RETAIL 2020

THE PANDEMIC REWRITING NEW RULES

Choueiri Group

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EXECUTIVE SUMMARY

CONSUMERS ARE BECOMING MINDFUL OF WHERE THEY SPEND THEIR MONEY

As the pandemic completely changes how and where KSA consumers spend their money, consumer choices are shifting away from indulgence towards health and hygiene. Consumers are mainly spending on essentials such as groceries (93%), which are the most purchased category, as well as pharmaceuticals (85%) and cleaning products (84%). Furniture and luxury items are the two categories that have witnessed the biggest cuts in spending with 7 in 10 consumers reporting that they are not buying them nowadays.

MORE THAN HALF OF THE SAUDI POPULATION TURN TO ONLINE SHOPPING

Ecommerce in Saudi Arabia has witnessed a significant acceleration due to the pandemic. Particularly in categories they previously might not have considered. While the majority of online shoppers (75%) are not new to online shopping, many of them are either shopping online more frequently (20%) or considering categories they might not have previously purchased online (32%).

FINANCIAL CONCERNS SHAPE CONSUMER PREFERENCES

Financial concerns in the uncertain times of COVID-19 have greatly impacted consumers' preferences and choices when it comes to online shopping. Competitive prices have become the top choice for 63% of consumers when it comes to platform selection criteria. Online payment ranks highest among methods of payments (especially with the upper socioeconomic class) and in terms of most popular online shopping platforms, Noon.com, SHEIN, Carrefour, Talabat, and Jarir lead the way in their respective industries, with Noon enjoying the highest popularity thanks to its diversity.

POST-COVID-19 CONSUMERS TO CONTINUE WITH ONLINE SHOPPING

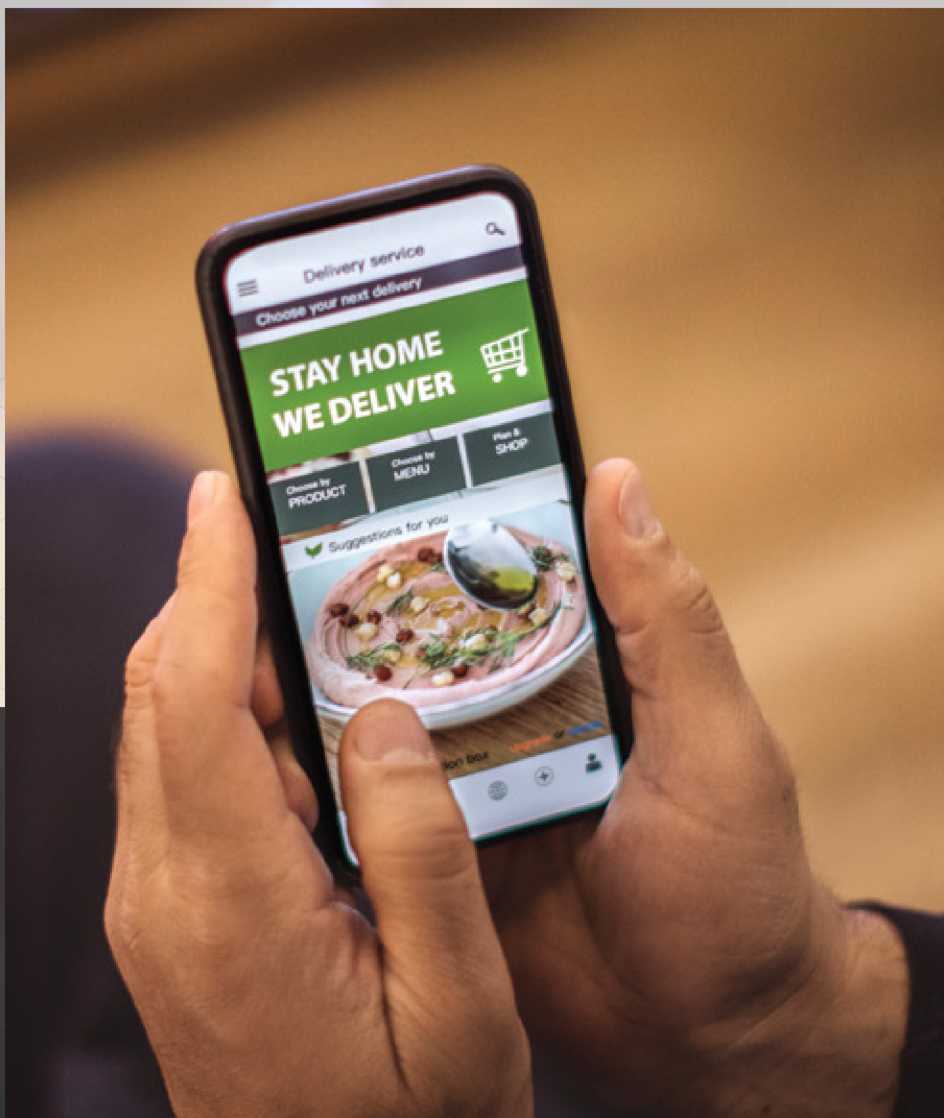
When it comes to shopping post COVID-19, the majority of online consumers (79%) plan to stick to their current shopping habits due to the benefits of lower prices, convenience, safety, and habit, although female shoppers, especially Gen-X and Baby Boomers, are less likely to do so. Among those likely to keep shopping online, half are willing to maintain the same habits whereas the other half, mainly expats, claim they will be more selective in what they purchase online.

