General merchandise	174	18,609	87	17,532	16,164	4,099	4,609
Footwear	91	7,000	70	6,751	5,999	1,666	1,939
Chemists' goods, cosmetics .....	351	16,648	235	15,652	13,567	3,835	4,063
Books, stationery etc.	124	7,284	83	6,895	5,837	1,876	1,870
Jewellery, watches etc.	187	15,976	146	15,640	13,753	4,724	4,992
Bicycles, motor cycles and parts.	202	8,593	109	7,590	6,911	857	1,066
Other household, personal goods.	211	9,587	138	9,010	7,608	1,524	1,711
<b>Total</b>	<b>2,301</b>	<b>160,117</b>	<b>1,502</b>	<b>151,993</b>	<b>134,842</b>	<b>35,334</b>	<b>38,738</b>
<b>Grand Total</b>	<b>9,663</b>	<b>346,999</b>	<b>3,456</b>	<b>280,219</b>	<b>251,647</b>	<b>45,878</b>	<b>49,800</b>

5.24 The average sales per food store in Penang, Kedah and Perlis States amounts to approximately M\$25,000 for the year 1966, the average mark-up was approximately 10% and the average stock-turn was 10 times for the year.

5.25 The average sales per non-food store amounted to approximately M\$70,000 for the year 1966, the average mark-up to approximately 12% and the average stock-turn to approximately 4 times for the year.

5.26 With regards to employees the census indicates that in running the above indicated stores 5,262 paid full-time employees were enrolled together with 10,020 owners and 10,067 family members, out of which 2,313 were part-time workers.

5.27 The statistics related to wholesalers catering to retail stores in Penang, Kedah and Perlis States indicate that the wholesalers are also small scale entrepreneurs with an average turnover of approximately M\$65,000, and wholesale mark-up of approximately 10%, and a stock turnover of approximately 10 times per year. This also indicates that the mark-up in the wholesale level is more or less the same as in the retail level.

## 6. CONSUMER COOPERATIVE STORES

6.1 During the year 1948-1960 a large number of consumer cooperative stores were organized by the government to provide essential requirements at reasonable prices during the period of emergency and the Korean War. However, when consumer goods became freely available there was not much support from the public towards these cooperative stores with the result that more than 50% of the consumer cooperative societies had to be liquidated. At present some of the existing societies (approximately 180) are doing well, but most of them are struggling.

6.2 Some statistics of the Consumer Cooperative Stores for the years 1966 and 1967 in M. §)

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§) Source: Report and Statistics, Cooperative Movement in West Malaysia 1967. Ministry of Agriculture and Cooperatives Division of Coop. Development.

## COMPARATIVE FIGURES FOR CONSUMER SOCIETIES FOR TWO YEARS 1966 and 1967

Particulars	Rural Shop Societies		New Village Shop		Urban Stores Societies		Stores in Places of Employment		Bulk Purchase Societies		Total	
	1966	1967	1966	1967	1966	1967	1966	1967	1966	1967	1966	1967
No. of Societies	90	89	26	23	37	36	34	34	3	3	190	185
Membership	11,820	12,698	3,610	3,350	21,499	21,440	7,742	6,930	687	681	45,358	45,099
Average Membership per Society	131	143	139	146	581	596	234	204	229	227	235	240
Share Capital	439,233	510,587	214,407	202,782	593,781	613,295	189,452	202,165	76,953	90,000	1,513,826	1,618,829
Total Funds	894,225	996,777	586,522	637,002	1,254,552	1,570,716	862,427	952,227	100,770	115,999	3,698,496	4,272,721
Purchases	3,246,396	3,562,720	2,854,742	2,702,299	3,519,327	3,532,795	5,145,392	5,517,287	21,090	1,800	14,786,947	15,316,901
Average Purchases per Society ....	36,071	40,031	109,798	117,491	95,117	98,133	151,335	162,273	7,030	600	78,000	82,000
Sales .....	3,520,074	3,827,415	3,149,710	2,909,149	3,852,953	3,857,278	5,637,255	6,041,427	19,599	2,050	16,179,591	16,637,319
Average sales per society.	39,112	43,005	121,143	126,485	104,134	107,147	165,801	177,689	6,533	683	85,000	90,000
Average Mark-up in percentage	8½%	7½%	10%	7½%	9½%	9%	9½%	9½%	Loss	11%	9½%	8½%
Average sales per member	300	300	880	770	180	180	720	870	29	3	350	370

6.3 The above statistics indicate that the consumer cooperative societies are small in size and also that their progress for the year 1967 as compared to the year 1966 have been rather slow. It can further be assumed that the present consumer cooperative societies will not be able to play a more important role than at present unless serious steps are taken to strengthen them. The present consumer cooperatives cover approximately  $2\frac{1}{2}\%$  of the families and approximately  $1 - 1\frac{1}{2}\%$  of the retail sales of food in West Malaysia.

6.4 The Malayan Cooperative Wholesale Society Limited is the apex organisation for the consumer cooperative stores, and has its Head Office in Kuala Lumpur. However, of the approximately 180 cooperative societies in operation, only 55 were members of the Wholesale Society in 1967, and it appears that only a small part of the goods sold in the consumer cooperative stores are supplied through the Wholesale Society.

6.5 The main activity of the Wholesale Society at present is the management of the 43 retail shops with a yearly sales of approximately M4.3 million started under the Land and Development Scheme.

6.6 The Wholesale Society has met with very strong competition from private wholesalers. It was also short of adequate capital. Support from the cooperative stores also declined when goods became more freely available in the market after the Korean War and the emergency.

6.7 Some Statistics of the Malayan Cooperative Wholesale Society Limited and the retail stores managed by the Wholesale Store.

	1966 M\$	1967 M\$	1968 M\$
Total Assets	1,966,507	2,209,356	2,019,335
Stock on hand	383,074	481,709	351,794
Reserves	38,426	70,746	101,991
Loans and Advances from Government	992,211	990,737	945,735
Subscribed Capital total	21,275	21,275	19,774
Goods transferred (sold) to retail stores/shops at cost price.	NA	3,847,500	3,765,367
Gross Profit Wholesale Operation			
A. Amount	136,646	206,616	232,080
B. Percentage of sales	NA	5.5 %	6%
Net profit/Loss Wholesale Operation			
A. Amount	Loss 47,573	Profit 369	Profit 1,194
B. Percentage of sales	NA	0.01%	0.03%
Number of Retail Stores operated by the Wholesale Society.	37	43	43
Net Sales of retail stores operated by the Wholesale Society.	3,790,014	4,275,219	4,450,974
Average sales per retail store and year	102,000	100,000	103,000
Gross Profit of retail stores operated by the Wholesale store. A. Amount	336,962	353,003	356,965
B. Percentage of Sales.	9 %	8.5 %	8%
Net Profit of retail stores operated by the wholesale store. A. Amount	71,379	52,366	45,886
B. Percentage of sales.	1.9 %	1.2 %	1.0%
Opening Stock of retail stores operated by the Wholesale store.	263,060	344,726	442,121
Stock Turnover	14	17	10

Source: The Audit Report of the Malayan Cooperative Wholesale Society Ltd., for the year 1968

ANNEXURE A

PROGRAMME FOR A LARGE SUPERMARKET TO BE LOCATED BETWEEN  
KUALA LUMPUR AND PETALING JAYA WITH EASY ACCESSIBILITY BY CAR

The programme is based on, that premises shall be constructed particularly for the purpose of a Supermarket. In case a suitable building, meeting the requirements included in this programme could be rented, it would be of great advantage for the Supermarket as it would ease the financial commitments.

AREA REQUIREMENTS

	Sq. ft.	<u>TOTAL</u> Sq. ft.
1. FOOD		
Selling Area	14,000	
Non-selling Area	4,000	18,000
2. NON-FOOD		
Selling Area	40,000	
Non-selling Area	15,000	55,000
3. RESTAURANT		
Selling Area (150 seats)	2,000	
Non-selling Area	1,000	<u>3,000</u>
4. TOTAL AREA FOR RETAIL SALES		<u>76,000</u> =====
5. FOR RENTING OUT TO TENANTS	4,000	<u>4,000</u>
6. TOTAL AREA TO BE CONSTRUCTED		<u>80,000</u> =====
7. OUT OF WHICH IN GROUND FLOOR, IF POSSIBLE		60,000
8. PROVISION FOR FUTURE EXPANSION (IF POSSIBLE IN GROUND FLOOR)		25,000
9. PARKING PLACES 700 WITH FUTURE EXPANSION TO 1000 PARKING PLACES (300 sq.ft. per parking place)	300,000	300,000
<hr style="border-top: 1px dashed black;"/>		
10. LAND REQUIREMENT	400,000	<u>400,000</u> =====

REMARKS:

1. A petrol and service station as well as a motel and similar other consumer services could be a part of the services to be included in the project.
2. The Head Office of the Supermarket Society could also be located in the premises.



