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ASIAN RETAIL OUTLOOK 2021

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Inside Retail
ASIAN RETAIL OUTLOOK 2021

From **the editor**

WHERE WERE YOU THIS TIME LAST YEAR? Do you remember what your life was like back then? I can imagine many businesses had their noses to the grindstone, focusing on surviving and thriving, balanced with the health and safety of their teams. We've all heard the clichés by now, but quite frankly, I can't think of a better way to describe last year other than a rollercoaster of uncertainty, unpredictability and in many ways, creativity and experimentation.

Welcome to the inaugural Asian Retail Outlook, our new annual report featuring a survey that aims to gain a snapshot of where the industry is at each year, how retail professionals are feeling about the landscape and the challenges and opportunities presented to them. We'll chat with industry leaders and experts as they reflect on the year gone by as well as their predictions for the future of the sector.

Unsurprisingly, in our first survey, we found that more than 80 per cent of businesses changed tack due to the pandemic last year, while around that same amount of respondents have invested more in their digital strategies lately. It will certainly be interesting to see these new plans come to fruition as 2021 rolls on.

In so many ways, the 'new normal' has forced the retail industry to raise the bar when it comes to customer engagement, digital, delivery and even bricks-and-mortar retail. Customers are savvier than ever and their demands and expectations have changed in the past 12 months.

In our first edition of the Asian Retail Outlook, we analyse what the new customer experience looks like in the current climate; the rise of young Chinese consumers; how luxury retail is tracking right now and the changing role of physical stores.

Sit back and enjoy this year's Outlook. Who knows where we'll be this time next year?

JO-ANNE HUI-MILLER
Managing Editor,
Asian Retail Outlook

The year **that changed us all**

LAST YEAR RADICALLY CHANGED RETAIL, BUT AS THE GLOBAL PANDEMIC UPPED THE ANTE for digital transformation, it also opened the door to growth. With new standards of engagement continuing to inspire and challenge the industry, retailers are recalibrating their businesses to build on these new norms.

Among the disruptions caused by the global pandemic is the tremendous rise of digital, enabling customers to shop on their terms. Mobile, chatbots, social, curb-side — customers can shop anywhere and anytime, and retailers are meeting them with seamless omnichannel experiences to increase loyalty and win sales.

Similarly, young shoppers flocked to social media for more than just inspiration; purchases from social channel referrals skyrocketed by 104 per cent, and we're just getting started. Expect to see retailers adjust their brand strategies as young consumer behaviour continues to disrupt the retail industry.

"Put your customers first" is fast becoming the gold standard among retailers, with more than 54 per cent pinning personalised journeys as the main driver for better customer experiences. To this end, retailer marketers are also increasingly turning to artificial intelligence (AI) to deliver cutting-edge personalisation at scale, such as product recommendations. Ultimately, since AI and trust underpin customer experience, the responsibility falls to brands to follow data protection laws and tread the fine line between personalisation and privacy.

Personalisation, however, isn't the only expectation customers have in today's new normal. While value, convenience and availability were critical factors in 2020 (going back to the toilet paper saga), they're now table stakes, making agility more critical than ever. In fact, those retailers with creative pickup options — curb-side, in-store, drive-through — saw more than 60 per cent growth over those that didn't during the five days preceding Christmas Day in 2020.

Thus, although digital will remain the priority, the role of bricks-and-mortar stores will transition into two forms of physical experiences — connecting digital shoppers with products through pick-up services and creating distinctly emotional experiences through pop-ups, brand collaborations, and events.

So how can retailers propel growth? By embracing change. While the road to recovery is long, retailers across industries can address distinct customer pain points, personalise their customer journeys, and grow their geographic footprints.

If 2020 is the year that changed us, perhaps 2021 can be the year that makes us.

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Industry insights: EXECUTIVE VOICES

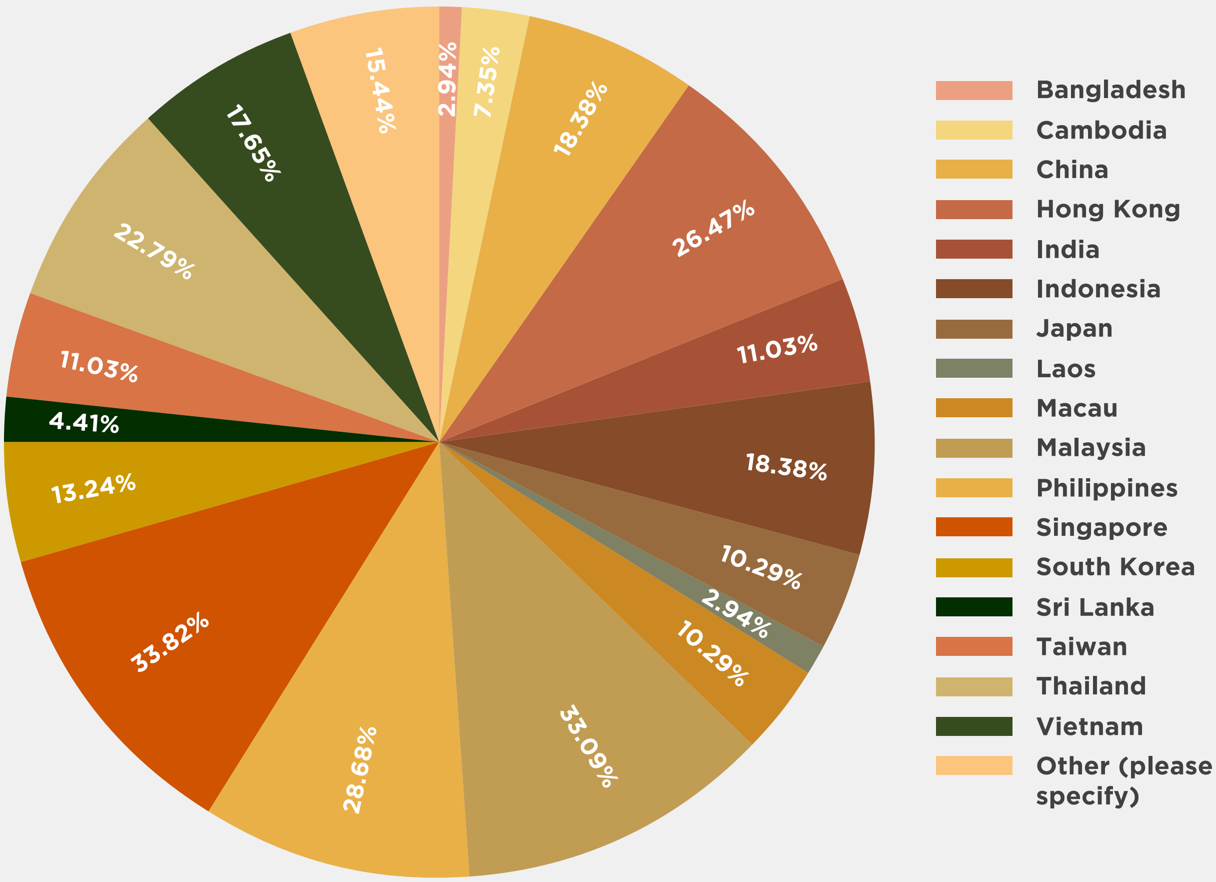
It's been a tough year for the retail industry, which has been forced to deal with a challenging economic climate and changing consumer behaviour. We check in on how retail leaders are feeling about 2021 and how the industry has shifted in the past 12 months.

THE PANDEMIC MAY HAVE HIT MORE THAN A YEAR AGO, BUT IT'S CLEAR THAT the Asian retail industry is still reeling from its impacts, particularly when we consider our peers in stricken India right now.

To gain an understanding of how the sector is tracking right now, *Inside Retail* launched the inaugural *Asian Retail Outlook* survey in April this year. The majority of survey respondents were CEOs, owners or in upper management at retail businesses (38.97 per cent) and 30.88 per cent of respondents came from businesses with more than 1000 employees.

All retail categories were represented in this year's survey, with 18.38 per cent of respondents coming from the fashion sector. Participants also came from grocery/supermarket (15.44 per cent), pharmacy and cosmetics (10.29 per cent) and food and liquor (5.88 per cent).

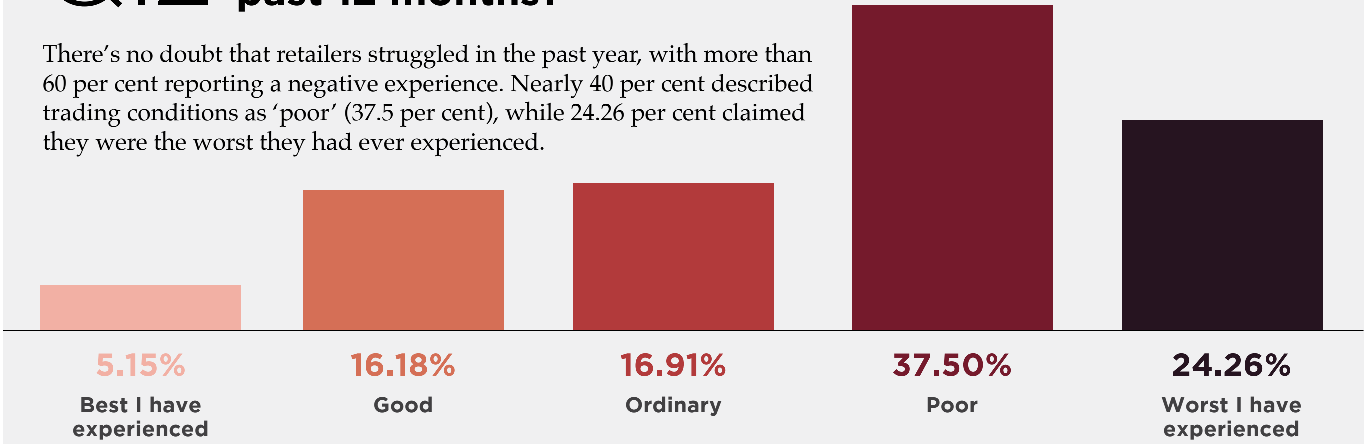
Q.1 Which Asian markets do you operate in?



The top five countries represented in this survey were Singapore (33.82 per cent; the Philippines (28.68 per cent); Hong Kong (26.47 per cent); Thailand (22.79 per cent) and China (18.38 per cent).

Q.2 How would you describe trading conditions in the past 12 months?

There's no doubt that retailers struggled in the past year, with more than 60 per cent reporting a negative experience. Nearly 40 per cent described trading conditions as 'poor' (37.5 per cent), while 24.26 per cent claimed they were the worst they had ever experienced.

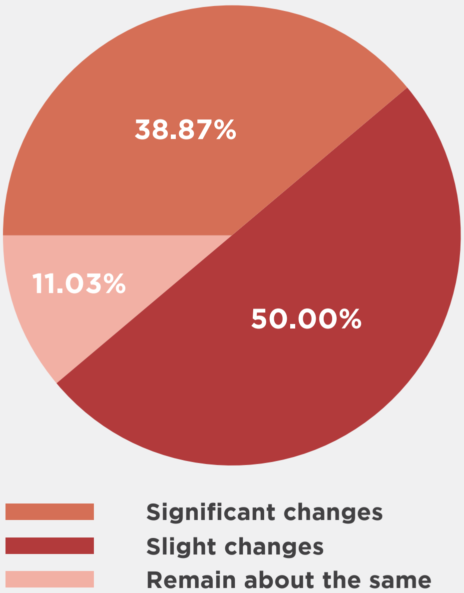


Q.3 How did the last 12 months compare to the previous?

- Significantly worse
- Slightly worse
- Remained about the same
- Slight improvement
- Significant improvement

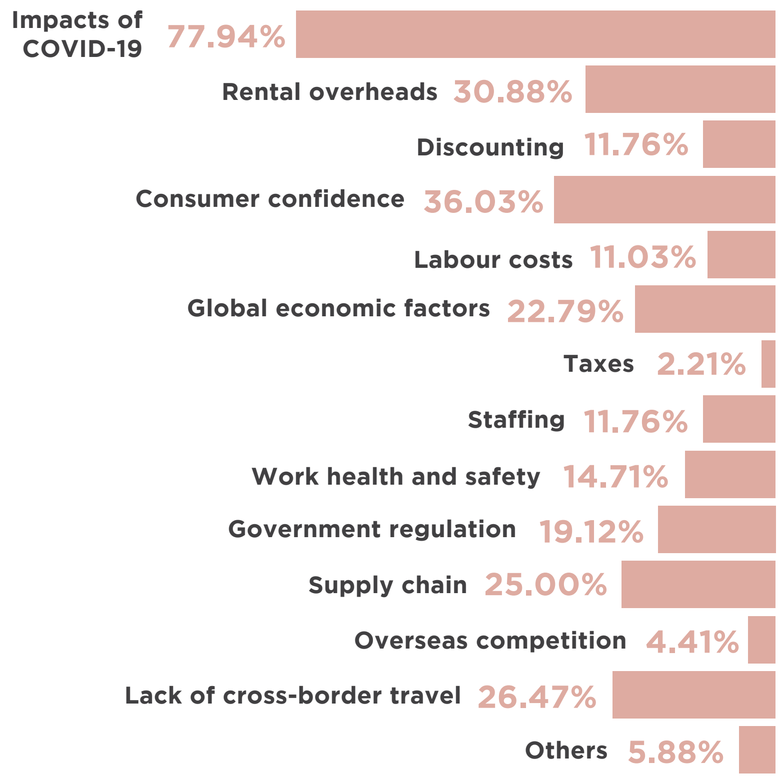
Almost 40 per cent of respondents (39.71 per cent) described the past year as being "significantly worse" than the previous 12 months, while 26.47 per cent claimed it was only "slightly worse".

Q.4 In the year ahead, how do you expect trading conditions to change?



Half of respondents predict that slight changes will take place this year, while 38.97 per cent believe the conditions will significantly change. Meanwhile, 11.03 per cent predict they will remain the same.

