NACS Convenience Summit Asia: 2024

What Have We Heard, What Have We Learned?

Henry O. Armour
President & CEO, NACS
• The perfect Summit tee up…Why are we here?
  • Korea has the highest CVS share of retail in any Asian country!
• The Asian consumer is stressed (particularly Korean)
• Uncertain world…solvency, satisfaction, survival…pessimism (Korea)
  • Consumers are back to basics
  • Looking for small happiness
  • But there is economic polarization (PL vs Big Brands)
• Searching for value
  • Back to traditional retail
  • Private label growth
• Consumers are getting complicated!
2024 Outlook at-a-glance:
Charting the future aligned to consumer solvency, survival and satisfaction

<table>
<thead>
<tr>
<th>Scenarios Scorecard of 2024 Consumer Pressure Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1</strong> Financial Solvency</td>
</tr>
<tr>
<td>Outlook on financial inflows (e.g. employment, income / wages)</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Mid</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

| **#2** Everyday Survival |
| The state of borrowing (e.g. Mortgage, rental, debt, interest rate, etc.) |
| High |
| High |
| Mid |

| **#3** Life Satisfaction |
| Commodity-driven costs (e.g. Petrol, transport, commuting, electricity, etc.) |
| High |
| High |
| High |

| Household essentials (e.g. Food, grocery & Household goods) |
| Mid |
| High |
| High |

| Leisure (e.g. Entertainment, Travel, recreation, etc.) |
| Low |
| Mid |
| Low |

| Lifestyle (e.g. Tech, durables, apparel, home décor, etc.) |
| Low |
| Mid |
| Mid |

<table>
<thead>
<tr>
<th>Macroeconomic impact</th>
<th>Consumer impact</th>
<th>Industry impact</th>
<th>Overall Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Mid</td>
<td>High</td>
<td>Mid-High</td>
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<tr>
<td>High</td>
<td>High</td>
<td>Mid</td>
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<td>Mid</td>
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<tr>
<td>Mid</td>
<td>Low</td>
<td>Low</td>
<td>Mid-Low</td>
</tr>
<tr>
<td>Low</td>
<td>Mid</td>
<td>Mid</td>
<td>Mid</td>
</tr>
</tbody>
</table>

Source: NIQ Foresight assessment

Note: This NIQ assessment follows a Delphi methodology of expert opinion and is driven by the NIQ original framework. The NIQ Global Thought leadership team have conducted and used desk based research, NIQ proprietary data and Macro-economic forecasts to give a point of view. The assessment is based on Global averages and recognizes ratings would need to be adjusted based on region, country or consumer type. The assessment is directional in nature and does not claim any degree of certainty.
### Saving motivators for Consumers around APAC

<table>
<thead>
<tr>
<th>Difference</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seek lower prices</td>
<td>89%</td>
</tr>
<tr>
<td>Reduce overall spending</td>
<td>72%</td>
</tr>
<tr>
<td>Switch stores</td>
<td>72%</td>
</tr>
<tr>
<td>Brand/Product switch</td>
<td>71%</td>
</tr>
<tr>
<td>Switch size</td>
<td>51%</td>
</tr>
<tr>
<td>Prioritize needs</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: NIQ Consumer Outlook 2024, APAC

Maintaining APAC consumer and shopper loyalty will be a challenge in 2024.
## Manufacturer summary

### % value contribution and growth vs YA

<table>
<thead>
<tr>
<th>Category</th>
<th>Top 1-5</th>
<th>Top 6-10</th>
<th>Top 11-30</th>
<th>Top 31-100</th>
<th>100+</th>
<th>Private Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FMCG</td>
<td>1.0%</td>
<td>4.2%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>-0.1%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Top 1-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Top 6-10</td>
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<tr>
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<td></td>
</tr>
</tbody>
</table>

