

Saudi Arabia - Economics meets Millennials

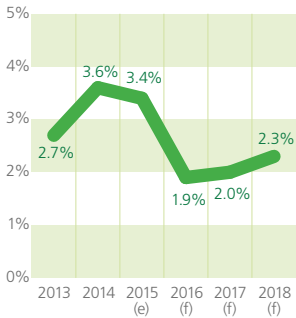


ECONOMY & DEMOGRAPHICS

GDP
US\$646 Billion

GDP PER CAPITA
US \$20,482

GDP GROWTH



FOREIGN DIRECT INVESTMENT
US \$215,909 MiL

PER CAPITA INCOME
\$54,100

POPULATION
31.5m



URBAN POPULATION

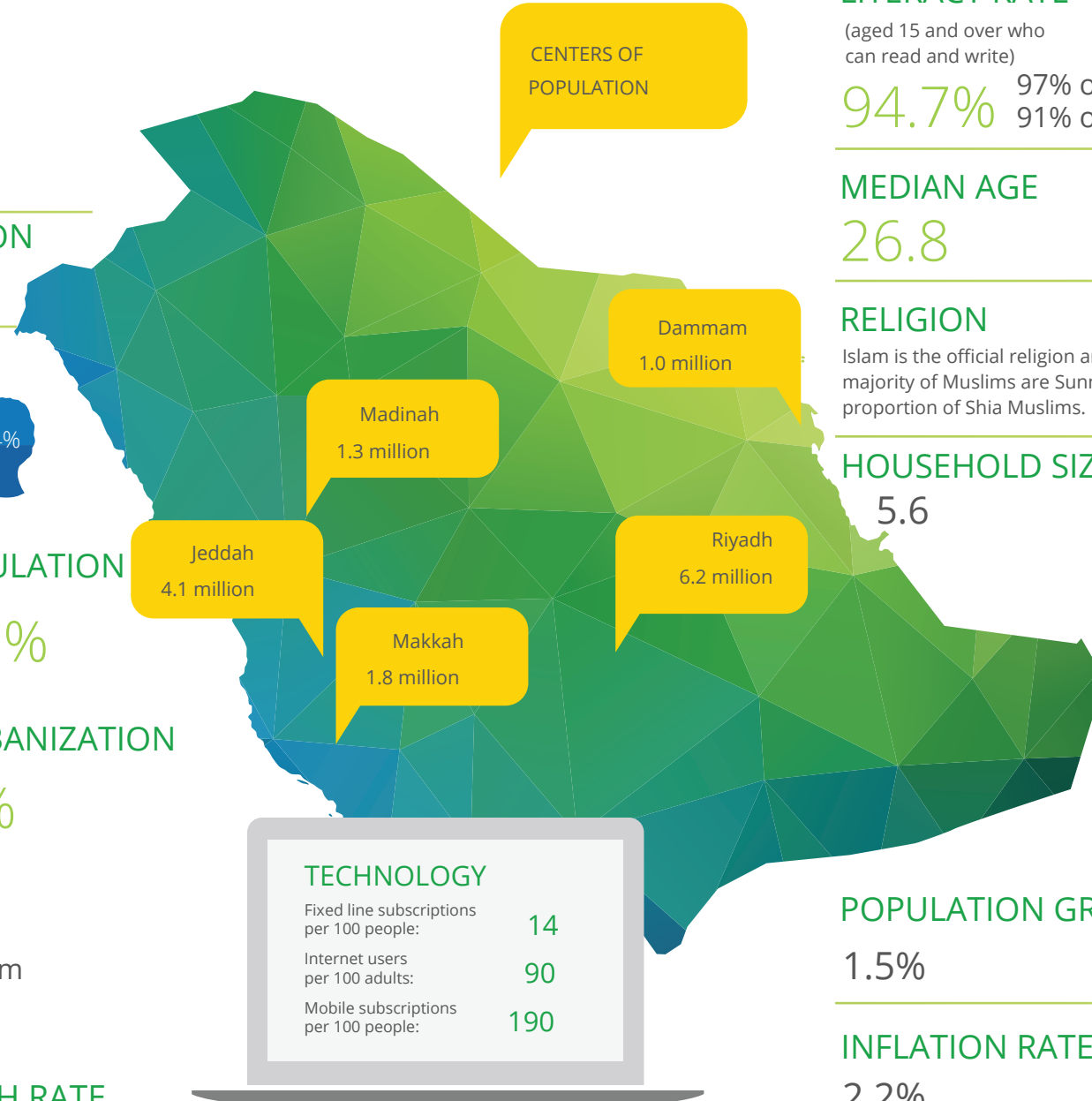
83.1%

RATE OF URBANIZATION

2.1%

LAND AREA
2,149,690 Sq.km

GDP GROWTH RATE
1.2%



TECHNOLOGY	
Fixed line subscriptions per 100 people:	14
Internet users per 100 adults:	90
Mobile subscriptions per 100 people:	190

LITERACY RATE

(aged 15 and over who can read and write)

94.7% 97% of men & 91% of women

MEDIAN AGE

26.8

RELIGION

Islam is the official religion and the vast majority of Muslims are Sunni, with a small proportion of Shia Muslims.

HOUSEHOLD SIZE

5.6

POPULATION GROWTH RATE

1.5%

INFLATION RATE

2.2%

Saudi Arabia – A Journey



Till 1930s

Subsistence agriculture
Restricted long distance trade
Religious tourism



March, 1938

First drill hitting black gold at Dhahran, Eastern Region



1940s – 1950s

Restructuring into an oil-based economy



1970s

Diminishing dominance of Egypt & Iran in the ME region further empowering KSA



1960s

Emerging as an important power in ME region with the help of strategic alliance with USA



1980s

Developing as a subsidy-based restrictive and conservative society



1990s – 2010s

Playing a prominent role in regional politics, leading OPEC, Arab League & GCC decision-making



2016

Major economic slowdown due to slump in global crude oil prices and war with Yemen putting pressure on national budget



Allowing women to drive by mid 2018



Steps towards a new outlook

2017

Blueprint for revival **Vision 2030** unveiled National Transformation Plan formulated to reduce overt dependence on oil as revenue generator for economy

