SIGHT

Our insight drives your foresight

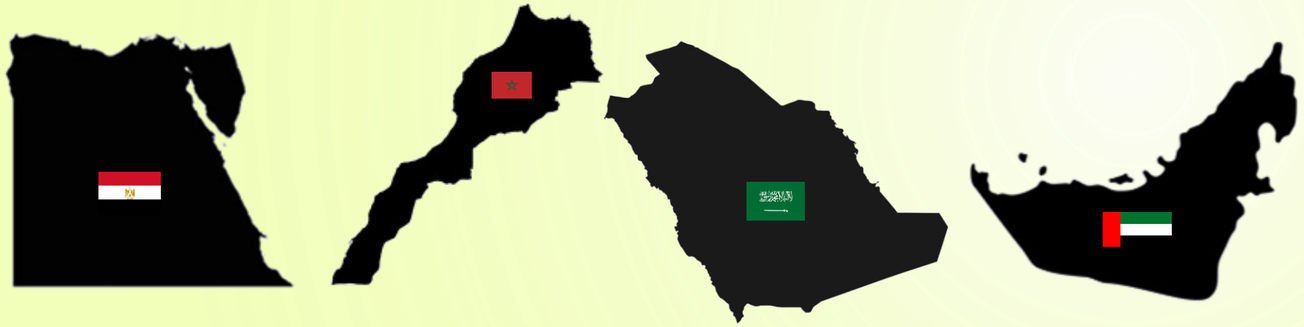
The Value Wave: The Rise of Discounters

A growing industry in the CPG space

Discount retailers are surging forward

Discounters in the **region** have **grown** rapidly over the past **five** years as key players look to **expand** their footprint across the **region** to meet **growing** consumer **demand**

A recent study revealed that in **Egypt, Morocco, KSA** and the **UAE,** discounters enjoyed an average **11-13 per cent** CAGR from **2019 to 2023** compared to **4-6 per cent** for the industry as a whole



There is still a significant **headroom** for **growth** in this format, as the market share of **discounters** is still **relatively small** compared with **European** and other markets

Source: www.mckinsey.com

Most of the growth is being driven by new-store openings

Prominent **Egyptian discounter Kazyon** recently opened **50** stores in Morocco, with plans to reach **200** stores by **2025.** The company also acquired a **50 percent** equity **stake** in grocery **discount** retailer **Dukan** to accelerate its growth in **KSA**

Viva, a **discount** retailer operating in the **UAE** since **2018,** opened its first store in **Oman** last year

Majid Al Futtaim is expanding its **Supeco** discount store network in **Egypt,** with plans to open 144 stores by 2030

History of discounter or Tawfir stores

In the past, discounter stores had a different perception -

LIMITED **OPTIONS**

- Limited range of products and brands
- Only a few outlets across the city

“

We don't get all the brands in discount stores

It is more suitable for kids and plastic plates

INFERIOR **QUALITY**

- **Poor quality** products with **inferior brands**

“

The shelves are not as wis=de or organized like the ones in Danube and Panda

Even the price is not mentioned on these devices

POOR **EXPERIENCE**

- **Limited staff** to assist within the store
- Poor **labeling or shelfing** of items

“

They only have people at the entrance or the check out counter

There is nobody to support you in case you ar4e lost

Today Discounter stores have evolved

DOING **MORE**

- Increased **range**
- More **Brands**
- More **Branches**
- Becoming **bigger**

INFERIOR **QUALITY**

- Better **Deals**
- Improved **Quality**

POOR **EXPERIENCE**

- **Improved** Experience
- More **Organized**

This has changed the way people shop at Discounter stores

Now I only buy products that are on discount

Discounts are now the **norm** and **expectation** for groceries
Not buying with a discount is **indulgence**

I do not buy the same brand I used to – so long as the quality of product is good

Brand switch has become increasingly **popular** especially from a similar consideration set

More quantity is bought within the same budget

The **budget** tends to stay the **same.** However, with discounts and deals, shoppers look to **increase their basket size**

Enjoy the deal hunt – has become a game

The **deal hunt** has now become **ingrained** in their lives. They tend to share deals and **discuss** it among **close friends** and **family** on r4egular basis

Have become reactive/impulsive

While there has been a **habit** of **planned** purchases, the shoppers have become **impulsive** and **reactive** in their approach based on their **needs** and **delas**

Despite no loyalty programs, there is an emotional connect

INSTANT **GRATIFICATION**

Unlike **supermarkets** that have **apps** and formal **loyalty** programs, Discounters offer **instant gratification**

This instant gratification becomes a **big element** in their **loyalty** to the **stores**

PEACEFUL DEAL UNT

Apart from the discount, the deal **hunt mindset** is put at ease in the discounter stores as there is **no need to hunt** for **deals** [everything is on discount]

