

China delivers tomorrow's retail today



Unstaffed stores, mobile payments, drone delivery, robotics — in Asia, the future of retail is already a reality. A growing middle class, rapid take-up of online commerce and mobile shopping, plus an insatiable appetite for innovation are making this region the retail sector's playground, writes **Helen Roxburgh**

CHINA remains the dominant market in Asia, with retail sales in 2017 hitting \$5,781bn, of which more than 19% was from online shopping. But other markets are seeing impressive growth: India's retail market is predicted to reach \$1tn — growing over 60% — by 2020, according to ASSOCHAM and MRRSIndia.com, while a report by Google predicts that the internet economy of Thailand, Indonesia, Malaysia, Singapore, Vietnam and the Philippines will hit \$200bn by 2025.

“Strong economic growth over the years has led to a large and fast-growing retail market in Asia,” says Wilson Tan, CEO of CapitaLand Retail. “A substantial proportion of Asian consumers are millennials with an experiential mindset that is

highly receptive to retail innovation. Adding to the retail buzz in the region is the rise of a key emerging market, China, which has a booming middle class that is fuelling the expansion of shopping malls, and a tech-savvy population that is big on online shopping and mobile-based transactions.

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Tan adds: “To better cater to the evolving lifestyles of Asian consumers who are increasingly shopping both in stores and online, mall operators and retailers are enhancing their store experience, online presence and back-end data metrics to obtain a 360-degree customer view that aggregates data from various touch points.”

Retail experts are talking about Asia's ‘New Retail’ — a fully integrated, data-heavy retail offer that puts the consumer at its centre, both on- and offline. “Omni-channel is simply the seamless combination of online and offline — ‘New Retail’ takes it one step further and brings the consumer into the picture as well,” says James Hawkey, head of retail for China at JLL. “The idea is that the consumer, and all that feedback from the consumer, will play

a bigger and bigger part in retail, through all types of feedback, both online and offline. So shops stock stuff because they know people like it, people have asked for it, viewed it and shared it, so you can impact on the production process as a consumer.”

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Alibaba, which has the largest marketplace in the world, and Beijing-based online retailer JD.com are the pioneers in this sector. Alibaba recently struck a delivery partnership with Starbucks and is investing in its network of 60 Hema stores [See box], which double as e-commerce distribution hubs. Consumers can also pick out fresh groceries and have in-house chefs cook food for them.

JD, meanwhile, is aggressively pursuing futuristic stores — including smart cars to drive consumers to relevant aisles — and building a sophisticated distribution system that includes drone deliveries and high-tech warehouses.

China's unmanned retail sector is expected to triple in size to £7.5bn by 2020, according to iResearch. Alibaba, JD and WeChat parent Tencent have all opened automated stores over the past year.

Meanwhile, quick food service retailer KFC has introduced sophisticated facial-recognition technology that lets customers order using only their faces. In China, much of this technology is facilitated by extremely convenient and efficient mobile-payment systems, namely Alipay and WeChat Wallet. China is still the leader in mobile-payment adoption with more than 60% of the worldwide user base in 2018, according to eMarketer.

Retail developers are also innovating. CapitaLand, which has 70 malls in Singapore, China, Malaysia and Japan, has created its own e-commerce payment system called StarPay. The developer's new Funan shopping mall in Singapore is its first 'online-and-offline shopping mall', with smart-car parking, a cinema, theatre, workshops and a 24-hour click-and-collect drive-through, with a robotic arm that



Funan, Singapore is CapitaLand's first 'online-and-offline' mall, with robot-served click-and-collect.



Alibaba founder Jack Ma at the opening of a Hema store.

collects parcels using a QR code. "With the benefit of being a new development, Funan's hardware and software has been wired differently, so that it is ready to plug into the 'phygital' [physical plus digital] world of today's consumers when it opens next year," Tan says. To draw online savvy consumers back to physical shopping requires motivation in the form of better in-store service and more unique experiences. "A lot of retailers are offering customisation

and DIY components within their stores and restaurants," says Vivek Kaul, head of retail, advisory and transaction services, Asia, at CBRE. "Furthermore, adopting technology to increase productivity — using self-ordering kiosks in fast-food restaurants, robots to fry, and online and social media interactions to increase customer satisfaction — is also improving the customer experience. In the optical industry, for example, Japanese brands JINS and Owndays provide ser-

vices such as free prescription lenses that are inclusive of the frame price. Your eyes can be tested in the store and your personalised glasses made within 30 minutes."

