MARMORE
MENA INTELLIGENCE
A المركز MARKAZ Subsidiary

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GCC Food & Beverage Sector

Industry to rebound from COVID-19 impact aided by new business models

Research Highlights:

The report examines the F & B market in GCC countries including prospects for the sector, estimated market growth and market size and online ordering trends.

Report also discusses the COVID-19 impact and evolving technological advancements that are redefining the F&B landscape.

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Chapter 1

Executive Summary

The food & beverage industry is one of the promising sectors in the GCC region and has shown a strong appetite for growth for a longer period. The Covid-19 pandemic has led to a severe downfall in the industry growth and reduced the demand for people's spending. The industry is one among the most affected by Covid-19 due to lockdowns, travel restrictions and social distancing. The dine-in spending in the region also stands affected. The F&B industry in GCC is different from other regions where high number of expatriates and young generation define the growth path for the industry. The emerging online culture of the young, tech-savvy population has pushed the foodservice operators to evolve and adapt. It has become necessary for businesses to meet the diversified demands of the people. UAE and the Kingdom of Saudi Arabia are the key regions that contribute to the industry growth and has become pioneers in industry transformation. The region has many global and local players meeting the rich and varied demands of the consumer market. Chief among the reasons for changing eating patterns in the region is the emergence of Quick Service Restaurants (QSR) chains such as KFC, Burger King, Pizza Hut and regional outlets like Herfy, ChicKing that provides high quality foods at an affordable price in faster service. The ongoing pandemic has changed the behavioural pattern of eating out and the food restaurants are adjusting their business to cloud kitchen and online delivery to meet the new trends.

The industry has changed its face since the Covid-19 pandemic. Online food ordering and delivery platforms have changed the way people consume food. The innovation of technology has given power to the consumers to get their favourite foods in a few minute's time. Travel restriction and social distancing further fuelled the growth of online ordering platforms. Players like Talabat, Zomato, FoodonClick have helped businesses to transform operationally to meet the evolving trends. Talabat has clocked over 4 million monthly visits in April 2021 and average daily orders on an average exceeds 100,000. New business models like cloud kitchen and Kitchen-as-a-Service model have encouraged all restaurants to meet the increased demand. Overall, the future outlook for the Food & Beverage industry is expected to be stable. While increasing awareness of health and convenience of online food ordering could drive market growth.

The industry has a wide variety of players from local and overseas. The major QSR share is held by food chains like Herfy, McDonalds, KFC, Burger King, Pizza Hut and Subway. These six franchises alone have over 2,700 food outlets in the GCC region. Americana group operates the majority of the franchise chains in the region such as KFC, Hardee's Krispy Kreme.

The GCC region imports majority of the meat from outside the region and they mostly import meat from Asian and South American countries. The industry has a certifying body for checking the quality of the meat. International Halal Accreditation Forum launched in 2016 with 10 founding members has over 35 countries as members now. This body encourages and facilitates the adoption and implementation of natural standards for food quality.

High supply of retail places has impacted the rental prices. The rental rates have reached the upper level and were falling for the past few years. The top cities like Dubai, Abu Dhabi, Riyadh and Jeddah are expected to add 1.08 million square meters of retail space in 2021 in addition to the existing space of 11.6 million square meters. Property owners are offering deep discounts and offers for attracting and retaining the tenants. The rental rates have fallen approximately 8% in those four cities in 2020.

In addition to rental rates, the foodservice operators are face challenges in the implementation of Value Added Tax (VAT) for the products. The implementation of tax is triggered by low oil prices and as a measure to diversify the country's income sources. The introduction of VAT may likely impact the consumer's purchase but it is unlikely to stay hindrance for the long term.

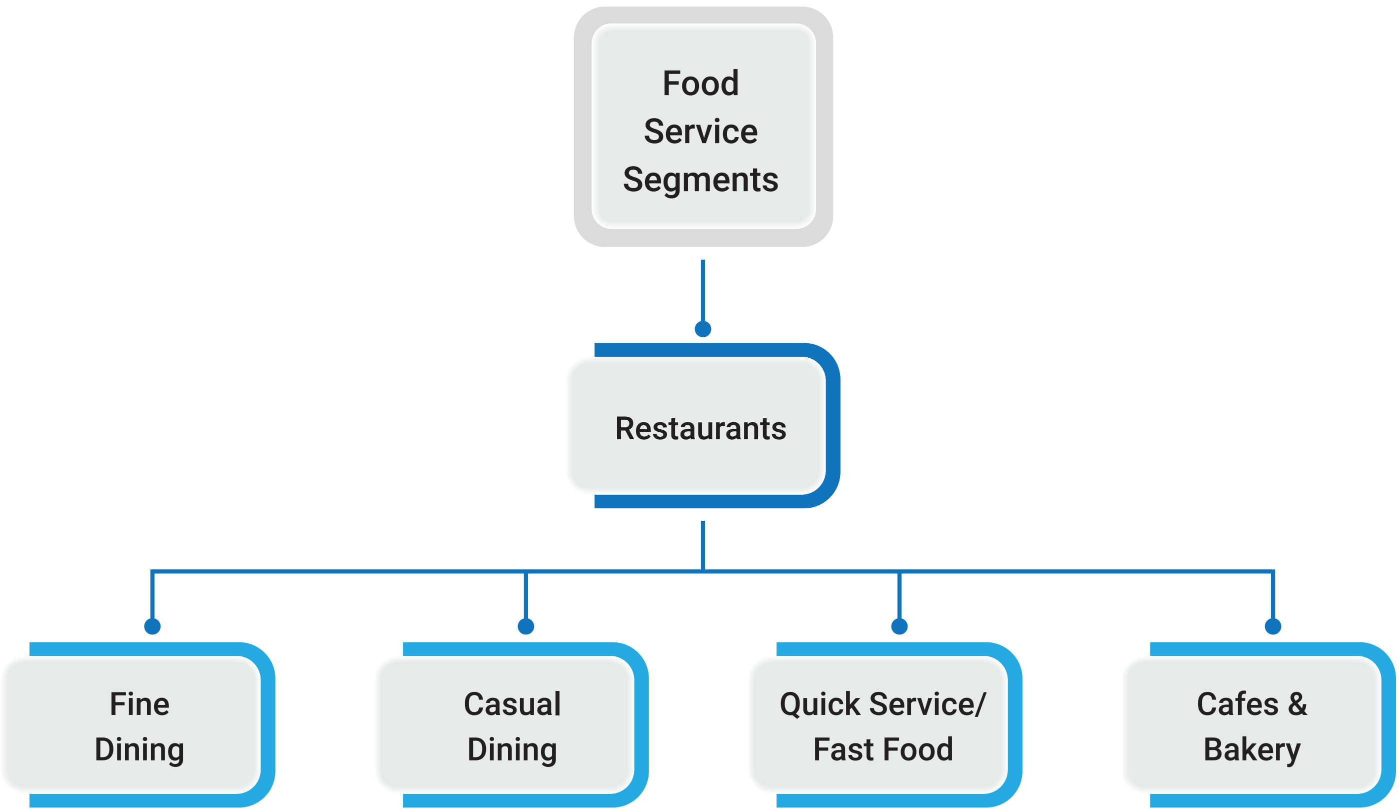
GCC region also benefits from higher living standards that will encourage high consumer spending. Consumers are also becoming highly selective in their product preferences, comparing quality and price differentials in a holistic manner, presenting opportunity for retailers. At the same time, investors and operators are increasingly looking to gain market share by establishing new outlets.

Chapter 2

Industry Overview

GCC region represents less than 1.0% of the global population, but the six GCC nations contribution to world GDP is more than 1.9%. Nevertheless, the nations have built a strong foothold as one of the most promising market for food service operators across the globe. Expatriates from both developing and developed world work in the GCC region and they bring together the taste for cuisines from their country. Higher number of expatriates has also expanded the local palette for tastes to a significant extent. Large population of expatriates in GCC nations is expected to raise the food consumption and drive the demand for the sector. High per capita income, young population and strong demand for dining out options make the GCC region attractive for foreign and regional food and beverage players. Events of global interests such as Expo 2020 in Dubai, FIFA world cup in Qatar by 2022 are fuelling the growth of tourist attractions and will continue to keep global players in food and beverage industry active and keen on investing and expanding. However, the tourism sector has seen a downtrend in last few quarters owing to the Covid-19 restrictions.

Figure 2.1: GCC F&B Structure



The food services in GCC can be broadly categorized into fine dining, casual dining, Quick Service Restaurants or fast food and Cafes. Fine dining is not just about carefully crafted food on a plate; it's about ambience and five-star services. In Dubai and Qatar, there is the added bonus of restaurant venues boasting gorgeous views of the city's striking skyline and shimmering waterways. Some of the top outlets and food chain for fine dining restaurants in GCC are Hakkasan, Signature, La Petite Mension, Zuma most of which are operated by Michelin-starred chefs. Casual-dining is slightly different from fine-dine restaurants as they offer a relaxed, casual ambience with a lot of seating. They offer full table and their menu is higher-priced than fast-food restaurants but much cheaper as compared to Fine dining.

Quick Service Restaurants (QSR) offers low to medium priced food in addition to faster service time distinguishing them from traditional or fine dining restaurants. QSR in GCC include famous global food chains like KFC, Subway, Burger King, Pizza Hut and regional outlets like Wendy's, Alamar Foods, and Hungry Bunny. Expatriates and locals alike prefer these outlets for faster service and convenience.

Café and Bakery market in GCC is scattered and has a large number of outlets from international players such as Starbucks, Costa Coffee, and Café Bateel etc. Regional players like Herfy, Bateel, Huda Bakery are also gaining prominence in the region as the demand surges.

Table 2.1: Restaurants types and key features

Features	QSR	Casual	Fine	Café
Price	Cheap	Moderate	Expensive	Cheap to Moderate
Menu	Specialized/ Limited choices	Extensive List	Elaborated Menu	Desserts/Beverages focused
Chef Skills	Creative/Less experienced	Experienced	Specialized/ Highly Trained	Regular
Key Customer Type	Youngsters	Family-friendly	Upscale/Affluent	All
Market Competition	Extremely Competitive	Moderately competitive	Differentiated/ Low	Moderately competitive

Source: Thebalance, Marmore Research

These restaurant types can further be classified into other hybrid categories such as fast casual restaurants, pop up restaurants and buffet restaurants. As the name suggest fast casual restaurant is a combination of dining experience and fast food. It is more popular among office goers who have just enough time to grab a decent meal during working hours.

Pop-up restaurants are relatively new concept in the food world. The unique location and décor make these restaurants peculiar. Old warehouses, garages, rooftops and residential buildings are some of the famous spot for these restaurants.

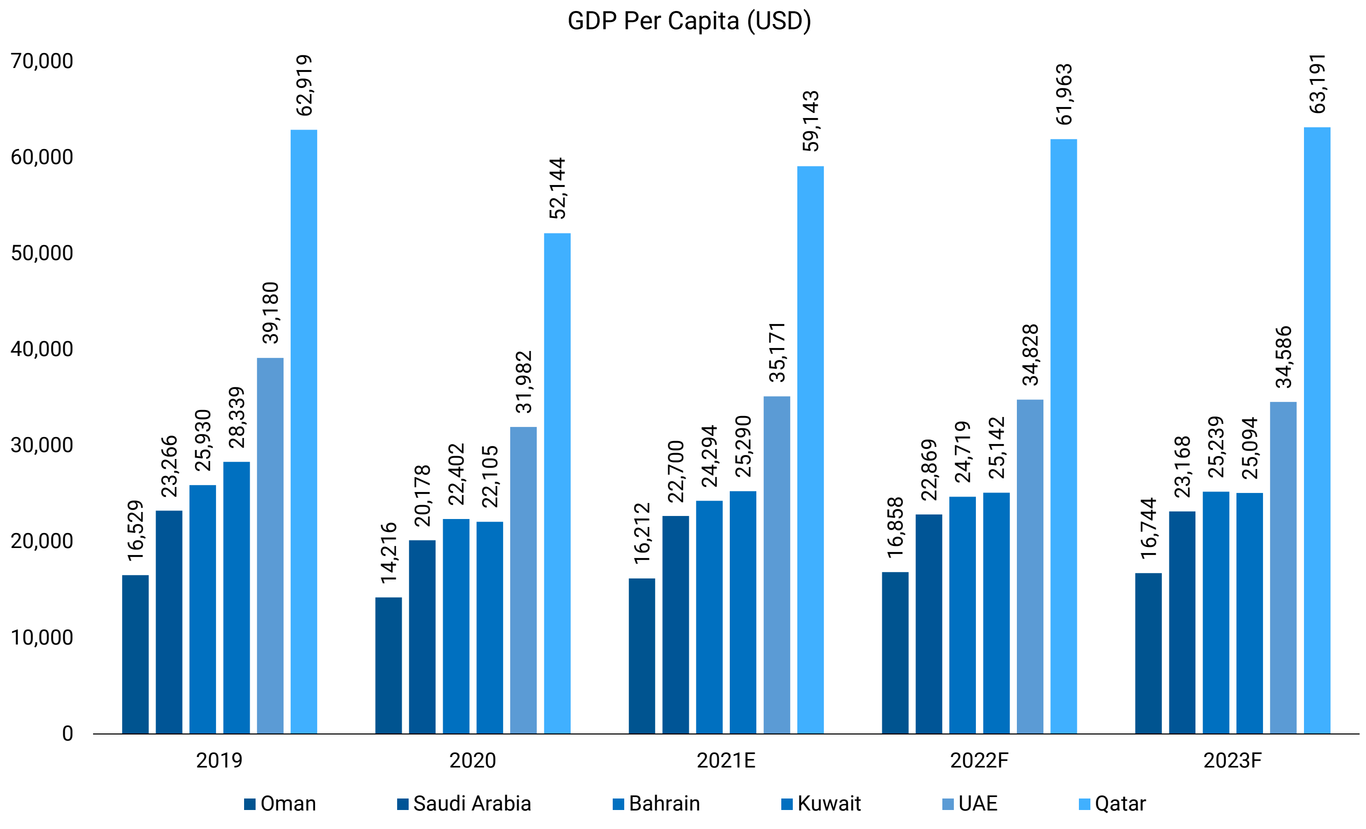
Buffet restaurants typically offer unlimited food with a fixed menu at a fixed price. Restaurants offer minimum to no table service. These types of restaurants are ideal for a large group as it can offer great value for money.

