

# Retailing in the Middle East: Imperatives for now and the next normal

Insights from Rizing retail experts on what retailers need to focus on to capture growth opportunities and keep expanding market share.



## Overview

For the past 15 years, retailers in the Middle East, particularly in the GCC countries, have thrived in a favorable macroeconomic climate. Segments such as grocery, apparel, and electronics have enjoyed profits and returns exceeding global industry averages. However, structural shifts are now challenging their revenue and profitability.

Falling oil prices, geopolitical instability, and the fast pace of digital technology development has slowed down growth considerably in every sector, while new labor laws are driving up costs. With incomes remaining stagnant, consumers are spending less and seeking bargains.

These trends are expected to have staying power, meaning companies must undertake a strategic refocus quickly to survive.

Retailers have yet to leverage several strategies that have proven effective globally, and executives we've spoken to in the region share similar concerns: **how can they develop the agility to respond quickly to market changes and new customer demands while keeping up with advances in digital technology?**

After the upheavals of recent years, it is understandable that many retailers remain cautious, but those that adopt a wait-and-see approach risk being left behind by more agile, fast-moving competitors. To navigate this "new normal," retailers must undergo an operational transformation and consider technological optimization for operational efficiency and cost savings.



# Why Do Retailers in the Middle East Require a New Retail Playbook?

Despite the Middle East's overall opportunity and strategic promise, companies active in the region face significant challenges. Like their global counterparts, retailers in the Middle East must keep pace with new technology that is transforming how people consume products and services. However, the changes in the region extend beyond the disruption of online retailing: consumers are more price-sensitive, less brand-loyal, and economies are reforming.

## Changing business models

The region is experiencing a growing supply of retail destinations. Companies active in multiple verticals—retail, entertainment, hospitality, and real estate—aim to create holistic customer experiences by connecting these touchpoints. Larger conglomerates face challenges with siloed customer, data, and tech infrastructures. 'Community' malls are becoming popular, offering a one-stop destination for groceries, dining, pharmacy visits, and shopping for gifts, providing convenience under one roof.

## Increased competition

The region's growth attracts increased competition from local and global leaders, including direct-to-consumer businesses and fast-growing online competitors. Large CPG manufacturers are losing market share to smaller brands. Family-owned enterprises also face governance and succession challenges as they mature and grow.

## Price sensitivity

Consumers are becoming more price-sensitive, less loyal to brands, and are demanding convenience, health-oriented options, and locally sourced products. Consumers, facing stagnant disposable incomes, are cutting back on spending, paying closer attention to prices and seeking savings. While spending less, consumers expect more from retailers, with speed and convenience driving e-commerce growth.

## The new consumer

A new type of consumer is emerging in the region, characterized by price sensitivity, digital savviness, and social responsibility. These behaviors, intensified by the pandemic, are expected to continue. Pre-pandemic, retailers and CPG manufacturers enjoyed growth from a strong economy and brand loyalty but were slower to adapt to trends like digitization and sustainability. Now, to attract and retain consumers, they must refocus on strategic priorities and put consumer data at the core of business decisions. While some trends, like a focus on health and nutrition, have been ongoing, price sensitivity has accelerated post-pandemic. Brand loyalty is declining, with more consumers switching to less expensive options, while digital awareness is growing, but execution remains slow due to issues with digital preparedness and data accuracy among retailers.

## Rising costs

Unstable oil prices, geopolitical volatility, and rapid digital technology evolution have significantly impacted Middle Eastern retailers. New labor-localization laws, market-priced utility costs, and new tax measures are driving up costs and risks for companies.

## Digital-first

Mobile access to information about new products, reviews, and price comparisons continues to influence customers' buying decisions. Retailers need to monitor these trends to stay relevant. E-commerce adoption is rapidly increasing, driven by a young, internet-savvy population. Speed and convenience are the main reasons that Middle Eastern consumers have grown increasingly comfortable with e-commerce, leaving incumbent retailers to compete with digital market entrants.

## Delivery and logistics

Although service is improving, progress is slow. Same-day delivery is becoming essential, with some retailers offering delivery within 2-4 hours. Retailers are also investing in local logistics firms to enhance the customer journey and create a competitive edge. Quick and easy return options for online purchases are essential. Retailers must stay agile, monitoring trends and adapting to changing demands influenced by mobile access to product information and reviews.

