

# Transport & Logistics Industry Management in the **UAE**







## Executive Summary

Logistics and transportation are a critical part of the global economy, as they are responsible for the movement of materials, goods, and personnel from one place to another. Companies in this industry are responsible for the efficient and cost-effective delivery of goods and services, and as such, play an important role in the success of businesses and individuals. This white paper will provide a comprehensive overview of the logistics and transportation industry in UAE, including its structure, market trends, and potential areas of growth. We will also discuss the impact of emerging technologies such as cloud computing, big data, and the Internet of Things, and their potential to revolutionize the sector and create new opportunities. Finally, we will be evaluating the industry predictions to recognize the growth opportunities in 2023.

## Leading Distribution Channels

The transportation and logistics industry encompasses a wide range of businesses involved in the movement of goods and people. As of 2023, some of the leading distribution channels for the transportation and logistics industry are:

- **E-commerce platforms:** With the rise of e-commerce, online marketplaces like Amazon, Alibaba, and eBay have become important channels for transportation and logistics companies. These platforms allow companies to reach a large customer base and streamline their operations through digital interfaces.
- **Direct-to-consumer (DTC) shipping:** DTC shipping has become increasingly popular as more consumers prefer to purchase products directly from manufacturers. This distribution channel allows companies to control the entire shipping process, from packaging to delivery.
- **Freight forwarders:** Freight forwarders act as intermediaries between shippers and carriers, arranging the transportation of goods and providing other logistics services. They offer a range of services, including customs clearance, warehousing, and insurance.

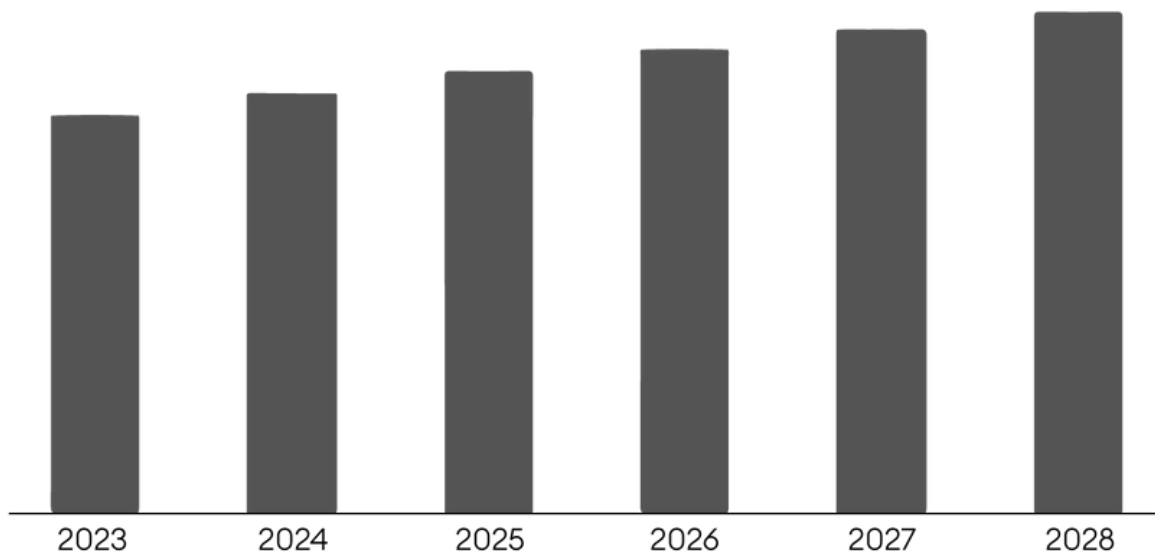
- **Third-party logistics (3PL) providers:** 3PL providers offer a wide range of logistics services, including transportation, warehousing, and distribution. They can handle all aspects of logistics management for a company, allowing them to focus on their core business.
- **Retail stores:** Retail stores remain an important distribution channel for the transportation and logistics industry, especially for last-mile delivery. Many companies partner with retailers to offer pickup and delivery services, making it more convenient for consumers to receive their orders.
- **Freight marketplaces:** Freight marketplaces connect shippers with carriers, allowing them to compare rates and services from multiple providers. These platforms often use technology to optimize shipping routes and improve efficiency.
- **Air cargo:** Air cargo remains an important distribution channel for the transportation and logistics industry, especially for time-sensitive or high-value goods. Air carriers offer a range of services, including express shipping, freight forwarding, and cargo charter.

Overall, the transportation and logistics industry are constantly evolving, and new distribution channels may emerge in the coming years as technology continues to advance.

## Market Overview

### Logistics Market Size

The global logistics market is projected to grow at a CAGR of 4.5% during the period of 2023-2028, reaching the value of USD 6.28 trillion by 2028.



**Global Logistics Market Size 2023-2028**

### Logistics Market Segmentation

When it comes to the model type, 3PL holds the maximum share in the market as it is helpful for handling the various functions of the supply chain. On the other hand, out of all the transportation modes, roadways will be the most preferred one, since they are a cheaper option and reduce the risk of product damage during transit. End-user wise, the manufacturers will lead the industry as the logistics

sector is vital for them to reduce costs, improve production rates, and provide a better customer experience. Lastly, the Asia-Pacific region is forecasted to see the most growth in the logistics sector.

## Logistics Transportation Sector

In 2022, shippers used technology and logistics partners to combat the challenges they faced and to leverage new opportunities. Technology such as Transportation Management Systems (TMS) allowed companies to improve their freight management and deliver goods in a timely manner. It also helped companies pivot their transportation modes, create backup plans and automate their processes. This trend is expected to continue in 2023, as companies invest in solutions and applications that will keep their supply chains running smoothly.

As we approach 2023, shippers are increasingly focusing on meeting ESG standards in order to reduce their carbon footprints. Carriers and shippers are actively seeking out ways to improve their environmental practices in order to meet these standards.

In 2023, companies will face a labor shortage and need to find new ways to attract, hire, and retain employees. This issue is particularly apparent in the warehouse and transportation sectors, where the average employee turnover rate is 49% and the driver shortage is expected to reach 160,000 by 2030.

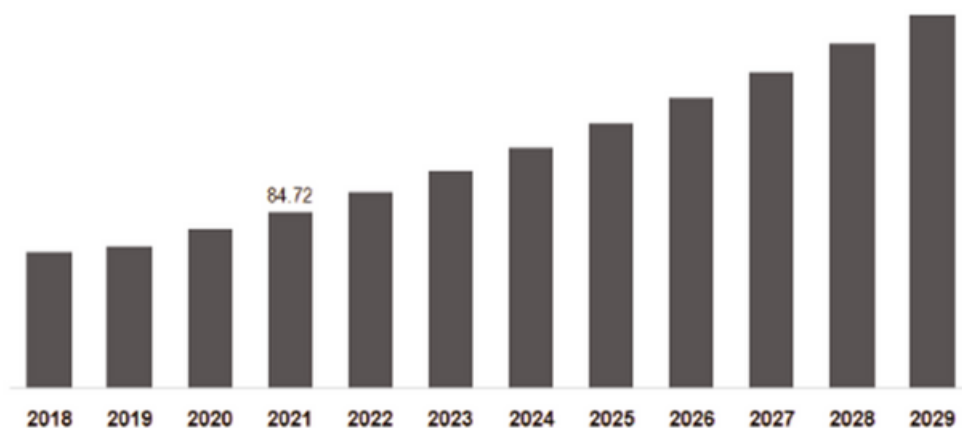
Logistics providers are expanding their services and operations to better manage complexity and take advantage of new opportunities in 2023. Increased innovation and changes are expected in the logistics and transportation sectors in the coming years.

## 3PL Market Overview

The market size of Third-Party Logistics (3PL) exceeded the value of USD 1 trillion in 2022; the experts further expect it to expand with a CAGR of 5% from the period 2023-2032. Changing consumer patterns and the popularity of e-commerce are the main driving factors of this predicted growth.

## E-Commerce Fulfillment

The global ecommerce fulfillment market was recorded at USD 84.72 billion in 2021 and is estimated to grow at a CAGR of 8.4% for the period 2022-2029. This growth is due to the increase in the number of online users.



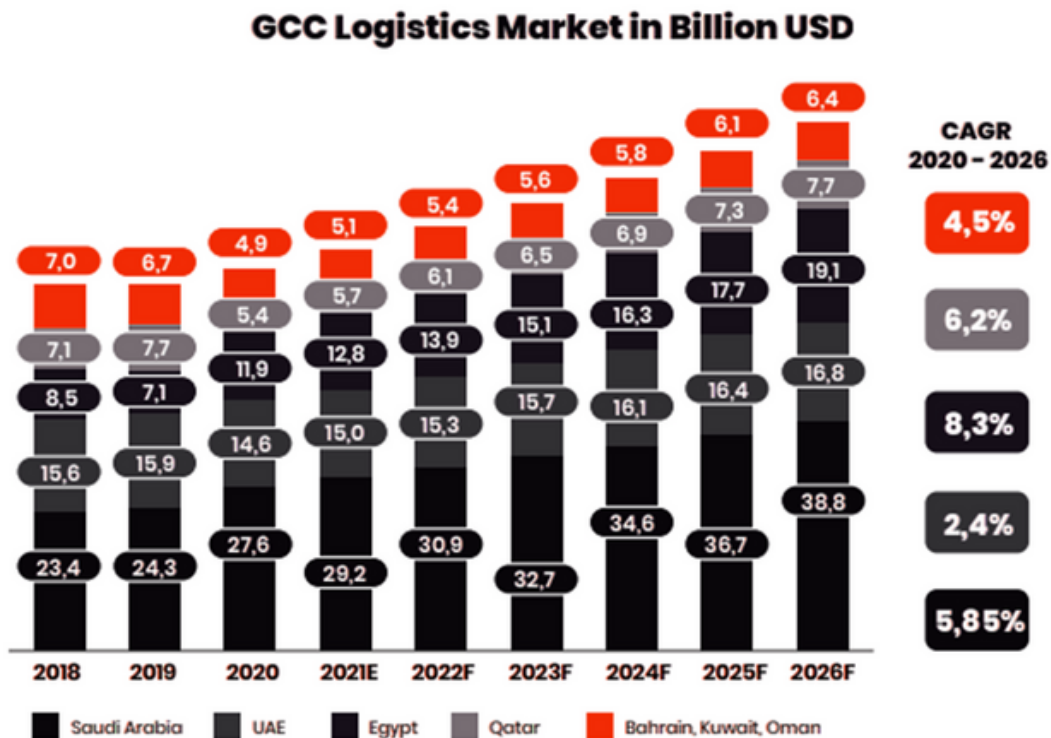
Global E-Commerce Fulfillment Services Market During 2018-2019 in US\$ Billion

# GCC & Logistics & Transport Industry

Here are some of the highlights for the sector in the GCC countries:

## Freight and Logistics Market

The freight and logistics market in the GCC is forecasted to reach the value of around USD 70 billion by the year 2026. Among all the GCC countries, Qatar is expected to have the most growth during the period of 2018-2026, closely followed by Saudi Arabia.



