



cutting through complexity

2015 UAE Food & Beverage Survey

What's on your plate

www.ae-kpmg.com





Contents

Introduction 3

Overview 4

The UAE Market 4

UAE Demographics 6

Survey Findings 8

Formats & Cuisines 8

Frequency & Preferences 9

Factors & Influences 10

Average Spend 12

Trends 13

Demographics & Methodology 14

KPMG Key Contacts & Offices 15



The F&B market in the UAE, like in many other markets worldwide, has demonstrated a considerable degree of resilience in the years following the economic downturn.

Today, as we look forward, the outlook for the F&B market in the UAE as a whole has probably never been better, while at the same time paradoxically for individual players, it could perhaps be argued that the market has never been more challenging.

As we consider both the results of our survey and the wider discussions we continue to have with our clients in the market-place, a number of interesting themes emerge, which players in the UAE will need to contend with over the coming months and years ahead.

The UAE continues to invest in major projects. The Abu Dhabi government is expected to invest significantly in infrastructure to achieve the 2030 economic vision while the Dubai government plans a number of large projects ahead of Expo 2020. The UAE, like many other countries in the GCC, is characterised by a relatively young and affluent population and the number of tourists continues to increase year on year. Tourism is likely to be one of the key drivers of the F&B market and the economy as a whole going forward.

The combination of all of these factors has thus served to intensify interest in the UAE market, leading to an increase in the number of both homegrown and overseas concepts. It is estimated that the number of F&B outlets will increase by around 1,600 by 2019. When one looks at the market today, it is clear that in the case of many concepts and cuisines, the growth in supply has also far exceeded the growth in consumer demand.

This highlights the need for both new entrants and existing players to avoid complacency. While the conditions in the market may well be favorable, not everyone succeeds, and there continue to be many examples of failure. The respondents of our survey were fairly clear to us in pointing out that they were prepared to pay for the right level of customer experience. In this increasingly competitive market, providing that level of experience is now more important than ever. While the quality of cuisine is paramount, it is also important that businesses have an engaged and well-trained, customer-facing workforce. It is often the case that good food will not compensate for bad service.

With so many new concepts entering the market, finding ways to differentiate oneself from the competition and continuously innovating will be key. The increasing awareness of the dangers of obesity and the need for a healthy diet is one such area in which a number of businesses are beginning to innovate. Such innovation and menu updates will be key to maintaining the brand appeal.

As both smart phone penetration and internet usage continue to grow, those businesses which are able and willing to engage have a fantastic opportunity to build brand loyalty and awareness via their online presence and through social media engagement.

At the same time the rise of online portals has made it easier than ever for customers to find and read reviews of potential venues, great news for those who generate positive reviews, but a risk of irreparable damage for those receiving bad reviews, particularly early on.

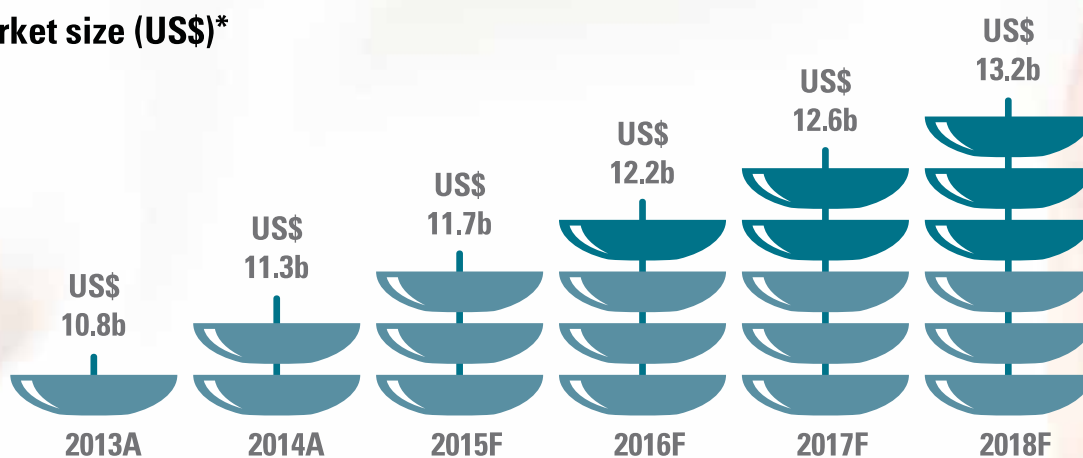
On behalf of KPMG, I would like to take this opportunity to thank all those who took the time to respond to our survey. I hope you also find the results of interest and helpful in addressing current market challenges. Please do not hesitate to contact me or a member of our F&B team if you would like to discuss this study and the implications for your business in the year ahead.



Anurag Bajpai
Retail and F&B Leader

The F&B market in the UAE is expected to continue to see strong growth in the foreseeable future.