INTRODUCTION

The coronavirus pandemic has significantly impacted the retail industry in the **MENA** region, particularly in the **KSA**.

As purchases shift online and ecommerce booms, marketers have been left wondering how consumers will adapt to their new reality. This research fielded by **CG** in July and August, aims to answer marketers' questions by highlighting the overall changes in attitude, behavior, and habit of **KSA Arab** consumers.

The study explores how consumers feel, what they are buying, how they are shopping, and what habits are likely to continue in the long term.



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THE ADOPTION OF NEW PERSPECTIVES

In addition to ongoing concerns surrounding COVID-19 transmission, many Saudi shoppers are struggling with the current economic crisis.

Comparing results of a previous consumer survey fielded by CG back in May, we found that consumers are feeling increasingly pressured by the financial implications of the pandemic which in turn has brought about changes in the way they shop.

84%
of consumers say the pandemic has changed the way they buy things

9in10
consumers cut their spending to prioritize needs over wants

Statement	July 2020	May 2020
I FEEL IT IS CRUCIAL TO **PRIORITIZE NEEDS VS. WANTS**	89%	88%
I AM ONLY **BUYING THE ESSENTIALS NOWADAYS**	85%	88%
I HAVE A **POSITIVE OUTLOOK FOR THE FUTURE**	83%	85%
I NOW SEE LIFE FROM A DIFFERENT PERSPECTIVE - THE THINGS I VALUE HAVE CHANGED SIGNIFICANTLY	80%	78%
I CAN ALREADY FEEL THE **IMPACT OF THE OUTBREAK ON THE ECONOMY IN MY COUNTRY**	79%	67%
I AM WORRIED ABOUT MY FINANCES	65%	59%
MY JOB IS **DIRECTLY AFFECTED BY THE OUTBREAK**	62%	54%
THE VIRUS WILL **PERMANENTLY CHANGE HOW I LIVE**	61%	59%
I BELIEVE NOW **I CAN SAVE MORE THAN ANY OTHER TIME**	56%	56%
I AM MORE WORRIED TODAY THAN I WAS A MONTH AGO	53%	45%
MY SPENDING HABITS WILL RETURN TO NORMAL **AFTER THE VIRUS IS UNDER CONTROL**	46%	45%

Source: CG Retail Research 2020 | CG Ramadan/COVID-19 Research [Consumer Sentiments – T2B]

MAJOR SHIFTS IN CONSUMER SPENDING

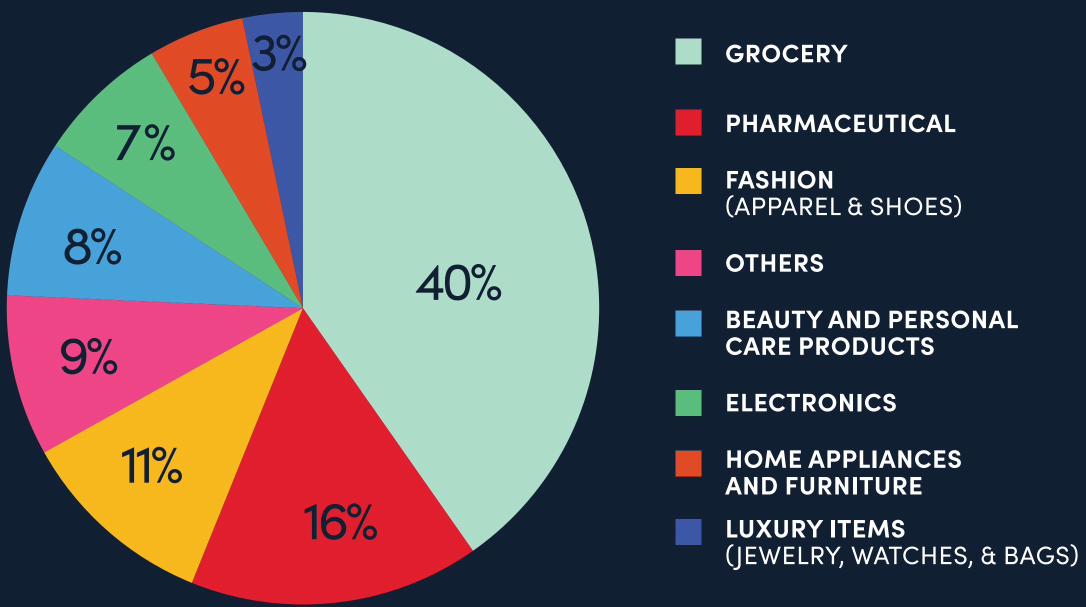
The pandemic has completely changed how and where consumers spend their money.

