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# O2O RETAIL REVOLUTION



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t this age of technology advancement and disruption, innovation has become a necessity in business, not an option. For example, the retail industry has been disrupted by online shopping and changing consumer behaviours.

As an emerging market, Southeast Asia presents opportunities to retailers, but the traditional brick-and-mortar retail brands have started to adopt e-commerce strategy a few year ago. Those who has only started to look at online marketing strategies and leverage on the power of social media are left behind in the chasing pack.

Online-to-offline (O2O) is not a new marketing concept, but its adoption in the region has only picked up in recent years.

much more than just a one-way, display advertising channel. Yes, you can still use it that way, but together with social media, you can engage so much deeper with your customers because it allows multiway communication (between brand and customer, and customer and their peers).

“Take 7-Eleven Malaysia for example (our client); they launched the Siku Challenge and asked people to submit videos of themselves holding cup with elbows and drinking Slurpee.

“For each person who participates the campaign, they will go through the process of trying a Slurpee (brand-customer engagement), shooting a funny video and posting on their own social media account (peer-to-peer engagement).”

He added that the entire journey deepens the brand engagement between 7-Eleven and the customers, and they’ll even influence peers to further engage.

Lee said that effective use of online helps a business to enhance its customer relationship management (CRM) so that you get more loyal customers, long-term customers, which is far more

## WHAT IS O2O?

Online-to-Offline Commerce is a business strategy that draws potential customers from online channels to make purchases in physical stores. Online-to-offline commerce, or O2O, identifies customers in the online space, such as through emails and internet advertising, and then uses a variety of tools and approaches to entice the customer to leave the online space.

This type of strategy incorporates techniques used in online marketing with those used in brick-and-mortar marketing. O2O is related to (but not the same as) the concepts of “clicks-to-bricks” or “click and mortar”.

One main purpose for retailers to leverage on the power of O2O is to efficiently engage with their customers, said JAG Ideas Group Southeast Asia general manager Garlos Lee.

“Although to some people, online is just another media like print or TV, but for brands that know how to use it, it’s

powerful than just showing an online ad and getting them to go to store.

JAG operates a 500,000 micro-KOL platform across Hong Kong, Taiwan, Malaysia and Singapore.

“When we say micro-KOL, we refer to average people like me and you, but with a good



number of followers or friends on social media so that when we share something, we can still influence a great deal of people.

“KOLs tend to have many more followers and are famous people, but since numerous brands keep approaching these handful of KOLs, they post more and more ads and become commercial.”

Lee said that micro-KOLs on JAG’s platforms are much more genuine, and don’t cost as much because they aren’t well known people. “Our micro-KOLs can help brands in a number of ways, including participating their engagement activities and influencing peers by sharing on different social media platforms.”

Quizzed on how can JAG’s consumer engagement and rewards strategy help brick-and-mortar businesses, Lee said, “By rewarding our micro-KOLs, we can mobilise them to help businesses in a number of ways.

“Take 7-Eleven’s Siku Challenge again, we can mobilise our micro-KOLs to participate the video challenge, and when they post the video on the social media accounts, they can influence each of their hundreds of peers to participate.”

According to Lee, many activities begin slow, but by getting the micro-KOLs to participate first, JAG can kickstart a snowball effect. Furthermore, JAG’s platforms encourage micro-KOLs to try products or services and share reviews on social media.

“We’re currently doing one for KFC’s Chizza Duo Combo and our micro-KOLs were invited to try the meal and share their review. They’re not dictated to always say positive things so it’s completely genuine. And when the micro-KOL’s hundreds of friends see these reviews, they’ll be interested to try the product as well.”

Replying to *SME*’s question on if JAG targets specific micro-KOLs to encourage them to share and comment on video clips in JAG’s social



media platforms, Lee said clients want the micro-KOLs to watch video clips of their products and provide feedback.

“Our system is able to show the video clip to micro-KOLs who meet specific criteria (for example, age, gender, etc.), and get them to feedback on what they think about the video. This is very effective because it’s completely on-target and getting real consumer response. Our micro-KOLs can also share to social media if they find the clip interesting.”

From his experience, Lee said that O2O adoption and strategy implementation in Singapore is already quite developed and Malaysia is catching up fast.

He also shared with *SME* on the biggest challenge for retailers when adopting O2O: getting the ball moving.

