

DIGITAL-SAVVY ARAB YOUTH ARE UP-ENDING THE REGION'S CASH ECONOMY

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Talk about flattening curves: Young people in the Arab world, the Middle East and North Africa (MENA) region's largest demographic of more than 200 million, are transforming the retail landscape by increasingly shopping online and using digital payments, as the findings of our [12th Annual ASDA'A BCW Arab Youth Survey](#) reveal.

Just two years ago, in 2018, slightly more than half (53 per cent) of young Arabs said they shopped online. Fast forward to early 2020, right before the COVID-19 pandemic fully impacted the region, to find that the share of online shoppers among Arab youth across 17 countries included in our survey had jumped to 80 per cent, a remarkable increase in such a short period of time. It is a safe bet to assume that when we survey Arab youth again in 2021, we will see another significant jump in online shopping, accelerated by the impact of COVID-19.

This, in fact, reinforces a dominant pattern we have seen in recent years, with more 18 to 24-year-old digital-savvy young Arabs embracing e-commerce and digital payments in a region that historically been dominated by brick-and-mortar retail and cash payments.

The region's unique challenges

Unlike in other parts of the world, the e-commerce landscape of the MENA region has witnessed its own unique challenge: even though more young Arabs were increasingly turning digital-first – shopping online than 'going shopping' – driven by high levels of internet and smartphone penetration, the region's digital marketplace had for years remained largely under-developed.

As experts pointed out in our [2018 ASDA'A BCW Arab Youth Survey White Paper](#), compared to 19 online purchases made by an average shopper in the US annually, MENA shoppers typically turned online only two to four times a year, the lower frequency due to three factors: "one, a lack of supply and limited product selection; two, the relatively poor performance of the last mile delivery; and three, the lack of trust and prevalence of cash on delivery". These concerns are now increasingly being put to rest.

Shift to digital payments

A game changer in this evolution was the acquisition of Souq.com, one of the region's first homegrown marketplaces, by Amazon, which not only created an inspirational 'unicorn' from the region but also catapulted international fintech investor interest in MENA. This was reinforced with the launch of Noon, a digital marketplace launched 'in the region, for the region', and now, a compelling success story.

With more local and global players bursting into the scene and last mile logistics gaining efficiency, accompanied by significant changes in consumer behaviour driven by the COVID-19 pandemic, the region is now poised for the next leap in e-commerce and digital payments.

The growth in e-commerce, especially as the primary mode of shopping among Arab youth, is also reflected in an increasing shift to digital payments. Compared to 53 per cent of online shoppers who said they were using cash on delivery most frequently in 2018, the past two years have seen a reversal, with the majority – 52 per cent – of online shoppers among young Arabs now saying they use digital payments rather than cash on delivery when shopping online.

In the Gulf Cooperation Council (GCC) states, where 95 per cent youth say they shop online, the embrace of digital payments is even more pronounced. While 45 per cent of young GCC online shoppers opted most frequently for cash on delivery in 2018, today, 61 per cent of them now prefer using cards for online purchases, a trend that could possibly upend the region's dominant cash-driven retail.

In our COVID-19 Pulse Survey, conducted in August 2020 to measure the impact of the pandemic on the region's youth, 49 per cent of young Arabs said they are now using contactless payments more frequently than they did before COVID-19. This is a clear indication that the recent trend of Arab youth shifting away from cash on delivery towards digital payments is set to accelerate significantly in the years to come.

A turbo-charged digital ecosystem

The pandemic has no doubt turbo-charged the digital ecosystem across the region as more customers, especially youth, turn online for shopping. The most persuasive change, however, will be the impact of the digital-savvy young Arabs, on new – and old – enterprises.

Pivoting to a digital-first mindset that understands the importance of a seamless online shopping and payment experience will be a strategic imperative to traditional retailers to survive and thrive in the MENA region, especially as innovative start-ups hold the promise to evolve as champion companies. As they say, data and digital is the new oil of the region, and young Arabs are shaping a new narrative, one less banknote as well as brick (and mortar) at a time.

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