





INNOVATION

MAN + MACHINE = ULTIMATE SHOPPING EXPERIENCE!

A vast array of new technologies is changing retail. But A S Watson Group hasn't lost sight of the fact that it's all about people.

A brilliant misquote of Mark Twain (aka Samuel Clemens), "The reports of my death are greatly exaggerated," describes to a tee the state of in-store retailing. Retail oracles conjure up visions of a future where our slightest whims will be answered by an Alexa-type device which reads our minds and whisks to our homes the objects of our desire. The fact remains, however, that stores are still where the vast majority of people find delight and satisfaction when fulfilling their needs. This is true due to one simple fact.

People love shopping. Not like. Love.

They love getting out of their homes and going to stores to shop.

More than staring at their phones, they like taking objects off a shelf, examining them, and making a decision. They like to taste, to try on, to see, to hear and to feel before they buy.

Across Asia and Europe, A S Watson Group (ASW) is in touch with this reality, with staff meeting people every day in over 13,500 outlets. However, the retail group hasn't gotten this far by standing in the past. Technology ranges from that which is front and centre to the ghost in the machine. Sometimes you see it, sometimes you don't. Like a great magician, most of the work happens behind the scenes until the great reveal that delights and excites. For different people, in different outlets, online and offline, many different technologies and

new management approaches have revolutionised the common human experience of shopping.

HANDS-ON, BUT CASHIER-FREE

One of the stranger experiences for those older shoppers (over say, 25) will be the possibility of cashierless shopping in the future. The pangs of unearned guilt they may feel from walking into a store, furtively filling a bag and then walking out 'without paying' may be the strangest of shopping experiences! For younger shoppers, this may become an unremarkable part of a normal life as far back as they can remember – like mobile phones for millennials. Bobby Ho, Head of Group IT Asia of ASW, is working on the wide range of technologies that need to be deployed to make this new way of shopping possible.

“With the help of more advanced devices and stronger analytics tools, we can also capture customer touchpoints in our physical stores and convert unknown store traffic into known customer interactions.”

Mandy Ng
Group Project Director
A S Watson Group

“As consumers become more mature in accepting new ways of shopping, technological innovation opens up opportunities to enhance the customer experience,” Mr Ho says. “This in turn enables better integration of all our sales channels and platforms. These are genuine omnichannel experiences.”

It begins with self-checkout. The technology has already been deployed, in one form or another, in many places around the world. It requires the shopper to act as their own checkout assistant by scanning products at the point of self-checkout.

It has had its fair share of challenges, as frustration with checkout failures, perhaps due to creased or otherwise unreadable barcodes, can lead to shopper rejection of the technology. When it happens with a cashier, they simply enter the barcode manually, but the shopper can't do that at the self-checkout.

Shoplifting can also be a problem, even inadvertently from honest buyers who simply lose their composure following a self-checkout failure and head for the door with a product instead of taking it to a manned checkout.

ASW teams have a variety of people and technology-based practices to solve these problems encountered by many in the industry. Even if the world is not quite ready for pure self-checkout yet, that doesn't mean that significant gains in customer experience and efficiency can't happen.

On the human side, simple fixes can do the trick. From drugstore Rossmann in Poland to Watsons Malaysia, staff will be able to support self-checkout lines to make sure shoppers don't feel frustrated and then reject self-checkout, perhaps forever. “Call assistance” buttons can bring those staff into play to alleviate minor frustrations. A helping hand and friendly voice can go a long way to promote customer adoption.

EYES ON THE PRIZE

Camera technology has also advanced dramatically to provide greater resolution, improving the blurry black and white

images known to us from crime TV. But Mr Ho tells us that the technology isn't as important as the experience of using it. The installation, positioning and configuration of cameras has become just as important as the cameras themselves. Knowing how to position them can give full coverage of the entrance to measure traffic count and derive conversion rates (measured as the number of shoppers compared to the number of visitors) for the business. Those tempted to head for the door without paying may not know that camera technology can also be deployed as a big part of the self-service operation.

