



Future of Shopping

**UAE Market Report
2021**



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Foreword



Claire Valoti

VP EMEA, Snap Inc.



We believe that technology will play a vital role in the recovery of bricks-and-mortar retail and boost the shopping experience both online and in-store.

This might sound counterintuitive – new technologies are often seen as negatively disruptive after all. But, done right – and built around human behaviour, rather than the other way round – the impact can be very positive and lead to a step-change in innovation.

The growth of online shopping has undoubtedly disrupted bricks-and-mortar retail over the past several years, which only further accelerated during the pandemic. But technology has also helped to inspire retailers to play in, and contribute to, the increasing overlap between online and physical environments which is so fundamental now to many of our lived experiences. So technology, rather than sounding the death-knell for bricks-and-mortar retail, has led to a shift that benefits both shoppers and retailers.

For this study Snap commissioned Foresight Factory to build a factual view of what the future of shopping looks like for retailers and consumers. From this a new picture of shopping has emerged which clearly shows that rather than existing separately, physical stores and e-commerce increasingly cross over and there is a huge opportunity for everyone where they intersect.

Here at Snap, we believe that technology can be a powerful enabler – giving us the opportunity to do things that we haven't been able to do before, or to do things better. Snapchat describes itself as a camera company. From our beginnings almost a decade ago, we recognised that the camera was evolving from a tool to preserve memories, to a way in which people could express themselves and share how they were feeling with their friends by talking in pictures. We realised that augmented reality – putting dog ears on your head or vomiting a rainbow – could enhance that self-expression and allow people to feel more comfortable expressing themselves. Over time we came to realise that it could also be so much more, and that the camera has become a dynamic link between the physical and online worlds, bringing them closer together.

More than five billion Snaps are now created on Snapchat every day and they are not only using the camera to express themselves and have fun together – they are also using the technology to connect with brands they care about, learning about their products in new and unique ways.

There is perhaps no better evidence for this than in the shopping sector, where retailers have been using our augmented reality (AR) mobile camera technology for several years to blend the physical and digital, to create immersive shopping experiences with use cases transitioning from entertainment to utility. Examples abound from Lego launching a UK virtual AR pop-up fashion store in 2019, to FARFETCH using voice enabled controls to browse and try on clothes in AR and Estee Lauder's MAC Cosmetics, who earlier this year created AR Lenses that allowed users to experience a range of make-up products – from eyeshadow to lipstick – virtually.

Through this study, we have learnt that consumers worldwide feel their shopping experience has been greatly enhanced by the camera and the digital innovations around it. There is no doubt shoppers are keen to get back into stores post lockdown, but they want to also keep all the advantages that technology has to offer when they return to shopping in-store.

By recognising and understanding these trends in this study, we hope to inspire retailers of all types and sizes to consider how they can capitalise on the positive disruption taking place in the shopping space. Ultimately, we see the camera as the future of retail. We see a future where the physical shopping experience will become increasingly "connected" and interactive, and we believe the internet – once viewed as the great enemy of bricks-and-mortar retail – will be more accurately understood as an important lever in driving people back to stores.

Introduction

The retail industry has been on the front line of technological change since the start of the 21st century. As the digital revolution has accelerated around the world, the rise of e-commerce, mobile and virtual shopping has transformed how consumers shop and interact with retail brands. While the pace of innovation is set to continue in the 2020s, the COVID-19 pandemic has further accelerated the rate at which retail innovation needs to be adopted by global retailers.

While the extent to which consumers have endured lockdowns and store closures varies across global markets, the majority of shoppers have faced significant levels of disruption, and it is evident that this has fundamentally impacted shopping behaviours and attitudes worldwide.

As the world gradually looks to emerge from the pandemic, global brands and retailers now face the challenge of identifying and addressing the future needs and demands of customers that will shape the shopping experience and journey in the next decade.

To provide an in-depth picture of the shopping landscape at this critical time, this consumer-focused research across 12 global markets (see full methodology below) investigates how shopper expectations and needs are evolving in the post-pandemic world across online, in-store and on mobile. In this report we examine the specific needs of UAE consumers, and the retail solutions and technologies that will enable retailers to meet these shopper needs.

We would like to thank our panel of voices from the retail industry across the world who were interviewed as part of this study, and who shared their views on the challenges they have faced as well as insights into the technological solutions set to transform the industry.

Methodology

To construct this study, we combined Foresight Factory's proprietary data methodologies and existing trends intelligence, with newly commissioned quantitative and qualitative research across 12 global markets:

Trends Analysis: Review of Foresight Factory's database of 80+ global consumer trends, in order to understand the macro consumer landscape and identify key areas to explore in relation to the future of shopping.

Quantitative Research: Survey of 20,000 consumers across 12 global markets, including 1,715 respondents in the UAE, in May 2021, with interlocking quotas set for age and gender.

Expert Panel: In-depth interviews with experts from global retailers, retail specialists and technological start-ups on the front line of shopping solutions/innovations.

Proprietary Data Analytics: Use of proprietary Foresight Factory methodology to construct a bespoke prediction for the future use of augmented reality in the shopping process by 2025 (at a global aggregate level and across each of the 12 markets).



Key Takeaways

The post COVID-19 landscape for physical retail

With restrictions eased, in-store shoppers will be looking for the social and tactile experiences they have missed out on in the last year, combined with the convenience and safety of shopping online. 63% of UAE consumers have missed the social aspect of shopping in-store since the start of the pandemic, rising to 67% among millennials.

Technology will drive shoppers into stores

6 in 10 UAE shoppers would go out of their way to visit a store if it had interactive virtual services such as a smart mirror that allowed them to try on clothes or makeup, demonstrating the role that advanced retail technologies can play in enhancing in-store experiences and enticing customer footfall.

Mobile will connect brands and consumers across the shopper journey

Mobile is the preferred shopping channel for almost two-thirds (65%) of UAE consumers, and a majority of consumers also say they never go shopping without using their mobile. As the findings of this report prove, mobile devices are empowering connected shoppers across entire shopping journeys, connecting online and offline channels, and bridging shopping and social interactions.

Virtual testing could accelerate e-commerce further

More than 4 in 10 Gen Z shoppers in the UAE state that inaccurate or misleading product descriptions, plus the inability to try out and see products, are the most significant factors that put them off online shopping, highlighting how new avenues for product previewing and testing via online channels will be critical for an optimised e-commerce experience.

Shoppers will demand widespread AR

The research presented here predicts that in less than five years we will see a more than 50% increase (from 30% in 2021 to 48% in 2025) in the proportion of Gen Z shoppers who use AR before buying a product. And 74% of consumers who have used AR when shopping say it encouraged them to make a purchase. This demonstrates that AR continues to prove its commercial clout, moving consumers closer to the checkout.

Retailers must get ready for the virtual economy

9 in 10 UAE consumers would consider buying a virtual product, signalling significant growth of the virtual economy over the coming decade. The exclusivity offered by NFTs will increasingly be a key USP for virtual products, offering consumers the chance to own one of a kind pieces, regardless of their physical existence.

Resale platforms cement their position as a credible alternative

More than 4 in 10 UAE consumers have bought something via a resale platform, which are attracting shoppers searching for cheaper prices and unique products, and providing a more sustainable alternative to the current marketplace dominated e-commerce landscape.

1

A call for the mall

Physical retail must combine the convenience of online with the social experiences shoppers have missed

Despite stores having been re-opened for almost a year, social distancing and other measures have still impacted UAE consumers' in-store shopping experience. Indeed, 6 in 10 UAE shoppers claim that they have missed the social aspect of shopping since the start of COVID-19. At the same time, with the accelerated use of e-commerce channels during the pandemic, UAE consumers also demonstrate a clear demand for in-store services that can match the convenience of online shopping. Data also indicates that e-commerce engagement will be sustained, even continuing to grow in the year ahead – with 45% of UAE consumers saying that they will shop online even more in the year ahead compared to the last 12 months, vs. just 10% who say they will shop online less.



