



## E-Tail Logistics in MENA

# Research Objective & Methodology

## E-tail Logistics in MENA

### Key Questions Answered

- 1) What is the current state of the E-tail market in MENA?
- 2) What is the role of logistics, especially last mile delivery, in MENA?
- 3) What are the inefficiencies/challenges in last mile delivery?
- 4) What initiatives are being taken to address these?

### Research Methodology

#### Secondary Research

##### Commercial Databases

Zawya, EMIS, Factiva

##### Aranca Knowledge Base

Research repository

##### Public Sources of Information

Company Website, Emarketer, Logisticsmiddleeast.com, news articles

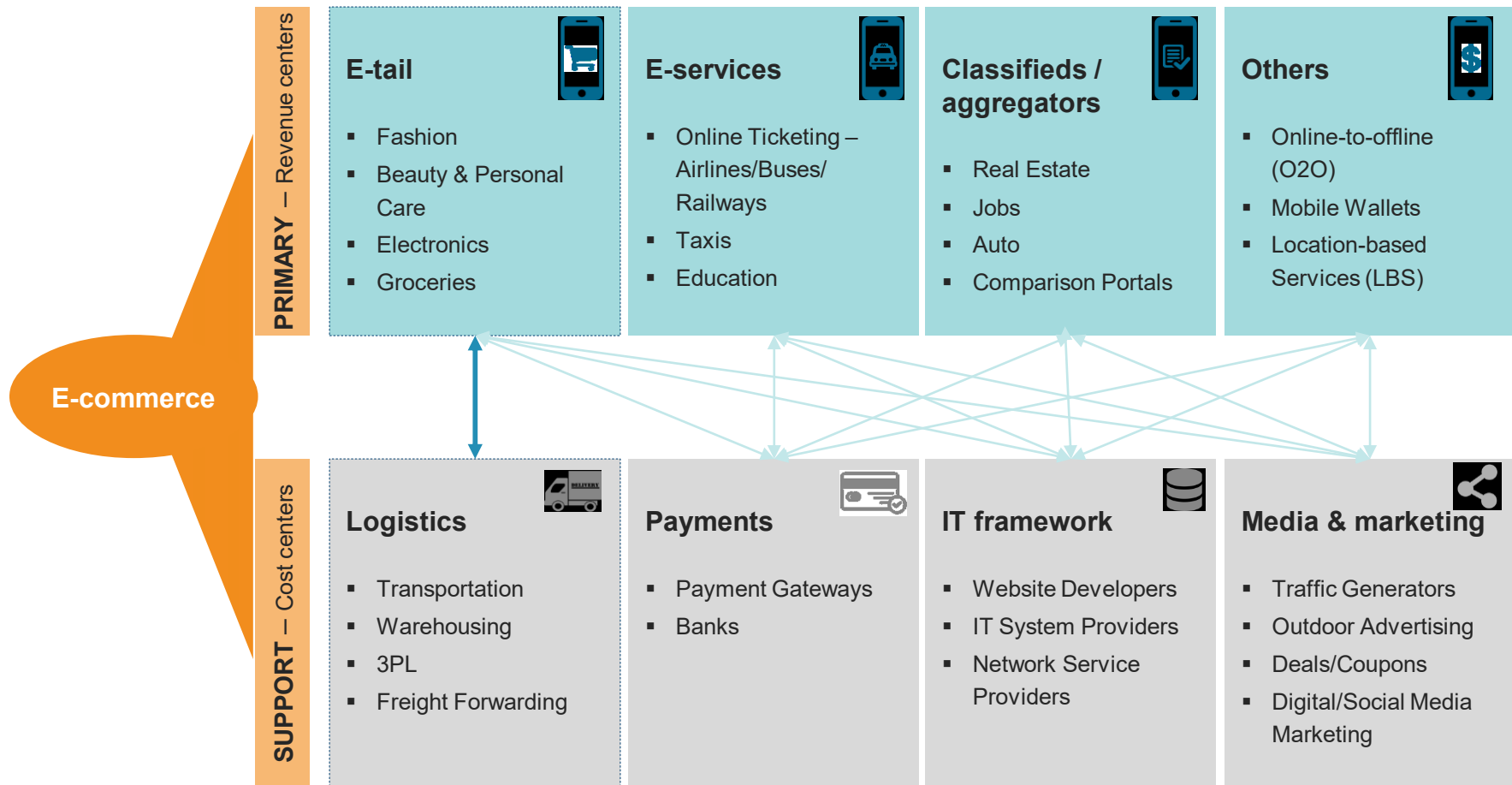
#### Primary Research (10 interviews)

##### Telephonic discussions conducted with relevant stakeholders across the value chain

- E-tail Logistics Companies: 5
- E-tail Companies: 3
- Interviews with Industry Experts: 2

