


The Role of the Retail Sector in Shaping the Future of Business in Saudi Arabia

 Culture

 Housing


 Retail

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Overview of the retail sector in Saudi Arabia

The retail sector represents the cornerstone of domestic commerce in the Kingdom, serving as a vital bridge between supply and demand. It encompasses a wide range of activities, including food, apparel, electronics, and general merchandise. As a key driver of economic growth and job creation, the sector also serves as a leading indicator of changing consumption patterns and technological progress within society. Official data indicates that the sector is witnessing accelerated growth, both in operating revenues and workforce size, accompanied by a clear national focus on localization and a shift toward electronic payment solutions

According to Saudi Vision 2030 indicators, the sector has recorded an annual growth rate exceeding 10%, contributing to the creation of more than 1.5 million job opportunities. Estimates by the Small and Medium Enterprises General Authority (Monsha'at) project that retail sales will reach SAR 368.64 billion by 2025, with a compound annual growth rate (CAGR) of 3.9% during the period 2021 – 2025. In terms of payment behavior, data from the Saudi Central Bank (SAMA) indicates that by the end of 2024, nearly 79% of retail transactions will be conducted via electronic channels, highlighting a structural shift away from cash dependence toward a more intelligent and efficient retail environment

Retail Sector Sales Data in the Kingdom of Saudi Arabia (SAR)

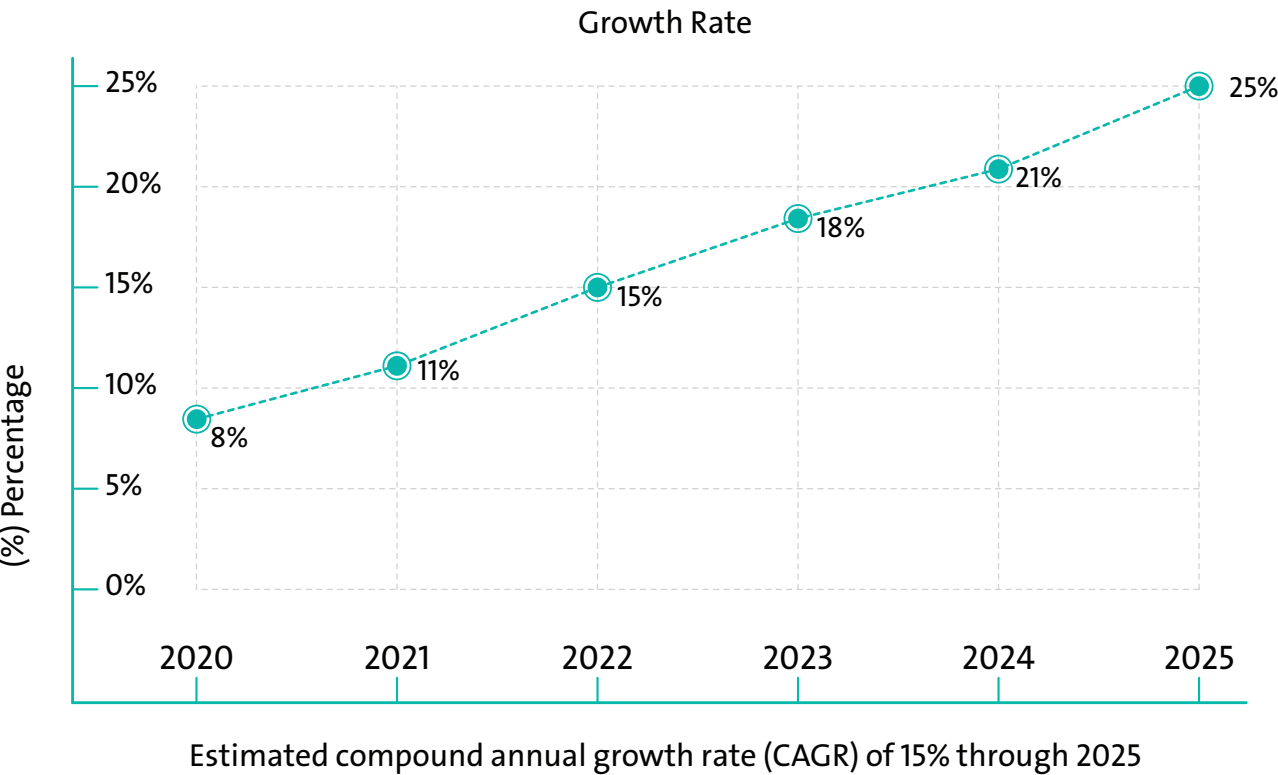


Following the COVID-19 pandemic, Saudi consumer behavior experienced a profound shift. The move toward digital shopping has become a strategic necessity for retailers and store operators, rather than a luxury. According to a report by Monsha'at, the number of online stores exceeded 42,900 by 2024, serving more than 34.5 million active users.