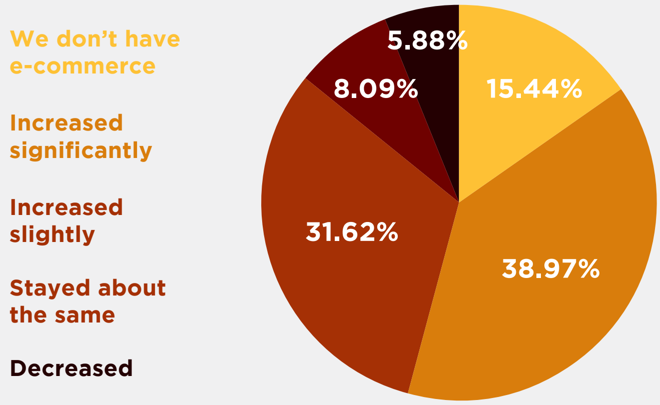
Q.5 What are the three biggest challenges facing the retail industry in 2021?



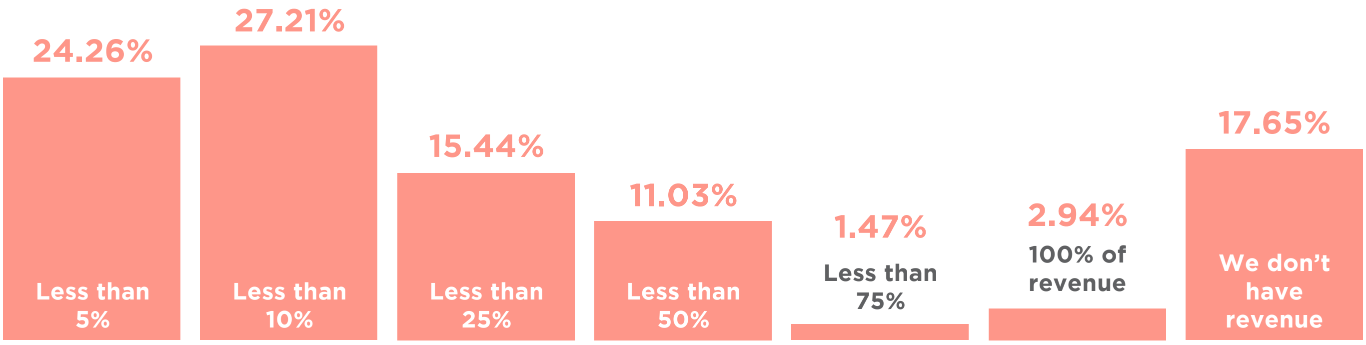
Overwhelmingly, the impacts of Covid-19 are keeping retailers up at night (77.94 per cent), followed by consumer confidence (36.03 per cent), rental overheads (30.88 per cent). ►

Q.6 How has your revenue from e-commerce changed in the past 12 months?

As has been widely reported in the past year, e-commerce sales skyrocketed last year and it's evident in respondents' answers. More than 70 per cent respondents experienced an increase in sales online. Almost 40 per cent (38.97 per cent) claim that revenue "increased significantly", while 31.62 per cent experienced a slight increase in e-commerce sales.



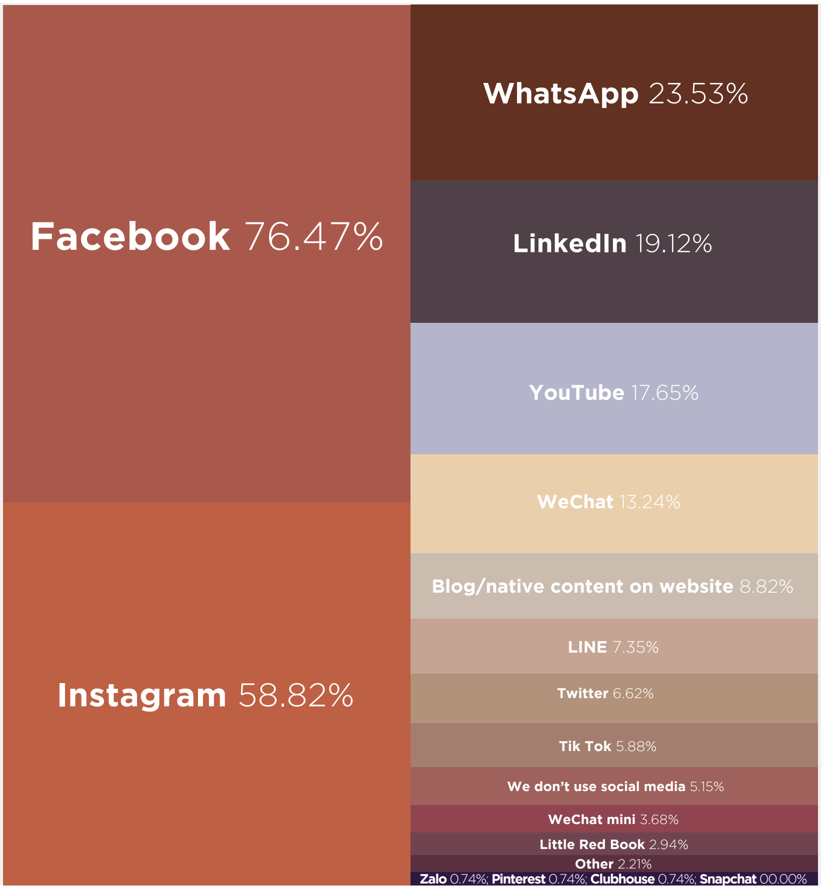
Q.7 What percentage of your total revenue comes from your e-commerce channel?



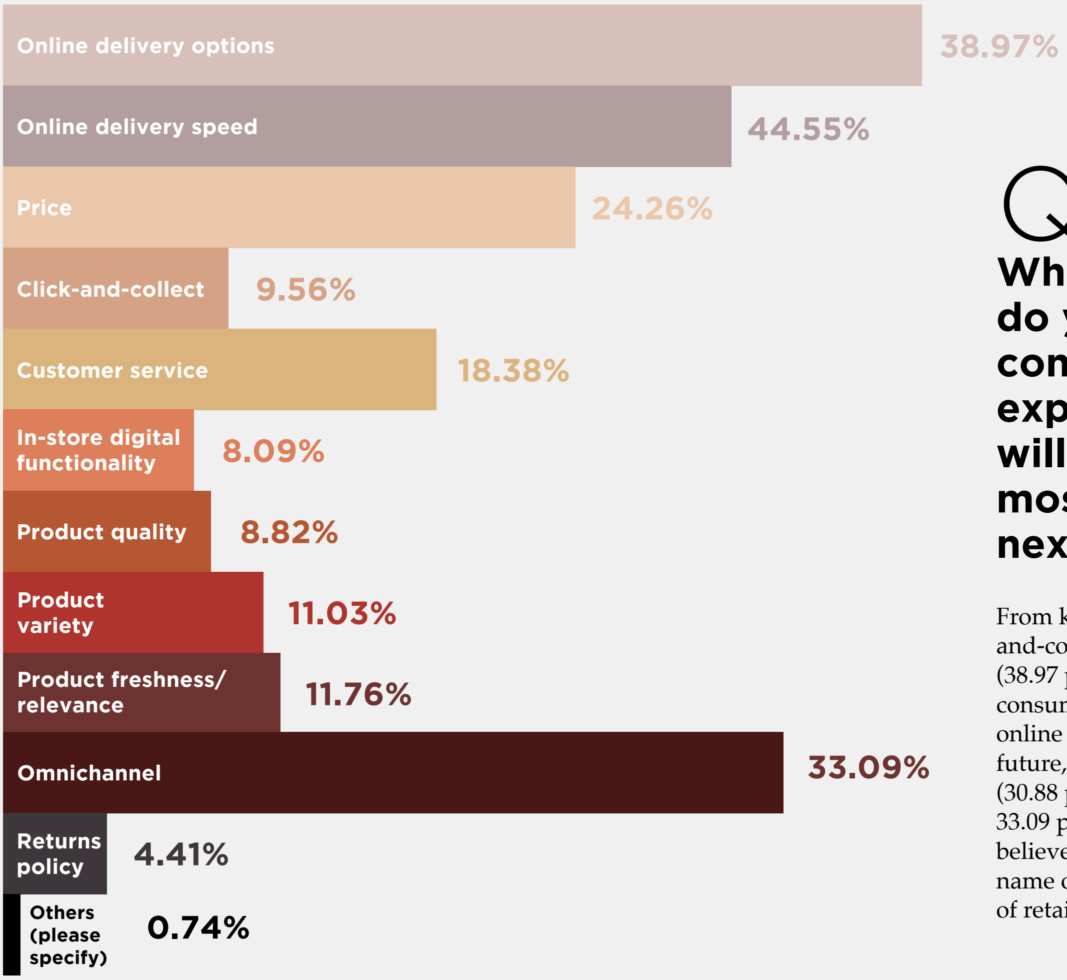
While online retail experienced a huge boost last year, for most retailers in the survey, it accounts for less than 10 per cent of sales (27.21 per cent). As restrictions lift around the world, it will be interesting to note how consumers respond to bricks-and-mortar retailers and which online shopping behaviours will remain in the future.

Q.8 What are the most effective social media channels for your business?

Despite the introduction of new video apps like TikTok, Facebook remains the social media giant for the retail industry, with 76.47 per cent retail businesses signed up on the platform. The next most popular platforms include Instagram (80 per cent); WhatsApp (23.53 per cent), LinkedIn (19.12 per cent) and YouTube (17.65 per cent).

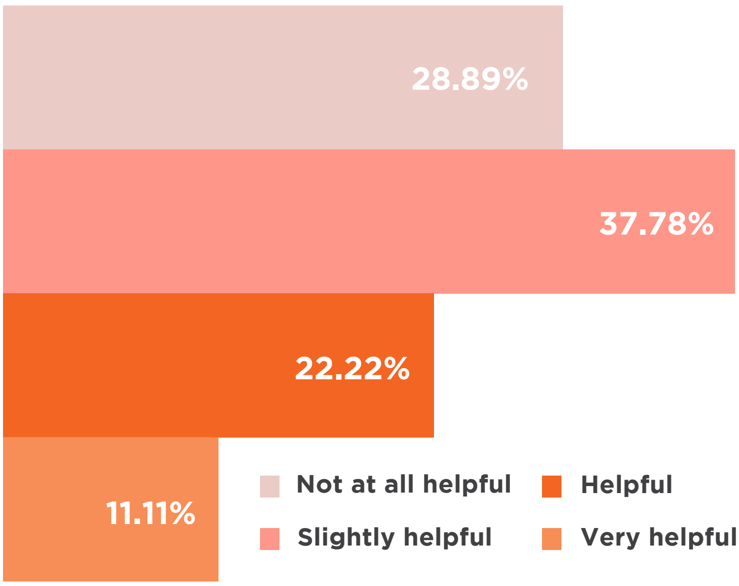


Q.9 What areas do you think consumer expectations will increase the most in over the next 12 months?



From kerbside pick-up to click-and-collect most respondents (38.97 per cent) believe that consumers will expect more from online delivery options in the future, as well as faster delivery (30.88 per cent). Meanwhile, 33.09 per cent of respondents believe omnichannel will be the name of the game for the future of retail.

Q.10 How helpful was your government's economic response to businesses impacted by coronavirus?

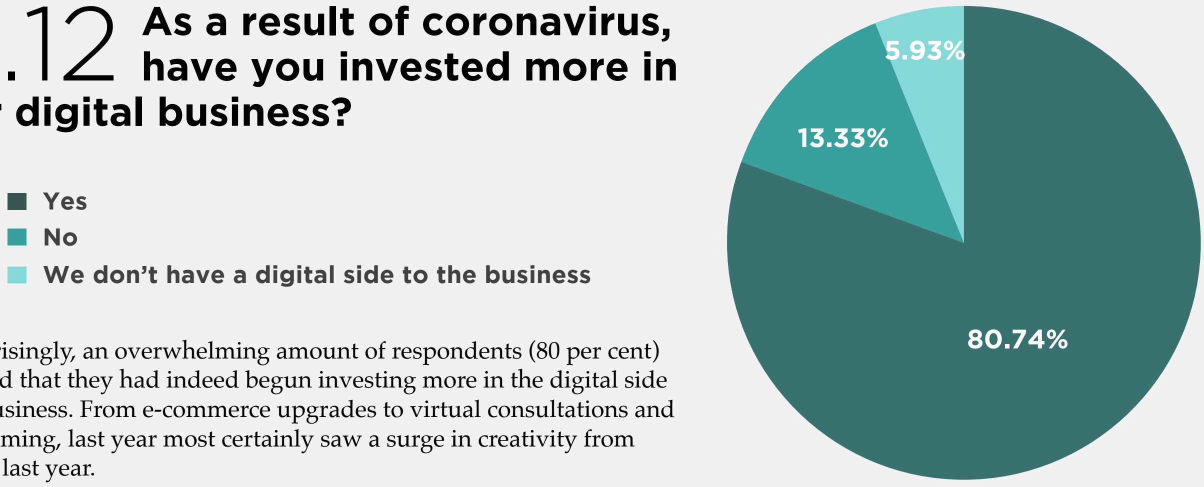


There were mixed responses here, with 28.89 per cent of respondents claiming that the government was not helpful at all and more than 50 per cent claiming that they were of assistance last year.

Q.11 How have your business plans changed due to coronavirus?

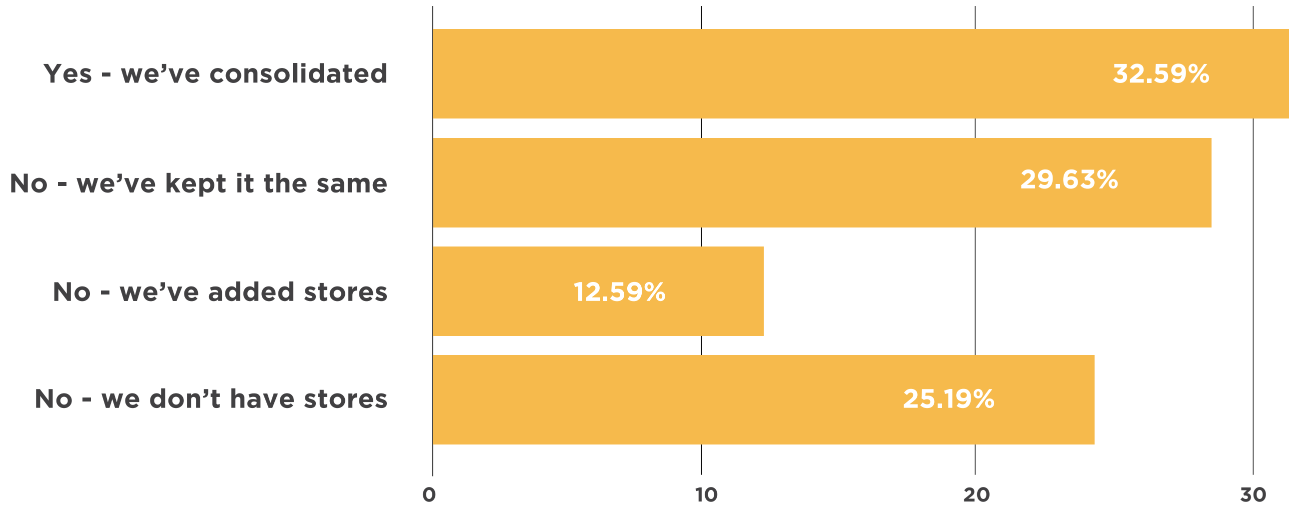
More than 80 per cent of businesses changed tack due to the pandemic, from entering new categories to accelerating their plans, but interestingly, more than 20 per cent were able to continue with their existing plans as scheduled. ►

Q.12 As a result of coronavirus, have you invested more in your digital business?



