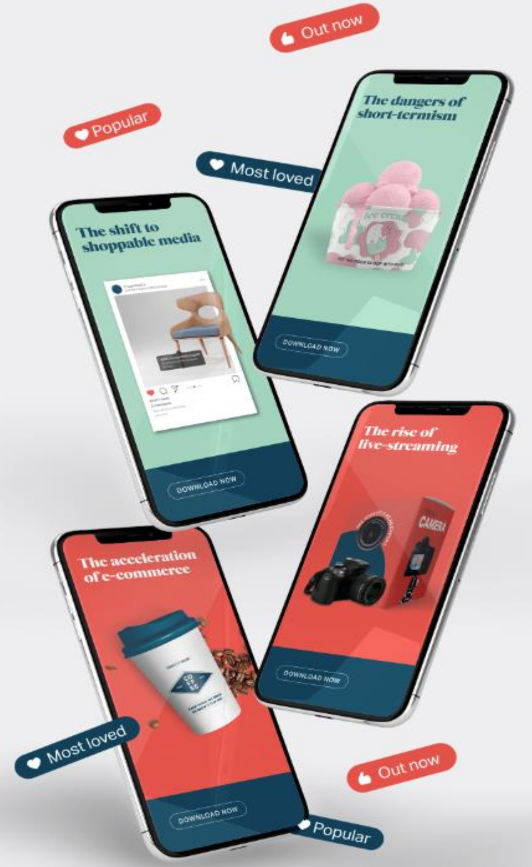


E-commerce and the future of effectiveness in KSA and UAE

WARC
ADVISORY

Introduction: Why e-commerce matters

Lena Roland
Managing Editor,
WARC Knowledge

The COVID-19 pandemic has shaken the foundations of businesses throughout the world. Brands have had to adapt fast to protect against the inevitable downturns of a global recession. One area of immense growth, however, has emerged: e-commerce.

COVID-19 will result in an additional $183bn being spent by consumers online this year. E-commerce sales are set to rise by over 30% – $677bn – to $2.9trn (Source: WARC Global Ad Trends). In an era of lockdowns and heightened sensitivity to health, hygiene and convenience, many consumer packaged goods firms are in a position of strength.

As e-commerce booms globally, what does the picture look like in the Middle East? What are consumer attitudes there? Using proprietary research of 1,490 consumers in KSA and 1,230 consumers in UAE, WARC has partnered with Choueiri Group to place e-commerce in these markets in context to evaluate how the five themes from our Global WARC Guide should be assessed at a local level.

Five areas of focus in this report:

1. The destabilisation of behaviours
2. The acceleration of e-commerce
3. Adapting for digital availability
4. Shoppable formats & seamless journeys
5. Future intent and importance of brand-building

The destabilisation of behaviours

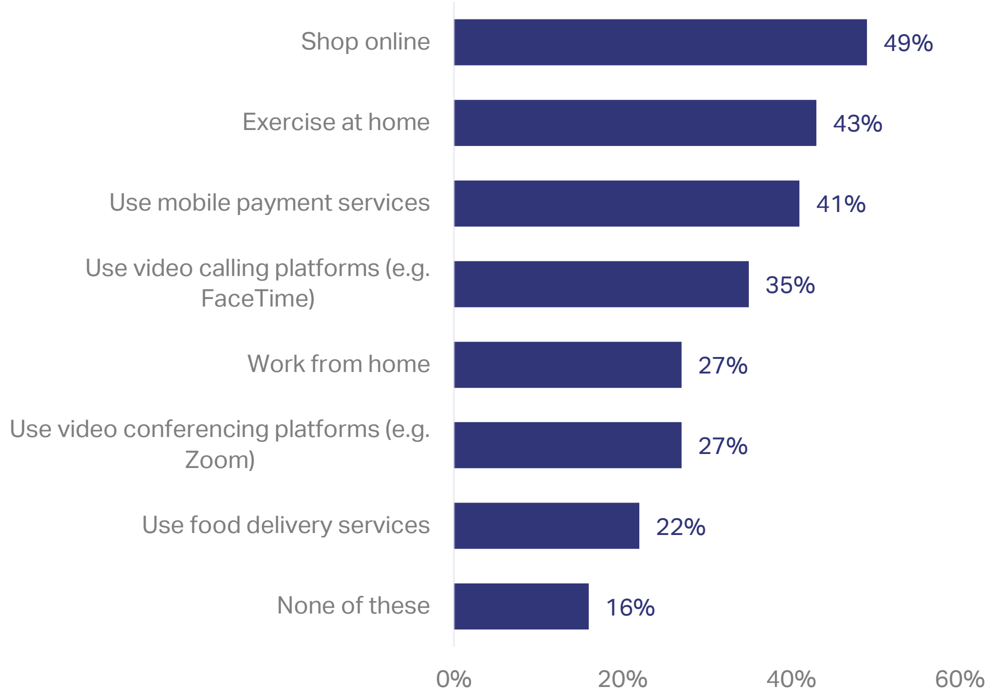
The global impact on consumer behaviour

The impact of COVID-19 has deeply permeated key aspects of behaviour from its outset. It has created a climate of inevitable anxiety. Globally, consumers are reappraising deeply embedded and instinctive purchase behaviours. This underpins an opportunity for brands to grow new customer relationships and add value to existing ones.

Implication: **The longer the period of disruption, the more repeated and engrained the habits will become. Positive first experiences now are likely to cement new buying habits.**

Global, Activities after COVID-19

Expect to do more frequently after the outbreak ends, % of consumers



Note: Based on a survey of internet users aged 16-64 across 18 markets (n=15,271) weighted for age, gender and education. June 29 to July 2.

