

Case Study: Luxasia Builds An Omnichannel Platform For Luxury Brands In Asia Pacific

How A Traditional Retailer Reinvented Its Business Into A Platform Business Model

by Frederic Giron

May 20, 2019

Why Read This Report

Luxasia is transforming itself from a brick-and-mortar distributor of luxury products into a platform business that luxury brands use to foster relationships with customers and grow their business in Asia Pacific (AP). This report helps digital leaders understand how technology, business, and relationships power platform business models in the retail industry.

Key Takeaways

An Integrated Technology Platform Delivers Operational Agility And Efficiency

Luxasia developed an ambitious technology road map to instrument and integrate its entire operations from front to back and to deliver the speed and efficiency that the firm needed to compete.

Continuously Experiment And Collaborate To Serve Customers

Luxasia's operating model emphasizes experimentation at scale and collaboration to continuously improve its customers' omnichannel experience. It enables co-creation with brands to provide products and services tailored to the needs of Asia Pacific.

A Platform Business Must Deliver Trusted, Personalized Experiences

Luxasia is the luxury brand's custodian in Asia Pacific. Its platform supports customer journeys in a personalized way and aligns brands' promises with customer experiences in each market.

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by [Frederic Giron](#)
with [Dane Anderson](#), Nancy Lin, and Bill Nagel
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Build Platform Businesses Where You Have Differentiation

Asia Pacific is a massive opportunity for luxury brands. By 2030, 66% of the world's middle class and 59% of middle-class consumption will be in Asia, compared with 28% and 23%, respectively, in 2009.¹ Successfully tapping into this opportunity is a significant and complex challenge for brands due to the scale, fragmentation, and heterogeneity of the region's markets. Luxasia, a leading distributor of luxury beauty products, built its success on a deep understanding of AP consumers. But to compete in a world of rapidly changing consumer and brand needs, the firm needed a new business strategy. In 2016, Luxasia began building an omnichannel platform to make it as easy as possible for brands to reach AP consumers. More than two years later, a new, vertically integrated model generates unique competitive advantages for the company.

Situation: Beauty And Luxury Faces A Fundamental Upheaval

Luxasia is one of Asia Pacific's largest distributors and retailer of beauty and luxury lifestyle products (see Figure 1). Since 1986, the company has formed joint ventures with the likes of LVMH, Puig, Shiseido, and Yves Rocher and helped beauty brands like Albion, Bvlgari, Guerlain, La Prairie, and Salvatore Ferragamo to market and distribute products to consumers across more than 4,200 points of sale in AP. As a successful multibrand, multicountry distributor in the region, Luxasia faced a fast-changing retail environment featuring:

- › **Increasing competition from channel partners and the brands themselves.** Luxasia built its business by helping Western brands distribute products in AP. It handles all aspects of a brand's business in the region including brand and channel management, retail operations, and visual merchandising — just what brands unfamiliar with running a retail business in a heterogeneous, highly fragmented market like AP need. Now, big beauty and personal care groups like Coty, Estée Lauder, Johnson & Johnson, L'Oréal, Procter & Gamble, Shiseido, and Unilever go direct to market and are rapidly increasing their footprint and penetration in AP. Channel partners, including retailers

