retail asia
The Retail Business Magazine
May 2014

Win an iPad
See page 3

ASIA EMBRACING OMNI CHANNEL RETAILING?

See Focus articles

Australia AUD9.00 Brunei BND10.00 China CNY50.00 Hong Kong HKD61.00 India INR490 Indonesia IDR92,000 Japan JPY810 Malaysia MYR26.00 New Zealand NZD10.00 Philippines PHP350 Singapore SGD10.00 S. Korea KRW8,500 Taiwan TWD240 Thailand THB260 Others USD8.00 www.retailasiaonline.com

retail asia
The Retail Business Magazine

Info You Can Use

May 2014

CONTENTS

FoodBiz asia

Win an iPad Air with Retina Display

FREE ONE-YEAR SUBSCRIPTION

Free one-year subscription of ***FoodBizAsia*** is open now.

Log in to www.foodbizasia.com/contact.html and complete the subscription form. Answer one simple question correctly and you may win an ***iPad Air with Retina display.***

This promotion is open to all professionals and staff working in the retail, hospitality and foodservice industries in Asia-Pacific. Promotion closes on August 15 and the result will be published in the September 2014 edition of FoodBizAsia.

Terms & Conditions

1. This promotion is valid from 1 May till 15 August 2014.
2. All subscriptions must be fully completed on FoodBizAsia subscription forms.
3. Each subscriber is entitled to one chance to win the prize.
4. The winner will be announced in the September 2014 issue of FoodBizAsia and notified by email.
5. Prize is non exchangeable for cash and must be claimed by 30 September 2014.

retail asia
Info You Can Use
RETAIL ASIA PUBLISHING PTE LTD
61 Tai Seng Avenue, #05-01
Crescendas Print Media Hub, Singapore 534167
TEL: (65) 6287 2025 • FAX: (65) 6287 2027
Email: info@retailasia.com.sg • FHAshowdaily@retailasia.com.sg
Website: www.retailasiaonline.com

FoodBiz asia

EDITOR'S NOTE

On the road to Omnichannel

Omnichannel retail is living up to its buzzword promise. Hardly a week goes by that we do not get a pitch about an omnichannel solution, an omnichannel strategy whitepaper, or an interview with an executive ready to discuss the future of omnichannel retail.

One pitch for a strategy whitepaper is titled *The rise of omnichannel: What every B2C business needs to know about it.* Another highlighted that 4 out of 5 marketers expect a 6-12% sales lift from omnichannel marketing. Yet another pitch is for an interview with a regional vice-president of a company that leads businesses and enterprises into the era of omnichannel commerce.

With such titillating headlines, how can one not get excited about omnichannel retail?

Retail Asia thus decided to do a reality check on omnichannel retail in the region. We have devoted this month's Focus section to where omnichannel marketing is happening and whether Asian retailers are really embracing the much talked-about concept of seamless retailing.

Our correspondents made a few interesting discoveries, including one that indicates the consumers are sold on the idea — and the retailers are trying to catch up. SAP's Pat Bakey summed it up nicely: "Omnichannel is one area where customers have gone far ahead — they've become very savvy in researching and purchasing online via the different platforms — while retailers are playing the catch-up game."

Another interesting discovery is that in a number of retail markets in South-east Asia (Philippines, Malaysia, Singapore), retailers are adept at multi-channel marketing, selling through several sales channels — brick-and-mortar, catalogue, e-commerce, contact centre, mobile — but they are not fully integrated, still largely independent of each other.

True omnichannel, however, such as when the customer can buy online and pick up the goods in-store, or use mobile in-store to research or make a purchase, or they can buy in-store and initiate a return online, and can receive a consistent experience whatever channel or touchpoint chosen, is not yet widely available.

Indeed, a few retailers admit that while omnichannel is the way to go, it is still not an urgent priority for practical reasons. Beyond software investment, the big challenge is data integration and the critical need to overhaul the organisational structure and corporate culture. Additionally, in the Philippines, smartphone wielding consumers still prefer "malling", the traditional shopping experience or physical retail therapy.

Even those who are embarking on omnichannel know it is a challenging journey. It is neither easy nor cheap to set up a well-integrated omnichannel system. But, sooner or later, retailers must get on with omnichannel, not least because today's customers are omnichannel shoppers.

We say sooner, rather than later.

Sharon Tian

Managing Editor

Publisher/Editor
Andrew Yeo

Associate Publisher
Phila Anne Tan

Managing Editor
Sharon Tian

Production Editor
Zuraini Ridzwan

Sub-Editor
Samantha Ann Francis

Graphic Designer
Raymund Jaudian

Contributors
Richard Seah
Shirish Nadkarni
Tina Arceo Dumlao
Prakash Sakti
Eleanor Yap
Jayanthi Iyengar
Lee Yoke Meng
Bob Vereen
Prof Martin Pegler

Retail Asia Publishing Pte Ltd
61 Tai Seng Avenue
#05-01 Crescendas Print Media Hub
Singapore 534167
Tel: (65) 6287 2025
Fax: (65) 6287 2027
E-mail: info@retailasia.com.sg
/ subscription@retailasia.com.sg
Website: www.retailasiaonline.com

Executive Chairman
Steven HL Goh

Sales & Marketing Manager
Amy Wong

Marketing Services Executive
Warren Cane

Finance & Administration Executive
Liza P Sardua

MICA (P) No: 093/03/2014
PPS 1116/12/2011 (028340)
Printed by Procolor Separation & Print Pte Ltd

Asia's Biggest 4-in-1 Franchise Event

ASIA TO THE WORLD

THE WORLD TO ASIA

"CONQUERING AN INTEGRATED ASEAN"

July 16~17 . Conference | July 18~20 . Expo

SMX Convention Center, Manila, Philippines

www.**franchiseasiaphl2014**.com.ph

Organized by:

PHILIPPINE FRANCHISE ASSOCIATION

FOR INQUIRIES:
Unit 701 OMM Citra Bldg., San Miguel Ave., Ortigas Center,
Pasig City, Philippines 1600
Phone: (632) 687-0365 to 67 & (632) 579-4841 | Fax: (632) 687-0635
Mobile: (+639)932-8792732 | (+639)917-8320732 | (+639)999-8833732
Email: pfa@pfa.org.ph | Website: www.pfa.org.ph

philfranchiseassoc

philfranchise

Co-presented by

BPI Family Ka-Negosyo FRANCHISING LOAN

PLDT smenation Success Made Easy

A Proud Member of

WORLD FRANCHISE COUNCIL

Asia Pacific Franchise Confederation

Steven HL Goh
Executive Chairman
Retail Asia

Part 1 of this article on luxury goods retailing (Retail Asia April 2014 issue) looked at how the stellar sales growth of the global luxury goods market took a dip last year.

Part 2 now examines emerging market dynamics and forces that would forge a new normal for the industry. What new paradigm and growth drivers lie ahead for the industry? Going forward, what are the strategic issues and opportunities for retailers in Asia's luxury goods market?

Part 2: What new paradigm awaits its rebound?

Luxury goods market loses glitter

Part 1 of this article looked at how the stellar sales growth of the global luxury goods market had slackened off in the past year. The downturn had been primarily caused by dampened market sentiments — particularly those sweeping China, the world's luxury goods consumer powerhouse.

It was, however, not a picture of gloom for the industry. Industry analysts were unequivocally upbeat about prospects for the luxury business across Asia and its huge upside market potential. Asia was expected to spark the rebound of the global market, but it would not be business as usual.

Part 2 now takes a look at new realities shaping the market. It shall examine emerging market dynamics and forces that would forge a new normal for the industry. What new paradigm and growth drivers lie ahead for the industry? And, more importantly for Asian retailers, what are the strategic issues and opportunities for the region's players going forward?

Is demand perking up any time soon?

Maybe yes; maybe no. Demand is essentially a function of consumer sentiment, which is largely driven by the state of the economy. So, whither the Asian economies would be, obviously is critical to demand.

Prognoses of Asian economies this year among expert organisations and analysts have so far been guardedly optimistic.

Top five cities for Asian overseas spending with 2011-2012 growth

Chinese tourists	Year-on-year growth	Indian tourists	Year-on-year growth
Paris	49%	Singapore	47%
Singapore	47%	London	-10%
London	43%	Paris	5%
Frankfurt	69%	Milan	19%
Milan	67%	Bicester	18%
Indonesian tourists	**Year-on-year growth**	**Japanese tourists**	**Year-on-year growth**
Singapore	19%	Paris	37%
Paris	51%	Singapore	72%
Milan	74%	Roma	29%
London	49%	Seoul	15%
Amsterdam	54%	Milan	46%

Note: The growth percentage is calculated in euro terms
Source: Global Blue | The Economist Intelligence Unit

In its *East Asia-Pacific Economic Update* report released in early April, the World Bank shaved down its 2014 growth forecast for developing East Asia. The Washington-based development bank reduced its forecast for the region's overall growth to 7.1% in 2014 and 2015, down from the 7.2% rate it had projected previously for both years.

In the case of China, the World Bank trimmed its 2014 growth forecast to 7.6% from 7.7% previously. The bank reportedly said that the new 2014 outlook reflected "the bumpy start to the year", noting that China's industrial production and exports had been weak in the January-February period.

The Asian Development Bank (ADB) has expressed similar cautious optimism. In its Asian *Development Outlook 2014 report* released in early April, the ADB expected China's economic growth to slow to 7.5% this year and sliding to 7.4% next year. According to the ADB, the slowdown would "weigh on overall growth in Asia's developing countries ..."

Some expert bodies worry that the Chinese economic slowdown might be more serious. The International Monetary Fund (IMF) is one of them. During its 2014 Spring Meetings in Washington from April 11-13, IMF managing director Christine Lagarde reportedly warned of the risk of a "hard landing" for the Chinese economy and the negative repercussions on other emerging markets. China had immediately rebutted IMF's warning.

Despite the subdued forecasts and the view that the global economic growth is still fragile and downside risks persist, Asia's economies are still in positive territories and growing.

The ADB said that despite the drag effect from China, there is improved demand from advanced economies that will in turn mean that developing Asian economies should show steady growth.

Given the economic situation, demand among Asia's high-end consumers would be somewhat restrained in the short term but vigorous in the longer term as the economy gains strength.

Further, as discussed in Part 1, there is a considerably growing population of affluent consumers with high aspirational spending power and propensity for luxury goods across Asia.

Emerging market dynamics and forces

The Economist Intelligence Unit (EIU) made some very interesting and informed observations about emerging market dynamics and forces in its recent report, *Rich pickings: The outlook for luxury goods in Asia*. Here are several of its major insights:

• The region's upscale consumers largely prefer to shop overseas — see the table of the top five cities for Asian overseas shopping compiled by Global Blue, a multi-national tax-free shopping network. Why is this so? Firstly, imported luxury goods are heavily taxed in many Asian countries resulting in higher retail prices. Secondly, most luxury goods firms add a price premium in many Asian markets to cover higher logistics and investment costs. Apparently, same luxury items in China can cost up to 51% more than in the US and 71% more than in France. Thirdly, there is the risk of counterfeits locally and the availability of wider assortment overseas.

• Apart from China, the other two Asian economic powerhouses tell rather mixed stories. Japanese luxury consumers are 15 to 20 years older than those in China and have relatively conservative tastes. EIU said: "In Japan, luxury is already a mass-market business, with extensive store networks delivering profits but leaving little room for growth." In the case of India, "the strong potential of the Indian luxury market will take much longer to reach fruition". The Indian market is inhibited by low overall wages and only a small proportion of India's vast population is able to afford luxury goods.

• Smaller Asian markets are fast growing as the next wave for luxury goods consumption. As incomes rise across Asia, emerging markets in Southeast Asian countries and India are now poised to be significant potential opportunities in the region. EIU said: "By 2030, Indonesia will have more households earning over US$50,000 than Hong Kong, according to our forecasts."

• There is now the rise of Asia's own luxury brands. Although relatively small scale at the moment, Asia's homegrown brands are growing and gaining acceptance among Asian consumers. EIU added: "Home-grown companies are taking a "masstige" (or mass luxury) approach, for instance, by pricing goods below those of Western luxury brands and seeking to complement rather than compete in this space." **ra**

Tesco seeks growth recovery in Asia after profit setback

BRITAIN'S biggest retailer, Tesco, has reported a 6% fall in group trading annual profit to £3.3 billion (US$5.57 billion) as it continues to lose market share to discount rivals.

It is the second year in a row in which the supermarket has announced falling profits.

Tesco's European business, which has been hit by the Eurozone crisis, also suffered a £734-million loss of value.

The setback left Tesco hoping that its recent expansion into Asia can offset weakness in its European markets.

"Our performance in the year was not where we had planned it to be," Tesco said in its earnings statement.

CEO Philip Clarke said that Tesco had significantly reduced its new investment in Europe to focus the majority of its overseas capital on "targeted, high-returning investments in South Korea, Malaysia and Thailand".

He added in the group's statement: "We have completed our exit from the US and have established partnerships with China Resources Enterprise (CRE) in China and Tata in India which provide continued access to two of the world's most exciting markets, consistent with a sustainable level of future investment."

Tesco hopes that its recent expansion into Asia can offset weakness in its European markets.

In March, Tesco struck a joint-venture deal with India's Tata Group to become the first foreign supermarket to enter the country's US$500-billion retail sector.

After a troubling start in China, Tesco is also combining its branches in the country, as well as its Chinese shopping mall operation, with China Resources Vanguard business.

In Britain, where Tesco still makes more than two-thirds of sales, Clarke vowed to win back shoppers with millions of pounds of price cuts. Despite calls from private investors to quit or change tack, Clarke insisted that he would see through his bold plan to rebuild the company.

Clarke said customers would see prices coming down and stores modernised at a faster rate than initially planned.

In common with Britain's three other leading grocers — Walmart's Asda, Sainsbury's and Morrison — Tesco has been squeezed between hard discounters such as Aldi and Lidl and by Waitrose and Marks & Spencer at the high end.

Among global retailers, Tesco trails behind only Carrefour and Wal-Mart. **ra**

LF Logistics to build Regional Distribution Centre in SG

LF LOGISTICS, the logistics arm of Li & Fung Limited, celebrated the ground breaking for its Regional Distribution Centre in Singapore last month.

The state-of-the-art warehousing and distribution facility is scheduled for completion in Q4 next year.

With a built-up area of one million sqf, the Regional Distribution Centre will feature an automated storage and retrieval system with inter-floor pallet lifters. Other features will include value-added services processing zones and multi-temperature storage zones for ambient, chilled and frozen storage.

Noel Bautista, executive director and head of ASEAN for LF Logistics, said the company will be pursuing the Leadership in Energy and Environment Design (LEED) certification from the US Green Building Council and the Green Mark certification from Singapore's Building and Construction Authority.

LF Logistics celebrating the ground breaking for its Regional Distribution Centre last month.

Yeoh Keat Chuan, managing director of the Singapore Economic Development Board, said the Asian region is expected to account for around 40% of the world's luxury goods demand by the end of this year. Consumer Packaged Goods and Luxury Goods companies from the West are looking to capitalise on the growth opportunities in Asia.

To position for growth, many logistics companies are building specialised capabilities to differentiate themselves from the competition and capture opportunities in new markets.

He welcomed LF Logistics' move to use Singapore as the base to develop and deepen its capabilities through establishing three Centres of Excellence — in supply-chain analytics, e-commerce and RFID. **ra**

Walmart names Greg Foran Asia CEO

WALMART has made senior management changes in Asia. Greg Foran replaces Scott Price as president and CEO of Walmart Asia and will be based in the company's Asia regional office in Hong Kong. Foran was most recently president and CEO of Walmart China.

Price will move to a senior management role in the US as executive vice-president for international strategy and development, and will handle a wide range of global operations including real estate, mergers and acquisitions, integration and purchase leverage. In his new role, Price will be based at Walmart's world headquarters in Bentonville, Arkansas.

Greg Foran is the new president and CEO of Walmart Asia.

Sean Clarke, Walmart China's chief operating officer before the management reshuffle, has been named president and CEO of Walmart China.

Foran, the new Asia head is a 30-year retail veteran. He joined Walmart in 2011. Prior to Walmart, Foran has worked for Australian retailer Woolworths in Australia and New Zealand. **ra**

Use video analytics solution to increase in-store engagement

FOR as little as S$200 (US$159.05) a month, retailers in Singapore can now avail themselves of the SingTel Video-Analytics-as-a-Service (VAaaS) solution which leverages analytics to extract information and customer intelligence from video images captured within the store.

The SingTel VAaaS solution uses a cloud-based analytics platform to transform everyday video data into customer intelligence that gives retailers better insight and knowledge of customer behaviour.

Using powerful analytics, the solution harnesses the potential of untapped video images and converts them into commercially useful data, such as:

• People Count — measures store traffic as a means to determine store conversion rate, or used to optimise staff allocation.

• Audience Profiling — gives retailers customer demographics, making it easier to sell.

• Human Traffic Flow Tracking — tracks the path taken by visitors and lets retailers know how best to attract customers' attention through careful product placement.

• Crowd Density — tells retailers which areas in the stores have more activity than others, and where to increase visibility of promotions.

Using powerful analytics, the SingTel VAaaS solution harnesses the potential of untapped video images and converts them into commercially useful data.

Lee Han Kheng, SingTel's vice-president, Global Products, Group Enterprise, said: "By applying VAaaS in the retail store, businesses can design better store layouts, drive sales of popular products and deploy manpower more efficiently. It is a solution that eases two main concerns retailers face today — pressures from high upfront costs and manpower shortage."

