



Whitepaper

E-commerce Logistics in MENA

Prepared for:

MHME

E-commerce Logistics in MENA

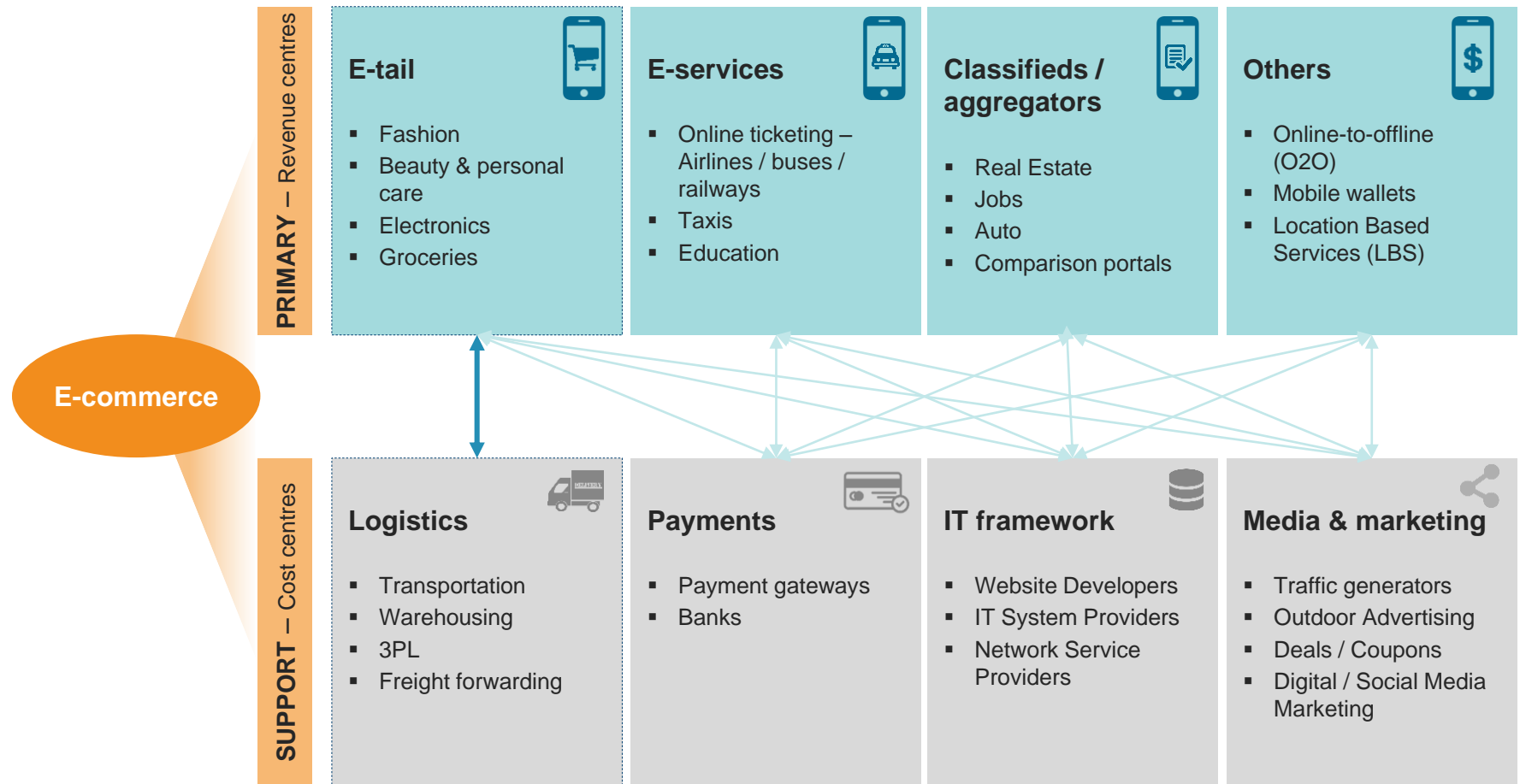


Key topics covered

- ➔ E-commerce eco-system and where logistics stands
- ➔ Nature of MENA's e-tail market and significance of logistics
- ➔ MENA's e-tail logistics market size by segments
- ➔ Challenges that logistics players in MENA are facing across various segments
- ➔ Growth drivers and forecast market size for e-tail logistics in MENA

