

A woman wearing a light-colored straw hat and a blue and green plaid shirt is looking out of a train window. The background is a blurred city street with other people and buildings, suggesting a busy urban environment. The lighting is warm and natural, possibly from the sun.

Retailers look East for digital inspiration

Opinion Paper





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Since the dawn of the internet and the expansion into omni-channel retailing, much of the innovation around e-commerce has come from the West. That's especially the case with the U.S. brands, such as Amazon and eBay, which have made e-commerce ubiquitous to everyday life. Indeed, for some millennials, the idea of going into a store to listen to a CD and then picking up a physical copy is almost as strange as the notion of having no WiFi. As digital technologies have evolved, many retail innovations have sprung up in the West - e-malls, e-books, e-payments, 'click n collect' and personalisation technology are some recent examples.

Technology has continued to drive changes in retail - from how we shop, to how we interact, to how we pay. The power of computing in regular smartphones today is greater than what took the first man to the moon. Mobile devices have become health aids, money wallets, shopping malls, driving aids and much more. When it comes to retail, a lot of inspiration still comes from Silicon Valley. Concepts such as the 'cashless' store, frictionless shopping and greater utilisation of artificial intelligence (AI) are all seeing heavy investment in the West.



The shifting e-commerce power base

However, the East is quietly making strides too. A lot of innovation taking place across the Middle East and Asia could potentially benefit the West and should not be ignored. China and Japan are just two of the countries reshaping e-commerce.

Social e-commerce (such as simply clicking on an item of clothing in an advert to get to a purchase interface) is currently being perfected in the West. China, meanwhile, has a far more developed versions of this in messaging app WeChat.

In WeChat, the customer can go through the entire journey of searching for products, selecting them, engaging customer service and making payment in a seamless experience.

Chinese online giant Alibaba recently announced the Hema supermarket concept. Hema is a step above click and collect or a typical grocery delivery model. It gives shoppers the ability to purchase via mobile app and have the items delivered at any time 24 hours a day - within 30 minutes. Even better, using their mobile app, customers can purchase fresh food that chefs then cook and deliver - thus benefitting from fresh items prepared just for them. This could be a godsend for the stereotypical millennial - shop, cook and have delivered while you 'Netflix and chill' on your couch.

Japan's big e-spenders

Meanwhile, Japan is a paradox when it comes to retail. It has an ageing population and a substantial decline in its birth rate. Last year, there were 400,000 more deaths than births and this declining trend has prevailed over the last seven years. Some estimates indicate that the population of Japan will have shrunk by a third by 2050. With such demographic numbers, you'll be excused for expecting little or no growth when it comes to digital commerce. However, today, 70 per cent of all the fashion sold online in Japan is purchased via smartphones and this number continues to rise. Peak sales occur between 6am and 8am then drop during the day, before rising again after 8pm.

Yes, there is strong commuter culture in Japan but this is not unique. The same can be said of many other countries.

The key difference is that whereas in other countries, commuters are browsing, reading or playing games, in Japan, serious money is being spent.

Unsurprisingly, Japan is the third largest market for Amazon (after the US and Germany) and players such as Rakuten and Softbank also have a sizeable share of the marketplace. However, the real change in recent times - which the West could learn from - is the emergence of dedicated online shopping malls, such as Zozotown.



The 'Zozo' effect

Zozo' as it is affectionately referred to by aficionados, is more than just another e-commerce portal. It provides a marketplace, a warehouse and fulfilment for major and minor brands. Sellers ship their products to a Zozotown warehouse where it is stored. As there is no inventory risk for Zozotown, and since no initial fees are paid, a higher commission rate is charged compared to other marketplace businesses – in some cases, up to a third of the item price.

Zozotown, for its part, has created a mobile-centric portal and given heed to those aspects which reduce the risk of returns and improve the user experience.

The platform shows usual particulars, such as size and materials, but also displays specific measurement of length, sleeves, and shoulder. Where a display model is used, it also highlights the height and bust-waist-hip measurements of the model for easy comparison. Other features include remembering size choices from previous purchases and providing styling ideas to mix and match products.

These and other innovations are helping to drive e-commerce expansion across Asia at record rates. To illustrate this, China's e-commerce sales are set to grow by £180bn in 2018 alone – which is £23bn more than the UK's entire annual online spend. Population factor aside, that is an eye-watering rate of progress.





From East to West

So, just what needs to change in the West? While retailers here push on with their investments in AI, blockchain and other technologies, on the Eastern front, the emphasis appears to be based on three key fundamentals:

- Ease of access – especially mobile
- Payment options, and
- Customer experience.

The entire customer journey and experience is quick, seamless and greatly improved.

How? By presenting something close to an a la carte shopping and delivery experience – such as Hema; by making available myriad payment options – from instant bank transfer to online credit facilities; and by enhancing the customer journey utilising dedicated and highly specified web and mobile portals.

With many ‘bricks and mortar’ retailers facing tough headwinds from traditional infrastructure issues and lacklustre patronage, ensuring you have a well-developed e-commerce platform is no longer just an omni-channel option. It may well be the key to thriving in a highly competitive environment and retailers in the west should take note.

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Find out more

To continue the conversation or discover how Sopra Steria helps to drive competitive advantage in retail with consulting on digital portals and omni-channel commerce, please get in touch.

Contact us if you would like to discuss how our approach to digital transformation can help you align your people, processes and technology to deliver an effective omnichannel strategy.

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