

A photograph of a modern restaurant interior. On the left, there is a bar with a well-stocked backshelf of bottles and a counter with various items. In the center, a dining area features dark leather tufted booths and tables. The ceiling is dark with several warm-toned pendant lights. A large white diamond shape is overlaid on the center of the image, containing the company logo and a book cover. The overall lighting is dim and atmospheric.

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**QATAR F&B MARKET OVERVIEW**

MARCH 2022



# F&B SECTOR OVERVIEW COVERING THE PERIOD 2020 TO 2026...

## INTRODUCTION

This F&B sector overview (“**Overview**”) has been prepared by Consulting HAUS LLC (“**CH**”) based on information obtained from secondary resources (including the Planning & Statistics Authority (“**PSA**”), Fitch Solutions etc.) and information gathered via primary market interviews with a cross section of market participants in Qatar.

Based on an assessment of the various sources of data, the Overview presents the potential market outlook for the F&B sector in Qatar in the coming years.

Users of the Overview are encouraged to undertake their own independent research before making any business-related decisions based on the content of the Overview.

Should you require a more in-depth analysis of the sector, please contact a member of the team or send an enquiry via our website: [www.consultinghaus.qa](http://www.consultinghaus.qa)

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THE F&B SECTOR HAS WITNESSED A NUMBER OF SIGNIFICANT CHALLENGES IN THE LAST FEW YEARS, HOWEVER, A RENEWED OPTIMISM IS ENCOURAGING INVESTMENT INTO THE SECTOR...

### QATAR'S F&B SECTOR: AN INTRODUCTION

Qatar's demographic is skewed towards a young urban population that prefers the convenience of dining out as compared to eating at home. This, coupled with the high per capita income, limited entertainment options due to the weather conditions and the interest for diversified F&B outlets has supported the rapid growth of the local F&B sector.

Qatar's pursuit of increasing population and tourism are other key factors which have encouraged the F&B sector to flourish however, the recent past has delivered a number of challenges for business owners to contend with including the blockade imposed on Qatar in 2017 and, more recently, the unprecedented situation caused by the COVID-19 pandemic.

With the blockade being lifted during 2021, and the impact of the COVID-19 pandemic seemingly coming to an end, there is a renewed optimism about the sector which is expected to experience a significant boost at the end of the year as a result of the FIFA World Cup 2022 ("FIFA2022").

