

Asia (ex-China) Retail

BIWEEKLY UPDATES

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Asia at a Glance

Luxury: Slowdown in the Asia Pacific region but new emerging trends provide hope

According to a CBRE's special report, *The Future of Luxury Retail in Asia Pacific: New Demand Drivers and Shifting Occupier Requirements*, the Asia Pacific region is experiencing a slowdown in the luxury retail sector, but new emerging trends are set to provide the retail sector with a solid new stimulus for demand in the coming years. The report identifies three emerging trends which will partially offset some of the negative effects arising from the slowdown and compensate for the loss of demand: Emergence of affordable luxury, inclusion of F&B and growth of luxury children's wear.

👉 CBRE, 3 November, 2015

👉 <http://www.cbre.com/hk/EN/aboutus/mediacentre/asianews/Pages/Luxury-Retail-Slows-But-New-Retail-Trends-Set-To-Provide-.aspx>

Duty-free shops: DFS works with Aconex in Asia and Australia

The leading travel retailer DFS Group has confirmed that it is teaming with Aconex Ltd., provider of cloud collaboration platform for the global construction industry to help manage design and construction of its major retail stores in Singapore, Australia and Macau. DFS is going to use Aconex's collaboration platform to provide real-time visibility and control of project information and processes at the retailer's wine, spirits and tobacco store at Singapore's Changi Airport, a large downtown shop on George Street near Sydney Harbor and also at the DFS Galleria – comprising more than 300,000 sq ft in Macau's entertainment resort at the City of Dreams.

👉 Trbusiness, 1 November 2015

👉 <http://www.trbusiness.com/regional-news/asia-pacific/dfs-works-with-aconex-in-asia-and-australia/97022>

Duty-free shops: Dufry Asia aims to double business in 5 years

International duty-free operator Dufry Asia sees huge growth opportunities in the Asia region despite the current slowdown in the Hong Kong, Macau and Singapore markets. CEO of Dufry Group, Julian Diaz, said the company plans to double its sales in Asia Pacific within five years. Currently, the region accounts for just 9% of its total business.

👉 Trbusiness, 6 November 2015

👉 <http://www.trbusiness.com/regional-news/asia-pacific/dufry-plans-to-double-asia-business-in-5-years/97369>

Japan

Statistics: Japan enters recession with GDP shrinks 0.8% yoy in 3Q15

Japan's economy contracted 0.8% yoy in 3Q15, following a revised 0.7% yoy drop in 2Q15, meeting the common definition of a recession. According to economists, Japan fell into its second recession since Prime Minister Shinzo Abe took office in December 2012. Weakness in business investment and shrinking inventories drove the contraction as slow growth in China and a weak global outlook prompted Japanese companies to hold back on spending and production.

↻ Economic and Social Research Institute, Cabinet Office, Government of Japan, 16 November, 2015

↻ http://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2015/toukei_2015.html

↻ Bloomberg Business, 16 November, 2015

↻ <http://www.bloomberg.com/news/articles/2015-11-15/japan-s-economy-contracted-entered-recession-in-third-quarter>

Statistics: Consumer confidence index up 0.9 points to 41.5 in October 2015

In October 2015, the consumer confidence index in Japan rose to 41.5 from 40.6 in September 2015. The index has a reasonable positive correlation with the strength of retail sales in Japan and the modest improvement in October suggests that the Japanese consumers have gained higher sentiments in October.

↻ Japan Cabinet Office, 4 November, 2015

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

Luxury: Michael Kors Japan sales soar

Michael Kors' sales growth in Japan continues to soar. Revenue in Japan in 3Q15 rose 60.7% on a constant currency basis, which shows stellar growth in the Asian nation. Currently, Japan is Michael Kors' second largest market behind the U.S. On the contrary, the company's global sales growth slows down. Total revenue was up by 6.9% in the quarter, down from 7.3% in 1Q15 and the double digit increases recorded in the fiscal year 2014.

↻ Inside Retail Asia, 5 November, 2015

↻ <https://insideretail.asia/2015/11/05/michael-kors-japan-sales-soar/>

Accessories: Itochu to expand China footprint with LeSportsac

Japanese trading house Itochu has formed a joint venture (JV) with Hong Kong based Novo Fashion Retail Group to strengthen sales of LeSportsac casual nylon bags in China. The initial plans are to double the network of stores selling LeSportsac to about 100 over the next three years, focusing mainly on larger cities, and to broaden the bags' online availability. The new JV will also work on expanding the product range to include products designed specifically for the China market.