International fast food and casual dining restaurants are increasingly making successful inroads into the GCC region through franchise agreements. With the end of decade old theatre ban in Saudi Arabia, the entertainment culture has grown in the GCC nations with young millennials looking for western dining and cinemas.

The presence of low-cost expatriate work force provides an opportunity for players to expand their food chains to new locations. The total food service outlets in the GCC nations is estimated to be more than 134,000 in 2020. The investment initiatives to expand tourism sector as part of achieving economic diversification by the government in the region has directly benefitted the growth of Food and Beverage industry.

The GDP per capita of GCC nations is one among the top countries and it resulted in higher purchasing power. The rising GDP Per capita has increased the per person consumption in the GCC region.

Figure 2.2: GCC Nations GDP Per Capita

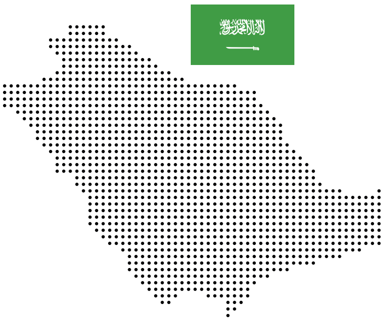


Source: International Monetary Fund

While the overall market is growing, there is increasing competition among brands and outlets. The medium-term outlook for the sector looks positive, particularly as the number of tourists are expected to grow on the staging of events like FIFA World Cup 2022 at Qatar and Indian Premier League (IPL) 2021 at UAE. The outlook of the sector has changed in all the nations as part of shifting towards the new normal. Consumers have started utilizing online delivery of food products. Operators will have to continuously evaluate their business strategies in accordance with evolving trends and consumer preferences to succeed.

Chapter 3

Country Overview



Kingdom of Saudi Arabia

Saudi Arabia is one of the well developed markets in the GCC region and the economy is making changes to boost tourism and local spending. The overall market expenditure on food and beverage is estimated to be more than USD 50 billion in the year 2020[1]. Changing lifestyle and urbanisation of population is attracting newer food products from across the globe. In addition, expatriates from Europe and Asian countries are fuelling industry growth. The tech-driven young population have utilised the convenience of online food delivery and thus acts as a major growth driver for the market. The outlook remains robust even after the lockdown owing to the pandemic.

The industry comprises of cafes, dine out restaurants, quick chain restaurants and fine dining restaurants. We assume cafes as outlets employing less than five employees and quick service restaurants as outlets employing 6-19 employees and fine dine restaurants as outlets employing more than twenty employees based on the availability of restaurant data on such a categorization. Kingdom of Saudi Arabia is the leading nation in Gulf part for Quick Service Restaurants (QSR). The country hosts around 50% of the total QSR chains in the GCC nations. KSA is a leading market for QSR chains such as McDonalds, KFC and Pizza Hut and they have 304 stores, 220 stores and 222 stores respectively[2]. The leading food chain Americana group operates more stores in KSA and they have 498 stores in total. The local chains such as Herfy, Al-Beck, Shawaya House and Taza are also gaining momentum in the market and expanding throughout the country. Changes in the working and consumption pattern have led the consumers to dine out more often. We estimate that the QSR sales is expected to reach USD 7.4 billion by 2025.

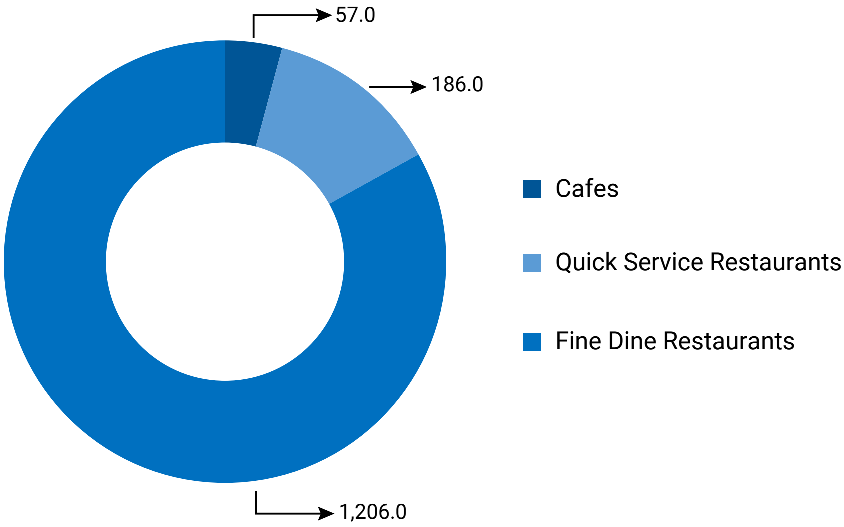
The packaged food sector market is estimated to be around USD 20 billion and the market is expected to reach USD 24.9 billion by 2024[3]. The forecast can be attributed to high products like processed meat, baby food, baked goods, ice cream & frozen desserts, breakfast cereals, processed fruits & vegetables, ready meals and snacks.

[1] Frost & Sullivan

[2] Respective Franchise Website

[3] Euromonitor

Figure 3.1: KSA Average Estimated Sales per Outlet, 2020 (USD '000s)

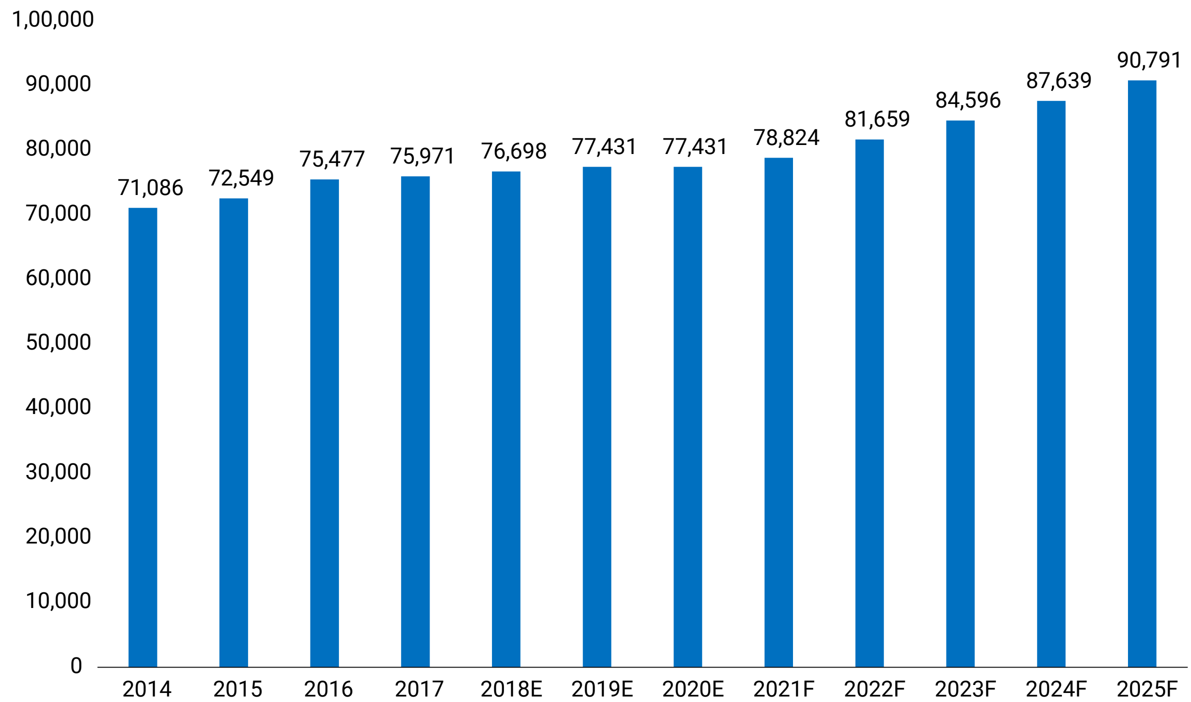


Source: General Authority for Statistics, KSA, Marmore estimate

Marmore estimates shows that the average sales per outlet for largest restaurants like fine dine restaurants will also increase from USD 1.8 million in 2017 to USD 2.2 million in 2025. Whereas, the average per outlet sales for medium sized restaurants like QSR segment is expected to increase from USD 0.27 million in 2019 to USD 0.35 million in 2025.

The total number of outlets in the country also seen an upsurge in both the segment. The total outlets in QSR & Café segment is estimated to be around 75,228 from 69,218 in the year 2014. The larger restaurant segment outlets are estimated to be around 2,300 from the initial outlets of 1,868 in 2014. The segments saw an increased growth of 3% CAGR and is expected to stabilise in the coming years.

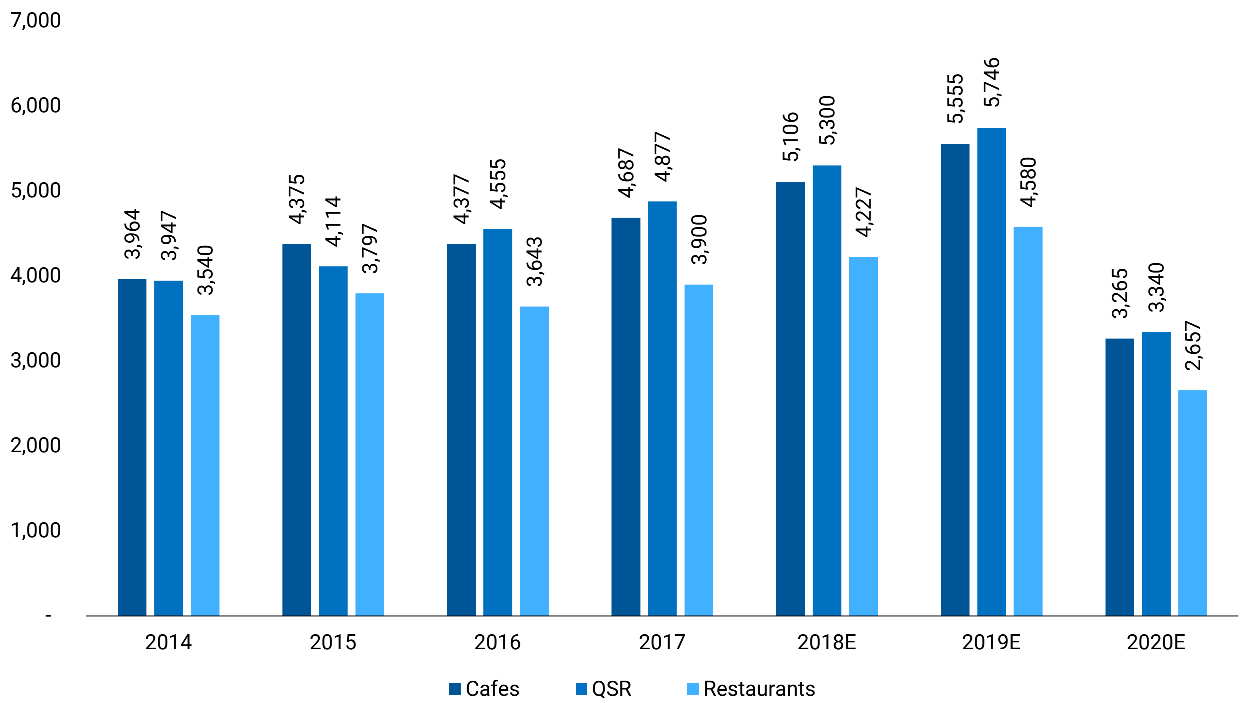
Figure 3.2: Aggregate Food Outlets in KSA



Source: General Authority for Statistics, KSA, Marmore estimate

The overall revenue of the food service outlets in the country was USD 11 billion in the 2014 and it is estimated to be around USD 15 billion in 2019 and on the back drop of Covid, it is estimated to have plunged to USD 9.2 billion in 2020. The future outlook for sector is robust as Saudi Arabia is looking on developing the country as top tourist destination guided by Vision 2030.