## Freight and Logistics Market

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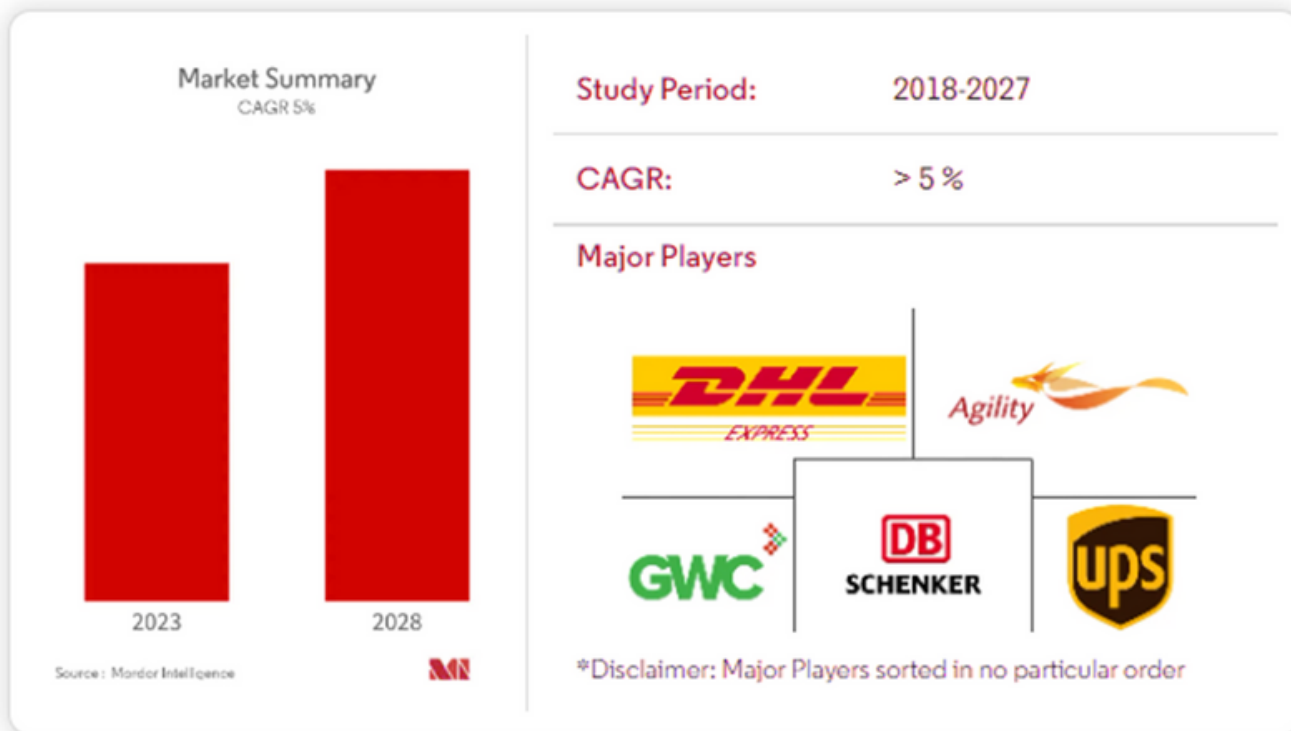
## Warehouse and Distribution Logistics Industry

The warehousing and distribution market in GCC is expected to have a CAGR of 5% over the period of 2018-2027. The growth is driven by the hike in the investments of companies on inventory storage and e-commerce logistics, along with the support for technology advancements.

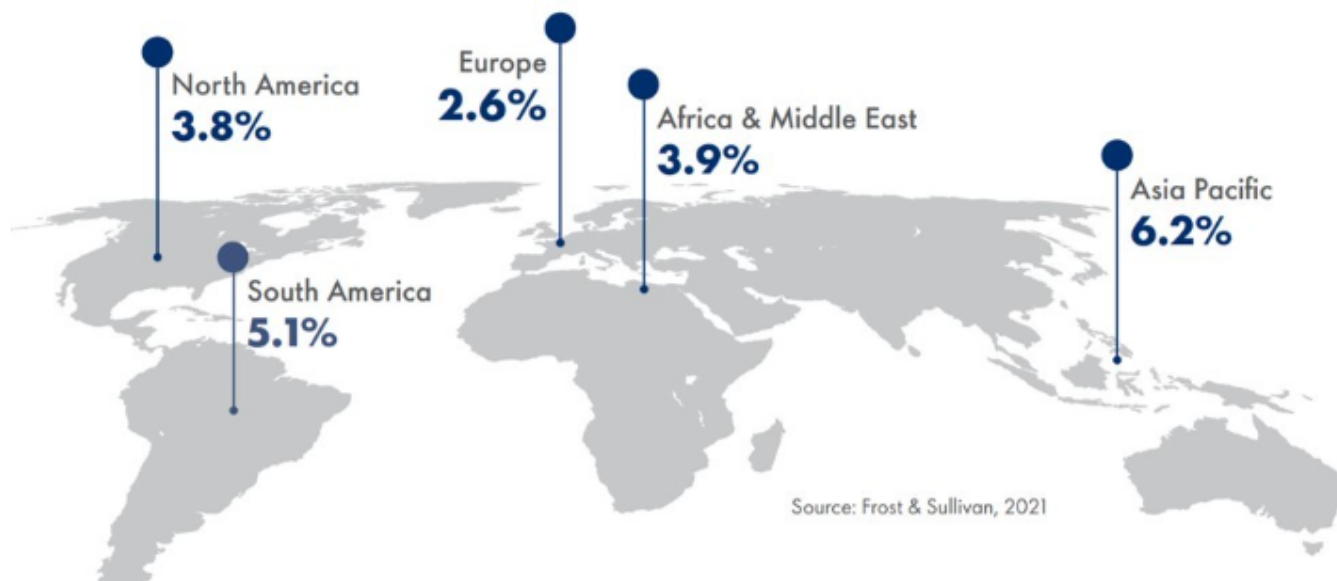
Based on the industry analysis, Saudi warehousing maintained its winning streak as many of the projects required larger areas. The need for warehousing is further expected to increase due to the growth in population and plans included in the Saudi Vision 2030.

Moreover, Riyadh, Jeddah-King Abdullah Economic City (KAEC), and Damam-Al Khobar will remain the main locations for the warehouse and logistics business, supplying 72 million square meters combined. Lastly, the demand for automated warehouse systems is rising to improve the efficiency of warehouse and distribution operations.

## GCC Warehousing & Distribution Logistics Industry Overview



## GCC Road Freight Transportation Sector



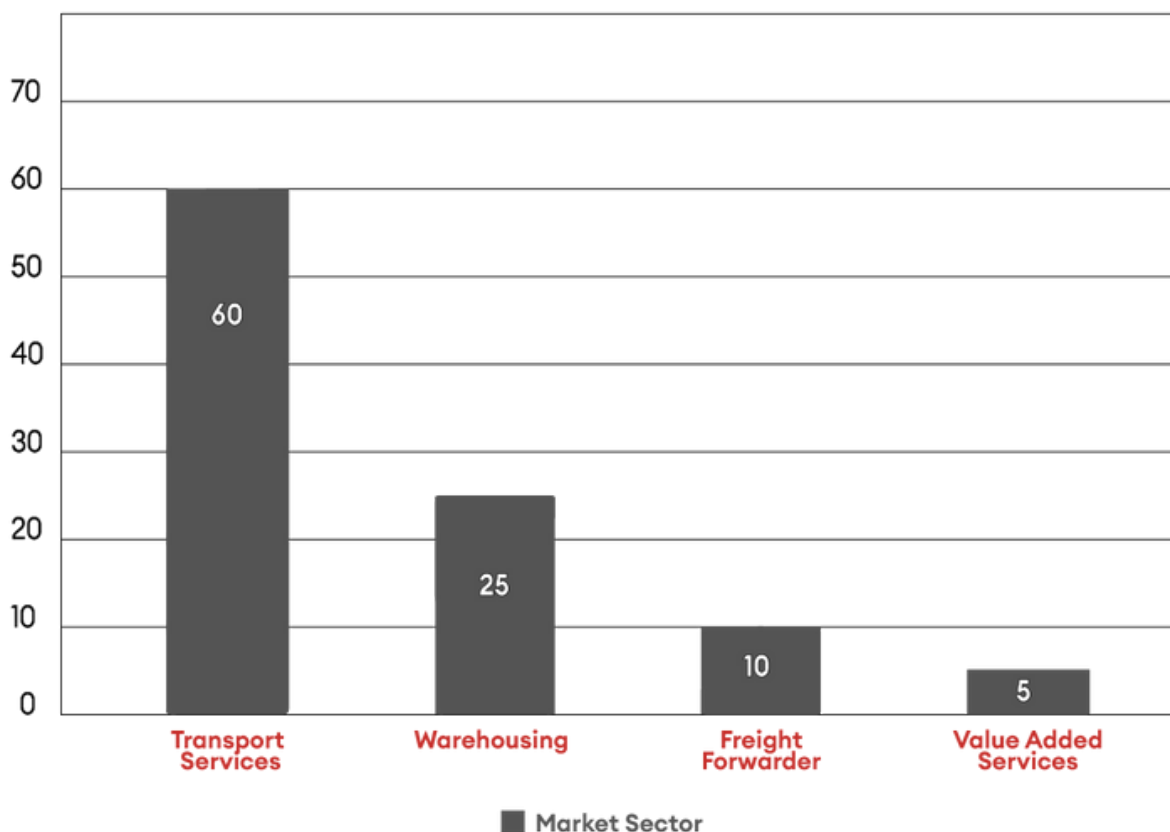
ROAD FREIGHT MARKET-REGIONAL GROWTH FORECASTS (2021-2025)



The global revenue for the GCC in this sector is forecasted to grow at an average of 4.3% during 2020-2025 annually. Whereas, for the regional level of Africa & Middle East, the growth is expected at the rate of 3.9%. All in all, the transportation sector in the GCC is predicted to increase by 5% CAGR for the period of 2020-2025.

