



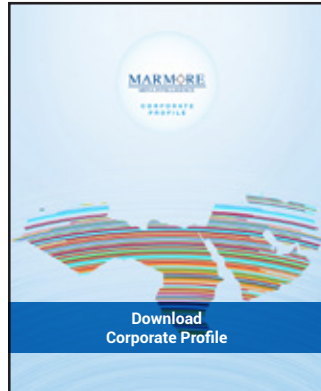
GCC Restaurant Tech

Research Highlights:

Restaurants are innovating to stay relevant at a time when demographic trends are evolving and technology drives consumer requirements. This report examines the restaurant-tech scenario in the GCC region.



About Marmore



Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company**. To learn more, visit www.marmoremna.com

Experience/Qualifications

Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

Marmore's strengths can be summarized as follows:

- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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Executive Summary

It has become common for consumers to expect digital access, personalization, loyalty tracking and no-touch transactions when they shop, travel and handle their finances. . In recent times, customers have the same expectations for their dining experiences as well.

Over the past decade, customers' no more rely on newspaper reviews or search phone numbers when making reservations or ordering deliveries from restaurants. This, increasing number of tech savvy customers is the primary driving force for technological innovation in the restaurant industry.

For certain companies, innovation is integral to their day to day functioning. It starts right from the company hiring process and extends to customer-facing technology. With competition becoming more intense, the restaurant industry is transforming over the past few years. Restaurants that best understand their customers, capitalize on digital technology and analytics, and utilize the opportunity to engage customers in a highly personalized manner, manage to survive and win in the race. If done effectively, the winners can increase the dining frequency, amount of the bill, and customer loyalty.

However, restaurants should realize that digital can only be a support system. Fundamentals of a successful dining experience still remain the same: menu, value for money, location and ease of access etc. Also, they should focus on customer's demand for an omni channel experience.

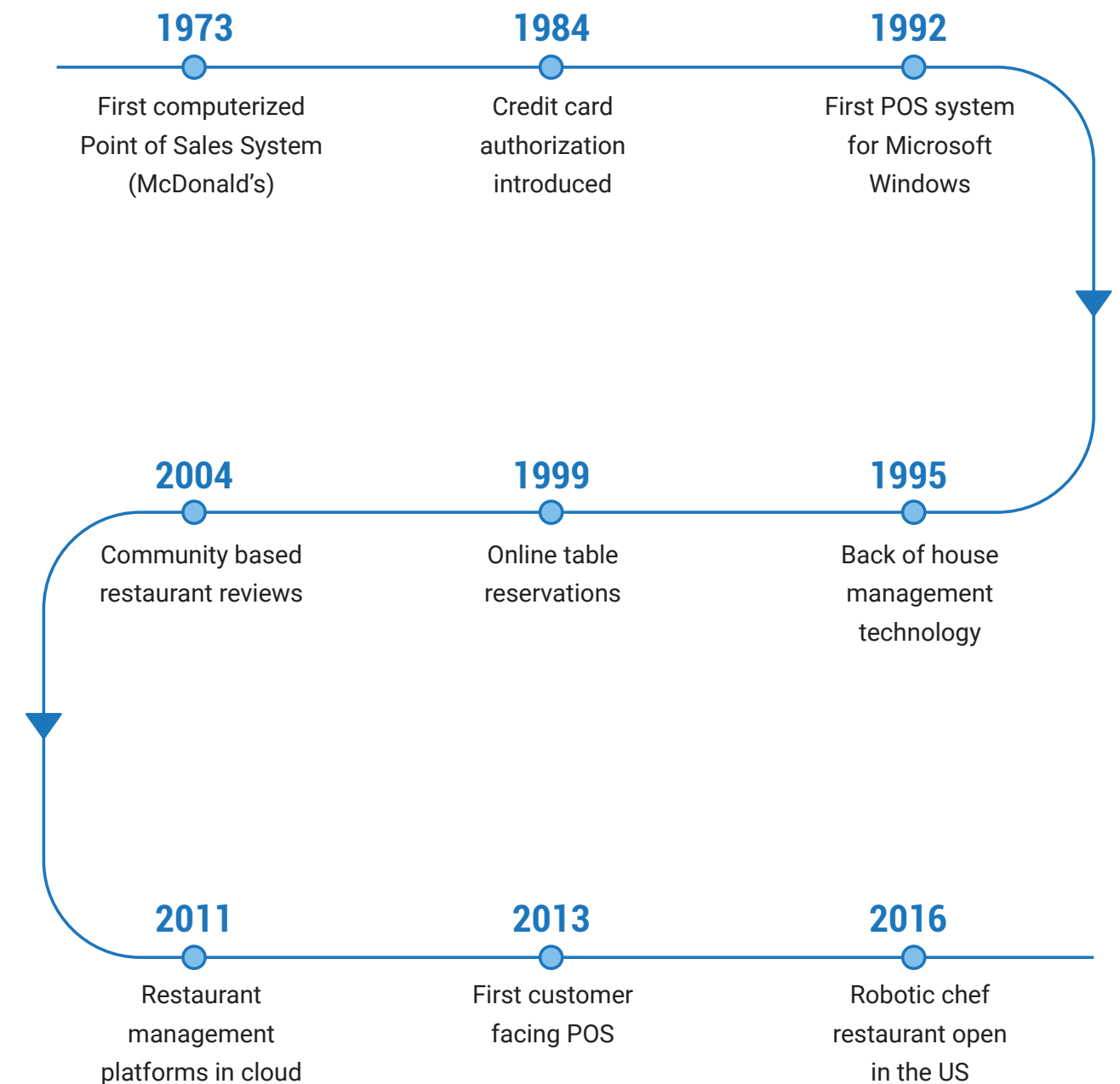
Restaurant tech is defined as innovative technologies that improve the experience for customers and enhance the business. AI, automation and robotics are expected to play a larger role in the food segment.

From multinational food chains to small take away counters, that the moving targets are factors like consumer behavior, cost structure, labor laws, supply chain dynamics and managing competition. Smaller companies in the food and beverages industry can compete with larger and age old establishments by using technology to their advantage.

Introduction

Restaurant tech started with tech enabled online ordering and billing, that has initiated a revolution in the restaurant industry. This led to rethinking all aspects in a restaurant along similar lines including service paths, workflows, and parking lots.

