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## Oman

## Retail Food Sector

## Report

## 2001

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### Report Highlights:

**Oman has a relatively small, yet developing retail market. Imported products account for most of the displayed foods in retail outlets. Although U.S. market share is limited, a substantial amount of U.S. food products find their way to the shelves in Omani retail outlets through the regional trading hub, Dubai, United Arab Emirates.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
Dubai [TC1], MU

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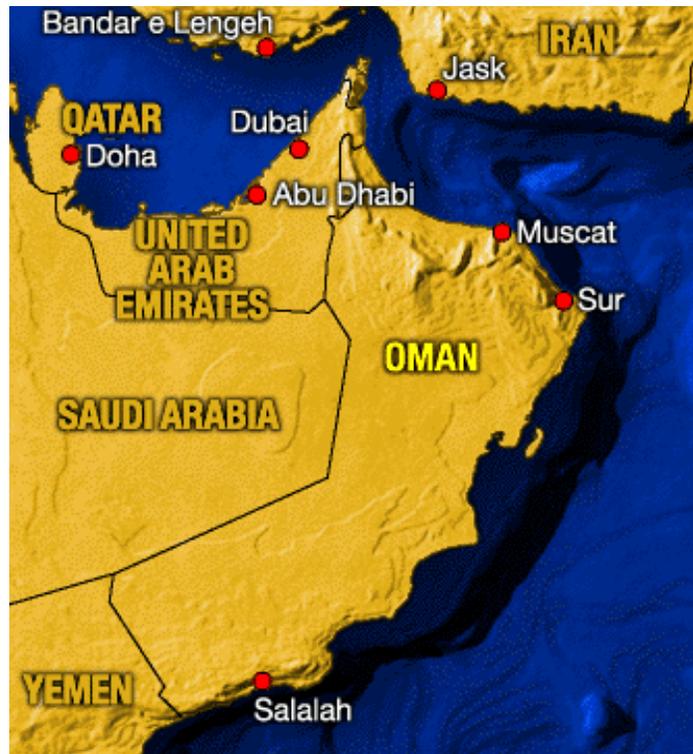
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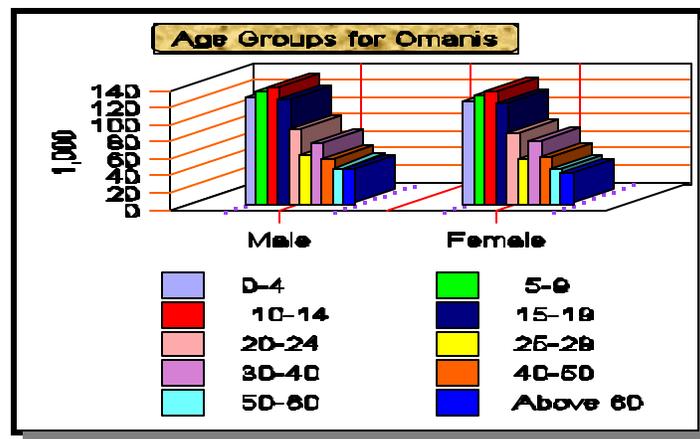
Note: Funding for this research was provided through the "Emerging Markets Program".

## I. Market Summary

- ' Total Omani population is estimated at 2.3 million. Expatriates, primarily from the Indian Sub-continent, represent about 25 percent of the total.
- ' Total Omani food imports are estimated at US \$ 750 million, or 15 percent of total imports for 1999.
- ' Food imports are growing steadily.
- ' With the exception of the capital area, food retailing in Oman is still under-developed.
- ' The UAE is the number one trade partner with Oman, because product distribution and marketing access supply is easily accommodated due to proximity.
- ' Omani consumers are divided into two major sections:



1. The Capital Area where most rich locals and western expatriates reside. This area is well developed and is the focal point of government spending. The retail sector in this part of



the country is undergoing an upgrade of existing facilities, which started nearly 5 years ago. Now, class A supermarkets and self-service stores that are very similar to those found in other Gulf markets are available offering a wide selection of food products and complementary services. The construction of the first 2 hypermarkets is underway with a plan to have them ready before the end of 2001. Nearly 25 percent of the Omani population, which is estimated at about 2.3 million, live in the capital area.

