



SMART  
RETAIL

Pulse 5

Inflation and rising prices shape

a new hybrid Middle East consumer

Global Consumer Insights Survey 2023

Middle East findings



## Executive summary

For Middle East respondents to PwC's Global Consumer Insights Survey, high inflation and the cost of living are the two main factors influencing consumer behaviour. That reflects the pattern seen in other parts of the world, as consumers find their spending power squeezed.

Price-conscious shoppers are hunting for bargains, and the region's consumers are willing to desert their preferred brands to purchase cheaper alternatives. One interesting trend in the Middle East is the sizable number of consumers that now choose a store's own product range, because of the lower price. Retailers that don't yet have an own-label offering should take this shift away from established brands into consideration, as they look at ways to retain customer loyalty.

When it comes to where customers are shopping, online continues to go from strength to strength, following the mass shift during the pandemic. Yet in-store shopping is not disappearing - many customers still want to see the product in front of them before making a purchase.

Other trends to note in the Middle East are the pride exhibited by shoppers in buying locally produced items - people are happy to spend more buying these products than imported goods - and the fact that environmental, social and governance (ESG) factors are now a permanent feature of consumer choices. Our previous Pulse 4 survey showed how shopping decisions were increasingly being influenced by sustainability concerns.

The UAE government's policy of mandating shoppers to pay for carrier bags, for example, has spurred progress and innovation, with stores introducing express lanes for customers who bring their bags. The change serves as a testament to the widespread acceptance and adoption of ESG principles.

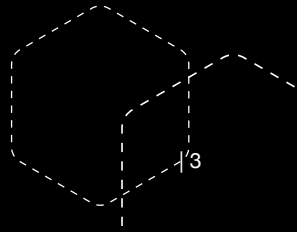
Technology also continues to influence how consumers shop. While the metaverse and its applications are still in their early stages of development, they are gaining popularity among millennials in the Middle East.





## Our key findings are:

- 01 Rising prices rated as the biggest issue for 34% of in-store shoppers and 27% of online shoppers
- 02 Consumers feel the squeeze of inflation and 62% will adopt cost-saving behaviours
- 03 Over 30% of consumers are switching channels, between online and in-store shops, or using a mixture of both
- 04 10% of consumers have purchased products in the metaverse, as it becomes one of the tools retailers can use to fuse online and in-store shopping





Higher prices and supply chain delays hinder sales

## Higher prices and supply chain delays hinder sales

Our study shows that the biggest issue facing Middle East consumers is the rising price of household goods. It's ranked as the most pressing challenge by 34% of respondents.

It is also identified as the most challenging issue in the global survey, with more than 50% of consumers frequently experiencing price hikes when they go out shopping. Within the Middle East, Egyptian consumers are most concerned, with 40% of shoppers naming it their number one issue, compared with 35% of consumers in Saudi Arabia and 28% in the UAE.

Longer queues and busier stores are the second most significant issue for 31% of shoppers visiting physical shops, with UAE and Saudi consumers placing the former as their second most commonly experienced issue. This contrasted with Egypt where supply chain issues including out-of-stock products, reduced product ranges and quality are the second-most common issues in-store for consumers. Longer delivery times and unavailability of products are also affecting 27% of regional consumers.

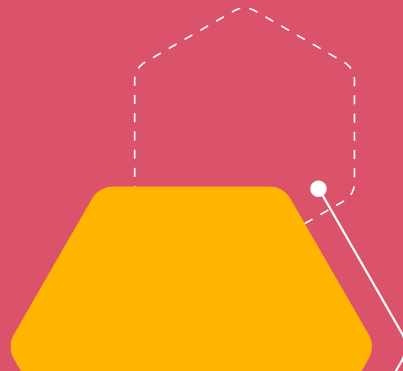
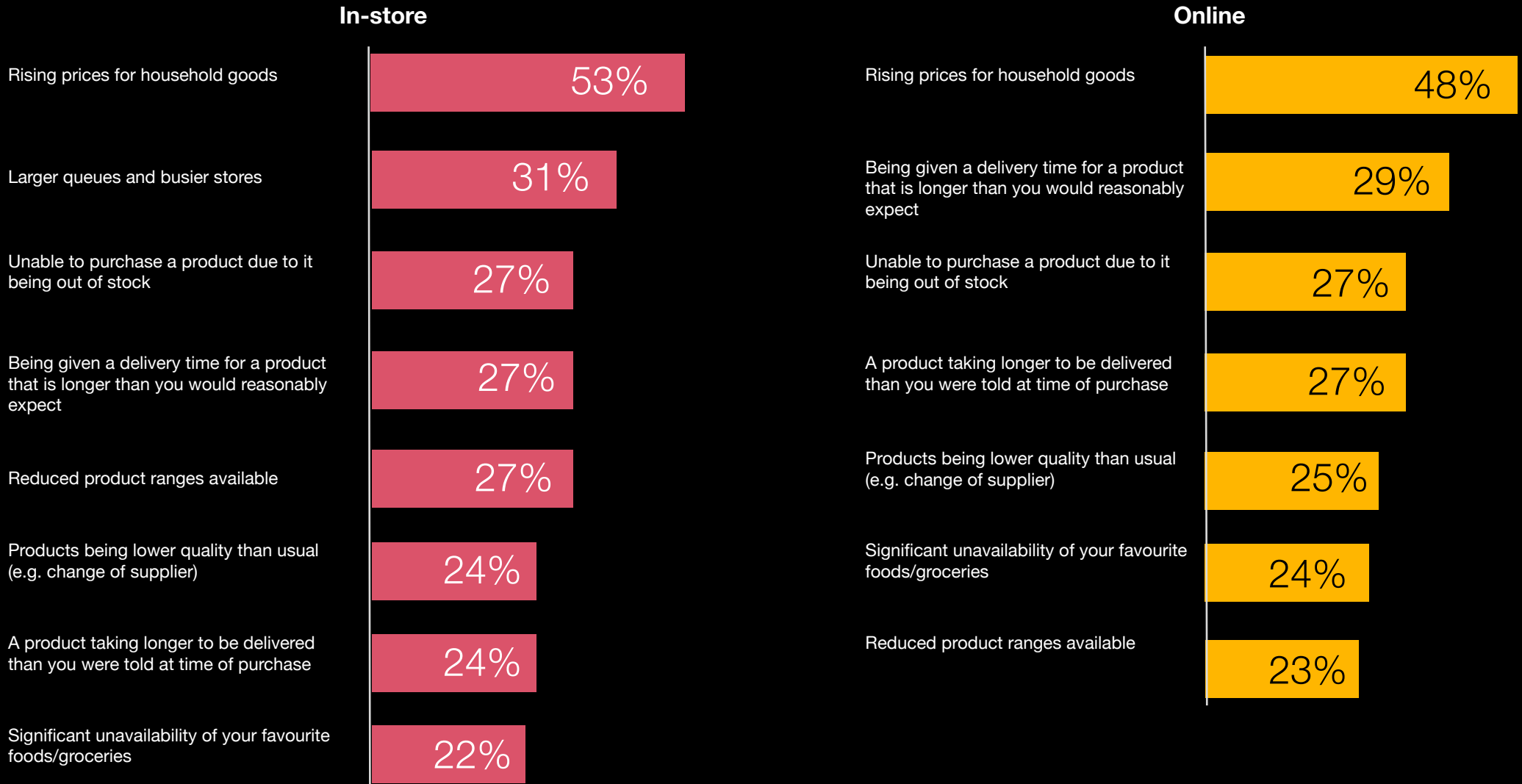


