

SAUDI ARABIA



COUNTRY PROFILE

Geographically, Saudi Arabia is the fifth-largest state in Asia and second-largest state in the Arab world after Algeria. With a GDP per capita of USD 23,338 and a median age of 29 years, the average Saudi consumer is wealthy and young.

STRENGTHS

- Large market size with a population of 34 million inhabitants expected to reach 40 million by 2025.
- A high wealth society with increasing disposable income to satisfy changing lifestyles and diets.
- Advantageous tax system, including increasing number of initiatives to attract foreign investment.

OPPORTUNITIES

- Large importer of food and agricultural products of the GCC, relying on imports for 80% of needs.
- The Kingdom is expected to see around USD 59 bn worth of investment in its food industry by 2021.
- Government commitment to enhancing the quality of life of citizens is proving instrumental in further growing this sector.
- Vision 2030 includes extensive investment in the retail, entertainment and hospitality industries.
- Low level of local competition in the area of F&B compared to the UAE (but increasing rapidly as foreign companies eye up Saudi opportunity).


34 MILLION
POPULATION


62/190 WORLD BANK'S EASE OF
DOING BUSINESS RANKING
(BETWEEN BULGARIA & INDIA)


17TH LARGEST COUNTRY
IN THE WORLD BY GDP
(BETWEEN SPAIN AND AUSTRALIA)


70% POPULATION SAUDI;
30% EXPATRIATE


2/3 OF POPULATION
IS UNDER 35


60% ACCOUNTS FOR 60% OF
ALL FOOD CONSUMPTION
IN GULF:
IN 2018, SAUDI F&B
MARKET WAS WORTH
NZD 68bn

GEOGRAPHICAL OVERVIEW

Attractive and fast-growing destination for foreign investments

13

Regions in the KSA namely Qassim, Riyadh, Tabuk, Madinah, Makkah, Northern Borders, Jawf, Ha'il, Bahah, Jizan, 'Asir, Najran, and Eastern Province

1,131

Licenses issued for foreign investors in 2019 by the Ministry of Investment, was up 54% when compared to 2018

