

The image shows a blurred logo for Roland Berger Strategy Consultants. The text "Roland Berger" is in a large, bold, sans-serif font, and "Strategy Consultants" is in a smaller font below it. The background is a light, textured surface, possibly a document or a wall.

# Multi-channel sales in the GCC – How far is the region already into shopping via a "click"

Consumer survey results

**Roland Berger**  
Strategy Consultants

Dubai, September 2013

# With major prerequisites increasingly in place, we wanted to understand how GCC consumers are into shopping via a "click"

## Prerequisites of online sales



**Retail second largest industry sector** – GCC governments promote economic diversification



**Internet penetration high in GCC** – Mobile Internet and smartphone especially used by Youth



**Credit card penetration on the rise** and first payment solutions put in place

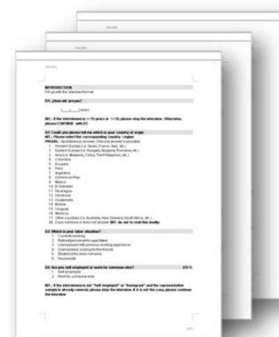


Sector benefits from brands/players with **international expertise and experience**



**E-transformation** is pushed by governments

## Study approach



- > 5 GCC countries covered: UAE, KSA, Qatar, Bahrain, Kuwait
- > 1,300 B2C CATI interviews conducted
- > Data collected in April 2013

## Key questions

**What is consumers' attitude towards online shopping?**

**How affine are GCC consumers to the online retail industry?**

## Summary

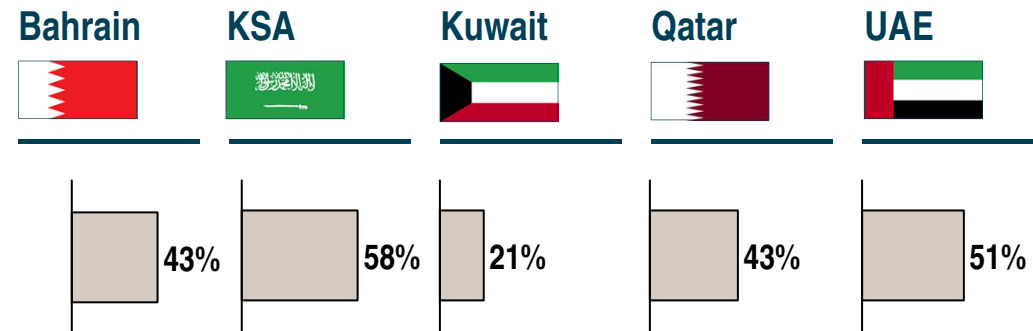
- > **Consumers opinion shows that differentiation of the "shopping experience" in malls becomes an increasing challenge** – Bigger malls are not necessarily more appealing, while concepts such as "discount malls" get higher agreement
- > **"Brick and mortar" clearly dominates retail landscape** – Yet, multi-channel is pitching up across countries to varying degrees reaching from 16% to 42%
- > **About half of online shoppers state intention to buy (more) online** – Intention of "brick and mortar" consumers varies across countries so the effort needed to push online is clearly different
- > **Promising to see is that the majority of people state that they feel online payment has become more secure** – Especially current "click" shoppers credit systems with increased trust
- > **Reasons not to shop online are mainly attributed to a lack of visual inspection, a dull shopping experience and complicated return policy** – Reasons vary across countries
- > **Online shoppers value benefits apart from delivery and price** – Especially reviews and variety open up opportunities for differentiation
- > **Research reveals that "brick and click" consumers are the bigger "shopping enthusiast"** – They are placing a much greater emphasis on emotional appeal