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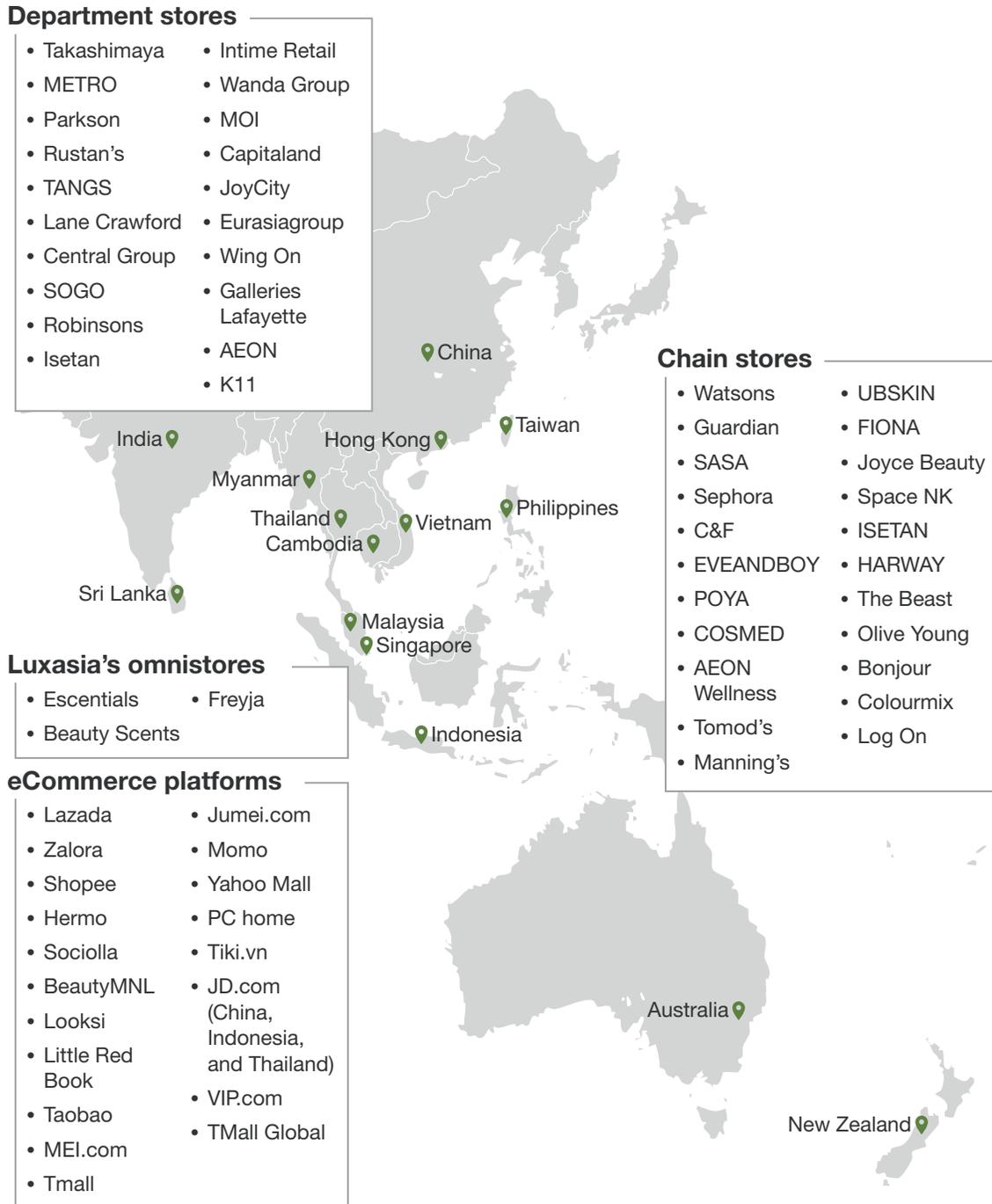
and distributors, also engage brands directly. As Wolfgang Baier, former group CEO of SingPost, put it: “The industry is turning against the middleman.” Increasing competition forced Luxasia to rethink its sources of competitive advantage.

- › **A booming eCommerce market.** Forrester forecasts that online retail in Southeast Asia, for example, will increase at a compound annual growth rate of 23% over the next five years to reach \$53 billion in 2023.² This rapid growth is driven by high mobile internet connectivity, one of the world’s largest populations of Millennials, a supportive regulatory environment, and a buoyant digital ecosystem in which US, Chinese, and local digital players are aggressively investing and competing.³ As a brick-and-mortar operator, Luxasia needed to transform and embrace new channels that make it easier to reach customers across AP.
- › **More sophisticated beauty and luxury customers.** For years, luxury brands and partners like Luxasia have invested in creating awareness of luxury products and educating Asian consumers about them. On the back of these investments, traditional luxury brands benefited from fast-growing middle-class incomes and AP consumers’ need to show off their ability to afford luxury products. AP consumers are quickly developing a taste for unique and authentic experiences; their changing demands are forcing Luxasia to broaden its brand portfolio. The onus is on Luxasia to reach out to, engage, and win over consumers — and to do this more effectively than the competition.

