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breadtalk group: transformation through talent and technology

Jean Lee, Rebecca Chung, and Leah Tan wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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The biggest risk of an enterprise concerns the competitiveness of its people.

George Quek, founder and board chairman of BreadTalk Group

In 2018, George Quek, the founder and chairman of the Singapore company BreadTalk Group Limited (BreadTalk), was preparing for the next phase of growth. Quek was wondering how to make his company’s brand truly international and how to continue being an innovative force in the global food and beverage (F&B) industry. Founded in 2000 and headquartered in Singapore, BreadTalk wowed consumers who were used to thinking of bread as a basic and inexpensive food. BreadTalk instead presented its product as a creative lifestyle concept. In 2003, after only three years in operation, Quek was successful in listing BreadTalk on the Singapore Exchange Limited and in raising new capital to scale up his company. That same year, the company set up a wholly-owned subsidiary in Shanghai, China, and opened the first BreadTalk outlet outside Singapore.

Over the years, the company introduced innovations in various areas including product development, marketing, outlet design, and consumer experience, for which the company garnered numerous accolades. BreadTalk’s business operations were structured along three main corporate divisions: bakeries, restaurants, and food atriums. Before long, the company added a new corporate division, which was appropriately named 4orth Food Concepts (pronounced “Fourth Food Concepts”). This latest division was intended to nurture innovative start-ups with established partners.

In 2017, BreadTalk earned S$599.7 million[[1]](#footnote-1) in revenue and S$21.8 million in net profit (see Exhibit 1 and Exhibit 2). By 2018, the company had achieved considerable growth through direct investment, franchising, joint ventures (JV), and other strategic alliances. BreadTalk had become a major multi-brand F&B enterprise with almost 1,000 outlets across 18 emerging markets, over 7,500 employees, and a portfolio of 11 different brands. At the end of 2018, the company was preparing to open a restaurant in London, United Kingdom. Working with its Taiwanese partner Din Tai Fung, the restaurant opening would mark the company’s entry in a developed market in the West.

In early 2018, Quek was reviewing BreadTalk’s vision, mission, and values at a company retreat when he realized that talent management would be a critical factor for BreadTalk’s next phase of growth. Faced with intensifying digitalization from competitors in its key markets, the company had already adopted SAP SuccessFactors performance management software and new technologies for employee salary information forms (or pay stubs) and for leave of absence applications. However, Quek was wondering how to use technology to further improve talent management, which would have a direct effect on the company’s total revenue, number of outlets, and net profit margins. The first step would be to build the right management team for the new restaurant opening in London at the end of the year.

QUEK’S EARLY ENTREPRENEURIAL EXPERIENCE

After completing his military service in Singapore, Quek worked in a craft centre in Hong Kong for some time. In 1982, he travelled to Taiwan to study art, but ended up starting a chain of street vending booths that sold Singaporean noodles. Within three months, he had closed down the business after losing most of his savings due to low sales. Six months later, however, he revived the concept by modifying the menu and recipes to suit local tastes. He successfully grew the company into a 21-outlet chain. However, by 1992, Quek was feeling exhausted and closed it down again. He then moved to Shanghai to set up an ice-cream business with three stores, but he soon got homesick and travelled back to Singapore with his young family. In 1993, Quek founded Topwin Investment Holding Pte. Ltd. and launched the brand Megabite China brand, which would later become BreadTalk’s food atrium division. Reflecting on his entrepreneurial path, Quek stated, “I tasted the difficulties of setting up a business, especially on the finance front.”

from one outlet to 11 multinational brands

Inception

In the late 1990s, Quek aspired to create a lifestyle brand for bread by incorporating his artistic sense and culinary experiences. “A brand needs positioning and personalities,” he stated. “BreadTalk gives liveliness to bread.” At that time, freshly-made bread in Singapore was mainly available in small local stores (commonly known as “mom-and-pop shops”) and few major supermarkets. In 2000, against the advice of many people, Quek followed his intuition and opened the first BreadTalk store with products that were creative, diverse, and delicious. The first store featured an attractive interior design with an open kitchen and full-length windows that clearly showed customers how the bread was made. Despite its higher pricing, BreadTalk quickly attracted consumers. However, high business expenses meant finding ways to leverage media coverage and word of mouth to promote its products and avoid advertisement costs. Quek explained the attraction of his store: “Why do the media and customers trust me? It’s because I have built my credibility through the way I treat people and project myself.”