OPERATIONAL BUDGET

- 1) 1970 year money value
- 2) Thousands of M\$

1. SALES BUDGET

	1973	1975	1980	1985
FOOD	15,000	18,000	25,000	30,000
NON-FOOD	10,000	12,000	15,000	20,000
RESTAURANT	500	700	700	1,000
<b>TOTAL</b>	<b>25,500</b>	<b>30,700</b>	<b>40,700</b>	<b>51,000</b>
<b>2. AREAS REQUIRED (Sq. ft.)</b>				
<b>A. BUILDING:</b>				
1. For retail sales			76,000	
2. For renting out to tenant			4,000	
			80,000	80,000
<b>B. PARKING PLACES</b>				
			300,000	300,000
<b>3. PURCHASE OF LAND AND CONSTRUCTION OF BUILDING</b>				
<b>A. 1. Construction Cost Building (air conditioning plant included)</b>				
(Cost per sq. ft. M\$ 20)			1,600	
<b>2. Interest during construction period 10% approx. 9 months.</b>				
Total Production Cost Building			100	
			1,700	1,700
<b>B. 1. Purchase of Land (Cost per sq. ft. M\$10 400,000 sq. ft.)</b>				
2. Interest during construction period 10% 12 months			4,000	
3. Development of land and parking places			400	
Total Cost Land			250	
			4,650	4,650
<b>C. TOTAL INVESTMENT LAND &amp; BUILDING</b>				
				6,350 \$
<b>4. RENT TO BE PAID</b>				
1. Interest & Depreciation Building (10%)			170	
2. Interest on Land (10%)			455	
3. Maintenance of Building (1%)			20	
Total Rent of Building			655	
<b>DEDUCTIONS: Income rents</b>				
			15	
<b>TOTAL RENT TO BE PAID FOR THE AREA USED FOR RETAIL SALES</b>				
			640	640 \$\$

5. <u>INVESTMENTS REQUIRED FOR FURNITURE &amp; FIXTURES</u>		
1. Food Department (M\$20 per sq. ft. total area)	350	
2. Non-Food (M\$10 per sq. ft. total area)	550	
3. Restaurant	100	
Total Investment in Furniture and Fixtures	1,000	1,000
6. <u>INTEREST &amp; DEPRECIATION ON FURNITURE &amp; FIXTURES</u>		
ANNUITY 20% (7 years depreciation time)	200	
TOTAL INTEREST AND DEPRECIATION ON FURNITURE & FIXTURES	200	200
7. <u>INVESTMENTS REQUIRED IN GOODS</u> (Calculated on the sales budgeted for 1973)		
1. Food (Stock turnover 25 times per year)	600	
2. Non-food (Stock turnover 5 times per year)	2,000	
Total Investments required in Goods	2,600	2,600
8. <u>INTEREST ON GOODS</u>		
1. Food (No interest due to high stock turnover)		
2. Non-food (10%)	200	
Total Interest on Goods	200	200
9. <u>TOTAL REQUIREMENTS OF FUNDS FOR INVESTMENT</u>		
1. Land and Building	6,350 <sup>§</sup>	
2. Furniture & Fixtures	1,000	
3. Goods-on-Hand	2,600	
Total Investment Requirements	9,950	9,950

## REMARKS:

§ - In case a suitable building, which meets with the requirement in this programme, could be rented, it should ease the financial commitments to M\$ 3.6 million.

§§ - In case a building is rented as per above, M\$640,000 per year is the maximum amount which could be paid as rent per year.

## OPERATIONAL BUDGET

- 1) 1970 money value  
2) Thousands of M\$

YEAR 1973	P R O J E C T							
	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
SALES TURNOVER	15,000	100	10,000	100	500	100	25,500	100
GROSS SURPLUS	1,125	7.5	1,500	15.0	150	30.0	2,775	10.8
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	245	1.6	230	2.3	75	15.0	550	2.1
RENT	165	1.1	450	4.5	25	5.0	640	2.5
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	70	0.5	110	1.1	20	4.0	200	0.8
INTEREST ON GOODS-ON-HAND	-	-	200	2.0	-	-	200	0.8
OTHER OPERATIONAL COSTS	300	2.0	300	3.0	10	2.0	610	2.4
NET SURPLUS \$	345	2.3	210	2.1	20	4.0	575	2.2
BREAK-EVEN-SALES \$\$\$	10,500		9,000		450		20,000	
MARGIN OF SAFETY	30%		12%		10%		21%	

YEAR 1975	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	SALES TURNOVER	18,000	100	12,000	100	700	100	30,700
GROSS SURPLUS	1,365	7.6	1,770	14.8	205	29.3	3,340	10.9
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	270	1.5	250	2.1	80	11.4	600	1.9
RENT	165	0.9	450	3.7	25	3.6	640	2.1
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	70	0.4	110	0.9	20	2.9	200	0.7
INTEREST ON GOODS-ON-HAND	-	-	200	1.7	-	-	200	0.7
OTHER OPERATIONAL COSTS	360	2.0	360	3.0	15	2.1	735	2.4
NET SURPLUS \$	500	2.8	400	3.4	65	9.3	965	3.1
BREAK-EVEN-SALES \$\$\$	12,000		9,500		500		22,000	
MARGIN OF SAFETY	33%		21%		28%		28%	

YEAR 1980	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	SALES TURNOVER	25,000	100	15,000	100	700	100	40,700
GROSS SURPLUS	2,055	8.3	2,250	15.0	220	31.5	4,525	11.1
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	320	1.3	290	1.9	90	12.9	700	1.7
RENT	165	0.7	450	3.0	25	3.6	640	1.6
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	70	0.3	110	0.7	20	2.9	200	0.5
INTEREST ON GOODS-ON-HAND	-	-	300	2.0	-	-	300	0.7
OTHER OPERATIONAL COSTS	500	2.0	450	3.0	15	2.1	965	2.3
NET SURPLUS \$	1,000	4.0	650	4.4	70	10.0	1,720	4.3
BREAK-EVEN-SALES \$\$\$	14,000		11,000		500		26,000	
MARGIN OF SAFETY	44%		26%		28%		36%	

OPERATIONAL BUDGET (Contd)

A 5

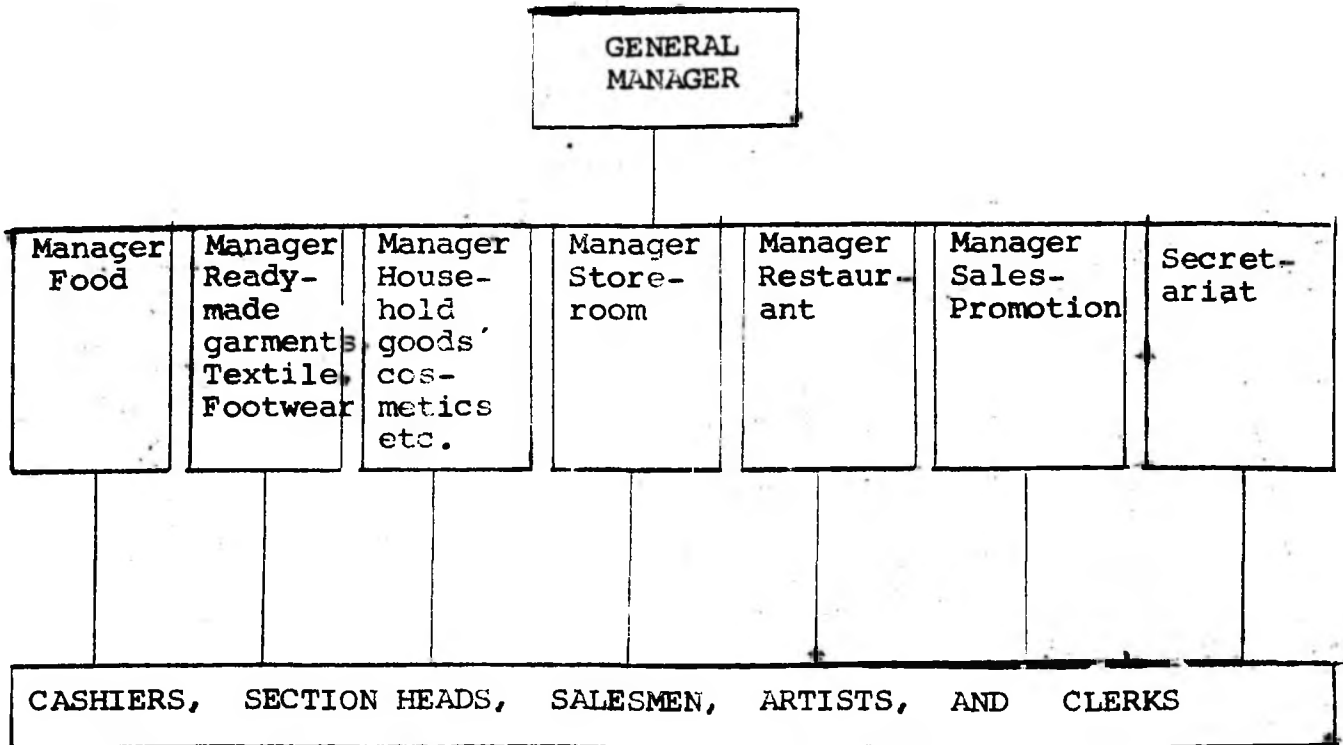
YEAR 1985	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
SALES TURNOVER	30,000	100	20,000	100	1,000	100	51,000	100
GROSS SURPLUS	2,700	9.0	3,090	15.5	265	26.5	6,055	12.0
ESTABLISHMENT COSTS (Salaries, Provident Fund etc)	370	1.3	330	1.7	100	10.0	800	1.6
RENT	165	0.5	450	2.3	25	2.5	640	1.3
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	70	0.2	110	0.5	20	2.0	200	0.4
INTEREST ON GOODS-ON-HAND	-	-	400	2.0	-	-	400	0.8
OTHER OPERATIONAL COSTS	600	2.0	600	3.0	20	2.0	1,220	2.4
NET SURPLUS \$	1,495	5.0	1,200	6.0	100	10.0	2,795	5.5
BREAK-EVEN-SALES \$\$\$	15,000		13,000		650		29,000	
MARGIN OF SAFETY	50%		35%		35%		43%	

