

**Market Insights**

by bluebell

# Asia Luxury & Lifestyle Retail Barometer

PART I  
JANUARY TO MAY 15, 2020

## 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

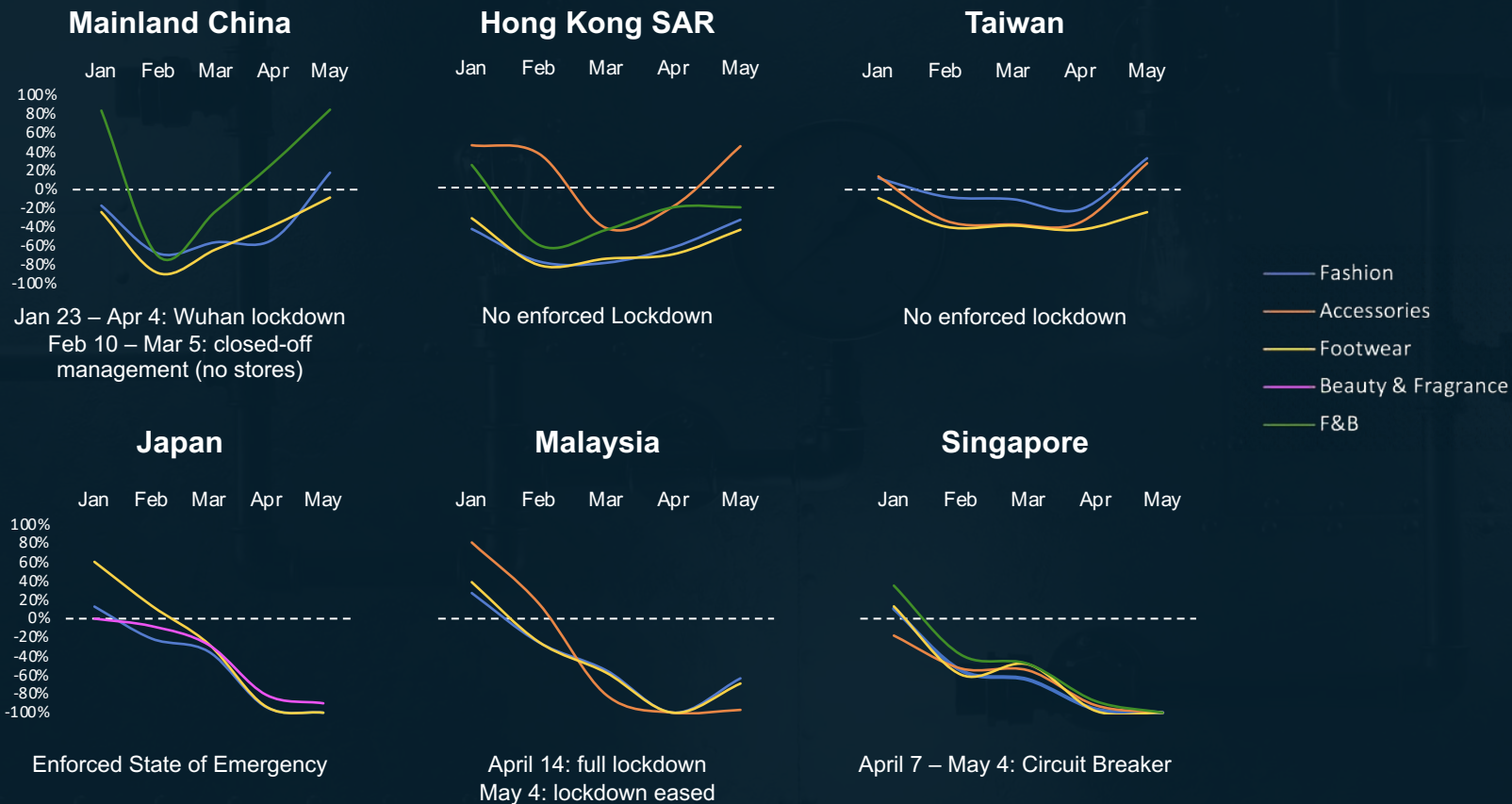
Developed by Bluebell Group Market Insights, this study is the first in a series of ongoing reports that will monitor the impact of COVID-19 on lifestyle and luxury retail in Asia throughout 2020.

