



GFM FOOD TECH SUMMIT

Saudi F&B Market Addressing Health and Wellness as the New Growth Wave

FARRELLY & MITCHELL

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Agenda

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What do demographics and economic aspects of Saudi indicate

SECTION

02

Where does Saudi stand on 'Health'

SECTION

03

What are the bankable opportunities in Saudi

SECTION

04

What should companies address to capitalise the opportunity



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Favourable demographics to drive Saudi F&B demand

Fast growing with median age <10 years than developed countries' average

Saudi population is growing at a faster pace than some of the developed economies ...

- More mouths feed in future



...with larger base of youthful population

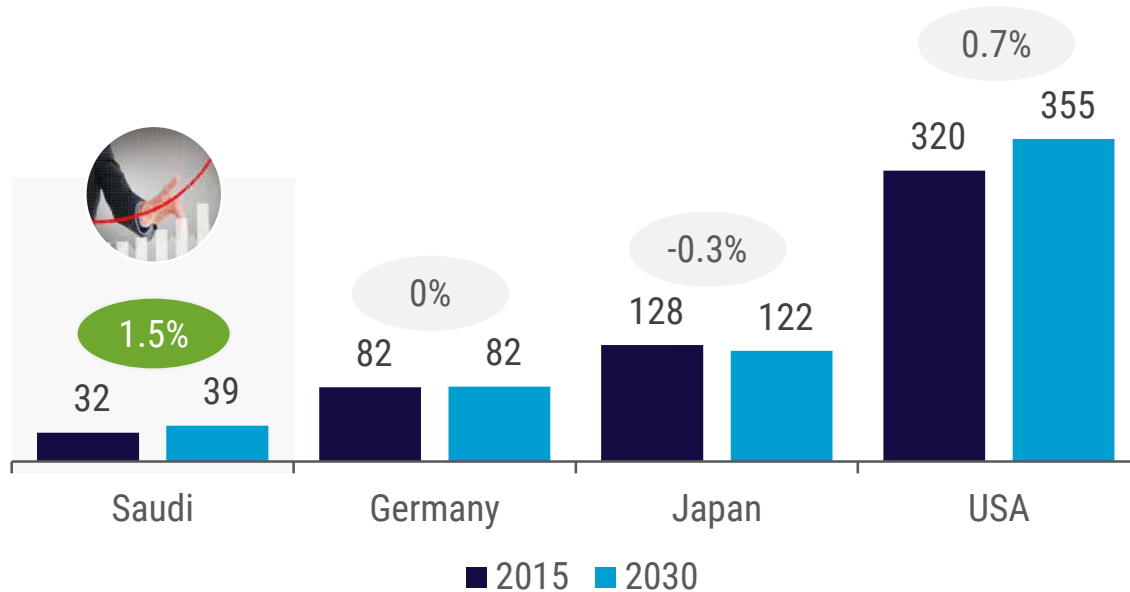
- Contributing to strong economic growth
- Increased economic freedom