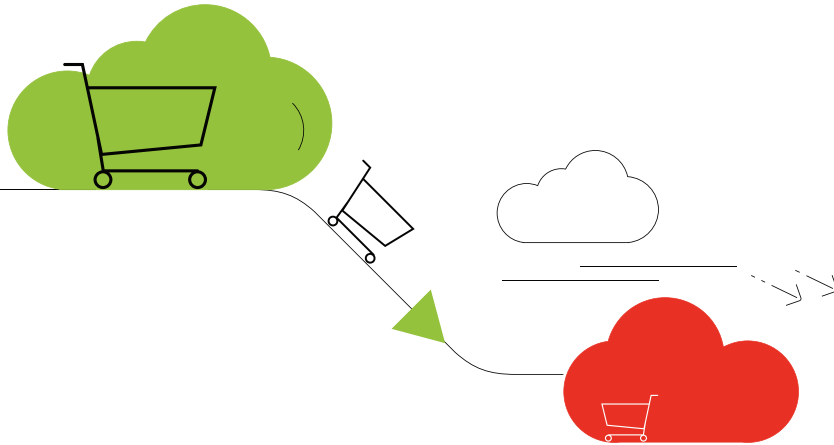


Opening of cinema halls by 2018

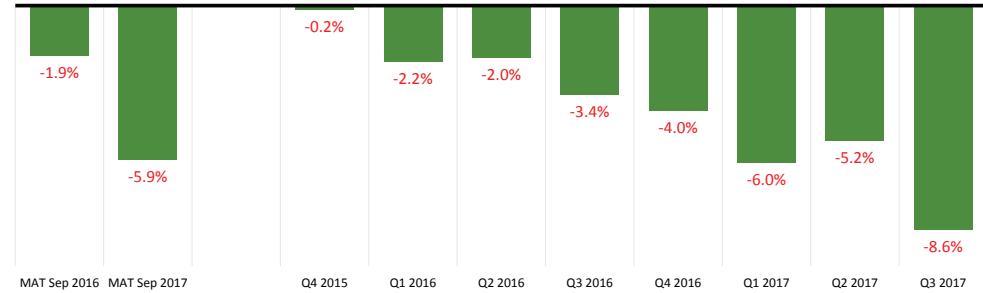


Crackdown on corruption

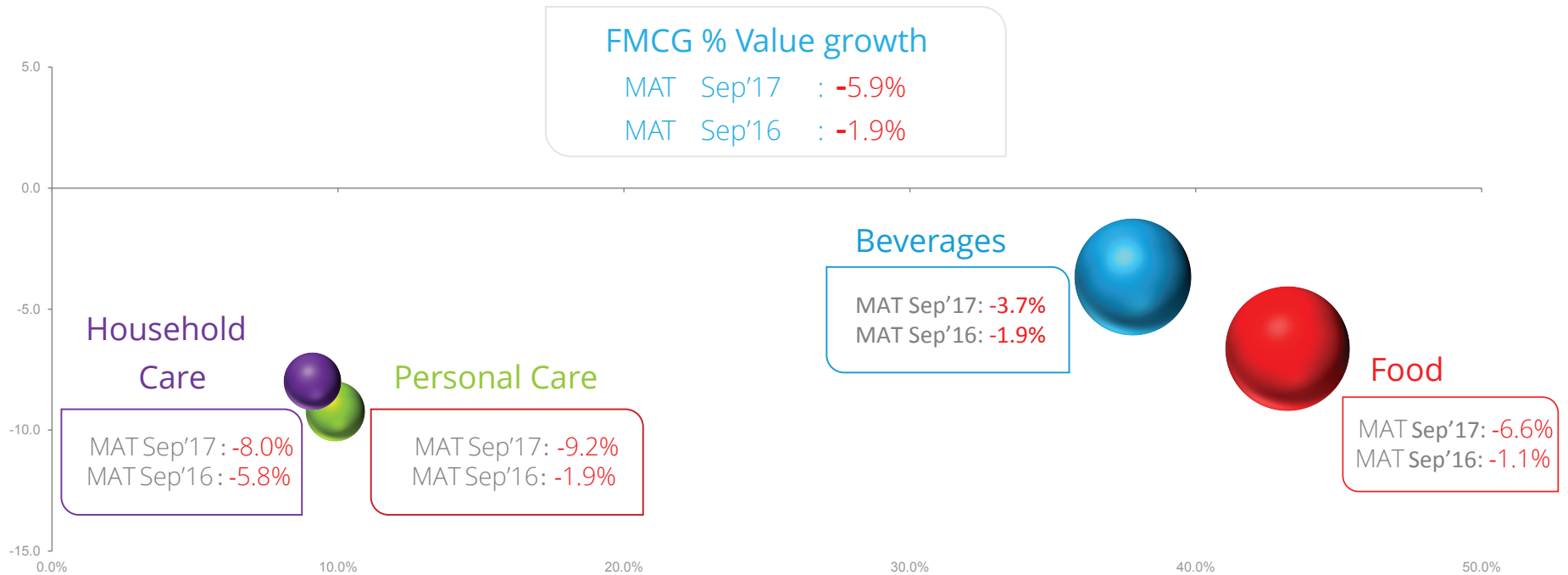
FMCG spends decline in Q3 2017 marks the highest in the last 2 years



Total FMCG Spends | KSA | % Chg vs. YAGO



Saudi shoppers continue to spend less across all the sectors; Food sector sees a further decline



Based on 58 FMCG categories covered in household panel

*Bubble size indicates relative value share

Shoppers continue to make fewer shopping trips and spend less on each trip

Consumer purchase behaviour drivers

START/STOP BUYING?



Penetration

MORE/LESS FREQUENT?



Frequency

SPEND MORE/LESS?



