



ISRAEL 2022

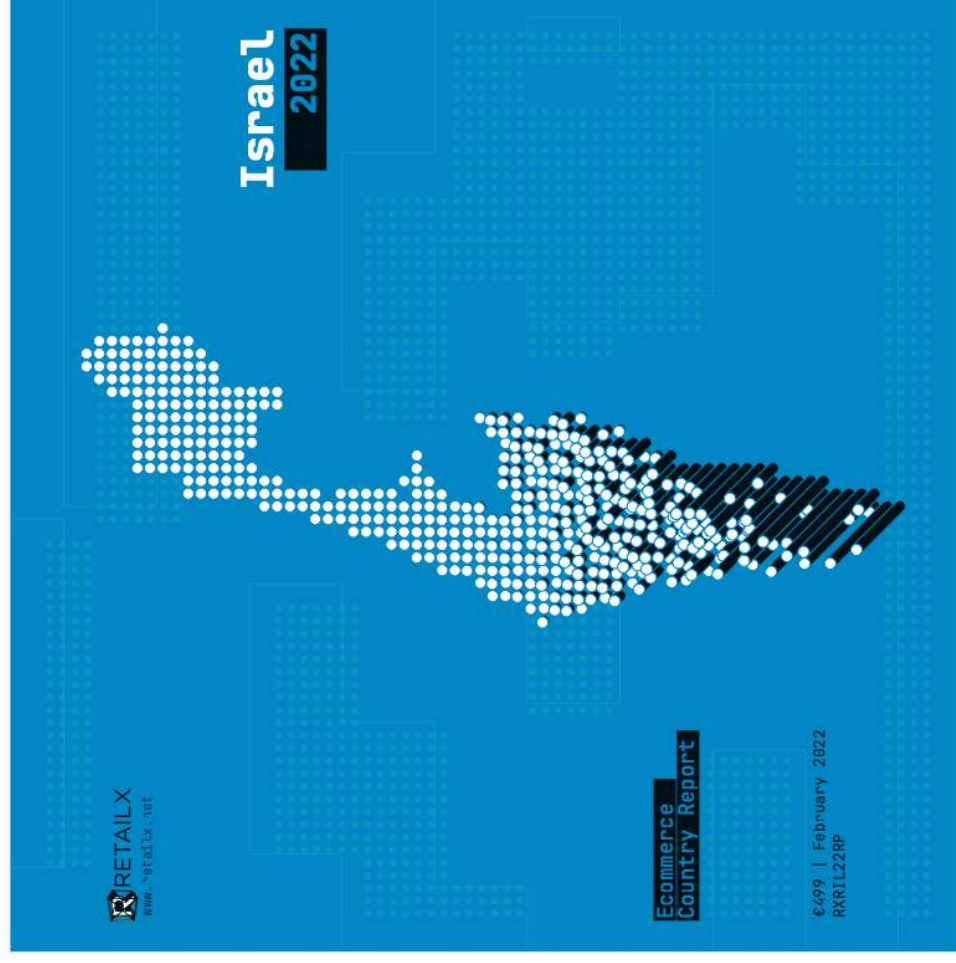
Ecommerce Country Report

In partnership with



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Introduction



Welcome to the *RetailX Israel Ecommerce Country Report*. While we have been building on our work analysing ecommerce and multichannel retail in the Middle East, this is the first time we have looked in detail at a country that is a world leader in so many digital technologies.

It has been a fascinating process. **A big surprise as an outsider looking in has been to see the degree to which foreign retailers exert such a big influence on the Israeli market.** In particular, amazon.com is the leading online retailer in Israel, a country where consumers are happy to purchase cross-border.

This is not to say Israeli consumers simply press the buy button on just any site. Precisely because they purchase from foreign-based companies so often, **Israeli customers want to understand clearly just how much it will cost for an item to be shipped to them.** They also want to know what it will potentially cost to return to an item and they want to know how long it will take to arrive.

In short, Israeli consumers are sophisticated and their behaviour is as you would expect from citizens of an

advanced economy. Or focusing in, citizens of an advanced metropolis in many cases because Israel's commercial centre, Tel Aviv, is a truly international city, a world leader in technology startups. Which of course also means its residents are world leaders in not being patient, fertile ground for those that can, for example, make same-day delivery offerings work efficiently.

There is plenty of scope to grow ecommerce in Israel. Compared to Western Europe and the USA, comparatively few consumers shop online regularly, although the Covid-19 pandemic resulted in many consumers buying online for the first time.

For those who want to know more about potential business opportunities in Israel, the following pages offer a primer. As well as the big picture – data on GDP and online expenditure – we also focus in on retailers and technology companies to give a flavour of the country.

As ever, we welcome your feedback and comments, on this report as well as on the wider regions and topics we cover.

Ian Jindal, CEO, RetailX

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Country profile

Israel is a democracy that faces huge geopolitical challenges. In economic terms, it's notable for investing in R&D

A comparatively young nation, Israel was established in the wake of the Second World War. On 14 May 1948, David Ben-Gurion, who became the country's first prime minister, speaking at the Tel Aviv Museum, made the Declaration of the Establishment of the State of Israel^[1]. On the same day, the USA, still Israel's most important ally, *de facto* recognised the new state.

These events took place against a backdrop of civil war between the Jewish and Muslim populations of British-administered Mandatory Palestine. To a greater or lesser extent ever since, Israel's relations with its immediate neighbours, including those living in the *de jure* State of Palestine, have been tense.

For all it has sometimes existed for long periods on a quasi-war footing, Israel is both a liberal democracy – albeit one where the government changes regularly as coalitions form and dissolve – and an advanced economy. Its economy is particularly strong in terms of expenditure on research and development. **According to OECD figures, Israel spent 4.9% of its GDP PPP on R&D in 2019**^[2]. The

equivalent figures for the USA and Germany were 3.2% and 3.1%. This has helped to create an enviable situation where **Israel attracts international investment precisely because of the country's reputation for funding both startups and new technologies** – so much so that its coastal plain has been dubbed 'Silicon Wadi'.

The country's government is based in Jerusalem, although the city's status is disputed, with both Israel and Palestine claiming the city as a capital. While Donald Trump recognised Jerusalem as Israel's capital in December 2017^[3], many nations instead maintain embassies in Tel Aviv, the country's technological and economic centre. The city also attracts millions of tourists every year, drawn by its beaches, vibrant nightlife and culture^[4].

Israel became a full member of the OECD in September 2010. As well as its high-value technology sector, Israel is an international centre for banking and finance. Its agricultural sector makes it self-sufficient in many staples. However, **the country may face economic challenges down the line.** For all its success in attracting international



Israel

Area: 22,072 km²
Capital: Jerusalem
Currency: New shekel (ILS)
Official language: Hebrew
Other languages spoken: Arabic
Ethnicity: Israeli
Government: Unitary parliamentary republic
VAT: 17% Reduced VAT: 7.5%

investment, and for all that Israel's workforce is in great part highly educated, Israel has often proved less successful in building multinational companies that go on to lead their sectors in the years ahead.

[1] <https://israeled.org/resources/documents/israel-declaration-independence/>
 [2] <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>
 [3] www.bbc.co.uk/news/world-middle-east-4246564
 [4] <https://visit.tel-aviv.gov.il>

Israel in context

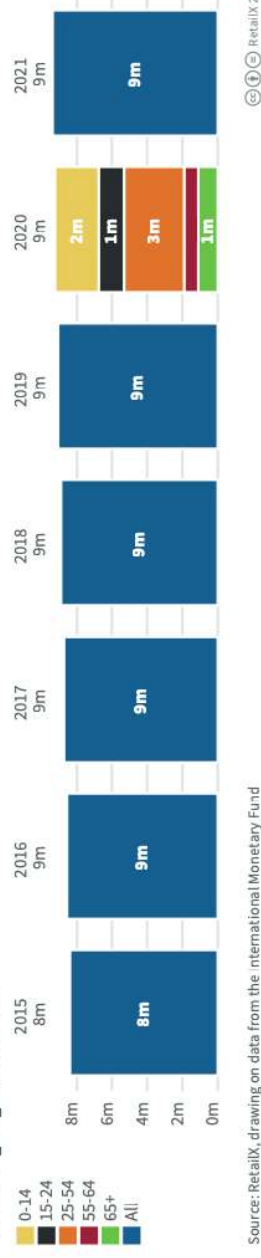
One of the most developed nations in the Middle East, Israel is a global hub for high-tech and digital-tech companies

A developed free-market economy, Israel is ranked 35th in the World Bank's Ease of Doing Business index^[1]. Major sectors include high-value industrial manufacturing and technology. **After the USA and China, Israel has the third-largest number of companies listed on the Nasdaq stock market.**

Its strength in digital technologies is reflected in the number of international companies that have opened research and development facilities in the country, including Intel, Microsoft, Apple, IBM, Google, Facebook and Cisco Systems. **Israel has a particularly strong cybersecurity sector.** According to the Israel National Cyber Directorate, in the first half of 2021, the country's cybersecurity companies raised \$3.4bn in 50 deals^[2], with seven of these businesses becoming unicorns – private companies valued at more than \$1bn.

As you would expect of an economy ranked as advanced by the IMF^[3], Israel has a highly educated workforce. More unusual in terms of its development in the years ahead,

Total population



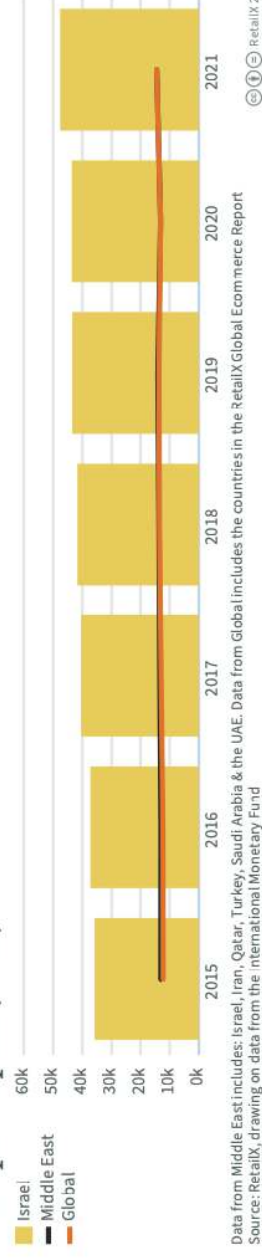
Source: RetailX, drawing on data from the International Monetary Fund

Population growth



Source: RetailX, drawing on data from the International Monetary Fund

GDP per capita (USD)



Data from Middle East includes: Israel, Iran, Qatar, Turkey, Saudi Arabia & the UAE. Data from Global includes the countries in the RetailX Global Ecommerce Report. Source: RetailX, drawing on data from the International Monetary Fund

Israel's population growth is relatively high at 1.7% (as against an average of 0.8% in the countries RetailX tracks for our annual Global Ecommerce Report). **The country has the highest birth rate in the OECD by a considerable margin**, a figure exceeding three children per woman^[4].

