

INDUSTRY FINDINGS REPORT

The New Age of Retail

Analysing the changing retail landscape in the UAE

JUNE 2021



A person wearing a blue protective suit, a white face mask, and blue gloves is handing a reusable shopping bag to a customer. The bag is made of a brown, textured material and contains a bottle of white sauce and some green leafy vegetables. The customer's hand is visible in the foreground, reaching out to receive the bag. The background is slightly blurred, showing an outdoor setting with a wooden structure.

*The path ahead needs
to be shaped by lessons
from the pandemic.*

Reassessing the retail market



Digitalisation, which was already playing an increasingly important role in the industry, will continue to be key factor to drive the recovery of the industry.

In March 2020, the UAE's retail industry came to a jarring halt. Shackled by the lockdown restrictions enforced due to the Covid-19 pandemic, shops and malls were forced to pull down the shutters. At its worst, only essential outlets, such as groceries and pharmacies remained open.

The subsequent months remain a painful memory of a year that was, mired by rising operational costs, lower revenues, supply chain disruptions, foreclosures and furloughs.

As vaccination programmes take effect, the region's retailers are finding their footing again in 2021, supported by a recovery in domestic spending and the return of tourists between November-February. But the path ahead needs to be shaped by lessons from the pandemic.

Digitalisation, which was already playing an increasingly important role in the industry, will continue to be key factor to drive the recovery of the industry. From improved safety measures (digital contact tracing, remote monitoring systems) through to payments (cashless and contactless) and improving customer satisfaction (data analytics, personalisation, augmented reality etc). These will all be decisive in the rebound in regional retail.






Traditional retailers also need to rethink their business strategies. Those that had some amount of online presence before, or who built platforms during the pandemic, found it easier to continue through. It is evident that having an effective online strategy can help retailers build the omnichannel ecosystem that is currently in demand.

For e-commerce players, sustaining business momentum will be important after the highs of 2020. Digital retailers must now re-strategise to remain agile, and evolve with market demand.

Since the UAE's retail sector is so closely tied to the tourism and travel industry, the fates of both are intertwined. Outlook for travel remains weak, with forecasts from the UN World Tourism Organisation suggesting that pre-pandemic travel levels will only be achieved by 2023. But the situation remains uncertain, and the speed of vaccinations and cross-border coordination will be pivotal in resumption of tourism.

At the first MEED Mashreq Retail Roundtable, leading industry experts from the UAE and GCC region gathered to discuss the challenges of 2020 and the way they overcame those through renewed business tactics. This report captures those discussions, while also assessing the disruptive trends underway across the UAE retail sector.

Summary

-  High-end retail has become a vital part of the UAE's global brand identity and has an important role to play in its ambition to become one of the most advanced tourist hubs in the world.
-  In recent years, the UAE's traditional retail sector has faced a number of challenges including: economic slowdown, rising competition from e-commerce, introduction of VAT and a growing oversupply of retail real estate.
-  In 2020, the Covid-19 pandemic became the biggest challenge ever faced by the retail sector, devastating revenue, operations and the survival of many retail businesses.
-  As the UAE's impressive vaccine programme boosts recovery, the retail sector will see better numbers in 2021. However, the near-term outlook for travel and tourism remains subdued.
-  The path to recovery for retail must be underpinned by greater focus on innovation and data-led personalisation strategies, prioritising the needs of the consumer.
-  Traditional retailers have to make greater inroads into the online space, if they want to continue to play a major role in the retail market.
-  Government and industry stakeholders need to collaborate to build effective infrastructure and logistics networks that supports the growth of digital shopping.

A year in review



For residents and tourists alike, the retail industry is a strong part of the UAE's identity.

Positioned as one of the world's premier shopping destinations, the UAE and in particular Dubai, is renowned for its larger-than-life malls, extravagant shopping experiences and an array of international brands.

But despite the world class facilities, the UAE's traditional retail sector has been under increasing commercial strain for several years. A growing oversupply of malls and the rising competition from price-competitive e-commerce meant that traditional retail concepts were on a downswing.

With the onset of the Covid-19 health crisis, non-essential retail stores were forced to close almost overnight for months. At the same time, travel restrictions meant that tourist spending vanished completely, an important lifeline for the UAE.

Even when lockdown measures eased, retail operations could only proceed under tough guidelines, limiting the number of visitors that could be in stores at any given time. This also added to expenditure costs for retailers.

For much of 2020, consumer sentiment remained wary. Fear of contracting the virus meant that

people preferred to shop online or at community centres.

Moreover, the economic consequences of the pandemic strained budgets, ensuring that shoppers prioritised their spending on necessities such as groceries. Among the worst-hit segments was luxury retail.

The situation improved in late 2020. The UAE opened its borders to tourists in July 2020, and over the next few months, daily new case numbers remained low.

Through the peak winter season from October onwards, the influx of tourists has boosted the retail sector to an extent.

Falling rental rates have remained in favour of retailers, as major real estate developers offered incentives to attract and retain retail tenants such as rent-free periods, freezing rent periods and extended fit-out periods.

The latest UAE Real Estate Market report by global consultant JLL notes that average rental rates in primary and secondary malls declined by 10 per cent and 7 per cent for Dubai and Abu Dhabi respectively in Q1 2021 versus Q1 2020.

Furthermore, stimulus measures by the government and support from retail landlords and banks has helped businesses ride out the toughest periods. But despite the upturn in market

conditions, challenges remain for UAE retailers.

