What's **NEXT?**

"I want a **new service** we can **launch tomorrow**"

Strategy and Transformation Director, Central Retail Group

realconsulting.

Jess Bohan

Nick Di Savia

Elliott Flowers

Dilara Ulkutas

U **Beauty**

Stage	Pre-purchase	In-store	Post-purchase
Consumers Demand	Compare and find the perfect product	Tailored and innovative experiences	Convenience and post-sale support
Services proposed	**AR Make-up Platform** — Allow consumers to virtually try on and compare products across all brands	**Beauty Bar** — Provide tailored support using Smart Mirrors and consumer insights	**Subscription and Re-Ordering** — Supporting customers when their products are about to run out

Pre-Sale

AR Make-Up Trial Platform

In-Store

Beauty Bar

Post-Sale

Subscription & Re-purchasing reminders

real.

Central Group is perfectly positioned to continue as one of the leading Omni-channel retailers

2018
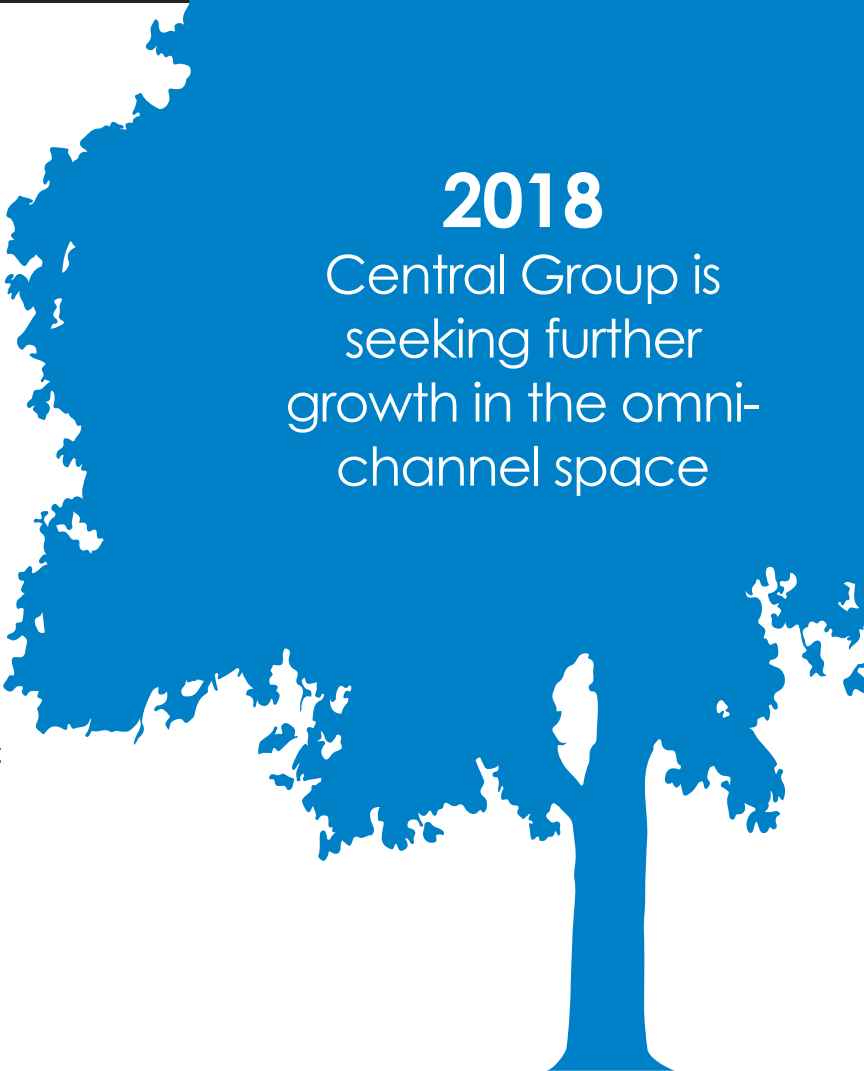Central Group is seeking further growth in the omni-channel space

1982
Central Plaza Ladprao was opened

1927
Started the family business
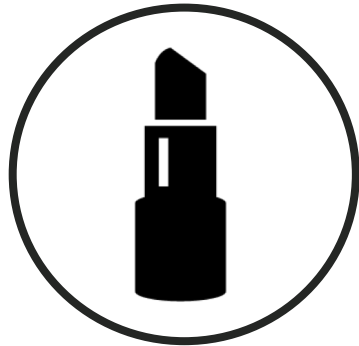
| DRIVERS | PRE-SALE | IN-STORE | POST-SALE | OUTCOMES |

The beauty industry's experiential nature represents a strong opportunity to create an omni-channel service

Highly consumable good
Product life cycles are shorter meaning frequent re-purchasing

Opportunity to Cross-sell
Consumers frequently in the market for more than one product

Experiential nature
Consumers like to engage with the products e.g. touch and feel

Passport GMID, 2018

Central should leverage their extensive range of brands and products to position themselves as the leading omni-channel retailer in Thailand

Product life cycles are shorter meaning frequent re-purchasing

Consumers frequently in the market for more than one product

Consumers like to engage with the products e.g. touch and feel

real.

An omni-channel service would fulfil the demands of modern beauty customers

Consumer Trends

80% of consumers shop around before they make a purchase

Personalization is key to decision making in the beauty industry

68% of consumers will pay more for convenience

What Central needs to offer?