UAE F&B market size (US\$)*



Transactions (m)	773	810	844	881	915	956
Outlets ('000)	13.3	13.8	14.2	14.7	15.0	15.4
Spend Per Transaction (US\$)	13.91	13.94	13.84	13.85	13.80	13.78

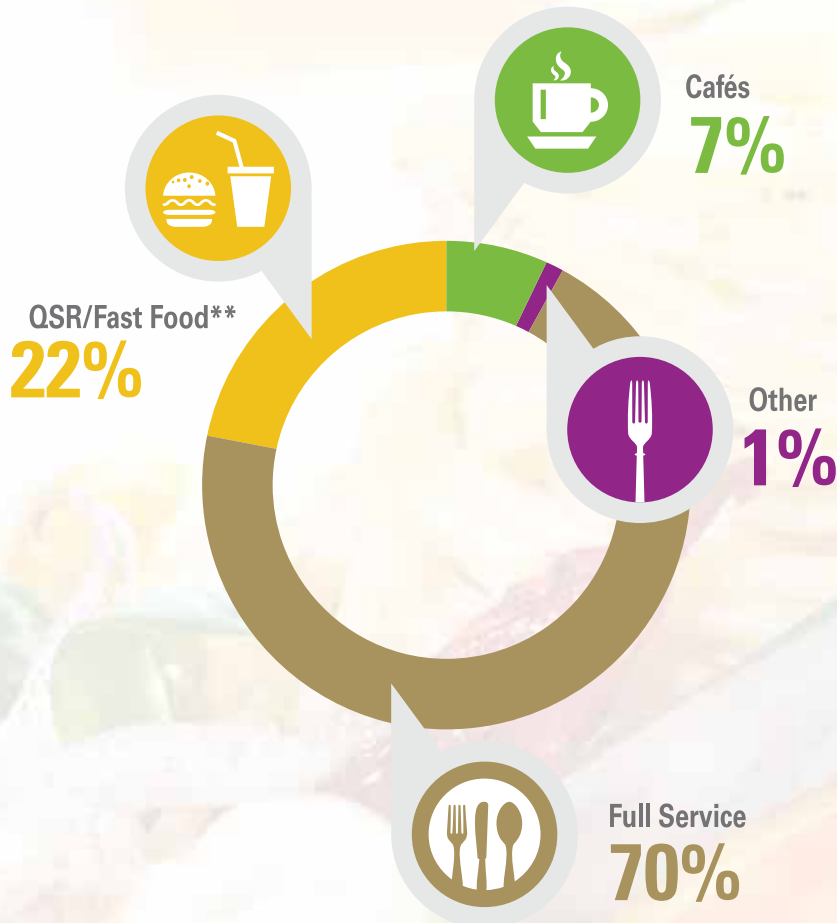
Source: Euromonitor

The UAE F&B market has grown by around 5% between 2013 and 2014 driven primarily by an increased number of transactions. Outlet growth has been driven by a mix of expansion of existing chains as well as new brands and concepts entering the UAE market. This expansion has been further fuelled by the continued investment in a number of new and large retail destinations. Economic revival has also led to increased disposable income and resulted in a higher propensity to spend on socialising and eating out among UAE nationals as well as expatriates.

Positive economic factors, local investment in new F&B concepts, as well as overseas chains, and a continued growth in tourists, all suggest that the UAE F&B market will continue to thrive.

* Excluding establishments whose primary focus is serving alcoholic beverages (e.g. bars/pubs)

UAE F&B market (2014)*



Source: Euromonitor

* Excluding establishments whose primary focus is serving alcoholic beverages (e.g. bars/pubs)
** QSR - Quick Service Restaurant

With growing F&B demand, operators continue to search for established brands from other markets, particularly those which have strong brand recognition among the various expatriate populations.

A number of overseas brands, which are strong in their home markets, have either recently started operations or announced their intention to enter the UAE market.

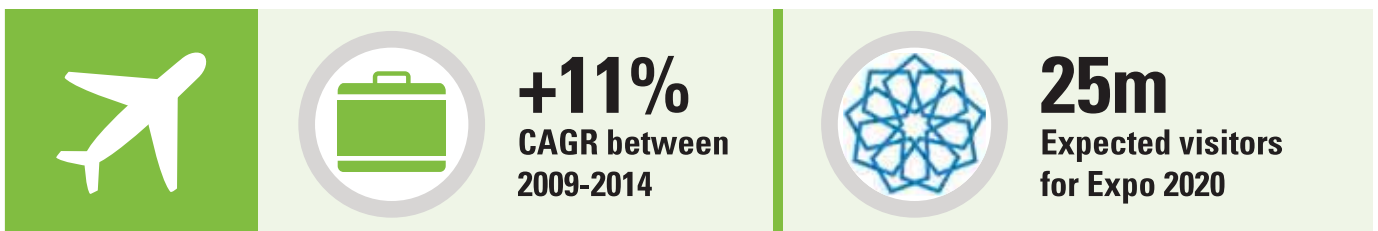
As the number of concepts continues to increase and consumers continue to have more choice, **a focus on the customer experience and continued innovation are likely to be the key success factors going forward.**

The UAE F&B market is underpinned by a number of favourable social and economic demographics which contribute to the growth of the sector as a whole.