Within a year, the company had received over 1,000 enquiries for international franchises. Quek decided that he wanted to list the company on Singapore’s stock exchange within only three years of operation, as part of a rapid expansion plan. “Once I decided to do the IPO [initial public offering], the planning of human resources, finance, operations and branding had to be more systematic,” he explained. As planned, BreadTalk was listed on the SESDAQ board of the Singapore Exchange Limited in 2003, and was eventually transferred to the exchange’s main board in 2009. Quek recalled the many challenges involved in preparing a company for an IPO launch. His management team also expressed reservations about listing the company, but Quek was confident. “The team was crucial to our success,” he explained. “My determination came from my five-year army training, which made me more independent. Such attitude is applicable everywhere.”

Proliferation of the Bakery Division—Outlets, Territories, and Brands

In 2003, BreadTalk opened its first overseas outlet in Jakarta, Indonesia, and a wholly-owned subsidiary in Shanghai, where he had opened the first BreadTalk outlet (see Exhibit 3). Shanghai would later become the company’s headquarters for mainland China. Quek worked closely with his team to quickly replicate the store concept. To ensure that the right franchisees would be chosen, he set up the evaluation criteria that his team would use to select preferred candidates who were trustworthy and committed to increasing brand awareness.

In 2007, Quek opened the 100th BreadTalk store. He then established a central kitchen, where dough would be prepared and distributed in frozen form to all outlets. “Operating 50 stores is very different from operating 500 stores,” Quek explained. “The central kitchen allows us to maintain product quality by controlling ingredients and standardizing production process.” Quek also identified new business opportunities by opening related shops under their own brands in Singapore. In 2005, the company launched the Toast Box coffee shop, which featured local Nanyang Kopi coffee and thick toast (see Exhibit 4). Three years later, in 2008, the company opened the Icing Room cake shop, which featured create-your-own cakes. Using the same concept, Quek opened Icing Room shops in China but adapted the business model to suit local preferences, selling finished products (rather than make-your-own) with customized sizes and colour.

The launch in China was successful, which reflected the market assessment capabilities of local managers. In 2009, with Singaporean consumers continuing to demand high quality breads, the company created a high-end store called the Bread Society artisanal bakery, which offered European-style rustic recipe products. Quek explained his strategy for new stores: “There is no need to constantly come up with new brands, but we need to regularly refresh existing brands.”

The 2008–09 global financial crisis caused great challenges. However, it also made available new locations and skilled employees, which Quek saw as an opportunity to quickly expand the business. By 2010, on BreadTalk’s 10th anniversary, the total number of stores in Asia and the Middle East had increased to 448. In 2012, the company revived the 70-year-old traditional Chinese confectionery Thye Moh Chan, with a goal to turn it into a cultural and heritage icon in Singapore.

In 2017, the bakery division contributed 50 per cent of BreadTalk’s total revenue (see Exhibit 2). Over the years, BreadTalk’s rapid overseas expansion relied heavily on the success of franchises, but the company would quickly terminate its relationship with any poorly-performing franchisee to avoid any damage to the BreadTalk brand image, even if it meant exiting that territory completely. To control the company’s image, BreadTalk was opening and closing down a similar number of bakery outlets each year (see Exhibit 5). By the end of 2017, BreadTalk had 871 stores in Asia and the Middle East, of which 240 were directly operated by the company and 631 were franchises. Mainland China had the highest number of bakery outlets, with 361 stores in more than 50 cities, of which over 75 per cent were franchises. The next two markets, in terms of importance, were Hong Kong and Thailand.

