Saudi Soft Drinks Market Continues to Fizz

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.

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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.

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 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 socializing.

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<tbody>
<tr>
<td>Carbonated Drink Sales</td>
<td>663</td>
<td>676</td>
<td>689.8</td>
<td>692.5</td>
<td>701.2</td>
<td>713.4</td>
<td>728.3</td>
<td>745.5</td>
<td>763.3</td>
<td>781.5</td>
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<td>Bottled Water Sales</td>
<td>773</td>
<td>812</td>
<td>852</td>
<td>866</td>
<td>880</td>
<td>929</td>
<td>992</td>
<td>1064</td>
<td>1137</td>
<td>1211</td>
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<td>Juice Sales</td>
<td>638</td>
<td>702</td>
<td>772</td>
<td>805</td>
<td>833</td>
<td>933</td>
<td>1060</td>
<td>1208</td>
<td>1372</td>
<td>1508</td>
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<td>Laban Sales</td>
<td>270.4</td>
<td>273.1</td>
<td>275.8</td>
<td>276.7</td>
<td>278.3</td>
<td>281</td>
<td>284.6</td>
<td>288.7</td>
<td>292.8</td>
<td>296.8</td>
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<tr>
<td>Energy Drink Sales</td>
<td>72.5</td>
<td>78.5</td>
<td>85</td>
<td>86.6</td>
<td>89.9</td>
<td>95.7</td>
<td>103.1</td>
<td>111.7</td>
<td>120.5</td>
<td>129.2</td>
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<tr>
<td>Per Capita Soft Drink Sales</td>
<td>102.1</td>
<td>105.2</td>
<td>108.5</td>
<td>107.7</td>
<td>107.1</td>
<td>111.3</td>
<td>117.1</td>
<td>124</td>
<td>130.7</td>
<td>137.2</td>
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</tbody>
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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 carbonates 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.
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