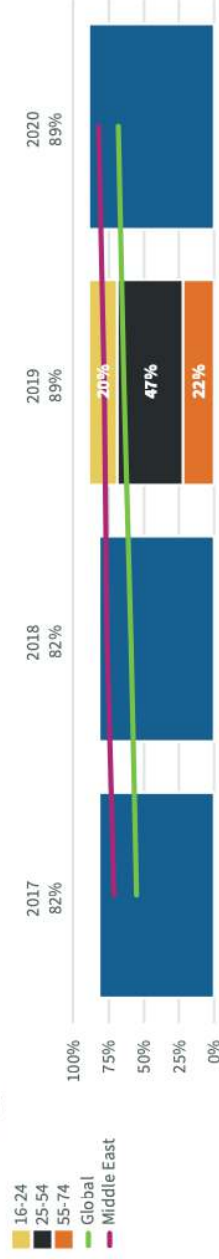
It's also a multicultural and multilingual state. This is not just because of its substantial non-Jewish Arab minority but because of immigration from around the world. Russian, for example, is widely spoken, although **Hebrew and English are the only mandatory languages taught within the Israeli school system**.

In recent years, the B2C ecommerce market has been growing. It is estimated this will be worth \$6.5bn in 2021^[5], in part a reflection of the country's high GDP per capita, which is projected to exceed US\$47k in 2021. **Fashion is the largest sector in the market, with a projected market volume of US\$1.9bn in 2021.**

The biggest company in the market in 2020 was amazon.com, with revenues of \$195m^[6]. Other popular ecommerce sites include the Chinese fast-fashion firm shein.com and ksp.co.il, an Israeli multi-category retailer. Between them, these three stores accounted for 10% of online revenue in Israel.

The international spread of these three companies is evidence of the sophistication of Israel's online shoppers

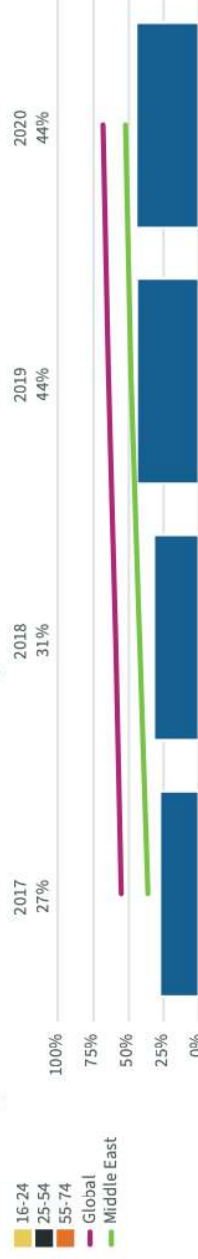
Percentage of internet users



Source: RetailX, drawing on data from Statista

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Percentage of internet users who shop online



Data from Middle East includes: Israel, Iran, Qatar, Turkey, Saudi Arabia & the UAE. Data from Global includes the countries in the RetailX Global Ecommerce Report

Source: RetailX, drawing on data from Statista

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but it is worth noting that **although 89% of Israel's population is online, just 44% of these users shopped online in 2020**. Anecdotally, there appears to have been reluctance to adopt ecommerce because Israelis tend to enjoy the social aspects of shopping and the postal service was perceived as unreliable^[7].

In July 2018, the Israeli parliament passed legislation that characterised the country as primarily a "Nation State of

the Jewish People"^[8]. It has a long history of tension and conflict with its neighbours. The Israeli-Palestinian conflict, which has now gone on for more than half a century, seems far from ever being resolved.

[1] www.doingbusiness.org/en/rankings
 [2] www.unicef.org/data-visualisation/data-visualisation/4rms-ncr-3-4b-4-1-of-global-sector-investment/
 [3] www.informal.org/external-policy/2018/02/wood-aka-group-s-hmre
 [4] data.secd.org/pop/fertility-rates.htm
 [5] www.statista.com/outlook/digital-commerce/israel
 [6] ecommerceb.com/en/markets/il/il
 [7] www.post.com/israel/news/coronavirus-forced-israelis-to-adopt-e-commerce-faster-554354
 [8] www.bbc.co.uk/news/world-middle-east-44881554



Easy international shipping for eCommerce retailers

We take the complexity out of cross border eCommerce. Combining cutting-edge technology, a range of global delivery options and a network of final-mile delivery partners, we deliver everywhere you sell.

Start delivering with
Pro Carrier Plus

weareprocarrier.com



✓ Instant integration with
your shopping cart

✓ Customs validation and
screening

✓ Local language shipping
updates for your customers

✓ One label for all parcels

✓ Easily update shipping
information on the fly

✓ Multiple delivery options
and final mile carriers

Expert insight



Guy Fischer

Bringing more than 30 years of experience to his role as managing director of Pro Carrier, Guy is highly respected within the mail and parcels industry. His passion lies in providing excellence in cross-border shipping solutions, making the international shipping experience as simple and effective as that for domestic deliveries

What trends are you seeing within Israeli ecommerce?

Since Covid-19, Israel has led the way for ecommerce developments in the Middle East and the country's digital transformation efforts are set to escalate. Fashion, footwear and apparel are all seeing exponential growth, demonstrated by the market's largest segment, women's apparel, with an estimated market volume of \$2.3bn in 2021. That's up from \$1.8bn in 2020, an increase of 26%. When physical stores were closed, online – specifically, mcommerce – became the primary channel used across Israel, reflective of the retail landscape worldwide.

What is important to Israeli consumers with ecommerce delivery?

Any shopping experience needs to feel local and familiar. At no point should consumers feel friction as they go through the purchase journey. Interestingly, consumers in Israel make highly considered purchases, with more than 65% of online shoppers saying they undertake detailed research.

Consumers today want to browse in their own language, view prices in currencies of their choice and clearly understand the final cost, with no surprises in the form of unexpected charges, whether at the checkout or at the point of delivery.

From a delivery perspective, orders should arrive within the time-frame stated and communication should be consistent with the buyer. Predictability is key. Consumers should also be able to return an item seamlessly when needed, while receiving a full, fast refund.

What delivery methods do Israeli consumers prefer?

Ecommerce consumers now see themselves as service-users. They place an increasing emphasis on flexibility and communication from the supplier. By choosing an exact delivery date or delivery location, the consumer has come to expect a higher level of predictability. PUDO (Pick Up, Drop Off) delivery within the country is gaining in popularity, while receiving at home and PO Box delivery also remain common options.

Is Israel an attractive market to ecommerce sellers?

As our world becomes increasingly connected, cross-border ecommerce will become the norm for shoppers across the world. When we analysed the opportunities in Israel, we saw some interesting data points arise.

Israeli ecommerce users are predicted to rise to 5.2m by 2025 – up from nearly 4m in 2021. Total ecommerce revenues are set to rise 48.3% to \$12bn in 2025 – up from \$7.1bn in 2021 and \$8.1bn in 2022. Combine this with the country's relatively high wages, low unemployment and the fact that 73% of online shoppers are most interested in spending their disposable income on buying clothing, footwear, consumer electronics, household appliances and cosmetics, Israel becomes a very promising destination for UK ecommerce retailers.



Pro Carrier provides innovative and effective shipping solutions for ecommerce retailers looking to grow their presence internationally. Some of the UK's best-known high-street names trust Pro Carrier to help gain access to emerging markets and remove the complexities traditionally associated with cross-border commerce to ship their brands worldwide weareprocarrier.com

Market overview: international indices

The level of development of different economies is shown in several international indices, which we track as part of RetailX research. These are:

- **Logistics Performance Index^[1]**
- **Ease of Doing Business Index^[2]**
- **E-Government Development Index^[3]**
- **2IPD^[4]**
- **Internet Inclusive Index^[5]**

Across all indices, Israel is in the top quartile. This reflects its status not just as an advanced economy, but a country that has invested in digital technologies. More surprising is that, beyond placing eighth globally in 'affordability', a sub-index of the Internet Inclusive Index, **Israel does not make the top 10 in any of these indices**. In contrast, countries such as Singapore, New Zealand, Sweden, the UK and the USA all feature in the top 10 of more than one index.

This suggests that while overall Israel's economic performance and development are strong, there is **scope to do better in relation to its competitors**. It will be intriguing to see whether Israel continues to maintain its high levels of inward investment in the digital sector, or

whether some of this money will find its way to nations in the region such as Qatar, which are promoting new technologies as a way to transition into a post-carbon age.

Indices

Definition

Logistics Performance Index (2018)

LPI measures performance along the logistics supply chain within a country

Global Rank
27 /160

Ease of Doing Business Index (2020)

A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm

35 /190

E-Government Development Index (2020)

The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services

30 /193

Integrated Index for Postal Development (2IPD) (2021)

2IPD is a comparative indicator of postal development around the world which built on four pillars: reliability, reach, relevance and resilience

32 /168

Internet Inclusive Index (2021)

Availability

Quality and breadth of available infrastructure required for access and levels of internet usage

35 /120

Affordability

Cost of access relative to income and the level of competition in the internet marketplace

8 /120

Relevance

Existence and extent of local language content and relevant content

26 /120

Readiness

Capacity to access the internet, including skills, cultural acceptance and supporting policy

38 /120

Overall Internet Inclusive Index

18 /120

KEY: ■ Top quartile ■ Second quartile ■ Third quartile ■ Bottom quartile

[1] <https://lpi.worldbank.org>
[2] www.doi.gov/business.org/en/doingbusiness
[3] <https://publicadministration.un.org/egovkb/en-us/About/Overview/E-Government-Development-Index>
[4] [www.upu.int/en/Universal-Postal-Union/Activities/Research-Publications/Integrated-Index-for-Postal-Development-\(2IPD\)](http://www.upu.int/en/Universal-Postal-Union/Activities/Research-Publications/Integrated-Index-for-Postal-Development-(2IPD))
[5] <https://theinclusivinternet.net.edu.com>

Payment choices

While Israeli consumers favour credit cards, they are open to newer forms of payment when shopping online

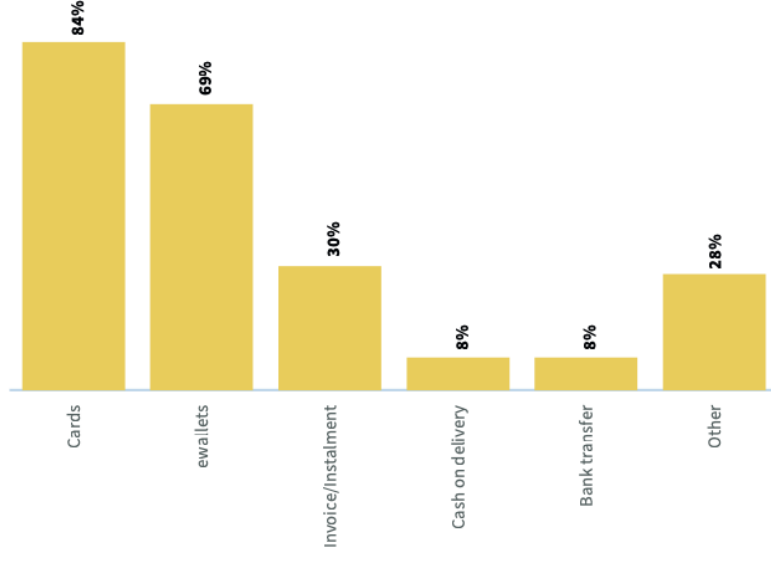
The payment choices offered by retailers are becoming more and more similar across different territories.