SingTel is offering VAaaS subscription packages starting at S$200 per month with a minimum 24-month subscription. The telecom company launched the VAaaS offering in Singapore last month and said there is potential to introduce the solution to other markets in the region. **ra**

Central Embassy puts Bangkok on the map of luxury shopping

CENTRAL EMBASSY, a new luxury mall in Bangkok, makes its debut this month.

The 144,000sqm shopping mall, the showcase of Central Retail — part of the Central Group, a retail and property conglomerate run by one of Thailand's wealthiest families — anchors more than 200 international brands including Chanel, Hermes, Gucci, Prada and Ralph Lauren. It also houses brand name restaurants and an ultra-premium cinema, Embassy Diplomat Screens.

Central has invested BT7 billion (US$216 million) and BT5 billion for the construction and interior design of the mall. It expects a footfall of 50,000-60,000 a day.

Managing director Chart Chirathivat said: "Central Embassy will bring Thailand to the front of the luxury lifestyle market."

He further said "the company will apply the Central Embassy model to expand its influence in other provinces in Thailand, which has the potential to fulfil all the needs of luxury shopping for both Thai and foreign customers".

In a previous interview, Central Group's CEO Tos Chirathivat said Central Embassy is planned to be an iconic building, "something that we can be proud of, not just for our group, but for the Thai people as well. We're jealous of our neighbouring countries such as Hong Kong, Korea, Tokyo, Singapore and Malaysia with modern architectural icons. [Prior to Central Embassy], there's not really one in Bangkok".

Central has 24 shopping malls and 18 department stores in Thailand.

Commenting on the market, Chirathivat said Bangkok is a prime destination for many tourists, not just Western but many Asian tourists. He said tourist numbers have been increasing steadily and continued growth is projected. **ra**

Central Embassy expects a footfall of 50,000-60,000 a day.

DFS plans new downtown store in Singapore to woo affluent Asian consumers

LUXURY duty-free retail giant DFS is looking to open a second downtown store in Singapore in a bid to attract more Chinese tourists and local shoppers.

Philippe Schaus, chairman and CEO of DFS, said: "The Chinese are a big part of our high-growth story. They are spending more and want better services and shopping experiences."

He expects the number of Chinese people who travel overseas to double to 200 million within the next 10 years, and their spending power to double from current levels.

Schaus made the comment while in Singapore recently to launch the revamped Scotts Road store, which has been renamed T Galleria.

The move is part of the global rebranding of DFS' 14 downtown stores worldwide, including in Hong Kong, Macau and Okinawa.

DFS currently has a four-storey mall in Singapore's Orchard Road. While Schaus would not give details of the second store, he said DFS' expansion plans are spurred by the increasing affluence of Asian consumers.

DFS' Philippe Schaus: "The Chinese are a big part of our high-growth story. They are spending more and want better services and shopping experiences."

Chinese travellers make up more than half of the DFS customer base in Singapore, which is experiencing record numbers of Chinese visitors. The republic welcomed 1.24 million Chinese visitors in the first half of last year, a 27% rise from the same period in the previous year.

The Chinese have emerged as the top spenders, splurging almost S$1.52 billion (US$1.2 billion) in the first half of last year, overtaking Indonesian visitors.

DFS is also targeting Singaporean shoppers. Francoise Rosset, managing director of DFS Singapore, said there is a need to change the mindset of Singapore consumers that DFS is only for foreigners. "DFS is not just for foreigners and you don't have to show your passport to buy things." **ra**

Modern Putra Indonesia to add 7-Eleven stores

PT MODERN PUTRA INDONESIA, the operator of 7-Eleven convenience stores in Indonesia, plans to open hundreds of new outlets in the coming years, citing strong consumer demand.

Henri Honoris, CEO of PT Modern Putra Indonesia, one of the archipelago's largest retailers, said the country's growing middle class and young population has the propensity to spend on snacks and prepared meals.

With changing lifestyles, Indonesian consumers "now want ready-to-eat food, packaged food and chilled food" and they want access 24 hours a day.

7-Eleven is the world's largest convenience store chain, with more than 40,000 outlets all over the world, from Mexico to Malaysia, overseen by parent company, Seven & i Holdings Co.

In Indonesia, 7-Eleven has evolved into a self-service café, serving chips, Slurpees, hot dogs, beer, salads, lasagne, fried chicken and rice and noodle dishes. Most of the outlets have tables and chairs, free Wi-Fi and parking for customers' scooters. **ra**

With changing lifestyles, Indonesian consumers "now want ready-to-eat food, packaged food and chilled food" and they want access 24 hours a day.

Benefit One seeks retailer partnerships in Singapore

BENEFIT ONE, the largest Japanese Employee Benefit programme provider, has expanded its programme to Singapore and is seeking partnerships with retailers and/or shopping malls in the city state.

The subsidiary, named Benefit One Asia, will focus on providing a comprehensive employee welfare benefits programme for its members, Benefit One said. Corporates and business firms participate in Benefit One to offer employee benefits programmes that are welcomed by their staff and which contribute to increased employee and staff satisfaction levels and higher retention rates.

A key component of the Benefit One programme involves cooperation with retailers and/or shopping malls in Singapore.

"We are in the process of selecting and cooperating with various local and international retailers who are able to provide attractive shopping discounts for our members and their employees. Retailers' participation in our programme is free-of-charge and this is a big incentive for them to opt in," explained Marveric Goh, head of marketing at Benefit One Asia.

With operations in Japan, Singapore, Thailand, Taiwan and Indonesia, Benefit One is looking to link up its benefits programmes in the various countries. This will mean that members can offer their employees benefits on an "international scale" and partner retailers of Benefit One potentially have access to an expanded customer base.

Aiko Morisugi, general manager of Benefit One Asia said: "We do not charge retailers any commission when our members make purchases. All discounts given by our suppliers or retailers are fully enjoyed by our members, who are then very happy to participate in our benefits programme through their company or organisation." **ra**

Marveric Goh and Aiko Morisugi spearhead Benefit One's expansion in Asia.

Burberry opens Shanghai flagship store

BRITISH fashion label Burberry has opened a new flagship store in China — at Kerry Centre in Shanghai.

The store opening marks the start of a new chapter for the brand in China's largest commercial city, following a multi-year investment in the country. Burberry Kerry Centre is the eighth store to open in Shanghai, following recent openings at L'Avenue, K11 Art Mall and Hongqiao Airport last year.

Inspired by the brand's global flagship at 121 Regent Street, Burberry Kerry Centre brings its London flagship experience to life in the heart of Shanghai. Incorporating British craftsmanship and materials, the space reflects the architectural design concept developed by chief creative officer, Christopher Bailey.

Inspired by the brand's global flagship at 121 Regent Street, Burberry Kerry Centre brings its London flagship experience to life in the heart of Shanghai.

At Kerry Centre, Burberry's digital world comes to life in a physical space, where customers can experience every facet of the brand from events to music and heritage, while housing the fullest breadth of Burberry collections in Asia.

Located over three floors, Burberry Kerry Centre has been designed to offer multi-sensory experiences for its customers and communities. Part event space, part entertainment hub, part store, the flagship is a dynamic and luxurious new brand environment.

Highlights include a dynamic illuminated façade responding to both programmed animation and the outdoors while organically interacting with natural light. The store further evolves the Burberry Retail Theatre concept, offering immersive audio-visual experiences via 40 video screens and 130 speakers, including the first digital brand gallery in Asia.

The Burberry Beauty room is the first of its kind in China, featuring the full Burberry fragrance and makeup collections with specialist Burberry Beauty consultants offering personalised appointments.

A dedicated watch area showcases a wide selection of Burberry watches, including the fully expanded Britain collection for men and women.

Another feature found at the store is innovative RFID woven into select apparel and accessories. The RFID chips trigger unique multimedia content on mirrors that turn to screens instantly to showcase runway footage and exclusive product videos.

To celebrate the launch, the store features an exclusive limited edition collection of men's and women's ready-to-wear and accessories. **ra**

H&M lands in Australia to eager fans

MORE than 3,000 fans eagerly awaited the opening of H&M (Hennes & Mauritz AB) which opened for the first time in Australia at Melbourne's GPO.

The store opening was a much-anticipated event as locals queued to get the first glimpse of the extensive fashion collections the Swedish retail brand has to offer.

The 5,000sqm heritage GPO building, which houses three levels of fashion, accessories and homeware, is one of H&M's largest stores globally. The Melbourne H&M Australia flagship store showcases apparel, underwear and accessories for men, women, kids and baby, as well as H&M's Home concept, which delivers fashion for every room in the house.

A specially designed 'Australia Exclusive Collection' features 47 items including limited edition apparel and accessories for men and women. Specifically designed to complement the Australian lifestyle, the women's capsule collection epitomises a Bohemian girl with a rock & roll edge, while the men's collection drew inspiration from the Australian "surfer dude" with a contemporary twist.

H&M's Karl-Johan Persson: China is "definitely getting more competitive".

In China, meanwhile, H&M is taking to the smaller cities, in a move prompted by increasing competition in the country's top-tier cities.

H&M plans to open between 80 and 90 stores across China this year, most of them in lower-tier cities. It already has stores in smaller cities including Daqing, Meishan, Baicheng, Weifang and Zhangjiajie.

CEO Karl-Johan Persson said China is "definitely getting more competitive". H&M had tested second-tier and third-tier cities in China and found the concept is working well, he added. **ra**

Pepe Jeans launches in Delhi

PEPE JEANS LONDON has launched a flagship store in Connaught Place, Delhi, India.

With a global store design concept, the new Pepe Jeans store sets itself out to be one of the most innovative, contemporary and universally designed concept stores.

The store layout is a replica of the brand's international stores. Spread across the 3,500sqf two-storey store are props, visual merchandising elements, innovative fixtures and various wall displays.

Kavindra Mishra, CEO of Pepe Jeans India, said: "Pepe is setting a new benchmark of the ultimate international retail shopping experience. The international store layout has been designed to transport customers into the streets of London and provide quality fashion products with an interactive environment." **ra**

Marks & Spencer plans international expansion

MARKS & SPENCER intends to open 250 new stores outside the UK over the next three years as part of its significant global expansion plans.

CEO Marc Bolland revealed that the retailer is looking to grow its international sales by 25% and profits by as much as 40%.

It will open new stores in Western Europe, India and the Middle East. It also plans to launch flagship stores in major cities, 20 standalone food stores in Paris and a collection of new dedicated lingerie and beauty stores.

Marks & Spencer Lingerie & Beauty has opened in two locations in Saudi Arabia, with further 10 stores planned in the next two years.

The retailer has also earmarked 20 sites in India for the lingerie and beauty concept stores which are smaller than the company's traditional stores. By 2016, Marks & Spencer aims to have 100 stores in India.

The expansion plans, however, exclude China, where the company is retrenching and closing or relocating up to a third of its stores there. **ra**

Marks & Spencer will open new stores in Western Europe, India and the Middle East.

Philippine Retailers Association fetes retailers & shopping centres

THE Philippine Retailers Association has honoured the country's world class retailers and shopping centres at the Outstanding Filipino Retailers and Shopping Centers of the Year (OFR/SCY) Awards Night held recently.

Billed as the Oscars of the Philippine retail industry, the OFR/SCY Awards seeks to give recognition to outstanding retailers and shopping centres that epitomise the model of success in terms of growth and good ethical practices.

A total of 25 retailers and shopping centres received the coveted awards this year.

The SM Store and Starbucks were elevated to the Hall of Fame this year for winning in two consecutive years.

Winner of this year's PRA President's Award is Teresita Sy Coson. She was honoured as Philippine Retailing's Woman Visionary Leader for her insightful vision and commendable leadership at SM, the country's largest and most consistently successful retail conglomerate. **ra**

A total of 25 retailers and shopping centres received the coveted awards this year.

Shoppers reject in-store tracking

NEW technologies now allow retailers to use cellphone signals to track shoppers as they move around the store. But the practice is controversial even as it is increasingly widespread.

According to a study by OpinionLab, eight out of 10 shoppers do not want stores to track their movements via smartphone. Data security (68.5%) and spying (67%) are top concerns cited by consumers around cellphone tracking in stores. Nearly half (43%) of shoppers are less likely to shop at a favourite retailer if the brand implements a tracking programme.

OpinionLab, the pioneer in omnichannel Voice of Customer (VoC) feedback solutions, conducted the study with more than 1,000 consumers in March this year to illuminate consumer sentiment around these new tracking practices.

The study finds that consumers overwhelmingly do not want to be tracked via cellphone without explicit consent and they expect to receive something concrete, such as a discount or free product, in return for their participation.

The bottom line is trust: Consumers report that they do not trust retailers to keep their data private and secure and they do not trust that brands will use the data to benefit shoppers (versus their own business).

Other key findings include:

• **Millennials share suspicion about new practice:** While studies show that Millennials are more comfortable sharing personal data with brands online, this does not appear to translate to in-store tracking. Millennials are aligned with other generations when it comes to the acceptability of tracking smartphones (77% say it is not acceptable) and even more distrusting of retailers' ability to keep data private and secure (76% do not trust retailers to keep data private and secure).

The study finds that consumers overwhelmingly do not want to be tracked via cellphone without explicit consent.

• **Consumers want to choose:** Opt-in consent (where a consumer actively chooses to participate in a tracking programme) is vital to consumers. When asked about the best way for retailers to approach in-store tracking, 64% of consumers said that the best approach is opt-in versus a mere 12% who stated that shoppers should be automatically tracked. When it comes time to participate, though, consumers get cold feet. A full 63% reported that they would not opt-in to be tracked even at their favourite retail stores.

• **Risky business:** The study found that 44% of consumers say a tracking programme would make them less likely to shop with the brand. A comparable number (48%) say it would have no impact, and only 8% stated it would make them more likely to shop at the at store in the future.

• **Show me the money:** Consumers turned to their pocketbooks when asked what incentives would encourage them to participate in a tracking programme. Across the board, consumers expect to be directly compensated for their participation, either by receiving cost saving and price discounts (61%) or by getting free products (53%).

Jonathan Levitt, chief marketing officer of OpinionLab, said consumer sentiment shows that retailers need to tread lightly when it comes to tracking shoppers on their mobile devices. There is a ton of suspicion around in-store tracking, but if it has to happen, opt-in with explicit consent is the strongly preferred way, he said.

Retailers also have to acknowledge the ongoing fallout from recent data breaches, and really up the game on privacy and security. **ra**

Design Philippines showcases Filipino creativity

Design Philippines is a branding initiative that positions the Philippines as a sourcing destination for finely crafted products for the world market.

PHILIPPINE furniture designers and manufacturers, targeting the booming ASEAN market, participated in MAISON&OBJET Asia in Singapore last month.

A select group of seven companies representing Design Philippines showcased Philippine creativity and craftsmanship in furniture.

Design Philippines is a branding initiative that positions the Philippines as a sourcing destination for finely crafted products for the world market. It is a design movement that nurtures and celebrates the creativity and originality of Filipino designers and craftsmen.

"The exhibit was a perfect avenue to introduce the legendary art and craft skills of Philippine manufacturers to the discerning market of Singapore and the region. By networking and forging relationships between Philippine exhibitors and the buyers within the city and region, we hope to tap more opportunities that will spur growth of our local furniture industry, especially as we see exponential increase in home ownership and sophisticated home-fashion culture," said Philippine Ambassador to Singapore Minda Cruz.

The Philippine participation was spearheaded by CITEM, the export promotions arm of the Philippine Department of Trade and Industry, and assisted by the Philippine Trade and Investment Center.

Last year, woodcraft and furniture were two of the top 10 Philippine exports. **ra**

Be in the Know

Download QR Reader app to scan and read QR code

Did you know that the leading 500 retailers in 14 economies in the region chalked up an impressive US$1 trillion of sales in 2012? … and that the Asia Pacific is expected to be the second fastest growing region to drive global retail sales over the next five years? Keep up with the news and developments by subscribing to ***RETAIL ASIA***, the leading B2B regional magazine for the retail and supply chain industry.

Subscribe to Retail Asia Today! --- and receive a copy of the latest Retail Asia Pacific Top 500 ranking report.

Download QR Reader app to scan and read QR code

iPad, iPhone and Tablet only.

Did you know that Asia-Pacific today accounts for nearly 60% of the world's population and more than 50% of global food consumption? … and that the new generation of Asians who are foodsafety-conscious are now demanding quality, hygienic food and beverages, thereby creating a US$1 trillion opportunity for F&B producers and manufacturers? Be in the know with ***FoodBizAsia***, a new digital magazine for food service and hospitality professionals in the region.

Win an iPad Air

with Retina Display

Answer one simple question correctly and you may win an ***iPad Air with Retina display***

Log in www.foodbizasia.com/contact.html or download the QR code

retail asia

Info You Can Use

RETAIL ASIA PUBLISHING PTE LTD
61 Tai Seng Avenue, #05-01 Crescendas Print Media Hub, Singapore 534167
TEL: (65) 6287 2025 • FAX: (65) 6287 2027 • Email: info@retailasia.com.sg / info@foodbizasia.com
Website: www.retailasiaonline.com / www.foodbizasia.com

Supply-chain kinks threaten e-commerce success

ASIA is the region now taking centre stage in the world e-commerce market. This year, consumer spending in e-commerce is expected to hit US$525 billion in Asia — half of the global total. Retailers may be rushing to tap this market opportunity. However, **Dean Eichorn**, vice-president, Retail, South & South-east Asia, DHL Supply Chain, cautions that they will be challenged by a number of factors, particularly supply chain issues. **Sharon Tian** finds out more.

What are the key challenges for e-commerce operators in the region?

