Analytics-Driven Transformation at Majid Al Futtaim

MNEC Group 2.2. - Third Case Study

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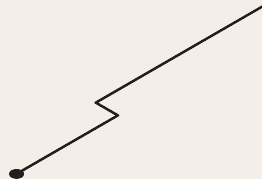Henrique Pereira

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Case Introduction

- In 2015, <u>Majid Al Futtaim (MAF)</u> was comprised of three separate operating companies: **properties** (hotels, malls, residential communities), **grocery retail** (<u>Carrefour</u>), and **lifestyle proposition ventures** (<u>VOX cinema</u>, entertainment, fashion, home, F&B, consumer finance).

- After their exponential growth, "[their] ecosystem had to add a digital layer". Their strategy was to bring the three lines of business together, identify synergies across the group and define a unified lifestyle proposition to MAF's end customer.

- A deeper understanding of customer needs across the holding was required to achieve this digitalization.

- Due to the Covid-19 lockout, internet orders increased by three times, marking an unprecedented spike in e-commerce activity, which compelled them to accelerate this process.

Problem Identification

- MAF had unprecedented growth in its customer base;

- In order to handle this growth, MAF had to begin its digital transformation;

- With the exponential growth that MAF's digital transformation generates, it may be hard to manage the number of customers, their preferences, and their loyalty;

- It is also hard to conduct a scaling of the logistics consistently with the one of their customer base and digitalization;

- **What actions should MAF take in order to keep growing without neglecting its customers' wants and needs?**

1. What was the impetus for MAF's digital transformation?

2015 New CEO and new goals

Alain Bejjani is promoted to CEO with the mission of bringing the three lines of businesses together (properties, grocery retail, and life proposition ventures), identifying synergies across the group, and defining a unified lifestyle proposition to MAF's end customer, building an ecosystem around the group.

To reach these goals, achieving a **greater understanding of customer needs** was necessary, which could only be achieved by **leveraging big data**.

2016 Digital powerhouse

With the goal of **pushing its digital transformation forward**, it has begun the process of building a digital powerhouse equal to the physical scale of the group, with data, technology, and people as the key enablers. The group built up vast datasets of its customers across several touchpoints to optimize its operations, customer retention, and decision-making.

2020 Effects of the lockdown

When the **pandemic hit**, MAF's physical sales across the region decreased, impacting many of its businesses. MAF quickly innovated, expanding its digital efforts, focusing on its online operations, and leveraging synergies across businesses to alleviate the impact of the crisis.

2.1.　How was the process for transforming MAF into a data driven, smart business?
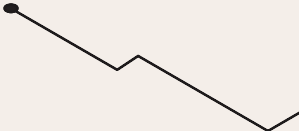
1. Building a Digital Mindset

There needs to be a clear understanding of benefits of digital transformation: Raising awareness of the importance of an omnichannel customer experience will lead to a data-driven culture around the use of insights to improve decision-making and creating novel customer value. Advanced Analytics Centre of Excellence (AACOE) was created to help transform the mindset.

2. Building a Data Lake

Datify

- Create a structure that enables data collection across the group;
- Capitalize on data that comes from the physical object as well as from external data sources;
- **Collect data** both online and in brick-and-mortar sales points to enrich the pool of data used to become smarter (loyalty programs, Wi-Fi, POS, consumer finance data,...);
- **Creative datafication**: promotions that unify campaigns across the group enable data analysis that can be used to optimize multiple OpCo.

"Software" every activity:

- Data-driven automation of the processes, e.g., assortment in Carrefour;
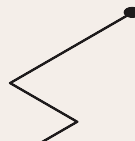- AI-driven personalized omnichannel offers.

2.1.   How was the process for transforming MAF into a data driven, smart business?

3. Building a Digital Skillset

"Starting a digital transformation requires data and a product or Machine Learning algorithms. Most importantly, you need well-prepared people and the right processes. Having a magic algorithm able to improve your supply chain or optimize product assortment is pointless if the operational teams cannot use it. The key to success is finding the right formula of how to reengineer processes based on the data."

- **Get the data flowing:** Using APIs and other interface protocols (TCP/IP) to ensure smooth interaction among software systems;

- **Apply the algorithms:** Applying machine learning to make sense of data in real time and automatically decide which data is relevant.
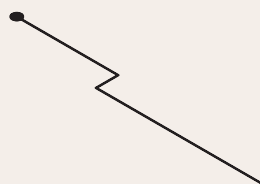
2.2. What technical and organizational challenges did MAF face, and how did it address them?

Lack of data analysis skills and data-driven culture

- Growth had been mainly physical in the past. Thus every business had to add a digital layer;
- Lack of the skills required to automate data capture and ensure its quality.

Solution:

- Advanced Analytics Centre of Excellence (AACOE) using the proof-of-concept iterative process :
  - **Data Engineers -** collecting, processing, and cleaning the data;
  - **Business intelligence -** adding information layers to the raw data;
  - **Data analysts -** testing the basic assumptions out of data and describe the business challenge;
  - **Data scientists -** advanced investigation, prediction, and recommendations.