Seen in this light, it's no surprise to see that the payment method most commonly offered by the Leading 100 Israeli retailers, is payment by card, with **Visa and MasterCard clear leaders in the market.**

Yet this is a market with its own idiosyncrasies. While 84% of the Leading 100 offer card payments, the equivalent figure in most comparable advanced economies is higher (although the figure here may be skewed by data availability). Conversely, **the 69% of retailers that offer payment by ewallet is comparatively high**, evidence in part of a nation where many people shop via mcommerce.

The third-most popular method of payment offered is payment via invoice or instalment, which suggests that **new kinds of credit offerings and alternative payment methods are gaining traction.** That a small but significant percentage of retailers offer cash on delivery (8%) and bank transfer (8%) as payment methods suggests that

Payment methods offered by leading Israeli online stores, 2021



Source: RetailIX, drawing on data from EcommerceDB

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some Israeli consumers are still cautious about using credit, a conservatism that chimes with the relatively low numbers shopping via ecommerce (see page 5) when compared with the numbers online.

There are a number of companies offering services in the payment sphere in Israel. Isracard is the country's leading credit card company, with a history dating back more than four decades. It describes itself as, "The only company providing issuing and acquiring services for merchants to all four of the country's major credit card brands: American Express, MasterCard, Isracard and Visa."^[1] Reflecting Israel's strong startup culture, there are also newer companies, such as Zozz, acquired in 2018 by PayU.^[2] This is a company that enables merchants to link back-office functions to global payment systems.

What both of these very different companies – one with historic roots in the traditional banking sector, the other that has grown in parallel with the recent fintech boom – reveal in their different ways is the sophistication of the Israeli payments market. Seen in this light, the willingness of Israelis to adopt new payment methods is unsurprising and suggests that **retailers targeting the market need closely to monitor changes in consumer behaviour**, such as those that occurred during the pandemic, when many Israelis shopped online for the first time.

[1] <https://linkedin.com/company/isracard>

[2] <https://techcrunch.com/2018/07/22/payu-acquires-zozz-to-take-on-international-payment-services/>

Delivery options

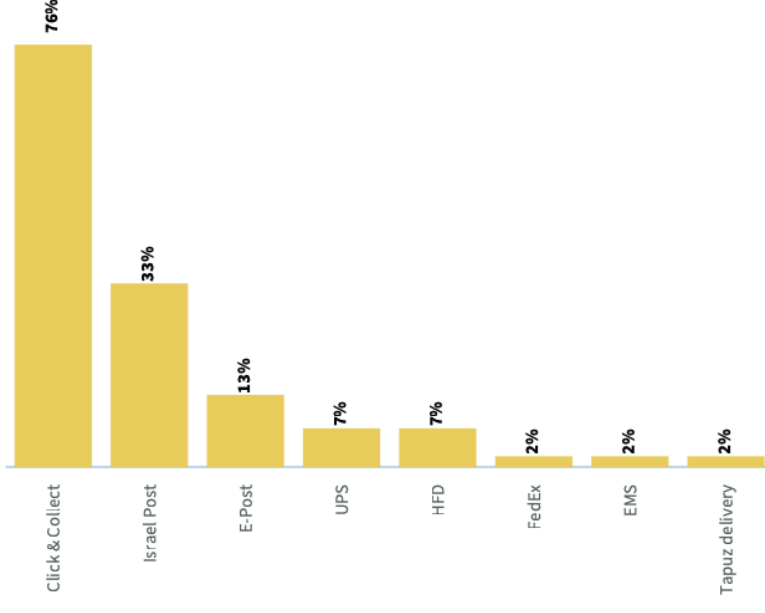
Many Israeli customers favour click-and-collect services and lockers when they collect ecommerce orders

One of the recurring themes when it comes to ecommerce and Israel is the idea that Israeli consumers value being able to shop in person. Seen in this context, it is perhaps revealing that click and collect is offered by 76% of leading retailers in the country.

Looking beyond this – and we should add the caveat that research does not always reveal which retailer works with which specific carrier, hence the low percentages here – **Israel Post is the delivery service offered most frequently by online retailers**. This is hardly surprising considering Israel Post is the national carrier.^[1] It is also an organisation in the midst of change. At the end of 2021, Israel's communications minister, Yoaz Hendel, announced plans to privatise the organisation that has regularly come top, or near to the top, of the list of the country's most complained about agencies.^[2]

Other carriers are also taking market share in Israel, including companies with innovative offerings. **E-Post is a click-and-collect service that “enables ecommerce**

Shipping/collection methods offered by leading Israeli online stores, 2020



Source: Retailix, drawing on data from EcommerceDB

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customers to get or return shipments via automated lockers”. The lockers are typically deployed close to local shops so as to be convenient for consumers.^[3]

Israeli retailers also use other fulfilment specialists, including such familiar names as UPS, DHL and Federal Express – companies that operate across the globe.

Looking ahead and thinking about how fulfilment may develop, **among Israel’s ‘unicorn’ startups with a value of more than \$1bn, there is Fabric, a company that specialises in “micro-fulfilment”**.^[4] Through a combination of local facilities, robotics and software, Fabric (see page 25) enables its customers, supermarkets and other retailers, to offer same-day deliveries in a cost-effective manner. Fabric already operates in New York, Washington DC and Tel Aviv. It is no coincidence these are densely populated and wealthy cities where many people are comparatively wealthy and lead busy lives. Indeed, Tel Aviv was recently ranked as the most expensive city in the world by the Economist Intelligence Unit.^[5]

NoCamel, the website covering the Israeli tech sector, predicts Israeli companies will drive “Supply chain logistics and delivery innovations” in 2022.^[6]

[1] <https://services.israelpost.co.il/hpcontent.nsf/EntryHomePage?ReadForm&L=EN>
 [2] www.israelhagom.com/2021/12/30/israel-post-faces-far-reaching-reforms-including-full-privatization/
 [3] www.e-post.co.il/wp-content/uploads/2017/01/epost_english.pdf
 [4] <https://getfabric.com>
 [5] www.eiu.com/n/campaigns/worldwide-cost-of-living-2021/
 [6] <https://nocamel.com/2021/12/tech-trends-impact-2022/>

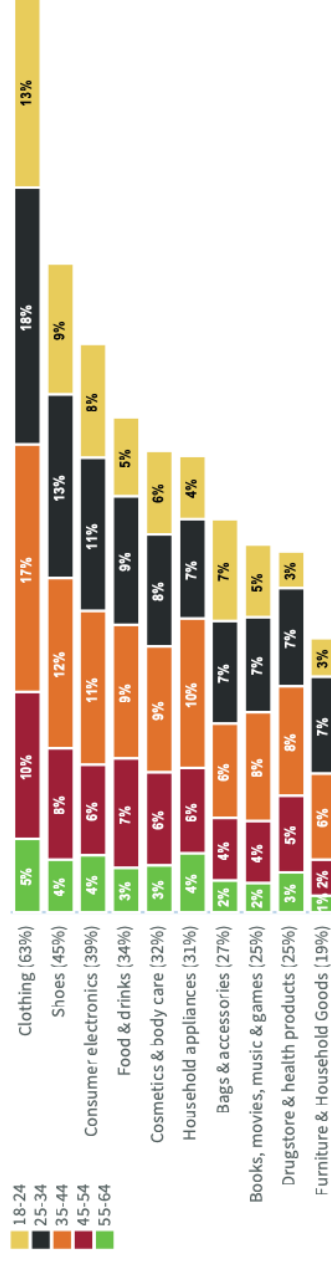
What are consumers buying online?

Israelis' online purchases reflect the country's advanced economy and the rise in popularity of ecommerce

When they are shopping online, Israeli shoppers are most likely to buy clothing, shoes or consumer electronics. **According to a 2021 consumer survey, 63% of Israelis said they had purchased clothing online, 45% had bought shoes and 39% bought consumer electronics.** The next-most popular purchase categories were food and drink (34%), cosmetics and body care products (32%) and household appliances (31%).

These figures are broadly what you would expect in an advanced economy. In the United Kingdom, for example, the equivalent figures for clothing, shoes and consumer electronics are, respectively, 63%, 46% and 37%. This is not to say that all the numbers are so consistent. **Britons, for example, are far more likely than their Israeli counterparts to shop online for food and drink – 39%, compared to 34% of respondents in Israel.** This figure may in part be rooted in the way British supermarkets have invested in their ecommerce offerings.

Most popular goods purchased online in Israel by age group, 2021



Note: The percentage of total respondents for each category is shown in parentheses
Source: Retailix, drawing on data from Statista Global Consumer Survey

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For all that Israelis are cautious about shopping online, **the 2021 numbers reflect the steady growth in ecommerce in the country.** In 2020, for example, 57% of Israelis said they had bought clothing online. Turning to food and drink, the figure was 25%. Part of this increase can be attributed to pandemic-driven changes in behaviour.

As you would expect, different age groups are more likely to buy certain products online. When it comes to the 19% of Israelis who said they bought furniture and household goods online in 2021, for instance, 35% of these shoppers were aged between 25 and 34, while 31% were aged between 35 and 44. In other words, they belonged to

cohorts likely to be setting up home and in need of items that most of us buy, at best, infrequently. As for middle-aged shoppers, **of the 31% who had bought household appliances online, 13% were aged between 45 and 54.** Kettles and toasters, it appears, are not purchases that last a lifetime.

There are definite divisions by gender within the figures. Men are much more likely to buy consumer electronics online (the split is 65% male/35% female in this category). In contrast, it's women who buy bags and accessories. Of the 27% who said they had bought items online in this category, 73% were female.

