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# Post-pandemic Challenges Impeding Operators' Efforts to Sustain Foodservice Microbusinesses

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#### Abstract

Foodservice microbusinesses are vital to the stability of economies in emerging nations. This study examines the internal and external dimensions of challenges encountered by operators of such businesses in Malaysia post-pandemic. The study adopted a qualitative approach comprising 12 semi-structured interviews involving 14 foodservice microbusiness operators. The findings indicate that foodservice microbusinesses face challenges due to individual, political, social, and economic reasons, hampering their growth and survival. Foodservice microbusinesses suffer from staffing issues relating to employee recruitment, training, and retention, rising cost of living, lack of external support, unfavorable competition, and diminishing sales performance. This study adds to the body of knowledge on challenges microbusinesses face in the context of foodservice businesses. It suggests a need for better training transfer strategies and safeguarding employee well-being, increased digitalization to capitalize on growing market trends, more inclusive support programs focused solely on aiding microbusinesses, and a stronger enforcement of business legality laws to safeguard business from unregulated competition.

#### Introduction

Microbusinesses can play a crucial role in emerging economies. They can contribute to income and employment creation and poverty alleviation, enabling communities to access more affordable goods and services (Gomera et al., 2021). Small food businesses, in particular, are recognized for their contribution to achieving Sustainable Development Goals (SDGs), such as zero hunger, environmental protection, and food safety (Najib et al., 2021). However, microenterprises

often face distinct challenges compared to small and medium enterprises (SMEs), such as limited access to external financing. Many rely on internal funding sources from friends, family, or personal savings due to difficulties obtaining loans (Zakaria et al., 2022). Consequently, their focus tends to be on short-term goals, hindering their growth potential and ability to capitalize on new opportunities. This susceptibility exposes these businesses to heightened challenges, particularly during economic downturns (Adam et al, 2021).

Microbusinesses are commercial activities engaged in selling goods or services, typically operated by self-employed individuals, with or without additional workers (Alharthi & Alhothali, 2021). These businesses, generally informal, typically consist of between one to five individuals and are commonly found in high-footfall areas such as markets, bus stands, road junctions, and densely populated residential areas (Gomera et al., 2021). Operating from makeshift setups such as small booths, trolleys, sidecars, and modified pickups, microbusinesses in the foodservice sector face minimal government regulation, control, and law enforcement in socioeconomically developing nations (Eze et al., 2020). Despite their potential to enrich urban areas through economic contributions and the provision of affordable services to tourists and local communities, microbusinesses, particularly in the foodservice sector, often encounter conflicts with authorities. These conflicts arise due to issues such as competition from neighboring operators, risk of relocation, and economic insecurity inherent in the informal economy (Bhowmik, 2015; Trupp, 2015).

Most of the existing research addresses the challenges faced by MSMEs within the context of SMEs. Conversely, studies focusing on microbusinesses have typically encompassed the service and manufacturing industries (Rijal et al., 2023; Sitaniapessy et al., 2022), paying minimal attention to their challenges in the food service sector, which highlights the need for more research. Additionally, studies of foodservice businesses in Malaysia have mostly focused on SMEs (Mustiraya et al., 2021), their survival strategies (Azman & Majid, 2023), and digitalization initiatives (Ananda et al., 2023). However, more research regarding the specific challenges impacting foodservice microbusinesses is needed, especially in emerging economies, where such businesses constitute a substantial component of the economy. Hence, this qualitative research enquiry provides a more nuanced understanding of the challenges faced by foodservice microbusinesses in Malaysia during a period of pandemic recovery, especially by examining the dimensions and influences of each specific challenge. Accordingly, the work addresses the challenges unique to foodservice microbusinesses, which are underresearched due to such businesses often being categorized as a subcomponent of SMEs. Furthermore, most of the challenges operators encounter are rooted in their resource capacities, or lack thereof, and their (in) ability to acquire and/or manage the necessary resources.

Therefore, we utilize the 'resource-based view of the firm' (RBVF) (Wernerfelt, 1984) and the notion of 'qualitative freedom' via the 'capabilities theory' (Dierksmeier, 2018). This approach will provide a more comprehensive understanding of the challenges faced by foodservice microbusiness operators through a resource-based lens, subsequently extending the literature on the challenges faced by MSMEs post pandemic. Nevertheless, the existence of non-resource-based challenges associated with employee recruitment, urban development induced relocation, and economic uncertainty are also acknowledged.

#### Literature review

Hardships faced by foodservice microbusinesses Previous literature has identified a significant research gap concerning the quality of management practices and their impact on the organizational performances of Malaysian foodservice microbusinesses (Zakaria & Kamaludin, 2022). Many of these microbusinesses struggle to expand into new markets beyond their hometowns due to financial and resource limitations as well as lack of motivation (Zakaria & Kamaludin, 2022). Additionally, poor marketing practices have been highlighted as a significant factor contributing to the downfall of foodservice microbusinesses (O'Dwyer & Gilmore, 2019). Microbusiness operators face challenges in various marketing activities including segmentation, identifying the right customer base, selecting appropriate promotion methods, and managing distribution channels (Bettiol et al., 2012). Furthermore, a lack of skills and knowledge in business management, particularly in production processes, financial management, and marketing activities, has been identified as a primary issue (Hashim et al., 2020). Zakaria and Kamaludin (2022) also highlight additional challenges, such as equipment shortages, labor shortages, capital limitations, space constraints, hygiene concerns, and limited access to external aid and resources.

The pandemic led to the closure of around 2,000 Malaysian restaurants by February 2022 (Aliff, 2022). The Muslim Restaurant Owners Association of Malaysia (PRESMA) was concerned that many local Mamak restaurants would be forced to shut down by the end of 2022 due to difficulties in hiring foreign workers and the scarcity of local manpower (Aliff, 2022). This strain on foodservice microbusinesses, struggling to cope with daily demands without sufficient staff, may hinder their

ability to survive and innovate, as managing operations single-handedly can be exceedingly challenging. Furthermore, foodservice microbusinesses face significant challenges including financial limitations, human capital constraints, and insufficient external support. Accessing external financing proves difficult due to the unstable nature of their businesses, lack of collateral, inadequate documentation, and absence of financial track records (Hassan et al., 2011). This hampers their ability to expand, develop products, and embrace digitalization, as they may perceive innovation as costly. Additionally, the unstable nature of microbusinesses correlates with insufficient human capital characterized by low education levels, productivity, and skills (Thaker et al., 2013). Despite government financing programs aimed at developing human capital and training initiatives, they have often proven ineffective, further limiting operators' knowledge and skills.