Vivek Kaul, CBRE:
"Using self-ordering kiosks in fast-food restaurants, robots to fry, and online and social-media interactions to increase customer satisfaction is also improving the customer experience"

Longfor, founded in 1993, has built a nationwide presence in China, and was one of the first mall developers in China. Longfor has been developing and operating commercial properties for over 18 years

CHINA'S TECH TITANS CALL THE CHANGES IN SUPERMARKETS

IN CHINA mobile phones play a central role, writes **John Ryan**. The smartphone is ubiquitous in most countries these days, but its omnipresence in the world's most populous nation is still remarkable.

And in retail there are two major players that are making most of the running as far as both m-commerce and its physical manifestation in the cities are concerned: Alibaba and JD.com. The former is headquartered in Hangzhou and, as well as being the operator of proprietary mobile-phone payment system Alipay, it is rapidly making inroads into the supermarket sector with its Hema format. This is a supermarket that is as much an eating destination as a place to buy groceries — and the key to almost all of its operations is the mobile phone. Used to gain entry to the store, to order food to eat

in one of a branch's several eating areas via a scanned RFID code and to checkout (although more conventional payment methods are available), this is homage to the power of digital. Shoppers can even watch online order bags being conveyed around the store using an overhead conveyor-belt, prior to being despatched and delivered in under 30 minutes within a 3km radius of the store.

Yet while this is a commercial proposition that takes digital as a starting point, the interior of a Hema store is about leisure and entertainment, with close to 50% of store revenue coming from those who dine within — a sharp contrast to the West. Currently, there are close to 50 Hema stores, and they are all large, across China, from a standing start in 2017.

The same preoccupation with the phone occupies the



Digital revolution: JD.com's 7Fresh format.

JD.com 7Fresh supermarket in Beijing. Shoppers can select exotic fruits from a display and see information about them appear on a mirror above the tiered table or simply sit down and use their phone to play a game at one of the kiosks dotted around the store. Like Hema, payment via smartphone and facial recognition is commonplace — and once

again, it is the in-store restaurant that is the star.

While technology is put to good use, retail technology that works with old-fashioned visual merchandising and human interaction is key to making both 7Fresh and Hema work. And this looks like a revolutionary model that has the potential to expand beyond China.

and has developed three major brands, namely Paradise Walk, serving as regional retail facilities in rural/suburban centres or transportation hubs, Starry Street as community malls providing daily shopping needs for residents nearby and MOCO for mid- and high-end household and lifestyle shopping. To date, it has opened 28 malls with a total area of more than 2.8 million sq m and housing over 4,000 brands including about 200 strategic co-operation brands.

In 2016 Longfor launched a new strategy, "We in, We fun" and "Space as a Service", for its overall commercial portfolio, delivering a message that every Paradise Walk and Starry Street in the future will be positioned as a 24-

hour entertainment experience. Going forwards the company aims to locate new malls at major transit hubs, positioning for each project as a digital orient-

ed operation and with 10 to 15 malls opening annually.

Founded in 1997 in Shanghai, Icicle is a high-end and eco-friendly fashion brand with

a philosophy in search of the harmony between human and nature. Icicle products are made of pure and natural materials, including organic cotton, linen,



Longfor's Paradise Walk, positioned as a 24-hour entertainment experience.

silk, wool, cashmere and the brand has increased its market shares strongly in China, with store numbers rising to 249 and plans to develop the brand in France, the UK, Italy, Germany, Switzerland, the US and Japan. In the summer of 2019, Icicle will open its first overseas store on George V Avenue in Paris. Malt Lab, a brewing brand that operates two bars in Shanghai, is looking to pioneer a new experiential solution for craft drinks in high-end food courts. Part of the appeal of its bars is the unique experience and the ability to see the drinks being made,

as well as regular brewery tours and events. "When you're sitting at the bar, you can see the beer is directly in front of you, and the beer is coming directly from the tank to the tap. We have no keg between the tank and the tap, so it's very fresh and we can brew very quickly," says Chloe Berndt, Malt Lab director. She adds: "In China, consumers want to learn — they like to learn new things."

In developed retail markets such as Singapore and China, F&B has moved from a traditional 20% of the trade mix to as high as 50%. Many international en-

tertainment operators are also taking retail space, such as Merlin Entertainments with its Legoland Discovery Centre, along with an enormous array of other services, including hospitals, dentists, schools, sports courts and nurseries. The 300,000 sq m Suzhou Center Mall, for example, includes flight simulation, pony riding and ice skating.

"Given that purchases of goods can now be made with a few clicks on a mobile, shopping malls need to evolve from being mere collections of stores and products to become lifestyle destinations that deliver unique experiences to con-

sumers," CapitaLand's Tan says. Physical stores are also still expanding across Asia. This year saw a landmark in India with the first 400,000 sq ft (37,161 sq m) IKEA store opening in Hyderabad, 12 years after the homewares brand first started looking at the Indian market. IKEA says it is expecting six million visitors in its first year of opening. It is offering Indian shoppers some 7,500 products, along with plenty of local customisation to reflect cultural sensitivities, such as chicken meatballs in the cafe, rather than the classic Swedish beef meatballs.

