

# BURGER BONANZA!

From his unique position as head of Global Markets, Kuwait's business intelligence and market research firm, Ali Boshehry explains and assesses the trends and trials facing Kuwait's burger businesses.



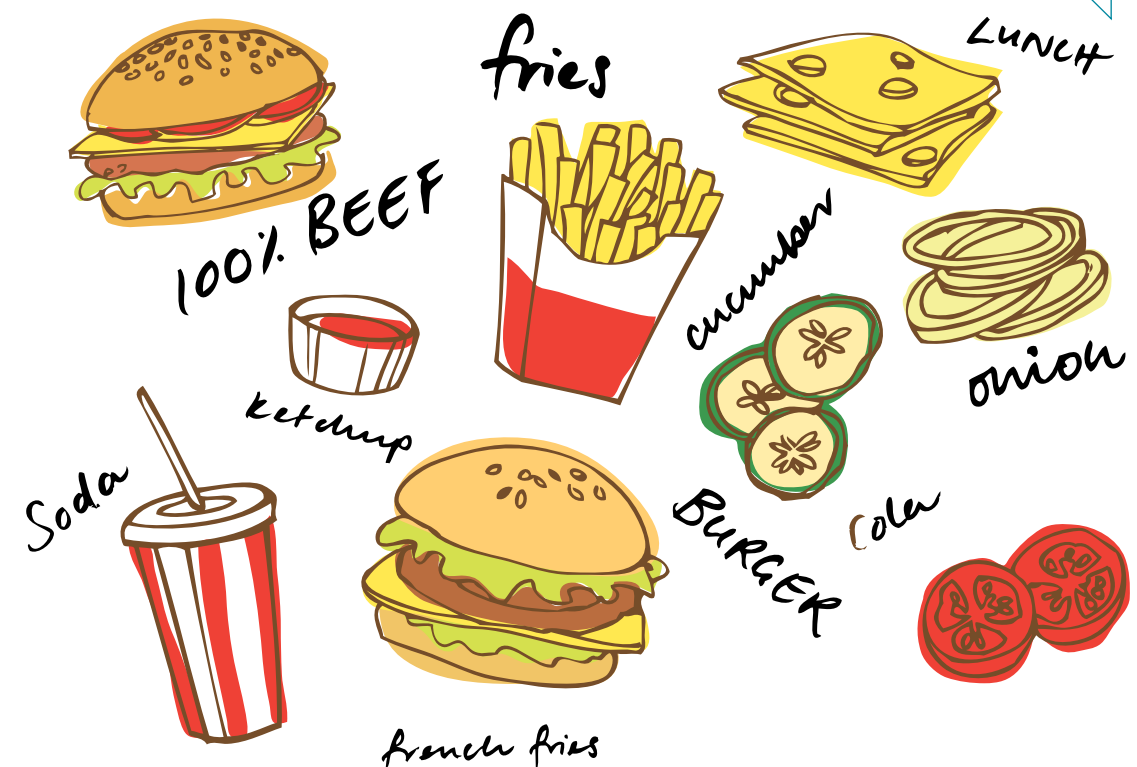
smash. sizzle. savor.



Kuwait's food and beverage industry is a dominant force in a region where dining, catering and entertaining is a huge part of the culture. For many generations, life in Kuwait - like much of the Arab world - has traditionally been centered around hospitality, the food and refreshments we consume with our peers and our family.

In emerging markets, like Kuwait, the food service industry usually goes through the same cycle as in developed markets. Fast food dominance arrives first, with 'full service' casual dining second. Other smaller and niche categories start appearing once the market has the disposable income to dine more frequently outside of their homes. Both Kuwait and the GCC in general witnessed the same development cycle when, since the 1980s, fast food chains dominated the food service industry, with a few upscale and casual dining restaurants in hotels, until we started witnessing change in the early 2000s.

Hamburgers were first introduced in Kuwait in 1981 when Kuwait Food Company (known as 'Americana') launched a branch of the popular American fast food restaurant, Hardee's. The burger chain Wendy's followed but didn't find a foothold, it shut its operation soon after, however,



it is rumored to be re-entering the market soon after a hiatus of some thirty years!

McDonald's was launched in Kuwait in 1994, thirteen year after Hardee's, with its first branch on Gulf Road. The entry of McDonald's in Kuwait was part of the international expansion strategy of the fast food burger chains at that time in the region. McDonald's had launched its first outlet in Saudi Arabia two years prior in 1992, and in the UAE in the same year as Kuwait, (1994). Burger King followed in McDonald's steps by inaugurating its first GCC outlet in Saudi Arabia in 1993.

The entry of Johnny Rockets in Kuwait in 1995 was the beginning of a new kind of burger outlet termed a 'premium' hamburger chain. Borrowing from the 50s dining concept it offered an 'All-American' experience and menu: burger, fries and shakes, a concept hitherto unknown to the country. Johnny Rockets' inaugural branch in Salmiya was the first to provide customers with this new and different hamburger experience, away from the fast food chain-style of eatery. Prior to that consumers in Kuwait mainly associated hamburgers with the global brands McDonald's, Hardee's, and Burger King.

