

## “AN EMPIRICAL STUDY ON THE IMPORTANCE OF E PRESENCE FOR TRADITIONAL BRICK AND MOTOR RETAIL STORES IN DUBAI”

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### ABSTRACT

The project titled “AN EMPIRICAL STUDY ON THE IMPORTANCE OF E PRESENCE FOR TRADITIONAL BRICK AND MOTOR RETAIL STORES IN DUBAI” clearly states that the objective of the article is to highlight the changes that have undergone in the traditional retail environment and the dynamics that the internet connectivity has brought to shoppers. As United Arab Emirates (UAE), is considered as a launch pad for retailers for entry into the Middle East, a study on the customer sentiment and scale of internet usage is of utmost importance to the prospective as well as well-established retailers in Dubai. The article also gives an insight into the current e-commerce market in the UAE and the potential growth expected over the next decade.

It also outlines, which categories are more susceptible to be purchased online. Most importantly, how the major brick and motor retailers in the UAE are foraying into e-commerce space is also highlighted. The research design used for the study is on secondary research which will analyze the current market status and consumers. Also a theoretical model has been formulated which analyses customer lifecycle and channel dynamics and suggests a step by step approach to retailers in the UAE on how to effectively foray into E promotions and ensure customer is benefitted the most. Consequently, the outcomes, recommendations and suggestions are constructed which is considered to be the vital part of the assignment. The research design used for the study is conceptual theory provides the structure/content for the whole study based on literature and personal experience. Hence, the findings, suggestions and recommendations are constructed which is consider to be the important part of the project.

**KEYWORDS:** Retail Operations, E-Commerce, Online Purchase

### INTRODUCTION

Shopping is a time consuming activity and in reality not many people look forward to shopping with enthusiasm. Today’s consumers have busy schedules and have limited free time at their disposal. Furthermore, the availability of round the clock connectivity through mobiles, handhelds and computers has ignited the flow of information. Consumers are browsing, connecting and spending not only majority of their time, but also spending money online. Globally, E-commerce market is valued at USD 579 billion and has an annual growth potential of 18% (Euro Monitor, 2013).

### UNITED ARAB EMIRATES E-COMMERCE MARKET

The United Arab emirates (UAE) has a high penetration of internet users, with around 4.9 million users who accounts for 75% of the total population (IPSOS, March, 2013). As a matter of fact, 16% already shop online

(Telecom Regulatory Authority, 2012). The online business in UAE last year was valued at around USD 280 million and is expected to grow to USD one billion by 2020. Furthermore, with the aggressive plan of the UAE government to implement smart government applications for all government services, the time spent by the residents being connected online is set to increase dramatically; thereby, increasing the overall online market size exponentially by 2020.

UAE is by far the biggest shopper's paradise in the Middle East; retail revenues touched USD 51 billion in 2011 and are predicted to double by 2020. Internet retailing continued to develop at a rapid pace in 2012, with current value sales up by 19% over the previous year (Emirates, 2013). The residents of the UAE also have a large spending power. The consumers, who shop online, spend USD 480 per user annually. Also, 30% of these users make these purchases through smartphones (IMRG, 2013).

### **THE EVOLVING BRICK AND MORTAR RETAILER SEGMENT**

About 75 to 80 per cent of brick and mortar retailers in the emirates have begun their online journey, but only a "handful" have launched dedicated shopping sites so far (Future Retail, 2013). In the hypermarket category, Carrefour, one of the strongest retailers in the region has developed a full-fledged website, which primary focuses on the delivery of high value goods. But, they have not started delivering an assortment of consumables to the customer yet. On the other hand, Geant, a French retailer with significant presence in the UAE has started same day deliveries to its customers. But, the geography of delivery is limited and does not cover all regions. These actions are in-line with research, which shows that there is an increased response for online sales to be picked up by customers in stores (Comscore, 2013). Furthermore, active social online shoppers increase the market size and add to the annual consumption (Mckinsey Global Institute, July 2012).

Dubai is traditionally a cash dominated economy and business transactions are in majority done through liquid money. But, the scenario is dynamically changing with intense competition in the banking sector. Increased penetration of credit cards, sky high credit limits and attractive cash back propositions have made any luxury item affordable in the UAE. Moreover, with the arrival of paypal in 2012, in the Middle East, increased security options add charm to online purchases (Forrestier Research, 2012).

### **MULTI-CHANNEL STRATEGY**

Increased profitability of brick and mortar retailers can no longer be guaranteed by merely opening more outlets. Conversely, these outlets should focus on creating a digital presence across multiple channels. Coming up with a new channel requires not only new strategies to enhance customer satisfaction, but also robust inventory handling and supply chain capabilities.

