

Asia (ex-China) Retail & E-commerce

Biweekly Updates

1 August – 15 August 2017



 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

Asia at a glance p2

- E-commerce: Ant Financial partners with Fave to roll out seamless cross-border payments
- E-commerce: QR-code payment to dominate Asia's mobile payment market

Japan p2

- Statistics: Japan's economy expands 4.0% yoy, 1.0% qoq in 3Q16
- Statistics: Consumer confidence index up 0.5 point mom in July 2017
- Retail in general: Abe reaffirms plan to complete doubling of consumption tax in 2019
- Apparel and footwear: Nike Kicks Lounge debuts in Tokyo
- Apparel: Uniqlo targets to have 1000 stores in China by 2020, exceeding the store number in Japan
- Home products: Muji's new flagship store in Tokyo sells fruits and vegetables

South Korea p3

- Statistics: CPI up 2.2% yoy in July 2017
- Retail in general: South Korea's corporate watchdog to introduce punitive damages to distribution sector
- E-commerce: 11st posts record-high transactions in 1H17
- Department stores: Lotte's sales in China plunges
- Hypermarkets: E-Mart to open first flagship store in Cambodia in 1Q19
- Hypermarkets: E-mart to launch male-focused discount store "Howdy" in Goyang city of South Korea
- Convenience stores: GS25 makes foray into Vietnam before year-end

Taiwan p5

- Statistics: CPI up 0.8% yoy in July 2017
- Convenience stores: President Chain Store accelerates expansion in China
- Apparel: Gap launches online flagship store on Yahoo! Taiwan

Thailand p5

- Statistics: CPI up slightly in July 2017
- Supermarkets and convenience stores: CJ Express targets to generate THB20 billion sales and increase store number to 600 by 2020
- Convenience stores: Susco Plc granted franchise rights to open Lawson 108 convenience stores at its petrol stations

Malaysia p6

- Luxury: Cartier launches new boutique with exclusive jewelry salon in Kuala Lumpur
- Luxury: Prada reopens Suria KLCC store with customization service

Singapore p7

- Statistics: GDP up 2.9% yoy in 2Q17
- Statistics: Retail sales up 1.9% yoy in June 2017
- E-commerce: Y Ventures teams up with Toscano to launch online-only private label
- Convenience stores: Cheers launches first unmanned convenience store
- Apparel: Temasek to acquire 30% stake in Italian apparel brand Stone Island

Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

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



Asia at a Glance



E-commerce: Ant Financial partners with Fave to roll out seamless cross-border payments

Fave, an online-to-offline (O2O) mobile platform, partners with Alibaba Group's financial affiliate Ant Financial to roll out seamless cross-border payments via mobile app in Asia, with Singapore being the pioneer country. Alipay users can use their Alipay app for payments at restaurants and offline retailers that are part of the Fave's ecosystem; they can also receive special offers and rewards¹.

E-commerce: QR-code payment to dominate Asia's mobile payment market

According to a report by mobile payment specialist Cancan and financial research company Kapronasia, QR-code payments have the potential to replace any other form of mobile payments in Asia. Chinese consumers lead the world in terms of mobile payment usage, and consumers in other Asian countries such as India, Indonesia, Japan and Korea are likely to follow the Chinese trajectory in the near future².

Japan



Statistics: Japan's economy expands 4.0% yoy, 1.0% qoq in 3Q16

Japan's gross domestic product rose 4.0% yoy and 1.0% qoq in 3Q16, the highest growth rate since 1Q15. The growth was attributable to the growth in public investment (up 21.9% yoy), non-private residential investment (up 9.9% yoy), private residential investment (up 6.0% yoy), imports of goods and services (up 5.6% yoy), household consumption (up 3.7% yoy) and government consumption (up 1.3% yoy). By contrast, exports of goods and services contracted 1.9% yoy 3Q16³.

Statistics: Consumer confidence index up 0.5 point mom in July 2017

Japan's consumer confidence index rose 0.5 point mom in July 2017. The growth was due mainly to an increase in consumer confidence in all three major components, including overall livelihood (up 1.2 points mom), willingness to buy durable goods (up 1.0 point mom) and income growth (up 0.1 point mom)⁴.

