



# EYE ON LONDON



London is one of the greatest and most influential cities in the world, but when it comes to its culinary heritage, mashed potato and pork pie cannot compete with most of its neighbors.

**Chadi Chidiac**, managing partner of PROTOCOL hospitality management consultancy, weeds through the false analytics

### Market valuation and supply

Eating out is the new normal for UK consumers, referring to the most recent feasibility study conducted by PROTOCOL. Results revealed that eating out accounts for 22 percent of British consumer spending, with one out of six meals eaten out by the end of Q2 2016 compared to one out of eight in 2008 and one out of nine in 2009. The BREXIT turmoil and the slow economic growth are less impactful than feared, though consumers are employing various money saving tactics in order to maintain their eating out habits. The British restaurant industry, currently worth around £40 billion (USD 53.2 billion) in 2015 has experienced a year-on-year (YOY) average growth of around £1 billion (USD 1.3 billion). The industry scored a hefty £31 billion (USD 41.2 billion) of consumer spending in 2006, compared with some £7 billion (USD 9.3 billion) in 1981, taking into consideration a four to seven percent inflation rate on a yearly basis on raw materials and food supply for the same period under study.

With an impressive 110 openings on average for the last 10 years, versus 70 closures, leaves us at around 40 viable operations per year, knowing that annual new openings in the city stand at about three times the rate witnessed 15 years ago. The current market offers around 18,350 units and around 2.75

million seats, scoring an impressive £18,180 (USD 24,221) return per seat per year, spread over all tiers.

### Rising trends

London high streets are targeted by chain restaurants. Over recent years, there has been a mild increase in the number of chains and a decrease in the average size of a chain. Some of the newer chains, the Clapham House Group and Gourmet Burger Kitchens for example, are relatively small, suggesting that newer brands tend to be more focused.

London has seen the development of numerous upscale restaurants, some of which evolved around celebrity chefs such as Jamie Oliver and Gordon Ramsay. The Gordon Ramsay group, which encompasses 29 restaurants sharing six Michelin stars, has been struggling since the 2008 financial crisis, which chief executive **Stuart Gillies** admits "almost killed us". Pre-tax losses went down from £6.4 million (USD 8.5 million) in 2013 to £2 million (USD 2.6 million) in 2014, and accounts published at the end of May showed losses fell again to £0.7 million (nearly 1 million dollars) in the last 12 months until September 2015. Gillies remained confident claiming that the company would be in profit by next year. Sales grew 12.6 percent to £50.3 million (USD 6.7 million) in 2015 after the group expanded outside

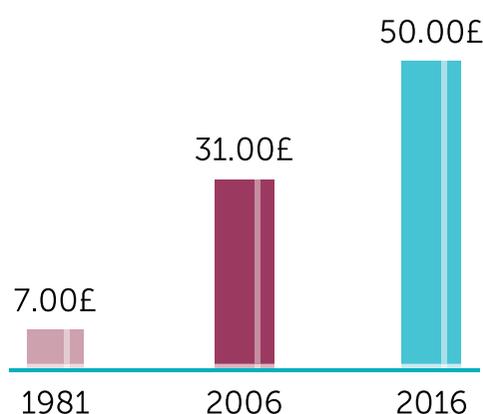


Stuart Gillies, chief executive of Gordon Ramsay group

London to Hong Kong, Singapore and Dubai. The group registered a rise of 41 percent in EBTI to £5.7 million (USD 7.6 million).

The same study noticed that consumers are becoming increasingly bold with their choices. Around 2,900 restaurants and around 420,500 seats (approximating 16 percent of the current market supply) are ethnic concepts. The study forecasted a steady rise in ethnic cuisine of around 45 percent since 2012 until the end of Q2 2016, registering an 11 percent growth in 2011 alone. The Asian and Oriental restaurant sub-industry is relatively large. The branded coffee shop sub-industry has grown substantially over the last few years. The largest 13 brands now operate

## Restaurant Industry Valuation



approximately 2,500 outlets compared to 1,000 just three years ago.

With nearly £2 billion (USD 2.6 billion) in annual sales, the high-growth, high-value UK pizza sector also offers serious opportunity for operators. Japanese restaurants have a strong presence as well with over 220 outlets and around 25,300 seats, totaling close to £138.5 million (USD 184.5 million). And when looking into the favorite menus, Indian comes first with 21 percent followed by Chinese at 20 percent, while traditional British cuisine ranked third with 18.5 percent. A gender split analysis revealed that Italian is more popular among women (21.3 percent), while British meals are more popular among men (21.7 percent).

## CONSENSUS & KEY FINDINGS

- On average, consumers in London spend £12.95 (USD 17.28) a week on eating out plus £2.72 (USD 3.62) on takeaways and £8.19 (USD 10.91) on alcohol.
- Food prices rose 3.8 percent in real terms between 2006 and 2015 (with 13 percent in 2009 alone).
- 1.1 billion meals are eaten out a year in London or 128 meals for every resident.
- There are around 18,350 units and around 2.75 million seats in London.
- Around 43 percent of the total number of outlets are estimated to be independent (7,890).
- The return per seat in London's restaurants registered at an impressive £18,180 (USD 24,228) in 2016.
- The informal eating out sector is now a top ten industry, employing 339,000 people in London.

