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Voices from the frontier of MENA's digital economy

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Foreword

Remo Giovanni Abbondandolo

Senior Vice President, MENA
Checkout.com

Welcome to part two of our third annual research report which looks at today's most powerful trends shaping the digital economy across MENA.

During 2020 and 2021, we charted a seismic shift in the region that had been turbocharged by the pandemic, and then reinforced by ambitious, dynamic and diversifying governments and regulators throughout the region. The consumer data cited in part one of the 2022 report corroborated the reality that I, and all the Checkout.com teams on the ground in the region, have been living and breathing this past year. That is to say that when it comes to the region's digital economy, things continue to be changing and evolving fast, perhaps faster than ever.

But don't just take my word, or indeed the word of the consumer, for it. We are privileged to partner with a wide range of industry leaders in the region and in this edition you will hear from those businesses and institutions who are at the very frontier of MENA's digital economy.

It is an honor to bring you this collection of essays from twelve deeply experienced leaders who are at the driving seat of the region's digital growth journey. These expert voices represent a wide range of sectors from content streaming to travel, from crypto to market investment and from fine dining to global retail - to name just a few.

These essays are thoughtful and thought-provoking. And while the views and experiences are varied, the common themes are powerfully telling. Whether you choose to read this collection cover to cover, or to dip in and out - as a helpful resource - you will find each leader's story builds upon the last, to paint a consistent picture of a region where policy and partnerships are central to progress.

What does the digital economy even mean? How is it manifesting - from grass-roots culture to conglomerate businesses? How can the digital economy be harnessed to speed up and expand financial inclusion, increase local jobs, diversify national economies, or empower community entrepreneurs? And what still needs to happen to ensure tech and innovation unleash MENA's full economic potential?

These questions - and others - are addressed in such a way that we should all sit up and take note. Whether you're a MENA business born-and-bred, a company which has enjoyed years of experience in the region or one which hasn't yet, we believe nobody can afford to ignore this market. If our nearly ten years in the region have taught us one thing, it is that it's impossible to underestimate the potential, drive and dynamism which exists in this diverse and rapidly changing region. It will be increasingly important on the global stage.

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Fintech Voices

When it comes to financial technology and digital money, MENA is home to something of a paradox. A long historical and cultural commitment to hard cash and tangible assets is well documented. And yet MENA is also a region where remittances have long been a vital part of everyday life and, as such, tech which can move money within and across borders, from peer to peer, has always had a powerful foothold in the region.

To this day our survey data shows that remittance apps remain the most widely utilized form of fintech in MENA but the truth is that as the products proliferate, the population catches on fast. From wealth management to borrowing and from crypto to insurtech, adoption curves have been steep. The 24-month mega-surge in BNPL adoption when it was first introduced to the market is eye-watering and is a testament to this region's willingness to utilize tech to manage their money.

82%

of consumers in MENA report using some form of fintech app in 2022, up from 76% in 2021

50%

of consumers in markets such as KSA, UAE and Egypt used BNPL this year and as many as 67% across MENA have indicated they may use it in 2023

55%

of 18-35 year-olds in UAE and KSA would like to be able to pay for goods and services in crypto or stablecoins in the next 12 month*

*Of 4,000 consumers in Saudi Arabia and United Arab Emirates surveyed in February 2022, for the Checkout.com Global Crypto report

What the rise of BNPL tells us about the region's digital economy

Sargun Bawa

VP Growth,
Tamara

Omnichannel, multichannel, social commerce - everything is laddering to digital

As Tamara celebrates its two year anniversary, our company has been at the forefront of the regional surge in digital shopping and payments by facilitating a local style of buy now, pay later (BNPL) to shoppers across the KSA and UAE. Our vantage point has brought us up close to a huge amount of local innovation, entrepreneurialism and growth in the fintech and ecommerce space here.

In short - the digital economy here is booming and at its heart is the consumer's mass pivot to shopping digitally. Online shopping here has grown +25% CAGR in the last 3 years. This has been driven by changing consumer habits due to the global pandemic. It's sparked a kind of snowball effect whereby retailers then ramped up innovation across the value chain to offer tech-driven multichannel and omnichannel experiences.

We've seen first-hand how multichannel commerce can be powered by digital solutions. Together with our retail partners, we can ladder the customers from an offline to an online journey through our multiple touchpoints. For example, an offline shopping experience where Tamara is used leads to the download of our app and the Tamara app is now becoming the starting place for shopping discovery. That is to say that in the past month alone we have directed five million clicks to partner online channels.

And it's clear that this offline-to-online transition will continue at pace in the future as the digital economy carries on reaching what remains a huge and untapped addressable market. In the region ecommerce penetration is in high growth and yet it is still under 10% as compared to more mature markets where ecommerce penetration is significantly higher. We anticipate that social commerce will drive the next big wave in online shopping in MENA.

Here we have a young population and we know that our Gen Zs and Millenials spend between 3-4 hours per day on social media channels. An increasingly large portion of the local consumer is native to these platforms and, accordingly, we can already see a significant amount of marketing spend diverted to these channels. Social is the place to be.

So young, yet so mature...and with so much further yet to go

It seems remarkable to say it but in the space of only a few years, and with a phenomenal rate of adoption, the BNPL market in the region is already beginning to mature, both from a consumer and a retailer perspective.

So, what does that maturity look like in practice? On the consumer side, we see a more considered use of BNPL services. Shoppers understand its intended purpose of providing financial flexibility and short-term liquidity and they use it accordingly and, as such, responsibly.

Additionally, this kind of offering has a natural evolution when it comes to making life simultaneously more flexible, affordable and secure for shoppers. Therefore, at Tamara, we are moving beyond BNPL services. We have started to offer consumers the best deals and promotions in the market. Now, we see a segment of customers that is using Tamara just for this.

Meanwhile, on the retailer side, we have observed a move from a cost-driven to a value-driven focus. Previously, retailers viewed BNPL as just another payment method and, therefore, compared BNPL services to other payment providers which resulted in downward pressure on rates. However, today we see retailers being super savvy about the BNPL proposition and what it means for reaching and retaining customers. This means that the focus now is on overall growth which includes marketing, customer experience and product maturity among other areas. As a result, we see a win-win, sustainable partnership model.

But it's not just a matter of maturity. We continue in growth mode. Indeed, we've seen a sharp recent increase in demand for BNPL services. Of course, we had our impressive groundswell of early adopters who have benefited from the service over the past couple of years. However, since the business case is clearly proven and customer adoption is widespread, we now see a significant growth in inbound demand from retail and non-retail partners.

The whys and hows of tackling cash culture

This bodes well for the local economy as well as for the digital economy. By this, I refer to the problem of cash and ways we might be able to address it. While the preference for cash has undeniably reduced radically since the pandemic, it started at a high bar in a region which has an age-old preference for cash. But this is not good for businesses who know that handling cash is cumbersome and costly when taking payments as well as when arranging refunds on returns. On top of this, we know that cash on delivery comes with a painfully high cancellation rate ('order not accepted') which, in turn, impacts reverse logistics etc. When you are busy investing in the efficiencies of digital technology, it is painful to still deal with the costs of cash. And yet in MENA as a whole, cash on delivery still constitutes anywhere between 30% and 40% of ecommerce sales.

The exciting fact, however, is that with our BNPL product we have been able to bring this down by c. 50% for our retailers. This makes sense when you consider that a key reason for the stickiness of cash here has to do with trust. It's an issue which is likely to be exacerbated by a rise in first-time ecommerce users who are yet to establish total trust in the process and in the new brands they can now reach, albeit from a digital distance. Uncertainty about delivery and delivery times as well as regarding returns and refunds, or more importantly in delivery times, cause consumers to guard their money and be reticent about making the transaction until they know they have the product they want. BNPL offers a clear digital transition for these consumers where the payment can be deferred until after receipt of goods.

But there will be more for the ecosystem to do if it wants to really drive down cash usage. We need to come together across stakeholder groups and really think about how we can ensure consumer protection and peace of mind, deliver simple and easy digital onboarding and provide compelling and effective consumer education.

Indeed, for any innovative technology to go mainstream, it takes an ecosystem of partners to work together and foster trust across the network. This is the approach we take at Tamara, and we are lucky that our partners share the same vision. On the retailer side, we see pioneers trusting and adopting Tamara as a payment method at their checkout.

On the consumer side, we see the willingness to trust something new and something different. Since we require payment and ID details from our customers, customers who may use our product while they establish trust in a retailer have to have complete faith in Tamara as a financial services company.

And finally but crucially, on the regulatory side, we have seen a clear interest from governments and central banks in collaborating on a framework that eases regulatory pressure while keeping us robust.

> “It's clear that this offline to online transition will continue at pace in the future as the digital economy carries on reaching what remains a huge and untapped addressable market.