Three New F&B Divisions: Restaurants, Food Atriums, and 4orth Food Concept Stores

Restaurants

In 2004, BreadTalk opened the Taiwan world-class restaurant Din Tai Fung in Singapore. Quek explained the process: “I knew Mr. Yang Chi-Hua, the owner of Din Tai Fung, when I was in Taiwan. When he saw BreadTalk in Singapore, I earned his trust.” In 2017, the restaurant division contributed 24 per cent of the company’s total revenue (see Exhibit 2). By the end of year, the company had opened 21 Din Tai Fung restaurants in Singapore and four more in Thailand (see Exhibit 5).

Food Atriums

In 2005, BreadTalk launched the food atrium brand Food Republic in Singapore, offering high quality food with street vendor fare. In 2017, the food atrium division contributed 25 per cent of the company’s total revenue (see Exhibit 2). By year end, BreadTalk had opened 53 food atrium outlets, including 14 in Singapore and 27 in mainland China (see Exhibit 5).

4orth Food Concepts

In 2017, BreadTalk’s new chief executive officer (CEO), Henry Chu, created a new business division called 4orth Food Concepts to reflect changing consumer preferences in the F&B industry. Under this new division, Chu launched Sō Ramen, which was a rebranded version of RamenPlay, a business that had been launched in 2009 under a partnership with the Japanese company Sanpou. Chu also opened a new restaurant in Singapore and renovated four old ones. The new business division also formed a JV with Singapore-based Song Fa Holdings to introduce Bak Kut Teh cuisine (Singapore’s traditional pork-bone broth) to China and Thailand. The JV opened the first Bak Kut Teh restaurant of its own in Shanghai’s IAPM Mall in January 2018, leveraging its strong presence in southern China for the restaurant’s growth.

Further Strategic Alliances

Having established a reputation in Asia and the Middle East, BreadTalk was eager to enter Western markets, which started with the restaurant division’s opening of its first Din Tai Fung restaurant in London. From that point on, the company planned to expand across other cities in the United Kingdom and in France. BreadTalk formed a JV with the leading Japanese trading and restaurant company Shinmei Corporation to jointly procure high quality ingredients for sale in Japanese and Western markets.

To speed up market penetration, while ensuring quality control and good business performance, BreadTalk’s bakery division developed a new ownership model. Instead of working with a large number of individual franchisees, it sought reliable JV partners that could grow substantially in each region. For example, in 2018, the bakery division formed a JV with Ge Ying, a franchisee in the Tibet Autonomous Region that had maintained high performance for six years, and entered the Chongqing market in southwest China. From there, the company planned to expand into nearby cities Yunnan and Guiyang, among others. The company then formed a similar JV with PT Pura Indah Berkat to bring Toast Box stores to Indonesia.

Leveraging its market knowledge, the company continued to form JV arrangements, and established a partnership with Wu Pao Chun. This JV introduced the Taiwanese bakery brand to four major cities in mainland China—Shanghai, Beijing, Shenzhen, and Guangzhou—as well as to Hong Kong and Singapore. BreadTalk also entered into an agreement with the F&B management company Shenzhen Pindao to sell its new-style tea brands, Nayuki and Tai Gai, in Singapore and Thailand.

By 2018, BreadTalk had expanded its portfolio to 11 different brands.

BREADTALK LEADERSHIP and MANAGEMENT

New Top Management Team

In the early 2010s, BreadTalk initiated a leadership renewal process to hire younger executives from industry-leading firms (see Exhibit 6). The bakery division’s two top executives were appointed in 2015, after having joined the company only one year earlier. Soon after, Chan Wing Git was appointed BreadTalk’s head of human resources (HR), administration, and training, while Glenn Huang was appointed vice-president of corporate affairs and communication. On July 1, 2017, Chu succeed Oh Eng Lock as BreadTalk’s new CEO. Chu had decades of experience as a leader in F&B and retail companies. He had also spent two years as CEO of BreadTalk’s bakery division in the early 2010s, and was managing director starting in 2016.

With intensifying market competition, and with continuing expansion of the company, Quek saw his role at BreadTalk as evolving in the future. He expected that he would have to make room for the new management team to press ahead with reforms, integrating resources, and commitment to innovation:

When you lead 100 soldiers, you take them to the front line to fight together. When you lead 10,000 soldiers, you expand the battlefield and support them to advance. . . . I am stepping down to give them [the executives] opportunities to drive their own seats. They come to ask me for opinions less often now.

