

# Middle East E-commerce Industry Heating Up



The Middle East is on the cusp of a major e-commerce growth spurt, underpinned by the move by Amazon into the region with its acquisition of Souq.com. With a dynamic, young population and one of the highest global per capita internet penetration levels, the online spending potential is quickly emerging as one of the highest in the world. The growth of e-commerce in the region is complimenting traditional stores and aiding the shopping experience for the ultimate consumers. With e-commerce penetration in the Middle East estimated at a mere 2 percent of retail sales compared to 15 percent in more mature markets, there is tremendous growth potential in the sector over the next five years.

Another interesting fact about these countries is that in Qatar, the country with the third highest per capita GDP worldwide, less than 20% of Internet users made purchases online in 2015. Figures like this show us the potential for growth and expansion in the sector. Investments in the e-commerce sector have also scaled up significantly in the last 2-3 years; souq.com and wadi.com secured funding of \$275 million and \$67 million respectively.

Emaar Malls Group's acquisition of a majority stake in fashion giant Namshi, coupled with recent updates from Noon.com – also owned by Emaar Group chairman Mohamed Alabbar – and JadoPado, an online marketplace recently acquired by Middle East Venture Partners (MEVP) show us that local players are preparing to hold their own and battle the entry of Amazon.

In the online food delivery service sector, UberEats, Deliveroo and online platforms like MakeMyMeal are generating a majority of the business because of digitalization. They are capturing the market of those individuals who do not have the time to prepare their meals, with easy and consistent delivery. Restaurants which have been operating for many years are also relying on these services for a significant amount of business. MakeMyMeal is the region's only subscription based meal-delivery platform that provides weekly & monthly packages for breakfast, lunch and dinner at very affordable rates. The website was only launched towards the end of 2016 and already has millions of users.

Middle East e-commerce industry has been lagging behind the global average in recent years, accounting for 2.5 percent of total retail sales in 2015 versus 7 percent globally. Luxury products' online sales amounted to just \$200 million. The e-commerce contribution to the Gulf high-end market is expected to reach a total value of \$1.5 billion within the next few years. The digital shift will continue to disrupt traditional retail models and force luxury brands to adopt online strategies aimed at a younger audience. As a result, young and creative entrepreneurs are remodelling the GCC luxury space, leading to a rise in luxury sharing and borrowing platforms such as The Luxury Closer, So Chic UAE and Kuwait-based Boutiqaat.com.

With more growth expected soon, the Gulf e-commerce market is expected to grow to \$20 billion by 2020, – it's no secret that M&A (mergers and acquisitions) are the new mantras of success for the Middle East region's e-commerce industry and recent deals are only serving to increase the competition in the space. The Middle East is becoming a ripe target for investors & IT entrepreneurs and the largely untapped market will definitely give rise to more exceptional and revolutionary businesses.