

Contents

1. Overview of the Retail Sector
2. Challenges of Singapore's Changing Retail Landscape
3. Productivity Enablers for Future Retail Markets
4. Retail Game Changing Technologies for 2016 and beyond
5. Case Study
 - Case Study (Local) – Ocean Paradise
 - Case Study (Global) – China he e-Grocery Gold Rush – Yihaodian
6. Conclusion

Recommended Readings

References

Please note:

This Productivity Link is provided as part of our Productivity Information Services to Members. Members are reminded not to disclose, disseminate or distribute the information to any other party. No part of the information may be reproduced in any form or by any means whatsoever, including by information storage and retrieval systems.

Productivity in the Retail Sector

1. Overview of the Retail Sector

September 2016's Singapore Retail Industry Conference highlighted the Retail Industry Transformation Map (ITM). Minister for Trade and Industry Mr S Iswaran described the far-reaching plan to increase future productivity, revenue and global recognition of Singapore's retail sector. Goals include:

- an energetic industry
- a renowned skilled and professional workforce
- high productivity
- global recognition of local brands

Meanwhile, retailers must address the changes in shopping, particularly e-commerce. As one of the global leaders in smartphone use, Singapore has the potential to hold a US\$5.4 billion e-commerce market by 2025. Technological improvements like augmented reality and robots will encourage the change in consumer expectations over the next few years. Figure 1 shows how today's retail landscape is evolving.



Figure 1: 4 ways retail landscape is evolving

Source: https://www.spring.gov.sg/Developing-Industries/RT/Documents/Upgrade_Upskill_Upscale_Boost_Productivity_for_Retail_Success.pdf

Greater productivity is promoted by five retail trends, including diverse payment methods. Already a leading world market for contactless payments, such as Visa payWave (over 4 million monthly), the trend will continue to spill over to face-to-face transactions. Just over a third of Singaporeans currently use Visa payWave for payments. Payment options facing in-store retailers include:

- Samsung Pay
- Apple Pay
- Android Pay
- WeChat Pay
- Alipay

Figure 2 shows some examples of contactless payment options.



Figure 2: Contactless Payment Options

Loyalty programs by eWallet services like Alipay and Apple Pay encourage consumers to use these methods as frequently as possible.

Cloud-based management systems let retailers oversee business operations on the go. Live data lets them improve efficiency, make timely decisions, and effectively perform the duties of operations manager, accountant, and human resource manager at the same time.

Omni-channel stores are another example of hi-tech retail operations. High labour costs and rent are diminished while allowing businesses to keep a physical presence. Offline retail is merged with mobile apps, websites, and social media. Many Singaporean customers prefer shopping at an actual store. Challenger's click-and-collect system encourages consumers to purchase products from their online store and pick them up at one of their brick-and-mortar stores.

3. Challenges of Singapore's Changing Retail Landscape

Mr R. Dhinakaran (see Figure 3) recently accepted the appointment as president of the Singapore Retailers Association. He warns of productivity challenges in retail, forecasting incidents like major brands closing shops and leaving Singapore.

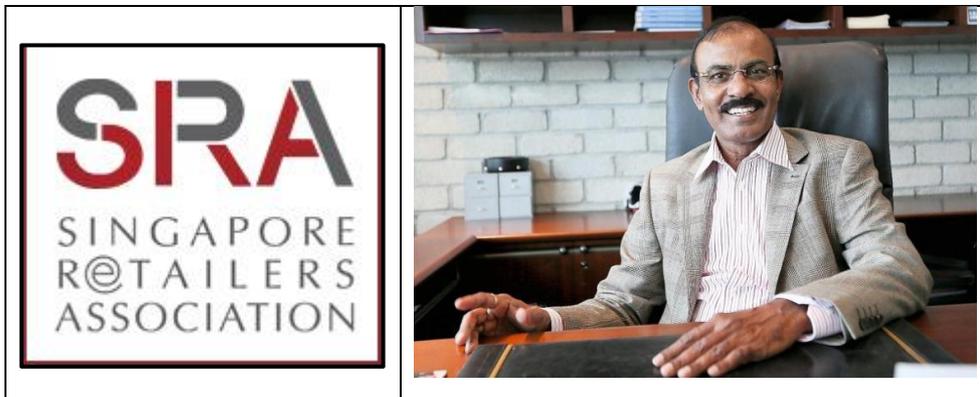


Figure 3: Mr R. Dhinakaran, new president of the Singapore Retailers Association

Source: <http://www.tnp.sg/news/singapore-news/retailers-must-revamp>

To remain a shoppers' paradise, Singapore retailers would need to consider:

- Retooling
- Revamping
- Re-adjusting

Structural reform must address manpower and high rental costs. Currently the number of young Singaporeans joining the retail sector is negligible. Real estate investment trusts pressure mall managers to charge high rental costs that produce higher returns. It is vital to include equitable solutions in future.

