A brighter year beckons for the F&B industry

Growing acceptance of food delivery and tech, spending on dining instead of travel, and a focus on hawker culture could make 2021 better

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For The Straits Times

Two years ago, 2020 was challenging for the food and beverage (F&B) sector as an underserved, with sales dropping by over 60 per cent during the circuit breaker period from April to June.

The combination of travel restrictions and lockdowns in business was extremely difficult for industry players.

But the sector is poised for a strong 2021. Four trends will affect the rebound.

1. The growth of delivery

While it is true that online sales increased dramatically during the circuit breaker, even before that, they had grown over on-year growth of 40 per cent to 45 per cent, according to official statistics.

This growth more than doubled during the circuit breaker and expanded by around 60 per cent between August and November last year.

While non-online sales increased by about 10 per cent in January last year, they swiftly fell during the circuit breaker — not surprising, given the lack of tourists and the ban on dining-in — but were still down by about 40 per cent until October.

In two of the consumer studies I did on restaurant delivery in Singapore, over half of respondents had ordered food delivery at least once a week before the circuit breaker.

That increased to more than 60 per cent after the circuit breaker. The biggest challenge with delivery for restaurants is the associated cost. The typical 20-30 per cent to 30 per cent delivery commission leaves already slim profit margins.

Restaurant operators have several options to address this issue including prizes for delivery drivers, charge a delivery fee, reduce their commission, or take control over their own distribution.

In both studies that I conducted, Singaporean consumers were accepting of higher menu prices for delivery and reasonable delivery fees. While this is promising for the restaurant industry, higher menu prices and delivery fees by themselves are not sufficient for addressing the shortfall in profit caused by the delivery commission.

Another promising trend that has emerged is the growth of cloud kitchens. Cloud kitchens take many forms. They include proprietary ones such as Backyard by Lee Ann and Saladguy, those operated by delivery service providers such as GrabKitchen and Deliveroo Editions, and larger operators such as Slim’s City Kitchens and Tiffinpal.

By helping restaurants reduce their costs, streamline their production and, in the case of virtualbrands, open new markets. While restaurants would still see some 20 per cent to 30 per cent delivery commission, the impact of cloud kitchen cloud cost structure can help increase profitability.

2. Strengthening of hawker culture

There has been increased recognition of the importance of hawker culture to ensure that Singaporeans will continue to protect and support it. Such hawker centres face a number of challenges, including property owners and businesses to profitability.

The Government has undertake various initiatives to enhance hawker culture, including mentoring, digital adoption, productivity investments and incentives to adopt technology. The SG Hawker Fest, held last December and last month, highlighted the culture and gave Singaporeans a chance to show their appreciation for hawker and hawker centres.

And the Hawker Succession Scheme helps hawkers develop succession plans and pass on their expertise to young hawkers, while digitalisation initiatives help streamline their businesses and increase convenience for customers.

3. Strong domestic demand

As people cannot travel, owing to Covid-19 restrictions, many residents have additional disposable income to spend. Some are using it for staycations, while others recur for dinner more frequently.

Given that typically, about 25 per cent of F&B revenue comes from visitors, border restrictions have essentially eliminated that possible revenue. But as people cannot travel owing to Covid-19 restrictions, many residents here have additional disposable income to spend, and some are using it by going out for dinner more frequently, says the writer. ST PHOTO: JOEL CHAN

4. Increased adoption of technology

Covid-19 has accelerated the adoption and acceptance of technology in many industries, including the F&B industry.

The combination of the labour shortage and streamlining for restrictions, the consumer desire for quick service, and an increase in customer acceptance of technology, government support have all contributed to this change.

Whether it is the digitalisation of hawker centres, improved technology in the food), code menurc delivery enhancements, both restaurants and consumers have begun to embrace technology.

This trend had already been before the pandemic, but Covid-19 accelerated the pace of adoption — which is likely to continue growing this year. I am confident that 2021 will be another brighter year for Singapore’s F&B industry.

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