

CASE STUDY:

CVS “Store of the Future”

CLIENT: www.Suning.cn

LOCATION: Nanjing, China

humanLAB Building Blocks of Customer Experience

Suning commissioned humanLAB to create the world's most innovative customer centric 'new retail' experience in a convenience format for China. The project parameters; saleable, connect seamless O2O (on-line to off-line) while redefining the expectations & relationship between today's modern urban (middle class) dwellers lifestyle with tomorrow's shopping experience today.

1. Market Opportunity - Value	2. Competitive Analysis - Current - Future	3. Digital Transformation - Convergence On vs. Off	4. Store of the Future Projects	5. MVP - Evaluations Minimal Viable Product	6. Brand Perception - Shoppers (Current) - Consumer (Potential)
7. Merchandising & Category Strategy Overview	8. Pricing Strategy Overview	9. Promotional Program	10. Key Category Business Drivers - Deep Dive	11. Key Category Price Elasticity Shopper Expectations	12. New, Emerging Unforeseen Categories & Drivers
13. Omni-channel Global Best Practice Benchmarking	14. Shopper Channel Expectations & Benchmarking	15. In-store Experience vs. Expectations	16. On-line User Experience vs. Expectations	17. Omni-channel Channel Evaluation - Convergence	18. Customer Relationship Management (CRM)
19. Commercial Business Model Development	20. Path 2 Purchase Consumer Mapping by Category	21. Shopper Profiling & Behavioral Archetypes	22. People & Culture Recruitment, Training Compensation	23. Format Design & Category Re-Invention	24. Evaluation New vs. Existing Store Metrics

Deliverables

1. Defined Business Objective
2. Customer Experience Model
3. Behavioral Modification Change
4. Target Audience
5. Qualitative & Quantitative Findings
6. Retail Landscape in China vs. Global
7. Defined New Consumer Drivers/Indices
8. Brand Positioning
9. Data Collection Solution
10. Social Platform
11. eCommerce Ecosystem Overview
12. Loyalty Program
13. New Store Metrics
14. Naming
15. Logo & Branding
16. Store Design
17. Packaging
18. Merchandising Recommendations
19. Communication Strategy
20. Launch Program
21. Evaluation criteria



Client Brief: **Business Objectives**

- **DESIGN** a World Class New Retail 'Experience' Store 200-300 sqm in size)
 - Scope modified during exploratory process: 2 x formats 50-75sqm & 500 sqm
- **SCALABLE** roll out 20,000 store, must be innovative yet practical
- **REDFINE** the expectations & relationship between today's modern urban (middle class) dwellers lifestyle with tomorrow's shopping experience today
- **CONNECT** seamless on-line to off-line O2O
- **CREATE** an on-going relationship with your customers — frequent you EVERYDAY
- **COLLECT** data on your shoppers (Platform recommendations)
- Provides shoppers (on & off-line) a continuously memorable shareable **UNIQUELY PERSONAL EXPERIENCE** that builds loyalty and on-going advocacy.
- Create a **SENSE OF BELONGING** & Community: Suning higher purpose - a Mission

Business Objectives 商业目标

DESIGN a WORLD
CLASS New Retail
Experience

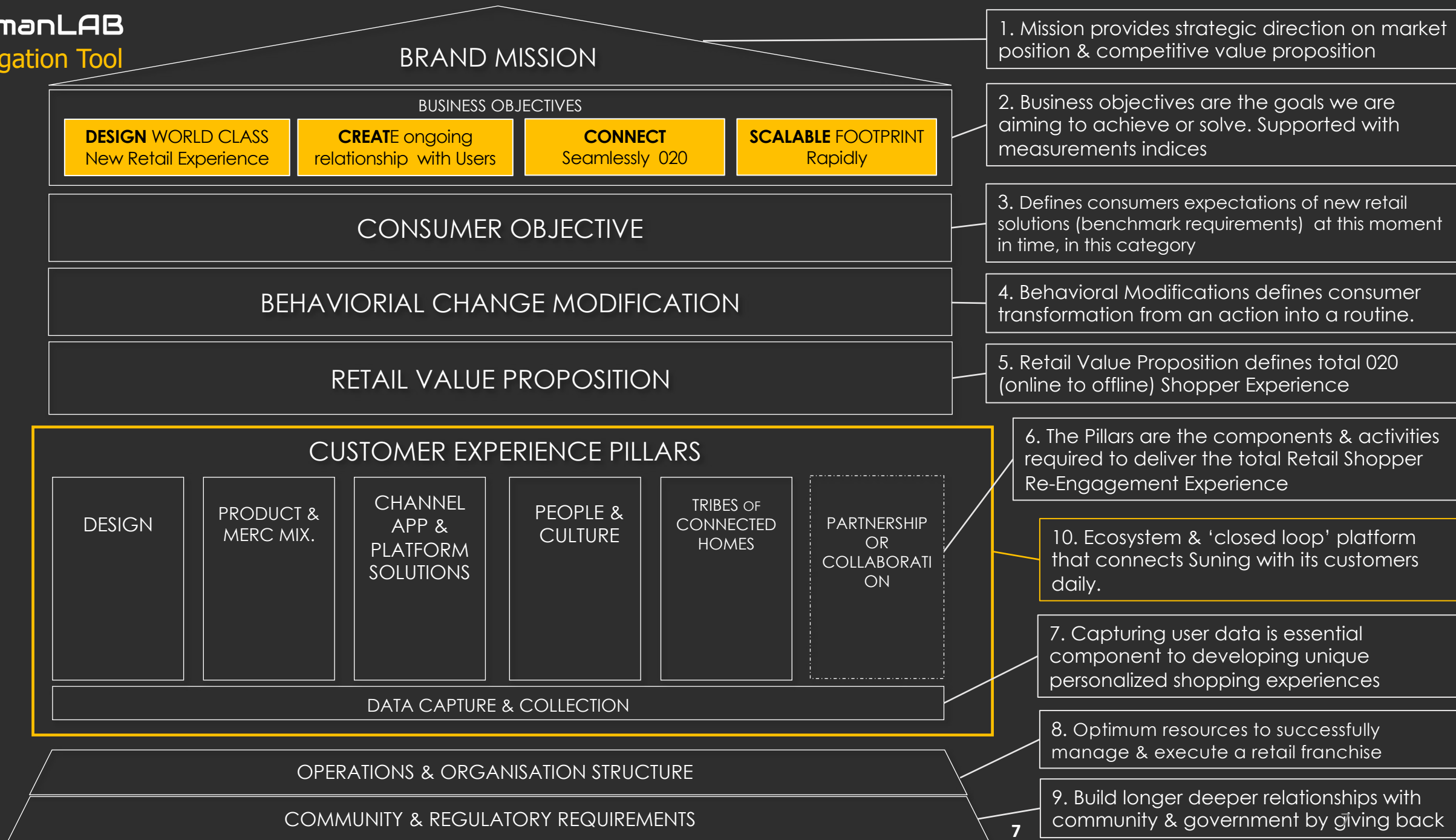
CREATE ongoing
Relationship with
Shoppers and
Community

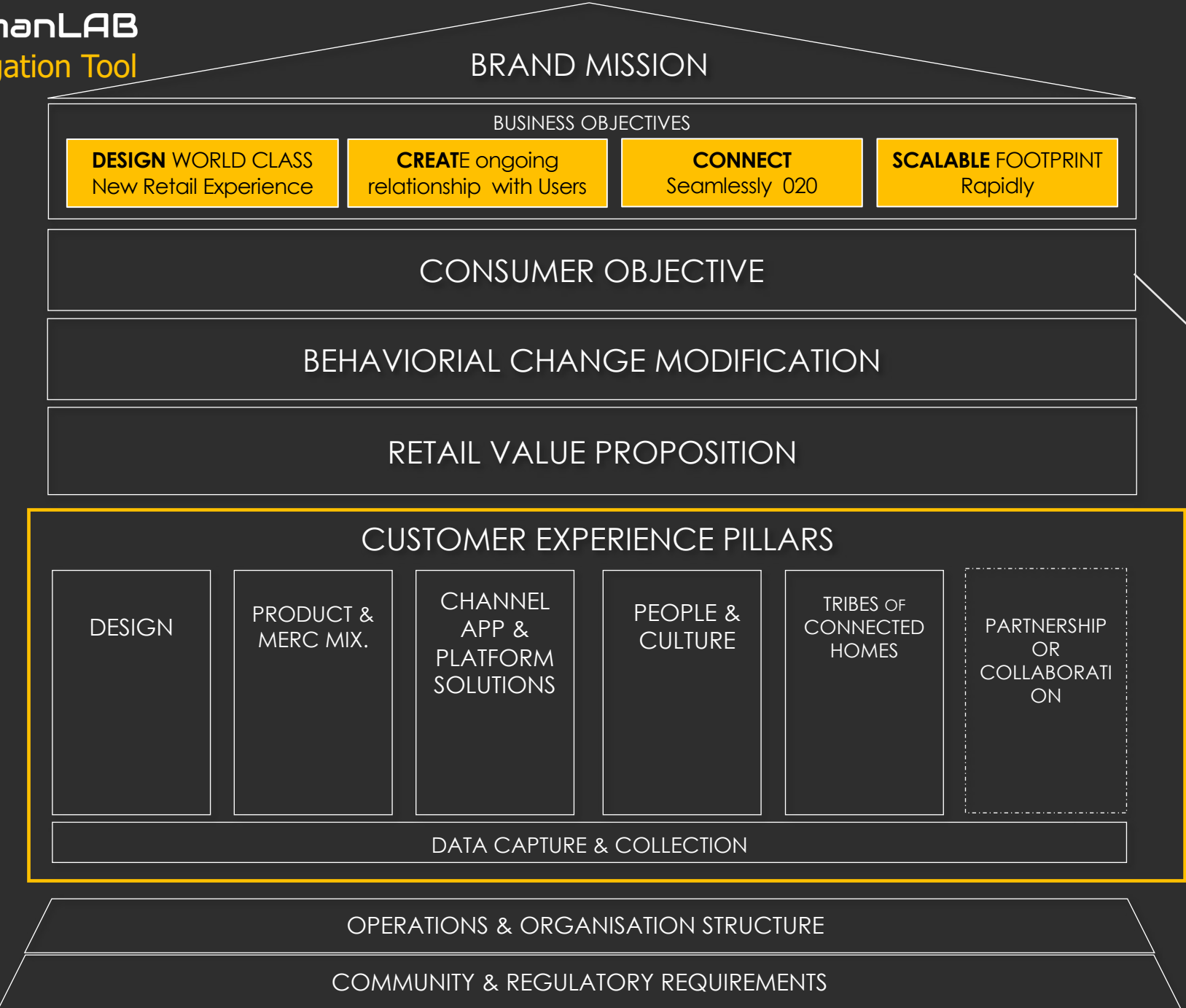
CONNECT
Seamless O2O

SCALABLE
Footprint Rapidly

We built Suning a New Retail Customer Experience Model







3. Defines consumers expectations of new 020 solutions at this moment in time, in this category.
Benchmark Global Best Practice & identify “White Space.”

