WEEKLY INSIGHTS

FUNG GLOBAL RETAIL & TECHNOLOGY

1) This week's note "From the Desk of Deborah Weinswig" discusses the startup companies focused on supply chain solutions that gave pitches at Fung Global Retail & Technology's Breakfast with The Disruptors event in New York this week.

2) This year, Black Friday broke records. The kickoff to the holiday shopping season saw both the highest total Black Friday sales ever and the highest mobile sales on a single day to date. Total sales increased by 21.6% year over year to $3.34 billion, representing the first time Black Friday sales surpassed the $3 billion mark.

3) British online luxury fashion retailer Matchesfashion.com is set to launch a 90-minute delivery service across London. Beginning December 5, customers will be able to place orders as early as 6:30 a.m. for the first delivery at 8 a.m. The last delivery will be at 10 p.m. each day. The service will be available in areas that lie within the M25 freeway that surrounds Greater London.

4) Retailers in South America have caught on to the Black Friday shopping frenzy, and many offered in-store and online discounts all week, which they referred to as "Black Friday Week" specials. In Brazil, Black Friday sales are expected to have increased by 30% this year, according to ecommerce monitoring company Ebit. Google saw a 65% increase in searches related to Black Friday in Brazil.

DECEMBER 2, 2016

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STAT OF THE WEEK

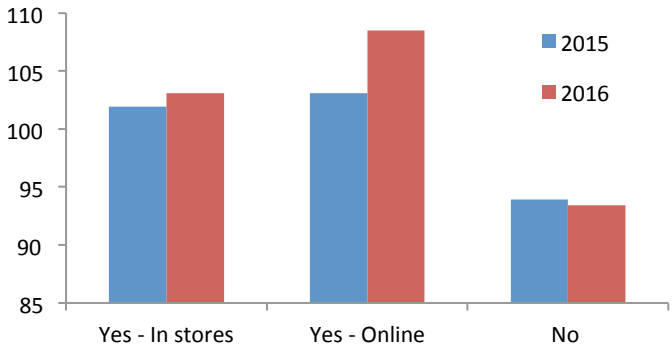
$3.34 Billion

- According to Adobe, Black Friday online sales totaled $3.34 billion in the US, beating the firm's estimate of $3.05 billion.
- Of that total, $1.2 billion in sales came from mobile. The figure was up 33% year over year and made this year's Black Friday a record setter: it was the first day in US retail history to see more than a billion dollars in mobile sales.

Source: Adobe

CHART OF THE WEEK

Number of Consumers Who Shopped/Planned to Shop over Thanksgiving Weekend in the US (Mil.)



Source: National Retail Federation

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FROM THE DESK OF DEBORAH WEINSWIG

This week in New York, Fung Global Retail & Technology hosted the latest in our Breakfast with The Disruptors series of events. Seven startups focusing on supply chain solutions gave pitches at the event and competed for a prize of $25,000 in fee-based services provided by MSQ Ventures. The pitches were judged by Tami Fersko, Group President, Private Label, LF Americas; Edward Hertzman, Founder, *Sourcing Journal*; and Echo Hindle-Yang, CEO and Founder, MSQ Ventures. The event was attended by about 115 people, including journalists and leaders in the retail and apparel industries.

The presenting startups were:

BlueCart offers a platform for restaurants and vendors that streamlines and organizes the ordering process, so that restaurants can place orders with all their suppliers at once, and vendors can receive those orders in simple, real-time forms, eliminating the need for repetitive, late-night phone calls, blurry faxes and choppy voicemails.

CoLoadX is a digital ocean freight procurement platform built for freight forwarders, non-vessel operating common carriers (NVOCCs) and logistics service buyers.

Inspectorio aims to revolutionize the quality inspection industry as well as become the most innovative supplier-compliance-verification company in the world, using the best exponential technologies available.

Loomia is a wearables 2.0 and smart fabric company that aims to enable the future of wearables by developing products that make it easier to manufacture smart soft goods.

Radius8 helps retailers deliver more unified online-to-offline (O2O) experiences in a way that is smarter, more innovative and more measurable in order to help companies better serve customers, unlock more value and be more profitable.

