



Saudi Restaurants & Cafés: Market Realities and the Road Ahead

Data Analysis - Private Sector Recommendations

January 2026

Index

02. Introduction

02. Sector Definitions

03. Study Objectives

03. Sector Snapshot

04. Industry Evolution

06. Key Challenges Faced

20. Proposed Policy Actions

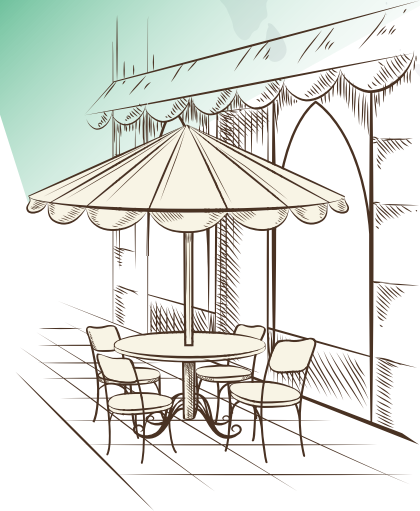
23. Conclusion



Introduction

Saudi Arabia's restaurant and café sector has expanded rapidly in recent years, becoming a key contributor to household spending, job creation, and economic diversification under Vision 2030. Yet the same growth has introduced structural challenges, from oversupply and rising costs to changing consumer behavior, that threaten long-term profitability.

This white paper provides a fact-based assessment of the sector's current state and the strategic actions needed to sustain its momentum.



Sector Definitions

For clarity, this white paper uses the following standard classifications to describe the main sub-segments of the restaurant and café sector. These definitions are provided to ensure a common understanding among policymakers and stakeholders, as sector terminology may vary across markets:



Quick Service Restaurants (QSR):

Outlets offering standardized menus, limited table service, and fast order fulfillment, typically at lower price points. QSRs rely on high volumes, operational efficiency, and increasingly on takeaway and delivery channels.



Full-Service Restaurants (FSR):

Establishments providing table service, broader menus, and a more comprehensive dining experience, with higher average spend per visit.



Cafés:

Venues primarily focused on beverages such as coffee and tea, often complemented by light food offerings.



Casual Dining:

Mid-market restaurants offering table service in an informal setting, positioned between QSR and fine dining in terms of pricing, menu complexity, and service level.



Fine Dining:

Premium establishments offering high-end cuisine, full table service, and curated dining experiences, typically characterized by higher price points, lower volumes, and greater sensitivity to economic cycles.

Study Objectives

- Provide a **fact-based, holistic view of the Saudi restaurants & cafés sector** to anchor **policy and business decisions**.
- **Identify key challenges** by linking macro trends to micro-level economics, showing how consumer budgets, channel behavior, and workforce dynamics are reshaping store-level profit and loss performance across sub-sectors such as QSR, FSR, cafés, fine and casual dining.
- **Define success for both public and private stakeholders:** an investable sector with sustainable return on invested capital (ROIC), resilient employment, and healthy competition and innovation.

Sector Snapshot

100 billion

in annual spending and employ 650K+ people

90%

of (SMEs) use aggregators

30%

stores shutting down within three years

A major but strained growth engine:

Restaurants & cafés represent roughly SAR 100B in annual spend and employ 650K+ people, **yet profitability and returns have deteriorated in recent years as capacity expanded faster than demand.**

Oversupply and falling productivity:

Outlet counts nearly doubled after 2021, with **about 30% of those stores shutting down within three years.**

Rising costs:

Raw materials, rent and labor have experienced significant cost inflation.

Heavy aggregator dependence:

Around 90% of small and medium enterprises (SMEs) **use aggregators, incurring 28-35% fees that materially compress unit economics and create operational tensions** (data access, SLAs, billing).

Value and convenience dominate:

Consumers across all age and income groups **prioritize price and frictionless service**, driving a pronounced shift toward delivery platforms.

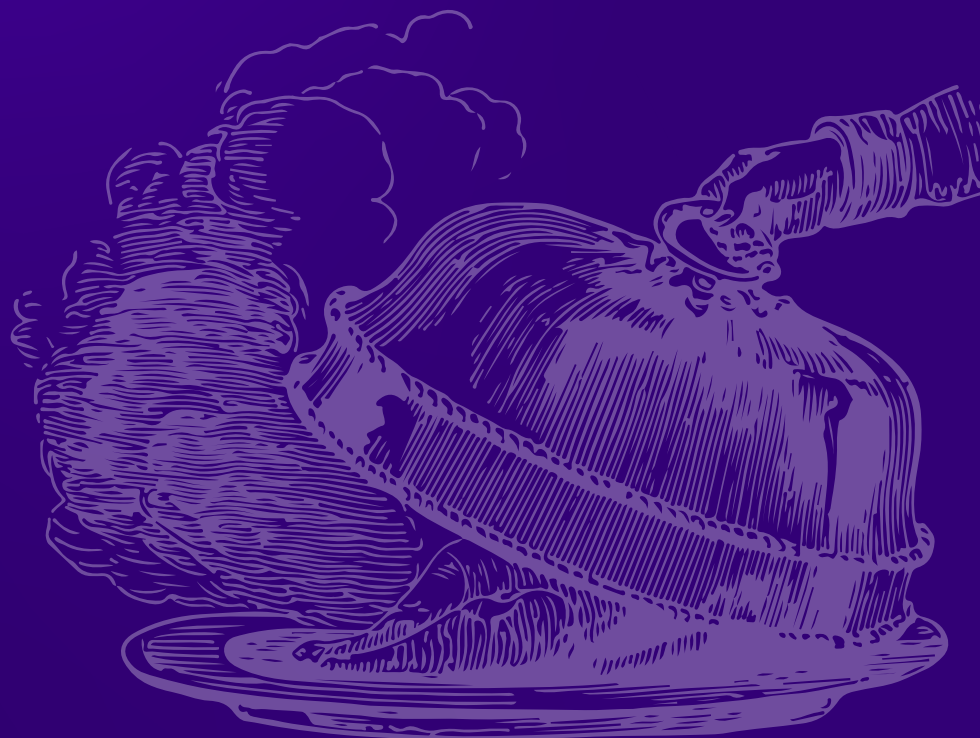
Bottom line:

Collectively, these pressures have led to a **significant dilution of unit economics and returns on capital for operators.**



Industry Evolution

- Saudi Arabia's economy remains large and diversified; household consumption has grown at an 8% compound annual growth rate (CAGR) since 2021, alongside population, tourism, and lower unemployment.
- Card-based spending data show restaurants remain a top household category (~12% of total spend), though the share has slipped modestly by 1 percentage point over the past three years.
- Restaurants & cafés grew ~7% over the last three years (excluding catering), with QSR ~6% CAGR, FSR ~5% CAGR, while Café' ~19% CAGR.

