HOW TO WIN CUSTOMERS TODAY AND TOMORROW

UAE Grocery Retail Market Report 2024

OliverWyman | غرفة أبوظبي ABU DHABI CHAMBER

CONTENTS

INTRODUCTION

ABOUT THIS REPORT

Now, more than ever, it is vital for grocery retailers to understand the needs and expectations of their customers, as well as their own strengths and weaknesses compared to the competition, in order to develop a truly differentiated proposition. This is especially true in the United Arab Emirates (UAE) where competition is already intensifying in search of “like-for-like” sales growth.

The Oliver Wyman Customer Perception Map (CPM) survey has established a strong presence in mature Western markets, by tracking customer perceptions and habits in the grocery sector. The same methodology and analysis has now been applied in key Gulf Cooperation Council (GCC) markets, including the Kingdom of Saudi Arabia and the UAE, with the latter being the focus of this report. This report is created in collaboration between Oliver Wyman and the Abu Dhabi Chamber of Commerce. It provides a deep dive into the UAE grocery retail market, using insights from Oliver Wyman’s CPM survey, as well as the market expertise and proprietary data of the Abu Dhabi Chamber of Commerce (including insights into the perspectives of retailers from its Abu Dhabi Business Pulse Survey).

In this report, we will share background on why and how the research was conducted, the general global and regional market context, key findings on where customers shop, as well as which retailers customers prefer, and why. Additionally, we will share insights on trends in online shopping, satisfaction with loyalty programs, the opportunities arising from technology and artificial intelligence (AI), demand for private-label and local products, and interest in discounters. While the primary focus will be on results for the UAE, we will also explore the differences between the UAE and other markets, as well as the variations among the emirates.

WHY THE RESEARCH WAS CONDUCTED

The CPM survey helps grocery retailers understand what wins customers and how retailers are perceived in the market, rather than how they perceive themselves. It also sheds light on differences between markets (for example the UAE versus Saudi Arabia or markets in Europe and the US) and within markets (such as Abu Dhabi versus Dubai or other emirates).

These insights are essential as the GCC retailer landscape is undergoing a major transformation. Now, more than ever, grocery retailers need a profound understanding of customer needs and preferences to survive, thrive and maximize revenue. Oliver Wyman has launched the CPM in the GCC to understand the factors that attract customers and to help retailers identify areas where their current strategy may be lacking in competitiveness.

It is essential for grocery retailers to understand their customers. In the UAE, the population is relatively young, diverse, and tech savvy — plus they have significant purchasing power. This presents an exciting landscape for grocery retail players to introduce new technologies and business models.

While there are commonalities between the UAE and other markets, there are also significant differences highlighted in this report. Context from mature Western markets provides invaluable learnings for grocery retailers in the GCC. History shows that, as the market becomes more saturated — which is currently happening in the UAE — more differentiated propositions will emerge. It is therefore essential for retailers to differentiate themselves in order to stay competitive and gain market share.

The Oliver Wyman CPM helps retailers understand what wins customers and how retailers are perceived in the market. Although this report is purely focused on grocery retail, insights and strategies on how to win customers can be applicable to other retail industries as well.

Now, more than ever, it’s vital for grocery retailers to understand the needs and expectations of their customers, their own strengths and weaknesses compared to the competition, and to develop a truly differentiated proposition.

HOW THE RESEARCH WAS CONDUCTED

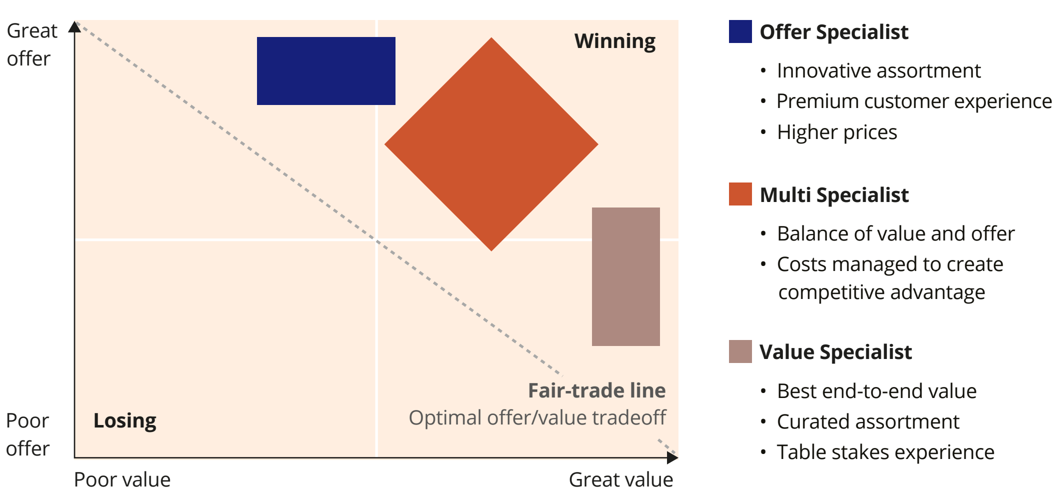
Before unpacking the results, it is important to understand how the research was conducted. The CPM survey consisted of around 100 questions, covering both the core comparative section in which customers compared grocery retailers, as well as additional questions to capture customer sentiment around topics such as private-label, online shopping, technology and data, attractiveness of discount models, and relevance of local products.

The core of the survey had respondents rate their primary grocery store head-to-head against alternatives that they had visited in the past. Many aspects are covered in this core comparative section, such as satisfaction with range and pricing across different categories, attractiveness of promotions and loyalty programs, as well as multiple other elements of the shopping experience (including service from employees, check-out experiences, and cleanliness). Retailers are mapped on the CPM based on their results regarding offer (covering quality, range, service, and ease of shopping) and value (covering price and promotions). This mapping places them in one of four quadrants.

Retailers that are perceived to be strong on both offer and value end up in the winning top-right quadrant in the customer perception map. In contrast, retailers that are perceived as low in terms of both offer and value, often falling short of customer satisfaction, can be found in the bottom-left quadrant. The other two quadrants represent retailers that tend to emphasize a single aspect, either value or offer. The 'fair-trade line' illustrates whether customers perceive the price they pay as fair in relation to the value received; being below the line indicates that the retailer falls short of customer expectations. Where retailers end up on the map provides insights on how they are perceived in the market relative to competition.

Apart from assessing the status quo, more than a decade of global survey information has also allowed us to analyze data obtained from the CPM against historical global retail trends. We have consistently found that grocery retailers performing above the fair-trade line tend to gain market share, while those below the line tend to lose it. Hence, the results of the CPM can be, in due time, a predictor for future retailer performance.

Exhibit 1: Three ways to win on the customer perception map

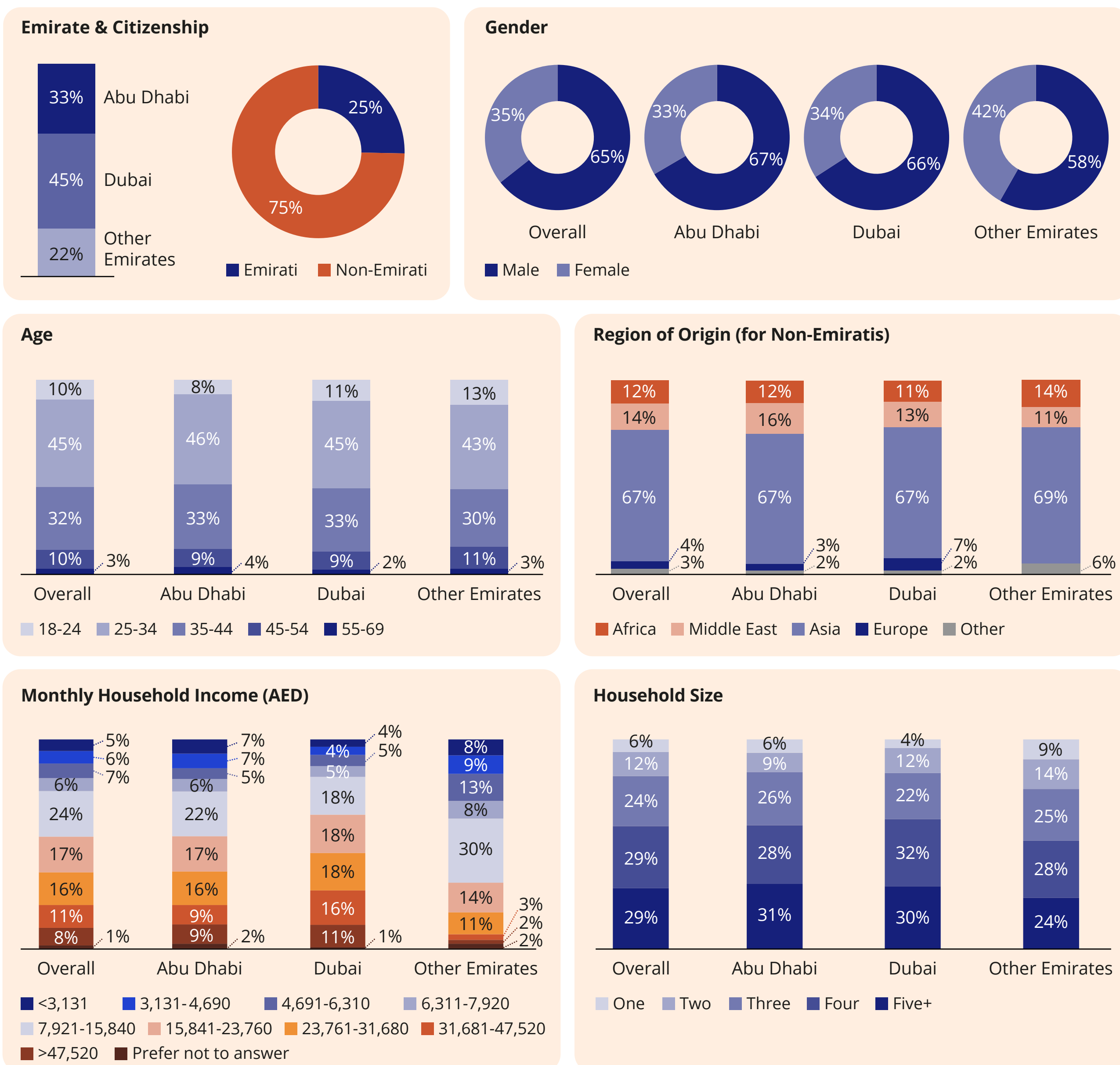


Source: Oliver Wyman 2024 CPM survey

More than 20 UAE grocery retailers representing various formats — both online and offline — are included in the survey. Oliver Wyman surveyed a representative sample of 1,000+ people in the UAE through an online questionnaire, between 22 February and 19 March 2024.

