

# Asia (ex-China) Retail

## Biweekly Updates

1 July – 15 July 2016



 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

### Asia at a glance *p2*

- Retail in general: Japan retailers continue to lead in Asian retail market
- Retail in general: Retail sales in key ASEAN countries to hit US\$1 trillion by 2018
- E-commerce: Lazada partners with China Post on cross-border logistics services in Southeast Asia

### Japan *p2*

- Statistics: Consumer confidence index stands at 41.8 in June 2016
- E-commerce: FamilyMart partners with 12cm to offer smart stamp service
- E-commerce: C-Connect launches new online shopping mall targeting Asian shoppers
- E-commerce: Enigmo launches English version social shopping website targeting US customers
- Beauty and personal care: Dolce & Gabbana pairs up with Shiseido
- Beauty and personal care: Pigeon opens first overseas flagship store on Tmall Global
- Apparel: Uniqlo makes debut in Canada
- Discount stores: Miniso expands into Vietnam
- Luxury: Valentino opens first Japan flagship store in Tokyo

### South Korea *p4*

- Statistics: CPI up 0.8% yoy in June 2016
- Duty-free shops: Lotte Duty Free upgrades main branch in downtown Seoul
- Duty-free shops: Domestic jewelry brands shows stellar performance
- E-commerce: Shinsegae to launch Samsung Pay
- Beauty and personal care: Hera opens first China store in Beijing
- Beauty and personal care: Naterra moves into South Korea

### Taiwan *p6*

- Statistics: CPI up 0.9% yoy in June 2016 and 1.54% yoy in 1H16
- Apparel: Phantaci opens first overseas store in Singapore

### Thailand *p6*

- Statistics: CPI up 0.4% yoy in June 2016
- Retail in general: Thailand retail market forecast to post CAGR of 6.9% during 2015-2020
- E-commerce: Ascend Commerce launches e-commerce marketplace WeMall

### Malaysia *p7*

- Beauty and personal care: Banila Co enters Malaysia

### Singapore *p7*

- Supermarkets: NTUC Fair Price launches budget store for lower income group
- Apparel: 77th Street to shut down last Singapore outlet

**Teresa Lam**

Vice President

E: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

T: (852)2300 2466

**Tracy Chan**

Senior Research Analyst

E: [tracychansy@fung1937.com](mailto:tracychansy@fung1937.com)

T: (852)2300 2480

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)



# Asia at a Glance



## Retail in general: Japan retailers continue to lead in Asian retail market

According to the “2015 Retail Asia-Pacific Top 40” by Euromonitor International, Japanese retailers continue to lead in Asia’s retail market. Japanese chain convenience store operator Seven & I Holdings remained as the largest retailer in the Asia Pacific region, with sales of US\$35,064 million and store number of 18,257 in 2015. It was followed by Japanese-based Aeon Group, which had sales of US\$28,522 million and store number of 641 in 2015. Two Australian retail companies – Woolworths and Wesfarmers took the third and fourth places with sales of US\$25,775 million and US\$24,720 million respectively in 2015. Chinese retail company China Resources Enterprise was also among the top five ranking, with sales reaching US\$17,357 million in 2015<sup>1</sup>.

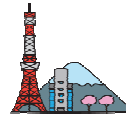
## Retail in general: Retail sales in key ASEAN countries to hit US\$1 trillion by 2018

According to a retail research report released by the Singapore Exchange in June 2016, the combined retail sales in four selected ASEAN nations – Thailand, Singapore, Malaysia and Indonesia are forecast to hit US\$1 trillion by 2018, representing an annual growth of 15.5% between 2015 and 2018. Key growth drivers include rising middle class consumers who bolster domestic consumption, higher spending power propelled by fast-growing incomes and growth in e-commerce sales offers new opportunities for ASEAN retailers<sup>2</sup>.

## E-commerce: Lazada partners with China Post on cross-border logistics services in Southeast Asia

Lazada, the largest cross-border e-commerce platform in South East Asia has allied with China Post Group to enhance cross-border e-commerce services in Southeast Asia. Under the partnership, the two parties will jointly develop financing services such as online payment services and small-scale trade credit for e-commerce businesses, building up of smart warehousing service platform as well as providing holistic logistics business solutions<sup>3</sup>.

