ZALORA SINGAPORE
CREATING AN OMNI-CHANNEL SHOPPING EXPERIENCE FOR SHOPPERS

BY: REGINA YEO BOON LIAN
Kimberly Tan, an undergraduate at a local university was excited. She just found out that her favourite online store, Zalora Singapore was opening a retail pop-up store at ION Orchard, starting mid-October 2014 till January 2015. Now she could go shopping for her Christmas and Chinese New Year outfits at the outlet. Visiting a physical store allowed her to touch and feel the specially curated merchandise, and see how the clothes looked on her before purchasing, something she could not do with online shopping.

Kimberly also found out that the pop-up store was equipped with computers and free WIFI, and customers could browse Zalora’s full collection online at the store. She could not wait to start shopping at the Zalora store.

To attract more customers, Zalora has opened pop-up stores which are short-term retail outlets at different parts of Singapore. However, setting up physical retail stores may bring problems. Shoppers at various locations have differing shopping habits. Zalora has to address the different tastes and preferences of shoppers without alienating its loyal online customers. There are also operational issues in managing pop-ups.

About Zalora
In 2012, Zalora, online shopping’s latest and largest style merchant (NewswireToday, 2012), arrived in Singapore carrying more than 400 international brands across various categories and styles. Offering the island’s widest range of men’s and women’s global fashion, shoppers could create their personal style according to their budget at Zalora Singapore’s one-stop online shopping mall.

Apart from a stable of international favourites’ such as Steve Madden, Sass & Bide, Ksubi and Havaianas, as well as local trendsetters like Nicholas and ELOHIM by Sabrina Goh, Zalora constantly sourced the hottest and latest global brands, adding fabulous new styles every week. Brands in the pipeline included BCBG, House of Harlow and Betsey Johnson, among many others. With a host of trend tips, fashion advice and a constantly expanding product line, Zalora made being stylish easy.

At that time, Chris Feng, co-founder of Zalora Singapore, said, "Zalora will open up a world of brands to Singaporeans and make online shopping easy and accessible to all.” (mynewsdesk, 2012)

Fierce competition in the online shopping scene
Dionne Song was appointed Managing Director at Zalora Singapore in January 2015. When she took on the job, she knew that she had her work cut out for her as the online retail scene was heating up in Singapore and around the region.

Even though Zalora might be the biggest online retailer in Asia, it faced competition from other e-tail brands. Dionne identified Zalora Singapore’s main competitors to be – Asos.com, Love Bonito, Reebonz and Rockstar.
**Asos.com**
Asos.com is a British online fashion and beauty store targeting young adults worldwide. It sells more than 800 international brands as well as carries its own label on its website. The Asos website attracted more than 98 million hits in 2014, or a 13 per cent increase from 2013. With its quality-made and attractive clothes and accessories, it remains a firm favourite among the 20-something working women in Singapore. (ASOS corporate website)

**Love, Bonito**
Since it started in 2010, Love, Bonito has been a favourite online retail destination among university undergraduates and young professionals. A Singapore brand, it aims to “empower and inspire” young women with affordable and fashion forward styles. The brand modelled itself after big retailers such as Zara and H&M, and creates products that work for high street fashion. Between 2010 and 2012, Love, Bonito enjoyed a 30 per cent increase in sales. By 2015, its annual revenue was growing by 25 per cent a year. (Lee, 2015)

In addition to its affordable pricing and quality clothes, Love, Bonito prides itself on its efficient customer service, professionalism and prompt handling of customers’ queries and requests. The e-tailer also provides credit refund via credit note if customers are not satisfied with the products bought.

**Reebonz**
According to TheBestSingapore (n.d.), Reebonz provides a true online shopping paradise for luxury label lovers. It aims to offer a competitive pricing for authentic luxury brands that are slightly cheaper than what one would pay at bricks-and-mortar stores. Products sold on Reebonz are quality guaranteed and come with original boxes, authenticity cards, dust bags and manuals. Because of the premium pricing that accompanies luxury labels, the e-tailer even offers 0 per cent interest instalment payment plans to customers via credit cards from selected local banks.

