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Features

Prediction: retailers will move from a ‘Buy-Stock-Sell’ to ‘Sell-Source-Supply’ model

By Ayshwaria Lakshmi, IMAWS | Monday, October 26, 2020, 2:29 PM Asia/Singapore



In India's new business landscape, the key differentiator of e/retail will be CX. We tap an ERP expert for more insights.

During the peak of the pandemic, one of the significant innovations by Indian firms in the retail software sector—**GoFrugal** — was to help retailers adopt online ordering, contactless delivery and stock-pick mobile-applications.

GoFrugal aimed to help retailers to serve their customers quickly via omnichannel solutions because significant effort and resources were needed for them to develop their own app for the store.



Kumar Vembu, Founder & CEO, GoFrugal

In such a scenario, GoFrugal had eased their financial burden by rendering their apps free until 31 Dec 2020. In an exclusive chat for *DigiconAsia*, the firm's **Founder and CEO, Kumar Vembu**, spoke on the impact of the pandemic on the retail sector's digitalization and more. ***DigiconAsia*: How do you see digital adoption among retailers in the Asia-Pacific region?**

Kumar Vembu (KV): COVID-19 has accelerated technology adoption among retailers around the world. The Asia Pacific region (APAC) is no exception.

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Social distancing and lockdowns have created many opportunities for businesses. Stores are bought into homes, consumers are able to shop from where they are, anytime. There is a huge change across different regions in APAC. Mature markets like China, Singapore, Japan, and Australia have already transitioned to the omnichannel path. Some of the new trends are shopping from mobile; QR code-based menu/catalog applications; and of course contactless ordering, delivery and payments. Markets like India also saw huge technology adoption by small and medium-sized businesses. During lockdowns, the neighborhood groceries and small mom-and-pop stores were the business that played a key role in keeping the supply going during the lockdown. Besides transitioning to omnichannel, there will be an increase in the adoption of mobile for store operations. Smartphones have empowered the consumer and have redefined the service expectations of consumers.

Mobiles will be used for automating store operations like stock takes/audits, goods inward, and stock-picks for online orders. To improve the experiences of the consumers at the store with minimal contact, stores will see an increase in the adoption of the self-service kiosks or self-checkout counters and endless aisles. Even when the pandemic is over, there will be a need for businesses to support browse-in-store, on mobile, and buy online. Going forward there will be a rise in the adoption of mobile-enabled POS/ERP solutions.

The benefits of mobility benefit businesses large and small. In a market like India, to state few examples: CK’s, a fast-growing bakery chain; WayCool, an agri-tech distributor; Patanjali, a herbo-mineral FMCG manufacturer; Grofers, an online grocery market; Elmercado, a restaurant chain; and many more, have experienced growth in their business with minimal staff and skills, and 100% accuracy and reliability.

DigiconAsia: How has this pandemic impacted the retail sector?

KV: Among most of the other businesses, Retail has witnessed a huge disruption after the peak of the pandemic. It disrupted consumer experience and created a new normal in buying behavior. It has also made retail more experiential.

Connected customers today have access to information anywhere anytime and can switch channels seamlessly. Consumers’ exposure to multiple channels have driven the need for seamless connectivity between the physical and digital worlds. Retailers have realized that creating physical and online experiences will truly be a differentiator for them to succeed and create a delightful shopping experience.

Similarly, the pandemic has created an opportunity for retailers to upgrade their capability to create an omnichannel experience. We have also seen them collaborate with marketplaces to create new distribution channels reaching new geographies or regions with minimal investments. With minimized contact and/or contactless ordering, delivery, and payment, businesses can provide all service options from a completely self-service shopping experience to a complete full-service shopping experience.

We are seeing good growth and adoption of omnichannels in markets like Australia, Singapore, Thailand, Cambodia, Malaysia, Pakistan, Dubai, Bangladesh, Sri Lanka and of course some rural markets in India now.

DigiconAsia: Where do you find digital payments yet to be fully-adopted in India?

