

# E-commerce Sector

IN THE MENA REGION

THIRD EDITION





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## Foreword

Dear industry colleagues,

We are delighted to be publishing the third edition of our EZDubai e-commerce report in collaboration with Euromonitor and 1115 Inc, highlighting e-commerce trends and growth drivers from 2022 and beyond across the UAE and MENA.

The dynamic e-commerce sector across the region, bolstered by government economic-led initiatives, is rapidly evolving, furthering its performance in the immediate future. Through significant investments, acquisitions, and collaborations with international businesses, the e-commerce landscape in the UAE significantly expanded, modifying the e-commerce market's behaviour in the UAE, with the major effect being downward price pressure brought on by increasing supply and competitiveness.

Another significant reason that has increased demand and commercial activity in the UAE's e-commerce sector has been noted in the form of advancements in payment methods and services that catapulted market performance and consolidated the prominence of the sector. Rising online shopping demands and consistent investment flows in the UAE are also likely to accelerate the e-commerce sector's growth pace. Several trends we examined, including the increasing momentum of e-commerce activity in the country, are expected to provide more business opportunities in payment systems, financial technologies, electronic logistics and distribution centres. The exponential growth of the sector is chiefly due to the active role of SMEs in the country's race to top the global powerhouse list while having steep learning curves and quick adoptions to carve out their share of the market, which is a reflection of the industry's performance.

Finally, we believe that this report will serve as a valuable reference to local and international business communities, covering key data sets, such as industry size, growth, and trends across the different verticals. On that front, we work tirelessly to consolidate the industry's prerogative towards technological advancements and pave the path forward for industry players towards the future.

**Mohsen Ahmad**

CEO of the Logistics District, Dubai South



## Executive Summary





## Introduction

Investments in technology, a wider offer of digital payment methods, and public initiatives are driving growth for a tech-savvy MENA population.

## MENA E-commerce Growth Factors



### Tech investments boosting e-commerce services

More fintech companies across the MENA are investing in emerging technologies, like Cloud, metaverse and AI, payment methods, and overall online shopping experiences that are pointing towards personalised solutions, enhanced customer service, increased retention, and powerful segmentation.



### Digital Internet awareness bringing higher expectations

Online mobile subscriptions and usage in the MENA are increasing, heralding a rise in e-commerce penetration and e-wallet adoption. Now, with more advanced tools at their disposal, increased expectations are making brand engagement more challenging.



### Variety of payment methods to be adopted

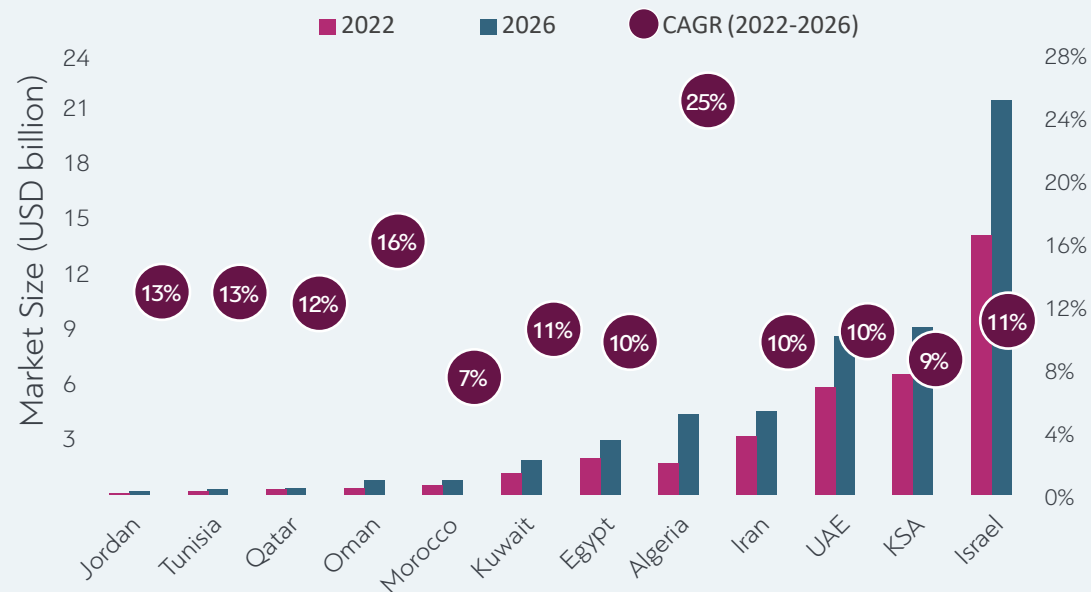
Digital payments are becoming more popular among the younger, technologically-savvy MENA population. Digital payments, including new options like Buy Now Pay Later (BNPL), peer-to-peer services (P2P), biometrics and account-to-account (A2A) payments, are shaping new consumer payment patterns.



### A nourishing environment for fintech companies

With governments launching and updating digital initiatives, fintech companies have found a nourishing environment for developing emerging tech projects. Emirates NBD, one of the largest banks in the region, launched a global accelerator programme partnering with DIFC Fintech Hive, Dubai's financial centre for the MENA region, to evaluate and create value for start-ups.

## Total E-commerce Market size in the MENA\* USD billion and CAGR (2022/2026)



Source: Euromonitor International  
Note: \*MENA includes Algeria, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, the KSA, Tunisia, and the UAE

# E-commerce MENA At A Glance



2022

**37** USD BILLION

Total E-commerce  
Market Value

**32%** **5.7%**

CAGR  
2018-2022

E-commerce  
Penetration

Fastest growing verticals, CAGR 2018-2022



Food &  
Drinks



Consumer  
Health



Home  
Care

2026

**57** USD BILLION

Total E-commerce  
Market Value

**11%** **8.3%**

CAGR  
2022-2026

E-commerce  
Penetration

Fastest growing verticals, CAGR 2022-2026



Home  
Care



Food &  
Drinks



Beauty and  
Personal Care



## Consumer Trends:

Attracting digital consumers in MENA requires boosting several factors in the online shopping experience.



Tailored, Personalised Experiences



Quick and Convenient Solutions



Flexible Pick-up Alternatives



Increase in Digital Awareness

- To target MENA's tech-savvy population, personalised experiences are crucial for brand engagement, with **AI and Cloud tools predicting** and offering **tailored** services. Meta Incubator, the first Metaverse incubator in the Middle East, was launched in April 2022 in Dubai to develop early-stage projects for all Metaverse-related technologies. As such, companies launching Metaverse platforms are taking online shopping to the next level while also improving omnichannel interactions with consumers.
- Convenience has become a pivotal factor, with companies engaging in **dark stores** showcasing how consumers value **same-day** and **quick** delivery under a **direct-to-consumer approach**. Companies with **last-mile delivery** also offer **click & collect** alternatives, allowing consumers to choose what's most convenient.
- Present-day **millennials** are set to be the **highest earners** by 2040. The MENA's relatively young population is expected to steer demand for technologically-advanced products.

