**Almarai Brand Marketing Management**

**1- Executive summary:**

Almarai founded in 1977, has grown to become the Middle East’s largest food manufacturer and distributor. With headquarters in Riyadh, Saudi Arabia, our production and distribution footprint covers the GCC states, Egypt and Jordan.

Almarai brand has been trusted by consumers for 40 years. We are market leaders in fresh milk, Laban, flavoured milk, milkshakes, UHT milk, evaporated milk, cream, yoghurts, desserts, natural and processed cheeses, butter and ghee.

Daily consumers include Saudi Arabia UAE Oman Kuwait Egypt Bahrain Jordan Exports/Others. Those consumers can be from all age, male, female with all economic and educational levels.

Almarai Brand has its own strength and weakness, those strength include wide expansion over GCC and middle East area, enhancing their staff learning and leadership training for best product outcomes, another strength by innovation of new products.

Company weakness came from high operating cost, dependency on dairy and juices and major dependency of import raw material.

There are few threats that make significant challenges for the company including economic changes, rising of oil price, changing of consumers life style and their dependence on ready to eat food, adding the VAT price for all Saudi citizen and expatriate. Regional food companies ask food manufacturers to sell direct, allowing the food companies to operate as wholesalers.

The opportunity of society growth in GCC and middle East this make a chance for Almarai company to has a very strong focus on growth. We intend to unlock significant long-term value from our agriculture and farming operations. We have created a new Foodservice Division to service the growing HORECA (hotel, restaurant, catering) sector. Almarai 2025 also analyses opportunities for extending our geographic spread beyond the GCC. Innovation of new products and decrease price raising from 0.5 SR for single product to be for whole package of 5 products

**2- Brand overview:**

People in Saudia Arabia during the old time depend basically on the food that came from the farm and domestic animals. And there was little infrastructure for the production and sale of milk in the kingdom of Saudi Arabia, So Prince Sultan bin Mohammed bin Saud AL-Kabir recognized that the area and the wider Meddle East could benefit from higher quality milk production and logistics. So, the idea of initiating this company it came from this need.

Almarai started its operation in 1977 by Irish brothers Alastair McGuckian and Paddy McGuckian and Prince Sultan bin Mohammed bin Saud Al-Kabir (who is currently the chairman of the board). So from 1977 till 1990 Almarai was in the introduction phase in the society during this phase Almarai set up a number of facilities in regions across Saudi Arabia, which initially helped local farmers produce and distribute milk.

After the introduction phase Almarai move to the grow phase in the early period of 1990. In that time five decentralized processing plants were replaced with a central processing plant. Ten small dairy farms that were scattered across [Saudi Arabia](https://en.wikipedia.org/wiki/Saudi_Arabia) were replaced with four large dairy farms in [Al Kharj](https://en.wikipedia.org/wiki/Al_Kharj) in the central region.

In 2006, Almarai began to diversify its portfolio by pushing promotions on other dairy products and not just milk. It held a [cheddar cheese](https://en.wikipedia.org/wiki/Cheddar_cheese) product promotion throughout the [Middle East](https://en.wikipedia.org/wiki/Middle_East) to try and increase the number of households that bought the cheese on a regular basis.

In 2009, Almarai and [PepsiCo](https://en.wikipedia.org/wiki/PepsiCo) announced that they would be forming a joint venture, International Dairy and Juice Limited, known as IDJ. The brand name was known throughout Egypt and continued to operate under its name as a [subsidiary](https://en.wikipedia.org/wiki/Subsidiary) of the IDJ joint venture.[[8]](https://en.wikipedia.org/wiki/Almarai#cite_note-8) During that year, Almarai also moved into the poultry market. This was following the acquisition of Hail Agricultural Development Co. The lucrative poultry business was purchased for $253.2 million in cash and stock to complete the takeover.