Spend per trip

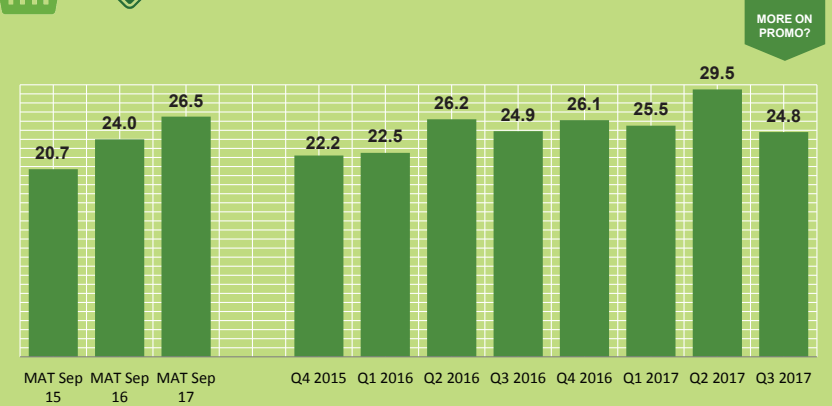


	Penetration	Frequency	Spend per trip
MAT Sep'17 vs. YA	0.0%	-4.0%	-3.5%
Q3'17 vs. YA	0.0%	-2.0%	-7.8%

Shoppers dependency on promotions continues to increase year on year



SPEND ON PROMOTION (%) – TOTAL FMCG



How are shoppers reacting to the economic downturn?



Now lets look into the long term Retail trends in KSA



Retail market to **grow steadily** at a CAGR of above **7%** by 2020 led by influx of global retailers



Shift towards **modern trade and digital channel** would constitute **80%** of the total retail sales by 2020



E-Commerce currents stands at **23%**, poised to grow as smartphone penetration is 94% and 90% of adults are online

Lulu webstore

Lulu actively pushing its webstore and targeting **5%** of its net sales from the webstore



High demand for luxury products propelling retail value growth



Young and internet-savvy population trying out new styles and designs with exposure to international fashion trends



After-sales service becoming an important element in developing customer loyalty

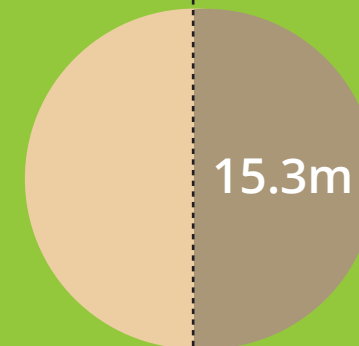


Households **increasingly using consumer credits** to make purchases

Who are the KSA consumers of today?

Total Population

31.5m



15.3 million
=
50% of the population is under the age of 29
i.e. Millennials & Gen z



And the Consumer Trends keeping Millennials in Mind



TREND:
Connect

CONSTANTLY CONNECTED MILLENNIALS
How everyone connects, what do they connect with, which platforms do they visit, how much time do they spend on platforms



TREND:
Health

THE HEALTH CONCERNED MILLENNIALS
There is a growing interest in connotations of tastefully healthy, and what are the market offerings for it, what are companies doing to target this?



TREND:
Convenience

THE BUSY MILLENNIALS
In a constantly busy era, with a growing working population, what convenient solutions are on the rise & how can retailers offer them?



TREND:
Expression

THE SAUDI MILLENNIAL IDENTITY
How do they express their identity, what makes their identity unique and can retailers use this to establish emotive appeal

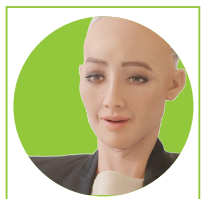
Connect:



15 million
smartphone
users in Saudi Arabia.



