

مؤسسة محمد بن راشد للتنمية
المشاريع الصغيرة والمتوسطة
DUBAI SME



إحدى مؤسسات دائرة التنمية الاقتصادية - حكومة دبي
An Agency of the Department of Economic Development - Government of Dubai

**A SMALL AND MEDIUM ENTERPRISES DEVELOPMENT
PERSPECTIVE OF THE
HOSPITALITY INDUSTRY
IN DUBAI**

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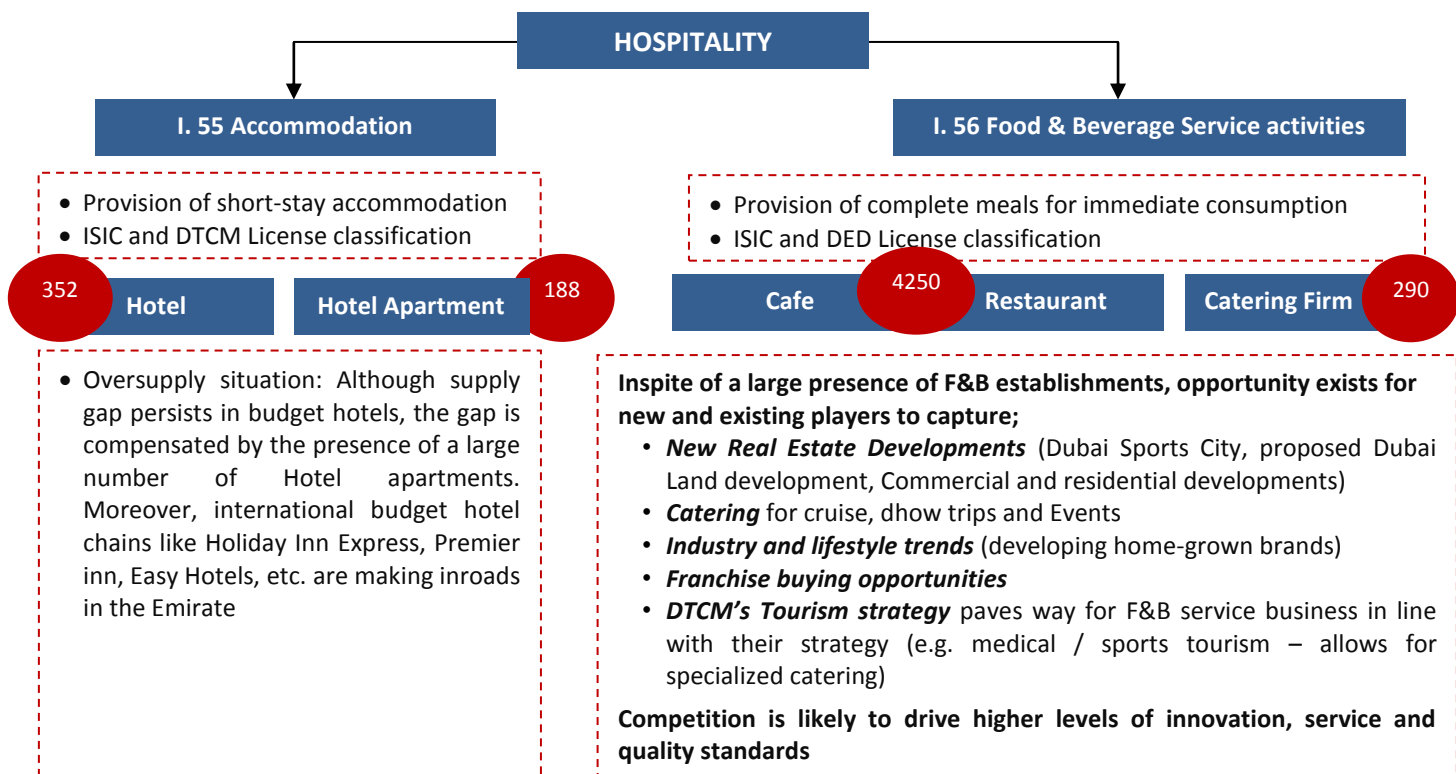
Industry Cluster Studies: Hospitality Industry

‘Culinary Entrepreneurship’ --- the report highlights potential opportunity for culinary experts as well as Food & Beverage entrepreneurs to set-up innovative concepts (comprising food, environment & service) and brands that can be globalised / internationalized.