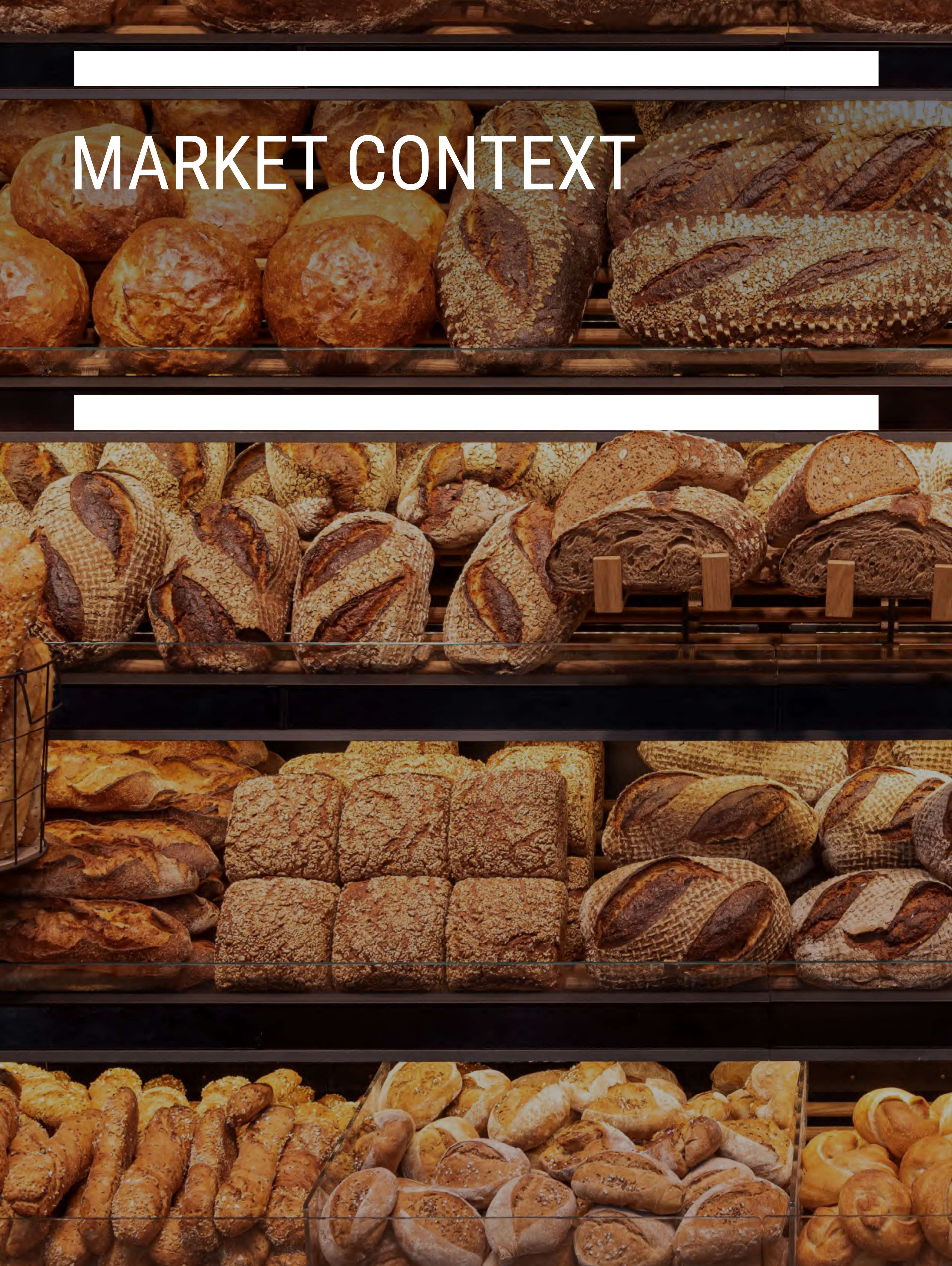
In this report, the insights from the CPM survey are complemented with results from the Abu Dhabi Business Pulse survey, a result of interviews conducted by the Abu Dhabi Chamber of Commerce, aimed at gathering retailers' perspectives on trends in the market. The Abu Dhabi Business Pulse survey was conducted in August 2024, among 102 Abu Dhabi grocery retail market leaders.

Exhibit 2: Demographics of survey respondents, by emirate



Source: Oliver Wyman 2024 CPM survey

MARKET CONTEXT



GLOBAL OVERVIEW OF GROCERY RETAIL

Despite facing unprecedented challenges during the COVID-19 pandemic, along with ongoing supply chain disruptions, soaring inflation, and labor shortages, the global grocery retail market has proven resilient. Valued at $10.9 trillion in 2023, it is expected to grow at a CAGR of 4.72% through to 2028, reaching $13.7 trillion.[1]

However, high food price inflation has impacted customers in the past two years and continues to influence shopping habits. Because of this, customers have shifted towards private-label brands, using money-saving vouchers, and seeking discount retailers that provide better value, even if that means having limited choices. While pure-play e-commerce grocery retailers have experienced reduced growth post-pandemic, customers still favor retailers with a strong online presence. These factors have driven consolidation in the grocery retail industry, especially in mature markets. Size matters — benefits include having more purchasing power, a higher number of stores, larger volumes allowing a broader range of private brands, and the financial strength to invest in new technologies to improve customer experience, maximize efficiency, and reduce costs.

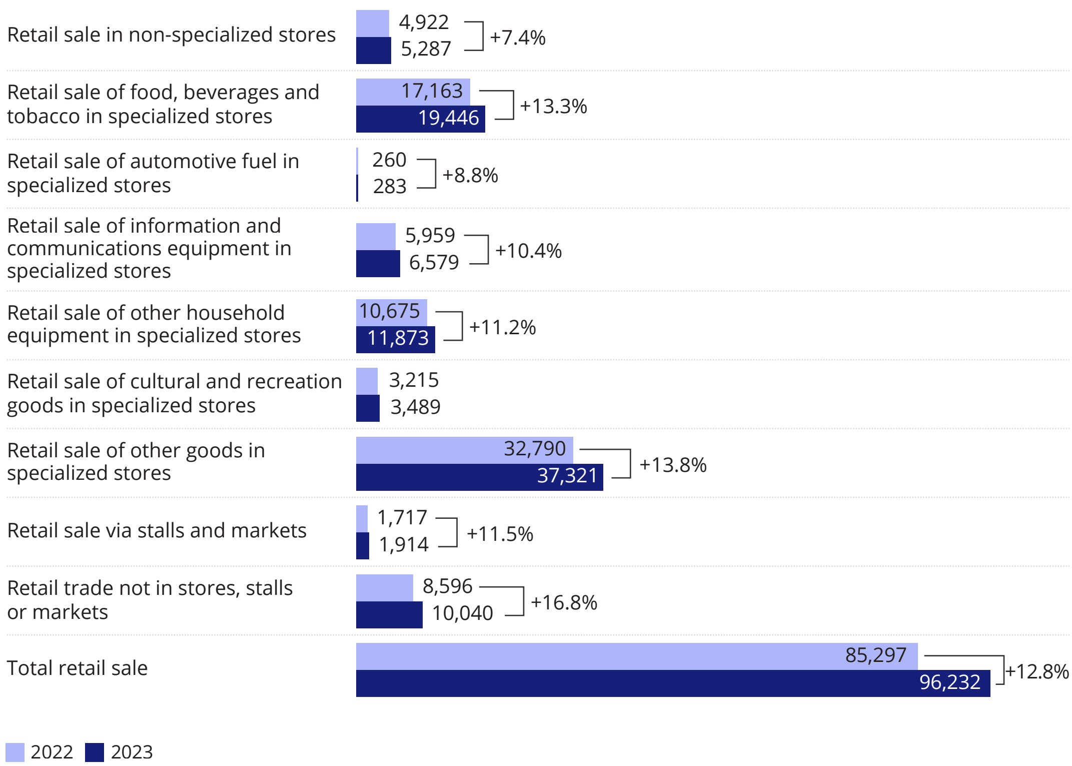
UAE MARKET CONTEXT

In 2023, the UAE food and grocery market totaled $40 billion, growing at a 6.5% five-year CAGR (2018-2023) and is projected to reach $55 billion by 2028, with a 6.9% five-year CAGR (2023-2028). The UAE population was approximately 10.5 million in 2023, and has had a 0.8% five-year CAGR (2018-2023).[2] The UAE's modern retailers (as opposed to traditional retailers, such as baqalas and small grocers) have a market share of 79%. This indicates stronger maturity in the UAE market compared to, for example Saudi Arabia, where the share of modern trade is only 52-55%.[3]

Looking into the retail industry in Abu Dhabi specifically, there has been a 12.8% increase of the total number of members (companies in Abu Dhabi who have an active membership with the Abu Dhabi Chamber of Commerce) partaking in retail activities, from ~85,000 to ~96,000, from 2022 to 2023.[4] The category 'retail sale of other goods in specialized stores' remains the largest category, with ~37,000 members partaking. There has been an increase across all retail activities, with the largest percentage growth rates in the categories 'retail trade not in stores, stalls or markets' (+16.8%), 'retail sale of other goods in specialized stores' (+13.8%) and 'retail sale of food, beverages, and tobacco in specialized stores' (+13.3%) — the latter, grocery retail, being the relevant category in this report.

1 GlobalData Retail, Market Size Analyzer, 2024
2 World Bank, World Population Prospects, 2024
3 Kantar, "Understanding ME Shoppers from Household Panel Data, 2024"
4 Abu Dhabi Chamber of Commerce Retail trade data

