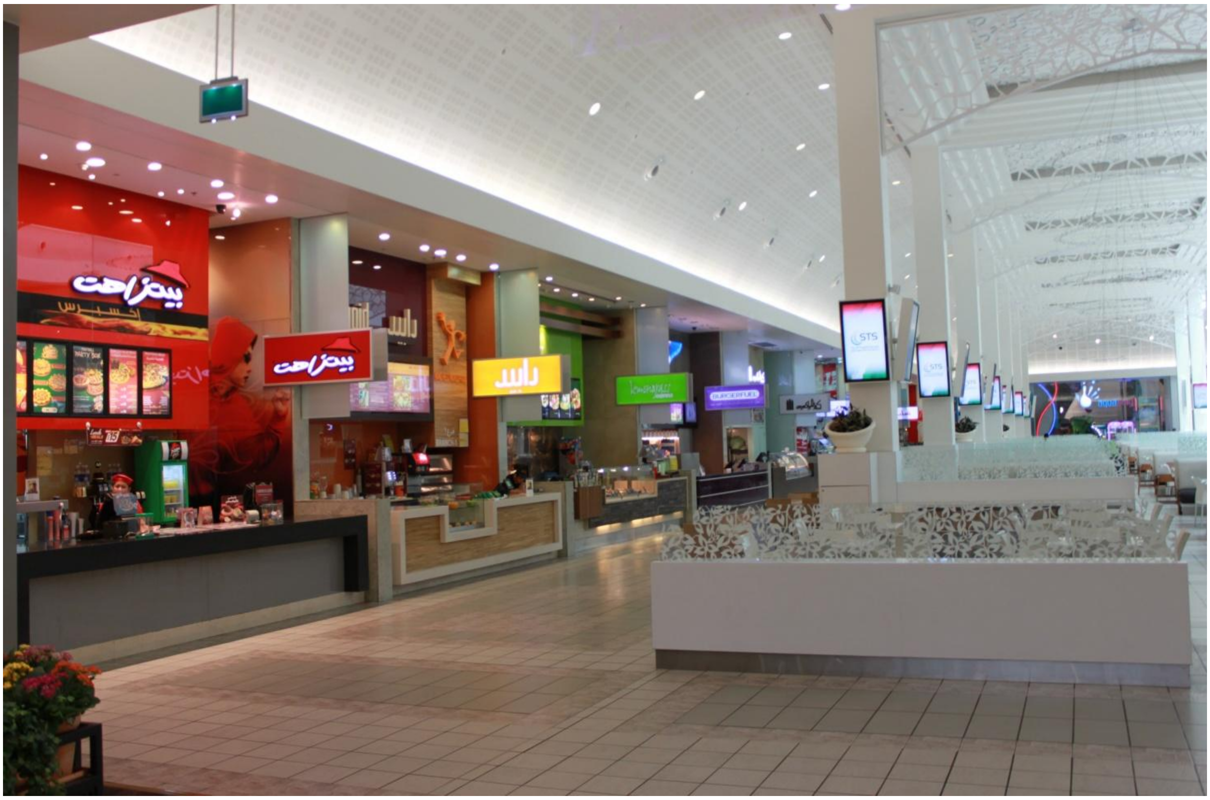
Market insight

Food & Beverage in Dubai: malls as main destinations

December 2012



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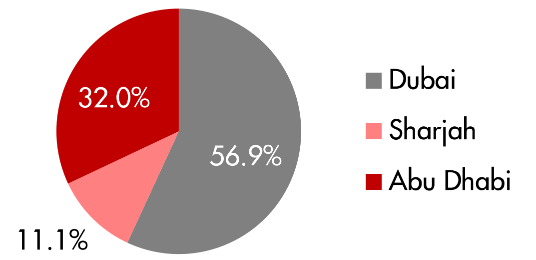
All findings regarding the Food & Beverage market mentioned in this document are based on hodema's field research performed in Summer 2012. Statistics are based on the number of outlets identified in the 15 major F&B hubs that were selected by hodema.

Stable socio-economic and political environment

Although a minimum contributor to the United Arab Emirates' (UAE) oil-generated GDP (1.8% of the total), Dubai is the largest contributor to GDP generated from non-oil sources (56.9% of the total), with a significant part derived from the tourism sector. In fact, despite the Arab Spring effect in the region, Dubai continues to benefit from a safe political environment, which lead to economic and touristic developments in both 2011 and 2012 as regional turmoil diverted tourists, businesses and financial capital into the Emirate. Correspondingly, Dubai hotels registered average occupancy rates of 74.4% in 2011- the highest in the region, showing an increase of 4.4% compared to the same period in 2010. The Average Room Rate (ARR) reached US$ 158 per night in July 2011, a 6.2% Year over Year (YoY) increase.

