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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. 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.

1.3.1. 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.

1.3.2. 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 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

The research questions in this study are designed to directly address the research problem identified in Chapter 1. They focus on understanding how low-income households in Saudi Arabia respond to inflation in terms of their purchasing and coping behavior, and what role Al-Othaim Markets plays in that process. Each question targets a specific dimension of the problem so that the study stays focused and produces findings that are actually useful.

RQ1: What are the main coping behaviors that low-income households in Saudi Arabia adopt when facing rising prices of essential goods?

RQ2: To what extent do low-income households in Saudi Arabia rely on value-oriented retailers like Abdullah Al-Othaim Markets as a coping mechanism during periods of inflation?

RQ3: How do the pricing strategies, private label products, and promotional tools offered by Al-Othaim Markets influence the spending decisions of low-income households?

RQ4: Is there a significant relationship between the level of inflation experienced by a household and the frequency of its shopping at Al-Othaim Markets?

RQ5: What is the perceived effectiveness of Al-Othaim Markets' low-price strategy in helping low-income households manage the financial pressure of inflation?

1.5. Research Objectives

The objectives of this study are directly tied to the research questions above and to the central problem this research aims to address. They are written in a way that makes them measurable and achievable within the scope of the study.

O1: To identify and describe the main coping behaviors adopted by low-income households in Saudi Arabia in response to inflation, with a focus on changes in food and non-food expenditure patterns.

O2: To examine the extent to which low-income Saudi households use Al-Othaim Markets as part of their inflation coping strategy, including their frequency of visits, use of promotions, and preference for private label products.

O3: To assess the relationship between Al-Othaim Markets' pricing strategy and the spending behavior of low-income households during inflationary periods.

O4: To measure the perceived impact of Al-Othaim Markets' value offerings — including its Iktisab loyalty program, private label products, and promotional discounts — on the financial wellbeing of low-income shoppers.

O5: To provide practical recommendations for Al-Othaim Markets and Saudi policymakers on how to better support low-income households during periods of sustained price increases.

1.6. Research Hypotheses

Based on the research questions, objectives, and the existing literature, the following hypotheses have been developed for testing in this study. Each hypothesis proposes a relationship between two or more variables that the research aims to confirm or reject.

H1: There is a positive and significant relationship between the level of inflation experienced by low-income households in Saudi Arabia and the intensity of their coping behaviors (such as reducing food quality, cutting non-essential spending, and switching to cheaper products).

H2: Low-income households that shop more frequently at Al-Othaim Markets report lower levels of financial stress related to inflation compared to those who shop at other retailers.

H3: The use of Al-Othaim Markets' private label products has a significant positive effect on the ability of low-income households to maintain their food consumption levels during inflationary periods.

H4: Participation in the Iktisab loyalty program is positively associated with higher perceived value and lower out-of-pocket expenditure among low-income shoppers during periods of rising prices.

H5: There is a significant positive relationship between Al-Othaim Markets' promotional discount offerings and the reported coping effectiveness of low-income households facing inflationary pressure.

1.7. Research Model

The conceptual model for this study is built on the relationship between inflation as an independent variable, the coping behaviors of low-income households as the dependent variable, and the strategies of Al-Othaim Markets as a moderating variable. This model draws on the theoretical framework of consumer behavioral economics and the concept of household financial vulnerability during economic shocks (Causa et al., 2023; PwC Middle East, 2025).

The model works as follows. When inflation rises, low-income households feel the pressure mainly through higher prices for food, housing, and utilities. This leads them to adopt various coping behaviors — things like buying less, switching to cheaper brands, or visiting stores more frequently but in smaller amounts. The model proposes that Al-Othaim Markets' pricing strategy, private label range, promotional tools, and loyalty program act as a moderating factor that can reduce the severity of those coping behaviors by making essential goods more affordable.

This is backed up by real market data. Al Jazira Capital (2025) reported that Al-Othaim experienced a 12.1% shrinkage in average basket size in 2024, while at the same time the number of customer transactions grew by 16.3% year-on-year. This pattern shows that low-income consumers are shopping more often but spending less per visit — which is exactly the kind of adaptive behavior this model captures. The company's strategy of opening more corner stores (which nearly doubled to 83 over four years) is directly aligned with this shift in consumer behavior (Al Jazira Capital, 2025).

