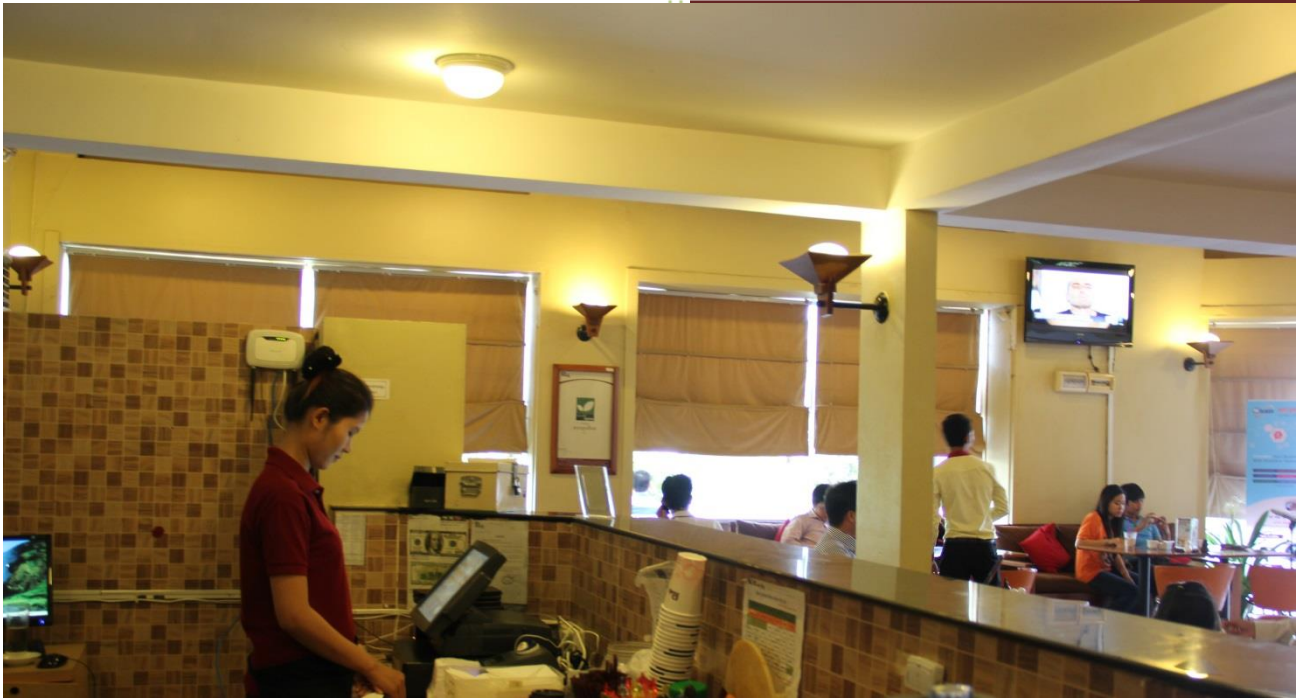


2014

Restaurant Leader Survey in Phnom Penh



P
ARKTM
Café

Hoem Seiha

Park Café, Food & Beverage Co., Ltd.

7/7/2014

EDITORIAL AND RESEARCH ADVISORY TEAM

LEADER

Chan Sy

PRINCIPAL AUTHOR

Hoem Seiha

EDITORIAL AND PRODUCTION

Hoem Seiha

ABOUT THE PUBLICATION

Printed in Phnom Penh. This publication is a subject to Creative Commons — Attribution 3.0 (CC BY 3.0), which means any copy, reproduction and use of any part of the publication by any means or in any form has to be accredited to the publication appropriately. This publication is published by Park Café, Food & Beverage Co., Ltd.

RECOMMENDED BIBLIOGRAPHIC LISTING

Seiha H. (2014). *Restaurant Leader Survey in Phnom Penh*. Phnom Penh: Park Café.