EFFICIENCY RATIOS

	1973	1975	1980	1985
Sales per sq.ft. selling area - FOOD	1,070	1,280	1,780	2,150
Sales per sq.ft. total area - FOOD	840	1,000	1,380	1,660
Sales per sq.ft. selling area-NON-FOOD	250	300	375	500
Sales per sq.ft. total area - NON-FOOD	180	215	275	365
Sales per sq.ft. selling area - RESTAURANT	250	350	350	500
Sales per sq.ft. total area - RESTAURANT	165	230	230	335
Sales per seat - restaurant	3,000	4,650	4,650	6,700
Return on capital invested §§	10%	10.4%	11.2%	11.8%

REMARKS:

- § - The net surplus shall also cover the overhead costs such as centralised accounting, staff training etc.
- §§ - The return on capital invested is calculated as follows:  
10% interest paid on building, furniture and fixtures and goods on hand plus 10% of the net surplus.
- §§§ - The Break-Even-Sales can be defined as "the level of sales at which profit is zero". Formula: 
$$\frac{\text{Fixed expenditure} \times 100}{\text{Sales} - \text{Variable costs} \times 100}$$
- For the purpose of calculation, 50% of the Establishment costs, 50% of other operational costs and 25% of the net surplus have been treated as fixed costs, together with rent, interest and depreciation on furniture and fixtures and interest on goods-on-hand.
- (B) Margin of Safety can be defined as "the percentage drop in sales that can occur before a loss starts".  
Formula: 
$$\frac{\text{Sales} - \text{Break even sales} \times 100}{\text{Sales}}$$

PERSONNEL BUDGETORGANISATIONAL SET-UP2. STAFFING AND STAFF COSTSCost per month

GENERAL MANAGER	1 x 2000	2,000
Managers (1) FOOD, (2) NON-FOOD	3 x 1200	3,600
Managers (1) Storeroom, (1) Restaurant (1) Sales Promotion)	3 x 800	2,400
(1) Assistant Manager Food, (1) Senior Clerk	2 x 500	1,000
Senior Employees (30 Food, 20 non-food, 5 restaurant, 5 secretariat)	60 x 200	12,000
Junior Employees (30 Food, 50 non-food & 20 restaurant)	100 x 150	15,000
	169	36,000
Total staff costs per year		432,000
Provident Fund 170 x 300		51,000
Other Staff Costs		46,000
Total		529,000
Margin of safety		21,000
Total Staff Costs per year		550,000

ANNEXURE B

Programme for a large Supermarket (slightly bigger than Weld's) with a comprehensive assortment of food but a limited assortment of non-food.

The programme is based on that premises should be constructed particularly for the purpose of a Supermarket. In case a suitable building, which meets the requirements in this programme could be rented, it would be of great advantage for the Supermarket as it would ease the financial commitments.

AREA REQUIREMENTS

	Sq.ft.	TOTAL Sq. ft.
1. FOOD		
Selling Area	10,000	
Non-selling Area	4,000	
	<u>14,000</u>	<u>14,000</u>
2. NON-FOOD		
Selling Area	10,000	
Non-selling Area	4,000	
	<u>14,000</u>	<u>14,000</u>
3. RESTAURANT		
Selling Area (100 seats)	1,500	
Non-selling Area	500	
	<u>2,000</u>	<u>2,000</u>
4. TOTAL AREA FOR RETAIL SALES		30,000
5. FOR RENTING OUT TO TENANTS	-	-
6. TOTAL AREA TO BE CONSTRUCTED	30,000	30,000
7. OUT OF WHICH IN GROUND FLOOR, IF POSSIBLE		24,000
8. PROVISION FOR FUTURE EXPANSION (IF POSSIBLE IN GROUND FLOOR)		10,000
9. PARKING PLACES 300 WITH FUTURE EXPANSION TO 500 PARKING PLACES (300 sq.ft. per parking place)	100,000	100,000
10. LAND REQUIREMENT	200,000	200,000

REMARKS:

1. A Petrol service station and similar other consumer services could be a part of the services to be included in the project.

INVESTMENT BUDGET

- 1) 1970 money value  
2) thousands M\$

1. SALES BUDGET

	1973	1975	1980	1985
FOOD	10,000	12,000	15,000	17,000
NON-FOOD	4,000	4,500	5,000	6,000
RESTAURANT	200	300	400	400
<b>TOTAL</b>	<b>14,200</b>	<b>16,800</b>	<b>20,400</b>	<b>23,400</b>
<b>2. AREAS REQUIRED (Sq. ft)</b>				
<b>A. BUILDING:</b>				
1. For retail sales			30,000	
2. For renting out to tenant			-	
Total area to be constructed			30,000	30,000
<b>B. PARKING PLACES</b>				
			100,000	100,000
<b>3. PURCHASE OF LAND AND CONSTRUCTION OF BUILDING</b>				
<b>A. 1. Construction Cost Building (Air conditioning plant included) (Cost per sq.ft. M\$30)</b>				
2. Interest during construction period 10% 9 months			900	
			70	
Total Production Cost Building			970	970
<b>B. 1. Purchase of Land (Cost per sq. ft. M\$10 x 200,000 sq.ft.)</b>				
2. Interest during construction period 10% 12 months			2,000	
3. Development of land and parking places			200	
Total Cost Land			2,400	2,400
<b>C. Total Investment Land &amp; Building</b>				
			-	3,370 \$
<b>4. RENT TO BE PAID</b>				
1. Interest & Depreciation (Building 10%)			97	
2. Interest on Land (10%)			240	
3. Maintenance of Building (2%)			20	
Total Rent of Building			357	357
<b>DEDUCTIONS: Income rents</b>				
<b>TOTAL RENT TO BE PAID FOR THE AREA USED FOR RETAIL SALES</b>				
			357	357 \$
<b>5. INVESTMENTS REQUIRED FOR FURNITURE &amp; FIXTURES</b>				
1. Food Department (M\$20 per sq.ft. total area)			280	
2. Non-food (M\$10 per sq.ft. total area)			140	
3. Restaurant			75	
Total Investment in furniture & fixtures			495	495



6. INTEREST & DEPRECIATION ON FURNITURE & FIXTURES

ANNUITY 20% (7 years depreciation time)	100	100
TOTAL INTEREST AND DEPRECIATION ON FURNITURE & FIXTURES	100	100

7. INVESTMENTS REQUIRED IN GOODS

(Calculated on the sales budgeted for 1973)

1. Food (Stock Turnover 25 times per year)	400	
2. Non-Food (Stock Turnover 5 times per year)	800	
Total Investments required in Goods	1,200	1,200

8. INTEREST ON GOODS

1. Food (No interest due to high stock turnover)	-	
2. Non-Food (10%)	80	
Total interest on Goods	80	80

9. TOTAL REQUIREMENTS OF FUNDS FOR INVESTMENT

1. Land and Building	3,370	
2. Furniture & Fixtures	495	
3. Goods-on-hand	1,200	
Total Investment Requirements	5,065	5,065

## REMARKS:

§ - In case a suitable building which meet with the requirements in this programme could be rented, it should ease the financial commitments to M\$1,695,000.

