



# **SUBSECTOR PRODUCTIVITY REPORT**

**RETAIL AND F&B**



**Subsector Productivity Report Retail and F&B**

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**The retail and F&B subsector has been one of the largest contributing subsectors to the country's Gross Domestic Product (GDP) for many years. This subsector productivity report focuses on the Retail and F&B Productivity Nexus's (RFBPN) initiatives to address productivity challenges relating to technology, workforce and industry structure.**

# Executive Summary

The Malaysia Productivity Blueprint (MPB) which was launched in 2017, has since then, been the policy guidance for MPC. The Blueprint serves as a holistic approach to target initiatives to boost up potential productivity at national, sectoral and enterprise levels. The five key strategic thrusts include Building the workforce of the future; Driving digitalization; Making industry accountable for productivity; Forging a robust ecosystem and securing a strong implementation mechanism.

MPB emphasizes the role of the private sector in productivity; hence eleven (11) Productivity Nexus championed by the captains of selected main priority subsectors were established including retail and F&B under the Twelve Malaysia Plan (12MP), the Productivity Nexus are responsible for planning and executing high-impact productivity improvement programmes for their respective industries.

The retail and F&B subsector has been one of the largest contributing subsectors to the country's Gross Domestic Product (GDP) for many years. This subsector productivity report focuses on the Retail and F&B Productivity Nexus's (RFBPN) initiatives to address productivity challenges relating to technology, workforce and industry structure.

The first part of this report presents an overview of the subsector in general, taking into account the pre-COVID-19, during COVID-19 and post COVID-19 scenarios as how these three phases have created unprecedented impact to Malaysia's economy, labour productivity growth, and change in how businesses are being done.

The second part of this report presents RFBPN's programmes and activities to mitigate the challenges put forth by the subsector players. The report also provides several key recommendations for the industry and government to consider in spurring productivity growth, creating value and strengthening the subsector's initiatives towards business and economic recovery.



## Message from the Director General, Malaysia Productivity Corporation

**“ The Subsector Productivity Report 2022 presents a roadmap for attaining sustainable productivity gains, fostering innovation, enhancing the overall competitiveness of our industries, and propelling Malaysia towards sustainable economic growth ”**



Malaysia Productivity Corporation (MPC) plays a pivotal role in bolstering Malaysia's economic growth by driving productivity advancements across all sectors, as outlined in the Twelfth Malaysia Plan (12MP). Malaysia's economy demonstrated promising performance, with a remarkable 8.7 percent GDP growth in 2022, surpassing the 3.1 percent achieved in 2021. This growth can be attributed to the recovery of private spending and investment, a decline in unemployment rates, and the strengthening of the ringgit.

The year 2022 presented both opportunities and challenges for Malaysia's economic landscape. Our nation navigated through a dynamic global environment characterized by technological advancements, shifting market dynamics, and the ongoing recovery from the pandemic's impact. Amidst these circumstances, productivity emerged as a critical driver of economic growth and competitiveness, serving as a key pillar for Malaysia's sustainable development.

MPC strategically leverages the sectoral Productivity Nexus to drive significant productivity growth in the services, manufacturing, and agriculture sectors. These efforts are carried out in alignment with the Malaysia Productivity Blueprint (MPB), which

outlines impactful initiatives since 2017, and key policies such as the New Industrial Masterplan 2030 and the 12MP Mid-Term Review. By maximizing collaborative efforts across various platforms, MPC actively supports and facilitates the industry-driven initiatives of the Productivity Nexus.

We take pride in highlighting the remarkable achievements of our subsectors in enhancing productivity. Through innovative practices, strategic investments, and a collaborative approach, our industries have embraced initiatives for productivity improvement, charting for an optimistic goal for a labour productivity growth of 3.8% per annum for the remaining 12MP period.

The Subsector Productivity Report 2022 presents a roadmap for attaining sustainable productivity gains, fostering innovation, enhancing the overall competitiveness of our industries, and propelling Malaysia towards sustainable economic growth. We believe that this publication will inspire fruitful collaborations, catalyze meaningful change, and contribute to our nation's shared prosperity.

**Encik Zahid Ismail**  
**Director General**  
**Malaysia Productivity Corporation (MPC)**

## Statement from the Former Champion, Retail and F&B Productivity Nexus

“ The main objective of the Retail and F&B Productivity Nexus (RFBPN) is to provide support, multiple avenues of opportunities for the subsector to spur growth and productivity, digitalize business operations and strengthen competencies for business effectiveness ”



If we truly believe the worse is over, then we will become complacent and little can be done towards the growth of the retail and food & beverage subsector. The main objective of the Retail and F&B Productivity Nexus (RFBPN) is to provide support, multiple avenues of opportunities for the subsector to spur growth and productivity, digitalize business operations and strengthen competencies for business effectiveness. These elements are key to enhancing productivity for the subsector.

Fast forward to 2022, the RFBPN has progressed tremendously, albeit going through 2-years of COVID-19 challenges. The subsector was forced to adopt technology, aggressively onboard e-commerce tools and pivot business directions to survive, sustain and eventually grow.

There are still gaps to address, lessons to learn, initiatives to audit and changes to make. For the Retail, F&B Subsector, we still have a lot of work to do.

Apart from addressing recent and consistent price increase of goods, services, food products and services-related costs, onboarding and adopting digitalization remain as one of the key focus areas for the subsector. Technology adoption will be an inevitable mechanism for this subsector to boost productivity and move up to the next level.

**Deric Yeo**  
**Former Champion**  
**Retail and F&B Productivity Nexus**  
**March 2023**

## **Statement from the Champion, Retail and F&B Productivity Nexus**

**“ While we've come far, there's more to do. Rising costs and digitalization are top priorities. Embracing technology isn't just an option; it's essential for our future success ”**



First, let's celebrate our resilience. We've faced tough times, but we've adapted, learned, and grown. Our mission remains clear, support growth, boost productivity, go digital, and get even better at what we do.

While we've come far, there's more to do. Rising costs and digitalization are top priorities. Embracing technology isn't just an option; it's essential for our future success.

Together, we'll keep pushing boundaries, finding new opportunities, and working with partners to reach new heights. Let's build on our strong foundation and shape a brighter future for the Retail and F&B subsector.

**Datuk William Ng**  
**Champion**  
**Retail and F&B Productivity Nexus**









# **PART I**

## **RETAIL AND F&B SUBSECTOR PERFORMANCE**





## RETAIL AND F&B SUBSECTOR PERFORMANCE

### AN OVERVIEW

Most parts of the world are going through economic recovery since the pandemic. Specifically addressing the landscape changes pertaining to retail and F&B, the rise of e-commerce has come to the forefront and curated the tremendous change of the subsector, globally. The increase in options, choices, prioritization of purchases, availability of supply, increase in demand, shifting of consumer preferences have all contributed to the e-commerce technology adoption of the subsector. In essence, operations in the subsector have become borderless, influenced by social trends and evolving technology innovation.

Needless to say, the impact of the COVID-19 pandemic on the retail and F&B subsector was beyond all of us. Even as many economies currently undergoing slow recovery, the global retail industry was not spared from high inflation rates, disruptions in supply chain and shortage of workforce. No doubt retailers were and are still growing their businesses; they constantly face eccentric challenges in fulfilling consumer expectations<sup>1</sup>.

According to Deloitte's Global Powers of Retailing 2022 report, in the fiscal year of 2020 to June 2021, total retail revenue involving 250 largest global retail organizations achieved USD5.1 trillion, showing an increase of 5.2% compared to 2019<sup>2</sup>. This was due to the quick transition and onboarding of e-commerce platforms by these retail companies. e-Commerce has always been an enabler for various sectors and subsectors, and its impact on the retail industry was evident in the revenues collected by the retailers.

