

Asia Retail

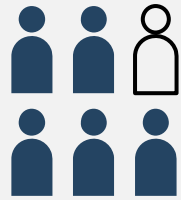
What's New and What's Next in Taiwan Retail

April 2018

Asia Distribution and Retail

 FUNG BUSINESS INTELLIGENCE

Key
economic
indicators



23.5 million*

Population



US\$578.0 billion*

GDP



0.6%*

Consumer price inflation



US\$89.5 billion**

Retail sales

Up 0.1% yoy

Up 2.4% yoy*

Real GDP growth



US\$49,956*

GDP per head



US\$9.3 billion**

Internet sales

Up 5.5% yoy



Source: Economist Intelligence Unit estimates for 2017*, Euromonitor International figure for 2017**; compiled by Fung Business Intelligence

Major domestic retailers

President Chain Store Corporation 1st

Sales 2016: NT\$140.1 billion
(US\$4.3billion)*

Outlets 2016: 9,693

Major businesses and brands:

Convenience stores: 7-Eleven Taiwan

Department stores: Uni-President Ustyle Department Store

Drugstores: Cosmed

Fitness clubs: Being Spa Sport

Logistics services: iCat

Household essentials specialty stores: Duskin Taiwan

Online book stores: Books.com.tw

Restaurants: Starbucks Taiwan

*US\$1=NT\$32.326; Bloomberg's USDTWD spot exchange Rate on 30 December 2016

Chyuan Lien Enterprise 2nd

Sales 2016: NT\$101 billion
(US\$3.1 billion)*

Outlets 2016: 900

Major businesses and brands:

Supermarkets: PX Mart, imart

Fast Eastern Department Stores 3rd

Sales 2016: NT\$43.5 billion
(US\$1.3 billion)*

Outlets 2016: 53

Major businesses and brands:

Department stores: Far Eastern Department Stores, Pacific SOGO Department Store, The Mall

Shopping malls: Mega City, Top City, Big City

Hypermarkets: Far Eastern Ai-Mai

Supermarkets: City'super Taiwan

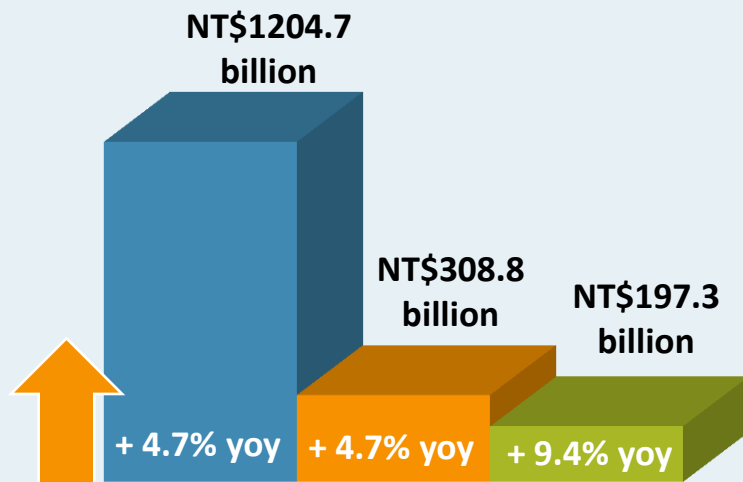
Major retailers by sector

Sector	Major retailers
Internet retailing	Yahoo! Inc., PC Home Online, Fubon Group, President Chain Store Corp., Apple Inc
Apparel and footwear	Uniqlo Taiwan Ltd., BRS Nike Taiwan Co Ltd., VF Brands Taiwan Ltd., Adidas Taiwan Ltd., Lanew International Corp.
Beauty and personal care	Shiseido Co Ltd., L'Oréal Groupe, Procter & Gamble Co., Estée Lauder Cos Inc., Kao Corp.
Consumer electronics	Samsung Electronics Taiwan Co Ltd., AsusTek Computer Inc., Apple Inc., Sony Taiwan Ltd., HTC Corp.
Catering	Wowprime Corp., Noble Family Group, TTFB Co Ltd., Fairy Rise Development Ltd., 3Royalty 3House International Co Ltd.

