

Exploring the Challenges and Future Expansion Opportunities of Wine & Kitchen during Pandemic

Lee Kuan-Huei, PhD
Associate Professor
Design & Specialised Businesses Cluster
Singapore Institute of Technology
Email:
kuanhuei.lee@singaporetech.edu.sg

Jawn Tze-hin Lim, PhD
Associate Professor
Design & Specialised Businesses Cluster
Singapore Institute of Technology
Email: jawn.lim@singaporetech.edu.sg

Toh Jun Long
Hospitality Business Programme
Singapore Institute of Technology
Email:
1902398@sit.singaporetech.edu.sg

Synopsis/Abstract

After gaining extensive knowledge, community recognition, and proven experience over his lengthy career, William Seah founded his company, Wine & Gourmet Factory, in August 2017. The company had performed well, operating its first restaurant at Bukit Pasoh peacefully until 2021, where the devastating impacts of the COVID-19 pandemic led to its closure. William opened Wine & Kitchen together with Sally Seow just before the closure of the first restaurant (i.e., December 2020) at the considerably more accessible location of Somerset and operated with an adapted business model. As a result, William now has the opportunity to open his next outlet and enter regional countries. Notwithstanding, several business challenges exist and are presented in this case study. If you were William and Sally, what would you do to overcome them and expand your business?

Target Audience and Learning Objectives

This case study is prepared for intermediate undergraduates of tourism and hospitality business management programmes. Students should have completed introductory course(s) related to the food & beverages, tourism or hospitality industry and business management. An inquiry-based learning pedagogy is adopted in this case study as students will investigate actual business challenges of an existing business and be able to ask questions to formulate effective recommendations (Aditomo et al., 2013; Shah, 2020). After completing the case study, students will be able to:

1. Understand the business development planning required to build successful food and beverage (F&B) establishments and brands.
2. Develop the business acumen and ability to make swift business decisions in response to fast-evolving situations (i.e., COVID-19).

3. Analyse a real business, position in the role of the manager to solve real business hurdles.
4. Critically assess various macro-environment factors to formulate recommendations for business expansion.

Food & Beverage and Wine Industry in Singapore

Referred colloquially as the “Little Red Dot” by the global media and its residents, Singapore has an extremely competitive F&B industry despite its small land area. According to the Singapore Department of Statistics (2021b), there were a total of 12,999 F&B establishments in Singapore in 2019, comprising the establishment categories of restaurants, fast food outlets, food caterers, and cafes, food courts & other eating places. Specifically, there were 4,937 restaurants, which represented about 38% of the total F&B establishments. These restaurants generated operating receipts amounting to nearly \$4.06 billion that year (Singapore Department of Statistics, 2021c). There are three key operating expenditures of operating a restaurant in Singapore, namely cost of goods, labour costs, and rental costs. They represent 27%, 27%, and 26% of a typical F&B establishment’s operating expenditures respectively (Restaurant Association of Singapore, 2016). Figure 1 shows the breakdown of Food and Beverage Establishments in Singapore as of 2019.

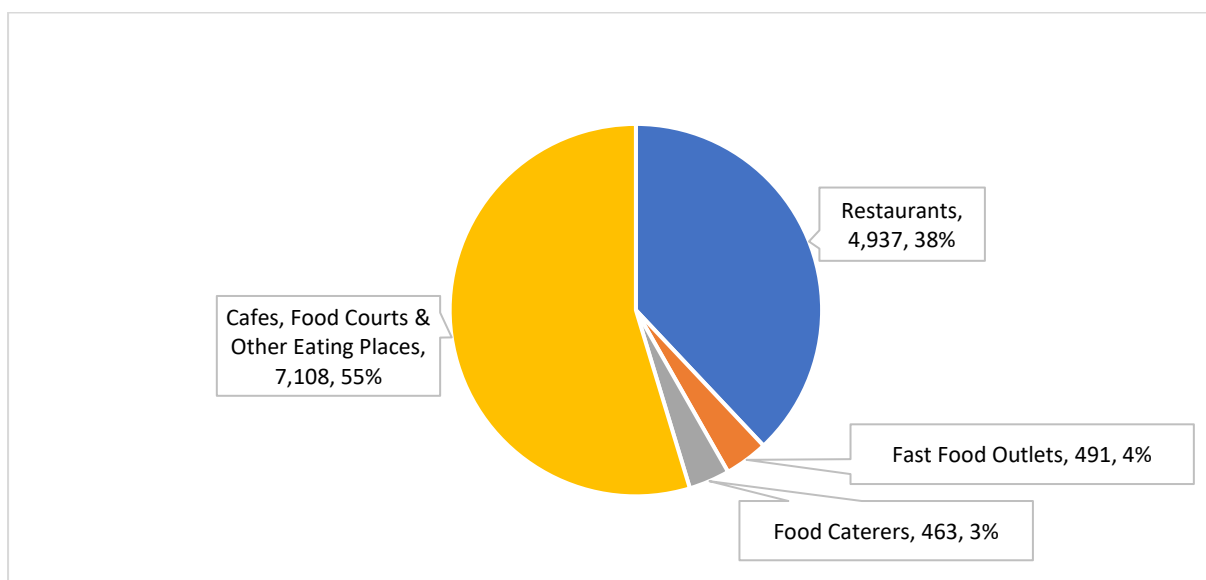


Figure 1. Breakdown of Food and Beverage Establishments in Singapore as of 2019 (Source: Adapted from Singapore Department of Statistics, 2021b)

