

# Asia (ex-China) Retail

## Biweekly Updates

1 August – 15 August 2016



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Asia Distribution & Retail

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# Asia at a Glance



## Retail in general: Consumer confidence in Asia remains steady

Consumer confidence in nine out of 17 Asian markets remains steady, according to the latest MasterCard Index of Consumer Confidence. Among the Asian countries, Taiwan, China, India, Malaysia, the Philippines, Bangladesh, Myanmar, Vietnam and New Zealand registered growth in their consumer confidence levels, with Taiwan posting the largest improvement in the confidence level, thanks largely to the heightened expectations in stock-market movements. By contrast, seven Asian markets had their consumer confidence declined compared to 2H15, with Indonesia marking the most notable drop, followed by Hong Kong and then Singapore, due mainly to damp sentiment in employment prospects<sup>1</sup>.

## Retail in general: Global airport retail market thrives on Asian consumers

Asian consumers are giving a significant boost to the global airport retail market, according to U.S market research consultant Credence Research. The growth of global airport retail businesses is driven by the increasing disposable income of middle-class households in emerging countries, along with affordable travel options. Moreover, emerging countries such as China and India are expanding their investments in new terminals and adding more retail spaces; this also helps drive the development of the global airport retail market. Currently, fashion and accessories is the largest product category in airport retail, taking up over half of revenue

share in the market<sup>2</sup>.

## Retail in general: Web-inspired offline retail sales remain strong in Asia Pacific

Web-inspired offline sales in Asia Pacific are expected to grow even faster than pure-click sales as a share of the overall marketplace, according to U.S. market research company Forrester Research. By 2020, nearly 30% of retail sales in the Asia-Pacific region will be made offline, but influenced by online activity. The revenue of web-inspired offline sales in Asia Pacific is expected to surge to US\$2.1 trillion in 2020 from US\$1.2 trillion in 2015<sup>3</sup>.

## E-commerce: Tmall Global features Asian products in 8.8 Shopping Festival

Tmall Global, a cross-border e-commerce platform operated by Alibaba, has recently hosted an annual shopping event - 8.8 Shopping Festival on its Tmall mobile app. The shopping festival features products from around the world, especially those from South Korea, Japan, Hong Kong, Thailand, Australia, New Zealand, the U.S. and Europe. Apart from boosting sales, the shopping event also serves an educational purpose to raise the awareness of international brands in China. Currently, Tmall Global houses about 7,700 brands from 53 countries and regions worldwide, with 2,300 brands joining its platform so far in 2016 alone<sup>4</sup>.

## Home products: Muji to open largest Southeast Asian outlet in Singapore and scale up expansion in Southeast Asia

Muji, Japan's lifestyle retailer, will open its largest Southeast Asian flagship store in

Singapore in 2017. The new store will serve as a showcase in the Southeast Asian region to introduce new in-store services including home décor consultation, fashion styling and tasting events for new food products. Muji also plans to enter Vietnam by the summer of 2017 and aims to open about two stores every year in each market in Southeast Asia, where it operates a total of 38 stores in Singapore, Malaysia, Indonesia, Thailand and the Philippines<sup>5</sup>.



### Statistics: Consumer confidence index down to 41.3 in July 2016

Japan's consumer confidence index in July 2016 was 41.3, down 0.5 point mom, due largely to a fall in sentiment on three out of four major sub-indices, including willingness to buy durable goods (down 0.8 point mom), employment (down 0.7 point mom) and income growth (down 0.7 point mom). Nevertheless, the sub-index for overall livelihood added 0.1 point mom in July 2016<sup>6</sup>.

### Department stores: Takashimaya makes debut in Vietnam

Japan's luxury department store chain Takashimaya has recently opened its first store in Vietnam at Saigon Center, Ho Chi Minh City. Taking up five floors at Saigon Center, the new department store is by far the largest and the most upscale department store in the nation. It houses a variety of fashion, cosmetics, luxury and food items from both international and local brands. With an investment of US\$290 million, Takashimaya Vietnam is expected to take Vietnamese

shopping to a higher level and mark a turning point for economic development and quality retail in Vietnam<sup>7</sup>.

