ACCESSING THE ECOMMERCE MARKET IN KSA, TURKEY AND UAE
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Executive Summary

Accessing the Ecommerce Market in Kingdom of Saudi Arabia (KSA), Turkey and United Arab Emirates (UAE)

Increased opportunities for Australian businesses to access foreign markets through an online presence or to complement an existing footprint has intensified competition for consumers, and consumer expectations have risen on being able to purchase products in a convenient, timely and cost-effective manner.

The purpose of this guide is to profile the ecommerce landscape, in KSA, Turkey and UAE, with a particular focus on the business to consumer (B2C) medium for products. There has been increased interest in the ecommerce sector across all three markets with potential for continued growth. This is evident in the fact that all three nations were ranked within the top 10 developing economies in the United Nations Conference on Trade and Development (UNCTAD) B2C ecommerce index in 2018.1

This guide is not a comparison of the countries. Rather it is an overview of criteria relevant for Australian businesses across the markets, including drivers of growth; major ecommerce platforms; profile of consumers; and key market entry points.

Recent estimates have suggested that ecommerce sales in these three markets have grown considerably of a relatively low base and are expected to be worth over US$16 Billion by 2020.2 While the percentage of ecommerce sales is relatively low by international standards within total retail sales, growth in the near future is expected to greatly outpace retail sales through traditional physical outlets across all three markets.

While each market is unique, as shown by the figures in Tables 1, 2 and 3 below, common factors that have contributed to the growth of ecommerce exist across markets. These include increased internet penetration and smartphone usage, increased investment in large ecommerce marketplaces, and the evolution of logistics platforms. The continued growth and importance of ecommerce to retail sales in these markets presents an opportunity for Australian organisations. This guide will help Australian exporters better understand the ecommerce environment, and assist future planning and engagement, leading towards a successful exporting journey.

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Table 1 Value of GDP (GDP measured in $USbn, current prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>KSA</th>
<th>Turkey</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>500</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>2018</td>
<td>600</td>
<td>150</td>
<td>200</td>
</tr>
<tr>
<td>2019</td>
<td>700</td>
<td>200</td>
<td>250</td>
</tr>
<tr>
<td>2020</td>
<td>800</td>
<td>250</td>
<td>300</td>
</tr>
<tr>
<td>2021</td>
<td>900</td>
<td>300</td>
<td>350</td>
</tr>
<tr>
<td>2022</td>
<td>1000</td>
<td>350</td>
<td>400</td>
</tr>
<tr>
<td>2023</td>
<td>1100</td>
<td>400</td>
<td>450</td>
</tr>
</tbody>
</table>

Table 2 Value of GDP per capita (GDP per capita measured in $US, current prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>KSA</th>
<th>Turkey</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10000</td>
<td>2000</td>
<td>3000</td>
</tr>
<tr>
<td>2018</td>
<td>11000</td>
<td>2500</td>
<td>3500</td>
</tr>
<tr>
<td>2019</td>
<td>12000</td>
<td>3000</td>
<td>4000</td>
</tr>
<tr>
<td>2020</td>
<td>13000</td>
<td>3500</td>
<td>4500</td>
</tr>
<tr>
<td>2021</td>
<td>14000</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>2022</td>
<td>15000</td>
<td>4500</td>
<td>5500</td>
</tr>
<tr>
<td>2023</td>
<td>16000</td>
<td>5000</td>
<td>6000</td>
</tr>
</tbody>
</table>

Table 3 Population (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>KSA</th>
<th>Turkey</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10M</td>
<td>2M</td>
<td>3M</td>
</tr>
<tr>
<td>2018</td>
<td>11M</td>
<td>2.5M</td>
<td>3.5M</td>
</tr>
<tr>
<td>2019</td>
<td>12M</td>
<td>3M</td>
<td>4M</td>
</tr>
<tr>
<td>2020</td>
<td>13M</td>
<td>3.5M</td>
<td>4.5M</td>
</tr>
<tr>
<td>2021</td>
<td>14M</td>
<td>4M</td>
<td>5M</td>
</tr>
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<td>2022</td>
<td>15M</td>
<td>4.5M</td>
<td>5.5M</td>
</tr>
<tr>
<td>2023</td>
<td>16M</td>
<td>5M</td>
<td>6M</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund, World Economic Outlook Database, April 2019
Figures for: KSA - 2018 onwards IMF Staff estimates | Turkey - 2019 onwards IMF Staff estimates | UAE - 2017 onwards IMF Staff estimates
Drivers of growth