CONTACT

3rd Floor #113(Parkway Square) Mao Tse Toung Blvd,
Phnom Penh, Cambodia.
Tel: +855-12-232-823
+855-12-699-553
parkcafe@myparkcafe.com

TABLE OF CONTENT

EXECUTIVE SUMMARY.....	ii
INDUSTRY OVERVIEW.....	1
Contribution Factors to the Growth of Restaurant Industry.....	1
<i>Rise of Middle-Class Population.....</i>	1
<i>Rise of Youth Population.....</i>	2
<i>Rise of Foreign and Domestic Visitors.....</i>	2
Types of Restaurants.....	2
SURVEY OBJECTIVE.....	3
SURVEY METHODOLOGY.....	3
A) Sampling.....	3
<i>Types of Restaurants.....</i>	3
<i>Number of Staff.....</i>	3
<i>Number of Years of Operations.....</i>	3
B) Data Analyses.....	4
SURVEY RESULTS.....	4
Reasons behind Starting a Restaurant Business.....	4
Current Restaurant Market.....	4
Restaurant Market in the LAST Five Years.....	4
Restaurant Market by the NEXT Five Years.....	4
Trends and Popularity of Foods in the NEXT Five Years.....	4
Trends and Popularity of Drinks in the NEXT Five Years.....	5
Restaurant Business Challenges.....	5
Plan of Restaurant Branch Expansion.....	5
Number of New Restaurant Branches Planned by Restaurant Leaders.....	5
Plan of Changing Restaurant Careers.....	6
CONCLUSION.....	6
RECOMMENDED RESEARCHES.....	6
FURTHER READINGS.....	7

EXECUTIVE SUMMARY

Background: Restaurant industry has grown so fast in recent years thanks mainly to the increase of young-adult and adult economic-driving population, the raised population's incomes, and the increased number of international tourists coming to visit Cambodia. The fast-changing lifestyles of the urban population, especially in Phnom Penh, have shifted the dining trends, resulting in a new culture where foreign and trendy eating establishments are on high demand. Restaurant market in Phnom Penh has yet many gaps to fill and many other rooms to be improved. **Objective & Methodology:** To find out the general landscape and environment of restaurant market in Phnom Penh, Cambodia, "Restaurant Leader Survey" was conducted by sending out six field surveyors to collect information from 150 restaurant leaders who were running and operating restaurant businesses in 15 communes throughout Phnom Penh. The collection of information took place from February to April, 2014. **Results:** The majority of the restaurant leaders in Phnom Penh, nearly 60% of them, view restaurant market in the current time as a good sector to invest, but they also think that local restaurant businesses might be challenged by the competitions with foreign establishments. Around 65% of the restaurant leaders predict that restaurant market by the next five years will become even more competitive than it is today, although 33% of them think the market will grow bigger by the years to come. **Conclusion:** Restaurant market is seen by restaurant leaders as a good sector to invest, as 36% of them have already planned to expand one to two restaurant branches to other locations in the Capital of Phnom Penh within the period of 2015 to 2018.

INDUSTRY OVERVIEW

Food and beverage industry is one of the main economic drivers and absorbs approximately 15,000 employees in Cambodia. Because of the huge annual spending on foods in Phnom Penh has grown by \$744 million (Matthew Backhouse and Sen David, 2010), a number of restaurateurs have started restaurant businesses, both local and international styles. While annual spending on fast foods in the Capital has also fetched a market share of US\$40 million (Matthew Backhouse and Sen David, 2010), casual dining is believed to gain a lion share among the restaurant types in Phnom Penh. According to the record from the Ministry of Tourism, the number of registered restaurants in Phnom Penh grew by more than 900 formal establishments in recent years, and there are a number of other informal eating establishments. The number of well-recognized, formal restaurants listed on Tripadvisor.com is 566. Among those, there are 209 Asian food restaurants, 39 American food restaurants, and 14 bakeries. The exact number of restaurant is unknown because many of the restaurants are informal and not listed in any formal directories or census. However, Yellow Pages Cambodia listed a total of 1762 restaurants in Phnom Penh and 2990 restaurants throughout Cambodia. The rising number of restaurants causes this industry to be very competitive, especially in Phnom Penh.

There was a strong growth of restaurants and many other types of eating establishments in Phnom Penh well before and during the economic downturn in 2008. The wave of restaurant startups covered the area along National Road 6 in Prek Leap since 2000 but then started to shut down alarmingly during and after the global economic crisis. Despite the closure of many restaurants in Prek Leap, many more other restaurants have been opened up in other areas where residential infrastructure has been well-developed. Such areas are Boeng Keng Kang areas, *Khan Daun Penh*, *Sangkat Chaktomukh*, and *Khan Toul Kork*.