“As I mentioned earlier, most campaigns start out very slowly. Every brand is trying to engage with customers and there are a million engagement activities. So, it’s hard to get people to participate at first.

“And, JAG’s role is to be the first-movers and get influential people to participate and influence more people to participate afterwards. It’s very discouraging for brands when they launch an activity and get no participation and after a few times they normally stop.”

After hearing from an O2O platform operator, let’s look into the experience of Naiise, a platform selling and sharing tips on design which runs on a O2O model.

After leaving his first creative agency, where he worked with some of the best creative minds in Singapore, Naiise founder Dennis gained an innate understanding of the challenges and limitations of being a designer in Singapore.

With only a capital of S\$3,000 Dennis started Naiise in his bedroom in 2013. the company was launched with the goal of making good design more accessible to more people.

Naiise started as an online store and soon took on an O2O strategy after testing out several pop-up stores.

“We’ve seen great benefits from running O2O, especially for our kind of products, where the need for touch and feel is still a key determinant in helping customers make informed decisions.

“In addition, the O2O also helps us with brand exposure and presence, allowing us to do things we could not do on a digital scale. I think these are some of the benefits that retailers can also take advantage of by going O2O,” said Dennis.

With the help of landlords who have Naiise opportunities to pop up at various locations, Dennis said his brand realised their customers are still keen to shop offline, despite the convenience of online shopping.

“They still like to touch and feel the products, understand their functions and see it with their eyes prior to making a purchasing decision. So, after a year-long of pop-up stores, we worked with various landlords and started opening brick-and-mortar stores make design accessible to more people, for both designers and customers alike”

“Our Instagram and Facebook posts sometimes pushes new arrivals and restocks, and we do see customers going to the stores to enquire and purchase them, if not other products that they see at the stores.”

Naiise started in Singapore and eventually ventured into Malaysia and the UK. Asked if the O2O strategy helped the brand’s overseas ventures, Dennis answered, “It definitely did help.

“The O2O strategy has always helped us create more exposure in helping to further the brand. In addition, physical spaces encourage collaboration while online provides convenience, both of which help in creating.”

# TYPES OF O2O COMPANIES



**J**on Carder, CEO and founder of online-to-offline advertisement network Empyr said that there are several types of O2O companies. He categorised companies running on O2O models into two main groups. First, he said, there are the “On-demand” companies. “Uber is the king of the ‘On-demand’ O2O industry.

“On-demand has been a very fast-growing industry, the idea that you can click a button on your phone and a car shows up, or someone comes to your house to clean, or food arrives at your house is all very appealing and there are already numerous billion-dollar companies in the on demand O2O space.”

“Secondly, there are Daily Deals: Groupon and LivingSocial were the first to almost crack the O2O code. They were so close you could taste it, and boy did the copy cats come out in droves. The fact that Google, Facebook, Amazon, Yelp and thousands of other online companies all started a daily deal website in the same year is unprecedented.”

“You could smell the greed in the air, and it topped out with Groupon’s US\$20 billion public valuation just three years after its launch, making Groupon the fastest growing business in history,” he said.

However, when SME checked on Forbes’ website, Groupon’s 2017 sales value only stands at US\$1.63 billion. Carder said that there is a graveyard full of failed daily deal sites. “The 50 per cent discount offer

and the 25 per cent fee just isn’t sustainable for offline merchants,” he added.

He said that the on-demand model is soaring and there is nothing holding it back. “‘Daily deals’ was a flawed formula. It was great for consumers to get 50 per cent off but eventually the merchants stopped participating and the bottom fell out.

“The O2O platform is a nascent idea whose time has come. In 2016 we will see an explosion of growth here because the platform solved a lot of the issues that daily deals had and because it seamlessly connects millions of online consumers to millions of offline businesses.”

## WHY CHOOSE O2O?

Jon Carder said boldly,

“Advertising online if your business is offline is incredibly risky because it’s impossible to track an online impression or click to an actual sale at your offline business.

“Studies have shown that most consumers are researching purchases online before heading into the offline store to make a purchase, O2O allows brands and advertisers to capture these online leads and convert them in the offline world seamlessly.”

He predicts there will be millions of offline businesses advertising the O2O way. “With over 100 million consumers participating in the US alone, platforms like Empyr will be generating billions of dollars in revenue for websites and apps. **SME**

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