In the **KSA**, essentials such as groceries continue to be the most purchased category (93%) with pharmaceuticals and cleaning products trailing closely behind at 85% and 84% respectively.
Consumers are still buying apparel and shoes (74%), beauty and personal care products (68%) and kitchen appliances (61%), however less frequently.

Among all categories, **furniture** and **luxury items** witnessed the biggest cuts in spending with 71% of consumers stating they are no longer buying them. As for those who continued to buy **luxury items**, they tend to be **females** (index 118) and **locals** (index 113).

CONSUMER CHOICES ARE SHIFTING AWAY FROM INDULGENCE TOWARDS HEALTH & HYGIENE

When consumers were asked about their spending across different categories, the distribution was as follows:



Source: CG Retail Research 2020 [Share of Wallet]

Although the ranking is similar across segments, females tended to have higher shares than the total sample on fashion, beauty, luxury, and pharmaceutical products, as did men on electronics.

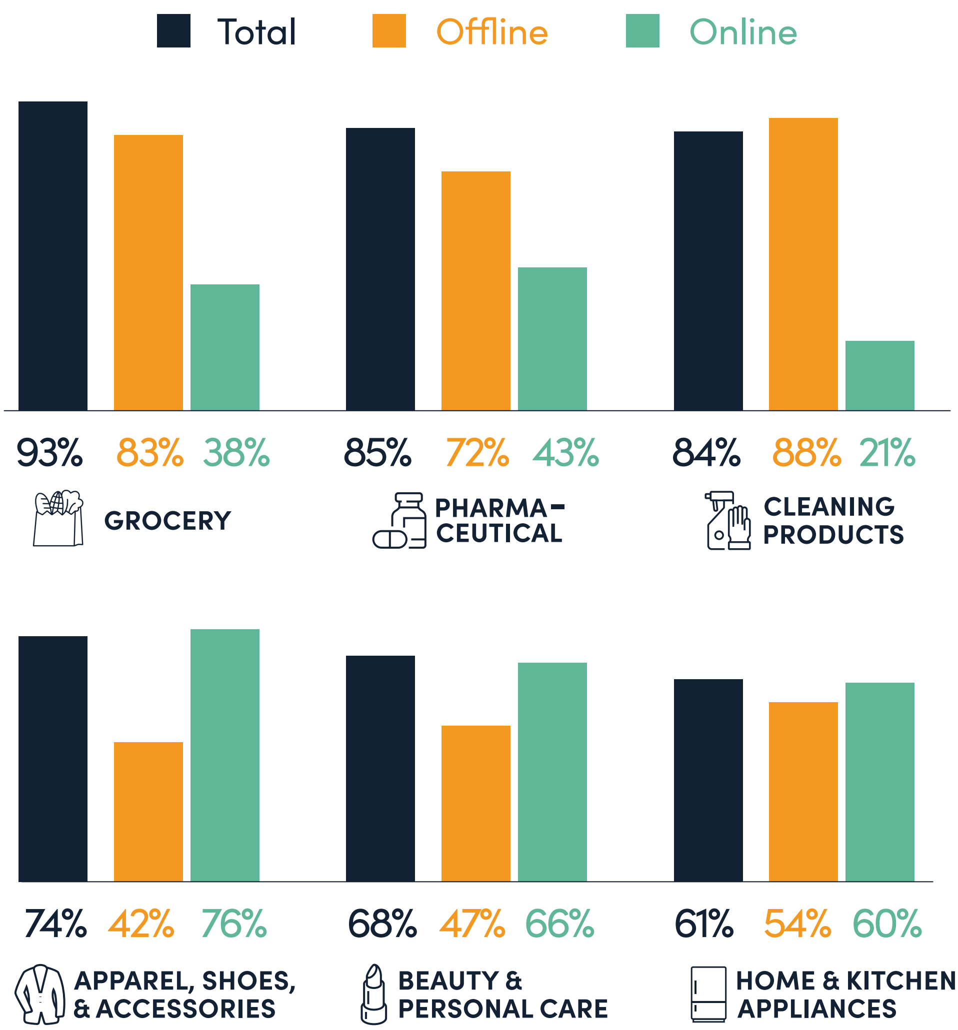
CONSUMERS EMBRACING E-COMMERCE

Amid the COVID-19 outbreak, ecommerce in Saudi Arabia has experienced a rapid spike in growth, with more than half of the population now shopping online.