# Resource-based view of the firm

The 'resource-based view of the firm' (RBVF) can help to conceptualize current challenges impeding the development of foodservice microbusinesses in Malaysia, focusing on a business's competitive advantage as derived from its resources and capabilities (Barney, 1991). Accordingly, Wernerfelt (1984) proposed the RBVF as a method to look at a firm's performance in terms of its resources rather than its products, classifying resources as "anything which could be thought of as a strength or weakness of a given firm". As a result, a firm's resources can comprise of such resources as brand names, in-house knowledge of technology, staff, location, machinery, procedures, and capital (Adiguna, 2015). Over time, intellectual capital has also been linked to performance under a resource-based framework, suggesting that human, structural, and relational capital provide important dimensions to a firm's resources (Martín-de-Castro et al., 2011). Other studies on intellectual capital suggest financial measures, social measures, cultural commitment, and process measures as important aspects of intellectual capital (Kannan & Aulbur, 2004).

In extending the RBVF to understand the performance of microbusinesses better, Runyan (2005) argues that the resources of such businesses be categorized as business-based and structural resources. In this instance, business resources comprise resources that are created and/or possessed by individual operators (e.g., staff, spending power), while structural resources comprise resources that are externally based, i.e. macro

in nature, which can bring benefits or cause disadvantages to operators (Runyan, 2005). Thus, business owners can benefit from or be disadvantaged by external resources (e.g., economic activity, banking regulations or government support) (Campbell & Kubickova, 2020). From this perspective, two business-based resources (staffing and spending power) and three structural-based resources (financial resource access, brand identification, and consumer behaviour) are discussed in this study.

The SME Association of Malaysia (2024) emphasized that to be classified as a microbusiness in Malaysia, businesses should have less than five full-time employees and a sales turnover of less than RM 300,000. However, foodservice microbusiness operators have been facing difficulties recruiting, training, and retaining employees. Previous literature has discussed operator and employee challenges such as employment costs, employee performance, compensation, and skill requirements at the micro level (Ahmad & Scott, 2021; Nowak & Linder, 2016). Nonetheless, there have been additional challenges, such as employee job mismatch, lack of operator training programs, and employee management strategies, which have made recruiting, training, and retaining employees increasingly challenging. Hence, as staffing has been considered a business-based resource, the mismanagement of employees and operators' failure to train their employees, i.e., training transfer failure, have made employee management and retention more challenging.

The rising cost of living in Malaysia has diminished the spending power of individuals. Increases in raw material prices, employee salaries, maintenance, and overhead costs have made it difficult for foodservice microbusiness to survive (Rashid et al., 2021). Malaysia recorded an inflation rate of 2.5 percent in 2023 (Azmi et al., 2023), causing the spending of lower-income households to rise above the general average (Hirsch et al., 2021). This has diminished the purchasing power of foodservice microbusinesses, forcing operators to increase the prices of their products, reduce employee wages, and utilize personal savings to sustain their businesses. Hassan (2022) reported a 50 percent decrease in individuals' spending power, and initiatives implemented by local authorities (e.g., PRIHATIN Economic Stimulus Package, Special Relief Facility) have been unable to address the rising cost of living effectively. Consequently, diminishing spending power, which is a business-based resource, is making it

challenging for foodservice microbusiness operators to sustain and grow their businesses.

Microbusiness, particularly those in the foodservice sector, are often challenged by a lack of, or limited access to financial resources (Gherhes et al., 2016). When compared to small and medium businesses, microbusinesses have fewer resources, higher transaction costs, and limited funds to compete with larger businesses (Jones et al., 2013). Previous research has indicated that a lack of financial resources is a major concern for foodservice microbusinesses (Hung et al., 2010). Receiving support from banking institutions has been difficult, especially as it is recognized that obtaining bank loans can be a key factor for the survival of foodservice microbusiness during times of crisis and economic uncertainty. For microbusinesses to sustain and grow, access to financial resources is crucial. Hence, governments should arguably prioritize promoting loan opportunities and banks should offer low-cost loan rates to support these businesses (Campbell & Kubickova, 2020).

Brand identification is considered the identity of a business (Runyan, 2005). According to Becerra and Badrinarayanan (2013), brand identification emphasizes the psychological connection between the consumer and the brand. However, foodservice microbusinesses often lack a brand identity, making it difficult for consumers to identify and associate themselves with those businesses amidst increasing competition. Research shows that unregistered foodservice microbusinesses create unregulated competition within the industry as they are often excluded from competition law regimes (Schaper & Burges, 2021). While brands have been considered a structural resource within the RBVF literature, the lack of brand identification leading to open competition among foodservice microbusinesses has made it easier for new businesses to emerge, putting the quality and authenticity of local food at risk (Chong & Stephenson, 2020).

Foodservice microbusiness experienced a drastic decline in sales during the pandemic (Azman & Majid, 2023). During times of crisis, survival is a vital concern for microbusinesses (Campopiano et al., 2019). Azman and Majid (2023) posit that foodservice microbusinesses in Malaysia rely heavily on offline consumer purchases. As a result, the pandemic and consequent movement control orders (MCOs) restricted customers from visiting food outlets. The restrictions resulted in changes of consumer behaviour, which saw an uptake in the use of online delivery and self-cooking trends. There has been

a 50 per cent decline in the consumer preference for dining out in the post-lockdown period (Nooh, 2022) alongside a surge in social media trends such as 'bake your own bread', prompting consumers to prepare their own meals (Güler & Haseki, 2021). These changes in consumer trends have caused consumers to rely less on dining out. Thereby, *consumer behaviour*, a structural-based resource, has taken an unfavorable turn, costing foodservice microbusinesses their valuable customers, making it more challenging for operators to improve their sales performance.

