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IM Shuying does a lot of her shopping online, from buying diapers to home furnishings, using websites such as Taobao, RedMart and Qoo10.sg. "Personally, I don't like the hassle of crowds, finding parking. For things I don't have to browse for, it's easier to go online and buy," she says, citing convenience and affordability as perks. She and her husband first started buying furniture on Taobao when they noticed a light fixture that they were eyeing in Singapore was one-sixth the price on the China-based website. "It was the exact same thing!" she says. >>>

Since then, they've gone on to buy most of their furniture from Taobao – a list which includes a sofa, a dining table and dining chairs, cabinets and a TV console. Shipping items from China through third-party freight forwarders is usually fairly affordable. Shipping her four-seater sofa, for instance, costed about S\$70.

Of course, there is the risk that the items could show up damaged or even look nothing like it did online. For instance, some of her chairs arrived with scratches on them.

One way around this is to check the reviews written by customers about the retailer before making any purchases, says the 34-year-old, who is self-employed. Some websites also offer a security feature where payment for the product is only released to the supplier once the buyer has confirmed successful delivery of the order.

"As a buyer, you need to do your homework," she says. "There are some iffy sellers. Do your due diligence. That's important."

**Brick-and-mortar fights back**

As e-commerce grows in popularity, brick-and-mortar stores are discovering that if you can't beat them, you might as well join them, especially as retailers here grapple with other headwinds too, from a tight labour market to high operational costs and a slower economy. There is also stiff competition from regional competitors, given the strong Singapore dollar.

"Online sales are growing far (more) rapidly than offline sales," says R Dhinakaran, managing director of Montreal, distributor for footwear and accessory brand Aldo. "If we are not serving the omni-channel shoppers, our competitors will."

Stressing that both the online and offline channels complement each other, he adds: "Our objective is to provide a seamless shopping experience by leveraging on our physical store assets, online store and ship-from-store fulfilment initiative."

From early-September, customers will be able to use the click-and-collect option, which means buying online and collecting their purchases in any Aldo store of their choice. They can also shop in-store but have the merchandise shipped to their homes. To ensure customer retention, an upgraded customer relationship management system is being rolled out to better engage customers, while patrons who shop online and offline will get rewards that can be redeemed across both channels.

While e-commerce fans may argue that online shopping is cheaper or yields more variety, Mr Dhinakaran points out that there are perks that brick-and-mortar stores offer which e-commerce sites may not be able to, from product styling to after-sales service.

To train its frontline staff for the digital retail environment, Aldo is working together with the Singapore Institute of Retail Studies (SIRS) at Nanyang Polytechnic. Managers will undergo training on digital commerce strategy under the SIRS-Alibaba Taobao University CEO programme.

According to SIRS, the programme has trained close to 200 chief executives, business owners and leaders from 100 companies so far.

