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Inflation and Coping Behaviors Among Low-Income Households: A Study on Abdullah Al-Othaim Markets in Saudi Arabia

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1. Chapter 1: Introduction

1.1. Research Background

Inflation is often regarded as one of the most important macroeconomic processes, affecting people of all income levels. However, low-income households bear the brunt of the impact, as they have less of a financial cushion and are more vulnerable to rising prices of vital products such as food, shelter, and utilities. Low-income households respond to rising prices with a variety of adaptive coping behaviors, such as reducing consumption, substituting lower-cost product alternatives, or foregoing non-essential expenses. Understanding these behavioral responses is critical for legislators, retailers, and social welfare organizations.

Saudi Arabia is one of the largest economies in the MENA area, and, like many other countries, it was not immune to the inflationary surge that followed COVID-19. The issue has become more difficult as a result of the ongoing economic changes associated with Vision 2030. According to the General Authority for Statistics (GASTAT), the Kingdom's inflation rate was 3.06% in 2021, 2.47% in 2022, 2.33% in 2023, and 1.7% in 2024 (World Bank, 2024; Trading Economics, 2025). While these figures appear reasonable in comparison to worldwide trends, their true impact on lower-income groups is significant, particularly given that housing costs increased by 8.8% in 2024 and food prices continued to put strain on family budgets (FocusEconomics, 2025).

In this regard, Abdullah Al-Othaim Markets Company is one of the most important Saudi enterprises to investigate when researching inflation and low-income consumer behavior. The late Sheikh Saleh Al-Othaim began the company in 1956 as a small food trading business, and it has since expanded into one of the Kingdom's largest supermarket chains. By the end of 2025, it had 476 branches in more than 110 Saudi cities, as well as 61 in Egypt (Wikipedia, 2025). Al-Othaim is particularly relevant for this study because it intentionally targets low- and middle-income buyers with a low-price strategy, and it has the highest proportion of loyal main customers among all Saudi grocery shops (Oliver Wyman, 2024).

Al-Othaim has earned its name on making common goods accessible. It provides a large choice of private label products, runs frequent discounts, and has a reward program called Iktisab, which was introduced in 2004. In 2023, the company received a Global Business Outlook award for having the lowest consumer costs, and in 2025, it was recognized the Best Value for Money

Grocery Retail Chain in Saudi Arabia. All of this makes it an excellent case study for learning how a business may help low-income people deal with rising pricing.

On the academic front, much research has been conducted worldwide on how households deal with inflation. Raihan et al. (2023) discovered that households facing inflationary pressure tend to adjust their eating habits, reduce non-food spending, borrow money, or seek assistance from others. Seivwright et al. (2024) found five important tactics used by low-income households, the majority of which entail reducing food quality and quantity while also lowering housing and transportation costs. Islam et al. (2022) shown that people's coping techniques are frequently determined by their demographic background, and that households that utilize more coping mechanisms have a lower overall quality of life.

Research has indicated that the food price index in Saudi Arabia was continuously higher than the overall Consumer Price Index between 2001 and 2022, with food and drinks having the highest average CPI score from January to May 2023 (Elbushra, 2024). This is a noteworthy conclusion because food and beverages account for approximately 19% of the Saudi CPI basket (Trading Economics, 2025), implying that low-income people are hit more than others. An prior study in Riyadh discovered that when food costs rose, people bought less of the primary food products, spent more money, and depleted their savings (al-Sayed, 2013).

Despite all of this study, there remains a significant gap in the literature. There haven't been enough research that focus on how low-income Saudi households deal with inflation in a structured retail environment like Al-Othaim. The organization targets precisely the types of clients who are most sensitive to price rises, and it operates throughout the country. So it's an excellent place to study how merchant strategies and consumer coping habits interact when prices rise. This study seeks to fill that gap.

1.2. Research Problem

Inflation affects more than just how much people can buy today. It also has long-term implications for financial stability and overall well-being, particularly among low-income households. Even though general inflation in Saudi Arabia has been relatively modest, rises in food, housing, and utilities have disproportionately impacted lower-income families, who spend a significantly larger portion of their income on these basics. Maintaining a good level of living during inflationary periods is a significant issue for these households, and it is an increasing source of worry from both social and economic perspectives. The majority of prior research in Saudi Arabia has concentrated on macroeconomic inflation, rather than studying how low-income households cope at the point of purchase.

And, while Al-Othaim Markets is well known as a retail establishment for low-income clients, there has been no scholarly research into whether its pricing and promotional activities help its customers deal with inflation. This section is divided into two sub-sections as follows.

1.2.1. Theoretical Gaps

From a theoretical standpoint, there is insufficient study into how low-income consumers in Gulf Cooperation Council (GCC) countries respond to inflation in a retail setting. Most of the theoretical models we have are based on research conducted in underdeveloped countries or Western markets, and they do not always apply well to Saudi Arabia, which has a big expat workforce, a government support system for nationals, and a rapidly changing retail sector. Another issue is that the impact of retail pricing strategy in shaping how households deal with inflation has not been thoroughly researched or theorized in existing literature.

1.2.2. 1.2.2 Practical Gaps

Practically speaking, we don't have enough information about how low-income Saudi households really use the resources that companies like Al-Othaim provide, such discounts, private label goods, and loyalty programs, to assist control living expenses. According to the corporation, there

is also a dearth of research to guide how its lower-income clients perceive and apply its pricing and promotional efforts during bad economic times. Without this type of study, the company will struggle to improve its offerings and better meet its social responsibility promises to its most vulnerable customers. Based on the previous discussion, the primary question motivating this research is: What coping behaviors do low-income Saudi families engage in in reaction to inflation, and how do Abdullah Al-Othaim Markets Company's pricing methods and products influence these behaviors?

1.3. Research Significance

This study is significant on multiple levels. It advances scholarly knowledge of inflation as well as its practical effects on Saudi Arabia's retail industry and low-income people. The following explains why this research is important on both a theoretical and practical level.

At the theoretical level

From a theoretical standpoint, this study contributes to the growing body of research on consumer behavioral economics by examining how low-income households deal with inflation in the Saudi setting. By applying and expanding current frameworks to the GCC retail sector, the study fills a known gap in the literature and paves the way for future comparative studies throughout the MENA region. It also contributes to our knowledge of the link between merchants and consumers during economic downturns by demonstrating how a company's pricing strategy can assist mitigate the impact of inflation on disadvantaged households.

Furthermore, because Al-Othaim is a publicly traded firm with transparent financial disclosures, it provides the academic community with a credible, real-world case to work with in the fields of value retail management and corporate responsibility.

1.3.1. At the practical level

Practically speaking, the outcomes of this study are relevant to a variety of populations. This research provides policymakers and government organizations with actual facts regarding how inflation impacts low-income Saudi families, which can be used to develop stronger support programs, price control mechanisms, and social protection measures. For Al-Othaim, the study provides insights into how its low-price approach and promotional tactics are perceived by its core customers, allowing the company to enhance its value offering and better match with Vision 2030's aims for quality of life and economic inclusion. This study also demonstrates how value-driven retailing can perform an important societal purpose during times of economic strain in the Saudi retail industry as a whole.

1.4. Research Questions

1.5. Research Objectives

1.6. Research Hypotheses

1.7. Research Model

1.8. Research Methodology

1.9. Scope of The Study

1.10. The Suggested Project Structure

2.Chapter 2: Literature Review

2.1. Introduction

Brief introduction for the chapter

2.2. The independent variable

2.3. The dependent variable

2.4. The relationship between the independent and the dependent variables

2.5. Conclusion

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