

## **Changing How Saudi Consumers Shop For Groceries, Ahmad BinDawood Is Out To Conquer E-commerce**

Ahmad Abdulrazzaq BinDawood is visibly excited as he pulls up an app on his phone. Under his deft fingers, the screen opens to a sleek looking interface decked in green and white. Looking up, the CEO of one of Saudi Arabia's oldest retailers BinDawood points to an online shopping app sporting catchy bundle deals and grocery items— the Jeddah-based retailer's successful endeavor to tap into the growing e-commerce market in the Kingdom.

The CEO's excitement is justified. When he took over as the head of the group's retail brands in 2014, the company was still taking small steps in scaling its online presence. The third-generation businessman remembers growing up seeing his family's BinDawood Group develop from a single store in the holy city of Makkah to a network of stores throughout the Kingdom. Started by his grandfather and his uncles, the first batch of BinDawood stores served the needs of millions of pilgrims visiting Makkah to complete their annual pilgrimage, laying the foundation for the family's fortunes.



**Dr. Abdulrazzaq BinDawood and his brothers Khalid BinDawood and Abdul Khaliq BinDawood built up the business over the years and continue to lead the BinDawood Group.**

Today, the group, which recorded revenues of over \$1.6 billion in the fiscal year of 2018, is transforming its retail business to suit a new age of tech-savvy shoppers.

In 2017, BinDawood launched an e-commerce platform called Danube Online that allows consumers to order groceries online while integrating in-store retail. Within a year, Danube Online had two million active users. The CEO aims to take this number to three million active users by the end of 2019—a target he is well on track to achieve.

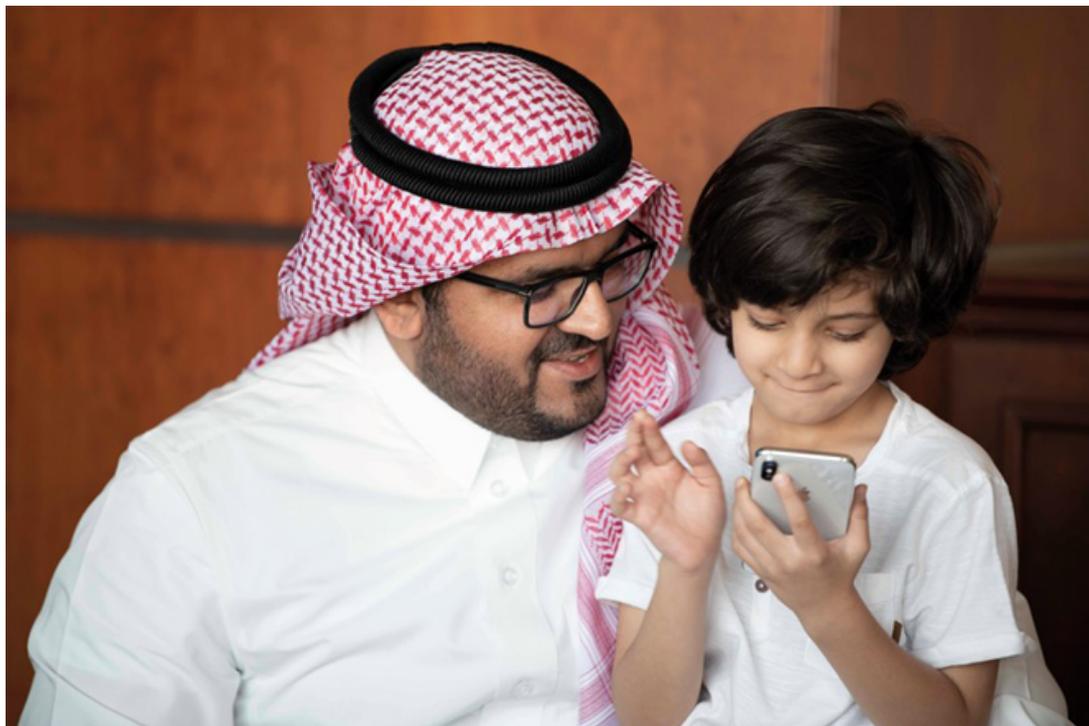
His real aim, though, is to continue to stay relevant among his diverse shoppers. “We are delivering the real model of omni channel (retail) where we are integrating the online and offline (models),” he explains.