Primary segments in the e-commerce industry are linked with every support segment other than logistics; only the E-tail segment utilizes logistics

E-commerce Eco-system

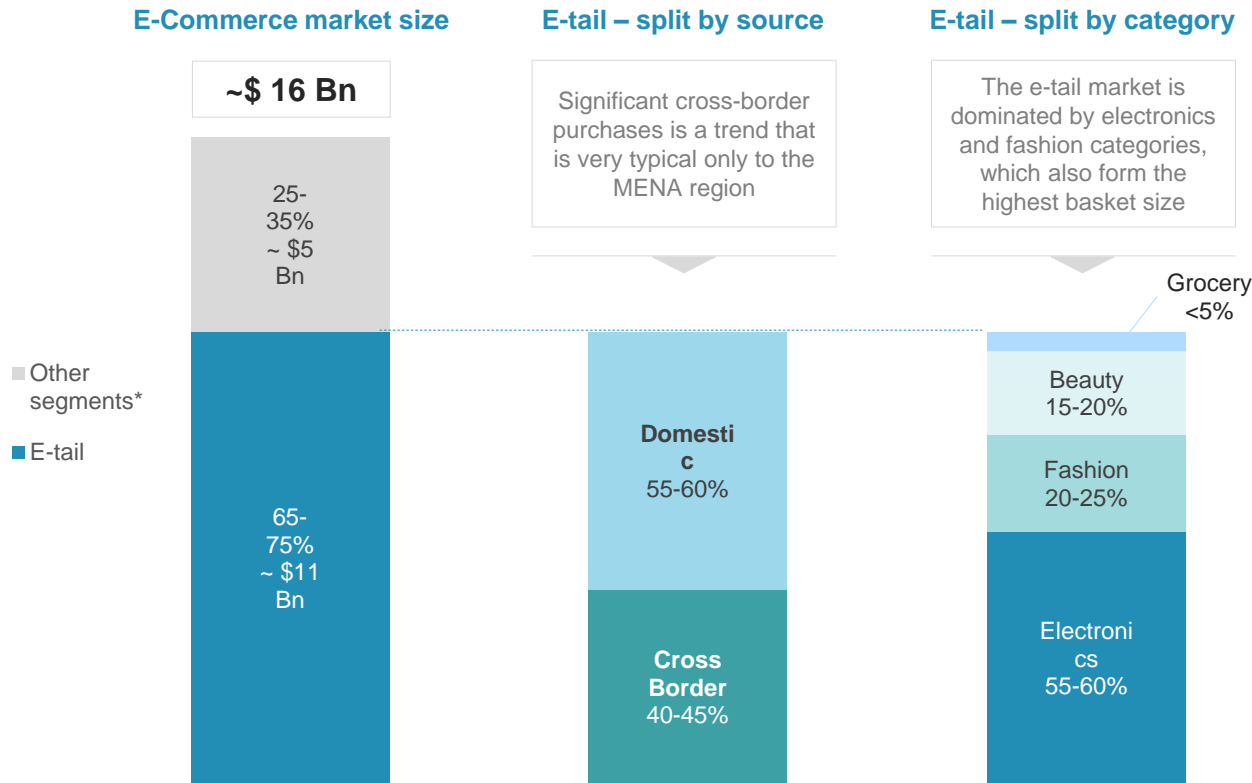


Source: Aranca Analysis

E-tail, which is a mix of domestic and cross-border purchases, comprises ~65-75% of the overall e-commerce market in MENA

E-tail Market in MENA

2018 | Figures in \$ Bn



Fact box:



~40% of the customers in MENA turn to offline retail only because they feel that deliveries in e-tail shopping take too long. This makes logistics one of the most critical segment in the e-commerce industry.



