

KEYNOTE SPEECH BY SMF PRESIDENT, MR DOUGLAS FOO
AT THE “FOOD SERVICES TRANSFORMATION CONFERENCE” BY
ASIAN CULINARY INSTITUTE SINGAPORE
ON 25 MAY 2017 AT 9:10AM
LIFELONG LEARNING INSTITUTE, THEATRE @LEVEL 2

Distinguished Guests,

Ladies and Gentlemen;

Good morning.

1. It is my pleasure to join you at the “Food Services Transformation Conference”. This event by the Asian Culinary Institute Singapore, is a meaningful platform to showcase and to exchange ideas, practices and perspectives on how some of our food services companies are innovating and transforming their business model and improving productivity.

Singapore’s Food Services Sector

2. The food services sector plays a vital role in Singapore’s economy as it

meets our domestic need and supports our tourism industry. This sector contributes approximately 0.8 per cent of our nations GDP and employs 4.5 per cent of our workforce. This is a highly competitive sector which thankfully our government has recognised and is actively engaging and supporting our local enterprises to address the difficulties such as the tighter and ageing labour market.

3. With the industry heavily reliant on manpower and the labour market trend looking to be the new norm, those in the food services must adapt and start finding new ways of doing things better in order to remain relevant and sustainable as a business. As such, I'm delighted to share with you from Sakae's journey and outlook on the future of the food services in Singapore, and how business model innovation and innovation-driven productivity is needed to transform our food services industry.

SMF driving business model innovation

4. Apart from my business as chairman of Sakae Holdings Limited, I serve as the president of the Singapore Manufacturing Federation (or SMF in short). This is a forefront trade federation that has been serving the

business community in the manufacturing sector by driving innovation and business transformation towards enhancing the competitiveness of our member companies. This is achieved through SMF's Business Model Innovation (BMI) Centre under one of its subsidiaries – Singapore Innovation & Productivity Institute.

5. For the past 4 years, SMF has been advocating innovation-led productivity as well as value creation through business model innovation, the creation of productivity DNA, and the nurturing of in-house productivity champions. This is beyond productivity improvement and the objective is for a business to remain relevant and sustainable in an increasingly competitive environment with many disruptive business models. As such, innovation-led productivity begins at the core of a business where the business model is constantly reviewed to stay relevant and grow. This is what we termed as Business Model Innovation or BMI.
6. BMI is defined as an innovative way to create, develop, capture and deliver to the customers' market. Studies have shown that with BMI, productivity growth will be exponential. For example, according to a

global study conducted by IBM, in which over 750 corporate and public sector leaders were interviewed on the subject of innovation, it is found that BMI can generate 25 times the return of investments compared to product or process innovation. BMI will put companies ahead in the race as competitors will find it difficult to replicate an entire business.

7. Companies undertaking the process of transforming their business models can also look at the business models of other industries. For example, the manufacturing sector can learn from the retail sector, and adopt or repackage their business models in a manufacturing context. In fact, the trend of 'manufacturing servitisation' is evidence that such cross-fertilisation of business models is taking place in the manufacturing industry. Similarly, this is also happening in the food services industry where we are learning from other sectors and repackaging our business model in the context of the food services industry.

SMF member: Prima

8. For instance, one member of SMF that is a familiar household name is **Prima**. Prima was the first flourmill in Singapore since 1961. Even in the

unrelated field of information technology, Prima has become a key player that has made numerous contributions to the sector. The company owns Prima Computer Systems (PCS) and PrimaRND, research facilities that contribute significantly to the company's other business interests.

9. **PCS** specialises in providing technological solutions to the retail and food & beverage sectors through its integrated cloud based chain-store point-of-sale (POS) systems, real-time process automation systems, intelligent contactless card access systems and interface-able digital video recording systems. It is one of the pioneers in Singapore in the provision of hybrid and cloud POS solutions for different retail industry segments.

10. Through **PrimaRND**, Prima entered the food services sector by creating products that are innovative, delicious, healthier for consumers. One example would be Prima Taste Ready Meals. These Ready Meals comes in 4 delicious local flavours:
 - a. Beef Rendang with Rice
 - b. Chicken Claypot Rice

- c. Nonya Sambal Chicken with Rice
- d. Curry Chicken with Rice.