Exhibit 3: Number of members partaking in different retail activities



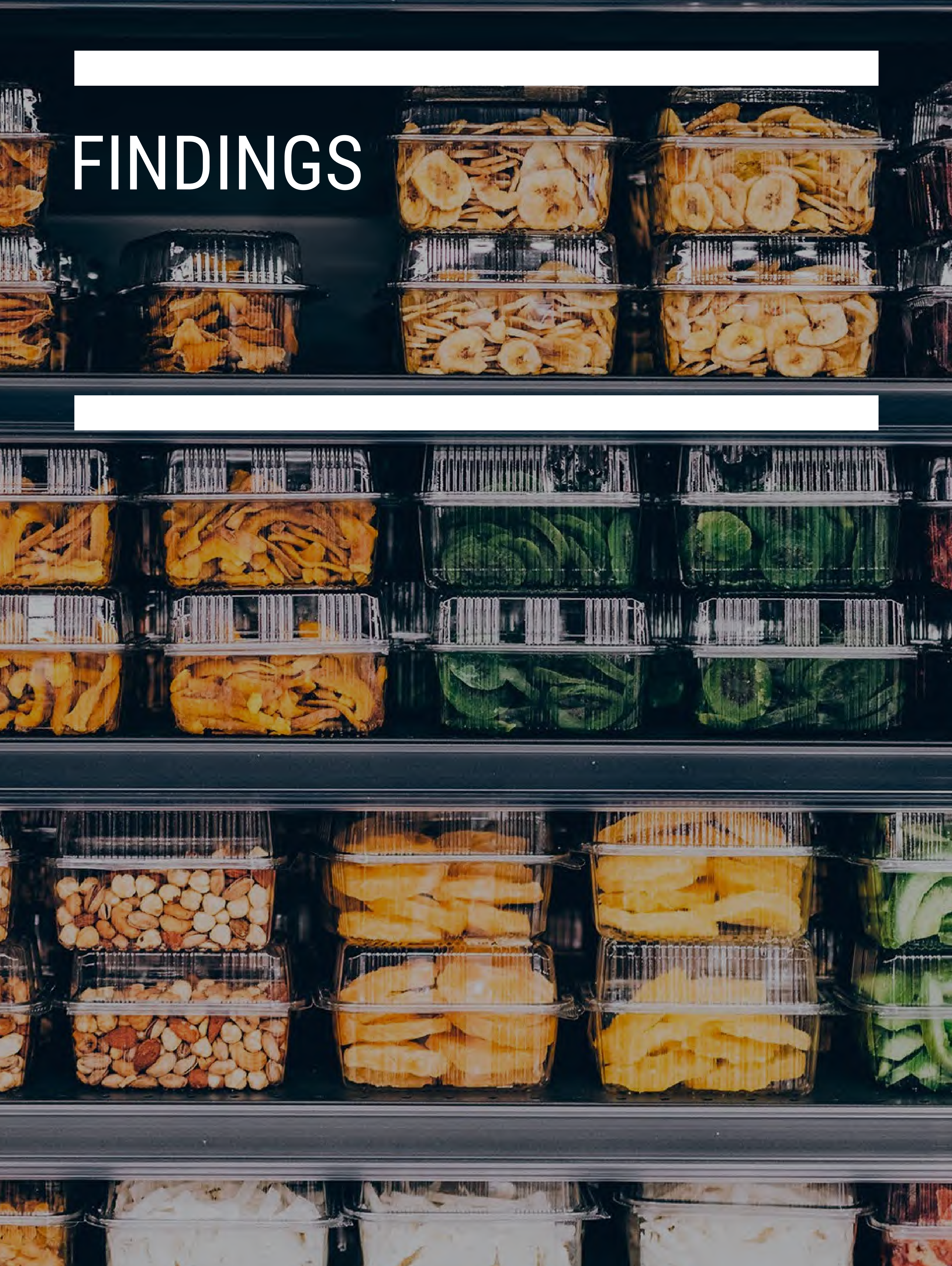
Note: Including Abu Dhabi Chamber of Commerce members who had an active membership during the year displayed

Source: Abu Dhabi Chamber Retail Trade Data, 2024

The UAE grocery market is a dynamic and rapidly evolving landscape. The transition to modern trade has not only reshaped consumer behavior, but also driven remarkable innovation across the sector. With projected growth from approximately $40 billion in 2023 to $55 billion by 2028, the market's upward trajectory offers vast opportunities for retailers to adapt and thrive in an increasingly competitive environment. Thanks to the country's wise leadership, the UAE's global appeal and affluent consumer-base is likely to expand and sustain the retail sector for the years to come.

H.E. Ahmed Khalifa Al Qubaisi, CEO
Abu Dhabi Chamber of Commerce

FINDINGS



KEY FINDINGS

The CPM survey results highlight that differentiated propositions are emerging in the UAE, visible in the spread of retailers across the customer perception map (see exhibit 8). Three retailers (Carrefour, Lulu and Nesto) have created a significant difference between themselves and the rest of the market — being perceived strong on both offer and value. Additionally, differentiated propositions are evolving both on the offer dimension (Spinneys and Waitrose) as well as the value dimension (Viva).

This puts the remaining retailers in the market under pressure, requiring them to develop a differentiated proposition for themselves or to focus on proximity and convenience — as Zoom is doing.

The availability of differentiated propositions also drives diverse customer preferences. The survey results show that there is a larger difference in relative importance of different factors across customer segments in the UAE grocery retail market compared to the Saudi market. The maturity step of shifting focus from expansion to stronger differentiation of formats is already happening in the UAE, but is not yet happening in other GCC countries.

The high customer interest in discount retailing models indicates the openness of customers to explore differentiated formats.

The survey also highlights many opportunities for existing retailers to win in the market beyond strengthening their proposition. Due to the diverse, tech-savvy populations in the UAE, there's huge potential for innovative strategies such as personalization and omni-channel retail models. Additionally, there is a high interest among customers in shopping private-label and local fresh products, on which retailers can capitalize.

The UAE grocery retail landscape reveals distinct differences between the emirates: Abu Dhabi customers prioritize convenience and local products, while Dubai shoppers emphasize quality and freshness, and show a strong inclination towards online shopping. In contrast, customers in other emirates are more focused on value, seeking good offers and promotions. Retailer preferences vary regionally, with Lulu dominating in Abu Dhabi, Carrefour in Dubai, and Nesto in other emirates. Additionally, while interest in technology and AI is high across all regions, Dubai respondents are generally more comfortable sharing data in order to access enhanced technology. These insights highlight the need for grocery retailers to adopt tailored strategies to effectively engage with the diverse customer preferences across the UAE.

The UAE grocery market stands out in the region for its successful modernization. However, competition continues to intensify, so many retailers will need to make progress towards a truly differentiated proposition in order to be successful in the long run

Joe Abi Akl, Partner
Oliver Wyman

WHERE UAE CUSTOMERS SHOP

When it comes to choosing a main retailer, value is the biggest single factor influencing customers in the UAE (53%), followed by quality (20%), range (18%), and service (9%). When asked directly for the reason why they choose a retailer, good quality products (13%), good offers and promotions (13%), low prices (11%), fresh products (9%) and convenient to get to (8%) were the top five reasons given by customers.

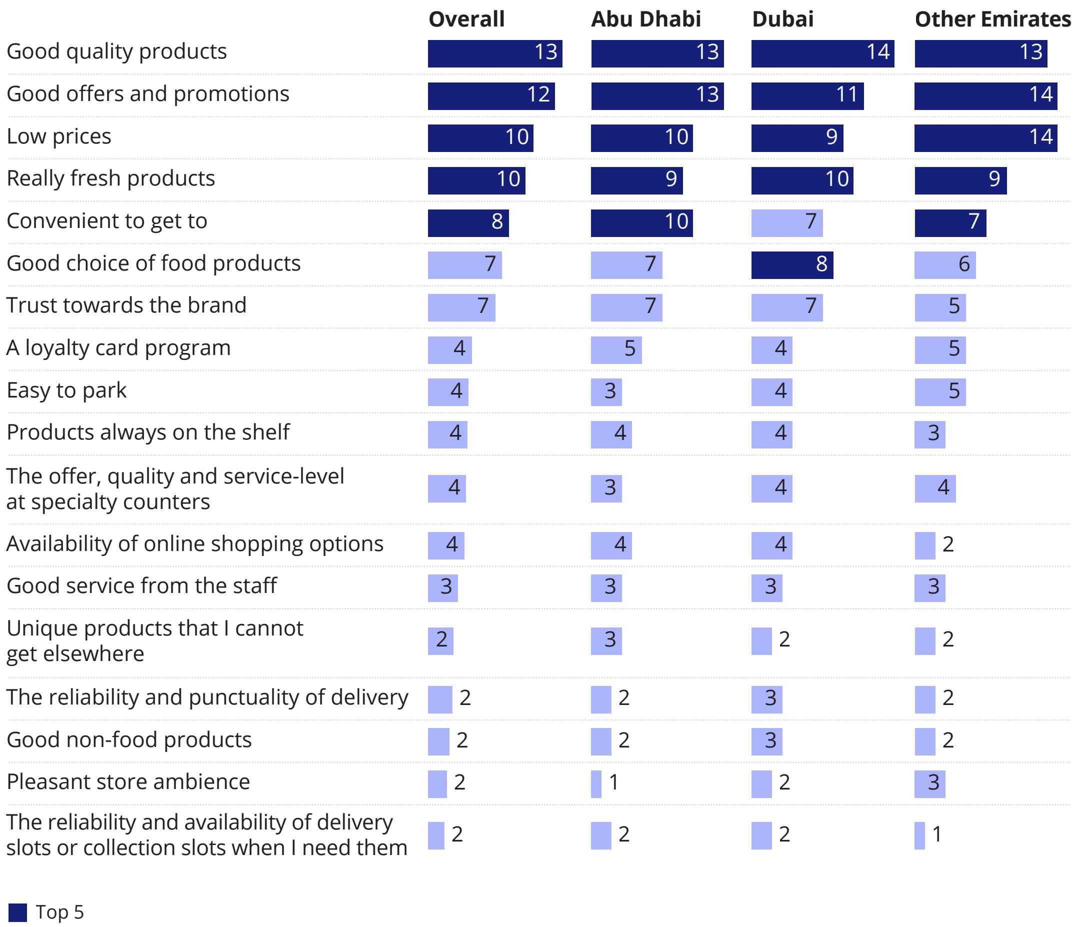
Exhibit 4: Relative importance of value, quality, range, and service (%)

Source: Oliver Wyman 2024 CPM survey

When we analyze the reasons customers choose their main retailer, at first glance the results seem to be highly comparable across the UAE. Apart from the fifth reason among Dubai respondents, the same top five reasons for choosing a main retailer is consistent across Abu Dhabi, Dubai and the other emirates. However, one difference the results show, its that 'good offers and promotions' and 'low prices' are substantially more important among customers in the emirates other than Abu Dhabi and Dubai. Customers in Dubai value 'really fresh products' slightly more than those in other regions, while customers in Abu Dhabi find stores being 'convenient to get to' substantially more important. Meanwhile, 'good offers and promotions' and 'low prices' are substantially more important for customers in the other emirates.

Interestingly, when asked what they consider important for a successful grocery outlet in the UAE, retailers in the Abu Dhabi Pulse Survey most commonly indicated having a wide and diverse product range (mentioned by 29.8% of respondents) — while among the CPM respondents, 'good choice of food products' is only mentioned as the fifth reason in Dubai and the sixth reason in Abu Dhabi and the other emirates. This indicates that value is more important than retailers might think.

