

Unpacking the Disruptors of Retail

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Today's retail industry faces various disruptors, especially in the midst of the Covid-19 pandemic, leaving businesses to adapt in order to continue operations. According to eMarketer, ecommerce sales are expected to take over 23.6% of total retail sales by 2025, up from just 11% in 2019. With ecommerce projected to grow 17.9% by the end of 2021, ecommerce is quickly proving to be the future of retail.

As the industry evolves in this digital age, retailers are now struggling to keep up in the quickly changing environment. As most have found, the key to success is adaptation. Retailers must not only understand the new landscape, but also how to successfully navigate it to sustain forward progression and revenue.

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Cross-border logistics

In any business, logistics and supply chain play a major role in operations. In retail, providing a low price for consumers while utilizing successful logistics is key. One way to navigate this success is through the utilization of a cross-border model.

This model uses direct-to-consumer shipping, where a retailer ships products directly from an overseas warehouse to the consumers' doorstep. This allows for touchpoints to be minimized, eliminating the need for middlemen in the shipping process. This minimized approach reduces logistics costs for retailers, which then trickles down to savings for consumers, in the form of lower-priced products.

Direct-to-consumer retailers offer prices lower than traditional retailers, though these lower prices most times come with longer delivery windows. Current cross-border retailers often have delivery times of up to 45 days, with a lack of quality assurance. In the ongoing digital transformation of the retail space, shoppers prefer 2-3 day delivery service over any other shipping speed, making major players such as Amazon highly successful as they tout two-day shipping. While prices may be higher than cross-border sellers, consumers value the flexibility of fast logistics.

Fast logistics are crucial for businesses in today's competitive retail and ecommerce space. Consumers value expedited delivery and quality products, leaving cross-border retailers a competitive edge if able to leverage the two. By doing so, businesses can tap a market of consumers looking for low-priced, quality goods without the hassle of lengthy delivery times. Modern ecommerce players are working to revolutionize the cross-border model by capitalizing on a quality guarantee and the ability to deliver goods swiftly with a factory-to-consumer model that eliminates unnecessary touchpoints in the supply chain and ultimately reduces costs of products for the consumer.

With the right use of cross-border logistics, ecommerce is set to be the future of retail, as long as these businesses can provide a positive user experience.

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Closed vs. open marketplaces

Today's cross-border retailers have become known for their poor-quality products and negative customer experiences, which lead to negative brand perceptions. These retailers mostly operate under an open marketplace model, allowing for third-party sellers to list items without regulation from the retailer. While this creates uncapped potential for a retailer's product catalog without much legwork from the retailer, there is little to no regulation over what is being listed and the quality of the products. This is where consumers see poor quality, as there is no quality control, and instead focus on quantity over quality. In fact, according to Nosto, 64% of ecommerce returns happen because a product does not match the description.

With this high return rate, return deliveries were predicted to cost retailers \$550 billion in 2020. Given this high cost, many ecommerce platforms are now turning towards closed marketplace models. A closed marketplace provides retailers with control over their product selection, featuring the ability to work directly with factories and suppliers to select products sold on the platform. This allows retailers to conduct a thorough sourcing process, ensuring that the products offered closely align with the brand's quality values.

The factory-to-consumer model and quality assurance enables the retailer to present a consistent and unified front to its customers. With a closed marketplace, retailers can ensure product listings, images and descriptions are completed with uniformity. This helps secure trust with customers and allows the retailer to fully support each of its product listings. In turn, negative experiences related to product quality and satisfaction have the potential to be eliminated, working to create a positive customer experience.

The projected growth of the ecommerce market highlights the success companies can have within the space. As retail and ecommerce companies continue to develop, cross-border ecommerce and factory-to-consumer models will likely grow exponentially. With the rapid transformation of the space, players must understand the hurdles standing in their way, recognizing how fast logistics and a closed marketplace can create lasting success.

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