

Asia (ex-China) Retail

BIWEEKLY UPDATES

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the latest in asia

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Asia at a Glance

Luxury: Wealthy Asians spend on status

According to the *Visa Affluent Study 2015*, “a sense of status, exclusivity and uniqueness” are key considerations for affluent Asians when shopping for luxury items. The study shows that a significant percentage of wealthy Asians consider themselves as “status seekers”, with over a third of the affluent in China (38%), Hong Kong (36%), South Korea (31%) and Japan (31%) are motivated to buy luxury goods to signal their social status. Quality is also a key factor in making luxury purchase decision.

↻ Inside Retail Asia, 5 August, 2015

↻ <https://insideretail.asia/2015/08/05/affluent-asians-spending-on-status/>

Apparel: Uniqlo to tap East Malaysian market

Uniqlo, Japan’s largest fast fashion brand, will open seven new stores between September and November this year in East Malaysia. The new store openings will mark Uniqlo Malaysia’s first entry into the East Malaysian market. The new stores will be located at The Curve in Klang, at Aeon Klebang in Perak, Aman Sentral in Kedah, Imago KK Times Square and Suria Sabah in Sabah, and The Spring Mall and Vivacity Megamall in Sarawak. Uniqlo currently operates 25 stores across Malaysia.

↻ The Malaysian Insider, 7 August, 2015

↻ <http://www.themalaysianinsider.com/business/article/uniqlo-to-open-7-new-stores-and-venture-into-sabah-sarawak>

Japan

Statistics: Consumer confidence slides to 40.3 in July 2015

Japan’s consumer confidence index fell 1.4 points mom to 40.3 in July 2015, due mainly to a drop in sentiment on all the sub-indices, including income growth (down 0.7 point mom), willingness to buy durable goods (down 1.1 points mom), overall livelihood (down 1.3 points mom) and employment (down 2.6 points mom) in July 2015.

↻ Economic and Social Research Institute, Cabinet Office, Government of Japan, 10 August, 2015

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

Retail in general: Seven & I, Fast Retail mull alliance

Seven & I, the parent company of Japan’s largest chain convenience store 7-Eleven, and Fast Retailing, the operator of Japan’s largest fast fashion brand Uniqlo, are in talk to forge a comprehensive business alliance. The two companies aim to meet diversifying consumer needs through their cooperation in product designing, manufacturing, distribution and marketing. Meanwhile, Fast Retailing also considers working with Seven & I and its supermarket arm Ito-Yokado Co to launch a new clothing brand. The fast fashion retailer may use 7-Eleven stores as collection points for online purchases.

↻ The Japan Times, 31 July, 2015

☞ <http://www.japantimes.co.jp/news/2015/07/31/business/seven-fast-retailing-eye-alliance-clothing-line/#.Vb7LjpAViky>

☞ Inside Retail Asia, 31 July, 2015

☞ <https://insideretail.asia/2015/07/31/fast-retailing-seven-i-mull-partnership/>

Hypermarkets: Don Quijote plans more family-style mega stores

Don Quijote, Japan's discount store operator, plans to set up a series of large general merchandise stores with expanded collections of consumable goods and food products that cater to the needs of families. The retailer currently operates some hypermarket stores under the brand Mega Don Quijote, which are based on outlets of the local supermarket chain Nagasakiya Co., that Don Quijote took over in 2007. It expects to open about 30 new stores each year and targets 500 outlets and 1 trillion yen in sales by 2020, including those stores obtained through mergers and acquisitions.

☞ The Japan Times, 5 August, 2015

☞ <http://www.japantimes.co.jp/news/2015/08/05/business/corporate-business/don-quiote-add-family-style-mega-stores/#.VcLB1ZAVh2Z>

Convenience stores: 7-Eleven to enter Vietnam

7-Eleven, Japan's largest convenience store operator, plans to open 1,000 stores in Vietnam over the next decade. 7-Eleven Vietnam will be jointly operated by 7-Eleven's Japan-based U.S. subsidiary and Seven System Vietnam Co., a new firm formed by IFB Vietnam, a Vietnamese catering group which owns the Pizza Hut franchise in Vietnam. The first Vietnam's 7-Eleven store will be opened in Ho Chi Minh City in April 2017, while a target of 100 stores will be rolled out in the first three years and 1,000 stores within 10 years. 7-Eleven operates 56,400 stores worldwide and Vietnam will become its 18th international market.

☞ Inside Retail Asia, 31 July, 2015

☞ <https://insideretail.asia/2015/07/31/7-eleven-vietnam-plans-1000-stores/>

☞ Bangkok Post, 30 July, 2015

☞ <http://www.bangkokpost.com/news/asean/639324/7-eleven-to-invade-vietnam>

Accessories: Seiko eyes upscale watch market to boost brand image

Seiko, Japan's watch retailer, plans to promote its premium global brands to boost its brand image, with a specific focus on the U.S. and Europe markets. The retailer intends to lift its overseas sales from some 50% at present to around 60% of its total sales in the coming years. Seiko currently operates premium boutiques in key foreign cities, including Frankfurt, Madrid, Paris and Moscow.