1

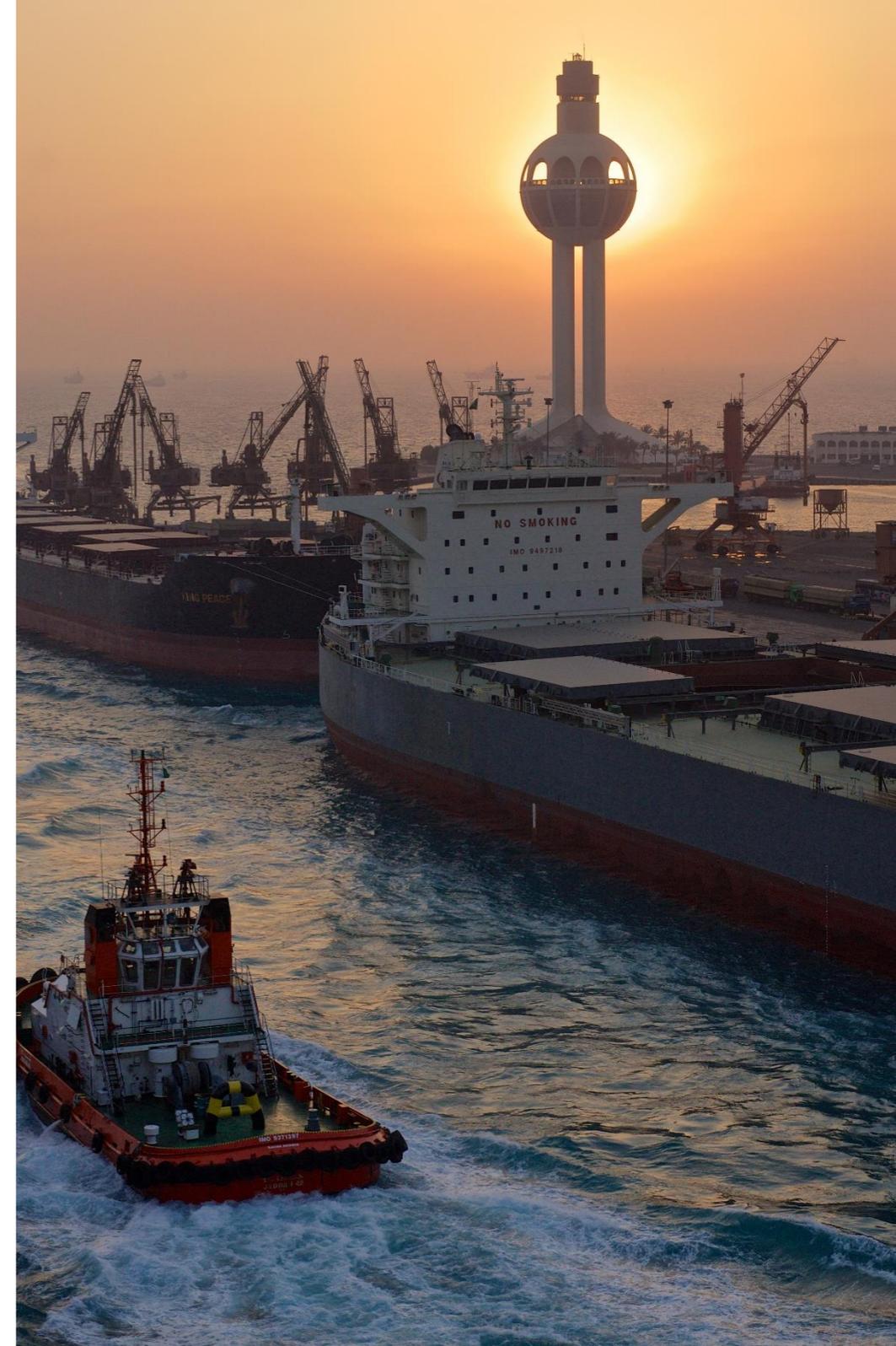
World bank ranks KSA as the 'Top Reformer' improving the most in 'Ease of Doing Business' in 2019

100%

Complete ownership of enterprises; other advantages include tax free - exemption from personal and corporate taxes, possibility of owning 100% interest in the company by foreign national, etc.

8

Investments made in six economic cities are eligible for tax incentives - Ha'il, Jazan, Najran, Al-Baha, Al-Jouf, Northern territory



