



Will Asian markets follow the recovery path of Mainland China?

BLUEBELL GROUP'S ASIA RETAIL BAROMETER MONITORS THE RESILIENCE OF LIFESTYLE RETAIL IN THE REGION

Asia was first hit by the pandemic, as early as January 2020. Bluebell Group began monitoring the impact of the crisis and is assessing the ongoing pressures on the different markets in Asia in view of the various restrictions, looking at how retailers have swiftly adapted and kept their customers close.

The study tracks retail performance of 50 brands throughout the evolution of the pandemic in 7 markets, namely, Mainland China, Hong Kong SAR, Taiwan, Japan,

Malaysia, Singapore and South Korea. It covers five product categories, 2 industry sectors - lifestyle and luxury brands and looks at both domestic and travel retail channels.

Additionally, it also dives into consumer behaviour in Mainland China through a series of interviews with consumer representatives to understand the market's path to recovery.

ASIA LUXURY & LIFESTYLE RETAIL BAROMETER

Whereas barometers traditionally measure air pressure, the Bluebell barometer indicates the level of pressure on luxury and lifestyle retail sales across each market for the full period of this report. This pressure is measured by combining quantitative and qualitative indicators relevant to retail operation, and the unique environment of 2020, including:

- Extent and length of enforced lockdowns
- Extent and length of social distancing
- Impact of inbound travel bans relative to each market's reliance on travel retail
- Mass scale consumption incentivisation programmes

Below chart combines all data and measures the pressures on retail sales from the lowest to the highest providing detailed reasons behind the value assigned.

Breaking down the data, the following charts show sales performances of brands across markets, categories and channels.

Chart 1 - Asia Lifestyle Retail Barometer



SALES PERFORMANCE ACROSS CATEGORIES IN THE REGION JANUARY-JUNE 2020

The chart below shows the sales performance of the 50 brands that were monitored across the different markets highlighting the social distancing measures in place.

After experiencing the highest YoY performance drop between March and April, all markets began recovering in May – with the exception of Mainland China. Mainland China was the first market to experience significant sales decrease YoY, and the first to rebound with positive YoY growth from March onwards. Driven by lockdown fatigue, and a large number of both government and shopping mall-led promotions, consumers flocked back to the stores as soon as restrictions were lifted, and the ‘revenge shopping’ phenomenon emerged.

Taiwan and Hong Kong SAR shared a similar trend, with the virus under control until June, when YoY sales picked

up drastically in that one month. However, this was also ignited by multiple shopping ‘rewards’ and coupon initiatives, as well as the pre-sales led by the brands themselves. Following the easing of lockdowns, Japan saw a rapid YoY performance bounce back from May to June, though not yet reaching positive growth. Malaysia saw a more muted recovery, while Singapore still suffered from the largest YoY sales drop in June.

Overall across product categories from the period of January to June, YoY comparison shows footwear recorded a -44% decrease in sales, followed by fashion at -39% and accessories at -27%. Beauty & fragrance and F&B retail showed a quite stable sales performance with dips of only -11% and -17% YoY respectively.

Chart 2 - Asia Lifestyle Retail Barometer

Sales Performance By Market

Changes in YOY Sales by Market
May to June 2020



SALES PERFORMANCE ACROSS CHANNELS IN THE REGION JANUARY-JUNE 2020

It is no surprise that digital sales shot right up, when comparing YoY. However, it is important to note that the dramatic increase in sales from these ‘new’ channels started from a small or non-existent base of e-commerce. (Brand e-commerce websites in Asia traditionally have been operated by the HQ of the brand)