Retail in general: Abe reaffirms plan to complete doubling of consumption tax in 2019

To restore the nation's fiscal health, Japan's Prime Minister Shinzo Abe said his government remains committed to a plan to complete the doubling of the consumption tax to 10% in October 2019. Under the initial plan, the consumption tax was to be raised to 10%

from the current 8% in October 2015, but Abe has already postponed it twice to try to ensure a solid economic recovery. The levy was originally 5% when the two-stage tax hike was implemented⁵.

Apparel and footwear: Nike Kicks Lounge debuts in Tokyo

Nike Japan opened its new-style “Nike Kicks Lounge” in Omotesando on 28 July, 2017. The new store offers a selection of footwear and apparel from Nike Sportswear, Nike Running, Nike Basketball, Nike SB and Jordan Brand. It also provides special in-store services, including garment tailoring, customization of tees, hoodies and sports bras, and custom printing. The interior design of the Lounge will be updated on a regular basis to reflect the vibrant, ever-changing atmosphere of Tokyo, in collaboration with local artists representing the city. The Lounge was first debuted in Shanghai in 2013⁶.

Apparel: Uniqlo targets to have 1000 stores in China by 2020, exceeding the store number in Japan

Uniqlo, Japan’s largest fast fashion brand, is set to operate more stores in China than in Japan. It plans to have 1,000 stores in China by 2020. The retailer has reportedly introduced a fast-track training scheme to bring enough store managers up to speed within the short time frame. As of the end of May, Uniqlo had 540 outlets in roughly 120 Chinese cities, and 840 stores in Japan⁷.

Home products: Muji’s new flagship store in Tokyo sells fruits and vegetables

Muji, Japan’s home product chain retailer, has reopened its global flagship store in Tokyo’s

Yurakucho neighborhood. The store features a fruit and vegetable market, selling basic foods such as fruits and vegetables, together with other groceries. All fresh food products are sourced directly from farms that use a minimal amount of pesticides and fertilizers. The flagship store also showcases a 10-sqm micro-living space Muji Hut⁸.

South Korea

Statistics: CPI up 2.2% yoy in July 2017

South Korea’s consumer price index added 2.2% yoy in July 2017. The growth was mainly led by an increase in prices of food & non-alcoholic beverages (up 5.6% yoy), housing, water, electricity, gas and other fuels (up 3.9%), miscellaneous goods and services (2.7% yoy), restaurants and hotels (up 2.4% yoy), alcoholic beverages & tobacco (up 1.8% yoy), clothing & footwear (up 1.2% yoy), healthcare (1.2%), and education (up 1.1% yoy) in July 2017. By contrast, consumer prices of recreation & culture fell 0.6% yoy in July 2017⁹.

Retail in general: South Korea’s corporate watchdog to introduce punitive damages to distribution sector

South Korea’s corporate watchdog the Fair Trade Commission (FTC) announced that it will introduce a punitive damages system to the local distribution industry as part of its efforts to eradicate unfair business practices and strengthen consumer protection. The FTC will revise related laws to impose punitive damages of up to three times the actual damage from business practices such as an unfair payment cutback of supplied goods and

returns that occur between large shopping mall operators and small shops. The corporate watchdog will also toughen administrative sanctions against illegal business practices and revise public disclosure guidelines on sales commission rates¹⁰.

E-commerce: 11st posts record-high transactions in 1H17

11st, an e-commerce platform operated by SK Planet, a subsidiary of South Korea's SK Telecom, posted a record-high transaction value of 4.2 trillion won (US\$3.7 billion) in 1H17, up 10% yoy. The company attributed the growth to its mobile first strategy. SK Planet's mobile services include a chatbot that helps customers shop online and automatic membership renewal for mobile users. It also provides store pick-up services for online orders at selected CU convenience stores. 11st reportedly has a monthly average of 8.1 million unique visitors¹¹.