Figure 1: In the last 3 months, please indicate how often you have experienced any of the following while purchasing a product.



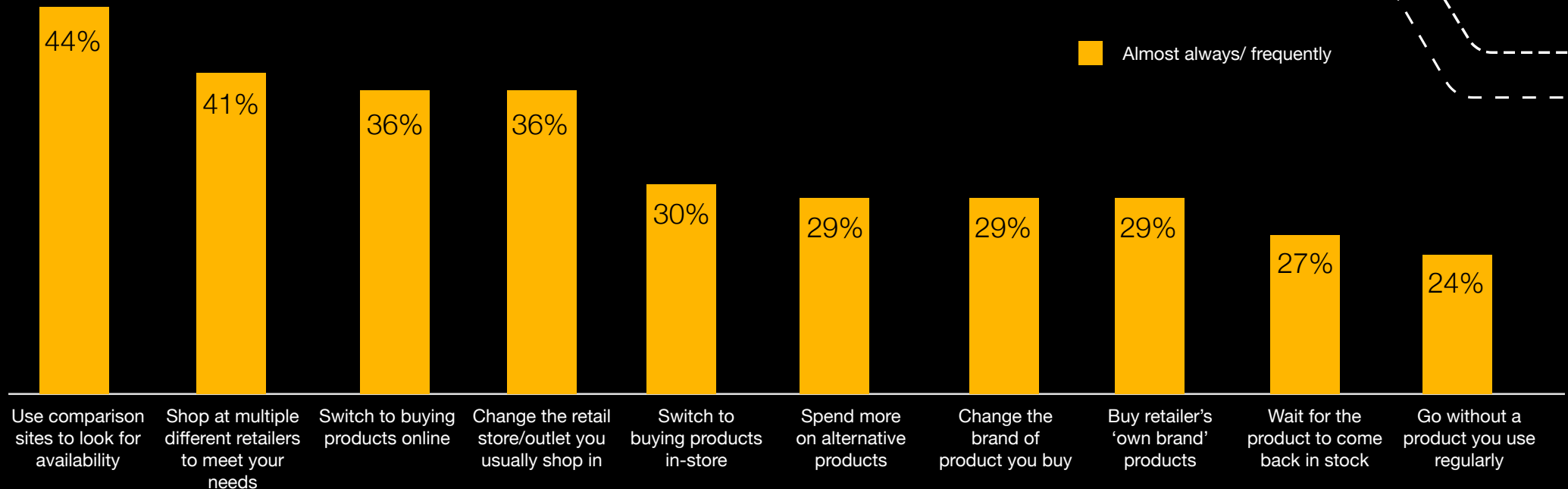
Base: Those who have rated almost always/frequently for at least one option, Middle East (771)

Online shoppers share the same concerns. Almost half (48%) of consumers from the region claim to have experienced rising prices for household goods while shopping online, and this price inflation ranked as the most pressing issue for 27% of regional respondents.


Longer than expected delivery times were the second most common issue faced, and out of stock products are a problem that 27% of online shoppers said they frequently face. A quarter of respondents cited the quality of purchased goods as one of the common issues encountered while shopping online, a similar proportion as in-store (24%).

Faced with these supply chain and logistics issues, consumers employ a range of actions to address and overcome them (Figure 2). More than 40% of consumers in the UAE, Saudi Arabia and Egypt will use comparison sites and shop from multiple retailers as corrective measures. Some 36% would either switch to buying online or from another retailer's store, 29% would buy another brand, and the same proportion would switch to retailers' own-brand products. These figures demonstrate the opportunity for retailers that can resolve their supply chain issues to take market share.

Figure 2: How frequently have you taken actions as a result of supply chain issues?



Base: Those who have rated frequently or almost always for at least one option online or in a physical store, Middle East (771)