MARKET SIZE IN SAUDI ARABIA

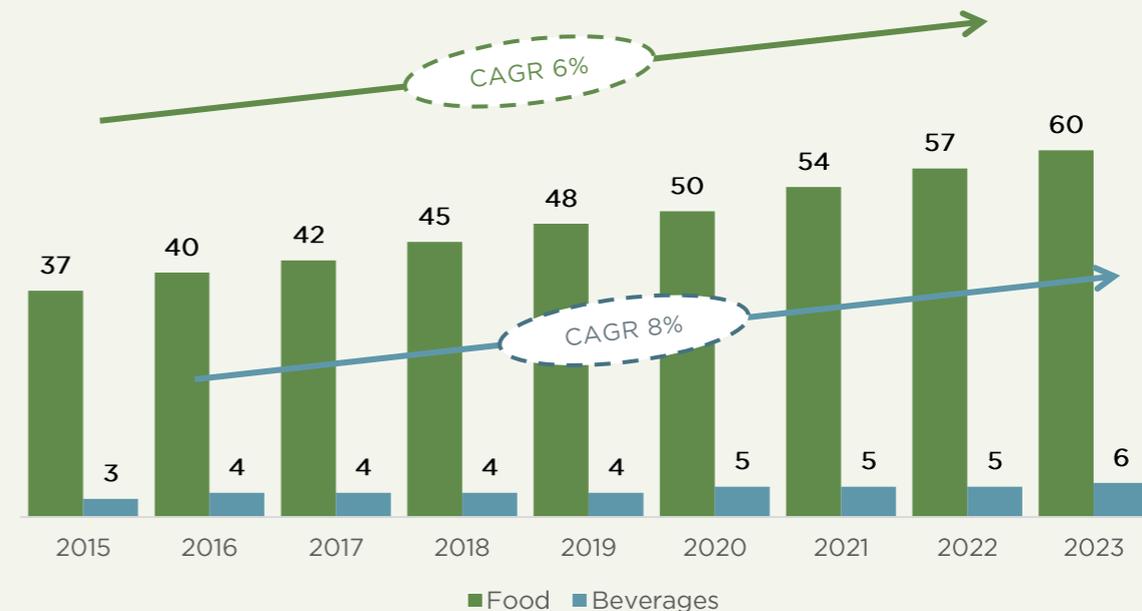
A FEW THINGS TO KNOW ABOUT THIS MARKET

- On an average, KSA imports ~80% of its food requirement.
- F&B market is expected to grow by 6% annually till the forecast period (2023).
- In 2018, the Saudi food industry accounted for a sizeable 10% of GDP.
- KSA's mass grocery retail (MGR) sector demonstrates growth of 67% with ongoing store launches across the core hypermarket and supermarket segments within the next 2 years.
- Rapid development of the non-oil economy will create new job opportunities and underpin a steady increase in personal disposable income. This is expected to drive an increase in F&B expenditure.

USD 49 bn

was the size of the F&B market in 2018. Compared to USD 50 bn in New Zealand.

F&B Market size (2015 to 2023), USD bn



F&B RETAIL SALES BY MARKET VOLUME (2020)

Total:
35.6 Million
Tonnes

Regional
share:
54.9%



Note: volumes are in million tonnes

KEY RETAILERS IN SAUDI ARABIA



A SNAPSHOT OF HORECA IN SAUDI ARABIA

KEY PLAYERS – FOOD SERVICES / HORECA

The restaurant management landscape in Saudi Arabia is dominated by international players, especially those from the United States.



HORECA FACTS & STATS IN SAUDI ARABIA

A significant shift is expected to occur from fast food to fast casual, a foodservice category that better responds to today's population needs, whilst still offering a quick dining solution.



