Market Insights
by bluebell

Asia Luxury & Lifestyle Retail Barometer

PART I
JANUARY TO MAY 15, 2020

Market Insights

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7 Markets
- Mainland China
- Hong Kong SAR
- Taiwan
- Japan
- Malaysia
- Singapore
- South Korea

50 Brands
- Sales performance data collected from a mix of global brands who have opted-in the monitoring, together with a selection of Bluebell brands.

5 Categories
- Fashion
- Accessories
- Footwear
- Beauty & Fragrance
- F&B

2 Segments
- Insights cover both lifestyle and luxury segments

Mainland China In Focus
- Store Traffic (Local Gravity)
- Consumption Trends (qualitative study)

South Korea Travel Retail In Focus
- TR Market sales & traffic
- Product Category breakdown

Monitoring the resilience of lifestyle retail in Asia

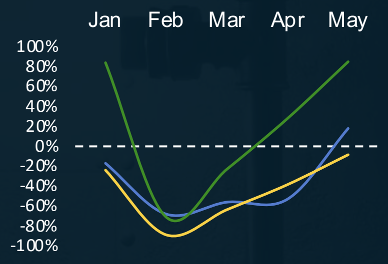
Developed by Bluebell Group Market Insights, this study is the first in a series of ongoing reports that will monitor the impact of COVID-19 on lifestyle and luxury retail in Asia throughout 2020.

Market Insights worked with 50 global brands across Asia, including select brands external and internal to the Bluebell Group, with the aim to promote greater sharing amongst retailers in the region.

Sales Performance
By Market

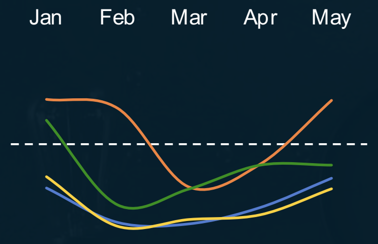
Changes in YOY Sales by Market
January to 15 May 2020

Mainland China



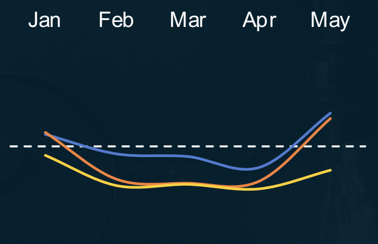
Jan 23 – Apr 4: Wuhan lockdown
Feb 10 – Mar 5: closed-off management (no stores)

Hong Kong SAR



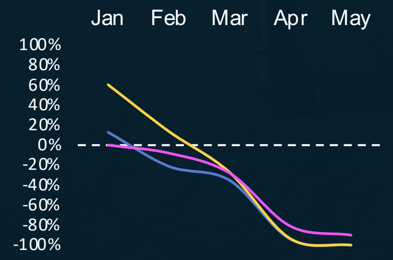
No enforced Lockdown

Taiwan



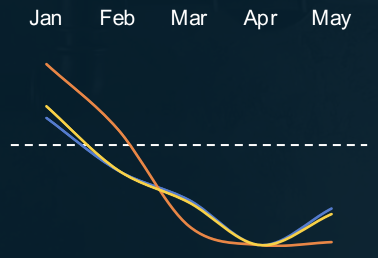
No enforced lockdown

Japan



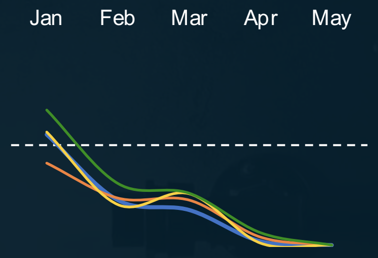
Enforced State of Emergency

Malaysia



April 14: full lockdown
May 4: lockdown eased

Singapore



April 7 – May 4: Circuit Breaker

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From January to 15 May 2020, the impact of COVID-19 on luxury & lifestyle retail has been staggered across Asia.

Mainland China was the first market to experience significant sales decrease YoY, and the first to rebound with positive YoY growth from April.

In large part due to severe travel restrictions, overall sales in **Hong Kong SAR** dipped in February and March, though to a different extent across product categories.

Taiwan, which saw fewer cases and no hard lockdown, experienced a smaller YoY dip that can be attributed to cautious consumption behaviour.

As of mid-May, **Singapore**, **Malaysia** and **Japan** were suffering the strongest YoY sales drops from the impact of ongoing lockdowns.

Sales Performance
By Product Category

Market Insights
by bluebell

Changes in YOY Sales by Category
January to 15 May 2020, all markets

Fashion	Accessories	Footwear
-41%	-25%	-44%

Beauty & Fragrance	F&B
-11%	-17%

In Asian markets, sales in **fashion** and **footwear** were the most heavily affected by COVID-19, while **beauty & fragrance** outperformed all the other categories.

Premium F&B generally suffered less than other categories, especially in China, where it benefited from sophisticated delivery systems.

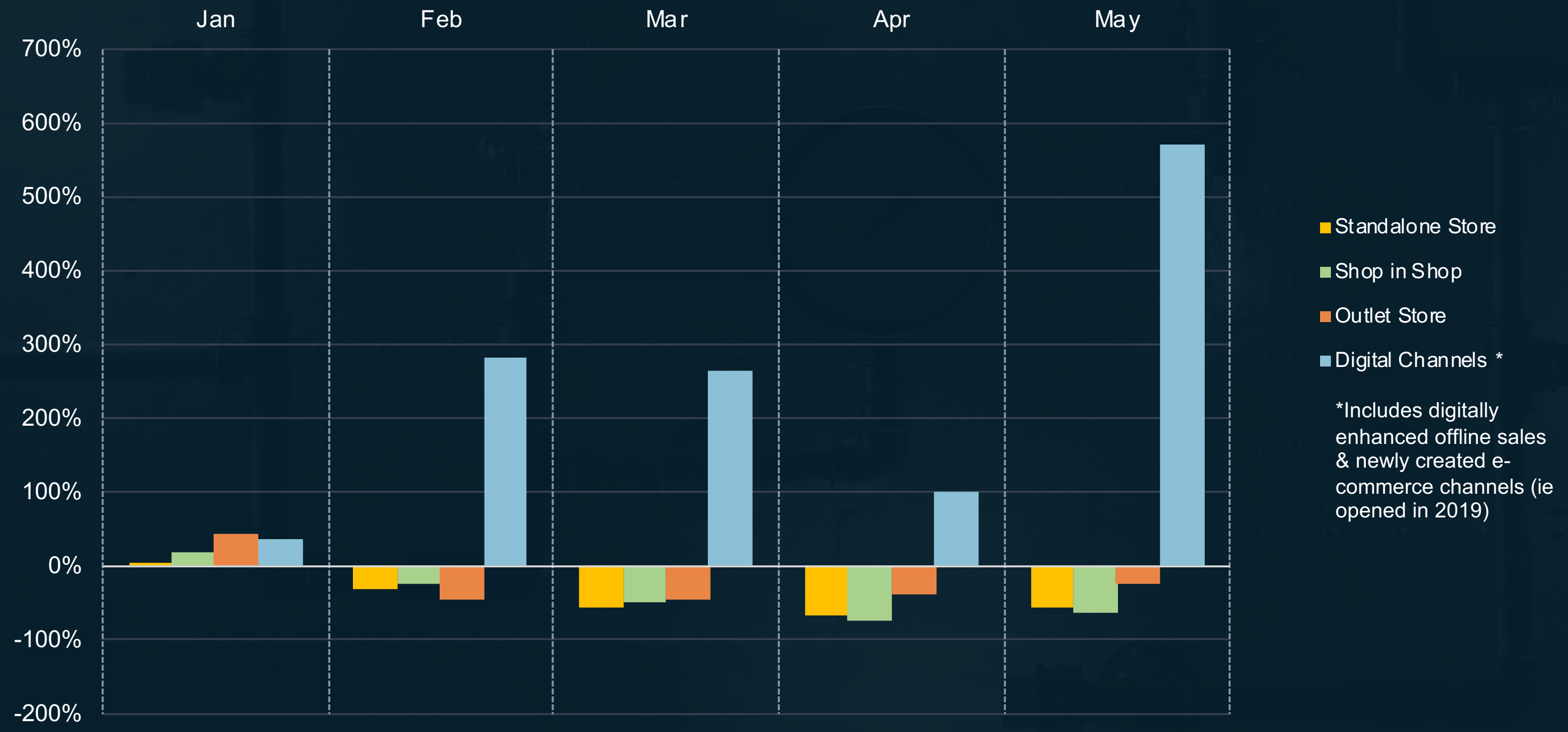
Despite experiencing additional challenges to COVID-19, Hong Kong saw accessories generating positive YoY growth in January, February and May.

Sales Performance

By Channel

Changes in YOY Sales by Channel

January to 15 May 2020, all markets



*Includes digitally enhanced offline sales & newly created e-commerce channels (ie opened in 2019)

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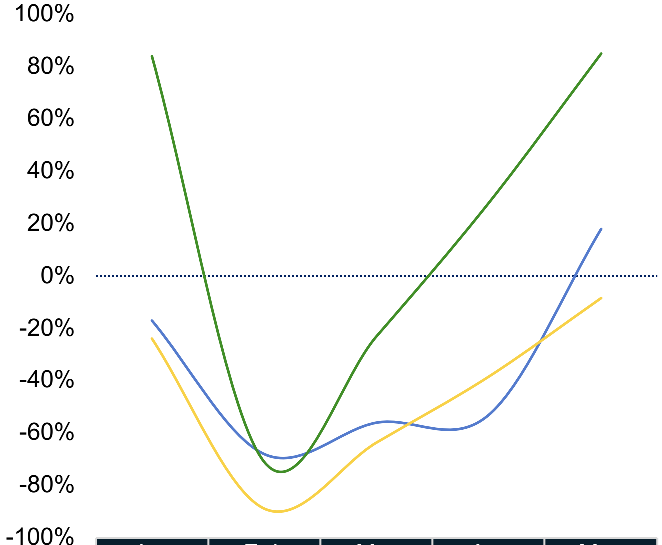
Across all channels, YOY sales decrease in offline channels is contrasted by impressive results from digital channels.
These figures include **newly-activated digital tools** used by offline sales associates (such as WeChat and WhatsApp groups and live-streaming social platforms) as well as **e-commerce channels that were opened in 2019 and 2020** and would naturally see larger YoY growth.

Interestingly, outlet stores in Hong Kong outperformed their counterparts in other regions. After a short dip in February and March, most outlet stores bounced back in April and May by over 100%.

Mainland China

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May
Fashion	-17.0%	-68.0%	-56.0%	-53.0%	18.0%
Accessories					
Footwear	-23.9%	-88.8%	-63.6%	-38.4%	-8.4%
Beauty & Fragrance					
F&B	84.0%	-71.0%	-23.0%	28.0%	85.0%

COVID-19 Measures up to 15 May

- **Jan 23 to Apr 4:** Wuhan province lockdown
- **Feb 10 to Mar 5:** Store closures across China (business-led)
- **From Mar 5:** Introduction of WeChat health tracker
- **From Mar 28:** Inbound travel ban (global)

Sales Channels

Market Insights
by bluebell

Following a sharp dip in February, Mainland China was one of the first markets to bounce back. Recovery was accelerated in May, led predominantly by the Premium F&B category, which was strongly supported by online channels and sophisticated delivery systems.

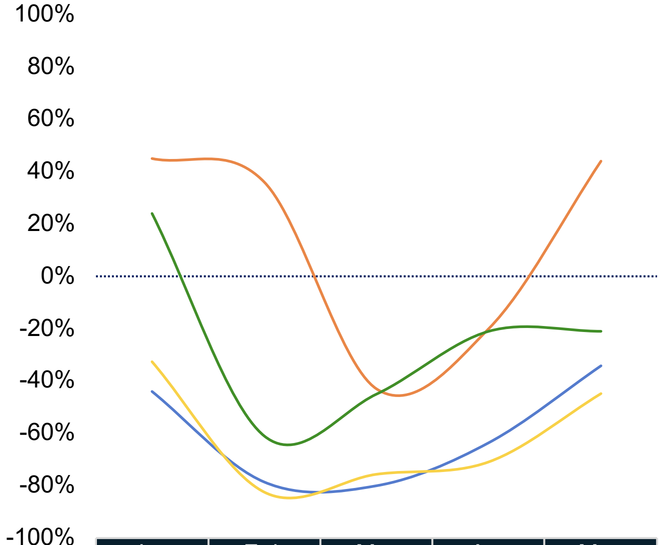
Outlets stores contributed most of the sales, as consumers looked to avoid crowds and find special deals.

Mainland China also saw many brands adapt quickly to the challenging environment with various tactics to promote sales, including:

- Livestreams with KOLs / sales associates
- Opt-in online channels, such as mini--programmes
- Digitally-enabled contact and sales touchpoints via WeChat private messages
- Care amenities provided in-store (mask holders etc.)
- Special discounts (flash sales etc.)

Hong Kong SAR

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May
Fashion	-44.0%	-78.6%	-80.0%	-63.6%	-34.2%
Accessories	45.0%	36.0%	-43.0%	-20.0%	44.0%
Footwear	-32.6%	-82.4%	-75.6%	-70.9%	-44.8%
Beauty & Fragrance					
F&B	24.0%	-61.0%	-45.0%	-21.0%	-21.0%

COVID-19 Measures up to 15 May

- **From Feb 4:** Inbound travel ban from Mainland China
- **From Mar 25:** Inbound travel ban (global); arrival quarantine for HK residents
- **From Mar 29:** Social distancing measures (4 pax to May 4, 8 pax after)

Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

Market Insights
by bluebell

Coupled with ongoing political turmoil since 2019, COVID-19 exerted great pressure on Hong Kong's consumer markets.

Fashion and **footwear** were worst affected, with sales performance respectively lagging at -35% to -45% YoY compared to 2019.

In contrast, **accessories** sales performance beat all other categories. This was achieved mainly through digital channels, though the performance of standalone stores has also been notable with a 41% YoY sales increase for the first half of May.

While inbound travel from Mainland China has been severely restricted, brands have clearly turned to **WeChat and other digital channels to offset losses.**

Taiwan

YOY Total Sales Change

	Jan	Feb	Mar	Apr	May
Fashion	12.1%	-7.6%	-10.2%	-21.2%	33.4%
Accessories	14.0%	-33.0%	-37.0%	-35.0%	28.0%
Footwear	-9.0%	-39.4%	-38.2%	-42.7%	-23.9%
Beauty & Fragrance					
F&B					

COVID-19 Measures up to 15 May

- **From Jan 26:** Inbound travel ban (Mainland China)
- **From Mar 19:** Inbound travel ban (global)

Sales Channels

Market Insights
by bluebell

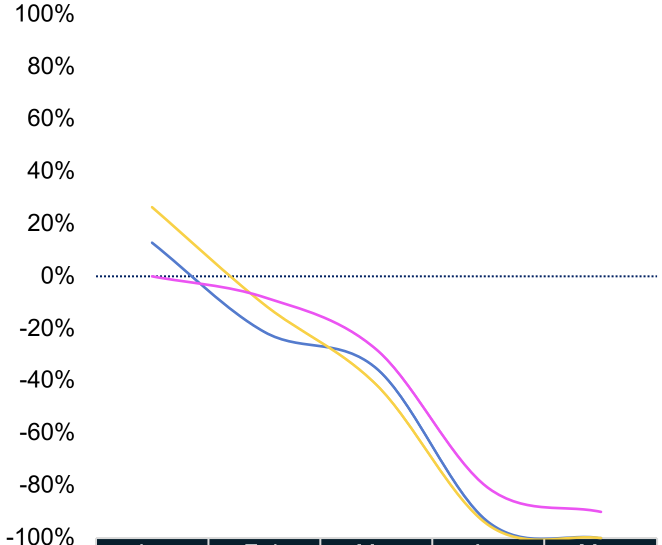
Taiwan's success in containing COVID-19 (420 cases with 6 deaths) made it similarly resilient in the sales performance of luxury and lifestyle products. However, consumer behavior was cautious, with a less dramatic rebound than seen in Mainland China.