Contribution Factors to the Growth of Restaurant Industry

Rise of Middle-Class Population

The growth of restaurant industry has been recently driven by the rise of middle class population in the Capital of Phnom Penh. Among the white-collar workers in Phnom Penh, 13% of them earned averagely from US\$601 to US\$1,000 per month, and 6% fetched an income of between US\$1,001 and US\$2,000 per month (Seiha, 2014).

Real GDP has recently grown by 7.3%, and the whole population's average earning per person grew from US\$955 in 2012 to US\$1,017 in 2013. The rise of the middle class population gives rise to the higher purchasing power and thus drives



Figure 1: Map of Restaurants in Phnom Penh

retail and restaurant industries. Restaurants, especially international brands, have seen a recent growth as witnessed by a high occupancy rate for retail space of real estate industry in recent years (CBRE, 2013).

Consumer purchasing power on food and beverage industry has been good in recent years as GDP per capital has been rising quickly. One of the main drivers for the growth of restaurant industry, a surplus from the population's incomes has been poured into its similar industries such as tourism, retail and food and beverage. On average, for instance, 64% of the population in Phnom Penh spends \$1.25 to \$2 for usual breakfast at a restaurant a time, and 20% of the population spends \$2.25 to \$3 for the same breakfast. There is 8% of the population that spends between \$3.25 and \$4 for their usual breakfast (Seiha, 2014).

Rise of Youth Population

Cambodian population aged between 15 and 30 comprises of 36%, and those with the ages between 15 and 54 comprise of 59% of the total Cambodian population in 2014 (Factbook, 2014). These age groups play an active role in economic drivers, and restaurant industry is one of the examples that have been driven by these age groups.

Trendy restaurants, such as fast food chains, cafés and trendy soft drink outlets, have been remarkably driven by young population between the ages of 15 and 30, as these groups, who prefer testing something new, are active and major consumers of restaurant market. With the increased influences of the Western and the Orient (Eastern countries), young population has adapted foreign cultures so quickly, resulting in a change in shopping and dining out.

Rise of Foreign and Domestic Visitors

Cambodia's Ministry of Tourism states that food and beverage tourism is one of the sectors to feed tourism industry (Makara, 2012). Therefore, the increase of foreign visitors to Cambodia has contributed to the quick growth of restaurant industry. According to Ministry of Tourism's report, international arrival rate increased by 17.5% in 2013, as compared to the rate in 2012. The number of international arrivals into Cambodia reached 4.2 million, and the number of domestic tourists reach 871,646 in 2013 (Cambodia, 2013). To satisfy the increasing

demand on food and beverage, industry experts speculate that around 2,000 to 2,500 tourism-oriented restaurants are needed to serve the expected seven million tourists who will come to visit Cambodia by 2020 (Lak, 2012).

Types of Restaurants

Though no clear definitions of restaurant classifications have been made before, there are mainly six different types of restaurants operating in Phnom Penh. Common types are fine dining type, often operating as a single restaurant; casual dining type, often operating as both single and chain of restaurants and sometimes as a part of a luxurious hotel; fast-food type, often operating as a chain of restaurants; and small eating houses where breakfast or lunch is served; cafés, serving specialized coffee and drinks along with some bakeries and cookies; specialized soup restaurants, often operating a single restaurant and serving only soup during the evening; night clubs and restaurants where light dinner along with beers and other cocktails are served.

Fine-dining restaurants often stand alone as a single restaurant and sometimes they are parts of or reside within luxurious hotels. Customers of these restaurants are mostly foreign tourists and expatriates.

Casual dining restaurants serve all day-dining foods but some of them may serve only breakfast or lunch. These types of restaurants are most common in Phnom Penh. However, all-day dining casuals are uncommon because most of these restaurant types can only absorb during a time of certain dining.

Fast-food restaurants often serve from late morning until late night. Foods are usually fast served within 1 or 2 minutes. Foods are usually chicken fries, pizza, and several other westernized food types along with soft drinks.

Cafés have been recently influenced by the Westerners, serving Asian and western coffee along with other drinks and fresh juice. Bakeries and cookies are served to complement their drinks. These types of restaurants are often well-decorated and designed to serve customers who look for meeting friends and business partners while also enjoying drinks and light snacks. A few of these restaurants also serve breakfast and lunch.

Specialized soup restaurants serve certain types of soup and other dinner types during the evening and late evening. They are designed for different groups of customers, from low-class to top-end. The majority of soup restaurants are intended for middle-class to top-end customers. According to Yellow Pages Cambodia, there are 133 soup restaurants listed in this directory.

