

RETAIL THOUGHTS  
Terry J Lundgren

ANALYSIS  
Amazon-SOUQ deal

HOME & HOUSEWARES  
Future of retail

MALL WATCH  
ABC Achrafieh Mall

CEO TALKS  
Vic Bageria

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May 2017

## Rewriting retail rules



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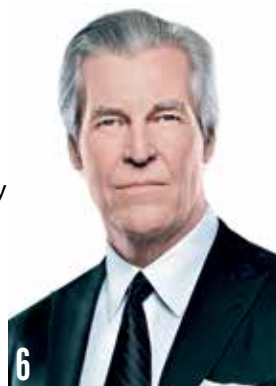


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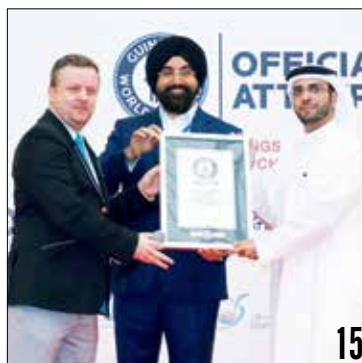
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# Dear reader

In this issue, our main focus is on the deliberations that transpired at the World Retail Congress last month. With some high-profile speakers sharing their thoughts on the whole gamut of retail, there were ample 'takeaways' for discerning listeners and ardent students of retail.

While 'digital' has been a keyword over the last couple of years with 0.64 cents of every dollar spent at retail stores being digitally influenced, the physical space is also getting more and more engaging with brands ever-keen to build a connect with consumers.

"We are at that juncture when uncertainties prevail. The day after Brexit, Debenhams' share prices fell 28% in one day because the market was repricing with the pound going from £155 to £125. Another unique development, as of now, is the uncertainty in the US impacting trade," cautions Debenhams chairman Sir Ian Cheshire.

"Change happens in the blink of an eye. Retail saw massive changes in 2015 as the customer, and their shopping habits changed, in addition to a visible change in demographics," says Terry J Lundgren, executive chairman and chairman of the board at Macy's Inc.

We also have an in-depth report on the International Home & Housewares Show, which saw the focus shifting to 'smart' home and 'connected' products. The smart home trend is moving from the early market to a state of greater maturation, and connected products so far have experienced varying degrees of success.

The Show's first keynote, 'Millennials Have a Lot to Say About Housewares', was a no holds barred discussion with a focus group of millennial consumers. Millennials, who are 92 million strong, are an essential housewares customer right now and will only grow in importance as their households evolve over time.

That's not all; we have Terry J Lundgren sharing his 'Retail Thoughts', while for CEO Talks we have Vic Bageria, founder and CEO, SDS. Sarah Jones, founder and CEO, online marketplace Sprii.com is this month's young entrepreneur and the evolution of ABC Achrafieh, the first shopping mall in Lebanon, under 'Mall Watch'.

Look out for our June edition for the announcement of dates for Middle East Retail Forum and Images RetailME Awards 2017.

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# Retail has the grit to survive any challenge

*Macy's Inc. is a legendary retail brand and Terry J Lundgren, its executive chairman and chairman of the board, is not a lesser legend. His long and illustrious retail career started in the year 1975 with the US-based department store chain Bullock's, part of Federated Department Stores, as a trainee. Over the next decade, he rose through the ranks having engaged in several retail functions like buying, store management as well as HR before being named senior vice president and general merchandising manager in 1984 followed by president and CEO of Bullock's Wilshire in 1987.*

*Having spent over a decade with Federated Department Stores, Lundgren started his stint at Neiman Marcus in 1988 where he held several positions from executive vice president to chairman and CEO. He, however, went back to Federated Department Stores in 1994 and remains with Macy's, Inc. – comprising Bloomingdale's, Macy's and Bluemercury – till date.*

*What's even more interesting is the fact that retail happened to him almost by chance. Lundgren studied to become a veterinarian while in college. In an exclusive interview with*

**Rupkatha Bhowmick,**  
*Lundgren shares candid facts alongside making serious observations on the state of retail*

**M**y parents didn't go to college. My four sisters and a brother didn't go to college either. I'm the only one in the family who attended college. That too happened because my friends were going to college and I liked playing basketball. I was keen to play basketball, which led me to college. It almost seemed like something meant to happen as opposed to a planned move.