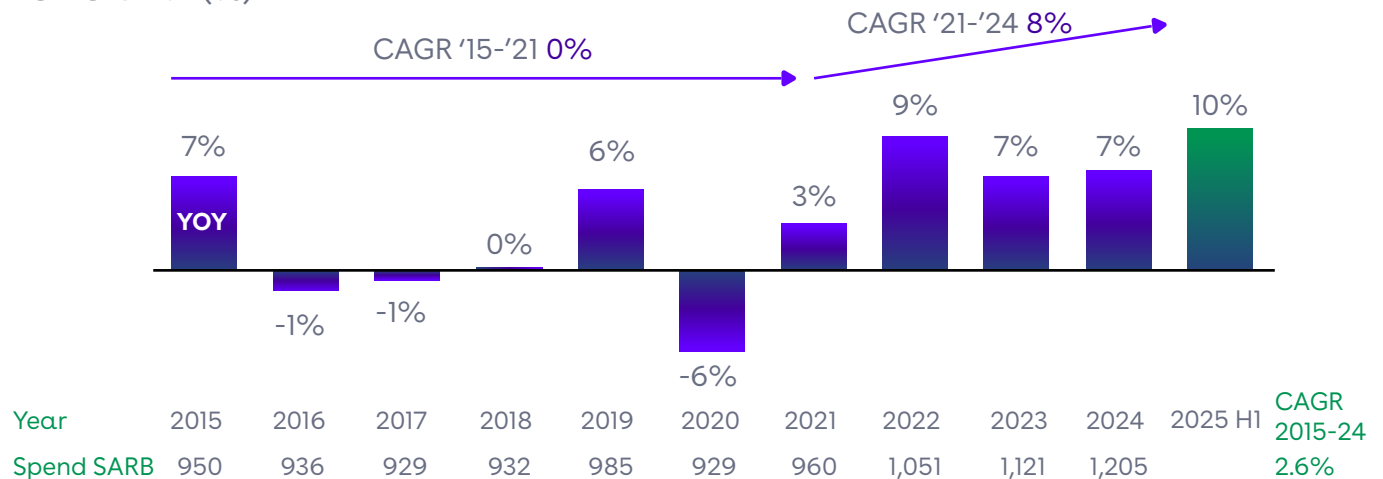


The following data illustrate how consumer spending and market expansion have evolved over the past decade, providing context for the sector's recent performance.

Exhibit 1. KSA Consumer Spend Evolution (2015-2024)

Consumer spend excl. VAT

YOY Growth (%)

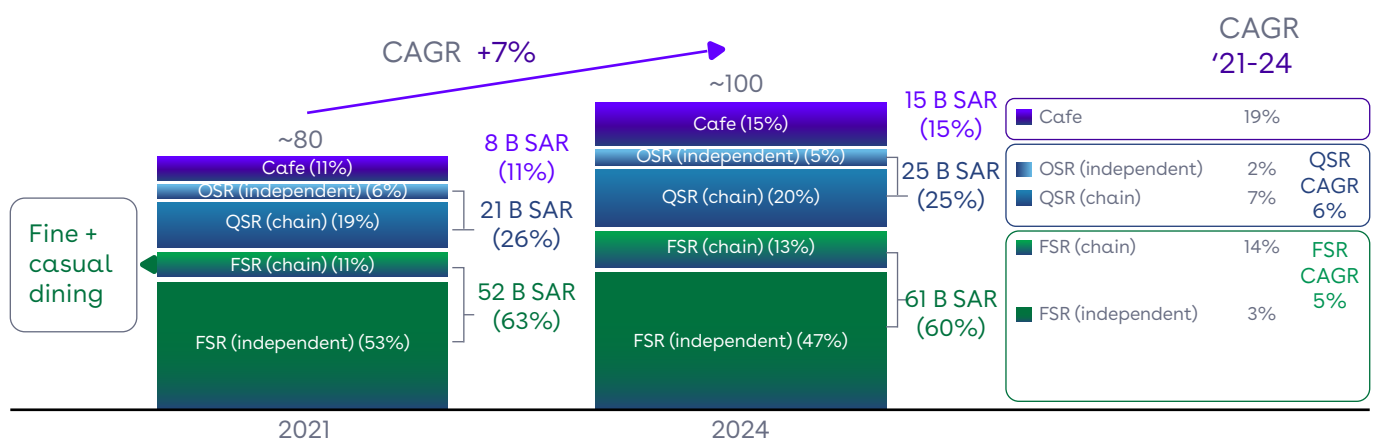


Source: SAMA, includes cash withdrawal and credit/debit card spend and MADA for ecommerce - figures net of inflation

Consumer expenditures, in line with GDP, have significantly increased over the last 4 years, after a period of high inflation and purchasing power squeeze.

Exhibit 2. KSA Restaurant and Café Market Growth (2021-2024)

Restaurants spend by channel in KSA (2021 - 2024 | SAR B)



Note: Restaurants sector excluding catering. FSR: Full Service Restaurant. QSR: Quick Service Restaurant
Source: SAMA, Market participants interviews

Restaurants & Café' have grown at ~7% over the last 3 years with significant variation across sub-sectors.

While the market has grown, players have faced increased profitability pressure driven by 4 main factors.

01

Declining Sales Productivity



02

Shift in Consumer Preferences



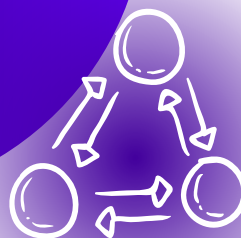
03

Channel Shift in Favor of Aggregators



04

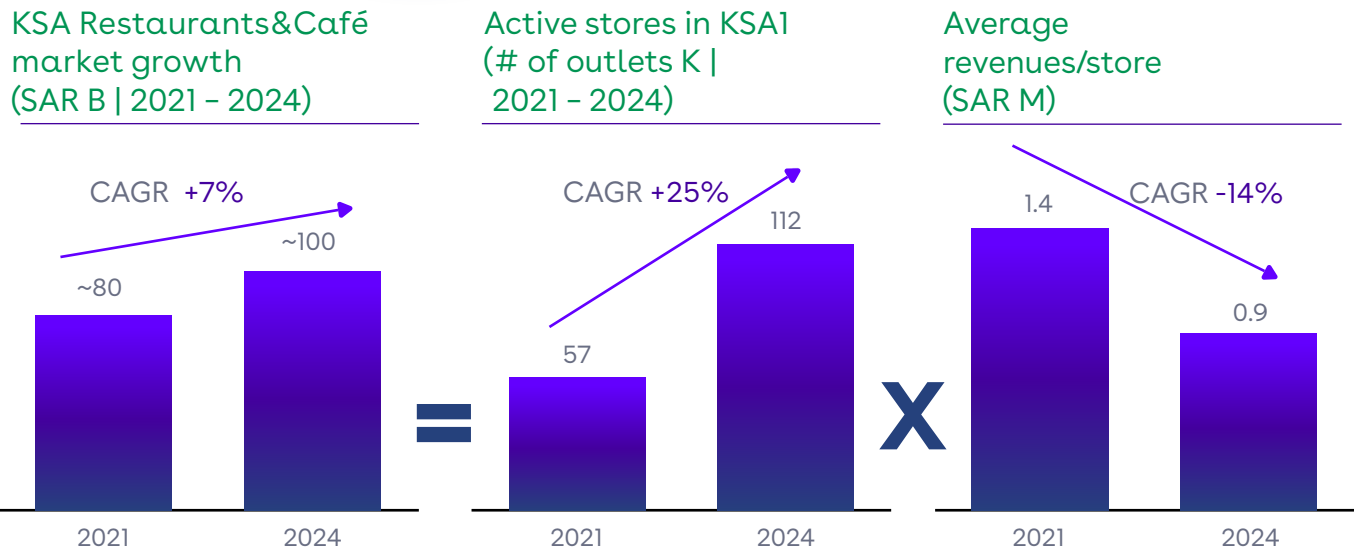
Cost Inflation and Regulatory Challenges