By 2022, sales of homewares

COUNTRY FOCUS: THE INDIAN PAVILION

THE INDIAN Pavilion at MAPIC will host a number of Indian developers and brands, keen to share their projects and formats, and has been organised by government body the Federation of Indian Export Organisations, Ministry of Commerce.

Among the exhibitors is Infiniti Mall, which will be showcasing Infiniti Mall Malad and Infiniti Mall, Andheri, both in Mumbai. Malad has around 200 retailers, seven restaurants and a revamped family entertainment centre called Funcity and a PVR Cinemax. Andheri has 65 retailers and four restaurants and also has a revamped Funcity and PVR Icon cinema.

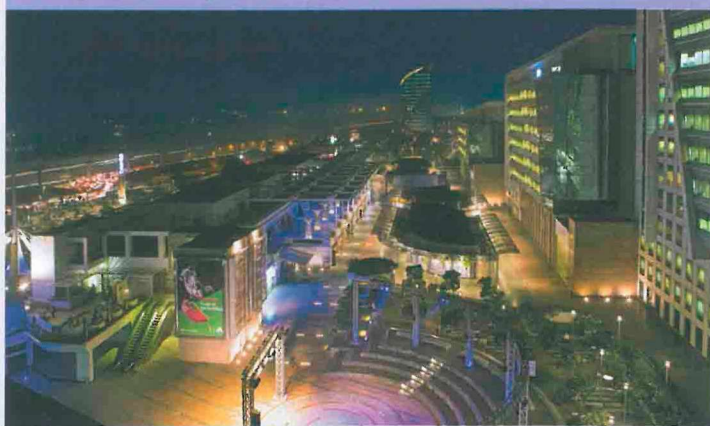
Meanwhile, exhibitor Raymond is a diversified group with majority business interests in fashion and FMCG. The company says that it produces "the finest fabric in the world", with over 1,100 stores spread across 380 cities and a network of over 20,000 points-of-sale in India. It will be promoting its branded fashion portfolio, primarily in mens clothing and consisting of various brands - Raymond, Park Avenue, Parx, Color Plus, Next Look and Ethnix.

Located in Bengaluru, India, Bhartiya City integrates homes, work spaces, shopping spaces, a hospital, school, parks and bike paths and City Centre scheme will provide a strong mix of

F&B, entertainment, education centres, services for families and event spaces — in addition to around 150 stores. City Centre features a shopping centre, high street, Ramblas indoor/outdoor concept, a convention centre, cinema, Celebration Square and Leela hotel.

DLF will be featuring a number of its developments, including DLF CyberHub, India's first integrated F&B and entertainment destination. It houses over 75 food brands under one roof and has an average daily footfall of 30,000, catering to the working professional in the Cyber City office complex and vicinity on weekdays and families at the weekend.

DLF CyberHub integrates F&B and entertainment.



Bhartiya City will include a Ramblas concept.



REGIONS: ASIA

in India are expected to reach \$15.3bn, according to Euromonitor International. More IKEA stores are reportedly set to open across India, as well as in the Philippines, Vietnam and Thailand.

A host of factors have come together to make now the right time for international retailers in India, including a shift towards organised retail, improved business models, changing demographics and rising incomes. India's e-commerce sales are also forecast to climb 31% by the end of 2018 to reach \$32.7bn, according to eMarketer, which would put the country in third place in Asia-Pacific, behind China and Indonesia. Luxury car brands are seeing new areas of growth in Asia. China alone accounts for almost 32% of the overall global value of luxury-car sales. "Interestingly, it's more and more acceptable



Chinese fashion retailer Icicle will start its European expansion in Paris.

for a shopping mall to have cars as a component," says JLL's Hawkey, using the example of the new Tesla and NIO showrooms in the Taikoo Hui development in central Shanghai. "I think about 10 years ago, people looked down on that. But now, cars have essentially got more interesting — and the way people do car showrooms has become quite a lot more interesting."

Grocery brands are also enjoying a boom. In August, Kroger announced it was partnering with Alibaba to sell products in China, venturing outside the US for the first time. Meanwhile, US grocery giant Walmart has partnered with JD to host a high-tech store where customers can buy Walmart products using a virtual store and smartphones. The two companies invested \$500m in August in online de-

Shirley Zhu, IGD:
“South Korea, China and Japan are leading the way in online grocery shopping. Logistics and payment will be the key barriers to overcome for India and most South-East Asian countries”



Online meets offline with Walmart's plans for Flipkart.