## Inventory management

Seasonal demand fluctuations, logistical complexities, and cultural diversity make it difficult to ensure product availability and maximize profits. Hybrid retail has empowered consumers, making loyalty harder to maintain and more expensive to achieve.

One major issue is the unpredictable seasonal demand. The region's climate and cultural events, such as Ramadan, cause demand spikes for certain products. Retailers must adopt flexible inventory strategies to manage these fluctuations, like stocking more traditional foods during Ramadan or cooling products in the summer heat.

Perishable goods present a particular challenge due to the high temperatures. Ensuring fresh quality while reducing waste requires precise inventory control and high refrigeration costs. Economic changes, influenced by oil prices, also affect consumer spending and inventory planning, leading to risks of overstocking or stock shortages. Supply chain disruptions due to geopolitical tensions and regional instability can result in border closures and delays, impacting inventory levels.

# Top 8 Trends Shaping Retail in the Middle East

The past few years have seen a significant consumer shift towards convenience, price, and customer experience, all of which are driving more people online. Over the next five years, retailers will need to seamlessly integrate online and offline experiences.

Based on this trajectory, retail will move from a product-centric model to a customer-centric one, blending products with physical and digital services, personalization, and unparalleled convenience.

Experiences will be continuously measured and improved. Robotics and artificial intelligence will become central to operations, from automated warehouses to robotic store associates and driverless deliveries. Automated, real-time service and fulfillment models will become standard expectations. Physical stores will remain essential but will transform to offer personalized services, showrooms, fitting rooms, and brand extensions like classes and entertainment.

We believe we will see more retailers focus intensely to drive efficiencies and transform technology to replace end-of-life systems to meet these new demands. Retail leaders recognize the interconnected nature of these priorities and are addressing them strategically. For instance, integrating in-store and e-commerce operations to meet customer expectations, relocating warehouses closer to high-demand areas to cut costs and emissions, and embracing the circular economy to enhance reputation and customer perception.

The choices you make in the next few years could decide how well you do for the next 20 years. So, we've put together a list of transformative trends that are steering the future of retail, each bringing its unique set of opportunities and challenges for retail executives in the Middle East to focus on in the coming years.

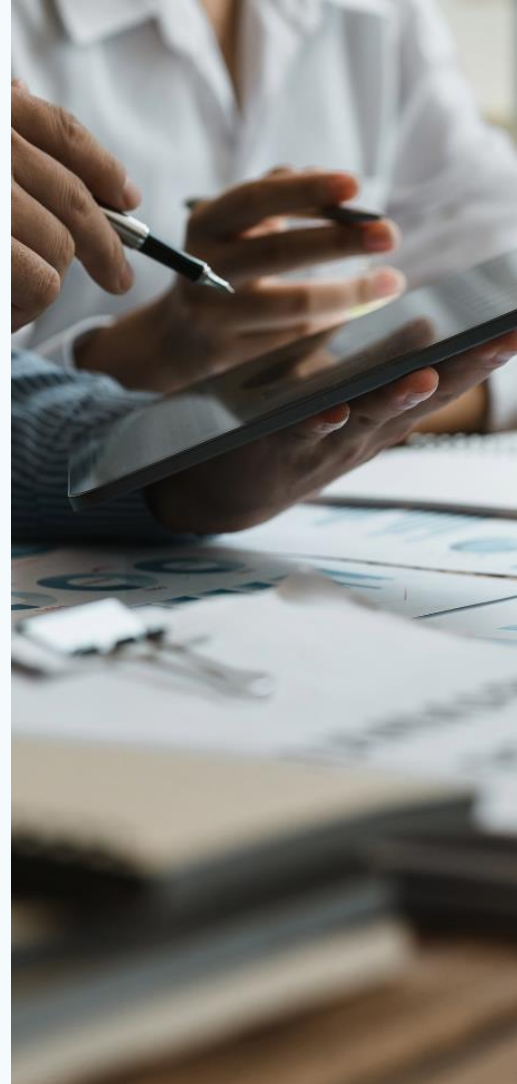


# 01 Algorithmic Retail – AI, ML, Smart Store, Automation, Immersive Tech

The advent of generative AI marks a transformative era. Thousands of companies globally are already utilizing gen AI to revolutionize various business activities. The challenge is to discern its applicability, scale its adoption, and understand its industry-wide impact.

While many have initiated the transformation, few have undertaken the fundamental organizational rewiring across talent, operating model, technology, and data capabilities in achieving long-term success.

