IMPACT OF DIGITAL DISRUPTION ON DIFFERENT STAKEHOLDERS IN FOOD RETAIL INDUSTRY IN DUBAI DUE TO THE CURRENT PANDEMIC

Sangeeta Malhotra, Dr Shikha Singh ,

Dubai
UAE

Abstract: The world economy has undergone a lot of stress and anxiety due to the current Pandemic. Dubai is not an exception. The food retail industry is one of sectors that is most affected by the present pandemic. At present, global economic slowdown is felt almost all over the world, which is similar to the financial crisis in 2008 - which was primarily caused by deregulation in the financial industry. The present pandemic which is highly unexpected, has the similar and adverse impacts on the food retail sector. A great fall in demand is experienced in almost all major retain industries except a few. Due to this, there has been a change in consumer behavior, which has tilted towards online purchasing patterns. The article talks about how food retailers in Dubai have had no option but to shift to digital technology to meet consumer needs. Also, different stakeholders have been impacted by this digital disruption in the food industry in Dubai. The effect of this digital transformation has impacted both internal and external stakeholders

Index Terms - Digital Disruption, omni-selling, Internet of things, Artificial intelligence, predictive analysis, automation, webrooming, Digital Transformation, Data Analytics**.**

Introduction

In Dubai the current scenario has forced most of the food retail sectors to look for alternates besides their traditional business mode. Dubai which is dependent for its food products up to nearly 85% would have to think of becoming more self-sufficient by growing fruits and vegetables locally. Also, the food retail industry has seen an upsurge in the use of e-commerce and digital platforms due to the current pandemic. Even the Malls in Dubai had to be temporarily shut down in the month of March which lead to most of food retail industries to shift their transactions online and heavily rely on E-commerce. Restaurants in GCC saw a nearly 60% decline in customers as there was lockdown and hotels were also badly impacted due to reduced tourism so the hospitality sector took a hit. The restaurants adjusted their business models to delivery and take-aways. There was some panic shown by the customers during lockdown and they started storing essential food items in bulk also leading to temporary shortages. So, groceries saw a nearly 20% to 40% increase in online sale. Supermarkets like Carrefour which is a leading supermarket in Dubai had seen exponential increase in their online demand for products. Customers, who are the pivot of the food retail industry, have started embracing this new normal, as the find it most convenient to access through their personal gadgets. (Altios, May 2020)

Most retailers will soon have to become E-tailers engaged in storage and door-to-door deliveries to consumers. The success of retailers will rely on how well they adapt to technology and this will involve a lot of data analytics, artificial intelligence and analyzing consumer behaviour. Retailers will have to analyze the want the consumer needs through data analytics and that will tell them what type of food to store, what brands customer prefer and the preferred price point – in order to remain ahead of the competition.

The year 2020 has been eventful as it has had many challenges as it has pushed consumers to do online purchases and this has helped grocery business to flourish. It has also taught retailers three things that they need to be reliable, need to deliver to customers with speed and yet be affordable. The pandemic has also prompted a lot of employees to work from home without compromising on productivity and also reduced overhead costs for some. (Salama, 2020)

Also 'omni-selling' has now become the new normal where consumers have started indulging in new behaviour of **'showrooming'** and **'webrooming'**. 'Showrooming' is where customers visit a physical store to examine products before buying them online, while 'Webrooming' refers to the examination of consumer requirements online before buying them in-store. In line with the recent developments there has been a transition from 'showrooming' to 'webrooming' in the new challenging pandemic situation. (Gulf Food , 2017).

