

Puregold price club



Puregold Price Club, Inc. (PSE: PGOLD) is a chain of supermarkets in the Philippines established in 1998 by Mr. Lucio Co. It began in 1998 when Puregold opened its first branch in Mandaluyong City. Presently, it has grown into a retail chain with more than 50 stores nationwide. In 2012, Puregold Price Club Inc. acquired Parco. Over 19 operating outlets were purchased and converted to Puregold. The company is planning to open more stores in 2013 to upgrade sales growth target. In 2012, the shareholders of the retail chain Puregold have approved the merger of the other two operating units into the parent company, consolidating Puregold's supermarket businesses under the publicly listed supermarket operator.

The Company was the second largest retailer among hypermarkets, supermarket and cash and carries in the Philippines based on gross sales in 2010 according to Planet Retail. The Company's customers comprise retail consumers and small business owners who resell products in local neighborhood convenience stores known as " sarisari" stores, as well as canteens, restaurants, bakeries and drug stores, among others. In addition to focusing on middle to lower income retail consumers, the Company believes it is the first and only hypermarket and supermarket retailer in the Philippines which strategically targets local resellers. The Company also promotes a one-stop shopping concept of having a wide selection of goods to further serve its value-conscious consumers and resellers. With this differentiated business model, the Company established a brand that has become associated with low prices, value-for-money and wide assortment of goods on offer.

Company Background The store offered a wide array of goods from groceries, apparel, household accessories and furniture at very affordable prices. During that time, the one-stop shopping philosophy was still a novel idea to consumers but with the excellent service and quality products it provided, it did not take long for Puregold to make its mark in the retail industry. Today, it has grown into a giant retail chain with more than 50 stores nationwide.

VISSION To be the Most Customer-Oriented Hypermart offering a One-Stop Shopping convenience and Best Value to our Customers. Sa PUREGOLD, Always Panalo!

MISSION Our Mission is to Provide Products, Services and Business Opportunities to Every Filipino Family.

We Establish Lasting Relationship with Our Suppliers and Business Partners.
We Strive to Promote the Personal and Professional Development of our Employees. We Commit Profitable Results to the Stockholders.

Sa bawat araw, PUREGOLD kasama mo!

Values

1. Sense of Belonging – Feeling that one has an essential role to play as part of the PUREGOLD family
2. Customer Service – Providing products and services that meet the demands and expectations of customers
3. Dynamism – Open, adaptive and responsive to the changing environment
4. Commitment – Dedicated and conscientious focus on work
5. Integrity and

Loyalty – Honor, credibility, honesty, dignity, “ palabra de honor”, “ walking the talk”

Principal Products/Service and Markets

The Company conducts its operations through the following retail formats and store brands, each of which is strategically located to target distinct price points and demographics:

- **HYPERMARKETS.** The Company conducts its operations primarily through a hypermarket format known as “ Puregold Price Club”. Each hypermarket offers 30, 000 to 50, 000 SKUs. As of June 30, 2012, the hypermarket accounts for 79. 8% of the total revenue. During the same cut-off, there are 66 hypermarket stores, mostly located in major commercial centers and near transportation hubs. Puregold Price Club offers a broad variety of food and non-food products, and generally caters to both retail customers and resellers such as members of the Company’s pioneering TNAP loyalty/membership program.
- **SUPERMARKETS.** The Company has a supermarket chain known as “ Puregold Junior” operated as wholly owned subsidiary, Puregold Junior Supermarket, Inc. since June 2010. The Company’s supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products compares to the Company’s hypermarkets. Supermarkets generally cater more to retail consumers rather than resellers. As of June 30, 2012, the Company operates 32 supermarkets and accounts for 13. 9% of the total revenue.