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



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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

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

Fashion



-41%

Accessories



-25%

Footwear



-44%

Beauty & Fragrance



-11%

F&B



-17%

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

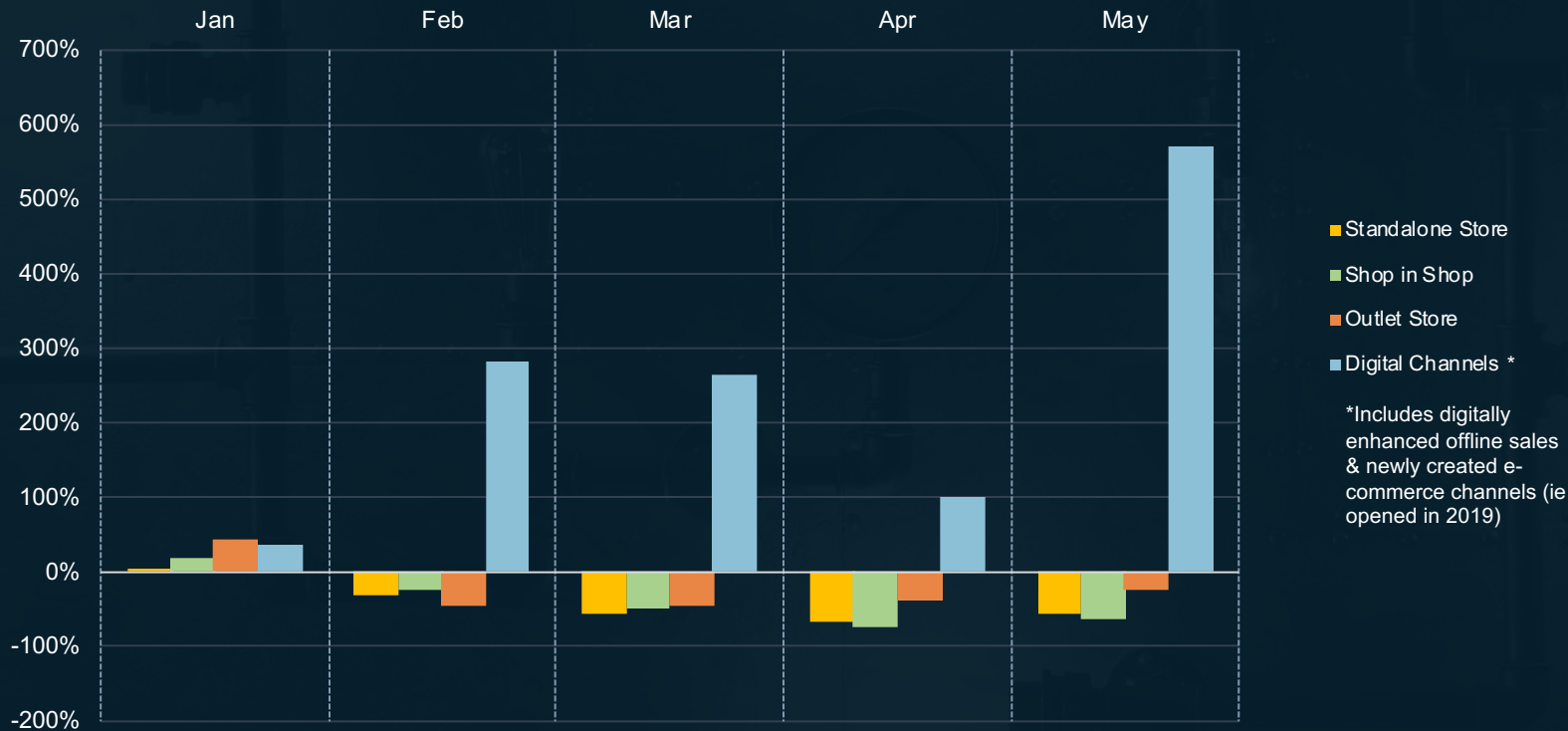
**Premium F&B** generally suffered less than other categories, especially in China, where it benefited from sophisticated delivery systems.