Consumer habits are changing  
in response to higher prices



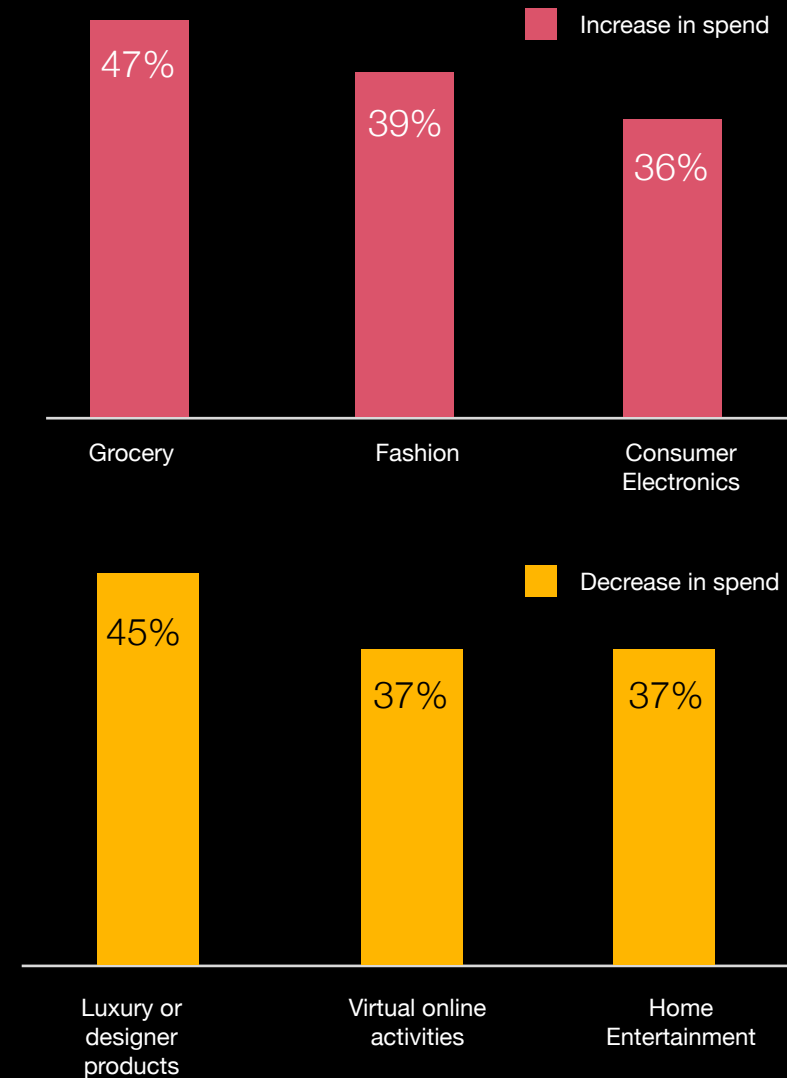
## Consumer habits are changing in response to higher prices

Amid rising prices, value-added taxes, and global economic uncertainty some 79% of regional consumers are concerned about their financial situation, slightly below the global survey figure of 86%. As a result, 45% of UAE respondents said they are holding back on non-essential spending, compared with 36% in Saudi Arabia and 31% in Egypt.

During the next six months, Middle East consumers are expecting to spend more on groceries (47%), fashion (40%), and consumer electronics (36%). However, 45% of the surveyed regional consumers are expecting to spend less on luxury and designer products, and 37% to cut their spending on both virtual activities and home entertainment (see Figure 3).

Consumers are looking out for promotions, with more than 40% of both regional and global consumers only buying products that are on offer, and seeking to buy from retailers who offer better value.

Figure 3: Thinking about your spending over the next 6 months, to the best of your ability, please describe your expectations on spend across the following categories



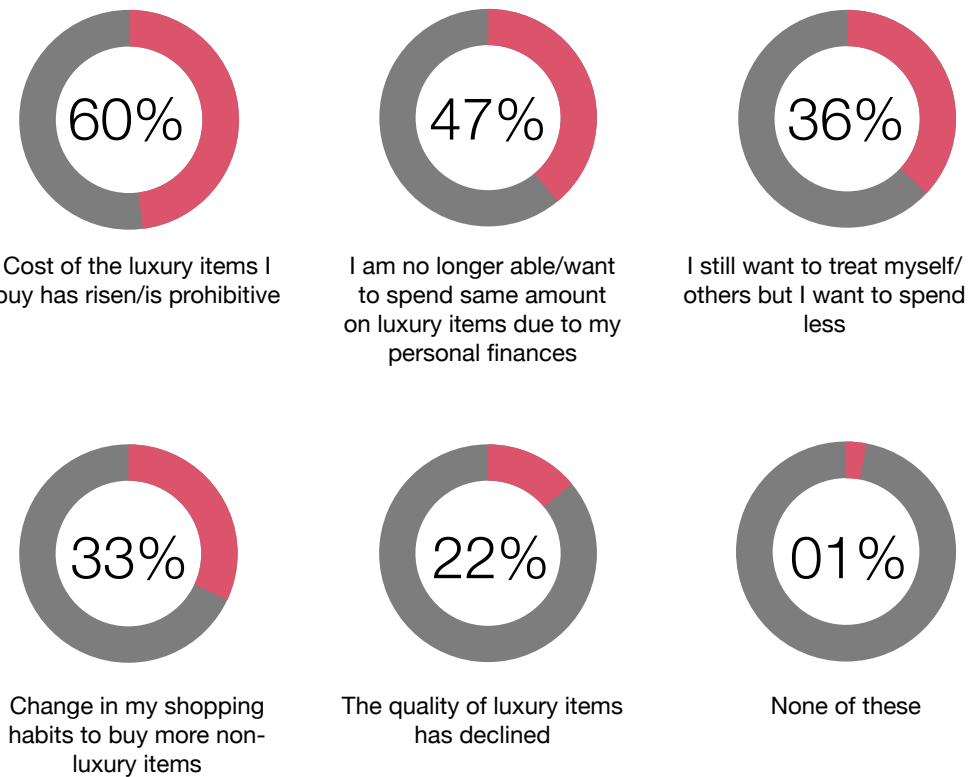
Base: Middle East respondents (771)



## In focus: luxury spending

The decision by 60% of shoppers in the region to pull back on buying luxury goods is the result of higher prices for these products, while 47% are concerned about their finances (Figure 4). This contrasted slightly with the global survey where personal finances came out as the biggest issue, cited by 48%, while 39% are spending less on luxury items because of rising prices.

Figure 4: Why are you expecting to spend less on luxury or designer products?



