

hodemahighlights



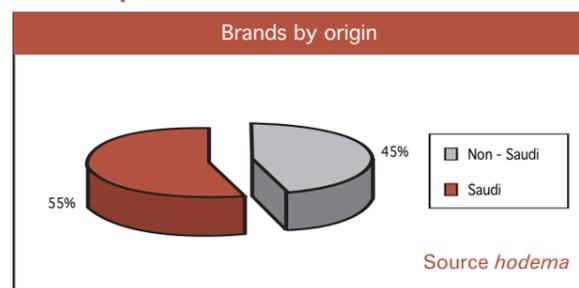
Overview: Jeddah food & beverage market

by Karim el Asmar from *hodema*

How is the market structured? Is there a leader?

F&B market in the city is constantly developing and diversifying. The most noticeable component of this expansion is the increasing number of Saudi brands and chains that are leading the market. Indeed, while the market holds international brands such as Chili's, Applebees, TGI Friday and Mc Donalds, it also holds Saudi brands such as Al Baik, Kudu, and Herfy, to name but a few. *hodema* performed a study on the restaurant franchise market in Jeddah selecting the representative brands in each segment - high, mid and low-end. Over thirty brands studied, 55% were Saudi developed brands while international & regional brands represented only 45%. In our study, international and regional brands accounted for both American and Lebanese brands. Even though the latter are very much in the scene introducing new concepts on the mid and high markets, the number of outlets remains small with only one unit per brand.

Nationality of brands in Jeddah, 2007



Al Baik brand with 35 outlets is the leader on the chicken segment and in terms of number of outlets in KSA, exceeding the international Mc Donald which holds a respectable 27 outlets in Jeddah and way ahead KFC- the world leader on the chicken segment with 8 outlets in Jeddah.

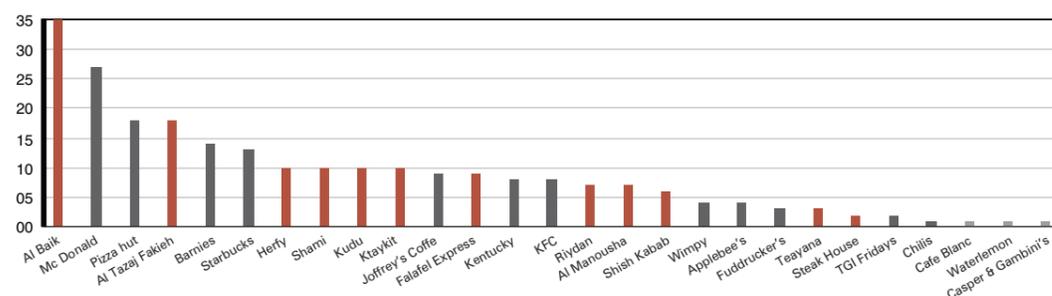
Touring the city, one finds that the F&B market is segmented geographically depending on the market segment. For instance, low-end outlets are mainly concentrated in Hira, Falastin and Kumaish. Mid-end restaurants are usually located in Sari, Corniche, King Fahed and Madinah street, whereas high-end segment is mostly located in the areas of Tahlia, King Abdul Aziz, Andalous, Rawda and Corniche.

The segmentation into high, mid and low-end was derived from the average check that we calculated based on a comparable consumption in every outlet. We categorized all average check

below 30 SAR as low-end market, between 30 and 110 SAR as mid market and above 110 SAR as upper market. The highest concentration of brands turned out to be in the low market. Up till recently, the mid market was only occupied by American brands, but with outlets such as tye Lebanese Casper and Gambini's, Café Blanc and Waterlemon, one can observe a supply diversification in this segment. Moreover, outlet developers in Jeddah used to bring little attention to the design. In a city routed in its culture, history and tradition it didn't seem to matter. Nevertheless today, Jeddah is rapidly modernizing with the potential to become the hip destination in KSA. The most recent developments in the F&B scene are occurring on the high-end segment usually opting for a trendy theme, and new brands like Teayana, Bubbles, Java Lounge and Café Blanc are creating this fashionable image in the local F&B industry. Such outlets are putting forward the interior design and modernization of their menus. They have easily attracted a new generation of consumers who have been exposed to international & regional trends and are eager to witness similar innovations in KSA. While American style and product themed brand Al Tazaj and Kudu have already announced ambitious goals for their development, much remains to be done at the level of ethnic cuisine. Indeed, in a multi ethnic city such as Jeddah, ethnic cuisine has a fertile ground. The focus in development so far has been on Asian and Lebanese ethnic cuisines. Other types of cuisines are yet to be modernized in their offer. The recent introduction of Jeddah-Jeddah and Thai-Thai brought a new style to a segment in need of renovation. Such developments could trigger a new trend in this dynamic market.

More opportunities to come...

There are still a lot of opportunities for growth in the entire market segment. However, the market has to face a lot of



Are Saudi brands leading? Is there room for other brands? How is the market developing?