Key Challenges Faced

01. Declining Sales Productivity

Exhibit 3. KSA Restaurant and Café' Market Growth by Driver (2021-2024)



Note: 1. Note: Active restaurants represent the total base of restaurants operating on a given year, net of cancellations and accounting for license expiration
Source: Momah
Source: Momah Data

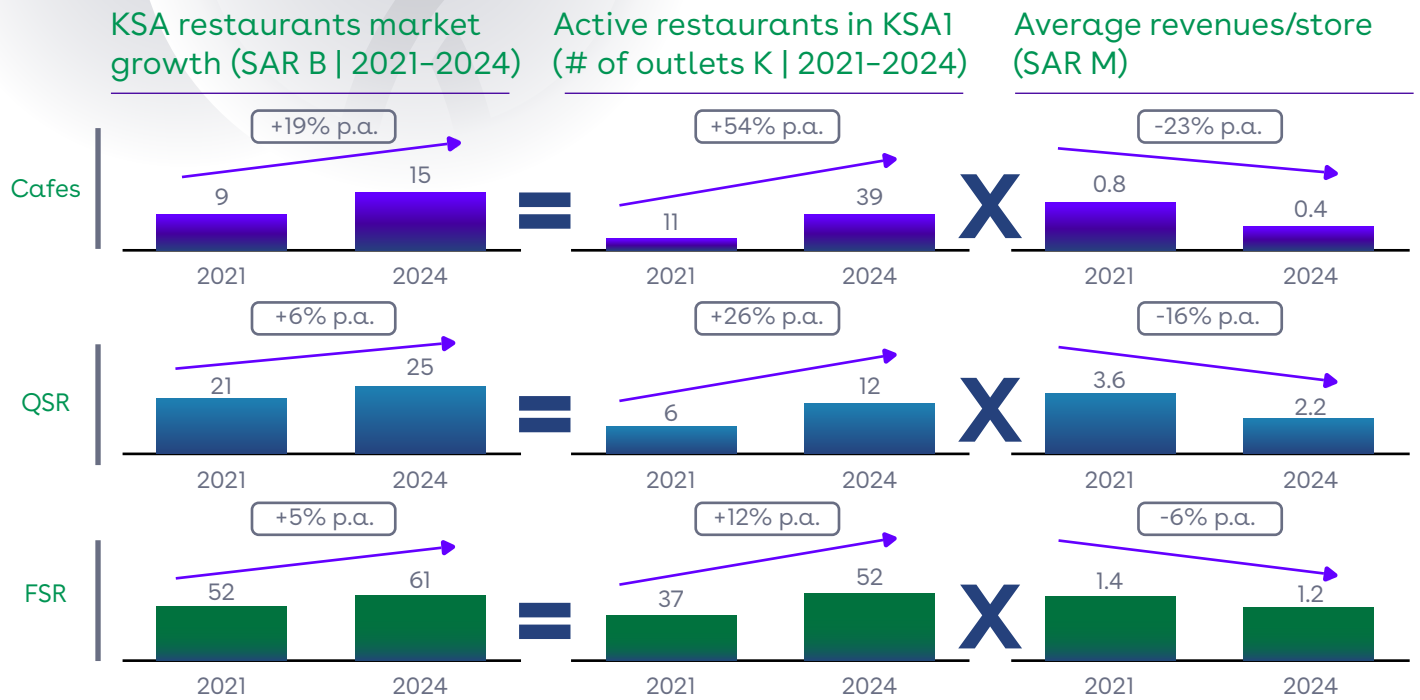
Market growth has been driven by a significant increase in store openings while L4L has sharply declined.

▪ Active outlets grew at

~25%

between 2021 and 2024 (moving from 57K to 112K) as new licenses surged. The increase in supply has significantly outpaced demand growth (~7% CAGR), leading to a ~14% decline in average sales per store over the same period.

Exhibit 4. KSA Restaurant and Café' Market Growth by Driver and Channel (2021-2024)



Note: Cancelled licenses include licenses that were issued between 22-'24 and cancelled in 2025
Source: Momah Data

Average Revenues per store have gone down across segments and particularly in Café and QSR.

■ **The number of new licenses grew by**

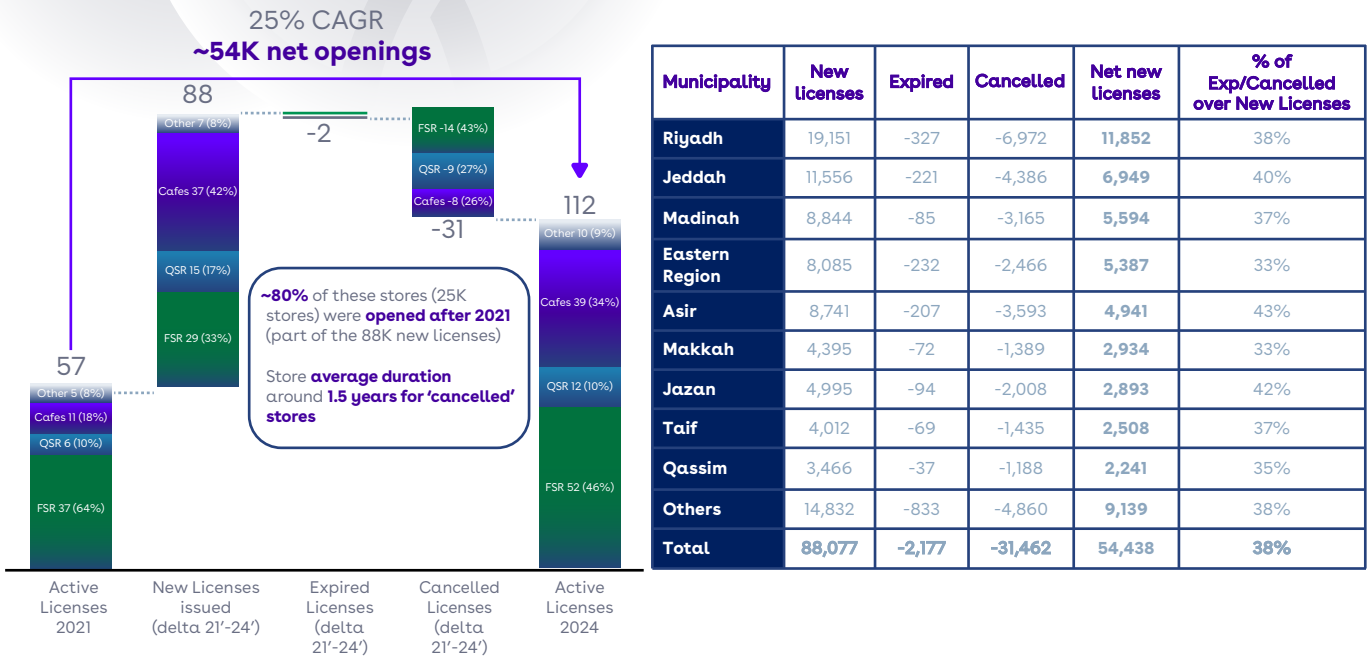
88K

between 2021 and 2024. Over the same period, 31K licenses were cancelled, resulting in a net increase of 57K new outlets.