**Rockstar**
Unlike the other online retailers that were pure clicks business, Rockstar Singapore opened its first bricks-and-mortar store in the heart of Orchard in 2009. From its popularity in the physical retail trade targeting at teens and young women, Rockstar decided to venture into online retailing when it recognised that its core customers like to shop online as well. Refer to Appendix B (1) and (2).

**Online shopping trends**
To understand how consumers were shopping online, Dionne decided to study the Household Expenditure Survey (HES) 2012/13 – Observations on Prevalence of Online Purchases, published by the Singapore Department of Statistics. (Teo & Chan, 2015)

As shown in Figure 1 below, households with Internet subscriptions increased from 24 per cent in 1997/98 to 78 per cent in 2012/13. Most notably, the proportion of households with mobile phones increased steeply from 6.5 per cent in 1992/93 to almost universal at 97 per cent in 2012/13. Apart from basic phone services, mobile services with Internet data access were also becoming more
common. The improved ease and accessibility supported the adoption of online activities, including online shopping.

Figure 1: Availability of Personal Computer, Telecommunication Equipment and Services in Household, 1987/88 – 2012/13

As online purchases were only captured for the first time in HES 2012/13, no comparisons over time could be made. From the findings, it showed that online purchases were more prevalent with households that had access to the Internet and personal computer at home. The largest shares of online expenditure were travel (including airfare and hotel accommodation), and clothing and footwear at 57 per cent and 8 per cent of online purchases respectively.

The HES 2012/13 also reported that average monthly expenditure on clothing and footwear was SGD 156 but only 4.4 per cent (or SGD 6.90) of online purchases were for clothes and footwear. Table 1 shows the average monthly household expenditure from the HES2012/13 survey.
Table 1: Online purchases by types of goods and services, 2012/13

<table>
<thead>
<tr>
<th>Average Monthly Household Expenditure</th>
<th>Online Purchase Percentage share (%)</th>
<th>Online Purchase Amount (SGD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger transport by air</td>
<td>46</td>
<td>30.60</td>
</tr>
<tr>
<td>Hotel (accommodation)</td>
<td>40</td>
<td>14.90</td>
</tr>
<tr>
<td>Package tours &amp; holiday expenses overseas</td>
<td>5.2</td>
<td>8.10</td>
</tr>
<tr>
<td>Clothing &amp; footwear</td>
<td>4.4</td>
<td>6.90</td>
</tr>
<tr>
<td>Travel goods &amp; other carriers of personal effects (such as bags, wallets, suitcases, travel bags, etc)</td>
<td>9.5</td>
<td>2.40</td>
</tr>
<tr>
<td>Games, toys &amp; hobbies (includes electronic/video games, soft/plush toys, building blocks, models, toy cars/transport, etc)</td>
<td>11.1</td>
<td>1.80</td>
</tr>
<tr>
<td>Cinema tickets</td>
<td>7.6</td>
<td>0.90</td>
</tr>
<tr>
<td>Newspapers</td>
<td>4.2</td>
<td>0.40</td>
</tr>
</tbody>
</table>

Source: Reproduced using data obtained from Report on Household Expenditure Survey 2012/13, Singapore Department of Statistics (Teo & Chan, 2015)

Dionne was dismayed to find that while online purchases were increasing, the majority of expenditure was on overseas holidays and travel plans. She needed to strategise how to encourage more Singaporeans to shop online for clothes, bags and footwear, or at least get frequent online shoppers to make bigger purchases for each online shopping transaction.

**Zalora Singapore launches its first pop-up retail store at ION Orchard**

With the retail industry in a flux, Dionne noted that Zalora Singapore needed to have a paradigm shift in how an e-business was operated.

Looking towards its Zalora Hong Kong counterpart that had successfully launched a click-and-brick business via the use of temporary pop-up stores at selected locations in Hong Kong, Dionne decided that the Singapore office would do the same as well. (Steimle, 2015)

With the online retailing scene getting increasingly crowded and real estate costs increasing in Singapore, the company needed to make a bold step of differentiating itself from other online players and think out of the box. Zalora Singapore decided to take the brave move of operating a physical store to reinforce its online retail presence.
While a growing number of its customers enjoyed the convenience of online shopping, these shoppers also missed out on the thrill and sensory experiences that came with shopping at the physical store.