Heaviest
per capita YouTube
usage in the world



AI Robot
Sophia
was granted a
full citizenship

	Global	MEA	Saudi Arabia
Average time spent on social (hrs/day)	1.3	2.2	2.1
Average number of social platforms used weekly	4.8	4.4	7.9
Platform weekly usage >30%	Facebook	Facebook	WhatsApp
	YouTube	WhatsApp	YouTube
	WhatsApp	Facebook Messenger	Facebook
	Facebook Messenger	YouTube	Instagram
	WeChat	Instagram	Snapchat
			Twitter
			Facebook Messenger
			Line

Millennials in Saudi Arabia spend majority of time on social networking, IM and online videos via mobile. Most accessed platforms are WhatsApp, YouTube and Facebook. Pre-purchase research is high in Saudi Arabia, with offline touchpoints are more commonly used heavily.

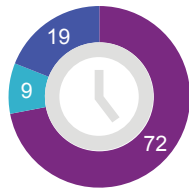
Consumers

Establish target connectivity

2.8 Number of devices owned (mean)

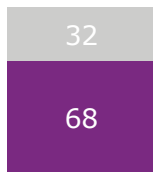
Share of time on devices (%)

- Mobile
- Tablet
- PC



Share of time on media (%)

- Traditional
- Digital



Source: Various – see notes for full definitions
Base: Millennials (433)

Connections

Identify major reach platforms

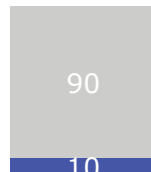
12.7 Online activities (weekly)

Top 3 activities

1. Access social networks
2. Instant messaging/chatting
3. Video clips - on social network

Ad blocking penetration (%)

- Don't use/DNK
- Use



Content

Determine content platforms and needs

8.5 Social platforms (weekly)

Top 3 platforms

1. WhatsApp
2. YouTube
3. Facebook

Ideal use of social

- 68%** Content
- 50%** Advocacy
- 46%** Provide info
- 45%** Customer service

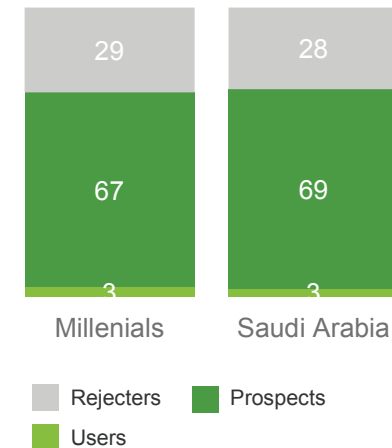
Commerce

eCommerce penetration and assess potential

Food groceries

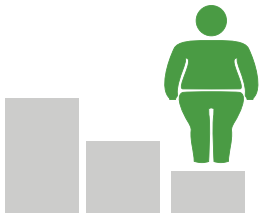
73 27 Decision-making ratio before | during shopping

eCommerce penetration/ potential

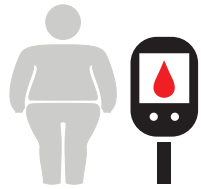


Health:

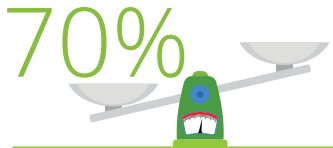
Facts:



The Lancet put Saudi Arabia in **3rd position** after Malta and Swaziland in terms of obesity & laziness



Obesity (33%) and **diabetes (25%)** rates in Saudi Arabia are amongst the highest in the world



Saudi Nationals are overweight



People living in Saudi Arabia, on average, took **3,807 steps daily**, one of the lowest in the region



Only 13% of the Saudi population exercise once a week (target is to push it to 40%)



Currently the **life expectancy is at 75.3 years** (target is to push it to 80 years)

Measures



100% tax on cigarettes & tobacco products and **50% tax** on carbonated beverages & energy drinks

The appointment of **Princess Reema Bint Bandar Bin Sultan** as president of the Saudi Federation for Community Sports to encourage women to maintain a healthy lifestyle

Saudi Arabia's first **Corporate Run** organized by the **General Sports Authority** on May 15th-24th in Alkhobar, Riyadh and Jeddah

Specialized Medical Center(SMC) organized the **10,000 Steps Challenge** in Riyadh on September 30th

"Bliss Run" a nonprofit group is dedicated to educating women on fast walking or running culture in open air

Restaurants and Cafes to be asked to **list calories in their menus by SFDA (Saudi Food & Drugs Authority)**

"Doux FitLife" recently announced as the **first frozen chicken fed with flax seeds**, a natural source of omega-3 containing 10% less fat.