Exhibit 5: Top reasons customers choose their main retailer, by emirate (%)

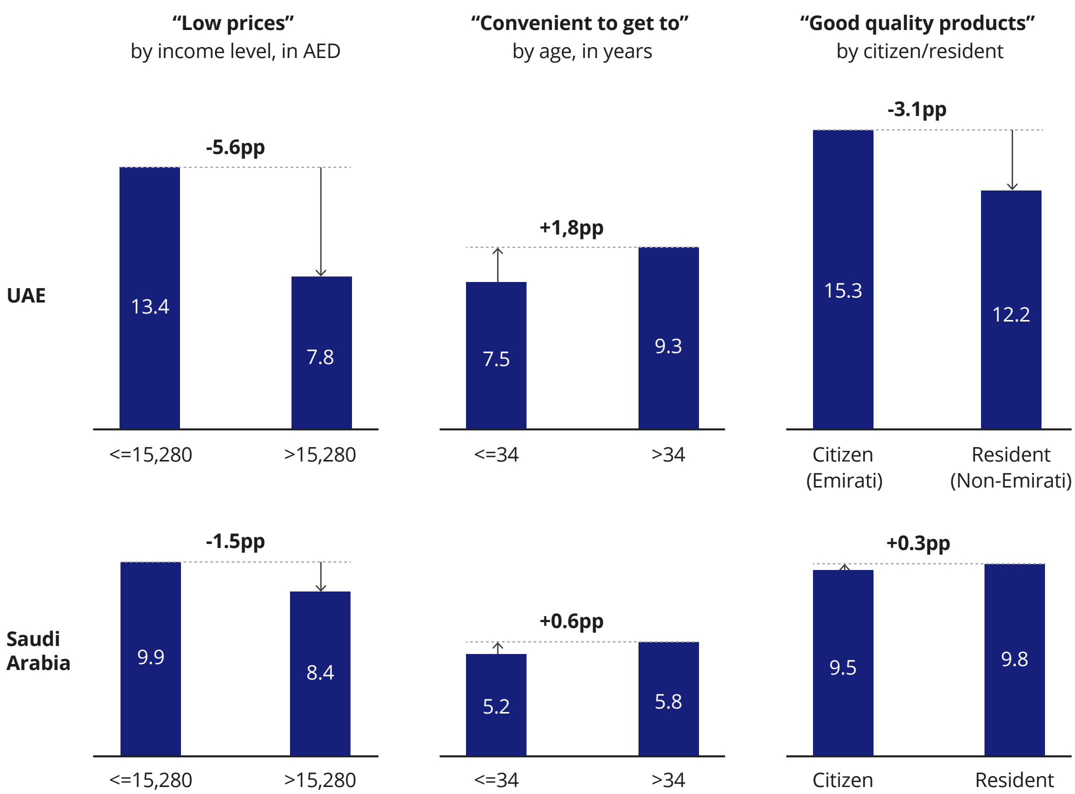


Source: Oliver Wyman 2024 CPM survey

Deep diving into the answers across different customer segments (as displayed in exhibit 6), the increased differentiation of customer preferences in the UAE compared to, for example Saudi Arabia, becomes apparent. While preferences are quite similar across customer segments in Saudi Arabia, in the UAE clear preferences can be observed for lower prices among low-income households, convenience among the older population, and quality among the local population.

Exhibit 6: Importance of factors for choosing main retailer

% of respondents choosing factor, across segments, the UAE and Saudi Arabia

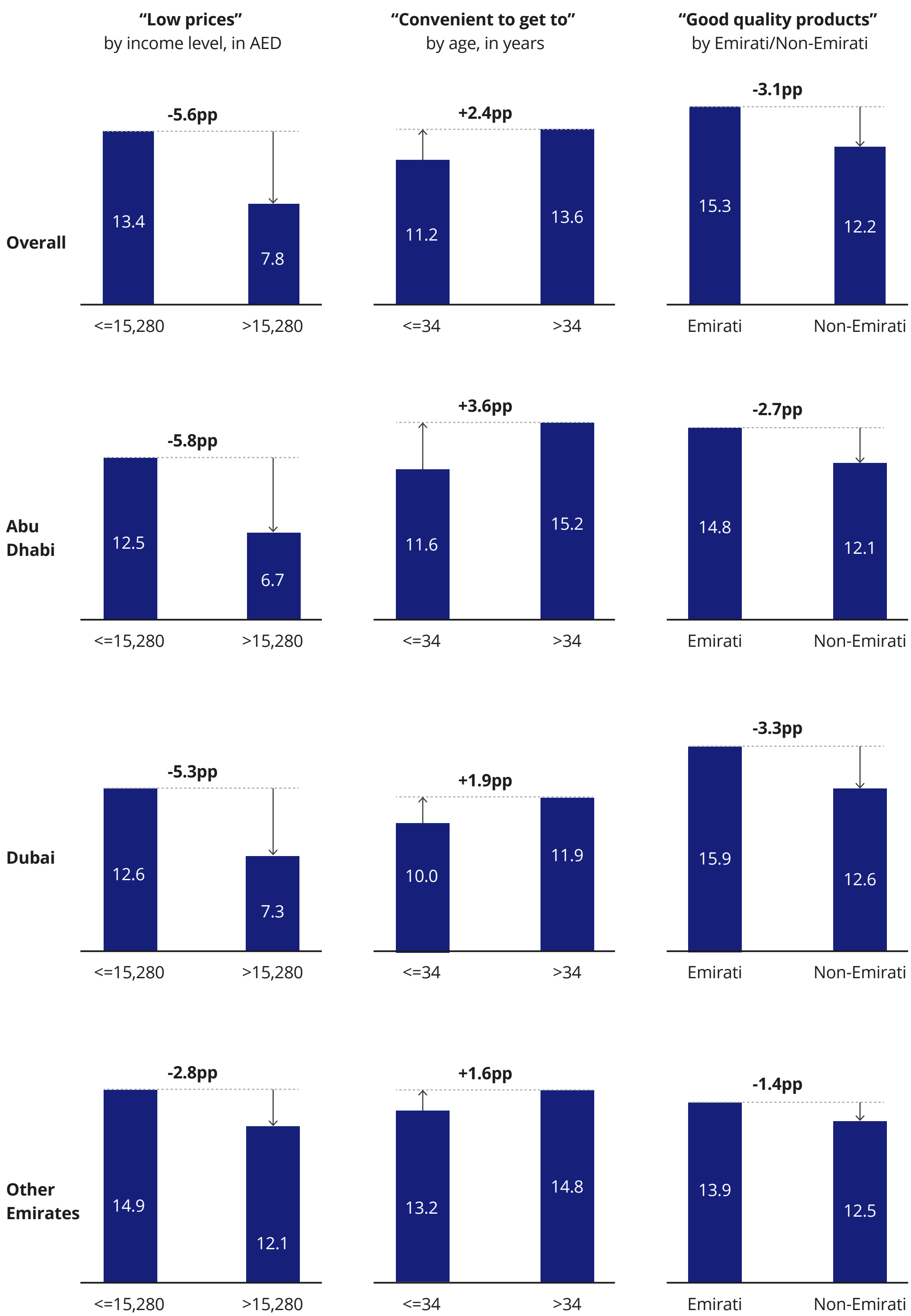


Source: Oliver Wyman 2024 CPM survey

We also observe increased differentiation of customer preferences in Abu Dhabi and Dubai compared to other emirates. This might indicate that the retail market in the other emirates is slightly less mature than in Abu Dhabi and Dubai.

Exhibit 7: Importance of factors for choosing main retailer

% of respondents choosing factor, across segments, the UAE



Source: Oliver Wyman 2024 CPM survey

Our research underscores the growing differentiation of customer preferences in the UAE, reflecting a diverse and tech-savvy population. Retailers are increasingly responding to this trend, with 87.3% acknowledging the need for unique positioning. By tailoring their strategies to meet these evolving needs, businesses are better positioned to succeed in this rapidly changing market

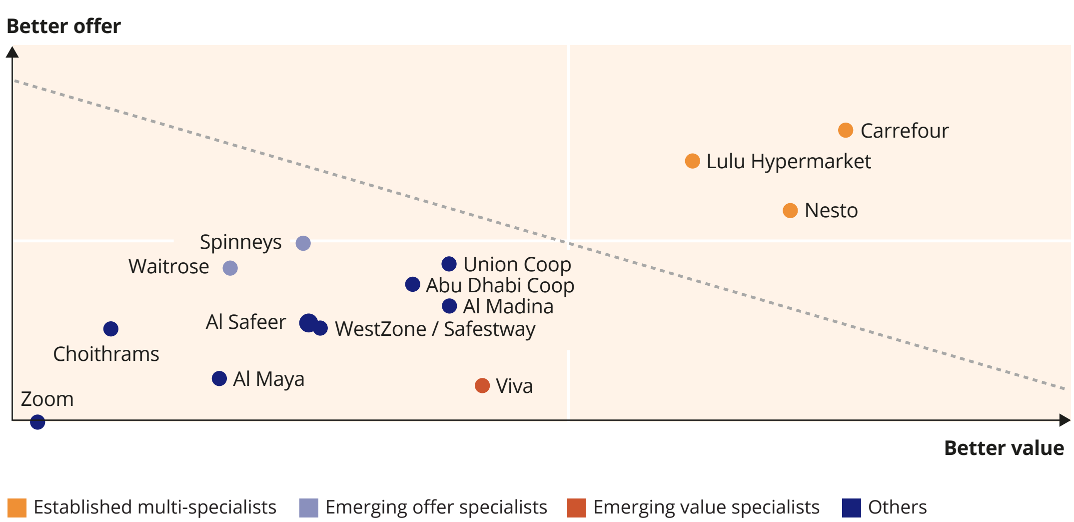
Mohamed Walid Lotfy, A. Executive Director of the Business and Economic Intelligence Sector
Abu Dhabi Chamber of Commerce

THE PREFERENCES OF UAE CUSTOMERS

The key output of the core comparative section in the CPM survey is the Customer Perception Map. The map shows that emerging differentiation can be observed in the UAE grocery market: with players like Spinneys and Waitrose focusing on high-quality fresh products and offering unique products and own labels, and Viva, on the other side, focusing on value by establishing the first discount model at scale in the UAE. Finally, the large hypermarket chains like Carrefour, LuLu and Nesto try to balance both, by offering large assortments and attractive prices and promotions. This makes them the only grocery retailers in the 'winning quadrant' today. In this context, undifferentiated players are likely to struggle with leading players driving consolidation in the market.

The need for differentiation is also widely recognized by retailers — 87.3% of retailer respondents in the Abu Dhabi Pulse Survey indicated that they consider it important to develop a unique positioning to attract and retain customers.

Exhibit 8: UAE Customer Perception Map



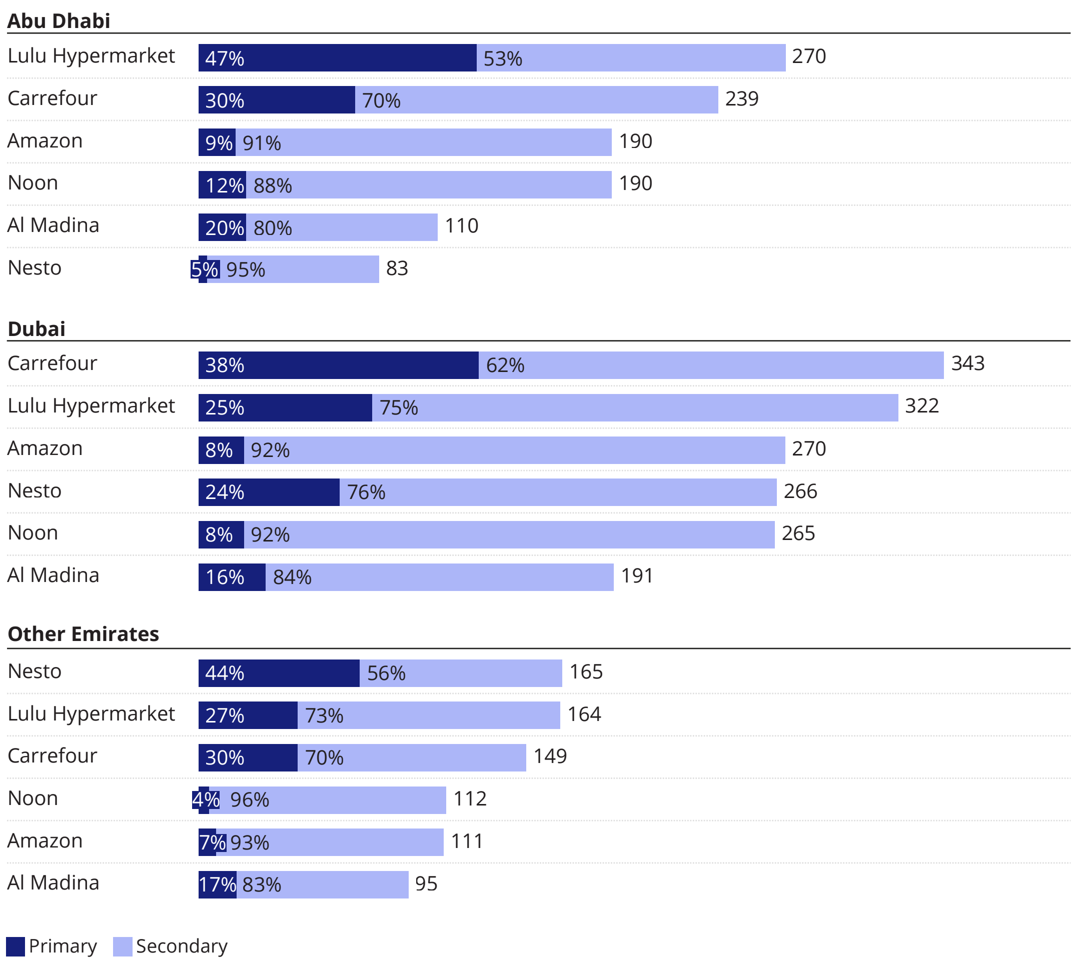
Source: Oliver Wyman 2024 CPM survey
Note: The above analysis only includes retailers with a physical presence — not pure e-commerce players

