

Stainesbridge



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## Digitalization | Transforming F&B Processes

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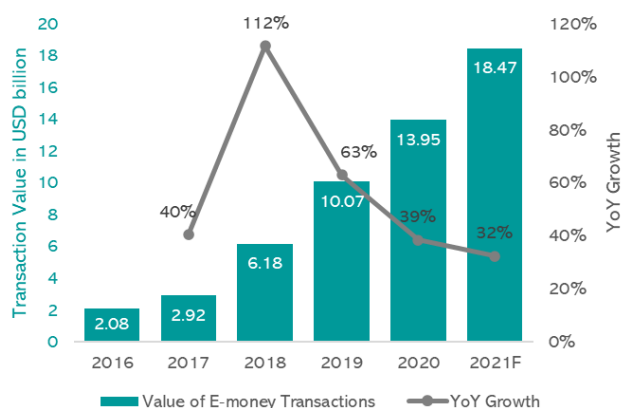
# Digitalization | Transforming F&B Processes

By Manesh Jethmal, Director at Stainesbridge

**As digital innovations change behaviors, so too can business processes evolve.**

## 1. Changing human behaviors driven by digital innovations

Consumer transactions were once dominated by cash, with only a small percentage executed via cashless means. That has since changed in Indonesia. Figure A shows the sharp rise in cashless transactions.



**Figure A: Growth of E-money Transactions in Indonesia (2016–2021F)<sup>i</sup>**

*This visual depicts the astronomical adoption of e-money transactions by consumers in Indonesia. In the case of Indonesia with its large unbanked population, e-money became and still maintains the largest share of cashless mode of payment.*

Similar patterns of this evolution have been observed in many other countries. Several reasons driving this change in consumer preference are leveraging technology to serve the unbanked population, ease of payment tracking and verification, and security of one's money, to name a few. We shall not delve further into this evolution as it is a topic worthy of its report; highlighting this evolution is to make a point of changing consumer behaviors that are not fads and look to stay the course.

## 2. Opportunity for F&B establishments to evolve their business process

As consumer behavior changes, so too must business processes. With the proliferation of digital payments, F&B establishments can rework their operating processes to capture new

opportunities to further optimize costs and/or grow revenue.

The F&B establishment referenced in this paper is one that Stainesbridge advised on its digitalization roadmap and assisted with its digitalization journey.

Figure B maps the current traditional dining process. This is representative of many F&B business operations that have yet to make the digital transition.

Acknowledging and embracing the change in consumer behavior, specifically, their adoption of technology, allows business owners to reassess their processes and uncover opportunities for additional value creation. As shown in Figure C there are several levers F&B establishments can pull to extract gains.

## 3. Immediate gains from digitalizing F&B processes

A comparison between Figures B and C presents the revenue and cost benefits of mapping one's business process.

### Revenue benefits

**Capacity Expansion.** F&B establishments largely operate in an environment with peak and non-peak demand with the binding capacity constraint occurring during the peak period. Expanding capacity through acquiring additional store space is a costly option and is often an unavailable proposition if adjacent units are already occupied. In this case, if an establishment can compress the total average time a diner spends at their establishment (without comprising the diner's experience), this by itself expands the capacity available during the peak period and thus offers the opportunity to serve additional diners. In this project engagement, it so happened that our client's peak hour window was 3-hours during the lunch and another 3-hours during dinner. Our digitalized process compressed each diner's "in restaurant" time by 15 minutes which translates to a 33% increase in capacity during

both peak periods. This is a significant win for our client.

*Promotion Strategy.* F&B establishments that adopt smart digital solutions with inventory control features will be recipients of recommendations that inform the menu promotional strategy. Examples include the bundling of menu items that would have a higher rate of success in attracting diners and improving the average bill size. Off-peak hours promotions further increase the utilization of assets and manpower is another example, and linking this to an establishment's online marketing strategy opens a new vector for growth.

### Cost savings

*Reduced Manpower.* Our proposal in **Figure C** combines the roles of the Host/Server and the Cashier. This is done without undue stress on the individual because it fills the downtime under the separate roles as shown in **Figure B**.

*Reduced Spoilage.* Digitalizing the inventory to include the expiration dates enables the system to offer promotions that prioritize near-expired ingredients to minimize the cost associated with spoilage which remains at elevated levels.<sup>ii</sup>

## 4. Secondary gains

Designing the appropriate process flow is both an art and a science that requires the incorporation of any establishment-specific factors. We cannot disclose our client's unique operating factors as it gives them a competitive advantage. What we can say is that some restaurants offer an experience that differs from the mainstream. Think Korean BBQ where the diners do the cooking; this eliminates the need for a chef. Another restaurant offering a unique experience is Marche where each diner has their bill which is settled as they exit the restaurant, thus freeing up tables earlier than the standard practice. Designing the appropriate digitalized process further reveals additional levers for revenue growth and cost savings.