A report by Euromonitor International showed that the Kingdom’s retail market, which is currently worth \$106 billion, is predicted to be valued at \$119 billion by 2023. Euromonitor further noted that store-based retailing will continue to dominate, accounting for \$103 billion of the overall market. That would mean a significant portion of Saudis will continue visiting in-store—a market that BinDawood is ready to tap into using technology.

With 70 stores spanning the breadth and length of the Kingdom, BinDawood is charting a large-scale transformation within the company's physical stores, including evaluating how best to use AI and blockchain in the business.

The homegrown retail chain is no stranger to using technology to woo customers. The group was the first to administer a self-checkout for in-store consumers in the Kingdom. But BinDawood sees an extensive scope for digitization right through the supply chain up to the point the product is sold to the consumer, envisioning ways to cut cumbersome distribution procedures. “Just imagine that the moment we receive the goods till we stock and sell, there is no human intervention and we are going to use AI and computers to receive the goods using RFID. Then you take the products on the shelves using automation processes and systems,” explains the CEO.

Digitization has also become the need of the day, with competition in Saudi Arabia’s retail scene heating up. France-based hypermarket chain Carrefour is keenly scanning the market for more openings after the Kingdom lifted a cinema ban. (Most Carrefour outlets are tied to mall operator, Majid Al Futtaim, which has built mega malls including the Mall of the Emirates and the Mall of Egypt). Meanwhile, the U.A.E.-based Lulu Group is also aggressively targeting Saudi Arabia.



### **Ahmad BinDawood looks on as his son browses the app**

“All the leading retailers in Saudi are looking at how they can get to (their) customers better,” says Anne-Laure Malauzat, Principal at Bain & Company, Inc. “There’s a more operational focus than 20 years ago, in terms of what is the best approach to the market. It’s more like what does my consumer need and how can we respond to those needs.”

BinDawood can learn from decades of experience gained by his predecessors to navigate the competition. More than 50 years ago, BinDawood Group was a small trading firm retailing perfumes and other home accessories. The company opened its first store in 1984 when BinDawood’s paternal uncles Ismail and Abdullah spied an opportunity in Makkah’s retail space.

The market dynamics, though, changed drastically when Saudi Arabia joined the World Trade Organization in 2005. The Kingdom’s sprawling market opened to international chains with both funds and expertise at their disposal. But the group adjusted to the new normal after reviving its strategy.

“We became much more agile and robust in terms of the systems we’re using, and we’ve modernized our shopping experiences,” says BinDawood. In 1998, the company acquired Danube, a smaller retailer, to jumpstart its expansion.

Today, the BinDawood Group has interests in retail, distribution, hospitality and real estate and has an employee count of over 10,000. It runs Etre, a luxury clothing store in Saudi and a premium bakery chain called Danube Star Bakery Chain, along with distribution for Jumeirah Toys and wholesale food distribution chain Jumeirah Food. It is also a franchisee for global brands such as Kipling and Delsey, and it is partnering to build Swissotel Hotels & Resorts’ first property in Saudi Arabia.

This year, BinDawood intends to continue momentum and further expand the company’s network, opening around six to eight more stores. In 2020, the CEO plans to bring the total number of stores to 90.

But BinDawood's primary focus will be to continue integrating the group's bricks and mortar offerings and its online presence to draw in users. In store, the company has streamlined the shopping experience by changing the store layout after noticing consumer preferences shifting. Meanwhile, through its online sales it is collecting information on what shoppers want to eat during weekends and curating a list of recipes they can prepare using products in store or that can be ordered online. To complement the strategy, the company will also soon be rolling out a loyalty program.

The retailer's strategy comes as Saudi Arabian consumers become more open to buying groceries and other perishable items online. A recent survey conducted by Bain & Company, which polled 6,000 users in the U.A.E., Saudi Arabia and Egypt, showed that 45% of shoppers in the Kingdom have already bought groceries online at least once. The e-commerce market in Saudi is expected to grow by 27% to reach \$10 billion by 2022, according to a report produced by Bain & Company and Google.