Since then, the retail industry has never looked back, growing stronger and on a steady pace. The subsectors that include food and grocery products, healthcare products, apparel products, automotive products and services are all part of the retail sector.

The global retail industry will be an upward trajectory moving forward and the next five years will see an average annual growth rate for the global retail sector at 4.3% in total retail sales, rising from USD23.7 trillion two years ago in 2022 to a projected USD31.3 trillion in 2025<sup>3</sup>.

### MALAYSIA'S RETAIL AND F&B SUBSECTOR LANDSCAPE

The retail environment in Malaysia has undergone a continuous and marked change over the decades. Retail has been one of the most active subsectors in the Malaysian economy. Retail in Malaysia is wide-ranging, from department store cum supermarket, department store, supermarket and hypermarket, fashion and fashion accessories, pharmacy and personal care and other specialty retail stores. Such variety reflects the changing demands and expectations among consumers for better quality products and services. The food and beverage (F&B) subsector consists of full-service restaurants, fast-food cafés/bars, street stalls/kiosks and self-service

cafeterias. The F&B industry is predominantly Malaysian owned, dominated by small and medium scale companies (SMEs).

The dynamic nature of the retail and F&B landscape has made this industry easily prone to evolving trends and challenges. In a world fueled by digital and global changes that can occur with a snap of a finger, retail and F&B businesses either make it or break it. The COVID-19 crisis that began in late 2019 is perhaps the most challenging scenario that this subsector has had to face, especially in terms of its productivity.

<sup>1</sup> <https://deloitte.wsj.com/articles/global-retailing-2022-industry-remains-resilient-despite-many-challenges-01652205183>

<sup>2</sup> Global Powers of Retailing 2022

<sup>3</sup> <https://www.oberlo.com/statistics/retail-industry-growth-rate>

Due largely to lockdowns and restrictions caused by the pandemic, Malaysia's productivity in the retail and F&B subsector declined in 2020, recording a rate of -10.7% compared to 3.3% in 2019. Business activities in retail and F&B came back to life in 2021 as lockdowns and restrictions were lifted but the industry was still at a negative productivity growth rate of -1.7%.

Seeing this drop in productivity, retail and F&B businesses were quick to turn to the online space and embrace the adoption of technology, digitalization, and e-commerce. According to the Department of Statistics, online retail sales in Malaysia grew 28.9% in April 2020, as more retailers adopted digital and online platforms to stay relevant amidst the COVID-19 pandemic. Furthermore, Malaysia's e-commerce market is anticipated to capture RM51.6 billion by 2024, making it the fastest-growing country in Southeast Asia. This promising outlook is expected to improve Malaysia's productivity level in retail and F&B in the coming years, thanks to economic reopening and acceleration of online businesses in this subsector.

The subsector is also predicted to contribute to a total added value of RM184.8 billion and record an average

productivity growth of 9.9% between the forecast period of 2021 to 2025.

*(Source: Malaysia Productivity Corporation's calculations and forecast based on Department of Statistics Malaysia (DOSM) data)*

Based on these trends, it is clear that digitalization is one of the game-changers that can revive Malaysian retail and F&B productivity back to its pre-pandemic performance. Nevertheless, this digitalization driver needs to be refined, reshaped, and used optimally in this country for it to serve its purpose. Numerous factors and challenges in the Malaysian digital landscape need to be addressed and improved in a comprehensive manner if the country aspires to climb up the ranks and make a significant impact to the retail and F&B subsector and its productivity.

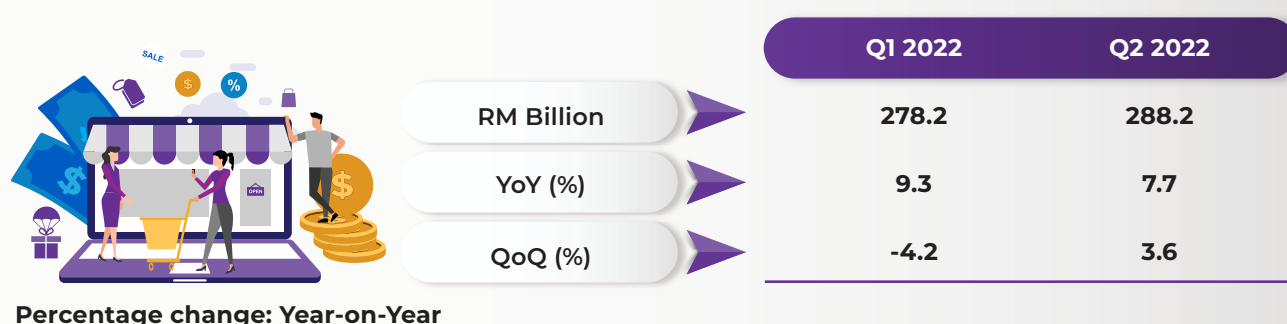
The disruption caused by the pandemic has also forced the retail and F&B subsector to address changes in consumer behaviors, pivoting their business model towards e-commerce, eMarketing and rethink supply distribution. This pushes Malaysia's digital adoption roll-out more aggressively. Businesses that have onboarded digitalization continue to remain relevant to the consumer market.

## TRENDS INFLUENCING THE RETAIL AND F&B SUBSECTOR

### e-Commerce and Online Retail Platforms

e-Commerce income comparison between quarter 1 and quarter 2 showed an increase from RM278.2 billion to RM288.2 billion despite at a reduced rate of -1.6% year-on-year (Figure 1). This is due to the push onboarding of retailers that have aggressively onboarded themselves to the online retail platforms, maintaining strong engagements with their consumers.

**Figure 1: Performance of e-Commerce Income for Malaysia 2nd Quarter 2022**



*Source: Quarterly Services Statistics, Second Quarter 2022, Department of Statistics Malaysia (DOSM)*



**Data-Driven Analysis to Help Understand Trends on Retail**

Data collected, analyzed and updated constantly will be of benefit to the retail subsector in the short-term, mid-term and long-term strategies. The retail and food & beverage subsector players will need these data to be included in their marketing and promotional strategies. The data provides unlimited readings which can potentially create greater productivity growth for the subsector<sup>4</sup>.

**Figure 2: Sources of Data for Data Analytics in Retail**



Source: KPMG Consumer and Retail

<sup>4</sup> <https://home.kpmg/xx/en/home/industries/consumer-and-retail.html>

### **Enhance Healthy Competitiveness to Increase Productivity**

Consumers today are open to more options, able to make price and quality comparisons, understand the product before making a purchase as well as see reviews from other consumers. Given an avenue for the retail and F&B subsector to plan, strategize and implement better selling mechanisms to reach their target consumers. These are done in the forms of pre-order special promotion, special deals during certain dates and many other marketing strategies for higher sales. In this regard, higher sales may reflect higher productivity for the retailers in the subsector, resulting in lower production cost, higher production output at reduced time.

With the onboarding of technology, innovation and digitalization tools, the performance of the wholesale, retail, F&B and accommodation have recorded a revenue of RM409.3 billion, increased almost threefold from 9.2% in quarter 1 of 2022 to 26.1% in quarter 2 for 2022<sup>5</sup>.

These figures may continue to rise with higher consumer spending despite price increase in the overall subsector produce. It helps when Malaysia observes better economic conditions, higher tourism spending, and shopping traffic returning to pre-pandemic levels continue to spur the development of Malaysia's retail and F&B subsector.