With an estimated population of 3.4 million, and more than 5 million visitors every year (the highest number of visitors in KSA), Jeddah today is booming, and more precisely its Food & Beverage segment.

Unlike other gulf cities, which are currently witnessing a massive-almost instantaneous- growth, Jeddah is a well established city with an extensively developed roadway system, infrastructure and zoning. Such urban maturity adds to the interest of the recent real estate developments, and the surge in the prices. This expansion is also driven by the increase of the shopping and Food and Beverage activities, two major leisure activities in Saudi Arabia and, noticeably, commerce is very much developed outside the malls with well structured service roads.

Nevertheless, Jeddah does not escape the mall frenzy, and the city is witnessing a growth on that segment. Mall quickly becomes a family full leisure destination and, subsequently, the F&B becomes a center corner in this activity. When visiting the Dead Sea mall, one can observe the diversity of concepts offered in the food court with a display of brands illustrates both the level of development and the dynamism in the Saudi market. It also displays the multi-ethnic ability of a city like Jeddah.

challenges. The boom in real estate and the construction lagging behind not only put pressure on the rental prices but also on outlets' availability for exploitation since they are booked long time in advance. On the other hand, the recent developments in F&B market have opened the eyes of investors on this lucrative line of investment as a mean to diversify their portfolio or simply because it is a fascinating industry. As a result, the market has become a boiling environment thus increasing uncertainty and financial concerns. The recent savvyness for franchises has not proven successful for some operators who may have ventured quickly into these investments relying only on brand attractiveness while taking a short cut on market analysis and on core issues.

Opportunities certainly do exist but the success of any brand, concept or franchise is not only money invested & simply contract signatures. A lot of factors have to be imperatively considered such as the concept, the investment, the know-how, the location, the target, the brand, the staff training, etc.

The market is also pressured for skilled labors. Indeed, human resources remain an issue for any operating outlet, especially today that the market standards are increasing. The industry in KSA is suffering from the limited skill labor which is due to causes like work visas, insufficient training and high number of outlets.

Nevertheless, brands such as Al Baik and Casper & Gambini's were able to build their notoriety on the professionalism of their service and are today considered as references in the industry.

In conclusion, Jeddah is changing and outlets such as the Habsburg in the Rosewood hotel are lifting standard in the high end while Al Baik -positioned on the budget segment- has managed to implement very high standards in terms of cleanliness and value for money. Customers are becoming increasingly demanding and the standards are yet to be brought to level. Observers wonder if it will be possible to lead both the country's will of nationalizing the workforce, and the development of service standards. The dynamism displayed by Saudi brands expansion sheds a ray of optimism when observing the industrious and entrepreneurial Saudis at work.



Our main goal in Saudi Arabia is to maximize our clients output not only from their assets but also from their team's direct efforts. We stand by them with our hands directly on the job to provide them with uncompromised input...

Interview with *hodema* Managing Partners Karim el Asmar and Nagi Morkos

After celebrating its fourth year in Beirut, *hodema* opened a permanent office in Jeddah, Saudi Arabia, in the scope of its regional expansion.

1 • Can you present *hodema's* services and mission?

We are a Lebanese management and development consulting company in the hospitality and tourism sector created in 2004. However, each of the managing partners has on its own more than 10 years experience in that field. Our services cover a wide scope of expertise: concept development, property management, commercialization and marketing support, strategic consulting, operational support, training programs, market and feasibility studies, as well as quality control and franchising counseling. *hodema* can implement a hospitality project from A to Z; it can also interfere at different stages of the mission offering continuous support and key solutions to different projects -hotels, restaurants, SPA, touristic projects, etc.- with the Middle East and Gulf as target markets.

Our mission is not simply to give general advices; it is in improving the ability of our clients to find the solutions within. We stand by them with our hands directly on the job to provide them with uncompromised input.

2 • What do you think about KSA perspectives in terms of F & B and hospitality market?

The hospitality and F&B market in KSA is still at its early stages and holds a huge potential. However it is very promising due to many reasons: Saudi government has embarked on large economic reforms to diversify Saudi economy. This diversification concerns among other

sectors the hospitality and tourism markets which explain the recent growing number of projects in that field. This growth is supported by the political climate in Saudi Arabia which offers a sustainable and stable environment as well as the increase in oil prices that have boosted the Saudi economy and results in enhanced cash availability.

3 • What are *hodema's* goals in KSA?

Through *hodema's* implementation in Jeddah, we seek to take an active part in this amazing growth. Not only we aim at providing our expertise, know-how and turnkey solutions to local project developers, but we also intend to create a local know-how in the country and optimize existing human resources' potential through professional on-job and off job trainings, seminars, workshops, etc. Our main goal here is to maximize our clients output not only from their assets but also from their team's direct efforts.

4 • What are the current projects you are working on in KSA?

Our current missions in KSA are varied and include, among other involvements: the opening of a Food & Beverage high-end project that we are executing from scratch as a turn key assignment. We also performed various studies of the KSA hospitality, hotel, Food & Beverage and related real estate market describing strengths and weaknesses and highlighting the interesting areas and rising trends to be exploited. We are currently undertaking a study for a low-end F&B chain and implementing several Lebanese F&B operations in KSA.