DIAGNOSTIC STAGE #1&2 DISCOVERY

Competitor Analysis Benchmarking

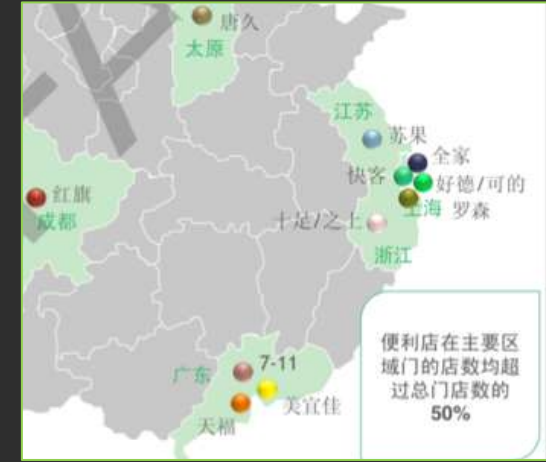
RECENT Competitor Activity

Alibaba launched Taobao members only CVS small format > 200 sqm (Fresh food, coffee & books)

JD.com launched small format (Aug '18) 60 sqm. Limited 300 SKU's. 100 stores in 5 years Full automated Human-less store

Opportunity:
No Organized National Chain

humanLAB



JD AI testing store: official launched by end of 2017, covering supermarket and CVS
京东智能门店试点：2017年末正式推出，涵盖超市和便利店两个类别

JD fully owned, first store opened in Oct 2017 at JD HQ in BJ, planned to open 100 stores in 5 years

京东全资控股，2017年10月在京东北京总部大楼首次开门营业
京东计划在5年内开设100家门店

	JD auto supermarket 京东X无人超市	JD auto CVS JD无人便利店
product mix 产品组合	focus on Food&Bev, some Personal care, office supply and travel supply 主营食品饮料，兼售个人护理产品、办公/旅行用品	
SKU # 单品数量	~300	~120
store size 营业面积	~60平方米	~36平方米

资料来源：文献调研；BCG分析



Taobao member store: concept CVS store launched by Alibaba
淘宝会员店：阿里巴巴推出新的便利店概念试点

Alibaba fully owned, concept auto retail store focus on AI application and IOT

阿里巴巴全资控股，
以人工智能和物联网技术为依托的无人零售概念试点项目

business model 商业模式	dining/coffee + fresh food + book store 餐饮/咖啡+生鲜+书店
store size 营业面积	~200平方米
product/service 产品/服务组合	fresh food / book store takes 50% store size 生鲜/书店占地约50% dining / coffee takes 50% store size 餐饮/咖啡占地约50%

2017年7月首次登录杭州，无人概念预计将推动消费者购物路径全面走向数字化，催生多种零售业态

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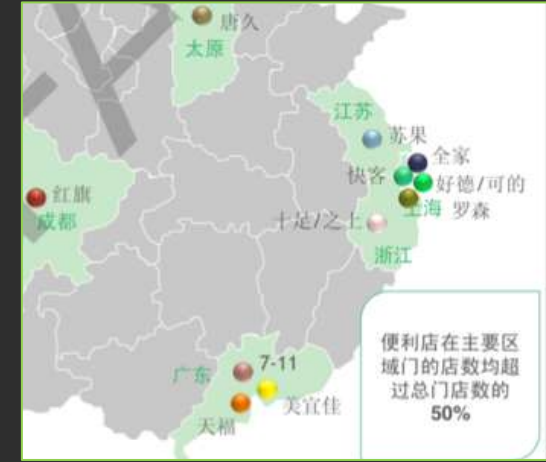
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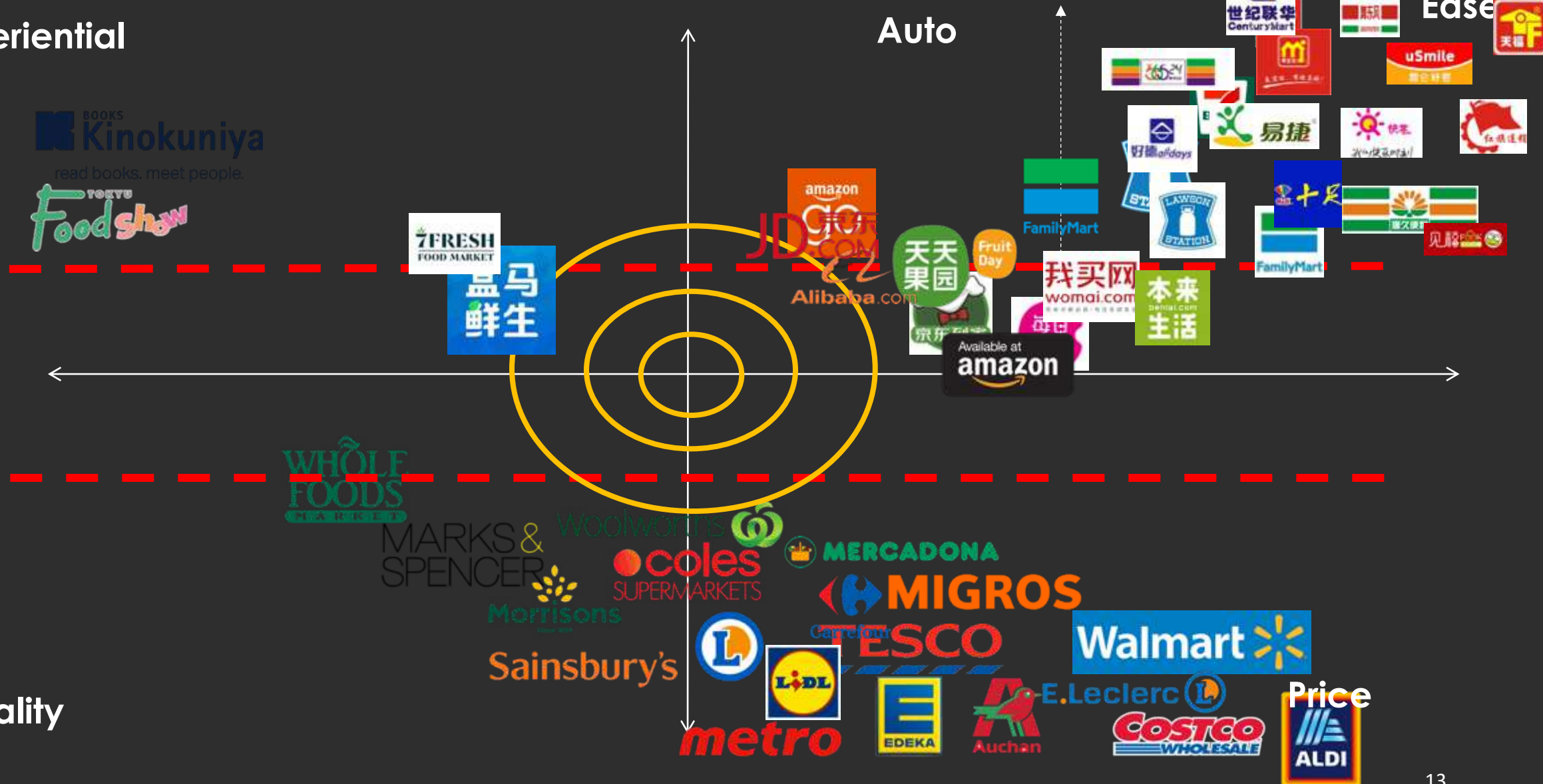
Landscape — GLOBAL & CHINA

Experiential

Auto

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Ease



Quality

Price

Direct Competitive Threats

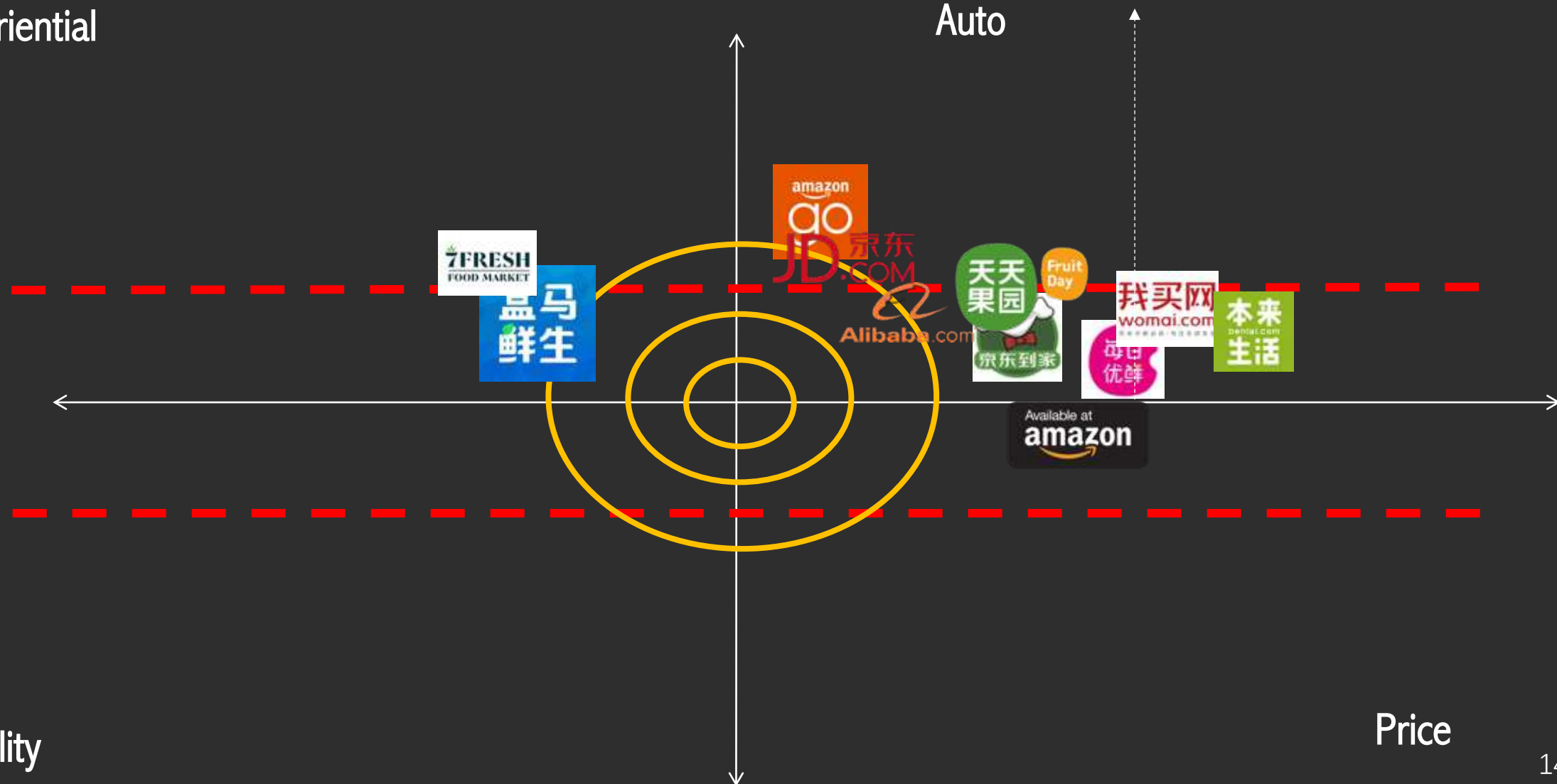
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Auto