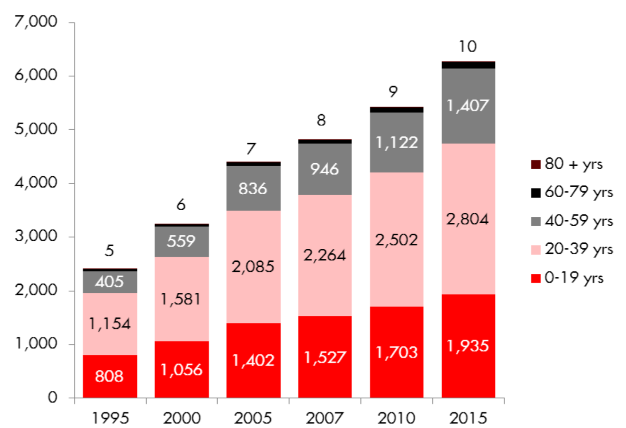
The UAE has become attractive to tourists as much as to expatriates. In fact, the population is composed of approximately 80% expatriates, mainly Arabs, Iranians and South Asians; the latter group represents 80% of the service and sales labor forces in the country. In Dubai specifically, gender plays an influential role, as males account for more than half population, representing 76.7% versus 23.3% females (329 males for every 100 females). In addition, much of this demographic is expatriates and migrants; a possible reason for the popularity of fast food and quick service meals is the fact that many in this group do not have the time or inclination to cook. This, along with the multicultural aspect, increasing number of tourists and youth element – 46% of Dubai aged between 20 and 39 - has created the need for a large spectrum of concepts that boost the F&B industry in the city.

Major Emirates non oil contribution to UAE GDP



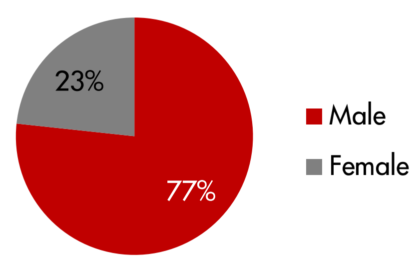
Source: Bank Audi UAE economic report 2012; compiled by hodema 2012

Population age structure in UAE



Source: Euromonitor International 2008; compiled by hodema 2012

Male vs. female population in Dubai 2011



Source: Dubai Statistics Center; compiled by hodema 2012

Dubai's F&B landscape

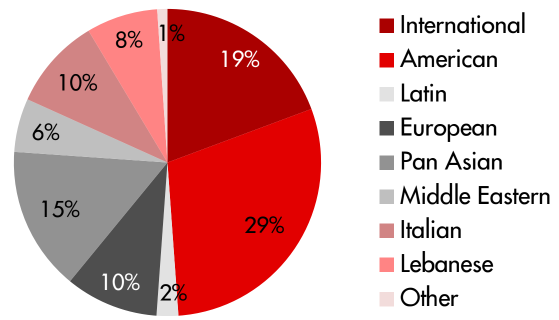
Diversified market supply

Dubai has become one of the most popular tourism destinations in the world due to its large scale projects, its malls, amenities and attractions which have surely participated to the F&B industry boom. In addition, Dubai's population is young, well-travelled, exposed to western cultures and leads life at a rapid pace hence often dining out and demanding international concepts with good value for money. This explains why more than 60% of the city's F&B concepts are international franchises. As for the F&B outlets' categories, half of Dubai market is split between full service restaurants (mostly positioned in the mid-end market segment) and quick service restaurants (positioned in the low-end market segment). The latter are mainly located in food courts and are the top drivers of American cuisine which represents approximately 30% of total F&B outlets. International cuisine follows with 19% of the total supply mainly driven by restaurant cafés.