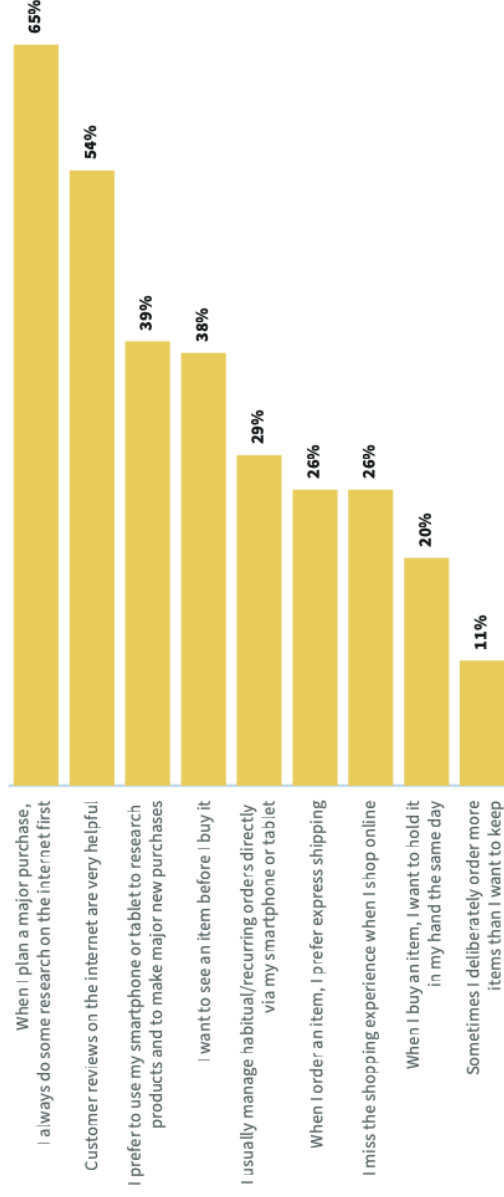
Consumer preferences

Israeli consumers do their research before buying major items and are comfortable with the idea of mcommerce

When they are shopping online for major purchases, consumers in Israel take their time. **According to consumer research, 65% of Israelis surveyed said they conducted research online when buying more expensive items.** Israeli consumers are most likely to conduct this kind of online research when investing in products in categories such as consumer electronics and household appliances. Many of these customers also value other consumers' perspectives, with 54% saying they found customer reviews to be useful.

These are the kinds of figures we would expect to see in an advanced economy but in other respects, **Israel is something of an outlier when it comes to consumer attitudes.** Firstly, there are the 38% of Israelis who said they like to see items prior to purchase. This is a higher figure than in comparable advanced economies by as much as c10 percentage points, probably reflecting how swathes of Israeli society still prefer to shop in person.

Online shopping attitudes in Israel, 2021



Source: Statista Global Consumer Survey

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The second outlying figure is rooted in Israel becoming a mobile-first country in ecommerce terms. This is reflected in the 29% of Israelis who say they “usually manage habitual/recurring orders” via smartphone or tablet. This figure is higher than in comparable countries and perhaps suggests that Israeli consumers are happy to use mcommerce for day-to-day purchases, as opposed to discretionary ‘fun’ purchases.

Elsewhere, research reveals that a sizeable percentage of Israeli consumers can be impatient. According to consumer research, **speed of delivery was a factor in 50% of online purchases in 2021.** In contrast, the same figure for free or discounted shipping was 27%. It would be intriguing to break down these figures geographically. With Tel Aviv recently crowned as the most expensive city in the world, it seems reasonable to suggest that it may now represent

just the kind of globalised city where comparatively wealthy consumers do not take kindly to waiting even two or three days for an item to arrive.

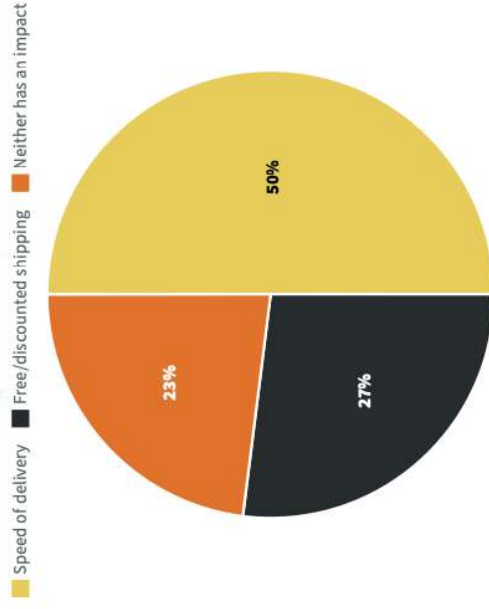
In terms of the devices that consumers in Israel use for online shopping, **53% of Israelis surveyed said they used a desktop PC when purchasing item online**. Mobile accounted for 35% of the figure.

It will be intriguing to see how much consumer behaviour changes in 2022. In recent months, much of the focus on the Israeli economy from outside has been on how its rapid roll-out of vaccines – driven initially by a deal to swap vaccines for patient data^[1] – enabled the country's economy to weather the pandemic.

But events move on. Just like other countries around the world, Israel is now facing economic volatility in the wake of Covid-19. One feature of the global economy getting back to 'normal' has been spikes in demand and associated spikes in costs too.

In Israel, there is currently disquiet over rises in energy prices and food prices. In addition to those who are less well off, **sections of the middle class are starting to feel financial strain**, according to recent news reports in *The Jerusalem Post*.^[2] Already, Israel has its own 'Yellow Vests' protest movement, whose leaders accuse the government of paying insufficient attention to cost-of-living issues.

Delivery speed and shipping cost influence on purchase, 2021



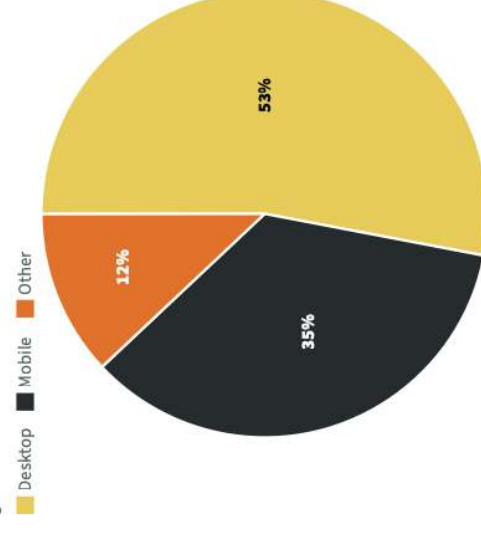
Source: RetailIX, drawing on data from Statista, Outbrain

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Turning directly to ecommerce, this kind of volatility in pricing and availability may impact on purchase patterns. **Israeli consumers have long been happy to shop cross-border**, especially from Chinese and US retailers. If Israeli consumers think they can get better prices by shopping with foreign-based retailers and marketplaces (a subject we cover in more detail on page 22), research suggests they will do so. There's no reason to suppose

Devices usage for shopping online, 2021

What type of device do you prefer to use when purchasing products online?



Source: RetailIX, drawing on data from Outbrain

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that newer shoppers, those drawn to ecommerce during the pandemic, will ultimately be more cautious about shopping cross-border. This may open up new opportunities for those selling from outside Israel.

[1] www.healthcareitnews.com/news/lema/israel-share-data-pfizer-exchange-covid-19-vaccine-doses
 [2] www.jpost.com/israel-news/politics-and-diplomacy/article-656466

Israeli retail and social media

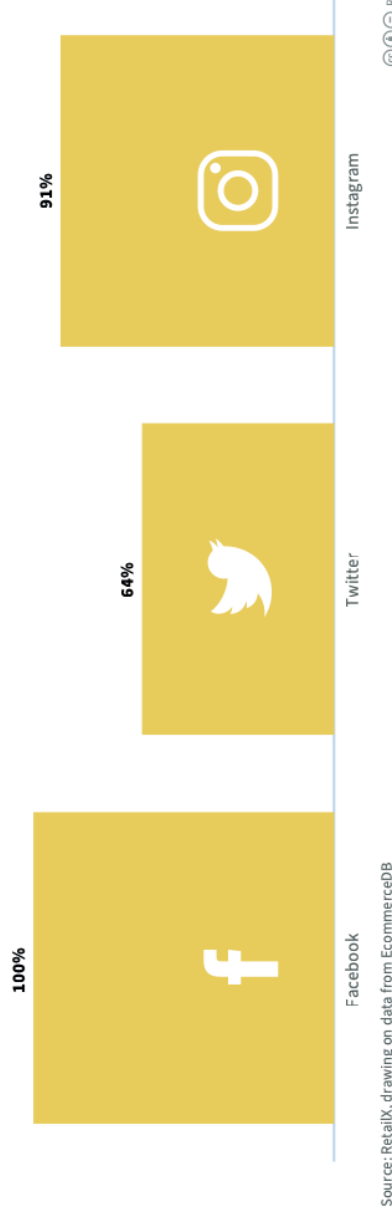
While Facebook is the social media platform of choice for leading Israeli retailers, that may soon change

Not least because of the rise of live-streaming and shoppable content, social media is becoming increasingly important within ecommerce. But unless a retailer is trying to reach younger consumers, using social media effectively is not primarily about being on the cutting edge, it's about having a presence on the networks used by consumers.

It's therefore not surprising that **leading retailers in Israel all use Facebook**. Instagram, which has been gaining ground within recent years, is used by 91% of Israeli retailers while Twitter, where the equivalent figure is 64%, is less popular among leading Israeli retailers.

Drilling down into these figures, different sectors use Twitter more than other sectors. For example, in 2020, according to ecommerceDB, **54% of leading retailers in the food and personal care sector used Twitter**. The equivalent figure for the electronics and media sector was

Share of Israeli stores that use social media networks, 2020



Source: RetailX, drawing on data from EcommerceDB

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50%, and 46% within the fashion sector. In contrast, this was a channel used by just 17% of leading retailers selling furniture and appliances and a fifth of retailers in the toys, hobby and DIY sectors.

How quickly will social commerce develop within Israel? Already, **there is a lively social marketing sector in the country**, represented by a company such as yellowHEAD, an "AI-powered performance marketing company" that has grown quickly since being founded in 2013.^[1] As the use of ecommerce grows in the country, so too will the sector.

Looking further ahead, early January 2022 brought a report that the Israeli Metaverse Community had held

its first official meeting,^[2] with 120 developers, ranging from entrepreneurs to academics and those working in the public sector, in attendance. It is early days here but Israel has a strong record in attracting inward investment, meaning it will be well placed if Mark Zuckerberg's bet on virtual reality proves to be the correct call.

[1] www.yellowhead.com

[2] www.jpost.com/business-and-innovation/tech/article-693416

Black Friday and beyond

The idea of a November discount season has come to Israel, with consumers now expecting to be offered discounts

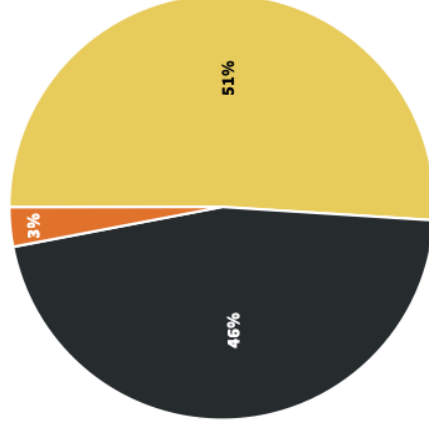
While reliable figures for holiday season expenditure in Israel had yet to be published as this report went to press, it is clear that **Israeli consumers increasingly expect to be offered discounts in November**. On the eve of Black Friday and writing in *The Jerusalem Post*, the hype was such that contributing editor Herb Keinson was moved to ask whether Israelis could “manage” Black Friday.^[1]

If spending is a mark of managing – and one of Keinson’s central points is that, “Black Friday fits into Israel about as much as Cinco de Mayo, Juneteenth or even Thanksgiving”, so he is clearly using other yardsticks – Israelis appear to be doing fine with the idea of importing an increasingly international discount day.