US\$22.4bn
food service
sector



52,000
restaurants,
cafes and bars



Fast food represents
about **20%** of the
restaurant industry

MAJOR FOOD DISTRIBUTORS



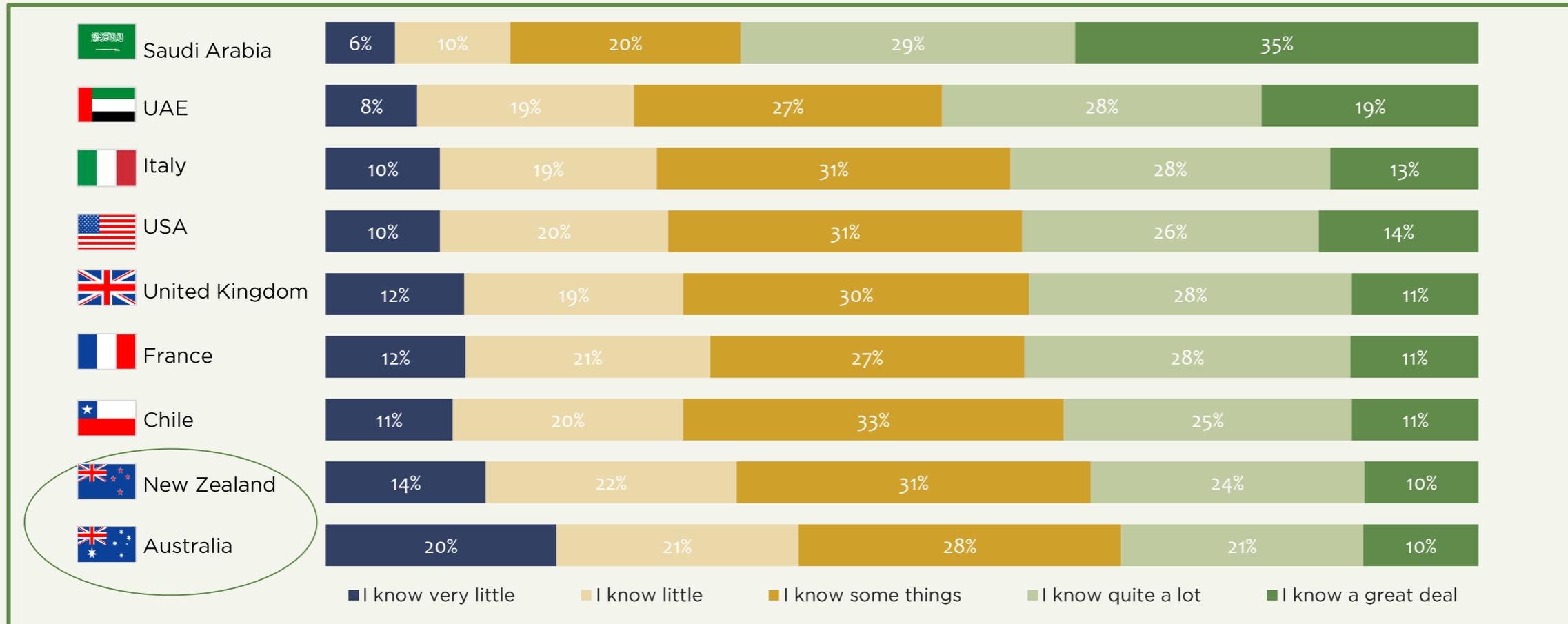
SAUDI CONSUMERS: WHAT MAKES THEM TICK?

Saudi consumers are young, savvy shoppers, who like a good deal, and shop seamlessly across multiple channels

- 53% of the population is between the ages of 15 - 44. This age group is more open and exposed to changing consumer trends and has a higher propensity to spend on F&B.
- Government reforms that started in 2016 means Saudi consumers have changed their buying habits to save money.
- Consumers respond well to localized promotions that coincide with the busiest shopping time of the year, including the week of Eid al Fitr (right after the month of Ramadan).
- Saudi consumers are hyper-connected. 86% of Saudis go online every day and own 2.3 devices on average.
- According to an IPSOS research, 64% of Saudis now report buying a product or service online every month. 51% of internet users make their purchases with smartphones and only 24% on a computer.
- Saudi Arabia's online food ordering and delivery market was valued at \$511.21 million last year and is forecast to grow 10.05 percent per annum until 2026
- As the range of entertainment and sporting venues increases in line with the aims of Vision 2030, so will the demand for food delivery to those attending events in public spaces.



THERE IS LOW FAMILIARITY WITH PRODUCTS MADE IN NEW ZEALAND AND AUSTRALIA: CONSUMERS ARE MOST FAMILIAR WITH LOCAL PRODUCE FROM SAUDI ARABIA



QUESTION:
How much do you know about the products made in each of the below countries?

CONSUMERS ARE AWARE OF NEW ZEALAND AND HAVE A POSITIVE IMPRESSION OF THE COUNTRY AND ITS PEOPLE



A country of beautiful nature and landscapes



A country full of green fields, cattle and dairy farms



The people of New Zealand are nature-lovers and lead a healthy and active lifestyle

ROUTES TO MARKET

There are five routes to enter KSA's market



Distributor agreements: Saudi importers help build the brand, requiring marketing support from the international company.



Consolidation agreements: Applicable for Saudi companies importing a wide range of food products for mass distribution.