# E-tail: Primary User of Logistics Services

## E-commerce Ecosystem

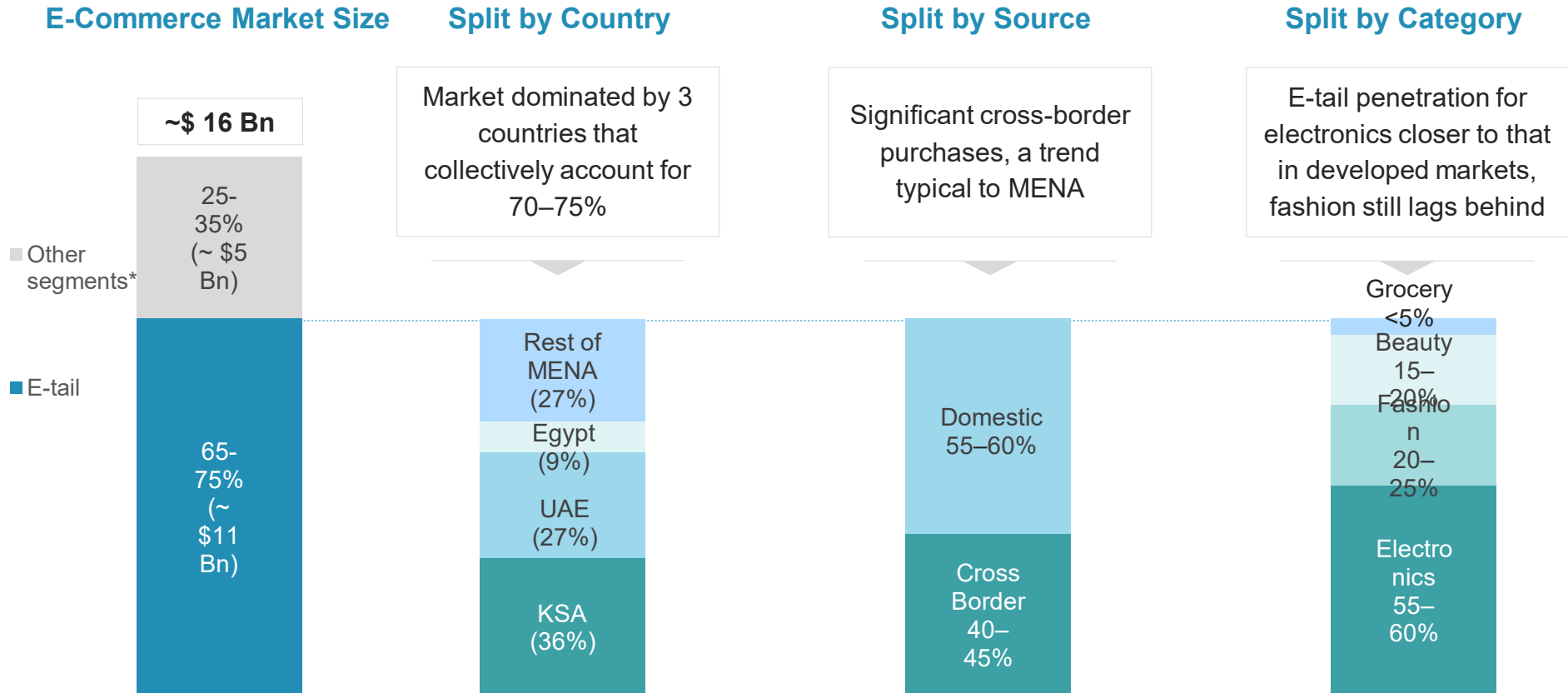


Source: Aranca Analysis

# E-tail Market in MENA Valued At \$11 Bn In 2018

## E-tail Market in MENA

2018 | Figures in \$ Bn



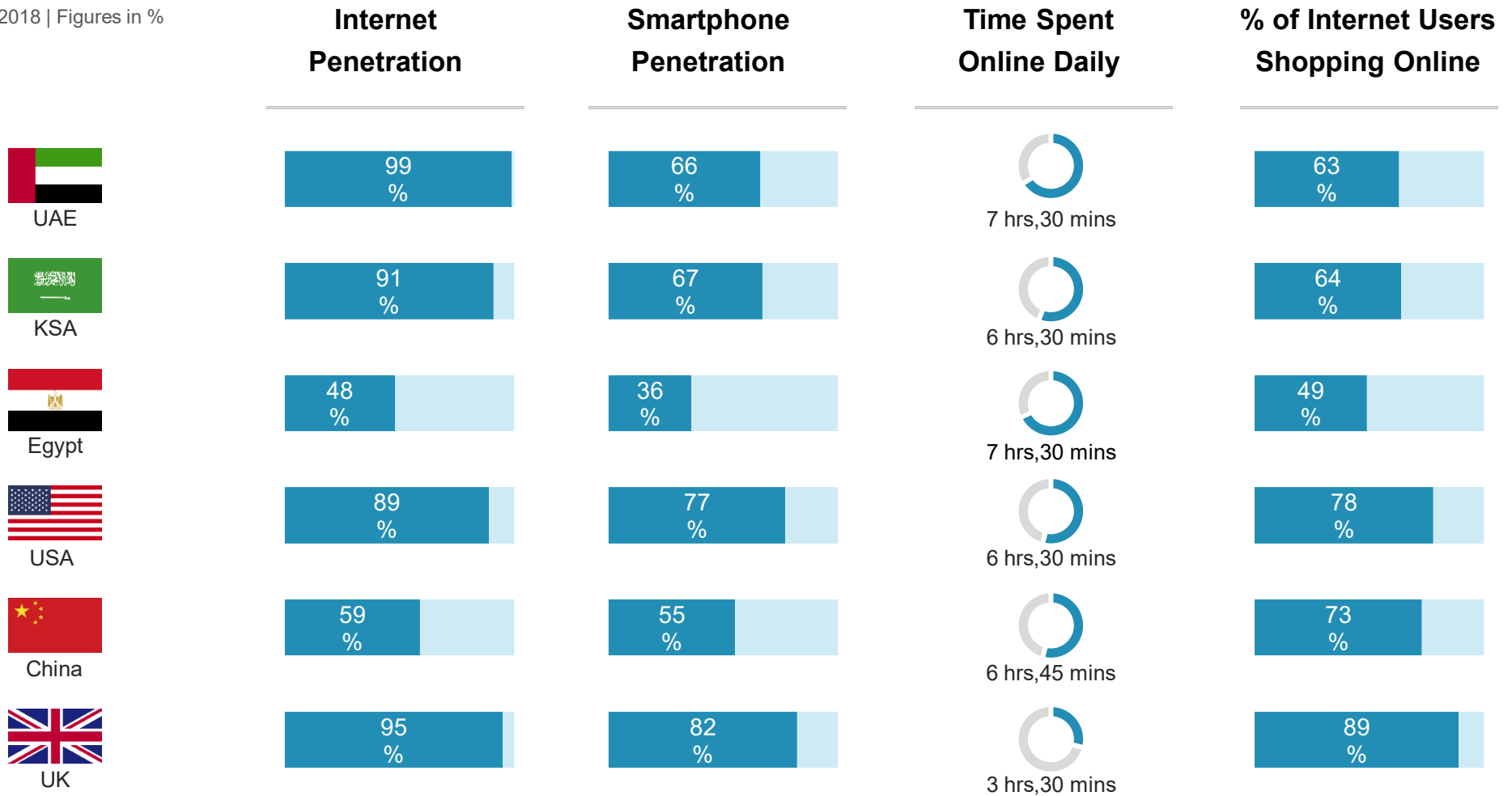
Source: Primary Research; Aranca Analysis

\*Note: Other segments include e-services, classifieds/aggregators and others as defined in the previous slide.