Shop-in-shop sales channels counted among the strongest recoveries, thanks to:

- Department store-wide coupons to increase interest and purchase intent
- A comparatively convenient and comprehensive shopping environment allowing for easy browsing and access to multiple brands

Japan

YOY Total Sales Change

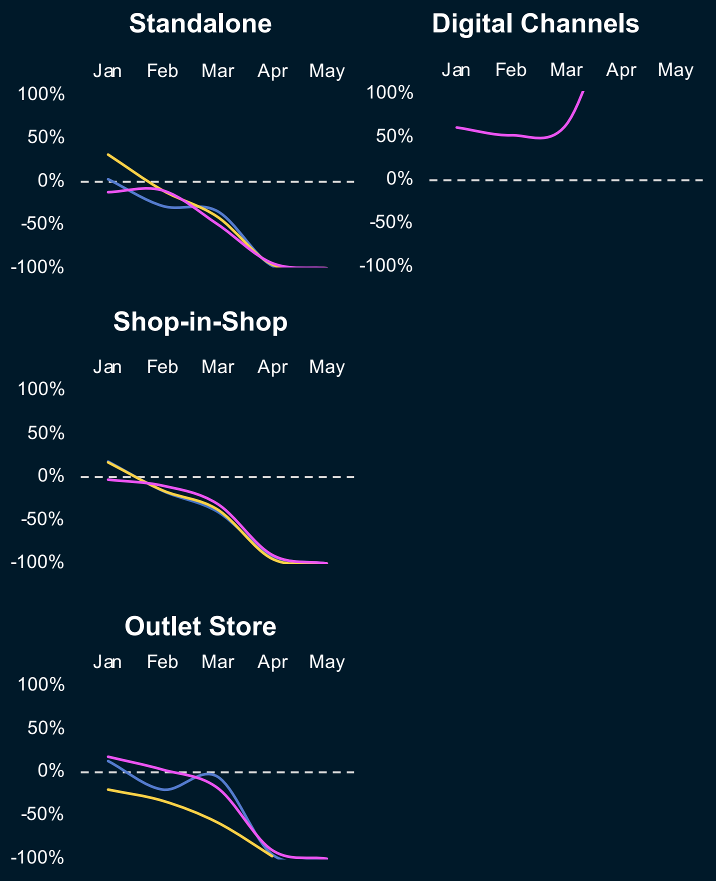


	Jan	Feb	Mar	Apr	May
Fashion	12.8%	-21.2%	-35.2%	-94.0%	-100.0%
Accessories					
Footwear	26.4%	-10.8%	-41.5%	-95.1%	-100.0%
Beauty & Fragrance	0.0%	-8.0%	-28.0%	-81.0%	-90.0%
F&B					

COVID-19 Measures up to 15 May

- **Feb 4:** Flight suspensions from Zhejiang and Wuhan.
- **Feb 20 to Mar 10:** Social Distancing
- **From Mar 27:** Inbound travel ban (global)
- **From Apr 7:** Enforced state of Emergency

Sales Channels



Market Insights

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Despite not enforcing a full lockdown, Japan was heavily impacted by COVID-19. This pressure was increased from April when a State of Emergency was declared.

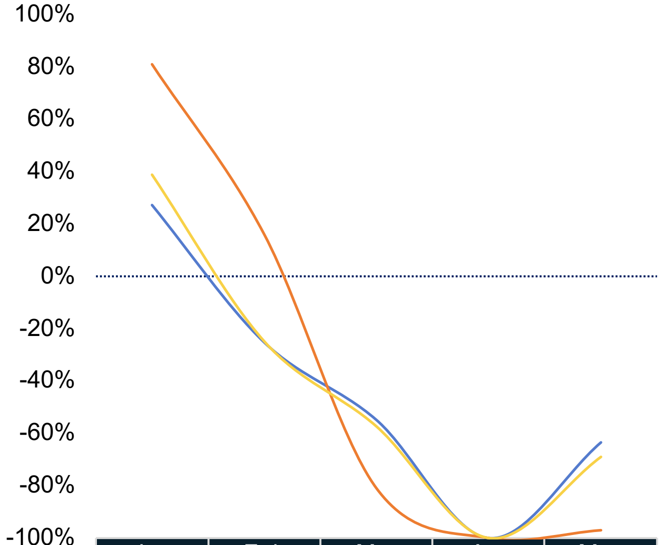
The overall YOY change closely followed the decline in physical outlet sales, indicating strong brand reliance on offline channels.

Department stores for the large part shut down completely during the State of Emergency period, impacting the lifestyle and luxury sector heavily –the department store has remained a key sales channel for many years in Japan.

Movements in digital show changes arising in traditional consumption habits.

Malaysia

YOY Total Sales Change

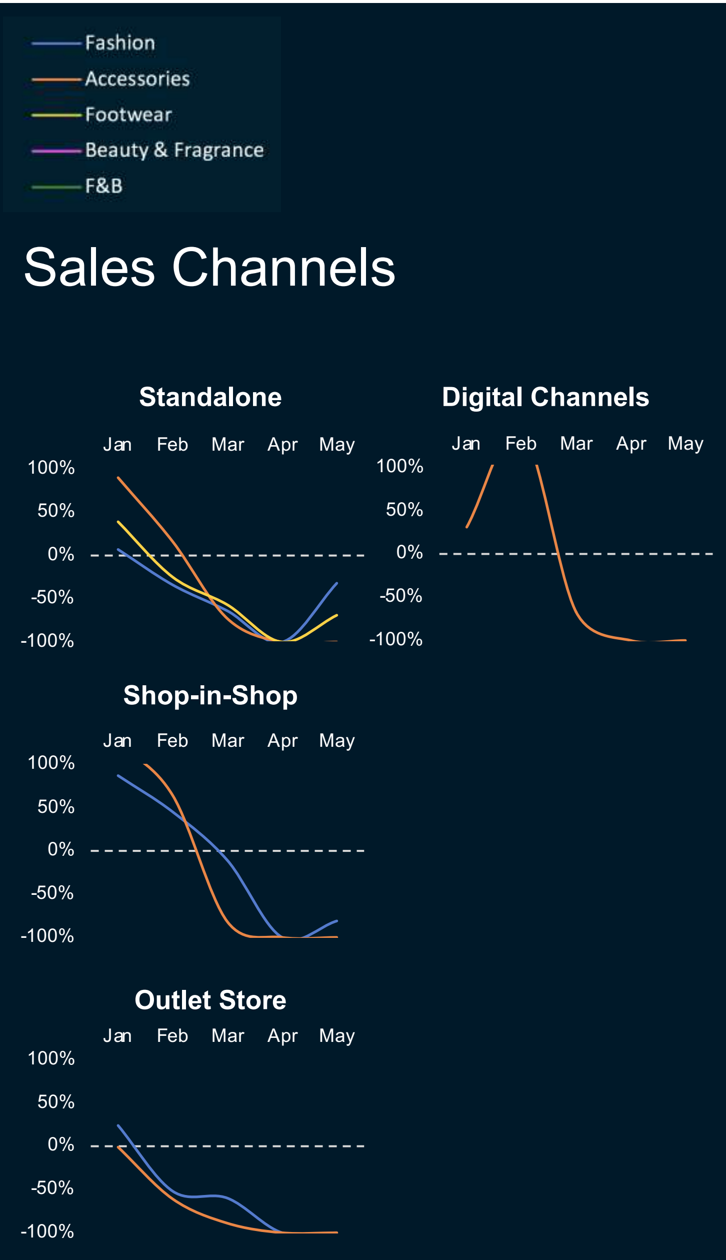


	Jan	Feb	Mar	Apr	May
Fashion	27.2%	-25.2%	-54.9%	-100.0%	-63.5%
Accessories	81.0%	16.0%	-81.0%	-100.0%	-97.0%
Footwear	38.8%	-24.9%	-57.4%	-100.0%	-69.0%
Beauty & Fragrance					
F&B					

COVID-19 Measures up to 15 May

- **Mar 18 to Apr 13:** Border closure and partial lockdown
- **Apr 1 to May 3:** Period of Enhanced Movement Control Order (MCO)
- **From May 4:** Relaxed lockdown with all sectors reopened

Sales Channels



Market Insights

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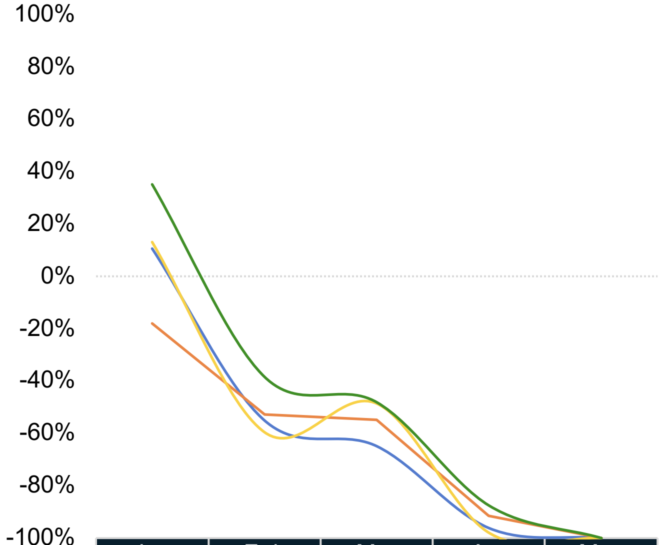
YOY sales in Malaysia have consistently dropped since February, falling to -100% in April, with a very weak recovery in May.

Facing a strict and sudden movement control order, many brands were not able to adapt in time and mitigate losses. Following the relaxing of the lockdown from 4 May, an interstate travel ban and in-store try-on restrictions continued to add tremendous pressure on sales.

Online sales channels such as websites and Facebook, were also severely crippled by a sudden lockdown and limited access to warehouses.

Singapore

YOY Total Sales Change

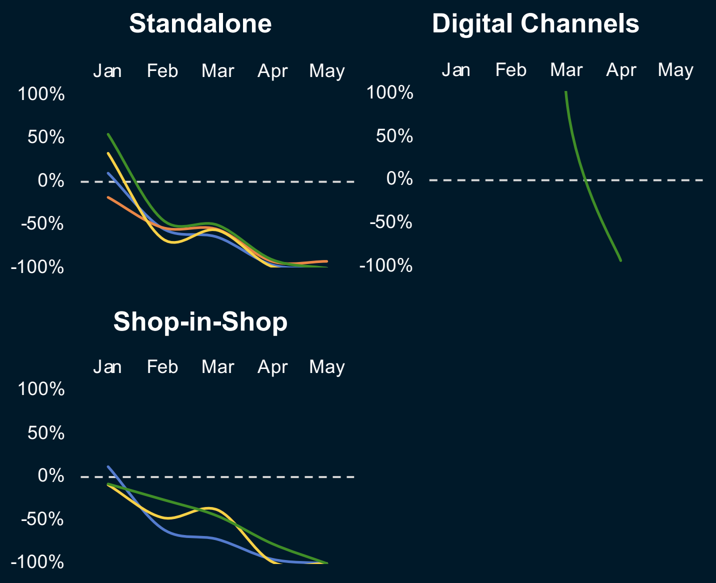


	Jan	Feb	Mar	Apr	May
Fashion	10.6%	-55.1%	-64.9%	-96.2%	-100.0%
Accessories	-18.0%	-53.0%	-55.0%	-92.0%	-100.0%
Footwear	13.1%	-59.5%	-48.6%	-98.0%	-100.0%
Beauty & Fragrance					
F&B	35.1%	-38.4%	-48.1%	-87.6%	-100.0%

COVID-19 Measures up to 15 May

- **From Jan 29:** Inbound travel ban (Mainland China)
- **From Mar 13:** Inbound travel ban (global)
- **From Mar 27 to Apr 30:** Social distancing measures
- **Apr 7 to date:** Circuit breaker

Sales Channels



Market Insights
by bluebell

Retail sales in Singapore plummeted from February to May.

Among the four categories monitored in the market, **accessories** was the only one already lagging behind 2019 levels in January.

In similar fashion to Mainland China, brands adopted various measures to mitigate losses, including:

- Delivering care gifts for top brand VIPs
- Providing special training for sales associates on maintaining relationships with VIPs and consumers through WhatsApp

With the circuit breaker ending in early June, the market should begin to show gradual signs of recovery.

Retail Barometer

As of 15 May 2020

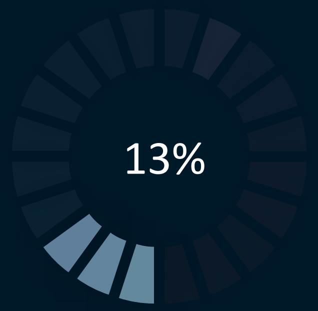
Market Insights
by bluebell

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

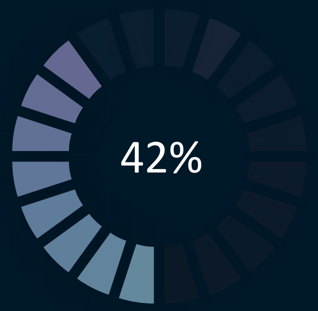
On this retail barometer scale, 100% pressure would predict a complete loss of retail revenue over the period monitored.