Dubai is known for its hospitality industry upscale properties as tourism destinations and myriad cuisines prepared by renowned chefs from across the world. The cosmopolitan nature of the city is shaped by a large number of franchised brands. Although hotel properties include established local brands (like Jumeirah Group), the F&B service scenario is dominated by international chains. The lack of locally developed F&B concepts highlights the absence of culinary experts and low risk taking by food entrepreneurs.

The report is a baseline study of the Hospitality Industry in Dubai. The study encompasses Hotels and F&B service outlets (Restaurants and Catering firms) with focus on businesses with greater SME orientation: F&B Service. The objective of the study is to aid business plans for new SMEs and aid decision-making for policy-makers.

Industry Taxonomy and Current Status in Dubai ¹(ISIC Revision 4)



¹ DTCM and Dubai Chambers 2009

Current situation analysis of the Food & Beverage Service (restaurants, cafes, catering firms) highlights dominance of franchised brands (in quick service restaurants and casual dining outlets). The SME-friendly business underlines opportunity for development of home-grown concepts and promoting 'local food' techniques and recipes. Moreover, the catering business for cruise, events, institutions and industries in Dubai presents an opportunity for culinary entrepreneurs.

The F&B service industry in Dubai is 'Vibrant': variety of cuisines, range of options and focus on ensuring food safety. The roadmap hence is to allow development of innovative home-grown concepts that add to the vibrant F&B environment and can be exported to the world as a successful Dubai franchisee.

For entrepreneurs: Key considerations for setting-up a business and opportunities

Potential Opportunities to develop 'Home-grown brands' based on Key Trends	
Cafes	<p>Cafes and Juice bars are popular and offer SME opportunity to cater to new developments</p> <ul style="list-style-type: none"> Expansion of new business hubs and residential communities is feeding the coffee culture Competition driving cafes to offer innovative products, themes, merchandise and even vending machines Increasing popularity of specialty coffee beverages: Bateel, Davidoff Café and luxury tea brands Increasing Health Awareness – “meals in a glass” gaining significance
Catering	<p>Institutional Catering</p> <ul style="list-style-type: none"> Schools are beginning to see the importance of providing healthy food. Further, hospitals are providing specialised catering services for patients with varied needs. Hotel Apartments are not allowed to own F&B outlets at their premises; hence they rely on catered food for their requirements. Growth in number of tourists is expected to boost the market for hotel & restaurant supply (semi-finished, prepared food) business. Further, corporate lunch box catering is on the rise in Dubai, with large number of small catering firms offering a variety of cuisines <p>Industrial Catering</p> <ul style="list-style-type: none"> Catering business will continue to be lucrative for supply to cruise liners, desert safaris and luxury yachts Expansion of industrial capacity will increase demand for industrial catering

<p>Quick Service</p>	<p><i>Entry of new SMEs in this category will depend on creating processes which are easy to follow & replicate</i></p> <ul style="list-style-type: none"> • Supermarkets have become a destination for the outlets • Franchise Buying - Events like Franchising Middle East offer opportunity to interact with foreign and regional franchise sellers.
<p>Casual Dining</p>	<p><i>The changing consumer and lifestyle trends require refurbishment of existing brands based on new trends for staying ahead of competition. Some examples are;</i></p> <ul style="list-style-type: none"> • Combining leisure & entertainment with eating-out • Multi-specialty cuisine offering
<p>Fine Dining</p>	<p><i>Fine Dining involves heavy investment in ambience - creating an atmosphere that provides exclusivity and personalized service. As such these are either driven by Hotels themselves or well-renowned chefs</i></p>

Potential opportunity to adopt franchised brands

Entrepreneurs can become franchisees of popular international and regional brands as a first step towards understanding the F&B business. Exhibitions, such as Franchise Middle East, provide prospects for franchisee buyers in Dubai.

A large well travelled pool of nationalities in the Emirate provides a case for increased adoption of international brands.

For Policy makers: Initiatives to create an enabling environment for SMEs to thrive.