Logistic revenues are generally in the ratio of 20-25% of the overall e-tail market

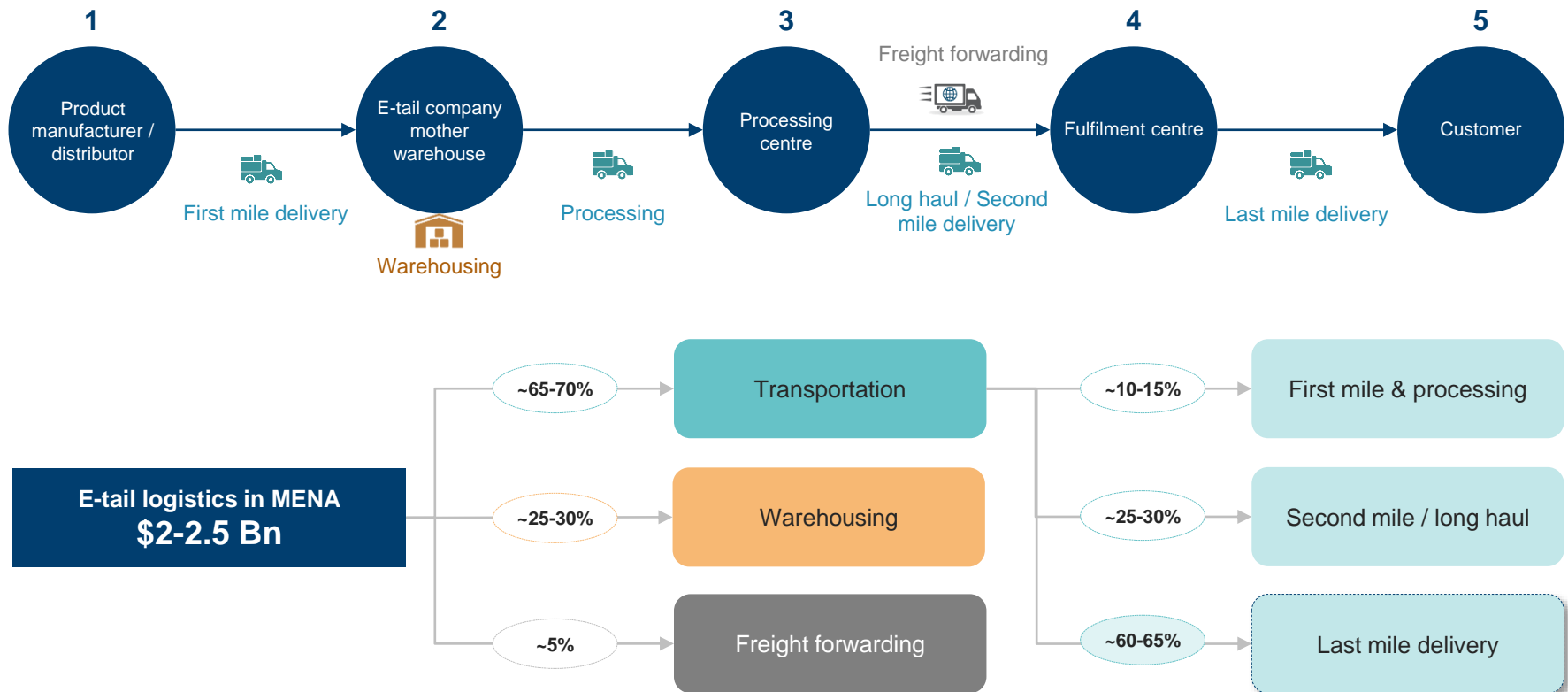
Source: Primary Research; Aranca Analysis

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

E-tail logistics in MENA can be divided across transportation, warehousing and freight forwarding segments; transportation accounts for nearly two-third of the logistics market