Figure 2.1: History of Restaurant tech



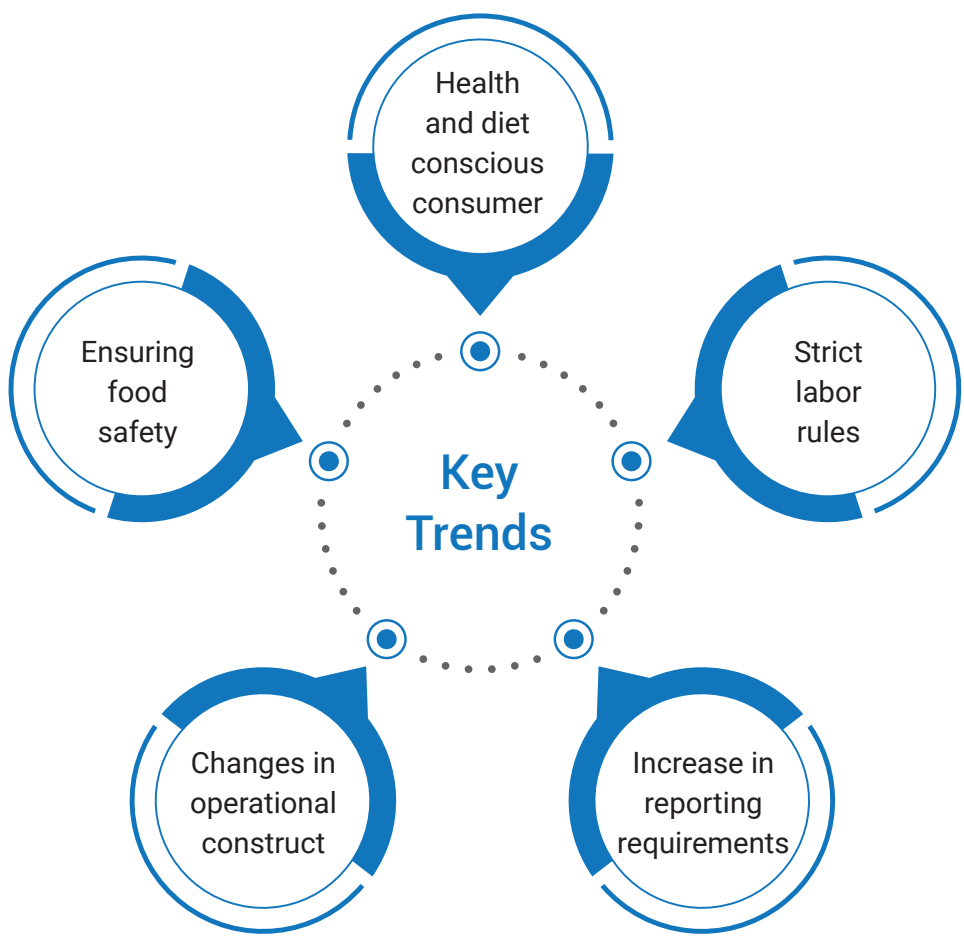
Source: SimpleOrder

Restaurants are innovating to stay relevant at a time when technology drives changes in consumer requirements and demographic profiles. Growing health concerns and preference for healthy options of food, concerns over environment sustainability, increased competition from food retail shops, and rapidly evolving technology are adding to the urgency in inculcating technology in the day to day business activities. These factors require reinventing the traditional dining experience and the manner in which the industry operates. Another major factor is the rising spending power and tech savvy millennial generation that requires the industry to quickly respond to the changes.

While the biggest change the restaurant industry faced from the Third Industrial Revolution was the Point of Sale (PoS) system, the Fourth Industrial Revolution will impact every functional area of food service.

Food accounts for almost 30 percent of a restaurant's costs¹. Macroeconomic conditions, geopolitical risks and climate factors play a prominent role in determining food prices. Increasing competition and fear over losing their market position prevents restaurant operators from increasing their prices. As restaurants face various challenges, their only option is to innovate and adapt strategic business models that enable them to compete in a cost effective manner.

Figure 2.2: Key trends in Restaurant industry

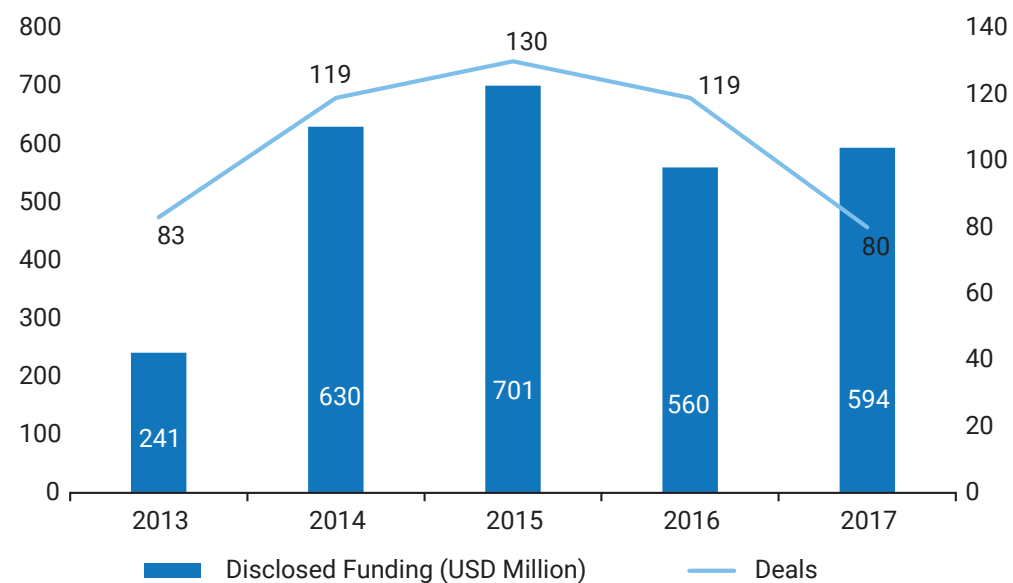


Source: KPMG

¹ KPMG

Investment in restaurant tech has the potential to radically change the manner in which restaurant chains operate, manage employees and customers, create value and increase sales. According to National Restaurant Association's 2019 State of the Industry Report, restaurant industry in USA employs about 15.3 million people and the sales are forecast to reach USD 863 billion in 2019.

Figure 2.3: Restaurant Tech Annual Global Financing History (2013- 2017)



Source: CB Insights

Note: Restaurant tech is defined to include any startup aimed at improving operations for brick and mortar restaurants. The chart above does not capture food delivery startups or consumer focused restaurant comparison apps and websites.

Deal Volume and Activity for Restaurant and Food Technology Startups

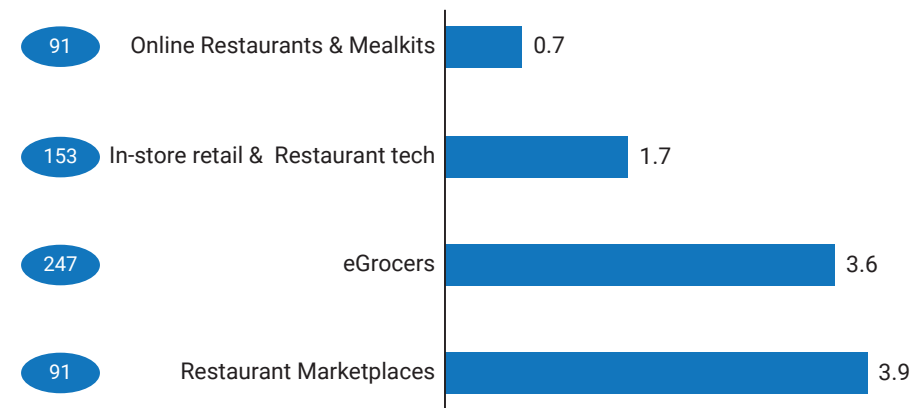
Restaurant tech falls within the wider spectrum of AgriFood Tech, which received a total of \$16.9 billion in funding in 2018. AgriFood Tech covers a variety of categories in the food supply chain such as Innovative Food (cultured meat, plant-based proteins), agribusiness marketplace such as commodities trading platforms, online input procurement etc. This section focuses on the downstream categories including restaurant tech and similar lines of business such as In-store retail and technology providers catering to the restaurant industry, restaurant marketplaces, eGrocery, Online Restaurants and meal kits home and cooking tech etc.