Following the global pattern, road freight will have the largest share in the industry. Presently, there are more than a million trucks in action, and this number increases by 5% to 9% every year. This is mainly due to the fact that this option is much cheaper when compared to other modes.

### GCC Logistics Market Distribution By Subsector In %



### GCC Air Freight Transport Market

The air freight market of GCC is expected to increase with a CAGR of 4.3% for the period of 2021-2026. The sector has been growing quite rapidly due to the increase in popularity of ecommerce and the rise in international trade.

The industries that will be driving the demand of air freight include food and beverage, technology, manufacturing, and general trade sector.



**Study Period:** 2019 - 2028

**CAGR:** 4.3 %

**Major Players**



\*Disclaimer: Major Players sorted in no particular order

## GCC Ocean Freight Transport Market

GCC (Gulf Cooperation Council) countries are located in the Middle East and include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). These countries have a significant role in global trade due to their strategic location between Asia, Europe, and Africa.

Ocean freight transport is a crucial aspect of the trade and economy in GCC countries. The region has several major ports, including Jebel Ali Port in Dubai, UAE, which is the largest port in the Middle East and a major hub for global shipping. Other significant ports in the region include Khalifa Port in Abu Dhabi, UAE, and Port of Salalah in Oman.

The GCC countries are major oil exporters, and oil and gas shipments account for a significant portion of the region's ocean freight transport. However, there has been a growing emphasis on diversifying the economy, and the region has been investing heavily in infrastructure to support non-oil sectors such as manufacturing, tourism, and logistics.

In recent years, there has been a trend towards larger container ships, which can carry more cargo and reduce transportation costs. To accommodate these larger vessels, the region has been expanding and upgrading its port facilities.

## GCC & Logistics & Transport Industry

Below are some of the highlights of logistics and transportation industry in the UAE:



# UAE Logistics Industry

The freight and logistics market of UAE is forecasted to grow with a CAGR of 5% during the period of 2023-2028. This consistent growth will be driven by the success of e-commerce trends in the region as well as all across the globe.

The strategic location of UAE makes it conditions optimum for trading. To facilitate e-commerce and trade market, the government in the UAE has started taking initiatives to develop the infrastructure and technology sector for better logistics processes. Despite the economic disruptions in the Gulf region, the logistics sector has continued to grow in recent years.

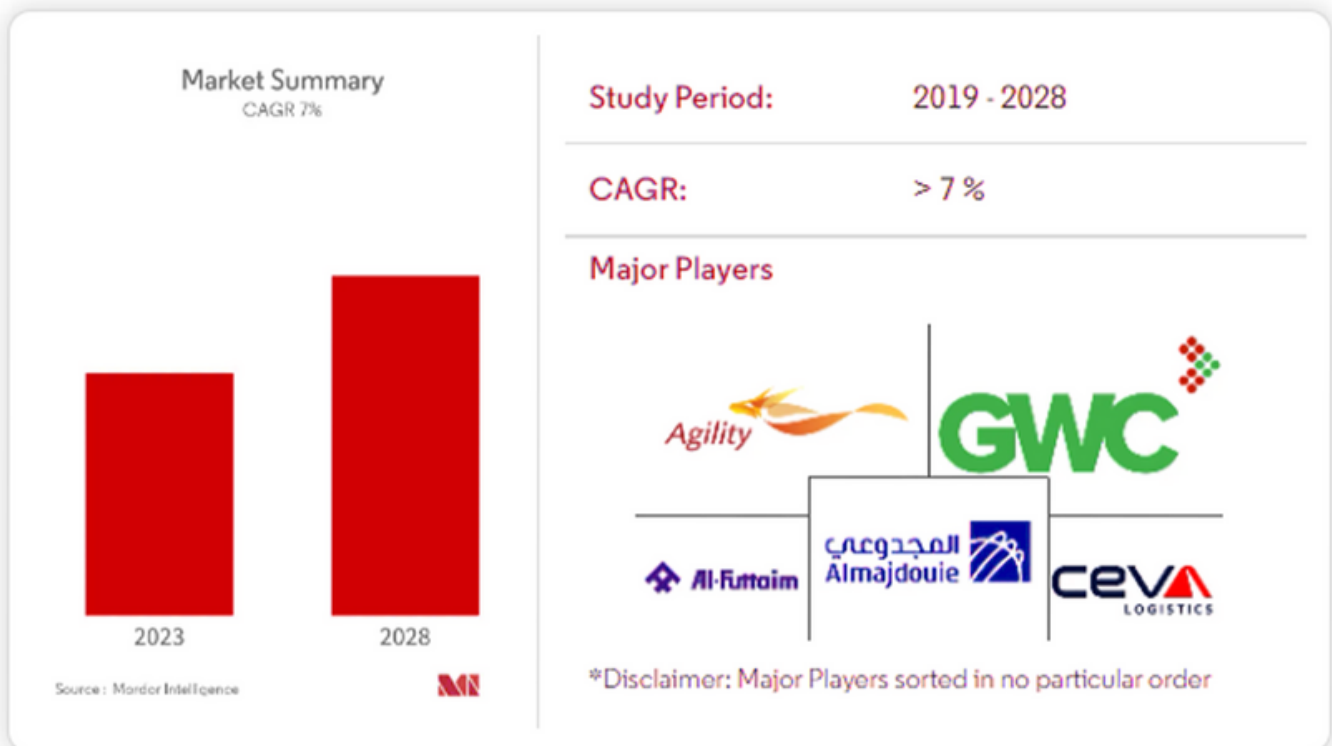
## UAE's Third-Party Logistics (3PL) Sector

The 3PL market of UAE is projected to be valued at USD 6,529.7 million by the year 2023 with a CAGR of 6.5% during the period of 2023-2030. The growth of technology and e-commerce sectors has increased the demand for 3PL services in the UAE. The 3PL market is also keeping up with the global trends, like automation, technology, and green solutions.

## Contract Logistics Market

The contract logistics in the UAE is predicted to showcase a CAGR of 7% during the period of 2022-2027. Since Covid has started, the supply chain management issues have prevailed; however, the contract service logistics providers have gained because of the automated technology they used.

### GCC Contract Logistics Industry Overview



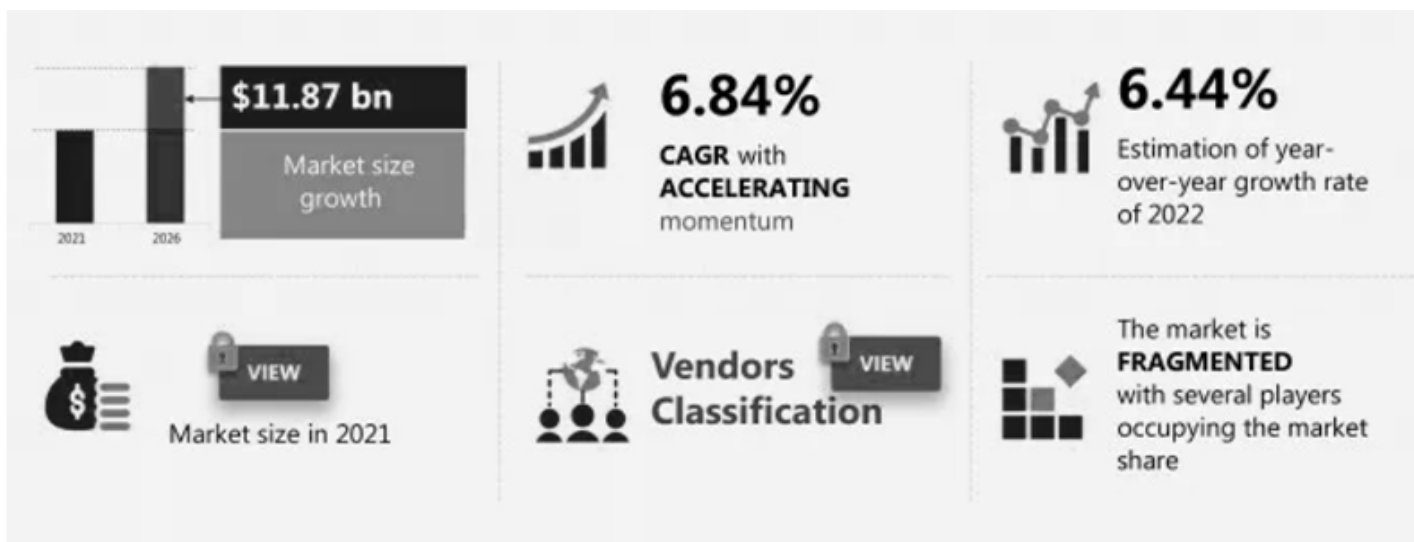
## Segment in the Logistics Sector

The logistics sector of the UAE consists of a wide range of segments. Here is a breakdown of some of the major ones:

- Logistics Services – It includes inbound and outbound transportation management, warehousing, and other similar services.
- Air/ Express Delivery Services (EDS) - The services include time-sensitive and end-to-end services for small parcels, documents, and high-value items.
- Freight Rail – This is used for higher volumes of cargo that need to be transported long distances.
- Maritime – This part of the logistics sector includes carriers, seaports, labor, and terminals for the movement of cargo by water.
- Trucking – Motor vehicles are used to transport cargo over short and medium distances.

