



Qatar's Food & Beverages Sector

Sector Analysis

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1. Food & Beverages Sector Overview

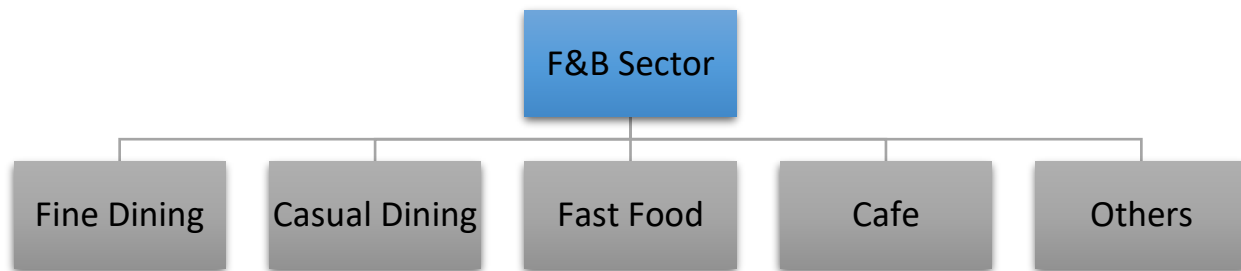
The food and beverage (F&B) sector comprised of companies involved in the preparation and serving of food and beverages items for immediate consumption. The global food and beverages market is expected to reach \$7.22 trillion in 2023. This represents a compound annual growth rate (CAGR) of 7.3% from 2022. (The Business Research Company, 2023) The growth trend is expected to continue due to rising population, increasing disposable incomes, expanding e-commerce sales channels, and growing demand for organic and functional foods and beverages.

The Asia Pacific region is expected to be the largest and fastest-growing market for eating out in the coming years. This is due to the region's large and growing population, rising disposable incomes and urbanisation trends. Key markets in this region include China, India, Japan, and South Korea. The North American (United States and Canada) eating-out market is mature but still growing. This growth is driven by increasing urbanisation, rising disposable incomes, and growing demand for convenience. As far as the European eating-out market is concerned, it is also a mature but growing market. Key markets in this region include the United Kingdom, France, and Germany.

The F&B sector of Qatar has thrived over the years due to the cultural diversity of the country's population and tourism growth that has given rise to a host of restaurants serving various cuisines from around the world. Eating and drinking are considered an integral part of culture, and it is an important medium of socialising. The market size of the F&B sector of Qatar is estimated to be US\$8.9 billion in 2023, and the market is expected to grow annually by 5.62% (CAGR 2023-2028). The F&B sector is a major contributor to the Qatari economy, accounting for approximately 1.5% of GDP. The sector also employs a significant number of people, directly and indirectly. The Qatari government supports the food and beverage sector and has taken several steps to promote its growth. These include providing financial incentives to investors, developing food processing, and packaging facilities and encouraging the adoption of new technologies. (Statistica, 2023).

2. Qatar Food & Beverage Market Segmentation:

The F&B sector of Qatar can be divided into five segments with each segment catering to different target markets across nationalities and income groups. The market segments are as follows:



2.1. Fine Dining

A fine dining restaurant offers a high-class dining experience with a per-person meal price over QAR 300. Five-star hotels are considered prime locations for fine dining restaurants as they provide an upscale environment, access to hotel guests and tourists and permission to sell alcoholic beverages. Examples of fine dining restaurants in Doha include Nobu and Hakkasan. Fine dining contribution towards overall F&B revenues is relatively small compared to other segments.

The presence of a high-income consumer base in Qatar and tourist arrivals provides opportunities for fine dining restaurants as consumers have the ability and spending power to visit high-end restaurants. Moreover, the fine dining experience is much more than food—it's about overall customer experience. Fine dining restaurants must adapt to changing consumer preferences and footfalls to succeed. Setting up a fine dining restaurant is expensive, requiring investment in décor, chef training, and ambience. Additionally, there is a risk of food waste, as fine dining restaurants typically focus on serving fresh food. Secondly, the rapid development of hotels in the country may lead to an excess supply of fine dining restaurants and result in lower customer footfall as the customers are divided over many hotels.

