

New kitchen on the block

An extension of the value chain, delivery kitchens (also known as 'ghost kitchens' or 'rental kitchens') are a relatively new phenomenon in the UAE. They allow operators to tap into the opportunity while addressing a key pain-point: high rents in prime catchment areas.

Rental kitchens are the basic form of delivery kitchens, where a shell structure is provided to operators for delivery-only purposes. This is currently the most common model. An extension of this concept is a 'managed kitchen,' where a third-party provider manages end-to-end delivery operations.

In a short span of time, delivery kitchens have generated interest—85% of operators we spoke to believe they have potential. Twenty percent of operators currently utilize delivery kitchens, while an additional 30% are considering setting one up.

As the delivery channel continues to grow on the back of consumer demand and operator interest, increasingly efficient and cost-effective models, such as delivery kitchens, will likely find greater acceptance in the market.



KPMG view

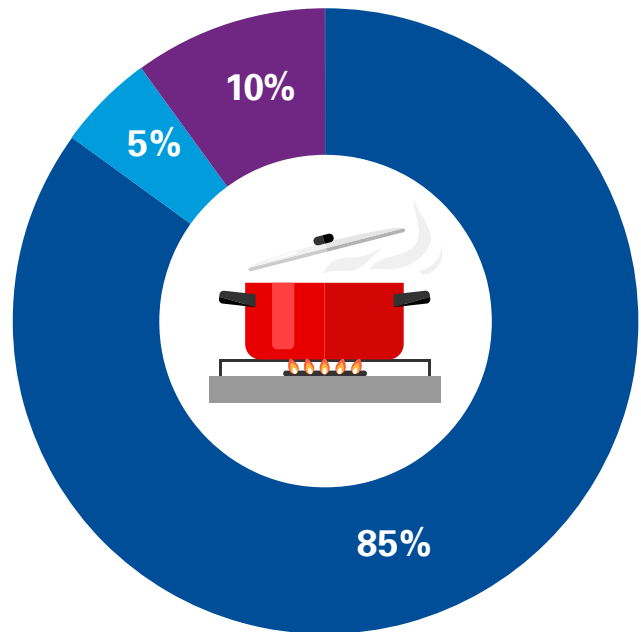
Food delivery is here to stay and seems to be an increasingly important driver of growth for F&B businesses, propelled by a variety of push and pull factors. Consumers' preference for convenience, coupled with businesses' needs for alternate channels and technological advancements, will continue to drive this shift in the F&B market.

As food delivery business grows and operators start analyzing segmental profitability, the economics of the delivery model will be assessed and tested more closely. Foodtech companies may do well to work with operators to achieve a win-win outcome. If delivery economics do not stack up, or delivery margins become tighter, it might not be long before operators start looking to other avenues for growth and profitability.

Delivery services and delivery kitchens both address a key pain-point for operators, while simultaneously providing an opportunity to get closer to customers on reasonable commercial terms. Along with food delivery platforms, delivery kitchens will contribute to the UAE F&B industry in the future.



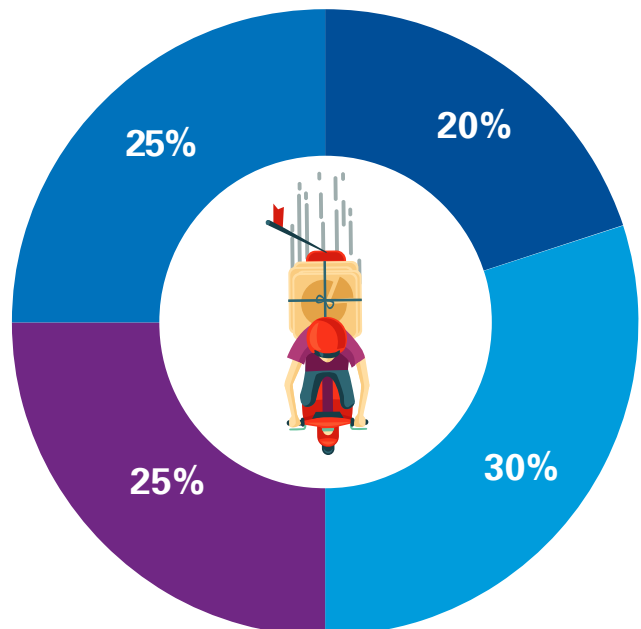
Do you see potential in delivery kitchens?



- Yes, will become more prominent
- Yes, but will remain a niche
- The model is relatively untested



Have you considered the delivery kitchen model?



- Present through delivery kitchens
- Currently considering this model
- Will be interested in the future
- Doesn't work for us