The model can be summarized as:

Inflation (Independent Variable) → Household Coping Behaviors (Dependent Variable)

Moderated by: Al-Othaim Markets' Value Strategies (Pricing, Private Label, Promotions, Loyalty Program)

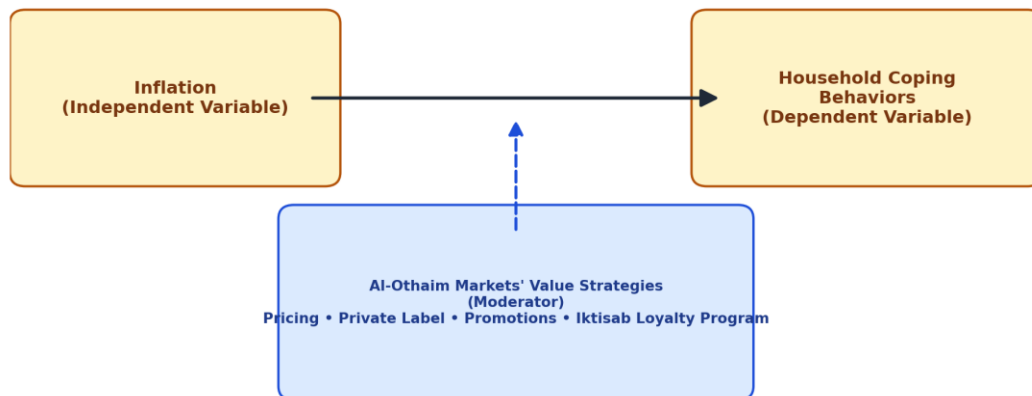


Figure 1. The research model diagram.

1.8. Research Methodology

Overview

This study uses a quantitative, cross-sectional design grounded in positivist philosophy and a deductive approach. The aim is to gather structured numerical data from low-income Saudi households who shop at Al-Othaim Markets and use it to test the five hypotheses in Section 1.6. The methodology follows the Research Onion framework of Saunders et al. (2023), working from philosophy through to data collection and analysis.

Research Philosophy — Positivism

This study adopts a positivist philosophy, meaning knowledge is built through observable, measurable facts and the researcher stays objective and separate from the subject of study (Saunders et al., 2023). This fits well with a project that measures specific relationships between variables — such as inflation levels, household spending patterns, and use of the Iktisab loyalty program — using numbers that can be statistically tested and generalized.

Research Approach — Deductive

A deductive approach is used, meaning the research starts from existing theories and hypotheses and tests them against collected data (Saunders et al., 2023). The five hypotheses in Section 1.6 reflect this logic — each proposes a specific, testable relationship grounded in the academic literature, and will be either supported or rejected based on the survey results.

Research Instrument

The main data collection tool is a bilingual self-administered questionnaire in Arabic and English. A bilingual design ensures that Saudi nationals and Arabic-speaking expatriates can participate fully. The questionnaire has four sections: household demographics; experience of inflation and its effect on monthly budgets; coping behaviors adopted in response to rising prices; and use of Al-Othaim Markets, including visit frequency, private label product use, Iktisab loyalty program participation, and perceived store value. All attitudinal items use a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Sampling

Purposive sampling is used to select respondents who meet two criteria: a monthly disposable household income below the national average of SAR 11,839 (GASTAT, 2023), and at least one shopping visit to Al-Othaim Markets in the past three months. The target sample is 50 respondents, collected both online and in person at Al-Othaim branches in Jeddah. This sample size is justified based on Hair et al. (2022), who recommend a minimum of 10 times the largest number of structural paths in the PLS-SEM model, giving a minimum of 50 respondents for this study.

Data Analysis — PLS-SEM

Data will be analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) via SmartPLS software. PLS-SEM is chosen because it handles multiple dependent

relationships simultaneously, works well with smaller samples, and does not require normally distributed data (Hair et al., 2022). Analysis proceeds in two stages: first, the measurement model is assessed for reliability and validity; second, the structural model tests path coefficients for each hypothesis.

Time Horizon

A cross-sectional time horizon is used — data is collected at one point in time. Respondents will reflect on their inflation experience and shopping behaviour between 2021 and 2024, the period of Saudi Arabia's most notable post-COVID inflationary changes according to GASTAT and World Bank data (Saunders et al., 2023).

1.9. Scope of Study

This section sets out the boundaries of the research in terms of geography, time period, subject matter, and the population being studied.