# Internet and Mobile Penetration Rates At Par With Developed Markets...

## Key Indicators

2018 | Figures in %

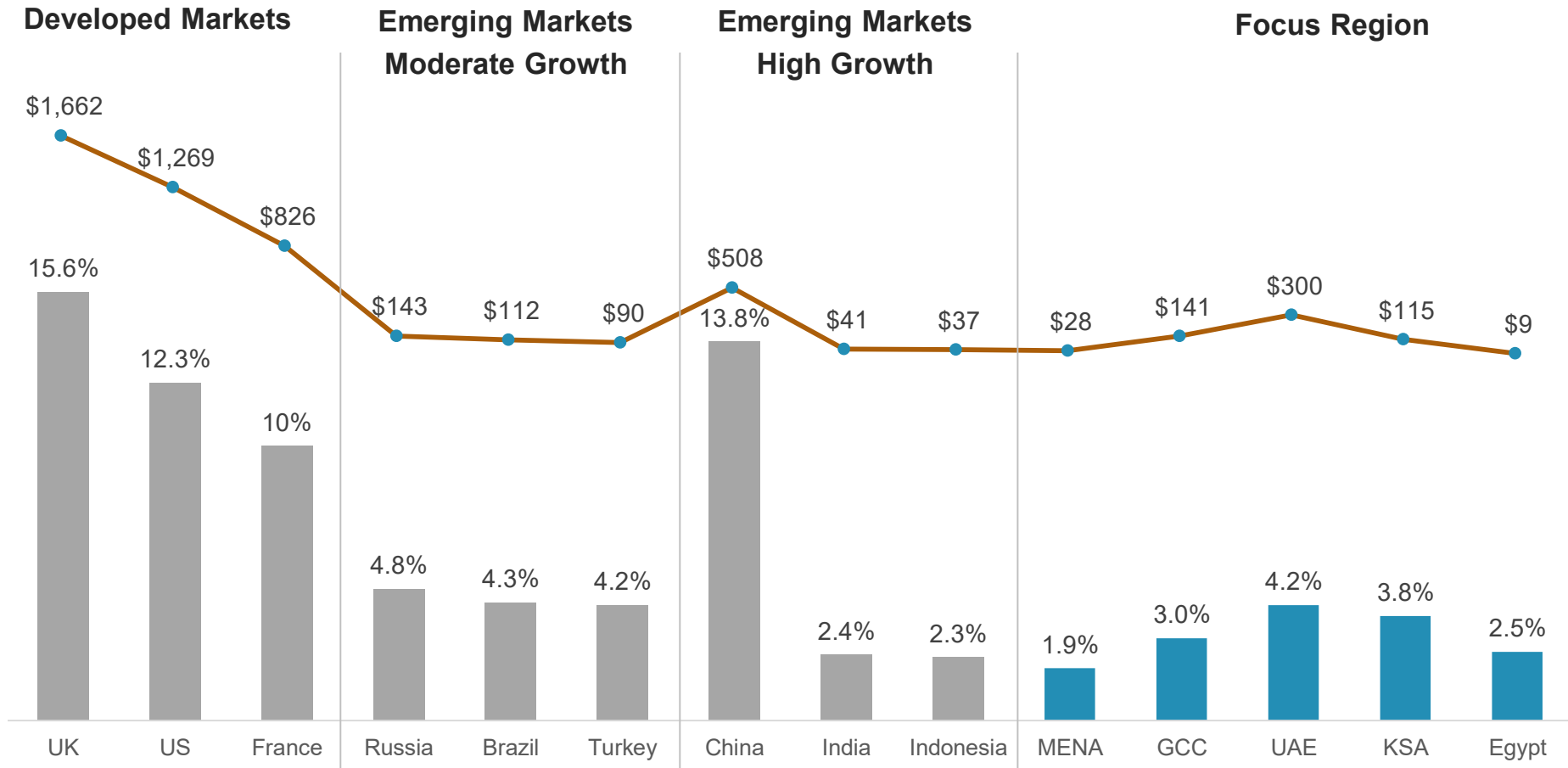


Source: General Authority on Statistics (KSA), Ministry of Communication and Information Technology (Egypt), Globalmediainsight.com, internetworldstats.com, News Articles

