



# Asia (ex-China) Retail & E-commerce

## Biweekly Updates

16 August – 31 August 2018

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# Asia at a Glance

## E-commerce: Malaysia's price comparison online website iPrice gets capital boost from South Korea's Internet service company Naver

Malaysia's price comparison website iPrice has recently secured a new fund from South Korea's Internet service company Naver. iPrice will use the new proceeds to finance its expansion into the Indonesia market and to improve its platform for a better user experience. Previously, iPrice also received capital investments from Line Ventures, a Japanese subsidiary under Naver. iPrice currently operates in seven Asian countries, serving to compare prices between similar products on different online shopping websites<sup>1</sup>.

## Luxury: U.S luxury fashion retailer Fred Segal to open new stores in Taiwan and Malaysia

U.S. luxury fashion retailer Fred Segal plans to ramp up its presence in Asia by opening two new stores in Taiwan and Malaysia in September 2018, picking up its delayed global expansion plan announced four years ago. For Malaysia, the retailer will open a 3,200 sqft store in the 1 Utama shopping center, Kuala Lumpur; the store will house a café and carry a mix of established fashion labels. In Taiwan, the retailer will open a Frierson-branded flagship covering 7,000sqft across two floors<sup>2</sup>.

## Beauty and personal care: Japan's beauty retailer istyle partners with Thailand's department store operator Siam Piwat to open @cosme beauty store in Bangkok

Japan's beauty retailer istyle Inc., which operates @cosme beauty sites and beauty stores, is teaming up with Thailand's major department store operator Siam Piwat to open @cosme beauty

stores in Thailand. The two companies have set up a joint venture company named istyle Retail Thailand, which is 70% held by istyle and will operate five @cosme stores in the country. The first @cosme store in Thailand is planned to open at the new shopping mall IconSiam in Bangkok by the end of 2018, followed by the second one at Siam Center. The joint venture expects the total sales of local @cosme stores to reach 300 million baht (US\$9 million) in the first three years. Currently, @cosme operates stores in Japan, Hong Kong and Taiwan<sup>3</sup>.



## Statistics: CPI up 0.9% yoy in July 2018

Japan's consumer price index moved up by 0.9% yoy in July 2018. By category, prices of fuel, light & water charges and medical care increased by 3.1% yoy and 2% yoy respectively, followed by transportation & communication (up 1.5% yoy), food (up 1.4% yoy), culture & recreation (up 0.6% yoy), education (up 0.5% yoy), clothes & footwear (up 0.3% yoy) and miscellaneous (up 0.3% yoy). By contrast, prices of furniture & household utensils and housing fell 1.1% and 0.1% yoy respectively in July 2018<sup>4</sup>.

## E-commerce: Aeon leads US\$111 million Series D round funding in U.S. online grocer Boxed

Japan's retail giant Aeon has led an US\$111 million Series D round funding in Boxed, a U.S. e-tailer selling bulk-size grocery. Existing investors and new investors including New York-based private equity firm Alpha Square Group, Asia-based venture capital CDIB Capital, consumer technology investor Gabriel Naouri have also joined the

funding round. With this funding round, Boxed will share knowledge with Aeon in logistics, robotics, AI-driven data usage and accelerate Aeon's digital transformation. The two companies will also explore further collaboration on technology and business models<sup>5</sup>.

### Apparel and footwear: Uniqlo plans massive store expansion in Asia-Pacific region

Japan's largest fast fashion brand Uniqlo plans to more than double its store number in Southeast Asia and Oceania by 2022. The brand currently operates some 180 stores in the region, a similar number to rival Zara and about 50 more than H&M; yet, Uniqlo looks to expand its store network in the region to about 400 stores over the next four years. Traditional shopping mall locations will remain important for the massive expansion, while stand-alone sub-urban stores will be a focus in key Southeast Asian countries, including Thailand, Malaysia and the Philippines<sup>6</sup>.