Similar to other industries and countries, COVID-19 has also devastated the Singapore F&B industry. F&B establishments were subjected to stringent rules and regulations (e.g., group

sizes, social distancing, etc.) from the government starting end-March 2020 to control the spread of COVID-19 in the country. A comprehensive lockdown, termed the ‘circuit breaker’, was then imposed between April to May 2020 due to an increase in local transmissions. F&B establishments were prohibited to provide dine-in services, which negatively impacted restaurants (more than other establishment types) because they were specifically designed for the purpose. The country later proceeded into the planned reopening stages of phase 2 in June 2020 and phase 3 in end-December 2020, where dining in resumed with group size limits of five and eight respectively. Nonetheless, the year saw restaurants experience a -33% year-on-year change in sales (Qua et al., 2021).

In May 2021, the emergence of the Tan Tock Seng Hospital¹ cluster and a cluster around an Immigration and Checkpoints Authority² (ICA) officer resulted in the tightening of measures. A return to several phase 2 measures took effect under phase 3 heightened alert (HA), where group sizes were reduced to five; and subsequently, phase 2 HA, that saw dining in prohibited altogether again. After the situation had improved, Singapore returned to phase 3 HA in June 2021 through mid-July 2021, where dining in was allowed in groups of two and later, five. However, things took a turn for the worse during end-July 2021 when massive clusters were detected from several KTV lounges³ and Jurong Fishery Port⁴. This led to the reversion to phase 2 HA, with dining in ceased once more. As the situation stabilised, the government permitted dining in for groups of five in August 2021, provided that all members are fully vaccinated. Figure 2 shows the Food & Beverage Services Index for Restaurants from January 2020 to August 2021.

¹ Tan Tock Seng Hospital is a public hospital in Singapore healthcare system.

² The Immigration and Checkpoints Authority is the border control agency of Singapore under the Ministry of Home Affairs.

³ These KTV lounges were specifically the type that serves alcohol and offers hostessing services.

⁴ Jurong Fishery Port is an international seaport in Singapore for transacting fish catch.

