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Technology — disruptor and enabler for retail

BY **VASANTHA GANESAN**

When your 82-year-old mother who is not smartphone-savvy spots bargains online on Dec 12 (12.12) and enlists her grandson to make multiple purchases on Lazada, it only underscores the point that online shopping is a growing trend, not confined to any particular age group.

Data by independent market research firm Euromonitor International reveals that by 2023, total sales through internet retailing will surge to RM30.03 billion, of which RM18.22 billion will be purchases made through mobile phones and RM11.81 billion via computers and tablets. This is about three times more than 2019's projected total internet retail sales of RM11.41 billion — RM4.61 billion via mobile shopping and RM6.79 billion through computers and tablets.

In 2011, total internet sales was a piffling RM1.08 billion (see table).

So, when did online shopping begin and how did it flourish? In Malaysia, online shopping (not including airline tickets) can be traced back to lelong.my around 1998. In 2004, eBay Malaysia was launched.

Although there were already a few online shopping sites in 2010, a brand that grew in popularity and size was Christy Ng. The eponymous owner had started out selling shoes at a night market until she set up a website in July 2010 to ply her trade online. Ng's decision was spot-on, as the website was a hit. In November the same year, the Fashion Valet website was launched (initially as a dot net to differentiate itself from other dotcoms). Soon after, Groupon bought its Malaysian precursor, daily deal site Groupsmore, in January 2011.

Today's popular online shopping sites include fashion-focused e-commerce site Zalora, followed by Lazada, both launched in 2012. Zalora went on to introduce its shopping app for iPhone in 2013, while Lazada had mobile applications ready for Android and iOS devices the same year.

Online purchasing started to gain traction as the virtual retailers with no physical stores and low operational costs were able to pass on the savings to consumers.

But it was not only cheaper products that contributed to a surge in internet retailing. As Sunway Mall & Theme Parks CEO HC Chan points out, "Technology has enabled disruption in two very prominent forms — boundary and time."

This means, unlike most traditional retail stores, online shopping is available 24/7. And as there are no geographical restrictions, purchases can be made from anywhere in the world. "These two forms were the first disruptors to traditional retail," Chan tells *The Edge*.

Providing some history and online shopping habits of Malaysians, Retail Group Malaysia's managing director Tan Hai Hsin observes that compared with 10 years ago, today "you can buy practically anything and everything online".

Over the past decade, more retailers — both online and traditional — have invested in shopping websites, so their products are easily accessible via mobile devices. Online payment has also been simplified.

Significantly, compared with the beginning of the decade, smartphones have also become much more affordable.

But Tan distinguishes Malaysian online shoppers from those in China. Malaysian consumers tend to check prices on their handphones but complete the transactions on desktops, laptops and tablets as the screens are bigger, he says, whereas the Chinese use mobile devices to search and buy retail products. However, Euromonitor data shows that by 2021, purchases made on mobile phones will overtake those via computers and tablets.

An increasing number of bricks-and-mortar retailers have also been moving into the digital space to offer shopping beyond normal operating hours. This, Chan says, makes technology not merely a disruptor but also an important enabler. "There is now a new generation of retailers who use technology at the forefront of their operations," he says, pointing to Christy Ng as an example of someone who started online and then moved on to set up bricks-and-mortar stores.

Shopping Mall Association president Tan Sri Teo Chiang Kok tells *The Edge* that, between 2010 and 2016, the local digital economy grew 9% annually and is expected to contribute to 20% of the economy by 2020. In 2018, broadband internet penetration was 85.7%; mobile phone, 140%. E-commerce user penetration is expected to hit 63.2% by 2022.

Because of the rising use of mobile phones and devices, online shopping and social media have become a part of everyday life. As such, Teo says, it has become imperative for mall operators and retailers to embrace technology and innovation to remain relevant in the face of changing consumer demographics and demand for convenience.