25% of online shoppers are **new to the experience** and started as a result of the pandemic. New online shoppers are more likely to be female (127).

Of the wider **majority (75%)** that reported having already shopped online before, 20% now shop online **more frequently** and 32% are buying **products they never bought online in the past.**

Looking at the split between online and offline top purchased categories, there is a high tendency among Saudi consumers to visit physical stores for basic necessities, but to shop for non-essentials like apparel, beauty care products, and home appliances online.



Source: CG Retail Research 2020 [Top purchased categories]

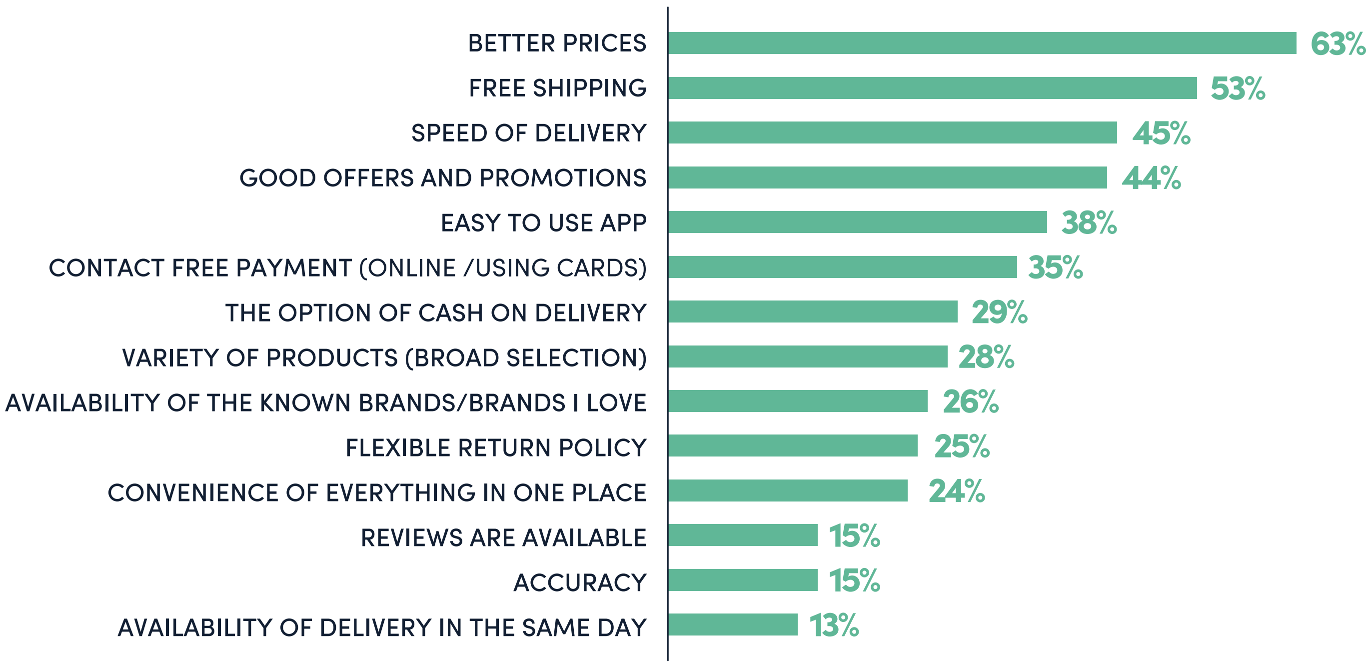
Other less purchased categories bought online include: Music & Movies (92%), Gaming (75%), Sport & Fitness (71%), Books (71%), Luxury items (70%), Electronics (68%) and Mobile Phones (67%).

[scores among category buyers]

As for the frequency of shopping online, grocery shopping topped the list with 65% of consumers buying groceries daily or multiple times a week, followed by cleaning and baby products which are bought once a week to 2-3 times per month, and lastly, non-essentials (across categories) which are bought once a month or less often.

THE SHIFT TO MINDFUL SHOPPING

Financial concerns seem to play a major role in consumers' choices, especially during times of uncertainty. When it came to online shopping platform selection criteria, research found that competitive prices were consumers' top choice (63%), followed by free shipping (53%), fast delivery (45%), and good offers/promotions (44%).