### **Constant Changes in Consumer Trends**

The COVID-19 pandemic which has forced multiple series of Movement Control Orders (MCO) for Malaysia has somehow created a totally different type of purchase and shopping experience. Essentially, there were many instances where uncertainties of what the future holds took affront in many industry discussions, which involved retail and F&B subsector players as well.

Due to the changing landscape of consumer preferences and analyzing market behaviours, embracing the digital transformation has propagated as a necessity for most of distributors and suppliers from the subsector, especially those who realize that technology adoption will greatly help them in enhancing productivity, improving quality, reducing waste and increasing sales.

### **The Co-existence of Online and Physical Platforms**

The uniqueness of retail and F&B subsector stands in the mass amount of data potentially gathered from both the online and offline platforms. In the past, where most data was derived manually from demand and supply figures, can now be compiled and analyzed along with the online platform, resulting in an enormous understanding of productivity analytics, sales analytics, production analytics, cost analytics and many others, that is crucial to the business's bottom line.

It is therefore very important for both platforms to co-exist for the retail and F&B subsector especially when many are still operating with a traditional mindset and not really understanding the importance of technology relating to productivity.

Digital transformation will decipher data to assist with inventory, trend analysis, autonomous processing and identify blind spots as well, with the ability to adapt seamlessly to the changing market landscape and consumer behaviours.

Needless to say, the retail and F&B subsector will undergo endless opportunities for growth in productivity only if they are agile.

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<sup>5</sup> Department of Statistics Malaysia

## RETAIL AND F&B SUBSECTOR PRODUCTIVITY PERFORMANCE, 2017-2022

In 2022, Malaysia's economy continued its recovery momentum, with its annual Gross Domestic Product (GDP) recorded at 8.7%, exceeding the 3.1% recorded in 2021. Services sector was the main contributor to the Malaysia's economy, rose by 10.9% in 2022.

### GDP contribution for Retail and F&B

In recent years, the service sector has accounted for approximately 55%-60% of Malaysia's GDP. This indicates a significant reliance on services for economic growth and employment.

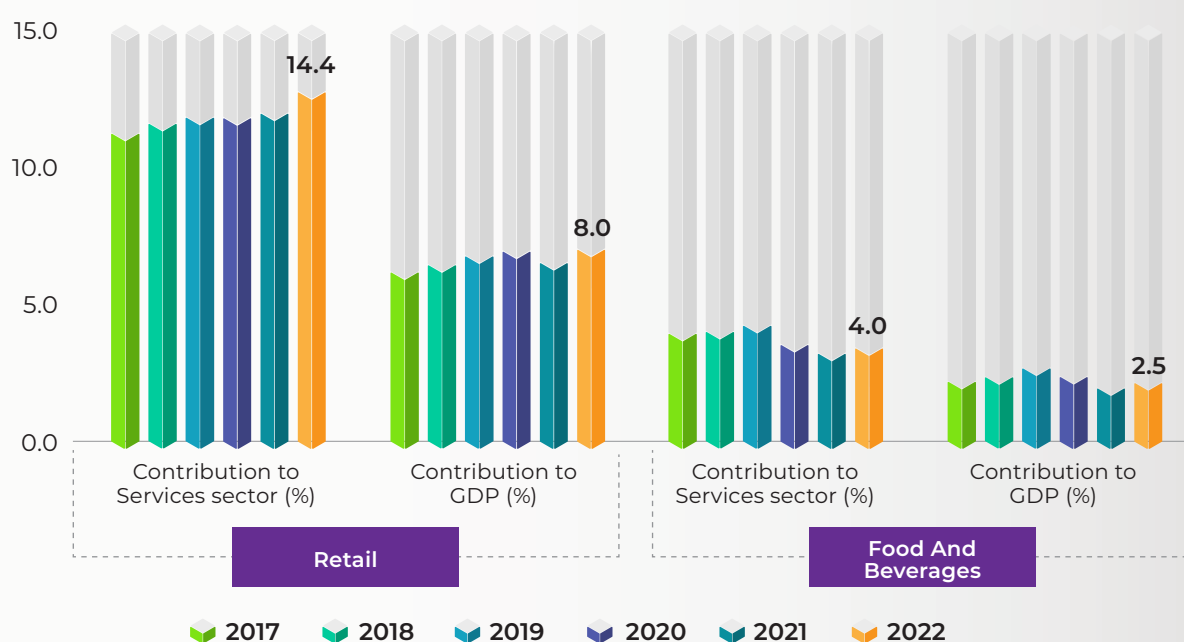
Among the services subsector, retail and F&B recorded the highest output of RM126,712 million and RM35,285 million respectively. In terms of their contributions to the overall service sector's output, retail reported 14.4% and F&B accounted for 4% respectively.

**Table 1: GDP by Services Sector at Constant 2015 Prices**

Economic activity (RM Million)	2017	2018	2019	2020	2021 <sup>e</sup>	2022 <sup>p</sup>
Retail	92,077	101,471	110,245	103,999	107,147	126,712
Food and beverage	33,043	36,263	39,971	31,675	29,061	35,285
Services	723,361	772,990	820,576	777,693	794,552	881,310

Source: Department of Statistics Malaysia (DOSM)

**Figure 3: Contribution of Retail and F&B on Services Sector, 2017-2022**



Source: Department of Statistics Malaysia (DOSM)

The retail and F&B subsector in Malaysia contributes indirectly to GDP through its interactions with other sectors, such as logistics and manufacturing, within the supply chain. Furthermore, the sector's impact is enhanced through the multiplier effect, as increased retail sales stimulate economic activity in related sectors, resulting in additional economic growth and employment opportunities.

In summary the retail and F&B subsector plays a vital role in driving economic development and generating positive effects across various sectors of the Malaysian economy.

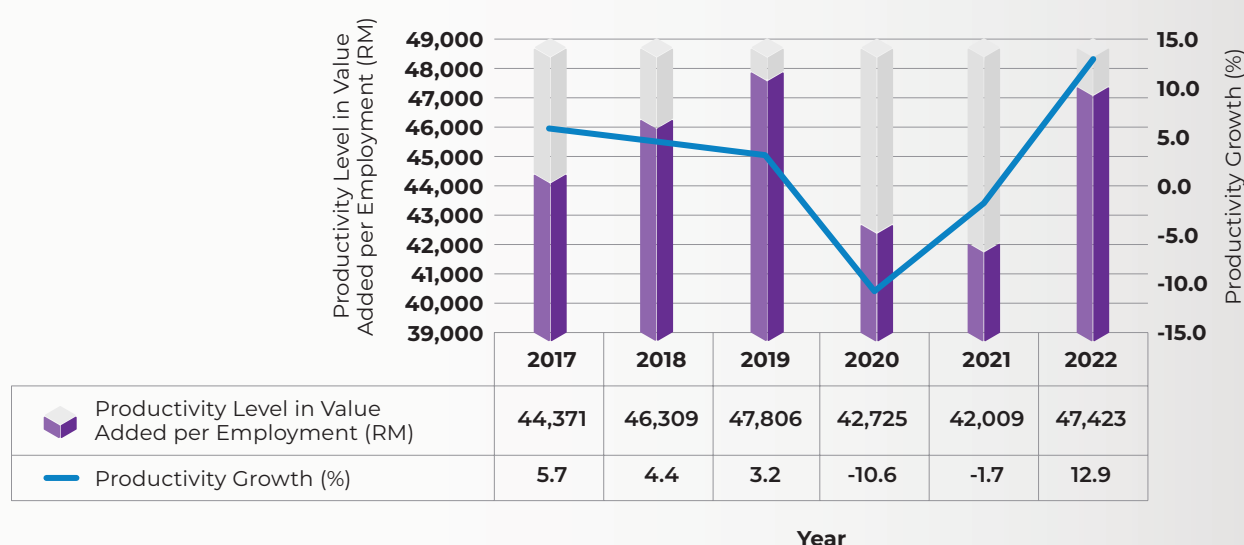
In terms of productivity performance, labour productivity by value added per employment rose 5.4% to record value level of RM95,628 per person as compared to 2021 (1.8%, RM90,697 per person). Services sector increased by 6.5% to record a level of RM90,236 as compared to 2021 (0.5%, RM84,716 per person) which are the main contributors to this improvement.

