



 *tofugear*

**SIX RETAIL TRENDS  
IN ASIA FOR**

**2020**

2019 has been an eventful year in Asian retailing. Both Singapore and Hong Kong have been impacted by the US-China trade war, while Hong Kong of course has also had to contend with well-documented local unrest. Meanwhile, retailers from Japan became the target of a boycott in South Korea, while emerging markets like the Philippines, Thailand and Vietnam continued to power ahead.

Despite challenging times in some of Asia's key retail markets, the region continues to be a hotbed of innovation. This mini report takes a look at some of the innovative store formats and initiatives that emerged in 2019, which are allowing retailers to engage with consumers in new ways.

Subdivided into six trends – retailtainment, the rise of the mindful consumer, digital and physical convergence of marketplaces, conversational AI, connected retail experiences and frictionless shopping – we present case studies that will offer a glimpse of what 2020 and beyond will look like. This report celebrates the achievement of those retailers that have embraced change, but hopefully will also act as a source of inspiration for the wider industry.





# RETAILTAINMENT

Retailtainment, or the convergence of retail, leisure and entertainment, is becoming more prevalent in Asia as retailers cater to the needs of experience-craving consumers. Retailers and brands can no longer rely on the quality and variety of their products to lure in customers – they also need to create memorable experiences that are shareable on social media.

By providing immersive and interactive retail experiences, physical retailers are able to withstand disruption from online competitors as they utilise their physical spaces to tell their brand story or even create a sense of community. This approach resonates with Asian shoppers – research from Tofugear found that half of all consumers in Asia choose to visit stores because they value the in-store experience over shopping online.

To capitalise on this trend, brands and retailers are now approaching experiential retail in unique ways. Think of how retailers are allowing customers to truly experience products before they buy or the sophisticated ways in which technology is leveraged to allow customers to discover additional product information.

***64% of consumers in mainland China say that they will research products online, but then buy in store because they value the in-store experience***



# DECATHLON

## TSEUNG KWAN O, HONG KONG

Experiential retail is gaining ground in Hong Kong and is perhaps best exemplified by Decathlon's third store in Tseung Kwan O, which opened in June 2019. Decathlon is betting on a try-before-you-buy strategy to ensure customers are truly satisfied with their purchases.



Credit: Decathlon

Apart from selling sports gear, the 36,000 sq ft store hosts various spaces where customers can try products, ranging from badminton, hiking and running to yoga, basketball and even a ski-testing area. This approach also extends to its outdoor space, where there is the possibility to test camping and outdoor equipment.



*Credit: Marketing Interactive*





Decathlon also manages to create a sense of community, for instance there are free bicycle workshops to test products or even repair and upgrade customers' bikes. Technology also adds to the experience – while the store cannot contain Decathlon's full range of 13,000 products, there are large screens placed in prominent areas in the store that allow customers to compare products and get more information.



## TOFUGEAR TAKEAWAY

Decathlon's third store in Hong Kong marks a further move into experiential retail, when compared to its other Hong Kong branches in Mong Kok and Causeway Bay. The store also sees Decathlon make a bigger move into the athleisure space, allowing it to compete head-on against the likes of Nike and Adidas. For traditional sportswear brands that purely sell merchandise and not much else, Decathlon poses a huge threat.



# TOBY'S SPORTS

## BONIFACIO GLOBAL CITY, PHILIPPINES

Just prior to 2019, Filipino multi-brand sports retailer Toby's Sports opened an innovative flagship store in Manila's Bonifacio Global City district. The store – which sits across two floors and focuses on a premium assortment of branded sports apparel, equipment and footwear – promises to elevate the shopping experience of sports enthusiasts through a host of experiential features.



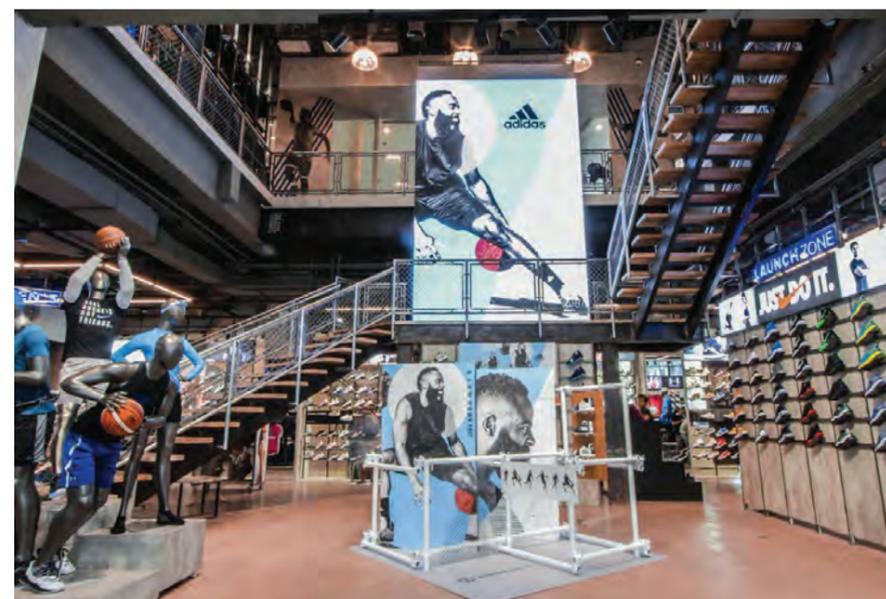
Credit: Toby's Sports

The BGC store is reportedly the first in the Philippines to have touch screen walls. Products are tagged using RFID technology, allowing customers to unlock virtual content, for instance by placing a pair of shoes on its Shoe Showcase platforms. In addition, the store boasts different zones that help create an experiential shopping experience.

In the interactive PLAYZone, basketball enthusiasts can practice their shooting skills and the area is also used to host events and sports clinics on a regular basis.

Meanwhile, the LAUNCHZone is used for product launches of top sports brands and allows customers to view curated installations and attend special VIP events and athlete appearances.

The second level of the store is devoted to Toby's Custom Lab, where shoppers can try out apparel and create customised uniforms and jerseys from head to toe.



Credit: Toby's Sports





## TOFUGEAR TAKEAWAY

Experiential retail is still very rare in the Philippines, so the BGC flagship store can be seen as an early foray by Toby's World into this area. Although somewhat different, Toby's World uses a lot of the same experiential elements seen at Nike's House of Innovation in Shanghai. The store provides an excellent opportunity for Philippine shoppers to get a taste of retailtainment, while at the same time catering to the needs of younger shoppers through an integrated digital offer.



# SHISEIDO x WATSONS MY JAPANESE BEAUTY POP-UP STORE, SINGAPORE

Shiseido Singapore and Watsons Singapore co-launched the My Japanese Beauty Pop-Up Store along Orchard Road. The pop-up aims to create an educational and experiential journey where visitors can uncover the secrets of Japanese beauty.