Night clubs, bars and restaurants often serve light dinner but heavy alcohol drinks. These types of restaurants are intended for entertainment and their serving time is during late evening. Karaoke clubs are among these types. Based on listing of Yellow Pages Cambodia, there are around 100 karaoke clubs in Phnom Penh.

SURVEY OBJECTIVE

Restaurant industry has grown so fast in recent years, though there are no available industry reports for restaurateurs to better understand about this industry. Eating establishments, along with a number of informal and family-run ones, have come in so many ways and forms that it becomes complicated and competitive. To capture the whole picture of Phnom Penh’s restaurant industry and restaurant leader perceptions, therefore, this Restaurant Leader Survey was conducted.

SURVEY METHODOLOGY

Restaurant leader survey, which was conducted in March, 2014, took randomly-selected individual restaurant samples basically operating in different communes (15 *khans*) throughout Phnom Penh.

A) Sampling

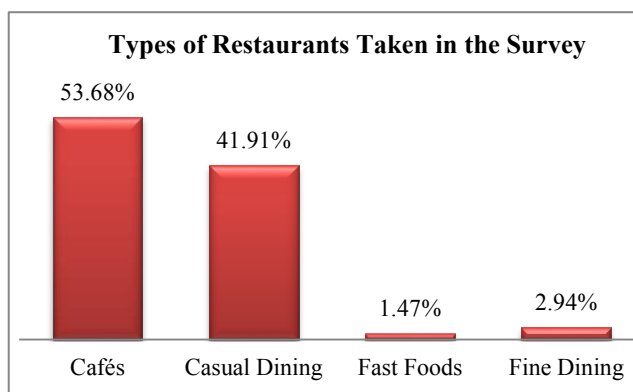
The survey took up a random selection of 150 restaurant leaders, most of whom were at the managerial and decisional positions and who were running restaurant businesses in Phnom Penh.



aged between 19 and 35, representing 95% of the total correspondents.

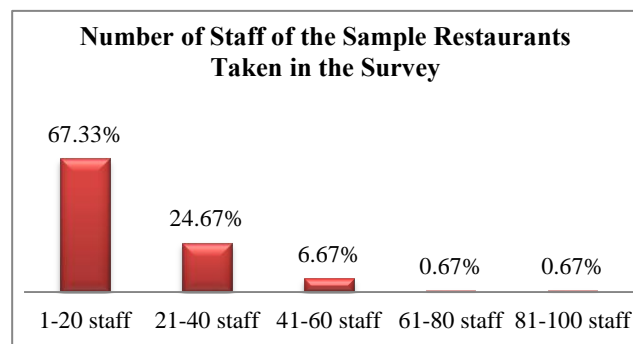
Types of Restaurants

Among the sample restaurants chosen for the survey, Cafés represent 54%, followed by casual dining restaurants, representing 42%.



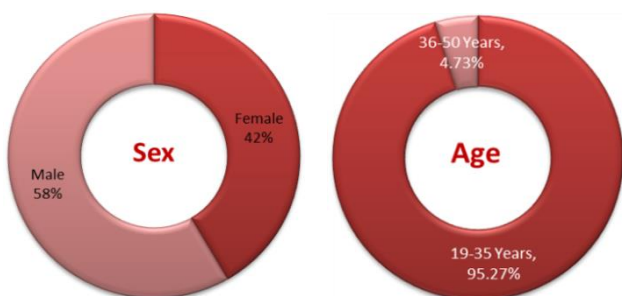
Number of Staff

Most of the individual restaurants, 67%, chosen for the survey had about 1 to 20 staff. Individual restaurants with 21 to 40 staff represent 24%, while it is 7% for the individual restaurants with 41 to 60 staff.

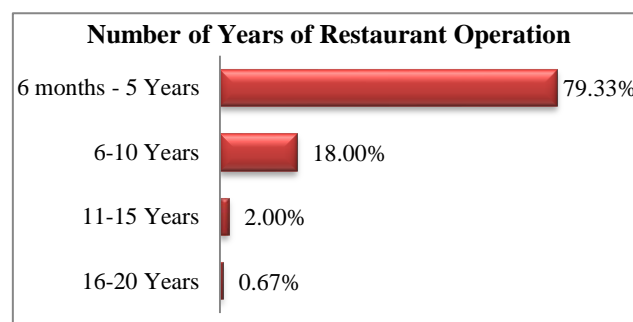


Number of Years of Operations

Most of the individual restaurants, 79%, chosen for the survey had been operated equally or less than 5 years, while those with 6 to 10 years represent 18% of the total.