Source: NielsenIQ RMS MAT Q4 2023
FMCG Channel performance across regions

- **3.6% North America**
  - Grocery: 21.2%
  - Convenience: 14.3%
  - Drug: 14.2%
  - Traditional Trade: 13.0%
  - eCommerce: 1.9%

- **7.8% West Europe**
  - Grocery: 7.3%
  - Convenience: 6.0%
  - Drug: 11.6%
  - Traditional Trade: 8.3%
  - Discounters: 10.5%
  - eCommerce: 2.6%

- **0.9% Asia Pacific and China**
  - Grocery: 0.8%
  - Convenience: 7.2%
  - Drug: 7.3%
  - Traditional Trade: 4.2%
  - Discounters: 10.3%
  - eCommerce: -5.0%
  - On Premise: 43.1%

- **16.3% Latin America**
  - Grocery: 45.1%
  - Convenience: 27.5%
  - Drug: 87.5%
  - Traditional Trade: 69.7%
  - Discounters: 18.2%
  - eCommerce: 35.1%
  - On Premise: 13.0%

- **10.7% East Europe**
  - Grocery: 10.3%
  - Convenience: 6.6%
  - Drug: 17.7%
  - Traditional Trade: 5.9%
  - Discounters: 18.2%
  - eCommerce: 13.0%

- **61.6% Africa Middle East**
  - Grocery: 45.1%
  - Convenience: 27.5%
  - Drug: 87.5%
  - Traditional Trade: 69.7%
  - Discounters: 18.2%
  - eCommerce: 35.1%
  - On Premise: 13.0%
Our industry has a dynamic future… …we just need to find it!

“The Future is here…

it’s just unevenly distributed!”

William Gibson
Canadian Futurist, 17 March 1948

Why reinvent the wheel?

→ Use a GLOBAL RADAR SCREEN to learn from the experiences of others

→ Adapt those learnings to your local dynamics and perhaps

→ leap frog legacy approaches
• **Fueling**
  • Short term inelastic demand
  • Long term demand will decline due to fuel efficiencies of ICEs
• **Coffee** – the changing journey to the first cup
• **EVs** – they are coming, but more slowly than projected
• **Last Mile**
  • Reducing friction for the consumer
  • The end of free money and the challenge to Delivery
• **Labor** – reinventing operations to drive labor productivity
• Transformation and Innovation (particularly formats)
• 50/50 ambition for Non-Fuel Retail
• Four pillars
  • Fast food
  • Convenience +
  • Last Mile
  • Services
• Value chain management (including PL)
• Power of partnerships/sub-brands (particularly food)
• Addressing Tomorrow…Today
  • Energy transition: Fuel to Food and beyond
Our Convenience Hub Vision
**VALUE CHAIN MANAGEMENT**

**Financial**
Higher margins on private label lines

- = RETAILER PROFIT
- = SHELL PROFIT

**Competitive**
Offering something unique that can drive traffic and reflect retailers’ lines

**Competitive**
Meeting a broader variety of shopper needs: entry level, standard and premium speciality ranges
• Jay Lim – A problem solver!
• Food service is a VERY competitive marketplace
  • Declining population
  • Restaurant/100,000 people…the highest in the world
• Food service challenges to address
  • Difficult
  • Time consuming
  • Space
• Scalability and Consistency is the key to success
  • Dough, Oven, AI Table
### Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>No. of Restaurants</th>
<th>Restaurant Per Capita</th>
<th>No. of Pizza Restaurants</th>
<th>Pizza Restaurant Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>51,780,000</td>
<td>670,000</td>
<td>1,293.9</td>
<td>5,000</td>
<td>10</td>
</tr>
<tr>
<td>Singapore</td>
<td>5,800,000</td>
<td>13,000</td>
<td>224.1</td>
<td>200</td>
<td>3</td>
</tr>
<tr>
<td>HK</td>
<td>7,500,000</td>
<td>12,400</td>
<td>165.33</td>
<td>250</td>
<td>3.3</td>
</tr>
<tr>
<td>India</td>
<td>1,404,532,227</td>
<td>1,500,000</td>
<td>106.8</td>
<td>4,000</td>
<td>0.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>273,500,000</td>
<td>106,130</td>
<td>38.80</td>
<td>1,000</td>
<td>0.4</td>
</tr>
</tbody>
</table>