For 15 years, hamburgers in Kuwait were either served in two kind of outlets: casual dining restaurants or fast food outlets. This lasted until 2010 when newcomer, Elevation Burger, with its organic food-based concept, laid the foundation stone for the 'fast casual' dining experience in Kuwait.

Some locally-developed hamburger concepts launched before 2010, names such as Burger Boutique (opened 2005) followed by The Burger Hub (2006) and Slider Station a year later. These brands succeeded in stimulating the hamburger market in general and planted the seeds for future change. Despite the fact that these locally developed concepts were mainly in the casual dining category, their fresh take on hamburgers attracted early investors to the hamburger restaurant business such as TABCo and Alshaya. The early entry of small local brands into the industry did not go beyond a short-lived hype among youngsters, and in time they slowly disappeared.

The reason for their demise lay in the false idea that they could simply turn a 100 square meter restaurant concept into a brand that lives with generations. The key to growth in the foodservice industry centers around three key areas: a clear definition

of a business concept, powered by strong operational management and social engagement.

The opening of Elevation Burger in the Avenues in 2010 was a watershed, according to Ali Ashkanani, CEO of TABCo the operator of International, Elevation Burger in Kuwait. At the time Ashkanani had stated that "Organic food was not popular in Kuwait". He added "People didn't really seem to talk about it much. However, we took the bet that people are smarter than what the general market census might say".

It was the wake-up call for many investors; they realized the potential success of such concepts in Kuwait. Many international chains such as Shake Shack and FatBurger entered the Kuwaiti market shortly after and were able to take a considerable share from those that have been operating in the country since the 1990s. Looking back to 2014 the hamburger supply in Kuwait was taking the form of one of four concepts: 'fast food', 'catering', 'casual dining' and 'fast casual'.

This last niche category, 'fast casual', is a new breed of the 'fast food' category. This category offers fresh, often organic produce and meat from free-range suppliers, plus healthy food