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



- Standalone Store
- Shop in Shop
- Outlet Store
- Digital Channels \*

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

# Market Insights

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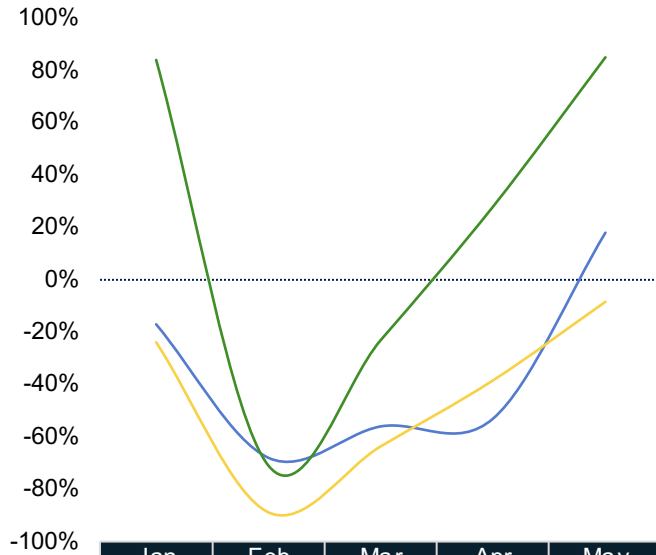
Across all channels, YOY sales decrease in offline channels is contrasted by impressive results from digital channels.

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	-23.9%	-88.8%	-63.6%	-38.4%	-8.4%
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)

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

## Sales Channels



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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.

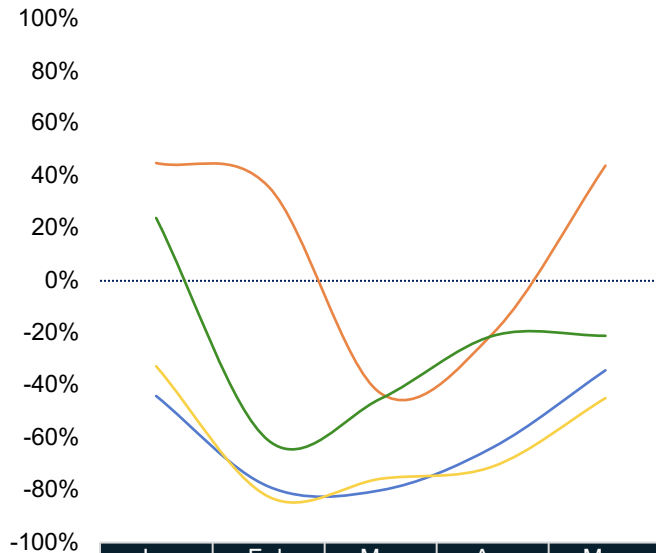
Outlet stores contributed most of the sales, as consumers looked to avoid crowds and find special deals.

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



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

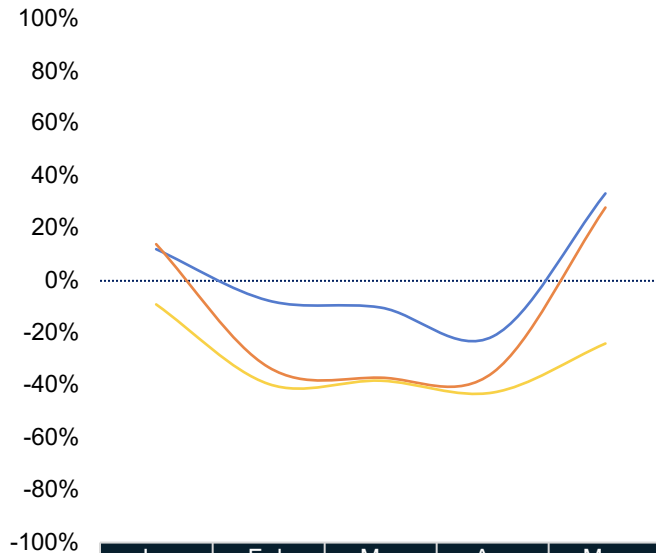
**Fashion** and **footwear** were worst affected, with sales performance respectively lagging at -35% to -45% YoY compared to 2019.