### Supermarkets: Aeon buys 14 supermarket stores in Myanmar

Japan's retail giant Aeon has acquired a 14-store supermarket chain in Myanmar from Hypermarket Asia, a subsidiary of Yangon-based trading company Creation Myanmar Group (CMG). The two parties have set up a joint venture company named Aeon Orange to operate the 14 supermarkets and have planned to open its first supermarket in Myanmar by the end of 2016. The newly acquired supermarket business has most of its stores in Yangon, Myanmar's largest city, and it also owns over 20 overseas brand sales licenses including Adidas and Mango which are running some 130 stores in Myanmar<sup>8</sup>.

### Luxury: Japanese bridal jewellery brand I-Primo opens first China store

I-Primo, Japan's upscale bridal ring specialist, has recently opened its first China store at Hong Kong Plaza, Shanghai. The retailer not only offers some 150 bridal ring setting designs, but also provides its customers personalized services, such as engraving services and aftersales services including cleaning and ring size alteration services. I-Primo aims to add six more new stores in Shanghai within three years<sup>9</sup>.

### Apparel: Japan Industrial acquires children's wear firm Narumiya International

Japan Industrial Partners (JIP), a Japanese

private equity firm, has acquired local children's wear company Narumiya International from SBI Holdings, a major private equity firm and Internet-based financial conglomerate in Japan. Recognizing the O2O growth potential of Narumiya, JIP will step up its digital and brick-and-mortar investments in the company upon the acquisition. Operating 681 self-managed stores in Japan, Narumiya is not only dedicated to clothing selling, but also engages in stationery, accessories and cosmetics businesses<sup>10</sup>.

### Apparel: Collect Point opens flagship store on Tmall

Collect Point, a multi-brand fashion store under Japanese leisure fashion group Adastria, has recently opened its flagship store on Tmall. Currently, Collect Point owns four major brands, namely Lowrys Farm, Lowrys Farm Men, Heatherich and JEANASiS and operates over 90 stores in Hong Kong, Mainland China and Taiwan. The retailer is stepping up its expansion in China, targeting to open over 150 new stores in the country over the next three years<sup>11</sup>.

## South Korea

Statistics: Consumer price index up 0.7% yoy to 110.82 in July 2016

South Korea's consumer price index added 0.7% yoy to 110.82 in July 2016, owing to a growth in prices of restaurant & hotels (up 2.4% yoy), furnishings, household equipment & routine maintenance (up 2.1% yoy), clothing & footwear (up 1.6% yoy), miscellaneous

goods & services (up 1.6% yoy), education (up 1.6% yoy) and education (up 1.4% yoy). By contrast, prices of transport and food & non-alcoholic fell 3% yoy and 0.1% yoy respectively in July 2016<sup>12</sup>.

### Retail in general: South Korean retail titans cash in on "Korean wave" via tie-ups with local entertainment firms

South Korea's retail giants - Lotte and E-mart have sealed strategic tie-ups with major local entertainments companies to sell exclusive merchandise of popular South Korean celebrities, cashing in on growing popularity of "Korean wave" across the global. Following the great success of its small store dedicated to K-pop celebrity products at Lotte Department Store, Lotte has paired up with YG Entertainment – home to some popular K-pop stars, to open a larger store offering endorsed celebrity goods. Previously, E-Mart also joined hands with local SM Entertainment to launch exclusive celebrity products<sup>13</sup>.

### Convenience stores: CU partners with Su Karaoke to open South Korea's first Karaoke convenience store

BGF Retail, the operator of South Korea's major chain convenience store CU, and local luxury karaoke business Su Karaoke has jointly opened South Korea's first Karaoke convenience store in Hongdae, one of the most vibrant areas in Seoul. The store, sprawling across two levels, houses a CU store on its ground floor, selling over 1,000 types of food, snacks, and beverages, while the upper floor is a karaoke-themed store with disco balls and neon signs installed, playing latest K-pop music. According to CU, the store has proven to be a great success, serving an average of 1,000-plus customers daily<sup>14</sup>.

## E-commerce: Mobile shopping soars in South Korea

According to Statistics Korea, online shopping transactions grew 18.8% yoy to 5.18 trillion won (US\$4.64 billion) in June 2016, while transactions of mobile shopping via mobile devices jumped 34.4% yoy in June 2016, representing 51.2% of total online shopping, or 2.65 trillion won. The growth in online shopping, especially mobile shopping, was largely attributed to improved mobile payment services as well as the boom in the number of Chinese tourists<sup>15</sup>.