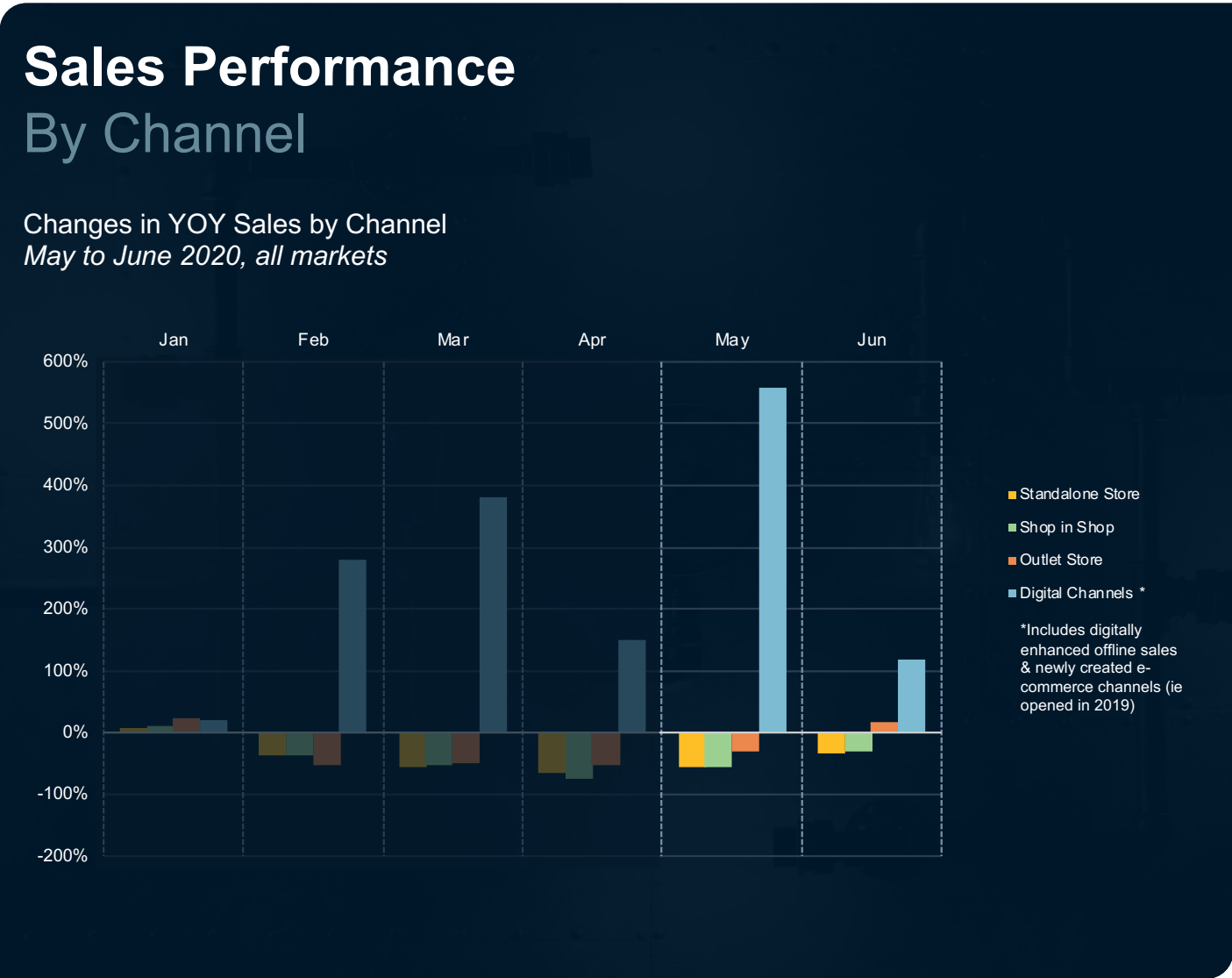
Local retailers acted fast, and were able to keep engaging directly with their customers through new tools. The digital channels that emerged across Asia were not only pure e-commerce platforms, they were largely centered around social media, leveraging platforms such as WeChat and WhatsApp, as well as live streaming to create one-on-one dialogues with customers, give them direct access to products, and make the transaction. Brands invested in training of retail associates to give

them the means to use these new channels for retail. The one-on-one relationship between the sales associate and the customer emerged stronger than ever, reinforcing the DNA of the luxury brands.

These new digital tools and platforms achieved peak performance in May, while growth in June was the lowest since January, albeit still high at over 100% YoY. This ‘moderated’ growth in June was due to an overall relaxing of social distancing measures across Asian markets, which re-ignited consumer confidence, with bricks and mortar stores showing an overall much better performance than the preceding months.

The following section reports the results of interviews with consumer representatives in Mainland China.

Chart 3 - Asia Lifestyle Retail Barometer



DEEP DIVE INTO MAINLAND CHINA: CONSUMER BEHAVIOUR



The following trends were identified from qualitative interviews with Chinese retail sales representatives. In this section, we look at key consumer profiles and categories that shaped retail trends in May and June.

PROFILE

High income professionals > Reconsidering priorities

Faced with the prospect of drawn-out COVID-19 mitigation measures, wealthier consumers (monthly expenses exceeding RMB 20,000) who were less impacted by the initial outbreak are now contemplating the potential impacts on their investments and private ventures, and increasingly opting for sensible investments ahead of retail therapy.

PROFILE

Tier-2 city white collars > The consumption engine

Second-tier city white collars, often state-employees such as doctors, teachers or bank clerks, enjoy high job security and sufficient disposable income due to lower living expenses. They are drawn to fashion items as a straightforward way to 'upgrade' their lifestyle, and have played an essential part in luxury retail consumption from May to June.

PROFILE

18-35 consumers > Looking for distraction

Younger consumers are typically the most responsive to promotion festivals such as Chinese valentine's day (July 7) and Christmas. On May 20 (520 which sounds like "I love You" in Mandarin) contributed to a spike in consumption reflected in brands' YoY data. As always, social media, influencers and celebrity endorsements also remained key purchase influencers for younger Chinese consumers.

WHAT HAS CHANGED ACROSS PRODUCT CATEGORIES?



CATEGORY
Make-up
> Discounts are a hit

High discounts (up to 40%) dominated the makeup industry in May and June, drawing numerous consumers to upgrade from their staple kits to international labels. While mask requirements have made lipsticks redundant in the short term, shoppers still took advantage of the discounts to stock for the future, making lipsticks one of the most popular cosmetic products during this period.



CATEGORY
Imported Food
> Safety concerns dampen demand

Imported food previously experienced growing demand in China due to general concerns about health and safety compliance among domestic products. But after COVID-19 was detected in imported seafood in June, consumer perceptions have shifted to favour domestic produce, and are likely to endure until the pandemic has been managed at a global level.

The slight change in consumer behaviour in Mainland China opens the discussion about this 'new normal' actually destined to be very similar to a pre-pandemic world. However, uncertainty dominates the retail world because the recovery shown by Mainland China seems very far in other markets.

To download the full report, click here: <https://www.bluebellgroup.com/market-insight/>