



Global Startup Bootcamp

Retail, Luxury, Fashion, Art & Entertainment Tech

INSEAD Middle East Campus in Abu Dhabi
May 6th, 2018
Key Take-Aways

ENTREPRENEURSHIP AND INNOVATION IN LUXURY AND RETAIL MIDDLE EAST CONSUMER INSIGHTS: CUSTOMER ACQUISITION AND RETENTION

KEY CONSUMER INSIGHTS THAT WILL DEFINE DIGITAL TRANSFORMATION STRATEGIES IN LUXURY AND RETAIL

Rania MASRI, Chalhoub Group, Chief Transformation Officer



Retail, fashion and luxury companies in the Middle East face young, opinionated and demanding consumers, who are well travelled, connected and informed. 40% of the Middle Eastern population are less than

20 years old, representing mostly the Generation Z. Moreover, with the rise of social media, social norms are evolving as well, making brands performing a continuous balancing act between tradition and modernity, community and a personal wish of standing out. To adapt to this new and modern consumer, Chalhoub Group north star vision is to move from a traditional distributor and retailer for luxury in the Middle East to a Hybrid retailer bringing luxury experiences to the fingertips of customers everywhere.

THE ME CONSUMER IS MORE CONNECTED THAN EVER

- Internet penetration in GCC stands for 76%¹ (vs.54% in the world and 88% in the US)
- The UAE Internet penetration is at 89%¹ (vs. 72% in Saudi Arabia (KSA), and 77% in Kuwait)
- The UAE Mobile phone penetration is at 228%² (vs. USA 81%³)

SOCIAL MEDIA ARE WELL INTEGRATED INTO THEIR LIVES

- MENA is the second biggest region in terms of Youtube Watch Time, after the US, and before Brazil⁴
- 10%⁵ of total Instagram users are in MENA, with 55%⁶ of total posts in the region being in Arabic

Sources:

1. Internet World Stats, June 2017
2. UAE TRA, Q117
3. Statista, 2017
4. Think With Google, 2016
5. Instagram, 2017
6. Ykone, 2018
7. Facebook, Q1 2017
8. Snapchat, 2017

- 8%⁷ of total Facebook monthly users are in MENA, as well as 6%⁸ of total daily active Snapchatters

**IN THE POST-AMAZON ERA,
RETAIL CANNOT COMPETE ON
PROXIMITY, SELECTION AND PRICE**

EXPERIENCE IS THE ONLY WAY TO WIN

HEALEY CYPHER, CEO, OAK LABS

THE NEW RETAIL LANDSCAPE: THE GROWTH OF E-COMMERCE IN THE MIDDLE EAST

Several factors will drive the rise of the E-commerce in the Middle East, such as greater awareness among population and higher online conversions. This will increase the number of retailers offering E-commerce solutions, as well as foster the emergence of new E-tailers and pure players.

- 66% of GCC Internet users are digital buyers
- 34% of major GCC retailers have an E-Commerce channel
- 52% of UAE and Saudi online shoppers shop on multibrand and multicategory sites
- The size of the GCC total E-Commerce market stands at \$6.3bn as of 2017 and projected to grow up to \$24bn by 2022 (CAGR of 31%)

CHALHOUB GROUP'S 7 GUIDING PRINCIPLES TO MANAGE DIGITAL TRANSFORMATION

1. The Customer is at the heart
2. Empower employees: let them be bold and make it happen
3. Start small, fail fast or scale fast
4. Failure and success are learning and sharing moments
5. Think hybrid and global from the start
6. Startups are your allies
7. Play on the offense

PANEL DISCUSSION

KNOW YOUR CUSTOMER – BUILDING DIGITAL CUSTOMER EXPERIENCES

ONLINE BUSINESSES IN THE GCC – CHALLENGES AND OPPORTUNITIES

PANELISTS:

Mohamed AL ZAABI

Miral Asset Management, CEO (Yas Island), INSEAD GEMBA'13

Recognized for his ambitious and innovation driven approach to business, Mohamed is focused on transforming Yas Island as a top global destination for business, leisure and entertainment

Ghizlan GUENEZ

themodist.com, Founder & CEO

The Modist is the first global luxury ecommerce destination where leading fashion brands are curated for women who choose to dress modestly. The Modist is first to address a \$260bn modest market with a luxury proposition that has, in its core, the mission to be an inclusive and empowering community platform for women globally

Bart VAN DE VEL

Facebook MENA, Head of Beauty & Luxury

Bart Van de Vel is leading Facebook's efforts to build strong partnerships with beauty & luxury businesses in the Middle East, North Africa & Pakistan. Prior to MENA, Bart was based in Dublin, with the Global Marketing Solutions team

Franck BOISSINOT

Past Majid Al Futtaim, VP Ecommerce

Franck Boissinot is currently creating a marketing platform that brings an efficient support to the midmarket companies. In his former role at MAF, Franck was responsible of the development and execution of Carrefour's marketing and digital strategy. Two of his major achievements were the launch of Carrefour's e-commerce in 2011 and loyalty program in 2013

Kia DAVIS

Specialist in SME growth in ME, INSEAD MBA'06

Kia Davis is an author, researcher, writer and specialized in helping entrepreneurs reach their full potential, and developing the ecosystems needed to support them. Originally from the United States Kia has an international professional experience in advising CEOs, investors, government agencies, and NGOs around the world in the Americas, Europe & MENA

Kunal KAPOOR

The Luxury Closet, CEO, INSEAD MBA'08

Kunal is the founder of The Luxury Closet, a marketplace for luxury pre owned items for top luxury brands like Louis Vuitton, Chanel, Cartier and Rolex. The company started in his own apartment, however now has close to 80 employees, across UAE, India and KSA, and raised over \$10m from leading regional investors like MEVP, Wamda Capital



UAE AS A HUB FOR ENTREPRENEURSHIP

Mohamed: "We are very lucky to be in the UAE. Since 1995, the government and our wise leaders put plans and strategies in place to diversify the economy and find other sources of income that are non-dependent on oil. A key pillar in achieving this vision is tourism, to which we have been contributing and developing in aims to make the UAE one of the top destinations in the world for entertainment and leisure. We also believe that working with SMEs is essential as well, hence facilitating their development, through setting up an entire startup acceleration ecosystem to foster technological progress.

Ghizlan: "The UAE is an easy place to set up a new business. According to the world ease of starting business index it's number 29 out of 190. It does not mean that there are no challenges, this result reflects rather the fact that one does not have that bureaucracy that you would find in other places in the world. The second key advantage for tech startups is the growing Ecommerce. In the Middle East the penetration of Ecommerce is at 1-2%, whereas in the UK the rate is ten times higher. It is a huge opportunity and with attractive growth rates for online."

INVESTMENT OPPORTUNITIES

Kia: "If, as an entrepreneur, you are coming from outside to get investment from the UAE, do your research, understand the local VC and business angels, get to know the ecosystem, meet with investors to understand how they make investment decisions. In order to attract local investors you should think of how you can add value to the ecosystem, the country, and the region. Maybe opening an office here or having people operating here or doing a pilot or knowledge sharing."

MOBILE REVOLUTION AS A MAJOR OPPORTUNITY & CHALLENGE FOR RETAIL, FASHION AND LUXURY

ME Mobile market is one of the most exciting in the world. Smartphone penetration is especially high in the Gulf, with the UAE and Saudi Arabia ranking in the top five countries globally in smartphone penetration rates. With regards to the mobile usage, what are the specificities of the local market and how can startups capitalize on the growing population of young tech savvy individuals in the MENA region?

Bart: "A mobile phone is the transformation for businesses that we have never seen in humanity. It took over 30 years for a global community to go to 2bn of mobile phone users. I think we are just at the beginning of this mobile phone revolution, as the quality of smartphones will drastically improve."