“About five years ago, we foresaw disruption in the beauty industry, with digital technology and eCommerce changing the game. This was my impetus to bring in the right leaders to transform Luxasia into a fully omnichannel platform with customers at the center of our business, so that we stay ahead of the curve and constantly deliver value to our brand partners, who trust us.” (Patrick Chong, chairman, Luxasia)

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FIGURE 1 Luxasia Is A Leading Omnichannel Platform For Beauty And Luxury Brands In Asia Pacific



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Approach: Create An Omnichannel Platform That's Better At Digital

A standalone eCommerce capability won't suffice to differentiate Luxasia; it needs to understand accelerating changes in customer and brand expectations and respond quickly, across channels and touchpoints, in a personalized way. Luxasia founder Patrick Chong recruited Wolfgang Baier to lead the transformation. In 2016, Baier and his team developed a vision and road map for a customer-led, data-driven, technology-enabled business model. Luxasia would create a new digital platform to support luxury brands throughout the process, including market entry and digital strategies, online commerce and physical retail operations, and order fulfillment and supply chain management. The new operating model needed to have three key platform capabilities:

- › **Integrated technology designed for business agility.** Luxasia's new technology road map required that the firm instrument and integrate its entire operations from front to back while delivering the agility that it needed to compete. As Baier noted, "Technology is enabling a step change in the way we look at the business."
- › **Continuous experimentation and collaboration.** Managing the marketing, planning, and omnichannel operations for more than 140 brands across many countries with more than 4,200 points of sale in Asia is a massive challenge. Luxasia's operating model emphasizes collaboration and experimentation at scale to continuously meet AP consumers' rapidly evolving expectations and provide feedback to brand partners on local market preferences and upcoming trends.
- › **Support for trusted and personalized experiences.** Luxasia must be able to develop a secure, trusted relationship with customers on behalf of the brands they represent. To deliver on the brand promise, the firm must be able to personalize customer journeys by each brand to connect with consumers. Central to the value that the platform adds to brands is the ability to align brand promises with in-market customer experiences.

An Integrated Technology Platform Delivers Transparency And Agility At Speed

The tech team, led by COO Satyaki Banerjee, developed a detailed technology road map with the goal of providing near real-time visibility into all of the firm's operations. Luxasia's technology stack now includes six key capabilities:

- › **CRM enables branded and personalized experiences.** With four or five different customer journeys, 18 trigger points, and 140 brands, Luxasia needs to use thousands of permutations of campaign mechanics to engage consumers (see Figure 2). As group head of consumer Avis Eastaol noted: "The experiences one might expect from a luxury skincare brand and a haircare brand are very different; the journey needs to reflect that." Salesforce is the system of record for all customer preferences across brands and journeys. Store associates use tablets to identify customers and capture customer preferences and Net Promoter Scores.⁴ This data helps the marketing team refine its understanding of consumers by category and market, allowing them to engage more effectively and ensuring that Luxasia's digital marketing campaigns achieve higher rates of success.