Respect consumer wisdom and understanding. The Internet gives information to customers, promoting superior knowledge of products. E-commerce and technology are two items that promote productivity. Keep the brick-and-mortar shop while establishing an online presence, including click and collect options. Online retailers should establish a physical presence to maximise their growth.

4. Productivity Enablers for Future Retail Markets

Dynamic change adds to the success of today's retail markets. It was estimated that the Internet of Things (IoT) has a potential yearly economic impact of \$410 billion to \$1.2 trillion by 2025. Three specific ways IoT is expected to increase retail productivity are through:

- personalised promotions during shopping,
- tracking shelf inventory, and
- performing automated check-out when customers leave the store.

The IoT benefits three critical retail areas: the supply chain, new revenue streams and channels, and customer experience.

The results of a 2015 Bricks and Clicks Shopper Trends poll suggested new opportunities for Singapore retailers if they react to shopper dynamics. Answers to questions about shopping attitudes and behaviours show Omni-channel shoppers have raised to 41 percent. Prevailing shoppers consist of Gen-X (43%) and Millennials (37%).

Nearly 68% of all shoppers welcome the addition of online retailing by physical stores, providing the immediacy of internet searches and excitement of instore shopping. Physical stores provide the convenience of self-pickup services and opportunity for personal interaction with service and sales personnel. Figure 4 shows the top 3 most important offerings to attract shoppers.



Figure 4: Why retailers need to consider setting up an online store (2 in 3 Singaporeans prefer retailers with e-commerce and mobile app)

Source: <http://sbr.com.sg/retail/news/why-retailers-need-consider-setting-online-shop>

5. Retail Game Changing Technologies for 2016 and beyond

Successful disruptive methods change how retailers do business in 2016 and beyond. Use of technology and successful targeting demands skill, comprehension and commitment. Retailers could leverage one or more of these disruptive technologies:

1. Virtual Reality

Leading brands, such as Ikea and North Face, are already starting to integrate Virtual Reality (VR) solutions to boost sales and make shopping a fun experience.

2. Mixed Reality

Augmented Reality (AR) is predicted to grow to \$90 billion by 2020 as per Digi-Capital, an investment firm. Retailers are testing the technology out in their stores to see what it can do for both their business and consumers. Figure 5 shows an application of mixed reality.



Figure 5: OSHbot, a mobile and semi-intelligent C-3PO robot designed by a local startup Fellow Robots to assist customers and work alongside human employees in shops

Source: <https://www.quora.com/What-are-the-most-disruptive-retail-technologies-of-2016>

3. Mobile Payments

Digital wallets like, Apple Pay, Samsung Pay and iBeacon technology among others are some of the popular technologies that are leveraged by businesses and brands today to deliver mobile proximity payments.

4. Smart Shelves

A smart shelf is a shelf equipped with an RFID reader, which can be built-in or installed on normal shelves. The RFID reader continuously scans the RFID tagged items on the shelf and notifies the back-end system about the existing items and their movement. It identifies items that do not belong on a certain shelf as “misplaced items”. This technology enhances productivity in retail shelves management.

5. New-store concepts

Some retailers are trying out new-store concepts. For example, Whole Foods Market launched their new-store concept called 365, a lower-priced, no-frills version of the chain. The concept behind the store was to create a modern, consistent design, use innovative technology, and carefully choose just the right product mix to ensure an efficient and rewarding shopping experience in a smaller-store format.

Companies must be responsive and flexible to provide an omni-channel customer experience. Singapore shoppers ask for cross-channel options over augmented reality store experiences and digital wallets. Buying into the future of retail by investing in modern technology does more than create additional income. It encourages consumers to return to the empty malls and experience a regenerated shopping trip where they are welcome to share their knowledge about the products they are seeking. Accenture’s picture of the tomorrow’s retail in-store experience is described in Figure 6.