The retail and F&B subsector was among the severely affected industries in 2020 due to the impact of COVID-19 which could be seen in its negative value-added growth.

In 2020, the retail and F&B subsector recorded a productivity value of RM42,725 which is lower than the national labour productivity, largely contributed by the lockdowns and restrictions caused by the pandemic. Malaysia's productivity in the retail and F&B subsector declined in 2020, recorded a rate of -10.6% compared to 3.2% in 2019 and remains at negative growth at -1.7% in 2021. The retail and F&B subsector in Malaysia exhibited a remarkable rebound in 2022 following the challenging period brought about by the COVID-19 pandemic. The easing of lockdowns and restrictions, coupled with pent-up consumer demand, played significant roles in driving the recovery. Government support and stimulus measures provided crucial assistance to businesses, while adaptability to changing consumer behaviour allowed certain establishments to capitalize on emerging opportunities. The positive productivity growth recorded in 2022 showcases the resilience and adaptability of retail and F&B subsector in Malaysia.

Business activities in retail and F&B came back to life in 2022 as lockdowns and restrictions were lifted and have recorded a positive productivity growth of 12.9%. (Figure 4).

**Figure 4: Retail and F&B Productivity Performance**

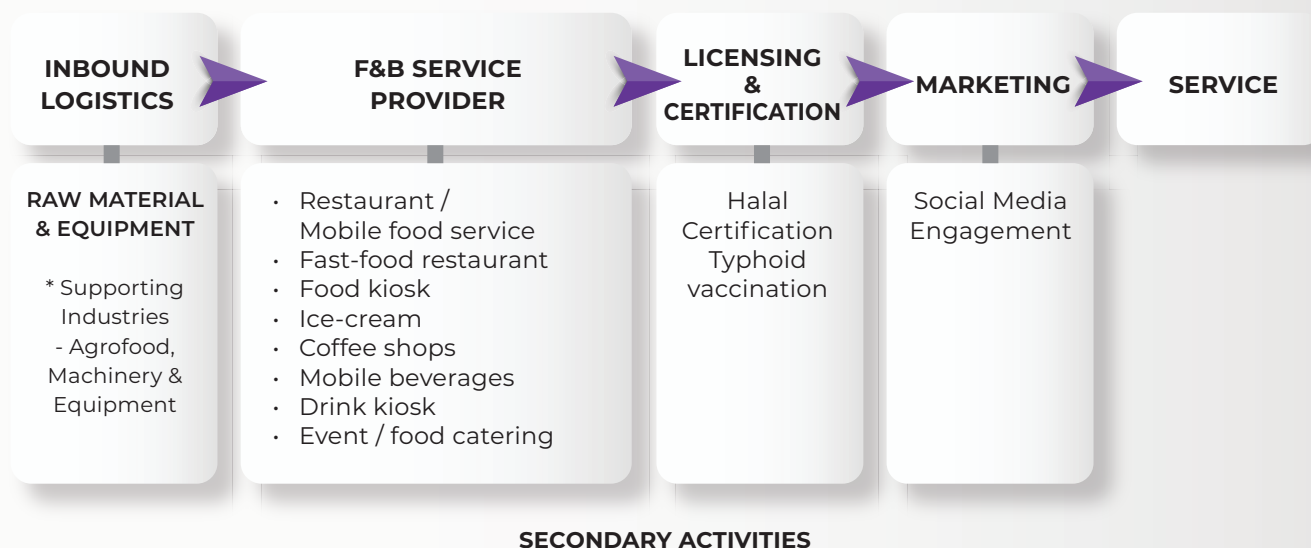
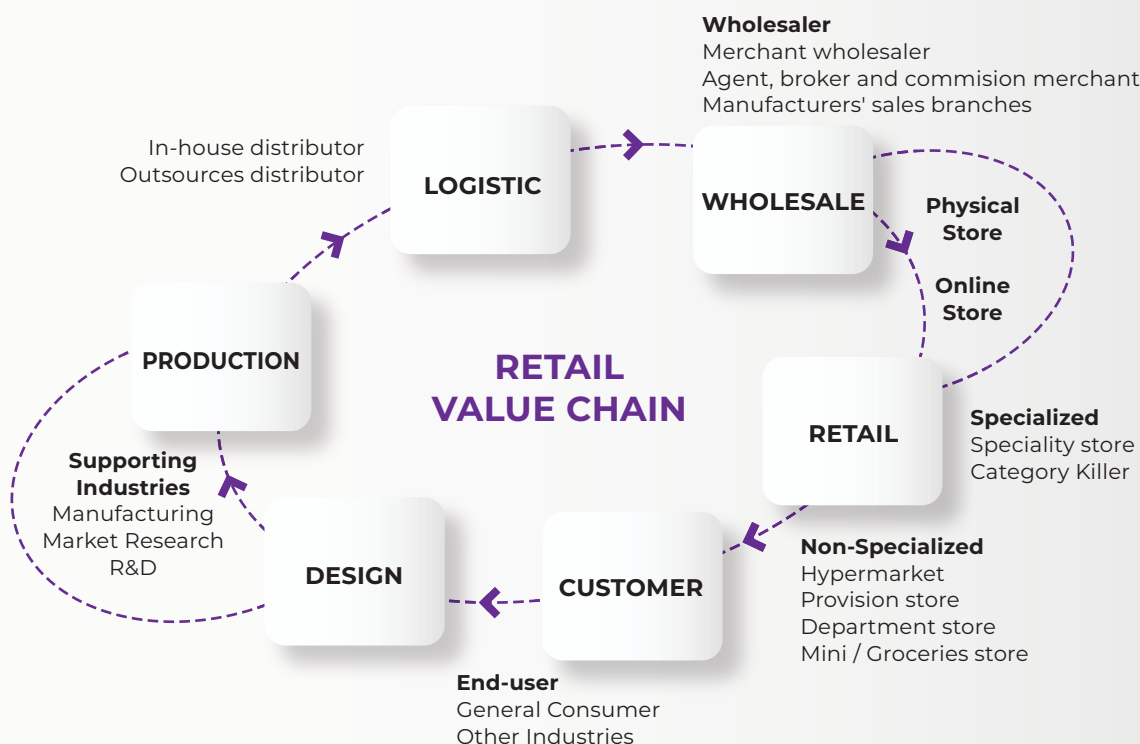


Source: Department of Statistics Malaysia

## THE VALUE CHAIN OF THE RETAIL AND F&B INDUSTRY

Retail market involves stores that markets and sells other products and processed F&B products to the consumers. Retail market includes but is not limited to the hypermarket, supermarket, traditional grocery/store. The linkages between the retail and F&B industry can be illustrated through the value chain of these sectors as shown in the diagram below.

**Figure 5: The Value Chain of the Retail Industry**



**PROCUREMENT, HUMAN RESOURCE MANAGEMENT, INFRASTRUCTURE, TECHNOLOGICAL DEVELOPMENT**

Source: Malaysia Productivity Corporation



The value chain for retail industry is presented with the breakdown structure.

i. **F&B processing industry** – revolves around preparing and processing agricultural products in raw form into marketable F&B product through various methods, among others chopping, mixing, homogenising, cooking, pasteurising and emulsifying. It also includes food preservation process such as refrigeration and freezing, canning, irradiation, dehydration and fermentation as well as packaging of the processed F&B products. These processed products are then supplied to the F&B distribution market.