Supply.ai helps omnichannel retailers predict and prevent returns by combining deep-learning technology with consumer and supply chain behavior data. Its platform predicts the likelihood of returns and helps prevent them, thereby helping retailers retain revenue that they would have otherwise lost, and subsequently reduce operating costs, increase supply chain efficiency and improve customer satisfaction.

TigerTrade is an online B2B wholesale marketplace for buying and selling excess inventory. Its proprietary technology platform disrupts a highly inefficient market by automating trading, enabling real-time bidding and fulfillment, and providing end-to-end service for verified vendors worldwide. The platform currently works in apparel, footwear and fashion accessories. Participating suppliers include leading global brands from the US and Europe and buyers include retail chains and wholesalers from around the world.

After a protracted and difficult deliberation, the judges awarded the prize to…Inspectorio!

The Fung Global Retail & Technology team looks forward to hosting more Breakfast with The Disruptors events in the near future!

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WEINSWIG'S WATCHING

This week, the Fung Global Retail & Technology US team hosted a well-attended Breakfast with The Disruptors event that featured seven startups focused on creating supply chain solutions.

US RETAIL EARNINGS

		Revenues (USD Mil.)		YoY % Change	Gross Margin (%)		Change (bps)	Net Income (USD Mil.)		YoY % Change	Store Fleet EOP	
Company	**Period**	**2016**	**2015**		**2016**	**2015**		**2016**	**2015**		**2016**	**2015**
American Eagle Outfitters	3Q17	941	919	2.3	40.2	40.0	18	76	74	2.2	1,215	1,194
Tiffany & Co.	3Q17	949	938	1.2	61.0	60.2	88	95	91	4.5	313	305

Source: Company reports

US RETAIL & TECH HEADLINES

Mobile Drives Record Black Friday Sales

(November 28) Glossy

- This year, Black Friday broke records. The kickoff to the holiday shopping season saw both the highest total Black Friday sales ever and the highest mobile sales on a single day to date. Total sales increased by 21.6% year over year, to $3.34 billion, representing the first time Black Friday sales surpassed the $3 billion mark.
- The strong sales represent a positive rebound in retail, easing concerns about the prolonged effects of the election on online sales. There was also an increase in the number of retailers offering free shipping in order to incentivize consumers to shop online on Black Friday.

Data Show Shoppers Hunting for Bargains, but in the Giving Spirit, Too

(November 29) Women's Wear Daily

- Holiday shoppers are hungry for bargains, but they are also looking to make more gift purchases than in previous years. According to ABX's holiday *Share of Wallet* survey, shoppers plan to spend $695 on holiday gifts this year, up from $592 last year, representing a 17% increase.
- Amazon and Walmart are the winning retailers for bargain shoppers, with 22% and 20% of survey respondents saying that they plan to shop at these respective retailers for the holidays. Both retailers have performed well on ABX's advertising effectiveness index, showing strong digital advertising leverage.

GILT **Gilt Goes Cruising**

(November 29) Women's Wear Daily

- Hudson's Bay Company is expanding its Gilt.com business model offshore, testing new pop-up shops on cruise ships sailing from Miami and Fort Lauderdale, Florida. In an effort to drive brand awareness, the pop-ups will run until January 29, with the goal of reaching new audiences and acquiring new members.
- Gilt at Sea will offer flash-sale events and new products daily, focusing on resort fashions, intimates, handbags and gifts. The cruise model also offers a powerful marketing opportunity; because consumers book cruises well in advance, Gilt will have a wide window of time to reach and engage with shoppers.

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Virtual Reality's Long Walk Before Running
(November 27) The Wall Street Journal

- As a new consumer technology with a relatively high price, virtual reality (VR) has been a challenge for retailers. It can be physically uncomfortable for users to wear VR devices, and in-store demonstrations require more resources and personnel. So, while VR could be promising in the long term, early efforts are unclear.
- Companies such as Sony, HTC and Facebook have not disclosed actual sales numbers for VR devices, but early indications suggest low sales volume to date. However, this does not mean there is no interest in VR. In its recent earnings call, Best Buy said that it has provided more than 300,000 VR demos leading up to the holiday shopping season.

