E-commerce in the UAE Food retail sector
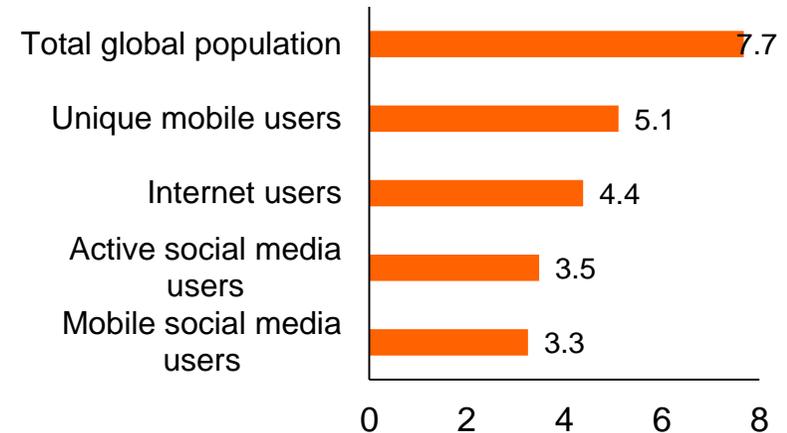
March 2019

Economic Research Department
Dubai Chamber of Commerce and Industry
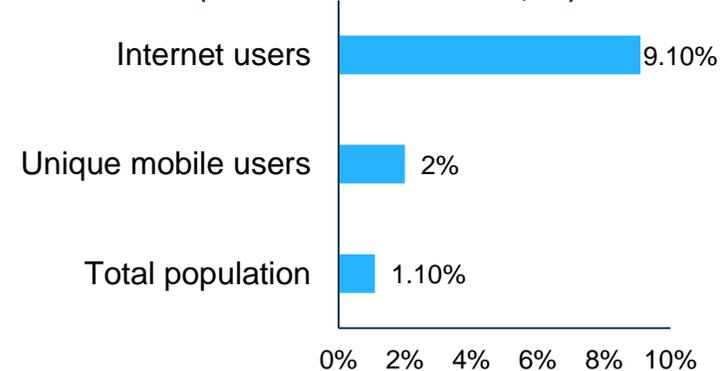
Growth in use of internet in the World

➢ This report attempts to analyze trends for E-commerce retail for the food and beverage sector in the UAE and around the world. The report will focus more on online sales of grocery products and packaged food in the UAE.

➢ The internet use in general, and mobile internet in particular, have experienced strong growth recently. Out of a global population of around 7.7 billion people, there were around 5.1 billion unique mobile users in the world in January 2019.

➢ In terms of growth rates as well, while the world's population increased at a rate of around 1.1% from Jan 2018 to January 2019, the number of unique mobile users increased at a rate of around 2% during this period, with the number of internet users increasing at a rate of around 9.1%.

Global population of internet and mobile users (January 2019)

Category	Value (billion)
Total global population	7.7
Unique mobile users	5.1
Internet users	4.4
Active social media users	3.5
Mobile social media users	3.3

Source: Dubai Chamber based on data from Data Reportal, Digital 2019: Global Digital Overview, Hootsuite, UN, GSMA Intelligence, Other government sources.

Growth in digital usage around the world (Jan 2018 to Jan 2019, %)

| Category	Value
Internet users	9.10%
Unique mobile users	2%
Total population	1.10%

Source: Dubai Chamber based on data from Data Reportal, Digital 2019: Global Digital Overview, Hootsuite, UN, GSMA Intelligence, Other government sources.

Growth in use of mobile applications in the World

➤ The need for mobility has meant that the growth of the internet has also been followed by growth of mobile usage for internet surfing. The ability to combine internet services with mobility has led to a strong increase in mobile application (app) usage.

➤ Mobile phones now account for the majority of global web traffic. Around 52% of web traffic at at January 2018 is estimated to have come from mobile phones. Around 43% is estimate to have come from Desktops/laptops.

➤ Mobile application revenue (excluding revenue from mobile games) is also estimated to have grow from around USD 12 billion in 2016 to around USD 25.9 billion by 2019.