Dean Eichorn: There are a number of challenges — coping with increased consumer demand, managing demand volatility and managing logistics in an emerging market.

Online consumers have high expectations for service, delivery and brand experience, and their expectations will continue to rise.

A typical online shopper today expects services such as "order-to-deliver", on top of wider product offerings, consistent brand experience across the brick-and-mortar and online storefronts, free delivery, free returns, mobile retail, for example.

On top of meeting these requirements, e-commerce retailers have to deal with demand volatility caused by seasonal changes or unforeseeable disruptions. Forecasting unpredictability requires supply-chain agility, which can be developed through investing in distribution systems and networks.

But this contradicts with the retailer's primary objective — which is to reduce warehousing and transportation costs wherever possible, to support profitability. Therefore, very often, retailers turn to a third-party logistics (3PL) provider.

Most emerging Asian markets are large and fragmented with poor logistics infrastructure. In countries such as India, Indonesia, Thailand and China, local logistics firms have only partial coverage. This has forced e-commerce firms to build their own logistics systems with enormous cost and time outlay, in order to meet consumer expectations. Without a mature and reliable infrastructure, it is difficult to meet the high customer service level expected at minimal cost.

DHL's Dean Eichorn: Most emerging Asian markets are large and fragmented with poor logistics infrastructure. Without a mature and reliable infrastructure, it is difficult to meet the high customer service level expected at minimal cost.

So, what supply-chain strategies can help e-commerce operators tackle these challenges?

Eichorn: Helpful strategies will have to do with enhancing service quality and improving agility and flexibility.

Consumers want fast delivery and, if possible, free delivery. This requires retailers to innovate in order to reduce delivery times and offer free service.

Process mapping of the order cycle should be the starting point as it can offer time-efficiencies without needing long-term investment. By looking at each element in the process, from staff scheduling to cut-off times, retailers can literally remove days from their order cycle time.

The other option is simply to put more distribution points in the network. This, however, entails significant upfront capital investment. The retailer needs to assess the cost versus service quality, bearing in mind that higher service quality could ultimately lead to sales uplift and transportation savings.

The other strategy is to improve agility and flexibility. Volatility in demand caused by changing economic conditions and seasonal changes is a serious problem for e-commerce operators. Getting the demand forecast right means meeting customer expectations and growing market share. Getting it wrong means costly excess stock holding or missed sales.

From the perspective of supply-chain management, there are two ways to manage. The first is over-stocking and determining how to best sell the products. Through intelligent discounting, retailers can minimise the risk of being left with non-saleable products, but this requires accurate and timely visibility of a range of volume measures. Relevant supply-chain metrics include returns, inventory, fill rate, days-on-hand, for instance — all of which need to be integrated with marketing and sales data.

The second way is under-stocking. Then costly air freight remains the only way of expediting the transportation process. However, through improvements to the forecasting and sell-through processes above, the threat of under-stocking can be reduced.

What services does DHL provide to e-commerce businesses? And how do these services benefit them?

Eichorn: DHL services a number of companies in the e-commerce sector. The brands we work with range from high-end luxury, fast fashion to pure play e-commerce.

We help our clients in a number of areas: Efficient inventory management, flexible delivery services, responsive return management, online support, and integrated system.

Control of inventory levels and visibility of available stock, both online and in-store, are vital for businesses. DHL helps to improve stock availability and accuracy by managing stock for all channels from one central point, which ensures speed of response in delivering the product to the customer, maximises sales and increases customer satisfaction.

Delivering the product on time, via the most appropriate carrier, is a critical service. DHL offers flexible delivery options. We operate a carrier management service, which includes a preferred carrier solution, ranging from premium services, such as next day or nominated delivery, to standard options including signature or non-signature and proof of delivery. We accommodate small to large and fragile products, offer two-man delivery and we are able to incorporate the retailers' preferred carriers as part of our delivery options.

With DHL's Returns Management approach, we take on the responsibility to process returns in a quick and efficient manner to avoid customer dissatisfaction. With efficient processing of returns, we ensure that 'good' products can be available for sale in a timely manner, while rejected or damaged items are identified and dealt with in accordance with our customers credit and re-sale procedures. Centralising the returns process reduces the transportation costs and improves the speed with which stock can be made visible for sale.

Online support means we offer additional services such as integrating photo studio facilities alongside the fulfilment centre. This allows products to be professionally photographed for our customers' websites. Customers enjoy flexibility and convenience.

Finally, from call centre operations to online order and transactional systems, and through back-office warehouse management systems, DHL integrates the various tools and technologies, and aligns them to the processes which support customers' multi-channel business model to ensure seamless operations. The infrastructure enables a consistent customer service, whichever channel to market they choose.

What does e-fulfilment mean?

Eichorn: E-commerce logistics is much more than just delivery. It encompasses the entire chain of process from receiving a sales order to fulfilling/processing it, to shipping it out to the customer individually. This B2C element adds a layer of complexity that challenges the traditional logistics industry which is more B2B. As the shopping orders become more complex and the variety of goods increases, a new and innovative way of doing business is needed and this is where e-fulfilment comes into play.

At DHL, the scope of e-fulfilment service entails a whole host of services. We support fulfilment of orders placed in-store or online, through websites, in-store kiosks or catalogues. We provide picking, packing and shipping of orders. Our services extend to printing of return notes and/or return shipping labels, providing physical protection of fragile goods with additional filler material.

Explain reverse logistics. What is its impact on e-commerce?

Eichorn: Reverse logistics means plan, implement and control the raw materials, semi-finished goods inventory, the finished goods and the related information efficiently and economically, and control the process flow from the consumption point to the start, in order to achieve the value for recycling and disposing properly.

Reverse logistics include return reverse logistics and recovery reverse logistics.

E-commerce has changed the business environment. With the high volume of online transactions today, the return rate has reached 36%. A growing number of companies now recognise the importance of reverse logistics.

Reverse logistics cannot be ignored; it affects the credibility and brand image of business, and it provides a platform for companies to better communicate with customers. The e-commerce environment provides a more efficient tool and infrastructure for reverse logistics. With further development of e-commerce, reverse logistics will become a huge competitive advantage for e-commerce.

In forward logistics, businesses can rely on market research and forecast to predict the demand. Reverse logistics, on the other hand, is purely reaction-based. It is not by plan or the result of decision-making; instead, it is the reaction to consumer behaviour. Reverse logistics is initiated by the end-consumer, and many unpredictable factors may contribute to the end-consumer's decision to return a product. Therefore, retailers cannot predict how many products will be returned and also its state of recovery. This has resulted in great uncertainty in reverse logistics operations. **ra**

From call centre operations to online order and transactional systems, and through back-office warehouse management systems, DHL integrates the various tools and technologies, and aligns them to the processes which support customers' multi-channel business model to ensure seamless operations.

Broadway Malyan-designed Century City Mall opens in Makati City

CENTURY CITY MALL, the Php $1-billion (S$28.1 million) project designed by global architecture, urbanism and design practice Broadway Malyan, has opened to the public, making it the newest retail development in the Makati City for nearly a decade.

Broadway Malyan delivered an integrated package of design services, covering everything from architecture, interior and landscape design to wayfinding, on the 17,000sqm retail centre.

Century City Mall hosts a wide range of luxury retail, fashion and lifestyle brands, including four state-of-the-art cinemas and features a rooftop garden with al fresco dining and a bar, complementing a series of 'green paths' that thread through the scheme.

Miguel Sousa, project leader in Broadway Malyan's Singapore office, said: "Our diverse, expert design team has worked in close partnership with client Century Properties Group to deliver an iconic project which is all about quality, customer experience and liveability."

Tenants include Rustan's supermarket, fashion and beauty stores Desigual, Fresh/H20, Beauty Bar, Hush Puppies, Philip Stein, Swarovski and Victorinox, and food and dining establishments Azurro Bistro and Restaurant, Early Bird Breakfast Club, Pepper Lunch, Starbucks Coffee, TWG Tea, Mochi Sweets and US burger joint CaliBurger.

Century City Mall hosts a wide range of luxury retail, fashion and lifestyle brands, including four state-of-the-art cinemas and features a rooftop garden with al fresco dining and a bar, complementing a series of 'green paths' that thread through the scheme.

Century City Mall is one of several buildings that Broadway Malyan has designed and which are now being built as part of the landmark mixed-use Century City scheme developed by Century Properties in Makati City.

These include Trump Tower Manila, which is set to be the tallest residential skyscraper in the Philippines and Manila's definitive landmark when completed in 2016, and the Milano Residences, an upmarket residential project featuring a 53-storey tower which is set to complete next year.

Broadway Malyan has global reach with 16 studios across world centres and more than 500 design experts. It creates world-class and fully-integrated cities, places and buildings to "unlock lasting value and deliver a return on design". **ra**

Giant retail complex planned for Ginza

The new complex will be built where the iconic Matsuzakaya Ginza department store used to be located.

PROPERTY developer Mori Building, LVMH subsidiary L Real Estate, and two other Japanese companies, trading conglomerate Sumitomo Corporation and department store operator J Front Retailing, plan to open a 46,000sqm giant retail complex in Ginza in November 2016.

The new complex will be built where the iconic Matsuzakaya Ginza department store used to be located.

The vast commercial space is expected to house a couple hundred tenants ranging from luxury fashion brands to hip cafes. The retail complex, along with office space and the Kanze Nohgaku auditorium, will be part of what will be Ginza's largest multipurpose building.

Observers said the new retail complex aims to bring the glitz back to Ginza. The upscale Ginza shopping district in central Tokyo is well known for its pre-war buildings, glittering nightlife and sky-high rents for retailers. In recent times, however, it is out of vogue as younger consumers favour the Shibuya and Roppongi districts while other consumers gravitate towards newer big stores in the suburbs and buying their brand name goods online. **ra**

Asia's shopping centres entice investors, says Jones Lang LaSalle

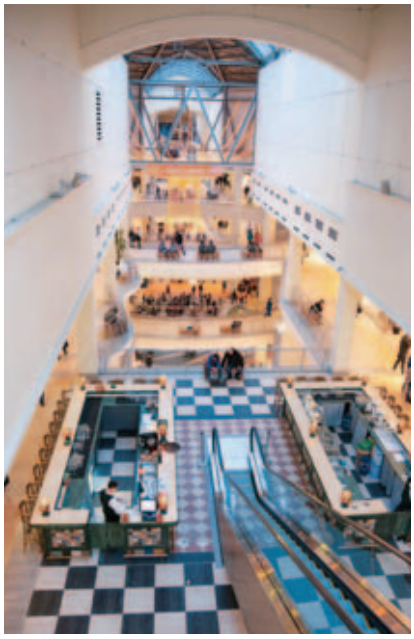
SHOPPING centres are the latest 'must have' for investors who are targeting Asia in a bid to benefit from the region's growth and ever-increasing consumer confidence, said Jones Lang LaSalle (JLL), a financial and professional services firm specialising in real estate services.

Despite slower than expected GDP growth from China and anxiety over US Federal tapering, consumer spending remains robust in Asian cities, driven by rapid urbanisation.

As a result, retail investment in Asia witnessed another year of prolific activity this year with turnover totalling US$21.17 billion — a 41% increase on 2012, according to a new retail investment report from JLL.

But competition is fierce and there is plenty of fresh capital targeting the sector, from local high net worth investors to global sovereign and pension funds. Private equity funds raised for exclusive investment in the region are also a dominant force, particularly for riskier assets.

"Buyers will increasingly look to invest in assets that stretch their comfort levels, moving up the risk curve," said David Raven, lead director, Retail Investment, JLL, the author of the retail investment report.



For many Asian billionaires, shopping malls and flagship retail stores have similar qualities to hotels and are seen as 'must haves'.

Buyers, however, have to be aware when buying secondary assets, warned Raven.

"Unlike other asset classes, there is the propensity for investments in retail real estate to go horribly wrong if investors fail to do their homework when purchasing or don't have the necessary skills to appropriately manage once acquired."

Private high net worth investors are seeing the benefits of investing in mixed-use retail assets, and unsurprisingly, this cash-rich demographic dominated prime buying last year. Having reaped the benefits of owning hotels, the natural next step is retail.

For many Asian billionaires, shopping malls and flagship retail stores have similar qualities to hotels and are seen as 'must haves'.

The Knightsbridge mall on Singapore's Orchard Road is a good example of this, said Raven. Last year, it sold to Bright Ruby Resources for US$921 million. While a hotel sits above the shops, the retail component made up more than half of the sale price at US$595 million.

Raven expects more international investors to seek out local partners for their on-the-ground knowledge.

In Shanghai, the largest shopping centre transaction from last year was a joint venture. Morgan Stanley sold its 80% stake in Life Hub@Jinqio for US$425.8 million to Keppel Land Limited — the property arm of Singapore's Keppel Corporation, together with Alpha Investment Partners. Chongbang Group from Hong Kong owns the remaining 20%. The development includes 98,000sqm of retail and 16,000sqm of office space.

Raven said landlords will need to be increasingly aware of e-commerce and constantly evolving technology in order to attract retailers. Historically, developers have built and the retailers have showed up. But because of continuous shopping centre development and e-commerce expansion, retailers are becoming more discerning. **ra**

As brands adapt to new definition of luxury, Asia's malls must follow suit

By Tom Gaffney, head of Retail, Hong Kong, JLL

INCREASINGLY, there is a move away from mass-market luxury, as high net-worth spenders scour the shops in search of something different. Top-tier brands, and the malls in which they're housed, are employing ever more outlandish tactics to clamour for consumer dollars.

Bespoke is the new buzzword among today's Asian upper and middle classes.

Names such as Rick Owens and Kiton are emerging, along with understated luxury brands such as Bottega Veneta. You might know it's a Bottega Veneta bag because of the symbol but it is not plastered all over like some brands.

Satiating this deep-pocketed society's desire for new models of luxury presents a challenge to retailers and, for landlords, this means being creative with store space.

In-store VIP rooms are now highly sought after — Swiss watchmaker Breitling says VIP treatment is vital in attracting its high net worth customers — and secluded VIP-only entrances entice customers to roll up in their Rolls-Royces. Flagship stores resemble spacious galleries, often exceeding 5,000sqf and, as consumers demand more, landlords and brands are attempting to outdo each other to perfect the ideal of bespoke.

One client engaged JLL to seek out a secluded warehouse to create an invite-only fashion showroom, accessible via a secret password-protected door. We will see more brands retaining exclusive collections for their 'VVVIP' customers.

Today's retailers must be savvy in the face of change — offering a pop-up shop won't necessarily cut it. Sales of luxury bags cannot maintain a decent margin in the face of exorbitantly high rents, which are pricing many out of central areas in cities such as Hong Kong and Singapore. For landlords, this means luring retailers out of town with the promise of more competitive rents in mixed-use developments.

While mixed use is nothing new, retailers are still very nervous about it, favouring the familiarity of traditional malls, which offer plenty of space and a guaranteed consumer footfall. But shopping centres must reposition themselves and their tenant mix. **ra**

Fujitsu launches omnichannel POS app

FUJITSU has introduced an omnichannel point-of-service (POS) application that allows retailers to significantly increase revenue while reducing IT costs.

Fujitsu Retail Solution Market Place achieves this by supporting enterprise-wide transactions and order fulfilment to deliver a consistent and seamless buying experience to their customers via traditional POS, online and mobile channels.

Fujitsu Market Place breaks down the barrier between orders and in-store shopping by combining both in a single transaction. For the customer, this delivers uniform pricing, promotion and customer-relationship experiences whether online, in-store or using a mobile device.

It also allows the sales associate to transact business with the customer through a single application rather than switching between POS and online order fulfilment, making the operation quicker, easier to learn and more likely to be accurate.

Fujitsu Market Place breaks down the barrier between orders and in-store shopping by combining both in a single transaction.

And for the retailer, it provides increased profitability through a reduction of 'dropped baskets'.

To address the challenges of improving customer service and enterprise efficiency, Fujitsu Market Place works across the entire enterprise fulfilling all channels, and offers a range of deployment models to meet each retailer's different needs, budgets, business and timing priorities.

Fujitsu says the modular design of its solution contributes to a lower total cost of ownership. Retailers are able to deliver value-adding changes, such as installing new mobile devices and workflow in the store, by re-using standard retail functionality and without re-coding the existing POS business logic.

The solution's service-oriented application architecture also speeds and simplifies integration with SAP or other Enterprise Resource Management software. **ra**

Avaya solution helps companies master omnichannel customer experience

ACCORDING to a recent Avaya survey, 93% of business managers recognise that not providing a holistic, personalised, proactive customer experience has potential consequences which can include lost customers, missed sales opportunities and lower revenue as well as reduced loyalty.

To help businesses address the challenge, Avaya has announced new and enhanced Customer Experience Management (CEM) solutions to eliminate the fragmented, high-effort service that jeopardises customer loyalty and revenue growth.

Avaya CEM solutions help deliver that holistic, proactive experience by enabling companies to centralise and orchestrate all mobile, Web and contact centre interactions that occur throughout a customer-care cycle.

Companies can now easily design and manage interactive proactive outreach and self-service applications over SMS and e-mail along with existing mobile, phone, video and other touch points from a single platform.

By doing so, companies have greater visibility, insights and control across mobile, Web and the contact centre, and can enable a consistent omnichannel customer experience that is missing from many customer service strategies today. **ra**

Pro 7 system for team communication in retailing

QUAIL DIGITAL, a retail communication specialist, has announced the launch of Pro 7 — its new 30-user wireless headset system for team communication in retail, hospitality and wider business applications.