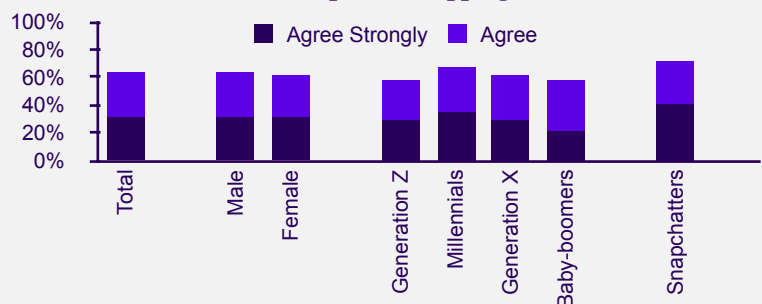
And in the UAE, this new landscape is relatively sector-agnostic. In fashion, we see that 45% plan to do the majority of their shopping online in the next year, compared to 49% for toiletries and 48% for food.

Taken together, such findings pinpoint the need for UAE retailers to enhance in-store services to optimise the seamlessness of the shopping journey, while also amplifying social interactions to establish a clear USP for physical retail. Responding to such consumer demand will be critical for those retailers who wish to capitalize on – for instance – heightened support for local businesses as a result of the pandemic, and drive footfall to their stores.

Retailers must dial up social interactions

Almost 2 in 3 UAE consumers have missed the social aspect of shopping in-store, while 35% would go out of their way to visit a store if experts were on hand to offer advice. Enabling closer connections between store staff and customers, and curating social interaction among shoppers, will be vital to drive footfall post-pandemic, once restrictions ease fully.

How strongly do you agree or disagree with the following statements about shopping since the COVID-19 pandemic?
I have missed the social aspect of shopping in-store



Demand for social shopping influenced by mobile sharing

The rise in sharing product images with peers is an example of the type of social shopping retailers can seek to replicate – both between people in-store and between the shopper and their wider networks.

3 in 5

UAE consumers have been sharing more photos/screenshots of products they are interested in with family or friends since the start of the pandemic.

Enhanced convenience and try-on services will entice footfall

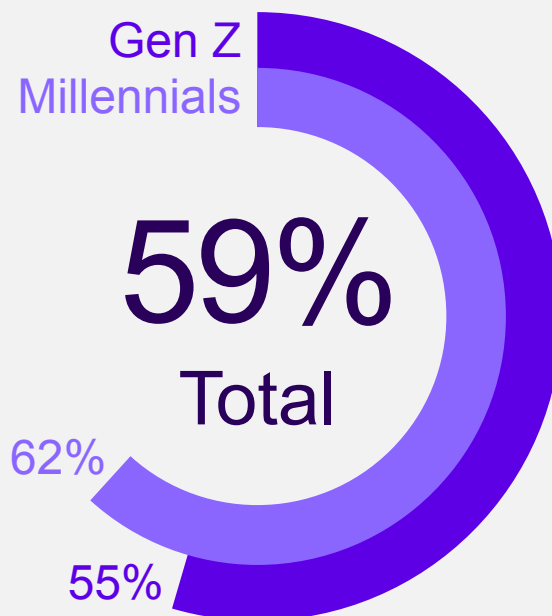
A key frustration for 2 in 5 UAE consumers during COVID-19 has been the inability to try on products in-store before purchasing them. Combined with increased demand for touchless retail as a result of the pandemic (COVID-19 safety measures in-store are highly sought after), this indicates the importance of technological retail solutions that can support virtual product personalisation and testing at the point-of-sale. Such findings also point to a gap in the current e-commerce experience in providing sophisticated product testing that can match the in-store experience.

At the same time, the increased use of online shopping channels during the pandemic has driven new demand for convenient shopping solutions in-store. From pre-booking store visits and home delivery services to mobile-led product recommendations, consumers indicate significant levels of interest in service and technological innovation that can provide a seamless shopping experience in-store. As retailers continue to invest in enhanced convenience solutions across online channels, bricks-and-mortar stores will need to act fast to ensure they do not fall behind fast-evolving shopper expectations.

Product testing frustrations during COVID-19 pandemic

The inability to trial and try-on products prior to purchase has been a clear hinderance to the shopping experience of consumers during the COVID-19 pandemic.

Almost 6 in 10 (59%) UAE consumers claim that they have found it frustrating not being able to try clothes, accessories or makeup on in-store before purchase – and this figure rises to 67% among Snapchatters.



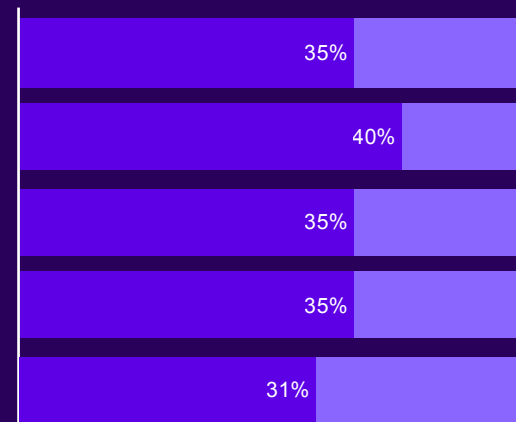
“How strongly do you agree or disagree with the following statements about shopping since the COVID-19 pandemic?”
I have found it frustrating not being able to try clothes/accessories/makeup on in-store before I buy them

Physical retail must match the convenience (and safety) of online

A key strategy for retailers to promote increased footfall will be providing in-store service that can match the level of convenience and personalisation available online. UAE consumers show high affinity for services that make in-store shopping more effortless, for example, 35% of COVID-safety measures to ensure the safety of shoppers consumers state that they would go out of their way to visit a store that provided a service which offered instant access to stock information. A further 40% would use such a service if it was available in a store they already planned to visit. And 40% say they would go out of their way to visit a store with COVID-19 safety measures, highlighting the need for touchless solutions.

“How likely would you be to choose to shop in a store because they offered the following features?”

- I would go out of my way to visit a store with this feature
- I would use this feature if it was available in a store I already wanted to visit



Localism energised

Support for local communities and businesses has been a key feature of the COVID-19 crisis and will help power retail footfall post-pandemic. Age-wise millennials have shown the greatest affinity for local, with 65% saying they have supported local business more since the start of the pandemic.

62% of shoppers say they like it when stores support independent brands, indicating how retailers could capitalise on this support for SMEs.

6 in 10
UAE consumers have supported local businesses **more** since the start of the COVID-19 pandemic.

But **intent to shop online** post COVID-19 is high

In the UAE, almost half of consumers plan to do most of their shopping, regardless of sector, online. Surprisingly, it is the fashion sector that is most likely to attract consumers to stores – but this also varies by gender and age. Men and older consumers show the greatest enthusiasm to carry out the majority of their clothes shopping in-store in the next 12 months. Among Gen Z, a slim majority (51%) say they plan to do the majority of their clothes shopping online in the next year.

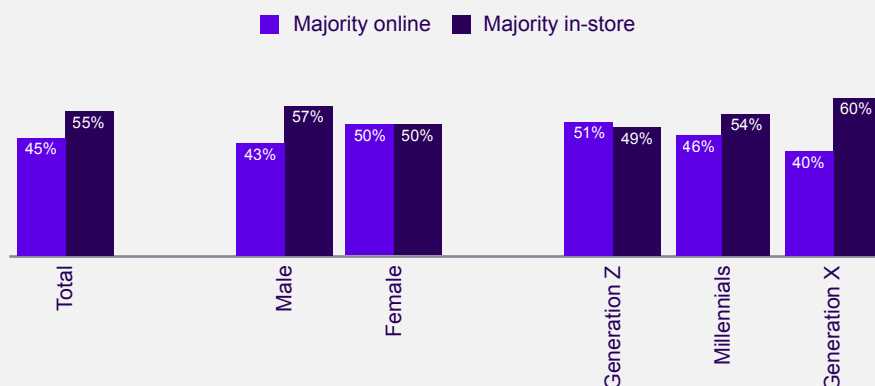
“Thinking about the NEXT 12 months, are you planning to do the majority of your shopping online or in-store for the following categories?” % **selecting majority online**

48%
Food

49%
Toiletries

45%
Fashion

Planning to do the majority of clothes shopping in-store vs. online in the next 12 months



Promote **seamless and social** shopping

UAE retailers face a potential challenge in bringing shoppers back to store, with almost half intending to do most of their shopping online in the next 12 months. To entice and engage shoppers back to bricks-and-mortar, physical retailers will need to elevate their convenience propositions, as well as foster enhanced social interaction in-store. To facilitate this, investment and adoption of new in-store technologies will be critical. The specific technologies that can best service these needs are explored in the next chapter.