E-commerce sales now represent approximately 21% of total retail sales, and the sector is projected to maintain an annual growth rate of 15% through 2025. This transformation has fueled greater demand for express delivery services, a notable increase in digital payment transactions, and rising reliance on smart applications and platforms, particularly in sectors such as fashion, electronics, and groceries



E-Commerce Growth



The General Authority for Statistics confirmed that the **number of establishments offering digital payment gateways and delivery services has seen a notable increase**. Furthermore, digital signatures and electronic contracts have become an integral part of the operational model for many of these establishments, supported within the framework of Saudi Vision 2030 for national transformation



On the other hand, reports from the General Authority for Statistics indicate that the **number of establishments providing electronic services increased significantly after the pandemic, including digital payment gateways and delivery services**. Companies have also adopted technologies such as digital signatures and electronic contracts as part of the national transformation programs

SAMA stated in its report that **electronic payments accounted for 79% of total payments in the retail sector by the end of 2024, compared to 70% in 2023**, reflecting a fundamental shift in consumer payment behavior and an accelerated transition toward a cashless shopping environment



Despite this progress, the report by Monsha'at indicated that 75% of small and medium enterprises (SMEs) still lack an electronic presence (such as a website or application). Yet 72% of their owners remain optimistic about the future, highlighting the need to intensify digital efforts

These transformations have prompted government entities to support the tech sector through initiatives like creating the "E-commerce Council" and expanding support, funding, and training programs to accelerate the integration of businesses into the digital economy in line with the goals of Saudi Vision 2030



Key statistics of the retail sector in Saudi Arabia

**369.9**

SAR billion

The sector's operating revenues (excluding vehicles and motorcycles) reached approximately SAR 369.9 billion, representing 34.7% of total wholesale and retail trade income

**1,054,460**

employees

The retail sector employs over 1,054,460 individuals, including around 282,810 Saudi nationals

**10%↑**

annual growth

Data from Saudi Vision 2030 indicates that the sector's annual growth rate has exceeded 10%, generating over 1.5 million job opportunities

**368.64**

SAR billion

Monsha'at expects retail sales to reach SAR 368.64 billion by 2025, with a CAGR of 3.9% from 2021 to 2025

**79%**

electronic payments

According to data from SAMA, by the end of 2024, electronic payments accounted for 79% of total payment transactions in the retail sector, reflecting the shift toward a smart, cashless environment

Regulatory environment of the retail sector

وزارة التجارة
Ministry of Commerce



As part of its efforts to enhance and regulate the retail sector in line with the digital transformation and Saudi Vision 2030, the Kingdom has enacted a series of laws and regulations aimed at protecting consumers, facilitating investment, and organizing the relationship between sellers and buyers. A cornerstone of this effort is the E-Commerce Law, issued on October 24, 2019, and enforced on January 31, 2020, which requires service providers to disclose accurate information, such as contact details and clear purchase and return policies valid for a period ranging from 7 to 15 days. It also mandates the protection of consumer personal data and imposes penalties of up to SAR 1 million for violations, including the suspension or blocking of non-compliant stores. These efforts demonstrate the Kingdom's serious commitment to protecting the local market and ensuring consumer rights

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority



In line with this regulatory approach, the Zakat, Tax and Customs Authority implemented the e-invoicing system in two phases: the first began in December 2021 with the issuance of standardized electronic invoices, followed by the second in January 2023, which mandated real-time integration with the "Fatora" platform using digital signatures and QR codes. Businesses were also required to submit invoices on the same day of issuance. This system not only enhances tax transparency but also prevents fraud and reduces commercial concealment. In July 2024, the authority announced Wave 14 of mandatory compliance, covering all establishments with revenues exceeding SAR 5 million during 2022 or 2023, with compulsory platform integration required before February 1, 2025, highlighting the accelerating pace of digitization in the retail sector