Divisional Collaboration

BreadTalk had developed into a matrix organizational structure (see Exhibit 7). The first three divisions—bakeries, restaurants, and food emporiums—were individual companies that had their own business function and HR department. The divisional head of HR reported to both its division’s CEO and BreadTalk’s head of HR. According to Quek, each division could then leverage its expertise, focus on sensing new business opportunities, and add value to its domain. However, Chu was emphasizing teamwork at the company level, and aimed to break the company’s structural silos.

For the leadership of the fourth division—4orth Food Concepts—Chu appointed a cross-divisional team of high-potential employees from different functions that included divisional heads and other executives. This team was expected to brainstorm new F&B concepts to meet evolving consumer preferences and to identify potential partners.

In 2018, the 4orth Food Concepts cross-divisional team opened the first Una-Yu dining outlet in BreadTalk’s Shanghai Tower food atrium. The new outlet added a sense of vitality and diversity to the company’s business portfolio. Huang felt that such cross-divisional collaboration created synergy at the company level: “It’s not you, me among divisions . . . we are one team.”

Chu also aimed to instill in all employees a common sense of purpose by defining a clear financial objective for the company and conveying it in simple terms. As Huang pointed out, “In the past 18 years, we pulled it off with these three divisions. Nevertheless, this model might not work well in the future. We will need to expand our business by considering the company as a whole.” However, BreadTalk was less known to investors as the overall company and more familiar as individual brands.

HR Department

BreadTalk’s headquarters in Singapore employed 30 people to work in the company’s HR department, which supported four business divisions, and 70 people worked in the divisional HR departments. All HR teams worked together, but each team specialized in performing different HR management functions. BreadTalk’s HR department was focused on setting key policies and guidelines, such as creating an overall salary grade structure, managing payroll and HR information systems, aligning benefit plans across divisions and territories, and conducting labour-related research. The divisional HR departments followed the company’s guidelines to define employee roles, determine staff remuneration (i.e., salary and annual bonus), and conduct local hiring and division-specific training. Divisional CEOs insisted on customized solutions for their own division’s needs, so the company’s HR department worked to foster a line of communication that achieved a balance between corporate standards and individual business needs.

After Chan was appointed head of BreadTalk’s HR department, he first focused on basic corporate responsibilities, such as ensuring legal compliance, and then streamlined HR processes, developed a company-wide training program, facilitated internal communications, and started working on the management succession plan. Chan also implemented sophisticated and centralized performance management practices. He believed that key performance indicators and performance measurements were generic across all divisions and territories, so he aimed to align HR strategy with the company’s approach.

talent management PRACTICES

Building an Overseas Management Team

Entering a new territory required BreadTalk to adapt to local tastes. For example, the company found that customers in the Middle East seemed to prefer sweet foods, such as chocolates and cookies. During the company’s early expansion phase, Quek experienced the challenges associated with management of overseas divisions. For example, a Singaporean manager that had performed well in his home country had found managing the company in China too difficult. Quek explained that “China is huge and diverse. Even within a city, consumer preferences and behaviours vary from one commercial zone to another.” Therefore, Quek decided to hire local managers and groom them to perform to the company’s expectations. Quek believed that it could take a decade of hard work for a general manager to become independent:

Rapidly replicating a store concept is not easy, especially if the general manager is not experienced and flexible enough. For instance, we need talent that can precisely open outlets. I prefer to bring people up within the organization. But if the growth is too fast, we have to seek capable managers from outside.

By 2018, the company had relocated seven managers from the headquarters to overseas markets.

Developing and Retaining Talent

In 2018, BreadTalk employed over 7,500 people, with 5,300 more employees working in franchises (see Exhibit 8). The company had four main categories of staff: leadership and management (12 corporate grades), research and development (R&D) and technical staff, outlet operations, and franchisees. Approximately 85 per cent of the company’s workers were relatively young, front line staff. They were a new generation of employees who emphasized personality and self-worth, but traditional practices and incentives did not meet their expectations, as Chan discovered:

We aimed at hiring motivated talents and bringing them up. Hiring of outlet staff was decentralized to allow local managers to recruit quickly, which was important, especially when the manpower was short but the expansion was fast in those markets.