Department stores: Lotte's sales in China plunges

South Korea's retailer Lotte Group released its preliminary result for 2Q17. The consolidated operating income of Lotte Department Store and Lotte Mart amounted to 87.3 billion won (about 520 million yuan), down 49% yoy. Total sales reached 6.9228 trillion won (about 41.13 billion yuan), a decrease of 4.3% yoy, and net profit reached 4.1 billion won (about 24.44 million), a significant drop of 95% yoy. Lotte Group said that the decline in domestic sales and net profit of Lotte Department Store in the quarter was attributable to the drop in Chinese tourists visiting South Korea; while the incident of THAAD has accelerated the decline in sales in its outlets in China, down 28.6% yoy. Sales of Lotte Mart – most of

whose Chinese stores have been suspended by Beijing – fell 7.9% yoy in the second quarter; the company also posted an operating loss of 77 billion won¹².

Hypermarkets: E-Mart to open first flagship store in Cambodia in 1Q19

South Korea's largest grocery retailer E-Mart has recently formed a joint venture with Cambodian company Royal Group to open a new flagship store in Phnom Penh, Cambodia's capital in 1Q19. The two companies will invest up to US\$120 million in this joint venture, though the shareholding arrangement is not disclosed¹³.

Hypermarkets: Emart to launch male-focused discount store "Howdy" in Goyang city of South Korea

South Korea's largest grocery retailer Emart will open a new discount store "Howdy" specifically targeting male consumers in their 30s and 40s in Starfield Mall in Goyang city in South Korea on 17 August, 2017. With an operating area of 113 sqm, the store will sell mainly men's fashion, toys and tech devices like drones.

Howdy will stock various brands and products that appeal to men in this age group, including toys for kids. Emart opened the online version of the store in July, uploading products from over 100 brands¹⁴.

Convenience stores: GS25 makes foray into Vietnam before year-end

GS Retail, the parent company of Korean convenience store chain GS25, signed a deal with Vietnam's SonKim Group to establish a joint venture and hold a 30% stake. The first

GS25 outlet will be opened in Ho Chi Minh City before the end of this year, and the joint venture will be in charge of operating the local franchises in Vietnam. Back in 2012, GS Retail purchased a 30% stake in SonKim's home shopping channel and jointly launched VGS Shop to tackle Vietnam's home shopping market¹⁵.



Statistics: CPI up 0.8% yoy in July 2017

Taiwan's consumer price index moved up by 0.8% yoy in July 2017. By category, prices of healthcare, food and miscellaneous added 1.9% yoy, 1.2% yoy and 0.7% yoy respectively in July 2017, followed by education & entertainment (up 0.3% yoy). By contrast, prices of clothing slid 0.1% yoy in July 2017, while prices of food stayed unchanged¹⁶.

Convenience stores: President Chain Store accelerates expansion in China

Taiwan's convenience store chain President Chain Store has opened ten 7-Eleven convenience stores in Zhejiang Province, China. Aiming to quickly expand in the Yangtze River delta, the retailer said it will open 30 more stores in Hangzhou and Ningbo and raises the number of Shanghai outlets from the present 117 to 140 by the end of the year. President Chain Store entered the China market in 2009¹⁷.

Apparel: Gap launches online flagship store on Yahoo! Taiwan

U.S. clothing and accessories retailer Gap Inc. has launched its newest "digital brand flagship store" on Yahoo! Taiwan. Customers can place orders on the flagship store and the orders will be filled from the nearest store or fulfilment location. They can choose to pick up the orders in nearby partnered conveniences stores. In celebration of the site launch, Gap offered special events and promotions during the launch week from 8-14 August, including free delivery service, discounts, cash coupon, door buster sale, and exclusive styles in the newly opened flagship store. Gap entered Taiwan in 2014. Currently, the brand has 11 physical stores in Taiwan, its own website and the newly added storefront on Yahoo! Taiwan¹⁸.



Statistics: CPI up slightly in July 2017

Thailand's consumer price index in July 2017 increased by 0.2% yoy. By category, both transportation and communications and recreation and education rose 0.7% yoy; prices of housing & furnishing and medical & personal care increased by 0.6% yoy, and 0.4% yoy respectively in July 2017. By contrast, prices of raw food and energy and food & non-alcoholic beverages decreased by 0.7% yoy and 0.5% yoy in July 2017¹⁹.