KSA and UAE are fertile ground for digital players

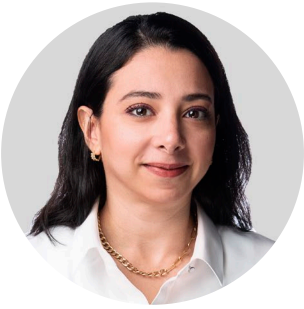
Over the last 2-3 years we have seen significant investment in innovative, tech-driven start-ups in the region. Perhaps even more importantly, the investment is balanced between global and local, and between public and private entities. This shows an increasing appetite to support our local entrepreneurs who are solving the specific challenges of the region. The increase in investment is the result of concerted efforts from local governments which have implemented a clear mandate to improve the ease of doing business and, as such, are promoting digital-first businesses.

A clear example of this is the setup of the National Transformation Program under Saudi Vision 2030, which addresses many areas such as ease of doing business and developing the digital economy.

Multiple countries, including KSA, Bahrain and Kuwait, have set up a regulatory sandbox for fintechs. The clear objective here is to support and understand innovative technologies which challenge the status-quo and we see this having a significant material impact on the ground.

Indeed, the sandbox structure has been a phenomenal experience for all parties involved. At Tamara, we find it to be an open channel with the regulators where we can get guidance and insight on key licenses and laws. Furthermore, there are checks and balances in place which help guide our thinking and, in turn, balance our risk. We are able to openly discuss the challenges and restrictions of existing regulations and collaboratively develop new frameworks that ensure and encourage innovation. The existence of such sandboxes is truly invaluable and will give rise to accelerated growth in the local economy.

MENA is the region to watch when it comes to crypto and Web3



Ola Doudin

CEO and Co-Founder,
BitOasis

A rare combination of forces

Crypto adoption is accelerating across MENA. We are in the midst of a significant growth trajectory for crypto in the region and what is particularly exciting is that, crucially, the adoption is multi-pronged. That is to say it is being driven by consumers, regulators and the ecosystem simultaneously. It's a relatively rare combination of forces, but a vital one.

On the consumer adoption side, the region is the fastest growing globally with a 48% year-on-year growth with over USD 500 billion in transacted value according to data from Chainalysis. Checkout.com's Demystifying Crypto report has additional, robust regional data points supporting this thesis. Moreover, it indicates the regional appetite for integrating crypto into everyday life and spending, with 55% of 18-35 year-olds across the UAE and KSA viewing crypto as a useful means of payment and not just an investment asset.

From a regulatory perspective, the Dubai Virtual Assets Regulatory Authority (VARA) has enthusiastically seized the global crypto-hub opportunity and launched the most ambitious crypto sandbox experiment to date. We anticipate that this initiative will form the basis of its final regulatory framework and create a domino effect of regulatory action and enablement across the GCC and other parts of MENA. And progress is being made on Central Bank Digital Currencies (CBDCs) too. For example, the United Arab Emirates Central Bank has recently announced the completion of its CBDC trial for cross-border payments.

Being the UAE's "origin story" crypto platform, we have seen regulatory commitment to Web3 innovation up-close for a long time. We worked with the UAE government entities years before the introduction of any regulation. Indeed, the UAE government entities have always been supportive of our business and what we are trying to achieve. Last year we worked with the Executive Office for AML/CFT on a Financial Action Task Force (FATF) risk assessment, among a number of other initiatives that we collaborate on with federal and emirates level government bodies on an ongoing basis. We have been similarly supported by the Central Bank of Bahrain, where we recently obtained an in-principle approval to launch a virtual asset brokerage and custodian in 2023. Dubai (and the UAE more broadly) and Bahrain are profoundly ambitious from a virtual asset regulatory enablement perspective – and we and the region are benefiting from that ambition and foresight.

And from an ecosystem perspective, we are responding to demand from consumers and merchants for what we refer to as "utility" use-cases. These are about enabling payments and acceptance – and at BitOasis we are building towards enabling these use-cases through, for example, partnerships with the likes of Checkout.com and Mastercard. Our partnership with Mastercard has resulted in the very recent launch of a series of crypto card programs across the region that will facilitate day to day usage of cryptocurrencies at points of sale and across ecommerce platforms. It's a partnership which directly addresses consumer demand for crypto to function as an easy to use payment method, while baking-in consumer protection and security.

Creating network effects for education and inclusion

Simultaneously, the ecosystem is innovating new ways of engaging and educating consumers. For example, this year, we entered into a three year strategic partnership with the Saudi media conglomerate, MBC Group, with a dedicated vision for raising customer awareness around crypto and Web3 across the region. As a crypto platform built for the region, we take this commitment extremely seriously. With over 160 million viewers across the region, MBC TV is the perfect partner to reach and engage the region's consumers.

Generally, we foresee sustained and high levels of adoption and interest. A recent YouGov survey stated that 35% of the adult population intends to invest in virtual assets. That's very significant – with waves of new adopters coming online in the GCC and MENA, we have a duty and obligation to continue to deliver relevant awareness building campaigns and content in Arabic for the region.

And this is about more than simply adding a crypto-layer onto existing norms in personal finance. We believe that access to crypto has a significant part to play in driving up financial inclusion and wellbeing across the region, parts of which remain severely underbanked. There are two areas of immediate focus and significant impact in this regard. First, access to crypto markets can support people to preserve their savings in the face of a sustained period of high inflation, FX volatility and devaluation. Second, given the relevance of remittance to and from our region, we have been asking: how can BitOasis support reducing the cost of remittance at scale using virtual assets and blockchain?

The question of supporting our region's consumers to preserve their lifetime savings at a time of currency devaluation across some MENA and emerging markets is important and impactful. We are looking at how we can enable saving and earning in stablecoins and other virtual assets as a means of relieving financial loss.

Meanwhile, remittances remain a fundamental cornerstone of many household and national economies, yet, according to the World Bank, global remittance costs are now at 4%. We believe that these can be significantly reduced over the next 24 months as liquidity and crypto market structures develop in emerging markets. Using the blockchain costs could be radically reduced to nearer 1%, whilst delivering a number of additional benefits, including speed of transferability – ultimatelyallowing people in the developing world to receive more of their money, faster. The impact of this at scale could be tremendous.

Understanding MENA's nuances underpins any success story here

Nevertheless, we need to recognize that MENA is not a homogenous unit. It is diverse and comprises countries that have very different macroeconomic and demographic profiles. As you would expect, customer and risk awareness varies across the region. That also means that policymakers and regulators across MENA will understandably have different policy constituents and concerns.

The GCC comprises young, early adopter populations with relatively high disposable incomes that are seeking investment opportunities through platforms such as BitOasis. Additionally, GCC economies have USD currency pegs meaning that capital flight and devaluation are not major policy concerns as they are in other parts of MENA. In the GCC, we will continue to see regulatory adoption and enablement in 2023, including in new markets such as the Kingdom of Saudi Arabia. This is in large part driven by the fact that policymakers are aware that there are high levels of domestic investment activity and that this activity needs to be regulated to ensure consumer protection.

Good regulation and policy drives ecosystem collaboration – particularly with banks and financial institutions – and we are witnessing this play out in the UAE. In part the GCC regulatory agenda is also being driven by a competition between jurisdictions – like the United Arab Emirates and Bahrain – for foreign investment. That is a significant driver of the race to become a crypto hub. On the other hand, large MENA economies such as Egypt and Pakistan are very different to the GCC market and that drives a very different policy challenge that the industry needs to lean into. How do you articulate the benefits of Web3 and crypto in markets where policymakers have concerns around crypto enabling capital flight, devaluation and dollarization?

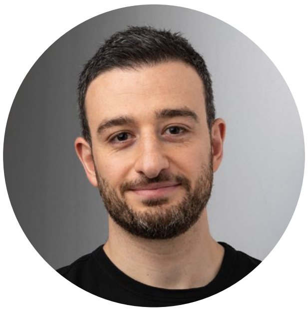
There’s a fine balance to be struck between enabling citizens across the globe to preserve savings in high inflation and devaluation markets by investing in crypto and being supportive of policymakers’ monetary concerns about capital flight. For us, this will continue to be the most significant policy and adoption challenge for many parts of MENA. Encouragingly, however, we are seeing markets like Morocco work with partners such as the World Bank to develop frameworks enabling crypto notwithstanding any policy concerns. We are always of the view that regulation, rather than restriction, is the way forward. Restrictions or bans do not work – they simply drive citizens to higher risk, unsupervised, and off-shore platforms.

No conclusions, only opportunities

To draw any form of conclusion about crypto in MENA feels antithetical since we are so patently at the start, nowhere near the end, of some very significant growth and change when it comes to the role Web3 will play in the regional economy and way of life.
Indeed, there can be no foregone conclusions about exactly how this will play out. One of the fascinating aspects of the evolution of the blockchain and its potential use cases is precisely the way consumers and their specific needs or cultures will continue to shape outcomes. What we do know is that as long as MENA’s policymakers remain both thoughtful and bold, and so long as the region's technologists and fintechs remain encouraged to create cutting-edge solutions, we can look forward to a fascinating future throughout this wonderfully diverse market.

