



# A beautiful growth story

## Modest beginnings

It is hard to imagine now, but when Watsons became a wholly-owned Hutchison subsidiary back in 1981, there were fewer than 10 Watsons stores in Hong Kong. Known as “Watson’s The Chemist”, a description harking back to the firm’s 19th century prominence as a colonial dispensary, they catered strongly to Western residents, visitors and tastes. In other words, English was heard everywhere on the shop floor, there were vitamins galore but Chinese medicine was rare.

The Watsons of that era placed a particular emphasis on cosmetics. “At that time, there were no stand-alone stores for the big cosmetics brands and just a limited number of department stores in Hong Kong,” recalled Celia “Mayling” Mounger, who joined Watsons in 1970 as Assistant to the Purchasing Manager of the A S Watson Group’s Manufacturing Division, and is now the Group’s Project Director, International Buying. “Watsons offered convenience and trust for beauty-conscious consumers. Another big category was toys, before computers became popular with kids.”

Indeed, with their huge product range, the Watsons shops of 30 years ago closely resembled variety stores in the US. “Even then, we had fashion accessories, stationery, magazines, greeting cards and so on,” Ms Mounger remembered. For the average Hong Kong consumer unused to ready access to so much choice, a visit to Watsons was like entering Aladdin’s cave.

By the early 80s – some 20 years after Hutchison had acquired its initial controlling interest in Watsons – Hong Kong was a city in transition. Factories were relocating to newly accessible southern China and Hong

The Canton Dispensary, the forerunner of A S Watson, opens in Guangzhou, China.

1828

Operations extend to Hong Kong, where the company founds the Hong Kong Dispensary.

1841

The Hong Kong Dispensary is traded under the name A S Watson & Company.

1871



Ask anyone in London if they know who owns the ubiquitous UK health and beauty chain, Superdrug, or someone in Brussels who owns leading Belgian health and beauty retailer Kruidvat. Chances are they will be surprised to discover that the owner is far away in Hong Kong. The A S Watson Group's rise from a small home-grown chain of Hong Kong dispensaries to the world's largest retailer of its kind in just 30 years, with over 9,300 stores in 33 markets, is one of the city's global success stories.

Like Hong Kong, Watsons stores have kept changing and are now barely recognisable from the "hat and glove" days when Britain's Princess Margaret (*in the photo far left*) stopped by during a Royal Visit in 1966.

Kong was reinventing itself as a sophisticated international business centre. Prosperity was spreading.

For the first time, large numbers of local consumers had money to spend on what were once considered luxuries. The number of Watsons stores ballooned. They became as much a part of everyday life for residents of New Towns in the New Territories, and of Hong Kong's expanding urban districts, as they already were for well-heeled shoppers in cosmopolitan Central and touristy Tsim Sha Tsui.

### Brand transformation

In step with the city's improving living standards and rising consumer expectations, "Watson's The Chemist" became "Watson's Your Personal Store", widening its customer appeal and signalling a new approach to the brand's evolution.

Margaret Lau, who joined Watsons in 1985 as a pharmacist and is now Chief Pharmacist as well as Operations Controller, Health & Fitness, was among the first to notice the shift.

Traditionally, she said, Watsons' pharmacists were health professionals who stood behind a counter and dispensed medications "when asked". That, at least, was until Ms Lau and other pharmacists were selected to join Watsons' management training programme.

"We were drawn out to the shop floor, where we began to understand our customers' needs better," she recalled. "It was a good way to build rapport with customers. Our lab coats gave them faith in us and they became our friends." In smaller stores, pharmacists took on the additional role of assistant manager. "We were no longer just counting pills behind the counter; we became a much bigger part of the management and leadership systems," said Ms Lau.

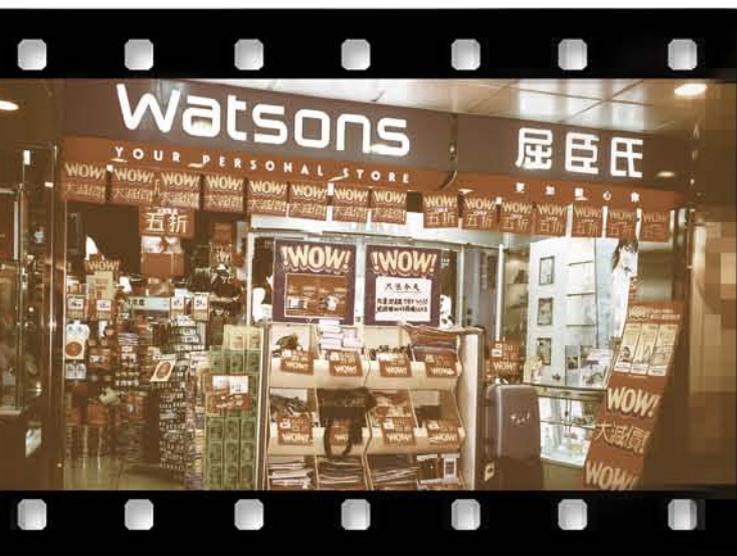
Television commercials were widely used to market the cosmetics brands, toys and accessories sold by the chain and, of course, the Watsons brand itself. "Watson's Your Personal Store" was soon a catchphrase with which every consumer in Hong Kong was familiar, said Ms Mounger.

Watsons Water is established to provide pure water in Hong Kong and Mainland China.

1903

Hutchison Group acquires a controlling interest in A S Watson & Co.