Qualitative idea of freedom through "capabilities" theory

The challenges faced by food service microbusiness operators limit their ability to utilize resources to sustain and innovate their businesses freely. The qualitative idea of freedom states that freedom cannot be analyzed from a neutral standpoint, and that freedom requires surpassing the focus on maximizing personal freedom as inherent in the quantitative idea of freedom (Dierksmeier, 2018). The qualitative idea of freedom emphasizes intrinsic values of work and contributions to community and society as well as human dignity, reasonableness, autonomy, and promotion of capabilities (Nussbaum, 2011). Thus, rather than trying to maximize operators' profits by maximizing their freedom of resource utilization, emphasis is given to how operators can express freedom when utilizing resources in a manner that improves their working conditions, personal development, and community relations. Microbusinesses are arguably in a distinctive position to embrace the qualitative concept of freedom. Their smaller size and strong community connections enable them to prioritize creating value beyond financial measures (Trupp et al., 2024).

Nussbaum (2011) scrutinized the various human "capabilities to function" and investigated their contribution to an empirically complete and philosophically coherent conception of freedom. In Nussbaum's (2011) "capabilities approach", an individual's capability refers to the alternative combinations of functionings feasible for the individual to achieve. Capability can be understood as the substantive freedom to achieve different combinations of functioning, representing the freedom to pursue various lifestyles. The extents of this type of freedom also refers to the operator's struggles to sustain their business as they are deprived of the ability (i.e. freedom) to choose the present and future direction of their

businesses due to their resource-based (i.e. functioning) challenges and limitations. As a result, combining the capabilities theory and the RBVF model can help comprehend the resource-based challenges impeding operators' freedom to choose, and their ability to acquire and freely apply the resources necessary to sustain and develop their businesses. Additionally, the capabilities theory shares a close relationship with resource-based and structural theories in explaining the benefits and disadvantages for firms (Hernández & Luna, 2012). These theories have been widely used in the broader context of MSMEs across various industries (Khan, 2017; Gruchmann et al., 2019). However, applications within the context of foodservice microbusinesses are scarce. Resources and the capability to access and acquire those resources are critical for the survival and growth of foodservice microbusinesses. Therefore, comprehending the factors affecting operator's capabilities to acquire the necessary resources enhances our understanding of challenges faced by microbusinesses.

## Methodology

Semi-structured interviews were deployed for this research and are particularly suited to elicit participants' perceptions, attitudes, values and aspirations regarding foodservice microbusinesses in a way that ensures mutual understanding between the researcher and the participant (Starks & Brown Trinidad, 2007). Data was gathered from March to June 2023 and consisted of 12 semi-structured interviews involving 14 operators in the Klang Valley, Malaysia. Purposive convenience sampling was utilized to identify potential participants whose personal profiles and businesses profiles are presented in Table 1 and Table 2, respectively. To qualify as research participants, operators needed to run businesses which are defined as foodservice microbusinesses located within the Klang Valley and having no more than five employees and no more than one outlet. Thus, the participants comprised foodservice microbusiness operators whose establishments were situated in small food courts within residential areas, roadside food stalls, and standalone businesses near shopping malls, universities, and schools. The operators were approached for interviews during off-peak hours. To protect the identity of respondents and adhere to standard research practices concerning data confidentiality, pseudonyms are employed for all research participants discussed herein. Out of the 12 interviews, 5 were conducted in English, 5 in Malay, and 2 in Chinese, depending on the participant's backgrounds. Each interview lasted between 40 and 90 minutes and was subject to the respondents' knowledge, experience, and willingness to share.

The NVivo software was used to support the coding of the data. Creswell (1997) outlined a systematic approach for coding data in qualitative inquiries, emphasizing the analysis and categorization of specific statements into clusters of connotations, illuminating the phenomenon under study. Hence, special attention was given to participants' descriptions of their experiences and how they interpret them (Starks & Brown Trinidad, 2007). Open coding, a technique emerging from grounded theory (Strauss & Corbin, 1998) for identifying concepts and categories by segmenting data into smaller units and labelling and describing their conceptual properties, was utilized (Lin, 2013). Open coding aims to enhance the generation of concepts from the data itself rather than being based on the researcher's preconception. The researchers then closely examined each code and grouped them under specific themes and categories that emerged in the process of axial coding (Table 3).

Findings and Discussion: Challenges faced by Table 1 Participant profiles

	Name	Participants	Age	Gender	Race	Education
I1	Dinesh	Individual	32	Male	Pakistani	Bachelor's degree
I2	Ken	Individual	42	Male	Chinese	High School
I3	Ajith	Individual	37	Male	Malay	High School
I4	Wong	Individual	28	Male	Chinese	High School
I5	Ravi	Father	62	Male	Malay	High School
	Ajay	Son	26	Male	Malay	High School
I6	Jeevan	Individual	28	Male	Malay	Diploma
I7	Arun	Individual	33	Male	Malay	High School
I8	Naira	Individual	40	Female	Malay	Primary
I9	Amina	Individual	65	Female	Malay	High School
I10	Lekha	Wife	35	Female	Tamil	Diploma
	Pranit	Husband	37	Male	Tamil	Bachelor's degree
I11	Nora	Individual	56	Female	Malay	High School
I12	Ali	Individual	60	Male	Malay	Primary

Table 2 Business profiles

	Name O	wnership	Employees	Business Age	Monthly income range
I1	Dinesh	Self-owned	1 3	2-5 years	RM 5,000-10,000
I2	Ken	Family	1	2-5 years	RM 5,000-10,000
I3	Ajith	Family	2	2-5 years	RM 5,000-10,000
I4	Wong	Self-owned	1 1	6-10 years	RM 5,000-10,000
I5	Ravi Ajay	Family	2	11-20 years	Above RM 10,000
I6	Jeevan	Self-owned	d 0	2 -5 years	RM 5,000-10,000
I7	Arun	Family	2	2-5 years	Undisclosed
18	Naira	Self-owned	d 0	2-5 years	Below RM 5,000
I9	Amina	Family	2	Over 20 years	Undisclosed
I10	Lekha	Pranit	3	2-5 years	Undisclosed
	Family				
I11	Nora	Self-owned	1 2	11-20 years	Above RM 10,000
I12	Ali	Self-owned	d 3	2-5 years	RM 5,000-10,000

#### foodservice microbusinesses

Challenges encompass internal and external factors affecting the operators and their businesses. Internally, staffing emerges as a primary concern, while externally, challenges revolve around the cost of living, limited external support, intense competition, and diminishing sales. Table 3 summarizes the findings which have been analytically divided into themes representing the overall challenge, followed by categories representing the areas contributing to the challenge and the constructs representing the factors influencing the categories. Subsequently, the emerging findings have been linked and validated against existing research and developed into conceptual constructs.