SOURCE: GlobalWebIndex, *Coronavirus Research: Multi-market research wave 5*

The local impact on consumer behaviour

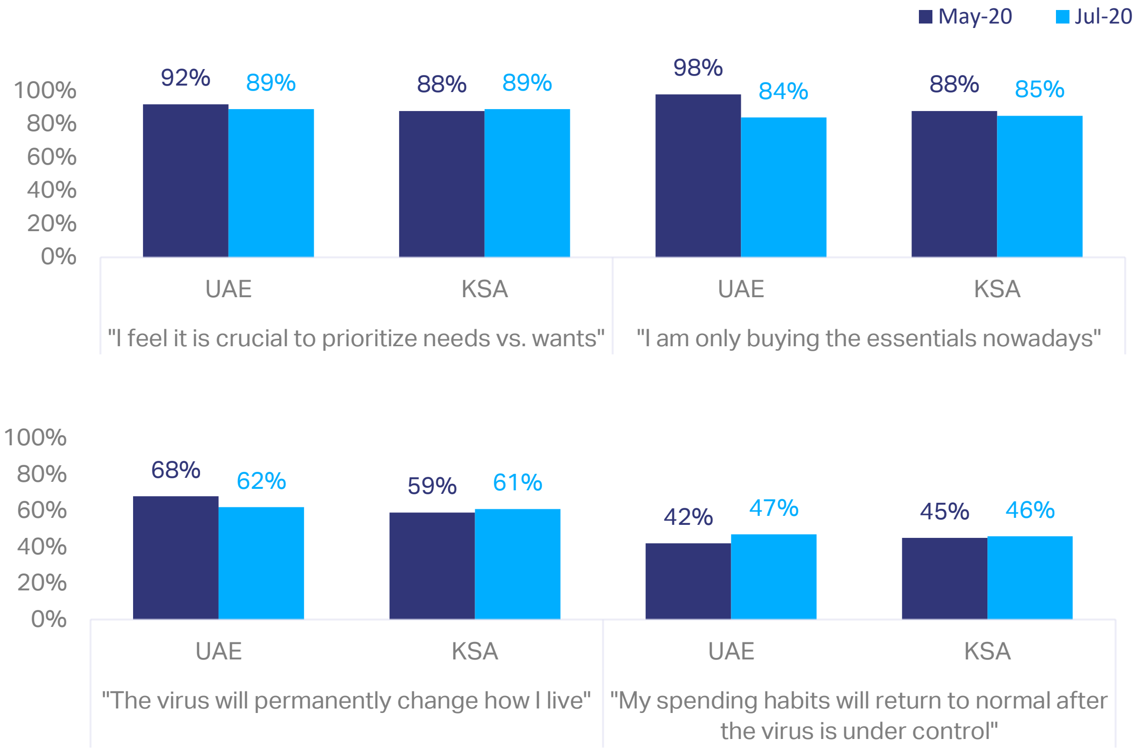
The pattern of behaviour change is true of KSA and UAE too. Shoppers have been feeling the economic pressures of the pandemic. The research finds that nine in 10 Saudi and UAE consumers cut their spending to prioritise needs against wants.

Looking long term, there is higher certainty that COVID-19 will permanently change the way they live compared to less than half of consumers of the mindset that spending will return to normal.

Implication: **Behaviours are being established and it is vital to understand needs through the online transition in order to stay relevant.**

Consumer sentiment – short-term planning

Agree with the statement, % of consumers



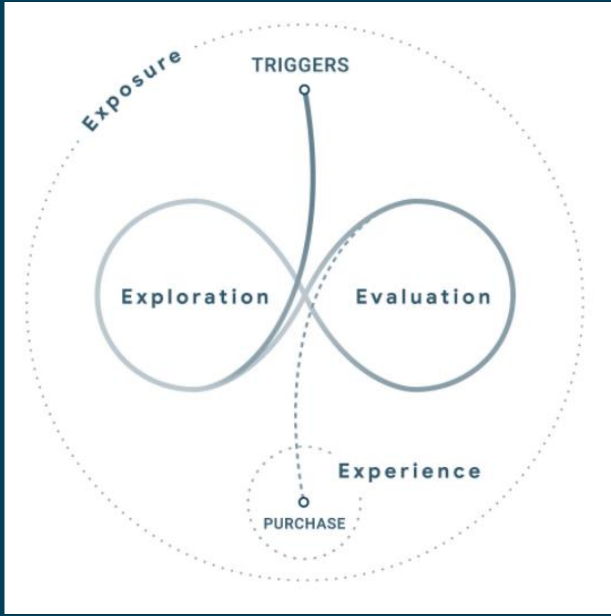
Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "*To what extent do you agree with each of the following statements?*"

SOURCE: Choueiri Group Retail, *CG Ramadan / COVID-19 Research [Consumer Sentiments T2B]*

How: Focus on helping consumers navigate the 'messy middle' of decision making

Brands need to set out to better understand how consumers make decisions in an online environment of "abundant choice" and "limitless information". There is a an opportunity to help them evaluate by **understanding their needs as closely as possible and then presenting solutions to make things as easy as possible.**

The 'messy middle'. A new decision-making model



Source: Google and The Behavioural Artichects

The acceleration of e-commerce

The global acceleration of e-commerce

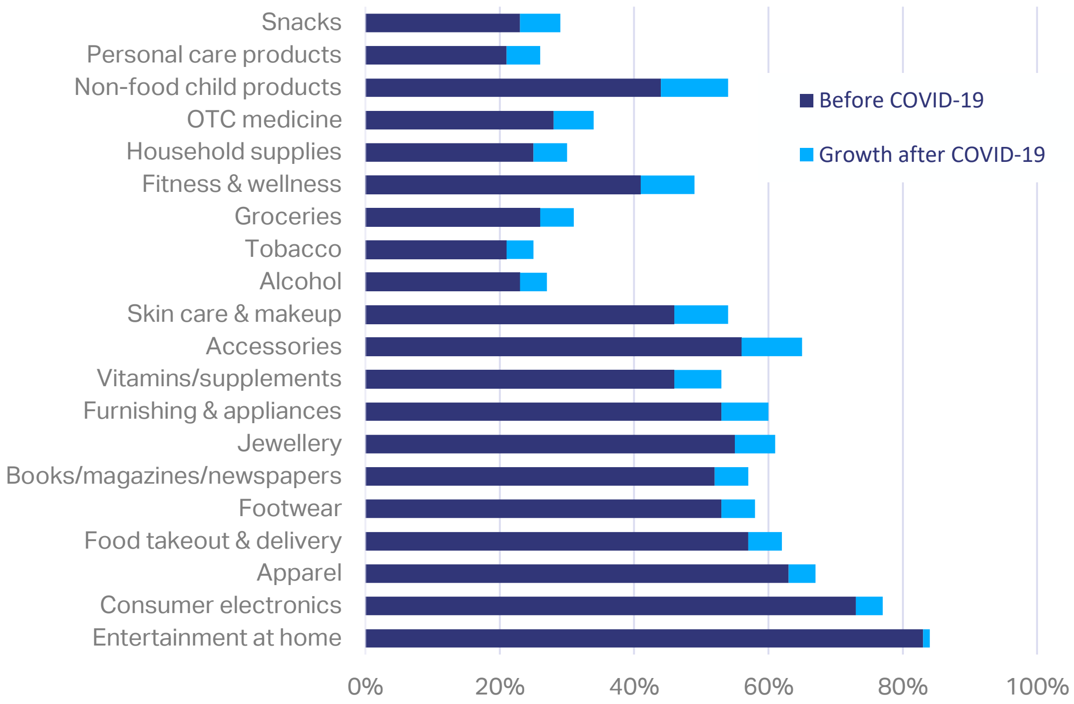
The COVID-19 pandemic, and subsequent increase in online shopping has prompted a 10 year growth spurt in an eight week period.