## Key Logistics Market Driver in the UAE

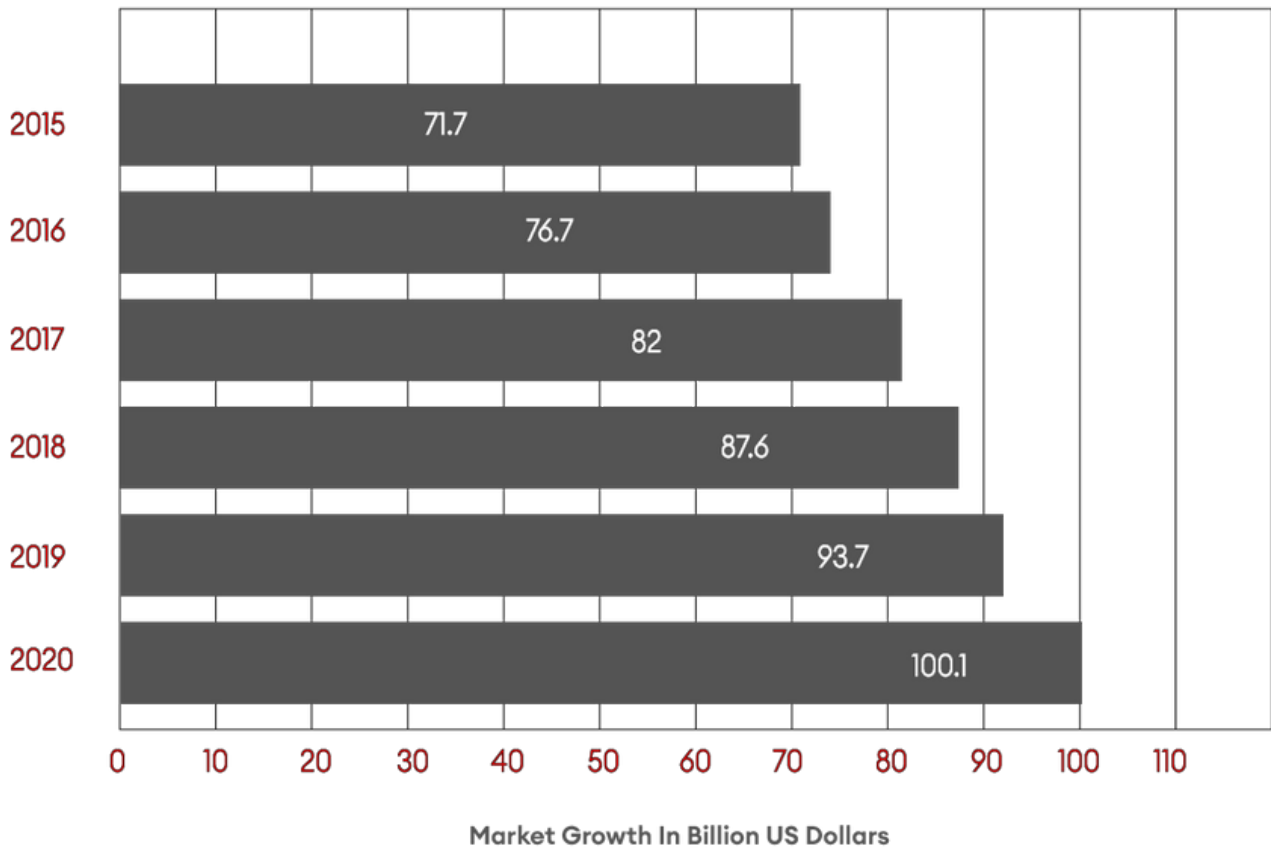
The main market driver for UAE logistics is the growing e-commerce trend. Due to the internet penetration and increased use of smartphones, the e-commerce industry has been growing rapidly. The e-commerce sales in the UAE market have increased at an average of 20-23% during the years 2018-2022. This increase directly benefits the logistics industry, since the consumers can spend more time on purchasing goods that need to be delivered to their doorsteps in the shortest time possible with a reliable transportation and distribution network.



## UAE Logistics – Before and After Covid-19

Logistics is a backbone for any country's economy, and UAE is no exception. The logistics and transport sector are considered to be a key enabler for economic and social activity; contributing 10% to the region's GDP and includes 6% of the total workforce in the MENA region. When amounted for in 2020, the funding for delivery and logistics in region increased by 525% and the total number of transactions increased by 60% since 2015. The country has also been climbing up the Logistics Performance Index, ranking at 12th spot in 2023 with a total score of 4.0.

## Value Of Logistic Market Growth In Gulf Coopertaion Council From 2015-2020



## Growth Outlook for the Region

UAE is leading the MENA region is ahead of many leading economies, like United States and Hong Kong. Here are some important statistics to highlight the potential opportunities in the UAE market:

- The freight and logistics market in the UAE was valued at USD 19.65 billion. The market is expected to reach the value of USD 31.41 billion by the year 2026.
- The Compound Annual Growth Rate (CAGR) between 2020 and 2026 is expected to be 8.41%.
- The port of Jebel Ali, Dubai was ranked as the 11th largest container port in the world with a volume of 13.5 million TEU in 2020.

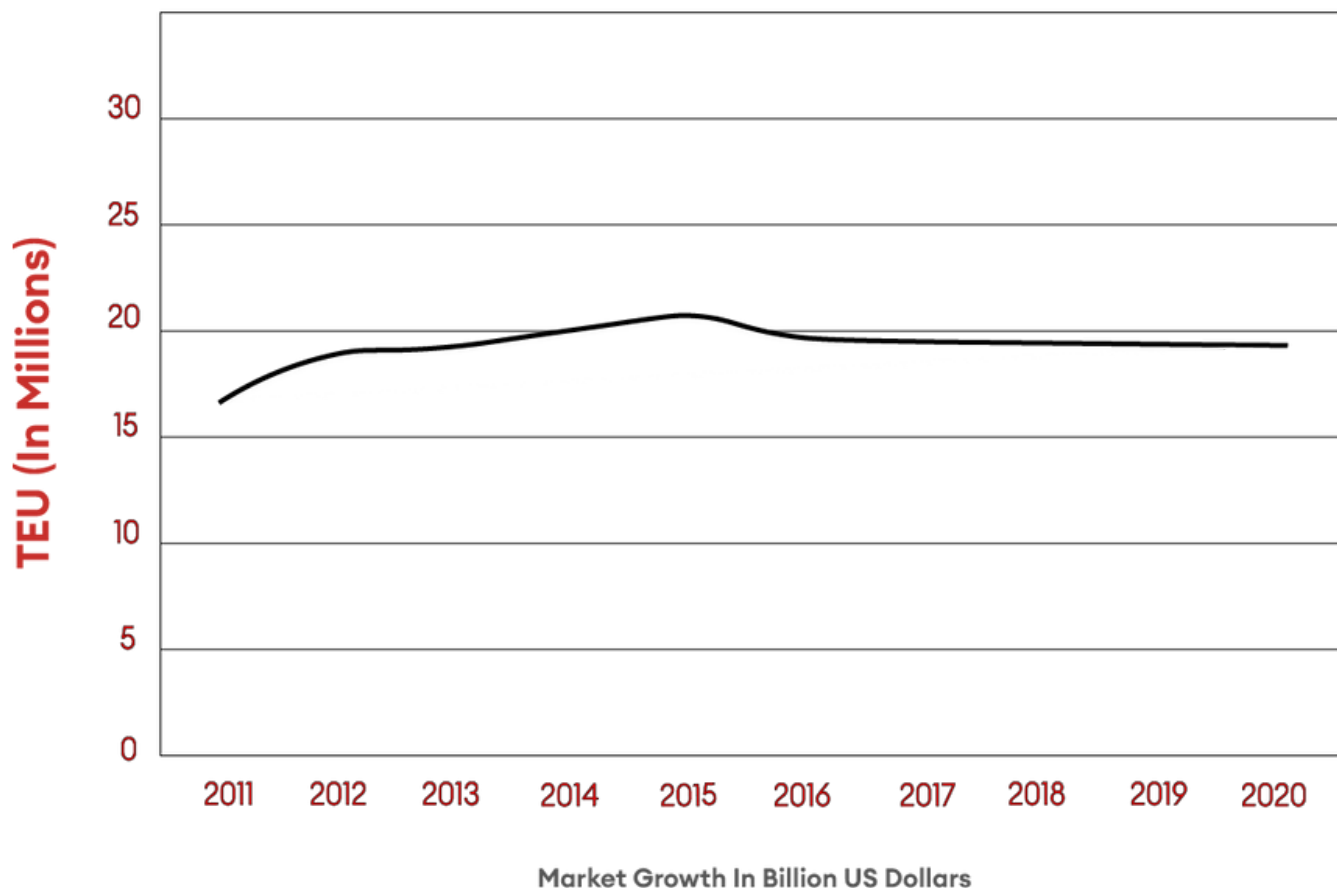
## Maritime

The Maritime subsector also has been growing in the UAE as the Bunker Supply Index ranked UAE in 3rd position in global transport service trade. In 2020, UAE handled more than 15 million TEUs with over 25,000 port calls in the same year. Furthermore, DP World, a leading Emirati logistics company in Dubai, is operating over 90 terminals across in six continents; where they handled 58.4 million TEUs during the period of January-September 2021.