Interestingly, when we analyze the retailer preferences across UAE customers, we see that the top three physical retailers in the UAE each dominate a region: Abu Dhabi customers indicated that they most often shop at shop at Lulu hypermarket; Dubai customers most frequently shop at Carrefour; and in the other emirates, Nesto is most often selected as the most frequently visited retailer.

The three winning players, in their respective emirates, are leading both in terms of number of customers that selected them as their main retailer, as well as in terms of total number of customers that had shopped recently at that retailer including those that had identified them as a secondary retailer.

Lulu and Carrefour are in the top three retailers in Abu Dhabi, Dubai, and the other emirates, while the position of Nesto is much more diverse across regions — being ranked as the most frequently visited retailer in other emirates, yet only ranked fourth in Dubai and sixth in Abu Dhabi.

Exhibit 9: Top 6 retailers customers shop at, by emirate



Source: Oliver Wyman 2024 CPM survey

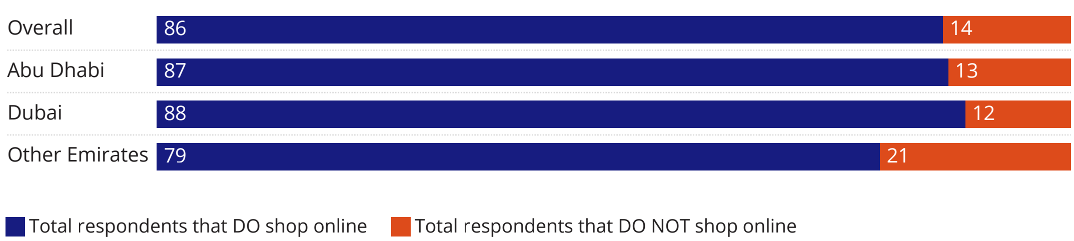
THE SHIFT TO ONLINE SHOPPING

The accelerated shift to online grocery shopping due to the COVID-19 pandemic saw retailers embrace omnichannel options. Even though online grocery shopping has fallen from those pandemic highs, customer demand for fast and convenient shopping online has endured — with 86% of survey respondents making use of an online channel (online-only retailers and omnichannel retailers), and 56% of respondents making use of the online channel of their omnichannel retailers.

This shift to online grocery shopping has also been recognized by retailers: those asked in the Abu Dhabi Business Pulse Survey about the three key shifts in customer behavior over the last three years, identified increased preference for online shopping as the key trend (selected by 78.8% respondents). Moreover, when asked about the three key trends expected to dominate the regional grocery retail landscape in 2025, respondents identified expansion of online grocery shopping as the key trend (selected by 68.1% respondents).

When we analyze the results within the UAE, we see that online penetration is highest in Dubai. In Dubai, 88% of survey respondents make use of online shopping, followed by Abu Dhabi at 87%. The online penetration is substantially lower in other emirates, at 79%.

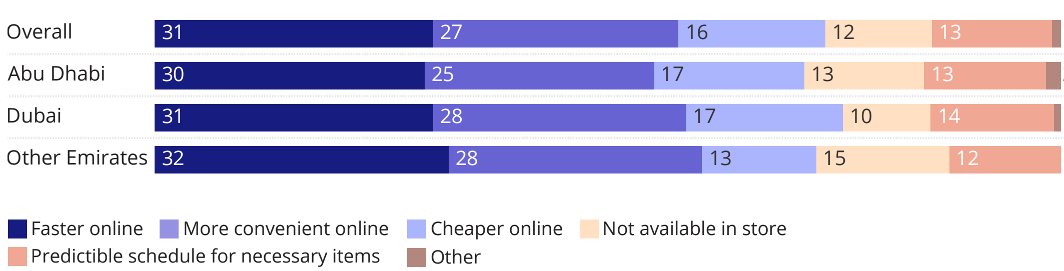
Exhibit 10: Share of customers that shop online (%)



Source: Oliver Wyman 2024 CPM survey

The reasoning for buying online differs across regions. In other emirates it is slightly more about convenience and getting access to products they would otherwise not have. In Dubai and Abu Dhabi, it is more about the products being cheaper.

Exhibit 11: Reasons for purchasing online, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

Generally, packaged food is ordered most online (66%), followed by produce (57%), non-food items (55%), prepared food (44%), and meat and seafood (37%). With only one slight variation within the other emirates, this order holds true across the different regions. This order of categories may be down to the convenience of having non-perishable, bulky purchases delivered. The high share of fresh produce being bought online shows strong trust in the quality of products being chosen for delivery.

Exhibit 12: Share of customers buying each product category online, by emirate

	Packaged food	Produce	Non-food items	Prepared food	Meat/Seafood
Overall	66%	57%	55%	44%	37%
Abu Dhabi	67%	54%	54%	44%	39%
Dubai	68%	63%	56%	48%	42%
Other Emirates	56%	47%	55%	36%	24%

Source: Oliver Wyman 2024 CPM survey
Note: The respondents depicted in this graph exclusively include individuals who reported engaging in online shopping

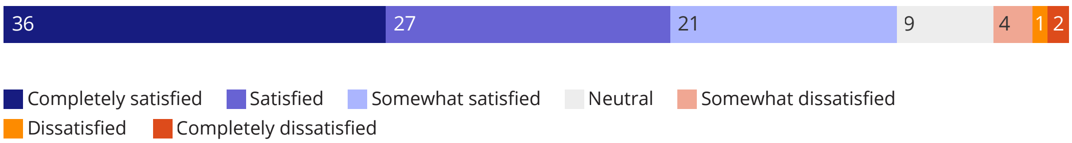
78.8% of retailers identified increased preference for online shopping as the main shift in consumer behavior observed in the last three years

LOYALTY PROGRAMS FOR CUSTOMERS SATISFACTION

According to the Abu Dhabi Business Pulse Survey report, 29.8% of surveyed retail leaders highlighted increased use of loyalty programs as one of the main shifts in customer behavior in the last three years.

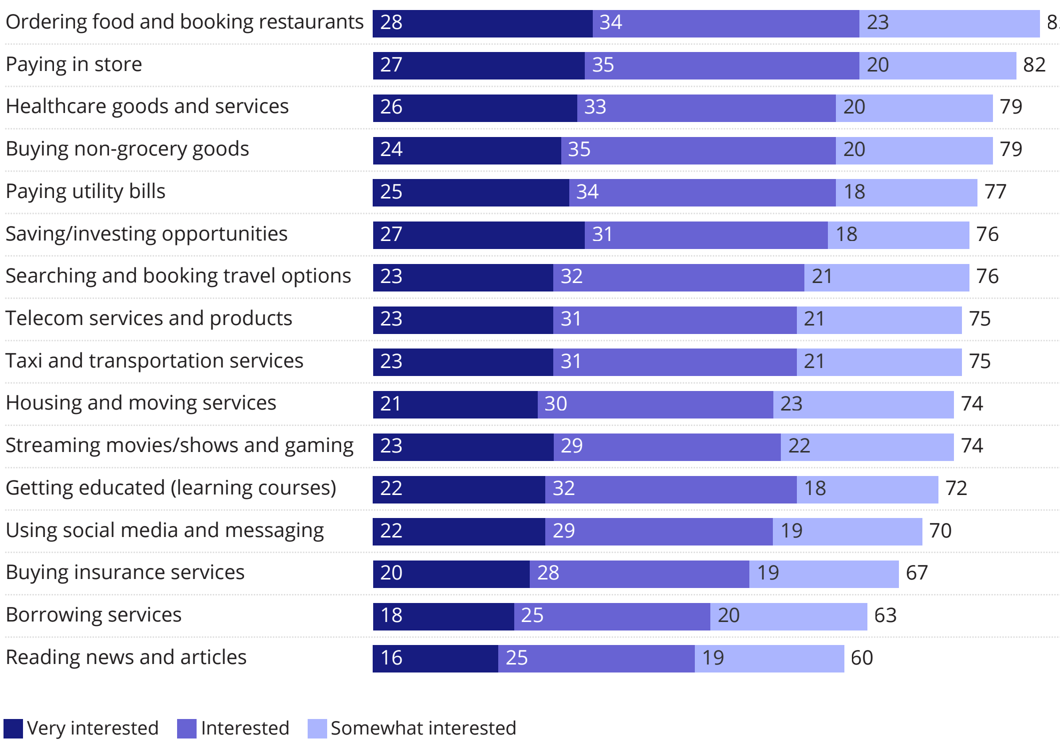
Loyalty programs have garnered high satisfaction rates among customers, who appreciate the benefits and rewards offered. However, there lies an opportunity for retailers to further enhance their loyalty programs by expanding the scope of services and products available to members. The CPM survey revealed a significant interest among customers in accessing additional services. Highest interest was shown for ordering food and booking restaurants (84% of consumers at least somewhat interested), paying in store (82%) and healthcare goods and services (79%). Notably, customers in Abu Dhabi and Dubai exhibited a greater willingness to utilize their loyalty programs for services beyond shopping, compared to those in other emirates.