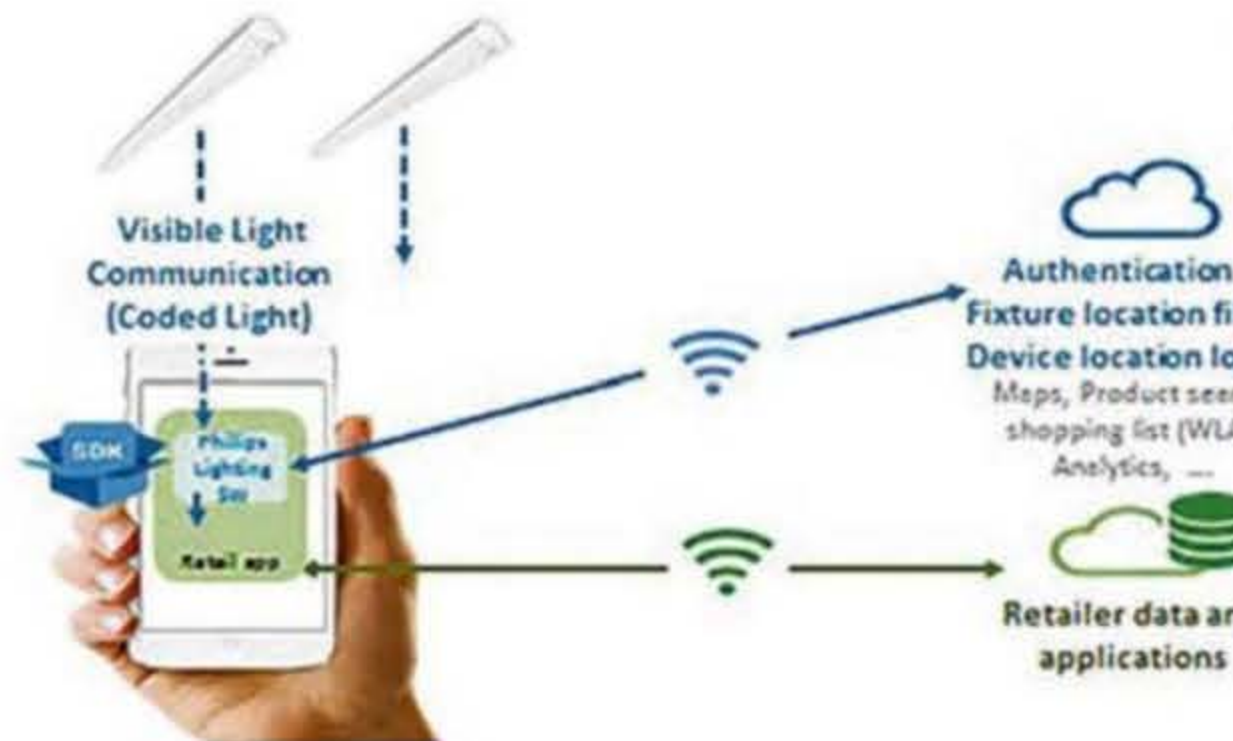
**Higher stakes**

Even as brick-and-mortar firms pull up their digital socks, the e-commerce incumbents are becoming increasingly formidable.

**Aside from helping customers find their way around the mall, Philips' VLC technology will also allow for targeted marketing messages to be beamed to the shoppers' phone based on their location.**

**Philips' connected retail lighting system**

The Visible Light Communication pilot uses LED-based indoor positioning technology to enable communications between Philips light fixtures in the mall and shoppers' smartphones.



Improve sales, loyalty, shopper experience

Source: Philips

Over at Lazada Singapore, business is brisk, according to chief executive Alexis Lanternier. Sales volume hit a 12-month high in March this year, tripling over the corresponding month a year ago, the e-commerce company said, without giving exact figures. It currently offers up to 9 million products on its Singapore website, including the Taobao Collection and cross-border items.

Last year, Alibaba acquired a majority stake in Lazada – which was founded by Rocket Internet – for some US\$1 billion to gain a foothold in South-east Asia. It is unclear, however, whether the e-commerce player is turning a profit.

In FY2015, Lazada's revenues reportedly rose 78 per cent year on year to 275 million euros, but losses more than doubled to 296.5 million euros. Backed by Alibaba, it snapped up e-grocer RedMart last year.

"Assortment is the number one driver of e-commerce," says Mr Lanternier. "Then you have price. That's very true in Singapore, but also across the region. The third part is to (offer) a faultless shopping experience."

And this is why logistics and warehousing are important pillars for the e-commerce player – to ensure prompt delivery and to facilitate return items, if necessary.

According to a Bloomberg report, Singapore's internet retail market grew to 4.8 per cent of total retail in 2016, doubling from 2.4 per cent in 2013. In more developed markets such as the United States, the figure is north of 10 per cent.

Growth is high across all of Lazada's markets in South-east Asia and accelerating, according to Mr Lanternier. "We think we have a unique opportunity to build up e-commerce in South-east Asia," he says, noting that smartphone penetration is going up while the cost of smartphones are coming down. "That enables us to transform every person in this region into a customer."