Taiwan



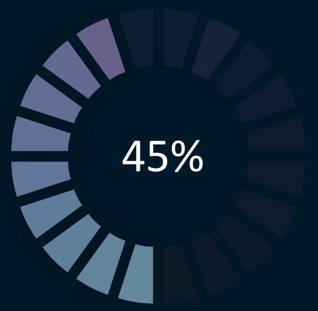
Pressure was lowest in Taiwan, as the market avoided a lockdown and kept social distancing rules relatively lax

Hong Kong SAR



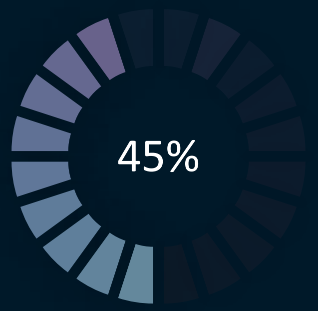
While it avoided a lockdown, Hong Kong SAR relies heavily on travel retail, making it particularly susceptible to the travel ban

Mainland China



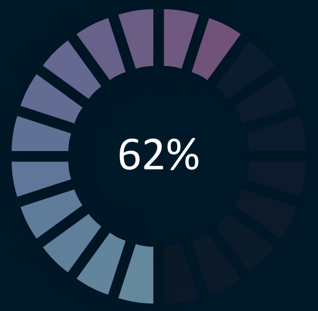
The pressure of lockdowns, travel bans and social distancing was mitigated by the market's sophisticated retail infrastructure

Japan



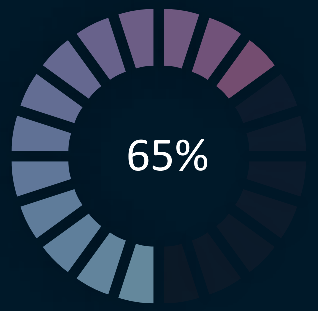
Despite flexible regulations, Japan's State of Emergency and the closure of department stores dealt a heavy blow to the market's luxury and lifestyle retail

Singapore



Singapore's early travel ban from Mainland China, coupled with a long lockdown, made it one of the markets most under pressure over this period

Malaysia



Similar to Singapore, retail in Malaysia was somewhat frozen by a strict Movement Order

In Focus
Mainland China

Retail Traffic

As of April 2020, average daily traffic in 4,000 lifestyle retail venues across China stood at 66% of December 2019 levels. **Wuhan** and **Beijing** counted among the hardest hit major cities, with their average daily traffic respectively standing at 29% and 51% of December 2019 levels.

Overall, the recovery of shopping malls with high-end luxury brands was slower than that of standard mass market malls and outlets.

Most premium malls are located in key trade zone areas downtown, which were slower to recover as people avoided taking public transport downtown or visiting busy districts.

Outlets, particularly the distant premium ones accessible by car, have fared well coming out of the lockdown as people are on the lookout for new bargains.

LocalGravity

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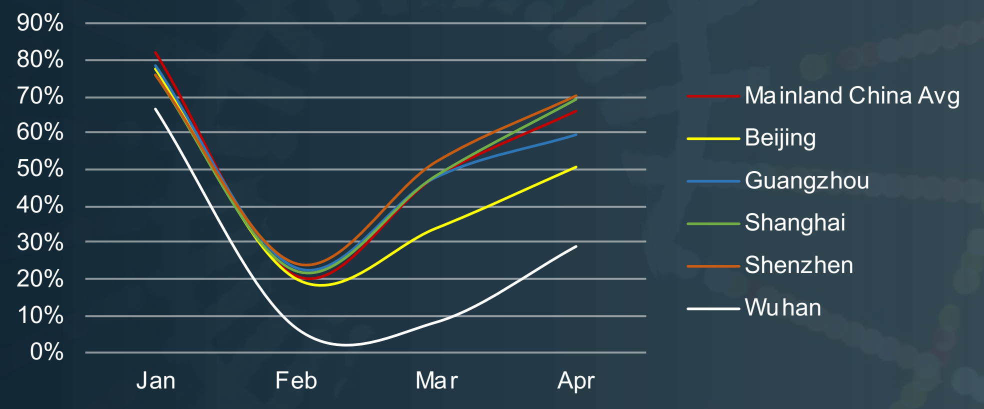
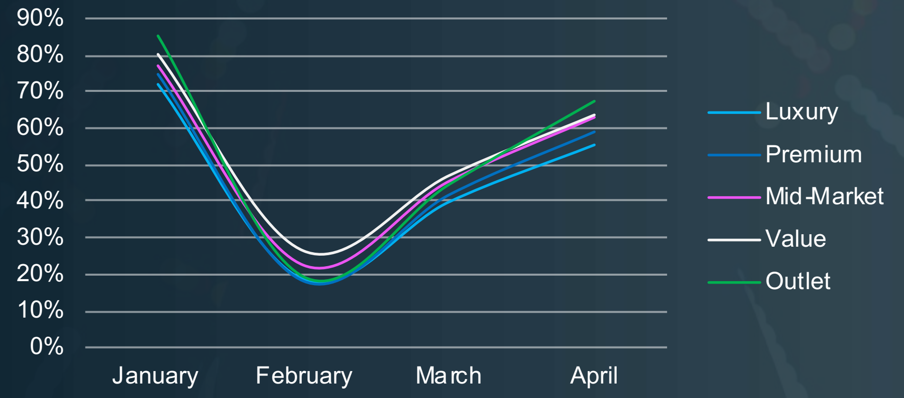
by bluebell

Average daily traffic
As a % of December 2019 traffic



Average traffic in major cities, by venue positioning
As a % of December 2019 traffic



In Focus
Mainland China

Market Insights
by bluebell

Consumer Behaviour

The following trends were identified from qualitative interviews with Chinese retail sales representatives

Consumer purchasing power influences type of product purchase

The wealthiest consumers (monthly expenses exceeding RMB 20,000) are less likely to be financially affected by the crisis. These consumers closely follow the latest trends and are willing to splurge on hot new products. Mid-tier consumers are more likely to feel the impact (savings, employment status etc.), polarising their purchasing habits. These consumers would rather spend on iconic luxury items and affordable essentials.

Consumers remain highly influenced by social channels

Consumers continue to be highly influenced by social media KOLs. When it comes to purchasing considerations, brand name is secondary to the lure of current style trends.

Moderate discounts encourage more domestic purchases

In the recovery period since March, markdowns (<30%) attract consumers without “cheapening” brand reputation, even for traditionally discount-shy luxury brands. However, purchases of discounted products may be taking sales away from cross-border and “borrowing” future travel retail potential, rather than spurring Chinese spend globally.

Beauty and skincare remain essentials

In contrast with luxury apparel, beauty consumers across all tiers are unlikely to decrease usage, and sales of cosmetics has been comparatively resilient. However, consumers are also price sensitive and conscious of supply shortages in Europe. If offered a discount, they may be inclined to buy product in bulk.

Direct lines to store sales staff help drive purchases

Though traditional e-commerce platforms remain strong, the most significant performances were generated by digitally-enabled sales, which were enhanced by the introduction of direct communication portals for sales associates/consumer representatives and consumers.

In Focus

South Korea Travel Retail

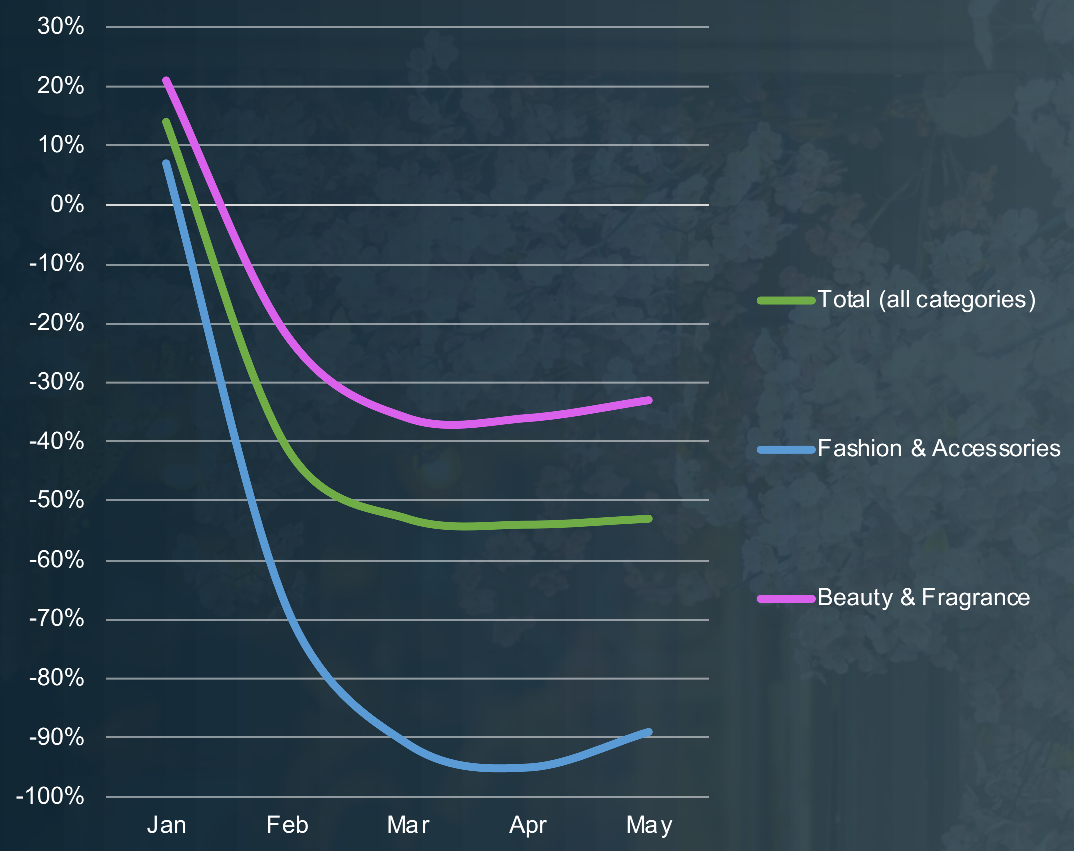
Overall Performance

South Korea boasts the world's largest travel retail market. Following travel restrictions and international flight cancellations, it has experienced a drastic downturn.

From May, international brands experienced signs of gradual recovery driven by:

- Strong demand for skin care brands
- Active promotions for make-up brands
- Korea Customs Service allowed the local distribution of unsold duty free inventory through different channels (including international shipping and sales of unsold imported foreign goods overseas)

**Travel Retail
Year-on-Year Performance**



In Focus
South Korea Travel Retail

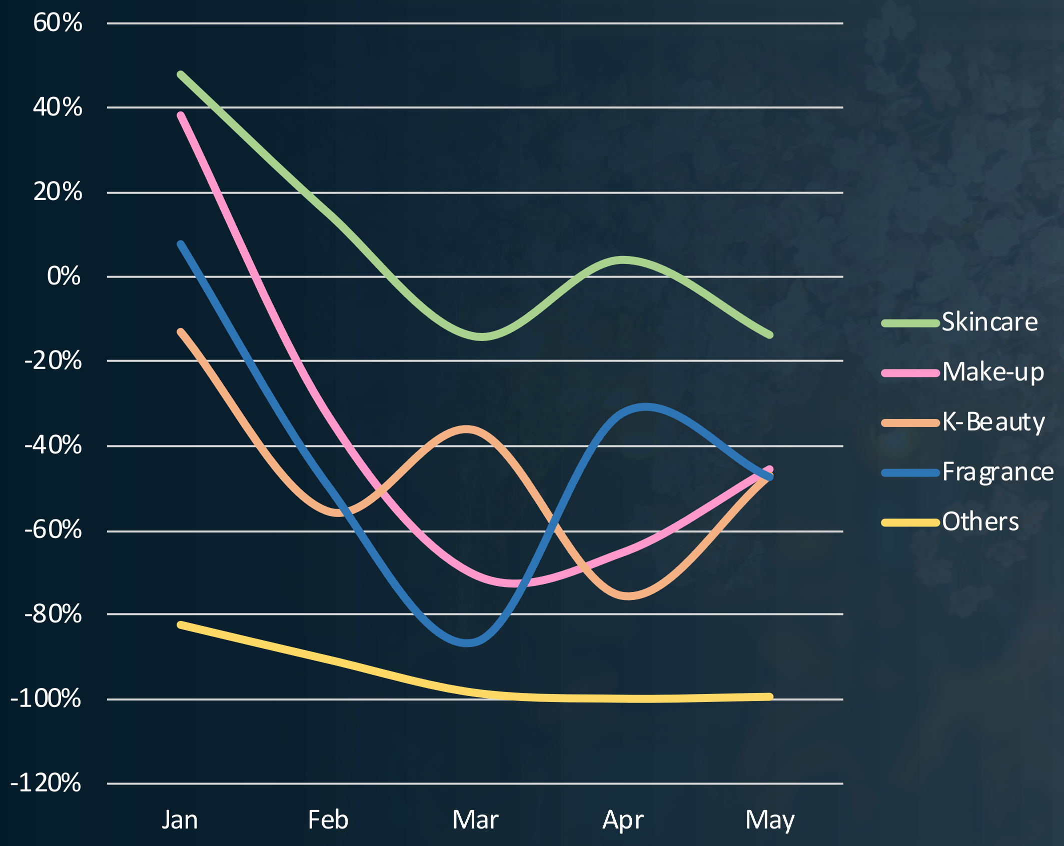
Beauty & Fragrance
Year-on-Year Performance by Segment
(Jan to May 2020)

Consumer Behaviour Changes
As lockdowns persisted, and masks come into daily life use, some noticeable trends have emerged in the beauty sector.

Overall the trend for make up use has gone down. Whereas a more intense beauty routine, complete with facial masks has kept the skincare lines as the least affected category.
Again within skincare, an increase in the use of beauty devices and preference for clean beauty brands can be observed as a shift in consumer behavior.

Market Insights
by bluebell

Travel Retail: Beauty & Fragrance
Year-on-Year Performance



Acknowledgements

We would like to thank the lifestyle and luxury brands, both internal and external to Bluebell Group, that are making this industry analysis possible by sharing their year-on-year sales performance figures across Asian markets and retail channels.

A special thanks to LocalGravity for sharing valuable data and insights on retail traffic across 4,000 venues in Mainland China.
https://www.localgravity.com

For more information, contact the Market Insights Team
connect@bluebellgroup.com

www.bluebellgroup.com/market-insight/

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Asia Luxury & Lifestyle Retail Barometer

PART II
MAY & JUNE 2020

Market Insights
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Part II: Over the first hurdle?

This study is the **second** in a series of ongoing reports developed by Bluebell Group Market Insights to monitor the impact of COVID-19 on lifestyle and luxury retail in Asia throughout 2020. Market Insights works with 50 global brands across Asia, including select brands external and internal to the Bluebell Group, with the aim to promote greater sharing amongst retailers in the region.

While data is shown from January 2020, this report focuses on the performance trends in May and June coming out of the initial global response to COVID-19. For previous insights covering January to May, see Part I here.

*Note that May figures in this report are different from Part I as they cover the full month.

