

**Amjad Ahmad:** Welcome to empowerME Conversations, a podcast from the Atlantic Council. This show brings you leaders from business and government that shape the future of Middle East economies. I'm your host Amjad Ahmad, Director and Resident Senior Fellow. Let's get started.

The food and beverage sector in the Middle East is currently worth \$135 billion and is projected to grow to nearly \$160 billion in the coming five years. More importantly, a young and tech savvy population is leading the transformation of the F&B sector. The expansion of new technologies, including food delivery apps and virtual kitchens and the increasing frequency of out-of-home dining is driving opportunity. Pepsi and its iconic brands have been a staple in the region for decades and have supported key initiatives on climate change, entrepreneurship, and women's empowerment. We will discuss these topics and more with a 13-year veteran and leader of the company, Tamer Mosalam, Vice President and General Manager for the GCC and Levant based in Saudi Arabia. Welcome Tamer.

**Tamer Mosalam:** Thank you very much Amjad for the opportunity, and it's great to be with you today.

**Amjad Ahmad:** Great to have you. I wanted to start by setting the scene today. Obviously, we've had a pandemic, lots of challenges economically, globally as well as regionally. Tell us what you're seeing today on the ground. And where are we on that curve of recovery?

**Tamer Mosalam:** Thank you, Amjad. I think it's a great question because all of us have really experienced a totally different life in the past 18 to 24 months, and I think this has impacted a lot of consumers, a lot of human beings in different parts of the world. And I think that there are a lot of new trends that have come out to play. So let me zoom on here a little bit. I will talk a bit about our consumerism. And I think consumers move to what we have realized and really defined to be consumer at home. Where home is a hub because basically we've been locked down for quite some time. This comes in a lot of parts of the world. However, if we zoom in on the Middle East, a lot of countries, a lot of markets are very strict about COVID 19 restrictions and regulations, of course. So that made every consumer think of a different way of spending time. So when we say that home is a hub, so people working from home, educating their kids from home, doing their exercises every morning from home, of course, screen time took a lot of time from family sitting together in the evenings and in the afternoons. And that really brought a totally different consumption behavior trend. Of course, e-commerce and e-trading is something that evolved nicely over six months since the pandemic that hit the school. And this is another evolution that really mandates a totally different way of reaching consumers. And even it will change the way you market your brands and the messages that you want to ask your consumers as well. So I would say it's a good change because it will challenge the marketing of the world. It will challenge the business leaders of the world in order to make sure that we cope in a totally different way with that. With the consumer demand as we move forward.

**Amjad Ahmad:** And are we seeing the same trends that we see globally in the Middle East, such as consumers looking for healthier products, things that are possibly sustainable? What are you noticing in terms of consumer trends in the region?

**Tamer Mosalam:** I think the Middle East is privileged with a younger population. This is going to be the theme of the coming twenty years, and this is something that will put the pressure on every single food and beverage entity in order to make sure that we cope with the nutrients. Healthier products of course, it's the nutrients, but before it's a trend as a company, we are very keen to deliver big on sustainability and part of sustainability is how you would really innovate with a healthier product and a healthier proposition to consumers. So definitely this would be an innovation to be looking at and innovation to invest in order to make sure that you provide

consumer and younger cohorts with more healthier products. That will happen on average, will happen on all the snacking fronts, of course.

**Amjad Ahmad:** Yes, absolutely. You mentioned changes due to the pandemic. We're seeing many countries focus on resilience, especially as it comes to their food supply. Tell us about your production capacity in the region and will you change your strategy going forward in terms of production in the region?

**Tamer Mosalam:** I think for the Middle East operation, we were lucky because we were producing out of Saudi Arabia, so that's our manufacturing hub for the GCC. And if you look at the GCC unity, you will find that we were lucky because all borders were open. And of course, the conversion exchange was not impacted by the COVID 19. However, to your point Amjad, I think some companies will look into decentralizing their manufacturing hubs because of what we have learned out of the pandemic period, but also leverage on the scale of the business and there is a plus or minus for all that. But more on the top of that is localizing your supply, big part of your manufacturing requirements or material, making sure that you have returned the device that comes to the boat that will help you with the cost of doing business, but also make sure that you always have that procurement and supply chain not being impacted by the pandemic coming our way. So supply chain would remain to be one of the top challenges for a lot of companies. Of course, this is an area where a lot of technologies are coming in a lot of innovation when it comes to material planning, when it comes to manufacturing material as well will have an evolution in the coming days.