# Consumers opinion shows that differentiation of the "shopping experience" in malls becomes an increasing challenge

GCC consumers' attitude towards shopping malls<sup>1)</sup>



For me one mall is like the other I don't see much of a difference

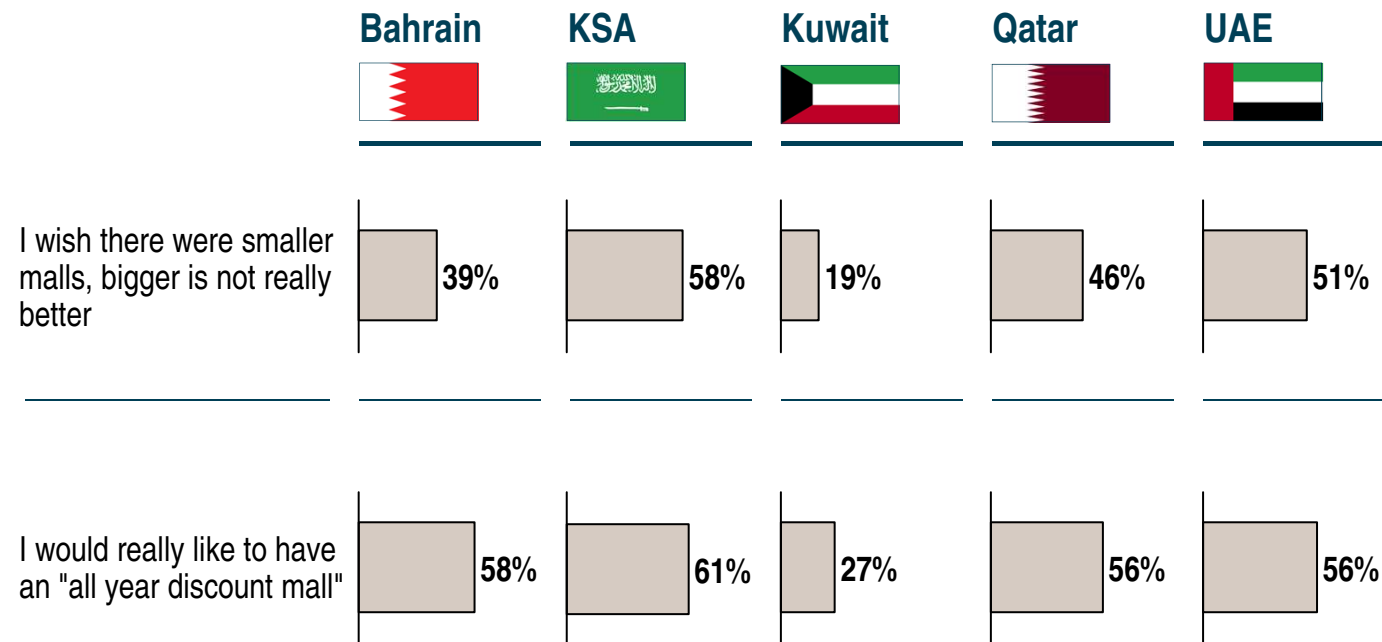


**Around 50% of interviewees agree that they do not perceive much differences between malls**

1) Top 2 answers on a 7 point scale

# According to consumers, bigger malls are not necessarily more appealing – Concepts such as "discount malls" with higher agreement

