

# A promising food & beverage market still under the radar



**Toufic Akl, consultant and office manager at hodema consulting services, puts low-key Kuwait under the microscope**

When it comes to restaurants in the Gulf region, we usually hear about the glitz of Dubai or the booming market of Saudi Arabia. But other countries, even if they go their own way with a lower profile, are not outdone. This is the case of Kuwait.

**“Coming up next in the market is the concept of food & beverage clusters, which have recently started appearing in the Middle East”**

With an economy growing at a quick pace in the last decade, the country is one of the most stable in the area. This is mainly attributed to its massive oil reserves, which represent 9% of the world stock.

The rest of the economy doesn't disappoint either, with average non-oil GDP growth of 6.3% and an unemployment rate of 3.1%, one of the lowest in the GCC region.

Kuwait is one of the region's most dynamic countries in terms of private investment. The government doesn't savor its success though: it is developing a National Development Plan to further boost the economy and diversify its revenues.

### **The Kuwaiti youth: a source of opportunities**

The Kuwaiti population is young and dynamic, which makes it the perfect target for food and beverage developers. According to the 'Kuwait business intelligence report' issued in June 2010, about 60% of the population is under the age of 30, and shows a 3% rise annually. This youth represents a large base of potential consumers, especially as the trend of Western type cafes take over the Middle East. This trend only reinforces the local traditional habit of going out to eat and socialize.

The young Kuwaitis are relatively wealthy with a high disposable income and are fond of Western lifestyle and products since they often travel abroad, especially to Europe and the United States. Compared to their neighbors, they show a strong involvement in social life, which makes them more outgoing and open to new concepts and ideas.

The limited entertainment activities and the extremely hot

temperatures during the summer season drives Kuwaitis to limit themselves to indoor occupations such as shopping and dining out, a fact that also benefits the F&B sector. Financially, the food industry already ranks third in the list of expenditures for households, with 1,288 million KD spent every year (according to Euromonitor).

### **A market of success stories**

Aside from the large market demand, the offer has been growing steadily in the last few years. Big regional groups of both franchised and self-created concepts, such as Americana Group, Kout Food Group and Al Shaya, were established in Kuwait and have grown remarkably to expand even outside the country's borders.

Americana Group dominates the market of F&B operators with around 175 outlets in Kuwait and 1,200 in the GCC region, with brands such as KFC, Pizza Hut, Costa Coffee and TGI Friday's. Al Shaya, which has been expanding



**Restaurant clusters opening soon in Kuwait**

| Name     | Number of Outlets | Location   |
|----------|-------------------|------------|
| Arabella | 36                | Hawalli    |
| Menus    | 7                 | Abu Halifa |
| Typhoon  | 60                | Abu Halifa |
| Le Port  | n/a               | Mahboula   |
| Miral    | 45                | Al Mangaf  |
| Levels   | n/a               | Al Mangaf  |

Source: hodema

its portfolio at an impressive pace with franchise acquisitions, follows with an estimated 112 outlets in Kuwait and 623 total outlets in the region, with names such as Starbucks, Pinkberry, PF Chang, Shake Shack and the recent acquisition of The Cheesecake Factory.

American franchises hold the upper hand in the market, with a total market share of 45%. Most of them are fast food concepts belonging to US franchising giants who were the first to expand the technique all over the world. In terms of cuisine, once again the Lebanese cannot be beaten, remaining an all-time favorite of the consumers in the region and served in 28% of the restaurants. These trends are however not specific to the Kuwaiti market and can be found all over the GCC.

**Boom of homegrown brands**

What is more typical to Kuwait is the recent boom of homegrown brands and concepts, which are witnessing increasing success among the population. "Local" here does not mean "traditional": most of the concepts created locally position themselves up to international standards in terms of architecture and decoration, brand image, design and menu creativity.

The local success that comes to mind is "B+F Open flame", which won a gold award at the International Council of

Shopping Centers Awards (ICSC Awards) – MENA in Dubai in December 2011. The same group that created "B+F Open flame" also developed Slider Station, a burger concept with a sushi style conveyor belt, and started franchising in neighboring Gulf countries.

Coming up next in the market is the concept of F&B clusters, which have recently started appearing in the Middle East, following their popularity in the US. A restaurant cluster (or complex) is a geographic concentration of adjacent F&B outlets holding at least three F&B units within a short walking distance from each other, each having a distinct design, menu offer and seating area, as opposed to food courts (see table above).

**Mall culture helping the food & beverage sector**

The food & beverage cluster trend is supported by the growing number of malls in Kuwait which are filling up with new restaurants. Some of the newly finished malls are Al Hamra, Kipco Towers and most recently The Avenues phase 3. The Avenues is the largest mall in Kuwait and the most targeted commercial location in the country. With more than 800 retail stores and 146 food & beverage outlets, it is expected to host around 24 million visitors yearly.

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**Kuwait F&B outlet distribution by positioning**