Exhibit 13: Satisfaction with benefits of loyalty programs by grocery retailers in the UAE (%)



Source: Oliver Wyman 2024 CPM survey

Exhibit 14: Interest in loyalty schemes giving access to specific services (%)



Source: Oliver Wyman 2024 CPM survey

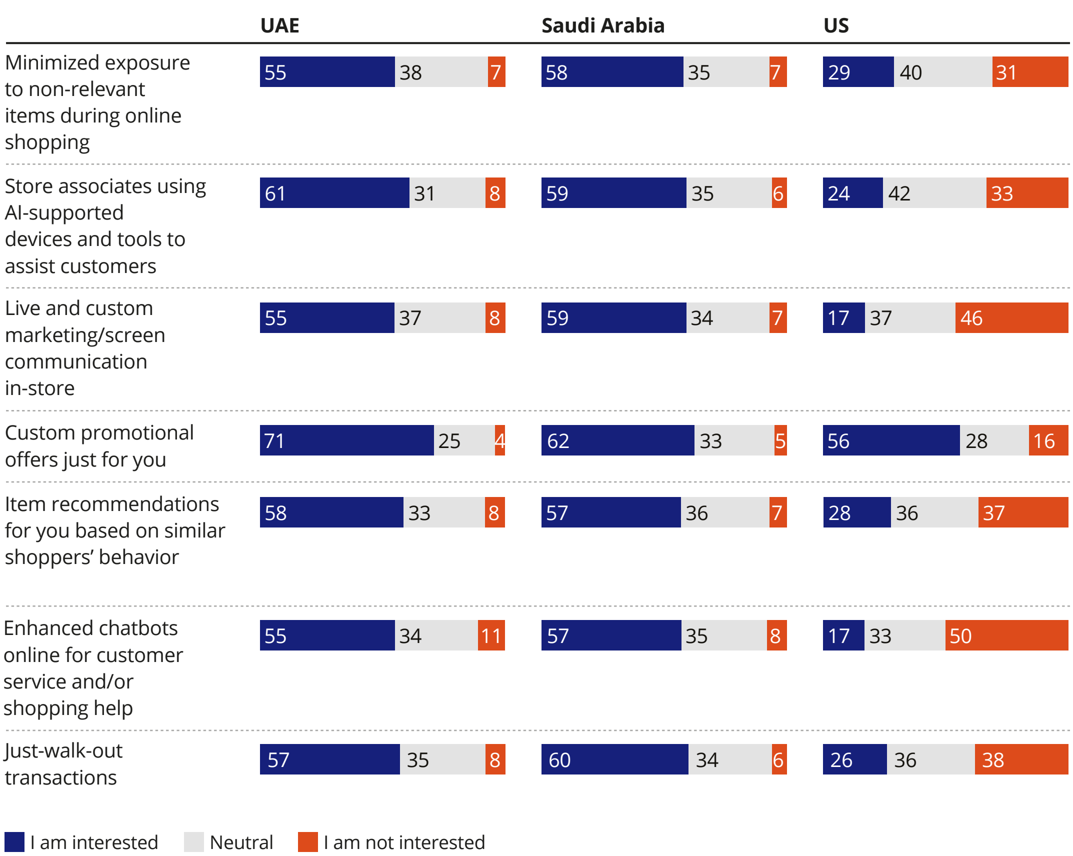
THE IMPACT OF TECHNOLOGY AND AI

Technology, and especially Artificial Intelligence (AI), is becoming embedded in customers' lives, and this extends to grocery retail. Customers are keen to explore ways that technology and AI can enhance their overall shopping experience. For example, 71% of customers in the UAE indicated that they would be interested in tech-enabled custom promotional offers, 61% are interested in store associates using AI supported devices and tools to assist customers, and 58% of respondents indicated an interest in item recommendations based on similar shopper behavior.

When we analyze the interest across different emirates in the UAE, we see that the numbers are highly comparable — generally showing a high interest.

Though, larger differences can be seen between some markets. While the level of interest is comparable in the UAE and Saudi Arabia, it is much lower in the US (as highlighted in exhibit 15, below).

Exhibit 15: Interest in technology and artificial intelligence (AI), by country (%)



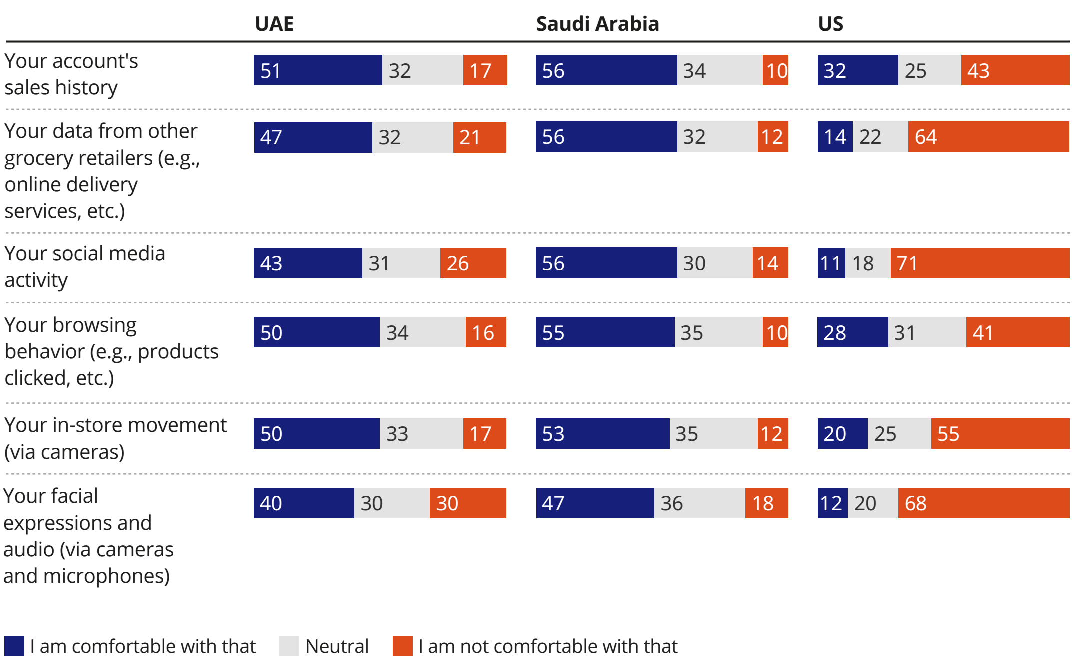
Source: Oliver Wyman 2024 CPM survey

Personalization can move the dial and can be a differentiator for grocery retailers. Compared to western markets, customers in the UAE are much more diverse in terms of cultural background, purchasing power and languages spoken. This means there is a unique opportunity for retailers to offer differentiation through personalization, especially when looked at in combination with the indicated high interest in custom promotional offers. Personalization means allowing every customer (online and offline) to see the products and promotions most relevant to them presented in the way most appealing and comprehensible for their needs.

UAE respondents indicated that they are relatively comfortable with sharing their data with grocery retailers for tech and AI enablement. Around 50% of respondents are comfortable with sharing their sales history, browsing behavior, and in-store movement. More hesitance can be observed around social media activity and facial expressions and audio.

The comfort in sharing data is even slightly higher in Saudi Arabia, while it's much lower in the US. The relatively high willingness to share data among UAE customers also opens a unique opportunity for retailers to act on this and enhance the customer experience.

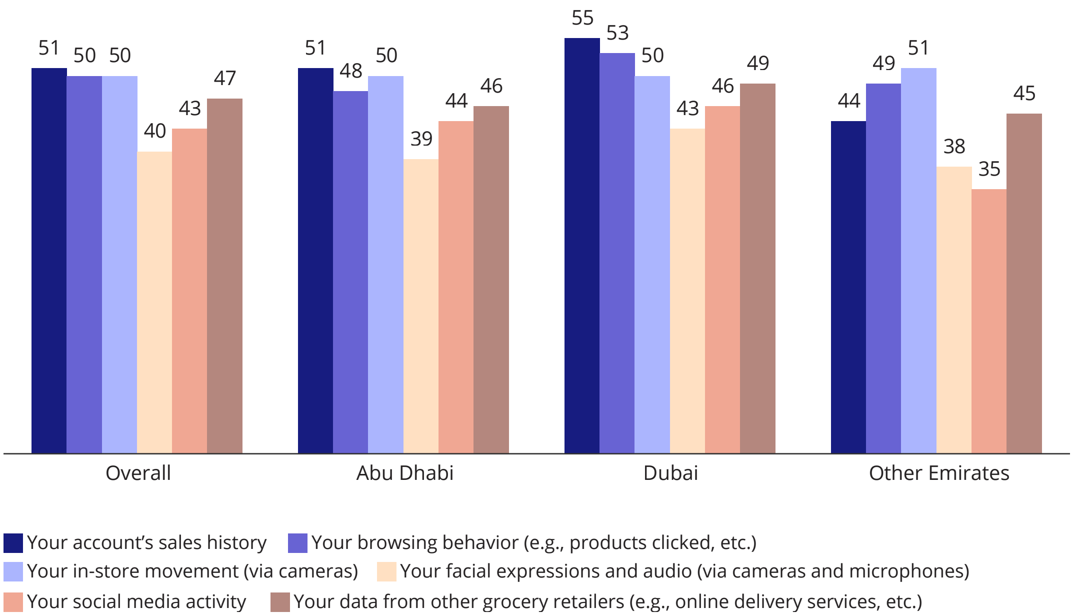
Exhibit 16: Comfort in sharing data with grocers for tech and AI enablement, by country (%)



Source: Oliver Wyman 2024 CPM survey

When we analyze the results within the UAE, we see that respondents in Dubai, across all data types with the exception of in-store movements, are more comfortable sharing their data than respondents in Abu Dhabi and the other emirates. Regarding Abu Dhabi and the other emirates, which region is more comfortable with sharing their data, differs by data type. The order of data types people are comfortable sharing varies substantially between three demarcated regions — Dubai, Abu Dhabi, and the other emirates. Having this understanding of which data types most people are comfortable with by emirate is valuable for retailers so that they can decide how to best collect inputs and leverage tech and AI, depending on region.