Share of global web traffic by device (Jan 2018, %)

Device	%
Mobile phone	52%
Laptop and desktop	43%
Tablet devices	4%
Other devices	1%
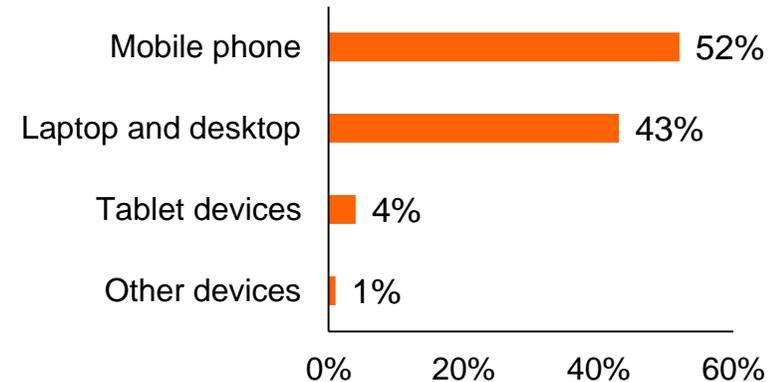
Source: Dubai Chamber by Data Reportal, Digital 2018 global digital overview

Global mobile app revenue, excluding video game apps (USD billion)

| 2016	2017	2018	2019
12.0	17.8	22.1	25.9
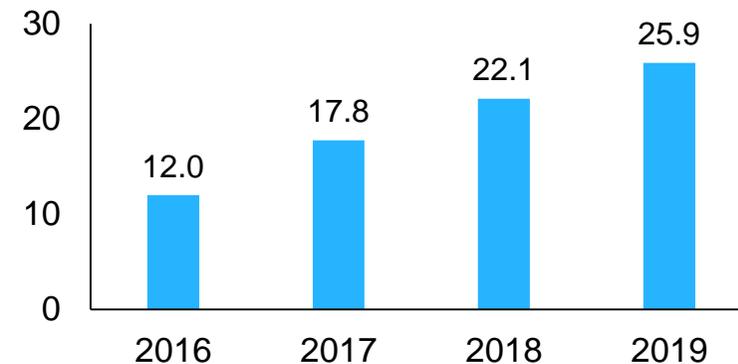
Source: Dubai Chamber based on data from Newzoo, Global Mobile market report, September 2018

Growth in use of internet in the UAE

- Internet usage has also grown in the UAE, which has facilitated the growth of E-commerce channels.

- The number of Broadband subscribers in the UAE has increased from around 1.7 million in 2012 to around 2.54 million in 2018.

- On a per-capita basis as well, the number of Broadband internet subscribers per 100 population in the UAE increased from around 19 per 100 in 2012 to around 27 per 100 by 2018.

Broadband internet subscribers in UAE (millions)
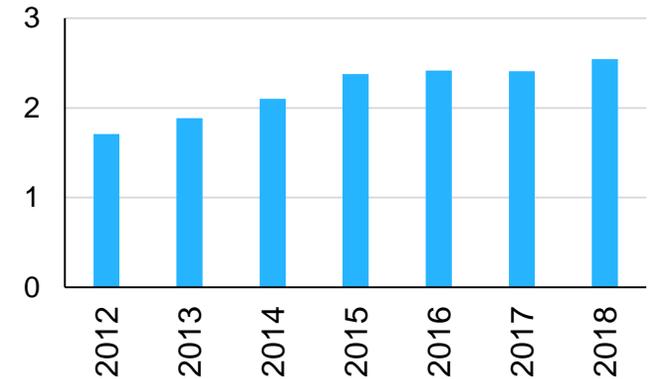
Source: Dubai Chamber based on estimated data from Fitch Solutions