Geographic Scope: This study focuses specifically on the Kingdom of Saudi Arabia. While Al-Othaim Markets operates in Egypt as well, the research is limited to Saudi Arabia where the company's low-price strategy is most established and where the majority of its customer base resides. The study covers urban and semi-urban areas where Al-Othaim branches are concentrated, including major cities such as Riyadh, Jeddah, Makkah, Dammam, and Madinah (Wikipedia, 2025).

Time Scope: The study focuses on the period from 2021 to 2024, which covers the post-COVID inflationary wave in Saudi Arabia and the period during which the Kingdom's CPI saw its most notable fluctuations. This time frame is supported by GASTAT data showing inflation rates of 3.06% in 2021, 2.47% in 2022, 2.33% in 2023, and 1.7% in 2024 (World Bank, 2024). It also coincides with significant changes in Al-Othaim's store network and consumer transaction patterns (Al Jazira Capital, 2025).

Subject Scope: The study focuses specifically on low-income households, which are defined in the Saudi context as households with a monthly disposable income below the national average of SAR 11,839 as reported by the GASTAT Household Income and Consumption Expenditure Survey (GASTAT, 2023). The subject matter covers their purchasing behavior, coping mechanisms in response to inflation, and their interaction with Al-Othaim Markets as a retail provider.

Company Scope: The study is limited to Abdullah Al-Othaim Markets Company (Tadawul: 4001) as the primary retail institution under examination. This focus is justified by the company's explicit low-price positioning, its widespread branch network across Saudi Arabia, and its publicly available financial and operational data that allow for objective analysis.

1.10. The Suggested Project Structure

The proposed structure for the research project will be organized into five chapters as follows: (Midocean University, 2026):

Chapter 1 — Introduction

Provides the research background, problem, significance, questions, objectives, hypotheses, model, methodology, scope, and suggested structure. This chapter establishes the full research framework.

Chapter 2 — Literature Review

Critically reviews existing academic and professional literature on three main themes: the macroeconomic and household-level effects of inflation; consumer coping behaviors among low-income groups; and value-oriented retail strategies in mediating economic hardship. It identifies the gap this study addresses.

Chapter 3 — Research Methodology

Presents and justifies the full methodological framework covering Research Onion layers, bilingual questionnaire design, purposive sampling method, and PLS-SEM analytical technique. Includes ethical considerations and pilot testing procedures.

Chapter 4 — Data Analysis and Results

Presents findings from the questionnaire survey including sample profile, descriptive statistics, measurement model assessment, and structural model hypothesis testing using PLS-SEM via SmartPLS.

Chapter 5 — Discussion, Conclusion and Recommendations

Interprets findings in light of research questions and existing literature. Discusses theoretical and practical contributions, acknowledges limitations, and provides recommendations for Al-Othaim Markets, policymakers, and future researchers.

2. Chapter 2: Literature Review

2.1. Introduction

This chapter reviews the existing academic and professional literature related to the core themes of this research. It covers three main areas: inflation as the independent variable and its effects on household purchasing power; the coping behaviors of low-income households as the dependent variable; and the moderating role of value-oriented retail strategies, with a specific focus on Abdullah Al-Othaim Markets in Saudi Arabia. By engaging in previous studies, this chapter identifies what is already known, where the gaps are, and how this study contributes to filling them.

2.2. The independent variable

Inflation refers to the sustained rise in the general price level of goods and services over time, which leads to a decline in the purchasing power of consumers. It is widely considered one of the most significant macroeconomic forces shaping household financial behavior, particularly for those with limited incomes (World Bank, 2024).

Research has consistently shown that the impact of rising prices is not evenly distributed across income groups. Low-income households, who spend a disproportionately larger share of their income on essential goods such as food, housing, and utilities, are significantly more affected than higher-income groups when prices rise (Federal Reserve Bank of Dallas, 2023). This unequal burden is especially pronounced in food price inflation, where even small increases can rapidly push vulnerable households into food insecurity (Headey & Ruel, 2023).

In the Saudi Arabian context, GASTAT reported that the annual inflation rate stood at 3.06% in 2021, 2.47% in 2022, 2.33% in 2023, and eased to 1.7% in 2024 (World Bank, 2024). While these headline figures appear moderate, the composition of price increases tells a different story. Housing costs in the Kingdom surged by 8.8% in 2024, and food and beverages — which account for approximately 19% of the Saudi Consumer Price

Index basket — consistently recorded above-average price growth during this period (GASTAT, 2024; Trading Economics, 2025). Elbushra (2024) confirmed that the food price index in Saudi Arabia was consistently higher than the general CPI between 2001 and 2022, making food price inflation a particularly acute concern for lower-income households in the Kingdom.