So cameras are looking at regular shoppers and even products to find better ways to serve customers, not just to catch them red-handed. Without needing to collect personal data, a great deal of information can reveal to analysts which parts of stores are most visited, suffer the most congestion, or invite the most leisurely lingering as people collect information on products or even try them out. The positioning of products can be tested to see which configurations provoke people to look, pick up, and, ideally, purchase a product. With proper responses to such intelligence, customers will theoretically find stores more engaging and stimulating.

ALWAYS AT HAND

Nothing is more frustrating for shoppers than making a trip to the store, only to find that what they're after doesn't appear to be in stock. ASW is deploying an array of new technologies to ensure that doesn't happen, from online shopping to real-time stock and ESL technology.

Far from “English as a Second Language”, the ESL in retail stands for Electronic Shelf Labelling. Originally, ESL was deployed to support dynamic pricing while the product was still on the shelf, allowing retailers to change prices on the fly. In countries like China, where QR codes are ubiquitous, they could be used to help provide product information. ASW's Store Technology teams under Mr Ho are now using the technology, combined with real-time stock information, to make sure that if the product is in the store, it isn't languishing

ASW uses advanced technologies to analyse and track their products in store so that shelves are kept fully stocked and customers are provided with the most current information.

in a backroom storage area while shelves go empty. Extending the reach of the tech further will see the real-time information automatically inform reordering needs to ensure that hot products don't disappear off the shelves at times of shoppers' greatest interest.

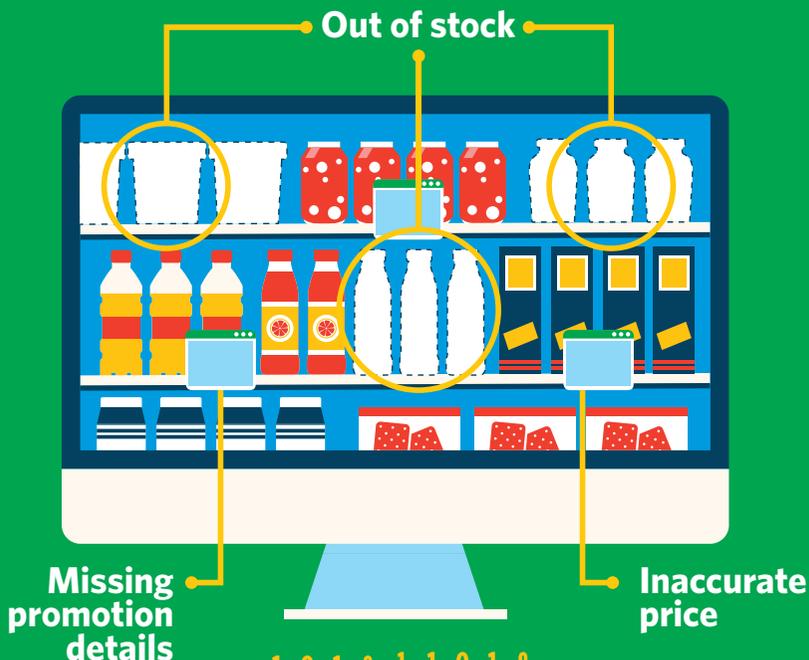
After all, it's about keeping the shelves stocked. This tech is expected to play a role in the staff-free stores of the future, but while small tests have been run in outlets in the US and China, no one has really cracked the code of purely staff-free stores.

HUMAN TOUCH

Mr Ho explains that in many stores, people want the interaction and shopping advice that people bring. He cites the beauty and wine businesses as two segments of the retail group's business that remain high touch. That touch is important, but here, technology can help again.

Marionnaud, in France, has staff working with iPads with custom apps to quiz consumers and make recommendations using the app's suggestions, blended with the sales staff's expertise. The technology doesn't replace people, but instead helps them.

Andrew Ma is the retail group's Head of eLab Technology, Asia. He's optimistic that in the future, people may be able to come into a store and, under the guidance of trained professionals, experience products using AR (augmented reality) and VR (virtual reality). While VR is famous for the



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encompassing headgear that creates all-around experiences, AR has a more 'in this world' effect. It takes what you see around you and adds to it.