Footfall in malls and retail stores remains considerably below the pre-pandemic levels, and retailers are fast-tracking the adoption of e-commerce to capitalise on changing consumer behaviours.

DESTINATIONS

At the same time, malls remain an integral part of the UAE's societal landscape. Megamalls such as the Dubai Mall and Mall of the Emirates have become a one-stop destination for residents and visitors alike, offering leisure, shopping and dining experiences all in one place.

But an oversupply of physical retail space is a risk to investors, while a lack of variety in mall experiences limits visitor footfall.

There is a call to optimise the performance of retail assets by focusing on personalisation and technology to retain and build the consumer base.

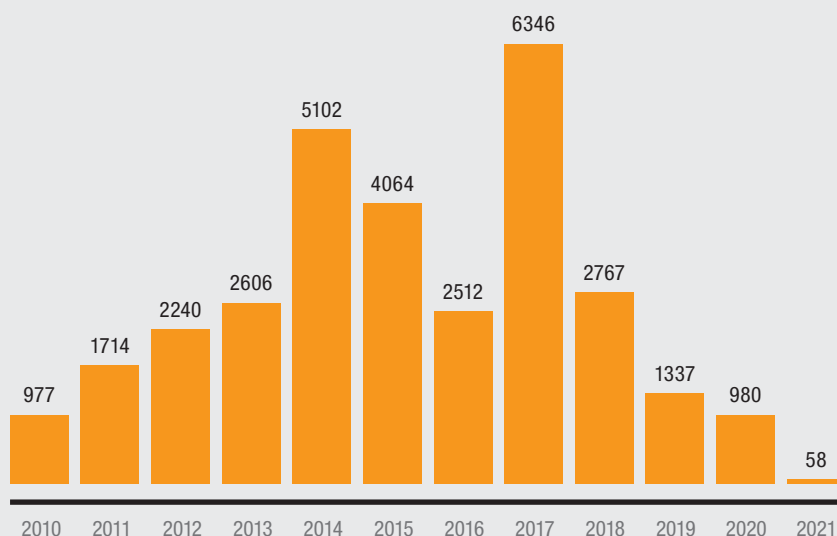
The consensus among industry experts is that physical stores will not die out, but they must adapt and evolve. It is critical to understand and analyse consumer behaviours, and to establish confidence in online purchasing platforms offered by new players.

Retailers that can provide a seamless experience across both digital and physical platforms stand a better chance of survival in an increasingly competitive retail market moving forward.

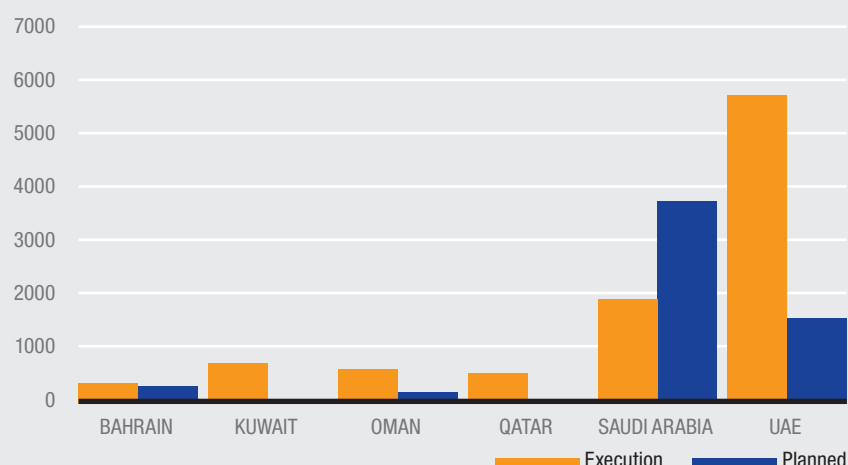
There is also a need for better, more collaborative relationships between tenants and landlords to assure common benefit. In the short run, turnover-based rent models could offer greater support to both parties.

With global vaccination programmes well underway, there is optimism that economic recovery is on the horizon, indicating a better forecast ahead for the retail industry.

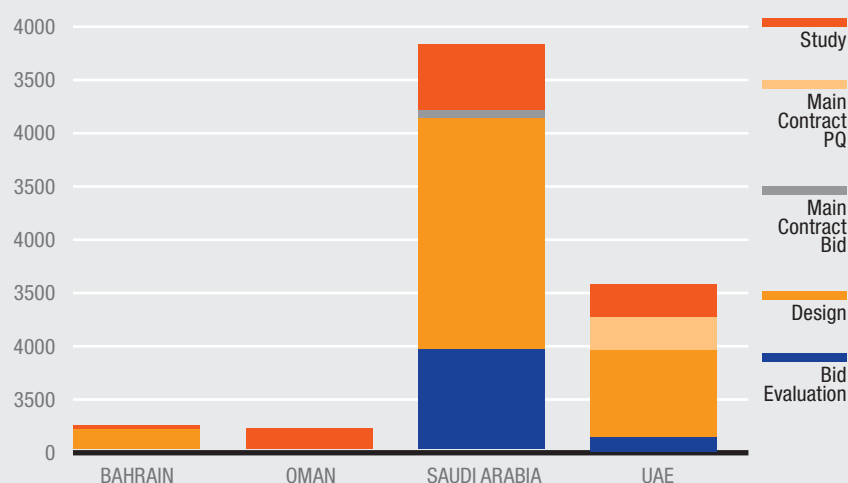
CONTRACT AWARDS FOR RETAIL PROJECTS IN THE GCC 2010-2021 (\$m)



RETAIL PROJECTS UNDERWAY VS PLANNED IN THE GCC (\$m)



PIPELINE OF RETAIL PROJECTS IN THE GCC (\$m)



Source: MEED Projects

Keeping the momentum going



1,015

The number of employees from other departments reskilled to join Carrefour on a temporary basis during the height of the pandemic

Source: Majid al-Futtaim

As Covid-19 upends social experiences, a new era of retail is well underway.