↻ Nikkei Asian Review, 10 November, 2015

<http://asia.nikkei.com/Business/Companies/Japan-s-Itochu-expanding-footprint-in-China-with-LeSportsacs>

South Korea

Statistics: CPI up 0.9% yoy to 110.05 in October 2015

South Korea's consumer price index rose 0.9% yoy to 110.05 in October 2015. By category, prices of recreation & online, clothing & wearing, healthcare, education, food & non-alcoholic beverages, furnishings, household equipment & routine maintenance, miscellaneous goods & services, restaurants & hotels grew between 0.1% yoy and 2.5% yoy. By contrast, prices of communication, housing, water, electricity, gas & other fuels and transport fell between 0.3% yoy and 6.7% yoy in October 2015.

↻ Statistics Korea, 3 November, 2015

↻ <http://kostat.go.kr/portal/english/news/1/1/index.board>

Statistics: Retail sales add 4.1% yoy in September 2015

South Korea's retail sales increased by 4.1% yoy in September 2015, the highest level in four months. The growth was mainly attributable to a surge in retail sales of online shopping (up 18.3% yoy) and convenience stores (up 32.8% yoy) respectively. By category, retail sales of clothing, furniture, cosmetics, department stores, discounted department stores and food & beverage gained between 0.6% yoy and 14.5% yoy in September 2015.

↻ Inside Retail Asia, 3 November, 2015

↻ <https://insideretail.asia/2015/11/03/south-korea-retail-sales-surge/>

Retail in general: October sales for leading department and discount stores rise

According to the Finance Ministry of South Korea, sales from department stores run by Hyundai Department Store, Lotte Shopping and Shinsegae Co jumped 17.4% yoy, up from the 2.8% yoy rise for department stores in September and the 7% yoy rise for discount department stores. The data shows clearly a bounce back following the Middle East Respiratory Syndrome (Mers) scare which caused tourists to travel elsewhere and locals to stay at home in fear of catching the viral epidemic.

↻ Inside Retail Asia, 10 November, 2015

↻ <https://insideretail.asia/2015/11/10/south-korea-retail-sales-rise/>

Retail in general: Habstore Korea to open a pop-up store in New York City

Korean online shopping mall – Habstore (www.habstore.co.kr) is to open a pop-up store in New York City to help build its reputation as the go-to point for fashion created by young Korean designers. Habstore gives special priority to brands with definite character and competitive strength, yet without attention from the public. Habstore already features more than 100 Korean fashion designers. The company's mission is to introduce products from new designers known for their unique design in South Korea to fashion-sensitive customers.

↻ PRNewswire, 30 October, 2015

↻ <http://prnewswire-yahoopartner.tumblr.com/post/132208264921/excellent-korean-designer-brands-in-one-place>

Supermarkets & hypermarkets: Costco Wholesale Korea opens online shopping mall

The American membership-only warehouse club Costco Wholesale Korea has opened its online shopping mall (www.costco.co.kr) on 10 November. It is the first among the Asian countries Costco has entered, and the fifth international online shopping site after the U.S., England, Canada and Mexico. Costco members who register online can shop at the online store. Compared to other online malls that do not have a paid membership, the number of items offered is much lower. Currently, the Costco online store does not offer any fresh food, but only processed foods, grains, dried foods, and confectionaries.

👉 The Korea Bizwire, 11 November, 2015

👉 <http://koreabizwire.com/will-costcos-online-store-change-grocery-landscape/44948>

Taiwan

Statistics: CPI increases 0.09% mom in October 2015

Taiwan's consumer price index increased by 0.09% mom in October 2015, due mainly to a rise in prices of garments of 18.68% mom for new seasonal products available in the market. Prices of fruits rose 5.19% mom, and prices of fuels and lubricants advanced 1.18% mom. The downward adjustment of electricity prices and the termination of application for summer electricity rate brought prices of water, electricity and gas supply down by 12.16% mom. After the Moon Festival, prices of services for nursery and nursing care went down 6.07% mom from relatively high base. The general CPI excluding fruits, vegetables, and energy, i.e. core CPI, increased by 0.52% mom.