2

Retail Reloaded

Technological innovation will drive sustained engagement with IRL retail



Advanced technologies provide significant opportunities for retailers to enhance in-store experiences and entice customer footfall, and spend, in bricks-and-mortar. In the UAE, 6 in 10 consumers would go out of their way to visit a store if it had interactive and virtual services such as smart mirrors that allowed them to virtually try on clothes or make-up, technology that enabled them to preview how

items would look in their own home, and smart screens that allowed them to customise products. Such technologies not only provide a sophisticated level of personalisation to meet the expectations set by online shopping services, but also provide novel and exciting experiences that can transform stores into engaging, must-visit destinations in their own right.

Virtual technology boosts in-store appeal

6 in 10 UAE consumers would go out of their way to visit a store that had at least one advanced technology feature such as smart mirrors and interactive screens.

A smart mirror that allowed you to easily try on multiple different outfits in a short space of time

Services that enable shoppers to try products like clothes and makeup virtually, or lets them create unique, personalised products on demand that would look like in your home

Seeing what a product would look like in your home e.g. by overlaying it onto an image of your home

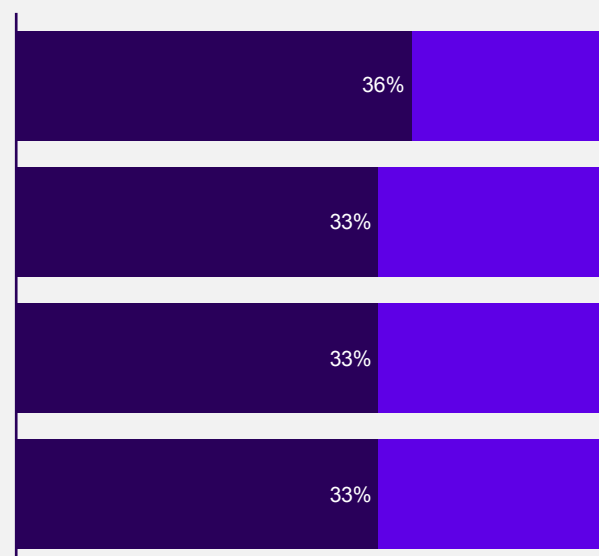
differentiating technology-led features likely to tempt shoppers to store.

Virtual customisation e.g. seeing what a product would look like if it was personalised to your preferences

A smart mirror that showed what a certain colour of makeup or hair dye would look like on you

“How likely would you be to choose to shop in a store because they offered the following features?”

- I would go out of my way to visit a store with this feature
- I would use this feature if it was available in a store I already wanted to visit



“

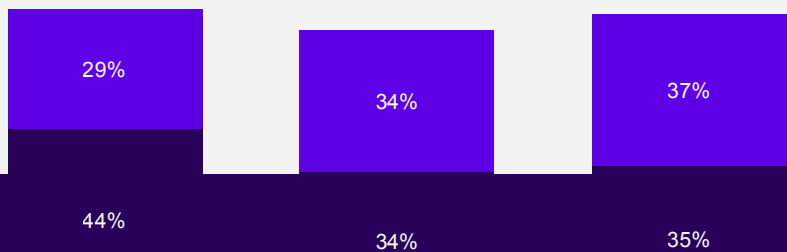
In the past, brick and mortar retailers have relied on physical branding to drive key messaging and campaigns. This was a very broad way of connecting with consumers – a sort of ‘one size fits all’ approach. Currently, data-driven segmentation is used to try to better understand and connect with customers. In the future, retailers will need to think of customers in the sense of a single unit to drive even deeper personalization.

Maya El Ayach,
SVP of Growth & Digital Strategy at noon

Gen Z lead in demand for in-store technology

How likely would you be to cross a store in a store because they offered the following features? A smart mirror that allowed you to easily try on multiple different outfits in a short space of time

44% of Gen Z consumers in the UAE say they would go out of their way to visit stores with smart mirror technology. Overall, 7 in 10 consumers across generations would use such a service if it was available



Retailers must invest in new tech

To UAE consumers, augmented and virtual shopping solutions and exciting experiences, hold significant appeal – proof of which is the growing demand for in-store technology. To capitalise on the post-pandemic opportunities for in-store solutions – deciphering the right mix and application of shopping journeys and product ranges.



3

The Connected Shopper

Mobile will connect brands and consumers across the shopper journey

Mobile devices have become a key tool that connects and empowers consumers across individual shopping journeys – helping optimise choice, aiding discovery and facilitating social interaction. Mobile is in fact already the preferred channel for 65% of UAE consumers when shopping for products, way ahead of shopping on PCs at 17%, as well as shopping in-store at 18%. What's more, mobiles are also a companion tool to stay connected while in-store – used to compare prices, read reviews, contact family and friends, share



photos, and get real-time information about in-store products and stock. The opportunity for retailers is in harnessing the power of mobiles in-store, to keep connected shoppers informed and entertained within their brand ecosystem. Furthermore, expanding 5G connectivity will only reinforce shopper expectations of multi-functional (and efficient) use of devices out of home and on the go, empowering consumers to move seamlessly between real life and mobile channels.

For UAE shoppers, **mobiles are essential** for both shopping online and in-store

In the UAE, almost 2 in 3 (65%) consumers have shopped on their mobile **more** since the start of the pandemic. Over 1 in 2 (56%) now shop online on mobile devices **weekly**, and 58% say they would **never** go shopping without using their mobile.

58%
“I never go shopping without using my mobile”

Mobiles are an extension of the physical retail store

A significant majority of UAE shoppers say they use their mobile in-store to look up product information, compare prices, read product reviews and communicate with friends and family about what they are buying. This level of mobile traffic in stores provides clear capitalise on this behaviour – keeping shoppers engaged within the retail brand ecosystem while using their mobiles.

te with friends or family about what you are buying e.g. sending pictures of items to get their advice when in-store

How often would you normally use your mobile when shopping in-store to do each of the following?

■ I nearly always do this on my mobile
■ I sometimes do this on my mobile

Look for more information about a product

38% 30%

Compare prices while in-store

35% 33%

Read product reviews while in-store

37% 28%

Harnessing the power of mobile in-store

Demand for easy access to digestible, informative, entertaining and transparent information will continue to grow. Among UAE shoppers, almost three-quarters (71%) would like to use their mobile to interact with products already wanted or seen, saying they would go out of their way to visit a store which enabled them to scan products with their mobile to find out more about it.



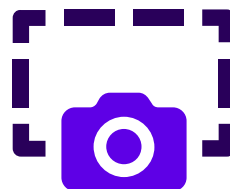
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In Q2 2020, we brought The Dubai Mall onto the noon platform, allowing customers to continue shopping at the world's largest mall from the comfort of their smartphones. We expect this sort of omnichannel shopping experience to develop and grow. The customer journey will start online in the initial discovery phase before moving to physical stores.

