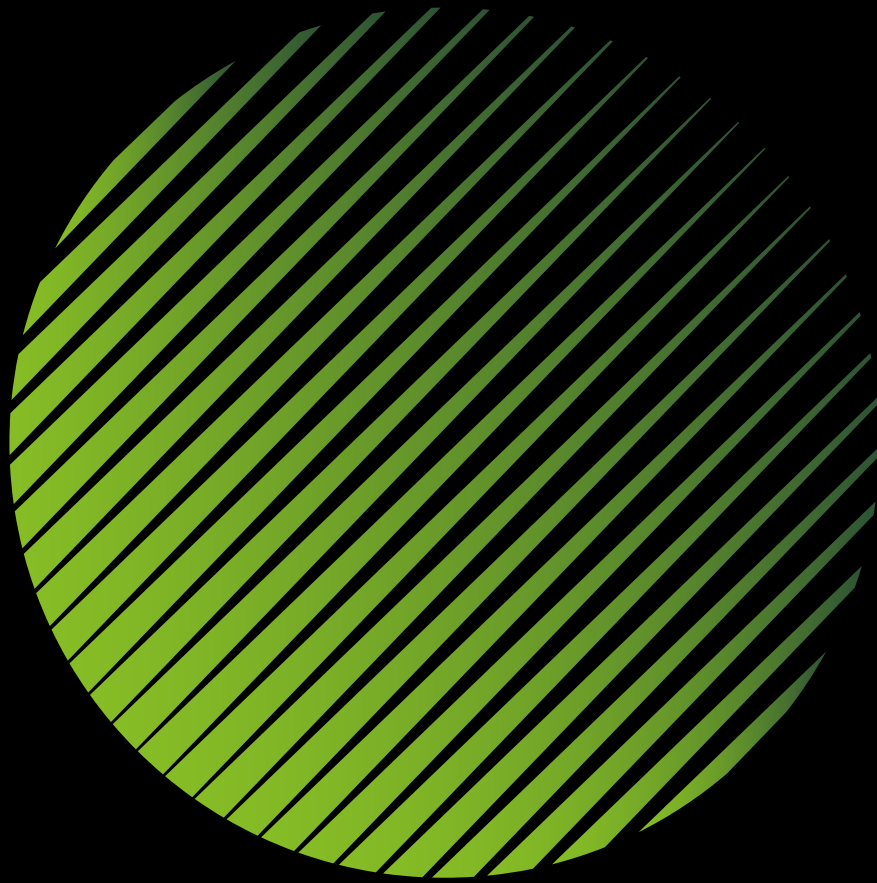


Deloitte.



The future of retail

Digital transformation or
business differentiation

November 2021



Digital transformation or Digital differentiation?

We are currently living through a market-shaping few years: Travel bans significantly impacted the retail sector in terms of footfall and working hours, non-emergency retail stores closed, while conversely e-grocery demand grew rapidly. Social distancing changed consumer buying habits overnight with health and safety concerns suddenly becoming a purchase driver. These changes have all been brought on by the COVID-19 virus, but the effects remain with us even as the pandemic begins to subside.

The pandemic has taken the volume of digital interactions to unprecedented levels. Technological adaptation accelerated in a matter of months with the UAE's e-commerce outlook for 2025 achieved in a period of 9 months. The switch to e-commerce seems to be a permanent one, with the majority of retailers expecting a continued increase in demand for digital and omnichannel interactions.

Consequently, all consumer and retail businesses are planning for "major" e-commerce, contactless capabilities, and store technology upgrade investments. Leaders in this space have hedged their bets on recovery and growth led by omnichannel innovations beyond the pandemic.

While having a digital touchpoint might help meet minimum consumer expectations, retailers should differentiate themselves as customer acquisition costs continue to rise. Digitally-native retailers, subscription models, and consumer products' companies now pose meaningful competition. In addition, the

bigger steamrollers shaping this space are large tech companies and their access to consumers and their data.

Here a question poses itself: If everyone is implementing the same changes, will everyone end up in the same place and if so, what does it mean to digitally differentiate? Retailers are faced with a once-in-a-lifetime opportunity to transform their businesses and indeed "digitally differentiate" – essentially reorganizing to deliver transformation with the new consumer in focus.