## GCC consumers' attitude towards shopping malls<sup>1)</sup>

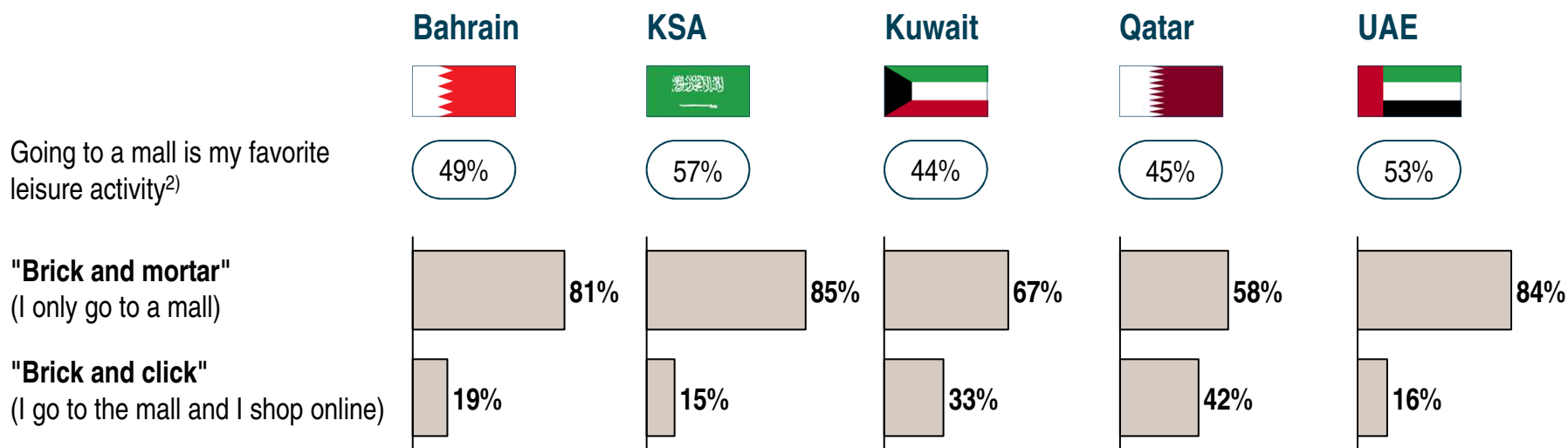


1) Top 2 answers on a 7 point scale

# "Brick and mortar" clearly dominates retail landscape – Yet, multi-channel is pitching up across countries to varying degrees

## Channel usage<sup>1)</sup>

Do you go to a mall and/or do you shop online?

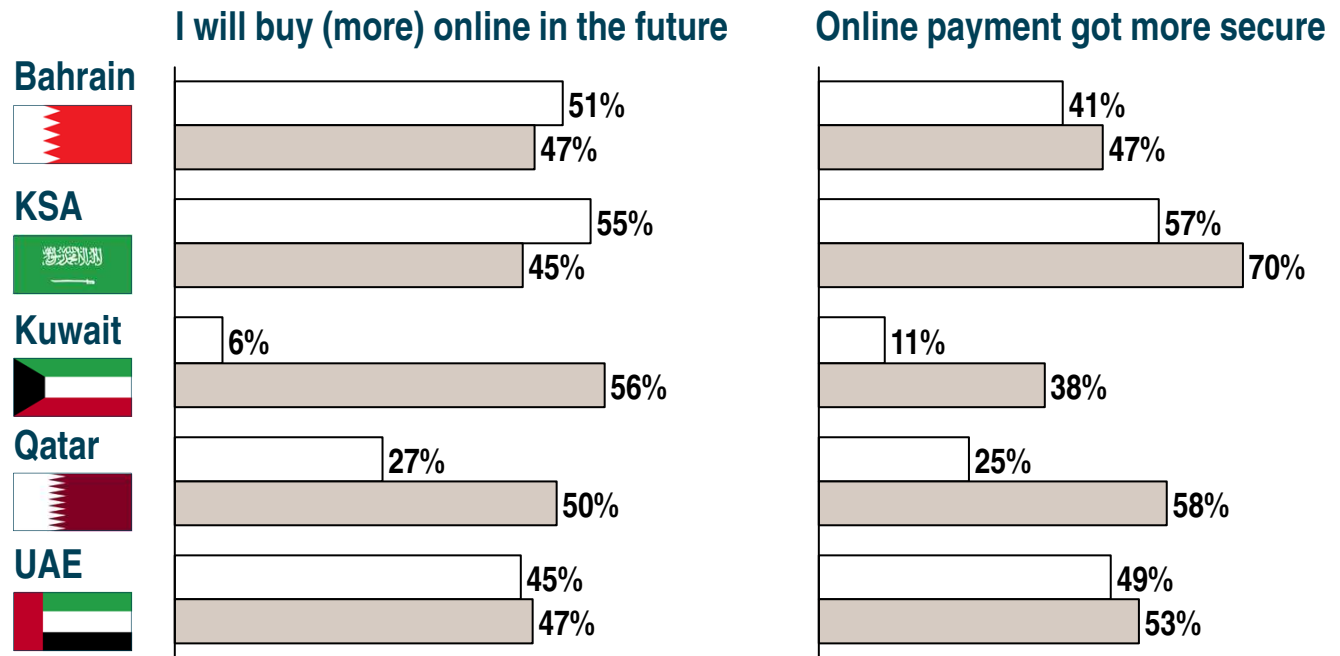


Being a hideaway from the hot climate and the availability of entertainment facilities promote malls to be "centers of community"

1) Share in sample    2) Top 2 answers on a 7 point scale

# About half of online shoppers state intention to buy (more) online – Intention of "brick and mortar" consumers varies across countries

GCC consumers' attitude towards online shopping<sup>1)</sup>



**Especially online shoppers credit online payment with an increased security level**

□ "Brick and mortar"    ■ "Brick and click"






1) Top 2 answers on a 7 point scale

# Reasons not to shop online are mainly attributed to a lack of visual inspection, a dull shopping experience and complicated return policy

## Reasons for not using online retail channels [%]<sup>1)</sup>

What are for you the reasons not to do online shopping?