“There’s a fine balance to be struck between enabling citizens across the globe to preserve savings in high inflation and devaluation markets by investing in crypto and being supportive of policymakers’ monetary concerns about capital flight.

How fintech can make a lasting difference in MENA's bid for financial inclusion



Feras Jalbout

CEO & Founder,
baraka

Next generation financial management

For decades, the MENA region has been troubled by financial inclusion challenges across its demographically and economically diverse markets. Consumer awareness of long-term investment options was relatively low and mostly consisted of holding cash and investing exclusively in real estate assets.

Even in the GCC, where digitization has been top of the agenda for a while now, citizens often relied on government retirement plans with little additional diversification. However, this is starting to change and at baraka we have been at the forefront of the regional surge in fintech adoption and digital financial management arrangements.

We have certainly witnessed shifts in the way both consumers and merchants adopt fintech services with a more strategic mindset. Particularly in the GCC, we are observing the emergence of an increasingly cashless society where day-to-day routines, such as travel and shopping, as well as activities with more long-term impact, such as taking out a loan, can be assisted by a range of fintech products.

But driving digital and financial inclusion is a multiform process where the line between wins, opportunities and remaining challenges is often a fine one.

Our regulators understand what it takes

The regional fintech ecosystem has been evolving gradually, with increased recognition from local policymakers. Today, gradual evolution appears to be giving way to an ever more rapid pace of change. And in just a few years, MENA has fast become one of the most accommodating markets for financial services innovation from a policy perspective. At baraka, this has allowed us to roll out our services throughout much of the region.

Financial services remain one of the most regulated sectors in the world but as fintechs disrupt this space, policies have had to keep up with change. Authorities in countries such as the UAE and Bahrain set a great example, having launched regulatory sandboxes to facilitate fintech growth in the Gulf. This allowed for experimentation that ultimately led to well-informed policy decisions.

And, for example, in the UAE a number of swift policy decisions means the country is already considered a global crypto hub, attracting international players and investors. It's just one example of how forward-thinking leadership can transform an industry, while still ensuring consumer finances remain protected.

Fintech investment - good but could do better

The amount of fintech investment in MENA reached $448 million in 2021 and we also saw four exits. But we cannot rest on our laurels. While this is a significant number, it's less than 20% of the total investment in MENA start-ups in 2021. Undoubtedly, we need to see more venture capital activity in the financial services sector. Fortunately, the opportunities for investors have never been bigger.

Fintech is scalable and in a region like MENA, products and services can transcend borders very easily. By bringing more capital to the region's fintech sector, investors can transform an entire industry at pace. In fact, we strongly believe new investments could help dissolve some of the regulatory roadblocks and allow for future-facing policy-making. But for such scenarios to become a reality, all market participants must be onboard. Legacy players need to view fintechs as enablers, not competitors, who can give the sector a new momentum, the fruits of which everyone will enjoy. There are signs of a shift in this direction since a few digital-only banks that have emerged across the region are already backed by incumbent players or government investors which is indicative of how big the opportunity is in the region.

Digitizing inclusion

When cutting-edge technologies and a digital mindset come into the frame, possibilities and potential benefits may seem endless. However, despite some early wins that the region has certainly already achieved, some opportunities remain to be fully addressed.

Firstly, fintechs target a predominantly young, mobile-first population, often willing to try out new products and services. However, these users will not stick if their digital journey is not seamless and fast. Indeed, user experience is an area of huge potential for fintechs to optimize, particularly as it's often viewed as a pain point that incumbent players weren't able to fully solve. It's our competitive advantage so we must never become complacent about doing better.

Secondly, as fintech entrepreneurs, we must focus on a clearly defined, ambitious goal of achieving financial inclusion at scale. Although cash usage is increasingly declining, it remains significant in the region. One reason for this is that we continue to see unbanked communities for whom cash remains the only form of wealth to which they have access. In order to combat this, we must build focused products and solutions that solve local challenges and can materially increase inclusive access to digital finance. Whether it's a banking product or an investment solution like baraka, financial inclusion should be at the heart of all strategic moves we make as a sector. It is part of the role we play in society and it is about expanding the addressable market.

Fintechs are content makers and educators

For example, capital markets in the region have low volumes of trade in comparison with their global counterparts. Lack of awareness of what capital markets are and how to access investment opportunities prevent growth. At baraka, our overarching ambition is to change the status quo by making over 6,000 US stocks and ETFs available to investors in the region, commission free. Our customers are free to enter the investing world aligned with their own capital expectations, using a product tailored to their needs and designed to simplify their experience. We supplement that with robust educational resources and a supportive community to ensure they are aware of investment opportunities and make informed decisions to improve their financial wellbeing.

This is vital because financial education needs to be scaled up tremendously across the region and its communities. More conversations and awareness should be raised across the region to broaden people's mindsets and encourage them to adopt better money management habits that enable them to build their wealth and start investing sooner. Every fintech player has a responsibility in this area. By educating our audiences on personal financial management, we help them, and future generations, to build their own asset bases and become financially independent. Indeed, fintechs, as mobile apps, are a powerful form of content and communication. Our potential to take the lead as educators cannot be overstated. There is a lot of scope for creativity and for impact here. It is a public good and an authentic driver of trust.

And trust is certainly an important aspect for a provider like us. At baraka, we are focused on leading the conversation about investing in the things which directly impact their local societal or environmental landscape. We strongly believe that investing should not be intimidating, and we strive for our product platform and content to reflect just that. Our platform provides a simple and intuitive user interface and acts as a one-stop shop where users can gain essential insights into the market while they are trading.

Infrastructure challenges

Reaching people through educational content can be a powerful tool for inclusion but it is not a silver bullet by any means. There are several substantial obstacles to overcome in MENA to successfully address the financial divide in our communities.

Well-functioning financial infrastructure is not only a facilitator for fintech growth but also the very fundamental foundation of their ability to operate and perform. Unfortunately, in parts of the region, many components of that infrastructure don't exist yet, while others are in need of modernization. Although there may be tech companies that could transform an entire sector with a simple API, red tape and outdated technology continue to hinder implementation and integration. While incumbent banks might have websites and apps, these products don't always deliver an optimal experience. In many cases, the back-end tech is not fully integrated or is broken, leading to failed transactions. The impact of failure when it comes to the movement of money is severe. Not only does it frustrate people's demand for speed and ease but it can also damage trust - our greatest asset. This is critical especially in MENA, where we know trust in digital money remains a work in progress. Fintechs are certainly capable of delivering cutting-edge technologies but they can't single-handedly deliver on the financial optimization or inclusion promise. Industry collaboration and hand-in-glove partnerships are vital.

MENA's fintech sector has a huge runway of growth and opportunity ahead of it. The more we innovate and evolve as a local sector, the better we will fulfill the overarching ambition of bridging inclusion gaps where traditional players have had limited success. There are many ways in which this divide can be narrowed but ongoing collaborative support from all market participants through policy-making, education and investment will be absolutely fundamental. With this formula, we can look forward to making a real, meaningful difference to the lives of many.

> "The more we innovate and evolve as a local sector, the better we will fulfill the overarching ambition of bridging inclusion gaps where traditional players have had limited success.

Payments, partnerships and policy: Perfecting the formula for a thriving digital economy

Dr. Saeeda Jaffar

Senior Vice President and Group Country Manager for GCC, Visa

The breakneck speed of change

Life in MENA is not as we have known it. COVID-19 upended a lot of assumptions about how, where and when we work, shop, and play. According to Digital Commerce 360, since the emergence of the pandemic in late 2019, ecommerce volume has grown by more than 50.5% while peer-to-peer payments on Visa's network have more than doubled and subscriptions to digital streaming services hit the 1 billion milestone.

The common denominator across almost all post-pandemic behavioral shifts is the growing importance of digital payments. Put another way, the secure, reliable, and fast movement of digital money between individuals, businesses and governments is the engine powering today's global economy – including everything from digital downloads to cross-border corporate transactions. Some especially interesting trends to watch in the payments space this year include embedded finance, green payments, the metaverse, BNPL, crypto going mainstream and Open Banking.

As technology and consumer demand continue to disrupt markets and prompt new approaches by financial institutions, fintechs and merchants, it's clear that we will continue to see large-scale change. The fintech sector, in particular, has been transforming at breakneck speed, reshaping the finance sector, and changing the way that people and businesses manage finances. And with this positive disruption across commerce and money movement, innovation will continue to thrive in an open environment, which will truly unlock the powerful potential of digital money.

