



**MARKET ACCESS SECRETARIAT  
Global Analysis Report**

# Grocery Retail Trends in the United Arab Emirates

**February 2016**



## EXECUTIVE SUMMARY

In 2014, the United Arab Emirates (UAE) grocery market was worth US\$28.7 billion, representing an increase of 1.1% from 2013. The grocery market is categorized by a high number of retailers, with the top five retailers accounting for 14.8% of the total grocery market share. The market share is small compared to Western European markets but relatively high when compared to other Gulf Cooperation Council markets. (Planet Retail 2015)

The median UAE household income was US\$103,757 in 2014, ranked first among all countries in the world. In terms of grocery spending, UAE residents spent US\$3,088 per capita, an increase of US\$80 from 2013. (Euromonitor 2015)

The UAE's grocery market is an emerging market for foreign importers. Domestically produced foods represent 25% of food products available at retail stores. Many key retailers in the UAE have partnered with foreign companies to import food products directly. (Planet Retail 2015)

UAE consumers are demanding greater convenience and healthier foods, due to their busier lifestyle and growing awareness of health issues. Therefore, grocery retailers are adapting their services and products to meet these changes in demand.

Due to EXPO 2020, the influx of tourists, the real estate boom, and the high migration of expatriates are leading UAE to be one of the most developed retail scenes in the Gulf and a promising retail market for grocery retailers and discounters. (Planet Retail 2015)

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## **RETAIL MARKET TRENDS**

Retailing in the United Arab Emirates increases every year by over US\$2 billion, and retail sales per capita was estimated to be US\$8,000 in 2015. Food retailing grows by US\$1 billion each year, and food retailing per capita was estimated to be US\$2,824 in 2015. Consumer spending increases by US\$10 billion each year and consumer spending per capita was expected to be US\$23,960 in 2015. Grocery spending rises by US\$1 billion every year and grocery spending per capita was estimated to be US\$3,168 in 2015.

### **United Arab Emirates Retail Market Size from 2011 to 2015 in US\$ Billion**

	2011	2012	2013	2014	2015 <sup>E</sup>
Total retail format sales	60.85	65.02	68.13	72.37	76.83
Food retail format sales	21.92	23.28	24.28	25.64	27.06
Total consumer spending	79.67	192.63	202.33	215.59	229.56
Total grocery spending	24.48	26.03	27.17	28.72	30.35
Non grocery spending	76.81	83.09	87.96	94.54	101.55

### **United Arab Emirates Retail Market size per Capita from 2011 to 2015 in US\$ Billion**

	2011	2012	2013	2014	2015 <sup>E</sup>
Total retail format sales per capita	7,149	7,416	7,544	7,780	8,019
Food retail format sales per capita	2,576	2,655	2,688	2,756	2,824
Total consumer spending per capita	21,108	21,970	22,404	23,176	23,960
Total grocery spending per capita	2,876	2,969	3,008	3,088	3,168
Non grocery spending per capita	9,023	9,476	9,740	10,164	10,599

*Source: Planet Retail, December 2015.*

*E: Estimate*

Ongoing trends above indicate economic growth for the UAE. Also, it is clear that the UAE retail market is growing in the grocery sector, which lays two opportunities for both domestic and international retailers to expand their businesses into and within the UAE.

With the growth of real-estate, high-migration of residents to the suburbs, and influx of tourists due to EXPO 2020, the retail market is expected to flourish throughout the coming years.

As more residents move into the suburbs, and consumers demand more convenient outlets due to the busier lifestyle, both leading and new grocery retailers are encouraged to open more outlets to meet the rising demand for stores within cities and suburban areas.

In addition, because of a large inflow of tourists in 2020, more hotels are being built to meet a huge forecasted number of future tourists. This offers another opportunity to reap the positive benefits gained from a larger customer base during EXPO 2020, that is, Canadian suppliers can seize this chance to



present their value-added products to develop and increase presence in the UAE, especially in its capital Dubai.

## **CONSUMER TRENDS**

The current consumer trends in the UAE are provided as follows.

- Consumers are searching for bargains due to the rising cost of living.