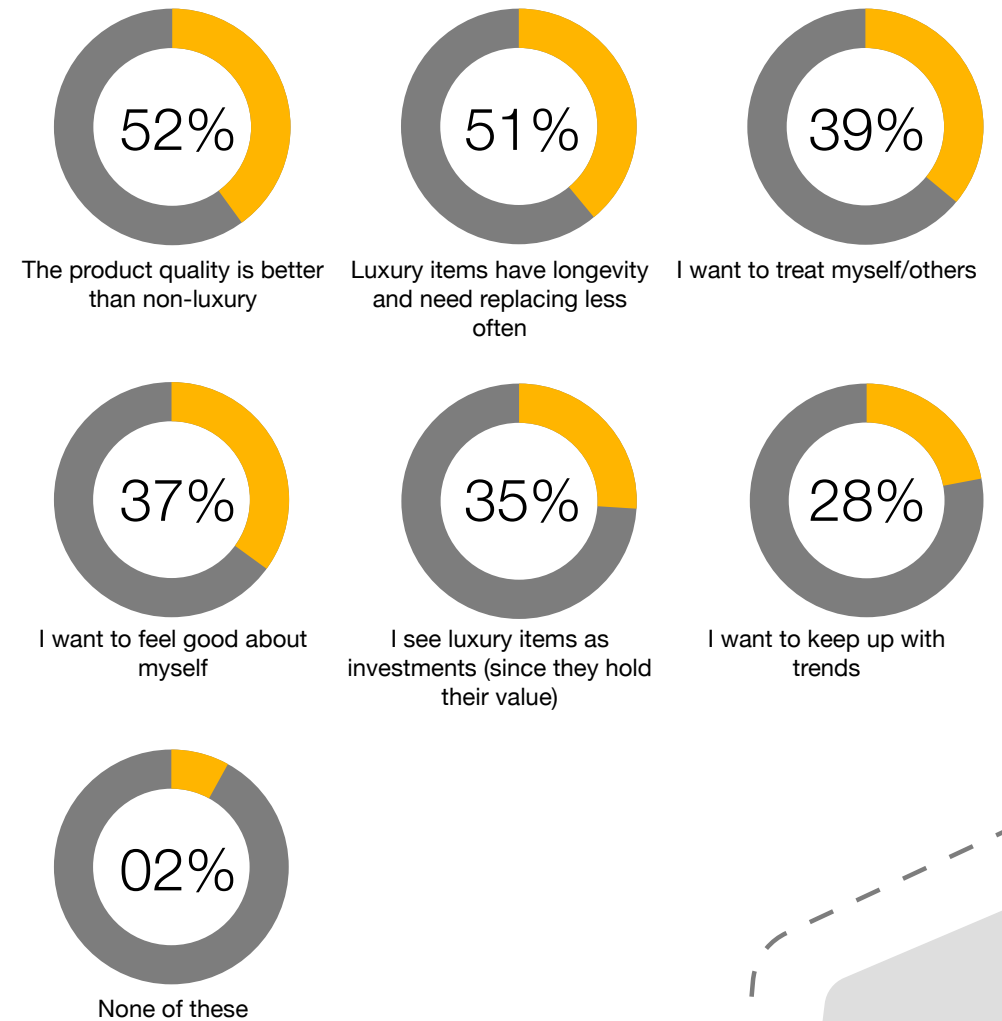
Base: Those who are going to spend less money on luxury or designer products, Middle East (346)

What motivates luxury shoppers in the Middle East? More than 50% of regional consumers buy luxury products because they believe them to be of superior quality and greater longevity (compared to around one-third of global respondents), while more than 30% simply want to treat themselves, feel good or view the purchase as an investment.

Definitions of luxury goods also appear to be extending beyond designer brands, to take in provenance and sustainability – around 40% of consumers in the region said they are willing to pay above-average prices for locally-produced goods, and for products from companies with ethical practices.



Figure 5: Why do you buy luxury or designer products?



Base: Those who are going to spend money on luxury or designer products, Middle East (696)