EUROPEAN RETAIL HEADLINES

MATCHES FASHION.COM

Matchesfashion.com to Offer 90-Minute Delivery Service
(November 29) WWD.com

- British online luxury fashion retailer Matchesfashion.com is set to launch a 90-minute delivery service across London. Beginning December 5, customers will be able to place orders as early as 6:30 a.m. for the first delivery at 8 a.m. The last delivery will be at 10 p.m. each day.
- The service will be available in areas that lie within the M25 freeway that surrounds Greater London. Customers will also be able to book deliveries for a scheduled time up to seven days in advance.

IKEA

IKEA UK Sales Lifted by New Store Openings
(November 29) Retail-week.com

- For the 12 months ended August 31, 2016, IKEA UK's year-over-year sales increased by 8.9%, to £1.72 billion (US$2.14 billion). The Swedish furniture company runs 19 stores in the UK, and stated that its market share grew by 0.5 percentage points, to 8.2%, during the year.
- IKEA reported a 31% increase in e-commerce, which now accounts for 13.4% of overall sales. The company said that its performance was driven by investment in stores, staff and a new website launch during the year, and that it plans to double the size of its UK business by 2020.

YOOX NET-A-PORTER GROUP

Yoox Net-A-Porter Signs Joint Venture Deal with Middle East's Symphony Investments
(November 28) Company press release

- Italian online luxury fashion retailer Yoox Net-A-Porter has signed a joint venture with Dubai-based Symphony Investments. The Middle Eastern firm will own a 40% stake and take over operation of the retailer's four online multibrand stores in the Middle East: Net-A-Porter, Mr Porter, Yoox and The Outnet.
- The newly formed entity will initially operate in the six Gulf Cooperation Council countries and may expand to other countries in the Middle East and North Africa later. The management of all the Yoox Net-A-Porter banners and the online stores of brands it runs in the region are included in the venture.

Dunelm

Dunelm Agrees to Acquire Worldstores, Achica and Kiddicare
(November 28) Company press release

- British furniture retail group Dunelm has agreed to buy the WS Group for £8.5 million (US$10.6 million). The WS Group owns Worldstores (an online retailer of home and garden products), Achica (a members-only online store that sells furniture, homewares and accessories) and Kiddicare (an online retailer that sells nursery supplies and merchandise for children and young families).
- The WS Group, which currently generates some £100 million (US$125 million) in revenue and employs about 650 staff, was on the brink of collapsing into administration before Dunelm agreed to buy it.

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Spar International to Open up to 300 New Stores in Thailand by 2020
(November 28) Company press release

- Dutch multinational retail giant Spar announced a new partnership agreement with Bangchak Retail Company that is part of Spar's €74 million (US$79 million) investment to expand its operations in Thailand.
- Bangchak plans to open seven new Spar stores by the end of 2016, including key flagship convenience and neighborhood formats. The company expects to open 50–80 stores each year for the next five years and achieve retail sales in the region of €245 million (US$260 million) by 2020.

ASIA TECH HEADLINES

Alibaba's YunOS to Surpass Apple's iOS as the Second-Largest Mobile Operating System in China
(November 28) South China Morning Post

- YunOS, the smartphone operating system developed by Alibaba, is on track to corner a 14% share of smartphone shipments in Mainland China by the end of 2016. YunOS is expected to pull ahead of Apple's iOS to become the second-largest mobile operating system in the country.
- Shipments of YunOS-powered smartphones are expected to top 100 million units this year. The top YunOS smartphone suppliers are Meizu (backed by Alibaba), XiaoLaJiao and Doov.

KFit Purchases Groupon Malaysia
(November 28) TechinAsia.com

- Malaysia's fitness startup KFit announced that it has bought Groupon Malaysia in order to expand its business portfolio.
- Founded in 2015, KFit gained popularity by offering unlimited gym and fitness classes for a fixed monthly fee. It branched out into deals for massage, spa and beauty services, as well as discount vouchers, in a bid to gain new revenue streams.

Singaporean MatchMove Partners with India's The Mobile Wallet to Expand Digital Payments
(November 28) TechWireAsia.com

- Singaporean fintech firm MatchMove has partnered with Indian payment platform The Mobile Wallet (TMW) in order to expand into the Indian market. MatchMove will be integrated into the TMW app, which will boost functionality and usability for customers, as well as allow businesses to accept payments digitally.
- The partnership will help TMW become a leader in India's digital payments segment and open new inroads to the Southeast Asia markets.