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



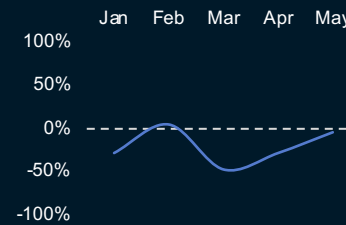
### COVID-19 Measures up to 15 May

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

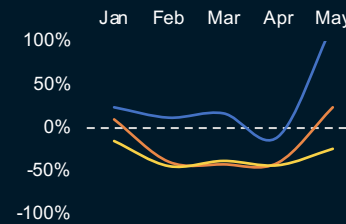
- Fashion
- Accessories
- Footwear
- Beauty & Fragrance
- F&B

## Sales Channels

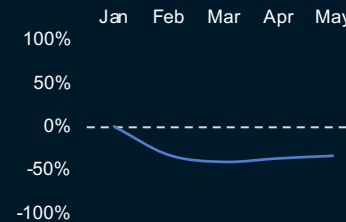
### Standalone



### Shop-in-Shop



### Outlet Store



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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.

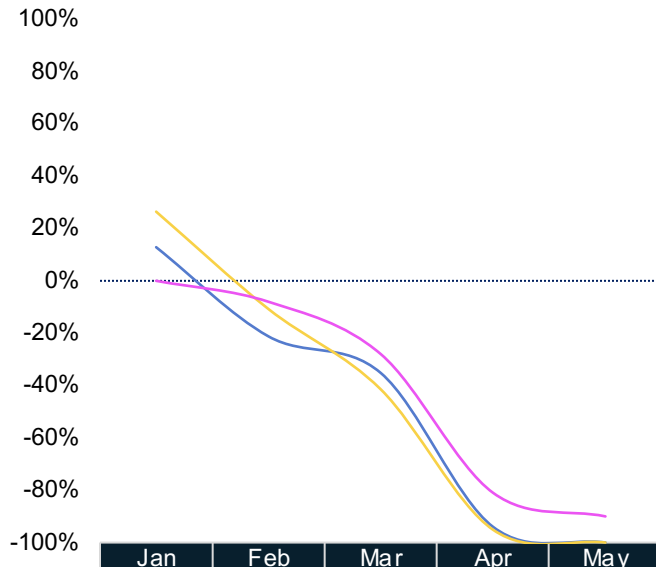
**Shop-in-shop** sales channels counted among the strongest recoveries, thanks to:

- 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

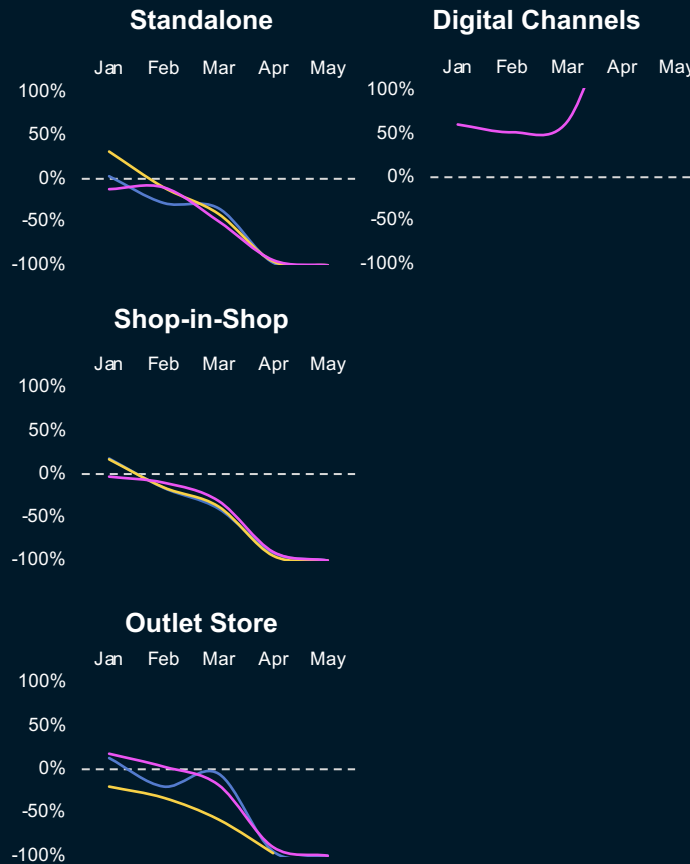


	Jan	Feb	Mar	Apr	May
Fashion	12.8%	-21.2%	-35.2%	-94.0%	-100.0%
Accessories					
Footwear	26.4%	-10.8%	-41.5%	-95.1%	-100.0%
Beauty & Fragrance	0.0%	-8.0%	-28.0%	-81.0%	-90.0%
F&B					

### 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



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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.

