



THE BEVERAGES TAX AND ITS IMPACT ON CONSUMPTION IN KSA

ARAB BEVERAGES CONFERENCE & EXHIBITION

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SETTING THE STAGE



FMCG OVERVIEW

Taking a quick perspective on the FMCG trends and the Beverages industry



TAX IMPACT & LEARNINGS

Impact of the Tax on the beverages baskets and quick peek into the emerging trends and learnings from the past



WINNING IN CHALLENGING TIMES

What is working in the current scenario and how to **‘Navigate during tough times’**

KSA FMCG MARKET SIZE

USD 18 Bn



25%
BEVERAGE
CONTRIBUTION

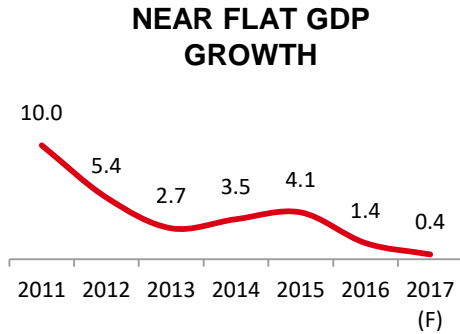
UAE FMCG MARKET SIZE

USD 6.3 Bn



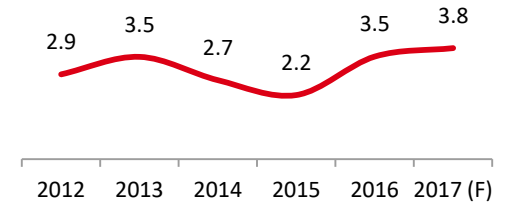
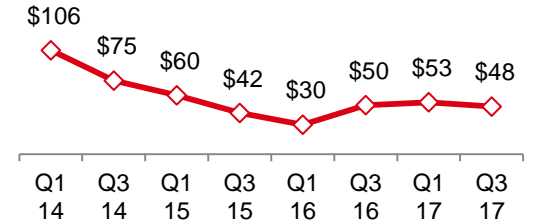
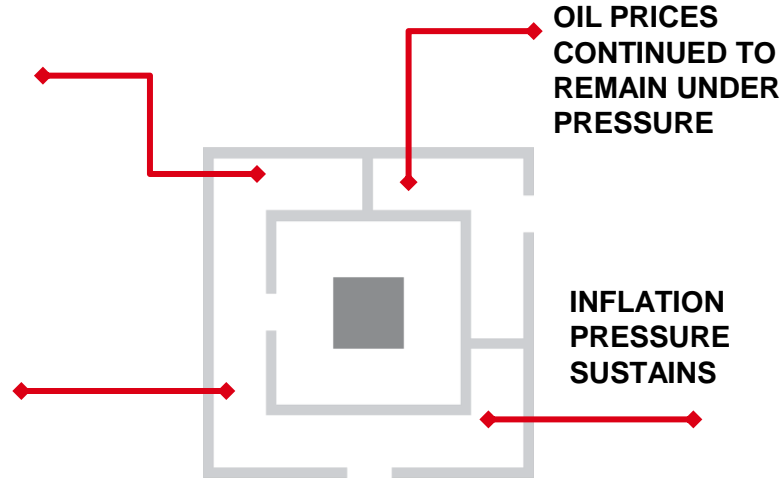
22%
BEVERAGE
CONTRIBUTION

