



Saudi Soft Drinks Market Continues to Fizz



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 **Quick read**

- There is a strong demand for soft drinks in Saudi Arabia, thanks to by the absence of alcoholic drink options, a hot climate and a large youth market attracted to western lifestyle products
- Consumption of soft drinks increased from 217 litres in 2004 to more than 250 litres in 2014, over which period the industry grew from \$5.5 billion to \$8.5 billion.
- With the tea market is close to saturation, sales growth is likely to come from the shift towards more convenient options such as tea bags, or from growing demand for fruit teas, rather than from an absolute increase in demand
- Higher value drinks - such as fruit juices and functional drinks - are currently the main growth drivers and are likely to remain so, at the expense of carbonated drinks
- The UAE tops the list of per capita consumption of bottled water in the region at over 150 litres per year and is ranked third globally.

Introduction

Advertising energy drinks has been outlawed and a partial ban on energy drinks sales from certain types of facilities has been imposed in Saudi Arabia. Despite this, the flourishing demand for soft drinks is set to continue in the Kingdom buoyed up by the absence of alcoholic drink options, a hot climate and a large youth market that is attracted to western lifestyle products.

Soft Drinks Sector

By volume, Saudi Arabia's soft drinks industry accounts for about two thirds of the GCC region's soft drinks sector. The soft drinks sector is divided into the cold drinks segment - fruit juice, dairy drinks, bottled water and carbonated beverages – and the hot drinks segment, dominated by tea and coffee.

In per capita terms, consumption of soft drinks has increased from 217 litres in 2004 to more than 250 litres in 2014, over which period the industry grew from \$5.5 billion to \$8.5 billion. Bottled water and carbonates make up 80 percent of sales.



The tea market is close to saturation, sales growth is likely to come from the shift towards more convenient options such as tea bags, or from growing demand for fruit teas

Saudi Market

The Saudi market has a number of characteristics that are of particular interest to international investors. In most markets, the soft drinks sector faces stiff competition from the alcoholic drinks sector, which is not a factor in the KSA where alcohol is prohibited. A second factor is the year-round hot climate in Saudi Arabia, where people have to rehydrate regularly. A third factor is a large and growing Saudi population, which at 29 million people makes it the largest market in the GCC, with young people making up more than half of the population.

Tea & Coffee

The demand for tea and coffee – a traditional part of daily life in the Kingdom – is growing in line with the general population growth. Overall, tea is more

popular than coffee, however, since the tea market is close to saturation, sales growth is likely to come from the shift towards more convenient options such as tea bags, or from growing demand for fruit teas, rather than from an absolute increase in demand. However, coffee is growing in popularity, partly driven by the growing presence of western-style coffee outlets.

The popularity of coffee shops and fast-food outlets supports the sale of coffee and carbonated drinks respectively. These settings are popular because of the restrictions on certain forms of entertainment otherwise allowed in other markets, such as pubs, live music venues and cinemas. As a result of this, going to restaurants or fast-food outlets has become one of the most popular options for socialising.



Higher value drinks - such as fruit juices and functional drinks - are currently the main growth drivers and are likely to remain so, at the expense of carbonated drinks.



Soft Drink Sales – Historical Data and Forecasts 2006 - 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014f	2015f
Carbonated Drink Sales	663	676	689.8	692.5	701.2	713.4	728.3	745.5	763.3	781.5
Bottled Water Sales	773	812	852	866	880	929	992	1064	1137	1211
Juice Sales	638	702	772	805	833	933	1060	1208	1358	1508
Laban Sales	270.4	273.1	275.8	276.7	278.3	281	284.6	288.7	292.8	296.8
Energy Drink Sales	72.5	78.5	85	86.6	89.9	95.7	103.1	111.7	120.5	129.2
Soft Drink Sales	2.417	2.541	2.675	2.727	2.782	2.952	3.168	3.417	3.672	3.927
Per Capita Soft Drink Sales	102.1	105.2	108.5	107.7	107.1	111.3	117.1	124	130.7	137.2

Source: SaudiHoreca.com (USD millions)

Attractive Market

The annual per capita consumption of soft drinks exceeds 200 litres in Kuwait, Qatar, Saudi Arabia, and the UAE. In Saudi Arabia, the market has projected growth of approximately 5 percent per annum, which – when combined with a relatively high GDP per capita and a large population – makes it one of the most attractive markets.

Higher value drinks - such as fruit juices and functional drinks - are currently the main growth drivers and are likely to remain so, at the expense of carbonated drinks. PepsiCo had a 70% market share in the carbonate category in Saudi Arabia, with Coca Cola in a distant second place.

Bottled Water

Bottled water is another beverage category of significance in the region, both due to climatic and demographic factors. The category has witnessed significant growth, riding on the wave of increasing health consciousness. The UAE tops the list of per capita consumption of bottled water in the region at over 150 litres per year and was ranked third globally. Lebanon, Qatar, and Saudi Arabia represent among the world's top 20 as well. In Egypt, per-capita bottled water sales are persistently low, due largely to the price structure. Often, bottled water in the country is more expensive than carbonated drinks. Across the

region, local players, such as the UAE-based Masafi and Al Ain Water, dominate the bottled water segment.

Conclusion

There is a strong demand for soft drinks in Saudi Arabia, thanks to by the absence of alcoholic drink options, a hot climate and a large youth market attracted to western lifestyle products. Consumption of soft drinks increased from 217 litres in 2004 to more than 250 litres in 2014, over which period the industry grew from \$5.5 billion to \$8.5 billion.



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