

LIFE AFTER COVID-19

مؤسسة دبي للمستقبل
DUBAI FUTURE FOUNDATION



FUTURE TRENDS

THE RETAIL SECTOR



INSIGHTS IN BRIEF

As consumers avoid shopping malls in response to COVID-19, online retailers and e-commerce platforms are poised for growth.



The pandemic is accelerating retailers' plans for digital transformation, but not all retail businesses are able to move online rapidly, offering scope for governments and e-commerce platforms to step in with support.



Post COVID-19, shoppers will return to the malls, but not at the same levels as before, as online shopping habits will have become more routine.



Governments and landlords can provide incentives to shoppers to restore footfall at the malls once it is safe to do so.





CURRENT SITUATION

Shopping malls in the UAE were shut down on March 25, 2020 in order to protect the health and safety of the general public and employees, and to mitigate the spread of COVID-19. The malls began partially reopening beginning April 25, 2020, but shoppers remain cautious. Similar measures have been taken throughout the MENA region.¹ Despite country-wide closures in the UAE, consumers barely needed to change a single product that they use, thanks to the digital infrastructure that Dubai and the UAE provide, an abundance of online retailers that deliver throughout the country and a digitally-enabled population, nearly all of whom use the internet.² From groceries to fashion, everything consumers shopped for at the malls is readily available to purchase online.

¹ MEED "GCC ramps up Covid-19 response", 17 March 2020

² Visa Middle East, "The UAE eCommerce Landscape 2019", June 2019; u.ae, Digital UAE

Although most consumers are not affected, there remains a significant number of mainly offline retailers who are at risk. The pandemic is forcing the closure of 'bricks-and-mortar' retailers around the world as consumers switch to online shopping and this represents an urgent call to action for landlords and governments to provide a lifeline for struggling offline retailers.

In the United States, almost 630,000 outlets have been forced to close due to fears over COVID-19 and it is unclear how many of them will reopen. Large department stores like Gap, Kohl's, and Macy's are laying off almost all of their employees. Nearly 130,000 people are being laid off by Macy's alone.³ In the United Kingdom, Debenhams and Oasis have entered administration in recent weeks.⁴ On the other hand, some e-commerce retailers are on a hiring spree. Amazon, for example, is in the process of hiring 175,000 employees to keep up with demand.⁵ Instacart, a North American grocery delivery and pick-up service, announced hiring 300,000 full-service shoppers in March, and a month later it announced plans to hire an additional 250,000 to meet increasing customer demand for online grocery delivery and pickup in the USA and Canada.⁶



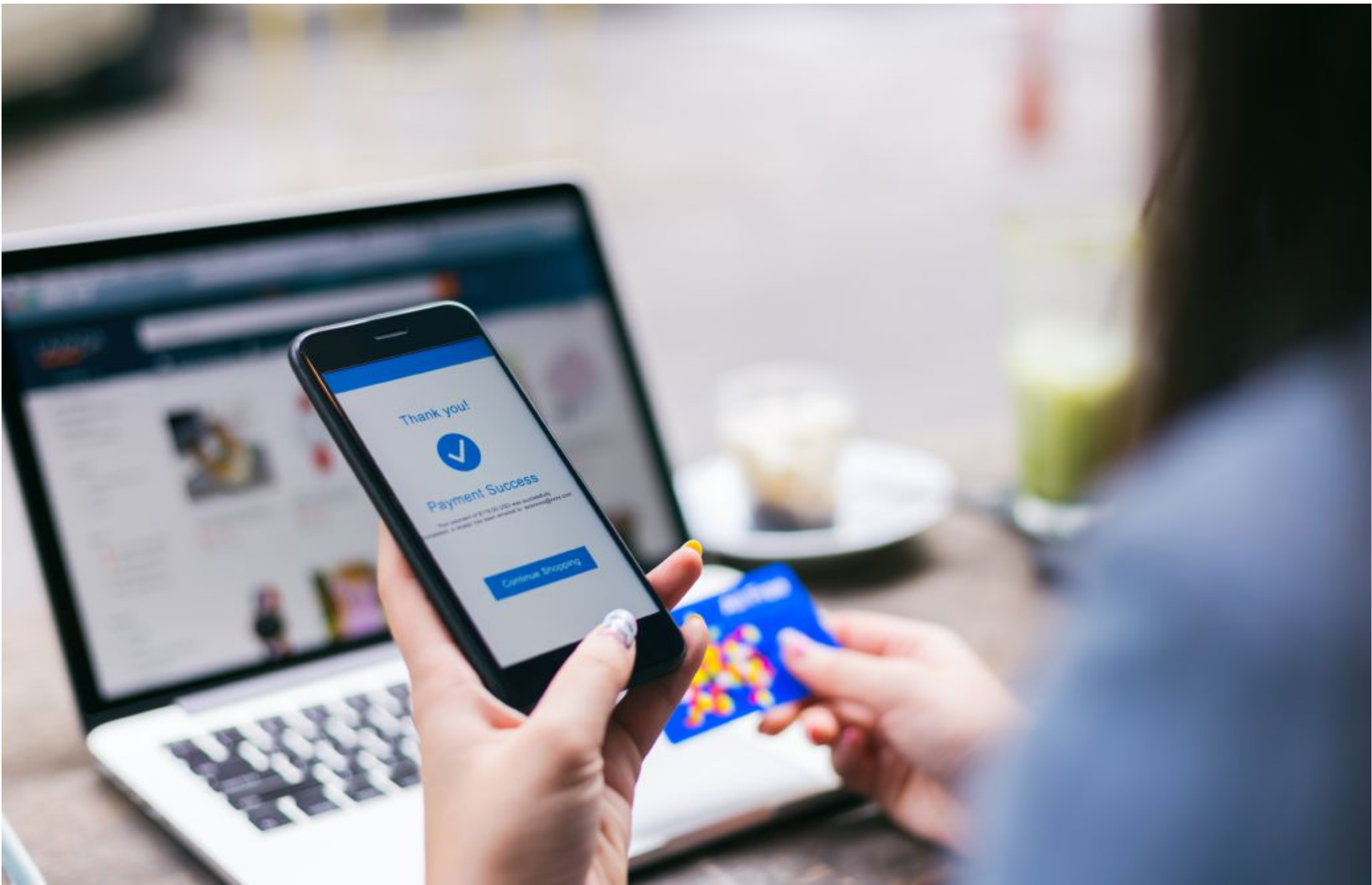
³ Financial Times "US retailers teeter on the brink as 630,000 outlets close", 30 March 2020