### Apparel and footwear: Uniqlo makes debut in H&M's home market Sweden

Uniqlo has recently opened its first store in Sweden – the home market of global fast fashion player H&M, stepping up its expansion in the European market. Prior to its debut in Sweden, Uniqlo launched its first store in Spain – the home of Zara in fall 2017. Currently, Uniqlo derives merely 4% of its global sales in Europe, where it had 75 stores as of July 2018. About three quarters of the 2,057 Uniqlo stores are in Asia, covering Japan, China, Hong Kong, Taiwan and South Korea. The brand is expected to generate over 2 trillion yen (US\$17.9 billion) in sales in the fiscal year ended August 2018<sup>7</sup>.

### Apparel and footwear: Japan's designer brand Yohji Yamamoto launches global e-commerce website

Japan's designer brand Yohji Yamamoto has recently opened its global online shopping website The Shop Yohji Yamamoto. Displayed in English and trading in US dollar, the e-commerce site offers various web-only fashion brands including S'yte, Y's, Yohji Yamamoto + Noir label and the luxury accessories label Discord Yohji Yamamoto, and LIMi feu. The website accepts payments by Visa, Mastercard or PayPal and it will deliver to 130 countries worldwide via EMS. The company is set to launch an app and an e-commerce site in Chinese in September 2018<sup>8</sup>.

## South Korea



### Statistics: Consumer sentiment index down 1.8 points mom in August 2018

South Korea's consumer sentiment index moved down by 1.8 points mom in August. The decline was mainly led by a fall in consumer sentiment for current domestic economic conditions (down 7 points mom), prospective domestic economic conditions (down 5 points mom) and prospective household income (down 1 point mom). By contrast, consumer sentiment regarding prospective household spending added 1 point mom in August 2018, while consumer sentiment for prospective living standards remained unchanged from the previous month<sup>9</sup>.

## Hypermarkets: E-mart tests advanced robot concierge “Pepper”

South Korea’s major hypermarket operator E-mart has recently started a trial run for its advanced robot concierge “Pepper” in E-mart Seongsu store. With built-in sensors, Pepper can now approach customers and ask what customers want to cook and provide information such as a list of ingredients. The trial will last until 12 September, 2018. In addition, about 30 E-Mart stores in South Korea will start using smart shelf labels from September 2018, as part the retailer’s efforts to boost efficiency<sup>10</sup>.

## Supermarkets: Shinsegae’s supermarket chain E-Mart Everyday opens cashless store in Seoul

E-Mart Everyday, a supermarket chain under South Korea’s major retail group Shinsegae, opened a cashless store in Gangnam, Seoul on 24 August 2018. The move is part of the company’s efforts to leverage new technologies to optimize customers’ offline experience. The 212-sqm store enables shoppers to pay via Shinsegae’s mobile wallet SSG Pay without going through a checkout counter. The new store also has a self-checkout counter serving those customers without using mobile wallets or mobile devices, along with a cashier for the sale of alcohol and cigarettes. The store also adopts electronic labels instead of paper labels to ensure more accurate price information for customers<sup>11</sup>.

## Convenience stores: 7-Eleven tests self-service convenience stores in South Korea

7-Eleven has recently launched four fully-automated convenience stores in South Korea. Running in trial, two of the stores are located at the headquarters of 7-Eleven in downtown Seoul, one at Lotte E&M in Incheon, and one at the headquarters of Lotte Rent-a-Car in Anyang, Gyeonggi Province. The four self-service

convenience stores are designed as a 10-m long express train, with each installed with five vending machines offering 200 products in five categories – drinks, snacks, prepared meals, processed food and non-food products. Consumers can pay with prepaid transit card or credit card, instead of cash<sup>12</sup>.

## Duty-free shops: Lotte Duty Free to acquire JR/Group’s Australian and New Zealand duty free businesses

South Korea’s largest duty-free operator Lotte Duty Free has agreed to acquire Australia-based trading house JR/Group’s Australian and New Zealand duty free businesses, currently trading as JR/Duty Free. The deal is expected to be completed by end 2018 and will comprise on-airport stores in Brisbane, Darwin, Wellington and Canberra and retailer’s downtown duty-free store in Swanston Street, Melbourne. The acquisition is part of Lotte Duty Free’s plans to become the world’s number one global travel retailer by 2023. Currently, Lotte Duty Free has seven overseas operations, including downtown Jakarta, Indonesia; Guam Airport; Kansai Airport, Japan; Tokyo Ginza; Bangkok downtown; and Da Nang and Nha Trang Cam Rhan airports in Vietnam<sup>13</sup>.

