



BUSINESS

THE ON-OFF SWITCH

Is online retail killing offline businesses, as popular sentiments paint it? Like most wars, the bigger picture is more complicated on the ground.

BY LI-MEI FOONG



There is much hullabaloo about the e-commerce boom in Southeast Asia, and whether this kills off brick-and-mortar retailers. Some say yes, but others point to e-marketplace giants Amazon and Alibaba establishing offline stores as an indicator that the brick-and-mortar retail experience is still king.

But, talking to retailers, the picture that emerges is more nuanced: online and offline retail are a two-way street, and consumers are now traversing to and fro between both, just because they can. To understand the story of blurred lines and evolution, meet Stickerrific.

Established in 2014, Stickerrific is both an online and offline business that sells specialty stationery, art tools, and merchandise by local artists. But many see the shop as more than a retail space. “It’s the happiest place on the planet,” writes Laila Zain, a customer who blogs on Ninjahousewife.com.

For some customers, Stickerrific is a cocoon for creativity – its well-lit, windowed interior and fluffy cats named after Star Wars characters have inspired many artworks, quite often created by patrons at the tables of the shop itself. For others, Stickerrific is a mecca for future “pilgrimages”, having seen it in the background of the many art-related video tutorials and cat-related shenanigans snapshots posted on the shop’s social media channels – a compulsion akin to people itching to fly to South Korea after a steady diet of K-drama.

“Many of our customers, especially those who live in other countries or states, buy from our website. But the dream for them is to come to the shop one day,” says Szetoo Weiwen, who runs the shop in Petaling Jaya – a city about 30 minutes from Kuala Lumpur, the capital of Malaysia. A few would even inform her months in advance that they will be making a trip to the shop.

While all its stock are available for purchase online, Stickerrific makes most of its sales in its physical outlet, according to Szetoo. Yet, she says, one cannot do without the other.

The DNA of Stickerrific is a tight intertwining of online and offline channels. Customers watch how-to or unboxing videos of products on Stick-



E-commerce giants like Amazon are now establishing brick-and-mortar stores like the Amazon Go Store in New York City.

errific’s social media pages, check prices or browse complementary items on its webstore, then come to the shop to get hands-on guidance from the staff, or just to browse some more. Oh, and take selfies with the store’s iconic paw-sonalities – Luke, Leia, Chewie and Han.

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NO STRAIGHT ROAD AHEAD
E-commerce transactions in Southeast Asia have broken records – this statement itself is beginning to sound like a broken record. Every year, we get a variation of the same information from one of the region’s many online marketplaces or research firms.

But e-commerce is out of control in Southeast Asia. Just recently, the report e-Conomy SEA 2019 by Google, Temasek and Bain reveals that e-commerce in the region – projected to be the world’s fourth largest economic bloc by 2030 – has jumped seven times from US\$5.5 billion in 2015 to over US\$38 billion in 2019.

“The sector is on track to exceed US\$150 billion by 2025 – US\$50 billion more than predictions made over a year ago – on the back of stronger-than-anticipated growth,” states the report.

It adds that some 49 million people in Southeast Asia bought or sold items online in 2015. Today, that number has tripled to 150 million people. And they are not just fishing for deals on the latest smartphones. They are also buying milk and make-up – basically, groceries and beauty items that consumers once preferred to browse in-store.

Meanwhile, the brick-and-mortar landscape is being bulldozed with news of closures. In Malaysia, department store operator Parkson Corp Sdn Bhd closed its 20-year-old outlet in Suria KLCC earlier this year, and subsequently shut another store that has only operated for 18 months. Gap, Banana Republic and American Eagle outlets went belly up in Singapore last year. Meanwhile, Hero Supermarket announced in January that it has closed 26 stores in Indonesia.

A convenient conclusion would be that consumers are ditching physi-

PHOTOGRAPH: AFP



Forever 21 filed for bankruptcy in September this year and will close 200 stores in order to streamline their business.

cal retail for e-commerce. Armchair shopping is convenient and round-the-clock, unaffected by parking conditions or Grab peak-hour surge rates. With less overhead costs and operational burden, online shops are often able to offer a cheaper price – an important advantage in price-sensitive Southeast Asia.