# **Staffing Challenges**

Table 3 Summary of analytical categories of foodservice microbusiness

challenges				
Themes (challenges)	Categories	Constructs		
Staffing	Training  Retaining	Low staff motivation: Limited opportunities, Demanding workload, Low wages     Low operator motivation: High turnover, Limited experience and knowledge     High turnover: Limited opportunities, demanding workload, low wages     Local workers: More options in the labor market     Foreign workers: Contract based, highly motivated		
Cost of living		Rise in meat prices COVID-19 Utilities Low profit margins Utilizing personal savings Sustaining the business and family		
Lack of external support	Challenges Sources	Focus on small and medium businesses     Strict requirements and terms     Lack of records     Limited resources     Government institutions     Banks		
Competition	Unfavorable competition Other contributors	Unexpected competition     Experienced operators from other industries     Similar products     COVID-19     Easy to start and manage foodservice microbusinesses		
Sales Performance	General influences  Changes in consumer eating habits Geographical location	COVID-19     Lack of innovation     Use of online delivery     Cooking at home     Dining out less     Pandemic induced relocation		

Training employees

Aside from recruiting employees, the training and retaining of employees within foodservice microbusinesses are challenges to operators. The lack of

interest and limited enthusiasm among current and replacement workers ensures that it is difficult for employers to implement consistent training programs, especially given the varying levels of educational and professional experience, and skill disparities within the workforce. In Malaysia, a growing number of young workers are employed in unskilled or low-skilled roles (Khazanah Research Institute, 2018), while approximately 95 per cent of them are overqualified for such positions (Mokthar et al., 2019), causing a mismatch between an individual's educational background and the jobs that they perform in low-skilled businesses. The mismatch between educational backgrounds and job requirements leads to ineffective educational qualifications and underutilized skills (Mokthar et al., 2019). Consequently, employees can lose interest and motivation, leading to higher job dissatisfaction (Rahim et al., 2023).

Nonetheless, the perspectives presented in this research are primarily from the viewpoints of operators, where the perspectives of employees may well differ. The research findings insinuate a belief that operators felt that employees lacked the motivation to learn. As Wong expressed:

If (I) get new staff working, the challenge is that sometime(s) even (when) we teach them, they don't know how to (work), they are not willing to learn, [...] If let's say we get the new staff, then we need to teach again, so it is very tiring to teach the new staff.

Subsequently, the trainee's (employee's) characteristics, such as motivation, self-efficacy and commitment also play a substantial role in the overall success of any training effort (Yusuf, 2011). Furthermore, the trainers' effectiveness in delivering training to their employees is paramount (Chukwu, 2016), especially as such qualities as competency, credibility, and empathy positively impact training outcomes (Warren & Lessner, 2014). The challenges in the transfer of training from the operators to their employees have created frustrations for both the operators and the employees. Ravi, for instance, emphasized that employees "don't know how to work. They don't want to learn but complaining (is) number one".

Various theoretical approaches have been employed to examine and underscore the effectiveness and transferability of training (Nikandrou et al., 2009). Factors such as training design, organizational characteristics and trainee traits are crucial in determining employee performance (Baldwin & Ford, 2002). Training

design encompasses such aspects as content relevance, goals, transfer methodology and physical setting (Kamarudin et al., 2021). Moreover, embedding the trainer's (operator's) skills, knowledge and experience in the training design can increase the likelihood of training transfer (Nikandrou et al., 2009). The ignorance towards the importance of a strong human resource framework, employee training strategy and employee training absorption capability has contributed to the failure of training transfer among businesses in Malaysia (Hamid & Salim, 2010). Consequently, this has resulted in employees feeling dissatisfied in the workplace, causing them to complain about their work and work for short periods of "two hours or three hours (a day) and leave." (Ravi) Such a scenario exacerbates operators' frustration and diminishes their interest in further training local employees, especially as training is perceived as a high-risk investment. This phenomenon may also stem from differing legal obligations between foreign and local workers. While contracts typically bind foreign employees, local staff enjoy greater autonomy and flexibility in their work arrangements, with fewer repercussions and a broader range of job opportunities. Consequently, local employees exhibit lower commitment and motivation toward learning and work in such businesses "even (when) we teach them they don't know how to work, they are not willing to learn" (Wong).

Nonetheless, training employees is crucial for the success of foodservice microbusinesses. Successful employee training not only aids in employee retention but also motivates employees to work harder and fosters a positive relationship with operators (Tam et al., 2006), a relationship currently non-existent within the participants' businesses.

# **Retaining employees**

From the viewpoint of the interviewed operators, the most severe drawback in their business operations is the rising employee turnover. Nora emphasized:

My income is not enough. Even if I do online service, there are not enough workers. It is difficult to manage here because there are less workers.

Retaining employees thus emerged as a significant challenge for foodservice microbusiness operators in Malaysia, as Wong stated:

Some of them are hard-working, but after one to two month(s) they don't want to work. They want to work in other places, so it is challenging..

Consequently, poor employee retention can

profoundly affect businesses' productivity and ability to innovate, leading to a loss of expertise, experience and potential revenue (Alias et al., 2016). From the standpoint of Malaysian MSMEs, employee retention is acknowledged as a critical tool for enhancing a business's capacity to achieve its vision and goals (Tusang & Tajuddin, 2015). As Ismail et al. (2021) noted, employees determine how tasks are performed and their skill level influences their ability to execute them effectively. Thus, employees provide businesses with a lasting competitive edge and a distinctiveness that is often irreplaceable (Aarnio & Kimber, 2016). Subsequently, if businesses fail to engage their employees effectively, they will likely seek similar opportunities elsewhere (Rakhra, 2018). Consequently, businesses may incur various costs, including expenses related to training and development. recruitment and selection, and the time invested in orienting new employees (Mukweyi, 2016). Therefore, operators must be cognizant of the consequences of employee turnover.