⁴ Financial Times "Retailers fear pain will last beyond the end of lockdown", 17 April 2020

⁵ Financial Times "Amazon to hire 75,000 more workers to cope with demand", 13 April 2020

⁶ TechCrunch "Instacart announces new COVID-19 policies and plans to hire 250,000 more shoppers", 23 April 2020

Although they may not make up for lost physical retail sales entirely,⁷ online sales are on the rise. Dubai-based Majid Al Futtaim (MAF), which operates 27 shopping malls, such as Mall of the Emirates, has seen a surge in online sales, with a 59% year-on-year increase in online customers in March 2020.⁸ Saudi Arabian retailer BinDawood Holding has seen a 200% increase in its online sales since the escalation of the COVID-19 crisis.⁹ This shift towards online shopping driven by the pandemic is consequently accelerating retailers' plans for digital transformation. Bricks-and-mortar retailers with plans to develop an online presence now need to address this immediately.



Moving business online requires significant investment from bricks-and-mortar retailers who are already facing a cash crunch. However, retailers can be spared such expenditures if existing and new e-commerce platforms instead provide access to their products for online shoppers. Dubai-based Emaar, for example, has set up a virtual Dubai Mall on noon.com, where customers can shop virtually at many of the mall's well-known stores.

⁷ Fortune "Why e-commerce won't save retailers from the coronavirus", 17 March 2020

⁸ StepFeed "Gulf businesses that saw a spike in online demand amid COVID-19", 4 April 2020

⁹ Arabian Business "Saudi retail giant sees 200% growth in online sales amid Covid-19". 26 March 2020



OPPORTUNITY

The shift to online shopping has created tremendous opportunities for e-commerce retailers and the logistical and delivery services that cater for them. However, it is not a level playing field, and a significant number of retailers remain offline. This in turn creates an opportunity for governments to ensure that their smaller retailers with limited online presence are not left behind by providing them with an e-commerce platform of their own. Not only will this help smaller retailers survive the pandemic but it will also aid them in the long term as consumer shopping habits change.