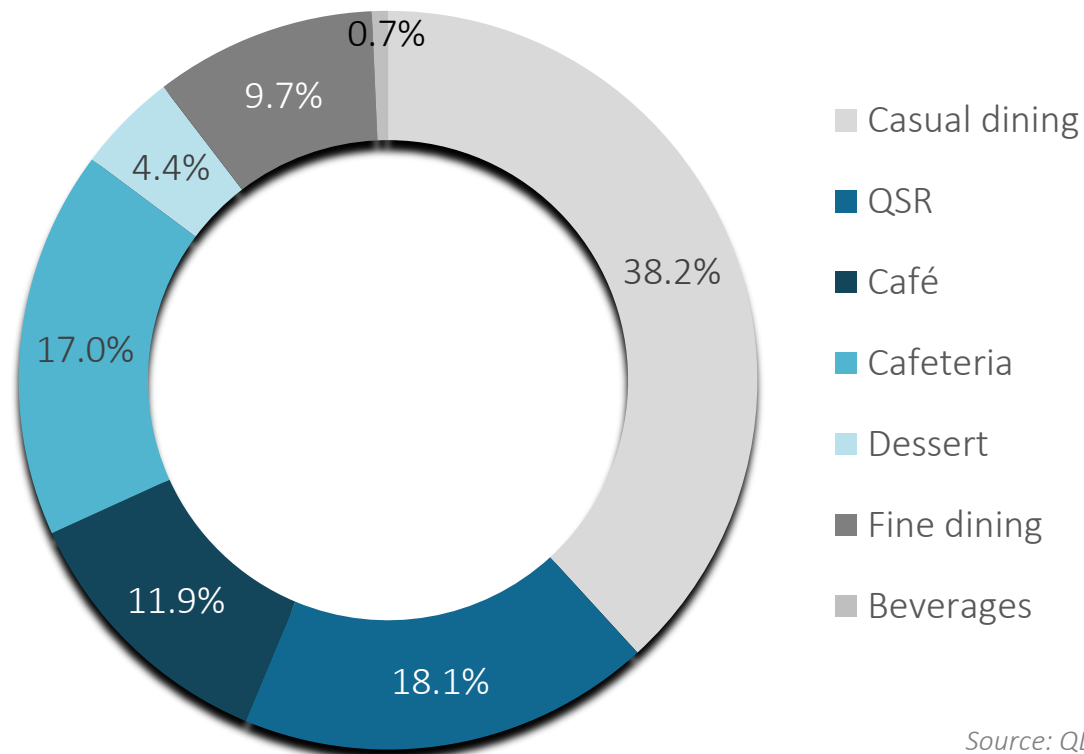


*"The restaurant market was once dominated by franchised American brands however, in recent times, locally grown concepts have taken an increasing proportion of the market share"*



# CASUAL DINING HAS THE HIGHEST NUMBER OF OUTLETS IN THE COUNTRY FOLLOWED BY CAFES AND DESSERT PARLOURS AND QSR ...

RESTAURANT MARKET: BREAKDOWN BY CATEGORY



## CASUAL DINING

A casual dining restaurant serves food that is reasonably priced. It forms the largest segment of the F&B market in the country.

## QSR

QSRs provide standardized F&B items with a primary focus on speed of service. Fast food restaurants fall under the umbrella of QSRs.

## CAFÉ

Cafes operate in a wide array of segments ranging from inexpensive cafes, which consist of stalls located in malls, crowded marketplaces or highways, and high-end cafes, which are affiliated to five stars hotels.

## CAFETERIAS

Cafeterias include small-scale F&B outlets that focus more on offering food at economical prices and less on service. They tend to primarily target lower income segments and operate in a limited space.

## DESSERT PARLORS

Dessert parlors are primarily engaged in serving ice cream, chocolate pastries, Arabic sweets and flavored frozen yogurt.

## FINE DINING

Fine dining restaurants are full-service restaurants that offer high-class dining experience which involves a unique menu and top of the line service and ambience.

## BEVERAGES

These outlets focus on serving fresh juice, milkshakes, bubble tea, coffee and are less focused on serving food items such as sandwiches, burgers and other eatables.

# THE COVID-19 PANDEMIC RESULTED IN ESTABLISHMENTS HAVING SIGNIFICANT OVERHEADS TO COVER FOR AN UNDERUTILIZED ASSET BASE...

## IMPACT OF COVID-19: OVERVIEW

- During the COVID-19 lockdowns and restrictions imposed by the government, many, if not all, F&B establishments were not allowed to host customers and were solely reliant upon home deliveries and take-away orders. This left establishments with significant overheads to cover associated with an underutilized assets base. At the onset of the pandemic, many F&B businesses were not equipped with sufficient infrastructure to enable them to immediately turn their focus to increasing take-away/delivery revenues which ultimately left them facing two main options – adapt to the new market situation by investing in raising their profile, increasing their customer base and ensuring revenues from delivery was maximized, or face potential closure.
- Online food delivery services proved to be the main life-line for many restaurants during this period by offering a quick and affordable way to reach their clientele. The sudden and significant increase in demand for online food delivery services saw the rapid increase in size of the online food delivery market with existing delivery players increasing the size of their fleets and a number of new players entering the market. With supply of delivery drivers not being sufficient to meet demand, restaurant owners were protected against delivery price increases on the back of a government intervention which prohibited delivery commissions to exceed 19.0% of the total order value.
- With the end of the pandemic seemingly in sight, the new norm and expectation around food delivery is only likely to increase which is key consideration for any new entrants.

## PROMINENT FOOD DELIVERY APPS IN QATAR



**OVERVIEW:**  
Talabat is a Kuwait based food delivery service operating in GCC countries. In 2015, Talabat was acquired by Rocket Internet for c.QAR620.5m. In addition to food delivery service, Talabat offers groceries, pharmaceutical and other miscellaneous product deliveries.



**OVERVIEW:**  
Carriage is a Qatar based food delivery service that was acquired by Talabat's parent company. Carriage delivers all kind of products in addition to food deliveries.



**OVERVIEW:**  
Rafeeq is the first 100% Qatari based food delivery application. The application is fully developed in-house which offer food deliveries, retail purchases, groceries, and other types of deliveries. Currently, Rafeeq engulfs more than 700 restaurants.