Digital disruptions and its impact on stakeholders in food retail industry

Retailers in the food retail industry in Dubai will have to enable digital abilities, differentiate their brand through new digital capabilities, and define new business models through digital disruption. They will have to prioritize their investments in the latest technologies as this will improve their operational productivity and effectiveness and it will lead to a better shopper experience and increased loyalty. Digitalization will also improve personal engagement with consumers

The multi-channel shopper is powering a wave of digital disruption and if retailers do not adopt technology to satisfy consumer needs nearly half of retailer leaders will be out of business if they don't transform themselves. For certain food retailers who did not transform themselves they have faced a risk of closure of their brick and mortar stores recently. In order to survive the market, they will have to congregate their physical and digital channels. Retailers will also need to make more progress in digitizing their workforce and their core operations in order to give customers a more holistic experience as customers will now want instant gratification. (Insight Worl Editor , 2017)

According to report by KPMG there are findings that reflect that the Food retail in malls in Dubai has fallen drastically as the Malls had to close down for some time so sales dipped a lot but the retailers who gained were the groceries who were overloaded and there was a waiting period of two to seven days as they were challenged with the increased demand with online consumers. The groceries saw an unprecedent growth of 20 to 40% increase in sales in the first fortnight of March. For Example, one Grocery store in Dubai saw nearly 70% increase in application downloads and a 50% increase in daily orders which goes to show the tremendous growth in online purchase before Mid- March and reflected the trend of things to follow. On the other hand, Restaurants, Bars and Cafes saw a drastic fall in sales as no one stepped out in initial period of the pandemic and it was seen that their sales dropped ranging from 30 to 80% depending on the food retailer. These major challenges faced by the restaurants led to the question of business continuity as most of them had high operational costs of rentals as well as had to maintain their employees as well. The financial strain on these restaurants and cafes led to their shutdown.

For some Food retailers like groceries faced a challenge with the supply chains they had to cope with the sudden surge in demand due to panic buying. Some groceries were also caught off guard as they could not cope with online channels and so they were left behind. Since there is an overload for online deliveries the groceries are facing challenges to deliver the good in time so they are diverting some of their staff to deliver groceries to satisfy consumer needs. Another challenge which the groceries have had to face is the healthy and safety aspect of deliveries. They are taking extra care by offering contactless deliveries to their customers to avoid any infections as well as sanitizing their premises and stores regularly. The new digital supply network has to be real-time, seamless supported by multimodal communication and collaboration there has to be continuous and uninterrupted flow of good between suppliers, retailers and finally customers. Digital platforms have also become increasingly important in the logistics industry. Digitally-enabled logistics services will help in speedy delivery of goods which in turn will help retailers to satisfy the growing need of customers in current times. Augmented by the Internet of Things, monitoring of logistical fundamentals has become much easier through tracking of shipments and transportation. Delivery methods are starting to change as the demand for 24x7 delivery by customers have put more pressure on the food retailers. The greater use of 'big data' has played a very important role in the logistics industry it gives a more holistic understanding of the exact location of individual stock items and thus facilitates smooth deliveries. Rapid advancements in digital technologies are re-forming supply chains adding more value to the retailers. A Digital Supply network can help retailers to make changes based on data so that they can alter their plans in real time making them more cost effective and efficient. Having said that the food retailers have faced a lot of challenges there has been a flip side to technology as well. There were also difficulties in importing animal-based products during the pandemic and imports from some countries into GCC countries were banned due to disruptions in the supply chain.

The UAE government organizations, local as well as federal are fully supporting retailers by giving them substantial stimulus package to support the national economy and to ensure the continuity of business. These measures will reduce operational and

compliance costs for businesses and promote the sales of these retailers. Certain Franchisors in the food retail industry have also altered terms and conditions to franchisees in UAE to give them more flexibility so that there is continuity in their businesses. Even supplier terms and conditions have been eased out otherwise they would run into trouble if not supported. (KPMG, 2020) The government has also reduced fees for a lot of things in the hospitality industry for example reduction of municipality fees on sales done by hotels, rental rebates have been given and the government have also reduced water and electricity bills for restaurant businesses to give them some relief.