As part of the [PepsiCo](https://en.wikipedia.org/wiki/PepsiCo) partnership, Almarai also moved into the Jordanian drinks market. IDJ acquired a 75% stake in Teeba, a leading Jordanian dairy producer. This helped strengthen Almarai's presence in the country's dairy market, but also Pepsi used the acquisition to launch [Tropicana](https://en.wikipedia.org/wiki/Tropicana_Products) orange juice drinks into the [Jordanian](https://en.wikipedia.org/wiki/Jordan) market.

In 2018, it was announced that Almarai was the most popular brand in the Kingdom of [Saudi Arabia](https://en.wikipedia.org/wiki/Saudi_Arabia) for the third year in a row and Later that year, it was announced that Almarai announced plans to invest $2.8 billion in [Middle Eastern](https://en.wikipedia.org/wiki/Middle_Eastern) production facilities.

Net income was slightly ahead of last year by +1.6% to SAR 2,182 million although Revenues were slightly down by -2.8% to SAR 13,936 million. We maintained a high level of profitability and strong market share in our core businesses.

As a conclusion we can tell that Almarai brand is a growing company and it can still grow with same business model than in the last couple years.

**3- Competition Overview:**

Our Quality and Product Development Division has embedded this principle firmly into the way we manage our business. The division is dedicated to ensuring that the growing size and complexity of our business never compromises the quality of our products or our talent for innovation. Its purpose is to ensure we always keep our quality promise by shaping world-class product development processes that produce world-class products.

There are five major operational areas, which can gain the competitive advantage of Almarai. These operational areas are such as quality, speed, dependability, flexibility and cost.

As a food and beverage company and one of the largest corporations in the region, we have had to innovate to stay relevant. As a leading consumer products company, we have to keep our finger on the pulse so that we can understand people’s tastes and desires day by day. The Saudi Arabia of today is very different from 40 years ago. To grow our business during this time has required a keen sense of evolving consumer preferences. We have succeeded because our strategy demands we assess and reassess our business so that we always understand what consumers want. As a result, we are in a perpetual state of innovation and this has helped us stay dynamic and made us resilient.

All Consumers across the globe are looking for new characteristics in their food consumption, such as health, convenience and affordability. We are seeing evidence of consumers worldwide starting to move away from the traditional retail outlets to ordering and purchasing food online using digital channels. Complementing this is the growth of proximity shops, meaning stores that are close to a consumer’s residence rather than in a more distant retail outlet or mall. In the Middle East, these small local groceries are referred to as ‘around the corner shops’ or bakalas.

We delight consumers in five categories across the Middle East and North Africa:

**4- Target Market:**

Almarai has grown to become the Middle East’s largest food manufacturer and distributor. With headquarters in Riyadh, Saudi Arabia, our production and distribution footprint covers the GCC states, Egypt and Jordan.

million is an approximation based on market penetration and market share analysis\* 42 throughout the GCC (Gulf Cooperation Council), Jordan and Egypt.

Daily consumers:

Saudi Arabia UAE Oman Kuwait Egypt Bahrain Jordan Exports/Others

**5- Segmentation:**

Almarai products made for people at all levels of age, economy and education and for both gender with no specification. Almarai products specially milk and milk products have strong impact on children growth especially that it facilitates their learning process in the school age by giving them full nutritional needs to make them more focus, it helps their bone, muscle and teeth.

One of the Almarai Brand is infant formula, include Nuralac and Nuralac Plus, Nurababy cereal and the Nuraplus Suregrow supplement for children.

Our products will be very useful for women during pregnancy because they need to increase their daily intake of milk and milk products to promote their infant growth throughout the pregnancy period and to protect them self from osteoporosis disease.

Elderly people starting from age 30 and above they need to increase to increase their milk and milk product in the daily intake to protect them self from getting Osteoporosis disease. Taking milk products will strength their bones by increasing calcium and Vitamin D level in the body.

