The Online Shopper - KSA:
Uncovering Trends In The E-Commerce Landscape

April 2018
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Research Methodology
This report is based on the below surveys conducted by Ipsos in Saudi Arabia:

**Tech Tracker Survey**
A yearly multi country tracker that aims to shed light on users digital behavior – which also includes an understanding of users’ ecommerce behavior.

Face to Face surveys with **1000 individuals** residing in Saudi Arabia (Nationals & Arab Expats)

A Nationally Representative Sample, aged 15 years and above

**Online Shopper Understanding Study**
A multi country research effort carried out in order to shed light on consumers’ shopping behavior across both online and offline channels.

Self administered **online** surveys with **1000 consumers** residing in Saudi Arabia (Nationals, Arab & Other Expats)

Representative Sample of recent purchasers of at least one category of interest (Groceries, Beauty/Personal Care, Apparel, Electronics), aged 15 years and above.
The Saudi Online Shopper:
Uncovering Trends in the E-commerce Landscape

KSA E-Commerce Landscape in a Nutshell

Backed by its young and tech-savvy population, Saudi Arabia is ideally positioned to witness growth in e-commerce. In fact, what initially started as a trend that is mostly exclusive to a more affluent segment is slowly becoming adopted by a wider and less affluent audience.

The proliferation of e-commerce in the country was in large part assisted by the advent of cash on delivery as a payment option. With the limited number of credit cards among key target segments (namely females, the youth, and lower socio-economic classes), the adoption of the cash on delivery payment model has facilitated the growth of e-commerce in the Kingdom.

That being said, the current online payment infrastructure in the country has also been witnessing changes characterized by the emergence of various digital payment means. Players like PayPal and CashU offer shopper easy and secure payment options further facilitating e-commerce for the eager Saudi e-shopper.

People are also embracing e-commerce due to cost and time implications. For the savvy shopper, online channels give access to a world of offers and promotions that make online platforms a more appealing option when compared to instore channels. Not only that, but e-commerce also provides them with the convenience of shopping at the comfort of their own homes at whatever time that best suits them.

On the other side of spectrum, there are still some inherent challenges that stand in the way of the growth of online shopping in the country. Many are still weary about the trustworthiness of online channels especially when it comes to their portrayal of their offerings online. This is especially cumbersome due to high delivery fees and the difficulty of the return process associated with online purchases. Additionally, the heavy reliance on postal addresses when it comes to the delivery of goods presents itself as an issue. With that in mind, the current implemented system makes it more difficult to get products to consumers quickly and efficiently – further hindering e-commerce especially in situations where urgency plays a crucial role.

As a result, online shopping is more popular in shopping occasions where urgency is not a main concern. Shoppers are resorting to online channels in situations where speed is not a priority – and the quest for a good deal justifies a delay in the product acquirement. Furthermore, with shoppers in Saudi following a premeditated approach to brand choice both offline and online – it also becomes increasingly more important for e-retailers to be comprehensive in their brand offerings.

Finally, while the initial growth of e-commerce was driven by the purchase of specific categories, such as fashion, online travel and accommodation bookings, and specific high-ticket items, the next drivers of growth will be everyday items such as groceries and personal care products, which are the focus of this report.
Chapter I: The Growth of E-Commerce in Saudi Arabia
Saudi Arabia is Perfectly Poised for the Growth of E-Commerce

The MENA e-commerce market is amongst the fastest growing in the world with the growth being predominantly lead by the GCC region. Amongst the strongest contenders on that front is Saudi Arabia. Fueled by its predominately young and tech savvy population, Saudi Arabia positions itself as a great platform for exploring omnichannel opportunities.

Why Companies Should Pay Attention to KSA:

- **Population Size**: KSA is the largest of the GCC countries and is home to 31 million people, with nationals constituting the majority of the population, making it the most attractive market for the growth of e-commerce.

- **Youthful Population**: The country is characterized by its young population who are extremely connected and technologically savvy.

- **Affinity to Technology**: Saudis are also often the leading forces behind the growth of technological trends in the region thereby facilitating the adoption of e-commerce within the country.