Credit: Wedding and Travel



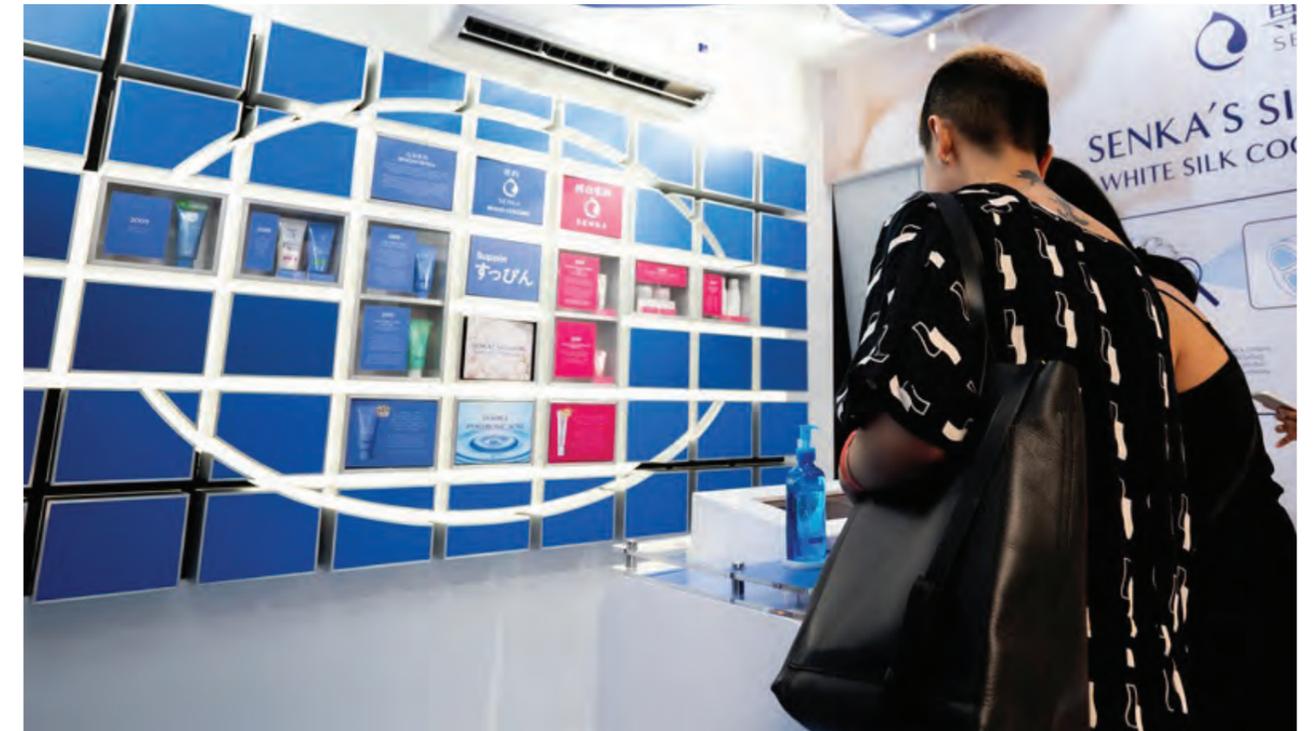
The pop-up features several Shiseido brands including Anessa, Senka and Tsubaki. In the Anessa area, customers can take Instagram photos in front of an animated wall projection, and get tips on how to take care of their skin.

The Senka room allows customers to see its cult-favourite facial foams on display, as well as discover more about Senka's history.

Lastly, the Tsubaki area holds an interactive history wall where customers can learn about the history of Tsubaki's product development. Visitors can experience the aroma of the Tsubaki Garden and take a quiz to match their hair type and texture to the right products.



Credit: Clozette



Credit: Marketing Interactive



Credit: Marketing Interactive

In the pop-up store there are also digital touchpoints that are triggered by footsteps to deliver sound, music and animation. Guests are also able to sample a customised collagen tea at A Taste of Beauty station.

To buy and learn more about Shiseido products, the Watsons' shopping app can be used to scan QR codes for product descriptions and to purchase items. Watsons will then deliver orders within a few days.



Credit: Clozette



# TOFUGEAR TAKEAWAY

The My Japanese Beauty pop-up store shows Shiseido's creativity and sophistication in creating a retail experience that fuses technology with its heritage. The pop-up store is all about providing an experience, but commerce is enabled through its partnership with Watsons. It is important for brands and retailers to tell a story when they are trying to engage with customers on a more personal level.



Asia has been somewhat behind the curve when it comes to mindful consumption and the adoption of sustainable retail concepts. This has been partly due to consumer attitudes towards this issue, with Tofugear research finding that just 8% of consumers in Asia would become more loyal to a retailer or brand if they took a more sustainable approach.

In the US and Europe, 'zillennials' (younger millennials and Gen Z) are especially concerned about sustainability issues and retailers are responding to this demand. Think of H&M launching its Conscious Collection made up of its most environmentally sustainable products, or the British grocer Iceland announcing plans to eliminate all plastic packaging from its stores by 2023.

In Asia, Tofugear data does show the strongest support for sustainability issues among zillennials. But some markets are inherently more mindful about consumption than others. Perhaps surprisingly, shoppers in developing markets such as the Philippines and Indonesia showed the highest regard for sustainability issues, whereas advanced economies such as Japan and South Korea ranked at the bottom of the table.

***22% of Gen Z shoppers in the Philippines would become more loyal to a retailer if they took a more sustainable approach***

A woman with long, dark, wavy hair is shown in profile, looking down at her smartphone. She is wearing a white long-sleeved shirt and a gold watch on her left wrist. The background is a blurred indoor setting, possibly a cafe or office, with a wooden table and a cup visible in the foreground.

# THE RISE OF THE MINDFUL CONSUMER



# LUSH NAKED

## HONG KONG

Cosmetics retailer Lush picked Hong Kong as the location for its first Lush Naked store in Asia. This is perhaps an interesting location for this packaging-free format given the reluctance of Hong Kong consumers to recycle: an average Hongkonger sends over 1.5kg of waste to the landfill every day (almost double the rate of Tokyo).