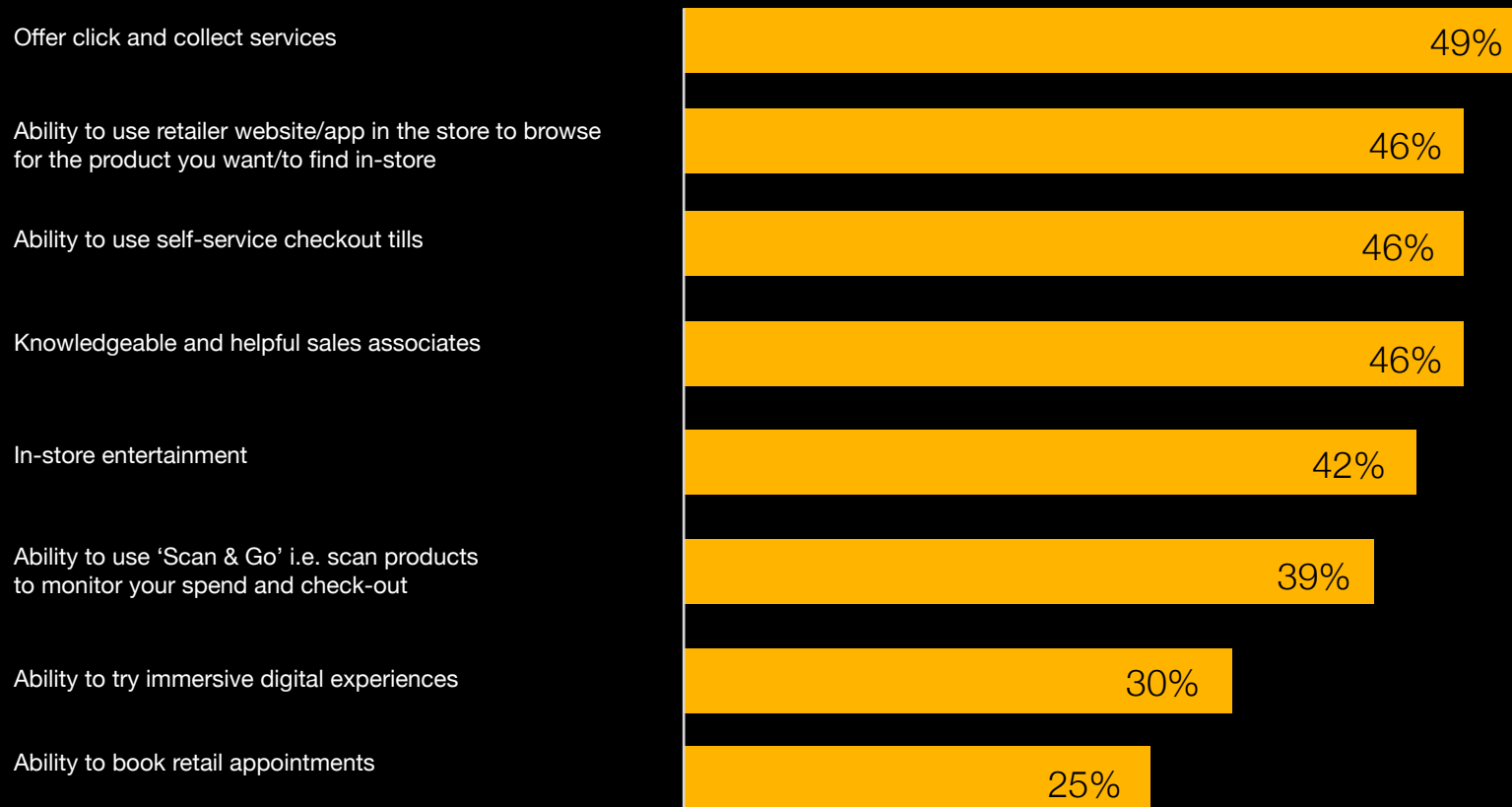


Multiple sales routes in a smarter retail world

# Multiple sales routes in a smarter retail world

Online shopping continues to go from strength to strength, with 40% of Middle East consumers making purchases online via smartphones, but in-store shopping continues to play a key role. Some 43% of regional consumers frequently shop in-store, slightly less than the 45% reported in our Pulse 4 report. However, in-store retains its position as a channel of choice for frequent shopping, and the desire to see and physically handle goods and the positive feel-good factor of visiting brick-and-mortar shops remains important (Figure 6).

Figure 6: Which of the following potential attributes of the physical store shopping experience do you find appealing?



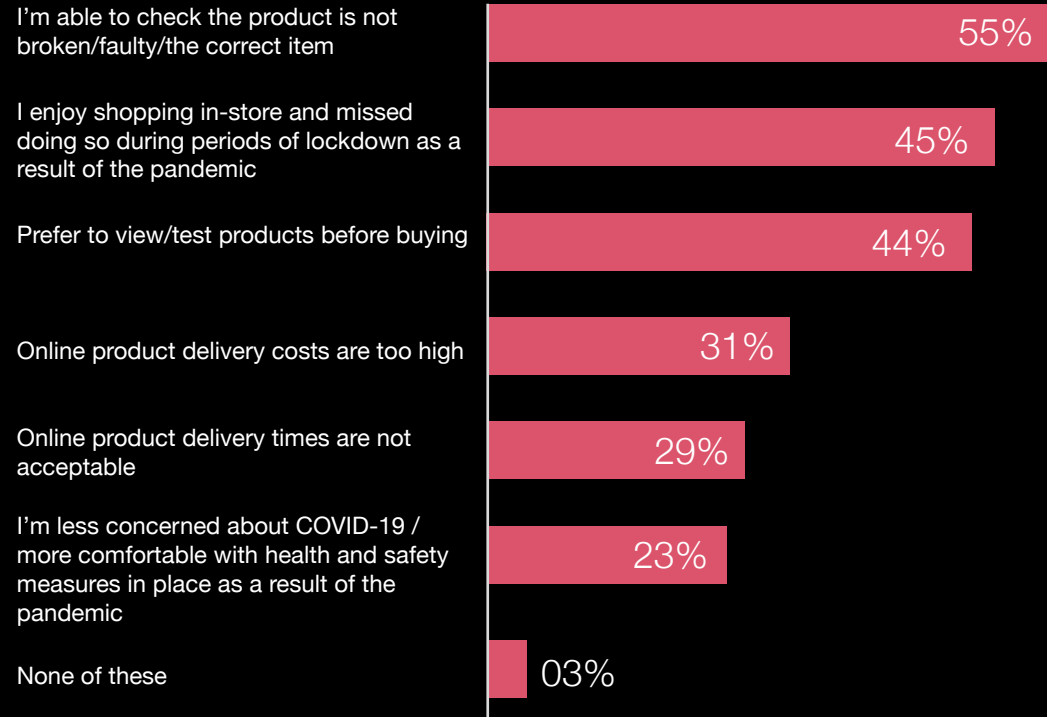
Base: Those shopping in physical stores at least once a year (Middle East: 775)

When shopping in-store, more than 40% of regional consumers value click-and-collect services, in-store entertainment, in-store apps to browse for products, self-service checkout tills and knowledgeable and helpful sales associates. Sales assistants were most important for 57% of UAE consumers, while a click-and-collect service was the most popular in Saudi Arabia (47%) and Egypt (55%).

**Investing in training for frontline shop assistants so they are knowledgeable about products and able to advise customers is an important way that retailers can add value.**

Our survey found a range of reasons why the region's shoppers value in-store experiences: 55% shop in physical stores or use click-and-collect services mainly to check if the product is the correct item and is not faulty or broken, while 45% simply enjoy in-person shopping and 44% prefer to view or test products before buying them (Figure 7).

**Figure 7: Why will you shop in physical stores and/or use click-and-collect services?**



Base: Those who plan to increase or not change their shopping habits in physical stores and use click and collect services, Middle East (733)



## Consumers continue to change where and when they shop

Around a quarter of consumers in the region expect to shop less in-store over the next six months, up from a little under a fifth in our Pulse 4 survey. However, some 63% are expecting an increase in their online shopping, with 52% expecting to use click-and-collect services more often and to buy from retailers that provide efficient delivery. Globally, consumers are less confident and less likely to shop either online or in physical stores, in comparison with the Middle East survey group.

Mobile phones remain a key channel for regional consumers to shop daily and weekly online, while PCs, tablets, smart home voice assistants and wearable devices are used less often. There is also an emerging minority who use VR for shopping, browsing virtual stores and testing products.

Another key aspect of shopping online is trust that retailers are protecting consumers' confidential data. Some 40% of regional consumers are very to extremely concerned about the privacy of their data, with social media sites causing the greatest concern (Figure 8). Close to half of regional consumers don't share any more personal data than is necessary: 44% in the UAE, 45% in Saudi Arabia and 57% in Egypt.