§§- In case a building is rented as per above, M\$357,000 per year is the maximum amount which could be paid as yearly rent.

OPERATIONAL BUDGET

- 1) 1970 year money value  
2) thousands of M\$

YEAR 1973	P R O J E C T							
	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	10.000	100	4.000	100	200	100	14.200	100
GROSS SURPLUS	900	9.0	600	15.0	60	30.0	1.560	11.0
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	125	1.2	90	2.3	35	17.5	250	1.8
RENT	170	1.7	165	4.1	22	11.0	357	2.5
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	57	0.6	29	0.7	14	7.0	100	0.7
INTEREST ON GOODS-ON-HAND	-	-	80	2.0	-	-	80	0.6
OTHER OPERATIONAL COSTS	200	2.0	120	3.0	4	2.0	324	2.3
NET SURPLUS \$	348	3.5	116	2.9	-15	-7.5	449	3.1
BREAK-EVEN-SALES \$\$\$	6.500		3.300		300		10.500	
MARGIN OF SAFETY	35%		17%		-50%		26%	

YEAR 1975	Amount	%	Amount	%	Amount	%	Amount	%
	SALES TURNOVER	12,000	100	4,500	100	300	100	16,800
GROSS SURPLUS	1,080	9.0	675	15.0	90	30.0	1,845	11.0
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	130	1.1	95	2.1	35	11.6	260	1.5
RENT	170	1.4	165	3.7	22	7.3	357	2.1
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	57	0.5	29	0.7	14	4.7	100	0.6
INTEREST ON GOODS-ON-HAND	-	-	90	2.0	-	-	90	0.5
OTHER OPERATIONAL COSTS	240	2.0	135	3.0	6	2.0	381	2.3
NET SURPLUS \$	483	4.0	161	3.5	13	4.4	657	4.0
BREAK-EVEN-SALES \$\$\$	7,500		3,500		250		11,500	
MARGIN OF SAFETY	37%		22%		16%		31%	

YEAR 1980	Amount	%	Amount	%	Amount	%	Amount	%
	SALES TURNOVER	15,000	100	5,000	100	400	100	20,400
GROSS SURPLUS	1,350	9.0	750	15.0	120	30.0	2,220	11.0
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	145	1.0	100	2.0	40	10.0	285	1.4
RENT	170	1.1	165	3.3	22	5.5	357	1.8
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	57	0.4	29	0.6	14	3.5	100	0.5
INTEREST ON GOODS-ON-HAND	-	-	90	1.8	-	-	90	0.4
OTHER OPERATIONAL COSTS	300	2.0	150	3.0	8	2.0	458	2.3
NET SURPLUS \$	678	4.5	216	4.3	36	9.0	930	4.6
BREAK-EVEN-SALES \$\$\$	8,500		3,700		300		12,500	
MARGIN OF SAFETY	43%		25%		25%		39%	

YEAR 1985	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	17,000	100	6,000	100	400	100	23,400	100
GROSS SURPLUS	1,530	9.0	900	15.0	120	30.0	2,550	11.0
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	160	1.0	115	1.9	45	11.3	320	1.4
RENT	170	1.0	165	2.8	22	5.5	357	1.5
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	57	0.3	29	0.5	14	3.5	100	0.4
INTEREST ON GOODS-ON- HAND	-	-	100	1.7	-	-	100	0.4
OTHER OPERATIONAL COSTS	340	2.0	180	3.0	8	2.0	528	2.3
NET SURPLUS \$	803	4.7	311	5.1	31	7.7	1,145	5.0
BREAK-EVEN-SALES \$\$\$	9,000		4,200		300		13,500	
MARGIN OF SAFETY	47%		30%		25%		43%	

#### EFFICIENCY RATIOS

	1973	1975	1980	1985
Sales per sq.ft. selling area - FOOD	1,000	1,200	1,500	1,700
Sales per sq.ft. total area - FOOD	720	860	1,070	1,220
Sales per sq.ft. selling area - NON-FOOD	400	450	500	600
Sales per sq.ft. total area - NON-FOOD	285	320	355	430
Sales per sq.ft. selling area - RESTAURANT	130	200	265	265
Sales per sq.ft. total area - RESTAURANT	100	150	200	200
Sales per seat - restaurant	2,000	3,000	4,000	4,000
Return on Capital invested §§	10.2%	10.5%	11.0%	11.4%

#### REMARKS

§ - The net surplus shall also cover costs for centralised accounting, staff training etc.

§§ - The return on capital invested is calculated as follows: 10% interest on investments in land, building, furniture, fixtures and goods-on-hand plus 10% of the net surplus.

§§§ - (A) The Break-Even-Sales can be defined as "the level of sales at which profit is zero".

Formula: 
$$\frac{\text{Fixed expenditure} \times 100}{(\text{Sales} - \text{Variable costs} \times 100)}$$

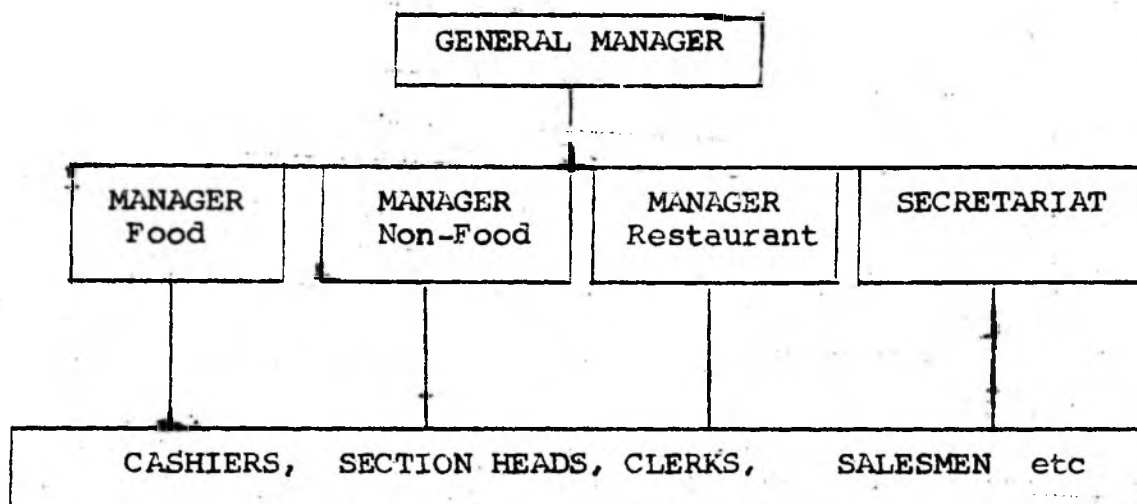
For the purpose of calculation, 50% of the establishment costs, 50% of other operational costs and 25% of the net surplus have been treated as fixed costs, together with rent, interest and depreciation on furniture and fixtures and interest on goods-on-hand.

(B) Margin of Safety can be defined as "the percentage drop in sales that can occur before a loss starts".

Formula: 
$$\frac{\text{Sales} - \text{Break even sales} \times 100}{\text{Sales}}$$

PERSONNEL BUDGET

1. Organisational Set-up



2. Staff and Staff Costs

		<u>Cost per month</u>
General Manager	1 x 1,500	1,500
Managers	3 x 800	2,400
Senior Clerk	1 x 400	400
Senior employees (15 food, 2 clerks, 5 non-food, 3 restaurant)	25 x 200	5,000
Junior employees (15 food, 15 restaurant, 20 non-food)	50 x 150	7,500
	<u>80</u>	<u>16,800</u>
Total salary costs per year		201,600
Provident Fund		24,000
Other costs		24,400
Total Staff Costs per year		<u>250,000</u> =====

ANNEXURE C

Programme for a medium size Supermarket (slightly smaller than Weld's) with a comprehensive food assortment but a limited assortment of non-food.

The programme is based on, that premises should be constructed particularly for the purpose of a Supermarket. In case a suitable building, which meets with the requirements in this programme could be rented, it would be of great advantage for the Supermarket as it would ease the financial commitments.