Which is not to say that the e-commerce space is devoid of challenges either. Heavyweight player Amazon has set its sights on South-east Asia, and is expected to start operations in Singapore this year. (The Q1 launch date has now been pushed back to later in the year, according to a report from TechCrunch.)

Perhaps in response to Amazon's imminent arrival, Lazada is rolling out what is seen by some as an Amazon Prime-esque membership package known as LiveUp. Teaming up with Netflix, RedMart and Uber, the package gives consumers perks across the different services for an annual fee of S\$28.80. These include free express delivery for purchases off Lazada, six months of free subscription to streaming site Netflix and rebates on Uber.

**The new normal**

And retailers aren't the only ones trying to adapt to the new normal. Mall operators such as CapitaLand are also trying to improve the shopping ex-

perience for consumers to keep them coming back. For instance, CapitaLand Mall Asia, which manages 17 operational malls, is working together with Philips Lighting on a pilot project that uses visible light communications (VLC).

CapitaLand is also implementing other initiatives to keep consumers coming back to its malls, including asset enhancements, marketing programmes and an automated chatbot for its CapitaStar app.

The first project of its kind for a shopping mall, the VLC pilot uses LED-based indoor positioning technology to enable communications between Philips light fixtures in the mall and shoppers' smartphones.

"When a shopper launches an app on his or her smartphone in the mall, the front camera on the smartphone picks up a unique light frequency emanating from Philips lights and this helps to identify the shopper's location in the mall," explains Teresa Teow, head of retail management (Singapore) for CapitaLand Mall Asia.

Aside from helping customers find their way around the mall, it will also allow for targeted marketing messages to be beamed to the shoppers' phone based on his or her location. For instance, a shopper standing in the sporting aisle of a hypermart could receive a discount coupon for Adidas on their phone. Other potential features that retailers could offer include product finding and product comparison across different brands using items sold by the retailer in question.

"This makes the customer experience both more personalised and interactive," says Jitender Khurana, director of professional lighting solutions for Philips Lighting.

"Considering the challenges in the retail space, new technologies which can help enhance the personalisation, the interactivity, convenience and general customer experience really helps (retailers) to differentiate (themselves)."

Shopping malls could also potentially collect data to study other things, such as how long shoppers stayed in the mall or how they moved through it. The latter could influence how they design future malls.

The upside to VLC technology is simple, says Mr Khurana. The technology is offered as an additional service which rides on the LED lighting system, which means that a mall or retailer could leverage on existing infrastructure. Aside from shopping malls or retailers, the technology could also be used by large office complexes or mixed-use developments. If successful, the pilot might be extended to other malls.

Another way to boost footfall at malls – and by extension, its shops – is by offering more experiential activities.

This can help fill up space on the upper levels (which are harder to fill) and enables traffic to flow down to the other floors, reckons CBRE's head of research Desmond Sim. "Malls are no longer (just) a point of transaction for retail anymore," he says, pointing to Suntec Singapore, which has brought in the Alive Museum.

Some other malls are scaling up their proportion of food and beverage (F&B) offerings, taking on more F&B tenants over retail tenants.

This comes as more retail space is due to enter the market, which should see average prime retail rents decline by 3-5 per cent this year, according to CBRE. In Q1, average prime retail rents clocked S\$25.30, down 0.6 per cent quarter on quarter and 2.7 per cent year on year. The firm estimates that about 1.15 million square feet (sq ft) of retail space is expected to be completed this year, and a