The three biggest deals of 2018 are:

1. USD 1B for Swiggy, India's largest online food delivery platform
2. USD 600M for Instacart, a US-based grocery delivery service
3. USD 590M for iFood, a restaurant marketplace based in Brazil

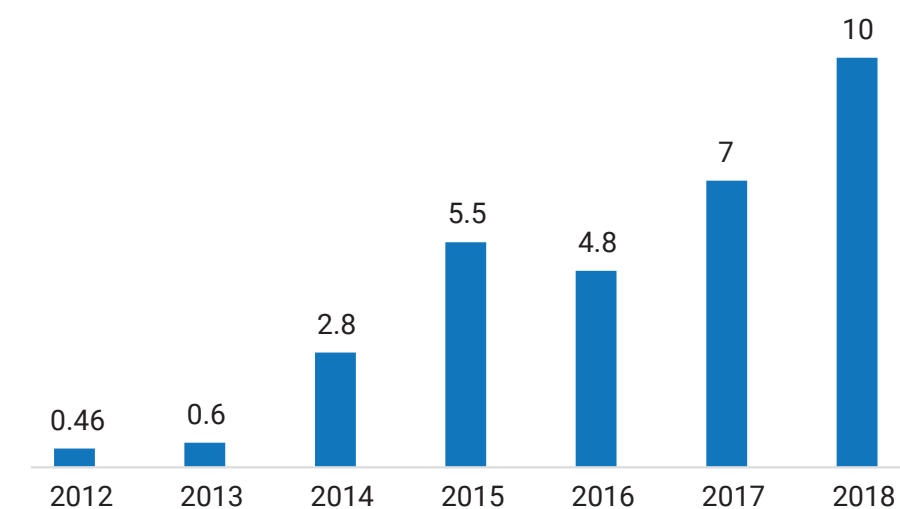
Figure 3.1: Deal Volume and Activity by Category in 2018

Deals



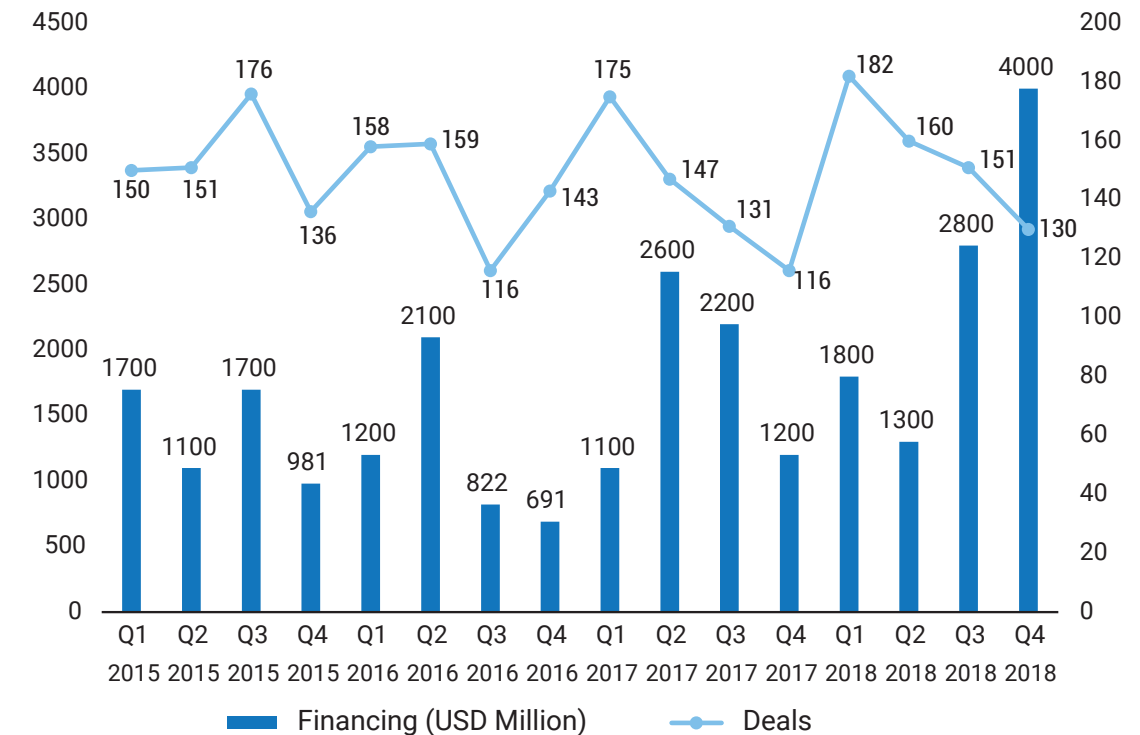
Source: agfunder

Figure 3.2: Annual Financing: 2012-2018 (USD Billion)



Source: agfunder

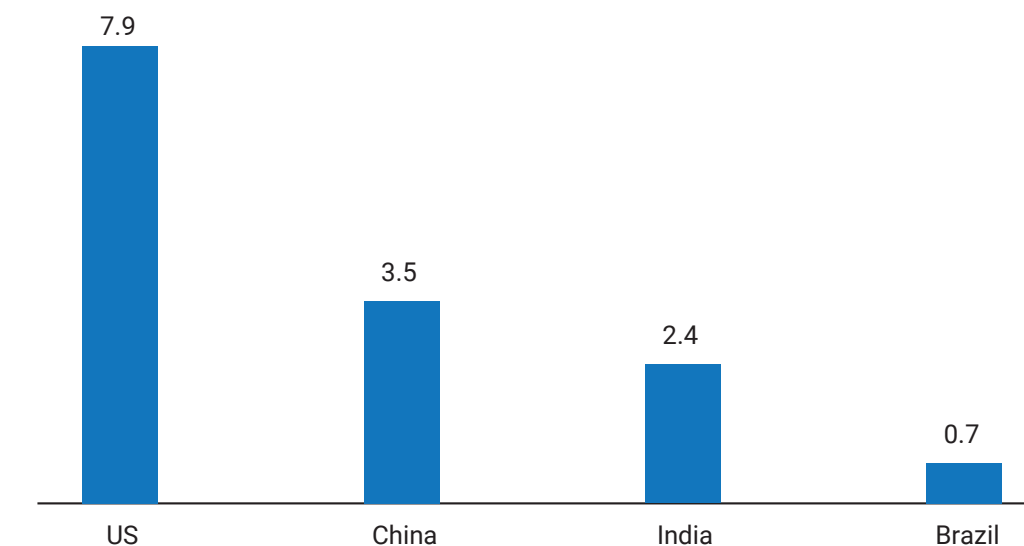
Figure 3.3: Quarterly Deal Volume and Activity (Downstream)



Source: Crunchbase

The US dominates the global AgriFood Tech landscape followed by China and India. Funding continues to grow into downstream startups dominated by the food delivery segment. Restaurant marketplaces were the most funded sector followed by midstream technologies that operate between the consumer and the producer.