- **AI and Machine Learning Revolutionizing Operations:** Artificial Intelligence and Machine Learning are proving to be game changers in the retail sphere. These technologies are not only optimizing inventory management but also revolutionizing demand forecasting. Retailers can now predict consumer preferences and streamline supply chains with unprecedented accuracy.
- **Smart Stores for Enhanced Customer Experience:** The integration of smart technologies within physical stores is creating a more interactive and personalized shopping experience. From IoT devices that track customer movements to beacons that send targeted promotions, mobile payment options, scan-and-go systems, and smart shelves, smart stores are reshaping the traditional brick-and-mortar experience.
- **Automation Streamlining Operations:** Automation is not just about robots handling routine tasks; it's about enhancing efficiency across the board. Robotic Process Automation (RPA) is being employed for inventory tracking, order fulfillment, and even customer service, allowing human resources to focus on more strategic aspects of retail.
- **Immersive Technologies Redefining Engagement:** Immersive technologies such as Augmented Reality (AR) and Virtual Reality (VR) are breaking barriers between the physical and digital realms. Customers can now virtually try on products or experience a product in a simulated environment, adding a new dimension to the retail experience.



# 02 Diversification of the Customer Experience (CX)

The traditional in-store browsing experience, once a primary means of discovering new products, has become fragmented. A significant portion of consumers, particularly millennials and Gen Zers, now rely on social media and influencers for purchase inspiration. Shopping habits have become more fluid, with even grocery shopping transitioning into an omnichannel experience.

- **Resurgence of the Store Experience:** Contrary to the predictions of the demise of physical retail, there is a resurgence in the importance of the store experience. Retailers recognize the value of creating unique in-store experiences beyond transactions.

Physical stores are becoming increasingly important for retailers to strengthen their customer relationships. Stores will not only serve as showrooms and service centers but also as hubs for quick fulfillment. Future retail networks will include a mix of traditional stores, distribution centers, "dark" stores, e-commerce-first stores with small sales areas and big storage spaces, and shared fulfillment centers through retailer partnerships. Managing these complex networks will require retailers to significantly enhance their analytical capabilities and infrastructure.

- **Assortment and Fulfillment Strategies:** Diversification extends to product assortments and fulfillment strategies. Retailers are offering a wide array of products to cater to diverse customer preferences. The demand for immediacy is reshaping expectations, with free standard shipping and "buy online, pick up in store" becoming the norm. Amazon's rapid delivery and the rise of three-day shipping as the maximum acceptable wait time are setting new standards for the industry.
- **Marketplaces:** The dynamics of retailer-supplier relationships have evolved beyond product transactions to include consumer access, data, and insights. Major retailers have embraced third-party marketplaces, providing a low-risk avenue for experimenting with new merchandise and categories.

# 03

## Unified Commerce: Beyond Omnichannel

- **Interconnected Platform Ecosystem:** Unified Commerce is the next evolution beyond traditional omnichannel approaches. The emphasis now is on creating an interconnected platform ecosystem that breaks down the walls between individual data channels. This results in a seamless and holistic view of customer interactions across various touchpoints.
- **Holistic Approach to Customer Engagement:** By unifying commerce channels, retailers can deliver a more consistent and personalized experience to customers. From online shopping to in-store interactions, the unified commerce approach ensures that customer data is seamlessly shared, providing a comprehensive understanding of individual preferences.



# 04

## AI-based Personalization, Pricing, Marketing, Promotions, and Loyalty

- **Individualization through AI:** The era of one-size-fits-all marketing is no more. More brands are turning to AI-driven individualization to deliver tailored messages, product recommendations, pricing structures, and promotions. This personalized approach enhances customer engagement and satisfaction.
- **Reinventing Loyalty Programs:** Loyalty programs are no longer just about collecting points. AI is being utilized to make loyalty programs more dynamic and personalized. Retailers can now offer rewards and incentives that align with each customer's preferences and shopping habits.

# 05

## Operationalizing Sustainability

- **Beyond Compliance to Proactive Sustainability:** Sustainability is no longer a checkbox for retailers; it's a proactive strategy. From supply chain management to packaging, retailers are seeking ways to reduce waste and operate in an environmentally responsible manner. This shift aligns with the values of today's purpose-driven consumers, who have become increasingly conscious of the environmental impact of their choices.





