

Opportunities in a Crisis:

How A.S. Watson Thrives in Retail's New Normal

Watson¹¹³

A.S. Watson & Marionnaud Special Edition

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How A.S. Watson Thrives in Retail's New Normal

The past few months have been unprecedentedly challenging for us all. We have had to adapt to a whole raft of changes in the way we work. In this interview, our **Group Managing Director Dominic Lai** reflects on the work that has been done by A.S. Watson Group, and how we've turned the crisis into opportunities.



Dominic Lai
Group Managing Director
A.S. Watson Group



What have been the biggest impacts of the COVID-19 pandemic on A.S. Watson ?

Every sector has been inevitably impacted by the pandemic; lockdowns in many countries have been especially tough for retailers. I must say, I've found these past few months extremely challenging, working around the clock to deal with fast-changing situations. Every second counts during a crisis, and sometimes that's meant making unusual and important decisions in as little as an hour – and having to stay calm when much of the world is in panic. But I haven't been alone. All of our A.S. Watson leaders have faced these stresses and we've been working to get this through together.

What's also helped us withstand the headwinds of the pandemic is the business and geographical diversity of A.S. Watson, which has made us one of the most resilient retailers in the world.

Now, lockdown restrictions are being lifted across Asia and much of the region is beginning to return to a semblance of normality. In Europe, restrictions are beginning to be eased. As the footfall is rising, it shows our customers really want to get back to retail stores – to see the friendly faces they know and trust – and to have that human connection again. I believe we're on track for growth in the second half of this year.

“ The business and geographical diversity of A.S. Watson has made us one of the most resilient retailers in the world. ”



How has A.S. Watson responded to the challenge ?

Throughout everything we do, our mission is clear - protect our colleagues, especially those on the front line, stay connected with customers, and support our communities.

Protect Our People

We've invested in technology to allow staff to work remotely where appropriate, and have quickly developed new ways of working. For instance, we divided office staff into two teams who alternated their time in the office.

Protective items such as face masks and shields are provided to our frontline staff, but we see that providing **clear, honest and regular communication** with our colleagues is just as important. It's an unsettling time for everyone, and **personal connections have been more crucial than ever**. Our e-platforms for internal communications enable us to reach out to about 140,000 colleagues globally and keep them updated every day. Care for our colleagues raises morale and enables us to come together for a common purpose and feel part of something important.



Stay Connected with Our Customers

Customers' needs and shopping habits changed overnight. We've seen a sudden surge in online shopping and have quickly adapted our eStores to be able to handle the exponential growth in traffic by introducing the cloud technology. At Superdrug, for example, the technology allowed us to handle 50% more online orders every day. Some of our businesses were able to handle three times the usual maximum.

In Hong Kong, we developed an online reservation system for face masks in just one week, to prevent people forming crowds outside stores or queuing in cold weather. At its peak, there were about 1.5 million people in our virtual queue – or one in every five Hong Kong residents. We even managed to transform part of our Watsons Water factory in Hong Kong into a dust-free clean room where we began production of Own Brand face masks to help meet the demand.

It is our belief that if we put customers first, business will take care of itself. This is proven true in the pandemic as customers feel closer to our retail brands. According to a recent report by YouGov, Watsons Hong Kong's Recommend Score has risen from 9.9 to 16.9 and its Buzz Score has tripled the original score (8.6 to 25.4). This proves that if **a brand handles a crisis well, customers will reward them.**



Support the Community

Helping people in the communities is not just the right thing for a business like us to do, it also helps deepen our relationships with customers. **When people reflect on this difficult time, they will remember the businesses that 'did the right thing', for them and those around them.**

I can't list all the amazing acts of kindness, but there are a few initiatives I'd like to highlight that show how we've helped those most in need. In Hong Kong, A.S. Watson Group donated 150,000 masks to elderly people, and a further 300,000 to help school students prepare to go back to school while Watsons China donated RMB 2 million worth of protective equipment to the medics in Wuhan.

And, in the UK, The Perfume Shop donated personal care products to hospital, while Superdrug donated goods to National Health Service frontline workers, the hospital and beauty banks. Superdrug also deployed its full-time nurse to the NHS hospital and blood transfusion service.



What are some of the innovative ways the Group has responded the challenge of retailing during a lockdown ?

We've launched some really useful services that help people overcome the challenges they've faced due to lockdown restrictions. Marionnaud France has been able to provide two-hour express delivery service and customers can order via WhatsApp. WhatsApp ordering has also been launched in Watsons Indonesia, and Superdrug has launched a 'store to door' service, providing same-day delivery.