- About 80% of canceled licenses had an average duration of ~1.5 years, a clear sign of crowding and churn.
- The increase in licenses has been consistent across market segments but particularly accentuated in Café and QSR with a resulting erosion of revenues per store:
 - Café: Outlet count rose 54% CAGR (from 11K to 39K between 2021 and 2024), driving a 23% CAGR decline per store.
 - QSR: Outlet count rose 26% CAGR (from 6K to 12K between 2021 and 2024), with revenue per store falling 16% CAGR.
 - FSR: As the backbone of the KSA restaurant industry, the full-service segment remains the largest but has grown more slowly than others, outlet count rose only 12% CAGR (from 37K to 52K between 2021 and 2024), and revenue per store slipped by 6% CAGR.

Exhibit 5. Store Openings vs Closures Across KSA Municipalities (2021-2024)

Active stores evolution (Thousands | 2021-2024)

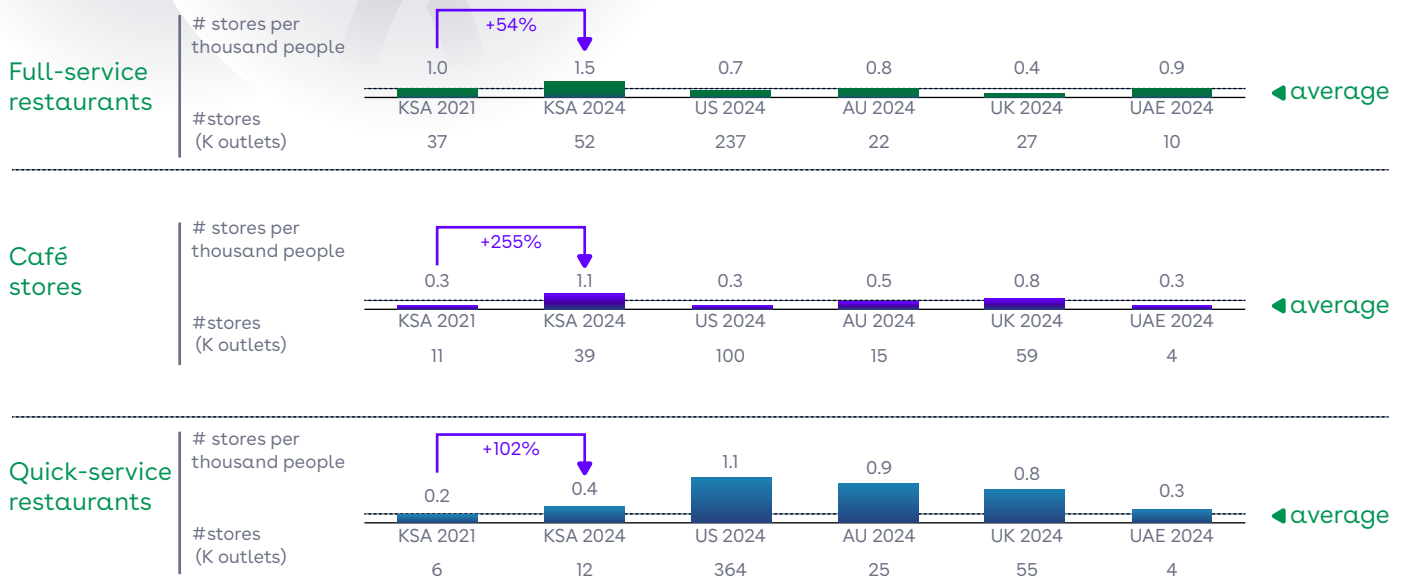


Note: Cancelled licenses include licenses that were issued between 22'-24 and cancelled in 2025. Source: Momah Data

Active licenses nearly doubled between 2021 and 2024, but around 38% of new stores closed within 1.5 years, highlighting high churn and market saturation.

- The number of active restaurant and café outlets almost doubled between 2021 and 2024, driven by rapid license issuance across all segments.
- Around 38% of newly issued licenses were cancelled within 1.5 years, indicating a high rate of market churn.
- Oversupply is most evident in café and QSR segments, where expansion outpaced demand and revenues per store declined.
- Riyadh and Jeddah accounted for the largest share of both openings and closures, reflecting intensified competition in major cities.
- The short lifespan of new entrants underscores market saturation and limited sustainability among small operators.

Exhibit 6. KSA Restaurant and Café' Stores Per Capita vis-à-vis Developed Countries (2021-2024)



Source: Momah Data, Euromonitor

After the past year's growth, the market has achieved a significant level of saturation across all segments.

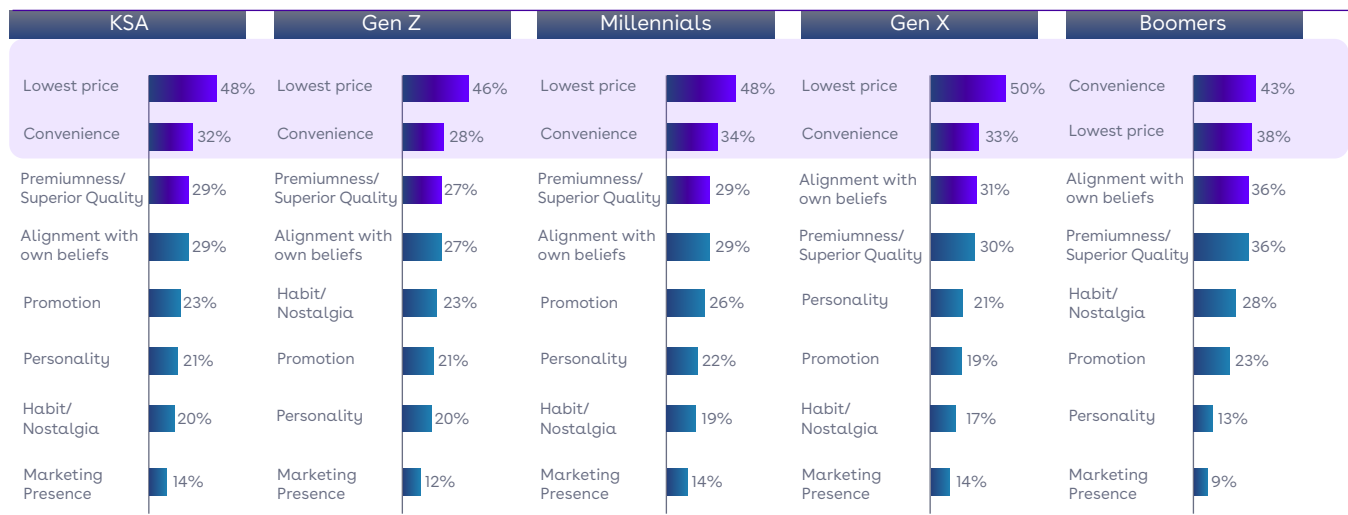
- Across multiple segments, stores-per-capita vis-à-vis developed economies have seen a significant uplift and now suggest a high level of saturation, especially in FSR and Café'.