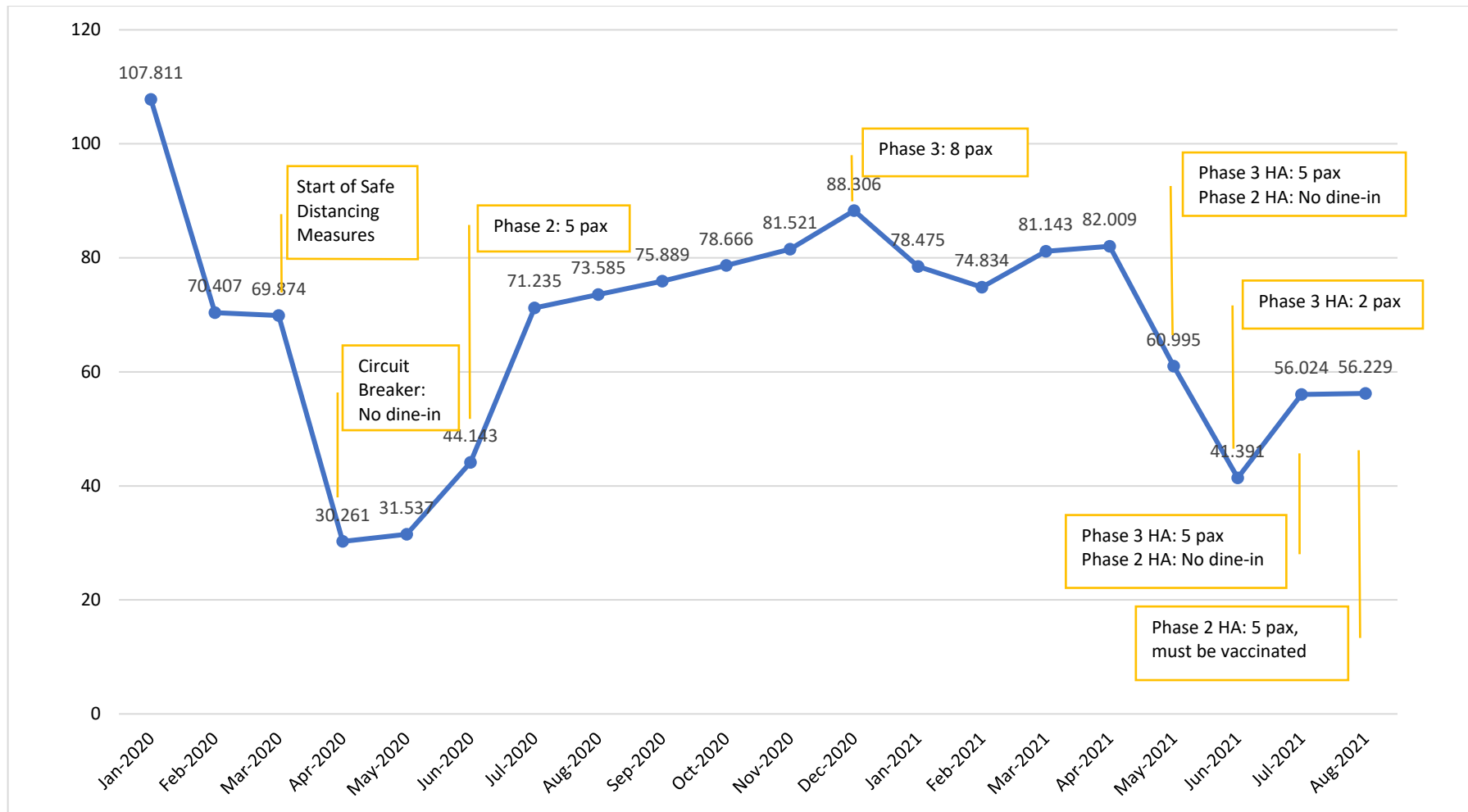


Figure 2. Food & Beverage Services Index for Restaurants from January 2020 to August 2021 (Source: Adapted from Singapore Department of Statistics, 2021a)

Despite the gloomy outlook for the F&B industry, the wine industry in Singapore possesses better prospects. Being a first world country, the sophisticated taste in alcohol of Singaporeans is reflected in the size of the industry. Comprising fortified, sparkling, and still wines, wine consumption stands at 10.3 million litres in 2021 and is expected to reach 12.7 million litres by 2025. 58% and 42% of the predicted volume in 2025 will be consumed out of and at home respectively. However, more revenue (80%) will be generated from out of home channels (e.g., bars, restaurants, etc.) due to the higher markups imposed on wines sold through these channels (Ward et al., 2021).