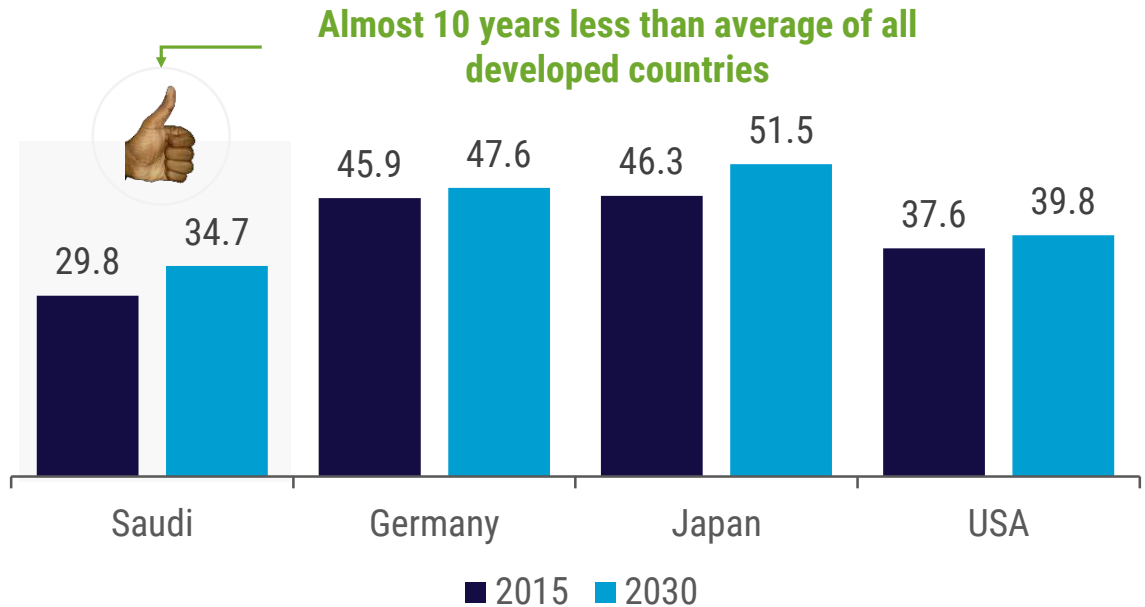
Population in Mn

XX%

CAGR 2015-2030



Median age, years



Source: World bank

Strong consumer spending potential indicates wider opportunities in F&B

Per capita GDP comparable to developed countries

Saudi per capita GDP (PPP) is comparable to developed countries...

- Higher consumer spending potential



...which is set to increase further

- Wider avenues to spend
- Only 18% of household expenditure is on F&B (2013)



Per capita GDP (PPP), Units in USD



Source: World bank and Saudi General Authority of Statistics

However, health challenges set to change consumer approach to F&B

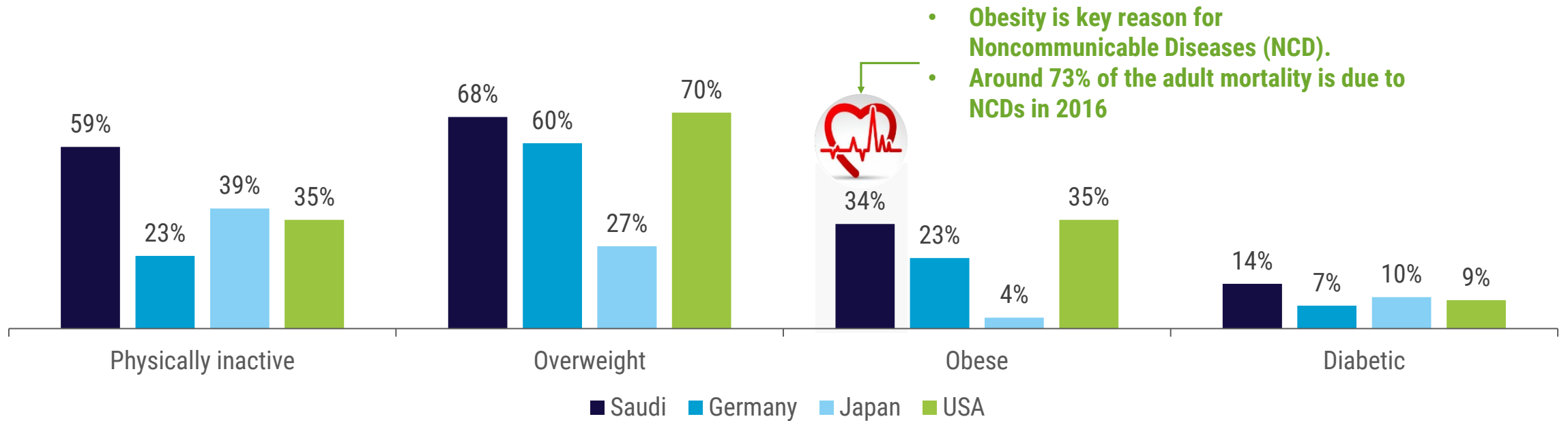
Limited physical activity increasing NCDs, which contributes to 73% of adult mortality

Young population base but inactive lifestyle creating larger health challenges

- Consumers are increasingly getting health conscious
- Social media penetration playing a major role
- Marginal awareness push from F&B companies



% of adults



Source: World Health Organization

Economic situations displacing base population in Saudi on long term

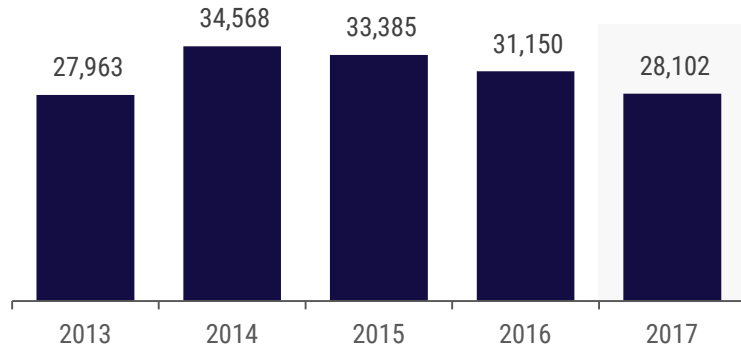
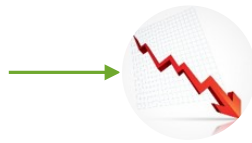
Eventually impacting F&B industry

