



**INDOCHINE** has nine outlets across Singapore, KL, Jakarta and Hamburg, with one more planned for Dubai; the only stretch limo in town; and in Phuket, a resort and villa development scheduled to open this month. BrewerKz counts three

BrewerKz in Singapore, plus a Café Iguana and a Wine Garage, each packed to the rafters. St James Power Station has 14 outlets, including Bellini Grande at Clarke Quay, a prime position on the causeway leading from Sentosa and its soon-to-be opened (we guess) IRs. Dempsey Hill has expanded to include more retail and F&B; Michel Lu's Hacienda there has opened a sister café. US-based franchise Howl at the Moon has opened in Orchard Road with plans to expand throughout South-East Asia as well as the Middle East. Pioneering gastro-bar One Rochester has experienced a growth in patronage, as the economic downturn means more of their target audience – the PMEBs – are staying in Singapore.

Devin Kimble, the managing director of MENU, the parent company of BrewerKz, says that F&B in Singapore is on the cusp of a major change: "The industry is at the point of passing leadership from the old guard to the new. We are witnessing the demise of the poorly run, dank, dark, smoky little pubs that litter the landscape here. And the low-quality kopitiam as well as the C-grade hawkker stall will soon be dwindling rapidly as well." Kimble points to a generational divide: "Most food courts are now staffed and patronised by folk over 40. The kids are at Food Republic or the Butter Factory, not the coffee shop or 'Hinkey-Dinkey Pub'."

For a long-time operator like Kimble, this kind of change will challenge the industry more than even the economy or the arrival of casinos. The market, he says, is unsettled, and there is fierce competition for limited resources between old-style outlets and the new ones coming on line. "My feeling is that the old will start to fail and when that happens, capacity will



Devin Kimble

be released into the market, moderating competition for space, staff and customers," he says.

Everyone we interviewed sees competition as a good thing, a way to "grow" F&B in Singapore. Says Michael Ma, group CEO of the IndoChine Group and president of the Spirit of Enterprise: "I believe in nurturing the next generation of entrepreneurs. It is important that we are all able to come together to contribute to the entertainment and nightlife industries in Singapore. We should, as F&B operators, do our part to grow the scene and to

make it more vibrant and interesting. This will benefit all of us and not just one or two bars in particular."

Groups such as St James Power Station have put their money into niche experiences, a way of diversifying and reaching out to the widest possible audience. "At St James we provide both value and variety," says Geraldine Tay, marketing manager. "Each of the 14 outlets under the group's umbrella has a different and unique theme catering to different preferences. And compared to the competition, our pricing is very competitive. As for the many bars that are opening, this is an on-going Darwinian process where only the strongest survive."

"When I went into this business, I was told that I should expect it to be dog-eat-dog and I'd be the one wearing Milk-Bone underwear," says Kimble. "Continuous improvement is absolutely crucial. Hiring has to be better, people have to be paid more money, training has to be more intensive, margins have to be squeezed and customers given better value. The fact is that we have barely raised the price of our beer after 12 years in business. Any increase that most people have seen from us is because we have gone from a beer glass that was 480ml at the brim to one that has a line at 500ml and room for head above that. We also no longer tack on a "service charge" because I could never figure out what that meant."

"Back in 1999 when we first started the IndoChine Group we simply wanted to share my favourite Indochinese cuisine with the rest of Singapore and set up venues on Club Street in one conservation shop-house. We have since grown the group to now include clubs, bars, restaurants, villas and even resorts," says Ma. "At the same time, we understand that it is not just about the wine and dine – guests now expect so much more as they travel more and become increasingly discerning."

Kerry Ball of Howl at the Moon agrees. "People love new bars; it's keeping them coming back for more that's the secret. There is no doubt these have been brutal times on all fronts. I believe it's important to keep focused on your core product, costs and the customer's experience. A unique product that can change, even if only slightly, on

a regular basis is good. Too many people discount and don't add value. People will pay for an experience and service; having said that you have to be aware of market pricing. Everybody wants a deal!"

Cheryl Lee, director of One Rochester Group, says many outlets are going after the same customer, what she calls the "mid-affluent group" of professionals, managers, executives and business people, which puts a strain on customer loyalties. Rental costs are high, while increasingly sophisticated customers want the same kinds of outlets they would find abroad. But the biggest challenge of all right now, she says, is staffing: "The Ministry of Manpower has severely tightened up their passes for foreign workers due to the economic downturn, with the aim of giving Singaporeans more job opportunities. However, the reality is that with the IRs and various F&B outlets opening up, there are not enough locals in the market. Smaller outfits are struggling to fill available positions and service standards dip due to the stretch."

