



# E-Commerce Industry in the UAE

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Description – E-Commerce industry has been a boon to the United Arab Emirates for the last few years now. This document is an in-detail guide about various aspects and business prospects of the E-commerce industry in the UAE.

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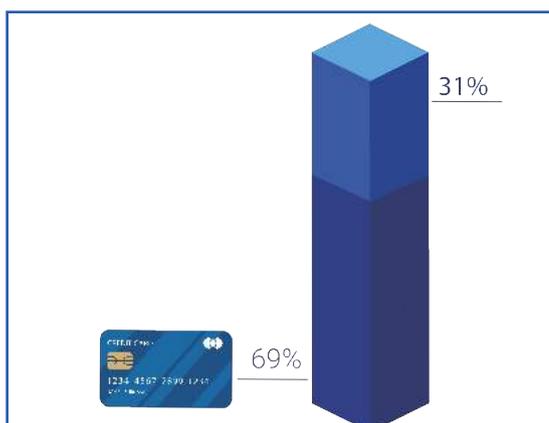
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The E-Commerce industry in the United Arab Emirates is on an upward trajectory. Its unique growth path, compared to both emerging and mature economies, is led by government adoption of eCommerce payments on platforms such as Dubai Smart City. Government payments lead the eCommerce landscape by far, despite the exponential growth in other categories such as quick-service restaurants and transportation.

One of the unique features of the UAE's eCommerce development is the thriving mall culture. Traditional brick and mortar retailers and malls have been enthusiastic adopters of eCommerce payments, instead of taking an adversarial position as is seen in some other markets. The Omni-channel approach is a better route to consumer's hearts. This has been proven by the 'experience centres' created by pure-play eCommerce brands such as Amazon globally, regionally, Souq.com, which was rebranded as Amazon.ae in April 2019, has taken the same approach. Over the last few years, the Emirates has risen to become a global eCommerce leader among the Gulf Cooperation Council (GCC) countries. According to the market research organisation Frost and Sullivan, in 2015, the GCC's eCommerce business was worth \$5.3 billion and added approximately 0.5% to the regions overall GDP. At that time, the UAE's e-commerce sector was esteemed at \$2.5 billion, making up nearly part of the region's overall sales. In the coming years, this trend is said to continue with the GCC's eCommerce industry quadrupling by 2020 and the UAE's business reaching nearly \$10 billion.

### The Early Days

The UAE has long been viewed as an early adopter in the GCC and broader MENA region, particularly when it comes to local technology trends. At the start of the eCommerce roar in the mid-2000s, the UAE was quick to begin exploring the new landscape, and by 2010 several companies have entered the marketplace. The relatively quick growth came thanks to a few elements but the significant benefit the UAE had was a consumer base that rapidly became comfortable with the concept of online payments and a number of nearby developed eCommerce sites that we're able to identify the nuances of their particular community or city.



By the year 2011, the marketplace had matured significantly with concerns about using credit cards for online transactions and over-all trust in eCommerce attaining a tipping point. According to twofour54, by August of that year, 69% of survey respondents were more contented using credit cards than cash, and 75% were confident when buying goods from local websites.



Another feature contributing to the use of e-commerce was a firm obligation from government entities across the UAE who rapidly embraced the trend. Dubai Electricity and Water Authority (DEWA) for example, recounted almost 50% growth in the use of its portal by consumers during 2011.

## Current Scenario



Today, vigorous usage of internet and smartphone applications across the UAE has continued to push the country's eCommerce industry to new heights. Recent research conducted by Google has shown that the Emirates leads global smartphone penetration at 73.8 percent and the nation's internet usage statistics show that 91.9 per cent of the population has internet access.



This statistics of internet access has interpreted a highly active population of online shoppers. According to one of the Emirates financial institutions, one out of three UAE residents make at least one online consumption each week, a figure that jumps to 1 out of 2 when looking at the country's most populous city - Dubai.

