

United Arab Emirates (Uae) Third-Party Logistics (3PL) Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

United Arab Emirates (UAE) Third-Party Logistics (3PL) Market is anticipated to record a CAGR of more than 9.2% over the forecast period.

Key Highlights

United Arab Emirates (UAE) Third-Party Logistics (3PL) Market was severely affected by COVID-19 as the supply chain was severely disrupted due to lockdowns and restrictions worldwide.

The government of the UAE is supporting the 3PL and logistics market through various initiatives, policies, and investment benefits to allure the players to invest in the country and extend logistics services to consumers.

E-commerce has also emerged as a major trend in the country, driving the market. There has been a rise in the volume of sales through e-commerce; local vendors, retailers, wholesalers as well as manufacturing units are focusing on online channels to increase their sales.

Furthermore, the introduction of automated material handling equipment, as well as the growing popularity of GPS-enabled and RFID-based devices, is increasing the demand for logistic services. Furthermore, the UAE government's increasing investments in modernizing existing seaports, distribution centers, free zones, and freight terminals, among other things, are catalyzing the demand for logistic services.

In line with this, the growing integration of logistics with numerous advanced technologies, such as AI, IoT, blockchain, and so on, is boosting the country's market growth. The growing adoption of technologies for Third-Party Logistics (3PL) logistics services will continue to drive the UAE logistics market growth in the coming years.

E-commerce has been one of the major driving factors of the Third-Party Logistics (3PL) Market in the UAE. According to Statista data, the UAE's e-commerce spending as a percentage of GDP has increased by 1.10% since 2021, and e-commerce is expected to account for 7.0% of total retail spending in the current year. E-commerce has fundamentally altered the UAE's commercial

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landscape.

However, with the various opportunities provided by the UAE government, particularly for startups, this is simple. The government intends to induce economic diversification in the economy through EXPO 2020 to reduce the economy's reliance on oil sectors for growth. It is an investment platform for small and medium-sized businesses. The UAE government is also undertaking initiatives to promote trade and economic diversification through free trade agreements, changes in foreign ownership rules for certain sectors, and the development of free zones near airports and seaports, to attract foreign investors to set up manufacturing industries in the UAE.

UAE Third-Party Logistics Market Trends

E-commerce Rise Supporting the Market

Consumers have accepted the "new normal," and businesses in the UAE, particularly retailers, are adapting to changing conditions through flexible operating models that are shaping future trends. The findings of Majid Al Futtaim Group for Q3 2021 substantiate this claim, with E-commerce sales increasing 34% year on year and store footfalls increasing 18% year on year. While e-commerce is poised for greater growth due to its obvious benefits and increasing digitalization, physical stores will see their fair share of customers eager to re-experience the joys of going out after a long period of inactivity.

The UAE retail economy continues to show strong signs of recovery, outperforming 2019 levels with a 4.5% increase in overall consumer spending in 2021 and a promising outlook for the current year. E-commerce thrived in 2021 as consumers continued to prioritize convenient shopping experiences. According to Majid Al Futtaim, the Middle East, Africa, and Asia's leading shopping mall, community, retail, and leisure pioneer, POS (point of sale) data revealed a 104% increase in online shopping spending in 2021 compared to 2019, with the majority of online spending by residents in hypermarkets or supermarkets or general retail online offerings, rising 46% in Q4 2021 from the third quarter.

E-commerce in the Middle East is fueled by a digital-first economy. The pace of online channel growth in the UAE and KSA nearly doubled in 2021 compared to 2020, reflecting changes in shopping behavior. According to a study conducted by the Dubai Chamber, UAE consumers shop on their mobile devices more frequently than customers worldwide. More than a third of UAE consumers, more than the global average, use their smartphones for at least one purchase per week.

Growth of the Manufacturing Sector Driving the Market

The diversification of the UAE economy is important based on several reasons, with the fundamental one being that the major part of the UAE economy is only a finite source. Manufacturing is already the second most powerful growth driver bringing in 10% of the GDP annually. The UAE has committed to reducing the dependence of its economy on the oil sector, which is expected to come down in the coming decade.