OPERATIONAL BUDGET

C 1

<u>AREA REQUIREMENTS</u>		TOTAL
	Sq.ft.	Sq. ft.
1. FOOD		
Selling Area	8,000	
Non-selling Area	3,000	
	<u>11,000</u>	<u>11,000</u>
2. NON-FOOD		
Selling Area	5,000	
Non-selling Area	2,000	
	<u>7,000</u>	<u>7,000</u>
3. RESTAURANT		
Selling Area (100 seats)	1,500	
Non-selling Area	500	
	<u>2,000</u>	<u>2,000</u>
4. TOTAL AREA FOR RETAIL SALES		<u>20,000</u>
5. FOR RENTING OUT TO TENANTS	-	-
6. TOTAL AREA TO BE CONSTRUCTED		<u>20,000</u>
7. OUT OF WHICH IN GROUND FLOOR IF POSSIBLE		16,000
8. PROVISION FOR FUTURE EXPANSION (IF POSSIBLE IN GROUND FLOOR)		6,000
9. PARKING PLACES 300 (300 sq.ft. per parking place)	100,000	100,000
10. LAND REQUIREMENT	<u>150,000</u>	<u>150,000</u>

Remarks:

1. A petrol service station and similar other consumer services could be a part of the services to be included in the project.

INVESTMENT BUDGET

- 1) 1970 year money value  
2) thousands of M\$

1. SALES BUDGET

	1973	1975	1980	1985
FOOD	8,000	10,000	12,000	15,000
NON-FOOD	2,000	2,500	3,000	3,500
RESTAURANT	200	250	300	400
	10,200	12,750	15,300	18,900
<u>2. AREA REQUIRED (Sq. ft.)</u>				
<u>A. BUILDING:</u>				
1. For retail sales			20,000	
2. For renting out to tenants			20,000	20,000
<u>B. PARKING PLACES</u>				
			100,000	100,000
<u>3. PURCHASE OF LAND &amp; CONSTRUCTION OF BUILDING</u>				
<u>A. 1. Construction cost building (Air conditioning plant included)</u>				
(Cost per sq. ft. M\$30)			600	
2. Interest during construction period 10% 9 months			45	
Total production cost building			645	645
<u>B. 1. Purchase of land (Cost per sq. ft. M\$10) x 150,000 sq. ft.</u>				
2. Interest during construction period 10% 12 months			150	
3. Development of land and parking places			150	
Total cost land			1,800	1,800
<u>C. TOTAL INVESTMENT LAND &amp; BUILDING</u>				
				2,445 \$
<u>4. RENT TO BE PAID</u>				
1. Interest & Depreciation Building (10%)			65	
2. Interest on Land (10%)			180	
3. Maintenance of Building			15	
Total Rent of Building			260	260
DEDUCTIONS: Income rents				
			-	-
<u>TOTAL RENT TO BE PAID FOR THE AREA USED FOR RETAIL SALES</u>				
			260	260 \$\$

<b>5. INVESTMENTS REQUIRED FOR FURNITURE &amp; FIXTURES</b>		
1. Food Department (M\$20 per sq.ft. total area)	220	
2. Non-Food (M\$10 per sq.ft. total area)	70	
3. Restaurant	75	
Total Investment in furniture & fixtures	365	365
<b>6. INTEREST &amp; DEPRECIATION ON FURNITURE &amp; FIXTURES</b>		
ANNUITY 20% (7 years depreciation time)	73	
TOTAL INTEREST AND DEPRECIATION ON FURNITURE & FIXTURES	73	73
<b>7. INVESTMENTS REQUIRED IN GOODS</b> (Calculated on the sales budgeted for 1973)		
1. Food (Stock turnover 25 times per year)	320	
2. Non-Food (stock turnover 7 times per year)	280	
Total Investments required in Goods	600	600
<b>8. INTEREST ON GOODS</b>		
1. Food (No interest due to high stock turnover)	-	
2. Non-Food (10%)	28	
Total Interest on Goods	28	28
<b>9. TOTAL REQUIREMENTS OF FUNDS FOR INVESTMENT</b>		
1. Land and Building	2,445 \$	
2. Furniture & Fixtures	365	
3. Goods-on-Hand	600	
	3,410	3,410

## REMARKS:

- § - In case a suitable building which meet with the requirements in this programme could be rented, that would ease the financial commitments to M\$265,000.
- §§ - In case a building is rented as per above, M\$260,000 per year is the maximum amount which could be paid as yearly rent.



OPERATIONAL BUDGET

C 4

- 1) 1970 year money value  
2) thousands M\$

YEAR 1973	P R O J E C T							
	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	8.000	100	2.000	100	200	100	10.200	100
GROSS SURPLUS	720	9.0	300	15.0	60	30.0	1.080	10.8
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	105	1.3	60	3.0	35	17.5	200	2.0
RENT	155	1.7	90	4.5	15	7.5	260	2.6
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	44	0.6	14	0.7	15	7.5	73	0.7
INTEREST ON GOODS-ON-HAND	-	-	28	1.4	-	-	28	0.3
OTHER OPERATIONAL COSTS	160	2.0	60	3.0	4	2.0	224	2.2
NET SURPLUS \$	256	3.2	48	2.4	- 9	-4.5	295	3.0
BREAK-EVEN-SALES \$\$\$	5,500		1,700		300		7,500	
MARGIN OF SAFETY	31%		15%		-50%		26%	

YEAR 1975	Amount	%	Amount	%	Amount	%	Amount	%
	SALES TURNOVER	10,000	100	2,500	100	250	100	12,750
GROSS SURPLUS	900	9.0	375	15.0	75	30.0	1,350	10.7
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	115	1.2	65	2.6	35	14.0	215	1.7
RENT	155	1.6	90	3.6	15	6.0	260	2.1
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	44	0.4	14	0.6	15	6.0	73	0.6
INTEREST ON GOODS-ON-HAND	-	-	28	1.1	-	-	28	0.2
OTHER OPERATIONAL COSTS	200	2.0	75	3.0	5	2.0	280	2.2
NET SURPLUS \$	386	3.8	132	4.1	5	2.0	494	3.9
BREAK-EVEN-SALES \$\$\$	6,500		1,900		250		9,000	
MARGIN OF SAFETY	35%		24%		nil		29%	

YEAR 1980	Amount	%	Amount	%	Amount	%	Amount	%
	SALES TURNOVER	12,000	100	3,000	100	300	100	15,300
GROSS SURPLUS	1,080	9.0	450	15.0	90	30.0	1,620	10.6
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	130	1.1	75	2.5	40	13.3	245	1.6
RENT	155	1.3	90	3.0	15	5.0	260	1.7
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	44	0.4	14	0.5	15	5.0	73	0.5
INTEREST ON GOODS-ON-HAND	-	-	40	1.3	-	-	40	0.3
OTHER OPERATIONAL COSTS	240	2.0	90	3.0	6	2.0	336	2.2
NET SURPLUS \$	511	4.2	141	4.7	14	4.7	666	4.3
BREAK-EVEN-SALES \$\$\$	7,000		2,200		250		9,500	
MARGIN OF SAFETY	41%		26%		16%		38%	

OPERATIONAL BUDGET (Contd)

YEAR 1985	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	15,000	100	3,500	100	400	100	18,900	100
GROSS SURPLUS	1,350	9.0	525	15.0	120	30.0	1,995	10.6
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	145	1.0	85	2.4	45	11.2	275	1.5
RENT	155	1.0	90	2.5	15	3.8	260	1.4
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	44	0.3	14	0.4	15	3.8	73	0.4
INTEREST ON GOODS-ON-HAND	-	-	50	1.4	-	-	50	0.3
OTHER OPERATIONAL COSTS	300	2.0	105	3.0	8	2.0	413	2.2
NET SURPLUS \$	706	4.7	181	5.3	37	9.2	924	4.8
BREAK-EVEN-SALES \$\$\$	8,000		2,500		280		11,000	
MARGIN OF SAFETY	46%		28%		30%		42%	

EFFICIENCY RATIOS

	1973	1975	1980	1985
Sales per sq. ft. selling area - FOOD	1,000	1,250	1,500	1,880
Sales per sq. ft. total area - FOOD	725	910	1,080	1,360
Sales per sq. ft. selling area - NON-FOOD	400	500	600	700
Sales per sq. ft. total area - NON-FOOD	285	360	430	500
Sales per sq. ft. selling area - RESTAURANT	130	165	200	265
Sales per sq. ft. total area - RESTAURANT	100	125	150	200
Sales per seat - restaurant	2,000	2,500	3,000	4,000
Return on capital invested	10%	10.6%	10.6%	11.0%

REMARKS:

§ - The net surplus shall also cover the costs for centralised accounting, staff training etc.

§§ - The return on capital invested are calculated as follows :  
10% interest on investments in land and building, furniture, fixtures and goods-on-hand, plus 10% of the net surplus.