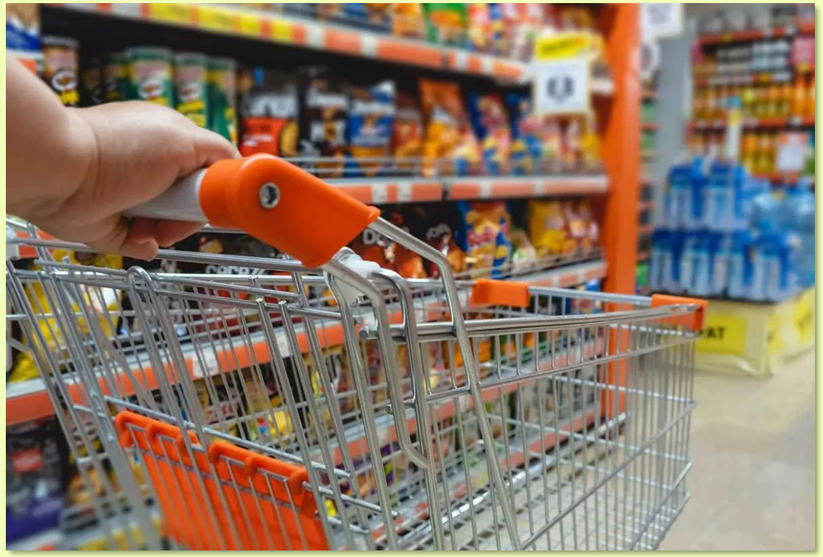
Discount stores do not have the **stress** of **evaluating price** and **identifying deals**

The combination of **rising consumer demand** for affordable options, aggressive **expansion** by discount retailers and a relatively **untapped** market share **suggests** that discount stores are **poised** to become a **significant force** in the **Middle East's retail sector.**

As these trends continue**, discount retailing** is likely to play an increasingly **prominent** role in the **region's economy**

WHAT DOES THIS MEAN FOR THE BRANDS IN THE REGION?

Growth of Private Labels



Trend

Private-label brands will **dominate** shelf space in discount stores, with a **focus** on **affordability**, **quality** and **variety**. These in-house products will directly compete with established **FMCG brands**

Driver

The **ability** of **discounters** to source directly from **manufacturers** and control **pricing**

Recommendation

Collaborate with Discounters:
Partner with discount retailers to develop exclusive product ranges under the discounter’s private label

Differentiate Through Branding:
Highlight unique selling points such as quality, heritage, or innovation to compete with private labels.

Increased Localization of Products

Trend

Discount stores will **increasingly stock local** and **regional FMCG** products, tailored to the **cultural** and **dietary** preferences of **Middle Eastern consumers**

Driver

Cost **advantages** of **sourcing locally** and the preference for familiar, **culturally relevant** goods among shoppers

Recommendation

Adapt Product Offerings:
Customize products to reflect regional tastes, dietary habits, and cultural preferences

Invest in Local Supply Chains:
Source locally to reduce costs and align with discounters' strategies of offering affordable, fresh products

Erosion of Big FMCG Brands' Market Share

Trend

Mainstream FMCG brands will face significant **challenges** as shoppers shift to more **affordable** alternatives, including **lesser-known** or **exclusive** brands

Driver

The **appeal** of **cost savings** and the **reduced** presence of **high-profile** brands in **discount** chains

Recommendation

Develop Value Packs:
Introduce smaller or multipack options at competitive price points to align with discounters' value-driven model

Innovate with Premium Economy Ranges:
Create mid-tier products that strike a balance between affordability and quality

Rising Affluence Among Discounters' Customers

Trend

Affluent consumers will increasingly shop at **discounters**, normalizing **value** shopping across **socio-economic** groups and eroding the **stigma** historically associated with **budget** stores

Driver

Economic **pressures** and the **high quality** of **private-label** products

Recommendation

Highlight Quality and Value:
Market premium features such as sustainability, health benefits, or ethical sourcing to affluent shoppers seeking bargains

Leverage Omni-Channel Marketing:
Use digital platforms to engage affluent customers, showcasing products available at discounters

Shift Toward Bulk Buying

Trend

FMCG products in **bulk packaging** will gain **popularity, catering** to **cash-strapped** consumers seeking longer-lasting **value**

Driver

Cost **savings per unit** and reduced shopping **frequency** for consumers

Recommendation

Introduce Bulk Options:
Offer large packs or multi-unit packaging for essential items to meet the demand for bulk buying

Promote Long-Term Savings:
Market bulk offerings as a cost-saving and sustainable choice (fewer trips, reduced packaging waste)

Price Wars with Supermarkets

Trend

Increased competition will lead to **price wars** between **discounters** and **traditional supermarkets**, forcing **FMCG** brands to **reevaluate** pricing and promotional **strategies**

Driver

Discounters' ability to offer products at **significantly lower prices** while maintaining **quality**

Recommendation

Enhance Cost Efficiency:
Optimize supply chain operations and reduce production costs to compete in pricing
Promote Perceived Value:
Highlight benefits such as superior quality, convenience, or additional features to justify price differences
Focus on Brand Loyalty:
Build customer loyalty through rewards programs, exclusive discounts, or strong storytelling about the brand’s values

Our

4SiGHT Live Suite

For more information, contact info@4sight-global.com

PANEL UAE | KSA

Our pre-recruited ahead-of-the-curve panel for quick, cost-efficient research needs, offering a window into live data

COMMUNITIES

Designed to build an agile system to conduct research while keeping the customer at the heart of the business. Enables clients to make consumer relevant decisions by testing on the go

CONSUMER CONNECTS

4SiGHT's solution to curate and build a customized calendar of immersive interviews for client teams to get the pulse of the consumer Available as ad-hoc & annual programs

Our

Digital Research Tools

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AASMA | CHATBOT

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Provides an innovative boost to your iterative process by making it more AGILE through co-creation workshops, giving wings to potential ideas/improvements

Thank you

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Email us

info@4sight-global.com