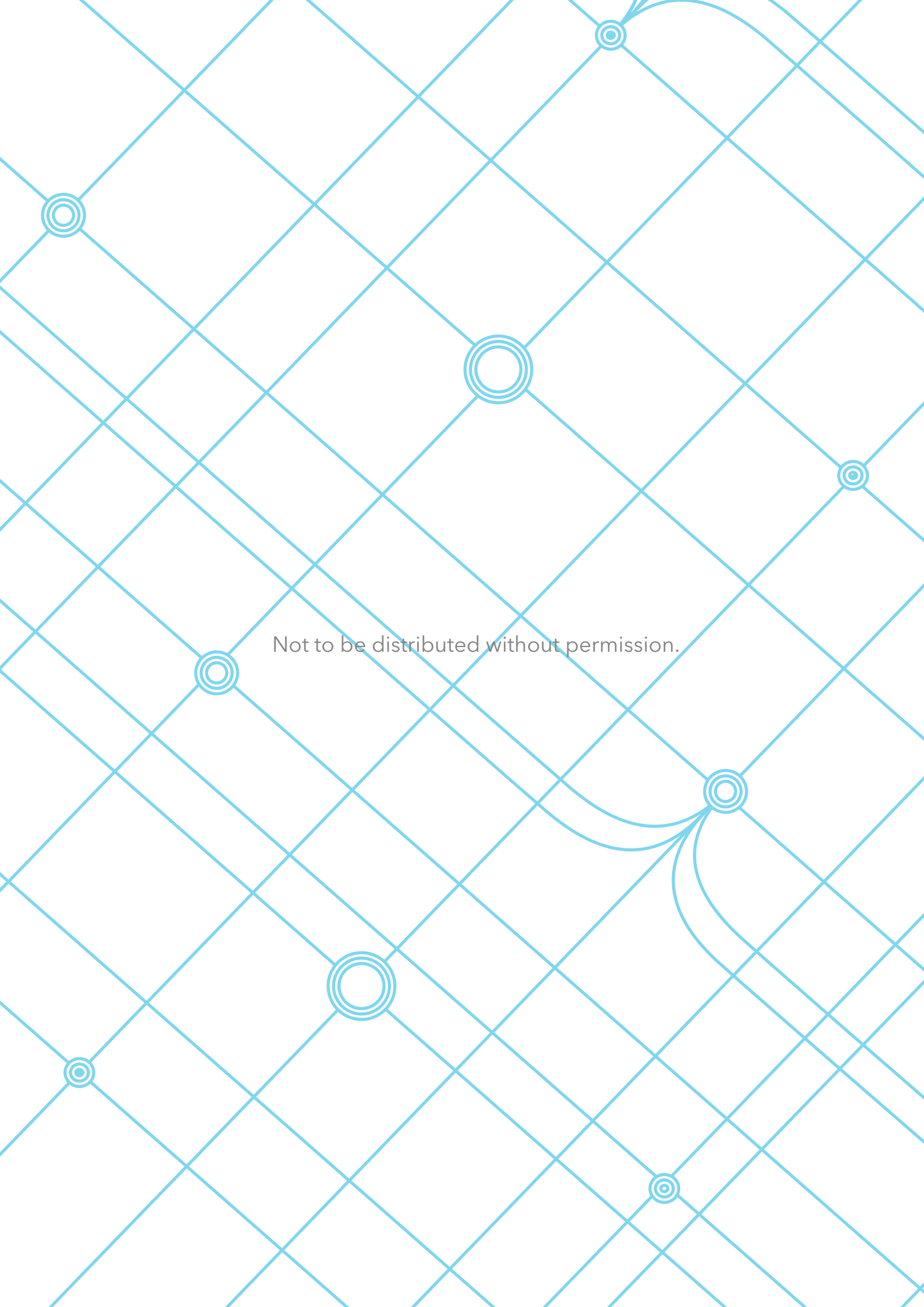


TOP 5 BEVERAGE TRENDS IN THE MIDDLE EAST AND NORTH AFRICA



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CONTENTS



- 1 UNITED ARAB EMIRATES (UAE)
 - Government imposed price caps:
Curse or blessing?
 - A label-oriented health trend
 - It's all about the look:
Packaging innovations paving the way for success
 - One more growing on-trade sector
for the UAE
 - Defining the target audience:
Low-income workers or high-income professionals?