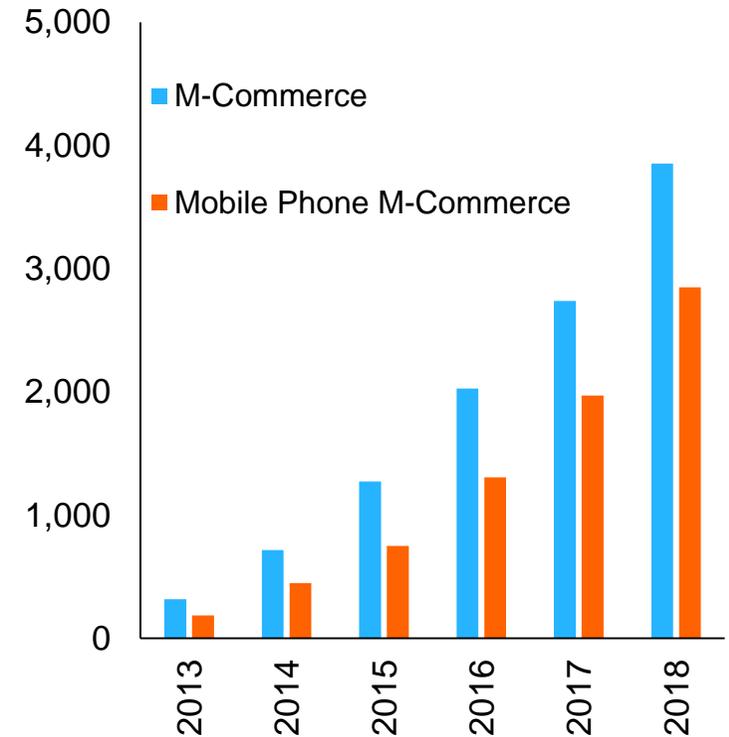### UAE Broadband internet subscribers per 100 of population
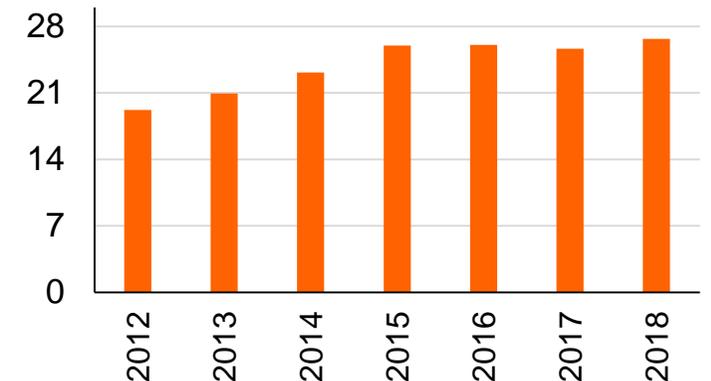
Source: Dubai Chamber based on estimated data from Fitch Solutions

Growth in use of mobile applications in UAE

Growth in M-Commerce in UAE (AED million)

➢ Mobile Internet retailing, also known as m-commerce, measures internet retail value sales by mobile devices such as smartphone or tablets.

➢ M-commerce on devices such as tablets and mobile phones has increased from an estimated 317 million AED in 2013 to around AED 3,855 million by 2018. This represents CAGR growth during this period of around 65%.

➢ M-commerce using only mobile phones has grown from around AED 187 million in 2013 to around AED 2,850 million in 2018. Mobile phone E-commerce has therefore grown at a faster CAGR of around 72% from 2013 to 2018.
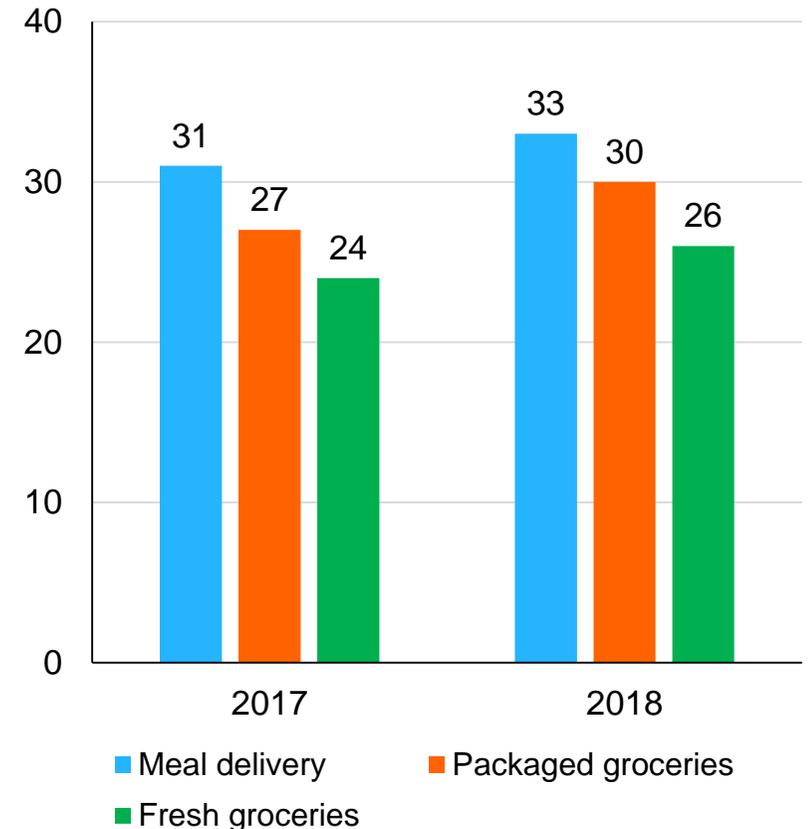

