

BY VIVIEN SHIAO

SERVING UP NEW DISHES

F&B companies are transforming their business models to keep up with a changing environment and demanding consumers

IF THERE is one thing that Singapore is known for around the world, it is food, glorious food. When almost everyone is a critic, you know that food is serious business here. Even as overall growth slows and disruptions hit, the food services and food manufacturing sectors remain essential parts of the Singapore economy. After all, eating does not just fill an intrinsic need here – it is probably the country's unofficial pastime regardless of the economic situation.

Indeed, in 2015, the food manufacturing and food services sector contributed almost S\$7 billion to Singapore's gross domestic product (GDP) and employed about 250,000 workers.

As two out of the 23 Industry Transformation Maps (ITMs) being rolled out since the S\$4.5 billion programme announced during the 2016 Budget speech, the traditionally domestic-oriented food and beverage (F&B) sector is getting a vital boost to help it become more productive, efficient and future-ready.

Technology and innovation are no longer being used to simply improve the quality of food, but also revolutionising entire business models to become export-ready and manpower-lean.

The SME Magazine takes a look at the changes that are fast taking place in the F&B scene.

TRADITIONAL CHALLENGES

Food may be the greatest love for Singaporeans, but make no mistake – competition is stiff. If even a humble hawker food stall gets a Michelin star, foodies here can afford to be very picky indeed. As a result, the food services industry has seen a high churn. On average, 28 per cent of food establishments are replaced yearly.

As the F&B sector is still heavily reliant on labour, getting the manpower required for daily operations is one of their most oft-heard challenges.

Vincent Tan, managing director of Select Group, says: "In the quest to provide good quality meals, food service providers have to consider not just the end product, but the process of development as well – and this requires skilled labour. However, the F&B industry, as a whole, is starved of manpower."

The government has been consistent in its stance that companies have to stop relying heavily on low-skilled workers, and to work on the basis that there will be no further manpower growth in the industry. The foreign manpower quota, at least for the near future, is here to stay.

But manpower is not the F&B sector's only cost concern – rising

costs in raw materials and rent are also other issues they face. Traditional F&B businesses also now have to compete with new upstarts and changing consumer patterns.

Says Anthony Chan, co-founder of Coffee Hive: "The other challenge (other than manpower) is probably the need to innovate to keep up with the recent trends such as making food more Instagrammable and moving to online ordering platforms for food delivery."

In a crowded market, making a name for yourself – be it through marketing or branding or word-of-mouth – is also another challenge that House of Seafood faced initially. Francis Ng, CEO of House of Seafood, says: "As with every new business, it was never easy getting new customers. We were a new brand – how can I make known our brand? When we first started, we didn't have much business for the first month."

Things however changed when a reporter visited the restaurant and wrote a review. "That night, our whole restaurant was packed with people. This made me a strong believer of marketing, and I am constantly searching for marketing tips."

Pressure is also being applied further upstream as consumers have become more attuned to global food trends elsewhere. Correspondingly, their expectations in terms of health and convenience in the food that they eat also go up.

Loong Mann Na, centre director of Food Innovation and Resource Centre (FIRC), says: "Consumers demand 'better for you' products that have lower sugar, salt, fat and are higher in fibre, vitamins, minerals and other functional ingredients. Yet, they expect the taste, texture, quality and shelf-life of these products to remain the same and the products to be available at an affordable price."

She adds that lifestyle changes have also fuelled the need for time-saving solutions that are fresh, nutritious and customisable. The onus is now on the food manufacturing sector to transform itself to meet these needs.

USING TECH TO COPE

To cope with these perennial issues faced by the sector, innovative solutions are the only way forward. Businesses content to remain at the status quo are fast realising that they are in danger of being left behind.

With disruptions and overseas players nipping at their heels, the speed of change has accelerated of late as technology and automation have become key differentiators in the F&B industry.

Today, using an iPad to order food at restaurants is no longer newsworthy. Hot food from vending machines are also starting to catch on, while more options for ready to eat, ready to cook meals are now available at convenience stores.

For example, House of Seafood has made changes and implemented systems to give the business an edge. Not only has the company embraced digital by having an online island-wide delivery service to cater to all parts of the region, it has also embarked on food innovation such as ready-to-eat crab dispensed from vending machines.