Share of "brick and mortar" consumers

	 <b>81%</b>	 <b>85%</b>	 <b>67%</b>	 <b>58%</b>	 <b>84%</b>
<b>Rank 1</b>	Dull shopping experience	No visual inspection	Complicated return policy	No visual inspection	No visual inspection
<b>Rank 2</b>	No visual inspection	Complicated return policy	Dull shopping experience	Complicated return policy	Dull shopping experience
<b>Rank 3</b>	Complicated logistics	Waiting time	Complicated logistics	Complicated logistics	Complicated logistics
<b>Rank 4</b>	Waiting time	Dull shopping experience	No visual inspection	Dull shopping experience	Waiting time
<b>Rank 5</b>	Complicated return policy	Complicated logistics	Waiting time	Waiting time	Complicated return policy

1) Question asked for consumers that don't do online shopping




# Online players center their core message around delivery and put emphasis on price and promotions

## Overview of selected online players in GCC


 **Souq**


- > Three to seven days delivery
- > "deal-of-the-day" promotions




 **Emirates Avenue**

- > Free home delivery
- > Lowest price in the market



 **Jado Pado**

- > Same day delivery
- > Payment available by cash on delivery



 **HOWEVER: Most shops in malls also deliver for free and have discount festivals**

# Online shoppers value benefits apart from delivery and price – Especially reviews and variety open up opportunities for differentiation

## Benefits of using online retail channels [%]<sup>1)</sup>

What are for you the main benefits to do online shopping?

Share of "brick and click" consumers



	Saudi Arabia (19%)	Oman (15%)	Kuwait (33%)	Qatar (42%)	UAE (16%)
<b>Rank 1</b>	Reviews	Convenience	Home delivery	Variety	Comparison of price
<b>Rank 2</b>	Home delivery	Reviews	Reviews	Convenience	Variety
<b>Rank 3</b>	Comparison of price	Home delivery	Discreet purchase	Reviews	Convenience
<b>Rank 4</b>	Convenience	Variety	Comparison of price	Comparison of price	Website review
<b>Rank 5</b>	Discreet purchase	Discreet purchase	Convenience	Home delivery	Home delivery
<b>Rank 6</b>	Variety	Comparison of price	Variety	Discreet purchase	Discreet purchase

1) Question asked for consumers that do online shopping

# Example of ARAMEX underpins benefits seen in "international variety" – GCC consumers order online worldwide and ship via a P.O. box

## Excuse: ARAMEX shop and ship

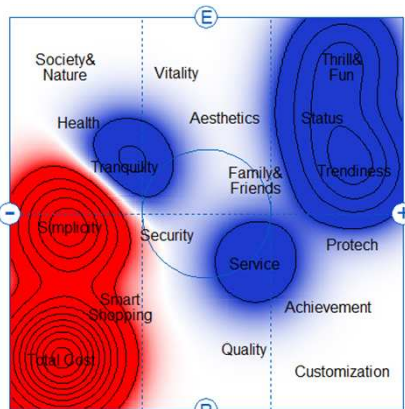
Shop	Then	Pay	And	Ship !
<ul style="list-style-type: none"> <li>&gt; Create an account and register for USD 45</li> <li>&gt; Get a personnel account number – physical' delivery addresses in the in New York, London, Shanghai, Dubai and Istanbul</li> <li>&gt; Shop online and write as a P.O. Box the one provided to you by Aramex</li> <li>&gt; Get special deals and discounts upon registration with many of Shop and Ships' partners</li> </ul>		<ul style="list-style-type: none"> <li>&gt; Rates varies depending on which country you are shipping from and the weight of the items</li> <li>&gt; First half Kg rate vary from USD ~10 to over USD 22</li> <li>&gt; Additional fees for additional half Kg varies from USD 10 to 15 USD</li> <li>&gt; Shop and Ship will clear customs of your shipment on your behalf upon your approval on the payment and collection of the required fees</li> </ul>		<ul style="list-style-type: none"> <li>&gt; Wait 5-7 business days if you bought from New York, Dubai, Istanbul and Shanghai and 3-4 days from London</li> <li>&gt; Track and monitor your shipment</li> <li>&gt; Get your item from the Aramex office within 60 days or else the item will be destroyed</li> </ul>

