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Glimpse of hope for retailing amid challenge from e-commerce

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"Merry Christmas and Happy New Year" is the phrase we often hear during this festive month. This time of year usually comes with a spending spree for many around the world, even in Thailand, because it is the season of giving.

Because of this increase in spending, retail businesses around the world should be in a joyous mood, but that is not really the case this year. Spending has been lower than expected, causing retailers to scramble to find out what went wrong.

Let's take this opportunity to see what retailers in the United States have found out, what they could do to avoid it again, and how retailers and marketers in Thailand can learn from this.

According to data from the US National Retail Federation, one of the world's largest retail trade associations, total spending during the annual late-November mega sales event in the United States, Black Friday, was down by 6.4 per cent from last year. That is quite large considering the total sum of around US\$50 billion plus.

However, such gloom is not the case for e-commerce during this festive season. According Adobe's Digital Index, November marked a record in online sales in the US, totalling \$32 billion (Bt1 trillion), up 14 per cent from last year. Hence we can clearly see that one of the major factors for the decline in retail shopping is that consumers have found alternatives to visiting the actual stores and are using online means instead.

Will this be the beginning of a downward spiral for bricks-and-mortar retail? The answer would be no.

As stated by a newly released report on retail trends by TNS Research in cooperation with PricewaterhouseCoopers, as well as IPG Mediabrands' "Shopper Sciences Study", there is still a glimmer of hope for retailers in the years to come. This is the use of technology and data to bring physical retailers up to speed with the new champion, online shopping.

In terms of technology, TNS suggests that physical retail businesses will be required to improve a few things. First is to connect the store with the online and social-media world.

The strong point of e-commerce is the fact that shoppers can gather reviews of a product and ask for opinions of others before making the decision to buy what they see on the screen. Physical retailers need to be able to integrate the strengths of online and offline with technology that enables consumers to get all the information they need right in the store. Technology such as screen-equipped smart carts or digital kiosks can grant consumers access to the needed information on the spot.

Second is payment options. Physical stores normally depend on cash or card methods of payment, while online shopping has more to offer with things like digital currencies. Retailers will need to upgrade their payment systems to enable them to handle digital-based money such as PayPal or even in extreme cases virtual currencies such as Bitcoin.

The last technology improvement is location-based tools and offerings. Retailers need to utilise exclusive in-store promotions to attract shoppers to make purchases. Location-based promotions and advertising can be transmitted right into consumers' mobile devices if they are in close proximity of the store to entice them to visit.

According IPG Mediabrands' study, retailers need a deeper understanding of their consumers' journeys through data in order to ensure transactions within the store. Every single consumer will have a different journey leading to a purchase. During each journey, the consumer will be exposed to more than 50 sources of information. Retailers need to be able to decode each of these unique paths to purchase in order to optimise their presence and influence along the way, from consumers' realisation of their needs to making a purchase at the store.

If retailers are able to utilise the right technologies and understand consumers to the core, physical retailing will definitely hold its ground against prevailing e-commerce.

From seeing these incidents abroad, Thai retailers can take them as lessons for future practices. Though e-commerce in Thailand is growing at a rapid rate, it has not overtaken physical retail. If you were a local retail operator, it would be best to do many things to pre-empt such an incident.

The glimpse of hope for Thai retailers, in this case, is to think ahead and know how to retain their rightful place as leaders here in Thailand, unfazed by any coming online challenges.

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