

BY VIVIEN SHIAO

STANDING ON THE SHOULDERS OF GIANTS

E-commerce platforms offer opportunities for SME retailers to catch the e-commerce wave while others prefer to go it alone

THINK of online shopping, and usually big names such as Lazada, Qoo10 or Shopee come to mind. But far from sounding the death knell for small and medium-sized enterprises (SMEs), these e-commerce platforms are presenting opportunities for retailers to catch the e-commerce wave and even provide help to build capabilities in order to scale up.

Not every business requires e-commerce – the neighbourhood sundry shop, for example – but for many others, it is a matter of survival. Retailers are waking up to the reality that if they do not follow where their customers are going, they will lose out.

For some less tech-savvy SMEs, the online space is a bewildering maze that seems impossible to navigate. With less resources, many stick to the tried-and-tested route of operating shopfronts or even kiosks to peddle their products. For some, listing on Carousell is the furthest they would venture out.

Thompson Teo, associate professor, analytics & operations, NUS Business School, points out that such SMEs may be “missing out on opportunities” if they choose to disregard e-commerce. “Due to the size of Singapore, it is increasingly necessary for SMEs to be more regional or global in outlook – or else there is a limit to how much they can grow,” he said.

According to the latest *Fulfillment Vision Study* from Zebra Technologies, 73 per cent of consumers today are

already omni-channel (both online and offline) shoppers, and generate more revenue for retailers than single-channel consumers.

But even as it may be tempting to jump on the e-commerce bandwagon right away, Kapil Tuli, centre director of Retail Centre of Excellence and professor of marketing, Singapore Management University, cautions against it. “E-commerce is not a binary decision. I think SMEs need to ask themselves how e-commerce can create value for their customers,” he says.

“The answer lies in what is your business? What value do you want to create for your customers and where does digital play a role in your business? That is the biggest question that needs to be answered.”

With Singapore’s high rate of digital adoption and the number of hours that people spend on their mobile phones every day, it is undeniable that consumer behaviour has changed. Thus, what they have come to expect from retailers is different.

“Customer expectations have evolved, and are at an all-time high with the rise of e-commerce and omni-channel retail,” says Lim Fang How, regional director – South-east Asia, Zebra Technologies. “Not only do they demand instantaneous service delivery as the baseline standard, they expect to quickly obtain what they want, when and where they want it.”

Businesses now need to think beyond going online as a means for customers to purchase their products, to engaging

with customers and making changes quickly when necessary. If done right, it could even create rapport with potential customers and build a brand.

“SME retailers need to ask themselves how they should leverage these channels to reach out to their consumers – whether it’s Facebook, Instagram or Twitter,” advises Prof Kapil.

For SMEs which find that building their own e-commerce platforms might be too daunting, riding on major e-commerce marketplaces might be a great place to start.

With a plethora of platforms out there, small retailers need not stick to just one to sell and market their products. Retailers can leverage on the e-commerce battleground that is heating up as online marketplaces compete to woo more SMEs onboard.

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Even as these e-commerce marketplaces are mostly made up of SME merchants that are likely to showcase one’s products together with similar ones from competitors, they also give much greater visibility and reach for small retailers.

For SMEs keen to take this route, Prof Kapil believes that there are “fabulous opportunities” to align with such “state-of-the-art companies with a global footprint”.

For Qoo10, 100 per cent of its direct merchants are considered SMEs. But this is not because the platform does not work with multinational brands, but because such MNCs will introduce smaller local distributors to supply such products. But even so, Qoo10’s country manager Hyunwook Cho says that it is their “mission to serve and grow the SME segment of sellers”.

“Transitioning or expanding into e-commerce requires

a good deal of time, organisational change, and financial investment, and these often become a challenge, even a risk, for SMEs to take on,” he notes. He says that its platform’s solutions aim to help SMEs “minimise the costs, time and labour needed to bring products online”.

Such promises are echoed by other e-commerce marketplaces as well. Lazada is working with its SME sellers – which form 93 per cent of its merchants – to implement initiatives to make their lives easier. For example, Lazada Singapore’s CEO Alexis Lanternier says that the Alibaba-backed platform recently removed the commission completely from merchants listing their products on the marketplace, allowing them to pass on the savings to their customers.

To bridge the communication between seller and shopper,

it also started a “chat function” to allow shoppers to enquire about products directly. According to Lazada, sellers have taken to using this instant messaging function with an almost 100 per cent adoption rate.

Another initiative by Lazada is to offer self-marketing tools such as modules for sellers to design and decorate their store and product pages, as well as vouchers that they can create on their own, and product boosting for greater visibility.