The pandemic has forced many retailers to take stock of their costs and assets, downsizing inefficient operations.

“Covid-19 was a wake-up call for us,” say several of the attendees at the first MEED-Mashreq Retail Roundtable held in March 2021.

“We cleaned up anything that needed to be cleaned up,” says Marwan Moukarzel, CEO, Fawaz Alhokair Group, referring to balance sheets and assets. “We closed brands or stores that were unnecessary, and focused on new verticals and acquired brands to increase our presence in verticals we weren’t previously active in.”

Retailers were also forced to reduce staff numbers as a way to trim costs, but many remained cognisant of the challenges facing their employees.

“We had honest discussions with our staff and made temporary cuts in salaries where needed,” says Tawhid Abdullah, chairman, Dubai Gold & Jewellery Group (DJJG).

Certain retailers also opted to move staff into new roles that were seeing greater demand during the pandemic; for instance, cinema workers were moved into the e-grocery space, which was seeing greater demand than ever

before. Throughout, the focus remained on conserving cash.

One retailer describes the decisions made as more “tactical than strategic”.

“We became a leaner organisation, because we viewed this as a long-term crisis,” explains Ramesh Cidambi, COO, Dubai Duty Free (DDF). “And the fact is that we have to remain profitable, even if our revenues are low.”

Another retailer at the roundtable notes that the pandemic has made them a company that “appreciates uncertainty”, preparing them to better handle market ambiguity.

“It has helped us appreciate novel ideas and innovation,” says Mohamed Naji al-Assaf, head of strategy, Majid Al Futtaim Retail. “We are no longer scared to be more flexible.”

BETTER MANAGEMENT

Normal practice among regional retailers has been to amass products and push the maximum volume to customers. During the pandemic, surplus goods became a liability, and customer preferences, already evolving at a rapid pace, became more erratic.

Instead of stockpiling inventory, retailers strived to become more sophisticated in fulfilling customer demand as a way to reduce costs and optimise business.

“We went back to our stake-



holders, who were very supportive, and cut our orders and delayed launches. Ultimately, we reduced our inventory by almost 20 per cent at the end of 2020,” says Neeraj Tekchandani, CFO, Apparel Group. Many retailers launched their first e-commerce delivery services during the pandemic, as in-store demand dried up.

“[During Covid] our online business rose to 5 per cent of our turnover, from 1 per cent previously,” says DDF’s Cidambi.

With the radically changed market, traditional retailers have to better predict demand for products and fulfil that demand as efficiently as possible.

As a result, retailers are rethinking their fulfilment strategies, finding new ways to get their brands and products to the customer. Items can be selected in store and delivered at the customers convenience.

Some large-scale retail chains are introducing ‘dark stores’ – mini warehouses or repurposed shops – and decentralised fulfilment models where online orders can be picked up or delivered.

Alhokair’s Moukarzel notes

that the pandemic and resulting disruptions to the supply chain made the centralisation of processes a difficult task. As a result, the retailer encouraged decentralisation of operations, which in turn amplified internal localisation strategies.

THE DIGITAL JOURNEY

Covid-19 has also helped accelerate digital changes already underway in the retail sector.

“What was seen as a threat a year and a half ago, has now become a great opportunity for us,” says Moukarzel.

“We had no online presence back then, but we gradually initiated it. Pre-covid, we had less than 0.7 per cent sales online. Today, we’re at 6.3 per cent.”

For retailers with digital strategies already in place, Covid-19 gave them the chance to further develop their online platforms and integrate them with their offline offerings.

“Businesses that had some sort of e-commerce or digital model in place, both from a shopping and payments perspective, were somewhat lesser impacted by the



\$24bn

Estimated value of e-commerce in the GCC at the end of 2020, revised from previous estimate of \$21bn pre-Covid

Source: AT Kearney

FUTURE OF RETAIL: SUSTAINABLY REDUCING COST OF RETAIL BUSINESS IN TODAY'S ENVIRONMENT

RANGE AND ASSORTMENT

Retailers will want to review their product range to strategically select the right product assortment to boost efficiencies and increase profits. Rationalisation of the product range will enable higher inventory turnover and lower costs, streamlined in-store logistics and enhanced buying power, as well as opportunities to optimise the workforce.

REAL ESTATE REVIEW

It's time retailers reconsider their brick-and-mortar assets and establishments. Given the boom in online shopping and the trend towards 'showrooming' (where consumers can test products before purchasing online), retailers should rethink their physical footprint and the value these assets deliver to the organisation and the customer experience. At the same time, the rental business model is increasingly shifting towards turnover rent.



WORKFORCE OPTIMISATION

With customer service and experience top of mind, retailers should be assessing where technology can help automate tasks, thereby making workforces more productive and customer-focused.

TECHNOLOGY AND SUPPLY CHAIN IMPROVEMENTS

Pivoting investments from store openings and refurbishments to technology and supply chain improvements will be a central part of the digital transformation, enabling retailers to uncover new cost savings while simultaneously growing their businesses. Some robotic process automation (RPA) deployments in retail, for example, have been shown to cut costs by up to 50 per cent.