*Source: Statista, Euromonitor, KOTRA, GOPIZZA Analysis

### Aging population of South Korea

*Source: Statistics Korea (Kostat)

### While 10 new restaurants open, 8 restaurants close in South Korea
Customer Problem = Operational Problem

Difficult

Proofing, kneading doughs require high labor intensity and well-trained skills

Time-consuming

Baking time takes 6-8 minutes ‘fast’ pizza is impossible to begin with

Big space requirement

Requires a walk-in fridge and proofers, kneading space for dough and a big oven

Jay
(2015, working at a pizza brand)
AI Smart Topping Table

- Total 4 cameras
  - 2 cameras: Data collection and monitoring of topping process
  - 2 cameras: Automatic indexing of topping containers

AI Topping Assist
UI & screen to guide crews

RFID Scanner
Crew identification

Topping Guide with ‘Light Up’ System
LED lights up the ingredient according to the recipe

GOPIZZA kitchen optimized functionalities
Built-in ingredient scale & residue cleaning box

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THE SAUCE:
SCALABLE
CONSISTENT
PROFITABLE

Innovative Business Model
Food Technology
Vertical & Horizontal Expansion
• We’re getting older!
  • Aging in a new way…Age is an attitude
  • The older we get, the more money we have!
• But Hotter! Male “beauty”…Why?
  • For Women
  • For Jobs
  • For Self Respect
• What products are we talking about?
  • No standard sets…it all depends on the micro market
Median Age in Key Asian countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>2024</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>48</td>
<td>53.6</td>
</tr>
<tr>
<td>S. Korea</td>
<td>43</td>
<td>56.7</td>
</tr>
<tr>
<td>China</td>
<td>39</td>
<td>50.7</td>
</tr>
</tbody>
</table>
Male Beauty Market Segments
(“No More Uncle” case Chang and Han, 2022)

- Newbies
- Hand-holding
- Steal wives’ or mom’s products

- Young Urban Pros
- Boldest User
- Consult women users

- Dept. Store Vets
- Shop alone
- Higher income

- Newest segment
- Young & Old
- Zoom Filter Newbies
Implications for Retailing (especially Convenience Stores)

• More male-friendly or gender neutral beauty items
  • store-autonomy in merchandising emulating the new drugstores
• Unmanned biometric stores
  • fast and easy (e.g. fingerprint)
  • discreet (e.g. makeup)
• More O2O (offline-online) selling
• Co-marketing/branding
The game is changing!
  - Intense pressure to reduce costs and to innovate
The Zero consumer (everything is changing)
  - Zero boundaries (omnichannel)
  - Zero mainstream/moderation (scrimping and splurging)
  - Zero loyalty (searching, searching)
Data, data, data…
  - Data analytics
    - Can you figure out what it’s telling you?
    - Can you figure out what to do with those insights?
    - Product assortment, product placement
Across Asia the consumers are changing – emergence of the ‘Zero’ consumer

Zero boundaries
Consumers want ‘phygital’ experience
64% of ‘groceries for home’ shopping already omnichannel in South Korea
75% consumers want more personalised, seamless omnichannel experience
25% think retailers are good at it

Zero mainstream
Consumers both scrimp and splurge – PB on the rise, mainstream under pressure
91% & 64%
China & Korean consumers scrimp as worrying about prices
56% & 40%
China & Korean consumers splurge esp. affluent Gen Z’s and Millennials

