

# Creating a New Business Paradigm

**Ranch Market-Indonesia**  
**Communication on Progress 2007**  
**UN Global Compact**  
**September 5, 2007**

## **From CEO**

### ***Making a commitment to corporate social responsibility***

To make the world a better place for living and secure a bright future for our coming generations, Ranch Market as a supermarket has a commitment on corporate social responsibility. We define sustainability through our values, which give rise to our policies and company culture.

With Global Compact, Ranch Market believe that the company can support universal human rights, environmental and social through 10 principles initiatives by the United Nations Global Compact.

Ranch market put the principles of Global Compact as one of company objectives, to ensure its implementation throughout the employee.

We look forward to a prosperous and sustainable future.

Nugroho Setiadharma

President Director of Ranch Market

- ❖ When we opened the first Ranch Market in Indonesia, we had simple mission: creating a wonderful shopping experience through fresh quality food, unique atmosphere, and excellent service, without forgetting community's value.
- ❖ During our journey for almost 10 years, we commit to provide more natural food alternative in our supermarket to drive a balanced grocery shopping lifestyle that synthesizes health and pleasure.
- ❖ The combined passion of more than 600 team members, hundred of vendor partners and thousands of customers has helped us to become a respected, loved, and trusted supermarket in Indonesia. With more than 500 natural and organic products, we are the largest food retailer of healthy food in Indonesia.



## RANCH MARKET

It's a balanced life

- 6 Ranch Market stores and 2 Farmers Market stores in Indonesia
- Fresh products contribute more than 40% of total sales, the most in Indonesia supermarket industry
- Voted as the marketing pioneer of organic product in Indonesia and awarded MAPORINA AWARD in December 2005 by Minister of Agriculture
- Voted as the best supermarket in 2002 by West Jakarta City Major
- 3 consecutive years on The Best Australian Meat Seller (2004 - 2006)



# Expansion & Market Share

- ✚ Pursuing different format
  - ~ Establishment of Farmers Market, bigger supermarket concept (4,000 M2) with heavy emphasis on fresh products
  - ~ 2 stores open, in Sumarecon Mall Serpong and Mall Kelapa Gading
- ✚ We are one of the highest sales per square meter in food retailing (Rp2million/m<sup>2</sup>)
- ✚ Comp accelerated during deep recession
- ✚ Comp drivers
  - ~ Operational focus & continuous improvement
  - ~ Large store format with heavy fresh emphasis
  - ~ Differentiated lifestyle brand
  - ~ Corporate culture/Team Member



# **Business is Facing a Legitimacy Crisis**

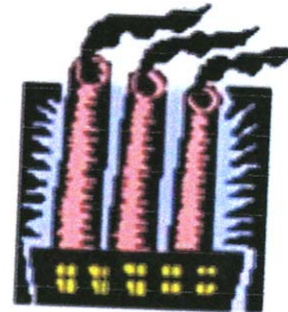
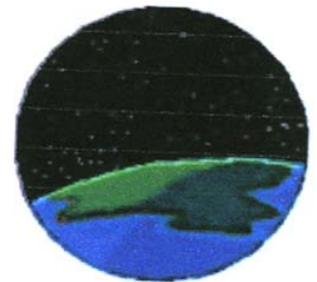
- Enron, WorldCom, Lapindo, illegal logging, exploitation of natural resources, unfair business practice done by retailer to suppliers, etc.
- These scandals are more than aberrations-they are intrinsic to current business paradigm of maximizing profits as the primary goal of business
- Corporations are the most influential institutions in the world today and yet many people do not believe they are good
- Business is perceived as greedy, selfish, exploitative, uncaring-only interested in profits
- While non-profit organizations are perceived as “good” and “altruistic”
- However most non-profits are not economically sustainable on their own nor do they manage to escape self-interest despite their rhetoric

# Creating a New Business Paradigm

Good (Non-profit Org)

vs

Evil (Corporation)





# Tearing Down the Wall

- ❑ The wall needs to be torn down and a new paradigm needs to be created that synthesizes the polarities
- ❑ Business needs to become “good” with a higher purpose. Corporation must rethink why they exist





# What is the Purpose of Business?

- ☺ Customers want high quality, low prices, and good service
- ☺ Employees want high wages and benefits, good working conditions, fulfilling work
- ☺ Shareholders want increasing sales, profits, and shareholder value
- ☺ Communities want jobs, taxes, donations, minimal harmful environmental impacts
- ☺ Business is fundamentally a community of people working together to fulfill its collective mission and to create value for other people
- ☺ Business by its very nature is part of society and it is intrinsically an ethical institution existing to create value for all of its stakeholders (the greater society)

# 10 Principles of Global Compacts

- Human Rights
  1. Not complicit in human rights abuse
  2. Protect internationally proclaimed human rights
- Labor
  3. Freedom of association and effective recognition of the right to collective bargaining
  4. Elimination of all forms of forced and compulsory labor
  5. Effective abolition of child labor
  6. Elimination of discrimination in respect of employment and occupation.
- Environment
  7. Precautionary approach to environmental challenges
  8. Promote greater environmental responsibility
  9. Development and diffusion of environmentally friendly technologies
  10. Work against corruption in all its forms, including extortion and bribery

# **New Business Paradigm**

## ***Corporate Social Responsibility***

### **Core Values Business Mission :**

#### **The Products**

We obtain our products locally and from around the world, often from small, uniquely dedicated food artisans or farmers. We strive to offer the highest quality, flavorful and naturally preserved foods, because foods in its purest state is the best tasting and most nutritious food available.