2. The Interiors: Includes the rest of the country, or all areas except those included in the capital area. Mainly inhabited by Omanis. Expatriates living in the interiors mostly

work in the service sectors such as teachers and doctors in addition to those working as laborers. Residents of the interiors have limited incomes. Business is generally driven by wholesalers and groceries.

## **II. ROAD MAP FOR MARKET ENTRY**

**The Omani retail sector is divided into:**

- Class A&B supermarkets
- Convenience stores / Gas Marts
- Institutional Retailers (non-profit retailers serving the military and police force)
- Cash 'n Carry
- Wholesalers
- A&B Groceries, which are smaller in size than supermarkets

### **A) Profiles:**

#### Superstores and Supermarkets

- Offer wide range of value added products
- Aggressive & sophisticated marketing programs
- Geared to serve high-income brackets
- Busy on weekends
- Average food sales bill is US \$35 – \$55 per customer/visit

#### Convenience Stores / Gas Marts

- Serving walk-in traffic
- Value added items
- Impulse buying
- Average food bill is US \$4/customer/visit

#### Institutional Retailers

- Geared to serve Army & Police forces and their families
- Non-profit organizations offer large selection of products
- Average food bill US \$12/customer
- Heavy emphasis on commodities and dried foods

#### Cash 'n Carry

- New concept in the Omani market. Established by wholesalers who converted their warehouses to large display areas.
- Selling multi-packs to consumers at prices halfway between wholesale and retail
- Average transaction/customer is US \$100
- Attracted traffic from wholesale and Class A retailers

Wholesalers

- Part of the distribution chain. Although similar to wholesale clubs of the U.S., Omani Cash'n Carry stores operate on much smaller spaces
- Traditional trade houses buy in bulk and resell to groceries on credit
- Strong in the interiors
- Passive and have no brand loyalty
- Strong focus on commodities

Groceries

- Large number of outlets
- Neighborhood stores
- Usually maintain credit accounts for customers
- Stock low priced products such as confectioneries and snacks that fits children with small allowances

**B. Business Values**

- The Oman food retail market is estimated at about US \$ 850 million.
- Out of which 85% are imported and 15% is of local production.
- Business split is :

*By Trade Sector, in terms of sales*

	<u>Fresh/Chilled</u>	<u>Frozen</u>	<u>Dry</u>
Supermarkets	35%	15%	50%
Convenience stores	20%	5%	75%
W/Sale + Groceries	8%	2%	90%

**C. Expected growth rate**

- Food sales are increasing annually, yet erratically.
- Number of outlets are increasing annually as indicated below by the Omani Chamber of Commerce and Industry:

Superstores	75%
Supermarkets	5%
Convenience Stores	30%
Groceries	15%
Cash'n Carry	50%
Gas Mart	50%

**D. Trends in Distribution Channels**

- Fastest growing sectors are Cash 'n Carry and Convenience Stores . Major factors for growth are:
  - < Saver packs, through purchase of multiple units.
  - < Increased demand for better quality products.
  - < Chains of convenience stores are becoming larger.
- The wholesale and grocery shops remain the volume driver in the trade sector

- Chain stores from the United Arab Emirates are now operating in Oman bringing new retail practices into the business (shelf programs, category management, etc...)
- Local Agents / distributors are becoming more oriented to direct distribution in the capital and the North and Eastern areas.

**E. Services offered by retailers**

**Supermarkets:** Offer wide range of services including:

- Butcher Shop
- Bakery
- Photo Shop / Collection services
- Flower shops
- Dry Cleaning
- Banking / ATM
- Fast Food

