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CAPTURING THE COFFEE SHOP MARKET IN THE MIDDLE EAST

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Café Younes

The coffee business in the region is burgeoning with international chains and homegrown coffee shops battling traditional cafés for a share of the business. What does it take to be successful in this competitive market?

There are more than 4,000 coffee shops and tea houses in the region, with both traditional cafés and specialist coffee shops experiencing impressive growth. Serving as an alternative to bars and pubs, coffee shops in the Middle East are an outlet for people to gather and socialize. “Year after year we are seeing people more interested in spending time in coffee shops, in Dubai and also in Lebanon,” said Jeanine Ghosn, managing director of Gabriel Bocti (regional distributor of French-roasted Cafés Richard).



Amin Younes
Chief Executive Officer
Café Younes



Koen Theunis
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Massaad Fares
Managing Director
La Maison du Café-Café Najjar



Walid El Hachem
Managing Director
Moka & More

Figures attest to this trend. According to Euromonitor, the UAE saw USD 122 million in modern coffee shop growth from 2007 to 2012. This growth was led by international operators such as Starbucks and Caribou Coffee, while French cafés such as Paul, Eric Kayser and Ladurée are part of the mix. Locally-brewed chains of Western-style coffee houses such as Café Younes and Moka & More are also taking sips from this cup. “There’s definitely lots of space to grow,” concurred Amin Younes, chief executive officer, Café Younes.

Independent coffee shops are on the rise in the UAE in particular. “While a lot of the Middle Eastern clientele is still attracted to known brands rather than local start-ups, this trend is already being reversed in Dubai. It needs more time in the rest of the GCC,” said Koen Theunis, managing partner of the Dubai-based restaurant consultancy KTConsulting & Concepts.

Far from getting left behind, traditional cafés have reinvented themselves to keep up, copying the clean lines of international competitors, and opening outlets that are spacious and modern, yet offer Arabic-style coffee alongside espresso-based beverages and WiFi. Once the domain of men, many traditional cafés now draw in women, students and youth.

Risks and Mitigation Strategies

The growing popularity of coffee shops as a gathering place has not been without its risks. Massaad Fares, president, La Maison du Café-Café Najjar, said that customers began spending long periods of time reading, people-watching and socializing, but with low consumption levels, “dropping the return on investment (ROI) to dangerous levels. Here the industry had to work hard to find new strategies not only for drawing customers into coffee shops, but also into spending; thus upgrading the ROI.”

According to Fares, shisha continues to be an important source of revenue for traditional cafés. “This is why the terrace has become the most important element of a coffee shop location,” Fares said, adding that finger food and even “mini menus” of different ethnic varieties and sophistication can help draw an all-day eating crowd to coffee shops.

At Moka & More, prepaid cards including gift cards, loyalty cards and payment cards have been successful at bringing in new and repeat visitors. The cards “provide our customers an additional sense of belonging,” says Walid El Hachem, managing director of the Lebanese coffee franchise Moka & More. Another way to maximize ROI is of course to keep investment expenses down. Moka & More offers three models: independent outlets, mall outlets and kiosks. “The kiosk option is especially effective due to the low investment needed to raise it up and the important sales generated, mainly when installed in good locations such as airports, universities...and even malls,” says Hachem.

“I think that coffee shops should look more at the quality of their products rather than focusing on their ROI,” said Theunis. “A good selection of homemade bakery items, salads, sandwiches, desserts, some hot items, and most importantly healthy alternatives, will attract a much wider audience that will be happy to pay for homemade food.”

“It is no secret that Arabs have a sweet tooth and love their pastries and cakes,”

Theunis added. Local sourcing of pastries ensures freshness, and can enable international chains to cater to local tastes, such as with the zaatar croissant offered at Starbucks in the region.

Ghosn suggests menu diversity to gain business. “Innovation in coffees and drinks is a plus. And when you propose fresh juices, smoothies and different kinds of healthy teas, you are targeting a larger audience. That’s a plus, compared to outlets that stay very traditional.”

Standing Out from the Crowd

Despite remarkable growth in coffee houses, experts believe that plenty of opportunity remains for those with a fine-tuned concept. “The organic, fair trade and locally-roasted coffee has well and truly arrived in Dubai. Coffee concepts that have their own roaster and bakery will pop up everywhere the next couple of years. With the increasing number of homegrown coffee outlets, I see the big players slowly losing ground in stand-alone locations. Mall locations will continue to be interesting for global brands for now, but may lose clientele once local players get their hands on better locations at reasonable lease rates,” said Theunis.

Attracting and retaining customers takes more than a great menu. “Often the main reason to visit an outlet is maybe not coffee, but the location, conviviality of the place and food offering,” said Ghosn. “I think that the outlets or brands that might lose ground are the ones who are not upgrading their facilities in terms of comfort and services.”

“Whenever you give something for free – WiFi, extra products and free refills – the customer will become a regular,” observed

Younes, who has his eye next on expansion in Dubai, followed by smaller markets such as Kuwait and Qatar in the future.

Free WiFi has become de rigueur, but it is not enough. Independent coffee shops in Dubai have become creative in their quest to conquer customers. Building on the tradition of backgammon to accompany coffee, several outlets offer Western board games to accompany their cappuccinos. Others blend books and beverages with concepts ranging from cozy libraries to modern book stores, while Café Rider in Dubai combines its coffee with custom motorcycles. Also in Dubai, MAKE Café offers workspace for hire, while in Lebanon, Urbanista has become the de facto home office for many.

For Younes, the local origins of Café Younes is an important factor in their success. “Some customers appreciate that we are local – that’s our niche. And knowing our clients a little more is an added value.” Local chains have the flexibility to respond to local preferences, as Café Younes did when it introduced its cardamom cappuccino; originally suggested by a customer, the beverage has been very successful.

La Maison du Café –Café Najjar seeks to set itself apart with its extensive coffee menu. Offering up to 18 different origins of coffee in Lebanese-style, espresso and American coffee, La Maison du Café – Café Najjar targets coffee connoisseurs, and has trained its baristas and wait staff accordingly. Fares said, “For us, coffee is a culture, a gathering, coffee is for happy moments, and for all occasions. We aim to continue promoting coffee and the knowledge of coffee.”