Unsurprisingly, an overwhelming amount of respondents (80 per cent) identified that they had indeed begun investing more in the digital side of the business. From e-commerce upgrades to virtual consultations and livestreaming, last year most certainly saw a surge in creativity from retailers last year.

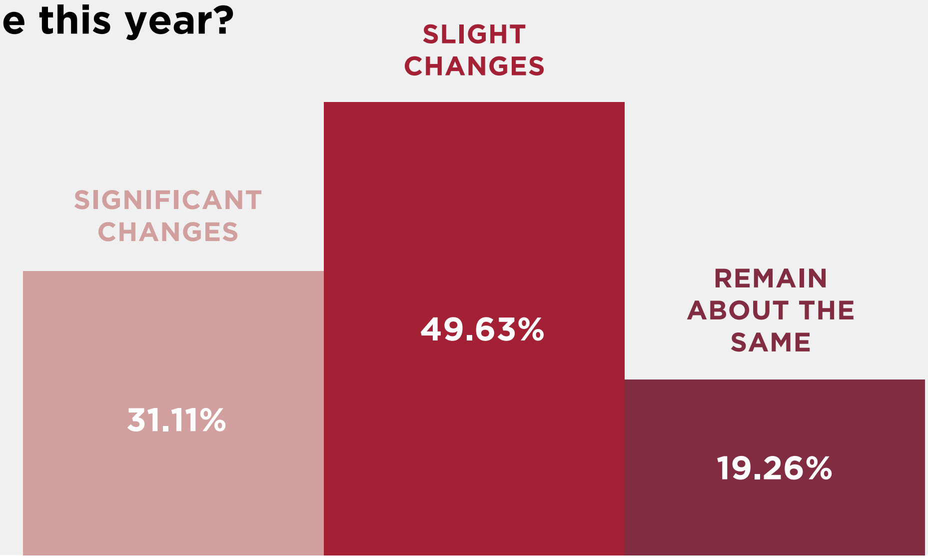
Q.13 If you have a physical store network, have you consolidated it as a result of the pandemic?



As bricks-and-mortar retailers struggle with rent and overheads in the current climate, it's no surprise that nearly a third (32.59 per cent) had consolidated their physical store network last year. Interestingly, 12.59 per cent had actually opened new spaces.

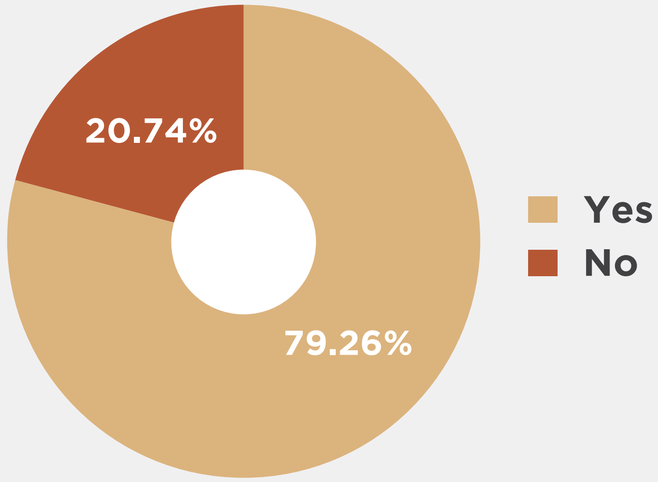
Q.14 How do you expect leasing terms to change this year?

More than 80 per cent of respondents expect changes to be made to leasing terms in the future, with just under 20 per cent predicting they will remain the same.



Q.15 Do you think relationships between landlords and retailers are more strained as a result of coronavirus?

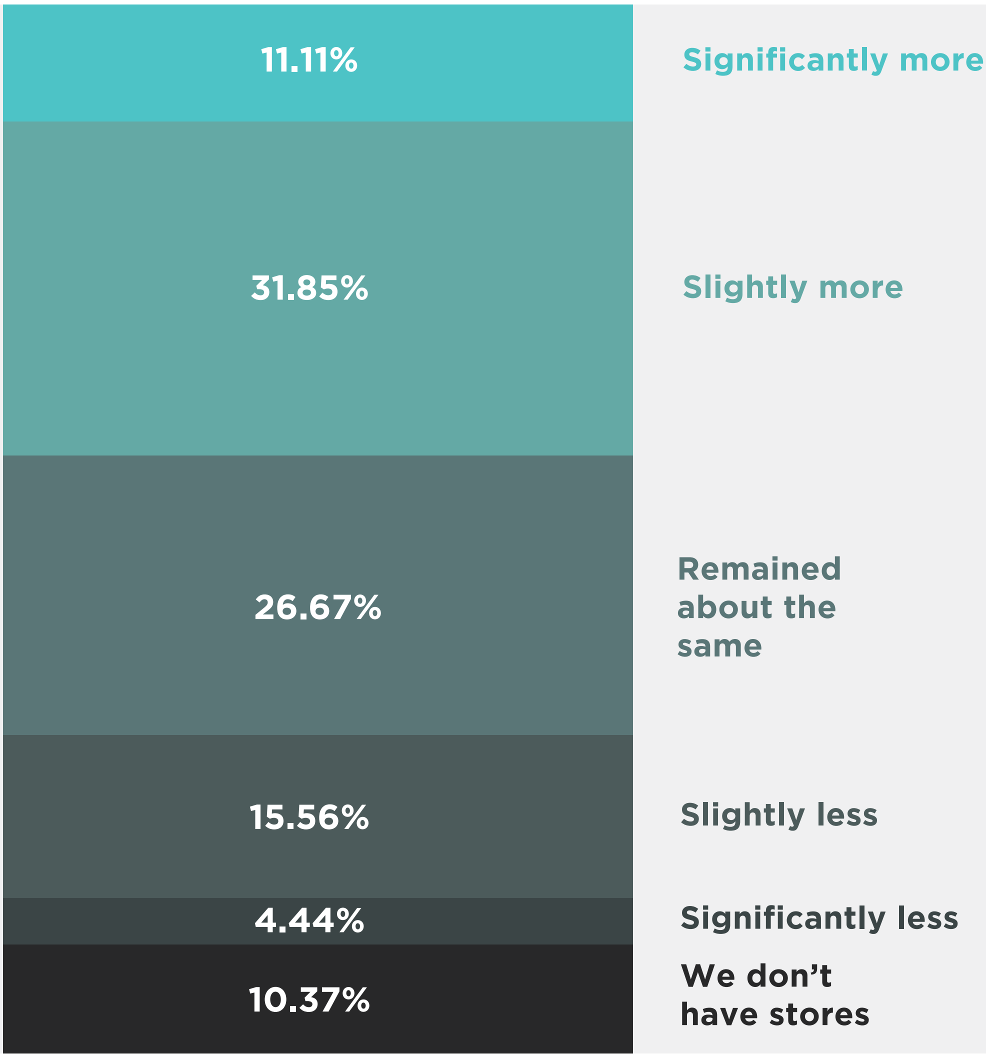
Almost 80 per cent of respondents believe that landlords and retailers will struggle to maintain an amicable relationship. It will be interesting to see which parties will come up with creative solutions in the near future, taking into account changing consumer behaviour around bricks-and-mortar retail and the rise of omnichannel.



Q.16 Have you negotiated a change to turnover-based rents?

Given the challenging economic climate, just over half of retailers have come to a compromise with landlords, negotiating rents based on turnover.

Yes No



Q.17 Were landlords willing to reduce rents this year?

Nearly a third of retail professionals (31.85 per cent) found that landlords were slightly more willing to reduce rents given the impact of Covid, while 26.67 per cent continued paying the same amount this year. Meanwhile, almost 20 per cent found that landlords were actually less willing to reduce rents. ■

How Takashimaya is **moving with the times**

Japanese department store Takashimaya is nearly two centuries old. Here's how the retailer is adapting to stay relevant in 2021 and beyond.

BY **JOYCE ABAÑO**

FROM USING NON-TOXIC PAINT IN STORE TO DIGITISING documents to avoid paper waste, more businesses are taking steps to make their physical operations more sustainable.

This includes the Japanese department store chain Takashimaya. While its bold approach to sustainable store design entails high upfront costs, it will lead to long-term benefits in the future.

"Other than playing an active role in reducing our environmental footprint, sustainable store design will increase the brand's credibility in the eyes of the modern, mindful consumer and also saves money in the long-term with lesser consumption of energy and waste," a Takashimaya spokesperson said.

"Change always comes with a price, but change is inevitable as we need to move with the times and shift our mindsets towards longer-term goals," the spokesperson added. "In the long run, being sustainable will actually be more beneficial for retailers to attract and retain more customers and reduce expenses."

THE JOURNEY TO SUSTAINABILITY

Takashimaya opened its first store in Kyoto, Japan, in 1831, selling *gofuku* (formal kimono). It started expanding in the early 1930s and is now one of the largest department store operators in Asia, with a presence in China, Thailand, Vietnam and Singapore.

Since launching in Singapore on the famous Orchard Road in 1993, Takashimaya has grown to offer more than 240 brands, including Jurlique, Pigeon, Seafolly, Adidas and Speedo. For the past few years, it has been promoting a greener retail experience and introducing sustainability-focused programs in its stores.

According to Takashimaya, even before the global health crisis, businesses around the world were seeking to become more sustainable, but the pandemic moved them to act on those plans.

"The crisis has got people rethinking what is truly important, beyond profits and more about what kind of roles they want to play in this new normal," the spokesperson said.

One area in which retailers can take the lead is through eco-friendly store design. Here's what businesses need to do, according to Takashimaya:

1 Start by switching to sustainable packaging and bagging alternatives

The global sustainable plastic packaging market is projected to grow by 5.6 per cent, from US$89 billion in 2020 to US$117.3 billion by 2025, according to a study from Research and Markets.

The study also indicated that the Asia Pacific region would account for the largest share in the sustainable packaging market in terms of value and volume between 2020 and 2025.

2 Choose sustainable building materials, such as paint, lights and appliances

As demand for sustainable products continues to grow in every sector, the construction industry has also started developing more innovative and green materials.

Retailers trying to reduce their environmental impact should use non-VOC (volatile organic compounds) or low-VOC paint, also called green paint. VOCs, which are released at room temperature, are not only harmful to humans; they also play a significant role in the formation of ozone. While naturally occurring ozone in the atmosphere is good for the planet, the type of ozone created by VOCs remains at ground level and harms plant production.

3 Reduce your power usage and switch to alternative energy sources

According to Dodge Data & Analytics' *World Green Building Trends 2018* report, having a green building has officially become a global trend with energy conservation a top priority. The report indicated that the trend is expected to grow in the coming years. In fact, the share of firms that have more than 60 per cent of their projects certified green has grown from 16 per cent to 45 per cent.

4 Digitise and reduce paper wastage from daily operations

Paper accounts for 25 per cent of waste in landfill and 33 per cent of municipal waste, according to technology company Timico. About 68 million trees are cut down each year to produce paper and paper products.

Businesses can avoid this by digitising their operations, such as using email receipts. Takashimaya has reduced its paper use by about 50 per cent since embracing digital.

"There will be more retailers changing their strategies across all fronts — brands have been sourcing for more upcycled or sustainable materials," the company's spokesperson said.

THE #SHOPGREENER CAMPAIGN

Takashimaya plans to increase its 'phygital' (technology that bridges the digital and physical worlds) offering in 2021 as it looks to engage online shoppers and work with more sustainable brands.

Just last month, Takashimaya Singapore introduced its #ShopGreener campaign to encourage consumers and brand owners to be more eco-conscious.

As part of the campaign, shoppers can trade in used bottles, jars and tubes from beauty brands such as Jurlique (among others) to receive discounts and freebies.

"The department store is constantly evolving with diversifying values and changes in consumer environment and needs, and has over the years realised the importance of reducing environmental impact and promoting a sustainable future," the Takashimaya spokesperson said.

"We are looking forward to providing a platform for more eco-green and sustainable brands to step out in the spotlight and provide better, more mindful options for our shoppers." ■

Happy days **with Saturdays**

Indonesian direct-to-consumer brand Saturdays is on a mission to transform the eyewear retail experience. We chat with co-founder Rama Suparta about the brand's omnichannel strategy and its new mobile app and try-on service.

INTERVIEW BY **JO-ANNE HUI-MILLER**

Inside Retail: How would you describe the traditional way customers have had to buy eyewear, and how has Saturdays helped change that experience?
Rama Suparta: The traditional way of shopping for eyewear is not fun and it's expensive:

1. The optical stores typically display many glasses under a counter, and the store itself is filled with ads and signage with white, displeasing ambience;
2. Customers cannot try on glasses freely as they require staff to help;
3. Glasses carried are from Western brands, with the majority not designed for Asians;
4. Pricing is not transparent and simple. Usually, lens choices are confusing and not included in frame prices, plus complex promos are designed to make customers spend more, not save;
5. The processing time to install lenses can take three to five days and require customers to come back to pick them up;
6. Minimal return policies or warranties.

Saturdays redefined the offline shopping experience with glasses displayed in a modern cafe. Customers only need to wait 30 minutes for lens installation, and we offer free customers coffee while they wait.

