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MIDDLE EAST

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EGYPT

READY FOR A COMEBACK



Long gone are the days when Egypt used to welcome over 15 million tourists every year. Yet the hospitality sector is not dead, it is actually growing thanks to local demand.

Toufic Akl, partner handling operations at Hodema consulting service tells us how

For the past few years, the situation in Egypt seems to have stabilized. GDP growth, now at two percent, is expected to rise to four percent. Although consumer confidence is not back to pre-revolution levels, we have observed a 4.1 percent rise in household expenditure that translates into increased consumer spending.

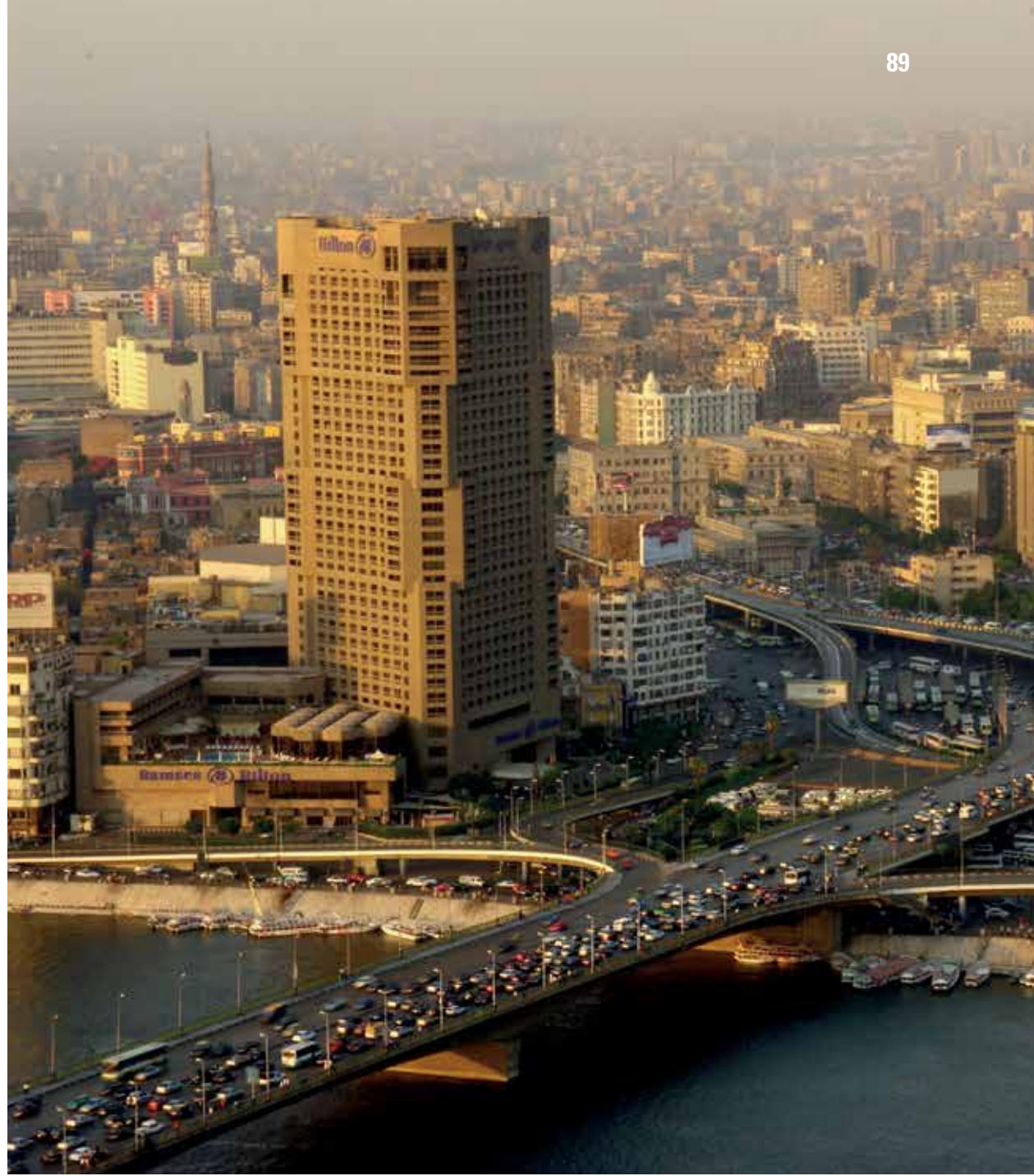
Structural and economic challenges

The development of restaurant outlets is expected to continue growing at a fast pace in the coming years. F&B in Egypt is both a remarkably resilient industry and a challenging market. The drastic drop in tourist arrivals since 2011, inflation rates exceeding 10 percent and occasional security incidents are but a few of the issues entrepreneurs and investors must face on a daily basis. There is a widespread feeling that the whole economy has slowed down but that doesn't mean new projects aren't seeing the light. The F&B scene is actually one of the most dynamic in the region. Geographically, trendy F&B outlets are no longer restricted to certain districts of Cairo. They are spreading to reach the North Coast and the Red Sea.

F&B is driven by the youth

The Egyptian F&B industry is driven by the youth. This clientele is extremely influenced by Western culture and by the Egyptian revolution. Often building on their experiences abroad, they are responsive to creative concepts and quality service. Bars and pubs are the fastest growing outlets with a 20 percent increase over the past two years.

Eating out is increasingly popular. For the young generations, it is an occasion to socialize and develop new networks. Western chains such as



KFC, Starbucks and McDonalds are praised, but there is also an emerging interest in home-grown casual and urban concepts. Like in other countries of the Arab world, Egypt is increasingly relying on its young entrepreneurs to develop and invest in new F&B concepts.

International cuisine on the rise

