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The Status of Taiwan's Retailing Services Industry

(I) Supply & Demand of Retailing Services

As a result of the economic globalization and liberalization, the international distribution or division of labor is gradually becoming more focused and concentrated. With the close inter-relationship between suppliers and consumers, the retailing services industry is seen as one of the most important industries anywhere around the world.

Taiwan is favored by highly developed countries and is chosen as the ideal location for offshore production because of its renowned reputation as a reliable manufacturer. With the ever changing global trends, it is inevitable that Taiwan's manufacturing and OEM businesses have started to decline over the years. However, a surge in the service sector is now seen as quickly replacing Taiwan's manufacturing fame. How to boost Taiwan's service industry and create added value for products and enterprises are now the key issues.

Based on the 2007 statistics provided by the National Science Council of Taiwan, Taiwan's service sector reached a total of 72.91% in GDP, with production recorded at NTD629.3 billion in the first three quarters of 2007. Comparing with the same period in 2006, an increase of NTD312.4 billion (4.95%) is seen. Likewise the number of people that joined the service sector in 2007 accumulated to 5.90 million; comparing with 2006, there was an increase of 100,000. In the overall retailing services industry, including wholesale, retail, food and logistics, the GDP was recorded at 26.7%, with 29

million employed in the industry. With the rapid growth of the retailing services industry, it has become the mainstream industry.

(II) Gap in Industry Supply Chain, Investment Niche and Prospective Foreign Investors

The Taiwan government has drafted specific measures and strategies for the development of the country's key industries. The production value particularly for the retailing services industry is predicted to reach about NTD1.5 trillion in 2009, with a workforce of over 420,000.

Taiwan's retail chain store business occupies about 47%, with 53% for stall keepers, vendors, and other enterprises to develop their own stores. Various projects and plans have been drafted and introduced by the government in order to actively promote and boost Taiwan's retailing services industry. In addition, Taiwan's strategic geographical location enables it to have the fastest and shortest traveling distance to most countries in Asia Pacific. There are also currently 5 free trade zones well established around the island (Keelung, Taipei, Taoyuan, Taichung, and Kaohsiung) that can offer prompt and efficient logistics services. To improve the country's investment climate, the government now offers various incentives for investments and lifted the restrictions of hiring foreign workers by increasing the quota up to 40%.

Taiwan has a highly conducive market environment where consumer spending is considerably high, comparing with other countries in Europe. In fact, Taiwan ranks 9th in the world, overtaking Denmark and Finland. Taiwan also serves as the ideal location for business and/or investment.

With the retailing services industry growing at a fast pace, Taiwan has to double its efforts in order to keep up with the market demands. There are some areas in which Taiwan is currently facing some challenges such as:

- High turn over of manpower or human resource
- Insufficient knowledge and experience in retailing services and management
- To provide training and the necessary tools for operating a retailing business is easy and inexpensive, but Taiwan still lacks the know-how in integrating IT and its applications
- Taiwan's OBM (original brand manufacturing) is in its initial stages of development, therefore, is still immature

Foreign investors interested in investing in Taiwan can consider these challenges as potential areas of investment.

Other areas which potential foreign investors (such as the ones mentioned below) can consider investing:









- Department store sector (John Lewis, Debenhams, House of Fraser, Selfridges, and Harrods)
- Retail store sector (Ravel, Alexon, Dolcis, New Look, Primark, and Mott Macdonald)
- Hypermarket (ASDA)


At present, several renowned multinational companies in the retail industry which are already operating in Taiwan include BOOTS, B&Q, Marks & Spencer (Marks & Spencer set up an outlet in the southern part of Taiwan), and Carrefour (also acquired Tesco's operations in Taiwan).

(III) Major Suppliers in Taiwan

The main suppliers of retailing services in Taiwan include 7-ELEVEN, Far East Retailing Group, Wei-Chuan Group. 7-ELEVEN is the core business of Uni-President Retailing subordinate, standing as the dominant position to organize the resources from the up- and down-stream, including retailing (with/without practical stores), logistics, manufacturing, and various logistics services (e.g. 7-ELEVEN, Cosmei, Starbucks, Mister Donut, MUJI). The operating companies include 7-ELEVEN, Cosmei, Starbucks, Mister Donut, MUJI.

Table 1: Convenience Stores

STORE	2007/7	2007/8	2007/9	2007/10	2007/11	2007/12
	4604	4620	4634	4665	4685	4705
	2035	2039	2062	2179	2227	2228
	1270	1271	1281	1289	1292	1296
	829	821	818	818	820	818
	298	298	—	—	—	—
	4	4	4	—	—	—
	195	198	198	—	—	—
	20	20	20	20	20	20

	12	12	12	12	12	12
TOTAL	9267	9283	9029	8983	9056	9079

FarEast Retailing Group is composed of department stores, retailing stores and shopping malls, including Far East Department Stores, SOGO, Geant. Wei-Chuan includes food and logistics sections and international business.