## E-commerce: Memebox raises US\$66 million for further expansion in China, U.S.

Memebox, a South Korean online beauty start-up based in San Francisco, has procured a funding of US\$66 million for its further expansion in the U.S. and China markets. The fund is led by previous investors include Formation 8, Goodwater Capital and Pejman Mar Ventures. Established four-and-a-half years ago, Memebox sells more than 1,200 South Korean beauty brands to customers in South Korea, the U.S. and China. While South Korea remains the largest single market for the company, it currently generates over half of its revenue from the China and U.S. markets<sup>16</sup>.

## Apparel: South Korean government to allocate 30 billion won to boost fashion industry

South Korea's Ministry of Trade, Industry and Energy has announced that the government will commit 30 billion won (US\$27 million) to nurturing premium local fashion and lifestyle

brands in 2017. The move aims to bolster export by doubling the R&D budget and underpin the whole process from design to marketing for export for seven fashion categories, including bags and sports & leisure. In addition, the government will select 200 promising young designers and help them start and grow their international business by 2020. It has also planned to support 300 brands in launching their products on overseas e-commerce platforms<sup>17</sup>.

## Beauty and personal care: South Korea Customs places purchase limit at local duty-free outlets

South Korea Customs Service notified all local duty-free operators on 11 July, 2016 to limit the number of purchases made by each customer to 50 cosmetics and perfume products, and 10 bags and watches at each brand. The move is aimed at tackling unofficial re-sales of duty-free products by third-party brokers at home or abroad. As local duty-free stores take up around a fourth of combined sales generated by South Korean cosmetics firms, the new policy is expected to pose a negative impact on South Korean cosmetics market, though the impact will vary by company depending on the details of purchase caps. Local cosmetics giants Amore Pacific and LG H&H expressed that they do not expect a drastic impact as their key brands already placed their own sales limitations at duty-free stores that are even more stringent than the one currently being pushed by the customs authority<sup>18</sup>.

## Personal electronics: Huawei partners with Shinsegae in South Korea

Huawei, China's largest handset maker, has launched its MateBook two-in-one PC in tie-up

with Shinsegae I&C, the IT-based platform service unit under South Korea's retail giant Shinsegae. The partnership with Shinsegae will enable Huawei to introduce more of its consumer devices in South Korea via diversifying its distribution channels into Shinsegae's shopping malls, online and offline<sup>19</sup>.

## Taiwan

Statistics: Consumer price index up 1.23% yoy in July 2016

Taiwan's consumer price index increased by 1.23% yoy in July 2016. By category, prices of fruits, vegetables, fish & seafood and food away from home grew 35.5% yoy, 16.14% yoy 4.76% yoy and 1.45% yoy respectively in July 2016. By contrast, prices of water, electricity & gas supply and fuels & lubricants dropped 10.99% yoy and 6.77% yoy respectively in July 2016<sup>20</sup>.

Retail in general: Pokémon Go boosts retail sales in Taiwan

The free-to-play augmented reality game Pokémon Go was launched in Taiwan on 6 August 2016, following its release in Hong Kong and Japan in July 2016. The wildly popular mobile game has predictably boosted the sales of Pokémon Go-related products and services since its launch. Mighty Media Co., a merchandiser of Pokémon products in Taiwan, has registered a nearly 40% sales increase in Pokémon products. Toys "R" Us Taiwan reported a nearly 30% sales growth following the game's release<sup>21</sup>.

## Thailand

Statistics: Consumer price index up 0.1% yoy to 106.68 in July 2016

Thailand's consumer price index in July 2016 was 106.68, up 0.1% yoy. By category, prices of tobacco & alcoholic beverages, food & non-alcoholic beverages grew 13.1% yoy and 1.8% yoy in July 2016, followed by medical & personal care (up 0.9% yoy), apparel & footwear (up 0.5% yoy) and recreation & education (up 0.4% yoy). By contrast, prices of transportation & communication, raw food & energy and housing & furnishing declined 2% yoy, 1.6% yoy and 1.4% yoy respectively in July 2016<sup>22</sup>.

Shopping malls: Property developer Sansiri widens reach to retail sector

Sansiri, a listed Thai property developer, plans to further diversify into retail and hospitality sectors over the next three years. Recently, Sansiri has opened its first community mall, Habito, in Bangkok. Costing at around 400 million baht (US\$11.4 million), Habito is a Japanese-styled three-story retail mall that has 32 retail tenants, including health & beauty as well as restaurants. Sansiri expects all tenants will be open by September 2016, with some 5,000 visitors expected per day<sup>23</sup>.

