

HKSTP Innovation Roundtable

The forces that are shaping the
future of consumer markets

A 'survival guide' for retailers
and F&B brands to thrive in a
post-COVID economy

PANELISTS

In the spirit of both business innovation and technological innovation, we at the Hong Kong Science and Technology Parks Corporation (HKSTP) invited four panellists who represent business conglomerates in two major industries to speak candidly about their company's experiences during the pandemic. They are as follows:



Matthew Chan

Group Chief Digital Officer of the Jardine Restaurant Group



Simon Wong

Chairperson and Chief Executive Officer of the LH Group and Kabushikigaisha Limited



Alexander Spitzzy

Chief Operating Officer of the Jebsen Group

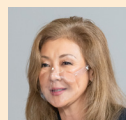


Jade Lee

General Manager, Analytics and Technology Application of Chow Tai Fook Jewellery Group

MODERATOR

Serving as the group moderator was Lorraine Hahn, a seasoned television journalist who specialises in Asian economic and political issues.



Purpose

This Innovation Roundtable — hosted by the Global Acceleration Academy (GAA) of the Hong Kong Science and Technology Parks Corporation — intends to bring industry experts together and create impactful dialogues.

We invited four speakers from prominent companies in the food and beverage (F&B) and the retail industry. Each of them shared their experiences in navigating COVID-19 and new consumer markets; they also offered sage advice for companies who wish to thrive in a post-COVID economy.

Introduction

Since the COVID-19 pandemic has forced consumers to shun human contact, so too have those operating in the F&B and retail industry. This means that both industries have been forced to innovate by following their customers online.

And for a city like Hong Kong — which prides itself as one of the foremost dining and shopping capitals of the world — the global pandemic has been particularly challenging.

Hong Kong & the impact of COVID-19

The third quarter last year has been the worst for the restaurateurs, as the governmental Census and Statistics Department reported that restaurant takings shrank by a whopping 35.3 per cent.

Retail has not fared any better, as analysts reported an astounding 33.3 per cent drop in consumer sales in both the first and second quarter of 2020.

Vacancy rates for retail spaces are at an all-time high of 10.9 per cent, and experts have warned that nearly a quarter of Hong Kong's shops face imminent closure.

Without a physical space for these businesses to operate in, some of them have had to find new ways to stay in touch with their customer base in the "new normal".

Working in line with new customer behaviours

Understanding how the consumer landscape has changed means tapping into the newly acquired behaviours of customers.

For one thing, there is the obvious seismic shift from physical retail to online retail. Even if it's mainly conducted online, consumers in Hong Kong are still avid shoppers.

With the decline in physical foot traffic to stores, how are retailers adapting to the sudden shift to e-commerce all while maintaining customer confidence?

And what about restaurants who are no longer able to welcome customers through their doors? On top of restaurant closures and dine-in restrictions, F&B industrialists have also had to contend with disrupted supply chains.

Challenges faced in the first wave of COVID-19

Each of the panellists shared the hurdles that their companies faced during the COVID-19 crisis.

While some of these companies operate in the same industry, the differing infrastructures of each company meant that each panellist and their respective company tackled their own unique set of problems.



F&B industry

Kabushikigaisha Limited (Simon Wong)

Kabushikigaisha Limited is run under its parent company LH Group — operates 10 major restaurant brands that specialise in different varieties of Japanese cuisine such as shabu-shabu (Japanese hotpot) and yakiniku (Japanese barbecue).

While 2019 was already a challenging year, the pandemic erased any hope of recovery.

By the second day of the Chinese New Year (26th January 2020), the majority of bookings for the festive period were cancelled as a result of mounting concerns about mass gatherings.

Restaurants suffered another blow in February when a cluster of cases was traced to 11 family members who attended a hot pot banquet comprising 19 guests at a hot pot restaurant.

By August last year, Kabushikigaisha was only operating at 20 per cent of their normal business.

Jardine Restaurant Group (Matthew Chan)

With over 900 food outlets and 27,000 employees under its wing, the Jardine Restaurant Group (JRG) is one of the largest restaurant conglomerates in Asia.