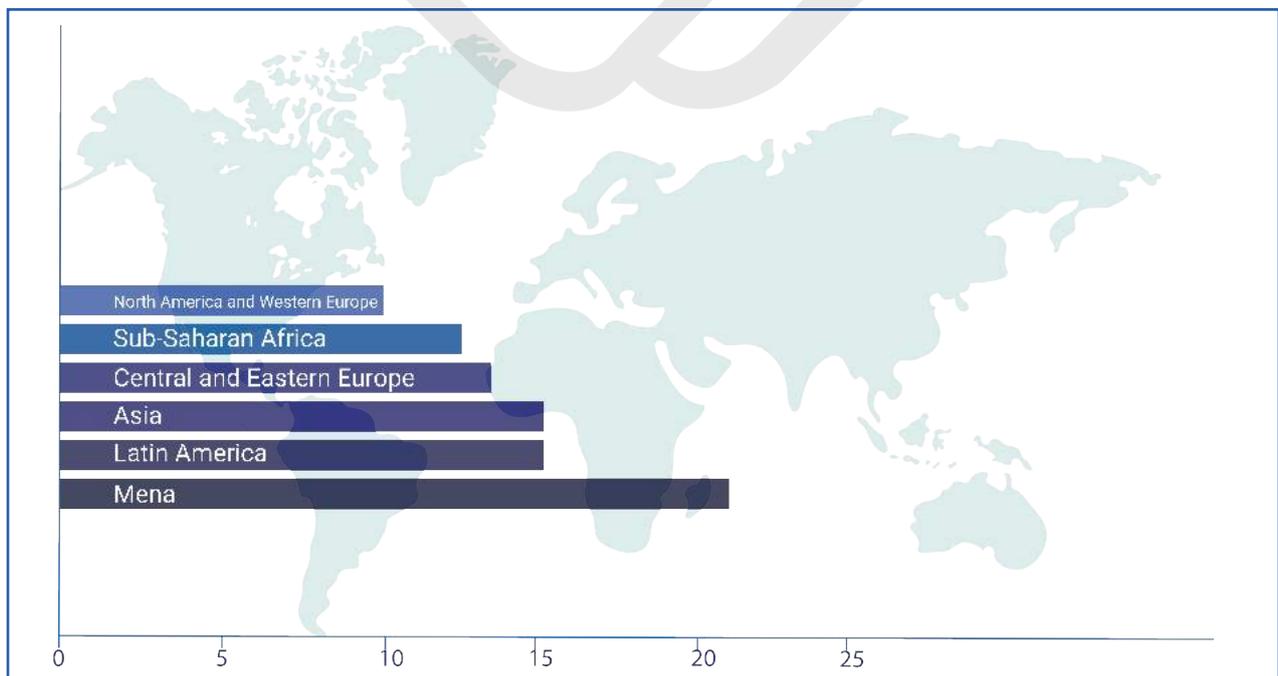
## Market Valuation of the E-Commerce Industry in the UAE

Based on the latest eCommerce numbers, internet penetration in the Emirates stands at 99%. So when we talk about the eCommerce statistics as a percentage of the internet operators in the nation, we are taking into account carefully the entire population of the country. Out of this total number of online users in the UAE, at least 85 per cent have explored for a product online, and 91% have visited an online trade store over the past 30 days. At least 63% have made a purchase online. Both mobile and desktop users contribute equally to the total number of investments.



The eCommerce market in the UAE has witnessed a considerable upsurge during the time of 2014 to 2018. In fact, from just \$2.5 billion in 2014, the eCommerce marketplace in the UAE is predicted to reach \$10 billion in 2018.

Here's how MENA performed for the year 2019.



## Driving Factors for UAE's E-Commerce Market Growth

There are many varying factors powering the growth of eCommerce in the Emirates.

### 1. Growth of Mobile and Internet Technologies

The Emirates has shown incredible acceptance toward mobile devices and the internet in general. The nation is number one in terms of global smartphone penetration. This proliferation of web and mobile technology has been a significant contributing factor in the growth of eCommerce in the country.

### 2. Ease of Doing Business

There are a few countries in the world that are encouraging entrepreneurship and startups as the United Arab Emirates. The country's many friendly policies, designed by a liberal government, offer a fertile atmosphere for new and young eCommerce industries to flourish and grow. Additionally, the nation has been prosperous in attracting quality talent and labour from around the world at globally competitive rates.