**Amjad Ahmad:** Do you think the AgriTech movement in the Middle East is viable and do you see technologies coming in to help create more sustainable crops in our area?

**Tamer Mosalam:** Sustainable agriculture is the name of the game. This is where PepsiCo is really investing heavily and for the great cause of giving consumers better foods for the sake of really delivering big when it comes to water savings. And of course, also to help our growers to really make a better scale of the economy for agriculture. So I think there are a lot of initiatives in the coming five years to deliver on that. So whether it's agricultural technologies or something that will help the agricultural landscape to deliver that sustainability when it comes to the major crops being planted in the Middle East, I think this would be one of the major sustainability goals for PepsiCo, but also for a lot of the governments that they will be looking into that as part of their visions as well.

**Amjad Ahmad:** Yes, agreed. You know, you've mentioned several areas where technology now is coming in and changes are happening. Aside from what you're doing internally, how do you engage with the entrepreneurial ecosystem across the region as a company and you, yourself, as an executive?

**Tamer Mosalam:** Let me start with the importance of start-ups and entrepreneurship to grow economies, and I think a lot of the countries in the Middle East will require to give a great kind of support to the promotion of the startups, and it's going to start with the policy making. So how can you really help them to get the right level of funding, how you get the right level of protection when it comes to taxation, how you provide them innovation hubs in order for them to really excel when it comes to scaling up their business, but also having the right level of support across different areas of the ideas, businesses and how can scale up ideas in a big way. And I think this will require very flexible regulations but also make sure that you have training and coaching and incubator hubs across the region in order to make sure that you reduce the number of failures when it comes to startups and small businesses as they arise. You know that the failure ratio within startups is very high. So every 10 projects you will find probably only two that will succeed. But this is enough

reason for all the big corporations, but also the governments that they really make sure that those younger generations have the right guidance, but also have the right policies to protect their ideas and really encourage them even when they face failure. So that's, I think, the evolution that has to take place in the Middle East when it comes to supporting startups and entrepreneurship.

**Amjad Ahmad:** And how are you as a company interacting with these startups? Are you using them for certain service areas? Are you getting supplies? What type of interaction can entrepreneurs look for when it comes to Pepsi?

**Tamer Mosalam:** I think where PepsiCo was one of the privileged companies that we've worked with, a couple of programs for commercial startups in different countries within the region. Let me give you a little bit of illustration on that. First, I think we have done one big competition in the past for entrepreneurship to come and give us ideas about healthier foods, healthier packaging. And that was a great platform for a younger generation to come in with great ideas. Second, we launched a couple of years ago, specifically in 2019, a great program in Saudi called Tamakani. And that program really delivers two main verticals. The first vertical is how to empower women in Saudi Arabia. Second is how to encourage female students out of the top five universities in Saudi to come in and give us great ideas and innovative ways to improve our portfolio, but also help us to reach the consumer in a more innovative way. And let me tell you that both programs have really delivered great ideas. I would like to go back to your question. In several markets, we've been able to help some of them to scale up their ideas, but also bring them in as a startup supplier in some of our production and manufacturing areas. And I think this is where the big corporations like Pepsi can really encourage those younger generations to really scale up their thinking, have that kind of interaction with executives, but also get the right coaching and training along the way as well.

**Amjad Ahmad:** Yeah, I mean, you said it really well. I think corporates have such a great role in the ecosystem because they can help startups scale significantly very quickly. So it's really great that you're engaging with different startups across the region. You know, you've been involved yourself personally in a lot of entrepreneurship and mentoring. What spaces excite you from what you're seeing today in the Middle East? What are the sort of top things that you're excited about in terms of sectors that you're seeing from these entrepreneurs?

**Tamer Mosalam:** I think technology and digitalization will remain to be the most exciting space in the coming five to 10 years. A lot of companies will be investing in analytics, digitalization and a total system in order to enable the businesses to deliver better results, but also be on the same page with the change of dynamics that's happening across the world. So digitalization analytics, I think this is going to be a big thing. Second space will be the e-commerce. I think this will continue to grow. It grew actually nicely and dramatically in the past 24 months. We've seen some businesses have tripled and grew 5x their size in a very short time. But also that will require a great evolution that comes to customer service. So customer service will come third. And it will continue to be an opportunity for a lot of small and medium sized businesses to double down on customer service and where you can serve customers better. Supply chain to our previous topic that we discussed together a few days ago. The supply chain will continue to be a great space to invest in and to bring technology to complement that bigger picture as well. So digitalization will continue to be a bigger enabler for the supply chain as we move forward. And of course, I would say entertainment, sports and healthier F&B proposition, that will continue to be a great place to innovate, to start small but end up big. So that I would say, the areas where the future investments and the future of startups would work very well across those areas.