1963



The adoption of the “personal store” tagline, along with new brand visuals, were hallmarks of what became known internally as Watsons “second generation” of stores.

“Between generation one and generation two, Watsons in Hong Kong became more of a lifestyle brand,” observed Tim Chung, the Group’s General Manager of Store Development (Asia), who also joined Watsons in 1985. “We wanted to create a better shopping environment for our customers by conveying a positive image of growth and development. We were investing heavily in store design, and in that sense, I believe we were really leading.”

### Regional takeoff

By now, the Group was ready to stretch beyond Hong Kong and take its distinctive health and beauty retail concept to regional neighbours. Watsons outlets were established in Taiwan in 1987 and Macau in 1988.

“Macau and Taiwan were the obvious first choice, due to similar consumer cultures. Watsons, as a concept, was completely new to Taiwan and was an immediate sensation,” said Ms Mounger. “It changed the landscape of Taiwan as far as health and beauty retailing is concerned.”

The following year, in 1989, Watsons re-opened in the Chinese Mainland. Its presence, initially in Beijing and Shanghai, was instantly welcomed by expatriate residents, for whom China at that time was a hardship posting, and by wealthier local consumers who found it difficult to buy imported goods. Within 20 years there were 500 Watsons stores in the Mainland and today there are more than 850.

In Hong Kong, the 90s were a period of organic growth for the chain, with continued development and promotion of

the Watsons brand. There were many successful marketing campaigns, such as “Free Shopping Day”. By the end of the decade, the city had 120 Watsons stores, including Nuance–Watson outlets at the new Hong Kong International Airport.

There was also further expansion in Southeast Asia, including Malaysia and Thailand.

Cultural sensitivity contributed to the successful spread of the Watsons brand. “Our stores maintained a core consistency throughout the region, but with local adaptations as necessary,” said Mr Chung. “What we have developed is one Watsons for all, a strong global brand but with authentic local flavour.”

### Number one in the world

The dawning of the new century saw Watsons eyeing opportunities to expand even further afield. Through a series of strategic acquisitions of leading health and beauty chains in Europe, it rapidly transitioned from being the biggest retailer of its kind in Asia to the largest health, beauty and perfume retailer in the world.

Between 2000 and 2005, the Group acquired the Savers, Superdrug and The Perfume Shop chains in the UK; Kruidvat and Trekpleister in the Netherlands and Belgium; Drogas in Latvia and Lithuania; Rossmann across central Europe; Spektr in Russia, and Marionnaud in France. In 2006, the Group acquired DC, the largest health and beauty retail chain in the Ukraine (recently re-branded as Watsons). These takeovers were so smooth and subtle that it explains why, even today, many Europeans have no idea they shop in Hong Kong-owned chains.

A S Watson becomes a wholly-owned subsidiary of Hutchison fewer than 10 Watsons stores in Hong Kong.

1981

The Group expands in Europe through acquisition of Savers, Kruidvat Group, Drogas, Marionnaud, The Perfume Shop, Spektr and DC.

2000-2006



“Our expansion into Europe was driven by the vision of extending the A S Watson retail network outside of Asia,” explained Malina Ngai, Director of Group Operations, Investments and Communications and Head of International Buying. “As with any merger and acquisition, the major challenges were integrating workplace and management cultures and identifying optimal synergies between established local systems and the A S Watson Group.”

All the retail brands acquired in Europe already had well-established and valuable brand equity in their respective local markets. “By joining the A S Watson family, they received financial support to grow their businesses, while still maintaining the brand identity familiar to their customers,” said Ms Ngai. “They have also benefited from more efficient and effective systems and processes, centralised sourcing as well as constant exchanges of best practices across all markets.”

### No sign of stopping

Back home, expansion and upgrading of the Watsons chain have continued at a hectic pace. In the past two years, 50 new stores have opened or been extensively renovated in Hong Kong. A further 40 new stores are set to open this year.

The physical appearance and feel of the stores continues to evolve, inspired by the motto “Look Good, Feel Great, Have Fun!” Those opening this year are “generation six”, with a brighter,

more contemporary design and layout. As with mobile phone services, the speed at which each new generation of stores comes on stream is accelerating. Generation five was just two years ago. Generation four was four years before that while generation three was launched as long ago as 2000.

Today, A S Watson is the leading global presence in health, beauty and perfume retailing, with more than 25 million customers shopping in its stores around the world each week – and some 98,000 employees making it all possible.

A global committee led from Hong Kong constantly studies and exchanges ideas on the evolution of store concepts, based on customers’ shopping behaviours, and on cost-effective ways to build and renovate stores. “While customers will have different shopping experiences when visiting our stores in different markets, the local management teams all practise the same customer-centric management principles,” Ms Ngai added.

This customer-centric approach means that, in today’s Hong Kong, Putonghua is readily spoken by Watsons’ sales teams who serve a new generation of tourists coming from the Mainland. Vitamins galore are still on offer, as they were decades ago in Watson’s The Chemist. Only, now, they compete for prominence with an impressive selection of sophisticated Chinese herbal remedies and medicines. 

The design and layout of each generation of Watsons stores reflects a contemporary look and feel. Pictured (*far left*) is a store front around the year 2000, another (*second left*) about two years ago and (*right*) images of stores to come.

A S Watson celebrates its 180th anniversary.

2008

A S Watson Group has over 9,300 retail stores in 33 markets worldwide.

2011