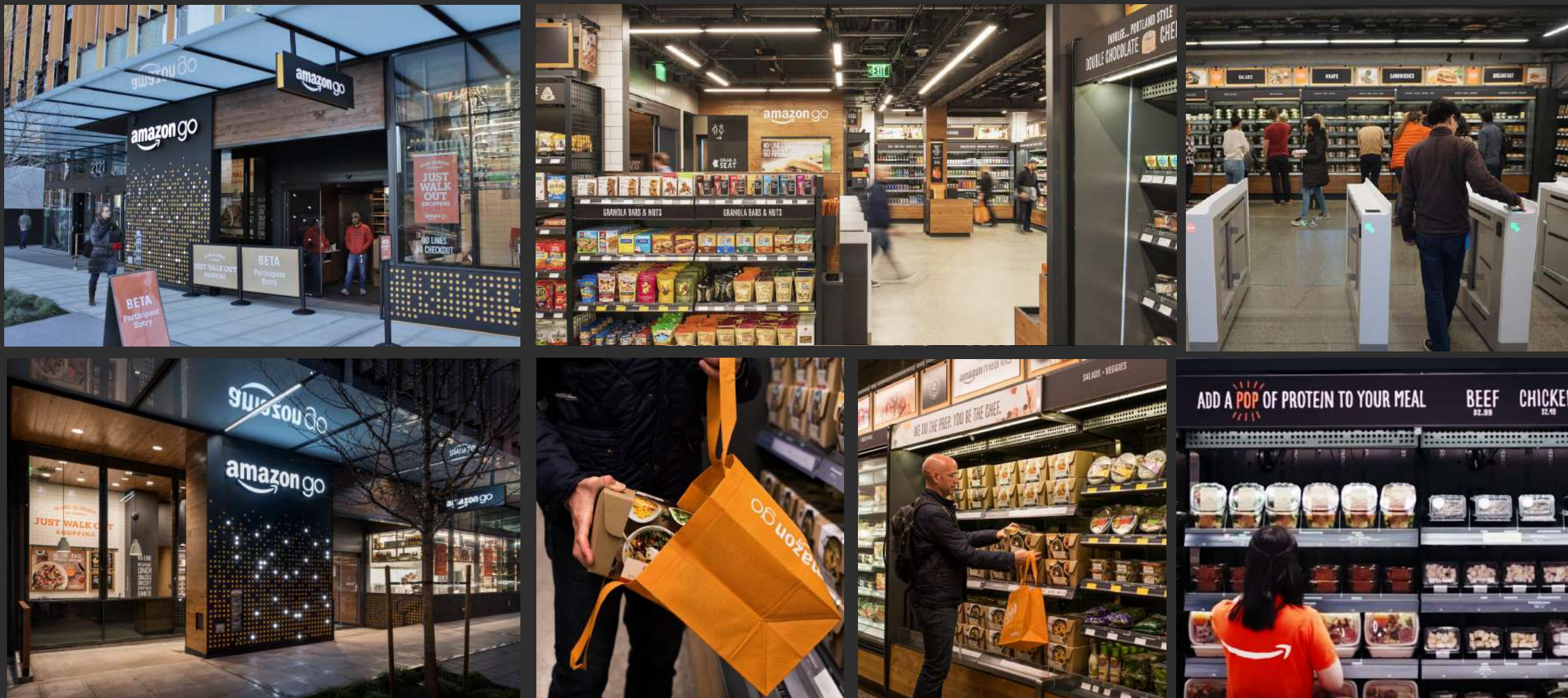
Ease

Quality

Price



Western Case Study: 标准 Amazon Go



Western Case Study: 标准 Amazon Go

- 1st Store Opened: 5th December 2016 — Seattle
- Store Size: 170 sqm
- Testing Amazon Go concept for 2 years.
- Launched to public January 22nd, 2018
- Total number of stores in US = 8 stores
- Planning to rollout 400 GO stores in next 5 year
- Purchased Whole Foods USD 13.7 billion
 - Whole Foods had 473 stores in US.
- Amazon Go working on a 'real time' solutions but having issues with US Government regulators.
- Some form of 'real time' solution scheduled to be launched in 2022.

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International Competitor: 7 Eleven





Number of Stores: 89

Expansion Plan: 2,000 stores in 30 cities within 5 years.

- CASHLESS store consumers must download app to shop.
- Pay ONLY by Alipay.
- Provide fresh food deliveries in 30 mins within 3 km radius



Fresh, Beauty, Life

Target Audience:

1. Families with leisure time post work. Evenings.
2. White collar consumer focusing on RTC meal solutions.
3. Weekend family experience users

In-store:

- Every item has a scannable bar code, which yields price and product information, including origin and any backstory on the item.
- On-line ins-store solution. Pickers select and place bags on a conveyor belt that carries orders to a delivery center adjacent to the store
- Have in-store restaurants so shoppers can select live seafood and eat in-store.



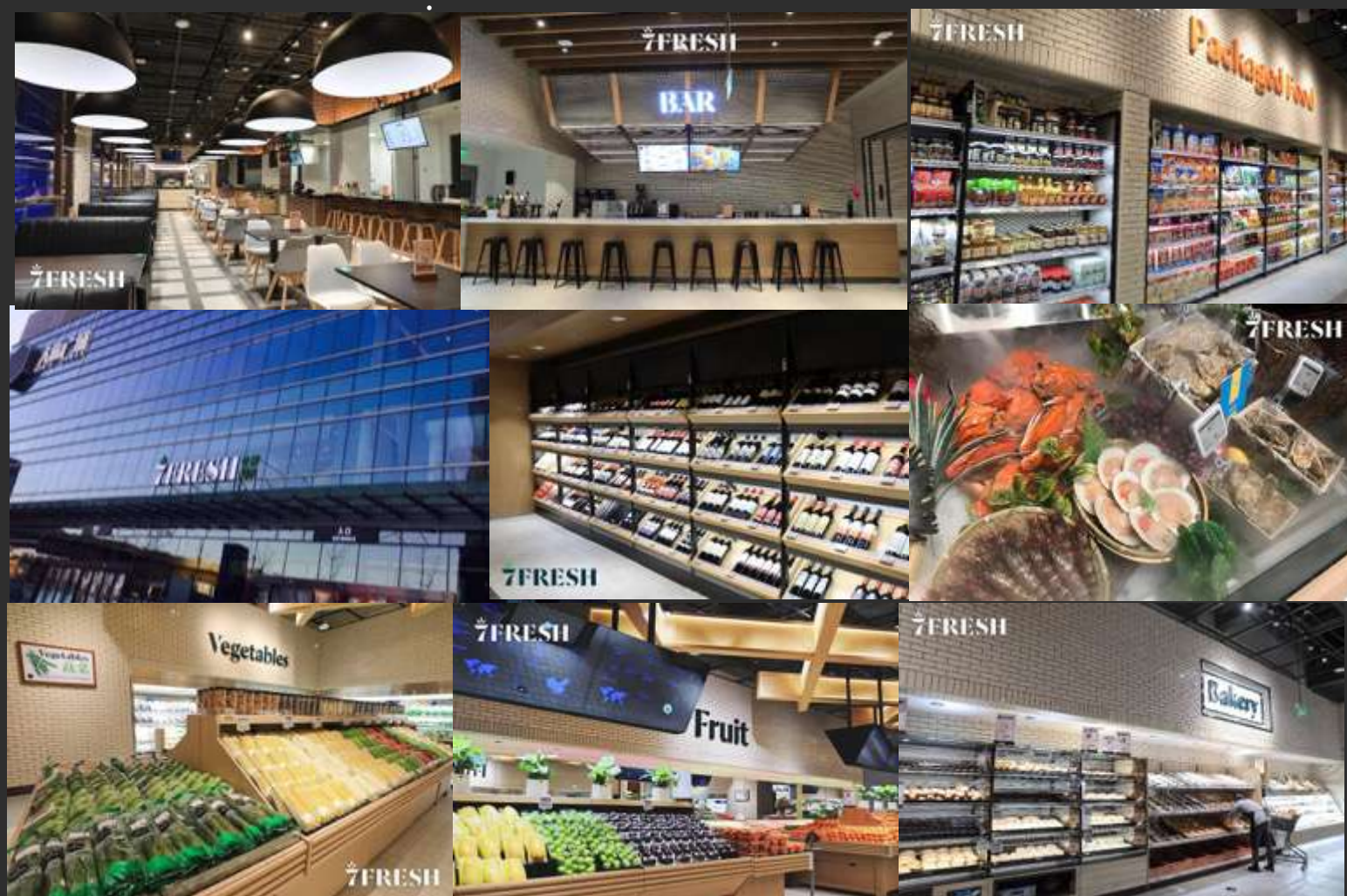
Seven days a week and fresh every day,

of Stores: 4

Position: 020 fresh supermarket

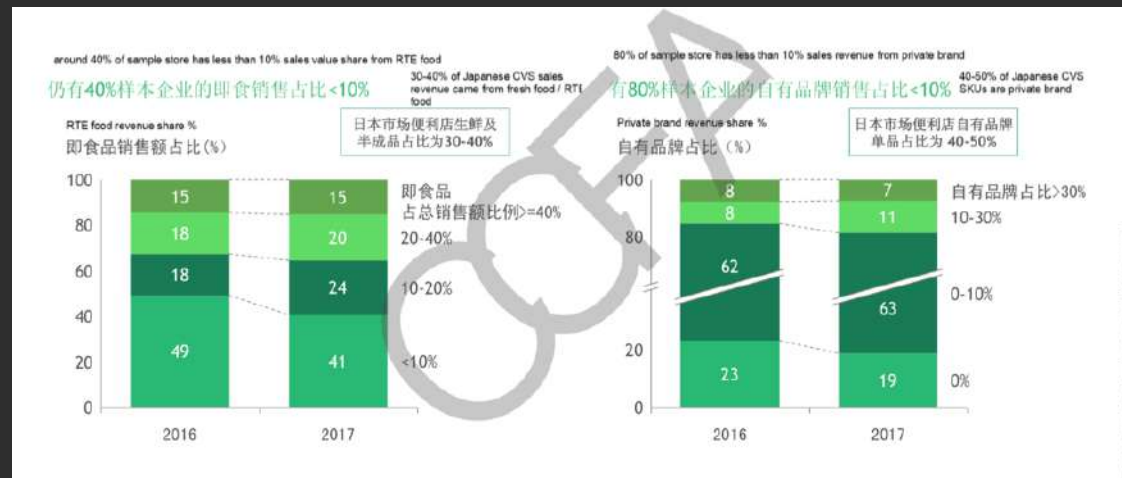
Expansion plan: 3-5 years roll out 1000 stores.