Brands have an array of channels to sell through, from omnichannel retailers, to online marketplaces, to social commerce operations and there is a need for careful assessment by category positioning.

Implication: Brands shifting into e-commerce should review the fundamentals of product, packaging and price points. The rise of e-commerce should be treated as a 'back to basics' review for marketers.

Shopping online behaviour

Purchased online, % of consumers



Note: Based on a sample of consumers in Italy, France, Germany, Spain, UK. Weighted to match European general population aged 18+ (n=5,338), 24-27 Sept 2020

SOURCE: McKinsey & Company, *COVID-19 Europe Consumer Pulse Survey*

The local acceleration of e-commerce

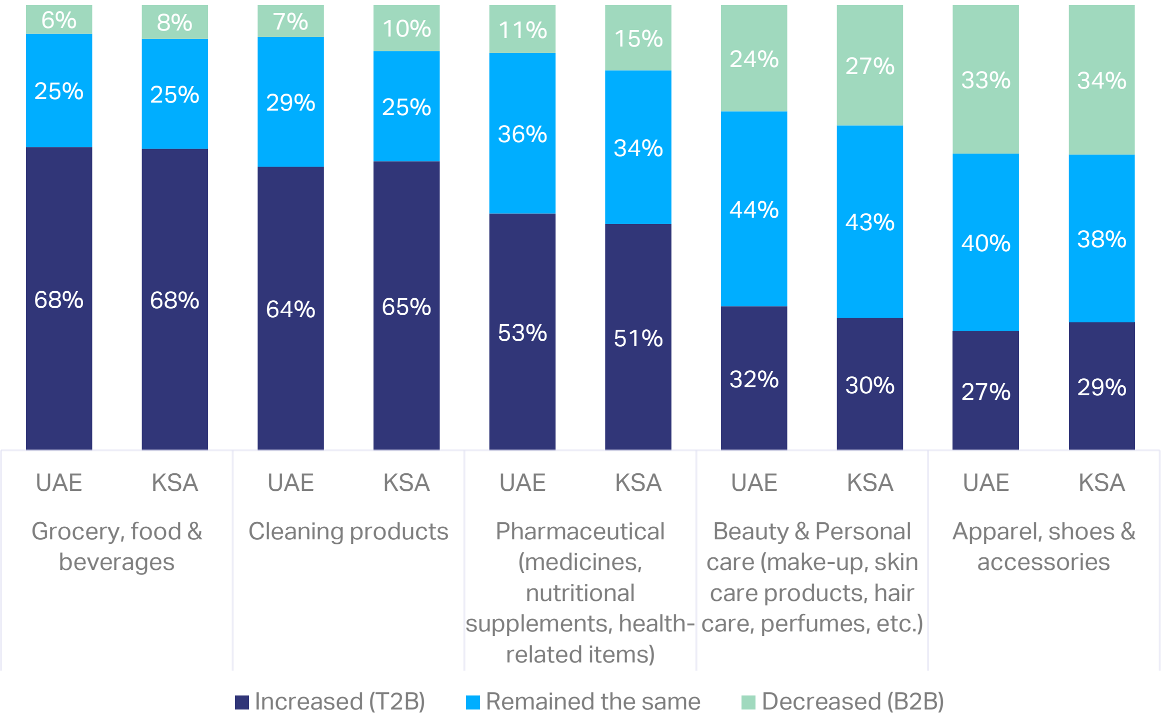
The pandemic has completely changed how and where consumers spend their money, but e-commerce growth differs by category. In the KSA and UAE, essential categories specifically have substantially increased their online penetration.

By contrast, personal care and apparel purchase behaviour is unchanged or decreasing – due to consumers already being more likely to shop online in these verticals pre-pandemic and the tougher economic climate impacting the number of luxury transactions.

Implication: For key categories there is a need to dial up faster. The need to fulfil increased demand and prioritise smooth, local supply chains is even greater.

Purchase behaviour by sector

Change in online shopping compared to pre-pandemic, % of respondents



Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "Thinking of the past 3 months, how do you describe your purchases of these products compared to previous days (pre-pandemic) in terms of online shopping?" **SOURCE: Choueiri Group Retail, *Consumer Sentiments***

The change in online shoppers **locally**

In KSA and UAE, 32% are buying products online they never bought online in the past. 25% of online shoppers are new to the experience and started as a result of the pandemic in KSA compared to 20% in UAE, where the penetration of online shopping was already higher.

The research showed these new online shoppers are more likely to be female and they are driving the higher share of purchase in fashion, beauty, luxury and pharma.

Implication: The move to e-commerce presents an essential shift in the opportunity to engage new audiences.

Online shopping

Experience with online shopping, % of respondents

Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question 1: "*When is comes to online shopping, how do you describe yourself?*". Question 2: "*You mentioned you already used to shop online even before the pandemic / lockdown. How do you think you changed in terms of shopping behaviour?*"

SOURCE: Choueiri Group Retail, *Behaviour change amongst consumers post-pandemic*

How: Drive a careful assessment across the 5Ps to reach new audiences

Product

- What are the strengths and weaknesses of my product?
- Do I have any issues with performance or user experience?
- Who are my competitors in bricks and mortar and are they the same on e-commerce?

Pack & price

- Is this pack/product design tested for e-commerce?
- Am I retail ready for a presence on the fastest growing platforms like Noon and Amazon?
- What is my pricing strategy vs. the rest of the market place?

Proposition

- What does my brand stand for? What is my message to consumers?
- Am I consistent with my messaging in an omnichannel environment?
- How can we use the scale of the biggest platforms to ensure a 360 degree presence?