Digital money: from theory to practice

The powerful potential of digital money is now top of mind for all economic leaders, not least for governments and policymakers. If Visa's discussions with policymakers on digital payments used to explore what they were and what they could offer economies, the focus of our conversations today is on how to accelerate payments digitization and how Visa can support this.

The precise nature of government support varies across the region: Saudi Arabia's Vision 2030 strategy sets out a goal of 70% cashless transactions by 2030; while the Kenyan Central Bank is reviewing the need to improve interoperability as part of their 2021-2025 National Payments Strategy. What is shared in all cases is the recognition that payments digitization is top of the agenda for all governments.

Indeed, several governments have implemented top-down directives to foster more rapid acceptance of digital payments. In Saudi Arabia, beginning with fuel stations, all economic sectors started accepting digital payments over 2019-2020. As a result, Saudi increased its point of sale (POS) infrastructure by 65% last year. Separately, over the past few months, other countries have been implementing regulatory and monetary incentives for acquirers.

In Ghana, Oman and Pakistan central banks have released guidelines for simplified know your customer (KYC) requirements for small merchant onboarding, while the Central Bank of Egypt is granting a USD 64 million subsidy to triple its payments infrastructure, helping acquirers to build this outside of the bigger cities. Furthermore, central banks in the region have been reviewing and increasing these cardholder verification method (CVM) limits, allowing higher-value transactions to go through without the need for a PIN or other means of verifying the cardholder.

Building resilient economies and livelihoods

Visa is actively engaging with governments in the region, as well as around the globe, to provide support and develop partnerships. There is not a one-size-fits-all approach to payments digitization. It requires a level of understanding and dialogue, between the central banks and the industry, so that we all collaborate more constructively. Digitization is here to stay. Now more than ever, it is important to engage with authorities to make sure that together we can build more resilient economies and livelihoods. But it is also vital that we maintain our many innovation-lead partnerships across the fintech, payments, merchant, and consumer ecosystems.

It is our firm belief that true collaboration operates like an invisible glue that fuses innovation, learnings, and scale together to help traditional and new players solve real consumer and merchant needs. Visa has been front and center in building this network in the region. From our Fast Track Program, which is designed to meet specific fintech needs and speed up the integration process with Visa, to Visa Ready, a partner program that makes it easier for fintechs to connect quickly with certified partners for digital issuance. Additionally, we have welcomed many of these fintechs for the latest edition of our Visa Everywhere Initiative (VEI), our global innovation program and contest that connects financial start-ups and provides a global platform for them to showcase their innovations and ideas. In our latest iteration, VEI continues to invite start-ups to solve the payment challenges of tomorrow, and this year, the focus has firmly been on supporting SMB recovery.

Our partnership with Checkout.com is an example of a significant long-term regional collaboration that delivers for the whole economy. A recent and important collaboration centered around enabling Account Funding Transactions (AFTs) on Visa Direct rails- a process in which funds are pulled from an account and used to load a pre-paid card, top up a wallet, or fund a person-to-person (P2P) money transfer. This has seen significant benefits for the remittance sector in the region as well as enabling wallets to fund-in efficiently. Together, we enable merchants to manage their payments quickly, safely, and securely in order to scale efficiently across MENA and we look forward to continuing to do so for new and established players as we watch the region grow from strength to strength.

> “The secure, reliable, and fast movement of digital money between individuals, businesses and governments is the engine powering today’s global economy.

checkout.com

Retail Voices

MENA is home to some mammoth retail conglomerates, many of which have been around for decades and now oversee global franchises. With the advent of numerous aggressive global retail marketplaces, the retail sector is arguably one which has been forced to digitize earliest in the region. Nevertheless, the pandemic did mark a serious tipping point for consumer adoption and was the galvanizing force which sent smaller local retailers and exclusive luxury brands online too.

Our contributors reflect upon how a flurry of change and digital growth will eventually give way to a slightly slower and more strategic period for the sector. They anticipate a time where consumer experience is honed, digital payments are optimized and business models are recalibrated - all to ensure that a sector with notoriously thin margins can ensure its digital credentials are also its revenue drivers.

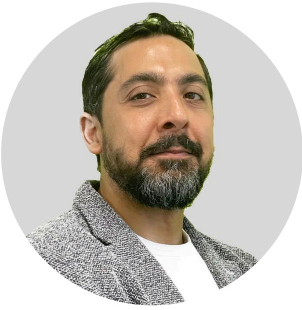
46%

At least 1 in 3 consumers across MENA bought retail products online in the past year, with 46% of all consumers shopping for fashion and clothing online

33%

At least 1 in 5 consumers across MENA are now purchasing retail products online more frequently than last year, with 33% of all consumer shopping more frequently for fashion and clothing online

Digitizing fast and slow: Why retailers need a thoughtful strategy to thrive in the long-term



Mohammad Sajjad Bhojani

Head of E-Commerce,
Azadea Group

Adapting to the new era of retail

Today, most retailers here - small, medium and large retail groups alike - have some form of online presence to meet the changing consumer preferences. The online sphere is increasingly diverse and businesses use it to their advantage by selling on apps, tapping into marketplace exposure, developing social commerce tactics or simply sticking to a traditional website ecommerce.

For Azadea, the rise of the digital economy across MENA has resulted in evolving customer habits and needs that we strive to meet. As it stands today, our digital strategy revolves predominantly around the Web2 transactional environment which is where we see the biggest window of opportunity for our success.

Payments make the digital world go round

Online shopping in the Middle East has flourished and it continues to fuel the region's digital payments sector. Cash on delivery transactions, until recently preferred by many, increasingly give way to digital wallets.

Nonetheless, MENA's cash-heavy economies were built on the notion of trust. Developing consumer confidence in alternative payment methods is equally fundamental. Across the region, we certainly see differences in uptake across some of the top mobile payment technology providers such as Apple Pay, Google Pay and Samsung Pay. One could argue that they all fall into the same category and provide virtually the same frictionless payment experience - which they do. But it is also interesting and important to note how different brands have a stronghold of trust with different consumer segments.

Similarly, most markets across MENA tend to have a dominant local payment method – for example, KNET in Kuwait or QPay in Qatar. Being native to these markets, their familiarity and popularity among citizens are well established and make them a must-have payment method for any business selling into these countries.

From hyper-nuanced to economies of scale

For these reasons, choosing the right payment mix is of strategic importance to us. We operate in 12 countries across the region and, having such a wide brand portfolio, it is easy to place greater emphasis on our best-performing markets. If not enough attention is paid, the regional perspective can become clouded with consumer habits and preferences that are specific to one market and not necessarily applicable to others.

Consequently, we are focused on laying the groundwork in all our markets, ensuring that all basic payment methods are available. For example, implementing a Google Pay solution in the UAE is all good and well but if we don't also offer KNET in Kuwait our overall performance will be severely dented. So, a nuanced and consistent approach is vital. Once we cover all the bases, we can then start to look for economies of scale. Whether it's Apple Pay, Google Pay or a buy now pay, later (BNPL) solution, we can introduce them in multiple markets with a single integration - and that, of course, is also key to our revenue performance. A smart balance has to be struck.

> We have gone through very turbulent times, with volumes virtually disappearing and then resurfacing with redoubled strength.

Collaborating for competitive advantage

But we cannot simply rely on great integrations from our fintech partners. In an ever-changing online space, we too need to innovate. Collaboration across the entire ecommerce ecosystem offers a space for discussions related to short- and long-term trends that need to be addressed.

Our partnership with Tickit presents an existing case in point. Tickit is a cutting-edge loyalty program launched by Dubai Holdings to enable consumers to earn and burn points when shopping online and in-store. The point of difference from any other rewards programs is the ability to link Tickit to the consumer's credit or debit card, which allows for an automatic capture of relevant transactions. No apps, loyalty cards or receipts are needed. At a time when we strive for a seamless experience on all fronts, loyalty schemes can't be overlooked.

Looking further ahead, we are also actively talking to some of the big players in the Web3 space, trying to understand the basis on which we could work together to bring value to our retail customers. Regardless of the conclusions, we see the value of collaborative exploration and keeping a close eye on upcoming payment trends, including crypto. After all, this game is all about timely and justified decisions.

Finally, even 'closer to home', our more than 50 brands are our valued partners. Many of them are global in reach and, as such, exposed to trends that are still new to MENA but established in other markets. Take BNPL for example. Would we have implemented it so quickly here had our brands not explored it in Europe first? Perhaps not. But they are comfortable with it, understanding the customer experience and appreciating the value. These learnings are truly invaluable and help us follow successful approaches from the international scene so that we can localize the strategy effectively.

Playing the long game

Nevertheless, the retail sector's digital transformation journey is not always straightforward. The business of ecommerce rests on a different investment philosophy than physical retail. Payback and rate of return on investment are a pervasive challenge across the region as retailers adapt to new business models. Physical stores may have a certain type of running cost that ecommerce can do without, nevertheless, bricks-and-mortar is a model that retailers have been familiar with for decades and it does take time to pivot.