Baidu Maps Out Global Expansion
(November 29) China Daily

- Baidu Map, a desktop and mobile map service, is set to become a global mapping service provider covering more than 150 countries and regions. The company, which holds approximately 70% of domestic market share in China and has more than 300 million monthly active users, aims to transform itself into a world map provider.
- Baidu will strengthen its cooperation with overseas governments and leading enterprises to provide mapping services in local languages and increase its local impact in other regions.

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LATAM RETAIL HEADLINES

Black Friday Still on the Rise in Brazil, No Thanksgiving Required
(November 25) Bloomberg

- Retailers in South America have caught on to the Black Friday shopping frenzy, and many offered in-store and online discounts all week that they referred to as "Black Friday Week" specials.
- In Brazil, Black Friday sales are expected to have increased by 30% this year, according to e-commerce monitoring company Ebit. Google saw a 65% increase in searches related to Black Friday in Brazil.

Glamour Brasil Reels from Racism Accusations over Social Media Post
(November 27) WWD.com

- The Brazilian team at popular fashion magazine *Glamour* posted a video on Instagram on November 2 of the staff bowing and pulling their eyelids sideways, supposedly in celebration of a Japan-themed issue. The company's crisis management team did not remove the post until November 4.
- This comes not long after another Condé Nast magazine, *Vogue Brasil*, posted photos from what it claimed were images from the Rio de Janeiro 2016 Paralympics, but were actually able-bodied actors that had been photoshopped to make them look like amputees.

Colombian Designers Generating Buzz
(November 29) WWD.com

- Up-and-coming Colombian designers such as Johanna Ortiz and Esteban Cortazar are set to gain international notoriety by selling in stores such as Bergdorf Goodman and Harrods. Colombia recently relaunched Bogotá Fashion Week, which drew 10,000 guests.
- Colombian beachwear, underwear and denim brands such as Agua Bendita (Holy Water), OndadeMar (Ocean Wave), Leonisa and Studio F are boosting their US and global exports and opening shops in Latin America.

Brazil's Via Varejo Soars on Reports of Falabella, Steinhoff Interest
(November 24) Reuters

- Shares in Brazilian retailer Via Varejo soared last Thursday after reports that three suitors—Falabella, Steinhoff and Lojas Americanas—have expressed interest in a controlling stake in the company.
- Grupo Pão de Açúcar, Brazil's largest diversified retailer, is the controlling stakeholder in Via Varejo, but the company is moving to sell its 43.3% stake in order to focus on food retailing.

Brazil Supermarket Sales Rise by 1.16% Through October
(November 30) Reuters

- Brazilian supermarket sales rose by 1.16% this year through October, signaling that Brazilian consumers are spending more on food. This is a good sign for the economy, which is currently deep in recession.
- The statement came from industry group Abras, which compiled data from 2,800 outlets representing approximately 130 companies that account for 60% of all supermarket sales in Brazil.

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EARNINGS CALENDAR

Company	Earnings Release Period	Date	Sales (Mil.) Consensus TY	Sales (Mil.) LY Actual	EPS Consensus TY	EPS LY Actual	Currency
Big Lots (BIG)	3Q17	Dec 2	1,118	1,117	(0.01)	(0.01)	USD
Sears Holdings (SHLD)	3Q17	Dec 2 (E)	4,947	5,750	(4.06)	(2.86)	USD
Hudson's Bay Company (HBC.TO)	3Q17	Dec 5	3,420	2,566	(0.20)	(0.04)	CAD
Lululemon Athletica (LULU)	3Q17	Dec 7	541	480	0.43	0.35	USD
Vera Bradley (VRA)	3Q17	Dec 7	130	127	0.23	0.27	USD
Costco (COST)	1Q17	Dec 8	28,389	27,220	1.19	1.09	USD
Restoration Hardware (RH)	3Q17	Dec 8 (E)	528	532	0.17	0.57	USD
Inditex (ITX.MC)	3Q17	Dec 14	5,921	5,323	0.30	0.27	EUR
Metro (MEO.DE)	FY16	Dec 14	58,733	59,219	1.79	1.06	EUR
Rite Aid (RAD)	3Q17	Dec 15 (E)	8,223	8,154	0.05	0.06	USD
Nike (NKE)	2Q17	Dec 20	8,109	7,686	0.43	0.45	USD
Finish Line (FINL)	3Q17	Dec 23 (E)	413	382	(0.18)	(0.49)	USD
Walgreens (WBA)	1Q17	Jan 5 (E)	29,240	29,033	1.10	0.91	USD
Fast Retailing (9983.JP)	1Q17	Jan 12	552	520	842.23	471.06	JPY
SuperGroup (SGP.L)	1H17	Jan 12	334	255	0.21	0.18	GBP
Supervalu (SVU)	3Q17	Jan 18 (E)	4,063	4,114	0.14	0.17	USD
Apple (AAPL)	1Q17	Jan 24 (E)	77,190	75,324	3.22	3.22	USD
Kimberly-Clark (KMB)	4Q16	Jan 24	4,555	4,539	1.42	1.44	USD
eBay (EBAY)	4Q16	Jan 25 (E)	2,405	2,322	0.54	0.45	USD
Facebook (FB)	4Q16	Jan 25 (E)	8,483	5,841	1.30	0.54	USD
Procter & Gamble (PG)	2Q17	Jan 25	16,897	16,915	1.07	1.05	USD
Unilever (ULVR.L)	FY16	Jan 26	26,283	26,991	0.92	0.91	EUR
Colgate-Palmolive (CL)	4Q16	Jan 27	3,910	3,899	0.76	0.73	USD
Global Brands Group (787.HK)	FY16	Jan 30	3,850	3,423	0.02	0.00	USD