👉 National Statistics, Republic of China (Taiwan), 5 November, 2015

👉 <http://www.stat.gov.tw/public/data/dgbas03/bs3/enews/10410/Enew10410.pdf>

Statistics: Advance estimate shows GDP contracts 1.01% yoy in 3Q15

Taiwan's GDP increased by 0.21% on a qoq seasonally-adjusted annualized basis, and contracted by 1.01% on a yoy basis in 3Q15, according to the advance estimate by the Directorate-General of Budget, Accounting and Statistics, Taiwan. On the demand side, private final consumption grew by 0.89% yoy in 3Q15, much slower down from the 2.85% yoy growth in the preceding quarter, due to the decline of transport equipment purchase and recreational expenditure. On the production side, the manufacturing sector decreased by 3.10% yoy in 3Q15, compared to the 0.15% yoy decline in the previous quarter, mainly due to the fall in output of electronic parts and components production and the computers, electronic and optical production.

👉 National Statistics, Republic of China (Taiwan), 30 October, 2015

👉 http://eng.stat.gov.tw/public/data/dgbas03/bs4/ninews_e/10411/ewnew10410.pdf

E-Commerce: Yahoo launches Taiwan-HK cross-border shopping platform

Yahoo Inc. has announced the launch of a Taiwan-Hong Kong online shopping platform as part of its efforts to develop a huge cross-border e-commerce network in the region. The company believes that the cross-border platform can be successful as Hong Kong has tariff exemption for imports and consumers are interested in Taiwan's food and cosmetics. In the first phase, more than a hundred Taiwan brands, ranging from food to fashion and to beauty and cosmetics, will be available for Hong Kong online shoppers.

👉 Inside Retail, 6 November, 2015

👉 <https://insideretail.hk/2015/11/06/new-yahoo-hong-kong-taiwan-cross-border-ecommerce-platform/>

E-Commerce: The Singles Day craze spreads to Taiwan

The Singles Day shopping craze has spread to Taiwan, with intense media coverage and websites launching major sales. Leading E-commerce sites such as Yahoo, Rakuten and GOMAJI have launched the "Singles Day" sales on 11 November 2015. However, some Taiwanese consumers were reluctant to buy from mainland websites. A survey conducted by the Market Intelligence & Consulting Institute, a Taipei think tank, showed that 37% of 313 respondents said they were interested but cautious about shopping on mainland websites.

👉 Shanghai Daily, 12 November 2015

👉 <http://www.shanghaidaily.com/business/consumer/Taiwan-shoppers-sold-on-consumer-craze/shdaily.shtml>

E-Commerce: Lenovo opens online store in Taiwan to sell high-end customized laptops

China's Lenovo Group Ltd., the world's largest maker of personal computers, has opened an online store in Taiwan to sell customized high-end laptops initially. The online store is expected to provide customers with more options than in retail stores. The three products currently available on Lenovo's Taiwan online store are the ThinkPad X250 and ThinkPad X1 Carbon notebooks and the IdeaPad Y700 gaming laptop. Customers can choose their hardware specifications, including CPU, memory and internal storage capacity, for the three laptops.

👉 The China Post, 7 November 2015

👉 <http://www.chinapost.com.tw/taiwan/business/2015/11/07/450327/Lenovo-opens.htm>

Luxury: Taiwanese government to promote Taiwan as a luxury shopping destination

Following the recent opening of the seventh upscale department store in Taipei's Xinyi District – the Taiwanese government is considering to promote Taiwan as a luxury shopping destination. The Breeze Center shopping mall, which was opened on 5 November, was the latest addition to a cluster of high-end department stores in the Taipei 101 area. The expanding high-end shopping district has attracted the attention of the European Chamber of Commerce Taiwan (ECCT), which suggested in its 2016 Position Papers that the government should promote Taiwan as a luxury shopping destination.

