

AS Watson Group is driving a digital transformation that is putting the health and beauty giant closer than ever to millions of people around the world. A deeply integrated online-plus-offline approach is using cutting-edge technology to constantly reinvent the whole customer experience.

A digital revolution is underway and AS Watson Group (ASW) is leading the charge. The ability to gather and analyse data from over five billion shoppers a year opens up vast new vistas for ASW to know – and serve – their customers. In the 21st century, personal contact in the stores and the offline experience are seamlessly integrated with online tools and enhanced by Internet-gathered insights. Through this, the hearts of millions of loyal customers are tended to by everyone at ASW, from front-line staff in stores and algorithmic engineers right up to senior management.

ASW began a journey of digital transformation that is an online-plus-offline (O+O) approach that creates a customer experience where the whole is greater than the sum of the parts. This transformation is intentional and incredibly integrated, from corporate headquarters to every business unit in the retail group.

THE POWERFUL, PLASTIC MIND

Scientists used to believe that the human brain became ‘fixed’ after it stopped growing in the teen years. But now they have learned that, like an intelligent company, the brain can establish new connections and learn to process information in new ways. ASW’s

brain has what scientists now call plasticity – the ability to change, reorganise, and reform its neural network to deliver new insights.

The retail group’s ability to capture data points is awesome. Traditional intelligence gathering through technology already generates billions of data points annually. Sales transactions (including from online sales), merchandising data and customer preferences are gathered from interactions at the till and through purchases from wholesalers. The data are consolidated in a process known in the business as “Extract, Transform, Load”. Every day, the intelligence from multiple systems is automatically brought together on the Enterprise Data Platform (EDP) at the core of ASW’s intelligence. It not only collects in-house data, but is fed data on competitor activity, weather, socio-economic factors and more.

In recent years, some sources of intelligence have become accessible in real time. Even more impressive, they have been augmented with new sources of data which help decision making.

SHOW ME THE LOVE ... SCORES

While POS (Point of Sale) devices tell ASW what people buy in-store and online, the retailer also wants to measure customer satisfaction. A new online rating system,

It’s a major change of mindset – every ASW business unit now has its own digital vision house to align the goal of digital transformation with all functions within the company.

Customer Love Scores (CLS), generates ratings from post-purchase questions to explore shopping experience and satisfaction.

Social media are huge parts of people’s lives now, where they express their emotions and share their loves. That goes for the health and beauty retail experience too. Close monitoring, not only of ASW social media properties, but also those of competitors and key brands, informs the retail group about trends in customer sentiment. Even emojis play a role – they tell a story and impart emotional intel to the ASW team.

ARTIFICIAL INTELLIGENCE, RETAIL INTELLIGENCE

In the health and beauty business, ‘natural’ is the go-to position in product promotion. But in data analyses, a little ‘artificial’ goes a long way too – artificial intelligence (AI), that is. Canadian AI retail specialist Rubikloud has worked with ASW’s UK superstar Superdrug to improve operations across a range of functions. Stock forecasting accuracy (right stock, right place, right time) has jumped by 10% by using Rubikloud’s cloud-based, machine learning platform called Promo Manager. Since implementation in 2017, it has also assessed the effectiveness of promotional lift, price elasticity, residual basket value and other important metrics. It’s “All-in for AI” at Superdrug.