Supermarkets and convenience stores: CJ Express targets to generate THB20 billion sales and increase store number to 600 by 2020

Convenience store and supermarket operator CJ Express plans to invest THB4 billion (US\$120 million) in doubling its business size, aiming to generate THB20 billion in sales by 2020. CJ Express said that THB3.7 billion will be used to open 370 convenience stores and supermarkets this year through to 2020. This would bring store numbers to a total of 600 within the next three years. The remaining THB300 million will be spent on store renovations and other upgrades²⁰.

Convenience stores: Susco Plc granted franchise rights to open Lawson 108 convenience stores at its petrol stations

Saha Lawson Co, the local operator of Lawson 108 convenience stores, recently signed a franchise agreement with oil retailer Susco Plc. Under the agreement, Susco Plc can open Lawson stores at its new petrol stations. Two Lawson convenience stores will be opened at new Susco petrol stations in Bangkok and Rayong this year. Saha Lawson Co aims to have a total of 20 Lawson stores at Susco outlets by next year. As of 2016, Lawson operated 84 stores nationwide. About 80% of those stores are in Bangkok and the rest are in other provinces including Chon Buri, Rayong, Prachin Buri, Nakhon Ratchasima and Ayutthaya²¹.



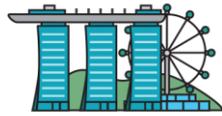
Luxury: Cartier launches new boutique with exclusive jewelry salon in Kuala Lumpur

French luxury brand Cartier Malaysia recently opened a two-level boutique in Kuala Lumpur at Pavilion Kuala Lumpur. The boutique has three salons – jewelry, watches and accessories. The High Jewelry Salon, exclusive for Southeast Asia, features the finest pieces from the brand. High-rolling customers can also opt for the VIP salons to shop in privacy²².

Luxury: Prada reopens Suria KLCC store with customization service

Recently, Italian luxury fashion house Prada reopened its store at Suria KLCC. With a floor area of 190 sqm, the newly refurbished store features three special rooms for women and one for men, all decked in black granite panelling, black and white tiles, and lush sofas. The store houses both men's and women's collections, as well as bags, accessories, shoes and small leather goods. To celebrate the reopening of the store, it offered an exclusive, limited time customization service for selected backpacks and pouches²³.

Singapore



Statistics: GDP up 2.9% yoy in 2Q17

Singapore's economy expanded 2.9% yoy in 2Q17. Goods producing industries and Service producing industries registered 4.9% and 2.4% yoy growth respectively. Among goods producing industries, manufacturing went up 8.1% yoy, while construction went down by 5.7% yoy. For services producing industries, finance & insurance, transportation & storage and other services industries went up by 3.8% yoy, 3.5% yoy and 3.1% yoy respectively, followed by information & communications and business services (both up 1.8% yoy), wholesale & retail trade (up 1.5% yoy). On the contrary, accommodation & food services dropped by 2.2% yoy in 2Q17²⁴.

Statistics: Retail sales up 1.9% yoy in June 2017

Singapore's retail sales added 1.9% yoy in June 2017. By category, retail sales of watches & jewelry increased by 12.0% yoy in June 2017, followed by petrol service stations (up 9.8% yoy), department stores (up 7.3% yoy), furniture & households (up 4.4% yoy), medical goods & toiletries (up 3.8% yoy), computer & telecommunications equipment (up 3.4% yoy), apparel & footwear (up 2.9% yoy), supermarket (up 2.0% yoy), recreational goods and optical goods & books (up 0.7% yoy). By contrast, retail sales of food retailers, motor vehicles and others moved down by 5.8% yoy, 5.6% yoy and 4.7% yoy respectively in June 2017, followed by mini-marts & convenience stores (down 1.4% yoy)²⁵.

E-commerce: Y Ventures teams up with Toscano to launch online-only private label

Singapore-founded data analytic driven e-commerce retailer and distributor Y Ventures has formed a joint venture with Toscano, Italian men's leather accessories retailer, to set up an online-only private label, Faire Leather. The collection includes padfolios, card cases, briefcases, backpacks and small leather goods. Y Ventures will use its data analytics to provide insights into consumer demand, pricing intelligence, consumer sentiment and market competition. It will also coordinate distribution and fulfilment²⁶.