Source: Dubai Chamber based on data from ' Financial cards and payments in the United Arab Emirates', Euromonitor, November 2018

New global online food purchasing trends
Estimated percentage of consumers around the world who have ever purchased these products online (%)

➢ Online purchases of meal delivery, fresh groceries and packaged groceries have experienced growth overtime.

➢ For example, the estimated percentage of people who have ever purchased products online has increase from 31% to 33% for meal deliveries, from 27% to 30% for packaged deliveries and from 24% to 26% for fresh groceries. Please note that these figures are cumulative and if anyone has ever bough one of these kinds of products even once in their lives, it would be counted in the results.

➢ The growth of online purchasing of food gives rise to the need to invest more into channels to market and sell these products to customers.

➢ In addition, large amounts of data about online purchases could be analyzed using digital marketing analytics and data science techniques to identify trends, customer preferences and try to develop new products for existing customers.

Estimated percentage of consumers around the world who have ever purchased meals and groceries online (%)
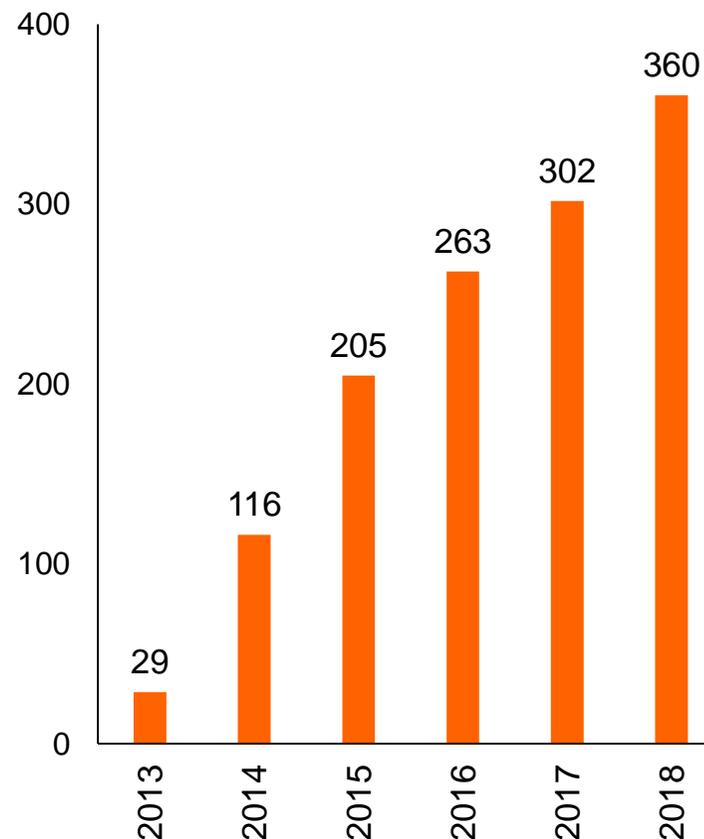

Source: Dubai Chamber based on data from Nielsen Connected Commerce Report, 2018 and Nielsen Connected Commerce Global Survey, 2018

Food and Beverage internet retailing in UAE

- These global trends of growth in e-commerce have also been experienced in the UAE.

- This has resulted in the emergence of several retail E-commerce outlets selling food and beverage products in the UAE. Some examples include Kibsons International, Noon.com and Bonaprezo.

- The market size of food and drink internet retailing in the UAE has increase from around AED 29 million in 2013 to around AED 360 million. This represents CAGR of around 65% from 2013 to 2018.

Market size of food and beverage internet retailing in UAE (AED million)

Trends of Relevance to UAE Global Ecommerce businesses

➤ The increase in m-commerce in food and beverage retailing and the development of mobile apps for e-commerce has meant that these are increasingly important sales channels for UAE food and beverage companies. In fact, retail food businesses may have to embrace e-commerce to stay competitive in the future.

➤ With these digital e-commerce sales channels comes the question of how to market products to these customers and how to use digital analytics to analyze data.