# Research reveals that "brick and click" consumers are the bigger "shopping enthusiast" – Placing more emphasis on emotional appeal

## Industry affinity

### Values profiles

#### "Brick and click" consumer



- > Focal points on emotional appeal with <Thrill & Fun> and <Status>, <Trendiness>. <Service> also important
- > Values like <Total Cost> and <Simplicity> are comparatively less important

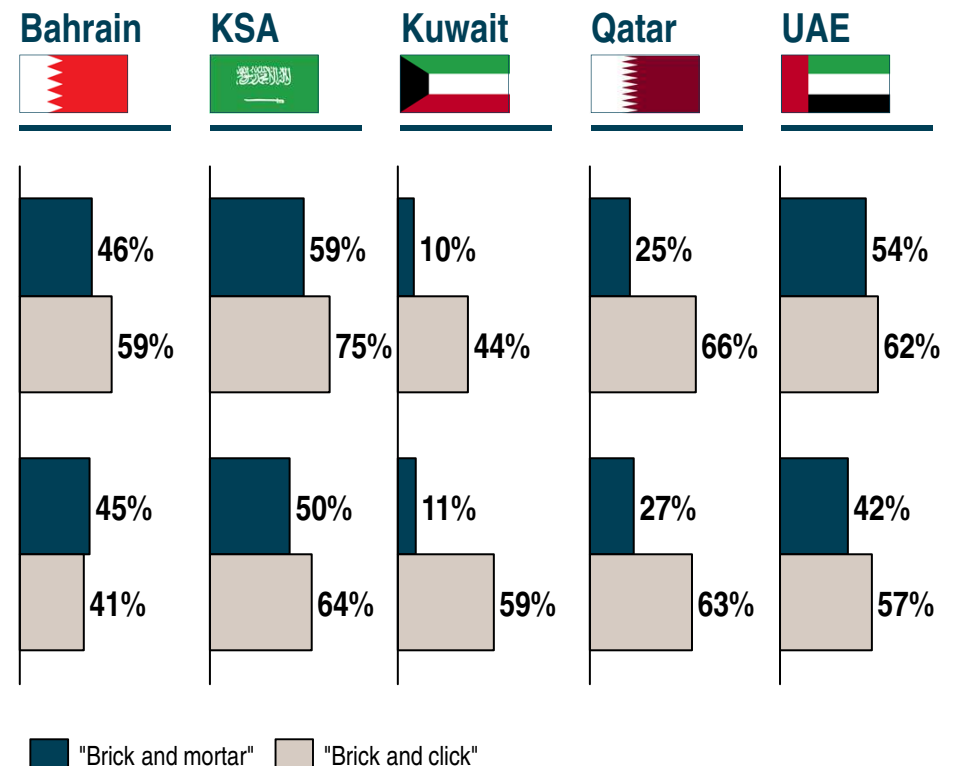
■ Value is below average important   
 ■ Value is above average important