Among the restaurant leaders interviewed, 58% of them were male. Most of the interviewees



B) Data Analyses

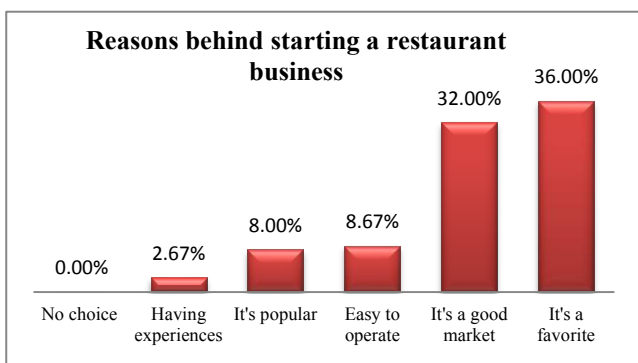
Statistical analysis software Epi Info 7 was used for data entry and analyses. Although old versions of Epi Info has been primarily used in epidemiology in health sciences, Epi Info 7 has a more advanced package ideal for advanced and complex statistical analyses with additional capacity to conduct mapping, create questionnaires, take online survey, and use as many other functions. Microsoft Excel Version 10, in addition, was used to customize graphs and charts.

SURVEY RESULTS

Reasons behind Starting a Restaurant Business

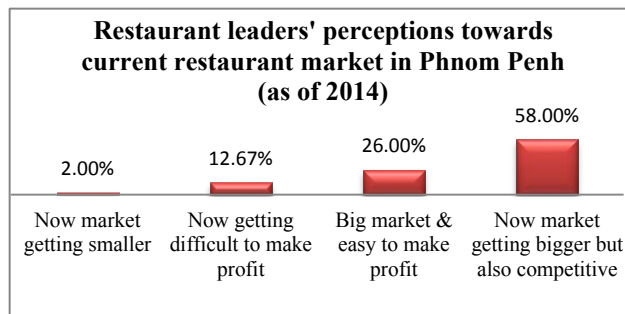
Restaurant market has grown largely in recent years thanks to the growing number of the population as well as international arrivals and raised incomes of the Capital’s residents. This growth therefore drives the increase of restaurants. Despite the fact, restaurant leaders views different reasons for starting their restaurant businesses.

Among the restaurant leaders, 36% of the restaurant leaders viewed their motives in starting a restaurant as their favorite businesses, while 32% of them started a restaurant business because they thought the restaurant market was good.



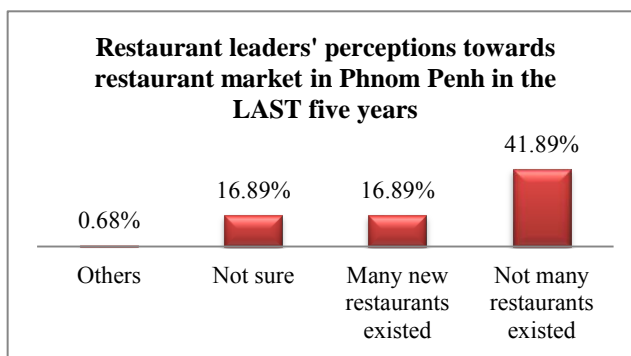
Current Restaurant Market

Among the restaurant leaders taken in the survey, 58% perceive that current restaurant market has grown bigger, but today it also becomes competitive, while 26% of the leaders viewed it as a big market and easy to make profit. However, 13% of the leaders were pessimistic towards restaurant business that it is getting difficult to make profit. Even worse, 2% of the leaders said restaurant market is getting smaller.



