



“New Retail” in Action – Issue 11

Home Times – Alibaba’s next step in offline retail

Asia Distribution and Retail
Teresa Lam, Christy Li
November 2017

Introduction

Alibaba has been actively setting up its own physical stores over recent years as part of its “New Retail” strategy. Following the launch of the O2O fresh supermarket Hema Xiansheng¹ in 2015, Alibaba opened its first unmanned store “Tao Café” at the Taobao Maker Festival in July 2017 and small retail store Tmall Xiaodian in August 2017. In September 2017, it opened an offline furniture store Home Times in Hangzhou to tap the offline furniture business. And in October 2017, it opened a number of offline pop-up stores to demonstrate the latest retail technologies. This article takes a deeper look at Home Times, an offline furniture and home products store that showcase Alibaba’s vision of “retail store of the future”.

The first Home Times store was launched on 22 September, 2017; it is located on the first floor of Intime City (West Lake branch) in Hangzhou. With an operating size of around 500 sqm, the store has a wide product selection – more than 20,000 SKUs of home products, furniture, kitchenware, home electronics, skincare products and stationery of domestic and foreign brands. Majority of them are sourced from merchants already selling on Tmall.

Observations and in-store experience

Fung Business Intelligence visited Home Times in Hangzhou on a weekday afternoon in early November. There were quite a lot of consumers shopping around when we visited the store, including post-80s and 90s generations, couples, families with children, and housewives. It is reported that Home Times has attracted between 1,500 and 3,000 daily visitors since opening according to Alizila.

Home Times put up a lot of decorations and displays outside the store and at the entrance to attract customers. There is a large interactive screen outside the store. Customers can play games by scanning the QR code with the Tmall or Taobao app. They can get discount coupons after playing the games; the coupons can be used in Home Times.

¹Please refer to our publication [“New Retail” in Action Issue 7: Going “fresh” and “experiential” Part 2: Hema Xiansheng - leading the O2O revolution in fresh produce](#) for details.



Decoration outside and at the entrance of Home Times



Large interactive screen outside the store

Source: Fung Business Intelligence

Inside the store, the decoration is simple and colorful. The store uses augmented reality technologies to enhance customers' shopping experience. Online directories are widely available in-store. Customers can browse product information with the devices. Large screen displays on the wall also allow customers to see their desired furniture and décor in a virtual home setting. This also indicates that Home Times requires significantly less display space, compared to traditional furniture retailers.