With physical store shopping, customers could touch and feel the fabric of the clothes and see how the clothes fall on their bodies. For all the sophisticated technology to make the online shopping experience a pleasant one, it could not substitute the feel, sights and sounds that accompanied the physical store shopping experience.

However, Dionne was also mindful that Zalora Hong Kong’s customers were more adventurous and open to online shopping (Nielsen, 2014). Besides that, a growing number of customers hailed from Shenzhen, China, whose proximity to Hong Kong made them an attractive customer segment to target. These Chinese shoppers felt that products purchased from Hong Kong had better quality and services compared to what they could get in China.

On the other hand, not all Singaporeans embraced online shopping. As such, Zalora needed to convince shoppers who were averse to online shopping to change their mindset and be open to alternative retail channels. Therefore, it was important that Zalora Singapore offered quality merchandise and reasonable prices.

**Zalora Singapore explores omni-channel marketing**

Omni-channel retailing is becoming a norm in the 2010s. Companies use a multi-channel approach to reach various customers, for example, through physical stores, online stores and mobile apps. To give its shoppers a holistic shopping experience, Zalora launched its first digital interactive pop-up store at ION Orchard from October 2014 till January 2015. The aim was to extend its online fashion retail business offline into a traditional retail showroom with a digital in-store experience (Steimle, 2015). This move also aimed to introduce the concept of online shopping to customers who were otherwise more inclined to shop in traditional bricks-and-mortar stores.

The pop-up stores were equipped with computers and free Wi-Fi and customers were able to shop on their mobile devices after trying out the specially curated collections from Zalora’s best-selling brands. Customers scanned the items they wanted and could just purchase with the click of a button.

To create buzz and hype at the pop-up outlets, Zalora organised activities such as complimentary yoga workout and manicure sessions, and special media invitations to fashion bloggers, social influencers and journalists to the pop-up outlets.

Its second pop-up store was at Bugis+ from 1 April to 29 July 2015 and the third destination pop-store was scheduled to be at One Raffles Place in the last quarter of 2015. This marked a big step towards expanding the Zalora brand equity and presence in the region. See Appendices C (1) and (2).
The collections were updated weekly so that shoppers could look forward to a refreshed collection regularly. Tablets and computers were strategically placed throughout the store to function as lookbooks, giving shoppers an idea how they could mix and match the clothing items and accessories sold at Zalora. Refer to Appendix A.

However, when Kimberly Tan, the university undergraduate, visited the Zalora pop-up outlets, she realised that the ION Orchard location seemed to attract tourists and weekend shoppers while the One Raffles Place outlet attracted office workers on weekdays. The Bugis+ outlet seemed to attract mostly people working in the Bugis and Beach Road area and students from Singapore Management University. The merchandise on display seemed to cater to office workers and she hoped that there would be more designs that would appeal to students and young adults who liked to dress casually yet wanted to look good at the same time.

The pop-up stores also allowed free returns and exchanges and this saved shoppers’ time and money on shipping costs. See Appendix D (2). Although Zalora had positioned this move as a convenient and hands-free shopping experience, not all shoppers were convinced. Shoppers did not understand why they were unable to collect their merchandise immediately upon payment since they were already in the store.

Jennie Wong, a secretary who works in the Central Business District (CBD), had heard of Zalora but had yet to make any online purchases from it. When she found out that Zalora was going to be located near her office at One Raffles Place, she decided to stop by the outlet after work. After trying on some clothes and deciding to purchase them, she was dismayed to find out from the sales staff that shoppers could not make an outright purchase at the shop. Instead, shoppers had to go online to buy from Zalora’s website.

In the end, Jennie decided not to buy anything. She reasons, “I am so annoyed. I don’t understand why I can’t make an outright purchase. Why do I need to log on to Zalora’s website, pay online and wait to collect my clothes another day when I am already at the shop itself? Then I can’t enjoy and wear the clothes immediately. It doesn’t make sense to wait for something to be collected another day when I could actually bring them home on the same day of purchase. It’s a waste of my time coming here!”

Many wondered at the futility of this service delivery process. Because shoppers could not collect their clothes on the spot, they had to make arrangements for someone to be at home or face the inconvenience of having to collect the goods at the post office if no one was home to receive them. It just did not make sense.