For the first time, staff can use the digital lightweight headsets to stay in touch throughout the whole building, creating a more efficient and productive team, aiding security and enhancing the customer experience with fast responses to queries.

Designed for plug-and-play simplicity, the headsets operate in hands-free and push-to-talk modes with at least six hours of talk time between charges.

Designed for plug-and-play simplicity, the Pro7 headsets operate in hands-free and push-to-talk modes with at least six hours of talk time between charges.

Connecting multiple base stations expands the range up to 250,000sqf across multiple floors, off-sales areas and parking lots.

Additional features include the facility for remote messaging from checkouts or call points into the headset system.

Quail Digital said the Pro7's increased capacity and range creates a good alternative to private mobile radios and hardwired communication systems.

"The new Pro7 is a huge leap in flexibility from our previous product," said Tom Downes, CEO of Quail Digital. "For the first time, anyone using private mobile radios (PMRs) in a building could move up this digital wireless platform, which offers far better audio quality, is more discrete and, of course is licence-free. The price points and features are likely to interest retailers and business users everywhere." **ra**

Internet of Things gives retailers visibility

TWO technologies — the Internet of Things (IoT) and Big Data — are set to revolutionise the retailer's business. Ryan Goh, vice-president, sales, Zebra Technologies Asia-Pacific, said these are critical enabling technologies for retailers.

IoT solutions comprise smart interconnected devices, such as smartphones, printers, tablets and scanners that collect data and transmit data. They are important as they provide visibility into an organisation's operational events and enable the retailer to be smarter.

"In order to thrive in today's competitive environment, retailers cannot afford to react to changes in their operational environment — often, they need to make a preemptive strike, and these winning strategies can be derived from data and insights collected at various touch points throughout the retail chain," said Goh.

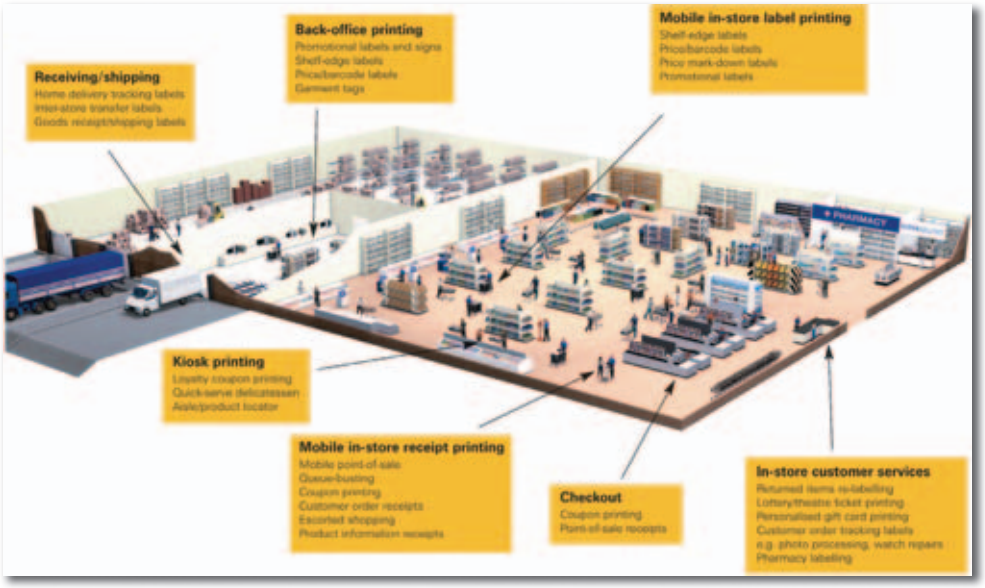
IoT solutions, "through collecting a whole lot of data", enable Big Data analytics. With Big Data analytics, retailers can better understand consumer behaviour and make decisions on how to price a product or enhance a loyalty programme. Big Data analytics also help the retailer with efficient inventory management and in supply-chain decisions.

"For example, with a smart POS tablet, a sales associate serving a customer can find out, without leaving the spot, if a particular shoe size desired by a customer is available in another shop location. This is enabled by IoT."

IoT and Big Data also enable retailers to be smart about their business operations. "In the old days, with physical vouchers, it was common for retailers to not know how many vouchers they had and how many were used. Today, use of e-vouchers lets the retailer know how many have been distributed, how many have been redeemed and how the e-vouchers are used."

Goh said retailers, particularly smaller retailers, should harness IoT solutions because it is a technology that helps them tremendously. The benefits include more efficient inventory management, reduced inventory and higher productivity on the sales floor.

"We believe every organisation has an opportunity to use IoT technologies to illuminate operational events occurring throughout their value chain so they can act upon them to make smarter decisions," said Goh.



Zebra Infographics: Auto identification and data capture technologies across the retail value chain.

Zebra Technologies' Ryan Goh: "We believe every organisation has an opportunity to use IoT technologies to illuminate operational events occurring throughout their value chain so they can act upon them to make smarter decisions."

In the era of omnichannel retailing, retailers need to offer smart customer service with IoT. "The rise of m-commerce and e-commerce among consumers has encouraged retailers to extend their products and services onto multiple channels as well. This adds the challenge of managing customer relations across various channels while providing a seamless experience throughout. IoT can go a long way in helping retailers accelerate their omnichannel growth and keep abreast of changing consumer behaviours, by enabling retailers to see more and do more with their resources."

Goh said Zebra Technologies' leadership in IoT technologies enables it to be a provider of enterprise asset intelligence in the connected age and create value for the enterprise. Zebra has a full suite of IoT devices such as printers, RFID devices, location sensing devices, cloud management software, and — with the acquisition of Motorola's Enterprise business — scanners and mobile computers.

At the recent Cards and Payment Asia 2014 exhibition in Singapore, Zebra showcased its solutions and applications for retailers, including inventory management, membership and loyalty programmes, and queue busting and mobile payments.

In response to the growing demand for fast and effective item-level RFID tagging and improved tracking of assets, Zebra will soon launch a full-featured compact Ultra High Frequency (UHF) RFID printer, ideal for applications such as in-store item tagging and asset tracking.

Recently, Zebra introduced a newly-enhanced ZXP Series 7 Card Printer which comes with key enhancements such as UHF encoders for secure access and long-range tracking, wireless connectivity for hassle-free printing, and an integrated barcode reading technology for added security.

To solve retailers' challenges with queue busting and mobile payments, Zebra provides a suite of mobile POS solutions. **ra**

Hiroshi Ohnishi

The essential retailer

President and CEO Hiroshi Ohnishi wants Isetan Mitsukoshi to be the indispensable department store for every customer throughout his or her life. **Sharon Tian** finds out more.

Hiroshi Ohnishi's fascination with department stores began when he was at a young age.

"When I was small, I very much enjoyed visiting a department store with my family," shares Ohnishi. "Since then, I have started to think that loving people, entertaining people, being impressed by people and impressing people are the most important aspects of life."

So when he graduated from university, Ohnishi decided to find a job in the hospitality business.

He soon joined Isetan because the department store is like a hospitality business and offers a "possibility to impress people".

Thus Ohnishi began a 35-year career with Isetan, working from the sales floor up to the highest management level. In April 2008, Isetan Co Ltd and Mitsukoshi Ltd merged to form Isetan Mitsukoshi — and Ohnishi became its president and CEO in February 2012.

Throughout the years, Ohnishi held on firmly to a few beliefs about his job and the business. The first is that it all starts from the sales floor. "The real meaning of the retail business is to understand what customers want through sales activities. Customers' needs should be reflected to the product development and services staff, and then new customer value needs to be continuously created.

"The only place where we can understand our customers' needs has to be on the sales floor. The most important thing for retail business is to have sales staff giving their best service to customers."

Ohnishi also believes in the importance of customer experience. "In an era where our customers' attitudes and values constantly change, I believe we need to offer new emotional values to keep engaging them. The perfection of products as well as services or events is very important.

"My wish is that Isetan Mitsukoshi can become a group of companies that is recognised for best customer satisfaction in the world through the perpetual quest for perfection."

Ohnishi says Isetan Mitsukoshi's vision is to become "my indispensable department store" for each individual customer

> "In an era where our customers' attitudes and values constantly change, I believe we need to offer new emotional values to keep engaging them."

throughout his or her life. It can do this by continually creating new high-quality lifestyles and being of service to its customers in the many different aspects of their lives. By doing so, Isetan Mitsukoshi aims to become the world's foremost retail services group with high profitability and sustained growth.

For the year ended March 2013, the company recorded consolidated net sales of ¥1,236.3 billion (US$12 billion).

To be an "indispensable existence" for customers, Isetan Mitsukoshi has to continuously create new customer value out of what a department store can offer — combining a strong selection of products with environment and services including space, Ohnishi explains further.

"By providing products and services at the highest level in terms of quality and freshness of approach, we aim to impress our customers and become the indispensable store for them."

Despite the challenging business environment, the region is a promising market for the department store business, says Ohnishi. Many countries in the Asia-Pacific region are heavily populated and the influx of tourists into Japan from Asian emerging economies because of the weak yen will create "a great growth opportunity for [Japan's] retail business", he says.

Ohnishi is focused on capturing this growth opportunity and revitalising the retail business. "In the short term, my key goals are revival of the department store and retail business and increasing the value of the department store.

"In the long term, I would like to achieve the goal of having Isetan Mitsukoshi recognised as a top company — both in reputation and in fact. It would be personally satisfying to see Isetan Mitsukoshi recognised as one of the top 10 most popular companies in the world."

To achieve these goals, Ohnishi is keeping an eye on key trends and industry developments that affect the business world.

Maturation of consumption

It is no secret that the department store business is undergoing tough times. In a surplus situation, Japanese department stores struggle to find originality in the merchandise offered. A department store is also less attractive these days for many consumers, especially young people who perceive it as out-of-date.

Isetan Mitsukoshi's vision is to become "my indispensable department store" for each individual customer throughout his or her life.

"My first assigned position at Isetan was on the men's apparel floor of the Shinjuku store. I learnt how difficult it is to interact and take good care of customers. An experienced senior associate scolded me as I had no "selling power" without any experience. I learnt the really valuable lesson that the sales floor is the place where business starts and all the questions are answered on the sales floor."

Ohnishi says a most interesting development with regards to consumer behaviour in the Asia-Pacific region is the advancement of maturation of consumption.

For example, in the metropolitan areas in China today, shopping malls are already commonplace. Traditional department stores are no longer needed as anchor tenants. Instead, shopping malls with additional amenities such as movie theatres, bowling centres and other amusement facilities have become destinations where people can enjoy all day. With this development, department stores need to demonstrate their unique value to survive.

"In Singapore, it has been 40 years since we opened our first store. We have the Scotts flagship store and other medium-sized stores totalling about 5,000sqm. But consumers and their shopping attitudes have matured very much in the past 40 years. GDP per person in Singapore now exceeds Japan's. Considering the maturation of customers in Singapore, I believe we need to expand our store size, upgrade our stores and develop our uniqueness."

Making shopping enjoyable and enriching

In this respect, Isetan Mitsukoshi is working on creating a new level of shopping enjoyment which engages consumers whose lifestyles have changed and to create "valuable customer experiences".

"We will challenge the norm to

"I am always interested to take a walk and visit new shops. When I visit these shops, I think of the shop concept and imagine its future direction."

BIOGRAPHY

HIROSHI OHNISHI, 58
President & CEO,
Isetan Mitsukoshi

After graduating from the Faculty of Commerce in Keiko Gijuku University in 1979, Ohnishi joined Isetan Co Ltd in the same year. Over a span of 20 years, he held a number of different positions such as general merchandising manager (Men's Apparel and Sportswear Department) and senior executive officer (Store Manager & General Merchandising, Tachikawa Store). In 2012, he became the president and CEO of Isetan Mitsukoshi and has led the company ever since.

create a new business model which is different from the traditional concept. We'll try to propose essential values which our customers desire and which enrich the human heart."

An example of this, Ohnishi says, is the renewal of Isetan Shinjuku which re-opened in March last year.

The redevelopment of the Isetan Shinjuku Main store not only involved physical renewal but was also aimed at redevelopment and innovation of all aspects such as sales and services, employees' awareness and workplace environment.

World's greatest fashion museum

Isetan Shinjuku sets out to be the "world's greatest fashion museum" that always continues to express newness ahead of customers. In addition to relating fashion to art, the department store is designed to create a new space with an environment that delivers excitement to customers through appealing to their senses.

Through integrated displays, products selection, environmental design and extensive collaborations with leading artists, Isetan Shinjuku provides shoppers not just with a shopping facility but also a unique experience of information, products and hospitality related to art.

The museum theme runs through the entire building. Various floors are devoted to specially curated sections that highlight historically significant trends and fashions. For instance, there is Decade, an in-store boutique dedicated to the classic styles of the '60s and '70s. The Mono/Koto section is devoted to showcasing special collaborations between garment, jewellery and other designers and artists.

By fusing five areas of retailing expertise — merchandising, category development, tactical product information, shopfloor environment, and personal service — the store not only fulfils the purpose of shopping but also seeks to develop an attractive space in which customers can naturally gather.

"Sales of Isetan Shinjuku, at about ¥235 billion a year (March 2013), were the world's best. Customer traffic count is about 25 million a year. Isetan Shinjuku is our important flagship and our most profitable store," reveals Ohnishi.

"The purpose of the renewal was to realise innovation in the retail business which creates new absolute value," he adds. The project also established Isetan Mitsukoshi's leadership in department store retailing.

In addition to deploying innovations exemplified by Isetan Shinjuku, Ohnishi is also making sure that the business keeps up with changes in the markets both within and outside of Japan.

"We have been opening our stores in the metropolitan areas in the past, but in the future we will increase common ground with our customers through new business categories — in the suburbs, inside the house (e-commerce) and overseas.

"By establishing store models which meet the needs of our customers in each area, we will become indispensable to our customers."

Overseas expansion remains part

Isetan Mitsukoshi is working on creating a new level of shopping enjoyment which engages consumers whose lifestyles have changed and to create "valuable customer experiences".

of Isetan Mitsukoshi's growth strategy. Ohnishi says the company now operates 37 stores in China and South-east Asia and plans to expand in new ways.

While Isetan Mitsukoshi has been setting up small to middle-sized stores overseas, it faces difficulty in increasing profit with escalating competition and costs. Going forward, the company will adopt new tools such as online sales and social networks to increase interaction with customers.

In China and South-east Asian markets, Isetan Mitsukoshi will explore new business formats including operating its own large-scale shopping malls.

Greater ambitions

Isetan Mitsukoshi is currently going through its three-year plan (FY2012 to FY2014). One of its key goals is to generate consolidated operating profit of more than ¥50 billion in 2018. To do so, it is important to maintain current business results while making a strategic move for the future.

Ohnishi says the group will continue to work on its mission to be an ideal department store and to further develop, cultivate and strengthen a new and growing business.

In the long term, he would like Isetan Mitsukoshi to become a company which curates cultural aspects such as fashion, technology, history, music and art, and shares this knowledge with local communities.

Related to this is Ohnishi's passion to revitalise Japan. "Japanese traditions and advanced technology are highly regarded overseas but are about to [lose their emphasis] in Japan.

"I would like to focus on Japanese traditions, our newest technology, craftsmanship and creations, and "edit" them to create and propose new value. This will create an opportunity for the rediscovery of Japan. I would like to make Japan more energetic and exciting." **ra**

OMNICHANNEL
Many channels, one store

In the omnichannel journey, savvy customers are ahead of the retailers in Asia who have to deal with integration challenges. **Richard Seah** reports.

Omnichannel retailing takes the online experience back to the store.

Bottles of whiskey sit on a display shelf in front of a TV screen. Pick up a bottle and the screen will show, on a scale of 1-10, how the whiskey fares in terms of flavours such as smokey, rich fruit, light fruit, nuts and spices, vanilla and oak. Pick up a second bottle and the screen will compare the two whiskeys. Walk over to the whiskey glasses and decanters and you can get more information about them via your smartphone.

This is omnichannel retailing come full circle — taking the online experience back to the physical store. "We've always felt a disconnect between the online and the brick-and-mortar worlds. The two have little or nothing to do with each other. We try to re-connect them," says Guillaume Proux, vice-president, Far-east Asia for Scala, the digital signage company that offers this technology.

Scala was one of many omnichannel retail solutions on show at the World Retail Congress, held at the Marina Bay Sands Convention Centre in Singapore recently.

Other technologies, broadly called "retail mapping", allow retailers to interact with shoppers via their smartphones, sometimes without them having to download any app.

Such interactions might require the shopper's active participation such as via palm printing (similar to finger printing) to register himself as he enters the store. It could also be subtle. "Let's say you have been looking at jeans as you walk through the mall or department store. As you are about to leave, a video screen might flash an advertisement of jeans on special offer," explains Proux. "You won't be shown, for example, maternity wear."

> "Omnichannel is one area where customers have gone far ahead, while retailers are playing the catch-up game."
> — Pat Bakey, General Manager, Global Retail, SAP

The possibilities are many and they take omnichannel retailing beyond the realms of call centres, websites, online stores, mobile apps and Facebook pages.

Yet only a small number of Asian retailers have fully and successfully implemented omnichannel retailing.

Retailers trying to catch up

"Omnichannel is one area where customers have gone far ahead — they've become very savvy in researching and purchasing online via the different platforms — while retailers are playing the catch-up game," notes Pat Bakey, general manager, Global Retail for SAP, the enterprise software company. SAP has become one of the leading providers of omnichannel software solutions following its acquisition of Hybris Software last year, which specialises in omnichannel solutions.