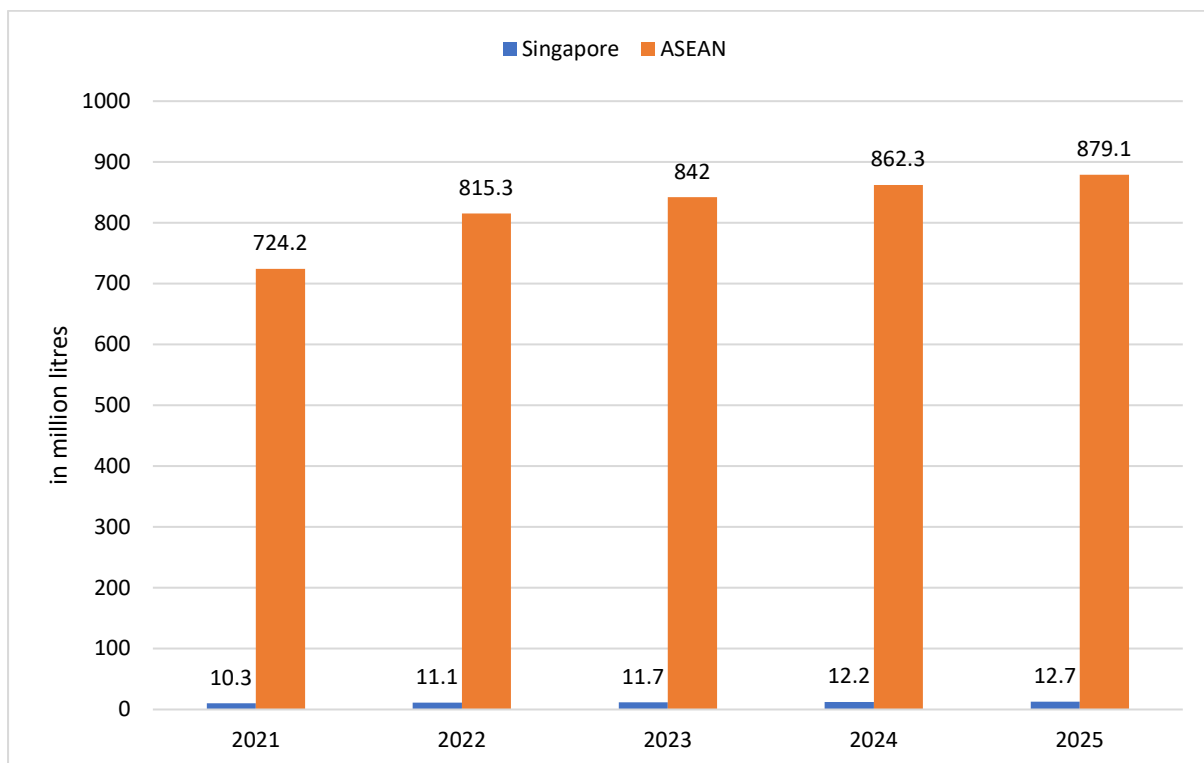


Figure 3. Volume of Wine Consumption in Singapore and ASEAN from 2021 to 2025 (Source: Adapted from Ward et al., 2021)

During the same period, similar wine consumption and revenue trends can be observed in the broader ASEAN region as well. The total volume consumed observes an upward trend — from 724.2 million litres in 2021 and is expected to reach 879.1 million litres by 2025 (Figure 3). However, less wine is expected to be consumed outside the home (35%), with most of the volume consumed at home instead (65%). Nonetheless, the higher prices of wines in out of home channels project an even contribution from the two channels to the total wine revenue (Ward et al., 2021). Figure 4 and Figure 5 show the Estimated Wine Volume and Revenue Share for Singapore and ASEAN in 2025 respectively.

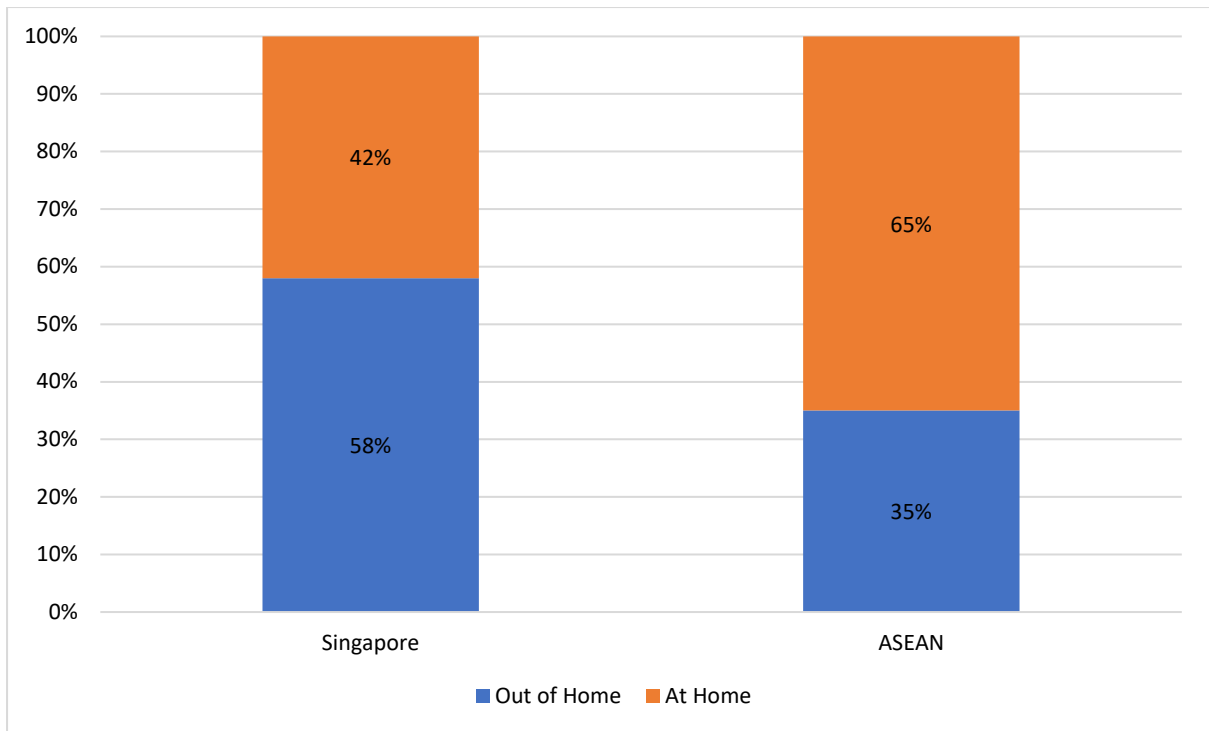


Figure 4. Estimated Wine Volume Share for Singapore and ASEAN in 2025 (Source: Adapted from Ward et al., 2021)