For larger retailers and conglomerates, there is an opportunity to reshuffle and reskill employees. Dubai-based MAF, for example, has already reskilled and redeployed over 1,000 employees throughout the MENA region. MAF's leisure, entertainment and cinema employees are being reskilled to join the company's Carrefour business on a temporary basis to assist with online order fulfilment, food packing, stock replenishment and other tasks.¹⁰

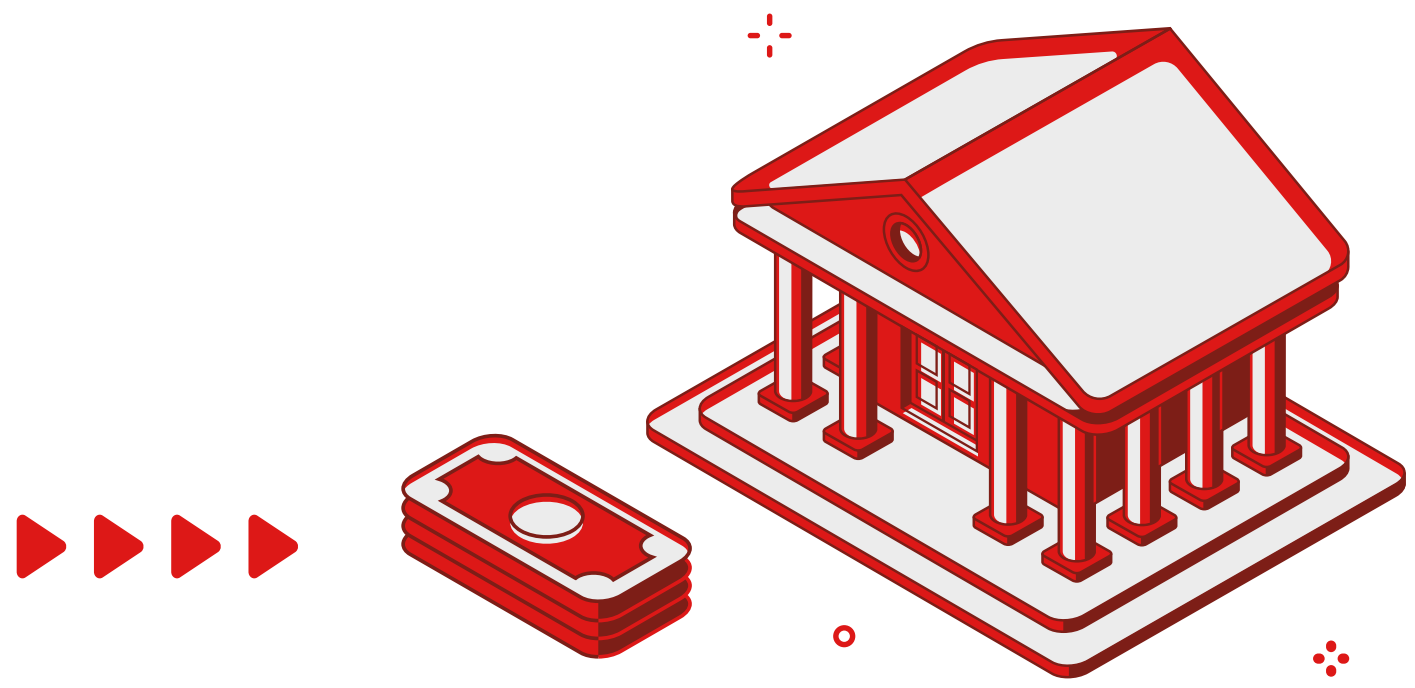
¹⁰ Majid Al Futtaim Press Release "Majid Al Futtaim Reskills and Redeploys More Than 1,000 Employees", 24 March 2020

The current situation, during the pandemic, is not a precise indicator of the future post COVID-19, but certain changes to consumer shopping habits will last. There are new adopters who have been introduced to online shopping through necessity. Lockdowns are creating increased competition among online retailers, and this will lead to a welcome increase in efficiency in e-commerce. The longer that this pandemic lasts, the more pronounced and permanent these changes will be.

Despite the extensive challenges retailers are facing today, there are grounds for optimism about retail in the region in the long term as long as we act rapidly. Regionally we have a culture of spending time at shopping malls for leisure and entertainment, and this is expected to return post COVID-19. Landlords can ensure a quick recovery of footfall levels by planning ahead and setting aside budgets for marketing and events. Governments can further encourage consumers to return to physical retailers by providing incentives to both retailers and consumers.



LOOKING AHEAD



Short term insights ●-----

(during the COVID-19 outbreak)

- 1**
Banks can restructure maturing loans in the retail sector as needed, providing a lifeline to an industry suffering with low revenues.
- 2**
Waived rents to retail tenants can be offered during lockdown, provided by shopping mall landlords.
- 3**
Employees can be reshuffled and reskilled, allowing growing sectors to manage the surge in demand, and preparing employees for new roles.

Short to long term insights ●-----

(post COVID-19)

- 1**
Tax-free shopping can be introduced at malls to encourage shoppers to return.
- 2**
Shopping malls can be certified by relevant authorities as COVID-19 free, which can be maintained by testing every visitor prior to entering.
- 3**
The increased popularity of touch-less shopping experiences can be catered for, with self-checkouts, and the avoidance of touch-screens.