Source: Euromonitor International; compiled by Fung Business Intelligence

Market share

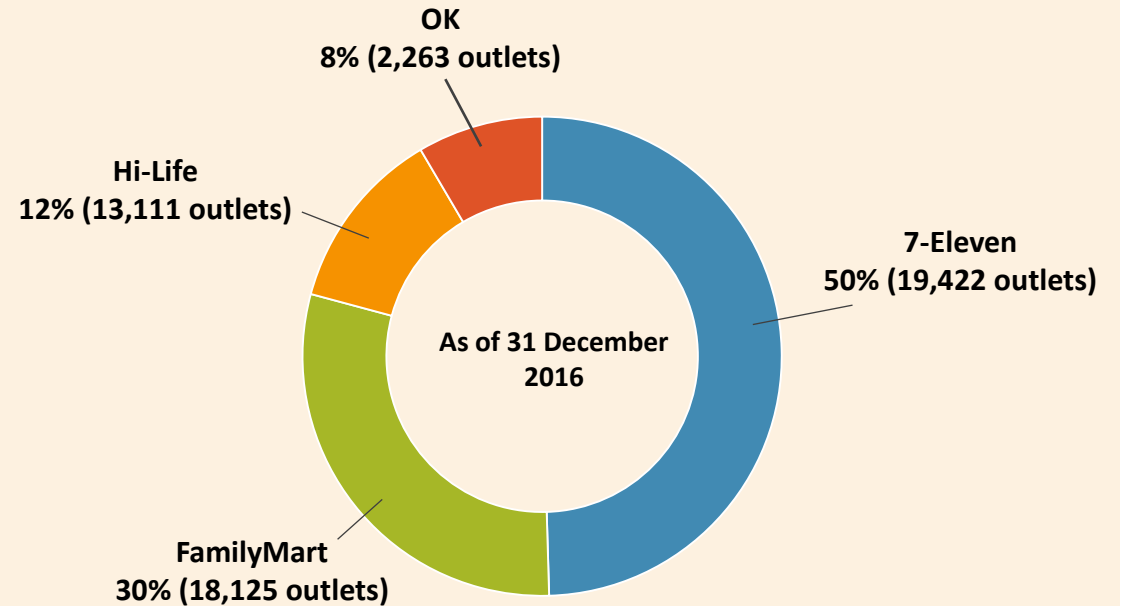
Turnover and growth of three major store formats in Taiwan, as of 31 December 2016



■ General merchandise stores ■ Convenience stores ■ Supermarkets

Source: 7-Eleven Taiwan's 2016 annual report; compiled by Fung Business Intelligence

Number of major convenience store chains in Taiwan, as of 31 December 2016

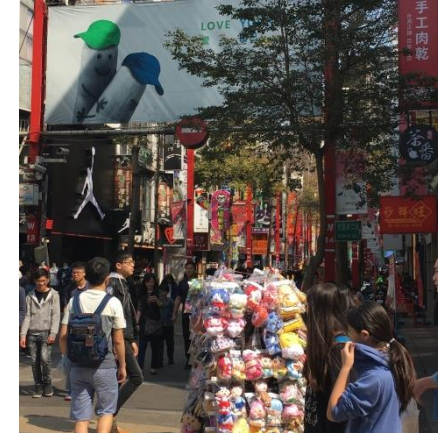


Source: 7-Eleven Taiwan's 2016 annual report; compiled by Fung Business Intelligence

Key retail districts

Taipei

- Xinyi
- Ximending
- Songshan
- Shilin
- Da-an



Prevailing trends



Photo source: Fung Business Intelligence

Consumer confidence to strengthen on minimum wage hike

Consumer confidence in Taiwan is expected to strengthen on recent pay increase. Taiwanese consumers are likely to increase their consumption after the monthly minimum wage in the territory was raised by 4.7% to NT\$22,000 from the previous NT\$21,009, and public sector employees were awarded a 3% pay rise, both effective from 1 January 2018.

Improved consumer confidence and higher income levels are expected to have a positive impact on the retail market, especially the F&B sector. With changing lifestyle and family structure – growing prevalence of one-person household, more Taiwanese, especially young adults living in urban cities like Taipei, prefer eating out for convenience and for the variety of cuisine on offer. Currently, the number of eateries on the island is growing at an average of 3% to 6% each year to over 120,000, according to Channel NewsAsia. In 2017, total revenue of the catering sector in Taiwan topped NT\$452.3 billion, smashing the record high of NT\$439.4 billion in 2016.

Prevailing trends



Photo source: Fung Business Intelligence

Consumer demand for proximity and greater choice

To meet Taiwanese consumer demand for convenience and a greater choice of products, some local grocery players have expanded store network nationwide and undertaken store revamps to enhance consumer shopping experience. For example, Taiwan's major supermarket chain PXMart and general merchandise store operator Poya have continued to increase their outlet numbers nationwide, making shopping more convenient for consumers in both major urban cities and suburban areas.