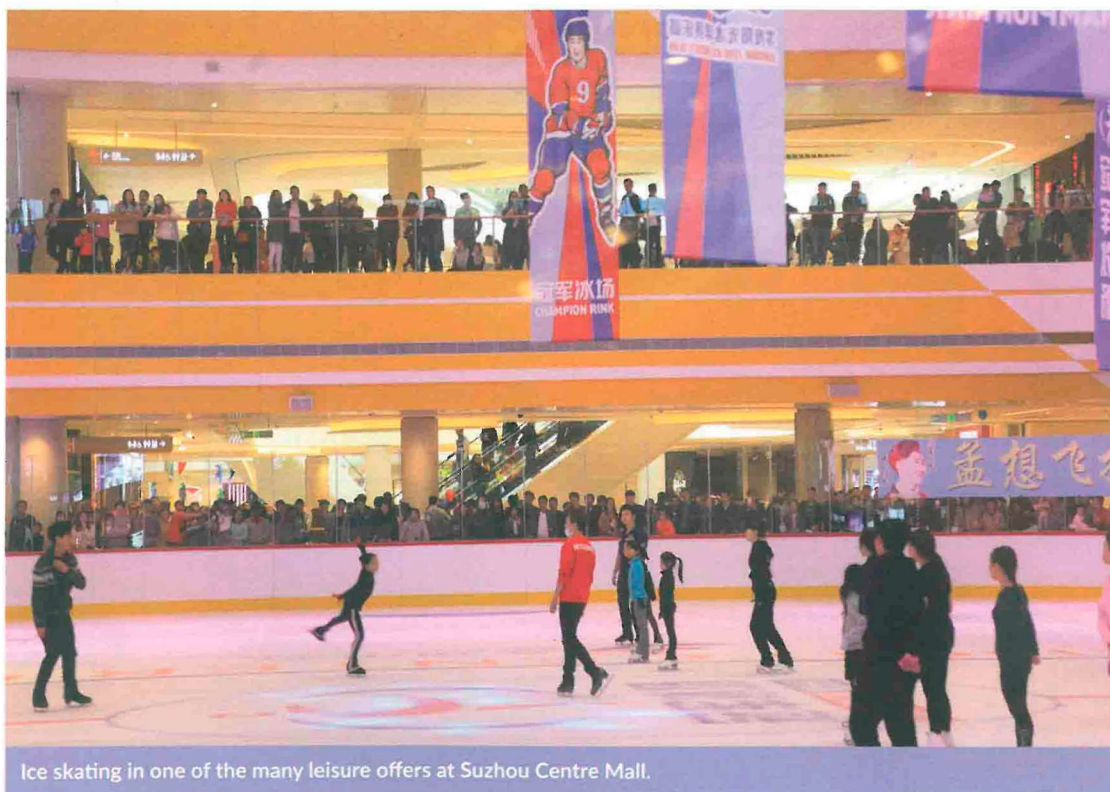
livery firm Dada-JD Daojia. Major players have been investing in India's grocery market, too. Amazon sells groceries via Amazon Pantry, while Walmart also recently bought 77% of Flipkart, the country's leading marketplace, with plans to

strengthen its grocery offering. And Alibaba has invested in Indian online grocer bigbasket. Asia's online grocery channel is set to grow by \$176bn — a huge 194% increase — by 2022, according to international research organisation IGD, making it the

fastest growing retail channel in the region. “The penetration, size and growth of online grocery varies greatly by country,” says Shirley Zhu, programme director at IGD. “South Korea, China and Japan are leading the way in online grocery shopping and will

see the highest sales contribution from grocery e-commerce, while continuing to lead the development in the region. Logistics and payment will be the key barriers to overcome for India and most South-East Asian countries. Although these markets are expected to have the fastest growth, the market share of online grocery will remain small.”

Asia's retail markets are witnessing a key time of growth, fuelled by enthusiastic, young populations who do not see any difference between online and offline shopping and are keen to experiment with new technology. “We are very soon going to be in a position where making a distinction between e-commerce and physical commerce is ridiculous,” concludes JLL's Hawkey, “because already it doesn't describe the world we live in.”



Ice skating in one of the many leisure offers at Suzhou Centre Mall.

CONFERENCES & EVENTS AT MAPIC

DESTINATION: ASIA
 Thursday 15 November - 14.00-15.30
 Conference Room 2 - Palais -1

RESHAPING RETAIL WITH A NEW CONNECTED CONSUMPTION EXPERIENCE
 Wednesday 14 November - 15.30-16.30
 Room 1 - Palais 1