ECONOMIC INDICATORS ARE UNDER PRESSURE

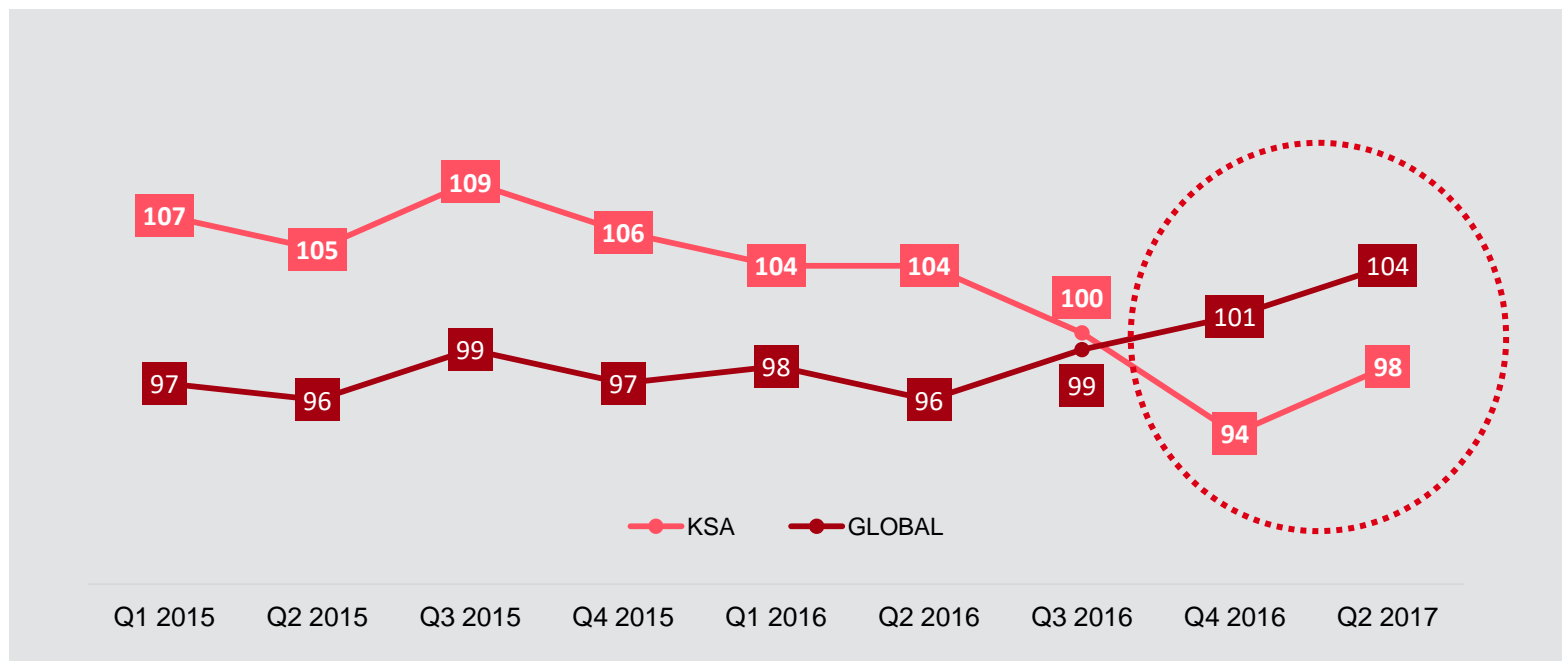


**REFORMS
ARE UNDERWAY**

REDUCED SUBSIDIES
EXPAT LEVIES
BEVERAGES TAX
UPCOMING VAT



THE SAUDI CONSUMER CONFIDENCE HAS BEEN AT ITS **LOWEST SINCE MID OF 2016**



THE IMPACT IS WITNESSED IN FMCG PRODUCTS

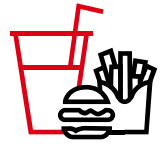
**ANNUAL FMCG
MARKET GROWTH**

↓ -5.1%
Value Growth



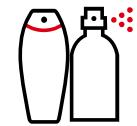
**USD 18 Bn
CONTRIBUTION**

80%
Food

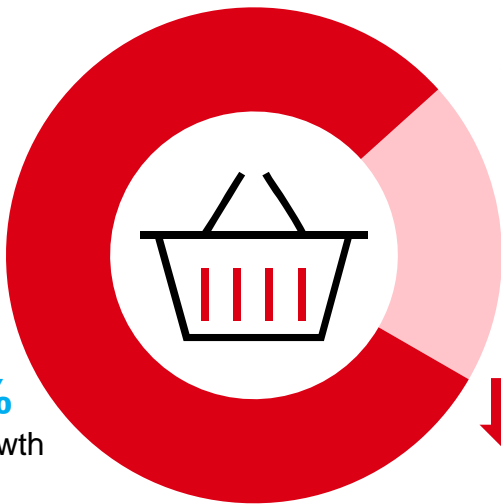


↓ -5.4%
Val Growth

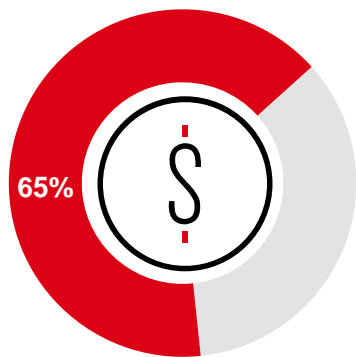
20%
Non-Food



↓ -3.8%
Val Growth



CONSUMER SHOPPING BEHAVIOR IS EVOLVING

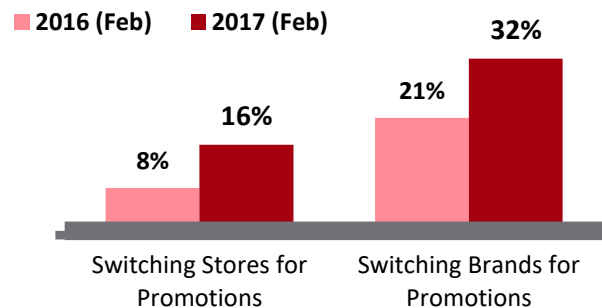


65%

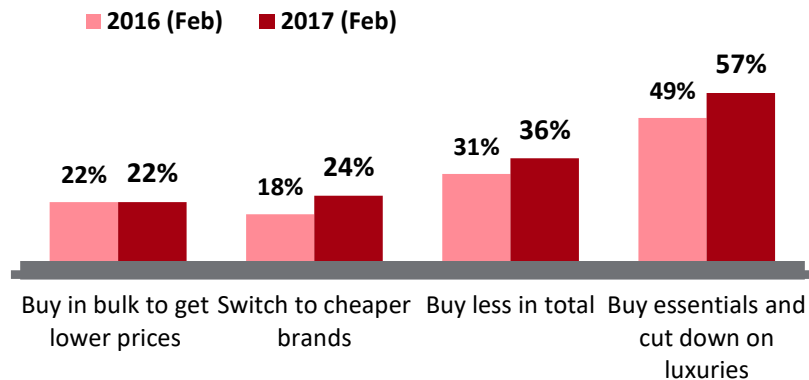
OF THE KSA CONSUMERS HAVE FELT THE PINCH OF INFLATIONARY PRESSURE



1. OPTIMIZE



2. RATIONALIZE



CONSUMERS REFLECTION IN ACTION

PUTTING PRESSURE ON MARGINS

CONTRIBUTION TO FMCG

30%



GROCERY

26%



BEVERAGES

15%



DAIRY

9%



IMPULSE

5%



HEMOCARE

15%



PERSONAL CARE



VOL

-3.2%

-5.2%

-3.8%

-4.6%

-5.1%

-6.1%



VAL

-5.5%

-4.2%

