



# China's Home Textile Market

October 2015

Asia Distribution & Retail

Fung Business Intelligence Centre



Fung Business Intelligence Centre

# In this issue



## *Home textile*

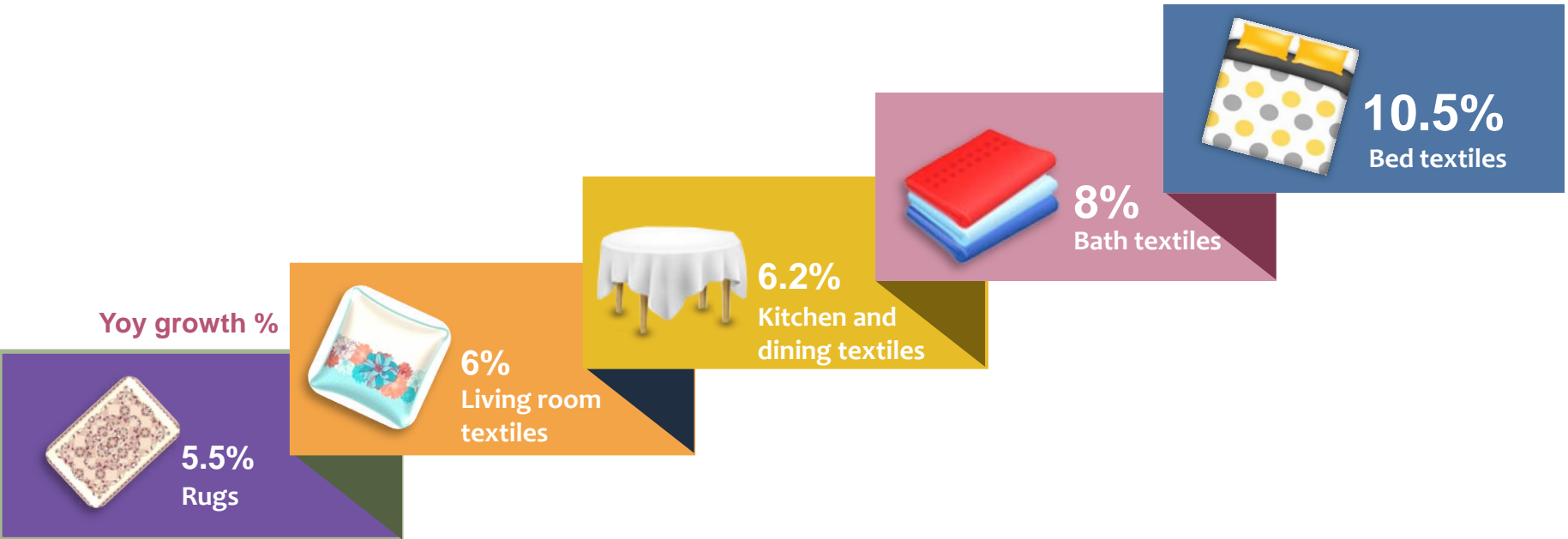
- 01 Executive summary 3
- 02 Industry overview 6
- 03 Competitive landscape 14
- 04 Distribution channels 31
- 05 Latest developments 35
- 06 Snapshots of subsectors 43



01

## Executive Summary

# EXECUTIVE SUMMARY



❖ **Bed textile** sector was the **fastest growing** segment in China's home textile market in 2014, compared with bath textile, kitchen and dining textile, living room textile and rug sectors.

❖ Home textile retailers usually adopt a **multi-brand approach** to satisfy the diversified needs of consumers and obtain a larger market share.

❖ Increasing number of children and maternity retailers and children's wear brands have expanded into the children's bed textile market by introducing **children's bed linen** collections.

# EXECUTIVE SUMMARY

## Trends

**Domestic players** continue to **dominate** the home textile market in China.

Home textile retailers pursue “**Big Furnishing**” concept to provide a one-stop home furnishing services.

Some home textile players set up **home experience stores** to provide consumers a true in-home experience.

Home textile retailers are making more efforts to explore **O2O** to reach more customers.

Some key players pair up with technology companies to tap the **smart home** industry.

Introducing **value-added services** is a good way for retailers to strengthen their existing competence in the highly competitive market.

Home textile enterprises are active in **IPO** activities.





02

## Industry Overview

# MARKET OVERVIEW

## HOME TEXTILE SECTOR REGISTERED SLOWER GROWTH IN RECENT YEARS

- ❖ China's home textile market has been growing at a decelerating pace over recent years.
- ❖ According to Euromonitor\*, home textile value sales reached 179.6 billion yuan, up by 8.9% year-on-year (yoy) in 2014, down from 18.1% in 2010.

