



Street food

Small chains, vans, and kiosks are taking the restaurant business by storm

Eating out is fast proliferating a slew of kiosks and food trucks, in response to changing social habits and purchasing power. With approximately one tenth of the start-up costs and a return on investment in as soon as six months, street eateries represent a less risky and more affordable way to start a food and beverage business in times of crisis.

MARKET EVOLUTION

Over the past five years, the market for restaurants has evolved significantly, from Lebanese cuisine with a twist, to fusion cooking, to burger joints, and international branded diners. Most trendy restaurants were catering to a middle to upper end clientele. But with the slowdown in tourism and a drop in average purchasing power, the restaurant scene has been compelled to expand into the mass market. "Due to unexpected economic conditions, market evolution in the last two years was faster

than usual and has produced new phenomena and concepts," said *Ralph Nader*, General Manager of Amber Consulting, a hospitality consultancy agency, and President of the Hospitality Consultants' Association. People who used to pay \$60 per person for a dinner are now paying \$40. "We struggled over the past few years to transform Beirut into a capital of fine dining, but the crisis has led to a market conversion," said *Raja Nasri*, Chairman of Turnkey Venture, another hospitality consultancy. At the leading edge of the new fashion in dining: Street food at affordable prices.

MONO-EAT

Many new eateries serving single-item foods have opened lately. Some are comebacks of local, traditional sandwiches. Falafel Sahyoun, Falafel Arax and Boubouffe, have long since been serving Lebanese street food. According to Nasri, this trend was simply brought back to life, but revisited with a

modern twist. Newcomers include Just Falafel, Green Falafel, and Shawarmanji, among others. These new concepts have led the way and inspired followers. Just Falafel was created by Lebanese entrepreneur *Fadi Malas*, first in Dubai, before opening five outlets in Lebanon in less than two years. The concept has since expanded into the UK, Turkey, KSA, Egypt, Oman, and the UAE, among others. "We are still implementing the local development plan, identifying and securing additional locations," said *Maisa Mannila*, Marketing Director at Just Falafel. She said that the results have been very satisfactory, so far. Shawarmanji also represents something of a turning point in the industry. A market survey was carried out two years earlier to learn what the favorite sandwich of the targeted audience was. The results revealed that after burgers, shawarma was the preference. "We believed we could start this trend through the first shawarma diner," said *Leslie Achkouti*,

CLIENTS

Street food clients are 'on the go' eaters. They care less about location, design, meal presentation or fancy service than they do speed and taste. "They are usually people in a rush, that's why they might be less exigent," said Nasri. Most street food clients tend to be students, employees, clubbers, or passers-by willing to try a different food experience. They belong to a wide age bracket.

According to Mountain Mudd's Rouhana, not all customers are used to street service. "That's why we have opened a Mountain Mudd regular coffee shop to cater to this clientele," she said. But the trend is evolving, and people are becoming more accustomed to the coffee kiosk trend.

LOCATION AND SPACE

Street food is available everywhere. "The location of the street food cart is key when it comes to attracting customers," said Ghandour of Charlie's Hot Dog. Rocket chose to open first in Gemmayzeh because it is a busy neighborhood, especially by night. "Nighttime diners favor our food style," said Bismargi. The City Mall branch was chosen because of the high foot traffic and the exposure that a mall offers. Frank Würst's Semaan said that kiosks are favored close to universities because they are more



efficient and easy to deal with. Food trucks are a different story. "We go where the traffic is," said Gerges of Spuds. The truck is parked in Mar Mikhael at night. By day, it moves close to universities. It even heads to Faqra, Jounieh, and Batroun during public events. Gerges uses an original way to notify his clients. About three hours before the Spuds truck arrives in an area, Gerges alerts his followers on Facebook, Foursquare and Twitter of his next destination.

CERTIFICATIONS

The boom in urban eating also has its problematic aspects. Some observers worry the development of the segment has not been sufficiently supervised by

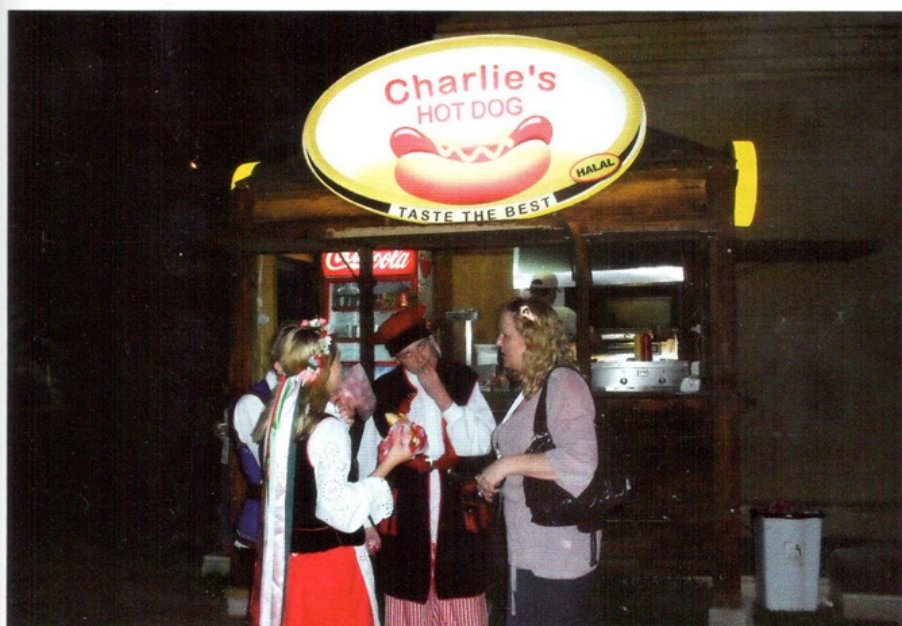
the authorities. Stationary restaurants already have predefined regulations they must follow. An officer at the Tourism Equipment Department in the Ministry of Tourism said that mobile and small kiosks require only a municipal permit. Those planning to include a seated area, even a small one, should gain a license from the Ministry of Tourism. Several food professionals in the market said they have acquired all the needed permits. Mobile food caterers also have to obtain a permit from the local authorities where they operate, such as the Caza or Mohafazat. Spuds'