The company encouraged employees to move across roles, divisions, and territories. Although varying from country to country, the employee turnover was approximately 30 per cent. Chan noted that “for young people, if they stay for two to three years, it’s already quite good. For HR, we do our best to keep them by aligning their development with their career interests. We also use technology to make their life easier.”

Improving the Working and Training Environment

All BreadTalk divisions provided a pleasant working environment for employees. The company’s headquarters in Singapore was specifically designed for the comfort of employees. It featured a green rooftop with staff activities; a professional training centre; and the BreadTalk Academy, which integrated holistic theory with onsite training for the central kitchen and all divisions. In 2015, the country’s Workforce Development Agency approved the BreadTalk Academy to offer workforce skill qualification courses toward completion of a nationally recognized F&B certification. In 2017, the Academy received further approval to offer courses toward a professional diploma in leadership and people development, another nationally recognized certification in Singapore.

Establishing an Overall Training Program

To align training objectives across the company, an integrated training program was developed for all staff. The divisional HR departments focused on business-specific operational techniques and service standards, while the company’s HR department focused on soft skills, such as leadership and communications. For example, Din Tai Fung placed greater emphasis on customer interaction to create a superb dining experience, while BreadTalk emphasized skills for greeters and cashiers. Staff members from different countries differed in their view of training. For example, staff members from China were more likely to be eager to learn, as Chan found. He commented, “We don’t force employees to take courses. The initiative has to come from them. We just provide them with opportunities, if they are interested.”

With BreadTalk’s frequent new product launches and new outlet openings, efficient training became critical. The company developed standard training packages for topics such as food hygiene, workplace safety, service excellence, and equipment use. It also leveraged a new learning management system to disseminate knowledge and complement traditional onsite training. For locations that found it difficult to attract employees, the different divisions organized fast-track job-rotation programs to train new hires to become store managers within two years.

In 2014, the company launched a management associate program to recruit and develop high-performing new graduates from various institutions. The program evolved to grooming 20 internal talented graduates per year. After being nominated by supervisors and having passed certain assessment criteria, these graduates were placed in an intensive training and mentorship program, where they were given preferential consideration for promotion and overseas posting opportunities. In 2018, approximately 55 per cent of all leadership and management staff were internally trained.

Engaging Employees

BreadTalk increasingly invested in promoting employee engagement, as Huang explained: “We encourage our staff to voice their opinion as a way to engage in the company’s development rather than to merely pursue material rewards. We need to provide them with a platform for engagement.” In 2017, the company conducted an employee survey and encouraged staff suggestions. The result was an increase in team-building events, which had seldom occurred before.

The company maintained regular interaction with staff using mobile applications (apps) such as WeChat. Chinese workers received text messages and pay stubs from head office. Starting in early 2018, they also began receiving the previous year’s financial results and Chinese New Year Greetings, accompanied by a short video of Quek and his wife, who served as BreadTalk’s deputy chairwoman.

Coordinating Cross-Territory Talent

In 2018, BreadTalk employed approximately 3,500 workers in Singapore and 2,500 more in mainland China (see Exhibit 8). As the company grew, it became difficult to maintain internal communications with staff members across countries, as well as within the same country. BreadTalk operated 150 outlets within Singapore and almost 400 more stores scattered across 150 cities in China. The company’s HR department was constantly working to enhance communication between the BreadTalk headquarters and the various locations. In January 2017, the company’s overall HR department organized the first ever employee townhall in Singapore, which was followed by regularly scheduled team-building activities in other cities (e.g., Beijing, Shanghai, and Bangkok). At these events, executives engaged openly with staff over an online communication platform, where employees were able to ask any question or make a comment through a mobile device. As Huang explained, “I think the key is whether the employees perceive that top management team is sincere in communicating with them, rather than for doing it as a show.” The bakery division also organized a G12 Summit, where top-performing general managers of franchises in different markets could share their experiences and insights.