- 3 SAUDI ARABIA
 - Energy drinks still gaining momentum
despite advertising bans
 - Sales of non-carbonates driven by product development
 - Busy lifestyles lead to changes in
pack size and look
 - Juice gaining traction as consumers seek
healthier alternatives
 - Instant regular coffee gaining ground
 - Fresh ground coffee pods benefiting from
wider distribution

- 6 **IRAN**
- Consumer discovery fuels bottled water growth
 - Higher juice content is growing with a rapid rate in expense of loss for fruit flavoured
 - Low calorie carbonates are growing due to obesity concerns
 - Smuggling and unpackaged tea declined but still hampering growth in tea
 - Rapid surge of unit price during 2013 resulted in popularity of economic solutions like concentrates
- 8 **MOROCCO**
- Light sized packs boost unfrozen nectars' sales in 2014
 - Quality juice remains expensive in Morocco
 - Popularity of natural bottled water prompts targeted pack sizes
 - Gradual shift from unpackaged coffee towards packaged instant fresh coffee
 - Sales of carbonates in Morocco driven by changing consumption lifestyle and enhanced distribution network
- 10 **TUNISIA**
- Flavoured carbonated bottled water: A threat to carbonates
 - From juice drinks to fresh juices
 - Informal sales of "filtered tap water" appear
 - Sport drinks entering the Tunisian market
 - An awareness campaign led by ministry of health curbed the sales of smuggled carbonated drinks

12 ALGERIA

New product launches focus on packaging innovation

A competitive landscape dominated by domestic players

Sweeteners demonization and misleading health and wellness claims

Market liberalisation and concentration

The boom of sports and energy drinks

14 ABOUT EUROMONITOR

UNITED ARAB EMIRATES (UAE)



Government imposed price caps: Curse or blessing?

The Ministry of Economy's Consumer Protection Department (CPD) enforces a strict food price policy in the UAE, including price caps and negotiated agreements with retailers regarding various food and beverage products. As the country relies heavily on imports, price freezes are seen as a way to protect consumers from the inflationary pressures of food imports. However, juice manufacturers are struggling to remain profitable, as production and ingredient costs are rising globally. To bypass the regulatory environment, companies downgraded in terms of juice content or combined a new packaging design with a decreased pack size.

A label-oriented health trend

Broad media coverage in recent years has spread awareness about the “diabetes epidemic” inside the country, thereby alarming consumers and initiating an increasing interest in healthy food options. However, deep knowledge about nutritional benefits is rare, and buying decisions are often based on a promising label or even recent coverage of functional ingredients by famous TV show hosts like Dr. Oz or Oprah. High sugar or fat contents are thereby often overlooked. Furthermore, the assumption that chilled products in PET bottles are fresh, and therefore automatically healthy, impacts developments in important segments of the market; demand for concentrates and ambient juices is witnessing a slowdown, while growth rates for chilled juices, regardless of their juice content, are flourishing. Those developments, welcomed by many companies as the introduction of new value-added products, is seen as a good way to gain value share in a market strongly impacted by government imposed price caps.

It's all about the look: Packaging innovations paving the way for success

Key players within the soft drinks market in the UAE proved to be more adventurous in terms of packaging innovations than actual products, a trend likely to continue. In the past, slim cans were mainly used for “trendy” energy drinks but now have successfully changed the look of the carbonates market in 2014. Coca-Cola and Pepsi adopted this packaging type for their broad product portfolio. Furthermore, after bottled water brands like Masafi and Oasis introduced a new environmentally-friendly bottle design in previous years, Al Ain followed in 2014.