§§§ - (A) The Break-Even-Sales can be defined as "the level of sales at which profit is zero". Formula: 
$$\frac{\text{Fixed expenditure} \times 100}{\text{Sales} - \text{Variable costs} \times 100}$$

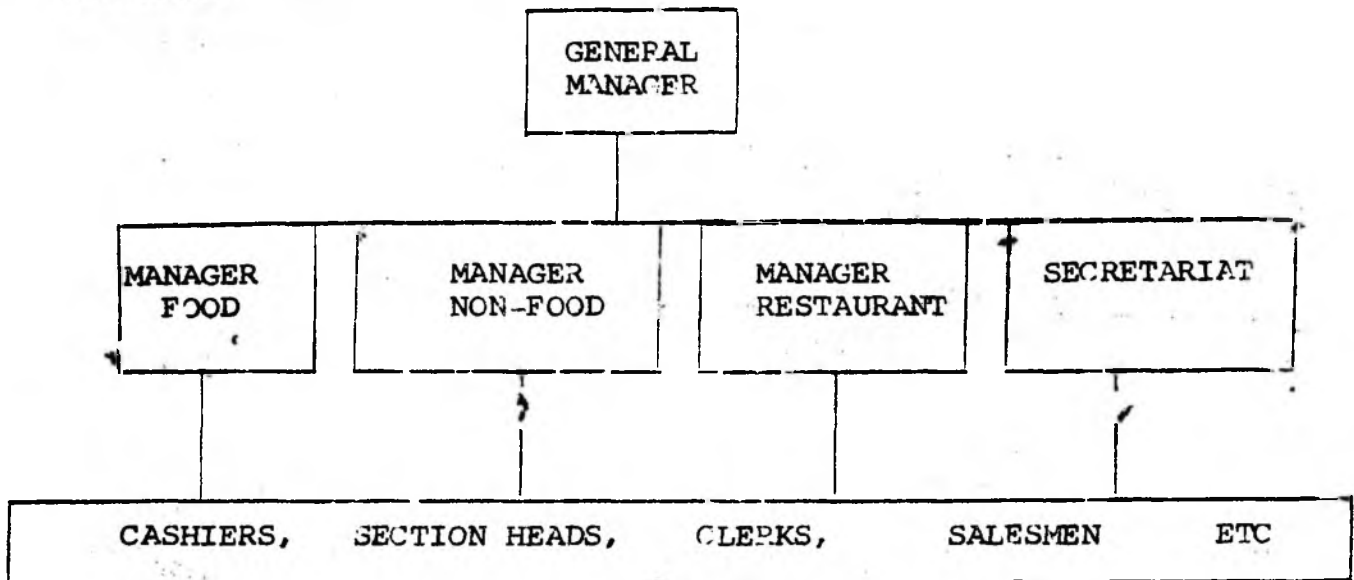
For the purpose of calculation, 50% of the establishment costs, 50% of other operational costs and 25% of the net surplus have been treated as fixed costs, together with rent, interest and depreciation on furniture and fixtures and interest on goods-on-hand.

(B) Margin of Safety can be defined as "the percentage drop in sales that can occur before a loss starts".

Formula: 
$$\frac{\text{Sales} - \text{Break even sales} \times 100}{\text{Sales}}$$

PERSONNEL BUDGET

1. Organisational Set-up



2. Staff and Staff Costs

General Manager	1 x 1,200	1,200
Managers	3 x 500	1,500
Senior Clerk	1 x 400	400
Senior Employees (10 food, 2 clerk, 5 non-food, 3 restaurant)	20 x 200	4,000
Junior Employees (15 food, 10 non-food, 12 restaurant)	37 x 150	5,550
Total	62	12,650
Total salary costs per year		151,800
Provident Fund		18,000
Other Costs		15,200
Staff Costs		<u>135,000</u>
Margin of Safety		15,000
Total staff costs per year		<u><u>200,000</u></u> =====

ANNEXURE D

Programme for a small Supermarket with a comprehensive food assortment, but a very limited assortment of non-food. The restaurant would also be small, more of the type of a cafeteria-cum-Pub.

The programme is based on that premises shall be constructed particularly for the purpose of a Supermarket. In case a suitable building, which meets with the requirements of this programme could be rented, it would be of great advantage for the Supermarket as it would ease the financial commitments.

AREA REQUIREMENTS

TOTAL

	Sq.ft.	Sq. ft.
1. FOOD		
Selling Area	5,000	
Non-selling Area	2,000	
	<u>7,000</u>	<u>7,000</u>
2. NON-FOOD		
Selling Area	2,000	
Non-selling Area	500	
	<u>2,500</u>	<u>2,500</u>
3. CAFETERIA		
Selling Area (40 seats) §	500	500
Non-selling Area §		
4. TOTAL AREA FOR RETAIL SALES		<u>10,000</u>
5. FOR RENTING OUT TO TENANTS		-
6. TOTAL AREA TO BE CONSTRUCTED		<u>10,000</u>
7. OUT OF WHICH IN GROUND FLOOR, IF POSSIBLE		10,000
8. PROVISION FOR FUTURE EXPANSION (IF POSSIBLE IN GROUND FLOOR)		3,000
9. PARKING PLACES 200 (350 sq.ft. per parking place)	70,000	70,000
10. LAND REQUIREMENT		<u>80,000</u>

REMARKS:

INVESTMENT BUDGET

- 1) 1970 year money value  
2) thousands M\$

1. SALES BUDGET

	1973	1975	1980	1985
FOOD	6,500	8,000	10,000	13,000
NON-FOOD	1,500	2,000	2,500	3,000
RESTAURANT	150	150	175	200
<b>TOTAL</b>	<b>8,150</b>	<b>10,150</b>	<b>12,675</b>	<b>16,200</b>

2. AREAS REQUIRED (Sq. ft.)A. BUILDING:

1. For retail sales  
2. For renting out to tenant  
Total area to be constructed

10,000	
10,000	10,000

B. PARKING PLACES

70,000	70,000
--------	--------

3. PURCHASE OF LAND AND CONSTRUCTION OF BUILDING

## A. 1. Construction Cost Building (Airconditioning plant included)

(Cost per sq. ft. M\$30)

300

2. Interest during construction period 10% 6 months

15

Total production cost building

315 315

## B. 1. Purchase of Land (Cost per sq. ft. M\$10)

800

2. Interest during construction period 10% 12 months

80

3. Development of land and parking places

50

Total cost land

930 930

C. TOTAL INVESTMENT LAND & BUILDING

1,245 \$

4. RENT TO BE PAID

1. Interest and depreciation building (10%)

32

2. Interest on land (10%)

93

3. Maintenance of building (2%)

6

Total rent of building

131 131

DEDUCTIONS: Income rents

TOTAL RENT TO BE PAID FOR THE AREA USED FOR RETAIL SALES

131 131 \$\$

<b>5. INVESTMENTS REQUIRED FOR FURNITURE &amp; FIXTURES</b>		
1. Food Department (M\$20 per sq. ft. total area)	140	
2. Non-Food (M\$10 per sq. ft. total area)	25	
3. Restaurant	15	
Total investment in furniture & fixtures	180	180
<b>6. INTEREST &amp; DEPRECIATION ON FURNITURE &amp; FIXTURES</b>		
Annuity 20% (7 years depreciation time)	36	
TOTAL INTEREST AND DEPRECIATION ON FURNITURE & FIXTURES	36	36
<b>7. INVESTMENTS REQUIRED IN GOODS</b> (Calculated on the sales budgeted for 1973)		
1. Food (Stock turnover 25 times per year)	250	
2. Non-Food (stock turnover 7 times per year)	300	
Total investments required in goods	550	550
<b>8. INTEREST ON GOODS</b>		
1. Food (No interest due to high stock turnover)	-	
2. Non-Food (10%)	.30	
Total interest on goods	30	30
<b>9. TOTAL REQUIREMENTS OF FUNDS FOR INVESTMENT</b>		
1. Land and building	1,245	
2. Furniture and fixtures	180	
3. Goods-on-hand	550	
Total investment requirements	1,975	1,975

## REMARKS:

- § - In case a suitable building, which meet with the requirements in this programme could be rented, such an arrangement would ease the financial commitments of the Supermarket, and in that case the requirements for investments in furniture and fixtures and goods-on-hand will amount to M\$730,000.
- §§ - The maximum rent which could be paid for such a building, as per above, amounts to M\$131,000 per year.