Describing SMEs as the “backbone” of their business, Mr Lanternier says that Lazada aims to improve the experience of selling online and remove some of the barriers for an SME to enter e-commerce.

In Lazada, merchants have third-party logistics partners to choose from for order fulfilment. The e-commerce

platform also provides training materials for sellers to pick up digital skills, and there is always a team of customer service officers to assist them.

Mr Lanternier also identifies working capital as “a barrier for many aspiring entrepreneurs”. In August this year, Lazada partnered small business financing firm Finaxar to provide financing solutions to sellers in 30 minutes.

Clearly, the online marketplace giants are doing their utmost to one-up each other, and Internet company Sea’s e-commerce arm Shopee is no different. It, too, boasts of a free-to-use platform with zero listing fees.

Zhou Junjie, chief commercial officer and Singapore country head, Shopee, says: “As SMEs have the potential to contribute significantly to the growth of e-commerce in Singapore and across the region, it is important that we provide them with the necessary support that they need to grow their businesses.”

It also offers a “comprehensive suite” of sales management to all sellers on its platform at no cost, allowing sellers to manage their sales, inventory and marketing campaigns more efficiently, he adds.

But that’s not all. Shopee has gone one step further by starting Shopee University, a series of in-depth workshops crafted by Shopee to aid local entrepreneurs and businesses in setting up their online businesses and helping them succeed in an increasingly competitive e-commerce environment.

Mr Zhou explains that these are localised Shopee programmes for each market, covering various key topics such as online marketing and operations. They provide an ecosystem for aspiring entrepreneurs to set up their e-commerce business. “In Singapore, we collaborated with larger organisations like the Singapore Institute of Retail Studies and SkillsFuture Singapore to further encourage local entrepreneurs and business owners to go online by offering e-commerce programmes open to the public,” he adds.

With digital training, logistics, marketing, inventory and even financing all sorted out by these e-commerce giants, SME retailers can elevate their business much faster than if they were to go alone. One online retail store that has effectively leveraged on e-commerce platforms is Trippy Travelers, which sells travel-related knick-knacks such as journals and other essentials.

“Online shopping platforms are low cost and easy to use for aspiring business owners. We sell on various channels online such as Lazada and Shopee which helped to create various incomes for businesses,” explains business owner Michelle Lee. “Every platform has its own pros and cons, but one thing is for sure – it helps budding businesses with marketing strategies, network and of course incomes that will be able to advance the business.”

Together with sales from Trippy Travelers’ own site, Ms Lee says, the business has grown about 15 times since it started about two years ago. Despite being a pure online business, it is certainly going places. “We plan to reach out to more customers globally by planning our marketing strategies to target to customers from all over the world,” Ms Lee adds.

VENTURING OUT

Various SMEs in Singapore have ventured into e-commerce – each one with a strategy unique to itself. Streetwear fashion retailer Flesh Imp has been around for 18 years, and has chosen an omni-channel approach with physical retail stores, its own e-commerce site, as well as being listed on mega online marketplaces such as Zalora and Shopee.

Founders Nicholas Cho and Vincent Quek explain that the online shopping behaviour of its target audience is very much like how they would shop in real life, which is to hang

out at malls. “In the digital realm, these are akin to your aggregator sites like Zalora, Lazada, Qoo10 and Shopee. These platforms are doing well for us, and in some peak months, the revenue can hit those similar to our physical store,” they say.

Amid the challenging fashion retail climate, Flesh Imp has managed to tap into e-commerce to expand into regional markets such as Malaysia, the Philippines, Thailand, Indonesia, Taiwan and Hong Kong through popular e-commerce platforms.

The duo explain that since the local market size is too small to sustain their business, the only way to go is abroad. “E-commerce is especially important to SMEs because it allows you to test your brand or products to a wider audience at a lesser cost of investment. Traditionally, an overseas expansion for brands will be to open up brick and mortar stores, with a relatively high risk of not reaching the intended projection or potential,” they say.

But with an online presence and significantly less investment, SMEs can leverage on e-commerce platforms to analyse demand and brand acceptance before going into a new market, they add.

Another business that takes e-commerce seriously is furniture retailer Castlery. Unlike many other competitors, it started out as a digital-first company with its own online store. Its founder Declan Ee says: “Our entire strategy from building brand equity, promoting our products, reaching out to our customers, getting them to come to our store all had a digital focus from Day One.”

This is because its target consumer group is the millennial consumer owning their first home – this group consumes almost all their content digitally, he explains.

But now, the business also has two brick-and-mortar showrooms where customers can have a feel of the products in real life before purchasing. Still, over 80-90 per cent of its leads come from the e-commerce platform that has been built in-house.