Not that retailers had been napping. It is not easy to set up a well-integrated omnichannel system. It is not cheap

From catalogue to omnichannel

24 Shopping, an online business that works closely with 7-Eleven outlets in Thailand, has emerged as one of country's most successful omnichannel retailers.

Like many online stores, it sells a very wide range of products, including clothing, household items, health supplements and even religious amulets.

The business, run by CP All Public Company Ltd, started in 2000 as 7 Catalog, a mail order service offering a range of seasonal products. The catalogue was placed at 7-Eleven outlets and sent by mail to 7 Catalog members. This year, 7 Catalog started operating under 24 Shopping as a full-fledged onmichannel retailer, offering the convenience of 24-hour shopping both online and in-store.

Among other changes, the catalogue now comes in three forms:

- Catalog On Book comes as a 240-page book that features the SMEs whose products are being sold. There is also a thinner "Best of Catalog" that highlights bestsellers and incorporates a product newsletter.
- Catalog On Shelf comprises a limited selection of best-selling items displayed and sold in the store.
- Catalog Online has three websites — one for the complete range of catalogue products, one for non-catalogue, non-store products available through special orders and a third for religious amulets.

"The customer can order via three channels — 7-Eleven stores, call centre and the three websites," says CP All's vice-president, Ampa Yongpisanpop. "The order is then processed and the item delivered to a 7-Eleven outlet near the buyer. Once the item is ready for collection, the customer is informed via SMS."

Customers have a choice of payment methods — using cash at 7-Eleven outlets, smart card, credit card, bank transfer (via Internet banking, ATMs or at the bank itself) and cash-on-delivery.

CP All's Ampa Yongpisanpop: "By providing a wide range of secure payment options, we overcame one of the key challenges of online businesses, which is that customers in the past lacked confidence in the security of payment."

Catalog On Book comes as a 240-page book that features the SMEs whose products are being sold.

They also have the option to redeem membership points.

"By providing a wide range of secure payment options, we overcame one of the key challenges of online businesses, which is that customers in the past lacked confidence in the security of payment," Yongpisanpop notes. "This has also made them more willing to buy high-value products, which were previously difficult to sell online."

Indeed, gaining customer confidence was one of the key challenges faced by 7 Catalog and now, 24 Shopping. "Our suppliers are mainly small companies seeking online representation, so we need to set stringent standards to make sure that they are reliable. We also need to ensure compliance with copyright laws, and other laws in order to maintain a good company image," Yongpisanpop says.

> "In the past, [selling clothing online] was difficult because people wanted to try out clothes before they buy. Today, clothing items have become one of the top sellers online. Consumer behaviour is always changing."
>
> — Parin Songpracha, Head of e-Commerce, 24 Shopping

"Our biggest challenge, however, is that consumer behaviour changes dramatically. So while planning is important, we also need great flexibility to respond to the changing consumer." ra

Hybris Software's Graham Jackson: "If a customer places an order through a website, and later telephones the company or turns up at the store to enquire about his order, the staff serving him must know what is going on."

Fujitsu International's Richard Clarke: "China is making big strides in driving the relationship between online and offline. I believe China will pioneer a new omnichannel model for the rest of the world to emulate."

either. "Typically, you are looking at an annual turnover of about US$200 million before it makes economic sense to go omnichannel," Bakey says. "But if you are in a business with a very high content of online sales, a modest turnover of about $15 million might justify."

Apart from software investment, plus a few months of installation and staff training, the bigger challenge is that retailers might have to overhaul the organisational structure and corporate culture. Firstly, staff on all the different platforms needs to know what is going on.

"The customer expects to deal with one company, not with different departments," explains Graham Jackson, senior vice-president, Asia-Pacific, Japan and China for Hybris Software. "If a customer places an order through a website, and later telephones the company or turns up at the store to enquire about his order, the staff serving him must know what is going on."

Adds Bakey: "A major change would be in the way the company rewards its sales staff with sales commissions. With sales coming from different channels, an equitable system of rewards needs to be worked out so that all sales staff feel fairly treated."

Integrated approach required

Indeed, during a panel discussion on omnichannel retailing at the World Retail Congress, several key players agreed that an integrated, whole-store approach is necessary. Says Tim Luce, CEO of the home furnishings and electronics retailer, Courts Singapore: "At Courts, it has never been about 'online vs offline', but rather how we can integrate the two to give customers a fulfilling omnichannel retail experience."

Courts has been selling both in-store and online for some years and when it renovated some of its stores in 2012, it took the opportunity to integrate online and offline even more seamlessly.

All Courts outlets now have "Click & Collect" counters, QR codes and digital kiosks. Courts Megastores also have special car-park spaces allocated for "Click & Collect" customers. Additionally, Courts has deployed 200 tablet devices for its customer service staff to use as an information resource — such as to check the status of shoppers' online purchases — and even process payments "live" on the spot.

From 7,000 stock keeping units (SKUs) in 2012, the online store eCourts has grown to 12,000 SKUs today, with 1,000 SKUs of wellness products just added. Courts has also recently launched a mobile app and its Facebook page now has 180,000 fans.

Tangs Department Store is meanwhile going omnichannel as part of its three-year, S$45-million (US$35.9-million) transformation. Tangs chairman Tang Wee Sung tells Retail Asia: "One US retailer has called the department store of today a dinosaur. We have to evolve to stay relevant. That's why we transformed Tangs. The future of retailing definitely goes beyond the physical store into a massive network that we call the Internet. I believe the future is already here and we are ready to embrace it."

Adds Tangs CEO Foo Tiang Sooi: "Omnichannel is not just about having online sales. It is not e-commerce. The entire business must be integrated as one and the top management has to understand this."

Companies such as Courts and Tangs are among the few in Singapore that have gone omnichannel. One reason why few others have done so is because Singapore is a compact country, where shopping malls are all nearby and there are no issues with accessibility. But that is changing with online retailers now providing strong competition — selling a wider range of goods as well as currently available products at lower prices.

China making strides in omnichannel

The situation is quite different in a country like China. Notes Richard Clarke, vice-president, Global Retail Business Development of Fujitsu International Business Division: "China is making big strides in driving the relationship between online and offline. I believe China will pioneer a new omnichannel model for the rest of the world to emulate. For example, in a smaller (Tier 3) Chinese city, if you want to wear GAP clothes, you will have to buy them online as there is no retail store nearby. And today in China, 60% of all parcels are delivered by Alibaba, the online shopping giant."

One possible new development is the incorporation of chat features that will allow online shoppers to speak or communicate with a retail staff, thereby recreating the store experience. "This might make shoppers less reluctant to buy fresh produce such as meat, fish, vegetables and fruits online," Clarke suggests. "I foresee China playing a key role in this development to address the diverse needs of its vast and dispersed population."

Selling fish and meat online might seem far-fetched. But then, so was the idea of selling clothing items online. Says Parin Songpracha, head of e-commerce at Thailand's 24 Shopping: "In the past, it was difficult because people wanted to try out clothes before they buy. Today, clothing items have become one of the top sellers online. Consumer behaviour is always changing." ra

New technology enables omnichannel retail

It is time for retailers to get on to the next generation of retail solutions and transform their business for survival, says Joseph Tan, head of Enterprise Solutions, NEC Asia-Pacific. "Retailers have to transform their business for two imperatives: They want to know what consumers are thinking, what's on their minds even before they come into the store. They need to do better customer profiling — collect information from different channels, in-store, online, the mobile channels — to do better sales."

This is especially important for large chain store retailers such as Carrefour, Metro and Best Denki that carry a wide variety of products for large numbers of anonymous customers.

Tan says the technologies are now available to retailers to help them gain greater visibility into the customers and their business environment, and "increased visibility increases sales".

Unlike in the past when retailers did not have much integration technology and little business intelligence to analyse and predict consumer behaviour, today, they have the means to find out crucial information such as why a particular product is a hot-selling item in a specific store and not elsewhere.

At the recent Retail World Asia exhibition in Singapore, NEC Asia-Pacific booth showcased innovative omnichannel retail solutions through a wine cellar concept, integrating mobile and in-store retail point-of-sales solutions to provide a digitally integrated shopping experience.

NEC's Gaziru technology, an image recognition technology, was one of the innovations showcased at the booth. Integrated within a retail environment, the technology recognises photos of products captured by shoppers on their mobile phones and displays the relevant product content on in-store signage, along with tailored recommendations of similar products for the discerning shopper.

Other self-service interactive in-store engagement solutions, as well as business solutions incorporating predictive and video analytics, were part of the showcase.

Technologies integrated within the NEC Next Generation Retail solutions include the NEC's Gaziru image recognition technology, NEC Field Analyst, NEC's big data management solution, as well as NEC's NFC technologies.

NEC's Joseph Tan: Retailers want to know what consumers are thinking, what's on their minds even before they come into the store.

NEC showcased innovative omnichannel retail solutions through a wine cellar concept, integrating mobile and in-store retail point-of-sales solutions to provide a digitally integrated shopping experience.

Technologies integrated within the NEC Next Generation Retail solutions include the NEC Field Analyst, NEC's big data management solution, as well as NEC's NFC technologies. NEC's big data management solution provides analytics to retailers by consolidating demographics and shopping habits of customers, displayed in an intuitive dashboard that can help in business decision-making.

"All these technologies give the retailer the power to correlate data and information for powerful business insight. At the front-end, a solution incorporating NEC's Field Analyst can provide information such as the profile of human traffic in the store vicinity. From the POS system, the retailer can find out who buys what and at what time. When he correlates the two, the retailer gets an idea of what to sell," says Tan.

"Using database and data analytics, the retailer can create a big business advantage for himself in a very competitive environment." **ra**

OMNICHANNEL

Omnichannel retailing at nascent stage in the Philippines

Tina Arceo-Dumlao finds out that while omnichannel marketing has been much talked about, Philippine retailers are not quite ready to embrace it.

It has been said before, but it bears saying again: If shopping were an Olympic sport, the Philippines would have long won its first gold medal.

With a gleaming shopping complex in practically every urban centre in the country serving its population of 90 million, "malling" is an integral part of the Filipino lifestyle.

Indeed, the shopping malls have become the default town centre where citizens go about their business in blissfully air-conditioned and safe surroundings. They not only buy goods, but also pay their bills, collect money through money-transfer agencies, renew their passport, pay government dues and even take part in Sunday worship in the malls.

This love for the malls partly explains why retail in the Philippines is still very much in the brick-and-mortar phase. Omnichannel marketing may be catching on in the more industrialised countries, but has yet to establish a firm foothold in shopping-crazy Philippines.

"Omnichannel retailing is still very much in the nascent stage in the Philippines, just like the rest of Asia. This is not surprising as many companies are still trying to adjust their strategies and tactics around the concept," says Jan Pabellon, principal product manager for Asia-Pacific and Japan of cloud-based solutions provider NetSuite.

"Getting there will be hard, as it requires systems, processes and tools that can span traditional organisational and functional boundaries and provide customers a seamless and consistent experience across a variety of channels," Pabellon adds.

The industry, Pabellon says, will have to deal with the consolidation of what are typically separate operations of a company such as merchandising, inventory management, fulfilment, customer service and marketing.

Share data across functions

Omnichannel marketing will require systems that are able to share data across a variety of functions, touch points and devices. It will also require a significant change in the way that companies understand customers, market, sell to and serve customers, Pabellon stresses.

The road to omnichannel marketing is paved with challenges of varying degrees, but NetSuite, a Silicon Valley-based global provider of cloud-based technology solutions, believes that it is a direction that more and more Philippine retailers will take.

One of the retail companies NetSuite is working with is Philippine Cut Flower Corp (PCFC), which has started on its journey towards omnichannel marketing. It is the largest flower wholesaler and online retailer in the Philippines and it tapped NetSuite to help it manage its expansion to other sales channels and product lines.

"PCFC has expanded to selling chocolates, gifts and other goods and is now on a quest to win a greater share of their customers' gift-giving budget. NetSuite allows them to not only better manage their back office processes such as production, billing and accounting, but also gain greater visibility and insight into their database of more than 100,000 registered customers," Pabellon says.

NetSuite sees more companies such as PCFC knocking on its doors, as the retail industry better appreciates the profit potential of going into omnichannel marketing.

"The direction right now for the market is omnichannel retailing, or basically the ability [of retailers to deliver] a consistent and superior experience for their customers whatever channel or touch point their customers choose to interact with them — whether via their stores, via their call centre, their website or their mobile device," Pabellon says.

NetSuite's Jan Pabellon: "The direction right now for the market is omnichannel retailing, or basically the ability [of retailers to deliver] a consistent and superior experience for their customers whatever channel or touch point their customers choose to interact with them."

NetSuite's solution to help retail companies venture into omnichannel marketing is called SuiteCommerce. It helps retailers unify every step of a multi-channel, multi-location business, from e-commerce, POS and order management to marketing, merchandising, inventory, financials and support.

Branden Jenkins, general manager of Retail of NetSuite, says, retailers

were eager to get into omnichannel marketing last year when it was the dominant theme. This was far easier said than done, however, with retail firms still grappling with the challenge of managing data across all their channels.

This year, "omnichannel will become more of a reality — do or die," says Jenkins. "As retailers move ahead with their efforts to create a better, more unified customer experience, the world of retail is poised to undergo some major changes," adds Jenkins.

Not a full suite of services

The malls group of real estate giant Ayala Land Inc recognises the importance of omnichannel marketing, but admits that it has yet to offer to the public the full suite of services under omnichannel marketing.

It says the impetus is not yet strong enough as Filipinos still love to go to the malls, with "malling" considered one of the favourite leisure activities of Filipinos.

It does offer parts of omnichannel marketing such as the Ayala Malls digital platform called Ayala Malls 360, which Ayala Malls' chief operating officer, Rowena Tomeldan, says is a drive-to-mall digital campaign.

Ayala Malls 360 provides information on movie schedules, mall events and mall promotions. It also offers A-deals, an online shopping destination that provides exclusive offers, discounts, freebies on shopping, dining and entertainment.

The experience, however, is not yet as seamless as omnichannel marketing demands.

Golden ABC, owner of the leading Penshoppe, ForMe, Oxygen, Tyler and Regatta apparel brands in the Philippines, is aware of the benefits of omnichannel marketing. It is actively pursuing the direction, with some elements already in place, says CEO Bernie Liu.

"But it is still a work in progress because some of the systems and innovation needed are dependent on infrastructure that is available to us," says Liu. "We are pursuing many concepts but the challenge is that they are not yet fully integrated. We are working with third-party suppliers who are helping us [move] towards that direction."

While local retailers are taking fledgling steps towards omnichannel, technology companies such as IBM are more than ready to help.

IBM Philippines country general manager Mariels Almeda Winhoffer says retailers have no choice but to embrace new technologies. "In days gone by, a shopper's experience began by crossing the threshold of a store and ended with the sliding slam of the till. But today's consumer begins shopping well before setting foot in a store, if ever. And with smartphones, tablets and social media, the retail experience continues long after the transaction is complete."

Smart retail imperatives

IBM, she says, helps retail firms create an integrated shopping experience according to three "imperatives" for smarter retail.

The first is the need to deliver a "smarter" shopping experience, which means making customers feel as if the retail companies know them personally and have their interests in mind. This level of intimacy, she says, will ultimately create long-lasting and rewarding relationships for retailers and their customers.

IBM, for example, helps a leading office-supply retailer deliver personalised marketing messages to online customers, creating a one-to-one Web experience that helps fill customers' carts and keeps them coming back.

The second imperative is to build smarter merchandising and supply networks. Retailers need to offer merchandise with assortments tailored to meet distinct tastes and preferences in different places and contexts. A multinational fashion retailer, for example, extrapolates historical sales patterns to predict its customers' future demand for each product down to size and colour.

Then there is the need to drive smarter operations, which means streamlining back office processes and taking advantage of reduced-cost delivery models. A large home improvement retailer, for example, improved team communication through record-to-report capability, faster processing of closing activities, and the escalation of issues related to customer satisfaction.

Admittedly, the number of Philippine retail companies that have committed to taking the omnichannel route is still small, but IBM sees the trend shifting given increasing competition, not just among local retailers but as more budget-rich global retailers set up shop in the Philippines. **ra**

IBM's Mariels Almeda Winhoffer: In days gone by, a shopper's experience began by crossing the threshold of a store and ended with the sliding slam of the till. But today's consumer begins shopping well before setting foot in a store, if ever.

Ayala Malls 360 provides information on movie schedules, mall events and mall promotions. It also offers A-deals, an online shopping destination that provides exclusive offers, discounts, freebies on shopping, dining and entertainment.

OMNICHANNEL

Malaysian retailers stress personal service & value

Although the digital and mobile revolution has placed great power in the hands of the consumer and paved the way for omnichannel marketing, **Prakash Sakti** finds that the emphasis of Malaysian retailers is on delivering personal service and value.

The Malaysian retail industry is undergoing major transformation as technology changes the way customers interact with stores and supermarkets.

With smartphones and tablets permeating every aspect of life and business, retailers know they need to offer new channels of promoting their products and services to the increasing number of Internet-savvy shoppers.

With stiff competition, less than favourable economic situation and rising living costs, retailers are forced to consider multi-channel retailing.

Scott Gillies, Manhattan Associates' director of retail, Asia-Pacific, says brick-and-mortar retailers have to go beyond traditional retailing, processes and systems.

"They can gain the necessary agility to increase sales, margins and customers' loyalty by embracing omnichannel retailing," he says.

However, the development of online retailing and omnichannel retailing varies considerably across the various ASEAN countries.

In Malaysia, Gillies says, the country's shoppers are becoming more digital-savvy, and online shopping is now considered "mainstream".

