



F R O S T & S U L L I V A N

CULINARY EVOLUTION – EXPLORING THE DYNAMIC FOOD SERVICE LANDSCAPE IN MENA REGION

INSIGHTS BY: JAD HAJ CHAHINE,
Senior Consultant, Agri, Food & Nutrition Practice,
Frost & Sullivan

FOR THE SPECIALITY FOOD FESTIVAL 2023

Overview & Key Developments Driving Demand

Overview:

The MENA region, with its diverse cultures, rich culinary heritage, and evolving consumer preferences, has witnessed a remarkable culinary evolution in recent years. The Foodservice (FS) & HORECA sector has become a vibrant and dynamic landscape, reflecting the region's economic growth, changing demographics, and increasing global connectivity. While growth remains uneven between country groups in MENA, the combined growth rate remains consistent at 5.8% with GCC countries taking the lead with a 7.3% growth rate¹.

MENA's culinary scene reflects its diverse society, where traditional recipes meet international influences, which reflects in the Out of Home Dining (OOHD) market that reached US\$44.8 billion in 2023 and is expected to complete its sprint towards US\$81.82 billion in 2028 with a CAGR of 10.66% and Full-service restaurants FSR being the dominant segment owing to the rising consumer's disposable income².

Developments in the Food Service Sector:

- **Demographics and Changing Consumer Behavior:** A key driver in this FS MENA evolution is the shifting demographics in the area. A majority of the young and tech-savvy population with diverse tastes is influencing the FS landscape. The demand for convenience, online-accessible, health-conscious options and international cuisines are reshaping the service model.
- **Economic Growth and Urbanization:** The rapid economic growth and urbanization has led to a surge in OOHD and the establishment of world-class restaurants, cafes, and food delivery services. Urban centers have become culinary hubs, offering a wide range of dining experiences, from street food vendors to Michelin-star restaurants.
- **Tech-Driven Transformation:** Technology has played a pivotal role in transforming the Foodservice and HORECA sector in MENA. Mobile apps for food delivery have surged in the past 5 years, online reservations have become key for FSRs, and digital marketing has become an essential tool for businesses to reach and acquire their customers.



¹ The World Bank, "Middle East and North Africa Economic Update", April 2023

² Daedal research, "Middle East and North Africa Out of home Market: Analysis by Segment, by Region Size and Trends", Feb 2023

Key Opportunities & Disruptions

- 01 Healthy Eating Options:** Developing and promoting healthy menu options, including plant-based alternatives, low-calorie dishes and organic.
- 02 Cloud Kitchens:** Many restaurants reliant on delivery are no longer in need of an actual store, as food aggregators have become very popular with their convenience.
- 03 Sustainability Initiatives:** Helping businesses to gain recognition for their contribution to climate-friendly practices such as reducing food waste, local sourcing, seeking certifications and minimizing plastic usage.
- 04 Leveraging Technology:** Foodservices & HORECA businesses are leveraging technology and increasing their efficiency using online reservation modalities, mobile apps, and data analytics to acquire additional customers.
- 05 Customization and Personalization:** Food menus are now tailored to meet the consumer's choice; Individuals are now customizing their own meals depending on their preferences³.



³Frost & Sullivan insights

Current Challenges

01

High operating costs: 62% of MENA restaurants are failing after their launch, following the pandemic and the disruption of the supply chains which affected the raw material prices, as well as increasing the food, labor and rental costs leading to closure of small startups⁴.

02

Over-Reliance on Food Aggregators: Food intermediaries, though could be strategic in some cases, but they charge exorbitantly high commissions (30-40% per order) and without providing access to customer data limiting Foodservices-consumer direct engagement.

03

Food Waste: In the MENA region, it is estimated to account for 11 million tons per year, at a cost of around US\$11 billion. A number that could be drastically reduced with simple practices like inventory management, serving sufficient/ ample portions, food waste monitoring software and food donations⁵.

Future Strategic Outlook

Integrating sustainability has been a necessity and focus across all industries in the MENA but specifically in the Foodservice sector. For instance, the UAE announced 2023 as the year of sustainability with plans for environmental activations of accountability across the country towards sustainable practices like the incorporation of local sourcing for ingredients and usage of energy efficient equipment. Similar initiatives are being implemented in Saudi Arabia like Net-zero emissions by 2060. It won't take long before all MENA nations will follow with their own initiatives and participate in meeting the sustainability wave driven by necessity and consumer interest in preserving future generations.



⁴ Posist, "Major Challenges of ME Restaurant Operators In The Present Times"

⁵ KASO, "Reducing Food Waste in Restaurants, Support a More Sustainable Food Industry in The MENA Region"



ABOUT FROST & SULLIVAN

For over six decades, Frost & Sullivan has helped build sustainable growth strategies for Fortune 1000 companies, governments, and investors. We apply actionable insights to navigate economic changes, identify disruptive technologies, and formulate new business models to create a stream of innovative growth opportunities that drive future success.

Our passionate commitment to growth starts with our Growth Pipeline Dialog, an all-hands approach that puts your management team in a room with our growth experts, addresses your top challenges, identifies areas of disruption, and develops tailored roadmaps and goto-market strategies.

With over 1,200 experts and 60 years of experience, Frost & Sullivan is uniquely positioned to help you uncover millions of growth opportunities, guided by our moral imperative to make the world a better place through sustained growth.

Contact us: [Start the discussion](#) →

DUBAI

2601, Swiss Tower, Cluster Y
PO Box 33372
Jumeirah Lake Towers
Dubai, UAE
Tel: +971 4 433 1893

RIYADH

F16, Level 1, Localizer Mall
2803 Prince Muhammad Bin
Abdulaziz Rd
Al Olaya, Riyadh 12222
Tel: +966 11 486 8463