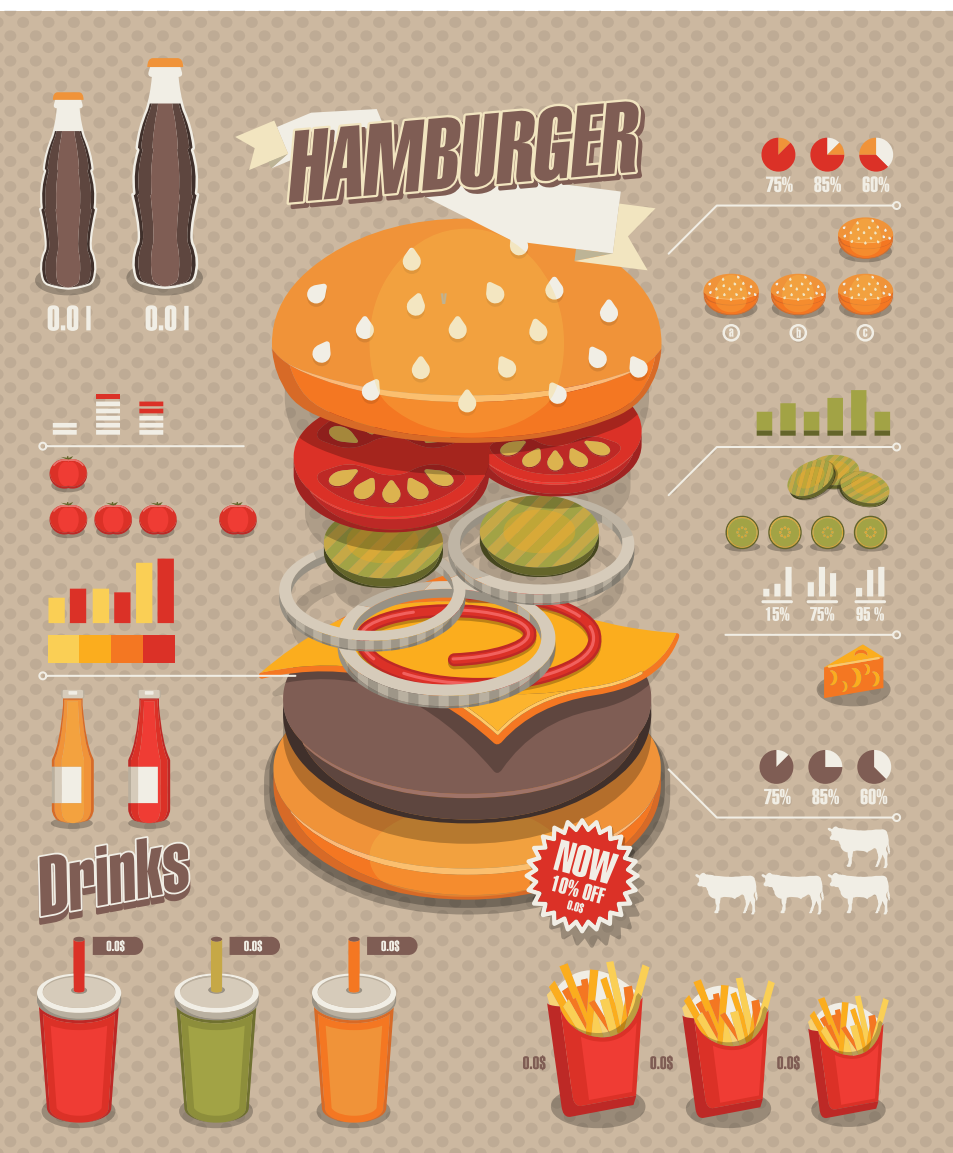


ALI BOSHEHRY

Ali Boshehry is a Kuwaiti entrepreneur who launched his own company, Global Markets, in 2013. The company is specialized in market research and business intelligence. Ali's past experience with international research companies has helped him introduce new research services in the region to help clients decide intelligently. His services and technology implementation are unique and considered transformational in the market research and business intelligence in the region.

## GLOSSARY

- **Fast Food Restaurants** are considered restaurants that feature limited and inexpensive menu options, minimum customer service, and rapid consumer turnaround
- **Full Service Restaurants** feature the complete dining experience to customers in terms of menu structure and service. Full Service Restaurants are segmented into casual dining, upscale casual dining, and fine dining restaurants. The segmentation is based on menu variety, food ingredients, price, service, restaurant facilities and features.
- **Fast Casual Restaurants** are those Fast Food outlets that offer fresh, organic produce, use free range meat suppliers and provide healthy food options that are hard to find in the fast food category. Menu pricing is more expensive than in fast food outlets due to the better quality ingredients.



options which are hard to find in the fast food category. Menu pricing is more expensive than in fast food outlets due to the better quality ingredients.

The clear positioning of, in effect, a 'new' fast casual category in the market means consumers from the full service 'casual dining' and the 'fast food' categories are transforming their dining habits to include the fast casual options. This recalibration negatively impacted the performance of casual dining and fast food categories.

Fast casual hamburger chains are not like other food service trends that popped into the market and died quickly, such as the short-lived frozen yogurt and cupcake stores. Primarily, hamburgers are not seasonal meals to be affected by the long months of summer or few cold months of winter in Kuwait. The burger can be consumed multiple times weekly because they are prepared rapidly, priced reasonably, and are considered by some, as a fully-fledged meal.

In addition, the hamburger as a food item is not an alien concept to the culture. Consumers in Kuwait are

well exposed to the international food scene. Most Kuwaitis love traveling overseas and have done so for many decades so the hamburger culture is deeply embedded in their overseas dining experiences—which makes the burger easily acceptable to consumers of all ages. Such strong association and acceptance of the burger as a food item makes consumers consider this particular food option at least three times a week. In 1994, 15,000 Kuwaitis formed an 11 kilometer drive-through line at the opening of the first McDonald's in Kuwait. Though this phenomenon was repeated when frozen yogurt launched in Kuwait it was in much smaller numbers.

In time, the queues at stores selling frozen yogurt and latterly cupcakes, got shorter and shorter mainly because the products were derived from bigger and already extant food concepts, such as ice cream parlors and sweets and bakery shops, so they did not maintain long-term appeal.

Today, the hamburger trend is now a full grown category of food item and is here to stay.

Despite the fact that the general perception is that the market is saturated here in Kuwait, in truth, the number of international brands have increased by 37% and the number of outlets increased by 36% in 2015.

Exclusive on-site market research conducted by Global Markets shows there are currently around eleven brands of international burger chains in Kuwait with more than 40 branches. These generate more than KD15M worth of sales annually, just under the 'fast casual' hamburger category alone.

The fast casual burger market is driven by three main players, Elevation Burger, Shake Shack, and Classic Burger Joint. Elevation Burger and Shake Shack are rapidly increasing their branch count mainly in large shopping malls, F&B complexes, and cooperatives.

Classic Burger Joint on the other hand is opening small locations in retail strips and residential buildings due to their reliance on home delivery more than dine-in customers. The three brands are competing head-to-head with brands outside their category such as McDonald's and Burger King.

The rapid transformation witnessed in this new category has also resulted in a market correction which has led to the closure of branches – and in some cases, entire chains. BurgerFuel exited the Kuwait market in 2015 when it closed its two outlets. Additionally, Global Markets registered the closure of 6 outlets of different brands in 2014 alone. Investors who already invested in this new category and those looking to invest should study the existing competition and beyond anything, employ and understand research-based strategies to ensure the success of their investments.