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- Insights cover both lifestyle and luxury segments

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- Consumption Trends (qualitative study)

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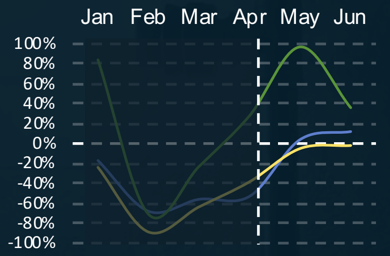
Sales Performance
By Market

Changes in YOY Sales by Market
May to June 2020

Mainland China



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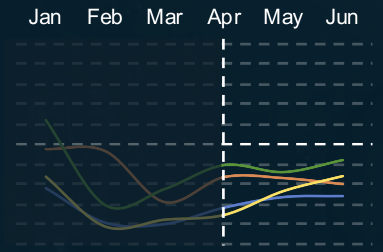
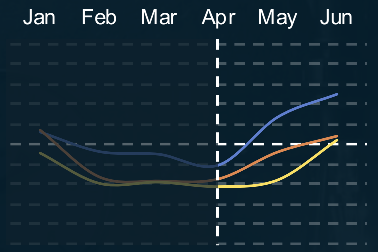
Hong Kong SAR



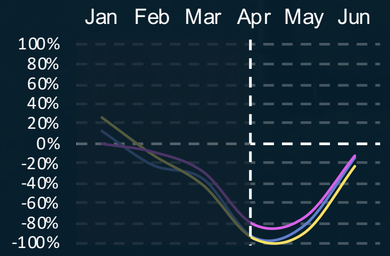
No enforced Lockdown

Taiwan



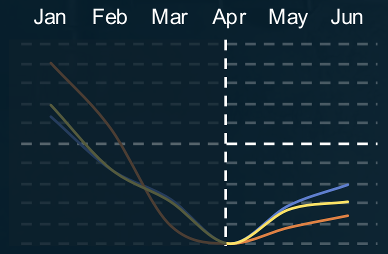
No enforced lockdown

Japan



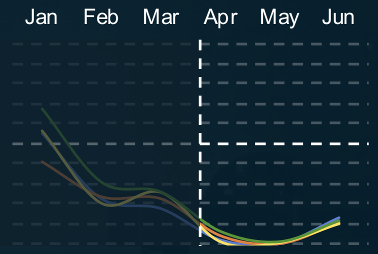
Enforced State of Emergency

Malaysia



April 14: full lockdown
May 4: lockdown eased

Singapore



April 7 – May 4: Circuit Breaker

- Fashion
- Accessories
- Footwear
- Beauty & Fragrance
- F&B

Market Insights
by bluebell

After experiencing the highest YoY performance drop between March and April, all markets began recovering in May – with the exception of **Mainland China**, which began recovering from March following a short lockdown.

By June, **Taiwan** was the only market with all product categories experiencing positive YoY

In **Hong Kong SAR,** recovery was muted across categories, with **footwear** regaining the most ground on 2019 sales.

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.

NB: based to additional brand data since the first report, HK SAR accessories figures from January to June have been revised.

Sales Performance
By Product Category

Market Insights
by bluebell

Changes in YOY Sales by Category
January to June 2020, all markets

Fashion
-38%
(-41% up to May 15)

Accessories
-29%
(-25% up to May 15)

Footwear
-44%
(-44% up to May 15)

Beauty & Fragrance
-11%
(-11% up to May 15)

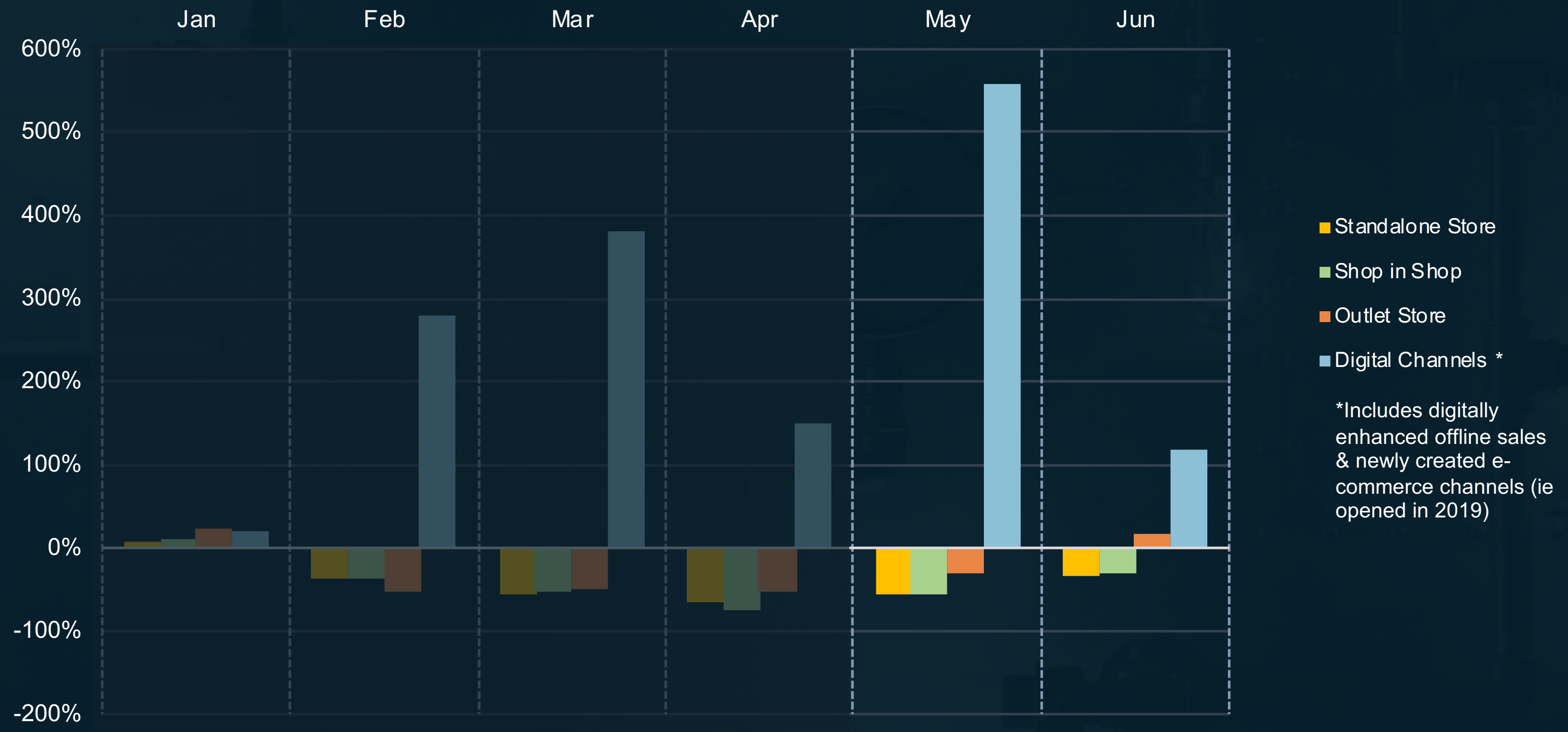
F&B
-17%
(-17% up to May 15)

Total YoY sales change by category from January to June was similar to the previous monitored period (January to May 15), pointing to a stabilization of sales month on month.

Fashion recovered slightly while **accessories** dropped a couple of percentage points. **Footwear** remains the hardest hit product category, with an estimated 44% YoY decrease.

Sales Performance
By Channel

Changes in YOY Sales by Channel
May to June 2020, all markets



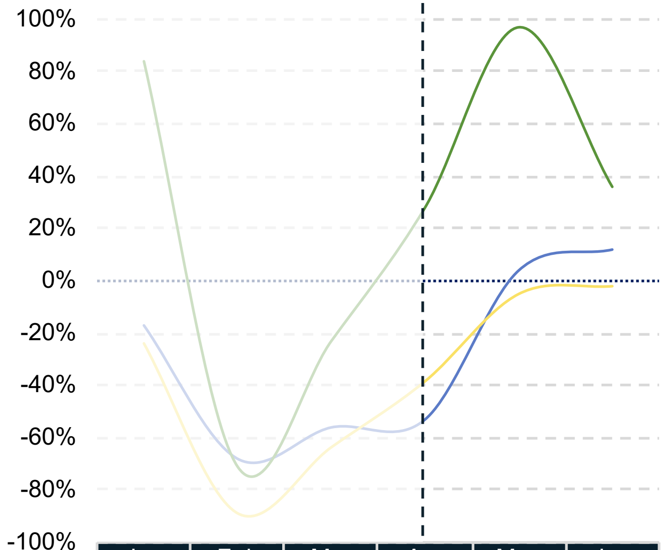
Market Insights
by bluebell

Digital channels – including sales via WeChat, official websites or newly created e-commerce platforms – achieved peak performance in May, while growth in June was the lowest since January, albeit still high at over 100% YoY. This 'drop' in digital sales is attributed to the relaxation of social distancing measures which most Asian markets enjoyed in the month of June, pointing to strong consumer adaptability and the importance of the brick and mortar experience for luxury brands.

Also for the first time since January, outlet stores enjoyed a return to positive (15%) YoY growth, giving cause for cautious optimism for offline retail going into July and August.

Mainland China

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	-17.0%	-68.0%	-56.0%	-53.0%	4.0%	12.0%
Accessories						
Footwear	-23.9%	-88.8%	-63.6%	-38.4%	-5.0%	-2.0%
Beauty & Fragrance						
F&B	84.0%	-71.0%	-23.0%	28.0%	97.0%	36.0%

COVID-19 Measures up to 30 June

- **Jan 23 to Apr 4:** Wuhan province lockdown
- **Feb 10 to Mar 5:** Store closures across China (business-led)
- **From Mar 5:** Introduction of WeChat health tracker
- **From Mar 28:** Inbound travel ban (global)

Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

Market Insights

by bluebell

While retail sales saw a marked pick-up in May, a two-weeks lockdown in Beijing in June contributed to reduced consumer confidence offline. Online, however, shopping platforms Jingdong and Taobao reported their highest-sales to date on the 618 shopping festival, the largest shopping event since the outbreak.

Based on our own monitoring:

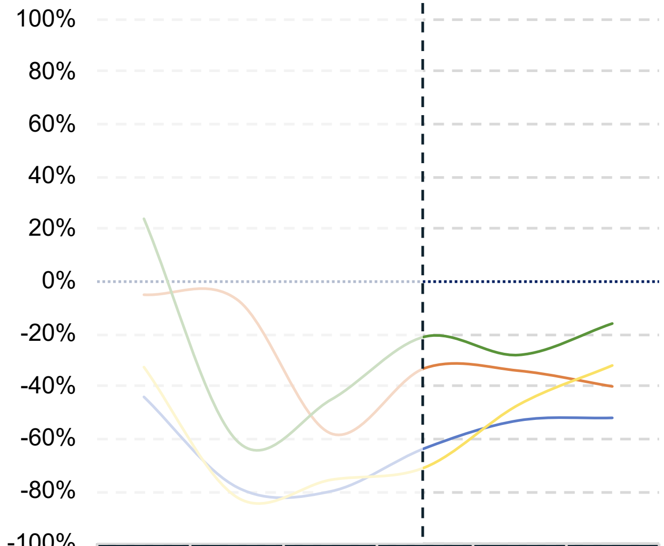
Fashion as a category saw its first positive (+4%) YoY performance of the year in May, with encouraging continued YoY growth (+12%) in June.

Footwear saw a similar recovery in May and June but fell shy (-2%) of positive YoY growth. Notably, the category did well on online marketplaces with 70% YoY growth in June.

F&B enjoyed the strongest YoY performance, climbing up to 97% YoY in May, and back down to 36% YoY in June.

Hong Kong SAR

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	-44.0%	-78.6%	-80.0%	-63.6%	-53.0%	-52.0%
Accessories	-5.0%	-7.0%	-58.0%	-33.0%	-34.0%	-40.0%
Footwear	-32.6%	-82.4%	-75.6%	-70.9%	-47.0%	-32.0%
Beauty & Fragrance						
F&B	24.0%	-61.0%	-45.0%	-21.0%	-28.0%	-16.0%

COVID-19 Measures up to 30 June

- **From Feb 4:** Inbound travel ban from Mainland China
- **From Mar 25:** Inbound travel ban (global); arrival quarantine for HK residents
- **From Mar 29:** Social distancing measures (4 pax to May 4, 8 pax after)

Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

Market Insights
by bluebell

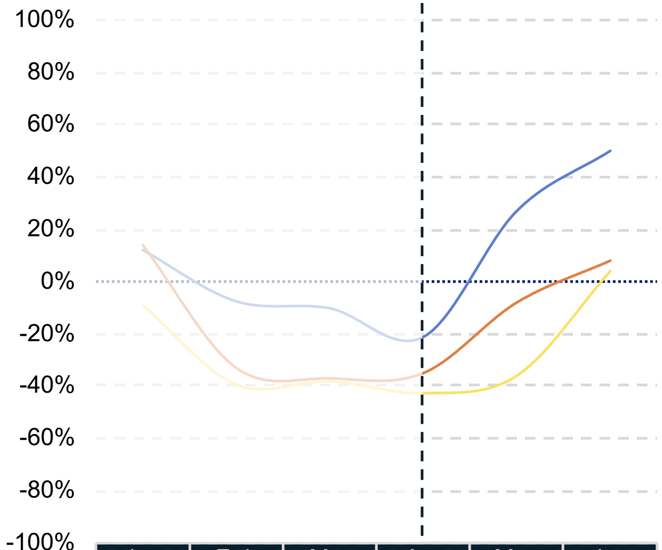
Despite pre-sales and easing of social distancing measures in May and June, most categories struggled to regain ground on 2019 sales – **footwear** saw the biggest bounce back, from -71% in April to -32% in June.

Fashion YoY sales were still down -52% in June, owing to low transactions in standalone stores.

NB: based to additional brand data since the first report, accessories and fashion (outlet) figures from January to June have been revised.

Taiwan

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	12.1%	-7.6%	-10.2%	-21.2%	27.0%	50.0%
Accessories	14.0%	-33.0%	-37.0%	-35.0%	-8.0%	8.0%
Footwear	-9.0%	-39.4%	-38.2%	-42.7%	-36.0%	4.0%
Beauty & Fragrance						
F&B						

COVID-19 Measures up to 30 June

- **From Jan 26:** Inbound travel ban (Mainland China)
- **From Mar 19:** Inbound travel ban (global)

Sales Channels

Market Insights
by bluebell

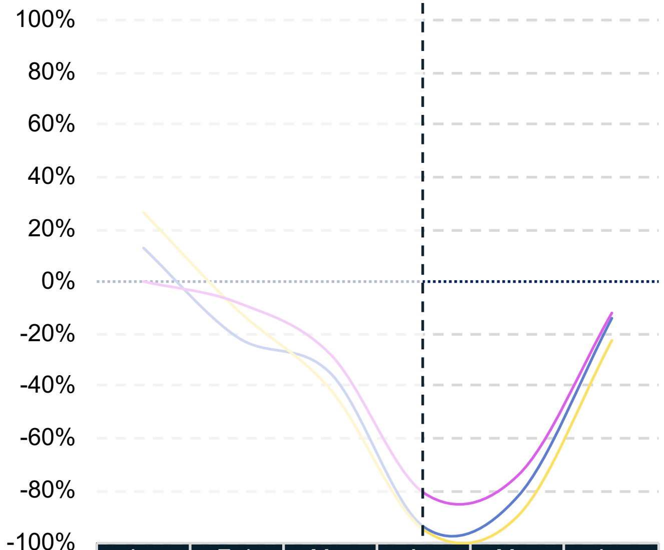
With fewer than 20 reported COVID-19 cases throughout May and June, Taiwan enjoyed the least pressure on its retail ecosystem. It was the only market to see positive YoY performance across all monitored categories in June.

Fashion maintained strong YoY growth from May (+27%) to June (+50%), driven mainly by **shop-in-shop** sales.

For the first time in 2020, **footwear** experienced a positive YoY growth, albeit small at +4% YoY.