Gerges said that he spent nearly two years applying for permits and getting approvals from concerned ministries and municipalities. Outside the capital, kiosks are allowed in with a municipal permit. But investors said that so far, no permit is provided for kiosks and mobile trucks inside Beirut. "We had to place the hot dog cart inside our shop in Gemmayzeh, in order to remain legal, while keeping the spirit of the concept," said Ghandour. Hygiene issues also need to be properly addressed, especially in a road setting. Many street food facilities do not contain restrooms for customers and employees to be able to wash their hands. "Once we get the approval from the concerned authorities, we can start working on importing kiosks with toilets," said Ghandour. Frank Würst's Semaan, among others, insisted they ensure proper hygiene in all of their outlets.

Mountain Mudd receives periodic hygiene inspections by a specialized company and professional training from Wayne LeBlanc, International Training Supervisor for Mountain Mudd International.

INVESTMENT

With real estate still costing premiums, small eating outlets have the advantage of limiting the real estate investment and operational costs. Nasri said that launching a street food business is not expensive: "While opening a restaurant costs a minimum of \$200,000, a truck requires as little as \$20,000." Domino's Atwi said that an empty kiosk costs around \$30,000, and the equipment (bakery, refrigerator, etc.) costs up to \$25,000. According to Semaan, a ten square meter kiosk costs around \$20,000.



COVER STORY

HOSPITALITY

Marketing Manager at Shawarmanji. The specialized diner has added to traditional shawarma customized flavors and styles. Starting in summer 2012 with four outlets, the eatery now has nine outlets and more are underway. The restaurant's major shareholders are *Daniel Geor*, *Nizar El-Hachem*, and *Elias Chabtini*, founder of Yabani sushi restaurant, and Le Sushi Bar. Already open in Dubai, Shawarmanji is planning outlets in KSA, Qatar, and London. Their aim is to become for shawarma what McDonald's is for burgers. Rocket restaurant is another new eating concept that opened two outlets, in Mar Mikhael and City Mall. Rocket offers specialty sandwiches prepared with pita bread. *Cheryl Bismargi*, Marketing Manager, said that the menus were prepared under the supervision of well-known chef *Maroun Chedid*. "Serving our specialty sandwiches with pita bread guaranteed a better taste of the ingredients, because French baguette affects the flavors inside," said Bismargi. The concept is owned by Trendies, chaired by *Noel Abi Nader*, who is also Chair of Tecman Industries, an interior design contractor. Market experts acknowledge the new trends but remain a bit skeptical of their potential staying power. "The new concepts have not proven their success and survival yet," said Nader.

KIOSKS

Kiosks are another manifestation of the ongoing miniaturization trend. They are temporary booths used to prepare and sell fast food. Ice cream, pancakes, sandwiches, and hot dogs are currently the most frequent products sold from kiosks. The flexibility and ease with which a kiosk can be opened and closed is a key reason why they are becoming so popular. Charlie's Hot Dog was among the first initiatives to serve this American specialty from a kiosk.

"This is a great medium to attract clients. It's a small place, a small business," said *Ihab Ghandour*, founder of Fun Foods, the company behind Charlie's Hot Dog. Frank Würst is another example of a hot dog kiosk. So far the eatery has three shops and nine kiosks, and is planning more, locally and abroad. *Jad Semaan*, founder of the concept, said hot dogs are appealing and people like to eat them on the go, during the day, or at night. Other eateries use kiosks to test out the market or as a substitute for a full branch. Domino's Pizza recently launched a kiosk in Ghazieh, in Saida. Domino's often installs temporary kiosks at festival grounds and nearby beaches. "We decided to set up a kiosk in Ghazieh to serve an increased demand there, before opening a standalone fixed branch," said *Youssef Atwi*, Senior Supervisor. Coffee is another

Frank Würst hot dog is planning to expand



kiosk classic. Mountain Mudd Espresso kiosks are available in most IPT gas stations. The brand, owned by the IPT Holding, offers a variety of 20 hot and frozen coffee drinks on the go. *Amal Rouhana*, Mountain Mudd Brand Manager, said their kiosk staff is able to serve drivers their coffees in less than two minutes. "The service is reliable and the experience is certainly satisfactory," she said. The company also has mobile kiosks which they use during festivals and events, such as Byblos and Beiteddine, and HORECA, the food industry's annual show, held at Biel.