One more growing on-trade sector for the UAE

Incoming tourism to the UAE has been significant over the last couple of years and is set to increase even further due to the upcoming EXPO 2020 in Dubai. Based on the so called “Tourism Vision 2020,” Dubai is aiming to attract 20 million visitors by 2020. Those developments are set to boost the numbers of new consumer foodservice outlets such as coffee shops, bars and restaurants and will enhance sales of existing establishments, with soft drinks as a major beneficiary due to the hot climate.

Defining the target audience: Low-income workers or high-income professionals?

The country's purchasing power is driven by two key groups: low-income, blue collar, expatriate workers from Asian countries like India, the Philippines, Pakistan and Bangladesh—who form the majority of the country's population—and a small number of high-income professionals, often with a Western background and a high disposable income. Water and juice markets are therefore divided into two segments: one with a focus on price-sensitive consumers, always looking for bundle-offers and price promotions, and one with a focus on the small group of Western expatriates and local Emiratis with a high disposable income and a desire to purchase fancy quality products regardless of the cost.

SAUDI ARABIA



Energy drinks still gaining momentum despite advertising bans

Energy drinks are extremely popular in Saudi Arabia. Due to the ban on alcohol, energy drinks are often seen as a substitute leisure drink due to its high caffeine content. Also, following the sports trend, consumers associate energy drinks with fitness. Saudi Arabia boasts one of the largest and fastest growing young populations, and energy drinks are seen to be an impulse purchase by this group. However, in 2014, after reviewing adverse effects of energy drinks through various studies, the government has banned energy drink advertising and forced manufactures such as Red Bull to carry health warnings. Manufacturers are also banned from sponsoring any sport, social or cultural event. Within on-trade, there has also been a ban on energy drinks in restaurants and canteens, education and health facilities and public and private sports clubs. Consumers are still likely to consume these products despite the health warnings placed on these products.

Sales of non-carbonates driven by product development

Non-carbonates are seen to be a niche market in the country, though this is changing. Bottling manufacturers in particular are paying close attention to non-carbonates drinks, such as functional bottled water, that address health concerns. One example is the launch of Good Night Drink by Good Night Drink, s.r.o., in 2014. This drink, launched primarily within independent small grocery stores/traditional shops, helps consumers relax and sleep better. Identifying niche audiences and targeting them has become an attractive trend in the country. Another example is the launch of Frutz, from Al Jomaih Bottling Plant by PepsiCo Inc. It has managed to gain wider shelf space in modern grocery channels due to the young population's strong interest in trying new flavours. Nestlé Waters France SAS also introduced Pink Grapefruit Perrier, which comes in a new pack type in slim cans. The product is capitalising on its recognised sparkling water brand and its new packaging format. The product is being promoted as a premium flavoured carbonate and sold in high-end hypermarkets.

Busy lifestyles lead to changes in pack size and look

Growing demand for convenience due to busier lifestyles has led to an increased demand for impulse single serve consumption drinks in Saudi Arabia. For example, Coca-Cola Bottling Co. of Saudi Arabia introduced the slim can 355 ml mid-2013 with a more modern look. Pepsi also launched a slim shaped 500ml can in 2012.

Juice gaining traction as consumers seek healthier alternatives

Juice is a huge market in Saudi Arabia. They are usually brought in multipacks, as Saudi families consume a lot of juice at home due to their often larger family sizes. Juice consumption is further promoted as the population becomes more educated about health and wellness. As a result, manufacturers are keen to label their products clearly to communicate any health benefits. Equally, manufacturers are responding by offering healthier alternatives to their existing product lines, as witnessed in juice, bottled water and, to some extent, powder concentrates.