Similarly, AD Ports, an exclusive developer and regulator of ports and related infrastructure, is operating in 11 ports, handling more than 22.5 million Tonnes of general and bulk cargo. Furthermore, the ADNOC Fujairah Underground Storage will strengthen the country’s position as a leading and reliable supplier of crude oil with the capacity of 14 million barrels in 3 underground caverns.

## Container Port Traffic

TEU (20 foot equivalent units)-UAE



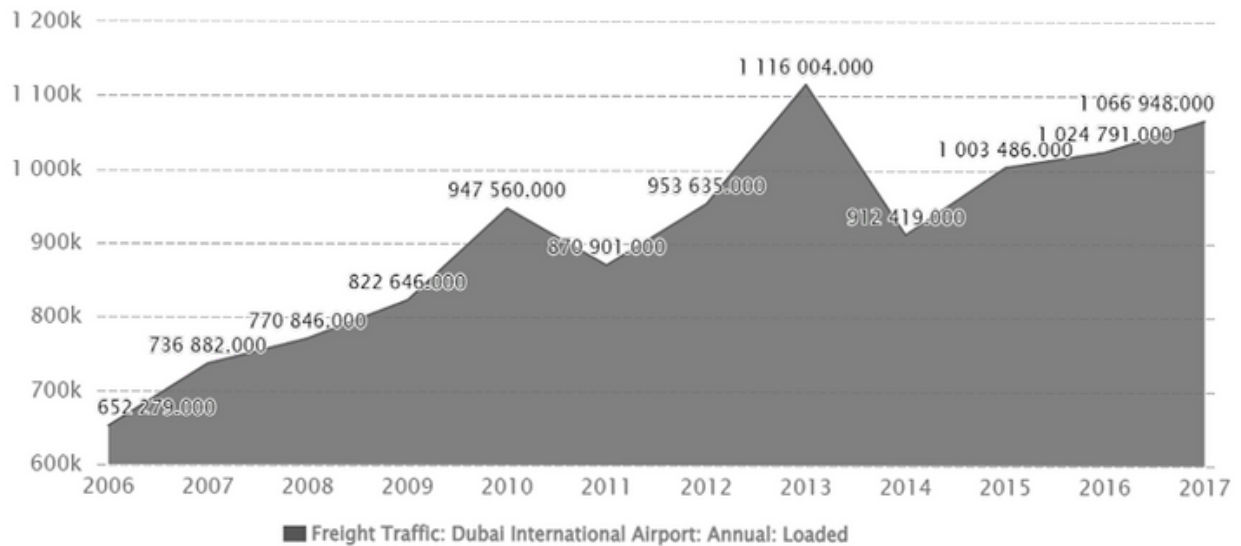
## Air & Land Transport

The cargo volume in the UAE has been showing strong growth capabilities since 2019; Abu Dhabi market is growing at the rate of 5.6% and Dubai at 3.3%. These promising numbers show a great growth potential of UAE becoming an important freight and logistics hub in the global market.

Emirates SkyCargo has become the first airline cargo carrier in the world, transporting over 50 million doses of Covid vaccines on the flights and more than 100 tonnes of syringes across the world. The Emirate Group’s yield per Freight Tonne Kilometer (FTKM) has increased by 88% in the year 2020/21.

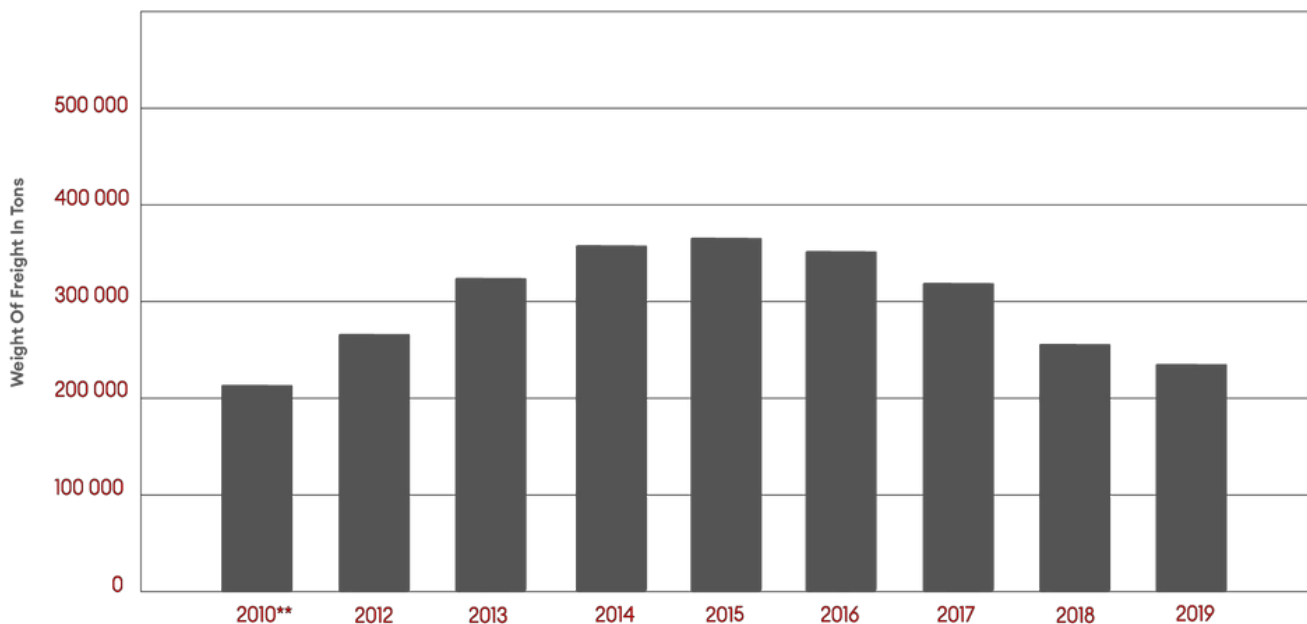
Similarly, the Etihad Aviation Group has experienced strong operations with an increase of 44% in 2021. The Dubai Flower Center is the first air freight terminal in the world that specializes in transferring cut flowers, handling 180,000 tons of freight on an annual basis.





When it comes to land freight, there are promising initiatives as well. Etihad Rail will now become the first national freight and passenger railway network that will connect seven emirates of the UAE. This network will further be expanded throughout the UAE; starting from border of Saudi Arabia to Gulf of Oman. The railway will span almost 1200 km and is expected to handle 50 million tonnes of freight.

**Weight Of Outbond Freight From Abu Dhabi International Airport In Abu Dhabi From (2010-2019) In Tons**



## E-commerce

Due to quick growth in e-commerce across the UAE and increasing international trade, the freight and logistics sector has been growing steadily. To move the goods speedily, strong supply chain management is required, which is why the sector has bloomed. UAE is considered to be the fastest growing and most advanced e-commerce market in the region with a 4.2% share of ecommerce within the total retail market. According to a study by Dubai Police, 68% of the residents in UAE have reduced in-store shopping and 49% are increasingly moving towards online shopping experience, making last-mile delivery an important market in the region.

# Growth Initiatives for Logistics in the UAE

Following are the initiatives for conducting logistics business in the UAE:

## World Logistics Passport (WLP)

It is a global privately owned initiative, which helps in making global trade smooth, improve the market access by creating more trade routes and providing economic efficiencies to members. The WLP enables its partners to take advantage of Dubai's customs and trade expertise, the DP World's international network, and the economic parts. The freight forwarders who are a part of WLP can expect an annual increase of 5-10% in trade.

## Dubai's Silk Road Strategy

It is a multi-decade strategy launched in 2019 to help in promoting air and sea freight in the region and helps narrow down the logistics gaps between emerging manufacturing and production hubs in the markets. The strategy includes 9 initiatives and 33 projects that involves the collaboration between different Emirates airlines, including Dubai Airports, Dubai South., Dubai Free Zones (DFZ) Council, Dubai Maritime City Authority (DMCA), Dubai Roads and Transport Authority, DP World, Dubai Municipality, and Jebel Ali Free Zone. The primary reason for this strategy is to improve the trade relations between free zones and the rest of the emirate.

## UAE Maritime Cluster

The Ministry of Energy and Infrastructure (MoEI) in the UAE has started the UAE Maritime Cluster, which acts as an umbrella for the local & federal government, and private organizations in the Maritime sector. The initiative will feature a centralized portal that will have the database of entities in the sector and a network of maritime organizations and professionals in the UAE.





## DP World

Currently, DP World has presence in over 40 countries, operating 78 marine and inland terminals, consisting of logistics parks and economic zones. The logistics provider handles 70 million containers, which accounts for a total of 10% of the global container traffic. Through the flagships, the DP World UAE contributes about 33.4% to Dubai's GDP.