"Whether AR can become mainstream depends on market trends ... there are a lot of opportunities with AR technology, in particular for beauty and health products," says Mr Ma. Some of that tech is being used in ASW stores already. In a flagship store in Shanghai opened in April 2017 to mark Watsons China's 3,000th store milestone, two intriguing services, namely "Style Me" and the "Skin Test", have been introduced. Style Me uses AR to provide a virtual make-up service. By seeing the make-up on their faces without actually using the product, shoppers can try out a wide variety of items at a lower cost. They can work with in-store beauty specialists who can make suggestions from a seemingly endless palette of colours that can be applied to eyelids, cheekbones and lips.

"The novel shopping experience - and the high flexibility offered through customisation made possible by AR technology - will help shape the future

of the online and offline shopping experience," adds Mr Ma.

TREASURE ISLAND

The Skin Test product, also in the Shanghai stores, makes use of biometric data to give advice to clients. That advice is driven by data analytics.

Data analytics have become a big part of customer relations in the industry, and ASW is leading in this area through the efforts of its eLab and tech teams around the world. All those aforementioned cameras, ESL, customers using AR and just plain old buying decisions generate stunning amounts of data. People often mistake the data for some kind of treasure. A better analogy would be to say it is the whole island - the treasure is the actionable insights.

The map comes from a range of analytical tools. One big map maker and industrial excavator looking for treasure is ASW's partner, Rubikloud, from Toronto, Canada. Over the next three years, their data enterprise platform, known as the Rubicore, will be deployed at the 13,500+ outlets across the retail group. It will plug into this vast data-generating machine and apply artificial intelligence to scour the data landscape for insights. It will help to amplify

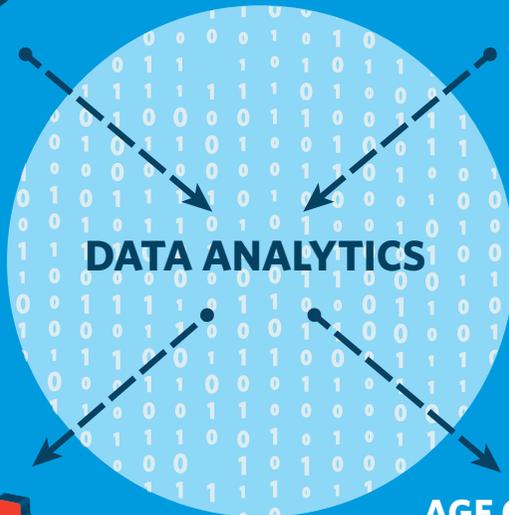
the power of direct targeting for consumer marketing campaigns, in both bricks and clicks environments. It will be a huge helping hand - driven by machine learning - for the leadership of ASW, as they design everything from in-store promotions to region-wide cross-brand initiatives.

"We have been gathering a variety of physical store transaction data and online platform customer behaviour data for years. But now, with the help of more advanced devices and stronger analytics tools, we can also capture customer touchpoints in our physical stores and convert unknown store traffic into known customer interactions," says Mandy Ng, Group Project Director, who oversees the big data analytics team.

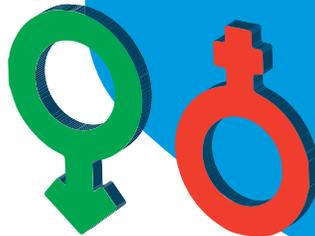
This will also feed into the logistics aspect of the business in a way that wasn't possible before. "Regression was the way to go when we carried out promotion forecasts in the past. One issue with human logic is that it would sometimes provide inaccurate predictions if there was no track record for certain products," Ms Ng explains. "Through sophisticated transformation of human logic to machine language, it is possible to set out assumptions in a more cost-efficient manner, bringing together the member database, customer transaction database, planogram information and more to make forecasts to improve promotional efficiencies, driving more sales." That also means more customers getting what they want, when they want, where they want.

The future of retail sees a wide range of devices watching, advising and delighting customers. These will help staff to make decisions and free them up to spend more time with customers, who will sometimes be dealing with the new technology, and sometimes just be enjoying the shopping experience. The intuition of great retailers about what people want and how to reach them has been buttressed by artificial intelligence to help make faster decisions, better decisions and even to automate decision-making. However, the ASW way has been to never lose sight of the customer - even when using better technology to keep track of them! □





DATA ANALYTICS



AGE GROUPS

- 18 -25
- 26-30
- 31-40
- 41-50