

# Asia (ex-China) Retail

BIWEEKLY UPDATES

1 June 2015 – 15 June 2015

## *the latest in asia*

### **Asia at a glance** p2

Department stores: LTC Corporation's affiliate invests in Sogo Malaysia  
E-commerce: Coupang gets US\$1 billion boost from SoftBank  
Luxury: The Hour Glass to expedite SE Asia expansion in 2016  
Beauty and personal care: Asia-Pacific cosmetics market to hit US\$126.8 billion by 2020  
Beauty and personal care: Nu Skin plans to triple sales in Asia

### **Japan** p3

Statistics: GDP grows 3.9% yoy in 1Q15  
Statistics: Consumer sentiment slides to 41.4 in May 2015  
Department stores: Takashimaya's affiliate plans US\$294-million underground department store project in Vietnam  
Convenience stores: 7-Eleven to enter UAE  
E-Commerce: JD.com opens Japanese Mall  
Duty-free shops: Japan to triple duty-free shops to 20,000 by 2020  
Apparel: Suning's Laox to take over Mode Et Jacomo

### **South Korea** p5

Statistics: CPI adds 0.3% mom in May 2015  
Retail in general: South Korea, China ink free trade pact  
Retail in general: SK Networks to invest in new duty-free shop and develop "Asian Broadway" in Dongdaemun  
Apparel: Orange Factory Outlet to tap China's clothing market  
Apparel: E-Land's KWGB buys Supra Footwear, KR3W Denim  
Beauty and personal care: Jumei takes minority stake in It's Skin  
Supermarkets: Tesco to offload South Korean business  
E-commerce: South Koreans turn to online amid MERS fears

### **Taiwan** p7

Statistics: GDP rises 3.37% yoy in 1Q15  
Statistics: CPI slides 0.73% yoy in May 2015  
E-commerce: Alibaba files new application to invest in Taiwan

### **Thailand** p8

Department stores: Thai government to launch 136 budget stores in June 2015  
Department stores: Central Group to buy majority stake in German largest department store  
E-commerce: Alibaba plans Thai expansion

### **Malaysia** p8

Statistics: Consumer sentiment posts six-year low in 1Q15

### **Singapore** p9

E-commerce: Singaporean tech savvy retailers thrive on online market



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## Asia at a Glance

### Department stores: LTC Corporation's subsidiary invests in Sogo Malaysia

LTC Capital Holdings, a wholly-owned subsidiary of Singapore's investment firm LTC Corporation, has taken a strategic stake in SKLDS, the Malaysian license owner of Japanese department store Sogo, for US\$18.17 million. The investment in Sogo Malaysia is expected to help LTC Corporation generate additional income streams and diversify its asset and revenue base.

↻ Inside Retail Asia, 15 June, 2015

↻ <http://insideretail.asia/2015/06/15/singaporeans-invest-in-sogo-malaysia/>

↻ The Business Times, 12 June, 2015

↻ <http://www.businesstimes.com.sg/companies-markets/ltc-corporation-unit-to-buy-50-of-usp-equity-for-rm70m>

### E-commerce: Coupang gets US\$1 billion boost from SoftBank

Coupang, South Korea's largest e-commerce retailer, has got a capital injection of US\$1 billion from Japanese telecommunication firm SoftBank. The investment, due to close in early July 2015, will bring the total amount of funding raised by Coupang in 2014 to almost US\$1.5 billion. The funding will finance Coupang's innovations in its end-to-end fulfilment service, same-day delivery network and leading mobile applications that will solidify Coupang leadership in the future. The e-commerce leader will also expand its R&D offices in Silicon Valley, Seattle, Shanghai and Seoul.

↻ Retail in Asia, 5 June, 2015

↻ Inside Retail Asia, 4 June, 2015

↻ <http://insideretail.asia/2015/06/04/japans-softbank-buys-into-koreas-coupang/>

### Luxury: The Hour Glass to expedite SE Asia expansion in 2016

The Hour Glass, Singapore's luxury watch and jewellery retailer, has announced that it plans to open more stores in Southeast Asia in 2016. Upon the recent opening of a boutique at the Marina Bay Sands in Singapore, the luxury retailer is set to add a new store in Orchard Road, Singapore and two new retail stores in Kuala Lumpur, Malaysia in 1H16. It will also add a new boutique in Bangkok, Thailand in 2Q16. The Hour Glass currently operates 38 boutiques in nine key cities across Asia Pacific region.