Source: CG Retail Research 2020 [Online shopping platform selection criteria]

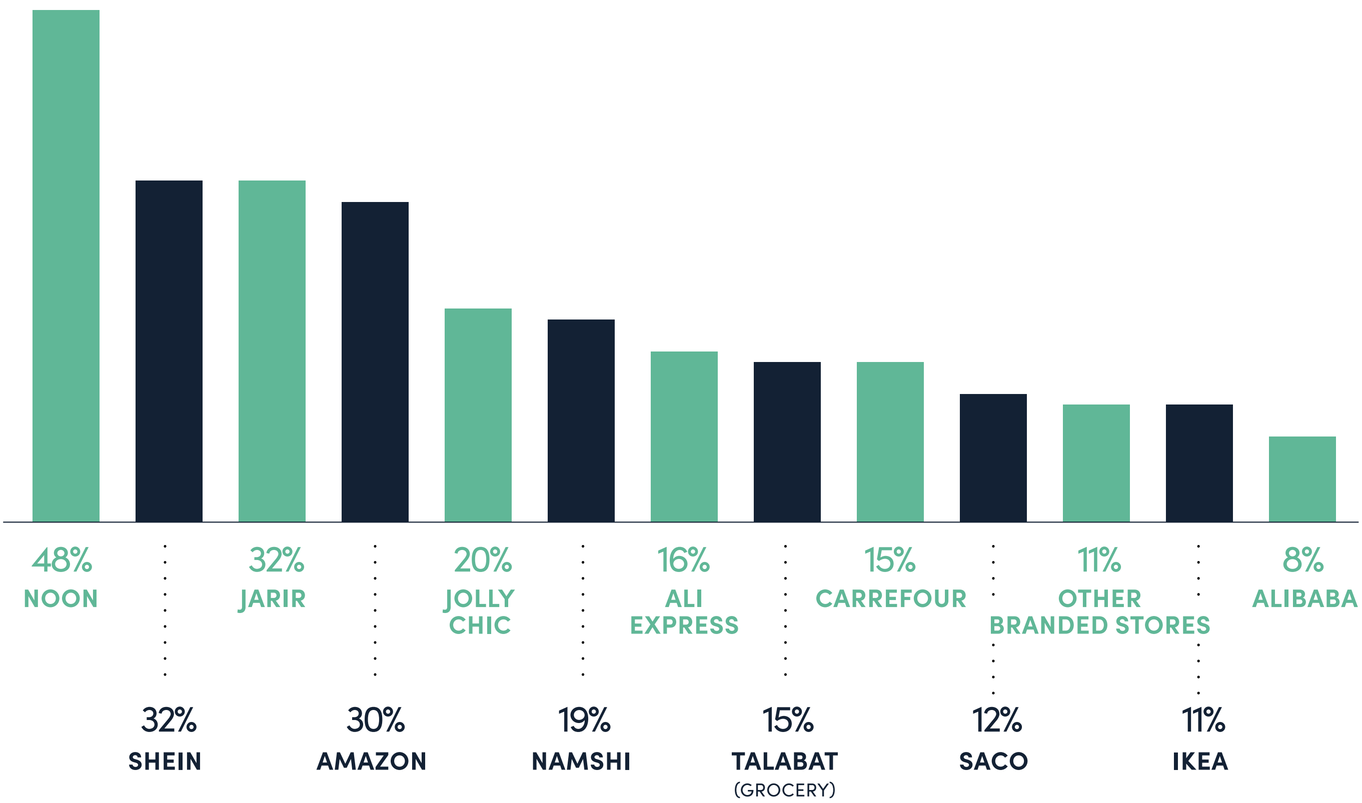
As for the methods of payment, online payment ranked highest among Saudi online shoppers' preferences [most significantly amongst Arab Expats (111) as well as Middle Socioeconomic Class (117) and Upper Socioeconomic Class (149)].

However, 25% of the population still prefer to pay Cash-On-Delivery (COD), the majority of which are females (139), Gen Z (133), and those with lower income (113), and 16% prefer to pay with cards or using their mobile device.

Among the online shopping platforms available to Saudi consumers, Noon.com seems to enjoy the highest popularity thanks to its diversity. 1 in 2 people reported having used the platform in the past 3 months, mainly to buy electronics (58%), but also for fashion (37%), beauty products (31%), and home appliances (29%).

Carrefour (78%) and Talabat (76%) are leading the Grocery industry. For Electronics Jarir is on top (89%), followed by Amazon (64%), Alibaba (62%) and AliExpress (60%).
SHEIN, Namshi and Jollichic are mainly used for fashion while Ikea and Saco are the go-to when it comes to home appliances and furniture.