In a report produced by the Dubai CommerCity in 2017, looking at a specific range of products sold by B2C, ecommerce sales in KSA, Turkey and UAE were estimated to be US$2.09Bn, US$3.73Bn and US$2.35Bn respectively. The report also estimated that the value of ecommerce sales in KSA, Turkey and UAE will increase to US$4.28Bn, US$7.07Bn and US$5.06Bn by 2020.³

In addition to the absolute increase in the value of ecommerce sales, the percentage of total retail sales is expected to grow rapidly in the near future. While this trend is taking place in markets across the globe, the estimated ecommerce penetration of retail sales of approximately 4 per cent across KSA, Turkey and UAE, indicates there is considerable room to grow, especially compared to markets where ecommerce has been influential for longer.⁴

There are some key trends contributing to the rapid growth in ecommerce across all these markets that are expected to continue. These are:

• High internet penetration and smartphone usage
• Increased investment in large ecommerce market places
• Improvements in logistics

High internet penetration and smartphone usage

The importance of smartphone ownership to allowing mobile internet usage and access to ecommerce cannot be underestimated, especially when it is considered that many of the steps taken leading up to the final receipt of the product purchased via ecommerce take place through this one device. This includes receiving marketing via social media, undertaking research and digesting reviews through search engines and videos, selection of products, transfer of funds via electronic means, and monitoring delivery.⁵
The figures below in Table 4 display the high levels of internet access across all three markets, especially that of the UAE which has one of the highest levels of internet penetration globally. While Turkey has the lowest internet penetration rate, it experienced one of the biggest increases in internet access in the world in 2017, with an increase of approximately 6 per cent.6

<table>
<thead>
<tr>
<th>Country</th>
<th>Internet users</th>
<th>Internet users penetration</th>
<th>Active mobile internet users</th>
<th>Active mobile internet users penetration</th>
<th>Mobile phone usage by adult population</th>
<th>Smartphone use by adult population</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSA</td>
<td>30.26 million</td>
<td>89%</td>
<td>27.14 million</td>
<td>80%</td>
<td>98%</td>
<td>96%</td>
</tr>
<tr>
<td>Turkey</td>
<td>59.36 million</td>
<td>72%</td>
<td>56.03 million</td>
<td>68%</td>
<td>98%</td>
<td>77%</td>
</tr>
<tr>
<td>UAE</td>
<td>9.52 million</td>
<td>99%</td>
<td>8.75 million</td>
<td>91%</td>
<td>99%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Source: Hootsuite / We Are Social, Digital Reports 2019, KSA, Turkey, UAE, Jan 2019.

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Increased investment in large ecommerce marketplaces

Major investments, acquisitions and partnerships with global players have transformed the ecommerce landscape across KSA, Turkey and UAE.

These investments, acquisitions and partnerships in major ecommerce platforms have changed the dynamics of ecommerce in these three countries. Not only have they led to increased competition amongst themselves, which has led to pressure on prices, increased product selection and developments in logistics and payments systems, but as in other parts of the world they have also caused traditional retail outlets to seriously consider their online presence and strategy.

It is anticipated that further investment and consolidation amongst the major ecommerce platforms will continue to occur, along with large investments in ecommerce infrastructure amongst those physical stores in an increasingly competitive environment. These changes will continue to impact the ecommerce landscape, and remaining across these developments will help businesses position themselves to take advantage of the opportunities they present.
Improvements in logistics

There is a clear drive towards overcoming logistics issues, including lack of detailed addresses for last mile delivery, and the timeliness of delivery, which are often mentioned as impediments for ecommerce in KSA, Turkey and UAE. Logistics providers have been actively seeking improvements in service delivery in the ecommerce supply chain.