Facilitate ability to compare and discover products

Tailored and personalized in-store experiences

Convenience and post-sale support

Source: (McKinsey, 2018, Deloitte, 2017 & Euro Monitor, 2018)

DRIVERS   PRE-SALE   IN-STORE   POST-SALE   OUTCOMES

Pre-Sale

In-Store

Post-Sale

AR Make-Up
Trial Platform

Beauty Bar

Subscription &
Re-purchasing
reminders

real.

Modern customers are seeking personalized service and verification well before entering brick and mortar stores

| Consumer Behavior	Seek optimal product to satisfy their needs	Increasing time conducting pre-sale research online	Prioritization of products with loyalty discounts
Central's Value Proposition	Extensive product range across many brands	Leverage extensive reach on channels such as Line	The 1 Card has an incredibly wide reach

Business Insider, 2016

real.

Central should leverage its strengths to satisfy customer demands through producing an online visualization tool
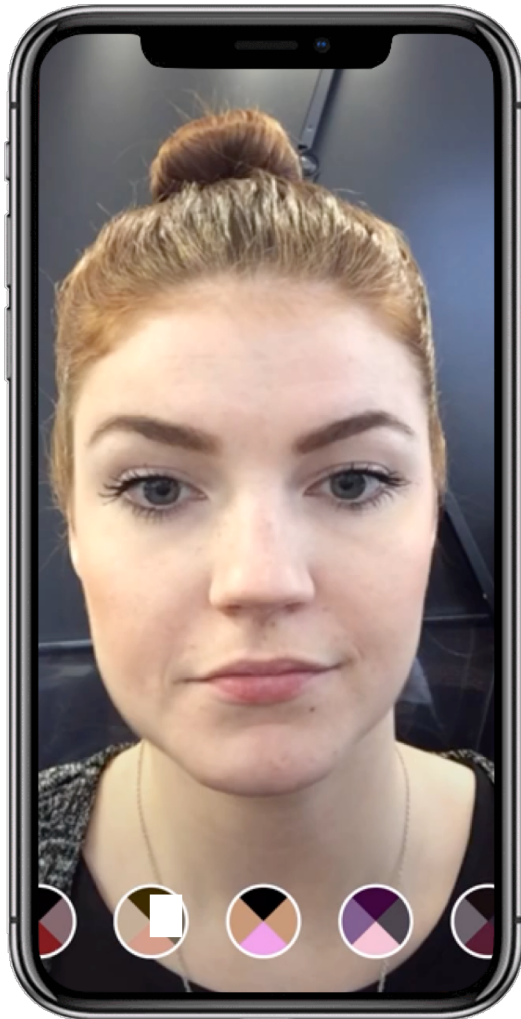
Partner with white label provider to integrate Augmented Reality

Allows consumers to view and compare products on their face

Provides tailored product recommendations across all brands

real.

Follow Pia's journey to understand how these three services can feed together to provide benefits to your customers

Pre-Sale → In Store → Post-Sale

Consumers can seamlessly engage with beauty products through the integration of AR

real.

Engage service

① ○ ○ ○ ○

Extension to Line application

Strong following on top network for Thai online beauty sales

Using The 1 Card

Accumulate and data on 80% of your customers

real.

Consumers can seamlessly engage with beauty products through the integration of AR

Engage service — **Collate initial data** — **Visualise & compare**

① ② ③ ○ ○

Receive personalized recommendations of products across brands based on data

78% Of Thai consumers would more likely purchase where they can visualise

IBISWorld, 2017

DRIVERS | **PRE-SALE** | IN-STORE | POST-SALE | OUTCOMES

real.

Consumers can seamlessly engage with beauty products through the integration of AR

Engage service	Collate initial data	Visualise & compare	Add to wish list
①	②	③	④

48% Of Thai consumers express interest in using a wish list service to track their research

Save products to my wish list
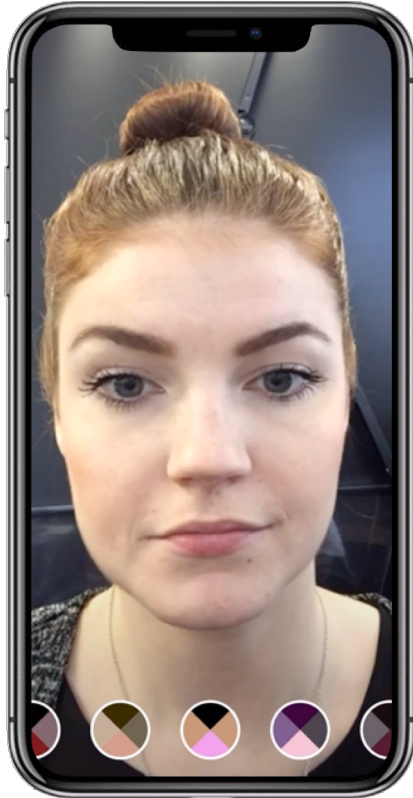
Save products to my wish list
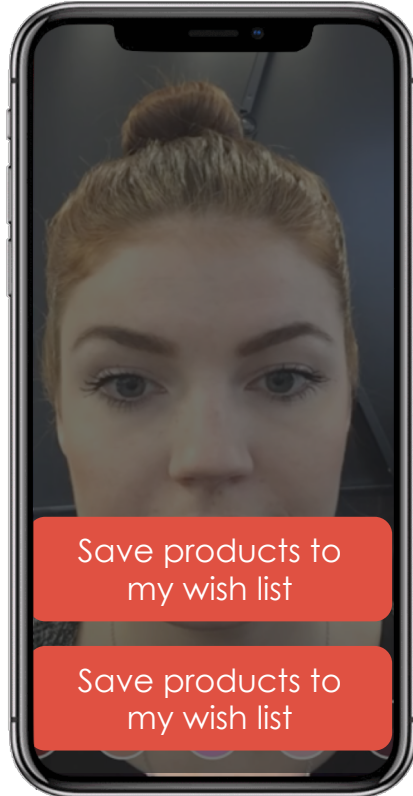
IBISWorld, 2017

real.

