

## Tough cookie for international players

by Roger Field on Monday, 06 November 2006

~|Biscuits200.jpg|~|Mohammad El Rayes: 'Every market has the local producer as number-one.'~|While sales of sweet biscuits are in decline in many Western countries such as the UK, where some categories have slipped by almost 5%, the Middle East is experiencing healthy growth. And while multinational food producers such as McVities and Nabisco are keen to take a share of the region's biscuit sector, the industry remains largely dominated by local producers.

For example, in Saudi Arabia, Deemah, a local company, is the largest player with a 19.8% market share according to MEMRB, a market research company. This is followed by Tea Shop, another local player which has a market share of 19%, and Ulker, which has an 18% share of the market.

Mohammad El Rayes, regional manager of Jeddah, KSA-based National Food Company's Americana Cake division, estimates that the GCC's biscuit sector is worth about AED608 million (US \$165.5 million). He said that while biscuits produced by National Food company dominate in a number of the biscuit sector's sub segments in different GCC countries, different companies tend to be the leading player in the overall category in different countries.

"You will find different key players in different markets, for example in KSA it's Deemah which has local production there. In the UAE it's Tiffany. In Oman it's Nabil," he said. "Every market has the local producer as number-one." This is mainly because the mainstream biscuits category is extremely competitive, which makes the shipping and logistics costs a significant burden for imported brands, El Rayes added.

El Rayes estimates that the total biscuit sector in the Middle East has increased by about 13% in volume and 15% in value in the past 12 months compared with the previous year. "We're seeing very healthy growth in this market. There are more sales in the higher value products and this means the total market is getting more profitable and our cookies are really driving the premium part of this market," he said.

The multinational companies that have a presence in the region, such as McVities, Nabisco and Lu, also tend to be more involved with niche products, rather than having a full portfolio of biscuits in the region, and this gives these companies a lower market share.

"Nabisco has the Chips Ahoy and nothing else. Loco has only the wafers, so if you look at the total market and the percentage that they get, it's only a niche percentage," El Rayes said.

He added that the biscuit sector can be split into different categories such as plain biscuits, wafers, digestives, filled biscuits, and cookies. Americana is a key player in the cookies segment, which is the third category in size after plain biscuits and wafers. "In the cookies market, we are the highest selling regional producer and the number two selling universally after the Danish producers, which are of course the best selling," El Rayes said.

National Food Company has biscuits that cover three or four of the sub-segments within the biscuit category, although the most lucrative brand is Americana cookies. "The most important is the cookies which have a very good market share. We are the number one player in about half our markets and we are number two in the rest," he said.

Americana is the number-one brand of cookies in the UAE with a market share of about 12%, and this share is still increasing. The company has seen its cookie sales increase by about 60% in the past year, partly as a result of the boycott of Danish products, and partly because the company has launched new SKUs such as its Choco Chip cookies.

"We're very proud of them and they are doing well," El Rayes said of the cookies. "All of our products are manufactured in Saudi Arabia but especially in the cookies range we get the best quality ingredients. We get the butter from Sweden."

National Food Company hopes to dominate the cookies sector in the region, and thinks that its packaging, which includes tins, will help it achieve this aim. "There are no other chocolate chip cookies in tins - so with this we hope to dominate this category, which is the most premium category within the biscuits market. This is the most profitable category for us in the total biscuits market and means more value for us."

Americana cookies are available across the Middle East, and National Food Company also exports them to Africa and the USA. The cookies are experiencing particularly rapid growth in Qatar, El Rayes said. The company is also exporting some products to Iraq, although this is a "very problematic" market, according to El Rayes.

"Of course it has potential but it really depends on the security situation there. In months when it is good and the distributor can do his job, we can get good sales there, but when the security conditions deteriorate nobody can operate and sales are very bad. It fluctuates, but once it's stable I'm sure we're going to be having very good sales in Iraq."

National Food Company also has other biscuits including plain tea biscuits, honey biscuits, and cream biscuits. It is planning to launch wafers and crackers in the next year. The company is concentrating on quality and higher end products because the main trend in the sector is a move towards premium products. "Value growth in the market is higher than volume growth, which means more healthy business for us and means that our cookies are really successful," El Rayes said.

"Growth is very high compared to the stable or relatively stable cakes market. I see the same level of growth continuing because the modern trade is increasing. It's having more and more weight in the market, especially in Saudi Arabia, so this means more and more branded products. Growth of hypermarkets and supermarkets is also good for the company."|\*\*|



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