Credit: Liv

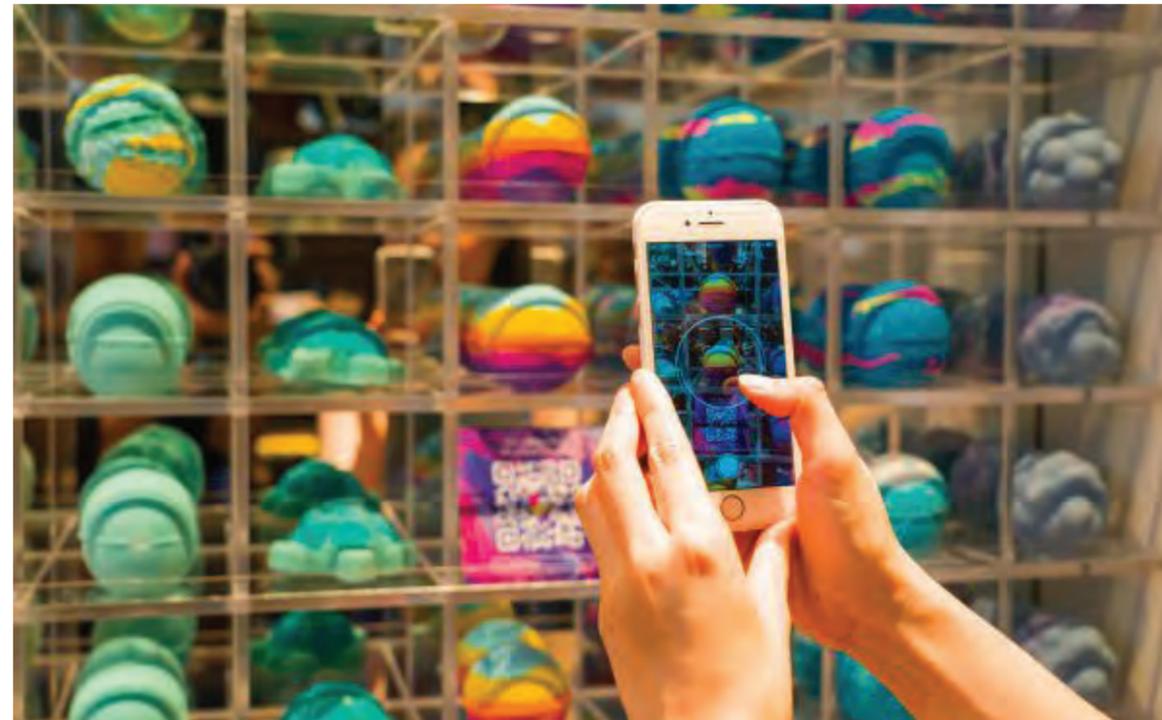


The store in Causeway Bay is similar to the Lush Naked stores opened previously in Milan, Berlin and Manchester. Lush already offers packaging-free products such as shampoo bars and soaps in its regular stores, but the Naked concept also features innovations such as lipsticks that can be inserted into refillable cases, highlighter sticks that are wrapped in wax and reusable cork shampoo pots.

Lush has been an innovator in the digital space for a while and the Lush Naked store in Hong Kong includes the latest iteration of its Lush Labs app. This app allows shoppers to scan labels for product information (replacing the information normally contained on packaging), but also uses image recognition technology to identify bath bombs and show animations to demonstrate how these will work without wasting any water.



Credit: Inside Retail



Credit: Lush



## TOFUGEAR TAKEAWAY

With its Lush Naked format, Lush demonstrates that a sustainable approach and in-store technology can complement each other. Using apps that integrate with the store environment allows Lush to provide product information digitally rather than on packaging and also demonstrate its products without using resources such as water. High traffic to the Hong Kong store seems to suggest that consumers in Asia are ready to embrace more sustainable retail formats.



# ALT: HONG KONG

In late 2018, Hong Kong's latest retail destination, The Mills, opened in Tsuen Wan. Notable for its catching premises in a former textiles factory, the facility has been turned into a centre for techstyle innovation.



Credit: The Mills



This ethos is best exemplified by alt:, a retail concept that features a garment-to-garment (G2G) recycling system. The store is run as a collaboration between the Hong Kong Research Institute of Textile and Apparel, the H&M Foundation and Novetex Textiles Limited, one of the world's largest single-site yarn spinners.

The G2G system allows shoppers to bring old clothes into the store and create entirely new pieces of clothing within four hours. The process ranges from sanitising the garments, through to creating fibres, spinning and garment knitting.

Customers who want to make use of the G2G system need to pre-book a slot to bring in a used garment to the store. They are then offered the opportunity to pay for a newly recycled knitwear or to take a voucher which can then be used against other purchases within the alt: store.



Credit: The Mills



## TOFUGEAR TAKEAWAY

Alt: is meant to demonstrate the viability of the G2G system and blends perfectly into the former textile mill environment. But what is especially interesting is that the system can be made available as a pop-up retail concept. This means that it can be used by retailers looking to boost their sustainability credentials or as a footfall driver for pop-up events – to which millennials in Asia are particularly receptive.



# FUNAN SINGAPORE

The former Funan DigitalLife mall in Singapore was relaunched as Funan in 2019. Where the mall previously had a large focus on IT-related products, it now features an eclectic mix of retailers, from fashion and sports retailers, to electricals and beauty. Moreover, the mall's owner, Capitaland, tasked its tenants with integrating digital experiences into their stores to ensure that the mall will remain a viable destination over the next decade.



Credit: @xavierlur



What also sets the mall apart is its focus on providing a sustainable environment. The rooftop of the mall contains a 5,000 sq ft urban farm, operated by Edible Garden City. This isn't just a gimmick – it actually supplies produce such as oyster mushrooms to Japanese restaurant Noka, which is Singapore's first urban farm-to-table concept. Visitors can learn how vegetables are produced and harvested.

Funan also encourages shoppers to visit the mall via more sustainable means. The ground floor of the mall includes a 200-metre long indoor cycling track and there are also other cycling amenities such as parking bays, lockers as well as a bicycle repair and pump station.



Credit: Straits Times



Credit: Mothership



Credit: Capitaland



## TOFUGEAR TAKEAWAY

Funan mall highlights some of the key trends we've seen in retail over the past year: digital and physical convergence, retailers creating communities around their stores, live-work-play spaces and of course sustainability. Mall operator Capitaland has to be applauded for creating a mall that should be able to withstand further digital disruption, while at the same time tapping into more conscious zillennial consumers.



# CONNECTED RETAIL EXPERIENCES

While many retailers in Asia are still very channel-focused, today's shoppers expect a seamless experience regardless of how they are engaging with a retailer. Shoppers in Asia go through many touchpoints before deciding on a purchase – as many as eight in mainland China – and expect consistency from brands across all of these.

Cross-channel shopping is well-established in Asia. Previous Tofugear research found that as many as two in three consumers will research products online, but then purchase in-store because they prefer to experience products in real life. Meanwhile, 70% of shoppers have browsed an item in stores but then eventually bought it online because there was no stock.

Retailers in Asia that led the pack in 2019 were those that offered connected retail experiences, capitalising on the respective strengths of each channel. Using innovations such as shoppable screens, QR code-enabled pick-up points and live stream stylists, these retailers set the benchmark that many others will surely follow in 2020.

***52% of shoppers in Asia say they have switched to the online channel because they found the check-out queue in a store to be too long***



# HARVEY NICHOLS

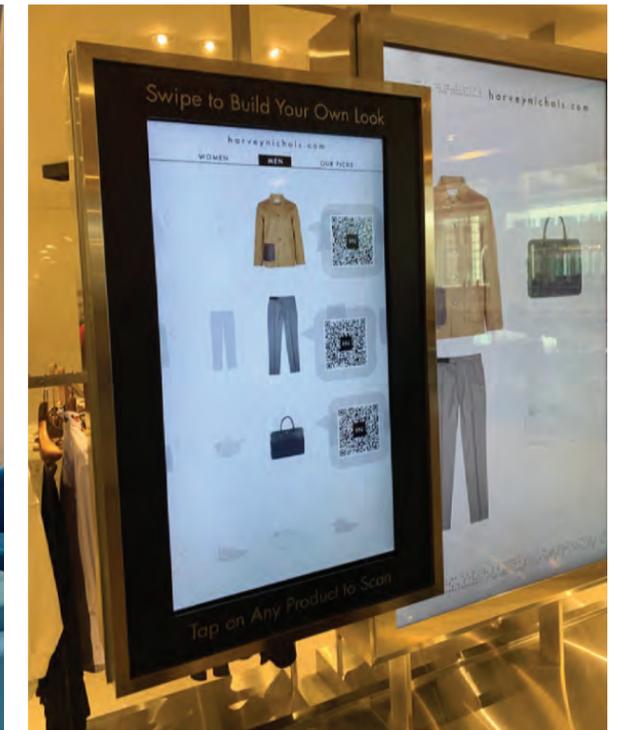
## HONG KONG

Upmarket department store retailer Harvey Nichols refurbished its Pacific Place branch in Hong Kong during 2019. The store now carries a wide array of technologies that are meant to enhance the customer experience, including shoppable screens and live streaming services. Interestingly, the store takes up only half the space of the original, while the range trebled by making its worldwide online offer available to in-store customers.