In purely channel marketing terms, the major four channels currently are brick and mortar, online, mobile and social media. Retailers tend to look at these channels as entirely different groups/ teams with different strategies and operate in silos. To avoid this risk, resources need to be shared and operational collaborations need to be achieved between channels. Strategies such as buy online and pick in store concepts should be encouraged. Generally, 80% of the retailers price products consistently across all channels (Martec International, 2010). Giving away the product pricing online may also risk the customer comparing prices and making a purchase decision before visiting the outlet. Therefore, it is very important to review the current pricing strategies while implementing multi-channel marketing.

## **SCOPE OF THE STUDY**

As UAE is considered as a launch pad for retailers for entry into the Middle East, a study on the customer sentiment and scale of internet usage is of utmost importance to the prospective as well as well-established retailers in Dubai. This study aims to determine the changes that have undergone in the traditional retail environment and the dynamics that the internet connectivity has brought to shoppers.

## **RESEARCH METHODOLOGY**

### **DESIGN**

The research design followed by the researcher was “conceptual framework theory”. This research is to used identify the outline of possible courses of action or to present a preferred approach to an idea or thought in a systematic manner. Conceptual frameworks theory go by many names; “model”, “conceptual model”, “conceptual considerations”, “theoretical considerations”, etc. Sometimes it is simply integrated into the problem description, but in academic proposals, conceptual frameworks are used.

The major purpose of the conceptual framework may be viewed as an analysis of the research problem using theory. Economic theory will be used, and possibly theories from other disciplines as well. The theories are identified and then used in a conceptual analysis of the specific research problem.

### **DATA COLLECTION**

Since the study deals with a review of Secondary descriptive data, primary data collection tools have not been employed. Secondary data are the supporting material for the research, which the researcher collects through various sources like journals, company records, documents, books, magazines, newspaper and from internet.

### **OBSERVATIONS**

The customer life cycle and channel dynamics chart gives all the points of contact that a customer can make with a brand over the course of making a purchase. The various channels, where the customer could go to get information about the retail outlet are ranked from low to high depending upon the dynamic nature of the channel on they-axis. This life cycle of channel dynamics serves as road map for brandson how to implement their multi channel strategy from groundup. For instance, for perfecting the customer experience before shopping, the first step would be to ensure properin-store labeling and navigation that entices a prospective hopper toward smaking a purchase. Secondly, the global website of the brand should give the entire information about the brand, the products and what the company stands for. It should be synchronous with what a customer will be facing at the shop front. Thirdly, staff/callcenter should be trained on proper telephone etiquettes, how to listen attentively and give proper advice to customer queries. Next would be the regional websites, which should thoroughly be inline with the global website and give out the right contact details helping the customer to get in touch with the right people based on requirement. Lastly, when the customer searches for something in a search engine, the website should popup for the right keywords and provide the required information to the user. Social media and word of mouth are the most complicated channels to handle. Since the customer has a voice in both these channels, the customer interactions transform dynamically from a one sided information provided by the company to a dialogue between the customer and the company. If all the above are definitely positive and the customer is really satisfied

with all these media of communication, then alone can a company ensure positive word of mouth. Similarly, the channel dynamics for other customer touch points like point of sale, delivery and refund.

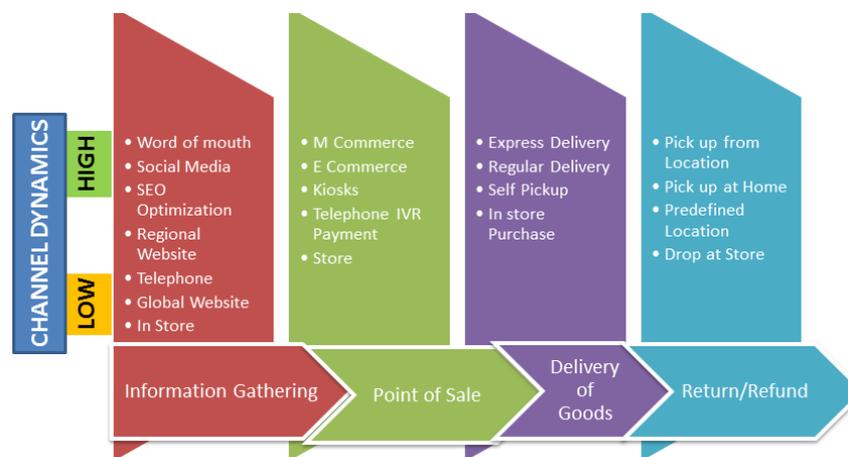


Figure 1

## CONCLUSIONS

Customers are observing products on one channel; they are making their purchases on another and tracking orders on yet another. The concept is moving to round the clock purchase and delivery. This channel shift, if used effectively can help retailers in reducing operational over heads as well as experiencing customer enhancement (Retail Systems Research, 2011).

The future of online retail is expected to increase dramatically in the coming years. In developed nations, the internet revenue is expected to rise to around 10% of revenue and the current trends in bric countries show that the revenue generated is still in its nascent stages at around 2% of revenue (Javelin Group). Omni-channel is the idea that every channel must work together to deliver a unified and consistent – albeit contextualized – customer experience (National Retail Federation, 2012).

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