

# The Future of Retail



**Retail as we knew it continues to evolve following two years of unprecedented disruption in the industry because of Covid-19, here, Farah Thalji, Director at Simon-Kucher & Partners Dubai takes some time out to discuss how sustainability will soon become the biggest purchasing factor for consumers and what this will mean for the sector.**

With 86 per cent of the region's population now connected, online product information has significantly changed product awareness and purchasing behaviour. Consumers worldwide continue to demand a sustainable, socially conscious, and personalised lifestyle following the events of the pandemic. Purchasing habits, such as seeking out more sustainable and philanthropic brands, have become a more prevalent consumer trend.

Consequently, retailers are being held more accountable than ever before for not meeting consumer expectations. Simon-Kucher & Partners cites two areas of focus following The Retail Summit in Dubai: building brand value through sustainable investments and redesigning loyalty programs to meet consumer needs.

## Core sustainable investments escorting the demand

The ongoing sensitivity behind global demand for sustainable and ethical brands is based on cultural and societal values.

Around 80 per cent of global consumers place importance on environmental sustainability and aspire to lead more eco-friendly lives, according to Simon-Kucher & Partners' 2021 Global Sustainability Study. One in four UAE citizens has made significant changes to their buying behaviour to make it more sustainable in the last five years, and one in three even report a willingness to switch to sustainable solutions when they are available.

Here are the core sustainability trends to invest in:

### Opt for selling 'pre-owned' goods

Consumers now have a better understanding of their options thanks to e-commerce. Think with Google research shows that 74 per cent of in-store buyers searched online first for in-store-related information, such as store locations or what was in stock near them.

The luxury online fashion platform Farfetch, for instance, offers a 'pre-owned' section in its store. Start-ups like Shift Eco are taking this one step further in the UAE. By pre-identifying an entire range of eco-friendly products, it serves as a curated marketplace to ease the process of buying sustainable products.

### Reduce the amount of paper and packaging

Retailers can make the post-purchase part of the transaction more sustainable. The less single-use packaging in circulation, the less energy is consumed to handle and process packaging waste. Using less paper and packaging for shipments and returns contributes significantly to both cost-efficiency and greening operations.

### Consolidate shipment numbers

The same Think with Google research also shows 70 per cent of shoppers said the ability to buy a product from a physical store was important to them. If indeed using online search to check for stock at their local stores, this can significantly reduce the number

of shipments or store deliveries made to individual consumers' residences. Tailoring the stock take of products high in customer demand - as dictated by online analysis - can consolidate the number of shipments needed to both stores and consumers. Thus, reducing the number of carbon emissions from the fossil fuels used to power them.

### A potential pitfall

The majority of sustainable, eco-friendly products bought new are an investment that often times come with a premium. Consumers have to decide whether they are willing and able to pay it, and Simon-Kucher and Partners' study indicates that Millennials and Gen Z are more likely than Gen X to do so. The study also shows a willingness to pay for sustainability is highest in Consumer goods (38 per cent).

GenZ will be used as a long-term indicator for retailers and manufacturers, despite their not yet growing purchasing power. Companies will aim to offer products at competitive prices in order to meet acquisition targets. As an alternative to cutting prices, sustainable brands should create customer loyalty programs to shore up their customer base.

### Personalisation also has a part to play

Improving the customer experience can strengthen loyalty, and such loyalty programs geared towards personalisation have been found to be the most effective. More than ever before, consumers have an expectation of personalisation across touchpoints with companies, e.g., product recommendations, promotions, and direct communication. Personalised communications can make customers feel valued (i.e. they feel valued when messages are tailored to them). This can significantly contribute to building customer relationships.

72 per cent of connected consumers in the UAE subscribe to at least one loyalty program and 40 per cent subscribe to multiple programs, according to our findings. It is almost a given that loyalty programs are offered, and UAE consumers are more likely to spend their money on an e-commerce platform that personalises offers and discounts and continuously engages them. These services will undoubtedly become a fundamental way to drive both awareness as well as conversion.

GCC consumers are willing to go the eco-friendly route. However, there is still work to do to provide sufficient options at affordable prices. While retailers have managed to make shopping safe and convenient throughout the pandemic, it's now time to iterate on those processes and keep up with customer demands.

By developing a value model that aligns with the changing demand in the region while incorporating loyalty programs, companies will ensure their customers are well taken care of along the way.