**Amjad Ahmad:** Yes, I think what's been interesting is, as you mentioned, not only have we seen growth, for example, in e-commerce, but the economics have gotten more attractive because more people are doing digital payments, less cash on delivery, logistics is improving, so it's been

interesting to watch that cycle. You know, when it comes to supply chain, we just did an event and you participated about plugging women into the supply chain. You know, we're seeing a lot more activity from governments to drive women economic empowerment. Saudi has come a long way in the last couple of years, and actually there was an article in the FT yesterday about this. Tell us what you're seeing. You know, you're at the front lines of this and you had some great insights during that event. What are you seeing in terms of women first getting more active in the economy? But where do you see the opportunities in plugging into the supply chain?

**Tamer Mosalam:** I think that specifically in Saudi Arabia, let me double down on that. Women participation and empowerment are moving nicely in the right direction. I think women in Saudi are driven by passion, by great participation, to the social transformation, but also they're very keen to be part of the 2030 vision and how that country should evolve nicely to be one of the greatest economies of the world. And with the rise of the private sector and with the rise of the national projects currently being invested in by the government and the policymakers, I think that will help with opening a lot of jobs, but also enriching the labor market. If you wish to see female participation, that will be a key success criteria. As a company, what we have seen is great signs of participation from women coming to our business community, and I would say that even the government and the policy makers are having a very good conversation with the private sector. So for example, we have been able to approve women to be part of our second shifts in our manufacturing procedures. And that was a major breakthrough. Second, we had the first forklift female driver in one of our plants in Saudi Arabia. That's a great thing to see. In a couple of weeks, we'll have our first female plant manager managing our biggest manufacturing facility in Riyadh. So that's another big achievement that we'll be bragging about for quite some time.

**Amjad Ahmad:** As you should.

**Tamer Mosalam:** I would say that great talents coming in and there are also great opportunities that will arise by the strong contribution of the private sector. But also, I have to give it back to the policymakers because they are continuing to support women empowerment as one of the pillars for the Vision 2030. So I have no doubt that this will come nicely and women will continue to rise when it comes to the number of female representation in any organization.

**Amjad Ahmad:** Yes, I mean, I've worked with plenty of Saudi women. I think it was such a great asset that was underutilized, but it seems now the policies have really started moving in the right direction. So I wanted to ask you, we're starting to get a lot of people touching base with us about how to enter the Middle East. And, you know, given that we look at economic issues and trying to get our feedback. As an executive who's operated there for many years, what advice would you have for a new American firm that hasn't operated yet in the Middle East? What advice would you give them?

**Tamer Mosalam:** I think companies that they don't have that, or at least they did not establish a strong footprint in the Middle East until now, they're missing a big opportunity for growth. That region will continue to evolve and it will continue to grow. And of course, you have the population to support consumption this way. But also the consumers in the Middle East are becoming very sophisticated, so they're not less demanding than the consumer you see in Europe, or the consumer you see in the U.S. and Canada, for example. So I think this will put the pressure as well on companies or new investors coming in to come in with an added value to the market, but also come with a great lens, how can they take that market two or three steps ahead when it comes to digitalization, new trends and establishing new industries of the future. Of course, you will always be challenged by political stability, sometimes, pandemics, and maybe some of the financial obstacles coming in and out. However, that region proved to be very resilient. You have forces who

have the financing, you have the oil, you have big economies and you have the population. So it will continue to be a great growth vector for a lot of companies.

**Amjad Ahmad:** Tamer, what's your feeling about Egypt's direction right now? I mean, we're also seeing an exciting startup ecosystem there. But you hear different things about how to operate there. What are you seeing in that market as Pepsi and as yourself, as someone who's engaged with entrepreneurs?

