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11-2021

### Pivot or Perish: The retail reality

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#### Citation

LEPISSIER, Anne; VAUGHAN, Ryan; and BHATTACHARYA, Shantanu. Pivot or Perish: The retail reality. (2021).

Available at: <https://ink.library.smu.edu.sg/pers/619>

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# Pivot or Perish: The retail reality

30 Nov 2021

*Brick-and-mortar retailers are adapting to meet the challenges posed by accelerating e-commerce adoption. Some are doing better than others, but supply chain obstacles could prove decisive*

Buy online, pick-up in store (“BOPIS” or “BOPUS”) has gained prominence in the U.S. retail landscape two years into the COVID-19 pandemic. Such transactions, also known as click-and-collect, more than doubled to US\$72 billion last year from US\$35 billion in 2019. [By 2024, that figure is forecast to reach US\\$141 billion, and accounting for nearly 12 percent of retail e-commerce sales, double of the 5.8 percent in 2019.](#)

In Europe, a Greek electronics retailer has capitalised on the growing popularity of BOPIS. Within 20 minutes of customers paying for a purchase online, the items will be ready for collection at the store; industry benchmark is two hours.

“This consumer electronics retailer has also developed an app where every retail representative, on any available device, can transact a customer on the spot instead of having to queue at the cashier,” notes **Anne Lepissier**, Microsoft’s General Manager of Consumer Business for Southeast Asia, Korea, and India. “This resulted in immediate increased customer satisfaction, including the opportunity to receive their transaction receipt digitally. It’s good for sustainability, cost reduction, and also for customers to keep the warranty on email.”

## BRICK-AND-MORTAR’S CHALLENGE

Lepissier made those remarks at the recent SMU Retail Centre of Excellence (RCoE) Asia Retail Leaders Conference 2021 where she classified BOPIS as an opportunity to rethink what is called ‘fast shopping’ where “people just want to park their car, come into the store, buy and get out as quickly as possible”. While some retailers adapt to the challenges posed by digital-born online marketplaces (Alibaba, JD.com, Amazon etc.), lots of brick-and-mortar retailers are struggling to cope with the accelerated digital disruption triggered by the pandemic.

“A leading retailer shared with us that when they sell something online, in some cases they have an up to 30 percent loss on margin for the products sold,” reveals **Vaughan Ryan**, Managing Director of eCommerce, Asia Pacific at NielsenIQ. “They have a click-and-pick situation. They have a physical store, they fill the shelves with products. When someone makes an order online, they go back to the shelves and pick up the product and put it into a box, and the delivery guy delivers it.

“You might be shocked by this but it’s happening with a lot of traditional brick-and-mortar retailers. They’re trying to compete with the online world, and they can’t keep up.”

Ryan also highlighted NielsenIQ surveys that identified Asian consumers expecting a wide product range from retailers. He pointed out that Lazada has an average of 1.5 million items for sale at any time, dwarfing the 90,000 items a typical hypermarket in Singapore carries.

But the myriad resellers on platforms such as Lazada poses problems further upstream.

“Lazada’s beauty range has 35,000 resellers, and only 5,000 of those are directly linked to Lazada,” Ryan observes. “Think about this from, say, a toothpaste company’s perspective. How can this company ensure the right toothpaste, with the right quality, is getting to the consumer? Would I be annoyed with the retailer if something goes wrong? Or would I be annoyed with the manufacturer or brand?”

“Some of this toothpaste could be sitting in a container for months, which could be why it’s available at a lower price. You get what you pay for sometimes when it comes to quality. These are the challengers for manufacturers today. Who gets affected with regard to brand recognition and brand equity? Everyone suffers a bit and product range is a huge element of the challenge.”

## LIVESTREAM, REVENUE STREAM, AND THE SUPPLY CHAIN

Lepissier also singled out livestreaming as another way for traditional retailers to tap into e-commerce. Citing the example of China’s sales queen Viya (薇娅) spearheading the country’s US\$66 billion livestreaming industry, Lepissier urges retailers to find their own Viya.

“You can embed it in your own social media channels, or online platform. The good thing is you might have a Viya in your workforce. You have Millennials and Gen Z’s who are savvy with digital interactions on platforms such as TikTok. This is the way people want to get information, get recommendations on what to buy, and transact in a few clicks.”

The data livestreaming generates, and the immediacy of the data, is invaluable to retailers understanding consumer demand. But the question then becomes: Can the supply chain react quickly enough to meet that demand?

“You need a much higher degree of flexibility and make your supply chain more capable of producing in smaller batches,” explains **Shantanu Bhattacharya**, Lee Kong Chian Professor of Operations Management at SMU. “The proximity of the supply chain to the local market becomes much more important.

“Most of these responsive supply chains are based on the opposite of economies of scale; they are based on proximity to local markets. That increases the cost of manufacturing because you don’t have scale anymore, but it gives you tremendous benefits in matching supply and demand. So, to avoid waste you must run a lean system.”

*Anne Lepissier, Vaughan Ryan, and Professor Shantanu Bhattacharya were speakers and panellists at the SMU Retail Centre of Excellence (RCoE) Asia Retail Leaders Conference 2021 that was held on 17 November 2021.*

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