Japan

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	12.8%	-21.2%	-35.2%	-94.0%	-82.0%	-14.0%
Accessories						
Footwear	26.4%	-10.8%	-41.5%	-95.1%	-89.5%	-22.5%
Beauty & Fragrance	0.0%	-8.0%	-28.0%	-81.0%	-74.0%	-12.0%
F&B						

COVID-19 Measures up to 30 June

- **Feb 4:** Flight suspensions from Zhejiang and Wuhan.
- **Feb 20 to Mar 10:** Social Distancing
- **From Mar 27:** Inbound travel ban (global)
- **From Apr 7:** Enforced state of Emergency
- **From May 14:** State of Emergency relaxed by district

Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

Market Insights
by bluebell

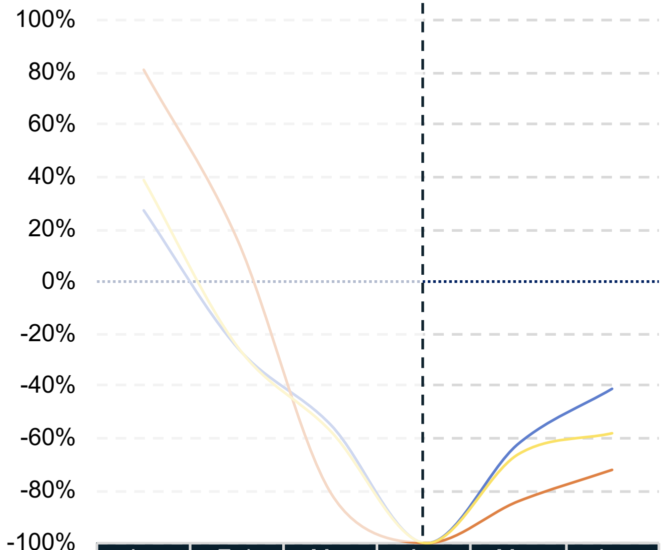
Japan experienced a steep bounce back from the partial closure of retail during the enforced state of Emergency in April.

While overall sales did not reach positive YoY growth by June, trends point to a more promising July performance, with **outlet stores** already delivering positive results in **fashion** and **beauty & fragrance.**

Online, **beauty & fragrance** continued to enjoy strong YoY sales, mainly via brand websites.

Malaysia

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	27.2%	-25.2%	-54.9%	-100.0%	-62.0%	-41.0%
Accessories	81.0%	16.0%	-81.0%	-100.0%	-84.0%	-72.0%
Footwear	38.8%	-24.9%	-57.4%	-100.0%	-66.0%	-58.0%
Beauty & Fragrance						
F&B						

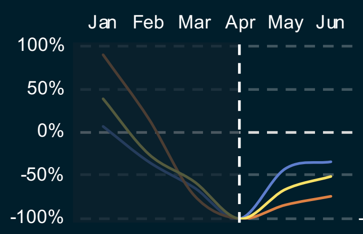
COVID-19 Measures up to 30 June

- **Mar 18 to Apr 13:** Border closure and partial lockdown
- **Apr 1 to May 3:** Period of Enhanced Movement Control Order (MCO)
- **From May 4:** Relaxed lockdown with all sectors reopened

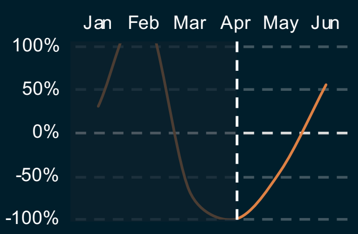
Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

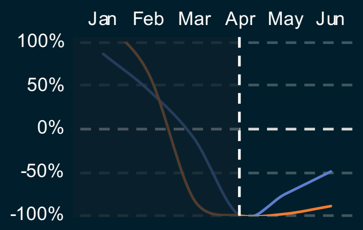
Standalone



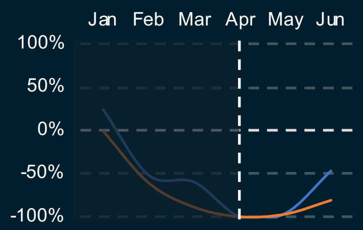
Digital Channels



Shop-in-Shop



Outlet Store



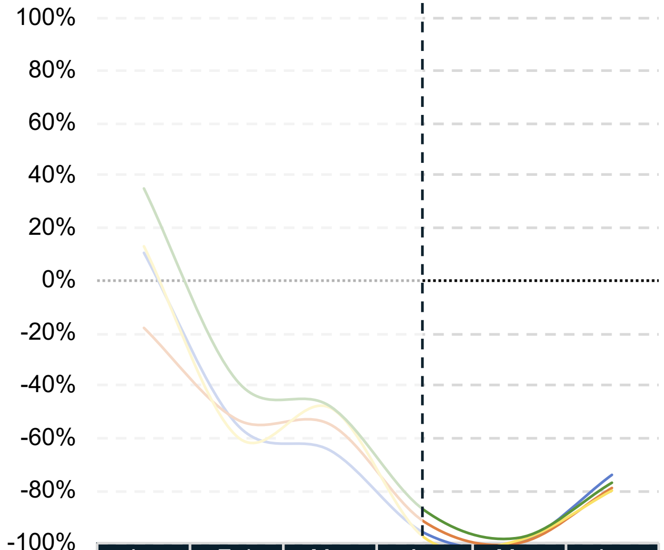
Market Insights
by bluebell

Retail operations in Malaysia re-opened slowly from early May, following a strict Movement Control Order that took many retailers by surprise.

But ongoing restrictions on interstate travel and and in-store try-on restrictions continued to impact sales, which struggled to climb back. Interestingly, **fashion** fared better than **accessories** across all offline channels, with overall YoY performance standing at -41%.

Singapore

YOY Total Sales Change



	Jan	Feb	Mar	Apr	May	Jun
Fashion	10.6%	-55.1%	-64.9%	-96.2%	-100.0%	-74.0%
Accessories	-18.0%	-53.0%	-55.0%	-92.0%	-100.0%	-79.0%
Footwear	13.1%	-59.5%	-48.6%	-98.0%	-99.0%	-80.0%
Beauty & Fragrance						
F&B	35.1%	-38.4%	-48.1%	-87.6%	-98.0%	-77.0%

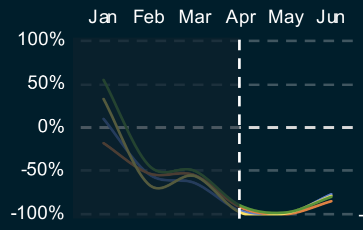
COVID-19 Measures up to 30 June

- **From Jan 29:** Inbound travel ban (Mainland China)
- **From Mar 13:** Inbound travel ban (global)
- **From Mar 27 to Apr 30:** Social distancing measures
- **Apr 7 to June 1:** Circuit breaker
- **June 2 & 19:** Phase 1 & Phase 2 of "Safe Reopening"

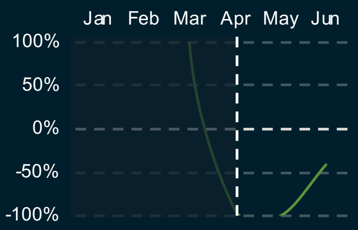
Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

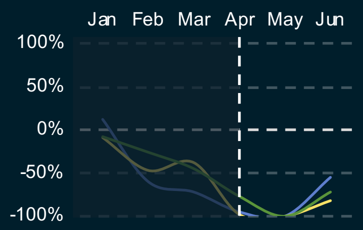
Standalone



Digital Channels



Shop-in-Shop



Market Insights
by bluebell

Singapore was among the latest markets to ease lockdown restrictions – the circuit breaker ended on June 1 – explaining its overall YoY performance as the lowest in the monitored markets during this period.

While **F&B** showed signs of recovery on digital channels, offline performance across all categories remained below 50% YoY, with shop-in-shops faring marginally better than standalone shops. The continued travel restrictions between Asian countries has contributed to the slow pick up in Singapore.

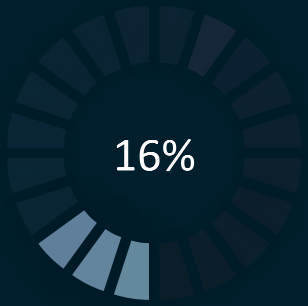
Retail Barometer

May 1 to June 30, 2020

Market Insights
by bluebell

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 period of this report. On this retail barometer scale, 100% pressure would predict a complete loss of retail revenue over the period monitored.
For more detail on the barometer indicators, see Part I of this report series.

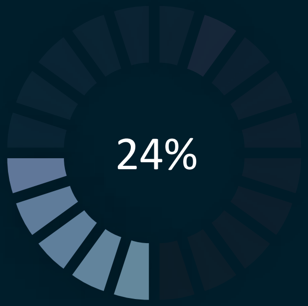
Mainland China`



45% from Jan to May

Apart from a local lockdown in Beijing in June, pressure on retail consumption in Mainland China was considerably eased in May and June

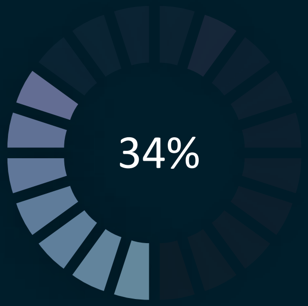
Taiwan



13% from Jan to May

While pressure on domestic retail remained low with virtually no cases and lax regulations, travel retail continued to suffer from the ongoing travel ban

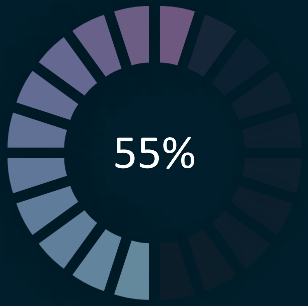
Japan



45% from Jan to May

With the State of Emergency gradually lifted from 14 May, offline retail channels were able to resume operations and consumer confidence is strong

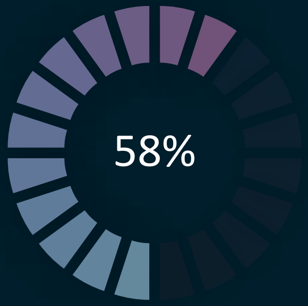
Malaysia



65% from Jan to May

Ongoing restrictions on inter-state movement and in-store experience (e.g. try-on) continued to place considerable pressure on retail in Malaysia

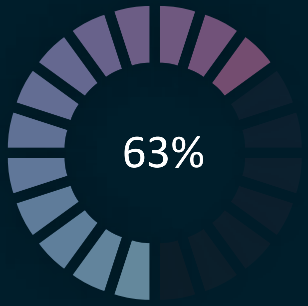
Hong Kong



45% from Jan to May

Hong Kong SAR's strong reliance on travel retail continues to make it particularly susceptible to the travel ban

Singapore



62% from Jan to May

As the latest market to lift lockdown restrictions – from June 2 – overall pressure on Singapore's retail ecosystem remained strong

In Focus
Mainland China

Consumer Behaviour

The following trends were identified from qualitative interviews with Chinese retail sales representatives.

In this report, 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 from 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.

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.

In Focus

South Korea Travel Retail

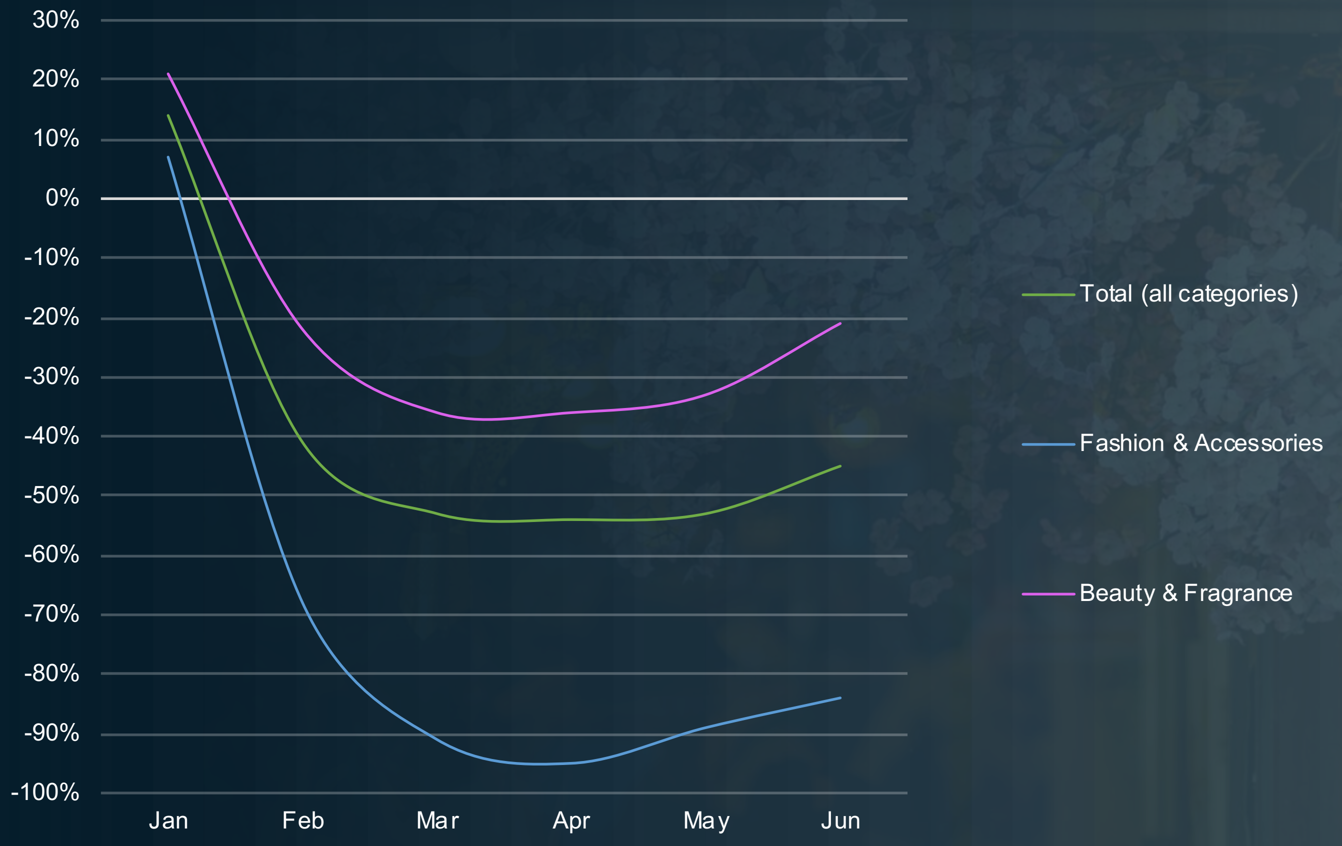
Overall Performance

South Korea boasts the world's largest travel retail market.