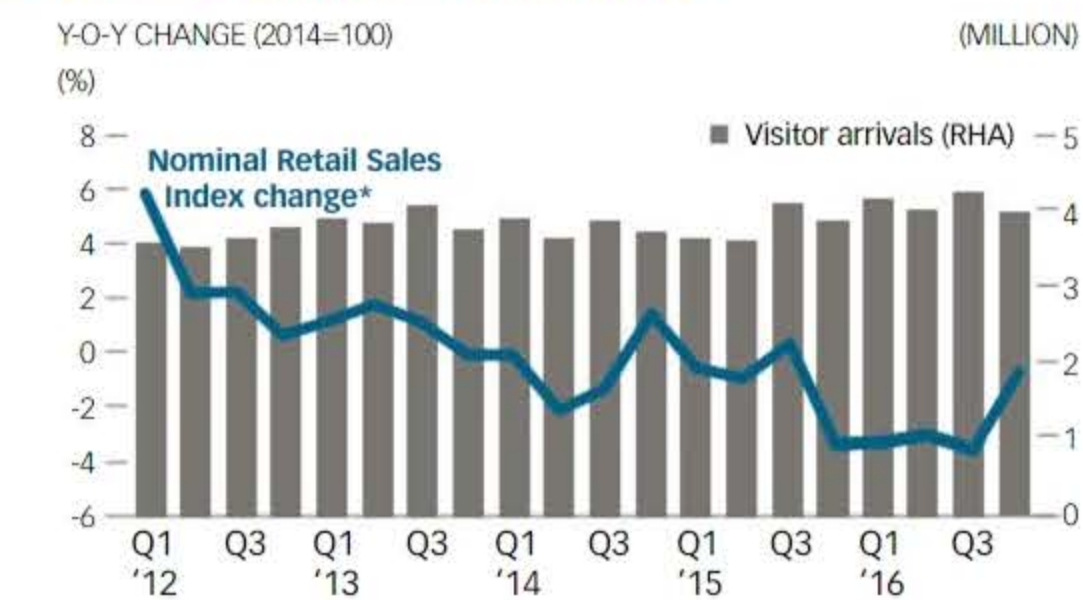
While some brands have chosen to exit the market due to a challenging environment, there are also new entrants still coming here. Apple, for instance, will soon open its first Singapore flagship on Orchard Road. PHOTO: FILE



further 1.40 million sq ft will come onstream in 2018. A substantial chunk of supply for 2018 is due to come from Changi Airport's Project Jewel alone. (However, supply tapers off after that, with just 0.56 million sq ft of retail space likely to be injected in the market in 2019.)

The latest data from the Urban Redevelopment Authority showed that prices of retail space decreased by 4 per cent quarter on quarter in the first three months of this year, while the island-wide vacancy rate of retail space rose to 7.7 per cent, from 7.5 per cent at the end of the previous quarter.

**Retail economic indicators**



\* excludes car sales Sources: STB, MTI Economic Survey of Singapore, CBRE Research, Q1 2017

**Prime retail rents**

	Q1 '17	Q-O-Q	Y-O-Y
Orchard Road	S\$32.05	-0.3%	-2.4%
Suburban	S\$29.25	-0.3%	-1.3%

Source: CBRE Research, Q1 2017

There are bright spots.

"While vacancies are rising, vacancies are appearing on the less crowded floors and poorer corridors," notes Mr Sim. "A mall on a transport node, supported by residential catchment, will still get good patronage."

And while some brands have chosen to exit the market due to a challenging environment, there are also new entrants still coming here, he adds.

"Predominantly, most brands still see Singapore as a gateway to South-east Asia," Mr Sim highlights. However, retailers might be more "strategic" in their approach. This could mean consolidating their network if there are multiple stores within a short distance of each other, opening flagship stores or even entering the market with fewer stores. The latter makes exiting the market easier, if it comes to that.

Amid a tougher retail landscape, even Singapore's iconic shopping belt Orchard Road is set to undergo a rejuvenation to make it more vibrant and pedestrian-friendly.

The Singapore Tourism Board is studying the reclamation of one traffic lane from the current five-lane road and may be opening up existing parcels of state land to enhance pedestrian space for the near term. There are also plans to introduce more "programming" for added vibrancy, spanning from street markets to lifestyle events and performances.

In the long-term, a fully-pedestrianised Orchard Road could also be on the cards, the government says.

Taken collectively, it's clear that retailers – whether digital or physical – and even retail locations now understand that it can't be business as usual anymore.

As the retail industry continues to evolve, transformation – radical or otherwise – is going to be key in order for its players to survive.

nishar@sph.com.sg @Nisha\_BT