In early 2018, BreadTalk launched a new HR information system in Singapore, which was rolled out in mainland China and other areas later that year. The new system allowed Chan to efficiently collect employee data from the various divisions without having to issue templates, which would gather only limited and scattered data. The new system was accessible via a mobile app and allowed divisional CEOs to easily collect HR information and produce effective management reports for data analysis, such as predicting fluctuations in attrition.

Nurturing the Culture of Innovation

Since founding BreadTalk, Quek had consistently emphasized a philosophy of innovation, change, and differentiation. In the early days, he built an R&D team of more than 20 people to regularly design new products that strongly encouraged innovation. The company prided itself on having a culture of continuous innovation, rather than focusing on one-time new projects. With the impact that technology was having in the F&B industry and in brick-and-mortar retail stores, the company felt it needed to continue innovating to better respond to evolving market changes.

In 2013, BreadTalk relocated its headquarters and used architecture to promote a spirit of innovation. The design of the new 10-storey building resembled layers of a Danish pastry and housed a high-tech central kitchen, in which the company invested S$8 million. It had an automated production line to create over 85,000 batches of dough per day. Dough production efficiency improved from having five people create 100 portions of frozen dough per day to needing only two people to producing 300 portions per day.

In 2015, BreadTalk launched the fourth generation of its global concept store in VivoCity, Singapore. The new store concept, which incorporated three-dimensional microfilm technology to engage customers, was later rolled out to BreadTalk locations in other countries. BreadTalk’s competitors had always attempted to imitate its concepts, as Quek noted: “It might be easy to copy our products. But it will be more difficult to copy our outlet design if we renew it once every three to four years.” To better find and secure prominent locations to showcase its flagship stores, the company went as far as becoming involved in the real estate business.

In 2017, the BreadTalk Rewards mobile app was launched, which offered customers special value deals. While observing data protection laws in the various territories of operation, BreadTalk hoped to use these technological channels to collect information on customer preferences and behaviours. In 2018, the company’s first Song Fa Bak Kut Teh restaurant in Shanghai digitalized its ordering system to enable customers to send their requests directly to the kitchen through an iPad. The technology helped reduce human error in taking customer orders and lowered the number of restaurant staff. In partnership with Alibaba Group Holding Limited, the company launched the BreadTalk Touch, a 24-hour self-service vending system that allowed customers to access the company’s products at any time from many different locations. This innovation was especially appealing to younger customers.

At the start of 2018, Quek met with his top management team to review BreadTalk’s vision, mission, and values. The team shared with the company’s employees the renewed version of the company’s vision at the next team-building event. Innovation, which had dropped in importance at some point in the past, was confirmed as being a pivotal component of the company’s culture. The company’s HR department began preparing documents and case studies to help employees integrate these values into day-to-day behaviours.

the next phase of growth

Brand Portfolio Management

By the end of 2018, the company had 11 brands in four divisions across 19 territories, including the United Kingdom. Its core markets—Singapore, mainland China, Hong Kong, and Thailand—had become increasingly competitive with the entrance of upscale bakeries such as Withwheat and 85°C in mainland China. BreadTalk’s management team had to create synergies among its brands and find ways of developing and motivating staff to contribute new ideas for strengthening the company’s brand portfolio.

Entering Europe

Quek was well aware of the importance of core markets, especially mainland China, to BreadTalk’s future. He was also eager to expand his company’s brand portfolio across Western markets. That goal, however, implied new challenges for managing global talent. As he was preparing for the opening of the new Din Tai Fung outlet in London, Quek met with his management team to brainstorm ideas for assembling the right team and talent pool for the new location. Quek emphasized the key challenges:

As we extend our presence on the world map, the biggest risk is people. The markets change too quickly, which really require independent, flexible general managers. . . . In general, I choose people who are trustworthy, eager to learn, creative, and diligent. We will grow them.