Mr Ng says that the idea of a crab-dispensing vending machine hit after developing ready-made pre-cooked crabs in 2015 as a convenient way for tourists to take the iconic dish home without fretting over how to cook them.



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– Vincent Tan (below), managing director of Select Group



The vending machine was first launched in its branch at Punggol Settlement in January 2017, with two more coming up at the Upper Serangoon and Joo Chiat outlets. The company is also in the midst of deploying hundreds of stand-alone crab vending machines at Sentosa, industrial estates, chalets and tertiary institutions.

The crabs come in three flavours – chilli, black pepper and salted egg yolk – weigh about one kg each and cost S\$79.90 each. It takes five-and-a-half minutes of heating in the vending machines, and the dish comes out piping hot.

Mr Ng has spent about S\$3.8 million on these machines specially imported from Italy, with part of the cost defrayed by Spring Singapore’s Capability Development Grant. He explains: “With a lack of staff and their unwillingness to work long hours, I need to transform my business to make it recession-proof with new technology. I cannot survive by just operating restaurants.” The vending machines are operable 24 hours and can be moved about according to marketing demand without incurring high set-up costs, he adds.

As for Select Group, ready-to-eat meals have likewise become a targeted segment, breaking away from its traditional business model of serving food only at brick-and-mortar restaurants and eateries. Mr Tan points out

that ready-to-eat meals account for 5-7 per cent of a household expenditure of food in places such as Taiwan, Japan and England. In comparison, such meals account for only 0.5 per cent of household expenditure in Singapore, which he believes is a “huge opportunity”.

Most recently, the group has invested more than S\$60 million in the development of its new headquarters, including automated equipment. “With technology supporting many of our operations, we are looking to double our production capacity by 2020 in order to serve more customers,” he says.

The results of the company’s efforts have borne fruit: its catering business is now able to double its maximum production capacity from serving 200 orders (about 10,000 people) in the past to their current capacity of 400 orders, or 20,000 people.

But it is not just innovation and technology that can take a business to its next level – upgrading and retaining talent is also

key to sustain it. In such a manpower-tight economy, Select Group focuses on training to ensure that its staff grows with the company as its premises houses a culinary demonstration kitchen and corporate training institute where in-house courses enhance the 2,000-strong team’s culinary and customer service expertise.



QUICK EATS

House of Seafood CEO Francis Ng showing off nasi lemak, black pepper crab and bak kut teh that comes piping hot from a vending machine

THE PATH AHEAD

But contrary to what some micro SMEs may assume, it does not take large-scale changes or deep pockets to make a business more innovative. Gradual changes over time can make a big difference, as long as leaders are committed to moving the company in the right direction.

At café chain Coffee Hive – which has 50 staff and 10 outlets across Singapore – constraints have led management to be very selective in the initiatives that they embark on, Mr Chan says. “We did not always select the newest technologies, just those that we were confident will work,” he explains.

For example, the company has an e-procurement portal for online ordering to their suppliers, a loyalty card programme which encompasses a customer relationship management (CRM) system, as well as investments in an automated frying and industrial blender solution, which automates the previously manual chilli frying process with timing and heat control functions.

It also plans to explore new technologies to prepare food faster as well as analytical software to analyse data better. But as most of the staff are over the age of 50, Mr Tan says that there is no silver bullet when it comes to training older workers to adapt to new changes.

One thing that the company has done is to allocate certain staff to be champions of each project, and they will be the point of contact as well as the coach to the older staff. Says Mr Tan: “There is no shortcut to training – with patience and repetition, they will become familiar and comfortable with the new technologies.”

But despite the initial pain points, it is inevitable that the entire F&B sector is ripe for a shake-up as the speed of change means that the economy becomes less forgiving to those who fail to keep up. Ms Loong of FIRC envisages that disruptive business models and rapid technological changes will change the way we that produce food and deliver services. This can already be seen through the use of robotic waiters, vending machines and even technology that extends the shelf-life of foods to prepare for overseas exports.

She also believes that businesses will begin to work collaboratively through partnerships to deliver complete solutions that are one-stop services, and that pervasive use of the Internet of Things will give rise to more flexible manufacturing for automated production of customisable products.

Concludes Mr Tan of Select Group: “In general, there will be continued product innovation to meet the demand of consumers looking for new experiences and products. Additionally, the power of social media will continue to influence consumers to demand new experiences.” ■