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Future of Businesses

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January 2018



## DECODING RETAIL



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Retail is at an interesting crossroads. Sweeping changes are happening at a rapid pace. The time seemed just right to encourage the industry insiders to come together and share their experiences in dealing with the opportunities and challenges. After all, it's the only way to decode the factors that are positively disrupting retail.

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# Dear reader

## Budgets boost 2018 outlook

The outlook for 2018 appears confident as we begin the New Year with record budgets by the UAE and Saudi Arabia, which will provide the much-needed impetus to the retail sector.

The UAE approved a record AED51.4 billion federal budget for 2018 with a focus on education, healthcare and community well-being as the country boosts spending off the back of stronger economic activity and a higher oil price.

Also, a total budget of AED201.1 billion got approved for spending over the next four years.

The budget for 2018, which is balanced, is a 5.6% increase from last year's AED48.7 billion, which also focused on social development, health and education.

In the meanwhile, Dubai has approved its biggest-ever budget for 2018 as the emirate ramps up infrastructure spending to finance work for Expo 2020. Spending will surge 19.5% to AED56.56 billion from AED47.31 billion in 2017 and revenue will increase 12.5% to AED50.36 billion from AED44.78 billion in 2017.

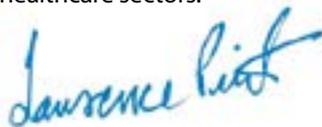
Saudi Arabia too has announced its largest-ever budget for 2018. The Kingdom is preparing to increase spending to record levels this year – SAR978 billion (\$261 billion) – as it looks to diversify its economy away from energy as part of its bold reform agenda.

Additional spending by development funds is set to bring total public expenditure to more than SAR1.1 trillion in 2018.

The National Development Fund will fund housing, industrial and mining projects in addition to packages stimulating the private sector, according to the Saudi Press Agency (SPA). The Public Investment Fund (PIF) will also fund new and existing projects next year.

Bahrain gets a boost with Abu Dhabi Fund for Development (ADFD) allocating AED10.5 billion to finance 26 strategic projects in the Kingdom. The projects implemented are as part of the AED9.19 billion (\$2.5 billion) grant provided by the UAE to Bahrain within the framework of the Gulf Cooperation Council (GCC) development programme for Bahrain. Since its inception in 1974, ADFD has allocated AED10.5 billion towards financing 26 development projects in Bahrain spanning the housing, energy, transportation and healthcare sectors.

Look out for the forthcoming issues for more positive developments.



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# Two power-packed days of learning and sharing

Over the last six editions, the Middle East Retail Forum (MRF) has gone from strength-to-strength. From the diverse mix of speakers – from the region and beyond – to introduction of new formats, it has emerged as ‘the’ retail knowledge sharing forum in the Middle East.

What measures the success of a conference like MRF is the desire to share experiences, outcomes and challenges. And MRF indeed witnessed a powerful environment driven by knowledge sharing and insights.

Starting from the Retail Business Owners & CEOs Conclave that saw a truly diverse mix of retail leaders to the local businesses driven by passion and a burning desire to leave a lasting impact, MRF focused on every possible aspect of retail.

The impact of technology and digital media was debated at length, building emotional connect and the crucial importance of happiness in retail and beyond too became a subject discussed passionately. Expansion stories of

regional brands also received its due significance and the retail formats were debated with great enthusiasm.

Amidst all these figured some first-of-its-kind formats – foremost being the SOLO (Stories, Opinions, Learnings, Outcomes) Insights speech where three exciting speakers engaged and enthralled the audience. The release of an exclusive report highlighting ten innovative disruptions – ongoing and futuristic – in retail, while the government personalities spoke at length about the successful public-private collaboration.

There was a fashion workshop too, which was quite intriguing because it highlighted the qualities of merino wool that’s not only fashionable but also useful – in fashion categories like athleisure – even in a region like the Middle East where the weather is predominantly hot.

What’s more, we also launched the GCC Startup Retail Incubator – a platform to showcase local talents from the region. The goal is to evolve this concept – now at an embryonic stage – into a real matchmaking platform.

Finally, a word on the theme itself – ‘Unspoken, Unseen, Unheard: Decoding retail in the age of disruption’. Retail is at an interesting crossroads when sweeping changes are happening at a rapid pace. The time seemed just right to encourage the industry insiders to come together and share their experiences in dealing with the opportunities and challenges. After all, it’s the only way to decode the factors that are positively disrupting retail. How a simple hashtag created a social impact; and how a street artist established a million dollar tech company. How to traverse the omnichannel journey step-by-step, how a pop-up concept dismissed a couple of years ago is steadily gaining momentum, how happiness can be measured, how a local business can scale up despite adversities and, importantly, how a collaborative approach is the only way ahead for retail to sustain.