## ...but Share of Online in Total Retail and Per Capita Spend in MENA Relatively Low

### E-tail Penetration and Per Capita Spend on E-tail

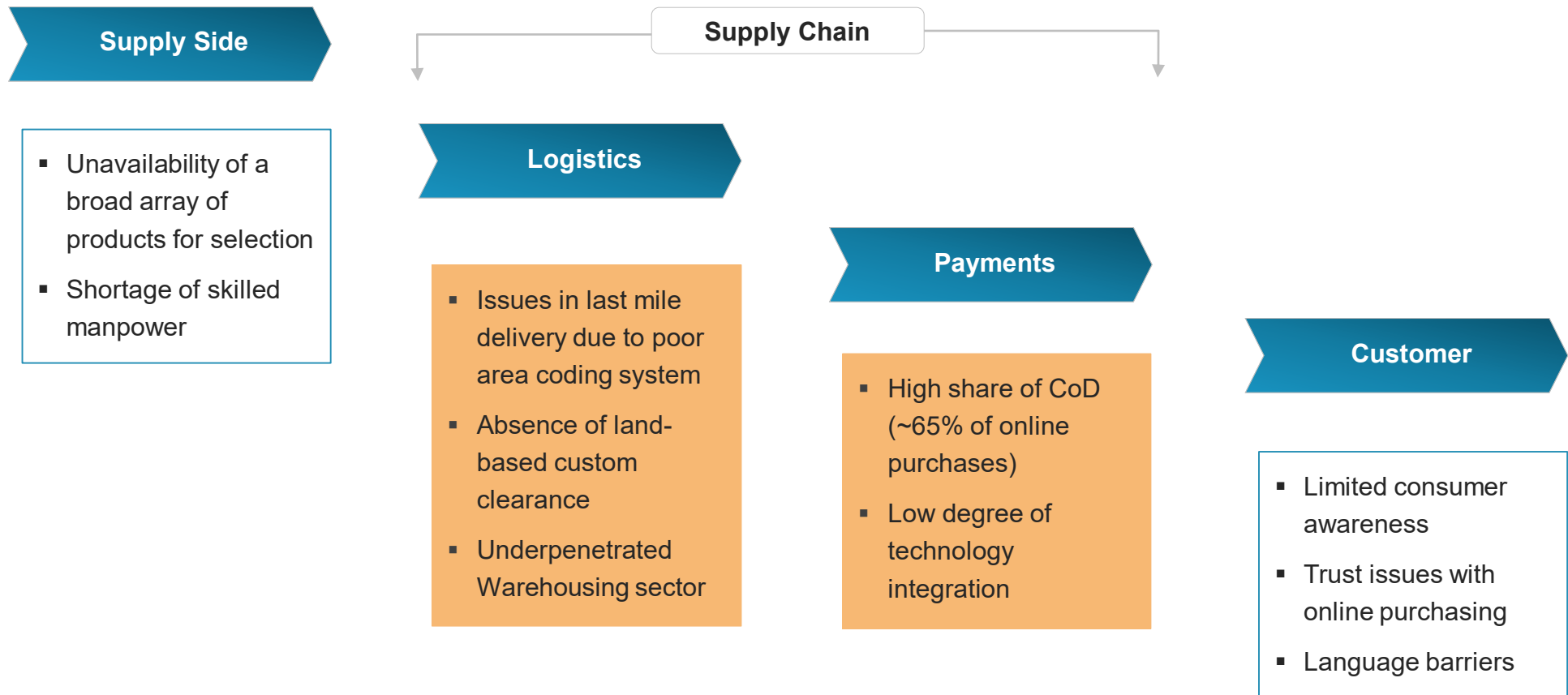
2018 | Bar Chart - Penetration in % of Total Retail, Line Chart - Per Capita Spend in US\$