## Online Purchasing Trends

Israel, Saudi Arabia and the United Arab Emirates are key online markets in the MENA, with consumer electronics, apparel & footwear and food & drink offering key opportunities.

## Online Purchasing Insights

Top online industry trends shaping the e-commerce sector in the MENA region

### Growing Digital Payments

Digital payment platforms are becoming more relevant in the MENA region, especially driven by increased online activity and shopping. Companies are starting to invest heavily in digital apps and payment platforms, focusing on key areas, like Buy Now Pay Later (BNPL), mobile wallets, and wearable tech devices linked to payments.

### Digital App Focus

Relating to growing digital payments, emphasis on digital apps has come under the spotlight.

Operators are reaching consumers to meet their expectations of user-friendly and engaging mobile apps. For example, Jumia Technologies expanded its offering to grocery service by offering the Jumia Food app and Jumia Pay as a payment platform.

### Online Grocery Boom

Players like Careem Quick, Noon Grocery, Daily (Talabat), Rabbit and Quick Market (Hungerstation) seek to offer convenient and quick delivery services with a wide variety of quality products. In addition, modern grocery retailers and supermarkets are launching their own e-commerce platforms showcasing how competitive the market has become.

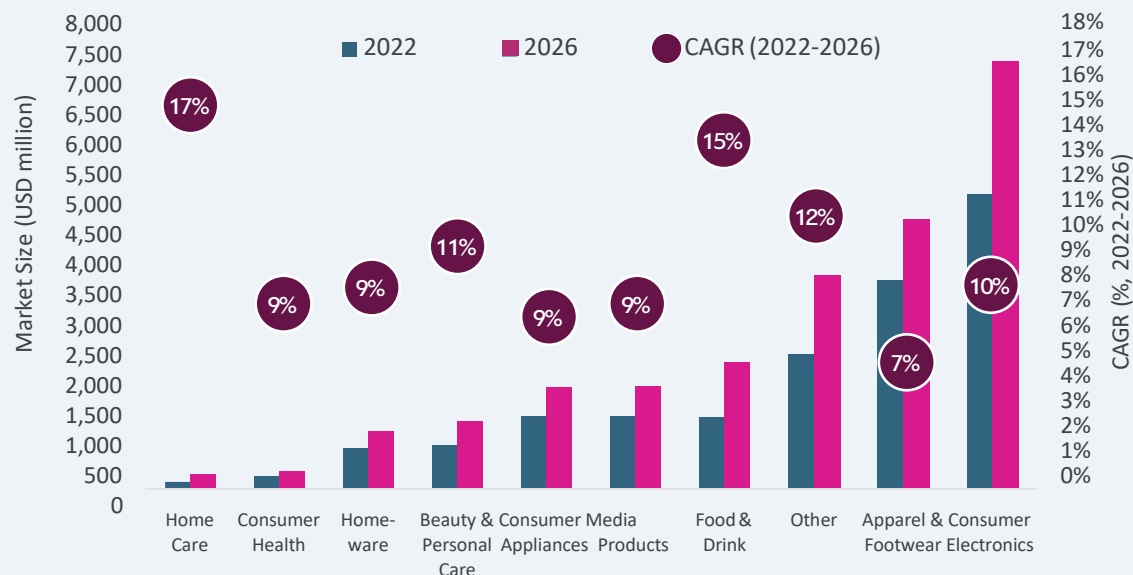
### Rising Tech Initiatives

The UAE, the KSA, Qatar and Egypt, among other countries, have published strategies to develop digital solutions to take tech business to the next level. AI tools for improving personalisation strategies through historical behavioural data are crucial for fostering loyalty. The metaverse as a way of enhancing the e-commerce experience is also gaining traction, with companies like Magnati recreating the physical-store experience.

### Direct to Consumer

Dark stores or fulfilment centres have become crucial in offering a fast and quality services without a third party involved. In addition, online shopping marketplaces that are already consolidated are also seeking to open brick-and-mortar stores towards an enhanced omnichannel approach.

Total E-commerce Market Size by Category in the MENA\*  
USD million and CAGR 2012/2026



Note: \* MENA for category analysis includes only the UAE, Saudi Arabia, Oman, Kuwait and Egypt Historical data: current prices, y-o-y exchange rate



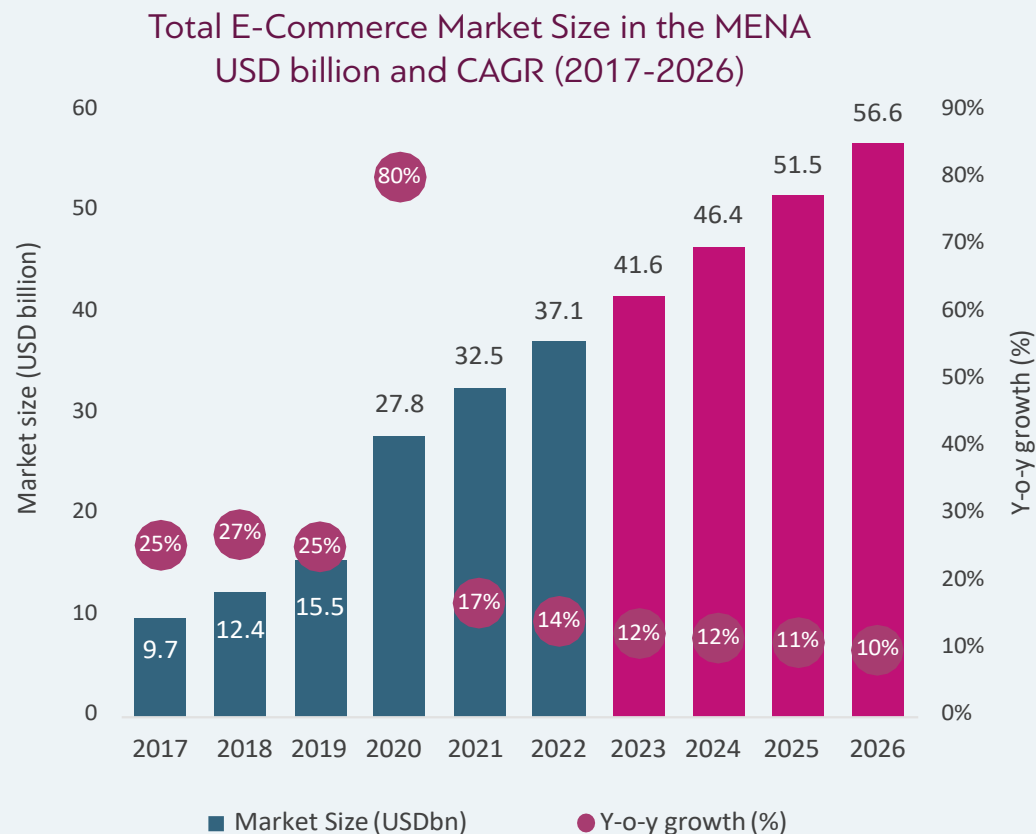


## The E-commerce Industry Size & Growth Drivers



## Industry Size and Growth Drivers

MENA\* encompasses strong internet usage, well-developed infrastructure and supportive policies, resulting in double-digit growth in e-commerce sales in 2022.