## 5. Implementation obstacles to be aware of and suggestions for overcoming them

Implementation of any transformation initiative will throw up some unexpected obstacles and being aware of some of the more

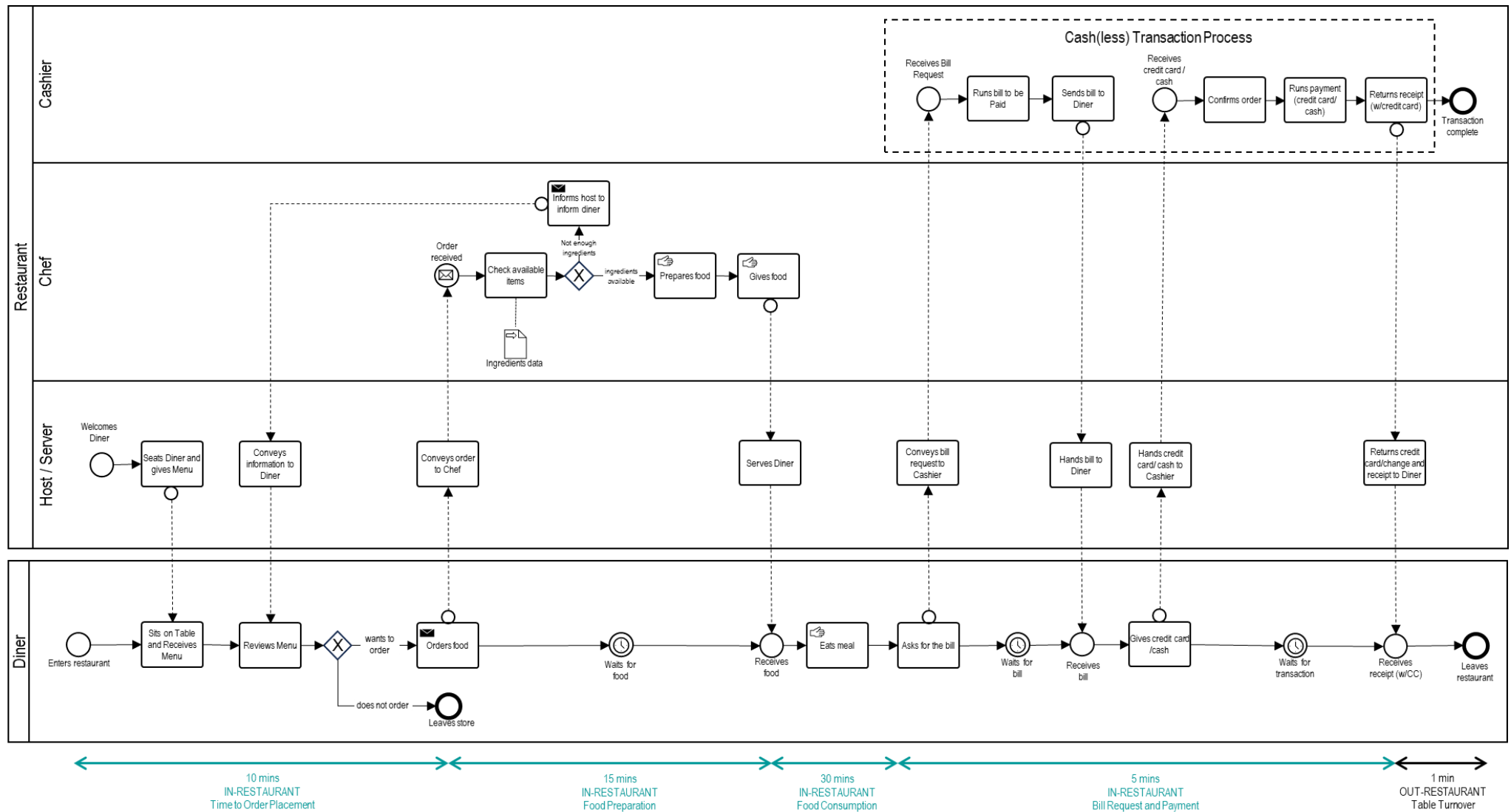
common issues will help to set and manage expectations.

*Technology Adoption Risk.* We have seen businesses acquire technology for the sake of it and the CAPEX goes to waste because the employees do not adopt it. Even after providing onboarding and training support, establishments face an uphill adoption battle if the technology is meant to replace an existing process that employees are content with. Some establishments resorted to brute force transition however, we recommend a softer and co-ownership approach that calls for the creation of a planning team that consists of employees to champion the new technology.

*Employee Pushback on Expanded Job Scope.* The combination of underutilized roles seems obvious on paper however critical to its success is the adequate training required for employees. Some employees may be reluctant to accept an expanded job scope, however, we have experienced less resistance if this transformation is approached from an angle that incorporates career and compensation progression.