For all the innovation, where Zalora tried to integrate online shopping with the pop-up store concept, it was not without headaches and challenges for Dionne and her team.
Expensive rental retail space in Singapore
The real estate costs for rental retail space is expensive in Singapore. According to the website, www.commercialguru.com.sg, for a retail space of 1,641 sqft (or 152 sqm) at a rental cost of about SGD 13.05 psf, the average monthly rent could come up to SGD 21,400 at Forum The Shopping Mall in Q3, 2015¹.

At ION Orchard, average monthly rental could amount to SGD 29,000 for a 1,500 sqft (139 sqm) retail space. Similarly, it could cost SGD 28,000 per month to rent a 2,000 sqft (186 sqm) space at SGD 14 psft at One Raffles Place for the same period. Most mall operators or management corporations also expected tenants to sign a tenancy contract for a minimum of one-year lease¹.

Interestingly, contrary to the usual minimum one-year lease agreement, mall operators were slowly opening to the idea of short-term leases only for selected retail tenants. With this short-term lease agreement, it gave retail tenants the option to sign a three-month lease and tenants might choose to extend the lease or reopen in a new space elsewhere in another shopping mall.

This was precisely what Zalora was doing. Its pop-up store operated for three months in a particular location before moving on to a new retail space in another part of Singapore. However, with the retail industry in a state of flux, Dionne wondered if signing a three-month lease was a good thing for its temporary pop-up location. Should Zalora arrange for a one-month lease so that it could relocate to a new place every other month? Or should it look at a longer lease of six months so it did not need to move so often as it had to renovate each time it moved to new premises?

According to the Urban Redevelopment Authority of Singapore (URA) 1Q/2015 real estate report, the price index for retail space had been steadily increasing over the years. It was at 122.6 in 2Q/2012 and had moved up to 130.7 in 4Q/2014 and 1Q/2015. As for the rental index, it had remained fairly constant at 118 in 2Q/2012 and 1Q/2015.

The URA (2015) report, “Release of 1st quarter real estate statistics”, highlighted that while rental rates for retail space had remained consistent in Q1/2015, the high prevailing rates still affected many retail businesses. Figure 2 shows the rental index trend.

¹ Property prices were based on information retrieved from www.commercialguru.com and accessed on 10 October 2015.
In the URA Q1/2015 real estate report, median rentals based on lease commencement for Q1/2015 were around SGD 10.86 psf per month for Orchard, SGD 6.47 psf per month for rest of city area (RCA) and SGD 6.66 psf per month for outside city area (OCA). The vacancy rate stood at 7.2 per cent, 9.6 per cent and 5.4 per cent for Orchard, RCA and OCA respectively (URA, 2015).

Dionne read with interest a recent article in *The Straits Times* (Whang, 2015) that rents of retail space had weakened due to a slowdown in economic growth and lacklustre retailing scene. Ms Christine Li, director of research for Cushman & Wakefield, had said, “Expect rents to decline for the next six quarters (or 1½ years) as companies seek space rationalisation in this challenging economic environment.”

With the country battling lower tourist arrivals and a tight labour market, it did not help that the strong Singapore dollar had also made it more expensive for foreigners and even Singaporeans to shop here. This had adversely affected many retail players.

With the slowdown in visitor arrivals and weaker consumer confidence due to the economic slowdown, it looked like retailing was heading for a challenging time in the next few months with weaker consumer spending. Any gains from lower rentals might be cancelled by decline in revenue. For example, Japanese retailer, Lowrys Farm, a fashion apparel and accessories brand, exited the market in early 2015. Japanese department store Isetan closed its Wisma Atria outlet in the second quarter of 2015 (Cushman & Wakefield, reported by *Channel News Asia*, 2015). Local retailer Metro said that it would close its City Square Mall store by end-2015 (Whang, 2015). Retailers who
expanded aggressively during the boom years were rethinking their business plans especially during tough economic years.

Dionne stared out of her office window thoughtfully. In the past, Orchard Road was seen as the shopping destination. However, with the rise of newer and modern suburban malls in the heartlands, shoppers saw Orchard Road as an “old shopping belt”. Some of the malls that were opened in the suburbs in the last five years were 112 Katong, Bedok Mall, Jem (Jurong East Mall) and Junction 10. Should Zalora move out of the CBD area?