Figure 3.4: Leading Countries in AgriFood tech

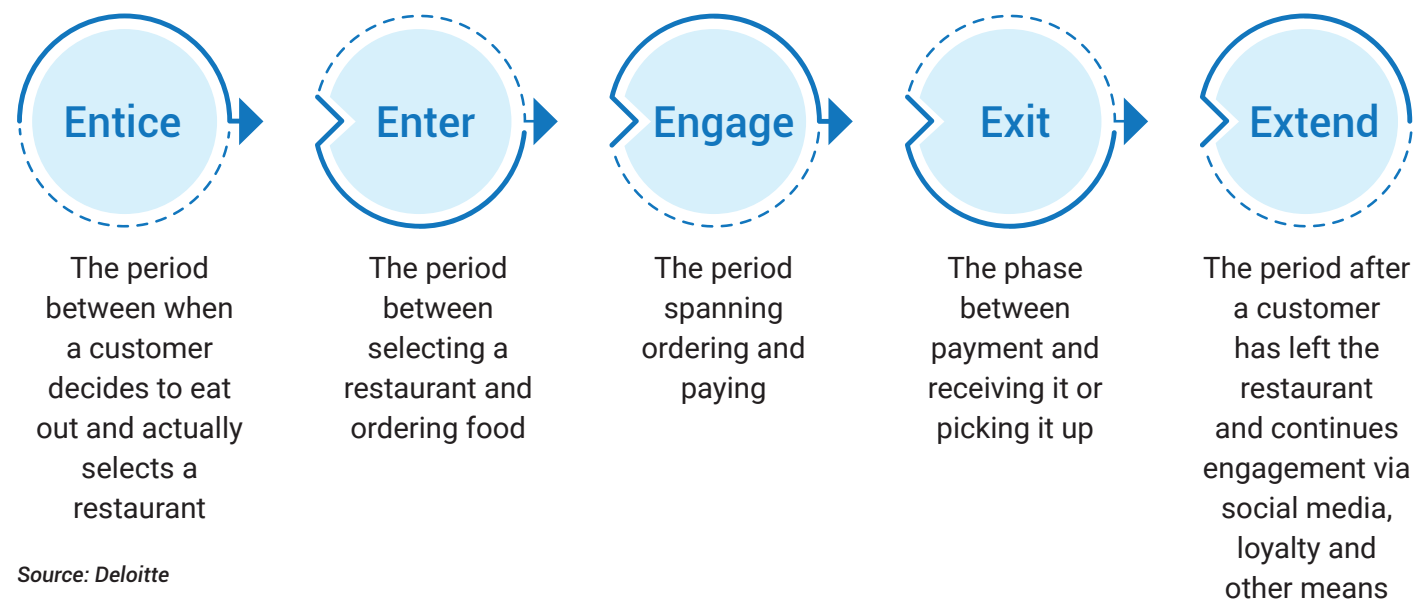


Source: agfunder

Major Trends in Restaurant Tech

The 'next generation customers' group is value driven, hyper-connected, health conscious, tech-savvy, social, collaborative and time starved. According to Deloitte, the next generation customer relationship spans five stages of interaction. Restaurants should enhance their capacity to bring responsive and integrated digital experiences to each of these phases of interaction.

Figure 4.1: 5 stages of interaction



Source: Deloitte

Some restaurants are already implementing tech in these stages of interaction in some ways. People like being creative with their food preparation. Thus, providing a "make-your-own" option help the customers to factor in their preferences to the level of ingredient quantity, thereby providing them more enjoyment. Third party food delivery services are used to remember previous orders and enable these as suggestions when the customer logs in. The apps also display the nearest restaurants with their distance and wait time. Engage function is mostly applicable in cases where an employee assists the customers with their order. A regular customer who has recently switched his usual preference may be provided with updated options. Further, a new customer may be given a tour of the menu with crucial details like key ingredients used in preparation or description of the taste. Restaurants offer customers tablets wherein the order can be customized. At the back end, in a few cases robots pack the orders with customer's names displayed on the package. Businesses as always value customer feedback and tech makes it easy. Apart from the feedback collected during the visit, reviews, comments on social media are sources to receive authentic customer feedback about the restaurant.

Enabling technologies

1. 3D printing

3D food printing market is projected to reach \$525.6 million by 2023². Increasing demand for customized food products with nutrient content tailored for individual dietary needs. The major types of technologies used in 3D printing of food include Fused Deposition Modeling (FDM), selective sintering, binder jetting and ink-jet printing. Biozoon Food Innovations is a German company that creates accessible meals for elderly who struggle to process solid food.

2. Data Science

Historic data and locations may be analyzed and efficient workforce scheduling can be created in restaurants. From big restaurants to independently owned cafes, companies are collecting the data for food trends and consumer habits to develop new products or change current items.

3. Augmented Reality (AR) and wearables

Application based on augmented reality can provide people with food products in 3D and a virtual dining experience using advanced scanning technologies. The AR food space is also used to inform people about how the ingredients are sourced or how the meal is prepared.

4. Autonomous vehicles

Automatic vehicles, though at trial stage in some locations if successful can transform aspects like supply chain, product transportation, and food delivery.

5. Crowdsourcing

The collective inputs from customers can help identify new menu items and restaurant locations. This can positively impact in creating targeted marketing content.

6. Internet of Things (IoT)

Another prospective introduction can be sensors that may be embedded in equipment which will handle tasks like equipment maintenance, service requests, and location based campaign management with minimum human intervention. The economics of such improvements need study and evaluation.

7. Synthetic biology

Another area of research going on is lab-grown meat that is being explored as a substitute for traditional proteins.

² Research and Markets

Segments in Restaurants Impacted by Technology

Restaurant tech is generating a lot of interest in the market and witnessing a number of activities, in terms of investments, acquisitions and new ventures. Start-ups working on restaurant management technologies have the potential to change the manner in which people dine out. Consumer demand for greater convenience is accelerating the incorporation of more sophisticated layers of technology in the daily operations of restaurants.

Front-of-house functions include the direct interaction with customers and customer services. The technology in this segment are online or app ordering, mobile payment, delivery management and reservations.

Table 5.1: Front-of-House Functions

Segments	Function	Prominent Companies
Digital Displays	Digital displays for use inside restaurants, showing menu and promotions	Enplug
Guest Wi-Fi	Apart from providing access to internet, Wi-Fi systems can track the log-ins, enabling restaurants to better analyze customer behavior and demographics	Zenreach (US), WiWide (China)
Loyalty and Rewards Program	Offers points based on a rewards system, pay-by-phone options, and marketing and analytics options for restaurants	FiveStars , LevelUp, Belly
Phone charging booths	Companies develop customized charging stations for restaurants, cafes, and event venues.	Powermat
Reservation platforms	Companies that work with businesses to facilitate and offer reservations in restaurants	Resy
Table-top devices	Provide interactive gadgets like tablets that lets guests scroll through digital menus, place orders by touch screen and pay using card directly from the table.	E la Carte
Wait-list management	Companies that allow guests to join digital queues and receive notifications by phone	QLess

Back-of-house technologies include point-of-sale, inventory and table management, kiosks, employee hiring and scheduling tools etc.

