
Saudi Arabia sees surge in Cloud Kitchens

A COLLABORATIVE STUDY



Qoot Association:

It is a non-profit association representing the restaurants and cafes sector in Saudi Arabia. It aims to unify and align both private and public sector objectives to execute initiatives that will serve the interest of the industry and Vision 2030, to pave the path toward a prosperous and sustainable future in Saudi Arabia.

Since its establishment, Qoot has worked to manage the association and achieve its following objectives:

Spreading health awareness of food safety in the community.

Training Saudi youth in restaurants and cafes to creating good job opportunities in this field.

Collecting surplus foods and drinks in good condition in both restaurants and cafes.

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Holding local and international exhibitions and forums for the promotion and improvement of the sector after coordination with the relevant authorities and the approval of the Ministry of Labor and Social Development.

Deliverect:

Save time, reduce costs and enjoy reliability.

Deliverect simplifies online order management by seamlessly integrating online orders from food delivery channels (*Hugerstation, Jahez, The Chefs, ToYou, etc.*) to your POS, allowing **32,000+ establishments to improve operational service and increase customer satisfaction**. Easily manage your online orders from your existing POS or our Delivery Manager App, so you can focus on what matters most: your customers. Centralize your delivery services, update your menus and gain insights from one single screen.

How Deliverect works



Simple set-up: Deliverect aggregates all your existing online and third party sales channels to your Deliverect account.



Order management: Deliverect pushes all your online orders to your POS to avoid manual entry and provide you with a complete overview in one screen.



Improved flow: Orders are automatically pushed straight to the kitchen and printed in one standardized format.



Quick delivery: Follow orders through their delivery journey. Send and receive real-time updates and share drivers details.

For more information <https://hubs.la/Q.lxZfXw>.

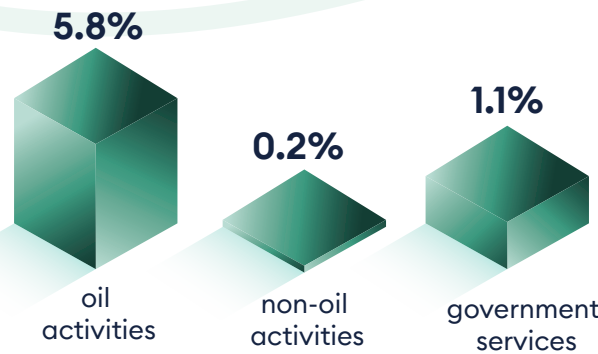
Saudi Arabia is evolving into a **diversified economy** and is **aggressively now opening doors for businesses and entrepreneurs** to explore new possibilities as the region gets ready to explore new revenue streams.

The real Gross Domestic Product (GDP) of Saudi Arabia continued to grow in Q3 2022 compared to Q3 2021, according to estimates by the Saudi General Authority for Statistics (GASTAT).

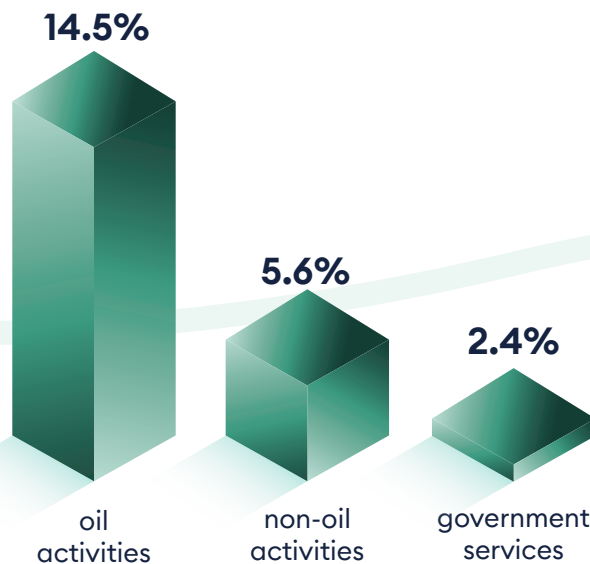
(GDP) of Saudi Arabia grow by
8.6%
in Q3 2022

This growth is mainly due to the increase in oil activities, non-oil activities, and government services activities (year-on-year) in the reference period, reported Saudi Press Agency (SPA). The seasonally adjusted real GDP also **increased in Q3 2022 compared to the previous quarter, Q2 2022.**

Q2 2022



Q3 2022



The region – now catering to GenZ, expat population besides local and regional customers – is exhibiting wide and varied consumer behavior traits and one such sector witnessing rapid changes is Cloud Kitchens where the younger generation is ready to spend and explore new cuisines.

