



Going Global

The first A S Watson Global Retail Day reveals to suppliers the A S Watson Group's bigger picture

By Mark Redvers



VIRTUALLY EVERY DAY, an A S Watson-owned store opens somewhere in the world. Emerging markets, in particular fast growing China, have seen spectacular growth in recent years, as newly affluent customers splash out on beauty and healthcare products.

More – much more – growth is anticipated, as the A S Watson Group (ASW) embarks on a major expansion plan, which will see the company reach the milestone of 10,000 stores next year.

Delegates at the first A S Watson Group Global Suppliers Conference and Awards were given this determinedly upbeat assessment, and appraised of ambitious future plans that will reinforce ASW's undisputed position as the world's leading international health and beauty retailer. Annual ASW turnover currently stands at USD15 billion with plans to expand vigorously, notwithstanding the contemporary recessionary climate.

The 110 delegates to the conference, who hold senior positions with the largest health and beauty manufacturers, were told how ASW, through its own name Watsons stores in Asia and its various European wholly owned outlets such as Superdrug, Kruidvat and Trekpleister, has plans to increase trade in mature and established markets and also in the developing nations of Eastern Europe, Mainland China and other parts of Asia.

Delegates used the conference, held under the banner title of Global Retail Day, as an opportunity to pool experiences and ideas, all of which will ultimately benefit the consumer. A S Watson senior executives were also able to give insights into the company's future requirements, and its style of doing business.

"One of the things we are looking for is differentiation," said Dominic Lai, Group Managing Director of ASW. "This may be expressed in innovative merchandising, category management, an offer of exclusives or unique pack sizes.

"We also expect operational excellence when it comes to working with manufacturers. At ASW, we need to provide a quality service level and maintain good systems to ensure loss prevention. The other factor is excitement, through more attractive marketing events, customer relationship management and continuous staff training."

Delegates were particularly fascinated to hear of the changes afoot in the Mainland, in particular the phenomenal increase in disposable income among the middle classes.

Mainland China has a total of 1.3 billion people, most of them neophyte consumers, a scenario that offers tantalising opportunities for anyone in

the retail business.

"The aim is to open 250 to 300 quality stores a year in the Mainland, which is about one third of the total new stores we plan to open annually in our 34 markets," said Malina Ngai, Director Group Operations, Investments and Communications and Head of International Buying.

"We understand the market very well after 20 years of operating experience. Our Watsons health and beauty chain has 680 stores in over 101 cities, and our PARKnSHOP food retail chain has 39 stores, mainly in Southern China. Later this year, we will have a Watson's Wine Cellar retail store opening in Shanghai.

"In the Mainland, with the impact of Internet, the health and beauty market has been made more and more dynamic. The high penetration rate in Internet usage among the younger generation means customers are more trend conscious. For example, they follow what celebrities wear in terms of clothing and make-up, both local and international Hollywood stars. And they are able to educate themselves on cosmetics and skin care needs on the web and will shop at Watsons to discover the products."

In a Watsons outlet, customers benefit from the fact the goods are displayed and promoted properly by zones, rather than in the haphazard manner that is so common in less sophisticated, locally owned stores.

China is already the world's second largest economy behind the United States, and has had an annual growth rate of more than 10 per cent for most of the past 30 years. Watsons opened its first store two decades ago, and now has more than 680 stores in 101 cities; it is even venturing into the so-called fourth-tier cities, as the more remote parts of the vast nation benefit from the sustained economic boom.

China was barely affected by the economic crisis of two years ago. ASW-owned stores in Europe, likewise, weathered the storm well, even managing to increase turnover and boost profits.



Opposite: Delegates gathered from all around the world; above: the very latest Watsons stores in Asia – known as G5, or fifth generation.



At ASW, we expect **operational excellence** when it comes to working with **manufacturers**



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“That was thanks to a very dynamic management team across our 34 markets,” said Ms Ngai. “We made the choice to focus on cost discipline and process optimisation. We have embarked on an aggressive cost programme since the beginning of 2009 as a major tool to weather the economic tsunami.