Table 5.2: Back-of-house processes

Segments	Function	Prominent Companies
Energy Efficiency	Designing low-voltage LED lighting systems for restaurants to reduce energy and maintenance costs.	LumaStream, Small Box Energy
Financial Management	Offers software solutions for managing accounts	Sourcery, PlatelQ
Employee Education	Provides digital learning tools focused in the restaurant industry	Schoox, ServeAnywhere
Food waste Management	Platforms that allow restaurants to track the surplus food, donate it or sell it at a discount and register for relevant tax benefits.	Spoiler Alert
Inventory Management	Tracking inventory levels, streamline supplier communications, aggregate different supplier orders and analyze costs.	BlueCart
Loss Prevention	Helps in reducing losses and spoilage to improve profits	Agilence, Envysion
Marketing and CRM	Focus on building and maintaining long-term relationships with restaurant visitors, by gathering consumer insights.	Zipscene
Restaurant management systems	SaaS startups that provide management platforms that assists restaurants with aspects like inventory control, staffing, marketing and financial management.	Upserve
Website Development and Management	Offers website development and maintenance specific to the restaurant sector	Bentobox
Smart kitchens	Automation of kitchens, delivery robots etc.	Chowbotics (robotic salad maker), Zume
Staffing	Provides software for restaurant employee scheduling and communication	When I Work
Tablet POS platforms	Tablet based point-of-sale systems used by employees especially servers and cashiers to quickly and easily process check outs.	Orderbiord (Berlin)
Music systems	Provides smart music systems for restaurants and cafes with curated music stations and digital music dashboard	Rockbot, Soundtrack Your Brand

Restaurant Tech Market Cap

Since 2014, Venture Capitalists have invested USD 11.2 billion across 944 deals in the restaurant tech space³. Customers utilize the technology to interact with restaurants without entering them. The most common example is ordering food for takeout or delivery. This sector also covers companies that develop software to help diners find and secure reservations or to help restaurants manage waitlists.

Ordering and Delivery is the largest segment so far, in which firms operate as marketplaces for customers and restaurants. Catering category includes businesses that help restaurants to connect with caterers. Discovery and Reviews help in finding new restaurants and sharing their experiences. Reservation and waitlist tools allow diners to reserve tables at restaurants and helps the restaurants to manage their waitlists.

Table 6.1: Venture Funding for companies functioning in ‘Outside Restaurant’ segment

Outside Restaurant (Discovering, Reservation, Order)	Capital invested: USD 7.3B
Ordering & Delivery Swiggy, deliveroo, Muncherry, Talabat	Capital Invested: USD 5.8B
Catering ZeroCater, Platterz, ezcater	Capital Invested: USD 658.1M
Discovery & Reviews Zomato, fexy, Retty	Capital Invested: USD 563.3M
Reservations& Waitlist Tools Restorando, Eatigo, Toreta	Capital Invested: USD 271.6M

The companies developing tools for inside restaurants work towards improving the customer experience within the restaurant space. POS platforms offer the customers hardware and software technologies to innovate how restaurants process sales. Customer loyalty companies collect and analyze the customer data which enables restaurants to optimize their operations and also incentivize the customers to visit the restaurant, spend more time and money and recommend it to others. Guest Experience includes amenities like Wi-Fi and music that have become integral decisive factors for customers in choosing restaurants.

Table 6.2: Venture Funding for companies functioning in ‘Inside Restaurant’ segment

Inside Restaurant (Loyalty, Experience, Payment)	Capital invested: USD 1.7B
POS Platforms Upserve, Lightspeed, Shopkeep, Toast	Capital Invested: USD 1.1B
Customer Loyalty Punchh, Fivestars	Capital Invested: USD 249.2M
Guest Experience ZenReach, Cloud4Wi	Capital Invested: USD 283.1M
Mobile Payments Tapingo, Tabbedout	Capital Invested: USD 160.3M

Kitchen operations includes inventory management, food safety etc. It concerns hardware that automates kitchen activities. Autonomous robots are being tried for use in meal preparation and delivery. Companies in the food safety and sustainability category optimizes the inventory, checks the quality of products and reduces food waste. Inventory management ensures that the inventory is tracked continuously, analyzed and managed to provide operators with clear insights about availability, tools to reduce costs and improve the profit margins.

Table 6.3: Venture Funding for companies functioning in ‘Kitchen Operations’ segment

Kitchen Operations	Capital invested: USD 489.4M
Robotics Starship, creator, Chowbotics	Capital Invested: USD 232.7M
Food Safety& Sustainability Entouch, FoodLogiQ	Capital Invested: USD 156.9M
Inventory Management Orderly, Bevspot	Capital Invested: USD 49.9M
B2B Food Marketplace Gfresh, Chefhero	Capital Invested: USD 49.9M

³ Pitchbook

Restaurant Tech in GCC

Companies working in the Business Management sector focus on managing the core business functions. Marketing and CRM companies provides software that empower restaurants to manage digital presence, engage with customers and manage customer data. Restaurants use management software to analyze and optimize the operations. Employee management includes HR activities like hiring and scheduling of employees.

Table 6.4: Venture Funding for companies functioning in ‘Business Management’ segment

Business Management	Capital invested: USD 821.5M
Marketing& CRM Hootsuite, Sproutsocial, Salido	Capital Invested: USD 552.6M
Management Software Agilence, TableSafe	Capital Invested: USD 101M
Employee Management Planday, shiftgig	Capital Invested: USD 168M

Source: Pitchbook

With a 77% smart phone penetration in the GCC, the region is witnessing the emergence of a new section of digital customer which has its repercussions across industries. The food and beverages sector, particularly the restaurant and hotel outlets are in high pressure to stay relevant and maintain a competitive edge.

The GCC foodservice market was valued at USD 23.2 billion in 2017, and is expected to grow at a CAGR of 8.1% to reach USD 34.3 billion by 2022⁴. The region is flooded with establishments that provide elegant dining options, fast-food joints, cafes, and food trucks. The rise in food and restaurant tech startups in the region needs focus.

People love to be in the comfort of their homes and get things delivered to them. Further, with internet penetration rates of 80%, there is a surge in the popularity of mobile apps especially in the food domain. The top Food tech startups in the region are discussed in this section.

1. Savour Ventures

Savour Ventures is the first food vertical accelerator in the Middle East that partners with early stage companies and food entrepreneurs across the food supply chain from agriculture to consumer packed goods and help them bring their products and services quickly to the market. Savour Ventures has made 14 investments in firms like Aklaibaity, Organic Press, KeepEatReal etc. Savour offers investment upto \$100,000 (\$50,000 capital & \$50,000 program cost) to selected startups in exchange for 15-20% equity in the startups.