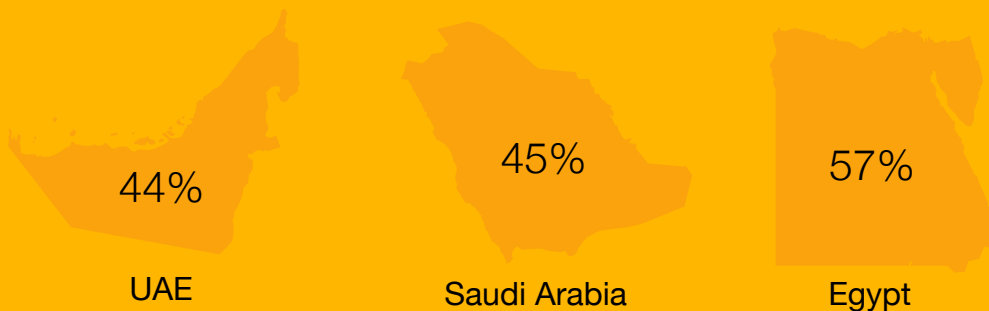

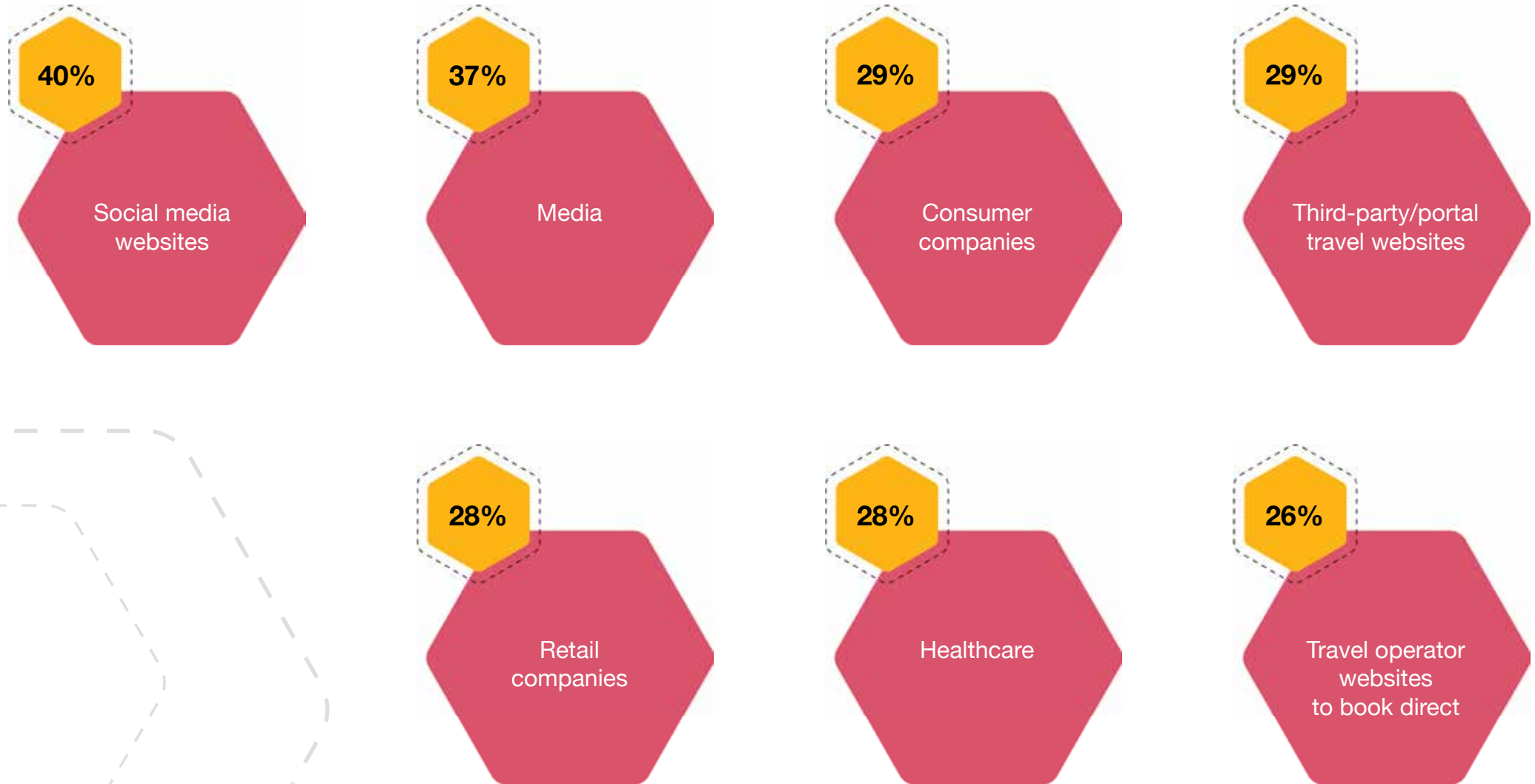


Figure 8: To what extent, if at all, are you concerned about the privacy of your personal data when interacting with the following types of companies?

 Very to extremely concerned



Base: Middle East respondents (771)



