

OVERVIEW OF POTENTIAL INVESTMENT OPPORTUNITIES IN KUWAIT



F&B and retail industries are poised for growth, fuelled by expansion in the tourism sector. **Nagi Morkos** managing partner at Hodema consulting services explains what's whetting appetites in Kuwait

Like most Gulf countries, Kuwait's economy is directly impacted by global oil prices. In 2014, the tiny country's GDP annual growth rate fell at -1.6 percent. As a result, the Emir announced economic reforms and encouraged his citizens to develop non-oil revenues. Among the sectors that are expected to grow in the next couple of years are the Food and Beverage and retail. As of today, the services industry constitutes 30 percent of the GDP with only 8 percent dedicated to wholesale, retail, restaurants and hotels.

Betting on tourism and decentralization

During the 2015 Arabian Travel Market event organized by the United Nations's World Tourism Organisation (UNWTO), Arab Ministers of Tourism agreed to facilitate touristic activities in the region. Kuwait is expected to benefit from this approach. Although tourism is still calm, there is a strong will from the Kuwaitis to promote the sector. Months before the UNWTO meeting, the Touristic Enterprises Company (TEC) had already announced it would invest 460 million dollars in tourism, entertainment and sports projects.

Tourist arrivals are expected to increase rapidly. In 2014, 6.21 million visitors entered Kuwait, but with the opening of a new terminal at the Kuwait International Airport in 2016, this number is expected to rise to 13 million. Other infrastructure projects are underway to develop activities beyond Kuwait City including a 37.5 km bridge linking the capital to the Subiya Peninsula and Bubiyan Island; as well as a 7 billion dollar metro project and several new commercial malls. From 2006 to 2011, the Kuwaiti wholesale and retail sector registered 28.5 percent growth. Such initiatives will inevitably translate into new opportunities for retail and F&B facilities.



fosterandpartners.com



thousandwonders.net

The F&B and retail scenes

The total population in Kuwait is around 4 million including 70 percent of expatriates. The drop in GDP growth did not affect their lifestyle much. Dining out and shopping are still considered the main leisure activities. In fact, Kuwait has one of the highest ratios of restaurants per person in the world: one restaurant for every 230 people.

In that same sector the major companies are Alshaya, Alghanim and Americana. Due to the historical influence of the United States and the United Kingdom in Kuwait, international franchises are the most competitive types of restaurants. Brands like Hardee's or Kentucky Fried Chicken are very popular with both Kuwaitis and expatriates. Most F&B and retail brands are franchised but local young entrepreneurs are now developing new concepts.

New consumer trends point to a demand for healthier food items on the menus and digital services such as online delivery or Smartphone applications.

Kuwait Food and Beverage trends in 2015

- Coffee shops are on the rise. Tim Horton's opened its first outlet in 2013 while Esquires coffee houses, which sell

organic coffee, opened a third branch in 2014.

- Doner shawarma chains such as Shawarma Shuwaikh or Doner Kebab are also opening in Kuwait
- Burger restaurants maintain a high popularity. Kuwait accounts for eight international burger chains including American franchise, Elevation burger. This burger brand has managed to combine consumers' love for burgers with their concern for tradition and health. The menu offers a variety of halal food and quality products, sourced thoroughly from cooperative farms, in addition to locally created burger concepts.
- Traditional Kuwaiti food is also becoming very popular in Kuwait in modern designed restaurants. Kashounat-Al-Bait has recently opened a third store at the 360 Mall.
- High-end retail such as La Maison du Chocolat which opened last June 2014, Magnolia Bakery that launched a third boutique last month and Yoku Moku the Japanese confectionery brand have all opened earlier this year.

“New consumer trends include healthier food items on the menus and digital services such as online delivery or Smartphone applications”

- Lebanese chains such as Leila and Abou Shawarma are still expanding. Abou Shawarma heads to Kuwait at Salmiya and in Farwaniya.

Things to be aware of

Kuwait is not a country where it is easy to set up a business, especially if you compare it to neighboring cities such as Dubai. Getting a permit or a license can prove financially very prohibitive. The World Bank's 2014 Doing Business Report ranked Kuwait 152 on its list for the ease of starting a business there. In that context, the Kuwaiti government has still to play a strong role in facilitating procedures for investors and in promoting Kuwait as an attractive location for hospitality professionals.