Egyptian consumers show an increasing interest in modernized international cuisine. Restaurants like Ted's in City Stars Mall, Melt bites deli in Westown Hub or Sequoia in Zamalek, to name a few, are examples of this trend.

All types of cuisine are now available in Egypt, from "better burgers" – served at Mince – to Nola cupcakes, not forgetting sushi at Mori Sushi. Some of these outlets like the Japanese Kazoku in New Cairo try to offer an experience for the consumer rather than merely just good food.

In 2016, new players will enter the market. Openings will include the Dubai based Kcal, US burger franchise Smashburger and

Al Shaya group. Al Shaya will provide the country with a large portfolio of F&B brands including Pinkberry and ShakeShack.

Lebanese and local cuisine

In 2015, Lebanese cuisine was the biggest trend in Cairo. Restaurants such as Tamara, which has multiple branches in the country, were very successful. At the same time, local restaurants are showing efforts to modernize their design, such as Zooba, who currently operates six outlets in Cairo and is expanding throughout the country.

Specialization and quality

Investors in the Egyptian F&B market favor strong concepts with a clear, unique selling proposition. They often choose to focus on a single item such as chicken, shrimps etc. Investors also realize the importance of having a standardized system of operation, in order to develop multiple units. To do so, they bring on board professionals, regional or international consultants and foreign chefs to assist them in setting up creative concepts. International experts also ensure high standard kitchen teams,

equipment and systemization of procedures. A good example of this is chef Athanasios Kargatzidis, who recently worked with some of Egypt's most successful restaurants such as Cachimba, Sachi and Kazuko.

A piece of advice

The F&B sector is growing and attracting investments, but in order to keep up with this trend, the Egyptian government needs to further help the sector. Measures such as easing the issuance of work permits for skilled foreign labor or lowering taxes and restrictions on some imported products would prove beneficial to the F&B industry.

On the bright side, professionals and investors shouldn't worry too much about competition. Outlets open fast but Egypt, the region's most populated country, can definitely absorb new offers.