## 06

### Composable Architecture: Flexibility for Retail Innovation

- **Adapting to Unique Customer Experiences:** The adoption of Composable Architecture is empowering retailers with flexible and modular technology solutions, allowing them to tailor their technology stack to align with their unique customer experiences, operational models, and business objectives.
- **Meeting the Demand for Flexibility:** In a rapidly changing market, flexibility is key. Composable Architecture ensures that retailers can adapt to new technologies and market dynamics without overhauling their entire infrastructure. This modular approach is the cornerstone of innovation in the retail space.

## 07

### Financial Planning Tools: Navigating Market Volatility

- **Simulating Scenarios for Informed Decision-Making:** Recent financial pressures in the retail market highlight the importance of financial planning tools. Retailers are leveraging these tools to simulate various scenarios, manage risks, and make informed decisions in the face of constant market volatility.
- **Strategic Decision-Making in Uncertain Times:** Financial planning tools enable retailers to navigate uncertainty and make strategic decisions that align with their financial goals. Whether it's adjusting inventory levels or optimizing pricing strategies, these tools provide a data-driven approach to financial decision-making.



## 08

### Mobility Matures: Empowering Sales Associates for Enhanced Customer Service

- **Convenience-Driven Experiences:** The adoption of mobility in retail is a game-changer, particularly in empowering sales associates to provide convenience-driven, service-led experiences for customers.
- **Enabling Seamless Transactions:** Sales associates equipped with mobile tools can process online orders, check inventory, and assist customers on the go. This not only enhances customer service but also streamlines internal operations, creating a win-win situation for both retailers and consumers.

# What's Stopping Retailers in the Middle East from Building an Intelligent Enterprise?

## No unified view across channels due to complex integration

Retailers frequently struggle to achieve seamless integration across all channels, a key aspect of unified commerce because practical implementation can be complex. Ensuring the system functions well across online platforms, brick-and-mortar stores, mobile apps, and other channels requires robust integration capabilities and a cohesive strategy.

Without seamless integration, retailers risk inconsistencies in pricing, inventory management, and customer service, ultimately impacting the overall customer experience and their bottom line.

## Legacy systems unable to scale and adopt new emerging technologies

Many established retailers feel constrained by outdated systems, struggling to compete with agile new entrants whose IT infrastructures are designed for today's digital landscape. Retailers have traditionally managed issues with their core systems by customizing and adding components, but this approach has led to problems.

Updates to the core system often disrupt these additions, requiring reconfiguration before the update can be completed. This cycle of constant customization and patchwork solutions has made core system updates both time-consuming and costly, often resulting in systems that don't work as intended. For an increasing number of retailers, this approach has become unsustainable.

- Antiquated, expensive, and labor-intensive systems
- Extremely customized systems supporting unique requirements, not industry standards
- Many point-to-point interfaces with specific data elements passed individually
- No single version of the truth for data and reporting
- Poor master data quality and lack of governance
- Costly and time-consuming system changes that risk compromising other functions
- Lack of inventory visibility across channels and supply chain
- Latency in information updates, leading to delayed decisions, sub-optimal plans, inventory issues, and negative consumer impacts

## Manual processes resulting in latent information and waste of talent

Manual processes in any aspect of retail is unfeasible in today's economy. Using spreadsheets or paper to track inventory, manually reentering e-commerce orders into POS systems for in-store pickup or uploading emails into a CRM reduce productivity and increase errors.

Automation is key for processes across purchase orders, inventory tracking, allocation, and returns. A high level of automation prevents errors and frees employees to make more meaningful contributions.

## Disconnected inventory data and supply chains due to siloed infrastructure

Siloed infrastructure, where systems don't communicate, leads to duplicated efforts. To make unified commerce work, you must know stock levels across all locations, including stores, warehouses, and 3PLs. Without this information, many aspects of today's retail expectations become impossible. If you don't know what inventory is available where, you can't offer customers alternatives via other channels, leading to lost sales to competitors. Additionally, if stock information isn't updated immediately, you risk promising customers items that are no longer available.

The same applies to supply chain management. Today's supply chains are complex networks requiring precise coordination. Each supply chain node, from purchasing to inventory tracking to order management and delivery, must be connected for successful omnichannel execution. Transparency and consistent processes across all locations, including outsourced ones, are vital as siloes in your supply chain harm the customer experience.



