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Citation

Singapore Management University. An entrepreneur's journey in the food services industry. (2016).
Available at: <https://ink.library.smu.edu.sg/pers/144>

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AN ENTREPRENEUR'S JOURNEY IN THE FOOD SERVICES INDUSTRY

Published:
26 Oct 2016



Desmond Lee grew a three-man startup into a S\$20 million operation by adapting to market trends

“Let’s go!” hollered **Desmond Lee** as he made a beeline for his car – a gleaming BMW – at double speed, this writer in tow. Armed with a plastic bag full of lemons, apples and avocados, the co-founder of fruit and vegetable wholesaler FRESHDirect drove off from his warehouse in western Singapore to personally deliver the order to a new client, an international restaurant brand with over 60 locations worldwide. The restaurant had received the wrong type of apples from which they had ordered, necessitating Lee’s unscheduled and personal intervention.

The restaurant manager had also confused FRESHDirect’s ordering convention for lemons with another supplier’s – units versus kilogrammes – but it matters little where the fault lies. For Lee, it was all about meeting his clients’ demands.

“It’s part and parcel of the job,” Lee tells *Perspectives @SMU* between checking his blind spots and gliding past slow traffic. “A big part of our clientele are fine dining restaurants. Sometimes they require special products, so we have to understand what they intend to use it for and source accordingly.

“With the wholesale business, everybody wants things fresh and cheap. For example, oranges: If you’re selling to a retail customer, or a home-based customer, the peel must look nice. For

restaurants, they just want it sweet, never mind the looks. If the restaurant wants the oranges for display, then we'll have to find the good-looking ones."

ADAPTING TO TRENDS, GROWING WITH THE MARKET

Together with two schoolmates from Ngee Ann Polytechnic in Singapore, Lee founded FRESHDirect in 1999 as a business-to-consumer (B2C) online store delivering produce to households. What started out with the then 26-year-old founders taking home S\$700 (approximately US\$420 in 2000) a month has grown into a solid SME hiring 120 employees and generating S\$20 million in annual sales. But Lee has had to constantly reassess market conditions to survive and prosper.

"With the labour shortage and high rentals, the next wave for us is...semi-process[ing] food for kitchens. These services are what restaurant operators really need."

"Back in the 90's nobody knew about the internet, the pickup rate for internet connection was rather slow," Lee recalls the early challenges during FRESHDirect's nascency. "With home consumers, a big factor is wastage. Unlike canned food, which you can keep for a long time, fruits go bad quickly and wastage is very high. If it's unsold within two days, they'll be thrown away.

"We have evolved and now B2C is only 5 percent of our business. B2B (business-to-business) gives me the volume I need to import and roll my produce and ensure that they are always fresh."

He adds: "If you look at the food industry now, there are a lot of 'gourmet' establishments and people are more particular about what they eat. These are all opportunities for us. But with the labour shortage and high rentals, the next wave for us is the processing part of the food business. Essentially, I'm talking about fresh cuts where we semi-process food for kitchens. These services are what restaurant operators really need. They need people to process the produce."

To that end, Lee created *Kitchenomics* and *Bread & Better* where the former caters to restaurant kitchens and the latter to cafes and hotels with semi-finished sponge cakes, jams and other confectionary needs. Now running very much a B2B operation, Lee splits time between his warehouse and the food processing facility that houses *Kitchenomics* and *Bread & Better*. That often makes for a very long working day.

"I wake up at 4am to consolidate my orders which come from all over the island," Lee says, emphasising the commitment to set his staff up for a productive start. "In the morning, I'll follow up on stock issues regarding missing items, or go see customers. Lunchtime is normally my sleeping time because my customers are all having their lunch service so they have no time to see me anyway.

"In the afternoon, there is a lot of internal work. I could be here at the warehouse, or I could be at *Kitchenomics* or *Bread & Better* to do development work. Sometimes I do my own paperwork."

On top of it all, the 43-year-old keeps in touch with suppliers from all corners of the world around the clock. Besides consolidating orders at 4am, Lee also talks to farmers and food dealers in Australia who provide FRESHDirect with salad greens and stone fruits such as peaches, plums and apricots. In the afternoon, the European market opens and produce such as Dutch wild mushrooms and savoy cabbage get sourced.