“This helps us a lot as we are not beholden to having our store in any specific location. Many of our customers are willing to come to us,” he says. According to him, a key feature which the team is very proud of is its internal Enterprise Resource Planning (ERP) system which was built from scratch. With it, customers can search and sort the products according to delivery, allowing customers to plan better.

“Ultimately, one of our key focus is a great customer experience. The offline brick and mortar aspect is thus a very important part of the customer journey for furniture retail,” he says.

The business has since expanded into Sydney, Australia, with plans for more to come.

But Mr Ee says that e-commerce need not be applicable for every single retailer, such as high-end boutique jewellery that is specialised and relies on word-of-mouth. But the more mass-market the products are, the higher the frequency of purchases and e-commerce cannot be avoided, he says.

Another similar business model is HipVan, a furniture and homewares online store. Its co-founder and CEO, Danny Yeo, says: “We started HipVan because we realised that the millennial generation wanted more variety, convenience, clarity and value for money when furnishing their dream home. With an online store, we’re able to offer a larger variety of items to our customers, and give them better value for



PHOTO: ISTOCKPHOTO

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– *Lim Fang How (below), regional director (South-east Asia), Zebra Technologies*



money through cutting out traditional retail overheads.”

It also has a showroom, the Experience Store @ The Cathay, which started this year for customers to better understand their products and for the business to know their customers more. Mr Yeo notes that e-commerce continues to be a small percentage of total retail spend for furniture and homewares, but is hopeful that this growth will accelerate as millennials continue to mature into home furnishing age.

“A big part of e-commerce is scalability compared to a traditional brick and mortar business, so our dream is to be able to bring a Singapore brand like HipVan all over the world in the near future,” he adds. “If Sweden with a population of seven million can create a great furniture company (Ikea), there’s no reason why we can’t do it from Singapore.”

WHAT’S NEXT

While it is clear that e-commerce is becoming an unstoppable force for retailers in Singapore and around the world, challenges are still aplenty. Backend logistics is one that most SMEs struggle with. Mr Lim from Zebra Technologies points out that for organisations to succeed in e-commerce, there are several issues that they need to address: inventory visibility, resource allocation, reducing backorders and replenishment efficiency. This requires businesses to digitally transform their supply chain to address these pain points.

SME retailers also need to tap into automation, merchandise visibility and business intelligence in the supply chain to meet customer demands, he adds. For example, about half of organisations today are still using inefficient, manual pen-and-paper based processes to enable omnichannel logistics, he points out.

Despite the turmoil and challenges ahead, analysts remain optimistic about the future of retail. Prof Kapil of SMU says that some businesses will inadvertently exit because they do not adapt, but he remains very excited about what lies ahead.

“A lot of ‘pain’ from retailers is going away as the retail scene is becoming more experiential and enjoyable. Businesses that understand what value they are creating will be the ones that will survive,” he says. “The future will be fabulous for SMEs.” ■

A DIGITAL JOURNEY

Damien Tan (*below*), chief operating officer, Benjamin Barker Group, shares the steps that his company has taken to grow its e-commerce business.

HAS YOUR BUSINESS VENTURED INTO E-COMMERCE?

Yes, we were e-commerce ready since 2015 when we built our website.

WHAT SPURRED YOU TO DO SO?

We had tourists who shopped with us and liked our shirts, and were unable to find shirts that fitted them in their home countries so we had inquiries on a daily basis. It was time-consuming for us as we had to manually process the orders.

We are now able to process online orders and ship internationally. More importantly, we provided an experience that has real value and solved customer’s pain points.

HOW HAS YOUR JOURNEY BEEN MARRYING E-COMMERCE AND BRICK AND MORTAR SO FAR?

Financially, the investment still has not been paid off but digitisation is an important strategy for us as we transform our business.

We are almost done with our omni-channel project where we create a seamless and holistic shopping experience for our customers by integrating our online and offline processes.

Customer-focus is the number one priority for us, and if we can choose between making the customer happy by enriching their experience or making a profit, we will always choose the former.

WHAT WERE SOME CHALLENGES THAT YOU HAVE FACED?

The integration of our online store with our inventory, CRM (customer relationship management) and POS (point of sale) systems has been the most challenging.

Secondly, looking for a vendor who would work and journey with us on the project for a fee that we could afford.

DO YOU HAVE FURTHER PLANS FOR E-COMMERCE FOR YOUR BUSINESS?

Definitely. We are looking to grow our e-commerce business to account for at least 30 per cent of our business revenue within the next three years.

In the process of building a brand or creating a product, a retailer needs to provide an experience for the customer – be it online or offline – and the experience needs to be MAD (meaningful, authentic and differentiated), especially in a highly competitive industry like fashion. ■



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