Recent research also showed that 68% of Malaysian consumers would shop on their mobile devices during the holiday season.

One of the major contributing factors is the 63% smartphone penetration in 2013 compared with 47% in 2012.

This has prompted retailers to seek alternative advertising channels, such as leveraging Instant Messaging platforms.

According to Gillies, we are now in an era of omnichannel retailing which is making companies rethink retail from the ground up.

One of the first retailers to embrace e-commerce is Tesco Stores Malaysia Sdn Bhd (Tesco Malaysia), which launched its Grocery Home Shopping (GHS) service in June last year.

"The digital and mobile revolution has placed buying power in the hands of the consumer in a way we have never seen before. A commerce revolution is under way and consumers are demanding a personalised experience, wherever they are, however they choose, from online to mobile to in-store, adding increased pressure on retailers," he says.

Speaking to a number of retailers, however, I find that there is not a lot of emphasis on omnichannel marketing; rather, retailers are focused on adopting appropriate new technologies that can help them secure a greater share of the customer's wallet and loyalty.

Online platforms

Moving to online sales platforms has been one of the major developments in the Malaysian retail industry.

Former president of the Malaysian Retailers Chain Association (MRCA), Datuk Nelson Kwok, says that the association does not see the emergence of online shopping as a threat to brick-and-mortar businesses.

In fact, he says retailers who have yet to embrace online presence should move towards it.

According to Euromonitor International, only 0.8% of the retail market in Malaysia was online in 2011, and it is expected to be 1.4% in 2016. Malaysians spent an average of US$344 per person online, which was well below the global average of US$725 in 2012.

Tesco online

One of the first retailers to embrace e-commerce is Tesco Stores Malaysia Sdn Bhd (Tesco Malaysia), which launched its Grocery Home Shopping (GHS) service in June last year.

GHS was established to help Tesco gain more market share in the very competitive retail market. Tesco launched a massive advertising campaign to create awareness of its GHS service and also created several POP displays in the stores to bring GHS to customers' attention.

With GHS, Tesco delivers grocery to consumers as per their Internet orders. Tesco Malaysia CEO Georg Fischer says customers can place their orders via the GHS 24-hour website, and may choose the time of delivery. A "personal shopper" will then select the products to be sent in a temperature-controlled van.

Tesco has about 70 delivery vehicles and it plans to add more vans to provide better service. At the moment, each Tesco outlet is equipped with at least seven delivery vans.

"Online shopping is an important, strategic part of our business plan for 2014 as Malaysians are ready [for] online shopping," Fischer says.

GCH Retail (Malaysia)

Another major retail player in the country, GCH Retail (Malaysia) Sdn Bhd, launched its e-debit transaction service at all of its 128 Giant hypermarket stores nationwide in January this year.

Marketing director Ruben Brusch says Giant is the first hypermarket chain in Malaysia to offer customers the convenience of using automated teller machine (ATM) cards to pay for their purchases.

According to Brusch, e-debit transactions eliminate the risk and costs arising from handling cash, thus lowering the cost of doing business.

The merchant discount rate for ATM/debit cards is 40% lower than international branded debit and credit cards.

"This is especially important for a low-cost retailer like us, as we are constantly looking for ways to reduce costs so that we can pass on the savings to our customers in the form of lower prices," Brusch says.

In Malaysia, ATM payments have registered a tremendous annual growth of 26%. Last year, approximately 5.2 million point-of-sale ATM transactions valued at RM2.4 billion (US$7.6 million) were recorded.

Mydin Mohamed Holdings

One of the country's largest retail chain, Mydin Mohamed Holdings has also embarked on major business transformation by adopting new technology.

GCH Retail (Malaysia) Sdn Bhd launched its e-debit transaction service at all of its 128 Giant hypermarket stores nationwide in January this year.

With stiff competition, less than favourable economic situation and rising living costs, retailers are forced to consider multi-channel retailing.

Last year, Mydin — which had a humble beginning as a sundry shop in Kota Baharu, Kelantan — introduced the personal shopping system called Sam's Self Scan.

This incorporates cloud-based asset and software monitoring to connect with customers, providing real-time deals and speed checkout for their purchases.

In fact, Mydin is the first retailer in the Asia-Pacific region to adopt the Personal Shopping System by Motorola Solutions, which allows shoppers to use self-scanning.

Sam's Self Scan was introduced at Mydin's premium outlet — SAM's Groceria in Penang's new Gurney Paragon Mall.

SAM's Groceria executive director Datuk Ameer Ali Mydin says customers appreciate the convenience and hassle-free attributes of self-scanning during their shopping.

The Personal Shopping System, comprising Motorola Solutions portable handheld MC17 series mobile computers, accelerates the checkout process at the store.

The personal shopping system delivers the vision of personalising every individual consumer's experience in the store by allowing a dynamic interaction between the customer and the products.

The system allows customers to self-scan the items they want to buy with the integrated barcode scanner in the portable mobile device, and then place these into a shopping bag as they walk through the store's aisles.

The Sam's Self Scan system will allow shoppers to head to the nearest dedicated self-checkout counter and pay for their purchases without having to wait in long queues or to unload shopping carts and re-bag items.

Dr Ameer says SAM's shoppers could also be a part of its loyalty programme.

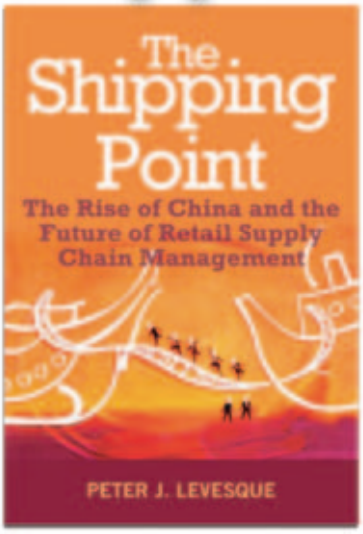
In the planning is an online shopping service to offer a more convenient shopping experience, which will include a delivery service option, he adds.

The SAM's Groceria investment amounts to RM34 million and the company is planning to set up two more such premium outlets in Penang and Kuala Lumpur this year. **ra**

10 COPIES TO BE GIVEN AWAY!

WIN A BOOK

Answer 1 Simple Question and Stand to Win a Copy of *The Shipping Point: The Rise of China and the Future of Retail Supply Chain Management* by Peter J. Levesque.



The Shipping Point: The Rise of China and the Future of Retail Supply Chain Management

Peter J. Levesque • ISBN: 978-0-470-82453-5

The first two sections in this well-researched book provide an interesting and historical insight into China's economy, domestic infrastructure and development of its consumer retail market which helps to explain the rationale and motivation of the many initiatives underway in the country today. The Shipping Point looks at how China has become both a retail manufacturer and a retail consumer. China's transformation - as it evolves and grows from global manufacturer to global consumer marketplace - will have a profound impact on the future of retail supply chain management, yielding tremendous opportunities as well as new challenges.

The author presents ideas and real examples of innovative logistics programmes. He explores strategies for building human capital, resilient and sustainable programmes, supply chain & logistics IT systems, contingency planning strategy and more. The nuggets of information and tools (models, diagrams, flowcharts) make it a "must read" for anyone involved in global supply chain or looking to better understand how supply chains work.

Visit *www.wiley.com* for more information on this title and its author.

Q: Which 4 of the following retail brands are from China?

CIRCLE 4 ANSWERS and you may win a copy of The Shipping Point: The Rise of China and the Future of Retail Supply Chain Management by Peter J. Levesque

ACER ADIDAS HAIER
LI-NING MAO-TAI LENOVO
NIKE TIGER BALM

Rules:

1. Each participant shall submit only ONE entry on the official contest form which can also be downloaded online - *www.retailasiaonline.com.*
2. Entries close on **15 June 2014** and winners will be notified by post or email. Announcements of the winners will be announced in the **July 2014** issue of Retail Asia magazine and on the website www.retailasiaonline.com.
3. All handwritten entries must be legible and fully completed.
4. Employees of Wiley and Retail Asia Publishing Pte Ltd are not eligible to participate.
5. All entries will be judged by Retail Asia Publishing. All decisions made will be final and no correspondence or appeals will be entertained.
6. Retail Asia Publishing will not be responsible for entries damaged or lost in the mail.

Full Name : _____ NRIC/Passport No.: _____
Designation : _____
Organisation : _____
Mailing Address : _____
_____ Country: _____
Tel No. : _____ Handphone: _____
Email : _____

Post/Fax/Email your entries to:

RETAIL ASIA PUBLISHING PTE LTD
61 Tai Seng Avenue, #05-01 Crescendas Print Media Hub
Singapore 534167
TEL: (65) 6287 2025 FAX: (65) 6287 2027
Email: info@retailasia.com.sg
URL: www.retailasiaonline.com

This contest is brought to you by :

WILEY

Wiley is a global provider of content and content-enabled workflow solutions in areas of scientific, technical, medical, and scholarly research; professional development; and education. Established since 1807, Wiley has been a valued source of information and understanding for more than 200 years, helping people around the world meet their needs and fulfill their aspirations.

8-11 April 2014
Singapore Expo
http://www.foodnhotelasia.com

Truly a world-class food & hospitality show

IT was billed as a world-class event for trade professionals in the Asia-Pacific food and hospitality industry.

It promised to be *the* place for checking out the newest and latest in F&B products, food ingredients, kitchenware and tableware, advanced equipment and machinery for the foodservice and food manufacturing industries, as well as technology systems for food and hospitality retail.

Food&HotelAsia2014 (FHA2014), together with the Wine&SpiritsAsia2014 (WSA2014), was truly an international world-class show. It did not fail to impress both the exhibitors and trade buyers who converged at the Singapore Expo from April 8-11 to experience the biggest regional food and hospitality event in Asia.

It drew more than 3,000 exhibitors who vied for the attention of some 65,000 attendees at the four-day show.

Among them were long-time FHA exhibitors such as Sia Huat, Asia's one-stop foodservice partner and a major agent, direct distributor and stockist. Sia Huat has participated in FHA since its inauguration in 1978.

"The regional F&B industry is booming, and within South-east Asia, Singapore is the focal centre for all new trends, products and solutions for the hotel, restaurant and catering (HoReCa) industry. And that is why Sia Huat is in FHA every year," said sales and marketing manager Melvin Tan. "We will certainly not miss the biggest regional food and hospitality show in Asia."

Another company that has been at every FHA is Ben Foods, a multi-temperature food distribution company in Asia-Pacific. Its general manager, Michael Lee, said customers expect Ben Foods to be at FHA because it is a notable event. "FHA is a great place for us to meet our local and overseas customers, as well as principals."

Other exhibitors such as Swiss company Rational International AG, manufacturer of cooking systems, found great value in being at FHA. Alexander Wimmer, Rational's area vice-president, said the show is a leading exhibition in Asia and Rational can find potential customers as well as business partners. "At a show like FHA, we can listen carefully to the needs of our customers and position our solutions and benefits better to them."

Exhibitors also found FHA to be a veritable marketplace. Eager to tap the growing middle-class market in Asia, many companies and suppliers from all over the world were at FHA2014 to showcase their products and look for distributors to help them get into new markets.

They were happy to find that the quality of visitors at FHA2014 was impressive. "They were genuine buyers who came to talk business," said Andrew Sim, executive director of Ebenezer Coffee Manufacturer.

FHA2014 drew more than 3,000 exhibitors who vied for the attention of some 65,000 attendees at the four-day show.

"FHA is a real gem of a show… a world-beater in terms of organisation and range of products on display."

— Andrew Tjoe, Executive Chairman, Tung Lok Group

"We will certainly not miss the biggest regional food and hospitality show in Asia."

— Melvin Tan, Manager, Sales & Marketing, Sia Huat

Eager to tap the growing middle-class market in Asia, many companies and suppliers from all over the world were at FHA2014 to showcase their products and look for distributors to help them get into new markets.

Rudolf Kitzbichler, South-east Asia regional manager of Meiko, manufacturer of advanced dishwashing systems, said he was pleased to have met many "CEOs and decision-makers who can finalise the deal quickly".

Country pavilions made presence felt

Exhibitors which participated within their country pavilions also expressed satisfaction with the show and said their objectives for participation were met.

Aiming to show that pasta and expresso are not the only F&B items that Italy is famous for, the Italian Trade Agency planned for the Italian Pavilion to provide an opportunity for visitors to see and taste the diverse and distinctive

FHA2014 keeps up with trends

The Asian Pastry Cup was held in conjunction with Bakery&Pastry. Other exciting competitions included the FHA Culinary Challenge, FHA Barista Challenge and the first-ever FHA Latte Art Challenge.

SIX specialty shows, a valuable conference programme and a host of competitions and fringe activities at FHA2014 and WSA2014 all added up to demonstrate the vibrancy of the food and hospitality industry in the Asia-Pacific.

"The industry is increasingly focused on specialisation and creation of new products, and an expanding gourmet sector, in line with the growth of the economies in the region," said Ting Siew Mui, project director (lifestyle events) of Singapore Exhibition Services.

"As the show organiser, we need to take note of the changes and cater to the different needs of visitors and exhibitors alike."

"Therefore, it is important to ensure that we maintain a strong international exhibitor presence so as to keep regional visitors coming," Ting added.

There were six specialty shows — FoodAsia2014, HotelAsia2014, Bakery&Pastry2014, HospitalityStyleAsia2014, HospitalityTechnology2014 and the inaugural SpecialtyCoffee&Tea2014 — to cater to various sectors within the industry.

Ting said the specialised shows provide a structured visiting experience for buyers with different objectives and interests.

The newly-added SpecialtyCoffee&Tea2014 show features international exhibitors offering a wide range of coffee beans and tea leaves, coffee-related equipment and barista tools, accessories and more.

In conjunction with the exhibition, a highly targeted and relevant conference programme gave industry practitioners the opportunity to gain insights into the issues of the day and learn from the best practices of key industry players.

Speakers focused on key topics and issues faced by the F&B and hospitality industries, including new ways to deal with the manpower shortage, managing hotel operations and revenue optimisation strategies, managing F&B operations and food concepts, and latest technologies for the hotel and F&B sectors.

Delegates were pleased with the selection of topics and speakers. Hjh Rohani bte Hj Awang Salleh, restaurant service manager of Orchid Garden Hotel, said: "All the sessions are extremely useful. The speakers are very experienced and could discuss in detail how to develop and improve our business."

Libby Federico, director of sales and marketing of The Pearl Manila Hotel, was pleased with the strong line-up of topics and speakers. "Having been in the hotel industry for several years has taught me that constant update and innovation is the only way to be sustainable. This conference has given me the insights and trends that I am looking for."

There were six world-class competitions at FHA2014, including the FHA Culinary Challenge (FCC) which saw more than 800 chefs from around the world battle in the Individual Challenge, Dream Team Challenge and Gourmet Team Challenge. The Battle for the Lion competition, held every four years, also returned to the FCC this year.

There was also the Asian Pastry Cup held in conjunction with Bakery&Pastry, the FHA Barista Challenge and the first-ever FHA Latte Art Challenge.

The RIPE-WSA Cocktail Challenge and the WSA Wine Challenge have been established as premier competitions in the region.

The Wine Challenge attracted enthusiastic international participation from all the major wine-producing regions. At the end of it, a prestigious list of top international wines most suited for the Asian palate emerged. **ra**

Various country pavilions pulled out all stops to impress buyers with delectable samples.

flavours of Italian produce and cuisine at the Italian Pavilion.

At the Korean Pavilion, 34 leading Korean food exporters were out in full force, showcasing more than 70 types of products. Led by the Korea Agro-Fisheries & Food Trade Corp, the Korean Pavilion focused on fresh foods such as strawberries, mushrooms, persimmons and eggs.

The Western United States Agricultural Trade Association focused on introducing smaller companies in western USA with unique products that are export-ready, such as artisanal foods company La Panzanella and beverage producer Caffe D'Vita.

While many country pavilions featured their region's food produce, 15 leading Spanish manufacturers showcased cooking equipment, refrigeration, bar and coffee equipment, cookware and tableware, ware washers, furniture and furnishings to demonstrate that Spain is at the forefront of the HoReCa sector worldwide.

Exhibitors at the Australian Pavilion were a good mixture of Australian companies which have an established presence in the market and companies that are trying to break into the market.

Said Christopher Rees, senior trade commissioner of the Australian Trade Commission: "The established companies had a chance to meet their distributors while the others met good visitors from many countries including China, India, Indonesia, Malaysia, Thailand and Vietnam. They were serious buyers, who knew what they want. Clearly, the show has a regional presence which many exhibitors are happy about."

Exhibitors in the Singapore Pavilion reported success too. "The exhibitors met good buyers, especially the hosted buyers, and this translated into sales," said Sunny Koh, chairman of the Membership & Industry Groups Function Committee of the Singapore Manufacturing Federation (SMF), which co-ordinated the pavilion and hosted 142 buyers from all over the world. Encouraged by the result, SMF has booked a space of 1,500sqm for FHA2016 — a 24% increase from this year.

Keen visitors

Trade visitors and buyers were equally impressed by FHA2014.

Executive chairman of Tung Lok Group, Andrew Tjoe described FHA as "a real gem of a show". He believes that the biennial food and hospitality trade exhibition is a world-beater in terms of organisation and range of products on display.

"I have been to many similar trade shows all over the world, but FHA is just so much better. Singapore should be very proud for having this world-class show."

According to Tjoe, besides functioning as a one-stop shop for F&B and hospitality solutions, FHA is also a fertile breeding ground for business ideas and those looking to get a head start over the competition.

