

FROM BRICK TO CLICK – UAE'S E-COMMERCE BOOM

Introduction

Over the past decade, the United Arab Emirates (UAE) has witnessed a remarkable transformation in its retail landscape, with the emergence of e-commerce and digital retail taking center stage. As the digital era gains momentum, the once-dominant brick-and-mortar stores have adapted to the rapid advancements in technology, embracing the online realm to cater to the changing preferences of consumers. With the rapid increase in internet usage and the government's commitment to fostering a thriving digital economy, the UAE has emerged as a hotspot for e-commerce growth, attracting both established players and innovative startups.

[ecommerceDB](#) has identified five key markets within the UAE's e-commerce industry. Fashion emerges as the largest market, accounting for 34.0% of the country's e-commerce revenue. Following closely is the Electronics & Media sector, representing 21.3% of the revenue, while Toys, Hobby & DIY capture 16.6%. Food & Personal Care stands at 14.8% of the revenue, and Furniture & Appliances complete the picture with the remaining 13.3%. The UAE holds the 27th position in the global e-commerce market, and its predicted revenue is expected to reach US\$10,205.5 million by 2023, surpassing that of Saudi Arabia. The e-commerce sector is anticipated to exhibit a compound annual growth rate (CAGR 2023-2027) of 7.7%, leading to a projected market volume of US\$13,708.9 million by 2027. In 2023, the UAE e-commerce market is projected to grow by 2.7%, contributing significantly to the worldwide growth rate of 9.6% for the same year. Global e-commerce sales are also anticipated to surge in the coming years.

The Rise of E-commerce

The e-commerce sector in the UAE has experienced explosive growth, driven by several factors. Foremost among them is the nation's high internet penetration rate, which stands at around 96% according to a [report from Mordor Intelligence](#), making it one of the most connected countries globally. The country boasts a robust digital infrastructure with secure payment gateways, efficient logistics networks, and reliable last-mile delivery services, which enhance consumer trust in e-commerce platforms. Additionally, the UAE's youthful and tech-savvy population, coupled with a preference for convenience and time efficiency, has fueled the adoption of online shopping. In response to the growing popularity of e-commerce, traditional retailers in the UAE have adapted their strategies to embrace the “phygital” or “omnichannel” approach. Many brick-and-mortar stores have launched their online platforms, providing customers with a seamless online and offline shopping experience. This blending of physical and digital retail has allowed businesses to reach a broader audience and enhance customer loyalty.

The UAE government plays a pivotal role in fostering e-commerce growth through favorable policies and regulations, encouraging online entrepreneurship and foreign investment. This growing trend nurtures startups and small businesses, offering ample opportunities in a growing digital market. With low entry barriers and reduced setup costs, entrepreneurs can compete effectively, leading to diverse online stores catering to niche markets and providing consumers with a wide range of products and services.

When considering starting an online business in the UAE mainland, the process involves applying through the Department of Economic Development (DED) in the specific emirate. Additionally, eTrade licenses require approval from the Telecommunications and Digital Government Regulatory Authority, which oversees the eCommerce framework and transactions in the UAE. Another option is to set up your e-commerce business in free zones such as the Dubai CommerCity (DCC) free zone or Ras Al Khaimah Economic Zone, which can offer additional benefits and incentives for businesses.