02. Shift in Consumer Preference

Exhibit 7. KSA Consumer Preferences

Consumers Shifts

Criteria to choose one brand over another
% respondents by country, '24



Q. What are typically the key purchasing criteria to choose one brand over another, when you shop?

Note: Implied age of Gen Z 18-26 years, Millennials 27-44 years, Gen X 45-64 years, Boomers 65+ years; Income grouping as follows: Low: < \$25,000, Mid: \$25,000 - \$99,999, High: \$100,000 and above
Source: Consumer Survey 2024, N=3500 (Gen Z: 1,070; Millennials: 1,716; Gen X: 667; Boomers: 47; Low Income: 2,213; Mid Income: 588; High Income: 168)

Across all age groups, consumers choose where to shop based on prices and convenience.

- For new consumers, price remains the top brand selection criterion, while convenience (especially delivery) is rising quickly across age groups.
- Convenience is increasingly important: 32% of consumers interviewed ranked it as the second most important purchasing criterion.

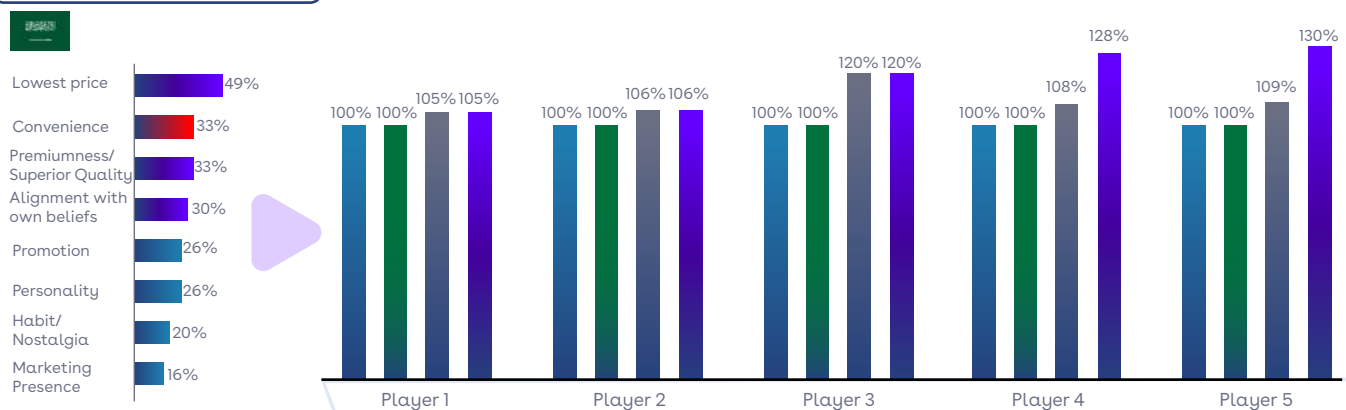
03.Channel Shift in Favor of Aggregators

Exhibit 8. Consumer Price Sensitivity and Channel Premiums in QSR

Core item price differences across channels in QSR (in-store price indexed to 100%)

Examples

Q. What are typically the key purchasing criteria to choose one brand over another, when you shop?



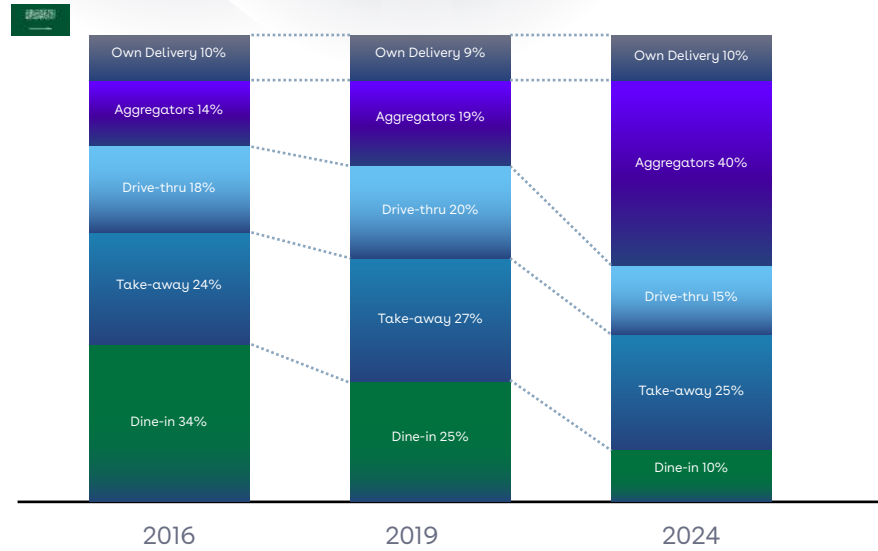
Source: Lit Search., Store visits

Convenience is an increasingly important key purchasing criterion for consumers.

- Price is still the top brand-selection driver (49%), but convenience ranks close behind (33%), showing its growing influence on purchase decisions.
- Delivery via aggregators costs 8-30% more than in-store, yet demand for these channels continues to surge, evidence that consumers are willing to pay a premium for convenience and time savings.
- This pattern underscores a behavioral shift toward frictionless, time-saving options, as busier lifestyles outweigh pure price sensitivity.

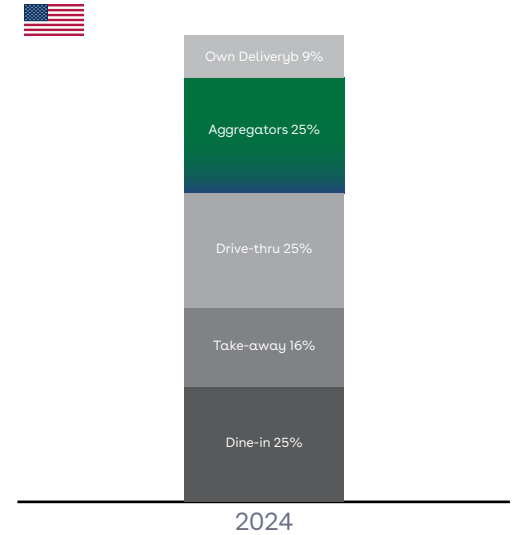
Exhibit 9. KSA Share of Sales in QSR by Channel

KSA QSR revenues by channels (2016, 2019, 2024 | %)



QSR CHAINS ONLY

U.S. QSR revenues by channels (2024 | %)