Instant regular coffee gaining ground

Instant coffee has grown tremendously, and as a result, manufacturers have worked to introduce products that meet both the growing demand for specialty flavours and the need for convenience. For example, the availability of instant coffee in sachets has become quite popular. Traditional Arabic coffee is still widely consumed in Saudi Arabia, so Nestlé SA has looked at reviving the traditional coffee culture and making it more modern by introducing Arabiana, an instant coffee combining both convenience and tradition. The product offers a unique Arabian coffee flavour, along with a touch of cardamom. It is marketed as the first Arabian instant coffee and is expected to help grow the instant regular coffee category.

Fresh ground coffee pods benefiting from wider distribution

There has been gradual growth in fresh ground coffee pods in Saudi Arabia over the past couple of years, assisted by the growing availability of coffee machines. Manufacturers have managed to display their coffee machines through a wider number of channels. Previously, coffee machines were mainly sold within on-trade channels, as well as within electronic appliance specialist stores. Now they have wider distribution and are displayed within hypermarkets, where a company representative gives a demonstration. This trend has also led to the launch of coffee machines such as Dolce Gusto, as well as the launch of the 4th Nespresso store in Jeddah in 2014.

IRAN



Consumer discovery fuels bottled water growth

Iran has a very low per capita consumption of bottled water due to the widespread consumption of tap water for drinking. However, with better availability and higher awareness of bottled water in recent years, consumers were able to discover its benefits as compared to tap water, fuelling growth. Negative advertisements highlighting the low quality of tap water also made many consumers eager to switch to bottled water.

Higher juice content is growing with a rapid rate in expense of loss for fruit flavoured

Traditionally, fruit flavoured products without any juice content, often in aluminum pouch packaging, were the most popular type of juice in the country. However, this has changed over the past five years as different types of juices with tetra pack packaging and higher juice content have become available. Consumers gradually found a chance to have a higher content of fruit (even 100%) in their drink without any additional sugar. However, this resulted in a significant increase in unit price, which was not acceptable to most consumers. As a result, both manufacturers and consumers have compromised, shifting towards minimal fruit content at lower price points.

Low calorie carbonates are growing due to obesity concerns

Young, urban populations that care about their appearance have been bombarded with advertisements highlighting the negative side effects of carbonates as well as carbonates' link to obesity. This has provided an opportunity for low calorie carbonates like Coca Cola Zero and Pepsi Max to gain customers. As sales started from a low base, low calorie carbonates are now growing at a much higher rate than regular carbonates.

Smuggling and unpackaged tea declined but still hampering growth in tea

Although Iran is a major tea consuming country, sales of tea have not been able to achieve potential due to the popularity of smuggled products and unpackaged tea. However, with better distribution of legitimate products and widespread advertisement campaigns on the part of major suppliers, consumer demand for unpackaged and smuggled products has declined. Many consumer promotional activities like raffle drawings during 2013 and 2014 also played a role in the success of packaged tea products.

Rapid surge of unit price during 2013 resulted in popularity of economic solutions like concentrates

After a sudden, 35% growth of the inflation rate during 2012 and 2013, consumers started to look for ways to save money. As a result, concentrates have been positioned an affordable solution during the hot summer months, replacing more expensive products like fresh fruits and juices.

MOROCCO



Light sized packs boost unfrozen nectars' sales in 2014

Moroccan groups who operate in the unfrozen nectars space seek to seize opportunities in the lifestyles of the busy local population. Local players such as Citruma responded to this growing trend by launching its 200 ml Mini Kech. Available in pure orange juice or tropical fruit nectar, the launch has contributed to the increase in juice consumption in Morocco, especially among teenagers. The model of small juice “on-the-go” was also adopted by key players such as Agro Juice, which encountered success when it launched Dino in 2014. The 200 ml segment is estimated to represent 20% of the juice market in Morocco in 2014.