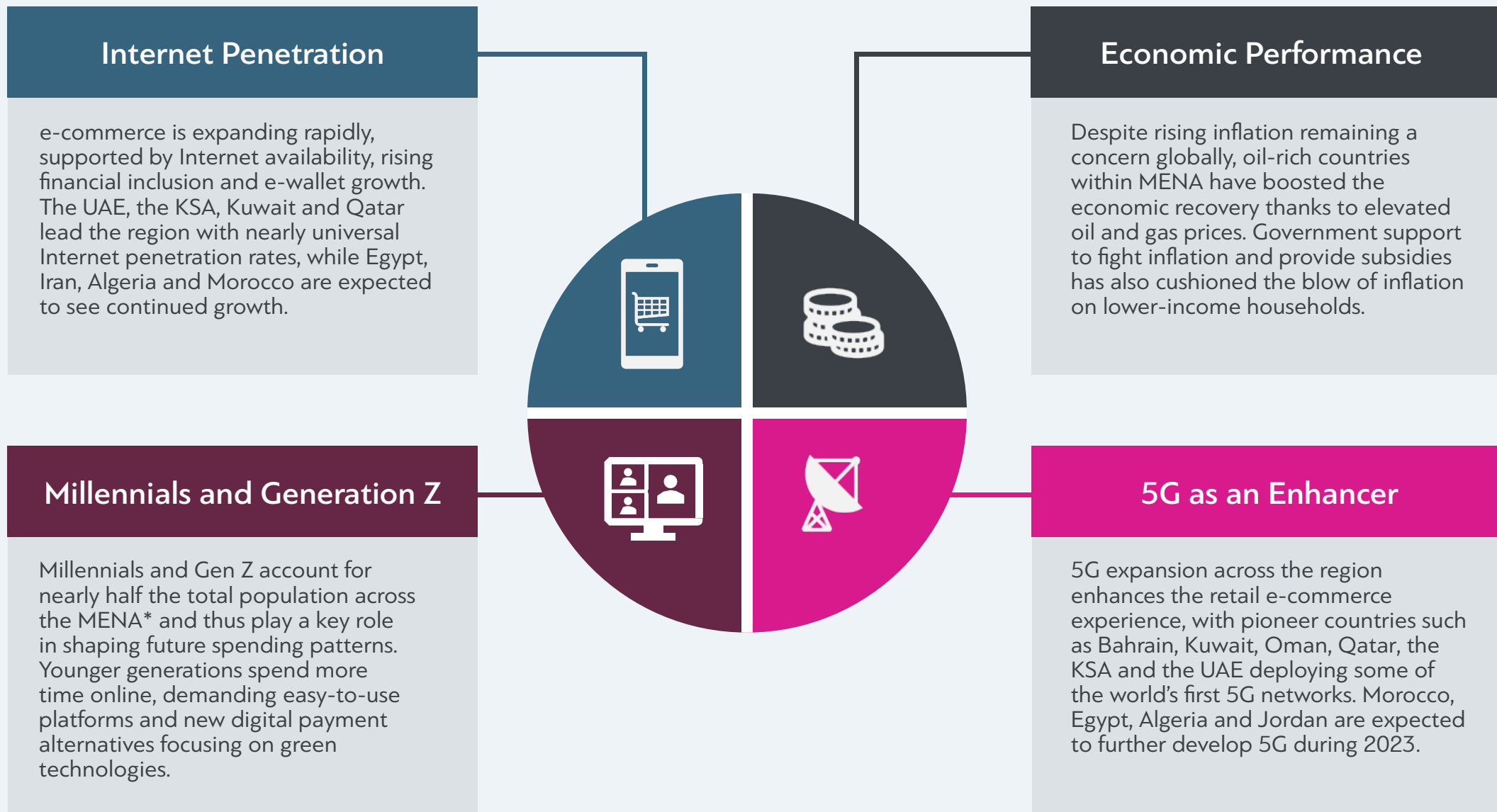


- E-commerce in the MENA region continued to see double-digit growth, albeit slowing since 2020. Total e-commerce grew by an estimated 14% from 2021 to US\$37 billion in 2022.
- Several countries have launched long-term e-commerce strategies, developing technological infrastructure for greater financial inclusion, electronic payments and e-commerce channels across the region.
- The UAE, Israel and the KSA represent 72.1% of the MENA's total e-commerce market size. Technologically-savvy populations, near-universal internet usage and strong government finances, characterise these countries.
- Israel, with a highly innovative economy and demand for quick delivery services, has positioned itself in the lead. For the UAE, companies engage with dark stores providing delivery while improving inventory management, while the KSA stands out with a rapidly growing population, technological advances and the development of safer payment systems.