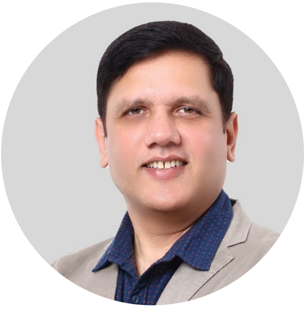
In the online world, we have gone through very turbulent times during the pandemic, with volumes virtually disappearing and then resurfacing with redoubled strength a few months later. Unsurprisingly, this kind of volatility has made evaluating investment decisions more complex. Luckily, most retailers in MENA are now coming to terms with the fact that ecommerce is a long-term, strategic investment that will eventually pay off.

Move slow and make things

Despite digital retail growing at pace in MENA, significantly reducing the development lag with the Western markets, the process of reinventing the industry in a digital world is still in its nascent stages. Big retail groups across countries such as Egypt and Saudi Arabia have begun to establish an online presence, while online shopping penetration deepens across the region. However, given the sweep of the digital transformation over the last three years, we'll be unlikely to see another hockey-stick growth tick like that anytime soon. Instead, we anticipate that the retail industry will return to reasonable, single-digit growth. And that's not a bad thing! It will allow retailers to focus on the quality of their innovations, to develop a truly digital mindset and to focus on elevating their front-end and back-end consumer experiences in the coming years.

To be in the midst of such rapid change as we are today is exhilarating. It requires agility and it calls for disruptors. However, if we are to make it in the long-run, too much moving fast and breaking things can become a distraction. As ecommerce begins to mature in the region, we look forward to a period of ever deeper and more thoughtful strategy-making, and of the kind of cutting-edge innovation which inevitably takes years to fine-tune.

Digital transformation is a holistic evolution: Here's what that means in MENA



Dharmendra Mehta

COO - Ecommerce & Omnichannel,
Lals Group

Shrinking the digital divide

It's no secret that there has been a digital retail boom across MENA, significantly accelerating the industry's transformation. Prior to the events of 2020, the scale and adoption of digital technologies in the region were trailing behind digitally-advanced markets by at least 5 years. And that is despite the fact that many of our populations have long owned smartphones and spent hours on social channels and consuming streamed content. Digital access was not holding people back, long-entrenched cultures of commerce were.

If there is one positive effect of these tumultuous times, it would certainly be the narrowing of this digitization gap when it comes to how the region accesses and pays for goods and services. The economic impact of this behavioral shift is significant. Regional retailers who adopted a digital-first approach have seen exponential customer growth and retention.

Five steps to digital maturity

But making digital shifts on such a scale is not a one-step operation. It's a truly holistic evolution of the way businesses operate and compete, consisting of multiple stages and associated maturity levels. In my view, achieving digital maturity is a five-phase process, which runs as follows:

- Step one: Establish initial presence; often requiring some trial and error
- Step two: Ramp up activity; driving growth in digital adoption within the business and consumer bases
- Step three: Deepen engagement; cross-channel and multifunctional use cases for digital begin to emerge
- Step four: Drive competitive advantage; businesses build their digital moats
- Step five: Reach full maturity; the digital ecosystem is enabled and functioning

In my view, the GCC countries are currently straddling the fence between the second and third stages, as most businesses are in the process of either increasing their digital activity and footprint or driving deeper digital engagement with the wide-scale adoption of digital tools and systems. In order to push further ahead, as an industry, we need to have a clear view of what the facilitators and barriers to reaching digital maturity are.

Drawing on a favorable environment

Regional government support for digitization is certainly a big advantage and a catalyst for progress. Prioritizing the digital agenda helps to improve the quality of life for the citizens in the region but it also helps steer economic growth, forecasting and policy-making in the right direction.

On top of that, effective digital businesses, who can innovate, require talent and capital. Without a qualified workforce, the benefits of new technologies will not be exploited to the fullest, while a lack of capital may hinder innovation. Luckily, the flow of both into the region is steady which bodes well for the future.

> “Digital shifts demand a truly holistic evolution of the way businesses operate and compete, consisting of multiple stages and associated maturity levels.

Stepping outside the box

Innovation, incubation and start-up culture are concepts that need to be nourished and protected across the region. Given the relatively smaller size of the MENA market, businesses tend to think on a regional scale. Ambitious businesses here are used to thinking of scale as cross-border, as opposed to global. Addressing unique local needs is, of course, of key importance, however, as an ecommerce industry, we can certainly benefit from identifying use cases that go further than that and can be applied globally.

Similarly, making the next leap for our digital economy requires building ecosystem frameworks and fostering deeper collaboration between like-minded businesses. Established players must lead the way and support retailers, who are smaller in size or are at the start of their digital journeys, to scale and succeed quickly. Ecommerce is an ecosystem and while competition will always be critical, it is important that we foster a lively, diverse and modernized environment.

Ecommerce is a game of enablement

At Lals Group, we understand the value of building digital experiences for our customers across both websites and mobile applications. The advantage of being a late entrant is that we can leapfrog on technological advances to enter the market on a par with the ecosystem and use all available tools to our advantage.

From a business perspective, online checkout is a defining moment for an ecommerce shopper. The ability to offer a variety of choices to the consumer, be that single-click checkout with Apple Pay or credit from buy now, pay later (BNPL), is critical to enable smooth and quick transactions that prevent card abandonment. After all, ecommerce is a game of enablement - empowering customers to transact in the fastest, easiest and safest manner can define your success. Simultaneously, the reverse flow of cancellations, returns and refunds must be seamless, quick - almost immediate, and secure too.

To this end, we are working on multiple payment and deferred payment options to present our customers with a wide choice of methods while making informed purchase decisions. BNPL is booming in MENA and, as such, is certainly an area of current focus for us. We are also exploring the use cases for cryptocurrencies. Slow and steady wins the race so we are taking it one step at a time.

Embracing the spirit of change

Looking ahead, moving into the next stage of digital transformation will require time and resources from all market participants. The MENA ecommerce ecosystem is still in its relative infancy, but the next 6-8 quarters will likely be pivotal in our digital maturity trajectory. Fortunately, most businesses have now experimented with emerging trends and technologies and tested combinations that fit their digital ambitions. Those who didn’t embrace the spirit of digital transformation certainly risk falling behind. Nonetheless, I am absolutely confident the region will continue to evolve at the right pace.

The path to growth in MENA: Taking the long view

Paul Carey

Executive Vice President – Cards & Payments,
Al-Futtaim Group

MENA's competitive forces

Founded in the 1930s in the UAE, Al-Futtaim Group has indeed ridden the waves of change decade after decade. As our conglomerate has grown, we have adapted, and adapted again, to the new ways of doing business and serving consumers. In Checkout.com's 2020 MENA report, we've written before about the catalytic impact of the pandemic as it skyrocketed the shift to online shopping and paying. But just in the last 12 months, the pace of change has stepped up a gear yet again when it comes to the development of the digital economy in MENA.

A number of powerful competitive forces are driving this new wave of change. On the one hand, we have a growing young population and the need to win the 18 to 30 year old consumer is a crucial driver of innovation and digitization. On the other hand, we have seen global businesses that had been playing a waiting game when it comes to MENA now making the region a focus for their market expansion plans.

Naturally, the fast-growing ecommerce market makes reaching consumers here more accessible than ever if you're a global brand. The influx of international players is a wonderful testament to the opportunities presented by our digital economy and a powerful spur for local businesses to keep a laser focus on sharpening their competitive edge.

A proactive policy landscape

Policymakers in MENA are alert to the opportunity and their initiatives are making a material difference. Governments and regulators in the region are patently dedicated to providing an optimal environment for us to build a robust digital economy. The UAE's Digital Government Strategy 2025, Saudi's Vision 2030 and Egypt's Vision 2030 all set their agenda and targets for a digital economy.

In practice, a great example of this dedication is the UAE's newly appointed Minister of State for Artificial Intelligence, Digital Economy and Remote Work Applications - Omar Sultan al Olama. This shows the importance that crucial MENA markets place on digital transformation as they seek to diversify and future-proof their economies.

All of this points towards a rapidly developing digital ecosystem that allows government agencies, established companies and start-ups to flourish. This is particularly evident in payments, where governments have set up regulatory sandbox infrastructure and made it easier for businesses in the region with more flexible visa options and commercial licensing.

Regulators know that payments are fundamental to any online ecosystem's success and enable innovation through the availability of sandbox environments and accelerated limited licensing, supporting the burgeoning start-up community.

Opportunities abound, but we still need to seize them

These concurrent forces combined create fantastic opportunities for Al-Futtaim Group's brands to provide new and engaging ways to interact with our customers,and we expect this to spawn new businesses within our group as a result. We are focusing on new ways of working and engaging with customers to deliver highly personalized and valuable experiences through our digital platforms, such as Blue, which offers our network of customers credit, loyalty schemes and rewards and can now be accessed as an app.