-6.7%

-7.3%

-3.9%

-3.8%

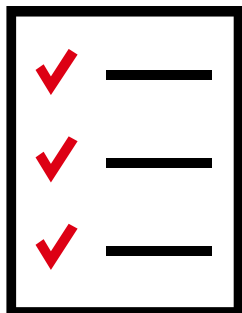
Price Promotions

Beverages Tax driving Inflation

Larger Packs Shift Price Promotions

Promo Rationalization vs. last year driving inflation

KSA TAX IMPACT AND LEARNINGS



LEARNINGS FROM THE PAST

- Mexico Sugar Tax 2014**
- Saudi Arabia CSD Price Increase 2009/10**

LEARNING FROM THE MEXICO MARKET



One of the largest consumers of soda in the world



Obesity is a major health concern



Sugar tax passed in 2014; in average, prices increased by 10%

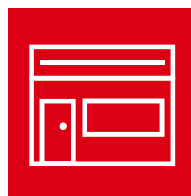


TV ads limited to specific times and avoiding kids programs

IMPACT & ACTIONS



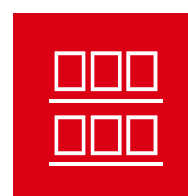
Sales of taxed categories down -2.6%



Traditional trade hit hardest; modern trade more resilient



Shoppers adjust budget/seek alternatives



Shopkeepers reduce assortment/prioritise categories



Manufacturers focus on Innovations, Downsizing, Promotions and Value Packs

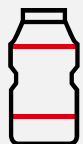
Consumers accepted new prices and returned to past behavior within almost two years



