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FMCG UAE INTRODUCTION

- The FMCG industry holds importance worldwide. In the UAE this sector encounters prospects and challenges.
- Let's dive into the factors shaping the FMCG market in the UAE. The FMCG market in the UAE is dominated by multinational companies such as Procter & Gamble, Nestle, Unilever, and Coca-Cola, among others.
- These companies have a strong presence in the country and are well-established in the market. The UAE's retail sector is rapidly growing, and e-commerce has made reaching consumers easier for FMCG companies.
- According to a report by Mordor Intelligence, the FMCG market in the UAE is expected to grow at a compound annual growth rate (CAGR) of 5.2% from 2021 to 2026. This growth is attributed to the increasing disposable income of consumers, the growth of modern retail formats, and the rise of e-commerce.
- According to data from Euromonitor, the UAE's F&B sector generated US\$ 16.4 billion in retail sales, including both fresh food and packaged food. Consumer spending on food via e-commerce platforms reached a value of US\$ 1.1 billion in 2023 and is expected to increase at a Compound Annual Growth Rate (CAGR) of 9.5% between 2023 and 2027.
- Dubai's F&B sector attracted new foreign direct investment worth US\$ 577 million from 2019 to 2023, according to data from FDI Intelligence. These investments were made by 48 international companies from 23 countries.
- The UAE accounted for the largest share of venture capital investments in the Middle East's restaurant tech sector from 2018 to 2023. The country attracted investments exceeding US\$ 1 billion in this area according to data from PitchBook. The UAE also ranked second among Middle Eastern countries in terms of the value of venture capital investments in the agritech sector during the same period, attracting investments worth US\$ 335.4 million.



MARKET OVERVIEW

- *The FMCG market in the UAE is substantial with an estimated value of around \$38 billion.*
- *Prominent product categories include food and beverages followed by care and household products*
- » *Convenience and on-the-go consumption drive the growth of ready-to-eat and snacking segments in the UAE FMCG market*
- » *Busy lifestyles and a preference for quick and easy meals have increased demand for ready-to-eat meals, snacks, and beverages. FMCG companies are introducing innovative, on-the-go product formats and packaging to cater to this demand and provide convenient options for consumers*