Although the disposable income is rising, the cost of living is increasing as well. The UAE residents fear the rising prices of groceries because their income is always fixed. While large scale changes in prices of dairy and meat haven't been occurred, vegetable prices are reported to have risen dramatically since 2014. As a result, consumers are looking for bargains that counter the rising prices of grocery products and daily goods. (Euromonitor 2015)

- Consumers are developing more interest in healthier foods.

Due to the growing awareness of health issues, the UAE consumers are seeking for healthier and foods with higher nutrition, better quality and fair prices. Fresh fruits and vegetables, natural foods, organic foods, whole foods and dietary supplements market will have a larger customer base. Consumers are also demanding for products which are gluten-free, sugar-free, and dairy-free.

### **Top 5 Product Claim Categories in UAE Market For the Year 2015 in each quarter**

Claim Category	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Total
Suitable for	33.64%	24.51%	39.86%	24.60%	29.43%
Positioning	23.04%	21.69%	21.01%	21.43%	21.89%
Natural	25.81%	18.87%	21.01%	16.67%	20.69%
Convenience	10.14%	14.65%	15.94%	13.49%	13.52%
Minus	11.52%	10.14%	16.67%	10.32%	11.60%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

### **Top 5 Foods with all natural products in UAE Market For the Year 2015**

Category (Top 5)	%
Honey	14.29%
Fish Products	10.71%
Pasta	10.71%
Dressings & Vinegar	7.14%
Cooking Sauces	7.14%
Other	50.00%
Total	100.00%

Source: Mintel 2015



## RETAIL LANDSCAPE

Euromonitor reported 9,663 grocery retailing outlets in the United Arab Emirates (UAE) in 2014, covering a variety of modern and traditional grocery retailers. Modern grocery retailers include convenience stores, discounter stores, forecourt retailers, chained forecourts, independent forecourts, hypermarkets and supermarkets, while traditional grocery retailers include food/drink/ tobacco specialists, independent small grocers, and other grocery retailers. The top ten retailers (based on their total grocery banner sales) are modern grocery retailers, more specifically hypermarkets and supermarkets. Hypermarkets, by definition, are large stores that sell a combination of department store (sports department and toy department goods) and grocery store goods (i.e. Walmart). Supermarkets by definition are large grocery stores which sell a variety of goods from produce to meat, and household goods (i.e. Loblaws and Maxi's).

### Top Ten Retailers in the UAE by Total Grocery Banner Sales in 2014

Retailers		2014				
		Total Banner Sales US\$	Total grocery banner sales US\$	Total grocery market share %	Total outlets	Banner sales CAGR* % 2010-14
1	LuLu Group	2,699,125,888	1,726,648,912	6.01	47	20.42
2	Carrefour	2,299,824,525	1,172,411,016	4.08	49	15.41
3	Spinneys	717,533,971	567,889,334	1.98	46	-4.49
4	Choithram	487,977,562	440,887,727	1.54	31	5.03
5	Al Maya	392,514,228	332,410,969	1.16	45	8.40
6	Al Safer	468,000,000	371,459,500	1.29	18	0.99
7	Abu Dhabi Co-op	344,743,077	244,173,542	0.85	9	0.13
8	Fu-Com	167,000,000	131,295,400	0.46	6	25.25
9	LVMH	184,849,894	114,966,792	0.40	18	8.93
10	John Lewis	168,191,814	99,048,159	0.34	7	48.37

Source: Planet Retail, December 2015. \*CAGR: Compound Annual Growth Rate.

Modern grocery retailers dominate the retail landscape over traditional grocery retailers due to their wider range of products, larger retail space and convenient locations.

Modern grocery retailers offer more competitive price products than traditional grocery retailers, and are able to take advantage of relationships with large suppliers and vast economies worldwide. Carrefour, one of the top retailers in the UAE market, is originally based in France. Carrefour is able to supply a large variety of international goods in the UAE market due to its dominance in the international grocery market in Asia, Europe, and Latin America.

