

Technology as a differentiator in the retail sector



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software application to manage their organisational activities. While some of them have implemented globally recognised retail solutions, others have chosen locally developed ones. Most of these companies use software at the point of sale and to manage their finance and accounting.

In Bangladesh, most of the large 15 retail companies have an online presence. This is an encouraging sign and indicates that the industry is well aligned with global trends. Globally, most revenue gains have occurred through online channels. Moreover, the growth rate of online channels has been several times higher than that of total retail growth.

At the same time, traditional retailers have been experiencing flat or declining sales due to their absence from online channels. While online sales growth is expected to dwarf the overall industry growth by several percentage points, retail companies need to carefully choose the right channel from the available options.

Global trends over the last three years suggest that the prospect of sales growth via mobile devices is much higher compared to that via other devices (desktop computers, tablets, etc.).

There are two technology options for selling goods via mobile devices: a) mobile apps and b) mobile sites.

Worldwide, consumers are showing a preference for mobile sites rather than mobile apps, primarily due to the high number of apps already installed on their devices.

Loyal consumers, on the other hand, tend to prefer mobile apps

installed on their device for easy access and tracking of loyalty points.

Hence, it is imperative for retail companies in Bangladesh to focus on building mobile sites instead of other online channels to boost online sales.

An effective mobile site will require interactive features built upon comprehensive studies of user personas, particularly the behaviour of prospective buyers.

Business leaders must realise that a website developed for desktop computers is unlikely to generate sales benefits through mobile devices.

Shoppers all over the world have stated that screen size incompatibility was the biggest constraint for them to buy items from an online retailer, according to a survey conducted by PwC.

Thus, retailers may inadvertently drive away their customers if they don't address these issues.

Today, retail companies in Bangladesh derive most of their revenue from their physical stores. This trend will continue in the coming years too.

While mobile sites and other online channels will provide much-needed growth, in-store sales will provide the stability of the existing revenue base.

A significant number of shoppers will continue to visit a store at least once a week. Boosting shoppers' in-store experience will be critical to the success of retail companies.

On one hand, retail companies need to have the right kind of people to staff their stores, and on the other hand, they need to apply the right technology to make customers' visits experiential.

For example, a customer may

walk into a store to buy a particular product.

If that product is out of stock, a competent in-store salesperson would know that the item might be available at a nearby outlet of the store.

Technology should be able to provide this information to the salesperson quickly and at the point of customer interaction, so that he or she can guide the customer accordingly.

The staff may request the customer to visit the other store and provide him/her the address and directions.

He may also place an order on behalf of the customer so that the item is ready for handover by the time the customer reaches the store.

Alternatively, the staff may request the customer to continue shopping within the store and arrange for the item to be delivered from the nearest store within the shortest possible time.

Technology-assisted agility to respond to the customers' needs will drive the conversion of footfalls into sales in the coming years.

As retail companies in Bangladesh are growing in size, they will need to rely more on technology to achieve agility.

Today, retailers are collecting data about their customers through various channels. Applying the right kind of data analysis and synthesis technology will help retailers to create a single view of a customer. This single view allows for a customer to be identified from his/her user log-in into the online store.

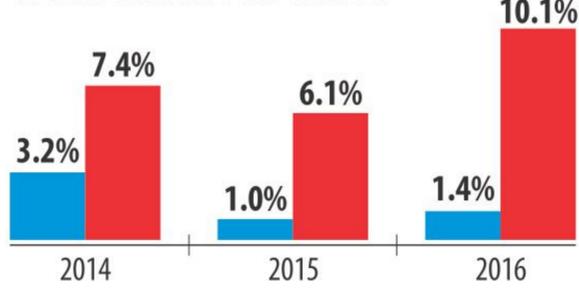
The same customer may be identified in a store by sensors and near field communication with the customer's mobile device.

A single view of the customer will provide more meaningful insights and will help retailing staff to pursue sales activities effectively.

Given the immense potential of the retail industry, companies should start deploying the right technology and strategy to maximise their growth.

The writer is a Partner at PwC. The views expressed here are personal.

GROWTH PERFORMANCE OF ONLINE RETAIL CHANNELS



SOURCE: PWC ANALYSIS

EU e-bike makers make complaint against Chinese imports

REUTERS, Brussels

European producers of electronic bikes (e-bikes) have filed a complaint with the European Commission against cheap Chinese e-bike imports, saying that they are sold in the bloc at excessively low prices with the help of unfair subsidies.

The European Bicycle Manufacturers Association (EBMA) lodged the complaint alleging dumping of e-bikes by Chinese companies which they say are flooding the market at prices sometimes below the cost of production.

The Commission has until late October to determine whether to start an investigation.