Figure 3.3: KSA Revenue from Operations Estimates (in USD Millions)



Source: IMF, General Authority for Statistics, KSA, Marmore estimate

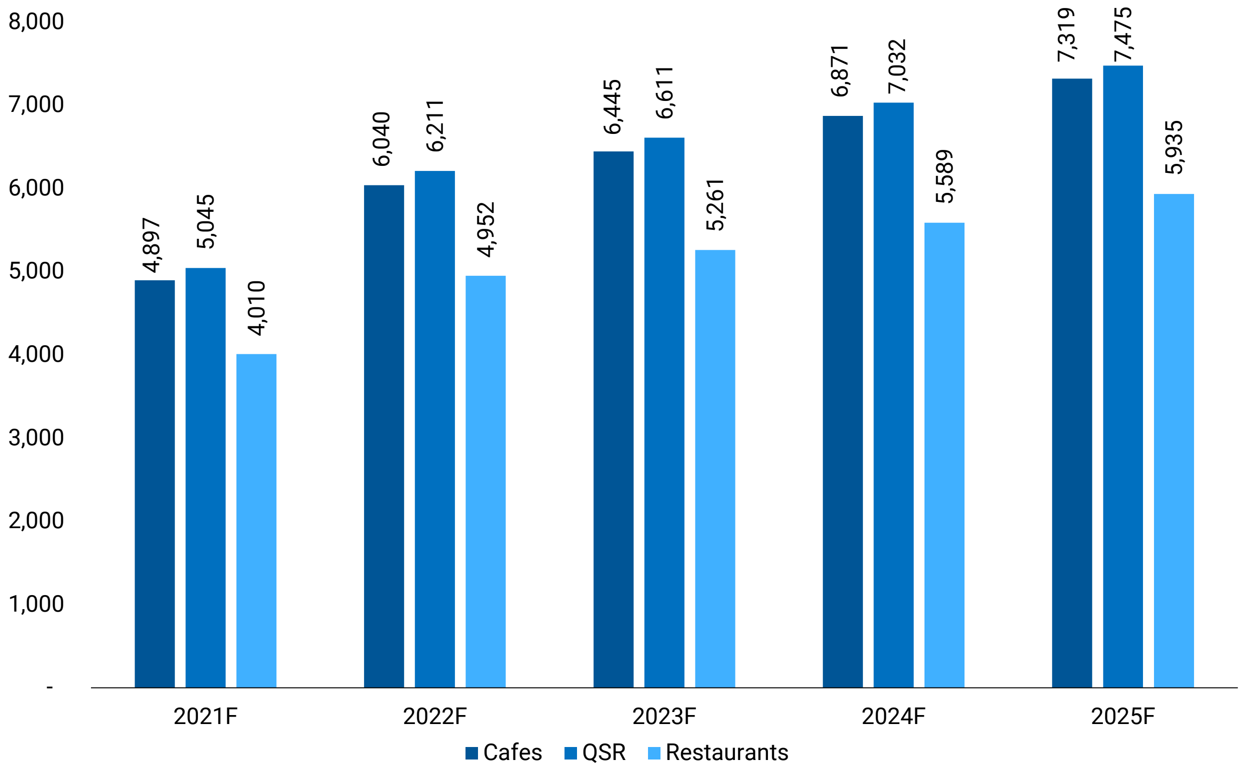
We estimate overall sales of food service outlets in the country in 2020 to have dropped by 42% from the 2019 level. Social distancing measures, lockdowns and curfews amid rising number of Covid-19 cases in the second wave muted demand. The Kingdom of Saudi Arabia's plan of long-term liberalisation and future projects lends positive outlook in bringing more foreign operators into the country.

Saudi Arabia market remain bullish in the medium- and long-term perspective as it remains an underserved market compared to regional peers such as Dubai/Kuwait. The operators have opportunity to expand outlets across Saudi Arabian cities in the post pandemic world. International Monetary Fund has forecasted 4.0% real growth in the year 2022 and the projections remain positive for the next 5 years. As per the IMF forecast, the real GDP fell by -4.2% in the year 2020.

Covid-19 Impact

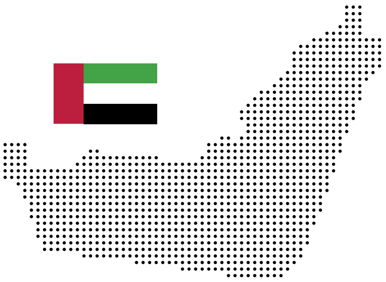
Saudi economy contracted on back of fall in oil production and lockdowns restrictions due to Covid-19 pandemic. Rising concerns of social distancing and safety concerns has muted the demand for the year 2020 and 2021. In addition to the Covid-19 impact, the Kingdom of Saudi Arabia has raised the VAT from 5% to 15%, the hike will also affect the market. However, recovery is underway in the nation and the operators are optimistic of growth in the medium term.

Figure 3.4: KSA F&B Revenue Forecast (in USD Millions)



Source: IMF, General Authority for Statistics, KSA, Marmore estimate

We expect the revenue to reach USD 20 billion in the year 2025 at a CAGR of 10.4%. The 2021 year is also estimated to be lower than the pre-pandemic level in 2019 as the situation of second wave of pandemic continues to impact demand.



United Arab Emirates

UAE is a top tourist destination in Gulf region and Dubai accounted for 16.7 million tourists in 2019[4]. The standard of living in Dubai and Abu Dhabi is among the highest in the world. With high inflow of tourist and expatriates, many global and local players have great exposure in the food & beverage market. The overall food & beverage expenditure in UAE is estimated to be around USD 37 billion in 2020[5]. High number of expatriates have bought UAE different cuisines into the market.

In line with Kingdom of Saudi Arabia, UAE holds high number of Quick Service Restaurants (QSR). Leading players like McDonalds, KFC, Pizza Hut and Burger King operate 172, 151, 106 and 61 outlets respectively. The local players like Bateel, Man'oushe Street, Kcal, Filli café and Doner Kebab have also gained advantage in the F&B sector. We estimate total restaurant sales to reach USD 8.9 billion by 2025 from the actual sales of USD 5.3 billion in 2016[6].

The packaged food sector market is estimated to be around USD 5.7 billion and is expected to reach USD 7.4 billion by 2024[7]. The high growth of packaged food market can be attributed to processed meat and seafood, rice, pasta and noodles, soup, sauces, dressings condiments, breakfast cereals, processed fruit and vegetables, baked goods, and snacks.

Omni channel presence of food operators are growing as the online sales picks up. This has further increased in the year 2020 due to pandemic led lockdowns. As per our estimate, the historical growth of food service revenue per outlet was dragged down by Covid and as a result, the average sales per outlet is estimated to be around USD 96,000 dropping by approximately 36%.

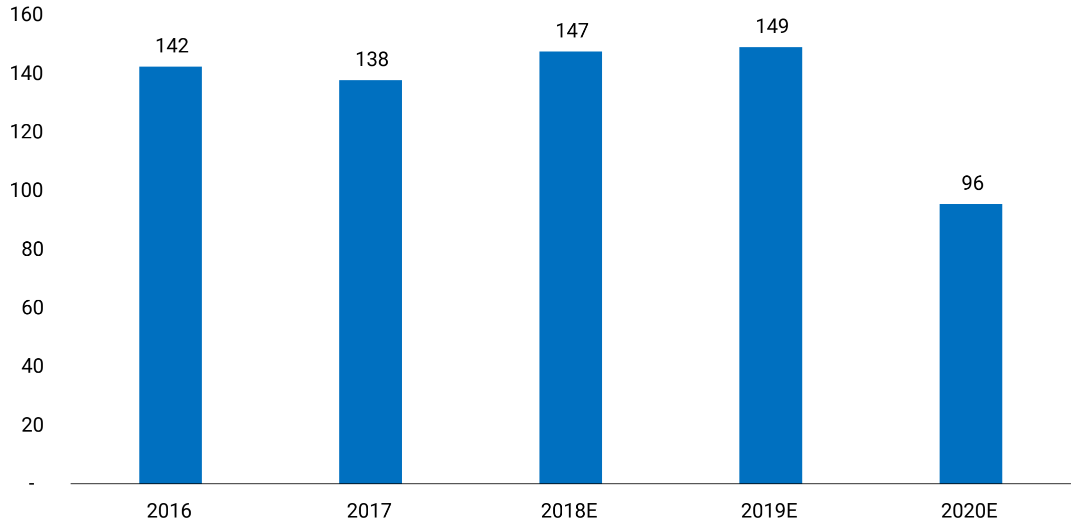
[4] Dept. of Tourism, UAE

[5] Frost & Sullivan

[6] Aaron Allen & Associates

[7] Euromonitor

Figure 3.5: Average Sales per Outlet – UAE (USD '000s)

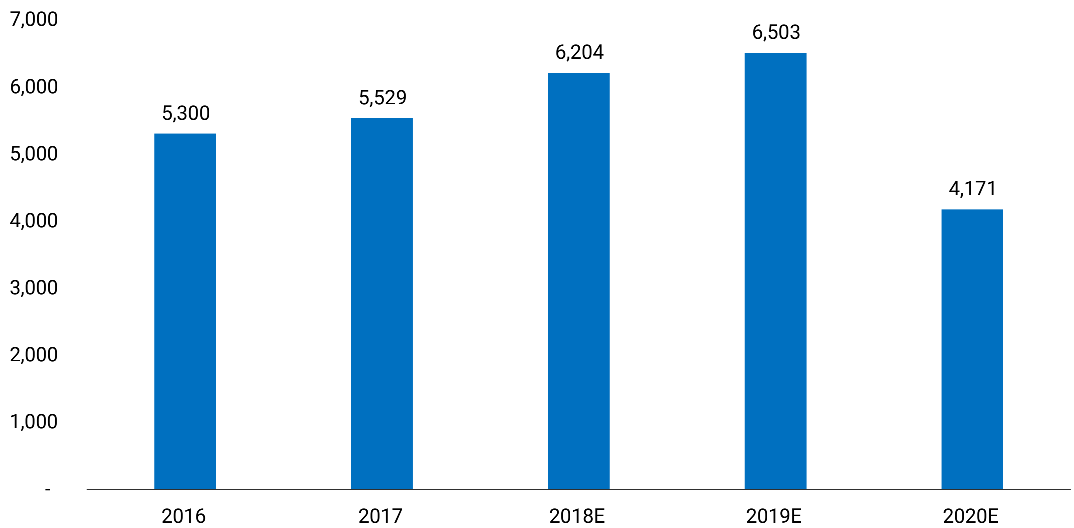


Source: Marmore estimate

The market is expected to recover to the pre-pandemic level by 2022. Total number of outlets is also rising in the country and the operators have raised more F&B space in malls, leisure spaces and tourist spots. The total outlets in the Emirates is estimated to be around approximately forty three thousand and expected to reach fifty six thousand outlets in 2025[8]. The total outlets include all the cafes, quick service restaurants, dine out restaurants and fine dine restaurants. The total fine dine restaurants is expected to reach around 1,471 in 2025 with an approximate CAGR of 5.3% from 2020 levels.

The overall sales of the food outlets in the country is estimated to be USD 6.5 billion in 2019 and the pandemic has reduced the total sales to USD 4.1 billion in 2020. The country has high number of food outlets and has added many by operators in the last five years. The lease rentals of the real estate market is expected to increase by 30% by 2024[9].

Figure 3.6: UAE F&B Revenue Estimates (in USD Millions)



Source: IMF, Federal Competitiveness and Statistics Centre, UAE, Marmore estimate

[8] Marmore Estimate

[9] JLL

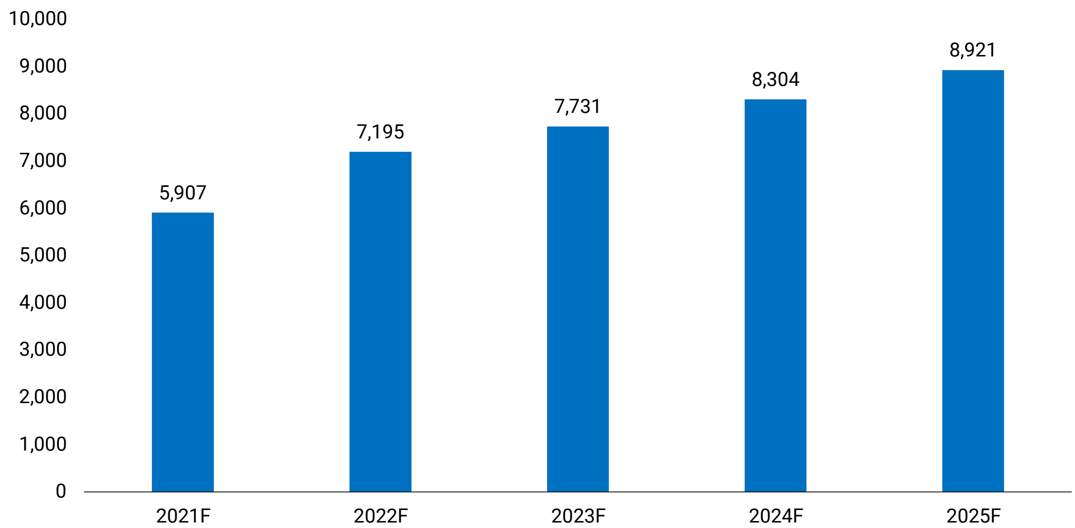
The total market sales are estimated to be around USD 4.1 billion in 2020. The cost optimization has done less for the increasing cost of products in the nation. The decline can also be partly attributed to rise in price of products and services.

The operators are hoping for consumer demand to revive gradually in the upcoming years. The relaxation of travel measures will help the economy to get back into track. International Monetary Fund has forecasted 3.1% of real growth in the year 2021 and the projections remain positive for the next five years. As per the IMF forecast, the real GDP contracted by 5.9% in the year 2020.

Covid-19 impact

Emirates of Dubai and Abu Dhabi contributes to majority of the UAE's economy. Both the Emirates are at forefront in the tourism sector among the GCC nations. The rising cases of Covid 19, social distancing and safety concerns are major hurdles for food operators.