## AD Port

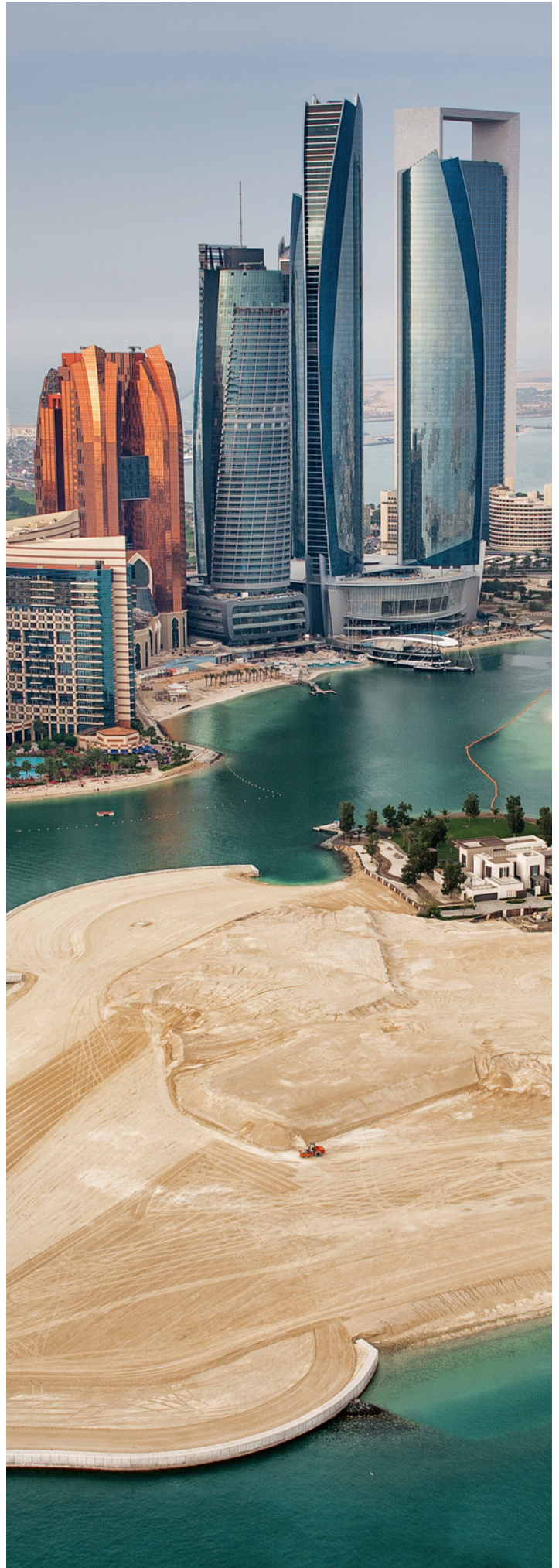
The Abu Dhabi Ports Group is currently managing 11 ports and terminals in the region of UAE and Guinea. The Khalifa Port alone serves over 25 shipping lines with direct links to 70 international destinations. The AD Port's general cargo volume increased to 37 million metric tonnes in 2020. After the agreement of AD Ports Group and CMA CGM Group in September 2021, a new terminal will be launched in the Khalifa Port with an initial capacity of 1.8 million TEUs.

## Major Logistics Market Challenges in UAE

UAE's Ministry of Economy released a report that showed that UAE saw a tremendous increase in the first quarter of the year 2021, the funding raised was the highest in 4 years, increasing 179% over year. The digital transformation has increased on a sector-wide level where companies are now trying to restructure their business models to be more agile and flexible to stay relevant in the industry.

Furthermore, the UAE government gave a quick response to the pandemic, which helped in catalyzing businesses and economic growth in the region. For instance, in April 2021, Dubai commenced the first e-commerce free zone. Since then, the Dubai Chamber has predicted that the UAE's e-commerce market will hit USD 9.2 billion by 2026.

Regional investments in different areas like air,



road, and infrastructure is expected to meet the growing demand for trade and encourage the growth in fulfillment operations. However, despite the progress, there are still many challenges that UAE industry had to face. Some of the most common challenges include:

## **Rise in the demand of Efficient Delivery Services**

The demand for efficient delivery methods is growing globally, including in the UAE. This is why the companies are now looking for ways to reach their end customers safely and timely. The competition to achieve this has been challenging for many companies.

## **Increasing cost of logistics and transportation**

The prices of transportation and logistics are increasing in the UAE, which is a big challenge for the businesses in the region. This increase is due to a number of factors including the increase in fuel prices, labor costs, and taxes. These changes have ultimately led to a rise in the cost of freight forwarding, affecting the businesses' affordability to move around the goods smoothly.

## **Growing demand for digitization and automation**

Due to the modern supply chain complexities, the logistics industry is facing an increasing demand for automation and digitization. The logistics industry in the UAE is now undergoing a transformation to improve efficiency, customer service, and gain a competitive edge in the market. Many companies can leverage the technology to their benefit; however, some are facing the challenges to catch up to the changing dynamic.

## **Lack of Skilled Labor and Resources**

In recent years, UAE has been facing a challenge when it comes to skilled labor and resources. This is especially a problem in the logistics sector, which has an acute shortage of skilled workers. This has ultimately led to increased costs for businesses, since they have to pay higher wages to attract qualified personnel. Furthermore, the lack of resources is also expected to delay the project timelines and effects the growth. This is also causing problems for businesses to access the financing or invest in a good training program for the labor.

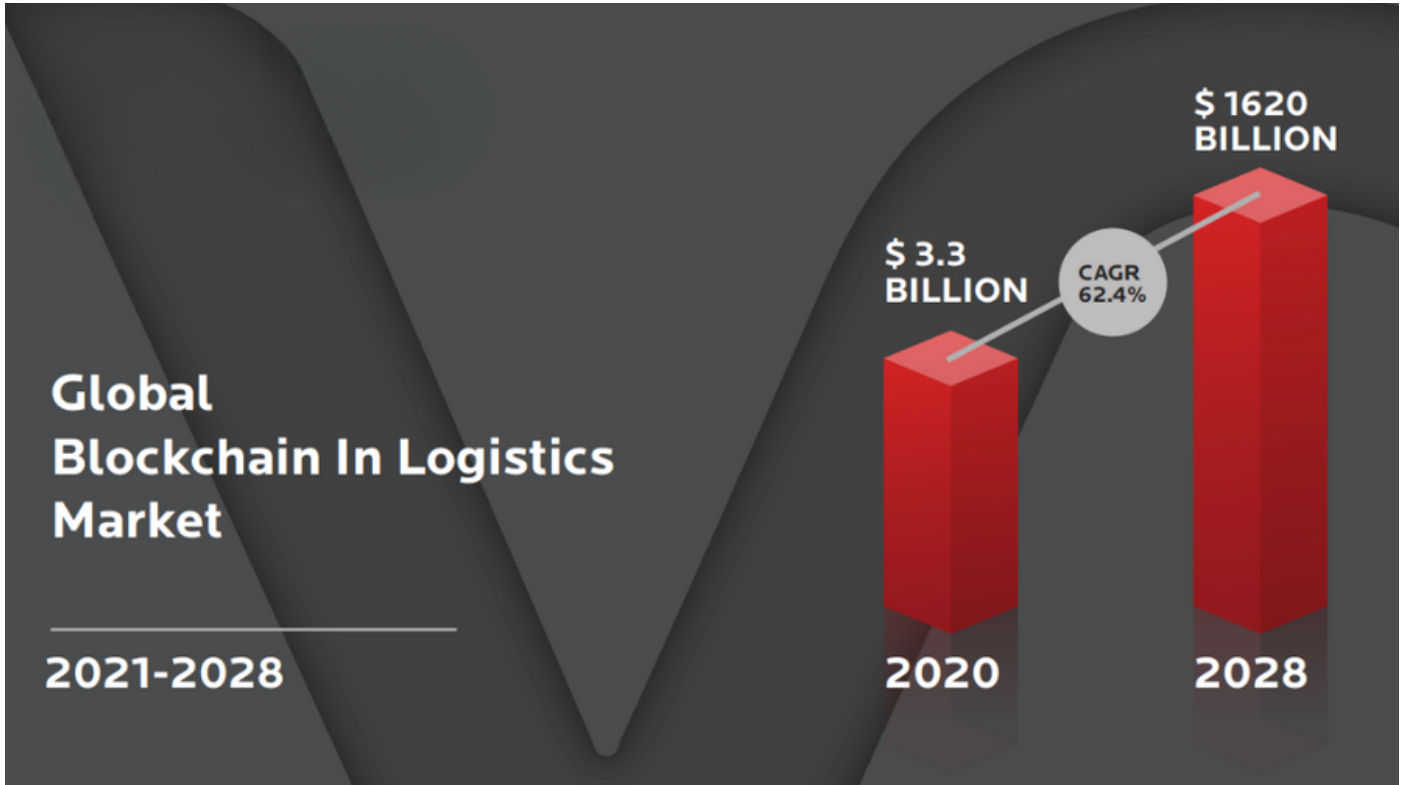
## **Trends in the Logistics and Transportation Market**

The logistics and transportation industry is expected to be taken over by these trends in 2023, and beyond:



# Blockchain

The use of blockchain technology in the logistics industry is expected to reach the value of USD 1620 billion by the year 2028 and is expected to grow at the CAGR of 62.4%. The blockchain has been improving the traceability and visibility throughout the supply chain to improve efficiency and optimize the operational costs of business processes.

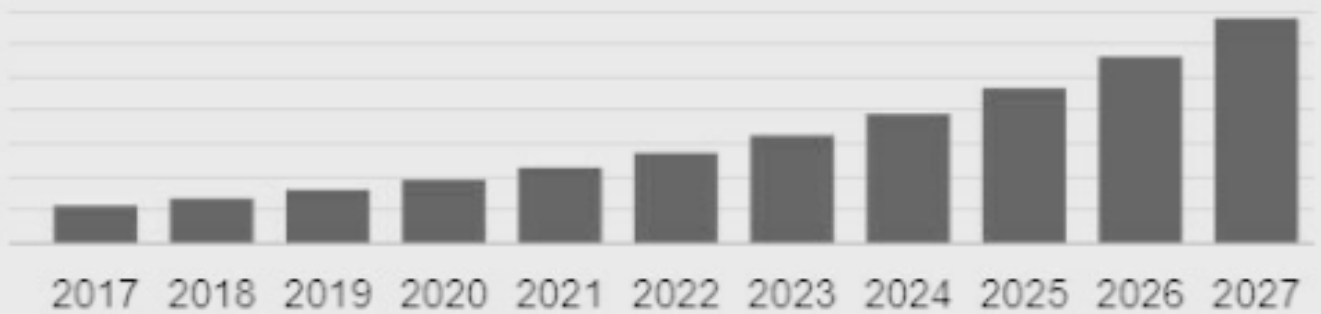


# Ecommerce Logistics

The increase in the trend of online shopping necessitated the requirement for reliable delivery methods in the industry. It has led the third-party logistics (3PL) service providers to meet the demand for quick and accurate deliveries. Consequently, warehouse operations are revolutionized with advanced technology like real-time tracking of inventory and automated batch packing system. Furthermore, for the time-sensitive deliveries, there has been a shift from traditional transportation like ground shipping to air shipping to make sure the product reaches the customers as soon as possible.