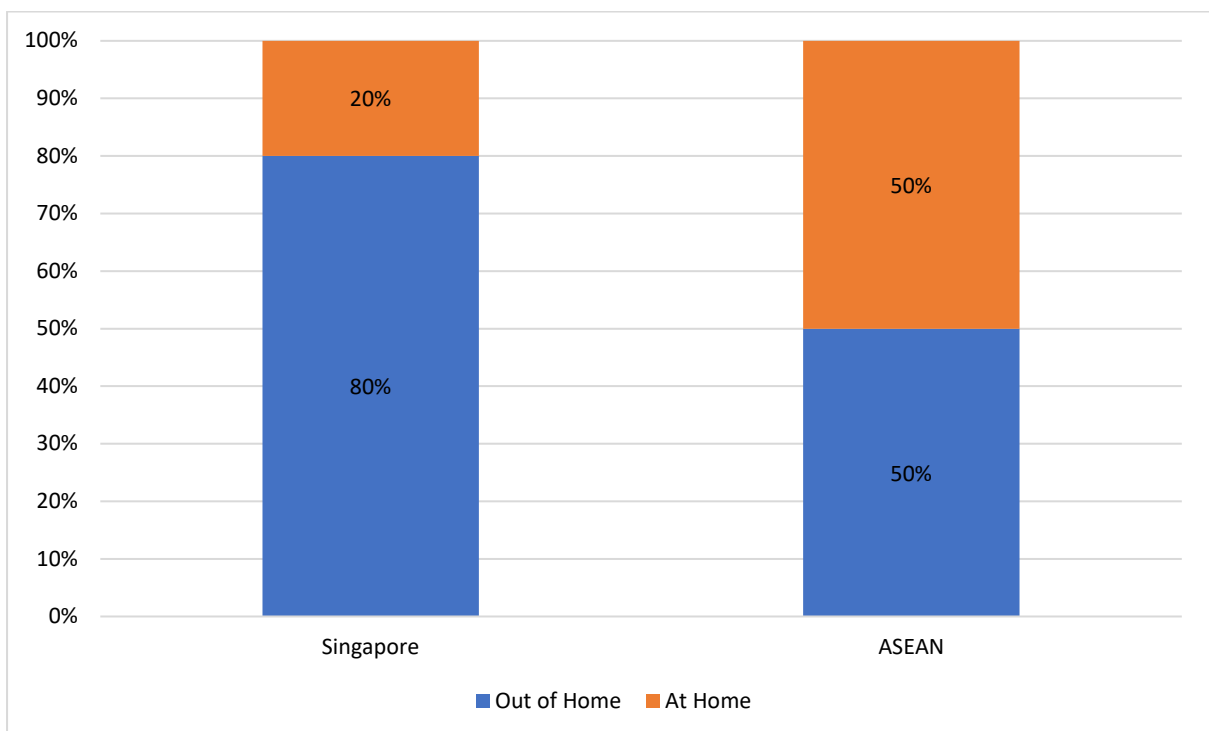


Figure 5. Estimated Wine Revenue Share for Singapore and ASEAN in 2025 (Source: Adapted from Ward et al., 2021)

William Seah, the Wine & Spirit Professional

William Seah, the current co-owner and head of operations at Wine & Kitchen, was not educated in the F&B industry. Neither did he begin his career in the F&B Industry. Instead, William majored in mechanical engineering at university but did not thrive in subject areas of physics and mathematics. This led to William becoming an educational administrator after graduation in 2002. During this role based in Hong Kong, William met his landlord, a Chinese physician. William learned about traditional Chinese medicine, specifically Chinese herbs, which piqued his interest due to his fondness for things grown from nature.

However, the SARS outbreak in the following year caused William to lose his job and return to Singapore. With his newfound interest in traditional Chinese medicine, William started his next job in Hockhua Tonic⁵ and developed further knowledge about Chinese herbs. The company subsequently learned about William's educational background and gradually started to groom him. William's first exposure and opportunity in the F&B industry later came in 2004 when the company diversified into the wine and restaurant industry. William was posted to the company's new wine department and restaurant along with his current executive chef at Wine & Kitchen, where they first met each other. In his new role, William experienced various difficulties, including having to self-learn the various aspects of restaurant management and dealing with his alcohol allergy. Nonetheless, William overcame these challenges and led the wine department and restaurant to success, while developing his interest and knowledge in both areas. This continued until 2010, where William's sustained interest in wines resulted in his departure from Hockhua Tonic to his next company, Wine Connection⁶, to continue his pursuit of wine knowledge.

At Wine Connection, William was exposed to substantially more varieties of wine. This compelled William to undertake educational courses and attain community recognition in the field of wines. From 2010 to 2015, William attended wine courses locally and overseas (e.g., Australia, Bulgaria, United States, etc.) and attained industry recognition from global wine and spirit organisations (e.g., Wine & Spirit Education Trust [WSET], Wine Australia, Trincherro Napa Valley, etc.). During William's tenure at Wine Connection, he was also involved in the Robertson Walk Tapas Bar project, which was a massive success as it

⁵ Hockhua Tonic is a traditional Chinese medicine company based in Singapore.