➤ Research by Nielsen, as part of their 'Connected Commerce' report, has shown that the factors that could encourage customers around the world to buy more fresh food products online would include same day replacement for products not meeting expectations (49%), refunds for products not meeting expectations (47%), freshness labels (41%) and detailed product description (39%).

➤ The inclusion of these kinds of guarantees and labels could also help UAE e-commerce businesses potentially increase sales of fresh foods.
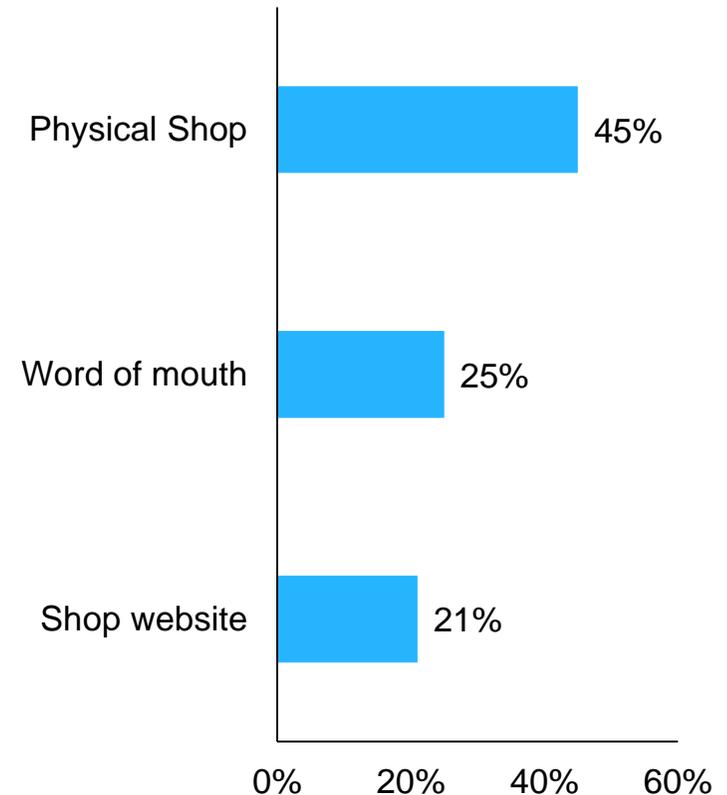
Percentage of Global consumers who would be encouraged to buy more fresh products online by the following offers (2018)

Offer	Percentage
Same day replacement for products not meeting expectations	49%
Refunds for products not meeting expectations	47%
Freshness labels	41%
Detailed product description	39%
Daily freshness guaranteed by retailers	38%
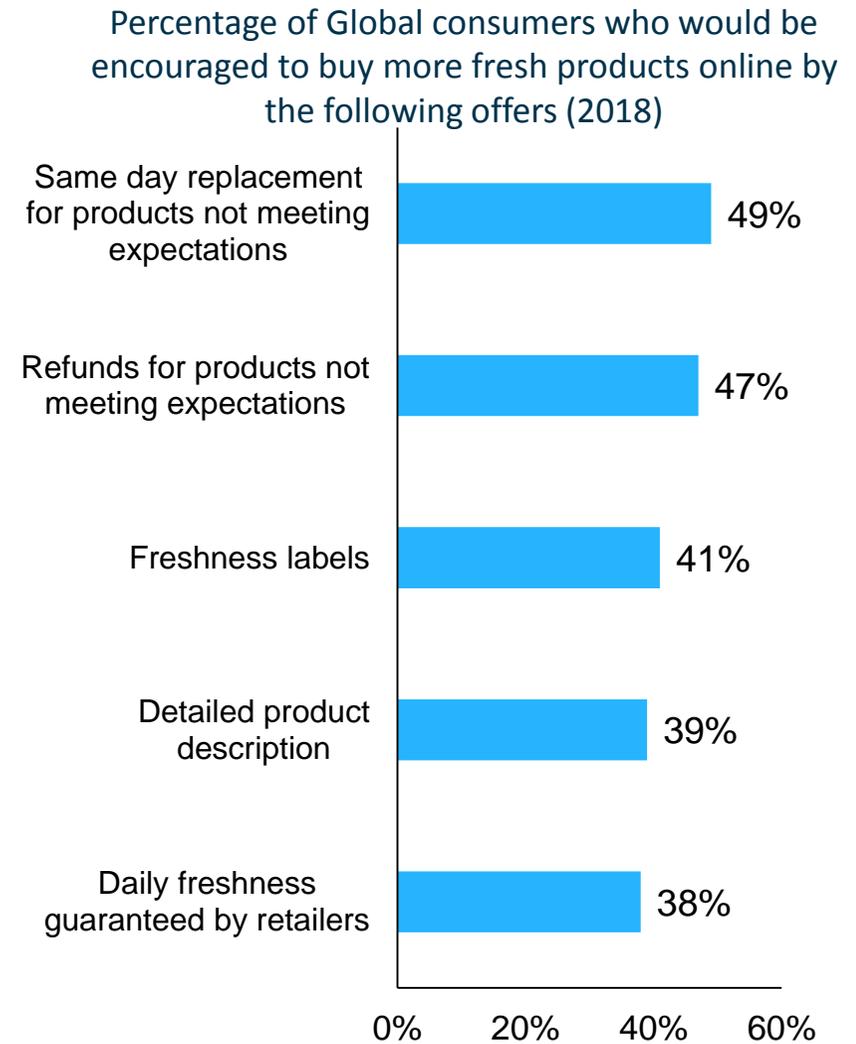
Source: Dubai Chamber based on data from 'Connected Commerce, Nielsen 2018 and Nielsen Connected Commerce Global Survey 2018