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WATSONVIEW, CLEARER VIEW

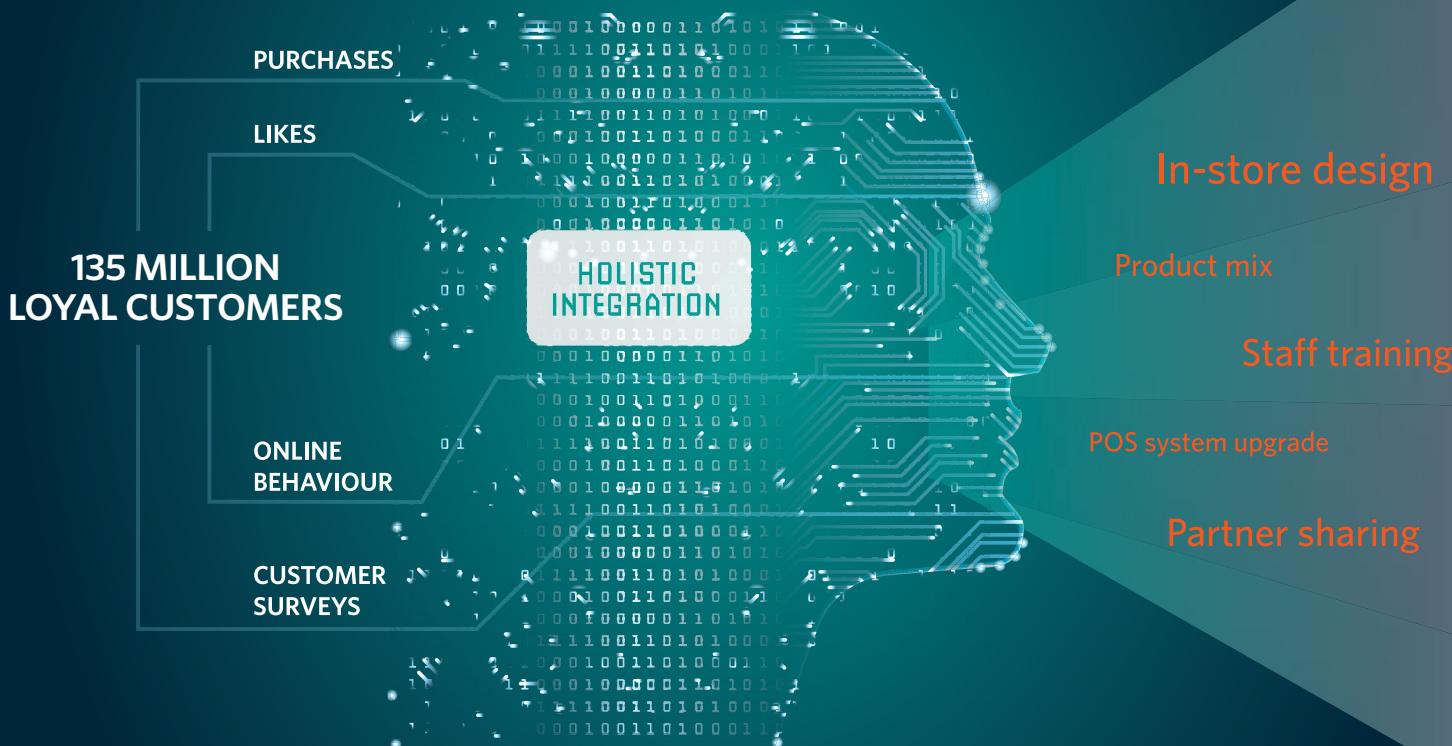
Collecting billions and billions of data points is completely useless – and would not be undertaken at great ingenuity and expense – unless there was a reasonable expectation of being able to understand the data, share the results and then take action. The first step, therefore, is understanding.

WatsonView is an insights platform that allows planners to see emerging trends and then act. Graphic representation is key to seeing where product sales and other key data are headed and how they are connected to sales-influencing factors. While older systems needed IT departments which took hours to generate reports, WatsonView enables real-time dashboards

to be created. Different business units can create their own dashboards – and then share them with others, for cross-departmental and cross-company understanding. Users can slice and dice the data and drill down to examine single store or single product performance. The ASW culture is empowering managers at the store level to make daily decisions, and also provides vital data to global planners in regional analyst hubs in Hong Kong and London.

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The DataLab team gains an understanding of consumer attitudes from its research arm, WISE. Connecting business units across national boundaries and internal departments, an integrated O+O approach provides actionable, integrated WISE-dom.





A SHOPPER'S DREAM: THE ENDLESS AISLE

Even an empowered manager with hyper-relevant real-time data can only fit limited products in a physical space. Any gap can leave a body wanting when it cannot find what the heart desires. The Endless Aisle, launched in Hong Kong in PARKnSHOP, FORTRESS, Watsons (also Taiwan), and some Rossmann stores in Poland, aims to put an end to the wanting. In-store touchscreens allow customers to browse a truly massive selection. Promotions, product intel and more enhance the experience and provide a promise of delivery to the store with a flexible pick-up time. A frustrated customer, potentially leaving with no purchase, becomes a happy customer guaranteed to come back for a pick-up.

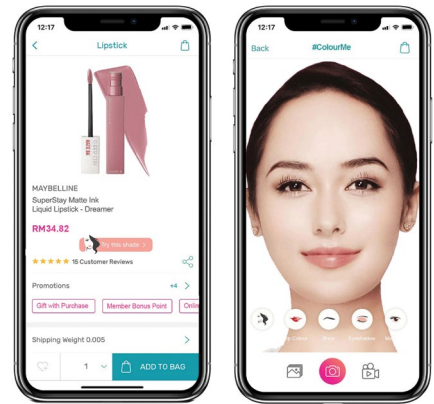


A MILLION WAYS TO BE BEAUTIFUL

Decision-making leading to purchase can be stymied by indecision, especially for beauty products. People want to see what they will look like with the product on their face. And as any little girl (and many big ones) will tell you, it's fun to play with make-up and share with friends!

Watsons in Hong Kong has led with using virtual reality (VR), augmented reality (AR), artificial intelligence (AI) and deep machine learning to let people have fun playing and sharing with friends. The in-store StyleMe, also launched across Asia, lets people apply virtual make-up as they look at a camera-equipped touchscreen. The AR version of themselves on screen can show them hundreds, maybe thousands, of make-up combinations on their faces without the fuss and mess of actually applying them to their face. From subtle shading to mad party looks, it enables consumer decision-making.

In Malaysia, #ColourMe was the name of the AR function available in the Watsons app incorporating L'Oréal's ModiFace AR app which allows shoppers to virtually try on make-up. Delivered in store or as an app on users' phones, it connects customers directly to purchasing. #ColourMe allows users to post photos directly to social media, further spreading the news. Early trials in May recorded an 83% purchase conversion rate and added an average of 20% transactional value per basket, both figures as compared to all app shoppers. Now, it's also available in Thailand, Singapore and Taiwan!