Customers can already interact with the technology outside of the actual store, with screens in its shop windows allowing shoppers to assemble a digital look that can be purchased online through QR codes. Meanwhile, products from its global catalogue – Harvey Nichols is also active in the UK – are highlighted throughout the store on shoppable screens.



In the middle of the store there is an online styling lounge where looks can be assembled, either by customers themselves or with store staff. But consistency is the name of the game because the styling lounge is available online 24-7, with UK stylists available through live video streaming when the Hong Kong branches are closed for the night.





## TOFUGEAR TAKEAWAY

Two-thirds of Asian consumers say that products being out of stock is their biggest frustration when it comes to shopping in physical stores – so it looks like Harvey Nichols will be on to a winner. However, what really makes the Pacific Place refurbishment impactful is that its Hong Kong customers have now gained access to its worldwide range as well as the replication of its in-store services to the online channel through video streaming with stylists. This approach is likely to result in higher sales densities for the Pacific Place store.



# POMELO

## 313@SOMERSET, SINGAPORE

Thai fast fashion brand Pomelo opened its largest store to date in Southeast Asia on Orchard Road in Singapore in June 2019. The 6,000 sq ft store features a number of technologies to help ease shoppers' frustrations and connect the digital and physical worlds.



Credit: Pomelo



Online customers can make use of the Pomelo Pick Up concept, where orders can be tried on in store or collected straight away through a QR code-enabled Fast Lane. Either way, customers are not charged for any online orders until they check-out in the store. The system works through self-service kiosks that also allow customers to book a fitting room and monitor their place in the queue.

The store is also closely integrated with the Pomelo app through the 'In-store mode', which debuted in the Singapore store. This allows customers to book a slot in a fitting room when they are within 1km of the store. They are also able to pick up and pay for orders using the app. Singapore is the first Pomelo store to feature this functionality, but it was expected to be rolled out to 100 additional stores by the end of 2019.



Credit: Today



Credit: Straits Times



Credit: Today



# TOFUGEAR TAKEAWAY

Pomelo's 313@somerset flagship store tackles a lot of the frustrations that customers face when shopping in stores, including long queues – either at check-out or for dressing rooms – and disjointed click-and-collect services, where orders need to be paid prior to collection and in-store returns may not necessarily be possible. Pomelo also leads the way with an app that integrates with the store environment, which is a scalable solution that is being introduced to other stores.

# SINGTEL UNBOXED

## SINGAPORE

Singapore mobile services provider Singtel unveiled its Unboxed pop-up store in June 2019. Open 24-7, the unmanned concept allows Singtel customers to use various services including the collection of orders for mobile devices, signing up to a new contract and trying out the latest mobile phones.



The store is highly mobile and can be moved to different locations to engage with customers across Singapore – although it has remained in the central business district since its opening.



Credit: Singtel

What sets it apart is the use of perhaps one of the few truly useful retail robots, which is operated by an actual Singtel staff member and can guide customers around the store. The robot is able to identify customers through facial recognition, allowing it to offer a more personalised service. Camera and motion sensors are also used to see how customers are interacting with the pop-up, for instance if you pick up a phone in the 'latest gadgets' section, relevant information will be shown on a large display on the wall. The screen also allows for the comparison of various devices.



Credit: Singtel



Credit: Singtel



# TOFUGEAR TAKEAWAY

Singtel Unboxed is certainly eye-catching, but too often unmanned stores are anything but frictionless, with many consumers spending quite some time to figure out how everything works. By actually introducing a human element – ironically through the retail robot that roams the store – Singtel manages to create a service-oriented experience that seamlessly bridges the online and offline worlds.



Consumers these days expect a seamless shopping experience and that often involves offering personalised, simplified and smooth shopping experiences. To do so, retailers are now embracing technology and data to help their customers experience less friction during shopping.

While Amazon Go – where customers can simply grab products and walk out of store without any checkout at all – has long been seen as the epitome of this trend, frictionless shopping can also be achieved through less sophisticated means. In Asia, China is a clear leader in this area through technologies such as facial recognition and unmanned concepts. Countries in Southeast Asia are starting to follow suit.

Research from Tofugear suggests that Asian consumers have high expectations around seamless shopping. Four in five shoppers in Asia find convenience to be very important when shopping in stores, while 68% are keen to use self check-out terminals in order to avoid the queue. From automated dining concepts to scan-and-go apps that can be used in stores, we take a look at some of the latest iterations of frictionless shopping in Asia.

***48% of consumers in Singapore find long check-out queues to be a major frustration when they shop in stores***



# FRICITIONLESS SHOPPING



# MAXIS CONCEPT STORE

## KUALA LUMPUR, MALAYSIA

In May 2019, communications provider Maxis unveiled a new concept store at The Gardens Mid Valley in Malaysia. Using cutting-edge technologies such as voice-activated screens and a connected retail app, the format is able to offer customers a highly personalised digital experience.



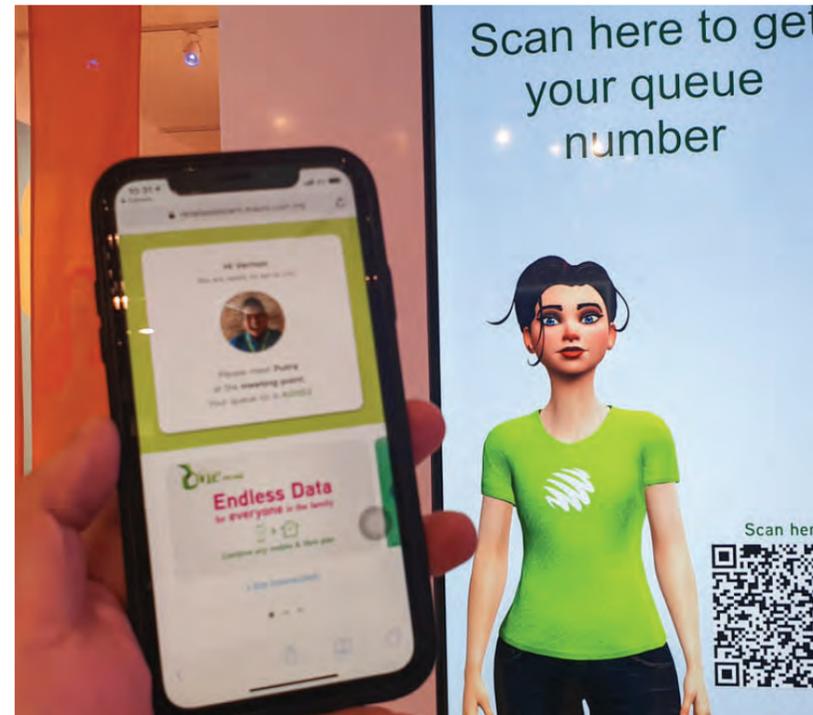
*Credit: Vernon Chan*



When customers enter the store, they can scan a QR code to gain access to the Maxis Interactive Retail Assistant (MIRA), a web app that offers information on the latest promotions, customised offers and gives a queue number. Once customers enter their name and needs on MIRA, Maxis staff are alerted on their tablets and will know what the customer requires.

