

Malaysia Food

Focus Dynamics expanding to food delivery, cloud kitchens for Malaysian stalls, eateries

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By Charlotte Chong

KUALA LUMPUR, NNA - Malaysian food and beverage company Focus Dynamics Group Bhd. is diversifying into cloud kitchens, a fast-growing business model riding on the increasing popularity of app-based food delivery.

Known for food and beverage concepts combining dining with entertainment and lifestyle, the ACE-market listed company plans to set up 25 cloud kitchens at Persoft Tower in Petaling Jaya town and a new platform in the next three months to do food delivery with a logistics partner.

Targeting at restaurateurs and traditional roadside stall operators, it will rent the cooking spaces for them to whip up meals from breakfast to dinner and have them delivered to homes and places within a 5-kilometer radius, starting from the fourth quarter of this year.



In recent months, the global coronavirus pandemic which thrust countries into lockdown has pushed cloud kitchens into the limelight as a more relevant, safe and practical business model to facilitate the delivery of meals as people have had to work from home in mandated social distancing.

Hit by shutdown and high operating costs, eateries could retain their market presence while reducing costs by operating at such shared facilities which do not offer a dining area in most cases.

Focus Dynamics executive director Benson Tay Ben Seng believes that the economic impact and restrictions of the ongoing pandemic and Malaysia's movement control order have caused major shifts in business and consumer behavior patterns.

As fewer people would be dining out as restaurants still have to implement safe distancing measures, the recovery for F& B businesses would be difficult. To survive, they would have to focus on food delivery and takeouts, said Tay, adding that working from home has also become a norm for many.

Tay said the coronavirus crisis is forcing many restaurants to cut losses and scale down their operations.

“These interlinked changes of trends in F&B operations will result in many restaurants being unable to generate enough revenue to match fixed costs of staff, rental and raw materials. Many restaurant operators will opt for food delivery to attempt to sustain its operations,” said Tay.

Noting that two app-based food delivery companies are charging eateries up to 30 percent per delivery, Tay said he would keep costs low for food operators.

“Our delivery charges will be priced much less. We will try to get the end customers to absorb the delivery cost. We will also try to bundle all our costs including delivery, packaging, marketing and kitchen services into one fixed cost,” he said.

Apart from street vendors and restaurant owners, the company hopes to attract cooks who have been operating a food business from home and doing their own delivery.

“We are simply catering to this expected surge and facilitate the new operation in an environment that is structured and automated,” said Tay.



According to a report by Absolute Markets Insights in April this year, cloud kitchens in the Asia-Pacific region are expected to see their highest growth from 2020 to 2028 due to rise in internet use and rapid urbanization.

The India-based market research company observed that many restaurants have already moved their operations into a cloud kitchen during the coronavirus lockdown, doing away with serving staff and saving operating costs.

“Even popular brick-and-mortar restaurants are following this trend to scale up their order numbers and also to reach new customers,” said its report. It also added that the cloud kitchen sector is expected to attract much investments as consumer demand rises.

In fact, Malaysia's first cloud kitchen Dahmakan, set up six years ago, managed to raise \$18 million in its second round of funding for business expansion in February this year.

Its co-founder and CEO Jonathan Weins told NNA that the company benefitted from an increase in residential orders including dinner and weekend meals during the lockdown.

When asked about the viability for small businesses operating from cloud kitchens, Weins said small vendors often have very low overheads, so they do not need a high volume to make a profit.

He said, “This makes it easier for them to survive and operate solely on delivery orders. However, lower profit margins might mean it is not attractive for them enough to run this for a long time.”

However, Weins cautioned that the cloud kitchen concept is not a catch-all solution for every type of restaurant. It is more suitable for those offering fast food and casual meals.