“And we have the U.S. that kicks in at night at about 10pm,” Lee concludes, listing strawberries and Russet potatoes as some of the things that he procures from America. “I try to finish work by 11pm.”

PUSHING THROUGH THE DAILY GRIND

At the restaurant where Lee had delivered the replacement apples and lemons – the avocados were a goodwill gift – Lee sat down with the restaurant manager and senior chefs to iron out ordering conventions and procedures. This writer sat in and witnessed a small chunk of what the 43-year-old deals with on a daily basis: demanding customers, challenging timelines, cost pressures, and managing a supply line that is vulnerable to unpredictable global weather. When asked if he has considered quitting the industry altogether, he quipped, “All the time.”

“Of course there are challenges and hard knocks, such as employees not wanting to work, shortage of labour, shipments that arrive with lots of damaged fruits and vegetables etc.,” he elaborates over a cup of coffee post restaurant pow-wow. “Sometimes floods affect our supply and we cannot give restaurants what they want, and I get complaints over that. Restaurants don’t keep extra stock to minimise wastage. Let’s say you supply 400 restaurants and 100 of them are constantly chasing you on the phone over something you have no control over – it’s stressful.

“Sometimes, delivery staff get grief too. The trucks might be stuck in heavy rain but restaurants might not appreciate the difficulty of negotiating traffic. It’s all about fulfillment. Day in, day out, people could become burnt out by issues like these,” Lee says, sipping his cup of *kopi gao* (local parlance for a strong cup of coffee).

Having a long-time friend as a business partner has helped Lee cope with the daily grind. One-time classmate and co-founder Adrian Lee (no relation) is FRESHDirect’s Director of Operations and has helped the company/warehouse grow from one unit at Pasir Panjang Wholesale Complex to four. While a third and last co-founder left to pursue other interests, the two Lee’s soldiered on to considerable success despite the inevitable arguments.

“It was fortunate that Adrian and I had a three-year headstart as schoolmates at Ngee Ann Polytechnic, and we stayed close after that,” says Lee of his days as a student at the Business Studies department. “But I am in sales and he is in operations. There is bound to be quarrels because I will say ‘yes’ to a customer but he has to manage costs. The good part would then be that we are all driven by KPIs: ‘You have your costs to manage, I have my margins to manage.’ End of the day, we are doing it for the benefit of the company.

“After work, we sit down with a beer and we forget about what happened in the office. Tomorrow is a new day. That kind of understanding helps us a lot.”

LOOKING BACK AND LOOKING AHEAD

Lee’s time at Ngee Ann Polytechnic also netted him his life partner, wife Tan Wang Tiang, who helps manage FRESHDirect’s accounts on top of holding a full-time job. Despite having three kids together, husband and wife “still spend some time together in the morning and at night”, and Lee states matter-of-factly: “I’m lucky to have her.”

“I was fortunate because she’s known me since my Polytechnic days,” Lee says. “She’s been with me from the building of the business, and she’s accepted the reality of being with me.”

Because his school days have given so much to him, Lee gives back by taking on interns and giving regular talks at his alma mater to share his experience as an entrepreneur. Although justifiably proud of his achievements, Lee casts doubt on whether he would take the same road if he were 26 again.

“A lot of people ask me this kind of question but it’s impossible to answer,” Lee remarks. “Being 26 now and being 26 when I was that age is a huge difference. The resources and information we have now are totally different from back in the day.

“If I were 26 and single I’d probably go travel a bit more,” says the fan of English football club Liverpool, citing a visit to the club’s stadium as a prime item on his bucket list. “I don’t really get to travel with my family. I might study a little more. I jumped straight into business after completing my university degree. If you ask me about a career switch, I might have become a teacher.”

As it stands, Lee says he is unlikely to be doing anything else anytime soon. “A lot of my customers became friends, so I cannot cut myself off just like that. If the business is still making money there is no reason to shut it down.”

“But if somebody comes around and offers to buy me out for S\$50 million, I’d gladly take it!”