Despite ongoing travel restrictions and flight cancelations, international brands continued to experience signs of gradual recovery in June, driven by the same factors previously identified:

- Strong demand for skin care brands
- Active promotions for make-up brands
- Korea Customs Service allowing the local distribution of unsold duty-free inventory through different channels (including international shipping and sales of unsold imported foreign goods overseas)

**Travel Retail
Year-on-Year Performance**



In Focus
South Korea Travel Retail

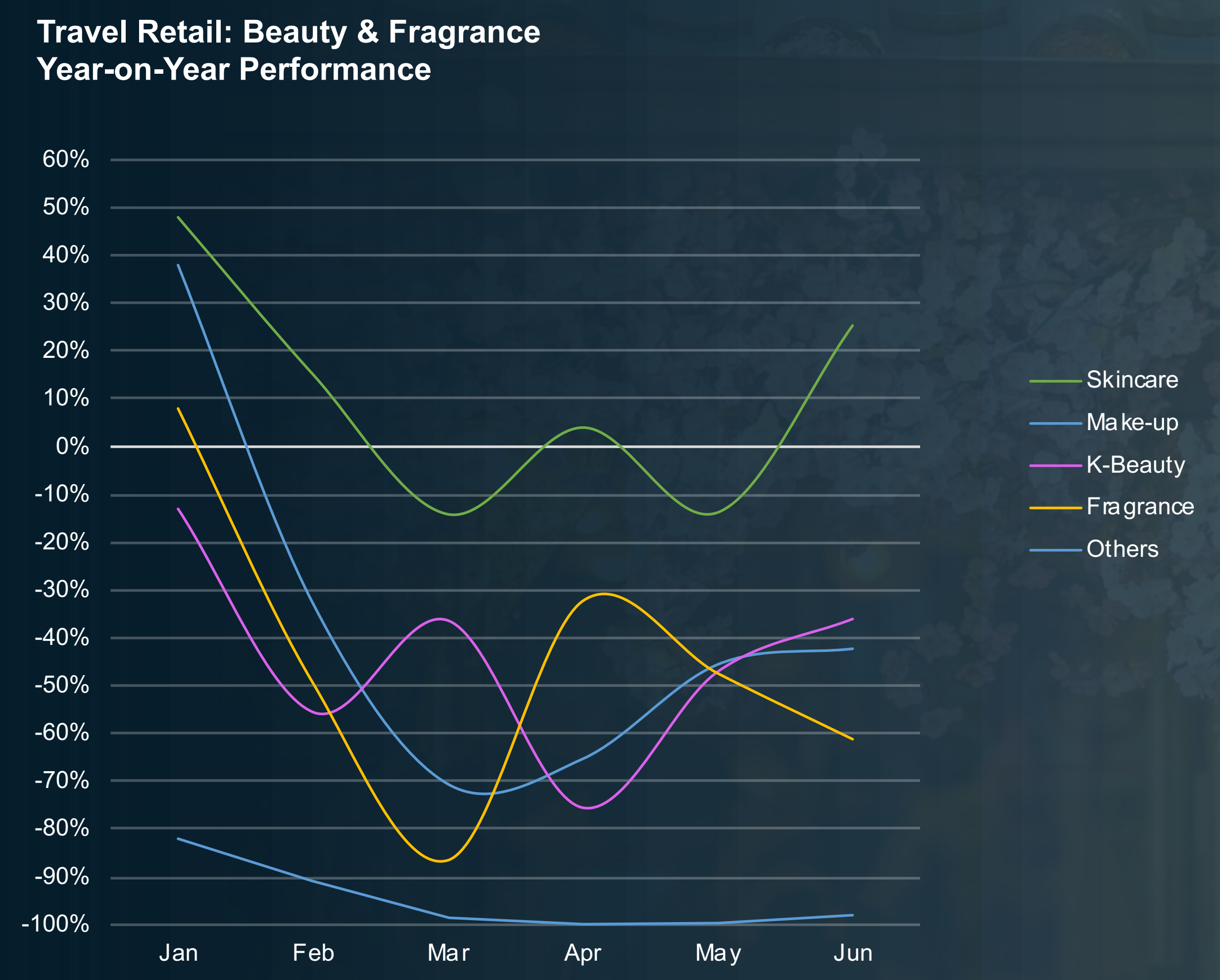
Market Insights
by bluebell

Beauty & Fragrance

Trends remained less predictable in May and June, although factors previously identified remain at play:

Overall **make-up** use has gone down, whereas a more intense beauty routine, complete with facial masks has kept the **skincare** lines as the least affected category.

Again within **skincare**, an increase in the use of beauty devices and preference for clean beauty brands can be observed as a shift in consumer behaviour.



Acknowledgements

We would like to thank the lifestyle and luxury brands, both internal and external to Bluebell Group, that are making this industry analysis possible by sharing their year-on-year sales performance figures across Asian markets and retail channels.

For more information, contact the Market Insights Team
connect@bluebellgroup.com

Market Insights
by bluebell

Asia Luxury & Lifestyle Retail Barometer

2020 IN REVIEW

Market Insights
by bluebell

This Study

This study is the **third** in a series of ongoing reports developed by Bluebell Group Market Insights to monitor the impact of COVID-19 on lifestyle and luxury retail in Asia throughout 2020. Market Insights works with 50 global brands across Asia, with the aim to gather a good data sample and promote greater sharing amongst retailers in the region.

This third edition provides a full overview of 2020, with new performance trends from July to December 2020.
For insights from January to June, see Parts I and II here.

7 Markets

- Mainland China
- Hong Kong SAR
- Taiwan
- Japan
- Malaysia
- Singapore
- South Korea

2 Segments

- Insights cover both lifestyle and luxury segments

5 Categories

- Fashion
- Accessories
- Footwear
- Beauty & Fragrance
- F&B

50 Brands

- Sales performance data collected from a mix of global brands who have opted-in the monitoring.

In Focus South Korea Travel Retail

- TR Market sales & traffic
- Product Category breakdown

Market Insights
by bluebell

Wrapping up Asian Retail 2020

FOREWORD

By all measures, 2020 brought unprecedented challenges to brands and retailers around the globe. From lockdowns severely limiting physical retail to travel bans all but putting a pause on travel retail, never before have brands had to harness their agility and creativity more in order to grow – or indeed survive – in an unpredictable environment.

In Asia, as in the rest of the world, we have seen marked differences in government measures across countries, adding another layer of complexity to brands' value chains, from managing stocks to maintaining sales and engagement channels with consumers.

Bluebell's retail barometer was created to keep a finger on the pressures felt across markets and product categories throughout the year, and in turn help brands better navigate key challenges, such as adapting to restrictions across markets, keeping engaging consumers, and striking the right balance between sales channel.

THE BIG PICTURE

From our monitored brands across Asia, we have seen three different macro-trends in reaction to the challenging environment of 2020:

1. **Quick dip, quick rebound**
   Mainland China and **Japan** experienced the clearest single dip before returning to more consistent performances in the second half of 2020. **Taiwan**, though it experienced a less severe dip in Q1, also experienced a stronger second half of the year.

2. **Slow dip, slow recovery**
   After bottoming out in April and May, sales in **Malaysia** and **Singapore** have experienced the slowest recovery; with Malaysia seeing a clear second-dip in October and November.

3. **Ongoing volatility**
   Sales in **Hong Kong SAR** saw more peaks and troughs than any other market throughout 2020.

2020: a year shaped by ‘survival mode’

Channels
‘Phygital’ retail accelerated

The temporary and intermittent closures of brick and mortar stores acted as a catalyst for the growth of ‘phygital’ retail: the convenience of digital communications with the human service experience of physical retail.

Rather than taking refuge in pure e-commerce, many premium and luxury brands recognized the need to maintain relationships between sales staff and their local communities, and invested in staff trainings on digital messaging platforms (WeChat, Facebook, Line). In China, the most agile brands went one step further and put their sales staff in front of the camera to reach and expand on their consumer bases.

Product Categories
Focus on self care

As the most directly associated with self-care, Beauty & Fragrance (including skincare brands) proved the most resilient overall across Asia.

This resilience was also driven by agility: brands in this category were pushed to innovate with digital in order to address “try before you buy” consumer habits.

Markets
Consumers go local

With travel bans in place for most of the year and across the region, all markets experienced a repatriation of consumption from otherwise would-be travel shoppers.

For mainland China, where consumers only made 27% of their luxury purchases domestically in 2018, a near-total repatriation had a boosting effect on domestic sales, making it the stand-out market of Asia in 2020.

In contrast, other markets with strong international consumer bases such as Hong Kong and S. Korea suffered from this precipitated return to reliance on local consumers.

Travel retail
Travelling domestically

As many national borders shut, consumers turned to domestic travel wherever restrictions allowed.

Retailers traditionally geared toward international shoppers had to rethink their offering in order to appeal to these new domestic travelers. Popular tax-free destinations, such as Hainan in southern China, capitalized on the sudden rise of domestic travel by increasing their duty-free quotas per person.

Asia 2020 snapshot (excluding China)

Markets: Hong Kong SAR, Taiwan, Japan, Malaysia, Singapore

Markets	2020 YoY
Hong Kong SAR	-40%
Taiwan	-5%
Japan	-27%
Malaysia	-42%
Singapore	-45%

Product Categories	2020 YoY
Fashion	-24%
Accessories	-34%
Footwear	-35%
Beauty & Fragrance	-20%
F&B	-30%

Note: for categories not covered by the brands monitored in this report, full-year growth figures represent a consensus of official government statistics.

China 2020 snapshot

Markets	2020 YoY
China	+33%

Product Categories	2020 YoY
Fashion	+24%
Accessories	+61%
Footwear	+14%
Beauty & Fragrance	+30%
F&B	+38%

Note: for categories not covered by the brands monitored in this report, full-year growth figures represent a consensus of official government statistics.

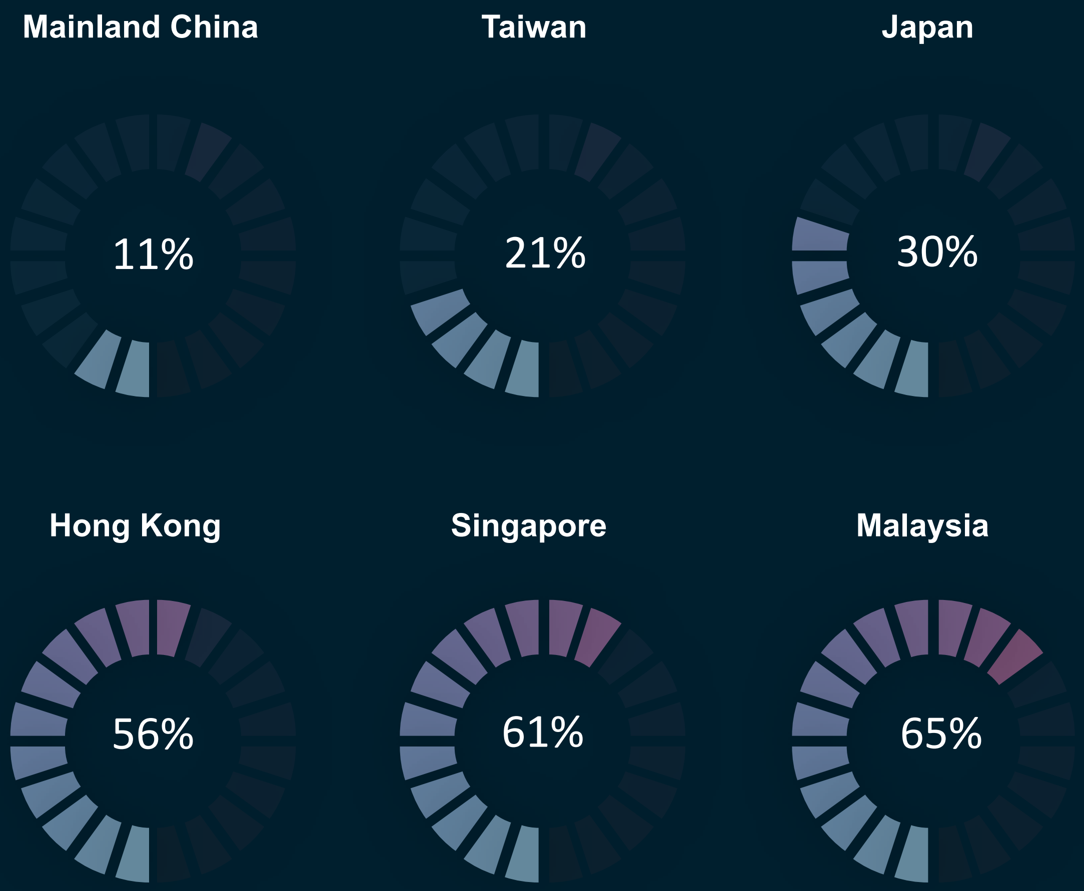
Market Insights
by bluebell

Retail Barometer
2020

Whereas barometers traditionally measure air pressure, the Bluebell barometer indicates the level of pressure on luxury and lifestyle retail sales across each market in 2020.

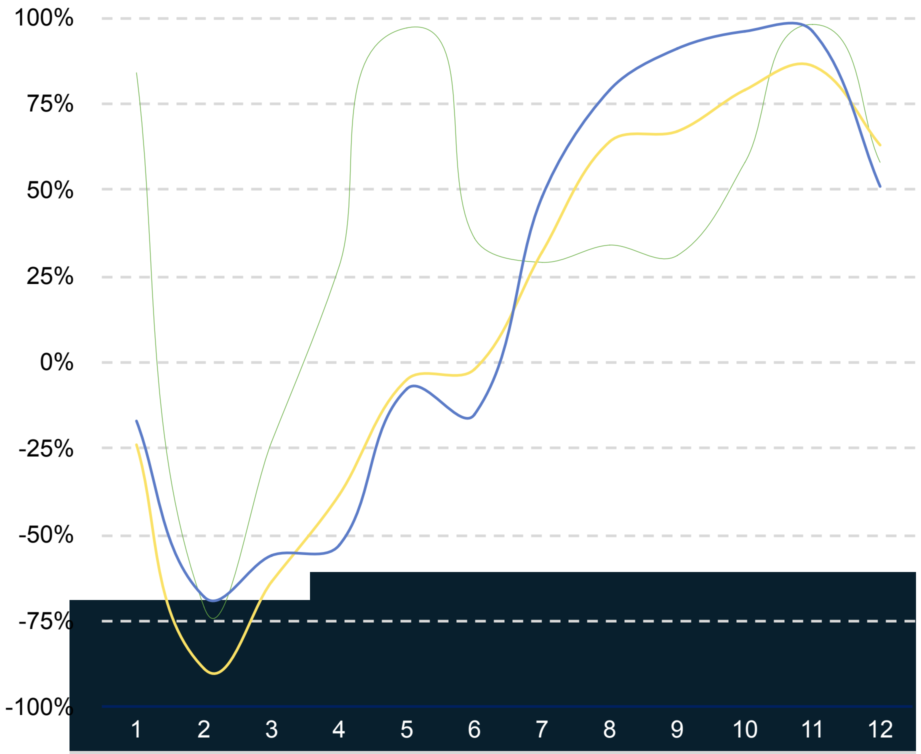
This pressure is measured by combining quantitative and qualitative indicators relevant to retail operation, and the unique environment of 2020, including:
- Extent and length of enforced lockdowns
- Extent and length of social distancing
- Impact of inbound travel bans relative to each market's reliance on travel retail
- Mass scale consumption incentivisation programmes

On this retail barometer scale,100% pressure would predict a complete loss of retail revenue over the period monitored.