People

- Who am I talking to? Is it the same audience as pre-pandemic? Or new?
- How and what do they shop in e-commerce?
- Are we using customer data to ensure we offer the right things, at the right time to the right people?

Place

- What are the category dynamics on Noon vs. Amazon vs. Jarrir? How am I addressing trends?
- Why would a customer shop on Amazon vs. Noon or bricks and mortar vs. click and collect? Where should I focus my efforts?

Adapting for digital availability

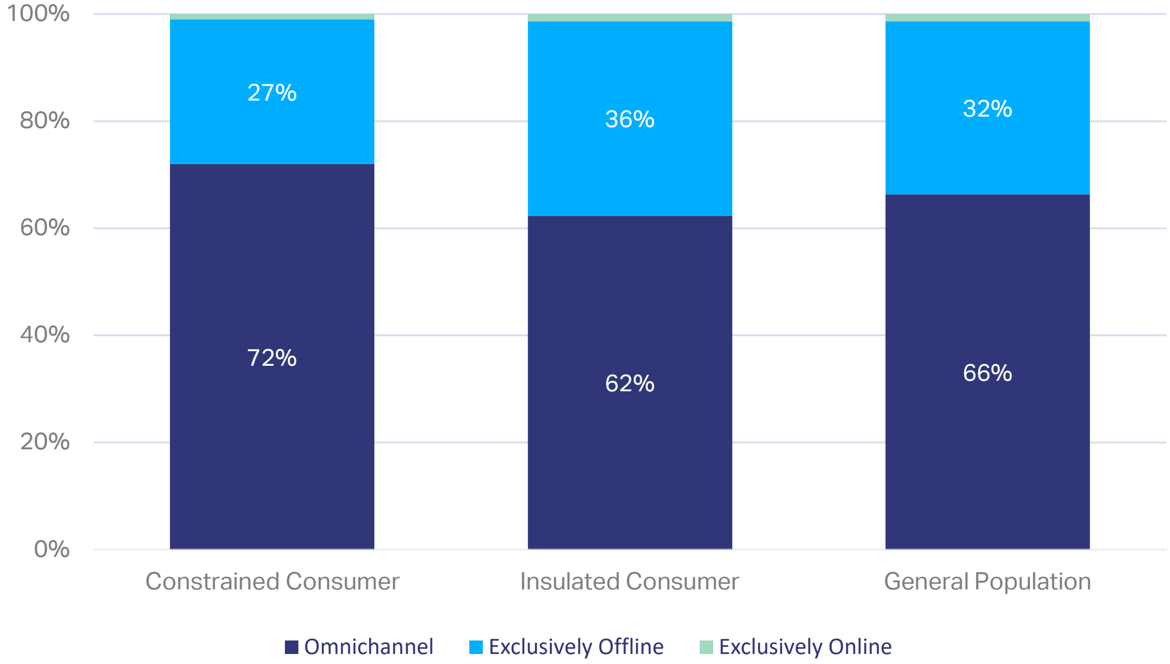
Adapting globally for digital availability

The concept of availability is simply that a brand which comes quicker to mind and is easier to pick up is one that is more likely to be bought. As e-commerce has emerged though, availability on the "digital shelf" has become just as important as on the physical in-store shelf. Marketers must therefore consider how they "show up" in an omnichannel environment if they want to win customers as it is how 66% of the global population are shopping. Digital availability can vary from basic search visibility tactics to more granular plays like surfacing strong online reviews.

Implication: Brands need to plan for digital (as well as mental and physical) with a focus on consistency of brand presence across touchpoints.

Global, Shopping in 2020

Type of shopper, % of consumers



Note: Constrained consumers are those whose income and spending have been significantly curtailed or constrained due to COVID-19 –related challenges. Insulated consumers are those whose finances haven't been impacted, or as impacted, as a result of the pandemic. Based on 32 market survey, May 2020.

SOURCE: Nielsen

Growing local omnichannel presence

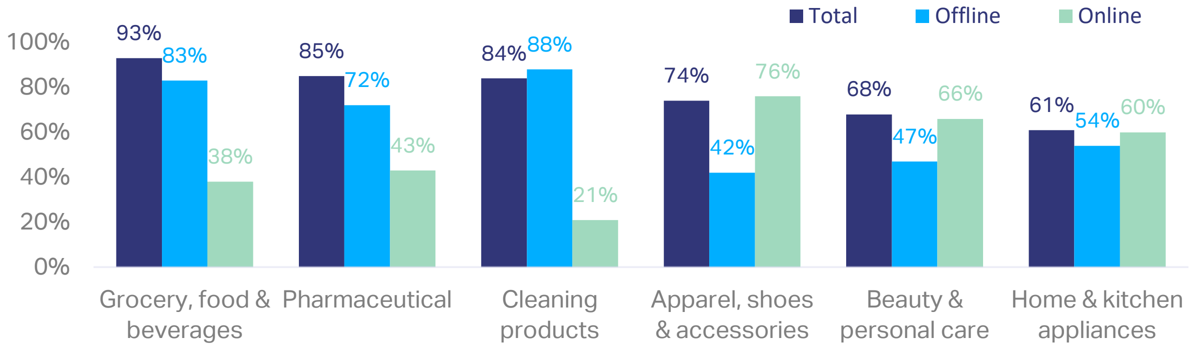
In KSA and UAE the question is not whether to prioritise mental, physical or digital availability but how to best combine all three routes to brand growth.

Importantly, physical stores still have an essential role to play for basic necessities but consumers are increasingly moving online for non-essentials like apparel, personal care and home appliances where the majority of consumers are now purchasing online.