### 3. New Investments in E-Commerce

From the past few years, the Emirates is getting more and more foreign investment in eCommerce. For example- 2017 was a big year for eCommerce in the UAE. Amazon bought Souq.com, the most prominent eCommerce brand in the country and Emaar Properties introduced Noon, an all-new \$1 billion eCommerce project. In addition to these, other Foreign Direct Investments and new businesses in the eCommerce have also backed significantly to the development of eCommerce in the country.

### 4. Existing Robust Retail and Company Setups

Businesses in the UAE are supported by a host of well-organised and modern infrastructural and technical implementations that facilitate trade, transactions and transfers. The cutting-edge logistics, connectivity and trading establishments are the fundamentals upon which the current technology-driven enterprises have found their incredible growth.

## Driving Factors for UAE's E-Commerce Market Growth

The consumers of the UAE are proactive, eager, early adopters of technology, partly due to demographic factors. And as with the other GCC economies, the Emirates also has a high percentage of young population, attributed to demographic transitions, along with diverging fertility and population growth rates. The UAE comprises 34% of youth population (25 years and below), with the median age of the population being 33.4 in 2015, estimated to be 34 in 2020.

The UAE's young population comprises digital-native millennials (born between 1981 and 1996) and Gen Z (born between 1997 and 2012). Millennials developed into the Ecommerce for everyday purchase after the boom of the internet which also led various platforms coming up with online sale for promotions. Gen Z were born and raised with technological applications at every step be it Social media for constant connectivity and near-instant solutions, easy reach of products from across the globe. These digital-native consumers seek convenient shopping experiences and drive eCommerce globally. The UAE consumer also enjoys infrastructure advantages. Mobile penetration is high, and 94.82% of the population used the internet in 2015, with 19,826,224 mobile cellular subscriptions in 2017, amounting to 210.9 subscriptions per 100 inhabitants. UAE residents are among the top 10 globally when it comes to spending time on the internet and social media on any device, averaging seven hours and 54 minutes daily.

## **Initiatives by Government to Support Future of E-Commerce**

Government initiatives intended to promote innovation, entrepreneurship, and a cashless economy to foster financial inclusion and greater transparency have given a significant boost to eCommerce development in the UAE.

### **E-Governance Initiatives**

As part of the broadcasted e-governance initiatives, local governments were in the process of incorporating paper-based information amenities such as passports/visa issuance, vehicle licensing, utilities billing/payments, logistics tracking, and migrating to the online platform, where they are integrated with standardised or universal online payment platforms. These platforms incline to form the basis for online shopping systems, guaranteeing a risk-free experience for customers. The government-led digitisation initiatives are expected to further boost the e-commerce market in the future.

### **» Establishment of E-Commerce Hub**

The government of the Emirates set up a duty-free ecommerce hub Matarjircom in the year 2014, as an initiative to work closely with the local and global companies. It is aimed to place Dubai as a global e-commerce marketplace by bringing native and international markets closer.

### **» Digital Acceptance and Transformation**

The blend of factors such as high adoption of mobile devices, digitisation initiatives from local government, and readiness of the population to adopt new technology has brought a digital transformation. As per consultants Accenture's technology outlook, the technologies that will reshape the area into a digital economy include Outcome Economy, Internet of Me, Platform Revolution, Intelligent Enterprise, and Workforce Reimagined.

## » E-Governance Initiatives

In the year 2017, Dubai launched Dubai CommerCity, the regions first eCommerce free zone, as a joint venture between the Dubai Airport Free Zone Authority (DAFZA) and Wasl Asset Management Group. It aims to promote Dubai's position as a leading platform for international eCommerce and to support economic diversification and smart transformation strategies in the eCommerce sphere, which is estimated to reach \$20 billion by 2020 in the six Gulf Cooperation Council Countries.

## E-Commerce Trends in the UAE

The recent trends and shift in the e-commerce market in the United Arab Emirates are something one should look forward to. Some of them are listed as under-

### » Shift toward Localization

Retailers have now realised that language and localisation are extremely important factors to be considered when entering overseas markets. Luxury brands such as Burberry, H&M, Dolce and Gabbana have launched Arabic language sites intended at experimental shoppers in the UAE, with content-based promotion in Arabic as well. These initiatives will attract more local consumers who have avoided e-shopping owing to language barriers.

