



THE FORMULA FOR FRANCHISING SUCCESS

The prevalence of franchised brands in the Middle East's food and beverage (F&B) industry proves again that franchising can indeed be a winning formula. **Nagi Morkos**, managing partner at Hodema consulting services, explains

Mouthwatering success stories, both from foreign-born and locally-developed companies, can be found across the region, attracting investors keen to grab a slice of the pie. The right ingredients to whet your appetite are there, if you know the recipe.

A BUSINESS FOR YOURSELF, NOT BY YOURSELF

In the Middle East and North Africa (MENA) region, the sector, which is largely made up of businesses operating in the F&B industry, is now worth USD 30 billion and growing, according to the Middle East & North Africa Franchise Association (MENAFA). The favorable regulations found in most countries across the region, coupled with a young consumer market, up-to-date with the latest international trends, are a key attraction for franchisors looking to establish their brands and expand their operations. More homegrown concepts are also trying to build a name for themselves abroad. On the opposite side of the deal, franchisees are seeking profitable business opportunities with

the support of internationally acclaimed brands. And although the profits are not as attractive as in the self-developing option, franchising has the benefit of not requiring a large upfront investment.

MARKET ANATOMY

American high street fast-food eateries, such as McDonald's (928 outlets), KFC (753), Subway (254) and Hardee's (335) lead the competition throughout the MENA region, including Turkey, followed by cafés such as Starbucks (744) and Dunkin' Donuts (472). Pizza brands like Domino's or Pizza Hut (416) are also a hit. And with demand staying strong, the offer is about to diversify, with several burger chains opening, especially in the Gulf.

Saudi Arabia, Kuwait, Qatar and the UAE are undoubtedly the region's franchising champions, being home to numerous popular eateries, and always on the lookout for the next big thing. High-net-worth citizens are ready to invest in rewarding businesses and also fork out significant amounts of money to eat well and in style. Giant operators, such as Al Shaya, Americana and Azadea, operate hundreds of outlets and provide their firepower to foreign companies willing to enter the local market.

EXPORTING YOUR SUCCESS

Although there are more brands coming in than going out of the region, some local investors are creating concepts with the sole purpose of franchising them as quickly as possible. But competition from international



brands is tough, and small businesses have to stand up to the aggressive expansion strategies and high operational capital associated with the big names. With fierce competition around the corner, homegrown brands are striving to find a creative way to establish themselves. Smaller structures usually attract private investors and equity funds to help them offset their lack of financial leverage. They also keep a close eye on demand to fill gaps in the market, whereas big names benefit from their reputation. And although they do not always have access to prime locations, they turn to more creative and alternative options.

A LEBANESE FLAIR

Today, however, the region's homegrown concepts often hail from Lebanon. This trend is being driven by the will of the local F&B developers to beat the small size of the Lebanese market and avoid political instability. Thus, taking on the world becomes a natural sequel to operating their brands. From Beirut, the world usually begins in the Gulf, where they are met with a charm offensive from local investors: Lebanese brands are highly appreciated, since they have already passed the test of success back home. The country also benefits from

an established reputation when it comes to concepts, cuisine and service. However, their competitive advantage is in the plate: Lebanese franchisors bring the best of both worlds, mixing their knowledge of local tastes with outside influences, which range from international flavors, such as Casper & Gambini's (operating today in 10 countries - Kurdistan, Bahrain, UAE, Nigeria, Oman, Jordan, Qatar, Egypt, Kuwait, KSA), Margherita pizzeria (KSA, Kuwait, UAE) and Armenian cuisine with Al Mayass (Qatar, UAE, Kuwait, KSA, US) and Mayrig (UAE, KSA). Lord of the Wings (Egypt, Ghana, KSA, Kuwait, Qatar, USA, Australia), Brg Co. (UK) and Chopsticks (KSA, UAE), among others, are strengthening their presence abroad, with some already in Europe and eyeing the US. Lebanese food restaurants remain the most successful franchises with concepts such as Em Sherif (UAE, Kuwait), Burj Al Hamam (Kuwait, KSA, Qatar, UAE, Jordan), Abd el Wahab (UAE, KSA, Bahrain, Egypt, Qatar), Karam (UAE, Jordan, KSA), Leila (KSA, UAE, Qatar, Kuwait, Egypt, Bahrain), Semsom (Oman, Kuwait, KSA, US).

AVOIDING THE PITFALLS

But as is to be expected, franchising is not all roses. The franchisee needs to be

selected carefully and respect the brand's criteria to the letter, from the quality of food, to regulations and service, leaving nothing to improvisation. Exporting know-how is not innate and has nothing to do with the talents of a chef. The franchisor has to keep a careful eye on all aspects and outline both parties' roles and responsibilities, from suppliers and brand management, cooking and local taste habits, to graphic identity and human resources. Hiring and training the right people is key to securing a sustainable business.

Lebanon's Boubess Group has found a way around it, by operating its own brands abroad and acquiring international franchises (Le Relais de l'Entrecôte, Benihana, Café de Flore, Angelina, The Butcher Shop & Grill) simultaneously. So, with the franchise business in full bloom in the Middle East, popular global names may actually face stiffer competition from local eateries in a David and Goliath-style face-off, but with both winning in their own league.



REGIONAL EXPANSION OF SELECTED F&B HOMEGROWN BRANDS