Table 2: Hypermarkets

Hypermarket	Period						
	2007/06	2007/07	2007/08	2007/09	2007/10	2007/11	2007/12
CARREFOUR	47	47	48	48	48	48	48
RT-MART	23	23	23	23	23	23	23
GEANT	14	14	14	14	14	14	14
MEGAFUL	7	7	7	7	7	7	7
oBUY	6	6	6	6	6	6	6
TAISUGAR	5	5	5	5	5	5	5
COSTCO	4	4	4	4	4	5	5
DOLLARS	3	3	3	3	3	3	3
ASIA-GO	1	1	1	1	1	1	1
TOTAL	116	116	117	117	117	118	118

Table 3: Food Chain

Chain		2007/07	2007/08	2007/09	2007/10	2007/11	2007/12
Pizza	Pizza Hut	129	132	133	134	134	135
	Domino's	121	122	122	121	121	121
	Napoli	84	84	85	82	83	82
TOTAL		334	338	340	337	338	338
Fast Food	McDonald	350	350	350	350	348	348
	Kentucky	139	139	139	140	140	135
	MOS	126	126	126	126	127	129
	TKK	75	75	72	66	64	57
	Burger	28	28	29	29	29	29
	Mr. Donut	25	27	28	32	37	37
	Cold Stone	2	2	2	4	4	6
TOTAL		745	747	755	757	759	751
Coffee	85 Cafe	300	304	309	311	324	324
	Starbucks	203	207	209	211	210	212
	Dante	129	128	126	130	130	129
	Kohikan	44	43	40	42	42	42
	Café 2000	35	35	35	35	35	35
	IS	33	34	32	32	32	33
	Seattle	34	33	35	35	35	35
	Ikari	53	56	56	58	58	58
	Mr. Brown	22	22	22	23	23	24
Doutor	14	14	14	14	14	13	
TOTAL		867	876	878	891	903	905

Table 4: 3C Channel

* Leading 3C Stores (May~Dec 2007)

Period Channel	2007/05	2007/06	2007/07	2007/08	2007/09	2007/10	2007/11	2007/12
National	263	264	266	270	273	280	282	285
Tsann Kuen	214	221	223	226	227	239	245	264
Sunfar Computer	45	48	52	53	53	55	56	59
UNC	15	13	13	13	13	13	11	11
Best Denki	10	10	10	10	11	11	11	11
Jeco	11	12	19	19	19	19	19	19
EC Life	13	13	13	13	13	17	18	18
TOTAL	571	577	596	604	609	634	642	667

Table 5: Home Furnishing Retail Chain

* Below are the leading stores in their field:

Chain		2007/07	2007/08	2007/09	2007/10	2007/11	2007/12
D I Y	B&Q	22	22	22	22	22	22
	HOLA	11	11	11	11	11	12
	IKEA	4	4	4	4	4	4
Home	ORDER	36	43	43	43	43	43
	MH	12	11	11	11	11	12
Misc	WORKING HOUSE	143	143	143	143	143	135
	MUJI	10	10	10	11	11	11

Table 6: Shopping Centers

Leading Shopping Centers			
Name	Date Launched	Major Vendors	No. of Stores
The Mall	1994.3.26	Joyce	Approx. 120
Asiaworld Plaza	1999.4.20	Ikea	180
New York, New York	2000.4.2	A X, DKNY Jeans, Polo Jeans	120
Living Mall	2001.10.24	MIRO	Approx. 1,000
Breeze Center	2001.10.23	Ambassador Theaters	Approx. 350
Taipei 101 Mall	2003.11.14	SOGO 101, Jason's Market Place, Page One	161
Tai Mall	1999.7.4	Tai Mall Theaters, Restaurants	220
Metro Walk	2001.3.31	Carrefour, SBC, Eslite	280
Tiger City	2001.12	Warner Village, SEGA	Approx. 150
Taichung Central	2001.9.27	Warner Village	Approx. 300
Taisugar Mall	2003.12.18	Taisugar	80
Miramar	2004.11.19	Ferris Wheel, Warner Village	400
Global Mall	2005.12.10	Ambassador Theaters	Approx. 150
Nice Plaza	2006.7.7	Nice Plaza	---
Dream Mall	2007.5.12	Hankyu, Marks & Spencer, Miramar	Approx. 500
TOTAL			15

Table 7: Chain Drug Stores

(April ~ Dec 2007)

Store		2007/4	2007/5	2007/6	2007/7	2007/8	2007/9	2007/10	2007/11	2007/12
Drug & Personal Care	Watson's	400	399	399	398	400	400	398	397	398
	Cosmed	226	236	241	245	248	250	254	257	260
Drug Chain	Long Chain	186	186	186	186	186	186	186	186	186
	Maywufa	65	66	63	63	64	63	63	64	65
	Yes Chain	81	63	63	63	63	61	61	54	54
	Norbel Baby	47	48	48	49	49	49	50	50	50
	Wellcare	148	149	151	151	152	153	153	153	154
	MedFirst	120	121	124	124	128	130	130	136	140
Channel	Poya	33	33	33	34	35	36	36	36	36
	Ming Chia	15	15	15	15	15	15	15	15	15
	Mirada	13	14	14	13	13	13	13	13	13
TOTAL		1334	1330	1337	1341	1353	1356	1359	1361	1370

Table 8: Department Stores

Department Stores	Branches
Mitsukoshi	13
Pacific Sogo	8
Far Eastern Plaza	9
Idee	4
ATT	3
Pacific Department Store	3
Sincere	3
Tatung	2
New York New York	1
Breeze Center	1
Sunrise Department Store	1
Dayeh Takashimayah	1
Ming Yao	1
D-Mart	1
Shin Shin	1
Tonlin	1
Sogo Taichung	1
Chung Yo	1
Focus	1
Hanshin	1
Treasure Island	1
Talee-Isetan	1
Yoai	1
Hankyu	1
TOTAL	62