### » Cross-Border E-Commerce

A huge chunk of online shoppers in the Middle East has begun accepting cross-border products. Online shoppers in the UAE made 58 per cent of their online consumption from overseas vendors in 2016. The recent development in gateway security, along with consistent and free shipping methods, have influenced mainly many consumers to purchase products from outside the area.

### » Technology Progression

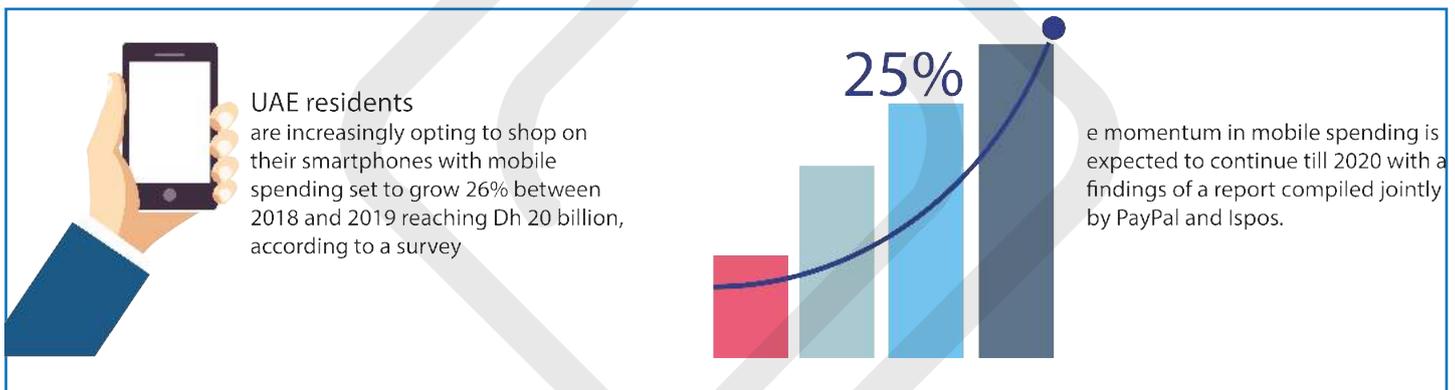
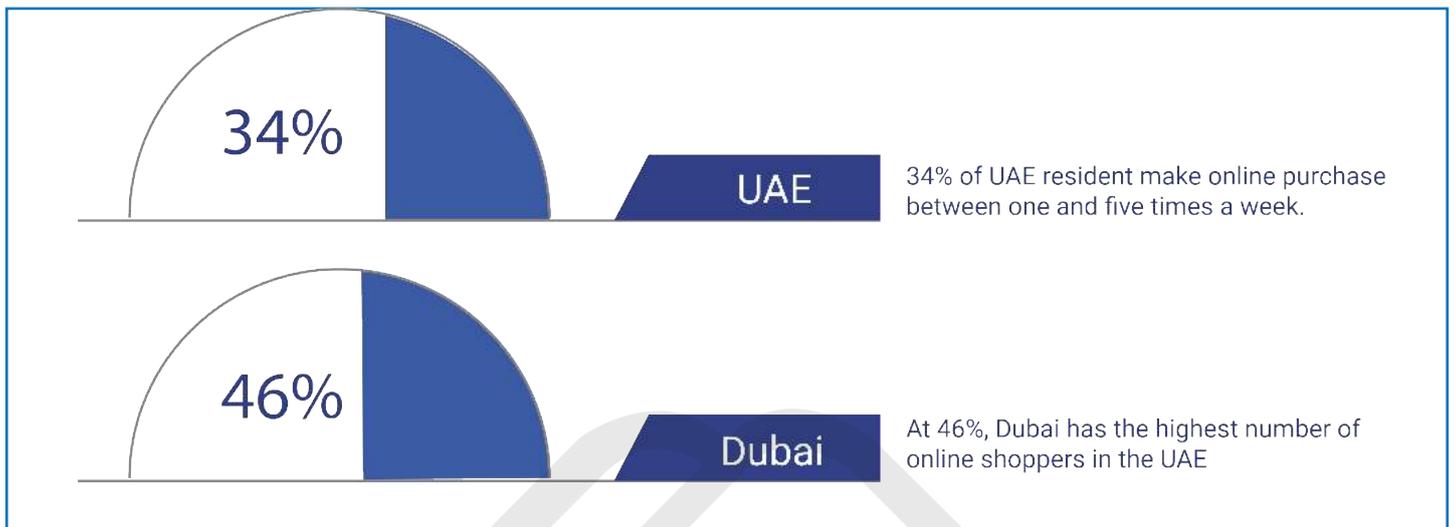
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### » Food Delivery Digitization