# What's Needed Now: An Operational Transformation

As the retail landscape continues to evolve, embracing these transformative trends is imperative for staying competitive. The future of retail is not just about transactions; it's about creating memorable experiences that resonate with the digitally savvy and purpose-driven consumers of today. ***This journey requires a commitment to innovation, adaptability, and a deep understanding of evolving customer expectations.***

## Crucial Enabler: Using a Common Data Model on a Scalable Cloud ERP Platform

How can retailers achieve continued success against this set of complex needs? **By implementing a foundational core platform that enables innovation through scalability, adaptability, and speed to value**, which can help them move forward with introducing new experiences for customers, employees, and partners.

Having the proper foundation in place is crucial for success in a dynamic retail landscape. Possessing a highly scalable core platform with data available everywhere and to all key business processes takes the complexity out of thriving in retail and enables retailers to lead.

**Based on our experience, having a core foundation for growth can help retailers:**

- **Transform:** Boost the core business by improving insights, decisions, and results across all key customer, commercial, and operational areas.
- **Build:** Expand the core by building a connected ecosystem to include all customer data touchpoints.
- **Upgrade:** Augment capabilities based on the expanded customer base, increased engagement, and valuable data and insights gained.

As a go-to SAP partner for retailers, we work with global companies to map out their retail ecosystem, anchored by an intelligent and scalable core ERP platform to create significant advantages over traditional competitors.

Core ERP platforms like [SAP S/4HANA Retail](#) enables real-time access to data, allowing retailers to gain insights, predict trends, and make informed decisions.

## SAP S/4HANA® is designed to meet the key characteristics retailers look for in a growth platform



### Intelligence

Integrates human and machine-derived knowledge to provide actionable intelligence for core business processes. Simplifying access to intelligence is the first step in reducing complexity.



### Trust

Ensures data and IT assets comply with relevant laws, regulations, and corporate policies on information security and personal privacy.



### Orchestration

Creates seamless integration between internal and external processes, systems, and services. SAP S/4HANA enables retailers to connect various "islands of data" for data-driven products, services, processes, and workflows.



### Experience

Delivers high-quality experiences for customers, employees, and partners across both digital and physical products and services.



### Agility

Drives high-level scalability, allowing retailers to swiftly respond to changes while maintaining control.

# SAP S/4HANA: A New Core for the New Reality for Retailers

Reinvented to help retailers meet new business priorities, SAP S/4HANA offers a digital foundation for key retail processes while allowing companies to adapt quickly to new opportunities, regulations, and challenges.

The robust platform can be continuously enhanced and extended with innovative business services and applications built on embedded intelligent technologies such as machine learning, AI, blockchain, and RFID.



## SAP S/4HANA offers retail capabilities for your company's growth ambitions



Places the customer at the center of decisions and enables personalized experiences across multiple points.



Supports predictive intelligence to foster agility, innovation, and customer loyalty to meet unique customer needs at scale.



Creates circular supply chains, from the suppliers to the consumers' homes and back, and enables fast response to changes in demand and supply despite changing market conditions.



Reimagines the store as a command center for unified commerce, empowering store associates to personalize each visit and seamlessly connect digital and physical experiences.



Leverages platform scale and ecosystems to support vertically integrated business models, fostering sustainable outcomes and greater brand loyalty.



**Case Study:** Global Sportswear Brand Accelerates Business Transformation with SAP S/4HANA

[Read Now →](#)



**Case Study:** Luxury Fashion House Unifies Global Operations with SAP S/4HANA

[Read Now →](#)



**Case Study:** Large Retail Chain Successfully Migrates to SAP S/4HANA

[Read Now →](#)



**Case Study:** SAP Enhancements at a Grocery Chain

[Read Now →](#)

# Diving Deeper: SAP S/4HANA Retail Capabilities for Your Company's Growth Ambitions

## Omnichannel Retail and Store Operations



- **Retail store management:** Merge the online and physical shopping experiences, attract consumers, and offer a great experience by leveraging new technologies
- **Customer service:** Deliver an omnichannel customer service experience to exceed customers' expectations
- **Omnichannel sales order management:** Buy anywhere, fulfill anywhere using optimized omnichannel sales order management