IR: Tell me about how you're blending Saturdays' stores with cafes and why they're called lifestyle stores.
RS: We aspire to provide an unmatched experience for customers who have been accustomed to shopping for eyewear in dull and conventional manners. Saturday is the favourite day of the week for most people as they spend time with their loved ones, exercise, sleep and be themselves. We want to create a lasting impression from online and offline channels through lifestyle stores concept by offering Arabica coffee and fresh-baked cookies in a modern cafe setting where people can hang out and feel like it's Saturday any day of the week. We also provide special food and beverage promos to #CitizensOfSaturdays — people who wear our glasses — so they can bring their loved ones and hang out at our store.

IR: How would you describe Saturdays' omnichannel strategy?
RS: Saturdays' tech-enabled omnichannel strategy focuses on channels where we can better control the customer experience, such as our own stores, website, app, chat and home try-on. While we are inspired by the US-based unicorn and eyewear brand Warby Parker, the need to localise our products and experience is a must. We provide fresh and unique ways to shop for eyewear:

- Our stores blend eyewear in a modern cafe. We operate eight stores in Jakarta and plan to expand to more Indonesian cities;
- Our home try-on service offers an in-store experience but in the convenience of the customer's home;
- Our customers also engage with us through chat to help purchase, assist in home try-on bookings, and answer any questions.

IR: Tell me about the new mobile app and the new home try-on service.

RS: Saturdays has been leading the direct-to-consumer (DTC) revolution in Indonesia since introducing its eyewear in 2016. Our new mobile app is the first of its kind in our industry, and it provides an integrated online-to-offline (O2O) shopping experience for customers. The app showcases our full collections, so customers can shop, save frames to a wishlist, try them on virtually, purchase with multiple payment options (including buy now pay later), and pick up in-store.

Saturdays also pioneered the home try-on service across Indonesia, and we provide a seamless booking experience through the app. Customers can pick 10 frames of their choice to try, book an appointment and select a speciality coffee, all for free! Our licensed opticians will bring the frames and administer a vision test from the comfort of the customers' own home.

IR: How would you describe the current eyewear market and the competitive landscape? Traditionally, it's been monopolised by a few large companies, but in recent years, DTC brands have begun competing with them.

RS: The eyewear market is dominated by a single global company that has been able to keep prices unreasonably high and earn huge profits from customers. A few large optical players in Indonesia mainly distribute brands from this company, leaving customers with few options. Saturdays is the first brand in Indonesia to offer premium quality yet affordable eyewear designed in-house to fit and look great for Asian features. We use the best materials, such as Italian acetate and Japanese titanium, to craft eyewear that is authentic and affordable (starting at Rp1.295.000 including prescription lenses).

The DTC eyewear market is still nascent and highly fragmented in Indonesia. We see that no-one else offers the same mix of omnichannel experience and premium quality yet affordable eyewear designed for the local market. We aim to be the dominant eyewear brand in Indonesia, and the one customers continue to shop at again and again.

IR: Last year, Saturdays received some investment. Can you tell me about your plans for the extra funding?

RS: In 2020, Saturdays received early-stage funding from local and regional venture capital firms Alpha JWC Ventures, Kinesys Group and AltoPartners to accelerate expansion and strengthen our tech-enabled omnichannel experience.

IR: What are your plans for Saturdays this year? Do you have any plans in the works for local and international expansion?

RS: Saturdays aims to elevate the eyewear game further and bring an integrated and seamless O2O shopping experience to Indonesian customers. We will add more exciting features to our app in the coming months while also expanding our lifestyle stores concept to more Indonesian cities. ■

How Pavilion is connecting with customers

The retail industry in Malaysia has struggled during Covid, but shopping centre Pavilion in Kuala Lumpur has continued to find a way to reach consumers. Here, we chat with CEO of retail, Dato' Joyce Yap, about the evolution and exciting future of malls.

INTERVIEW BY **JO-ANNE HUI-MILLER**

Inside Retail: Mwwalaysian retail has been reported to be at an all-time low. What are your thoughts on how the retail landscape is travelling at the moment?

Joyce Yap: The last year was challenging for the whole Malaysian retail industry. Likewise, Pavilion KL has not been spared from the impact of the pandemic. I am cautiously optimistic that the retail sector is heading towards recovery this year, and we are already starting to see some positive indicators. Hopefully the pandemic will be brought under control and we will not see another lockdown.

From a big-picture view, previous trends have shown that in the aftermath of major crises like — the 1997 Asian financial crisis and the 2007 global financial crisis — the retail industry tends to rebound. We hope this is an indication of things to come.

We saw this play out on a smaller scale at Pavilion KL during the Recovery Movement Control Order (MCO) last June. Footfall at Pavilion KL reached as high as 75-80 per cent while sales recovered to about 50-60 per cent. In December, the sales and visitors at Pavilion KL shot up, where footfall traffic went up by almost 90 per cent, from the first MCO lows of 20-30 per cent. Sales followed a similar trend, increasing 60-70 per cent from a low of about 20 per cent.

It's encouraging to observe similar trends in countries like China, where trends such as "revenge shopping" are aiding the country's speedy economic recovery. In fact, China saw its economy strengthen in November 2020, with retail sales expanding by five per cent.

Hopefully, as vaccines roll out across Southeast Asia, and the eventual relaxation of the MCO, will set the retail industry firmly on the path to recovery and growth. We look forward to footfall in the malls returning to pre-pandemic levels, and are excited to welcome shoppers to Pavilion Bukit Jalil, which opens at the end of the year.

IR: How would you describe 2020 for Pavilion last year, and what were some of the interesting ways that the business pivoted? What were some of the initiatives that you launched last year that have continued into this year?

JY: Twenty-twenty was a challenging year for Pavilion Kuala Lumpur, and while we had to navigate a variety of new challenges that came with the pandemic, it has also been a year that pushed us to innovate and be creative in order to adapt to this new retail landscape.

Despite the challenging retail landscape during the MCO last year, our occupancy rate has remained stable. In fact, we even welcomed more than 48 new tenants to Pavilion KL, including first-in-Malaysia outlets from prestige brands like % Arabica from Japan, Kam's Roast from Hong Kong, Objects, and Harriston Chocolatier Cafe. We are expecting several more openings in the coming months, including the first Dadi Cinema in Malaysia, which is set to launch later this year.

However, we recognise that several tenants were adversely affected last year, especially during the first MCO when only 35 per cent of our tenant mix were permitted to operate. To help ease the burden of tenants who were severely impacted, we offered rental rebates. At the same time, we facilitated cost-saving practices such as flexi operating hours to tenants in need to help cut down their expenses. We are practising cost cutting exercises internally to save costs wherever we can.

We have continuously worked with all our tenants to come up with robust marketing strategies to encourage customer traffic and spending, including creating promotional areas at high traffic areas, assisting with shopping and dining vouchers, and continuing with our shopper rewards and redemption programs.

IR: When the MCO took place in Malaysia, what was that experience like for Pavilion and what were the trends that you observed?

JY: The pandemic has brought on unprecedented challenges for retailers. It is the survival of the fittest and those with diversified business models were best equipped to pivot to the fast-changing retail environment, and adapt to evolving consumer behaviour — putting them in a better position to survive and grow during the pandemic.

Many tenants have realised the benefits of using multiple channels to reach out to their customers and offer an omni-channel experience. Businesses that offer customers both physical and online store options tend to see higher customer engagement and sales.

IR: How would you describe Malaysian customers' current lifestyles and shopping behaviours, and how is Pavilion catering to that?

JY: Consumers and their needs have rapidly evolved in the past year. The demand for personalised customer experiences has increased. In order to fulfil customer demands and win their hearts, we, as retailers, need to understand and cater to their changing behaviour and trends.

For 2021, I see personalisation and customer insight-related technologies making the biggest impact as they become more robust and accessible. The next generation of personalisation will enable retailers to target both known and anonymous visitors in a cross-device and cross-channel shopping environment.

IR: What are your thoughts on the future of shopping centres in Malaysia and what are some of the challenges and opportunities for the sector?

JY: We are already seeing a radical move towards an omni-channel retail experience, with more retailers moving from online to physical stores. Retailers need to embrace the omni-channel approach and see the rise of e-commerce as a complementary source of growth rather than competition. Embracing digital technologies and services is not a disruption, but provides an additional channel for branding, reaching a wider base of consumers and increasing footfall.

It is clear that consumers don't limit themselves to a single channel, and therefore neither should we. If we don't embrace the emerging trends model, we risk our own long-term success. Retailers that solely rely on traditional outreach formats must adapt or get buried as the industry constantly reshapes and redefines consumer expectations.

I believe the future of shopping is also a hyper-personalised and experiential customer experience, powered by the hybrid model of online and offline shopping. This means stores providing and recommending what the customer needs, when they need it, with the power of data and AI. It also means having a unique in-store experience with optimised store layouts, mall facilities, customer service and of course, safety measures.

IR: What do you think makes an excellent shopping centre experience in this day and age?

JY: An excellent shopping centre experience is not only about creating happy memories for shoppers but it also matches the customer's desires and wants. It encompasses research, referrals, price points, variety, environment and budgets. Pavilion KL achieves this by hosting unique events such as Kuala Lumpur Fashion Week, which has a planned digital presence and builds into the shopping mall, transforming into a giant fashion runway with breathtaking decorations.

Pavilion Bukit Jalil — The Icon of Connectivity — is set to transform the southern corridor of Kuala Lumpur into the new cornerstone of metropolitan lifestyle and retail. Pavilion Bukit Jalil is an example of how a shopping mall targets the residential catchment area attached to the mall by featuring a multi-dimensional shopping experience, with a diverse and vibrant tenant mix made up of specialty retail, gastronomic F&B, leisure and entertainment.

Strategically located on a gross area of 3.48 million square feet in the heart of Bukit Jalil, this hyper-regional mall is well connected with excellent accessibility. Its well-planned infrastructure, easy access points to more than 5000 car park bays, coupled with an attractive mall facade, provides exposure from afar, giving tremendous advertising value and brand visibility.

Like Pavilion KL, Pavilion Bukit Jalil goes beyond retail. With a net lettable area of 1.8 million sqft, Pavilion Bukit Jalil connects communities through immersive experiences and leisure. Its impressive outdoor venue, Pavilion Bukit Jalil Piazza, which is covered with a 35-metre-high canopy, will be the preferred venue for outdoor entertainments, concerts, and events. Additionally, Pavilion's grand annual festivities and year-long activities will take place at the Centre Court, while consumer fairs and exhibitions will thrive at the Exhibition Centre.

With five retail floors, Pavilion Bukit Jalil will be anchored by the newest Parkson departmental store in Malaysia. Other specialty anchors include the biggest Dadi Cinema in Malaysia; first-of-its-kind concept supermarket The Food Merchant, by the team behind Village Grocer; Harvey Norman Superstore; Blue Ice Snow Park, featuring aurora lights that simulate the Northern Lights for a unique night skating experience for families; karaoke and entertainment outlet K11 Karaoke; Grand Harbour restaurant; and kids' store Toys R Us.

Unique to this mall will be the planned Asian-themed precincts offering retail, food, arts and culture from Japan, Thailand, China, Korea and Malaysia. They will seamlessly connect shoppers to each country through its diverse retail mix and functional layout, providing an elevated and interactive retail experience for shoppers. ■

Mr DIY bets **on automation**

Malaysian home improvement brand Mr DIY has turned to automation to take the business to the next level, having recently opened a RM5 million robotic e-commerce warehouse. Mr DIY Group vice president of marketing, Andy Chin, shares how staff have embraced automation and how these technologies are improving the shopping experience for customers.

BY **JOYCE ABAÑO**

Inside Retail: How do these programmable robots work and how have they increased operational efficiency?

Andy Chin: Our programmable robots have increased operational efficiency significantly by 200 per cent. Traditionally, stock picking is done manually and we rely heavily on labour manpower. There was a limitation of quantity as we could only fulfill nine orders at a time. By automating the stock picking process, 28 orders can be fulfilled at a time without the presence of a manual stock picker. It significantly saves the time and effort required by a warehouse staff in order fulfillment as well. In addition, the robotic system minimises human errors such as picking the wrong item from the wrong rack. After implementing this technology, in total, 1500 to 2000 orders can be fulfilled in a day.

The programmable robots operate using technologies such as sensors for anti-collision features and QR codes, that serve as an indicator for their directions. We also have a dedicated Robotic Management System (RMS), that is tailored to our operation requirements, to help us determine the optimum route from point A to point B, using smart logic. The RMS gathers data from daily operations and with the use of Big Data Analytics, we can review and optimise operations further.

The main problem we wanted to solve using technology was manpower issues, as we realised that our staff ended up spending a lot of time and effort to conduct repetitive tasks that can be automated. We wanted to find the simplest way to solve the fulfillment bottleneck, especially during peak seasons. Ultimately, we decided on implementing a technology that is scalable, flexible, and most importantly, user-friendly for our staff.

IR: How has technology helped your company adapt to the new normal without causing frustratons for customers and staff?

AC: Our aim was to solve the order fluctuation issues, to survive and thrive in the new normal. We only have one e-commerce warehouse fulfilling orders nationwide. Hence, it is taxing for the warehouse operations team when there is a drastic increase in orders. We decided to implement robotic technology in this warehouse, because this is the most dynamic warehouse with high order fluctuation to ensure that our online customers get their orders fulfilled in time.

We have invested our efforts in training and upskilling our staff, to ensure they are equipped with the right skill sets in anticipation of the new industrial revolution. Here in the robotic warehouse, we have trained our warehouse staff in first level troubleshooting knowledge to ensure they have the right problem-solving skills when any component of the automated process isn't working as planned.

For example, Liza, one of our warehouse staff, was one of the success stories of the Mr DIY robotic warehouse. She was interested in warehouse management, and started her journey with us as an assistant supervisor for Mr DIY's marketplace in 2017, assisting with online order fulfilments. As we designed our robotic warehouse, we saw an opportunity to upskill Liza to manage the robotic warehouse system. Today, she has learned the skills required to manage the robotic warehouse system, and has been promoted to be the supervisor of our robotic warehouse.

Our employees have been, and will always be, our most valuable asset. Eight-five per cent of our workforce consists of Malaysians. We want to lead the way for other Malaysian businesses, showing that investment in Industry 4.0 is not only necessary to thrive in the future, but also contributes towards nation-building for a better Malaysia.

IR: How did the business perform online and in stores with all the challenges that 2020 presented?

