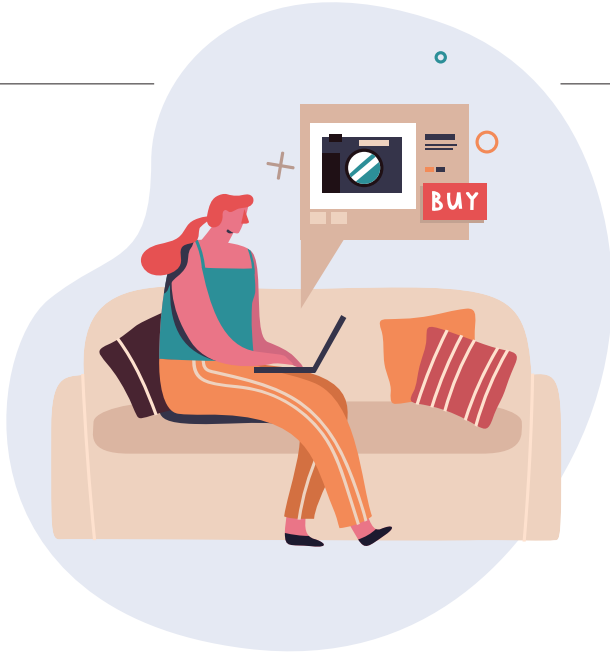


## Dialogue 02

# Leveraging Digital Technologies to Empower Personnel and Stay Close to Consumers in an Era of Rapid Change

The Innovation Strategy Office has been providing new services to customers using digital technology, such as *3D smart & try* and *Ava.Counseling Parler*. Atsuko Shinoduka, the leader of the Innovation Strategy Office, and her members discuss past efforts, future endeavors, and what kind of perspectives they used to create these services.



**3D smart & try**

A service that proposes products suited to each customer by combining 3D body scanner measurements and an AI-enabled avatar. Currently, in 22 stores (as of October 2022), more than 100,000 customers have used the service since its launch in 2019. Of these, approximately 30% have gone on to make a purchase.



**Customer service using avatars**

**Ava.Counseling Parler**

An avatar that mimics the facial expressions and movements of a remote BA, providing real-time counseling to customers on their innerwear selection. Currently, our BAs serve customers remotely while in the office, but in the future we are considering remote work from home.

### A Modern Update to Customer Value Proposition

#### What challenges did you recognize in Wacoal's digital transformation?

**Shinoduka** ● With the spread of digital devices and a drastically changing customer value system, the business model we had developed based on our past successful experiences was no longer compatible with current customer behavior. One of the biggest challenges was our business structure based on the assumption that the channels and

built-up brands were tied to each other. The concept of vertical division, such as “this brand is for department stores,” “this brand is for general merchandise stores,” or “this product is headed by this operations department,” was at the root of everything. Customers began being able to obtain information freely, with the times moving to an age where high-value items are not necessarily sold at department stores and less expensive goods not necessarily at general merchandise stores. Even with these changes, there was a fixed idea within the Company to put channels at the foundation.

#### What kind of digital transformation did you undertake under those circumstances?

**Shinoduka** ● Wacoal launched its customer experience strategy (formerly the Wacoal Omni-Channel Strategy) in 2016, and made it an in-house department in 2017. We began working to provide products and services the way customers want by connecting directly with them beyond the boundaries of channels. This was our attempt to update Wacoal's strengths in face-to-face connections with customers through a modern twist. We have digitized customer records and centralized customer data that had previously been fragmented by channel, but it was *3D smart & try* that attracted attention in particular. This was a way for us to digitize customer measurements previously performed by beauty advisors

(BAs), creating a stress-free measurement experience. What is more, we created *Ava.Counseling Parler*, an evolved counseling experience using *3D smart & try*. This was born from the idea that if noncontact measurements were possible, we could provide body consultations without the BAs being face-to-face with customers. With these efforts, we were really conscious of wanting to increase customers' choices. While some customers want to receive face-to-face service, others want a more casual experience. We thought it was essential to provide options for a diverse customer base and various situations they may be in.

#### In your mind, what kind of goods and services were the consumers seeking?

**Shinoduka** ● Two keywords come to mind. The first is “personalization.” Considering changes in consumers from a frontline perspective, we feel that customers are demanding more personalized goods and services. We focus on what is good for an individual and what works for them, not what is good for everyone. The other keyword is “transparency,” in more ways than one. In terms of explaining things to customers, we thought it was essential to provide explanations with sound reason because we live in an age where information is readily available. When describing why something is a good fit, it is important to be able to show why in as clear a way as possible. We can use the physique measurement data obtained from *3D smart &*

*try* to lead our communication. Of course, with normal customer service, a customer can consult with a BA, who will then suggest products suitable for the customer. However, the more information available to the consumer, the more satisfactory the data-based communication will be.