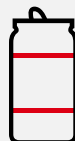


HOW CONSUMERS AND MARKETS ARE REACTING POST TAX IMPLEMENTATION IN KSA





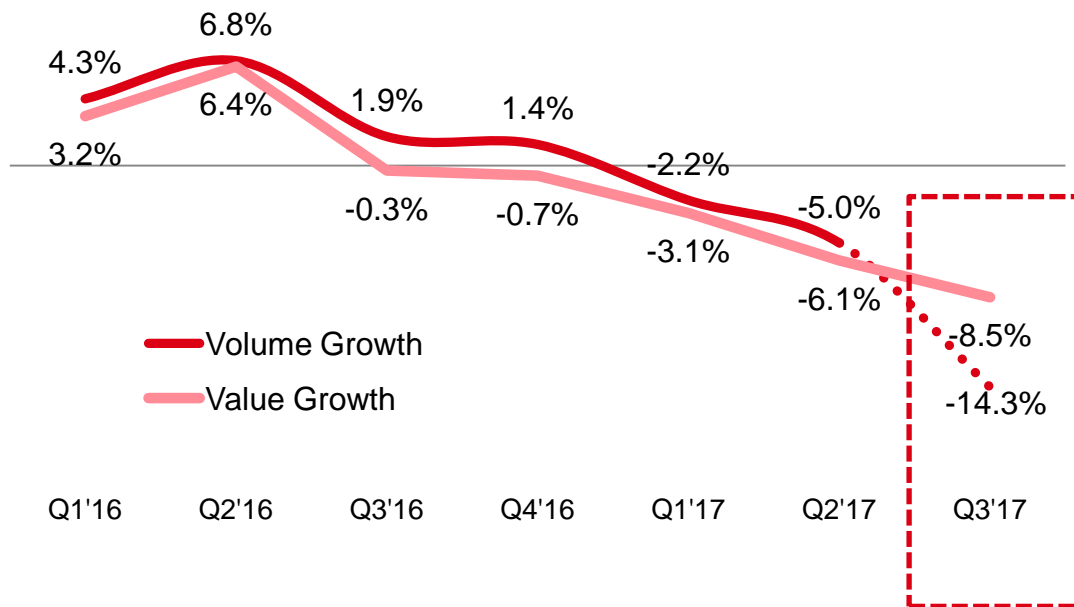
ENERGY DRINKS
100% TAX



CARBONATED SOFT DRINKS
50% TAX

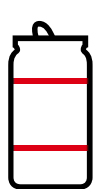


MALT BEVERAGES
50% TAX



THE VOLUME DECLINE IN THE BEVERAGES BASKET IS FUELED BY THE TAXATION

MORE THAN HALF OF THE CONSUMERS CLAIMED TO HAVE STARTED **CONSUMING LESS VOLUMES** AFTER THE TAXATION



SOFT
DRINKS

55%



MALT
BEVERAGES

59%

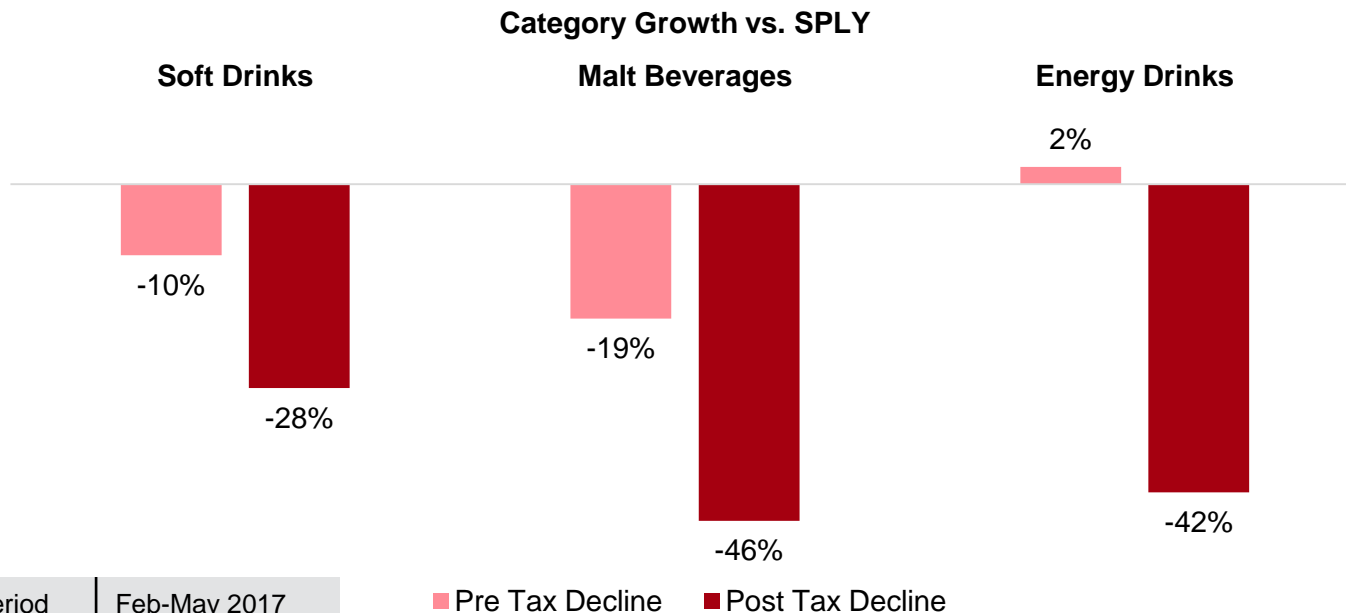


ENERGY
DRINKS

51%

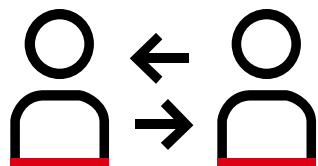
INCIDENCES ARE **HIGHER AMONG SEC C1 & C2**
AND THE **EXPAT** POPULATION (ARABS AND ASIANS)