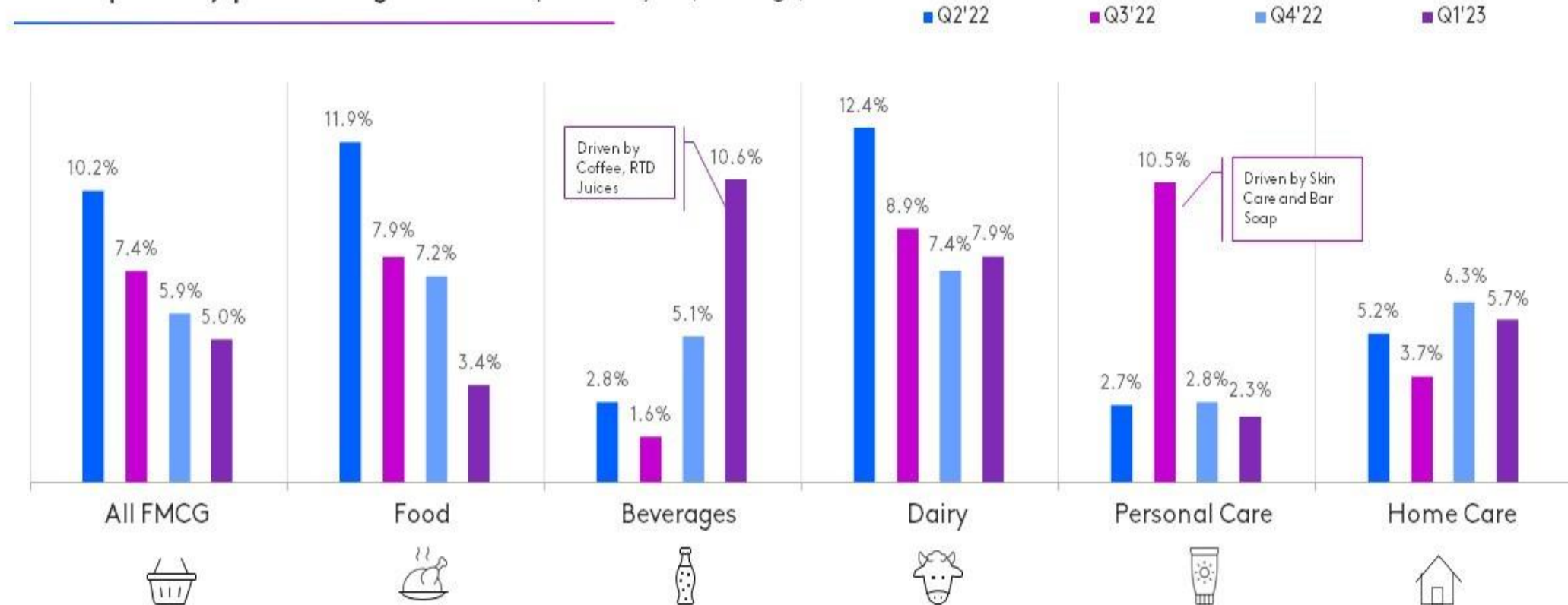
Primary Growth Drivers

- » The increasing population – the continuous growth of expats and The local population is driving consumer demand, and price points
- » Affluent Consumers: the average consumer spend is higher than most western and established markets
- » Evolving Consumer Preferences: (FF Market) – Health conscious choices and convenience are driving consumer trends and play a pivotal role in market entry strategies
- ❖ Crucially – Price increases are becoming more restrained in most FMCG segments except Beverages. This makes monitoring price trends Across different product segments vital for creating brand strategies



Monitoring pricing trends across different product categories is crucial for creating brand-specific strategies as inflation growth shows some signs of restraint in most segments, except for beverages

FMCG quarterly price change versus same period last year (% change)



Recent Trends

» Impact of VAT & Excise Tax

The implementation of Value Added Tax (VAT, 2018) and progressive pricing for excise tax has influenced the FMCG sector.

Manufacturers and retailers have responded by launching campaigns to safeguard their market share.

» Omni-Channel Retailing & Health Focus

Omni channel retailing is expanding rapidly as it integrates both offline channels. Consumers today are placing a growing emphasis on their health and well-being. We're seeing an increase, in the popularity of end-packaged food and beverages that offer convenience. These products cater to the preferences of millennials who are playing a role in shaping the FMCG market. Their desire for locally sourced items is driving industry trends.

The demand for FMCG products in the UAE is heavily influenced by its population. Urbanization and expatriate communities contribute to sales growth.



Trends E-Commerce

- » E-Commerce
- » The rise of e-commerce is expected to continue to shape the FMCG market in the UAE in 2023. Consumers are increasingly turning to online channels to purchase FMCG products due to their convenience and ease of use. FMCG companies are responding by investing in e-commerce platforms and developing their online presence. For example, Procter & Gamble has launched an e-commerce platform in the UAE, while Coca-Cola has partnered with an online grocery retailer to expand its reach.
- » Opportunities in hypermarkets and online. A shift in consumer behavior towards exploring alternative shopping options, for example, hypermarkets, presents both challenges and opportunities for brands. While it increases their exposure to a wider range of customers and enables them to negotiate better partnership deals due to larger volume purchases, competition within hypermarkets is heating up. This makes differentiation challenging. Brands need to adjust both their marketing and product ranges to match hypermarket shoppers' preferences and behavior. ***Only around 11% of the top 600 FMCG*** brands in the UAE don't sell online. Online shopping is still growing, driven largely by its convenience and through the increased usage of e-commerce by households in the region.