E-tail Logistics Market Segmentation in MENA

2018 | Figures in \$ Bn



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

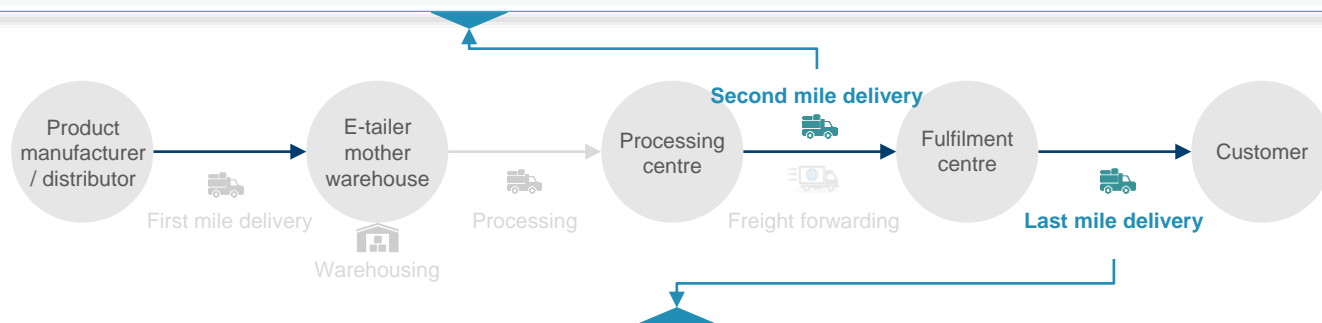
Source: Primary Research; Aranca Analysis

Currently, there are significant obstacles across the second mile and last mile delivery segments.....

Challenges in E-tail Logistics

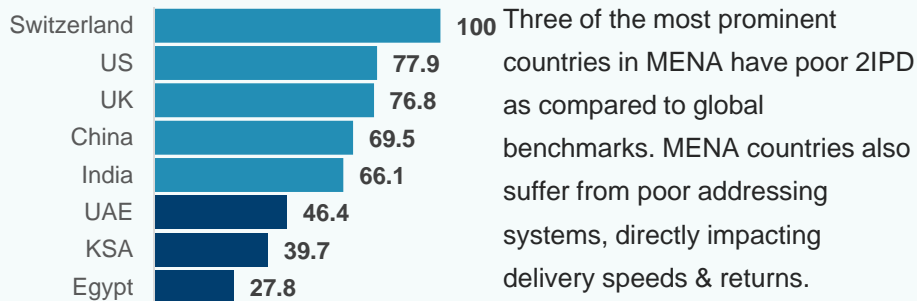
1 2x incremental cost in second mile deliveries due to custom clearance regulations

Absence of land custom clearance among select neighbouring countries in MENA, has resulted in prevalence of more expensive air shipments. Second mile deliveries connect supply centre to the demand centre and can often be inter-country transportation.



2 Poor postal service and addressing system

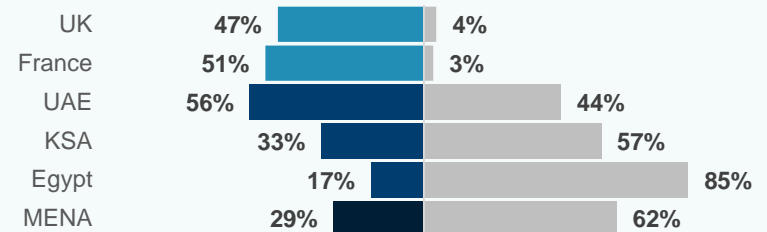
Integrated Index for Postal Development (2IPD)*