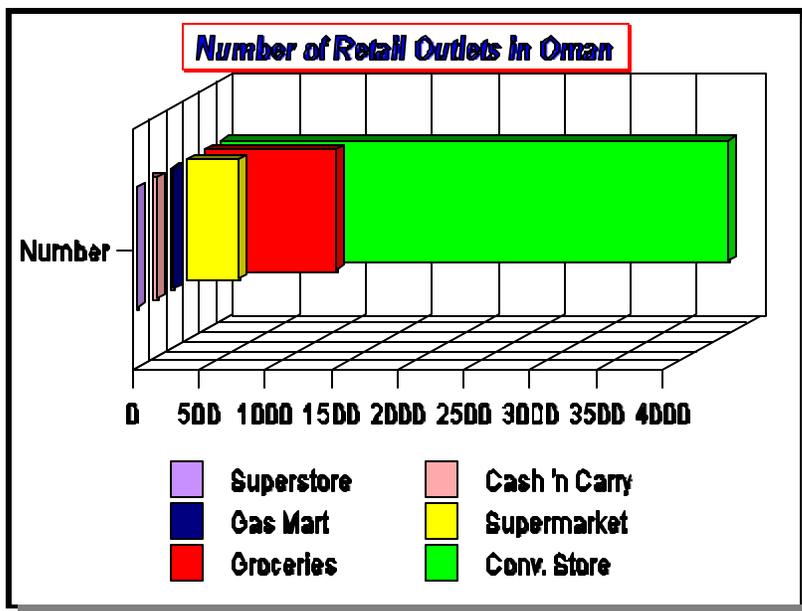
**Convenience stores:**

Major services are:

- Cafeterias
- Bakery Products
- Fast Food
- Flower shop
- Banking ATM
- Business Center

**Groceries:** Offer the following:

- Open account credit facility
- Home delivery



<u>Advantages</u>	<u>Challenges</u>
<ul style="list-style-type: none"> <li>• Large country, with relatively small population</li> </ul>	<ul style="list-style-type: none"> <li>-Stretched geography</li> <li>-Few national distributors</li> </ul>
<ul style="list-style-type: none"> <li>• Strong export opportunities from North to neighboring markets and South to Yemen</li> </ul>	<ul style="list-style-type: none"> <li>-North is controlled by UAE trade</li> <li>-5% customs on most imported food products except for items that are produced in the GCC countries (Saudi, UAE, Kuwait, Qatar and Bahrain) which are exempt from such duties.</li> <li>-High logistics cost</li> </ul>
<ul style="list-style-type: none"> <li>• High quality image of U.S. Products</li> </ul>	<ul style="list-style-type: none"> <li>-Product perceived as expensive</li> <li>-Products must bear Arabic/English labels</li> </ul>

	-Reluctance to order single item in full container load -Subsidy by the U.S. for competing products
• Available U.S. brands have been extremely successful	-Depressed sales due to modest incomes -Over flow of products entering from the UAE to avoid paying 5% duties.
• Wide U.S. product range creates high appeal	-Strict import regulations including dates of production / expiry
• Omanis usually spend large portions of their incomes on food	-Proper market study required -Strong consumer education needed -Effective Advertising & Promotional (A&P) programs necessary
• Large meat / poultry consumption	Halal slaughtering and certification

**DISTRIBUTION STRUCTURE**



**Critical success factors for U.S. companies:**

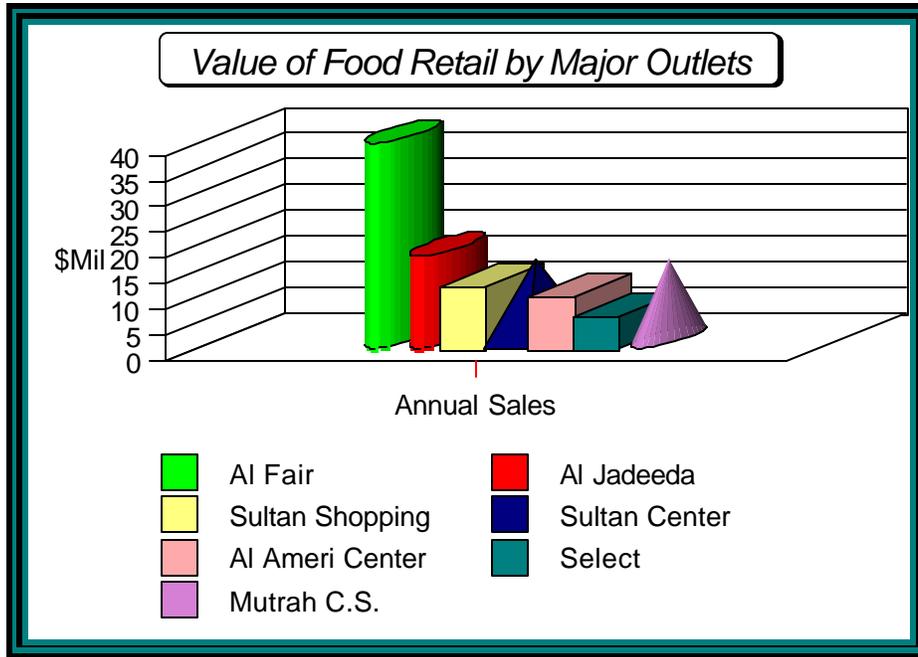
- Study the market carefully and evaluate its potential and positioning through field visits. Personal visits are essential and crucial. You may assign a specialized resident consultant to look after your interests.
- Work pricing backwards from retail selling price to C&F label, taking into consideration retail profits, distributor margins, A&P, duties and successful price points vis-a-vis competition.
- Select capable distributor, understand his setup, sales force organization, market coverage / penetration, margin requirements and most importantly, financial status.
- Study and comply with food import regulations including the labeling requirements to ensure that your products are easily cleared through customs and by health officials.
- Show your distributors your support for their product and the brand through below line activities of consumer sampling, promotions, point of sale materials, etc.
- Show flexibility to initial orders that are less than a full container load. This is where US rework stations and consolidators can add value and play an important role and act as your export arms in initial stages.
- Effective promotional tools in Oman are :
  - ' Consumer promotions
  - ' Loyalty schemes
  - ' Sampling coupled with reduced on-pack offers - - Oman EXPO, a consumer products fair, held 3 times a year (back to school, year-end, spring) attracts around 150,000 visitors every time is a high traffic consumer products fair.