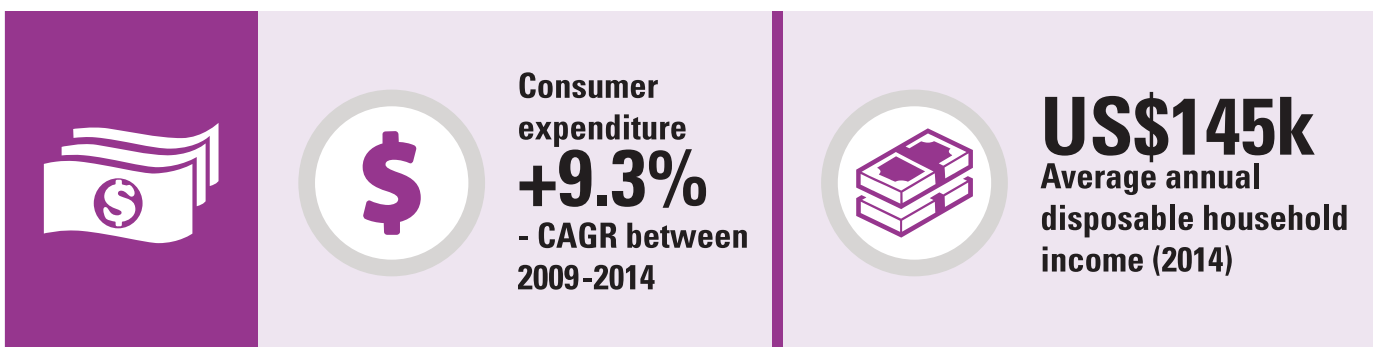
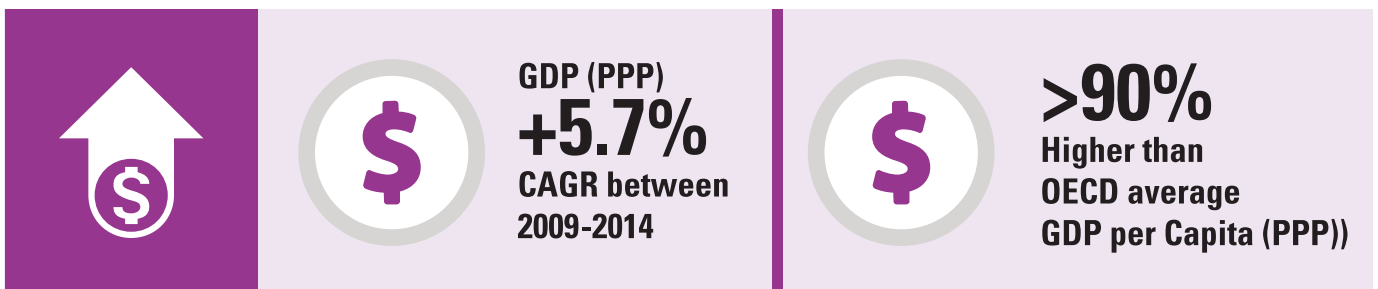
A growing and relatively young population



An increasingly important tourist destination



High levels of affluence compared with OECD countries



GDP per capita grew by 5.7%* between 2009 and 2014, driven by continued foreign investment and spending by the UAE government on major projects.

The population of the UAE is relatively young and includes a large number of young professionals who often work long hours and therefore demonstrate a preference towards convenience and entertainment.

Tourism levels have also increased significantly in recent years with approximately 18m tourists visited UAE in 2014. In 2014, Dubai International Airport witnessed 70.5m arrivals, overtaking Heathrow Airport in the UK as the world's busiest airport.

The UAE continues to be an important tourist destination, attracting tourists from all parts of the world with its wide variety of shopping and entertainment offerings.

The wide variety of tourists is matched by the UAE's resident expatriate population with one of the world's most diverse population.

This mix of cultures offers an excellent opportunity for a wide range of F&B concepts to co-exist and succeed in the UAE market while allowing operators to find their own niche among the growing expatriate and tourist population in this market.

Increasing tourist numbers will benefit the overall level of spend in the market, as tourists, tend to eat out more than the resident population.