3 Prevalence of CoD

Credit card penetration

Preference for CoD

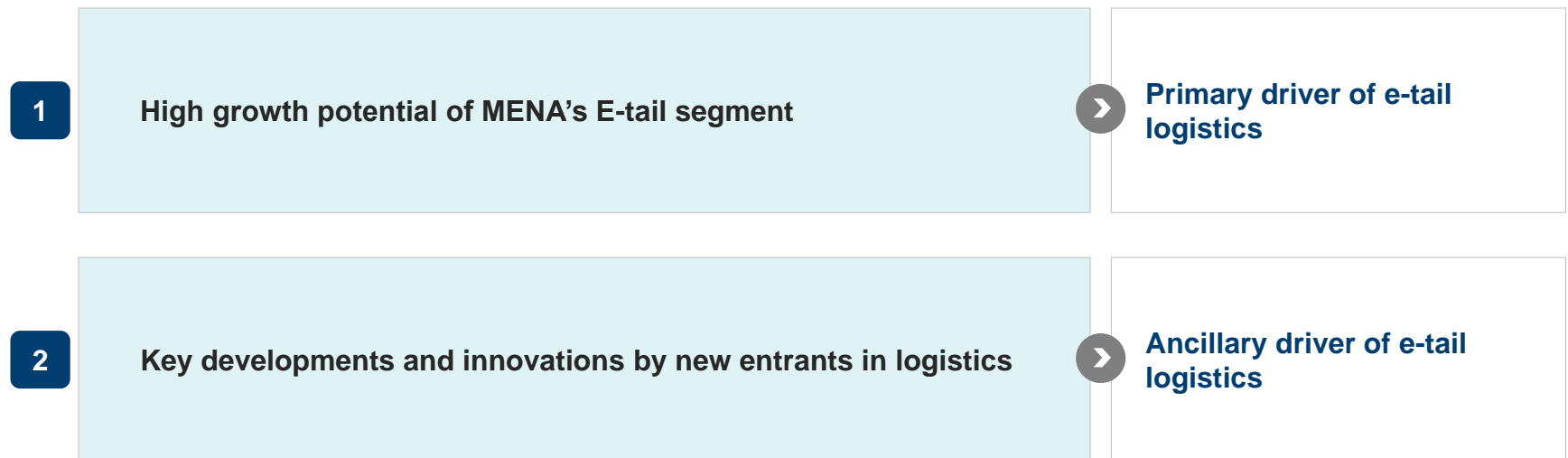


CoD results in higher return rates / failed deliveries – CoD-based deliveries 2x expensive as prepaid orders.