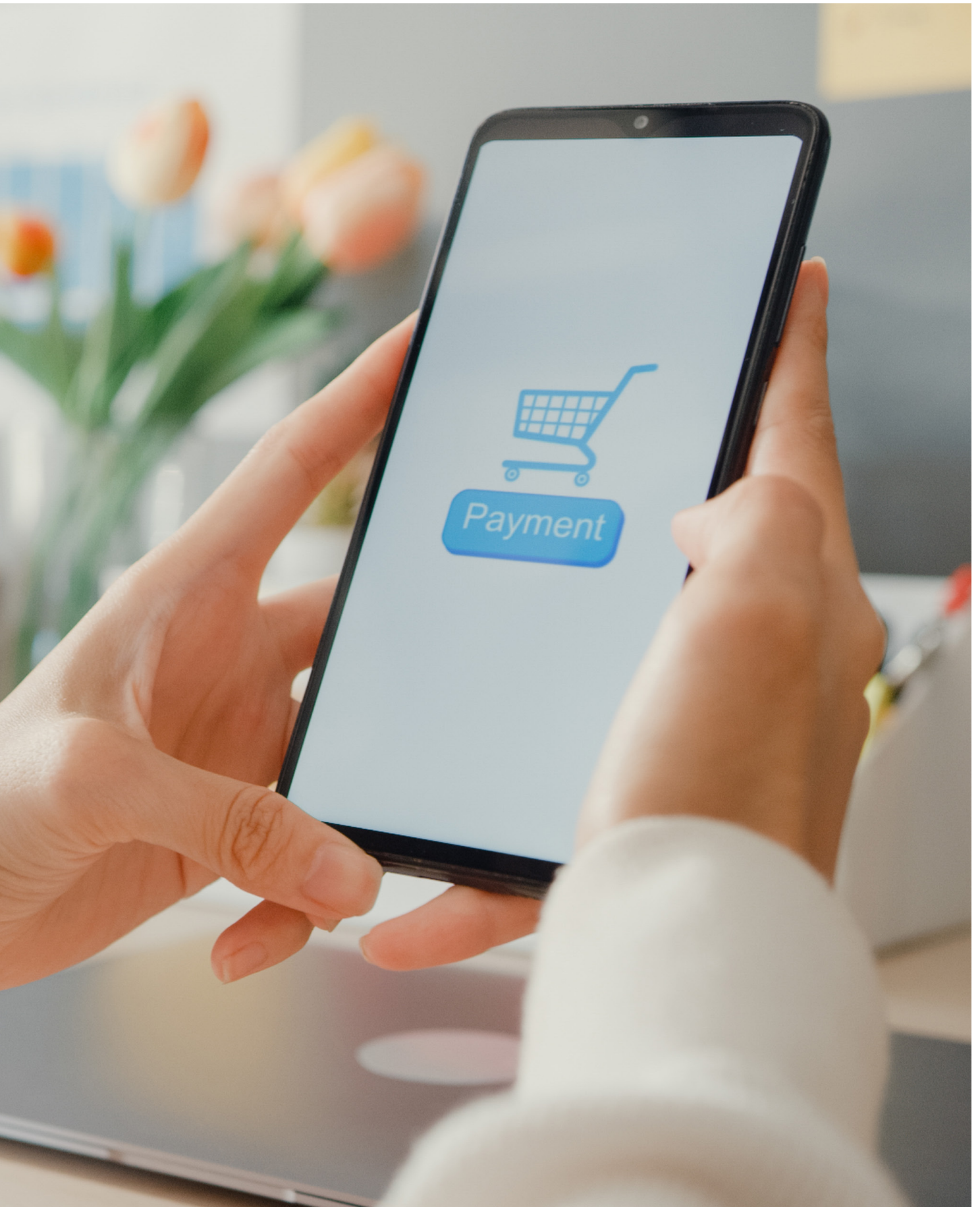
ii. **F&B distribution market** – revolves around supplying and distributing processed products, both locally produced and imported products to the next channels namely the retail market and the food service industry.

iii. **Food services industry** - revolves around the provision of meals to customers for immediate consumption without further processing. It includes restaurants, cafeterias, canteen and food stalls, etc.



# **PART II**

## **CHALLENGES, INITIATIVES AND RECOMMENDATIONS**





## RETAIL AND F&B PRODUCTIVITY NEXUS (RFBPN)

The Malaysia Productivity Blueprint (MPB) was targeted towards sustainable initiatives for economic growth, focusing on productivity improvements. Ultimately, the vision of the MPB is to have measurable outcome of productivity through several targets in the national, sector and subsector levels. Productivity Nexus is a dedicated platform providing enhancement programmes for enterprises to encourage productivity growth of the industry at the sectoral level. Sector Productivity Nexus in the priority areas, which includes retail and F&B have been established. The Retail and F&B Productivity Nexus (RFBPN) that was formed in 2017, has been operating as a central point for subsector players of retail and F&B to promote productivity, boost innovation, and to leverage on incentive opportunities for growth.

The formation of RFBPN was intended to run programmes to increase productivity growth of the industry at the sectoral and subsectoral levels. The Nexus committee members are represented by industry associations, relevant government agencies and ministries that were roped in to address the key challenges of the subsector.

RFBPN intends to increase and enhance the awareness and adoption of sector-level initiatives, encourage enterprises to develop, apply and adopt tools that will boost productivity. RFBPN also practices knowledge sharing by productivity experts to assist in addressing productivity challenges, share best practices and discuss potential solutions on productivity growth.

**Table 2: RFBPN Governing Committee Members**

Champion	
Association / Industry	Government
Malaysian Franchise Association (MFA)	Malaysia Productivity Corporation (MPC)
Malaysia Retail Chain Association (MRCA)	Ministry of Economy
Malaysia Retailers Association (MRA)	Ministry of Domestic Trade and Cost of Living (KPDN)
Bumiputra Retailers Organization (BRO)	Malaysia External Trade Development (MATRADE)
Small and Medium Enterprises Association of Malaysia (SAMENTA)	Human Resources Development Corporation (HRD Corp)

## FRAMEWORK ON SECTOR-LEVEL PRODUCTIVITY INITIATIVES OF RFBPN

With regards to the retail and F&B subsector, the MBP highlighted four subsector initiatives related to the national thrusts. In brief, these initiatives were guidelines for the agencies and industry, as well as subsector players to consider and act upon for their subsectors<sup>6</sup>.

a. First initiative, R1 addressed the need for digitalization by businesses in the subsector to run operations that included technology adoption, e-commerce and strengthen business efficiencies, which results in increase in productivity, potentially experiencing market growth.

<sup>6</sup> Malaysia Productivity Blueprint

b. Promote opportunities for sharing economy was intended to form sustainability and improve resource maximization, boost workforce and encourage industry participation to increase inclusiveness. This would also enhance the digital technology infrastructure, fostering open data ecosystem across government and industries, which will be utilized responsibly.

c. Strengthening the competencies of retail and F&B subsector indicates the companies' commitment to nurture talent and operations competencies. It leads to creating realistic long-term career paths for the subsector players and employees. It also intended

to identify gaps on skillset and knowledge with the change of technology and business landscape of the subsector.

d. Market growth for retail and F&B entails the design and mechanism to help the subsector grow beyond Malaysia. This initiative, at the time, was providing strategic customized opportunities to potential SMEs penetrating demand and seeking global market growth. Again, the main necessity for this initiative is essentially technology adoption, in more ways than one, some would say, total technology investment.