The EBMA is also preparing a related complaint alleging illegal subsidies and asking for registration of Chinese e-bike imports, which could allow eventual duties to be backdated.

Such an investigation would be the latest in a string of probes into Chinese exports ranging from solar panels to steel and could raise trade tensions with Beijing, particularly with a subsidy inquiry into the support provided by the Chinese state.

Bicycles have already been a flashpoint. The EU blamed China last December for scuppering a global environmental trade deal by insisting that bicycles be included as a tariff-free green product. Chinese conventional bicycles have been subject to EU anti-dumping duties since 1993.

The EBMA says more than 430,000 Chinese e-bikes were sold in European Union in 2016, a 40 percent increase on the previous year, and forecasts the figure will rise to around 800,000 in 2017.

EBMA secretary-general Moreno Fioravanti said Europeans buy some 20 million bicycles per year, of which about 10 percent are now e-bikes, with the potential to rise to a quarter within five years.

European companies had pioneered the pedal-assist technology that e-bikes use and had invested about 1 billion euros (\$1.2 billion) last year, he said, but was risking losing its industry to China.

"Today the European bikes are the best in the world and we have to invest every year to renew the range. The Chinese are getting the money from the government and the subsidies have an impact of 30, 40, even 50 percent of the price of the product," Fioravanti said.

"You have subsidies, which generate overcapacity, which generate dumping," he said.

Abandoned by tourists, Bali town counts cost of Indonesia volcano



REUTERS

Foreign tourists prepare for a free diving class on a beach in Amed, on the resort island of Bali.

REUTERS, Amed, Indonesia

Balinese town once bustling with holidaymakers has almost emptied of tourists after warnings that nearby Mount Agung could erupt at any time - a snapshot of the growing cost the rumbling volcano poses to Indonesia's economy.

Business has slumped at many hotels, dive resorts and restaurants in towns around the volcano since authorities issue the highest alert level for Mount Agung last month.

An owner of a dive centre in Amed, around 15 km (9 miles) from the volcano and just outside the official "danger zone", said many of her guests had cancelled.

"If (the situation) lasts for nine months or more...then we have no choice but to close down because we will have no money left to operate and pay the staff," said Helene Rabate, a Spaniard who runs the centre.

Cafes and restaurants were largely empty and few visitors were seen at the usually crowded dive centres of this seaside town.

The last time Agung erupted was in 1963, when more than 1,000 people were killed. Since then, tourism has transformed towns like Amed from sleepy fishing and agricultural villages.

Restaurant owner Wayan Widarti has seen a dramatic drop in customers.

"It could be worse than when the Bali bombing happened because there's uncertainty on when (the eruption) is going to happen and how long we wait," she said,

referring to the 2002 nightclub bombing that killed 202 people and prompted a slump in visitors to the holiday island.

Bali, famous for its surf, beaches and temples, attracted nearly 5 million visitors last year - more than half the total number of foreign tourists to Indonesia.

Tourism, a cornerstone of Bali's economy, is Indonesia's fourth-biggest earner of foreign currency after natural resources like coal and palm oil.

Indonesian policy makers have been seeking to boost an economy whose growth rate has been stuck at around 5 percent for the last few years, so any protracted damage to tourism will be particularly unwelcome.

Indonesian officials have said Bali remains safe for tourism, but there have been cancellations even in areas further away from the volcano amid concerns that ash clouds could disrupt air connections.

Some tourists are still in the area at a safe distance from the volcano.

"We plan to...just follow security instructions...and take a fast boat to escape if there is an eruption," said Arlin Shiu, a woman from Hong Kong who was travelling with a friend.

Disaster management authorities have imposed an exclusion zone of up to 12 km, prompting more than 140,000 residents to flee to neighbouring villages.

"For people who live in safe zones, there is no reason to evacuate," Bali governor I Made Mangku Pastika said, adding that makeshift evacuation centres were straining under the weight of thousands of extra evacuees.

Smartphones made in India? Manufacturing ambition hits hurdles

REUTERS, New Delhi

INDIA'S ambitions to become a smartphone-making powerhouse are foundering over a lack of skilled labour and part suppliers along with a complex tax regime, industry executives say.

Indian Prime Minister Narendra Modi has championed a manufacturing drive, under the slogan 'Make in India', to boost the sluggish economy and create millions of jobs. Among the headline-grabbing details was a plan to eventually make Apple iPhones in India.

Three years on, as executives and bureaucrats crowded into a Delhi convention centre for an inaugural mobile congress last week, India has managed only to assemble phones from imported components.