Source: World bank Database, Emarketer.com, News Articles, Primary Research, Aranca Analysis

# Low Share Ascribable to Challenges Across Value Chain

## Challenges for E-tail in MENA



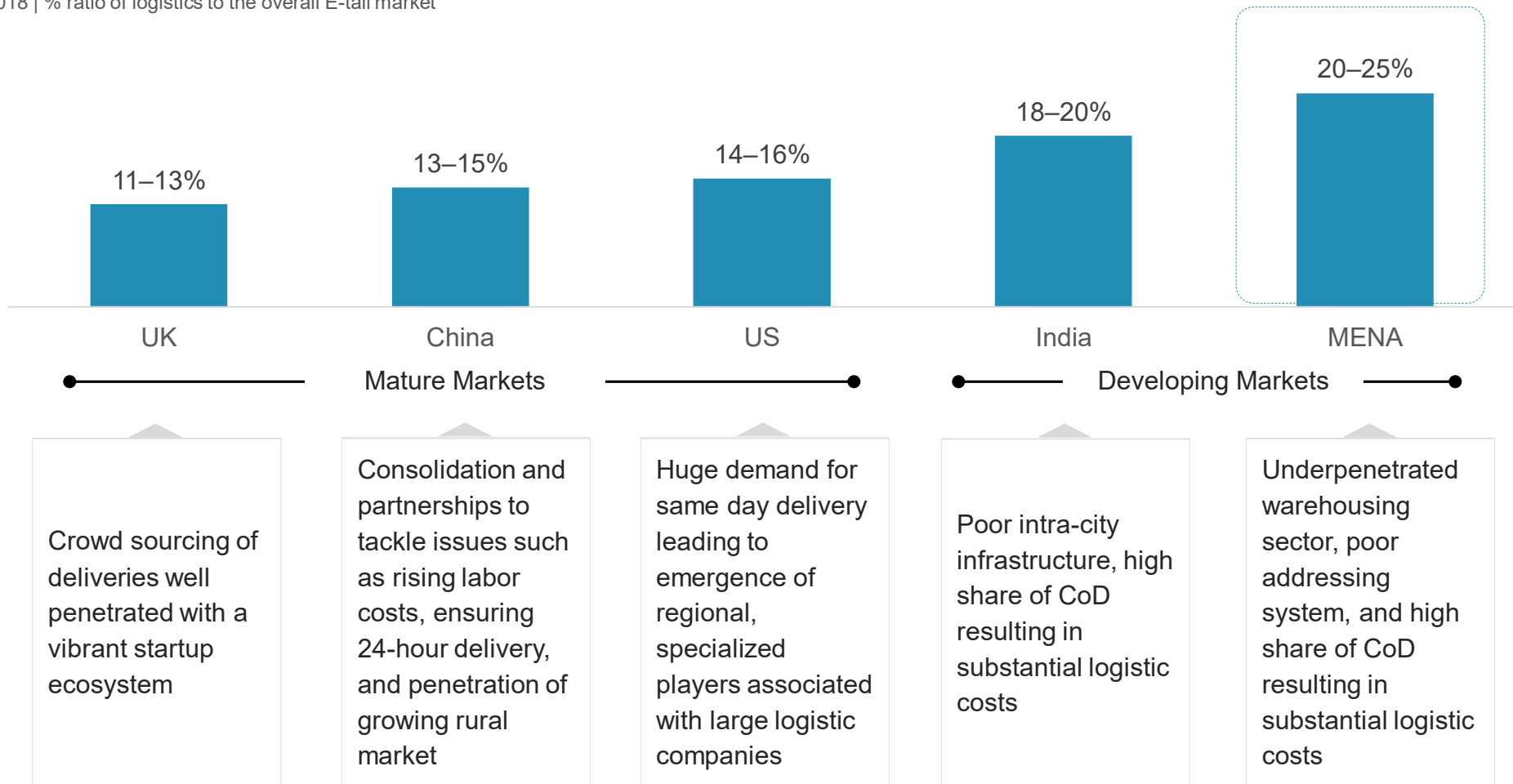
Source: Logisticsmiddleeast.com, khaleejtimes.com, Report in E-Commerce in MENASA By Dubai Commercitiy, News Articles, Primary Research



