

hodemahighlights



Source: Greg Demarque for "Le Commerce du Levant"

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Beirut F&B market: the challenges of a chaotic development

Excerpts of this article were published in French by **Nagi Morkos** from *hodema* in "Le Commerce du Levant" - Special issue on Beirut F&B market, May 2010*

While still in its early developmental stages, the Lebanese restaurant industry, particularly in Beirut, faces various obstacles that impede its modernization. The first is certainly the overall context of the country, with its instability, recurrent and unforeseeable political crises which compel the people to live in a sort of 'urgency' and to seek quick returns on investments; this situation usually negatively affects the quality of the service offered. Also, the instability and insecurity prevailing in certain areas of the capital hinder their development into 'F&B zones'.

The seasonal aspect of the restaurant industry is a constraint common to markets all over the world. In Lebanon, this particular aspect is emphasized by the nature of tourism itself which creates a 'yo-yoing demand'. There are five traditional 'tourism periods' marking the year: Christmas, New Year's, Ramadan, Hajj, and Easter holidays. Add to that long weekends, which begin on Thursday evening for expatriates living in the Gulf and end on Sunday evening for local residents. This unbalanced demand is emphasized by outdoor dining outlets, which are only operational during summer months and affect the turnover of other outlets.

In addition to these factors specific to the Lebanese F&B environment, other challenges come from the market's specific structure, or rather, lack of structure. It would not be remiss to say that chaos reigns in this industry.

This is noticeable, for example, in the opening of two outlets, side by side, offering the same concept, or the same type of food. The Gemmayze area demonstrates this lack of regulation: the entire street has become an open-air bar, hindering the presence of local artisans or smaller boutiques, and creating traffic jam and nocturnal disturbance that incite the anger of local residents.

In order for the market to develop in a more orderly manner, there are several challenges that must be addressed.

Lack of parking spaces

The lack of parking space is one of the most urgent issues, from the clientele's point of view. The parking problem in areas such

as Ashrafieh, Gemmayze, Sassine, Verdun, Hamra and Downtown is asphyxiating all the restaurants and bars. It has become increasingly urgent to find a solution. Indeed, despite the widely available valet parking services - from the local McDonald's to the chicest restaurant, the time spent waiting for one's car as well as small incidents keep increasing specially during weekends.

In order to solve the parking problem in Gemmayze, there were discussions to transform the Charles Helou Station into a public parking lot to serve the whole area, but so far, there has been no concrete steps taken by public officials to implement any of the decisions. Perhaps the time has come to construct "parking buildings" in certain areas of the capital. Or, given the staggering elevation of most residential towers, it is time to make use of some of their below-ground levels as public parking, just as is done in some American and East Asian cities.

Inflated real estate prices

More important, is the issue of real estate prices. Despite the financial crisis and the political instability in the country, property prices have continued to inflate, and it is increasingly difficult for a restaurant developer these days to find a spot. Given that location is one of the first conditions for success, this inflation has become a real handicap. It costs several hundred thousand dollars in yearly rent to secure a good location in Hamra or Ashrafieh, not mentioning the difficulty of finding space in larger shopping centers like ABC or the Beirut Souks, which have become inaccessible to most restaurants barring the richest multinationals. In time, the scarcity of locations should lead to the development of the commercial leasing concept (or "khlou" in Arabic).

The new property laws from 1992 protect the landlords at the expense of the tenants by imposing a limited rent period after which the tenant loses his or her claim to the property. The tenant must then relinquish the property and seek new premises, or else sign a new rent contract under any and all conditions imposed by the landlord.

Insufficient qualified human resources

In addition, on the human resources level, the sector suffers from the scarcity of qualified personnel, indispensable to answer the ever-increasing tourist demand. Technical and academic institutions devoted to hotel and restaurant management have to overhaul and improve their curriculums in order to start responding to this need.

Most of these solutions remain in the hands of public officials, such as performing a census. Indeed, the Ministry of Tourism is aware of the need to survey all the F&B establishments in the country, particularly those located in Beirut. This is an arduous undertaking, given that all establishments must be included, not only those that obtained definitive permits, but also those that have performed all the preliminary steps which set in motion the administrative procedures necessary for the acquisition of a final permit.