Source: Expert Interviews, SMEs Survey

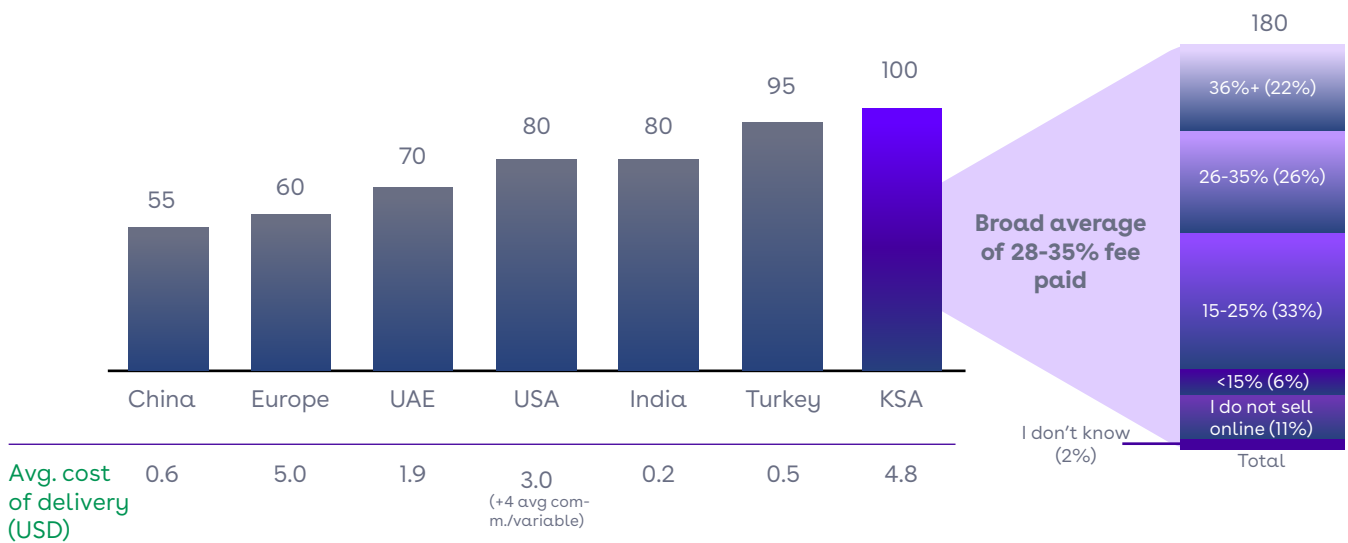
Demand for convenience has driven a significant shift in the channel of purchase.

- Driven by consumers' demand for convenience, delivery has grown sharply over the past eight years, with aggregator platforms now accounting for roughly 40% of total QSR sales.

Exhibit 10. KSA Aggregator Fees and Cost Drivers

% fees paid to aggregators by country
(indexed to KSA = 100)

Q39. "What percentage are you paying the aggregators (including cost of promotions)?"



Note: 1. Cost of delivery in some countries includes delivery fees plus a variable commission, calculated based on an average order value of \$20
Source: Morgan Stanley industry reports, industry participant interviews; Mukatafa F&B survey (N=180 restaurants from various categories)

Aggregators in KSA are charging fees above global average given the higher cost of delivery to consumer.

- Aggregator charges in Saudi Arabia average 28-35% of order value, the highest among peer markets.
- Roughly one-third reflects the standard platform listing fee, while two-thirds comes from promotional spending required to generate orders.
- Most promotions subsidize Saudi Arabia's high delivery cost (~20 SAR per order), making logistics, not regulation, the primary reason aggregator use is so expensive.
- Cloud kitchen's entire business model relies on aggregators, making their margins even more sensitive to platform economics than traditional restaurants that retain dine-in or takeaway sales.
- Additionally, survey data shows that delayed payments from aggregators have minimal impact on operators' cash flow, confirming that high costs, not payment timing, are the main pressure on profitability.

Exhibit 11. KSA Typical Operator P&L – Without Delivery

Pressure on Profitability

Standard store and aggregator P&L in KSA (2024 values)

Directional average figures

	Avg QSR channel P&L in KSA		Delta p.p. In-store vs aggregator
	2024 In-store sales	2024 sales from aggregator channel	
	% of sales	% of sales	
Total Revenue	100%	110%	(10 p.p.)
COGS	~35%	~30%	(5 p.p.)
Aggregators	-	~30%	+ 30 p.p.
Gross Profit	~65%	~50%	(15 p.p.)
Opex	~38%	~35%	(3 p.p.)
Store EBIT '4 wall'	~27%	~15%	(12 p.p.)

The accelerating shift toward delivery over dine-in is resulting in profitability compression for many operators

Source: Mukatafa Leaders Survey

Aggregators have a significant impact on store-level unit economics.

- The combination of high aggregator fees and growing share of sales through aggregators, has significantly eroded store economics for operators. 4-wall EBITDA in delivery channel is significantly dilutive vs in store channel.
- In addition, many operators report challenges in dealing with aggregators beyond the cost of doing business, including:



Payment and compensation issues



Lack of coordination



Delivery quality and timeliness

- However, aggregators do not pose a threat to sector survival, but they do impact profitability. They do not threaten the restaurant industry's existence, but they compress margins and limit operators' ability to reinvest.
- Additionally, while the sector might have grown without aggregators, the evidence shows they have been the fastest-growing channel and a key driver of the industry's overall expansion.

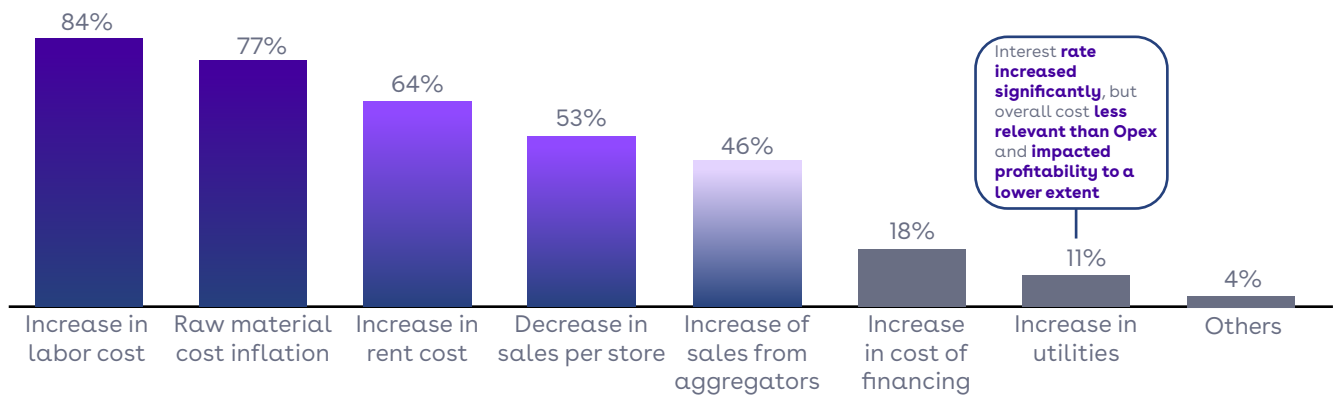
04. Cost Inflation and Regulatory Challenges