**1-30%**

Reduction in revenue loss due to stock-outs

## Retail Merchandising



- **Merchandise and assortment planning:** Achieve corporate goals by creating profitable merchandise and assortment plans across all channels
- **Master data management for merchandising:** Centralize master data management for merchandising to improve productivity with real-time insight
- **Merchandising intelligence:** Leverage sales data and use insights to analyze merchandising performance to improve the profitability of merchandising decisions
- **Pricing and promotions:** Optimize omnichannel pricing and promotion throughout the product lifecycle in every channel

**1-10%**

Reduction of inventory carrying costs

## Retail Sourcing and Procurement



- **Source and contract:** Reduce risk and cost through increased savings opportunities with sourcing and contract management
- **Supplier and risk management:** Reduce costs and increase savings opportunities and sourcing efficiency using a global business network
- **Merchandise buying:** Utilize effective procurement processes and controls throughout your supply chain
- **Indirect buying:** Improve operational efficiency and source determination for indirect buying of goods and services

**5-15%**

Improvement of sourcing savings on direct spend

## Retail Supply Chain



- **Forecasting, allocation, and replenishment:** Meet shopper demand and optimize costs with data-driven allocation and replenishment plans
- **Omnichannel inventory and order response:** Manage inventory across locations to fulfill demand from anywhere
- **Track and trace and logistics networks:** Maximize supply chain logistics strategy and comply with regulations with a digital operations network
- **Warehouse management:** Improve warehouse management with optimized planning and automated processes

**1-5%**

Reduction of total logistics cost

Is it time to migrate your business to SAP S/4HANA?

# 5 Questions to Assess Your Current ERP

Retailers thinking about going down this path – either now or down the road – should begin by evaluating their current position and developing a strategy for moving ahead. We've put together a quick questionnaire to help you get started.

**Does it support seamless shopping experiences?**

**What to ask your IT team:** If a customer places an online order, can you ensure the local store responsible for delivery has all the selected items in their inventory?

**Can you offer personalization?**

**What to ask your IT team:** How seamless is it to send targeted incentives, such as discount codes or complimentary home delivery to encourage previous customers to come back?

**How robust are the stock management capabilities?**

**What to ask your IT team:** Can you conveniently access and control inventory across all stores and channels through a single platform?

**Does it deliver comprehensive analytics?**

**What to ask your IT team:** Is it possible to create tailored reports and dashboards specific to various job roles?

**Will it support changing business needs?**

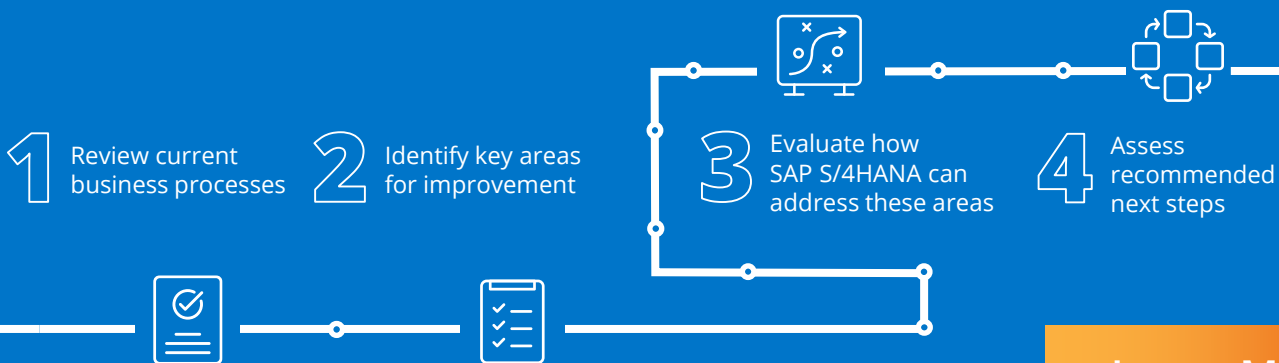
**What to ask your IT team:** How scalable is your platform to meet new demands such as opening of new stores or supporting different regulations?

## Your Next Step: SAP S/4HANA Discovery Program

Guided 1-to-1 engagement to help you build a business case based on your short-term and long-term ambitions

**SAP S/4HANA  
Discovery Program  
in a nutshell:**

- Focuses on why you should move now to SAP S/4HANA
- Fosters the understanding of SAP S/4HANA's incremental value
- Offers you a tailored, business-value-focused point of view



Contact us at [info@rizing.com](mailto:info@rizing.com) or visit [rizing.com](https://www.rizing.com) for more information

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[info@rizing.com](mailto:info@rizing.com)

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