Convenience stores: Cheers launches first unmanned convenience store

Convenience store chain Cheers opened its first unmanned convenience store at Nanyang Polytechnic (NYP). To enter the store, customers need to scan the QR code on the mobile app "Shop It Yourself". The store features a self-checkout system which accepts cashless payment, such as Nets, credit card, ez-link, mobile and contactless payment. The outlet is the first convenience store to accept Nets payment by QR code, a new form of payment that utilizes DBS PayLah, OCBC Pay Anyone and UOB Mighty. Three vending machines selling ready-to-eat food such as pastries, pizza, fried rice and fried noodles are located in the store. At the back end, a system tracks stock levels and automatically places orders when stocks are low. This unmanned format saves Cheers 180 man hours per week²⁷.

Apparel: Temasek to acquire 30% stake in Italian apparel brand Stone Island

Singapore state investment firm Temasek Holdings is set to acquire a 30% equity interest in Italian apparel brand Stone Island. Financial terms of the transaction were not disclosed. Stone Island will use the proceeds to finance the international growth of its men's sportswear brand. Founded in 1974, Stone Island is operated by the Sportswear Company, which is one of the largest apparel manufacturers in Italy. Stone Island reported revenues of US\$128.5 million in 2016, up 26% from 2015²⁸.

Endnotes

- ¹ “Alipay Southeast Asia partners with Fave in Singapore.” 3 August, 2017. Retail News Asia.
<https://www.retailnews.asia/alipay-southeast-asia-partners-fave-singapore/>
- ² “QR-code payments could dominate mobile payments – report.” 1 August, 2017. Inside Retail Asia.
<https://insideretail.asia/2017/08/01/qr-code-payments-could-dominate-mobile-payments-report/>
- ³ “Gross domestic product: Second quarter (First preliminary).” 14 August, 2016. Economic and Social Research Institute, Cabinet Office, Government of Japan.
<http://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2017/qe172/gdemenuea.html>
- ⁴ “Consumer Confidence Index for July 2017.” 2 August, 2017. Economic and Social Research Institute, Cabinet Office, Government of Japan.
<http://www.esri.cao.go.jp/en/stat/shouhi/shouhi-e.html>
- ⁵ “Abe reaffirms plan to complete doubling of consumption tax in 2019.” 5 August, 2017. Japan Times.
<http://www.japantimes.co.jp/news/2017/08/05/national/politics-diplomacy/abe-reaffirms-plan-complete-doubling-consumption-tax-2019/#.WYfhVvl96Uk>
- ⁶ “New-style Nike Kicks Lounge debuts in Tokyo.” 1 August, 2017. Inside Retail Asia.
<https://insideretail.asia/2017/08/01/new-style-nike-kicks-lounge-debuts-in-tokyo/#daily>
“Inside Nike Kicks Lounge Omotesando.” 28 July, 2017. Nike.com.
<http://news.nike.com/news/inside-nike-kicks-lounge-omotesando>
- ⁷ “Uniqlo to double China stores, but real fight lies online.” 12 August, 2017. Nikkei Asian Review.
<https://asia.nikkei.com/Business/Companies/Uniqlo-to-double-China-stores-but-real-fight-lies-online>
- ⁸ “MUJI's reopened global flagship store in Tokyo features a fruit and vegetable market.” 1 August, 2017. Designboom.
<https://www.designboom.com/design/muji-yurakucho-global-flagship-store-tokyo-interiors-vegetable-fruit-market-08-01-2017/>
- ⁹ “Consumer Price Index in July 2017..” 1 August, 2017. Statistics Korea.
<http://kostat.go.kr/portal/eng/pressReleases/9/1/index.board>
- ¹⁰ “S. Korea's corporate watchdog to introduce punitive damages to distribution industry.” 13 August, 2017. Yonhap News Agency.
<http://english.yonhapnews.co.kr/business/2017/08/11/0501000000AEN20170811001900320.html>
- ¹¹ “11st posts record-high transactions in first half.” 1 August, 2017. Korea JoongAng Daily.
<http://mengnews.joins.com/view.aspx?ald=3036579>
- ¹² “Lotte units suffer earnings setbacks on THAAD fallout.” 3 August, 2017. Yonhap News.
<http://english.yonhapnews.co.kr/business/2017/08/03/0503000000AEN20170803001751320.html>
- ¹³ “Royal Group, SK's E-Mart sign MoU for hypermarket.” 31 July, 2017. Phnom Penh Post.
<http://www.phnompenhpost.com/business/royal-group-sks-e-mart-sign-mou-hypermarket>
- ¹⁴ “Emart to open men's lifestyle store in Starfield.” 3 August, 2017. Korea JoongAng Daily.
<http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3036653>
- ¹⁵ “GS25 makes foray into Vietnam.” 1 August, 2017. Korea JoongAng Daily.
<http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3036588&cloc=etc%7Cjad%7Cgooglenews>
- ¹⁶ “The Price Indices for July 2017.” 8 August, 2017. National Statistics, Republic of China (Taiwan).
<http://eng.stat.gov.tw/lp.asp?ctNode=2410&CtUnit=1016&BaseDSD=7>

