

## Chapter 3

# Impact of E-Commerce on the Urban Landscape

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### ABSTRACT

*Consumers in large cities are projected to contribute 81% to global consumption in 2030 with B2C e-commerce sales growth projected to increase globally by 24% in 2020. The inquiry of the present study is to understand the impact of this growth on the urban landscape. Three key areas influenced by e-commerce which in turn impact the urban landscape, city logistics, warehousing, and retail experience. Rising home deliveries impact city logistics where delivery trucks contribute to traffic congestion and environmental hazards. E-commerce influences locational demand for warehouses differently, depending on the section of the logistic chain. The positive gains include reduced damage to road infrastructures and higher valuation of logistics real estate in urban areas. The final area, retail experience, influences the sustainability of malls in urban areas. Malls in urban centers could remain relevant by reconfiguring retail spaces to accommodate temporary guide stores and pop-up stores instead of anchor tenants.*

## **INTRODUCTION**

The migration, from brick and mortar to digital space, has impacted various facets of our interactional environment, including but not limited to, the business, social and economic aspects. To this list the present study appends, the impact e-commerce has on the urban landscape. According to a report by UNDESA (2014), urban population will account for 60% of the global population by 2030. While a report by United Nations Department of Economic and Social Affairs Population Division (2016) estimates that by 2030, 27% of the global population will be concentrated in cities. A rise likely to impact global consumption. A report by McKinsey Global Institute (2016) highlights, that 81% of global consumption in 2030 would be generated by consumers in large cities with a significant percentage coming from China and North America. In addition, the growing preference for e-commerce in developing markets, especially in China and India, sees both countries topping the list as the most frequent online purchasers (CIGI-IPSOS, 2018). Further, attractive features of e-commerce such as time saving, convenience, ease of use, flexible prices, a variety of choices, and availability of the products (CIGI-IPSOS, 2018) are pushing the penetration rates at the global level. The rising preference for e-commerce highlights the need for adjustment by the retail sectors, logistics and supply chains, and other connected industries which are predominately found in the urban setting.

The prelude above on the urban population and global consumption, specifically e-commerce, sets the context for the present study. The engagement, of the urban population with online commerce platforms, is likely to impact the various aspects of urbanization. A report by Federal Department of Town and Country Planning (2016) highlighted that urbanities in Kuala Lumpur (capital city of Malaysia) incurred an estimated cost of 1.1% to 2.2% of GDP in 2014 arising from transportation concerns such as wasted fuel, carbon (CO<sub>2</sub>) emissions, delays and vehicle maintenance. The increased utilization and acceptance of e-commerce would be able to rectify these concerns and contribute towards improving the quality of life in the city. For instance, on-line shopping leads to less time on the road allowing for efficient time management and cost savings for the urban community. The proposition above is stated as an opportunity for the urban community. However, this might not always be the case. It is highly likely that e-commerce might adversely impact city logistics with increased presences of delivery trucks in residential areas. Thus, on whether the impact of e-commerce is positive or otherwise depends on how it is employed and deployed.

The present study is of the view that the impact of e-commerce on the urban landscape is multifaceted and diverse, with a range of opportunities and challenges. Thus, the aim of this study is to provide a synthesis of existing literature on the impact of e-commerce on the different aspects of urbanization to assists policy makers to understand the challenges and opportunities of e-commerce, which would be of use when devising policy strategies.

## **URBAN LANDSCAPE AND E-COMMERCE**

The analysis on the interaction between e-commerce and the urban landscape is discussed from the perspective of city logistics, warehousing and retail experience.

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