None of the participants had established any form of employee training, management, or retention plan, relying solely on meeting employees' demands for wages and benefits as a means of retaining them. The lack of such plans renders employees reluctant to stay in the operator's business due to limited learning and development opportunities, prompting them to "want to work in other places" (Wong). Consequently, employees view food microbusinesses as platforms to gain experience and enhance their employability in small and medium food enterprises. Kadiresan et al. (2016) highlighted that Malaysian SMEs exhibit some of the highest employee turnover rates globally. This suggests that turnover rates for microbusinesses exceed those of small and medium businesses, which have rates of 22% and 19%, respectively (Mohd Aris et al., 2023). In Malaysia, the prevalent high turnover rates are often attributed to the perceived unfair treatment of employees, leading to their unhappiness and dissatisfaction in the workplace environment (Yuen & Tan, 2019). The absence of employee management strategies among the participants, coupled with employees' short tenure (lasting "only two weeks, (or) three weeks" as stated by Ravi), serves as evidence that employees feel unfairly treated causing them to seek better employment. Nonetheless, managing and retaining employees remain critical challenges for these businesses, significantly affecting their growth, innovation, and sustainability potential.

#### **Rising Cost of Living**

Malaysia's escalating cost of living is primarily attributed to the rise in the Consumer Price Index (CPI), driven by such factors as surging raw material prices, escalating employee salaries, and mounting maintenance and overhead expenses (Rashid et al., 2021). Data from the Department of Statistics Malaysia reveals an inflation rate of 2.5 percent recorded in August 2023, surpassing industry projections (Azmi et al., 2023). Consequently, essential commodities such as food, fuel, and other goods, comprising a significant portion of lower-income households' expenditure, have witnessed price hikes exceeding the general inflation rate (Hirsch et al., 2021). For instance, the cost of a basket of essential commodities has outpaced general inflation, exacerbating the financial strain on households, and making it increasingly challenging for individuals with lower incomes, including foodservice microbusiness operators, to maintain their purchasing power. This sentiment is echoed by our participants, including Lekha, who lament the adverse impact of rising living costs:

Now the price is like this and then suddenly it will go up. They (authorities) will raise by a few ringgits, [...] The rice price (of) all (ingredients) is going up, some of the oil prices is (also) going up.

As prices escalate, individuals and businesses encounter mounting challenges in affording essential goods. The diminishing purchasing power exacerbates financial strain, making it increasingly arduous to maintain adequate living standards as incomes may no longer suffice to cover expenses effectively (Azmi et al., 2023). For instance, Hassan (2022) noted a 50 per cent decrease in purchasing power, exemplified by the price of six fried bananas rising from RM 1 to RM 2. This significant decline in purchasing power was corroborated by data from foodservice microbusiness operators, with one noting an "increase (of) around 40 percent" (Pranit) in the prices of raw ingredients. Thus, the operators face the full brunt of the escalating cost of living as they have to "buy grocery, cook, sell (and) pay rental" (Ajith). To navigate this challenging landscape, operators devise strategies to alleviate the impact of dwindling purchasing power, as Nora expressed:

We used to have a menu book, but after COVID we don't sell food based on the menu price in the book. This is because the price of goods has gone up and that's why I don't make menus anymore.

The strategies implemented by the operators in

response to the rise in living costs indicate a sharing of this burden with the customers. This unfolds as rising ingredient and utility prices elevate operators' expenses, leading to increased costs for end consumers. A 2020 Consumer Sentiment Index (CSI) survey by the Malaysian Institute of Economic Research (MIER) found that 75.3 per cent of respondents expressed concerns about the surging cost of living, while 80.5 per cent anticipated its adverse effects on personal finances. Despite these concerns, individuals' inclination towards dining out appears largely unchanged (Azmi et al., 2023), prompting food businesses to leverage the trend to mitigate the impact of rising living costs on their operations. According to the Statista Research Department (2023), approximately 58 per cent of survey respondents utilized food delivery applications during the COVID-19 pandemic. These findings align with the 'National Health and Morbidity Survey 2019', which highlighted that dining out in Malaysia incurred higher monthly expenses for individuals. However, while the surge in dining out may benefit foodservice microbusiness operators, consumers increasingly rely on online food delivery applications. Consequently, businesses unable to transition online risk being sidelined. missing out on this trend. Moreover, operators note that price hikes prompt customers to reduce their frequency of patronage, resulting in decreased sales.

In the context of foodservice microbusiness, simply increasing product prices has proven to be an unsustainable initiative. Participants have previously attempted to "put the price quite higher a little bit" to cover their costs, but now they "have to reduce the price a bit" (Jeevan) due to a drop in sales as a consequence. This trend stems from various factors, including the proliferation of similar microbusinesses, consumer reliance on online food delivery services, and pandemicinduced shifts in eating patterns. Consequently, increasing product prices to offset rising living costs has become impractical for foodservice microbusinesses. Although adjusting the selling price may seem to be a viable solution to mitigate the impact of rising living costs, there have been many drawbacks, causing operators to readjust their prices to regain their sales. Ultimately, whether adjusting the selling price, operating the business from home, cutting salaries, or attempting to use online delivery, the costs to foodservice microbusinesses remain substantial

To address the high costs of living, The Ministry of Domestic Trade and Costs of Living (KPDN),

implemented a range of measures and initiatives. According to Azmi et al. (2023), a key responsibility of the KPDN is to monitor and regulate prices of essential goods and services by enforcing price controls and acting against price manipulation and unfair practices in the market. Accordingly, the KPDN introduced the Payung Ramah program to alleviate the burden of high prices on low-income individuals, including the menu Rahmah (lunch or dinner sets at a fixed price of RM5.00) which was severely criticized by foodservice microbusiness operators for its economic burden on the operators themselves (Malaysia Now, 2023). Thus, most initiatives have not provided comprehensive solutions for operators, leaving microbusiness vulnerable to increasing costs, unfavorable policies and diminishing spending power.

# **Lack of External Support**

Micro and small-scale businesses are frequently considered vulnerable (Topimin & Hashim, 2021). Such vulnerability stems from business constraints, including limited financial resources, limited human capital, poor infrastructure, lack of business and social networks (i.e. social capital), and lack of information and technology adoption (Gherhes et al., 2016; Trupp et al., 2024). Thus, Tambunan (2019) claims that conducive intervention programs are essential in improving and ensuring small and micro businesses' survival, competitiveness, and growth. The government has supported entrepreneurship development by launching the National Entrepreneurship Policy 2030 in July 2019 and the Shared Prosperity Vision 2030 in October 2019 (SME Corporation, 2019). However, these initiatives, originally hailed as helpful and timely, have been viewed as being inadequate (Sciortino, 2023). Nonetheless, the data gathered indicates a lack of financial, infrastructural, and technological support from external sources such as the government, city councils, financial institutions and similar agencies. Ken, for instance, expressed:

Nowadays also (it is) very hard because if I want to apply for the loan, I also cannot show anything.

