

# WRC Asia-Pacific 2014: key ideas

By Erica Ng, WGSN, 07 April 2014

Changing consumer expectations are prompting Asia-Pacific retailers to expand and integrate online and offline offers and re-evaluate the meaning of value.



Juliana Liu interviews Terry O'Connor, group CEO, Courts, Andy Rubin, CEO, Pentland Brands and Harry Markl, regional managing director, Zalora

## \* SHORTCUTS

- Online retail sales in the Asia-Pacific are set to overtake those of North America this year, rising to US\$525bn
- Growth is being driven by consumer smartphone adoption, higher disposable income in rural areas and a cautious consumer acceptance of online marketplaces
- Physical retail remains an important touchpoint for new brands, however, overcoming trust issues among consumers and helping establish personal connections with Asian consumers
- Consumer demand for value for money is prompting retailers in mass and luxury sectors to rethink their branding, pricing and marketing approach

The rising popularity of e-commerce in Asia was a major focus at World Retail Congress Asia Pacific as experts discussed new possibilities to create better online brand experiences and expansion into new markets.

Max Bittner, CEO of Southeast Asia's fast-growing online shopping site Lazada Group, said that he expects 2014 to be the year when e-commerce "truly takes off" in Asia, noting the increased appetite from both consumers and retailers.

"There is a real lack of retail presence outside core urban areas in Asia, making accessibility to products for new consumers very difficult." Consumers in rural areas, however, are seeing their disposable incomes grow and are looking for better quality products.

Other hot topics of debate at WRC Asia-Pacific included the Asian consumer view of value, the ongoing

importance of physical retail in the region's market and the use of data to help retailers better understand customers and build long-term relationships.

## E-commerce: the next frontier

The latest eMarketer forecast suggests Asia-Pacific consumers will, for the first time this year, spend more on e-commerce purchases than consumers in North America, with business-to-consumer e-commerce sales expected to reach US\$525bn in the region. The rapid growth in consumer smartphone ownership, an increase in disposable incomes in rural areas and the advancement of virtual reality technology are seen as important drivers of online and mobile shopping in the coming years.

- Outlining its dominance in China, John Spelich, vice president for international e-commerce business development at online marketplace Alibaba Group says the company handles around 60% of all packages delivered in the market
- E-commerce is at the core of fashion group Giordano's expansion across China. Chairman and CEO Peter Lau said e-commerce is an efficient way to understand consumer behaviour before expanding; the brand has been collecting online sales data in lower-tier cities to better target and serve this group of emerging customers
- Online grocer Yihaodian, majority-owned by Walmart, created buzz in the market by using augmented reality to link its virtual stores to the physical. This is helping to break down barriers to online
- Asia-based fashion e-tailer Zalora's regional managing director Harry Markl reminded delegates of the need to create an online destination, not just an online shop. "Create an environment that people come look for not just a product but for inspiration," he said, citing UK online-retailer asos.com as leading example
- The last barrier of online shopping for customers in Asia is not being able to touch and feel product. but Lazada Group's Bittner says new virtual measurement and augmented reality technologies are starting to break this down



Juliana Liu interviews Genesis Colors MD Sanjay Kapoor and Lazada Group CEO Max Bittner



Yihaodian virtual store, China

## The new demand for value-for-money

Several speakers highlighted the importance of value as a dominant consumer trend in the Asia-Pacific. Most developing markets in the region, particularly China, have seen a very quick rise of new wealthy

consumers who previously displayed their wealth via well-known luxury labels. Yet as this group of consumers mature and become more informed, value has become the new concern they have with luxury purchases. Similarly for the mass-market consumer, value for money continues to be a major concern across the region.

- While Asia is a fragmented region, Walmart Asia CEO and president Scott Price said the consumer search for value for money is a common theme. According to Walmart research, 50% of consumers in China said value for money is the key driver for loyalty to a brand, and similar results were found in India and Japan
- "The things that really matter to customers remain still the same," agreed Homeplus Tesco Korea's chairman Dr. SH Lee. "They want value for money." With retail formats changing so quickly, Lee said it is important not to get distracted and always focus on value and what customers want
- As Asian consumers become more sophisticated and look for an emotional and personal connection with the brands they purchase, value for money has become more important for luxury brands too, said Chinese lifestyle company Affinity's co-found Derek Muhs
- The pursuit of value in China has created a luxury gap, noted James Roy, associate principal of China Market Research Group. Ultra-high-network consumers are now trading up for more unique luxury labels and mass-consumers are seeking out affordable luxury options



(left to right) Jonathan Sharp, MD, BCG; Roger Egan, CEO, RedMart; Mike Brown, head of SE Asia and Australian operations, Uber.com



James Roy, associate principal, China Market Research Group, Redmond  
Yeung, vice chairman, Gap Greater China and Tobias Wasmuht, MD, SPAR China

## Physical retail: the third place

Despite the fast growth of e-commerce, speakers agreed that physical stores play an important role in Asian culture. Shopping malls act as social gathering places and individual stores allow consumers to connect with the retail brand. For brands entering new Asian markets physical stores give consumers confidence and allay fears over authenticity and quality, which is an occasional sticking point for new, online-only retailers.

- Gap entered China in 2010 with a flagship store and an e-commerce platform. CEO Redmond Yeung said physical retail is a crucial consumer touchpoint for building trust and telling the brand story while e-commerce is for a wider reach beyond the first-tier cities
- Giordano's Lau said physical retail and e-commerce are equally important in Asia, and physical retail will have to provide an experience with instant gratification, branded ambience and exceptional service



to stay relevant

- The store and the shopping mall have to become "the third place" and give consumers a place to relax away from home and the workplace, said Sudhitham Chirathivat, former executive chairman of Thailand-based shopping mall developer Central Group
- Japan-based retail group AEON launched a new 'grand mall' concept last year, which features 350 stores across a 192,000sq-m complex including an outdoor theatre, children learning and activity centres, a pet café and lounge, a batting cage and cycling tracks. Senior executive vice president and chief strategy officer Jerry Black said that the idea is to expand the shopping experience with more entertainment choices and hence develop more "tangible, emotional connections with customers"
- Courts's CEO Terry O'Connor agreed that the store plays an experiential role and the company has been planning more in-store events to better interact with customers



Jerry Black, senior executive vice president and chief strategy officer, AEON



AEON Makuhari Shintoshin Grand Mall, Japan

## Customer engagement: data, content & targeting

Targeted, personalised customer service was another hot topic at the Congress for both online shopping and in the physical store. This taps into the need to surprise and delight customers with service that exceeds their expectations and build brand loyalty as the retail market becomes more competitive. Social media and online shopping give retailers growing amount of data, which some retailers are leveraging for better targeting and upselling. Others are focused on lifestyle content that offers more meaningful connections to consumers than advertising.

- Creating interesting and relevant content beyond selling products is an increasingly popular way for retailers to build customer trust and confidence. Singapore grocery chain NTUC Fairprice launched a free online TV channel last year with cookery shows and restaurant reviews for better engagement. "We need to win them over before they even step into the store," said CEO Seah Kian Pang
- Hong Kong-based jeweler Chow Tai Fook is segmenting its customers to provide different tiers of personalised services in-store. The top-tier VIPs, for example, are invited to jewellery previews at fashion weeks while lifestyle events such as 'art-jamming' are regularly organised for lower-tiered customers
- Zalora's Harry Markl said that tracking online data and monitoring customers' experience on the site help the company better tailor the offering from price and product selection to site execution and delivery. For Zalora, the online site gives higher reach but lower conversion compared with its pop-up stores in Singapore