**Distribution Channels:**

- Initially you need to appoint a general sales agent who will do importation and distribution of products.
- The agent will appoint sub-distributors covering North region (Musandam) and South West area of (Dhofar).
- Generally speaking the cost of entering the Omani market is cheap. No listing fee is required except with very few supermarkets.
- Penetration of convenience stores and groceries require products with closed price structure i.e. no change for currency is required and normally paid in one or two coins.
- Avoid wholesalers at the beginning and focus on creating retail demand before entering the high volume market sector.

### Company Profiles

<u>Retail Name &amp; Outlet Type</u>	<u>No. Of Outlets</u>	<u>Ownership</u>	<u>Sales, US \$ Mil/year</u>	<u>Purchasing Agent Type</u>
Al Fair	6	Local	40	Importer/Local Buyer and Distributor
Al Jadeeda	5	Lal's group (UAE)	18	Importer/Local Buyer and distributor.
Sultan Shopping	3	Inchcape, UK	12	Importer/Local Buyer
Sultan Center	1	Kuwaiti	15	Importer/Local Buyer
Al Ameri Center	1	Local	10	Importer/Local Buyer
Mutrah Cold Stores/Spinneys	2	Local/Foreign	15	Importer/Local Buyer Distributor
Select(gas mart)	16	Local/Foreign	6	Direct



**Market Characteristics:**

i [Major or retail outlets of A class supermarkets and larger are only located in the major cities of the Sultanate: Muscat, Sohar, Salalah](#)

i **There are opportunities for further expansion in the retail sector, mainly in supermarket or larger stores.**

- i *Food processed locally represents about 15 percent of retailed products. However, most ingredients are imported.*

Oman's population is scattered over a wide area of 300,000 sq. km, with a density of about 8 inhabitants per sq. km.

- i Oman is the least affluent of the other Gulf states. Per capita income in 1999 was limited to about \$6,000. Thus, purchasing power is not as strong as in other neighboring rich Gulf states.
- i Nearly 65 percent of the Omani population is concentrated in 3 provinces (the Capital, Al Batinah and Dhofar). The remaining 35 percent occupy the other 5 provinces comprising the rest of the country. This shows the difficulty facing food importers in distributing their products across the country.

Expatriates represent about 25 percent of the Omani population.

### **III. COMPETITION**

- The Omani retail market is the least developed in the Gulf region.
- Nearly all superstores and supermarkets are located in Muscat, the capital of Oman.
- Most marketing activities and in-store promotions are concentrated in the capital area.
- About 80 percent of the consumption of U.S. food products takes place in Muscat.
- Although Omani food companies import U.S. food directly from the U.S., several retailers depend on the Dubai market for products that are required in small quantities.
- Only limited number of the retailers can afford buying U.S. food products.
- U.S. market share for products such as juices, cereals, ketchup, hot sauces, honey, rice, table egg, and many other miscellaneous products has dropped as a result of intense competition from locally produced products and other that are sourced from other cheaper markets such as Malaysia, China, EU states, etc....
- With the assistance of the EEP, U.S. poultry has started to make in-roads in the Omani market. U.S. chicken leg quarters are also becoming more and more popular, particularly with the HRI sector.
- India is the principal supplier of beef, while dairy products are imported from New Zealand and the EU. Bulk edible oils are imported from Argentina, Holland, Malaysia and the U.S.
- Most of snack foods consumed are produced in Oman, or are imported from neighboring Gulf states.
- Rice, particularly basmati, is supplied by India and Pakistan. Thailand is the main supplier of other long grain rice. U.S. famous rice brands such as Uncle Ben's and Riviana Rice are also available in the market, but on a much smaller scale.
- Fresh milk and many other dairy products are produced locally or imported from

neighboring Gulf states.