Source: Future of Retail, KPMG: January 2021

For traditional retailers, remaining dependent on just physical outlets and dated experiences will no longer work.

pandemic,” says Madhur Mehra, head of merchant sales and acquiring for Mena, Visa.

As retailers build their online and digital capabilities, they are also turning to the local talent pool to provide this expertise.

“The younger generation is highly educated, enthusiastic and understands the customer well,” says Moukarzel. “At the same time, we [shifted some] senior staff to online roles, because we needed their expertise on aspects such as IT and finance. We still have a long way to go, but Covid-19 has

served as a real wake up call.”

One thing is clear – remaining dependent on physical retail alone will no longer work.

“Traditional retailers need to ensure they have an online business model, that they are able to show, sell, collect payment and deliver in a manner the consumer prefers,” explains Vikrant Rohatgi, director - deal advisory, global strategy group, KPMG.

“These retailers need to provide dependable, high quality service to generate new consumers and to retain existing ones.”

The legacy of Covid-19

Gulf retailers expect to see a permanent reset in the way business is conducted post-Covid.

“Until now, we’ve been able to take on a lot of waste and carry unnecessary costs,” says DDF’s Cidambi. “We won’t be able to do this anymore. We’ve been able to be profitable in the past despite low revenues. But the next few years will remain challenging.

“A reduction in topline revenues in the foreseeable future and a focus on better profitability from lower revenues will be permanent features,” he says.

Leading industry figures say that the region’s retail industry will take time to fully recover because of its dependence on travel and tourism.

The March 2021 edition of the World Tourism Organisation (UNWTO) World Tourism Barometer shows that global tourism has continued to suffer setbacks at the beginning of the year, with mandatory testing, and in some cases closure of borders, hindering international travel.

UNWTO expects travel to begin to rebound either in July or September, based on factors including lifting of restrictions and success of vaccination drives.

In Dubai, preparation is well underway for Expo 2020 Dubai, which is expected to bring in the much needed tourist footfall.

Since the outbreak of Covid-19, Dubai has already hosted several physical trade events under stringent measures. In May 2021, the Dubai government also introduced revised measures for restaurants, cafes and malls.

FUTURE OF OFFLINE

Regional retailers say that majority of the shoppers who have migrated to online platforms may never fully return to physical stores.

Will the existing physical shopping experience simply die out as we know it?

“Physical retail cannot be dismissed,” says Visa’s Mehra. “It is a very important activity purely because not all categories have and can go online. A lot of retail (apparel etc), discretionary goods and high ticket items need to go through a look, feel experience.”

Mehra adds that many consumers still prefer to shop in a physical environment, stating that activity is likely to recover once there is better control over the pandemic and as confidence increases in travel and movement.

The common consensus is that the retail sector must transform in order to thrive.

“Online retailers need to keep enhancing their product catalogue and customer shopping and fulfillment experience,” says Mehra. “Physical stores will also

COVID-19 HAS SET SEVERAL CHANGES IN MOTION:

CONSUMERS

It has prompted consumers to take stock of their purchasing habits and diverted attention to essential spending. But it has also opened up online shopping avenues for new consumer segments.