- Delivery within 3km radius in 30 mins.
- Provide on-site processing RTE service.
- Focus is on FRESH fruit, inspiration from Japan supermarkets where fruit items are meticulously wrapped. Use of TECHNOLOGY in product information codes. Scan barcodes on of the fruit then pop up on a screen above your head, showing where it comes from, how sweet it is, and the calories.
- INNOVATION; ceiling conveyor belt.. Once a customer places an order online, an in-store fulfillment staff packs it up in a bag and loads it onto the conveyor belt. The item then zooms across the store over your head to an attached delivery center. Requires human help



Commercial Insight: Underinvestment in loyalty programs Opportunity: Drive Growth via Platform Creation

CVS Category Underdeveloped Differentiate & grow through food, Ready to Consumer (RTC) offering



36% of CVS had employed e-platform, those retailer's online platform accounted for about 10% revenue

36%便利店引入网络零售，这部分企业网络销售占比约一成

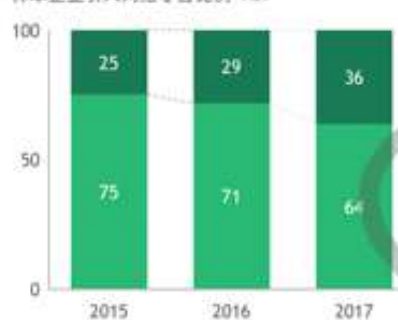
online platform is an inevitable trend, 36% of the 2018 sample stores had brought in online platform

网络零售势在必行，2018年36%的样本企业引入了网络零售

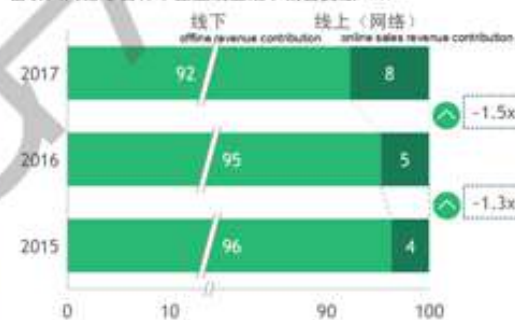
the online sales from the sample stores had increased by 150% times, the online platform had become an important revenue driver for the stores

样本企业网络零售的销售占比一年内提升了近1.5倍，线上（网络）渠道已成为销售增量重要驱动之一

样本企业引入网络零售比例 (%)



已引入网络零售样本企业线上线下销售贡献 (%)



资料来源：2018年CCFA便利店调研，艾群和家

Membership system application in CVS is still at a beginning stage, 40% of the sample stores have membership system while the members contributed to about 35% of sales revenue

会员体系在便利店的应用还处于初级阶段；40%样本企业有会员体系，其会员消费占比均35%

chain retailers with membership system had increased from 38% in 2015 to 40% in 2018

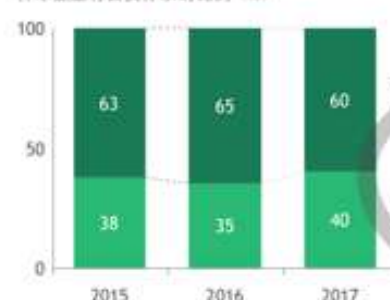
有会员体系企业从2015年38%上升至2018年40%

member contributed sales revenue maintained at around 35%

2018会员消费占比保持在~35%

store number percentage%

样本企业有会员体系的比例 (%)



sales % in chain store with membership

有会员体系企业会员消费占总销售情况分布 (%)



资料来源：2018年CCFA便利店调研，艾群和家

Stage 1 & 2: **Discovery findings**

- **LACK OF POSITIONING:** No differentiation between CVS brands
- **OPPORTUNITY:** 1st mover advantage **National Brand**
- **OPPORTUNITY:** Ready to Consume (RTC) **Food Offering**. Identical product range
- **OPPORTUNITY:** Drive frequency through a **Loyalty Program/Platform**.
- **CONSUMPTION HABIT:** Shopper consumes product purchased within 30 minutes
- **NO TARGET AUDIENCE:** All CVS target the same consumer “everyone.”
- Technology focusing on the adoption of auto stores (human less) to reduce rising labor costs.

How to use technology to truly Differentiate?

DIAGNOSTIC STAGE #3

Define consumers
expectations of a new
020 solution

There is a seemingly endless Retail TECHNOLOGY race in China...

WHAT IS MEANINGFUL ABOUT THIS HOTEL?

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FlyZoo Hotel - Alibaba

Is this innovative? Or is it a novelty?

Consumer will visit a 'robot' hotel for curiosity but how will robotics drive patronage?

How do you build a branded relationship and emotionally connect with visitors to frequent regularly?



UNIVERSAL TRUTH

Customers want technology that delivers
relevance

消费者需要建立事物与科技的关联性



O2O CONSUMER EXPECTATIONS

New Retail = Individually Personalized Experiences

HOWEVER...

A high-angle, close-up shot of a red running track. Two sets of starting blocks are visible, one on the left and one on the right, positioned on the track's surface. The track is marked with white lines, including a curved lane line and several straight lines. The background is a solid red color, likely the track's surface.

Individually Personalized Experience only gets
you to the Starting Line in China

How does Suning jump over its competitors

为了让苏宁完胜他 们的竞争对手



CONSUMER OBJECTIVE

New Retail = Individually Personalized Experiences

HOWEVER...

To be competitive in tomorrow's New Retail landscape
its not enough to know what customers want today.

Rather you need to know...

“What they want before they even know it.”



TO WIN IN O2O NEW RETAIL

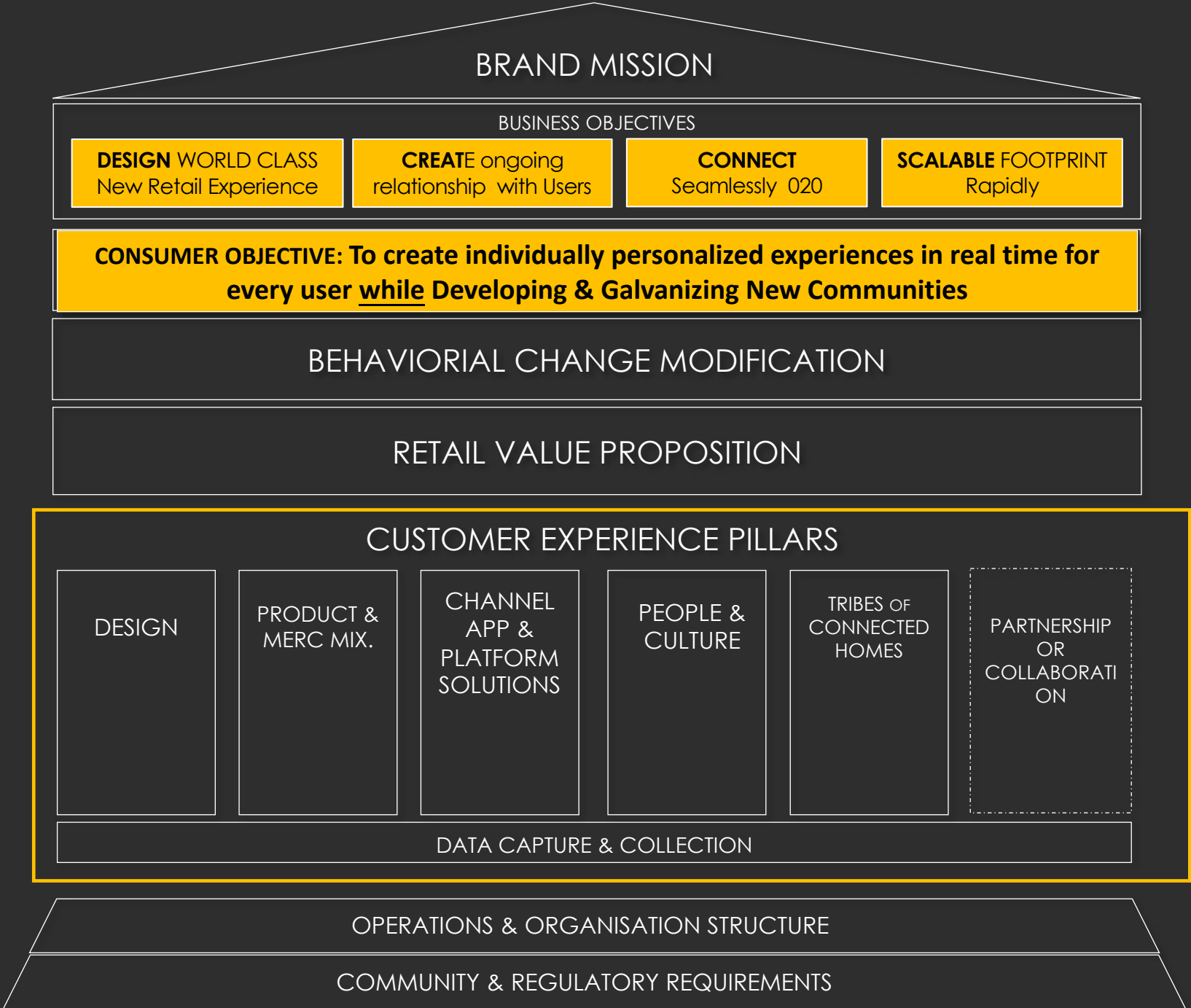
You must create Individually Personalized
Experiences in **'real time'** for every user while
Developing & Galvanizing New Communities

What is REAL TIME?

“An algorithm that combines individuals' users

- Purchase History (What you buy) with a
- Biometric Reader (How you feel) with a
- Global Positioning System - GPS (Where you are)

to understand & predict a customers wants before they are aware of their need.”