Table 7.1: Savour Ventures

Headquarters	Kuwait
Year	2017
Founders	Rashid Sultan

2. Talabat

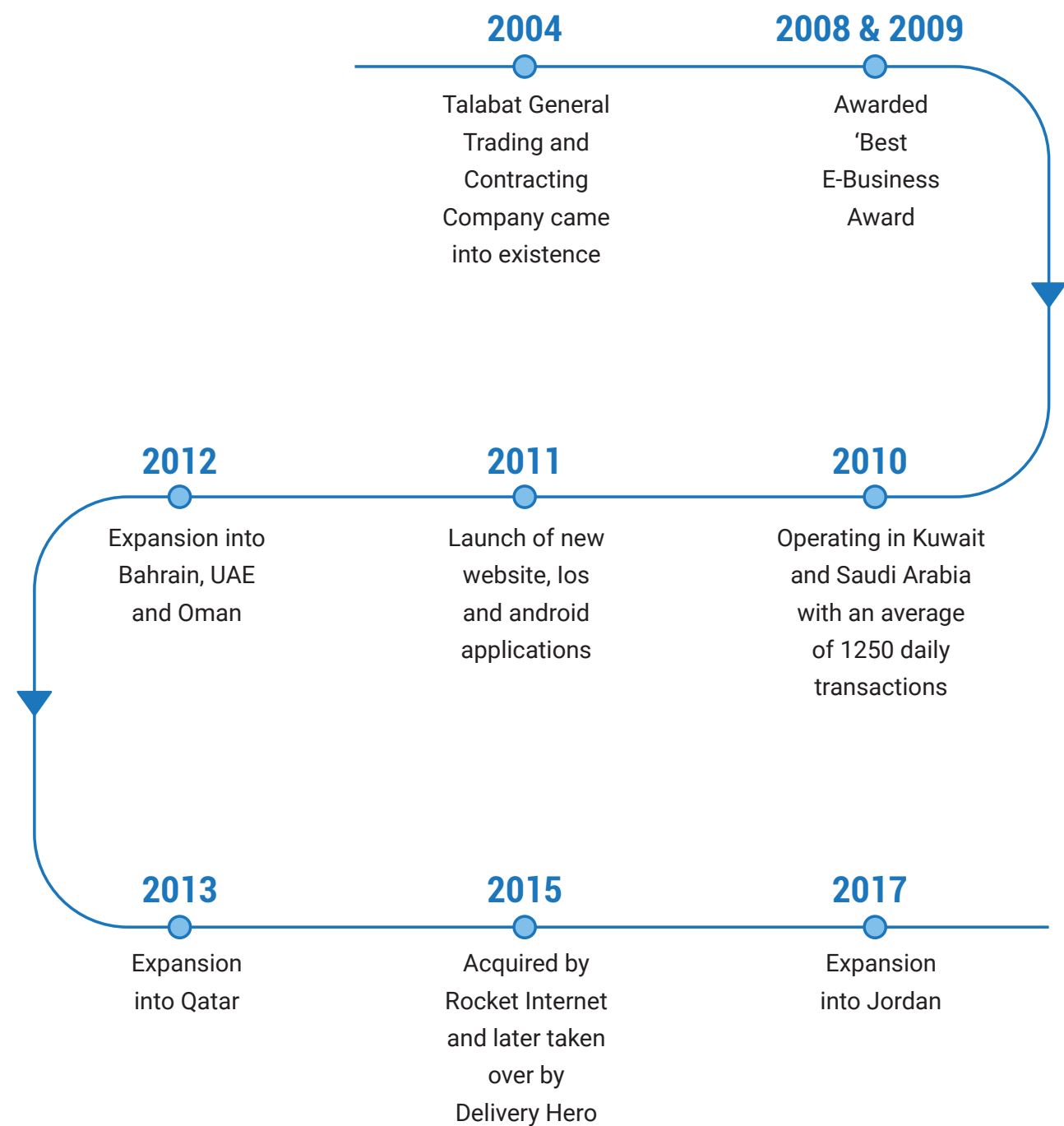
Table 7.2: Talabat

Headquarters	Kuwait City
Year	2004
Founders	Abdulaziz B. Al Loughani (CEO) and Khaled Al Otaibi
Investors	German e-commerce group Rocket Internet acquired Talabat in 2015, followed by Delivery Hero taking over Talabat
Estimated Revenue	USD 7.5M
competitors	Foodonclick.com, HelloFood, otlob
Acquisitions	Talabat acquired Zomato UAE for USD 172m in March 2019 and Floward for USD 3M in 2016

⁴ almasahcapital

Talabat is the largest and most popular online food ordering platform in the Middle East. Its operations span across the GCC countries, and Jordan. Talabat offers a number of apps for its services including Talabat Food ordering, Talabat Beta, and Talabat for iPad.

Figure 7.1: Timeline of Talabat's Expansion



Source: Crunchbase, LinkedIn, Traxn.com

3. Carriage

Carriage was acquired by Delivery Hero in 2017.

Table 7.3: Carriage

Headquarters	Kuwait
Year	2016
Founders	Abdulla Al-Mutawa, Jonathon Lau, Khaled Al Qabandi, Musab Al-Mutawa
Total Funding Amount	USD 1.3M
Estimated Revenue	USD 1M
competitors	Talabat, RoundMenu

Source: Crunchbase

4. Foodics

Table 7.4: Foodics

Headquarters	Riyadh, Saudi Arabia
Year	2014
Founders	Ahmad Al-Zaini, Musab Alothmani
Total Funding Amount	USD 4M
Investors	Faith Capital, 500 Startups, Raed Ventures, Naseel, Riyadh TAQNIA Fund (RTF), Saudi Venture Capital
Estimated Revenue	USD 6M
competitors	Lavu,Toast, Revel Systems

Source: Crunchbase

Foodics is a SaaS based suite product for F&B businesses. It offers services such as restaurant sales management, inventory management, employee management, CRM and order management. Foodics' iPad-based restaurant management platform functions on cloud and enables restaurants and food chains to optimize transactions, scheduling of employees, and integration with other third party apps.

Foodics, offering high-tech solutions and real-time restaurant management claims to have on boarded around 4000 clients and deployed 10,000 terminals across Middle East. The services offered by Foodics are used by different business models in the F&B sector including restaurants, food trucks, cafes, bakeries, and food chains.

5. Eat W.L.L

Table 7.5: Eat W.L.L

Headquarters	Manama, Bahrain
Year	2013
Founders	Nezar Kadhém
Total Funding Amount	USD 3.4M
Investors	Tenmou, 500 Startups, Pinnacle Financial Partners, Middle East Venture Partners (MEVP)

Source: Crunchbase

Eat W.L.L provides an application that allows users to make restaurant reservations online in Dubai and Bahrain. The Eat app works on a real-time basis and offers product for both restaurants and diners. For restaurants, Eat supplies an iPad application that manages table reservations with floor planning features, records customer history and preferences and provides tool to publish targeted promotions and discounts. For diners, it supplies an iPhone application that allows users to identify the restaurants around them, find if tables are available and confirm the reservations instantly. The iPhone is linked with the iPad and the reservations are communicated to the restaurants.

6. Lunch On

Table 7.6: Lunch On

Headquarters	Dubai, UAE
Year	2015
Founders	Dana Baki, Mohammad Al Zaben
Total Funding Amount	USD 6M
Investors	Derayah Capital, Vision VC, Mindshift Capital, B&Y Venture Partners, Global Ventures, Shorooq Investments, Wamda Capital,
Estimated Revenue	USD 2M
competitors	Cater2me, Food.ee, ezCater

Source: Crunchbase

Lunch On is an online platform that partners with restaurants and offers food delivery services to employees in corporates. Employees using Lunch On receive curated meals delivered to their offices at discounted price with free delivery on a daily basis. It offers breakfast, lunch and corporate catering solutions (internal meetings and events).

Lunch On claims to partner with over 200 restaurants and deliver to over 500 offices in the UAE.

7. Ngwah

Table 7.7: Ngwah

Headquarters	Riyadh, Saudi Arabia
Year	2017
Founders	Abdullah Alsubaie, Omar Alessa
Investors	Savour Ventures, Inspire Ventures

Source: Crunchbase

Ngwah utilizes advanced technologies based on machine learning and AI algorithms to select the best food and restaurants for its customers. It offers on-demand delivery of food from the nearby restaurants and undertakes lunch and breakfast orders from partner companies. It offers applications on android and iOS platforms.

