The trends driving Saudi Arabia’s Commercial Vehicles market
Get to know the market

This overview of Saudi Arabia’s commercial vehicles (CV) market forms part of a series of reports from the team at Automechanika that examine the Middle East’s automotive aftermarket.

If you have missed the other reports and would like to get a copy, please click here to download.

The Kingdom of Saudi Arabia is a significant market for the automotive sector, boasting one of the highest number of per capita vehicles globally. It is the largest auto market for both new and used vehicles in the Gulf Co-operation Council (GCC) as well as the largest auto parts market. Within this market scenario, demand for CVs is also robust driven by ongoing construction and infrastructure developments. This in turn provides a steady market for CV spare parts, with the harsh weather conditions of the region further driving demand due to a relatively short life span for replacement parts, particularly in the tyres and batteries segment.
Overview of Saudi Arabia’s Commercial Vehicles (CV) market

According to the Kingdom of Saudi Arabia’s General Authority for Statistics, the country’s auto aftermarket trade was valued at USD 2.6 billion in 2015. Research analysts Frost & Sullivan estimate that this could reach USD 3.65 billion by 2020.

Frost & Sullivan research estimates that Kingdom of Saudi Arabia had circa 750,000 CVs in operation in 2014, dominated by used truck imports in the heavy trucks category. This was expected to grow at a CAGR of 8.4 per cent until 2020, much higher than the global average of circa 3.9 per cent, with the fastest growth expected in the small commercial vehicles segment. Such a growth rate, driven by the ongoing growth in Saudi’s construction and infrastructure development, would place close to 1.2 million CVs on the country’s roads by 2020.

Mitsubishi and Isuzu dominate the light CVs segment with a near 70 per cent market share. In the medium to heavy CVs segment, imported used vehicles are common, especially with independent operators and small to medium fleet companies.
Commercial Vehicles (CV) spare parts demand in Kingdom of Saudi Arabia

Kingdom of Saudi Arabia’s CV spare parts market was estimated to be worth USD 2.05 billion in 2014 and this was set to grow at a CAGR of 8.4 per cent to reach USD 3.65 billion by 2020. However, the implementation of the CAFE (corporate average fuel economy) standards which came into effect in January 2016 could have a major impact on the number of vehicles in operation (VIO) in Saudi Arabia with an estimated ten to 20 per cent drop in SUVs/Pickups as a result of the new fuel regulations. This in turn could affect these estimated growth rates which were calculated prior to the implementation of the new regulations.

However, while automotive production in Kingdom of Saudi Arabia is limited, several international vehicle manufacturers are developing presence in the Saudi market. For example, it is reported that Japanese auto manufacturer Isuzu is set to open a production facility in Dammam Industrial City with plans to manufacture 25,000 light and heavy trucks by 2017. Similarly, other major manufacturers such as Mercedes, Volvo and Man have established vehicle assembly lines in Kingdom of Saudi Arabia to address increasing demand for both the domestic and export market. Such foreign investment clearly demonstrates increased confidence in the Kingdom of Saudi Arabia automotive market which will in turn boost spare parts demand.
In 2015, according to Kingdom of Saudi Arabia’s General Authority for Statistics the country imported circa USD 615.3 million worth of tyres for trucks and lorries in 2015. Global market research group GfK estimates that 884 outlets in Kingdom of Saudi Arabia sell commercial-use tyres and that the industry is growing at a faster rate than the personal-use segment with commercial-use tyres selling at three times the price of personal-use tyres in more than 60 per cent of outlets.

Costs of CV tyres range between USD 150 and 400 with the average cost per tyre having reduced in recent years. The number of tyre brands available in Kingdom of Saudi Arabia has now increased by about 50 per cent from 65 to 97 indicating the penetration of many more tyre brands into the Saudi market. This has resulted in a decrease in market share across the top five tyre brands in Kingdom of Saudi Arabia as well as a more competitive price structuring which has reduced the average cost per tyre.

Demand for higher inch tyres is growing, with 15” and 16” dominating the light truck segment and 22” tyres for the heavy truck segment. Driven by the harsh weather conditions, CV tyres in the Kingdom of Saudi Arabia are changed every 1.5 to two years, which is a relatively short replacement period representing an attractive market for tyre companies.

Bridgestone, Continental, Goodyear, Yokohama and Michelin are some of the major international tyre brands available in Kingdom of Saudi Arabia that have established themselves as key players. Many Asian brands, particularly Korean, Japanese and Chinese also have significant market presence, with Chinese brands in particular growing in popularity due to their economical price points.
Insights developed from GfK research reveal some key pointers for capturing market share in Kingdom of Saudi Arabia’s tyre market, such as:

- Focus on the key price bracket of between USD 150 – 300 per piece.
- Target the industrial area, particularly that in West Kingdom of Saudi Arabia.
- Focus on 15” and 16” tyres for the light commercial vehicles segment and 20” plus for the heavy vehicle segment as these are the biggest growth contributors.
- Develop relationships with key tyre specialists in order to drive market share as these represent the key channel for the CV sector.

With increased international confidence and commitment to Saudi Arabia’s automotive market, such trends are expected to continue and market potential within Kingdom of Saudi Arabia’s CVs segment remains robust. To learn more about these trends and the latest trends in the region’s overall automotive aftermarket, visit the launch edition of Automechanika Riyadh taking place from 5th – 7th February 2018.