- ¹⁷ "Ten 7-Eleven stores open in Zhejiang." 5 August, 2017. Taipei Times.
<http://www.taipeitimes.com/News/biz/archives/2017/08/05/2003675920>
- ¹⁸ "Gap launches digital storefront on Yahoo! Taiwan." 8 August, 2017. Gap Inc.
http://www.gapinc.com/content/gapinc/html/media/pressrelease/2017/med_pr_080817_pgs_Taiwan.html
- ¹⁹ "Consumer price index of July 2017." August 2017. Trade and Economic Indices Bureau, Ministry of Commerce, Thailand.
http://www.indexpr.moc.go.th/price_present/cpi/data/index_47_e.asp?list_month=06&list_year=2560&list_region=country
- ²⁰ "CJ Express to invest THB4 billion in expansion." 1 August, 2017. Inside Retail Asia.
<https://insideretail.asia/2017/08/01/cj-express-to-invest-thb4-billion-in-expansion/#daily>
- ²¹ "Lawson 108 to pump out Susco branches ." 8 August, 2017. Bangkok Post.
<https://www.bangkokpost.com/business/news/1302023/lawson-108-to-pump-out-susco-branches>
- ²² "Cartier opens new boutique in Kuala Lumpur at Pavilion KL." 5 August, 2017. CPP Luxury.
<http://www.cpp-luxury.com/cartier-opens-new-boutique-in-kuala-lumpur-at-pavilion-kl/>
- ²³ "New Prada boutique in Suria KLCC offers customisation services." 6 August, 2017. Lofficial.
<https://www.lofficielmalaysia.com/fashion/new-prada-boutique-in-suria-klcc-offers-customisation-services>
- ²⁴ "Quarterly GDP for 2Q17." August, 2017. Ministry of Trade and Industry, Singapore.
<http://www.singstat.gov.sg/statistics/browse-by-theme/national-accounts>
- ²⁵ "Monthly Retail Sales and Food & Beverage Service Indices for June 2017." August, 2017. Department of Statistics Singapore.
<http://www.singstat.gov.sg/publications/publications-and-papers/services/monthly-retail-sales-and-food-beverage-service-indices>
- ²⁶ "Toscano, Y Ventures team to launch Faire Leather." 15 August, 2017. Inside Retail Asia.
<https://insideretail.asia/2017/08/15/toscano-y-ventures-team-to-launch-faire-leather/#daily>
- ²⁷ "Convenience store Cheers opens first unmanned, cashless outlet." 28 July, 2017. Straits Times.
<http://www.straitstimes.com/singapore/convenience-store-cheers-opens-first-unmanned-cashless-outlet>
- ²⁸ "Singapore: Temasek acquires 30% of Italian fashion firm Stone Island." 1 August, 2017. Deal Street Asia.
<https://www.dealstreetasia.com/stories/singapore-temasek-stone-island-79277/>