Zero loyalty
Consumers experiment and are not loyal to stores and brands
92%
Chinese consumers changed shopping habits in the last 3mo.
74%
Chinese consumers tried different stores in the past 3 months
57% of them switching for value
Zero loyalty: Consumers experiment, for value

% of respondents who tried different stores or brand in past 3 months

<table>
<thead>
<tr>
<th>Country</th>
<th>% Tried Different Stores/Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>74</td>
</tr>
<tr>
<td>UK</td>
<td>58</td>
</tr>
<tr>
<td>Australia</td>
<td>56</td>
</tr>
<tr>
<td>US</td>
<td>49</td>
</tr>
</tbody>
</table>

% of respondents selected reasons

- **Value**
  - China: 57%
  - UK: 81%
  - Australia: 65%
  - US: 51%

- **Purpose**
  - China: 39%
  - UK: 17%
  - Australia: 17%
  - US: 25%

- **Sustainability**
  - China: 24%
  - UK: 10%
  - Australia: 17%
  - US: 6%

(Generative) AI/ML at scale in StoreX

1. **E2E supply chain visibility and optimization**
   Purchase order optimization to prevent waste and shrinkage with sales forecast and prediction of supply and demand

2. **Real-time replenishment**
   Replenishment tasks automatically created for store staff and supervisors to resolve OOS (out-of-stock) in real-time with product consumption speed and real-time shelf status

3. **Smart scheduling**
   Schedule optimization based on store traffic, tasks, etc.

4. **Supplier negotiation assistance**
   Automatic negotiation playbook creation
   Bidding platform for listings, promo, RMN

5. **Retail media**
   Personalized content displayed on the digital panels to improve conversion rate for the ads; improved accuracy in tracking ads impression

6. **Theft prevention**
   Alert created to security staff with automated checkout technology (i.e. computer vision and member identification) when anomaly is detected

7. **Seamless checkout**
   Automated checkout powered by proprietary computer vision and sensory fusion with on-shelf weight sensors to accurately detect consumers’ pick & return behavior

8. **Automated store-level assortment**
   “Algorithms that see” to reinforce in-store assortment scoring system for product listing/de-listing, powered by in-store customer behavior data (e.g. pick-and-return, stop-by etc.)

9. **Seamless online to offline food ordering**
   Delivering cooked food in the store that is ordered online 10 minutes ago

10. **Smart Planogram**
    Planogram design customized to the store-level via in-store customer behavior data (e.g., focal focus, in-store traffic flow)

11. **E2E supply chain visibility and optimization**
    Personalized promotions in App
    Promo and recommended offering (e.g. coupons, targeted ads and contents) automatically generate based on customer preferences and behavior, and delivered via mobile APP

12. **Membership & loyalty program**
    Tiered membership to track customer loyalty and reward system to improve customer stickiness

13. **Real-time replenishment**
    Replenishment tasks automatically created for store staff and supervisors to resolve OOS (out-of-stock) in real-time with product consumption speed and real-time shelf status

14. **Smart scheduling**
    Schedule optimization based on store traffic, tasks, etc.
The consumer is saturated with loyalty programs!

Who is the Target?
- Be deliberate and target the high value customer (not everyone)

Mistakes
- Undifferentiated, Loss making, Underexploited & Data purchasing scheme
- Too many objectives and too much a shotgun approach
- Discounts instead of enhancing the customer experience

Loyalty delivers…data on customer behavior and a pipe to them

Do you really need a loyalty program?
SEVERAL COMMON ISSUES STOP LOYALTY PROGRAMS FROM MAXIMIZING THEIR VALUE

The following types of issues often cause retail and convenience programs to fail:

- Company constraints not considered during program design
- Poor strategic alignment with company objectives
- Low perceived value
- Lack of strategic fit with program partners
- Expensive and inflexible to operate
- Data not leveraged to enhance the program or to inform business critical insights
- Program not fit for purpose given franchise or dealer model
- Pain points create barrier to customers engagement
- Customers apathetic about program due to lack of differentiated experiences
- Lack of personalization that addresses individual customer needs
PROGRAMS SHOULD BE REVIEWED TO ENSURE THEY HAVE THE OPTIMAL STRUCTURE
Often companies mimic existing loyalty programs, but to maximize value, a program should be tailored to a company’s objectives and constraints.