Maya El Ayach, SVP of Growth & Digital Strategy at noon

Mobiles facilitate a social shopping experience

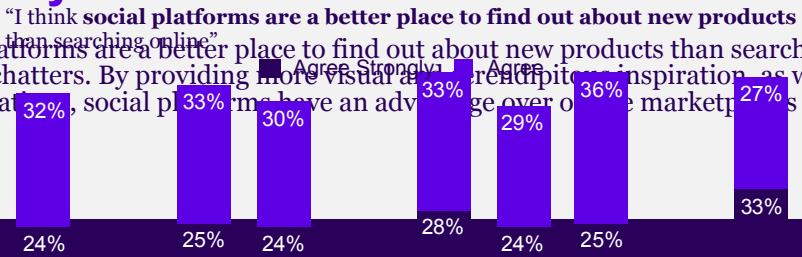
Many retail aspects are inherently social. But due to COVID-19 restrictions and social distancing measures, consumers have been interacting with peers while shopping in new ways. 6 in 10 UAE consumers say they often share screenshots or links of products they're interested in with their friends – and the same proportion of shoppers say they have been doing it more since the start of the pandemic, reaching two-thirds (66%) of millennials. While much of this behaviour takes place in private social channels like direct messaging apps, branded social experiences – whether online or off – can create easily shareable content for consumers beyond the simple screenshot or copy-pasted link.



60%
Agree “I often share screenshots or links of products I am interested in with friends”

Social platforms aid discovery

A majority (56%) of UAE shoppers think social platforms are a better place to find out about new products than searching online – reaching 61% of Gen Z and 64% of Snapchatters. By providing more visual and ready-to-use inspiration, as well as curated content in line with interests and aspirations, social platforms have an advantage over other marketplaces in facilitating discovery.

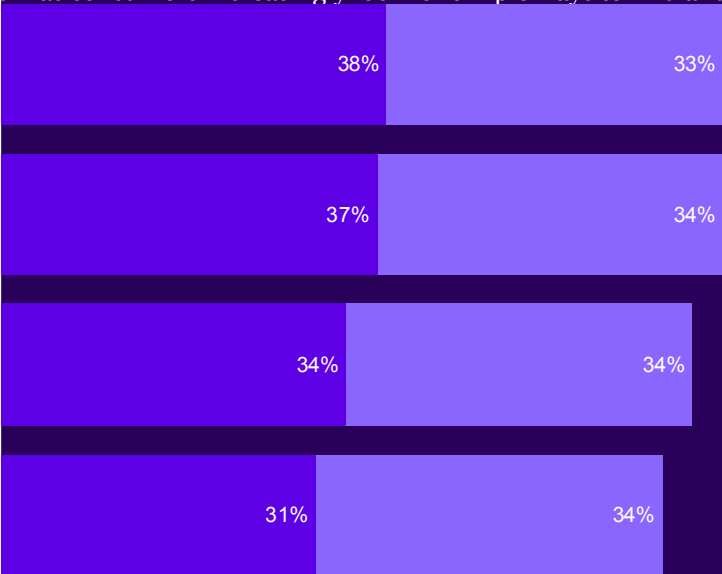


The future of search is on mobile

Clearly, the future of search and discovery is tied to mobiles – as consumers increasingly look for simple ways to find and shop for new products. Visual search is especially key, with something in order to shop for similar products, or to get a recommendation for an item I am interested in by scanning it with my smartphone camera. But where visual search will seriously take off is yet to be seen.

How likely would you be to use each of the following to search for products online?

Very likely | Quite likely



Mobile is key to bridging the gap between physical and digital channels

For retailers mobile holds the key to omnichannel. By encouraging shoppers to use in-store mobile experiences, there is an opportunity to connect the dots between their physical and digital worlds, and to keep consumers within a branded ecosystem.

UAE shoppers have become even more accustomed to the benefits of shopping online during COVID-19, and so utilising mobile devices in-store to stay connected and maintain the practical benefits of e-commerce – price comparison, research and reviews – with the experience only a physical store can deliver, creates a winning formula.

In the following chapters we will also explore how mobiles will connect shoppers to physical stores even when at home, through virtual product testing and try-on the mobile can bring retailers closer to shoppers wherever they are.

Mobile commerce has been in the ascendancy for some years, but the opportunity for retailers to capitalise on the power of mobiles both in-store and online has never been greater.

4

Try Before You Buy

Virtual product testing set to be online retail's next big opportunity



The COVID-19 pandemic has led to a significant rise in the use of online and e-commerce channels. As more UAE shoppers engage with online channels more often, the perks and pain points of digital shopping have become more clear to consumers. The findings presented here indicate that not being able to see, touch and try out products are the major factors that put UAE consumers off online shopping – particularly as they think online product descriptions can be incorrect or misleading. Providing new avenues to product previewing and testing, and hence more transparent product information, via digital channels will support the breaking down of such barriers and accelerate use of and engagement with e-commerce even further.

Another core aspect of the developing e-commerce landscape is the growing consumer need for maximising combined with values-led shopping. Almost 2 in 3 (63%) UAE consumers state that they nearly always buy from brands that are on promotion, and 68% also show interest in being able to filter products by personal values when shopping online. Indeed, with a backdrop of economic uncertainty post COVID-19, as well as growing consumer concern over personal and brand ethics, maximising plus values-led shopping will be the central paradigm for the future of e-commerce shopping.

Seeing, touching and trying-out is a guarantee of quality

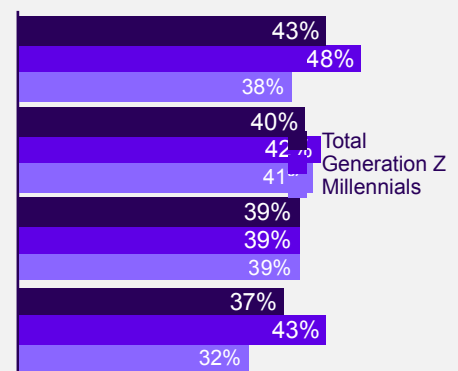
A lack of trust in transparent product information online means that UAE shoppers want physical product interaction to reassure their decision making. Gen Z expresses the most dislike towards not being able to see and try products, highlighting the need for virtual try-before-you-buy services.

“What do you dislike about shopping online?”
% who selected the following reasons/options

Product descriptions can be incorrect, incomplete or misleading

I am not able to touch products

I am not able to see products in-person



“The pandemic has accelerated the global shift to digital shopping by around five years. E-commerce adoption in the Middle East exponentially increased, forcing consumers and businesses to rely on online services. With movement restrictions in place, consumers turned to online shopping to meet their needs, impacting online grocery shopping in particular.”

Maya El Ayach, SVP of Growth & Digital Strategy at noon

Maximising + Values: A new paradigm for online shopping

Value Led Shopping

"How likely would you be to use each of the following to search for products online"

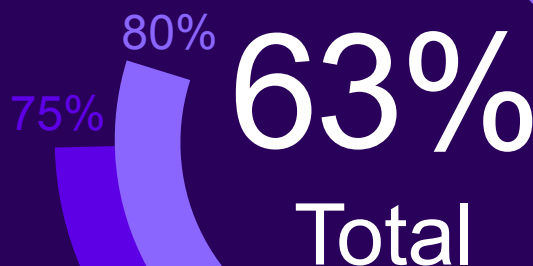
% selecting likely or very likely for filtering products by personal values

when shopping online

13-19s 10-12s 20-29s 30-39s 40-49s 50-59s 60-69s 70-79s 80-89s 90-99s

With the backdrop of economic uncertainty post-COVID, consumers seek to use all available tools and services to optimise their spend and get the best deal possible, with 63% of UAE consumers saying they almost always buy from brands that are on promotion. But when looking ahead to the coming decade, a second layer of consumer thinking is set to shape online shopping behaviour – shopping by the personal values that matter most to each individual customer. This new maximising + values equation will model online shopping.