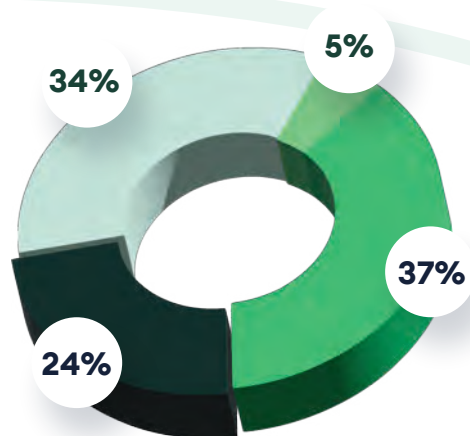
In an attempt to bring out sector insights, Qoot – a local association that represents restaurants and cafes associations in Saudi Arabia – partnered with Deliverect to conduct a survey for 60 participants running restaurants asking them about the cloud Kitchens market and how they are considering tapping the opportunities offered.



The survey began by determining the sample level of experience in the field, their experience in operating restaurants and cafes, the number of restaurants under their management, and their tech-savvy knowledge when it comes to Food and Beverage (F&B) technologies.

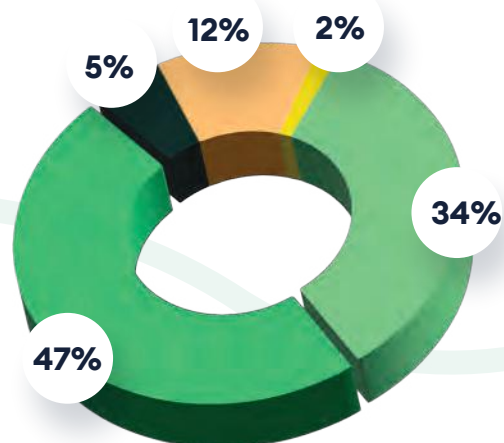
Years of experience

- Less than one year
- 1-5 years
- 6-10 years
- Over 10 years

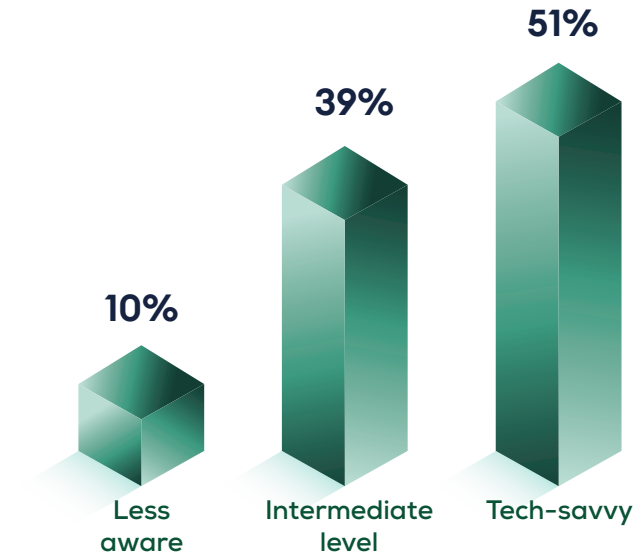


Number of branches participants manage

- One branch
- 2-10 branches