Consumers can seamlessly engage with beauty products through the integration of AR

Engage service ①
Collate initial data ②
Visualise & compare ③
Add to wish list ④
Purchase items ⑤

Send to Store

Order now

Order available sample (upstate only)

70% Of Thai consumers value flexible delivery options

Bangkok Post, 2018

real.

AR Makeup Platform will provide Central with greater insight into consumer behavior and demands

Data

Provides comprehensive data on purchase behavior

Engagement

Encourages trialing products in store, increasing overall satisfaction

Revenue Increase

324 THB million increase in online sales

Pre-Sale

AR Make-Up Trial Platform

In-Store

Beauty Bar

Post-Sale

Subscription & Re-purchasing reminders

real.

Customers enjoy physically testing beauty products in store and are demanding additional servicing through technology

70%
Come instore to be able to try the product on their face

60%
Identified the benefit of accessing multiple beauty brands at one location

45%
Have felt overwhelmed by the product variety

Beauty is an experiential product which engages touch and feel

Central offers a one stop beauty floor with numerous brand and product offerings

In store assistance and enhanced technology mitigates this challenge

DRIVERS   PRE-SALE   IN-STORE   POST-SALE   OUTCOMES

Implementing a centralized assistance center in store will create a seamless and personalized shopping experience

BEAUTY**BAR**

Enticing kiosk prominent within the beauty section

Engage with the technology or access established wishlist

Handover to representatives to provide personalised support

Beauty Bar will encourage further product engagement and will create a seamless and personalized shopping experience

Go to Beauty Bar

1

Attracted to eye catching kiosk

Scans in using The 1 Card

Uses experience or redeems Wishlist

real.

Beauty Bar will encourage further product engagement and will create a seamless and personalized shopping experience

Go to Beauty Bar — **Personalised handover**

1 ——— 2 ——— ○ ——— ○ ——— ○

Beauty Bar Assistant directs Pia to the different people she should visit for more information

real.

Beauty Bar will encourage further product engagement and will create a seamless and personalized shopping experience

Go to Beauty Bar — 1

Personalised handover — 2

Tailored support — 3

BeautyBar Assist

Interested in:
Nude Lipstick 30gm

Language:
English or Thai

Pia

FIRST TIME USER

Notify staff who can greet by name and with product

Provide translation assistance where required

real.

Beauty Bar will encourage further product engagement and will create a seamless and personalized shopping experience

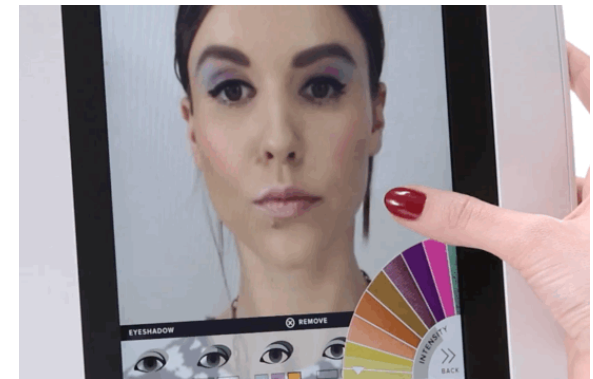| Go to Beauty Bar	Personalised handover	Tailored support	Trial products
1	**2**	**3**	**4**

Receives information from the attendant who knows the product best
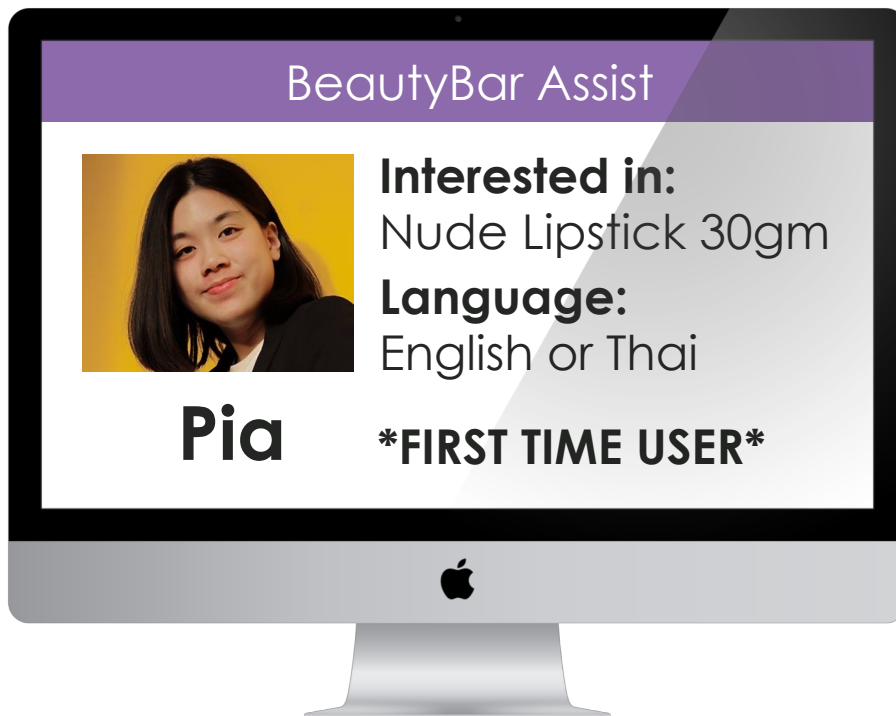
If liked, the product can be added to Pia's basket

