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THE MIDDLE EAST 2020

Ecommerce Region Report





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COUNTRY-LEVEL MARKET ANALYSIS

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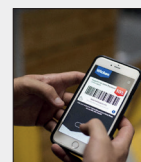
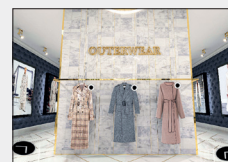
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INTRODUCTION



Welcome to the Middle East Ecommerce Region Report for 2020, the latest in our series of reports analysing key ecommerce markets around the world.

As we explore over the following pages, the Middle East is a region where many nations have only recently begun to develop their digital economies. This in itself has made many international retailers cautious about launching in the region. Further complicating matters, it is also a region without a recognised trading area similar to that in Europe or North America, and it is a region with a troubled recent history, represented by the ongoing conflicts in countries such as Iraq and Syria.

But without underestimating the potential difficulties, there are good reasons for brands and retailers to launch in the region. Many countries in the Middle East, buoyed by oil revenues, have young and relatively affluent populations. Their governments want to diversify away from an over-reliance on energy exports and so they are keen to channel investment into the digital sector. This is the broad picture we see when we look at Qatar, Saudi Arabia and the UAE. Turning to the other two countries we have chosen to spotlight, Turkey is a huge market with strong connections to continental Europe. Israel, which seems to be at the beginning of a new process of forging diplomatic ties with its neighbours, already represents a relatively sophisticated ecommerce market.

Most of all, though, I would highlight a sense of the Middle East opening up to the wider world. For those retailers and brands prepared to invest and to work with strategic partners that have local knowledge, the Middle East is rich with possibilities. We hope this report's up-to-date, factual and commercial information will help businesses looking to launch or to increase their presence in the region.

Over the coming months, we will augment our findings with specific webinars and case studies. As we turn to research for the 2021 report, please do share your feedback and suggest areas for further investigation and analysis. ■

Ian Jindal, CEO, RetailX

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ECOMMERCE AT A CROSSROADS

The Middle East offers a contradictory picture for retailers, but also huge opportunities as it begins to embrace digital technologies and online shopping

The Middle East region, centred on modern-day Turkey, Saudi Arabia, Qatar and Israel, has always been a nexus of cultures, a crossroads between the trading blocs of China and the East and Western Europe. At different times in the region's history, the Greek, Roman, Ottoman and British empires have all exerted a huge influence on the region. Its position at the mid-point between these cultural, industrial and commercial powerhouses has seen it play a crucial role in the shaping of everything from the birth of mathematics and astronomy to the 21st century's geopolitical climate. As an ecommerce market though, it is something of a mystery – hard to unravel, even harder to predict.

For the purposes of this report, we look at the Middle East by covering in detail Turkey, Saudi Arabia, the United Arab Emirates, Qatar and Israel. While the region is not a recognised trading bloc in the mould of the European Union or even the Commonwealth, these Middle Eastern economies are the most stable and therefore lend themselves to analysis. They are also potentially more readily open to trade from outside. Together, these countries have a combined GDP forecast to be around \$2.5bn USD in 2020 – a level that has remained largely static over the past five years, with growth of between 5% and -5%.

Saudi Arabia makes by the far the largest contribution to this GDP – around a third – driven by its oil exports and, increasingly, its investments in solar power technology. Turkey accounts for a quarter of the figure, UAE 18%, Israel 17% and Qatar 8%. This spread of GDP, however, belies how digital each country is. In Qatar, according to World Bank figures, 100% of the population can access the internet. The equivalent figure is 99% in the UAE and 96% in Saudi Arabia. Turkey, by contrast, sees only three-quarters of its population online. Israel shows western levels of internet usage of about 87%.

Almost two-thirds of those online in the region are using a smartphone, far outstripping the 39% on a PC. This shows how, while these countries are coming later to the internet than more established western markets, they have typically

leapfrogged those markets in terms of the sophistication of their internet connectivity. According to a report by Ericsson, 5G subscriptions, for example, are set to grow rapidly across 2020 to 2023, hitting 17m by the end of that period. Off the back of this, smartphone subscriptions will increase from 670m to 1.51bn by 2023, resulting in data traffic per active smartphone multiplying nearly six times over.

THE IMPACT IN ECOMMERCE

This relatively sophisticated tech market has seen ecommerce start to gain ground across the region, hitting a turnover of around \$55bn in 2020, against a backdrop of strong year-on-year growth of 20% in each year from 2016.

That said, ecommerce usage overall sits at around 48% of the population, which is relatively low when compared to more mature markets in China, the US and Europe. However, at \$817, spending per shopper is quite high.

This is indicative of a market that is developing, rather than one that, like the USA, has reached full maturity. It is comparable to the levels seen in countries such as Poland, which are rapidly embracing ecommerce at a time that the Covid-19 pandemic drives up internet use.

The split by country around ecommerce appears to reflect the general wealth of each country and population, with the UAE and Turkey seeing ecommerce turnover of \$20bn and \$16bn respectively. This is perhaps no surprise in terms of the UAE: it is a country with high wealth, high internet availability and a small but digitally savvy population.

Turkey offers a more complex picture. Despite lower internet usage in Turkey and, indeed, a lower GDP, it is generating a significant turnover in ecommerce. Part of this is simply down to numbers. Turkey has a large population compared to the Middle Eastern neighbours considered in this report, sitting at almost 85m. Therefore, while internet usage and average online spend are lower in Turkey, there are simply enough people to create a significant market.

The UAE and Saudi Arabia, by contrast, are generally more wealthy and have much higher levels of digital access, but have relatively small populations – Saudi Arabia at 35m and UAE at just 10m – making ecommerce turnover lower than that of Turkey. There is also the fact that Turkey, straddling the Bosphorus and being both in continental Europe and Asia, has a more western approach to online shopping that is yet to develop in its more easterly neighbours.



Istanbul is a city that straddles Europe and Asia, and also a city with a thriving technology and ecommerce sector

Israel is perhaps the market with the most potential for outside sellers. While the official languages of the country are Hebrew and Arabic, most schoolchildren learn English and so Anglicised ecommerce sites are expected to tap into the Israel market in the coming years. Israel is one of the top five ecommerce markets ripe for expansion. Today, Israeli shoppers are buying from Chinese and Brazilian sites in relatively large numbers, while Israeli businesses are exporting online orders out to the US, UK and China in growing numbers.

WHERE NEXT?

While Turkey may lead the way in ecommerce turnover, the rest of the countries assessed in this report are playing catch up and are set to become not only ecommerce markets of note, but also digital hubs that are the forefront of technology.

5G roll out started in 2018, with Saudi Arabia, UAE and Qatar all claiming to have been the first in the region – and

among the first in the world – to roll out the next generation of high-bandwidth mobile infrastructure.

All three of these countries are dedicated to developing digital connectivity and technologies as they begin a process of looking at investments to generate GDP as oil revenues start to wane in the coming decades. These countries have all also undergone changes to a more liberally regulated telecoms market – relative to how their markets were regulated before, at least – and are starting to encourage a more entrepreneurial ‘Silicon Valley’ attitude around tech.

This is likely to have the effect of making ecommerce more prevalent across the whole region, with revenue and turnover levels to match. ■

MARKET OVERVIEW



CITY POPULATIONS

TURKEY (2019)

ISTANBUL	15,519,267
ANKARA	5,639,076
IZMIR	4,367,251
BURSA	3,056,120
ANTALYA	2,511,700
DANA	2,237,940
KONYA	2,232,374

SAUDI ARABIA (2018)

MAKKAH AL-MUKARRAMAH	8,803,545
AR-RİYĀD	8,446,866
ASH-SHARQIYAH	5,028,753
'ASĪR	2,261,618
AL-MADĪNAH AL-MUNUWARAH	2,188,138
JĀZĀN	1,603,659
AL-QASĪM	1,455,693
TABŪK	930,507
HĀ'IL	716,021

UNITED ARAB EMIRATES (2017)

DUBAI	2,836,062
'AJMĀN	504,846
AL-FUJAYRAH	236,811

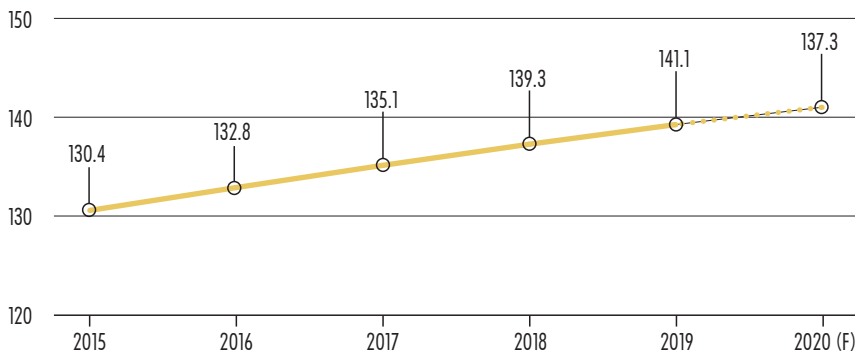
ISRAEL (2019)

HAMERKAZ	2,233,000
HAZAFON	1,469,400
TEL AVIV	1,452,400
HADAROM	1,330,600
JERUSALEM	1,159,900
HAIFA	1,053,400

QATAR (2015)

DOHA	956,457
AR-RAYYĀN	605,712
AL-WAKRAH	299,037
AL-KHAWR & ADH-DHAKHĪRAH	202,031
ASH-SHAHĀNIYAH	187,571
UMM SALĀL	90,835
AD-D'ĀYAN	54,339
ASH-SHAMĀL	8,794

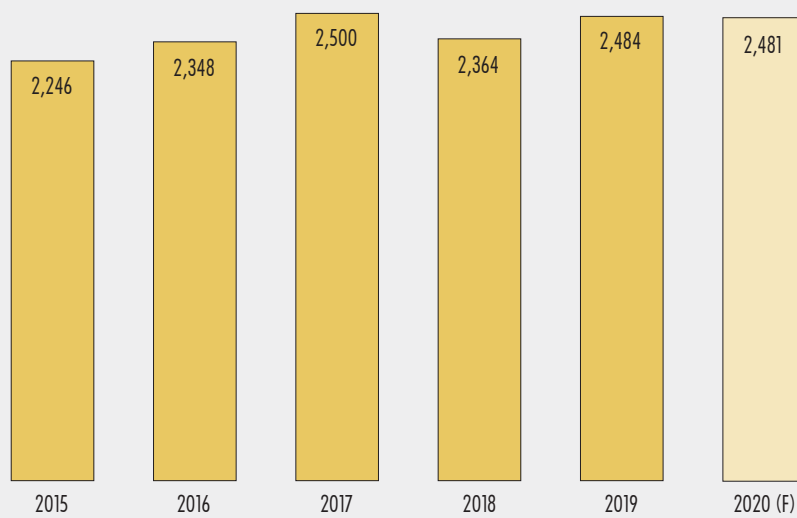
POPULATION OF THE MIDDLE EAST, IN MILLIONS, 2015-2020 (F)