* Source: Euromonitor

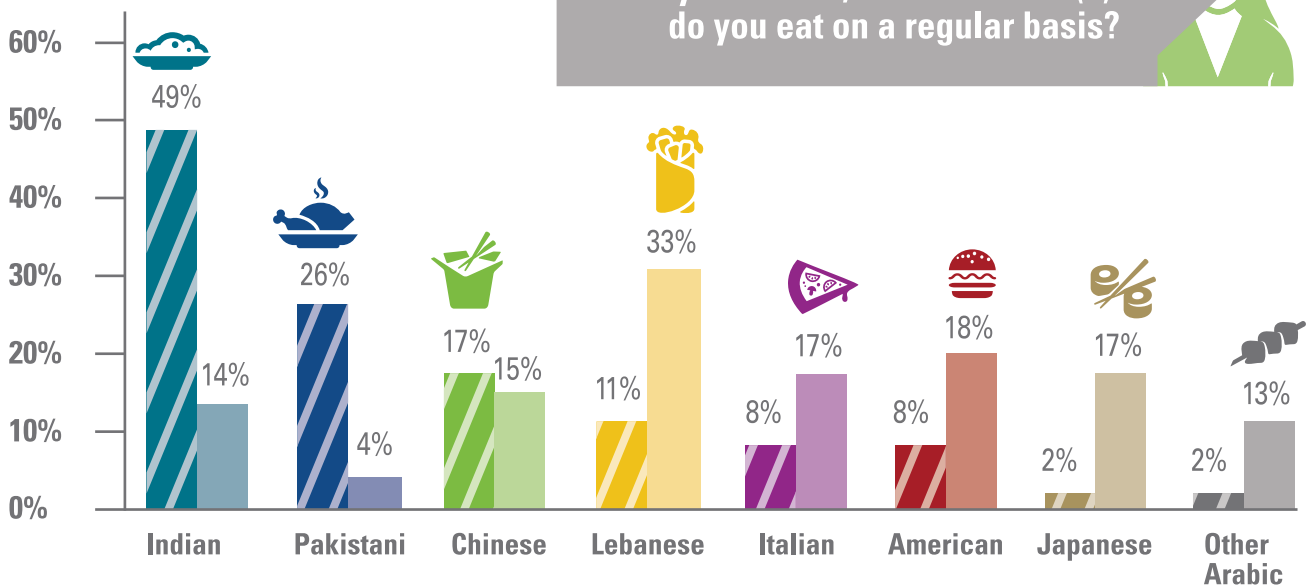




When you eat out, which format(s) are you most likely to visit regularly?



When you eat out, which cuisine(s) do you eat on a regular basis?



Respondents' nationality:

South Asians Others

The survey results indicate that respondents have no strong preference towards one format or location, even though the market continues to be dominated by formats in malls and retail destinations owing to a combination of culture and climate.

Casual dining and QSR formats were favoured by respondents over fine dining as they offer a relaxed ambience for socialising, value-for-money products and relatively quicker turnaround.

The survey results noted an interesting distinction when comparing the cuisine preference of South Asian respondents with other respondents - while other respondents had a more evenly balanced cuisine preference, South Asian respondents preferred familiar home cuisines such as Indian and Pakistani.

Understanding target demographics has never been more important for both existing and new operators.

*While there is a wide and growing range of cuisines in the UAE, **there are still a number of communities which are on the whole underrepresented** or are not served their authentic home cuisines.*

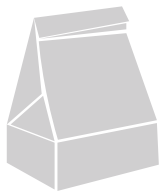
Those operators who can identify which segments of the market are currently underserved and rapidly fill the gap with the "right" concept will benefit in the short term and may gain a long term advantage over future competitors.



Do you prefer to eat out or order takeaway?



66%
Eat dinner out at least once during the week



60%
Order takeaway at least once per week

75%
Eat out on at least one occasion every weekend

2.5x
More likely to order takeout for dinner than for lunch

Respondents had no strong preference on **location** of restaurants

After cuisine, delivery **time** is the most important factor in selecting takeaway

The survey results indicated that lunch is the most frequent occasion for eating out during the week with a third of respondents indicating that they eat lunch out on a daily basis.

Respondents also indicated a high frequency of eating out on weeknights with 42% of respondents eating dinner out two or more times every week.

While takeaway and home delivery is still a relatively small proportion of the overall market, this segment is growing, partly driven by the growth of online ordering platforms.

Rocket Internet, via its local operating group Foodpanda, recently acquired 100% of Kuwait-based Talabat.com - which operates across the GCC - for US\$170m, as well as the UAE-based 24h.ae.

Turkish group Foodonlick.com has expanded into all six GCC markets in the last 18 months.



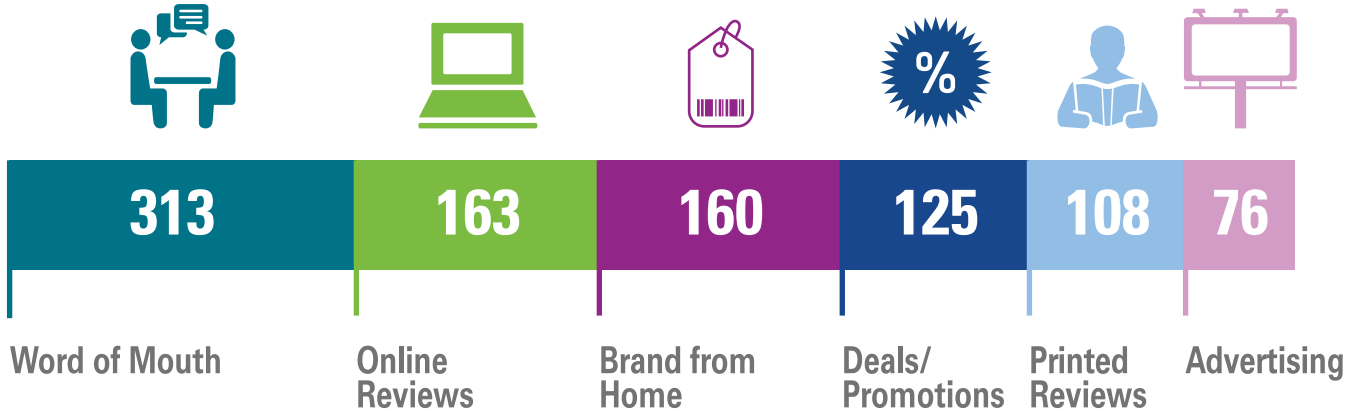
While many consumers eat out both during the week and at weekends, for many consumers the trend is to frequent cheaper and/or more convenient QSR formats during the week, perhaps buying lunch during a short lunch break or picking something up on the way home.

Weekend dining out**, on the other hand, for many is a chance to get together with friends and family and is therefore a more social occasion (for example brunches). This kind of eating out **is more likely to take place in full service restaurants, often with a higher average spend.