SIGNIFICANT VOLUME DECLINE IS WITNESSED ACROSS ALL 3 CATEGORIES



Pre Tax Period	Feb-May 2017
Post Tax Period	Jun-Sep 2017

TAKING A SHOPKEEPER'S PERSPECTIVE ON THE IMPACT...



SHOPKEEPERS HAVE CLAIMED THAT **JUICES AND BOTTLED WATER HAVE BENEFITTED THE MOST**

THE MOST
BENEFITTED
CATEGORIES
IN RANK

1
JUICES



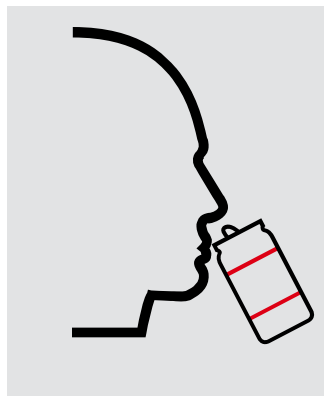
2
BOTTLED
WATER



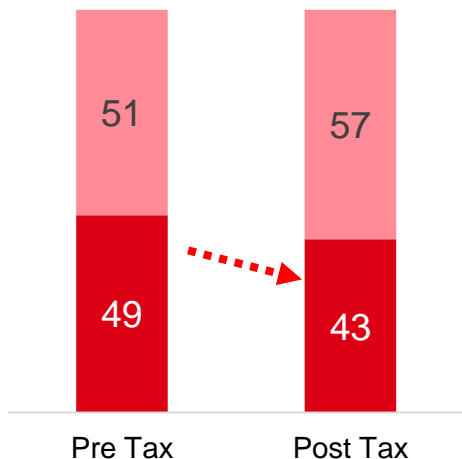
3
LABAN



CSD HAS THE HIGHEST IMPACT DUE TO HIGH CONTRIBUTION TO SHARE OF THROAT



SHARE OF THROAT INDEX



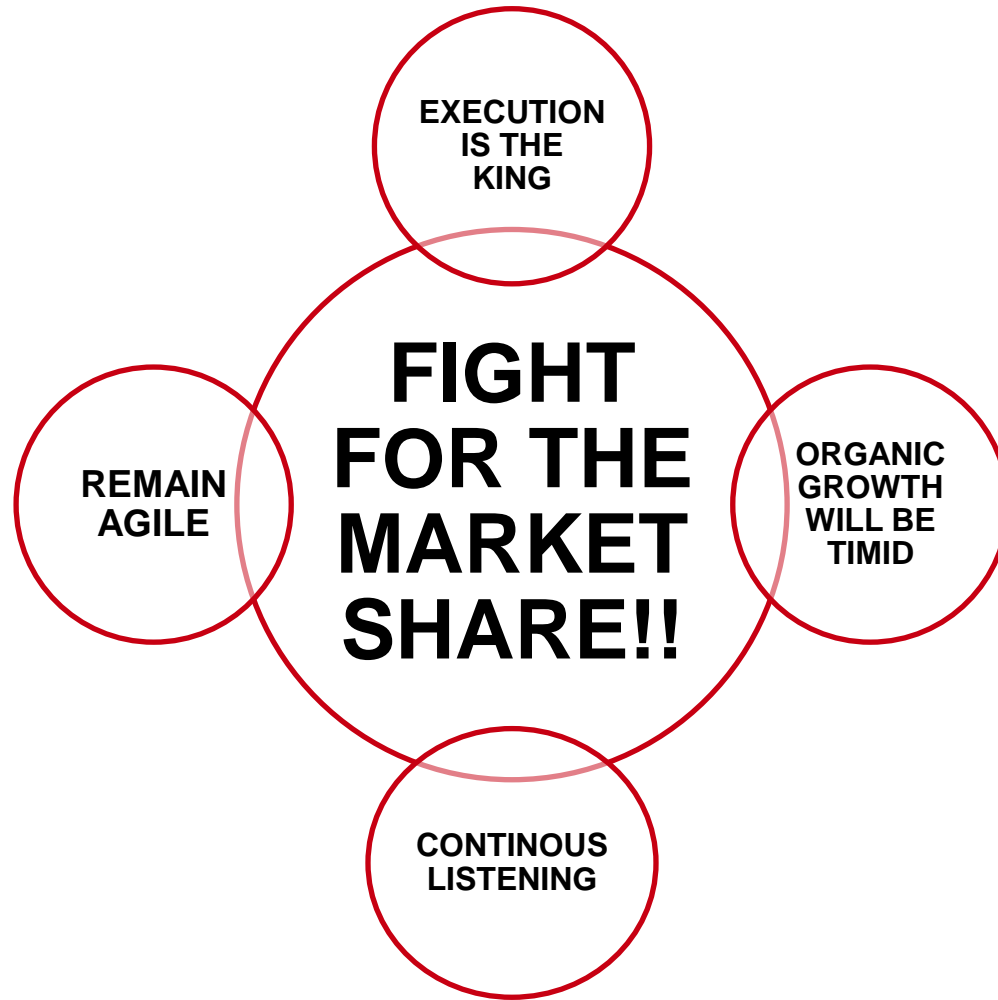
Categories	Share CHG	Categories	Share CHG
Soft Drink	-5%	B. Water	+4%
Malt Bev	-0.7%	Juice Drinks	+2%
Energy Drinks	-0.5%	Laban	+0.8%