Figure 3.7: UAE Revenue from Operations Forecast (in USD Millions)



Source: IMF, Federal Competitiveness and Statistics Centre, UAE, Marmore estimate

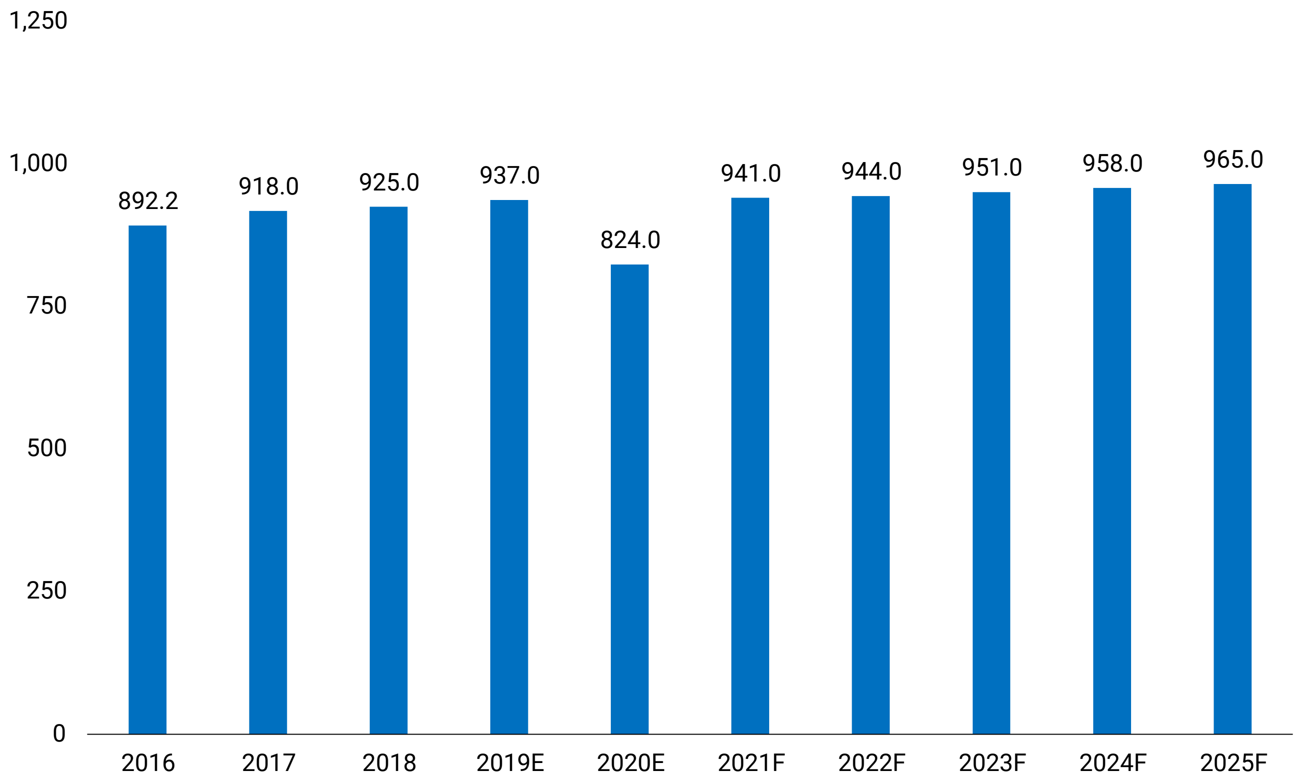
The overall sales revenue of the food outlets is estimated to reach USD 8.9 billion by 2025. The market is expected to reach the pre-pandemic level by 2022, and consumer preference is changing because of the boom in online delivery despite the persisting lockdowns due to Covid-19. Consumers are preferring convenience and online partners are fuelling the growth.

Kuwait

Kuwait market is a similar to United Arab Emirates as the sector is competition intensive. Kuwait market is the third largest among the GCC nations and the Food & Beverage sector accounts for 1.6% of the non-oil GDP and less than 1% of the total GDP[10].

Leading global food chain like KFC, McDonalds, Pizza Hut, Burger King, and Taco Bell are also home to Kuwait and they have 66, 77, 63, 74 and 7 stores respectively[11]. The average sales per outlet of the food service outlet in the country was USD 0.89 million in 2016 and it is estimated to be around USD 0.79 million in 2020. The drop can be attributed to Covid-19 pandemic and associated curfew measures. The per outlet sales is estimated to reach USD 0.93 million in 2025.

Figure 3.8: Average Sales per Outlet - Kuwait (USD)



Source: Marmore estimate

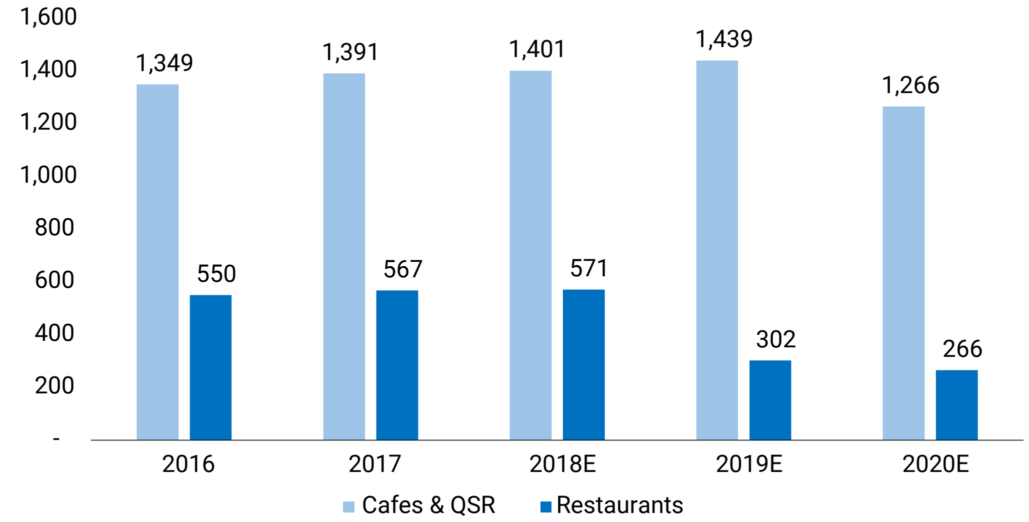
[10] Central Statistical Bureau, Kuwait

[11] Franchise Websites

Like other GCC markets, Kuwait food and beverage market is expected to reach pre-pandemic level in the 2022 fiscal year. Total outlets as per our estimates is around 3,200 and they could reach around 3,900 in 2025. The increase will be driven by the Kuwaiti habit of leisure time socialising.

The total sales revenue of food outlets was USD 1.89 billion in 2016[12] and it is estimated to be around USD 1.53 billion in 2020. The drop is also attributed to the supply chain challenges amid nationwide lockdowns and global supply chain outages.

Figure 3.9: Kuwait F&B Revenue Estimates (in USD Millions)

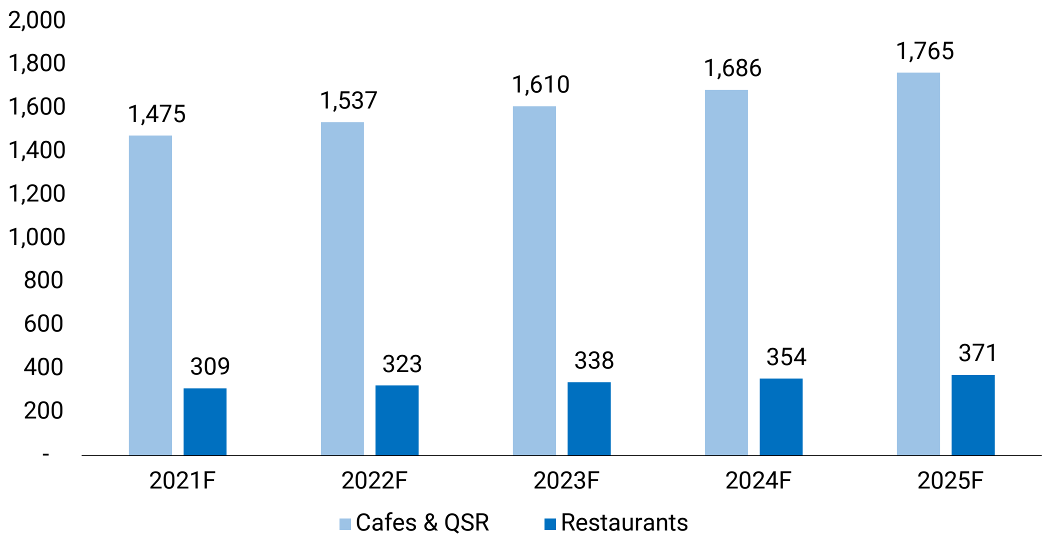


Source: IMF, Central Statistical Bureau, Kuwait, Marmore estimate

Covid-19 Impact

Covid-19 impacted the OPEC+ nations more than other nations in 2020. The low demand and high supply led the crude futures to fall below zero. The adverse shock led the economy through low demand, supply chain issues and decline in employment. The food service operators revised their outlook to low-to-moderate growth.

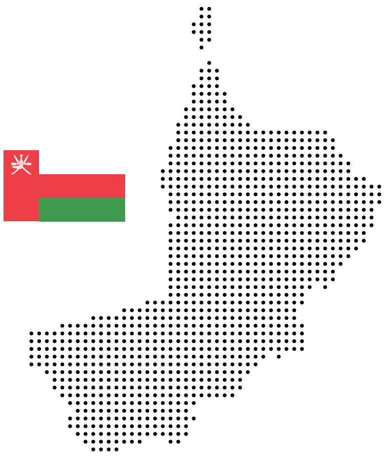
Figure 3.10: Kuwait F&B Revenue Forecast (in USD Millions)



Source: IMF, Central Statistical Bureau, Kuwait, Marmore estimate

[12] Aaron Allen & Associates

Kuwait is only nation in GCC nations where the operators feel positive despite the pandemic and this shows the resilient mindset of the businesses. The sales revenue of food outlets is estimated to reach USD 2.13 billion in the year 2025. The growth prospect after 2021 is stable.



Oman

Oman can be positioned as a country with limited developments in the food and beverage markets compared to other GCC nations like Saudi Arabia, UAE and Kuwait. The market is comparatively small and the current market size is estimated to be around USD 1.2 billion in 2019. The restaurant and hotel industry contributes 1.11% to the constant GDP in 2019. The contribution to non-oil GDP stands at 1.65%.

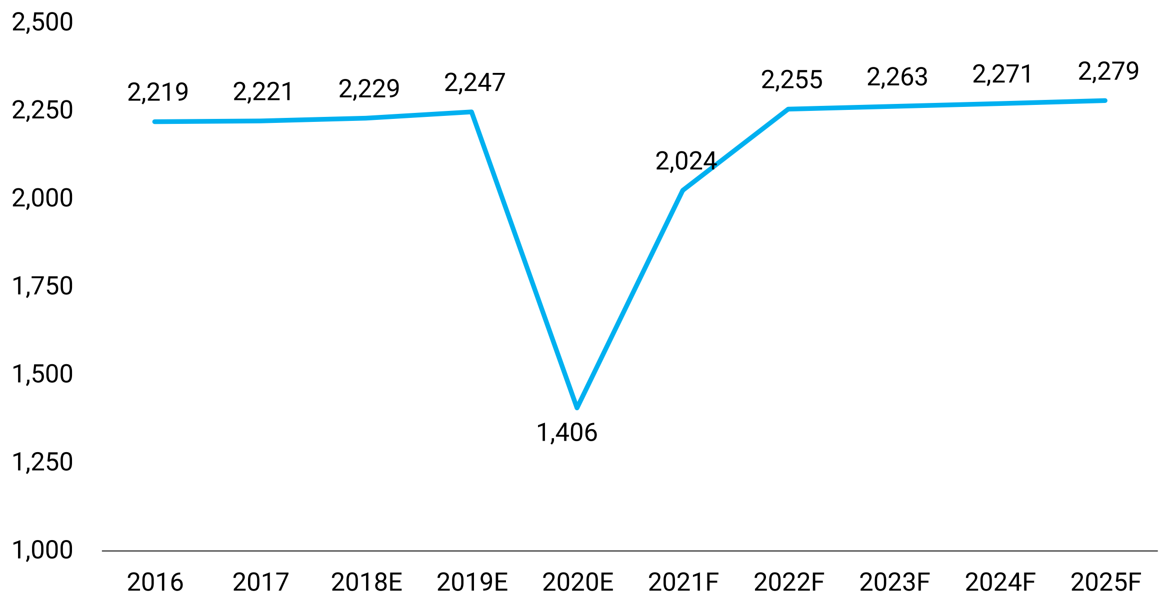
Leading global food chains like Pizza Hut, KFC and McDonalds have limited presence and they have 41, 36 and 24 stores respectively. The percentage of expatriates in Oman is less in comparison with other GCC nations and the number is less than 40% in early 2021[13]. The local food chains also have the competitive presence in the small market. The players like Herfy, Taza also have expanded presence in the nation.

The total food service outlets is estimated to be around 7,500 in the year 2020 and as the market is small, the total stores is estimated to reach more than 10,000 outlets in the year 2025. The market is encouraged by the Sultanate's commitment to develop the economy in the post pandemic world, particularly by focussing on the tourism strategy.

The total market sales of the food and beverage outlets is estimated to be around USD 1.2 billion in 2019. The largest parent company of QSR chains like Americana Group holds less number of stores in Oman than in any other GCC nations. The company has only 44 stores in total in Oman.