**Figure 6: Framework on Sector-Level Productivity Initiatives of RFBPN 2017-2020**

	SECTOR LEVEL INITIATIVES / LEADER BY ASSOCIATION	SECTOR LEVEL SUB-INITIATIVES				OUTPUT
KEY PRODUCTION CHALLENGES	<b>R1</b> Provide support to high potential SMEs for digitalisation of business operation and build e-commerce capabilities	<b>R1.1</b> Provide SMEs with access to e-commerce experts	<b>R1.2</b> The development of an e-commerce knowledge-based platform	<b>R1.3</b> Establish an advisory support platform (2020)	<b>R1.4</b> Facilitate the strengthening of the e-commerce ecosystem	<ul style="list-style-type: none"> <li>Database of e-commerce players and partners</li> <li>Knowledge Based Platform: Go e-commerce and interactive advisory support platform</li> </ul>
	<b>R2</b> Promote opportunities for sharing economy	<b>R2.1</b> Identify sharing economy opportunities	<b>R2.2</b> Developing the sharing economy platform	<b>R2.3</b> Awareness on sharing economy platform (2020)		<ul style="list-style-type: none"> <li>Market Insights for Sharing Economy Opportunities in the Retail and F&amp;B</li> <li>Pilot Project on Sharing Economy (SE)</li> </ul>
OUTCOME	<b>R3</b> Strengthen Retail and F&B competencies	<b>R3.1</b> Establish a talent development program to recruit and retain quality human capital		<b>R3.2</b> Redesign jobs to match the future needs of the industry (2020)		<ul style="list-style-type: none"> <li>Framework to recruit, retain and improve quality of existing human capital in Retail and F&amp;B</li> <li>Foresight in retail statement for the future needs of Retail and F&amp;B subsector</li> </ul>
	<b>R4</b> Provide assistance to high potential SMEs to grow international	<b>R4.1</b> Provide strategic customised assistance	<b>R4.2</b> Develop tailored assistance framework for existing international expansion	<b>R4.3</b> Enhancement of existing online platform		<ul style="list-style-type: none"> <li>Going international Readiness Evaluation (GIRE) specific design for Retail and F&amp;B</li> <li>Handbooks on Legal and Logistic Requirement to venture selected ASEAN markets</li> <li>Microsite for 20 enterprises from Retail and F&amp;B</li> </ul>



Source: Department of Statistics Malaysia



As a follow-up of the four (4) subsector initiatives lined up from the MPB, the RFBPN looked into several possibilities and programmes to support them, briefly as follows:

### **1. Provide support for digitalization of business operations, including building e-commerce capabilities.**

The programme ran for 12 weeks where subsector players and SMEs were coached and mentored by experienced digital-savvy marketers. This end-to-end training programme teaches businesses on how to set-up their webstores, managing their content, navigate e-marketplaces and expand market outreach using social media. This programme also teaches participants on how to collect data, analyze data and leverage on multiple online marketplaces and sites.

### **2. Promote opportunities for sharing economy**

This initiative encourages SMEs to collaborate amongst themselves and leverage on each other's strengths, may it be on procurement systems, centralized supply system and distribution mechanism. This would potentially allow SMEs to obtain more value for money services, better rates in purchase price and cross check with other retailers on stock and balances.

### **3. Strengthen Retail and Food and Beverage Competencies**

This addresses the workforce element of the subsector, pertaining to the low-skilled or non-skill aspect of the work. This initiative intends to recognize and upskill their work level, provide them with the necessary trainings and programmes to qualify them for other tasks.

Providing certification based on experience, skills and potential will allow them to be of more value to the company or when they move to other companies. This move will also increase and encourage productivity growth in the talent as well as production.

This can eventually form a positive and productive culture for the companies in the long run, thus, retaining and nurturing talents to build greater productivity for the company and subsequently, for the subsector.

### **4. Provision of assistance to retail and F&B players to grow internationally**

With the three subsector initiatives in play, this will develop as a foundation for the subsector to grow beyond the local target market. With many homegrown retailers in F&B subsectors and in the retail subsector itself wanting to grow and penetrate new markets, it is essential that some form of assistance is provided to them.

The Nexus aims to facilitate this initiative through multiple avenues, connecting the SMEs with relevant government agencies such as the Malaysia External Trade & Development Corporation (MATRADE), industry associations with links and affiliations overseas as well local SMEs that have marked their presence globally.



## **ISSUES & CHALLENGES WITHIN MALAYSIA'S RETAIL AND F&B SUBSECTOR**

The retail and F&B subsector have had multiple series of challenges in the past decade, but when the country was first hit by the Movement Control Order (MCO) due to COVID-19, the subsector players immediately faced unprecedented challenges. Among them were disruption in food supply due to restricted movement with very limited operating hours, transport and logistics, shortage of supply and the sudden mushrooming of online purchase platforms.

This affected the transportation and logistics of the supply chain, which has created shortage of supply of food products to the resellers. There was also wastage of perishable items being reported due to the limited number of transportation vehicles allowed on the highways and cities<sup>7</sup>.

The bigger retail and F&B establishments were able to onboard themselves to the online platform, embedding the e-commerce facilities to sell and deliver their products. However, the options and amount supplied were limited.

Even then, more than 200,000 businesses, from small to large retailers were forced to close their operations since the MCO series were implemented in Malaysia. At the same time, consumers were only focused on getting essential necessities that mostly included food and medical products<sup>8</sup>.

The ripple effect due to the pandemic affected all subsectors across every part of the value chain, resulting in bigger gaps and detected what those gaps were. Resilience and agility were addressed at a totally different level for the retail, F&B subsector. Businesses from the subsector that were dependent on supplies, also depended on logistics. The restriction of business operating hours, access and logistics disruption had caused inconsistency of supplies, overstock, longer delivery time and price hikes<sup>9</sup>.

For manufacturers that were reliant on sectors and industry needs, reevaluating and restructuring

production timeline had caused certain risks of increasing costs in production. Refusal to pivot, scarcity of investment funds and unwillingness to take the risk or change have also contributed to businesses, operators and players from the subsector to cease operations.

While the government was aggressively pushing for digitalization of subsectors across the nation, thousands were not onboard. For several months of periodical movement control orders which subsequently lead to recovery phases that allowed smaller traders and micro enterprises in the retail and F&B subsector to reopen, also faced their own line of challenges. Aside from not qualifying for digitalization or access to it, the public were still sceptical about going out to purchase their needs. At the same time, not an entire household was allowed to leave their home, only 1 per household was allowed to leave the house to get necessities and the needful. Supplies to retail outlets and food outlets were also limited, forcing the retailers to ration their supplies for consumers.

The subsector was and probably still is dependent on foreign labour, low-skilled workers and inexperienced workers. With millions of foreign labour being forced to go back to their home countries, the overdependency of this group of workforce had also contributed to closure of businesses.

Finally, performance tracking was not a priority in the retail and F&B subsector. Nonetheless, DOSM and MPC reported a drastic decrease in labour productivity of the retail and F&B subsector when drastic safety security measures took place throughout the country due to the pandemic. The unprecedented and severe impact of the movement control measures caused a major reduction of the economy as well contraction of the productivity in the retail and F&B subsector. Nevertheless, businesses moving towards the online platforms, applying e-commerce and autonomous processing can expect an increase in productivity level from hereon till 2025.