Looking forward, the market size is expected to reach USD 404.84 billion at a CAGR of 20%. The market is further forecasted to experience 19.52% year-over-year growth rate, starting from 2023.

## Market Size Outlook (USD Billion)



2017 : **113.35**



**19.52%**

Year-over-Year  
growth rate of 2023



**20%**

CAGR 2022-2027



**ACCELERATING**

Growth Momentum



USD **404.84 Bn**

Market size  
growth

2022      2027

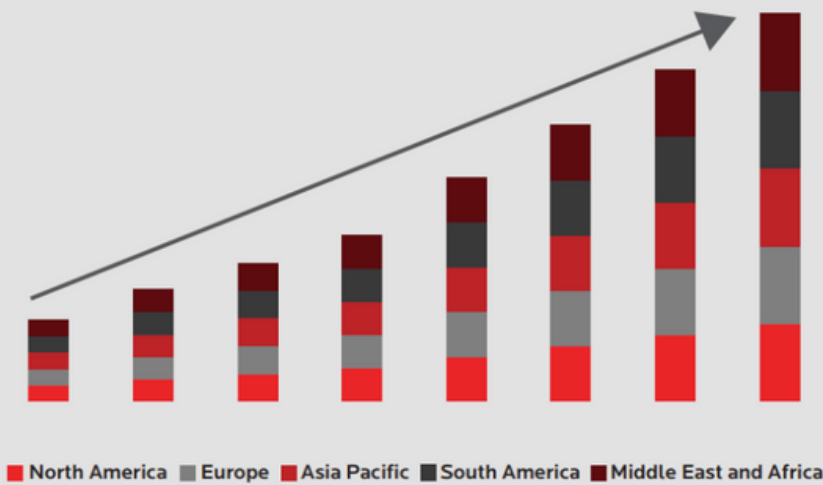
## Reverse Logistics

Reverse logistics is an integral part of the supply chain for product returns, recycling, or repair. Many companies are now offering an easy to return option on their websites, and retailers are partnering up with tech companies for reverse logistics.

The global reverse logistics market has reached the value of USD 563.2 billion in 2021. It is expected to grow at a CAGR of 5.80% during the period of 2022-2027 and reach the value of USD 812.6 billion.

Global Reverse Logistic Market is Expected to Account for USD 954,500.37 Million by 2029

Global Reverse Logistic Market, BY Regions, 2022 to 2029



Data Bridge Market Research

## Digital Training

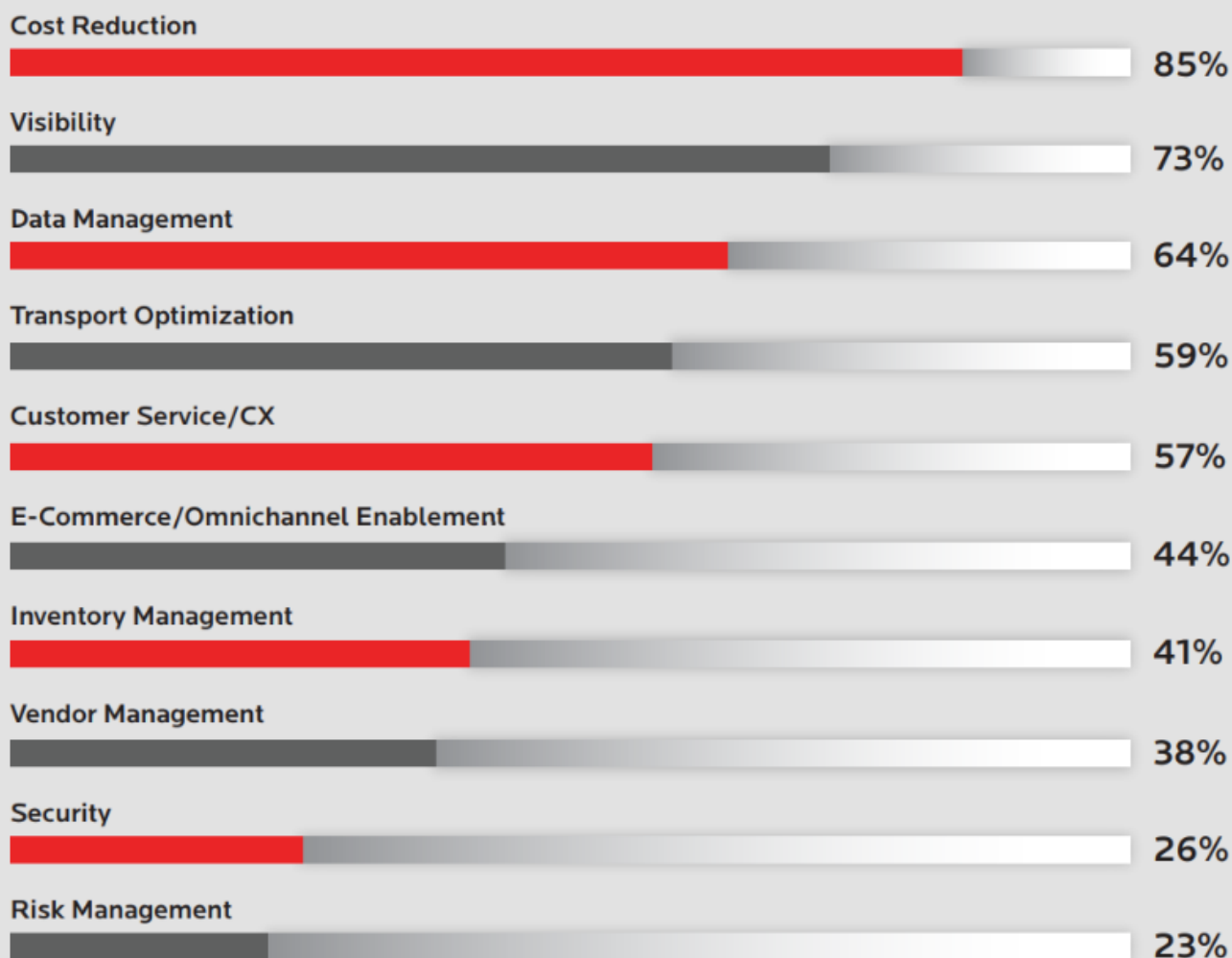
The digital training solutions are predicted to increase in the year 2023, which is expected to optimize the onboarding and training of the employees in the logistics industry. They are more affordable, convenient, and most importantly, customizable. This trend will be ideal for the blue-collar workforce, since it can easily be changed to the company's requirements to upskill the employees to compete and adapt to the changing industry trends.

## Elastic Logistics

Elastic logistics simply refers to the company's ability to make changes in their supply chain operations, including warehousing capacity or transportation system to match the changing dynamics of the market. Furthermore, it will also help the companies to reduce the logistics risks, decrease cost, and predict demand with AI-powered solutions.

The Third-Party (3PL) logistics companies are now focusing on having flexible labor capacity and infrastructure to meet the requirements of warehousing and processing needs for online retailers. The investment to support this trend is projected to be worth USD 1,789.94 billion by 2027.

## Transportation/Logistics Challenges Most Critical to Customers



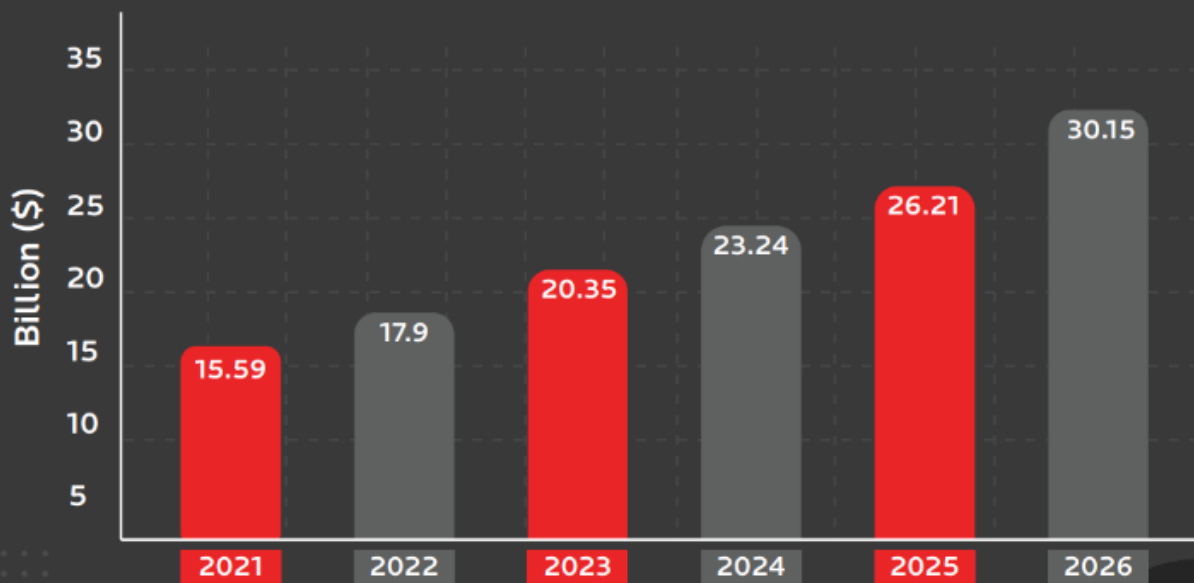
## Warehouse Automation

Warehouse automation helps keep track of inventory and replenish stock efficiently. It reduces the requirement of manual labor along with improving the safety conditions within the warehouse. Furthermore, communication in different warehouse parts can be enhanced, improving efficiency.

Based on the study conducted in 2019, the warehouse automation market will grow at a CAGR of 12.6% over the period of 5 years, which makes it one of the leading trends of the industry.



# Warehouse Automation Market Size 2021 - 2026



## Last Mile Delivery

The last mile delivery includes distributing the goods from a warehouse or distribution center to the destination. This delivery method has become more common with the popularity of online shopping, as it can help companies reduce the demand of fees handling of multiple shipments.