Dionne rationalised that with selected estates earmarked by the government as regional commercial hubs, it might make better sense to relocate the next pop-up store outside city areas. Some areas worth considering were Ang Mo Kio, Jurong East and Changi Business Park. On the other hand, the tepid economy was a major cause for concern. Should Zalora relocate to the heartlands where other retailers with similar pricing were also located, or remain in the city, or should Zalora stick to its core business — online retailing?

**Strategic options**

There was a common misconception that it was a much cheaper option to venture into e-commerce than bricks-and-mortar in Singapore, where high rental rates prevailed. But while operating and managing an online shopping business might have a lower barrier to entry, building a successful and forward looking e-commerce business was a different ball game.

In an interview with *Marketing Interactive* magazine before its 3rd annual Shopper Marketing conference in Singapore on 11 June 2015 (Pandey, 2015), Dionne said that there was a misconception that managing an e-business was cheaper than operating a physical store. “It requires a significant amount of content generation, a broad enough assortment, digital and technical investment, and some marketing budget…. to ensure freshness of the site and optimal search performance, which is costly both from a monetary and resources standpoint,” she said. With the millennials constantly wired, and where their mobile devices seemed like an extension of their arms, online retailers had to constantly engage their customers via social media. This could be time consuming for the people in-charge.

She added, “If you’re not building a strong private label collection, you face the risk of losing a lot more margins than your brick-and-mortar counterpart.” She noted that retailers needed to be aggressive in their promotional efforts to ensure top-of-mind awareness, especially in the cut-throat retailing business.

Coming one year into her current portfolio as Zalora Singapore’s Managing Director, Dionne had to re-evaluate whether the company should operate as a pure e-commerce business. Or should it continue with this omni-channel retailing experience to encourage shoppers to visit Zalora’s pop-up stores and from there, convert them to be Zalora online shoppers?

There was the issue of the tight labour market to consider. Good retail staff who were service oriented and had good fashion sense were hard to find. It might be better to remain a purely click
business so that it could focus all its resources to single-mindedly manage operating cost issues and improve the online shopping experience instead.

Another key concern was whether to have a permanent retail location or continue with this nomadic pop-up store concept, moving from one location to another. Would it confuse customers? Having a permanent physical location gave rise to a stable and core group of loyal customers. There was a sense of familiarity knowing where the Zalora store was located. At the same time, with the extensive and easily accessible MRT network, no place in Singapore was too far away by public transport. So it might not make sense to move from one location to another.

On the other hand, the current retailing hype was nomadic retailing, which was what pop-up stores were about. It might appeal to the type of customers that Zalora was targeting – someone who was adventurous and thrilled by the unknown. The majority of Zalora’s customers were the millennial generation and were likely to be digitally savvy, fashionable, trendy and open to online shopping. They might be game enough for the pop-up store concept.

Zalora encouraged its shoppers to be imaginative and creative, fashionable and yet daring enough to explore their individual styles. Zalora fans could post themselves decked out in their Zalora purchases through the “outfit of the day” (#OOTD) thread on Zalora’s Instagram account. This appealed to consumers with a need for uniqueness and a shout for attention.

To increase its customer base, Zalora had to target beyond the millennials and reach out to new customer segments. Dionne and her team identified two potential segments – shoppers in the 30-plus age group and shoppers who craved for retail therapy but would rather shop at a physical store because they were uncomfortable and unfamiliar with the idea of shopping online.

Some customers might feel that with the physical store, there was something tangible in offline shopping. They were also able to return or exchange their merchandise and there was also the presence of Zalora staff to help with the paperwork. Shoppers did not need to arrange and pay for postal delivery on merchandise if there was a need to return or exchange goods. Zalora’s pop-up stores hoped to change the mindset of shoppers who were resistant to online shopping.

How would the millennials react to the idea of an omni-channel retailing experience? How to make them see the value-add of this omni-channel shopping experience? And what about those aged 30 and above? If they were not shopping online now, how likely would they be to shop online in future? Some disliked the idea of online shopping as they could not try various sizes of clothes to see how they fit. If this was the case, pop-up stores might just work well with them. However, in targeting the 30-something customers, would Zalora lose its core 20-something customers as both groups had very different fashion sense, taste and preferences?