Secondhand Shoppers

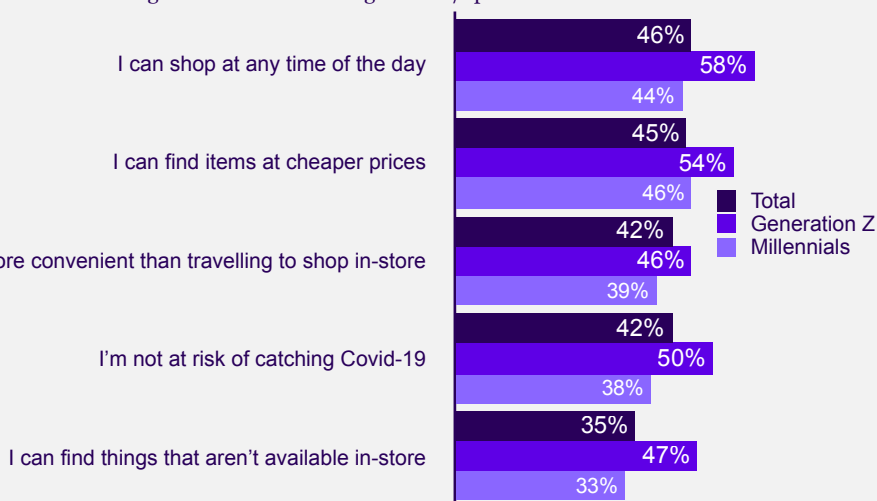


Convenience factors are still at the centre of online shopping needs

Across generations, but particularly among Gen Z shoppers, convenience needs underpin engagement with online shopping, in particular the 24/7 nature of e-commerce. It is crucial that retailers do not lose sight of this in the quest for an ever more engaging online experience.

"Why do you choose to shop online?"

% who agreed with the following reasons/options



Retailers need to invest in try-before-you-buy technology to increase customer interaction with products online

While offering convenience to shoppers will be fundamental for all online retailers, and embedding values-led shopping propositions represents a fast-emerging area to address, the most significant commercial opportunity will be provided by investing in services and technologies, like augmented reality, that can provide greater product interaction and previewing via e-commerce channels. Such solutions will overcome the most significant barriers to e-commerce in the UAE today – and provide the clearest route to gaining shopping journey differentiation, competitive edge and increased revenue.

5

The AR Opportunity

Shopping with AR will surge by 2025, directly bolstering sales



Attitudes towards augmented reality (AR) as a shopping tool are shifting. Previously seen primarily as an engaging novelty experience, AR is now demonstrating its commercial clout – proving that it can indeed move consumers closer to the checkout. In the UAE, 1 in 3 shoppers have used AR on their mobile device for any reason, and 28% have used it while online shopping. Moreover, while necessity might have fuelled AR try-on for many in the last year, more consumers are now

actively seeking out AR as a viable alternative to real-life retail, with at least 2 in 5 claiming they would actually prefer trying items using AR rather than having to go in-store. The findings presented here showcase the vital role that AR can provide in supporting product interaction across the shopping journey and the direct impact on retail sales, with three-quarters (74%) of UAE consumers who have used AR saying that it encouraged them to make a purchase.

Almost 1 in 2 Gen Z will be shopping with AR by 2025

From analysis of 2021 data, we predict that in less than 5 years we will see more than 48% of Gen Z shoppers in the UAE using AR before buying a product. Increased interest in AR, coupled with the associated growth in consumer awareness of such technology could see up to 48% of Gen Z shoppers using AR before buying a product by 2025.

% Gen Z who will have used AR before buying a product online

2021
30%

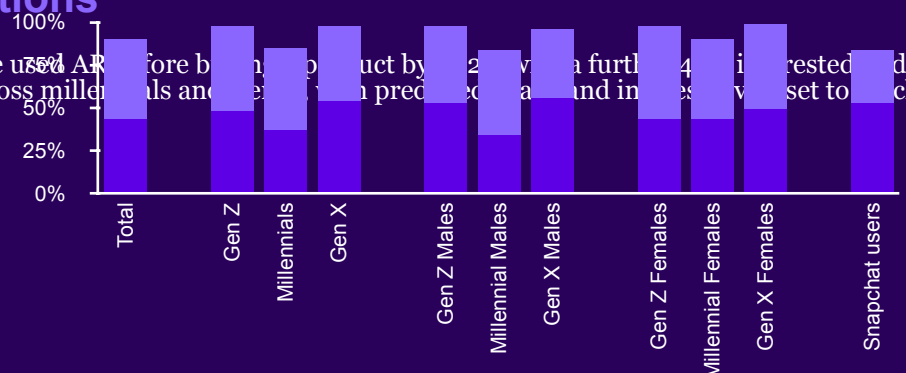
2025
48%

Growth potential for AR high across generations

48% of Gen Z consumers are set to have used AR before buying a product by 2025, with a further 4% interested in using it. Growth potential is also high across millennials and Gen X, with 50% of millennials and 40% of Gen X consumers set to use AR before buying a product by 2025.

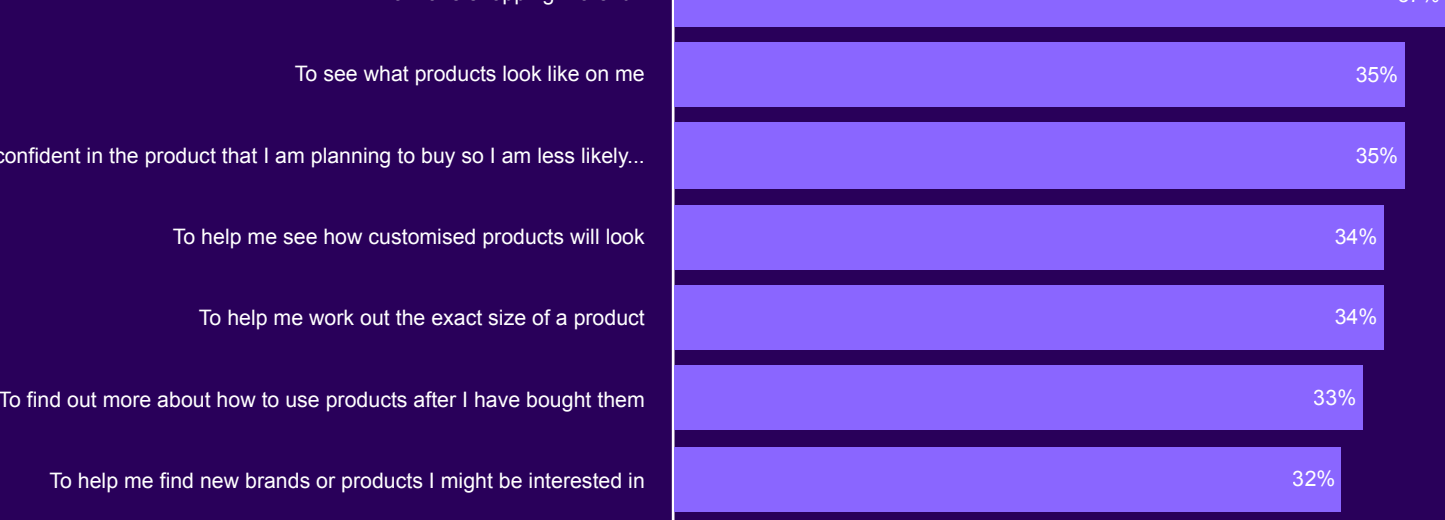
% who will have used AR before buying a product online by 2025

Will have used Will be interested in using

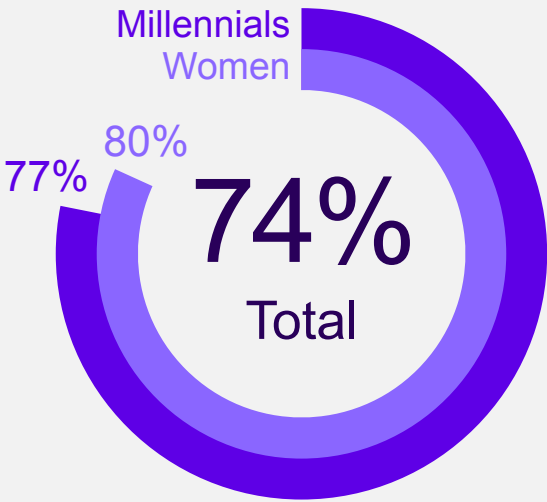


Using AR provides tangible benefits when shopping online

In the UAE, 28% of shoppers have used AR while shopping online, or 48% are interested in doing this in future. The most common reasons cited for wanting to use AR are to get a 360 degree view of a product and to make shopping more fun, demonstrating how AR is already serving real commercial purpose and driving shoppers towards the online checkout.