Sustainable Product

The demand for sustainable products is expected to increase in the UAE in 2024. Consumers are becoming increasingly aware of the impact of their purchasing decisions on the environment and are looking for products that are eco-friendly and sustainable. FMCG companies are responding by introducing sustainable products and packaging. For example, Nestle has committed to using 100% recyclable or reusable packaging by 2025, while Unilever has launched a range of sustainable products under its "Clean Future" initiative.





Fresh Foods

According to data from Euromonitor, retail sales of fresh food in the UAE will rise from US\$ 9.8 billion in 2023 to US\$ 12.4 billion in 2028, achieving a CAGR of 4.7%.

Meat accounts for the largest share of sales in this category; the value of meat retail sales reached US\$ 2.6 billion in 2023 and is expected to achieve a compound annual growth rate of 5.8% from 2023 to 2028.

Vegetables followed in second place with sales of US\$ 2.4 billion in 2023 and a compound annual growth rate of 4.3% forecast during the same period.





Packaged Foods

Retail sales of packaged food in the UAE are expected to rise from US\$ 6.6 billion in 2023 to US\$ 8.3 billion in 2028, achieving a CAGR of 4.6%.

Staples such as corn, rice, and wheat account for the largest share of sales in this category, with sales of staple foodstuffs reaching US\$ 2.3 billion in 2023 and an expected CAGR of 5% between 2023 and 2028.

These were followed by dairy products, with sales of US\$ 2 billion in 2023 and an anticipated compound annual growth rate of 4% in the same period.





Beverages

Retail sales of beverages in the UAE are forecast to rise from US\$ 1.6 billion in 2023 to US\$ 2 billion in 2028, representing a CAGR of 4.6%.

Bottled water accounts for the largest share of sales in this category, recording sales of US\$ 635 million in 2023 with an expected CAGR of 5.4% from 2023 to 2028.

This was followed by soft drinks, with sales of US\$ 422 million in 2023.

Ready-to-drink coffee sales are expected to achieve a CAGR of 14.2% from 2023 to 2028, after recording sales of US\$ 32 million last year, while sales of ready-to-drink tea – which amounted to US\$ 8 million in 2023 – are expected to record a CAGR of 13.9% during the same period.



CHALLENGES

Competitive intensity is an obstacle that manufacturers and retailers face. The intense competition has led to overbidding wars on promotions forcing companies to make short-term decisions to stay competitive.

Furthermore, there are health and wellness concerns that need attention. The excise tax targets commodities like energy drinks and cigarettes so companies must find a balance between profitability. Offering health-conscious alternatives.

To maximize profit while minimizing risk businesses can focus on strategies. This includes managing risk through compliance, ownership governance, crisis management, and fraud prevention measures. Additionally, they can strive for efficiency optimize taxation strategies, and conduct revenue analysis to increase shareholder wealth.



Conclusion

In conclusion, the FMCG market in the UAE presents both challenges and opportunities, for businesses operating within it.

The size of online pack purchases is gradually decreasing – but shoppers are paying higher average prices in approximately 67% of categories. Half of FMCG brands are selling at a premium online, with the other half selling at a cheaper price than offline. This indicates opportunities for both premiumization and discounting strategies in the e-commerce space.

Expat Arabs remain at the forefront of online shopping. Increasing participation from other nationalities, especially those in higher socio-economic groups and Emiratis, would drive further adoption within the channel.

Brands and retailers should adjust their strategies to align with the rise of online shopping, including updating their channel mix and product packaging sizes to better align with in-store shopping.

The pandemic has brought about permanent changes to consumer behavior in the UAE. Overall, the FMCG market remains positive. However, it's clear that seasonal factors, along with hikes in basket prices, drive fluctuations in consumers' purchase behavior. Brands and retailers must remain flexible, and keep a close eye on the trends to develop and execute adaptive marketing strategies.

Companies that successfully navigate through changes embrace the growing trend, towards health consciousness. Adapt to evolving consumer preferences are poised to excel in this ever-changing environment. The United Arab Emirates (UAE) offers a plethora of **exciting business opportunities**, and the **FMCG (Fast-Moving Consumer Goods)** industry is no exception.



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