The Maxis new concept store is the first store in the world to use voice-activated giant screens (11 units of 98" screens), allowing staff to share comparisons of different devices available in the store just by speaking.

The store is also RFID-enabled, which allows customers to browse items without them being secured down by cables. The items tagged with RFID chips will only set off alarms when removed from store.



Credit: Vernon Chan



Credit: Technave



Credit: Upstation Asia



# TOFUGEAR TAKEAWAY

The Maxis concept store is able to cater to the evolving digital needs of Malaysian consumers. It is a highly connected store format, with Maxis able to gain detailed customer insight, including demographics, dwell time, customer journey and zonal engagement. For the customer, friction is removed from the shopping journey through the digital retail assistant which keeps track of the queue and allows staff to deliver personalised service.



# PRICERITE NEW RETAIL CONCEPT STORE

## HONG KONG

Hong Kong-based furniture retailer Pricerite launched its third New Retail store in September 2019, featuring a host of digital touchpoints such as shoppable screens and augmented reality that allows customers to experience different furniture solutions, particularly as it relates to small to medium-sized flats.



*Credit: Design Idk*



The store, located at MegaBox in Kowloon, has multiple interactive shopping screens, where shoppers can gain detailed product information, check inventory levels across the Pricerite store network and also purchase products by scanning QR codes with their phones. Pricerite has also jumped on the retail robot bandwagon, with a Pepper 2.0 robot able to assist with product information and promotions.

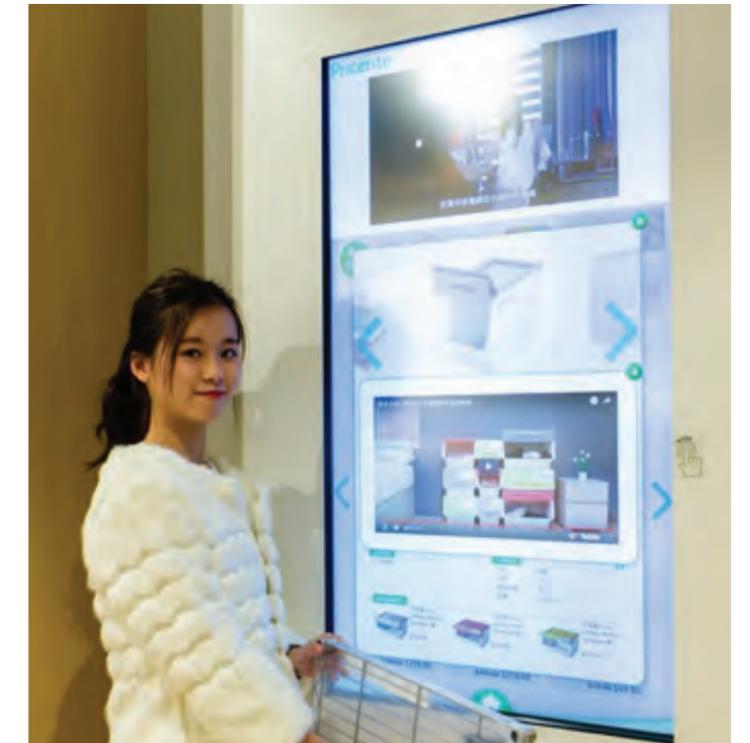
Using AR and VR technologies, customers are able to visualise how furniture will look in certain spaces. Pricerite also claims it is the first store in Hong Kong to accept cryptocurrencies including Bitcoin, Ethereum and Litecoin for payment.



Credit: Inside Retail



Credit: Design Idk





## TOFUGEAR TAKEAWAY

Pricerite's move into New Retail allows it to provide a clearly differentiated experience against its main competitor, IKEA. In Hong Kong, IKEA does not yet offer the ability for customers to pay and arrange delivery of items through QR codes, nor does it offer AR-enabled experiences (it does elsewhere in the world). Products being out of stock is a major frustration for Hong Kong shoppers, so the interactive screens that allow customers to order from other stores or online provides a good use case of a frictionless shopping experience.



# DELIVEROO FOOD MARKET

## SINGAPORE

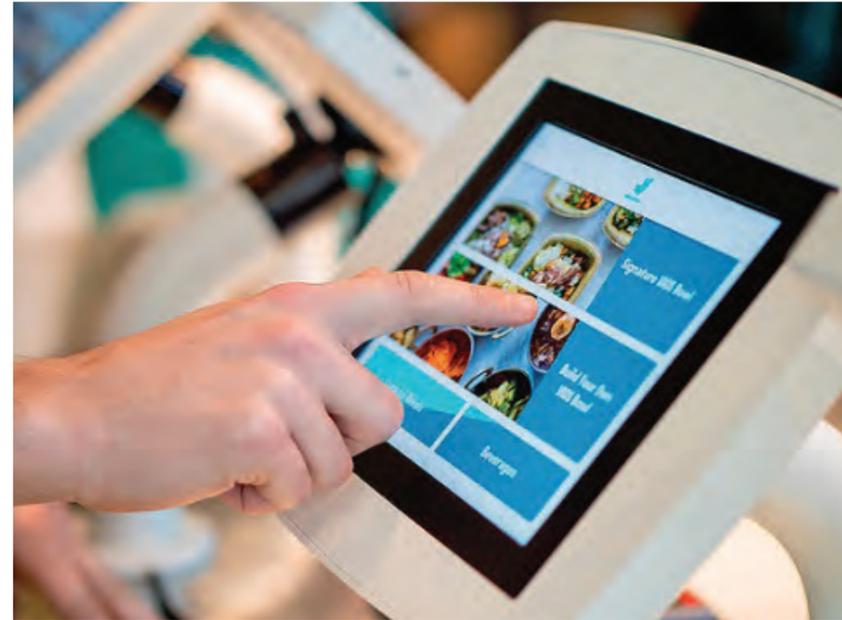
Automated dining concepts have been gaining traction recently in Asia. In March 2019, food delivery platform Deliveroo launched Deliveroo Food Market at Mediapolis, Singapore. The 40-seater dine-in space allows customers to eat from seven restaurant operators that make use of the 10 on-site kitchens. While a similar concept was opened in Hong Kong at the end of 2018, this is the first one to feature a “proper” dining area.



*Credit: DCommerce*



The screen-based ordering system, developed in collaboration with San Francisco-based technology company Eatsa, makes the purchase process hassle-free for customers. By entering their names and email address, customers can receive an e-receipt while the status of their orders appears on a digital board. Once food is ready for collection, it is placed in one of 12 boxes.