6. Possible Immediate Actions

Plan a course of action that boosts productivity and retail success. It’s important for retailers to keep up with the latest trends in Singapore’s small domestic market. At the same time, be innovative. Achieve sustainable growth and success by exploring new markets and analyzing each one to determine its effect on your business. There are five opportunities to boost retail productivity, namely:

1. Change consumer shopping behavior. They continue to grow in mobility, socialization and the amount of information acquired about products. Consumer expectations are rising. They want to experience seamless and personalised shopping. Local retailers experience new market opportunities throughout Asian markets. The key is developing trust in products made in Singapore, developed for current and new affluent customers. Digital retail innovation makes retail operations efficient and faster, whether the innovations are in-store, online, or at the backend of retail operations.
2. Elevate the customer’s in-store experience with creative store concepts and dynamic store formats. It will result in increased new and repeat business. Figure 7 shows how a creative store concept could look like.
3. Brand awareness increases with digital marketing. Use social media campaigns that engage your target and build brand loyalty.
4. Develop excellent customer service. Avoid being satisfied with the status quo. Go above and beyond typical response times to develop happier customers and increase loyalty to your brand.

- Build a workforce of deep-skilled personnel. Make jobs specialised instead of typical. Employees, shoppers, productivity, and market opportunities will improve and reinforce the expectations of all concerned.

The In-store Experience of Tomorrow

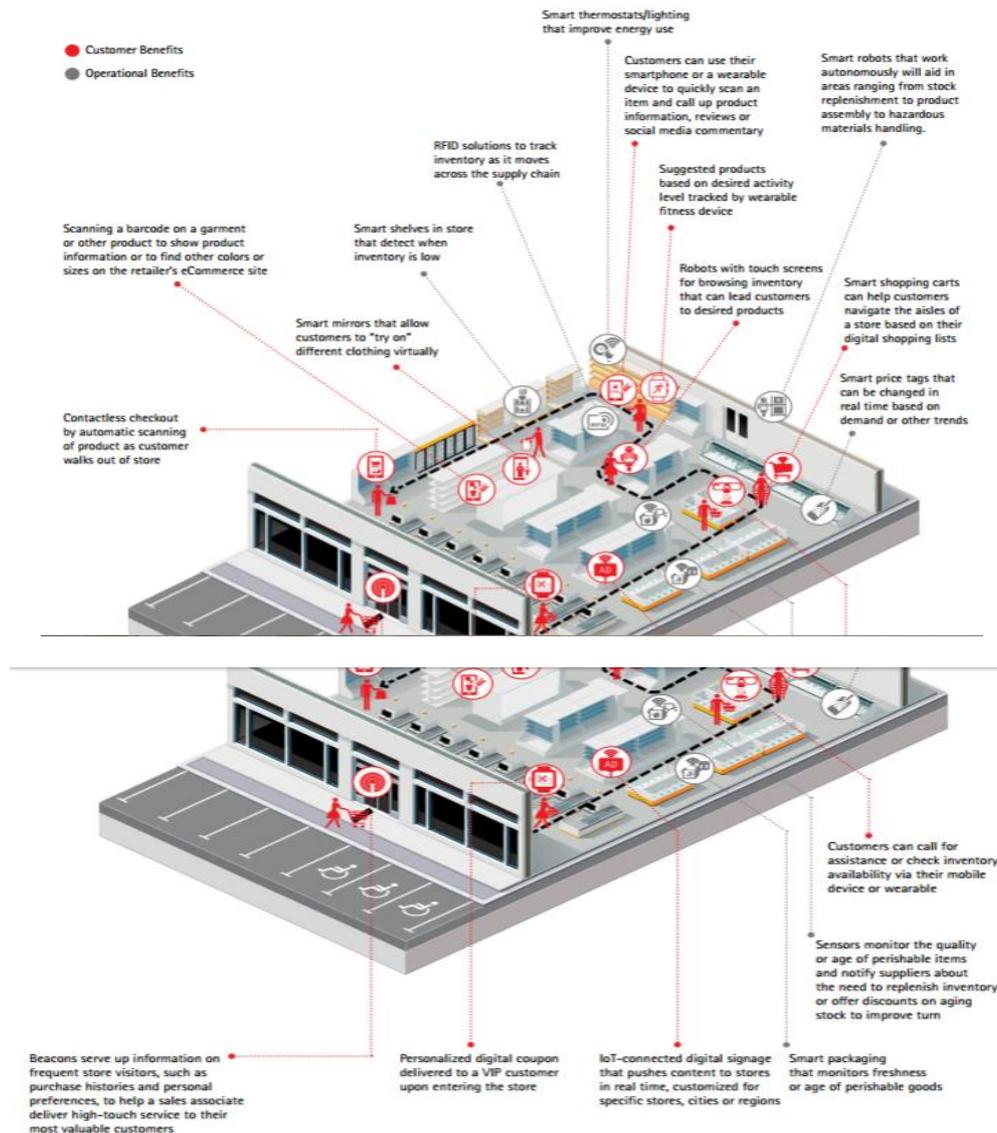


Figure 6: The Internet of Things: Revolutionizing the Retail Industry by Accenture