11. These range of Singapore's hawker favourites in ready-to-eat packs are cooked with fresh ingredients from scratch and the meals are then packed and sealed into air-tight retort pouches. This precise retort process involves sterilising the packet under intense heat in a well-controlled closed environment. With this process, the product can be kept for 12 months without refrigeration and without the use of preservatives, providing consumers with the ultimate convenience. This also allows Prima Taste to sell their Ready Meals in vending machines around in offices and schools all around Singapore without having to set up and operate food outlets to distribute their range of food products.

SMF member: House of Seafood

12. Another innovative format that is gaining traction among the food services is food vending machines, which are commonplace in Japan. A typical vending machine is able to hold 80 to 120 meals, almost equivalent to what a coffee shop stall would sell in a day. But, the food vending machine only requires a fraction of the manpower to operate,

and can do so 24 hours using a much smaller space. There are already a few companies, selling various hot meal options like our favourite hawker food through vending machines and one of which is House of Seafood.

13. Also a SMF member, House of Seafood is a restaurant chain that recently launched its Ready-to-Eat Crab vending machine. This machine dishes out three flavours of its signature Sri Lankan crabs – chilli, black pepper and salted egg yolk – that come piping hot in vacuum-sealed plastic boxes within 5½ minutes. Besides crabs, the vending machine also sells three other dishes – bak kut the, chicken rice and nasi lemak. These are served hot within three minutes and customers make payment with cash, credit card or e-wallet services. Anyone hungry yet? *laughter*
14. In developing this vending machine format, research was done over a span of three years to produce the right packaging design and method. This endeavor also paid off as the process to re-heat the crabs after being cooked from a central kitchen has become a patented process for House of Seafood. The restaurant chain is changing its business model and looking to vending machines as a way of expanding its business

without over relying on manpower. Given consumers' growing demand for food availability round-the-clock, new vending machines deployed can now provide convenient, affordable and hot meals at all times, especially in locations where food options are limited. Plans are underway for House of Seafood to have about 100 of these Ready-to-Eat Crab vending machines all over Singapore within this year.

Sakae's Innovation for Dining Experience

15. Business Model Innovation has also been the story of Sake's success. Sakae started with innovation right from the get go. We decided to adopt technology that were used in various sectors. Let's start with our interactive menu which was taken from retail sector. However, it was not easy to develop it. Back in our start-up days, no developer was willing to do extensive work for a mere 3-store restaurant group, but we persevered with innovation. Eventually, we did it and Sakae developed its own proprietary interactive menu. What proved to be a challenge then, has become one of Sakae's most prized assets. Our patented Interactive Menu (IM) system on iPads provides an interactive user experience which displays more information, in a fun and interactive manner than conventional menus. We also developed our own mobile

application on iPod Touch, which allows our service crew to take orders efficiently from customers, and ensure orders are automatically sent to the kitchen. This provides a pleasant dining experience for our customers every time they are to dine in any of our outlets.

- 16.** For delivery, Sakae's developed an enhanced delivery website and mobile website, allowing our customers to place orders and make their payment online. This provides greater convenience for our customers. Our adoption of technology to innovate did not stop there. We had a patented portable conveyor belt designed in-house. This portable conveyor belt allows us to bring the kaiten sushi experience to an office, home or garden; allowing us to take the Sakae dining experience anywhere our customers want.
- 17.** Sakae was also the first F&B company to pioneer the adaption of the RFID system which is commonly used in the military field. The use of RFID enables us to ensure the freshness and integrity of our sushi served on our conveyor belts. Some time ago, we started to install the second tier belt in some of our outlets. The aim for this is to improve productivity and further heighten our customers' dining experience. This

second tier belt is built on top of the current conveyor belt to allow more sushi varieties to be paraded and also serves to deliver customers' desired dishes directly to their tables from the chef.

Sakae's Innovation for Food Safety

18. At Sakae, we take food safety very seriously and we leverage on technology to do so through our Automated Storage Retrieval System (ASRS). This is an automated warehousing management system that was installed in our building to track our food supplies with a first in, first out principle. This is on-time tracking and provides traceability and accurate movement of the goods. This system services our cold rooms where the temperatures are -22°C which means our colleagues are not required to enter these extremely cold spaces to move goods out, thus improving productivity and efficiency in our work process.

19. At Sakae, we take ownership for the safety of our entire food supply chain. For instance, we make frequent farm visits to ensure safety standards are adhered at our food sources as ingredients and our Salmon are flown in on a regular basis as we do not stock up any fresh produce to ensure the quality of our food. And to minimise the

unnecessary handling of food and contamination, our central kitchen and selected outlets adopt robotics in the form of sushi rice robots to make sushi rice balls. Outlets which do not have any robots get their supplies from the central kitchen. Aside from hygiene, this ensures consistency in size, quality and efficiency.