Pre Tax Period	Mar-May 2017
Post Tax Period	Jun-Aug 2017

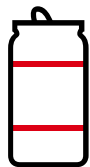
- Taxed Categories
- Non-Taxed Categories



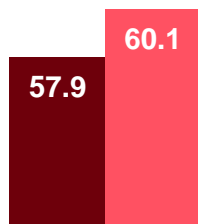
HOW TO RESPOND TO THIS CHALLENGING MARKET SCENARIO



SMALLER PACKS GAINING IMPORTANCE



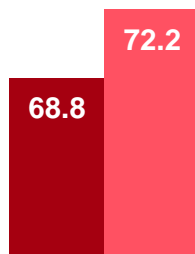
**CARBONATED
SOFT DRINKS**



+ 2.2



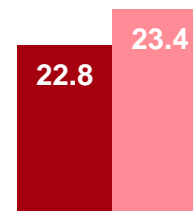
JUICES



+ 3.4



LABAN



+ 0.6

■ June-Sep'16
■ June-Sep'17

Single Pack Volume Contribution to the Category: SS < 500ml

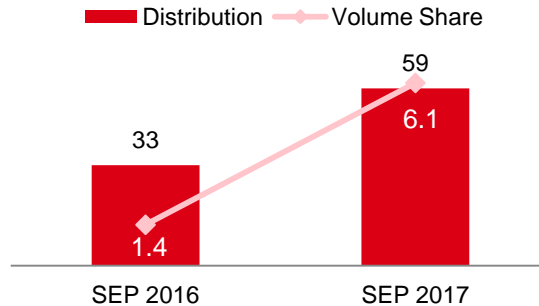
Source: Nielsen Retail Audit Data

BERAIN WATER PH 8

HEALTHIER. BEST FOR THE BODY



- Distribution expansion by 26% points
- Improving consumer Offtake



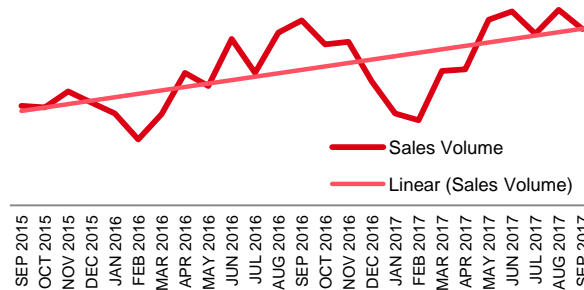
DRIVE AVAILABILITY

LIPTON ICE TEA

UNIQUE TASTE . WIDER AVAILABILITY .