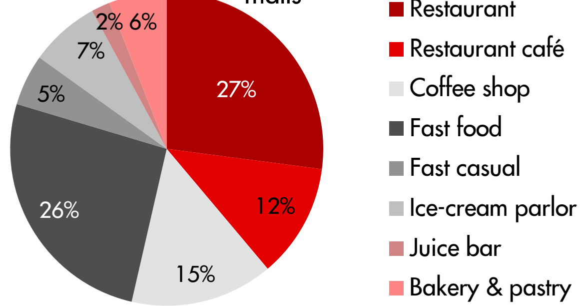
F&B hubs

Dubai's F&B supply is mainly concentrated in 15 F&B hubs identified by hodema. They are scattered throughout the city and comprise approximately 750 F&B outlets that are either independent F&B clusters located outside malls (6 out of 15) or inside malls (9 out of 15). The independent clusters have the advantage of providing outdoor areas, such as JBR The Walk and Madinat Jumeirah and tend to have fewer outlets than those in malls. The positioning of these outlets is generally higher, mostly in the mid to high-end segments, and they are more frequented at night, as they often hold a license to serve alcohol.

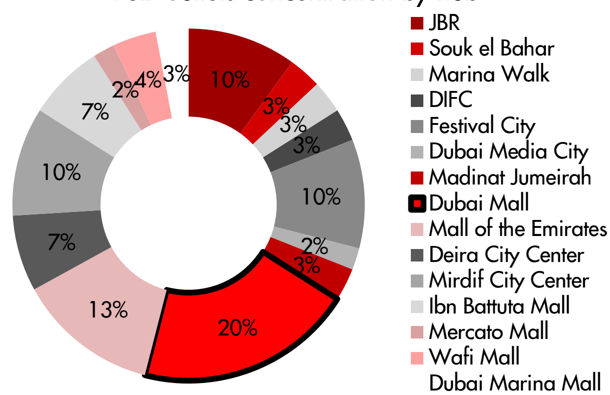
F&B outlets distribution by type of cuisine



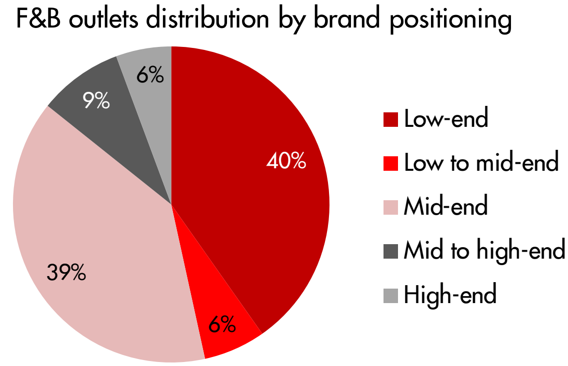
F&B outlets distribution by category in selected malls



F&B outlets concentration by hub



F&B outlets distribution by brand positioning

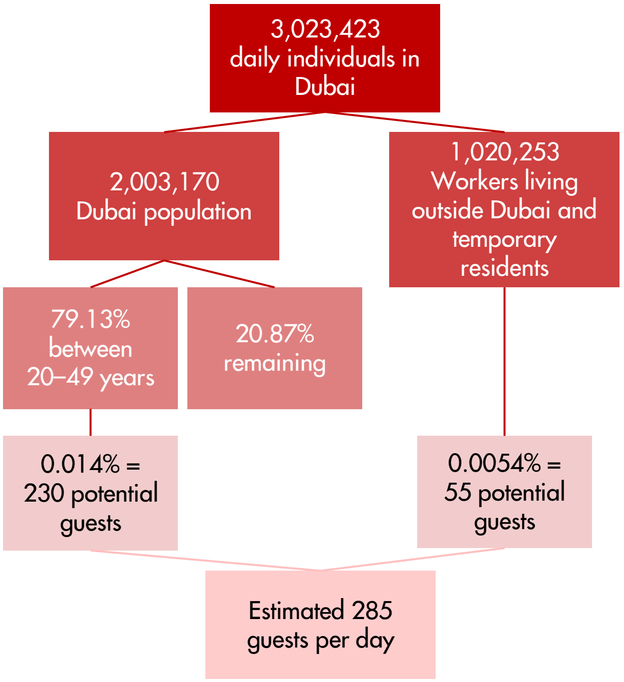


Source: hodema field research 2012

Malls of Dubai as the main F&B destinations

Commonly part of mixed-used projects including residential and commercial towers, lodging facilities and numerous attractions, the malls have undoubtedly become a commodity for the food and beverage industry. Approximately 563 F&B outlets (75%) of the 750 identified by hodema in the 15 selected F&B hubs, are located in malls. Dubai Mall, the biggest center in Dubai and the Middle East, holds the highest number of F&B outlets in the Emirate with 20% of the total market supply. It is part of a massive mixed-use project 'Downtown Dubai' developed by Emaar, and comprises multiple luxury projects including the Armani Hotel, residential and office towers, F&B clusters and iconic entertainment features such as the Dubai Fountain and Burj Khalifa, where a wide variety of events, activities and exhibitions often take place. Dubai Mall is followed by Mall of the Emirates, which represents 13.3% of the total F&B market supply, and Festival City and Mirdif City Center representing 10.3% each, while JBR The Walk, Dubai's largest independent cluster, holds approximately 10% of the total F&B market supply.