Quality juice remains expensive in Morocco

Packaged juice remains generally expensive in the country and has resulted in low consumption. It suffers competition from both local juice and nectars, which offer cheaper alternatives—sold at Dh 12-14 per liter and Dh 8-11 per liter, respectively—in comparison to juice imported from Europe costing about Dh 20-25 per liter. Nectars are primarily imported by geographically closer Arab countries, as Turkey and China are increasingly perceived as a lower quality. This helps keep nectar prices down. Nevertheless, prices of packaged juice are expected to decrease, with stronger promotions and lighter formulas introduced over 2014-2018. Key players will also take into account the growing health-conscious trend amongst the mid-to-high income segment of the population.

Popularity of natural bottled water prompts targeted pack sizes

In 2013 and 2014, mineral water players focused on new pack sizes, such as the 35cl for people who are athletic and the 5L targeting families. The launch of these two sizes boosted sales of natural bottled water, with a particular emphasis from the media on the benefits of mineral water.

Gradual shift from unpackaged coffee towards packaged instant fresh coffee

Consumers in Morocco are shifting from unpackaged coffee towards packaged fresh coffee. The increased demand for quality coffee, along with the competitive prices offered by key players Nescafé and Asta Café contributed to this trend. A large number of low-to-mid income consumers who used to buy unpackaged coffee from weekly-held opened markets or small grocery shops are increasingly attracted to the availability, variety and size options of packaged instant coffee. In 2014, Moroccan consumers could purchase the product in Dh 1 to Dh 40 pack types, sold individually, in cardboard container and glass jar. Two-in-one Nescafé and Asta have been particularly popular, as black coffee market share is in gradual regression. Increasing busy lifestyles have also contributed to this growth in consumption of instant coffee, which requires relatively less preparation time than the traditional unpackaged coffee.

Sales of carbonates in Morocco driven by changing consumption lifestyle and enhanced distribution network

Key players such as Coca Cola have extended their distribution network in rural areas to reach new consumers where carbonates are already popular, particularly amongst the young. The consumption of soda in Morocco is increasingly being integrated into the eating and drinking habits of this target audience, especially during lunch time. This change in consumption pattern has emerged in parallel to the increase of fast food consumption over the past five years. Moreover, groups operating in carbonates launched value pack sizes aimed at families. Key players are also focusing on launching sugar-free carbonates, which have had strong success in the country. Morocco is the fourth largest consumer of soda drinks in Africa, after South Africa, Nigeria and Egypt.

TUNISIA



Flavoured carbonated bottled water: A threat to carbonates

Tunisian consumers are replacing high sugar carbonates drinks with healthier flavoured carbonated water packaged in cans. These drinks are perceived to be healthier and are less sweet. Local company Société d'Exploitation des Eaux Minérales, owner of the Sabrina brand, is the only player in the market of flavoured bottled water. Previously packaged in bottles, the manufacturer recently changed Sabrina packaging to 30 ml cans to compete against carbonates and has found this strategy successful. Sabrina is available in all channels, from supermarkets and independent grocers, to restaurants and bars. The brand is also heavily advertised on TV and on billboards.

From juice drinks to fresh juices

Thanks to successful awareness campaigns from the Ministry of Health about the benefit of choosing fresh locally made fruit drinks to keep in all the nutrients, Tunisian consumers are increasingly opting for healthier drinks such as 100% packaged fresh juices. These drinks are increasingly popular and are sold in major supermarkets. Sold in 500ml and 1litre plastic bottles, most are competitively priced, creating a threat to other type of fruit juices. However, there is only a limited variety of fruit juices available in fresh format in the stores, namely lemon, strawberry and kiwi juices.

Informal sales of “filtered tap water” appear

With growing concerns over the quality of tap water, there is an increasing demand for bottled water, though the majority of Tunisians cannot afford to buy it on a regular basis. As such, a new trend has recently appeared in poor urban neighborhoods for the informal sales of filtered tap water. Looking for extra money, some Tunisians invest in a water filter unit and filter tap water for local customers from the back of their houses. Customers come with their own containers. The price is usually 1 DT for 12 liters of filtered water.