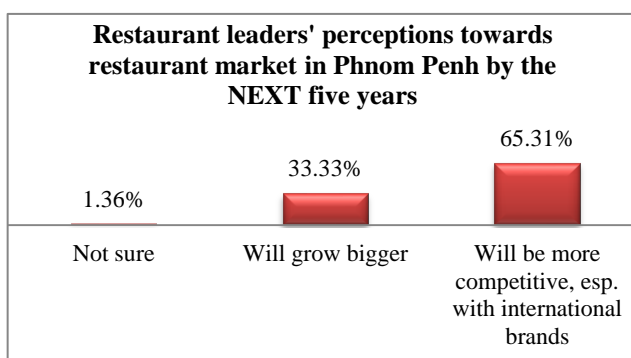
Restaurant Market in the LAST Five Years

Of the restaurant leaders taken in the survey, 42% said that there were not many restaurants existing in the past five years. On the other hand, few of them, 17%, said there were many new restaurants existing in the past five years. The other 17% said they were not sure with the situation.



Restaurant Market by the NEXT Five Years

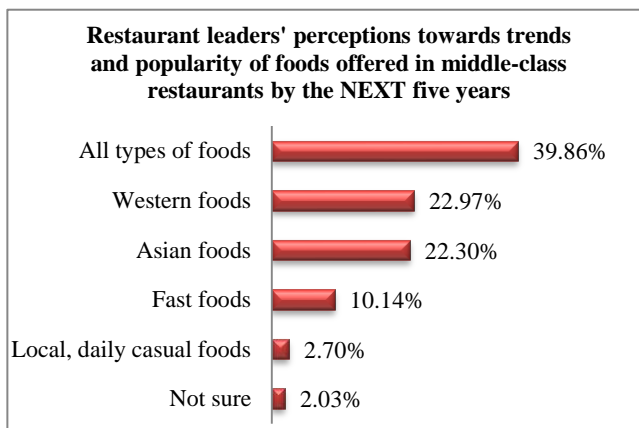
With the fast growth of restaurant market, 65% of the restaurant leaders perceive that restaurant market will become competitive, especially with international brands. Furthermore, 33% of the leaders said that restaurant market will grow bigger, while 1% of them had no ideas.



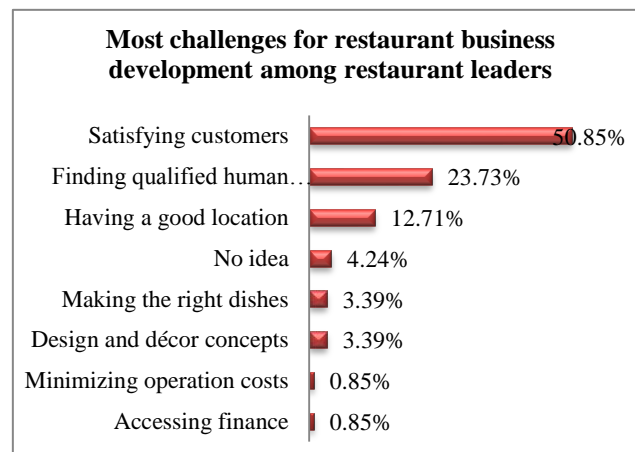
Trends and Popularity of Foods in the NEXT Five Years

When asked what would be the trendiest and most popular foods offered in middle-class restaurant in Phnom Penh by the next five years, 40% responded, “All types of foods”. Of the food types, 23% of the surveyed leaders said Western foods are going to be the most common,

followed similarly by Asian foods which were responded by 22% of the leaders. Fast foods, furthermore, were responded by 10% of the leaders.

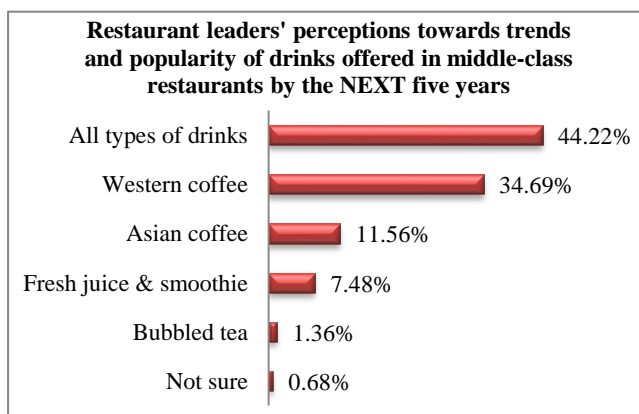


restaurateurs, only 1% of the restaurant leaders taken in the survey rated “minimizing operation costs” as the most challenge.