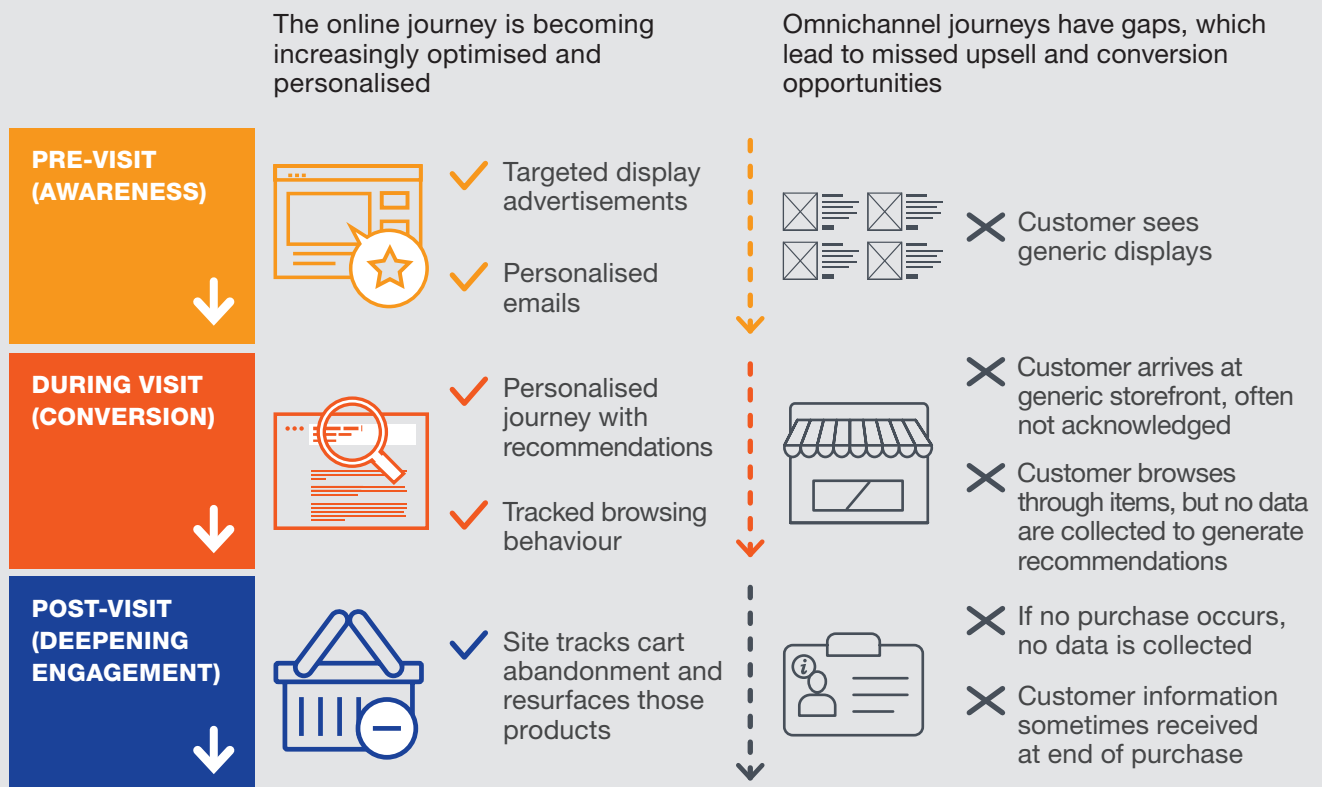
RETAILERS

It has driven retailers to rethink existing strategies and to reevaluate current business models. It is essential to keep up with consumer demand and stay agile.

DEVELOPERS AND LANDLORDS

It has prompted owners to take stock of their existing portfolios and optimise assets to maximise efficiency, while collaborating with its tenants. Delivering an optimum combination of shopping, dining and leisure is key to generate desired footfall.

PERSONALISATION IS COMMON IN THE ONLINE CUSTOMER JOURNEY, BUT LESS SO FOR IN-PERSON SHOPPERS.



Source: McKinsey & Company

need to ensure similar strategies, while building high levels of consumer confidence and safe environments to deliver unique customer experience. They will need to expand into hybrid models of online and physical shopping, such as curbside deliveries, link-based payments, convenient returns etc.”

Experts add that collaboration between online and offline retailers is no longer a choice, but a necessity, to sustain businesses.

As face-to-face interactions remain limited, retailers are introducing personalised strategies in order to retain customers. Such strategies focus on providing better customer

experience leveraged through data collection and analysis.

Data from global consultants McKinsey & Company published in 2016 highlights that greater personalisation can lift revenues by 5 to 15 per cent, while increasing the efficiency of marketing spend by 10 to 30 per cent.

RETAIL RELATIONSHIPS

With movement restrictions affecting businesses across the board, the pandemic has been challenging for retail tenants and landlords alike. Retailers have had to close or limit traffic in stores for significant periods, resulting in a significant decline in business.

At the same time, landlords

have also experienced cash flow impediments, but still have to meet their financial obligations to lenders and others.

As a result, the landlord-tenant relationship is facing considerable strain and there is a need for greater flexibility on both sides.

“The pandemic has forced the alignment of views between the tenants and landlords,” says Walid Chahine, COO, Azadea Group. “If the landlord didn’t support its tenants through this massive challenge, it would’ve given rise to a whole other set of problems in the long-term.”

The transactional nature of the landlord-tenant relationship has to now give way to a partnership, in



order to sustain business.

“Support from the landlords has helped us considerably,” says DGJG’s Abdullah. “But we have to have a more solid approach with our landlords in advance, to restructure the way leasing models are designed.” He adds that non-performing stores and growing competition from online platforms will need to be accounted for in setting up leases.

“Revenue-based rents could be one approach, as everyone finds their footing, with a higher ceiling for the percentage of sale.”

Attendees state that rental regulations in the sector are not sufficient and governance is limited, calling for long-overdue legislation to better manage the landlord-tenant relationship.

SHIFTING PRIORITIES

As retailers try to keep up with consumer needs and strive to operate more efficiently, new business models are emerging.

“There is a growing demand for platform as a service [in the retail sector], particularly to move online,” says KPMG’s Rohatgi.

Majid Al Futtain’s Al-Assaf remarks how they have introduced a number of digital activities in-store, as part of their emerging business model. These

include click-and-collect, Wi-Fi connectivity and self-scanning and checkout by mobile, to minimise the physical interactions with surfaces or personnel.

“We’ve also been heavily relying on analytics, which we think is an important aspect that is here to stay,” he says. “Customers have become more sophisticated and want to be understood better, through stronger personalisation.”

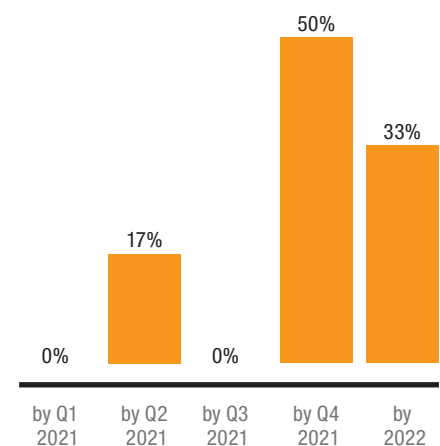
From a consumer point of view, personalisation is effective because it makes them feel valued by a brand, and helps them save effort in finding the right products.

“In the past, growth was about more stores and more brands. Today it’s about delivering better stores and better brands,” says Alhokair’s Moukarzel. “And on the online side, there is opportunity for retailers to complement the shopping ecosystem and enhance customer experience.”

Consumer priorities for physical stores are also shifting. In PwC’s March 2021 Global Consumer Insights Pulse Survey, 32 per cent of UAE-based consumers said that certification proving a store meets Covid-19 safety standards was a priority, followed by availability of local products (26 per cent) and the opportunity to engage/pay contactless (21 per cent).