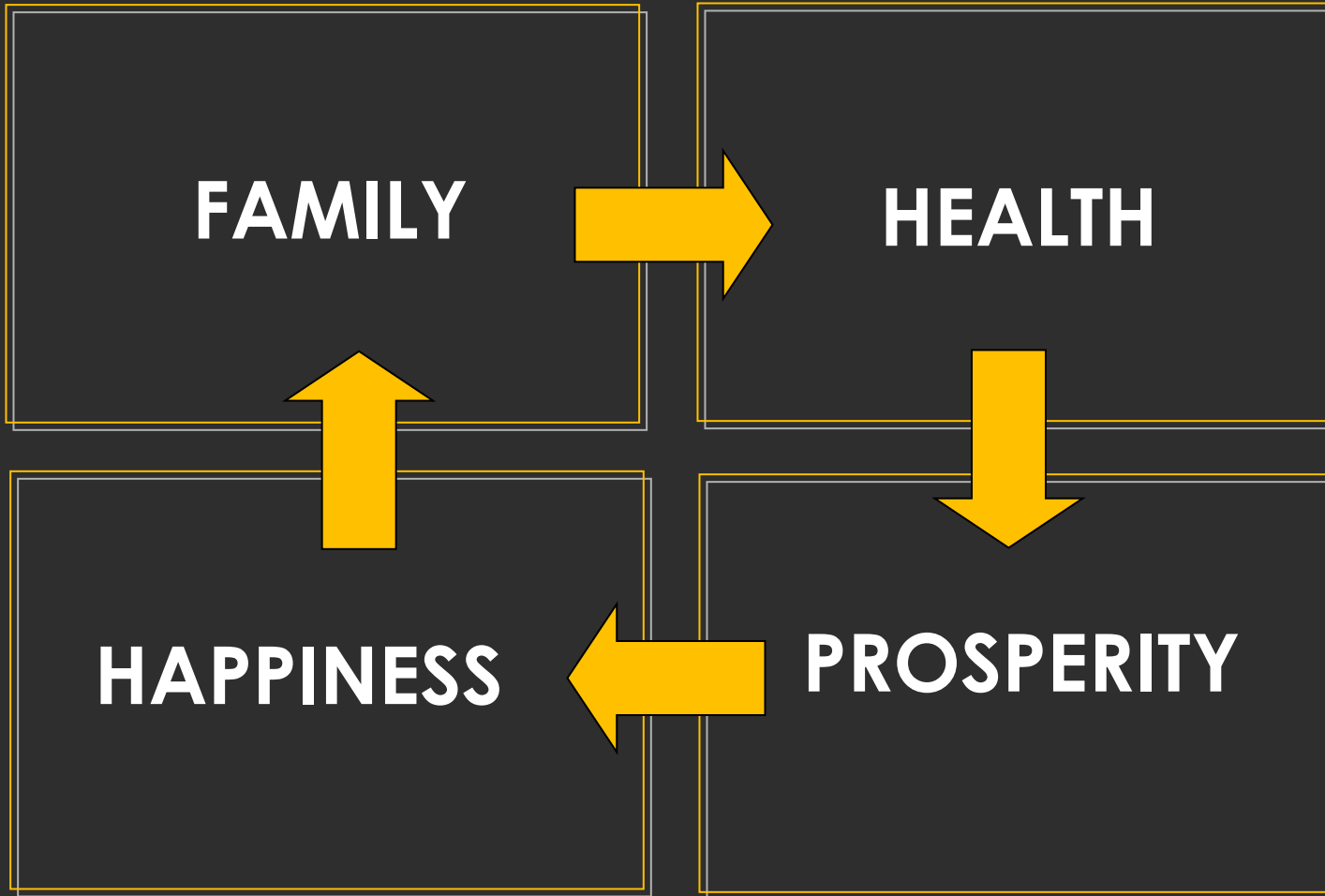
We envisage there was a **MUCH BIGGER OPPORTUNITY** and **MISSION** for Suning to **MEANINGFULLY** connect with Chinese consumers at their core.

我们为苏宁在与中国消费者的核心联系中看到了更大的机遇和使命

humanLAB saw TECHNOLOGY NOT as a differentiator rather it is ONLY the ENABLER.

Opportunity to apply a HUMAN LENS to CVS & introduce NEW BEHAVIORS into the brand and design that are MEANIINFUL and CONNECT with the HEARTS and VALUES of Chinese Society.

Traditional Values are still the CORNER STONES of Chinese Society



How can Suning incorporate these traditional of Chinese values into a retail proposition?

Without making it look forced & insincere?

How do we communicate these values while appealing to a modern young audience?

How do we bring people and homes closer together with technology?

Millennials cannot unplug. They are spending more time on screens.

Technology is actually disconnecting ourselves from our physical relationships creating an epidemic called LONELINESS.

By ALL major Indices Chinese society should be HAPPIER

HEALTH



People are living longer than any other point in human history
By every major metric this generation of Chinese society is better off

- Birth Rates ↑
- Employment levels ↑
- Average salaries ↑
- Life expectancy is ↑
- Infant mortality rates ↓

HAPPINESS



Are people HEALTHY &/or HAPPIER?

The Answer is sadly NO



Increased rates of Depression

People feel lonelier, more isolated and disconnected

Suicide rates Up (Higher than any point in last 50 years)

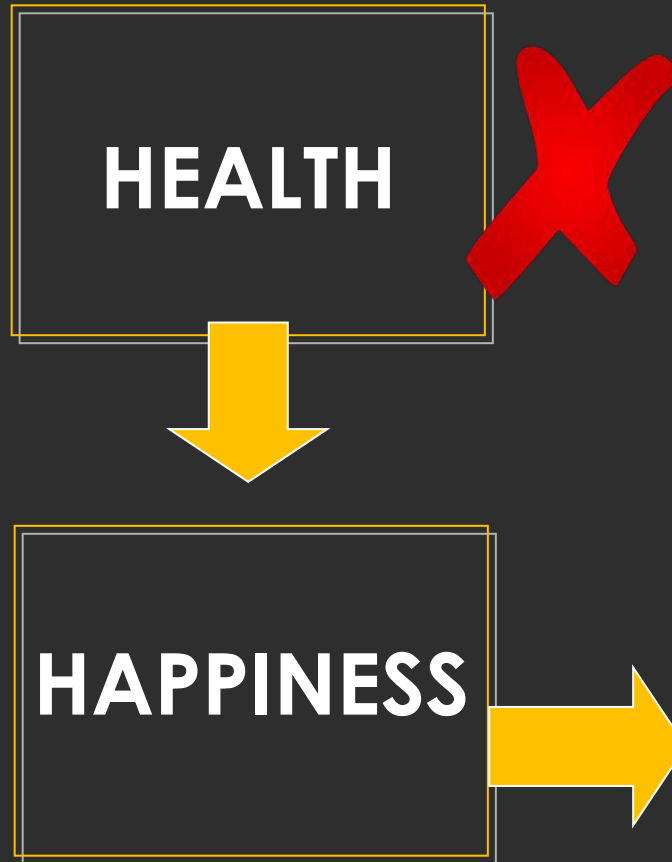


We aim to bring more HAPPINESS to people's lives, making them feel physically and mentally better on a daily basis. ...



We help you to prepare for the
competitive world out there....

Endless Information available about HEALTH, FOOD & Nutrition



How do users consume information?

Why is it not being applied?

- Obesity Levels ↑
- Heart Attacks & Heart Disease Rates ↑
- Diabetics ↑
- Strokes ↑
- A Foundation pillar of society is becoming destabilized.
More people are becoming overweight and less healthy

The one metric that's upside down is **DEPRESSION & LONELINESS**
So much information on Health, Food and Nutrition

- WHAT & WHO do I trust?
- How can I trust the source?

UNIVERSAL TRUTH

People Trust Technology



People Trust Technology



Google Search

I'm Feeling Lucky



We fuse **TECHNOLOGY** with **HEALTH** to
generate more **HAPPINESS**, creating
like minded socially connected **TRIBES**

HEALTH

Improving your HEALTH directly improves your HAPPINESS and way of life. Your way of being!

You feel better, can work smarter not harder, study more efficiently.

Being **HEALTHY** means you are be able to work at your optimum and have more chance to make more money & be successful. The **HEALTHIER** you are the more you can support your family.
Live Longer.

HAPPINESS

Improving the HAPPINESS of the lives of your Family

By improving your HEALTH & being HAPPIER you'll better support your family, financially & emotionally.

Being **HEALTHY** and **HAPPY** means you'll have more energy & patience to manage your parents.
You can provide your family members with Suning Sunshine Solution & they too can be **HEALTHY**.
They will feel better & possibly live a longer & a HAPPIER life.

A SENSE of BELONGING

TRIBES

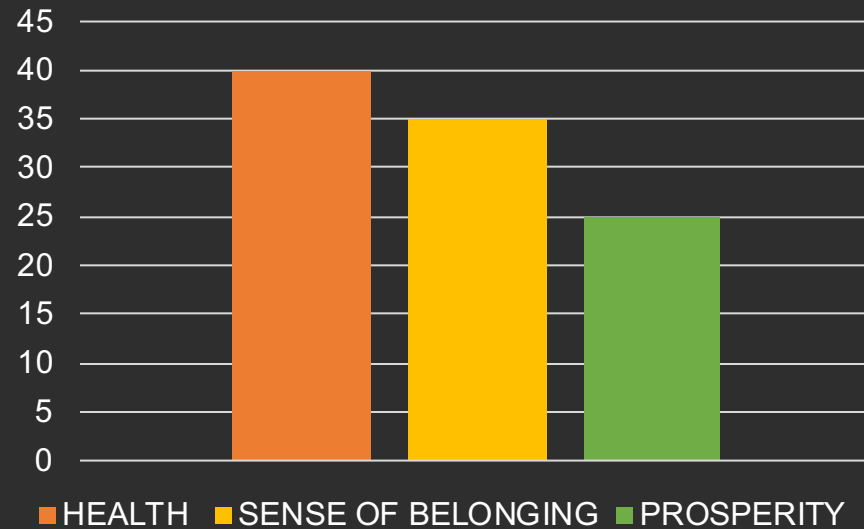
Connecting Like Minded HOMES

CONNECTING like Minded Homes (TRIBES) creating a sense of Neighbourhood

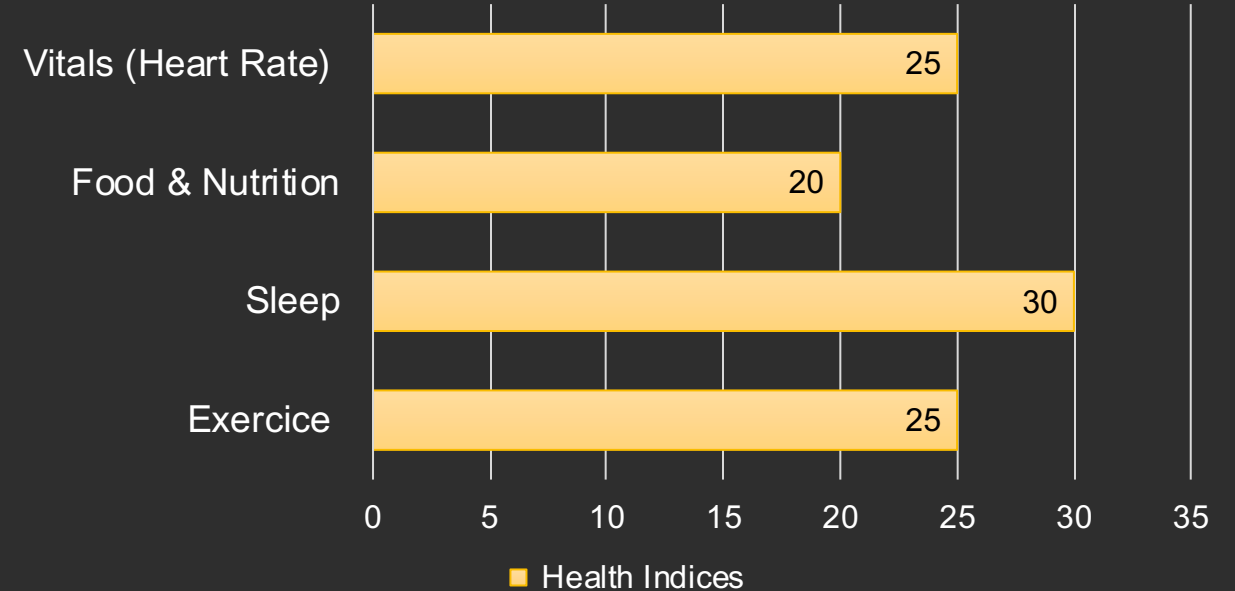
Humans are social beings, we all want to talk, to be listened to. It's a unifying need to belong. However technology is disconnecting ourselves & from our physical relationships creating **LONELINESS**. People are suffering, they are no longer being seen. There is a need to be validated. There is a need to be touched "connect" with others. Technology is the **ENABLER** and the Suning is the location.