Even after the pandemic, applying for government loans has not become easier despite numerous initiatives being put in place to aid low-income individuals and businesses. As most foodservice microbusinesses were closed during the pandemic, they have been unable to produce any form of records or documentation, let alone generate any sales. This has left many of the participants unable to provide the requested documents necessary to access loans. As a result, the government's intentions to

provide financial aid conflicts with the requirements that need to be met to access aid. The loans provided by the government should help microbusinesses survive amidst a loss of sales. However, operators' inability to maintain proper transaction records due to limited technological resources has not been factored into requirements for accessing loans. This may stem from initiatives primarily targeting SMEs, including microbusinesses, thereby disadvantaging foodservice microbusiness operators and causing concern. Wong's narrative illustrated such challenges, thus expressing:

Because (of) the pandemic these two years we (have) no business lah. We want (to) apply for banking loan because we (have) no income, then how (is) the bank going to give (the) loan? From government bank also cannot get the loan. So how (are) we going to survive? So, that's the problem lah, bank say how can we give you fund lah? [...] you no earn money, so then how to give you the loan?

In Malaysia, entrepreneurship development programs encompass access to financing, human capital development, innovation, technology adoption and other relevant markets (Topimin & Hashim, 2021). However, the pandemic impeded these efforts, particularly affecting small and micro businesses and hindering their access to aid programs. Addressing this issue, the government launched the PRIHATIN Economic Stimulus Package, which includes targeted support for micro, small, and medium enterprises. Additional initiatives, such as the Special Relief Facility, featuring reduced interest rates from 3.75 to 3.5 per cent and a RM500 million micro-credit scheme, were also introduced (Berita Harian Online, 2020). Despite these efforts, challenges persist regarding the relevance and accessibility of these initiatives. Accordingly, the data gathered provides insight into the (in)effectiveness of support programs for microbusinesses, revealing concerns pertaining to accessibility and eligibility which prevent operators from benefiting from these initiatives (Topimin & Hashim, 2021).

Operators have been unable to obtain financial support because their "supporting documents are not relevant" (Ravi) or "because we (they) (have) no income" (Wong) and "cannot show anything" (Ken). According to Ong et al. (2010), targeted groups often remain unaware of support programs due to mass marketing practices which fail to focus on the groups in need. Similarly, Hung et al. (2010) highlight difficulties in accessing business support due to the requirement for

numerous supporting documents (sales reports, financial reports, etc.) and longer processing times. While existing research typically evaluates government support programs based on participation (Zainol et al., 2017), issues concerning accessibility, implementation processes, and program suitability remain unexplored and warrant further investigation (Raflis et al., 2020; Topimin & Hashim, 2021).

# **Unfavorable Competition**

The COVID-19 pandemic saw 56 per cent of service industry microbusinesses report zero revenues (Adam et al., 2021) and 20 to 30 percent of foodservice microbusinesses ceased trading (Durai, 2021). Much research explored the impact of the pandemic on existing microbusinesses. Yet investigations regarding the influence of new foodservice microbusinesses emerging during and after the pandemic on the competition within the industry is lacking. Participants in the current study highlighted a surge in foodservice microbusinesses after the Malaysian 'movement control order'(MCO) was lifted, as expressed in the two following narratives:

(There is) more competition, don't know why after MCO ah, many people doing F&B (Wong).

There is a lot of competition here. Here there is one, two, three, just over here (street corner) there are four (shops) (Ali).

The growth of foodservice microbusinesses both during and after the pandemic has increased competition and "the sustenance is divided" (Ali) among the operators, greatly reducing their earnings. Participants claim that "one day I (they) can get more than RM 2,000" (Ali) if the shops in the vicinity were closed. Thus, many businesses established during and after the pandemic (or even before), operate as unincorporated legal entities, likely to be excluded from competition law regimes. This can lead to unregulated and unfavorable levels of competition (Schaper & Burgess, 2021).

Some of the most intense competition exists between the smaller businesses themselves, mainly due to low barriers for entry, commonality of products and services, and a lack of proper regulation (Foer, 2001). This is evident as most participants prepare food that is innate to their own local culture. Nearly all interviewed operators produced food and beverages unique to Malay cuisine such as Nasi Lemak, Assam Laksa, Curry Mee, Roti Canai, Murtabak and Nasi Biryani, or unique to Chinese cuisine such as Wan Tan Mee, Char Siew, Pan Mee and Fried Tofu. Consequently, this heightened

competition has resulted in an influx of businesses offering similar goods and services, likely driven by individuals from other industries seeking alternative sources of income during and after the pandemic.

Many participants who previously collaborated with other operators in food courts before the pandemic are now focusing on innovating their products and finding ways to distinguish themselves from the "many restaurants (opening) after (the) MCO" (Wong). The operators are utilizing more individualistic approaches, such as developing new menu combinations, creating offers and promotions, and considering the adoption of smart technology. This contrasts with previous collectivist approaches such as sharing resources, joint promotions, and sharing sales and operation strategies. For example, one participant operating at a food court now runs the business from 12pm to 12am, deviating from the normal working hours of 10am to 9pm of neighboring businesses. This increase in competition is prompting operators to embrace individualism, thereby leading to the loss of social capital and community cohesion. Moreover, participants have generally been contemplating the use of smart technology to differentiate themselves further from their competitors: "it (smart technology) will help me improve lah. You see around here (food court) a lot of people are not using" (Ajay). However, depending on smart technology alone as a solution can be risky as it exposes operators to greater levels of unknown competition. Therefore, operators will need to innovate their products, services, and sales strategies to face competition from both the growing number of informal businesses and potential online competitors.

The growing competition has also become evident during seasonal festivals and celebrations observed in Malaysia. One participant provided an illustration of a seasonal competitive business threat.