KV: Unlike the growth markets like China, Australia, Japan, growing markets like India are at their cusp of growth in digital payments. The pandemic has significantly boosted such technology adoptions.

According to a report by Nasscom from April to June 2020, the amount of Unified Payments Interface transactions in India saw a huge jump of 73% compared to 28% last year—clearly indicating the pandemic’s impact.

Essential businesses like groceries and convenience stores, supermarkets, pharmacies did see good adoption of digital payments. Even before the pandemic, there were a lot of small mom-pop stores, family-run sundry shops, tea hawkers, and some roadside vendors that had adopted digital payments. The adoption of digital payments is low with non-digital savvy regions like the semi-urban and rural regions.

APAC retail expectations have changed, but tech adoption is lagging behind

DigiconAsia: Why are many retailers not willing to adopt digital payments?

KV: Lack of awareness and benefits of digitized payments; lack of proper infrastructure and resources like swipe-card machines, internet availability—these are some of the major reasons why some retailers are not willing to prefer digital payments.

Also, delays in approval of digital transactions would result in anxiety to both the consumers and retailers. With margins for retailers being low, there will be definite resistance to use digital transactions that involve a service fee. With the pandemic, we saw how consumers preferred contactless payments, and this is the overwhelming mandate for retailers to adopt digital payments.

DigiconAsia: Security is the major concern in cashless payments. How can a retailer be equipped to avoid security-based issues?

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KV: The security threats due to cashless payments are real. Since it is a new threat in India, most retailers are not yet aware of the risks. Retailers should understand that when consumers can pay contactless with NFC, RFID cards or mobile apps, it is the retailers’ responsibility to provide a safe and secure environment.

It starts with the IT infrastructural security where the right access control and password management policies are implemented, and best practices are followed to ensure that the latest security patches are installed. The main reason for 90% of security breaches is human ignorance and complacency. Therefore, every retail employee must be sensitized to basic information security. As far as point-of-sale (POS) application and payment processing goes, it is important to have point-to-point encryption (P2PE) of the data. This means that all payment data that is stored in the POS must be encrypted so that even if hackers get access to the system, they cannot access any payment-related data. Using a POS system that has PCS DSS certification is the way to go.

DigiconAsia: What retail tech disruptions do you expect to happen in the APAC?

KV: There will be a need for a smart collaborative platform with integrations to different marketplaces: e-commerce, loyalty providers, mobile ordering portals, business intelligence systems and other aggregators like digital wallets, suppliers, service providers, banks, and even regulatory authorities.

A comprehensive enterprise resource planning (ERP) system will hence pave the way for such connected retail solutions. The ERP will focus on digital transformations to all stakeholders like consumers, suppliers, employees, and other partners.

Going forward, Retail will move from a ‘Buy-Stock-Sell’ to ‘Sell-Source-Supply’ model. Customer experience will be the key differentiator to be successful, the rules of omnichannel will evolve; retailers will need to provide a seamless shopping experience to consumers across all channels.

DigiconAsia: In terms of technology advancement, how do Asian retailers compare to other markets like Europe, the Middle East and the USA?

KV: APAC will continue to be the retail industry’s growth engine because of the accelerated adoption of technology. According to a recent report by Bain & Company, APAC is generating about three-quarters of global retail growth and about two-thirds of online growth. Online sales have nearly doubled compared to the rest of the world. They have been successfully collaborative with market-places, social apps like WeChat, Paytm and setting up their own digital ordering platform trying out new strategies.

Asia is home to about 60% of the global population. The countries in Asia are benefitting from the demographic dividend and are the economic growth leaders. They have higher GDP growth compared to the countries in other regions. The demographic profile and the GDP growth lead to significant consumption growth and high-growth retail businesses.

Retail is also a lot more competitive in Asia compared to other regions. Retailers look up to technology solutions to differentiate their service experience and service levels in APAC. Technology will play an increasingly strategic role in retail business in the region.

DigiconAsia thanks Kumar for sharing his insights and predictions.

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