- **High Spending Power**: The World Bank ranks Saudi Arabia in its top 20 richest countries by spending power, thus providing lucrative opportunities for pursuing omnichannel ventures.
Online Shopping Has Already Been on The Rise and is Showing No Signs of Slowing Down

While KSA has yet to harness the full potential offered by e-commerce, a sizable portion of its population has in fact already explored online shopping platforms. Furthermore, the trend has been growing rapidly with online shopping doubling over the last two years.
While Males Continue to Dominate, Other Segments like Females and Millennials Are Also Surging Ahead

While online shopping is growing at a fast rate amongst all demographic segments, the fastest growing segments are females and millennials, both growing almost three-fold in the last 2 years, while the older age groups lag behind.
Chapter II: The Evolution of Online Payments
While e-commerce was initially mostly restricted to shoppers who own credit/debit cards, the introduction of alternative payment methods has contributed heavily to the growth of online shopping. With the relatively low penetration of credit cards among certain segments, alternative payment methods have filled the gap, making online shopping more accessible to wider segments of society. As the pool of online shoppers grows, the share of credit/debit cards has decreased, with more of the new comers opting for Cash or Digital Payment options.
Alternative Payment Options Help Widen The Online Shopping Audience

Cash on Delivery and Digital Payments are clearly more popular choices amongst females and younger millennials, particularly the former option. Meanwhile, Cards remain an important payment option for older segments, and amongst male shoppers.

Method of Payment:

<table>
<thead>
<tr>
<th>Method of Payment</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Payments</td>
<td>52%</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>Cash on Delivery</td>
<td>44%</td>
<td>52%</td>
<td>25%</td>
</tr>
<tr>
<td>Digital Payments</td>
<td>36%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

Method of Payment By Demographics:

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>40%</td>
<td>50%</td>
<td>36%</td>
</tr>
<tr>
<td>25-34</td>
<td>49%</td>
<td>46%</td>
<td>29%</td>
</tr>
<tr>
<td>35-44</td>
<td>49%</td>
<td>45%</td>
<td>28%</td>
</tr>
<tr>
<td>45+</td>
<td>64%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Local</td>
<td>46%</td>
<td>49%</td>
<td>32%</td>
</tr>
<tr>
<td>Arab</td>
<td>45%</td>
<td>39%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Chapter III: The Pros and Cons of Online Shopping
Online Shopping is Gaining Traction Across Various Categories

The growing popularity of Online Shopping Channels coupled with the availability of convenient payment methods has lead to the rise of e-shopping, opening up doors across a multitude of different categories which historically had little online activity, such as groceries and personal care items.

Penetration of Online Shopping:
-By Category

- Electronics: 25%
- Fashion: 23%
- Personal Care: 18%
- Groceries: 15%
The Driving Forces Behind the Growing Popularity of Online Channels is Their Ability to Save Shoppers Time & Money

Price related factors play a significant role when it comes to enticing online purchases across various categories. For Apparel specifically, shoppers believe that the products offered online tend to be priced more competitively while electronics on the other hand tend to have more promotions. Another crucial factor in favor of online shopping is the convenience which allows shoppers to cut down on time, and shop at any time of the day.

Reasons For Shopping Online:
For Online Shopping to Grow Further:

Shoppers Need to Be Granted Higher Levels of Speed & Convenience

For shoppers, having the chance to examine the product firsthand is an essential component of the decision making process. In some cases shoppers are wary of the trustworthiness of online websites in accurately portraying the products available. Furthermore, delivery fees associated with online shopping coupled with the complexity of the return process reinforces the need of having firsthand experience with the product. In addition, urgency often times also acts as a deterrent to online shopping, especially for groceries or personal items, in which case convenience is paramount and the nearest store is the best option.

Barriers to Online Shopping:

- Need to Examine the Product: 28%
- Limited Availability of Products Online: 11%
- Don’t Consider Online Shopping: 13%
- Impulse Buys in Store: 12%
- Prefer Instore Assistance: 9%
- Prefer to Support Local Business: 6%

- Need the Item Immediately: 36%
- In-store returns are easier: 24%
- Complex Process: 10%
- Lack of Information: 9%
- Lack of Trust: 17%
- Security Concerns: 11%
- Fear of stolen credit card: 9%
- Shipping Payments: 15%

For shoppers, having the chance to examine the product firsthand is an essential component of the decision making process. In some cases shoppers are wary of the trustworthiness of online websites in accurately portraying the products available. Furthermore, delivery fees associated with online shopping coupled with the complexity of the return process reinforces the need of having firsthand experience with the product. In addition, urgency often times also acts as a deterrent to online shopping, especially for groceries or personal items, in which case convenience is paramount and the nearest store is the best option.
Chapter IV: Online Shopping Across Major Categories
While physical stores still have a major advantage over e-commerce for fast moving goods specifically, the category still presents high potential for growth in the future.