Beauty Bar will encourage further product engagement and will create a seamless and personalized shopping experience

Go to Beauty Bar	Personalised handover	Tailored support	Trial products	Purchase items
1	2	3	4	5

Leaves unwanted items at the Central POS

Alleviates the need to go through two checkouts to exit the store

real.

Sephora has seen great success from the integration of smart mirror technology

Partnered with Modiface to integrate smart mirror technology

Experienced a 13% increase in beauty sales in the first year

30% more customers trialed the products in store

Beauty Bar will provide Central with greater insight into consumer behavior and demands

Foot Traffic

Provides comprehensive data on purchase behavior

In Store Experience

Drives consumer engagement with the central brand and in store personnel

Revenue Increase

1,875 TBH million increase in in-store sales

Pre-Sale

AR Make-Up
Trial Platform

In-Store

Beauty Bar

Post-Sale

Subscription &
Re-purchasing
reminders

real.

Central can leverage customer data to provide post-purchase services, product recommendations and promotions

Data Insights

1. Type of consumer purchase

2. Time of Purchase

3. Longevity of Products

Central should utilize predictive analytics to identify demands for resupply

real.

Central should integrate predictive analytics to determine when a product will run out and capture this sales opportunity

SUBSCRIPTION

Automatically deliver a product to consumers right before it is predicted to run out

RE-ORDERING

Message customers when their item is likely about to run out which prompts impulse purchasing

real.

Follow Pia's journey to understand how these three services can feed together to provide benefits to your customers

Pre-Sale ➤ In Store ➤ Post-Sale

Receive follow up

① ——— ○ ——— ○ ——— ○

CENTRAL

LINE
Central

Hi Pia! How are you liking your MAC Lipstick? Special offer: Subscribe and we'll send you a new product when yours runs out with free shipping!

+ ☺ [   ] Send

Ensure post-sale service and customer satisfaction

Sign customers up to guarantee future sales and keep in system

100% Growth in demand for subscription services in each of the past 5 years

McKinsey, 2018

real.

Pia remains connected with Central Department Store well after she has left the store

Receive follow up — ①

Notified when low — ②

③ ④

CENTRAL

Hi Pia! Your MAC Lipstick is about to run out! Respond to order direct to your home, or subscribe so you'll never run out or pay for shipping!

Use predictive analytics to identify when will likely run out

Contact consumers at a prime pain point

62% More likely to impulsively purchase without shopping around where triggered by urgency

MarketLine, 2017

DRIVERS   PRE-SALE   IN-STORE   POST-SALE   OUTCOMES
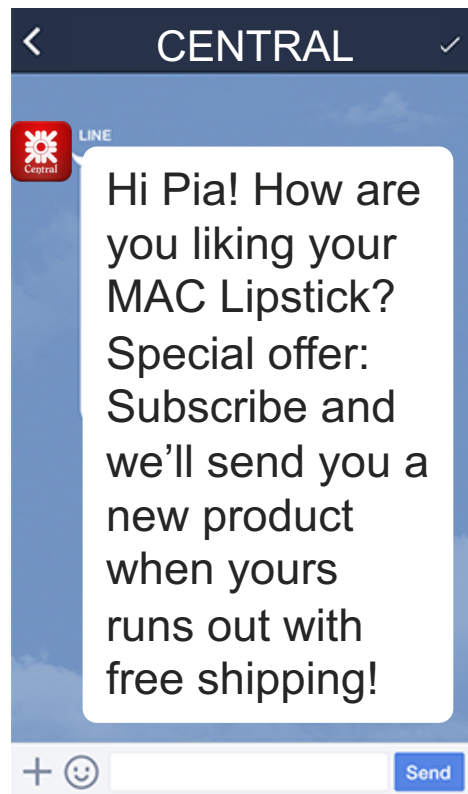
Pia remains connected with Central Department Store well after she has left the store