In Hong Kong alone, JRG oversees 200 Pizza Hut, PHD (a subsidiary of Pizza Hut specialising in express delivery), and KFC outlets.

It has been operating for over 50 years under one of Jardine Matheson's numerous conglomerates, Jardine Pacific. It is also one of the biggest franchisees of Yum!, which is the world's largest fast food corporation.

The challenges of virtually managing its expansive workforce and coping with forced restaurant closures resulted in a dismal first quarter in 2020.



Retail industry

Jebsen Group (Alexander Spitzzy)

The long-established marketing, distribution, and investment firm was founded in 1895 and is made up of six separate types of businesses: Beverage, Consumer, Industrial, Motors, Logistics, and Jebsen Capital.

Jebsen's most recognisable brands include Blue Girl Beer, Bollinger, Dyson, Pentax, Porsche, Casio, to name a few.

The firm's pre-existing diversity of products has allowed it to survive the storm of the global pandemic, but their beverage and consumer sectors have not been immune to the effects of COVID.

Along with its retail traffic to the brands held under its consumer arm of business, sales of its Blue Girl Beer, along with the whole alcoholic beverage market, suffered a precipitous drop during government mandatory dining and nightlife venue closures. However, the sales of products such as air purifiers experienced a marked rise during the early stages of the pandemic.

Chow Tai Fook Jewellery Group (Jade Lee)

The jeweller was founded in 1929 in Guangzhou and eventually made its way to Hong Kong in 1939. It has around 30,000 frontline staff operating in over 4,100 stores across cities in Greater China, Japan, Korea, Southeast Asia, and the United States.

In pre-COVID Hong Kong, they operated 82 shops in Hong Kong alone.

The first challenge in the jeweller's supply chain was the closure of its factory in Wuhan. Following this major supply chain disruption, Chow Tai Fook Jewellery Group closed majority of its shops across Hong Kong, Macau, and Mainland China.

Although they were able to re-open some stores in April 2020, two months of zero retail traffic to its stores resulted in a 60 per cent sales fall in its Hong Kong and Macau stores, and a 42 per cent drop in Mainland China.

Best practices for corporate leaders

Over the course of the roundtable discussion, each panellist shared their own tactics for overcoming hurdles in their business operations during COVID.

And after much discussion, these were the commonalities of each company's key strategy, and the advice they would pass on to other businesses who are looking to survive beyond the pandemic.



Business Innovation

“COVID accelerated everything.”

- Matthew Chan, Jardine Restaurant Group

The pandemic was undoubtedly a watershed for all businesses who were forced to decelerate into survival mode, and simultaneously innovate their business strategy.

And beyond survival mode, these businesses needed to innovate in a manner that would allow them to remain competitive during COVID.

For brands whose demand fell during the pandemic, such as **Chow Tai Fook Jewellery Group**, they needed to remain relevant and retain their customers' confidence.

Our panellists all agreed that innovation was at the heart of their survival strategy, but each person has their own version of innovation.

For Simon's restaurant franchise, a potential hindrance was turned on its head and became an opportunity.

Before the pandemic, **Kabushikigaisha** had no takeaway business; all of their restaurants operated dine-in services and business was good.

As a city that boasts 16,000 restaurants in a densely packed place of 7.5 million people, it's plain to see that Hongkongers are avid foodies. Coupled with the fact that the average size of a Hong Kong flat is 484 square feet (that's 3 times the size of a parking space) and accommodates a family of 4, it's even more incentive for Hongkongers to eat out.

So with dine-in restrictions in place, how does a restaurant innovate?

Simple: bring the food to your customers.

“We had no reason to change, but sometimes you need external forces to make you change. Before the pandemic, our takeaway business was at zero percent. It was difficult to go from zero to something.”

“For our *yakiniku* (Japanese grilled meat) business, we devised a promotion. If you buy two of our set menus to go, then you will get a free at-home grill. It's the same

principle of selling a printer for a low price, as you end up buying the printer ink on a regular basis and boosting the printer company's sales.”

Chow Tai Fook Jewellery Group also shared ways to retain their customers and ensure repeat business.