OPERATIONAL BUDGET

1) 1970 year money value

2) thousands M\$

YEAR 1973	P R O J E C T							
	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	6,500	100	1,500	100	150	100	8,150	100
GROSS SURPLUS	580	9.0	225	15.0	30	20.0	835	10.2
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	90	1.5	35	2.3	5	3.4	130	1.6
RENT	96	1.5	30	2.0	5	3.4	131	1.6
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	28	0.4	5	0.3	3	2.0	36	0.4
INTEREST ON GOODS-ON-HAND	-	-	30	2.0	-	-	30	0.4
OTHER OPERATIONAL COSTS	130	2.0	45	3.0	3	2.0	178	2.2
NET SURPLUS \$	236	3.6	80	5.4	14	9.2	330	4.0
BREAK-EVEN-SALES \$\$\$	4,000		1,000		100		5,100	
MARGIN OF SAFETY	42%		33%		33%		37%	

YEAR 1975

	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	8,000	100	2,000	100	150	100	10,150	100
GROSS SURPLUS	720	9.0	300	15.0	30	20.0	1,050	10.5
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	100	1.2	40	2.0	10	6.7	150	1.5
RENT	96	1.2	30	1.5	5	3.3	131	1.3
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	28	0.4	5	0.3	3	2.0	36	0.4
INTEREST ON GOODS-ON-HAND	-	-	30	1.5	-	-	30	0.3
OTHER OPERATIONAL COSTS	160	2.0	60	3.0	3	2.0	223	2.2
NET SURPLUS \$	336	4.2	135	6.7	9	6.0	480	4.8
BREAK-EVEN-SALES \$\$\$	4,500		1,200		110		6,000	
MARGIN OF SAFETY	44%		40%		26%		41%	

YEAR 1980

	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	10,000	100	2,500	100	175	100	12,675	100
GROSS SURPLUS	900	9.0	375	15.0	35	20.0	1,310	10.3
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	113	1.1	45	1.8	12	6.8	170	1.3
RENT	96	1.0	30	1.2	5	2.9	131	1.0
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	28	0.3	5	0.2	3	1.7	36	0.3
INTEREST ON GOODS-ON-HAND	-	-	30	1.2	-	-	30	0.2
OTHER OPERATIONAL COSTS	200	2.0	75	3.0	5	2.9	280	2.2
NET SURPLUS \$	463	4.6	190	7.6	10	5.7	663	5.3
BREAK-EVEN-SALES \$\$\$	5,400		1,400		120		7,000	
MARGIN OF SAFETY	46%		44%		31%		44%	



OPERATIONAL BUDGET (Contd)

YEAR 1985	FOOD		NON-FOOD		RESTAURANT		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES TURNOVER	13.000	100	3.000	100	200	100	16.200	100
GROSS SURPLUS	1,240	9.5	465	15.5	50	25.0	1,755	10.8
ESTABLISHMENT COSTS (Salaries, Provident Fund, etc)	140	1.1	55	1.8	15	7.5	210	1.3
RENT	96	0.7	30	1.0	5	2.5	131	0.8
INTEREST/DEPRECIATION ON FURNITURE & FIXTURES	28	0.2	5	0.2	3	1.5	36	0.2
INTEREST ON GOODS-ON-HAND	-	-	40	1.3	-	-	40	0.2
OTHER OPERATIONAL COSTS	260	2.0	90	3.0	5	2.5	355	2.2
NET SURPLUS \$	716	5.5	245	8.2	22	11.0	983	6.1
BREAK-EVEN-SALES \$\$\$	6,400		1,600		120		8,200	
MARGIN OF SAFETY	51%		46%		40%		49%	

EFFICIENCY RATIOS

	1973	1975	1980	1985
Sales per sq. ft. selling area - FOOD	1,300	1,600	2,000	2,600
Sales per sq. ft. total area - FOOD	930	1,150	1,430	1,850
Sales per sq. ft. selling area - NON-FOOD	750	1,000	1,250	1,500
Sales per sq. ft. total area - NON-FOOD	600	800	1,000	1,200
Sales per sq. ft. selling area - RESTAURANT	300	300	350	400
Sales per sq. ft. total area - RESTAURANT	300	300	350	400
Sales per seat - restaurant	3,750	3,750	4,400	5,000
Return on capital invested §§	10.5%	11.2%	12.2%	13.0%

REMARKS:

§ - The net surplus shall also cover the centralised costs for accounting, staff training, etc.

§§ - The return on capital invested is calculated as follows :  
10% interest on investments in building, furniture and fixtures and goods on hand, plus 10% of the net surplus.

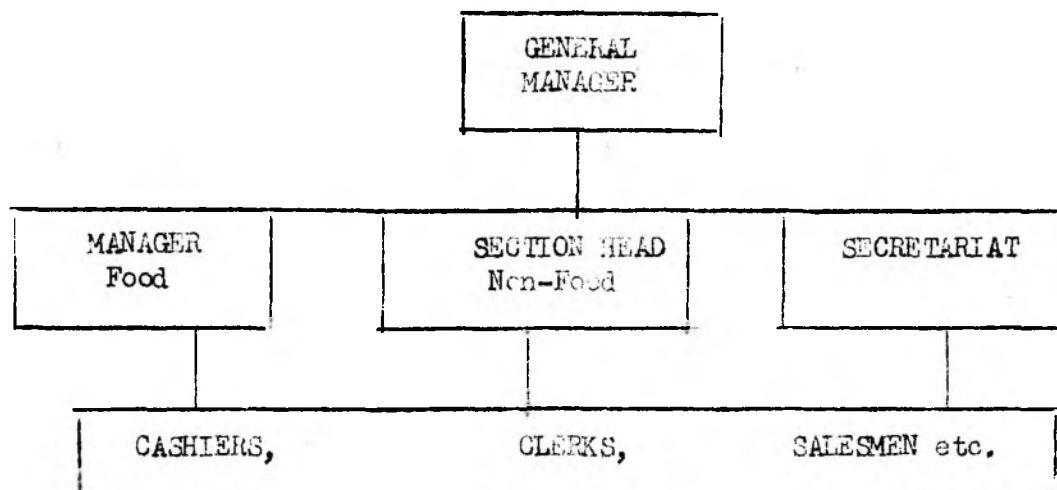
§§§ - (A) The Break-Even-Sales can be defined as "the level of sales at which profit is zero". Formula :

$$\text{Formula : } \frac{\text{Fixed expenditure} \times 100}{(\text{Sales} - \text{Variable costs} \times 100)}$$

For the purpose of calculation, 50% of the establishment costs, 50% of other operational costs and 25% of the net surplus have been treated as fixed costs, together with rent, interest and depreciation on furniture & fixtures and interest on goods-on-hand.

(B) Margin of Safety can be defined as "the percentage drop in sales that can occur before a loss starts".

$$\text{Formula : } \frac{\text{Sales} - \text{Break even sales} \times 100}{\text{Sales}}$$

PERSONNEL BUDGET1. ORGANISATIONAL SET-UP2. STAFF AND STAFF COSTS

		<u>Cost per month</u>
General Manager	1 x 1,200	1,200
Manager food and Section Head	2 x 500	1,000
Senior Clerk	1 x 400	400
Senior Employees (2 clerks, 7 food, 4 non-food)	13 x 200	2,600
Junior Employees (13 food, 2 restaurants, 5 non-food)	20 x 150	3,000
Total	37	8,200
Total salary costs per year		98,400
Provident Fund		12,000
Other Costs		9,600
Staff Costs		120,000
Margin of Safety		10,000
Total Staff Costs per year		130,000

ANNEXURE -E

SOME ORGANIZATIONAL AND OPERATIONAL  
ASPECTS OF COOPERATIVE SUPER MARKETS



Cooperative Super Markets in West Malaysia should preferably be run as branches of a Cooperative Chain Store Organization with as many functions as possible centralized to be able to achieve efficient operation and pooling of available resources, know how and purchasing power.