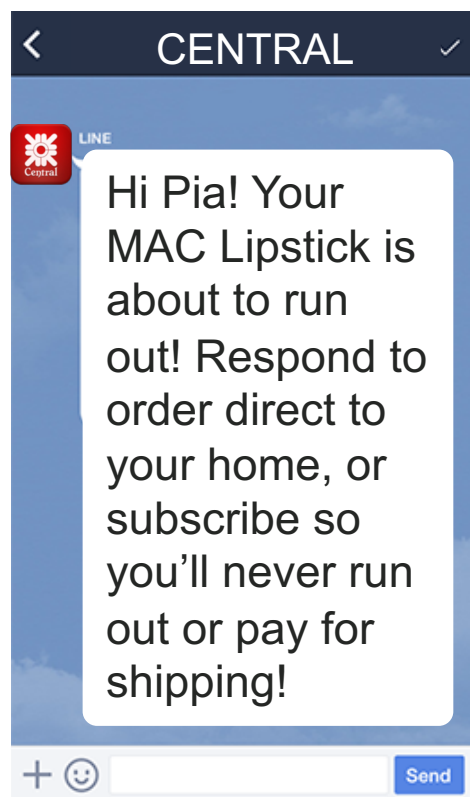Receive follow up

Notified when low

Receives top-up

1 ——— 2 ——— 3 ———

Pia remains connected with Central Department Store well after she has left the store

Receive follow up	Notified when low	Receives top-up	Further support
①	②	③	④

Interpret data from social media and Central purchases
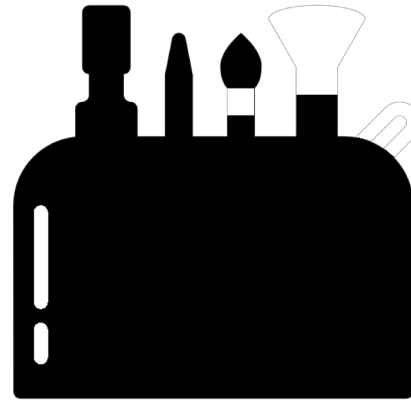
Recommend additional products

Birchbox specialises in beauty products, offering a subscription box with a free shipping cost

| 1 Million beauty subscribers globally | Raised more than $80 million VC funding to-date | Positive customer reception led Birchbox to launch its first retail store in New York |

real.

This service creates value in that it will ensure that consumers continue returning to Central after their initial experimentation
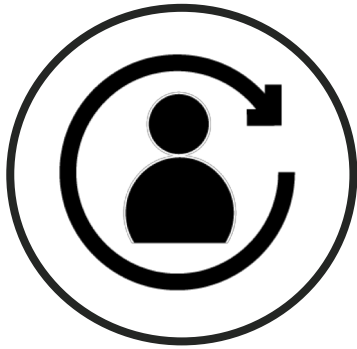
Retention

Increased likelihood of property

Spending patterns

Greater data on purchase behavior to drive decision making

Revenue Increase

$3TBH million increase in total sales

communication.

real.

Central will communicate the benefits of this service through a targeted social media campaign and in-store tech offering
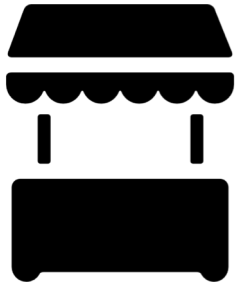
Pop up Stalls

74% of consumers will engage with a product that offers an AR experience

▼

Greater engagement with the products and store personnel

Influencer Marketing

86% of Thai consumer seek reviews online prior to purchase

▼

Increased awareness of product range and offerings

Online Promotions

59% of metro Thais locate beauty information from social media/blogs

▼

Incentives purchase decision making through all channels

MarketLine, 2017

DRIVERS   PRE-SALE   IN-STORE   POST-SALE   OUTCOMES

synergies.

real.

This omni channel platform can be integrated into many other areas of the Central Group

1

Within Beauty

Skin Care by leveraging the facial scanning technology

Fragrances through re-ordering and subscriptions

2

Other Categories

Visualisation for products you need to try on (e.g. sneakers) or want to visualise in your home (e.g. small appliances)

3

Other Business Units

Robinsons and other stores domestically and internationally

Mirrors in hotels and hotel day spas

outcomes.

real.

U-Beauty will derive financial benefits that will be measured through KPI's and critical success factors

Financial Benefits

NPV 921 THB Million

KPI's

E-commerce sales of 12% & retail sales of 4%

Critical Success

Effective integration Modiface for U Beauty launch mid 2019

real.

Implementing U Beauty in Central Stores will derive both financial and intangible benefits

NPV 5 Years

1,000,000,000.00	
800,000,000.00	
600,000,000.00	
400,000,000.00	
200,000,000.00	
-	
(200,000,000.00)	
(400,000,000.00)	

■ Organic Beuty Growth ■ Series2 ■ Series3
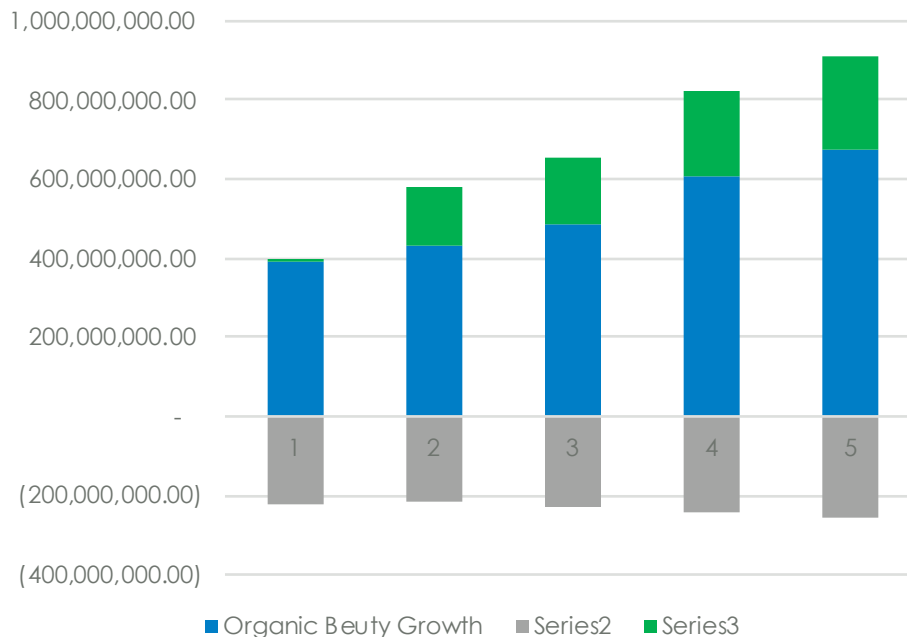
Assumptions