The rise of online ordering platforms has given many smaller players, who previously may not have existed in the consumer conscience, a chance to appear and compete alongside the more established brands.



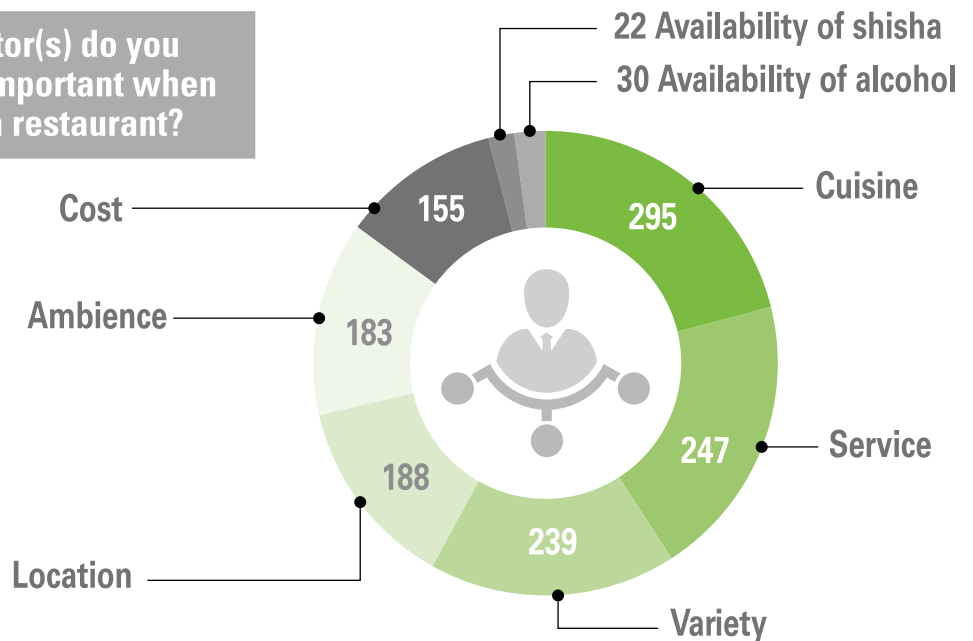
When eating out, which are the key factor(s) which influence your choice of restaurant?



Which factor(s) do you consider important when choosing a restaurant?

71% are willing to experiment with new cuisines and restaurants

58% have tried a new restaurant in the past six months



Our survey results showed that a vast majority of respondents are willing to experiment and are heavily influenced by both reviews as well as by friends and family when choosing a restaurant. The influence of advertising or availability of promotions on the other hand appears to be more limited.

When assessing which factors were most important in respect of the restaurants themselves, respondents viewed the quality and type of cuisine, along with service, as the most important factors. Cost, maybe surprisingly, was viewed as a relatively less important factor, suggesting customers are prepared to pay for the right experience.

It is heartening to see that a large section of customers in the UAE are willing to experiment with new food and concepts. However, in an increasingly competitive market, it is more important than ever that restaurants provide customers with the right level of experience. The high importance placed by customers on cuisine and service means operators need to focus on ensuring that both the quality of food and the level of service provided by staff is at the level demanded by customers.

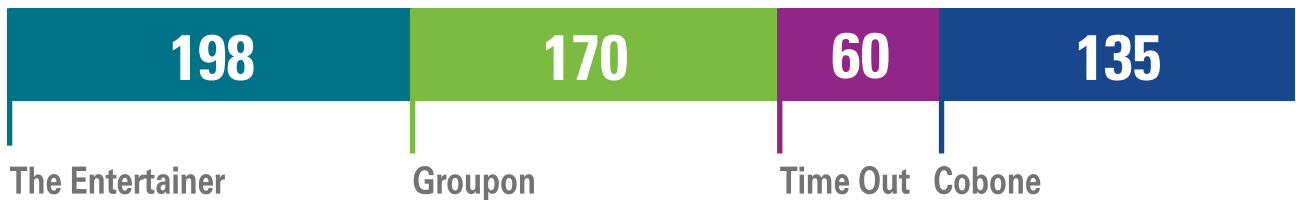
If these match or exceed expectations, word of mouth along with positive customer reviews will act as a more powerful influencer than advertising and promotions ever can. If expectations are missed, particularly early on, then the damage may well be irreparable.

In a region where labour costs are often low, it is all too easy to assume that the number, rather than the quality and training levels of staff, is the answer. Increasingly it is not.