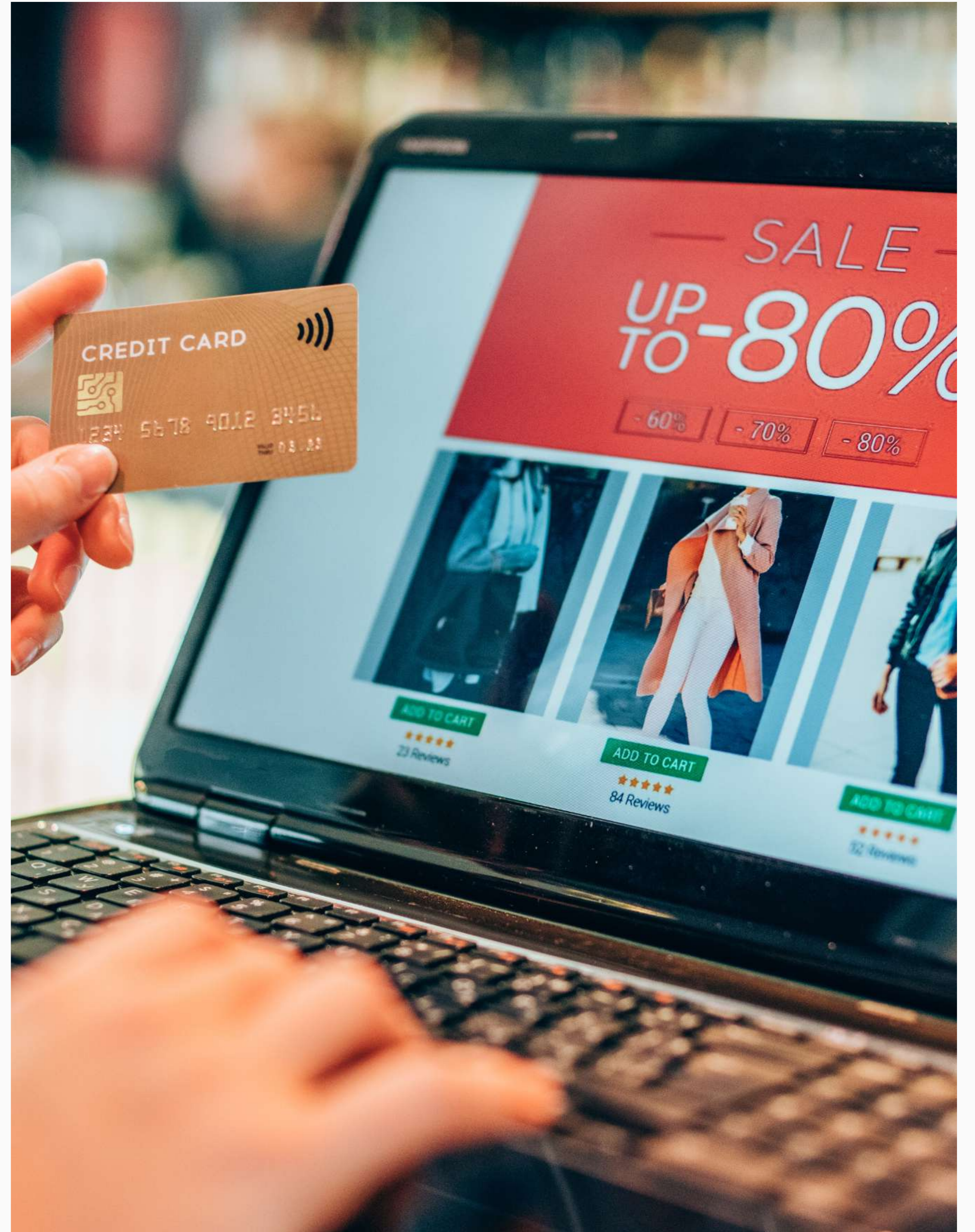
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Changing Consumer Behavior

E-commerce has reshaped the way consumers shop in the UAE. With a plethora of online stores at their fingertips, consumers now enjoy the convenience of browsing, comparing prices, and making purchases from the comfort of their homes or on the go. Moreover, the prevalence of cash-on-delivery, growing presence of the Buy Now, Pay Later (BNPL) industry, and secure online payment options have further bolstered consumer confidence in online transactions.

GfK, a renowned leader in market and consumer intelligence, recently conducted an extensive Consumer Life Study focused on the UAE. The study provided valuable information on the concerns, preferences, and behaviors of consumers in the region. Notably, it shed light on the lifestyle choices of UAE consumers. A significant 47% of the surveyed individuals stated that they engage in regular exercise on a daily or frequent basis, reflecting a strong emphasis on health and well-being within this demographic. This finding presents promising opportunities for businesses in the fitness and wellness industries. Additionally, the study revealed that 51% of respondents engage in non-grocery shopping at least once a week, highlighting the importance of retail experiences that go beyond basic necessities.

Based on a [Statista report](#), the preference for online shopping in the UAE is primarily driven by its convenience, be it for food, groceries, or fashion. The growth of various e-commerce categories fluctuates based on the current climate. UAE consumers have high expectations when it comes to online shopping, with approximately half of online shoppers anticipating delivery in less than two hours.



Conclusion

The UAE's e-commerce and digital retail sector have come a long way in a relatively short period, transforming the way businesses operate and consumers shop. As traditional retailers adapt their strategies to blend the best of both physical and digital realms, the once-separate worlds of brick-and-mortar and online commerce are converging, creating a seamless and personalized shopping experience for consumers. With continuous government support, a tech-savvy population, and a flourishing startup ecosystem, the future of e-commerce in the UAE looks promising. In the dynamic and ever-evolving digital retail landscape, businesses face the imperative of agility and adaptability to remain competitive and ahead of the curve. As technology continues to advance and consumer preferences undergo shifts, embracing change becomes a strategic necessity to thrive in this fast-paced environment.

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