Convenience:



Uber, a global private taxi service utilizing the untapped need of **safe commuting** for an increasingly female mobile workforce



Ready to go meals seen at **Manuel and Lulu** in the form of freshly squeezed juices, prepacked sandwiches, salads, dips and other pastries



Virgin Megastore KSA is making it convenient for shoppers to **exchange old items** with gift vouchers and provide e-gifting options



Maestro Pizza and Dominos are making online ordering easy to use & **providing order trackers**



Secure online payment options like **Sadad** used by Landmark, OSN



STC is offering **rechargeable cards** via banking



Danube is creating an **online store app** that will deliver fresh products and other essentials to customer's home at a pre-fixed time



Ready-made meal company Beyti Express is merchandizing **lunch boxes** in association with Manuel, Danube and Bin Dawood

Expression:

Allowing women to drive is one of the most pivotal marks of reform with UN welcoming the move

GEA supported the first ever **Saudi Comic Con festival** with the three day event attracting nearly 7,000 people

Ban of cinema halls since 1982 is **poised to be lifted** in March'18 widely applauded by youth

The Saudi-Arab Society for Culture and Art organized the screenings of international films such as **Trolls with Arabic translations**

Opening stadiums to women from 2018 is an attempt to support the sports sector

The third **"1,000 Dialogues"** conference on the **future of film and filmmaking** in Saudi Arabia was held in Riyadh on November 12, 2017

"Roznamah" online calendar has been created to inform public about the various events happening in the Kingdom

"Akel Awal" and **"Atareek"** festival conducted by youth forums to restore **traditional values & heritage** of Saudi culture in Jeddah

Characteristics of Millennials



Are Informed and knowledgeable and harbor strong opinions about brands



Believe in sharing but are also inclined to self-indulgence



Expect brands to have strong digital footprint but not hiding behind technology



Likes offline channel as well as digital



Don't like brand exclusivity but appreciate personalized touches by brands



Are impressed by brands with a noble cause but hate if brands fake it



Love to share personal usage data with brands if they get something in return

Values shared by Millennials & Gen Z



Both like brands that **simplify and unify their product touchpoints seamlessly**



Both value brands that are more **experimental and can visually engage them**



Both like to **co-create** brand content rather than being bombarded with pop-ups and ads



Both are **extremely entrepreneurial** and love brands that provide information, and insights that help them in their endeavors



Both buy brands that have purpose and stand up for social values **transparently and authentically**

10

Strategies for Millennials

With more than 12 million Millennials and Generation Z in KSA, and another 140,000 Millennials studying abroad who would be back in the next few years, it is extremely important to follow the below guidelines for marketing to this segment in KSA

Millennials in Riyadh are different from Millennials in Jeddah

- ▶ Respect & capitalize on regional variation in attitudes

Money is still not in their hands but their parents'

- ▶ Means they still depend on parent's money to fund luxuries – speak to both

Build trust with them for long term loyalty

- ▶ Once they trust, they don't mind paying a premium

They like smart choices

- ▶ Only price discounts won't help, must create value – don't sell cheap

They value their religious affiliations, but don't like brands selling by using it

- ▶ Respect religious feelings but don't over-emphasize it

They like Celebrity endorsement but the celebrity has to be well-accepted in society

- ▶ Image fit with brand & consumers is important

They are in a health quest

- ▶ Assist them in their health quest by providing healthy solutions – not only products but ideas / tips

They are open, experimental and highly experiential

- ▶ Hence making the first experience memorable is vital to promote trust

They are highly engaged in Social Media

- ▶ Must engage meaningfully and create ambassadors

They like harmless intelligent humor & word play

- ▶ A shortcut to their hearts and trust if executed well and within limits