[13] National Center for Statistics & Information, Oman

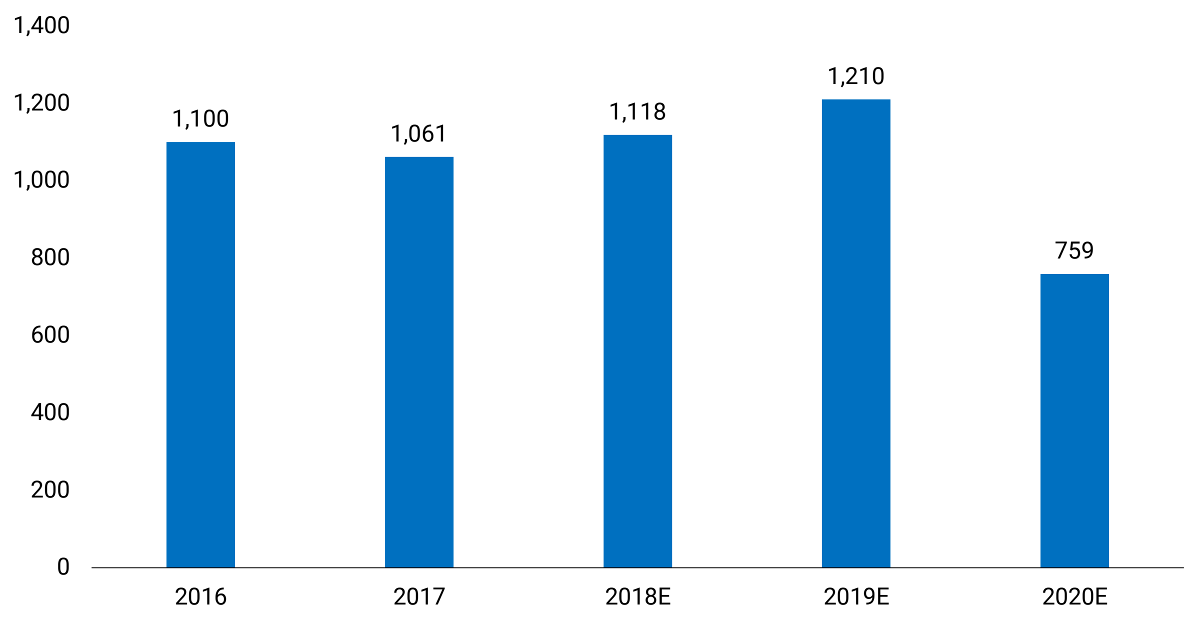
Figure 3.11: Average Sales per outlet (USD '000s)



Source: Marmore estimate

The total sales revenue of food service outlets saw a surge in the numbers from USD 1.1 billion in 2016[14] to USD 1.21 billion in 2019. Due to onset of pandemic forced lockdown, the market is estimated to be around USD 758 million. The drop can be attributed to spread of Covid cases across the nation and the market is expected to reach the pre-pandemic level of business in the year 2022.

Figure 3.12: Oman F&B Revenue Estimates (in USD Millions)



Source: IMF, National Center for Statistics & Information, Oman, Marmore estimate

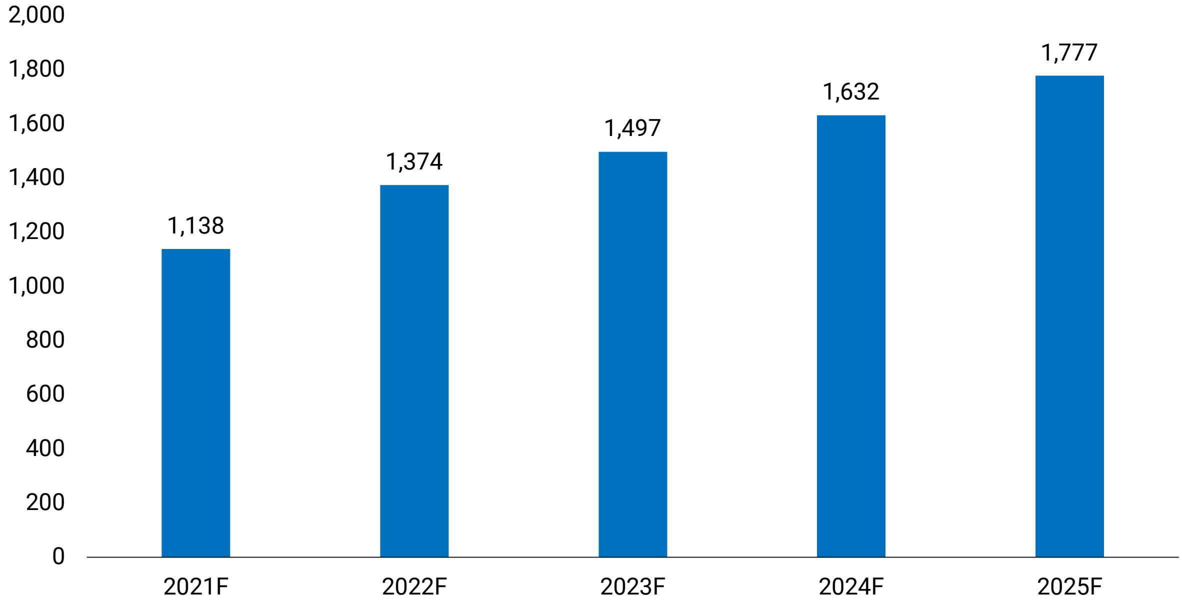
[14] Aaron Allen & Associates

The overall market in the year 2020 dropped more than 35% from the 2019 level. The operator's concerns remain around the reduced demand, social distancing factor and safety concerns.

Covid-19 Impact

The Covid-19 spread has impacted tourist visits. The pandemic has led to decreased consumer spending, travel, tourism and disrupted the supply chain globally and locally. The sultanate of Oman also got affected by the drop in oil prices and muted demand in 2020. The high expected economic growth rate and rebound in consumer confidence is projected to drive the market in the coming years.

Figure 3.13: Oman F&B Revenue Forecast (in USD Millions)



Source: IMF, National Center for Statistics & Information-Oman, Marmore estimate

The food and beverage sales is expected to reach USD 1.77 billion in the year 2025 with a CAGR of around 11% from the estimate in 2021. However, the medium term outlook expectation by operators' remains a concern as more than 70% operators expect the growth either to be zero or negative growth in a recent survey.

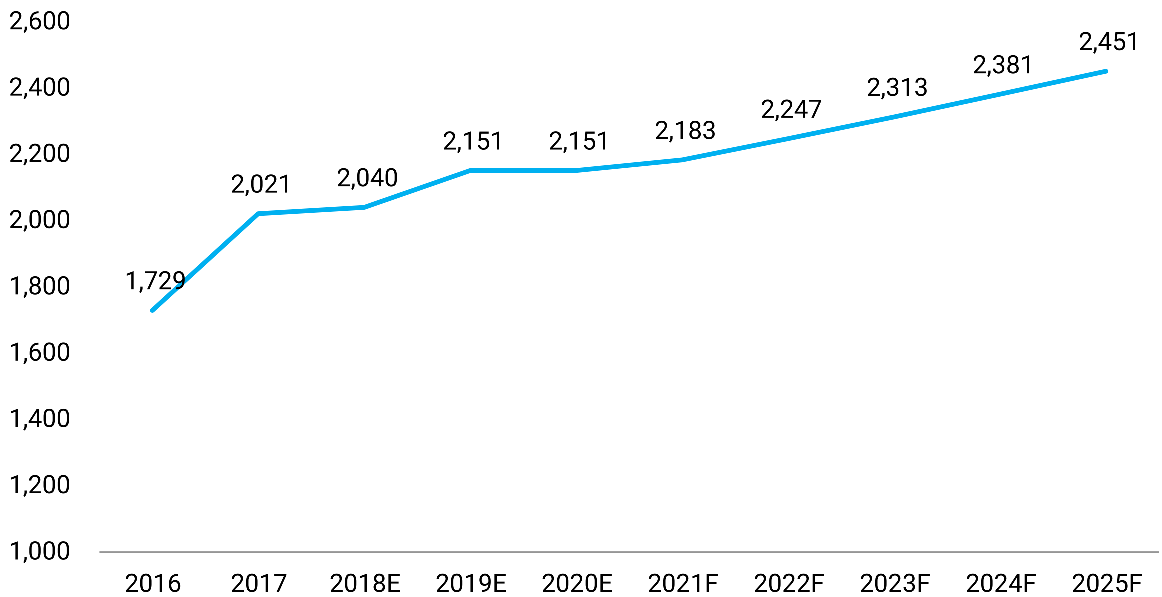
Qatar

Qatar is an advanced nation with high per capita and income levels on par with developed nations. Unlike other GCC nations, Qatar is well developed in the food sector. The food & beverage sector contributes 0.9% of the total GDP and the sector comprises 1.3% in the total non-oil GDP[15].

The global food chains which has presence in all other nations have their presence in Qatar as well. The local players like Chicking, Man'oushe Street also have strong presence in the nation.

The total food service outlets were 1,729 in the year 2016 and it is estimated to reach 2,151 in the year 2020, a 5.6% compounded growth rate. The increasing consumer spending and international travel is driving the food sector in the nation. The total outlets are expected to reach more than 2,400 by 2025. The constant changing preference of local consumers and tourist inflow is expected to support the sector.

Figure 3.14: Total Food Service Outlets in Qatar



Source: IMF, Planning & Statistics Authority-Qatar, Marmore estimate

[15] Planning & Statistics Authority, Qatar

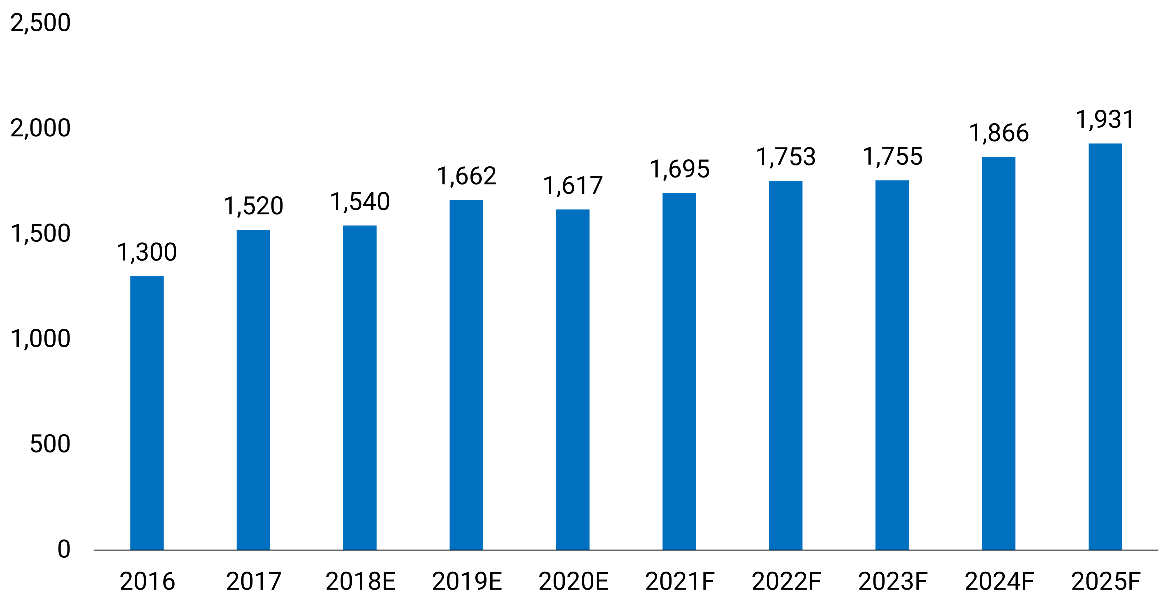
Covid-19 Impact

Covid-19 created a chaos in all economies by creating supply chain disruptions and travel restrictions due to rise in Covid cases. The pandemic has affected sectors like travel, tourism, services, retail and wholesale trade, education and construction due to social distancing measures. Unlike other nations, Qatar has diversified economy and the GDP contribution of non-oil sector is more than 50% in constant prices.

The economy is expected to revive in the next financial year as the government has issued a number of fiscal and monetary policies as measures to contain the repercussions of the pandemic.

The total sales revenue of the food service outlets was USD 1.3 billion in the year 2016[16]. The FIFA world cup qualifiers and the upcoming FIFA world in 2022 is expected to drive tourist traffic in the nation. The state's policy support to the local manufacturing economy especially food industry will drive the industry forward.

Figure 3.15: Qatar F&B Sales Forecast (in USD Millions)



Source: IMF, Planning & Statistics Authority-Qatar, Marmore estimate

Household consumption increased by 1.5% in 2019 and it has reached 24% of the nominal GDP of the economy[17]. The aggregate consumption demand is also driven by growing population. The total revenue of food service outlets is estimated to reach USD 1.9 billion by 2025. The aggregate demand for food and beverage sector remains stable due to increases consumption and government spending.

[16] Aaron Allen & Associates

[17] Planning & Statistics Authority, Qatar

Chapter 4

Top Trends in F&B industry

Fast food to stay in the lead

Fast food or quick service restaurants have been the dominant segment in the GCC due to its affordability, increasing consumer interest and minimal customer service time. It caters to the growing consumer needs such as convenience, increased appetite and craving for diverse international food. A growing number of international QSR chains are becoming part of GCC food service market. This trend is more widespread in KSA and UAE with specific cuisines and product offerings, fuelling the market's growth. The overall food and beverage expenditure in KSA and UAE is expected to surpass USD 80 billion in 2020[18].

In 2019, Saudi Arabia represented more than 50% of the packaged food market size amounting to USD 19.7 billion in GCC nations. Saudi Arabia alone is projected to grow at a CAGR of over 10% from 2021 to 2025 in the fast food market. The increased internet penetration, rising purchasing power and young technology driven population will drive the fast food market in the coming years. All six GCC countries top the internet penetration list and proportion of households with internet access across the globe.