Currently, urgency and quality concerns act as major barriers to the growth of e-grocery. As such, growth of the category is contingent on retailers ensuring fast delivery for high quality and fresh products.

Sub Categories Shopped For:

- **Fresh Food**: 7%
- **Dairy Products**: 4%
- **Hot Drinks & Soup**: 4%
- **Beverages**: 4%
- **Breads & Breakfast**: 3%
- **Biscuits & Confectionary**: 2%
- **Oils & Vinegar**: 2%
- **Salty Snacks**: 2%
- **Dry Food**: 2%

*Shopping for Groceries By Demographics:*

<table>
<thead>
<tr>
<th>Gender</th>
<th>18-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Female</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Currently, urgency and quality concerns act as major barriers to the growth of e-grocery. As such, growth of the category is contingent on retailers ensuring fast delivery for high quality and fresh products.
Unsurprisingly, purchases of personal and beauty care items online is predominantly lead by females and slightly more widespread amongst the older demographic. That being said, purchases done within this category are mostly geared towards beauty items as opposed to personal care products. Often within this category, the variety of items available online coupled with the offers available make e-commerce a very attractive option.

Shopping for Personal Care
By Demographics:

- Male: 14%
- Female: 24%
- 18-24: 15%
- 25-34: 18%
- 35-44: 17%
- 45+: 20%

Sub Categories Shopped For:

- Make-Up, Nail Polish: 5%
- Skin Care Products: 5%
- Haircare Products: 4%
- Deodorant/Perfume: 4%
- Shaving Products: 4%
- Soap, Shower & Bath: 3%
- Female Products: 2%
- Oral Care Products: 2%
- Baby Products: 1%
- Sunscreen Products: 1%
When it comes to online shopping for fashion – men and women are equally interested. The appeal of resorting to online platforms when it comes to this category is primarily rooted in the convenience and cost savings offered by online channels.

Shopping for Fashion: 
*By Demographics:*

<table>
<thead>
<tr>
<th>Sub Categories Shopped For:</th>
<th>Male</th>
<th>Female</th>
<th>18-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td></td>
<td></td>
<td>21%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoes</td>
<td></td>
<td></td>
<td>9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessories</td>
<td></td>
<td>25%</td>
<td>28%</td>
<td>21%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sporting Gear</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Online shopping for electronics is primarily driven by males and older demographics. That said, most purchases within that category revolve around personal electronics as opposed to household items, with handsets and computers taking the lead.

**Sub Categories Shopped For:**

- **Telephone:** 9%
- **Computer:** 6%
- **Computer Accessories:** 4%
- **Tablet:** 4%
- **Large Electric Appliances:** 3%
- **Gaming Consoles:** 2%
- **TV & Audio:** 5%
- **Small Electric Appliances:** 4%
Chapter IV: Brand Choice in Online and Offline Channels
Shoppers Tend to have a Premeditated Approach to Brand Choice

Given the proliferation of online shopping channels it becomes more important to uncover differences in behavior that prevail in online channels versus an in-store environment.

However, prior to delving into such differences, a crucial distinction that needs to be made when it comes shopping behavior is whether brand choice is a premediated activity or mostly inspired at the moment of truth - i.e. when the shopper is actually making the purchase.

With that in mind, on an overall level, shoppers in Saudi Arabia are more likely to act as finders across all categories, especially when it comes to smaller purchases like groceries or personal care items.

Finders vs Deciders

*Overall Category Averages (Online + Offline Purchases)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Deciders</th>
<th>Finders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Fashion</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Electronics</td>
<td>47%</td>
<td>53%</td>
</tr>
</tbody>
</table>

- Deciders: (Those who Decide on the Brand when making the actual purchase decision)
- Finders: (Those who decide on the brand prior to going to the store/visiting the website)
And the Same Holds True Whether Online or Offline

Shoppers in Saudi are more likely to act as finders across all categories across both online and offline channels. With that said, in the case of groceries and electronics, online shopping could be a slightly more spontaneous affair, while the opposite holds true for personal care items.
Chapter IV: Shopping Occasions That Drive The Growth of Online Channels
**Need Based Purchases Are Less Likely to Drive Online Purchases**

On an overall level, purchases across all categories are often triggered by need. However, purchases for food and personal care items are more likely to be done as part of a bulk buying shopping trip while items that are purchased on a less frequent basis, such as clothing and electronics, are more likely to be bought while window shopping or during sales season.