👉 The China Post, 11 November 2015

👉 <http://www.chinapost.com.tw/taiwan-business/2015/11/11/450634/Luxury-district.htm>

Supermarkets & hypermarkets: Palmart to acquire Matsusei Supermarket

Taiwan's largest grocery store Palmart will acquire Matsusei Supermarket for NT\$450 million, bringing the number of stores to over 800 nationwide. The deal was announced by Matsusei's parent company Wei Chuan Foods Corporation on 12 November. The deal is still pending the Fair Trade Commission's review. According to Wei Chuan Foods Corporation, all the asset and equipment belonging to Matsusei's 65 stores will be ceded to Palmart. The logo and brand name of Matsusei will also be passed to Palmart.

🔄The China Post, 13 November, 2015

🔄<http://www.chinapost.com.tw/taiwan-business/2015/11/13/450783/Palmart-to.htm>

Thailand

Statistics: Consumer confidence makes first jump in 10 months

Consumer confidence rose for the first time in 10 months to 73.4 in October from 72.1 in September, a survey from the University of the Thai Chamber of Commerce showed, boosted by stimulus measures by the government as it tries to revive the economy. Consumers are still worried about economic uncertainties at home and abroad, so spending will likely improve gradually only late this year as more funds from the measures become available. In a bid to boost the economy, the government recently approved stimulus measures worth 136 billion baht aimed at lifting rural areas' purchasing power, followed by steps to help small firms and the property sector and home buyers.

🔄Bangkok Post, 5 November, 2015

🔄<http://www.bangkokpost.com/business/news/755516/consumer-confidence-makes-first-jump-in-10-months>

Supermarkets: CP Fresh Mart to spend 1.2 billion baht for 400 new stores

CP Fresh Mart, Thailand's mini-supermarket operator, plans to earmark 1.2 billion baht (US\$33.7 million) to open at least 400 new stores in Thailand over the next three years, lifting its store number to 1,000 in the country. The new stores will feature greater space of up to 100 sqm, twice as much as at the current stores, allowing the retailer to offer over 1,500 food items made by CP subsidiary and outsiders. Apart from adding new stores, retailer will also renovate its entire 600 existing stores.

🔄Bangkok Post, 3 November, 2015

🔄<http://www.bangkokpost.com/business/news/752336/cp-fresh-mart-plans-to-open-400-new-stores>

Convenience stores: CP All Q3 profit up 21% yoy on store network expansion

CP All Plc, Thailand's largest convenience store chain which operates 7-Eleven stores, reported a 21% yoy rise in quarterly profit, the highest growth among Thai

retailers. The double-digit growth was mainly attributed to an increase in store openings which helped offset weak domestic consumption. Same-store sales grew 1.6% yoy, rising for the third consecutive quarter to a two year high. The retailer aims to open 600 stores in 2015 and have 10,000 branches by 2018.

↻ Bangkok Post, 11 November, 2015

↻ <http://www.bangkokpost.com/business/news/761580/cp-all-q3-profit-up-21-on-store-network-expansion>

Apparel: Fast fashion brand Aéropostale to expand to Thailand in 2016

Aéropostale, Inc., an American retailer of casual apparel, has signed licensing agreements with Robinson Department Store Public Company Limited and Q and A Retail Company to open 40 standalone shop-in-shop stores in Thailand and 40 standalone stores in Egypt, respectively, over the next five years. The first Aéropostale store in Thailand will be opened in the Robinson Department Store in Sriracha.

↻ Fashion Mag, 6 November 2015

↻ <http://au.fashionmag.com/news/Aeropostale-to-expand-to-Thailand-and-Egypt-beginning-2016,590897.html#.VkQTT7crJD9>

Malaysia

Statistics: GDP up 4.7% in 3Q15

Malaysia's economy expanded 4.7% yoy in 3Q15. By category, manufacturing sector, services sector, mining & quarrying and private final consumption expenditure gained between 4.8% yoy and 5.3% yoy. Exports posted a yoy growth of 3.2%, reversing from 3.7% yoy decline in 2Q15. Imports growth turned around to 3.2% yoy from negative 2.8% yoy.