**OVERVIEW:**  
Other food delivery apps are based in and operates in Qatar exclusively. New delivery apps tend to focus on targeting specific market niches such as healthy food, trendy concepts, etc. to be able to gain traffic on their apps.

# FINE DINNING WAS HIT THE HARDEST BY THE COVID-19 PANDEMIC WHILE QSRS FELT THE LEAST IMPACT DUE TO THEIR EXPERIENCE WITH TAKE-OUT/DELIVERY SALES...

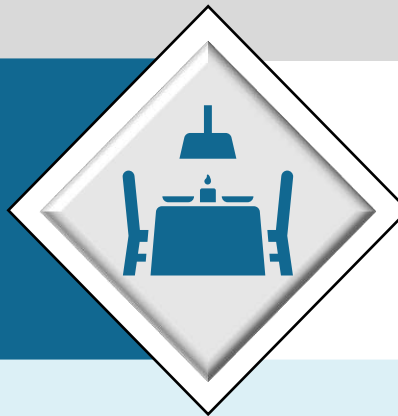
01

Fine dining witnessed the greatest negative impact during COVID-19, mainly due to the various lockdowns, significant reduction in footfall upon easing of the restrictions, limited tourism and closure of hotels. Furthermore, this segment of the market did not historically offer take-outs/delivery friendly menus.



02

Casual dining felt less impact than fine dining yet more impact than QSRS. Whilst casual dining outlets offered delivery pre-pandemic, the focus was on dine in customers. Given the existence of the delivery infrastructure, the businesses were able to quickly adapt.



03

Café & beverages were negatively impacted due to the impact of closures and reduced capacity limits. Furthermore, the closure of offices and universities, colleges and schools reduced the movement of people/footfall. Delivery of hot and cold beverages is less popular than the delivery of food items.



04

Cafeterias primarily focus on the labor force/blue collar workers and don't offer home delivery. As a result, this segment of the market was heavily affected by COVID-19 with social distancing reducing their ability to hit the target number of covers per day.



05

QSRS faced the least negative impact among the types of restaurants. This was mainly due to large market share and high online delivery orders from all types of customers.



# THE VALUE OF THE RESTAURANT MARKET DECREASED BY AN ESTIMATED 15.0% – 20.0% IN 2020E DUE TO THE IMPACT OF THE PANDEMIC...