Consider the following five areas of opportunities to understand where your transformation may fall short and where it would make sense for your organization to double down efforts to differentiate.

1. Organization mindset – Are you Customer centric?

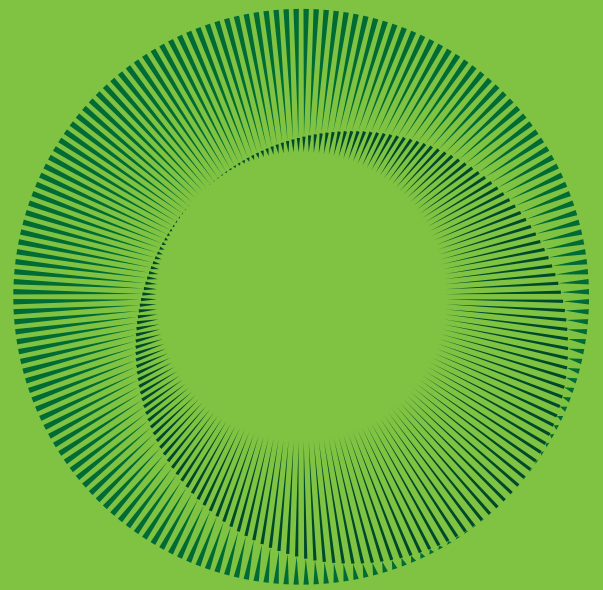
With brand loyalty at an all-time low, retailers need to find new ways to meaningfully connect with consumers and enable human experiences. Differentiating in a new digitally consumer-centric world requires a re-imagining of consumer engagement in the moments that matter to them. To that end, retail will need to imagine, design and digitally transform end to end value chains to win consumer's wallets, minds and hearts alike.... When that is achieved, consumers will move from being simply brand advocates and ambassadors to becoming brand "fans".

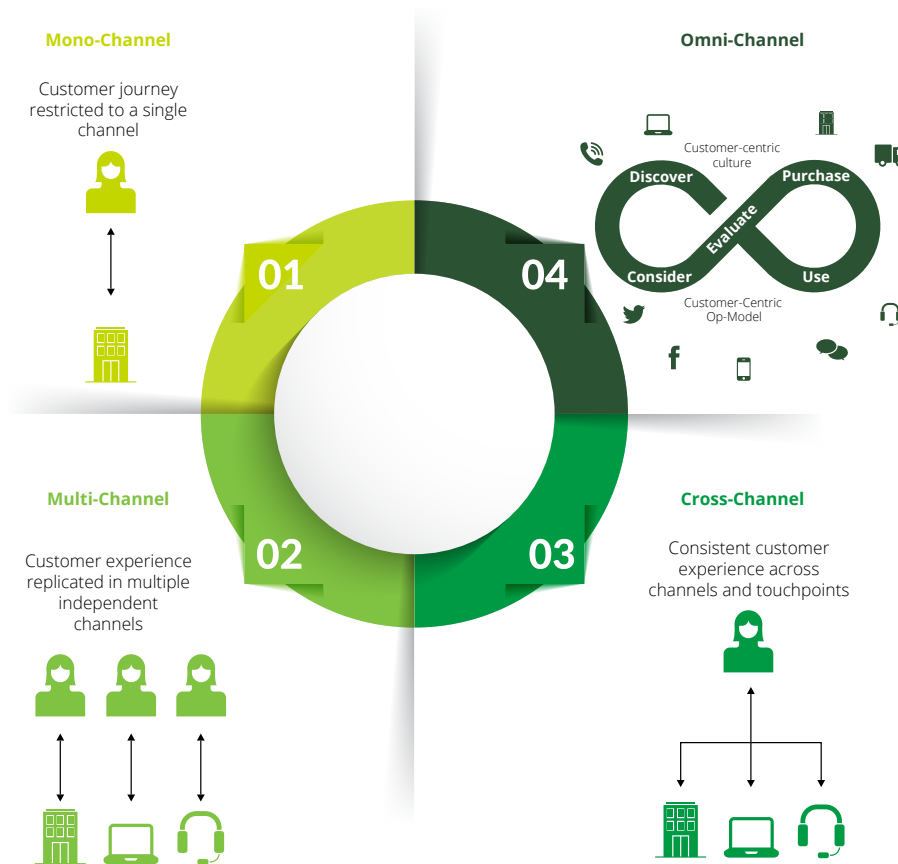
2. Innovation – Are you delivering against the new consumer expectations of connection and convenience?