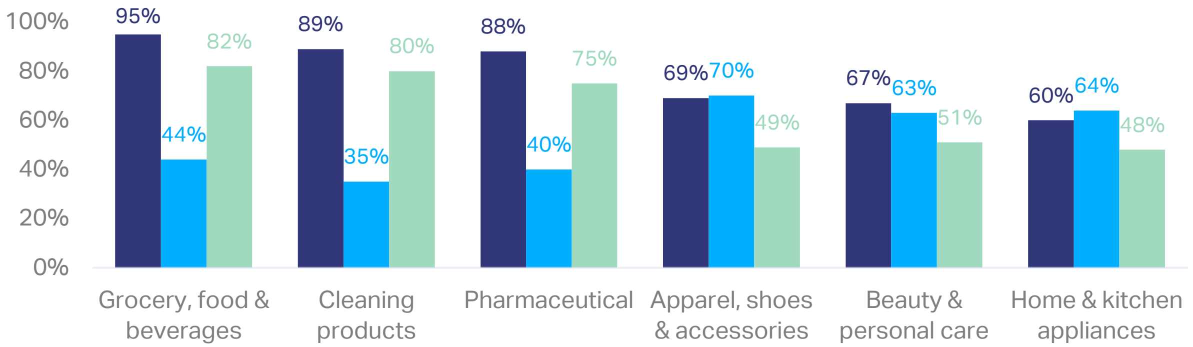
Implication: **There is a need to evaluate by sector and extend (not replace physical availability) into the digital space to increase routes to market in the GCC.**

Top purchased categories

Kingdom of Saudi Arabia (KSA), % of respondents



United Arab Emirates (UAE), % of respondents



Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "*Thinking of the past 3 months, did you buy any products from the following categories offline or online?*"

SOURCE: Choueiri Group Retail Research 2020, *Consumer Sentiments*

Most popular local online platforms

Among the many online shopping platforms available to consumers nowadays, Noon.com enjoys the highest popularity among Saudis (mainly for its diversity). One in two people report having used the platform in the past three months.

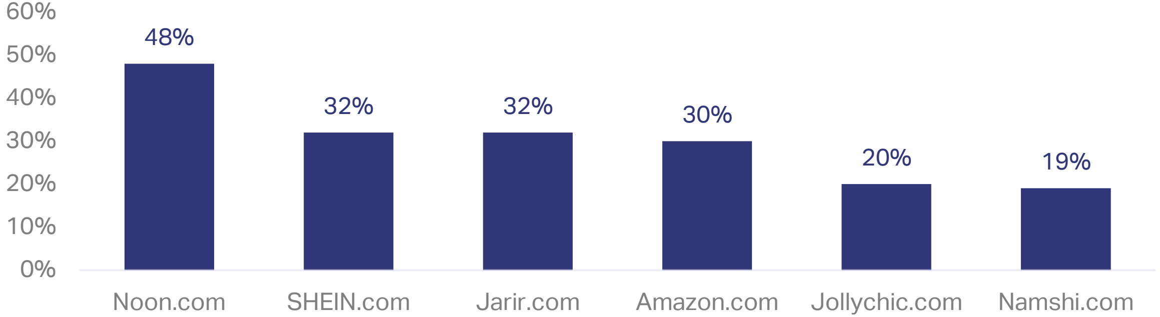
By contrast, while Noon is popular in UAE Amazon is the most used. There are a select number of big players in UAE compared to KSA where there is a closer competition between smaller market players.

Carrefour and Talabat are leading the grocery industry in both markets and Shein in fashion. For electronics, Jarir has an important presence in KSA.

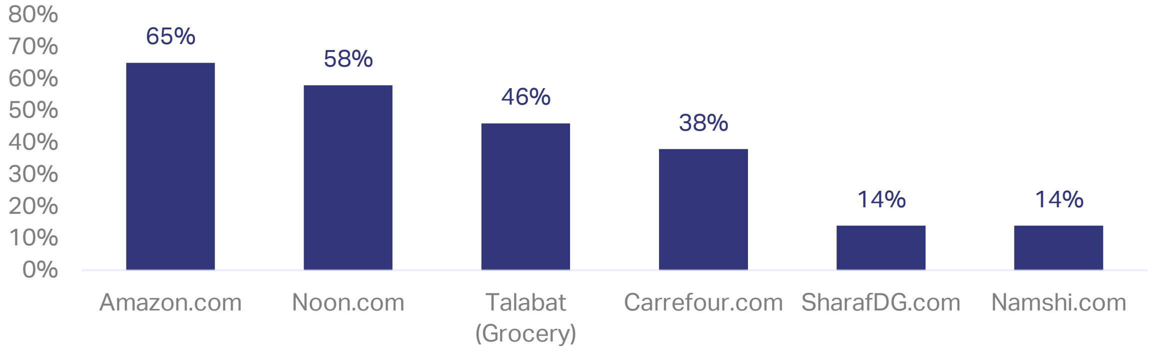
Implication: Stay close to the changing local trends to assess where to focus your efforts in building visibility.

Most popular online platforms

Kingdom of Saudi Arabia (KSA), % of respondents, top 6 platforms



United Arab Emirates (UAE), % of respondents, top 6 platforms



Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "*Which of the following online platforms have you used in the past 3 months?*"

SOURCE: Choueiri Group Retail Research 2020, *Consumer Sentiments*

How: Extend ‘physical’ to ‘digital’ availability to increase routes to market

Mental availability

The probability of a consumer noticing, recognising and thinking of your brand in a purchase situation.

Physical availability

Maximising the breadth and depth of your distribution **offline.**

Digital availability

Maximising the breadth and depth of your distribution **online.**

Considering carefully the platforms where having a presence is most important.

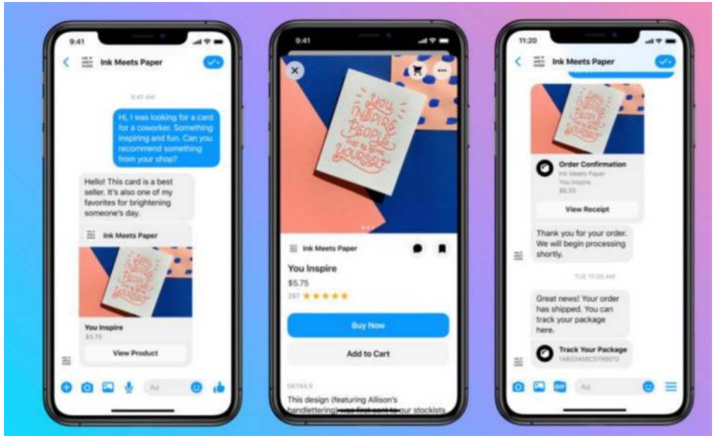
SOURCE: James Hankins. E-commerce and the future of effectiveness

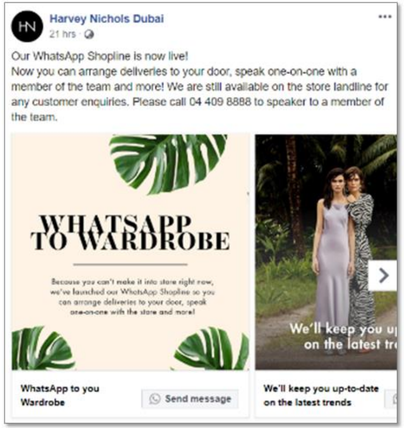
Shoppable formats and seamless journeys

The global growth of shoppable formats

Driven by the emphasis on customer experience, shoppable is now a key digital trend. With a focus on ease, the aim is for the consumer to navigate the entire path to purchase – awareness, engagement, purchase – within a single e-commerce platform. Media, advertising, social and e-commerce must therefore carefully sync up.