8. COFE

Table 7.8: COFE

Headquarters	Kuwait City, Kuwait
Year	2017
Founders	Ali Al Ebrahim
Total Funding Amount	USD 3.2M
Investors	KISP Ventures, Nizar AlNusif Sons Holding, Dividend Capital, Takamul Capital, Towell Holding International, Cedar Mundi Ventures

Source: Crunchbase

Cofe is a mobile based marketplace that connects independent brands and local and international franchise chains with customers to sell them coffee online. Users can also source coffee beans, coffee machines and coffee accessories through the mobile application.

9. Bilbayt

Table 7.9: Bilbayt

Headquarters	Kuwait City, Kuwait
Year	2014
Founders	Ahmad Salamah, Ali Al-Awadi, Latifa Benessa

Source: Crunchbase

Bilbayt is an online platform to hire caterers. It allows users to search for caterers, browse menus, place orders and make payments online. The mobile app is available for Android and IOS users. The company is operational in Kuwait, UAE and Saudi Arabia.

GCC Online Food Delivery Market Estimations

10. SerVme

Table 7.10: SerVme

Headquarters	Dubai
Year	2015
Founders	Karl Atiyeh
Investors	B&Y Venture Partners, Phoenician Funds, Y Venture PARTNERS

Source: Crunchbase

SerVme provides online SaaS-based customer engagement solutions for restaurants. It collects data from customers and analyses it to offer various solutions. The solutions offered include recording reservations instantaneously by connecting to the mobile and land network as well as SerVme's user app, partnering with POS to automate tasks such as recording transactions data and order history of each customer, targeted marketed for customer engagement, identifying customer patterns, customized reports.

11. Jeebley

Table 7.11: Jeebley

Headquarters	Kuwait City
Year	2016
Founders	Nasser Almandeel

Source: Crunchbase

Jeebley is an online platform for ordering and delivery of food in Kuwait. It allows users to browse through food items from multiple restaurants and place order of their choice. Users receive Estimated Time of Arrival (ETA) of the delivery in their app and can track the food real-time.

12. Line Meal

Table 7.12: Line Meal

Headquarters	Dubai
Year	2014
Founders	Fadi Daoud

Source: traxn.com

Line Meal develops white-label mobile apps for restaurants to enable online ordering and other restaurant management features. Features offered include mobile ordering, marketing tools to build and broadcast promotional offers, control panel and dashboard for order management, multi-language support, analytics solution etc.

Potential Online Food Delivery Market in GCC at current levels of Restaurant Sales

The online food delivery market is primarily driven by the food sales revenues of Restaurants and potential orders placed through online channels by the customers of these restaurants for deliveries at their desired locations. No doubt the internet penetration facilitated by mobile phone population that is equipped to use online food apps is an important determinant of the orders placed online for food delivery. Next the customer's desire to ask for deliveries at home instead of the traditional dine in practices at restaurants is pushing the market forward. The requests for food delivery are driven mainly by convenience as available time for dine out is reducing especially during working hours in a fast-paced urban world. It is also aided by faster and easier transportation capabilities due to availability of location services provided by the likes of Google Maps. Affordable labor costs for delivery and higher opportunity costs of time due to higher income levels, makes the whole concept workable and economically feasible in many countries. On top of this, the increased preference for restaurants compared to home food due to larger prevalence of working families with better standard of living has been the force behind growth in restaurant sales of which food delivery is a sub-set. The food delivery from Quick Service Restaurants started the practice initially, but soon it is extended to other grades of restaurants as the marketing efforts of online food deliverers paid off assisted in a large way by technology. Slowly, online food deliverers are also trying to extend the concept to high end restaurants by making them see this as an opportunity to extend their services by innovative pricing to new customer segments including price sensitive customers. Likewise, middle grade restaurants are seeing online food delivery as a means of increasing their customer base by being able to serve more customers as it becomes difficult to find space for expanding or opening new physical outlets at crowded locations.

In this section the online food delivery market potential at current levels of restaurant sales, is presented for each of the GCC countries. To begin with the Saudi market potential is given first, followed by estimates for rest of the GCC countries.

Online Food Delivery Market Potential in Saudi Arabia

Restaurant market in Saudi Arabia is widespread and visiting restaurants is a growing practice with increasing levels of standard of living as well as increasing proportion of youth in the population and higher proportion of employed females. Most of the Saudi population resides in urban locations and the urban lifestyle includes eating out. The mobile phone and internet penetration in the Kingdom is also very high and most of the population are at ease with internet applications, which are any way increasingly being made very user friendly. Modern work cultures like late working lunches, general preference for eating with the family and friends are all part of Saudi culture and are therefore an attractive environment for online food delivery market to thrive. The low-cost expatriate workforce makes good economics feasible for food deliveries.

Method-1: Estimate using Restaurant Sales

To assess the market potential online food delivery in Saudi Arabia, the size of restaurant market was first estimated. The estimate of restaurant market is based on data points like work force employed in restaurant sector in the Kingdom, average employee remuneration, total number of restaurants, and gross output to salary ratio for restaurants. All the data points were taken from publicly available information. Most of these data points were available for Saudi Arabia for a historical year, therefore these were estimated for the year 2018, using appropriate growth factors considered appropriate based on historical trends of relevant direct and indirect measures. For estimating Restaurant Sector Output i.e. Revenues from the estimate of salaries for the sector, a study available for Qatar which provided the Output to Salaries ratio for restaurant sector in Qatar was made use of and applied.

The estimate of potential revenues for the Food Delivery Market was carried out based on estimated total revenues of the Restaurant sector. This was done using metrics calculated using data taken from a report available from the Consulting firm McKinsey for the global food delivery market.

Next, the potential revenues of the online food delivery in Saudi Arabia was calculated by using the metric of average online food delivery charges to value of food delivered revenues. This was based on estimated value of this metric from data taken from annual report of US online food delivery company GrubHub.

The results from the aforesaid analysis (Method-1) are presented below:

Table 8.1: Estimate using Restaurant Sales

Estimate of Potential Market Size for Online Food Delivery Services	
(Method-1: Using Restaurant Sales estimate for Saudi Arabia)	
	USD million
Size of Online Ordered & Delivered Food - Gross Market Value	765.0
Potential Gross Revenues for Food Delivery Services	152.4
Some Indicators Used in the Analysis	
Per Capita Revenue of Online Ordered & Food Delivered (USD)	21.4

Method-2: Estimate using Delivery Hero Revenues in Middle East

Another approach to estimating market size in KSA was used and this is based on the revenues of Delivery Hero a major player for the online food ordering and delivery services in Middle East countries namely GCC, Egypt, Turkey and Jordan. Delivery Hero's market share in these countries is expected to be about 75%. Further, their aggregate revenues for these markets are available for the year 2018 and 2019Q1. These revenue numbers were taken and assuming the revenues to be driven by the population and GDP of each of these countries, an

estimate of potential revenues from online ordering and food delivery market for GCC countries was derived. The aggregate GCC numbers were then disaggregated into member countries estimated on the basis of estimated restaurant sales in these countries.