SOURCE: WORLDOMETERS

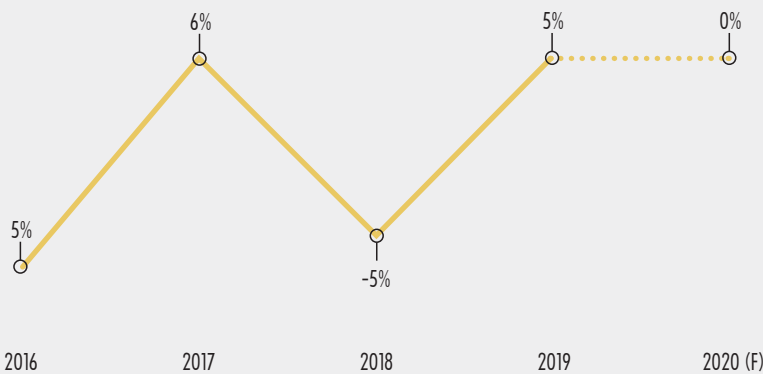
SOURCE: CITYPOPULATION.DE (2020)

GROSS DOMESTIC PRODUCT OF THE MIDDLE EAST, IN \$TN USD, 2015-2020 (F)



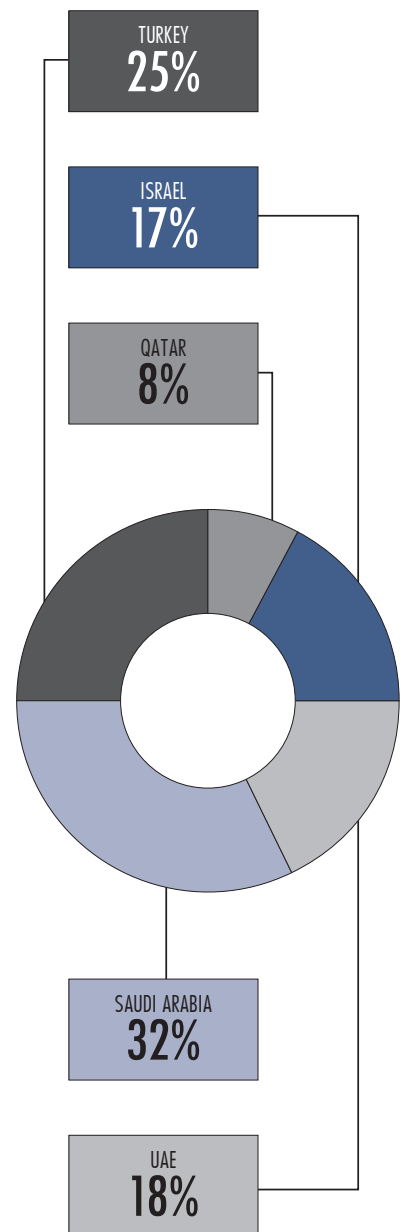
SOURCES: QUANDL, IMF, RETAILX ANALYSIS

GDP GROWTH, \$ USD, 2016-2020 (F)



SOURCES: QUANDL, IMF, RETAILX ANALYSIS

SHARE OF REGIONAL GDP, 2019



SOURCE: RETAILX ANALYSIS

THE FREEDOM TO DO MORE.

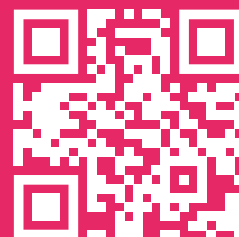


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Q&A:
IJAZ BHATTEE

**DIRECTOR, MIDDLE EAST,
AMPLIENCE**

Ijaz started his web development business in 1995 before joining Europe's leading ecommerce software business in 1997 as UK Technical Director. 2021 marks his 24th year in ecommerce.

As Amplience Director for the Middle East, Ijaz helps retailers deliver powerful customer experiences using the company's headless commerce platform. Ijaz enjoys engaging with customers to thoroughly understand commerce challenges and working together to build real and sustainable solutions that ultimately give retailers more freedom.

What are the main characteristics you see in the Middle East region concerning ecommerce market growth?

There are a number of factors we see driving the increase in growth across the region. Of course, the most immediate is the impact of the Covid-19 pandemic. In-store shopping in many parts of the Middle East was a regular leisure activity, so store closures have meant that digital channels have grown from being predominately a 'browsing' or 'marketing' channel to one delivering a much greater proportion of revenue. For some retailers, digital channels have become the main source of revenue. If executed well, and combined with an increase in fast, reliable and trackable logistical partners, the shift to ecommerce should stay strong and grow further.

What, for you, has been the most exciting recent development in ecommerce?

The greater ability to orchestrate the right experience in the right format, the right language, to the right customer, dynamically. The challenge of being able to produce and manage, at scale, the content needed to service these requirements has up until now been overwhelming. Our customers are now able to overcome this, orchestrating experiences at scale based on real data, which is incredible and exciting.

Mobile is now the main device used online in the whole region. How should businesses adapt?

With the rise in mobile has come the expectation from customers that they receive a seamless (and fast) experience when purchasing, and also a consistent experience when they interact with a retailer across all different channels. With this in mind, businesses need to adapt their strategy to be digital first and customer-centric. They also need to be creating online customer experiences that match their in-store experience.

What's one thing businesses need to do to succeed online?

Before making any decisions or investing in technology, businesses looking to drive revenue online need to think about the ever-changing demands of customers. Businesses need to be flexible, so must reorganise accordingly and empower their technical and business teams to work and adapt to those changes easily and with agility. By doing this, they can then deliver those services with a proven robustness that the business can rely on. ■



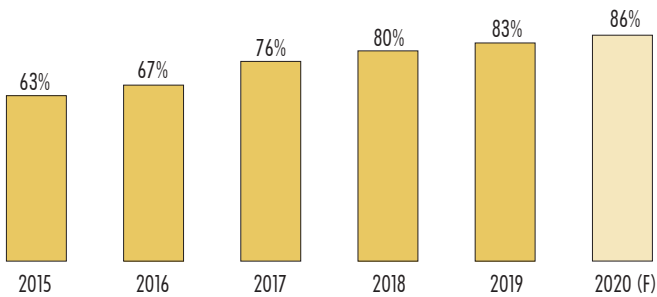
Amplience powers digital-first brands and retailers with the freedom to do more. Our low-code CMS, DAM and Digital Experience Management platform allows more than 350 of the world's leading brand teams to manage content, not code. The result is a rapid ROI for our clients who are delivering data and insight-driven customer experiences that drive deeper, more valuable customer relationships.

Amplience supports the industry's transition to Microservice, API-first, Cloud and Headless (MACH) technologies, is MACH certified and an executive member of the MACH Alliance.

For more information on the Amplience platform, including Dynamic Content and Dynamic Media, please visit www.amplience.com.

