

Competitor Analysis

Name

Course

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The competitor analysis focuses on UAE's Souq.com which is the largest e-commerce site in the Middle East. The e-commerce site offers products and services similar to Amazon. The site has more than 400,000 products in 31 categories, including electronics, home and furniture, apparel and accessories, beauty and personal effects, grocery and foods. Founded in 2005, the company's wide range of products makes it one of the best e-commerce in the region with an all-round catalogue for its wide market.

Before acquisition by Amazon in 2017, Souq had a global revenue of \$596.2m and leading in sales volume of all product sectors in the UAE. The company was present in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates and employs more than 3000 people (Bocconi, 2019). Even though the popularity of online shopping is still growing in the region, souq.com attracted 23 million customers every month from 45 million visits every month (Mehta, & Bhandari, 2019). The company's growth prospects are speculated to be high considering its wide market share in the region and limited competition from existing e-commerce companies in the region.

Besides, Souq's business model is highly similar to the Amazon model. The company's innovative approach in addressing payment challenges by formulating its own payment system Payfort gives it competitive advantage over local and international competitors. To supplement its pay system, the company also supplemented the scarcity of credit cards in the region by creating its own prepaid card, purchasable in brick and mortar stores (Kerr, 2017). The penetration rate for banking and credit cards in some of the region's major economies, like Saudi Arabia, is estimated at 40%, still a relatively low level when compared to the 80% figure registered in developed economies (Bocconi, 2017). However, Souq's strategies give the

company and edge as it ensures a high customer loyalty and limits the bargaining power of consumers. Unlike the American e-commerce market place, UAE's financial infrastructure and payment systems are limited and by having its own payment system, Souq has a benefit over other e-commerce companies within the country and from international competitors.

Souq success as the largest e-commerce site can be attributed to its efficient supply chain. Unlike the American e-commerce industry, Souq struggled with lack of logistic infrastructure in the region (Bocconi, 2017). To counter this, the company developed its own logistic infrastructure across the vast kingdom. This makes the company reliable to most customers ahead of the curve of most competitors. The leading position gives the company the equity and finances it requires to improve and expand its systems in the region (Kerr, 2017). Ideally, the company's position is similar to that of Amazon in the American e-commerce marketplace.

Despite the small e-commerce industry in the Middle East, key market analyst such as A.T. Kearney, point out that the region is one of the fastest growing e-commerce markets in the world (Bocconi, 2017). The growing technological development in the region has led to improved system for e-commerce growth. Interest by the Alibaba Group in the market, and Amazon as well as state sponsored competitor Noon, underlined the high growth prospects of the company and has capability of increasing competition in the region (Mehta, & Bhandari, 2019). With the estimates showing the region's e-commerce market is \$5.3bn in 2015 and expected to hit \$20bn in 2020. The position of Souq in the region places it best suited to utilize the growth.

Analysis indicates that the threat from new entrants is low to Sauq. Amazon examined the market and structure of Souq and had to venture to the market through an acquisition (Bocconi, 2017). While the acquisition introduced amazan.ae to the Middle East region, it showed that it is challenging for leading international markets to tap in to the Middle East

Market. Further, despite of the opening of Middle Eastern economies to foreign investments, the control of Souq in the market makes it best positioned in the market to utilize the rapid growth.

In UAE and the Middle East region, Souq has the largest market share and is best positioned to utilize the rapidly growing e-commerce market. Recent acquisition by amazon has equipped the company with resources and infrastructure to Souq's operations, delivery capabilities and customer selection. On the long-term, Souq will continue to be the leading e-commerce site company in the region because of its strategic position and large market share.

## References

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