- 11-20 branches
- Over 20 branches
- Other

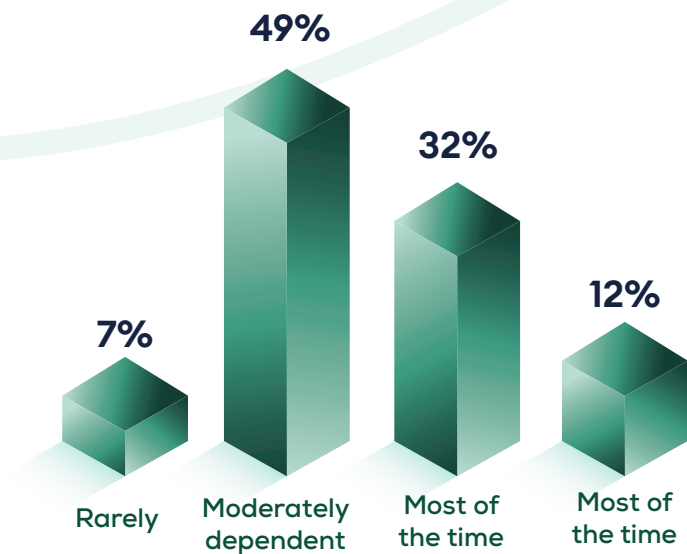


Participants awareness of F&B technologies

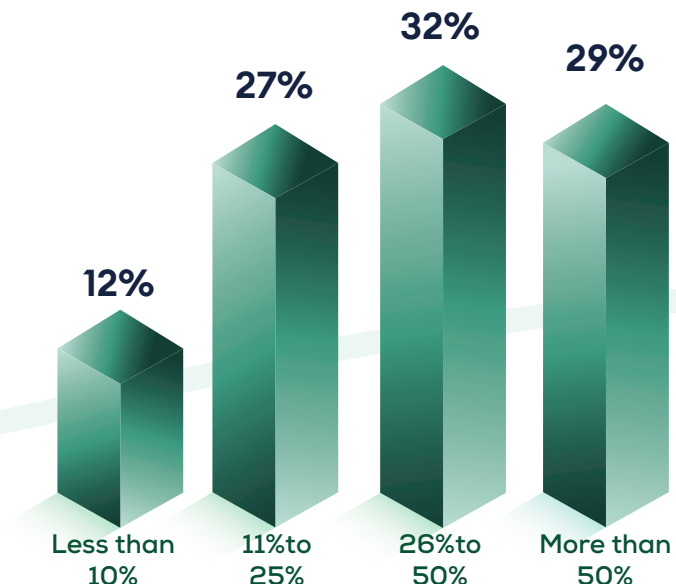


When the participants were asked about their dependence on the delivery service and its impact on sales, their answers ranged from partial to medium and full dependence, as the following chart display

Restaurants dependence on delivery services

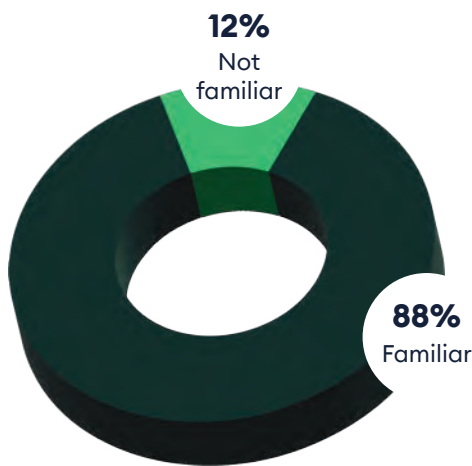


Sales dependence on delivery services

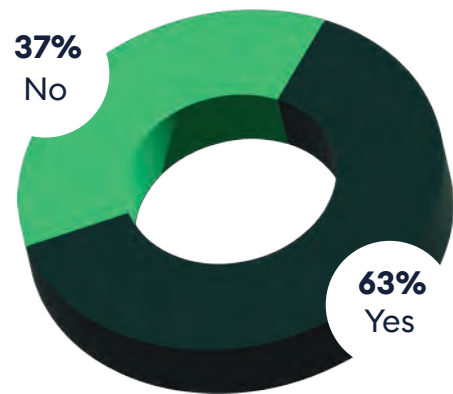


The concept of the cloud kitchen is gaining momentum. That was proved when participants were asked about their familiarity with the cloud kitchens, whether they intend to open a new cloud kitchen, or whether they operate their brands through their restaurants or cloud kitchens. The questionnaire revealed the following:

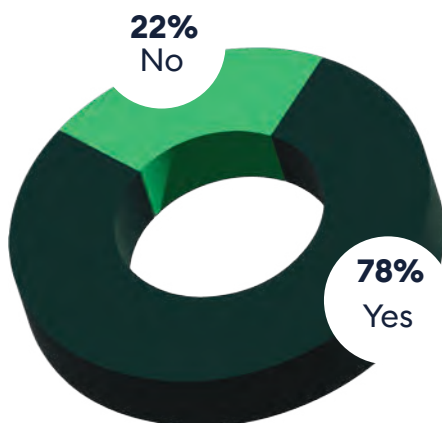
The participants familiarity with cloud kitchen concept



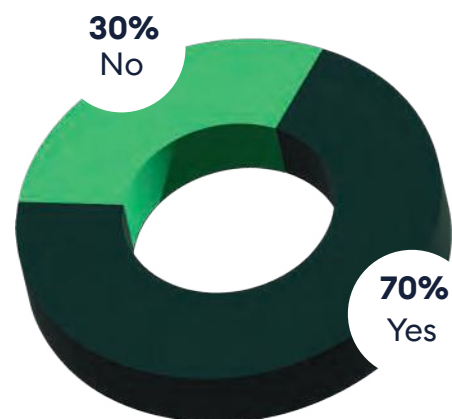
The tendency to open a new cloud kitchen



Their readiness to manage multiple brands from their restaurants

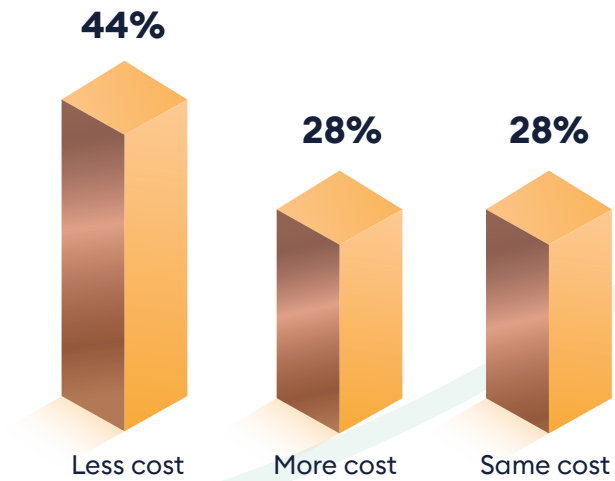


Brands operation through cloud kitchens

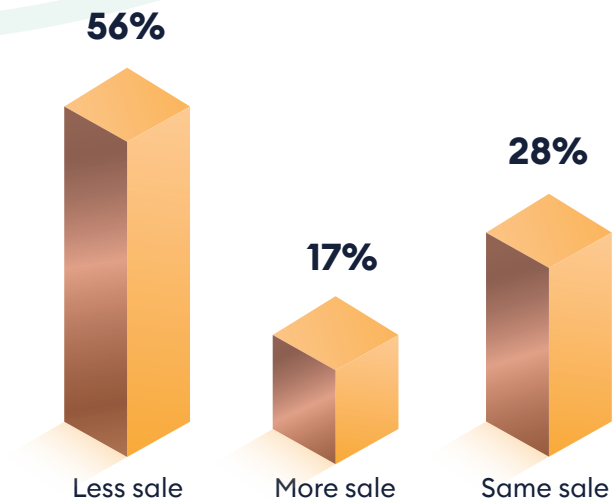


The survey also indicated participants' perspectives on their cloud kitchen brands' operation cost and sales compared to their stand-alone restaurants. The survey also included participants' perceptions of cloud kitchens in Saudi Arabia and revealed their attitudes toward cloud kitchens.