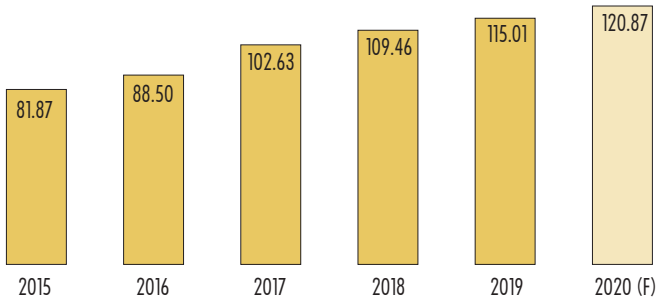
DIGITAL OVERVIEW

PERCENTAGE OF THE MIDDLE EAST POPULATION USING THE INTERNET



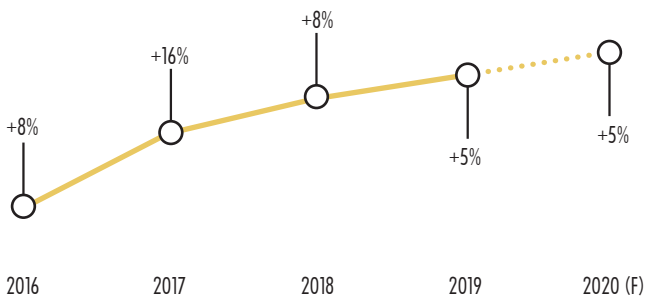
SOURCE: WORLD BANK

INTERNET USAGE IN THE MIDDLE EAST, MILLIONS OF USERS



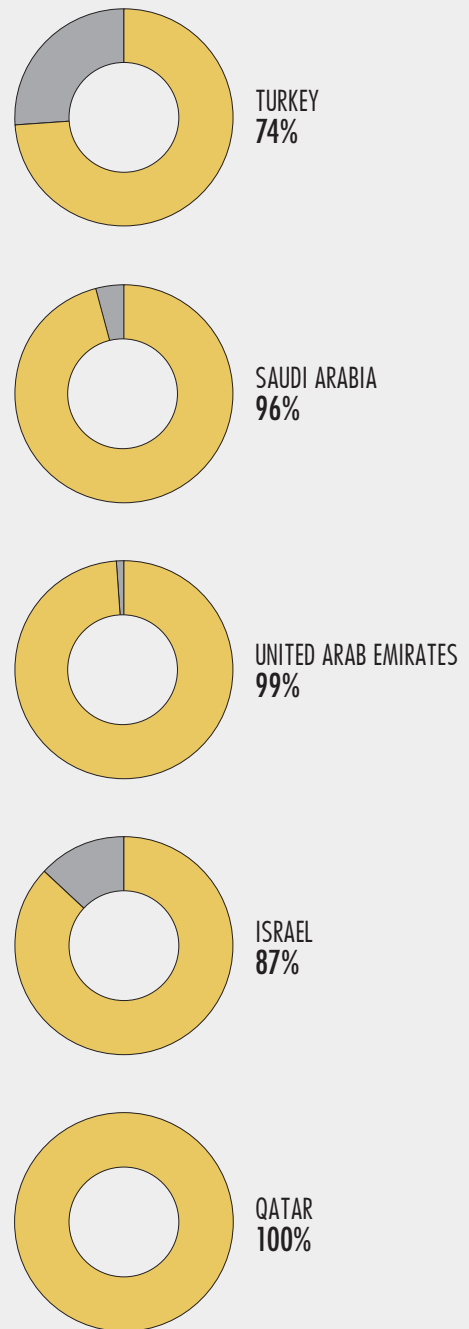
SOURCE: WORLD BANK

PERCENTAGE GROWTH OF INTERNET USAGE IN THE MIDDLE EAST



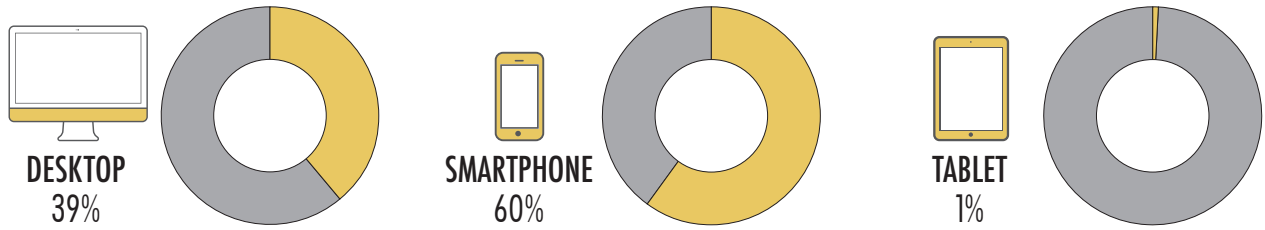
SOURCE: WORLD BANK

INTERNET AVAILABILITY ACROSS THE MIDDLE EAST, 2019



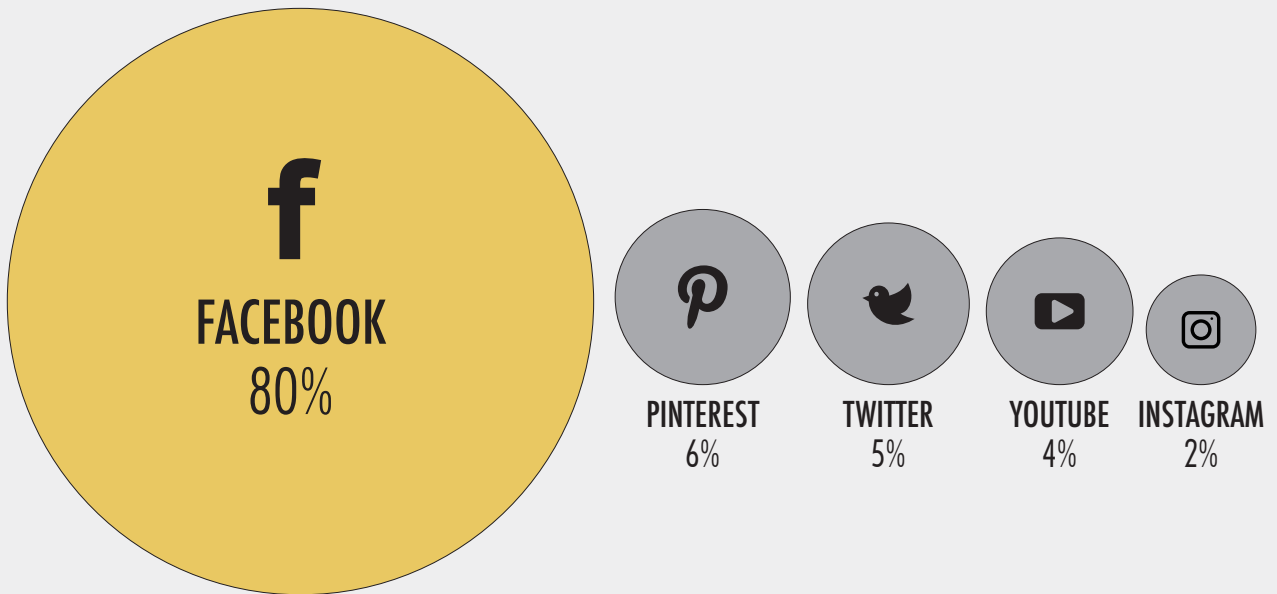
SOURCE: WORLD BANK

DEVICE USAGE FOR ONLINE



SOURCE: STATCOUNTER

SOCIAL MEDIA USAGE IN THE MIDDLE EAST



SOURCE: STATCOUNTER

INTERNET INCLUSIVITY INDEX

The Inclusive Internet Index is a benchmark based on Internet availability, affordability, relevance and the readiness of people to use it

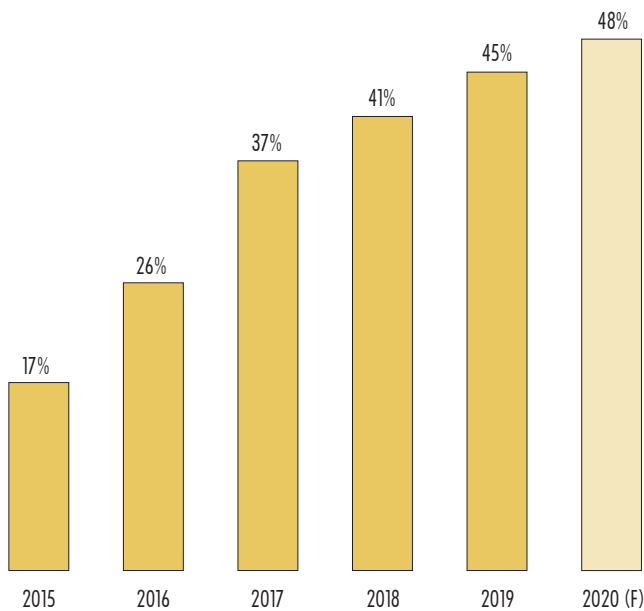
INDICES	DEFINITION	GLOBAL RANK: TURKEY	GLOBAL RANK: SAUDI ARABIA	GLOBAL RANK: UAE	GLOBAL RANK: QATAR
INTERNET INCLUSIVE INDEX	Benchmark based on internet availability, affordability, relevance and the readiness of people to use it	46 out of 100	43 out of 100	38 out of 100	28 out of 100

SOURCE: THE ECONOMIST INTELLIGENCE UNIT

KEY: ● Good ● Poor

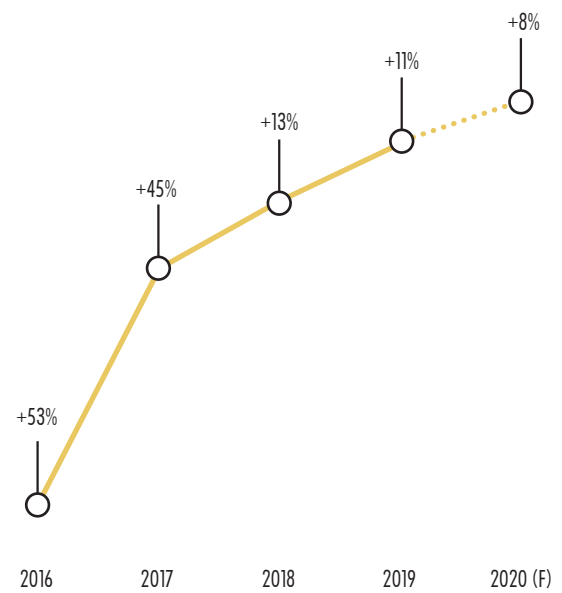
ECOMMERCE OVERVIEW

PERCENTAGE OF INTERNET USERS SHOPPING ONLINE



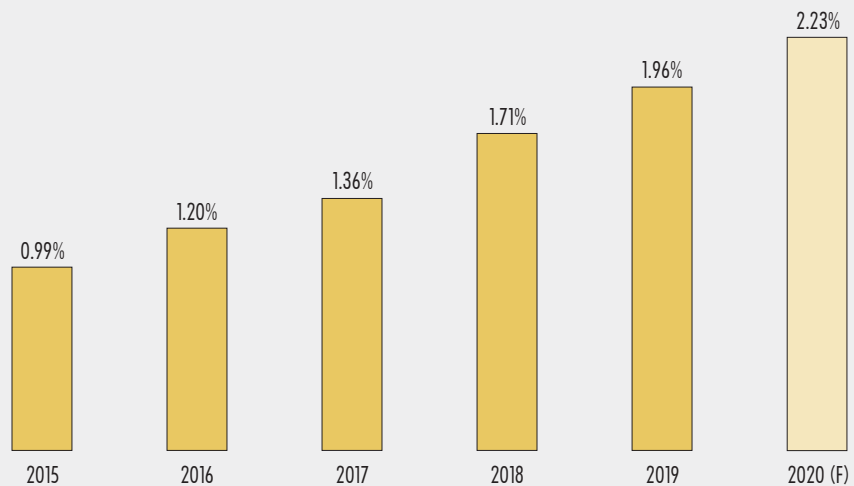
SOURCES: STATISTA, UNITED NATIONS, RETAILX ANALYSIS

E-SHOPPER GROWTH



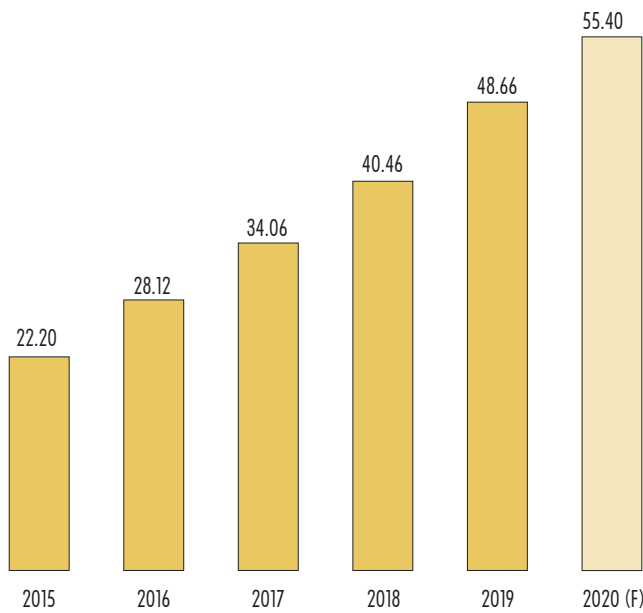
SOURCE: RETAILX ANALYSIS

B2C ECOMMERCE SALES AS PERCENTAGE OF TOTAL MIDDLE EAST GDP



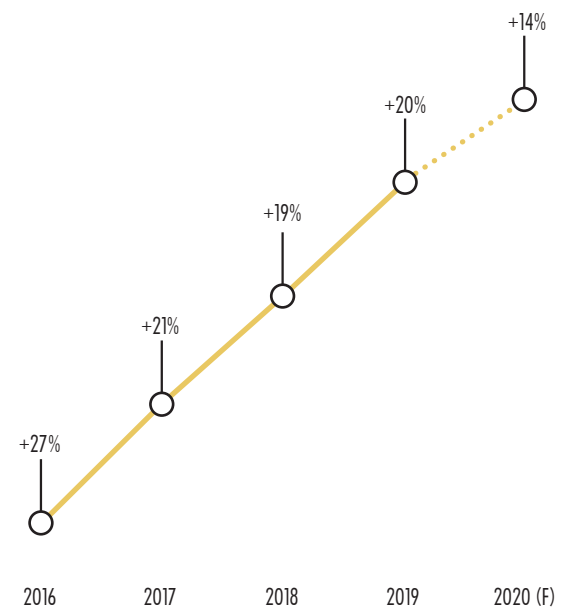
SOURCES: QUANDL, IMF, RETAILX ANALYSIS

B2C ECOMMERCE TURNOVER, \$BN USD



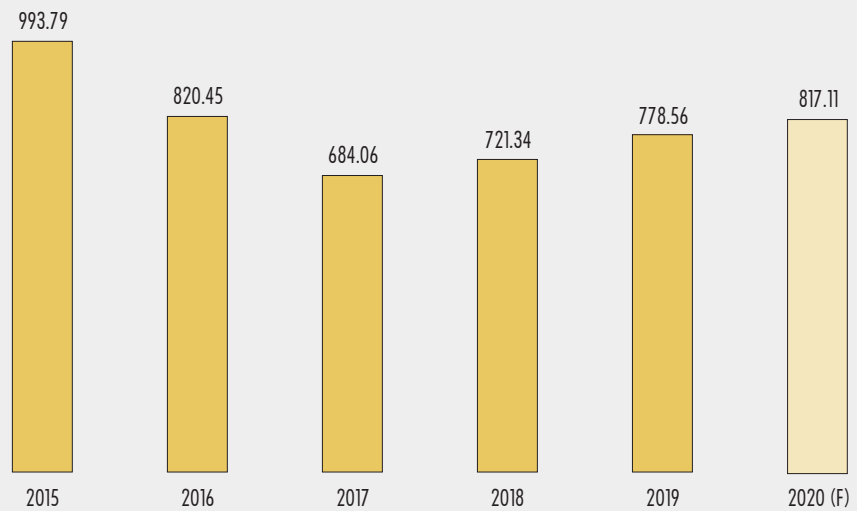
SOURCES: STATISTA, EXPORT.GOV, DELOITTE, VISA, GO-GULF ECOMMERCE QATAR, RETAILX ANALYSIS