E-commerce: aCommerce plans distribution hub in Singapore

aCommerce, a Thailand-based logistics and

e-commerce service provider, plans to extend its online reach in the Southeast Asian region by setting up a distribution hub in Singapore. Currently operating in Thailand, the Philippines and Indonesia, aCommerce believes that Singapore is a perfect testing ground for brands seeking to ramp up their online presence in Southeast Asia. The new distribution hub will enable Southeast Asian e-commerce companies to make their inroads into the US\$88 billion regional online retail market<sup>24</sup>.

## Malaysia

### Shopping malls: Two new shopping malls to open in Kuala Lumpur in 4Q16

Two new shopping malls, MyTown Shopping Centre and Sunway Velocity, will be open in Cheras, Klang Valley, Kuala Lumpur by the end of 2016. MyTown Shopping Centre, scheduled to be opened on 28 October 2016, will have a net lettable area of 1.1 million sqft and 460 shops, while Sunway Velocity will cover a net lettable space of 1 million sqft and house 500 shops. Major tenants in MyTown include Mango, Uniqlo, Village Grocer and Golden Screen Cinema, while Sunway will have Harvey Norman, Parkson, Toys'R'Us and TGV Cinemas<sup>25</sup>.

### E-commerce: Indonesian Chamber of Commerce joins Malaysian Halal e-commerce platform

The Indonesia Chamber of Commerce has joined Malaysia's halal e-commerce website to make inroads into a larger international

consumer base for local products and meanwhile, providing Indonesian consumers easier access to imported halal products. From food, cosmetics, to pharmaceuticals, the halal business, backed by a Muslim population of some 1.8 billion worldwide, provides plentiful business opportunities. Currently, markets for halal business include the ASEAN region, which is led by countries with a large Muslim population such as Malaysia, Indonesia and Thailand, as well as the Middle East and North Africa<sup>26</sup>.]

### E-commerce: Duck Scarves comes to ground in Kuala Lumpur

Duck Scarves, an online fashion outlet founded by Malaysian blogger and fashion entrepreneur Vivy Yusof, has opened its first offline store at Pavilion Kuala Lumpur shopping mall in Malaysia. Launched in May 2014, the online fashion brand is well-noted for its presentation and packaging, as well as design and quality. Each of its scarf comes with special hem detailing and a shiny Duck charm<sup>27</sup>.

## Singapore

### E-commerce: Carousell procures US\$35 million in Series B funding

Carousell, a Singapore-based online marketplace, has raised US\$35 million in a Series B round funding led by Japan's Rakuten Ventures. Other investors include Golden Gate Ventures, Sequoia India and 500 Startups. Carousell will use the new proceeds to expedite its growth in new markets,

reinforce its product and engineering capabilities and establish a “world class” team. Launched in 2012, Carousell’s e-commerce platform enables people to buy and sell a wide range of items, including beauty products, fashion, lifestyle gadgets, furniture and home appliances. It has by far raised about US\$41.8 million and is operating in 13 major Asian cities including Jakarta, Kuala Lumpur, Singapore, Taipei and most recently, Hong Kong<sup>28</sup>.

### E-commerce: Ticket Monster starts luxury car sales

Ticket Monster becomes the first South Korean e-commerce retailer selling new cars online. The online retailer started sales of British luxury car brand Jaguar on 8 August 2016. It put on sales of two models - 20 Jaguar XE Portfolios and R-Sports, with prices marked down by 7 million won (US\$6,317) from the regular retail prices to 48.1 million won and 46 million won respectively. Ticket Monster reportedly sold all of the vehicles on the first day as it offered the best available price and even promised a refund if it was not the cheapest. <sup>29</sup>.

### Personal electronics: Apple to open first retail store in Singapore

Apple Inc. is expected to open its debut store in Singapore during the Christmas period in 2016, with the construction slated to be completed on 31 October, 2016. The new store will be located at the Knightsbridge Mall on Orchard Road and covers at least two stories. It will showcase Apple-branded computers, phones, watches, accessories and iPods, and features Genius bar for customer training and help<sup>30</sup>.

# Endnotes

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- <sup>28</sup> “Singapore-based app Carousell raises \$35 million in Series B funding.” 1 August, 2016. CNBC.

<sup>29</sup> “South Korean e-commerce site ‘Ticket Monster’ starts luxury car sales.” 10 August, 2016. Retail News Asia.

<sup>30</sup> “Apple Singapore store to open by Christmas.” 1 August, 2016. Inside Retail Asia.

# Fung Business Intelligence

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