# Japan



## Statistics: Consumer confidence index stands at 41.8 in June 2016

Japan’s consumer confidence index added 0.9 point mom to 41.8 in June 2016. The growth was attributed to a rise in all four sub-indices, including willingness to buy durable goods (up 1.9 points mom), employment (up 0.8 point mom), overall livelihood (up 0.7 point mom) and income growth (up 0.3 point mom) in June 2016<sup>4</sup>.

## E-commerce: FamilyMart partners with 12cm to offer smart stamp service

FamilyMart, Japan’s major convenience store chain, has launched smart stamp service in its

Japanese outlets in cooperation with South Korean O2O service company 12cm. The smart stamp service is a stamp-type system designed exclusively for use with smartphone touchscreens to connect mobile coupons, tokens, and gift cards with offline stores and conduct promotional events.

Consumers who purchase promotional items with the Japanese FamilyMart mobile application are given “stamps” which can be redeemed for coupons offline and is used as marketing strategy to boost consumers’ loyalty<sup>5</sup>.

### **E-commerce: C-Connect launches new online shopping mall targeting Asian shoppers**

C-Connect, Japan’s e-commerce player selling personal care products, has launched an online shopping mall – Ippin, targeting the rapidly growing e-commerce markets in China and Southeast Asian countries. Displayed in Japanese, Chinese and English, the online shopping mall not only offers “made in Japan” products, but also “popular in Japan” items, ranging from food, fashion, cosmetics to kid’s items and electric appliances. It provides shipping services to 18 countries worldwide and various payment methods including credit cards, Alipay and Paypal. Ippin currently has seven retailers selling on its platform and the number is expected to reach 20 by late July 2016, and 200 by the end of December 2016<sup>6</sup>.

### **E-commerce: Enigmo launches English version social shopping website targeting US customers**

Enigmo, Japan’s social e-tailer, has introduced an English version for its online marketplace Buyma, the largest personal

shopping website in Japan offering unique and limited-edition fashion items at local prices. The move comes after Buyma’s great success in Japan and aims to providing American-based consumers wider access to an extensive mix of established luxury designers and latest international fashion, cosmetics, and home furnishing items at good prices. Buyma currently has over 3.2 million members – 80,000 of them registered as sellers from 128 different countries and more than 7,600 brands listed on its platform<sup>7</sup>.

### **Beauty and personal care: Dolce & Gabbana pairs up with Shiseido**

Italian luxury fashion house Dolce & Gabbana and Japan’s cosmetics giant Shiseido have recently forged a worldwide exclusive licence agreement for the development, manufacturing and distribution of the fashion house’s cosmetic products, which involve perfume, skincare and makeup products. The partnership, beginning on 1 October, 2016, will help enrich Shiseido’s portfolio of prestige brands and also boost its top line growth, which is part of the group’s mid-long term strategy plan my VISION 2020. Currently, Shiseido manufactures and wholesales cosmetics in various price ranges, including products for Bare Minerals, Nars, Issey Miyake and Elie Saab<sup>8</sup>.

### **Beauty and personal care: Pigeon opens first overseas flagship store on Tmall Global**

Pigeon, Japan’s baby and maternal care product retailer, has recently opened its first overseas flagship store on Alibaba’s cross border e-commerce marketplace Tmall Global. The online store mainly offers baby and

maternal products, including baby feeding bottles, nipples, baby food supplements and maternal nutrition supplements. Products such as baby feeding bottles and nipples are distributed from Ningbo Bonded Warehouse, while other products are sent to customers through direct mail from Hong Kong. Pigeon also plans to gradually increase the product supply for its overseas flagship store if its products are well-received abroad<sup>9</sup>.

### **Apparel: Uniqlo makes debut in Canada**

Uniqlo, Japan's largest fast fashion brand, will open its first Canadian store in Toronto in late September or early October 2016. The debut store will cover about 28,000 sqft across two stories at CF Toronto Eaton Centre. It will be followed by the second Uniqlo store with 24,000 sqft over two levels at Yorkdale Shopping Centre in October 2016. The new stores will stock women's and men's collections ranging from casual to dressy, including a variety of cashmere sweaters as well as lightweight down jackets and vests<sup>10</sup>.

