

Rise in takeaways a boon for Singapore's F&B industry

By Sherri Kimes and Chen Yongchang

THE pandemic has had a significant impact on the Singapore food and beverage industry. At its lowest point, sales fell 51 per cent year-on-year during the "circuit breaker" period in 2020. While the sector has since recovered somewhat, recent restrictions have resulted in sales sliding from their pandemic peak in Q4 of 2020. In fact, sales in Q3 of 2021 were lower than a year ago.

Apart from revenue challenges, recent data from our Customer Satisfaction Index of Singapore (CSISG) study showed that while customer preferences for dining in have remained unchanged, the response to constant adjustment in safe management restrictions appeared to have shifted this year. The decline in dine-in numbers was met interestingly with significantly more customers opting for takeaways, while delivery proportions remained unchanged.

In fact, more than 50 per cent of customers from the fast food and cafe and coffee houses sub-sectors did takeaways. The percentage of customers doing food deliveries was less than 25 per cent. Similar trends have been observed in the United States. Recent studies indicate that about two-thirds of US residents are more likely to purchase takeaway than before the pandemic. If this trend continues, it bodes well for the restaurant industry. While formal research on the reasons for this trend has not yet been conducted, reasons typically cited by consumers include control of the experience, increased convenience, and lower costs.

Financially, the trend is beneficial for the restaurant industry because of the high cost of delivery. Consider an order of \$50. On average, food costs are about 30 per cent of the order amount, while packaging costs are around 5 per cent. This would imply a profit margin for a takeaway order of \$32.50. Contrast this with the margin for a delivery order. The restaurant would still incur the costs of food and packaging but would also have to pay a commission of about 30 per cent. Based on this, the profit margin would fall to \$17.50.

Even if a restaurant offers discounts for takeaway orders, as many savvy restaurant operators in Singapore do, the margin on takeaways is still higher than that of a delivery order. You may wonder if customers are okay with having different prices for delivery and takeaway. The answer is a resounding yes. In research that one of the authors conducted last year, respondents indicated that they had no problem with different prices, particularly if takeaway prices were pitched as lower than for delivery orders.

Focus on customer experience

This growing customer preference for takeaway sounds promising for the restaurant industry, but the results from the recent CSISG study indicate that the picture is not all rosy. Survey respondents were asked to indicate their satisfaction with various parts of the dining experience including (1) the physical facility; (2) ordering and processes; (3) the F&B product; (4) service staff and (5) the payment process for dine-in, takeaway and delivery orders.

Satisfaction with takeaway orders was significantly below delivery orders in 4 key areas: (1) menu was easy to understand; (2) easy to find what I want; (3) ordering process and (4) received food within a reasonable time. Given that takeaway orders are more profitable than delivery orders, operators would of course prefer the takeaway business. To develop a clear action plan for their takeaway strategy, operators may want to think about the following:

- **Make the menu easy to understand:** DoorDash, the largest delivery platform in the US, recently conducted research on menu effectiveness. They learned that it was best to reduce the number of items it offers, to use categories to make it easier for customers to find what they want, to offer customisation options and to offer bundles that meet customer needs.

- **Easy to find what I want:** Customer found it difficult to find things such as cutlery, condiments and napkins. Some of these issues may have stemmed from store layout changes due to safe management rules. Restaurant operators will need to develop an easy and more organised system for customers to find these items.

- **Simplify the ordering process:** Make it easy for customers to place their order, be it by phone, by WhatsApp or online. Reduce the number of options, simplify the payment process, and make it easy for customers to pick up their order.

- **Get the food to customers in a reasonable amount of time:** Some of the difficulties here may be related to reduced staffing, but by reducing the number of menu items offered, operators should be able to better streamline their production process.

If restaurant operators are keen on boosting their takeaway business, they need to focus on customer experience. Anything they can do to make it easier for the customer, whether it be by making their menu easier to understand, simplifying their ordering process or reducing the waiting times, will lead to improved customer satisfaction. And, given that takeaways offer a much higher profit margin than deliveries, improved customer satisfaction with takeaway orders will lead to better financial results.

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