Among UAE consumers who have used it when shopping online, **74% say AR has encouraged them to buy something**



“
Being able to visualize large, bulky items in your home before buying them is certainly very helpful as is testing out new makeup products or trying on fashion items. In these circumstances AR can help to improve the customer experience, reducing post-sales challenges such as returns.

Maya El Ayach,
SVP of Growth & Digital Strategy at noon

Shoppers expect AR to be commonly available soon

More than half of UAE shoppers already expect AR to be available now when they're shopping for at least one of the following categories – clothes, beauty, furniture, luxury and cars.

Retailers not utilising AR technology run the risk of not meeting consumer expectations, and missing an opportunity to nudge shoppers closer to the checkout with an enhanced shopping experience offering the benefits of in-store retail at home.

When do you expect AR (Augmented Reality) to be commonly available in each of the following situations?

When buying fashion products e.g. to try on items of clothing virtually

■ In the next year
■ Now



Consumers show a preference for using AR try-on over in-store

Highlighting just how important AR is to the future of retail, 2 in 5 UAE shoppers say they would actually prefer to use AR to try out clothes, luxury items, beauty products and furniture virtually, rather than visit a store to do so in real life. Among Snapchatters, almost half (46%) would prefer to use AR to preview luxury goods. While stated interest does not always translate to action (see predicted levels of AR use when shopping on page 16), these numbers are significant, and represent a change in how consumers perceive AR, particularly when being able to physically see and touch a product IRL are cited as the top reasons UAE consumers choose to shop in-store.

Would you prefer to test products virtually using AR (Augmented Reality) or visit a store to see them in real life?

% selecting I would prefer to shop online using AR

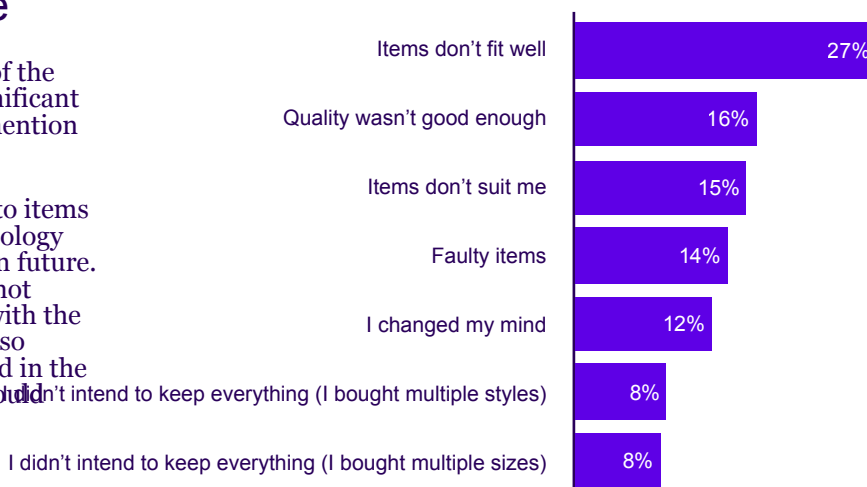


Why consumers return the clothes they buy online

Consumers return on average 42% of the clothes they buy online, causing significant logistical costs for retailers, not to mention an inconvenience for shoppers.

On average, 27% of returns are due to items not fitting well, something AR technology aspires to help shoppers overcome in future. Other return reasons such as items not suiting, and buying multiple items with the intention of returning some could also potentially be avoided if AR was used in the shopping journey, and consumers could virtually try-on items before buying.

For which of the following reasons do you return the clothing you buy online?



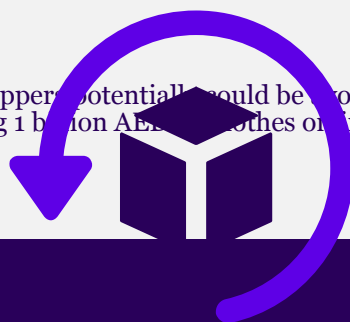
“

We really try to find people that have similar information, similar body dimensions, and then which size they were happy with, and which size they kept, and this is basically what we recommend. Return rates are still extremely high specifically in the fashion space because the expectation that you have when you buy the product based on product image and based on product text differs so much from reality, but with augmented reality and what we do here at fit analytics, we really hope that there's a gap between the online shopping experience and reality that will be bridged, and this will drive conversion and this will also improve return rates because people are less disappointed about the item they ordered.

Sebastian Schulze
CEO & Co-Founder at Fit Analytics

The value of returns

51% of online clothing returns by UAE shoppers potentially could be avoided by using AR in the shopping process. This equates to consumers in the UAE spending 1 billion AED on clothes online in the last year that they have returned which could potentially be avoided by using AR.



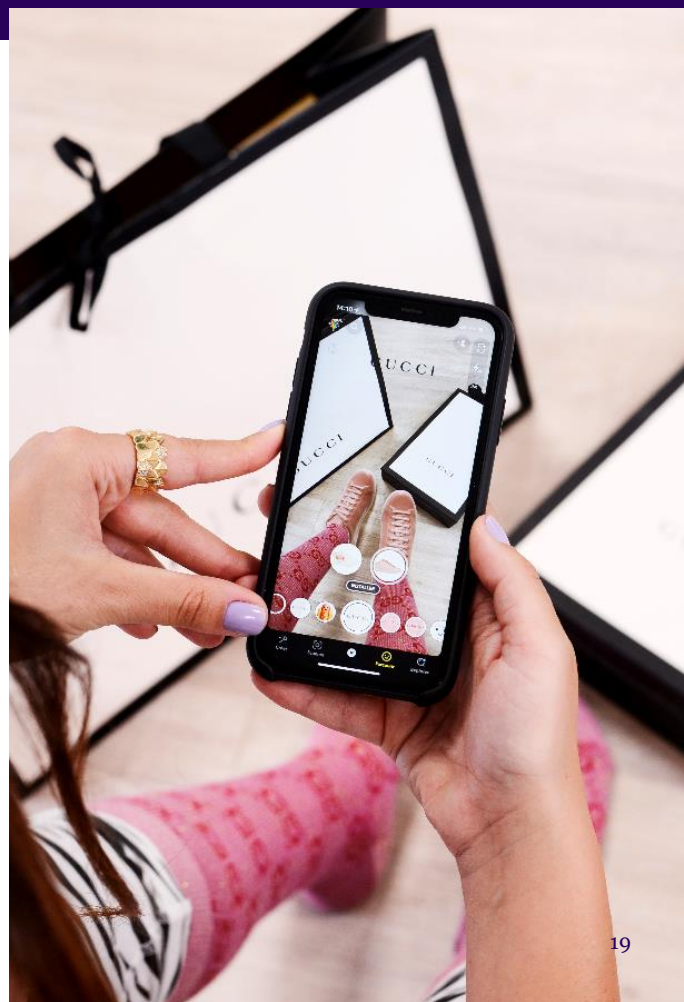
1bn AED

Retailers must **embrace AR as a vital shopper service and sales tool**, not a novelty

AR uptake is already widespread and is only becoming a more common feature of shoppers' everyday lives and purchase journeys, with 35% of UAE consumers planning to use AR more in the year ahead when shopping, and expectations high that it should be available for use across sectors in the next year.

Considering the ways in which AR provides utility to users and pushes them towards the checkout, brands are at risk of falling behind consumer expectations, and consequently losing sales revenue, if they do not proactively and effectively engage with this technology.