↻ Inside Retail Asia, 2 June, 2015

↻ <http://insideretail.asia/2015/06/02/the-hour-glass-to-expand-network/>

### Beauty and personal care: Asia-Pacific cosmetics market to hit US\$126.8 billion by 2020

According to market research provider ApacMarket.com, Asia-Pacific cosmetics market, including Japan, China, India, South Korea, Singapore and Thailand, is estimated to generate sales of US\$126.8 billion by 2020, posting a CAGR of 4.02%

between 2015 and 2020. Japan, which held over 28% of cosmetics market share in the region in 2014, is the highest revenue generating country in the Asia Pacific cosmetics market and ranked as the second largest market in the global cosmetics industry. Supermarkets and department stores are the preferred distribution channels for cosmetics products in the region.

☞PR Newswire, 9 June, 2015

☞<http://www.prnewswire.com/news-releases/asia-pacific-cosmetics-market-is-expected-to-reach-1268-billion-by-2020---apacmarketcom-506630041.html>

## **Beauty and personal care: Nu Skin plans to triple sales in Asia**

Nu Skin, a U.S. direct selling company of cosmetics products, plans to triple its sales in Asia to US\$1 billion within five years as part of its efforts to achieve a global sales target of US\$5 billion by 2020. Nu Skin Asia currently makes up 15% of the group's total sales, with Thailand, Malaysia and Indonesia being seen as the markets with greatest potential in the region. The group is expanding its network of direct sellers and product range to boost its sales in Asia. A key new product category will be food supplement brand Y-Span.

☞Inside Retail Asia, 8 June, 2015

☞<http://insideretail.asia/2015/06/08/nu-skin-asia-plans-to-triple-sales/>

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## **Japan**

### **Statistics: GDP grows 3.9% yoy in 1Q15**

Japan's GDP rose 3.9% yoy in 1Q15, revised upward from the first preliminary estimate of 2.4% and up from the 1.5% yoy growth in 4Q14. The growth was led by a pickup in private demand by 1.6% and exports of good & services by 2.4% in 1Q15.

☞Economic and Social Research Institute, Cabinet Office, Government of Japan, 8 June, 2015

☞[http://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2015/qe151\\_2/pdf/gaiyou1512\\_e.pdf](http://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2015/qe151_2/pdf/gaiyou1512_e.pdf)

### **Statistics: Consumer sentiment slides to 41.4 in May 2015**

Japan's consumer sentiment index inched down 0.1 point mom to 41.4 in May 2015 due to a rise in food prices which prompted the government to downgrade the assessment. By category, the sentiment for overall livelihood and income growth increased 0.4 points and 0.5 points mom to 38.8 to 39.8 mom respectively, while confidence in employment and willingness to buy durable goods fell 1.4 points and 0.1 point mom to 47.2 and 39.6 respectively in May 2015.

☞Economic and Social Research Institute, Cabinet Office, Government of Japan, 9 June, 2015

☞<http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html#cci>

☞The Japan Times, 9 June, 2015

☞<http://www.japantimes.co.jp/news/2015/06/09/business/economy-business/japan-consumer-confidence-fell-may-second-straight-month/#.VXeoUZCjh2Z>

## **Department stores: Takashimaya's affiliate plans US\$294 million underground department store project in Vietnam**

Toshin Development Co, a commercial property developer under Japan's leading department store operator Takashimaya, reportedly plans to invest US\$294 million in an underground department store project in Ho Chi Minh City, Vietnam.

↻ Reuters, 11 June, 2015

↻ <http://uk.reuters.com/article/2015/06/11/vietnam-idUKL3N0YX3SY20150611>

## **Convenience stores: 7-Eleven to enter UAE**

7-Eleven, Japan's leading convenience store operator, has forged a deal to enter the United Arab Emirates (UAE). The convenience store retailer has formed a franchise partnership with UAE's investment firm Seven Emirates Investment and will open its UAE's debut store in Dubai in September 2015. 7-Eleven plans to open over 820 stores in the UAE within the next 10 years. It currently operates over 56,000 stores in 16 countries.

↻ Inside Retail Asia, 8 June, 2015

↻ <http://insideretail.asia/2015/06/08/7-eleven-heads-to-dubai/>

## **E-Commerce: JD.com opens Japanese Mall**

JD.com, one of the leading online marketplaces in China, has recently rolled out a Japanese mall on its worldwide cross-border platform to sell authentic imported Japanese products. The Japanese mall will give more Japanese brands wider access to the China market and will also reinforce JD.com's reputation as China's online leader for guaranteed authentic products. Items available in the mall include maternity and baby care products, food, personal care products, cosmetics, apparel, luggage, home decoration, electronics and home appliances from popular Japanese brands.