"Consumers in Saudi are looking for convenience, less time and effort spent and to be able to spend less time on household tasks," says Bain & Company Inc's Malauzat. "Retailers are responding to the need of saving consumers' time and because of that it encouraged the development of the category (online groceries)."

Growing up around retail, BinDawood showed an inclination for business very early on. He first started visiting the family stores during his summer vacations with his father at the age of eight, doing odd jobs like bagging and later helping the cashiers. After noticing his enthusiasm, his father tasked him with his first sales job to sell toys and provided him with a sales target of SAR 100 (\$26).

Despite his interest, young BinDawood struggled at first to convince customers. But he soon understood what he was doing wrong. "I realized that I had to ask them questions like what are you looking for, how old is your kid, what do they like, what do they already have. That way you narrow down the choices and sell the product." The change in tactics worked. BinDawood made his first sale after nine days of taking up the challenge. He continued to hone his skills, often coming in voluntarily while he was still at university to help out by buying fresh produce for the stores.

BinDawood formally joined the group in 2006 as an assistant purchasing manager and gradually worked his way up the ranks under the watchful eye of his father, Dr. Abdulrazzaq BinDawood, and uncles Abdul Khaliq BinDawood and Khalid BinDawood who lead the business today. Upon handing him more responsibilities as a CEO of Danube in 2014, the senior BinDawood remembers advising his son to value his team and avoid hasty decisions in business.

"The key advice was stay true to our family and business values, which was and still is, to lead and run the business with honesty," says Dr. Abdulrazzaq BinDawood, executive chairman of the BinDawood Group. "To prioritize our human capital, as our people have been the essence of our growth journey, they are not just employees but rather our partners in success."

A few years in, BinDawood, who was a graduate of International Business Administration from King Abdul Aziz University in Jeddah, realized that the company needed more corporate governance to prime itself for expansion.

"In a family business, there are lots of emotions and we wanted to move the business from

emotion(al) decision making to an institution level,” explains BinDawood. The group’s retail business was soon able to get the attention of one of the region’s active and biggest alternative investment firms, Investcorp. In 2016, Bahrain-based Investcorp acquired a minority stake in the retailer after seeing high potential within the company.

“Being a family-owned business, BinDawood has successfully grown to become a leader in its industry, displaying high commercial growth potential, backed by a robust and capable management team, strong corporate governance and efficient operations,” says Walid Majdalani, Investcorp’s Head of Private Equity for MENA at Investcorp. “These factors were crucial in selecting BinDawood as our partner.”

Investcorp’s involvement set the wheels of change in motion across the company. The global investment firm helped the company form a board and assisted in streamlining processes and refining the executive team. At the time, there were 16 family members involved in the business, but the number shrank soon after a careful review process with the new partners. The group’s current board consists of five members including BinDawood’s father and his three uncles. “Decision making is much more structured now,” he explains.



**Ahmad BinDawood with his father Dr. Abdulrazzaq BinDawood and his brother Waleed BinDawood.**

Having Investcorp on board also helped BinDawood action his digitization of the stores, helping him to accelerate his omni- channel approach. Investcorp’s Majdalani says that the firm will support BinDawood in expanding its footprint.

With new investors on board, BinDawood is now looking to take his family brand regional. He is currently foraging for opportunities in the U.A.E. and Egypt for both BinDawood and Danube brands. While a large part of his current expansion has been organic, the CEO is not averse to going public to achieve further growth. However, plans are still sketchy with BinDawood saying that nothing has materialized yet.

The group's physical expansion though has not distracted BinDawood from his primary focus—synergizing the online platform with the offline stores. The CEO is now working on a BinDawood app that will offer consumers certain goods available in its flagship stores across the region.

Having had a soft launch at the end of April, the app is now live in one city in Saudi Arabia, and will soon be rolled out to more areas. This time around, BinDawood hopes to apply lessons he learnt when launching Danube Online as well as capitalize on the BinDawood Group's reputation among thousands of pilgrims.

<https://forbesmiddleeast.com/changing-how-saudi-consumers-shop-for-groceries-ahmad-bin-dawood-is-out-to-conquer-e-commerce>