



F R O S T & S U L L I V A N

SNACKING IN THE GCC – MAPPING THE SHIFTS IN CONSUMPTION TRENDS

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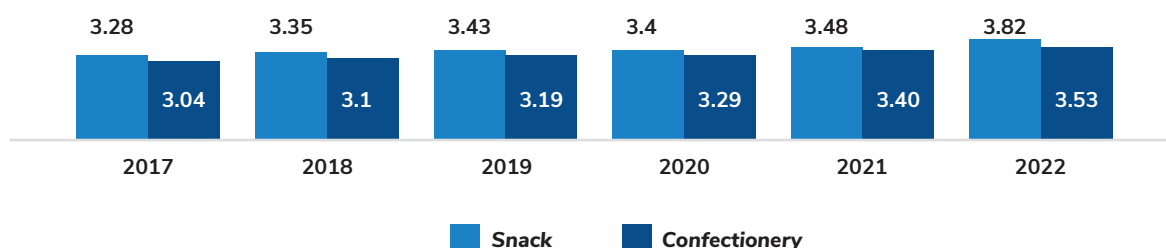
FOR ISM MIDDLE EAST 2022

Increasing gross domestic product (GDP), the expat population, consumers' busy and hectic lifestyles, and increasing urbanization are fueling the growth of the snack and confectionery market in the Gulf Cooperation Council (GCC). GCC comprises Kuwait, UAE, Qatar, Saudi Arabia, Oman, and Bahrain. Large expatriate populations drive the food consumption trend in these nations. With a steady rise in per capita income, the demand for value-added snacks and confectionery items has witnessed a spike over the years in the region. The countries are highly dependent on imports due to a lack of local food resources and manufacturing, which creates opportunities for local and international snack and confectionery players to enter the GCC market. In this article, Frost & Sullivan highlights the trends and market opportunities in the snack and confectionery sector in the GCC region.

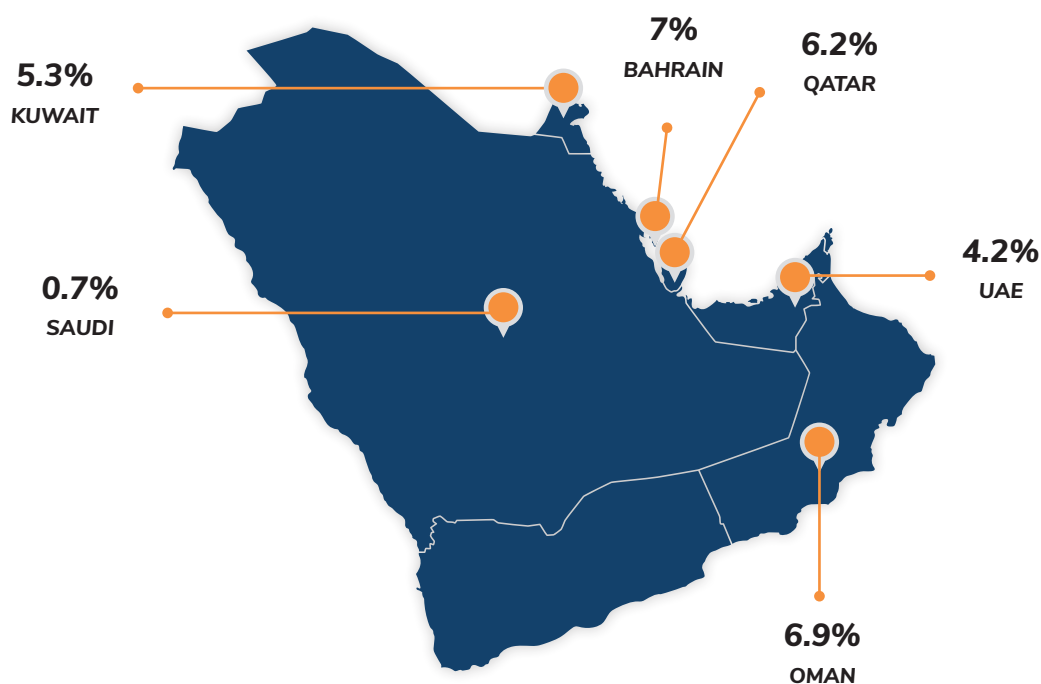
Market Overview of the Snack and Confectionery Industry in the GCC

The snack industry in the GCC in 2022 is estimated at USD 3.8 billion and is anticipated to register a compound annual growth rate (CAGR) of 3.1% from 2017 to 2022. Additionally, the confectionery market is about USD 3.53 billion, surging at a CAGR of 3% from 2017 to 2022. A shift toward value-added convenience with healthy alternatives is supporting the growth of the industry post-COVID-19. The KSA governments are introducing measures for sugar reduction, front-of-pack nutrition labels, and various taxes on sugar-sweetened beverages to promote healthy snack consumption, which is positively influencing the market.