An outdated law

The Ministry of Tourism has yet another challenge to face which is updating all the laws related to tourism, hospitality and food & beverage sectors, which still date back to 1960. At the top of the list is the need to reconsider and reform the procedures necessary for the acquisition of a final permit for operation, the need to modernize the law on sanitary control in accordance with international standards (generally referred to as the HACCP, Hazard Analysis and Critical Control Point), as well as to establish a law of non-competition based on current standards and quotas. This venture will be long and laborious, but is ultimately vital if Lebanon wishes to compete at the right level, without fearing rivalry from neighboring countries.



hodema team during their meeting with H. E. Mr. Fady Abboud, Minister of Tourism, on March 1st, 2010

Source: Greg Demarque for "Le Commerce du Levant"

* For more thorough analysis, please refer to "Le Commerce du Levant" special issue, published by *hodema* in May 2010 on Beirut F&B market



Mrs. Roula Stephan Ghanem graduated with a degree from the Ecole de Cinéma et de Réalisation Audiovisuelle at the Académie Libanaise des Beaux Arts (ALBA) in 2000. She pursued a career in the audiovisual field for eight years at two Beirut-based Lebanese companies, first as a producer for television commercials at Intaj, a production house, followed by a stint as a manager at the post-production facility VTR. She then switched to a new profession, in a field that had always been a hobby while growing up: the spa sector. To fine-tune her knowledge and gain wider expertise, she attended several international trainings and workshops dedicated to the business of spa management. Today, she is thriving in the field, as one of the owners and managers of G Spa, an urban day spa which opened its doors in September 2008 in the heart of Ashrafieh in Beirut.

Interview with Roula Ghanem

Owner of G Spa

Thanks to their field knowledge, their hands-on approach and their dedication to our project, we were able to work hand in hand to implement a system that tackles these problems on a sustainable basis

1 • How did you hear about *hodema's* services?

I heard about *hodema's* services from two different sources. Both were common clients between *hodema* and G Spa. Although we already had considerable success a year after opening the spa, we thought we could use consultation on our operation and day to day work to add even more value to what we offer. We wanted professional guidance from an external party. When we heard about *hodema* and the services they provide, we knew they could help us.

2 • What are you currently working on with *hodema*?

hodema's mission was divided into various stages. The scope of work covered mainly the Operations and the Accounting departments. *hodema's* consultants began by assessing our procedures; they presented a comprehensive list of recommendations to promote our strengths and highlight the uniqueness of the services we provide as well as solutions to overcome the gaps that were identified. *hodema* approached our organization with an objective and professional external eye. They also offered us ongoing strategic support and helped us take some key decisions. Today, we are working on potential franchising plans in the near future.

3 • How did the idea of opening a spa come to your mind?

I have always been interested in the spa industry, and since my husband is a pharmacist and has been working in the field of para-pharmaceutics for a long time, I was encouraged to move into this new career. The G Spa has a history: in 2002, a first institute opened next to the location of the old Pharmacie Le Gabriel. It contained only two cabins. The customers were very enthusiastic about the innovative treatments provided, which proved that this niche was in demand. Thus, in 2005, when my husband relocated the pharmacy to its current location, the institute, managed by Mrs. Nadia Kiwan, was moved next to the pharmacy in a larger area with six cabins. As

Mrs. Kiwan is a health advisor, she offers great services, especially in terms of health improvement, slimming and anti-aging treatments; and in turn, customers' demands for newer treatments are constantly growing. This is when I joined Mrs. Kiwan and together we launched the G Spa in a much bigger premises, the one it occupies at present. Operating under the name of "spa" gives rise to create more opportunities and diverse therapies. Today, we offer unique, complex and interesting treatments: spa services, medical treatments, gym and hair styling.

4 • How do you describe the spa market and trend in Lebanon? In your opinion are there opportunities concerning this segment that have not yet been exploited?

The spa market in Lebanon is quite new and surely under-exploited. There are a lot of opportunities to be developed in this sector; however we are limited by the several challenges encompassing the market. The first is the difficulty in finding qualified human resources specialized in spa therapy and rituals. At the G Spa, we are proud of our team, and we train them on a regular basis on how to perform high quality treatments. The second one is that, so far, spas in Lebanon used to operate within hotels; today, this trend is slightly shifting with the opening of stand-alone outlets because the Lebanese client has to become more accustomed to pampering himself in these places. On the other hand, one has to note that being labeled a 'SPA' (Sanitas Per Acqua) which means 'health through water' is a very difficult and lengthy process; one has to fulfill an extensive number of criteria, like providing several water activities and aqua therapy. I am proud to say that we are one of the few spas in Lebanon that answers to all these criteria, and our professionalism and ethics drove the internationally renowned company Cinq Mondes to give us exclusive distribution rights for their products in the country. However, unfortunately in Lebanon, a lot of small beauty institutes call themselves "spas" although they don't meet any of the requirements or quality standards necessary for a spa.

5 • What do you consider *hodema's* added value with regards to G Spa's operational needs?

hodema served as a professional external eye. The consulting team, in collaboration with G Spa's management, identified obstacles in those areas of our operations where our performance could be improved. Thanks to their field knowledge, their hands-on approach and their dedication to our project, we were able to work hand in hand to implement a system that tackles these problems on a sustainable basis. As for the long term, *hodema* will help us create a franchise department, elaborate a franchise strategy and identify potential prospects in the region.