WHEN DO YOU EXPECT A REBOUND IN INTERNATIONAL TOURISM IN YOUR COUNTRY?

MIDDLE EAST



UNWTO conducted a global survey among its UNWTO Panel of Tourism Experts on the impact of Covid-19 on tourism and the expected time of recovery. The above data is from respondents based in the Middle East. Data as collected by UNWTO in January 2021.

The rise of e-commerce

E-COMMERCE HAS BEEN ON THE RISE IN THE GCC, BUOYED BY:

- Growing tech-savvy, young population
- Disposable incomes
- Convenient, end-to-end shopping experience
- High digital penetration
- Greater variety of brands and products
- Cost competitiveness

Since February 2020, regional retailers have seen an unprecedented surge in demand for online shopping services, thrown into overdrive by the Covid-19 lockdown restrictions.

E-commerce was already on the rise in the GCC and wider region. The Mena e-commerce market reached \$14.3bn in 2019, up from \$8.5bn in 2017, according to data from Bain & Company.

However, the emerging sector has also faced its share of challenges over the years.

“The biggest challenge has been the consumer behaviour, which in spite of the very high internet penetration, the shift towards digital in the Mena region has remained among the lowest in the world,” says KPMG’s Rohatgi.

E-commerce also faces key financial challenges, including credit card security concerns surrounding online transactions and credit card penetration, which is a prevalent issue outside markets barring the UAE.

“Cash has been the prominent mode of transaction in many parts of the Mena region,” remarks Rohatgi. “Moreover, interchange charge fees in the region are some of the highest globally, which is one of the biggest limitations to the growth of credit card transactions here.”

Interchange fees are transaction fees that the merchant’s bank account must pay whenever a

customer uses a credit/debit card to make a purchase from their store, online or offline.

Moreover, the majority of the region’s e-commerce push has been in markets such as the UAE and Kuwait, which make up a very small portion of the entire region in terms of population.

“E-commerce players must expand and pursue opportunities in other markets,” adds Rohatgi. “This includes Saudi Arabia and Egypt, which have sizeable and growing youth populations that can support e-commerce ventures, but have limited innovation [compared to the UAE].”

Covid-19 has turned out to be a significant accelerator for the e-commerce sector.

The pandemic significantly enhanced the landscape of the e-commerce market, seeing the launch of new firms, product offerings and whole new consumer segments, while also amplifying trust in digital payment channels.

The pandemic has also forced traditional retailers to take a step back and reevaluate their e-commerce strategies. While most major retailers in the region had some form of e-commerce strategy in place, many still preferred bricks-and-mortar stores until disrupted by Covid.

Those without their own e-commerce offering have turned to established partners to gain a foothold in the digital market. One case in point is Dubai Mall



launching a virtual store on Noon.com, giving shoppers access to goods available otherwise in physical stores.

Rohatgi says that local e-commerce platforms may have a competitive advantage over international giants due to the “localisation of content, not just in terms of language, but also the products and consumer needs”.

However, investing and implementing e-commerce strategies for the sake of remaining relevant does not go far enough. Retailers need to provide seamless experiences that link both digital and in-store experiences.

Retailers also need to consider personalisation, tailoring products to customer needs. A wide portfolio of products is desirable, but not at the cost of overwhelming the customer. Retailers need to identify their target market and effectively tap into it.

Consistency is key in e-commerce. Retailers with physical stores must ensure they are balancing the stock and pricing both online and offline, to

avoid confusing the buyer and risk losing the sale entirely.

BUILDING THE INFRASTRUCTURE

To effectively deliver on its target, e-tailers will need to recognise and resolve the challenges that could disrupt supply: fluctuating demand, returns and fulfilment.


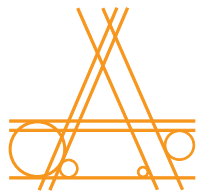

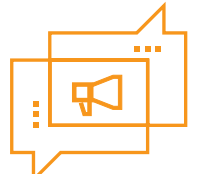
Fulfilment: This refers to the part of the e-commerce business that involves the operations after receiving the order. These include the picking, packing, shipping, and delivery of products to the customer’s doorstep.

Streamlining fulfilment is one of the most critical parts of the business, to ensure repeat business and customer satisfaction. All other factors have to align in order to ensure seamless fulfilment.

Forecast demand: In order to rapidly respond to changing consumer needs, businesses need to accurately forecast demand. This can be done through advanced analytics to

E-commerce players have to overcome a number of challenges in order to sustain their pandemic-led boom in sales.

MOVING ONLINE REQUIRES FIVE MAIN CAPABILITIES

MAIN CAPABILITIES	WHAT THIS MEANS			
Assortment / merchandising		Structured Assortment process Established processes to ensure SKU enrichment and management; including process for ordering	Specials bundles / product promotions Created based on customer insights and sales data	Product content Ensure appropriate product photos, description write ups, metadata creation, etc.
Design & technology development		UX development (in iterative, rapid sprints) Design webshop, prepare MVP, test prototypes and make design design iterations (agile model)	Platform architecture Build tech foundation; integration of webshop with warehouse management system	Warehouse and logistics integration Live sync with inventory management, order handling flow etc.
Operations: Logistics and customer support		Order fulfillment Setup warehouse and onboard / train new team to handle order fulfillment	Collaboration with carrier Finalise and negotiate shipment options on webshop and implement them in backend	Customer support Train costumer service agents / develop bots across email, phone, and/or chat
Marketing		Online marketing Attract traffic through tailored messages on appropriate channels	Onsite conversion Develop contextual landing pages and customised messages Relevant to the shopper	Loyalty and CLV mgt CRM database and continuous customer engagement



Source: McKinsey & Company analysis

study historical data. This will also support in inventory planning by identifying the fast-moving products and help in managing cash flow.