### Personnel with Diverse Backgrounds Allow Us to Sincerely Confront Problems That Have No Answers

#### The Innovation Strategy Office seems to have a diverse group of members, with some members who have BA experience.

**Minami** ● I participated in the 2017 Next-Generation Shop project and was involved in the development of *3D smart & try*. I then took up a post in the Innovation Strategy Office in September 2020. Before that, I worked in retail for a total of nearly 10 years, including three years as a BA at retail locations and seven years as a BA trainer. When I started to question my future career in sales, I heard about this project and threw my hat in the ring.

**Takayama** ● I transferred to this team around the same time as Ms. Minami, using the open recruitment system. For the past 10 years since I joined the Company, I have worked in a lot of positions dealing with infrastructure as an in-house system engineer for the IT Supervising Division, such as in our

factory, planning and design, production materials, sales and logistics, and in-house server networking. When I looked back at my skill set and future career prospects, I thought it was the exact right time to step up.

**Miyashita** ● I also had about 17 years of experience in retail, then transferred to this team through open recruitment. I took on this challenge because I wanted to use the sales skills I had cultivated over the years, but I honestly felt I was in the wrong place at the beginning of the transfer. At that time, Ms. Shinoduka told me that I should use the strengths of my sales experience, which led me to look at myself in a new light and recognize that my perspective from being in close contact with customers was one of my strengths.

**Shinoduka** ● Our current team is a diverse group of people who came together to create a good service for our customers. We are tasked with creating something for which there is no correct answer. In these circumstances, the presence of people with varying career paths allows for various approaches to our challenges. For example, when discussing how the user interface should be designed or what the service plan should be, we can think more sincerely about what is important regarding customer comfort, operability, and various other points depending on one's point of view.

**Takayama** ● Precisely because of the differences in everyone's backgrounds,



**Tatsushi Takayama**

Joined in 2010

Innovation Strategy Office, Section Chief of Business Promotion Section  
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their focal points differ. While I tend to focus more on the developer's perspective, such as how the system works and how it looks when used, Ms. Minami and Ms. Miyashita use their BA experience to think about how customers would feel and how BAs on-site could help them with our services. There is a great sense that something better is being created by discussing such differences in viewpoints.

**Miyashita** ● I have the advantage of being involved in the field as a BA. However, when I came to this team and learned about systems and details about



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the service, I began thinking about how to communicate these kinds of system details to the BAs and how we could communicate these kinds of details to customers. I feel like my thought process has changed.

**Minami** ● I was surprised to see so much respect for BA opinions from Ms. Shinoduka. Through developing *3D smart & try*, I realized the importance of the customer's viewpoint in any service. I realize that this is something so obvious, but it can easily slip away from your mind when you are in-house for so long.

The Essence of Wacoal in Innovation

Are there any strengths or weaknesses of Wacoal that you have noticed in the Innovation Strategy Office?

**Miyashita** ● When I was working as a BA at a retail location, I would sometimes wonder if BAs would no longer be needed in the future when I heard the word “digital.” When I became involved with this project, I realized that Wacoal was trying to utilize digital technology to enhance its “people” power, one of its great strengths. In implementing digital technology, the team focused on how exactly we should go about leveraging the power of Wacoal's talented people.

**Shinoduka** ● The end goal at a lingerie store is to find the perfect innerwear for customers. No matter how accurately measurements are taken with a machine they may not find that perfect pair. The BA is there to blend the objective numbers the machine gives and the customer's preferences. When trying on a size suggested by the machine based on the numbers, some people may find it tight, while others find it a little loose fitting. The goal is not to pin down the



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“correct” measurements but to find what makes customers comfortable. Instead of making recommendations based on objective numbers alone, the BAs make suggestions based on data tailored to each person's preferences. I believe that personalization can truly only be completed by human hands.

**Minami** ● Another strength is the history of the Company, from its founding to now. The Company has a history of more than 70 years. The fact that Wacoal, with this kind of history, is the one taking on digital technology brings some peace of mind.