2.2. Casual Dining

A casual dining restaurant serves food that is reasonably priced in a casual setting with per-person meal prices ranging from QAR 100-150, e.g., Nando's, Applebee's, Al Shami Home, etc. This price range includes an appetiser, main course, and dessert, as well as a drink. The share of casual dining restaurants in the Food and Beverages sector revenues of Qatar is estimated to be around 25-30% (Ken Research, 2021). Casual dining restaurants are a popular choice for Qataris and expatriates alike.

They offer a variety of cuisines at affordable prices, making them a good option for families, friends, and business meetings. The casual dining sector in Qatar is expected to grow in the coming years, driven by factors including increasing tourist arrivals and the growing popularity of dining out.

Casual dining centers are more affordable to a broader customer base, and this is the reason why it accounts for the largest share of F&B sector revenues. Moreover, these restaurants are geared towards families—therefore, the footfall is relatively higher. Competition is the biggest challenge faced by casual dining centres, along with price-sensitive customers. Increased inflation and pressure to keep up with competition means that casual dining centres have limited ability to pass on increasing costs.

2.3. Fast Food Restaurants

Fast food restaurant provides standardized food with a focus on speed of service, e.g., McDonalds, KFC and Burger King. The meal price per person ranges between QAR 25-30 (Numbeo, 2023). This includes a burger, fries, and a drink. However, the price can vary depending on the type of restaurant, the location, and the items ordered. For example, a meal at a McDonald's or KFC will be less expensive than a meal at a more upscale fast-food restaurant, such as Five Guys or Shake Shack. Fast food restaurants focus on convenience and speed of service; therefore, most of these outlets operate on a standalone basis.

The principal advantage of fast-food restaurants is the standardization of menu and product consistency. However, a major challenge being faced by them is a shift in consumer preferences towards healthier eating. Fast food is generally not considered healthy, and a shift in consumer preferences towards healthier food options will diminish their target market. This will also enhance rivalry amongst existing players as they would have to compete for an ever-shrinking share of consumers.

2.4. Cafes

A cafe is a restaurant that does not offer table service. Customer order their food from a counter and serve themselves. Cafes serve a mix of food and beverage products, including coffee, hot and cold drinks, pastries, baked goods, sandwiches, etc. A Cafe operates in a wide array of price points with average meal price per person ranging from QAR 30 to QAR 50 (Numbeo, 2023).

A Café's role in acting as a place for socialising or meeting helps preserve its relevance. None of the other segments can act as a substitute for cafes in this regard. Therefore, the target market of cafes is specific, and it's difficult for other sub-segments to compete with cafes in this arena. However, Cafe's face competition from other cafes, given that a wide variety of them serve a relatively small geographic area.

2.5. Others

The Other's category includes cafeterias, dessert parlours, and beverage outlets. Cafeterias include small-scale food and beverage outlets with a focus on economical prices rather than decor and service. The price per person for each meal ranges from QAR 5 to QAR 30. Dessert parlours are primarily engaged in the service of ice-creams and desserts such as Baskin Robbins, Cold Stone, etc. Beverage outlets serve fresh juices, milkshakes, tea, coffee, etc. Some of the examples include Forty Fruity, and Tutti Frutti.

3. Qatar Food & Beverages Growth Drivers

The growth drivers contribute towards the progress of the F&B sector and are directly linked with the changes in the infrastructural landscape and economic development initiatives undertaken by the government. The five main growth drivers are as follows:



3.1. Government Support

The Qatari government has undertaken numerous initiatives to encourage its local companies to expand into regional and international markets, as envisioned in Qatar National Vision 2030. These initiatives include the establishment of Hamad Port, participation in food expos and development of new malls and hotels.