Exhibit 17: Acceptance of grocery retailers having access to various data types, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

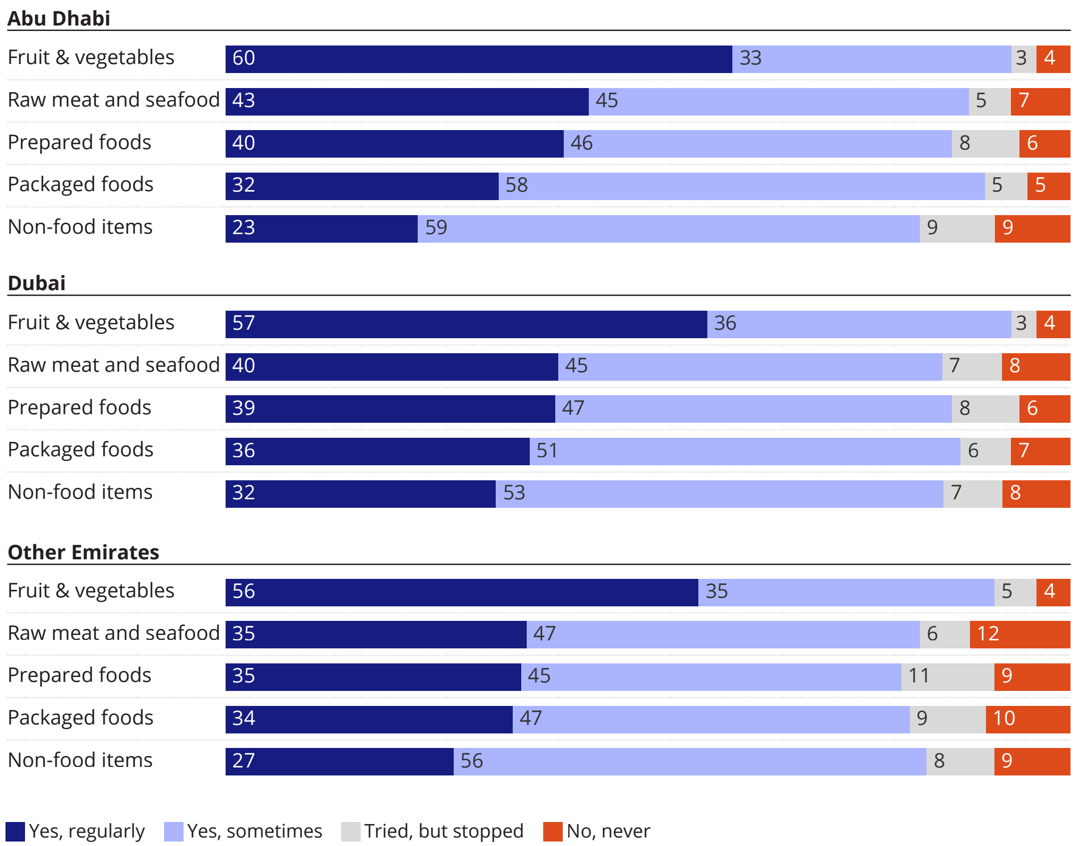
This progressive move towards adoption of AI is also reflected in the fact that 63.8% of retailer respondents in the Abu Dhabi Business Pulse Survey have integrated AI in their business. Among those currently utilizing the technology, 60% identified increasing efficiency as their primary objective. Offering personalized services was the second most indicated reason (40%), while improving store experience came third (36.7%), and enhancing supply chain management came fourth (33.3%). These results highlight the variety of ways that technology and AI can make a difference.

71% of customers in the UAE are interested in custom promotional offers, 61% are interested in store associates using AI-supported devices and tools to assist customers, and 58% in item recommendations based on similar shopper behavior

THE APPETITE FOR LOCAL PRODUCTS

Customers in the UAE are eager to buy local products, especially when it comes to fruit and vegetables. This observation holds true across all regions, although customers in Dubai and Abu Dhabi show a slightly stronger inclination towards locally produced products.

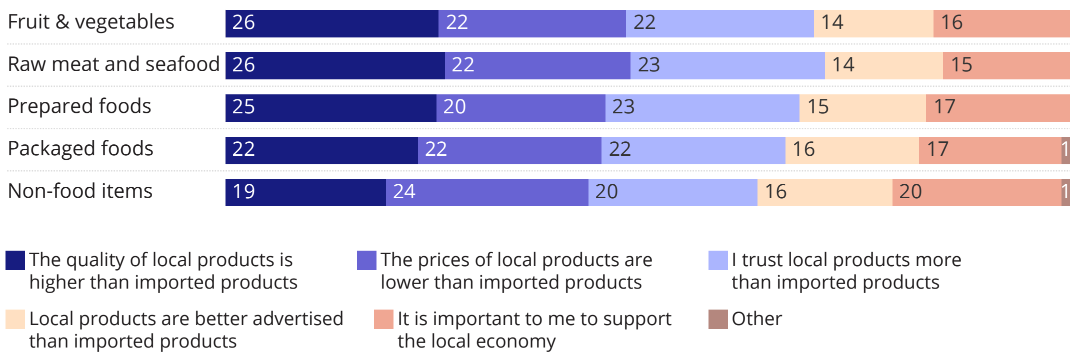
Exhibit 18: Customers deliberately looking for products produced in the UAE, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

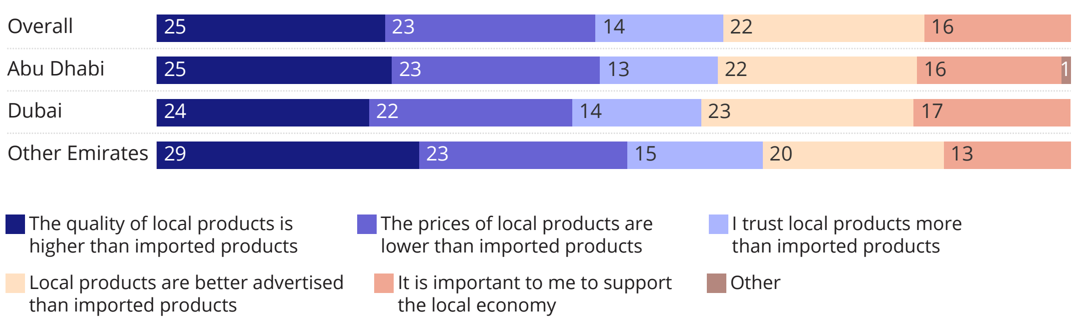
The preference for buying local products not only comes down to a perception of lower prices compared to imported products, but also higher quality and brand trust. Focusing on reasons for purchasing local fruits and vegetables throughout the UAE, the survey reveals that, in the other emirates, the perception of the high quality of local products is relatively more significant, whereas support for the local economy is comparatively less important than in Abu Dhabi and Dubai. Key motivators among Abu Dhabi and Dubai customers are more comparable, although Abu Dhabi customers put slightly more weight on the lower prices of local products and the quality, while Dubai customers put slightly more weight on trust in local products and support of the local economy. It is essential that retailers take the key reasons customers buy local products into account when they define the marketing of these goods.

Exhibit 19: Reasons to purchase local products, all UAE respondents (%)



Source: Oliver Wyman 2024 CPM survey

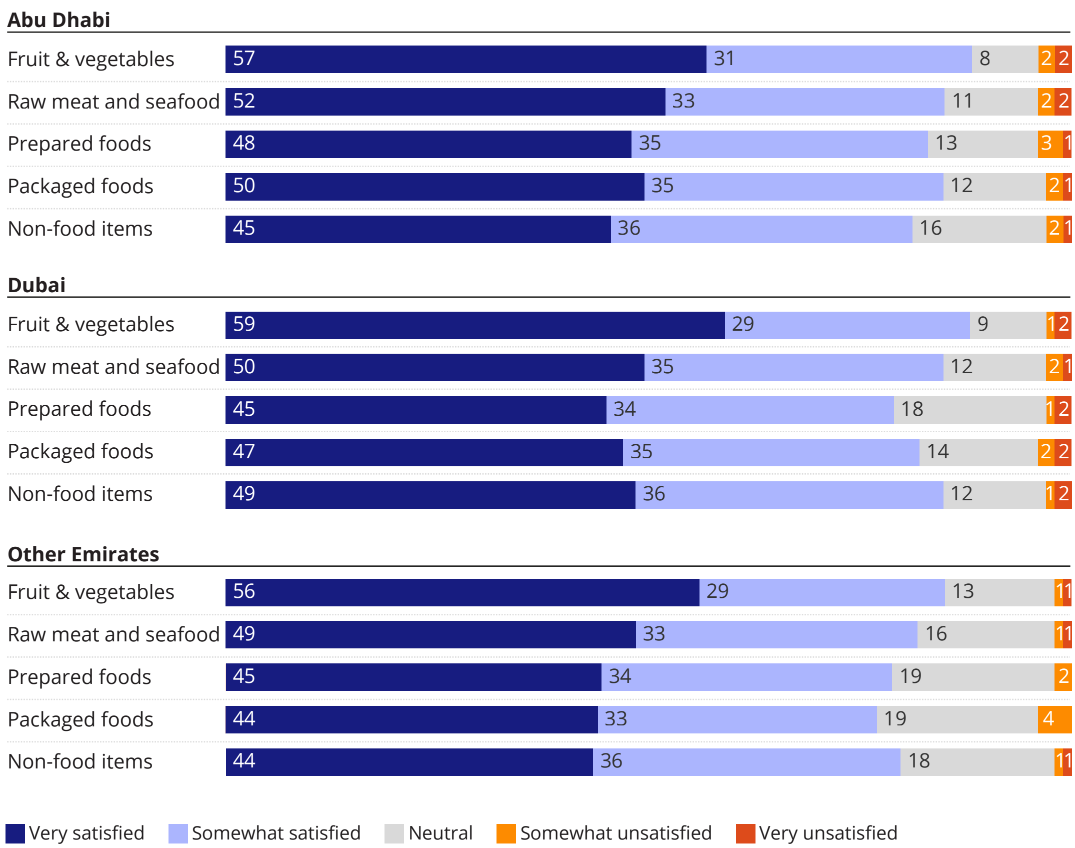
Exhibit 20: Reasons to purchase locally produced fruit and vegetables, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

Most customers are satisfied with the selection of products produced locally, especially with the selection of fruit and vegetables (88% being satisfied). Satisfaction is quite high across the UAE, with only slight differences between the emirates.

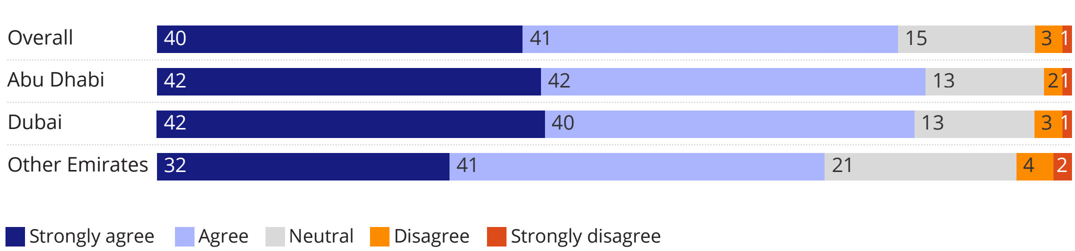
Exhibit 21: Satisfaction with the selection of products produced in the UAE, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

Food security is also high on the agenda, with 81% of respondents believing it is important to produce a large share of fruit and vegetables locally for food security reasons. Respondents from Dubai and Abu Dhabi placed a greater emphasis on the importance of the UAE producing a significant share of its consumed fruit and vegetables for food security reasons, underscoring a desire for national self-sufficiency in terms of essential food items. As a result, grocery retailers must adapt by prioritizing local sourcing, developing strong partnerships with UAE farmers and producers, and promoting locally grown products to meet increasing demand for homegrown fruit and vegetables, alleviating customer concerns around food security.

Exhibit 22: Customer perspectives on whether it is important for food security reasons that the UAE produces a large share of fruit and vegetables locally, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

The willingness to buy local products is also recognized by retailers. The majority, 53.2% of the respondents to the Abu Dhabi Business Pulse Survey, confirmed that they are observing growing demand for locally sourced products among their customers. When asked about how they responded to the trend, a few respondents indicated that they are increasingly sourcing local products, particularly perishables, mentioning superior quality and higher shelf life as strong selling points. Respondents have also mentioned that the prices of local products are becoming more competitive amid the rise in the price of imports.