The region's online food delivery service segment is growing due to digital evolution. Even the cafeterias that have been operating for years now trust on online services for a significant chunk of their business. Deliveroo, UberEats, and online platforms such as MakeMyMeal are generating a majority of their business through online channels.

## What can UAE's E-Commerce Market Expect in 2019?

The year 2019 has been noteworthy for the E-Commerce market in the UAE and the wider Gulf Cooperation Council. The sector has been burgeoning and is expected with positive growth in the coming years. The UAE consumers are slowly but surely moving to the online speed, and the long-established brick and mortar landscape of the UAE finally has a worthy rival. So, what exactly will the E-Commerce market in the UAE expect by the end of 2019? See the infographics below.



Nearly 20% of the Internet retail is conducted through cross-border platforms

2019 will see a significant investment in the e-commerce sector from the industry giants and going to be a substantial year for e-commerce development in the UAE and wider GCC

Customer convenience and satisfaction will be the greatest priority for online business to achieve positive results.

## How to Start an E-commerce Business in the UAE?

There has never been a better time to start a business in the UAE than now. To set up an eCommerce business in the UAE, you need to follow these steps.

### 1. Licensing

The first step is to get the license. The license is required for confirmation of an eCommerce business setup registration. The license is given by the Department of Economic Department in the UAE. There are three main types of license available. They are-

- » **Industrial License**
- » **Professional License**
- » **Commercial License**

The licensing step includes having a few more factors, like selecting a corporate structure, choosing a suitable location, and company name registration.

### 2. Office Space

Once you get the eCommerce license, it is mandatory to have an office space for business setup in Dubai, UAE. The minimum office space prerequisite in Dubai is 22 sq. Ft. Applying for the visas of the employees and staff also rest in the office space of the company. It is said that Dubai has the most modern and advanced office infrastructure available along with additional facilities. For specific reasons, businesspersons will need the help of local sponsors for their corporate set up whether it is e-commerce business set up or any other. If you are a foreign investor then you will not be allowed to buy land for your office or company as per the law of UAE. It would help if you found a reliable and trustworthy local sponsor in this regard.

### 3. Website Development

Every company needs to have its website, an eCommerce company's website is its selling point. You must also have an appealing, catchy, and user-friendly website. Primarily, you will need to register a domain name of the business or company. Remember that it is required to have a unique name for the domain as well as for the company. It is helpful if the name is easy and straightforward for the customers to remember and search for.

### 4. Online Payment

As e-commerce means buying products online, the preferable way is to also make the payment through online mode. Although there are many businesses that have the cash on delivery payment mode, which is also preferred by some customers. However, it is always favourable to give a few choices to your customers on whether they want to pay on their doorstep or online. To have an online payment method it is obligatory to have an appropriate page available on the website along with a few other options such as payment with a debit card, master card, PayPal, online transfer from the bank etc.

## 5. Trading of Products

Having merchandise in stock is essential **as a purchaser might need it anytime**. It is **the best way to bond with a client through good response and proper and quick delivery**. There are many kinds of products a businessperson can choose to sell. Depending upon the stock type and business activity, a trade license is issued to the company.

## 6. Marketing

This is also one of the most vital steps once you officially start business operations. Under this, search engines are the number one basis of new website visitors. It's always worth investing some time in bestowing resources to search engine optimisation. Similarly, there are lots of ways to advertise online; you will need to ask yourself "who will be looking at this medium. And what will be my target demographic?" Here, the critical element is to focus on potential customers who are interested in your products.