Indeed, many regional merchants have been fast adopters of new digital opportunities and the policy initiatives that support them. But more can still be done to boost growth further. For example, there remains a significant untapped opportunity for the larger merchant groups to co-create with agile start-ups for standout customer experiences.

This would be further helped by faster progress towards Open Banking regulations, promoting products and solutions that leverage access to robust customer data. Moreover, it is clear that delivering the region's ambitious digital agenda will require a significant amount of talent. However, demand for the type of talent needed is very high globally. So, while attracting global talent is essential, there must be a focus on recognizing, nurturing and harnessing local talent for future growth.

> “The influx of international players is both a wonderful testament to the opportunities presented by our digital economy and it is also a powerful spur for local businesses to keep a laser focus on sharpening their competitive edge.

checkout.com

Food & Beverage Voices

If the pandemic forced consumers to stay away from their favorite eateries, it also opened MENA's appetite for home delivery services for food and beverage. Our data shows that in 2022 local consumers are ordering meals online more frequently than ever before. Delivery apps, digital technology and online payments became crucial enablers for MENA's F&B businesses to survive the global shockwaves.

Today, the region's consumers show ever-more hunger for new digital interactions and transactions. From fast food to fine dining, the norms are changing. And from dine-in to take-out, the way people engage digitally with F&B brands increasingly underpins the overall experience.

53%

of MENA consumers purchased food online in the past year

42%

of MENA consumers report purchasing food online more frequently this year than in 2021

What the world of food tells us about why community is core to Saudi's digital economy

Ramzi Alqrainy

Chief Technology Officer,
The Chefz

Sometimes change can take us by surprise

There is no denying that the pandemic helped turbocharge the food delivery industry, pushing its digitization agenda forward in the process. Today the sector is a cornerstone of Saudi's thriving digital economy.

Perhaps unsurprisingly, we saw a significant increase in traffic at The Chefz when COVID-19 hit. We had to act fast in order to meet the new surge in demand. And as soon as we integrated online payments into our platform, we saw the true material impact of what became a digital shift that still continues today, meaning that our business keeps growing at pace.

But some things are only unsurprising in hindsight. Saudi Arabia has a large and enthusiastic F&B market but the sector, like many others globally, was not fully prepared for the speed at which the transformation needed to happen during the pandemic. Indeed, the entire F&B ecosystem was forced to respond at pace and this has revolutionized the sector, leading to some changes which we can probably all agree have been downright surprising!

Take for example fine dining. A few years ago the idea of technology replacing in-situ eating and cash payments at restaurants was essentially unthinkable! That's changed! During the pandemic, we partnered with several luxury restaurants in order to support their necessary digitization journey. Today we are able to help serve millions of customers meals with some of the highest average order values in the world. And as a consequence, we are serving the very most discerning customers. In fact, we are serving such a wide range of customers today both on the business side and on the consumer side. Here's why a deep connection with the community at large will be key to unlocking the promise of the digital economy...

A unique and varied market

As a Saudi business, demographics are an absolutely vital consideration as we plan for success. In addition to the fine-diner segment, we serve a very young and international population with their own expectations and norms.

Saudi has a very significant expat community coupled with a high volume of international tourism. Catering to a highly diverse and international customer base may bring about challenges such as different billing requirements and payment method preferences. It also calls for further customization from an experiential and cultural point of view.

On top of this, 50% of our users are aged between 24-34 years old. And increasingly, we cater to those below 24 years old. As such, we are dealing with a new audience of digital natives that have generationally distinctive needs. This new wave of consumers set heightened expectations for the industry and agility is imperative in this competitive market.

> “These days, one provider doesn’t need to manage all aspects of a consumer experience from A to Z. We all need to work together. This is the death of ownership.

Meeting the need for speed

Bluntly, if you can’t provide your services fast and seamlessly, you’re out. One of the most striking behavioral changes we are witnessing in this regard is in the payments space.

Our initial challenge was to drive down the long-entrenched culture of cash on delivery. But consumers here adapt fast. They increasingly welcome the idea of not having to handle cash but with that comes new and evolving demands around all aspects of customer experience, including digital payments. Particularly among the younger demographic, we see a hugely increased use of digital wallets and Mada-issued cards online.

And as shoppers make faster payments, they want faster delivery. This is all about immediacy. In Saudi Arabia, we see a lot of start-ups that can deliver to customers within 10-15 minutes.

Delivering at this kind of pace is no mean feat when you look to scale across the whole country. Saudi Arabia’s geography is complex, especially from a delivery point of view. Of course, Riyadh is a big city, which comes with its own challenges, but there are other cities you need to pay attention to as a provider and some may need even more effort from an operational perspective. For example, geographically, Riyadh resembles an easy-to-navigate rectangle but the same distance in Jeddah takes much longer to travel which needs to be accounted for when scheduling a delivery.

A one-size-fits-all approach won’t cut it and there are a lot of moving parts involved in delivering faster and better services to all. This is why at The Chefz we are working with many partners, including payments partners and financial institutions, in order to optimize every aspect of our service within an ever shorter timeframe.

How the digital economy can serve the whole community

Market and customer understanding are important for survival but having a competitive edge will help you thrive. We also believe that as we help to build the digital economy in Saudi, we should be supporting the entire country and its whole society to thrive through the smart use of new technologies. What differentiates The Chefz from other providers is our support for the local community and its families. We work with Saudi families, supporting their home-based food businesses to grow by including them on our platform. We are also helping small, local and independent restaurants to expand and reach new customers. And we are here for the local delivery drivers, providing them with good earning opportunities and working conditions enabled by our platform.

These initiatives, of course, bring about new challenges. When working with local families, we need to ensure that food quality and hygiene standards remain high every day. We also provide marketing services to our small and entrepreneurial restaurants. We do this, not because it's our business model, but because we know the long-term ecosystem and societal benefit of doing so. We strive to go the extra mile because we believe that The Chefz are partners to the entire community and to its future. Ultimately, by helping society step up and take advantage of the digital economy, everybody should be able to reap the benefits.

And why partnership, not ownership, underpins the Kingdom’s digital future

Achieving this will depend on the continued collaboration of partners across the ecosystem. That means not only across the F&B sector but across tech and financial services - and specifically fintech - which we see as a powerful enabler of better business and better services.

Looking ahead, we need providers to focus on things like microtransactions, or on specific verticals, to help consumers become even more digitally connected in their daily lives.

I firmly believe that close collaboration is vital for the digital economy’s many stakeholders. It will allow us to innovate effectively and to reach and serve society in its most inclusive sense. Partnership at every level is vital. These days, one provider doesn’t need to manage all aspects of a consumer experience from A to Z. We all need to work together. This is the death of ownership.

Investing in digital education and trust is more vital than ever

John Mady

Managing Director - MENA,
Qlub

Scan to pay comes into play

At Qlub, we focus on enabling contactless payments at restaurants. We replace both paper bills and point of sale (POS) terminals with QR codes and NFC devices. Customers can scan and pay using a range of digital methods - it's all done within seconds.

Nonetheless, a few years ago, most restaurants - from casual to fine dining - would reject the concept of having QR codes on their tables. It was only as contactless payments became increasingly popular, both for safety and practical reasons during the pandemic, that digital menus and QR code payments came into the frame.

As of now, we are in discussions with a broad range of restaurants to enable digital payments via QR code. These days it's a no-brainer.

Digitization meets localization

But we can't forget that localization is a key element of the digital transformation process. As Qlub, we are present in 9 countries across the world and we have local teams in each market. We value the ability to hear from our main stakeholders: our restaurants, their staff - including their management, operations, IT, and finance teams - directly from the ground.

Understanding local requirements and regulations is central to our strategy. Our core offering remains the same in each market but there is always an extra 20% that we localize. For example, depending on the country, we have an option for a customer to switch to different setups, payment methods and language options for the payment process.

The ecosystem goes from strength to strength

I would describe the ecommerce ecosystem across MENA as strong and capable of catering to different use cases. But it's also complex. Understanding players' exact roles can be challenging at times. That's why there is always room for transparency and conversation between us.

There are plenty of fora, especially in the UAE, where fintechs attend talks and seminars to connect and discuss different topics. Some of these businesses are global which is excellent because bringing international perspectives into our region is very helpful. Sharing insights from different sectors is also vital as it allows us to see payments from new angles. We can learn a lot about our consumers when we understand how they interact across a range of use cases. I think this all speaks to the fact that the ecommerce ecosystem in MENA is now mature and is taking new steps to broaden its horizons and innovate with increasing confidence.

Building a network of advocates to earn the vital trust

But the need for education and building awareness isn't limited to industry partnerships by any means. Earning consumer trust during an ongoing process of rapid digital transformation is more important than ever.