What's more, the most compelling functionalities of AR for shoppers are centred around providing transparency via product previewing and visualisation, the same factors that consumers state as the main barriers to online shopping. Introducing such AR services should be a priority for retailers who are seeking to optimise e-commerce customer satisfaction and reduce pain points across the online shopping journey.



6

Virtual economy

Retailers must prepare for a virtual economy boom in the 2020s



The virtual economy is growing, with consumers enticed by virtual products as a way to access things they cannot or do not want to own in real life. The findings presented here show that the current virtual economy market encompasses almost all of the UAE population, with 9 in 10 shoppers stating they would consider buying a virtual product for any reason. In fact, 1 in 3 UAE consumers have already bought a virtual item within a computer game. Interestingly, the primary reason why UAE shoppers would consider buying a virtual product is to be able to get discounts on real-life products from the same brand. This points to the significant role that virtual products could have

in the future shopping journey – showcasing products and priming customers for more substantial purchases at a later stage. Finally, in 2021, NFTs (non-fungible tokens) have taken global media, and consumers, by storm. NFTs are digital collector items that have a certificate of ownership which can be bought and sold. For example, recording artist Grimes reportedly sold \$6m worth of digital art as NFTs in 2021, while an NFT artwork sold for \$69 million at a Christie's auction. UAE consumers represent a ripe market for NFT uptake – with over 3 in 4 consumers stating that they have an understanding of what an NFT is, and 82% of those interested in owning an NFT.

Why owning virtual goods appeals

To get discounts when buying from the same brand in real life

Though the virtual economy is still nascent, we are already seeing a variety of reasons why UAE consumers might want to own virtual goods, ranging from discounts on real products, from physical items collecting items to use in gaming or on video calls, to virtual products being perceived as a way to reduce waste from physical items.

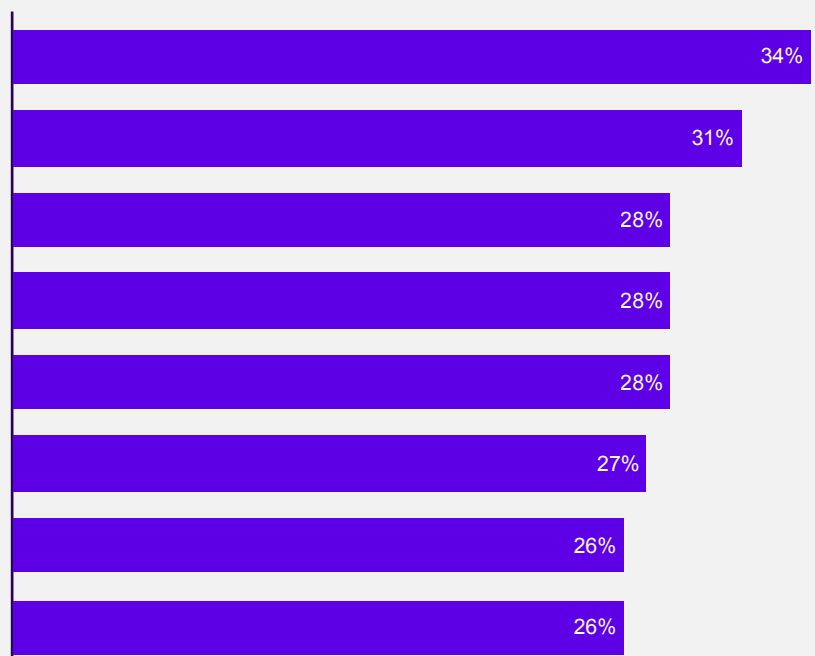
To virtually own luxury items that I cannot afford in real life

Accessories I can wear in the photographs I post on social platforms

To own things I want but don't really need in real life

Virtual collectibles e.g. an original artwork that is only available online

Would you buy a virtual product for any of the following reasons?



Most UAE consumers have **some idea what an NFT is**

NFTs are potentially lucrative investments, able to be freely traded and with many rapidly multiplying in value after auction. UAE consumers showcase the greatest understanding of NFTs, compared to other global markets, with 41% of consumers saying they have a good understanding of what an NFT is, and a further 35% having a little understanding of the digital assets.

How well do you understand what an NFT (Non-Fungible Token) is?

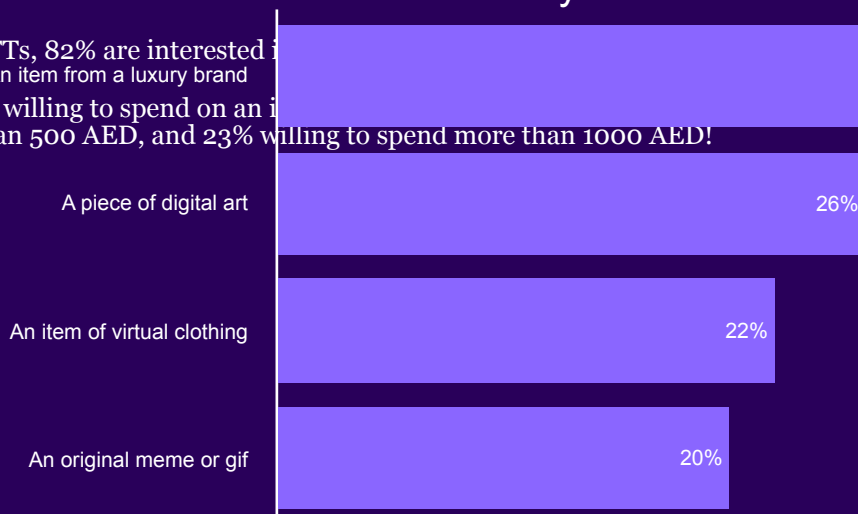


Almost **1 in 4** would spend more than 1000 AED on a luxury brand NFT

Among those who have some understanding of NFTs, 82% are interested in owning one willing to spend more than 500 AED, and 23% willing to spend more than 1000 AED!

From these four types of NFTs, shoppers are most willing to spend on an item from a luxury brand, followed by a piece of digital art, an item of virtual clothing, and an original meme or gif.

% of those interested in owning an NFT willing to spend more than 500 AED on it



Retailers need to **consider the selling and showrooming opportunities** offered by virtual products

To be early movers in the virtual economy and capitalise on virtual selling opportunities, UAE retailers will need to evaluate the possibilities of developing digital product propositions. Increasingly, the exclusivity offered by NFTs will be a key USP for virtual products, offering consumers the chance to own one of a kind pieces, regardless of their physical existence. Positioning such products as waste-reducing and eco-friendly will also be a compelling selling point. Plus, the shift to home working and increased virtual communication during and post COVID-1, will create new opportunities for the sale of virtual fashion items, cosmetics and accessories that can be worn on video calls and conferencing.

What's more, virtual products will form an increasingly important part of the path-to-purchase, allowing customers to personally own items digitally before deciding whether to upgrade and buy the real thing.

Virtual products also offer clear opportunities for brand engagement and loyalty. For example, luxury brands and retailers selling high-cost items will be able to offer virtual products to consumers who cannot currently afford their real-life counterparts – building brand awareness and affection that can be converted to physical sales at a later point in time.

7

Circular Retail

Environmental and entrepreneurial mindsets are fuelling the rise of resale platforms



While fast fashion and on-demand convenience in retail has continued appeal, the findings presented here also highlight consumer concern over the social and environmental impact of today's retail industry. Shopper demand for a more sustainable, circular retail economy is growing. Indeed, 1 in 2 UAE consumers are worried about the environmental impact of shopping online. Resale platforms are emerging as a more creditable and sustainable alternative to existing marketplaces, while also encouraging a more social-led shopping experience with direct messaging and

bartering between buyers and sellers. Over 4 in 10 consumers in the UAE have already purchased items through a resale platform. Over 1 in 3 have also sold a product via a resale platform, with a further third of consumers interested in doing this in future. The growing use of resale platforms provides opportunities for established retailers to drive new sources of revenues, as well as for SMEs and individual consumers to generate additional streams of income – all while driving a more sustainable retail future.