According to credit card processor Automated Bank Services, Israelis spent NIS 745m (\$220m) between 8am and 2pm on Black Friday. This represented an increase of 22% on the same period in 2020.^[2]

Channels that were expected to be used during Black Friday/Cyber Weekend, 2021

Online & In-store ■ Online only ■ In-store only



Source: RetailIX, drawing on data from Statista, Outbrain

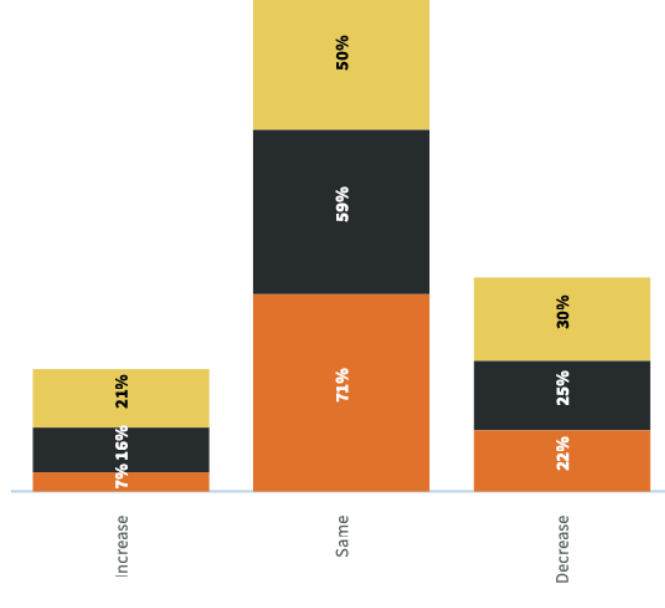
© 2022 RetailIX 2022

So what is drawing Israeli consumers to the idea of new discount days? In part, this is simply about brand recognition of the idea of Black Friday. For all that columnists might have fun with the idea of importing ideas that do not immediately make sense in a local context, **retail is an international business. This is especially true in Israel** where amazon.com is the biggest online retailer. If consumers elsewhere are getting discounts, it follows that Israeli consumers expect discounts too.

Spending forecast about shopping online in the shopping season, by age group, 2021

Thinking about shopping in the upcoming shopping season, which of the following best describes your spending plans?

18-35 ■ 36-55 ■ 56+



Source: RetailIX, drawing on data from Outbrain

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Having said all this, Israel's Black Friday 2021 was an event that came presaged with the idea that consumers elsewhere may be growing weary of the event. As it has grown in popularity, so have the number of buyer-beware articles reminding consumers to be wary and search for genuine bargains. Such warnings came against a backdrop of retailers' margins squeezed by the effects of the pandemic and pressures in global supply chains, leading them to offer lower discounts than in previous years.

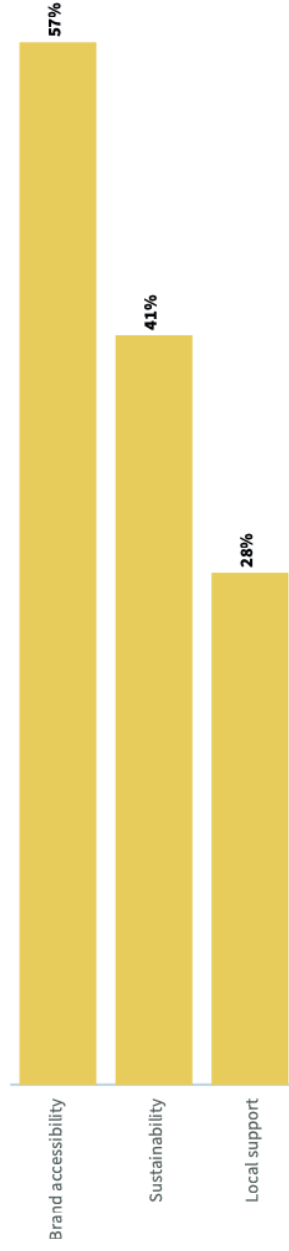
Within this changing business landscape, it's intriguing to look at the factors that may make consumers interested in buying from particular retailers. **Research suggests that those retailers demonstrating a commitment to sustainability and localism may attract more customers, even at times of year when discounts are the order of the day.**

Finally, it's worth noting that customers still value clear information, quality and affordability when shopping on Black Friday. This is hardly surprising. It is one of the truisms of retail that **consumers hate it if they think they have made the 'wrong' choice**. Retailers can discount an item heavily but if the product is one that leaves consumers dissatisfied with their purchase, they may think twice about shopping with that retailer again.

[1] www.jpost.com/opinion/black-friday-has-come-to-israel-can-israelis-manage-687030
 [2] www.timesofisrael.com/israelis-spend-220-million-within-6-hours-on-black-friday/

Brand values that encouraged consumers to make online purchases on Black Friday/Cyber Monday, 2021

Which of the following brand values would encourage you to make a purchase with a brand for Black Friday/Cyber Weekend?



Source: RetailIX, drawing on data from Outbrain

© RetailIX 2022

Consumer expectations regarding online shopping on Black Friday, 2021

How much do you agree or disagree with each of the following statements regarding shopping on Black Friday?



Source: RetailIX, drawing on data from Outbrain

© RetailIX 2022

The pandemic and ecommerce

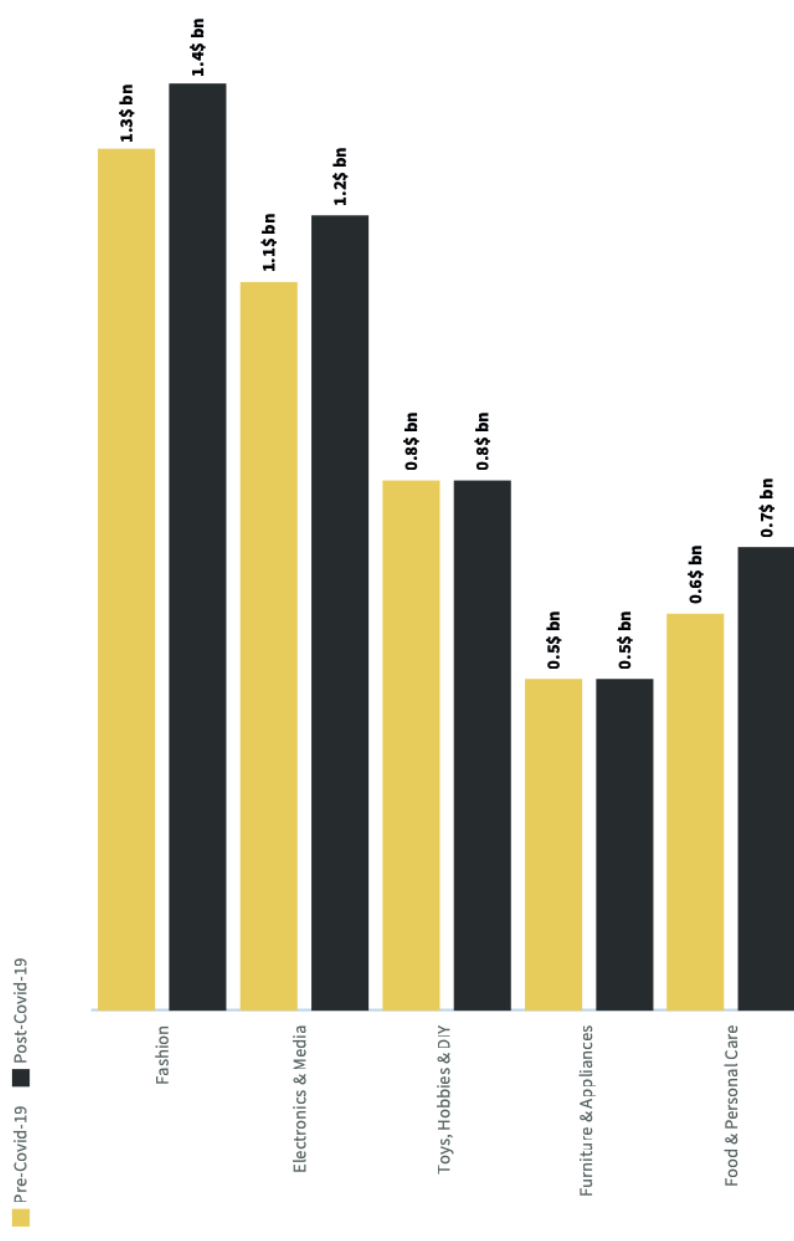
Lockdowns led to Israeli consumers shopping more often online, but will they continue to do so?

The Covid-19 pandemic was first detected in Israel on 21 February 2020, when a female Israeli citizen tested positive for the virus. She had been one of the passengers evacuated from the *Diamond Princess*, a cruise ship that was quarantined in Japan following a Covid-19 outbreak onboard.^[1]

The Israeli government very soon began to introduce stringent measures in order to control the spread of the virus. In March 2020, large gatherings were limited. By the middle of the same month, the government began to close down businesses such as shops, restaurants, bars and gyms. On 19 March, Israel's prime minister, Benjamin Netanyahu, declared a state of emergency. **As elsewhere in the world, initial measures against Covid-19 in Israel were ramped up quickly.**

Between May and September 2020, a second wave of Covid-19 swept through Israel. A third wave lasted between

Israeli ecommerce revenue forecast 2020, in USD bn



Source: RetailIX, drawing on data from ecommerceDB.com

November 2020 and April 2021. **Measures against the pandemic were linked to unrest as the country suffered an accompanying economic downturn.**^[2] An added factor in these protests was unhappiness over the leadership of Benjamin Netanyahu, a controversial figure who was indicted on charges of bribery, fraud and breach of trust in November 2019.^[3]

With businesses repeatedly locked down, consumers turned to ecommerce. In 2020, Israeli credit card issuer Max conducted research into ecommerce spending during the first and second quarters of 2020. **In the clothing sector, for example, online accounted for 90% of sales.** It seems likely that Israeli retailers did well during this period, in part because the large companies selling cross-border so often favoured by Israeli consumers lacked warehousing and local logistics infrastructure.^[4]

Whichever businesses were benefitting, one result can be seen in the figures we see in the chart on the previous page as estimates for online sales were revised upwards – although not uniformly across different sectors.

While the country has endured two further waves of Covid-19, the latest associated with the Omicron variant, **Israel's vaccination programme has been impressive.** A fifth of the country's population received a first dose within three weeks of vaccine rollout beginning in December 2020 and, in a young country, there's now a

sense that Covid-19 is no longer the threat it once was. From the perspective of the retail sector, this leads to the interesting questions of to what extent will Israelis continue to shop online, and will pandemic-driven shifts in behaviour endure?

Predictions of abrupt and lasting changes in Israeli consumer behaviour were probably overstated. Rather, as elsewhere in the world, it seems likely that **the Covid-19 pandemic accelerated changes that were already happening.** To some extent, consumers have returned to former purchasing patterns as lockdowns have eased.