Credit: Singapore Business Review



Credit: Vulcan Post



Credit: Business Insider





# TOFUGEAR TAKEAWAY

The launch of a semi-automated restaurant demonstrates Deliveroo's competitive response to Honestbee's earlier launch of grocery and dining retail store in 2018, which provided customers with cashless and queueless experiences. Deliveroo's new store launch also saves customers the hassle of having to interact with staff, and at the same time represents Deliveroo's strategy of extending its virtual kitchen concept.



# DIGITAL AND PHYSICAL CONVERGENCE OF MARKETPLACES

It is safe to say that there are not many physical retailers that have not launched ecommerce sites, while it also isn't that surprising anymore when we see pureplay retailers move into physical retailing. Digital and physical convergence has been the name of the game in the retail industry over the last five years. In Asia, however, this trend has started to manifest itself among online marketplaces, which play a key role in the region's online ecosystem.

Marketplaces such as Alibaba's Taobao and JD.com have launched pop-ups and offline stores as they have realised that very few consumers exclusively shop online. While Tofugear research suggests that nearly three-quarters of Asian consumers prefer to shop online rather than in stores, this also reflects that many physical retailers are currently not meeting the expectations of shoppers.

Online marketplaces want to bring their strengths in customer data, personalisation and fulfilment to gain a share of bricks-and-mortar spending. Having a physical storefront also opens up the possibility of upselling and cross-selling to customers. But stores also allow online marketplaces to create an experience that is simply not possible to do online. Tofugear's research shows that consumers in Asia do value the in-store experience and are also keen to interact with products in person.

***69% of consumers in Asia research products online, but will make a purchase in a store because they prefer to touch and feel products***



# TAOBAO BY LUMAHO

## KUALA LUMPUR, MALAYSIA

Alibaba's Taobao marketplace opened its first physical stores in China in 2018 and extended its reach into Southeast Asia in 2019, with openings in Singapore and Malaysia. Located in Kuala Lumpur's MyTOWN shopping mall, the Malaysian store was launched in collaboration with local partner Lumahgo.



Credit: Zing Gadget



The store, which fills a 5,000 sq ft retail space, features a selection of Taobao's best sellers across categories from electronics to home appliances and make-up, representing a mix of international and local Malaysian brands. The range was chosen to reflect the preferences and purchasing trends of local shoppers on the Taobao app.



Credit: Motherhood

There are also amenities in store such as a café, a children's play area, and a dedicated leisure area. To pay for items, consumers can scan QR codes on electronic price tags via their phones, and get the products in store or have products delivered directly to their homes. Customers can also access product descriptions online before making a purchase.



Credit: OneMachi



Credit: Motherhood



## TOFUGEAR TAKEAWAY

The launch of an offline store provides Taobao with an opportunity to showcase popular products and to forge a stronger link with local consumers that might not be familiar with the app yet. By working with local brands and manufacturers, it also extends Alibaba's vision of empowering global consumers and merchants. Given new retail technologies are still not that prevalent in the region, it will be interesting to see how other retailers react to Taobao's launch.



# JD E-SPACE

## CHONGQING, CHINA

JD.com, another China-based ecommerce giant, opened its largest offline store named JD E-Space in Chongqing in November 2019, offering products from more than 1,000 local and international brands to celebrate Singles' Day.



Credit: Cqfts



Credit: Inside Retail



Credit: China Commercial News



Credit: Zhongguancun

The huge store – 500,000 sq ft – utilises different technologies, including dynamic pricing to ensure store prices align with online as well as robots that guide customers and explain products. It is also China's only major store to offer 5G network coverage through a partnership with China Telecom.

Apart from showcasing a wide variety of products, the store also features seven zones with 55 interactive experience zones, such as Apple's largest authorised offline experience store operated by a third party and a gaming experience store.

To buy products, customers can simply scan a code and have items delivered to their homes by JD Logistics within 24 hours. They can also complete their purchases on-site and take away products immediately.



# TOFUGEAR TAKEAWAY

JD E-space demonstrates JD.com's boundaryless retail strategy of integrating online and offline retail, leveraging technology, big data and cloud computing to create immersive and interactive experiences. It also exemplifies JD.com's foray into offline retail, and a competitive attempt against local giants Suning and GOME in the electronics goods space.



# CONVERSATIONAL AI

Traditionally, retail has been about shoppers communicating face-to-face, or by phone, with store staff to learn about brand and product information. Nowadays, thanks to technology, retailers can also use automated means to assist shoppers.

Conversational AI has manifested itself in two aspects – through the use of chatbots and digital voice shopping via devices such as Tmall Genie, the Chinese equivalent of Amazon Echo. Whilst conversational AI has been prevalent in the West for a while, we are starting to see the technology gain traction in Asia too.

Using conversational AI, retailers can interact with customers through 24-7 accessibility, enabling them to answer customer queries anytime anywhere. Consumers can also browse through inventories, familiarise themselves with product offerings before they enter stores, which

potentially creates a better in-store experience for customers.

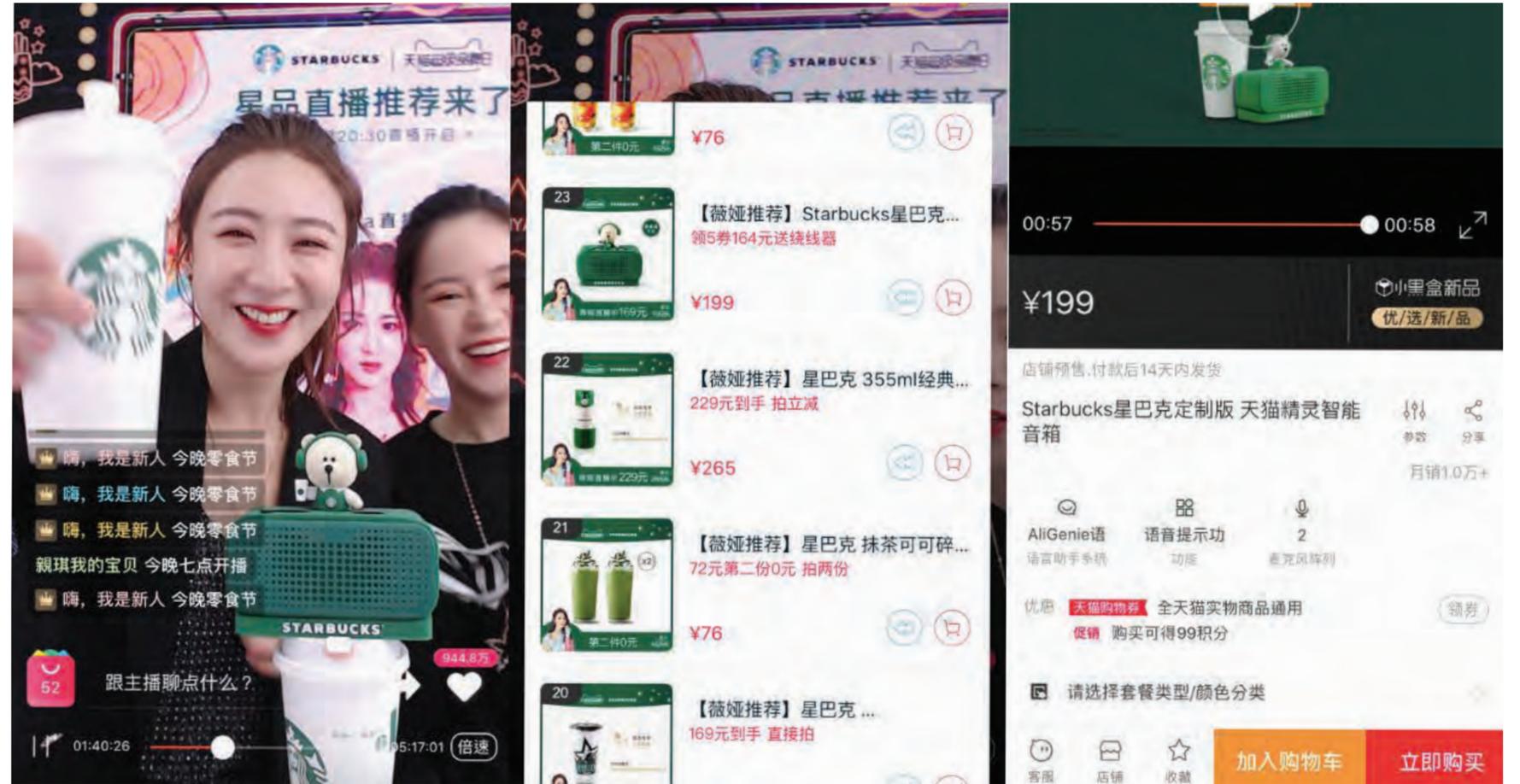
Tofugear's consumer research has shown that consumers in Asia are willing to use voice technology in their shopping journey, with 37% stating that they would consider using it when shopping online. Meanwhile, of the Asian retailers that have already invested in artificial intelligence, just over half say that they are using AI for chat and voice bots. So we can expect further innovations in this space as we move into 2020.

