

Companies on the move

Luxasia's retail concept for niche brands, Essentials has seen its online business grow to 60% of sales in just four years

Essentials, the retail concept for niche brands in Singapore owned by Asian distribution company Luxasia, hit a new milestone last year, with its online business reaching 60% of sales.

However, the company underlines that its online growth did not happen overnight and is part of the wider digital transformation strategy for the Luxasia Group initiated in 2016 and spearheaded by group ceo Wolfgang Baier. Essentials already had a stable brick-and-mortar business—it now operates three stores in Singapore—and launched e-commerce site Essentials.com in 2017. From there, it introduced a CRM program in 2018, and its online business became substantial in 2019, preparing the retailer for a year when the pandemic hit and when e-commerce expertise became essential.

Managing change

Luxasia regional managing director for Singapore, Malaysia, Thailand and Vietnam Karen Ong tells *BW Confidential* that the transition to an omnichannel model also meant managing attitudes to change among staff and a focus on getting processes right on all levels, from systems and inventory management, to demand forecasting. "There was a lot of education on mindset change. For example, at the beginning, the retail staff were not very keen to move consumers online because it seemed like they were giving away sales and giving away their commissions. There was a lot of change in fundamental processes on how we build incentive schemes, how to link O2O so that even if the consumer buys online it links back to who is servicing the person on the ground.

Omnichannel outlook



▲ Essentials' omnichannel shift has been overseen by eight women of six nationalities who have managed assortment, store operations, e-commerce, logistics, CRM and offline and online marketing

[Online development] was accelerated by COVID, but now we truly have an O2O business and from a consumer standpoint the experience is seamless, whether it is in the store or online," says Ong.

She adds: "It is all about one word: Integration. It is not about having a separate online business, but how you integrate online into your business. Wolfgang [Wolfgang Baier Luxasia Group ceo] says we should be asking are we omni-natives, does it come as second nature? If we are still thinking about just the store we have not achieved our transformation goal. Consumers are moving faster—the business is not yet omni-native, but the consumer is. They expect to be able to use any payment gateway; it is not acceptable for them to have an item online and not have it in-store, so how do you make sure the data flows online/ offline?" Ong says that consumers expect what they take away from a store to be delivered to

them in the same way online. "So how do you make sure that unboxing experience is the same when it is done in a warehouse environment as when you package it in the store? There is a lot of integration work—if you see it as a completely separate business you will not be able to scale up online, and a lot of the work has to be done at the very foundation level."

The growth of online

Ong insists that growth of online sales has not cannibalized Essentials' offline business, but that the overall size of the pie has grown. She adds that the online business has enabled the retailer to have a larger and a more diverse assortment. In particular, the retailer says it can bring in more cult brands online that are typically more digital friendly, whereas the brick-and-mortar stores may house more heritage brands. Its CRM strategy has also allowed the retailer to track whether consumers

buy online or offline and furnished it with analytics that help it make decisions on assortment.

However, despite online success, brick-and-mortar is set to continue to play an important role. "For beauty, the store will always be the heart of [of the business] because that is where you first smell and where you first touch a product. This became so obvious to us when [last year] we had safety measures in place so we couldn't use testers, and consumers couldn't smell or touch and the experience in the store became so sterile. Because of that, offline will always remain an important part of the beauty business, and it will always be about the experience, the discovery, the engagement," says Ong.

As to the future, with three stores in Singapore, the company is not actively looking to open more doors in the country.

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However, regional expansion is a priority. The company is currently considering bring the format to surrounding Southeast Asian markets, such as Malaysia, Thailand, Indonesia and Vietnam. There is also interest from India.

"We have also talked about making Escentials.com cross-border in what seems like the easiest next step. But then again, it is not so easy because [the products are] dangerous goods, they are very heavy, the potential for breakage is high and the cost of the product is expensive. It is easy to turn on the shipment to Malaysia or Vietnam for example, but to get the product there in a fashion that the consumer expects is not so simple. It is very important to us that we get it right and the consumer has the same Escentials experience that they would expect and have in Singapore." Watch this space. ■

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