البنك المركزي السعودي
SAMA
Saudi Central Bank



SAMA also plays a pivotal regulatory role in enabling the digital retail ecosystem by issuing regulations governing payment services, licensing financial service providers, and overseeing systems such as "Mada," "SADAD," and "SARIE", thereby improving the efficiency of digital transactions

In the context of developing the retail sector's regulatory environment



Franchising stands out as one of the most effective tools for expanding commercial activities widely. It allows entrepreneurs to operate under well-known brand names, reducing operational risks and boosting chances of success and growth. The regulation of this model in the Kingdom has helped many SMEs enter the retail sector through clear operational frameworks and approved agreements, enhancing market efficiency



The **sharing economy** has also become a modern trend influencing the retail sector by streamlining freelance procedures and regulating the exchange of services and assets between individuals flexibly and efficiently. This model relies on the sharing of underutilized resources to maximize their value, creating new opportunities for independent entrepreneurs and reshaping operational concepts, particularly in business activities based on on-demand and temporary services

All these efforts align with the goals of Saudi Vision 2030, which stresses the importance of establishing a flexible and modern legislative environment that supports the digital economy, encourages innovation, and ensures adequate consumer protection. This positions the Kingdom as a global leader in organizing the retail sector and equipping it to keep pace with rapid technological and social changes

Role of the retail sector in achieving the goals of Saudi Vision 2030

The retail sector plays a crucial role within the framework of Saudi Vision 2030 to achieve several goals, mainly diversifying government revenue streams and empowering citizens by creating new employment opportunities. The Vision has set an ambitious goal of increasing the share of modern trade to 80% of the domestic market and has opened the door to full foreign ownership of commercial ventures, thereby boosting market openness and attracting investment to the Saudi economy

Monsha'at's efforts contributed to achieving these goals in part through the implementation of twenty-three strategic initiatives that increased the number of SMEs from 429,000 to over 1.14 million within approximately five years. The authority also directed over SAR 18 billion in financing through its funding gateway to support commercial projects, particularly within the retail sector



Enterprise Growth

A 166% increase in the number of enterprises, from 429,000 to 1.14 million



Modern Trade

Target to raise modern trade to 80% of the retail market



Financial Support

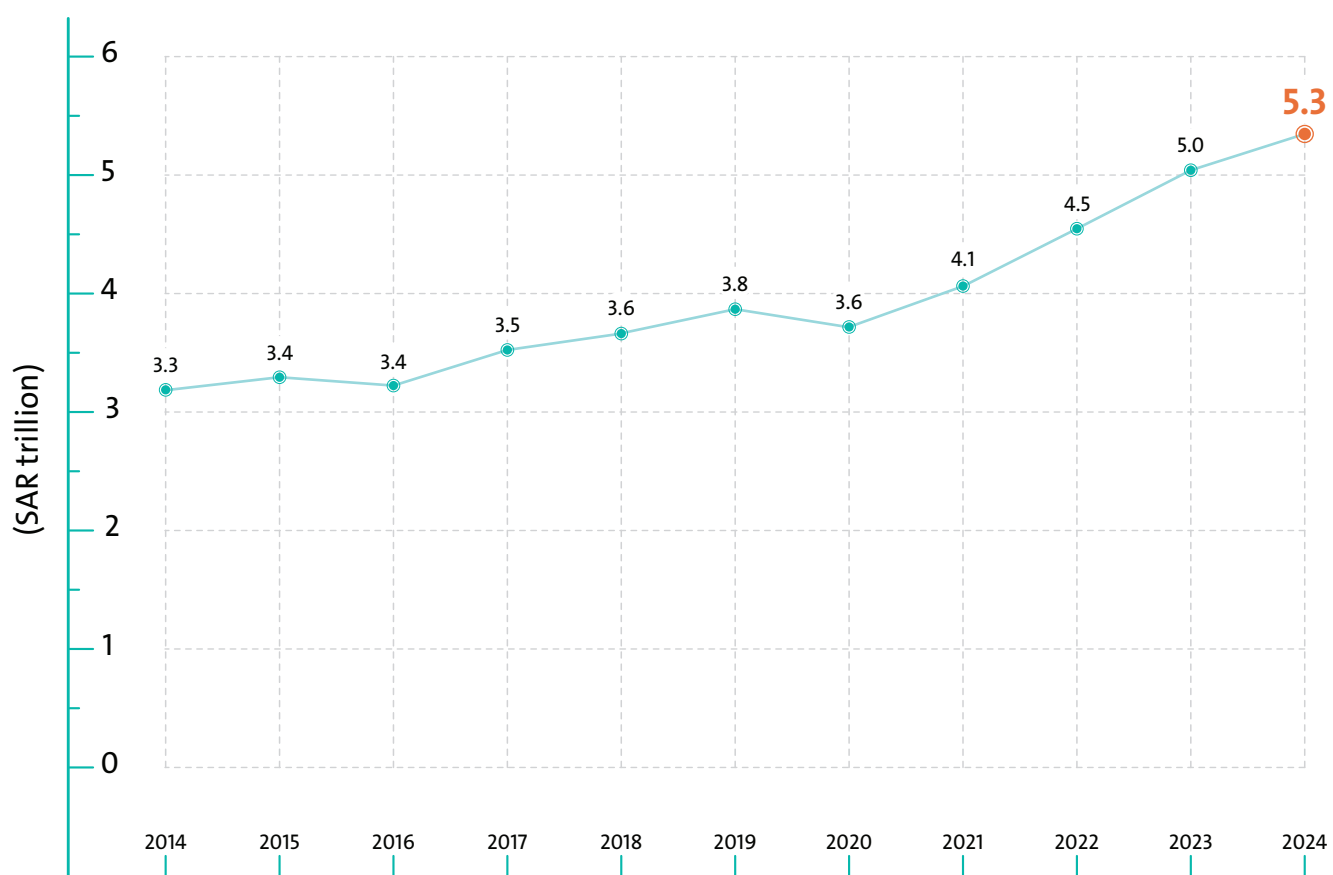
More than SAR 18 billion in financing for the retail sector