1) Top 2 answers on a 7 point scale

#### Affinities<sup>1)</sup>

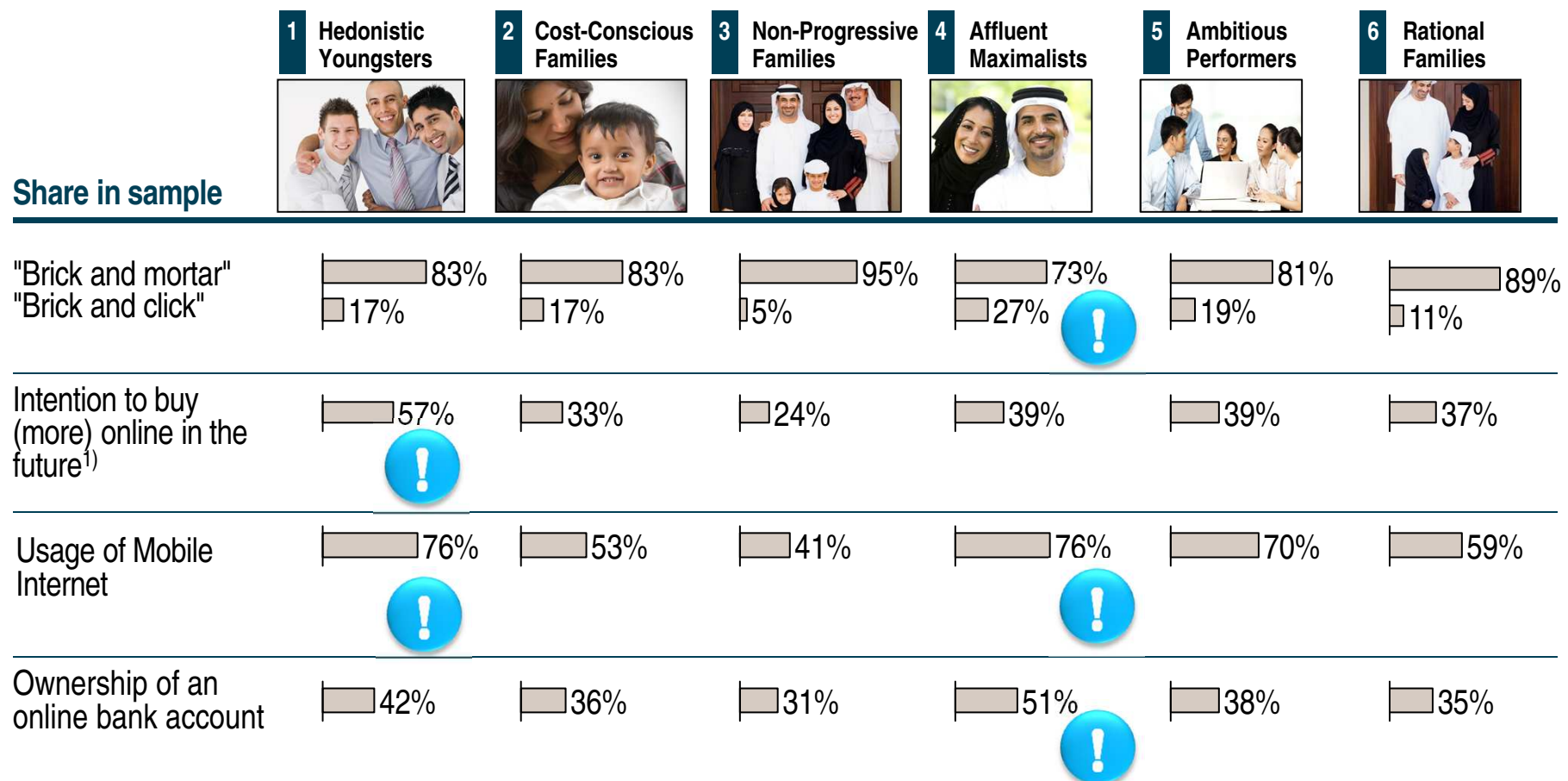
I could spend a whole day shopping

When I get a bonus or I have spare money I definitely use it for shopping



■ "Brick and mortar"   
 ■ "Brick and click"

# Based on demographics, usage and needs one can identify segment with differing "multi-channel" propensity



1) Top 2 answers on a 7 point scale

# So while an online offering is not a question of "life or death" for GCC retailers, multi-channel opens up opportunities

## Multi-channel outlook

**Yes**

Online sales are still relatively low (in terms of revenue share) and multi-channel users are still a minority in the GCC

**But**

Share of multi-channel users is pinching up and ~50% of people state their intention to buy (more) online

**Yes**

Regional specifics give "brick and mortar" undisputed benefits and a cultural position that consumers are not willing to do without

**But**

Online holds benefits besides delivery and price that can be better exploited e.g. variety, reviews. Multi-channel shoppers are the bigger shopping enthusiast

