MEMORANDUM

Date : 28.02.1422 (22.05.2001)

cc: M. Dobaib (Summary)

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Ref. : Appl. # 3228 ‑ Arrow Juice Factory, Jeddah TSCD/RESD

Subj. **: MARKET REPORT**

**SUMMARY & RECOMMENDATION**

### Arrow Food Distribution Company (AFDC) commenced their trading operations in 1995 in the field of importing and distribution of various foodstuff as well as consumables. Up-to-date AFDC has a very wide range of items imported from all over the world, with world-renowned brands such as "Picon", "Danone", "Volvic", "BIC", etc. Since 1995, AFDC has been importing and distributing TONO Cordial (from UK) and KASSATLY's (from Lebanon) juices and syrups Kingdom wide. AFDC decided to produce locally TONO Cordial through manufacturing plant (Arrow Juice Factory (AFJ)) with a license agreement from the owners of the brand (Foodstuff Trading Company). They tried to reach a license agreement with KASSATLY's owners but their royalties were high therefore they terminated the distribution agreement and will use their own new brands; Mizo and Fruto.

### Currently, Arrow Juice Factory (AJF), applied to SIDF for financing the setting up of the new factory in Jeddah for the production of premium fruit cordials, pure fruit juices and fruit drinks. The proposed products will be packaged in single-serve NRB glass. It is worth mentioning that NRB provides a long shelf life and allows the contents to be visible to the consumer.

The project was awarded a new industrial license # 824 dated 8-8-1418 which authorizes the production of 4.75 million Liters (4,750 TPA) of concentrated fruit syrup. The fruit juices and drinks were not specified in the license however, AFJ is in the process of amending the license to include juices and drinks.

The project is 100% owned by Arrow Food Distribution Company (AFDC) which is a limited company owned by Mr. Saleh M. Bin Laden.The total cost of this new project was estimated by the sponsor at SR 19.0 million of which 42% (SR 8.0 MM) has been requested as a loan from SIDF.

On 8-1-1422, the Loan Committee reviewed this industry study and approved the following policy: -

1. No further applications to be accepted for new entrants to the industry except for innovative product or a known international brand.
2. Applications from existing producers to be evaluated on its own merits.
3. **Application # 3228 (AJF) to be registered and evaluated on its own merits**.
4. The Fund should pass on its findings to the Ministry of Commerce/Ministry of Municipal Affairs concerning the enforcement of SASO standards.
5. The industry to be reviewed in 4 years.

As far as our subject project is concerned, AJF is a production facility for an existing importer of cordials and fruit juices. Additionally, sponsor has good sales records and well-known international brand name (Tono).

The juices market is highly competitive where local market is served by imports and local production at present. The current market size of the juices was estimated at 490 million litres. The future demand is projected to grow by 5% to reach 595 million litres by 2005. Local supply accounts for about 86% of the market and the balance is been met by imports. MSCD has revised the sales downward to be achievable considering the competitive environment, sponsors historical sales and the market size of the proposed products. The SIDF recommended sales volumes and market shares are shown below: ‑

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Brands*** | | ***2001*** | | ***2002*** | | ***2003*** | | ***2004*** | | ***2005*** | |
| Cases  (000) | Ltrs (ML) | Cases  (000) | Ltrs (ML) | Cases  (000) | Ltrs (ML) | Cases  (000) | Ltrs (ML) | Cases  (000) | Ltrs (ML) |
| **Tono** | Sales | 200 | 1.7 | 228 | 1.9 | 250 | 2.1 | 270 | 2.3 | 290 | 2.5 |
| **Fruto** | Sales | 136 | 0.82 | 150 | 0.90 | 160 | 0.96 | 175 | 1.05 | 190 | 1.14 |
| **Mizo** | Sales | 120 | 0.60 | 135 | 0.65 | 145 | 0.70 | 155 | 0.74 | 165 | 0.80 |
| **Total Sales** | | **456** | **3.12** | **513** | **3.45** | **555** | **3.76** | **600** | **4.09** | **645** | **4.44** |
| **M. Share (%)** | | -- | 0.64 | -- | 0.67 | -- | 0.70 | -- | 0.72 | -- | 0.75 |

The sponsor's proposed prices were slightly revised downward to be competitive. The budget allocated for promotion and advertising for 2001 was SR 4.1 MM, which is reasonable.

**SWOT Analysis**

AJF will have the following strengths and opportunities: -

|  |
| --- |
| 1. AJF good historical sales. 2. Well- established International brand name " Tono", which enjoys already a good recognition and brand awareness from the consumers. In addition to that, the owners of Tono will be responsible for all it’s A & P expenses. 3. The sister company AFDC's experience, capabilities and well-established distribution network. |

# However, AJF will face/have the following threat and weakness: -

1. The late entrance to the juices and drinks market because the market now is mature and the competition level is cut-a-throat. In addition to that the using of new brands (Fruto and Mizo).
2. Producing juices and drinks in NRB only. This will limit the customer base especially the NRBs are not allowed in Schools or Stadium.
3. KASSATLY brand will be marketed by another importer as a competitor.

**Recommendation**

Given the above marketing considerations, this project is supported from a marketing point view, based on our revised sales volumes, recommended prices and the submission of the following: -

1. A copy of acceptable licensing agreement for Tono.
2. A comprehensive Marketing Plan including an export plan, to the satisfaction of SIDF.
3. The off-take agreement with their Sister Company (AFDC).

**Ayed AI Ghebewi**