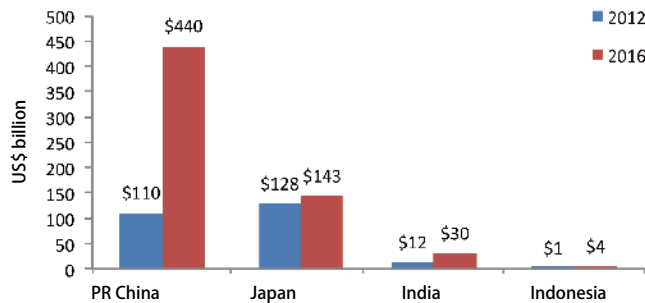




## Opportunities in the growing world of e-commerce

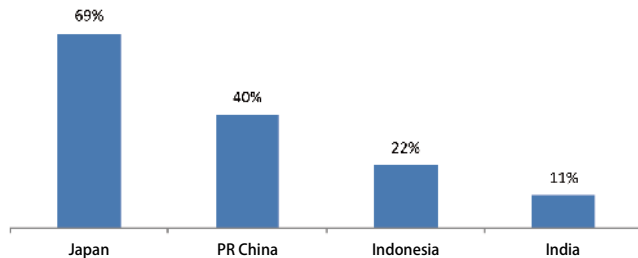
Supply chains have always been a competitive advantage of companies. They are being put to the test with the rise of digital shopping. e-Commerce sales are estimated at more than US\$1.2 trillion globally, with the largest contribution stemming from Asia. From 2013 to 2016, business-to-consumer (B2C) sales within Asia-Pacific are expected to grow by 182% (Figure 1). This translates into an additional US\$318.85 billion resulting from emerged and emerging markets, and a significant portion of the spending will come from PR China (US\$439.72 billion) and Japan (US\$143.13 billion). By 2016, Asia's B2C e-commerce market is expected to reach US\$707.60 billion.



**Figure 1.** The Asia-Pacific will contribute the most new (US) dollars to B2C e-commerce sales. *Source:* eMarketer.

### All about the Internet

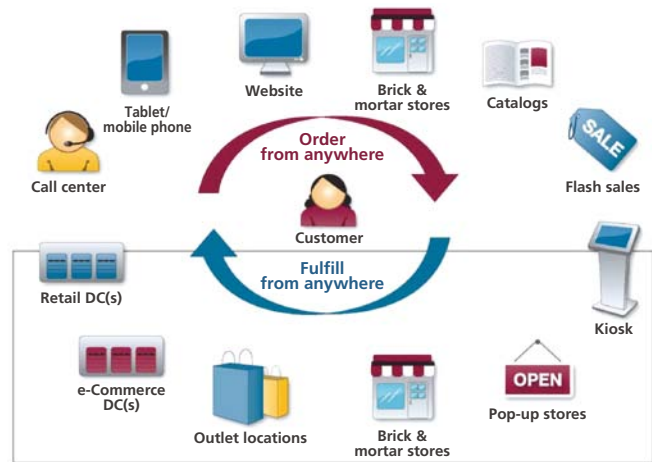
The driving force behind such a phenomenal increase is the depth of Internet penetration, giving birth to digital communities and marketplaces. Some of the world's largest emerging markets have a relatively low level of digital commerce (Figure 2) but that also implies steep exponential positive growth in the short to medium term. Internet penetration levels in Asia reached 44.6% in 2013 and are expected to climb to 54.2% by 2017.



**Figure 2.** Internet penetration rates in large economies (% population, 2012). *Source:* Internet World Stats.

Digitization changes the way consumers interact with everything as smartphones, tablets, and high-speed connections become prevalent. The paradigm of consumer experience will undergo a dramatic shift, especially in the world of retailing. Retailing has entered a new age in which consumers are demanding and expecting all stores to offer an omni-channel shopping experience, delivered seamlessly across

mobile, online, and in-store merchandising platforms. Technology jargon aside, the omni-channel supply chain can be summarized succinctly as: 1) order from anywhere and 2) fulfill from anywhere (Figure 3).



**Figure 3.** Managing omni-channels requires each node in the supply network to be responsive and have real-time visibility. *Source:* Image adapted from Fortna, 5 steps to designing omni-channel fulfillment operations.

### The retail transformation

Connected consumers are transforming the retail experience and it is important to understand the connected consumer journey to serve them well. Retailers are realizing that to capture potential double-digit online gains (compound annual growth rate of 13% from 2006 to 2011), they must offer a seamless mobile and online strategy that integrates the shopping experience across portals, apps, and retail channels. Real-time visibility is a prerequisite to a supply network that must be agile. Each node within that network needs to optimize inventory for multiple channels and integrate purchasing information into a single operational plan.

With a new generation of consumers, convenience rather than price often lies behind the attractiveness of omni-channel operations, even though prices are generally more competitive than in brick-and-mortar stores. As a result, companies have begun to create better proximity to this upcoming wave of new customers. One of the early innovations that has piqued quite a bit of interest is the use of collection points. For example, Google's acquisition of BufferBox, a Canadian startup from the University of Waterloo, Ontario, leverages parcel kiosks to provide consumers the convenience of picking up their online purchases 24/7. Amazon Locker, a self-service parcel delivery kiosk, is now available in several US cities for certain items. KinekPoint, a network of drop-off points where consumers can ship their goods, is another recent innovation.

Collection and drop-off points are handy and open up different opportunities for consumers, companies, and third-party logistics (3PL) companies. They provide

consumers with a “pick-up-anywhere” option. Companies have access to consumer locations without the need for expensive retail fronts, meaning that retail expansion is increasingly occurring through online channels as a way to tap growth markets, build brands, and learn about consumers while investing less capital than required for traditional formats. For 3PLs, high-density areas to work with mean greater operational efficiency.

### **Becoming omni**

Becoming genuinely omni-channel, however, is challenging. It requires investments in technology and logistics. Nimbler online rivals have an immediate advantage. In terms of first-movers, Alibaba and Amazon have grabbed the headlines. They continuously improve and expand their dominance in the B2C space. Rakuten Ichiba (largest e-commerce site in Japan and among the world’s largest in sales) and 360buy (largest B2C online retailer in PR China) are two more examples. For companies joining an online shopping network, understanding technological needs and modes of operation is key.

e-Commerce allows developing countries to compete in international trade but the full potential of its benefits can be realized only when governments create business environments that harness the power of the Internet. It also creates opportunities in services such as micro-work and freelance marketplaces, which will enable entrepreneurs in developing countries to bid for job assignments they could not access before. Some suggestions to take advantage of new Internet-based businesses are:

- 1) Identify your company’s core competency, think in terms of a supply chain or network, and bring value either online or to a company with an online presence.
- 2) Be a channel. Physical stores are becoming an extension of the supply chain in which purchases may be made but are researched through other means of communication.
- 3) If you are a segment of a distribution network, invest in technology and make sure you know what stock is available where.

As we are hurled into the trajectory of rapidly evolving e-commerce dominance, there will be a blurring of warehouses and retail fronts requiring a fully integrated system that makes a retailer’s inventory transparent so that it forms a single “pool” wherever it is located. The shopping experience and supply chain modus operandi will be excitingly different. 🌀



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