

A greater emphasis on tech and omnichannel retail is emerging in China

Article

On-store shopping will remain a crucial part of the retail sales funnel in China, even as ecommerce players continue to rack up record gross merchandise value (GMV). Pre-pandemic, ecommerce was already disrupting brick-and-mortar retail, but over the past year, retailers began to innovate more offline, leveraging new and existing technology.

Companies like Alibaba and JD.com have long known ecommerce's limitations and have thus offered omnichannel solutions to their retail partners. "While online shopping definitely accelerated in 2020, saying physical retail is more or less obsolete is not true," said Nishtha Mehta, a China-based corporate innovation coach. "In fact, we saw the acceleration of offline retail as well—there's more of a shift toward a true omnichannel integration."

One example of this approach is Alibaba allowing shoppers to check the inventory of its Intime department stores online before they leave the house. Similarly, JD.com entered a strategic partnership with household appliance retailer Gome last year, which enabled shoppers to purchase products at Gome's physical stores through JD.com. In addition, Gome opened its digital flagship store on JD.com's platform.

Overall, the pandemic has had a profound impact on the way consumers in China shop, forcing retailers to take more of an omnichannel approach and elevate the shopping journey—particularly when it comes to physical retail. "Consumers are now seeking faster and more convenient ways to shop and dine, be it pickup, delivery, or automated stores," Mehta said.

Jade Hsiao, program director of China-based innovator community XNode, believes we'll continue to see the evolution of physical retail. "It's unlikely that physical retail will become obsolete, just changed," she said. "For large retailers, factors like understanding more about your customers—from even before they first enter your store—and building a data lake to send to a centralized retail 'brain' become ever more important. And accurately predicting both customer preferences and influencing factors has become a priority. That's why we've also seen a rise in artificial intelligence [AI] technology, such as precision marketing and chatbots, to improve decision-making."

For retailers, choosing where tech can play a role in both online and offline settings will be key. Here's how some major tech advancements are being leveraged today:

Augmented Reality and Virtual Reality

The rise of 5G in China has helped usher in an era of retail AR and VR experimentation. "AR/VR is here to stay in China," said Michael Zakkour, founder and chief strategist of retail consultancy 5 New Digital. "It's already well established in both online and offline retail experiences."

According to Zakkour, the technology is being used in hair salons where consumers can look at a "magic mirror" to figure out which hair styles and colors would work best for them. He expects more use cases will emerge as the technology becomes even more sophisticated.

Internet of Things and Service Robots

Over the years, there has been a rise in adoption of smart retail devices. **Service robots**, for example, hand out samples, provide advice to shoppers at malls, and serve tables at restaurants across cities in China. Retailers have come to realize that these devices need to become "smarter" by collecting additional data. This will help produce more granular analysis, including better offline store merchandising.

Another area of focus that device-makers are working on is cross-device communication, which will help create a more seamless experience. "A robot that knows only a certain silo of information could do well to pull data from other robots," Hsiao said. "We're already seeing startups trying to build out an AI service network where individual robots and hardware devices can converse with one another and be connected."

Contactless, Click and Collect, and Last-Mile Delivery

Due to the pandemic, the future of retail in China is leaning toward contactless service. Many retailers are automating their operations and offering shoppers a grab-and-go experience, which allows payments to be made without a smartphone or wallet by integrating an AI system, facial recognition, camera, and/or sensors in stores. There are a number of businesses, such as consumer electronics retailer Suning, that operate unmanned stores. "For those grab-and-go experiences, unmanned stores have a future," Zakkour said. "I have seen nothing that indicates consumers in China would give up that kind of experience and the benefits of traditionally manned stores. If that were the case, 100% of shopping would happen online."

Last-mile delivery is also being transformed in the country, with contactless service being pushed to the forefront to satisfy consumer demand for more convenient and safer ways to receive their orders. KFC recently partnered with Neolix, a Chinese self-driving company, to offer "**stores on wheels**" with touchless menus and scan-and-pay capabilities. Contactless pickup lockers are also located in communal areas in neighborhoods, and consumers can enter a passcode to access and pick up their orders. These lockers can accommodate grocery deliveries as well.