### **Discount stores: Miniso expands into Vietnam**

Miniso, a Japanese lifestyle discounter, jointly founded by Tokyo-based designer Miyake Jyunya and Chinese entrepreneur Ye Guofu, has entered the Vietnam market under a franchise deal with local trading group Le Bao Minh. The two parties will open the first three Miniso stores in Hanoi in August 2016 and increase the store number to 13 by opening new store in Hanoi, Ho Chi Minh City, Da Nang, Vinh, Can Tho and Hai Phong by the end of 2016. Currently, Miniso operates over 1,110 stores in China, 25 in Hong Kong and

four each in Japan and Macau. It also plans international expansion into Vietnam, Malaysia, South Korea, the U.S. and Italy<sup>11</sup>.

### **Luxury: Valentino opens first Japan flagship store in Tokyo**

Valentino, Italian luxury fashion house, has recently opened its first Japan's flagship store in Tokyo. The new opening marks the expansion of Valentino's global retail network and the development of innovative concept store. The new store, with a floor area of 360 sqm over two floors at the Omotesando Hills Mall in Aoyama, showcases women's and men's wear collections of the brand<sup>12</sup>.

## **South Korea**

### **Statistics: CPI up 0.8% yoy in June 2016**

South Korea's consumer price index added 0.8% yoy to 110.67 in June 2016. By category, prices of restaurant & hotels and clothing & footwear items grew 2.4% yoy and 2.2% yoy respectively in June 2016, followed by miscellaneous goods & services (up 1.9% yoy), furnishing, household equipment & routine maintenance (up 1.8% yoy), recreation & culture (up 1.8% yoy) and education (up 1.6% yoy). By contrast, prices of transport and food & non-alcoholic beverages fell 2.1% yoy and 0.3% yoy respectively in June 2016<sup>13</sup>.

### **Duty-free shops: Lotte Duty Free upgrades main branch in downtown Seoul**

Lotte Duty Free, South Korea's largest duty free operator, has expanded its main branch in downtown Seoul as a move to attract more Chinese shoppers and achieve a sales target of 16 billion yuan for 2016. The makeover, scheduled to be done in early 2017, is expected to add a sales area of 3,000 sqm to the main branch at Lotte Department Store in Myeongdong. Upon the renewal, the store will accommodate more cosmetics and perfume brands. Meanwhile, the concessions of sought-after cosmetics brands such as Sulwhasoo and Whoo, will also be enlarged to engage more Chinese shoppers<sup>14</sup>.

### **Duty-free shops: Domestic jewelry brands shows stellar performance**

Lotte Duty Free reported that sales of South Korean jewelry brands surged 80% yoy in 2Q16, while the number of domestic jewelry brands at Lotte Duty Free rose to 30 in 2016 from 20 in 2H15. The remarkable sales growth was driven by several factors, including increased demand for Korean products following the popularity of K-beauty products, a rising number of tourists in Korea, and the on-going hype of the Korean wave. Lotte Duty Free houses a number of medium-priced domestic jewelry brands, including J.Estina and Sejung Group's Didier Dubot, which are aggressively targeting foreign shoppers from China, Hong Kong and Japan<sup>15</sup>.

### **E-commerce: Shinsegae to launch Samsung Pay**

Shinsegae, South Korea's retail conglomerate,

will introduce Samsung Pay at its retail outlets later in 2016. Following an agreement with Samsung Electronics, the retail giant will offer the new mobile payment service for its customers at Shinsegae department stores, E-Mart discount chains and Starbucks outlets. Previously, Shinsegae also launched its own mobile payment system SSG Pay at its retail stores<sup>16</sup>.

### **Beauty and personal care: Hera opens first China store in Beijing**

Hera, a cosmetics brand under South Korea's largest cosmetics company Amore Pacific, has opened its debut store in China at Beijing SKP shopping mall. The brand, targeting the mid-end market, is well-known among Chinese consumers for its bb cushion products. By introducing Hera into China, Amore Pacific can ramp up its presence in China and enrich its product mix in the market<sup>17</sup>.