#### **The People**

We recruit the best people we can to become part of our team. We empower them to make their own decisions, creating a respectful workplace where people are treated fairly and are highly motivated to succeed. We look for people who are passionate about food. Our team members are also well-rounded human beings. They play a critical role in helping build the store into a profitable and beneficial part of its community.

#### **The Community**

We support organic farming-the best method for promoting sustainable agriculture and protecting the environment and the farm workers. We actively involved in our communities by sponsoring neighborhood events, raising fund for disasters, sharing knowledge to others, etc.





**RANCH MARKET**  
It's a balanced life

## **Core Values**

- Selling the highest quality, safe-to-eat products available, natural, and organics
- Hosting wonderful shopping experience to our customers
- Team member happiness and excellent
- Creating wealth through responsible profits and growth
- Caring about our communities and our environment



## **Selling the Highest Quality, Safe-to-Eat products available, natural and organics**

- We are the leading retailer of natural & organic foods in Indonesia supermarket industry
- We help improving the health, well-being, and longevity of thousands of customers
- Resisting the trend towards degradation of our food through the industrialization of food production
- Helping small yet dedicated farmers to grow and have direct access to urban customers

**Principle 1** : Business should support and respect the protection of internationally proclaimed human rights



## **Selling the Highest Quality, Safe-to-Eat products available, natural and organics**

- Helping the farmers to improve their knowledge on producing quality instead of quantity and on marketing site
- We are the first and only supermarket which implement food safety system (HACCP) for the safety of our customers
- Creating towards animal compassionate production standard

**Principle 1** : Business should support and respect the protection of internationally proclaimed human rights





# Hosting Wonderful Shopping Experience to Our Customers

- ☑ Provide total food solution and healthy meal according to customer preferences
- ☑ Teach the customers to become “great chef” and encourage them to have family meal at home
- ☑ Let the children learn about how we farm organic vegetable, process foods, nutritious foods, and how to make cake for mothers day
- ☑ Team members are empowered to give solution to customers and delight them
- ☑ We are continually redefining the marketplace and further differentiating our stores and customer experience

**Principle 1** : Business should support and respect the protection of internationally proclaimed human rights



## Team Member Happiness & Excellence

- ☺ Happy Team Members results in happy customers - our standard pay and benefits are above industrial standard
- ☺ Health insurance covers the whole family
- ☺ Full scholarship given to well performed Team Members' children who do well in school

**Principle 3** : Business should uphold the freedom of association and the effective recognition of the right to collective bargaining



# Team Member Happiness & Excellence

- ☺ We always do internal promotion by tendering open positions to existing and capable Team Member first
- ☺ Encouraging Team Members to improve themselves by internal training or taking relevant courses
- ☺ Self-managing Teams are the organizational cells of the business

**Principle 3** : Business should uphold the freedom of association and the effective recognition of the right to collective bargaining





## Team Member Happiness & Excellence

- ☺ Policy & procedures of our recruitment, placement, training & advancement of our staff at all levels are based on qualification, skill & experience. More than 40% of our employee and 42% of our managerial level are women.
- ☺ Ranch Market gives maternity leave to female employee.

**Principle 6** : the elimination of discrimination in respect of employment & occupation

	Total Male Employee		Total Female Employee		Total Employee whose Pregnant & take Maternity Leave	
	585 person	59.75 %	394 person	40.25%	12 person	1.2%
Staff	546 person	60%	365 person	40%		
Supervisor	24 person	57.1%	18 person	42.9%		
Manager	15 person	57.7%	11 person	42.3%		

Total employee : 979 (per 1<sup>st</sup> Oct 2007)

# Creating Wealth through Responsible Profits & Growth

- ☑ Profits are created through voluntary exchange, not exploitation
- ☑ Profits create wealth, capital, and prosperity
- ☑ Capital is the fuel for all technological innovation and progress
- ☑ Business has the fundamental responsibility to create prosperity for society and the world







# Caring About Our Communities & Environment

- ✎ We join hands with national TV station and reputable chef to promote local foods and made them recognized widely and internationally
- ✎ We share information and knowledge about healthy life and illness through books and handouts in the store

**Principle 7** : Business should support a precautionary approach to environmental challenges;

**Principle 8** : undertake initiatives to promote greater environmental responsibility.



## Caring About Our Communities & Environment

- 👉 We strongly support organic & sustainable agriculture
- 👉 Hosting local farmers markets in our store
- 👉 Commitment towards recycling and green environment
- 👉 Just as we played an important role in creation of organic standard, we will work with suppliers and farmers in treating farm animals with more compassion

**Principle 7** : Business should support a precautionary approach to environmental challenges;

**Principle 8** : undertake initiatives to promote greater environmental responsibility.





# Caring About Our Communities & Environment

- ✎ Ranch Market pays total various taxes to government greater than **100%** of its profits.
- ✎ We raise funds for the victims of disaster and community.  
e.g.:
  - Ranch Care for Sumatera (Bengkulu Earthquake),
  - Pasar Rakyat at Seribu Island, Ranch Market provide primary needs for food with attainable price.

**Principle 10** : Business should support a precautionary approach to environmental challenges;

**Principle 8** : undertake initiatives to promote greater environmental responsibility.



# Conclusion

- ☛ The old business paradigm of maximizing profits and shareholder value has failed to create the “good society”
- ☛ Ranch Market is helping to pioneer new business paradigm with company mission & core values at the center of the business model
- ☛ Business is fundamentally a community of people working together to create value of other people - customers, employees, shareholders, and the greater society
- ☛ We believe that much of our success to date is because we remain a uniquely mission-driven Company. Our vision reaches far beyond just food retailing



# Thank You



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