# Industry Size and Growth Drivers

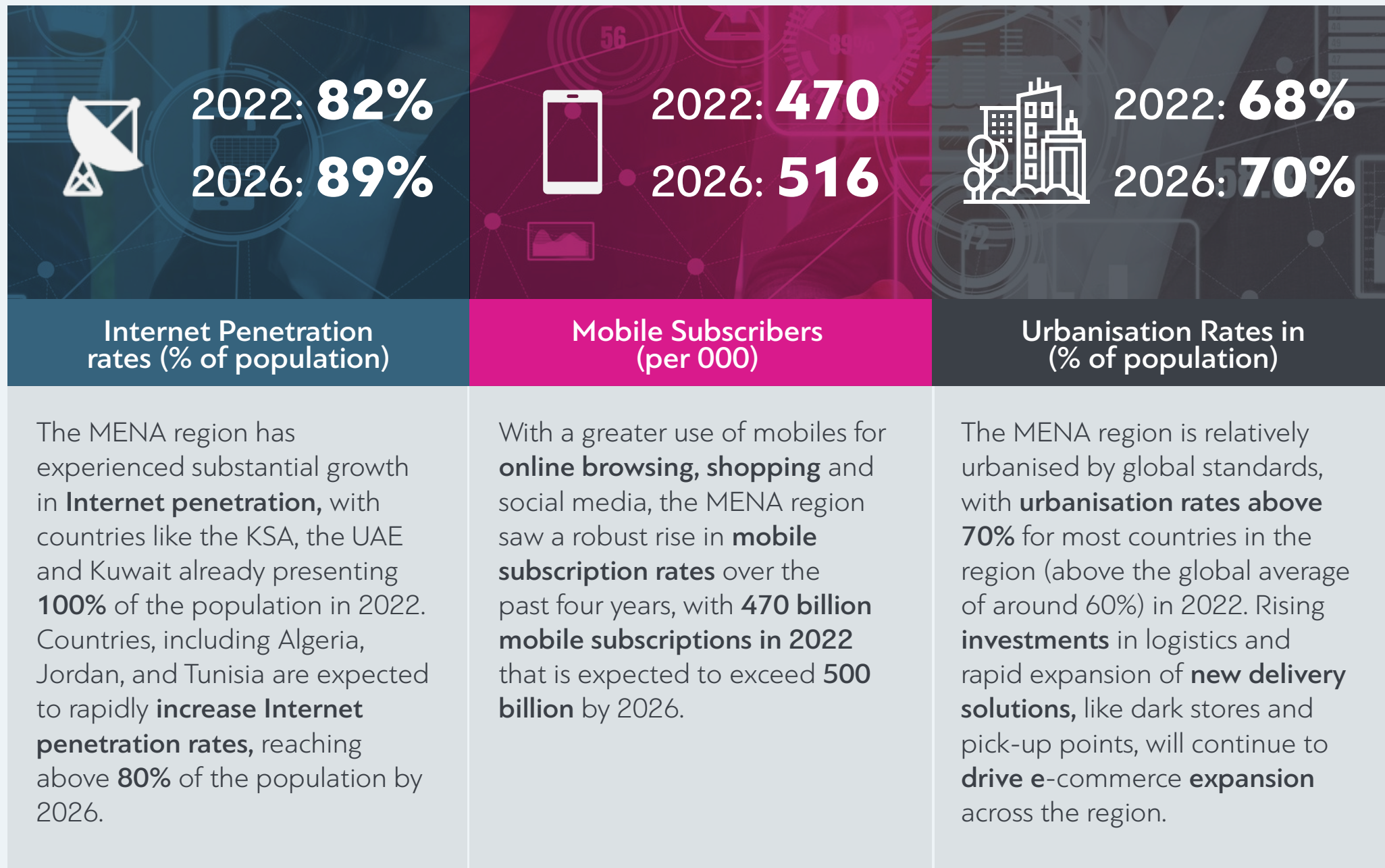
Economic stability, technology investment and a young tech-savvy population have driven strong development of the digital landscape.



Note: \*MENA includes Algeria, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, KSA, Tunisia and UAE

## Infrastructure Development

Growing Internet penetration, mobile subscriptions, and urbanisation rates in the MENA\*



Note: \*MENA includes Algeria, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, KSA, Tunisia, and the UAE

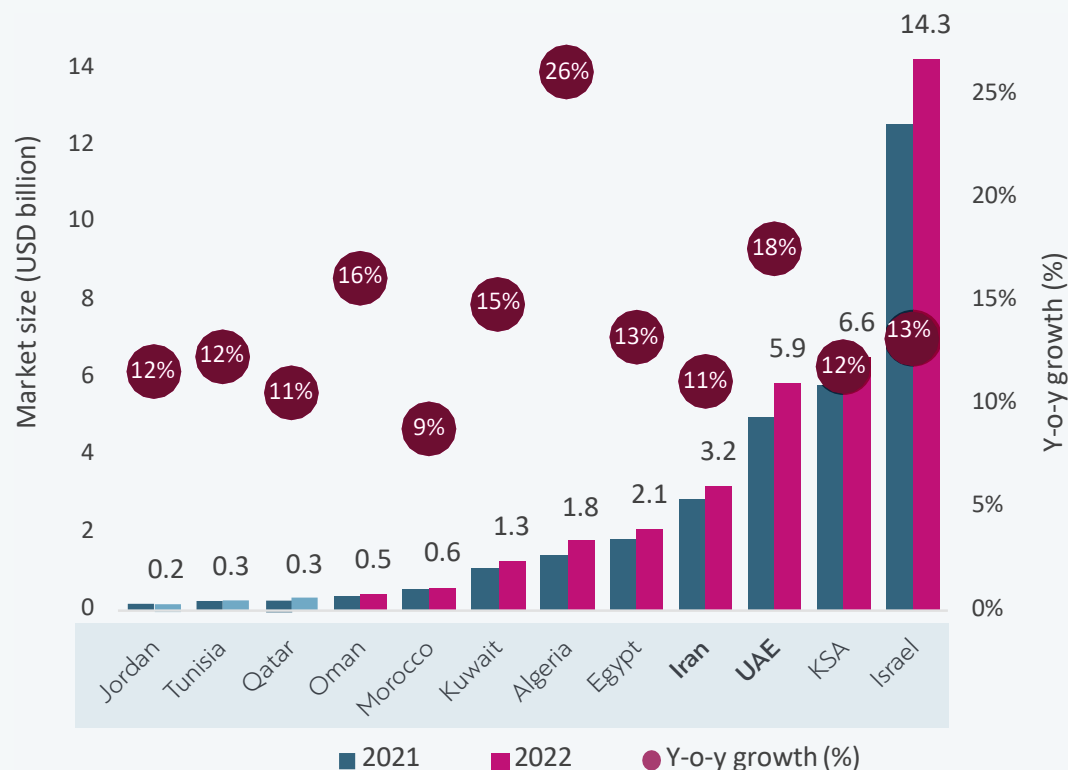


## Industry Size and Growth Drivers

Although MENA\* countries have different levels of development, government strategies in creating the appropriate space for e-commerce growth are in place.

- With solid growth in mobile subscriptions and the highest income per capita in the MENA, Israel leads in terms of e-commerce market size, followed by the KSA, which holds multiple mobile subscriptions per capita, with Saudi Vision 2030 as an initiative to encourage cashless payments through mobile devices.
- Meanwhile, the UAE developed 5G mobile telecommunications in 2019 and is targeting full coverage by 2025. Technologies such as AI have boosted the experience behind retail in both e-commerce as well as brick-and-mortar stores.