### **Beauty and personal care: Naterra moves into South Korea**

Naterra, an American beauty and personal care brand, has recently opened its first store in South Korea on Cheongdam crossroads in Seoul. The 5,000 sqft new store houses Naterra-owned personal care brands including Wildflowers botanical skincare, Tree Hut body and skincare as well Baby Magic products, as well as showcases Tigi's color cosmetics and haircare lines – Bedhead and S Factors<sup>18</sup>.

## Taiwan

### **Statistics: CPI up 0.9% yoy in June 2016 and 1.54% yoy in 1H16**

Taiwan's consumer price index increased by 0.9% yoy in June 2016 and 1.54% yoy in 1H16. By category, prices of food, miscellaneous and healthcare rose 4.55% yoy, 1.79% yoy and 0.95% yoy respectively in June 2016. However, prices of transportation & communication, housing and education & entertainment moved down by 1.46% yoy, 0.75% yoy and 0.56% yoy respectively in June 2016<sup>19</sup>.

### **Apparel: Phantaci opens first overseas store in Singapore**

Phantaci, Taiwan's streetwear brand, has set up its first overseas store at Orchard Gateway in Singapore. The debut store, with a floor area of 1,200 sqft, stocks Phantaci's in-house collection including the exclusive black-and-gold Phantaci shirt and an embroidered cap as well as top fashion brands such as Casio, Nike and Stussy<sup>20</sup>.

## Thailand

### **Statistics: CPI up 0.4% yoy in June 2016**

Thailand's consumer price index increased by

0.4% yoy in June 2016. By category, prices of tobacco & alcoholic beverages and food & non-alcoholic beverages rose 13.1% yoy and 2.8% yoy respectively in June 2016, followed by recreation & education (up 1% yoy) and medical & personal care (up 0.9% yoy). However, prices of transportation & communication and housing & furnishing declined 2.4% yoy and 1.4% yoy respectively in June 2016<sup>21</sup>.

### **Retail in general: Thailand retail market forecast to post CAGR of 6.9% during 2015-2020**

Thailand's retail market is expected to deliver a CAGR of over 6% through 2020, according to Technavio's latest research report on Thailand Retail Market. The report noted that Thailand's grocery market is projected to expand from US\$103 billion in 2015 to US\$145 billion by 2020, representing a CAGR of 6.9%. Apparel and footwear market, the second largest market segment in Thailand in 2015, is forecast to hit US\$9.19 billion by 2020, growing at a CAGR of over 3%. The fast growing beauty and personal care market is also predicted to reach US\$5.53 billion by 2020, a CAGR of over 3%<sup>22</sup>.

### **E-commerce: Ascend Commerce launches e-commerce marketplace WeMall**

Bangkok-based Ascend Commerce has invested over 300 million baht (US\$ 8.56 million) to set up e-commerce marketplace WeMall. It offers two types of services for merchants – full-scale services and self-formulated services. Brands can run their own online stores via the ready-to-use features offered by WeMall. Currently, WeMall features more than 15,000 items from more than 1,100

brands in nine main product categories, including beauty and healthcare, home appliances, electronic devices, computers and laptops, lifestyle, mums/kids/babies, cell phones and tablets, and cameras and gadgets<sup>23</sup>.

## Malaysia

### **Beauty and personal care: Banila Co enters Malaysia**

Banila Co, South Korea's cosmetics brand, has tapped into the Malaysia market by opening two debut stores in Kuala Lumpur, with one at Mid Valley Mega Mall, the largest shopping complex in Kuala Lumpur and another at Sunway Pyramid. Currently, Banila Co has already established its retail networks in several Asian countries, including China, Taiwan, the Philippines and now Malaysia. In China, the brand has so far opened 160 shops since its foray into the country in 2009<sup>24</sup>.

## Singapore

### **Supermarkets: NTUC Fair Price launches budget store for lower income group**

NTUC Fair Price, Singapore's major supermarket chain, has recently rolled out a new retail format— Fair Price budget store, targeting budget-conscious consumers. The new store, located adjacent to the homes of

lower-income families, offers smaller but more affordable range of products, including a new FairPrice housebrand – Value Fresh as well as 34 fresh vegetable products with prices that are 5% to 10% cheaper than the chain's current farm produce under the Pasar brand. NTUC Fair Price plans to open four other budget stores by the end of 2016 and is seeking locations such as Henderson, Boon Lay, Ang Mo Kio and Jurong East in the city<sup>25</sup>.