Agency agreements: Usually suitable for more expensive products as compared to a distribution agreement, which is more suitable for commodity or FMCG products.



Direct Export: Large chain supermarkets frequently import directly from foreign suppliers.



Private Label: Becoming common in KSA. Companies do have to navigate the complicated process of exporting.



DIGITAL COMMERCE IS GROWING BUT 66% OF SAUDIS STILL PREFER TO PAY CASH FOR ONLINE PURCHASES

Saudi Arabia has a bustling digital commerce market and Saudi consumers are highly connected online, spending US\$115m on food and personal care products in 2019 – a 7.3% increase compared with 2018. But this is a small portion of the total e-commerce spend, with lots of room for growth.

- Revenue in the digital commerce market was projected to reach US\$6.3bn in 2020, with the food and beverage segment worth US\$234m.
- Many Saudis still prefer to pay in cash for online purchases – 66% of all deliveries are paid for in cash at the time the goods are delivered to their door. The main reason is consumer trust cash payments and believe there is a better chance of returning items if they pay by cash. Just under 9% of women have a credit card, compared with 21% of men.
- The government of Saudi Arabia aims to more than double the number of e-payments in the next decade – from 36% in 2019 to 70% by 2030.



E-PLATFORMS

- The four most common online food platforms are:
 - ✓ **Marketplaces**
 - ✓ **Retailers**
 - ✓ **Food distributor companies**
 - ✓ **Food Delivery companies**
- KSA has the highest percentage of active social media users in the GCC and the MENA region, with Facebook, Instagram and Snapchat being the top three platforms.
- Consumers use social media to research, share reviews and interact with brands online. Brands that have a dedicated social media platform and interact with consumers on social media are more likely to attract sales.
- Successful ePlatforms are easy to navigate and offer products deals, fast delivery and flexible payment options.
- Many companies are hiring Digital Commerce managers due to the popularity of ePlatforms.
- Online food ePlatforms have a strong social media presence.
- The top food ePlatforms in Saudi Arabia include Noon, Amazon Saudi, Carrefour, Lulu Hypermarket, Nana and Jahez.



LOOKING FORWARD: WHAT IS GOING TO BOOST CONSUMER SPENDING?

Given numerous reforms, coupled with Vision 2030's investments in leisure and entertainment, the F&B segment in Saudi Arabia seems well positioned to benefit.



Tourism

Saudi Arabia opened its doors to visitors from all over the world with its evisa program in 2019. The tourism industry in Saudi Arabia is growing dramatically, which is expected to result in a significant shift in the retail and F&B landscape.



Entertainment

The expansion of the cinema industry and increase in sporting events and concerts will also have positive implications for the foodservice sector.



Giga Projects

Upcoming projects like the Red Sea Project and Qiddiya Entertainment City will aid in attracting a larger expatriate population, which will result in a larger F&B expenditure.

COVID-19 HAS MOVED CONSUMERS ONLINE AND HIT HOSPITALITY HARD

The pandemic has had a dramatic effect on the food and beverage industry, with hospitality among the hardest hit sectors globally and Saudi Arabia is not immune.

People are spending more time at home, shopping more online and seeking entertainment online.

The market for online grocery shopping has tripled in Saudi Arabia, and consumers are choosing platforms based on fast delivery, a large product range and a high number of delivery time slots.

Fresh Meat Fish & Poultry +408% change

Grocery products purchased online	Pre COVID-19	During COVID-19	Change
Fresh, meat, fish, poultry	9%	44%	+408%
Dry Foods	10%	50%	+400%
Canned Food	10%	46%	+360%
Dairy products	15%	65%	+341%
Bread	8%	33%	+317%
Personal Care	7%	26%	+290%
Fresh Fruit and Vegetables	16%	59%	+267%
Beverages	13%	43%	+242%
Confectionary	12%	34%	+183%
Homecare	14%	39%	+176%

Source: Simon Kucher & Partners (2020). How has Covid-19 changed online groceries shopping.