The results from Method-2 are presented below:

Table 8.2: Estimate of Potential Market Size for Online Food Delivery Services

(Method-2: Using Delivery Hero Revenues for Middle East)	
	USD million
Size of Online Ordered & Delivered Food - Gross Market Value	706.3
Potential Gross Revenues for Food Delivery Services	140.7
Some Indicators Used in the Analysis	
Per Capita Revenue of Online Ordered & Food Delivered (USD)	21.4

It is interesting note that the estimated market sizes by both these methods are in convergence.

Online Food Delivery Market Potential in Other GCC Countries

Estimates are prepared for other GCC member countries using a similar methodology to that used in the case of Saudi Arabia with minor modifications that were necessary due to differences in available data.

In the case of UAE, the total wages for Accommodation and Food Services was available from government statistics and this was disaggregated into food services and accommodation services using the wages data for restaurants available from a Qatar Government study and the proportion of restaurant workers to hotel workers available for Saudi Arabia. The rest of the estimation process was similar.

In the case of Kuwait, the gross value added (GVA) combined for the Restaurant and Hotel sectors was available, using the data available from the Qatar study for the proportions of value added in restaurant and hotel sectors as well as the output to salary ratio available from the Qatar study, the total restaurant revenues for Kuwait was derived. The rest of the estimation process was similar to the analysis carried out for Saudi Arabia.

For Qatar the historical output for restaurant sector was available and this was adjusted to bring it forward to 2108 and the rest of the estimation process was similar.

In the case of Bahrain, GDP for restaurant sector was available and this was converted to an estimate of output using data available from the Qatar study.

In the case of Oman, the wages data for hotels and restaurants for a historical period were available, this was updated, disaggregated into wages for restaurants and the using the estimate of restaurant sector wages an estimated output was calculated using data available from the Qatar report mentioned earlier.

The results from the aforesaid analysis (Method-1) are presented below:

Table 8.3: Estimate of Potential Market Size for Online Food delivery Services (Method-1)

Estimate of Potential Market Size for Online Food delivery Services					
(Method-1: Using Restaurant Sector Wages Estimate)					
	USD million				
	UAE	Qatar	Kuwait	Oman	Bahrain
Size of Online Ordered & Delivered Food - Gross Market Value	507.5	62.6	63.2	32.2	48.9
Potential Gross Revenues for Food Delivery Services	101.1	12.5	12.6	6.4	6.4
Some Indicators from the Analysis					
Per Capita Revenue of Online Ordered & Food Delivered (USD)	54.6	22.1	13.2	7.0	30.8

The results from Method-2 are presented below:

Table 8.4: Estimate of Potential Market Size for Online Food Delivery Services (Method-2)

Estimate of Potential Market Size for Online Food Delivery Services					
(Method-2: Using Delivery Hero Revenues for Middle East)					
	USD million				
	UAE	Qatar	Kuwait	Oman	Bahrain
Size of Online Ordered & Delivered Food - Gross Market Value	468.6	57.8	58.4	29.8	45.1
Potential Gross Revenues for Food Delivery Services	93.3	11.5	11.6	5.9	9.0
Some Indicators Used in the Analysis					
Per Capita Revenue of Online Ordered & Food Delivered (USD)	50.4	20.4	12.2	6.5	28.5

Online Food Delivery Market Potential -total for GCC Countries

The aggregate estimate of the market size for GCC is presented below:

Table 8.5: Estimate of Potential Market Size for Online Food Delivery Services

(Method-1: Aggregate Estimate for GCC Countries)	
	USD million
Size of Online Ordered & Delivered Food - Gross Market Value	1479.4
Potential Gross Revenues for Food Delivery Services	284.9
Some Indicators Used in the Analysis	
Per Capita Revenue of Online Ordered & Food Delivered (USD)	26.4

Table 8.6: Estimate of Potential Market Size for Online Food Delivery Services

(Method-2: Using Delivery Hero Revenues for Middle East)	
	USD million
Size of Online Ordered & Delivered Food - Gross Market Value	1365.9
Potential Gross Revenues for Food Delivery Services	272.1
Some Indicators Used in the Analysis	
Per Capita Revenue of Online Ordered & Food Delivered (USD)	24.4

While the estimates provided above are based on the market penetration and usage rates as per currently available estimates, the future market size can be expected to see changes due to changes in restaurant sector revenues as well as marketing innovations and lifestyle changes in usage of online food ordering and delivery services by the population.

Innovation to cater to the changing consumer mindset

Although millennial generation triggered the change and impacted the entire span of consumer mindset, it has now spanned across demographics. Consumers are connected and aware, and this shapes their expectations with respect to quality, sustainability and convenience. There is an increasing emphasis on “experience” and “comfort”.

Consumers of today are empowered to shop anywhere and anytime. This implies that a successful company is one that is capable of getting their products to the consumers where and when they require them.

Consumer expectations with respect to brands and food are also changing with people emphasizing on health and convenience. With all the challenges that the industry faces such as changing demographics, advancing technology risks and opportunities, increasing regulations, restaurant companies have no other option, but to keenly focus on innovation.

The following are the major trends shaping the innovation strategy of a restaurant:

1. Consumer preference for healthy food options

Consumers are increasingly becoming diet and nutrition conscious. Even when dining out, they prefer to consume healthier and less processed food. Restaurants are responding to this trend by providing organic alternatives, detailing the nutrient content, customizing the meal according to the preference of the customer etc.

2. Increase in food service options

Supermarkets are starting to stock wide ranges of ready to eat meals with many of them having eat-in areas. This has adversely affected the market share of restaurants. An increasing number of companies offering similar products clustered in the same location is resulting in fewer unique consumers per outlet.

3. Environment Sustainability

Rising awareness among consumers, increasing environment consciousness are forcing restaurants to adopt environment friendly ways and go green by implementing sustainable practices of food preparation, energy use and waste disposal.

4. Focus on global/ethnic cuisines

There is an increase in inclination towards global cuisines or meals made from locally sourced ingredients. This has prompted restaurants to diversify their businesses.

5. Focus on Generation Z

Restaurants have taken into consideration the needs and mindsets of millennials. However, Generation Z is also growing into a major category of consumers as more and more teens are beginning to decide on where to eat and what to eat. This demographic would demand high-tech services, louder music, moving visuals to get heightened experience. Restaurants are required to modify their operating strategy to attract this target segment.

Conclusion

The restaurant industry is large consumer oriented service industry, which indicates that there are many opportunities for technology to enhance service levels in the industry. Restaurant operators are more increasingly welcoming the adoption of technology with a majority believing that restaurant tech is inevitable to stay relevant and gain a competitive edge in the market.

However, restaurants have been one of the slowest groups to adopt food tech. Factors such as taking time to train the staff on how to use the system, costs etc. are the major hindrances for restaurants to deploy cutting edge technology in their operations.

The restaurant market is highly competitive, and the profits are slim. But there are numerous opportunities for tech applications for the businesses to differentiate and provide unique services. Each restaurant is unique and so is the customer, making it difficult to customize consumer experience through traditional methods. This requires customized and personalized solutions possible through technology applications like business analytics and machine learning applications.

Consumers prefer convenience, speed and ease of execution at restaurants. Therefore, for a successful digital transformation of the restaurant industry, the approach should be with a customer first mindset.

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