B2C ECOMMERCE TURNOVER GROWTH, \$ USD



SOURCE: RETAILX ANALYSIS

ECOMMERCE SPENDING PER E-SHOPPER, \$ USD



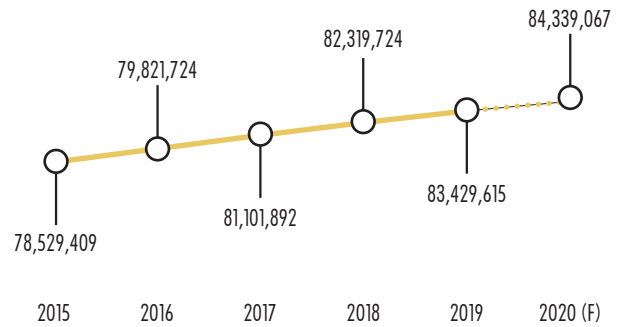
SOURCE: RETAILX ANALYSIS

TURKEY

COUNTRY PROFILE

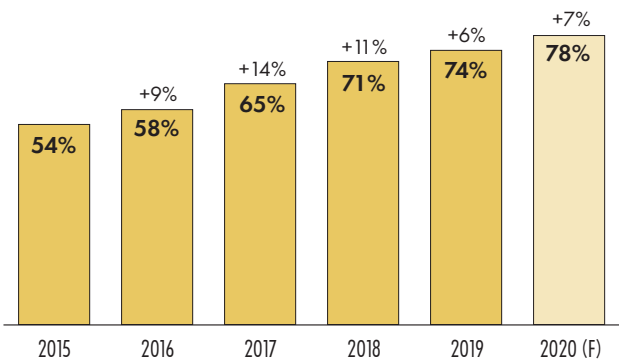
- AREA: 783,562 KM²
- CAPITAL: ANKARA
- CURRENCY: TURKISH LIRA (YTL)
- OFFICIAL/NATIONAL LANGUAGE: TURKISH
- NATIONALITY: TURKS
- GOVERNMENT: REPUBLICAN PARLIAMENTARY DEMOCRACY
- VAT: 18%

POPULATION, 2015-2020 (F)



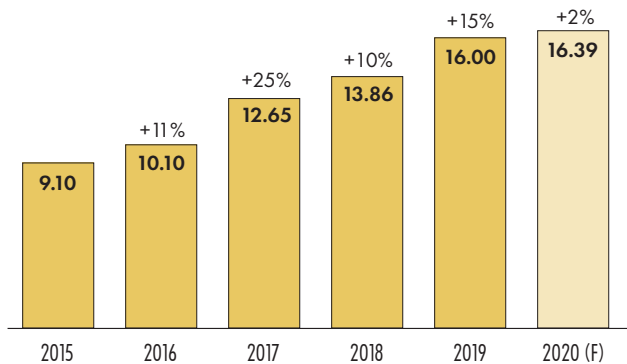
SOURCE: STATISTA

PERCENTAGE OF THE POPULATION USING THE INTERNET, 2015-2020 (F)



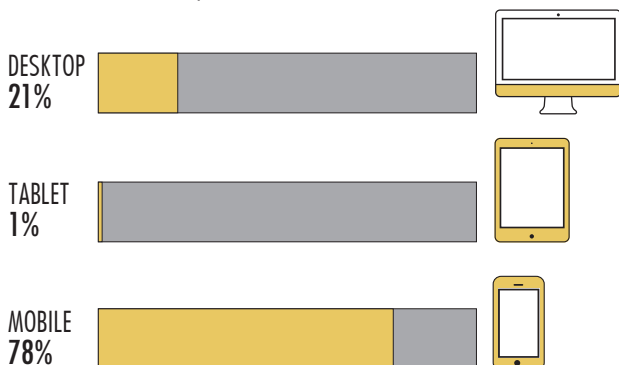
SOURCE: WORLD BANK

B2C ECOMMERCE TURNOVER FOR TURKEY, IN \$BN USD, 2015-2020 (F)



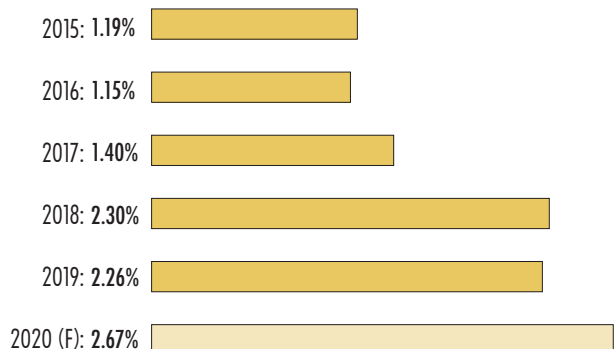
SOURCE: EXPORT.GOV, RETAILX ANALYSIS

MARKET SHARE OF DEVICES USED IN TURKEY, 2020



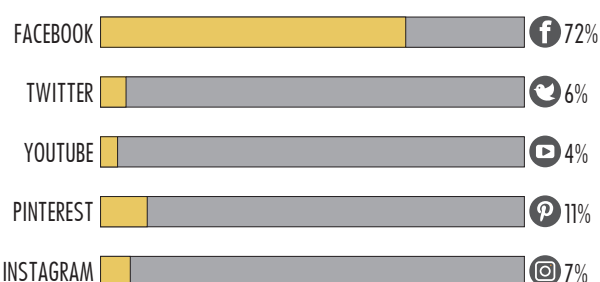
SOURCE: STATISTA

B2C ECOMMERCE TURNOVER AS PERCENTAGE OF GDP, 2015-2020 (F)



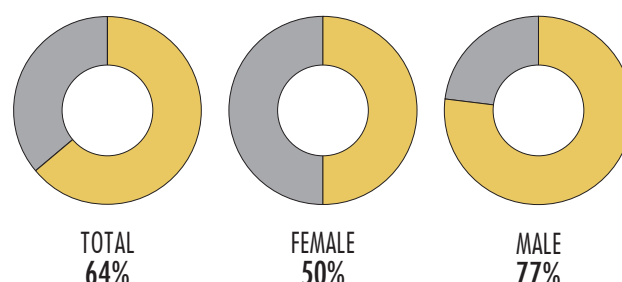
SOURCE: QUANDL, IMF, RETAILX ANALYSIS

SOCIAL MEDIA USAGE IN TURKEY, 2020



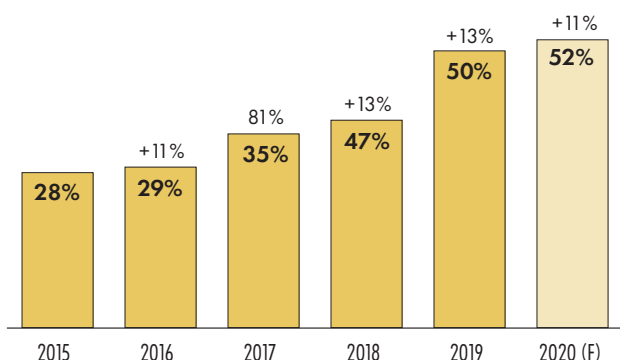
SOURCE: STATISTA

ESHOPPERS WHO MADE OR RECEIVED DIGITAL PAYMENTS IN THE PAST YEAR, 2017



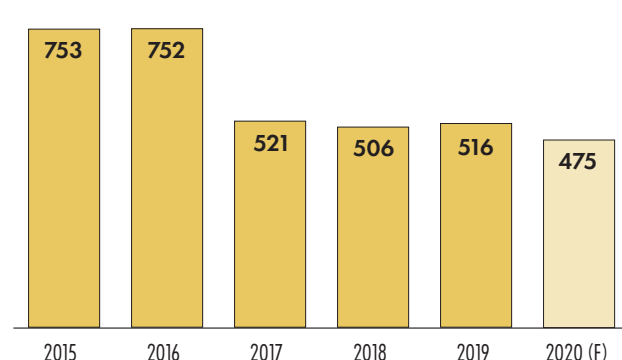
SOURCE: WORLD BANK

SHARE OF THE ONLINE POPULATION SHOPPING ONLINE, 2015-2020 (F)



SOURCE: UNITED NATIONS, STATISTA, RETAILX ANALYSIS

ECOMMERCE SPENDING PER E-SHOPPER, \$ USD



SOURCE: EXPORT.GOV, RETAILX ANALYSIS

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI) 2018	LPI measures performance along the logistics supply chain within a country	34 out of 160
EASE OF DOING BUSINESS INDEX 2020	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	33 out of 190
E-GOVERNMENT DEVELOPMENT INDEX 2020	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	53 out of 193
INCLUSIVE INTERNET INDEX 2020	Benchmark based on internet availability, affordability, relevance and the readiness of people to use it	46 out of 100
UNIVERSAL POSTAL UNION RELIABILITY SCORE RANKING 2020	A comparative indicator of postal development around the world, based on reliability, reach, relevance and resilience	47 out of 170

SOURCE: WORLD BANK, UNITED NATIONS, THE ECONOMIST INTELLIGENCE UNIT, UNIVERSAL POSTAL UNION

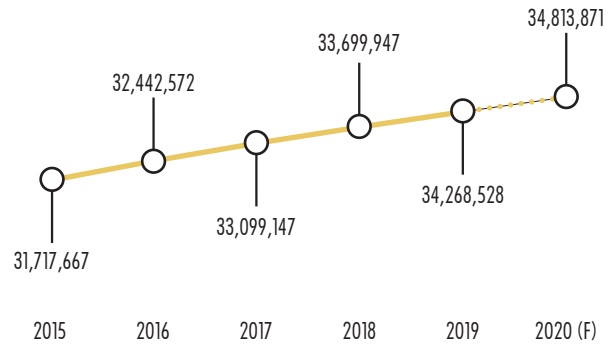
KEY: ● Top quartile ○ Second quartile ● Third quartile ● Bottom quartile