[18] Frost & Sullivan

Table 4.1: Country-wise Mobile Subscription & Internet Penetration

Countries	Internet Penetration	Mobile Subscription*
Qatar	99.70%	138
Saudi Arabia	95.70%	120
Oman	92.40%	138
Kuwait	99.50%	174
Bahrain	99.70%	116
UAE	99.10%	200

Source: International Telecommunication Union 2019

****Mobile subscription per 100 inhabitants***

In UAE, Dubai and Abu Dhabi lead the growth. These two Emirates account for about 80% of total UAE's income. The economy has diversified well and the non-oil GDP is now close to 50%. Purchasing power of people in UAE is one of the highest and it is driving the consumption in the economy. Expats from around the world drive the inclusive and holistic development of food & beverage industry.

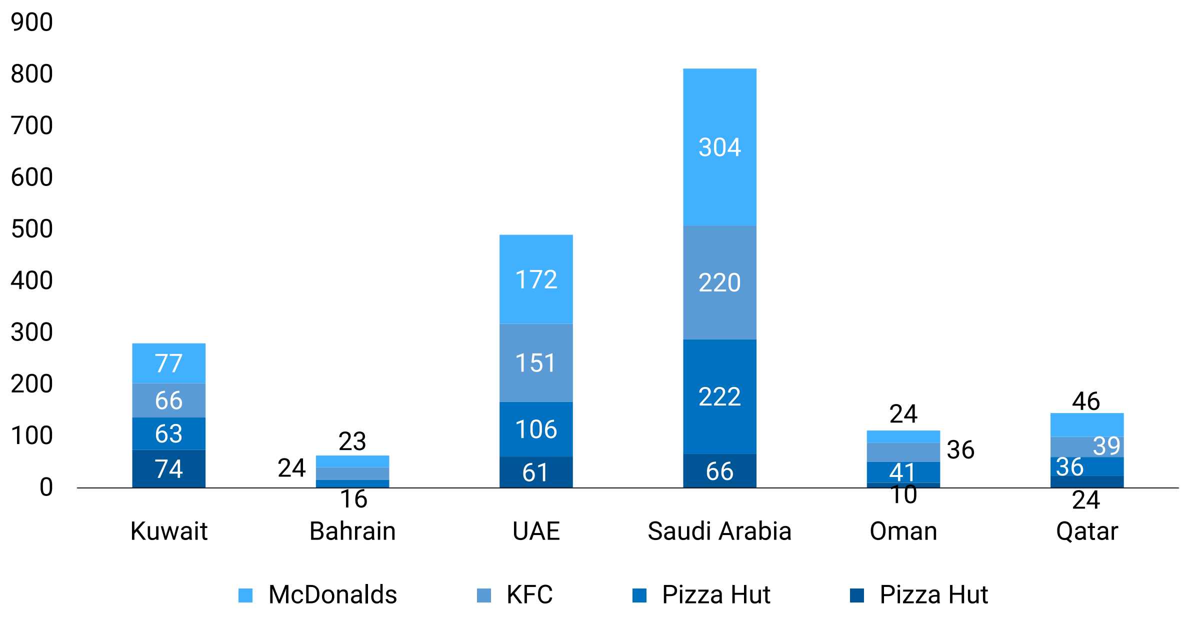
Overall food expenditure of UAE market is estimated to reach USD 37 billion in 2020[19]. Ironically, the rising western culture has encouraged people to consume fatty foods and sugar rich beverages. To curb his, the UAE government in the year 2017 introduced 50% tax on any product with added sugar. This was introduced to reduce the consumption of unhealthy products that leads to diabetes.

Americana group is one of the top food chain parent organization in gulf nations started in 1964. The group has 1,248 stores in GCC nations and offers employment to more than 25,000 people. Americana group operates 12 brands including KFC, Pizza Hut, and Baskin Robbins. American fast food chains such as KFC, McDonalds, Pizza Hut and Burger King are examples of existing players that have successfully tapped the growing popularity of fast foods in the region. The leading regional players include Al Baik, Herfy, Bateel, Chicking, Little Caesar and Wimpy's Burger. In Oman, Pizza Hut was the first international fast food chain to open and now has 41 outlets followed by KFC which has 36 outlets.

Fast food segment will continue to retain the largest share in GCC F&B market segments. It will also be the fastest growing segment gaining significant traction amongst consumers with its 'low-cost, quick service' value proposition coupled with breadth of international cuisines and access to globally well-known brands.

[19] Frost & Sullivan

Figure 4.1: Global Food Chain Outlets



Source: Respective Operators Website

Chapter 5

Online ordering & Takeaway:
A key business segment

The rising technology has disrupted many industries and one of the innovations brought forward that led to disruption is online ordering through mobile apps. The business of delivering restaurant meals to the home is undergoing rapid change as new online platforms race to capture markets and customers across GCC region. Online platforms allow consumers to compare menus, scan and post reviews, and place orders from a variety of restaurants with a single click. These online platforms can be divided into traditional-delivery category which simply take orders from customers and route them to restaurants, which then handle the delivery themselves. In contrast, the trending new-delivery players build their own logistics networks, providing delivery for restaurants that don't have their own drivers.

Delivery services providers in GCC include players like UberEats, Deliveroo while online platforms like Zomato, Talabat and Foodonclick are generating a majority of business for many new and small restaurants. Indian origin start-up Zomato has their service operating only in UAE. Careem is the recent addition in the delivery business space and was recently acquired by Uber in 2020. Deliveroo has over 110,000 riders in the UAE and overseas. Talabat, indigenous company has over 16,000 fleet and has operations in Middle East predominantly in GCC nations.

In Kuwait, online platforms are transforming the food and beverage industry for over a decade. Talabat, an online food ordering portal originated in 2004, is now active in all the GCC nations. Evidence of Talabat's success and reach is the fact that it has over 17 million downloads of its app. The application has a monthly visit of over 4 million in the month of April 2021. The average number of orders serviced in a day is over 100,000.

Recently, attracted by opportunities in the GCC, Delivery Hero, the global leader in online and mobile food ordering, entered the market with the takeover of the regional market leader Talabat.com. Rocket Internet has also capitalized on the opportunity by acquiring shares from existing Delivery Hero investors for USD 60.9 million, thus increasing its stake in Delivery Hero to 39% from 30%. Delivery Hero has served 140 million orders in the 1st quarter of 2021 and 386.3 million orders in the year 2020. The business also increased its Gross Merchandise Value (GMV) from USD 3.8 billion to USD 5.2 billion. Despite the pandemic, the orders of Delivery Hero in MENA region grew by 29.4%.

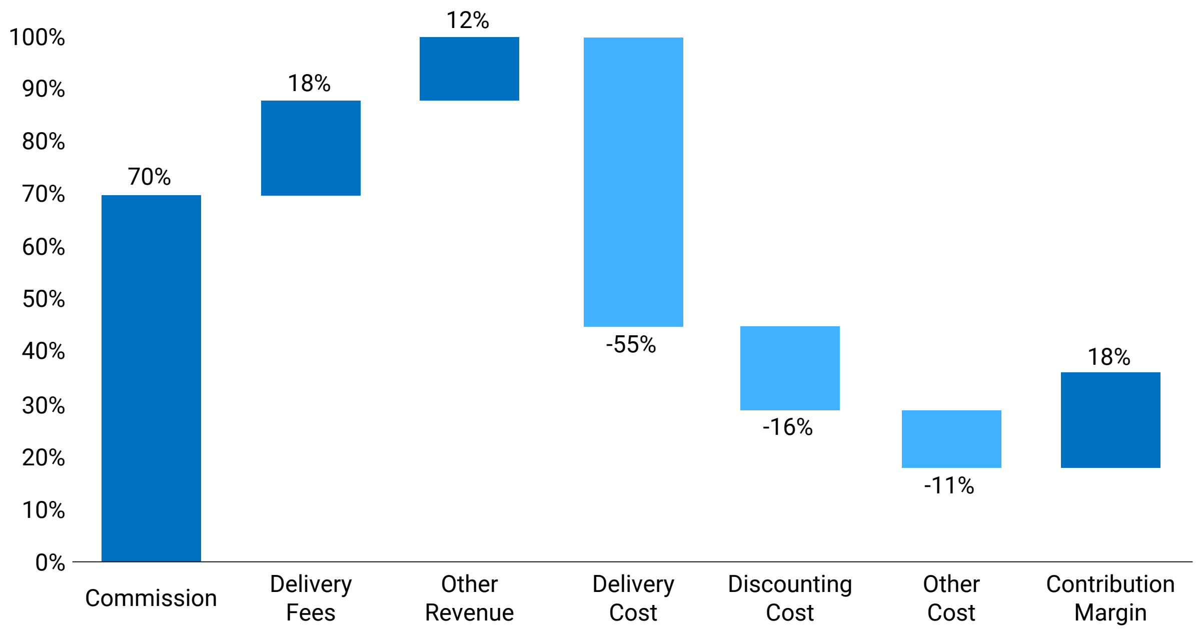
Similar to the growth trajectory of Talabat, Mrsool has become among the leading player in Saudi Arabia. Unlike other platforms, Mrsool offers all kinds of courier services. Users can get any kind of goods from any store. Lugmety, the new incomer in the industry is operating in three cities and offers premium delivery experience.

Online food ordering is catching up in UAE as internet users crossed 9.7 million mark and the frequency of using internet everyday has reached 93%. Foodonclick was the first to start the online food ordering services in UAE in 2010. It was acquired by Delivery Hero and was later merged with Talabat.

The UAE food delivery market is estimated to reach USD 1.2 billion[20]. The overall food delivery sector has grown 40% in the last year. Third-party platforms are not only improving the reach of those businesses that offer delivery already, but providing new business avenues to restaurants that wouldn't normally deliver. A major disruptor when it entered the Dubai market in 2015 was online delivery platform Deliveroo, which uses its network of self-employed agents to deliver food on behalf of partner restaurants. Unlike discovery and marketing apps, Deliveroo mainly targets restaurants that don't have their own couriers and also works with those that do. Utilizing a similar business model, Toronto-based UberEATS, from online transportation network Uber, added Dubai to its portfolio. The growth of the delivery market is not only increasing competition between third-parties, it is also forcing restaurant to optimize their in-house delivery operations to remain competitive.

[20] Statista

Figure 5.1: Unit Economies of Food Delivering Companies in MENA region



Source: RedSeer

GCC nations are among the high income nations with a young population and as the internet penetration is high, delivery companies spend less to acquire new customers. As a result, the unit economies of delivery companies in MENA nations is comparatively better than other countries. Unit economies are measured to analyse the cost incurred in relation to the revenue earned per order unit.

High smartphone and internet penetration opens the growth opportunities for online food ordering platforms that offer high degree of convenience and time saving. The increasing utilisation of internet, increase in per capita consumption and the escalating need of quick food & beverage services are some of the key drivers for the online food delivery platforms.

Table 5.1: Key Players and Revenue Estimates (2020)

Company	Estimated Revenue (USD Millions)
Talabat	66.6
Zomato	36.2
Deliveroo	1,688*

Source: Company Report & Owler; * Global figure

The following table provides the Twitter and Facebook followers (or likes) number (as of May 31, 2021) as a measure for the popularity of the websites.

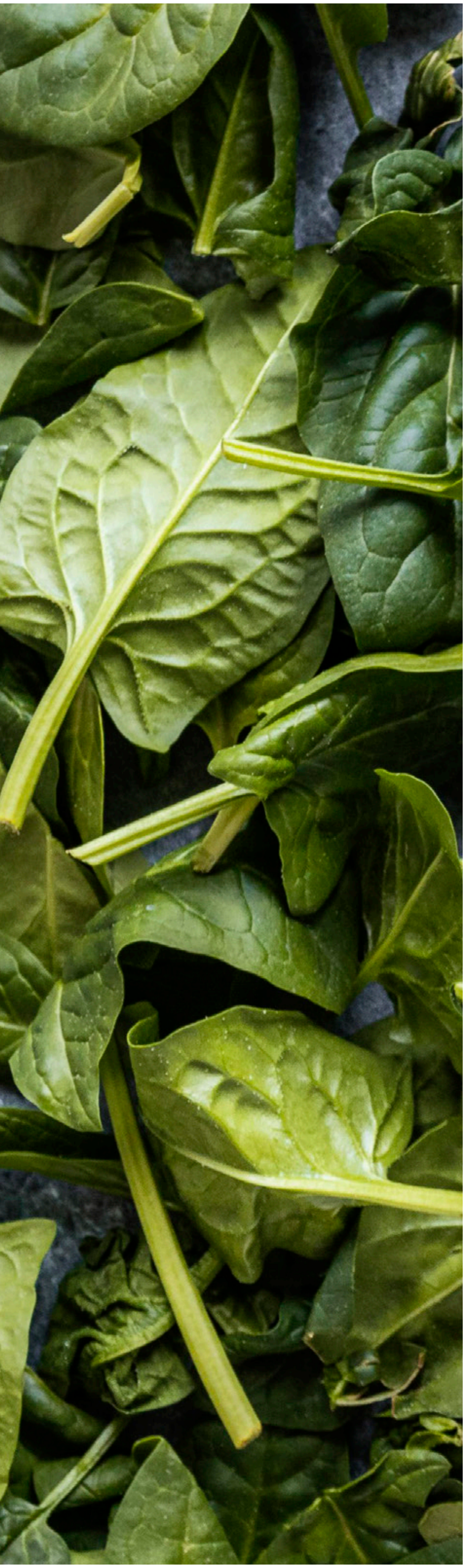
Table 5.2: Social Media Indicators

Company	Number of Followers on Twitter	Number of Likes on Facebook
Talabat	36,700	1,692,716
UberEATS*	245,000	3,118,698
Zomato*	1,400,000	1,893,607
Deliveroo*	67,300	778,026
Carriage	6,791	26,149

*Source: Twitter, Facebook (as of May 31, 2021); *Global figures*

Two important considerations for all players looking to take advantage of the region's growing delivery market, are geographical reach and user experience.