Total E-Commerce Market Size Across Selected Countries  
USD billion 2021/2022 and y-o-y growth (2021-2022, %)



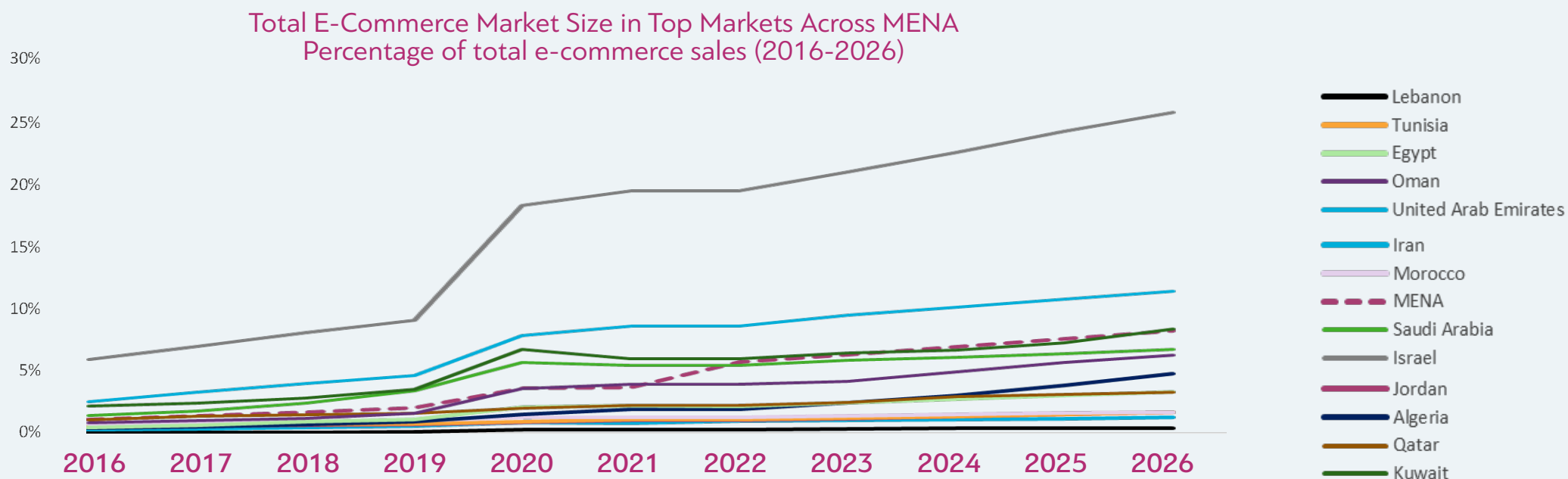
- Countries such as Qatar and Egypt are developing digital strategies to get closer to their peers through government initiatives.
- For example, Qatar's Digital Government Strategy is focused on deploying AI personalisation services by using big data analysis, Cloud computing and blockchain technology.
- Egypt aims to create 215,000 jobs to enhance research and development through the Digital Egypt Strategy.

## Government Initiatives

				
<b>UAE Digital Government Strategy 2025</b>	<b>Qatar Digital Government Strategy 2021-2026</b>	<b>KSA Vision 2030</b>	<b>Tunisia Digital Strategy 2021-2025</b>	<b>Egypt Vision 2030</b>
<p>The <b>UAE's Digital Government Strategy 2025</b> aims to improve internet connection speed and secure digital infrastructure to modernise government services and agencies. The strategy further seeks to improve the digital skills and capabilities of its population.</p>	<p><b>Qatar Digital Government Strategy 2021-2026</b> focuses on deploying AI to deliver services to citizens based on big-data analysis, Cloud computing, and the use of blockchain technology. The use of AI will ensure that e-governance will be more cost-effective as well as more scalable.</p>	<p><b>Saudi Arabia's Vision 2030</b> is driving the digital economy by enabling the country's growth and development of digital payments. The transformative economic and social reform seeks to increase the share of non-cash transactions to 70% by 2025.</p>	<p><b>Tunisia's Digital Strategy 2021-2025</b> aims to bridge the gap between rural and urban areas by developing financial and digital inclusion through improved infrastructure, electronic payments and e-commerce avenues.</p>	<p><b>Digital Egypt</b> seeks to facilitate <b>Egypt's Vision 2030's</b> objectives by laying the foundation for digital transformation in the country. The three main themes include digital transformation, digital skills and jobs and digital innovation.</p>

# E-commerce Penetration By Region

E-commerce penetration continues to expand in the MENA\* and is expected to reach 8.3% for the region as a whole by 2026.



- E-commerce penetration in the MENA grew at an estimated 35.4% CAGR over 2018-2022, which was impacted by the 2020 pandemic when double- and triple-digit year-on-year growth was experienced.
- E-commerce development and penetration within retail sales are boosted by local government initiatives and the active role of fintech in shaping the e-commerce landscape.
- Key trends include the development of AI tools for enhancing the user experience, offering different and flexible payment methods and introducing new emerging technology developments such as the Metaverse for recreating the physical store.
- E-commerce penetration in the MENA region is forecast to reach 8.3% by 2026, rising by a CAGR of 9.7% over the 2022-2026 period.

Note: E-commerce penetration is the share of e-commerce sales divided by the total sales of retailing;

\*MENA includes Algeria, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, KSA Tunisia and UAE



# Key Trends Shaping E-commerce in MENA in 2022

Top online growth drivers shaping e-commerce sector in the MENA region



## Rise in Digital Payments

With the **MENA e-commerce market size rising by 14% in 2022 and 31.6% CAGR over 2018-2022**, the adoption of digital-payment technologies is rising. **Mobile wallets, Buy Now Pay Later (BNPL), biometrics and payment-enabled wearable tech devices** are becoming more popular among consumers.



## Digital App Focus

According to Euromonitor's top five digital consumer trends, users are expected to **respond positively to apps or platforms specifically designed for them, offering features based on predictive analysis using data.**



## Grocery Online Boom

**Food and drink is the fastest-growing online category in the MENA region, posting a 59% CAGR over 2018-2022.** It is no surprise that online ready-to-eat meals and grocery shopping keep rising among digital consumers as more players enter the market.



## Rise in Tech-Investment

The tech industry moves fast, and governments and fintech work hand in hand within the MENA to take services to the next level.

Investing in AI tools enhances behavioural data analysis, which leads to predictive personalisation, while the Metaverse is launching new retail experiences across different industries.



## Direct to Consumer

Local retailers in the MENA began developing their e-commerce platforms with delivery and logistics services.

Proof of this trend is the investment in dark stores in which many grocery shopping platforms have engaged to deploy direct-to-consumer strategies by enhancing quick e-commerce and emphasising the convenience factor digital consumers demand.



