

Feature: Saudi Goes Wild For Donuts

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Vishal Pandey, director, GlasgowConsultingGroup.com looks at how Saudi Arabia has embraced donuts...

Bakery products account for the biggest share of the Saudi Arabia fast food market, fuelled by increasing urbanisation and youth population.

Donuts are now among Saudi Arabia's favorite indulgent treats making their way into cafés and bakeries, together with an increasing presence of international donut chains across the country.

The surge in popularity of this confectionery product can be attributed to factors such as globalisation in the Saudi F&B industry, urbanisation and youth consumption preferences.

A recent market study conducted by Glasgow Consulting Group, indicates that quick service restaurants (QSR) continue to dominate Saudi Arabia's F&B industry, which is expected to grow at a CAGR of 8.7% annually and reach USD18.2 billion by the end of 2020.

As consumers in Saudi Arabia show increased preference for fast foods over full-service restaurants, quick service restaurants now constitute almost half of Saudi Arabia's F&B market, followed by cafés at over 30%. Within the QSR industry, bakery products account for the biggest share of the fast food market at 31%, followed by burgers at 26%.

Cafés constitute the fastest growing segment in the Saudi F&B industry at 18%, driven by changing lifestyles and increasing coffee consumption and number of café outlets owing to Saudi nationals' high preference for European-style cafes. The country's café market expanded from USD2.4 million in 2010 to USD 3.9 billion in 2015.

Emerging trends in the QSR/café market include changes in food and dietary preferences from Arabic cuisines to international flavors, increase in demand for takeaway and drive-through services with increase in the youth population and female employment.

To understand these growing trends, one need only look at Saudi Arabia's demographics and food consumption patterns.

Bread is a staple food in Saudi Arabia, and baked foods remain a favorite among all age groups. Coffee represents a symbol of hospitality in the country. These cultures combined with a preference for eating out have led to the success of bakeries and cafés.

The majority of Saudi Arabia's population is in the age group of 0–14 years (26.6%) and 30–44 years (27.7%), owing to a higher number of young adults and working professionals across the country, which include the increasing number of women joining the workforce. By 2030, about one-third of the population is expected to be in the age group of 20–39 years². For the QSR café market, this is the target consumer group as they are living a fast-paced life, with less time available for cooking.

The QSR café market has four major target segments – students, working professionals, community group, and tourists. The target segment is generally people who do spend some amount of their leisure time with friends and family at some restaurant or café.

Students in Saudi Arabia do not have many options for recreation, so they often visit cafés and restaurants. Working professionals are mostly busy with work and do not have much time to prepare food. They often order food or visit restaurants and cafes. There is a lack of entertainment options for people to gather with friends or family in Saudi Arabia. As a result, residents and tourist visit restaurants and cafés for relaxing and socialising with friends and family.

So how has the donut found its niche among the sandwich, croissant, muffin, pastry, and cookie, all accessible to the same consumer segments?

Firstly, donut and bakery products are demanded mostly by male and female consumers in the age group of 8–40, particularly teenagers, students and working professionals who either cannot find time to prepare food or places other than restaurants to socialise.

Secondly, the healthy eating trend, as big as it might be, has not affected the indulgence factor of donuts. The variety of flavors and ability to pair them with hot and cold beverages alike have only boosted the appeal of donuts as breakfast, snack.



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