**Yes**

Security concerns still prevail and online payment is not common place

**But**

Banks' offer solutions such as pre-paid cards, credit card penetration on the rise and ~50% of people agree online payment got more secure

**Yes**


Logistics challenge and somewhat vague "home delivery" USP impact consumers' acceptance

**But**

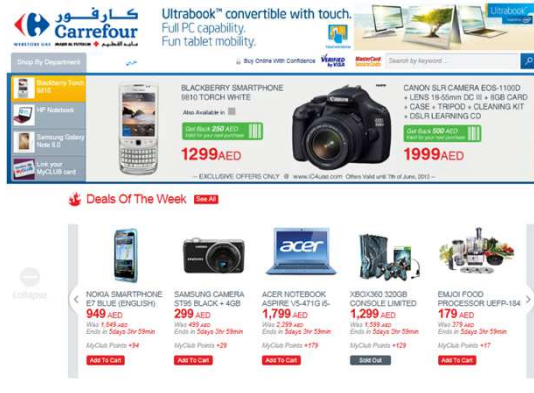
Retailers can work on both by creating a more decisive value proposition and work on logistics concepts

# Some "brick and mortar" retailers already branch out into multi-channel to enhance their customer experience and service


## Examples of multi-channel retailers in GCC

 **Carrefour**

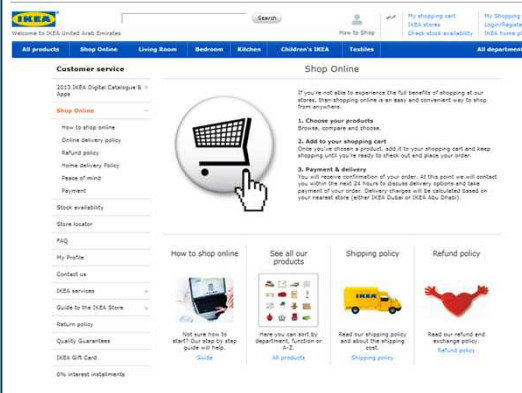
- > Offers online many items that are not offered offline
- > Presents an opportunity to compare different brands simultaneously
- > Provides details about promotions and best offers




The screenshot shows the Carrefour website interface with a navigation bar, search bar, and a 'Deals Of The Week' section. Featured products include a Blackberry smartphone, a Canon SLR camera, and an Acer notebook, each with a price tag and promotional text.

 **IKEA**


- > Presents in English and Arabic products information
- > Allows customers to purchase online from selected stores
- > Offers online customer service



The screenshot shows the IKEA website with a focus on online shopping. It features a 'Shop Online' section with a shopping cart icon and a 'Customer service' sidebar. The main content area includes a 'How to shop online' guide and a 'Shop Online' button.

 **Landmark Group**

- > Won the "Most Admired Middle East Retailer of the year"
- > Posts comprehensive website details on Landmark 'family stores'
- > Allows customers to purchase products from Emax, Splash and Babyshop



The screenshot shows the Landmark Group website with a prominent 'SALE UPTO 60% OFF' banner. Below the banner, there are images of clothing items and a 'NEW THIS WEEK' section.

# Finding a dedicated USPs, building trust, engaging consumers and facilitating logistics pave the way to grow acceptance



## **Foster dedicated online USP**

Online retail provides opportunities besides home delivery and price as reviews, variety of products and discreet purchase are seen as benefits by consumers

## **Build trust**

Online still lacks GCC consumers' trust. Work on enhancing customer experience and relationship to establish mutual trust



## **Develop engaging mobile shopping solutions**

High mobile Internet and smartphone penetration give the opportunity to engage with consumers and enhance the customer experience

## **Facilitate logistics**

Engage with the right partners to establish the necessary capabilities



# In addition, strategic segmentation and consumer insights are key to see how multi-channel can add value to different consumer types

## **X** Don'ts

Do not assume who your actual and potential customers are

Do not assume "doing things right" means the same for all consumers group

Do not stick to one retail channel and make your organization work only in this direction

## **✓** Do's

**Use data which exists in vast amounts** and put analytics in place to build required insights

**Understand expectations first, to meet them** – "doing things right" means different things to different consumers' groups

**Make your organization flexible to handle multi-channel** operations and make channels work in both directions

### CUSTOMER UNDERSTANDING