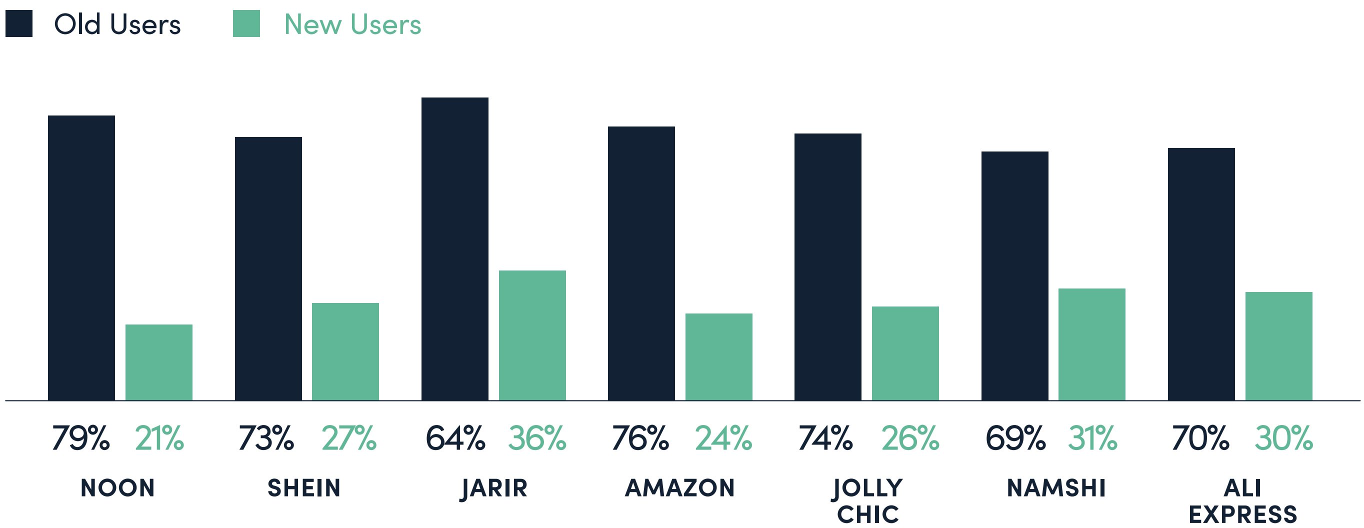
Females are more likely to shop on SHEIN, whereas males index higher on Amazon. In terms of age groups, Namshi and SHEIN appeal more to Gen Z, whereas Amazon and Carrefour are older age groups' (BB) platforms of choice. Gen Y are more likely to shop from online branded stores (i.e. Sephora, Apple, Adidas, etc), as are locals who also index high on SHEIN, Namshi, and IKEA.

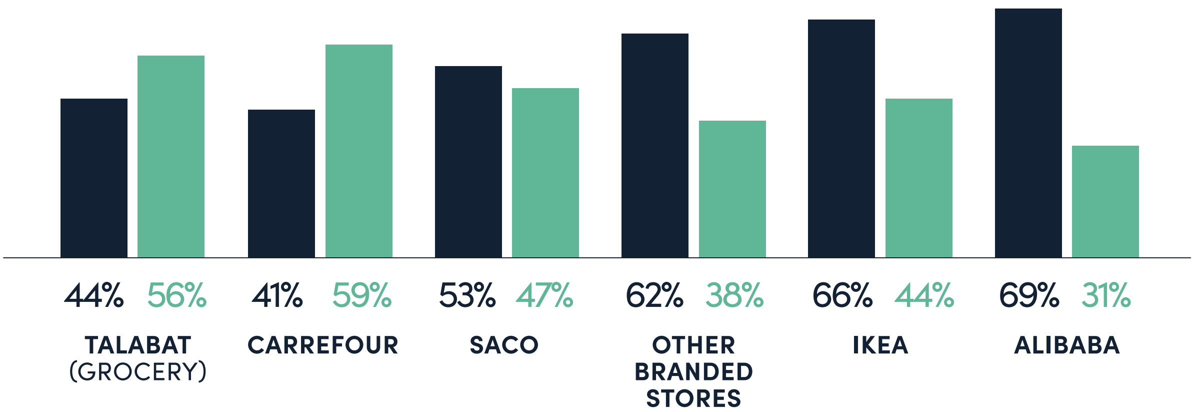


Source: CG Retail Research 2020 [Top used shopping platforms]

E-commerce platforms are benefiting from the increase in online shopping brought about by the pandemic. Many big players have acquired new users while managing to retain their old ones who reported using the platforms more frequently or for different purposes/categories since the onset of COVID-19. Grocery delivery platforms, in particular, have benefited most. 59% of consumers said they started using Carrefour as a result of the pandemic and 56% of those who recently used Talabat for grocery delivery are new to the platform.

While the new uses and offerings of these platforms have been communicated mostly by word of mouth (WOM) via friends and family, certain players like Talabat, Carrefour, Saco, and Namshi have been actively communicating their platforms using (mostly online) ads.