AC: As a group, Mr DIY owns and operates over 700 stores in Malaysia, serving everyone in the country. Although foot traffic dropped during the beginning of the pandemic, due to restrictions of movement and the temporary closure of many retail stores, we managed to overcome this by strengthening our online presence. Foot traffic has now rebounded and is stronger than ever.

Brick and mortar is our core, and is what we're very good at. Before the first MCO, our sales came primarily from our retail stores. Now, online purchasing has surged naturally and is continuing to grow steadily, as many customers have become accustomed to online shopping. Our 2020 online sales saw a 300 per cent increase, compared to the previous corresponding period.

When we first embarked on our online e-commerce platform, mrdiy.com.my in 2017, our aim was to create an omnichannel retail experience. We asked ourselves, 'How can we use e-commerce as a tool to enhance

our customers' experience at Mr DIY as a whole?'. On our e-commerce platform, you'll be able to purchase products that can be found in our brick-and-mortar stores, as well as bulkier items that are difficult to display in store. This robotic warehouse has also enabled us to also increase our online product offerings by 23 per cent, from 16,400 to over 20,000 SKUs.

IR: How pivotal has technology been to the success of the company this year?

AC: Technology has been playing an important role. We are now heavily investing into e-commerce and adopting new technologies, in order to increase operational efficiency further. Given the current circumstances due to the pandemic and overall transformation of the retail environment, we believe that investing in automation and upskilling our employees will be beneficial to us in the years to come, to breakthrough and serve more customers better.

IR: Are there any e-commerce, social commerce or consumer trends that the company is interested in right now?

AC: Given that e-commerce has boomed exponentially since 2020, we observed that there are high demands and a high potential for growth in this area. We expect more orders to come in via our e-commerce platform, hence investment in this warehouse is timely and warranted to prepare ourselves for this.

Mr DIY serves a mass market with a wide range of customers. We also recently launched Mr DIY for Business, a B2B platform for businesses to make bulk purchases directly from us, with less hassle. This makes our e-commerce platform the perfect channel for SMEs to purchase essential items with a wholesale discount on top of our competitive prices. We have over 1200 SKUs ranging from cleaning tools, hardware, electrical items, to face masks, hand sanitisers, and even stationery.

IR: What expansion plans in the pipeline for 2021 and beyond?

AC: We just launched our 700th Mr DIY store in Malaysia in March, and debuted a 'store-in-store' concept with one of the brands within our portfolio, Mr Toy, housed within the same premise. In 2021, we plan to open 175 new stores across our three brands - Mr DIY, Mr Toy and Mr Dollar.

Digitalisation and automation are very much part of our business strategies, and will be implemented as and when it brings the most benefit to our business. We have plans to automate the entire packing, downstream, and picking process in the near future. ■

What's next for Hong Kong retail?

By Angelica Leung, Head of Consumer Products, Invest Hong Kong

It is time to take a fresh look at Hong Kong as life starts to return to normal and retailers rethink expansion strategies - Hong Kong has always provided a high-functioning and sophisticated ecosystem for businesses looking to build a presence in Asia and this decade will be no different.

Hong Kong remains very strategic for Mainland China market

Hong Kong is part of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) together with nine Mainland cities plus Macao. Contributing about 11% to China's economic output, this area has an economic output of US$1.68 trillion in 2019 (higher than South Korea, Spain or Australia) which is expected to reach US$4.6 trillion by 2030.

With 72 million people living in an area of 56,000 square kilometres (0.7% of the size of Australia) and ever-improving connectivity, this burgeoning consumer demand is set to strengthen Hong Kong's status as an international retail hub.

Local consumption remaining robust

For Hong Kong's 7.5 million residents, shopping neighbourhoods and shopping malls provide an important curated mix of retail, entertainment, food and beverage and educational brands.

One of the retailers which enjoyed growth by focusing on Hong Kong local consumers is DON DON DONKI. Mitsuyoshi Takeuchi, President & Director of Pan Pacific Retail Management (Hong Kong) Co., the operator of DON DON DONKI, says, "Hong Kong is a beacon for Japanese manufacturers, and we regard the city to be a considerable facilitator of new investments or ventures from Japan."

Exponential e-commerce growth

A combination of sophisticated logistics infrastructure with high digital adoption has laid the bedrock for exponential e-commerce growth in Hong Kong. E-commerce companies are also making use of Hong Kong to expand their Greater China and overseas footprint.

JD.com utilises Hong Kong as its hub to bring the "product supply chain + logistics supply chain" ecosystem to Greater China and overseas markets. Chris Choi, GM of JD Global Sales of JD International explains, "JD Hong Kong's unrivalled geographical location and sophisticated transport and logistics network has enabled a lot of business opportunities."

Shopee sees Hong Kong a strategic location for its status as Asia's eCommerce hub. "Hong Kong has sophisticated logistic infrastructure that supports our supply chain operation, allowing us to build better services for our cross-border eCommerce," says Jianghong Liu, Head of Cross Border of Shopee.

Meanwhile, Vestiaire Collective is using Hong Kong as a hub to targeting both sellers and buyers in Hong Kong and across Asia. "Hong Kong is a great middle ground, very multi-cultural, lots of mixed influences and plenty of fashion lovers!" says Fanny Moizant, Co-founder of Vestiaire Collective.

Vibrant startup ecosystem: A city where new ideas are welcomed and startups thrive

Hong Kong's startup ecosystem stands out in Asia for its dynamism and government support, and overseas companies looking to invest or expand in the region come to Hong Kong for its trusted legal system and business-friendly environment.

"In Hong Kong there is a vibrant entrepreneurial environment to start a company, and the administration is relatively easy. People are also easy going and open to new ideas," says Delphine Dultzin, Co-founder & CEO of OnTheList. Peter Yen, Co-founder and CEO of Pinkoi agrees, "Hong Kong is a gateway to many Asian markets — it has a diverse consumer base and enables us to keep pace with the latest global developments."

Where opportunities connect

InvestHK's vision is to strengthen Hong Kong's status as the leading international business location in Asia. The mission of the department is to attract and retain foreign direct investment which is of strategic importance to the economic development of Hong Kong.

InvestHK has been providing support and advice to companies at different stages of their businesses, and our services are offered free of charge. Drop us an email to cp@investhk.gov.hk and we look forward to helping you grow!

InvestHK

Welcome to the new **customer experience**

The 'new normal' now requires a reimagining of how e-commerce and bricks-and-mortar work together in retail.

BY **SALESFORCE**

IN TODAY'S NEW NORMAL, THE SHOPPING EXPERIENCE IS NO longer defined by the boundaries of bricks-and-mortar, but by the customer journey as a whole.

While building trust along that journey has always been critical, it's becoming ever more time-sensitive. Consumers now expect retailers to engage them whenever and wherever they want, with a shopping experience tailored to their individual needs. To do so, marketers are leveraging more data, technologies, and channels to create this type of relevant and customised customer journey.

As digital-first shopping is here to stay, retailers must invest in connected experiences — and success hinges on frictionless operations.

1 Creating cohesive customer experiences

Today's consumers expect more than just personalised experiences. More than 67 per cent attribute a contextualised, connected customer journey as being a key to winning their business.

This is particularly relevant in the retail world, where technology is blurring the physical-digital divide and disrupting how consumers shop from pick-up-in-store programs to cashier-less stores, mobile payments and digital wallet services.

The result is mounting pressure for retailers to deliver hyper-personalised, concierge-like shopping experiences with efficient handoffs between departments and channels before, during, and after a purchase.

While 88 per cent of retail marketers share integrated tech stacks with advertising teams, this alignment alone is not enough. A unified front has to span the entire customer journey. However, collaboration between retail marketers and their commerce and service counterparts is less common, with only about half saying their goals are aligned.

And consumers can feel it. Only 13 per cent believe that companies excel at delivering connected experiences.

To close this gap, 44 per cent of retail and consumer goods marketers say they are now leading customer experience initiatives across their organisations (versus just 24 per cent in 2017), and metrics are being shared. Sales effectiveness and customer retention rates — historically considered success indicators for sales and services teams — have reached the top tier of marketing KPIs, underscoring the evolution of cross-department collaboration to enhance the customer journey.

2 Building trust in AI-powered personalisation

In an era when opaque data-use policies have jeopardised customer trust, retailers are increasingly cognisant of balancing AI-powered personalisation with privacy.

In retail, AI use cases range from personalised product recommendations to chatbots that automate answers to questions such as "Where's my order?"

This is generally well-received by younger consumers, including millennials and gen Z-ers, 68 per cent of whom say they prefer personalised shopping experiences that are based on their purchase history. In addition to driving engagement for retailers, AI-powered personalisation is also a revenue generator, since online shoppers who act on product recommendations yield 14 per cent higher average order values.

However, as data protection laws like GDPR expand universally, retailers are understandably concerned with how to move forward. Many have invested time and money into curating consumer data and building systems to offer personalised experiences. On top of that, another rising privacy concern revolves around how retailers are obtaining and using location data from customer's smartphones to direct advertising strategies.

Retailers must delicately navigate the flow of personal information, with 89 per cent of consumers

Most common tech used for customer identity purposes

1. Customer relationship management (CRM) syste,
2. Marketing database
3. Customer data platform (CDP)
4. Data management platform (DMP)
5. Email service provider (ESP)

valuing transparency in how their data is used as a trust factor.

3 Revolutionising loyalty programs

In the past year, existing loyalty programs were put to the test by novel customer behaviours and expectations brought by the pandemic. While online shopping skyrocketed global digital revenues — by 71 per cent in Q2 2020 compared to the previous year — consumers are now more willing to change brands based on value, availability and convenience.

Loyalty programs have traditionally been transaction-focused and impersonal; customers earn points, redeem rewards, and the cycle repeats. Customer loyalty today, however, is extremely granular across all touchpoints. Generally, customers and brands engage in a value exchange, whereby the former agrees to share their information for personalised incentives catered to their preferences.

In this regard, retailers are re-evaluating and revolutionising their value propositions for higher customer retention. Loyalty initiatives are being embedded across the entire supply chain, from the frontline staff who bring loyalty programs forward to the merchandising teams that select products as part of a promotion.

In this digital age, customised experiences — from free shipping and sneak-peek product previews to personalised promotions and individualised incentives — all boost customer loyalty.

4 Driving real-time omnichannel engagement

To win sales and increase loyalty, retail and consumer goods marketers are engaging consumers in the real-time, omnichannel manner that they expect.

The gold standard is dynamic, two-way conversations between customers and brands, where messages evolve across channels based on the customer's actions. This gives consumers a consistent experience regardless of their point of communication when interacting with a brand. Successful omnichannel engagement is easier said than done, however, as average consumers use 10 different channels to communicate with brands.

To this end, retail marketers are turning to established channels, such as websites, email and social media, and dynamically coordinating them with emerging channels, such as virtual assistants, augmented reality, and connected devices.

With 68 per cent of consumers saying cross-channel consistency is vital to win their business, the ability to engage shoppers where they are — no matter the channel — is increasingly critical.

5 Unifying customer data

Today, retailers have more data at their disposal than ever before. However, they are challenged with unifying that data from an average of 16 sources, a 60 per cent increase in just two years.

Data management platforms (DMPs) are gaining traction, however, broadening the use of this technology beyond its traditional use case of media buying and optimisation. Fifty-five per cent of marketers currently use DMPs with an additional 35 per cent planning to use them within the next two years.

This is unsurprising given the number of high-traffic systems that retail companies must manage, such as loyalty, point-of-sale, and commerce infrastructure.

To understand who customers are and what actions to take based on their unique needs, retailers are increasingly using second-party data — that which is shared between consenting parties like brands and publishers — to extend audiences and refine growth targeting.

As we enter the post-Covid world, retailers are responding with agility and resilience to navigate dramatic shifts in consumer preferences, channels and behaviours. By adapting to these predominant trends with customer- and digital-first strategies, retailers can overcome challenges and build trust in the new normal of retail.

Want even more valuable, actionable insights? Download the latest State of Sales Report on how sales teams around the world are adapting to recover and grow during a pivotal time — and how you can too. ■

Salesforce is the world's number one customer relationship management platform, bringing customers and companies together and AI to everyone. As one integrated CRM, Salesforce gives all your departments a single, shared view of every customer. Visit: salesforce.com.

All data cited in this article was generated by Salesforce surveys and market research of recognised industry professionals. This information is publicly available on our website and in our various market and industry reports.

Four trends to watch out for in 2021

Now that consumers' expectations of shopping have changed since Covid, the goalposts for retail excellence have shifted.

BY **SALESFORCE**

THE UNPRECEDENTED DISRUPTIONS OF 2020 unravelled retail assumptions and exemplified retailers' resilience in the face of drastically changed customer demands.

It's now time to turn to automation, scale and efficiency to harden much of the innovation that has been held together by masking tape for the past 12 months.

Here's what's in store for retail in 2021 and beyond:

"SHOPPING AT THE EDGE" WILL EXPAND

Digital, mobile, chatbots, social, curb-side — shopping now happens anywhere and anytime. At Salesforce, we call this phenomenon "shopping at the edge".

Last year, retailers transformed, replacing most aspects of the physical shopping experience with digital and fast-tracking technologies such as live chat, video, live-streaming, and social shopping.

Looking ahead, with retailers increasingly investing into digital experiences, commerce is expected to become prevalent in emerging channels, such as online gaming. Businesses traditionally reliant on in-person selling will also gradually embrace digital to reach existing and new audiences.

In light of digital-first shopping, the post-purchase digital experience — from convenient payments to embedded service and loyalty — will also be prioritised more than ever.

PHYSICAL EXPERIENCES WILL REBOUND, BUT DIGITAL WILL DOMINATE

The global pandemic accelerated digital change that was already on the horizon, though its artificial nature will slowly (but surely) cause some rebound of physical experiences once life returns to normal.

In anticipation, retailers can modify their in-store shopping experience to drive digital: Imagine shopping in a store as your phone serves up information about a product you've been looking at online and directs you to the aisle where it's located. With tech like this, the store will be a new growth channel for digital.

Additionally, bricks-and-mortars can create fully emotional connections generated by touch — a sense in shopping repressed during the pandemic — through pop-ups, brand collaborations, events and more.

To build the physical-digital bridge, store strategy must be divided into two lanes: efficiency and experiential.

- Efficiency is about seamlessly connecting the digital shopper with products and services, using stores as mini-distribution sites for buy-online, pick-up-in-store (BOPIS) and curb-side pickup.
- Experiential pertains to creating moments that inspire, excite, and take customers on a multi-sensory journey that builds brand affinity and amplification.