While shopping centres are expanding throughout the UAE, hypermarkets and superstores in the area of shopping centres benefit from a funnel of consumers being drawn to shopping malls. As a result, more and more hypermarkets and supermarkets are opening close-by or inside shopping centres to take advantage of such good locations. According to Euromonitor, hypermarkets and supermarkets sales are mainly dominated by grocery products, accounting for a 60% of total hypermarkets value sales and 81% of total supermarkets value sales during 2014. The increasing number of consumers and high proportion of grocery products sales in hypermarkets and supermarkets indicate a potential chance for grocery suppliers to increase their supplies to the UAE grocery retail market.



## GROCERY RETAIL LANDSCAPE

### United Arab Emirates' Top Five retailers in Grocery Retailing - Historic Edible Grocery Sales US\$ million

Retailers	2011	2012	2013	2014	2015	CAGR* % 2010-15
LuLu Group	776.7	901	1,020.20	1,164.60	1,438.10	22.6
Carrefour	656.5	757.6	827.2	933.8	1,022.80	13.0
Spinneys	665.4	725.9	433.2	438	447.8	-5.9
Choithram	315.7	376.6	372.1	379.5	393.4	4.9
Al Maya	159.7	231.5	265.6	286.1	307.6	6.5

Source: Planet Retail, 2015.

\*CAGR: Compound Annual Growth Rate.

### United Arab Emirates's Top Five Leaders in Grocery Retailing - Forecast Edible Grocery Sales US\$ million

Retailers	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>	2019 <sup>F</sup>	2020 <sup>F</sup>	CAGR* % 2016-20
LuLu Group	1,681.70	1,752.30	1,819.80	1,894.60	1,971.20	6.5
Carrefour	1,120.50	1,227.70	1,343.20	1,470.80	1,605.70	9.4
Spinneys	474.2	220.8	531	570.9	603.4	6.1
Choithram	407.6	422.3	437.3	452.8	468.8	3.6
Al Maya	329.9	348.8	364.1	380	396.3	5.2

Source: Planet Retail, 2015.

F: Forecast.

\*CAGR: Compound Annual Growth Rate.

With fierce competition among all the grocery retailers in the UAE, the top five retailers in total grocery retail sales are also the leaders in the edible grocery sales. Having a combined total of US\$2.1 billion in 2014, the top two retailers LuLu group and Carrefour, in comparison to the following three retailers Spinneys, Choithram, and Al Maya of 1.1 billion, led with a wide gap in total edible grocery sales. The top two retailers LuLu group and Carrefour had edible grocery sales well over US\$900 million in 2014 while the following three retailers Spinneys, Choithram, and Al Maya, had sales under US\$500 million.

### The Top Five grocery retailers

The following is an analysis of the strengths, weaknesses, challenges, and changes in sales over the years for the top five leading grocery retailers.

**LuLu Group:** With a CAGR of 22.6% over five growth periods, the LuLu group dominates its competition in terms of growth. As the leading grocery store, LuLu stores have easily accessible locations and offer affordable prices to the consumers. The LuLu group actively encourages its consumers to purchase their groceries weekly and monthly from LuLu group outlets. Plus, LuLu encourages its customers to use the loyalty rewards club cards called the ADCB Lulu credit card. The LuLu credit card provides consumers with rewards, privileges and credit points for saving on everyday purchases at any LuLu store. The strength the LuLu group holds is its financial and management agility to respond to changing consumer demands, as well as its ability to cater to its price-sensitive customers by supplying competitive product prices. Also, the growth of the LuLu Group since 2010 to 2015 has been tremendous with an increase of US\$919 million with an expected increase of US\$273.5 million from 2014 to 2015. The advancement is a



good indicator that consumers are satisfied with LuLu Group's supplies, their low prices and ability to consistently adapt to consumer' changing demands.

**Carrefour:** With a CAGR of 13% over five periods, Carrefour grows around US\$100 million every year. As the second leading retailer in the UAE, Carrefour seeks to expand their stores throughout the country, with great emphasis in Dubai (where EXPO 2020 is being held) while being complimented by the boom in the construction industry particularly in the residential areas of UAE cities. Carrefour also provides a point-based system for customers who shop at Carrefour in the UAE called "MyClub", and pursues the development of convenience corner stores, the "Carrefour city – the neighbouring store", which are easy for customers to access around city's residential and sub-urban areas. Although as the second largest grocery retailer, right behind the LuLu Group, Carrefour is still lagging behind the LuLu Group with a relatively slower growth from 2010 to 2015.

