

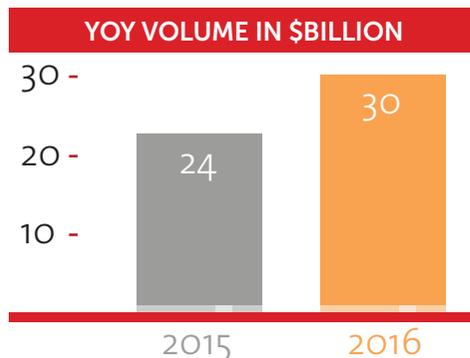
Franchising MIDDLE EAST



Chadi Chidiac, managing partner of hospitality management consultancy PROTOCOL, takes us through the top F&B companies in the region and what they're serving up in terms of successful franchising

When we hear the word franchise, the first thing that comes to mind is food and beverage (F&B) operations, since the most famous franchise concepts are food-related. In fact, the franchise sector in the Middle East is valued at USD 30 billion and growing at a rate of 27 percent annually, while around 23 percent of the world's franchises are food-related. In 2016, the portfolios of top food-franchise companies were focused on specific concepts such as Lebanese, café-bistros and Italian, while new trends were introduced to the supply base, like food trucks and street food. Leaders of these franchises put their success down to factors such as transparency, responsibility and sustainability.

As you peruse this list, please bear in mind that it's not intended to be an endorsement of a company. Before investing in a franchise opportunity, always read the company's legal documents, consult with an attorney and an accountant and talk to existing and former franchisees.



Marzouk Nasser Al-Kharafi
Chairman and Managing Director
Americana

FRANCHISE LEADERS

Founded in Kuwait in 1964, **Americana Group** has expanded to become one of the largest and most successful corporations in the Middle East and North Africa region (MENA). The company went public with an IPO and is publicly traded on the Kuwait Stock Exchange under FOOD.KW. The group activities span across 13 countries, with a network of over 1,700 outlets and a staffing chart of over 63,000 employees from 21 nationalities. The group is not only the largest operator of restaurant chains in the MENA region, but also one of the most successful franchise operators in the world. It operates 12 of the world's most recognized brands in the Quick Service Restaurants (QSR), Casual Dining and Fine Dining categories, such as: KFC; Pizza Hut; Hardee's; TGI Friday's; Red Lobster; Olive

Garden; LongHorn; Costa Coffee; Krispy Kreme; and, most recently, The Counter. The group remains bullish, with more deals and openings underway. "We are delighted to welcome Red Lobster, Olive Garden and LongHorn Steakhouse to our family," said Americana Chairman and Managing Director, Marzouk Al Kharafi. "Consumer demand for casual dining brands in the Middle East market has grown over the past decade, and we expect that growth to continue in the future. The addition of these three highly regarded brands to our portfolio enables Americana to build on its long legacy as the leading restaurant operator in the region."

As one of the most dynamic and successful groups in the region, **Alshaya** franchises some of the world's best known brands, from the Middle East and North Africa to Russia, Turkey and Europe. Alshaya operates across a uniquely wide range of sectors, offering consumers the latest and best recognized names in F&B, such as: Starbucks; P.F. Chang's; The Cheesecake Factory; Pinkberry; Dean & DeLuca; Le Pain Quotidien; Texas Roadhouse; Shake Shack; IHOP; Potbelly; Raising Cane's; Pei Wei; Teavana; Asha's; Babel; Veranda; Bridgewater; Brasserie de L'Etoile; Sprinkles Cupcakes; Al Forno; and Café Coco. The group's multi-brand, multi-market franchise follows an aggressive expansion plan, while bringing leading food concepts to local malls and high streets, delivering a truly sophisticated experience.

Almuftah Group is a highly successful restaurant operator which operates mainly in Qatar. The group has grown into a major Qatari player since its inception in 1977, and, even after almost 40 years, the corporate portfolio is still expanding. Most of the group's brands are popular casual dining restaurants, where diners are afforded great food and friendly service in comfortable surroundings. Others, meanwhile, are established fine dining favorites. Some of their most renowned brands are: Pizza Hut; Arby's; Fuddruckers; Bennigan's; Ponderosa Steakhouse; Coffee Beanery; The Country's Best Yogurt; Caravan Restaurant; Asiana; Caravan Bukhara; Star of India; Shebestan Palace; Al Tazaj Chicken; Turkish Al Bukhari; Barbar; Kababji, Sterling Fast Food; Pizza Corner; Twinky; and London Bakery.