He shared: "I come to FHA to get inspiration. You need a lot of inspiration when you're in F&B, especially in the catering business. You need to see material and products and need to outsource in some areas. Looking at all the exhibits makes me think harder about the possibilities. By using this platform, I can source for all kinds of solutions."

Another keen visitor is Guillaume Pichoir, group CEO of Da Paolo, a gourmet deli and restaurant chain that has been on an expansionary trail in Singapore. "The primary reason for attending FHA is to keep our fingers on the pulse of the kitchen and service equipment market.

"The show gives us a unique opportunity to meet worldwide industry peers, to be exposed to state-of-the-art kitchen and service technology, and to develop business opportunities without having to travel to multiple locations."

Franco Ho Swee Fook, honorary-advisor and life member of the Chef Association of Malaysia, attended FHA with his entourage of younger chefs to learn about different equipment available in the market and to source for inspirations for his kitchen. "FHA has always been professionally organised, with a wide variety of new kitchen technologies available. The show offers a great learning experience for all. I will definitely encourage my colleagues to come to FHA2016," said Ho. **ra**

THE BIGGEST SHOW IN NUMBERS

- 3,213 exhibitors from 65 countries/regions
- 63 group pavilions from 34 countries/regions
- Nearly 65,000 trade attendees, 43.1% from overseas
- 102,000sqm of gross exhibition space
- 6 specialised FHA shows
- 6 world-class competitions

Exporting private labels to supermarkets in Asia

Mylan Nguyen, Retail Analyst at Euromonitor, observes that UK retailers exporting their private label products to Asian supermarkets may spark a new trend in private label marketing.

Tesco, Wal-Mart, Carrefour and many others have found to their cost that opening grocery stores in new markets is far from straightforward. Now, some retailers are looking to their private label lines to spearhead expansion into new overseas markets. It allows them to benefit from growth opportunities abroad without having to open new stores.

Following this strategy has allowed UK retailers, Waitrose and Asda, to boost their sales, with both retailers having successfully exported some of their private label lines to Japan.

Japan remains a difficult market for international grocery retailers to enter. The weak economy presents a challenging environment. However, being the world's third largest grocery retail market, Japan continues to be attractive to international grocery retailers looking to export traditional food products.

'Exotic' food was already en vogue in Japan for some time. UK, Italian and French products have been sold at small standalone stands in shopping centres and supermarkets. UK brands such as McVitie's Digestive and Walkers shortbread are now even more widely available.

Over the past two years, there has been an increased interest in Britain and British food thanks to a series of landmark events, including the royal wedding, the Queen's Jubilee, the Olympic Games and the birth of the royal baby.

Product expansion

While British manufacturers are benefiting from the rising popularity of British products in Japan, in recent times, UK retailers have taken this opportunity to export their private label lines to Japan.

One of the most established British private labels in Japan is Duchy Originals from premium grocery retailer Waitrose. Duchy is available in Daimaru Peacock supermarkets, a chain with a mid-priced to premium positioning. While Japan was the first region to which the Duchy Originals label was exported, the private label is now present in 30 countries, in both supermarkets (as in Japan) and department stores (such as El Corte Inglés in Spain).

According to trade publication *The Grocer*, sales of Duchy Originals increased by 33% in 2012 in comparison with the previous year, with the label's international presence significantly contributing to its success.

Economies of scale

Wal-Mart-owned Asda is another example of a UK retailer successfully exporting British private label products to Japan. The company offers six different private label beers and wines in Japan's Seiyu supermarkets (also owned by Wal-Mart).

Wal-Mart launched Asda's Extra Special Golden Ale in 368 Seiyu stores in February this year, and following its success, also launched its Extra Special Gentleman James range in April this year.

Offering Asda products in its Seiyu chain allows Walmart to generate economies of scale globally by making use of its global supply chain and reduce prices. In addition, Asda's private label lines benefit from a more premium image in Japan than in the UK as the grocery chain is not perceived as an economy player in Japan.

Going international?

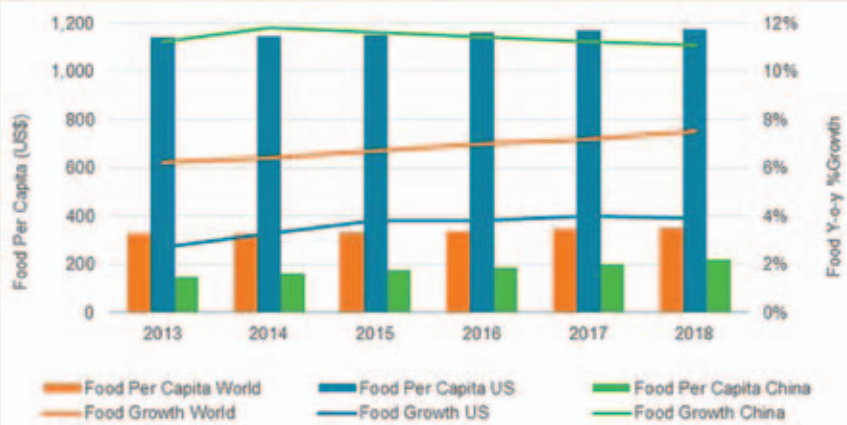
It appears from the above examples that exporting private label products not only offers retailers international expansion opportunities but can also provide a more premium positioning.

Other markets such as China and the US could also represent an opportunity for Western European grocery retailers willing to launch their private label ranges in international markets, either through their companies' branches or through a local third party retailer.

Indeed, both countries are expected to be strong markets for packaged food over the 2013-2018 period, with particularly strong growth in food demand in China and high per capita spend on food in the US.

However, like Japan, China and the US are challenging markets for international store expansion. Private label exports could therefore be one avenue for grocery retailers to expand in these dynamic markets. ra

Packaged Food — Growth and Per Capita Spending in the World, the US and China (*Source: Euromonitor International*)



And Your Next Step Might Just Be it!

Subscribe to Retail Asia today!

...and receive a copy of the latest Retail Asia-Pacific Top 500 ranking report with your first issue.

✓ I wish to subscribe to Retail Asia and agree to the following handling and mailing fees:

Issues/(Term)	South East Asia*		Other regions			
	SGD	(✓)	SGD	USD	EURO	(✓)
12 issues (1 year)	100	❑	200	170	140	❑
24 issues (2 years)	180	❑	330	280	220	❑

* South East Asia includes Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

** All bank charges and GST where applicable, shall be borne by the subscriber.

NATURE OF BUSINESS

Please check (✓) where relevant and appropriate:

RETAIL STORE

801 ❑ Hypermarket
802 ❑ Supermarket
803 ❑ Department Store
804 ❑ Convenience Store
805 ❑ Health / Personal Care
806 ❑ Hardline Store
807 ❑ Watches & Jewellery
808 ❑ Book Store
809 ❑ Sports Goods Store
810 ❑ Clothing, Footwear & Accessories
811 ❑ Music / Video store
812 ❑ Florist / Souvenir Store
813 ❑ Toys / Games Store
814 ❑ Mall Owner / Operator
815 ❑ Other Retail Stores

F&B and ENTERTAINMENT

816 ❑ F&B Operator
817 ❑ Cyber Café
818 ❑ Amusement Park
819 ❑ Confectionery / Bakery
820 ❑ Other F&B Services

PROVIDERS /SUPPLIERS

901 ❑ Trade Show Organiser
902 ❑ Retail Business Solutions
903 ❑ F&B Equipment & Services
904 ❑ Consultancy Services
905 ❑ Logistics Solutions / Services
906 ❑ Financial Services
907 ❑ Education & Development
908 ❑ Manufacturer / Exporter
909 ❑ Distributor / Importer
910 ❑ Other Solutions & Services

TRADE ORGANISATIONS

821 ❑ Statutory Organisation
822 ❑ Embassy / Consulate
823 ❑ Trade / Business Association

PROFESSION / JOB TITLE

1001 ❑ Owner / Chairman / President
1002 ❑ CEO / CFO / CIO / COO / MD /GM
1003 ❑ Finance / Administration Manager
1004 ❑ Ops / Logistics / MIS Manager
1005 ❑ Sales & Marketing Manager
1006 ❑ Brand / Product Manager
1007 ❑ Merchandising Manager
1008 ❑ Buyer / Merchandiser
1009 ❑ Others (please specify)

PERSONAL PARTICULARS

Full Name (Dr/Mr/Ms): _____ *(please underline surname)*

Profession/Job Title: _____ Company: _____

Mailing Address: _____

State/City: _____ Zip/Postal Code: _____ Country: _____

Tel: _____ Fax: _____ Website: _____

Email: _____

PAYMENT

Please accept my payment as follows:

❑ **BY CREDIT CARD**: ❑ ❑ ❑ ❑ ❑ VISA

Card No: _____ *(please include CVV)* Expiry Date: _____

Name as on card _____ Cardmember's Signature _____

❑ **BY CHEQUE** (in Singapore Dollars only, payable to **Retail Asia Publishing Pte Ltd**):

Cheque No: _____ Dated: _____

❑ **BY ELECTRONIC TRANSFER** payable to: **Retail Asia Publishing Pte Ltd**
Oversea-Chinese Banking Corporation Limited, Orchard Branch, Singapore
Account No: 508-135985-001 (SWIFT Code: OCBCSGSG)

NOTE: Please allow 3-4 weeks for processing before receiving your first copy. Subscriptions acceptable by post, fax and email.

Subscriber's Signature & Date _____

Sonoco builds composite can production facility in Malaysia

SONOCO, one of the largest diversified global packaging companies, will invest US$20 million to build a state-of-the-art, high-speed composite can production facility near Kuala Lampur, Malaysia, which will produce packaging for snacks.

In addition, the company is spending more than US$5 million to create the Sonoco Innovative Packaging Solutions (IPS) Studio at its Hartsville, South Carolina, USA, manufacturing and headquarters complex.

Jack Sanders, Sonoco's president and CEO, told shareholders at the company's annual meeting that "continued growth for packaged snacks in South-east Asia requires that we build our third composite can plant in Malaysia. The new facility will be located on our customer's new manufacturing complex and will more than triple our current can production capacity in Malaysia."

Sonoco will add three high-speed composite can lines along with two metal-end presses. In addition, an extrusion laminator is expected to be installed at the company's flexible packaging facility in Kajang, Selangor, Malaysia, to produce can liners.

The first can line is expected to be installed in Q3 this year and begin commercial production in Q1 of 2015. All three lines, along with the metal-end presses and the extrusion laminator are expected to be operational by the end of 2015.

When in full production, the new Sonoco operation should employ approximately 110 workers.

Sonoco will invest US$20 million to build a state-of-the-art, high-speed composite can production facility near Kuala Lampur, Malaysia.

"In addition to producing all components for the finished composite cans, we will provide and run sophisticated depalletising equipment at our customer's production facility," Sanders said. "This is the first time that we have provided an extended supply-chain solution for a composite can customer."

"Our goal is to become a solutions company that just happens to offer packaging. Our unequalled range of packaging products and services, combined with a broad spectrum of technical capabilities and a unique formalised process for innovation, allows us to create a holistic solution for our customers such as the opportunity we have in Malaysia," Sanders continued.

Sanders said he is also excited about the potential impact of the company's new Innovative Packaging Solutions Studio in Hartsville.

The first can line is expected to be installed in Q3 this year and begin commercial production in Q1 of 2015.

The IPS Studio will contain some of the most up-to-date technology for consumer and market research, along with multiple small-scale environments that match where Sonoco products are sold and how consumers use them. **ra**

Banana-flavoured milk from Lactinov

LACTINOV, a French dairy company producing high-quality UHT dairy products delivered in Tetra Brik or bottles, recently launched a new recipe — banana-flavoured milk.

Also a private label specialist, Lactinov says this tailored-made recipe has been developed with its Asian partners who wanted to offer their customers a nice and tasty product made from 100% fresh French milk.

The new milk flavour is delivered in a small practical bottle with "full traceability insurance" from the dairy farm to final packaging.

Lactinov said it already has orders from Singapore and China and will be looking to develop new recipes and flavours of milk for kids in the near future. **ra**

The new milk flavour is delivered in a small practical bottle with "full traceability insurance" from the dairy farm to final packaging.

Chobani seizes market opportunity in Asia

CHOBANI, maker of America's No.1 selling greek yoghurt brand, says it has begun exporting to markets in Asia, Latin America and the Caribbean, beginning with Singapore, Malaysia and Panama, to build on the company's domestic momentum and help realise its global potential.

"Asia and Latin America have untold possibility for Chobani and our expansion in these regions furthers our business opportunities," said David Denholm, president and COO of Chobani.

"We've had tremendous success in the US and Australia and we'll be using our manufacturing hubs to expand our global presence and reach new fans who have been asking for nutritious, delicious Chobani made with only natural ingredients."

To Asia, Chobani will export single-serve cups of plain, blood orange, blueberry, honey, mango, raspberry, passion fruit and strawberry yoghurt, as well as multi-serve containers of plain yoghurt. Fresh Chobani will be distributed via temperature-controlled shipments from the company's manufacturing facility in Australia.

To Asia, Chobani will export single-serve cups of plain, blood orange, blueberry, honey, mango, raspberry, passion fruit and strawberry yoghurt, as well as multi-serve containers of plain yoghurt.

To Latin America, Chobani will export multiple flavours and formats via quality and temperature-controlled shipments from its upstate New York and Idaho facilities. Chobani has been available in Panama since last month and will soon be available throughout the Caribbean.

In just over a year, Chobani has grown its Australian production from 25,000 cases a week to 25,000 cases per day and has become one of the biggest yoghurt manufacturers in Australia.

In the US, Chobani remains the category leader in Greek Yoghurt sales and has accelerated its growth with continued innovations and expansion. **ra**

KFC owner Yum! Brands rebounds

YUM! BRANDS, the owner of fast-food chains KFC and Pizza Hut, has reported an 18% jump in Q1 profit, helped by a rebound in sales in China.

The company reported Q1 net income of US$399 million, ended March 22, up from US$337 million a year ago.

Sales at its established restaurants in China rose 9% from a year ago, with those at KFC up 11% and those at Pizza Hut Casual Dining up 8%.

Yum!'s China sales had declined after a report in late 2012 said two of its suppliers were providing chickens with excessive levels of antibiotics. Soon after, fears of a bird flu outbreak in China further dented sales.

Sales at KFC stores in China, one of Yum!'s biggest markets, had fallen by 15% last year, resulting in a 32% fall in profits for the year.

Yum!'s CEO, David Novak, said the latest numbers and the recovery in China indicated that the firm was "clearly on its way to a strong bounce-back year".

"Given the strength at both KFC and Pizza Hut, we expect to open at least 700 new restaurants in China this year as we further capitalise on our leading position in the number-one retail opportunity in the world," he said in a statement.

He added that Yum! Brands expects to see its profits rise by 20% this year. **ra**

Sales at KFC stores in China, one of Yum!'s biggest markets, had fallen by 15% last year, resulting in a 32% fall in profits for the year.

India's milk production grows quickly, crosses 121 million tonnes: Assocham

MILK production in India, the world's biggest dairy producing country, continues to grow quickly, and saw an increase in production of around 19% in the five years from 2006 to 2010.

According to a report by the Associated Chambers of Commerce and Industry of India (Assocham), milk production crossed the 121 million tonne mark as of 2010-2011 even though per-capita milk availability in India — at 252g per person — was below the global average of 279g.

The state of Andhra Pradesh recorded the highest growth in terms of both milk production and per-capita availability with growth rates of more than 41% and 36% respectively during the study period. However, Andhra Pradesh still ranked third in terms of milk production with over 1.1 million tonnes of milk produced annually.

The top five states for growth in milk production are Andhra Pradesh, Rajasthan, Kerala, Karnataka and Gujarat.

The top five states for growth in milk production are Andhra Pradesh, Rajasthan, Kerala, Karnataka and Gujarat.

But Assocham noted that with increasing productivity comes the need for an enhanced supply chain.

"It is imperative for India's dairy industry to streamline its value chain processes and integrate the smallholder dairy producers into the processing value chain in order to improve the overall performance of the industry, more so as they possess inherent strengths such as low production costs, lower liabilities and limited liquidity risk," noted the Assocham study.

Moreover, a lack of knowledge and technical know-how, poor access to support services, limited access to credit and poor milk quality together limit the ability of smallholder dairy producers to take advantage of market opportunities.

"Growing at a compounded annual growth rate of more than 4%, milk production in India is expected to rise to about 177 million tonnes by 2019-2020 and that would help in meeting the projected demand of 150 million tonnes by 2016-17 that has been envisaged in National Dairy Plan Phase-1," said D.S. Rawat, national secretary general of Assocham.

The increase in the income level of an average Indian is being accompanied by a change in the food basket. The monthly per-capita consumption expenditure on milk and milk products in both rural and urban areas has grown significantly at about 92% and 72% respectively. **ra**

Australia needs greater agricultural productivity to be food secure

WHILE Australia is currently one of the most food secure nations in the world, it must increase agriculture production by 2050 if it is to continue feeding itself and the large swathe of Asian markets it supplies to, said a new study.

The Global Food and Water Crises Research Programme made this point in its latest strategic paper on consumption patterns and food demand in Australia over the next 36 years.

It said that Australia is currently self-sufficient in key food commodities including meat, dairy and grains. However, "[The Department of] Treasury's prediction that agriculture will grow from its current 2.5% contribution to national GDP to reach 5% by 2050 is unachievable without driving up productivity in the agricultural sector using current, or fewer, resources.

"Considerable productivity growth is the only solution to feeding both Australia's population and maintaining the government's lofty targets for export growth to Asia."