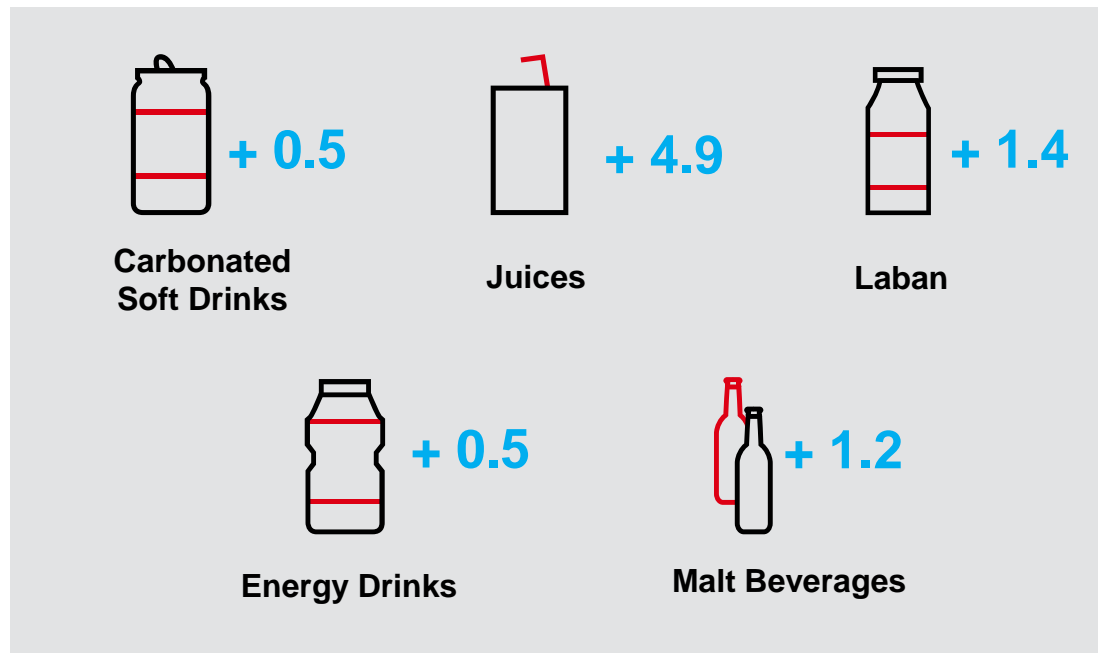
- Distribution expansion by 17% points
- Improving consumer Offtake



PRICE IT RIGHT!

