

# The thriving e-commerce landscape in the Middle East



Over the past decade, the Middle East has witnessed significant growth in e-commerce, transforming the retail landscape across the region. With advancements in technology, changing consumer behavior, and increased internet penetration, e-commerce has emerged as a key driver of economic growth.

This article explores the rise and impact of e-commerce in the Middle East, encompassing various countries. But first, let's zoom out and examine e-commerce as a worldwide phenomenon.

### From brick-and-mortar to click-and-order

Globally, e-commerce has experienced remarkable growth, with online sales surpassing traditional retail channels. In fact, the global e-commerce market is projected to reach a revenue of US\$6.35 trillion by 2027,<sup>1</sup> driven by the ever-growing number of e-commerce users and their reliance on digital platforms for shopping. Factors such as the proliferation of smartphones, improved internet connectivity, and the convenience of online shopping have vastly contributed to this growth.

The COVID-19 pandemic accelerated the adoption of e-commerce worldwide. With lockdowns and social distancing measures in place, consumers turned to online shopping as a safer and more convenient alternative. The pandemic acted as a catalyst for e-commerce growth, particularly in the Middle East where traditional retail had been the dominant mode of commerce.

### A new player in the region

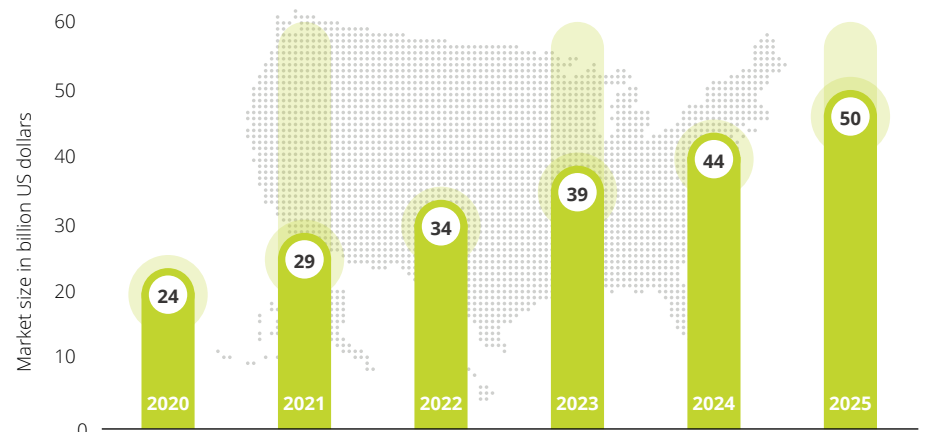
Before the pandemic, e-commerce in the Middle East was still in its nascent stages, but with great room for expansion. The region faced challenges such as limited payment options, lack of trust in online retailers, and a preference for in-store shopping. However, there were notable improvements in internet infrastructure,

smartphone penetration, and the establishment of digital payment systems. A notable shift in consumer behavior across the Middle East was triggered by the unprecedented global health crisis of COVID-19. With restrictions in place, consumers turned to e-commerce platforms for their shopping needs. The demand for essential goods, groceries, electronics, and home products surged. Consumers developed a preference for contactless transactions, leading to an escalating adoption of online payments.

It gradually became apparent that e-commerce has had a profound impact on the Middle Eastern economy and consumer habits. It has provided consumers with convenience, expanded product choices, and competitive prices. E-commerce has also created entrepreneurial opportunities, particularly for small and medium-sized enterprises (SMEs) and individual sellers, leading to job creation and economic empowerment.

The e-commerce sector in the Middle East is poised for substantial growth. It is estimated to reach a market volume of US\$50 billion by 2025,<sup>2</sup> driven by the widespread use of cutting-edge technologies, and favorable government initiatives to promote digital economies. The region's young and tech-savvy population, coupled with rising disposable incomes, presents a vast consumer base for e-commerce expansion.

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Forecasted e-commerce market size post COVID-19 in the Gulf Cooperation Council region from 2020 to 2025<sup>3</sup>

**E-commerce, e-commerce everywhere!**

The evolution of e-commerce has definitely disrupted the traditional retail sector in the Middle East. Brick-and-mortar stores face tough competition from online platforms, leading to a transformation in consumer shopping patterns. Retailers are progressively adapting by establishing their online presence, offering omnichannel experiences, and leveraging technology to enhance the customer journey.

The Middle East e-commerce market encompasses a diverse range of product categories. Fashion and beauty products have seen substantial growth, driven by the region's fashion-conscious population. Online marketplaces and dedicated fashion websites have emerged, catering to the demand for trendy clothing, accessories, and cosmetics. Additionally, the electronics and home appliances sector enjoys a significant market share, fueled by high smartphone adoption rates and the Middle East's tech-savvy consumers. The demand for groceries, health and wellness products, and online food delivery services has also witnessed a noteworthy surge, further bolstering the e-commerce landscape.