**Shinoduka** ● Yes, that is right. To integrate cutting-edge and difficult-to-understand digital technology into daily life, it is essential that people feel comfortable with the service. I believe that the sense of trust we have built up with customers for the Company contributes to our customers' sense of security.

**Takayama** ● I see Wacoal's earnestness as both a strength and a weakness. For example, we tend to be excessively cautious when trying out new ideas. While this may feel safe, we do not often just try things out to see how the customers respond. However, I think it is very important to actually see how customers react to the product in the market rather than just making predictions from the armchair. It is not good to delay decisions for the sake of safe bets. I feel that we must also promote a corporate culture in which failures can be seen as building blocks to success.

**Shinoduka** ● I feel a challenge for Wacoal is the ability to translate ideas into economic value, or in other words, the ability to build a growth story as a business. Even with solid service, we cannot continue to provide the service unless customers make purchases and we make a profit. It is essential for us to create a sustainable business model that our customers feel is valuable and worth the price.

Gaining Competitive Data through Linking the Relationship between the Body and Mind

There has been more and more centralization of customer data recently. What value do you think Wacoal can offer to continue being the consumer's choice in the future?

**Shinoduka** ● We have made progress in centralizing customer data, but we have yet to see a connection to the value we provide to our customers. When using this kind of data, we believe that no matter how good the data is, it is meaningless unless it comes back to enrich the lives of our customers. Wacoal stores customers' physique measurement data. There are not many places where customers are willing to entrust their measurement data. Obtaining such valuable data is a huge advantage at this stage—an advantage distinctive to Wacoal. I think the big challenge is how we can leverage these advantages and convert them into customer value.

**Takayama** ● Business related to physique measurement data is not yet mature in market terms, with no real big successes in the area, making it a kind of blue ocean situation. Beyond that lies broad business expansion, including in the context of personalization. The Innovation Strategy Office sees many possibilities for combining this data with various solutions.

**Miyashita** ● I also think it would be ideal to use measurement data to enrich our customers' lives. My hope is that Wacoal's value comes from putting ourselves in the customer's shoes, digging deeper into what they want and why they use the products they use, enabling us to make valuable and optimal proposals for them.

**Minami** ● If we can build a solid business model that utilizes measurement data, I am sure that the sales ability of BAs will become an advantage, and I feel that the way BAs work can be expanded even further.



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**Shinoduka** ● The most important thing is what the customer values. In this rapidly changing world, we cannot assume that what is valuable now will have the same value 10 years from now. The mission of the Innovation Strategy Office is “Creating the norm for the future.” Our products and services themselves must constantly evolve in order to continuously provide value to the lives and livelihoods of our customers in that particular period of time. Therefore, it is important to consider how we can create a system that constantly evolves. In addition to physique measurement data, we believe it is important to acquire customers' personal information to further create value that will give us a competitive advantage. What does each customer want to become? What problems do they face? What are their concerns? What are their goals? By approaching these points, we can find a path toward a value proposition only Wacoal can provide.

Developing Human Resources through Dreams and Expectations

As a leader of digital transformation promotion, what are your thoughts on securing and training human resources for the Wacoal Group?

**Shinoduka** ● First of all, it is necessary to organize the aptitudes of the current personnel and the abilities we seek. Many companies tout an overall worker shortage, but often there is no recognition of what actual skills are necessary to achieve their goals. Wacoal has employees who are enthusiastic, but I cannot so eagerly say that it has an environment that allows them to make the most of their strengths. Performance varies greatly when goals are given and things are expected of the employees. I believe that we need an environment where there are expectations and opportunities for many to demonstrate their abilities.

What do you think about your own role in increasing the number of people who can enhance the customer experience?

**Shinoduka** ● I have three different roles that I play. The first is to dream more about the future that Wacoal can bring to life. If I have grand dreams of Wacoal creating better products and services or what more can be achieved, I am certain there are many out there that can demonstrate their abilities and make these dreams come true. My second role is to hold high expectation for my team. As I mentioned, people tend to grow more when someone expects them to. I have been there myself, and I feel it is important that we set expectations for each other's potential. My third role is to keep on learning. When you move up to higher positions, you need to show others what you are going to learn next and how you plan to grow. I believe if you want to expect others to grow, you must first grow yourself. This is something I say to myself to keep me going. I do not want to stand at the top of my team. I want to be right there in the middle, worrying and thinking together and running toward solutions with my team members. Wacoal has a diverse workforce. In light of everything I mentioned, in order to draw out individual abilities and link them to results, we will contribute to strengthening our human talent and fostering a culture of challenge.