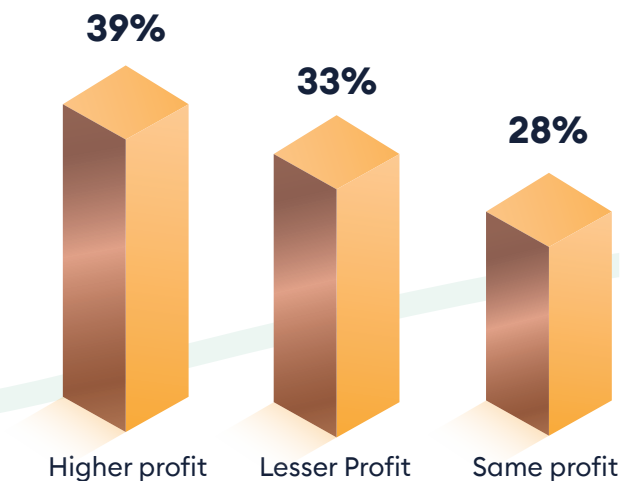
Cloud kitchen brands' operation cost compared to the stand-alone restaurants



Cloud kitchen brands' sales compared to the stand-alone restaurants

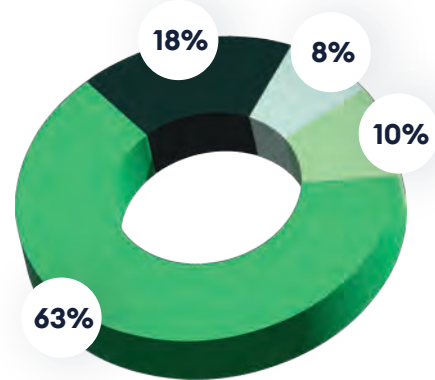


Cloud kitchen brands' profits compared to the stand-alone restaurants



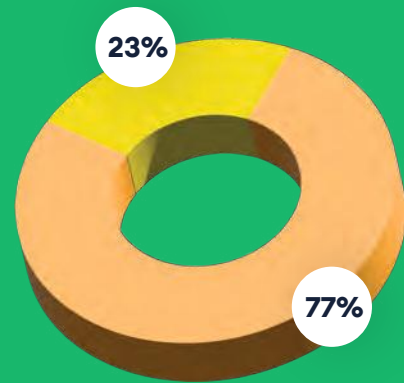
Participants' perceptions of cloud kitchens in Saudi Arabia

- Steady
- Decreasing
- Growing
- Hypergrowing



Participants' interest in cloud kitchens

- Interested
- Not interested



Participants also shared the challenges that face their brands that run by cloud kitchens:

Real estate prices, municipal requirements, and weak logistics services.

The raising in marketing costs, difficulty in reaching the customer, and poor sales.

Mastering marketing algorithms and quality and ensuring cost governance.

Brand reliance on delivery, the high cut cost in delivery applications, and its monopoly on the market.

The absence of a clear regulation for the spread of cloud kitchens and the uncertain future with external cloud kitchen companies.

- The global delivery industry is now projected, according to BusinessWire, to be a potential market that will cross the \$154.34 billion mark by 2023. This may positively reflect on cloud kitchens, a new business model that's also growing.
- The on-demand food industry is **witnessing huge growth thanks to mobile applications and digital drive** which was catalysed by the global pandemic.
- The period of Covid-19 defined consumer habits as a digital drive deepened globally to encourage a contactless lifestyle.
- Consumers resorted to all new behavioral patterns, which were buying and selling more online, and that triggered **a growth wave for cloud kitchens as consumers resorted to ordering online food**, and delivery firms began to up their game to grab a fat slice of margins.
- GenZ population particularly is more open to global cuisine since customers leave their online reviews openly on any digital platform, which increased the number of cloud kitchens.
- Cloud kitchens provide brand scaling opportunities if scaled effectively through delivering applications.
- **Saudi Arabia is all set to see a huge surge in cloud kitchens as the region has been hosting global events**, which lead to a rise in the influx of tourists and hence renders potential opportunities for growth.

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