## E-commerce: Amazon to open world’s first cashierless department store in South Korea

U.S. e-commerce giant Amazon plans to open the world’s first checkout-free department store in South Korea. The new store, set for completion in 2020, marks Amazon’s determination to break into the physical retail market. Amazon Web Service, a subsidiary of Amazon, has inked a pact with South Korea’s Hyundai Department Stores to create a futuristic department store with the use of drones and cashierless technology, which includes delivering items to customers outside the building using drones, adopting artificial intelligence to guide visitors and utilizing Amazon Go’s “Just Walk Out”

technology, which is already in operation in the U.S<sup>14</sup>.

### Beauty and personal care: Chanel to premiere its men makeup line in South Korea

French luxury brand Chanel will premiere its men makeup line “Boy de Chanel” in South Korea, the first country in Asia to offer the men makeup line. The new product range, including a lip balm, tint, foundation and eyebrow pencil for men, will be available in South Korea starting 1 September 2018. The collection will be rolled out to the rest of the world in November 2018 on Chanel’s e-commerce platforms and available in Chanel’s boutiques in January 2019<sup>15</sup>.

### Home products: Ikea Korea to go online in September

Swedish home furnishing giant Ikea will open its online storefront ikea.kr in South Korea on 1 September 2018. The e-commerce service aims to attract online shoppers and provide a more shopping option for local customers. Online orders can be made nationwide and delivery will be available for over 6,000 items. Ikea currently operates two stores in South Korea, with the first store opened in Gwangmyeong in 2014, followed by the second one in Ilsan in 2017. Founded in 1943, the company has 419 stores across 49 countries<sup>16</sup>.



### Statistics: Retail sales up 3.2% yoy in July 2018

Taiwan’s retail sales rose 3.2% yoy in July 2018. The growth was mainly driven by an increase in sales of fuel products (up 24.3% yoy), followed by medical goods and cosmetics (up 4.5% yoy), household supplies (up 4.3% yoy), general merchandise (up 3.8% yoy), food, beverages & tobacco products (up 1.9% yoy), textile, clothing & accessories (up 1.3% yoy) and motor vehicles (up 0.8% yoy). By contrast, retail sales of building materials, electrical household appliance & information, communication equipment fell 6.6% yoy and 6.2% yoy respectively in July 2018<sup>17</sup>.

### Statistics: Consumer confidence index slightly up mom in August 2018

Taiwan’s consumer confidence index moved up by 0.18 point mom to 82.56 in August 2018. By category, four out of the five major sub-indices indicated growth, including stock market (up 0.4 point mom), domestic price level (up 0.35 point mom), job market (up 0.3 point mom), and domestic economic outlook (up 0.05 point mom). Nevertheless, consumer confidence for consumer durables moved down by 0.15 point mom in August 2018<sup>18</sup>.

## Thailand



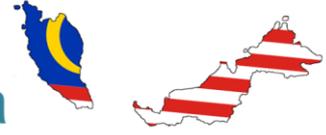
**Retail in general: Central Group to invest US\$500 million for expansion in Vietnam and introduce new retail formats**

Thai retail conglomerate Central Group will earmark US\$500 million to expand its operations in Vietnam over the next five years, aiming to triple the number of its stores and shopping malls in Vietnam to as many as 750. In addition to its existing brands such as the Big C hypermarket and shopping mall that Central Group acquired in 2016, the Thai retail giant will add new retail formats to capitalize growing consumer demand for non-food items in Vietnam. One of the new formats is LookKool gift shop, which targets young shoppers and offers homeware to stationary items at competitive prices<sup>19</sup>.