Watsons China was already offering one-hour delivery and 30-minute click-and-collect. During lockdown, over 22,000 Watsons China's beauty advisors were able to help customers via WeChat Work platform, offering personalised advice and instant ordering. We've also upgraded our virtual makeup app in Watsons Hong Kong, Taiwan, Singapore, Thailand, Malaysia and Indonesia so it would work when people are wearing face masks.



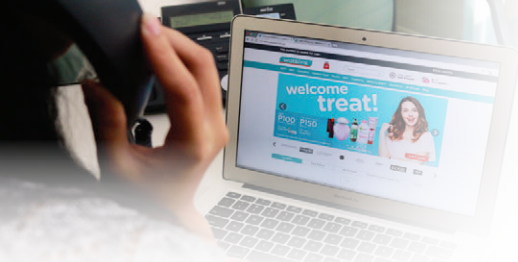
What are the keys to turning challenges into opportunities ?

In the eye of a storm, it's essential to have a clear focus on what the customer wants and needs - and to be **agile** enough to deliver it. Our mission to put a smile on customers' faces has been even more important, so we've stayed close to our customers and worked extremely hard to adapt to their needs quickly.

As well as being **customer-focused**, it's vital to be **proactive** and anticipate change in customer behaviour, market conditions and people's values. We closed our first store in Asia in January, when in Europe the threat of COVID-19 still seemed very distant. When the virus then swept across Europe, much faster than we had experienced in Asia, we were able to act quickly.

The **teamwork, agility and resilience** we've shown in working through the crisis are keys to capture opportunities ahead of our competitors.





What do you think will be changes on customer behaviour ?

In the short term, customers will continue to be focused on health, personal care and hygiene products. Demand for cosmetics, perfume and other beauty products has naturally been dampened by the fact most people haven't been able to socialise, so we expect that to rebound, while basic skincare routines seem to have been maintained.

The pandemic led more customers to try shopping online in new categories. Many people have become more comfortable with eCommerce as a result and are likely to stick with online shopping in future, giving eCommerce a boost in the long term. **But the crisis has also underlined the customer's desire for human contact in physical stores, and human connections will play a crucial part in the sector's recovery.**

In fact, we conducted a global survey in over 20 markets in Asia and Europe, asking 20,000 customers about their shopping intentions post-COVID. Almost everyone said they would go back to physical stores for their shopping needs, and this was especially the case for Gen Z. One third of people said they would shop more often, and 80% of people said they would continue to shop online.

What's essential is that we need to understand how customers' lives and needs have been affected by COVID-19. In our global survey, over 70% of customers said their income had been affected by the pandemic, which means **all businesses need to rethink their strategies and approaches.**



What are A.S. Watson's plans for the 'new normal' ?

We are mapping out **scenario-based action plans** and are determined to take **a proactive approach** to changes in the retail sector. Uncertainty will continue in every economy in the early recovery phase, but we believe that companies that adapt faster to the initial upswing and the new environment will be best placed to meet consumers' needs and thrive.

What customers value will shift and we have to determine the best way to serve the needs of customers in the new and changed world. We've asked all of our operations to re-imagine their business in the 'new normal', using data analytics and insights to understand the new demand, customer expectations and shopping patterns.

Offering a seamless customer experience both Online and Offline (O+O) has been a core strategy for A.S. Watson, and we will continue to invest in both platforms to optimise the shopping experience for our customers.

As people come back to our stores and look to shop with the staff they know, **this is a great time to build and cement lasting relationships with our customers**. Whether they are buying products or browsing for engaging and inspirational content, we can show them that we understand, we care, and we have values in common.

Every crisis presents opportunities.

A.S. Watson has certainly found opportunities that makes us **stronger as a retailer and an organisation**. I'm sure we will continue to adapt new skills, develop new ways of working and further enhance our commitment to "Put a Smile on our Customers' Faces".

Much has changed, but A.S. Watson's core purpose has not.



▶ Watch the
Because of Love
Music Video!



The COVID-19 pandemic has put every company in a stress test, and I am proud to see us emerge as a more united and caring organisation. The agility and resilience we demonstrated has enabled our brands to stand out as more customer-centric, digitally connected and more human.

Malina Ngai
Group COO, A.S. Watson Group &
CEO, A.S. Watson (Asia & Europe)



Knowing that we're part of a strong company with powerful brands and a great team has given us the confidence to make the right decisions and stay on course.

Ed van de Weerd
CEO, Health & Beauty Benelux



We've adapted to new ways of working. Our amazing colleagues and customers have shown that we really are stronger together, even when we're apart.

Peter Macnab
CEO, Health & Beauty UK



While we put safety as top priority, we remained focused on the customer agenda and stayed positive throughout. Adaptability has been our core strength.

Kulvinder Birring
CEO, Watsons China

Agility, energy and communication have been key in dealing with this crisis. With our great ASW team, we can get through this stronger together!