At Suning we bring **HOMES of LIKE-MINDED PEOPLE** together. People come together over **FOOD**. We all have mouths; we have to eat — sense of community. **LIKE MINDED FAMILIES** come together to **SHARE** experiences and spread **HAPPINESS**.

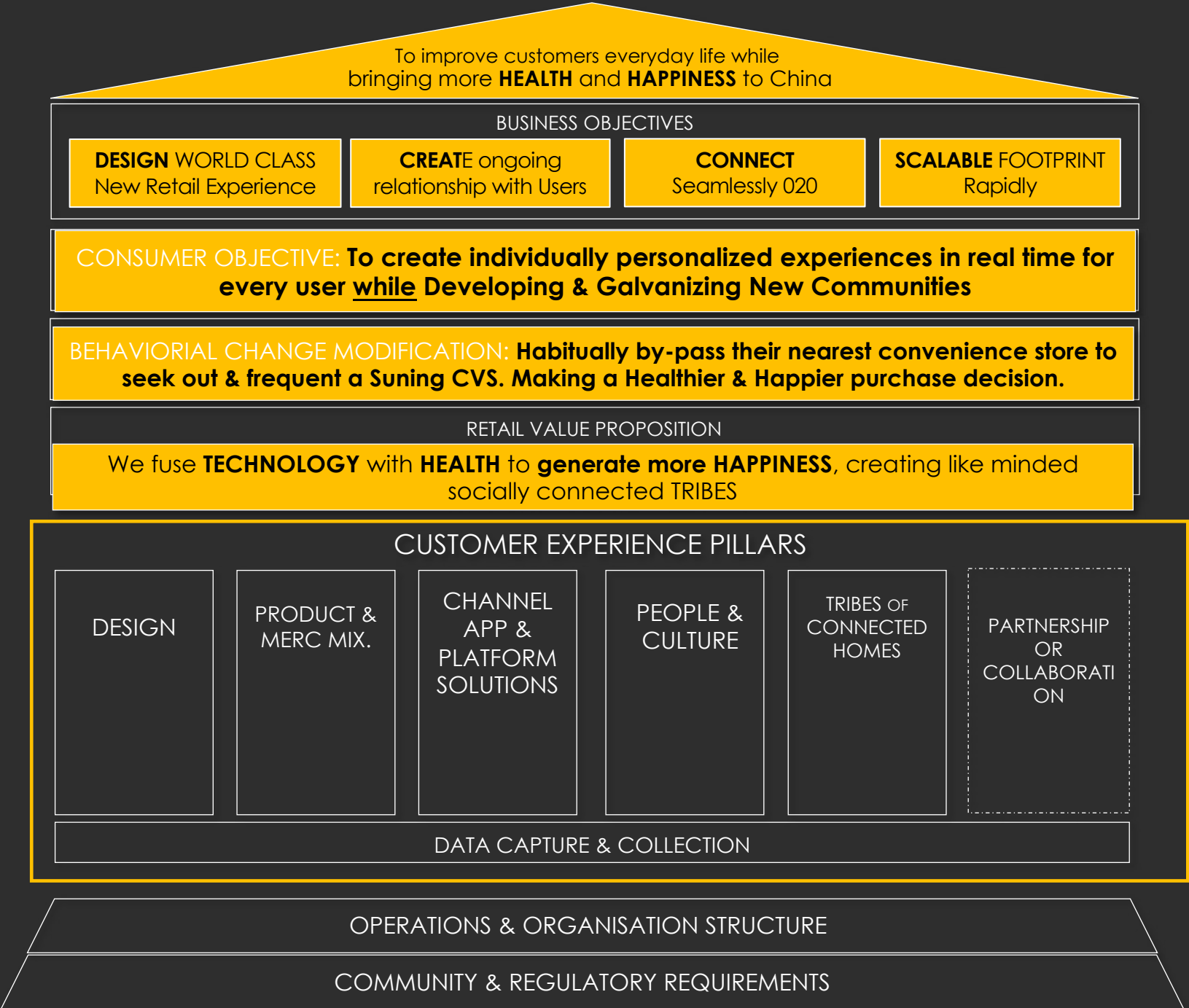
MEASURING HAPPINESS



MEASURING HEALTH



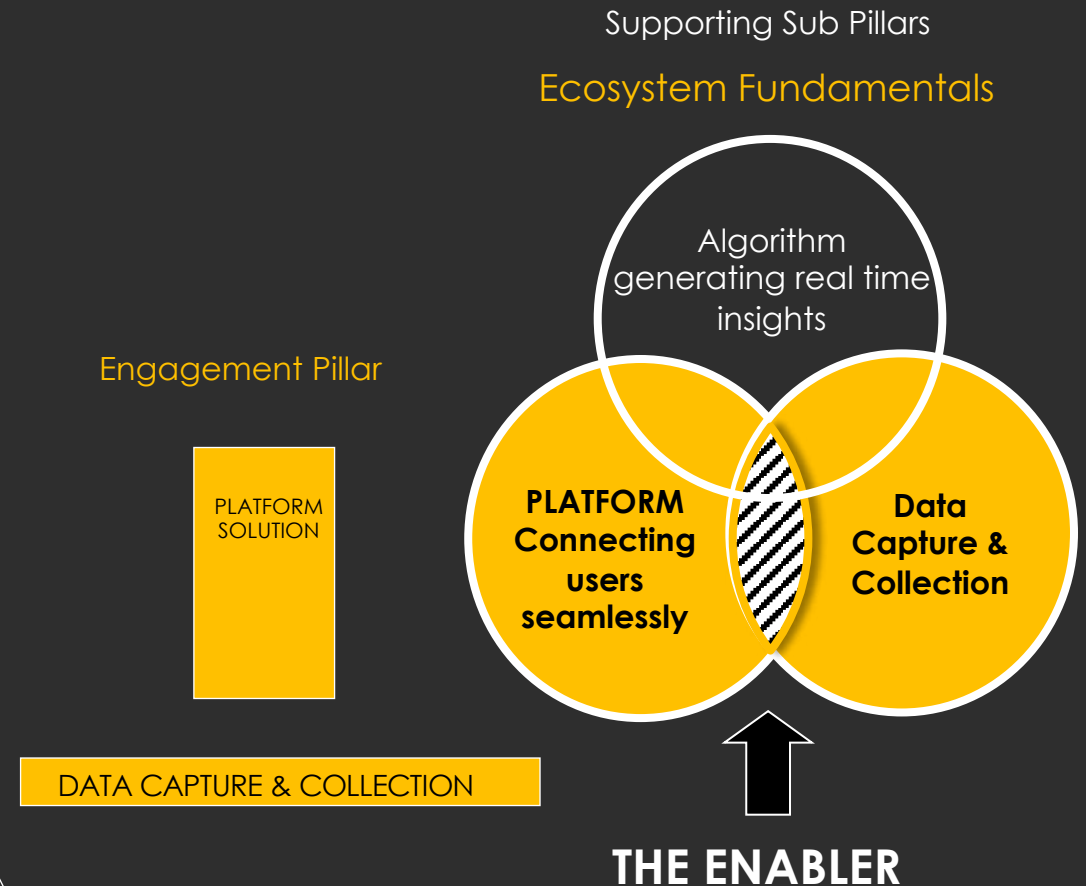
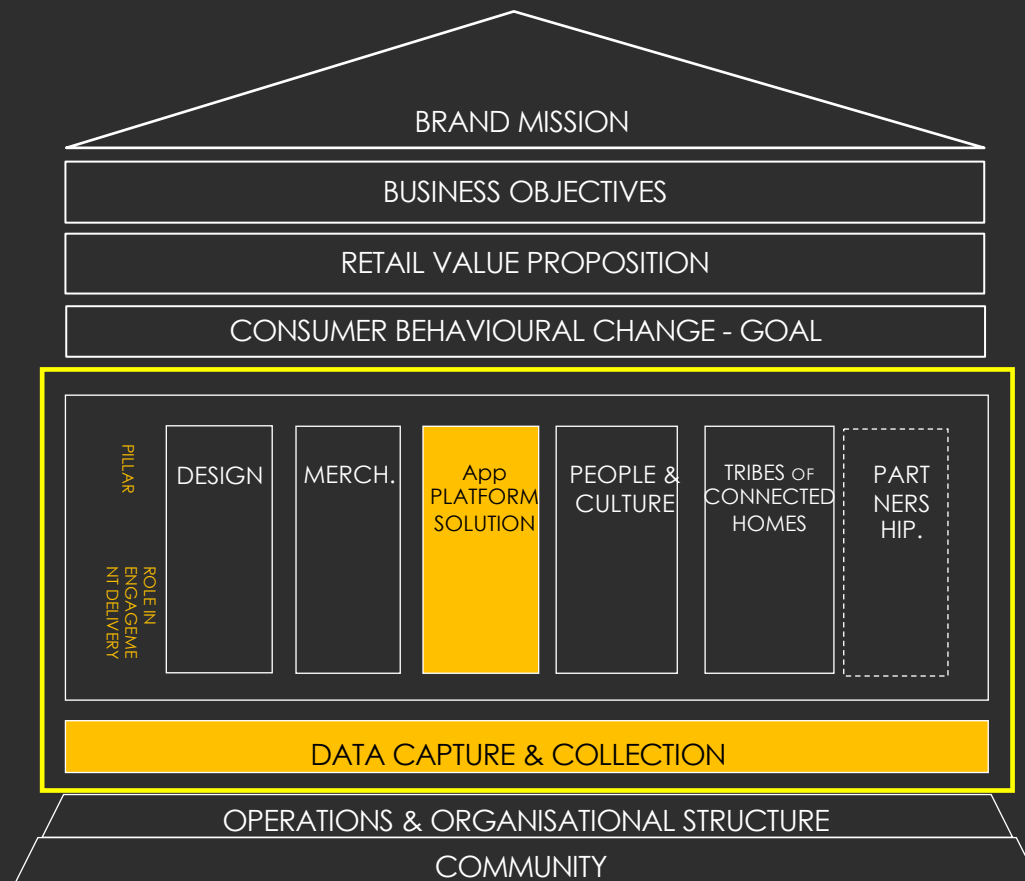
We apply the 'inputs' of **HAPPINESS**,
i.e.: HEALTH, FOOD, and SENSE OF BELONGING
these behavioral indices are used to transform a CVS into a
MEANINGFUL NEW RETAIL SOLUTION