**6- SWOT Analysis:**

**Strengths:**

We are going to address all Almarai brand strengths that make it middle east’s loved food and beverage brand in the GCC region.

1-**RESTRUCTURING:** Almarai entered a period of restructuring and reinvestment, which took it from a decentralized structure to a centralized structure. The aim was to establish ourselves as a low-cost producer so that our consumers could enjoy high quality products at an affordable price.

**2- International Dairy and Juice (IDJ) and regional growth:** Paving the way for geographical expansion beyond the GCC, we pooled our respective expertise in dairy and juice with PepsiCo. We launched a joint venture – the International Dairy and Juice (IDJ) Company.

we strengthened our market presence in Egypt, while in Jordan we restructured our joint venture with the aim of reaching breakeven or profitability in due course. We are currently evaluating opportunities to expand our presence elsewhere in the Middle East.

**3- Strong focus on managing costs:** Through our Triple A programme (Agility, Accountability, Action), we have looked carefully at our processes and systems to identify how to reduce costs or work more efficiently. In 2017, we delivered cost savings of SAR 300 million. This is more than we had targeted and represents 60% of the Strong performance underlines Almarai’s agility, expertise and resilience Strategic Report 21 SAR 500 million objective we set for 2017 and 2018.

**4- Investing in our People:** We continued to attract the right talent, develop the skills of our existing staff and create long-term relationships throughout our workforce. We believe this is one of the key pillars for the long-term success of our company. Our Almarai Academy helps employees fully engage with their career journey.

**5**-**Innovation:** Innovation to Almarai, it is about challenging the way we operate to ensure we create new products, new processes and find new solutions to business challenges. We believe innovation involves embracing change and striving to become a smarter organization.

**Weakness:**

1-The firm depends on a solo brand name ‘Almarai’. Hence, the firm is not able to fall back to an alternative brand to continue operating if an unexpected incident occurs.

2- Another weakness is that the firm has a relatively limited share in the Gulf region’s Market.

3- High operating costs pressurizing pricing.

4- Over dependence on dairy and juices

5- Major dependence on imports for raw materials

**Threats:**

After we have discussed the strengths that helped Almarai brand to success, it is expected as any other brands there are some threats and opportunities that will challenge Almarai brand growth and development.

**Opportunity:** Around the Middle East, there is a growing middle class with evolving food habits. Moreover, while the population is growing, it is very young. According to the Oxford Business Group, MENA has the largest youth population in the world, with more than half the residents under the age of 25. The GCC youth bulge – the percentage of under 25s – ranges from 25% to 50% depending on the country. These demographic issues drive our product development discussions and consumer research. Key issues include regional conflicts as well as economic difficulties such as in Egypt, where devaluation in 2016 caused soaring inflation and rising borrowing costs.

**Threats:**

In Saudi Arabia there are five important trends that are shaping the markets in Saudi Arabia and causing significant impact on Almarai brand production and purchasing. These trends are as following:

**- Single digit growth:** After many years of economic growth in high double digits, the growth prospects for the GCC are forecasted to be in single digits going forward. In the face of weak oil prices, the World Bank forecasts the Saudi economy will grow by 2.0% in 2018 and a similar amount in 2019. In the FMCG sector, a Nielsen retail audit released in Q4 2017 showed that expenditure on food declined by 5.4% in the year to August 2017, reflecting recent expatriate worker departures.

- **Retail trade changes:** there is strong channel shift in Saudi Arabia with more online servicing and discounters entering the retail market. The HORECA sector is now well established and Saudi Arabia has large hypermarket chains with growing buying power and the ability to specify pricing and service requirements.