A business like ours faces the most challenging month of Ramadan. Because people have a choice to go to the bazaar. There are many traders. Look at how many people are doing business now (many shops). (Naira)

The Ramadan Bazaars in Malaysia experienced a decline in the number of stalls from 1,418 in 2019 to 977 in 2021 due to the pandemic. However, there has been consistent growth since, with the number of stalls increasing to 1,128 in 2022 and over 1,300 in 2023 (Ravindran, 2023). The rapid increase in businesses within a short timeframe has led to heightened concerns

regarding food safety and hygiene. In 2023, Malaysia's Ministry of Health examined 104,755 food handlers/ operators and issued 2,188 compound notices totaling RM 197,600 due to such violations as employing untrained workers, workers lacking anti-typhoid vaccinations, and inadequate food handling equipment (FMT Reporters, 2023). The rise in competition resulting from the drastic increase in foodservice microbusinesses since the pandemic negatively impacts food safety and hygiene standards as well as the growth and sustainability of these businesses. Pressure to innovate may prompt operators to alter their products, jeopardizing the quality and authenticity of local food due to changes in cooking techniques and ingredients (Chong & Stephenson, 2020). Thus, the findings highlight an overlooked increase in competition between existing and newly emerging foodservice microbusinesses, a phenomenon often overshadowed by research focusing on closures and negative financial impacts during the pandemic.

#### **Decline in Sales Performance**

Changes in consumer eating habits

Many foodservice microbusinesses currently generate less than RM 100,000 in annual sales thus facing severe consequences from the pandemic-induced drop in sales (Azman & Majid, 2023). The research data indicate that participants are still struggling to recover financially from this period. According to Naira:

The lowest we could save was RM200 a day (before the pandemic). Now it's hard to make a profit.

Wong also commented:

Because the sales drop already, maybe because during the MCO time they (customers) learn(ed) how to cook very well.

Throughout the recent COVID-19 pandemic, smaller businesses encountered challenges stemming from informal and flat organizational structures, as well as limited management and strategic capabilities (Liu & Yang, 2019). In Malaysia, foodservice microbusinesses heavily rely on daily offline consumer purchases (Azman & Majid, 2023). However, during the pandemic, MCOs prevented customers from visiting these businesses, leading them to either close or innovate to survive. Abed (2021) suggests that the pandemic offered businesses an opportunity to become more adaptable and flexible, prompting a surge in alternative methods of delivering goods and services, such as leveraging online digital platforms (Doyle & Conboy, 2020). Consequently, businesses, including small and medium-scale enterprises, that could transition their offline stores into online platforms via digital technology adoption strategies managed to weather the pandemic (Azman & Majid, 2023). However, as many microbusinesses lacked the capacity for such innovations, they were presumed to have closed or were overlooked by customers (Leone et al., 2020). This highlights the critical role of digitalization as a crisis coping mechanism. Smart technology can facilitate operators in enhancing customizations, improving product and service quality, and accessing online resources such as training and online delivery (Anton et al., 2023).

The inability of foodservice microbusiness operators to innovate digitally during the pandemic had detrimental effects, as customers have shifted to businesses offering better consumer convenience and safety through digital technology, such as online ordering and delivery (Azman & Majid, 2023). A comparison between pre-pandemic and post-pandemic consumer eating habits in Asia revealed that only 50 per cent of consumers retained their preference for dining out in the post-lockdown period, 34 per cent switched from dining out to ordering/eating-in and only six per cent switched from ordering/eating-in to dining out (Nooh, 2022). Accordingly, some of the research participants highlighted the possibility that their customers "learn(ed) how to cook very well (during) these one to two years" (Wong). During enforced lockdowns, people turned to nostalgiabased leisure activities such as baking bread, leading to the "bake your own bread" trend spreading across social media (Gammon & Ranshaw, 2021). Such activities were seen as providing sustenance and a means of demonstrating skills on social media (Güler & Haseki, 2021). Culinary activities, initially considered a necessity during the pandemic, gradually evolved into leisure/recreational activities, serving as tools to improve psychological well-being and physical wellness, a trend that continues (Güler & Haseki, 2021; Reicks et al., 2018). Consequently, the habit of cooking for oneself persists, further impacting the sales of foodservice microbusinesses alongside the growing trend of ordering food online. The decline in sales performance that began during the pandemic has yet to recover fully, indicating a long-lasting aftermath of pandemic-induced changes in consumer eating habits.

# **Business relocation**

The findings further show that the geographical location of foodservice microbusinesses plays a vital role in their sales performance. According to Wagistina et al. (2022), one of the contributing factors to the failure of

small and micro businesses is their rough location planning. As a result of the pandemic, some participants were compelled to relocate their food stalls due to financial constraints, stemming from reduced earnings and an inability to pay rent. However, following relocation to areas bordering main cities where rental costs are more affordable, participants face challenges in attracting customers. Ravi explained:

When we moved here (out of the city), our customers were not satisfied with this place anymore. It's not convenient. Because we used to have family customer(s) and friend group(s) so the young people could hang out.

Geographical location is vital in contributing to business success and sustainability, where the distance of businesses from the main economic hubs can affect their performance (Jedwab & Storeygard, 2022). Power et al. (2019) state that businesses bordering main economic hubs experience different longevity, with the location of firms strongly impacting their duration. Indeed, interviewed businesses reported a decline and dissatisfaction among their regular customers due to their relocation. Participants who have had to move away from the city centers lost access to their "family customer(s) and friend group(s)" (Ajay) and regular customers, causing a further drop in their sales. Consequently, operators forced to relocate due to the pandemic are experiencing greater difficulty increasing sales.

While considerable research has focused on challenges encountered by SMEs, our data demonstrates that microbusinesses, especially those in the foodservice sector, face complex challenges primarily related to resources. These challenges are limiting operators' decision-making capabilities and business management processes. Thus, many of the obstacles affecting the sustainability of operators' businesses could be alleviated by improving their access to, acquisition of, and management of essential resources such as employees, finances, and customers. This, in turn, would foster growth and innovation.

### **Implications**

#### **Theoretical implications**

In the rapidly developing food industry, understanding the challenges of ailing operators of foodservice microbusinesses is vital to developing effective strategies to ensure their survival and growth. This research contributes to the emerging body of knowledge on challenges faced by foodservice

microbusinesses during economic turbulence, which have received more academic attention within the food industry since the onset of the COVID-19 pandemic (Azman & Majid, 2023; Tajudin et al., 2021). Foodservice microbusinesses provide a unique context from most other industry microbusinesses due to their distinctive products and services. Microbusinesses in the food industry are susceptible to individual, political, social, and economic influences making their economic survival uncertain.