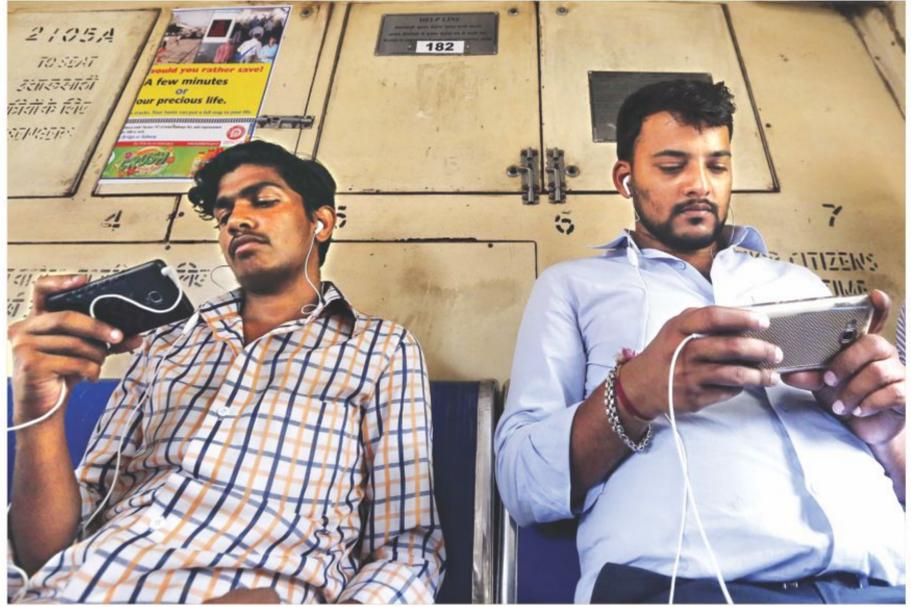
While contract manufacturers such as iPhone-maker Foxconn Technology Co and Flextronics Corp have set up base in India, one of the world's fastest-growing smartphone markets, almost none of the higher value chip sets, cameras and other high-end components are made domestically.

Plans for Taiwan-based Foxconn to build an electronics plant in the state of Maharashtra, which local officials said in 2015 could employ some 50,000 people, have gone quiet.

According to tech research firm Counterpoint, while phones are assembled domestically because of taxes on imported phones, locally made content in those phones is usually restricted to headphones and chargers - about 5 percent of a device's cost.

"Rather than feeling that India is a place where I should be making mobile phones, it's more like this is the place I need to (assemble) phones because there is lower duty if I import components and assemble here," a senior executive with a Chinese smartphone maker said. He declined to be named for fear of harming business.

Others listed the lack of skilled engineers and a sparse network of local component makers. They



REUTERS/FILE

Commuters watch videos on their mobile phones as they travel in a suburban train in Mumbai.

also cited high-profile tax disputes between India and foreign companies such as Nokia. Nokia eventually suspended mobile handset production at its southern India facility.

"The Nokia escapade is in people's memory when they try to come here," a second industry source told Reuters at the first Indian Mobile Congress in capital New Delhi, which ended on Friday.

India's nationwide sales tax (GST), which kicked in this year to replace a string of different levies, is also fraught with its own challenges, such as a lengthy tax-refund process that delays payments to suppliers, the source added.

Last week, India rattled investors after publicly musing about possible changes in a \$2.6 billion 2015 diesel locomotive contract with General Electric. The government has since said it would not take any hasty decisions.

"We needed some push from the government to start manufacturing," said Neeraj Sharma, the

India head of Chinese chipmaker Spreadtrum. "It was required, because without that nothing was happening."

But India now needs more sophisticated technology - such as surface-mounting technology, which places components directly on top of a printed board - to build a supply chain, he said. Otherwise, firms will not do research in India, Sharma said.

"For design to happen, we need strong local players."

The government says it has a phased programme to manufacture phones, aiming to step up value added locally every year. "While we have made a start with getting in mobile assembling, we want to move up the value chain," India's telecoms secretary Aruna Sundarajan told reporters. "A lot of investors have shown very significant interest in this area."

The Phased Manufacturing Programme began in 2016 with the manufacture of phone chargers and batteries and envisages the production of higher-end compo-

nents by 2020.

Sundarajan said the government was also trying to give investors "a reasonable degree of certainty", while also dealing with constant disruption to the industry.

But for smartphone makers used to China's predictability, India may need to do more, executives warn.

A third senior source at a Chinese smartphone maker in India said some Chinese players were rattled by labour unrest, including suspended operations at a facility belonging to smartphone maker Oppo earlier this year, after a foreign employee was reported to have torn a picture of the Indian flag.

Oppo said at the time it regretted the incident.

"Labour laws are lax, there's little effort to build a component ecosystem and logistics, and transport remains a big problem," the third source said.

"No one seems to be investing in skilled labour that will build the phones."