20. Sakae also extends its quality and food safety systems to business partners across the supply chain to support our efforts. Regular quality checks are done on our suppliers and their food supplies. This proactive measure is critical as it helps to prevent any incidences of contaminated food supplies which may be costly for both parties to rectify. Our central kitchen, catering and restaurants are certified with the Hazard Analysis and Critical Control Point certification and supported by an integrated cold chain logistics facility which includes a fleet of refrigerated trucks. All these measures ensure prompt and fresh deliveries to our customers through Singapore and beyond.

Sakae's Innovation for Human Capital

21. With a vision to build 30,000 outlets in five continents, innovating through

technology has allowed Sakae to internationalise without compromising on our commitment to offer healthy, fresh and quality Japanese food at value-for-money prices. However, innovation isn't just about technology. With our goal to build 30,000 outlets in all over the world, it means we would need about 300,000 employees with 10 employees per outlet. Where are we going to get these employees?

- 22.** We believe innovation is also about talent development. What sets us apart from the competition is our innovative culture. We might have been the first in the market to deliver new dining experiences for our customers, but it has been this continuous pursuit of excellence that has allowed Sakae to reinvent, innovate and be creative. This innovative culture comes from the people. And to ensure that Sakae continues to grow and innovate in a sustainable manner, we emphasize on creating a conducive working environment through progressive HR practices.
- 23.** At Sakae, we understood that Singapore's talent pool was becoming more diverse, hence we put in place appraisal systems and age management for Sakae's long-term competitiveness. I strongly believe that fair and progressive HR policies ensures that we would be able to

attract and retain the best talent. Only by hiring and rewarding employees based on their abilities and skills will they respect the leadership and management, and give their best to their work. At present, Sakae has more than 2,000 employees across age groups, and to attract talent we work closely with a number of schools to tap on our future talent pool. Training programmes and scholarships are offered to students who aspire to join the Sakae family.

Tapping growth in ASEAN and beyond

24. The outlook for the food services industry remains challenging, but at the same time, there are opportunities for growth. And the ability to seize these opportunities mostly rest on how quick we are in accepting and adapting to the present challenges as the new norm. Aside from the innovation, the other key engine of growth for our industry will be internationalisation. We are fully aware that Singapore's market is limited. Therefore, the need to expand overseas. And being in Singapore, we are the gateway to ASEAN and the region beyond. Two years ago, ten ASEAN countries established the ASEAN Economic Community (AEC) and Singapore is one of them. The AEC is a formation towards a single regional market and production base, supported by free

flow of goods and services, investment and skilled labour among the ASEAN nations.

- 25.** With this formation, AEC is now the third largest economy in Asia and the 7th largest in the world with a collective market of US\$2.6 trillion and 700 million people. Its collective GDP growth is projected at an annual average of 5.2 per cent between 2016 and 2020, and is expected to outpace global growth. And Singapore is well-positioned to tap on this huge potential that AEC offers with her extensive trade links and network of free trade agreements (FTAs) that will provide companies with greater market connectivity through the reduction of tariff and non-tariff barriers.
- 26.** Earlier examples of Prima and House of Seafood have all expanded regionally to grow their businesses. Another is Xiao Ban, a local soya snack company that is familiar among us Singaporeans. Some years back, Xiao Ban made study trips to Vietnam with SMF. The study trips helped the company to better understand the business environment and make useful business contacts. Eventually, Xia Ban decided that Vietnam would be their first overseas market and opened their first outlet at Mapletee's SC Vivocity in Ho Chi Minh City two years ago. Since then,

it has added two more outlets with plans to open three more in the city, and two more outlets in Hanoi by this year. It now also has outlets in Taiwan and Cambodia.

- 27.** Therefore, I strongly urge companies today to review your business model and think ASEAN in how you could leverage on our neighbouring countries' strengths to optimise your resources in staying competitive and grow sustainably. If you need more information on business model innovation or about the opportunities to internationalise, do look for the SMF as your first stop to get the advice or assistance you might need. For more information, you may visit smfederation.org.sg.

Conclusion

- 28.** In closing, I would like to thank ACI for inviting me to share Sakae's journey of innovation and transformation for the future of our food services industry. I believe together with the other guest speakers, those present here today will make good use of this chance to learn of new ideas and opportunities in Singapore and the region.
- 29.** I wish all of you a fruitful conference. Thank you!

<END>