These efforts align with the Financial Sector Development Program and Saudi Vision 2030, which aim to position the Kingdom among the world's ten fastest-growing digital markets by developing infrastructure, enhancing logistics capabilities, and improving innovative services and after-sales services, all in pursuit of a sustainable and diversified economy. The sector's progress extends beyond enterprise volume; it also includes adopting modern technologies, such as establishing the Saudi Venture Capital Company (SVC) and forming e-commerce councils, which have helped build a competitive e-retail ecosystem. This strategy supports the Financial Sector Development Program and represents a strategic move toward creating a future-oriented economy by developing digital and logistical infrastructure and fostering an environment that encourages entrepreneurship and innovation within the retail sector

Contribution of the retail sector to the local economy

The retail sector in the Kingdom has experienced a significant digital transformation in recent years, fuelled by rising demand for online shopping and increasing consumer trust in digital transactions. Traditional stores have adopted hybrid models that combine physical presence with online platforms, allowing them to reach a broader audience

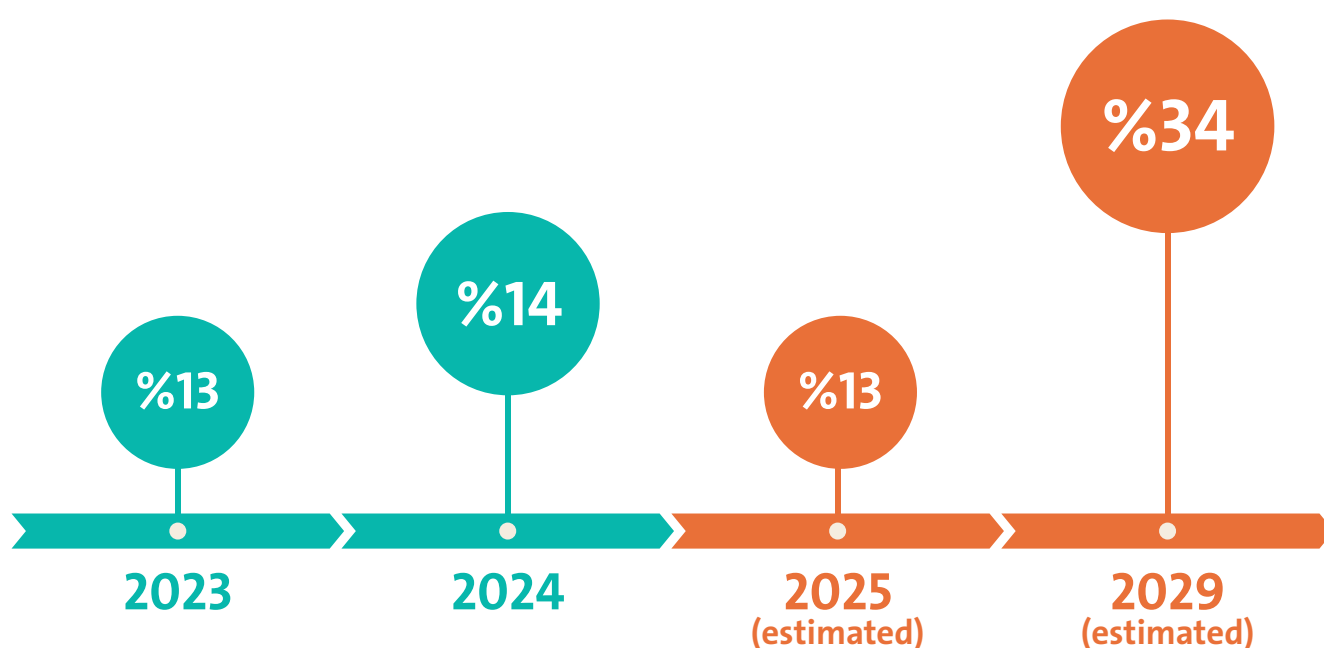
Real GDP trends in wholesale and retail trade, restaurants, and hotels in Saudi Arabia



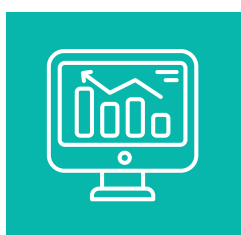
E-commerce Growth and Support for Enterprises

The number of registered online stores with Monsha'at surpassed 42,900 by 2024, serving more than 34.5 million users and accounting for approximately 18% of retail sector sales. The sector is expected to continue growing with a CAGR of 15% through 2025. Notably, the Kingdom ranks among the top ten countries globally in terms of e-commerce growth

Annual growth in the e-commerce sector



The number of SMEs in the Kingdom surpassed **1.14 million enterprises** by the end of 2022, up from 429,026 enterprises in 2016, marking a 166% increase over five years. This growth helped energize the retail sector and broaden investment opportunities



In the e-commerce sector, financing for e-commerce projects in the Kingdom reached SAR 1.6 billion in 2023, along with the launch of a dedicated financing product valued at SAR 500 million. **This brings the total known direct financing to SAR 2.1 billion by the end of 2023**