**- Inflationary pressure:** 65% of the Kingdom’s consumers have felt the pinch of inflationary pressure. There is also budget deficit caused by low oil prices, the Government is reducing general subsidies while providing lower income groups with additional support. Overall, this has increased the price of energy, utilities and fuel. A special tax on carbonated and energy drinks was introduced in June 2017. The national push for Saudization is also impacting costs, especially through the expatriate levy on non-Saudis working in the Kingdom. Another important change is that from 1 January 2018, Saudi (and indeed most GCC) citizens are paying VAT on the goods and services they buy. While the standard rate of VAT is only 5%, this will inevitably increase the Kingdom’s inflation rate owing to cost structure inflation. It is likely that consumer products will be repackaged into formats offering different weights and volumes at higher price points (for example: a 100ml product at 1.0 riyal becomes 125ml at 1.5 riyals) and alongside this, as seen in Western markets, manufacturers will reduce some product weights to maintain overall sales value at important price points.

**- Food on the go (ready to eat food):** On the last years people choose to eat at work or at school, a trend that is increasing demand for food that can be eaten ‘on the go’. Alongside the tendency for households to cook less frequently, there is a move towards healthier eating as well as ready-to-eat formats. The ready-to-eat trend is driven by the growing number of women joining the workforce with figures from the Ministry of Labour and Social Development in March 2017 showing the number of Saudi women working in the private sector had increased by 130% in the previous four years.

**- (Business-to-Business) expansion:** B2C (business-to-consumer) as regional food companies ask food manufacturers to sell direct, allowing the food companies to operate as wholesalers. In the fresh milk category, we believe it is unlikely a competitor can overcome the significant barrier to entry in terms of the capital expenditure required. But we are monitoring potential threats that can come from manufacturers looking to dump low-cost products into the region, especially in long life milk and poultry.

**7- Market Research:**

During 2017 we conducted Almarai 2025, a full strategic review that goes beyond our usual five-year business plan. Almarai 2025 is a much broader vision for the future that identifies specific, quantifiable and measurable goals, and sets out where we should play as well as how we should win. We have defined a new business-oriented operating model, with clear reporting lines as well as defined responsibilities and accountabilities. The Board is confident that Almarai 2025 will deliver our vision against a challenging economic and political background.

**1-Product:**

1-Almarai commissioned a new plant known as Central Production Plant (CPP3) in Al Kharj on 23 November 2017. This new manufacturing facility will include seven production lines for fresh dairy products such as laban, milk and zabadi. Within the facility, Almarai will increase its production and manufacturing abilities for high quality fresh dairy products, and support in the Company’s efforts to expand in regional and greater MENA markets.

2- Improvements in production capacities in farms, and manufacturing and distribution

3- Grow revenues from poultry and infant milk formulae, in addition to dairy and juice products.

**5- Packaging**: use small size with low weight package for the product that will fit in small space and easy to carry by consumers. Also use package with good quality, made from suitable material that make handling and distributing of the products easy and safe, So products will not be spoiled and it will last for longer time. High quality packaging will help maintain appropriate temperature for all products during transporting and distribution.

**2- Place:** Almarai brand can expand their marketing to more countries that in the field of middle East and to all GCC countries, open more branches and construction of more farm, So the company production will be able to cover the population growth and development.

**3- Price:** Almarai brand can overcome the economics challenges in Saudi Arabia (such as adding the VAT 0.5% to all Saudi citizen) by innovating new strategy:

instead of increasing their product price from 1 SAR to 1.5 for the single product, it can be increased by 0.5 SAR for 5 pieces of the product.

**4- Promotion:**

Agile commercial innovation is now more important than ever if we are to maintain and grow our profitability, become more resilient and continue our sector leadership.

Because Almarai is already expanding throughout the GCC and broader Middle East, we believe that our Company’s strategy aligns with the objectives of Vision 2030. We already draw on a 40-year heritage of innovation, of responding to change and leading the way forward.

Innovation for new products like breads, pastries and ice creams that will help the company to give the customers multiple options to b uy.

**References:**

<https://en.wikipedia.org/wiki/Almarai>

<https://www.almarai.com/wp-content/uploads/2018/04/Almarai-AR2017-ENG-web.pdf>

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