

Gulf retailer Noon.com to ignite e-commerce race

October 2 2017, by Omar Hasan



Analysts say the arrival of Noon.com is expected to trigger a price war in the developing regional e-commerce market and will likely alter the face of consumerism in the Gulf

Days after Amazon announced the launch of its first Middle East centres, online retailer Noon.com has gone live in the United Arab Emirates, boosting a rapidly nascent e-commerce sector in the Gulf.

The site started working at the weekend and the app is scheduled to launch in days, its backer Dubai-based real estate giant Emaar Properties said in a statement.

Analysts say the arrival of Noon.com—which comes months after retail giant Amazon acquired the Dubai-based Souq.com—is expected to trigger a price war in the developing regional [e-commerce](#) market and will likely alter the face of consumerism in the Gulf.

"It is important for us to shape a digital marketplace that is relevant to our local markets and serves as a growth platform for brick-and-mortar retailers," said the project's founder, Emaar chief Mohammed Alabbar.

Investors in the \$1 billion project include Saudi Arabia's state-owned Public Investment Fund and leading Kuwaiti business group M.H. Al-Shaya Co., one of the largest regional retail groups.

Described by Emaar as an "Arabic-first e-commerce platform", Noon.com will offer a range of clothing, home goods, grocery staples and many others.

It is also expected to start delivering to Saudi Arabia within the next few weeks.

'Bright future'

The news comes six after Emaar offered \$800 million to acquire rival retailer Souq.com but lost to Amazon, which acquired the region's biggest online retailer for \$650 million.

On September 25, Amazon Web Services announced a deal with the government of Bahrain to open its first Middle East data centres in the Gulf, expected to be ready by 2019.

Combined with the interest of Amazon and its subsidiaries in regional e-commerce, the rivalry between Noon.com and Souq.com is expected to intensify competition in what consultancy McKinsey has called an untapped e-commerce market.

"It will certainly create a flutter in the nascent online retail market," said M.R. Raghu, head of research at asset management company Kuwait Financial Center (Markaz).

Raghu estimates that online sales in the Middle East currently make up a mere two percent of overall retail sales, compared with 15 percent in more developed markets.

Competition among online retailers "will help change the culture of shopping in the region in the long-term," said Faraz Mehmood, CEO of Dubai-based Old Town Advisors consultancy.

"I don't think the (e-commerce) market is saturated to such a point" that there is no place for newcomers, Faraz Mehmood told AFP. "There is still room for more."

Smaller players in the online shopping [market](#) may, however, find it difficult to compete with platforms backed by major companies, Mehmood said.

The online retail trade has been developing at a fast pace in the past few years with the spread of the internet and smartphones across the Middle East.

E-commerce in the energy-rich Gulf Cooperation Council (GCC) states alone is expected to grow rapidly from \$5 billion in 2015 to as much as \$20 billion in 2020, according to Raghu.

But even that figure would only account for 10 percent of retail sales in a region known for individual consumer spending, he said.

"The future of online shopping is bright," Raghu told AFP.

"But in the case of the GCC region there will be a tough fight with conventional players who have entrenched themselves in this space and provide significantly superior shopping experience to their customers."

© 2017 AFP

Citation: Gulf retailer Noon.com to ignite e-commerce race (2017, October 2) retrieved 16 August 2024 from <https://phys.org/news/2017-10-gulf-retailer-nooncom-ignite-e-commerce.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--