SAUDI ARABIA

COUNTRY PROFILE

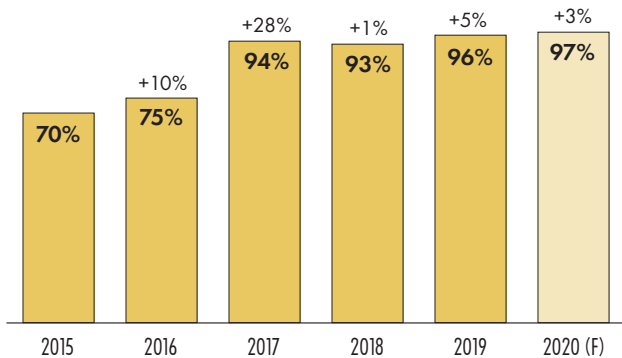
- AREA: 2,149,690 KM²
- CAPITAL: RIYADH
- CURRENCY: SAUDI RIYAL, SR (SAR)
- OFFICIAL/NATIONAL LANGUAGES: HEJAZI, NAJDI, HASSAWI, JANUBI (SOUTHERN)
- NATIONALITY: SAUDI ARABIAN
- GOVERNMENT: UNITARY ISLAMIC ABSOLUTE MONARCHY

POPULATION, 2015-2020(F)



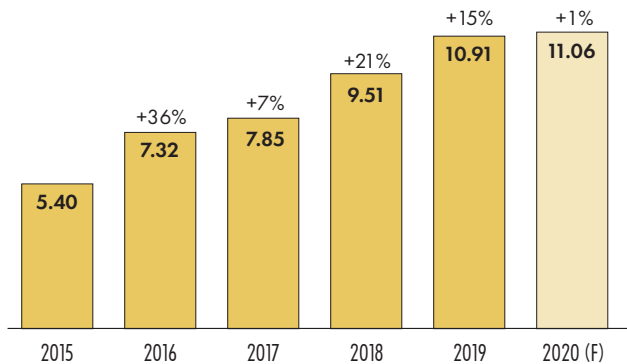
SOURCE: WORLDOMETERS

PERCENTAGE OF THE POPULATION USING THE INTERNET, 2015-2020 (F)



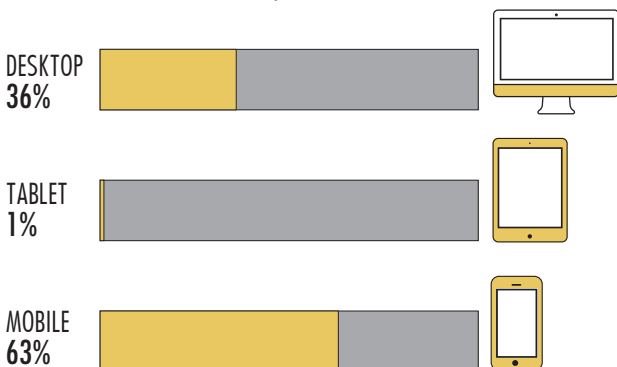
SOURCE: WORLD BANK, RETAILX ANALYSIS

B2C ECOMMERCE TURNOVER FOR SAUDI ARABIA, IN \$BN USD, 2015-2020 (F)



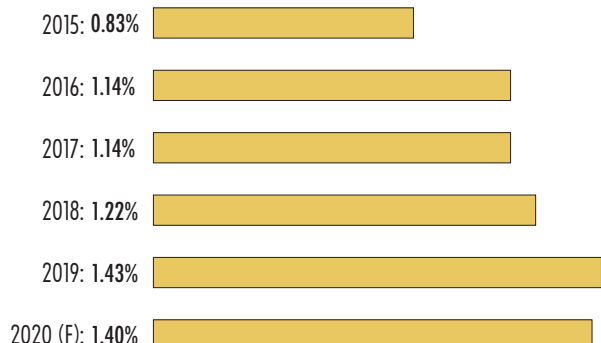
SOURCE: DELOITTE, STATISTA, RETAILX ANALYSIS

MARKET SHARE OF DEVICES USED IN SAUDI ARABIA, 2020



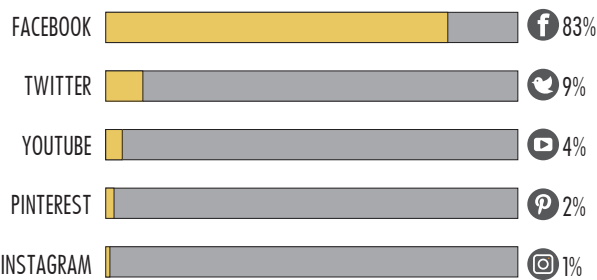
SOURCE: STATCOUNTER

B2C ECOMMERCE TURNOVER AS PERCENTAGE OF GDP, 2015-2020 (F)



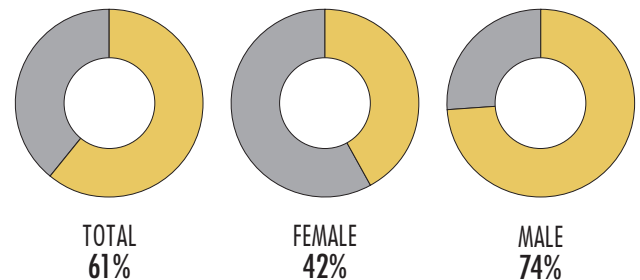
SOURCE: QUANDL, IMF, RETAILX ANALYSIS

SOCIAL MEDIA USAGE IN SAUDI ARABIA, 2020



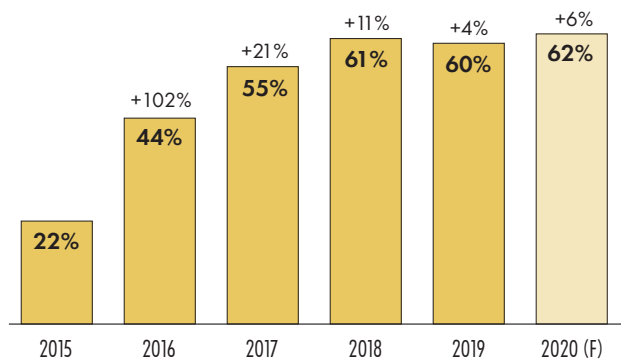
SOURCE: STATCOUNTER

MADE OR RECEIVED DIGITAL PAYMENTS IN THE PAST YEAR, 2017



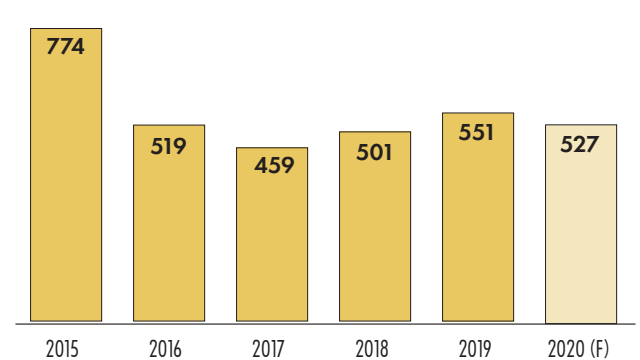
SOURCE: WORLD BANK

SHARE OF THE ONLINE POPULATION SHOPPING ONLINE, 2015-2020 (F)



SOURCE: UNITED NATIONS, STATISTA

E-COMMERCE SPENDING PER E-SHOPPER, \$ USD



SOURCE: RETAILX ANALYSIS

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI) 2018	LPI measures performance along the logistics supply chain within a country	52 out of 160
EASE OF DOING BUSINESS INDEX 2020	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	62 out of 190
E-GOVERNMENT DEVELOPMENT INDEX 2020	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	43 out of 193
INCLUSIVE INTERNET INDEX 2020	Benchmark based on internet availability, affordability, relevance and the readiness of people to use it	43 out of 100
UNIVERSAL POSTAL UNION RELIABILITY SCORE RANKING 2020	A comparative indicator of postal development around the world, based on reliability, reach, relevance and resilience	50 out of 170

SOURCE: WORLD BANK, UNITED NATIONS, THE ECONOMIST INTELLIGENCE UNIT, UNIVERSAL POSTAL UNION

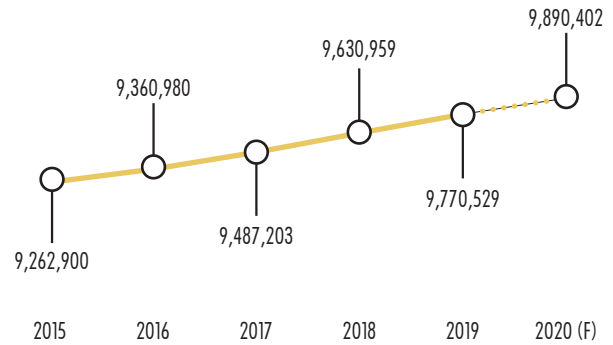
KEY: ● Top quartile ○ Second quartile ● Third quartile ● Bottom quartile

UNITED ARAB EMIRATES

COUNTRY PROFILE

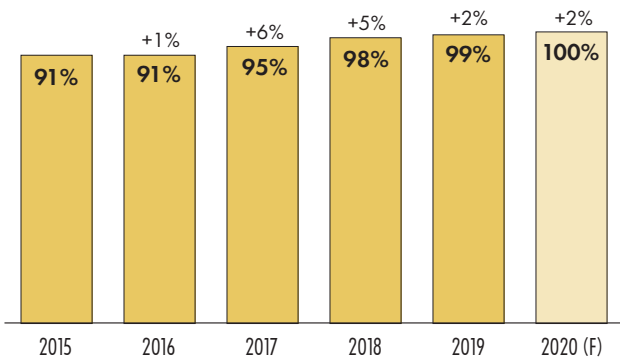
- AREA: 83,600 KM²
- CAPITAL: ABU DHABI
- CURRENCY: UAE DIRHAM (AED)
- OFFICIAL/NATIONAL LANGUAGE: ARABIC
- NATIONALITY: EMIRATI
- GOVERNMENT: FEDERAL ABSOLUTE MONARCHY
- VAT: 5%

POPULATION, 2015-2020 (F)



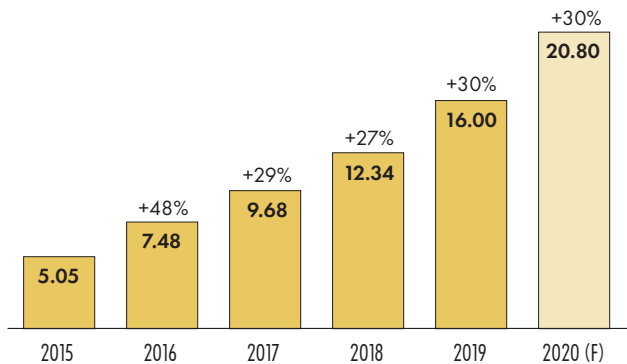
SOURCE: STATISTA

PERCENTAGE OF THE POPULATION USING THE INTERNET, 2015-2020 (F)