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

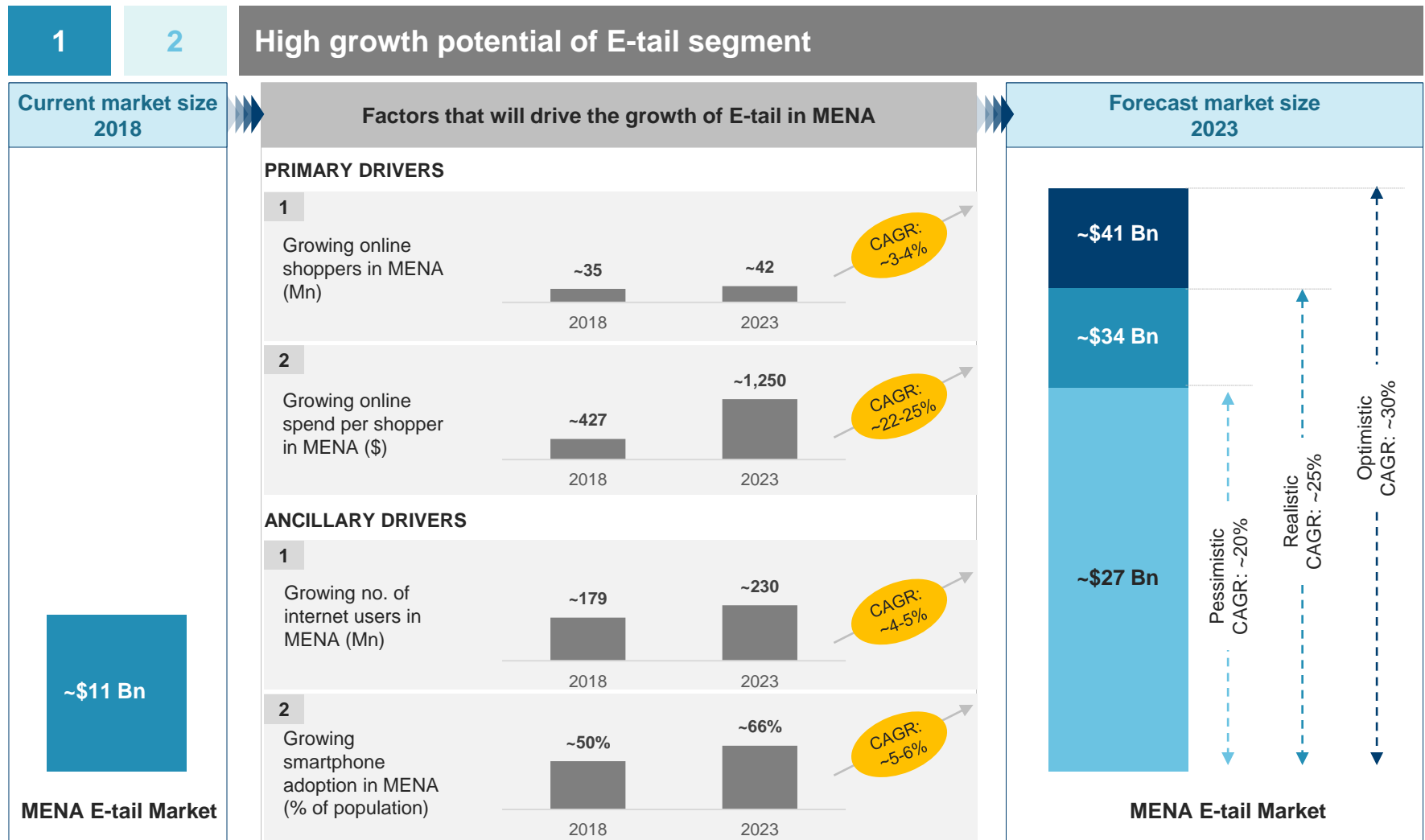
....however, despite hurdles, the e-tail logistics market in MENA is expected to receive a forward impetus due to certain driving factors

Growth Drivers



Source: Aranca Analysis

Growing online shoppers and increasing online spend per shopper in MENA is expected to boost its e-tail market from ~\$11 Bn in 2018 to ~\$34 Bn in 2023






Source: Desk Research; Primary Research; Aranca Analysis

Most existing logistics companies and new entrants are expected to come up with innovative solutions or strategic measures to address critical pain-points and gain market share

1

2

Key developments and innovations

Company	Development	Details	Pain-point addressed
	Innovative solution	The company has developed a proprietary technology that gives customers the option to collect their parcels from a location most convenient to them.	Poor addressing system resulting in failed deliveries
	Innovative solution	Fetchr delivers parcels to the consumers current location. The company identifies the exact delivery location using the consumers' smartphone geo-location.	Poor addressing system resulting in failed deliveries
	Strategic measure	<p>In order to gain market share in the CoD driven logistics market, Aramex has taken the following steps:</p> <ul style="list-style-type: none"> • Providing faster remittance of CoD amounts • Offering subsidised CoD services • Improve the percentage of delivered orders 	Inefficiencies related to CoD orders

“Delivery is the most stressful part of the online shopping experience”