Firstly, the digital shift brought about a lot of new digital options for consumers and it's easy to get lost. There's an element of a network effect - the more advocates digital payment methods gain, the more people know they can trust them.

Asking people to part with their money in new ways will naturally pose initial challenges and rightly so. People need to be very careful when it comes to their money. This sensible caution has inevitably played its part in our own awareness and adoption journey.

We effectively provide a new way for people to pay at restaurants - replacing cash and traditional card machines - and we need to gain credibility. It starts with educating the restaurant staff and consumers to build up the initial adoption. We can offer further reassurance in multiple ways, including choosing the right partner to process our payments, restaurant staff training, customer messaging and customized service.

Once consumers are open to new solutions, it's crucial to keep up with emerging payment trends. For example, we've received queries from our restaurants regarding cryptocurrencies. These questions are being asked, particularly in countries such as the UAE, so it's something for us to keep a close eye on.

Unlocking new opportunities as appetite grows

There is actually a lot of openness from big groups that we work with to adopt new technologies on different fronts - for example, payments, loyalty, user experience. F&B players are keen to try out new ideas, as long as they elevate the consumer experience and are beneficial to all parties involved. In the markets where we operate, there's an appetite for digital and mobile payments and that's why we launched there.

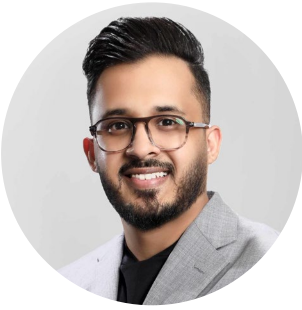
Nonetheless, there are still markets across the region that remain cash-heavy. The potential is huge but the right steps need to be taken to unlock opportunities. The key aspect is to facilitate a way for fintechs to operate in these countries but this calls for cooperation from both fintechs and governments. For example, governments issue licenses, but fintechs need to be mindful of

Nonetheless, there are still markets across the region that remain cash-heavy. The potential is huge but the right steps need to be taken to unlock opportunities. The key aspect is to facilitate a way for fintechs to operate in these countries but this calls for cooperation from both fintechs and governments. For example, governments issue licenses, but fintechs need to be mindful of compliance, supported payment methods and other unique aspects related to each country. Regulation can add extra hurdles, usually for the right reason, hence flexibility is incredibly important when trying to capture new opportunities in MENA.

This makes the future of the digital economy in MENA exciting. We see a lot of efforts from different stakeholders to push the boundaries of what lies ahead, with the ultimate goal of making payments a more seamless experience.

> “The digital shift brought about a lot of new options for consumers and it's easy to get lost. That's why the network effect matters - the more advocates digital payment methods gain, the more trustworthy they are considered.

Tradition plus technology pack a potent punch



Shahood Siddiqui
Chief Technology Officer,
COFE App

At the intersection of commodities, consumerism and culture

Launched in 2018, and serving key MENA markets such as KSA, UAE, Kuwait and Egypt, COFE App journey tells the story of how an ancient coffee culture has not only evolved and soared but has been revolutionized by technology. Indeed, if we talk about the digital economy, COFE App's ongoing trajectory of constant innovation - and its impact - is concrete evidence of just what the digital economy has to offer the region and the world.

Coffee is an important component of the global economy and is one of the highest-traded commodities in the world. The global coffee market was valued at USD 102.02 billion in 2020, projected to grow by a CAGR of 4.28% during the 2021-2026 period. It is an industry that has shown consistent growth, a fact proven simply by taking a look at the IPOs that have taken place within the industry.

Behind these dynamics is the fact that coffee bean consumption is on the rise, thanks in particular to significant growth in demand from emerging markets that are adopting coffee-drinking habits in ever greater numbers.

For example, the MENA region's coffee market accounts for c. USD 44 billion, meanwhile the domestic annual Saudi coffee consumption alone is forecasted to reach 28,700 tons by 2026. As such, Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), has launched the Saudi Coffee Company in recognition of this economic growth potential.

An ancient tradition meets mobile commerce

In fact, earlier this year, the Saudi Ministry of Culture also announced 2022 to be the year of Saudi Coffee in recognition of the tradition of Arabic coffee and its place in the region's culture of hospitality. But crucially, this tradition and coffee culture are modernizing fast. Customer preferences have shown a steady shift towards online purchase and at-home brewing.

This trend is reflected in the high rate at which coffee companies are dramatically accelerating the roll-out of digital tools, including mobile ordering, curbside pick-up, on-demand delivery, subscription models and ecommerce platforms for retail coffee. The digital economy offers a plethora of new business models for an ancient trade.

> “The digital economy offers a plethora of new business models for an ancient trade.

F&B apps shape the future of consumption

The way people purchase food and beverages online is bound to have a powerful impact on the whole nature of online shopping and transacting since it is such a daily purchase, integral to people's everyday lives and experiences. COFE App, which is in the top 10 most downloaded F&B apps in Saudi Arabia, offers all of these services supported in a slick online platform with a highly customizable rewards program which encourages repeat orders and increased customer loyalty.

Indeed, as an online coffee marketplace, COFE App's success is both a testament to the surge in the online economy but we also take our role in shaping it very seriously. That is to say, the platform responds to consumer demand by constantly providing new tech solutions which focus on optimum speed and ease and on delivering an end-to-end experience which truly delights users. This is a region with a huge appetite for all things 'smart' and the meaning of 'smart' is evolving all the time - it is defined by upgrades and improvements.

Digital ecosystems unleash the power of partnerships
As well as having a dedicated team of innovative technologists who design new features to keep pace with and even preempt demand, partnerships are absolutely crucial to the platform's ambitions as a marketplace. That means partnering with and supporting local coffee producers and independent retailers as well as the big global coffee brands. It also means partnering with local regulators and governments who help to nurture local innovation and it has led to partnerships such as with Amazon's Alexa or Apple's Siri so that users can make and track orders simply through voice command activation.

The upshot of all this is that COFE App is taking cutting-edge global tech to facilitate an age-old international trade and marrying this with deep local business and cultural roots. Through the ecosystem power that is the online marketplace, this formula really is key to unlocking the power of the digital economy for MENA and the globe.

Travel and Entertainment Voices

Experience is key to keeping a competitive edge in ecommerce. But when it comes to the travel and entertainment sector, experience is literally everything. While a drop in any form of sales for travel and live entertainment was inevitable in 2020, our survey data suggested that even digital entertainment was a little slower to garner digital sales compared with retail ecommerce or food delivery. But now the momentum is on across the T&E space and it is making its presence in the digital economy felt as it grows.

Consumers in MENA are growing confident in making big-ticket holiday bookings online and setting up digital subscriptions for digital content. In a sector where consumer experience is king, we can expect to see pioneers setting the bar for best-in-class CX within the digital realm.

20%

of consumers in MENA purchased entertainment services online in the past year, with 14% of consumers reporting purchasing them more frequently now than in 2021

32%

of consumers in MENA shopped for travel services online in the past year, with 21% of consumers reporting purchasing them more frequently now than in 2021

A passport to growth: What a travel marketplace can tell you about MENA's spending habits

Alexandre Morin

Director Payments - Risk and Fintech,
Wego

A different kind of growth trajectory

Unlike many other key players in the digital economy, the pandemic did not precipitate a sudden boom for us. In fact, here at Wego, a Singaporean travel marketplace with a huge MENA presence, the pandemic resulted in a brutal and inevitable slowdown when the sector at large saw a c.61% drop worldwide.

But this industry-wide freeze gave us pause to redefine our objectives and focus on giving our users an even more seamless experience, engaging them even more effectively via our app and website, and offering the best possible prices. We anticipated that as the pandemic receded, pent-up travel demand would begin to unleash itself and that securing a competitive edge by delighting customers with optimal experiences would be key to successfully ride that wave of return.

In the meantime, the region's shift to digital shopping and paying, which took place during the height of the pandemic, has lasted and is, therefore, set to have a huge positive impact on our business in the long-term.

Today we are pleased to say that we are almost back to 2019 levels of online searches in the region and getting close to pre-pandemic levels of bookings too. The desire to travel is still very much intact, especially in MENA. And the desire to book tourism online is only growing. In Kuwait, for example, searches and bookings for flights have already outperformed their pre-pandemic numbers.

Back, but different: MENA's post-pandemic travelers have new expectations

Tourists may be back on track, however, their booking behavior has changed and it has been important for us to be alert to those changes. For example, ongoing uncertainties related to the pandemic and other socioeconomic forces have triggered an increase in last-minute bookings and the demand for free cancellation offers. Nearly 60% of hotel bookings are now made less than a week in advance, with 34% of bookings being made same-day. Meanwhile, c.40% of flight bookings are made within a week of travel.

