



# E-Commerce in Kuwait

The emerging ecosystem



2020

# The e-commerce ecosystem in Kuwait

E-commerce trade is flourishing across the globe accounting for more than 14%<sup>1</sup> of global retail sales and is leading to paradigm shift in both how consumers buy and how businesses sell.

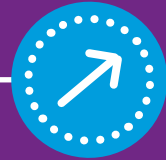
Kuwait is not an exception to this phenomenon and offers strong economic and demographic fundamentals for the growth of e-commerce.

It wouldn't be an exaggeration to term e-commerce as one of the key sunrise sectors of Kuwait for the new decade. The sector aligns well with Kuwait Government's objectives of promoting innovation and entrepreneurship and has been driving start-up activity over the last decade.



1. <https://www.emarketer.com/content/global-e-commerce-2019>

2. Public Authority for Civil Information



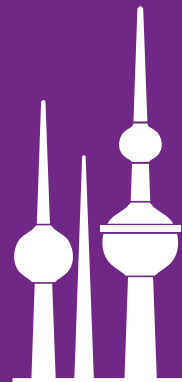
# What's hot?

There are promising signs for the growth of e-commerce in Kuwait

01

## Favorable demographics of end users

High mobile and internet penetration (>90%) in Kuwait coupled with a young population (56%<sup>2</sup> under the age of 35) with a high disposable income



02

## Emerging ecosystem

Public sector initiatives such as Kuwait National Fund for Small and Medium Enterprises, home business licenses, etc. and private sector incubators and accelerators, venture capital firms are emerging to support the growth of the e-commerce segment.



03

## No longer limited to legacy sectors

Kuwait's e-commerce activity which was primarily dominated by F&B and retail (personal care, grocery and electronics) earlier is now seeing innovation around untapped segments such as home services, laundry, real estate etc.

04

## Investment inflow from private sector

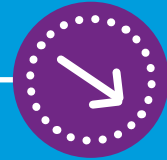
Kuwait's e-commerce firms have been more dependent on regional investors than local investors for funding. With increasing incidence of success stories, the sector is now finding favor with Kuwaiti corporates, investment firms and family businesses as a potential investment avenue.



05

## Evolving business models

To maximize value per customer in a market with high customer acquisition costs, select e-commerce businesses in Kuwait managed to pro-actively pivot their business models around niches such as influencer based selling, data and analytics driven models such as loyalty business, sector focused one-stop-shop approach etc.



# What's not?

However some challenges remain

01

## Cash is still the king

A high preference for Cash on Delivery (CoD) persists in Kuwait, with some players reporting more than 40-60% of orders are on a CoD basis. This leads to high costs of operation and dependence on logistics partners for cash collections and returns.



02

## Last mile logistics still underdeveloped

Despite being a relatively smaller geography, same day deliveries aren't common place in Kuwait owing to high cost of logistics operations and undeveloped last mile logistics services.



03

## Acquisitions and consolidation likely along the line

As players work towards growing in scale in Kuwait and in the GCC, those who cannot grow may get acquired. Also, the global e-commerce giants are looking at acquiring or partnering with local players to reduce their time to market in the GCC.



04

## Reducing cost of customer acquisition

As businesses fight for profitable growth, they are increasingly having to focus on retaining customers acquired at a high cost in the initial years. Businesses need to innovate to acquire and retain new customers other than through discounting their offering..



## Limited availability of IT talent in the local market

05

Limitation around availability of IT talent in local market forces most Kuwaiti start-ups to outsource IT development thereby increasing the initial costs of development as well as posing reliability challenges. Similarly lack of e-commerce specialists in local market poses a challenge.

## Key concerns for e-commerce players?

How do we take our business online?

What is the market potential for our products/ services?

How scalable is our product/ service proposition?

What is an appropriate and sustainable business model?

Is our proposed business financially feasible?

What are our growth opportunities?

Is our business ready for scale up?

How do we maximize the Lifetime Value of our customers?

What is the value of our business?

How do we prepare to raise funds?

What should our exit/IPO strategy be?



# How can we help?

## E commerce Strategy and initiatives

Develop an e-commerce strategy for offline businesses, including a current state assessment, target omni-channel vision, business and operating model, payments, logistics and networks strategy.

## Market Assessments

Demand and supply assessment for the proposed product/service to estimate market potential, identify target customer segments and scope to differentiate from competition.

## Financial feasibility Studies

Assess the target market and the business plan to evaluate the financial feasibility of the proposed business

## Growth Strategy and Business Plan Preparation

Assist in defining the business's long term objectives along with a strategy to drive growth and articulate the objectives, strategy and the proposed business model to achieve the objectives.

## Business Valuation

Assist with analysis of the economic value of the business based on current and projected performance of the business.

## Sell-side advisory

Assist businesses achieve the objectives of a transaction, such as fund-raise, stake sell, strategic partner search and exits.

## Buy-side advisory

Assist investors achieve their objectives on transactions such as strategic investments and mergers and acquisitions through requisite due diligence.

## Restructuring

Assisting growing/mature e-commerce businesses to stabilise, reorganise borrowings, enhance profitability and build a platform for sustainable growth.

## Sector Experience



BEAUTY AND  
COSMETIC



F&B  
DELIVERY



REAL ESTATE



GIFTS AND  
FLOWERS



DIGITAL  
PAYMENTS



FITNESS



PHOTO  
PRINTING



AUTOMOBILE

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