Which is not to say the idea of accelerated change is unimportant. In a market such as Israel, where many domestic businesses face competition from abroad, one impact of Covid-19 in business terms was to offer local companies a glimpse of a society where more people shop more often online. In an advanced economy where, compared to the saturated market of Western Europe, there is ample room for growth, **there are good reasons to suppose those retailers that react most quickly here will reap the benefits in the years ahead.**

To return again to a point we make elsewhere in this report, this is a country with a highly developed digital economy. **Israel certainly has the human capital to grow its ecommerce sector.** Against this, it's worth noting that high-value startups are unlikely to be old-style

retail dotcoms because not only is Israel a small market in itself, but there are also greater opportunities in other leading-edge sectors, such as fintech or the technologies that support ecommerce.

Nevertheless, the fact remains that Covid-19 resulted in more Israelis going online to shop and many will continue to shop more often online. For retail businesses, both Israeli-owned and headquartered abroad, this moment in time represents an opportunity.

[1] www.timesofisrael.com/israel-confirms-first-coronavirus-case-as-cruise-ship-returns-dagoad/
 [2] www.ynetnews.com/magazine/article/71410340
 [3] www.bbc.co.uk/news/world-middle-east-47469739
 [4] www.jpost.com/special-content/with-covid-19-resurgent-ecommerce-is-the-key-to-israeli-business-survival-638481

The Largest 100 retailers in Israel

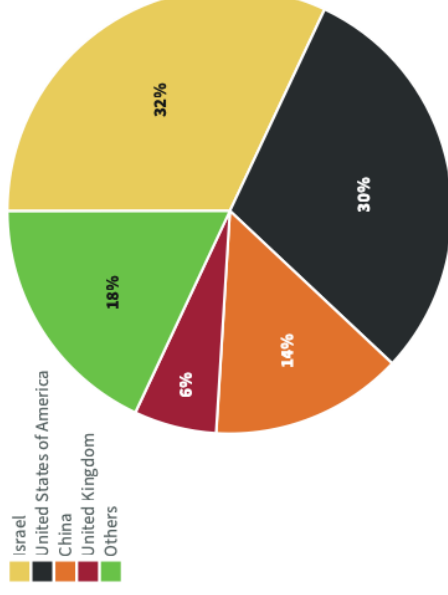
Multi-sector retailers dominate the Israeli market when it comes to ecommerce conducted at scale

In this part of our analysis, we focus in on the Largest 100 retailers in the country. Before we do this, we should define our terms here. The Largest 50/100, as the terminology suggests, represent the retailers that command the biggest share of the ecommerce market in Israel.

These figures do not offer a quantitative assessment of their relative performance in such areas as logistics or merchandising. The retailers also do not need to be headquartered in Israel, a point that is especially important in a market where there is such a high percentage of cross-border business-to-consumer ecommerce.

The extent to which Israeli consumers will shop with retailers based abroad is clear from the pie chart on this page. **Of the Largest 50 retailers, just 16 have their headquarters in Israel. The comparable figure for the USA is 15 retailers.** The figure for China is seven retailers, while three retailers are based in the UK. That so many of

Countries where the Israeli Largest 50 are based



Note: Retailers in the Largest 50 are selected for their significance to consumers in the country based on web traffic, irrespective of where they are headquartered

Source: RetailIX

© 2022 RetailIX 2022

the websites favoured by Israeli consumers are operated by companies based abroad – 68% of the Largest 50 – once again demonstrates the internationalism of Israeli consumers and underlines the opportunities that exist for those selling into the country.

This is not to suggest that Israeli consumers somehow do not look for or favour local brands. One of the more intriguing numbers here (see overleaf) is the way that

Israeli companies in the Largest 50 derive their traffic from consumers based in Israel, with less than 2% of the traffic to these sites coming from abroad. This suggests a market where names that are familiar to Israeli customers do not cut through abroad. This is consistent with the idea that Israel represents a comparatively small market and that it is challenging for Israeli retailers to scale up and target foreign markets.

It is worth noting that other factors may play in here too. For a retailer based in the European Union, it is relatively easy to expand, typically by selling to countries in the bloc that are near-neighbours. In contrast, many of Israel's near-neighbours are antagonistic towards the country. In this context, it will be interesting in the years ahead to see whether the digital investment currently taking place in the Middle East, in oil-rich countries seeking to diversify, leads to new opportunities for Israeli brands.

Turning to the figures for web traffic by sector, the most striking figure is the sheer amount of traffic going to multi-sector companies in the Largest 50 – 59.1%.

This can be partly explained by the Amazon factor. With amazon.com occupying such a dominant position in the market, it skews the numbers, especially since so many Israeli consumers also use amazon.com as a marketplace.

The presence of Amazon in Israel is not going to decline at any point in the near future. In 2023, for example, it

plans to open a regional data centre in a country in which it already has a large R&D presence.^[1] It has made moves to enable Israeli companies to list products on Amazon Marketplace.^[2] It does not seem fanciful to suggest that a dedicated Amazon Israel site supported by local logistics infrastructure could follow in the next few years

Looking through other categories that attract the heaviest traffic within the Largest 50, companies selling consumer electronics (16.8% of traffic) and software (13%) perform most strongly.

Going through the list, it's worth noting that the dominance of multi-sector companies has an effect on the figures, in that fashion is an important category for Israeli consumers, yet it is likely that many of those buying clothes online do so from multi-sector retailers.

[1] www.post.com/jpost/tech/amazon-to-open-data-centers-in-israel-in-2023-670993

[2] www.jm.esofisrael.com/amazon-israel-site-set-to-open-wont-spell-doom-for-malls-yet-analysts-say/

International web traffic to the 16 Israeli-based retailers in the Largest 50

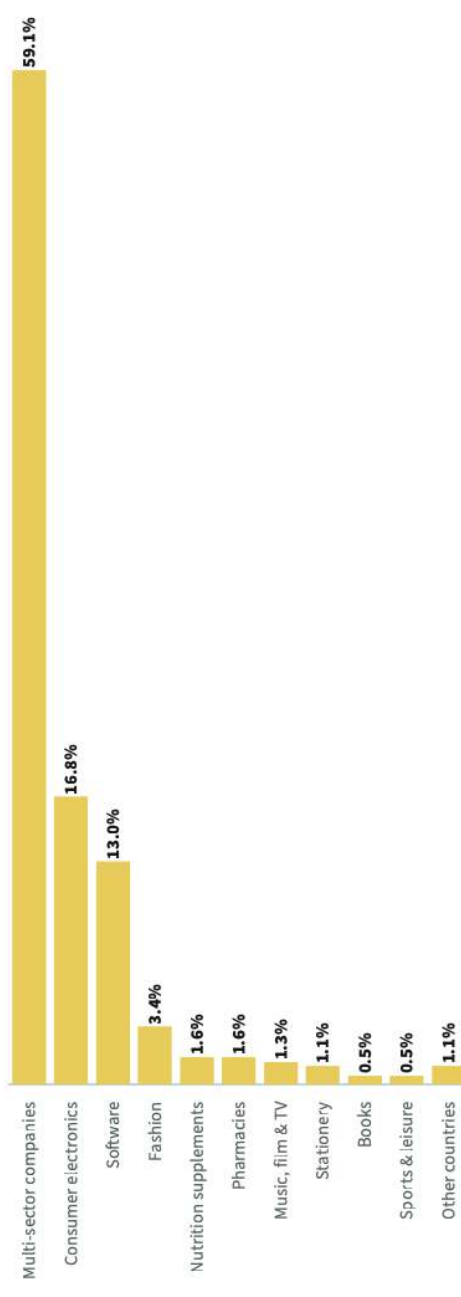


Note: Retailers in the Largest 50 are selected for their significance to consumers in the country based on web traffic, irrespective of where they are headquartered
Source: Retailix, drawing on data from SimilarWeb

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Web traffic by sector

The percentage of web visits to the Largest 50 retailers from consumers in Israel, by sector



Note: Retailers in the Largest 50 are selected for their significance to consumers in the country based on web traffic, irrespective of where they are headquartered
Source: Retailix, drawing on data from SimilarWeb

© 2022 Retailix 2022

Cross-border ecommerce

Israelis often turn to amazon.com and other non-Israeli retailers when they are shopping online

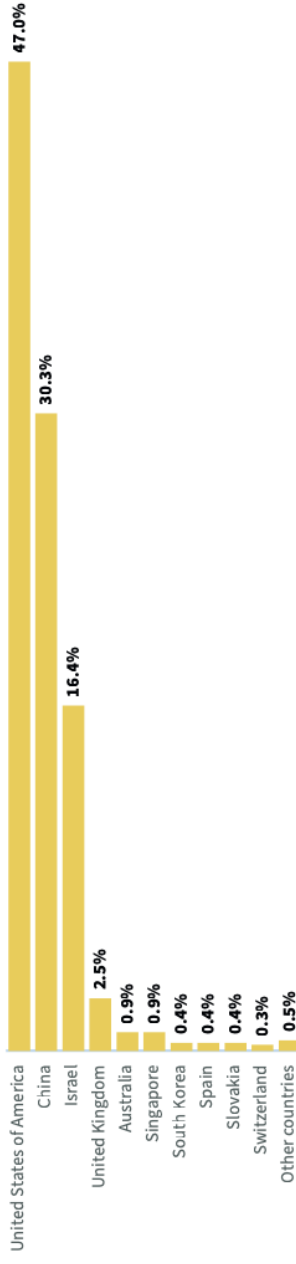
Whenever retailers consider expanding into new territories, one major concern is often whether consumers' inherent bias towards familiar domestic names will prove difficult to overcome. In this context, the figures surrounding web traffic in Israel are reassuring because they reveal a market where consumers are happy to shop abroad.

Look at analysis of the leading retailers in the Israeli market for 2020 by net sales and familiar international names are high on the list, including amazon.com, Asos, Zara and Nike.

Companies based in the United States and China lead the way, although it's worth noting the figures shown here for web traffic from different countries are skewed by so many retailers popular with Israeli customers being based abroad. Topping the list of leading retailers in the country, amazon.com had revenues of \$195m in Israel in 2020^[1] and

Web traffic from other countries

International web visits to the companies in the Largest 50, by country



Note: retailers in the Largest 50 are selected for their significance to consumers in the country irrespective of where they are headquartered
Source: RetailIX, drawing on data from SimilarWeb

© RetailIX 2022

is growing at around 20% per annum. Amazon has yet to launch an Israel-specific site.

Instead, it has pursued a different strategy. The retail behemoth's popularity can be partly explained by the way **Amazon has sought to drive sales via its delivery offering**. In 2018, it included Israel in a list of international destinations in which it offered free delivery, albeit on a limited number of products and for orders of more than \$80. In 2019, this amount dropped to \$49. While free shipping was suspended during the pandemic, it has now been introduced for orders of more than \$65, although consumers are still liable to pay import taxes.^[2]

These shifting figures help explain why being clear about the price of delivery is such an issue for Israeli consumers (see page 10): buying from abroad, they already potentially have to do relatively complicated maths just to calculate how much any item will cost.

