



TOP 4

**TOP 4 GROWTH OPPORTUNITIES IN THE GCC SUPPLY
CHAIN AND LOGISTICS INDUSTRY FOR 2021**
- WHAT YOU NEED TO KNOW NOW



State of the Industry – What You Need to Know Now

The logistics industry in the Gulf Cooperation Council (GCC) region is evolving rapidly driven by increasing non-oil sector contribution to the GDP, infrastructure development, the emergence of free trade zone, industrial parks, and increased trade cooperation. Governments in the region have undertaken policy measures to reduce their dependency on oil exports by strengthening economic diversification initiatives, tax reforms, improving the investment climate, increasing investment in food security and encouraging private sector participation. COVID-19 related disruptions caused significant slowdown during H1 2020. Volume handled by Jebel Ali port contracted by 6.7 % in H1 2020. Frost & Sullivan believes that mega-events such as EXPO 2020 (now moved to 2021), and investment in digital infrastructure upgrade to accommodate the growing demand from the e-commerce sector, will drive logistics industry growth. Frost & Sullivan estimates it to grow by 4.3% between 2020 and 2025.

National and regional lockdowns, travel restrictions, slowdown in customs clearance, port congestions & restrictions, increasing last-mile delivery costs, are some of the factors disrupting the logistics operations in the region and contributing to the faster adoption of digital technologies. During the rebound phase from the pandemic, digital transformation initiatives will play a crucial role. With governments focusing on digitalization and increasing contribution of knowledge economic sectors, launch of 5G services supported by several initiatives relating to Artificial Intelligence, Cyber Security, etc. is expected to aid the transformation of the logistics ecosystem

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GOVERNMENT FOCUS WILL CONTINUE TO BE ON DEVELOPMENT OF LOGISTICS INFRASTRUCTURE



Upgradation and Modernization of Port Infrastructure with Digital Applications will be prime focus

The region's geographical location on the trans-continental trade has facilitated its focus on the development of logistics hubs for both domestic and transit goods. As part of economic diversification initiatives and national infrastructure plans, the development of free zones are given priority to increase trade. Cross border e-commerce is one of the growth areas and contributes to around 40 % of total e-commerce value.

Port Infrastructure development projects in United Arab Emirates' Khalifa Port, Oman's Duqm Port, Saudi Arabia's Jizan Port and Mubarak al-Kabeer Port in Kuwait are expected to improve regional connectivity. Al Khomra Logistics Zone in Jeddah Port launched by Saudi Ports Authority will become one of the largest integrated logistics zone in the region. Dubai Commerce City is developed to support global and regional brands to expand their e-commerce trade in the GCC region.

What's Driving Growth?

- Logistics related infrastructure development is given high priority across GCC regions. As a result, the expansion of warehousing capacities is gaining traction to meet the growing demand from trade and e-commerce logistics sectors.
- Number of licences issued to the e-commerce sector is on the rise due to behavioural shift towards online purchasing by consumers. Focus is on the development of e-commerce zones in the region.
- 3PL service providers are expected to benefit from investment incentives offered by government in port cities and major consumption centres

Recommendations & Best Practices

- Service providers can leverage the above developments and focus on emerging opportunities in multi-modal logistics solutions and port infrastructure development. Major global and regional service providers are expected to expand their storage and warehousing capacities in port cities to meet the increasing demand from trade and cross border e-commerce.



DIGITALIZATION OF SUPPLY CHAIN SOLUTIONS IS A CRITICAL SUCCESS FACTOR



Digitalization is gaining traction across freight transportation and warehousing segments; the focus is shifting towards process automation and predictive analytics

Limited applications of technology warehousing operations are labour-intensive and has increased cost of operations. Empty miles in freight transportation has contributed to inefficiencies, thereby paving the way for digitalization.

Advancements in digital technologies are expected to influence manned and unmanned connected autonomous transportation as well as connected physical transportation infrastructure driven by the application of smart sensors. Further, automation, robotics, autonomous vehicles, and big data analytics are expected to either transform or disrupt logistics service offerings.

There has been a significant increase in demand for modern warehouses, creating opportunities for modernization with warehouse management systems and automation solutions. Internet of Things (IoT), augmented reality, automation, and autonomous vehicle technologies will improve efficiency in sorting, order picking, and packing operations in warehouses.

What's Driving Growth?

- High level of inefficiencies in freight transportation resulting in increased focus on the development of digital platforms to improve service efficiency, monitor cargo traffic and capacity management.
- Rising complexity in supply chains due to growth in global sourcing and distribution practices will drive rapid adoption of digital solutions.
- Demand for modern warehouses is expected to increase due to growth in e-commerce volumes. GCC is positioning itself as a major hub for e-commerce

Recommendations & Best Practices

- End-to-end logistics solutions with focus on supply chain visibility backed by digital applications will gain traction. Warehousing automation, digital freight platforms, innovations in last-mile delivery are expected to remain some of the focus areas.
- Digital technology adoption in the areas of customs clearance and port infrastructure upgradation, e-commerce hubs are some of the segments expected to benefit from digitalization.