Despite in-store shopping expected to rebound, digital-first is still the reality retailers are embracing to build experiences that synergize all touchpoints — whether online or offline.

PERSONALISATION IS THE NEW BLACK

Twenty-twenty changed the retail industry forever. Year-long exposure to early promotions, free shipping, and contactless commerce has given customers higher expectations for personalisation, service, and omnichannel transactions. Indeed, 79 per cent of consumers say that the customer experience is as important as a brand's products and services. Altogether, this shift means that personalisation will take precedence in retail strategy.

Today, consumers are more willing to share their personal information for a more curated experience. When we asked 10,000 consumers what made their favorite brands stand out, the top answer was the capacity to cater to unique needs. The experience that a brand provides through meaningful and relevant communications creates the authenticity that shoppers crave.

To meet these needs, retailers are predicted to power personalisation at scale with well-defined artificial intelligence (AI) strategies. This also means that omnichannel experiences must be personalised and seamless to service customers in any way they want. For example, through an SMS conversation, a shopper might want to receive promotional offers and complete a transaction, but also reach out to the retailer for help.

We've learnt this year that the consumer journey is not a funnel, it's an infinite loop; brands can earn loyalty by nurturing customer relationships at every stage of the journey across channels.

YOUNG CONSUMERS WILL REWARD UNIQUENESS

Gen Z will continue solidifying itself as the main driver for retail in an all-digital world. It is these digital natives who hauled their parents and grandparents into new shopping behaviors in 2020, driving significant increases in digital sales. While their true spending power may not be recognised yet, their outsized influence will become more omnipresent in industries ripe for disruption.

Today, younger consumers increasingly seek connectedness with a brand — its heritage, what it stands for, and its purpose. Expect retailers to respond with creative collaborations, limited products, and sustainability campaigns to build loyalty and trust.

The road to retail recovery is long and arduous. We'll realistically see improvements in late 2021 and early 2022 as vaccines rollout and lockdowns ease, allowing shoppers to return to stores but with a solidified affinity for digital connectedness to the brand. Meanwhile, online shopping will continue to grow and remain the norm. ■

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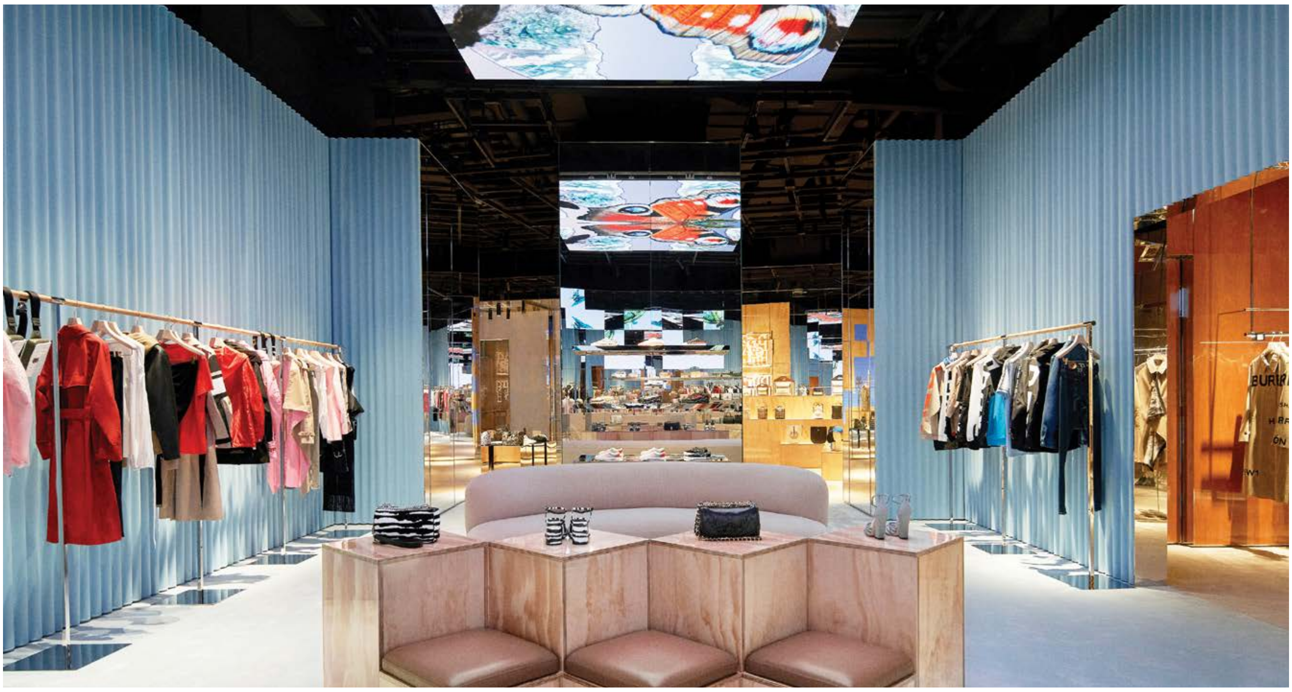
Analysis: Luxury retail in the post-Covid landscape

Covid-19 represents both a threat and an opportunity for international luxury brands trading in APAC. By transforming themselves into omni-channel businesses with stores functioning as experience centres, high-end retailers can get — and stay — ahead.

BY **SYLVAIN JAUZE, CEGID**



EACH COUNTRY IN THE APAC REGION EXPERIENCES different customer and retailer behaviours and will emerge from the pandemic at different speeds. But one thing they have in common is that Covid changed the way people shop. Many habits they developed during 2020 — such as shopping online through WeChat and making mobile payments — will become permanent.

RETAIL THE NEW WAY

During the pandemic, omnichannel retail matured to the point where on and offline are now indivisible. This is now the new normal. In China, online to offline (O2O) was the fastest growing channel in 2020, particularly for affluent consumers in tier-one cities, combining fast delivery, security through contactless interactions and a wide range of in-demand goods — mainly fresh food and personal care items.

There can be no doubts about the opportunity. According to a 2019 study by McKinsey, young Chinese consumers will account for 65 per cent of the growth in luxury fashion and accessories globally heading into 2025.

However, meeting their needs depends on brands being able to operate and deliver outstanding shopping experiences seamlessly across devices, channels and national boundaries using integrated retail technology and data.

WECHAT AND CHAT

WeChat has emerged as a social and commercial ecosystem within which consumers can manage their social and retail life: they can post, make calls, send messages, play games, pay bills, buy products and book taxis.

As a result, social commerce is no longer considered a separate shopping channel. WeChat, as well as Douyin and Xiaohongshu/RED are effectively blending e-commerce with social, and since the pandemic, more consumers are embracing them.

Some international retailers are taking advantage of this by getting involved in marketplaces that are central to the Asian market, notably Tmall and JD.com. WeChat introduced its Mini Programs to make things even easier; through this app-within-an-app, brands can sell direct to consumers using a shopfront, and take orders as well as payments though WeChat Pay.

Importantly, WeChat Mini Programs bridges the on/offline divide. International retail group Sandro Maje Claudie Pierlot (SMCP) developed a fully digitalised loyalty program in which the customer can enroll faster (20 seconds vs. three minutes) and view their tier benefits. Further CRM segmentation enables them to push tailor-made in-app messages. Clarins rolled out a Mother's Day campaign ►

encouraging users to leave voice messages for their mothers via its WeChat platform, with users who did so also qualifying for a gift at any Clarins store on Mother's Day. At the Burberry flagship store in Shenzhen, customers can use the app to interact with the window display and play their own music in fitting rooms. Users can create their own profile using a cartoon digital avatar in the form of a fawn that hatches from an egg.

"Burberry has always been a brand of firsts, built on a belief that creativity has the power to open spaces. We test new ideas and push the boundaries of what's possible," Burberry CEO Marco Gobbetti said of the store.

"When it came to innovating around social and retail, China was the obvious place to go as home to some of the most digitally-savvy luxury customers."

REMOVING FRICTION FROM THE BUYING JOURNEY

Burberry knows it has to remove all points of potential friction in the buying journey.

The Shenzhen store, created in collaboration with Tencent technology, is described as a "place of discovery", a digitally immersive retail experience that invites customers to purchase items, access exclusive content and personalised experiences through social media platform WeChat.

During Covid, mobile payments actually grew and they are as much about the store as online. According to iiMedia Research, consumers most use mobile payments in food and beverage (69.5 per cent of the time), small bricks-and-mortar stores (69 per cent) and online shopping (65.3 per cent). In addition, mobile payments are also popular because they are contactless and therefore considered safer.

The store itself, after years of concern over its relevance in the face of accelerating e-commerce, has emerged stronger than ever because it has embraced the way people now shop.

STORES RISE TO THE E-COMMERCE OPPORTUNITY

Physical stores are central to supporting every type of customer journey. For instance, during the pandemic in particular, some spaces operated as dark stores or mini warehouses to fulfil online orders. Some brands emphasise experience rather than direct sales in order to bring consumers closer; others give customers access to the widest possible range of goods through digital catalogues for in-store online ordering (endless aisle).

In 2019, Chinese food delivery app Meituan Waimai introduced indoor robots and drones for delivery, but in 2020, they added autonomous electrical vehicles to travel the public highways to send grocery orders to customers in Beijing. Robots have the advantage of enabling no touch across the whole buying and delivery process; another factor to consider as consumers look to keep safe post-pandemic.

THE TECHNOLOGY-ENABLED STORE

Physical stores rise to consumer demand because of their strategic location advantage, comprehensive stock pools with rapid fulfilment capability and service capacity. It therefore continues to act as the core touchpoint between brands and their customers, and smart retailers have been introducing technology that removes any remaining barriers to those customers getting the experiences they are looking for.

Building experiences that work on any device and any channel depends first and foremost on a single and real-time view of stock. Endless aisle, store as warehouse, click-and-collect, showrooming — all these cross-channel models depend on brands knowing the location and status of stock.

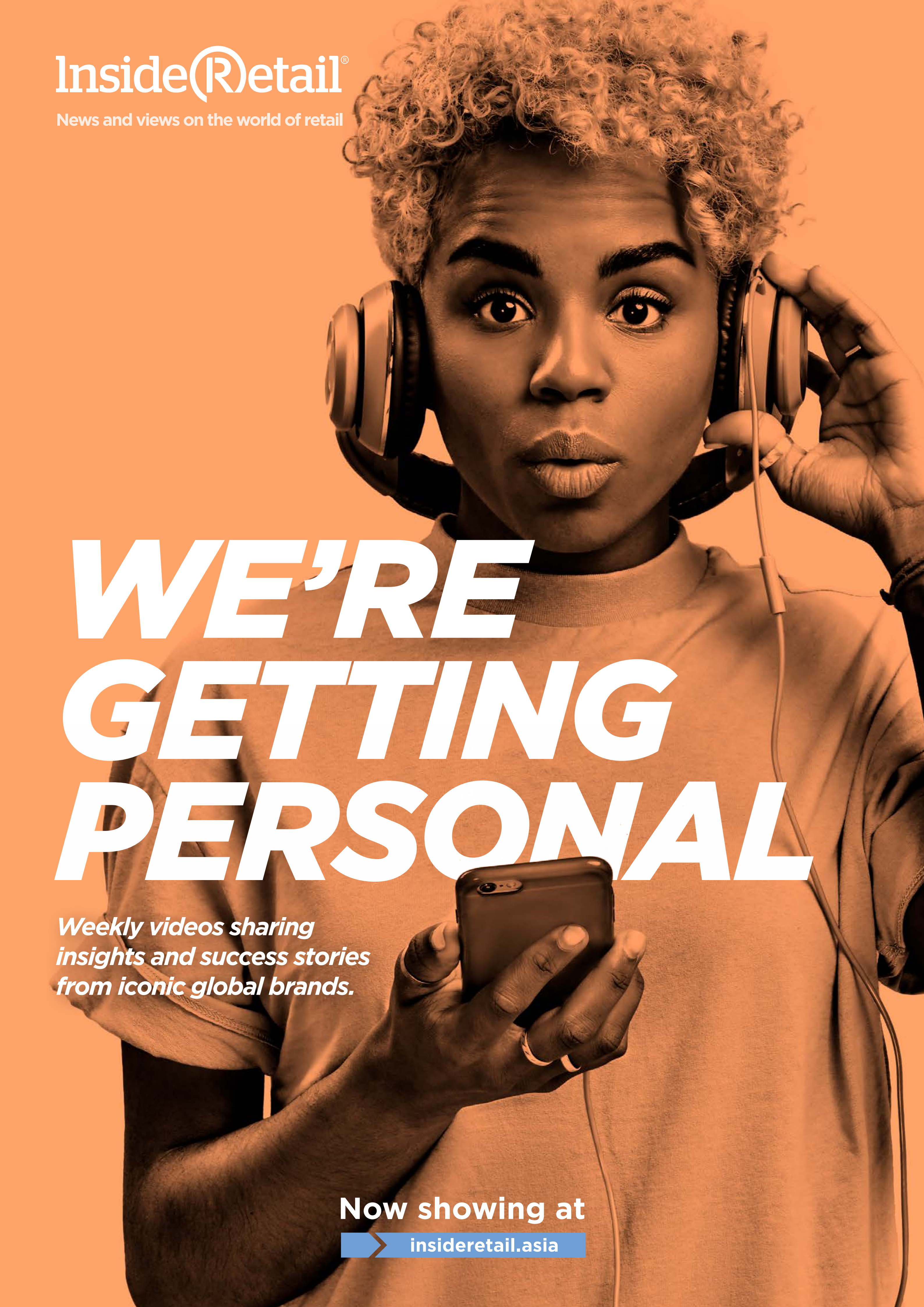
In terms of the technology to enable this, it is important to strike a balance between global and local. The likes of Lacoste, Longchamp, Aesop, L'Oréal and Shiseido use a solution that has been localised to address the retail practices fiscal/regulatory framework and cultures in each territory, particularly China's cybersecurity regulations. At the same time, tech solutions are globalised in order to ensure brands can manage their global retail estate using a single solution worldwide.

In Asia generally, but China in particular, local knowledge and relevant technology are critical to ensure fiscal, regulatory and data storage compliance. Based on the regulation that all transactional data must not leave China, Cegid opened a new cloud data centre (Point of Delivery) there in 2021 in compliance with China's ever-evolving Cybersecurity Law.