### **Apparel: 77th Street to shut down last Singapore outlet**

77th Street, Singapore's home grown streetwear brand, will shut down its last store in Ang Mo Kio, Singapore by the end of July 2016. The closure is due largely to high rents and the sluggish retail market in Singapore. 77th Street once had 16 outlets across Singapore and was the first Singaporean retailer to open a shopping mall – 77th Street Plaza in China in early 2000s<sup>26</sup>.

## Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.





# References

- <sup>1</sup> "2015 Retail Asia-Pacific Top 40." July, 2016. Euromonitor International.
- <sup>2</sup> "ASEAN Retail Sector." June 2016. SGX.
- <sup>3</sup> "China Post partners with Lazada to enhance cross-border logistics service in Southeast Asia." 1 July, 2016. Ebrun. *(in Chinese only)*
- <sup>4</sup> "Consumer price index – June 2016." 1 July, 2016. Cabinet Office, Government of Japan.
- <sup>5</sup> "12cm Begins Smart Stamp Service at Japan's FamilyMart." 4 July, 2016. Business Wire.
- <sup>6</sup> "Ippin – Cross Border E-Commerce Mall Bringing Japan Quality to the World Launched by C-Connect Corporation." 6 July, 2016. Business Wire.
- <sup>7</sup> "Enigmo Brings Japan's No.1 Social Shopping Service BUYMA to America." 5 July, 2016. Business Wire.
- <sup>8</sup> "Dolce & Gabbana enters into licence agreement with Shiseido." 1 July, 2016. Fashionmag.com
- <sup>9</sup> "Pigeon opens first overseas flagship store on Tmall Global." 8 July, 2016. Fashionmag.com. *(in Chinese only)*
- <sup>10</sup> "Uniqlo Canada stores about to launch." 6 July, 2016. Inside Retail Asia.
- <sup>11</sup> "One more Japanese retail brand comes to Vietnam." 8 July, 2016. Vietnam Breaking News.
- <sup>12</sup> "Valentino opens new omotesando flagship boutique." 1 July, 2016. Valentino.cn.
- <sup>13</sup> "Consumer Price Index in June 2016." 1 July, 2016. Statistics Korea.
- <sup>14</sup> "Lotte Duty Free expands Seoul main branch, ready for more Chinese shoppers." 1 July, 2016. Fashionmag.com.
- <sup>15</sup> "Popularity of Korean Jewelry Soars." 5 July, 2016. Retail News Asia.
- <sup>16</sup> "Samsung Pay to be available at Shinsegae, E-mart, Starbucks." 11 July, 2016. The Korean Times.
- <sup>17</sup> "Hera opens first China store in Beijing." 1 July, 2016. Fashionmag.com. *(in Chinese only)*
- <sup>18</sup> "U.S. Beauty & Personal Care Company Announces Opening of Naterra Korea Store." 11 July, 2016. PR Newswire.
- <sup>19</sup> "The prices indices for June 2016." 5 July, 2016. National Statistics, Republic of China (Taiwan).
- <sup>20</sup> "Phantaci makes it real in Singapore." 1 July, 2016. Inside Retail Asia.
- <sup>21</sup> "Consumer price index and core consumer price index – June 2016." July 2016, Ministry of Commerce (Thailand).
- <sup>22</sup> "Thailand retail growth predicted at 6%." 13 July, 2016. Inside Retail Asia.
- <sup>23</sup> "Bangkok commerce group launches WeMall." 14 July, 2016. Inside Retail Asia.
- <sup>24</sup> "Banila Co moves into Malaysia." 8 July, 2016. Inside Retail Asia.
- <sup>25</sup> "NTUC FairPrice launches new retail format for lower income group." 1 July, 2016. The Strait Times.
- <sup>26</sup> "Another close shut down in Singapore." 3 July, 2016. Retail News Asia.