

e-Commerce Enablers

THE CHANGING LANDSCAPE IN RETAIL

The internet has opened up an ocean of possibilities for Businesses across the world. The retail industry has already been impacted massively by the online world. The e-Commerce is now a new norm. e-Commerce continues to be the primary driver

of retail revenue growth, with an estimated worldwide revenue increase from \$1.5 trillion in 2015 to \$2.3 trillion in 2018 (53% growth). There is an estimated base of almost 2 billion e-shoppers worldwide, future developments such as virtual retailing are accelerating the transition from in-store buying to everywhere shopping.



Consumer's behaviours and expectations are also evolving. Consumers are now demanding seamless omni-channel shopping experience and looking for their next "best experience". Today, shoppers use their smartphones, tablets and other devices to access the internet and search and compare products before purchase. These "digitally connected consumers" also want consistency at every touch point, and expect the immediacy of digital media to carry through the entire shopping experience.

Traditional store-based retailers are under massive pressure to offset declining sales in the physical store through online channels and find new ways to grow the business and sell beyond borders. The four key factors that determine the success of an online retail business are traffic, conversion rates, logistic, and retention rates. Successful e-Commerce companies incorporate all four elements into their strategy, but many brick and mortar retailers don't take into account the importance of touch points and its impact on customer experience. Creating a click to brick shopping experience for consumers required integration of online and offline into a seamless process. This integration means reshaping the retail store from location and space configuration to inventory management to marketing and customer relationship management.

E-COMMERCE - AN OPPORTUNITY

e-Commerce is not just another sales channel! It is a trend growing stronger and bigger by the day and it is going to last. That means tremendous opportunities for e-Commerce technology vendors, logistics service providers and for the advertising sectors. High opportunities and

growth will benefit the sub-sector vendors – like content management, online payment solutions, online security and fraud management, omni-management platforms and mobile apps developers. Vendors offering predictive analytics, recommendation tools, and personalization functionalities are gaining share as their offerings have appealed to IT leaders involved in the execution of online retailing.

"Brick and mortar retailers are well aware of the tremendous potential in omni-channel retailing".

They are eager to invest in e-Commerce technologies enabling them to engage consumers across multiple channels to increase sale.

Omni-channel e-Commerce exploits the physical-digital convergence by integrating each channel (store, online, social media, email, or mobile). This gives the consumer the same experience across all the channels that empowers them to engage with their favorite retail brands through different channels. This also gives consumers a unique freedom to make decisions based on their needs, wants,

memories, and preferences.

The Internet, mobile devices, in-store technologies, new emerging technologies, compliments traditional marketing media, gives consumers instant access to a wealth of Information on brands and products. Consumers are actively using this information to decide what to buy, where to buy, what price to pay, and what payment method to use. And all of this with a few clicks of a mouse!

E-COMMERCE ENABLERS

IDC Retail Insights defines e-Commerce as an online platform that facilitates and automates the online transaction that integrates retail channels (store, social, mobile) that creates a seamless omni-channel retail environment. The key functionalities are content management, order management, user experiences (website, kiosk, store, mobile, etc), and integration with external retail data sources (inventory, orders, and customers). Extended functionalities could include pricing, campaign management, personalization, and web analytics. The key components of an e-Commerce platform are (See Figure 1):

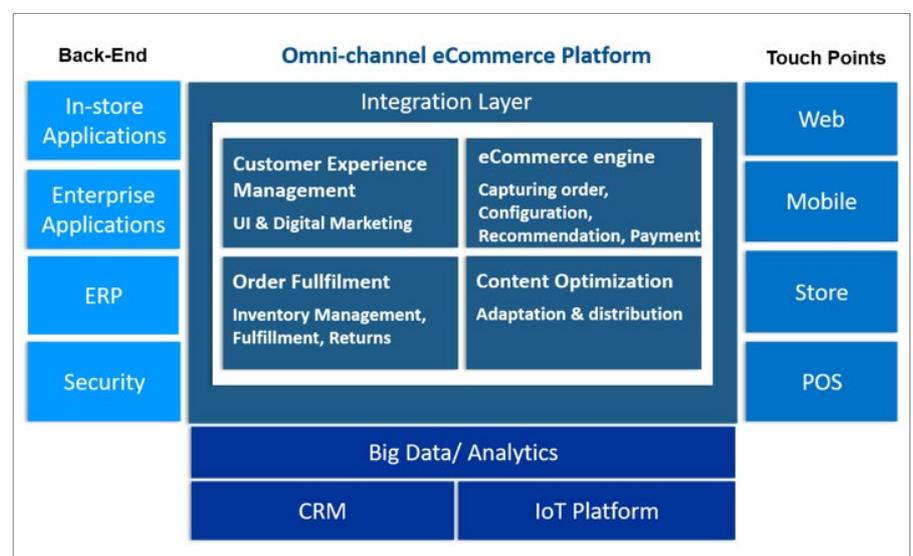


Figure 1: Process-Centric Omnichannel eCommerce Platform



- **Customer experience management:** delivers a seamless customer experience across different touch points through user experience (UX), digital marketing, and customer service, integrated with customer relationship management (CRM), campaign management, and promotion planning applications.