The focus on improved service delivery is being driven by rising consumer expectations with regards to delivery time and the competitive pressure this creates amongst leading ecommerce platforms to meet these demands. An example of this is in the recent announcement of Amazon.ae, where it mentioned that consumers in the UAE would continue to receive free next day delivery on orders above a threshold, as well as paid same day delivery to some areas in the UAE.12

As a result, investment in simplifying the logistics process internally amongst the leading ecommerce platforms has been substantial, producing benefits for sellers and buyers. Outside of the development of internal logistics within the major ecommerce platforms, there has also been increased interest from third parties specialising in logistics, including major transport companies and freight forwarders. This is particularly good news for Australian organisations as many logistics organisations with a presence in Australia or Australian expertise can now not only provide advice on the time and cost of shipping a product to market from Australia, but also assist directly in the delivery.

There have also been investments at a national level to facilitate greater ease of logistics. An example of this is Dubai’s Commercity, which was launched in 2018 and is a reported US$735 million free zone dedicated to ecommerce near the Dubai International airport. The 2.1 million square feet joint venture between DAFZA and Wasl Asset Management Group is designed to promote Dubai as a hub for international ecommerce in the region.13

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9 Practicology, Middle East Report: Understanding ecommerce and omnichannel retail opportunities in the Middle East, and how to exploit them, January 2019. https://www.practicology.com/insights/research/middle-east-report


MAJOR ECOMMERCE PLAYERS IN KSA, TURKEY AND UAE
Across KSA, Turkey and UAE, there is a wide selection of mediums via ecommerce for Australian organisations to reach consumers.

In particular, owing to developments within the ecommerce sector including the expansion of major ecommerce platforms and increased pressure on large physical retailers to develop ecommerce channels, Australian organisations can reach consumers without having to establish their own site, develop processes to collect funds direct from consumers and organise logistics.

Below are some of the major leading ecommerce platforms in the region.
Amazon.ae (formerly Souq)

Following Dubai based Souq being relaunched as Amazon.ae in 2019, UAE shoppers used to buying from Souq, now have access to a larger selection of products, including many that are available via access to the larger Amazon network outside of the UAE including an estimated 5 million products from the Amazon US website. 

The products range across multiple categories including consumer electronics, fashion, health and beauty and household goods. As it stands, Amazon will continue as Souq in KSA.

Within the UAE, opportunities for Australian organisations to work with Amazon.ae include selling on Amazon and organising fulfilment separately, using Amazon’s easy ship program or using Amazon’s fulfilment services. Amazon’s website provides comprehensive information about selling through the platform, using easy ship or the Fulfilment By Amazon (FBA) service. The Amazon website offers self-service set up and details about processes and fees for each product category. With regards to using Souq to access KSA, the process as it stands has not changed (unlike Amazon.ae). For customers in the UAE Amazon.ae also offers logistical services and cash on delivery (with certain conditions applying).

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14 Amazon, Press Release: Souq Becomes Amazon.ae in the UAE, 1 May 2019


Namshi.com

Namshi commenced in 2011 and is one of the oldest and most well-known online fashion and beauty retailers in UAE and KSA. The platform works on a partnership basis with leading organisations and is reported to have a selection of over 700 brands. It specialises in fashion for women, men and children, beauty and homecare.

In 2017, Dubai based Emaar Malls acquired a 51 per cent interest in Namshi from Global Fashion Group for a reported US$151mn, and in 2019 Emaar Malls purchased the remaining 49 per cent from Global Fashion Group for a reported US$129.5mn.

Namshi organises logistical services to consumers within the UAE and KSA through their own internal network and via third parties, and also of ers cash on delivery (with certain conditions applying). Namshi has an extensive range of international brands including Australian products predominantly in beauty.