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Managing change and scaling up transformation

1. "How to capture the value created by data analytics from a long-term strategic viewpoint?"
   - Deciding on the level of centralization of the AACOE — centralized, federated, or decentralized;
   - Division of responsibilities to drive organizational change.
2. Embracing new ways of working — **"79% of MAF's senior managers could not articulate digital KPIs".**

Solution:

- Incremental changes - "AACOE started as a tiny layer" and in 2020 was already an "ecosystem";
- Centralized model while preparing for the federated model: COE standardized the transformation process, defining specific business challenges in the form of use cases with clear KPIs and a roadmap; Opcos drove the use case implementation end-to-end;
- Use Case Process: CEO - enhanced customer experience with data analytics; COO prioritized use cases; CTO - built a team and scaled a use case; OpCo senior management approved the use case, which was given to a multidisciplinary team: BO, data engineer, data scientist, product developer, and AACOE business partner.

3. How can this transformation impact MAF's business model?

Value Proposition:

- Providing great moments in daily life by having one sense of experience across the different markets (properties, grocery retail, and life proposition venture).

Customer Relationship:

- Customer acquisition through their reputation as a company that provides a single experience across their services and that also customizes the offers for each customer;
- Customer retainment and growth by analyzing the data collected across their services, allowing the customization of offers for each customer.

Key Activities:

- Data generation, acquisition, and analysis became the primary key activities;
- E-commerce also became more relevant.

Key Resources:

- Data collected from their customers;
- "Data is becoming a stand-alone value creator."

3. How can this transformation impact MAF's business model?

- We can consider the Advanced Analytics Centre of Excellence (AACOE) as an internal company that is serving the Majid Al Futtaim group;

- From this perspective, it can be considered a combination of **Multi-source data mashup and analysis** and **Data generation and analysis**:

  - **Key data sources:** Uses data provided by the customers (e.g., their personal information), free available data (e.g., market research and competition insights), and also generates data from service tracking (e.g., purchasing trends), to predict and personalize customer services;

  - **Key activities:** Aggregation of data provided by the customer, data tracked on their several verticals, and free available data can also be used to complement the information given by the clients.

  - **Value proposition:** Uses the available data to enrich and increase the value of the group's offers.

4. What changes were particularly necessary to go beyond a data-driven towards a customer centric business model and enable an omnichannel experience to MAF's customers, particularly in Carrefour?

- **Straighten capabilities:** improve analytical capabilities to understand customer interests, needs and optimize stock to meet demand in each specific store;

- **Make storage experience unforgettable:** make stores <u>experience-centric</u>. For that, optimize a product range that fits the tastes - "catering to ethnic needs of the diverse population"; and make stores more engaging to increase sales (through seasonal promotions and personalized offerings and by leveraging online and offline data to provide an integrated experience);

- **Accompany customers on their journey:** <u>go beyond the purchase</u> and the physical presence - use transactional data across channels and loyalty information to recommend related products and offer personalized promotions;

- **Strengthen the "retail brain" in stores and anticipate future demand:** <u>prioritize efficiency</u> in-store by leveraging machine learning tools to help people do their jobs: automated data dashboards and reports; machine-enhanced human decision-making; automation of predictive actions with AI;

- **Measure the impact of changes:** through <u>loyalty</u>, assess switching behavior and customer expenses pre and post assortment - quantify the impact before making decisions.

5.1 What opportunities and risks does MAF's digital transformation entail?

Opportunities	Risks
• Increase revenue by applying data analytics;	• Need for consistent scaling of logistics to keep up with growing customer base and digital development;
• Enhance human decision-making (seller-side);	• Harder reskilling of employees to adapt to fulfillment centers after the pandemic;
• Improve customer experience through use case analysis (client-side);	• Short time frame to apply the transformation stages.
• Create more cross-experience loyalty and revenue through the association of products/values.	

5.2 In the post-pandemic world, how can MAF further leverage its data capabilities to unlock new sources of growth? What would you recommend?

Create a one-stop-shop encompassing all its experiences

- This will help raise awareness of the extent of depth and breadth of the rewards and loyalty programs and improve customer experience.

- Data shows that 84% of customers say they're more likely to stick with a brand that offers a loyalty program, and 66% of customers say the ability to earn rewards changes their spending behavior.

- Loyalty data-enabled customer tracking: Data provides insights into customers' purchase frequencies, demographics, interests, and behavioral patterns.

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Leverage further data from both online and offline behavior

MAF can identify multiple analytics use cases to improve the customer experience (e.g., personalized offers and customer immersion) as well as improve existing businesses (e.g., operating efficiency) and generate new business offerings.

Reduce seller multi-homing tendencies

Avoid a situation where users use several competing platform services in parallel by providing discounts or negotiating exclusivity agreements when applicable (e.g., smaller brands).

Providing a value-add service: data analysis reports based on transactions in their stores and aggregated high-level demand in the region.

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Expanding into new verticals

Pursue diversification opportunities that complement its existing businesses, for example, food manufacturing, vertical farming, fintech, and wellness and lifestyle.

Keep leveraging the ecosystem: bring together disparate businesses and capabilities to develop new products and services.

Leverage its existing geographical footprint to grow geographically

MAF can collect the learnings from the United Arab Emirates market and expand to other regions in the Middle East and North Africa region (without neglecting each of their markets in the detriment of the global one). This way, they can expand their ecosystem and their influence.