**Apparel and footwear: China's menswear brand HLA makes foray into Thailand market**

China's menswear brand HLA has recently opened its first store in Thailand at Central Plaza Rama9, after entering Malaysia and Singapore earlier this year. Central Plaza Rama9 is a popular shopping mall in Bangkok; and it is currently the most promising area for real estate investment in Thailand, which will become the new central business district in Bangkok<sup>20</sup>.

## Malaysia



**E-commerce: WeChat Pay arrives in Malaysia**

China's largest social communication platform Tencent launched its mobile payment service WeChat Pay MY in Malaysia on 21 August 2018. WeChat Pay users in Malaysia can send money and make payment in Malaysian ringgit within the WeChat app across various daily online and offline payment needs, from sending money to individuals to paying offline merchants such as telecom carriers, airline and bus ticket providers, restaurants and supermarkets. Local supermarket chain KK Super Mart is the first chain retailer in Malaysia to accept WeChat Pay MY<sup>21</sup>.

**E-commerce: DHL eCommerce partners with Shopee Malaysia to boost next-day delivery service**

DHL eCommerce, the e-commerce unit under international logistic company DHL, has entered into a partnership with online shopping platform Shopee Malaysia to extend its next-day delivery service in Malaysia. The alliance follows a similar deal between DHL eCommerce and Shopee Thailand in May 2018. Through its tie-up with Shopee Malaysia, DHL eCommerce aims to grow its service points in Malaysia from current 500 to 1,000 by the end of 2018. For Thailand, it targets to have at least 2,000 service points by 2019. Currently, DHL eCommerce has established its presence in Thailand, Vietnam and Malaysia<sup>22</sup>.

## E-commerce: Online fashion brand Pomelo launches in Malaysia

Asia-founded online fashion brand Pomelo has launched its online store in Malaysia as part of its further expansion into the Southeast Asian e-commerce market. With the new launch, shoppers in Malaysia can access the brand's latest collections on Pomelo Malaysia shopping site and Pomelo App. Meanwhile, Pomelo is also setting up 700 drop-off locations across Malaysia, with plans to extend the network to about 2,000 locations nationwide, with a view to providing customers more convenience when making returns. Shoppers can also enjoy free returns all year round and various payment options including cash on delivery<sup>23</sup>.

## Apparel and footwear: British sporting goods retailer SportsDirect opens mega store in Malaysia

British sporting goods retailer SportsDirect has recently launched a mega store in Malaysia. Located in Petaling Jaya, the mega store is currently the brand's largest store in the country. Covering 41,000 sqft, the store is a joint destination for SportsDirect and its sister brand MST Golf. It offers a wide range of international sporting brands and carries an inventory of over 23,000 pairs of sports shoes, appealing to diverse customer groups<sup>24</sup>.

## Home products: Ikea goes online in Malaysia

Swedish home furnishing giant Ikea has officially launched its online store in Malaysia, offering the largest online selection of home furnishing products in the country. The new launch marks Ikea's strong foray into Malaysia's e-commerce market. Carrying over 9,000 SKUs, the online store offers delivery services nationwide by package or truck and accepts payments by major debit and credit cards.

In addition, Ikea Malaysia has also extended its return policy from 100 to 365 days to give their customers more time to exchange or return their products after purchase<sup>25</sup>.

## Singapore



### Statistics: CPI up 0.6% yoy in July 2018

Singapore's consumer price index added 0.6% yoy in July 2018. By category, prices of education, clothing & footwear and healthcare increased by 2.4% yoy, 2.3% yoy and 2% yoy respectively, followed by recreation & culture (up 1.7% yoy), food (up 1.5% yoy), miscellaneous goods & services (up 0.9% yoy), household durable & services (up 0.5% yoy) and communication (up 0.2% yoy). By contrast, prices of housing utilities and transport decreased by 1% yoy and 0.3% yoy respectively in July 2018<sup>26</sup>.