In the findings of a report by Deloitte it has been seen that the retail industry faced a lot of disruptions due to digital transformations. There have been a lot of retailers in Dubai who have been digital transformations as an enabler of better customer service and greater operational efficiency. By adopting new technologies their performance parameters have improved tremendously. This approach has helped many retailers to optimally allocate scarce resources which has been a fundamental disruptor to many food retailers. Digital technologies have helped to understand what a consumer needs, to provide them with a variety of products online to help shoppers make judicious decisions at lowered costs and hence increase their loyalties. For retailer to be digitally enable he will have to collaborate with all people in the supply chain by using data to break through functional and organizational boundaries. There has been a paradigm shift from the brick and mortar store to online purchasing for the future and for that the retailers must have ability to collect, process and analyze data to understand shopper behavior and customize the delivery for individual consumer requirements through personalization. The new digital shopper is very quick to share experiences so the retailers have to be very mindful in their delivery processes as well as need to respond quickly to customer complaints and grievances otherwise they maybe left behind. The store of the future will data analytics, Internet of things, Artificial intelligence, predictive analysis, automation, block chain and virtual reality to capture a bigger market share. All purchases now are based on mobile applications-based programs and in the future consumers will be having Blockchain based loyalty programs on the front end. According to a report by CII National Retails Summit 2016 Report; Gartner Research it was found that 85% of customers-enterprise relations will exclude human interaction by 2020. Retail industry can now gather vast data online and perform data analytics to generate new insights, and thus execute more effective decisions. This digital revolution will bring about innovation in designing of products as well as their delivery to their customers which in turn will have incredible implications on the retail value chain.

On the back end even, the entire supply chain will work on a digital network and the logistics services will also be digitally enabled. Block-chain technology will be used for supplier payments. Even employees within the organization will come under the preview of a digital system program which will simplify processes. For retailers to remain competitive they would have to become "digital-retailers" as well as offer online discounts and On-demand deliveries to survive in the market otherwise they would be faced with barriers. Retailers can now Push notifications on customer's devices to create awareness of their products and customers can now just make purchase with a Click of a button on their mobile devices. The payments for their goods are also made through digital wallets so cash transactions will also be minimized. Since consumers are now ordering on the go so the physical space requirements will also go down as stocking inventory in the store will not be needed as customers can see what products they need virtually. For some retailer's digital transformation is a disruptive so they will have to catch-up on their technologies whilst for others it opens door to unmatched opportunities. Different retailers can gain leverage digital intervention depending on the type of company. For startup companies, digital intervention will include a combination of innovative business models along with synergistic products and services whilst for running businesses, digital transformations can help in both increasing loyalty of existing customers and gaining prospective customers. For mature businesses, digital disruptions can help overcome threats and explore new systems like Big Data, analytics, and social media for their further growth. Amazon for example capitalized on their Amazon Video as they saw the online streaming market boom and therefore benefited from this tremendously. (Deloitte , 2017)

The food retail industry has to satisfy consumers in Dubai more efficiently as they have now got used to the ease and convenience of always being just a click away from user reviews, comparison pricing, and endless aisle through their mobile applications so traditional retailers will have to digitalize their channels into stores to satisfy consumer preferences otherwise they would shift to their competitors. So, it has now become imperative for retailers to complement traditional methods with new-age digital technologies to provide an all-in-one shopping experience for their customers if they want to survive. Now consumers are digitally looking into product pricing, obtaining product information, checking product availability through their mobiles and the more attractive the offers from the retailers the more the consumer inclination to purchase products. So, the first mover advantage would

go to food retailers who are more-tech friendly as compared to others. Retailers would have to get in touch with customers more virtually along with physical contact with them which will lead to more engagement with customers along with a long-lasting relationship with them. There has been a great rise in Social media integration by food retailers to reach out to personal network of customers so that they can gain awareness of retailer's products, research their products and get feedback from customers. Social media analytics have helped the retailers to gain critical insights on buyer behaviour and retailers have now started using social media tools like Facebook and Instagram to reach out to their customers based on the analytics. Retailers can leverage on the analytics to provide targeted and appropriate promotions based on past history of purchases made by the customer on their mobiles. All has not been smooth for retailers as they have also had a hard time switching from manual to automation but they have had no option but to train their employees to have updated applications. With recent transitions in technology retailers can also predicts the queue length and customer footfall through applications and in store visits and staff can be managed accordingly to make them more effective. Employees are now also trained virtually to have smooth executions in the food retail industry.