Deploying analytics and deep learning to personalise the shopping experience by learning customer browsing habits and serving up suitable products and recommendations is key to driving customer satisfaction and ensuring repeat orders.

Transport networks:

Consumers want their products delivered at a lightning speed, and with platforms such as Amazon promising same-day deliveries,

the pressure on local retailers is immense. Organisations will need to invest in better logistics services such as warehouses and transport networks.

Partnering with third party providers can help e-commerce players focus on their primary business and establish asset-light business models.

Last mile delivery: Handling logistics at the final delivery stage is often the most expensive and inefficient part of the business. Retailers need to consider alternative models to home delivery, such as click-and-collect models, to create more

economically minded solutions that provide consumers with further optionality. There also needs to be better grouping of deliveries or pickup/drop off hubs to optimise the process.

Online regulations: There is a need to build a robust online market regulatory framework that supports local businesses and safeguards consumer interests.

While gathering data is critical for businesses to deliver personalised experiences, the type and amount of data that can be captured on a consumer needs to be regulated to mitigate against privacy risks.

Going cashless



49%

UAE consumers shopping online more because of pandemic



61%

using cards or digital payments instead of cash on delivery



7%

increase in use of debit cards to shop online between 2018-2020

Source: The United Arab Emirates (UAE) eCommerce Landscape 2020; Visa, Dubai Economy, Dubai Police

A consumer survey published by global payment services provider Visa in partnership with Dubai Economy and Dubai Police in June 2020, reports that 49 per cent of UAE consumers had increased their online shopping as a result of the Covid-19 pandemic, with three out of five (61 per cent) using cards or digital wallets to make payments online instead of cash on delivery.

Increased trust in the safety, speed and convenience of contactless payments were the top reasons cited for their increased preference for online payments.

Furthermore, 9 out of 10 shoppers in the UAE said that they expected digital solutions when they shop in-store, significantly higher compared to global average of 85 per cent.

“Businesses that had some sort of a digital or e-commerce model, both from a shopping or payment perspective, were less impacted [by Covid],” says Visa’s Mehra.

With improved efficiency and more secure payments, cashless transactions can significantly streamline consumer experience.

In a survey conducted by Visa titled *2021 Small Business Recovery*, 82 per cent of merchants’ surveyed see digital payments as a necessary investment for business recovery in 2021. Meanwhile, nearly 60 per cent say that contactless payments is their customers’ preferred payment

option, up from 18 per cent at the start of the pandemic;

Meanwhile, only 7 per cent of merchants surveyed said cash was customers’ preferred payment option, down from around 20 per cent at the start of the pandemic.

“In the past 12-14 months, UAE retail has made significant progress with regards to going cashless,” says Mehra. “Almost 8/10 face-to-face transactions are now contactless. The regulation on increasing the limit for contactless payments by the central bank has further boosted cashless, hygienic payments amid the pandemic.”

Mehra recommends that stakeholders in the payments ecosystem need to come together to make cashless acceptance more easily available and to cover the small, unorganised categories of service providers.

“Eventual success would be to have a global, seamless, standardised experience,” he says. “For both residents and visitors, no matter where they are. However, there are still opportunities before we can claim to be 100 per cent cashless enabled in the UAE.”

In November 2020, the Dubai government formed the ‘Cashless Dubai Working Group’ to shift government payment transactions in the emirate to online platforms. This is expected to drive the growth of a cashless economy, improve financial inclusion and help build the infrastructure necessary for a cashless society.

Emerging trends

As e-commerce continues to gain precedence, there are several emerging trends in the retail industry that could be transformational for both online and offline players

WHY MUST RETAILERS OPT FOR DIGITAL?

Tangible business results

Lowered operational costs

Increased attractiveness to consumers

- Better engagement
- Consistent experiences
- Improved customer loyalty

Maximisation of profits

Improved safety

Improved efficiency

Reduced manpower

RETAIL AS A SERVICE

In the IT world, platform as a service (PaaS) is a category of cloud-based services that allows the user to utilise the 'digital space' to run a business, without having to develop a personal computing infrastructure. Examples include Microsoft Azure, Heroku and AWS Elastic Beanstalk.



Transferring this to the retail setting results in the 'retail as a service' (RaaS) model, which is reinventing the traditional retail operational model.

Multiple retailers co-exist in the same online and offline space, but the focus is on the brand experience. Retailers can use these spaces to truly understand their customers and constantly take feedback on board.

"Platform as a service that we're seeing not just in the Middle East, but globally," remarks KPMG's Rohatgi. "And we expect to see this trend to grow all the more as retailers strive to build and amplify their online presence."

RaaS is also cheaper than setting up an entire store or spending on technology – retailers can purchase it from a vendor that already has a tried-and-true solution in place.

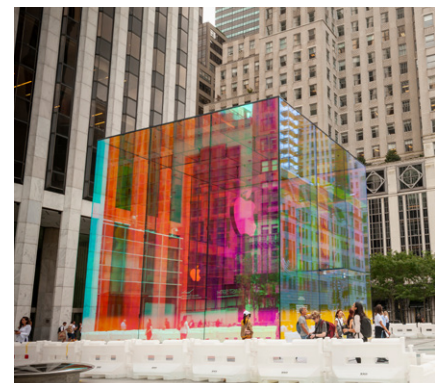
This approach can also provide manufacturers a direct route to their customers, through a temporary (or permanent) space in the physical world.