When I went to college, I studied to become a veterinarian. That's what I studied during the first two years in college. But having realised what a veterinary physician does for a living, I didn't think I could go ahead, so I transferred into business. I eventually found my passion in retail.

## **Challenges have strengthened our industry**

With an almost 50-year long retail career, I've seen and learnt a lot. Our industry has practically seen a setback of some sort every six-seven years – bankruptcy to consolidation, challenging and dramatic impact of 9/11 on retail to the financial crisis of 2008. Every time, after each crisis, retail has responded in a strong way around the world and certainly in the US.

Our company, particularly, has ended up better and stronger after every such difficult period. It forced us to change, react and do things differently. It forced us to think more uniquely about



Terry J Lundgren



World-over, large developments are taking shape in retail. Customer experience has assumed great significance. Coca-Cola, for example, replaced its chief marketing officer role with a new one called 'chief growth officer' responding to fast-changing consumer needs while putting in place a growth oriented transformation for the company.

While 'digital' has been a keyword over the last couple of years with 0.64 cents of every dollar spent at retail stores being digitally influenced, the physical space is also getting more and more engaging with brands ever-keen to build a connect with consumers. Apple, a frontrunner in the smartphone revolution, is now looking to recreate its physical space, rendering them more exciting and inspirational. In almost 100 of its biggest stores worldwide, Apple will be implementing a series of design changes including adding meeting and conference rooms and large video screens, while rebranding its 'Genius Bar' to 'Genius Grove' featuring real trees.

Closer home in Dubai, one of the biggest announcements this year in the digital space is the Amazon acquisition of SOUQ.com. On the other hand, the announcements of Meydan One Mall, scheduled for completion in 2020 alongside other major projects such as Mall of the World and Jumeriah Central in addition to luxury department store Macy's set to open at Al Maryah Central in Abu Dhabi are some big developments in the physical space.

"The UAE e-commerce market is seeing steady growth with the value of internet retailing expected to exceed \$3.8 billion in 2021 from \$1 billion last year. This increase is supported by high smartphone and internet penetration, increased connectivity and growing acceptance of online shopping. The recent acquisition of SOUQ.com by Amazon is a reminder of this reality," states Mohammed Ahmed bin Abdul Aziz Al-Shehhi, undersecretary for economic affairs and minister of economy for the UAE.

"Retail remains one of the main engines fuelling the UAE's economic growth. Sales activities and footfall showed resilience in 2016 owing to rising incomes and high influx of tourists. Dubai, notably, witnessed a sharp increase in new retail space added to the market last year. Retail supplies in Abu Dhabi are also expected to increase. These activities will help in offsetting the impact of lower oil prices. We are



## Rewriting retail rules



**Majid Saif Al Ghurair**

very optimistic about improved business confidence, increased inflow of tourists that will stimulate retail spending and overall increasing growth prospects for the future," he adds.

"Retail and wholesale are the cornerstones of Dubai's economy accounting 29% of Dubai's GDP and 12% of the UAE's GDP," says Majid Saif Al Ghurair, chairman, Dubai Chamber of Commerce & Industry. "The sector has played a significant role in increasing competitiveness of Dubai's economy, the second largest retail destination globally, as ranked by CBRE for the fifth consecutive year. Further tourism plays a vital role in Dubai's retail market. Last year 14.9 million visitors stayed in Dubai,



**Mohammed Ahmed bin Abdul Aziz Al-Shehhi**

and 86 million passengers used the facilities of the Dubai airports."