The establishment of a new major seaport in Qatar (the Hamad Port) will assist in finding export markets for local companies operating in the F&B sector. In addition to finding export markets, the development of this major seaport will also allow convenient import of raw materials related to the F&B industry. Therefore, Hamad port, with its geostrategic location, will allow local companies to charter new trading routes and strengthen trade relations with external markets.

In 2021, the Qatari government launched a new initiative to promote the export of Qatari food and beverage products to international markets. The initiative includes a number of measures, such as organising trade missions, participating in trade fairs, and providing financial assistance to exporters. Furthermore, The Qatar Development Bank launched a new program in 2022 to support the development of small and medium-sized enterprises (SMEs) in the food and beverage sector. The program provides SMEs with access to funding, training, and mentorship (QNA, 2023).

3.2. High-income Consumer Base

Consumer base plays an important role in the F&B sector. The Qatari consumer base characteristics are favourable for the F&B sector, and it is one of the primary reasons for a positive outlook of the sector. These characteristics include high income, young/urban-based and a growing expatriate population. The benefit of a young consumer base means a preference for eating out is high as compared to cooking at home. Moreover, the willingness to use technology in ordering food and exploring food delivery options is also high. All these factors support sectoral growth. In the long run, rising income translates into greater demand for healthy eating options and premium goods. This will encourage consumption of certain market segments such as Organic Food, Diet Food, etc.

3.3. Construction of New Malls and Hotels

Qatar is undergoing considerable development owing to a government drive towards achieving self-sufficiency in the food industry and diversification of the economy away from hydrocarbon-based industry. The construction of new malls and hotels will expand the options and reach of food and

beverage companies by multiplying avenues available for consumption. By the end of 2023, Qatar is expected to add 40,000 hotel rooms. Moreover, 46 hotels were opened last year, comprising of at least 9,000 hotel rooms. The hospitality sector in Qatar is expected to add some notable establishments in the near future, including the Corniche Park Towers, Doha Live, Four-Season Luxury Residence, and Burj Damac Seaviews. However, the significant increase in supply in Q4-2022 and 2023 is likely to dampen performance, as the number of tourists is not expected to increase at the same rate. The main drivers of tourism growth in the coming year are expected to be major events, the cruise season, and transit passengers (Gulf Times, 2023).

3.4. FIFA World Cup

The hosting of the FIFA World Cup 2022 had a significant impact on the food and beverage sector of Qatar. The tournament brought in over 1.2 million visitors, who spent heavily on food and drinks. According to Qatar Tourism, the food and beverage sector generated over QAR 5 billion in revenue during the World Cup. This represents an increase of over 20% compared to the same period in 2021. The World Cup also created a number of new jobs in the food and beverage sector. The Supreme Committee for Delivery & Legacy estimates that over 10,000 people were employed in the sector during the tournament. The World Cup also helped to raise awareness of traditional Qatari cuisine. Many visitors to Qatar had the opportunity to try traditional Qatari dishes for the first time, and many were impressed with the quality and flavour of the food. This has led to a growing demand for Qatari cuisine, both in Qatar and abroad.

3.5. Limited Entertainment Options

The entertainment options in Qatar are limited due to cultural and climatic reasons (high temperatures). Therefore, eating out is a major source of entertainment and accounts for a substantial part of discretionary expenses.

4. Issues & Challenges Faced by Qatar's F&B Sector:

Five main issues and challenges are facing the F&B sector of Qatar, and are as follows:



4.1. Import Dependency

The food and beverage (F&B) sector in Qatar relies heavily on imported raw materials. Even though there are many suppliers in Qatar, so the cost of switching suppliers is low, the sector is still highly dependent on global supply chains because it imports most of its raw materials. The Qatari government is taking steps to reduce the country's reliance on imported food and beverages. For example, the government is investing in domestic agriculture and food processing. However, it is likely that Qatar will continue to import a significant portion of its food and beverages for the foreseeable future.