#ColourMe

Social media are huge parts of people's lives now.



“AS Watson has been an amazing partner.”

Jeffree Star

TikTok platform allows users to overlay fun filters and effects on super short videos (3 to 60 seconds) to share with friends, and to tag those videos to specific locations. The China Douyin Challenge saw people rushing into Watsons to shoot their videos and enhance them with Watsons’ specific overlays to share with friends in return for coupons and other rewards. Over 320,000 user-generated clips had over 2.6 billion playbacks, a stunning result and a case study in successful, O+O engagement. Watsons became the number one TikTok account in China in the hotly contested beauty category in just six months.

Staff got in on the fun too. An internal challenge saw them generate their own videos, with one reaching over four million views. Staff discovered they could do more than just sell health and beauty products; they could be stars!

NOW STARRING IN EUROPE: PREDICTIVE MODELLING

Jeffree Star is a truly modern media creation. This make-up mogul has over 15 million followers on YouTube, and founded the company Jeffree Star Cosmetics based on his online success and all-consuming passion for bringing out people’s inner beauty. To break into Europe, Jeffree Star turned to ICI PARIS XL and Marionnaud.

Belgium and The Netherlands were the opening target markets. ASW’s rich data sets and deep understanding of the market were the foundation for a digital marketing campaign targeting the under-35 make-up consumer. The results were fantastic. Over 280,000 social media sign-ups across Europe. Sales up 12% in a month. And 32% of customers who bought Jeffree Star Cosmetics also bought other products. The man behind the brand couldn’t be happier, saying “AS Watson has been an amazing partner, providing me with an efficient distribution platform as well as the tools to be able to target my fans and beauty lovers

Jeffree Star Cosmetics X AS Watson



280,000+ social media sign-ups across Europe



of customers who bought Jeffree Star Cosmetics also bought other products

Sales up **12%** in a month



YOUNG AT HEART

Capturing the hearts and loyalty of customers is achieved via a process of knowing them, pleasing them and respecting them. ASW does this through a lot of caring, a lot of listening and a lot of cutting-edge technology.

Younger customers and younger staff - Gen Y and Gen Z - are digital natives and are ASW’s fastest-growing customer segment around the world. They share their loves and likes constantly through online and mobile platforms. Customer Love Scores, like online basket sizes and visit frequency, combined with visualisation provided by WatsonView, help the team at ASW to carefully track the purchases and behaviour of loyalty members and identify those who deserve a little extra care. Members feel the love and are more than willing to help with the process. They know their opinions make a difference; over 500,000 provide their feedback monthly through online platforms. Each market is empowered to develop their own culturally appropriate rewards systems and member privileges to build long-term loyalty.

STAFF, MEET CUSTOMERS

A great example is the wildly successful Watsons O+O campaign in China that saw millennials, Gen Y and Gen Z customers interact through the hugely popular app TikTok (known as Douyin in China). The



who like to create bright, fun and innovative beauty looks.”

Beyond the ‘Star’, another example of a customer insight-driven campaign is Maybelline – a global make-up brand and a vital part of the L’Oréal Group’s cosmetics powerhouse. ASW has helped L’Oréal to dramatically increase sales in Thailand and Malaysia by a targeted electronic direct mail (EDM) campaign to over three million Thais, which attracted 170,000 new customers and spurred double-digit sales increases (year-on-year) in the kingdom.

O+O+PEOPLE

The transformation of the AS Watson Group sees it leading a global digital revolution, driven by a thoughtful strategy using the world’s most cutting-edge technologies. The retail group will need all the tools that ASW is bringing to bear in order to keep up with sophisticated, fast-moving, tech-savvy customers across Asia and Europe. But the rewards are tangible. Having actionable insights derived from a nimble and powerful set of analytical systems allows the company to take action in a way that engages and delights the millions of ASW customers. The online, the offline, the intelligence and the heart behind ASW will continue to bring joy, health and beauty to millions around the world. □

Any little girl will tell you it's fun to play with make-up and share with friends!

HEALTHY MIND, HEALTHY BODY

ASW is, don't forget, a *health* and beauty retailer. Delivering health through technology is known as healthtech and ASW is a world leader.

In the UK, Superdrug has been leading the way to become the leading online medical service in the country through its digital healthcare services, including Online Doctor, Online Opticians and Online NHS Pharmacy.

The combined suite of services can now test or treat over 65 conditions, including erectile dysfunction, diabetes and travel health. Online and in-store services helped over 500,000 patients in 2018.

The retail group is much more than just a health and beauty retailer, and is now stepping into the healthcare industry too. ASW has over 65 nurse clinics across the UK to add to its 200 pharmacies. Healthcare services should reach over £30 million in sales in 2019.

From the online to the offline, in-store diagnostic testing, digital GP consultations and the ability to order and collect medication where and when you need it, Superdrug is using digital solutions to change how healthcare is delivered in the UK, and it is one of the leading healthcare providers.