This study provides a theoretical contribution to the food industry, specifically the foodservice microbusinesses, by applying and extending the RBVF model (Wernerfelt, 1984) and the capabilities theory (Teece, 2019) to Malaysia's micro food sector. Limited business-based and structural-based resources bring about more challenges than benefits to operators due to their inability to manage, access and/or acquire the necessary resources. Furthermore, through the resource-based perspective, this study integrated an understanding of the internal forces (limitations regarding employee management and spending power) and external forces (pandemic induced changes in consumer behaviour, business location and level of competition) to the contextualization of the challenges faced by foodservice microbusinesses.

From a staffing perspective, the RBVF can be applied to comprehend the challenges associated with training and retaining employees. However, the model is limited in its ability to provide a theoretical foundation to exploring the recruitment-based challenges which are mostly external with minimal business influence. Regarding training transfer and employee retention within Malaysian foodservice microbusinesses, the RBVF model provides a resource-based foundation accounting for resources such as employment costs, training costs and workplace skills. Meanwhile, the findings show a need for comprehending additional factors such as employee job mismatch, employee management strategies and the capacity of operators to train employees, which cannot be fully explored using the RBVF model. Thus, theories such as the human relations theory (Cooley, 2016) and the systems management theory (Johnson et al., 1964) could possibly strengthen the applicability of the model, though further research application would be necessary.

Regarding access to financial resources, which is a structural-based resource, the RBVF model can be utilized to determine the nature of resources necessary to sustain and innovate foodservice microbusinesses. However, the model is limited in its ability to consider factors such as the suitability, accessibility, and implementation process of external financial support which is preventing operators from utilizing the resources provided by external parties. Hence, integrating the RBVF model with the TOE framework may provide a clearer approach to comprehending the influence of structural-based resources, i.e. the external environmental challenges affecting foodservice microbusinesses. Additionally, this research emphasizes the importance of exploring external support programs not just in terms of measuring their effectiveness based solely on participation, but also focusing on aspects such as accessibility, implementation processes, and suitability.

The findings of this study revealed an uptake in the number of foodservice microbusinesses emerging during and after the pandemic. Therefore, there is a need for research investigating the nature, intensity and impact of unregulated competition between foodservice microbusinesses, which the RBVF model may be unable to explain. The findings show an increase in the competition between existing and newly emerging foodservice microbusinesses, which has gone unnoticed in research, with much of the focus placed on the closures and negative financial impacts suffered by microbusinesses.

Additionally, the capabilities theory (Nussbaum, 2011) provides a new dimension to comprehend the challenges faced by Malaysian foodservice microbusinesses by accounting for the operators' struggles in expressing their quantitative and qualitative notions of freedom (Dierksmeier, 2018) and innovation due to resource-based challenges and limitations. Thus, the theory provides a unique perspective based on the operators' capabilities to access, acquire, and manage the resources necessary for survival and business development, especially in relation to the recruitment and retention of employees, external funding, the customer base and investing in new innovations. Subsequently, the findings support the relationship between the RBVF model and the capabilities theory while also establishing the suitability of the capabilities theory for comprehending resource-based challenges of foodservice microbusinesses in Malaysia, notably poor employee training and management, diminishing spending power, lack of external support, unfavorable competition and poor sales performance.

#### **Practical implications**

The findings underscore a need for training programs tailored to foodservice microbusiness operators. These initiatives should consider operators' knowledge, skills, experience, and resource capacities to effectively enable them to transfer training to their employees. Shuck et al. (2011) propose that businesses should introspectively assess their training practices, the capacity of operators to train employees, and their skill levels and knowledge as initial steps toward developing an effective retention strategy. Transfer training can enhance the performance and financial sustainability of foodservice microbusinesses (Ward, 2016). Thus, this research further validates the importance of not only employee well-being, motivation, and commitment, but also operator knowledge and determination in implementing training effectively. Hence, there is a need for operator training programs addressing employee welfare and management, training transfer planning and execution, and employee knowledge and skill development approaches.

The study showed that improved planning of initiatives, including financial, infrastructural, training, and entrepreneurial programs, is imperative when engaging foodservice microbusinesses. Greater attention must be given to the limitations and capabilities of these microbusinesses in meeting eligibility criteria and fulfilling requirements for such programs. This approach can enhance the likelihood of operators accessing and effectively utilizing essential financial, infrastructural, and technological assistance. Therefore, the nature and capacities of foodservice microbusinesses must be considered by authorities and financial institutions when setting requirements, i.e. the terms and conditions for microbusiness support programs. A suitable approach would be to introduce loans, subsidies, and smart technology adoption initiatives such as workshops, smart system access, and technical support during and post adoption. Such support should be specifically catered to service industry microbusinesses by considering their limitations and capacities, rather than being grouped together with programs for small and medium enterprises, as commonly seen in current initiatives.

Relocating businesses away from economic hubs is detrimental to their performance. However, one potential benefit of changing business location is the transition from physical shops to online platforms (Hamdan et al., 2021). Operators should utilize social media (Instagram, Facebook, etc.), online delivery platforms (Grab, Foodpanda, Shopee food, etc.), Google

Business Profiles, and personal websites. However, prior to adoption, operators must acquire the necessary knowledge and guidance, firstly, from sources that are easily accessible such as YouTube and free online courses and secondly, from government funded workshops if and when available. This will enable operators who have lost access to their regular customer base to reach an even wider audience. Nonetheless, such transitions should be approached cautiously, as they may expose operators to heightened competition and unfamiliar online risks and threats if they are unprepared and unaware. Therefore, it is crucial to provide foodservice microbusiness operators with adequate assistance, knowledge, skills, and supporting facilities to mitigate online risks and threats.

# Limitations

The findings highlight the challenges faced by foodservice microbusiness operators in Malaysia. While the study contributes to a better understanding of the nature and dimensions of the challenges influencing foodservice microbusinesses, it also entails certain limitations.

First, this study focuses on the food industry to gain a deeper understanding of the challenges faced by these businesses, which have been overlooked in research. Hence, exploring the challenges faced by businesses in other industries can provide a broader view of the issues impeding microbusinesses. Second, the study only focuses on foodservice microbusinesses in Malaysia. Future research can compare the findings of this study with other countries and regions to develop a comparative perspective. Third, the internal challenges related to employee management are discussed from the perspective of the operators. Future efforts can explore the perspectives of foodservice microbusiness employees to develop a holistic understanding of the operatoremployee relationship and their power dynamics. Finally, the study utilized qualitative interviews. Future research can deploy quantitative approaches involving a larger number of operators to measure the extent to which the discussed challenges affect the growth and sustainability of foodservice microbusinesses.

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