COMPANIES OFTEN WON’T SUCCEED BECAUSE…

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>?</td>
<td>Not clear on which objectives to pursue</td>
</tr>
<tr>
<td>#</td>
<td>Try to accomplish too much</td>
</tr>
<tr>
<td>←</td>
<td>Objectives aren’t aligned with companies’ internal constraints</td>
</tr>
<tr>
<td>⏰</td>
<td>Success is not tracked</td>
</tr>
</tbody>
</table>

**Diagnosis**
- Are the program objectives clear and aligned with overall company strategy?
- Is the program worth the investment?

**Considerations**
- Who is the ideal customer, and how will they interact with the program?
- What are the internal constraints?
- What are the market conditions?

**Tracking**
- Which KPIs are most important and how is the program performing against them?
- Is the program still fulfilling its objective?

**Implications**
- What is the optimal…?
  - Program archetype
  - Rewards structure
  - Partnerships
  - Technology requirements
  - Data usage
  - Etc.
A WELL-RUN LOYALTY PROGRAM CAN CREATE A POSITIVE CX THAT PROTECTS MARGINS AND INCREASES VOLUMES

A positive experience increases quality perception

Improved customer experience also creates\(^4\)

- **Margin premium from differentiated products**: 20-30+% higher
- **More visits**: 17% increase
- **Lifetime value increase**: 1.9x increase

Industry overall has a way to go on average to improve the experience\(^5\). There is lot of opportunity here!

- Digital services: 78% popularity
- Supermarket chains: 70% popularity
- Department & home stores: 65% popularity
- Fuel stations/c-stores: 37% popularity

*Fuel and convenience players

4. See appendix; 5. See appendix. Lifetime value includes share of wallet and premium product margin increase; 6. See appendix

© Oliver Wyman
• Don’t you want to make money???
  • The business case
    • Expanding your potential labor force
    • Higher profits, lower turnover, more commitment

• Barriers to address
  • Maternity leave transitions
  • Childcare
  • The district/regional level bottleneck
Studies show that if women participated under the same conditions as men in the labor market, the landscape would be different.

- +22% Productivity
- +39% Customer satisfaction
- +25% Higher profitability in organizations with gender-balanced teams.


Portafolio. (s. f.). Diversidad y equidad de género: sinónimos de productividad empresarial. Portafolio.co.
• Impact of disruptive technologies
  • Overestimated in short term/Underestimated in the long term
• The great enabler: Cloud-based infrastructure
• Optimizing marketing efforts
  • Price optimization (particularly fuel)
• Productivity improvement
  • Electronic shelf tags
  • Self checkout (but be careful)
  • Visual AI to direct labor where and when it’s needed
• Data monetization
  • Retail media networks
• Cybersecurity
  • The risk is there…focus and invest in protecting yourself
PRODUCTIVITY IMPROVEMENT

Electronic Shelf Tags

› Reducing store labor/expense
› Improving price/promotion visibility
› Implementing daypart pricing

Business Case (per store annually)
- Initial Setup Cost → $18K USD
- Ongoing operating costs → $4K USD
- Labor savings → $7K USD
- Paper tag supply savings → $8K USD
PRODUCTIVITY IMPROVEMENT

Self-Checkout

› Faster customer experience with less labor
› Using AI to eliminate friction and improve speed
› Implementing techniques to manage shrink

Pilot Results
  o 40% of eligible transactions run through self-checkout
  o Check out times of 16.5 seconds – 4x faster than average
• Gradually…then Suddenly! Are you ready to act?
• Use case buckets
  • Spotting trends
  • Campaign development
  • Intelligent merchandising
  • Employee experience (recruiting, screening, retention)
• Barriers
  • Human dynamics
  • Corporate culture
  • Skills and capabilities
Generative AI is advancing at an unbelievable pace and it’s just getting started...