Dionne pondered on Zalora’s next move. The challenge was for Zalora Singapore to remain fashion forward and yet offer quality products and services to its customers at affordable prices. The question was how to make that happen.
Ending remarks
To build rapport and engage its customers, Zalora posts regular and valuable content regarding fashion and beauty through its lookbook and e-magazine section. This is popular with young fashionistas who are obsessed with posting their #OOTD.

Kimberly, who had just received the latest Zalora feeds on her Instagram and Facebook accounts, was excited about Zalora’s latest product offering on its online store. There seemed to be a new #OOTD contest that Kimberly wanted to participate in and hopefully win. She enjoyed shopping and could not wait to deck herself in Zalora’s outfits so that she could take pictures and post her #OOTD.

Zalora’s brand personality of being exciting, trendy and creative resonated with shoppers like Kimberly, who enjoyed shopping and constantly sought uniqueness.

End-of-Case Questions

Question 1
Who were Zalora’s current customers? What were their likely customer profiles?

Question 2
How could Zalora expand its target market to include other customer segments? How could the company manage shoppers’ resistance to change, such as getting offline shoppers to try out online shopping?

Question 3
What is omni-channel shopping? Did it make good business sense for Zalora, an e-commerce business, to go into offline operations?

Question 4
Can online retailing afford to be truly experiential? How could Zalora make its online shopping a more interactive and intuitive one? What would it take to stand out online?

Question 5
Do you think it is better for Zalora to adopt a nomadic pop-up approach or go for a permanent retail location? Which locations would you recommend?
References


Appendix A

Computers placed at Zalora’s pop-up for online browsing and convenient check-out after deciding what to buy at the store.

Photo credit: Regina Yeo (photo taken with the writer’s personal camera)
Appendix B
Retail outlet Rockstar by Soon Lee @Orchard Cineleisure

Photo credit: Regina Yeo (Photos taken with the writer’s personal camera)
Appendix C

(1) Store front of Zalora Singapore’s third pop-up store at One Raffles Place

![Photo credit: Regina Yeo (photo taken with the writer’s personal camera)](image1)

(2) Store front of Zalora Singapore’s third pop-up store at One Raffles Place

The writing on the wall basically sums up the brand’s personality which resonates with shoppers who share similar personality traits as Zalora.

![Photo credit: Regina Yeo (photo taken with the writer’s personal camera)](image2)
Appendix D

(1) Merchandise layout at Zalora’s pop-up store at One Raffles Place

Photo credit: Regina Yeo (photo taken with the writer’s personal camera)

(2) A sign that explains the services available at the pop-up store

Photo credit: Regina Yeo (photo taken with the writer’s personal camera)
About Nanyang Technopreneurship Case Centre

With funding from both the National Research Foundation of Singapore and Nanyang Technological University, the Nanyang Technopreneurship Case Centre (NTCC) was one of the initiatives of the Nanyang Technopreneurship Centre (NTC) to enhance the quality of entrepreneurship education through the case pedagogy. These are part of NTC’s efforts to foster, promote and nurture enterprising mind-sets, skills and knowledge in entrepreneurship education.

There is a plethora of business cases but a general paucity of cases highlighting the specific problems faced by technopreneurs in growing their ventures. NTCC adds value to Technopreneurship education by developing a pool of cases on technology-based local and international enterprises. Through the cases, NTCC hopes to share the experiences, success stories and challenges faced by entrepreneurs/intrapreneurs in growing their organisations and how they overcome their problems to sustain growth.

The theme of this first compendium is “innovation through technology”. It features Singapore-based and global companies confronting issues and challenges due to technological shifts in the industry and changing market and competitive dynamics; when introducing new products in the marketplace; and in using technology to drive organizational change.

Online versions of these cases are available for complimentary downloads at www.ntc.ntu.edu.sg/ntcc.

Teaching notes are also available to faculty members for use as reference, reading and/or teaching materials in various academic and professional programs. For further information, please contact Ms. Denise Lee (deniseleecw@ntu.edu.sg) and Mr. Wu Chong Chuan (wucc@ntu.edu.sg).

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