**1 SR - MAGICAL
PRICE POINT**

**BRAND AT LESS THAN
100 PRICE INDEX
INCREASING**



Volume Share Contribution to Category - June-Sep'17 vs June-Sep'16

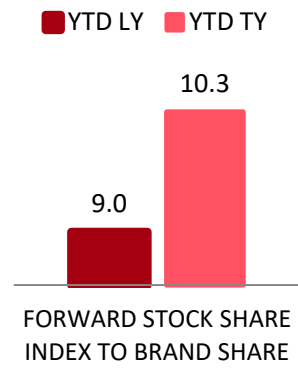
Source: Nielsen Retail Audit Data

SKU PRIORITIZATION

ALMARAI LABAN 180ml



- Improved shelf presence in Traditional Trade of 180ml over other SKUs



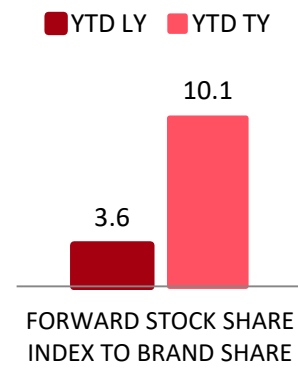
**+0.9 VOLUME
SHARE POINT
INCREASE**



SUNTOP BERRY MIX 125ML/200ML



- Improved shelf presence in Traditional Trade for Berry Mix flavor



**+0.5 VOLUME
SHARE POINT
INCREASE**

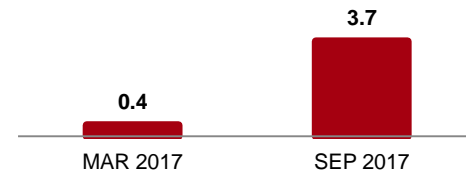


AQUAFINA FLAVORED WATER



- Non- Carbonated Flavored Water
- Promoted as a healthier alternative to Drinks

Share Index to Category Leader



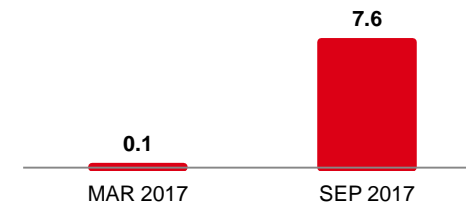
ACTIVIA GO YOGHURT

Drinkable Yoghurt



- Probiotic Drink with Fresh taste of fruit

Share Index to Category Leader



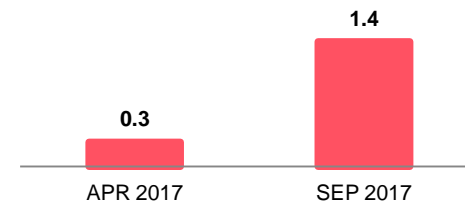
SCHWEPES VIT.C

Carbonated Drink with Vitamin C



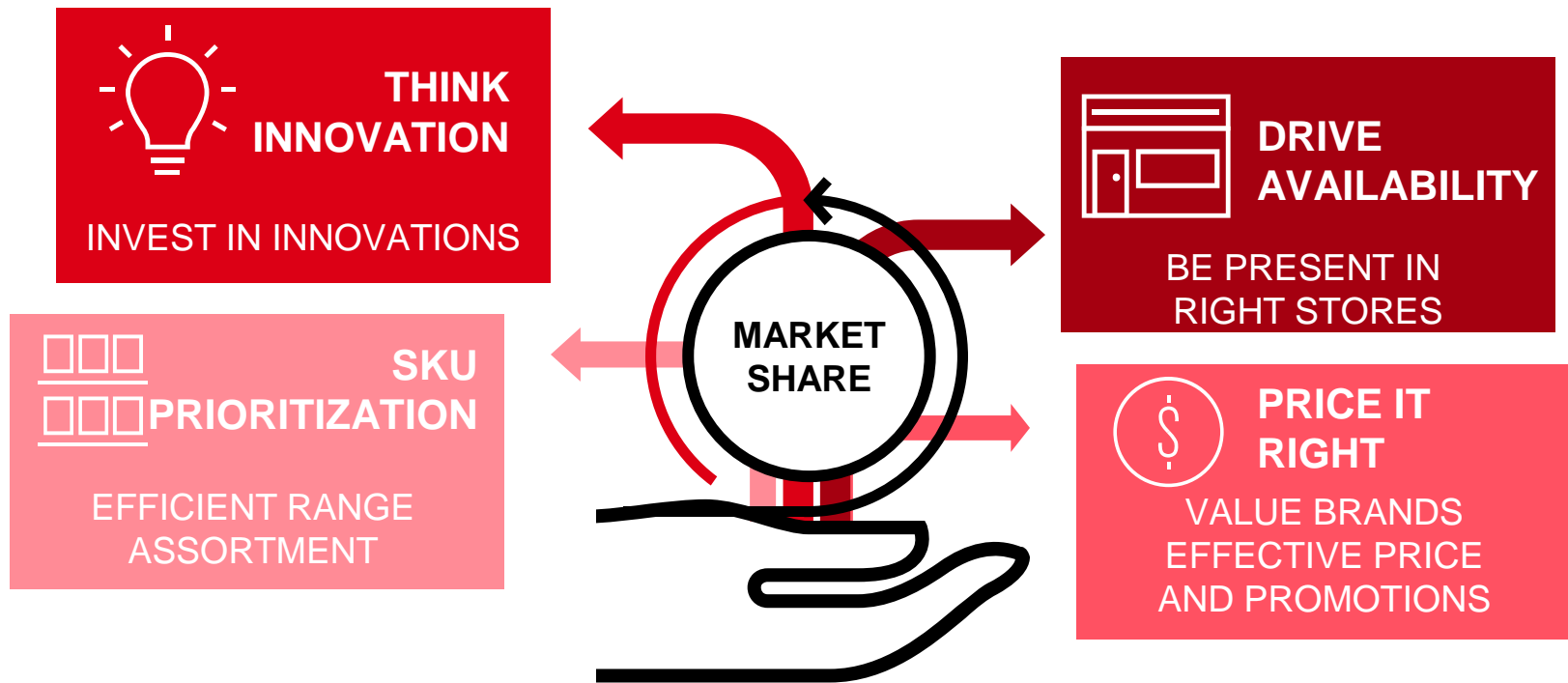
- Carbonated Drink launched with an extensive marketing campaign and distribution.

Share Index to Category Leader



THINK INNOVATION

SO, TO SUM UP...



The background of the slide is a vibrant red color with a dynamic, wavy pattern that creates a sense of movement and depth. The waves are layered, with some appearing more prominent than others, giving the overall effect a three-dimensional, liquid-like quality.

nielsen
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