What makes online purchasing more attractive? Apart from the convenience of shopping from the comfort of your home at anytime of the day, online shopping can also stretch your ringgit. If you have not heard of ShopBack, RebateMango or CashUp, you may want to consider signing up for their online reward services as, depending on your purchase, you could receive from 1% to 12% return on your shopping.

Rising use of e-wallets

There are generally two types of e-wallets — network-based wallets such as GrabPay and Boost; and card-based e-wallets such as BigPay and MPay Walet. The emergence of e-wallets has spurred shopping, as you do not need to have cash on you at all times. Money can be easily transferred onto the wallet via a debit or credit card, bills can be split, and, best of all, there are loads of promotions available. For example, a consumer shopping at a store that is holding a sale can use an e-wallet such as Boost to make a payment, and, upon completion, "shake his phone" and get rewarded. If this sounds a tad complicated, get on to lowyat.NET to learn how to stretch your ringgit.

Traditional retail stores may be drawing the crowds still, but over the past decade, more retailers have invested in shopping websites to facilitate easy access to their products

Manufactured spending

The emergence of e-wallets is likely to have contributed to misleading data that people are spending a lot more on purchases using their credit cards than they actually are. In fact, credit card owners often use them to top up e-wallets (which allow cash withdrawals) just to collect credit card points. The money is later withdrawn from the e-wallet to settle the credit card bill, and the process is repeated the following month. This "recycling" of money for a small fee gives the cardholder thousands of free credit card points. Simply put, manufactured spending is earning rewards without real consumer spend.

However, a few months ago, banks wised up and stopped issuing credit card points for e-wallet top-up payments. Nevertheless, it is believed that many consumers continue to do so with certain credit cards. It is worth noting that for every RM10,000 "recycled" each month, the user is able to make a lot more from the cashback than if the RM10,000 is placed in fixed deposit.

Recent mall development

Malls have started to adapt to consumer shopping changes, which Teo notes are no longer about e-commerce versus physical shops when it comes to the retail sector. "With phenomenal growth in the use of cashless payment from QR Code scanning, debit and credit cards and e-wallets, malls and retailers are rushing to accommodate such trends.

"In fact, 1 Utama Shopping Centre [in Selangor] is the first shopping mall to go cashless," he says, referring to the mall's retail 1PAY e-wallet and online shopping platform ONESHOP.com.my. Since its launch in September, 1PAY has attracted 20% users with transactions increasing to about 30%, Teo reveals. And, F&B purchases alone make up 50% of shoppers' e-wallet spending.

Another sector where malls have started to adapt and cater for consumer trends is food and beverage (F&B). Teo says, with the increase in the number of people using food delivery services, malls are working closely with companies such as Grabfood and FoodPanda to provide dedicated food delivery parking zones for riders to conveniently and efficiently pick up food.

However, even as people are eating in more because of such services, Tan does not expect them to replace physical stores, as food delivery sales are still being generated at physical outlets and not at the headquarters of chain outlets. "Food delivery service may be a popular trend now, but it is just another channel of distribution for F&B operators."

There is no doubt that physical stores are still needed. More recently, on Nov 29, Alibaba Group launched its biggest physical Taobao store in Malaysia in partnership with MyTOWN Shopping Centre and Lumahgo New Retail Sdn Bhd. The store takes up 5,000 sq ft of space in Kuala Lumpur, offering a mix of offline and online shopping experience that leverages new retail technologies. Customers are allowed to feel, experience and try the products prior to purchasing online.

On Dec 12, JDX Presto Concept Store, a 50,000 sq ft cashless concept store, was opened at Quill City Mall in KL. JD.com, China's leading one-stop e-commerce platform, teamed up with Presto, the home-grown social marketing application with an e-wallet function, to unveil the largest online-to-offline experience store in the country. The store will also feature TikTok live streaming by influencers.

Sunway's Chan points out that retailing is evolving in Malaysia with human-less stores, quick-serve delivery and mobile phone shopping at train stations. "The only limitation, perhaps, is to find the right balance between technology and humanity." ■