This illustrates a great potential for bottled water in Tunisia, but only if manufacturers can reduce their prices or introduce economy bottled water brands to increase their consumer base and boost volume sales.

Sport drinks entering the Tunisian market

With stressful work environments, young, high-income Tunisians are more frequently looking for sources of energy and nutrients. Like their Western counterparts, they increasingly go to the gym to maintain a healthy lifestyle.

In a bid to target this population, the international sport drinks brand ISOSTAR entered the Tunisian market. The company’s strategy is to sponsor a major sporting event to increase visibility. The company also recently opened shops next to gyms in exclusive areas to target gym goers. For the moment, ISOSTAR is only available in a few stores. However, we expect the brand to develop well within the growing sporting culture.

An awareness campaign led by ministry of health curbed the sales of smuggled carbonated drinks

During the summer, and especially during the month of Ramadan, a high number of carbonated soft drinks are often smuggled from Algeria and sold in Tunisian streets. Due to their cheaper price, they have become popular amongst the Tunisian population. To fight this, the Ministry of Health has launched a campaign to warn the population about the danger of drinks packaged in cans, which become carcinogenic when exposed to high temperatures for long periods during transport. Tunisians responded positively to this awareness campaign and consumption rapidly waned.

ALGERIA



New product launches focus on packaging innovation

Algerian consumer behaviour is characterised by high loyalty and brand awareness, as well as high price sensitivity. As such, the great challenge for manufacturers is maintaining high quality standards while reducing costs. To address these challenges, manufacturers have begun launching products already available on the market in smaller formats; for instance, 240ml cans and 200ml brick cartons instead of the more commonplace 330ml ones. This strategy allows manufacturers to maintain the unit price per litre while making the product more affordable and accessible.

A competitive landscape dominated by domestic players

Algeria's protectionist policy is slowly changing but still heavily affects the soft drinks market. Domestic production supplies more than 90% of the soft drinks market demand. Moreover, despite the gradual and partial liberalisation of the market during the past years, foreign companies are still required to have domestic shareholder involvement. This, along with high customs duties, makes it difficult for foreign players to compete. Equally, Algerian consumers are loyal to domestic brands, in particular Ifri's and Hamoud Boualem's.

Sweeteners demonization and misleading health and wellness claims

Over the past few years, the carbonates market has been affected by aggressive media campaigns against sweeteners due to health concerns. As a result, carbonate sales are slowing while the flavoured bottled water and juice market growth is growing. Despite the higher cost, low income families purchase fruit juice as a replacement for fresh fruit, which is more expensive. However, health and wellness claims lack standardisation and government regulation. As such, the population is ill equipped to make the best choices as to product nutrition, believing, for example, that all fruit juice is healthy, even if it contains only a minimal amount of real fruit juice.

Market liberalisation and concentration

The relaxation of protectionist policies in the Algerian soft-drinks market is producing two contradicting trends. On the one hand, liberalising policies are encouraging the incorporation of new companies to the extent that about 800 companies are currently active in the sector. On the other hand, the large majority of these companies have a short life span. As a result, these liberalising policies are instead allowing larger companies to acquire an increasing number of small companies across various sectors, from bottlers to juice producers.

The result of this is a concentration of soft drinks production across the various subcategories that are in the hands of a few large players. For example, Ibrahim & Fils Ifri dominates the juice and bottled water market, while Fruital Coca-Cola SARL controls the carbonates market.

The boom of sports and energy drinks

The sports and energy drinks market is experiencing an increase both in terms of volume and value growth. Manufacturers are launching a number of new products in this category and local producers are trying to gather a share in this market, currently controlled by international brands such as Red Bull.

Domestic brand strategy is focused primarily on providing the products at lower price points.

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To gain insight into the soft and hot drinks industries, [request a demonstration](#) of our global market research database, Passport.