Special Feature

Manifesting Synergies with the Kirin Group

Maximizing the Value of FIT3 through Synergies between Kirin and FANCL

After announcing details of its capital and business alliance with Kirin Holdings Company, Limited (Kirin), in August 2019, FANCL has since launched a range of joint projects. We will create new value through collaboration and the exchange of personnel with Kirin as part of efforts to operate our unique FIT3 core IT system.

FANCL

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KIRIN

Takaaki Hasegawa

Yuki Mayumi

FIT3 Core IT System Serves to Enhance Customers' Experience Value

Hasegawa The proprietary FIT core IT system that we developed serves as a digital technology for supporting FANCL's online and catalogue as well as retail store sales. Since 2016, we have worked to upgrade and expand this system and centralize data, allowing us to put FIT3 into full-scale operation in January 2022. FIT3 does more than simply collect and analyze customer purchase data, however. For example, it also handles customer service details from call centers and directly managed stores, web access histories, and other forms of behavioral data with the aim of improving the precision of the Company's proposals and maximizing the experience value of our customers. You participated in the development team as a data scientist.

Mayumi My primary role was to realize a more advanced approach to our customers by adding machine learning, AI, and other functions to FIT3. In this way, FIT3 now accumulates an extremely broad range of data regarding our customers, and also offers a high level of freedom with regard to data processing. This in turn enables us to analyze data, prepare plot models, and verify results at a rapid pace. Which is why my involvement in this project has been highly rewarding for me.

Hasegawa With a full understanding of FANCL's strengths and the significance held by data, you made various realistic proposals from an outside, objective standpoint. Thanks to you, we have been able to experience new possibilities for FIT3 that we had not previously recognized, which have given rise to many new ideas.

Reducing the Subscription Product Churn Rate through Precision Forecasting and Approaches

Mayumi Since 2022, the subscription cancellation prevention model for one of FANCL's star products, namely *Naishi Support*, that I have been involved with has also gradually shown results. This model allows us to send direct mail and make proposals that encourage customers who are highly likely to cancel subscriptions, as analyzed by big data and AI, to continue their subscriptions with pinpoint accuracy. Although there were aspects with which we initially struggled, since incorporating this approach we have seen a downward trend in cancellations and have felt the model's results.

Hasegawa Even those of us who have worked with internal data for many years were previously unable to grasp the signs that a customer would cancel a subscription with high precision. We maintain an extremely large number of subscriptions for *Naishi Support*, so the results of this cancellation prevention model can also contribute significantly to revenue. Your skills as a data scientist were truly helpful, particularly in the area of building the AI-based prediction model.

If we can build a solid track record of these kinds of success stories, we should be able to apply a similar model to other products as well.

Making FIT3 a Unique System That No One Can Copy

Hasegawa The strengths of FANCL include the data we have accumulated through our many years of direct sales to our customers and the expertise to work with this data. Engaged in both online and catalogue sales as well as directly managed stores, we are unusual in that we have recorded sales on the scale of tens of billions of yen in both areas. We continuously link our data from online and catalogue sales, as well as from directly managed stores in all 47 prefectures in Japan, on a real time basis. And specifically because of this integrated system, we can realize a range of unique approaches to digital marketing.

Mayumi Moreover, FANCL has an extremely large number of customers that have consistently used our products for many years. As such, I think it is possible to precisely pickup on the potential needs of our customers from this long-term data. This is indeed why I believe we can also enable advanced communications in a way that delivers only the information that our customers truly need, if we pursue customer analysis through FIT3.

Hasegawa I feel the same. Yet the challenge lies in further enhancing our level of customer analysis. Which is why we must engage in all manner of data mining as part of FIT3. The key to this will be converting the tacit knowledge we have understood instinctively thus far into explicit knowledge. In other words, the process of replacing the knowledge accumulated within the Company with data that can be understood by AI is critical. In this respect, we are starting to see the development of a culture within the Company that is more aware of the importance of data, which has been a very positive trend.

If this momentum increases further and we leverage FIT3 data in a way that enables us to deploy action plans and sales strategies going forward, I believe we can further accelerate the implementation of OMO that is unique to FANCL, which is one of the challenges identified in the Medium-Term Management Plan.

Mayumi Although I have worked with many companies thus far, there is no question that it is unusual for corporations to centralize and accumulate customer information from multiple sales channels. And because FANCL effectively utilizes this kind of data in each of its development, manufacturing, and sales activities under the wonderful philosophy of eliminating the "negatives," I think this is something that other companies would struggle to copy.

Hasegawa Thank you. I hope to further perfect FIT3 and transform it into a one-of-a-kind core IT system that cannot be outclassed by any of our competitors. Your support will be essential for realizing this, and I hope that we can continue our strong team effort.

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