↻ Inside Retail Asia, 2 June, 2015

↻ <http://insideretail.asia/2015/06/02/jd-com-launches-japanese-mall/>

## **Duty-free shops: Japan to triple duty-free shops to 20,000 by 2020**

The Japanese government plans to triple the number of duty-free shops in local tourist spots across the country to 20,000 by 2020 to attract more foreign visitors. It will also lift its farm and fishery exports to 1 trillion yen by 2020. As part of its growth strategy, the government also plans to help arrange visits for some 200 Japanese companies to Silicon Valley in California over next five years starting April 2016 to help them find investors and business partners.

↻ The Japan Times, 11 June, 2015

↻ <http://www.japantimes.co.jp/news/2015/06/11/business/economy-business/latest-growth-strategy-include-hiring-older-workers-building-duty-free-shops/#.VXpGX5Cjh2a>

## **Apparel: Suning's Laox to take over Mode Et Jacomo**

Laox, a duty-free shop operator under China's leading home appliance retailer Suning, will acquire 100% stake in Japan's footwear retailer Mode Et Jacomo. The

deal will close in July 2015; the buyout is estimated to reach hundreds of millions yen. Founded in 1975, Mode Et Giacomo operates 50 stores in Japan and generates annual sales of 5 billion yen. It owns 10 principal footwear brands, such as Carino, Meda, Guild Giacomo Gallery, DICI and Manu.

↻Ebrun, 11 June, 2015

↻<http://www.ebrun.com/20150611/137072.shtml>

↻Laox, 10 June, 2015 (in Chinese only)

↻[http://www.laox.co.jp/en/wp-content/uploads/sites/13/2015/06/pr\\_20150610\\_en.pdf](http://www.laox.co.jp/en/wp-content/uploads/sites/13/2015/06/pr_20150610_en.pdf)

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## South Korea

### Statistics: CPI adds 0.3% mom in May 2015

South Korea's consumer price index (CPI) edged up 0.3% mom in May 2015, due mainly to a price hike in food & non-alcoholic beverages. By category, prices for food & non-alcoholic beverages, clothing & footwear, furnishings, household equipment & routine maintenance, transport, recreation & culture, education, restaurants & hotels and miscellaneous goods and services grew between 0.1% and 1.7% mom, while prices for alcoholic beverages & tobacco, health and communication remained unchanged. By contrast, prices for housing, water, electricity, gas & other fuels slid 0.7% mom in May 2015.

↻Statistics Korea, 2 June, 2015

↻<http://kostat.go.kr/portal/english/news/1/18/2/index.board?bmode=read&bSeq=&aSeq=346331&pageNo=1&rowNum=10&navCount=10&currPg=&sTarget=title&sTxt=>

### Retail in general: South Korea, China ink free trade pact

On 1 June, China and South Korea signed a bilateral free trade agreement (FTA), which is expected to come into effect by the end of 2015. Tariffs on more than 90% of the products traded between China and South Korea will be removed after a transitional period of 10 to 20 years. Seoul's Trade Minister believes that the FTA will allow small and medium-sized South Korean firms greater access to China's vast consumer market and help create more than 50,000 jobs in South Korea. Exports of Korean consumer goods especially fashion, cosmetics, home appliances and high-end food products are set to increase significantly.

↻Sina, 1 June 2015 (in Chinese only)

↻<http://finance.sina.com.hk/news/-41-7623465/1.html>

↻Longsok.com.cn, 31 May 2015 (in Chinese only)

↻<http://www.longso.com/dt/2015/0531/10407.html>

### Retail in general: SK Networks to invest in new duty-free shop and develop "Asian Broadway" in Dongdaemun

SK Networks, a retail arm of South Korea's third largest trading conglomerate SK Group, plans to spend 450 billion to 550 billion won in its bid for duty-free shop operation license in Dongdaemun area. As part of the bid, 200 to 300 billion won will be allocated to building infrastructure for fashion, tourism and culture in the area. SN Networks aims to redevelop the Dongdaemun area into an "Asian Broadway" culture town by fusing fashion, culture and shopping together.