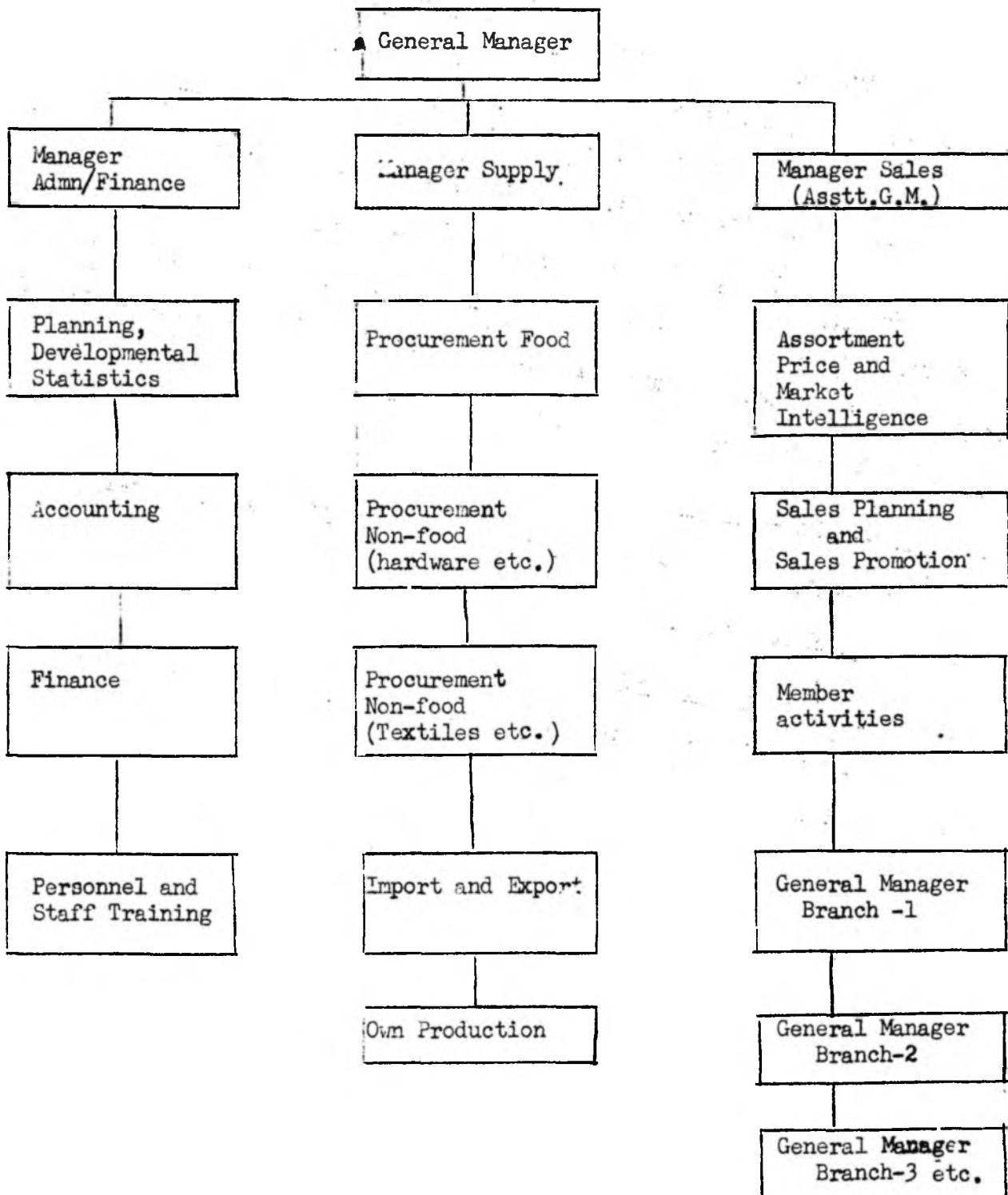
In case consumer cooperative societies in West Malaysia want to start super markets of their own, in addition to the branches of the Cooperative Chain Store Organization, such Super Markets could be administered by the Chain Store Organization through a mutually signed agreement.

1. Goals and Objectives

The goals and objectives should be clearly defined in the by-laws and in a plan of action.

2. Organizational Set Up

A functional organizational set up of a cooperative chain store organization could be as follows :



The organisation should give room for management by paid executives who are experts within the respective field of large scale retail management.

3. Staffing and Staff Costs for Administration of Chain Store Organization

	<u>Per Year</u> <u>On the first 3 years</u>	<u>Per Year</u> <u>After 3 years.</u>
General Manager	1 x 35000 = 35000	1 x 40000 = 40000
Manager	1 x 20000 = 20000	2 x 25000 = 50000
Junior Officers	5 x 15000 = 75000	10 x 20000 = 200000
Clerks	20 x 3500 = 70000	40 x 5000 = 200000
	27                      200000	53                      490000
Foreign staff (local expenses and taxes).	5 x 20000    100,000	
Equipment                      )		
500,000                      )		
	100,000	100,000
Interest and                      )		
Depreciation 20%                )		
Costs before commencing business (Staff training, publication etc. 900,000)	300,000	
Other operation expenses	200,000	300,000
	900,000	890,000

Initially the first Super Market and the Chain Store Organization might have the same functional heads and thus some of the costs indicated here and in the Personnel Budget of the Super Markets are duplicated.

As large scale retail operation is a new activity in West Malaysia, experienced and skilled managers are probably not available within the country. A team of foreign experts (3 - 5) have therefore to work in executive positions for a period of say 3 - 5 years with a team of counter parts to be trained.

The General Manager, The Sales Manager and some experts on planning and Inventory Management might be required from well developed movements which are running cooperative Super Markets.

#### 4. Finance

Development of a Chain Store Organization will require a considerable amount of finance for investments in land and buildings, furniture, fixture and stock on hand as well as to meet the running expenses.

The amount required for investments in Super Markets as per size proposed in the conclusion will be approximately as follows :

Malaysian Dollars

	<u>1970-1975</u>	<u>1975-1980</u>	<u>1980-1985</u>
Land and Building	9,500,000	10,500,000	5,300,000
Furniture, fixture and stock on hand	5,200,000	6,000,000	2,800,000
Total	14,700,000	16,500,000	8,100,000



It is advisable to aim at as much self financing as possible (through the individual members and the cooperative member organizations) Renting of suitable buildings to house the Super Markets would be of advantage as it would ease the financial position and leave more working capital.

It is to be stressed that return on the money invested will be nominal during the first 3-5 years. Matters relating to finance should be centralized so as to achieve the advantages inherent in the pooling of financial resources.

5. Planning and Development

A separate cell for planning, development and statistics might be created in which the know-how is pooled and ploughed back to the stores.

6. Personnel

Personnel planning, job analysis, development and training etc, should be centralized and the chain store organization should create their own staff cadre by grooming their employees to be qualified to manage higher positions.

The salaries paid should be attractive so as to attract and retain qualified employees.

Some of the top executives might also be trained abroad through under-study with colleagues in other cooperative department stores.

7. Member Activities

The members/customers should be closely involved and various advisory groups might be created at each super market. Various types of member

activities and member education should be undertaken in a planned and integrated way. The planning and coordination of the member activities should be centralized and undertaken in close collaboration with the Cooperative Union of Malaysia and other institutions. Member activities have to precede the starting of the chain store organization and this has to be a continuous process.

8. Assortment

The assortment of food should be varied and detailed similar to the one in the Weld Supermarket.

The assortment of non-food would include the following lines of commodities: Ladies' wear, cosmetics, textiles, men's wear, children's wear, household goods, furniture, footwear, sports goods, do-it-yourself goods, photo materials, radios, gift section, toys and books etc.

The restaurant should have similar assortment as the Weld's restaurant; a bar could also be a part of the restaurant. Facilities for arranging weddings and similar large functions could also be provided if space permits.

9. Sales

The Supermarkets should have an image of a large store :

- a) Where one can find the needs of families pertaining to food and nonfood under one roof.
- b) Where one can buy goods at a low price and of good quality (the price of the goods should be the strongest magnet to attract customers).
- c) Where one can easily find parking places.
- d) Where one can go for a shopping with the whole family and enjoy.

- e) Where it is an advantage to purchase goods for a whole week's consumption and in large quantities.
- f) Where the customers themselves without disturbances can make their selection of goods and pay for all the goods selected at the time of leaving the store.
- g) Where one can get goods delivered at home either through ordering goods over the telephone (for a week's consumption) from a catalogue or make purchases while visiting the store and later on get it delivered at home.
- h) Where, on certain days buses would go to the store from various areas and if the customers are making purchases above a certain amount the fare could be reimbursed. Alternatively travel could also be completely free of cost.
- i) Where other allied services demanded by the customers could be met. The sales planning and sales promotion etc, should be centralized in order to facilitate a common image.

Market information (market intelligence) should be regularly collected based on which matters related to assortment, price etc, will be determined.

#### 10. Procurement of Goods

The procurement of goods has initially to take place through the local wholesalers and cooperative societies. Subsequently the chain store organization should start with import of goods as well as its own production in addition to procurement from wholesalers.

The procurement of goods should be centralized to be able to achieve large scale buying as well as a common image regarding assortment; price etc.

As far as possible the storing function should be centralized to facilitate higher stock turnover and better stock control.

#### 11. Accounting

The accounting should be centralized and later on computers for accounting, inventory control and various statistics might be used.

The accounting system should be integrated with inventory control and various operational reports and also give place for interfirm comparison and comparison between results achieved and budgets.

#### To Remember

The cooperative supermarkets should be attractive and second to none in regard to efficiency, price, service, display and attractiveness etc.

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