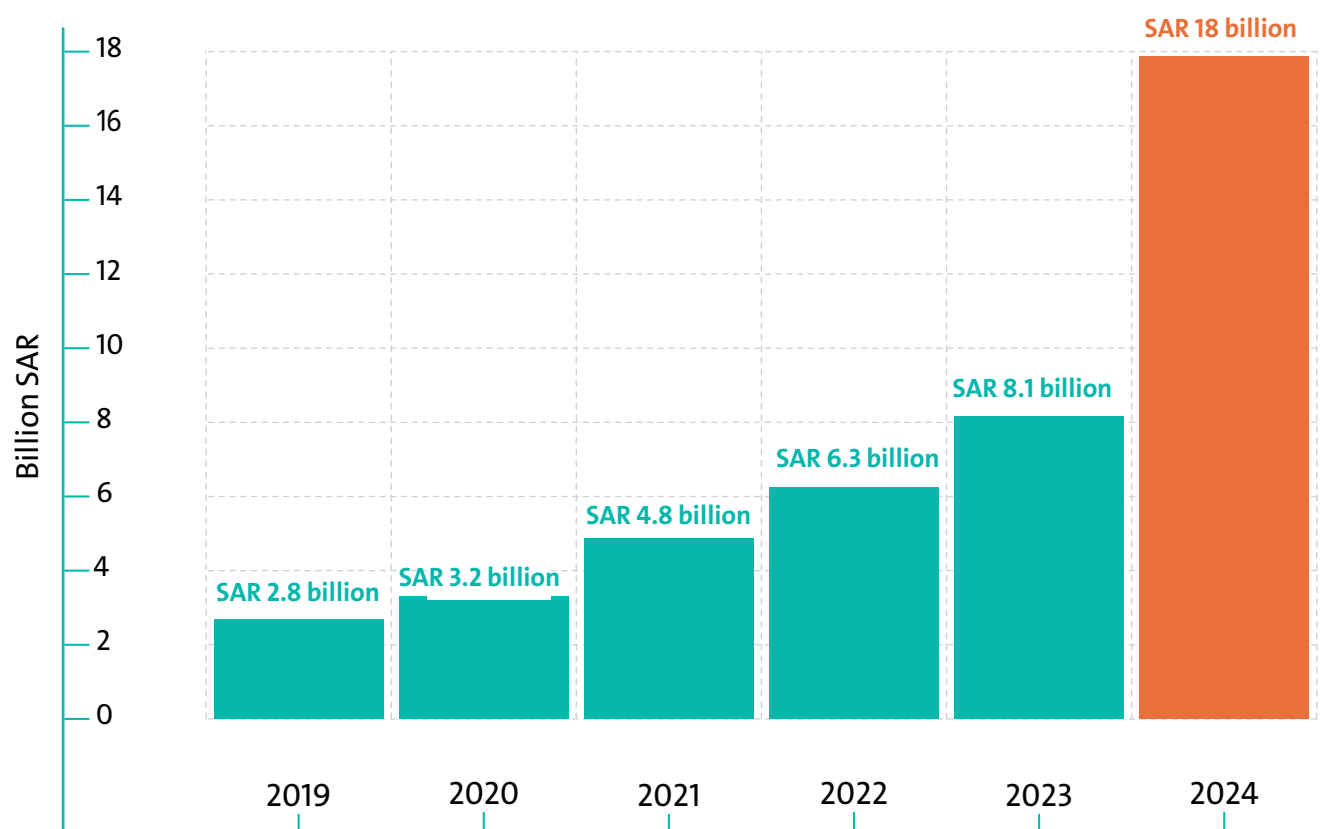


Empowerment in Digital Financing and Smart Technologies



Monsha'at's funding gateway facilitated financing that exceeded SAR 18 billion by 2024. It also launched a package of initiatives to facilitate the entry of small enterprises into the retail market, including guidance centers, digital education programs, and platforms that connect enterprises with technological solutions, enabling thousands of SMEs to enter the market. Moreover, digital commerce investments rose to SAR 1.6 billion in 2023, with projections indicating that the number of e-commerce users in the Kingdom will exceed 34.5 million by 2025, reflecting the success of these policies

Financing volume (SAR billion)



Total financing provided through Monsha'at's funding gateway until 2024



Local Digital Models and Enhancing the Merchant Experience



Some of the most prominent models driving digital transformation in the Saudi market include the "Salla" and "Zid" platforms, which empower entrepreneurs to deliver a seamless experience. They enable the creation of professional online stores equipped with various payment options like "Mada" and "Apple Pay," and they integrate directly with shipping companies such as Aramex and SMSA. Additionally, they offer smart reports and analytics that help merchants make data-driven decisions

Digital Transformation and Smart Technologies in the Retail Sector

01. Payment Systems and Changes in Consumer Behaviour

The retail sector in the Kingdom has witnessed significant development in payment systems, with SAMA announcing that the share of electronic payments out of total payments made by individuals reached 70% in 2023 compared to 62% in 2022. This indicator is one of the key outcomes of the Financial Sector Development Program under Saudi Vision 2030

This growth reflects the accelerating pace of digital transformation in consumer behaviour

The number of non-cash
transactions rose to approximately



billion 10.8
transaction in 2023

compared to 8.7 billion in 2022

02. Technological Enablement and Data Security

The payment gateways and cybersecurity infrastructure in the Kingdom have experienced significant advancements in recent years, driven by the crucial role played by SAMA in managing and developing Saudi payment systems, along with contributions from the Saudi Data and Artificial Intelligence Authority (SDAIA) in creating a sophisticated digital and cybersecurity environment, which enhances the security and efficiency of electronic transactions