Another interesting observation is that hotels, especially 5-star hotels, are enjoying dominant popularity in MENA's post-pandemic holiday culture. For example, our country-level data in Kuwait shows that 5-star hotels claim a 60% share over all other types of hotels. But this shift to 5-star hotels has also been observed in the entire MENA region where bookings for 5-star hotel stays account for over 40% of the overall share, a 6% increase from the pre-pandemic period.

Meanwhile, as travel prices increase, or indeed as people seek out higher-end experiences, customers are noticeably looking for new payment methods which offer financing options such as buy now, pay later (BNPL).

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Money, tickets, service: consumers expect the convenient digitization of everything

With an increasing number of customers going digital from various new and emerging demographics, we believe the time has come for all travel businesses to be able to offer a fully digital shopping experience if they are to remain competitive. Indeed, thanks to digital platforms, search engines, trust sites and social channels, the quality of customer experience can now easily and quickly be cross-compared, and competitive edge means being best-in-class when it comes to CX. This is particularly true in mobile commerce which represents 78% and 74% of our hotel and flight bookings respectively.

Fast-maturing digital shoppers in MENA are indeed increasingly demanding digital options when interacting with travel brands. Customer service is especially vital for big-ticket spending, with logistical implications such as travel. The experience is generally not yet optimal since merchants struggle to find the balance between efficiency and personalization. The range of digital services offered by local travel businesses also needs to grow, particularly when it comes to features such as booking changes, refunds and, of course, payments.

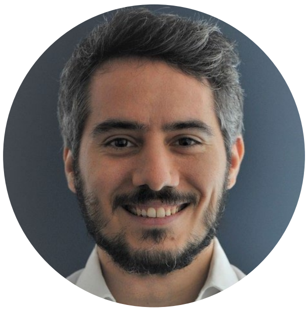
Distributing the power of data: a digital economy value-add

As the region’s biggest travel marketplace, we are able to support local travel brands, travel agents and tourism boards. In many ways, it's an age-old set of partnerships that have always been vital to the success of the sector. However, we are able to utilize digital tech to really turbocharge that impact.

For example, long before the birth of online travel, tourism boards collaborated with travel agencies to drive demand. They came to agencies with marketing budgets and together they devised strategies to drive conversion. Wego has taken that model and adapted it for the digital age, thereby driving up revenue and also expanding market reach for all parties. As a platform business, we collect a lot of data about our users’ travel preferences, and we have a sophisticated tech stack that we use to remarket to those users. The audience data then becomes the raw ingredients for an effective, well-targeted destination campaign. This means we are working with tourist boards and brands globally to give them a deeper understanding of the MENA shopper. MENA has become a priority market for a lot of the world’s tourism boards as it’s a reliable source of long-stay visitors with excellent spending power.

> “ As travel prices increase, or indeed as people seek out higher-end experiences, customers are noticeably looking for new payment methods which offer financing options such as buy now, pay later.

Digitizing the entertainment model: Lessons for success



Alessandro Masaro
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Riding the wave of digitization

Eight years ago, when Starzplay was launched, our overarching mission was to digitize a very traditional entertainment industry. The video content space has long been dominated by media broadcasters, satellite television companies and Video-Over-Internet Protocol providers. Instead, we took video content online to allow consumption via mobiles and smart screens. In fact, we consider ourselves one of the pioneers in MENA's Over-the-Top (OTT) industry. OTT, or streaming TV, refers to any type of streaming media content delivered over the Internet, including but not limited to subscription services. It is a sector that is estimated to be worth USD 241.2 billion in 2022 globally and is forecast to reach USD 868.68 billion by 2027 according to Research and Markets data.

Needless to say, the recent and rapid scaling of digital transformation in the region has helped to amplify our growth even further. We have certainly benefited from consumers becoming more comfortable spending time - and money - in a digital-first world. Despite lockdowns having ended for some time now, we haven't seen a reduction in uptake on our platform. Quite the opposite in fact! We are seeing a very positive trajectory in terms of the adoption and expansion of our digital addressable market.

Embracing a fast-maturing market

But digitization benefits often come at a cost. Increased demand for online video streaming led to a dramatic increase in market competition. When we first launched in the region, the industry was largely unpenetrated. These days we are directly competing for the same market with some thirty players with similar propositions. Every year marks the entrance of another big media streaming player, with Disney+ launching in the region most recently.

Naturally, this makes our life a little harder but it also validates our business model. New players are jumping on the bandwagon because there is an unmatched opportunity for growth and making significant returns in the region. This fact is especially compelling when you set it against digitally-advanced Western markets where the penetration is already much higher. In MENA, we are still at the very beginning of the digital journey. And we are definitely in the right space.

Embracing competition and new challenges is one step. But designing strategies to win market share is a whole other story where payments, partnerships and brand perception play a big role...

Digital payments unlock growth

As true innovators in the space, we cannot afford to neglect the payments component when upscaling our platform. Without functioning payments we don't have a business. And without optimizing payments we don't have an optimized revenue stream. This matters very much because when it comes to payments, consumers across this region have a unique set of needs and preferences that we must take account of in our bid to thrive.

> "The power of digital is that it can open doors to all corners of the world. Brands can identify and reach markets that may be more resilient to headwinds.

When Starzplay first launched in 2015, we simply offered credit card payments. But we swiftly shifted to automatic payments believing this move would increase the uptake of our service. And this proved to be entirely correct. We were the first provider to offer direct carrier billing and we continue to offer the largest range of carrier billing options in the region.

Since digital transformation advanced radically in the past 10 years, we now enable in-app payments and alternative local payment methods. Having such a wide geographical reach and diverse audiences to satisfy, keeping pace with payment trends is vital. A digitally-savvy market approaches new and emerging payment methods with a nimble agility which we need to match. The point about local payment methods is also far from minor.

MENA is a perfect example of how an economic market can actually be very fragmented when it comes to payments, so to maximize the potential of this market you really need to know what you are doing with your local payment strategy.

Bundling for a win-win scenario

Identifying strong partnership opportunities is also central to our growth strategy. At Starzplay, we strive to move beyond simple integrations to develop smarter and more meaningful relationships. For example, thanks to our deep integration with the Apple ecosystem across multiple touchpoints, we are lucky to be one of the few businesses in the region that are part of the Apple Video Partner Program, further extending our regional reach.

Service bundling is another partnership tactic we're exploring. We work with telecom companies, online retailers and F&B providers to package value-add benefits on top of our media streaming subscription. Take food delivery platforms for example. Why not let your customers enjoy their take-out in front of their favorite TV series, with a single payment that covers it all? It's a mutually beneficial set-up with an optimized and seamless payment experience for the end user. This kind of bundling which delivers smart added value to so many stakeholders optimizes the uplift which can be delivered in the digital economy.

Creating a positive brand perception to earn trust

To scale our brand up in the market, we also want to ensure it is perceived as both reliable and premium. Indeed, consumer trust is the backbone of all digital services adoption.

As a digital-only company, we want our subscribers to feel at ease when adding their payment method details to their Starzplay accounts.Secure payment processing lays the groundwork and partnership marketing can also be an incredibly effective tool in this aspect. Association with trusted, often beloved, brands is a testament to brand credibility.

Another vital component of brand perception is, of course, customer experience. We strive to maintain a truly positive connection with our audiences, minimizing customer service complexity wherever possible. Should our user want to cancel their subscription, we disconnect them. No questions asked! If you opt for a subscription model, it is a very important ethic which will really shape how your consumer perceives you. Some players we see across different industries can make it very easy for users to connect and subscribe to their services, but unsubscribing is a different story altogether. This makes consumers think twice when sharing their card details again and that's certainly not how we want our brand to be perceived.

Building digital opportunities in North Africa

Regardless of how big one's partner portfolio is, understanding differences across MENA markets cannot be underestimated. As a business, we have been GCC-focused, however, we are increasingly breaking into North Africa. Discrepancies in disposable income, propensity to pay and digital payments awareness resurface immediately. The demographic composition plays a big role too. While a big chunk of GCC's population consists of expats, in North Africa the audience is largely Arabic. A versatile regional strategy is invaluable to connecting with these new audiences.

From a payments perspective, incorporating local and preferred modes of payment is an absolute prerequisite to success here. Pricing customization follows. For example, we are planning to launch a mobile-only offer in North Africa to engage customers who consume content on their smartphones, as opposed to laptops or Smart TVs. That will naturally come at an appealing, and inclusive, price which suits the market.

Digitization to the rescue

As far as the future of our industry is concerned, digital services and payments will continue to pick up in the coming years. There may be some dark clouds on the horizon with looming recessions and sociopolitical instability but digital services have already proven to be particularly useful in difficult times, with the COVID-19 pandemic serving as a prime example. The power of digital is that it can open doors to all corners of the world. Brands can identify and reach markets that may be more resilient to headwinds. They can also iterate new business models at pace which can unlock otherwise hard-to-reach value. For that reason, I don't foresee any major headwinds in our industry - only blue skies ahead.