Exhibit 12. KSA Key Areas of Cost Inflation

Pressure on Profitability

Reasons for profitability decline (sample panel N=180)

Q24: "What are the elements that impacted the most your decrease in profitability? Please select the top 3 answers that apply"



Source: Mukatafa F&B survey (N=180 restaurants from categories) various

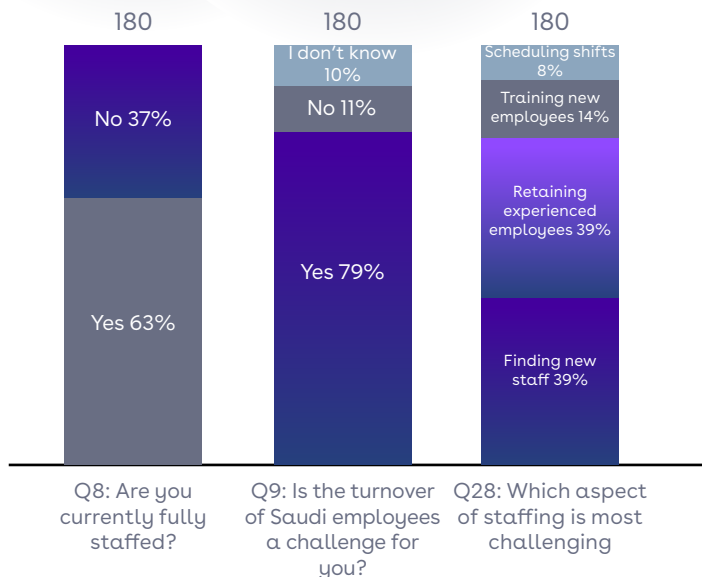
Operators have faced significant cost inflation especially in labor, raw materials and rent over the last few years.

- Among local operators interviewed, costs have grown faster than revenues.

Exhibit 13. KSA Employees Challenges

Regulatory framework
Current staffing situation and main challenges

Main issues with HR regulation and processes (key quotes/examples)



- "The **Saudization rate in restaurants is too high**"
- "**Saudization and the unwillingness of Saudis to work in this sector**, the turnover rate of Saudis"
- "A Saudi doesn't see you as a future. He just keeps on collecting money in a few months and then leaves"
- "The lack of continuity of Saudi employees in the job and the scarcity of visas"
- "High visa fees and lack of trained workers in the sector"
- "Human resources fees, Saudization, the high costs of hiring expatriates, and financial compensation"
- "Imposing Saudization **without differentiating between micro and large enterprises**, and without taking into account **geographical distribution**"
- "A small shop with one or two workers cannot employ a Saudi man or woman because the total salary will be the salary of two expatriate workers."
- "Strictness in the Saudization system, and in return, **not strictness on employees** when they are suddenly suspended from work and disrupt the merchant's interest"

Source: Mukatafa F&B survey (N=180 restaurants from various categories)

High employee turnover and rigid Saudization rate, regardless of firm size or location, are straining restaurant operations.

- A large share of respondents believe that the current regulatory framework does not effectively support the sector, and only a small minority report benefitting from specific government programs.
- The most challenging regulatory issues involve compliance with labor laws and staffing:

37%

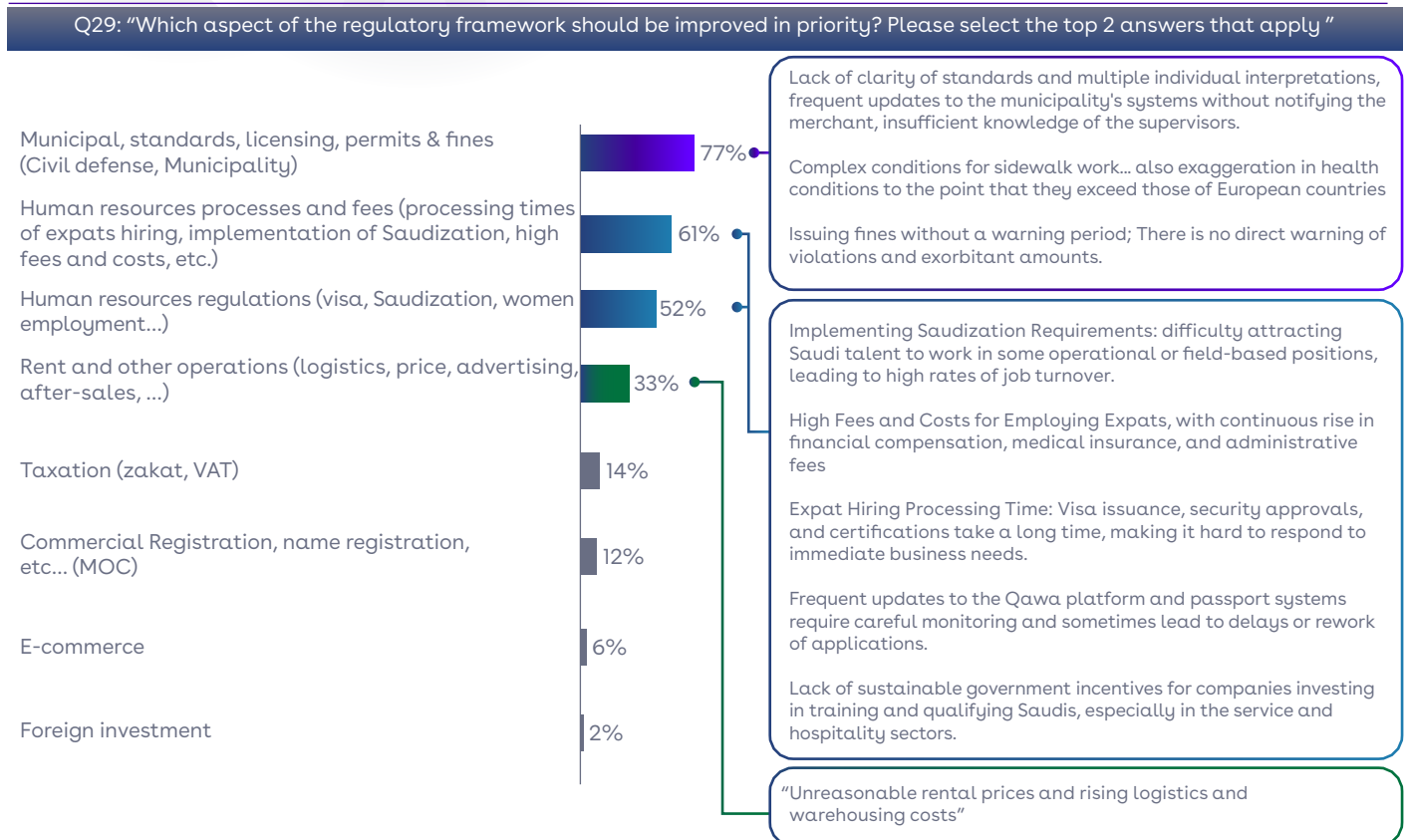
of stores are not fully staffed.