***59% Thai consumers think that voice technology is an important feature when shopping online***

# STARBUCKS X ALIBABA CHINA

In the US, Starbucks has already enabled voice ordering through Amazon Alexa since 2017 and it followed suit in China in 2019 through a partnership with Alibaba. Chinese consumers can order coffee using the Tmall Genie smart speaker. The smart speaker comes in the brand's green shade and features its teddy bear mascot "Bearista".

Customers can do multiple actions through the smart speaker, such as playing music, tracking the delivery status of orders in real-time, and connecting with their Starbucks membership account to earn loyalty rewards with every purchase. Once orders are made through the smart speaker, they can reach customers as quickly as within 30 minutes.



Credit: Alizila



Credit: Alizila



Credit: Ecommerce Nest



## TOFUGEAR TAKEAWAY

The partnership between Starbucks and Alibaba solidifies their vision to provide a better customer experience for China's digitally savvy consumers, and also underlines Starbucks' move into New Retail. By enabling voice shopping, Starbucks has stolen a march on Luckin Coffee, its fast-growing local competitor. Voice shopping is still relatively new in Asia compared with the Western world, so retailers jumping onto this trend are currently still targeting early adopters.

# HARVEY NORMAN

## MILLENNIAL WALK, SINGAPORE

Harvey Norman's Millennial Walk branch in Singapore piloted a new retail solution by Microsoft in 2019 to help consumers locate the perfect product and make informed purchase decisions. Microsoft Synchronized Shopping is 'synchronised' because it connects a customer's online search to the in-store experience.

The cloud-based IoT solution allows Harvey Norman shoppers to use a customised conversational AI-driven product advisor, which asks shoppers a series of questions to find their perfect PC. This then results in a personalised recommendation that takes into account preferences such as storage space and battery life.

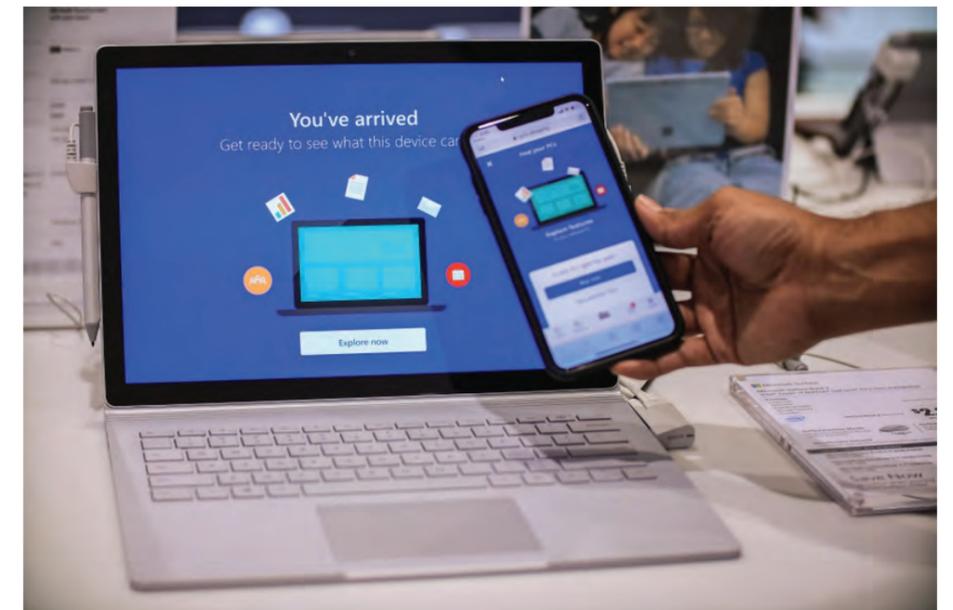
Using geo-location capabilities, customers are sent a notification on their phone when they approach a store that offers the recommended product. It then guides them to the exact product they are looking for.



Credit: Harvey Norman SG facebook page



Credit: PBS



Credit: Campaign Asia



## TOFUGEAR TAKEAWAY

By using Microsoft's Synchronized Shopping solution, Harvey Norman customers can have an easy, self-guided shopping experience, which saves having to navigate through all the choices in the PC aisle. However, as the solution is only available for selected devices, it is only really useful for customers shopping for PCs. As such, it is more a demonstration that the technology works and it would need to incorporate Harvey Norman's entire offering for the technology to truly offer value to the customer.