"The innovation we are seeing in Asian retail stores and their adoption of technology to delight the omnichannel consumer, are fast emerging as a blueprint for countries in both Europe and the US," says Marco Lim, Cegid's Head of Solutions APAC.

Any doubts as to the value of the store for Asian consumers comes with news that for Q1 2021, groups such as Hermès and LVMH posted results up between 25-43 per cent, largely driven by China and in some cases higher than before the pandemic. ■

Sylvain Jauze is Director of Retail Worldwide Sales and International Operations at Cegid, a leading retail software provider servicing 1,000 luxury and specialty retailers globally. cegid.com/en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Better together: Why partnerships are the future of SEA retail

Smart businesses are now working with other organisations to tap into each other's customer bases and unlock new opportunities.

BY **ANTOINE GROSS, IMPACT**

THE PAST 12 MONTHS HAVE CERTAINLY BEEN A rollercoaster ride for the retail sector across Southeast Asia.

It has required resilience and imagination as retailers have had to navigate the impact of Covid-19. However, it has also been a time of unprecedented growth for many as online sales have risen exponentially. In fact, the forced acceleration of digitisation across the region means that Google, Temasek and Bain estimate that the e-commerce industry in the six largest Southeast Asian markets will reach approximately $172 billion in value by 2025.

This has been an unexpected silver lining, but it also comes when darker clouds are gathering for retailers looking to sustain and build upon this growth. While it is positive news that retailers and consumers have embraced e-commerce, simply having an online presence isn't enough. Retailers now have to find a way to tap into the digital zeitgeist with cost-effective ways of acquiring new customers.

THE STORM CLOUDS

The alpha tech titans are one of the key storm clouds looking over retailers' heads. Globally, Google and Facebook gobble up somewhere between 80 to 90 per cent of all digital advertising spend, and within Southeast Asia, they still command the lion's share of ad spend, despite some stronger local players.

This was already problematic for retailers forced behind walled gardens to reach consumers, with customer acquisition costs continuing to rise to the extent that costs are outpacing consumer lifetime value (LTV). However, it's about to get a lot worse. Google will phase out third-party cookies by the end of the year, and Apple is effectively getting rid of them altogether by giving consumers more control when iOS 14.5 is introduced.

Given that digital advertising has largely been built upon third-party cookies that track the way a person shops online, it will significantly impact the way brands execute digital marketing strategies. Indeed, Kantar's 2021 media predictions report that more than half (58 per cent) of marketers doubt they can provide key performance metrics without cookies, and 64 per cent of media owners and publishers are worried about the impact of a cookieless world.

Yet, the imminent demise of the cookie isn't the darkest storm cloud facing retailers. The largest cloud is the continual erosion in consumer trust and tolerance for digital advertising. This has been a slow burn over the past decade or so that has recently become more acute as the initial promise of online advertising lost its shine with consumers. Intrusive banner ads that disrupt page load times and obscure content, relentless retargeting (we've all been followed around the internet by a pair of sneakers we once looked up), and concerns around consumer privacy raised by General Data Protection Regulation (GDPR) and the high-profile global enquiries into Facebook and Google have further damaged consumer trust.

This distrust, combined with the digitised ability for consumers to create their own content on YouTube, social media, blogs, and most recently, platforms such as TikTok, has fundamentally changed how consumers are influenced on their path to purchase. Increasingly, they are more likely to be swayed by peer reviews and digital recommendations from (often digital) sources they trust and have a personal connection with. Today, people go online for three things: entertainment, information and connection with others. No-one opens a browser tab to be sold to or bombarded with disruptive pop-ups, banner ads and sales pitches.

THE NEW CONSUMER PATH TO PURCHASE

This new user-empowered way of communicating puts first-hand information before the impersonal data collected by third-party cookies. These category experts and tastemakers established trust with their audience and spoke for brands in a more authentic voice. As social media platforms evolved, it became clear that when a content creator recommends a brand in their authentic voice, the audience connects with that content more profoundly. It establishes a level of trust that brand-generated ads simply can't.

Nowadays, most customers — particularly millennials and younger generations — prefer to research, ►

vet brands for value-alignment, or visit trusted publishers and content creators for recommendations. This means retailers have to rethink their marketing activities to create authentic, purposeful, and helpful content that aligns with what customers seek out online (entertainment, information and connection) versus disrupting it.

And smart brands are finding that performance-based partnerships are an effective and lucrative way of forming these authentic connections.

THE RISE OF THE PARTNERSHIP CHANNEL

Partnerships are hardly a new concept, particularly in retail, which has a long tradition of affiliate activity. Indeed, the concept of two people or groups working together for mutual benefit has probably been around since the dawn of time.

What *has* changed is that today's modern partnerships offer unique opportunities for business growth that simply didn't exist even 20 years ago. This is because as technology has evolved, the partnership channel has evolved with it and expanded its definition.

Nowadays, partnerships can take many forms, including influencers, loyalty programs, coupon sites, mobile app integrations, social media influencers, B2B, key opinion leaders, publisher partners, charities and social responsibility, and so on.

And as the list continues to expand, we see the emergence of partnerships as an entirely new channel that's distinct from marketing or sales. One that enables businesses to expand their revenue channels, evolving beyond sales and marketing and creating unique experiences for the customer and sustainable growth.

THE PARTNERSHIP GROWTH OPPORTUNITY

The exciting news for retailers is that the partnership channel is driving meaningful incremental revenue for brands. We know from Forrester Research that brands that are actively engaged in building mature partnership programs have seen their overall revenue grow by 28 per cent and that they enjoy *two times faster* revenue growth than competitors with no or low partnership maturity.

For example, Lenovo drives 25 per cent of its revenue through the partnership channel; more than the average 20 per cent of revenue generated by retailers from paid search.

> "Smart brands are finding that performance-based partnerships are an effective and lucrative way of forming these authentic connections."

For companies that have fully invested in the partnership channel, we know it can drive a 314 per cent ROI on average with a payback window that takes less than six months. Little wonder we saw so many retailers look to the partnerships channel to provide accountability and attributability when the impact of Covid-19 hit.

Further, brands are also able to use the partnership channel to boost brand awareness as well as actual sale numbers due to the halo effect of being connected with authentic and trusted influencers. Customers will consequently be more likely to convert into paying customers, driving customer acquisition and retention metrics.

But the really exciting part for retailers is that whatever success metrics you wish to achieve via partnerships, the technology now exists to track, reward and optimise them. The Impact Partnership Cloud allows retailers across Southeast Asia, including Razer, Decathlon, Love Bonito and Lenovo, to find, recruit, contract, manage, reward, optimise and report on their partnership activities. Gone are the days when influencer campaigns could only be measured via likes and clicks. Instead, retailers can work with them on a performance basis, so there is a clear ROI, and they know exactly how many sales these influencers are driving — or where their influence is felt along the sales funnel.

For retailers looking for sustained growth, it's impossible to ignore the dynamic and evolving world of the partnership economy. Miss out at your peril. ■

Antoine Gross is general manager for Impact Southeast Asia. He has over 15 years' digital experience and currently oversees business development, sales, and account management to support the growing market demand for Impact in the region.

The heart of the retail revolution

The rise of young Chinese consumers is driving e-commerce trends in the Greater Bay Area.

BY **ANSON BAILEY, HEAD OF CONSUMER & RETAIL, KPMG**
JESSIE QIAN, HEAD OF CONSUMER MARKETS, CHINA

OVER THE PAST YEAR, THE "NEW NORMAL" HAS become an unavoidable mantra, reminding us that things will never be the same. Retailers and consumers have been urged — or forced — to take their transactions into the digital marketplace. But for mainland China, this "new normal" is just, well, normal. For many years now, e-commerce has been quickly expanding. Long ago, the country's retail sector became accustomed to adopting new technologies and platforms. The pandemic only accelerated this ongoing digital transformation.

China has the world's largest digital population with almost 989 million netizens in December 2020. (Statista, 2021) According to a digital retail survey conducted by KPMG and YouGov in 2019, 77 percent of mainland respondents described themselves as "tech savvy." To cater to consumers with such high levels of digital fluency, it's essential that retail-industry professionals understand four key e-commerce trends that influence business throughout Hong Kong and the rest of the Greater Bay Area (GBA).

NEW CONSUMERS

Gen Z (those born after 1997) is dramatically reshaping the consumer landscape in China and there are more than 300 million of them according to the latest census statistics. This generation is made up of digital natives, and their mindsets and expectations are hugely different from preceding generations. Gen Z consumers are not just looking for convenience; they want to buy brands that align with their values and that they feel an affinity with. In the digital retail survey, 82 percent of consumers in mainland China GBA cities said they strongly or somewhat agree with the statement "I like to use brands that share my social values," while in Hong Kong, that figure was 61 percent.

NEW BRANDS

Homegrown brands such as Alibaba and Tencent continue to grow in popularity amongst the nation's consumers. Trying to replicate their success, entrepreneurs in China are launching new brands at breakneck speed. Thwarting the stereotype that Chinese shoppers see foreign brands as superior, the new generation is eager to try fresh, local brands.

NEW CONSUMPTION

Today's Chinese retailing is all about digital connections — from shoppable live-streams to omnichannel engagement with across numerous social networks. Companies in the country are continuously ramping up their marketing efforts, with 70 percent of companies saying they are expanding their content marketing to reach consumers in a new and informed way.

NEW OPERATIONS

The meteoric rise in live-streamed e-commerce in China is one of the most interesting and exciting trends. The market size is currently worth about 1 trillion yuan, up from 433.8 billion yuan in 2019. (Statista, 2021) Competing to capture this market, video-sharing social networking services such as Douyin are investing heavily in their streaming capabilities.

While Mainland China has consistently embraced new and innovative technologies, Hong Kong has been a relative laggard. This may be because of the region's compact size, which has fostered a deep culture of brick-and-mortar retail. When an abundance of goods is conveniently around the corner, e-commerce isn't as appealing as it is in less dense cities. But change was inevitable, and COVID-19 has sharply shifted consumers' attitudes. With more Hongkongers working from home and being wary of crowded spaces, there has been a big uptick online purchasing, especially of essentials. In a November 2020 report on the impact of COVID-19 on Hong Kong consumer attitudes, 73 percent of consumers say they have used online channels "as frequently or more often than before" to buy groceries. More telling, 84 percent say they are likely to continue using online channels for groceries in the future.

Digital technologies can also open new opportunities. 3D body scanning and sampling is especially popular with fashion retailers who want to give customers the perfect fit. Other companies are using blockchain, next-generation data analytics and AI to enhance their global supply chains. In 2019, KPMG in Australia, China and Japan tapped into this then-nascent trend by introducing KPMG Origins, a blockchain-based track-and-trace platform to support a variety of industries, including manufacturing and resources.

Technology alone cannot address all the needs of today's consumers. In November 2020, KPMG surveyed 75,000 global consumers (with a large number from Mainland China) to understand the far-reaching effects of COVID-19. One worrying trend that emerged was the erosion of trust between customers and brands. In particular, many non-grocery retail chains were perceived as not putting customer safety first. In the post-pandemic era, retailers must repair their reputations and demonstrate their total commitment to social safety. And they must do so in tangible ways — modern consumers are suspicious of marketing efforts. It will take much more than buzzwords and feel-good initiatives. Companies need to walk the talk to be seen as sincere and authentic.

This authenticity needs to extend throughout a retailer's business practices, as today's Chinese consumers want more than just a transactional relationship. They want to connect with the company's purpose and vision. They are asking big questions surrounding climate and the environment. They want to know what companies are doing to ensure sustainable business practices and positively impact the communities they operate in. COVID-19 has been a big wake up call for many brands to engage more deeply with their customers and to accompany them on each step of the consumer journey.

Along with this burgeoning demand for companies to focus on their purpose and corporate social responsibility, the Chinese public is ever more demanding about how companies manage consumer data. According to the digital retail survey, 77 percent of polled executives said they are collecting data from their consumers. This includes information on their shopping habits, online browsing behavior and location. But with big data comes big responsibility. When collecting consumer data, the onus is on companies to ensure that this data is used responsibly and stored securely. Currently, only 44 percent of consumers in the mainland GBA cities and 59 percent of consumers in Hong Kong feel that the level of data privacy maintained by retailers was "moderate." Consumers — especially those from the younger generations — are increasingly aware and concerned about privacy and security, which means brands and platforms need to do a much better job communicating what they are collecting how they're using it. While consumers are the most vocal advocates for greater transparency from businesses, they are not the only ones. Companies are answerable to a whole gamut of stakeholders — from regulators and financiers to their own employees, shareholders and the media — and all are clamoring for a fresh approach to data.

Soon, we might even see a barter deal, wherein brands somehow compensate customers for certain metrics.

The new era of retail is just beginning. China has had a head start on the "new normal," but for many brands, there is still much work to be done. Consumer attitudes are changing as rapidly as the technology that's transforming how they shop. So, companies should use this pivotal moment to reassess every aspect of their businesses. The winners will be those who can leverage data analytics to create cohesive and holistic strategies to serve the new consumers in the new reality. We shall discuss this in more detail in our upcoming 2021 *Retail's Realignment* report. ■

ADVERTORIAL

Hong Kong retailers, get ready for the Roaring 20s

As Hong Kong enters a post-Covid era, excited consumers searching for fun and entertainment are sure to soon start spending billions of dollars in local stores, bars and restaurants. In fact, some retail experts believe that this coming period will be known as the 'Roaring 20s', when people will celebrate the return of parties, indulgence and shopping, after long periods of lockdowns, restrictions and anxiety.

"Social epidemiologist Dr Nicholas Christakis explains in his new book Apollo's Arrow, that after pandemics end, people seek out extended periods of social interaction to make up for lost time," said Imogen Marsh, senior marketing executive from London-based retail agency, Green Room Design.

"As we all emerge from our socially-deprived caves it's highly likely that any social anxiety will soon melt away as we embrace our new-found freedom."

With well-funded household name multinationals already set to reap the rewards, smaller local businesses need to ensure they don't miss out.

Leveraging cutting-edge digital technology and carefully integrated marketing and advertising strategies, StreetSmart is perfectly placed to help you and your brand capitalise on the upcoming boom. Best of all, by empowering your campaign via our network, your retail outlet, restaurant or bar will enjoy maximum bang for its advertising bucks.