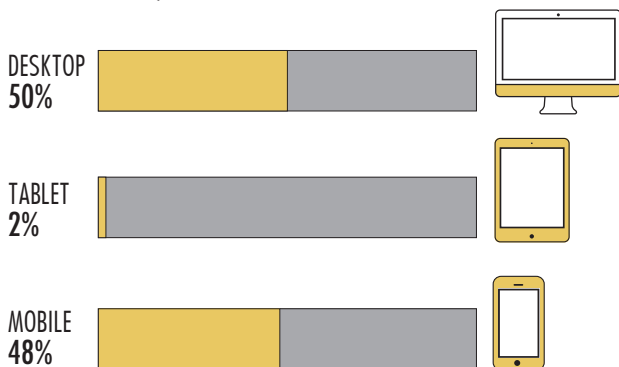
SOURCE: WORLD BANK

B2C ECOMMERCE TURNOVER FOR UAE, IN \$BN USD, 2015-2020 (F)



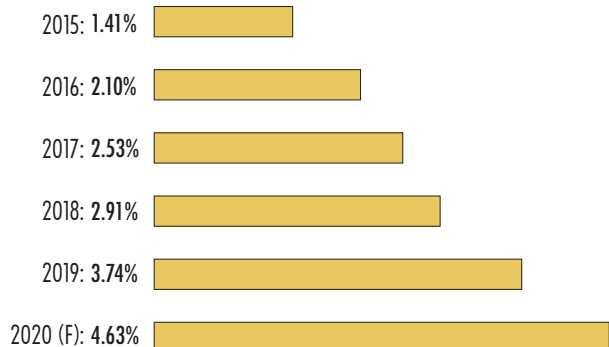
SOURCE: DED (DUBAI), STATISTA, VISA, RETAILX ANALYSIS

MARKET SHARE OF DEVICES USED IN UAE, 2020



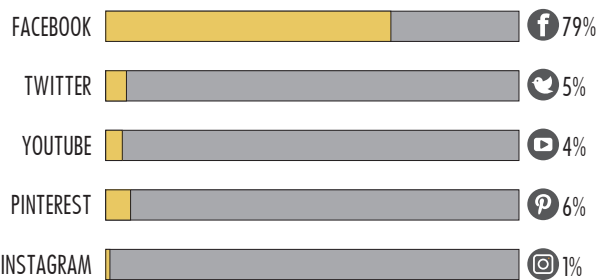
SOURCE: STATISTA

B2C ECOMMERCE TURNOVER AS PERCENTAGE OF GDP, 2015-2020 (F)



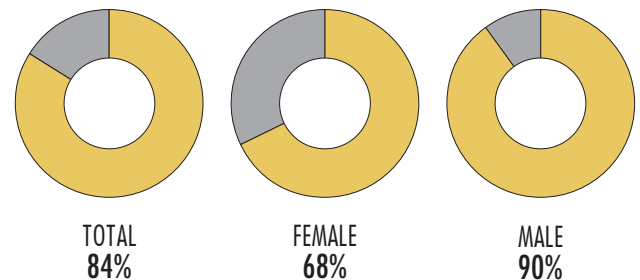
SOURCE: QUANDL, IMF, RETAILX ANALYSIS

SOCIAL MEDIA USAGE IN UAE, 2020



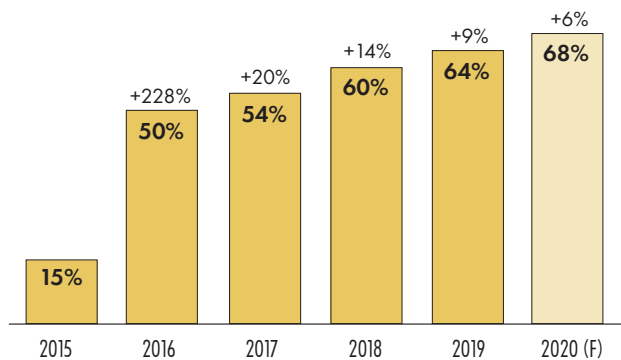
SOURCE: STATISTA

MADE OR RECEIVED DIGITAL PAYMENTS IN THE PAST YEAR, 2017



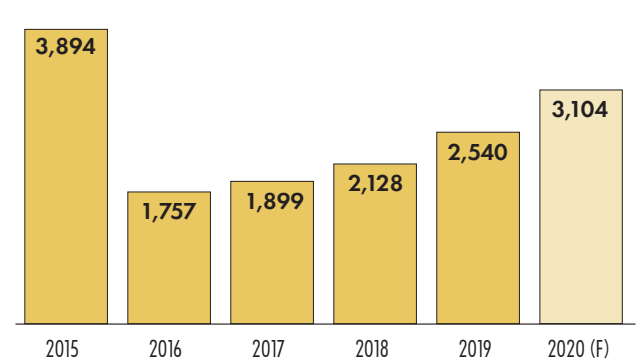
SOURCE: WORLD BANK

SHARE OF THE ONLINE POPULATION SHOPPING ONLINE, 2015-2020 (F)



SOURCE: UNITED NATIONS, STATISTA

ECOMMERCE SPENDING PER E-SHOPPER, \$ USD



SOURCE: RETAILX ANALYSIS

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI) 2018	LPI measures performance along the logistics supply chain within a country	13 out of 160
EASE OF DOING BUSINESS INDEX 2020	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	16 out of 190
E-GOVERNMENT DEVELOPMENT INDEX 2020	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	21 out of 193
INCLUSIVE INTERNET INDEX 2020	Benchmark based on internet availability, affordability, relevance and the readiness of people to use it	38 out of 100
UNIVERSAL POSTAL UNION RELIABILITY SCORE RANKING 2020	A comparative indicator of postal development around the world, based on reliability, reach, relevance and resilience	70 out of 170

SOURCE: WORLD BANK, UNITED NATIONS, THE ECONOMIST INTELLIGENCE UNIT, UNIVERSAL POSTAL UNION

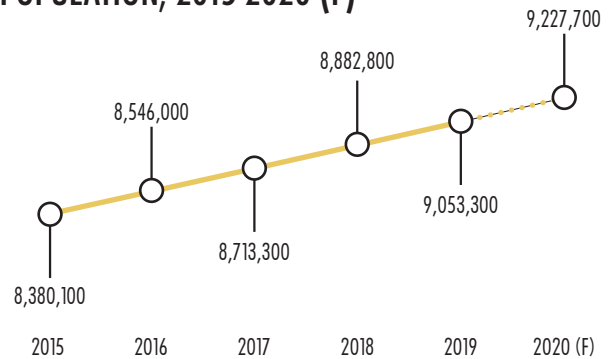
KEY: ● Top quartile ○ Second quartile ● Third quartile ● Bottom quartile

ISRAEL

COUNTRY PROFILE

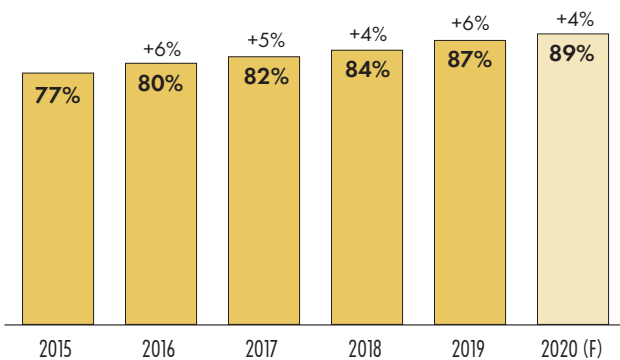
- AREA: 22,072 KM²
- CAPITAL: JERUSALEM
- CURRENCY: NEW SHEKEL (ILS)
- OFFICIAL/NATIONAL LANGUAGE: HEBREW
- NATIONALITY: ISRAELI
- GOVERNMENT: UNITARY PARLIAMENTARY REPUBLIC
- VAT: 17%

POPULATION, 2015-2020 (F)



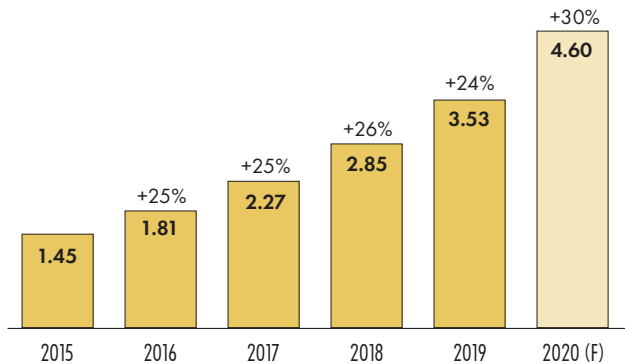
SOURCE: STATISTA

PERCENTAGE OF THE POPULATION USING THE INTERNET, 2015-2020 (F)



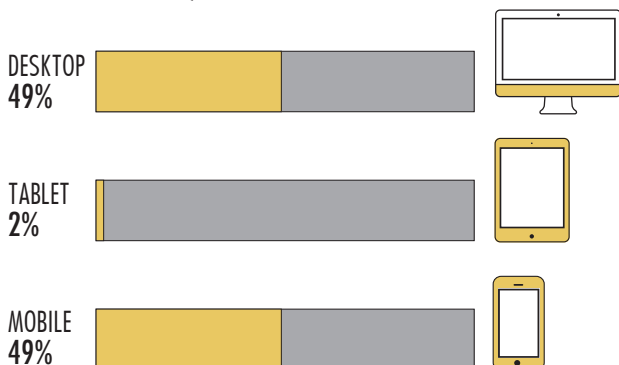
SOURCE: WORLD BANK

B2C ECOMMERCE TURNOVER FOR ISRAEL, IN \$BN USD, 2015-2020 (F)



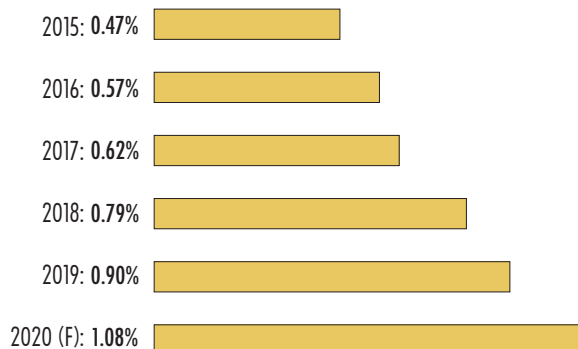
SOURCE: STATISTA, RETAILX ANALYSIS

MARKET SHARE OF DEVICES USED IN ISRAEL, 2020



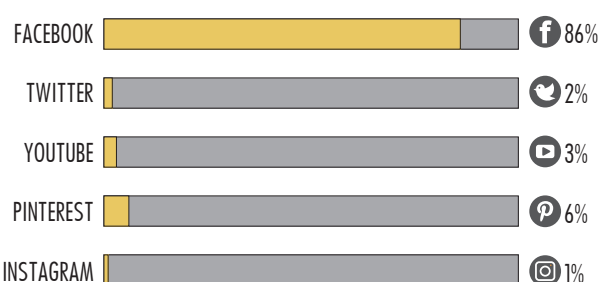
SOURCE: STATCOUNTER

B2C ECOMMERCE TURNOVER AS PERCENTAGE OF GDP 2015-2020 (F)