Overall these are exciting, yet scary, times as retail goes through massive transformation - that too very rapidly. A lot of discussions, deliberations and debate happened at the World Retail Congress (WRC) that returned to Dubai for its 11th edition. Supported by the Dubai Chamber of Commerce and Industry, WRC 2017 chose to focus on 'Reimagining the Customer Experience' as its underlying theme drawing 150 speakers and over 1,400 attendees from April 4-6 April at Madinat Jumeirah.

*Rupkatha Bhowmick brings snapshots from WRC 2017*



## International Home + Housewares Show

# Focus on smart home and connected products

*In this in-depth sequel to the curtain raiser we carried in our April issue, we expand on the 2017 International Home + Housewares Show, held from March 18-21 at McCormick Place in Chicago.*

**Lawrence Pinto** brings the snapshots of the world's largest housewares-only show, where art intersects with engineering and technology informs style. It's where the industry connects to learn, network and do business with a fascinating array of bath and sanitation products, cookware, tabletop, home décor products, tableware, flatware, cutlery, kitchen tools, energy conservation appliances, healthcare products and more

**F**irst, some numbers on this year's show, which garnered rave reviews from buyers and sellers. There were 2,204 exhibitors from 47 countries focusing on the smart home and connected products.

"We are very pleased with buyer attendance, which was nearly on par with last year's record numbers, mainly international, which was very positive with buyers coming from over 125 countries," says Phil Brandl, president & CEO of the not-for-profit International Housewares Association, which owns and operates the show. "Noteworthy this year is the substantial growth in buyers from the primary international markets, including Japan, Korea and India as well as several Latin American and European markets. Besides, senior-level representative attendance from both retailers and suppliers is especially strong."

According to Brandl, this year saw a concerted focus on smart and connected

products with the inaugural IHA Smart Home Pavilion, featuring 18 new and current exhibitors displaying emerging technologies and the latest in smart and connected products, as well as 70 other exhibitors throughout the show. "The Discover Design Expo, in its second year in the North Building, was the design destination that made the 120th edition of the show a thriving marketplace for the industry," he observes.

The morning of March 18, began New Exhibitor Preview, which attracted more than 600 buyers and media persons, an increase of 20% over 2016. "The event offered buyers and media the opportunity to meet with 90 first-time exhibitors in advance of the official opening of the show. Response from the buyers is very positive about the New Exhibitor Preview, and we anticipate attendance to continue growing as more buyers want to begin their day earlier," says Brandl.



## Sheikh Ahmed lays foundation stone of Lulu Group's **Silicon Mall**

Sheikh Ahmed bin Saeed Al Maktoum, chairman of Dubai Silicon Oasis Authority (DSOA), unveiled the commemorative plaque and laid the foundation stone for Silicon Mall, the new 2.3 million sqft shopping mall by the Lulu Group at the hi-tech park. The total investment on this new project is expected to be around \$272 million.

Dr Mohammed Alzarooni, vice chairman and CEO of DSOA; Yusuffali MA, chairman and managing director of Lulu Group; as well as senior management from DSOA and the Lulu Group attended the ceremony.

"We are proud to announce that Lulu Group has chosen to locate its upcoming mega mall within the premises of this hi-tech park. Construction of the mall, which is currently underway, will be completed by 2020, an outstanding year when the nation expects to welcome approximately 25 million visitors hoping to enjoy the Dubai Expo 2020 and other unique national experiences and sights," says Dr Alzarooni.

"Silicon Mall is our most ambitious project in the UAE



**Sheikh Ahmed bin Saeed Al Maktoum, Dr Mohammed Alzarooni, Yusuffali MA and other senior management from DSOA and the Lulu Group**

to date, and we intend to make it the most interesting and exciting mall in Dubai. Work on the project is due for completion in a period of 30 months, just in time for the launch of Dubai EXPO 2020," adds Yusuffali.