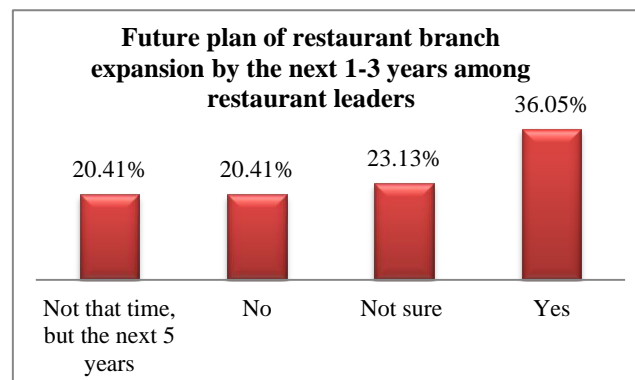
Trends and Popularity of Drinks in the NEXT Five Years

With a variety of drinks available on the market, 44% of the restaurant leaders said all types of drinks are going to be trendy and popular by the next five years. Of them, 35% said Western coffee is going to be the trendiest of all coffee types. Asian coffee, however, was supported by only 12% of the restaurant leaders taken in the survey. Only 7% of restaurateurs thought fresh juice and smoothies are going to be favorable in the market by the next five years.



Plan of Restaurant Branch Expansion

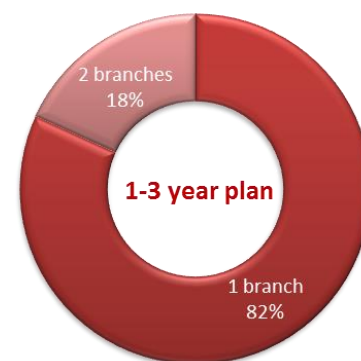
By the next 1 to 3 years, some of the restaurant leaders taken in the survey had a plan for their restaurants. Among them, 36% had planned to open up one or two new restaurant branch(es). 23% of the leaders were not sure about new branch open-up, and 20% did not have a plan to open any new branch. However, the remaining 20% of the restaurant leaders planned to open one or two branch(es) by the next five years.



Restaurant Business Challenges

Restaurant leaders shared the most common viewpoints about challenges when it comes to business development for restaurants. Among the leaders, 51% rated “satisfying customers” as the most challenging area in developing a restaurant business. “Finding qualified human capitals” to work in a restaurant business was rated by 24% of the restaurant leaders, 13% thought “having a good location” was the most challenge. Even though a few of experienced restaurant players said operation cost reduction is unlikely to be achieved by most of the local

Number of New Restaurant Branches Planned by Restaurant Leaders



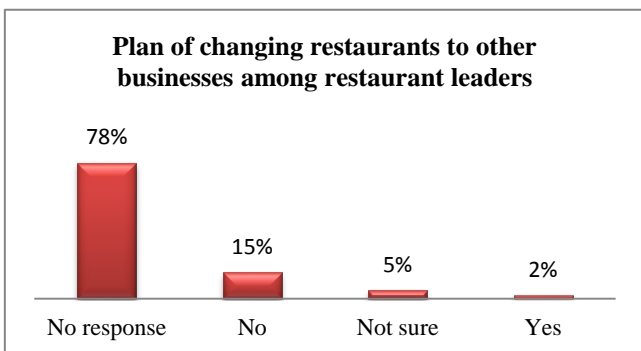
As restaurateurs view restaurant market as a healthy industry, some of them have already planned to open up a few branches in order to keep up with the increasing demand

for dining out. Among the 36% of the interviewed restaurateurs who planned for branch expansion, 82% of them had planned to

open up 1 branch, while 18% planned 2 branches.

Plan of Changing Restaurant Careers

With a stiff competition in the restaurant market, 2% of the restaurant leaders taken in the survey planned to change restaurant career to other business, 5% were skeptical, and 15% were likely to stay firm in restaurant business. However, the majority of them, 78%, had no comments for this issue.



CONCLUSION

Restaurant industry has grown so fast in recent years thanks to the great influx of international arrivals and the increasing number of domestic tourists, the rise of population incomes and their purchasing power, the growth of young population, and the changing habits of dining influenced by rapidly improving socio-economic environment and a great influx of foreign cultures that have changed the Capital’s dining habits.

The fast-changing trend of food and beverage industry has shifted from a traditional eating setting to a more modern, stylist environment. This fast-changing is resulted from the presence of international brands, most of which are fast-food chains, since 2004. The recent development and trendy eating establishments have taken the Capital’s restaurant industry into a new shape.