Considering current talent management practices, Chan proposed building a global talent pool that included existing employees from headquarters and other operations, and sending a team of existing talent to London. Chu suggested leveraging local partner networks and resources to hire local people. He noted that the 4orth Food Concepts had successfully formed several JVs to bring new brands into overseas markets. Huang stressed the importance of putting in place successful processes and systems across territories, and therefore suggested sending a reliable manager from headquarters to assemble local teams.

With the different opinions shared by his top management team, Quek needed to reach a consensus on the final decision. He also had to consider that his company’s workforce was relatively young and that digitalization was affecting business operation in key markets. A key factor was how to leverage technology for cross-continent talent management and innovation.

**EXHIBIT 1: BREADTALK GROUP LIMITED FIVE-YEAR FINANCIALS (IN S$ THOUSAND)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Financial Year Ending December 31 | | | | |
| **2013** | **2014** | **2015** | **2016** | **2017** |
| **Group Revenue** | 536,530 | 589,644 | 624,149 | 614,995 | 599,747 |
| *Change over last year* |  | *+9.9%* | *+5.9%* | *(1.5%)* | *(2.5%)* |
|  | | | | | |
| **Group EBITDA** | 62,261 | 70,905 | 77,582 | 87,517 | 84,418 |
| *Change over last year* |  | *+13.9%* | *+9.4%* | *+12.8%* | *(3.5%)* |
| **EBITDA Margin** | 11.6% | 12.0% | 12.4% | 14.2% | 14.1% |
|  | | | | | |
| **Net Profit** | 26,369 | 22,171 | 7,602 | 11,436 | 21,848 |
| *Change over last year* |  | *(15.9%)* | *(65.7%)* | *+50.4%* | *+91.0%* |
| **Net Margin** | 4.9% | 3.8% | 1.2% | 1.9% | 3.6% |

Note: S$ = Singaporean dollar; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Company information.

Exhibit 2: BREADTALK group LIMITED revenue mix

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Revenue Mix by Business Segment—Financial Year 2017 | | | | |
| **Bakery** | **Food Atrium** | **Restaurant** | **4orth** | **Total** |
| 50% | 25% | 24% | 1% | 100% |
|  | | | | |
| Revenue Mix by Geographical Area—Financial Year 2017 | | | | |
| **Singapore** | **Mainland China** | **Hong Kong** | **Others** | **Total** |
| 57% | 27% | 9% | 7% | 100% |

Source: Company information.

Exhibit 3: BreadTalk Group LIMITED outlet growth

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Bakery Only** | **Overall** | | |
| **Total Number** | **Brands and Territories** | |
| **World** | **Cities in Mainland China** |
| 2000 | 1 | 1 | A single brand in Singapore | 0 |
| 2003  (listed) | Over 20 | Over 20 | A single brand in Singapore, Indonesia, and mainland China | 1  (Shanghai) |
| 2007 | Over 100 | Over 100 | 4 brands in several territories in Asia | Several |
| 2010  (10th year) | 395 | 448 | 7 brands in 13 territories in Asia and the Middle East | 32 |
| 2012 | 609 | 686 | 8 brands in 15 territories | 48 |
| 2014 | 817 | 914 | 8 brands in 17 territories | 50 |
| 2016 | 862 | 951 | 8 brands in 17 territories | 53 |
| 2017 | 871 | 954 | 8 brands in 17 territories | 53 |
| June 30, 2018 | 842 | 930 | 11 brands in 19 territories  (with the addition of London, United Kingdom and India) | More than 50 |

Source: Compiled by authors based on company information.

Exhibit 4: BreadTalk Group LIMITED brand portfolio

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Division** | **Launch  (Year, Country)** | **Brand** | | |
| **Proprietary** | **Franchised** | **Joint Venture** |
| **Bakery** | 2000, Singapore | BreadTalk |  |  |
| 2005, Singapore | Toast Box |  |  |
| 2008, Singapore | The Icing Room |  |  |
| 2009, Singapore | Bread Society |  |  |
| 2012, Singapore |  |  | 70-year Thye Moh Chan confectionery (Singapore) |
| **Restaurant** | 2004, Singapore |  | Din Tai Fung (Taiwan) |  |
| **Food Atrium** | 2005, Singapore | Food Republic |  |  |
| **4orth Food Concepts** | 2017, Singapore |  |  | Sō Ramen restaurant (Japan)  *(revamped from RamenPlay, which was launched in 2009)* |
| 2018, Shanghai |  |  | Song Fa Bak Kut Teh restaurant (Singapore) |

Note: In 2018, the company entered into an agreement to bring Shenzhen Pindao’s tea brands, Nayuki and Tai Gai, to Singapore and Thailand.