"The UAE is poised for strong economic growth, and I am very optimistic about the future, especially for the retail industry. The far-sighted and visionary leadership of this

great country has planned many game-changing and innovative initiatives, and we are delighted to be a part of this incredible success story," he continues.

The Silicon Mall at Dubai Silicon Oasis will feature a futuristic façade that is set to serve as its unique value proposition. It will comprise sky-lit corridors for natural light harvesting on all floors. The mall will offer covered

parking for up to 3,000 cars across two levels.

In addition to more than 300 international and local branded stores and 12 anchor stores, the new shopping mall will also house the Lulu Hypermarket and Department Store on two levels. Other key attractions include various entertainment and leisure offerings, including a 70,000 sqft family entertainment centre, and more than 50 F&B outlets.

## **Nakheel** reports AED1.48bn net profit in Q1 2017

Dubai-based developer Nakheel has announced a net profit of AED1.48 billion for the first quarter of 2017, in line with the company forecasts.

While its retail, hospitality and residential leasing businesses continue to perform well, Nakheel handed over 412 land and built form units to customers during Q1 2017.

Besides, between January 1 and March 31, 2017, Nakheel also awarded construction contracts worth AED5 billion, signed agreements with two renowned Thai hotel operators,



opened its fifth retail Pavilion and announced an investment of AED150 million to create a new network of cycle routes across Dubai.

"Our first quarter results are as forecast. We continue to execute our long-term busi-

ness plan, in turn contributing positively to Dubai's real estate sector. As ever, we thank our investors and the government of Dubai for their ongoing trust in and support for Nakheel," says chairman Ali Rashid Lootah.

Nakheel is set to award an-

other AED4 billion worth of contracts in Q2 2017, while continuing to expand its retail, hospitality and residential leasing businesses to deliver a range of new projects in line with the government of Dubai's 2021 vision.

Currently, the company has 4 million sqft of retail space in operation with another 13 million sqft under development. Two Nakheel hotels are operational with 16 more underway, and its residential leasing portfolio is set to double to over 37,000 units under ongoing expansion plans.



# Innovation always helps us to remain ahead of time



Since the year 2000, *Savant Data Systems (SDS)* has delivered actionable business intelligence solutions for the retail industry, fuelling strategic growth. Many industry verticals including retail stores, supermarkets & malls, airports & duty-free, public transportation, civic institutions such as libraries and museums, banks and casinos have benefitted from its innovative solutions. Coming from a retail background, **Vic Bageria**, founder and CEO of SDS, attained enough knowledge on the shortcomings retailers faced in the pre-technology days. The family business started by Bageria's grandfather in the 1940s in India is still in operation. His father came to Dubai and started a business in textiles and garments, which is presently managed by his siblings. Bageria shares with **Lawrence Pinto** his journey in retail from the time he started helping his father in operating retail stores

**M**y retail journey began with the family business. It all started with the running of very conservative and traditional retail stores to high-tech retail operations in the last 21 years. It all started when we were asked to sit in the shop and take care of the cash counters. We had six stores then, and each of the family members, including my brothers, took care of the operations. Our family is still into retail in India, and we have retail operations in Dubai as well, but I am not part of the family retail business as I am focusing on my own business.

As part of our upbringing, we spent a lot of time on the shop floor. It was natural for all of us to get involved in all the operations, from selling to stock taking, handling cash and also managing the staff. During that period, we realised a lot of improvements were needed to run the retail business more efficiently. I am talking about the early 90s. We did not have POS machines then, just the regular drawer to store the day's cash collection. There were no barcodes and, everything was computed manually. Even then, we received a couple of containers every month from different parts of the world. We would offload them and store the goods, so the warehouse management was there. Having managed the stores meant we had managed the whole retail business, and that's where we gained the whole retail experience.

In the process, we always felt that there was so much more we could do on cutting down on shrinkages, training employees. Customers then were more loyal than you find them today.

The whole fundamentals of retail have completely changed from then to now. Retailers no more enjoy loyalty from their customers, now they are more price-conscious. We have a

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