## In focus: shopping in the Metaverse

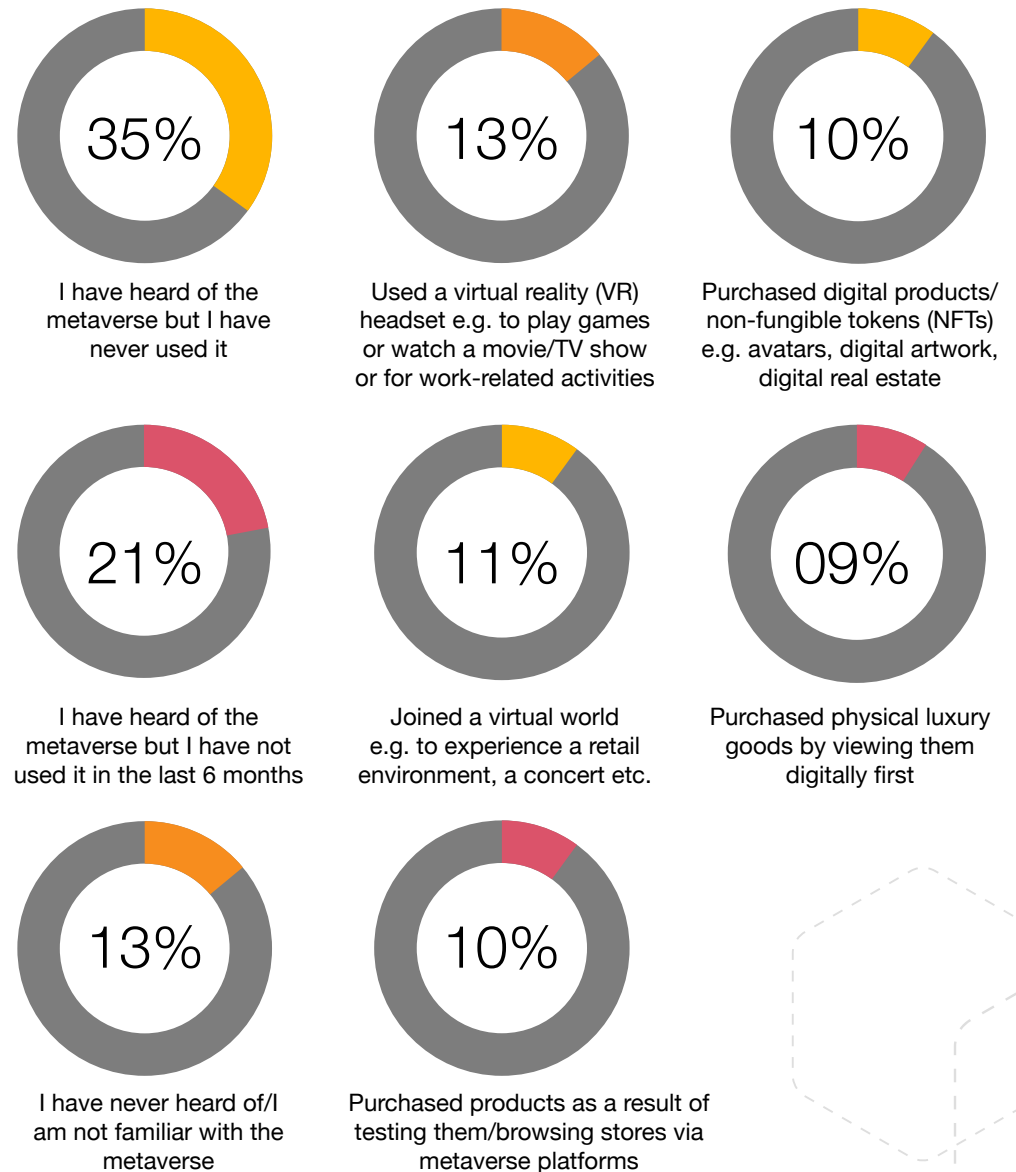
It is still very early days for the metaverse, but its use in retail is inevitable. Many Middle East consumers remain somewhat in the dark about what this new virtual world will offer in practice: although 35% have heard of the metaverse, only 10% have purchased goods or used it to browse and virtually test products (Figure 9).

Some companies are adopting non-fungible tokens (NFTs) as part of the virtual shopping experience they offer to customers. Stored on blockchains, NFTs carry certificates of authenticity for digital copyrights in the virtual world. They can also be used to connect the real world to the virtual one: some brands, for example, allow NFT holders access to exclusive products in the physical world.

Core millennials are the biggest demographic group engaging with the metaverse, with 17% already joining virtual worlds, 15% using VR headsets, and 14% purchasing a product as a result of testing it or browsing the store via the metaverse. Meanwhile, younger millennials are interacting more with the metaverse to purchase digital products (15%) and physical luxury goods by viewing them digitally first (14%).

Although the full potential of the metaverse in the sector remains unknown, our survey results show younger consumers are beginning to use them to explore the virtual retail world, and their popularity is set to grow. Hardware such as VR headsets, special body suits and gloves are already being used on travel platforms that allow users to visit other parts of the world in the virtual realm, for example. Expanding this type of experience across retail is the next critical step.

Figure 9: In the last 6 months, which of the following metaverse-related activities have you participated in?



Base: Middle East respondents (771)



Conclusion

# Conclusion

## **View of the future: the rise of the “phygital” world and smart retail**

The survey results above show consumers are entering an increasingly combined physical and digital - “phygital” – world. They are seeking the convenience of buying online with the confidence of buying in-store. They want physical shopping facilitated by digital technologies to avoid long waits in busy stores.

Embedding technologies and metaverse solutions in e-commerce and in-store can help shoppers browse products, test them, or try them on. The new hybrid consumer will want to find the product online, use virtual reality and comparative sites to look at it, then go to the physical store to physically test and touch it or to deal with IoT-enabled warehouse robots and use self-checkout.

To enable this, retailers need to confront supply chain disruptions and online and in-store frictions that interrupt the seamless experience that tech-savvy hybrid consumers will increasingly expect. They must provide smart solutions that offer consumers a better and more convenient shopping experience and fuse the digital and physical worlds.

However, technology can only achieve so much while consumers and retailers are being hit with the effects of rising inflation and the higher cost of living. These fundamental issues are impacting how and how often consumers shop, and their lifestyle choices. To compete, retailers need to keep a laser focus on customer priorities, including price, and tailor their offerings accordingly.

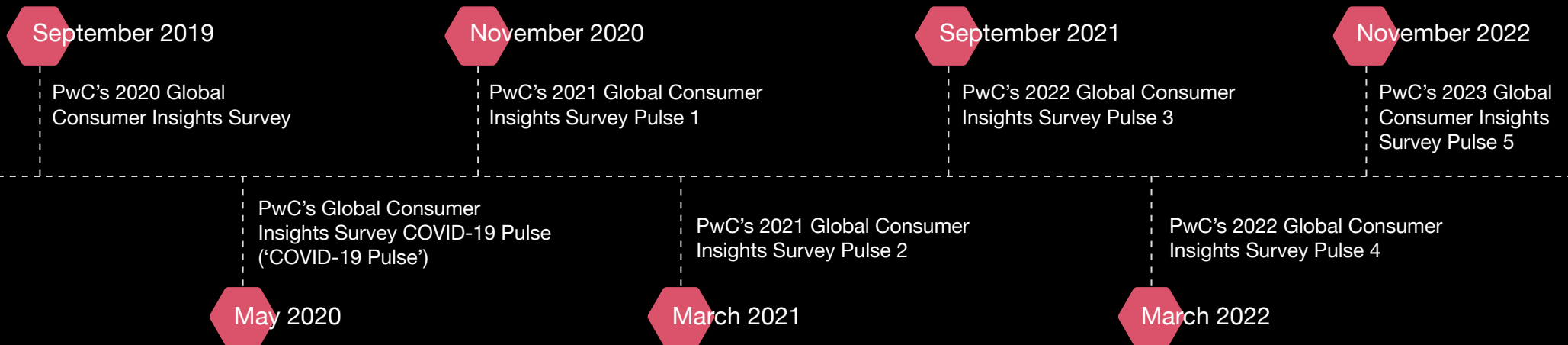
Another key consideration for retailers adopting digital technologies and building brand loyalty is the importance consumers place on strong data privacy. Our survey results show consumers are wary of sharing personal data on media and social media platforms. Retailers must make privacy and security a priority in order to build trust.