Source: Company information.

Exhibit 5: BreadTalk Group LIMITED outlet mix

**Changes from 2016 to June 30, 2018**

|  |  |  |  |
| --- | --- | --- | --- |
| **Division** | **2016** | **2017** | **June 30, 2018** |
| Bakery | 862 | 871 | 842 |
| *Directly operated by the company* |  | *240* | *224* |
| *Franchise* |  | *631* | *618* |
| Food Atrium | 57 | 53 | 53 |
| Restaurant | 24 | 25 | 27 |
| 4orth Food Concepts | 8 | 5 | 8 |
| **Total** | **951** | **954** | **930** |

**Changes in 2017**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bakery | **2017** | | | | | | | |
| Opened | Closed | Year-End Total | | | | | |
| 118 | 109 | 871 (240 directly operated by the company + 631 franchises) | | | | | |
|  | | *Singapore* | *Mainland China* | *Hong Kong* | | *Thailand* | *Others* |
| *120*  *(versus last year: −3)* | *361*  *(−33)* | *23*  *(−1)* | | *48*  *(+12)* | *319*  *(+34; mainly franchises in Indonesia & Philippines)* |
| Food Atrium | **2017** | | | | | | | |
| Opened | Closed | Year-End Total | | | | | |
| 3 | 7 | 53 | | | | | |
|  | | *Singapore* | *Mainland China* | *Hong Kong* | | *Thailand* | *Others* |
| 14 | 27 | 4 | | 3 | 5 |
| Restaurant  (Din Tai Fung) | **2017** | | | | | | | |
| Opened | Closed | Year-End Total | | | | | |
| 1 (Thailand) | 0 | 25 | | | | | |
|  | | *Singapore* | | | *Thailand* | | |
| *21* | | | *4* | | |
| 4orth Food Concepts  (Sō Ramen) | **2017** | | | | | | | |
| Opened | Renovated | Year-End Total | | | | | |
| 1 | 4 | 5  (all in Singapore) | | | | | |

Source: Company information.

Exhibit 6: BreadTalk Group LIMITED top management team, 2018

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Note: CEO = chief executive officer; CFO = chief financial officer; HR = human resources; Admin = administration; VP = vice-president; shaded boxes = executives who joined the company in the last few years.

Source: Company information.

Exhibit 7: BreadTalk Group LIMITED matrix organization for Human Resources, 2018

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Note: CEO = chief executive officer; HR = human resources; Admin = administration.

Source: Adapted by the authors based on company information.

Exhibit 8: BreadTalk Group LIMITED 2018 Staff composition

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BY DIVISION** | | | | | |
| Bakery | Food Atrium | Restaurant | 4orth Food Concepts | Headquarters | Total |
| 9,354  (internal 4,054 + franchisees 5,300) | 1,407 | 1,547 | 386 | 169 | 12,863  (internal 7,563 + franchisees 5,300) |
|  | | | | | |
| **BY CATEGORY** | | | | | |
| Leadership & Management | R&D and Technical | Outlet Operations | Franchisees | Others | Total |
| 1,486 | 27 | 6,020 | 5,300 | 30  (contractors) | 12,863 |
|  | | | | | |
| **BY TERRITORY** | | | | | |
| Singapore | Mainland China | Hong Kong | Thailand | Others | Total |
| 3,558 | 2,517 | 485 | 524 | 5,779 | 12,863 |

Note: R&D = research and development.

Source: Company information.

1. S$ = SGD = Singaporean dollar; S$0.747 = US$1 on January 1, 2018; all currency amounts are in S$ unless otherwise specified. [↑](#footnote-ref-1)