**GCC SNACK AND CONFECTIONERY MARKET
(USD BILLION)**



**Country-wise CAGR (2015-2019)
for Snack Retail Sales in GCC**



What's Shaping Snack and Confectionery Consumption in the GCC?

- 01 “Free-from” products:** Increasing health awareness among consumers has made them vigilant of the labels on the snacks they are purchasing and consuming. There is an increasing demand for products that come in “free-from” formats. These include “gluten-free,” “sugar-free,” and “bad cholesterol-free” snack alternatives, which are witnessing sales increases in the region. Any snack that promotes health has a high opportunity to gain traction in the GCC market. Government initiatives to promote healthy food are also anticipated to fuel the demand and imports of such healthy snacks into the region.

The healthy snack market is anticipated to register a CAGR of over 4% in 2022. The market for healthy snacks is highly attractive as the region moves toward healthy eating, and not many entities in the GCC are focused on manufacturing solely healthy snacks. This makes the entry of new players into the market lucrative and easier.



**GMO
FREE**



**GLUTEN
FREE**



**LACTOSE
FREE**



**SOY
FREE**



**SUGAR
FREE**

- 02 Premium, high-end products:** The GDP of the GCC countries is anticipated to expand by 5.9% overall in 2022, propelling the demand for food products, including confectionery snacks and products in the premium category. Expanding industrialization and demands for better-for-you and on-the-go snacks are driving the sales of premium products and directly and positively impacting the premium, high-quality and natural ingredients segments. Consumers in the GCC are willing to pay a premium price for healthier snack versions with low-sugar, trans-fat contents. Based on the ongoing trend, the sales of value-added, premium products are experiencing a surge in GCC countries.

For instance, confectionery product manufacturers, including chocolate manufacturers, are focusing on product differentiation and premiumization by producing products using sustainably sourced cocoa. Even the vanilla used as a major ingredient is used in its natural form, which is sustainably sourced. This makes the labeling prominent and attracts consumers to the premium fair-trade offerings.



**PLANT
BASED**



**100%
NATURAL**



ORGANIC



Opportunities for Entities to Tap into the Snack and Confectionery Segment in the GCC

- **Product differentiation and new product launches**—Creating product differentiation through innovations and R&D investments would work in favor of the entities trying to launch products and enter the snack market of GCC countries. For instance, Hunter Foods, headquartered in UAE, focuses on innovative, gourmet and “better for you” snacks. The company’s offerings are wide and include hand-cooked potato chips, quinoa chips, vegetable chips, and organic superfoods. Such products are gaining traction in the GCC and support the sales growth of the entities involved.
- **Partnerships and joint ventures**—Government support and the incorporation of policies that promote healthier products in the GCC market are making the segment lucrative for local players. Local and regional entities are seeking opportunities for mergers and acquisitions (M&As), joint ventures, and collaborations to strengthen their portfolio and market position in the GCC snack segment. In such cases, international startups hold opportunities for local players. For instance, Agthia, one of the renowned food and beverage companies in Abu Dhabi, has acquired Baklava Made Better (BMB) group, another leading brand in the GCC, and operates in the healthy snacks and baking ingredients segment.

The Retail Outlook in the GCC

Major supermarkets and hypermarket chains, such as Lulu, Nesto, West Zone Al Maya, Spinneys, and Carrefour, have witnessed increased demand and rising sales of imported and high-value, premium snacks and confectionery. Post-COVID-19, healthy snacking increased, which resulted in the import of baked and “free-from” snacks and premium confectionery products. Major retailers reported a demand surge for the ready-to-eat segment in the GCC region in the years impacted by the pandemic.

Conclusion

The GCC market for snacks and confectionery is expected to grow at a CAGR of over 4% from 2022 to 2026. The industry shows potential for entities trying to enter the segment and capture market share. The competition in the snack and confectionery sector is not significant but is gradually growing in the region. The “free-from” segment and premium product offerings are gaining traction within the GCC. Innovative product launches hold high growth opportunities in these countries wherein the existing companies could capitalize on the potential opportunity and increase their share in the market while new entrants can gain market share.



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