6 • Do you have expansion plans in the near future (Lebanon or abroad)?

We are looking at franchising opportunities within and outside Lebanon for our four departments (spa, medical, fitness and hair styling). In fact, we have already received several franchising offers from neighboring countries, and we are also considering an opportunity in the mountainous region of Keserwan. We are carefully studying the most suitable option to ensure sustainable success, but we haven't yet identified a specific country in the Levant or the Gulf in which we wish to further expand the brand.

hodema
consulting services

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Owner representation of the Teleferique Food Court and Playground with F&B brands and operators

Jounieh, Lebanon



Source: *hodema*



Following the press launch for the Teleferique Food Court and Playground that took place on March 11, 2009 in Harissa, *hodema* was placed in charge of negotiations with several potential Food & Beverage brands to be operational in the food court and to ensure a balanced mix in the F&B offer. In addition, *hodema* consultants worked hand-in-hand with the Teleferique management to develop proper contracts that answer both the demands of the Teleferique and the brand.

In parallel, *hodema* also provided support along the process to identify potential candidates as Operations Manager for the Food Court and Playground.

The food court opened on April 30, 2010.

For more information, please check the following link: www.teleferiquelb.com

Assessment on an urban spa and implementation of recommendations

Beirut, Lebanon

hodema was assigned to perform an assessment on a renowned urban day spa that has been operational in Beirut since early 2009. *hodema's* evaluation included a review of the spa's original concept, its operations, accounting and internal control, premises as well as its branding. Further to this mission, *hodema* provided a thorough list of recommendations for each of its departments: the spa, the medical care, the gym and the hair salon. *hodema* is currently directly involved in the implementation of the recommended procedures and guidelines to ensure proper operations.

Turnkey development of a flagship for a mid-end street-food restaurant chain

Beirut, Lebanon

hodema was assigned to develop a concept for a flagship F&B outlet in Beirut. Its mission was to scale up a Lebanese low-end/street-food product by modernizing the restaurant's recipes, food presentation, setting, and creating a casual atmosphere. The scope of work included an overview of the single product-based restaurant market in Lebanon and abroad, and a preliminary feasibility study as well as financial projections for the flagship outlet. *hodema* assisted the client in identifying an appropriate location and ensured follow-up on several issues, that included brand building, architectural layouts and the selection of an executive chef for the project. The F&B concept includes take-away, delivery and dine-in facilities as well as a food court booth version.



Source: *hodema*

Concept development of a grill & bar restaurant

Beirut, Lebanon

hodema was assigned to study the F&B market trends in Lebanon prior to developing a flagship grill restaurant concept potentially geared towards franchise. We assessed 4 selected grill & bar concepts, studying their offers and going on to perform an assessment on a plot identified by the client in the Antelias area in order to develop a suitable concept. At a later stage, *hodema* undertook a feasibility study for this project and assisted the client in the development and implementation phase.



Source: *hodema*

Market study and concept development for an F&B cluster

Salmiya, Kuwait

hodema was assigned to perform a market study of F&B market in Kuwait in February 2010 as well as a plot assessment for a land located on Kuwait's Plajat Street. The results would yield a potential concept to be developed in the client's assigned plot of land. In addition to this mission, *hodema* provided its client with franchise support for two renowned Lebanese brands. *hodema* is currently directly involved in developing an additional concept for this assigned location.

Franchise development support for a bagel and coffee house

Beirut, Lebanon

hodema is assisting in the franchising process of a New Yorker style bagel and coffee house based in Beirut. *hodema's* mission included an assessment on the flagship outlet, the existing operating manuals, the branding, the operations and the premises as well as the review and reshuffling of their existing franchise operating manual. *hodema* is currently helping the owners elaborate a long term development strategy and create a franchise department. In addition, *hodema* is providing ongoing strategic support to ensure the sustainable expansion of the brand.