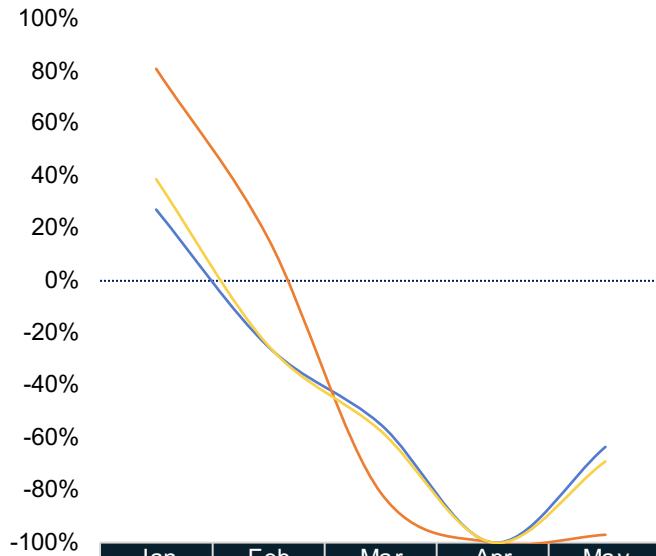
The overall YOY change closely followed the decline in physical outlet sales, indicating strong brand reliance on offline channels.

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



### 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

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

## Sales Channels



# Market Insights

by bluebell

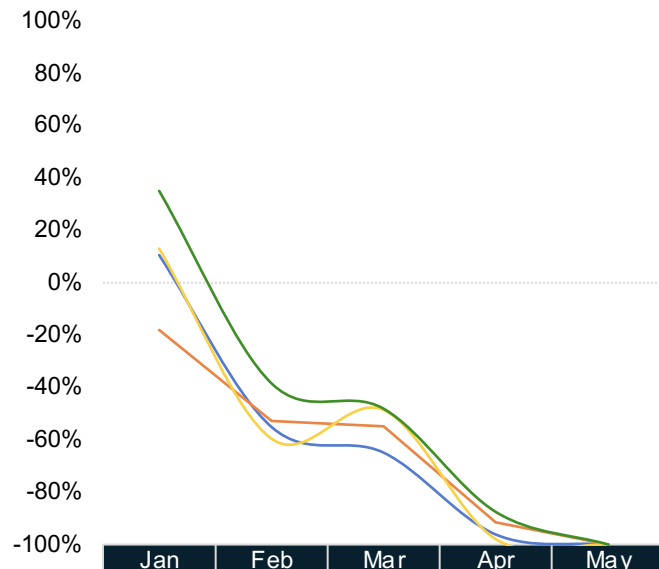
YOY sales in Malaysia have consistently dropped since February, falling to -100% in April, with a very weak recovery in May.