03. Artificial Intelligence and Improving User Experience

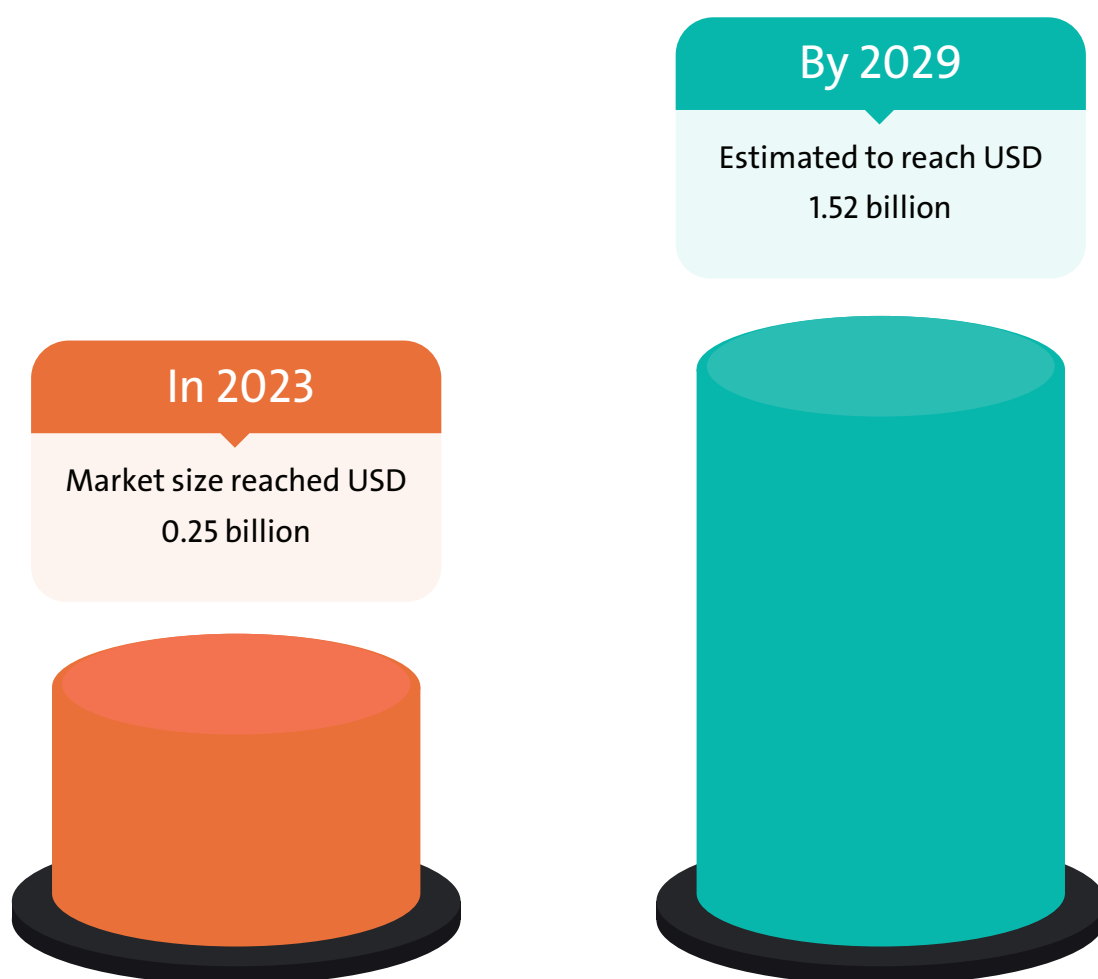
Artificial intelligence has become an indispensable tool in enhancing business operations, with many stores and companies leveraging this technology to analyse customer behaviour, manage orders, and more accurately anticipate needs

04. Investment in Smart Technologies

According to global growth forecasts for artificial intelligence in the retail sector through 2029, investments in smart technologies within the Saudi retail sector are growing at a CAGR of 35.4%. This reflects not only the acceleration of digital transformation but also the central role of AI in enhancing the shopping experience and improving the efficiency of supply chains and services. Given this progress, adopting these technologies has become a strategic necessity driven by market demands, propelling the Kingdom steadily toward global leadership in intelligent digital commerce

AI in the retail and e-commerce sector in Saudi Arabia

Expected CAGR growth of 35.4% by 2029



Selected past engagements related to Itmam Consultancy



- Store Operations Guide Project – Phases One and Two
- Innovation System Activation Project
- Guides and Support Tools Project

بنك التنمية الاجتماعية
SOCIAL DEVELOPMENT BANK



- Consulting project to enhance the mechanism for attracting funding intermediaries

References



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