↻ Department of Statistics Malaysia, 13 August, 2015

↻ https://www.statistics.gov.my/index.php?r=column/cthemeByCat&cat=100&bul_id=TFdVcEQ2UDRJYmwxK0Q50ThrTuzBdz09&menu_id=TE5CRUZCblh4ZTZMODZlbnk2aWRRQT09

Statistics: Malaysia suffers the worst consumer confidence levels in Southeast Asia in 3Q15

According to a recent survey by market research firm Nielsen, Malaysia suffered the worst consumer confidence levels in Southeast Asia in 3Q15, underperforming regional peers, but it remained among the world's top 10 optimists. Consumer confidence in Malaysia fell to 78 points over the July-September period, down 11 percentage points on the quarter. The index score was a record low for Malaysia since the survey started in 2005. The survey was conducted between August 10 and September 4, and polled more than 30,000 online consumers in 60 countries worldwide.

↻ CNBC, 4 November 2015

↻ <http://www.cnbc.com/2015/11/04/weak-ringgit-politics-dent-malaysias-consumer-confidence-nielsen-survey.html>

Apparel: Parkson and partner form a joint venture to launch apparel brand LOL

Parkson Retail Asia Ltd's (PRA) unit Parkson Corp Sdn Bhd and Superb Apparel Supply Sdn Bhd have set up a joint venture (JV) company Super Gem Resources Sdn Bhd to launch apparel retail outlets under the brand name LOL. Parkson Corp would have a 70% stake in the JV company, while newly-incorporated Superb Apparel would hold the rest. The LOL stores will offer affordable fashionable apparel to the mass market. Products will include men's, women's and children's apparel, shoes and accessories.

👉 The Star Media, 4 November, 2015

👉 <http://www.thestar.com.my/Business/Business-News/2015/11/04/Parkson-and-partner-to-launch-LOL-stores/?style=biz>

Singapore

Statistics: Retail sales drop 3.7% mom in September 2015

Singapore's retail sales decreased 3.7% mom in September 2015. Excluding motor vehicles, retail sales declined 4.5% mom. The total retail sales value in September 2015 was estimated at S\$3.4 billion, higher than the S\$3.2 billion in September 2014. By category, retail sales of supermarkets, motor vehicles, telecommunications apparatus & computers, food and beverages grew between 0.8% mom and 1.7% mom. By contrast, retail sales of watches & jewellery dropped 12.3% mom, followed by recreational goods (-10.2% mom), wearing apparel & footwear (-8.8% mom), Medical Goods & Toiletries (-7.8% mom), and Optical Goods & Books (-6.8% mom).

👉 Department of Statistics Singapore, November 2015

👉 http://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/mrssep2015.pdf

Apparel: Home-grown label M)phosis shuts stores

Singapore-founded fashion retailer M)phosis is reportedly closing all its Southeast Asian stores due to financial challenges. According to Straits Times, all of its outlets in Vietnam, Malaysia, the Philippines and Indonesia - more than 10 of them - are in the process of shutting down. Its last Singapore store, in VivoCity, ceased trading at the end of August. The retailer will continue to operate its stores in Mainland China.

👉 Straits Times, 5 November 2015

👉 <http://www.straitstimes.com/singapore/home-grown-label-mphosis-shuts-stores>

Apparel: F J Benjamin sees sales drop in 3Q15

F J Benjamin, Singapore's largest fashion and lifestyle retailer, has reported a 15% decline in sales in 3Q15. Sales totalled S\$63.7 million in the three months to September 30, down from S\$75.4 million in the previous corresponding quarter. According to the brand, the drop in sales could be attributed to the subdued consumer sentiment in Singapore, Malaysia and Hong Kong. Moreover, the challenging retail sector was further compounded by a combination of factors

including lower tourist arrivals, exchange rate volatility and the disruptive haze situation in the region.

➤ Inside Retail Asia, 13 November, 2015

➤ <https://insideretail.asia/2015/11/13/fj-benjamin-sales-fall-but-restructure-on-track/>

Apparel: British fashion brand Joseph opens its first Singapore store

British fashion store Joseph has recently opened its first Singapore outlet at Capitol Plaza. The new 350 sqm Singapore store will sell the Joseph range together with a curated selection of shoes from brands including Chloé, Jil Sander and Isabel Marant. Earlier this year, the brand announced a launch in Beijing, the start of a broader Chinese roll-out.

➤ Inside Retail Asia, 13 November, 2015

➤ <http://insideretail.sg/2015/11/13/uk-fashion-store-joseph-opens-in-singapore/>

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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