Beauty represents 19% of Central revenue

E-Commerce represents 15% total sales by year 2023

Service creates additional: e-commerce sales of 12% & retail sales of 4%

Implementing U Beauty in Central Stores will derive both financial and intangible benefits

Monte Carlo Sensitivity Analysis
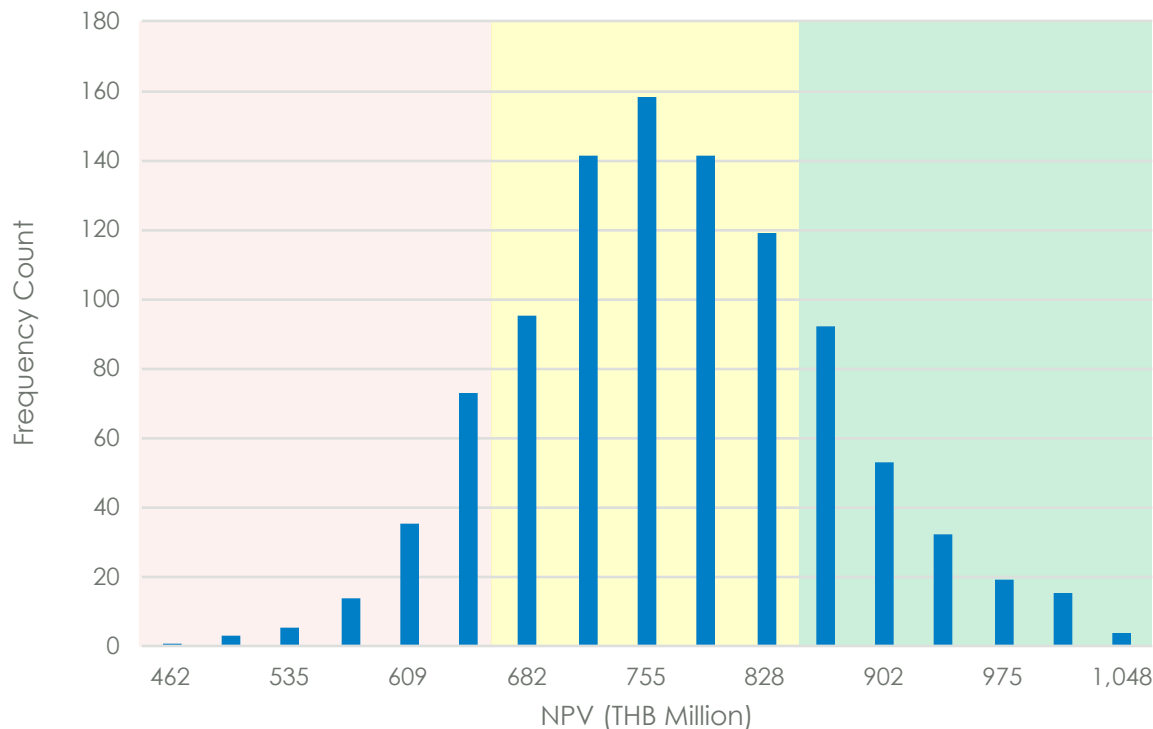
94%

confidence of NPV > 700 THB Million

real.

U Beauty is a strategy that you can begin preparing tomorrow

U Beauty	Oct – Dec 2018	Jan – Mar 2019	Apr – Jun 2019	Jul – Sep 2019	Oct – Dec 2019	2020 +
Tender subscription with ModiFace	■					
Integrate ModiFace into Line Application		■	■			
Hire and train 2 additional staff				■		
Design Beauty Bar			■			
Launch Beauty Bar				■	■	■
Roll out to other department stores						■

U **Beauty**

Stage	Pre-purchase	In-store	Post-purchase
Consumers Demand	Compare and find the perfect product	Tailored and innovative experiences	Convenience and post-sale support
Services proposed	**AR Make-up Platform** — Allow consumers to virtually try on and compare products across all brands	**Beauty Bar** — Provide tailored support using Smart Mirrors and consumer insights	**Subscription and Re-Ordering** — Supporting customers when their products are about to run out

How will the samples work?

WHO

- People living in regional areas of Thailand

HOW

1. Customer undertakes **product information search** through Central's web-based application

2. **Chooses range** of make-up/ fragrance/skincare **products to 'try before buy'**

3. Request sample beauty box by:
   - Deliver in-store
   - Deliver to doorstep by entering postcode

Implementing the Beauty Bar will involve repurposing a small component of the makeup floor

The beauty bar will be located within the centre of beauty floor

Brands surrounding the kiosk may need to be marginally reduced in size

real.