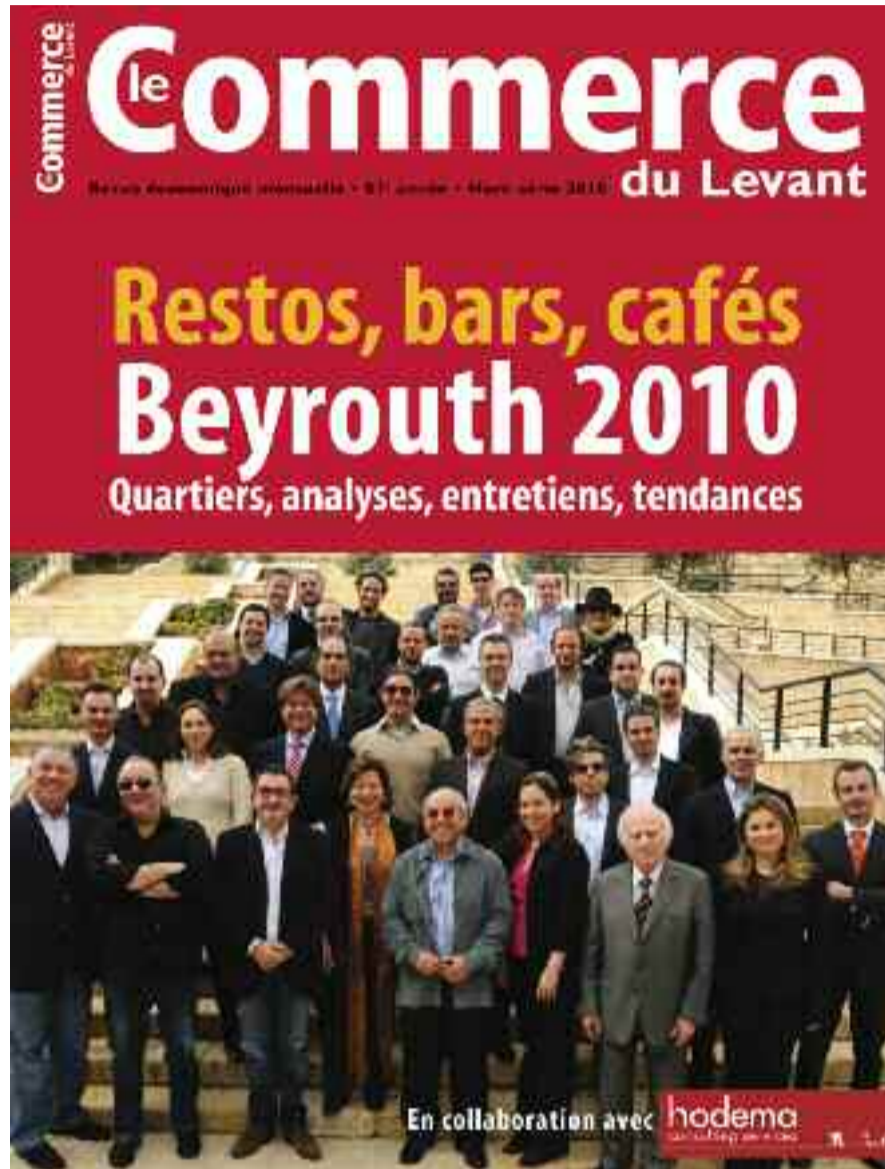


Opening of Damascus office, Syria

hodema entered a new market and consolidated its activity in Syria by opening an office in Damascus. *hodema* now has a network of four offices in the region: Beirut, Jeddah, Riyadh and Damascus.

Syria's hospitality and F&B market holds a huge potential and *hodema* is already providing turnkey as well as customized solutions to local project developers, property owners and operators in Damascus, Aleppo and Homos.

Special issue on Beirut F&B market



Cover picture: Making of

As announced in our previous newsletter (hodemanews, Lebanon issue N.6 July-December 2009), *hodema* authored and published its first issue of the annual Analysis of Beirut Food & Beverage market, with *Le Commerce du Levant*, in May 2010. This special issue tackled the main trends, landmarks, zones and major players in the F&B field. In order to illustrate the publication's cover, *hodema* gathered (in a single picture), key actors and professionals of the F&B industry who have imprinted their marks in this competitive and busy market. We were told this task was an impossible mission. However, despite all difficulties and challenges *hodema* made it through ongoing phone calls and wide range database of contacts over several days. Unfortunately, *hodema* was not able to gather all those professionals due to personal matters, tight schedules and purposes of anonymity. We want to thank all the persons who participated generously in the picture game despite their busy schedules, the traffic to reach the place downtown, and the difficult time. Making it in-between 2 meetings or even on their way to the airport, their help and support were constant and made this event possible.

Curve of the F&B trends in Lebanon



Source: *hodema* 2009/2010



Map of Beirut Food & Beverage zones
Source: *hodema* 2009/2010
Design: Mark Mansour for "Le Commerce du Levant"

Practical guide on Food Hygiene and Safety

On June 17, 2010, *hodema*, in collaboration with *apave* Liban, specialists in risk control and Aleph edition, will launch a practical guide "Food hygiene and safety - Application of the HACCP method (Hazard Analysis & Critical Control Point).

This guide is aimed at helping professionals in the restaurants and hotels industries in the MENA region meet international standards, especially those related to food hygiene and safety, and establish good manufacturing practices which ensure safety of products they offer. In addition to the HACCP principles and the Codex, the guide also features guidelines on working in Halal environment and aims at helping professionals evaluate and apply necessary hygiene practices with regards to the Halal processing requirements.



hodema publishes, on a regular basis, articles in Hospitality News and Le Commerce du Levant.
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