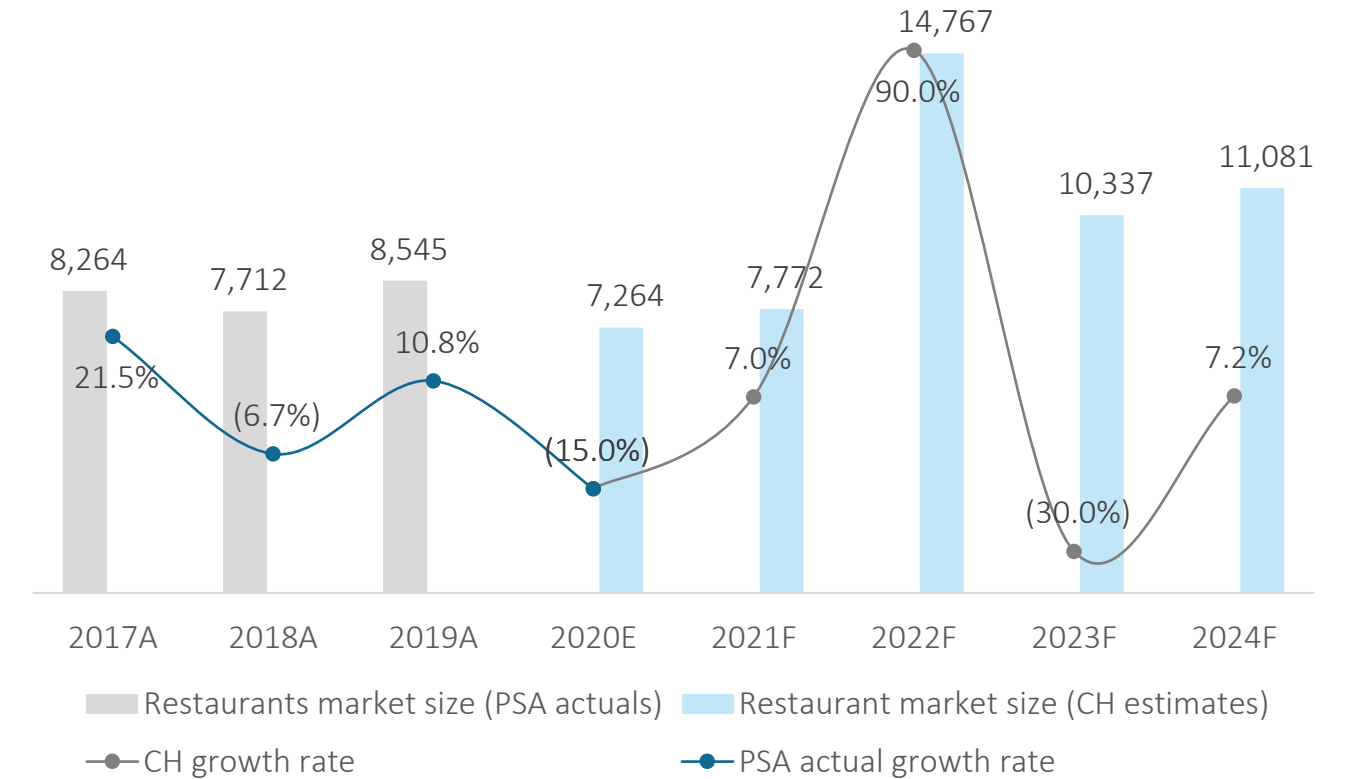
## RESTAURANT MARKET SIZE ANALYSIS

- There are limited sources which provide the historical and/or future market sizing for the restaurant sector in Qatar. Furthermore, there were no sources found which reflect the impact of the COVID-19 pandemic or the introduction or lifting of the blockade. Given the limitations in the underlying data, we considered the information provided by various sources and made certain adjustments to reflect the outcome of the primary market interviews and arrive at a 'CH' market sizing scenario.
- Overall, we estimate that the restaurant market size decreased by a CAGR of 4.2% between 2017A and 2020E and is set to increase at a CAGR of 11.1% between 2020E and 2024F.
- In 2020E, the restaurant market size contracted by approximately 15.0% - 20.0% as a result of the damaging effects of the COVID-19 pandemic. A partial recovery is expected in 2021F with a projected increase of 7.0% after which the market is expected to grow by 90.0% in 2022F driven by FIFA2022. 2023F is projected to witness a market correction decreasing by 30.0%.

## RESTAURANT MARKET SPLIT ANALYSIS

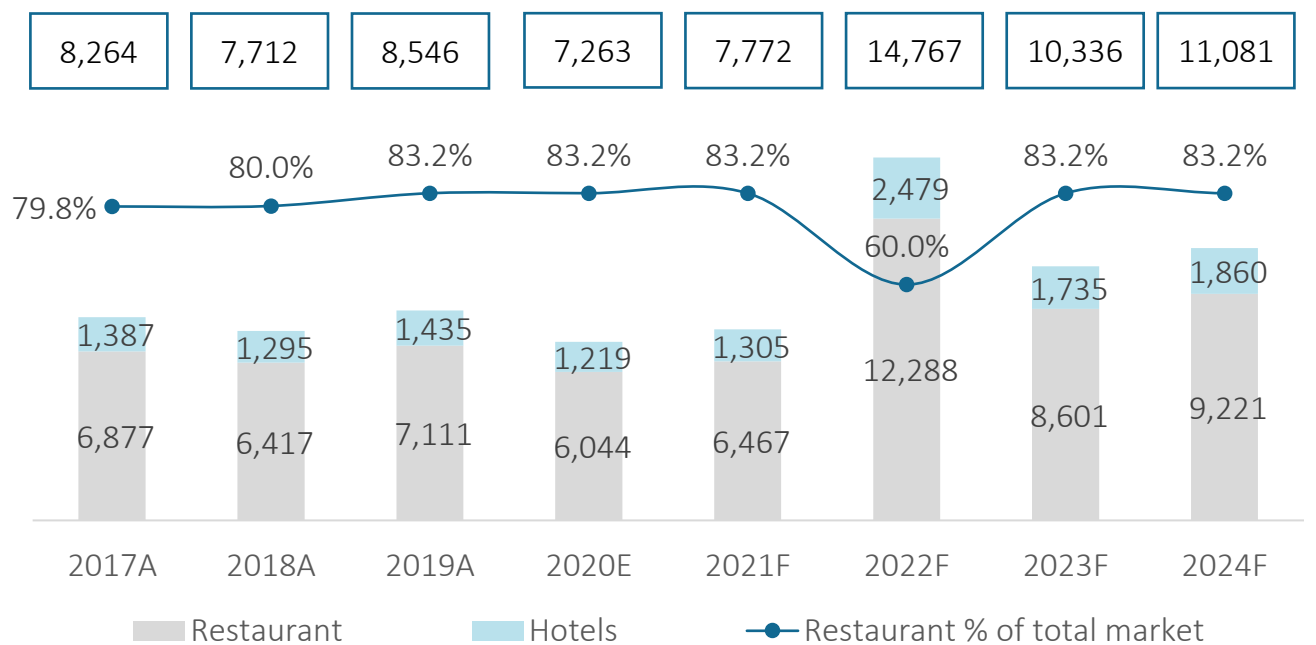
- Restaurants outside of hotel contribute to the majority of the revenue in the F&B market. These restaurants generate between 79.8% and 83.2% of revenues while hotel restaurants generate between 20.2% and 16.8%.
- It is assumed that the split between restaurants and hotels in 2019A to remain constant through the forecast period (2020E – 2024F), however, in 2022F, FIFA2022 is expected to significantly increase revenue generated from hotel with the arrival of a large number of tourists.
- Following FIFA2022, the split between restaurants and hotels is expected to return to normal levels.