Rod Routley
Regional MD, Health & Beauty Asia

As we navigate this new normal, let's be prepared to take advantage of the coming rebound. I'm confident we will emerge stronger, more agile and more resilient.

Robert Sun
Regional MD, Health & Beauty Asia

We have learned to communicate with our customers in new ways, serving them whenever and wherever they are. Today we are more digital, more modern and definitely more human!

Gabriele Betti
MD, Marionnaud France



Colleagues' Sharing

“ Huge thanks to PARKnSHOP for providing us with face masks, goggles and hand sanitiser, which have given us confidence that we can work safely. ”

Cheng Yun Lung
Store Manager
PARKnSHOP Hong Kong



“ I used WeChat Work to stay connected with our customers, and delivered order myself because the delivery man couldn't work. The customer was so moved. Together, we can overcome all challenges. ”

Jingjing Chen
Store Manager
Watsons China



“ We see ourselves as a friend and companion to our customers. By staying strong, staying together and staying healthy, we can conquer any difficulties. ”

Chloe OuYang
Company Trainee
Watsons Taiwan



“ Thanks to our customers for their trust and support in such difficult time. It's always my pleasure to serve them and see their smiles. ”

Kanjana Mingmitthaikool
Pharmacist
Watsons Thailand

“ Social media has helped us connect with customers and offer positive content to help take people's minds off the panic. ”

Muhamad Fauzi Bin Abu Taib
Beauty Expert
Watsons Malaysia



“ Though it was challenging to come back to our store during the lockdown, hard work paid off when I saw the smiling faces of our customers. ”

Keith Hazel Ligaya
Pharmacy Assistant
Watsons Philippines



“ This is a difficult time and it has completely changed the rhythm of our lives. Many thanks to all of my colleagues for their perseverance. ”

Inese Fomina
Store Manager
Drogas Latvia



“ We love our customers and do everything we can to protect their safety. Thanks to my team who have went above and beyond! ”

Stacey Moul
Store Manager
Savers



“ When demand for products surged, it was great to see colleagues volunteer to work night shifts and work overtime. Everyone made a huge effort. ”

Stephen Aponno
Supply Chain Team Leader
A.S. Watson Benelux



“ The best way to show our love to our customers is to smile with our eyes even wearing a mask. ”

Qendresa Berisha
Beauty Consultant
Marionnaud Switzerland



“ Things are tough for a lot of people right now but we truly are in this together. When my store reopened, our customers were delighted to have us back! ”

Estelle Moore
Store Manager
Superdrug



“ Keep smiling, stay positive and take care of each other, we can get through this together! ”

Salihe Krasnici
Store Manager
ICI PARIS XL



Protect Our People

Protecting frontline and office staff with protective gears

Highlights of Our Action



A.S. Watson Industries



Watson's Wine



Watsons Malaysia



Watsons Philippines



Watsons Ukraine

Sending love and care to our colleagues



The Perfume Shop



Marionnaud Italy



PARKnSHOP Hong Kong



Watsons Singapore



ROSSMANN

Love Our Customers

Protecting our customers with safety measures and stay connected with them



FORTRESS



PARKnSHOP Hong Kong



Watsons Taiwan



Watsons Singapore



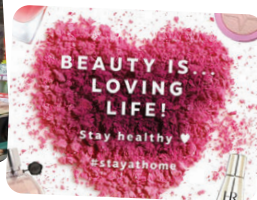
Watsons Thailand



Kruidvat



Watsons Russia



Marionnaud



The Perfume Shop



Watsons China

Support Our Community



A.S. Watson Group -
Kids Mask Donation to Primary School



A.S. Watson Group -
Mask Donation to Elderly



Watsons China -
Hygiene Product Donation to Wuhan



Watsons Taiwan -
Isolation Cabin Donation to Hospitals for Swab Test



Watsons Malaysia -
Product Donation to Primary School



Watsons Singapore -
Healthcare Packs Donation to Children



The Perfume Shop -
Product Donation to NHS Hospitals



Kruidvat -
Product Donation to Hospitals

Click here to know
more about our
COVID-19 action!



About A.S. Watson Group

With a history dating back to 1841, the A.S. Watson Group has evolved into the world's largest international retail and manufacturing business with operations in 25 markets worldwide.

Today, the Group operates over 15,700 retail stores running the gamut from health & beauty, luxury perfumeries & cosmetics to food, electrical & electronics and fine wine. Also an established player in the beverage industry, ASW provides a full range of beverages from bottled water, fruit juices, soft drinks and tea products to the world's finest wine labels via its international wine wholesaler and distributor.

ASW employs over 136,000 staff and is a member of the renowned multinational conglomerate CK Hutchison Holdings Limited, which has five core businesses - ports and related services, retail, infrastructure, energy and telecommunications in over 50 countries.

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