Source: https://www.accenture.com/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_14/Accenture-The-Internet-Of-Things.pdf#zoom=50



Figure 7: Creative store concept – an example
Source: <https://www.pinterest.com/pin/245446248411510966/>

7. Case Study

7.1 (Local) – Singapore: Ocean Paradise

Ocean Paradise specialises in mid to high-end UV protective swimwear and accessories for children aged 6 months to 15 years and their parents. Brand selection and range include a variety of Australian, USA, and New Zealand award-winning brands. The store has been in business for 22 years. Customer service is a high priority. Equipment and swimsuits are recommended based on customer swimming skills, weight range, age, and aqua safety levels.

Ocean Paradise



Figure 8: Ocean Paradise Swimwear

Source: <https://www.tanlinmall.com.sg/level/level1/ocean-paradise/>

The company conducted a survey to learn more about its Tanglin Mall customers and develop a plan of action to boost patronage, provide desired apparel, and improve customer service. Specific things learned during the project resulted in change. Typical customers were over 60 percent locals. The women ranged from 30 – 50 years old with one or two children and a good level of household income. Shopping patterns showed a focus on the children before themselves. Spouses and partners were next.

Communications were fine-tuned to appeal to their children's needs. Wording in posters, social media, newsletters, and their website addressed the identified customer and their concern for product quality, value, and functionality. Sales staff is being trained to introduce each new product from that angle so parental concern is satisfied. Sales personnel note that it's easier to interact with consumers because they are aware of their interest. Customers respond favourably to these improvements.

67% of respondents were walk-in customers and 57% said the storefront display attracted their interest. Overall, customers were satisfied with the shop and products. Before the improvements, the store ambience and instore and storefront displays did not impress customers very much. Informal talks with customers about likes and dislikes led to changes designed to encourage them to stay longer at the store during their shopping trip.

Display shelves and heights were lowered to invoke display and store cosiness. Customers can reach high shelves without assistance. Storefront displays receive more attention during the design and are meant to tell a story.

Storage systems were changed so customers received a quick response regarding available sizes of displayed items. Other improvements incorporated selling techniques, such as organised, attractive displays and better classification of goods. Classifying the equipment by stages of needs enhances cross-selling for staff and easier choices for customers.

Records showed 60% of store sales were in the top 10 brands. Displays were changed from style-centric to brand-centric. Branding signage was added to help women identify their preferred brands. Customer response showed approximately 40% of the customers currently purchase swimsuits and accessories online, showing the possibility of online sales through Ocean Paradise.

7.2 Case Study (Global) – China:

The effort to make grocery-shopping easier for workers in areas of China like Shanghai and Beijing is succeeding one customer at a time. Set up by Chinese e-grocery retailer Yihaodian, the virtual supermarkets can be accessed via smartphones. The first online supermarket in China features 1000 augmented reality stores. The virtual supermarket has:

- 1200 metres of floor space
- 1000 items in stock

Consumers put items in the basket by scanning the item code and checking out. The company delivers the goods to their home in one or two days.

The concept sounds much simpler than rushing to a busy supermarket after work to fill a basket with groceries, stand in a long line to check out, and hold bags of goods steady during a busy commute home. It has proven its worth and received a Silver Lion award and a Best Use of Mobile Devices for Media at the Cannes Lions 2013.



Figure 9: Chinese e-grocery retailer Yihaodian

Source: <http://knowledge.ckgsb.edu.cn/2013/08/19/china/the-e-grocery-gold-rush/>

Early productivity statistics show 1-2% purchases of food and drink online. Future estimates by the company are 20 – 30% of the traditional physical market purchases. The emphasis focuses on establishing the Yihaodian brand as other companies, including Jingdong Mall and Taobao, jump on the e-grocery bandwagon.