Based on a study conducted by UPS, the last mile delivery market will grow to USD 86 billion by 2025, in comparison to its standing of USD 48 billion in 2015. This growth is driven by online shopping for different products and the need for quick delivery times.

### Global last mile delivery market 2022 - 2026



Market Growth will **DECELERATE** at a CAGR of

**13.1%**



Incremental Growth (\$B)

**143.75**



The Market is **FRAGMENTED** with several players occupying the market



Growth Contributed by **NORTH AMERICA**

**35%**



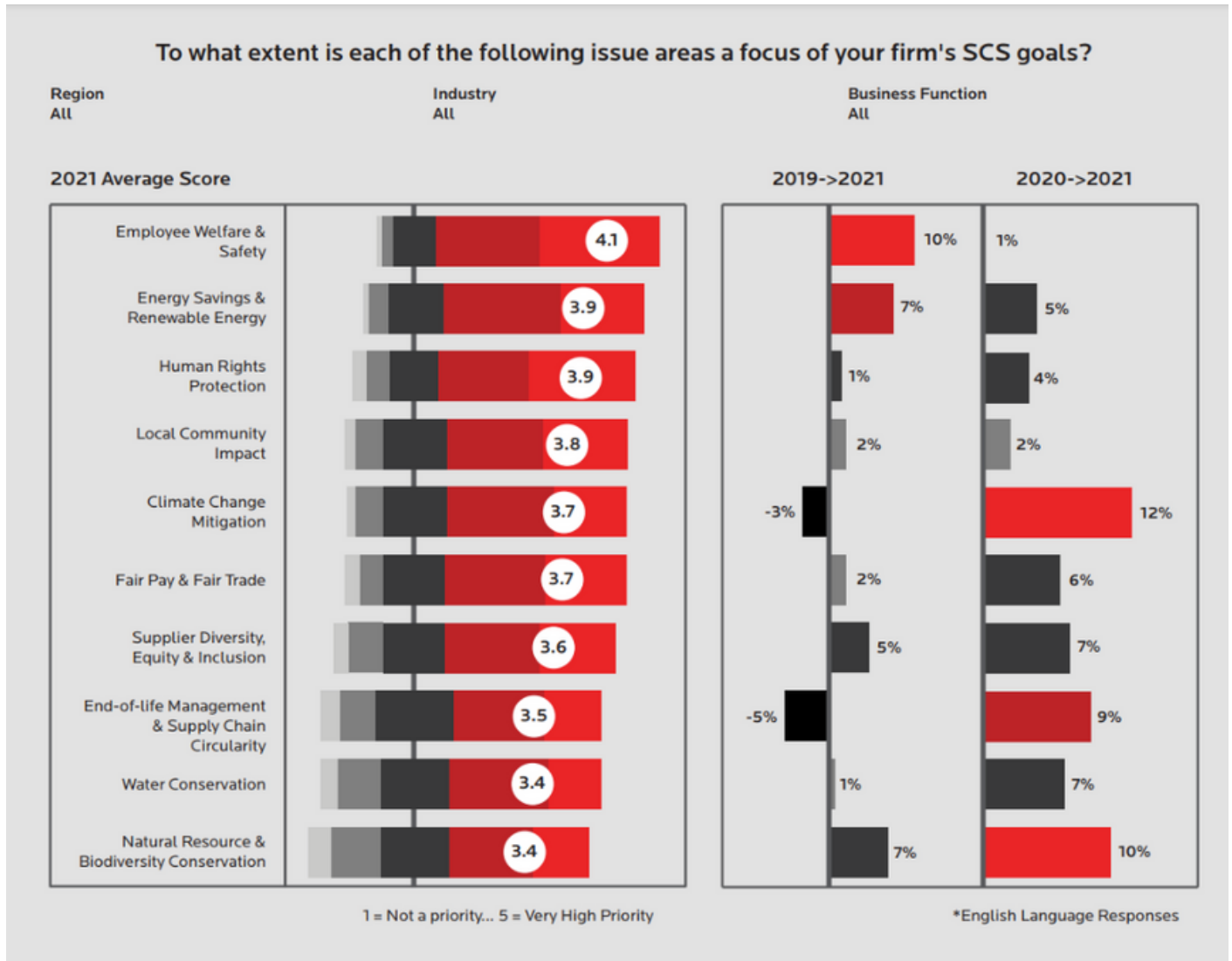
Growth for 2022

**13.48%**

# Sustainable Supply Chain Management

Integrating environmentally sensitive practices into logistics operations has now become a top concern for many companies and buyers. For better transparency in the supply chain operations, the logistics companies have started initiatives, like sourcing sustainable raw materials, eco-friendly packaging, product recycling, and the last-mile delivery.

Furthermore, sustainability in supply chain management is becoming more important as the government regulations are getting strict for the changing landscape.



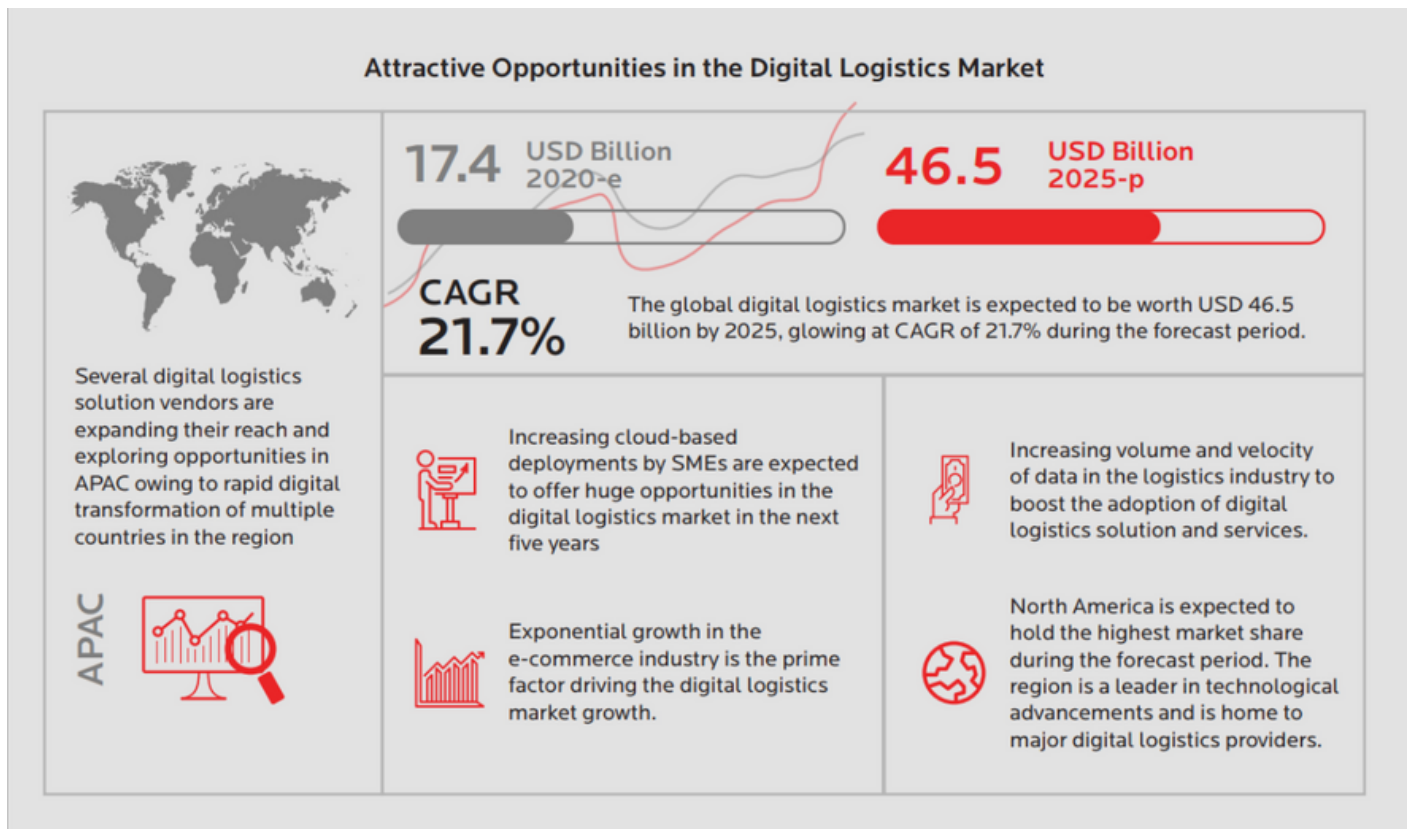
## Investment Trends

In the forthcoming years, these are some of the factors that will be driving the investment patterns in the logistics industry:

- E-commerce is growing rapidly, which has increased the need for last mile delivery services.
- The increase in demand for omnichannel retail has made logistics providers focus more on quicker delivery times.
- Complexity of supply chains leads logistics companies to invest in sophisticated solutions.

Based on the research done by Peerless Research Group (PGR), the biggest investment areas will include maintenance, increasing from 5% to 42%, outsourcing to 3PL companies, which will stay at 13%. Whereas enterprise investments are expected to be at 20%, which is 9% less than the value recorded in 2019.

Another trend becoming common is the digital logistics market, which is expected to reach the value of USD 46.5 billion by 2025 at a CAGR of 21.7%. This trend will offer attractive opportunities in the form of cloud-based developments, growth in e-commerce industry, and increase in the volume and velocity of data, boosting digital adoption in logistics industry.



The logistics and transportation industry are a vital part of the global economy. It provides essential services that enable businesses to move their products and services around the world. As the industry continues to evolve and become more efficient, it is critical that all stakeholders in the industry – from shippers and carriers to government agencies – work together to ensure the industry is successful. By leveraging the latest technology, increasing collaboration, and continually striving for operational excellence, the logistics and transportation industry will continue to be an essential part of the global economy.

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