### **Advantages of Setting up an E-Commerce Business in the UAE**

By registering your eCommerce business in the UAE, you will avail these benefits.

- » Different locations like the mainland, free zone and offshore offered by the Emirates.
- » The UAE leaves no rock unturned when it comes to the technical setup. Your business will have a global platform.
- » Due to fewer hassles from the government, the company formation process is easy and straight-forward.
- » Non-payment of personal tax turns out to be one of the most eye-catching characteristics to the corporate professionals as the UAE doesn't demand any fees from business owners.
- » The position of the UAE turns out to be beneficial if you are looking for business expansion. It becomes easy for owners to enter into the neighbouring countries and function business activities.

The UAE's eCommerce market is a crucial segment of the overall retail sector. Favourable conditions for eCommerce include logistics, developed ports, and locations such as Dubai functioning as global trade hubs with state-of-the-art infrastructure. On the other hand, eCommerce that relies on home deliveries has faced the challenge of lack of comprehensive postal code coverage, impacting the last mile.

The key catalyst for the steady growth of the local e-commerce market would be a swing in the cultural mindset. Can e-commerce act as a substitute to the conventional shopping experience? Or will both the in-store and digital commerce networks match each other to grow?

## How Can Commitbiz Help?

Commitbiz Management Consultants help you with strategic business inputs, handle all the legal documentation and give complete business advisory solutions to ensure hassle-free business incorporation.

Our professional experts are well-versed with the incorporation procedures and maintain a vision to accelerate your business in Fujairah and the rest of the UAE.

Commitbiz was established in 2007 with a vision to provide world-class management advisory services to enterprises in the private, government, non-government and academic sectors. Over the years, we have developed comprehensive capabilities in several functional and specialty segments and have emerged as the chosen partner in several innovative and path-breaking initiatives undertaken by various businessmen across the world. With over 50 team members and 2,000+ clients, we are now one of the top business consulting firms in the UAE.

**13 Years of Helping Businesses**

**50+ Members**

**2000+ Happy Clients**

## How Can We Benefit You?

Standing as one of the top business consultants in the UAE, we assist you in the following processes:

- » Strategize to accelerate your business growth
- » Streamline your business activities
- » Comply with the legal rules and regulations
- » Provide tailored business solutions
- » Helps you establish the business pillars with post-incorporation solutions like accounting, taxation etc.

If you are planning to step ahead and set up your company in Fujairah, do contact us today- we'd be glad to assist.

## Contact Details

### Dubai

Commitbiz Management  
Consultants Dubai,  
10th floor  
Dubai World Trade Center  
Sheikh Zayed Road  
P.O. Box 293816 Dubai  
United Arab Emirates  
Phone: +971 4 3867444  
Fax: +971 4 3867474  
Mob: +971 56 5927847  
info@commitbiz.com

### Abu Dhabi

#5, Suite no. 201 Level 2  
P.O. Box 26389  
Land Mark Plaza Building  
Next to Al Salama Hospital  
Hamdan Street  
Abu Dhabi  
United Arab Emirates  
Phone: +971 2 6434601  
Fax: +971 2 6434603  
Mob: +971 55 7548296  
info@commitbiz.com

### Sharjah

Commitbiz Management Consult-  
ants, Sharjah  
#05, Level 1  
AM Building  
Rolla Squire, Rolla Street  
P.O. Box 120922  
Sharjah  
United Arab Emirates  
Phone: +971 6 5527902  
Mob: +971 52 1056207  
info@commitbiz.com

### Bahrain

Commitbiz Management Consult-  
ants Bahrain  
Ground Floor  
AS Gate Building  
Hawar Hwy  
Kingdom of Bahrain  
P.O.Box: 37100  
Phone: +973-77110288  
Fax: +973-77110388  
info@commitbiz.com

### London

Commitbiz Management Consult-  
ants  
Level 17,  
Dashwood House  
69 Old Broad Street,  
London EC2M 1QS  
United Kingdom  
info@commitbiz.com