☞ The Japan Times, 12 August, 2015

☞ <http://www.japantimes.co.jp/news/2015/08/12/business/seiko-ceo-eyes-premium-watch-market-bid-bolster-brand/#.Vc1Ru5AVjx>

South Korea

Statistics: CPI adds 0.2% mom in July 2015

South Korea's consumer price index increased by 0.2% mom in July 2015. By category, prices of clothing & footwear, health, education, miscellaneous goods & services, restaurants & hotels, alcoholic beverages & tobacco, transport and recreation & culture gained between 0.1% mom and 2% mom, while the index for communication remained unchanged. By contrast, food & non-alcoholic beverages, furnishings, household equipment & routine maintenance, housing, water, electricity, gas & other fuels dropped between 0.1% mom and 0.6% mom in July 2015.

↻ Statistics Korea, 4 August, 2015

↻ <http://kostat.go.kr/portal/english/news/1/18/2/index.board>

Statistics: Sales of department stores and discount stores rebound from MERS plunge

Some of South Korea's private consumption indicators improved in July 2015, showing signs of marginal recovery from the outbreak of MERS in late May 2015. Sales of the top three chain department stores operators in the country, namely, Hyundai Department Store, Lotte Shopping and Shinsegae gained 0.9% yoy, while sales at major discount stores slid 1.9% yoy in July 2015, a much slower fall than the 10.2% drop in June 2015.

↻ The Business Times, 11 August, 2015

↻ <http://www.businesstimes.com.sg/consumer/south-korea-july-dept-store-sales-rebound-from-mers-slump>

Retail in general: UK's property investor M&G Real Estate makes first retail investment in South Korea

M&G Real Estate, a London-based property investor, has purchased three retail properties in South Korea for a total of US\$230 million. The acquisition was made on behalf of the company's core Asia real estate unit managed by Singapore-based fund manager Erle Spratt. Two of the acquired properties comprise Lotte hypermarkets, respectively located in the tourist city of Jeju and in Daejeon, the fifth most populous city in South Korea. The third property is an outlet mall in Incheon, also leased to the local retail giant Lotte.

↻ Inside Retail Asia, 14 August, 2015

↻ <https://insideretail.asia/2015/08/14/mg-real-estate-makes-first-retail-investment-in-korea/>

Discount stores: E-mart to revive China business, stops store closure

E-mart, South Korea's largest discount grocer, has announced that it will stop restructuring of its business and closing stores in China. The retailer said that upon the closure of its Shanghai's branch on 3 August, 2015, there will be no further shutdowns of the remaining eight branches in East China. The restructuring and closures is expected to reduce the retailer's net loss by 35% in 2015, while a greater focus on the lucrative e-commerce market will help increase its

profitability. Despite its lackluster performance in China, E-Mart is planning to open its debut store in Vietnam in December 2015 and is also targeting Mongolia.

👉Yonhap News Agency, 5 August, 2015

👉<http://english.yonhapnews.co.kr/business/2015/08/05/0501000000AEN20150805003451320.html>

👉Inside Retail Asia, 6 August, 2015

👉<https://insideretail.asia/2015/08/06/e-mart-calls-time-on-closures/>

Taiwan

Statistics: CPI slides 0.13% mom in July 2015

Taiwan's consumer price index (CPI) decreased by 0.13% mom in July 2015. By category, prices of food, transportation & communication, miscellaneous and clothing dropped between 0.39% mom and 3.03% mom. By contrast, prices of health, housing and education & entertainment increased between 0.09% mom and 1.11% mom. The core CPI excluding fruits, vegetables and energy added 0.15% mom in July 2015.

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

👉<http://eng.stat.gov.tw/ct.asp?xItem=37925&ctNode=2410&mp=5>

E-commerce: Taiwan to issue third-party payment licenses

Taiwan's government is scheduled to issue the first batch of third-party payment licenses in early August 2015. The Financial Supervisory Commission (FSC) has revealed that six companies have submitted applications for the permission to provide third-party payment processing services in the territory, including AllPay Third-Party Payment Co.,Ltd., Pay2go Co.,Ltd., Gash Plus, E. Sun Bank, Shin Kong Bank, and Ta Chong Bank. Pursuant to the Electronic Payment Processing Institutions Act passed by the Taiwan's Legislature on 16 January 2015, electronic payment institutions are required to have a paid-in capital of at least NT\$500 million (US\$15.79 million), while companies that operate third-party payment collection and transfer businesses will be subject to a paid-in capital of NT\$100 million (US\$3.16 million). The daily maximum limit of both deposits and transactions is fixed at NT\$50,000 (US\$1,587).

👉Taiwantrade.com, 6 August, 2015

👉http://tkba.taiwantrade.com.tw/ORG/accessibility/news.do?Method=news_detail&informationId=360342

👉Taipei Times, 28 August, 2015

👉<http://www.taipetimes.com/News/biz/archives/2015/07/28/2003624028>

Consumer electronics: Xiaomi partners with Foxconn to assemble handsets in India

Xiaomi, China's largest smartphone seller, has teamed up with Taiwan's tech giant Foxconn to start assembling its smartphones in India, aiming to reduce costs and capture a larger market share of the world's third-largest smartphone market. Under the partnership, Xiaomi's smartphones will be assembled in a plant operated by Foxconn, which has agreed to earmark US\$5 billion on factories and research and development in the western Indian state of Maharashtra.