<sup>7</sup> [https://klse.i3investor.com/web/blog/detail/savemalaysia/2021-09-22-story-h1571650976-COVID\\_19\\_and\\_digitalisation\\_Overcoming\\_challenges\\_in\\_the\\_F\\_B\\_industry](https://klse.i3investor.com/web/blog/detail/savemalaysia/2021-09-22-story-h1571650976-COVID_19_and_digitalisation_Overcoming_challenges_in_the_F_B_industry)

<sup>8</sup> <https://themalaysianreserve.com/2020/10/12/over-50000-retailers-to-close-by-early-next-year/>

<sup>9</sup> <https://home.kpmg/xx/en/home/insights/2021/12/six-key-trends-impacting-global-supply-chains-in-2022.html>

## RFBPN PRODUCTIVITY IMPROVEMENT INITIATIVES

### Current Initiative

#### Productivity Step-Up Programme

This programme to enhance productivity in the retail and F&B subsector encompasses the utilization of technology and digitalization, as well as efficient management practices to balance high operational costs. The impact of this programme is expected to reduce operational costs by up to 20%. This programme simultaneously supports government initiatives and assistance for the retail and F&B subsector, where industry players also fulfill their responsibilities to reduce operational costs.

### Past Initiatives

#### Webinar Learning Series

A series of webinars were also organized on e-commerce, Branding and Marketing Strategy. These awareness programmes were designed to enrich the knowledge and open more doors of opportunities for the subsector players to consider as they move forward towards growth marketing and business expansion.

Since 2020, the nexus has organized 40 webinar series, participated by 12,500 subsector players. These sessions and programmes were all in collaboration with agencies such as Malaysia Digital Economy Corporation, Perbadanan Usahawan Nasional Berhad, Malaysia Franchise Association as well as with MPC at their regional offices.

#### Retail and F&B Retail Advisory Clinics (RFB-VAC)<sup>10</sup>

The COVID-19 pandemic has startled all sectors to an unprecedented situation and uncertainties. To help revive struggling businesses of the subsector, RFBPN formed the Retail and F&B Virtual Advisory Clinics (RFB-VAC). The advisory clinics were set up

for businesses to raise their challenges and concerns impeding their business productivity. The advisory clinics operated online and provided selected information regarding recovery plans, technology onboarding measures, the National Economic Revival Recovery Plan (PENJANA) stimulus packages and how businesses can qualify for them.

Since the advisory clinics were introduced, more than 470 companies had sessions with RFB-VAC, involving 40 industry advisors and experts on several forward-looking business focus areas<sup>11</sup>. These included branding and digital marketing strategies, supply chain management, business digitalization, funding & finance and operations matters relating to Standard Operating Procedures, among others<sup>12</sup>.

Smaller businesses and restaurants from the F&B subsector were among the 200 companies that needed the tools and knowledge required to set their business online, reaching out to their target market virtually and securely outsource the delivery of their products and service to logistics transport providers.

The companies also received fundamental information on how to create the branding of their products, how to promote their products and how to sustain their customers. These tools would eventually help them increase their productivity and drive sales further.

The RFB-VAC also offered coaching on supply chain management to manage inventories, orders, minimize waste and increase savings of their production costs and time.

More areas of consultancy were provided thereafter by RFB-VAC. This included sessions on human resource management, business efficiency, compliance to the Standard Operating Procedures (SOP), and promoting awareness on other government incentives, funds and grants, as well talent retention.

<sup>10</sup> <https://www.mpc.gov.my/rfbvac/>

<sup>11</sup> RFBPN input for sectoral report - MPC

<sup>12</sup> <https://wayup.my/wp-content/uploads/2021/01/2.-JD-1-Pemasaran-Digital-ZR.pdf>

Essentially, the RFB-VAC advisory services focus on 5 areas of the business:

- Business Branding and Marketing
- Business Digitalization that includes Business Automation. ERP System, IR 4.0
- Digital Marketing and E-Commerce
- Business Fund and Finance
- Supply Chain

**Figure 7: Retail and F&B Virtual Advisory Clinic (RFB-VAC)**



#### Proof of Concept - A Pilot Project for Small Instant Fulfilment Players (SIFP) Marketplace

This programme has helped the subsector players identify their pain points as they experience venturing into the instant fulfilment marketplaces. Instant fulfilment marketplaces may be new to many retailers as this platform often provides end-to-end order fulfillment process<sup>13</sup>. This platform would have storage, pick and delivery, packaging, shipping, returns and customer service to a certain extent. All the subsector retailers need to do is deliver their products to the marketplace warehouse.

This pilot project has garnered the interest of 250 consumers, retailers, F&B and SIFP representatives with the intention to address issues and challenges of the subsector players.

#### Productivity Improvement Programme through Electronic Payment Systems<sup>14</sup>

One of the continuous efforts by RFBPN include programmes to improve productivity of the subsector players through innovation and efficiency. Secured ePayment gateways have found its mark with many retailers and F&B players that have evidently proven to increase convenience for both the buyers and sellers, may they be consumers or businesses. The adoption of electronic payment systems will improve productivity and reduce operations costs in the long run.

The Productivity Improvement Programme onboarded 750 subsector retailers and F&B players, adopting online payment system for their businesses.

<sup>13</sup> [https://e-tailize.com/blog/self-fulfillment-vs-marketplace-fulfillment-the-best-way-to-do-order-fulfillment/#What\\_is\\_marketplace\\_fulfillment](https://e-tailize.com/blog/self-fulfillment-vs-marketplace-fulfillment-the-best-way-to-do-order-fulfillment/#What_is_marketplace_fulfillment)

<sup>14</sup> RFBPN Activity Report for Sectoral Input

Productivity Digitization (Productivity 1010) Retail and F&B<sup>15</sup>

Productivity Digitization (Productivity 1010) retail and F&B is a mentoring platform for subsector players to onboard themselves with digitalization and technology adoption. Another online platform developed by MPC and RFBPN, the initiative is set to educate and attract interest to the subsector in improving productivity in their businesses.

Sessions include coaching the subsector players on the benefits of digital marketing, utilizing and adopting online e-commerce platforms, understanding the nature of online business and leveraging on the value-added capabilities that technology can offer.

This initiative followed the success of the RFB-VAC which started in the second quarter of 2020. From the companies that participated in RFB-VAC, 18 of them were selected to participate in Productivity 1010, receiving one-to-one coaching and consultation sessions with the subsector and industry experts. One of the coaching modules in Productivity 1010 included expansion of the business, profiling, branding and market positioning. The programme also offered developing the business framework to qualify for incentives and funding.

Digital Solution Directory for RFBPN

To support all the above learning webinar series and add value to the initiatives of the RFBPN for the growth of its subsector, the Nexus formed a collaboration with MPC and PIKOM, the National Tech Association of Malaysia to develop a directory for the retail and F&B subsector.

This directory details a comprehensive list of technology vendors and solutions providers for SMEs that are looking at adopting digitalization to improve their productivity and business growth.

Since technology adoption and innovation have evidently proven to impact productivity growth, the vendors enlisted in the digital solution directory will be able to provide the appropriate and needful services to the subsector players.

The directory is also regarded as a tool to bridge the existing gap that SMEs are currently facing which may include data analysis, inventory management, sales and production, marketing and promotion, automation upgrades and targeted market outreach, among others.

Essentially, the digital solution directory helps businesses identify and find the right technology to scale in productivity, business expansion, improve their customer experience, adopt sustainable business practices and expand into new markets.

Due to the dynamic changes in trends and landscape, the digital solution directory is updated from time to time to fit the demand and requirements of the subsector.