#### **IV. BEST PROSPECT PRODUCTS**

The following describes the market situation for select products/categories:

##### **Rice**

- Main staple and a key ingredient in the daily meal.
- 85% is sold in 5, 10 and 25 kgs bags.
- Preferred variety is the Basmati imported from India and Pakistan, no local production.
- 90% of volumes sold through wholesalers.

##### **Eggs**

- Local supply represents 70% and the rest is imported from Holland and India. Brown egg is preferred among consumers.
- Europe subsidizes prices heavily which makes their eggs very competitive.
- Consumption / prices are reduced heavily in summer.

##### **Snack Foods**

- Huge category
- Channeled through wholesale and groceries.
- Target audiences are kids aged 5 – 14 .
- Cut throat competition, many brands.
- Pringles is a very widely sold snack chip in both family and single serve sizes with excellent distribution.

##### **Frozen Poultry**

- Large category
- Imports represent 75% of total consumption
- Key issues are Halal slaughtering and price.
- Brazil is the key supplier followed by France and Denmark.
- 80% of imports are sold through wholesalers and to the HRI sector.

##### **Milk Powder**

- All is imported. Packing of bulk imported milk takes place in Oman.
- 1 & 3 kgs foil packs are the retail packs.
- Bulk imports of milk powder are duty exempt. Thus, locally packaged product is cheaper than similar packs that are imported.
- Main supplier is Europe, particularly Holland and Denmark.
- Wholesale and retail sales volumes are equal.

##### **Edible Oils**

- Mainly imported in bulk then locally packaged in retail and catering packs.
- Led by palm oil and followed by sunflower oil

- Largely dependent on wholesale.

### **Spices & Pulses**

- Similar to edible oils, imported in bulk then locally packed.
- Main suppliers are India, Pakistan, Turkey and some African countries.

### **Sauces & Condiments**

- Huge markets for hot sauces and Indian type pickles.
- Oman produces 40% of market needs, the remaining 60% is imported.
- Leading brands are Crystal and Crown which are imported from the U.S.
- Presents excellent opportunity for U.S. suppliers of both bulk and retail pack suppliers.

### **Confectionery**

- Huge category with many players
- 95% of volumes are sold through groceries and wholesalers.
- Products available in the market are generally average quality to meet Oman market prices of products sold at less than the equivalent of 25 cents/pack.

### **Juices**

- Another huge category
- Directly sold to retailers with small wholesale share.
- While the U.S. is a key exporter of fruit concentrates, not a single US brand is locally packed, except Blue Bird which is packaged in the UAE for Citrus World of the U.S.
- Consumer demand is equally split between chilled and shelf stable juices.

### **Food Import Regulations:**

The following is the text of the latest pertinent decree issued by the Omani Minister of Commerce & Industry (#74/2000, issued in June 26, 2000):

**Article (1):** The labeling information on food and food products shall be in accordance with Codex General Standard for the labeling of prepackaged foods (Codex stan.1) and all information shall be written in Arabic and/or any other language beside Arabic.

**Article (2):** Food Products shall not contain alcohol, pork, lard and their derivatives.

**Article (3):** Definitions and limits of food additives, contaminants, pesticide residue and residues of veterinary drugs in food and food products shall be in accordance with Codex Alimentarius standards.

**Article (4):** Whatever contradicts this decree shall be canceled.

**Article (5):** This decree shall be published in the Official Gazette, and shall enter into force after six months from the date of publication.

Further details on the Omani food import regulations is being reviewed by the Dubai

Regional Agricultural Trade Office and will be published by the end of 2001.

**Publications:**

*American Food Directory*: This annual publication lists the American food companies and franchises present in the five Gulf countries covered by ATO Dubai as well as their local distributors in each of these countries. A free copy will be provided to interested U.S. suppliers and local food importers by ATO Dubai.

**V. POST CONTACTS AND FURTHER INFORMATION**

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