👉Retail in Asia, 12 August, 2015

↻The Wall Street Journal, 10 August, 2015

↻<http://www.wsj.com/articles/chinas-xiaomi-to-make-smartphones-in-india-1439183917>

Thailand

Statistics: Consumer confidence hits 14-month low in July 2015

Thailand's consumer sentiment further slid to 73.4 in July 2015 from 74.4 in June 2015, the lowest level in 14 months. According to the University of Thai Chamber of Commerce which compiles the index, the decline was mainly attributable to the downward economic growth adjustment, export contraction and the drought in the country. Other factors include less money in the pockets of farmers and concerns over the dim economic prospects.

↻Bangkok Post, 6 August, 2015

↻<http://www.bangkokpost.com/business/news/646788/consumer-confidence-index-hits-new-low>

Retail in general: Thai retailers launch promotional campaigns to revive sluggish sales

Retailers in Thailand have committed major budgets for sales promotions to spur declining sales. Hypermarket chain operator Tesco Lotus plans to spend 1.8-2.1 billion baht for the rest of 2015 to boost sales on essential goods, while CP All, the local operator of 7-Eleven convenience stores, had already allocated 1 billion baht for its promotional campaign in the past four months. Though Thai retailers have tried to lower prices since 2014 to revive sales, promotions have become more intense in 2015 as sales wilt.

↻Bangkok Post, 4 August, 2015

↻<http://www.bangkokpost.com/business/news/642692/tesco-7-eleven-crank-up-the-promotions>

Malaysia

Statistics: GDP gains 4.9% yoy in 2Q15

Malaysia's economy expanded 4.9% yoy in 2Q15. By category, manufacturing sector, services sector, mining & quarrying and private final consumption expenditure gained between 4.2% yoy and 6.4% yoy. By contrast, exports further decreased by 3.7% yoy in 2Q15 as a result of the subdued performance in exports of goods and services.

↻Department of Statistics Malaysia, 13 August, 2015

↻https://www.statistics.gov.my/index.php?r=column/cthemByCat&cat=100&bul_id=UnVOTXdoMW1EeTBldWQrS0pYcFNYdz09&menu_id=TE5CRUZCblh4ZTZMODZlbnk2aWRRQT09

Statistics: Consumer confidence further slides to 71.1 in 2Q15

Malaysia' consumer confidence further dropped to 71.1 in 2Q15. The fading consumer confidence was led primarily by financial deterioration, dim financial

and job prospect, high inflationary anxieties and tarnish growth outlook for consumer spending.

➤Malaysian Institute of Economic Research, 4 August, 2015

➤<http://www.mier.org.my/csi/>

Singapore

Statistics: Retail sales add 0.6% mom in June 2015

Singapore's retail sales increased by 0.6% mom in 2015, mainly driven by the retail sales growth of motor vehicles (up 26.3% mom). By category, retail sales of furniture & household equipment and supermarkets gained 1.4% mom and 2.6% mom respectively. By contrast, department store, food & beverage, petrol service stations, watches & jewellery, wearing apparel & footwear, telecommunications apparatus & computer, recreation goods, mini-marts & convenience stores, optical goods & books and medical goods & toiletries dropped between 1% mom and 9.7% mom in June 2015.

➤Department of Statistics Singapore, August 2015

➤http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications_and_papers/services/mrsjun15.pdf

Luxury: Soo Kee Group goes public on SGX Catalist

Soo Kee Group, a Singapore-based jeweler, launched its initial public offering (IPO) on the Singapore Exchange's (SGX) Catalist board on 11 August, 2015 for its expansion in Singapore and Malaysia. The jeweler plans to use the expected net proceeds of about S\$31.6 million from the IPO to add new stores in Singapore and Malaysia as well as to finance its capital expenditure investment in its new Changi Business Park headquarters. Apart from the new store openings, Soo Kee also plans to roll out new products lines and optimize the design and layout of its current retail stores to create a better shopping experience for customers. It currently operates over 60 retail stores in Singapore and Malaysia.

➤The Straits Times, 11 August, 2015

➤<http://www.straitstimes.com/business/companies-markets/jeweller-soo-kee-launches-ipo-on-catalist>

Apparel: French fashion brand Moncler to make retail debut in Singapore

Moncler, a French-founded fashion brand owned by Italian fashion billionaire Remo Ruffini, is set to open its debut store at Ion Orchard in Singapore. The new store will house the Moncler collection along with its Grenoble sub label. Moncler has already established retail presence in other Asian markets, including China, Hong Kong, Macau, Taiwan and Japan. It currently operates a total of 170 stores worldwide.

➤Inside Retail Asia, 13 August, 2015

➤<https://insideretail.asia/2015/08/13/frances-moncler-to-open-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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