Implication: Media, advertising, social and e-commerce must be carefully aligned within the context of a customer journey.





In the UAE, Harvey Nichols, the upmarket department store, launched “WhatsApp to Wardrobe”. Customers were invited to browse their product range on social, liaise with their customer services team via instant messaging and benefit from quick delivery and pay on delivery.

The local need for seamless journeys

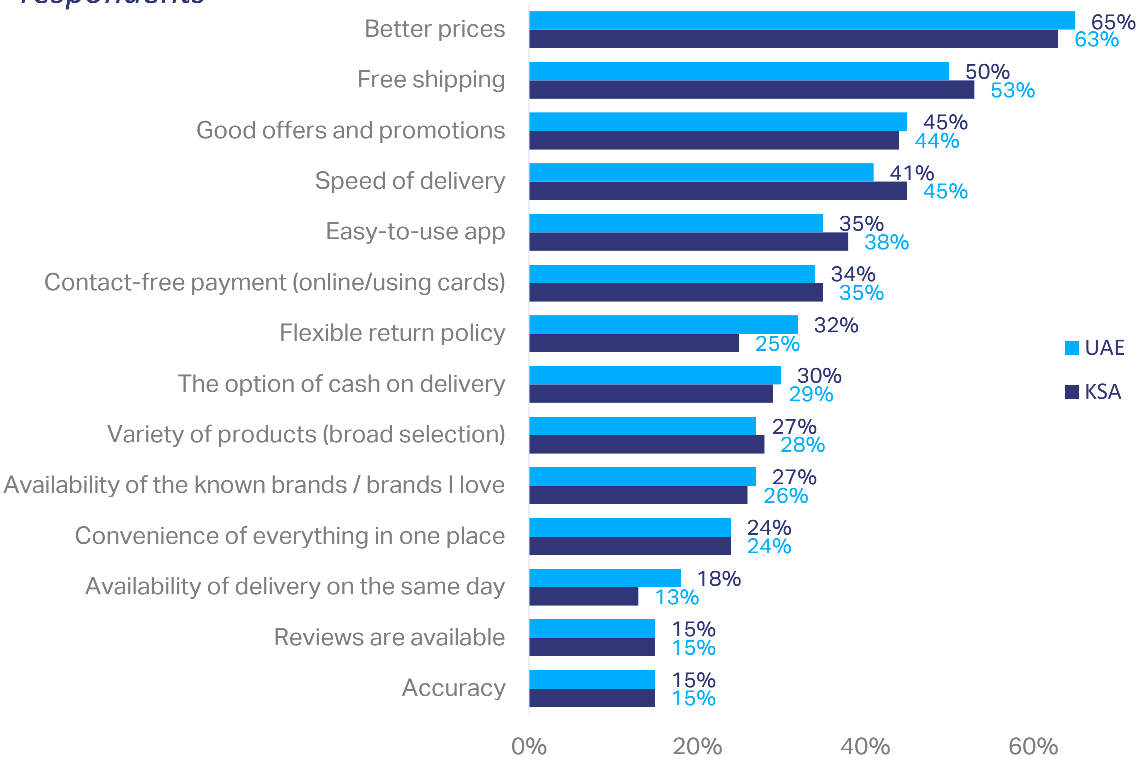
Finding ways to make the shopping experience seamless will present key opportunities for differentiation locally.

Given the earlier findings around people feeling the economic pressure, it is no surprise that price is the leading factor in choosing an online shopping platform. However, as e-commerce booms, frictionless shopping also moves towards the top of the agenda. In both KSA and UAE, free shipping, speed of delivery and easy-to-use apps all play prominent roles in helping people to decide where to shop online.

Implication: **Brands should focus on how to create seamless end-to-end purchase journeys and the partners that can provide the best shortcuts in achieving ambitions.**

Online platform selection criteria

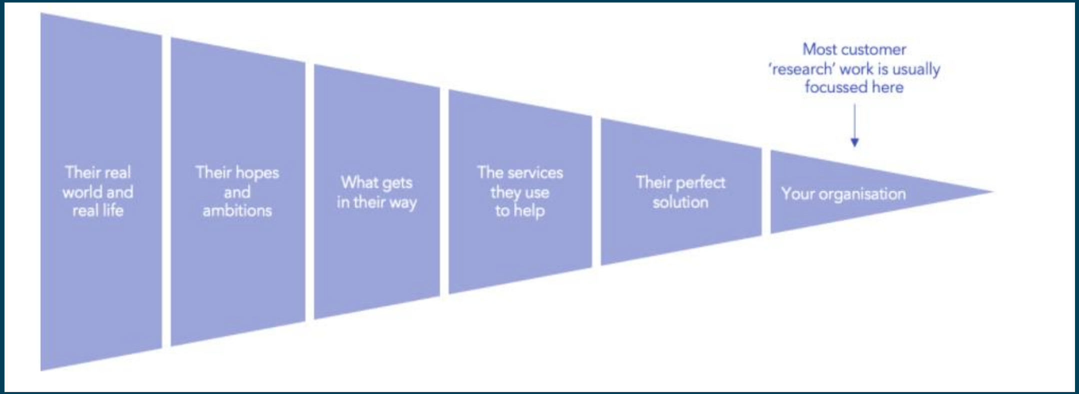
United Arab Emirates (UAE) and Kingdom of Saudi Arabia (KSA), % of respondents



Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "*When you are shopping online for different products, how do you select the platform to order from?*"

SOURCE: Choueiri Group Retail Research 2020, *Consumer Sentiments*

How: Consider how you can add value in the context of the customer’s world. Journey plan against their needs.



