



Cover Story:

How To Retail

Top retailers break down the key elements to get the different aspects and channels of the industry right. From setting up physical stores and e-commerce businesses to perfecting omnichannel strategies and creating experience, flip through the pages to learn more about retailing in the Middle East.



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Tech Trend:

NFTs: a revolution or a bubble?

Non-fungible tokens (NFTs) became all the rage earlier this year especially after a digital artwork was sold at the Christie's auction for \$69 million. But what role can NFTs play in retail?

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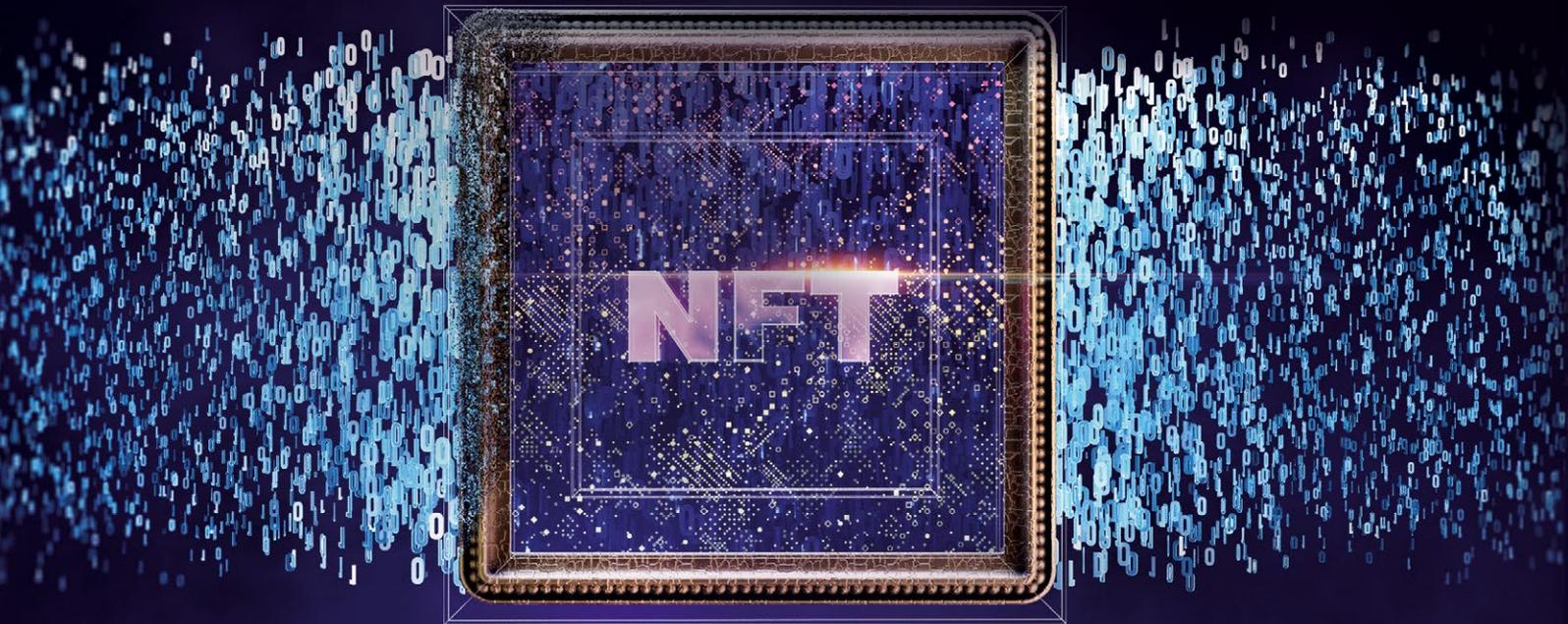
Big Story:

Consumerism in KSA

Saudi Arabia proves to be an interesting market to discuss the future of consumption and consumerism, as no other market in the GCC has gone through the kind of transformation and reform that the Kingdom has seen in the last couple of years. Adding to that, two-thirds of the population is under the age of 35, mobile penetration stands at 116%, and it has the largest social media presence in the world with a penetration of 75%.

NFTS: A REVOLUTION OR A BUBBLE?

Story: *Shruthi Nair*



Dalgona coffees, TikTok videos, virtual parties, Clubhouse invites... these were just some of the harmless products of the lockdown and subsequent boredom combined with increased time spent on the internet. However, something else took the digital world by storm this year and it wasn't just an innocent trend that the common man could jump on. Why? Because it involved millions of dollars and is turning out to be an active part of the crypto-economy.

