

Trends are bullish for e-commerce boom

Wassim Kabbara, head of e-commerce and retail, Google MENA, discussed the state of e-commerce in Middle East and North Africa in his presentation at the inaugural Retail Business Owners & CEO Conclave on Day 1 of the Middle East Retail Forum 2014, pointing out that retailers need to think beyond sales if e-commerce is to truly succeed in the region. Some excerpts ...

Google is bullish about e-commerce in the MENA region. It looks at two indicators to understand the potential of e-commerce in a market — the level of connectedness of users and the size of the retail market. These are the two main ingredients shared by large, dynamic online retail markets globally.

MENA has a population of over 300 million and is one of the most digitally advanced markets in the world from a consumer standpoint. Internet penetration touches 78% in the UAE and Saudi Arabia, while smartphone penetration across MENA is over 60%, with more than 75 million smartphone users. This makes the region one of the largest installed bases of smartphone users globally.

Google sees this as a staggering figure compared to the rest of the world and expects the numbers to grow two or three-fold over the next three years, driven by more people substituting their feature phones with smartphones.

The MENA region, thus, has unique opportunities for e-commerce growth compared to the rest of the world. "At Google, we are very excited by the opportunities we see in our region. First, is access to the internet. Of course, on this front, our region stands well above other markets. The second key ingredient is the size of the offline retail market. Here again, when we look at our region collectively, it's very significant. But it's only when we consider both these ingredients together that we can really appreciate the uniqueness of the opportunity in the



region," says Kabbara.

The size of the non-grocery retail market in the GCC is around \$100 billion, which is larger than many other emerging markets. Google quantifies the potential of e-commerce in MENA based on the contribution of online retail in other comparable mature markets.

"If we look at the percentage of online retail sales in total retail market sales in mature markets, they range between 7-12%, compared to 1% or less in our region. If we assume an average of 10%, we can then estimate a market upside of around \$10 billion, assuming the total retail market is \$100 billion. What all this means is that consumers in the region are ready for e-commerce," Kabbara explains.

"In mature markets, retailers have had to address two challenges – the user challenge and the business challenge. What's unique about the Middle East is

that the user challenge has already been addressed. It's the business challenge that needs to be tackled," he adds.

Kabbara points out that MENA consumers are ready for e-commerce because they own mobile devices and also because they spend most of their time on the web, an especially prominent trend in the UAE and Saudi Arabia.

"We see the same trend in active usage of Google's products. On a per capita basis, YouTube is bigger in the MENA region than anywhere else in the world. Saudi Arabia has the highest number of YouTube video playbacks per person globally, with over 50% of these views on mobile. Google records over 120 million searches per day in the region, a lot of them having commercial intent. This is hugely relevant to the retail business because the internet empowers consumers with the ability to research products and services before they

in MENA

make purchase decisions," says Kabbara.

"Our view is that consumers today know more about a product than sales persons because they've already researched the product before they walk into a store. They search online the products and services they'd like to buy offline, and there's a high probability the searches will lead to purchases. We see a lot of Google searches across all product categories, namely consumer electronics, fashion, home and garden and F&B. In the UAE, we observed that 75% of smartphone users who used Google search for products in 2013 took some sort of commercial decision that led to a purchase," adds Kabbara.

Online retailers need to have a broader view of success

In mature markets, traditional retailers eventually play a big role in online retail. In the UK, the top e-commerce players such as Tesco, John Lewis and M&S are omni-channel retailers. In contrast, the top e-commerce players in the MENA region are pure-play online retailers across all major retail categories enjoying very little competition from traditional retailers.

Kabbara believes if e-commerce is to truly succeed, retail business owners, CEOs and marketers must adopt a business framework that enables them to think collectively about the multiple aspects of their businesses.

"The limitation with legacy business frameworks is that they work as silos built around marketing, sales, technology etc and don't encompass the complexity of digital marketing and measurement. It is encouraging

that a lot of brick-and-mortar retailers in the region are building the technology infrastructure and back office transformations for e-commerce," he points out.

Google proposes a business framework called 'See, Think, Do, Care,' which has two foundational elements — the consideration stage of the consumer and the audience in each stage. This framework doesn't focus on just on one metric of success, such as sales, but considers all the ways in which customers engage with a brand.

The 'See' stage represents the largest addressable market or qualified audience. The 'Think' stage represents the largest addressable qualified audience with some commercial intent. The 'Do' stage represents the largest addressable qualified audience with loads of commercial intent. The 'Care' stage represents anyone who has made purchases twice or more.

Kabbara points out three implications of implementing this business framework — rethinking experience, marketing and success. Rethinking the consumer experience is about the assets and content for engaging with consumers at different stages. Rethinking marketing is about the 'what and how' of investment in different channels according to a retailer's business strategy, and mapping the marketing objectives with the outcomes of marketing activities on each channel.

Finally, rethinking success is about implementing key performance indicators that go beyond sales and are not limited to just one metric of success. For example, an online retailer who rethinks success will look at introducing touch points on

his or her e-commerce website that may or may not result in sales but will certainly drive engagement through the expected outcomes of each stage — See, Think, Do and Care. Such retailers will pay close attention to what they must say to their customers and what their customers can do on their e-commerce or mobile websites when they have no intention of purchasing items.

"Retailers must learn to look at online customers in the same manner as they would look at them in brick-and-mortar stores. Most e-commerce websites restrict their activities to the 'Do' stage, focusing only on sales. In the brick-and-mortar world, this is comparable to a salesperson pushing customers to buy products as soon as they enter a store. If a customer has no purchase intent in the 'See' stage, how can the retailer measure success based on the sales metric alone? The retailer should focus on providing engaging experiences through content relevant to that stage, such as blogs and videos, with the intention of educating and inspiring the customer," explains Kabbara.

"While the marketing strategy for the 'See' stage should be focused on videos and social media instead of search and email, that for the 'Think' stage should be focused on search and email. A customer in the 'Think' stage should be able to sample and compare products online so they can make informed purchasing decisions. Again, it may or may not result in a retail transaction, but the retailer is aware of the outcome, which is getting people to think about your products through the power of technology," adds Kabbara. ■

MENA users are digitally advanced

Country	Monthly internet use Percent	Smart-phone penetration Percent	Tablet penetration Percent
UAE	80	61	24
Saudi Arabia	78	60	16
Germany	81	29	5
United Kingdom	80	51	11
United States	80	44	13
France	78	38	7
Russia	76	19	6
Spain	71	44	7
Turkey	47	14	0

Source: Global Enumeration Study; Internet World Stats

Consideration Stage

Audience