- **DISCOUNTERS.** “ Puregold Extra” is the Company’s discount store format which offers a more limited number of goods, comprising the Company’s top-selling SKUs that are intended to be sold quickly at prices lower than at Puregold Price Club or Puregold Junior. As of June 30, 2012, the company has 11 discount stores that accounts for 2. 5% of the total revenue. •

MEMBERSHIP SHOPPING. The Company has a membership shopping chain known as “ S&R” operated as wholly owned subsidiary, KMC, since June 2012. KMC offers its customers premium quality of international and local brands for both personal and business needs.

A significant proportion of its sales are derived from imported international brands. It offers a broad product range in both food and non-food including fresh food, personal care, household products and electrical appliances as well as specialty services including deli, food service and automotive services. S&R’s target customers are the middle to upper class consumers in the Philippines, or the A and B class consumers. KMC operates 6 membership shopping chains and its June 2012 net sales accounts for 2. 7% of the Group’s total revenue for the first half of 2012.

Distribution methods of Products/Service

All restocking of the Company’s inventory is provided through direct store deliveries using the distribution networks of the Company’s suppliers or by cross-docking, which is the moving of cargo from one transport vehicle directly into another with minimal or no warehousing, enabling the Company to dispense with maintaining a costly distributing network for deliveries. To facilitate delivery from smaller scale suppliers with limited distribution

capabilities, the Company engages Aces Logistics, Inc. to provide crossdocking services. Supply points from Hypermarkets to the smaller store formats around it are likewise effectively undertaken. This allows suppliers to benefit from a cost effective supply chain as the Company assists them to conveniently outsource part of their delivery obligations. As a result, Puregold also increases its back end profit by providing delivery efficiency.

The Company's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. The Company provides suitable car parking facilities to accommodate customers who travel to stores by car, and also locates its stores in areas close to main transportation hubs. The Company also offers delivery services to resellers who are unable to travel to the Company's stores. Puregold services today approximately 2 million households and over 200, 000 resellers whose market comprises the D and E.

Competition The Philippines economy experienced steady growth with nominal GDP growing at a CAGR of 13. 8% from 2005 to 2010. According to the EIU, the nominal GDP of the Philippines is expected to grow from US\$188. 7 billion to US\$251. 3 billion from 2010 to 2012, representing a CAGR of 15. 4%, while the real GDP is expected to grow from US\$125. 0 billion to US\$139. 5 billion from 2010 to 2012, representing a CAGR of 5. 6%. This growth is expected to be supported by factors such as increasing job creation and employment, increasing overseas remittances and a revival of exports. Consumer spending is positively correlated to economic growth, and according to Planet Retail, consumer spending in the Philippines increased

from US\$68.4 billion to US\$138.8 billion between 2005 and 2010, representing a CAGR of 15.2%.

The Philippine retail industry has advanced significantly in the past decade due to factors such as steady economic and population growth, higher disposable incomes and increasing urbanization. According to Planet Retail, retail sales in the Philippines grew from US\$48.4 billion to US\$95.3 billion between 2005 and 2010, a CAGR of 14.5% and over the same period, grocery retail sales in the Philippines grew from US\$33.5 billion to US\$64.2 billion, representing a CAGR of 13.9%. More recently, the global economic recovery and the rapid development of the Philippine economy have contributed to growth of the sector, and major retailers in the Philippines have resumed expansion plans after the economic slowdown.

According to Planet Retail, retail sales and modern food retail (MGD Total) in the Philippines are expected to reach US\$117.4 billion and US\$25.0 billion in 2012, representing a CAGR of 11.0% and 11.3% between 2010 and 2012. The Company competes with both traditional and modern retail operators on the basis of convenience, presentation, price and additional benefits such as loyalty programs, a wide range and assortment of products for customers of all income levels and high quality customer services. According to Planet Retail, SM Investments, Puregold Price Club, Rustan's, Robinsons Benison Group of Companies and Uniwide are the top market participants in the retail sector among the hypermarket and superstore, supermarket and neighborhood store, cash & carry and wholesale club formats. Each of these stores competes with the Company on the basis of product selection, product

quality, customer service, price, store location or a combination of these factors.