"If we speak about the Middle East and mobile revolution, we should expect more change. Mobile and smartphone adoption is very high here. For instance, the two major cities of KSA, Riyadh and Jeddah, are the strongest Instagram cities, using 65% more videos on Instagram than anywhere else in the world. Users spend more time, they come back more often. So, people are massively embracing the changes. Yet, they are massively underserved. While the consumer is changing, business does not. Mobile is thus representing a great opportunity in the coming two to four years. Consumers are so ready for innovation, you just need to give it to them. In the right way and with the right experience, and it will help you to get to the next level."

CHALLENGES OF ECOMMERCE IN GCC



Mohamed: "We are living in the new era, the next ten years are going to see rapid growth and development, which will be unlike the past 100 years and unmatched to any evolution seen before". That is difficult to digest to us as humans. For businesses the speed of this change represents a big challenge as well. For example, Ecommerce should be considered as a tool to improve customer experience. However, in order to master the usage of this tool, companies need to understand that within five years the market will be completely different, and customer experiences and purchasing habits will have evolved. The way we order food, we commute and use services will totally change. So when taking a business development decision today, you need to have in mind this idea of constantly evolving market."

Kunal: "Ecommerce represents an opportunity in the Middle East as the offer is still very limited. We need to see this growth of business coming to offer new things to customers online. There are a few challenges however to build an Ecommerce business. Once customers show an initial attraction, you should define your growth strategy. The very first challenge is to find the right talent in the region, as the talent pool is limited and it is expensive to hire people. So many Ecommerce platforms outsource some of their activities to Jordan or India. The second problem is logistics for delivery. The delivery ecosystem is underdeveloped, and many players run their own logistics, as they do it faster and cheaper themselves. Right now B2B services are not present here, and you have to run everything yourself."

Franck: "The Ecommerce ecosystem in GCC will be consolidated into a few platforms with little competition. Similar to retail with few major chains (Walmart, Tesco...), Ecommerce will be managed by several giants. Smaller players will survive

for a while until their acquisition (Namshi, Jadopado), unless they pick a niche market (Awok, Mumzworld etc)."

KNOW YOUR CUSTOMER: SPECIFICITIES OF ONLINE CONSUMERS IN THE MIDDLE EAST

Kia: "In this region, you need to be aware of a number of cultural and religious, social and other norms that are in play. One of the challenges of this customer discovery is that the UAE is not 'one' country: we have people who are local citizens, which is a minority of the population. We have a massive expat community which is incredibly diverse, socio-economically, culturally, religiously, linguistically, so it takes a bit more effort to find your feet in terms of who your customer is."

Ghizlan: "In the US or the UK, whilst customer acquisition cost is high, it is faster and easier to acquire customers than the regional/GCC customer for various reasons: she is familiar with ecommerce and is ready to convert if she trusts the brand and likes the offering. In the GCC, it takes a lot more to acquire the customer because not only does she need to buy into the brand but also is still getting acquainted with online shopping. Having said that, she is a high value customer: her average order value is high, she has a high repeat rate and low returns. Acquiring her requires a two-pronged approach: first, presenting the brand and its positioning, and second, converting her from offline to online shopping."

Franck: "With the right Marketing strategy you build trust in a brand. In the region it is important to reach C2C marketing where people talk on your behalf and become brand ambassadors. Facebook groups are very efficient here, where members trust the opinions for the best restaurant or a product"

Kunal: "Online customers in the region have an incredibly big feeling of mistrust, and to build this trust with customers is very costly. Consumers need to be educated, you need to be very efficient and patient by answering all the questions in a comprehensive manner."

Ghizlan: "I want to comment on the angry customer. The reality is that you cannot get it 100% all the time right. And you will make mistakes and things will go wrong despite all the efforts. You need to plan the recovery from issues as much as you plan the first interaction with the customer. If you actually succeed this recovery from the failure, you win customer's loyalty. The delight is even greater than this initial nice experience."