Consumer spending sentiment negatively impacted due to economic situations



Consumer expenditure per capita, SAR

Decreased by 19% from 2014

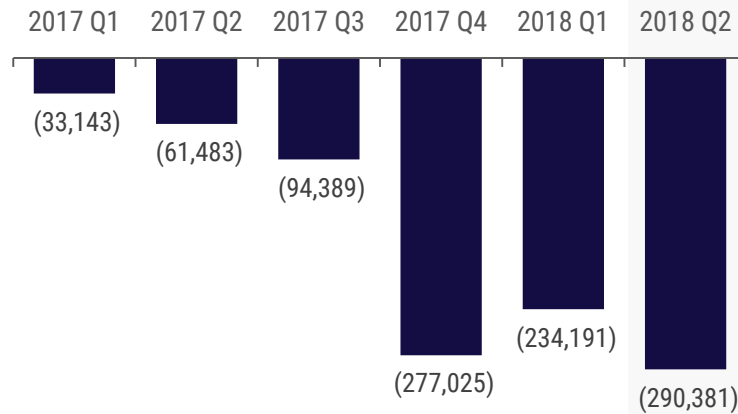


Expatriate employees leaving the country resulted in change in base population



Expatriate employees leaving the country

Around 1 Mn Expatriate workers left from 2017 till 2018 Q2

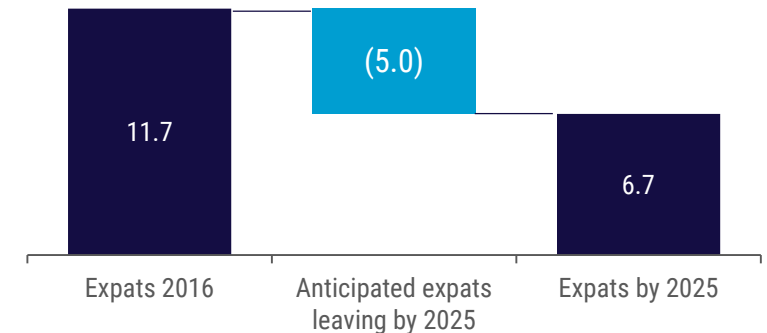
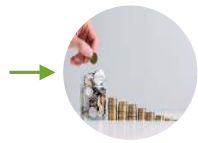


Around 5 Mn expats estimated to leave by 2025. Resulting in 3 Mn jobs for Saudis



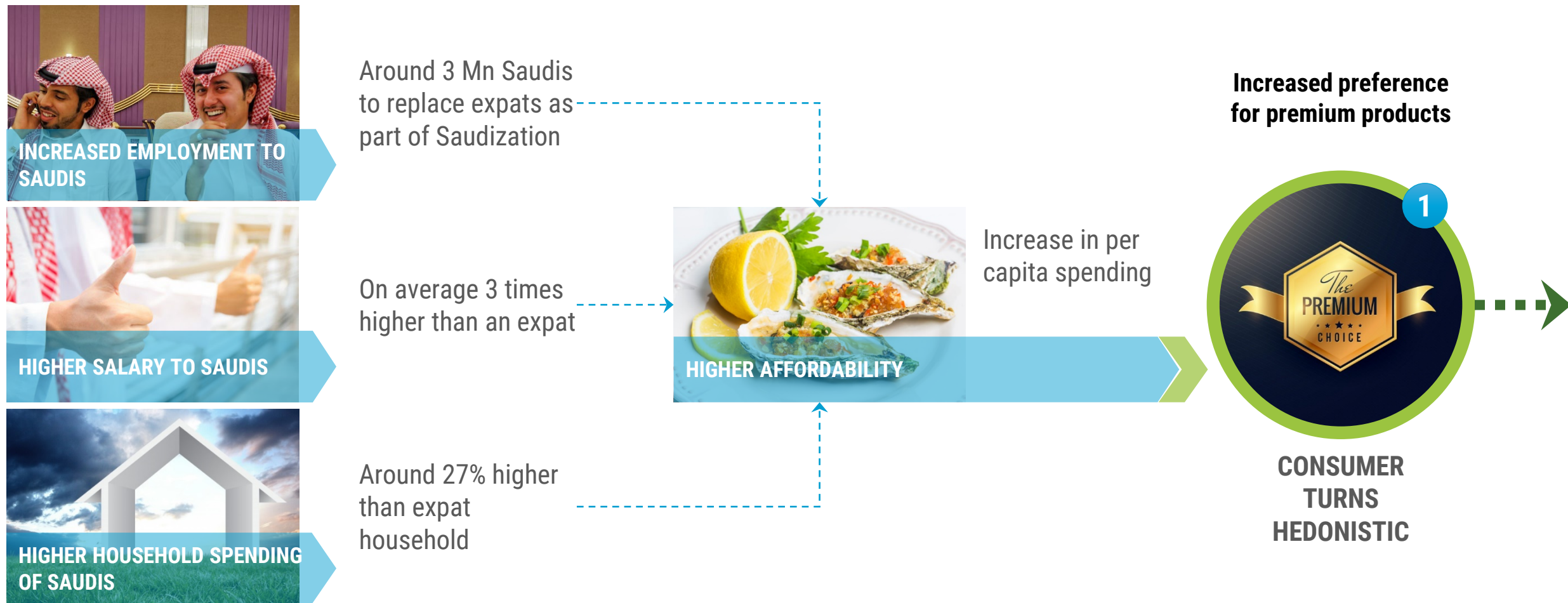
Total expats (employees and dependents) in Mn

