

Comments on UAE's business environment, Gulf News, 18 May 2015

Click [here](#) to access the original article, published 18 May 2015; comments highlighted below.

Higher consumption and low cost of financing help UAE businesses grow

Higher consumption levels in the UAE, driven by an increasing number of residents and tourists, along with lower cost of financing, is creating an environment for businesses to launch and expand, according to analysts.

Retailer Marka is acquiring firms to drive its growth.

The company, which formally launched in July 2014, bought restaurant chain Reem Al Bawadi last week for Dh315 million. And it expects to close two more deals in the current year. The companies it aims to acquire operate in the sports and food and beverage sectors, said Nick Peel, chief executive of Marka.

It completed two acquisitions last month, including Retailcorp, a subsidiary of Istithmar World, for Dh220 million, and a 60 per cent stake in Cheeky Monkeys Playland & Sweet Surprises for Dh30 million.

"Our strategy is to look at UAE businesses that are in need of management expertise and particularly capital injection. We have plans in place to scale these businesses relatively quickly – in 18-24 month period," Peel said.

Nasser Saidi, president and founder of Nasser Saidi and Associates, an economic and financial consultancy, said that

greater liberalisation policies, opening up to foreign investment, and the decline in the cost of financing driven by intense competition among financial institutions have led to rising levels of acquisitions domestically by UAE companies.

Marka also plans to expand the presence of Reem Al Bawadi in 2015, with at least two new company-owned outlets in the UAE and up to five franchised outlets in the Middle East and North Africa.

Marka, currently operating four fashion outlets and 15 sporting goods stores, raised Dh500 million in an initial public offering on the Dubai Financial Market (DFM) last year.

Another business, Johmani Ventures, has expanded from operating just two companies in 2008 to seven at present. According to its founder, Mohammed Johmani, one of his business' growth strategies is hiring talented people.

Also, Johmani Ventures, which employs 60 people, has diversified its business to include Next Public Relations, 02 Advertising, Belong Interactive, which is a technological solutions provider, mobile technology company Mobibus, Cary!, a mobile app, Arabreneurs and Social Hunters.

In the last few years, the UAE's economic environment has been favourable for developing and launching business, according to Diana Jarmalaite, research analyst at Euromonitor International, a research firm.

"Over the 2009-2014 [period], the population increased by 5 per cent translating into more than a half a billion of new consumers in the market. At the same time, the number of tourists visiting the country almost doubled, up to more than 18 million in 2014," said Jarmalaite.

Between 2009-2014 average disposable income per capita increased by 46 per cent to reach \$29,000 (Dh106,430), she said.

“All these factors are increasing the potential consumption in a country. That is why businesses are expanding. In 2014, Euromonitor International saw huge number of new brands entering the market, along to the expansion of brands that are already in the market. By far, everything looks really good, and Euromonitor International expects the market to expand even more, mainly stimulated by even bigger tourists inflow and such big events like Expo2020,” Jarmalaite said.

Meanwhile, Delice, a Dubai-based chocolate confectionary brand which started operations in 2004, entered the United Kingdom last year with a retail area in Harrods, a luxury department store in London. It sells chocolates, sweets, macaroons and different types of dates, among others.

Delice, which operates five outlets in the UAE, Armenia and Bahrain, now plans to open franchised outlets in Saudi Arabia, China and the United States, according to founder and president Jalel Ghayaza.