MOBILE FOOD

Food served from trucks, a well-known concept in the USA, has also started tapping the local market. This restaurant on wheels can serve different kinds of foods, though fast food is favored. Spuds: the Mobile Potato Bar, is one of the first to enter the local market, and focuses on serving baked potatoes. "We were inspired by American food trucks, and decided to create our potato bar because it is a new concept, unlike hot dogs and burgers," said *André Gerges*, who with *Elie Abi Aad* and *Carmen Ghossain* owns Games Food, the company behind Spuds. "Our aim was to create a new addiction, and an alternative to the conventional junk fast food," said Gerges. Spuds' toppings and fillings, inspired by UK and Turkish flavors, set them apart. Spuds offer potatoes at prices ranging from LL6,000 to LL11,000. The menu also includes homemade cookies. Shawarmanji already has trucks that it uses during events and festivals and is considering making them a permanent feature of its business.



Spuds focused on serving baked potatoes



COVER STORY

HOSPITALITY

MAJOR SMALL STORES OR KIOSK CONCEPTS SPREADING IN MULTIPLE BRANCHES

Name	Food style	Phone Number	Website
Shawarmanji	Shawarmas	(04) 716.758	www.shawarmanji.com
Just Falafel	Falafels	(01) 662.707	www.justfalafel.com
Rocket	Speciality sandwiches	(01) 444.415	www.rocket.co
Frank Wurst	Hot dogs	(09) 545.668	www.frankwurst.com
Charlie's Hot Dog	Hot dogs	(03) 446.346	
Mountain Mudd	American coffees	(09) 624.111	www.iptgroup.com.lb
Spuds Potato Bar	Grilled potato with dips	(76) 566.622	
Green Falafel	Falafels	(04) 718146	www.green-falafel.com

Source: InfoPro Research

As for operational costs, a kiosk or food truck remains largely affordable. Mountain Mudd's Rouhana said they hire one employee per kiosk, per shift, and that they have two shifts. They also have limited consumption of electricity, and have fewer expenses. Spuds, for example, has its own generator. Others tap into public electricity poles.

FINANCING

Most of the startup kiosks and trucks are personally financed. "We have received several offers from banks for loans, but so far we are relying on ourselves," said Gerges. Philippe Abou Azar, SME Banking Department Manager at FNB Bank said that they approve loans for such outlets depending on their feasibility study. "There are no regular standards when studying the possibility to lend money to such small entrepreneurs," he said. The bank looks into the entrepreneur's business plan and reviews their risks and opportunities before approving the loan. Abou Azar said self-

financing should be around 30 to 40 percent of the overall project's budget. The bank imposes no ceilings on similar developments, and the approved sum of money depends on the project itself. Other means are also available to finance similar initiatives. Bader's Building Block Equity Fund (BBF) has invested \$400,000 in Shawarmanji.

RETURN ON INVESTMENT

According to Nasri, the return on investment in successful kiosks and food trucks is high. They have a low initial investment, low operational costs, and similar or higher sales figures compared to regular small restaurants. "They can reach more than three times the profits of a restaurant, especially because some of them do not declare all of their revenues," said Nasri. Selling around 100 to 150 potatoes a night, Spuds' Gerges expects to break even in six months and intends to use future profits in a second truck with a more diversified menu. The Spuds team is working on launching

up to five trucks within five years, not all necessarily serving potatoes, but rather sandwiches or burritos. "Our results went beyond expectations," said Gerges.

FUTURE TRENDS

The local restaurant market is a fast moving business. It has hosted a lot of concepts in a few years, and buried a lot. It continues to evolve rapidly. According to Nader, container restaurants, which are very trendy in the USA, will be the next craze. They are larger than kiosks, and have relatively similar features: Movable units, require no construction permits, and need only a contract with the municipality. "The new music hall is one example that started compiling containers and using them as a portable club," said Nader. The Junkyard, a small restaurant in Gemmayzeh, is another example of a container-based outlet, created by Executive Chef Tomas Reger and Mario Haddad. Future trends will also see eateries attempting to move beyond the junk food label often associated with street food. "We will see more organic, healthy, and vegetarian street eateries," said Nader said.

Reported by Rana Freifer



Mountain Mudd Espresso kiosks are available in most IPT gas stations

ON OUR WEBSITE

More information is available by typing the numbers below into the Reference Finder on our home page

- ▶ **L0214-74** 2013 menu trends & opportunities
- ▶ **L0214-75** Ensuring quality and safety of street foods
- ▶ **L0214-76** 2013 food and beverage survey
- ▶ **L0214-77** How consumer concerns influence food purchases
- ▶ **L0214-78** JWT: What's cooking?
- ▶ **L0214-79** Safety requirements for street-sold foods
- ▶ **L0214-80** Contact information

▶ www.opportunities.com.lb