↻Inside Retail Asia, 12 June, 2015

↻<http://insideretail.asia/2015/06/12/koreans-plan-asian-broadway-in-seoul/>

## **Apparel: Orange Factory Outlet to tap China's clothing market**

Orange Factory Outlet, South Korea's leading apparel retailer, has planned to open three debut stores in Beijing, Shijiazhuang, Shenyang, China by October 2015. The apparel giant also mulls adding 60 retail stores in Chaoyang, Beijing and 300 outlets across China within the next five years. Orange Factory currently operates 73 self-managed retail stores and hires 1,100 staff in South Korea. It generated retail sales of 235 billion won in 2014.

☞ Linkshop.com, 4 June, 2015 (in Chinese only)

☞ <http://www.linkshop.com.cn/web/archives/2015/326249.shtml>

## **Apparel: E-Land's KWGB buys Supra Footwear, KR3W Denim**

K-Swiss Global Brands (KWGB), an apparel affiliate of South Korea's trading conglomerate E-Land, has recently acquired two U.S. fashion brands KR3W Denim Co and Supra Footwear from One-Distribution, a skate-inspired apparel and footwear manufacturer based in Luxembourg. The acquisition has expanded KSGB's portfolio to a total of six globally distributed brands, including K-Swiss, Palladium, PLDM, OTZ Shoes, KR3W and Supra.

☞ Inside Retail Asia, 4 June, 2015

☞ <http://insideretail.asia/2015/06/04/koreans-buy-supra-footwear-kr3w-denim/>

☞ PR Newswire, 3 June, 2015

☞ <http://www.prnewswire.com/news-releases/bertram-capital-completes-sale-of-one-distribution-to-k-swiss-global-brands-505956581.html>

## **Beauty and personal care: Jumei takes minority stake in It's Skin**

Jumei, China's leading online cosmetics retailer, has recently acquired a minority stake in South Korea's cosmetics brand It's Skin. The acquisition of It's Skin will add a variety of prestige Korean beauty products to Jumei and underpin the growth of Jumei Global into the largest cross border e-commerce marketplace in China. It's Skin will also leverage on the growing size and scale of Jumei's online platform.

☞ PR Newswire, 2 June, 2015

☞ <http://www.prnewswire.com/news-releases/jumei-acquires-minority-stake-in-korean-cosmetics-brand-its-skin-300092498.html>

## **Supermarkets: Tesco to offload South Korean business**

Tesco, the largest grocery retailer in the U.K., has reportedly invited at least six firms including two U.S. private equity firms KKR & Co and Carlyle Group to bid for its South Korean retail unit Homeplus, valued at some US\$6 billion. Homeplus is the second-largest food retailer in South Korea, running over 400 stores in the country. The UK retailer is expected to use the proceeds from the buyout to finance its debts.

☞ CNBC, 9 June, 2015

☞ <http://www.cnbc.com/id/102743311>

☞ Inside Retail Asia, 8 June, 2015

☞ <http://insideretail.asia/2015/06/08/tesco-korea-on-the-block/>

☞The Telegraph, 4 June, 2015

☞ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11652757/Tesco-takes-steps-towards-6bn-South-Korean-sell-off.html>

## **E-commerce: South Koreans turn to online amid MERS fears**

South Koreans are increasingly turning to online marketplaces for grocery shopping amid the continued contagion of Middle East Respiratory Syndrome (MERS) in the country. Data by South Korea's three major grocers, E-mart, Home Plus and Lotte Mart, suggests the lingering health concerns have driven the country's online sales. E-mart, Home Plus and Lotte Mart saw its online sales increased 63.1%, 48.1% and 26.8% respectively between 1 June and 11 June 2015. In terms of product category, ready-to-cook home food sales jumped 90.1% followed by an 83% soar in fresh food and 69.9% surge in processed food.

☞Inside Retail Asia, 15 June, 2015

☞ <http://insideretail.asia/2015/06/15/mers-fears-drive-koreans-online/>

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## **Taiwan**

### **Statistics: GDP rises 3.37% yoy in 1Q15**

Taiwan's GDP grew 3.37% yoy in 1Q15, attributable to an increase in net exports of goods and services by 5.93% yoy, combined with the moderate growth of private consumption and investment by 2.52% and 2.46% yoy respectively in 1Q15.