As the results of the survey reveal, 32% of the restaurant leaders think restaurant market is big and profitable as their reasons for opening up the restaurant businesses, though 36% of them do so as their favorite careers. Despite the good market, 58% of the restaurateurs think the current restaurant market is also complete, and 65% of the restaurateurs think the competitive market over the next coming years is a result of the new entrances to the market every year, especially international and franchised brands.

By the next five years, trends of foods and drinks may shift from what they are preferred today. Many of the restaurateurs view differently. Up to 40% of the restaurant leaders think all types of foods being offered in restaurants today continue to be trendy by the next five years. Among them, 23% of restaurant leaders think Western foods will be trendy and popular, while 22% support that Asian foods will be trendy. Despite the trend and popularity of fast foods in recent years, only 10% of the restaurant leaders support the idea that fast foods will be trendy by the next five years.

For trends and popularity of drinks expected by the next five years, 44% of the restaurant leaders think all types of drinks continue to be trendy. However, 35% of them view that Western coffee will be trendy by the next five years, followed by those who support Asian drinks, which account for 12%.

In the growing and competitive restaurant market, challenges met by restaurateurs are ways to customer satisfactions, as rated by 51% of the restaurant leaders; lack of qualified human capitals, as rated by 24%; and finding good locations, as rated by 13%. However, 36% of the restaurant leaders have already planned to expand new restaurant branches in 1 or 3 coming year(s).

RECOMMENDED RESEARCHES

There are limited research papers related to Cambodia’s restaurant industry and restaurant market. This survey report could therefore be an important source of information for restaurateurs to gear their restaurant businesses and improve gaps within the industry.

However, with a limited paper work, restaurant leaders as well as investors are knowledge-limited when it comes to developing restaurant businesses, which therefore drives the overall restaurant industry in the country. Though this survey report could be a tremendous contribution to the understanding of restaurant sector as a whole, other researches focusing on many other areas within restaurant industry are recommended for a wider availability of information resources related to the industry and market environment. The suggested research should cover:

- **Restaurant Consumer Study** – This should cover consumer market sizes, consumer preferences and trends towards foods and beverages offered in middle-class to top-end restaurants, and many other issues concerning restaurant consumers.
 - **Restaurant Franchising Review** – This should highlight key indicators and franchise environment, costs and other franchise fees, legal issues and other challenges for local franchise initiatives.
 - **Restaurant Market Research** – This should go in-depth into the supply and demand of each food and beverage services, restaurant types and categories, the history and the trends of restaurant market, and the factors contributing to the growth of this market.
 - **Restaurant Supply Chain Study** – This allows restaurant leaders and policy makers to see the gaps and rooms in order for them to better develop restaurant sector and supply chain infrastructure within this industry. To achieve that, a supply chain study should cover how restaurants and suppliers work together and find possible solutions for restaurants and suppliers to reduce their costs but still keep a good profit margin.
- CBRE. (2013). *Phnom Penh's Emerging Retail Sector Set to Take Off*. Phnom Penh: CBRE.
- Factbook, W. (2014, April 11). *East&Southeast Asia: Cambodia*. Retrieved April 21, 2014, from Central Intelligence Agency: www.cia.gov/library/publications/the-world-factbook/geos/cb.html
- Lak, S. (2012, August 27). *Hey, Waiter!* Retrieved May 7, 2014, from Economics Today Magazine: <http://www.opendevelopmentcambodia.net/tag/cambodia-restaurant-association/>
- Makara, K. (2012, June 8). *Food and beverage industry vital to Cambodian tourism*. Retrieved May 7, 2014, from Phnom Penh Post: <http://www.phnompenhpost.com/special-reports/food-and-beverage-industry-vital-cambodian-tourism>
- Matthew Backhouse and Sen David. (2010, December 19). *Fast Foods Sector Stakes Off*. Retrieved December 15, 2013, from Phnom Penh Post: <http://www.phnompenhpost.com/business/fast-food-sector-takes>
- Seiha, H. (2014). *Restaurant Consumer Survey 2014*. Phnom Penh: Park Café.

Further Readings

Cambodia, T. M. (2013). *Tourism Statistics Report*. Phnom Penh: Statistics and Tourist Information Department.

A PUBLICATION FROM



CONTACT

3rd Floor #113(Parkway Square) Mao Tse Toung Blvd,
Phnom Penh, Cambodia.

Tel: +855-12-232-823

+855-12-699-553

parkcafe@myparkcafe.com