غرفة دبي
DUBAI CHAMBER

Trends of Relevance to UAE Global Ecommerce businesses

➢ Customers purchase decisions of online shopping are at times made after browsing through one or more information sources.

➢ In case of fresh groceries, around 45% of customers sought out information from the physical shop.

➢ Around 25% use word of mouth, while around 21% browse the shop website before buying fresh groceries.

➢ This data highlights that it could be still relevant for online grocery businesses to have a physical shop where customers can sample or see their products before moving onto the online buying channels

Percentage of global consumers who use the following information sources before online purchase of fresh groceries (2018)

Physical Shop — 45%
Word of mouth — 25%
Shop website — 21%

0% 20% 40% 60%

DUBAI CHAMBER

Some major grocery E-commerce businesses in the UAE

Company name	Website address
Bawiq	https://www.bawiq.com/
Bonaprezo	https://bonaprezo.com/
El Grocer	https://www.elgrocer.com/
Farmbox	https://farmbox.ae/
Kibsons	https://www.kibsons.com/
Noon.com	www.noon.com
Carrefour	https://www.carrefouruae.com/

Conclusions

Trends

- Historical growth in internet usage and mobile apps in the UAE and around the world

- Growing trend of online delivery

Opportunities

➢ Opportunity for mobile phone application development and more e-commerce usage in retail food sales for grocery products.

➢ Opportunities to differentiate using offers such as same day replacements and refunds for products not meeting expectations and for freshness labels could encourage online customers to buy more food.

➢ The online food platform should be complemented by some storefront as physical shops remain one of the major ways customers get information about fresh food, before buying online.

References

❑ Euromonitor International Statistics.

❑ Digital 2018, accessed on 11th April 2019 accessed via *https://datareportal.com/reports/digital-2018-global-digital-overview*

❑ *Nielsen Global E-Commerce Study 2016 accessed via*
  https://www.nielsen.com/content/dam/nielsenglobal/jp/docs/report/2016/Nielsen-Global-Connected-Commerce-Report-January-2016

❑ Connected Commerce, 2018, accessed via https://www.nielsen.com/content/dam/nielsenglobal/dk/docs/connected-commerce-report-2018.pdf

❑ Nielsen Connected Commerce Global Survey 2018

❑ Financial cards and payments in the United Arab Emirates, November 2018, Euromonitor

❑ United Arab Emirates Telecommunications report, Q1 2019, Fitch Solutions,

❑ Food and Drink Internet retailing in the United Arab Emirates, January 2019, Euromonitor International,

❑ 'Quest for convenience', Nielsen, 2018*, accessed via* https://www.nielsen.com/content/dam/nielsenglobal/ua/docs/the-quest-for-convenience.pdf

References

- Digital 2019, accessed on 28th April 2019 accessed via https://datareportal.com/reports/digital-2019-global-digital-overview.

- Kooistra, Jelle, September 2018, Newzoo's 2018 Global Mobile Market Report: Insights into the World's 3 Billion Smartphone Users accessed via https://newzoo.com/insights/articles/newzoos-2018-global-mobile-market-report-insights-into-the-worlds-3-billion-smartphone-users