

Edible economics

Similar to last year, we examined the economics of various formats, including cafés, to see how each has fared across a range of relevant financial and operational metrics.

The success of any F&B outlet is determined by how well it is able to increase or maintain its topline and control costs. The wide ranges observed with respect to the number of transactions and average ticket size (among other metrics) provide a sense of fluctuating performance within each format—one characteristic of the market today.

While revenues have generally remained flat or reduced, some operators have managed to maintain or reduce costs, resulting in relatively stable margins.

Food costs are variable in nature. Any reduction has a direct bearing on outlet, or brand-level, margins. Rental and staff expenses, on the other hand, are largely fixed and movement in these outlays impact the operational leverage of the business (i.e. number of transactions needed to break-even at the outlet level). To date, operators have been able to manage their staffing numbers, and consequently staff costs. However, they are concerned about rentals—particularly in prime locations across the UAE.

Given the impact of rental cost on the economics and profitability of F&B businesses, it is the single most important line item for operators. Experience in managing this has varied: while some have succeeded in negotiating favorable terms with landlords, others have struggled to do so, and have sometimes ended with closures. That said, closing down an outlet is an expensive proposition, as well. As a result, business cases for new openings are carefully evaluated these days.



# of transactions	8k to 25k per month
Average ticket size (AED)	25-50
Beverage sales % of total sales	25-35%
Food cost % of revenue	20-35%
Rentals % of revenue	10-25%
Staff cost % of revenue	15-23%
Marketing cost % of revenue	1-5%
Margins % of revenue	5-12%
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Average space per outlet sq. ft.	800-1,800
Average number of staff	30-50
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Revenue/sq. ft. AED	200 to 450 per month
Revenue/staff AED	12k to 25k per month



# of transactions	6k to 13k per month
Average ticket size (AED)	25-90
Beverage sales % of total sales	70-85%
Food cost % of revenue	17-26%
Rentals % of revenue	9-30%
Staff cost % of revenue	15-35%
Marketing cost % of revenue	1-4%
Margins % of revenue	5-20%
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Average space per outlet sq. ft.	1,000-6,000
Average number of staff	6-20
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Revenue/sq. ft. AED	100 to 250 per month
Revenue/staff AED	20k to 40k per month