Source: John Sills, WARC, Creating a systematic approach to customer experience

Future intent and the importance of brand-building

WARC ADVISORY

Global future intent and relevance to younger audiences

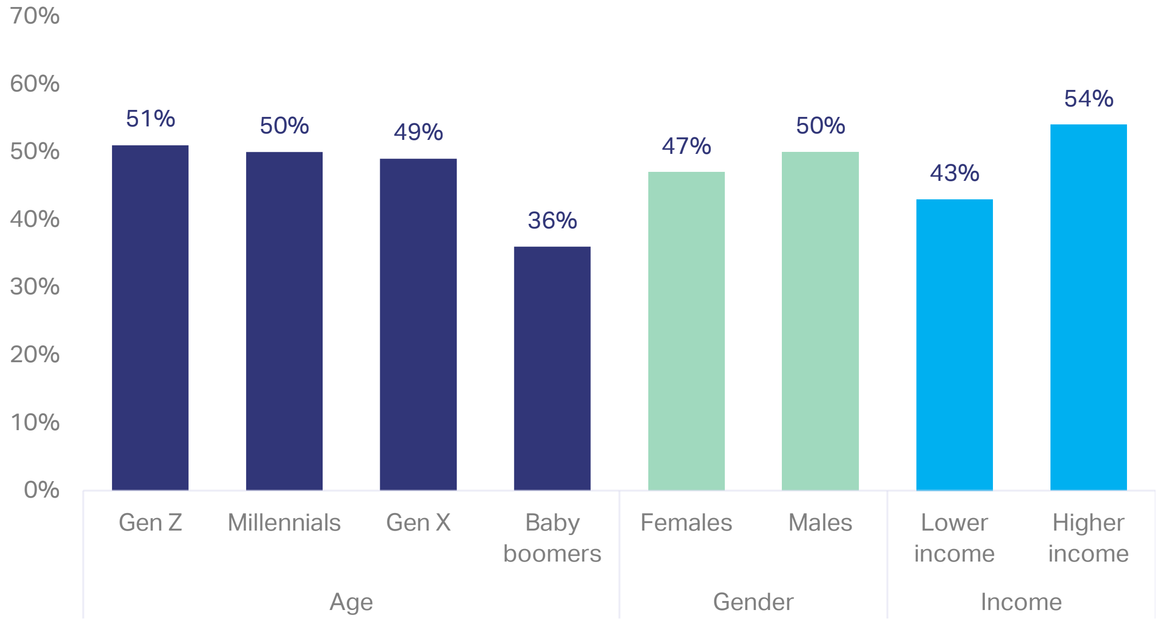
For growth, engaging the younger audiences to become part of their repertoire of brands early is essential. We know online shopping will become more frequent post-COVID-19, and this is particularly prominent among millennials and Gen Z.

Businesses have a lot to gain from this shift to shopping online, as baskets are 64% larger than in physical stores and younger audiences are unlikely to look back when it comes to how they act moving forwards.

Implication: Assess, carefully, behaviours by target audiences to maximise future opportunities

Global, E-commerce after COVID-19

Shop online more frequently after the outbreak ends, % of consumers



Note: Based on a survey of internet users aged 16-64 (n=848 on average per market) weighted for age, gender and education. June 29 to July 2, Gen Z (16-23 years old). Millennials (24-37 years old), Gen X (38-56 years old). Baby Boomers (57-64 years old). Lower income is lowest quartile of household income, higher income is highest.

SOURCE: GlobalWebIndex, *Coronavirus Research: Multi-market research wave 5*

The local need to protect brand for future growth

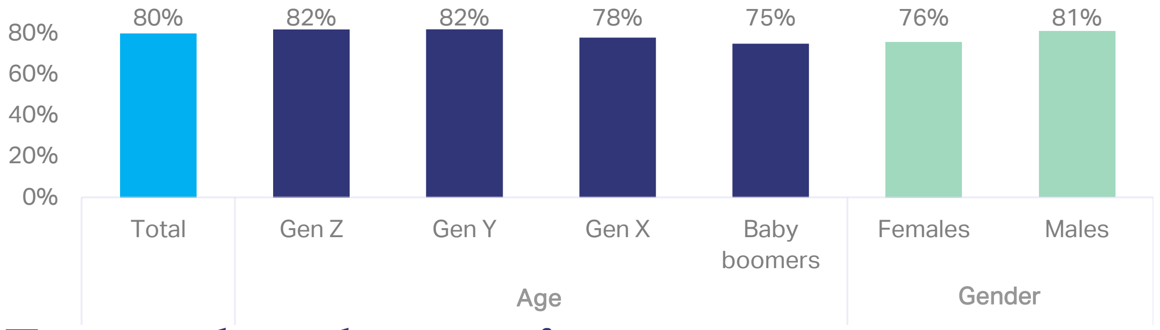
The current crisis will end, but we will have been through a generation-defining moment together – what will we find on the other side?
In UAE and KSA, 8 in 10 say they will stick to online shopping after the virus is 'contained'. This trend is exaggerated amongst younger audiences vs. baby boomers – with it being as high as 87% for Gen Z in UAE.

Implication: **Seize this opportunity to be relevant to consumers' lives – especially during times of economic hardship and on-going uncertainty.**

The memory structures you build now through your marketing investment will go deeper than ever before.

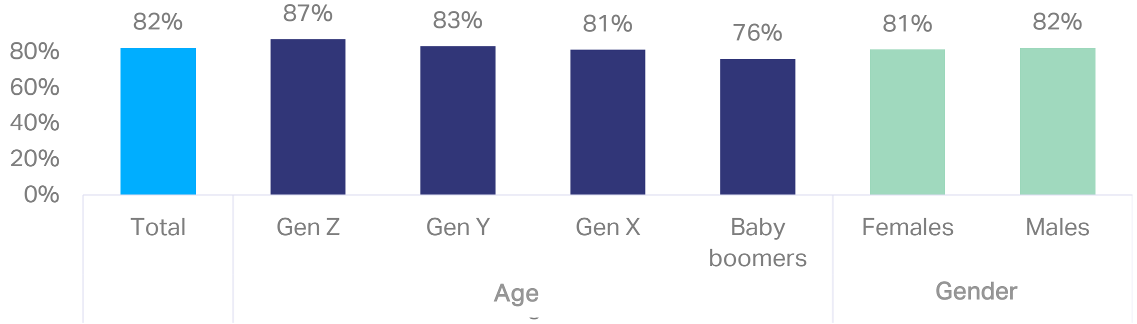
Top purchased categories

Kingdom of Saudi Arabia (KSA), % of respondents



Top purchased categories

United Arab Emirates (UAE), % of respondents



Note: Based on a sample of 1,490 KSA respondents and 1,230 UAE respondents, Question: "*Would you say that your online buying habits will stick after the outbreak?*"

