INDUSTRY INSIGHT: RETAIL

Will offline stores still play a role?

Retailers are still expected to continue developing their physical stores post-pandemic.

Though reports have shown that consumer demand shifted largely from offline to online during the circuit breaker measures, many e-commerce players are still finding growth opportunities from brick-and-mortar stores. According to a report from Euromonitor International, offline presence still allows e-commerce players to offer value-added services for their consumers, whilst also building stronger brand identities, which was not possible to do through online means before.

This has particularly been the case for fashion e-commerce players, such as Pomelo and Love, Bonito, which opened their new flagship stores in shopping malls. “Although the circuit breaker put a pause on physical stores, offline will still be highly relevant after the pandemic. Retailers operating on omnichannel will have a competitive advantage over retailers that are solely online due to services such as click-and-collect and experiential retail that consumers value,” Euromonitor International’s analyst Clare Lee commented.

Physical stores can work in synergy with their online platform to drive sales as they provide different sets of functionalities, Lee explained. Retailers are also expected to continue developing their physical stores post-pandemic. IGD’s senior retail analyst Soo-Eng Tan noted that FairPrice and Dairy Farm have been rolling out initiatives over the last two years to enhance the shopping experience in their physical stores. He cited FairPrice Xtra in Vivocity and CS Fresh in Great World as prime examples of how large format stores can transform to drive new shoppers and meet new missions.

“Increased ready-to-eat options, dine-in areas, oyster bars, exciting counters and better fresh produce are some key highlights in these stores. We will likely see some of these great elements being rolled out to other stores,” Tan said.

Despite opportunities offline, sales for Singapore’s physical retailers might still struggle to pick up quickly due to the travel restrictions that are in place, Lee said. This is especially the case for the luxury retailers, who rely heavily on tourist spending. “As for locals, we do not expect consumers to bounce back quickly when spending returns to pre-COVID level once the restrictions are over,” Euromonitor’s Lee added.

E-commerce struggles

Some e-commerce retailers still face challenges from logistical problems and struggles to meet the huge demand, IGD noted. Skincare brand The Soap Haven shared that they were unable to fulfil their online orders for a short period, as their physical retail locations in Singapore were all shut. The company’s fulfilment warehouse was also forced to close for a short term during the circuit breaker measures. “But thankfully, that is all now operational on a positive note,
because we are mainly internet based and disruption is relatively minimal compared to brick and mortar retail stores,” co-founder Jason Tay shared during the inaugural Amazon Singapore Online Seller Summit.

Nail beauty brand Rui Smiths also faced issues in managing inventory. “Supply from China was halted earlier in the year but that has resumed thankfully, now international shipping takes longer, and it’s more expensive,” founder Debbie Cai said.

RedMart, operated by Lazada, also temporarily reduced the range of products available to cope with the high demand for essential goods. “With the influx of new staff, it is hard to ensure that the handling and delivery process is well executed, and there are no automation or tech solutions in this area,” IGD’s Tan said.

Despite all these issues, retailers are still thriving on e-commerce platforms. For instance, Tay said that The Soap Haven’s online sales nearly tripled from February to May this year.

“I’m truly grateful to businesses and individuals who are helping one another get through this. I have been very lucky as with most of us to still be able to run our business, on the laptop from home, thanks to Amazon,” Rui Smiths’ Cai shared.

In response to this surge in demand, all the major players have been ramping up their resources to expand capacity for orders by 25% and looks to expand it by another 30% in the next growth phase.

This is also the case even for those outside essential retail. “Many non-essential retailers have taken this opportunity to build up their online presence as they are expecting a shift in consumer behaviour—to acquire new online shopping habits. Also due to the uncertainty of when the pandemic would end could affect the opening of their offline stores,” Lee commented.

Offering experience to consumers
As retailers flocked to the online space, retail digitainment has gained ground, according to a report from Knight Frank. This refers to content driven by live streamers who entertain and interact with their followers during the process of selling their products.

Companies are increasingly looking to hire influencers or key opinion leaders to sell their products online, with some investing in their own in-house ecosystem of live streamers supported by a team of sales and marketing specialists to create a hybrid online selling platform,” the report stated.

For example, Shopee Live offers tools for sellers to engage with their customers via live stream features with full control of the engagement process to promote their products, interact with their audience and encourage purchases through the experience. In May, Tekka Online Market, a pilot initiative by the Infocomm Media Development Authority (IMDA) in partnership with live stream auctioneer Max Kee from Lian Huat Seafood, was launched. The initiative enabled sellers to introduce and showcase their fresh produce via live streaming to interested buyers.

The retail digitainment industry has also spurred local educational institutions, such as Nanyang Polytechnic’s Singapore Institute of Retail Studies (NYP-SIRS) and the Singapore Media Academy (SMA), to launch a joint Professional Certificate in Digital Retail Entertainment. “Retailers must leverage on these opportunities available in the market to transform rapidly and efficiently to avoid being a casualty in the economic upheaval,” Knight Frank said in the report.

According to Euromonitor, RedMart and ComfortDelgro teamed up to offer grocery delivery services.