Singapore F&B industry needs to diversify to feed itself

By Sherri Kimes

The food and beverage (F&B) industry is at the threshold of a major change in how it operates and survives. With the pandemic accelerating changes, and new safety measures being imposed, companies have to rapidly transition to the new restaurant reality and "feed" themselves in new ways.

FEED OFF-PREMISE

The first change they can look at is increased investment in off-premise dining. Over the past few years, customers worldwide have shown a growing preference for off-premise dining. Here in Singapore, over half of the people I surveyed back in February ordered food for delivery at least once a week. Deliveries have been concentrated primarily among fast food and casual restaurants, but not particularly prevalent among full-service restaurants. This is because some full-service restaurants still count on their higher-margin dine-in business, and eschew delivery service providers (DSPs) such as Grabfood, Deliveroo and Foodpanda for their substantial commission usually about 20-30 per cent).

While dining-in is allowed in F&B outlets in Phase 2 of Singapore’s post-circuit breaker, with safe distancing, F&B businesses may only be able to operate at 20 to 25 per cent of capacity. Operators have to re-look how they blend off-premise dining with restaurant design, restaurant location and menu design. Renovations with off-premise dining in mind should have plenty of space for pick-up. Operators can also consider reducing the amount of space for in-restaurant dining. This may also mean that they require less space than they currently have (and hence lower rent).

Depending upon the volume of off-premise dining, consider either setting up a "ghost" kitchen or moving to a less expensive location. It much of your business comes from delivery, why pay for the same prime location that you may currently be in? For menu design, some options can be available only on the off-premise dining menu. During the circuit breaker, SaladStop introduced Lmoosha, smoothie bowls that they made available only on Deliveroo and SaladStop’s app. In order to make the model with reduced dining capacity financially viable, restaurants will also have to either charge much higher prices (at a level that consumers are willing to pay), develop new revenue streams or adapt their way of doing business.

FEED WITH INNOVATION

Some operators have tried to develop new revenue streams. For example, bars such as Old Man Singapore have discovered a market for mixed drinks. Reservation platform Chope has partnered with a local taxi company to offer delivery for their client restaurants. SaladStop introduced a service for delivering "Farm Fresh produce and essentials". Full service restaurant Luke’s Oyster Bar & Chop House developed new revenue streams such as Bala’s Magic Box (curated wines and a series of Facebook wine-tasting sessions with the owner) and the English Muffin Project (take-home kits for people to create breakfast sandwiches to their liking).

FEED WITH TECHNOLOGY

I have alluded to technology and predict that its adoption will become much more prevalent in the F&B industry whether it be from contactless payment, smartphone ordering or restaurant automation and robotics. Many outlets, such as Starbucks, allow customers to order from their app and collect in store, reducing waiting time. Incidentally, all three tech means would help the restaurant practise safe distancing. In the new normal, these F&B operators need to make the necessary technology investments to prepare themselves for the long-run.

FEED WITH PSYCHOLOGICAL RESILIENCE

In the changing landscape, employees have to adjust to various measures, both at work and at home. F&B operators need to consider that their employees are handling changes on many fronts. It may be worth listening to their needs as well when planning operations. This will make for a smoother transition and greater employee loyalty in the long run. It may take time to build psychological resilience in employees, but leaders can inspire and give hope.

In the post-circuit breaker period, F&B operators have to continue to "feed" themselves. Just as humans eat from various food groups to stay healthy, F&B operators need to diversify their operations and revenue sources. There will always be challenges, but the future looks bright for operators who can strategically adapt their businesses to the new reality.

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