## Retail logistics: Singapore Airlines forms strategic partnership with Alibaba's logistics arm Cainiao Network

Singapore Airlines (SIA) and Alibaba's logistics unit Cainiao Network has recently announced to form a strategic cooperation to work closely to enhance international air cargo services. According to the cooperation agreement, four business lines of Alibaba namely Alitrip, Cainiao, Aliyun and Alipay will participate in the cooperation, covering air ticket sales, membership integration, innovative marketing, international cargo services, cloud computing services, and on-board payment. SIA will support the global procurement transportation capacity for products from China to Singapore or use Singapore as a transit to the world. Upon the cooperation with SIA, Cainiao hopes to further enhance its global smart logistics capabilities and

achieve the goal of 72-hour delivery of global parcels<sup>27</sup>.

### E-commerce: Lazada offers loan services to its sellers in Singapore

Lazada, a Southeast Asian online marketplace backed by Alibaba, has started offering financing services to its online vendors in Singapore. The vendor loan program is launched in tie-up with Singapore-based financing startup Finaxar. Applicants for the loan services are evaluated online and based on their previous transaction volume through Lazada. Those approved can access funds from SG\$5,000 to SG\$1,000,000 (US\$3,665 to US\$733,000), with a fee of up to 1.5% of the amount loaned charged each month by Lazada<sup>28</sup>.



### Retail in general: India's trader association CAIT protests against Walmart-Flipkart deal

India's trader association Confederation of All India Traders (CAIT) said on 20 August, 2018 that its members will stage trade protests across Indian cities on 28 September, 2018 to oppose Walmart's acquisition of Flipkart; traders across the country will stay closed on the day during the protest march. CAIT's Secretary General Praveen Khandelwal claimed that the deal has violated the government's foreign direct investment policy and will create an uneven level playing field and eliminate the competition due to their business module, including predatory pricing and deep discounting<sup>29</sup>.

### E-commerce: Warren Buffett's Berkshire Hathaway to invest in India's digital payment service provider Paytm

Berkshire Hathaway, a multinational trading conglomerate held by American tycoon Warren Buffett, is set to acquire a stake in One97, the operator of India's largest digital payment service provider Paytm. The acquisition marks Berkshire Hathaway's first investment in an India company. Berkshire Hathaway will acquire 3% to 4% stake of One97, which is valued at more than US\$10 billion. Established by Indian billionaire Vijay Shekhar Sharma, One97 currently operates Paytm Payment Banks, Paytm Ecommerce Pvt and Paytm Mall<sup>30</sup>.

### E-commerce: Paytm Mall to team up with online grocery startup BigBasket to contend with Flipkart and Amazon

Paytm Mall, an Indian online shopping site backed by Alibaba, is set to enter into partnership with local online grocery startup BigBasket, aiming to take on its rivals Flipkart and Amazon India. Paytm Mall is now in the process of integrating BigBasket on its shopping app. Currently, Paytm Mall is the third largest online retailer in India. Its holding company Paytm E-Commerce has raised about US\$650 million so far and is valued at roughly US\$2 billion, with Alibaba as its biggest investor. Other major investors include SoftBank, Saif Partners and Paytm founder and CEO Vijay Shekhar Sharma<sup>31</sup>.

### E-commerce: Walmart completes acquisition of 77% shares in India's e-commerce player Flipkart

U.S. retail giant Walmart announced on 18 August 2018 that it has completed the acquisition of 77% stake in India's major e-commerce company Flipkart for US\$16 billion. The deal, first disclosed in May and closed upon receiving necessary

approvals, will provide Walmart huge online opportunities in India's fast-growing e-commerce market. Established in 2007, Flipkart is currently the largest e-commerce company in India, followed by Amazon. Its supply chain unit eKart operates in 800-plus Indian cities and handles 500,000 deliveries daily<sup>32</sup>.

### E-commerce: Amazon reportedly in talks to buy India's supermarket chain More

U.S. e-commerce giant Amazon is reportedly in advanced talks to acquire 42%-49% stake in India's supermarket chain More, which is owned by India's major retail group Aditya Birla Retail. To double down its grocery business in India, Amazon is working with India's private equity firm Samara Capital for a complete buyout of More for 42-44 billion rupees. Amazon and Samara will jointly inject their funds in a shell entity, which in turn will acquire More from Aditya Birla. Currently, More is the fourth largest supermarket chain in India, just after Reliance Retail, Future Group and D-Mart<sup>33</sup>.