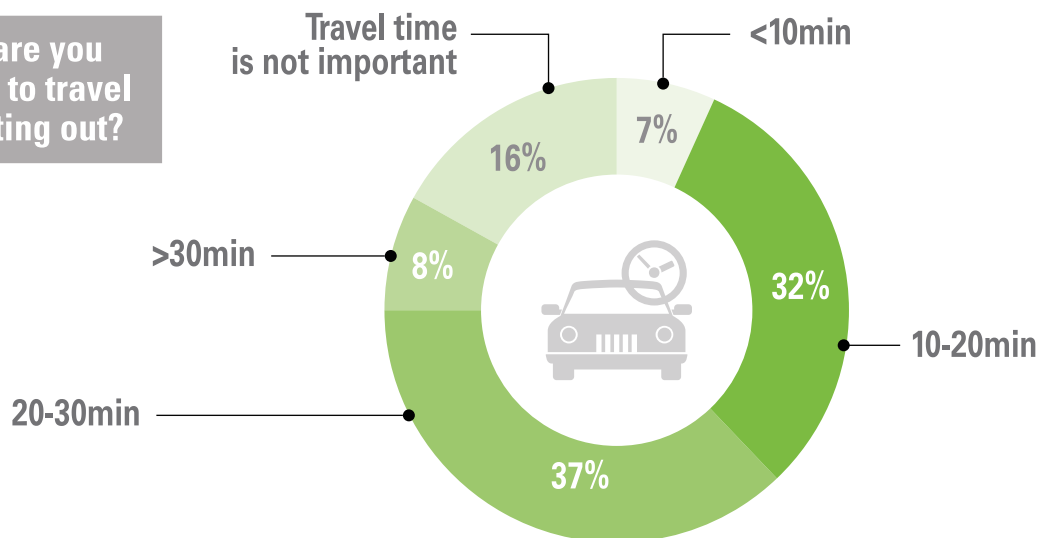
Which website(s) do you use regularly for reviews?



Which source(s) do you use for promotions and discounts?



How far are you prepared to travel when eating out?



Online websites for reviewing restaurants are becoming increasingly important in the UAE market as customers as a whole become more tech-savvy and adopt new technologies.

Over 40% of respondents used at least one online platform on a regular basis to read a review of a restaurant before visiting for the first time.

While respondents viewed the location and the travel time as an important selection criteria, over 60% of respondents were prepared to travel for more than 20 minutes to reach a restaurant.

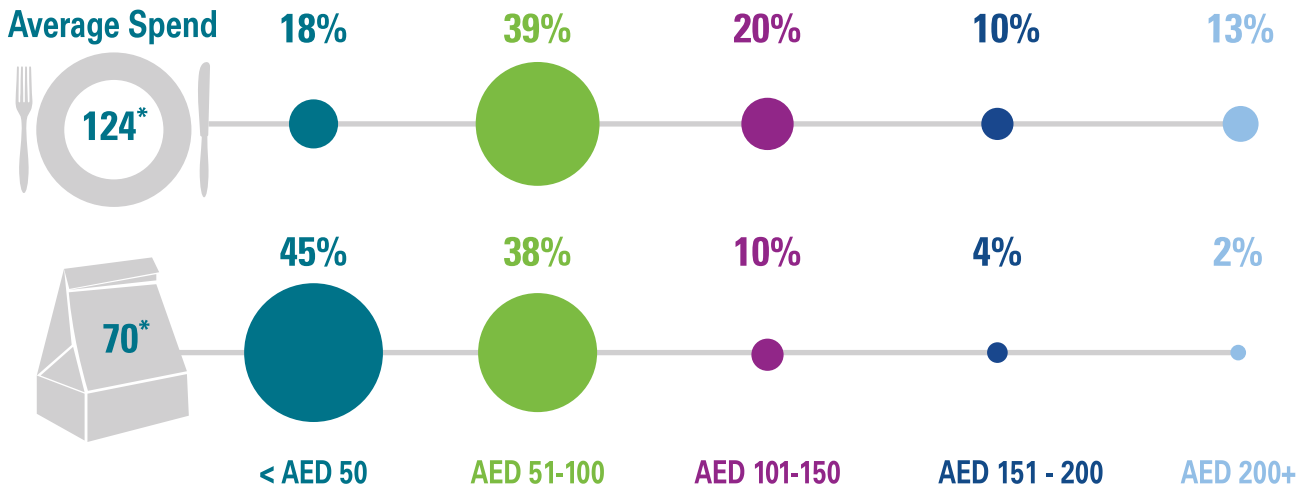
Increasing internet usage and smart phone penetration has made it easier than ever for consumers to get information on restaurants and therefore operators need to be more careful when managing their online and social media presence.

At the same time, this trend presents an opportunity for the more innovative and tech savvy operators. A well-executed social media strategy can help to raise awareness, build trust and loyalty to the brand as well as enabling staff and customers to become advocates for the brand.

We see this trend as an opportunity to better understand the needs and preferences of customers and allow those in the know to adapt to meet them.



On average, how much do you spend per person when eating out or ordering a takeaway?