Apart from expanding the store network, PXMart has also rolled out distinct format stores, including smaller format neighborhood stores, standard chains and flagship stores, providing shoppers with even greater choice based on their needs.

Prevailing trends



Photo source: Cheers.com.tw

Increasing numbers of traditional retailers further their digital transformation push

Digital technologies have been reshaping the retail market and impacting the buying behaviors of consumers. To catch up with the digital transformation trend, an increasing number of traditional retailers have added technologies in-store to enhance consumer experience. For instance, 7-Eleven Taiwan launched its first experiential unmanned 7-Eleven store named “X-Store” in January 2017. As the first unmanned convenience store in Taiwan, X-Store draws on cutting-edge technologies to provide new in-store experience; it has installed facial recognition system at the entrance including “Face in” for entry to the store, “Face Pay” to make payment, and “Face Go” for checkout; self-service POS systems; electronic labels as well as robot greeters and sweepers.

Prevailing trends



Photo source: CNA

Increasing numbers of traditional retailers further their digital transformation push (cont'd)

Another major CVS operator FamilyMart Taiwan also launched a concept store in Taipei in April 2018, aiming to provide unique customer experience and expedite labor task by leveraging digital technologies. Marking the retailer's efforts to transform itself into a next generation convenience store chain, the concept store incorporates a slew of digital technologies, including a service robot to highlight offers and in-store events and guide customers around the store; a 3D camera at the entrance to count the number of store visitors; the use of electronic price tags that enables shoppers to interact with POS registers and allow the store to refresh inventory information automatically; and a range of state-of-the-art technologies - IoT, big data, artificial intelligence, RFID, virtual reality interfaces, interactive projection screens and blockchain applications to lessen manual tasks from product ordering and goods receiving to item inspection and display, thereby improving overall operational efficiency.

Prevailing trends



Photo source: Fung Business Intelligence

Increasing numbers of traditional retailers further their digital transformation push (cont'd)

In Taipei, local department store Qsquare has launched a human-like service robot "Pepper" in the front line to interact with customers. Developed by Japan's tech giant Softbank and distributed in Taiwan by Foxconn Technology Group's subsidiary Perobot, Pepper can perform various customer services and operate up to 12 hours non-stop. More than greeting shoppers when they enter the store, the humanoid robot can also direct customers to stores and facilities inside the department store, highlight special deals and activities launched by retailers, help customers with reward point redemption and delight customers by performing dance, playing games and taking selfies with patrons.

Apart from Qsquare as one of the early adopters of Pepper in Taiwan, French hypermarket operator Carrefour has also planned to introduce two Pepper robots into its shops in Taiwan to support basic needs of its customers.

Prevailing trends



Photo source: Fung Business Intelligence

Both traditional and e-commerce players are deploying O2O strategies to enhance consumers' shopping experience

To enhance shopping convenience for customers, traditional retailers have enhanced their payment services in-store to cover more payment options. For example, FamilyMart Taiwan has rolled out an e-wallet app called "My FamiPay", making in-store purchases and utility bill payment easier for customers.

Currently, consumer confidence in online shopping security remains low in Taiwan; some e-commerce players have tied up with brick-and-mortar retailers to provide other payment options for consumers. As a case in point, local online retailer Momo, more than accepting payments by credit cards and pre-paid cards, also accepts cash on delivery, ATM payments and cash payments at partnered convenience stores.

Aside from offering more payment options, some e-commerce players in Taiwan have further boosted consumer confidence with generous return policies, rapid delivery or even free delivery services. For example, domestic e-tailer PC Home offers 24-hour delivery service in Taiwan. Foreign e-tailer Singapore-based Shopee has also rolled out a 2-hour delivery service in all metro areas in Taipei.

Prevailing trends



Photo source: China Times

CVS continues to enrich product range and upgrade in-store services

CVS continues to enrich their product offerings and improve the in-store services, making their stores more supermarket-like. Targeting younger adults, who are generally willing to spend more, many CVSs in Taiwan have introduced organic fresh produce and more Japanese food products to give consumers more food options.

For example, 7-Eleven Taiwan has established private food label “IseLect” and in-house lifestyle brand “Unidesign”. Both of the brands have continued to upgrade and so far have covered a wide selection of consumer products, from fresh juice, soft drink, packaged and frozen food, snack to household essentials, personal care products and apparel items. In May 2017, IseLect also partnered with Japanese major brewery and soft drink company Asahi Breweries Ltd. to launch a new alcoholic drink “IseLect ibeer”, featuring high-quality brewing methods.