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START-UPS WILL LEAD TRANSFORMATIONS IN THE LOGISTICS ECOSYSTEM



High market fragmentation, inefficiencies in freight transportation and last-mile delivery has opened up start-up opportunities

Several regional programmes and initiatives are targeting to position the GCC region as an innovation and a knowledge hub. Government support measures include development of entrepreneurship and improving the financial system to access capital. Stimulus programmes announced by the governments included incentives and exemptions such as equity-free grants or exemptions of fees, subsidised housing, office space and health insurance coverage for companies.

Dubai Future Foundation and Social Development Bank, Ghadan 21 in Abu Dhabi, Sharjah Entrepreneurship Centre are some of the institutions supporting the development of start-up ecosystem in the region. Dubai, Abu Dhabi, Riyadh, Bahrain, Sharjah have emerged as some of the preferred locations for the regional logistics start-ups.

What's Driving Growth?

- Inefficiencies in freight transportation, storage and warehousing are key challenges being addressed by most of the logistics start-ups.
- Last-mile delivery challenges, empty-mile run by road freight vehicles, lack of supply chain visibility, absence of real-time cargo monitoring, slow adoption of digitalization are some of the factors contributing to the growth of logistics start-ups in the region.

Recommendations & Best Practices

- COVID-19 related disruptions provide opportunities for the start-ups to focus on the development of innovation-based solution offerings.
- Digital freight platforms, freight aggregation, mobile-based freight market solutions, load matching, warehousing, e-commerce logistics, cargo monitoring, software relating to logistics process automation are some of the areas that offer high growth prospects.
- As the last-mile delivery space is becoming congested, focus is shifting towards other areas of e-commerce logistics such as e-fulfilment.

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VACCINE LOGISTICS WILL SUPPORT GROWTH OF COLD STORAGE AND AIR FREIGHT



Pandemic is expected to expose vulnerabilities in global supply chain of COVID-19 Vaccines

In times of pandemic, logistics services will be crucial for the healthcare industry to deliver time-critical medical equipment and pharmaceuticals that require cold storage facilities. Some of the primary factors important for vaccine logistics include cargo monitoring with supply chain visibility and traceability, vaccine temperature monitoring and stability testing. GCC being a major logistics hub, development of vaccine distribution infrastructure is given priority in some of the key ports.

COVID-19 Vaccine Cargo Hub developed by Emirates SkyCargo in Dubai South is expected to emerge as a major distribution hub for vaccines and related supplies in the region. Smart Logistics Hub, which is located in Bahrain, will focus on prompt distribution of perishables, vaccines and medicines. With blockchain platform supported by advanced digital infrastructure, it will smoothen customs clearances, fee payments and smooth transition of cargo to major centres in the GCC region.

What's Driving Growth?

- Discovery of the vaccine will push the healthcare industry to develop enough capacity to produce and distribute vaccines all over the world from the place of production. Logistics services will be crucial for the healthcare industry to deliver time-critical medical equipment and pharmaceuticals that require cold storage facilities.
- National Vaccination Programs are being developed by major economies including the United States, Europe, India and China. With production centres distributed across regions, GCC distribution hubs are expected to play a key role in the global vaccine supply chain.

Recommendations & Best Practices

- Bottlenecks along the healthcare supply chain include safe transportation of vaccines, sourcing and procurement from vaccine manufacturers, real-time temperature monitoring at warehousing and cold storage facilities at consumption centres.
- Removal of bottlenecks along the entire healthcare supply chain is expected to be the key focus area.



What Lies Ahead – Future Outlook

Freight Transportation: Shortage of cargo capacity due to reliance on belly cargo, increasing demand for time-critical cargo are some of the key factors that support the growth of air cargo. Increasing digitalization will simplify logistics processes of freight segments. Collaborative development among competitors, logistics service providers and start-ups will eliminate system redundancies.

Warehouse Infrastructure: Infrastructure development will be the area of focus between 2020 and 2025 to improve connectivity. Investments in cold storage and other warehousing infrastructure is expected to increase cross border e-commerce. Storage expansions, upgradation of cargo handling facilities, and development of free zones are the other growth areas to watch out for. Digitalization is expected to be adopted quickly in this segment as automation of warehouse operations would reduce the dependency on the labour force and improve accuracy in picking and sorting.

SCHEDULE A COMPLIMENTARY DISCUSSION WITH OUR INDUSTRY EXPERTS

<https://hub.frost.com/gsd/>

Recommended Readings:

- ✓ [Digitalization, Infrastructure, and Connectivity Set to Transform the GCC Logistics Industry, 2020](#)
- ✓ [Post-pandemic Growth Opportunity Analysis in the Logistics Industry](#)
- ✓ [Artificial Intelligence \(AI\) in the Global Freight Transportation Industry, Forecast to 2025](#)
- ✓ [Transformation Trends in Dubai's Logistics Industry, Forecast to 2023](#)



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DUBAI

Frost & Sullivan (DMCC Branch)
2601, Swiss Tower, Cluster Y
PO Box 33372
Jumeirah Lake Towers
Dubai, UAE
Tel: +971 4 433 1893

RIYADH

Frost & Sullivan Co
F16, Level 1, Localizer Mall
2803 Prince Muhammad Bin
Abdulaziz Rd
Al Olaya, Riyadh 12222
Tel: +966 11 486 8463



myfrost@frost.com



877.GoFrost (877.463.7678)



www.frost.com