	Key Issue	Root Cause
Initial Set-up	Restaurants: Difficult for SMEs to find a location in a mall	<ul style="list-style-type: none"> • Mall Developments are not known publicly • Requirements to be in a mall are unclear for SMEs
	Catering: Industrial areas are not well-equipped for food catering business	<ul style="list-style-type: none"> • No other area other than DIP available for Catering • Non-polluting industries clustered together with polluting industries
Licensing and Certification	Restaurants & Catering: Process is complicated and unclear	<ul style="list-style-type: none"> • Licensing requirements are unclear • Frequent change in rules and regulations without notice
Operations	Restaurants: Supplier unpredictability	<ul style="list-style-type: none"> • Suppliers prefer large players and may not offer consistent goods to a small player
	Restaurants & Catering: Issues in staff retention	<ul style="list-style-type: none"> • Staff at QSR, Casual Dining and Catering firms are low skilled with little or no qualification in F&B/Culinary fields • Uncertainty and high cost of recruiting
	Lack of Legal Representation for SMEs	<ul style="list-style-type: none"> • Inability of SMEs to handle litigation • Lack of transparency and professionalism in registering trade names • Lack of stringent governance and monitoring in case of in-disciplined employees • Sudden changes in Mall rules
Growth	Restaurants: Hesitation to grow	<ul style="list-style-type: none"> • Standardisation • High dependence on a single chef • Lack of understanding of franchising rules and regulations

Based on the study and its findings, the report provides possible solutions in the form of initiatives: Advocacy, Seeding and Grooming for New SMEs and Existing SMEs.

	Dubai SME objectives	Possible Hospitality Initiatives
ADVOCACY	<p>Advocating a pro-business environment for entrepreneurship and SME development</p> <ul style="list-style-type: none"> • <i>Through:</i> Policy/ Regulation changes at the Federal/ Emirate level. These may require intervention by Government body. 	<ul style="list-style-type: none"> • CATERING: Clustering of food related industries To promote clustering of food related industries (catering firms) in one location. This will ensure food safety as well as allow for adequate utility investments for the cluster. • SME representation in Law To create a committee of lawyers at Dubai SME to help resolve SME related issues at lower costs. Create a website to offer resources, find lawyers, information on enforcing contracts, employment issues, fraud, payment terms, trademarks, service level agreements, invoicing and payment terms, claims, etc
SEEDING	<p>Seeding a pipeline of innovative start-ups</p> <ul style="list-style-type: none"> • <i>Through:</i> Initiatives and programs which are directed towards SMEs by Dubai SME or with collaboration with Industry/government partners. These are focused on initial set-up and New SMEs. 	<p>Initiatives focused on seeding home-grown innovative concepts in Dubai</p> <ul style="list-style-type: none"> • Culinary Incubator (combat fear of failure) Tie-up with International Culinary Institute (ICCA) and Emirate Hospitality Academy (EHA) to provide incubator space for professional chefs as well as food lovers, to test their products. Such space can be provided for food-entrepreneurs for a trial basis (say 6 months) after which the entrepreneur can decide to start alone. The facilities will be HACCP compliant as well as meet the commercial requirements of food service. • Check-list for start-ups (to avoid common start-up mistakes) The check-list created during research can be used as a tool to help new SMEs. The check-list can be used in the Enterprise Start-up program of Dubai SME. Further the check-list can be uploaded as an SME tool-kit (such tool-kits can be prepared for every SME business). • Foodservice management program with ICCA, ECA A fast track program to enable entrepreneurs without any F&B background to gain understanding on HACCP and other food related issues

GROOMING	<p>Grooming a pool of promising Dubai-based SMEs to be global enterprises</p> <ul style="list-style-type: none"> • <i>Through:</i> Initiatives and programs which are directed towards SMEs by Dubai SME or with collaboration with Industry/government partners. These are focused on operations & growth and Existing SMEs. 	<p>Initiatives focused on promoting locally developed SMEs to grow and expand outside the Emirate (internationalization)</p> <ul style="list-style-type: none"> • Grants for internationalization (Local to Global) Grants can be provided to local firms to develop their internationalization plan (consultants, manuals, processes, etc) • Link to existing program on Franchise Middle East Extend the program to help homegrown brands find franchise partners outside the Emirate. • Networking – to introduce successful SMEs with other entrepreneurs who can open additional outlets • Group Buying Schemes This will enable small businesses to enjoy group benefits in buying inputs & equipment. E.g. group buying website, cards which allow preferential access to suppliers.
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Overall, Dubai's Hospitality industry has a positive future outlook, leading to a positive growth expectation for businesses in the industry. Adopting initiatives to address remaining challenges will lead to further enhancement of the business environment for the SMEs. However, a coordinated effort between the industry leaders, SMEs and the government will be required to adopt & execute the appropriate initiatives.

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