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



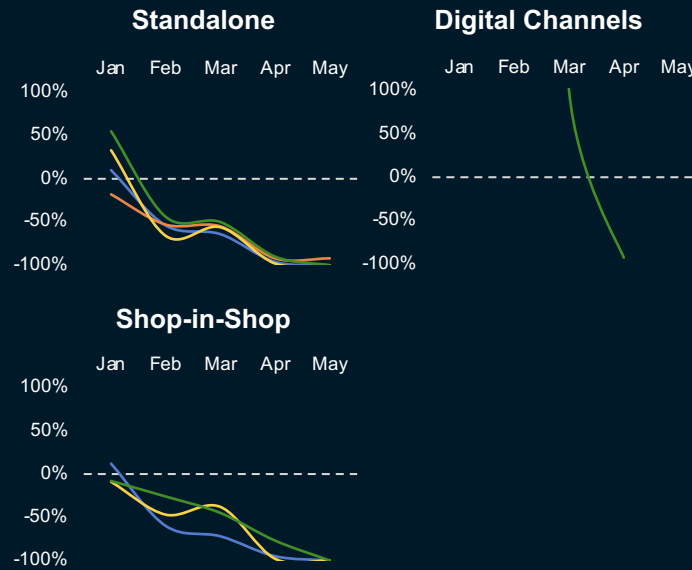
	Jan	Feb	Mar	Apr	May
Fashion	10.6%	-55.1%	-64.9%	-96.2%	-100.0%
Accessories	-18.0%	-53.0%	-55.0%	-92.0%	-100.0%
Footwear	13.1%	-59.5%	-48.6%	-98.0%	-100.0%
Beauty & Fragrance					
F&B	35.1%	-38.4%	-48.1%	-87.6%	-100.0%

### 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

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

## Sales Channels



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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

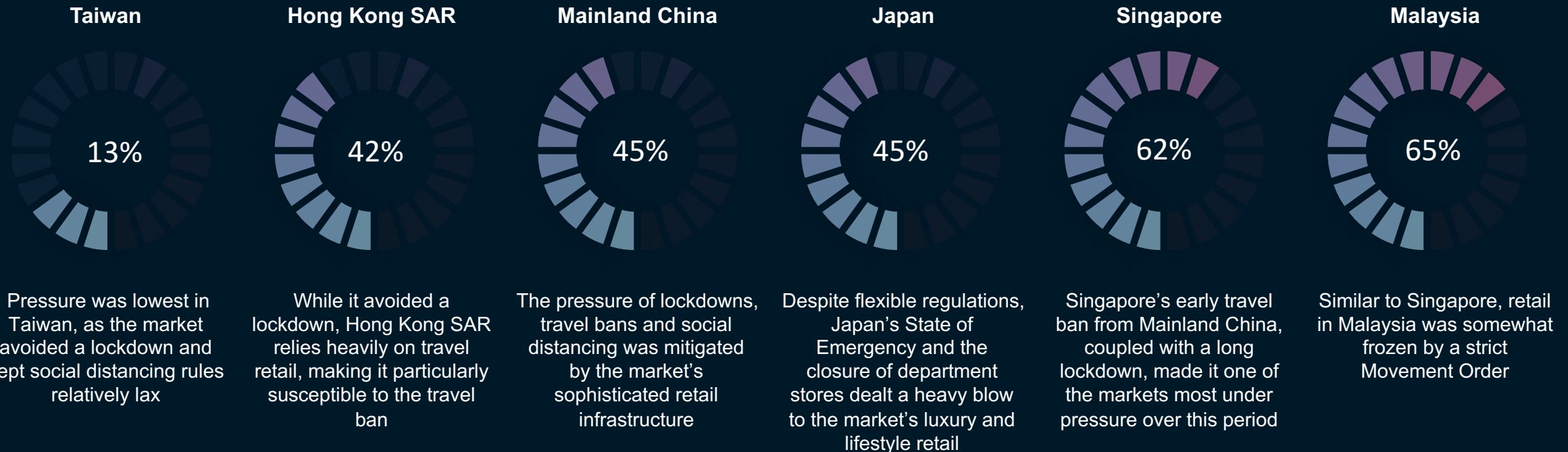
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Whereas barometers traditionally measure air pressure, the Bluebell barometer indicates the level of pressure on luxury and lifestyle retail sales across each market for the full period of this report. This pressure is measured by combining quantitative 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.