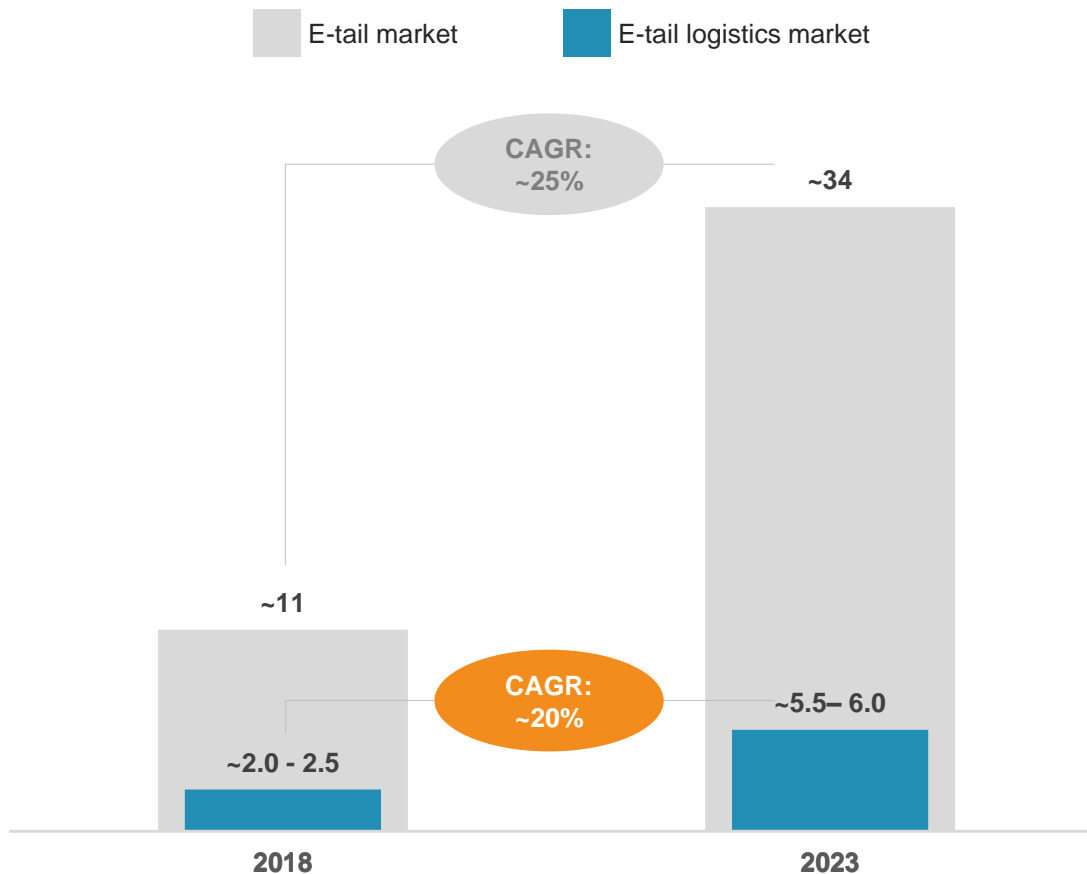
- Soumia Benturquia,
Founder & CEO,
FODEL

Source: Primary Research; Aranca Analysis

With rising efficiencies across the landscape, the proportion of logistics cost to the overall e-tail market is expected to decrease from 20-25% currently to 15-20% by 2023

Forecast Growth in E-tail Logistics Market

2018-23 | Figures in \$ Bn



Trends that are shaping last mile e-tail logistics in MENA:

- **Hub and spoke delivery model:** Logistics companies expected to set up multiple localized fulfilment centres. The centres would be used to store in-demand seasonal items. This development could shorten the last mile.
- **Customized delivery solutions:** More logistics players are expected to adopt innovative techniques to deliver parcels. This would allow customers to carry out daily tasks and chores without worrying about being at home to collect parcels.
- **Evolving disruptive technologies:** The last mile logistics market could witness adoption of artificial intelligence and machine learning tools for route optimization. Additionally, disruptive technologies would also be used for order shipment and fulfilment.

Source: Primary Research; Aranca Analysis



About Aranca

Background, Clientele



Aranca is the preferred and trusted custom research partner to over 1800 global companies, from the hottest start-ups to the Fortune 500



Founded in 2003,
15 years of experience



500+ strong
professional team



Custom Solutions.
Always.

Aranca Snapshot

Five complementary practices, truly global capabilities

Research Solutions ...



Business Research



Procurement Research



Technology & IP Research



Investment Research



Valuation Advisory

We Deliver Globally ...