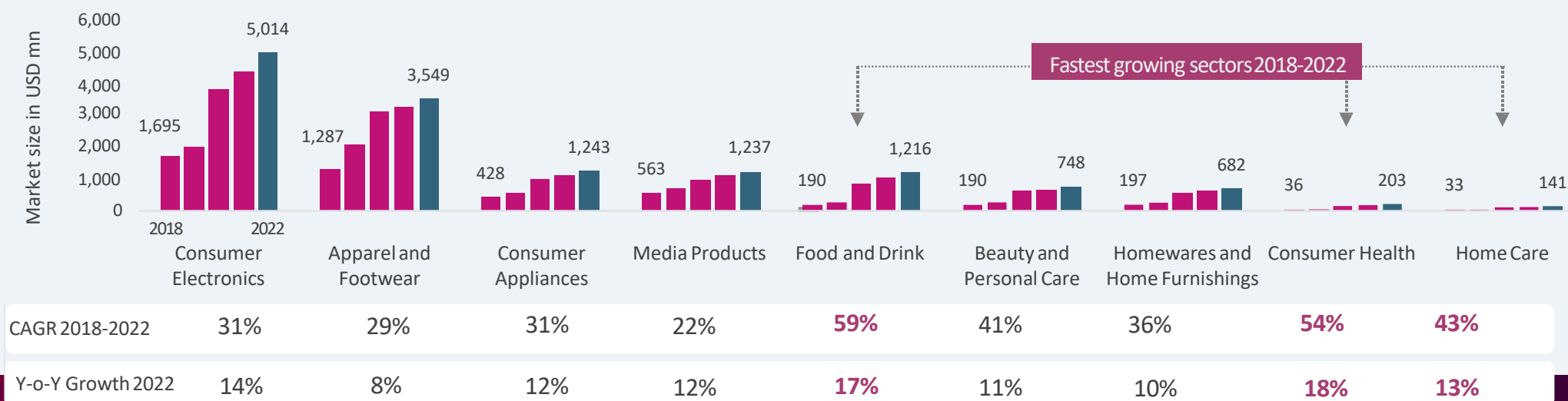
## Industry Performance



# E-commerce Market Size By Industry

The MENA continued to see steady growth across core e-commerce categories driven by an omnichannel approach and a competitive environment.

E-Commerce Market Size by Industry in Select MENA\* Countries  
USD million (2018-2022)



Despite slowing in 2022, e-commerce continues to see double-digit growth across almost all major industries in the MENA region. Consumers could perceive value in convenience, broad product offers and competitive pricing. Taking a closer look, initiatives such as consumer electronics, apparel, and footwear are leading in market size for 2022, developing omnichannel strategies and tech-orientated solutions to enhance and even recreate the physical store experience from home. Other industries, such as food and drink, beauty and personal care, and consumer health, have experienced significant growth. More supermarkets, grocery shops, and pharmacies are developing their e-commerce platforms, creating a competitive environment that pushes more innovative and cost-effective solutions.



# E-commerce Market Insight



Consumer Electronics



Apparel and Footwear



Food and Drink



Consumer Health



Home Care

With an e-commerce market size of **US\$5 billion in 2022** in the MENA\* region, consumer electronics represents the **largest e-commerce** market, with a young population using e-commerce platforms to carefully select high-average ticket price products.

The apparel and footwear market size is estimated at **US\$3.6 billion** in the MENA\* in 2022. It has seen **major technological developments** to improve the customer experience and diminish downside effects to online shopping like high return rates. The market is set for continued growth, albeit slowing slightly over the forecasted period (2022-2026).

The food and drink market is one of the fastest-growing online industries, with an estimated market size of **US\$1.2 billion** in the MENA\* in 2022. Grocery apps are expanding in the MENA, integrating dark stores for **quicker delivery** times and expanding logistics and warehouses, coupled with a wider **product offering**.

The industry reached a **US\$203 million** e-commerce market size in the MENA\* in 2022. Pharmacies strengthened their online presence during 2020, with MENA population **demanding OTC products and nutritional supplements**. This trend continued to expand in 2022 and beyond.

Home care online sales were estimated at **US\$141 million** in the MENA\* in 2022. The sector experienced relevant growth amid the pandemic, as cleaning routines were enhanced, giving opportunity for **marketplaces**, like **Jumia** in Egypt, to further **expand** the **presence** on hygienic products.

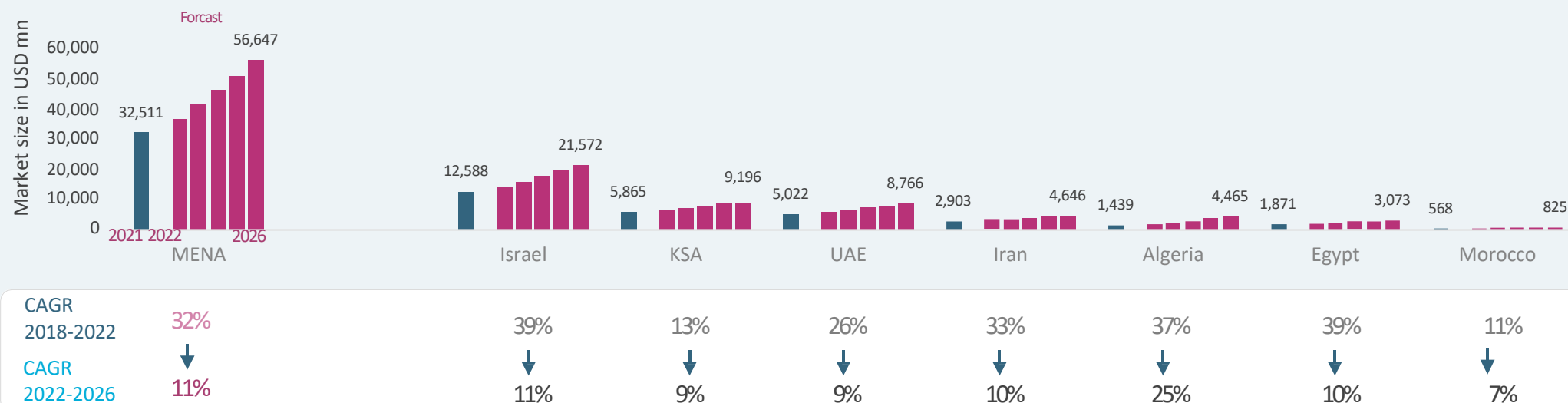
## E-commerce Outlook



# E-commerce Market Size Expected Growth

E-commerce shopping is expected to grow by 16% over the 2022-2026 period in the MENA\*, with Israel, the KSA and the UAE representing the biggest markets.