**Unbounded support**

Technological advancements play a crucial role in shaping the e-commerce landscape in the Middle East. One notable trend is the increasing use of artificial intelligence (AI) and machine learning (ML) to personalize the shopping experience, improve product recommendations, and boost customer service. Additionally, the rise of social commerce, influencer marketing, and virtual reality (VR) shopping experiences have transformed how consumers engage with online platforms.

Governments in the Middle East have recognized the potential of e-commerce and have taken various initiatives to further expand its growth. Investment in digital infrastructure, regulations supporting online businesses, and the promotion of digital literacy have been key focus areas. Governments have also established

dedicated e-commerce zones, offering incentives for businesses to establish their operations, and fostering an ecosystem that supports innovation and internship.

**Trends and innovations**

Alongside the rapid growth of e-commerce in the Middle East, several notable trends have emerged, shaping the industry's trajectory. One such trend is the rise of mobile commerce or m-commerce. With a high use of smartphones in the region, consumers are increasingly using their mobile devices to browse, shop, and make purchases. Retailers have responded by optimizing their websites and apps for mobile devices, and leveraging mobile payment solutions to elevate the shopping experience.

Another trend is the expanding popularity of cross-border e-commerce. Consumers in the Middle East are exploring international online platforms to access a wider range of products, especially those that may be unavailable or harder to find locally. This trend has prompted e-commerce retailers to expand their global reach, offering shipping options and localized experiences to cater to the growing demand. ➤

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Personalization and customer experience have become crucial aspects of e-commerce in the Middle East. Online retailers are employing data analytics and customer segmentation strategies to deliver personalized product recommendations, targeted promotions, and tailored shopping experiences. This focus on personalization aims to improve customer satisfaction, increase customer loyalty, and drive repeat purchases.

Furthermore, sustainability and eco-consciousness are gaining traction in the Middle East e-commerce landscape. Consumers are becoming more and more mindful of the environmental impact of their purchasing decisions. E-commerce platforms are responding by promoting sustainable practices such as eco-friendly packaging, carbon offset programs, and offering products from sustainable and ethical brands. This trend aligns with the global shift toward responsible consumption, and presents an opportunity for e-commerce retailers to cater to the evolving values and preferences of Middle Eastern consumers.

The region is also witnessing the rise of social commerce, which combines e-commerce with social media platforms. Social media channels have become influential marketing and sales channels, with consumers discovering products, engaging with brands, and making purchases directly through these platforms. E-commerce retailers are leveraging social media influencers, interactive content, and seamless integration with online stores to drive engagement and conversion.

**The future is... bright?**

While the Middle East e-commerce market shows tremendous potential, it also faces certain challenges that need to be addressed for sustained growth. One major challenge is the need to build trust and enhance cybersecurity measures. Online fraud and data breaches pose risks to consumer trust in e-commerce platforms.

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Governments, industry players, and consumers themselves need to collaborate to establish robust security protocols and ensure a safe online environment.

Logistics and last-mile delivery infrastructure also pose challenges in the region. With a vast geographic expanse, and varying levels of infrastructure development, ensuring timely and reliable delivery of products can be a complex task. Investments in logistics infrastructure, fulfillment centers, and innovative delivery solutions are essential to address these challenges, and optimize the e-commerce supply chain.

Looking ahead, the future of e-commerce in the Middle East appears promising. The ongoing digital transformation, combined with favorable demographics and sizable disposable incomes, provides fertile ground for e-commerce growth. As more businesses and consumers embrace digital technologies, the e-commerce ecosystem will continue to evolve and mature, driving innovation, job creation, and economic development in the region.

### Wrapping up

With the rise of e-commerce, the Middle East has experienced a transformative shift in consumer behavior, retail dynamics, and economic landscapes. The region's vibrant e-commerce market has grown exponentially, driven by factors such as technological progress, changing consumer preferences, and the impact of the COVID-19 pandemic.

While challenges remain, such as building trust, improving logistics infrastructure, and ensuring cybersecurity, the Middle East's e-commerce sector holds immense potential for continued development and innovation. As the region embraces digital transformation, e-commerce will play a pivotal role in shaping the future of retail, trade, and entrepreneurship in the Middle East. ●

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### Endnotes

1. <https://www.statista.com/outlook/dmo/e-commerce/worldwide>.
2. <https://www.statista.com/statistics/1201946/gcc-forecasted-e-commerce-market-size-covid-19/>.
3. <https://www.statista.com/statistics/1201946/gcc-forecasted-e-commerce-market-size-covid-19/>.