It is worth noting that the prominence of need based shopping occasions across multiple categories can act as a deterrent to online shopping. Shoppers are less likely to resort to online channels given the urgency associated with getting the product as seen earlier. This especially holds true when it comes to grocery or personal/beauty care purchases. The following slides will shed light on occasions that drive up online purchases across the various categories.

**Shopping Missions By Category**

<table>
<thead>
<tr>
<th>Needed a Specific Product</th>
<th>Groceries</th>
<th>Personal Care</th>
<th>Fashion</th>
<th>Electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
<td>34%</td>
<td>33%</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Browse/Entertainment</td>
<td>20%</td>
<td>18%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Major stock-up</td>
<td>14%</td>
<td>13%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Top-up</td>
<td>14%</td>
<td>9%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Promotion</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>14%</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Online Shopping by Mission – *Groceries*

Online purchases of grocery items are more likely to take place if the shopper’s main mission is to browse available products. Otherwise, the remaining missions are predominantly more likely to take place in store.

**Shopping Missions:**

- **32%** Need Based
- **18%** Stocking Up
- **16%** Topping Up
- **12%** Promotion
- **11%** Browse

**% Online vs Offline:**

<table>
<thead>
<tr>
<th>Mission</th>
<th>Online</th>
<th>In Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need Based</td>
<td>5%</td>
<td>95%</td>
</tr>
<tr>
<td>Stocking Up</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Topping Up</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>Promotion</td>
<td>5%</td>
<td>95%</td>
</tr>
<tr>
<td>Browse</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>
Online Shopping by Mission - Personal Care

Shoppers are more likely to purchase personal items online when the initial shopping mission is scouting for promotions, or browsing products. Shoppers will sometimes also rely on online platforms when they are stocking up on such items.

Shopping Missions:
- **37%** Need Based
- **15%** Topping up
- **12%** Browse
- **11%** Stocking up
- **19%** Promotion

% Online vs Offline:
- **9%** Online, **91%** In Store
- **4%** Online, **96%** In Store
- **14%** Online, **86%** In Store
- **12%** Online, **88%** In Store
- **15%** Online, **85%** In Store
Online Shopping by Mission - *Fashion*

The occasions in which shoppers are most likely to purchase apparel online are when they are browsing on various websites or when they come by a promotion or a special discount.

### Shopping Missions:

- **32%** Need Based
- **18%** Browse
- **16%** Promotion
- **12%** Special Occasion
- **11%** Coincidence/Unplanned

### % Online vs Offline:

- **Need Based:**
  - Online: 13%
  - Offline: 88%

- **Browse:**
  - Online: 9%
  - Offline: 91%

- **Promotion:**
  - Online: 14%
  - Offline: 86%

- **Special Occasion:**
  - Online: 6%
  - Offline: 94%

- **Coincidence/Unplanned:**
  - Online: 24%
  - Offline: 76%
Online Shopping by Mission – *Electronics*

Online purchases for electronics are likely to take place across a multitude of shopping occasions when compared to other categories, with special occasions and browsing online the most likely occasions to entice online purchases.

**Shopping Missions:**
- **35%** Need Based
- **24%** Browse
- **13%** Promotion
- **13%** Special Occasion
- **8%** Coincidence/Unplanned

**% Online vs Offline:**

<table>
<thead>
<tr>
<th>Mission</th>
<th>Online</th>
<th>Offline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need Based</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Browse</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>Promotion</td>
<td>13%</td>
<td>87%</td>
</tr>
<tr>
<td>Special Occasion</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Coincidence/Unplanned</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>
Key Takeaways
Key Takeaways

Online shopping has been growing at a rapid pace in Saudi Arabia, driven primarily by the growth of alternative payment methods, allowing key shopper segments (such as females and youth) higher accessibility. Wider availability of alternative payment options remains an important element for e-commerce growth.

Offers and promotions are the primary criteria propelling shoppers towards e-commerce, especially in categories where urgency does not play a determining role in the decision making process. This has become a key expectation of online shoppers, and something that entices them to choose online over offline channels to make their purchases.

Shoppers are increasingly relying on online channels for smaller purchases like groceries and personal care products. However, while the convenience of online shopping is a major advantage, retailers must accommodate for the urgency associated with such categories, and ensure speedy and timely delivery options.

Saudi consumers generally follow a planned approach towards brand choice across most categories, both online and offline, understanding the differing spontaneity levels across categories becomes important, with some categories seeing higher impulse purchases online (groceries/electronics), while the opposite is true for others.
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