Source: CG Retail Research 2020 [Online shopping platforms users: new vs. old]

DESPITE ONLINE GROWTH, IN-STORE GROCERY SHOPPING PICKS UP PACE AGAIN

8 in 10 people choose not to shop online for groceries [mainly Gen Y (115)]

Although online grocery shopping is on the rise, the majority of consumers in Saudi still rely heavily on in-store grocery shopping. This is mainly driven by the fact that consumers prefer to pick products such as fruits and vegetables themselves (67%), but also by the fact that more than half believe delivery takes too long (53%). Extra delivery charges (36%) and accuracy issues (35%) were also seen as barriers to online grocery shopping. Finally, 3 in 10 of online grocery skeptics, especially people aged above 50 (116), cited hygiene and safety as a barrier due to purchased items being touched by multiple people.

Another common alternative to online grocery shopping highly practiced by females (129), locals (122), and those aged 50+ (112) is grocery shopping via phone calls (by calling local shops nearby).

6 in 10 online shoppers said they never bought groceries online before the pandemic

Even among online shoppers, the categories purchased tend to be limited to personal care, cleaning, and baby products (as well as packaged and canned food to a lower extent).

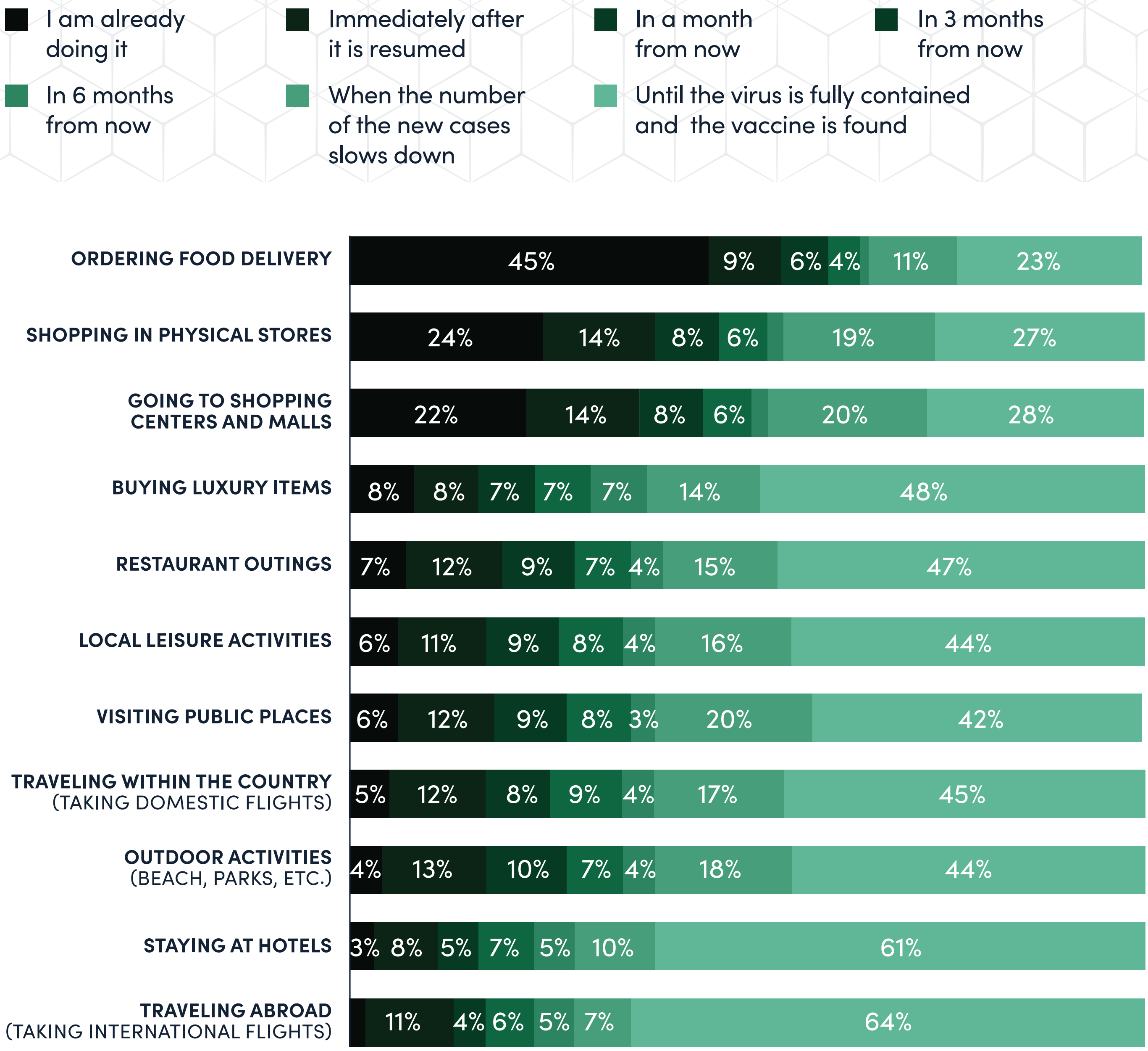
Fresh foods such as dairy products, fruits and vegetables, and meat & chicken are mostly purchased in-store and on a more frequent basis (daily or at least multiple times a week), whereas packaged foods such as rice, pasta, and grains are bought monthly or even less frequently.
Carrefour and Danube (as well as other local shops with online services) are consumer favorites for more frequent purchases of fresh products, platforms like Amazon and Noon are mainly used to purchase cleaning and personal care products, and Carrefour, Lulu, and Panda are the go-to for bulk buying including frozen and packaged foods.

