

Giant malls herald boom time for UAE's casual dining market

UK-based casual dining and quick service restaurant operators keen to expand internationally would do well to look to the United Arab Emirates (UAE) where there is still growth in the market and significant amounts of new retail space coming on stream in the next couple of years.

The dramatic expansion of giant malls in the region, known as Super Regional Malls (SRMs), is driving massive growth in the eating out market, according to foodservice consultancy Horizons' new report Eating Out in the UAE ? a booming restaurant market. ?The growth of malls ? with retail space set to grow by 30% over the next three to four years - is going hand in hand with the expansion of the eating out sector in the region, ? commented Horizons' managing director Peter Backman. ?Spend per capita on eating out in the UAE is still at only a quarter of that of the US, the world's most mature market, indicating there is still plenty of scope for growth.

?The number of casual dining units has grown by a factor of 20 since 2004. Brands already operating in the UAE include Wagamama, YO! Sushi, Carluccio's, Hakkasan, TGI Friday's, Gourmet Burger Kitchen and Tony Romas. While there are locally-based companies building portfolios of eating out brands, there is still considerable scope for internationally recognised names. We expect the casual dining market in the UAE to grow in value terms by 47% by 2015 to £570m (AED 3.24bn) per annum.?

Much of the growth will be in Abu Dhabi where at least three giant super regional malls are in the pipeline, each with over 74,000 sq metres of space. Abu Dhabi's mall market is set to overtake Dubai's in terms of size over the next five years, giving the emirate one of the heaviest concentrations of retail space in the world.

UAE residents visit malls on average once a week, three to four times more frequently than West Europeans. Eating has become part of the mall experience with UAE-based f&b strategy house TRIBE finding that 75% of mall visitors buy food and drink, ranging from coffee or a snack to a table service meal. In addition, some 60-70% eat in a quick service restaurant, café or casual dining unit.

Horizons estimates the casual dining segment in the UAE to be currently worth £388m (AED 2.2bn per annum), with average revenue per unit reaching £1m (AED 5.9m) per annum.

The UAE has 370 branded casual dining units, comprising 201 casual dining brands located in malls, urban areas and residential developments. Nearly half of the 370 units are owned by 20 restaurant operating groups ranging in size from five to more than 40.

A number of local companies such as Alshaya, Saleh Bin Lahej, Azadea and Gourmet Gulf own a portfolio of casual dining brands. This, combined with their portfolio of non-F&B retail brands, means they are able to leverage their strength to secure prime sites in malls.

Casual dining operators in the UAE are also facing increased competition from quick service chains such as McDonald's, Burger King, KFC and Pizza Hut Express, many of whom are marketing a range of ?meal offers' at discounted prices which frequently match plated meals in terms of the quality and value for money.

Some quick service operators in foodcourts now provide full plated meals collected by the customer, which compete directly with casual dining restaurants. These are served on paper or plastic disposable plates. Casual dining restaurants in the UAE have responded to the competition posed by quick service chains by offering daytime discounts and guaranteed service times.

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For further comment or to interview Peter Backman please contact Linda Pettit at Tilburstow Media Partners on 01737 823721/07973 789853 or email press@horizonsforsuccess.com.

Alternatively contact Peter Backman on 020 8349 0162 or 07785 242809 or email peter@horizonsforsuccess.com

Website: horizonsforsuccess.com. Twitter: twitter.com/peterbackman

EDITOR'S NOTE

Horizons is an analyst and specialist information consultancy for the foodservice and hospitality sector. Its manager director, Peter Backman, is an expert on the structure and dynamics of the foodservice sector, and its supply chain, in the UK and internationally. Horizons helps its clients make better business decisions by providing accurate and detailed information about the foodservice market, its trends, and opportunities. The company provides consultancy services, workshops and statistical information based on its model of the sector and database of key accounts across Europe.