Exhibit 14. KSA Regulatory Framework Challenges

Regulatory framework

Key challenges of the regulatory framework



Source: Mukatafa F&B survey (N=180 restaurants from various categories)

Municipal standards and HR processes emerge as top priorities for regulatory reform.

- Survey respondents identified municipal standards, licensing, and fines along with HR processes (Saudization, hiring procedures, and related fees) as the most critical areas for improvement in the regulatory framework.

The combined challenges outlined above have significantly eroded profitability and return on invested capital (ROIC).

Profitability and ROIC dilution

Exhibit 15. KSA Profitability Evolution for a Typical Operator (2019-2024)

Pressure on Profitability

Avg QSR store P&L in KSA

	2019		2024		CAGR ('19-'24)	Directional average figures	
	Index to 100	% of sales	Index to 2019	% of sales		Delta p.p. '24 vs '19	Rationale
Acv. Price	100	100%	134	~100%	6%	-	Price increase on average ~6%
COGS	31	~31%	40	~30%	5%	(-1 p.p.)	Shift from local sourcing and increase in key RM offset by price increase
Aggregators	6	~6%	19	~14%	26%	+8 p.p.	Increase in aggregators share
Gross Profit	63	~63%	75	~56%	4%	(-7p.p.)	
OPEX	35	~35%	53	~39%	9%	+ 4 p.p.	Stricter enforcement of Saudization quotas; increase in Rent; subsidies removal on utilities
Store '4 wall' EBIT	28	~28%	22	~17%	-5%	(11 p.p.)	

Source: Capital IQ Pro, Expert interviews; Lit. search

Since 2019 store economics have been weakening in KSA.

- Store economics have weakened since 2019, with 4-wall EBIT declining from roughly 28% to 17% of sales.
- Rising aggregator fees and operating expenses (+4 p.p.) have offset modest average price increases (~6% CAGR), while gross profit margins have fallen about 7 p.p. despite only a slight change in COGS.
- The slight dip in COGS as a share of sales reflects that many operators raised menu prices faster than ingredient costs.

Proposed Policy Actions

Below are key structural challenges facing the Saudi restaurant and café sector, along with the detailed solutions currently under consideration.

Challenge 1: Oversupply of Restaurants and Cafés Relative to Market Size

The sector is experiencing a rapid increase in the number of restaurants and cafés that outpaces actual demand and the size of the target market. This oversupply results in market saturation and forces market share to be divided among a large number of establishments. As a result, many small and medium enterprises struggle to remain sustainable and experience high closure rates within a short period of operation. The imbalance also creates an uneven competitive environment.

Proposed Solutions:

01

Launch government-led awareness campaigns

to guide new investors on the true size of the market and realistic opportunities for success, helping reduce saturation in specific areas and directing new investments toward sectors with greater potential.

01

Rely on data and market studies

to identify the most suitable locations for establishing new restaurants and cafés, ensuring a healthier balance between supply and demand.

Challenge 2: Saudization

The private sector in Saudi Arabia faces a range of obstacles that hinder achievement of the targeted Saudization rates.

The most prominent challenges include:

- **High employment costs:** Hiring Saudi nationals involves elevated expenses covering wages and financial benefits, which increases the financial burden on companies and reduces profit margins.
- **Shortage of qualified Saudi talent:** There is a clear gap between the skills required in the market and those available among Saudi job seekers, making it difficult to find the right talent to meet market needs.
- **Limited training programs:** Businesses lack effective training and development programs to qualify Saudi nationals for the required positions.
- **Employee retention issues:** Many employees view the F&B sector as a temporary or part-time opportunity rather than a long-term career. This perception leads to high turnover rates and difficulty retaining talent.
- **Competition for talent:** The restaurant and café sector competes with other industries that often provide higher wages, clearer career paths, and more attractive benefits, making it harder to attract skilled Saudi workers.

Proposed Solutions:

Work is underway on project which aims to carry out several initiatives to increase Saudization rates and address these challenges:

Initiative 1: Job Titles and Career Ladder

01

Standardize job titles and job descriptions.

02

Establish a clear career-progression ladder across roles.

03

Unify salary scales for key professions.

Initiative 2: Employment

01

Organize job fairs in cooperation with relevant government bodies, specifically targeting the restaurant and café sector, to increase Saudization rates and attract job seekers.

Initiative 3: Training

01

Identify the essential skills required for various professions.

02

Develop training materials to enhance the professional skills of Saudi workers.

03

Define future evaluation and accreditation mechanisms for any new training centers.

Challenge 3: Cost of Poultry Inputs (Chicken Cuts)

The restaurant sector has highlighted the challenge of instability in the poultry market due to significant fluctuations in imports. Producers face periods of surplus, while at other times manufacturers and consumers struggle with shortages of specific poultry products, especially premium chicken breasts and whole boneless chicken (used for shawarma).

Proposed Solutions:

Following **in-depth interviews with local producers, suppliers and manufacturers, and commercial consumers (restaurants), a comprehensive study was developed by Mukatafa** in 2023 to assess the market gap, evaluate local production capacity, and measure its impact on consumer demand.

The study produced the following recommendations:

Short-Term Recommendations

Form a **committee chaired by the Ministry of Environment, Water, and Agriculture** that meets monthly to:

01

Obtain monthly reports from producers and manufacturers on production and import quantities, categorized by cut and whole chicken.

02

Require producers and suppliers to disclose inventory levels, sales prices, and input costs monthly to ensure fair consumer access.

03

Grant import permits based on these reports to maintain supply-demand balance.

04

Develop a plan to export poultry to help stabilize local prices.

05

Identify and address technical barriers preventing local producers from exporting globally.

06

Assist local producers in selling non-breast chicken parts by establishing partnerships with countries where demand for these parts is high.

07

Loosen controls on imports of frozen chicken cuts, particularly boneless chicken and specialty breasts, monitoring monthly to prevent market flooding and protect local producers.

08

Review customs clearance procedures for manufacturers and commercial consumers by creating a monitoring system for import permits and factory operating rates, comparing them monthly to market supply and demand to prevent oversupply.

Long-Term Recommendations

01

Maintain current requirements and restrictions on whole frozen chicken imports, as local producers can meet a significant share of domestic demand.

02

Subdivide the current tariff category for chicken cuts into 12 separate codes instead of 8 to accurately track imported types and quantities.

03

Encourage local producers to focus investment on production-line improvements, enhancing quality, price, and yield, rather than mere capacity expansion, thereby raising self-sufficiency in processed chicken cuts.



Conclusion

Saudi Arabia's restaurant and café sector stands at a pivotal moment. Robust consumer demand and continued investment underscore its potential, yet oversupply, rising costs, and regulatory pressures threaten long-term returns. Addressing these structural challenges requires coordinated action from both the public and private sectors, from targeted Saudization initiatives and balanced market entry to stronger oversight of delivery platforms and supply-chain stability. Implementing the proposed measures will help secure sustainable profitability, protect employment, and ensure that this vibrant sector remains a cornerstone of the Kingdom's Vision 2030 growth agenda.



**Unified Voices,
Impactful Policies**