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CONSUMER'S PARADIGM SHIFT - SURGING DEMAND FOR HEALTH AND WELLNESS PRODUCTS WITHIN THE MENA REGION

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FOR THE SPECIALITY FOOD FESTIVAL 2023

Overview & Key Developments Driving Demand

The importance of health and well-being along with good nutrition has been witnessed as a key trend in the Middle East countries. The food and beverage segment when focused on health and well-being is highly competitive especially in the UAE, Saudi Arabia and Kuwait. Established entities are competitive in terms of product offerings based on the consumer's evolving demands. A significant shift in lifestyle among the mass population is observed post COVID-19 pandemic where consumers began to change their dietary habits toward health and well-being by promoting nutritional food products.

Frost & Sullivan estimates the health and wellness industry in the Middle East region to be over USD 105 Billion in 2022 and would register a CAGR of ~3.5% during 2023-2027. Majority of the contribution in the health and wellness industry in the region is from packaged nutritious food products which offers a sense of personalization to the consumers. The Government's initiative to increase health and wellness awareness among the consumers has supported regional start-ups such as Tuhoon, Esaal, Sprout, EatClean and Count'd to enter the market and offer personalized nutritional solutions to the population.



Developments in the Health and Wellness Sector:

- Higher demand for Organic products** - increasing health awareness in the region has raised the demand for organic and natural products. Organic and natural product suppliers have registered a rise in demand of up to ~300 % for their products in Middle East. Post-pandemic, the CAGR for organic food and beverages has reached ~35-40% and the trend is anticipated to continue for the next five years. Among the various segments, organic dairy dominates accounting for the highest market share while organic beverages such as juices and tea are considered as the fastest growing segment in the organic and natural sector.
- Sustainable plant-based products on the rise** - The growth of sustainable, plant-based or vegan products is high in the Middle East region due to the growing population of flexitarian consumers. Flexitarian consumers enjoy meat consumption but are willing to experiment with plant-based products as well. Consumers in the region are more inclined to fresh products that offer high nutritional value which in turn supports the sales of plant-based products in the region. Additionally, rising awareness about environment and sustainability has led to higher demand for product traceability information from consumer's end. The trend has strongly impacted consumers purchasing behaviour and has led to them choosing the products consciously.
- Convenience 'Free-from' products experiencing high demands** - The health and wellness sector is interlinked. With the rise in demand for organic and ethically sourced products, the demand for on-the-go convenience food and beverages has been experiencing surge in the region as well. The 'free-from; category is exponentially expanding in the region where consumers are exhibiting higher inclination towards products labelled as gluten-free, dairy-free, sugar-free, artificial preservative-free products. Consumers associate 'free-from' products with high nutritional value products which support health and well-being and hence the segment is witnessing surge.







¹Growing opportunities for organic in the Middle East

²Frost & Sullivan Analysis

³Market Insights at Future Food Forum Dubai - Adapting to changing consumer behavior.

Key Opportunities & Disruptions

The Middle East market is highly influenced by the population of expats and young consumers who drive the demand for products in the region. Entities active in the segment and emerging start-ups must pay close attention to the changing trends and innovations which would create product differentiation in the market. Key opportunities to expand the market reach within the region and cater to consumers dynamic demands are as follows:

-  **Government's initiatives and interventions** - The Middle East government aims to improve the nutritional status of the population residing in the region and have a collective vision for a healthier and sustainable future. Entities leveraging on initiatives are formulating and marketing nutritional products that focus on 'sugar-reduction', 'free-from' and/or plant-based functional ingredients to generate high revenues and align with the vision.
-  **E-Commerce Growth** - The E-commerce sector has witnessed a boom in the Middle East region owing to technology disruptions. With the growth of the food delivery industry and intermediaries, consumers in the region are highly inclined towards convenience health and wellness food products. The availability of a plethora of trendy lifestyle products on the online channels has supported the sales of nutritional products in the region. Marketing products through e-commerce channels is profitable as the Middle Eastern consumers turn towards exploring the online channels to access products that may be inaccessible or more difficult to find locally.
-  **Personalized Nutrition** - Custom meal plans and supplements tailored to individuals' health needs are disrupting the Quality Food Service (QFS) businesses and driving them to pivot to meet the changing consumers preferences. This has greatly benefited meal plan restaurants and cloud kitchens as they are creating weekly and monthly subscription models for their customers. Entities such as Sprout (UAE) have established themselves as personalized nutrition brand targeting the population of kids where they offer tailored-to-requirement meals for the children.
-  **Clean Label Movement** - Manufacturers of food and beverages in the Middle East are experiencing a growing demand for clean-label, sustainable products from consumers end, leading to a disruption in the market for artificial additives and preservatives. The trend is propelling the manufacturers to minimize/eliminate harmful food components and move towards clean ingredients to retain old customers and attract new consumers.

³Market Insights at Future Food Forum Dubai - Adapting to changing consumer behavior.

Current Challenges

- **Limited awareness & Economic factors** - Health and Wellness food is mostly spread across the high to mid-high socioeconomic classes, which means healthy F&B segments are not distributed across all the population as the consumers perceive high prices for these products limiting accessibility to certain demographics.
- **Competition with Traditional Foods** - The Middle East region has diverse preferences and dietary habits across its countries. Consumers in the region have become highly selective when making their purchase decisions. Packaged health and wellness food products may face stiff competition from the traditional, and often indulgent, and culturally significant foods. Consumers look for simpler and known ingredients in the product packaging while exhibiting aversions from new or less known ingredients.

Future Strategic Outlook

The Middle East market demand is driven by dynamic consumer preferences and behavior. Lately, the F&B sector in the region has been fueled by the growing interest in health and wellness. Middle Eastern consumers are seen to be making more conscious decisions about their eating habits and are becoming selective of their food choices. In order to establish a footprint in the Middle East market, producers must adapt and pivot according to the changing preferences and cater to consumer's demands by providing health products supported by greater innovation within the existing products or even switching into new ones.





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