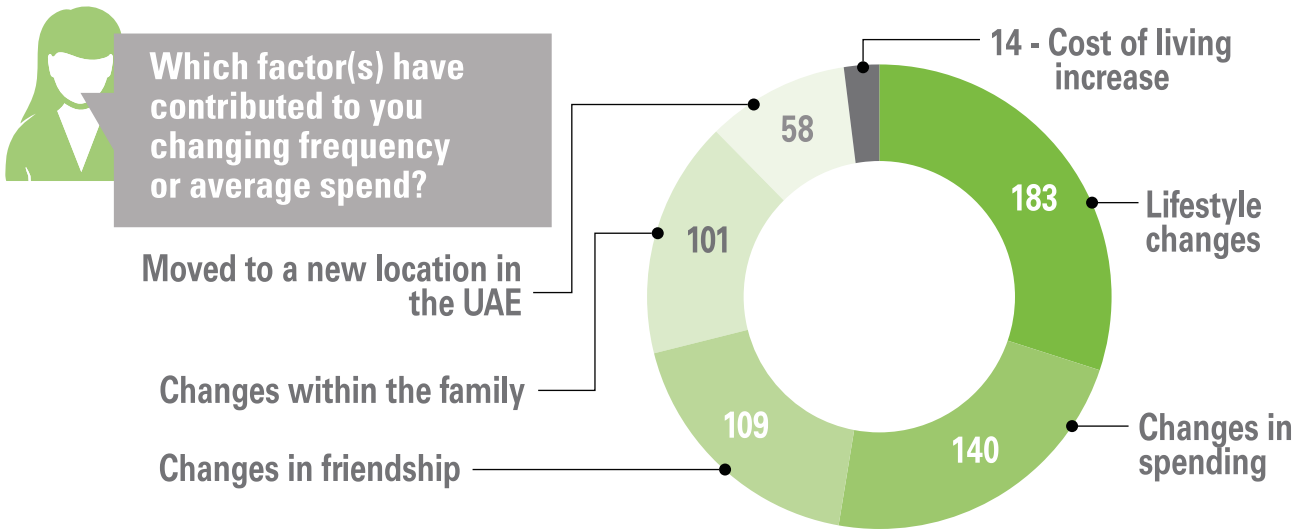
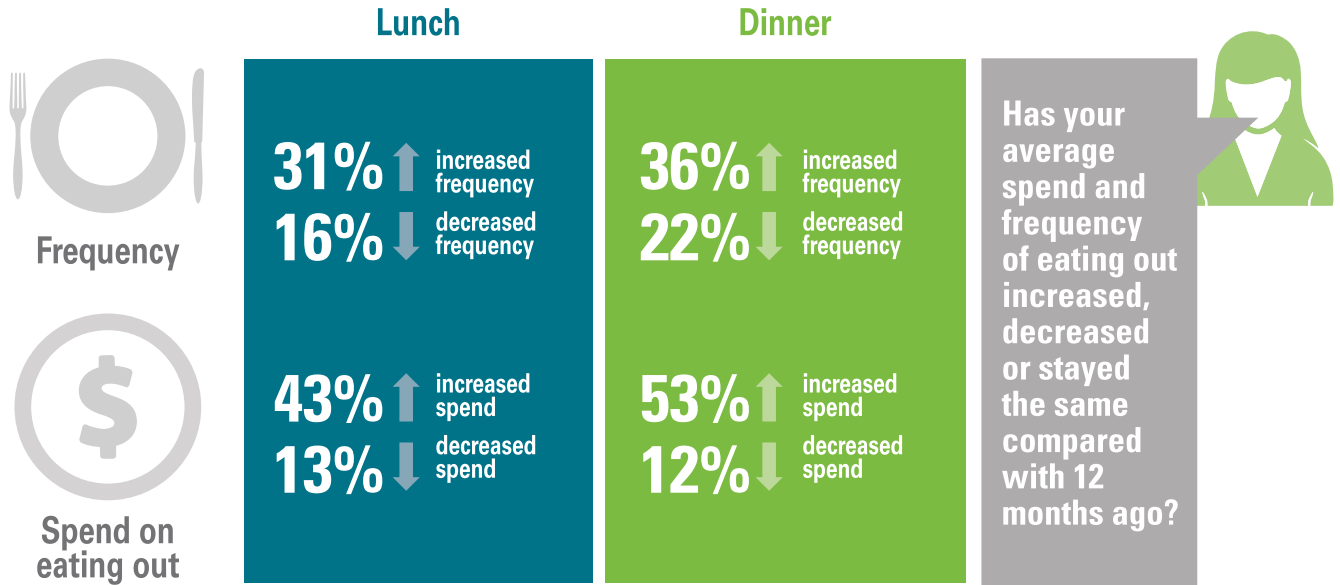
Increasingly in some segments of the market, there is a trend towards “premiumisation” which in turn leads to an increase in average spend.

In addition, many operators will come under pressure to increase prices to sustain margins as commercial rents continue to rise.

Rising levels of consumer disposable income have benefited average spend per transaction as consumers trade up either to fine dining options or to one of the increasing number of high-end casual dining restaurants.

Takeaways, however, continue to be dominated by QSRs and fast food, with the focus on delivery time and food cost. Consequently, the average spend on takeaways is nearly half of that of eating out.

* average spend (AED)



Respondents noted that compared with 12 months ago, they were now on the whole spending more on eating out and eating out more frequently.