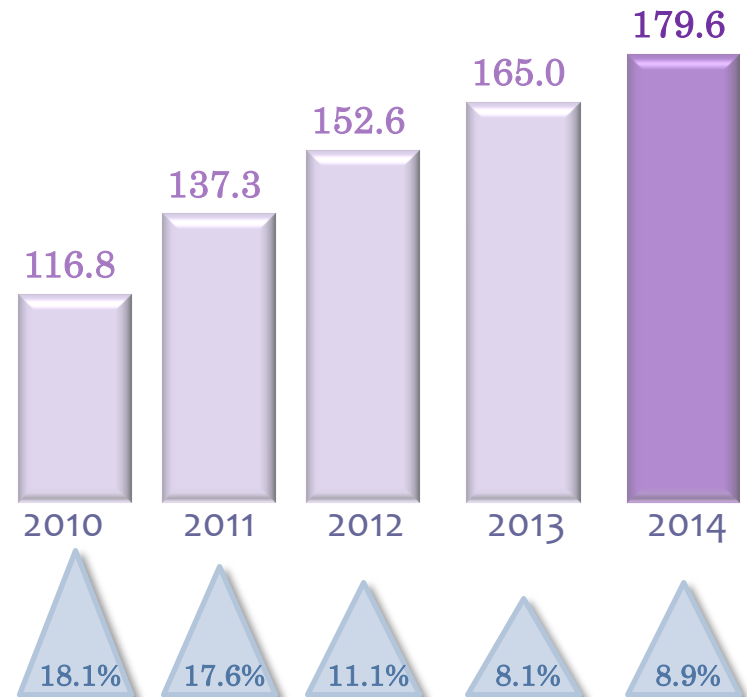
Note

Home textiles by category include:

- Bed textiles
- Bath textiles
- Kitchen and dining textiles
- Living room textiles
- Rugs

**Exhibit 1:**  
**Sales values of home textiles in China, 2010-2014**

(billion yuan, % yoy growth)



Source: Euromonitor; compiled by Fung Business Intelligence Centre

# MARKET OVERVIEW

## BED TEXTILE IS THE FASTEST-GROWING SECTOR

- ❖ Bed textile sector is the fastest growing segment among the various segments of the home textile market. It posted a 10.5% yoy growth in 2014, compared with 8% yoy growth for bath textiles, 6.2% for kitchen and dining textiles, 6% for yoy growth for living room textiles and 5.5% for rugs.
- ❖ The stellar performance of the bed textile sector was mainly due to aggressive promotions by leading bed textile retailers seeking to clear stockpiles. For instance, apart from offering big seasonal discounts, Luolai, Mendale and Fuanna have also launched daily sales promotions on their online stores on third-party e-commerce platforms.
- ❖ The strong growth was also underpinned by the Chinese tradition of sending new bed textiles and other types of home textile as wedding gifts for the newly married couples or gifts for people moving house since such life events represent a new beginning in a new environment.

### Exhibit 2: Yoy growth for China's home textile market, by category, 2013-2014

		2013-2014 % yoy growth
Bath textiles		8
Bed textiles		10.5
Kitchen and dining textiles		6.2
Living room textiles		6
Rugs		5.5

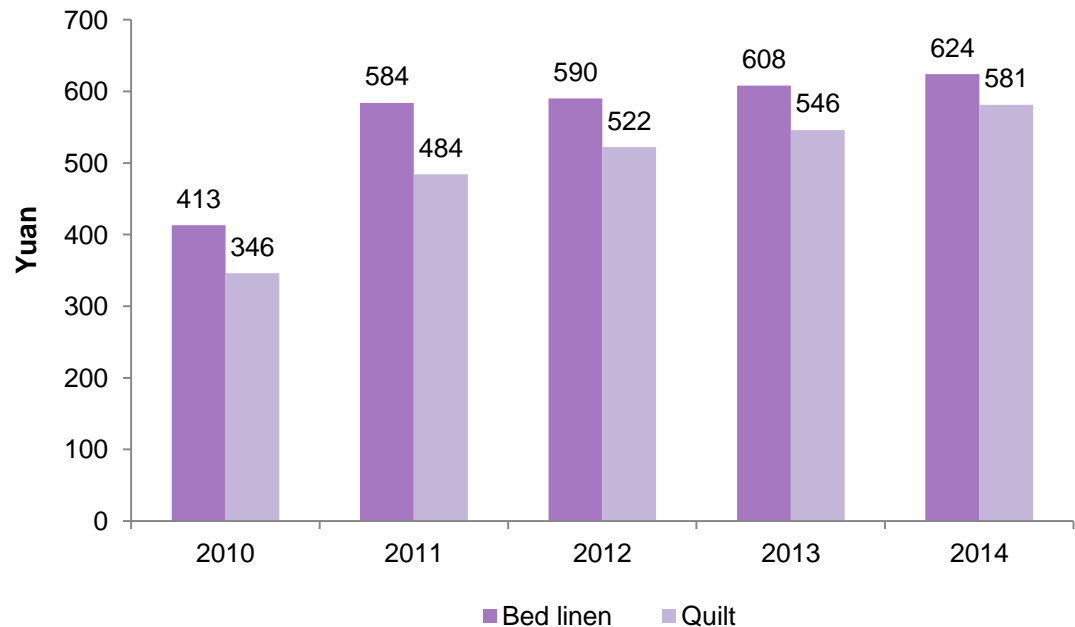
Source: Euromonitor International; compiled by Fung Business Intelligence Centre