Products are purchased from manufactures to sell through the online platform. The company recently added fresh fruit to its line. Yihaodian offers imported food at low prices, drawing additional consumers to their virtual market. The strategy of online shopping in major cities appears to be sustainable because of the large number of likely customers and a dependable supply chain.

8. Conclusion

With the changing landscape of the retail sector where shopping behaviours are changing and consumer expectations are rising, retailers need to keep up with the latest trends, innovation and explore new markets to achieve sustainable business growth. Leveraging technology to create new store concepts for a unique shopping experience and providing online shopping for enhanced flexibility and efficiency are some ways retailers can continue to attract new shoppers and keep current ones. Get started by implementing some ideas presented in this article.

Recommended Readings

Title	They say they want a revolution: Total Retail 2016.
Author(s)	PwC
Year of Publication	February 2016
Website	http://www.pwc.com/us/en/retail-consumer/publications/assets/total-retail-global-report.pdf

Title	Closing the Digital Divide: IoT in Retail's Transformative Potential
Author(s)	Tracie Kambies, Michael E. Raymor, Derek M. Pankratz, Geetendra Wadekar
Year of Publication	14 January 2016
Website	https://dupress.deloitte.com/dup-us-en/focus/internet-of-things/iot-retail-strategies.html

Title	New Directions in Shopper Technology
Author(s)	Shopper Technology Institute
Publisher	Outskirts Press
Year of Publication	26 November 2013
ISBN	978-1478701415

Publications which are in the holdings of the National Library or Public Libraries are denoted by [call number] at the end of each reference. Please check the library's online catalogue to confirm the availability.

References

Accenture. (2014). Life on the digital edge: How augmented reality can enhance customer experience and drive growth. Retrieved December 19, 2016 from https://www.accenture.com/t20150521T005730__w_/us-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_8/Accenture-Augmented-Reality-Customer-Experience-Drive-Growth.pdf

Amit Roy Choudhury. (2016, September 28). Omni-channel the way to go for Singapore retailers. Retrieved December 19, 2016 from <http://www.businesstimes.com.sg/companies-markets/omni-channel-the-way-to-go-for-singapore-retailers>

Bianchi, R., Cermak, M., & Dusek, O. (2016, December). Omnichannel, not omnishambles. Retrieved December 19, 2016 from <http://www.mckinsey.com/business-functions/operations/our-insights/omnichannel-not-omnishambles?cid=other-alt-mkq-mck-oth-1612>

Cheung Kong Graduate School of Business. (2013, August 19). The e-Grocery Gold Rush. Retrieved December 19, 2016 from <http://knowledge.ckgsb.edu.cn/2013/08/19/china/the-e-grocery-gold-rush/>

DBS Bank Ltd. (n.d.). Buying Into the Future of Retail. Retrieved December 19, 2016 from <http://www.dbs.com.sg/sme/businessclass/events/disrupt-at-the-bay/retail-disrupt/buying-into-the-future-of-retail.page>

Department of Statistics Singapore. (2016, January 12). Annual Services Statistics - Retail Trade. Retrieved December 19, 2016 from <http://www.tablebuilder.singstat.gov.sg/publicfacing/sortByTime.action>

Deloitte LLP. (2016). Retail Trends 2016. Retrieved December 19, 2016 from <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/retail-trends-2016.html>

Gregory, J. (2015). The Internet of Things: Revolutionizing the Retail Industry. Retrieved December 19, 2016 from https://www.accenture.com/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_14/Accenture-The-Internet-Of-Things.pdf#zoom=50

Gregory, J. (2015). The Next Wave of Disruptors: Five Game Changing Technologies for Retailers. Retrieved December 19, 2016 from https://www.accenture.com/t20151020T051216__w_/sg-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Strategy_7/Accenture-Technology-Disruptors-Retailers-2015.pdf#zoom=50

Kiersnerr Gerwin Tacadena. (2016, December 19). Why retailers need to consider setting up an online shop.
Retrieved December 19, 2016 from

<http://sbr.com.sg/retail/news/why-retailers-need-consider-setting-online-shop>

Lim, P. J. (2015, September 22). New Retail Productivity Plan to focus on growing sales.
Retrieved December 19, 2016 from

<http://www.channelnewsasia.com/news/singapore/new-retail-productivity/2142616.html>

PwC. (2016). They say they want a revolution: Total Retail 2016.