Technology development in the retail space that meets all the needs and demands of consumers is still a work in progress, but all stakeholders need to begin to investigate how the shopping experience will change in a more virtual world. Keeping ahead of the curve to track the technologies likely to become commonplace in the future is crucial for retailers to be prepared for the change, and to introduce platforms seamlessly.

## About the survey

The Pulse 5 Middle East findings for PwC's latest global consumer insights survey include responses from 771 consumers in Egypt, Saudi Arabia and the UAE, split between 58% men and 42% women. 86% of the respondents are in the 18-41 age group, reflecting the region's young demographic profile, and around 74% are employed. 39% say they have a hybrid-working pattern and can be based in any location.

This report references the Middle East findings of the following surveys:



Where we've included data from previous surveys, the base sizes are listed below the graph.

PwC Research, our global centre of excellence for primary research and evidence-based consulting services, conducted this research. <https://www.pwc.co.uk/pwcresearch>

Not all figures in charts will add up to 100% as a result of rounding percentages and the decision in certain cases to exclude the display of "neither/nor," "other", "none of the above", and "don't know" responses.



## Get in touch

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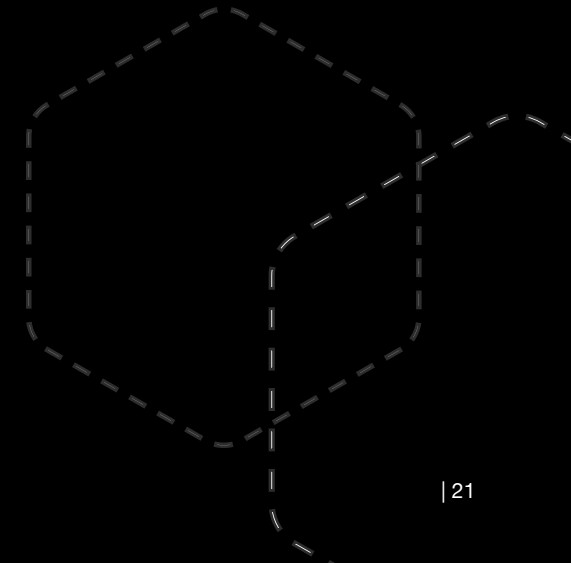
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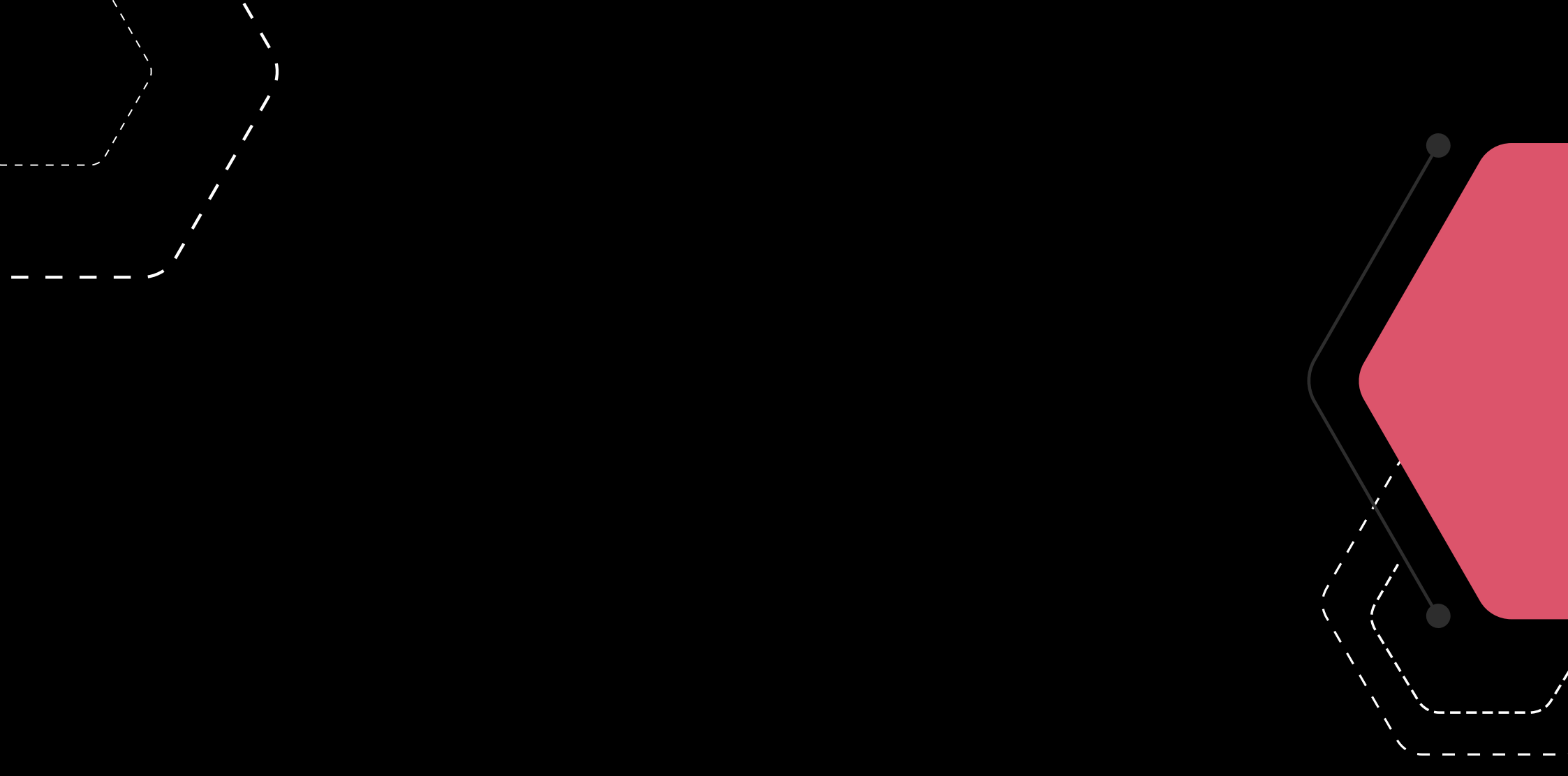
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