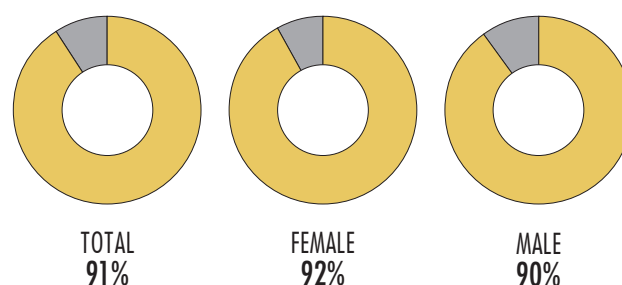
SOURCE: QUANDL, IMF, RETAILX ANALYSIS

SOCIAL MEDIA USAGE IN ISRAEL, 2020



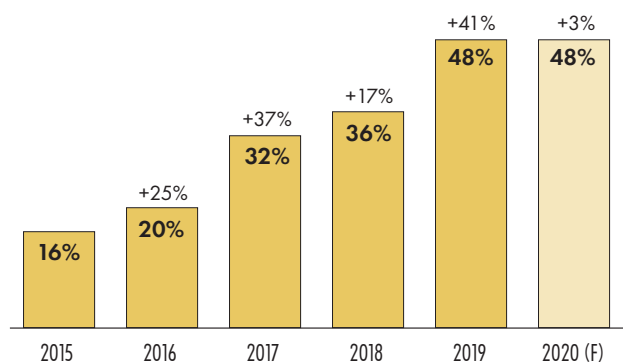
SOURCE: STATCOUNTER

ESHOPPERS WHO MADE OR RECEIVED DIGITAL PAYMENTS IN THE PAST YEAR, 2017



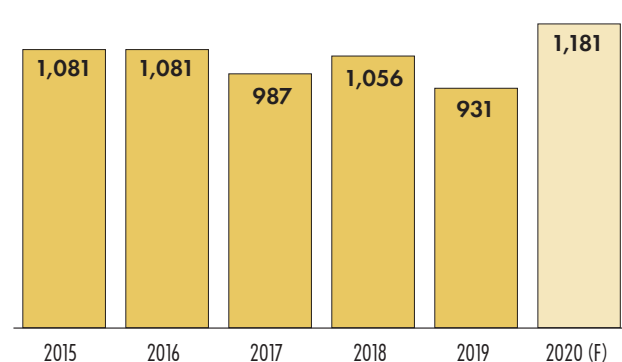
SOURCE: WORLD BANK

SHARE OF THE ONLINE POPULATION SHOPPING ONLINE, 2015-2020 (F)



SOURCE: STATISTA, UNITED NATIONS, RETAILX ANALYSIS

ECOMMERCE SPENDING PER E-SHOPPER, \$ USD



SOURCE: RETAILX ANALYSIS

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI) 2018	LPI measures performance along the logistics supply chain within a country	28 out of 160
EASE OF DOING BUSINESS INDEX 2020	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	35 out of 190
E-GOVERNMENT DEVELOPMENT INDEX 2020	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	30 out of 193
UNIVERSAL POSTAL UNION RELIABILITY SCORE RANKING 2020	A comparative indicator of postal development around the world, based on reliability, reach, relevance and resilience	35 out of 170

SOURCE: WORLD BANK, UNITED NATIONS, THE ECONOMIST INTELLIGENCE UNIT, UNIVERSAL POSTAL UNION

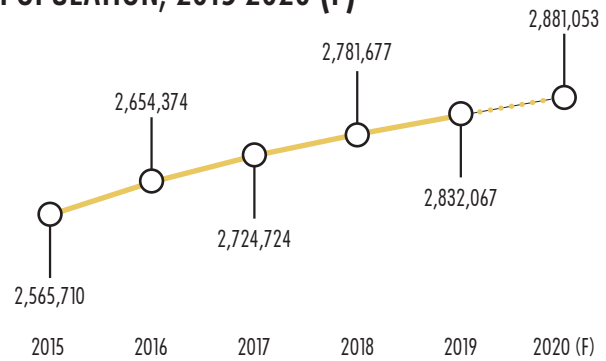
KEY: ● Top quartile ○ Second quartile ● Third quartile ● Bottom quartile

QATAR

COUNTRY PROFILE

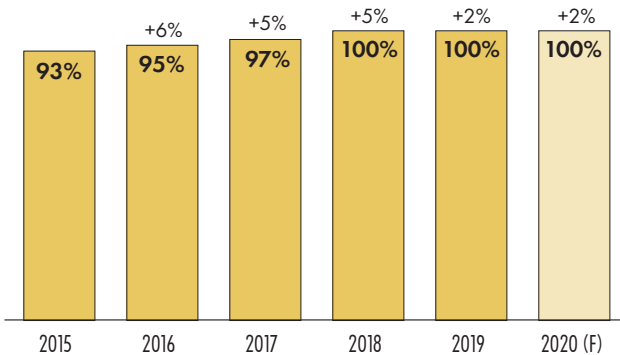
- AREA: 11,581 KM²
- CAPITAL: DOHA
- CURRENCY: RIYAL (QAR)
- OFFICIAL/NATIONAL LANGUAGE: ARABIC
- NATIONALITY: QATARI
- GOVERNMENT: UNITARY CONSTITUTIONAL MONARCHY
- VAT: 0%

POPULATION, 2015-2020 (F)



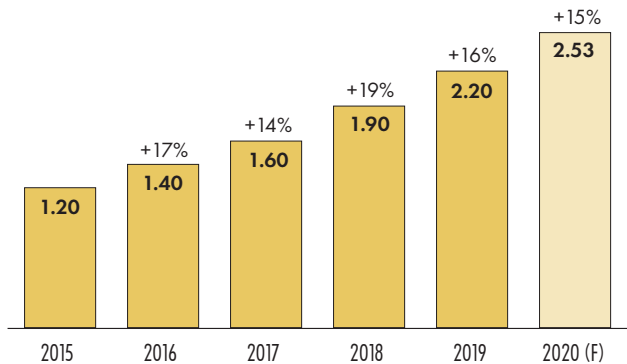
SOURCE: WORLDOMETERS

PERCENTAGE OF THE POPULATION USING THE INTERNET, 2015-2020 (F)



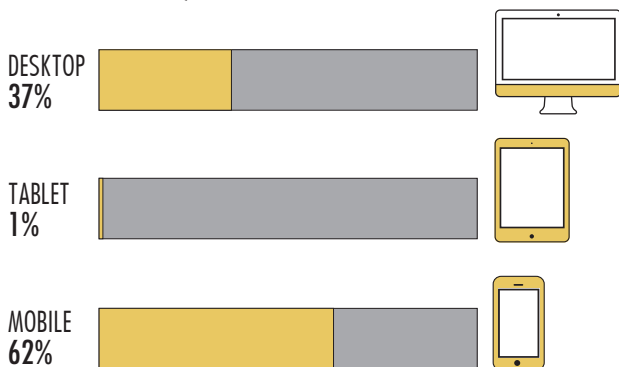
SOURCE: WORLD BANK

B2C ECOMMERCE TURNOVER FOR QATAR, IN \$BN USD, 2015-2020 (F)



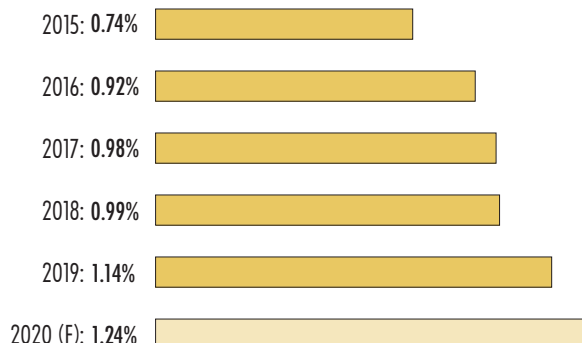
SOURCE: GO-GULF ECOMMERCE QATAR, STATISTA, RETAILX ANALYSIS

MARKET SHARE OF DEVICES USED IN QATAR, 2020



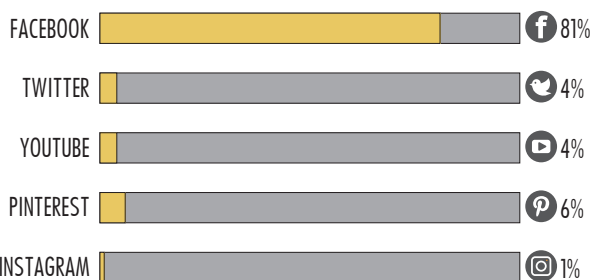
SOURCE: STATCOUNTER

B2C ECOMMERCE TURNOVER AS PERCENTAGE OF GDP, 2015-2020 (F)



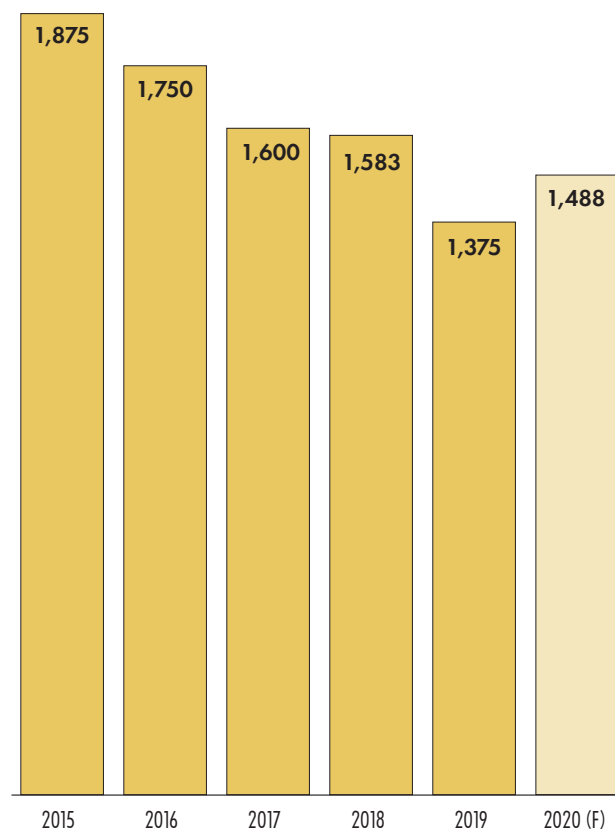
SOURCE: QUANDL, IMF, RETAILX ANALYSIS

SOCIAL MEDIA USAGE IN QATAR, 2020



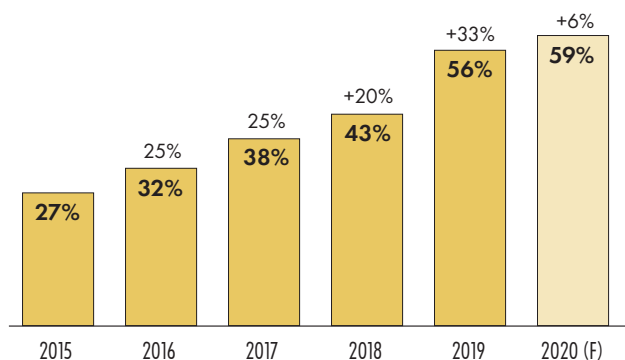
SOURCE: STATCOUNTER

ECOMMERCE SPENDING PER E-SHOPPER, \$ USD



SOURCE: RETAILX ANALYSIS

SHARE OF THE ONLINE POPULATION SHOPPING ONLINE, 2015-2020 (F)