EXPERIENTIAL RETAIL

A gamechanger in repositioning the way brick-and-mortar stores operate is experiential retail, relying on tactility as the differentiator factor between physical and online stores.

Experiential stores offer more than just products. They immerse consumers in a brand, a culture, and to showcase its uniqueness.

"Experiential is key in attracting the younger [shoppers]," remarks Apparel Group's Tekchandani.



Take for instance, the House of Vans store in London by American shoe manufacturer Vans. The store



is a convergence of art, street culture and fashion, with offerings including a cinema, café, and even a concrete skateboard ramp. It serves as a space for like-minded individuals to both socialise and shop, and in turn transforms the shopping experience.

In Dubai, Swedish mattress brand Hästens recently launched its first Middle East store featuring its “in-store sleep spa” and “Sleep Coaches” to help customers find the perfect bed.

AUGMENTED REALITY

AR technology is transforming both online and physical spaces.

On the online end, it offers consumers the option to try-before-you-buy, allowing them to see how a table might look in their room or whether a pair of sunglasses suit them. AR solutions can also help reduce the number of returns, if the customer is buying a product it is already satisfied with.

Within stores, AR apps can provide real-time information on products instead of having to be guided by a staff member. Customers can also use the try-as-you-buy option while in-store, especially with beauty products which are otherwise not allowed to be tried on.

SAME DAY DELIVERIES

Speedy deliveries are by no means an emerging solution in the retail sector. However, the approach to same day fulfilment is evolving, buoyed by greater automation of processes within

the retail supply chains. Retailers are opting for solutions such as robots and automated pallet systems in warehouses, and data analytics to predict demand and manage inventory to boost order turnaround times.

“We want to become as prominent digitally, as we are physically [in terms of physical stores],” says Majid Al Futtaim’s Al-Assaf. “And we know that digital will help us reach the levels of success we want.”

In March 2021, Majid Al Futtaim, alongside e-grocery innovator Takeoff Technologies, launched its first automated fulfillment centre at its Carrefour store in Dubai’s Ibn



Batuta Mall.

The first of its kind in the Middle East, the facility automates order pick using AI, while autonomous mobile robots assist staff to retrieve items and maintain stock levels. A dedicated inventory placement machine uses AI to allocate storage space for stock depending on each item’s popularity, improving stock availability for orders.

All orders are prepared within



five minutes, cutting the average time between order placement and dispatch in half.

Carrefour has opened two more such centres, in Cityland Mall Dubai and in Jeddah’s Al-Sulaymaniyah.

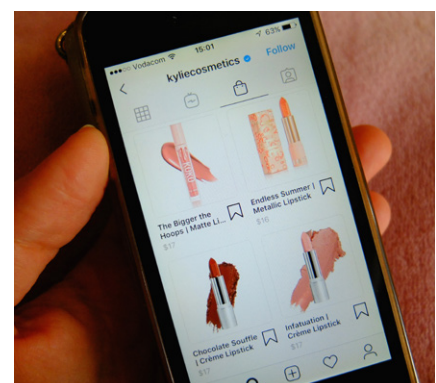
ETHICAL CONUNDRUM

Consumer perception of the brand and products ethic is beginning to emerge as an increasingly important factor shaping purchase decisions, especially among younger shoppers.

The issue became even more stringent during the Covid-19 crisis, as issues in the supply chain unravelled. These include unjust labour practices, to unsustainable material sourcing and unfair pricing. Moreover, with increasing use of consumer data, there is a need for better governance to retain trust in brands.

SOCIAL COMMERCE

The unstoppable growth of social media platforms such as Instagram and Facebook has encouraged companies to turn to influencer marketing and user generated content to promote brand awareness,



through shareable and interactive campaigns. These platforms provide links to the retailers website, often supported by a call to action copy. Sellers can rely on organic or paid promotion strategies to boost their brand. Platforms have also come up with dedicated shopping services embedded with their software,

INDUSTRY CONTRIBUTORS

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Established in 1967, Mashreq is the oldest bank in the UAE, with award-winning financial solutions and services.

Throughout its 50 years' history, Mashreq has differentiated itself through innovative financial solutions, making it possible for its customers to achieve their aspirations. Today, Mashreq has a significant presence in 11 countries outside the UAE, with 21 overseas branches and offices across Europe, the US, Asia and Africa.

Mashreq launched its new Vision and Mission recently, outlining its commitment towards its clients, colleagues and the community.

In line with its vision to be the region's most progressive bank, Mashreq leverages its leadership position in the banking industry to enable innovative possibilities and solutions for its customers across corporate, retail, international, treasury and Islamic banking.

Mashreq is proud to be the first financial institution in the UAE to be awarded the Gallup Great Workplace Award for four consecutive years from 2014-17. Mashreq also continues to invest in recruiting, training and developing future generations of UAE national bankers.

ABOUT MEED

MEED has been integral to delivering business information, news, intelligence and analysis on the Middle East economies and activities for over 60 years.

Attracting a key senior management audience through its content and activities, MEED is a media brand, publication and data business that covers a spectrum of services which inform, engage, connect and ultimately support our subscribers and partners in their business development and strategic growth.

Acquired by GlobalData Plc in December 2017, MEED is now part of one of the largest data and insights solution providers in the world with the capacity to build global communities for our clients.

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