But retailers tell *UNRESERVED* this assumption risks oversimplifying the evolving shopper habits that are surfacing. They find that many consumers are not either-or creatures. Online and offline spending are not mutually exclusive. Customers cycle through several touchpoints – from the web to physical retail and back, over and over.

“Many of my customers have actually browsed extensively on our web-store, even made a list of possible purchases, but still make the trip to our shop to buy them in person even though they could have bought everything online. There are also customers who come to our store just to browse, then later buy the items online,” Stickerrific’s Szetoo points out.

The disruption on retail by e-commerce does not necessarily mean that physical shops are lagging behind.

In fact, this simply drove many brick-and-mortar businesses to adopt an omni-channel approach and fast forward their adoption of technology, notes Christopher Dagumol, director of

brand communications at Zalora, one of Southeast Asia’s top online fashion marketplace.

“Fashion e-tailers need to recognise that their competitors are not just each other but the offline players [as well],” says Dagumol.

“A DIGI-CAL WORLD”

Many brick-and-mortar retail players do not attribute the crunch they face to the e-commerce boom, but point to the economic downturn and tightened belts instead. Retail Group Malaysia (RGM) managing director Tai Hai Hsin was quoted in July 2018 as saying that online retail sales only accounted for about 2% of the total retail sales the previous year.

Tai, who is also the director of retail consultancy at Henry Butcher Malaysia, told *Asian Correspondent* that the retail space glut in Kuala Lumpur is also not due to e-commerce growth, but the poor-performing economy.

Similarly, Chan Hoi Choy, CEO of Sunway Malls and Theme Parks in Malaysia, has no beef with the online shopping boom. To him, it is part and parcel of the world’s burgeoning digitalisation – of which malls are reliant upon as well.

E-commerce has not dented his mall business much. He points out that Sunway malls continued to experience a “double-digit increase” in growth over

the past year, while the retail industry is also recording a 4% to 5% growth.

“Today, a more realistic view of the retail industry is a convergence of the digital and physical worlds. I like to call it a ‘digi-cal’ world,” says Chan, who also sits as the advisor of both the Malaysia Shopping Malls Association and the Council of Asian Shopping Centres. “Technology should not be seen as a disabler, or replacing the brick-and-mortar retail entirely, but an enabler that helps bring more business to us.”

He observes that shoppers today integrate online and offline platforms to make purchasing decisions. To him, the fact that consumers can now whip out their phones in a mall to look for information and reviews about a product actually encourages purchase in-store.

Moreover, Chan says, social media and digitalisation has opened up robust marketing channels for physical retail to reach more consumers.

One example is the Sunway Pals mobile app, chimes Phang Sau Lian, general manager of Sunway Velocity Mall. The app offers exclusive promotions and deals to users and allow them to earn points for every purchase at Sunway malls. She points out that this programme does not only improve business performance and customer service, but also provides a trove of insights on shopper habits and preferences.

“The Internet of Things (IoT) technology that we have invested in enables us to engage shoppers when they arrive and understand their spending patterns and shopping behaviour,” says Phang.

This seems to take a leaf out of e-commerce book – the ability to harness in-depth customer data has been a linchpin of its success. For example, Thai diaper maker DSG International told Reuters that data from e-marketplace Lazada showed that mothers sometimes browse at night, hence the company would offer flash sales accordingly.

To attract footfall, malls are also evolving beyond the function of shopping.

“About three to four years ago, we’ve dropped the word ‘shopping’ [when describing Sunway malls] to better reflect what malls are today. If you look at the percentage of non-shopping offerings, like food and beverages, leisure, entertainment and other services, it can oc-

cupy more than 50% of the leased area,” says Chan.

This trend is spilling over to e-commerce, it seems.

FROM RETAILING TO ENTERTAINING

According to the same report by Google, Temasek and Bain, Southeast Asian e-commerce companies in 2015 were mostly focusing on, well, e-commerce. But in 2019, these businesses are branching out into offering adjacent services like streaming, gaming, news, travel, finance, and are even dabbling in food delivery.