Competition is still growing as the market has space to accommodate more. In the long run, business models that offer more competitive and innovative platforms are more likely to survive and capture a significant proportion of market share. However, currently it is a growing market providing seamless opportunities for firms to penetrate and become the leading player overtime.



Chapter 6

Immunity Boosting Products

Will the rising trend last long?

Covid-19 pandemic has changed the food sector landscape. The pandemic brought many hurdles like strict lockdowns, supply chain disruptions, travel bans and primarily, social distancing norms. The unpredictable pandemic has changed life and people have started looking for products which increase their body immunity. This might be one of the positive aspect in the sector where people in a fast paced life ate unhealthy food and created toxic life habits. The pandemic has influenced people to take a step back and eat healthy foods for better wellbeing.

Top priority for every human in this world last year was boosting their immunity. The mind set of people has changed and more people have started looking for immune rich foods. According to Innova Market Insights, 45 percent of global consumers are consuming more food and beverage products that boost their immune system since COVID-19.

Governments of every country issued guidelines and created awareness among the people to look for nutrition and immune boosting foods. Google trends data shows that the search for immunity in food and drink has approximately increased 500% worldwide following the COVID-19 pandemic. United Arab Emirates food security office in collaboration with Ministry of Health and Prevention launched the National Health Guideline as part of the efforts exerted to develop food safety systems in sustainable ways.

The nutrition rich foods help to build healthy immune system and fights the illness. Immune supplements will assist to make immune system strong and healthier. However, once the pandemic subsides, will people still prefer immune rich foods or will they go back to unhealthy food habits is a big question to ponder?

Chapter 7

Global vs Local Players

Who will win?

The F&B market in GCC is dominated by international brands mainly due to their affordability, large number of outlets and heavy spending on advertisement. Burger King, Pizza Hut and KFC are testimony of this growth, which has over 235, 484 and 536 outlets respectively in the region. Subway has 455 stores in the GCC nations and has reached the milestone of 550 outlets in entire MENA region. Since the entry of globally well-known brands various other internationally acclaimed restaurants such as Shake Shack, The Cheesecake Factory, MOOYAH, Clinton Street Baking Company have ushered their way into the attractive F&B sector in the region.

Majority of the international brands however have franchises to cement their base in GCC. Fast food in particular account for majority of the franchising market in GCC, and in the coming years, F&B franchises will expand and maintain their dominance. On the other hand, regional chains are also noticeably expanding operations in the market. For example, ChicKing that opened its first outlet in 2000 in Dubai now has more than 180 outlets in 20+ countries currently serving more than 1.5 million customers per month.

Kuwait Food Co (Americana) remained the leading GCC player in fast food services representing KFC, Baskin Robbins, Hardee's and Pizza Hut. Chicken fast food segment was dominated by KFC as it has a wider appeal among consumers specially expatriates. Emirates Fast Food ranked second with McDonald's, while First Food Services ranked third with Burger King and Texas Chicken. Hardees was ranked third in the burger fast food segment. Given the fragmented nature of the market with dominance of independent players, market shares have remained in single digits. Attracted by growth opportunities, private investment firms have also started investing in the GCC foodservice market along with traditional family owned firms. Regional players have also started focusing on middle-market chains, both local and international, with high growth and established presence in the GCC.

Table 7.1: Portfolio of family owned Franchises

Family Owned Firms	Family Owned Firms
Al Shaya Group	Starbucks, The Cheesecake Factory, Pinkberry, Babel, P.F.Chang's, shake shack, Amiti Noura, Asha's, Dean & Deluca, Bouchan bakery, Fast Fired, pizza express, Pain Le Quotidien, Princi, Prunelle, Texas Roadhouse, Cane's Chicken fingers, and Ahwet zeitouna.
Apparel Group	Tim Horton's, Cold Stone Creamery, Jamie's Pizzeria, Sumo Suchi & Bento, Chocolate Café and Sbarro.
Rmal Hospitality	Trader Vic's, Trader Vic's Mai Tai Lounge, wagamama, Frankie's Italian Bar & Grill and Wheeler's of St James's.
Bin Hendi Group	Bageterie Boulevard, Sammach, Joe's Café, Japengo Café, and Café Havana,
First Food Services	Burger King, Texas Chicken, and Buffalo Wild Wings
Kuwait Food Co. (Americana Group)	KFC, Hardee's, Krispy Kreme, Samadi, Costa Coffee, Grand Café, Baskin Robbins, Maestro Chicken tikka, Pizza Hut, Red Lobster, TGI Fridays, Fushion and Fish Market
Fawaz Abdulaziz Alhokair	Cinnabon, Crepe affaire, Caffe concerto, Kahve Dunyasi, Life with Cacao, Seattle's Best, Emirgan Siitis, Giiven kuruyemis, Helayel shawarma

Source: Respective company website

Local partners not only enable global brands to better navigate the local bureaucracy involved in opening outlets but also to cater to local consumers' demands. Most local franchisees are also large companies with the ability to invest heavily in building brands. Individual franchising is however rare, with global brands preferring the reassurance of working with larger franchisees. The region's diverse consumer group, owing to a significant proportion of expatriate workers and rising tourist numbers, result in many global brands viewing the country not only as offering a strong sales potential but also as a good test site for concepts. The government is also keen to encourage franchising in the country, as demonstrated by launch of UAE Franchise Association in 2004. The Franchising Middle East Exhibition also continues to be held annually in Dubai.

Table 7.2: Regional QSR and Café chains in GCC

Brand	Segment	Presence
Herfy	QSR	380 restaurants concentrated in GCC
Bateel	Café	42 outlets in GCC (26 in UAE)
Operation Falafel	QSR	9 branches (5 in Dubai)
Man'oushe Street	QSR	13 branches (11 in UAE)
Kcal	QSR	8 restaurants
Chicking	QSR	180 outlets across 20+ countries
Filli Café	Café	24 stores in UAE
Doner Kebab	QSR	50 Outlets
Zaatar W Zeit	QSR	50 outlets across Middle east

Source: Respective company website

As market is experiencing a rush of international brands entering the market, local entrepreneurs need to take on the competition by spreading restaurant chains serving local cuisine like falafel overseas. Effective localization is important in every region, particularly in the GCC, where local norms place limitations on food served. Going forward, the majority of regional players in consumer foodservice are expected to continue to mainly focus on local flavor and rush to pump out new concepts, brands and outlets within the GCC as well as abroad. The international food chains are ahead of regional players in the fast food segment while market share for fine dine and casual restaurant segment is much more in balance between regional and international players.

Chapter 8

High rentals:
Will it spoil the party?

In the past few years, the rental rates of retail space have been falling. Regional and Super Regional malls rents have declined across major cities like Dubai, Abu Dhabi, Riyadh and Jeddah. The rents had climbed from USD 703 per sq. m in 2010 to USD 1,336 per sq. m in 2017 but from then on, the yearly average rents started falling across different types of malls.

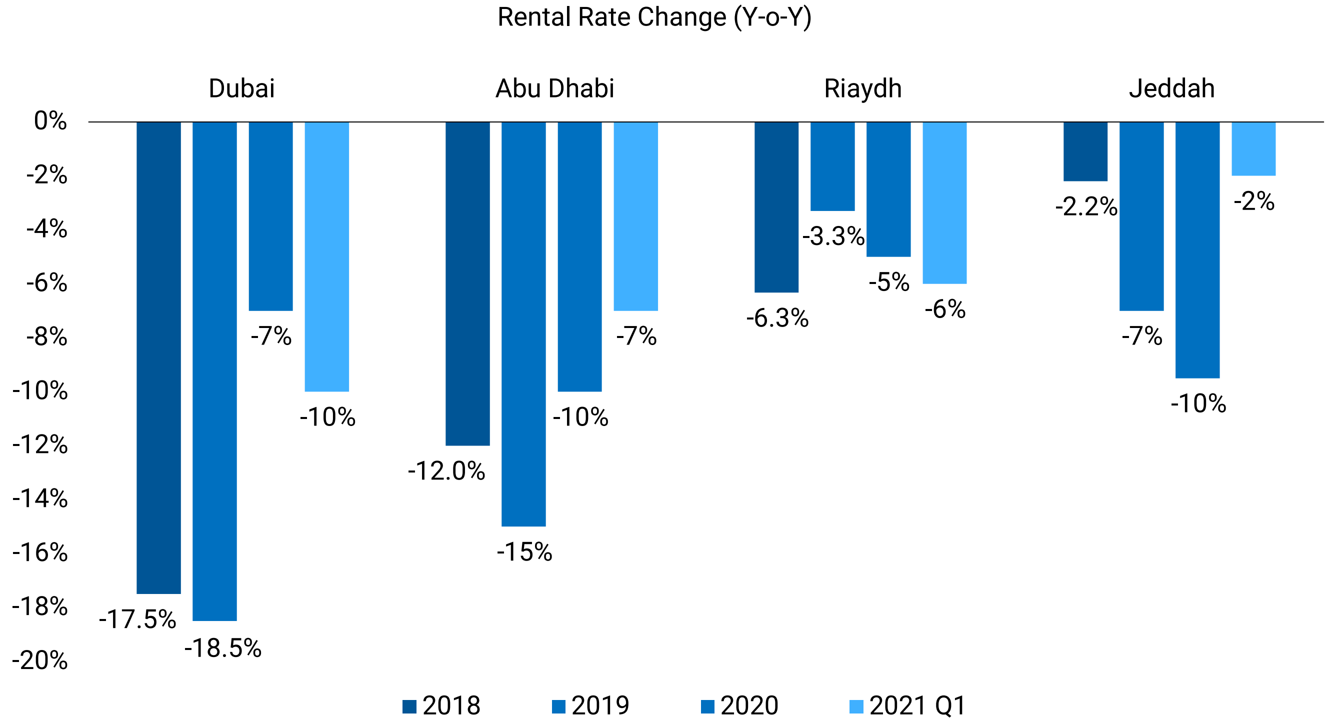
Table 8.1: Total Retail Space & Expected Deliveries in million square meters

Cities	Existing Space	Expected Deliveries in 2021
Dubai	4.2	0.58
Abu Dhabi	2.8	0.06
Riyadh	3	0.24
Jeddah	1.6	0.20

Source: JLL

The falling rental rates remain in favour of the retail operators as developers continue to offer discounts and incentives to attract and retain the tenants. The most common form of incentives are rent-free periods, freezing rent periods, and extended fit-out periods. The supply of retail space in the last few years also increased and as the demand went down, the rents have eased. In the coming years, retail spaces are likely to be under pressure and vacancies are expected to increase.

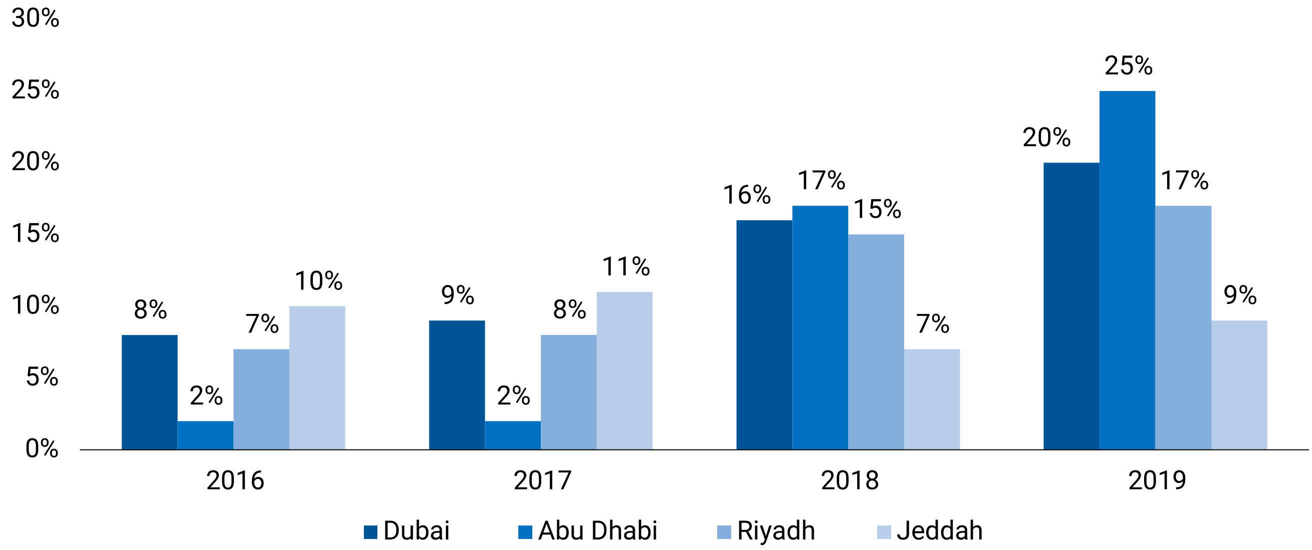
Figure 8.1: GCC Rental Rates change in percentage



*Source: JLL;*Figures are Y-o-Y Changes*

In the past decade prices have risen with declining vacancy rates due to higher retail demands. However, in the past few years, the vacancy levels have achieved new heights due to increased supply and innovative business opportunities like e-commerce and cloud kitchen. The footfall in retail space is expected to recover from the pandemic as lockdowns are easing across countries but it would take time to reach the pre-pandemic levels. Retail operators are more likely to remain uncertain in the short term due to the factors like restricted travel, social distancing.