**Spinneys:** With a CAGR of -5.9% over five periods, Spinneys seems to have been losing a lot of popularity and have dropped tremendously in sales from 2012 to 2013. Regarded as a popular place to shop by many affluent consumers in the UAE, Spinneys supplies expensive food products and focuses on food of good quality to attract high income residents. However, Spinneys didn't gain a lot of profits from its marketing strategy targeting high end consumers, and it is facing challenges of the rising cost of rent and the diminishing margins in retailing. As a result, Spinneys has reduced its number of stores to lower its operating costs and focused on its profitability from a smaller number of stores. Although Spinneys has a great reputation among consumers, its drop in grocery retail sales from 2012 to 2013 is a note reminding Spinneys of the necessity to create a contingency plan before its sales loss. Since more and more international retail giants enter the market, Spinneys will also face threats from competitors who offer low prices for daily products, which can be damaging in the long-run to Spinneys position in the grocery retail market.

**Choithram:** Choithram has a strong reputation amongst its consumers because it offers a wide range of emerging tastes for its consumers. However, it has been growing slowly over recent five periods at a CAGR of 4.9%. With a stable increase in sales from 2010 to 2015, Choithram maintained slow but steady growth in the UAE. Despite its stable growth, Choithram is experiencing the pressure to expand at a greater speed in order to compete with rivals. Choithrams key initiatives in the UAE will be to add ten more outlets by 2017, with a focus on smaller convenience stores in its home market.

**Al Maya:** With a CAGR of 6.5% over five periods, Al Maya has constantly grown in sales of US\$76.1million from 2012 to 2015. In recent years, Al Maya has been expanding and opening many outlets. The company currently operates around 39 supermarkets in the UAE and Oman and plans to open more supermarkets in Dubai, Abu Dhabi and other Emirates. (Euromonitor 2015)

### **Online presence**

Although the UAE residents demand for more convenience in grocery shopping, the emphasis on online grocery does not bring forth much excitement from residents of the UAE. Product sales are at minimal total retail sales for the top five retailers, and are growing at a very slow rate. The current percentage of E-grocery out of the total retail sales is 0.56% (2014), and in 2015 is estimated to be 0.62%, and forecasted to remain under one percent from 2016 to 2020.

The reason for the lack of demand for E-grocery and E-commerce sales in the UAE is due to consumers' concern with the safety and security of the online shopping. Consumers are worried about fraudulent payments, non-delivery of orders, and theft of personal details, which hinders the growth of E-grocery sales.



### Percentage Share of Total Retail Format Sales in the UAE (%)

Year	2010	2011	2012	2013	2014	2015 <sup>E</sup>
E-commerce Sales	0.33	0.39	0.44	0.50	0.56	0.62
Other Retail Format sales	99.67	99.61	99.56	99.50	99.44	99.38

Source: Planet Retail, 2015

### Percentage Share of Total Retail Format Sales in the UAE (%)

Years	2016 <sup>E</sup>	2017 <sup>E</sup>	2018 <sup>E</sup>	2019 <sup>E</sup>	2020 <sup>E</sup>
E-Commerce Sales	0.68	0.74	0.80	0.86	0.92
Other Retail Format Sales	99.32	99.26	99.20	99.14	99.08

Source: Planet Retail, 2015 E: Estimate

Although the top five players are not fully focused on E-grocery specifically, but more on non-grocery E-commerce products, there are other companies in the grocery retailing business who have launched E-grocery websites. A couple of examples are Trolley.AE and Supermarket.AE. Trolley.AE and Supermarket.AE offer a broad range of products, spanning from fresh fruits, bakery goods, and confectionaries, all the way to frozen products, meats, baby products and pet foods. They are the superstores of the internet. Trolley.AE and Supermarket.AE offer a variety of international brand names such as Dove, Lipton, Nescafe, Nestle, Evian and Kellogs, as well as, regional products such as vegetables and fruits, meats, and specialty breads such as Sunbites and Golden Loaf Sesame Sticks.