*Rupkatha Bhowmick brings a detailed report on MRF 2017*



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# Felicitating the stars of retail

The region's retail community came together at the One & Only Royal Mirage in Dubai on November 28 to celebrate excellence and felicitate the celebrities in the business of retail at the Images RetailME Awards 2017, writes **Lawrence Pinto**

## A gala night

The Images RetailME Awards are more than just about winning in a competitive retail market like the Middle East. They recognise excellence across a range of retail categories, benchmarking innovations and best practices in this vibrant industry. They also serve as a motivational platform for retailers across the region and the world.

With the spotlight on the best-performing retailers in the Middle East for 2017 at a dazzling ceremony which was graced by over 400 professionals, specialists and VIP guests representing the who's who of the retail industry.

The celebrities of the evening sparkled on this gala occasion hosted by UAE-based MC and presenter Enjy Kiwan, with Rayisa Shcherbakova and Serik Iskakov setting the mood for the awards night with their mystic music. There was a mesmerizing Ring acrobat performance by Olga Baigacheva.

## The way the winners were selected

There can be no greater accolade than gaining recognition from one's peers in the awards jury comprising eminent names from the world of retail. Based on assessment and pulse of the industry, RetailME editorial and research team did the first round of short-listing of brands. Following which brands were reached out for nominations under 24 categories. After the submission of entries, the brand list was shared with industry jury panel – comprising veterans from the shopping malls – from across the region for their inputs.

The independent jury panel simultaneously evaluated the brand nominations, and the RetailME Chair then vetted the scores.

The shopping centre industry jury included Brad Merchant, director, retail asset management at Aldar Properties, Abu Dhabi; Mohamed Galal, chairman, TSM Crenovations, Egypt; Frank-Matthias

Kuntermann, CEO of ABC GROUP, Lebanon; Christian Wistrom, general manager - leasing, GLA Management Company.

The independent jury comprised Mohammad Alawi, chairman of Shopping Malls Committee, Jeddah Chamber, Saudi Arabia; Roy Higgs, president of US-based Roy Higgs International; Jerzy Osika, founder & CEO of Poland-based Promedia; and Andrew Williamson, head of retail, JLL MENA.

The process helped us nominate more than 125 of the top-performing brands under 25 categories.

Following the review, the jury score sheets were forwarded to an independent adjudicator, Crowe Horwath, who tallied the final results. These were kept strictly confidential to maintain secrecy and the spirit of competition and announced publicly only on the awards night.



# The state of retail amidst rapid changes

Convenience is critical – people are willing to spend for convenience and experience. It could be getting food delivered to the doorstep, using an app to reserve a parking spot in a shopping mall over the weekend or ordering an Uber ride.

Staying with F&B, millennials and baby boomers tend to spend a lot on food experiences. But the concepts have to separate themselves from the pack by being innovative through food, ambience and technologically. F&B gets more space allocation these days. It is visible in the Middle East, the UK and Europe with the US headed in the same direction.

Rapid technological advancements are taking place. Robotics might take over a significant portion of the retail jobs. But human touch is being placed at the heart of technological innovation.

Retailers are experimenting many newer retail formats – from pop-ups to outlet centres as well as travel and transit zones.

Markets – talking specifically about the Middle East, Iran and Africa – are also transforming and opening up, offering new frontiers for retail expansion.

**Rupkatha Bhowmick** brings some key highlights from MAPIC



## A look ahead

- Omnichannel will continue to play a significant role.
- Consumer expectations will continue to rise.
- There will be rise of independent brands and unique locations.

“Pure online players will drastically diminish. More and more online players will start establishing physical retail presence,” observed Andrew Phipps, head of EMEA & UK retail research, CBRE.

The process has already started. Alibaba is taking up space in shopping malls in China. Closer to home, SOUQ.com has a physical fulfilment centre on Sheikh Zayed Road in the UAE.

“Retailers have realised that consumers are looking for an omnichannel experience,” added Melina Cordero, head of retail research Americas, CBRE. “The store still plays a pivotal role in the shopping decision even if the transaction happens online. Besides, retailers also found out that the cost of doing online is quite high. In the US, for example, online retailers have to offer free or low shipping charges and returns. That’s quite

expensive. Hence, the store becomes a way to protect profits as people can order online and pick-up, return or exchange in the stores, saving logistics cost for the retailer.”

However, the big question is if real estate cost is lower than logistics costs.

“That’s a big debate indeed,” agreed Cordero. “One of the challenges are e-commerce cost is a lot less fixed and tend to fluctuate, making it unpredictable. In the store, it is more predictable. The cost and constraints vary from market to market depending on infrastructure and distribution of the population.”

“It’s very similar in EMEA,” complemented Phipps. “Online is indeed very expensive owing to the delivery timelines. People also order more than required because they know the return is free. In EMEA around 35% of transactions



**Andrew Phipps**



**Melina Cordero**

get returned, versus in the store that hovers around 7%.”

“In the US the growth of online was being translated as the decline of bricks-and-mortar. That has not happened. In fact, more than half of all sales in the US are driven by the bricks-and-mortar brands which are taking a large share of online sales. Think about GAP.com,” cited Cordero.

In the past year, there have been many store closures in the UK and the US. Does it translate into physical retailers building up an online presence?

“Having a store is key. But more

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