Said Daher
CEO
Azadea Group

Azadea Group is a premier lifestyle retail company, founded in Lebanon in 1978, owning and operating more than 50 leading international franchise concepts across the Middle East and Africa. Representing leading international brand names in F&B, among other sectors, with over 12,000 employees on its payroll, the company boasts a solid infrastructure, overseeing more than 650 outlets, spread across 13 countries including, Algeria, Bahrain, Cyprus, Egypt, Ghana, Iraq, Jordan, Saudi Arabia, Kuwait, Lebanon, Oman, Qatar and United Arab Emirates. "You can grow much faster as a franchise than if you're operating your own brand. With a franchise, you're implementing already-successful business models. Why bother establishing a vertically integrated business model, which will take you years and years to perfect, when you can get involved at the end of the supply chain and start opening outlets in promising markets in a matter of months?" CEO, Said Daher, said. The group's portfolio includes: Argo Tea; Columbus Café & Co; Eataly; Pulp; Paul; and The Butcher Shop & Grill.

Another significant player on the F&B scene is **Boubess Group**. Founded in

1977 in Lebanon, the group incorporates companies that operate in the food and leisure industry, particularly in hotels like Le Commodore Beirut, alongside one of the finest health club and spas in the Middle East under the name of Lifestyles Health Club and Spa. However, the group is best known for its wide array of eclectic restaurant concepts, serving around 300,000 customers each month. The restaurants portfolio includes: La Piazza, Beirut and Dubai; Le Relais de l'Entrecôte being franchised to Ashrafieh; Scoozi, Beirut and Dubai; Benihana; Bob's, Dubai; Kaiten; Napoletana, Lebanon and Dubai; The Met; Café Hamra; Café Libanais; Cozmo Café; Magnolia; Café de Flore; Pomodoro; Métropole; Coast; Cucina; The Butcher Shop & Grill Beirut; Angelina; and The Corner at Beirut Souks.

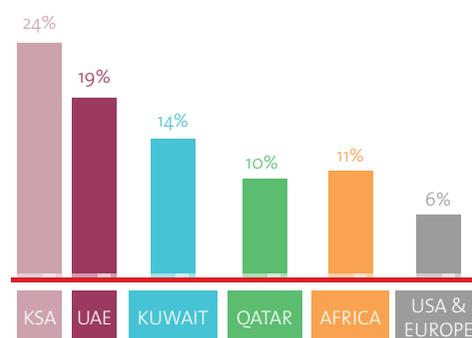


Charles Arbid
President
Lebanese Franchise Association

FRANCHISING LEBANON

When Charles Arbid, President of the Lebanese Franchise Association, was asked why the LFA was so heavily skewed towards the F&B sector, and whether there was a possibility of it becoming more diversified, he responded by saying, "I'd really like to see it go beyond the F&B lead." But, he added, "that's part of the nature of the franchise. We are trying to cover all the sectors, but restaurants offer the biggest potential for franchising."

LEBANESE FRANCHISORS DEALS



A RECENT STUDY CONDUCTED BY PROTOCOL THAT BRIEFED THE MARKET ON THE LEBANESE FRANCHISE SECTOR REVEALED THE FOLLOWING DATA:

- The country's franchises are worth USD 1.5 billion per year and 4 percent of GDP
- The franchise industry employs 99,000 workers
- There are 744 franchise companies in operation, accounting for 6 percent of all national companies
- 70 franchise members are under the LFA, of which 42 percent are restaurants and cafes
- There have been 79 deals made versus 21 terminated
- 14 lead or potential franchisees tap Lebanese franchisors per year, with 2 to 3 percent of negotiations closed
- USD 55,000 is the upfront, initial franchise fees for local franchisees versus USD 184,000 for those abroad
- Marketing fees are 1.9 percent of sales for local franchises versus 2.1 percent for those abroad
- Royalties are 4.9 percent for local franchises versus 5.4 percent for those abroad
- Average fees charged by international franchisors are: franchise fees - USD 157,000; royalty fees - 9.2 percent; marketing fees - 4 percent
- Franchise deals made by Lebanese franchisors by geographical location are divided: KSA - 24 percent; UAE - 19 percent; Kuwait - 14 percent; Qatar - 10 percent; Africa - 11 percent; Europe - 6 percent; and US - 6 percent
- 1,100 franchise concepts operate locally, of which 450 are Lebanese
- 5,500 is the number of foreign franchise outlets operating locally: 2,400 Lebanese and 3,100 foreign
- The new markets to tap are the south Mediterranean - Morocco, Tunisia, Algeria and Libya - since it is seen as too early to enter Europe. It's also best to choose emerging markets over virgin markets