Secondhand is sought out by half of consumers

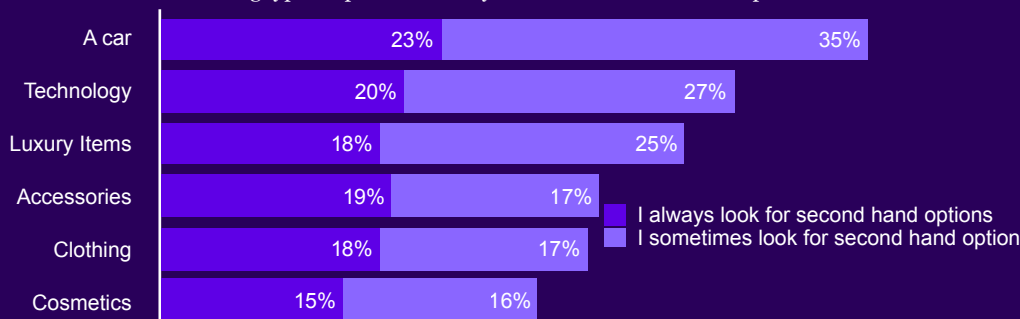
In recent years, consumers have flocked to resale platforms. In UAE, already 1 in 2 consumers say they regularly look for secondhand options when making an important purchase, and 42% have bought something through a resale platform. Second-hand goods and resale platforms are increasingly sought without stigma, and can deliver serious social capital as savvy and ethical shoppers contributing to a circular economy.

48%
I regularly look for secondhand options when buying something important"

Which sectors need to pay attention?

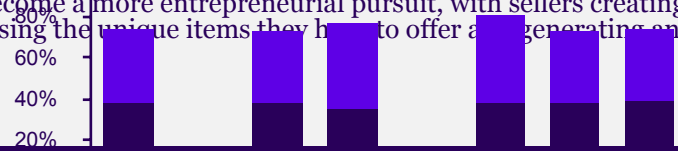
Aside from cars, the sector most consumers regularly look for secondhand options when shopping in is technology, closely followed by luxury items, with 43% of consumers having looked for secondhand options.

For which of the following types of products have you looked for secondhand options?



37% of UAE consumers have sold a product on a resale platform, with an average of 3% interested in doing so in the future. Widespread consumer aspiration towards minimalism and decluttering, as well as the waste reduction, have motivated many consumers to sell unwanted items. For others, resale has become a more entrepreneurial pursuit, with sellers creating their own individual stores within resale platforms, showcasing the unique items they have to offer and generating an additional source of income.

deculturing and his waste reduction, have motivated many to become a more entrepreneurial pursuit, with sellers creating and selling the unique items they have to offer a generating an



One of the main things that we have seen is more conscious shopping and purposeful shopping, so where people are wanting to spend their money. The insight that we are seeing is that customers think about the communities that they're supporting when they shop. It's clear that people are motivated by knowing that they will support small businesses, which is definitely one of the key things that we're supporting at the moment. We've got 300,000 small businesses on site and are actually reminding people that they can still shop small businesses and local businesses when they shop through eBay and the platform.

Supporting
small and local
business a
key USP

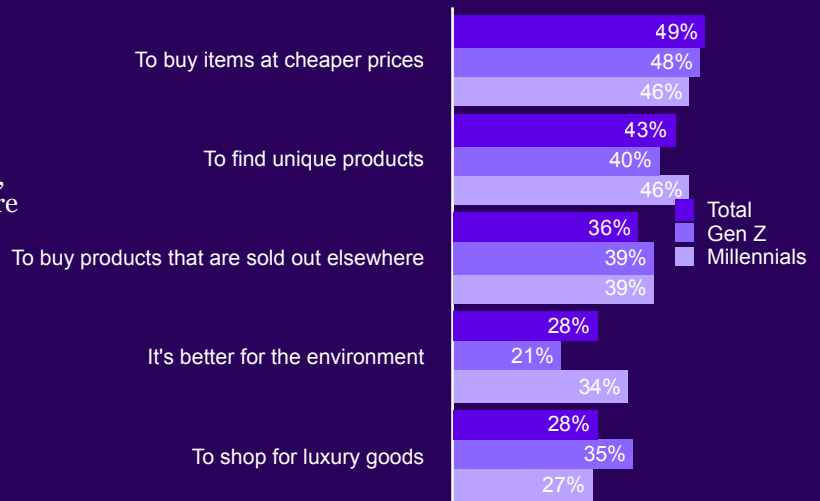
As the quote above highlights, a key proposition of resale platforms is their ability to support and empower SMEs and individual sellers. As we enter more uncertain economic times in the immediate post COVID-19 landscape, combined with the growing interest in supporting local business shown by UAE consumers (as outlined in chapter 1), such propositions will be key to driving the popularity of resale platforms and provide a further USP compared to online market places.



Resale platform benefits: maximising and one-of-a-kind finds

When asked what motivates shoppers to buy from resale platforms, 1 in 2 UAE consumers cite cheaper prices as a factor. But over 2 in 5, are also looking for unique products, and more than 1 in 3 for products that are sold out elsewhere. In a year where consumer movement and shopping has been restricted, unique and exclusive products have been harder to find, and many shoppers have turned to resale platforms to find inspiration. Among millennials, 1 in 3 would also choose secondhand goods to be more sustainable.

Would you buy from resale platforms for any of the following reasons?



Resale to reduce waste

While awareness of the (negative) social and environmental impact of fast fashion, e-waste and other consumer goods grows, resale platforms offer shoppers the added benefit of reducing waste and contributing to a circular economy. 49% of UAE consumers are already worried about the environmental impact of shopping online, and 28% of shoppers cite environmental reasons as motivation for shopping with resale platforms.

52% of Gen Z consumers in the UAE are worried about the environmental impact of shopping online

Retailers should explore the opportunities of resale platforms, with propositions supporting local and small businesses providing a strong USP

While already supported by a range of consumer needs – maximising, decluttering, waste-reduction – resale platforms have found particular purpose in a year with limited stimulation, inspiration or social interaction, and offer an alternative, peer-to-peer shopping channel to explore.

Already, many retailers have entered the resale space with their own branded offerings. Levi's, Nordstrom, H&M group and IKEA are just some of the major global retailers that have now offer buy-back and sell-on schemes, often as a way to contribute to their CSR goals rather than directly for profit. These initiatives see brands taking responsibility for the full lifecycle of a product, rather than just how it gets into shoppers hands and homes in the first place.

For retailers looking to compete with resale platforms on uniqueness, supporting smaller, local, and independent brands could be an effective solution. Indeed, 62% of UAE consumers like when retailers support independent brands, and 61% say they have been supporting local businesses more since the start of the pandemic.

Conclusion

The post COVID-19 retail landscape will be defined by the blurring of consumer needs and expectations across physical and digital shopping channels. Meeting the primary needs and demands of shoppers identified in this report – convenience, social interaction, and product testing – will be the benchmark for retailers regardless of channel.

At the heart of this, a more connected shopper has emerged, empowered by their mobile to define their own shopping experience whether at home or in-store. Mobiles are vital shopping companions in-store for half of Gen Z and millennial consumers in the UAE, as well as creating opportunities for retailers to bridge the gap between customers' real life and online brand interactions through mobile-enabled in-store experiences.

Outside of the store environment, mobiles are bringing retailers and brands closer to consumers wherever they are, with powerful product previewing tools such as augmented reality facilitating virtual try-on and product testing from the comfort of the shopper's home.

Retail technology such as smart mirrors and virtual product customisation also provides opportunities to meet shopper needs, and as evidenced in this report the connected shopper is seeking better, more personalised, product testing options combined with features that make shopping a more social experience.

As consumers seek to build renewed connections with the physical world, but also retain the convenience of online, retailers in the UAE will need to test and evaluate the technological solutions – from virtual try-on to smart mirrors – which will achieve this and further accelerate connected shopping today.