The subject of staffing is one on which Kimble becomes quite heated. "A huge problem in F&B right now is that owners and managers are squeezing out the life-blood of the business, which is staff, by not paying them enough. And I think that the IRs are going to change this in a big way by offering 44 hour weeks, no split-shifts and five-day work-weeks. Heck, they may even let the staff keep the tips written on credit card chits, which most operators now keep, scandalously I believe, for the house."

Kimble points out that pay for people in F&B is the lowest in any Singapore industry right now. "It is about S\$800 per month less than in retail and it has dropped

## RAISING THE

## BAR

**CRUNCH OR NO CRUNCH, MANY OF SINGAPORE'S TOP F&B VENUES ARE PARTYING LIKE IT'S 1999. IS THE BAR BUSINESS BULLET-PROOF? OR IS IT THAT THE MAJOR PLAYERS ARE JUST PLAYING IT SMART? JOANNA HUGHES FINDS OUT**



Cheryl Lee

over the last several years, even before the massive Great Recession of 2009. In fact the average salary in construction is more than double what it is for F&B. In Singapore it is very difficult to attract good service staff because they are generally treated abominably. As an extreme example, I saw an article in the Straits Times the other day about a coffee shop that wanted to get more foreign workers because it was hard to find Singaporeans to work six weeks on with 1 day off for S\$800 per month. And all the industry leaders can do is complain that the MOM is not allowing in enough foreign workers.

“What they don’t realise is that nearly everyone in the F&B industry has to start at an entry level position. And if we can’t get good people to be servers, then we aren’t going to have good managers, creating a vicious circle.”

Kimble believes that the IRs will make everyone else raise their games when it comes to hiring and keeping staff. The IRs may have other effects. “Our research on the Australian, New Zealand and US IRs showed that when they opened up, the F&B outlets in a 3km radius suffered major drops in business for up to 18 months,” says One Rochester’s Lee, who is hoping that by working in cooperation to promote Singapore’s F&B lifestyle centres to the region, all will benefit.

St James Power Station, a stone’s throw from both IRs, is planning to make hay while the sun shines. It’s hoping not just for the expected influx of tourists but, in the case of yearly mega-events like F1, holding themed events with strategic partners to draw in the crowds.

Ma says that with the opening of the IRs, Singapore will have to rise to the occasion and put on its glad rags: “With the integrated resorts and a possible influx in high-rollers coming to Singapore, we will need to ensure that they party in style AND travel and arrive in style too.” To help boost Singapore’s “glam quotient”, he has invested in Lotus Limousine, a stretch luxury limo business.

More immediately, there is F1. “We were courted by the F1 organisers to rent a stand inside the F1 track last year,” says Kimble. “We didn’t go for it and have found it to be a good move. We had a nice jump in our business at Riverside Point because we were just outside the track and the diverted traffic – a close walk but far enough from the noise of all the engines to offer a pleasant spot for those attending the event.” Michel Lu, with venues in Keppel Bay and Dempsey Hill, is not sanguine about the effects of big yearly events on businesses: “They certainly

bring people and numbers but they are also disruptive and affect the continuity of business. Businesses should not be built around expectations of gains from these events otherwise they would not be sustainable.” And even those venues far away from the F1 action can keep customers coming, says Lee, if there are reasons for them to come, such as special events and promotions.

Kimble says there is no longer so great a divide between expat and local hangouts. “Local or expat, Singapore customers have become increasingly sophisticated. When I first arrived here 15 years ago, I don’t think that people saw much difference between types of Western food. Now we have a great range of French and Italian places. Many of the kitchens in modern restaurants like Iggy’s are helmed by locals. And there are quite a few great places to drink now with lots of sophisticated cocktails and not an expat in sight.”

And expats seem to be more catholic in their tastes. “Frankly, Brewerkz is probably considered one of the biggest expat hangouts in South-East Asia, but on a given Friday, Jumbo Seafood has a higher percentage of expats than Brewerkz, although our absolute numbers are bigger because we are twice as big at Riverside Point,” says Kimble. “Even Jumbo has upgraded and the Riverside Point outlet has a nice wine list and even a temperature controlled cellar.”

One reality is that Singapore will continue to see F&B hubs, but with a greater sensitivity to lifestyle mix. A spokesperson for Country City Investment, the largest master tenant at Dempsey Hill says that the third cluster launched in July was 80 per cent retail and 20 per cent F&B as a way to keep a balance. And even though all the F&B slots have been taken, CCI says they still get a “healthy” number of enquiries from outfits that want to be in a cluster. Kimble agrees. “There have been some pretty deep scholarly studies about industry clustering by Michael Porter at Harvard Business School. The bottom line is that a business is probably better off where there are others in similar trades. This is not just an F&B thing. Sim Lim and Funan are big electronics hubs. And check out Jalan Besar for building supplies. Even the old food courts with individual hawkers are examples of clustering. It is pretty hard to do a pub crawl if you have to get on a bus.” ■