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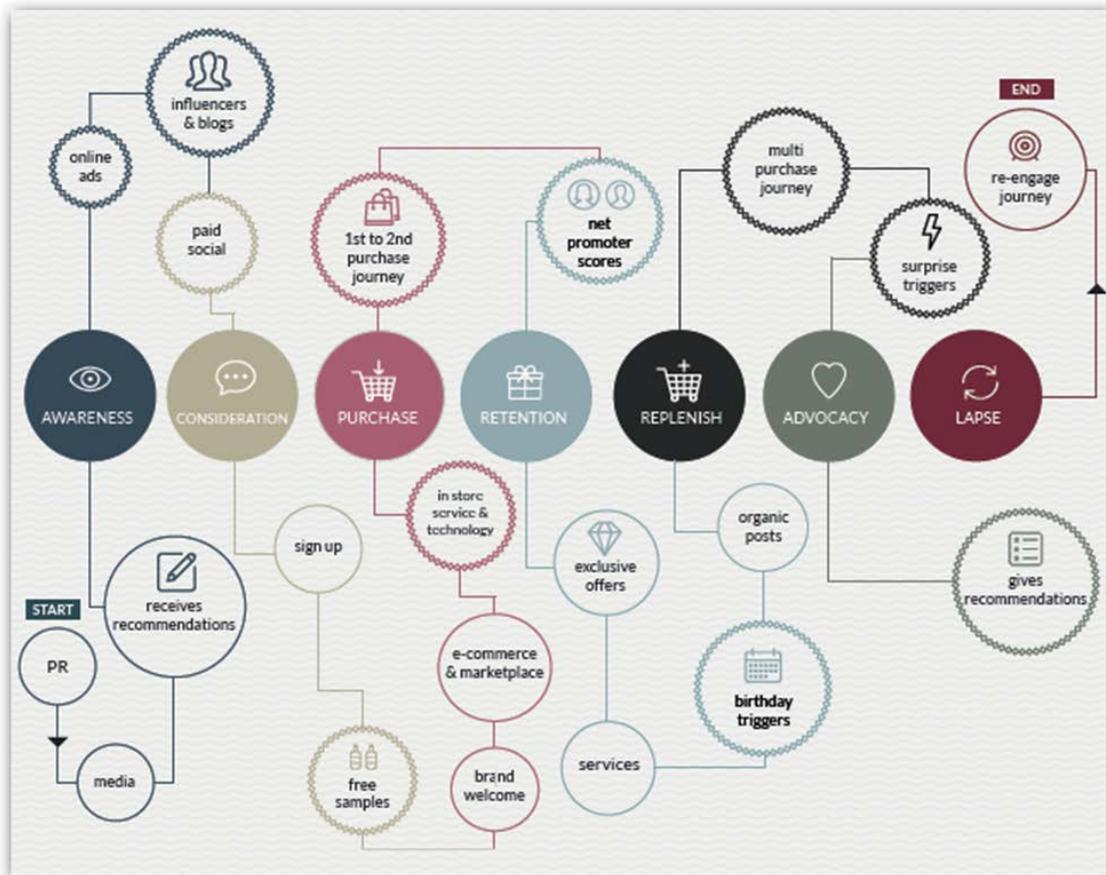
- › **Omnichannel POS supports insights-driven experimentation.** To deliver connected customer experiences across digital touchpoints and stores, Luxasia needed not only to standardize across markets, but also to have a point-of-sale system. The firm decided to use ETP Solutions to integrate POS, mobile POS, and omnichannel systems to its online store, CRM, and enterprise resource planning systems.⁵ This gives teams real-time visibility into sales down to the physical counter and SKU level.⁶ This capability helped Luxasia foster a test-and-learn culture, where brand managers co-create iteratively with customer-facing retail staff to develop and monitor the success of customized deals and bundles for each store.
- › **Owned and borrowed eCommerce capabilities adapt to local markets.** Luxasia owns branded eCommerce websites like *essentials.com* in Singapore and *Freyja.com* in the Philippines. It also manages the brands' presence on more than 170 stores on online marketplaces such as Lazada, Little Red Book, TMall, and Tokopedia (see Figure 3). Luxasia chose Magento Enterprise to support its branded eCommerce platforms. The firm also uses Anchanto, a middleware solution that enables Luxasia to integrate its systems with eCommerce marketplaces. This is a critical component to enable the eCommerce teams to work seamlessly and efficiently across brands and marketplaces.
- › **Standardized and automated back-end systems boost efficiency.** Many warehouse and logistics managers in AP still use Excel for supply and demand planning — a slow, error-prone manual process. For Luxasia, automation is an absolute requirement. As Satyaki Banerjee put it, “If you don’t plan well, you die — we stand out because we do.” The firm invested in FuturMaster to automate its supply and demand planning; it also uses SAP Warehouse Management System, modified to manage both B2B and B2C transactions.⁷ In finance, Luxasia invested in Esker Software to optimize finance processes including order-to-cash and procure-to-pay. The aim was to use standardized solutions out of the box as much as possible in order to prioritize efficiency over customization.
- › **Workforce technologies increase productivity and employee engagement.** Luxasia needed a highly motivated and productive workforce to make its transformation plan a reality. The most important factor in employee engagement is whether employees can be productive and succeed at what their organization asks them to do.⁸ To accelerate teams' productivity, Luxasia used collaboration tools like Workplace by Facebook; its Talent and Excitement (HR) department assembled a portfolio of solutions including Egencia, Esker, and Grab for Work to simplify employees' lives. It also implemented Lumesse for performance appraisal, KPI setting, and talent development to ensure that managers and staff share a clear, structured understanding of targets while ensuring objectivity in assessment and feedback.
- › **Business intelligence to deliver relevant insights across the firm.** Instrumented operations enable Luxasia to quickly generate insights and turn them into actions. Underlying this is a deep understanding of the business built over 33 years, where the teams speak in consistent lingo and track clearly identified business and customer outcomes. For instance, cross-analyzed data feeds coming from eCommerce marketplaces and social media help identify small signals in specific

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product categories. Business development teams then use these insights to prioritize the brands they need to go after to respond to customer desires. This also facilitates the co-creation that Luxasia collaborates with brands on.