⁶ Wine Connection is a leading company in wine retail and wine-themed restaurants in Southeast Asia.

generated nearly \$1.2 million in monthly revenue. This made the restaurant become the blueprint for the modern casual wine bistro concept. William's proven track record, knowledge, and industry recognition made him highly sought after by other wine companies. As a result, William started to provide consulting services in 2014, focusing on helping clients establish wine-themed restaurants, wine training, wine sourcing advice, among others.

Business Ventures

After leading various F&B establishments to success for his previous employers and clients, William wanted to do the same with his own business. Therefore, William founded Wine & Gourmet Factory along with a group of friends in August 2017. During the first year, the company conducted numerous wine events and activities (e.g., wine pairing sessions, wine knowledge workshops, etc.) for corporate clients (e.g., banks), government organisations, educational institutes, condominium neighbourhood communities, among others. This allowed the company to open their first restaurant at Bukit Pasoh in the following year. The restaurant was operational until 2021, where the severe impact of COVID-19 on their main consumer base — office workers — now working from home, made it extremely difficult to continue operations.

William's next and current venture, Wine & Kitchen, was opened at the end of 2020. William was able to partner with Sally, who brought capital and experience in the service industry into the venture. However, unlike the first restaurant, Wine & Kitchen is in a considerably more accessible location of TripleOne Somerset shopping mall. Being located in one of the shopping malls within the Orchard Road shopping district and positioned beside a Fairprice Finest⁷, it offers the restaurant a higher degree of accessibility and exposure. Figure 6 is the floor plan of the location of Wine & Kitchen (in red colour) in TripleOne Somerset.

⁷ Fairprice is a supermarket chain based in Singapore. The retail format Fairprice Finest features more product varieties, upscale shopping environment, and value-added services.

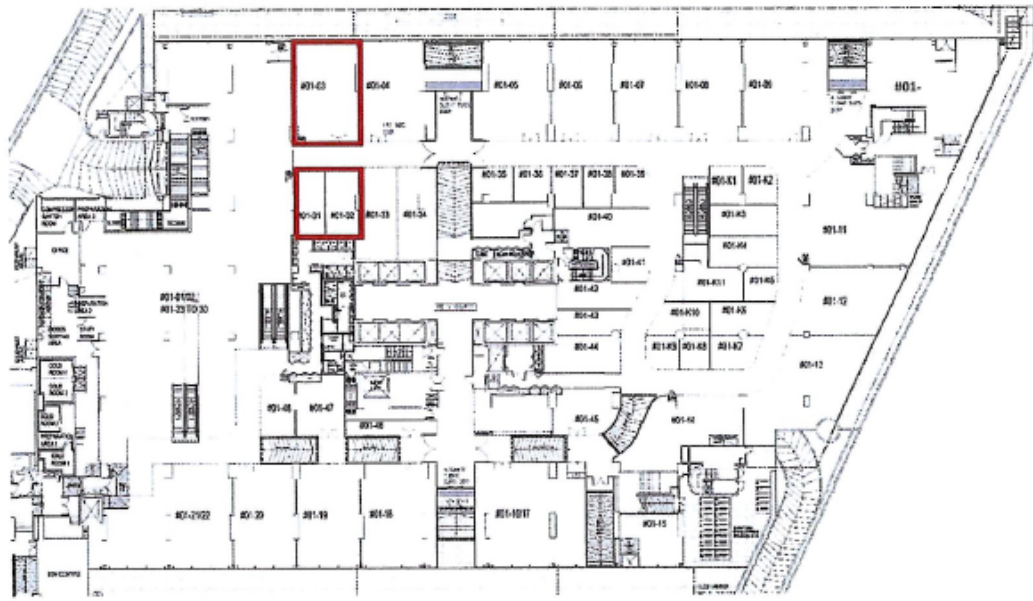


Figure 6. Floor plan of Wine & Kitchen in TripleOne Somerset

Business Phases

William envisioned his entrepreneurial career to develop in five phases, namely network building, brick-and-mortar presence, regional expansion, technology integration, and the Internet of Things. The first phase was accomplished in the first year of founding Wine & Gourmet Factory in 2017. William had provided the wine events and activities to the organisations they approached for free, with the condition that he be allowed to sell wines to the attendees. This allowed William to generate revenue for his business. More importantly, William was able to build his initial customer base as he collected the personal information (e.g., email, phone number) of these attendees who bought the wines and had earned their trust through the insightful wine knowledge he provided.

The second phase of establishing a brick-and-mortar presence was achieved through William's first restaurant and the current Wine & Kitchen restaurant (Figure 7). The network was encouraged to visit the restaurant to dine and/or attend the wine events and activities, which further instilled confidence in them as they witnessed the development of the business.