Mainland China

YOY Total Sales Change



COVID-19 Measures in 2020

- **Jan 23 to Apr 4:** Wuhan province lockdown
- **Feb 10 to Mar 5:** Store closures across China (business-led)
- **From Mar 5:** Introduction of WeChat health tracker
- **From Mar 28:** Inbound travel ban (global)
- **From Sept. 28:** Border opening to eligible foreign nationals

Sales Channels

Market Insights

by bluebell

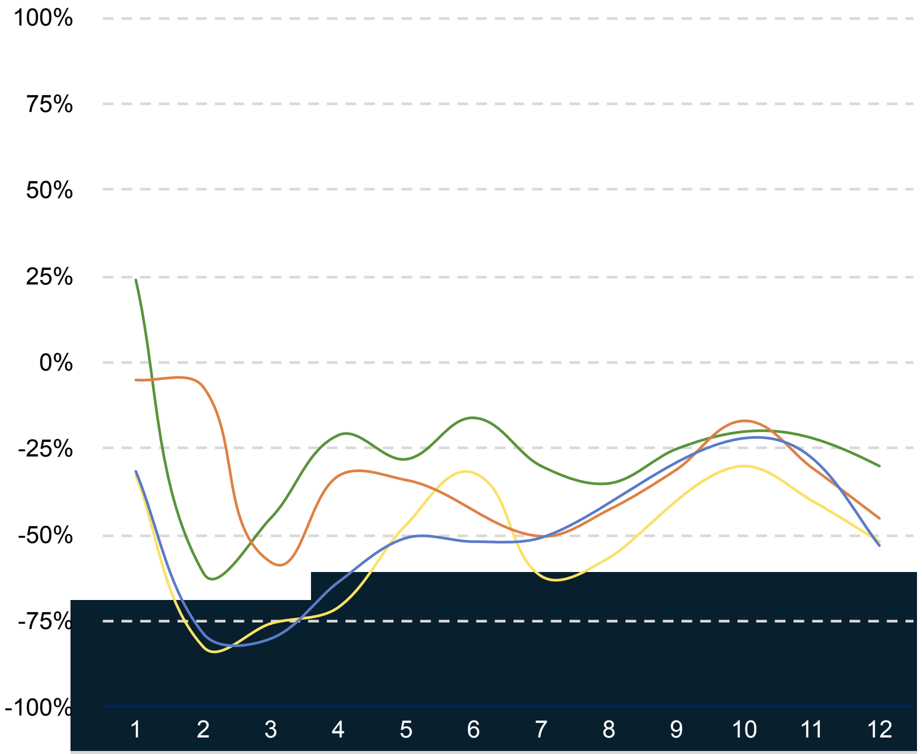
Mainland China was by far the highest performing luxury and premium lifestyle market in Asia in 2020.

While China's economy grew only by 2.3%, global research firm Bain estimated in December that its luxury goods market would likely achieve 48% growth in 2020, nearly doubling China's domestic market-share from 11% to 20% of the global luxury market.

From our own monitoring, this growth was characterized by a 'shock' dip in the first quarter, followed by a fast recovery from the second quarter, and an ongoing period of thriving growth driven primarily by the repatriation of travel consumption which previously accounted for close to 70% of all Chinese consumers' consumption.

Hong Kong SAR

YOY Total Sales Change

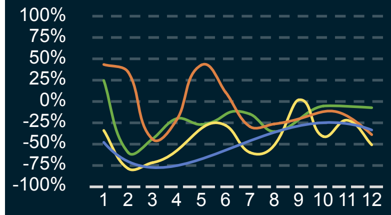


COVID-19 Measures in 2020

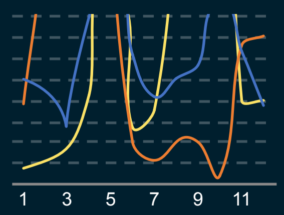
- **From Feb 4:** Inbound travel ban from Mainland China
- **From Mar 25:** Inbound travel ban (global)
- **From Mar 29:** Social distancing measures
- **From Dec:** HK enters its fourth wave of the pandemic, social distancing measures reactivated

Sales Channels

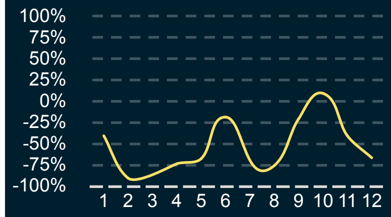
Standalone



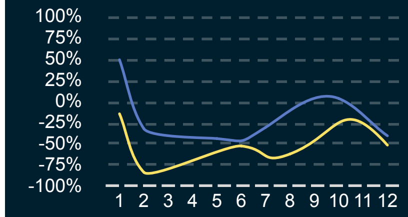
Digital Channels



Shop-in-Shop



Outlet Store



Market Insights

by bluebell

According to the Hong Kong Census and Statistics Department, total retail sales by volume fell 25.5%, while the market's overall economy contracted by a record 6.1%.

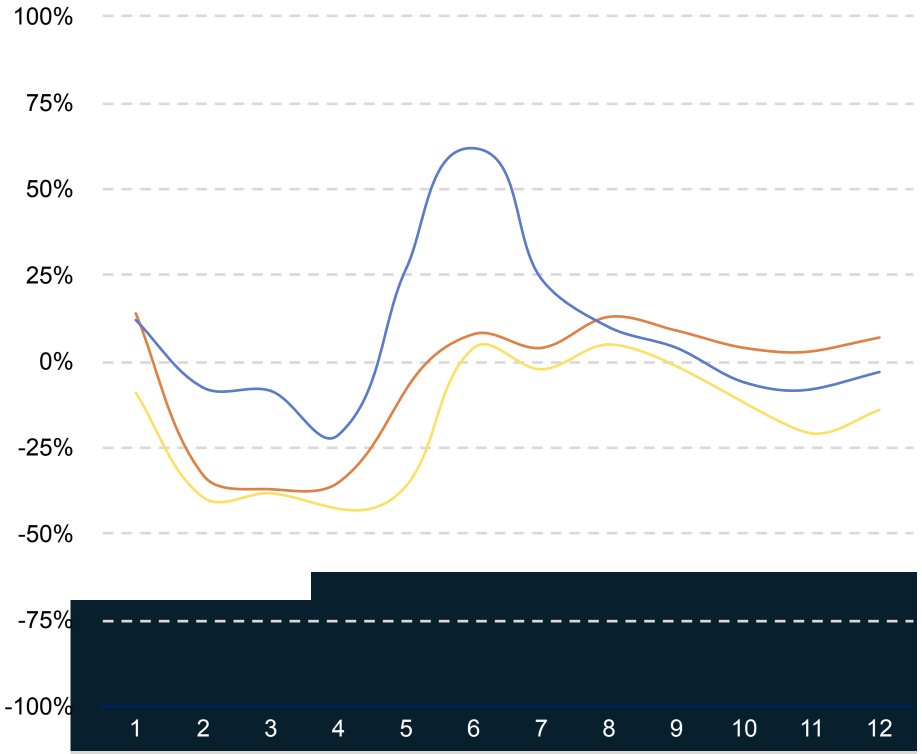
Among monitored markets, Hong Kong experienced the most mixed performance across different categories and channels in 2020.

Traditionally a strong travel-retail market, Hong Kong was particularly vulnerable to the global shutdown of international travel early in the year. While sales slowly picked-up from April, tightened controls prompted by a surge in virus cases created another plunge during the end-of-year holiday season.

Among our monitored categories, **F&B** has fared the best overall, followed by **accessories**, **fashion** and **footwear.**

Taiwan

YOY Total Sales Change



COVID-19 Measures in 2020

- **From Jan 26:** Inbound travel ban (Mainland China)
- **From Mar 19:** Inbound travel ban (global)
- **From July:** International students allowed

Sales Channels

Market Insights

by bluebell

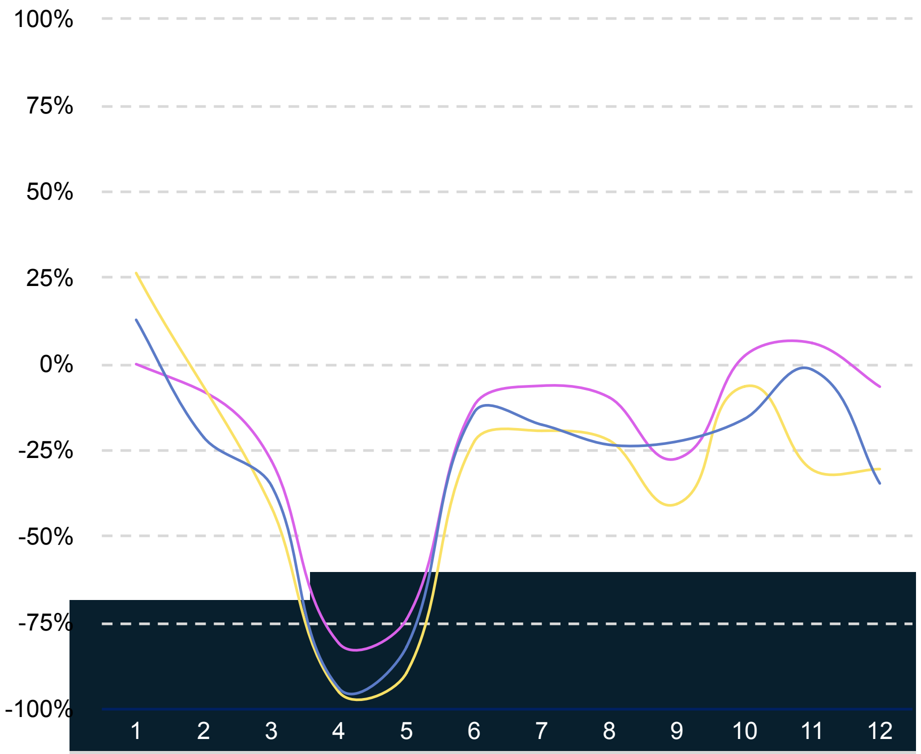
According to advance estimates from Taiwan's statistics office, the Taiwanese economy grew 2.98% in 2020, outpacing mainland China's growth for the first time in 30 years.

Taiwan experienced the mildest dip across all monitored markets, thanks in part to its relative success in containing the spread of COVID-19 without a strict lockdown.

Among monitored categories, **fashion** enjoyed the biggest peak, with exceptional growth aided by soaring shop-in-shop sales. Meanwhile **accessories** saw the most stable positive performance in the second half of the year.

Japan

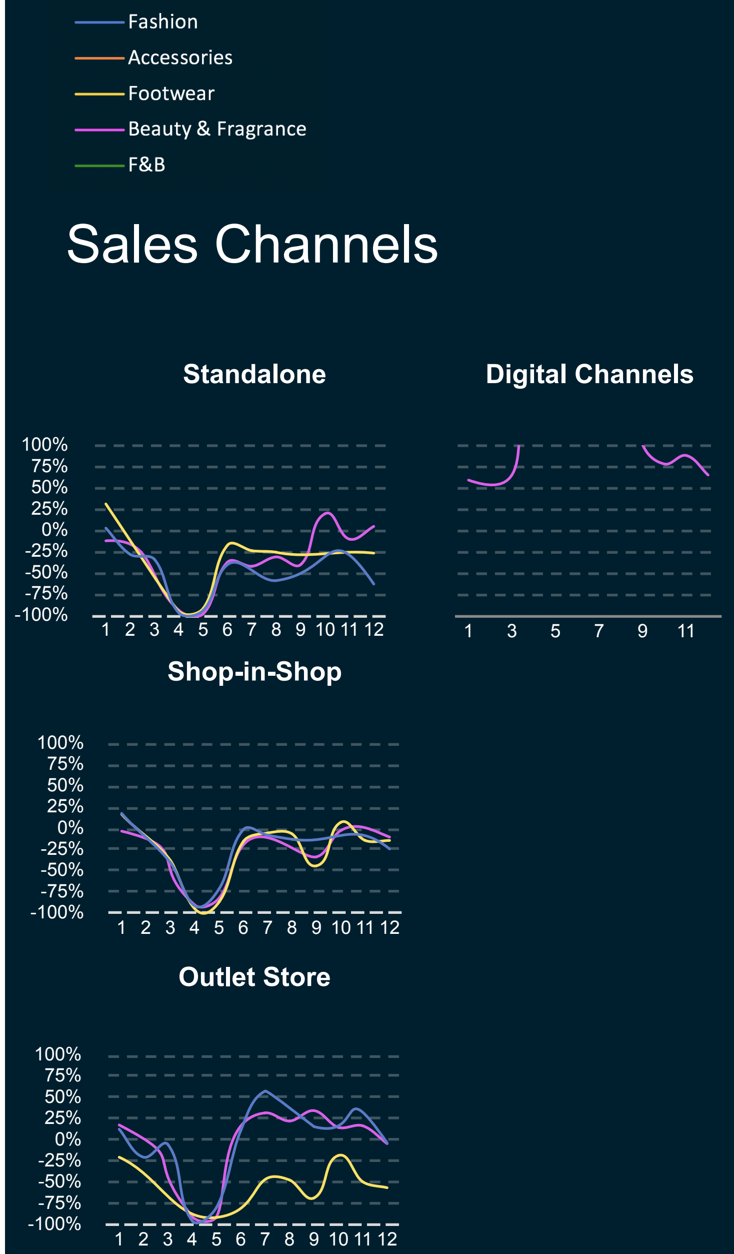
YOY Total Sales Change



COVID-19 Measures in 2020

- **Feb 4:** Flight suspensions from Zhejiang and Wuhan.
- **From Feb 20 :** Social Distancing
- **From Mar 27:** Inbound travel ban (global)
- **From Apr 7:** Enforced state of Emergency
- **From May 14:** State of Emergency relaxed by district
- **From Oct 1:** Border opening to intl. visitors with special permits

Sales Channels



Market Insights

by bluebell

According to Japan's statistics office, overall retail sales in Japan were down 3.3% in 2020.

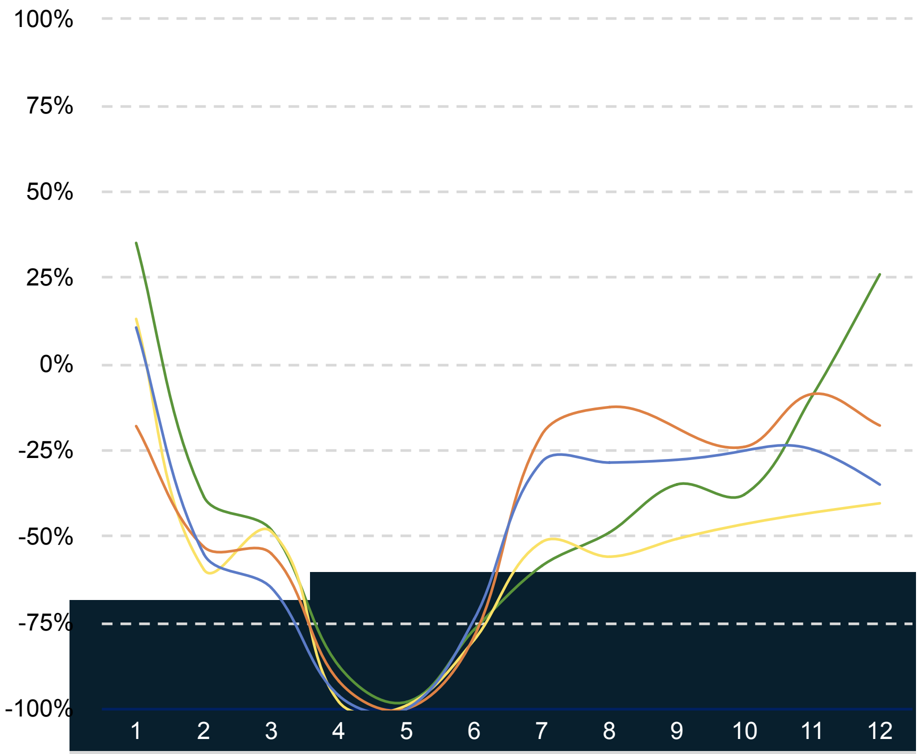
Despite efforts to avoid a strict lockdown earlier in the year, Japan's enforced State of Emergency from April was accompanied by a near-complete halt of offline retail across our monitored brands.