SOURCE: Choueiri Group Retail Research 2020, *Consumer Sentiments*

How: Drive long-term success by optimising engagement now

Where budgets are available:

1
Don't panic and stop brand advertising - unless you must

2
Resist switching spend to short-term activation

3
If resources are available aim to maintain your share of voice, to where SOV equals SOM

4
Maintain brand campaign unless it jars with public mood

5
Use emotional, warm advertising as long as it fits with the public's mood

6
Look for tactical opportunities to create goodwill with customers

Where adspend has been reduced:

1
Prioritise customer experience and tap first-party data

2
Use owned assets to communicate crucial information

3
Consider PR and partnerships to generate earned media

4
Focus limited resources on key selling seasons

Source: Peter Field

Five key areas for consideration

In summary

The destabilisation of behaviours

Nine in 10 Saudi and UAE consumers cut their spending to prioritise needs against wants during this period.

At a regional level, behaviours are becoming engrained so it has never been more essential to stay close in order to **influence how decisions are being made.**

The acceleration of e-commerce

Account for nuanced growth by category and recognise 25% of online shoppers are new to the experience.

New online shoppers are more likely to be females in the region presenting an **essential shift in the opportunity to engage new audiences.**

Adapting for digital availability

In KSA and UAE the question is not whether to prioritise mental, physical or digital availability but how to best combine all three routes to brand growth.

It is necessary to evaluate by sector and extend (not replace physical availability) **into the digital space to increase routes to market.**

Shoppable formats & seamless journeys

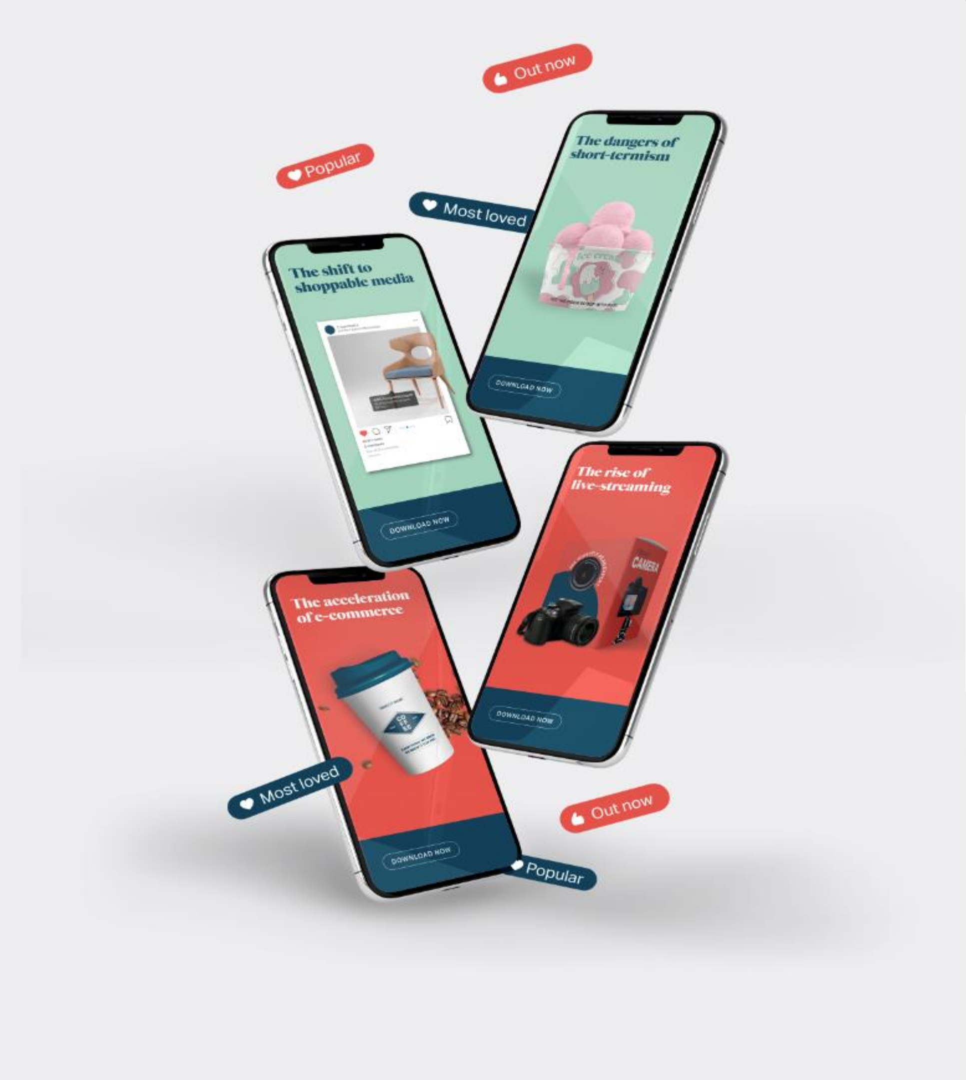
In both KSA and the UAE, free shipping, speed of delivery and easy-to-use apps all play prominent roles in helping people online.

Brands should explore partnering with platforms who help them deliver more **seamless end-to-end purchase journeys.**

Invest for long-term success

Behaviours will stick and this is most pronounced amongst the younger target audiences in KSA and UAE.

Seize this opportunity to be relevant. **The memory structures you build now through your marketing investment will go deeper and last longer than ever before.**



E-commerce and the future of effectiveness in KSA and UAE

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WARC.com is an online service offering advertising best practice, evidence and insights from the world's leading brands. WARC helps clients grow their businesses by using proven approaches to maximise advertising effectiveness.

WARC's clients include the world's largest advertising and media agencies, research companies, universities and advertisers.

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About Choueiri Group

Choueiri Group, the leading media representation group in the Middle East today, was built from the ground up over the past forty years

Today, the Group's companies market and manage the advertising space of more than 50 represented media, including TV, Digital, Cinema, OOH, Newspapers, etc.

Choueiri Group operates in ten markets covering the MENA region, Europe and Japan ensuring the best support for regional and international clients through an extensive network of Twelve subsidiaries, 6 representative offices, and more than 700 committed executives.

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