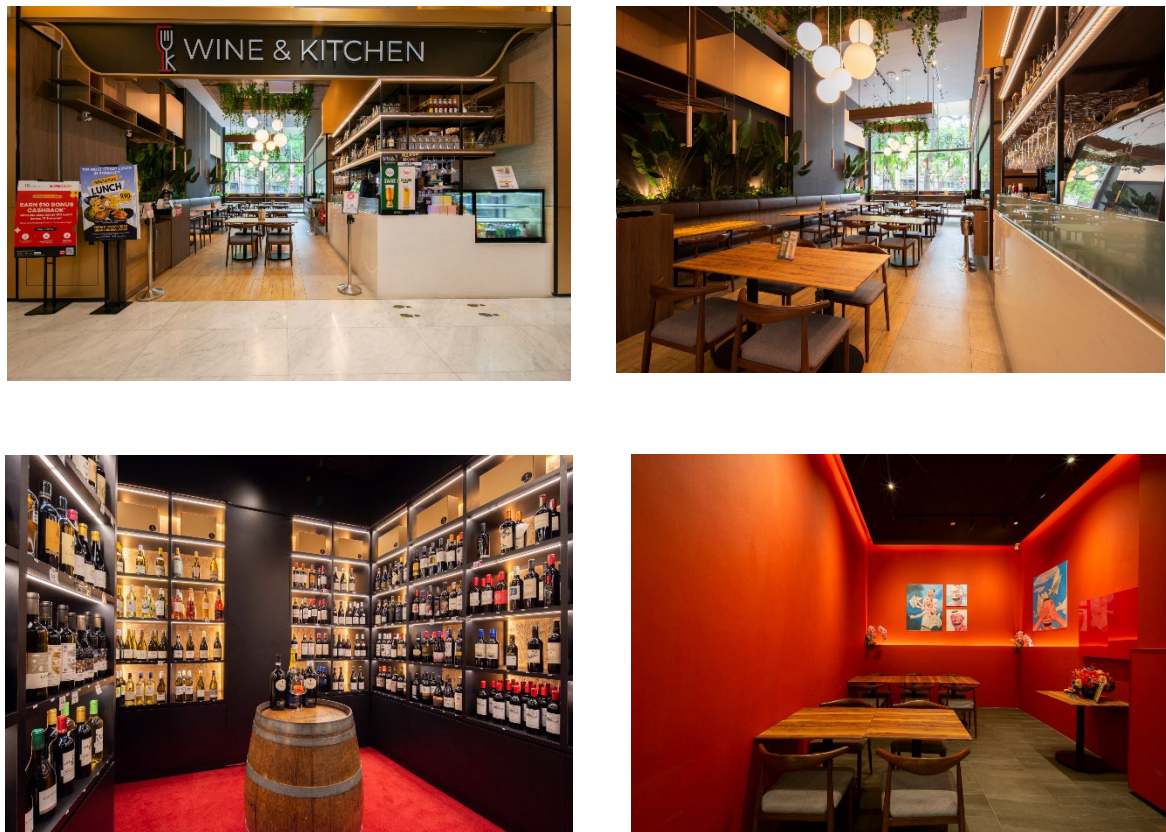


Figure 7. Photos of Wine & Kitchen in TripleOne Somerset

The third phase of expanding regionally was in progress when William entered Cambodia and Myanmar at the start of 2020. William started projects in both countries, including working with an established banker in Cambodia to open a restaurant and partnering with a local hotel brand in Myanmar to train their employees in wine knowledge. However, the onset of the pandemic and the 2021 Myanmar coup d'état meant that developments in both countries were terminated and/or suspended indefinitely. Despite the challenges in the region, the other area of focus was on expanding the local business. The challenges caused by COVID-19 had similarly affected William's local business and he had to consolidate his resources on the TripleOne Somerset location. Nonetheless, it was also this decision that led to the success of Wine & Kitchen, with William now having the opportunity to expand into another outlet using the same business model, which has been specifically adapted to the local COVID-19 situation. In this business model, sales channels have been diversified from solely in-store dining, including food delivery, retail, and online sales, among others. This decreases the impact on business revenue when certain sales channels are affected (e.g., when group sizes for dining in are reduced). Additionally, the business model requires a location

that is highly accessible (i.e., a place like TripleOne Somerset), which could be characterised by the presence of residential areas and nearby complementary facilities such as supermarkets.

The fourth phase of technology integration involves William creating a customer relationship management (CRM) system to notify customers of the latest updates from the business. Subsequently, William intends to bring his suppliers onto the CRM system, which will let the suppliers automatically track their inventory sold through the business. This new service will be an improvement from the current inventory management process, which is done physically and incurs more costs. Moreover, by connecting the customers and suppliers through the CRM system, William wants to create a more seamless marketing process. Specifically, William is seeking to delegate the marketing of the wines to the supplier to reduce business costs. From the customer perspective, they will be able to obtain clearer information regarding the wine from the supplier instead, as the company may be unable to accomplish the same to the desired level of detail.

