

## COMMENTARY

# Offline and online to blend in the future of global retail

By **Rahul Choudhury**

**T**HE tremendous growth of the e-commerce sector has brought about a revolution in the global retail industry, with companies switching to online platforms in an attempt to reach potential customers and consumers across borders. This revolution has also led to traditional retailers fearing a loss of their business to online sellers. This has resulted in such retailers – from hypermarkets to convenience stores – starting websites and offering delivery services to woo customers.

The online route has certainly benefited small retailers. Malaysian footwear brand Christy Ng started its sale through Facebook and eventually listed its products on eBay, Lazada, Zalora and other popular online marketplaces. Amazon tied up with the Federation of Indian Micro and Small & Medium Enterprises to sell unique and hard-to-find products from micro, small and medium-sized enterprises in India under its programmes such as Kala Haat, Amazon Saheli and Amazon Select. Chinese online giant Alibaba has also helped new sellers list and sell their goods through its online platform.

### ONLINE RETAILING OVER-HYPED?

However, in spite of the hype about online retailing in recent times, there is little evidence to suggest that online sellers are destined to capture and dominate the retail market in the future at the expense of offline retailers.

Firstly, online retail sales' share vis-à-vis physical retail sales remains rather modest. In 2017, online sales made up 23 per cent of total retail sales in China, 16 per cent in the United Kingdom, 9 per cent in the United States and only 3 per cent in India. E-commerce retail sales grew by a quarter globally in 2017, and by a quarter and a fifth in India and China respectively in 2017.

Secondly, several big online firms which started their business as an online marketplace have, in fact, moved their operation into the traditional retail sector.

Alibaba, which controls 60 per cent of the Chinese online market, has shown a great deal of interest in the brick-and-mortar retail business and has invested billions of dollars in physical stores in China in the last few years. In 2015, Alibaba started Hema supermarkets in Chinese cities such as Shanghai, Beijing, Ningbo, Shenzhen and Hangzhou under its new retail vision to blend online with offline stores. It further expanded its physical presence by acquiring Intime department store chain in 2017.

Another major Chinese player, JD.com, has also made a foray into the offline retail space. It now runs supermarkets across China. Pioneer online retailer Amazon acquired American retail chain Whole Foods in 2017. Japanese e-commerce firm Rakuten has been operating offline stores in across Japan since 2015.

Singapore-based online seller Lazada recently opened its offline stores in Malaysia, so customers can experience products before buying them online. eBay and Alibaba operate smart stores in selected American cities and in China respectively; in these stores, customers can try out products using augmented and virtual reality.

### PHYSICAL STORES

In India, online operator Flipkart announced its decision in October 2016 to open physical stores in small cities. Online fashion retailer Myntra operates dozens of physical stores in different cities and plans to open a few more soon.

Lenskart, which started as an online eye-glasses seller, has opened physical stores in almost all major cities in India. Similarly, app-based taxi service provider Ola has opened physical booths where customers can book rides in India.

So what does the future hold for the retail industry?

There is already a blurring of the lines between online and offline retail trade. The retail industry is likely to witness a hybrid model comprising online and offline sales platforms. E-commerce will continue to grow and physical-store retailers are likely to suffer some consequences of this.

However, offline shopping will not go out of business or be wiped out from the retail landscape. There are sufficient examples of online and offline stores supporting each other to meet the retailing needs of customers. There will naturally be some disruptions as each side tries to adjust to the presence of the other, but in the long run, both will learn to co-exist in the same marketplace.

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