# Inadequate Supply Chain Landscape Implying Significantly High Share of Logistics Cost as a Percentage of Overall E-tail Revenues in MENA

## Logistics Costs as a Percentage of E-tail Revenues: Key Country Comparisons

2018 | % ratio of logistics to the overall E-tail market



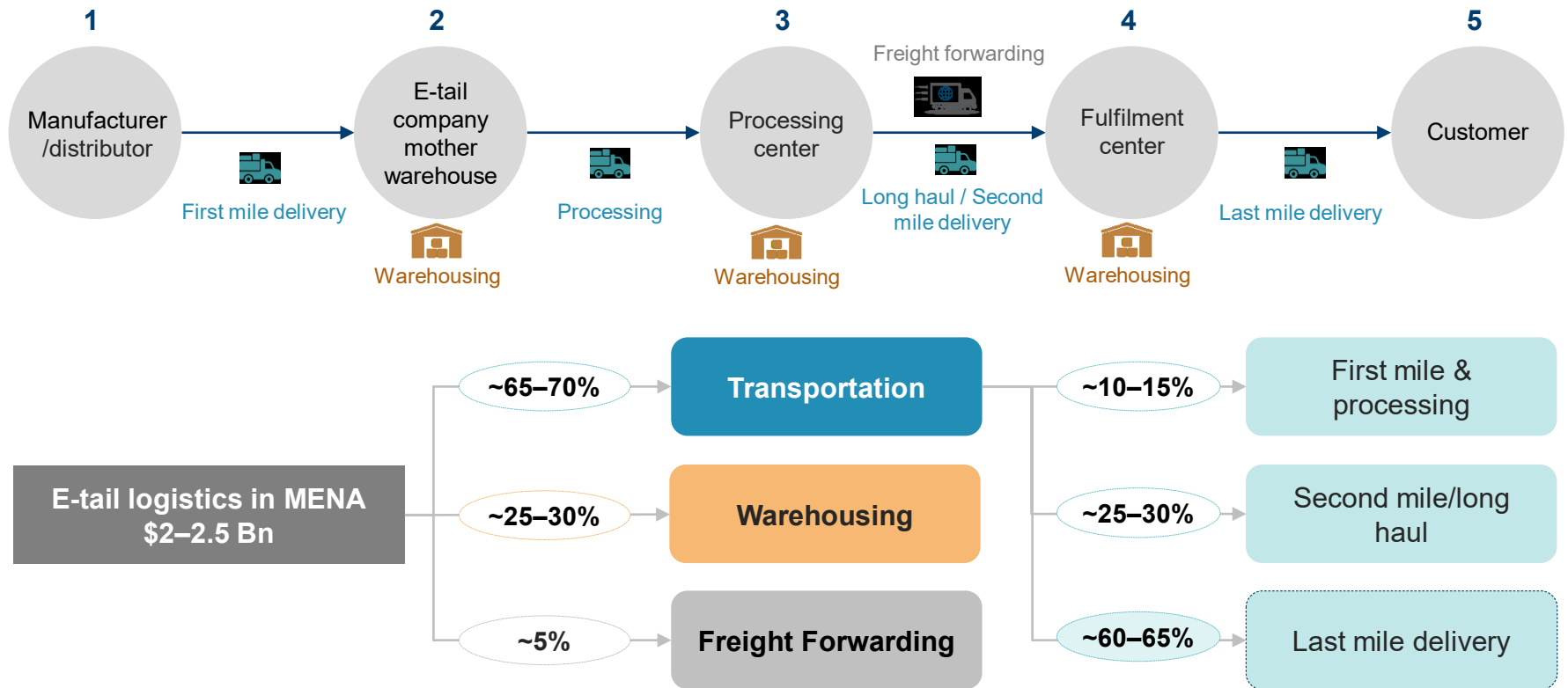
Source: Apex-insight.com, Chinadaily.com, Asia-Nikkei.com, Primary Research, Aranca Analysis



# E-tail Logistics in MENA Divided Into Transportation, Warehousing and Freight Forwarding Segments; Transportation Accounting for Nearly Two-third of Logistics Market