Integration of U Beauty with social media platforms and applications

| 5 million | 1.2 million | 0.98 million | 0.03 million |

While there are there are benefits of integrating the U Beauty across multiple platforms, the greatest reach and sales will be obtained through Line in Thailand

real.

Several risks and mitigations have been considered to ensure U Beauty is implemented seamlessly

Risk	Mitigation
Low adoption of U Beauty	Obtain customer feedback and Re-evaluate U Beauty after pilot
Poor quality technology compared with competitors	Partnering with world leading Augmented Reality companies like ModiFace
Inability to integrate technology with LINE	Seek alternative platforms or redirect resoured to promoting the Central app.

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real.

Several risks and mitigations have been considered to ensure U Beauty is implemented seamlessly

Risk	Mitigation
Uncommunicated benefits of innovative omnichannel service	Divert additional resources to marketing
Sales growth projections are overestimated	Growth projections can be re-assessed with Central's financial data
Adoption only from millennial consumers	Providing in store U Beauty training and reassess communication strategy

Assumptions		
		Value
Operational Highlights	THB Million	TBH
Central Group 2017 Sales Value	327,255	327,255,000,000
Central Department Store Group 2017 Sales Percentage	40%	130,902,000,000
Breakdown by Beauty	19%	24,865,583,261
Makeup	14%	
Skincare	47%	
Fragrances	16%	
Percentage of sales attributed to online 2018	1%	248,655,833
Online sales 5 Year Growth	70%	
E-Commerce additional sales increase 2019-2021	17%	
E-Commerce additional sales increase 2022-2023	12%	
In Store additional sales increase 2019 - 2021	4.9%	
In Store additional sales increase 2019 - 2021	5.9%	
Push notification click rate (number of recipients)	5%	
Conversation rate if notificaton is personalised	50%	
Percentage of customers in rural locations	48%	
Percentage of customers purchasing Beauty Products	5%	
Discount Rate	8%	

Costings		
Web app development & maintenance	(79,938,255)	per year
IBM Cognos Analytics	(7,824,669)	per month
Cost of Smart Mirror	(350,326)	
Number of Stores	22	
Mirrors per store	2	
Additional store member	(219,000)	

Finance: Sensitivity Analysis

Revenues						
Organic Beauty Revenue Growth		**Min**	**Max**	**Mean**	**Sigma**	**Value**
	2019	5.0%	8.0%	6.5%	0.005	**5.9%**
	2020	7.0%	9.0%	8.0%	0.003333333	**8.0%**
	2021	7.0%	10.0%	8.5%	0.005	**8.7%**
	2022	5.0%	8.0%	6.5%	0.005	**6.8%**
	2023	5.0%	8.0%	6.5%	0.005	**6.1%**
Beauty Revenue Percentage of CDG Sales		**Min**	**Max**	**Mean**	**Sigma**	**Value**
		15%	20%	18%	1%	19%
Additional Increase in Sales - Pre Purchase		**Min**	**Max**	**Mean**	**Sigma**	**Value**
ModiFace's virtual make-up mirror 2019 - 2021		15.0%	20.0%	17.5%	0.008	16.7%
ModiFace's virtual make-up mirror 2019 - 2021		10.0%	15.0%	12.5%	0.008	12.2%
Additional Increase in Sales - In Store		**Min**	**Max**	**Mean**	**Sigma**	**Value**
ModiFace's virtual make-up mirror 2019 - 2020		4.0%	6.0%	5.0%	0.003	4.9%
ModiFace's virtual make-up mirror 2021		5.0%	6.5%	5.8%	0.003	5.9%

Cost					
	Min	**Max**	**Mean**	**Sigma**	**Value**
Central Department Store Beauty Percentage of Takings	25.0%	35.0%	30.0%	0.017	30.9%
Web app development & maintenance	65,325,000	130,650,000	97,987,500	10,887,500	79,938,255