Noon.com

Noon is newer to the market than other platforms mentioned, having commenced in 2017 but is well known to consumers in KSA and UAE owing to the ownership of Emaar Properties chairman Mohamed Alabbar and Saudi Arabia’s Public Investment Fund. It is focussed on KSA and UAE and reported to have more than 10,000 brands on its platform and of ers a broad range of products, with fashion and consumer electronics the most popular.

In terms of building up inventory, Noon has been strategic with relationships including an exclusive agreement with KSA’s leading electronics supplier in 2017 and entering into a partnership with eBay in 2018 that reported to allow consumers in KSA and UAE to purchase products from eBay that would be fulfilled by Noon.

Within the UAE and KSA opportunities for Australian organisations to work with Noon include two options that assist with logistics. One is selling on the platform, self-organising warehousing and using Noon’s logistics, termed Seller Back to Back (B2B), or using the Fulfilled by Noon (FBN) service where Noon organises warehousing and logistics. Noon’s website provides detailed information about both options and selling through the platform. Noon also of ers customers in UAE and KSA the option of cash on delivery.

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19 The National, Sarah Townsend, Exclusive: The $1bn e-commerce frm Noon hunts for acquisitions, 9 November 2018 https://www.thenational.ae/business/technology/exclusive-the-1bn-e-commerce-frm-noon-hunts-for-acquisitions-1789627
With regards to the platforms mentioned below, there are some traits that should be noted by Australian organisations considering e-commerce in the market. First, unlike the platforms mentioned servicing UAE and KSA, platforms in Turkey do not generally offer cash on delivery. While this may initially seem like an impost, payment by credit card is the preferred payment in Turkey and increasingly consumers are doing more mobile payments. Also the platforms mentioned below are more focused on their respective domestic market, Turkey, and as such tend to have less English options/translations readily accessible. Amongst other things this supports the idea of finding a suitable local partner to assist in market.

**Hepsiburada.com**

Hepsiburada operates as a subsidiary of Dogan Online Holding Group, one of Turkey’s leading internet and digital media companies.

The company was founded in 1998 by five people working from a studio flat in Istanbul focusing on online orders for IT hardware, driving them out to customers. Now Hepsiburada is one of the largest e-commerce platforms not only in Turkey but the MENA (Middle East North Africa) region with a large number of products across a diverse group of categories ranging from clothing and beauty products, to auto supplies and electronics.

**n11.com**

n11.com is one of the largest and leading open market e-commerce platforms in Turkey.

Established by Doğuş Group Turkey and SK Planet of South Korea in June 2012, n11.com operates as a managed B2C open market e-commerce platform, and has tools and pricing models to assist its users during transactions.

**Amazon (Turkey)**

Amazon Turkey launched in September 2018 and the platform enables third parties to sell new products across various categories including electronics, fashion and personal care. It should be noted that Amazon Turkey is distinct from Amazon.ae in UAE.
Trendyol

Founded in 2010, Trendyol is one of the largest and fastest growing ecommerce companies in Turkey and the greater MENA region. In 2018, the company announced an investment and strategic partnership with Alibaba Group which is one of the largest investments in the Turkish ecommerce sector.

Trendyol’s marketplace has a wide selection of brands in various categories including electronics, home, beauty and fashion, as well as its own private label fashion brand.


24 Financial Times, Joseph Cotterill, Daniel Dombey, Abraaj takes $100m stake in Turkish online group Hepsiburada, 22 February 2015. https://www.ft.com/content/7257c686-b92b-11e4-a8d0-00144feab7de


Profile of Consumers

Although the ecommerce market in KSA, Turkey and UAE is increasing rapidly, it is crucial for Australian businesses looking to enter the market to ensure they are across trends and metrics in consumer behaviour before committing resources to list their products online.

Below are some relevant categories to assist with this research.

Average spend

With regards to recent data providing an indication of the average spend by consumers the figures in Table 5 below show the average revenue per user (ARPU) for 2019.