**Tamer Mosalam:** Egypt has always been one of our big bet markets globally for PepsiCo. So both Saudi Arabia and Egypt are both markets that we're putting a lot of investments and a lot of focus on. However, to answer your question, I think Egypt has a great future to come so that the coming ten years will be the golden years of Egypt driven by the former. First, a very strong banking system that has been able to establish very good policies when it comes to not only controlling the foreign currency, but also making sure that they are really upgrading the banking system, that it's one of the great enablers for investors to come in and put money into the country. Second thing is the infrastructure investment that has been taking place in the country for the past five years. Billions and billions of dollars in roads, infrastructure, electricity, water facilities are, of course, a lot of has been spent into establishing industrial cities that can really help investors to come and find the right infrastructure for them to start up their investment when it comes to manufacturing and industrial revolution. And you have a very strong base of consumers as well. And that consumer you have your EMB consumer, you have the middle class, you have the lower middle class and then you have, of course, some of your consumers that, all of them are consuming on a different location, different incomes, different of who's spending is very similar to the bigger markets across the world. The one thing that I see that has to evolve nicer and faster is the administration policies of the country. So how will the government cope with the new regulations? How will they invest in the human capital in order to make sure that they have better government support for investors? And of course, how that will facilitate your point about the startups and entrepreneurialism revolution that is coming to the country as well.

**Amjad Ahmad:** Do you feel that it's getting easier? And maybe easy is not the right word, but less challenging for startups to scale across countries in the Middle East or is integration still an issue from your perspective?

**Tamer Mosalam:** It's not going to be easy. To be honest, I think it might take a longer time, but it's not impossible because when you scale up, then you make sure that your revenues are growing year on year and that you are evolving your operating model or your technology. For example, in order to make sure that you are capturing the opportunity of a transaction, that gives you the opportunity to exit. And when you have that appeal to exit, that comes the integration of startups into bigger entities to bigger companies that can take them to a different level. So I think it will happen eventually, but it needs a little bit of patience and a little bit of guidance and a little bit of luck because luck is very important when it comes to startups.

**Amjad Ahmad:** Absolutely, absolutely. I wanted to ask you, you've highlighted an exciting future for several of the large markets in the region. When it comes to the F&B sector in particular. Where are you focusing in the next decade? Where do you see the big opportunities in that area?

**Tamer Mosalam:** I think in our portfolio, if I want to reflect about the coming five years and where we will be doubling down, I think we're going to be doubling down on innovation and healthier innovation. So what is the oatmeal of the future? What would be our hydration innovation that will bring to the markets? How can we have sustainable packaging and really serve the consumer in a more sustainable way? And of course, making sure that we are delivering on plant based snacking opportunities as well. So that will be more or less where we will be doubling down, big part of it to

serve our positive and sustainability journey that we've just announced. And another part of it is how you can really give consumers choices at healthier choices without risk of sustainability. Because that's the great cause that we are integrating very well into our day to day business. It's not anymore as an optional thing. We have to deliver on that, and we have a very firm commitment to the world by 2025, by 2030, and by 2040.

**Amjad Ahmad:** So yeah, it's a very big challenge and I think many companies are struggling with how to get there. You know, you mentioned product. But what about the other side of that equation, which is distribution because that's also changing thanks to innovation. We have a lot of direct to home players. You have delivery apps now, you have the retail market itself, sort of bifurcating and changing. How do you see that playing out in these markets?

**Tamer Mosalam:** I think I've read a couple of articles about how e-grocery is growing in China, for example. So China, you get into an app and you make your grocery selection and everything is e-payment and everything is really being put in a virtual technology that gives you thousands of choices as you sit on your phone. I think the Middle East will not be any less than that. It might take some time to evolve into that versus the traditional way of taking your car or taking a walk and going to the supermarket across the corner. So that will come our way anyway. And to your point, Amjad, I think this will transform the way you do supply chain. So that also will make you think whether you replace your own delivery trucks with the delivery companies or by that you will have more friendly and more environmentally friendly trucks going around the city or the consumer will go and pick their products from a distribution hub that all work with technology as well. I think the sky's the limit when it comes to that. China has done it and I think a lot of business models across the world have done that. So think about Amazon, think about Alibaba, think about the e-grocery and e-kiosks that have been evolving nicely in a big part of the world. And by the way, this is one of the things that we have done at Expo 2020 this year. We came with an e-kiosk in the middle of the Expo site, where it's only consumers interacting with the vending machines. So no one is there. You go, you pick, you put your credit cards, you pick your choice, you get at your checkouts and you go from the other site. And I think this will be the evolution of the future and in the very near future. So whether it will be something like 20 years from now.

**Amjad Ahmad:** Can't wait to see that. Going out to the consumer side, that's also changing, right, how you interact with the consumer. How are you changing that? I mean, of course, digital is probably a big part of that. But what else are you looking at in the future that's going to change in terms of how you capture the consumer?

