**Beware retailers there is an east wind coming!**

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In recent years there has been a staggering increase in online retail. Then came the pandemic along with a further explosion in internet sales! Whatever is the need – big or small – chances are that a website can meet it. Look over your own personal experiences and you will find that this is almost always the case. Now, the first port of call is not a physical – so called ‘brick and mortar’ – store but a quick query through a search engine to locate online options!

Thomas Friedman, in his perennial book the ‘world is flat’ suggests that technology is the great equaliser that permeates across the globe. That is largely true for humans but when it comes to a level playing field between physical retailers and online businesses, the answer is not so simple. Consider.

The disparity between the two channels has recently forced some of the bosses of major grocery and retail chains to suggest a 1% sales tax to be levied on online competitors. Furthermore, the CEOs of 18 companies and groups have said that if this inequality still exists, it “will hamper the recovery of the retail sector post-pandemic, potentially putting thousands of jobs at risk”. In the UK, as per figures from the Office for National Statistics (ONS), retail sales at physical shops fell 10.3% from £318.5bn in 2019 to £285.8bn in 2020. In the same reporting period, Amazon’s financial results showed that UK sales for 2020 totalled £19.3bn – a 51% increase over 2019! Although some of this difference is down to lockdowns and restricted movement induced by the COVID-19 contagion but a majority of it is due to the ever changing ethos of shopping over the last decade or so. The pandemic perhaps became the final act of this rude awakening! Another thing that brought this realisation to the fore was business rates or in other words, business taxes. Amazon’s bill came to about 0.37% of its retail sales while the ‘brick and mortar’ retailers would have paid about 3% of their total retail sales. Physical businesses had been given a tax holiday by the government because of the ongoing coronavirus scenario. But the point still is that tax regime for physical retailers is just under 10 times that of online stores!

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These statistics alone should be enough for you to be shouting that this is not a level playing field! And you would be right – at-least when it came to taxation. That is the only aspect where governments can do more to achieve a balanced tax system. A tax system which recognises an overwhelming change in shopping patterns and holds online platforms accountable for the money they owe, to the tax authorities and also at the point of purchase. However, apart from this one argument about an even taxing regime, the rest of the clamour about an unlevel playing field is way past its sell-by-date! This is especially true because change is inevitable and online consumerism is a phenomenon that is here to stay and has been many years in the making. For those physical retailers who haven’t woken up to this fact yet, they probably deserve to perish while continuing to shout about an unlevel playing field!

Considering an update to the tax structure as a given, what else should ‘brick and mortar’ sellers do? There are at-least six actions they can take right now! One, they must cross the threshold of denial and move into acceptance – things will not go back to the good old days of physical existence alone! Two, they need to invest in online presence and efficient order fulfilment approaches. In-fact major grocery stores have already started that including online shopping, bookable delivery slots and quick pick up points. All the more reason that even the agreed taxation changes must be made while keeping in mind that physical retailers with online components should not be penalised unnecessarily. Three, expect a fruition of a channel agnostic future because the demarcation between online and physical sales is becoming redundant every year. The inertia that existed because the retail sector had it ‘too good for too long’ is now dissipating quickly. Retailers must adopt the ‘omni-channel’ strategy to ensure that there are multiple channels available to their consumers. Four, there needs to be a greater emphasis on social corporate responsibility because shoppers are not only motivated by products and prices but also by the purpose a retailer stands for. This includes more awareness with regards to the environment and all the green initiatives that come with it. Five, keep on leveraging physical presence as there are still products and services that are based on touch and feel rather than a single click of the mouse. Underlying that notion is the fact that the biggest strength of a physical business is the human interaction it provides and the personal experience that comes with it. This opportunity must never be squandered! Six, admit that digital businesses do in-fact generate innovation and collaboration and are one retail domain where growth is evident along with addition of jobs consequently driving the economic recovery in post-pandemic world. Policy makers will hardly have any appetite to put this fledgling of a recovery in jeopardy! Thus, aim to become a successful part of the online world rather than live in the past.

The retail sector is amidst a transition and calls for a level playing field or a perceived notion of unfairness or a dichotomy of approaches are only products of this ever hastening, channel agnostic journey. While retailers must fundamentally change and move with the times, governments and regulators just need to ‘keep pace’. Or else – to paraphrase Sir Arthur Conan Doyle – there’s an East wind coming all the same. It will be cold and bitter and a good many of us may wither before its blast. But a cleaner, better, stronger land will lie in the sunshine when the storm has cleared!

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