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New opportunities

Expanding retail options bode well for brands looking to set up shop in Oman.

May 2015, LuLu Hypermarkets, an Abu Dhabi-based retailer, announced that it planned to expand its operations in Oman in the coming years. "We are committed to extending our footprint, with plans to open five new stores [in the Sultanate] in the next 18 months," said Yusuff Ali, the company's managing director, at a press conference near Muscat. Lulu, which is the largest retail chain in the Middle East and one of the largest in Asia, according to Deloitte, operated 12 stores in Oman at the time of the announcement. However, unlike many other consumer-facing retailers, LuLu has made a concerted effort over the years to establish new branches in smaller towns and urban areas outside of the capital. As of May 2015 the firm had smaller supermarkets in Barka, Seeb, Buraimi, Nizwa, Salalah, Ibri and in Khasab, on the Musandam Peninsula.

Since the May announcement the company has opened two new supermarkets in the country, one in Muscat and another in Sohar, north of the capital. "The stable political environment and robust economy have certainly provided a conducive environment for us and given us the confidence to make Oman our top priority," Ali told local press at the opening of the Sohar store.

LuLu's bullish attitude towards the Sultanate's retail market is not surprising given its steadily growing reputation as a potentially lucrative market for retailers.

Indeed, in 2015 Oman came in at 26th in the world on the most recent iteration of the US-based management consulting firm AT Kearney's annual Global Retail Development Index (GRDI). The index ranks the world's top 30 developing countries on a wide range of indicators related to retail investment potential, including market attractiveness, country risk and existing retail saturation. Oman has been listed in the GRDI since 2012.

According to AT Kearney international retailers have yet to move into Oman en masse, though this is expected to change in the coming years as the market continues to grow and develop. Retail sales are forecast to grow at a rate of around 6 per cent annually over the course of the next five years. Despite this broadly positive outlook, local and international retailers currently operating in Oman face a number of ongoing challenges. In general the Sultanate's consumer-facing retail market has developed more slowly than in other countries in the region, for a variety of reasons.

Oman, for example, has a relatively low GDP per capita when compared to many of its neighbours in the GCC. According to World Bank data this figure was just under \$21,000 at the end of 2014, as compared to around \$25,000 in Saudi Arabia and Bahrain, more than \$42,000 in the UAE and in excess of \$50,000 in Kuwait and Qatar, the latter of which boasts one of the highest per capita GDP figures in the world.

Additionally, Oman's relatively small population means that many firms have held off setting up shop there due simply to the overall size of the potential market. Finally, the fall in oil prices that began in mid-2014 has the potential to negatively impact consumer confidence.

LuLu's recent Oman push suggests, a number of retail firms are operating profitably in the Sultanate. As in many other countries in the region, most of the international consumer brands for sale in Oman are represented by local conglomerates. The Khimji Ramdas Group (KR Group), for example, which has been active in Oman in some form or another since the 1870s, holds the distribution rights for a wide range of international trademarks, including Procter Gamble, Kellogg's and Philip Morris, to name a few.

Other key players in Oman's consumer retail industry include WJ Towell, the OTE Group, Suhail Bahwan and the Zubair Automotive Group. The consumer goods division of WJ Towell focuses primarily on fast-moving consumer goods (FMCGs). The family owned firm, which traces its history back to the 1860s, is run by the Sultan family.

Major brands in WJ Towell's portfolio include Mars (chocolate products), Uncle Ben's (rice products), Lesieur (cooking oil) and Vicenzi (puff pastry). Additionally WJ Towell manufactures and sells a variety of food and beverage products under its own Sultan brand. Like the KR Group, over the years WJ Towell has diversified its business activities across a wide range of industries, including building materials, automobiles, property management and construction, security and logistics. The Suhail Bahwan Group, which was launched in 1965, is active in more than 40 sectors, including retail electronics, FMCGs, interior furnishings, building materials, engineering, health care and energy.

The OTE Group, established in 1991, has become a major supplier of imported automobiles to the domestic market over the past 25 years, representing Chevrolet, Isuzu, Cadillac, Hyundai, Subaru and Chery in Oman, in addition to a range of automotive-related brands. The Zubair Automotive Group, meanwhile, grew out of an electronics trading company founded in 1967 to become one of the largest importers of vehicles in the country. Today the firm represents a range of automotive brands, including Jeep, Bentley, Audi and Volkswagen. New opportunities The size and, in many cases, market dominance of these local conglomerates is a challenge for foreign companies looking to set up shop in Oman.

However, as LuLu has demonstrated, the Sultanate is by no means saturated. According to AT Kearney, as of mid-2015 Oman was "relatively untapped in terms of international retail presence", despite a slew of recent new openings in Muscat and further afield. In February 2015, for example, the Netherlands-based supermarket chain SPAR International opened two stores in the capital, the first of nine planned new shops across the Sultanate.

With more than 12,000 stores globally, SPAR is one of the largest food retailers in the world. The firm has partnered with Khimji Ramdas in Oman. LuLu's 2015 store openings are only the most recent news about the hypermarket/p pin Oman. Under an RO8mn deal with the Sultanate's Ministry of Defence signed in late 2014, LuLu will operate a 460,000-sq-metre commercial complex that will cater largely to employees of Oman's military, though it will also be open to the public. Located at Muaskar Al Murtafah, in Muscat, the development is slated to include a shopping mall, a food court, children's recreation areas, prayer rooms, administrative services and a 1,600-vehicle car park. Members of the military will have special discounted rates for most products on site.

Malls are popular destinations for shoppers and, as such, retailers in Oman. According to a mid-2014 report by World Property Journal (WPJ), a US-based real estate research firm, many high-end luxury brands, which tend to cluster in the largest shopping malls, have had only limited success in Oman to date, due primarily to the population's relatively low level of disposable income compared to other GCC countries. This has prompted some mall managers to reconfigure their tenant mix, with an eye towards attracting a larger percentage of value brands. At the Markaz Al Bahja Shopping Centre, which is located in Seeb, a recent reconfiguration of this sort reportedly resulted in a significant increase in footfall.