NPV	2018	2019	2020	2021	2022	2023
Gross Profit						
Pre-Store						
In Store Beauty Revenue Growth	24,865,583,261	26,339,403,212	28,445,757,117	30,373,617,007	32,234,643,157	34,209,696,502
Percentage obtained online	1%	2%	3%	5%	8%	14%
E-Commerce Beauty Revenue	248,655,833	447,769,855	822,082,381	1,492,255,804	2,692,269,631	4,857,287,705
E-Commerce Beauty Revene with Augmented Reality	248,655,833	522,639,095	959,538,448	1,741,768,041	3,020,365,856	5,449,226,097
Additional Revenue		74,869,240	137,456,067	249,512,237	328,096,225	591,938,393
In Store						
In Store Beauty Revenue Growth	24,865,583,261	26,339,403,212	28,445,757,117	30,373,617,007	32,234,643,157	34,209,696,502
Percentage obtained in store	99%	98%	97%	95%	92%	86%
In Store Beauty Revenue	24,616,927,428	25,891,633,357	27,623,674,737	28,881,361,203	29,542,373,526	29,352,408,797
In Store Beauty Revene with AR, Control Centre and Customer Serv	24,616,927,428	27,152,713,302	28,969,115,627	30,288,059,070	31,290,724,345	31,089,517,290
Additional Revenue		1,261,079,945	1,345,440,890	1,406,697,867	1,748,350,819	1,737,108,493
Post Store						
Push Notiifcation revenue capable of conversion		63,053,997	67,272,044	70,334,893	87,417,541	86,855,425
Click rate dollar value		3,152,700	3,363,602	3,516,745	4,370,877	4,342,771
Additional Revenue - Push Notification Conversaion		1,576,350	1,681,801	1,758,372	2,185,439	2,171,386
Total Revenues		1,337,525,535	1,484,578,758	1,657,968,476	2,078,632,482	2,331,218,271
Total Revenue for Central after Consignment		412,775,408.12	458,157,684.89	511,667,699.94	641,489,338.60	719,440,151.10
Costings						
Augmented Reality Web Based Development		(79,938,255)	(83,935,168)	(88,131,926)	(92,538,522)	(97,165,449)
Beauty Bar (Smart Mirror)		(15,414,327)	(1,541,433)	(1,541,433)	(1,541,433)	(1,541,433)
Additional Staff members		(9,636,000)	(9,828,720)	(10,025,294)	(10,225,800)	(10,430,316)
Revenue Foregone if store is removed through fitout		(81,286,357.70)	(87,786,802.52)	(93,736,394.74)	(99,479,730.54)	(105,574,967.07)
IBM Cognos Analytics		(7,824,669)	(8,137,656)	(8,463,162)	(8,801,689)	(9,153,756)
Less Total Costs		(194,099,609)	(191,229,779)	(201,898,210)	(212,587,175)	(223,865,921)
Pre Tax Cashflow		218,675,798.75	266,927,905.74	309,769,489.53	428,902,163.70	495,574,229.98
Less Tax at 20%		(43,735,159.75)	(53,385,581.15)	(61,953,897.91)	(85,780,432.74)	(99,114,846.00)
Net Cash Flow		3,975,923.61	213,542,324.59	247,815,591.63	343,121,730.96	396,459,383.99
Discounting Periods	0	1	2	3	4	5
Discount Factor	1.00	1.00	0.87	0.80	0.75	0.70
Discounted Cash Flow		3,975,923.61	184,785,137.56	199,481,779.77	256,929,733.92	276,157,206.29
NPV		921,329,781.16				

INDEX

	Histogram				
	Rounded Min	$ 450,000,000	Actual Min	449,096,865	
	Rounded Max	$ 1,118,000,000	Actual Max	1,117,375,254.10	
	Mean	$ 762,441,456			
	Bins	**Intervals**	**Axis**	**Frequency Count**	
1	450,000,000	450,000,000	450	1	5%
2	491,750,000			0	
3	533,500,000	533,500,000	534	5	
4	575,250,000			13	
5	617,000,000	617,000,000	617	32	
6	658,750,000			73	82%
7	700,500,000	700,500,000	701	141	
8	742,250,000			169	
9	784,000,000	784,000,000	784	172	
10	825,750,000			151	
11	867,500,000	867,500,000	868	114	
12	909,250,000			60	12.9
13	951,000,000	951,000,000	951	38	
14	992,750,000			18	
15	1,034,500,000	1,034,500,000	1,035	7	
16	1,076,250,000			5	
17	1,118,000,000	1,118,000,000	1,118	1	

real.

A number of alternatives have been considered in determining Central's future omni-channel services

1	RFID Tags/Blipper
2	Robots
3	Google Lens
4	Parcel Locker
5	Portable Store
6	After Pay

Influencer Marketing should be utilised to leverage Thailand's top beauty bloggers

Potential Influencers

Pearypie

Thai makeup artist and beauty blogger More than 1.2 million Instagram followers

Feaonalita

11.5 million Instagram followers

Fah Sarika

Over 5 million Instagram followers

real.

It is critical to execute continuous online promotions for the tech-savvy Thai market

Consumer media Consumption trends

54.5 million are active mobile internet users

16 hours spent online each week

44% of customers **search** for **deals, promotions** and coupons

Over 50% of Thai online shoppers purchase products through **social networks**

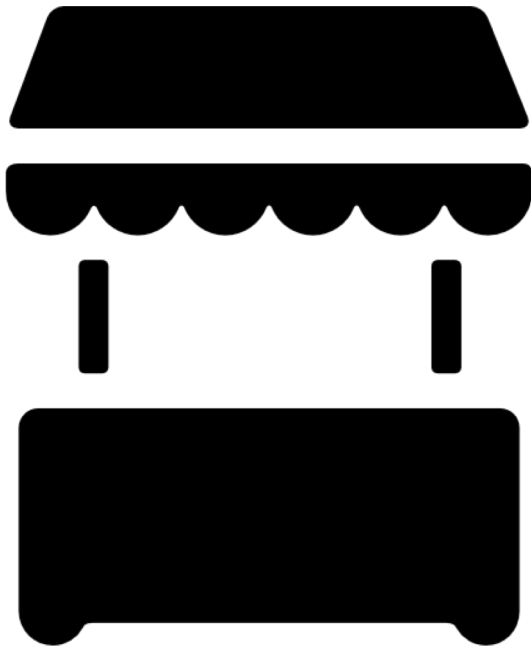Grab attention quickly with visual marketing (logo, design)

Ensure positive online content and reviews

Communicate via channels:

(BCG Thailand Consumer Survey, 2017)

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Pop-up Stalls will be placed within the shopping centres

Pop up stalls will be established in each of the main shopping centres that have a central department store

Pop up stalls will have smart mirrors using AR to allow consumers to interact with products virtually

Increases awareness of the brand and products