DIAGNOSTIC STAGE #5

Data Collection & Ecosystem

How do we use technology to collect data to create **MEANINGFUL** personalized solutions in 'real time' that drive Participation, Visitation to store, Purchase & on-going Engagement daily

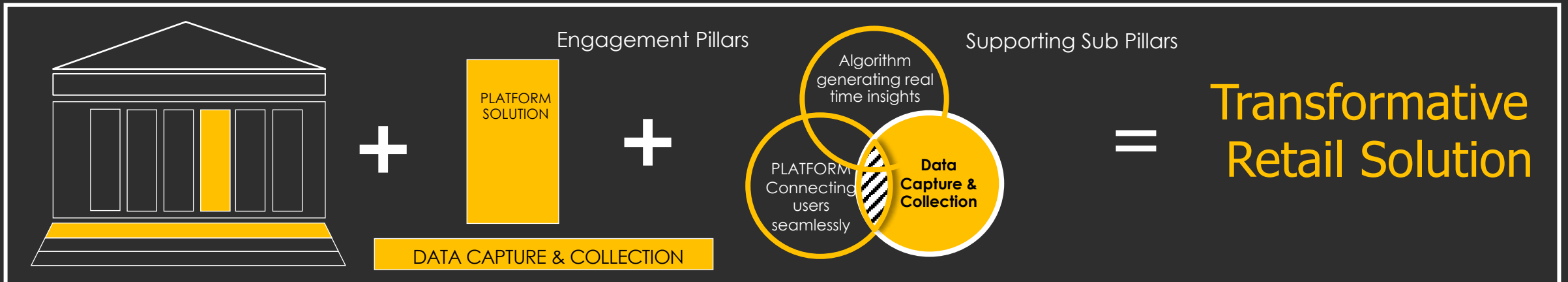


DATA COLLECTION & PLATFORM: Data Capture Solution

Data	Problem	Reasons	Solution	Step #1- Immediate	Step #2 - Mid Term
	How do we use technology to collect data to create MEANINGFUL personalized solutions	Suning are a distant 3rd in the retail race in China. They want to leapfrog the competition immediately through use of technology. In so doing changing consumers perception of their master brand	Via the use of a biometric reader we introduce new behaviors into Suning brand that resonate with consumers, such behaviors are the cornerstone of society & are supported in a newly created platform: HHFT system	Partner with Huawei to create a biometric reader (Next Gen fit-bit) exclusively for Suning that will seamlessly pair with HHFT system & existing POSM	Seek CPC approval for HHFT platform data collection process & platform functionalities. Require support for live test in less than 6 months & rollout nationally within 12 months.

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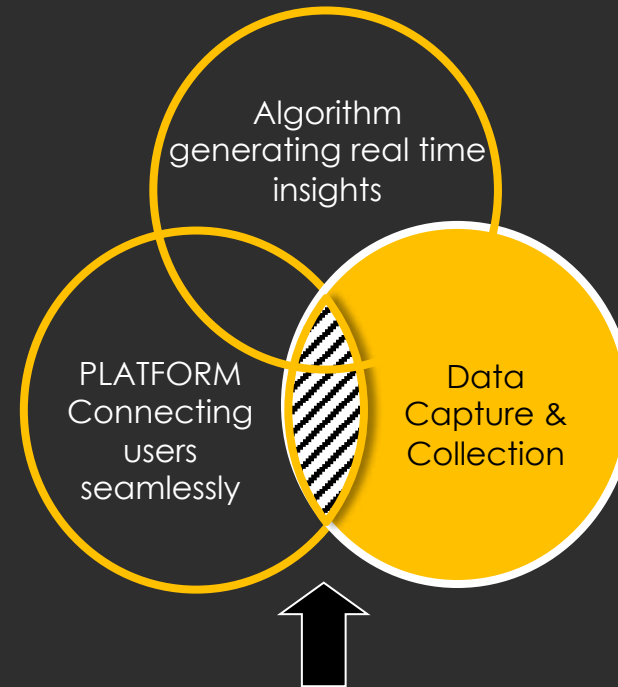
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THE ENABLER Bio Metric Activity Band

CONNECTING SUINNG WITH CUSTOMER DAILY

Collaborating with Huawei to create a bio metric activity band as the ENABLER to drive HEALTH and HAPPINESS securing real time CONSUMER DATA DAILY including purchasing and consumption habits and being able to monitor your customers needs and personalizing communicate

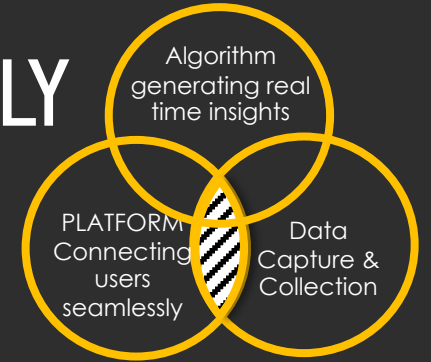


- Waterproof 5 ATM
- GPS Tracker
- Measures Steps & Fitness Intensity
- Heart Rate Monitoring
- Deep Sleep Analysis
- 3 Day Battery Life
- Android / IOS Compatible

Data Capture Solution:

COMMUNICATING in “REAL TIME” WITH EVERY CUSTOMER DAILY

- The activity band is the ENABLER, (the glue) that drives customer engagement, LOYALTY, improves HEALTH and HAPPINESS
- Suning provides ALL customers that visit the concept store, download the Suning App and connect to the HHFT Platform will receive FREE Activity Band
- The activity band is directly linked to Suning App securing ‘real time’ CONSUMER DATA DAILY including users purchases, consumption habits, leisure activities, including exercise, sleep and vital signs including heart rate.