“We still want to sell those ‘happy moments’, even if our customers don't have many opportunities to wear their jewellery outside. So, for the couples who may be stuck at home and bickering, a husband can still buy his wife some jewellery to make her happy.”

And by keeping their customers' needs at the heart of what they do, Chow Tai Fook Jewellery Group introduced a number of ways to stay connected to their customers; this includes a unique incentive scheme by way of the “T MARK Private Jewellery Insurance Scheme”.

The policy, the first of its kind in the jewellery industry worldwide, is underwritten by AXA General Insurance and covers all manner of loss and damage; it is free in the first year of purchase. Additionally, customers can easily manage their policy via the “T MARK” mobile application.

The jeweller has also applied chatbot technologies and other mediums (e.g. WhatsApp) to stay connected to their customers.

Antibacterial coating for its jewellery, achieved through the company's patented nanotechnology, has also been a unique selling point for the company.

“We were aware of the need to further enhance our products so that we can innovate for future challenges ahead. And with our antibacterial shield coating, our products are also protecting our customers.”



Decisive Leadership

“Pandemic is predicted to occur within a shorter period of time. It pushes for faster innovative strategies.”

- Simon Wong, Kabushikigaisha Limited

One of the great burdens of leadership is making tough calls, but decisiveness is required for any brand that wishes to excel in its industry. Some decisions are gambles that pay off — and others aren't. Whatever the outcome, leaders must maintain a resolute mindset, accept their losses, and move on to the next venture.

“Our culture isn't to think and plan ahead for too long; just get it done and deliver it,” said Jade when asked about the actioning ideas and getting the rest of the team on side.

“Even before the pandemic, our project execution was just as decisive. We prefer to deliver something faster and test it in the market. If it works, then we will decide to expand our efforts on it.”

Making decisions and remaining unwavering in one's stance certainly has its place, but there is also a place for justifying said decisions and explaining the rationale behind it.

When face masks and other PPE items were introduced, Simon reported that chefs working for restaurants (not under Kabushikigaisha) resisted wearing masks during the first wave.

“Not everybody works at the same pace, some need more time to adjust their way of thinking. But if you only issue orders, it doesn't work. You need to give people reasons as to why it's important. For example, a face mask not only protects customers, but it also protects the person wearing it.”



Strategic Adaptability & Resilience

“Create the readiness for change.”

- Alexander Spitzzy, Jebesen Group

Adaptability can sometimes come in the form of innovation, as these businesses used innovation to adapt to a newly formed market. But adaptability can also come in the form of preparedness. In other words, it is vital to be prepared for, not necessarily the worst, but for change.

And while COVID-19 was certainly a force for change, the effect that it has had on businesses has been on an unprecedented scale.

When asked about how **JRG** adapted their business practices, Matthew cited that being prepared allowed the company to adapt.

“Countries like Taiwan and Vietnam knew what was coming, so when it came to making masks they turned to local sourcing before they were hit [by the pandemic]. These internal strategies ensured they were better prepared for change.”

In the previous year, JRG heavily invested in their e-commerce platforms and delivery management systems; this left them in good stead when dine-in services were banned so customers turned to ordering food for home delivery.

“Right now, all of our [food] orders are placed through our dedicated channels and it accounts for almost half of our business. So however the customer behaves — whether the order is placed online or over the phone — the production of the product is the same but the manner of fulfilment has changed.”

Adaptability can also come in the form of turning a crisis into an opportunity.

The infamous “hot pot cluster” in February 2020 not only deterred Hongkongers from eating out, it also sent the scientific community into a frenzy as they began postulating that the hot and steamy conditions of a hot pot restaurant were ideal breeding grounds for the virus.

“After microbiologist Dr. Yuen Kwok-yung found that a minimum of 6 cycles of air exchange [in a ventilation system] would be the minimum standard required for safe dining in a restaurant, we were able to turn our weakness into one of our greatest strengths and fight back.

“Once we confirmed that the ventilation system in our hot pot restaurants does a minimum of 20 air changes, we advertised this to diners to show them that we were prioritising the safety of our customers through our strict hygiene standards.”

In other words, many other hotspot establishments can take inspiration from Kabushikigaisha. They can learn to not only mitigate the risks of dining out in their restaurants, but also leverage it into an opportunity without having to make any major changes.