- **GPT-2**
  - Number of parameters: 1.5B
  - Release date: February 2019

- **GPT-3.5**
  - Number of parameters: 175B
  - Release date: March 2022

- **GPT-4**
  - Number of parameters: 100T
  - Release date: March 2023
Retailers believe GenAI will be transformative but many are not ready to act ... are you?

83%
We anticipate new AI / Gen AI technologies will disrupt our industry in the next five years

BUT

83%

75%
We will sit on the sidelines of Generative AI until we can better understand and manage the risks of the technology

83%
We think of our Gen AI capabilities more as an evolving layer in our tech stack than as a catalyst for enterprise reinvention

Accenture C-Level Executive Retail Pulse Research - September 2023
Let’s take a closer look at 4 Retail use cases:

Spotting & Capitalizing on Local Trends

Rapid Marketing & Campaign Development

Intelligent Merchandising

The Employee Experience
However, to get it right, you must approach it in a way that eliminates the **challenges** that can **stop** success.

<table>
<thead>
<tr>
<th>The Human Dynamic</th>
<th>Culture</th>
<th>Skills &amp; Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your employees may be concerned about their jobs in light of advancements in AI. The future will be Human + Machine to drive productivity.</td>
<td>The culture of the organization will dictate how quickly AI technologies will be adopted.</td>
<td>Employees must be re-skilled and trained to take full advantage of AI / Generative AI in the workplace. It will require a fundamental shift in mindset to be successful.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data Availability &amp; Quality</th>
<th>Security</th>
<th>IP &amp; Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking advantage of AI requires large volumes of high-quality and diverse data. Garbage in / garbage out still applies.</td>
<td>AI systems can be vulnerable to security threats – ensuring these systems are safe and secure is of the utmost importance.</td>
<td>AI systems are quickly evolving and are getting ahead of intellectual property and legal considerations.</td>
</tr>
</tbody>
</table>
Retailer Case Study: GS, Hanna Lee

• Moving fast to survive!
• Responding to the high single person household demographic in Korea (34%)…frequent small baskets…and market saturation (2.3x Japan)
• Creating multi-faceted destinations
  • Ultimate Life Hub
  • Trend Playground (product innovation)
  • Tech-based Services
• Emotional connections drive loyalty (formats and experiences)
• Leveraging store locations and logistical pipes for omnichannel plays
Korean CVS has evolved into multifaceted destinations, staying ahead through innovation and adaptability.

<table>
<thead>
<tr>
<th>Ultimate Life Hub</th>
<th>Trend Playground</th>
<th>Tech-based Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving one-stop destination for various lifestyle needs</td>
<td>Facilitating discovery of new trends</td>
<td>Taking convenience to the next level by embracing technology</td>
</tr>
<tr>
<td>• Expanded services (e.g., discounted parcel delivery, ½ price)</td>
<td>• Unique products (e.g., collaborative product launches)</td>
<td>• Digital Transformation (e.g., cashier-less stores)</td>
</tr>
<tr>
<td>• Specialized stores (e.g., fresh produce, stationary, candy, pizza specialty stores)</td>
<td>• Cultural Experience (e.g., themed festivals)</td>
<td>• O4O (e.g., apps with virtual storage for BOGO product)</td>
</tr>
</tbody>
</table>
Today's innovative and unique CVS products prioritize not only product excellence but also the element of fun.