Total E-Commerce Market Size Across Select MENA\* Countries  
USD million(2021-2026)



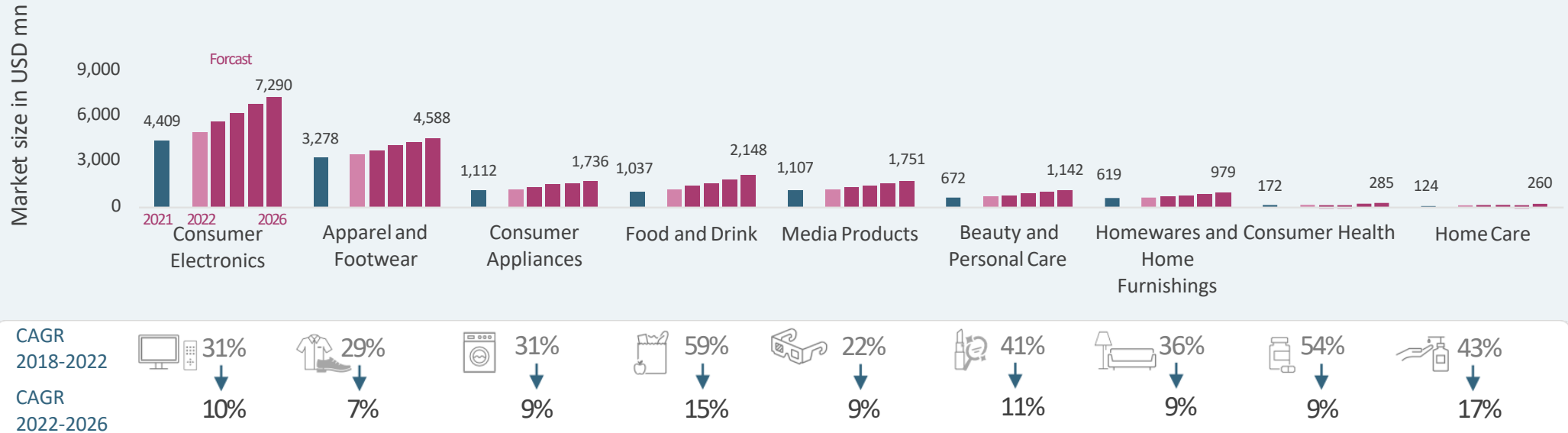
MENA e-commerce growth will continue through the forecast period, posting a CAGR of 16% over the 2022-2026 period. Although countries like Israel, KSA, and UAE are expected to remain leaders in e-commerce market share, countries like Algeria are expected to see strong growth. **Algeria's e-commerce market** is expected to be the **fastest growing** market in MENA, posting an expected **25% CAGR over 2022-2026**; rising internet penetration rates and usage, supported by improving infrastructure, are expected to drive growth. In addition, Algeria is expected to deploy **5G technology by 2023**, improving the country's connectivity and digital infrastructure and allowing for a more comprehensive penetration of e-commerce platforms. Another noteworthy mention is **Egypt**, where growth is expected to be supported by the expansion of the country's fintech sector, alongside the new **Digital Egypt Strategy for Offshoring 2022-2026**, which aims to increase the **ICT sector's contribution to GDP from 5% to 8% by 2026**.



# E-commerce Market Size Expected Growth by industry

A demanding consumer and highly-competitive market will see food and drink evolve faster over the forecasted period.

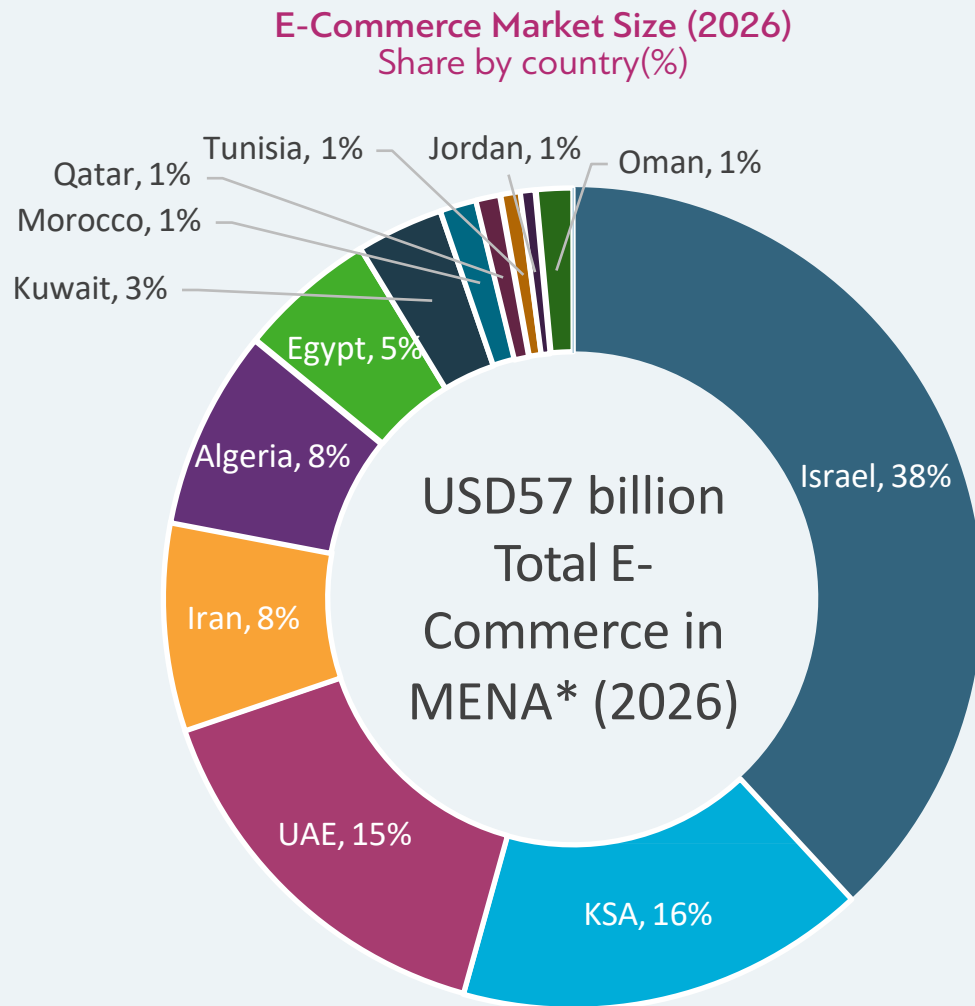
Total E-Commerce Market Size Across Select MENA\* Countries  
USD million(2021-2026)



The MENA population is expected to continue demanding online shopping services, with **consumer electronics** expected to reach a **penetration rate within total e-commerce of 29% for the KSA and 50% in Egypt by 2026**. Food and drink in the UAE is expected to show strong growth, with penetration rates rising from 5.5% in 2016 to 13% by 2026, while the KSA's average order size will increase by 50% in 2026. E-commerce business is expected to continuously innovate leaving less successful competitors behind. Tech giant Amazon has heavily penetrated the MENA, acquiring the UAE's **Souq.com** and entering Egypt in September 2021, raising competition and expectations of same-day delivery, instant order tracking and cashless payment options.