Potential F&B customers per day in Dubai



Source: hodema 2012

The success of food and beverage in shopping centers is due to several factors, the main one being their emphasis on the indoors – ideal in the warm climate of the country. They are also one-stop destinations and have become social hubs for Dubai's young generation rather than simply commercial. This is true particularly in malls that include restaurant-cafés and coffee shops that cater specifically to the UAE's booming coffee culture. This growing, dynamic younger generation has noticeably led to the increasing supply of fast food outlets in malls which account for 26%, versus 4% in independent hubs. This trend is reinforced by the rise of food courts in malls. Overall, as a result of the high foot traffic from both tourists and the local population, malls in Dubai are attracting a great number of international F&B brands which look at these commercial centers as the most efficient means to gain national recognition. Congruently, 80% of the F&B international brands in Dubai's main hubs are located in malls.

Dubai figures at a glance

Number of international visitors to Dubai in 2012	8.8 million
Hotel Occupancy Rate in 2011	74.40%
Number of F&B outlets in Dubai's main F&B areas	746
Percentage of outlets offering American cuisine in Dubai's main F&B areas	29.50%
Percentage of international brands among Dubai's F&B outlets	63.50%
Percentage of total F&B supply located in Dubai Mall	20.00%
Number of visitors to Dubai Mall in 2011	54 million

ABOUT THE AUTHORS

Toufic Akl, Senior Consultant & Offshore manager
Toufic Akl joined hodema in November 2011 as a Consultant. Today, he is a Senior Consultant and Offshore Manager who heads a team of consultants in charge of all hodema projects outside Lebanon. Toufic has over 14 years of experience in the hospitality industry, during which he has held top managerial positions in renowned hospitality related institutions – Operations Manager of six F&B brands at the Hospitality Development Company in Qatar and Outlets Manager at the InterContinental Hotel in Toronto, Canada. He has also worked as the Operations Manager of several F&B brands in Lebanon and abroad, with Boubess Group. Throughout his career, he has been responsible for opening over 30 restaurants, as well as designing kitchens and central kitchens for F&B groups. Toufic has also served the Lebanese Army as the Food & Beverage Controller of Yarzeh Officers Club restaurant. He holds a Bachelors degree in Advanced Studies in Hotel and Restaurant Management from Ecole Hôtelière de Lausanne, Switzerland.

Elie Ghattas, Consultant
Elie Ghattas joined hodema as a Consultant in June, 2012. He graduated from Université des Sciences et Technology de Lille, France, with a Masters degree in Marketing and Quality Control of Food Products, and from Université Paul Sabatier Toulouse with a Masters degree in the Agro-Food Chain. He has worked at the Saint-Georges Hospital kitchen where he assisted in quality control and HACCP implementation. He held the positions of Lebanon and Syria Market Analyst at British American Tobacco (BAT), Account Executive at The Nielsen Company, both in Beirut, and Trade Marketing Analyst at Indevco Group in Saudi Arabia. His involvements at hodema include planning and leading market studies for regional projects, conducting mystery visits to hospitality projects in the region and ensuring effective implementation of clients' long and short-term strategies. Elie has gained knowledge in developing F&B concepts based on market study findings and market gaps.

ABOUT HODEMA

hodema is a Lebanese consulting company specialized in the hospitality, retail and real estate sectors with offices in Lebanon and Saudi Arabia. hodema's services cover franchising counseling, concept development, property management, commercialization and marketing support, strategic consulting, operational support, training programs, market and feasibility studies, and quality control for small or large-scale ventures in the MENA region. hodema's clients are restaurants and F&B groups, hotels, spas, caterers, real estate and mall developers and operators, leisure centers, property owners, investment groups, and banks. hodema publishes articles on a regular basis in various specialized hospitality and economic magazines in the Middle East, in addition to an e-newsletter, professional guides, books and Food & Beverage annual reports.

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