Non-fungible tokens (NFTs) became all the rage earlier this year especially after a digital artwork was sold at the Christie's auction for \$69 million. However, the concept of NFTs isn't new at all, just its value reached record highs this year as more people spending time on the internet with disposable income available in their hands and nowhere to spend it, started investing in it.

But what is an NFT and how does it work?

Simply put, an NFT is a unique asset that can't be replaced with

anything else, unlike cash or gold. For instance, an AED 10 bill can be exchanged for two AED 5 bills, but NFTs work on scarcity or exclusivity, so there is only one-of-a-kind (quite literally). This is particularly valuable for digital creators, whose work can easily be replicated in the online space and change hands without any record of it. NFTs, on the other hand, are part of a blockchain (a digital ledger), which records all the important details including the identities of creator and owner(s) of the piece.

All collectibles from digital artworks to memorabilia, to event tickets and even memes and gifs can become an NFT. Again, scarcity and exclusivity is what makes NFTs so attractive that it is mobilizing millions of dollars. Another industry that is fueled by scarcity and exclusivity is luxury. Today, digital fashion is gaining prominence globally and in the world where the ongoing rivalry between fast fashion and haute couture keeps surfacing, NFTs could well play a role.

Globally, brands like Louis Vuitton and Burberry have designed and released outfits – or skins, as they are called - for video games. Gamers have been willingly shelling dollars in buying these luxury outfits to dress up their characters. Clearly, potential for NFTs is ripe there. In fact, Gucci even released its Gucci Ghost gif up for sale.

In a world where Instagram takes over the real world and the obsession over one's online/social media appearance is only growing, brands and retailers have a clear opportunity that they can capitalise on. Digital clothing trends are booming for reasons ranging from ecological sustainability, to endless possibilities for creative expression to reduced manufacturing costs and wastage. In May 2019, the world's first digital couture dress was sold on the Ethereum blockchain by The Fabricant; DressX has been overlaying fashion pieces on to customer's pictures; and Nike has been merging the physical and digital worlds with CryptoKicks, a patent for its blockchain-compatible sneakers.

CONSUMERISM IN KSA

What do the #RichKidsofSaudi want?

Story: *Shruthi Nair*

Consumption patterns and consumer mindsets have changed and evolved drastically over time, to a point where boomers and millennials have very little in common when it comes to what they buy, how they buy, and why they buy.

Broadly, the younger, braver consumers today are more educated and aware of the things they want, they care more about experiences over things, are driven by the purpose of the brand over its materialistic value, and believe in ecological sustainability and social consciousness. It's a new generation of transmogrified consumers that push retailers to think harder and do better.

Saudi Arabia proves to be an interesting market to discuss the future of consumption and consumerism, as no other market in the GCC has gone through the kind of transformation and reform that the Kingdom has seen in the last couple of years. Adding to that, two-thirds of the population is under the age of 35, mobile penetration stands at 116%, and it has the largest social media presence in the world with a penetration of 75% – the opportunities (and challenges) for retailers catering to this vibrant populace are many.



Joseph Chalhouh



What is also interesting is the purchasing power of the youth of Saudi. If you've seen the #RichKidsOfSaudi, it's time to look beyond the vanity of it. This demographic must particularly be taken into consideration by luxury retailers as the market is vibrant and the target audience is demanding it.

According to a recent study by VISA Middle East, Saudi Arabia, which is forecast to grow at a CAGR of 7% between 2017 and 2022, will be the fastest-growing luxury market in the region. Undeniably, the internet plays a major role, especially in the discovery process for both online and in-store buyers, with 48% of Saudi consumers getting their shopping ideas and inspirations online. To put it into

HOW TO SET-UP



Story: *Bilal Syed*

Retail has been a key contributor to the region's non-oil GDP for years. According to Statista, in 2019, wholesale and retail trade contributed about AED47 billion to the UAE's GDP. But when the pandemic unexpectedly hit the global economies, the sector, like most other industries, had to operate in recovery and revival mode. The endless change in the paradigm of retail means keeping the pace with new technological advancements, and change in consumer behaviour.

The retail industry is not like many other industries where you can get away with investing a less amount and work your way in gaining high profits. In this particular industry, the more you invest, the higher the returns you will get. Also, what you invest in and when, is key in determining how fast your retail business can potentially secure profitability. These investments could be in customer service, a shopping experience (both online and physically), delivery processes, and so on.