- **e-Commerce engine:** provides a single transactional engine regardless of channel and unified commerce capabilities across order capture, configuration, payment, and delivery.

- **Order fulfillment:** enabling real-time omni-channel fulfillment decisions and optimized execution via integration with supply chain applications.

- **Content optimization:** providing optimized content adaptation, personalization, and distribution across channels and devices, under a unified approach across disparate

content management and digital asset management systems. mobile logistics firms, advertising platforms, and mobile payment technology companies.

"IDC Retail Insights have identified five main enablers that are fundamental for an efficient, effective, and customer-centric omni-channel e-Commerce platform".

IDC RETAIL INSIGHTS

- **Mobile-first**

Today's consumers are living in a hyper-connected world. Mobile plays an important role of which 46% of consumers use mobile applications on a weekly basis. This is an opportunity for retailers to engage their target consumers with attractive offers. Retailers are shifting to a mobile-first online retailing approach in order to provide improved customer experience through real-time personalized content delivery based

on an omni-channel e-Commerce platform. Mobile first is the watchword for brick and mortar retailers who want to invest in an e-Commerce platform.

- **Online Marketplaces**

Retailers utilize marketplaces such as Amazon and Alibaba to reach out to a large consumer base within a specific target market. Marketplaces enable retailers to expand to new markets faster, with less investment in different solutions and optimize sell-through by using platforms capable of aggregating many different marketplaces and of integrating into an omni-channel e-Commerce. According to Internet Retailer 2016 Top 500 Guide, in 2015, \$455.5 million revenue was derived from marketplaces or 14.4% of total \$3.17 billion in sales in 2015. That's up 42.9% from \$318.8 million worth of goods sold through marketplaces in 2014 for the same number of retailers.

- **IoT Commerce**

The Internet of Things is already reshaping the retail industry, delivering new opportunities in customer service from the back end (through the supply chain) to the stores and the digital commerce space. Connected home platforms, smart shelves, RFID sensors, beacons, and sensors that monitor the quality of perishable goods are making inroads into shoppers' daily lives. The connected shopper is linked with the connected retailer in more ways, which is already considered a paradigm shift in consumer experience. IoT leads eCommerce to stretch across the breadth of the customer journey, from find, to influence, and to buy.

- **Omni-channel Fulfillment**

Offering unlimited product assortment to consumers means providing in-store digital kiosks to customers to order merchandises that are out-of-stock at the store. This integrates Customers' demand and inventory.

IDC Retail Insights have identified five main enablers that are fundamental for an efficient, effective, and customer-centric omni-channel e-Commerce platform.

e-Commerce plays a fundamental role in the evolution of changing store positions to omni-channel. Product visibility and order fulfillment help retailers to optimize cost of orders fulfillment across the distribution centers stores. New services such as ship-from-store and click & collect are now also enabled.

• *Online and Mobile Paymen*

Seamless payment processing is crucial in an e-Commerce platform need to be convenient and fast. IDC estimates that mobile payments will account for more than US\$1 trillion in value in 2017. The bulk of mobile payments today come from remote payments. Typically they are related to mobile commerce transactions, with proximity payments rising fastest. This is fueled by the growth of NFC-based contactless payments, enabled by rising smartphone adoption and the increasing availability of POS terminals.

KEY TAKEAWAYS

“Adopting e-Commerce in a brick and mortar retail environment is not a casual decision”.

The transition to e-Commerce requires a complete transformation of the retail supply chain, shifting the focus from channels to consumers. Business and IT leaders will need to adopt an e-Commerce strategy. This means moving from a product-driven business model to a process-centric omni-channel e-Commerce strategy. This are fundamental “mind-set” changes from traditional approaches. Analytics is a key components in an e-Commerce business model. Data integration, product movement, preparation, governance, and management, as well as information dissemination and embedding of analytics into operational applications

and processes, are becoming greater priorities.

The transition to omni-channel e-Commerce requires a complete transformation of the business embracing people, processes, and technology. The reconfiguration of the supply chain is a critical part of this change. Retailers need to ensure that their supply chain is fully aligned with their omni-channel supply chain strategy and restructure their retail and distribution processes around the consumer rather than channels.

Retailers also need to restructure their distribution network capabilities. This is key to service different channels, products, and geographical areas for faster and more convenient response times with a flexibility to change

according to volatile consumer demand. Planning for processing returns and deciding whether it should be done within the retailer’s fulfillment facilities or be outsourced to a third-party logistics operator is another consideration.

“Retailers need to recognize the importance of brick and mortar shops and implement technologies that would allow customers to connect from physical to digital.”

Most retailers will need less physical retail space but IDC Retail Insights believes that stores will become part of supply chains and order fulfillment operations, either by supporting click and collect or by providing a channel for online order collection or receiving returns.

Retailers need to recognize the importance of brick and mortar shops and implement technologies that would allow customers to connect from physical to digital.



Mike Ghasemi

Research Director, Retail Insights & Hospitality - Asia Pacific

IDC

Mike Ghasemi is the Research Director for IDC Retail Insights & Hospitality Asia Pacific, where he leads the definition, creation, and production of IDC market intelligence solutions for countries across the region. Before joining IDC, Mike spent 15 years in the IT industry, with 10 years in retail information technology software solutions.