The second-largest retailer in Israel by sales is Shein. The Chinese-owned fast fashion retailer was established in 2008 and now sells across Europe, North America, Australia and the Middle East. Its revenues in Israel were \$151m in 2020. Over these years, often enjoying 100% year-on-year growth, Shein has grown to be the world's largest fashion company, measured by sales of its own-brand goods^[3].

Shein has turbocharged the fast-fashion model and has become something of a cult retailer in the process.

Shein's popularity on Israel once again shows how a large subset of consumers in the country is international in its outlook. However, Shein is not a typical Chinese retailer in that it does not sell in its own home country, where Alibaba offers daunting competition, but has instead expanded solely in foreign markets.

Turning to the foreign countries hosting retailers that are most visited by Israeli internet users, it's intriguing to note that companies based in the United Kingdom feature third on the list here, perhaps because so many Israeli consumers speak English.

Next has gone a step further than many of its competitors, both within the UK and elsewhere. In 2013, Next launched an Israel-specific website.^[4] The company's revenues in Israel were \$91m in 2020. It primarily sells fashion although, as in other territories, it also sells items for the home.

That is not to say that Next ships its items from within Israel. Scroll down through the site's FAQ section far enough and you will find cautions that, for example, consumers may be liable to pay import duties. Moreover, there seem to be additional costs involved in returning items, although since these are deducted from any refund,

they do not involve any upfront extra charges for consumers.

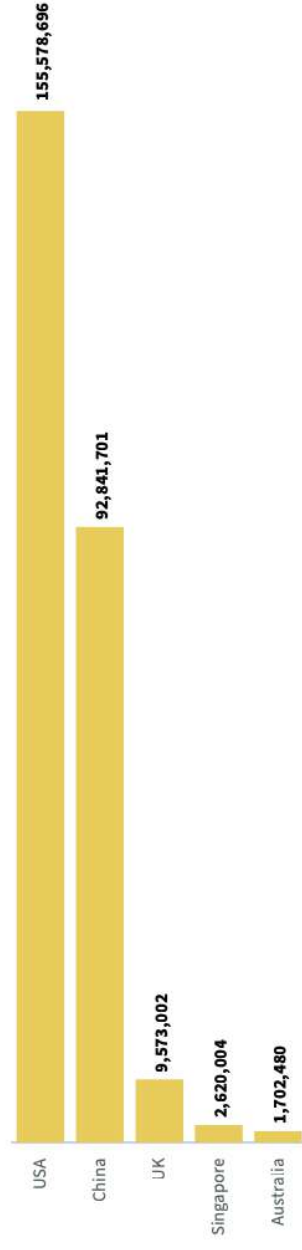
Finally, it is worth emphasising that any analysis of retailers in Israel will only offer a partial picture if it does not take account of marketplaces. Indeed, **one way to understand the success of amazon.com within Israel is to see it as one of the country's biggest marketplaces.** According to research by Similarweb, other important marketplaces include the Chinese giant alibaba.com^[5].

Other sites have a strong influence on consumption patterns. Reminding us that Israelis also buy from other

Israelis, yad2.co.il is the country's largest online classifieds marketplace. When it comes to price comparisons, zap.co.il exerts a strong influence.

[1] <https://ecommercedb.com/en/markets/il/il>
 [2] <https://www.imediasrael.com/amazon-reintroduces-limited-free-shipping-to-israel/>
 [3] <https://adbon.com.com/2021/09/24/business/shein-china-fast-fashion-retailer/index.html>
 [4] www.next.co.uk/en
 [5] <https://www.alibaba.com/top-websites/israel/category/e-commerce-and-shopping/>

Foreign countries hosting retailers most visited by Israeli internet users



Analysis of cross-border ecommerce web traffic analysis based on web traffic information from SimilarWeb. The graph shows the countries hosting the headquarters for the most-visited foreign retailer websites by Israeli internet users
 Source: Retailix data sourced from SimilarWeb

TIPA

Company: TIPA

Headquartered: Israel

Founded: 2010

Online: tipa-corp.com



“This Bag Turns Into Dirt”

This materials science startup aspires to ending plastic packaging across the retail sector

Look at figures for the most-trafficked ecommerce sites within Israel and you'll see they are dominated by marketplaces and shopping comparison sites. ⁽¹⁾ Meantime, the country's digital startup scene is redolent with AI-driven technology innovators. In short, **Israel represents the epitome of a mature ecommerce landscape.** However, within the retail sector, we see innovation and invention that is not purely digital as TIPA harnesses materials science to tackle one of retail's most persistent challenges – plastic packaging. The company is a decade-old startup that has moved beyond recycled or recyclable plastics, since the latter requires a supporting infrastructure to recover and recycle the materials, while still requiring petrochemicals in manufacture. Instead, **TIPA has introduced compostable packaging materials.**



High transparency

Look & feel similar to conventional plastic

Mechanical properties similar to PE/PP

Excellent sealing properties

TIPA touts its properties as being at least equal to plastic

While compostable packaging has been available for more than 20 years, it has **not always met standards** for transparency, food safety or control over the pre-decomposition stable period.

TIPA's innovations have extended the stable shelf life of premium garment bags so that they do not start decomposing in-store or in storage prior to use, as well as achieving certification for food use with dry, chilled and frozen products.



“This bag turns into dirt” – prominent messaging spreads the word about the new material

While there will be **barriers around cost, scale and energy use**, as well as non-uniform availability of composting options for consumers, other technological developments from different companies can also reduce waste. The company recently collaborated with PerfoTec, a Dutch company that laser-perforates films to produce a compostable membrane that reduces spoilage in chilled foods, increasing shelf life.

[1] www.similarweb.com/top-websites/israel/category/e-commerce-and-shopping/

Trigo**Company:** Trigo**Headquartered:** Israel**Founded:** 2017**Online:** www.trigoretail.com

Shop and go

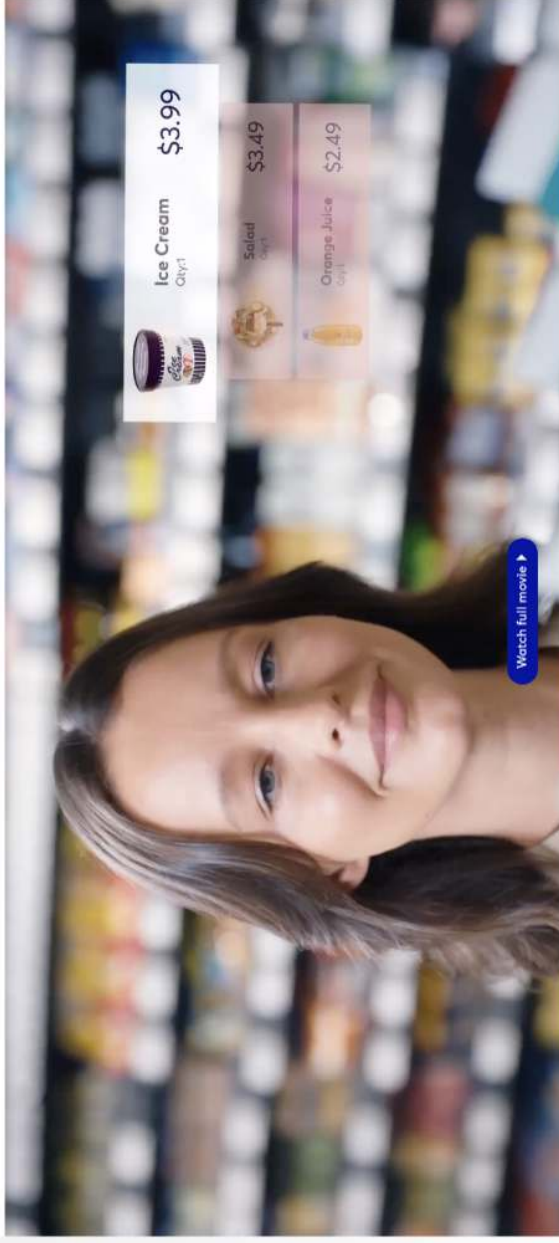
This Israeli startup aims to make in-store retail frictionless and queues a thing of the past

In the future, we will not pay at the checkout and simply walk out of stores to be charged for the items we take.

This is a vision of physical retail that, until now, has primarily been associated with Amazon Go, which has been building a checkout-free grocery store chain in the UK and in the USA.

But Amazon is by no means the only company making investments in this area. Founded in 2017 by Michael Gabay and Daniel Gabay, **Israeli startup Trigo raised \$7m in seed funding in 2018** and has subsequently raised a further \$100m as it seeks, in its own words, “to accelerate the digitisation of store spaces”.

In practice, this has so far involved **working with existing supermarkets to remove friction from the checkout process** and retrofitting existing stores rather than building from scratch, as Amazon Go does. One of its customers is Tesco in the UK, which has introduced Trigo technology at its store in



By tracking both products and shoppers in-store, Trigo aims to remove checkouts entirely and charge via an app instead

High Holborn, London. Tesco's GetGo initiative^[1] allows shoppers to check in to the store via a smartphone app and then pick up the items they want from the shelves. Working in tandem, in-store cameras and weight-sensors establish which items customers have picked up. **Customers are then charged directly through the app when they leave the store.**

Trigo's other customers include German supermarket REWE and Netto, which has introduced Trigo's technology in a vast discount store. **In Israel, Trigo has been working with the Shufersal supermarket chain** and already trialled its technology at a Shufersal branch in Tel Aviv.^[2]

[1] www.tescoplcc.com/news/2021/tesco-opens-new-checkout-free-store-getgo/

[2] <https://noca.melis.com/2019/06/trigo-vision-supermarket-israel-shufersal/>

Fabric
Company: Fabric
Headquartered: New York (founded in Israel)
Founded: 2015
Online: getfabric.com

Hyperlocal future

Getting goods to urban customers from automated urban fulfilment micro-sites

In metro areas across the world, consumers have grown used to the idea of being able to choose same-day delivery. But how should retailers best get orders to such urban customers on fast turnarounds? **The world of fulfilment is typically one of big warehouses and operating at scale, not options in crowded areas where real estate costs are high.**

This commercial backdrop goes a long way to explaining the growth in interest in **so-called micro-fulfilment centres (MFCs)**. When newly constructed, these can be as small as 456m² (5,000ft²) compared to over 55,000m² (600,000ft²) needed for a grocery chain warehouse. **The idea is that each MFC should be close to the consumer, helping to solve the last-mile problem so that goods do not have to be sent from an out-of-town site.** Moreover, since these are necessarily small sites, MFCs employ automation to ensure that the space is used as efficiently as possible.

The screenshot shows the Fabric website. At the top, there's a navigation bar with links: Grocery, E-Commerce, Resources, Company, and Join Us. A 'Contact Us' button is in the top right. The main headline reads 'Get closer to customers with micro-fulfillment'. Below it, a sub-headline says 'Future-proof your supply chain and deliver exceptional customer experiences faster than ever.' There are two call-to-action buttons: 'Get in Touch' and 'Learn More'. The 'Learn More' button is highlighted. Below the headline, there are two cards. The first card is titled 'Grocery' and features an icon of a hand holding a box. The text says: 'Make same-day online grocery a dependable source of revenue with a micro-fulfillment solution that keeps you close to your customers while keeping costs down.' The second card is titled 'E-Commerce' and features an icon of a person at a computer. The text says: 'Exceed customer expectations and drive loyalty with ultra-fast, hyper-branded deliveries, made possible with Fabric.' Both cards have a 'Learn More' button.