The final phase of the Internet of Things involves William developing and implementing physical devices with data-processing capabilities at scale. In preparation, William is working with a Chinese company to develop a prototype for a smart refrigerator powered by artificial intelligence (AI). The current prototype utilises radio frequency identification (RFID) technology and quick response (QR) codes to facilitate a seamless process of selling wines. Customers who wish to purchase the wines will need to scan the QR code using their WeChat mobile application, which will unlock the smart refrigerator. They can subsequently take their desired wine(s) and once closed, the RFID technology will detect the removed wines and charge customers on their WeChat account accordingly. William intends to implement these smart refrigerators through the company's network (e.g., government organisations, condominium neighbourhood communities, etc.) established in phase one and is expected to provide substantially more revenue for the company.

Current Challenges

To continue the current success of Wine & Kitchen and expand William's business according to the business phases outlined, the following challenges need to be addressed.

Firstly, in preparation for opening the next outlet, William and Sally need to improve Wine & Kitchen's brand awareness beyond their existing network. The current method of network building adopted by William is slower than desired and targets narrow audiences, which could limit a mass Wine & Kitchen's expansion. Hence, what are the tools that you would suggest to William and Sally to build Wine & Kitchen's brand awareness among the masses?

Secondly, a vital part of Wine & Kitchen's success is attributed to its excellent location. As mentioned, the restaurant is located in the Orchard Road shopping district and positioned beside a supermarket, giving it a high degree of accessibility and exposure. Hence, what are the possible locations that you would suggest William and Sally for the next Wine & Kitchen outlet?

Thirdly, besides expanding outlets locally, William is still seeking to enter the regional countries as part of phase three. However, with the pandemic not expected to end soon, countries are starting to move towards treating the virus as an endemic, but with differing extents and speeds of transition. Considering the circumstances surrounding the previous expansions into Cambodia and Myanmar and the current COVID-19 situations across various countries, what countries would you suggest William for the next regional expansion? Also, how should the expansion in the selected countries be executed?

Finally, although William is working on the smart refrigerator prototype for phase five, which have yielded some areas that require significant improvement. The sale of wines through the smart refrigerator is currently based on the WeChat mobile application, which requires the user to have a bank account in China. This presents a challenge for William as local customers are not expected to meet this requirement. Additionally, these smart refrigerators have been implemented in China since 5 to 6 years ago, presenting potential competition for William should he decide to continue with the idea. Hence, should William continue to develop the smart refrigerator? If so, how would you suggest William overcome the challenges regarding the payment process and potential competition? If not, what can William do instead to incorporate the Internet of Things in his company?

Acknowledgements

This case study was possible based upon real business experience by Mr William Seah and Ms Sally Seow, founders of Wine & Kitchen Pte. Ltd.

References

- Aditomo, A., Goodyear, P., Bliuc, A. M., & Ellis, R. A. (2013). Inquiry-based learning in higher education: Principal forms, educational objectives, and disciplinary variations. *Studies in Higher Education*, 38(9), 1239–1258.
<https://doi.org/10.1080/03075079.2011.616584>
- Qua, K., Yeo, M., Lee, J., & Chua, K. (2021). *Impact of COVID-19 on the retail and food & beverage services sectors*. Singapore Department of Statistics.
<https://www.singstat.gov.sg/-/media/files/publications/reference/newsletter/ssn121.pdf>
- Restaurant Association of Singapore. (2016). *Turning passions into profits*. Singapore Food Agency. https://www.sfa.gov.sg/docs/default-source/food-retailing/guidebook_turning_passion_into_profits.pdf
- Shah, R. A. (2020). Experiencing the Process of Knowledge Creation: Use of Inquiry-Based Learning in Social Work Education *Social Work Education, Research and Practice* (pp. 43-57): Springer.
- Singapore Department of Statistics. (2021a). *Food & beverage services index, (2017 = 100), at current prices*. <https://tablebuilder.singstat.gov.sg/table/TS/M601662>
- Singapore Department of Statistics. (2021b, March 31). *Key indicators by industry group in all services industries, annual*. <https://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=13033>
- Singapore Department of Statistics. (2021c, May 18). *Operating receipts of restaurants in Singapore 2010–2019*. Statista.
<https://www.statista.com.singaporetech.remotexs.co/statistics/723511/value-of-income-of-restaurants-in-singapore/>
- Ward, H., Zhang, Z., Mizuno, K., Biagi, L., & Rodriguez, C. (2021). *Wine – Singapore vs. ASEAN*. Statista.
[https://www.statista.com.singaporetech.remotexs.co/outlook/cmo/alcoholic-drinks/wine/singapore?comparison\[\]=asean](https://www.statista.com.singaporetech.remotexs.co/outlook/cmo/alcoholic-drinks/wine/singapore?comparison[]=asean)