Figure 8.2: Retail Vacancy in Major GCC Cities



Source: JLL

Store rents have dropped in the past few years following years of growth, as e-commerce has the potential to disrupt the surging retail demand for physical outlets in malls. The pandemic has also acted as a fuel for the e-commerce penetration. With the increasing competition, instead of opening new restaurants F&B players may look for opportunities like shared kitchen space that minimize costs if pressure on operating costs keeps on mounting and online food delivery through shared kitchen space start making more sense. If the e-commerce successfully disrupts retail industry, it will be a win-win situation for F&B sector whether they open new outlets at lower rents or expand their business through concepts like shared kitchen.

Going forward, rental costs will remain a major hindrance and at the centre of decision making relating to opening up of new outlets as low revenue outlets with high rents will negatively impact the total revenue of the food chains.

Chapter 9

Will Cloud Kitchen trend heads up in GCC?

Cloud Kitchen is a commercial facility setup to produce foods and serve only through delivery apps. Online delivery and logistics platform like Talabat, Zomato, Deliveroo support the growth of cloud kitchen business. The rise of online ordering and easy mobilisation paves the way for the rise of cloud kitchens. The model has been built to optimise the cost of operation and delivery. The facilities incur lowers rental space and other overheads as it has no dine-in place and even the business can be started in small place outside of prime spots. Sometimes, even well-established hotels and restaurants start the virtual kitchens to optimise the rising delivery. The cloud kitchen approach allows business to use minimal staff and space and thereby increasing the revenue per employee. The model is more driven by advancements in technology and changing consumer behaviour. Artificial Intelligence and machine learning algorithms help business ventures to prepare foods that are in high demand in anticipation of demand as predicted by algorithms. As the data is real time, it reduces the food waste and serves the consumer need in quick time. The pandemic has forced people to work from home and raised the usage of online delivery platforms. Reports suggest that restaurant operators in the region have started using a combination of cloud kitchen and aggregator collaboration to serve consumers.

The cloud kitchen has also introduced new business model, Kitchen-as-a-service (KaaS) which provides kitchen space and operational assistance to either exiting business or small business. Start-ups like Kitchen Nation and One Kitchen are offering fully-fitted kitchen space for rentals. This model is alike co-working space that small companies take up to reduce operational overheads, capital incurred for business ventures to try these models is approximately five percent compared to traditional ones.

The downside of cloud kitchen is that it may impact the experience of dine-in customers where the delivery executives will continuously come in to pick up the order. Also, the entities can forget the important part of creating identity for the business. In general, customers use to order food from the well-known or well established restaurants. The rise of cloud kitchen will lack the identity prospect where customers don't know how foods are prepared or the brand identity that they typically associate with restaurants. If the customers are not satisfied with the standard and quality, the business will lose the repeat customers or brand recall value. Unlike other physical established entities, the cloud kitchen operators incur high amount in marketing activities. Since the business is established only in the screen space and not in the physical world, the business ventures can reach customers only through advertisements.

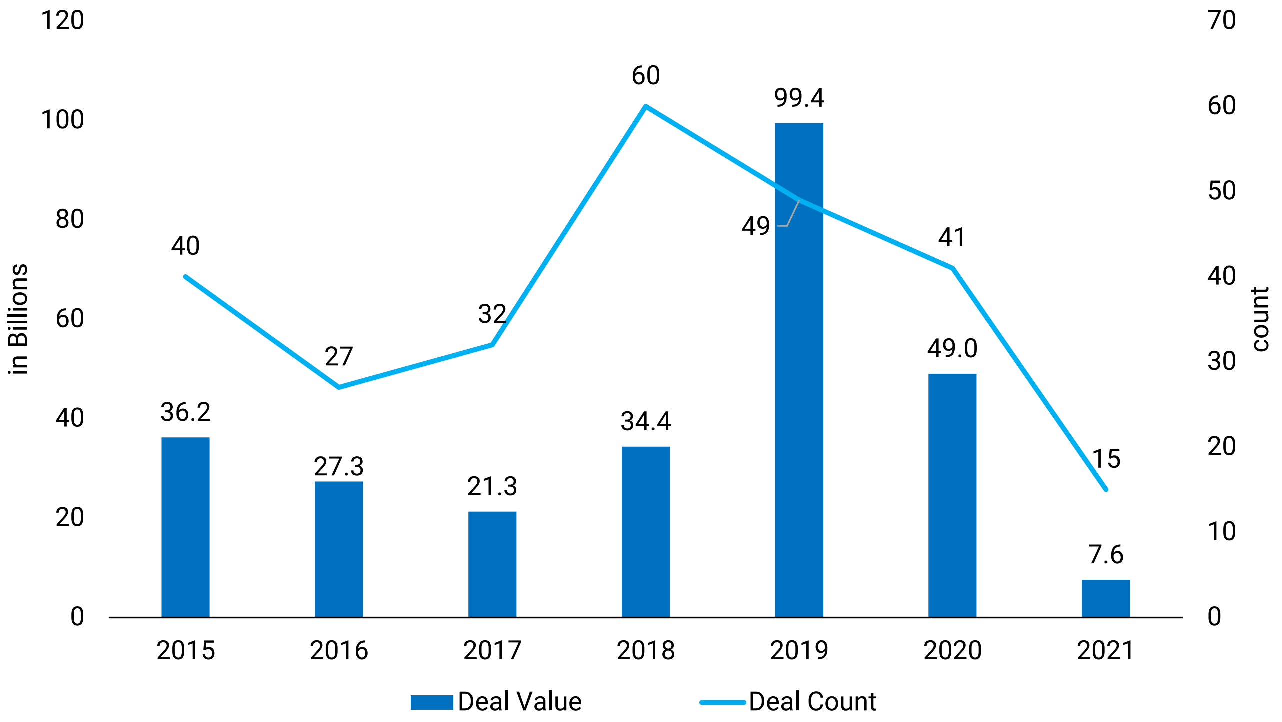
Chapter 10

Who is buying whom?

M&A deals in F&B Space

As countries in the Middle East expand their identities and economies beyond oil production, the increasing M&A deals indicate that institutions and investors globally have recognized the change and are looking for opportunities to invest in various sectors. The growing Food and Beverage sector has attracted significant investments both through mergers and private equity as global players attempt to bolster their business by acquiring regional food brands.

Figure 10.1: Mergers & Acquisition in GCC nations



Source: Reuters | Data is up till April 2021

The M&A deals saw an uptick in the past decades. In 2019, the deal value increased multi-fold from USD 34.4 billion to USD 99.4 billion, a 189% increase in value. The deal count and value plunged in the year 2020 and 2021 because of COVID-19 pandemic.

Table 10.1: M&A Deals in F&B Sector in GCC

Date	Acquiring Company	Target Company	Target Country
Oct – 20	Agthia Group PJSC	Al Foah Co LLc	UAE
July – 20	Investor Group	Saudi Grains Organization-Third Milling Co	KSA
July – 20	Investor Group	Saudi Grains Organization-First Milling Co	KSA
Feb – 20	PT Indofood CBP Sukses Makmur Tbk	Pinehill Co Ltd	KSA

Source: Reuters

The above table shows the mergers and acquisition of companies in food and beverage industry. The pandemic year also saw good number of deals in the sector. At the start of 2020, Indonesia based PT Indofood acquired Pinehill Co Ltd for a record USD 2.9 billion. The acquisition has been done to expand in fast-growing markets for consumer products. Pinehill Group manufactures and sells instant noodles, with its key markets being Saudi Arabia, Nigeria, Egypt, Turkey, Serbia, Ghana, Morocco and Kenya. It has 12 factories with a production capacity of approximately 10 billion packs. Regional governments are aware of and responding to the growth in the F&B industry. The need for faster transportation of food, better infrastructure, and the human resources needed to drive profit are both issues and opportunities for investors. Based on recent investment activity during past few years; major partnerships between international brands entering new markets, national companies searching new ventures, and investors looking to manage new operations, the GCC region will continue to witness significant M&A activity in the F&B space.

Chapter 11

Hurdles:

The usual and the unusual suspects

Impact of VAT and Price Elasticity

Governments of countries in the gulf region have started looking for diversified source of income. This move has been triggered by low oil prices and rising acceleration towards renewable energy sources such as solar and wind energy. Saudi Arabia and the United Arab Emirates introduced Value Added Tax in the year 2018. Saudi Arabia recently hiked the VAT rate by 200% from 5% to 15%, came into effect from July 2020. The measure was taken by the KSA in response to the economic impact created by the pandemic. KSA has recently issued guidelines for registration and payment of VAT for e-commerce transactions. Bahrain has also introduced VAT from the year 2019 followed by Oman. Oman becomes the fourth nation in the GCC to implement VAT and the country applied standard rate of 5%. The introduction of VAT in Sultanate of Oman is expected to provide USD 780 million in 2021. The last country to implement VAT was Qatar but however the country is yet to decide the scheduled roll out. All the 6-member countries of GCC signed a framework that would guide the implementation of VAT in 2017.

The extent to which producers and retailers can share the burden of the tax depends on how competitive market is for each category, as competitive companies are already pricing close to marginal cost and may not have an ability to supply products at lower prices.

The introduction of VAT is likely to impact the purchasing power of consumers in the short run and will also affect the F&B companies as they will have to incorporate VAT systems in their accounting, update IT infrastructure, train staff to be VAT-compliant, renegotiate supply contracts etc. In the long run if the government periodically increase the tax rate, consumers could become more conservative on dining out.

Chapter 12

Success story:

Talabat Case Study

Talabat, established in 2004, is an online food ordering platform that connects consumers with their preferred restaurants through web and mobile applications. With over 4,100 partner restaurants, Talabat is not only the first, but the biggest online food delivery portal covering the Middle Eastern region. Talabat's business model is to take submitted information from customers with respect to food items ordered and dispatch it to the concerned restaurant through a completely automated process. The company has eight offices around the Middle East.

Talabat has gone through four distinctive phases in its evolution. The first phase was its beginning in 2004, when four Kuwaiti students (Khaled Al-Otaibi, Zaid Al-Heid, Mohammed Al-Roumi and Abdul Wahab Al-Koutami) started the business[21].

The following table illustrates the organization's milestone timeline.

Table 12.1: Talabat's Timeline

Period	Description
2004	Inception of Talabat by four Kuwaiti students.
2007	Purchase of Talabat by Mr. Abdulaziz Al-Loughani.
2010	Purchase of the company by Mr. Mohammed Nabil Jaffar (for USD 3mn).
2015	Purchase of Talabat by Delivery Hero, a global leader in online and mobile food ordering, for USD 170mn.

Source: Marmore analysis

[21] Talabat.com

The evolution of Talabat

In its early stages Talabat found it difficult to gain popularity as people were unfamiliar with the concept of internet based online food ordering and relied on placing order through phone calls or taking parcel from the restaurant themselves. At the time when the company was struggling to breakeven with the cost of running the company, Talabat caught the attention of Mr. Abdulaziz Al-Loughani.

Starting in 2007, Talabat went through three years of rapid growth, primarily fuelled by consistent investments in strategic and digital marketing. Much thought and activity went behind search engine optimization (SEO) and choosing of Google Adwords, along with traditional marketing through newsletters. The latest digital trends were capitalized by engaging visitors through gamification tools.

The users of Talabat, primarily young people, started spending more and more time on the website, which meant additional opportunities for realizing sales. Since the rapid marketing blitz from 2007 through 2010, the company management realized that fulfilling the complete potential of Talabat including rapid overseas expansion and addition of new technologies required greater amounts of capital to fit the ambitions. Right around that time, Mr. Mohammed Nabil Jaffar, who owned a restaurant that benefited from its association with Talabat, was intrigued by the business model of the digital company. Before encountering Talabat, Mr. Jaffar's restaurant was facing a difficult situation in terms of realizing even breakeven.

Once Mr. Jaffar's restaurant got listed on Talabat, sales boomed instantly, which stimulated his interest in Talabat's business model. Negotiations begun with Talabat and in 2010, the company changed hands for USD 3 million. The next wave of growth focused heavily on technology and marketing in terms of adapting key trends of the social age.

What explains Talabat's success?

Talabat's innovation in using technology to serve customers received global attention, in January 2015, when the United Nations funded World Summit Award Mobile (WSA-Mobile) was awarded to the company's mobile business and commerce platform, recognizing the mobile content and general creativity.

Evidence of Talabat's success and reach is the fact that it has served over 60 million orders to date and has over 17 million downloads of its apps. The average number of orders serviced in a day is over 100,000. The company is currently operating in all the six GCC nations and Jordan. The parent company also renamed Otlob brand in Egypt as Talabat.

The GCC (and wider MENA) is one of the most attractive markets with considerable growth potential and significant profit margins. Talabat's dominance in the sector with respect to the GCC naturally made it a key contender to acquire for Delivery Hero, which resulted in the gigantic valuation for the company.

In the just over a decade history of Talabat, acquisition of the company by Delivery Hero for a mammoth valuation is considered the acme, thus far. The patient success that Talabat built up over the years resulted in the company facing spotlight when global trends started moving bullishly in favor of the online food takeaway industry. With the creation of the Global Online Takeaway Group by Rocket Internet in 2015, the German company started playing a key role in the consolidation of the online food ordering industry in major markets across the world.

In the MENA region, Talabat faces competition from Zomato and Deliveroo. Taking the competitors of Tabalat, the estimated employee and revenue estimates are provided below.

Table 12.2: Talabat Key Information

Company	No. of Employees	Estimated Revenue (USD Mn)	Revenue Per Employee (USD '000)	Twitter Followers ('000)
Talabat	>2,000	~66	33	37

Source: Owler, Twitter & LinkedIn

The purchase of Talabat by Delivery Hero has brought attention to the online food ordering industry, not only in the GCC and the MENA, but across the world. Talabat rose within a decade from being a name in Kuwait to a regional one and is recognized worldwide as part of the first successful wave of online food ordering industry.

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