Increased employment to Saudis – More spending



Source: Saudi General Authority of Statistics and Farrelly and Mitchell Research

But higher employment rates for Saudis to sustain the industry as affordability increase...



Source: Saudi General Authority of Statistics and Farrelly and Mitchell Research

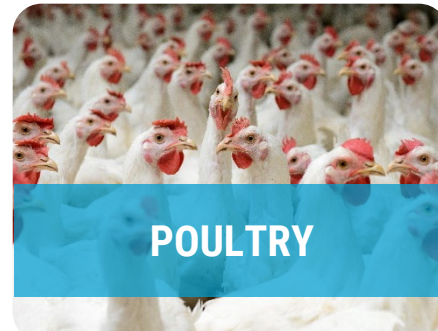
...with prevailing health challenges, consumers seeking 'Healthy Food' to substantially increase



Source: Farrelly and Mitchell Research

Dairy, Poultry, Bakery and Beverages to attract higher consumer attention

Functional benefits to gain the most



Existing market maturity for health food

Low – Med

Low

Low-Med

Low - Med

Future scope

High

High

High

High

Type of benefits to address

Functional

Clean

Clean and functional

Functional

Product benefits to address

- Protein
- Probiotics
- Bone health

- Hormone free
- Natural feed
- Omega 3

- Ancient grains
- Organic
- High fiber
- Protein
- Diabetic

- Vitamins
- Antioxidants
- Gut health

Key target consumers

Kids and women

All

Adults

Kids and Adults

Source: Farrelly and Mitchell Research

Hypertension, Vitamin D deficiency, Musculoskeletal and Colorectal cancer challenges could be addressed through nutrition; untapped by F&B companies

Consumer negligence on some of the basic health issues...



Overweight



Hypertension



Diabetes



Vitamin D

Leading to bigger health challenges

...>50% of mortality due to cardiovascular, cancer and musculoskeletal diseases



Cardiovascular



Cancer



Musculoskeletal

Prevalence

68% population

26% of adults

14% of adults

>60% of population are deficient

Hyper-cholesterolemia
8.5% of adults
20% in border

Colorectal cancer
15% men
10% women on overall cancer instances

Osteoporosis
34% female
31% male over 50 years

Precaution

Low carbs

Low sodium

Low sugar

Supplementation

Low saturated fat

High fibre and Antioxidants

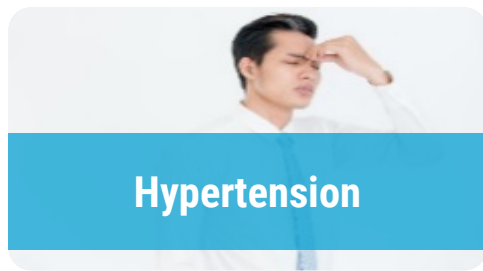
High calcium

Next growth wave of opportunities in the Saudi F&B space

Source: World Health Organization and Farrelly and Mitchell Research

Immense scope to launch low sodium commodity portfolio. Substantial opportunity for high fibre, fortified calcium and functional beverages