This will help the subsector players shift and maximize usage of technology with ease in the marketplace. The digital version of the directory can be found on <https://www.digitaldirectory.wayup.my/>

Certification Programme on Efficiency in Managing F&B Costs

This programme focuses on enhancing the service delivery in the F&B subsector. The programme comprises of five modules that include efficiently managing the F&B business through different areas such as menu planning, producing the right recipes, adopting effective accounting systems and adopting best practices in the subsector.

The programme, that runs one-on-one online coaching for two days, has registered more than 100 F&B subsector participants.

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<sup>15</sup> <https://www.businesstoday.com.my/2020/08/27/retail-and-food-sector-level-up-mentoring-programme-through-digitalisation/>



Figure 8: Retail and F&B Digital Solution Directory



Talent Development Programmes to Recruit, Retain and Improve the Quality of Human Capital for Retail and F&B Subsector Guidebook

RFBPN also produced a guidebook on Talent Development Programmes to Recruit, Retain and Improve the Quality of Human Capital for retail and F&B subsector. The guidebook provides an overall framework for the Career Pathways in the retail and F&B subsector, along with targeted Talent Development Programmes for retail and F&B Jobs based on industry best practices.

A total of 4 career talks at polytechnics and colleague community were held, participated by 400 students.

Going International Readiness Evaluation (GIRe) Assessment Tool

The Nexus also developed an assessment tool called 'Going International Readiness Evaluation (GIRe). This tool, as the name reflects, evaluates the retail and F&B subsector players' readiness towards regional and global target markets.

Readiness evaluation of retail and F&B enterprises (specifically the franchise enterprises) in venturing international markets.

Certification of Existing Retail Workforce (RPEL)

The workforce of today will need to be future ready in order to take on new skills that are may be in demand in the future. The Certification of existing Retail Workforce (RPEL) has so far certified 200 existing workforce with Sijil Kemahiran Malaysia (SKM3) and Diploma Kemahiran Malaysia (DKM-4) based on their skill achievement via up-skilling and skill work experience assessment.

Adoption of e-Commerce: Cashless Payment for SMEs in Retail and F&B

RFBPN has worked closely with related ministries and agencies such as KPDNHEP, MCMC, MyDIGITAL, Bank Negara Malaysia, State Governments and private sectors including PayNet, Banks, e-wallet (TnGO, BOOST) as well Business Associations. This programme has been carried out in March and June 2022 in several locations that have been identified earlier. A total of 550 micro sellers have registered to the electronic payment platform through this programme.

## RECOMMENDATIONS FOR THE RETAIL AND F&B SUBSECTOR

The post-pandemic era has proven that digitalization is imperative to productivity and essentially very important to most businesses, of any sector and subsector for that matter. Nonetheless, technology adoption and reluctance to change still forks out as a major challenge for thousands of subsector players in Malaysia.

In order to support the retail and F&B subsector in their digitalization and technology adoption efforts, several recommendations can be put forth. Firstly, there is a need for accessible and affordable digital infrastructure and technology solutions. This includes providing businesses with high-speed internet access, reliable connectivity, and affordable hardware and software options. Government initiatives and partnerships with telecommunications providers can help bridge the digital divide and ensure that businesses have the necessary digital tools to thrive.

Secondly, capacity-building programmes and training initiatives should be implemented to enhance digital literacy and skills among businesses. Workshops, seminars, and online training courses can equip entrepreneurs and their employees with the knowledge and skills required to effectively utilize digital tools, manage e-commerce platforms, analyze data, and implement online marketing strategies. These programmes should cater to different skill levels and be easily accessible to businesses across the country.

Thirdly, fostering collaborations between businesses and technology providers can accelerate the adoption of digital solutions. This can be achieved through matchmaking events, industry forums, and

mentorship programmes that connect businesses with technology experts and solution providers. Such collaborations can facilitate the customization and implementation of digital solutions tailored to the specific needs of businesses, enabling them to leverage technology to improve operations, reach new customers, and enhance the overall customer experience.

Moreover, financial incentives and support mechanisms can encourage businesses to invest in digitalization. Government grants, subsidies, and tax incentives can alleviate the financial burden of adopting new technologies and incentivize to embrace digital solutions. Financial institutions can also play a role by offering favourable loan terms and tailored financial products to support businesses' digital transformation journeys.

Finally, creating a supportive ecosystem that encourages knowledge sharing and collaboration among businesses is crucial. Establishing industry networks, digital platforms, and online communities can facilitate the exchange of best practices, success stories, and lessons learned in digital transformation. Businesses can learn from one another, share resources, and collectively navigate the challenges and opportunities presented by digitalization.

By implementing these recommendations, the retail and F&B subsector can effectively embrace digitalization and technology adoption. This would lead to improved operational efficiency, increased market reach, enhanced customer experiences, and long-term growth and competitiveness in the digital economy.

## **THE WAY FORWARD FOR THE RETAIL AND F&B SUBSECTOR**

The future of the retail and F&B subsector in Malaysia holds great promise, despite the challenges posed by digitalization. To ensure long-term growth and success, collaboration and cooperation among industry players, associations, and SMEs/Micro-SMEs are crucial. Inclusivity should be a central focus for enhancing productivity, which entails implementing initiatives such as awareness programmes, training opportunities, system upgrades, security measures, and adopting agile processes.

In addition to these measures, there are several more ways forward for the retail and F&B subsector in Malaysia. Firstly, there is a need to embrace e-commerce and digital platforms to expand market reach and tap into the growing online consumer base. This requires developing user-friendly and secure online platforms, providing training and support to retailers and F&B businesses in adopting digital solutions, and promoting trust and confidence in online transactions.

Furthermore, enhancing customer experience through personalized services and innovative strategies is crucial. This can be achieved by leveraging data analytics and consumer insights to understand customer preferences and tailor offerings accordingly. Investing in technology-driven solutions such as mobile apps, self-checkout systems, and digital loyalty programmes can help create seamless and engaging experiences for customers.

Sustainability and responsible practices should also be prioritized in the subsector. Implementing environmentally friendly initiatives, such as reducing food waste, adopting sustainable packaging, and promoting local and organic products, can attract environmentally conscious consumers and contribute to a greener and more socially responsible industry.

Collaboration with educational institutions and vocational training centers can play a vital role in upskilling and reskilling the workforce. By providing training programmes and certifications that align with industry needs, the retail and F&B subsector can ensure a skilled workforce capable of meeting evolving demands.

Lastly, fostering partnerships with local suppliers and producers can strengthen the supply chain and promote locally sourced products. This not only supports local businesses but also enhances product quality, reduces reliance on imports, and boosts the overall competitiveness of the subsector.

By implementing these measures and strategies, the retail and F&B subsector in Malaysia can thrive, adapt to digitalization, and seize the opportunities presented by evolving consumer preferences. It requires collaborative efforts, inclusivity, and proactive engagement with stakeholders to create an environment that supports the growth and success of all participants in the subsector.

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## Appendix

### The Distribution of the Retail and F&B Subsector According to MSIC Code

No.	Activities	MSIC Code
RETAIL		
1.	Provision Store	47111
2.	Supermarket	47112
3.	Mini Market	47113
4.	Convenience Stores	47114
5.	Department Stores	47191
6.	Department Stores and supermarket	47192
7.	Hypermarket	47193
FOOD AND BEVERAGES		
1.	Restaurants and restaurant cum night clubs	56101
2.	Cafeterias / canteen	56102
3.	Fast-food restaurant	56103
4.	Ice cream truck vendors and parlors	56104
5.	Food or beverage, food and beverage preparation in market stalls / hawkers	56107
6.	Event / food caterers	56210
7.	Other food service activities	56290
8.	Pubs, bars, discotheques, coffee houses, cocktail lounges and karaoke	56301
9.	Coffee shops	56302
10.	Others drinking places n.e.c	56309