Overall, the literature confirms that inflation, particularly in food and essential goods, acts as a significant economic stressor for low-income households, creating sustained pressure on their purchasing decisions and daily consumption patterns.

2.3. The dependent variable

The dependent variable in this study is the coping behaviors adopted by low-income households in response to inflationary pressure. Coping behaviors refer to the adaptive strategies that households use to manage the financial impact of rising prices and maintain an acceptable level of consumption (Seivwright et al., 2024).

Seivwright et al. (2024) identified five key financial coping strategies among low-income households during the inflationary period of 2022 to 2023: reducing food quantity, lowering food quality, cutting housing and transport costs, forgoing healthcare, and borrowing money. Households experiencing more severe financial stress tended to use a larger number of these strategies simultaneously, pointing to a cumulative effect of inflation on household behavior.

In the context of Saudi Arabia, consumer research by PwC Middle East (2025) found that Saudi households are responding to economic uncertainty by prioritizing price and value in their shopping decisions, with 39% planning to reduce dining expenses and 38% cutting back on entertainment. Oliver Wyman (2025) further reported that 31% of Saudi households experienced a drop in income during 2024 and 40% saw their savings decline, leading them to actively seek lower-priced stores and value-oriented products. These

findings highlight the direct behavioral impact of inflationary pressure on Saudi household consumption and reinforce the importance of studying coping behaviors in the Saudi retail context.

2.4. The relationship between the independent and the dependent variables

The relationship between inflation and household coping behaviors has been well established in the literature, and recent research increasingly points to the moderating role that retail strategies play in shaping this relationship. When households face rising prices, they actively seek out ways to maintain their standard of living through behavioral adaptation, and the retail environment they operate in significantly influences the options available to them.

Oliver Wyman (2024) found that value and price are the most significant factors for 51% of Saudi consumers when choosing a retailer, and that 80% of Saudi consumers regularly purchase private label products. Nearly half of Saudi consumers actively compare prices and seek out lower-priced stores — behaviors that are directly consistent with the inflation coping strategies identified in the academic literature. This suggests that retailers offering strong value propositions play an active moderating role in the relationship between inflation and consumer hardship.

McKinsey (2024) reported that the Saudi grocery market was valued at \$62 billion in 2023 and growing at a compound annual growth rate of 4.2%, partly driven by consumers shifting toward modern trade formats that offer greater price transparency, private label options, and loyalty-based discounts. The report also notes that 55% of Saudi consumers indicated they would shop at a discount grocery retailer if one were available, underlining the strong demand for value-driven retail among Saudi consumers.

In the context of Al-Othaim specifically, Al Jazira Capital (2025) reported that the company saw a 12.1% shrinkage in average basket size during 2024, while customer transactions grew by 16.3% year-on-year. This pattern — more frequent visits but smaller spending per visit — is a classic inflation coping response, and it suggests that Al-Othaim's store network and pricing strategy are directly enabling this behavior. Argam (2024) confirmed that Al-Othaim held over 20% of Saudi Arabia's modern retail market in Q3 2024, reflecting the strong alignment between the company's value strategy and the inflation-driven needs of its customer base.

2.5. Conclusion

The literature reviewed in this chapter confirms three key points relevant to this study. First, inflation disproportionately affects low-income households, particularly through food and housing price increases, and this is well documented in both global and Saudi Arabian contexts. Second, low-income households respond to inflation through a range of adaptive coping behaviors, including reducing consumption quality and quantity, switching to cheaper alternatives, and relying more heavily on value-oriented retailers. Third, the retail environment — particularly the pricing strategies, private label offerings, and loyalty programs of value retailers — plays an important moderating role in shaping the severity and nature of these coping behaviors.

Despite this growing body of knowledge, a clear gap remains in the literature. There are very few studies that examine these dynamics specifically within the Saudi retail context, and even fewer that focus on the role of a single value-oriented retailer such as Al-Othaim Markets in mediating the impact of inflation on low-income households. This study directly addresses that gap by testing five hypotheses about the relationship between inflation, Al-Othaim's strategies, and household coping behaviors.

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