

## **Saudi Arabia E-Commerce Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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### **Report description:**

The Saudi Arabia E-commerce Market is expected to grow at a CAGR of above 12.56% during the forecast period, 2022-2027. The e-commerce industry is growing exponentially as more e-commerce businesses are stepping into the country. The digital economy is significantly developing with access to the internet made available across the globe. Various e-commerce market vendors are expanding their business in the Saudi Arabia Market to meet the growing demand for online retailing.

#### Key Highlights

E-commerce, or electronic commerce, purchases and sells products or services through the internet. The development of e-commerce provides immense opportunities for online sales and transactions. With the help of the e-commerce market, users can buy their goods and services without them physically visiting the marketplace.

The e-commerce market in Saudi Arabia is witnessing continuous growth due to various factors like rising usage of smartphones, social media, and internet penetration.

The e-commerce market of Saudi Arabia is primarily driven by the rising need for online shopping among buyers. This has led e-commerce market vendors from across the globe to invest in the country. For instance, In 2021, according to Invest Saudi, the government has hit a record of 575 new foreign investment projects. The increase in the number of these foreign projects is driven by a surge in the e-commerce and retail market in the country.

The government is taking various initiatives to further strengthen the e-commerce market in the country. For instance, In September 2021, the E-commerce Council of Saudi Arabia announced its enactment to work on e-commerce legislation. This will help boost the e-commerce infrastructure, enable payment systems, postal and logistic services, and provide a package of services to medium and small enterprises.

Key players in the e-commerce market are joining forces to expand their business in Saudi Arabia's market. For instance, In March 2022, Saudi Arabia announced a deal with Amazon to enhance the county's e-commerce sector. Amazon entered the Saudi Arabia

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market in 2020 through the acquisition of Souq.com.

## Saudi Arabia E-commerce Market Trends

### Significant Growth in E-Commerce is Expected due to Digital Transformation

The COVID-19 outbreak and the lockdown have immensely affected the retail sector worldwide, particularly the brick-and-mortar model. Nevertheless, e-commerce is one of the few sectors that have witnessed increased consumer exchange in numerous segments. The same trend is also reflected in Saudi Arabia. Due to the shutdown of business and nationwide lockdown, multiple organizations in the region were forced to adapt to the changing consumer priorities. As digital shopping and retailing have become the new way in these circumstances, some segments of Saudi Arabia's e-commerce sector witnessed significant growth. Saudi Arabia's digital infrastructure is growing rapidly compared to other markets with stronger e-commerce industries. For a few years in the recent past, the country has recorded great internet coverage and connectivity progress, leading the fifth-generation (5G) countries in network speed and coverage. For instance, In January 2021, as per the Ookla speed test, the country recorded the fastest mobile internet connection.

Moreover, the government of Saudi Arabia is coming up with various initiatives to boost the growth of the e-commerce market in the country. For instance, In November 2021, Saudi Arabia signed a Memorandum of Understanding (MoU) with Oman to strengthen the digital economy.

Similarly, these two governments have also launched the Saudi-Omani Digital Skills Initiative. Under this initiative, training programs will be introduced in the fields of data and artificial intelligence, software design and development, infrastructure, cybersecurity, and fintech. This will further help the country expand and grow the digital marketplace.

The country is investing in technological development in the future. For instance, In February 2022, Saudi Arabia announced an investment of more than US\$6.4 billion in LEAP22, a new international technology platform in Riyadh for future technologies and entrepreneurship to secure its position in the Middle East and North Africa (MENA) region.

### Fashion is Expected to Hold a Major Share

The fashion industry has recorded growth during the Covi-19 outbreak because customer preferences shifted towards online shopping with easy access to different websites, eliminating the need to visit physical stores. Several factors have boosted the demand for online shopping and retailing, such as the rise in users of social media and smartphones.

Various startups are seeking investments in the region to boost their market presence. For instance, Kaya, Saudi Arabia-based beauty e-commerce platform, has raised a \$2.6 million Seed round from Revival Lab, with participation from Al-Dowayan Investment Company and Al-Sulaimaniya Investment Group. The company will use its investment to enhance its digital infrastructure and logistics services in order to support its growth and expansion strategies.