## E-Retail Logistics Market Segmentation in MENA

2018 | Figures in \$ Bn



**Last mile deliveries account for nearly 40-45% of the overall e-tail logistics expense**

Source: Primary Research, Aranca Analysis



**aranca**

Presentation  
E-Tail Logistics in MENA | MHME | September 2019

# Major Issues Resulting in Increased Spending (Last Mile)

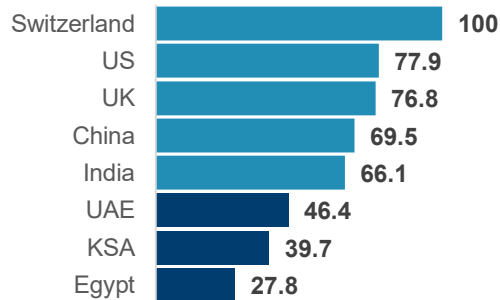
## Challenges in E-tail Logistics

### 1 2x incremental cost in second mile deliveries due to custom clearance regulations

Absence of land custom clearance among select countries in MENA resulting in increase in shipment by air which is expensive

### 2 Poor postal service and addressing system

Integrated Index for Postal Development (2IPD)\*



#### Key Issue

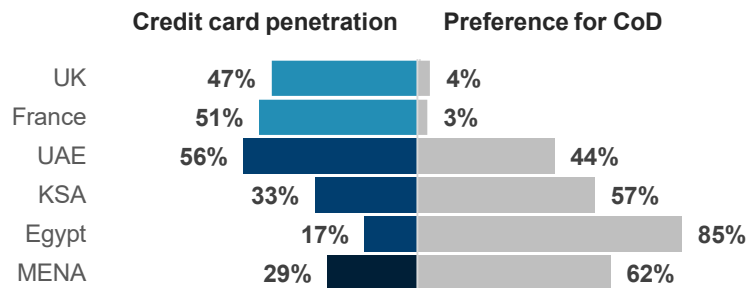
*“25–30% of the parcels remain undelivered due to address not found.”*

*E-tail Manager, Aramex*

#### Impact

- **Rise in costs** due to underutilized fleet, suboptimal routing
- Intangible costs associated with customer dissatisfaction due to failed delivery

### 3 Prevalence of CoD



*“Multiple delivery attempts for CoD orders, in addition to cash handling risks, are major challenges.”*





*Logistics Manager, noon.com*

- CoD resulting in higher return rates/ failed deliveries – **CoD-based deliveries 2x as expensive as prepaid orders**

Source: Universal Postal Union; Desk Research; Aranca Analysis, \* 2IPD is developed based on four key dimensions of postal development: reliability, reach, relevance and resilience.

# PUDOs and Geo-tagging Most Popular Solutions To Address Pain Points





## Key Developments and Innovations

Company	What?	Where?	How?
	Pick Up and Drop Off (PUDO) for Last Mile Delivery	UAE	<ul style="list-style-type: none"> <li>Developed proprietary technology and partnered with more than 1,000 stores to provide PUDO facilities for parcels</li> </ul>
	Pick Up and Drop Off (PUDO) for Last Mile Delivery	UAE KSA	<ul style="list-style-type: none"> <li>Aims to double PUDO locations from 150 currently in the next two years</li> <li>Partnered with Al Dawaa Medical Services, a pharmacy chain in KSA, to provide PUDO facilities</li> </ul>
	Geo-location of the customer to provide delivery	UAE	<ul style="list-style-type: none"> <li>Identifies the exact delivery location using consumers' smartphone geo-location</li> </ul>
	Geo-location of the customer to provide delivery	KSA	<ul style="list-style-type: none"> <li>Uses technology to capture the exact geo-location of the customer</li> </ul>
	Locker	UAE	<ul style="list-style-type: none"> <li>Provides safe lockers for Noon shipments that can be accessed by customers using secure codes</li> </ul>

Source: Company Websites, Logisticsmiddleeast.com, khaleejtimes.com, News Articles, Primary Research; Aranca Analysis

# Innovative Payment Solutions and Crowd Sourcing Delivery Model: Solutions That Could Attract Significant Interest in the Next Few Years