While the penetration of digital signage in Hong Kong is already high, the technology is most commonly used to replace traditional posters, bar and restaurant menus or in-store promo videos. As 5G and IoT technologies become more widely accepted, the evolution of digital signage is opening up even more creative possibilities for far-sighted marketers and advertisers. And as every canny entrepreneur knows, the more attention-grabbing the idea, the bigger the impact, influence — and the higher eventual sales — amongst consumers.

Empowered by market-proven hardware and software from internationally respected digital signage marketing specialist, EC Line, StreetSmart's eye-catching digital shopfront media network offers advertisers a new and affordable way to connect directly with their targets. The best part is that by placing these digital panels in your windows, not only will they attract customers at point-of-sale, they will also help monetise the underused shopfront advertising space.

For more information on the measurable benefits StreetSmart offers both merchants and advertisers, please visit www.street-smart.co.

STREET SMART
DIGITAL SHOPFRONT MEDIA NETWORK

Approaching zero

The consumer retail sector can protect the planet (and profits, too) by making environmental, social and corporate governance a top priority in its supply chains.

BY **PAT WOO, GLOBAL CO-HEAD, SUSTAINABLE FINANCE, KPMG**

IT'S NOT OFTEN THAT COMPANIES CAN BE superheroes. But today, organisations throughout the retail industry have the opportunity to save the world. Now more than ever, the environmental, social and corporate governance (ESG) landscape is primed for corporations to make a real difference in solving some of the globe's most pressing issues. In earlier years, ESG measures were largely adopted from a compliance standpoint to meet certain regulations. Now, however, it's mission-critical to integrate and implement ESG across all of a business' activities.

ESG isn't all about altruism, though. It's also about money. In today's ultra-transparent world, consumers have access to much more information than before, and they are increasingly patronising brands that support socially and environmentally conscious causes. The economics for many ESG initiatives are finally making sense. No longer does the market favour poor behaviour that puts immediate profits above long-term sustainability. Investors and consumers alike are demanding genuine changes in the way we do business.

ESG has become a capital-market discussion across virtually every industry. Banks are going through their portfolios and asking businesses pointed questions about their ESG scores, emissions targets and governance structures and are making capital decisions based on these factors. Major asset owners, such as sovereign wealth and pension funds, demand that asset managers account for ESG risks in their investment processes. Before offering mandates, these funds are engaging with wealth managers to ensure they invest in organisations with satisfactory ESG ratings. If an asset manager is holding companies with bad ESG scores, the chances are that they won't get these big mandates.

In the closely-watched consumer retail sector, companies must get serious about reducing greenhouse gas emissions and fulfil their environmental responsibilities to increase their attractiveness to investors. In 2018, global stakeholders in the fashion industry launched the UN Fashion Charter, a signal of things to come. Signatories commit to targeting a 30 per cent reduction in emissions by 2030 and net-zero emissions by 2050. Inevitably, similar targets will soon affect most other quadrants of the retail world. However, there is much work to be done to meet these ambitious targets, and that work starts at the supply-chain level.

One of the biggest issues in the textile and apparel industry is manufacturing overcapacity, which causes enormous amounts of unnecessary waste and emissions. The sector must start implementing a demand-driven supply model to more smartly and efficiently address this. Some solutions already exist. Businesses can harness existing data and analytics software — such as digital-demand analytics and track-and-trace blockchain solutions. But there are still challenges in ensuring the data gets properly filtered up the supply chain. Unfortunately, this rarely happens. There is an enormous amount of data degradation as the information travels upstream, contributing to the bullwhip effect as poor demand projections at the top of the supply chain lead to huge surpluses. At KPMG, we have addressed this issue in our report on global supply chains, *The Future of Sourcing: 2021 and Beyond*.

In addition to supply and demand mismatch, there is a tremendous opportunity to reduce emissions generated by raw materials. In the apparel industry, fabric manufacturing creates a significant amount of carbon emissions, making it a crucial area to attack. Companies must research more energy-efficient technologies for obtaining materials or prioritise less energy-intensive fabric solutions. To achieve net-zero targets, companies should also look at building a "circular economy" within the supply chain to better use the raw materials that are already in the market. ▶

For retail brands committed to ESG, adopting a new mindset is even more important than developing new technology. Too many still opt for the cheapest supplier, regardless of the baggage that comes with that low cost. As we've seen in too many news stories, low supplier prices often end in significant reputational damage. To avoid this risk and to meet emissions commitments, businesses must find like-minded partners. They must seek factories that run efficient demand-driven supply chains and then partner with the supplier to decarbonise their facilities.

More broadly, businesses need to stop placing short-term savings ahead of long-term progress. A cheaper raw material supplier, for example, might provide a better return on investment this quarter. However, if that provider can't help you meet future emissions targets, you'll have to purchase carbon offsets — which are exponentially increasing in price — to meet your reduction goals. Ultimately, this will do more

damage to the balance sheet than simply choosing a pricier yet cleaner supplier in the first place. Rather than focusing on how much they can save today, companies should ask themselves how expensive it will be to delay transitioning to ESG-focused suppliers.

Change is hard. And changing an institution's mindset can be extremely challenging. Often, corporate management is transient — those in today's C-suite positions won't occupy the same roles when it comes time to deliver the emissions targets. Therefore, leadership might tend to focus on current performance rather than planning for a sustainable future. It's this quarter-by-quarter mentality that has long stalled the advancement of ESG initiatives.

> "Businesses need to stop placing short-term savings ahead of long-term progress."

Given the current media and investment climates, this old way of thinking is no longer sustainable. Adopting a robust ESG strategy now is the only way to future-proof a business. Otherwise, there will surely be an increase in regulations. Various countries — including Singapore, China and the United Kingdom — have already announced aggressive decarbonisation initiatives across all industries, and they are serious about taking non-compliant organisations to task.

Thankfully, now is the perfect time for businesses to implement expanded ESG strategies. Capital is moving into a lower-carbon economy, and key industry players in the consumer retail sector have committed to attaining carbon neutrality. Apple, for one, has pledged to achieve a carbon-neutral supply chain by 2030. Patagonia aims to do so by 2025. This wave of industry leaders shifting to carbon neutrality will force through many changes in how business is conducted and how ESG is considered.

Smaller companies can jumpstart the modernisation of their ESG approaches by reviewing their reporting and monitoring protocols. Businesses should analyse the integrity of their standards and data sets to ensure they are communicating relevant information to all stakeholders — such as evidence of sustainable material-level changes and high ESG scores. This will prepare companies for ever-stricter ESG audits as investors compare companies.

After upgrading their monitoring of ESG practices, retail companies must invest in their people. Running the ESG-focused supply chains of the future will require different skill sets than currently exist. Both the corporate and supply-chain management levels will need their teams upskilled, and future finance hires should have ESG acumen embedded into their training. Soon, it will no longer be sufficient for corporations just to have a token ESG spokesperson. Rather, it must be central to all of a businesses' different departments. We have been doing this at KPMG by rolling out ESG training and accreditation across our various service lines.

Ultimately, there is no single magic bullet to tackle all possible ESG issues in the supply chain. Instead, companies must have a holistic vision for improving their business practices. This might include the adoption of a demand-driven supply chain, using more sustainable raw materials or implementing on-site renewable energy solutions. It's only by employing a wide range of solutions that companies will approach their net-zero goals.

A proactive approach to ESG won't just protect the environment and the societies where consumer-retail companies operate. It will also ensure the longevity of the companies themselves. Investing in ESG today will inevitably lead to outsized savings in the future, making smart companies heroes to both their customers and their investors. ■

After the storm

The trends that will shape a new era of retail operations in Asia Pacific.

BY **ANSON BAILEY, HEAD OF CONSUMER, KPMG ASIA PACIFIC**

IT'S BEEN A YEAR AND A HALF SINCE COVID-19 FIRST appeared, leaving a trail of destruction in its wake. It has affected families and decimated livelihoods. It damaged whole industries, including much of the retail sector. Bricks-and-mortar businesses around the world shuttered as shoppers locked down at home. Brand behemoths disappeared from city streets. In January 2021, for example, heritage department store chain Robinsons closed its doors in both Singapore and Malaysia after over 160 years of operations. But despite the myriad challenges, the pandemic also presented retail companies with opportunities to grow and thrive in a new reality.

While Asia Pacific is far from homogenous, there are common trends that emerged before the pandemic and continue to be key drivers of growth across the region. Chief amongst them, and seen in nearly every country, is the relentless growth of e-commerce. As detailed in our Future of Retail report, published in January 2021, we expect e-commerce retail sales to increase by almost 17 per cent (compound annual growth rate) between 2010 and 2024. The rise of e-commerce has led to a shift in consumer mindset. Customers now have a bevy of options at their fingertips, and they are increasingly discerning. Consequently, it's more challenging than ever for retailers to capture consumers' attention. As the pandemic wanes, retailers will need to forge new relationships with their target audiences.

SIX CONCEPTS THAT WILL DEFINE THE NEXT ERA OF RETAIL

From marketing to mobile shopping – everything has changed. And the transformation will only accelerate. To navigate the current maelstrom and compete in the post-pandemic age, it's essential that businesses remain agile. As they reevaluate their strategies, they should plan for six concepts that will define the next era of retail: value, convenience, choice, data privacy and security, experience and purpose.

Consumers will become increasingly price-savvy and willing to put in extra legwork to get more for less. The Future of Retail report shows that, already, 81 per cent of customers do online research before committing to a purchase. Given today's economically insecure climate, where household budgets are tightening, businesses will need to work harder to enhance their value proposition to retain and attract customers.

Due to the digitalisation of retail operations, consumers will expect more seamless experiences that allow them to shop anytime and anywhere. In a time of social distancing, shoppers have acclimated to online ordering, kerbside pickups and home delivery. According to KPMG's Customer Experience in the New Reality report, 80 per cent of consumers who have moved to shopping online because of Covid-19 said they intend to continue doing so. Convenience will continue to be a top priority for consumers.

Even before the pandemic,

consumers were gravitating towards two poles: online retailers with almost unlimited choice and discounters with limited selections but good value for money. In this new reality, businesses will need to regularly review their product ranges to strategically select a product mix that enables higher inventory turnover, streamlined in-store logistics and enhanced future buying power.

As the Gen Z cohort ages into adulthood, consumers are increasingly digitally literate. They are cognisant of the risks surrounding data privacy and security, but they are also willing to trade some risk in return for hassle-free buying experiences with trusted brands. Seventy-one per cent of consumers say they are worried about data privacy, yet 66 per cent say they are willing to share their data. But trust is a two-way street: When collecting consumer data, companies will be expected to ensure it's used responsibly and stored securely. Businesses will also need to work harder to communicate how, exactly, they are using the data.

Today's customers expect to engage with retail businesses beyond straightforward transactions. They want more immersive and unique experiences that allow them to connect with the brands they buy from. In a November 2020 Covid-19 pulse survey, we discovered an erosion of trust between customers and brands. Businesses will need to go beyond feel-good marketing initiatives and provide consistent, transparent communication at every step of the consumer journey.

Businesses must also demonstrate a strong, clear purpose. Increasingly, consumers are seeking brands that align with their values. In a digital retail survey of CEOs, conducted by KPMG in partnership with YouGov, 61 per cent of people from Hong Kong and 82 per cent of those in the Greater Bay Area said they strongly or somewhat agree with the statement "I like to use brands that share my social values." Businesses will need to ensure their vision aligns with customers' values.

SEVEN BUSINESS MODELS TO WATCH

Consumers' needs have irreversibly transformed over the past 18 months. The retail industry must transform, too. Understanding the six key consumption trends – value, convenience, choice, data privacy and security, experience and purpose – is only the first step. Companies must reevaluate the ways they serve their customers, the ways they manage their workforces, the mix of channels they market through and their underlying business models.

As we move forward, we'll be closely watching seven business models: platform businesses, multinational retailers, national heroes, value-based retailers, brands, category specialists and independents. Each of these models is moving beyond the concept of "retail" — an idea that might soon be obsolete — in its own way. These business types have started to exemplify "consumer commerce," which doesn't rely on physical storefronts to offer the same products and services to customers.

1. Platform businesses

Chief amongst the models to watch are the platform-based businesses such as Amazon and Alibaba, which enable value exchange directly between consumers and producers. Traditional retailers must operationalise an omnichannel business model and embrace partnerships with these platforms in order to remain relevant.

2. Multinational retailers

We expect multinational retail players to transform into platform businesses and grow their capabilities through mergers and acquisitions. This will allow them to consolidate everything — from factory management and distribution logistics to sales and customer service — into one integrated platform. This optimisation of assets will create more efficient system management and more meaningful customer engagement.

3. National heroes

"National heroes" — local businesses and wholesalers — will focus on cross-border partnerships to scale up. These strategic partnerships will help domestic businesses enhance their buying power, improve their tech and innovation capabilities, and expand their talent pools so they can compete with international e-commerce giants.

4.Value-based retailers

Discounters were one type of retail business that over-performed during the COVID-19 pandemic. This isn't surprising; historically, discounters are more profitable than legacy retailers, and this economic climate perfectly suits their offering. However, in order to remain profitable, these value-based retailers will need to continually strengthen their online value propositions to meet consumers' needs.

5. Brands

More brands are embracing direct-to-consumer approaches to maximise their margins by bypassing retailers. To meet consumers' growing demand for all-encompassing e-commerce platforms that offer wide product selections, instant delivery, transparent pricing and flexible payment options, brands must modify their models to profit from platform ecosystems.

6. Category specialists

Within the retail sector, smaller country-focused firms capture two per cent or less of market share in their categories. While niche, these category specialists offer unique and focused products and services, and they serve a very loyal customer base. As their market share grows, they will have to decide which route to market to take.

7. Independents

Independent neighbourhood retailers have the unique ability to gather and respond directly to changing community needs. However, in order to compete with the growth of loyalty programs and rapid-response supply chains, such businesses will need to innovate and build online membership platforms that sustain them through the Covid-19 crisis and the retail transformation beyond.

The pandemic may soon be over, but a whole new retail industry – based on consumer commerce – is just beginning. These business models will find fresh, innovative ways to meet the rapidly changing demands of tomorrow's consumers. Covid-19 may have destroyed our old ways of working, but it has also opened a world of possibilities for forward-thinkers to capitalise on. Those retailers who ignore the trends will remain shuttered; those who evolve to serve the next generation of consumers will benefit in this new normal. ■