### E-commerce: Amazon Pay India reportedly acquires India's all-in-one services platform Tapzo

Amazon Pay India, Amazon India's payment arm, has reportedly acquired India's all-in-one services platform Tapzo in a cash-stock deal that value the start-up at US\$40 million. The two companies reportedly have been in talks on the deal terms since April 2018. The takeover of Tapzo is expected to strengthen Amazon Pay foothold in India's digital payment market. It also marks Amazon Pay's first investment in an Indian digital payment startup. Launched in 2010, Tapzo currently has 35 companies on its platform offering various services, including cab hailing, food delivery, mobile recharges and bus bookings<sup>34</sup>.

### E-commerce: Alibaba reportedly in discussions with Reliance Retail for joint venture

Alibaba reportedly has initiated discussions with India's largest retailer Reliance Retail to form a mega retail joint venture in India, with an investment of at least US\$5 billion, as a way to challenge the dominance of Flipkart and Amazon in India's e-commerce sector. The joint venture, if formed successfully, will be Alibaba's largest investment in an Indian company. A spokesperson from Reliance Retail, however, denied the rumor that Alibaba or anyone else are in talks to acquire a stake in the company<sup>35</sup>.

### E-commerce: Flipkart acquires AI speech recognition startup Liv.ai

Flipkart has recently acquired local AI-led speech recognition startup Liv.ai. Upon the acquisition, Liv.ai will be part of Flipkart's voice solutions' team and will help enhance the conversational shopping experience for Flipkart users. Flipkart believes that the acquisition will help it in targeting the next user base of 100-200 million in India, considering voice-based searches as the next major driver of online sales. Founded in 2015, Liv.ai claims to be the only company in India to be able convert speech to text in nine regional languages including Hindi, Bengali, Punjabi and Tamil, apart from English<sup>36</sup>.

### E-commerce: Flipkart launches new e-commerce site 2GUD selling refurbished electronics products

Flipkart has recently launched a new e-commerce website 2GUD selling only returned and used electronics products that are restored to full functionality by professionals. Products currently offered by 2GUD include mobile phones, laptops, smart watches, tablets and streaming devices; the products are classified into 5 grades of refurbishing levels and sold at cheaper prices. Flipkart will soon

introduce over 400 categories of certified refurbished products on 2GUD, ranging from speakers, power banks and smart assistants to hair drier, hair straightener and TV sets<sup>37</sup>.

### E-commerce: Flipkart's fashion unit Myntra plans to open 100 physical stores

Flipkart's fashion unit Myntra plans to tap the offline market by launching up to 100 physical stores in India selling cosmetics products over the next two years. The debut store is planned to open in Bengaluru within the next six months. Myntra is exploring various sites in shopping centres and high street locations in large India cities. It will also recruit franchisees to operate the beauty and cosmetics stores<sup>38</sup>.

### E-commerce: India's online marketplace ShopClues launches in-house women's fashion label Code Yellow

India's major online marketplace ShopClues has recently rolled out its second private label for womenswear Code Yellow, following the launch of its first in-house womenswear brand Meia in September 2017. As a western wear brand, Code Yellow offers apparel, watches and eyewear at affordable prices, appealing to the taste of modern Indian women<sup>39</sup>.

### Apparel and footwear: Multi-brand fashion retailer V-Mart plans to expand store network

India's multi-brand fashion retailer V-Mart plans to add 35 new stores in India, taking its store number to around 205 stores nationwide by the end of this fiscal year. As part of its store expansion plans, the retailer is now tapping into the northeast region and will launch four stores in Assam in August 2018, aiming to have 20 stores in the region over the next two years. Besides, V-Mart will also open two

stores in Arunachal Pradesh and Meghalaya in October 2018. Currently V-Mart has established its presence in 14 Indian states, operating some 182 stores in the country. In fiscal 2017-18, the company generated around 12.2 billion rupees in revenue<sup>40</sup>.

# Endnotes

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## Fung Business Intelligence

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

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