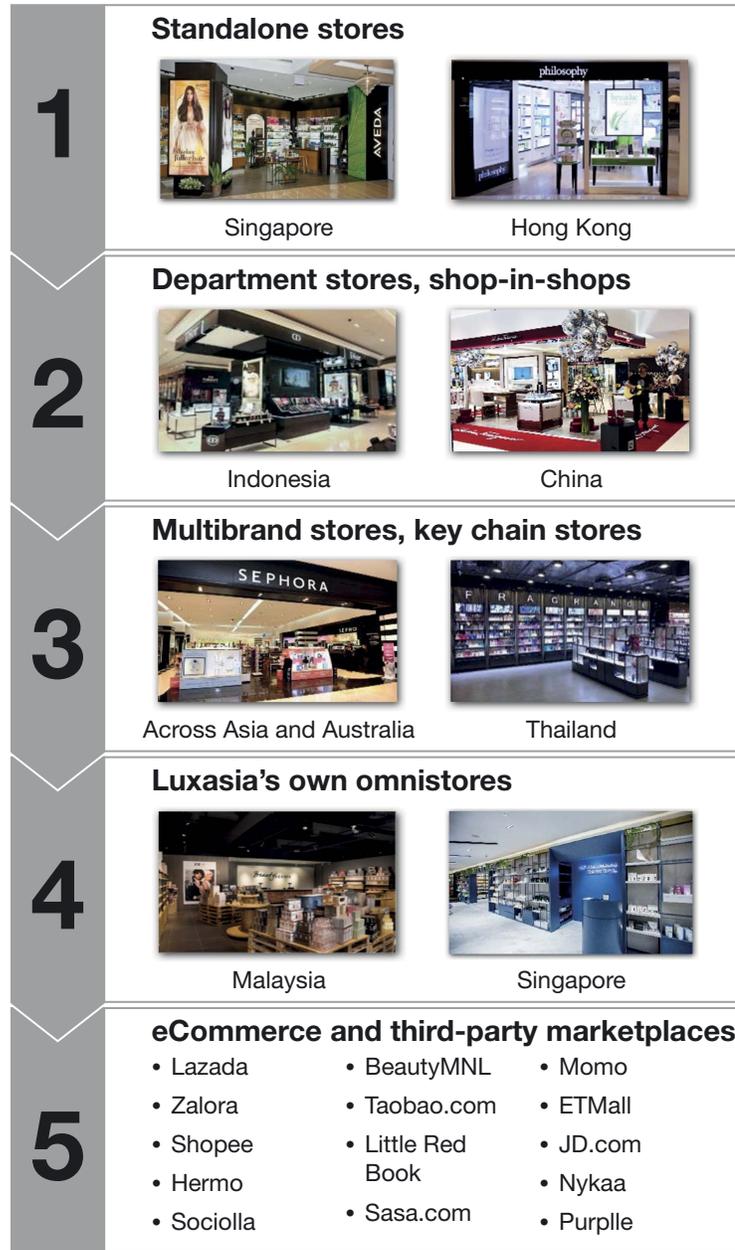
FIGURE 2 Luxasia's CRM System Orchestrates Complex Consumer Journeys For Each Brand It Represents



Source: Luxasia

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FIGURE 3 Luxasia's Distribution Network Includes Its Own Assets And Those Of Online And Offline Partners



Integrated omnichannel environment

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A New Operating Model Fosters Continuous Experimentation And Collaboration

Luxasia's business brings 2,200 employees together with data and processes optimized for business and customer outcomes, not individual department KPIs.⁹ The optimization spans brands, categories, products, channels, touchpoints, and customers — making it extremely complex. Luxasia executives designed the business operating model to:

- › **Encourage systems thinking and understanding by all staff, especially managers.** Firms need to foster a deep understanding of the relationships and interplay between technology and physical assets for all employees, especially managers. Luxasia doesn't just operate a digital platform; it combines a technology platform with physical assets like stores and warehouses. This requires a different style of leadership that understands that knowing how all of the different components of the business work together optimizes the success of customers (brands and consumers). Managers must understand that customer satisfaction is a function of many seemingly disjointed factors like product availability, logistics performance, store design, competitive pricing, and digital experience. Cross-pollinating retail governance with operational best practices makes this systems thinking and understanding possible.
- › **Continuously nurture top talent.** The fast-changing, consumer-centric beauty industry requires constant learning and development. Luxasia uses a 70-20-10 model: 70% on-the-job training; 20% mentorship, coaching, and peer learning; and 10% formal training with an emphasis on customer centricity and omnichannel best practices. The open communication and collaborative culture enable the firm to share best practices with all employees quickly. Luxasia has also developed a high-potential talent development program including personal mentorship by senior leadership, stretched assignments and projects with regional exposure, long-term incentives, and additional learning and development opportunities.
- › **Foster an innovative culture.** According to Wolfgang Baier, "If we don't experiment as a culture, and if everyone doesn't push themselves, we will not survive. But if we do, we will thrive." Luxasia has developed an entrepreneurial, empowering environment: high-potential Millennials are quickly given P&L and commercial responsibilities. They can test ideas, act fast, and get results. At any given time, teams are trialing 10 to 15 new brands.¹⁰ Fostering this culture of experimentation relies on training, but also on recruiting people who have an entrepreneurial mindset, can work in the retail industry, and have the courage to say "I've tried that, but it did not go well" — and learn from it.¹¹ The firm recognizes, though, that not all employees can embrace that mindset.¹²
- › **Support localized operations with shared centers of excellence.** Country-level operations traditionally owned the P&L, brand management, and decision power — but this siloed approach does not work in an omnichannel world. Luxasia implemented a matrix organization with clear KPIs at both group and country levels.¹³ It still manages brands and legal and regulatory aspects at the country level, but functions like eCommerce, consumer insights, digital marketing, and logistics

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cross the organization to improve collaboration, speed, and customer centricity across countries.¹⁴ Located in Malaysia and the Philippines, these centers of excellence help to eliminate costs and standardize processes to control quality and optimize speed.¹⁵

- › **Create insights-led decision making.** A team of about 20 data experts moves swiftly from data to insights and makes recommendations based on data coming from consumers and operations. The team can use this ability to track customer demand and its evolution in near real time and the visibility into operations to optimize business and customer outcomes and come up with unique and valuable recommendations for the brands. Being able to identify an issue at the individual counter level and call the retail manager to better understand what's happening also keeps employees on their toes.

Trusted And Personalized Experiences Strengthen Relationships

Consumers don't recognize the Luxasia brand, as the company goes to market with the brands it represents. However, the firm is still responsible for delivering and adapting each brand promise in Asia Pacific to local specificities. As a multidimensional platform business, Luxasia needs to create healthy relationships with brands, customers, and omnichannel partners that deliver experiences that generate the outcomes each platform participant seeks. Luxasia recognized that:

- › **Personalized human and digital interactions deepen customer relationships.** Luxasia has almost 1 million marketable customers, a number that is growing by 30,000 to 50,000 every month. Its 1,200 retail staff in 15 countries — who the firm calls Customer Engagement Officers — are beauty lovers who have daily conversations with customers, making them a formidable aggregator of customer feedback and preferences.¹⁶ Luxasia uses these insights and the 1.5 million validated online preferences in each online and offline interaction to make customers feel valued and create emotional connections. It also uses key opinion leaders to strengthen customer relationships and build stronger communities. Luxasia's essentials, which combines a luxurious physical store with a consistently branded eCommerce site, runs social and in-store engagements with opinion leaders and consumers to get constant feedback that helps Luxasia understand which brands to seek out and bring in (see Figure 4).
- › **Transparency, accountability, and insights strengthen brand relationships.** Brands trust Luxasia to handle their products and customer data in AP and optimize business outcomes on their behalf. It earned this trust with transparency and speed of execution; for example, a shipment stuck in Vietnam is a source of potential concern for a brand unless Luxasia can quickly show that the shipment is in fact in transit from the warehouse to the department store. Multilayered and aligned engagements at the executive, country, and operational levels go a long way to consolidate this trust.¹⁷ Luxasia regularly communicates the insights generated by its teams — like formulation tweaks to enhance product efficacy — to the brands to feed their R&D efforts. Luxasia also updates the brands on in-market consumer insights such as trends and unmet demands with high potential.