<table>
<thead>
<tr>
<th>Country</th>
<th>ARPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSA</td>
<td>US$ 319</td>
</tr>
<tr>
<td>TURKEY</td>
<td>US$ 109</td>
</tr>
<tr>
<td>UAE</td>
<td>US$ 422</td>
</tr>
</tbody>
</table>

Source: Hootsuite/We Are Social, Digital Reports 2019, KSA, Turkey, UAE, Jan 2019.

The numbers above reflect that consumers are spending significant amounts of money in their ecommerce purchases, but there is greater potential to spend more. By way of comparison the figure for Australia is US$1,040, which amongst other things illustrates what has been said earlier that there is potential for ecommerce sales to increase particularly as ecommerce takes up a greater percentage of total retail spending.35

Popular categories of products

Across the markets, there are similarities with the general categories that are popular, being electronics, fashion, and beauty/personal care. In recent analysis focussing on ecommerce in the greater MENA region, which includes KSA and UAE, it was mentioned that electronics is the largest ecommerce category in terms of sales, has the highest penetration of ecommerce sales as a percentage of total retail sales at 16 per cent, and has the highest average purchase per transaction.36

In the same analysis it was noted that beauty and personal care in the MENA region has the second highest penetration of ecommerce sales as a percentage of total retail sales at 11 per cent, and the average purchase per transaction online is considerably greater than that the average purchase in-store.

With regards to Turkey, recent ecommerce reports have identified similar trends with consumer electronics, fashion and then broad categories such as toys, furniture and then personal care ranking in importance.37
Demand for international products

Across the markets mentioned, there has been high demand for international products on-line. This is particularly the case in the UAE, where a significant percentage of the population are foreigners, have a relatively high disposable income and have travelled overseas and been exposed to international brands and products which are not available in store.

While on the one hand this demand for international products has developed an effective ecosystem (particularly amongst leading ecommerce platforms and logistic companies) for cross border ecommerce that Australian organisations can take advantage of, it has also led to strong international competition in markets. This is increasingly so, with many of the major platforms of ering consumers greater access to purchase products from the same or an affiliated platform in a foreign market, as well as many of the platforms and leading traditional brick and mortar retailers looking to expend their on-line product of ering in an increasingly competitive environment.

Payment habits

With regards to the payment process, the preference for customers to pay cash on delivery is often mentioned as an impediment for ecommerce development owing to the additional resources and risks that entails on the seller and deliverer.

While there still exists a mindset for cash on delivery, particularly in KSA which Table 6 shows has a low credit card penetration, there are indications that consumers are becoming more receptive to alternative forms of payment. This is due to greater familiarity with ecommerce platforms, more avenues to pay for goods, and increased acceptance of online transactions once connected to the internet. Even with this change in attitude towards alternative forms of payment, the major ecommerce platforms (except in Turkey) have in place measures to accept cash on delivery. The ability of these platforms to undertake this is an important factor for Australian organisations to consider when deciding how to enter markets.

<table>
<thead>
<tr>
<th>Country</th>
<th>KSA</th>
<th>Turkey</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has an account with a financial institution (%)</td>
<td>72%</td>
<td>69%</td>
<td>88%</td>
</tr>
<tr>
<td>Has a credit card (%)</td>
<td>16%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Makes online purchases and/or pay bills online (%)</td>
<td>39%</td>
<td>36%</td>
<td>60%</td>
</tr>
<tr>
<td>Made an online purchase via laptop or desktop (%)</td>
<td>24%</td>
<td>39%</td>
<td>35%</td>
</tr>
<tr>
<td>Made an online purchase via mobile device (%)</td>
<td>51%</td>
<td>50%</td>
<td>55%</td>
</tr>
<tr>
<td>Make mobile payments (%)</td>
<td>23%</td>
<td>36%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: Hootsuite/We Are Social, Digital Reports 2019, KSA, Turkey, UAE, Jan 2019.

Reasons for shopping online

The main motivations given for consumers in the markets of KSA, Turkey and UAE to shop online are:

Greater product choice
Price
Convenience

Drivers for greater product choice have been mentioned previously in demand for international products, but, increasingly for consumers, price is becoming the main determinant.