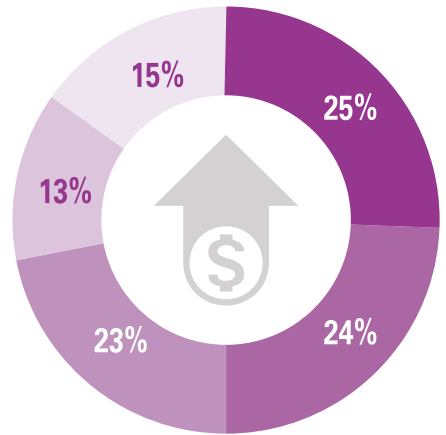
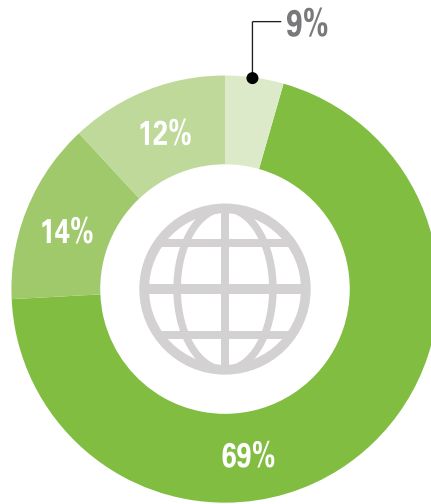
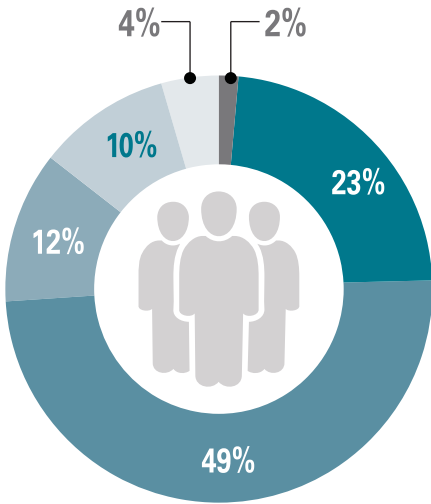
Even though the cost of living still presents a challenge for many in the UAE (particularly as rents continue to rise), somewhat surprisingly, **very few respondents felt that the cost of living had an impact on the amount they spend on eating out. This indicates resilience of F&B demand in the UAE.**

Increasing awareness of the need to be healthy and the dangers of obesity has begun to lead some consumers to substitute relatively cheap but unhealthy meals with healthier and more expensive alternatives.

However, many consumers still lack an awareness of what are healthy choices and **there is now an increasing trend of operators marketing themselves as a healthy food option.**

KPMG’s 2015 UAE Food & Beverage Survey reflects the viewpoint of 432 respondents across the Emirates of Abu Dhabi, Dubai and Sharjah.

The online survey was conducted between January and March 2015.



Age Group

- <21
- 21-25
- 26-35
- 36-40
- 41-50
- >50

Nationality

- Asian expats
- Arab expats
- Western expats
- UAE nationals

Income levels (AED '000s)

- <150
- 151-250
- 251-400
- 401-600
- >600

About KPMG

KPMG’s retail and F&B team serves a range of diverse industry segments across the retail, consumer goods and F&B sectors. One of the leading professional service providers to the largest companies, our national practice is complemented by a global network of dedicated partners and professionals, located in all major international markets. Our value lies in our deep strength of talent and the experience we have gained helping clients respond to the industry, marketplace, and regulatory changes. We offer a number of services in key areas of governance, performance, technology, and growth.

Contact us

For more information, contact:



Anurag Bajpai
Partner, Retail and
F&B Leader

T: + 971 50 553 6117
E: abajpai@kpmg.com

Anurag is recognized as a subject matter expert in both the retail and F&B sectors, having advised many family businesses and UAE-based multinationals at the board and 'C' levels. He has also worked on engagements for international franchises - franchisees and franchisers - and principals.

A prolific developer of retail-focused thought leadership, Anurag recently contributed to 'Consumer currents', KPMG's global publication which focuses on the retail industry, providing insights on retail in the GCC region and prospects for growth.



Vikrant Rohatgi
Associate Director

T: + 971 56 683 3401
E: vrohatgi@kpmg.com

Vikrant has over 13 years of professional experience and around 10 years of experience in advising clients on their strategy, business planning and transactions across a wide range of industries. He is focused on the consumer markets space, especially the F&B sector and is part of the F&B and retail team of KPMG in the UAE.

In the past, Vikrant has advised a number of retail and F&B players as well as funds on their strategic decision-making. While in India, he had also advised a private equity group on their F&B platform strategy through an extensive market study.



Matthew Parsons
Associate Director

T: + 971 56 683 3410
E: mparsons1@kpmg.com

Matthew is a member of the Retail and F&B team within KPMG Lower Gulf. He was previously based in our London offices and has over 10 years of experience advising clients within the consumer goods, retail and F&B sectors on a wide range of issues including: acquisitions, disposals, business planning and strategy.

Matthew has experience of working with businesses of all sizes and during his time in London has worked with many leading brands.

KPMG Offices

ABU DHABI

Level 19, Nation Towers
Corniche street
PO Box 7613
Tel: +971 2 4014800
Fax: +971 2 6327612

SHARJAH

Level 20
Al Batha Tower
Buhaira Corniche
PO Box 28653
Tel: +971 6 517 0700
Fax: +971 6 572 3773

DUBAI

Level 13, Boulevard Plaza Tower One
Mohammed bin Rashid Boulevard
Downtown Dubai
PO Box 3800
Tel: +971 4 403 0300
Fax: +971 4 330 1515

Level 17, 1706 Saba Tower 1
Jumeirah Lakes Towers
Sheikh Zayed Road
PO Box 346038
Tel: +971 4 424 8900
Fax: +971 4 437 0274

Level 12, IT Plaza Building
Dubai Silicon Oasis
PO Box 341145
Tel: +971 4 356 9500
Fax : +971 4 326 3788



cutting through complexity

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the situation.

© 2015 KPMG, KPMG LLP and KPMG Lower Gulf Limited, registered in the UAE and member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in the United Arab Emirates. The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.