**Tamer Mosalam:** I think as a company, we're doubling down on two major capabilities, which we call them the capability of the future. One is the DX, which basically is how you merchandise your products and how you put that message to the consumer and the point of sale. And I think this is one big capability that we're building, not in there in the past couple of years, but also we're evolving that in the coming three years as well. Second thing is the consumer insights, how can you continue the dialogue and social listening to the consumer in order to make sure what kind of trends are changing. And let me tell you that there are some trends that are changing month to month. And to that, this will change a lot of your communication to the consumer. So whether you will continue to double down on social media, whether you will have that first party data coming in as one big enabler to send direct messages to your consumer base, or you will evolve to a totally new communication platform that comes for the future. However, I would say that analytics will play a major role, first party data will play a major role, but also social media driving certain messages and certain consumption trends and sharing those narratives, brand narratives that price and that the whole communication to the consumers will evolve nicely on social media.

**Amjad Ahmad:** And we've seen a global emergence of direct to consumer brands thanks to digital because, you know, smaller brands now are able to reach consumers in very clever ways. I'm wondering if that's going to come to the region and if you're seeing some of that already where local brands are being created. And do you see Pepsi potentially making acquisitions in the region going forward?

**Tamer Mosalam:** We're always open to invest as a company, and I think we have illustrated that on several occasions in the past three years. Of course, you have to make sure that wherever the investment opportunity will come will suit the company vision and the direction that we're going. We have done that in the US recently, last year we've put a stake in one of the plant-based companies. And I think this was a very nice investment made by the company because it delivers on the sustainability, delivers on the proposition for healthier foods for the consumer as we move forward. So I would say we'll continue to focus on that and we'll see how those investments will evolve in the future and how we can take those learnings into other markets.

**Amjad Ahmad:** Are you seeing any emergence of that in our part of the world? Is it happening? Or not really.

**Tamer Mosalam:** It is happening here and there in a very small scale. But I would say to your point, the Middle East is an opportunity to evolve some of those innovations and some of that double down investment in that direction.

**Amjad Ahmad:** My feeling is we had a first wave of e-commerce, and now the next wave is going to be more direct to consumer brands, where hopefully you'll see young entrepreneurs developing great brands straight to consumers. So it should be an interesting space to watch.

**Tamer Mosalam:** I agree. And let me take you to the second leg of that as well if we are talking sustainability because I think recycling, for example, can be a great space for entrepreneurs and even governments and policy makers to invest in because recycling is a big part of the sustainability journey of any big company. So the minute that you have the right infrastructure in place, you will accelerate that journey in a different direction, but also will integrate a lot of the small and medium sized businesses into that process and have an opportunity to grow as well. So that's another reflection on how startups serve the overall corporates and integrate well into that business.

**Amjad Ahmad:** No, that's absolutely right. Tamer, one last question for you is you've been a mentor to many entrepreneurs. And I know you've been very active in the ecosystem, you know, as you've seen the growth of the ecosystem in the last couple of years. What is the biggest advice you'd give new entrepreneurs coming into the space?

**Tamer Mosalam:** Let me start with educating yourself. The first advice that I would give is that you have to read a lot. You have to educate yourself about the area where you're building your idea. I think learning the different trends across the region and the world is very important and critical for ideas to shape up. And the minute those great ideas are shaped up, the appeal of funding comes their way as well. So I would say investing time in shaping up the idea is the number one priority. Second is making sure that you have the right operating model to generate revenues because this is how investors are evaluating ideas and making sure that whether they come in with a good state or not. Third is seek for advice and seek for maybe a good incubator to give them a different coaching and a different mentorship across the business model that they are building. Last point from my side is to be patient because patience is a very critical skill that everyone has to learn when it comes to starting up. It is really required to give it the right time and to sleep on the idea and make sure that you are coming up with a very solid plan.

**Amjad Ahmad:** Those are all great insights. I would say for patience that should be on both sides, investors and entrepreneurs. Especially in a challenging market like the Middle East. But there is a great opportunity, as you mentioned. Well Tamer, thank you so much for the time, for the wonderful insights, and we hope to hear from you again soon.

**Tamer Mosalam:** Thank you very much, Amjad. It has been a pleasure seeing you last week and today, and thank you very much for the opportunity I really appreciate.

**Amjad Ahmad:** Likewise, likewise, take care. Thanks for listening. If you like what you heard, please subscribe to empowerME conversations and rate and review us wherever you get your podcasts. For updates on our work, follow us on LinkedIn and @ACMideast on Twitter or visit [Atlanticcouncil.org](http://Atlanticcouncil.org).