- Potentially attractive but consumer awareness is low; requires substantial outreach
- Low volume variants but becomes an **essential differentiator to win 'Heart Space' of the consumer; addresses most commonly faced challenge by large companies in the region**



	Hypertension	Vitamin D	Cancer	Musculoskeletal
Dairy	Low sodium cheese, laban	-	-	Fortified dairy
Poultry	Low sodium processed meat - Cold cuts, franks etc	-	Hormone free/clean products	-
Bakery	Low sodium bread/bakery	-	High fibre/Whole grains	-
Beverages		Functional drinks	Clean - Free from Additives, colorants, preservatives Functional drinks - Immunity, anti oxidants	-
Others	Low sodium - Snacks, condiments, processed food, canned food etc			

Source: Farrelly and Mitchell Research

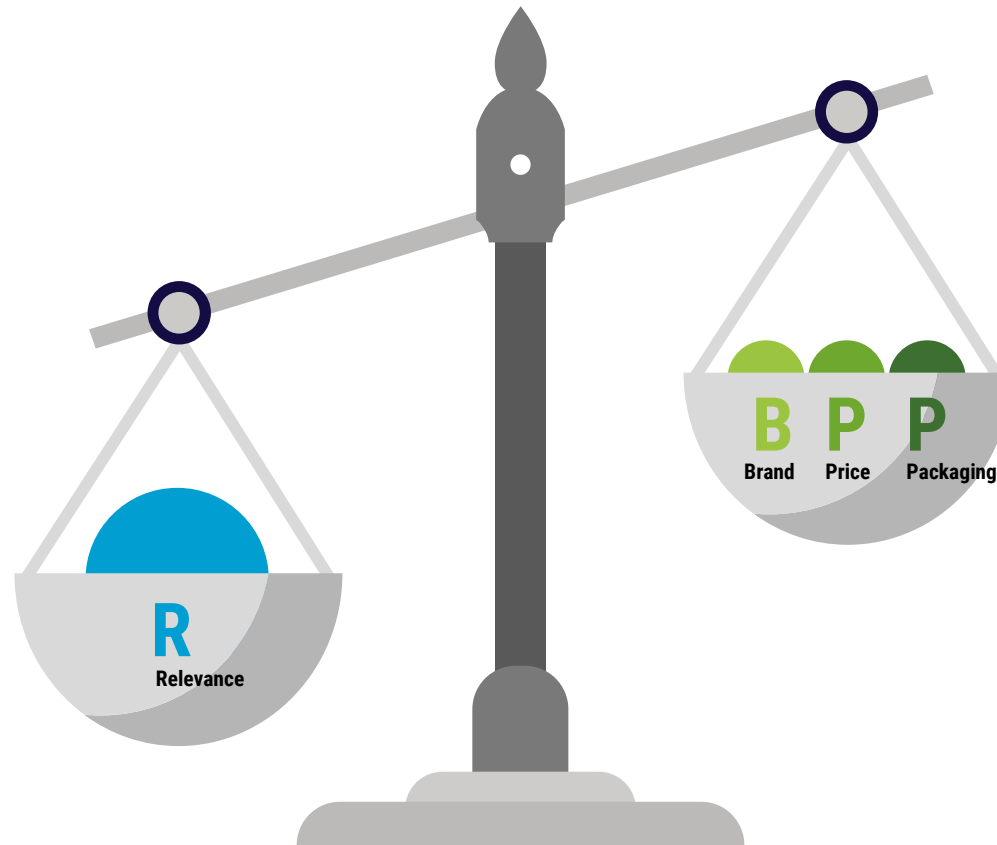
Product relevance overpowers consumer preference

Brand loyalty, price and packaging which are key attributes of mass products are underweighted

HEALTHY FOOD PRODUCTS

Relevance

Benefits that the product offers to the consumer



Brand

Small to medium sized companies gaining when they differentiate

Price

Consumer is ready to pay reasonable delta if the product is relevant

Packaging

Not critical as long as the labelling is clear

Source: Farrelly and Mitchell Research

What should companies address to capitalise on the opportunity?

Letting know the product benefit and digital marketing are crucial aspects

Companies marketing/venturing to market healthy products need to prioritize four key aspects



1 Product labels

- Product benefit
- Ingredients



2 Digital marketing

- Social media playing crucial role
- Paid promotions through ambassadors



3 Product distribution

- Distributor
- Product reach



4 Product visibility

- Retail shelf space
- Merchandise

Source: Farrelly and Mitchell Research

Questions? Shukran!



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