Online directories in-store

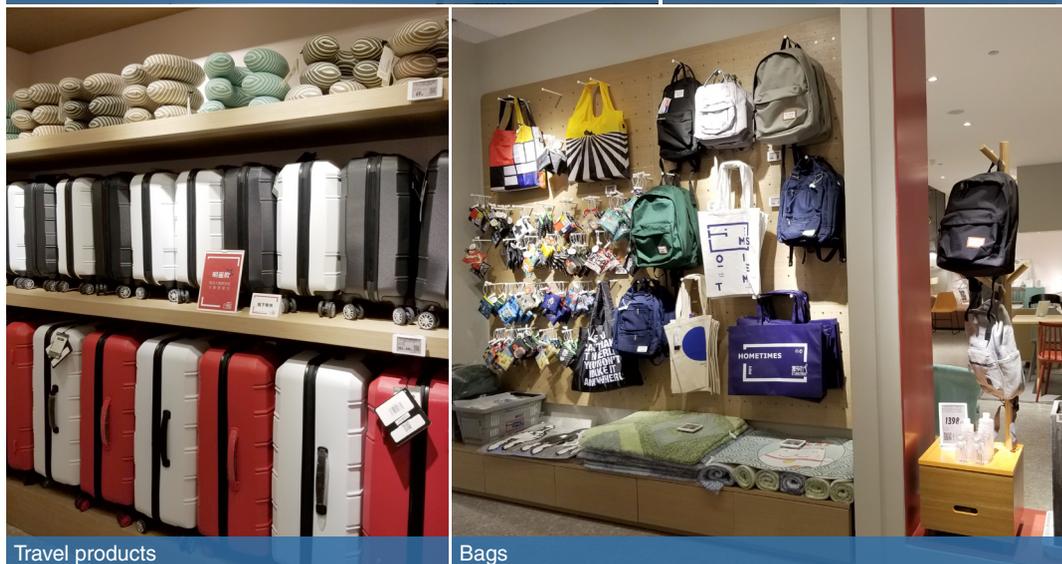
Source: Fung Business Intelligence

The store is divided into several areas – home products, kitchenware, travel essentials, furniture, home textile, and stationery. Products in the same category are put together neatly.



Home products

Kitchenware



Source: Fung Business Intelligence



Home electronics



Furniture



Stationery



Home textile



Skincare products

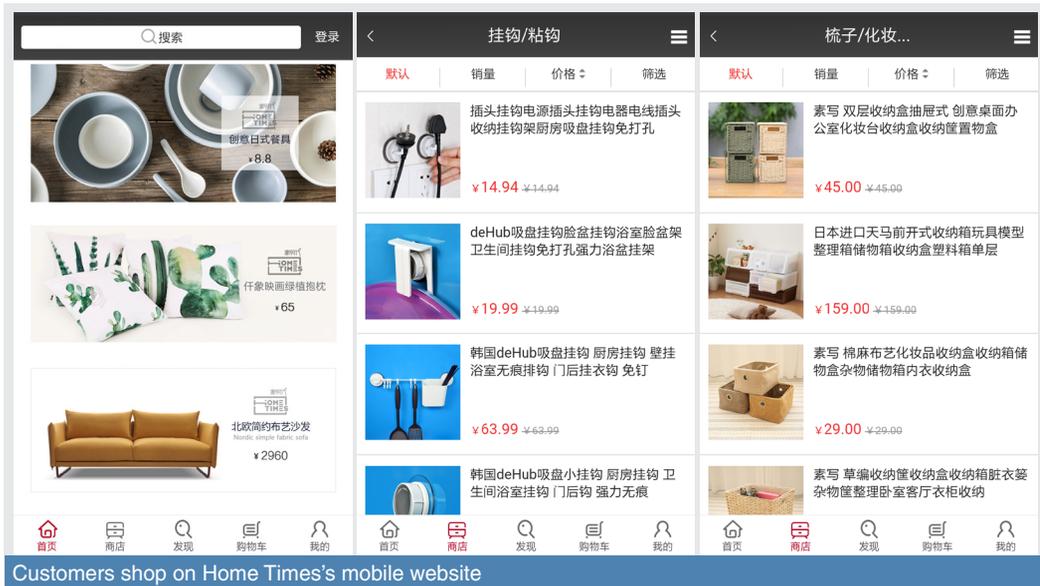


Snacks

Every product is associated with a product tag that shows the price and product details, as well as a QR code. Customers can scan the QR code to order online if they want to have the products delivered to their home. They can also place order via the online directories in-store. Alternatively, they can buy the displayed products on-site.