## Key Developments and Innovations

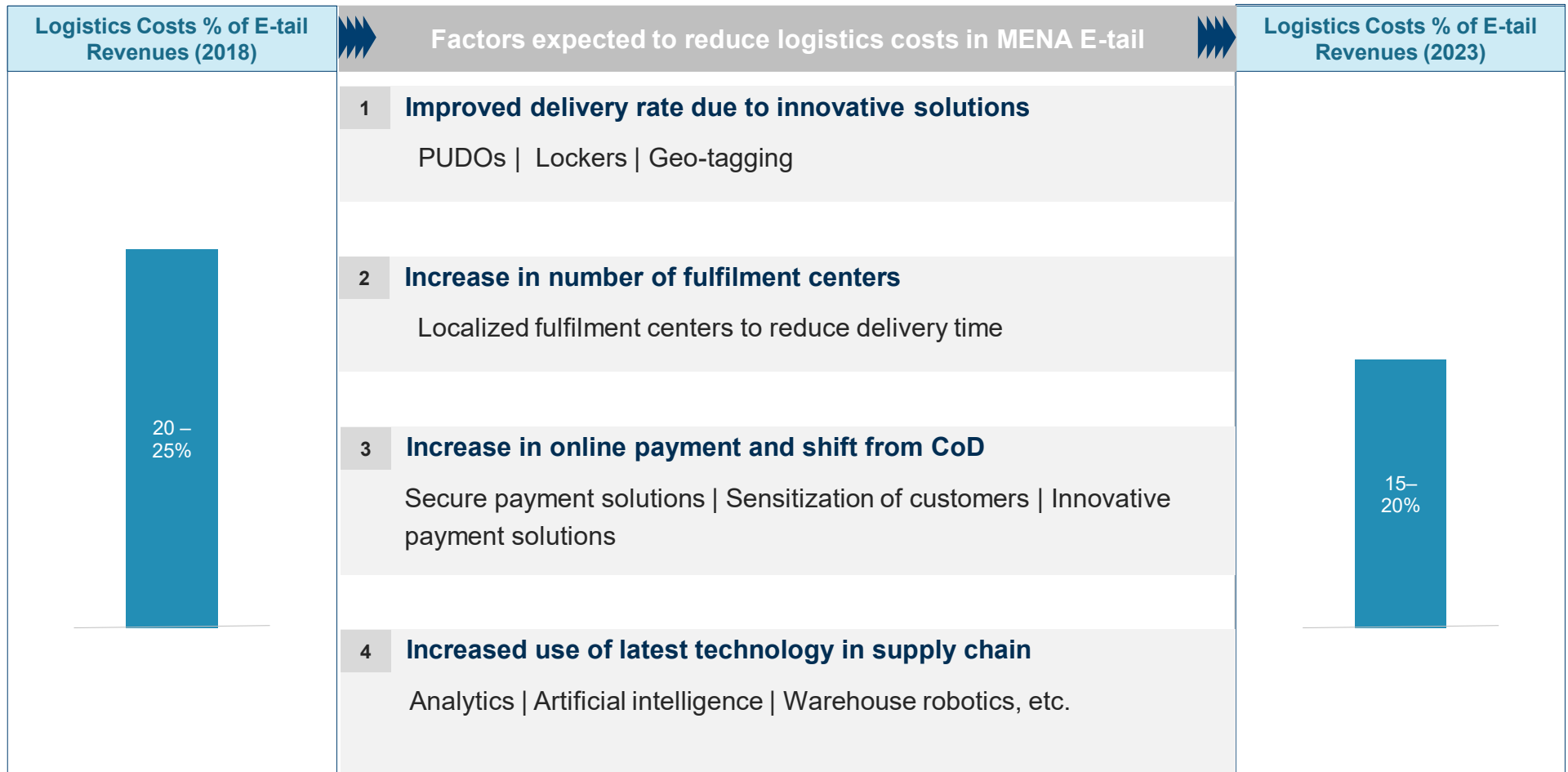
Company	What?	Where?	How?
 <b>aramex</b> delivery unlimited	Crowd-based delivery	KSA	<ul style="list-style-type: none"> <li>Aramex Fleet allows drivers to subscribe themselves on the platform and be eligible to take deliveries after completing training formalities; drivers paid on per delivery basis</li> </ul>
	Crowd-based delivery	KSA	<ul style="list-style-type: none"> <li>Engaged in developing a crowd-based platform for young Saudi nationals; would enable them to deliver noon.com packages on their own terms</li> </ul>
	Tech-based last mile delivery solutions	UAE	<ul style="list-style-type: none"> <li>Working on implementing AI and machine learning technology-based platforms for increasing efficiency in logistics processes, namely, route planning and optimization</li> </ul>
	Cash “Before” Delivery	KSA Jordan	<ul style="list-style-type: none"> <li>Created technology and ecosystem to collect cash from customers before delivery</li> <li>Addressed logistical challenges associated with CoD while ensuring customers’ preference to shop using cash is not affected</li> </ul>

Source: Company Websites, Logisticsmiddleeast.com, khaleejtimes.com, News Articles, Primary Research; Aranca Analysis

# Considering Ongoing Innovations, as per Our Estimate, Logistics Costs as a Percentage of E-tail Revenues Likely to Reduce from ~25% currently to ~20% in the Next Five Years

## Factors Affecting Logistics Costs

2018–23 | Qualitative Insights



Source: Primary Research; Aranca Analysis

## Your Contact For Further Information

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