Although 70% of shoppers use the supermarkets' digital stores for their online grocery shopping, 39% of shoppers also use aggregators (such as Talabat, Instashop, etc) and 30% use omnichannel marketplaces (such as Amazon, Noon, etc.). In addition to competitive prices and fast delivery, consumers value freshness and convenience when selecting the platforms they want to use.

While purchases are usually a joint decision between 61% of respondents and their partners, 39% of respondents stated that they were the sole decision maker. Moreover, females were more likely to make online grocery orders or assist their partners in doing so.

A PERSPECTIVE INTO THE NEW USUAL

Overall, people in Saudi are likely to resume their regular activities once the virus has been fully contained. This holds especially true for activities associated with high risk (such as traveling abroad and staying in hotels) as well as those associated with indulgences (such as buying luxury items and visiting restaurants). That said, people have already resumed ordering food delivery, shopping in physical stores, and visiting shopping centers and malls (higher among Arab expats: 113 - 115 - 110).



Source: CG Retail Research 2020 [Future intent]

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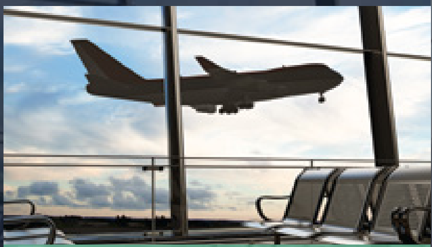
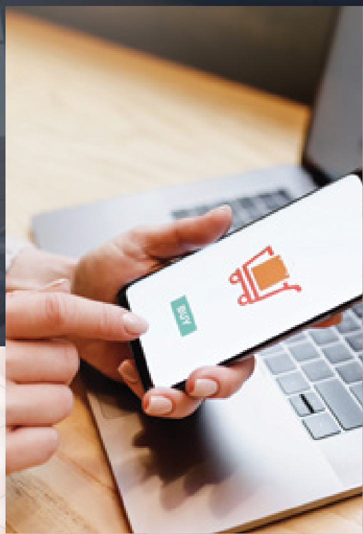


Saudi consumers are delaying travel plans, especially international ones



79%
of online consumers plan to stick to their shopping habits in the future

Overall, Saudi consumers expect to increase their spending on essentials, such as food, and decrease their spending on furniture and luxury items.
When it comes to future online purchases, 80% of Saudi consumers expect to continue with online shopping due to lower prices (48%), convenience (46%), safety (42%), and habit (31%), although females (116), especially those who belong to older age groups [GenX (110) and BB (120)], stated that they miss the in-store experience and thus are less likely to continue shopping online.

Among those likely to keep shopping online, half are willing to maintain the same shopping habits they developed during the lockdown, while the other half, mainly expats (110) claim they will be more selective in what they purchase online. Categories consumers expect to keep buying online include electronics and digital-related products (Music & movies, Gaming, Mobile phones, Electronics) as well as Clothing, Sports & Fitness and Beauty & Personal Care products.

CONCLUSION

Even as economies open up, social distancing remains, and the longer it does, the more we see consumers shift their behavior to settle into the new situation. Because we believe that in times of crisis it is more important than ever to stay connected to consumers and understand their needs, we at CG continue to track the shift in consumer attitude and behavior.

The results of our latest survey clearly shows that the emergence of the new normal has brought with it new customer concerns and demands. It raised the importance of health and safety above all and made consumers very price sensitive.

The pandemic has permanently widened the pool of e-commerce shoppers. Saudi consumers, once averse to shopping online, overcame key usage barriers and turned to e-commerce for a range of categories for the first time during this crisis. This is especially true for Groceries, which attracted the most first-timer buyers.

Saudi shoppers will eventually return to stores but shopping online will witness a profound long-term impact after the coronavirus. Consumers anticipate to keep relying on online shopping as long as they experience benefits such as convenience and efficiency.

In order to keep up with their changing customers, brands need not only to embrace digital solutions but also be agile and flexible and prepare for multiple scenarios and possibilities.

AUTHORS

Yasmine Rohban
Associate Research Manager
Choueiri Group

@yasminerohban | Connect via LinkedIn

Mathieu Yarak
Digital Research Director
Choueiri Group

@mathieuyarak | Connect via LinkedIn

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