Steps are taken by the government in order to boost the fashion e-commerce marketplace in Saudi Arabia. For instance, In June 2021, The Fashion commission, an authority under the Saudi Ministry of Culture, launched the Saudi 100 brands program in partnership with Vogue Arabia. This initiative will offer a one-year brand development with mentoring, training, advisory sessions, and individual and group consultancy to boost competitive business advantage for local brands in the fashion industry globally. Many acquisitions and mergers are taking place in the country in order to boost the e-commerce economy. For instance, In March 2022, BinDawood Holding, through its Future Technology Retail unit, signed the acquisition of 62% of the shares of International Applications Trading Company (IATC).

Various brands related to fashion are all set to expand their footprints in the Saudi Arabia market. For instance, In March 2022, noon.com announced the launch of its new 45,000m<sup>2</sup> Customer Fulfillment Centre in its warehouse in Riyadh, Saudi Arabia. This

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will enable the rapid delivery of their products in the country.

## Saudi Arabia E-commerce Market Competitor Analysis

Saudi Arabia's E-commerce Market is witnessing a rise in competitiveness among companies. The market consists of various major players, such as Amazon, Haraj, Noon, and others. In terms of market share, these significant players are presently dominating the e-commerce market in Saudi Arabia. However, with increasing innovations in e-commerce, many companies and startups are increasing their market presence by securing new contracts and tapping new markets.

In May 2022, Homzmart, a furniture e-commerce platform, announced the expansion of its business in Saudi Arabia.

In July 2021, Boohoo, A British online fashion retailer, announced a partnership with Kuwait-based Alshaya Group for the development of its Debenhams brand in the Middle East region.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

### **Table of Contents:**

#### 1 INTRODUCTION

1.1 Study Assumptions and Market Definitions

1.2 Scope of the Study

#### 2 RESEARCH METHODOLOGY

#### 3 EXECUTIVE SUMMARY

#### 4 MARKET INSIGHTS

4.1 Market Overview

4.2 Industry Attractiveness-Porter's Five Forces Analysis

4.2.1 Bargaining Power of Suppliers

4.2.2 Bargaining Power of Buyers/Consumers

4.2.3 Threat of New Entrants

4.2.4 Threat of Substitute Products

4.2.5 Intensity of Competitive Rivalry

4.3 Key market trends and share of e-commerce of total Retail sector

4.4 Impact of COVID-19 on the e-commerce sales

#### 5 MARKET DYNAMICS

5.1 Market Drivers

5.1.1 Growing Demand from Fashion Industry

5.1.2 Penetration of Internet and Smartphone Usage

5.2 Market Challenges

5.2.1 Low Internet Penetration

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- 5.3 Analysis of key demographic trends and patterns related to ecommerce industry in Saudi Arabia (Coverage to include Population, Internet Penetration, ecommerce Penetration, Age & Income etc.)
- 5.4 Analysis of the key modes of transaction in the ecommerce industry in Saudi Arabia (coverage to include prevalent modes of payment such as cash, card, bank transfer, wallets, etc.)
- 5.5 Analysis of cross-border ecommerce industry in Saudi Arabia (Current market value of cross-border & key trends)
- 5.6 Current positioning of country Saudi Arabia in the ecommerce industry in Middle East region

## 6 Market Segmentation

### 6.1 By B2C ecommerce

#### 6.1.1 Market size (GMV) for the period of 2017-2027

#### 6.1.2 Market Segmentation - by Application

##### 6.1.2.1 Beauty & Personal Care

##### 6.1.2.2 Consumer Electronics

##### 6.1.2.3 Fashion & Apparel

##### 6.1.2.4 Food & Beverage

##### 6.1.2.5 Furniture & Home

##### 6.1.2.6 Others (Toys, DIY, Media, etc.)

### 6.2 By B2B ecommerce

#### 6.2.1 Market size for the period of 2017-2027

## 7 Competitive Landscape

### 7.1 Company Profiles

#### 7.1.1 Amazon.com, Inc

#### 7.1.2 Haraj

#### 7.1.3 Noon AD Holdings Ltd

#### 7.1.4 Namshi General Trading L.L.C

#### 7.1.5 Aliexpress

#### 7.1.6 eBay Inc.

#### 7.1.7 Walmart Inc.

#### 7.1.8 Jarir Bookstore

#### 7.1.9 H & M Hennes & Mauritz AB

#### 7.1.10 Home Centre Stores

## 8 Investment Analysis

## 9 Future Outlook of the Market

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