4.2. Securing a Suitable Location

The location of a restaurant is critical to its success. Different types of restaurants need different locations. For example, casual dining restaurants and cafes are good for malls and popular tourist spots, while fine dining restaurants are better suited for five-star hotels. It can be difficult to find a suitable location at an affordable price, especially in popular areas. This is because the location of a restaurant has a big impact on its profitability and sustainability in the long term.

4.3. Experienced and Competent Staff

Having competent staff is a key competitive advantage in the F&B sector. However, there are not enough qualified people available in the local talent pool, so companies in this sector must compete for the same people. Additionally, if a company chooses to recruit from other countries, this process

can be time-consuming. Once new employees are hired, they also need to be trained, which further delays their induction into the company's operations. Therefore, the limited availability of competent and experienced staff is a major challenge in the F&B sector.

4.4. Changing Consumer Preferences

The growing awareness of health among consumers reflects a change in their preferences. Today's consumers are not just concerned with the health benefits of products but also demonstrate an interest in understanding how products are made and where their raw materials come from. Numerous manufacturers and producers now incorporate natural ingredients while decreasing their reliance on artificial colours and flavours. As a result of consumer health concerns, there is an uptick in sales of products featuring natural ingredients, additives, and colouring agents.

4.5. Delay in Obtaining Licences/Approvals:

Businesses need to obtain licenses and approvals from relevant ministries in order to setup a F&B related business in Qatar. It can be challenging and time-consuming, given the elaborate and likely stringent regulations. Moreover, visits by relevant regulatory bodies also needs to be arranged before commencement of operations. Therefore, delay in obtaining licenses and approvals from relevant ministries constitutes a major challenge to F&B companies operating in Qatar.

5. Sector Outlook

The outlook for the Qatar F&B sector is positive. The sector is expected to grow at a compound annual growth rate (CAGR) of 5.62% from 2023 to 2028 (Statista, 2023). Growth drivers include increasing population, rising disposable incomes, changing consumer preferences and technology.

Qatar's population is expected to reach 2.8 million by the end of 2023 and is projected to grow to 2.9 million by 2025 (Trading economics, 2023). This will increase the demand for food and beverages. Moreover, Qatar has one of the highest per capita incomes in the world. As disposable incomes rise, consumers are expected to spend more on food and beverages. The significant disposable income among consumers in Qatar, coupled with their strong preference for food as a primary form of entertainment, serve as additional catalysts for the growth of the food and beverage industry. Additionally, Qatar's predominantly hot and arid climate ensures a consistent demand for beverages, with water and carbonated drinks expected to play a more substantial role in boosting sales

compared to alcoholic beverages. It's worth noting that government restrictions on the sale and consumption of alcoholic drinks will limit their potential for growth.

Qatari consumers are becoming more health-conscious and are demanding healthier food and beverage options. This is leading to an increase in the demand for organic, natural, and functional foods and beverages. The growing awareness of health considerations within the food and beverage industry is anticipated to create greater prospects for manufacturers who can introduce healthier alternatives in Qatar. The country is witnessing an escalating desire for organic food, driven by a shift towards natural ingredients and functional beverages for hydration, especially as the food processing sector becomes more specialised. Lastly, technology is changing the F&B industry. New apps make it easier and more convenient for people to dine out, for example by ordering and paying for food in advance. This can boost F&B sales. Additionally, the growth of home delivery and click-and-collect services means that companies need less space for their operations. For young urban people, technology is becoming increasingly important for accessing food and beverage options. This trend is likely to continue in the future.

However, there are some challenges that the Qatar F&B sector faces. Major challenges include reliance on imports, rising costs and competition. Qatar imports most of its food and beverages. This makes the sector vulnerable to disruptions in the global supply chain. The costs of food and beverages have been rising in recent years due to factors such as inflation and the rising cost of raw materials. Lastly, Qatar's F&B sector is highly competitive, with several local and international players operating in the market. Despite these challenges, the outlook for the Qatar F&B sector remains positive.

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