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EVENT CALENDAR

Event	Location	Date(s)	Fung Global Presenting/ Attending
ICSC New York National Deal Making	New York, NY	Dec 5–6	√
ILTM (International Luxury Travel Market)	Cannes, France	Dec 5–8	
Guangzhou International Urban Innovation Conference	Guangzhou, China	Dec 5–8	√
Elevate NYC: A Cloud Innovation Forum	New York, NY	Dec 6	
Lowe's Analyst and Investor Conference	Mooresville, NC	Dec 7	√
CVS Health Annual Analyst Day	New York, NY	Dec 15	√
Planalytics Holiday Homestretch Webcast	Webcast	Dec 15	
CES Unveiled Las Vegas	Las Vegas, NV	Jan 3	√
CES 2017	Las Vegas, NV	Jan 5–8	√
ICR Conference 2017	Orlando, FL	Jan 9–11	
Chicago Booth Economic Outlook 2017: Top Economic Challenges Facing the New President	New York, NY	Jan 12	
RetailROI SuperSaturday	New York, NY	Jan 14	
NRF Foundation Gala	New York, NY	Jan 15	
NRF Retail's Big Show	New York, NY	Jan 15–17	√
Digital-Life-Design Conference	Munich, Germany	Jan 15–17	
Hong Kong Fashion Week	Hong Kong	Jan 16–19	
Next Money Fintech Finals 2017	Hong Kong	Jan 18–19	
PROJECT New York	New York, NY	Jan 23–25	
Annual Golden Seeds Summit	New York, NY	Jan 23–28	√
ICSC Texas Retail Forecast	Dallas, TX	Jan 24	
AAFA Product Safety West Seminar	Long Beach, CA	Jan 24	
ICSC Heartland States Idea Exchange	Saint Louis, MO	Jan 25–26	
Innovation Enterprise Big Data Innovation Summit	Las Vegas, NV	Jan 25–26	
Credit Suisse 2017 Latin America Investment Conference	São Paulo, Brazil	Jan 31–Feb 1	
Inside 3D Printing Conference & Expo	Düsseldorf, Germany	Feb 2–3	
WWD Digital Beauty Forum: New York	New York, NY	Feb 7	
Wearable Technologies Conference	Munich, Germany	Feb 7–8	
Finovate Europe 2017	London, UK	Feb 7–8	
Entertainment Experience Evolution	Santa Monica, CA	Feb 7–8	
Innovation Enterprise Big Data & Analytics Innovation Summit	Melbourne, Australia	Feb 8–9	

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AAFA Committee Meetings	Los Angeles, CA	Feb 8–9
New York Fashion Week	New York, NY	Feb 9–17
Ambiente	Frankfurt, Germany	Feb 10–14
Retail Supply Chain Conference 2017	Orlando, FL	Feb 12–15
National Grocers Association Show	Las Vegas, NV	Feb 12–15
Asia Retail Congress	Mumbai, India	Feb 13–14

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