Footprint

- 500+ analysts in India (Mumbai, Gurgaon, Bangalore), China (Shanghai)
- SOHO analysts in 30+ countries
- Field-work network in 50+ countries

Multi-lingual Capabilities

- We speak 30+ languages
- Conduct 30K interviews every year

Experience

- Client projects in 90 countries
- Over 100K projects delivered

To The World's Best Brands



Google

Hertz

intel

STAPLES

ALGECO
SCOTSMAN

HUHTAMAKI

bhpbilliton
resourcing the future

Johnson
Controls

TIME WARNER
CABLE

vodafone

PARSONS

ABB

MWV
MEADWESTVACO

ARAMARK

HSBC

BARCLAYS

vf

sodexo

Coca-Cola

NOKIA
Connecting People

ArdaghGroup

PHILIPS

KRAFT

ANGLO
AMERICAN

ArcelorMittal

سابك
sabik

NOVARTIS

Bayer

Shell

SIEMENS

AkzoNobel

Unilever

Aranca has executed a wide range of assignments for the logistics industry for leading companies across geographies

25+

Global logistics clients that have used our services for market intelligence, including Fortune 500 companies

100+

Assignments executed by us so far in the logistics sector

20+

Countries where we have analysed market dynamics for global clients

10+

Products or services researched by us

Assignments Executed in the Global Logistics Industry

- Market sizing and competitor assessment for road transport in Indonesia
- Market study on trucks - commercial logistics in Vietnam
- Regulatory assessment for reverse logistics for electronic goods in Japan
- Market study of Next Flight Out (NFO) courier services in India
- Feasibility for expansion of logistics business in KSA and MENA countries
- Investment attractiveness of a shipping company in Turkey
- Market assessment for dry bulk logistics (specialty chemicals) in GCC
- Review of transport, railroad and airline sectors in KSA and GCC nations
- Commodity analysis & coastal traffic study in East Africa countries
- Logistics infrastructure assessment in Sub-Saharan African countries
- Opportunity assessment & competitor mapping for 4PL, 5PL services in UK
- Market study for setting up logistics operations in Eastern Europe
- Market assessment for fleet management systems in Western Europe
- Technological trends in medical warehousing in UK, France and Italy
- Market trends in cold chain logistics in US and Canada
- Market dynamics for container freight services in US, Canada and Mexico
- Market study for setting up liquid bulk storage facility in Brazil
- Feasibility for setting up ICD operations in Ecuador

The Brands That Trust Us



Transportation & Logistics Sector Expertise

Business challenges we help our auto clients with...

Strategy

Your business in the future

- New Market Opportunities
- Innovation & Differentiation
- Market shifts & Forecasts

Growth

More sales from existing markets

- Market Analysis
- Sales & Channel Effectiveness
- Brand & Communications

Customers

Better experience, more loyalty

- Customer Acquisition
- Experience Management
- Satisfaction Assessment

Competition

What are they doing? How?

- 'How-they-do-it' analysis?
- Product | Price Benchmarking
- Competitor Tracking, Profiling

Product Design

Innovation for global markets

- Ideation & Opportunity Mapping
- Concept & Prototype Testing
- Design for Emerging Markets

Enterprise MI Solutions

Better, more, actionable insights

- 'Research-on-the-go' Platform
- Research Helpdesk
- CI Subscription Services

Your Contact For Further Information



Prabir Chetia

Head of Practice

Business Research & Advisory



Supreme Business Park, Powai | Mumbai | India



+91.22.3937 9820



prabir.chetia@aranca.com



www.aranca.com



Nishant Nair

Project Manager

Business Research & Advisory, Logistics



Supreme Business Park, Powai | Mumbai | India



+91.22.3937 9820



nishant.nair@aranca.com



www.aranca.com



BUSINESS RESEARCH
& ADVISORY



INVESTMENT RESEARCH
& ANALYTICS



FIXED INCOME
RESEARCH & ANALYTICS



VALUATION
ADVISORY



TECHNOLOGY
INTELLIGENCE &
IP RESEARCH



PROCUREMENT & SUPPLY
CHAIN INTELLIGENCE

This material is exclusive property of Aranca. No part of this presentation may be used, shared, modified and/or disseminated without permission. All rights reserved.