# MARKET OVERVIEW

## UNIT PRICE OF BED TEXTILES REMAINED HIGH IN 2014

- ❖ The unit price of bed textile saw a steady growth over the past couple of years. According to the China National Commercial Information Centre (CNCIC), the average unit price of bed linen was 624 yuan in 2014, up 2.6% yoy, while the average unit price of quilt was 581 yuan, up 6.4% yoy in 2014.

**Exhibit 3:**  
Average unit prices of bed linen and quilt, 2010-2014



Source: CNCIC; compiled by Fung Business Intelligence Centre

Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

# MARKET OVERVIEW

## AMPLE GROWTH POTENTIAL IN CHILDREN'S BED TEXTILE MARKET

- ❖ The enhanced purchasing power of Chinese parents and the implementation of “selective two-child policy” since late 2013 have significantly fueled the demand for children's bed textile products in China. According to the National Bureau of Statistics of China (NBS), the population of children aged 0-14 reached 225.7 million, taking up 16.5% of the total population in 2014, suggesting enormous potential in the children's bed textile market\*.
- ❖ To cash in on the lucrative children's bed textile market, a number of home textile retailers have introduced children's bed textile brands. Examples include MJ Baby by Mendale, Fuanna Kids by Fuanna and Luolai Kids by Luolai .

The logo for MJ Baby, featuring the Chinese characters '梦洁宝贝' in a stylized blue font, with 'M-J BABY' in English below it.The logo for Fuanna Kids, featuring a stylized cat face above the Chinese characters '酷奇智' in a colorful, playful font, with 'FUANNA KIDS' in English below it.The logo for Luolai Kids, featuring the word 'LUOLAI' in a small, black, sans-serif font above the word 'KIDS' in a large, bold, red font, with the Chinese characters '罗莱儿童' in a red font below it.

- ❖ Apart from launching children's bed linen collections, Luolai also set up a retail store under the brand Luolai Kids in May 2015\*\*, featuring various home products for children, ranging from children's bed textile items, children's furniture and tableware to children's wear, stationery, and toys.

\*National Bureau of Statistics of China - <http://data.stats.gov.cn/tablequery.htm?code=AD03>

\*\*Fang.com - [http://laiyinbandao.fang.com/bbs/1210015713~-1/608311596\\_608311596.htm](http://laiyinbandao.fang.com/bbs/1210015713~-1/608311596_608311596.htm)

## MARKET OVERVIEW

### AMPLE GROWTH POTENTIAL IN CHILDREN'S BED TEXTILE MARKET (CONT'D)

- ❖ Spotting the huge potential in the children's bed textile market, some children and maternity retailers and children's wear brands in China have expanded into the children's bed textile market by introducing children's bed linen collections. Typical examples include Balabala, Disney, Wanglegao and Goodbaby.
- ❖ In terms of market shares, Disney (6.19%), Goodbaby (3.09%), Balabala (3.03%) and Wanglegao (1.52%) were all among the top 10 players in the children's bed textile market in 2014, according to the data from the CNCIC.



# MARKET OVERVIEW

## HOME TEXTILE PLAYERS ADOPT MULTI-BRAND APPROACH

- ❖ Many home textile retailers have adopted a multi-brand approach, rolling out a series of private labels and licensed-brands with different positioning to satisfy the needs of different consumer groups and obtain a larger market share.
- ◆ Kaisheng, a domestic home textile retailer, has introduced four home textile brands, including its core brand Kaisheng targeting the mass-to-mid end market; private label Dienonsh for the mid-to-high end market; and licensed brands Maktide from the U.S. targeting the mass market as well as Simand from Italy aiming at the premium market\*.



# MARKET OVERVIEW

## HOME TEXTILE PLAYERS ADOPT MULTI-BRAND APPROACH (CONT'D)

- ❖ Another example is Violet. The local home textile retailer has introduced different home textile brands, including its core brand Violet targeting the mid-to-high end market; private labels Aita for teenagers as well as Fazzini for female customers aged 25-30; and licensed brand Fleuresse from Germany targeting the premium market\*.