☞National Statistics of Republic of China (Taiwan), 22 May, 2015

☞ <http://eng.stat.gov.tw/ct.asp?xItem=37666&ctNode=2008&mp=5>

### **Statistics: CPI slides 0.73% yoy in May 2015**

Taiwan's consumer price index (CPI) edged down 0.73% yoy to 103.14 in May 2015, due mainly to the drop in fuel and lubricant prices by 21.39% yoy, fruit prices by 11.47% yoy and water, electricity, and gas supply by 9.90% yoy. By contrast, prices of vegetable and dining out grew 8.69% yoy in May 2015.

☞National Statistics of Republic of China (Taiwan), 5 June, 2015

☞ <http://eng.stat.gov.tw/ct.asp?xItem=37728&ctNode=2410&mp=5>

## **E-commerce: Alibaba files new application to invest in Taiwan**

Alibaba, China's largest e-commerce company, has submitted another application to operate in Taiwan under rules for mainland-backed companies, accordingly to the Investment Commission under Taiwan's economic ministry. The application is currently being reviewed. Alibaba has been asked to hand in another application to invest in Taiwan by August or withdraw from the Island after being ordered to cease its operation in Taiwan last month for violation of the Island's investment rules.

☞Reuters, 5 June, 2015

☞ <http://ca.reuters.com/article/technologyNews/idCAKBN00L08320150605>

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## Thailand

### Department stores: Thai government to launch 136 budget stores in June 2015

The Thai government will open 136 budget department stores on 19 June 2015 to help Thai consumers combat rising cost of living. The 136 budget stores will be opened across Thailand as a trial run to sell over 30 consumer products priced 20% below similar products sold in general outlets. The budget stores will be operated and funded by the private sector, while the Thai Commerce Ministry will coordinate with suppliers and wholesalers and deal with public relations.

↻ Bangkok Post, 10 June, 2015

↻ <http://www.bangkokpost.com/business/news/587721/136-budget-stores-ready-for-launch>

### Department stores: Central Group to buy majority stake in German largest department store

The Central Group, Thailand's retail conglomerate, has confirmed it will acquire a majority 50.1% stake in The KaDeWe Group, which owns three century-old luxury department stores in Germany, including Germany's largest single department store KaDeWe as well as the Oberpollinger and Alsterhaus department stores in Munich and Hamburg. The value of the deal was not disclosed but the Thai retailer had previously revealed that it had a budget of US\$300 million for acquisition in 2015.

↻ Inside Retail Asia, 10 June, 2015

↻ <http://insideretail.asia/2015/06/10/central-group-reveals-german-deal/>

### E-commerce: Alibaba plans Thai expansion

Alibaba, the world's largest e-commerce retailer, plans to ramp up its presence in Thailand in 2015. The expansion will be carried out via partnerships with local e-marketing companies. Alibaba believes that over 2.7 million small and medium-sized enterprises in Thailand have high potential to sell products online. To encourage more Thai consumers using its platform, the e-commerce giant also provides Thai-language support to local companies. As of March 2015, Alibaba had 570,000 registered users in Thailand, up by 42% yoy.

↻ Bangkok Post, 9 June, 2015

↻ <http://www.bangkokpost.com/business/news/581887/alibaba-seeks-thai-expansion>

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## Malaysia

### Statistics: Consumer sentiment posts six-year low in 1Q15

Malaysia's consumer sentiment index plunged to a six-year low of 72.6 in 1Q15, a drop of 10.4 points from 83 in 4Q14. The slump was attributable to a dip in current income level, the dim outlook for the financial and job markets and lingering inflationary concerns which pinched consumers' wallets.

↻ Malaysian Institute of Economic Research, 22 April, 2015

↻ <http://www.mier.org.my/csi/>

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## Singapore

### **E-commerce: Singaporean tech savvy retailers thrive on online market**

According to US e-commerce giant eBay, Singapore's Internet savvy retail exporters sell to an average 41 foreign markets via eBay's online marketplace. The US e-commerce giant defines retail exporters as those sellers on eBay generating US\$10,000 in sales to foreign customers outside of Singapore. Singaporean retail exporters have seen solid growth recently, underpinned by a revitalized US dollar. The top three categories that Singaporean retail exporters offer on eBay are jewellery & watches, cell phones & accessories, apparel & accessories and footwear.

↻The Business Times, 9 June, 2015

↻<http://www.businesstimes.com.sg/technology/singaporean-retailers-thrive-on-online-market-says-ebay>

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## Fung Business Intelligence Centre

**The Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 45,000 people across 40 economies worldwide, generating total revenue of more than US\$22.6 billion in 2013. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

**The Fung Business Intelligence Centre** collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

Since its establishment in 2000, the FBIC (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

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