<table>
<thead>
<tr>
<th>Key Buying Factor</th>
<th>As-was</th>
<th>As-is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven product excellence (taste, quality, price)</td>
<td>Element of fun (fashionable, novel, trendy)</td>
<td></td>
</tr>
<tr>
<td>Products that..</td>
<td>• are <strong>endorsed by celebrities</strong> • boast enhanced <strong>taste and quality at affordable prices</strong></td>
<td>• <strong>Private label/exclusive oriented</strong> • collaborated with trendy brands and characters • highly sought-after • can produce <strong>viral content</strong></td>
</tr>
</tbody>
</table>
Additionally, products like “Jumbo Dosirak Ramen” fulfill the younger generation's desire for fun.

### Jumbo Dosirak Ramen

- 8x size version of the familiar product
- Adding a playful twist to a conventional product created a significant viral effect
- Star influences have participated in **eating challenges, including star YouTuber Tsuyang** (9.29 million subscribers).

**Sold 1.2M unit in 2023**

### Netflix Collab

- Capitalizing on the rising trend of home drinking and increased OTT viewing.
- Designed for eating while streaming OTT content at home (products typically enjoyed while watching Netflix, such as popcorn and beer.)

**Sold 1.7M units in 2023**

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Note: 1. meokbang refers to 'eating show', an online audiovisual broadcast in which a host consumes various quantities of food while interacting with viewers.
Immersive and culturally enriching experiences forges emotional connections and loyalty towards the CVS brand.

Café theme  Traditional concept  Residence area

6 concept stores in operation that serve as hubs for trendy experiences, each offering distinct atmospheres and product assortments.
Retailer Case Study: Fun Bean, Yang Xiang

- Chinese CVS
  - Population density
  - Government regulations shape the industry composition
  - e-commerce
  - Urban delivery (lends itself to the Pizza Model!)
  - Fragmented competitive set
- Fun Bean – Obsessed with food!
  - Culinary culture that focuses on distinct local preferences
  - Beverages – Green Bean Slush, Soybean milk
  - Foods – Responding to local delights
03 E-commerce and home delivery well developed

1. E-commerce matured
   - In 2022, e-commerce sales reached 43.8 trillion yuan (US$6.3 Trill)
   - The total online retail sales is 13.8 trillion yuan (US$ 2.0 Trill)
   - 30% of the total physical consumption comes from online sales channels

2. Rapid growth in urban home delivery services
   - Home delivery services are growing rapidly and have become a daily service used by ordinary Chinese consumers
   - For example: Meituan
     - takeout orders: 17.7 bill per year
     - Active food delivery users: 540 mill
     - Delivery personnel: 10 mill

3. Developed express delivery industry
   - Express delivery volume: 132 bill pieces
   - The per capita per year delivery volume: 100 pieces
Fun Bean Foodservice Innovations

China: culinary culture diversity

People: local food obsession

Understanding: local taste food based on local customer preference
Fun Bean FS Attempts:

Dining habits understanding:
hot food (warm)

Dinning habits understanding:
Local taste recognition

Based on the above understandings, bold innovative attempts made
The diversity of Seoul…wet markets to Gangnam
- The diversity of formats
- The demographic and competitive pressure to innovate
  - Saturated market, declining population
  - Laundromat, unmanned stores, postal, wine, shelf tag, +++
- A culture of honesty
- Coffee everywhere…from basic to Arabica!
- Digital=signs≠systems integration
- Low level of food service relative to other Asian markets
  - Food service = microwaves
Tuesday Store tour Debrief

For more information, ask your NACS representative to connect you with the experts on this concept.

As seen at the 2024 NACS | Convenience Summit Asia
Wednesday Store Tour Debrief

As seen at the 2024 NACS | Convenience Summit Asia

For more information, ask your NACS representative to connect you with the experts on this concept.
Congrats to our award winners!

- Angus McKay: Asia-Pacific Industry Leader of the Year
- Sinopec Easy Joy: Asia-Pacific Sustainability Award
- Fook: Asia-Pacific Technology Implementation Award
- Tops Daily: Asia-Pacific Convenience Retailer of the Year

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