Existing smaller supermarkets are partnering with e-commerce companies lately to further develop their home delivery service. For example, many grocery stores or supermarkets have installed stands in their outlets for an e-commerce company called InstaShop. Consumers use an online application to place orders from their neighbourhood grocery shops for their daily groceries using 'InstaShop' application. This trend is expected to boost sales of smaller supermarkets and grocery stores.

In conclusion, the E-grocery market is still small but has a lot of potential for development. If E-retailers can build specific system to ensure the online shopping security, and create effective advertising campaigns to reduce customer worries, with emerging market economy, the E-grocery in the UAE may hold a grandiose share of the total market retail sales in the future.

### Discounter

The only edible grocery discounter in the United Arab Emirates, according to Planet Retail, is Poundstretcher. Poundstretcher is based in the United Kingdom and owns a total of 488 international outlets, including seven in the UAE.

Poundstretcher opened its first outlet in Dubai, UAE on June 1<sup>st</sup>, 2012, and generated total revenue of US\$541 thousand. After being settled for a year and a half, poundstretcher generated US\$1.74 million, growing significantly for only one year and a half. It generated US\$3.64 million in 2014, and was estimated to reach US\$5.2 million in 2015. Although, Poundstretcher is not near the top five grocery retailers' level of competition, yet, if Poundstretcher maintains its discounting strategy and start to appeal to the greater mass of consumers in the UAE, it could be a rising star and a powerful competitor in the grocery retailing market.



### United Arab Emirates Top Grocery Discounters - Historic Edible Grocery Sales in US\$ million

Discounters	2012	2013	2014	2015 <sup>E</sup>	CAGR* % 2012-2015
Poundstretcher	0.54	1.74	3.64	5.20	57.06

Source: Planet Retail, 2015.

E: Estimate.

\*CAGR: Compound Annual Growth Rate.

### United Arab Emirates Top Grocery Discounters - Forecast Edible Grocery Sales in US\$ million

Discounters	2016 <sup>F</sup>	2017 <sup>F</sup>	2018 <sup>F</sup>	2019 <sup>F</sup>	2020 <sup>F</sup>	CAGR* % 2015-20
Poundstretcher	7.07	9.01	11.03	13.12	15.30	23.64

Source: Planet Retail, 2015.

F: Forecast

\*CAGR: Compound Annual Growth Rate.

## CONCLUSION

The grocery in the UAE is an emerging market. Canadian companies can seize following opportunities to enter and expand this market and build good relationship with customers.

- EXPO 2020 Dubai, UAE

Because of the influx of huge number of local and foreign visitors during the EXPO 2020 in Dubai, UAE, suppliers and grocery retailers can increase their presence by introducing value-added products during the anticipated events. This can both attract the UAE customers and set the cornerstone in the whole Middle East market.

- Prospective E-grocery Market

It will be a good chance but also a challenge for Canadian E-grocers to enter into the UAE market. E-grocery market in the UAE lacks awareness and interest from the consumers due to their concern about online security. However, if Canadian E-grocers provide consumers with proper programs and high-security measures of online shopping to prevent the fraud, they can be the pioneer in the market because they will have driven worthy customer trust, and establish reliable impressions on their brands.

- Busier Lifestyle and Growing Awareness of Health Issues

Grocery retailers can adapt to such changes promptly by offering high-end organic goods or goods of high quality to consumers. Also, through marketing campaigns, retailers can emphasize the nature and convenience of their products to draw more traffic.





## FOR MORE INFORMATION

The International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in the United Arab Emirates**  
<http://tradecommissioner.gc.ca/united-arab-emirates-emirats-arabes-unis/index.aspx?lang=eng>
- **Find a Trade Commissioner**  
[www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp](http://www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp)

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## RESOURCES

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Health Food Report - United Arab Emirates 2014: <http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-region/middle-east-and-north-africa/health-food-report-united-arab-emirates/?id=1410083148799>

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## GROCERY RETAIL TRENDS IN UNITED ARAB EMIRATES

*Global Analysis Report*

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