From May, sales rebounded swiftly and remained stable - although negative – with only **beauty & fragrance** achieving positive growth in October and November**.**

Notably, **outlet stores** outperformed other physical channels in **fashion** and **beauty & fragrance.**

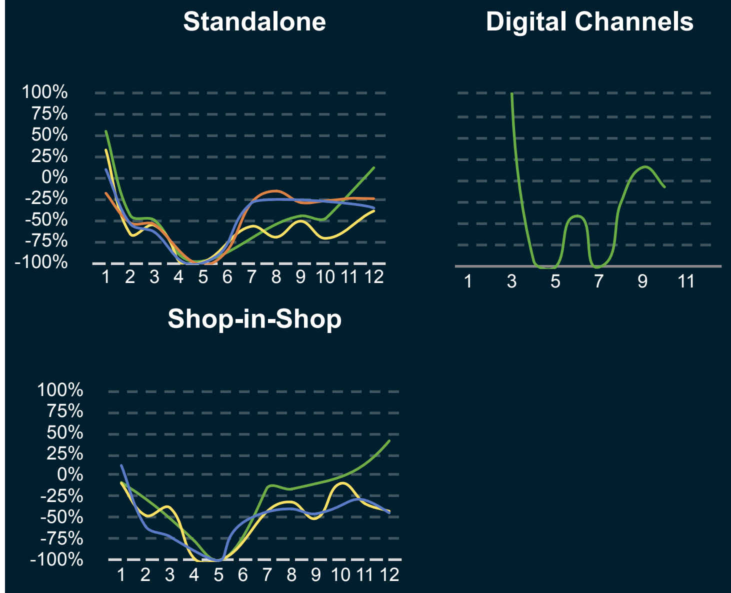
Singapore

YOY Total Sales Change



COVID-19 Measures in 2020
- **From Jan 29:** Inbound travel ban (Mainland China)
- **From Mar 13:** Inbound travel ban (global)
- **From Mar 27 to Apr 30:** Social distancing measures
- **Apr 7 to June 1:** Circuit breaker
- **June 2 to 18:** Phase 1 of “Safe Reopening”
- **From June 18:** Phase 2 of “Safe Reopening”
- **From August:** gradual reopening of borders; Reciprocal Green Lane (RGL) with Malaysia

Sales Channels



Market Insights
by bluebell

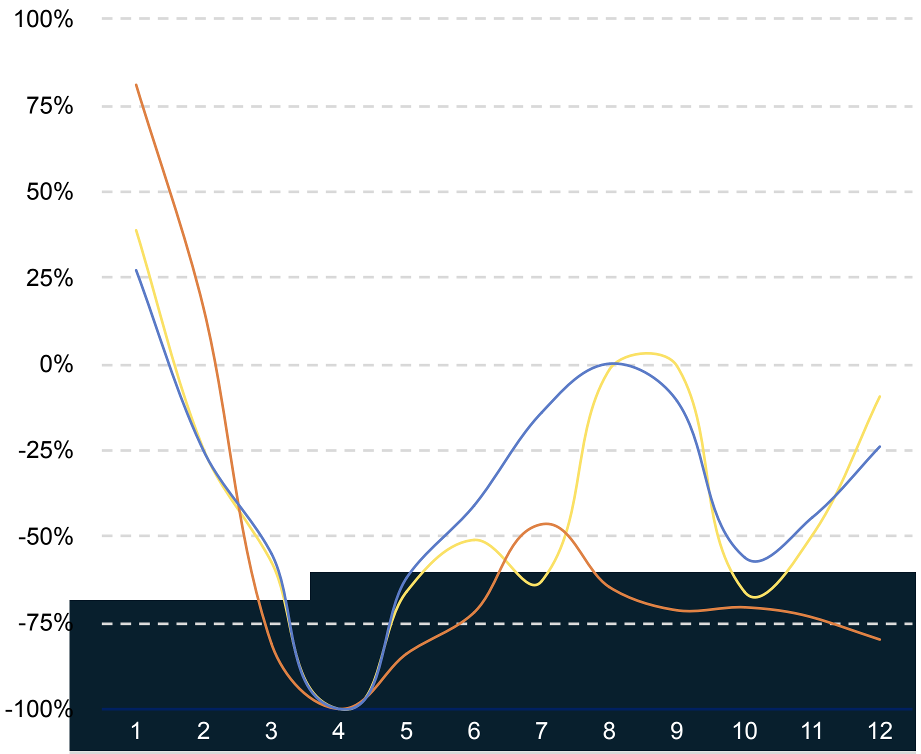
According to advance estimates by the Trade and Industry Ministry, Singapore’s GDP contracted by 5.8% in 2020.

Despite a gradual reopening of its borders from August, Singapore experienced one of the lowest performances overall among the monitored markets.

The Singapore government announced the move to Phase 3 from 28 December 2020.

Malaysia

YOY Total Sales Change



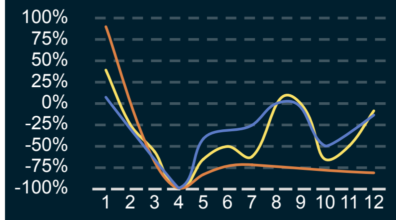
COVID-19 Measures in 2020

- **Mar 18 to Apr 13:** Border closure and partial lockdown
- **Apr 1 to May 3:** Period of Enhanced Movement Control Order (MCO)
- **From May 4:** Relaxed lockdown with all sectors reopened
- **From June 7:** Recovery Movement Control Order (RMCO)
- **From October:** Conditional MCO across various states

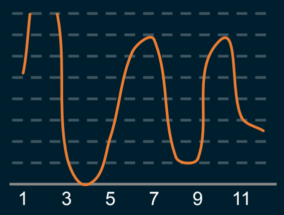
Fashion
Accessories
Footwear
Beauty & Fragrance
F&B

Sales Channels

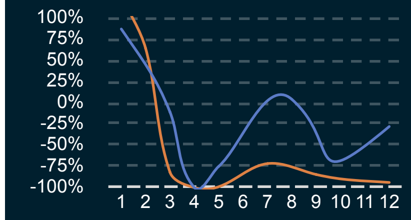
Standalone



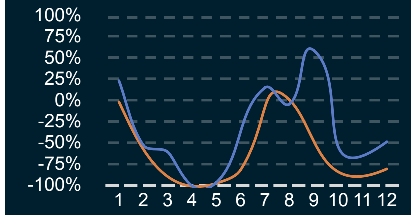
Digital Channels



Shop-in-Shop



Outlet Store



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From a complete shutdown in April, a pick up in fashion and footwear was observed before dipping again with fashion and footwear achieving near-equal YoY performance in August - only to fall dramatically again in October, when new Conditional Movement Control Orders and interstate traveling bans were introduced across various states within the country.

In Focus
South Korea Travel Retail

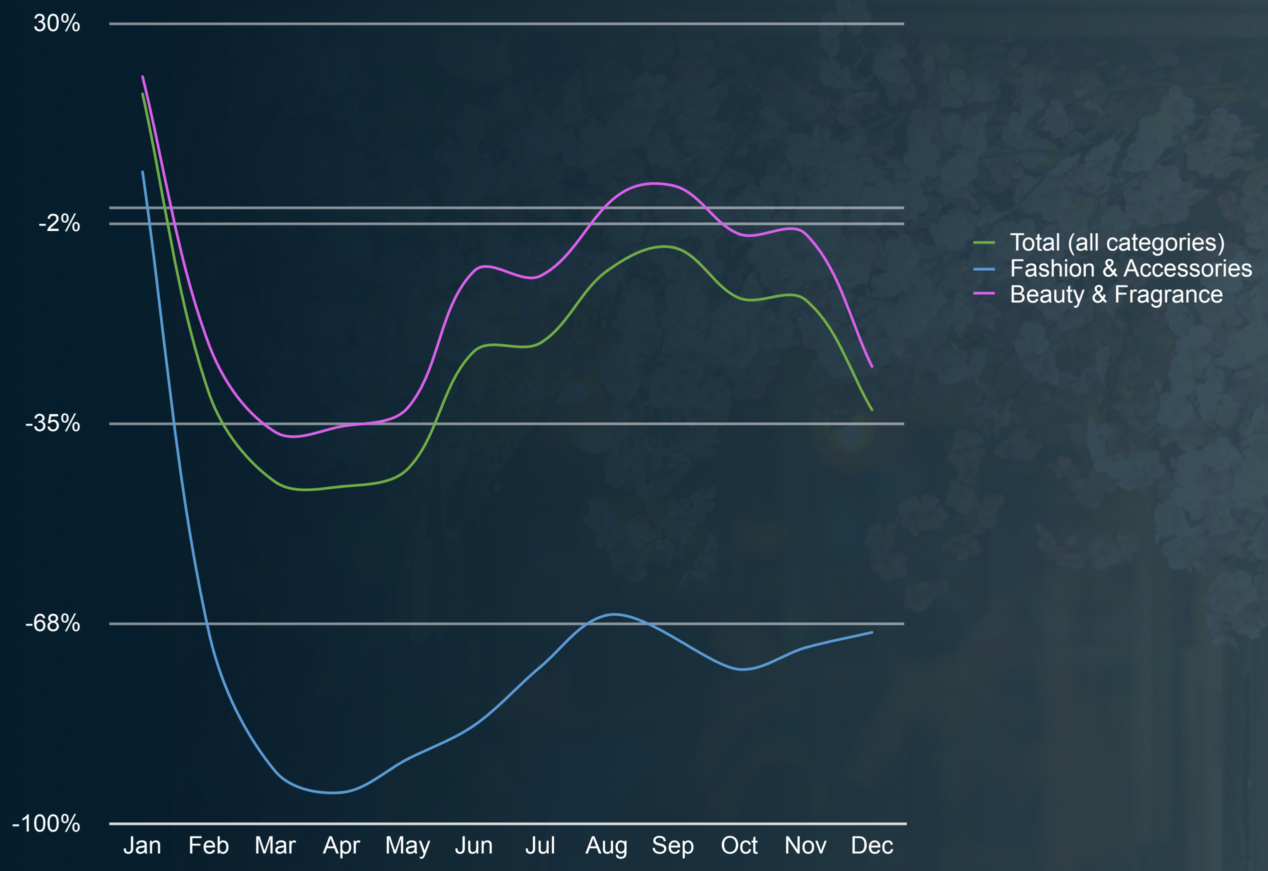
Overall Performance

Korea travel retail market sales plunged by 38% YoY to US$13.2 billion in 2020 under the sustained COVID-19 pandemic.

After hitting the bottom in April due to travel restrictions and quarantine measures which impacted the travel retail market, KTR market started to rebound thanks to the continuous government measures to support the duty free industry and foreigners' sales.

However, in December, KTR market saw the second biggest drop vs M-1 since February due to the 3rd wave of pandemic and the rapid increase in KRW value.

Travel Retail
Year-on-Year Performance



In Focus

South Korea Travel Retail

Beauty & Fragrance

Overall, sales trend of the skincare category remained much stronger than any other category, while the make-up category showed a downward trend in part because the use of make-up testers was banned in compliance with government recommendations for restriction as a part of Covid-19 preventive measures.

Sales of Korean cosmetics (K-beauty) was mainly driven by the Chinese demand for Whoo brand products.

The fragrance segment slightly recovered thanks to an increase in demand for niche luxury brands.

Market Insights
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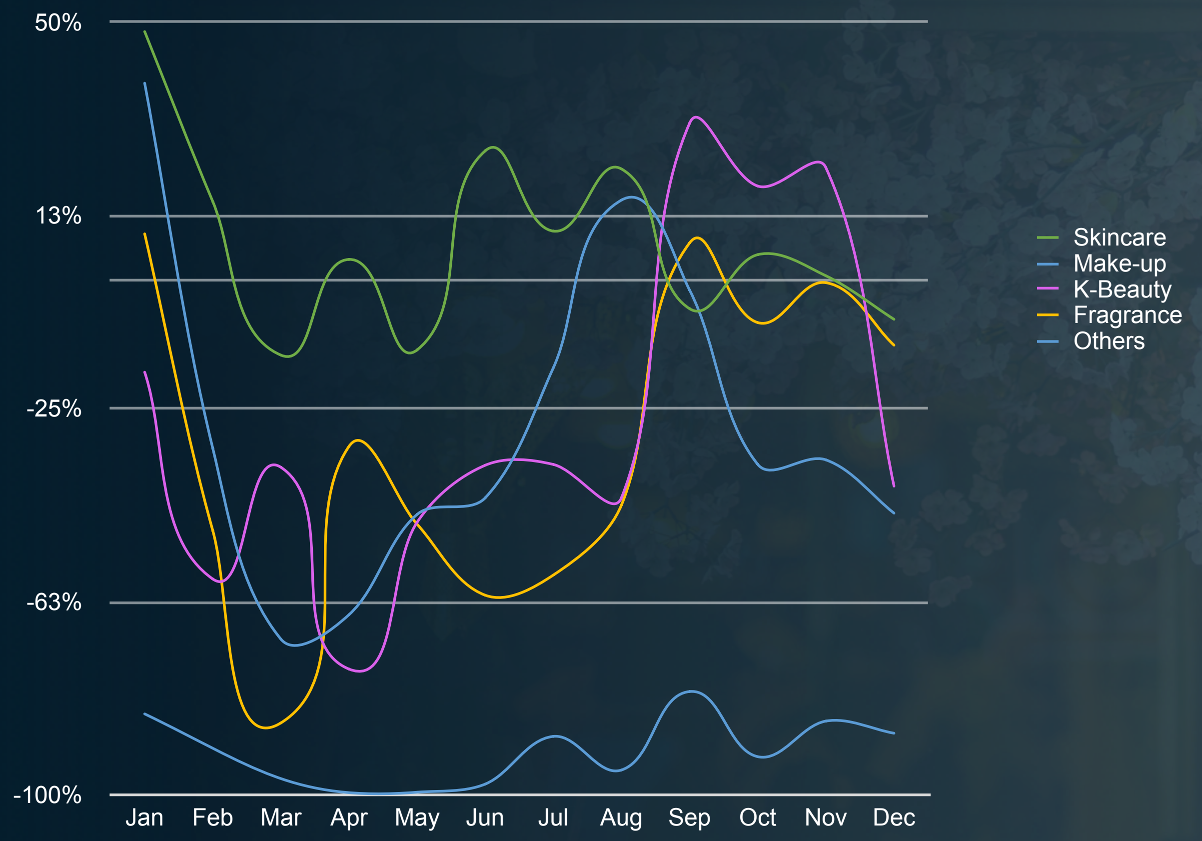
Travel Retail: Beauty & Fragrance
Year-on-Year Performance



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Acknowledgements

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For more information, contact the Market Insights Team
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