Product tags with QR codes are displayed on the shelf

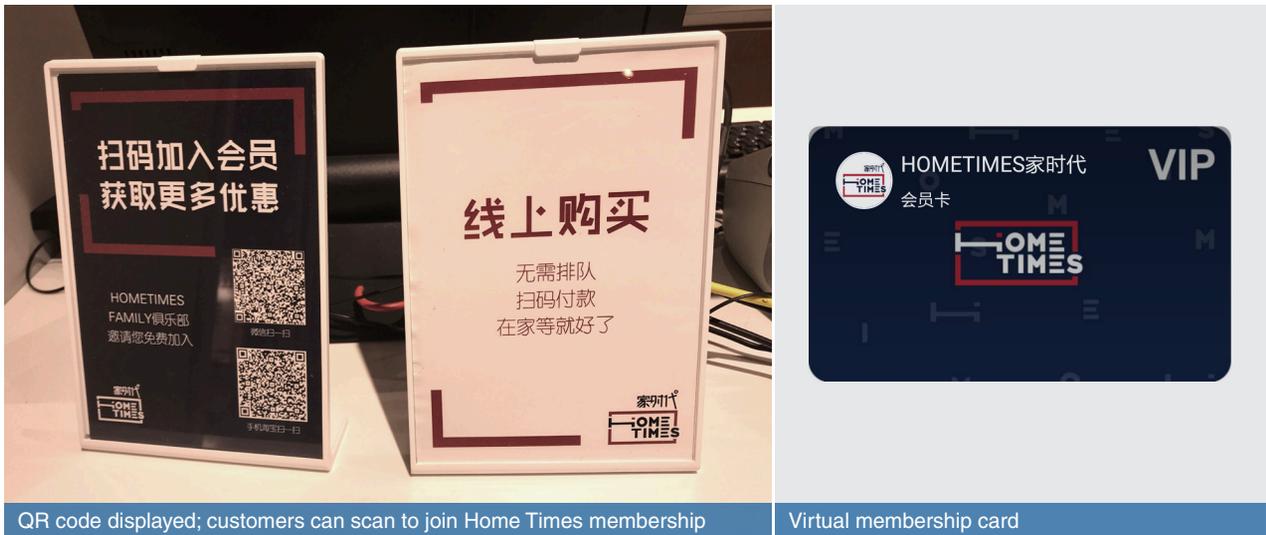


Customers shop on Home Times's mobile website

Source: Fung Business Intelligence

Most of the products available in-store or on the online directories are from merchants on Tmall. However, there are also some products which are offered in-store exclusively but not on Tmall.

Consumers can join the membership of Home Times by scanning the QR code displayed in-store. Members can earn reward points for each yuan purchased. They can also gain extra points on their birthdays. Home Times also offers free home interior design service for members.



QR code displayed; customers can scan to join Home Times membership

Virtual membership card

Source: Fung Business Intelligence

Comments and conclusions

Fung Business Intelligence believes that Home Times is a good trial of Alibaba to tap the offline furniture and home products market. The offline store not only provides a place for customers to touch and feel the products, but also serves as essential physical touch points to generate traffic online.

Alibaba hopes to show how analytics and technologies can transform a traditional physical store into a retail space that offers seamless online-offline customer experience. William Chen, head of the Home Times project at Alibaba's Cloud Retail division, said that Alibaba analyzes the behavior and preferences of users within a five-mile radius of the shop. Products are then chosen from these users' top preferred categories and added to store shelves. By leveraging the Big Data, Home Times can reduce the time required to source products worldwide. According to Chen, store offerings will change every 10 to 15 days to keep up with the fast changing consumer demand. In our opinions, the use of advanced technologies in both the online and offline channels can enable Alibaba to provide the right products at the right time to shoppers visiting the store. This is particularly important in the customer-centric era.

Home Times also deploys a new CRM system to analyze the purchasing behavior of its members, hoping to provide better products and services to members and increase the frequency of their purchases.

Alibaba is reportedly planning to open two new branches in Hangzhou by the end of 2017, including one at the In77 shopping center in the Hubin business district and another at an undecided location in West Hangzhou. It plans to open 15 to 20 new stores of around 1,000 sqm in 2018. Going forward, we believe Alibaba will continue its push into physical retail to support its O2O strategy. At the same time, other leading e-commerce players are expected to come up with more new O2O initiatives to tap the offline retail market for their long-term and sustainable growth.

Contacts

Asia Distribution and Retail

Teresa Lam
Vice President
E: teresalam@fung1937.com

Christy Li
Senior Research Manager
E: christyli@fung1937.com

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



© Copyright 2017 The Fung Business Intelligence. All rights reserved. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Though the Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of the Fung Business Intelligence is prohibited.