## ESTIMATED RESTAURANT MARKET SIZE: 2017A – 2024F (QARM)



Source: PSA, QDB and CH analysis.

## RESTAURANT MARKET SPLIT: RESTAURANTS VS HOTELS: 2017A – 2024F



Source: PSA and CH analysis.

THE RESTAURANT MARKET IS EXPECTED TO GROW BY A CAGR OF 5.3% BETWEEN 2019A AND 2024F WITH CASUAL DINING BEING THE PREFERRED SEGMENT IN THE MARKET...

RESTAURANT MARKET: SEGMENT ANALYSIS

- The restaurant market segmentation (i.e. casual, QSR, etc.) is assumed to be in line with the chart presented on page 4 of this Overview across the period under review.

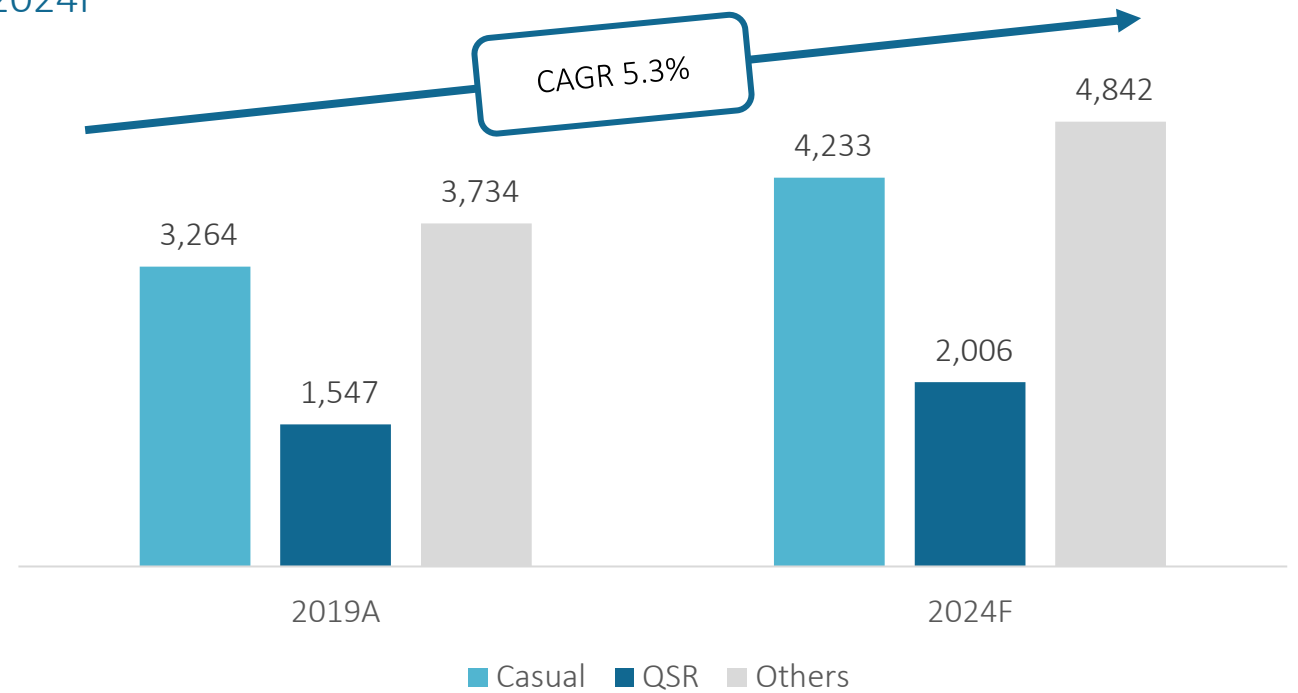
CASUAL DINING:

- Casual dining restaurants generally follow two different models:
  - Franchised restaurants such as Chilli's, Applebee's and Nando's which import their produce from the original destination to maintain a certain level of consistency in taste across all outlets; and
  - Non-franchised restaurants which are home-grown concept restaurants such as Al Shami Palace, Turkey Central, etc. who mainly source their produce from local suppliers.
- The most popular type of casual dining restaurant specializes in Arabian cuisine with c.16.0% of the total number of casual dining outlets followed by Indian with c. 12.0% and Italian cuisine with c.11.0%.
- The number of casual dining outlets is expected to reach 2,225 outlets\* in 2026F which translates into a CAGR increase of 9.8%.

QSR:

- The largest portion of QSR outlets are franchised restaurant such as McDonald's, KFC and Burger King amounting for c.45.0% of all QSR outlets. Specialty salad and sandwiches bars have been on the rise driven by the influx of expatriates and the increased awareness towards healthy eating among the local population.
- QSRs are the most popular with c.22.0% of the total outlets followed by Arabic cuisine QSRs with c.17.0% and Indian cuisine QSRs with c.16.0%.
- QSR outlets are expected to increase to 1,626 outlets by 2026F implying a CAGR growth of 8.9%.

RESTAURANT MARKET: SEGMENT BREAKDOWN (QARM): 2019A – 2024F



Source: QDB and CH analysis

	INDIAN	ITALIAN	FAST FOOD (AMERICAN)	ARABIC	OTHERS
Casual dining	12.0%	11.0%	6.0%	16.0%	55.0%
QSR	16.0%	N/A	22.0%	17.0%	45%
Fine dining	5.0%	11.0%	N/A	5.0%	79.0%

Source: QDB



# CHANGING CONSUMER PREFERENCES LEAN TOWARDS CONVENIENCE AND ORGANIC FOOD PRODUCTS WHICH WILL SHAPE THE FUTURE OF THE F&B SECTOR...



## FOCUS ON HEALTHY FOOD

Due to the growing awareness of lifestyle related diseases, high rate of diabetes and obesity in the country (as per Qatar BioBank, 70% of the country's population is either obese or overweight), there is a market increase in demand for healthy and organic foods.

The market for healthy and wellness food is expected to grow strongly due to the growing awareness of the benefits of healthy food among consumer and increasing media and government attention on health issues.



## FOOD TRUCK CONCEPT

The food truck / container concept is relatively new in the region and is in the nascent stages of development in Qatar.

This segment is currently under development as more and more food trucks are being licensed due to the more relaxed regulatory requirements. This trend was significantly boosted by the COVID-19 pandemic as this was considered as a substitute to dine-in restaurants where customers had their meals in their cars with their families and/or friends.



## TECHNOLOGY ADOPTION

Technology is completely reinventing the modern dining experience and it has been more prevalent in the QSR segment.

Another beneficiary of the COVID-19 pandemic was online food aggregators who offer delivery services as the online food delivery sector exponentially grew during this period and witnessed countless advancements and added value for customers such as rewards, loyalty program and customization for users. In addition, the recent emergence of cloud kitchen is expected to render these services even faster and more efficient.



## CHANGING CUSTOMERS

Consumer profiles are evolving rapidly with an increase in income levels, a growing cosmopolitan crowd and higher global exposure, customers have varied preference in terms of cuisines, dining experiences and restaurant brands.

This in turn has boosted the growth of F&B outlets, especially international brands which are creating a strong presence in the country as well as the online food delivery market as more consumers are getting acclimatized to the service as a result of the COVID-19 lockdowns.





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