SOURCE: STATISTA

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI) 2018	LPI measures performance along the logistics supply chain within a country	30 out of 160
EASE OF DOING BUSINESS INDEX 2020	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	77 out of 190
E-GOVERNMENT DEVELOPMENT INDEX 2020	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	68 out of 193
UNIVERSAL POSTAL UNION RELIABILITY SCORE RANKING 2020	A comparative indicator of postal development around the world, based on reliability, reach, relevance and resilience	65 out of 170

SOURCE: WORLD BANK, UNITED NATIONS, THE ECONOMIST INTELLIGENCE UNIT, UNIVERSAL POSTAL UNION

KEY: ● Top quartile ○ Second quartile ● Third quartile ● Bottom quartile

CONFLICT, PEACE AND DIGITALISATION IN THE MIDDLE EAST

In a sometimes unstable region, businesses need to stay informed of, and adapt to, the wider geopolitical situation that can – and does – cause rapid changes

ISRAEL

In 1967 the Arab League united against Israel with a resolution aptly referred to as the “Three Nos”: no peace with Israel, no recognition of Israel, no negotiations with Israel. The resolution stemmed from several concerns the Arab world had with the still young yet militarily powerful Israel, namely the country’s refusal to recognise Palestine paired with Israel militarily occupying the Gaza Strip, West Bank and East Jerusalem that same year.

Over time, some countries have relaxed these policies, namely Egypt in 1978 and Jordan in 1994. Bringing stability to the conflict-ridden Middle East was the primary reason behind recognition of Israel, with both Egypt and Jordan’s leaders well aware of conflict’s detrimental economic impacts to trade in an increasingly globalised world. In both negotiations, the United States was instrumental, with Presidents Jimmy Carter and Bill Clinton accompanying the Israeli Prime Minister, serving as the most powerful interlocutor.

Fast-forward to 2020 and the United States is playing the same role: peace broker for the Middle East. President Donald Trump released his Middle East Peace Plan in January 2020 and has received praise for Israel’s recent recognition amongst some countries, namely the United Arab Emirates, Bahrain and Sudan. Immediately following the agreement to normalise relations, the Trump Administration proposed \$23bn in arms sales to the UAE. If this deal is passed by Congress, the UAE would become the first Arab nation with the F-35 fighter jet.

Despite the appeal from the UAE’s new deal, the likelihood of additional Arab states recognising Israel remains slim. In 2002, the Council of the League of Arab States called for the “establishment of a sovereign, independent Palestinian State”, a position that many Arab states, including Saudi Arabia, holds

firmly to. Trump’s plan misses the mark here, specifically in the language of the text, which speaks of “Palestinians” as a people but not “Palestine” as a country.

If this seemed to the casual observer to be a problematic choice of words, President Trump’s contradiction of UN Security Council Resolution 478 further proves his mission. This Resolution rejected Israel’s claim to Jerusalem as the capital of Israel while Trump’s plan calls for Jerusalem to “remain” the sovereign capital. Adding insult to injury, President Trump then announced US recognition of Jerusalem as the capital of Israel and sealed the deal by relocating the US embassy from Tel Aviv to Jerusalem early on in his presidency.

Under President Trump, the United States has firmly planted itself as an ally of Israel. However, Israel’s future with the United States is uncertain with the incoming Biden administration. President-elect Biden has given the impression that while the Israel-Palestine conflict is on his radar, it will not be at the forefront. The Middle East is not a monolith, and every country is likely weighing recognition of Israel through their own lens. Should Arab states feel that the benefits to their own country outweigh the merits of the resolution signed in 1967, then the Middle East may indeed open up to more trade, particularly digital trade, with Israel.

IRAN

Digital trade has undoubtedly been impacted by these recent events. Online retailers situated in western countries take their cues from, and must abide by, government policies in international trade. Sanctions against Iran have crippled its economy during the pandemic and have hurt Iran’s financial and logistics sectors, which are both very important for the growth of ecommerce. Moreover, the purchasing power of Iranian citizens has taken a hit, leaving startups struggling to stay afloat.

Any increased trade and investment following the 2016 Iran Nuclear Deal has been severely stunted by sanctions as well as the devastating number of Covid-19 cases and deaths. At a time when economies around the world are turning to ecommerce to deal with the pandemic, Iran’s supply chain is struggling with restrictions on importing and exporting. Penalties for selling to a sanctioned country are also in place for ecommerce behemoths like Amazon and eBay. Where under normal circumstances, domestic retailers would naturally take their place, the pandemic has negatively impacted that expansion.



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The Trump administration's recognition of Jerusalem as Israel's capital proves that change in the Middle East rarely pleases everyone

THE DIGITAL FUTURE OF THE REGION

The countries discussed here are examples of the impact that external forces are having on domestic ecommerce markets, although the reality is that growth in the Middle East is inevitable and rapid. Many countries in the region have exceedingly high levels of internet use among the population, as well as young, well-educated populations. With widespread digitalisation and heavy mobile device usage, the Middle East is technologically in the best position for ecommerce to flourish.

In addition to technology, several governments in the region have turned their attention towards policies incentivising and aiding in ecommerce expansion. Saudi Arabia's Ministry of Commerce and Investment introduced an Electronic Commerce Law in 2019 and has listed ecommerce as one of the pillars in their Vision 2030 National Transformation Programme. Additionally, the UAE already has a legislative framework

encompassing data protection and ecommerce laws. The growth of ecommerce has also been impacted by international players, including Amazon, with their purchase in 2017 of the most popular Arab marketplace, Souq.com.

However, Amazon is not the only big player in the Arab online market. The French multinational corporation Carrefour, one of the largest retailers in the UAE, has also launched online shopping portals.

For online retailers hoping to expand into the Middle East, the foundations are already in place. Countries you may have thought were lagging behind in digitalisation or ecommerce are in fact progressing rapidly, even amid the current pandemic. The futures of Israel, Iran, and their relationship with the United States will be ongoing points of contention in the Middle East, but these markets continue to prove year after year that ecommerce is most definitely part of those futures. ■

MIDDLE EAST REPORT DATA SOURCES

To supplement our own research in our analysis for the Middle East 2020 Ecommerce Country Report, we drew on these sources. While each one is referenced next to the chart or graphic they are used in, for transparency, here are all the links:

OVERALL REPORT

POPULATION: www.worldometers.info/

INTERNET USAGE:

<https://databank.worldbank.org/Internet-Penetration-over-time/id/3bdec3cd>

DEVICE MARKET SHARE: <https://gs.statcounter.com/>

SOCIAL MEDIA USAGE: <https://gs.statcounter.com/>

GDP: www.quandl.com/

LOGISTICS PERFORMANCE INDEX: <https://lpi.worldbank.org/>

EASE OF DOING BUSINESS INDEX: www.doingbusiness.org/en/rankings

E-GOVERNMENT DEVELOPMENT INDEX: www.un.org/development/desa/publications/publication/2020-united-nations-e-government-survey

INCLUSIVE INTERNET INDEX: <https://theinclusiveinternet.eiu.com/>

ISRAEL

E-SHOPPER: https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d09_en.pdf

www.statista.com/outlook/243/111/ecommerce/israel#market-arputa

PAYMENT METHODS:

www.statista.com/statistics/458527/preferred-digital-payment-methods-in-israel/

B2C: www.statista.com/outlook/243/111/ecommerce/israel#market-revenue

CROSS-BORDER ECOMMERCE SHARE:

www.statista.com/statistics/348108/cross-border-e-commerce-usage-worldwide/

QATAR

E-SHOPPER: www.statista.com/outlook/243/303/ecommerce/qatar#market-revenue

PAYMENT METHODS: www.eshopworld.com/middle-east-ecommerce-kuwait-qatar/

B2C: www.go-gulf.qa/ecommerce-qatar/

ECOMMERCE SPENDING:

www.statista.com/statistics/348108/cross-border-e-commerce-usage-worldwide/

SAUDI ARABIA

E-SHOPPER: https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d09_en.pdf

PAYMENT METHODS: www.statista.com/statistics/985104/saudi-arabia-online-shopping-preferred-payment-method-by-type/

B2C: <https://www2.deloitte.com/sa/en/pages/about-deloitte/articles/we-are-25/e-commerce.html>

<https://www2.deloitte.com/sa/en/pages/about-deloitte/articles/we-are-25/e-commerce.html>

www.statista.com/outlook/330/110/digital-commerce/saudi-arabia

CROSS-BORDER ECOMMERCE SHARE:

www.statista.com/statistics/348108/cross-border-e-commerce-usage-worldwide/

TURKEY

E-SHOPPER: www.statista.com/outlook/243/113/ecommerce/turkey#market-revenue

B2C: www.export.gov/article?id=Turkey-eCommerce

PAYMENT METHODS:

www.statista.com/forecasts/826633/popular-ways-of-online-payment-in-turkey

ATTITUDES TOWARDS ONLINE SHOPPING:

www.statista.com/forecasts/1003017/attitudes-towards-online-shopping-in-turkey

UNITED ARAB EMIRATES

E-SHOPPER: https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d14_en.pdf

B2C: www.statista.com/statistics/1082694/united-arab-emirates-e-commerce-sales/

<https://www2.deloitte.com/sa/en/pages/about-deloitte/articles/we-are-25/e-commerce.html>

<https://ae.visamiddleeast.com/dam/VCOM/regional/cemea/unitedarabemirates/home-page/documents/visa-white-paper-v4.pdf>

www.statista.com/statistics/1082694/united-arab-emirates-e-commerce-sales/

PAYMENT METHODS: www.statista.com/statistics/253054/most-popular-payment-methods-of-online-shoppers-in-the-uae/

CROSS-BORDER ECOMMERCE SHARE:

www.statista.com/statistics/348108/cross-border-e-commerce-usage-worldwide/

THANKS

The Middle East is a region composed of countries with very different economies and cultures. Links between many of these countries, often for geopolitical reasons, are sometimes weaker than geography would suggest they should be. Bearing these factors in mind, it is understandable that some businesses are wary of trading in the region.

However, the Middle East is also a rapidly changing region, where the leaders of many countries are looking to make a medium-term transition away from a reliance on oil exports. As part of this, many nations are encouraging investment in the digital sector, part of efforts to make economies more sustainable and durable. Despite the misgivings of some leaders in the region, this involves opening up to the world.

For those retailers and brands that can adapt to local conditions and develop partnerships, this means there are opportunities to reach consumers, many of whom have travelled and even lived abroad, and who are keen to buy goods designed and made elsewhere in the world. ■

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