# 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.

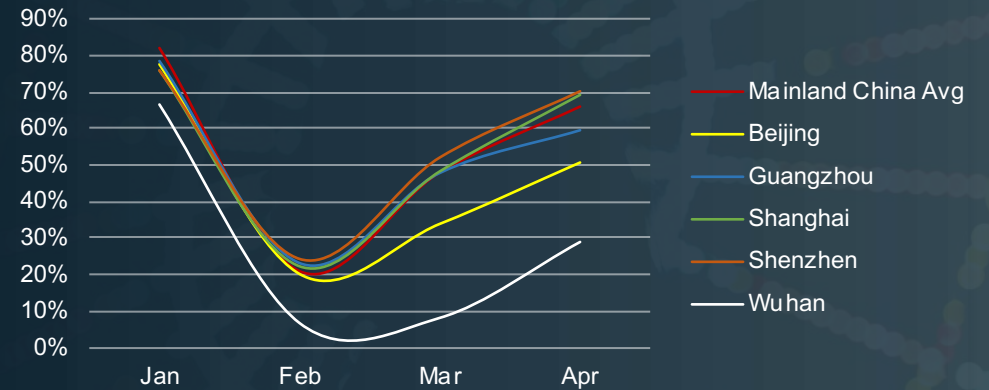
Overall, the recovery of shopping malls with high-end luxury brands was slower than that of standard mass market malls and outlets.

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.

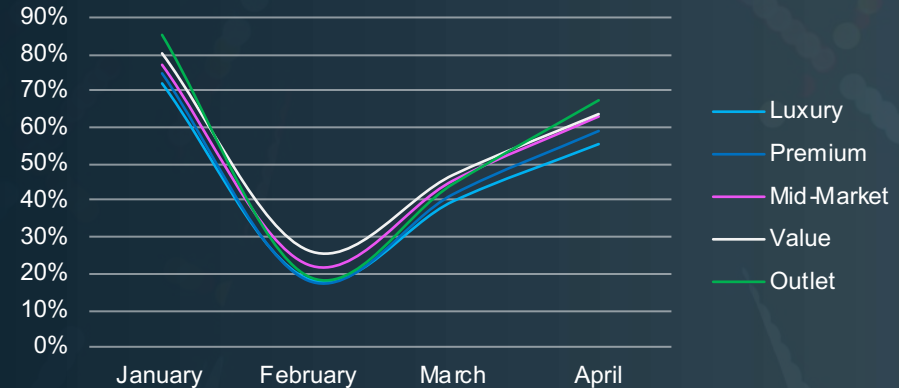
Outlets, particularly the distant premium ones accessible by car, have fared well coming out of the lockdown as people are on the lookout for new bargains.



**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

### Consumer Behaviour

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

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#### **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.

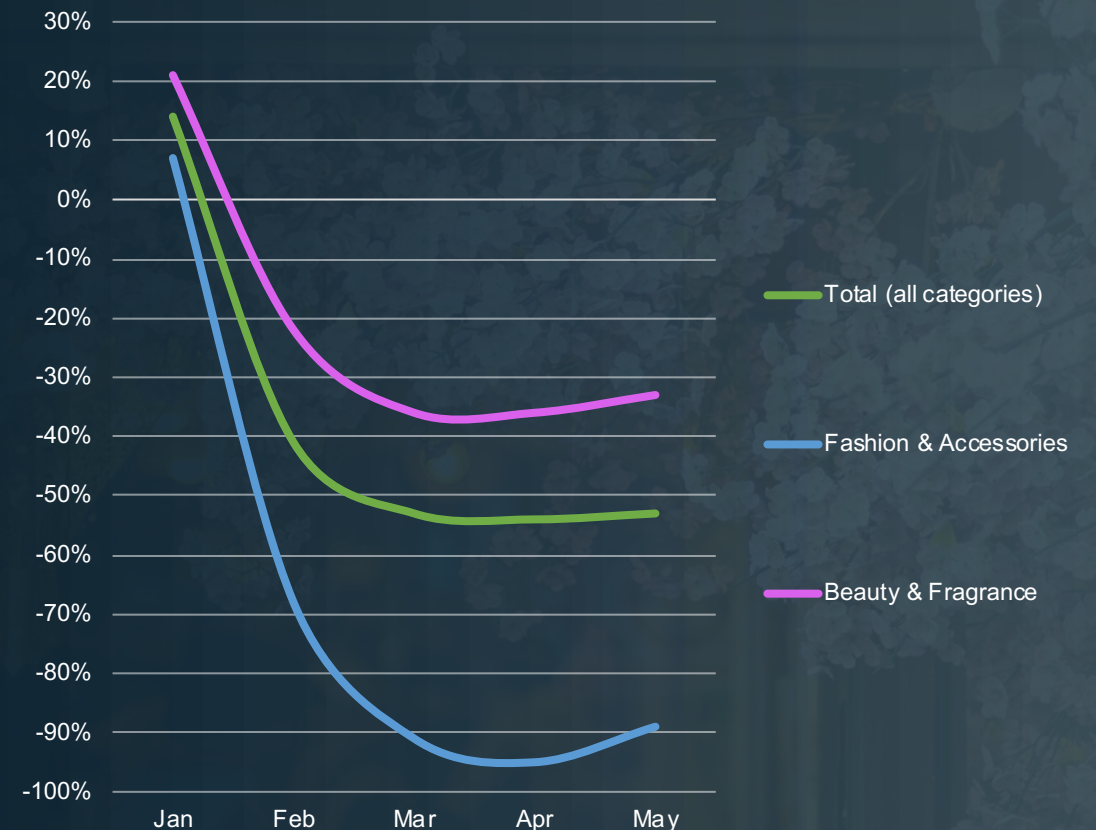
From May, international brands experienced signs of gradual recovery driven by:

- 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)

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### 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.

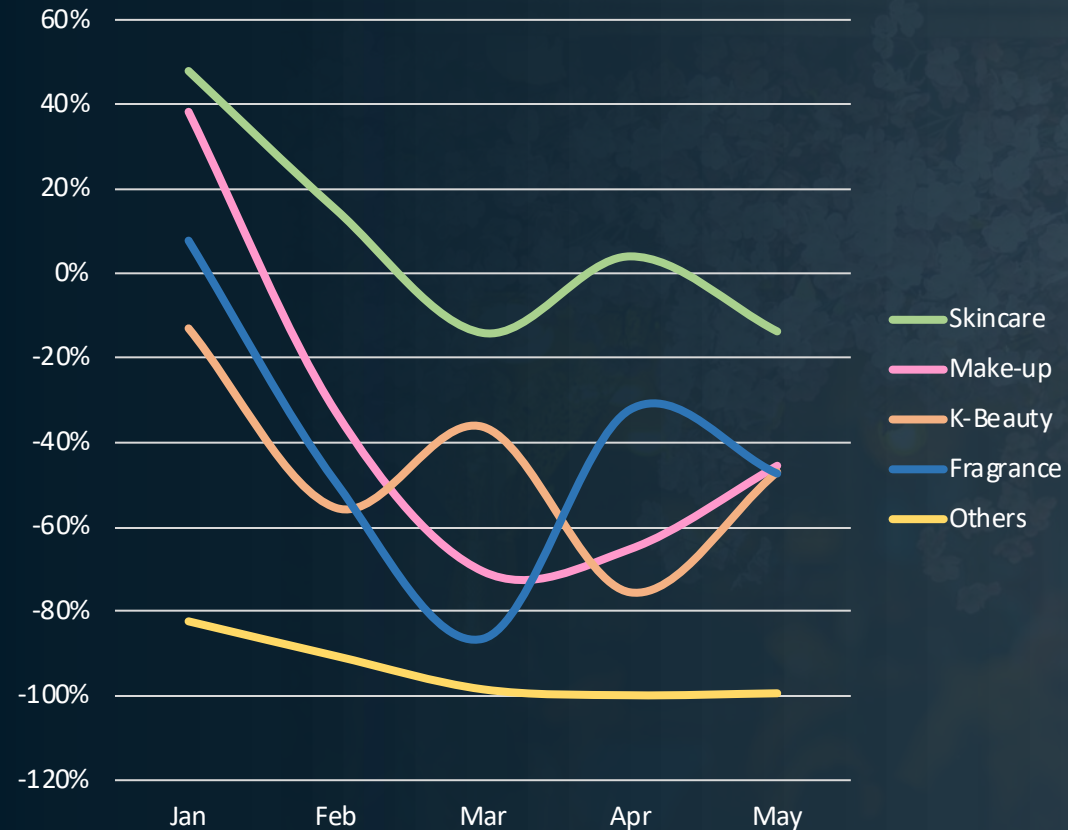
Overall the trend for make up use has gone down. Whereas a more intense beauty routine, complete with facial masks has kept the skincare lines as the least affected category.

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.

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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>

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