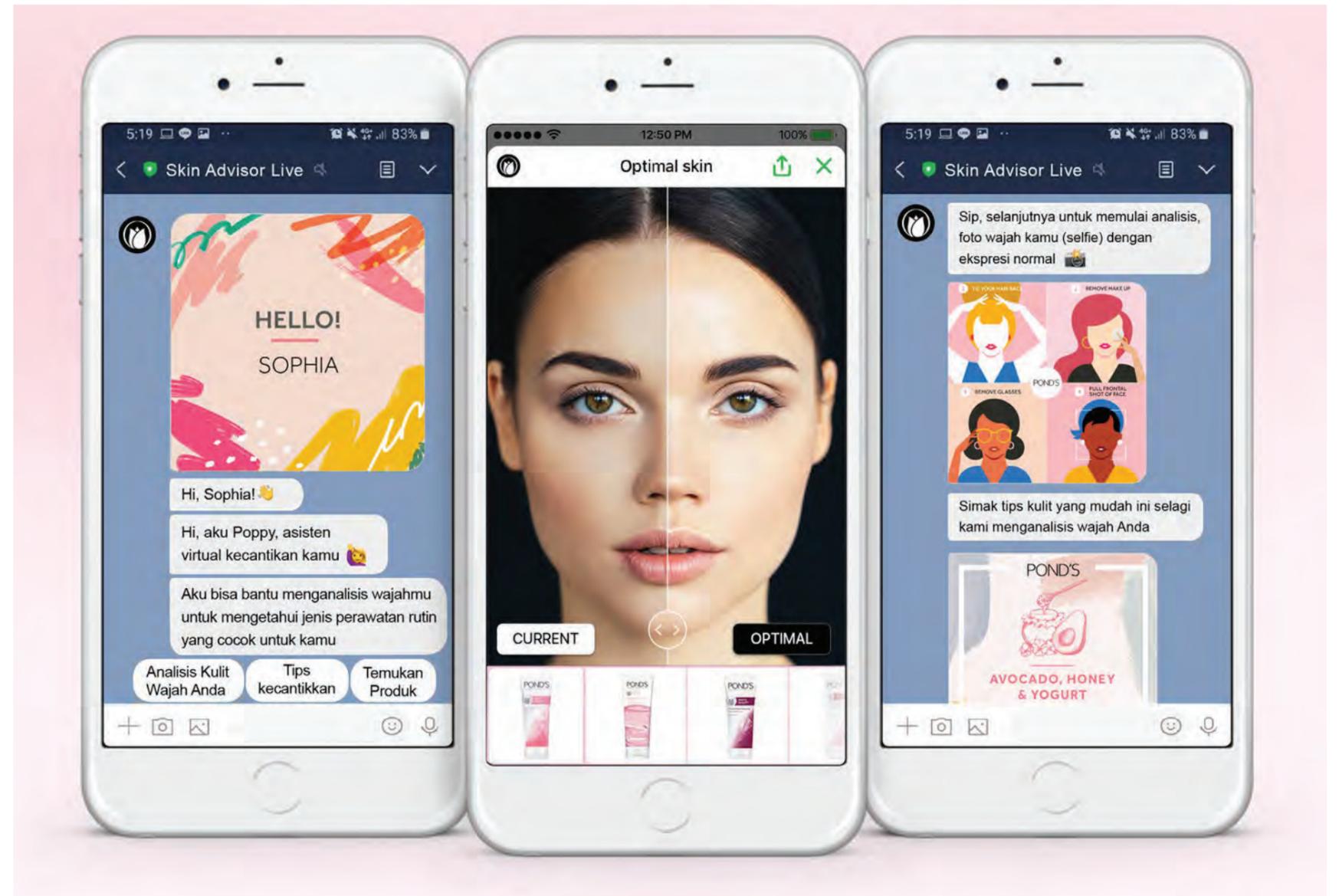
# POND'S AI SKIN DIAGNOSTIC CHATBOT

## INDONESIA

In recent years, beauty brands have started to launch their own chatbots to engage better with their customers and to increase business results. POND'S, a beauty brand under Unilever, launched an AI-powered skin diagnostic chatbot in July 2019. It is currently available in Indonesia through messaging platform LINE, as well as through Facebook Messenger in other countries including Argentina, Columbia, UAE and South Africa.

One core feature of the chatbot, the Skin Advisor Live bot, embraces neuro-linguistic programming and DeepTag skin diagnostic technology to advise people on the best products for their skin issues. This offers consumers an advanced skin diagnosis through an intuitive and fun chat interface.

To have their skin assessed, users first upload a selfie. POND'S customised diagnosis then offers personalised recommendations in terms of product and beauty regime.



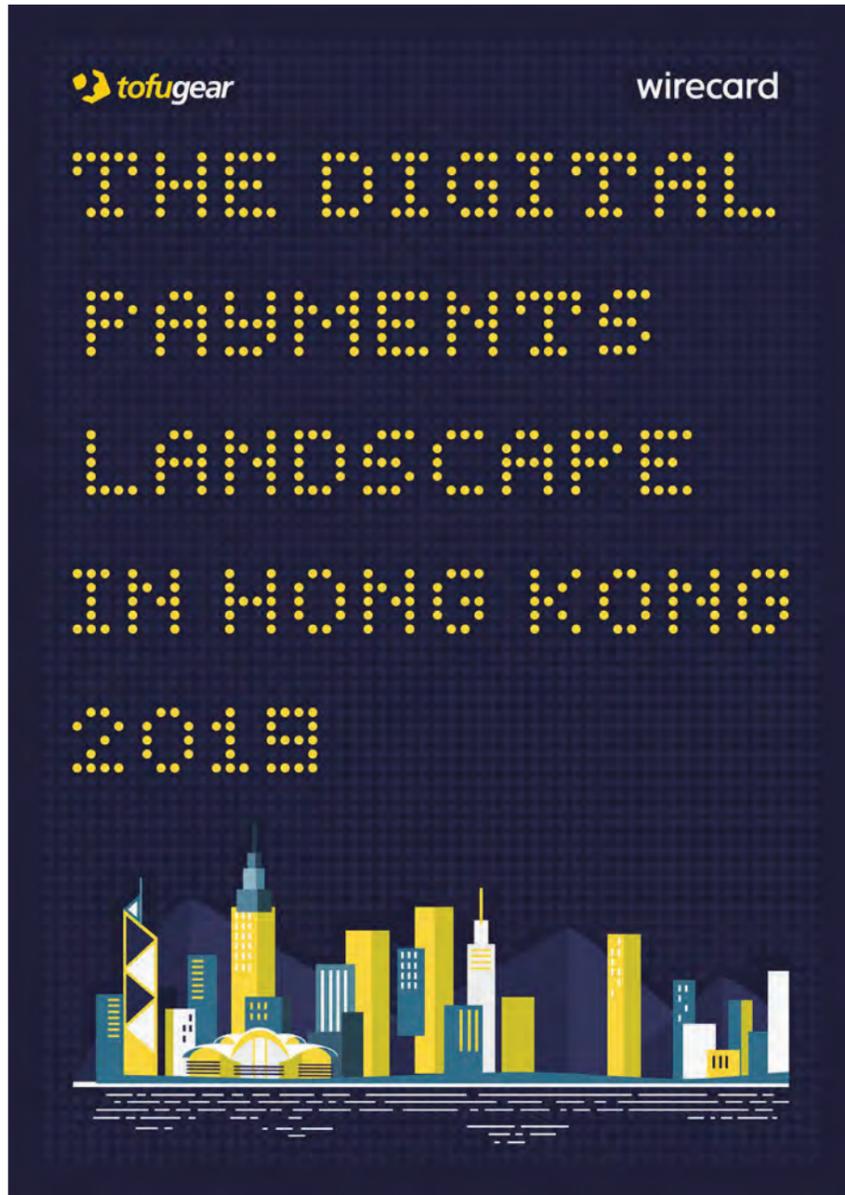
Credit: Marketing Interactive



## TOFUGEAR TAKEAWAY

The Skin Advisor Live bot demonstrates POND'S efforts to reach younger, millennial consumers – particularly as it has chosen to launch on LINE in Indonesia. The application also has a slight advantage over L'Oréal's partnership with AS Watson in 2019, which was a virtual make-up testing service but did not have chatbot functionality nor sophisticated skin diagnostic capabilities. It would be interesting to see how well the chatbot can help POND'S increase its sales and boost customer loyalty.

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