The UAE's strong performance in the sector last year also saw the country move up five spots in the United Nations IDO's annual Competitive Industrial Performance Index. The country rose from 35th to 30th in 2021, making it the most competitive in the Arab world. The ministry, which is in charge of implementing the UAE government's National Strategy for Industry and Advanced Technology, was established in 2021 and has already achieved several outstanding results, according to the Ministry of Industry and Advanced Technology. This has aided the development of the UAE's industrial sector by increasing its capabilities, competitiveness, and attractiveness.

The Industrial Development Bureau (IBD), which is part of the Abu Dhabi Department of Economic Development (ADDED), announced that the number of new industrial licenses (Rowad) reached 136, and those transitioning to the construction phase

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reached 62, with 44 factories moving from under-construction to in-production. According to the IBD's manufacturing report, the total number of active in-production licenses was 866 by the end of June this year. The ADLC program contributes to the emirate's GDP growth by improving knowledge economy attributes, technology utilization, and Emiratisation rates.

UAE Third-Party Logistics Market Competitor Analysis

The market is highly competitive and partially fragmented with a large number of local and international players such as DHL Supply Chain, Al Hilal Transporting and Contracting Company and RAK Logistics, actively competing for market share. The technological integration in the logistics sector is high, leading to the increasing dependence of logistics companies on digital players in the market. With the overall logistics infrastructure in the country developing rapidly the competition within the industry is expected to be powered.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions
- 1.2 Scope of the Study

2 RESEARCH METHODOLOGY

- 2.1 Analysis Method
- 2.2 Research Phases

3 EXECUTIVE SUMMARY

4 MARKET INSIGHTS DYNAMICS

- 4.1 Current Market Scenario
- 4.2 Market Overview
- 4.3 Market Dynamics
 - 4.3.1 Drivers
 - 4.3.2 Restraints
 - 4.3.3 Opportunities
- 4.4 Value Chain / Supply Chain Analysis
- 4.5 Porter's Five Force Analysis
 - 4.5.1 Threat of New Entrants
 - 4.5.2 Bargaining Power of Buyers/Consumers
 - 4.5.3 Bargaining Power of Suppliers
 - 4.5.4 Threat of Substitute Products
 - 4.5.5 Intensity of Competitive Rivalry
- 4.6 Value Chain / Supply Chain Analysis
- 4.7 Industry Policies and Regulations
- 4.8 General Trends in Warehousing, CEP, Last Mile Delivery, Cold Chain Logistics Etc.
- 4.9 Insights into E-commerce Business
- 4.10 Technological Developments in the Logistics Sector

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4.11 Impact of Covid-19 on the Market

5 MARKET SEGMENTATION

5.1 By Service

5.1.1 Domestic Transportation Management

5.1.2 International Transportation Management

5.1.3 Warehousing and Distribution

5.1.4 Value-added Services

5.2 By End-User

5.2.1 Automotive

5.2.2 Chemicals

5.2.3 FMCG

5.2.4 Retail

5.2.5 Fashion & Lifestyle

5.2.6 Other End Users

6 COMPETITIVE LANDSCAPE

6.1 Market Concentration Overview

6.2 Company Profiles

6.2.1 Deutsche Post DHL Group

6.2.2 FedEx

6.2.3 Al Hilal Transporting and Contracting Company

6.2.4 RAK Logistics

6.2.5 Emirates Logistics LLC

6.2.6 The Kanoo Group

6.2.7 Kuehne + Nagel

6.2.8 Agility Logistics

6.2.9 Hellmann Worldwide Logistics

6.2.10 United Parcel Service Inc.

6.2.11 Geodis

6.2.12 Al-Futtaim Logistics

6.2.13 CEVA Logistics*

7 FUTURE OF UNITED ARAB EMIRATES 3PL MARKET

8 APPENDIX

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