5 • How do you see *hodema's* know-how as an added value in the Kingdom?

We, as founders and managing partners, are professionals in the hospitality business with various and complementary backgrounds and experiences. Each one of us has been working in that field in the Middle East region for more than 10 years. Not only we offer our know-how and understanding of the hospitality market, but we also proceed with a strong feeling of involvement and ownership in every project we manage. We have also on our side, a team composed of high profile specialists, analysts and consultants with strong hospitality, leisure and tourism knowledge. Last but not least, we have built throughout the years a large regional network in the hospitality field that we put at the disposal of our clients.



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Elaboration of Operating Manuals and strategic support for a restaurant

Djibouti

hodema developed operating manuals and assisted in the elaboration of Branding and Architecture manuals for an open-kitchen fish restaurant located on Djibouti's sea front. This outlet which offers various types of fish from different parts of the world with original cooking styles is a main tourist attraction in the city. The client's objective was to standardize its operation, its architecture and its branding specifications in order to franchise the restaurant in various countries. As a first step, *hodema* performed an assessment of its operation and presented various recommendations in order to improve the restaurant's procedures and complete the various manuals required.



Development of a Lebanese restaurant chain

Beirut, Lebanon

The assignment was to elaborate a market and feasibility study for the creation of a modernized Lebanese restaurant in Beirut, to be franchised in the Middle-East and Gulf region. The mission included an assessment of the Lebanese restaurants market in Lebanon, an overview on the ongoing franchise development of Lebanese outlets in the Middle East with the risks they encompass as well as a concept definition and evaluation. *hodema* offered strategic support during the whole process and came out with various "hands-on" recommendations for the creation of a flagship outlet in Lebanon.

Opening of the first outlet of a pizzeria chain

Beirut, Lebanon



With the ongoing support and assistance of *hodema*, a new pizzeria outlet opened in Beirut on Gouraud Street, Gemmayzé area. *hodema's* role in this project was prominent: after performing the market study and defining the concept, *hodema* piloted the project throughout the development phase providing consulting on the legal structure, financial engineering, support in the negotiation for raising capital, and follow-up on the various construction phases. This casual outlet is the flagship of a pizzeria chain that is planning to open in a near future in different countries of the Middle East region. For the first time in Lebanon, a pizzeria is headed by one of the country's renowned Italian Chef, offering high quality of food and new recipes in terms of casual Italian food. With a sculptural oven as an icon and an open kitchen, the pizzeria is set to become a landmark in Beirut restaurant market.

Project development of a Thai restaurant

Jeddah, KSA

hodema completed the preliminary phase of a turnkey project for the development of a high end Thai restaurant in Jeddah. *hodema* carried out a market and a feasibility study and assisted the client in outlining his objectives and requirements. Subsequently, the restaurant concept was developed taking into consideration client's target and the market outlook. *hodema* also offered recommendations on the most suitable area in Jeddah to develop this project and advised on the design, the service, the commercialization, the architecture, as well as the interior and graphic design. It identified the success factors of such a project on the regional market.

Strategic support for the development of regional franchises

hodema was engaged on several missions involving strategic support to restaurant brands in order to help them develop a franchise activity in the Middle East and Gulf regions. As a first step, *hodema* led an assessment on the outlets to define their strengths and weaknesses before assisting them in the restructuring and reorganization of their activity. *hodema* was then engaged at all strategic levels including operation planning, budgeting, branding and communication, negotiation with investors and franchisees.

Strategic report for a Charm hotels chain

In the process of developing a chain of Charm hotels in the Levant, *hodema* started by establishing a strategic report on the market and its opportunities in that field. The report was based on a description of the international hospitality market structure and an evaluation of what should a developer's financial expectations be in the hospitality industry. *hodema* presented a review of the Charm hotels market in the Levant, and evaluated its client's potential strategic options providing recommendations and solutions to best answer requirements.

Operation development support for a flagship outlet in Lebanon

Beirut, Lebanon

hodema's main objective for this mission was to offer strategic support and elaborate operating manuals for a coffee themed chain. However, in order to create efficient manuals and achieve appropriate outcomes, *hodema* started by running an assessment of operation, as well as an evaluation on its main structure, concept definition, human resources, and branding and communication. *hodema* came out with various recommendations which constituted the starting point of the operating manuals elaboration.



Training *hodema* / 
Beirut, Lebanon

hodema carried out a two-days training organized by APAVE Liban on the subject of Operating Manuals in the Food Industry. The sessions were held at Hazmieh Rotana Hotel on March 6th and 7th 2008 in presence of representatives from major food and catering companies and restaurants, academic institutions and hospitals. For the purpose of the seminar, *hodema* developed a new methodology for the elaboration of Operating Manuals in the food industry. The presentation was performed by Karim el Asmar, one of *hodema's* partners, and included interactive workshops and case studies.

