



## The Future of Retail is Online

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While the economy may look pretty bleak and offline retail sales have yet to rise to the same levels of 2006 and 2007, there is good news when it comes to retail sales. Online retail has been up ever since Q1-09, and continues to grow, at above average, industry growth rates.

A survey by Forrester in early April noted that almost 60 percent of retailers reported that their online sales increased during this time period. Larger retailers, those earning USD 100 million dollars in online annual sales did quite well – a full 87 percent of these retailers noted an increase in online revenues. About half of the smaller retailers – those earning USD 10 million and below in online sales – reported an increase in sales as well. Lastly, 40 percent of online retailers also reported an increase in sales. In fact, in 2009, while total retail growth contracted by 0.6 percent as consumer spending shrank, the online market expanded by a substantial 13.3 percent, driven by continued increases in the number of internet shoppers and higher expenditure per head.

There needs to be two clear strategies – one to manage through the recession, and the other for achieving growth beyond it, as online channels start to mature and grow their share of overall business.

The major factor behind this outperformance of expanded retail is the online channel's ability to possess characteristics that insulate merchants from the negative impact of the recession. Prices for goods sold online are often cheaper than in brick-and-mortar store locations, and shoppers can shift through various sites to search out bargains. Real-time access to information impacts a successful online experience, and retailers need to be able to deliver accurate information tailored to the consumer's growing preferences. Also, online shoppers tend to have higher income levels than average consumers and thus are not experiencing the same financial impact of the economic downturn.

Improving the customer experience is an effective way for retailers to differentiate themselves from competition. According to the same April report, Forrester cites several reasons consumers are transacting more online:

**For convenience:** When overall wallet size shrinks, consumers find it cheaper and more reliable to visit the retailer's online website, than the physical store, to shop and transact.

**Self-service to research products online:** When customers quickly and easily find answers to their questions by themselves, their satisfaction goes up. Successful retailers make it easy for customers to locate the specific information they need through a combination of keywords, natural language queries, and category-based browsing.

**To purchase anything, anytime:** The simplicity of a 24x7 store providing all the information at your fingertips around the clock is often an enticing opportunity to shop online.

As e-commerce and online shopping gains traction amongst consumers, these trends are only expected to become more significant. Guidance.com predicts that the lines between online and offline shopping will blur even more than they already have. Physical stores will take on the role of "showroom." People will examine merchandise in store, but ultimately they will choose to make the purchase online. People will be able to add items to their online wish lists by uploading photos from a phone, they'll begin to get text messages announcing sales on their favorite items at their favorite stores, and they will be able to pull up a coupon on their phone and show it to an in-store salesperson (rather than printing it out at home). Going forward, retailers will need a holistic approach, to ensure that all of their offline and online channels work seamlessly together.

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