

Stores of the future

Shopping in the future is likely to see a melding of experiences in the physical and online spaces. BY ESTHER TEO

AS E-COMMERCE takes off globally and consumers demand a more seamless shopping experience on the go, the store of the future will not be a "physical" place but a combination of digital and physical experiences, as well as different channels and devices that stimulate customers' senses through a variety of touch points.

This is what Mr Michele Ferrario, regional managing director of Zalora, believes.

The online fashion retailer's own reach now extends beyond the electronic space.

Besides its mobile app, which has been downloaded by more than five million people, customers can also shop interactively by scanning Zalora's QR codes that are displayed at train stations and bus stops.

In an effort to "marry" online and digital channels, Zalora launched digital interactive pop-up stores at ION Orchard in Singapore, Kota Kasablanca in Jakarta and Gurney Plaza in Penang.

The last two stores saw 90 per cent new customer acquisition in December last year and the company is keen to launch more pop-ups.

Mr Ferrario will be speaking at Retail World Asia and E-Commerce Show Asia next week, along with other industry insiders such as Mr Pete Clifford, vice-president for business improvement of online supermarket RedMart, and Mr Ronan Hurley, chief operating officer of online beauty store Luxola.



Zalora's digital interactive pop-up store at ION Orchard. PHOTO: ZALORA



Many e-commerce companies are establishing physical presences via "Click and Collect" stores (above) and enabling customers to shop interactively by scanning QR codes (left). PHOTOS: BLOOMBERG, GETTY

Physical presence

In the grocery sector, RedMart's chief executive officer Roger Egan says he has already seen glimpses of the "store of the future", particularly in cities such as London and New York, where e-commerce is more advanced.

"Most products from grocery stores, particularly non-perishables, are moving online.

"The store itself is increasingly focusing on fresh and prepared foods, as well as the food 'experience', such as conducting cooking lessons and wine tastings," he says.

Mr Egan adds that many e-commerce companies are also establishing physical presences via "Click and Collect" stores or showrooms.

RedMart is piloting "Click and Collect" now and plans to move into it significantly.

The payment options available in the e-commerce space have also become more advanced, says Luxola's chief executive officer and founder Alexis Horowitz-Burdick.

She cites MasterCard's MasterPass, which allows customers to save all their credit cards in one "wallet" that they can use for a more convenient check-out process.

Another credit card payment system, CyberSource, uses tokenisation to store all credit card information securely for customers.

Then there is also a payment processor called 2C2P, which offers alternatives of paying either via ATM or through convenience stores.

Growth area

Despite the technological advances, e-tailers may have to fall back on good old cash on delivery (COD) as a payment option in some parts of the world.

One of them is South-east Asia, where Mr Ferrario says complex geography coupled with under-developed logistics infrastructure, low credit card or banking penetration and lack of high-speed Internet connection pose challenges to widespread e-commerce adoption.

"COD is not a technological innovation per se, but the novelty of the service caters specifically to what this region needs.

"By offering COD in all of Zalora's markets in South-east Asia, we made global and local fashion brands available to anyone with a smartphone device," says Mr Ferrario.

Despite the difficulties, Frost & Sullivan estimates that South-east Asia's six largest markets alone (Singapore, Malaysia, Indonesia, the Philippines, Thailand and Vietnam) generated US\$7 billion (S\$9.5 billion) in revenue for e-commerce in 2013.

E-commerce in the region is forecast to have an annual growth rate of close to 40 per cent, reaching US\$35 billion by 2018.

The Asia-Pacific region as a whole has seen tremendous growth in online shopping.

According to research firm eMarketer, the area became the world's biggest e-commerce region in 2013. It raked in an estimated annual transaction value of US\$525 billion, compared to US\$483 billion in North America.

Bright future

Gazing into the crystal ball, Mr Egan sees great potential for online shopping.

"When Generation Z enter their primary consumer years, we think e-commerce will explode," he says.

"For them, there is no notion of shopping online as a distinct concept, it is simply part of their lives and always has been."

Ultimately, consumers of the future are looking for the retailer with the best product offering and the best story to tell – it is about making customers "fall in love" with the brand, says Mr Ferrario.

"It has less to do with functionality and more to do with creating a unique user experience," agrees Ms Horowitz-Burdick.

"We don't have the face-to-face opportunity like bricks-and-mortar shops. The only way to win is to build a strong brand that is consistent in its values. The brand must be able to deliver on its values while creating hallmark experiences," she says.

Retail World Asia 2015 and E-Commerce Show Asia 2015 will be held at Suntec Singapore Convention & Exhibition Centre on April 22 and 23. For more information, visit www.terrapinn.com/exhibition/retail-world-asia and www.terrapinn.com/exhibition/e-commerce-show-asia



A worker picking grocery items to fulfil customers' orders at local online grocery retailer RedMart's warehouse. PHOTO: ST FILE