Australia currently exports 70% of all the food it produces and has a strong food trade surplus. Global demand for Australian food products is greatest for unprocessed grains, wheat, beef, sheep and dairy.

Australia currently exports 70% of all the food it produces and has a strong food trade surplus.

According to the Department of Treasury, Australia's population will rise to approximately 35.9 million people by 2050.

"We can already produce enough food for the growing demand of our domestic market; however, this would be at cost to our food exports. The agricultural sector will need to improve productivity substantially to meet both domestic and export demands."

The report added that high domestic demand for processed foods also presents food security concerns. The sector faces significant constraints from high costs and retail price deflation which threaten the long-term viability of Australia's key food processing capabilities.

The continuation of domestic dietary trends that rely on processed products may mean a move away from Australian produce and an increased reliance of food imports by 2050.

The report outlined other consumption trends. Australians are increasing their wheat, seafood and dairy consumption. They are now consuming 16kg of seafood person each year, making it the fifth largest industry in the agricultural sector.

Demand for dairy has also increased over the past five years, spurred by the burgeoning 'coffee culture' in urban centres. **ra**

Nine-layer film material to keep cereals crisp

BERRY PLASTICS has engineered a nine-layer film material to protect cereals and snacks against moisture and keep them dry and crisp for longer. The material is reportedly of a lighter weight than conventional films.

The layers work to extend the shelf life of granola, crackers, pretzels and other foods that are important to keep dry.

Michelle Wilson, director of business development for the firm's Flexible Packaging Division, said the new packaging benefits cereal and snack brand owners with its performance and cost-effectiveness.

Each layer of the film serves a different purpose. "The materials are dictated by the product, the environment, format and use. Package shelf life, one of the primary functions of the package, is focused on maximising shelf life as it pertains to moisture and flavour barrier."

The other primary function is to provide package integrity, both during the package filling process as well as on the retail and consumer shelf. Wilson said to maximise package integrity, Berry Plastics focused on improved seal-ability, stiffness and durability. "The nine layers allow us to balance all those requirements, while providing the most economical formulation possible."

Traditionally, films in this market space have been limited to five or seven layers.

Wilson said the trend in the food packaging industry for the past 25 years has been towards thinner films for a variety of reasons, particularly lower costs. However, with traditional five- or seven-layer extrusion lines, continued gauge reduction is limited because it compromises package integrity and shelf life.

The nine layers of the new film material work to extend the shelf life of granola, crackers, pretzels and other foods that are important to keep dry.

The new nine-layer film packaging also features easy opening seals, allowing for convenient access to the food product. The film, which is 10% less in total thickness, as compared to competing products, not only helps to reduce total packaging but also means less packaging material to dispose of after the contents are used. **ra**

Looking for distributors

Fabbri flavours

FABBRI 1905, a specialist provider of quality ingredients for gelato, pastry and syrups for mixed drinks, is excited to bring a number of new products to Asia.

"We have created 'Bread', a new gelato flavour that tastes like bread; we have Spherology, a new product that makes it easy to create molecular cocktails and desserts; and we have a new retail packaging for our iconic product — the Amarena cherry," says company director Nicola Fabbri.

Fabbri says the company is using the Amarena cherry in a new cocktail drink called Amarenapolitan and introducing this drink in Singapore.

"Singapore has a very influential bar scene, and among Asian cities, both Singapore and Hong Kong are the trendsetters. It is therefore important to establish our products in Singapore."

Fabbri is looking for more distributors in the region. "We need very skilled distributors who are familiar with the night-life scene in key cities. We also need a different class of distributors who can help us sell to 'corporate clients' comprising restaurants and coffee chains because our products are also great for coffees."

Fabbri 1905, which invented the world-renowned amarena and other fruit syrups, is based in Bologna (Emilia Romagna Region), Italy. It has more than 1,000 different products including those dedicated to artisan gelato parlours and artisan confectioners. **ra**

CITROCASA orange juicers

WITH the rise of Asia's middle-class consumers, who are health-conscious and want quality food, CITROCASA sees a steady increase in demand for its automatic orange juicers. The company is looking to expand its distribution network in Asia.

Company spokesman Dieter Krestel says: "Asia-Pacific is a new growth area. Currently, our clientele is largely cafes, restaurants, hotels and supermarkets all over Europe and North America. In Asia, we already have distributors in China, Hong Kong and Australia, and we would like to appoint distributors in Singapore, Malaysia, Thailand, Japan and South Korea.

"We are seeking distributors who are well-connected to retail channels, as well as hotels, restaurants, cafes and bakeries."

CITROCASA orange juicers do more than just squeeze orange juice of the freshest and highest quality; they are made to be placed right in front of guests. The compact CITROCASA Fantastic juicer hardly takes up any space but its eye-catching and stylish design complements the interior of any cafe, restaurant, or hotel.

CITROCASA juicers are Austrian-engineered, professional, extremely easy to operate, and made for easy cleaning.

TMP, the manufacturer of CITROCASA orange juicers, is a privately held company located in Linz, Austria. **ra**

La Panzanella artisanal crackers

LA PANZANELLA, an artisanal foods company based in Seattle's Capitol Hill area, is keen to promote its artisan crackers in Asia and is looking for distributors or importers that can place its product in high-end supermarkets in the region.

The company's business development director, Antonio Galati, believes the growing trend of cheese consumption by Asia's young population has created demand for artisan crackers.

Unlike the bigger brands, La Panzanella's all-natural artisan crackers are made without the use of yeast, dairy or baking soda. When they are baked, the crackers are marked but not broken, and are packed by hand, keeping their quality and freshness intact.

La Panzanella has reached Hong Kong and Japan but is yet to be in Singapore and other countries in ASEAN.

In Asia, La Panzanella aims for its Croccantini crackers to be on the shelves of gourmet markets and specialty retailers, and on the tables of high-end restaurants, just as they are served in fine restaurants throughout Seattle, USA, including the Olympic Four Seasons Hotel, Canlis Restaurant and Anthony's Pier 66 Restaurant. **ra**

Key to driving sales in retail

Brian Moore
Global Retail Analyst & CEO
EMR-Namnews
bmoore@namnews.com

Given that retailers in many global markets continue to operate in a flat-line demand and high-risk environment, it is vital that Asian retailers become expert at generating incremental sales at competitors' expense in order to restore and maintain acceptable levels of profitability.

In fact, most of the global retailers have been badly hit in terms of Net Profit Margin following the global financial crisis, according to the latest 2012 figures. For instance, Carrefour is currently showing a net margin of 0.7%, Tesco 3.0%, and Metro 1.2%, whilst Walmart continues to show 5.5% in spite of the global recession.

In other words, the fact that Walmart can deliver a good net margin means that, despite operating on a low price platform, it is possible to trade at more than 5% margin in the current economic climate.

As you know, the two classic approaches to improving retail profitability are cutting costs and driving sales. In the March edition of Retail Asia $&Sense, we focused on cutting costs; and in this month's instalment we shall identify ways of driving sales in retail.

Driving sales via the Ansoff model

Igor Ansoff, the father of strategic management, evolved his famous Product-Market Growth Matrix as a tool to plot generic strategies for growing a business via existing or new products, in existing or new markets. This tool can be used to grow a retail business by driving sales.

> "The fact that Walmart can deliver a good net margin means that, despite operating on a low-price platform, it is possible to trade at more than 5% margin in the current economic climate."

Ansoff demonstrates that there are only four ways of growing a retail business (see chart below):

- **Maximising sales to current shoppers:** Shopper marketing, promotion in-store to optimise the shopping basket, transaction building. Allocate 50% of resources.
- **Selling new products to current shoppers:** Shopper marketing, product/service innovation, product sampling. Allocate 30% of resources.
- **Attracting new shoppers for current products:** Innovation in category management and shopper marketing, traffic building, excitement creation, image building. Allocate 15% of resources.
- **Attracting new shoppers for new products:** Less productive, greater risk in combining two unknowns, that is, new shoppers and new products. Allocate 5% of resources.

Suppliers are willing to invest in their retail trade partners in order to jointly optimise opportunities to drive retail sales. In doing so, they are obviously obliged to manage the cost of initiatives and they need to be able to demonstrate value to the retail partner. They do this by focusing on key sales drivers.

In practice, a supplier-partner can help to drive sales by offering price discounts, giving credit, managing stock via shrinkage reduction, selling goods on consignment, and optimising stock rotation via smaller, more frequent deliveries.

A supplier's levels of trade investment and promotional support will be determined by the amount of incremental sales they can achieve, and the degree of willing compliance they can expect from the retail partner.

Therefore, in order to maximise clarity and commitment by each party, it is important to ensure that both supplier and retailer adopt common measures of cost and value in assessing the benefits of each of the key sales drivers.

Sales drivers in retail: Possible cost factors to supplier/retailer

In order to simplify the negotiation process, it can be useful if supplier and retailer accept and factor in the costs that affect the following sales drivers:

- **Listings:** Cost of listing fees, administration, opportunity cost, and space occupied.
- **Depth of distribution:** Cost of incentivising the retailer, fulfilment cost, maintaining availability, and demand management.
- **Signage:** Physical cost of sign and

installation, opportunity cost, that is, alternative signs.

- **Share-of-retailer's assortment:** Cost of servicing, merchandising, minimising the risk of short supply/out-of-stocks, lost sales and relative power in the supplier-retailer relationship.
- **Level of demand at retail:** Cost of maintaining demand, maintenance of competitive edge for brand and retailer.
- **Logistics/fulfilment:** Costs of maintaining availability, lost sales of competition, impact on other trade relationships.
- **Promotion weight and effectiveness:** Costs of discounts, physicals, and administration.

Sales drivers in retail: Possible value to supplier/retailer of performance improvements

If both parties clearly see joint benefits and value in optimising the sales drivers, it will be easier to ensure willing compliance with each sales driver.

- **Listings:** Meeting more demand, availability, control of competition.
- **Depth of distribution:** Increase in promotion effectiveness.
- **Signage:** Improved communication, attention of shoppers.
- **Share-of-customer's assortment:** Improved leverage, commitment, partnership, and critical mass.
- **Level of demand at retail:** Re-enforcement, improved leverage and partnership.
- **Logistics/fulfilment:** Improved availability, more demand satisfaction, lost sales of competition.
- **Promotion weight and effectiveness:** Higher levels of incremental sales, competitor control, traffic building.

In other words, supplier-retailer trade partners now have a basis for calculating costs and values of the key sales drivers for each party in ways that can deliver fair-share benefits to both, and thus reinforce the quality of the trade partnership as markets improve.

> "In practice, a supplier-partner can help to drive sales by offering price discounts, giving credit, managing stock via shrinkage reduction, selling goods on consignment, and optimising stock rotation via smaller, more frequent deliveries."

Application to the key profit drivers

This improved trade partnership, based upon satisfaction of mutual need, can then be used to optimise retail profitability by collaborative use of the latest retail management tools and techniques via the following four profit drivers:

- **Space cost:** Collaborative use of category management, space-management, front-end/checkout expertise, tailored displays, increased space productivity.
- **Net margin:** Use of category management to optimise retail selling prices, Efficient Consumer Response (ECR) to reduce supply chain costs, in-store help, and taking steps to conserve margin.
- **Stockturn:** Use of smaller, more frequent deliveries, Sales Based Ordering (SBO), Continuous Replenishment Process (CRP), Vendor Managed Inventory (VMI), all driven by innovative use of consumer-shopping insights.
- **Credit achieved:** Strategic use of fair-share supplier-credit, combined with early payment incentive to optimise innovation funding, better use of working capital for each party.

As a business consultant to the retailer, with a pan-market perspective and experience of most trade channels, the supplier is in a position to help favoured retail partners to optimise joint profitability by driving retail sales.

However, their budgets are discretionary, with their trade investment going to those retailers that can help them to optimise cost and value. This means that a retailer wishing to maximise support from a supplier-partner needs to agree on common ways of assessing cost and value, as a basis for a fair-share collaborative business relationship that benefits both parties.

The above approach to building sustainable retail sales can certainly help. **ra**

Getting more from Ansoff Matrix:

Essentially, Igor Ansoff, the pioneer of strategic management, demonstrates that there are only four ways of growing a retail business:

The easiest way is to sell more of the current products to customers who have bought these products. For instance, consumers shampooing their hair twice a week can easily be persuaded to wash their hair on a daily basis. They know and like the product, so using it more often represents a small step. Accordingly, an allocation of 50% of a retailer's business building resources is justified.

Next comes selling new products to current customers, based on the fact that they are already getting satisfaction from current products from the retailer's range, and can easily be encouraged to try new products — like hair conditioners — from the same source. Hence, this is worth a resource allocation of 30%.

The retailer now knows the consumer-shopper on two levels, in terms of current and new product usage. This enables the retailer to define the customer's profile and to use this as a lens through which new customers of similar profile can be targeted and attracted to the store in search of products that fit their appetite. This can absorb 15% of a retailer's resources.

The fourth way — attempting to sell new products to new customers — carries risk on two levels, in that the shopper does not know the customer and the shopper is not familiar with the product. Accordingly, no more than 5% of resources should be allocated in this case.

Ansoff's key message is that no growth options exist outside the box! **ra**

UPCOMING EVENTS 2014

To submit listing information, please e-mail: info@retailasia.com.sg

June

June 10-12
Retail Asia Expo 2014
Where retailers come to shop.
Hong Kong Convention and Exhibition Centre
Diversified Events Hong Kong, LLC
www.retailasiaexpo.com

June 10-13
FMI Connect
The global food retail experience.
McCormick Place, Chicago Illinois, USA
Food Marketing Institute (FMI)
www.fmiconnect.net

June 11-13
SIAL ASEAN
The ASEAN Food Marketplace.
World Trade Center Metro Manila, the Philippines
The Comexposium Group
www.sialasean.com

June 20-22
IFRA 2014
The biggest international franchise industry and business concept expo in Indonesia.
Jakarta Convention Centre, Indonesia
Debindo Mitra Dyantama
www.ifra-indonesia.com

June 23-25
SCM Logistics & Manufacturing World 2014
Innovation & strategy for Asia's logistics & supply chain leaders.
Suntec International Convention & Exhibition Centre, Singapore
Terrapinn Pte Ltd
www.terrapinn.com/2014/scm-logistics-and-manufacturing-world

June 25-28
FOOD TAIPEI
The 24th Taipei International Food Show
TWTC Nangang Exhibition Hall
Taiwan External Trade Development Council (TAITRA)
www.foodtaipei.com.tw

July

July 4-6
Luxury China 2014
One-stop shopping for international high-end brands.
Beijing Exhibition Centre, China
Beijing Zhenwei Exhibition Co Ltd
www.luxurychina.com.cn

July 8-11
Hong Kong Fashion Week for Spring/Summer
Asia's largest and world's second largest fashion event offering the latest in apparel, accessories and fashion-related products to global buyers.
Hong Kong Convention and Exhibition Centre
Hong Kong Trade Development Council
www.hktdc.com/hkfashionweekss

July 16-20
Franchise Asia Philippines
Asia's biggest 4-in-1 franchise event.
SMX Convention Center, Manila, the Philippines
Philippine Franchise Association
www.franchiseasiaphl2014.com.ph

2014

August

August 3-6
ASDLV
Bringing together a wide variety of merchandise in one efficient consumer good trade show.
Las Vegas Convention Center, Las Vegas, USA
ASD Las Vegas
www.asdonline.com

August 15-19
Hong Kong Food Expo
Showcasing food products from all over the world and offering business opportunities in food supply and distribution.
Hong Kong Convention and Exhibition Centre
Hong Kong Trade Development Council
www.hktdc.com/hkfoodexpo

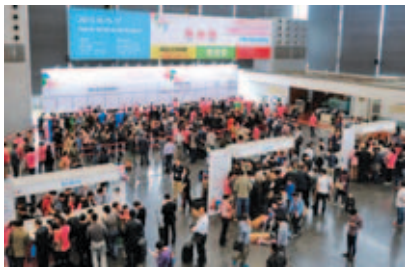
September

September 2-4
Seafood Expo Asia
Asia's premium seafood marketplace.
Hong Kong Convention and Exhibition Centre
Diversified Business Communications
www.asianseafoodexpo.com

September 4-8
Hong Kong Watch & Clock Fair
The world's largest timepiece event focusing on all sectors of the watch and clock business.
Hong Kong Convention and Exhibition Centre
Hong Kong Trade Development Council
www.hktdc.com/hkwatchfair

September 24-26
WORLD OF FOOD INDIA
9th edition of international exhibition for the food & beverage trade.
Bombay Exhibition Centre, Mumbai, India
Koelnmesse
Koelnmesse YA Tradefair Pvt Ltd
www.worldoffoodindia.com

October



October 14-16
SHANGHAI BRAND LICENSING HALL 2014
The largest event on licensing in Asia by display space.
Shanghai New International Expo Center
China Toy & Juvenile Products Association
www.chinalicensingexpo.com

October 16-18
FRANCHISING & LICENSING ASIA (FLAsia)
The international event for entrepreneurship, business opportunities and intellectual property rights in Asia.
Marina Bay Sands Expo & Convention Centre, Singapore
Franchising and Licensing Association Singapore
Bizlink Exhibition Services Pte Ltd
www.franchiselicenseasia.com

November

November 9-11
Sweets & Snacks Middle East
Your gateway to the Middle East confectionery & snacks market.
Dubai World Trade Centre, UAE
Koelnmesse
www.sweetsmiddleeast.com

November 12-14
FHC CHINA 2014
The premier business exhibition for the food and hospitality sector in China.
Shanghai New International Expo Centre
China International Exhibitions
www.fhcchina.com