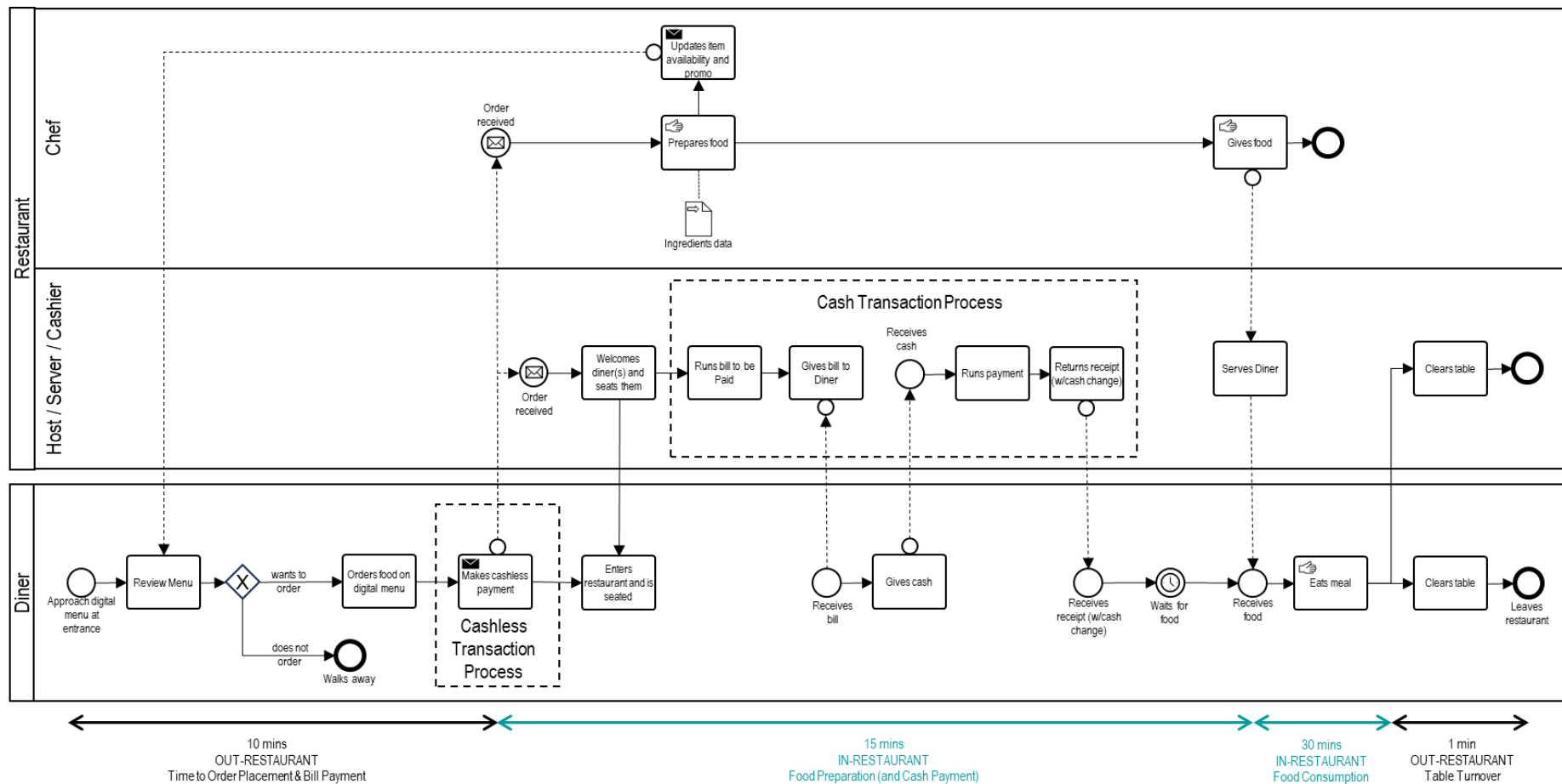
## 6. Conclusion

Accepting that customer behaviors have evolved is an opportunity not to be passed over. The F&B sector is notorious for its high failure rates, manpower constraints, and many other challenges. However, it is not all doom and gloom when one understands that technological solutions exist to support the redesigning of business processes and unlocking hidden value. Equally as important is such technologies are accessible to the standalone operator.



**Figure B: Current Dining Process**

This visual depicts the traditional diner experience. It is largely what goes on in an establishment that has yet to reap the full benefits of digitalization. Of note are: (1) the amount of downtime for the Host/Server and the Cashier; and (2) the average diner's "in restaurant" time of 1 hour.



**Figure C: New Digitalized Dining Process**

This visual depicts the digitalized diner experience. The benefits are observable: (1) the combination of the Host/Server and Cashier roles offers better personnel utilization; and (2) the average diner's "in-restaurant" time is reduced by 25% to 45 minutes, thus expanding the establishment's capacity during peak periods.

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## References

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<sup>i</sup> Bank of Indonesia, Asian Banker Research, available at: <https://www.theasianbanker.com/updates-and-articles/big-tech-platforms-heat-up-competition-in-indonesias-digital-payments-landscape>

<sup>ii</sup> Food Loss and Waste in Indonesia 2021, Ministry of National Development Planning/BAPPENAS, available at <https://lcdi-indonesia.id/wp-content/uploads/2021/07/Report-Kajian-FLW-ENG.pdf>  
Image by istock.