According to PWC's CEO Survey Middle East report, *Navigating the new retail reality*, 28% of Middle East CEOs across all sectors believe the global economy will improve over the next year – a decline from 52% in the prior year. This cautious outlook is reflected in the fact that more than two-thirds (68%) of regional CEOs put operational efficiencies at the top of their list of planned activities to drive profitability in the next 12 months.

That said, retail as an industry will never lose its prominence and significance, and the fact that Walmart (with roughly 2.2 million employees) is the biggest employer in the world is testament to that. By the end of

last year, global e-commerce giant Amazon added circa 500,000 new employees to its company. Both physical and e-commerce retail in certain verticals have recorded tremendous growth during a crisis and that has encouraged many new retail players to mushroom across the globe, including in the Middle East. However, retailers need to factor in the do's and don'ts of starting a business from scratch without underestimating the difficulty of owning and operating a store.

The first step to operate a retail business, specifically in the Middle East, is by making sure your business proposal is all ready to be able to apply for a licence. This business proposal must include exactly what kind of retail business you would like to commence. It could be a clothing store, a technology and electronics store, an automotive store, and so on. Your licence will depend on what kind of retail business you wish to open, therefore this is a very important point to consider before applying for your licence.

The next step, which is also very crucial, is hiring. This step is sometimes taken for granted by retailers to keep their budget in balance, which may result in a negative shopping experience, leading to low customer retention. The hiring process, if not the most, is a sensitive step of the process. With the right employees, a company can advance quicker.

Then comes the physical stores. This is a decision you make as a company founder, whether you wish to exclusively be an online e-commerce platform or you wish to introduce a physical store as

well. In the case of a physical store, considering the area you open your flagship store matters. What is also important to consider is the size and affordability of the store you have chosen.

Then finally comes the processes you introduce as a retailer. Carefully evaluate who your suppliers and vendors will be, keeping in line with your chosen retail product range. According to Deloitte's 2021 retail industry outlook report, "Retail executives seem to agree that an economic recovery to pre-pandemic trajectory levels will take time, with six in 10 expecting recovery in the next one to two years—but a quarter see a longer timeline of two to five years. The old playbook and rules will likely have to be thrown out, and bold, differentiated action will be required to stand out from the competition." This is the step where you will also need to consider four key opportunities where you can stand out. Those opportunities are:

- a) Digital differentiation
- b) Strategising health and safety protocols
- c) Supply chain management and disruption-proof planning
- d) Realigning your costing to suit the latest economic environment

60% of the population in the MENA region are below the age of 30. This shows how retailers need to understand that their buyers are a young population. Today, retailers of all scales and sizes have three objectives - to sustain, adopt, and build – all while catering to an audience that is digital savvy, demanding, purpose-driven, and also sustainability conscious.

HOW TO BUILD TRUST & LOYALTY



INTEGRITY



TRUST



RELIABLE



AUTHENTIC



COMMITMENT



REGARD



REPUTATION

Story: *Shruthi Nair*



HOW TO CREATE EXPERIENCES



MANAGEMENT



IDEAS



LEADERSHIP



TEAM



STRATEGY



PROCESS



GOALS



IMPLEMENTATION

Story: *Shruthi Nair*



Source: shutterstock.com

HOW TO PERFECT OMNICHANNEL?



SOCIAL MEDIA



MOBILE



WEBSITE



CALL CENTER



PRINT



EMAIL



WAREHOUSE

Story: Shruthi Nair



IT'S NOT PERSONAL. IT'S BUSINESS.

Story: *Shruthi Nair*

Shopping philosophies and consumer demands have changed massively in the last couple of years where it's become all about niches, the specifics, and the purpose. While customers today know what they want, they are also looking for assistance from the 'experts' to guide them in their shopping journeys.

That is perhaps why the personal stylist market has seen a surge in the last few years with the likes of Stitch Fix and MatchesFashion.com evolve to use data science to deliver personalisation and grow its audience. U.S.-based Stitch Fix, which has traded publicly since 2017, posted a \$9.5 million profit in its fiscal first-quarter 2021 and is gaining customers every quarter.

In the UAE, Mr. Draper launched as a curated shopping service built to help men who hate shopping or don't have the time, to look good by combining technology, data, and fashion. The home-grown startup has enhanced its popular online styling and 'try-before you buy' option by adding two new services – a tailoring solution and a basics online shop - that will further allow customers a personalized, seamless shopping experience.

Founder Mahmoud Gao shares insights on the personal stylist business.



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