“Leading companies in Southeast Asia are developing new ways for people to spend more time on their apps, using anything from games and live-streaming videos to interactive content and in-app messaging. The goal? To engage and anchor users to their platforms, with the belief that engagement will eventually turn into orders,” says the report.

And this works. The report found the number of sessions for e-commerce apps in Indonesia, for instance, leapt from 8 billion in the first half of 2016

to almost 30 billion in the same period three years later.

“Such an enthusiastic approach to engagement is unique to Southeast Asian Internet users. In developed markets such as the US, Europe and Japan, frequent online buyers are less interested in spending time online. There, apps tend to focus on specific services, streamlining the user experience, minimising the time it takes to select products and making it simple for users to submit orders,” it notes.

The opposite is happening in Southeast Asia – the more time consumers in the region spend on an e-commerce app, the more willing they are to fork out on it.

Working with App Annie to analyse the engagement in the region’s most popular e-commerce and ride hailing apps, the report notes a significant correlation between the time spent on apps and monetisation.

At the end of the day, a growing e-commerce market bodes well for the economy. E-commerce boosts affiliate industries like logistics and packaging, and is an investment magnet. In fact, e-commerce, along with ride hailing,

attracted two in every three dollars raised in Southeast Asia since 2016, according to the report.

Specifically, e-commerce has brought US\$9.9 billion worth of investments into the region within that period.

Zalora is one contributor. “An example of a significant impact we have made in Malaysia would be the investment of US\$4 million in infrastructure through the establishment of our regional e-fulfilment hub in Selangor,” says Dagumol.

He points out that Zalora’s next and biggest e-fulfilment hub is in the cards. Slated to complete construction by the first quarter of 2020 in Muntinlupa City, Philippines, the facility is “expected to provide at least 1,000 job opportunities for the surrounding Muntinlupa-Cavite communities”.

As e-commerce players up their game, the growing elephant in the room is whether this spells the beginning of the end for physical retail.

The recent bankruptcy filing of fast fashion behemoth Forever 21 casts a spotlight on this issue again. Linda Chang, executive vice president and eldest daughter of the brand’s founding couple, told the press that among the challenges it faced were shifts in mall traffic and the rise of e-commerce, and the bankruptcy was “a strategic move on our part”.

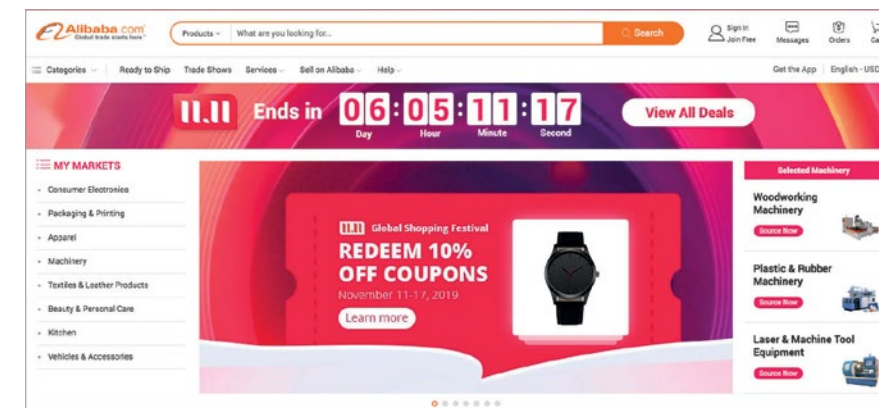
However, *The New York Times* discovered, through interviews with former employees and industry experts, that the collapse was fuelled by the chain’s problematic management style, botched real estate deals and bungled merchandising strategies in recent years.

Chan is unfazed by the expanding e-commerce colonisation of the retail space. He believes that physical retail will not die; only poorly-planned retail concepts would “lose relevance”.

No one can say that physical retail will always be safe from e-commerce’s expanding colonisation, or that the raging competition among e-marketplaces would not run online businesses to the ground – many e-commerce companies are, in fact, not turning a profit.

But, for now, both online and offline players seem to be focusing on what the retail market has always demanded of them – adaptation. **UN**

E-commerce stores including Lazada and Alibaba are developing ways for people to spend more on their site to turn engagement into orders.



PHOTOGRAPH: AFP