“The discipline helps us to keep tight financial control while continuing to work on value offers to keep attracting customers to shop with us. With strong financial backing from Hutchison Whampoa, we were also able to capture opportunities during the crisis situation in identifying good store locations. We therefore maintained investment in new store openings in both Asia and Europe, ending 2009 with over 550 new stores.”

ASW has long had the e-commerce option in place in its key European markets, and in selected businesses in Asia, such as wine and food. The Internet is also a key tool for showcasing products and stores.

“The Internet provides an additional touchpoint to enhance the customer experience,” said Ms Ngai. “With fast

development on the Internet space, we do see the need to continue to upgrade our models according to internet user behaviour. E-commerce also forms part of our strategy in building and retaining customer loyalty.”

Because of the global nature of the Internet, there are certain patterns that are common to all users; its speed and convenience are prized universally. Handy though Internet shopping may be, it cannot begin to replicate the experience of going to a spacious store with a dazzling array of enticing products – not

to mention helpful sales assistants, who can offer expert advice.

Said Ms Ngai, “Retail patterns tend to be different based on the economic status of markets, that is, mature markets, developing markets and emerging markets. In mature markets like the UK or the Netherlands, consumers are generally demanding on both prices and innovation in products.

“In emerging markets like Turkey or the Ukraine, customers aspire to beauty products as a way for them to feel good. Despite their relatively lower income level, consumer spending of disposable income is often higher than those in mature markets.

“In terms of differences in taste, demand is high among Asian consumers for skin care, while the Western consumers in Europe spend relatively far more on fragrances,” said Ms Ngai. “Hair colourants are in higher demand in Europe as well as bronzing products, while whitening products are in higher demand in Asia.

“In the ASW portfolio of 34 markets, we found that ‘value for money’ continues to be a major consideration among all consumers, especially following the global economic crisis at the end of 2008.”

One of the aims of Global Retail Days – which, following the success of the inaugural event, will now be held every two years – is for delegates to share their experiences in these markets, and gain more insights into the way ASW is able to lead the





health
and beauty
business in Asia
and further afield.

It is a success story that every major name wants to be a part of – Procter and Gamble, L'Oréal, Unilever, Johnson & Johnson, Kao and Shiseido – a fact that ensured an impressive turnout of CEOs and other high-powered executives. Senior representatives from ASW stores in Europe and Asia were also in attendance.

There were also invaluable insights into the next big market – China. Tiny though it may be, Hong Kong remains the gateway to the Middle Kingdom, the place where hundreds of multinationals prefer to have their regional headquarters.

Watsons has a track record in the Mainland that is the envy of many other companies. Experts agree that China is not an easy market, with its own idiosyncrasies, bureaucratic rules and regulations. Cracking it takes time, experience and a deep knowledge of the consumer and total confidence in the product. Watsons carefully designed its China stores to appeal to young female shoppers, starting with the instantly recognisable pale turquoise logo. Inside, the style is deliberately feminine, using light colours that appeal to young, beauty conscious women.

No other giants of the health and beauty world can boast anything like the expertise of Watsons. Nor are they as fast at reacting to changes in consumer tastes. The very latest Watsons stores in Asia – known as G5, or fifth generation – cement

the company's reputation as market leader. The emphasis is on giving customers the best advice to ensure they keep abreast of all of the latest products.

Clear window displays and large signage help shoppers locate the stores and plan their way easily around the interior. Wider aisle space and shorter shelves provide a spacious environment. To date, 1,800 of the G5 stores have made their debut, with 400 more opening every year.

Constant updating of presentation, reinforcement of customer service training and refreshing of product assortments are the reasons ASW is so far ahead of the health and beauty curve. A close working relationship with suppliers ensures that they are fully in tune with the needs and wants of Watsons, now and in the future.

The first A S Watson Group Global Suppliers Conference underlined that commitment and proved to be a big success. By the time of the next conference, in 2012, the number of ASW stores will have passed the 10,000 mark, a major achievement in a retail area where competition is extremely tough. 