Extensive automation is, Fabric believes, key to operating small inner city fulfilment centres at maximum efficiency

To judge by the \$1bn valuation of Israeli warehouse automation logistics startup Fabric, it is an idea whose time has come. The company is aiming at both the grocery and general merchandise sectors. **Fabric's pitch is that it can help retailers to get deliveries packed and out to consumers within minutes.**

Sustainability is also an important factor for why such sites are appealing right now. **While urban customers can be hyper-demanding, they are also often keenly aware of environmental issues** and locating fulfilment centres close to customers can help to reduce emissions.

Hoodies

Company: Hoodies

Headquartered: Israel

Founded: 2007

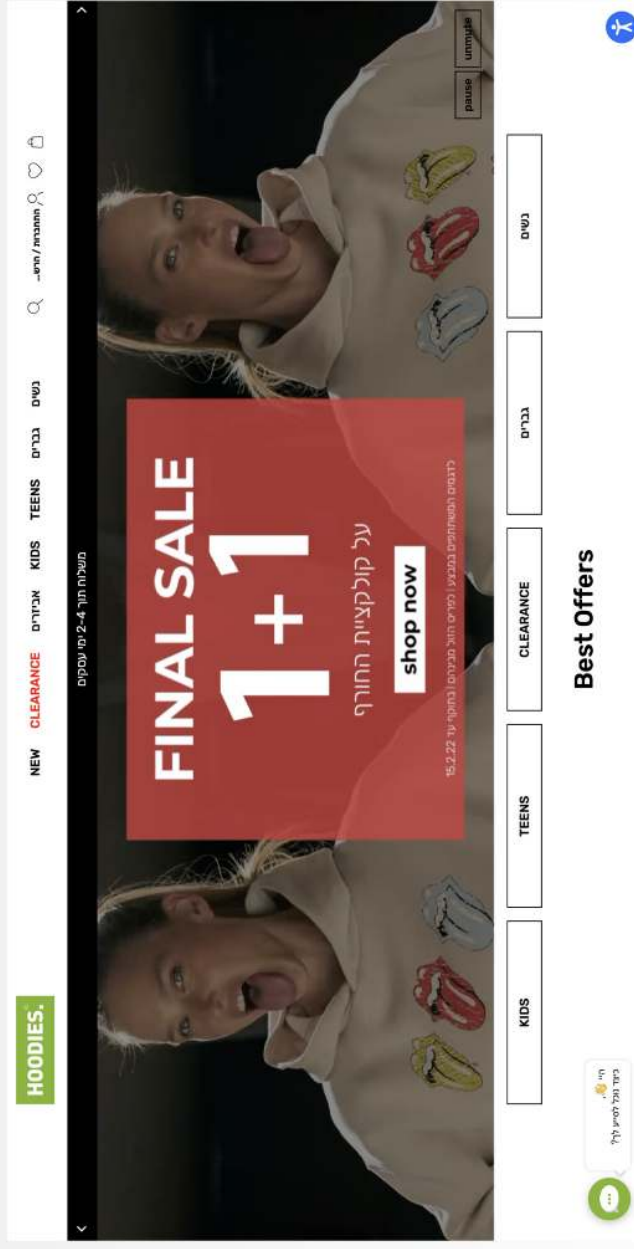
Online: castrohoodies.com

Young at heart

Hoodies has expanded rapidly to become an important player in the Israeli fashion sector

With 71 stores in Israel, Hoodies is a familiar name to Israeli consumers. It is also a **brand that enjoyed rapid growth online in sales in 2020**, probably in part because its offering – casual, trendy, colourful and sporty – chimed with the early days of the pandemic, when people were more often at home. More generally, the brand has ridden the recent boom in activewear and athleisure.

Hoodies was founded in 2007 by entrepreneur Yossi Gabison. In 2018, **the Hoodies Group – comprising of Hoodies, the accessories brand Top Ten, eyewear brand Carolina Lemke and Urbanica**, which sells a mix of clothing, accessories, cosmetics and homeware – merged with the Israeli fashion firm, Castro Model, to form the Castro.Hoodies Group. As for Castro, its history dates back to the 1950s, when the company opened its first store, in Tel Aviv^[1].



The group that Hoodies is part of has concentrated on expanding its range and reach within Israel

So why the merger? At the time, the Castro Group said its tie-up with Hoodies was, "Part of the company's strategy of expanding its activity in Israel through investment in complementary fashion and lifestyle brands." Looking at the portfolio operated by Castro.Hoodies, **the brands are all aimed at younger segments of the market**, yet sufficiently differentiated so the

group is not cannibalising its own markets. It works closely with foreign brands and has focused on Israel rather than overseas expansion. Overall, the group has invested heavily in ecommerce. Hoodies offers free delivery on orders costing more than NIS 199, but NIS 149 for deliveries to lockers.

[1] <https://castrohoodies.com/castro/>

Shufersal

Company: Shufersal

Headquartered: Israel

Founded: 1956

Online: www.shufersal.co.il/online/

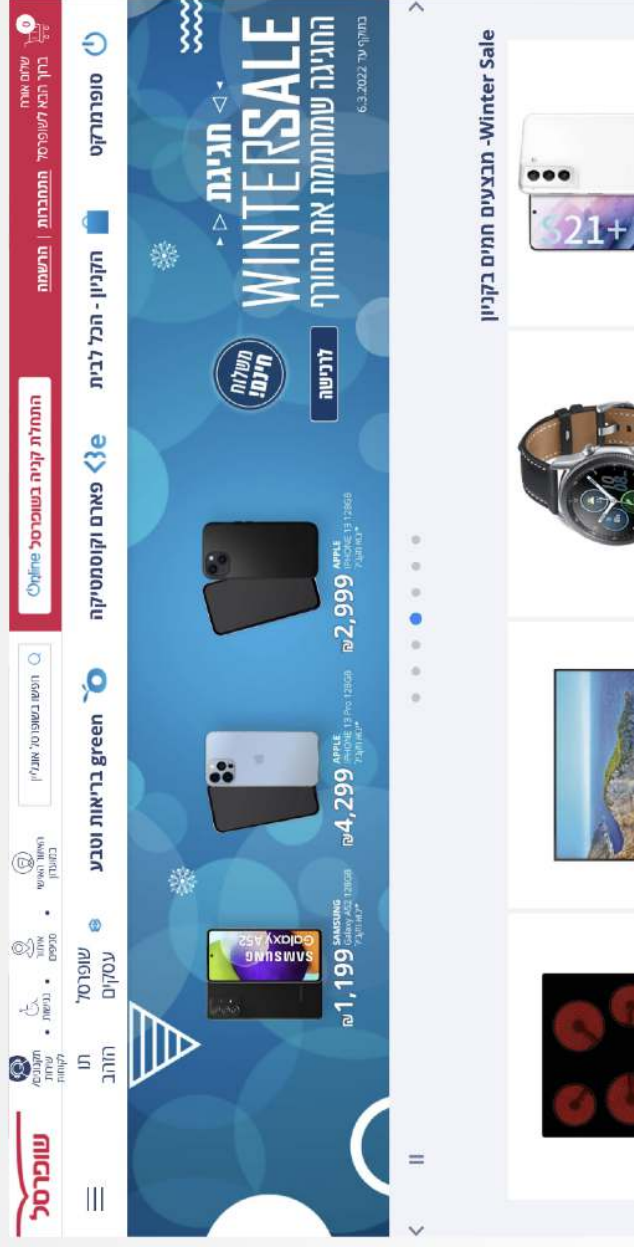
A market leader

Digital transformation lies at the heart of Shufersal's strategy

The largest supermarket chain in Israel is Shufersal. Founded in 1956 in Tel Aviv, its name mixes the Aramaic term "shufra deshufra", which means "of the highest quality", and "sal", "basket" in Hebrew. From the off, **the idea was to build a North American-style supermarket at a time when no such business existed in Israel.**

The success of the business in subsequent years can be seen in the raw numbers. **There are 302 Shufersal stores in Israel.** The company also operates the pharmaceutical chain Be and generates revenues from real estate.

It is also, as the title page of its 2021 Q3 report suggests, *The Retail Of The Future In The Digital Era*^[1], **a company that is keenly aware that its future, in part, rests on ecommerce and digital initiatives.** Consistently, around a fifth of the group's total sales come from online and digital.



Israel's largest supermarket chain is investing heavily in a digital future

The figure for Q3 was 18.7%, down from 20.8% a year earlier. The report says this decrease was because of "a shortage in manpower as a result of the coronavirus crisis". Online, its offering extends far beyond day-to-day groceries.

Going forward, eye-catching initiatives such as its experiments with checkout-free retail (see page 26) suggest **a commitment**

to digital transformation. One of its projects this year, for example, has been to develop a joint venture with Discount Bank to develop a digital wallet called Paybox, a project linked to the idea of offering financial services.

[1] www.shufersal.co.il/umbraimedia/9574/financial_report_300921.pdf

Artisan Bread
Company: Artisan Bread
Headquartered: Israel
Founded: 1999
Online: artisan-bread.co.il

Specialist success story

Increasingly, even specialist businesses selling niche products need to engage digitally

Until comparatively recently, many web stores were essentially all about taking the catalogue experience online. The endless aisles of large retailers seemed to offer a vision of the future where shopping was reduced to its simple components elements – find an item, purchase, wait at home for delivery.

Yet this model was only ever suitable for a small number of retailers. It never fitted, for example, specialist retailers trading on their expertise in hobby areas, or those offering specialist foods. **For such retailers, the online world was not only difficult, it was initially even a threat to their existence.**

Looking at the SME sector, it has therefore been fascinating to see how specialist companies have adapted to the online world, an ongoing process that sped up during the pandemic. In this context, **the Artisan Bread company offers a neat study in how to use a web presence to drive sales** at what is essentially a traditional bakery offering products that have



Artisan Bread makes everything from the softest white finger-rolls to the densest German rye bread

a hint of affordable luxury about them. Head to its website and customers can buy items for delivery (for a charge) or to be picked up from one of its eight branches.

Founded in 1999 by brothers Haim and Guy Sdot and the late Samson Roth, the business model of this family-owned company isn't hugely complicated, although that's not really the point.

The idea is to bring high-quality products to customers – ideally loyal customers. In a highly developed country such as Israel, where there are consumers who are comparatively cash rich but short on time, so therefore hard to engage, **using ecommerce can be a way to help make the most traditional business sustainable and scalable.**

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Conclusion

We hope that you have found our research and analysis to be of interest and commercial value. We would be very pleased to hear from you with questions, suggestions or comments, and in particular we would like to hear about any areas you think we should include in the 2023 report.

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