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FIGURE 4 The Escentials Omnichannel Experience Engages Discerning Beauty Consumers



Results: Luxasia Connects Brands More Effectively With Customers

It's still early days; Wolfgang Baier estimates that his team has been able to implement 40% to 50% of the overall vision after two and a half years of hard work. The firm can already showcase some compelling business and customer outcomes:

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- › **Accelerating revenue growth.** The combined revenue (net sales) of Luxasia and its joint ventures crossed S\$500 million in 2018 on more than S\$800 million in retail sales. In 2019, Luxasia is poised for double-digit revenue growth as it continues to drive business expansion in its existing 15 Asia Pacific markets. The company's China operations have doubled in size in the past two years; aggressive growth is set to continue in 2019 and beyond.
- › **Revitalized brands in Asia Pacific.** Luxasia has strengthened brands in several markets. Examples include Peter Thomas Roth and Dr. Brandt in China — the former is the top-selling exclusive skincare brand on Sephora China. Others are Guerlain, in markets including Vietnam, and Hermes in Singapore and Malaysia. At its international distributor meeting in 2018, Bvlgari awarded Luxasia its Best Launch Execution prize for Splendida Fragrance.
- › **Quick launches of new brands.** It normally takes 12 months from Luxasia's initial discussion with a US or European brand before its product is available locally in AP.¹⁸ But now, Luxasia can plug new brands into its omnichannel platform and get many of them up and running in two to four months. This includes brands in new categories like fragrances, skincare, cosmetics, bath and body, eyewear, jewelry, and high-end toys and segments such as luxury, prestige, and masstige.
- › **New competitive advantages.** The level of consumer data that Luxasia collects on 140 brands, thousands of products, and customers from dozens of countries across stores, eCommerce sites, and marketplaces is an asset that is difficult for new entrants to replicate.

“We offer a plug-and-play solution to Asia Pacific, launching brands and bringing products to markets swiftly. We are also able to reenergize existing brands and partnerships, opening the doors to more opportunities together.” (Karen Ong, regional managing director for Singapore, Malaysia, Vietnam, and Thailand, Luxasia)

Next Steps: Develop An Insights-Driven Business

Customer insights collected across channels and touchpoints are starting to influence strategic decisions in back-end operations. Local offices with employees who understand the individual markets, further enriched by consumer insights, have already enabled the firm to co-create new products with brands. For now, leadership carefully reviews these insights and influences the back-end decisions. Luxasia wants to increasingly automate insights-to-action processes.¹⁹

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Recommendations

Design Your Platform To Deliver Value To Customers And Suppliers

Building a platform business model is a cross-functional, companywide effort involving business and technology leaders as well as functional experts like finance, program management, and logistics. This is also about embracing a new mindset. Platform businesses like Luxasia think first about customers and suppliers, not APIs and ecosystems. To follow in Luxasia's footsteps, Forrester recommends that digital leaders:

- › **Define a limited number of strategic customer and supplier journeys.** Start with your most important markets and customers. Use design thinking to identify key pain points that, once solved, will deliver improved and unique value to these customers.
- › **Learn to love and solve customer pain points . . .** Platform winners create high-value outcomes for customers by saving time and removing pain. Luxasia's omnichannel platform provides differentiated value to customers across Asia Pacific by delivering unique and authentic brands that satisfy their desires in a convenient, personalized way.
- › **. . . and suppliers' pain points.** Platform businesses also need to ensure that their suppliers get access to value in an effective, reliable, and trustworthy way.²⁰ Luxasia achieves this by delivering timely and relevant insights to brands so they understand their current performance and how they can improve it in the future.

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Supplemental Material

Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report.

Luxasia

Endnotes

¹ Source: Mario Pezzini, "An emerging middle class," OECD Observer (http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html).

² Southeast Asia — Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam — now has more than 272 million online adults and is increasingly important for online retailers. Forrester expects that online retail in the region will grow at a CAGR of 23% to reach \$53 billion in 2023. See the Forrester report "[Forrester Analytics: Online Retail Forecast, 2018 To 2023 \(Southeast Asia\)](#)."