## MIDDLE EASTERN INFLUENCE



Marlon Abela, owner and manager of MARC

The Middle Eastern concepts register strong presence in the British capital with slightly over 460 units and around 138,000 seats, enjoying popularity

due to the generous mezze and sharing culture. Lebanese and Middle Eastern restaurants that recorded the highest popularity according to the survey were Comptoir Libanais, with a medium/low guest check average of around £20 (USD 26.64), Noura with a reasonable guest check average of around £35 (USD 46.70), Ishbilila with an extremely reasonable average check of around £10 (USD 13.34) to £15 (USD 20.01) including a £2.5 (USD 3.33) cover charge imposed by 90 percent of the capital's restaurants, and Marouch, famous for his shawarma, fresh juices and belly dancing.

A noticeable group and figure worth mentioning is MARC (Marlon Abela Restaurants Corporation); owned and managed by **Marlon Abela**, 41, a Lebanese-born young-gun restaurateur, businessman and columnist; son of Lebanese contract catering giant and businessman Albert Abela and founder/owner of Albert Abela Corporation. MARC group owns and operates an array of restaurants, bakeries and night clubs in

London and New York like The Square, a two Michelin star restaurant, UMU, a high-end Japanese restaurant with a Michelin star, IS, the only restaurant in London to offer authentic kaiseki cuisine from Kyoto, The Greenhouse with two Michelin stars and 4 AA Rosettes serving traditional French cuisine at central London. A Voce is another upscale venue with two branches, and Morton's is an eclectic mixed-use concept housing a members club, a restaurant, a lounge, a night club, as well as a wedding and events venue.

"Location is key. Our initial plan is to open 30 restaurants in London, Las Vegas, Atlanta and Dubai; all in prime locations but following a gradual approach in order to maintain quality," Marlon Abela said. His blueprint also encompasses a line of casual fine-dining restaurants, with lower spend. Cassis Bistro, for instance, offers three courses for just £19 (USD 25.35). Other concepts includes MARC Patisserie, MARC Bakery, Greens, Bistro du Midi, Morello Italian Bistro and O.W.Loew to name a few.

## LONDON CALLING LEBANESE CUISINE

If you're thinking about a move to London, restaurateurs can gain valuable information from those who have already walked the path.



### AUBAINE

Born and raised in Beirut, in a family relishing food and hospitality, **Hani Nakkach** founded Aubaine restaurant, a French restaurant, boulangerie and patisserie in London in 2005. "As a dining experience this was still new to London, but now it is widespread across London and Europe."

Challenging though exciting, building the team was a main issue. "I had to create a team that shared the same beliefs as me, knowing that service and ambiance are inseparable from good food." Finding the right source of fresh and organic ingredients was another key issue. "I still remember prior to opening the first Aubaine, how we travelled across France every week searching for the best butter, flour, cheeses and meat." A few years after debuting in London, the concept found its way to Dubai. "I opened in Dubai mall and then a second restaurant in City Walk 2. In Dubai, Aubaine is one of the first fine casual eateries, mixing French cuisine with its own dedicated artisanal boulangerie/patisserie."

[aubaine.co.uk](http://aubaine.co.uk)



### THE CEDAR RESTAURANT

The Cedar Restaurant was established in London by Georges Aarayas in 1997. **Chef Sami Khoueiry**, who had previously worked in Lebanon with Chef Joe Barza, joined the restaurant's team in 2005. He then bought the restaurant in 2011.

After the takeover, Khoueiry introduced a delivery concept with Chef Marios Nahed. This changed the previous presumption that Lebanese food is expensive, with no takeaway or delivery service. "We turned into true competitors in the delivery business. As proof, the Cedar Restaurant won 'Best Takeaway in 2014' in the UK, among 9,000 competing restaurants including Chinese and Indian." According to Khoueiry, Lebanese food is very popular across Europe, but particularly in the UK. "This is mainly due to the high percentage of Arabs in the country, as well as the high traffic of Arab tourists in general."

[thecedarrestaurant.co.uk](http://thecedarrestaurant.co.uk)



### BRGR.CO

**Chef Hussein Hadid**, founder of BRGR.CO, PZZA.CO and the most recent Deli.Co restaurants found fame in London before coming back to Lebanon. "The market in London is very competitive and challenging. If you want to go global, there is no better place to be. "If you open your

concept in London or in New York, you immediately become a global brand." Hadid started in London in 2012, establishing his burger concept. "Burgers are very popular. They are a food item that appeal to a wide audience." BRGR.CO has a price bracket that caters to a diverse audience. "You have to prove yourself in the market, with quality and pricing. People will always acknowledge good quality products and service." As far as investment, the London market is far more exigent compared to the Lebanese. "Whatever you invest in Lebanon is doubled in London."

[thebrgr.co](http://thebrgr.co)



### COMPTOIR LIBANAIS

Though brought up with Algerian food, **Tony Kitous**, founder of Comptoir Libanais, chose to create a Lebanese food concept. The first Comptoir opened its doors in London in 2008. "We have managed to promote and put Lebanese cuisine on the map, not just in

London, but across Britain." Cookbooks, TV and radio appearances, have made the eatery more popular. "The place is constantly evolving, through menu facelifts and updates, keeping guests excited." Each new restaurant has its own personality depending on the building itself and the location etc. "I am constantly traveling around the Middle East and afar, seeking inspiration and ideas, from tile patterns to upholstery and crockery for our Comptoir Home range," said Kitous. With his business partner Chaker Hanna, Kitous has increased the restaurant's network to 23 outlets across the UK. A few more openings are planned, including one in Abu Dhabi.

London has been a fertile and welcoming ground for several Lebanese F&B concepts. According to Kitous, these outlets do not compete. Rather, they work together to make Lebanese food a widely recognized cuisine. "It's as popular as Italian or French. We are celebrating Lebanese food, culture and hospitality, as it truly is one of the best in the world."

[comptoirlibanais.com](http://comptoirlibanais.com)