The Jebesen Group has six businesses under its helm, so while certain businesses and certain products experienced a shortfall in revenue, some products experienced an unprecedented rise in its sales.

“The diversity that we built over 125 years really paid off,” said Alexander, commenting on the impact that COVID has had on the Jebesen Group’s operations.

“We have diversified products, diversified regions, and great leadership. Our Blue Girl beverage business was, of course, inevitably affected. Our retail stores have also been hit hard as retail traffic has gone down.

“But some consumer products such as our air purification sales immediately went up quite drastically. So overall, we weathered it quite well considering the impact [the pandemic] could have had.”



Customer-driven Solutions

“We call it social commerce.”

- Jade Lee, Chow Tai Fook Jewellery Group

Any brand that neglects their social media channels is not only missing an opportunity to market themselves, but to engage with their customers (i.e. key stakeholders).

Panellists were questioned on how they keep their brand “young” and in-line with demands of younger customers, namely those in Generation Z. These types of customers favour brands that align with their own personal values, such as authenticity and sustainability.

Matthew’s expertise in driving digital transformation and digital marketing has allowed JRG to “leverage their social powers” and tap into new trends amongst younger demographics.

One of their latest ventures saw them tapping into the e-sports community, and JRG now has their own e-sports team.

“We now have a common language that allows us to engage with our Gen Z customers.”

Co-brand partnerships have also paved the way for customer engagement, as limited-edition foods encouraged customers to talk about new products.

“Recently, we partnered with IKEA and released a Swedish meatball pizza, and people definitely talked about it online. And in Taiwan, we engaged in more product innovation and created a durian pizza and a bubble tea pizza.

“It was sold on a trial basis, but since people talked about it so much, more and more people bought it. Customers even talked about it on YouTube and encouraged a second wave of these limited-edition pizzas.”

JRG have observed that Gen Z-ers are mindful of whether a brand aligns with their own personal preferences. If a brand taps into what a customer likes, then they are far more likely to promote the brand.

“It used to be brands talking about products; but now we should focus and engage more on customers.”

One of Jebesen’s newest investments is that of a plant-based meat company, as there is undoubtedly a growing consumer interest in climate-friendly foods.

“The majority of modern civilisation will be eating climate-friendly meat. Whether it’s plant-based or whether it’s grown by whatever technology is available at the time, that trend is coming.”

Chow Tai Fook Jewellery Group have also been able to retain their frontline workforce of around 30,000 by putting them to work on their e-commerce channels and other forms of social commerce.

As well as using chatbot technology in lieu of customer service calls, Chow Tai Fook Jewellery Group’s customer service agents have been communicating with customers via WhatsApp and WeChat.

And in a further bid to make their business more customer-driven, the jeweller has been collaborating with local KOLs (key opinion leaders) — known as influencers outside of Mainland China and Hong Kong — to promote their products on social media

Thriving, not surviving: lessons learnt

For the companies that have been lucky enough to emerge from the pandemic, it is simply not enough to keep operating in survival mode.

If you intend to continue your business, then you must look beyond and implement new-found strategies in a post-COVID consumer market.

Agile & resilient



“ If you are able to react faster to mistakes made, then you can minimise losses, and give yourself more time to find new opportunities. ”

- Jade Lee, General Manager, Analytics and Technology Application of Chow Tai Fook Jewellery Group

Corporate innovation mindset

“ Innovation isn't synonymous with creativity, as being creative doesn't guarantee results. Don't dwell on the 'what if' aspects of an idea, action those innovative ideas, and stay in tune with the realities of your idea. ”

- Matthew Chan, Group Chief Digital Officer of the Jardine Restaurant Group



“ Sometimes external forces give you no choice but to change, but this isn't necessarily a bad thing. This year's lesson is far too expensive to be missed, so take stock and learn from your mistakes. ”

- Simon Wong, Chairperson and Chief Executive Officer of the LH Group and Kabushikigaisha Limited

Be realistic

“ Prioritise; don't dream of 'what could be' and remain realistic. ”

- Alexander Spitzzy, Chief Operating Officer of the Jebesen Group