In a recent survey of consumer habits in the Middle East focussing on KSA and UAE it was noted that owing to perceptions on economic conditions, consumers are spending more cautiously and becoming increasingly comfortable with shopping online to save money. It was also noted in this report that while these consumers were looking to reduce overall spending they were planning to increase their online spending with speed and convenience given as the main reasons.  

Social media

Social media in these markets has a strong influence on consumer behaviour and Table 7 shows how engaged the markets are with social media, particularly through mobile devices.

<table>
<thead>
<tr>
<th>Country</th>
<th>KSA</th>
<th>Turkey</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Social Media Users as percentage of total population (%)</td>
<td>68%</td>
<td>63%</td>
<td>99%</td>
</tr>
<tr>
<td>Mobile Social Media Users as percentage of total population (%)</td>
<td>47%</td>
<td>53%</td>
<td>92%</td>
</tr>
</tbody>
</table>

Source: Hootsuite/We Are Social, Digital Reports 2019, KSA, Turkey, UAE, Jan 2019.

Table 8 provides an indication of which social media channels are relevant in the individual markets. One notable aspect from the figures below is the increasing importance played by video, a fact highlighted in a recent report by Google and Bain where it noted that in the UAE and KSA, 20 per cent of consumers watch online videos when undertaking research on products and services compared to only 7 per cent in the UK.


### Social Media Usage in KSA, Turkey, and UAE

#### Whatsapp
- **KSA**: 72%
- **Turkey**: 83%
- **UAE**: 82%

#### Facebook
- **KSA**: 62%
- **Turkey**: 82%
- **UAE**: 82%

#### Instagram
- **KSA**: 60%
- **Turkey**: 84%
- **UAE**: 61%

#### Twitter
- **KSA**: 56%
- **Turkey**: 58%
- **UAE**: 48%

#### Snapchat
- **KSA**: 43%
- **Turkey**: 31%
- **UAE**: 32%

#### Facebook messenger
- **KSA**: 39%
- **Turkey**: 57%
- **UAE**: 63%

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*Source: Hootsuite/We Are Social, Digital Reports 2019, KSA, Turkey, UAE, Jan 2019.*
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Entry Points For Australian Businesses

It is possible for Australian organisations to take advantage of the ecommerce industry within KSA, Turkey and UAE, although access does vary depending upon the market, product, and whether relationships already exist with local firms in these markets. Companies with distributors or operations already in-market should strongly be considering an ecommerce strategy if they do not already have one.

For organisations that do not presently have any commercial relationships or presence in these markets, a few access points exist, but stand-alone entry into these market remains difficult and it is advisable to seek expertise from relevant service providers.

Almost all ecommerce companies, including major ecommerce platforms presently rely on organisations’ goods to be inside the relevant market prior to listing. Also regulations relating to logistics such as duty-free limits and customs charges can change, and regulations relating to product registration processes including in some cases the need to have a local distributor, can also be burdensome.

Austrade strongly recommends that organisations seek advice from relevant service providers, including freight forwarders and logistics companies that can provide up to date advice on relevant regulations for their particular product. Austrade can provide a list of referrals to Australian organisations upon request.

Most major ecommerce platforms mentioned in this guide have expressed an interest in interacting with Australian organisations looking to sell products in the region. These platforms are well versed in cross border trade and, through their websites, offer potential sellers relevant information to assist in their decision making process.

Conclusion

The ecommerce markets in KSA, Turkey and UAE are rapidly developing as consumer’s ability to access online sales increase, investments in major ecommerce platforms facilitating greater product selection take place, and improvements in logistics and payment methods make the ecommerce experience more efficient, convenient and acceptable to the consumer.

Opportunities exist for Australian organisations to enter these markets and they should be strongly considered especially for Australian organisations already undertaking ecommerce in markets outside of Australia. Australian organisations looking to enter these markets should take time to research the markets and in the process seek professional expertise on regulations and customs matters, and Austrade can provide relevant contacts to assist with this process.
RESOURCES

KSA, Turkey and UAE

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