The pandemic has opened consumers' minds to new channels of engagement.

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As digital transforms a previously person-to-person, high-touch industry, retailers are finding ways to recreate those connections via the channel of choice for the customer. There are numerous examples of innovation in the region on how to connect with the customer through different channels including WhatsApp, livestreaming platforms, chatbots, social media and more. The new consumer is looking to interact with a brand seamlessly across all these channels. Transformation programs need to go beyond technology initiatives – overhaul not just culture but also operating models to provide a truly seamless omnichannel experience.





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Convenience is another dimension driving differentiation. While concerns over shopping in-store will continue to push consumers online and increase demand for contactless formats, being present online is not the only solution. Many shoppers in the UAE and other GCC countries want to mix and match their channel journey based on convenience needs, leading to growing opportunities for new customization expectations and omnichannel avenues - click and collect, collection lockers and micro-fulfilment centers - reimagining how the customer will shop and catering to that need will help drive the differentiation.

3. Data - Are you investing in the fuel to understand, be relevant and be personal with the new consumer?

Data is the fuel for all omnichannel capabilities. Managing and leveraging data to enhance experience across every touchpoint and interaction from website to store, contact center, social channels and apps is key. For an industry with large amounts of data, retailers have not invested enough in this core enabler. Most are still focused on fixing data quality and reporting in order to support business operations. The effort and investment in

fixing the basics is hindering retailers from experimenting and innovation with new technology like Artificial Intelligence (AI).

To deliver true value, retailers will likely have to do a better job of deeply understanding their customer, anticipating demand and being more relevant to the customer. Building robust customer intelligence and personalization capabilities, and knowing how and when to be present for the customer is going to be more important than ever before. AI plays a critical role in this.



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There are numerous use cases and application of AI in retail. AI can help predict what consumers would like buy, it can help determine how the consumer is likely to interact with you next and really enable you to have the right product and experience available at the right time, through the channel of choice for the customer. Rapidly evolving from fixing the basics to driving innovation using AI will be a core differentiator.

4. Business models – Are you thinking outside the box?

New revenue models are evolving like subscriptions or memberships, forming new partnerships and alliances to create a profitable and digital omnichannel experience. Marketplace partnerships in the UAE for example, allow for new solutions around third-party logistics, data analytics, and customer acquisition. Some traditional brick-and-mortar companies are teaming up with digitally native retailers to gain efficiencies. These partnerships may open up cross-channel opportunities for both while also expanding customer bases rapidly.

As most retail families operate a number of brands in the region, cross pollinating across brands is another source of new business models – own marketplaces, delivering experiences across brands, monetizing data are all being explored. Differentiation will come from how quickly people in the organization adapt to new ideas and the notion of internal and external collaboration.

5. Talent – Are you transforming your talent to be digitally-savvy?

To a larger extent, traditional retailers were caught off guard by pandemic-driven lockdowns, leaving business continuity in tatters. As the industry regains momentum, retailers looked beyond on-premises talent plans, which are mostly suited for merchandising, stores and warehouses, and recognize the talent needs of an Omnichannel future. UAE and Saudi governments are partnering with tech giants to build digital talent in the region. How the retail industry evolves from core trading to operating like a technology company and adapt to hire and nurture digitally savvy, versatile talent will bring the differentiation.

These 5 areas of opportunities can be used as a mechanism to evaluate your current transformation journey. Depending on the business ambition and overarching company strategy, some of these will need to be focused on more than others. Here are some questions to help you pivot your transformations programs:

Does your business support these opportunities?

How does your strategy compare to these areas of opportunity and should you consider reviewing?

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