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- ³ China is leaping forward; its digital innovations are no longer confined within the walled garden. Most business leaders aren't seeing the inroads that Chinese digital giants like Alibaba and Tencent are making into global markets, starting with Southeast Asia. See the Forrester report "[Walled Garden No More: Digital China Goes Global.](#)"
- ⁴ Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.
- ⁵ Other retail technologies include the tablet app (developed using Salesforce's Heroku), rostering (Deputy), and automated commission calculations (in SAP). Source: "Luxasia Goes Live With ETP Omni-channel Solution," Asia One press release, November 5, 2018 (<http://www.asiaone.com/business/luxasia-goes-live-with-etp-omnichannel-solution>).
- ⁶ Real-time visibility helped Luxasia optimize staffing levels by counter and identify and solve problems quickly at the counter or area cluster. Productivity has improved as it has significantly automated manual rostering and commission calculations, saving time and reducing rates of errors or conflicts.
- ⁷ Luxasia has 250,000 square feet of warehouse space in AP, with eight fulfillment centers, two of which are co-managed with a third-party logistics provider (3PL).
- ⁸ Engagement is an outcome of the employee experience (EX), and while there's a mosaic of factors that influence EX, technology plays a significant role. See the Forrester report "[The Employee Experience Imperative.](#)"
- ⁹ This includes 1,200 retail staff, 500 sales and marketing experts, and 50 eCommerce experts.
- ¹⁰ Luxasia local and regional managers use inputs from 500 sales and marketing experts located in each of the countries they operate in. They can collect feedback from these experts in near real time through a collaborative platform by asking "Do you believe that could work?" This participative approach from so many nodes across the POS network helps managers make informed decisions.
- ¹¹ The recruitment of retail staff is a critical component of Luxasia's ability to execute its ambitious strategy. The sourcing, training, and management of these resources is key to bringing out each brand's story with finesse.
- ¹² Experimentation showed Luxasia that it cannot train every one of its 400 sales and marketing people to become experimental and insights-driven. It relies on local sales and marketing data experts — CRM and data champions — in each market to work with marketing agencies, creative and brand specialists with the retail partner, or supply chain employees. Its role is to coach the teams, help establish trust in the data and insights, and deliver the right insights to the right teams.
- ¹³ Management includes three regional managing directors managing nine core markets and 10 country managers in charge of both new and emerging markets. Luxasia has 12 local offices — in Singapore, Malaysia, Vietnam, Thailand, Indonesia, the Philippines, China, Hong Kong, Taiwan, Australia, Sri Lanka, and India — covering 15 markets, including three countries that are remotely managed: New Zealand, Myanmar, and Cambodia.
- ¹⁴ Successful digital business leaders know that building a single central digital team isn't the long-term answer. Instead, they first establish key responsibilities for digital strategy, governance, and execution — then empower a "digital acceleration team" to work with line-of-business teams to increase their digital maturity. See the Forrester report "[Kick-Start Your Digital Organization Structure.](#)"
- ¹⁵ The Malaysia CoE covers processes like finance, purchase-to-pay, supply chain, and legal, while the Philippines CoE covers digital marketing, creative work, and CRM data. CoE clusters include a retail excellence group, third-party marketplace group, legal and regulatory group, and digital marketing group. The Luxasia transformation team carves out processes from the country organization and sends them to the CoEs. It captures and operationalizes the country expertise with a clear mandate to simplify and standardize processes — not just to cut costs, but also to do things faster and with higher quality. It has managed to lower the cost of some processes by 40% and reinvest this in quality (people); systems; digital (marketing, eCommerce); and physical (warehouses).

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¹⁶ Luxasia hires both customer-facing and non-customer-facing employees in part based on the strength of their communication skills. It reinforces the emotional communication style through training, campaign planning, and daily internal and external communication.

¹⁷ Luxasia has also developed a brand relationship management framework that defines leadership team sponsors, key account leaders, brand managers, and accountability for targets that it sets mutually with brands.

¹⁸ This can be longer, depending on the legalities and registration processes or certification requirements.

¹⁹ Insights-driven is not just new terminology for big data; it's an operational transformation that firms must pivot to now or risk losing out to competitors old and new. See the Forrester report "[Four Essential Steps To Transform To An Insights-Driven Business.](#)"

²⁰ See the Forrester report "[Introducing The B2B Tech Customer Experience Index.](#)"

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