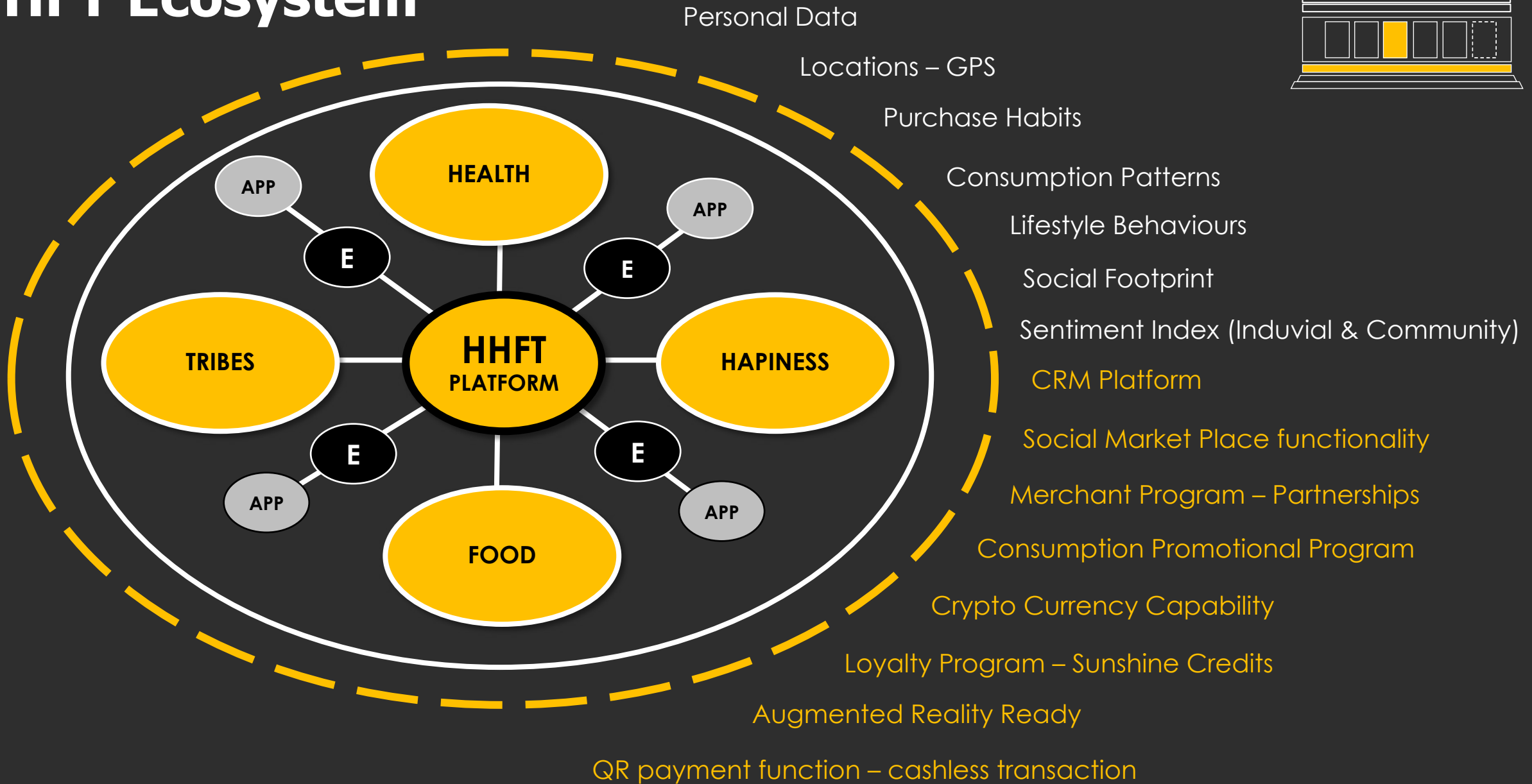
THE ENABLER 51

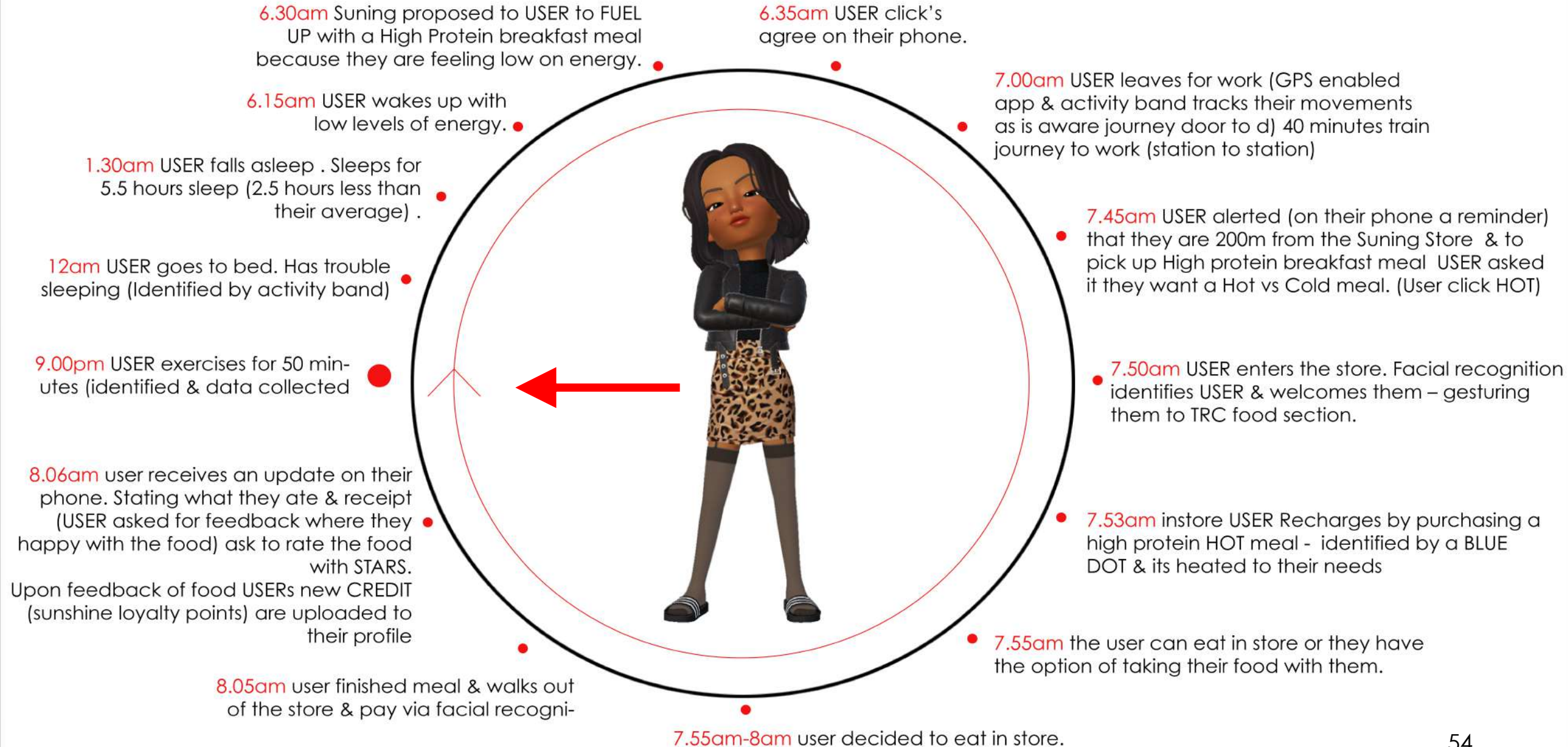


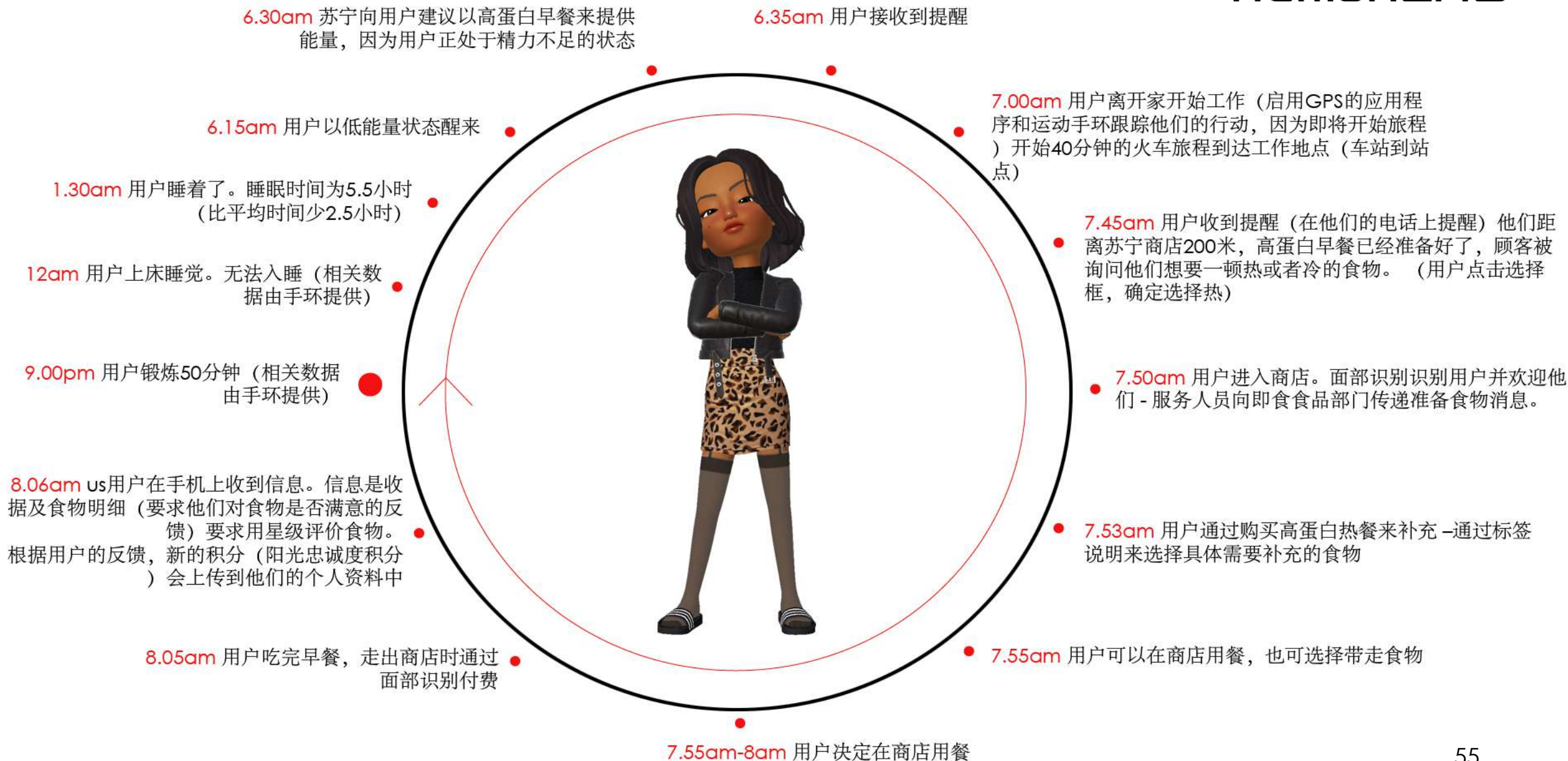
H.H.F.T Ecosystem

H.H.F.T 生态链

HHFT Ecosystem







Suning Sunshine Solution

苏宁阳光解决方案

Loyalty Program supported by

忠诚计划的支持



H.H.F.T 生态链

LOYALTY PROGRAM: SUNSHINE CREDITS

- Each shopper sets their own monthly individual goals KPI's based on HEALTH and HAPPINESS Levels.
- How much exercise you aim to do in a month?
- How much weight they aim to loose or add in a month?
- KPI's are indexed against others (community) & approved by either Suning or community.
- Successfully executing their KPIs on a weekly basis shopper receives rewards points referred to SUNSHINE CREDITS
- **User can ONLY use (redeem) up to 88% of your credits on yourself.**
- The balance 12% you must share with others (Give it away)
- You get to decide who you share it with FAMILY, FRIENDS or random strangers
- **We call it SUNSHIINE ACTS, random acts of kindness that SPREAD more HAPPINESS**
- User receive additional SUNSHINE credits by partaking in CONNECTED Community activities
- BONUS points for creating an Activity Group and each time that group gets xxx members you are also rewarded. (i.e.: Dog Walking and Young Mothers Clubs.)



呼
嘎 Hygge 

HYGGE

(HOO'GA)

呼嘎 / 呼家

hygge [hoo ga]

1. The art of building sanctuary and community, of inviting closeness and paying attention to what makes us feel open hearted and alive.
2. To create well-being, connection and warmth.
3. A feeling of belonging to the moment and to each other.
4. Celebrating the everyday.

1. 生活中一切美好的总和。
2. 它是如归家般安心的避难所，是如冬天暖阳般的小幸福，
3. 它属于这当下，这城，这人，这生活。香气四溢的新鲜气息，自然无忧的真诚食材，
4. 再加上精工细琢的匠人手艺 组成了升级版的美好生活。在这里，科技为人性服务，物为心服务，
我们为你服务。– Hygge，呼唤家的美好



Pilot Store Opened — October 2019 Nanjing, China

humanLAB



DIAGNOSTIC STAGE #6

NEW RETAIL METRICS BEHAVIORS

humanLAB New Retail Behavioural Based Metric's

eCommerce Platform Metrics

- Impressions
- Visit to sale
- Inbound traffic
- AVO — Average Order Vale
- Net Promoter Score
- Engagement Rate
- CTR - Click Thru Rate
- Average Resolution Time
- First Contact Resolution
- NPS — Net Promoter Score
- Customer Lifetime Value
- Retention Rate
- Advocacy
- CPA — Cost per Acquisition
- Average Order Size
- Shopping Cart abandonment rate
- % of mobile visits
- Repeat Purchase Rate
- Purchase Frequency

eCommerce Platform

- Order gap analysis
- Trade Product & Seller reviews
- Social
 - Clicks
 - Likes
 - Shares
 - Comments
 - Reposts
- Social Sentiment
- Email
 - Click Thru Rate
 - Bounce Rate
 - Open Rate
 - Conversion Rate
 - Unsubscribed

Behavioral Metrics — New Retail

Apply a **HUMAN LENS** & introduce **NEW REPEATABLE BEHAVIORS** into the brand and business model that are **MEANIINFUL** and **CONNECT** with the **HEARTS** and/or **VALUES** of targeted consumers to drive frequency of visitation, patronage, consumption & shareable support

- **HAPPINESS**
(Yes it can be measured!)
- **HEALTH**
- **SESNE of BELONGING**
- **CREATION OF LIKE-MINDED TRIBES**

Thank You



humanLAB

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