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Larger-scale manufacturers with overseas markets are seen as more likely to move operations out

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THE recent moves by two home-grown food and beverage (F&B) firms to downsize their Singapore operations and shift parts of their manufacturing overseas raise questions about whether others might follow.

Tiger Beer maker Asia Pacific Breweries Singapore (APBS) said on Mar 24 that it would phase down large-scale brewing operations in Singapore and move them to Malaysia and Vietnam.

A week later, on Mar 31, beverage brand Yeo Hiap Seng announced plans to consolidate its canned-drink manufacturing in Malaysia.

While it is not new for home-grown firms to expand production beyond Singapore, the latest moves could signal a broader intensification in the regionalisation of the Republic's F&B sector, say industry observers.

But not all firms are equally positioned to make that leap. Larger manufacturers with significant scale and markets beyond Singapore's shores are more likely to do so than smaller players.

The Business Times takes a closer look at why this trend seems to be intensifying, and the types of companies that might follow suit.

Recent moves, such as Tiger Beer maker APBS' decision to scale down brewing in Singapore, could signal a broader pickup in the regionalisation of the Republic's F&B sector. PHOTO: UNSPLASH

It is not unheard of for Singapore's home-grown F&B firms to regionalise operations.

Household names, such as Gardenia bread maker QAF and soft-drink manufacturer Fraser and Neave – which formed Tiger Beer as a joint venture with Heineken in 1932 – have long-established production bases outside Singapore, drawn by lower land and labour costs.

Such moves also align with the Republic's broader economic strategy of shifting away from lower-value, labour-intensive manufacturing towards higher-value activities such as services, finance and advanced manufacturing.

However, post-pandemic disruptions to energy, logistics and commodity markets have deepened the push towards regionalisation, said Chong Le Jia, chief executive officer of small-batch food manufacturing facility Foodplant.

She added: "Firms are increasingly re-evaluating production footprints as long-term strategic choices, rather than short-term cost adjustments."

One such strategic priority is ensuring supply-chain resilience, with firms distributing production to mitigate geopolitical risks, freight disruptions and concentration exposure.

Ben Charoenwong, an associate professor of finance at Insead, flagged technology as another driver behind regionalisation.

Tech advancements such as automation and digital supply-chain coordination have made it "far easier today" for a company to produce in Johor, Malaysia, even as it continues to manage, brand and innovate its products from Singapore, he noted.

Chong said that companies producing at scale are more likely to regionalise "as their economics change materially once production exceeds domestic demand".

As local brands grow their customer bases beyond Singapore, proximity to the foreign markets they serve becomes a competitive lever, she explained.

These companies may move production closer to foreign consumers to lower costs, improve responsiveness and support regional distribution.

Conversely, some remain in Singapore as their competitiveness is anchored in capability, not cost, highlighting the trust premium associated with being made here, according to Chong. "These factors matter for innovation-led companies, premium brands and those manufacturing for regulated markets."

Prof Charoenwong noted that companies with a smaller operating scale may find that cost differences between Singapore and elsewhere do not justify the disruption and complexity of relocation.

They may also stay when their competitive advantages are tied to Singapore-specific assets, including access to specialised talent and integration with government-linked supply chains.

Ultimately, the "tipping point" for Singapore companies to move operations overseas is when competitors start producing at "meaningfully lower costs" from nearby locations, explained Prof Charoenwong. "Both Yeo's and APBS cited the need to optimise capacity utilisation and strengthen manufacturing efficiency, which suggests they'd reached a point where the cost gap became operationally significant."

Concerns surround how regionalisation can dilute firms' Singapore identity – and by extension hurt their bottom line – but Sharon Ng, a marketing professor at Nanyang Technological University (NTU), thinks such fears may not materialise.

"Brand identity is not about where operations sit, but about what a brand stands for, so moving abroad doesn't necessarily weaken or strengthen it," said Prof Ng, who is also deputy dean of the Nanyang Business School at NTU.

Rather, retaining a Singapore identity hinges on whether firms continue delivering consistent offerings and messages.

Even if relocating dilutes a firm's Singapore identity, whether that hurts sales is another question – one dependent on a company's value proposition, Prof Ng added. "If people buy you because you are local, then (sales will be affected). If people buy you because you are a good brand, because your quality is good, then no."

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