Retrieved December 19, 2016 from <http://www.pwc.com/us/en/retail-consumer/publications/assets/total-retail-global-report.pdf>

Reddy, T. (2015, May 18). 13 Retail Companies Using Data to Revolutionize Online & Offline Shopping Experiences: From iBeacons and Sensors to Augmented Reality - How Innovative Retailers Are Redefining Online and Offline Shopping.

Retrieved December 19, 2016 from <https://www.umbel.com/blog/retail/13-retail-companies-already-using-data-revolutionize-shopping-experiences/>

Rumi Hardasmalani. (2015, April 17). Reeling retail sector retools as hard times begin to bite.
Retrieved December 19, 2016 from

<http://www.channelnewsasia.com/news/business/singapore/reeling-retail-sector/1789910.html>

Seah, L., Bryna Singh, Heng, M., & Woo, A. (2016, April 28). Cautious consumers, falling retail sales, high cost and strong dollar leading to empty malls.

Retrieved December 19, 2016 from <http://www.straitstimes.com/lifestyle/fashion/cautious-consumers-falling-retail-sales-high-cost-and-strong-dollar-leading-to>

Singapore Business Review. (2015, May 15). Singapore retailers turn to technology to boost productivity.

Retrieved December 19, 2016 from <http://sbr.com.sg/retail/exclusive/singapore-retailers-turn-technology-boost-productivity>

SPRING Singapore. (n.d.). Upgrade, Upskill, Boost Productivity for Success!

Retrieved December 19, 2016 from https://www.spring.gov.sg/Developing-Industries/RT/Documents/Upgrade_Upskill_Upscale_Boost_Productivity_for_Retail_Success.pdf

SPRING Singapore. (2016, September 15). Retail Industry Transformation Map to Drive E-Commerce & Omni-Channel Formats to Enhance Growth and Competitiveness.

Retrieved December 19, 2016 from <https://www.spring.gov.sg/NewsEvents/PR/Pages/Retail-Industry-Transformation-Map-to-Drive-E-Commerce--Omni-Channel-Formats-to-Enhance-Growth-and-Competitiveness-20160915.aspx>

Stanley, T.L. (2016, June 16). 5 Trends That Are Radically Reshaping Shopper Marketing: Brands take retail real-time with VR, beacons and other tactics.

Retrieved December 19, 2016 from

<http://www.adweek.com/news/advertising-branding/5-trends-are-radically-reshaping-shopper-marketing-171960>

Shubhi Mittal. (2016, August 10). What are the most disruptive retail technologies of 2016?

Retrieved December 19, 2016 from <https://www.quora.com/What-are-the-most-disruptive-retail-technologies-of-2016>

Tan, T. M. (2016, July 26). Retailers must revamp.

Retrieved December 19, 2016 from <http://www.tnp.sg/news/singapore-news/retailers-must-revamp>

Teh, A. (2016, September 2016). 5 retail trends to expect from Singapore.

Retrieved December 19, 2016 from <https://www.techinasia.com/5-retail-trends-expect-singapore>

The Nielsen Company (US), LLC. (2015, August 20). A shift in shopper dynamics provides new opportunities for Singapore retailers.

Retrieved December 19, 2016 from <http://www.nielsen.com/sg/en/press-room/2015/shift-in-shopper-dynamics-provides-new-opportunities.html>

The Wall Street Journal. (n.d.). Retail Industry Undergoing Massive Disruption.

Retrieved December 19, 2016 from

<http://deloitte.wsj.com/cio/2015/11/04/retail-industry-undergoing-massive-disruption/>

Weinswig, D. (2016, Oct 26). Virtual And Augmented Reality Become Realistic Revenue Generators.

Retrieved December 19, 2016 from

<http://www.forbes.com/sites/deborahweinswig/#2ce7c815b06f>

Wenig, D. (2014, July). How digital is transforming retail: The view from eBay.

Retrieved December 19, 2016 from <http://www.mckinsey.com/industries/retail/our-insights/how-digital-is-transforming-retail-the-view-from-ebay?cid=other-alt-mip-mck-oth-1612>

Yeo, B. L. R. (n.d.). Zalora Singapore: Creating an Omni-Channel Shopping Experience For Shoppers.

Retrieved December 19, 2016 from

<http://www.ntc.ntu.edu.sg/ntcc/Documents/Full%20Version/25.%20ZALORA%20SINGAPORE%20-%20CREATING%20AN%20OMNI-CHANNEL%20SHOPPING%20EXPERIENCE%20FOR%20SHOPPERS.pdf>