On the other hand, realizing the growing popularity of athleisure clothing, FamilyMart Taiwan has also tied up with Kazuki Kuraishi, a Japanese designer for German sportswear brand Adidas, to co-develop a new collection of athleisure clothing under the retailer’s private label FamilyMart Collection.

Prevailing trends



Photo source: Fung Business Intelligence

Variety stores post a threat to street stalls and night markets

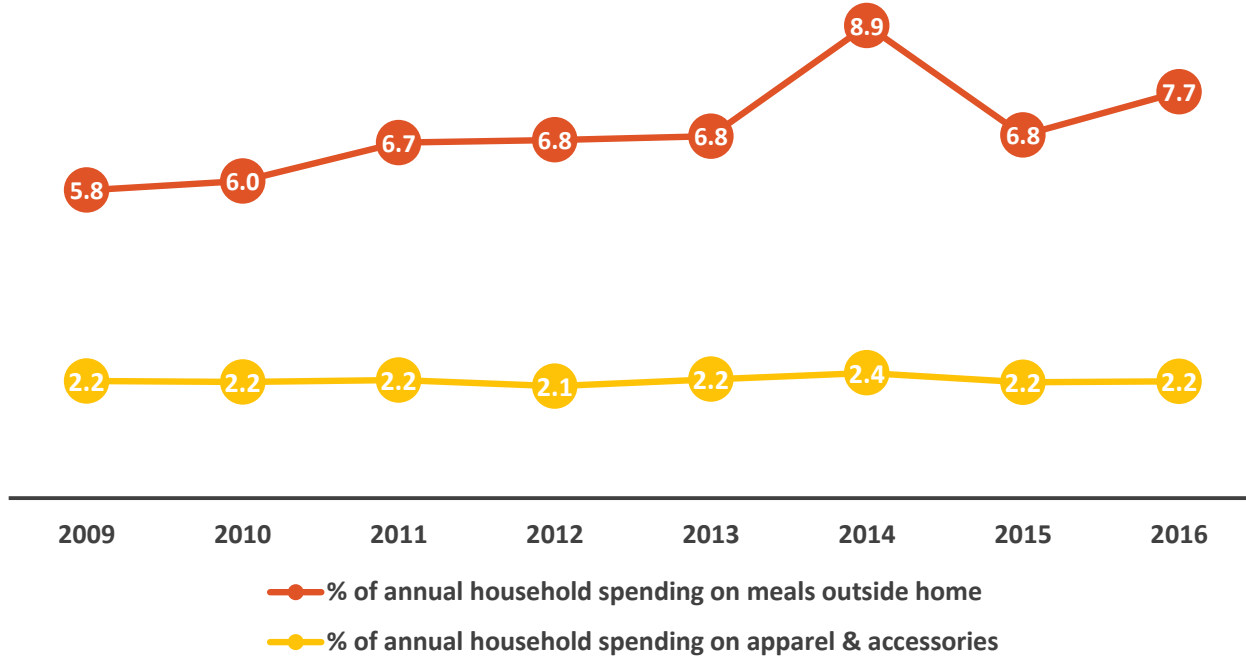
Taiwan has long been known for its street stalls and night markets. However, in recent years, these informal retailing channels have further declined in importance given the ongoing product scandals that have dent consumer confidence and growing popularity of variety stores.

Unlike the unbranded products offered in street stalls and night markets, variety store operators, such as Daiso Taiwan and Miniso Taiwan, carry an extensive range of quality products at low prices, from food, household essentials, kitchenware, gardening supplies, stationery to beauty & personal care, apparel & footwear, accessories, consumer electronics and auto parts, making them more appealing to informal retailing channels. To cash in on the fast-growing popularity of variety stores on the island, Miniso Taiwan, which opened its debut store in Taipei in late 2016, has boosted its networks to 13 stores across the territory, an increase from merely four stores in April 2017.

DID YOU KNOW?

Strong consumer demand for dining out

Annual household expenditure on Taipei City, 2007-2016



In 2016, Taipei residents spent 7.7% of their disposable income on dining out, well above the amount they spent on clothing, which merely accounted for 2.2% of the total expenditure in the year.



Source: Department of Budget, Accounting and Statistics, Taipei City Government, CBRE; compiled by Fung Business Intelligence

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