## E-commerce Market Size

Countries such as Israel, the KSA and the UAE constitute around 70% of the total e-commerce market size in 2022, showcasing high penetration.



- E-commerce is expected to gain further sales growth momentum in Israel, enabling it to outperform store-based retailing and gain a more significant share of total retailing sales. While the pandemic accelerated the channel's rise in Israel, local consumers were already increasingly attracted to online shopping due to the convenience of home delivery, both from within the country and from overseas, and the opportunity to find more competitive prices compared to those often found in physical stores.
- For the KSA, the increasing participation of women in the workforce is expected to reduce unemployment levels while at the same time increasing the need for convenient e-commerce services as the pace of daily life accelerates.
- In the UAE, Dubai and Abu Dhabi were recently chosen by UAE-based VR company Metaverse Technology Holdings to be pioneer cities for virtual tours, replicating real-life experiences and places, showcasing how emerging technologies are developing new engaging experiences with consumers.

Note: E-commerce penetration is the share of e-commerce sales divided by the total sales of retailing;

\*MENA includes Algeria, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, KSA Tunisia and UAE



## Personalised Solutions on the Rise

Integrating AI as part of decision-making and time-framed goals may generate value in predictive strategies in MENA countries. Careem, a Dubai-based super app, combines food, groceries, payments and delivery with AI adoption as the backbone of its services. Providing a unique and tailored experience based on historic behaviour may not be enough, as confidence in the app must be achieved through security and transparent methods for the digitally-savvy population.



## Omnichannel Approach to Attract Consumers

With consumers' behaviour in constant flux, companies adapt to their key audiences' preferences where click-and-collect, delivery and brick-and-mortar mix to improve the customer experience further. Majid Al Futtaim launched the 2021 AI-powered Carrefour City+, which provides a contactless experience where consumers shop in a physical store while adding and paying for the products through an app without engaging with supermarket personnel.



## Last-mile Delivery Improvement

FODEL, a Dubai-based pioneer with a vast pick-up services network across the GCC, announced in 2021 a partnership with DHL to expand to over 2,500 locations in the MENA. With Amazon and Landmark Group as partners, the first-mover showcases a last-mile delivery business where challenges such as rising competition, fluctuation in demand patterns, conservative policies and rising operating costs need to be tackled.

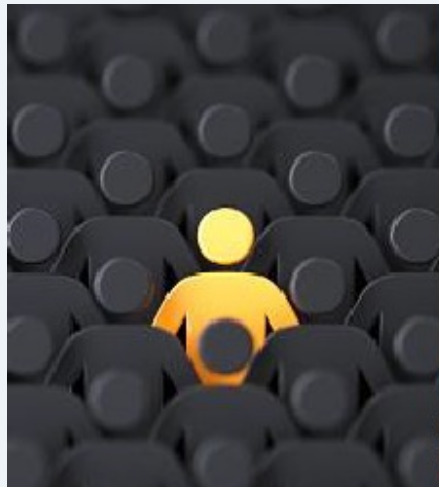


## Metaverse Shaping New Behaviour

Companies must move quickly to shape a Metaverse strategy with incubator and accelerator programmes being launched in the MENA incentivising this emerging technology. Clear signs of development are showcased by companies such as Qatar Airways launching Qverse, featuring the first MetaHuman flight attendant or Thumbay Group in Dubai, setting the world's first hospital in the Metaverse.



## Five Digital Trends to Monitor



### Predictive Personalisation

The concept of loyalty is in flux, with the notion of loyalty evolving. Consumers are more digitally savvy, leading to increased expectations. A greater variety of data supports companies in being more personal and predictive.



### Delivery in Minutes

The evolution of delivery has been marked by increasing demand for more incredible speed and convenience. With many start-ups providing faster delivery, many will soon expect between 10-30 minutes delivery times.



### Green E-commerce

The shift towards the e-commerce channel has raised environmental concerns. With rapidly changing consumer expectations and stricter regulations looming, a transition towards sustainable e-commerce appears inevitable.



### Pick-Up Perks

More consumers are expected to opt for pick-up over delivery. The trend will likely be accelerated as more retailers and foodservice operators incentivise consumers to choose pick-up over delivery to reduce costs.



### The Metaverse Shop

Virtual commerce started with augmented and virtual realities but now extends to immersive virtual worlds known as the Metaverse. These could add more dimension to the online experience, such as re-creating physical world elements.

## Future Industry Growth Drivers



## Research Background & Methodology





## Report Objective:

The report aims to uncover key market opportunities, sub-category performance, success factors and competitor analysis in the e-commerce industry, emphasising the UAE, with comparisons to the broader MENA region.

In addition, this is set to inspire and drive international and regional e-commerce players to benefit from the high-growth e-commerce opportunity in the region and expected developments over the next years.

The key geographies and channels the report will cover are:



### Geographies

#### MENA

- UAE
- Algeria
- Egypt
- Iran
- Israel
- Jordan
- Kuwait
- Lebanon
- Morocco
- Oman
- Qatar
- KSA
- Tunisia



### Channels

- Apparel and Footwear
- Beauty and Personal Care
- Consumer Appliances
- Consumer Electronics
- Consumer Health
- Home Care
- Homewares and Home Furnishings
- Media Products
- Food and drinks



### Key Data Points

- Total e-commerce market size and growth
- Sub-category e-commerce market size and growth
- Historic: 2017-2020; current prices, y-o-y exchange rate
- Forecast: 2021-2025: constant prices, fixed exchange rate (2021 considered an estimate)
- RSP: Retail selling price, inclusive of tax

# Research Methodology

This report applies both qualitative and quantitative methods on the primary and secondary research.

## Internal Alignment

### Initial Alignment

- Alignment on the research objectives, scope and research structure.
- Production of research brief and data template.

## Euromonitor Passport

### Euromonitor Syndicated Team

- Passport data base: updated bi-annually for selected countries.
- Research experts regularly conduct primary research, including interviews with players in the industry to capture market trends, consumer preferences and innovations.
- EMI surveys: Lifestyle survey and Digital consumer surveys to further understanding of the digital consumer, conducted annually, including in the UAE.

## Consulting Research

### Secondary Research

- Desk research across several platforms to further analyse the e-commerce market in the MENA region and beyond, including company websites, national statistics, trade press and financial reports, among others.

### Expert Interviews

- Interviews with our expert analysts in the region to understand relevant trends in the e-commerce market.

## Analysis and Review

### Analysis

- Cross-country analysis of the e-commerce market, common trends and noticeable differences.
- Quality control and validation done through collaborations with syndicated expert teams.

## Final Reporting

### Final Delivery Production

- Final data delivery and review.
- Report production on the e-commerce sector, including cross-country comparisons, with a focus on the UAE.



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