Another thing that the disruption in technology has led to in the food retail in Dubai is collaboration between retailers. Technology is playing a major role as it is creating a new generation of companies that increasingly wanting collaborate as a coordinated ecosystem, even if they have competitive offerings. This transparent way of doing business is transforming the way services are delivered, products are developed and the marketplaces are evolved. For example, food retailers now have found new technologies to refrigerate food products to combat global climatic changes and ozone depletions. Also, online food delivery stores like Talabat in Dubai have collaborated with groceries and pharmacies to deliver goods to customers more efficiently. Retailers are now sharing data, technology software or hardware and sharing ideas and experiences to learn the new ways of existence. So, retailers are now collaborating with suppliers, vendors, customers digitally and this will lead to an exponential jump in the digital value creation as well as a great benefit to the entire retail ecosystem. Collaborations between competitors are offering new ways to offer better facilities to customers and in a more efficient and cost-effective manner.

Conclusion

To overcome some of the challenges mentioned above the food retailers in UAE economy could take some measures to make themselves more sustainable. The food retailers would have to do predictive demand planning as some consumers may shift to other channels whilst some of them may demand more. So, the trends would have to be observed by the retailers. The retailer's businesses would also have to also look into their current cash positions as they would need to withstand the prolonged downturn in the future. The food retail industry will need to rethink about managing their workforce under evolving scenarios, particularly in the area of deliveries to be made to customers. Some of the food retailers in UAE have readjusted their staff from one department to another to make their delivery systems more efficient as there was more requirement there. The impact of digitalization has been tremendous in current times and most retailers will have to shift to the omni channel strategy and do so soon. They will have to adopt the latest technologies for online deliveries and investments will have to be done for the same which may be challenging for the small retailers. The suppliers will also rethink their strategies for the near future as a compensatory growth in demand is expected. Last but not the least is that retail companies will need to establish techniques for risk-prevention and collaborate with the government, financiers and other stakeholders to establish an emergency mechanism that can help protect businesses, as well as protect employee jobs, and reduce the inventory disruptions caused by such an outbreak.

REFERENCES

Altios. (May 2020). *Understanding the impact of COVID 19 in the UAE and the GCC region.* Dubai.

Deloitte . (2017). *Disruptions in Retail through*. Retrieved from www2.deloitte.com: https://www2.deloitte.com/content/dam/Deloitte/in/Documents/CIP/in-cip-disruptions-in-retail-noexp.pdf

Gulf Food . (2017, December 28). *No longer online vs. in-store: consumers crave a single-unified experience*. Retrieved from www.gulfood.com: https://www.gulfood.com/insights/online-vs-instore-omnichannel-future-of-retail

Insight Worl Editor . (2017, January 24). *NEW RESEARCH: CISCO REVEALS THE CURRENT STATE OF DIGITAL TRANSFORMATION IN RETAIL*. Retrieved from www.insight-world.co: https://www.insight-world.co/new-research-cisco-reveals-current-state-digital-transformation-retail/#.X83MUtgzY2w

KPMG. (2020). *Navigating the pandemic* . Retrieved from assets.kpmg: https://assets.kpmg/content/dam/kpmg/ae/pdf/navigating-the-pandemic.pdf

Salama. (2020, November 26). *UAE: 'Digital disruption to transform retailers into tech companies', experts say*. Retrieved from halalfocus.net: https://halalfocus.net/uae-digital-disruption-to-transform-retailers-into-tech-companies-experts-say/