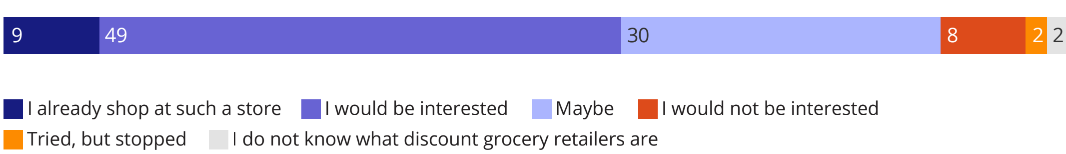
81% of customers consider it important to produce a large share of fruit and vegetables locally for food security reasons

THE RISE OF DISCOUNTERS

The rise of discounters such as Aldi and Lidl has changed the grocery retail landscape in Europe — and that desire has found its way to the UAE.

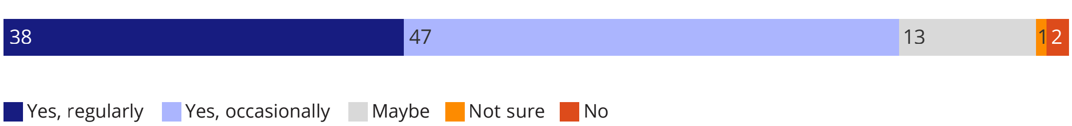
In the UAE, 88% of customers indicate they would be interested in shopping at a discount grocery retailer or already shop at one. When asked whether they would shop at Aldi or Lidl if they were available in the UAE, 85% of respondents indicated that they would shop there occasionally or regularly, and another 13% indicated that they would maybe shop there.

Exhibit 23: Interest in shopping at a discount grocery retailer, all UAE respondents (%)



Source: Oliver Wyman 2024 CPM survey

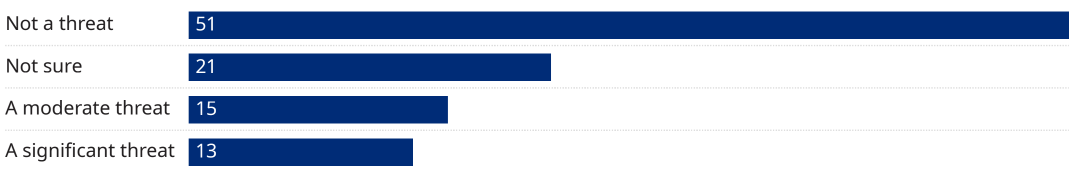
Exhibit 24: Interest in shopping at Aldi or Lidl if they were available in the UAE (%)



Source: Oliver Wyman 2024 CPM survey

It is only a matter of time before such a concept gains substantial traction in the region, putting the margins of the entire value chain under significant pressure, accelerating consolidation. Viva, for example, has established the first discount model at scale in the UAE, and more are expected in the coming years. Interestingly, more than half (51%) of the surveyed retailers in the Abu Dhabi Business Pulse Survey do not see local discount grocery retailers as a threat to their business, (21%) indicated that they are not sure whether they see it as a threat, while (15%) consider it a moderate threat, and only (13%) see it as a significant threat.

Exhibit 25: Extent to which retailers consider an incoming local discount grocery retailer as a threat to their business (%)



Source: Abu Dhabi Business Pulse Survey

Retailers must proactively prepare for the rise of discount stores. In this effort, they can draw valuable insights from the customer-centric and often localized strategies, as well as the robust private-label offerings, of European supermarkets and hypermarket chains that effectively compete with discount retailers.

Discount or value-focused retail models have reshaped the grocery retail landscape in Western markets. Local retailers should learn from their Western peers to be prepared for when those models gain traction and put the margin of the entire value chain under pressure

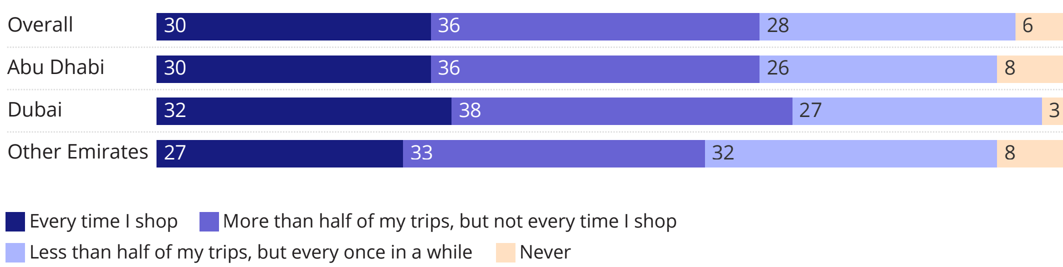
Alexander Poehl, Partner
Oliver Wyman

THE DEMAND FOR PRIVATE-LABEL PRODUCTS

With rising costs prompting consumers to seek better value, private-label products — also known as own-brand products — have become essential for retailers. In the UAE's grocery retail sector, there is a significant opportunity to catch up with global benchmarks, as well as customer demand, on this front.

Currently, the share of private-label goods in food retailing in the UAE is remarkably low compared to the the global average.[5] Private labels boost profitability, enhance customer loyalty, and provide retailers with greater control over their offerings. Leading retailers such as Lulu, Carrefour, and Spinneys exemplify this trend by offering a wide range of private-label products. While Lulu and Carrefour seem to mainly focus on securing competitive price points with their private-label products, Spinneys uses its exclusive private-label products to enhance its aspired proposition: they offer a unique selection of truly differentiated private-label products, which their niche customers consciously seek out. As retailers refine their offerings based on customer feedback, private-label market shares are set for substantial growth.

Exhibit 26: Frequency of private brand purchase, by emirate (%)

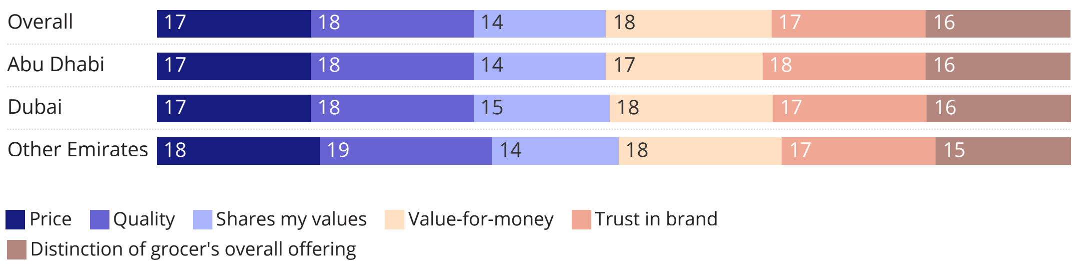


Source: Oliver Wyman 2024 CPM survey

In the UAE, our survey shows 66% of respondents purchase private-label products. Results indicate that private labels are slightly less popular in Abu Dhabi and the other emirates, which might be linked to where people shop and the availability of private labels. Overall, only 6% of customers never buy private-label brands — dropping as low as 3% in Dubai. These results indicate a clear opportunity for the rise of private-label brands in the UAE. Why do customers buy them? Quality, value for money, brand trust, and price are the key considerations for private-label purchase decisions — the relative importance of these factors is highly comparable across emirates.

5 issuu, GDONews. Statista. Market share of private-label brands worldwide in Q1 2023, by selected territory. 2023

Exhibit 27: Key considerations to purchase private-label brands, by emirate (%)



Source: Oliver Wyman 2024 CPM survey

Only 23.4% of surveyed retailers in the Abu Dhabi Business Pulse Survey said they were focused on private labels, yet given the many benefits a strong private-label brand can offer, for many retailers, it is a missed opportunity to not consider such an offering.

CONCLUSION

With competition intensifying in search of "like-for-like" sales growth, retailers in UAE must have a clear understanding of customer needs to propel the development of unique propositions. Typically, there are three strategies for a more differentiated proposition — and we have seen these emerging in the UAE:

1. **Offer specialists** focus on premium customer experiences, high-quality products, and exclusive services, catering to a specific niche or target customer group.
2. **Value specialists** provide limited assortments and services at competitive prices, supplemented by special promotions and attractive loyalty programs.
3. **Multi-specialists** offer broad appeal and a good value-offer ratio, attracting customers and putting pressure on competitors.

The CPM survey results reveal that leading retailers such as Carrefour, Lulu, and Nesto have secured strong market positions by having both a strong offer and value perception. Meanwhile, Spinneys and Waitrose are emerging as offer specialists, while Viva is pioneering the value specialist space with the introduction of the first large-scale discount model in the UAE. This shift in the market landscape intensifies pressure on existing players to remain relevant, making it essential for retailers to adapt their strategies to accommodate distinct customer preferences across various emirates.

By acknowledging the varying significance of factors such as convenience, quality, and price, retailers can tailor their approaches to meet local needs. Moreover, retailers recognize online shopping as a key shift in customer behavior. The survey reveals that motivations for online shopping vary across the emirates: convenience and access is driving purchases in some areas, while price competitiveness is the primary driver in others. By understanding and catering to these regional differences, retailers can tailor their online strategies to meet local needs and stay ahead in a competitive market.

What is also clear is that the demand for tailored experiences goes beyond online channels, and retailers are encouraged to leverage technology and AI to provide personalized and seamless experiences in store. Retailers can capitalize on customer willingness in the UAE to share data for technology improvement in order to design personalized strategies that enhance customer experiences.

The recent evolution of discounters has been well received by customers, with around 88% having interest in these retailers, or having shopped there already. It is only a matter of time before this concept will capture a substantial share and put margins for the entire ecosystem under pressure. We encourage retailers to learn from their European peers on how to successfully compete with discount models. The survey also highlights that customers are deliberately looking for private-label brands. Having a strong private-label brand offers retailers a variety of benefits, including a competitive answer to discounters entering the market.

Retailers should consider what they want to stand for in the future, ensuring that their offerings resonate with the diverse customer base. This will help avoid costly missteps as competition intensifies and the markets saturate and consolidate further.

By leveraging insights from the Oliver Wyman Customer Perception Map (CPM), retailers can better understand their competitive positioning and make informed decisions that align with customer expectations.

In conclusion, the grocery retail landscape in the UAE is transforming in its own way. Retailers must act today to innovate, differentiate, and engage with their customers meaningfully. The future belongs to those who are willing to adapt and evolve, ensuring they not only survive but thrive in this dynamic market. The time for action is now — retailers must seize the moment to define their path forward and secure their place in the grocery retail sector of tomorrow.

ABOUT

Abu Dhabi Chamber of Commerce and Industry (ADCCI)

The Abu Dhabi Chamber of Commerce and Industry (ADCCI) is the primary business representative body in the Emirate of Abu Dhabi, dedicated to promoting the interests of the private sector. With a membership of over 140,000 companies, ADCCI plays a pivotal role in driving sustainable economic growth and diversification in the region. The Chamber provides businesses with a range of services, including advocacy, market insights, networking opportunities, and guidance on regulatory compliance. ADCCI is committed to fostering an environment conducive to innovation, investment, and global partnerships, ensuring that its members can thrive in the evolving global economy.

abudhabichamber.ae

Oliver Wyman

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