\*Violet's official website - <http://www.violet.com.cn/qixiapinpai.htm>, accessed on 9 October, 2015



03

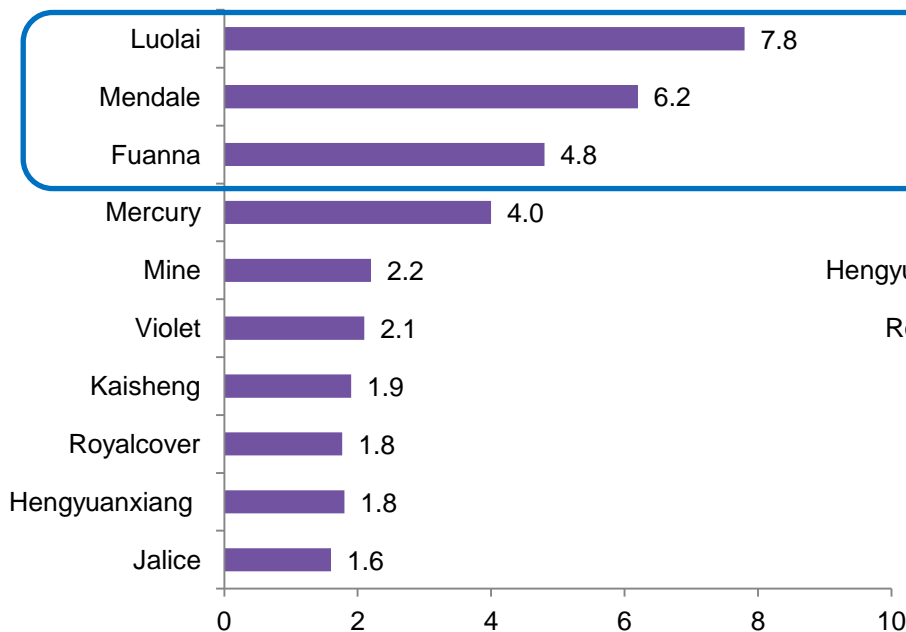
## Competitive landscape

# COMPETITIVE LANDSCAPE

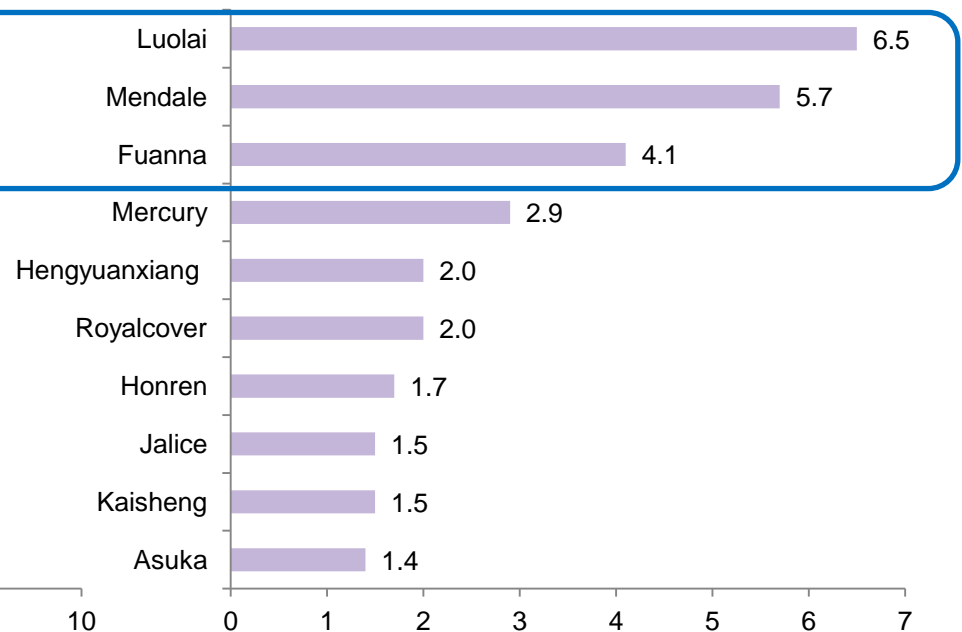
## DOMESTIC HOME TEXTILE COMPANIES REMAIN THE MAINSTREAM

- ❖ Domestic players continue to dominate the home textile market in China, with all of the top 10 players in bed sheet and quilt sectors being domestic players. The top three players, Luolai, Mendale and Fuanna together, took up 18.8% and 16.3% of the market share in bed linen and quilt sectors respectively.

**Exhibit 4: Market share (%) of the top 10 players (%) in bed linen sector, 2014**



**Exhibit 5: Market share (%) of the top 10 players (%) in quilt sector, 2014**



# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - LUOLAI



#### Profile:

- A Chinese brand established in **1992**
- Listed on Shenzhen Stock Exchange in **2009**  
(Stock code: **002293**)
- Store count nationwide (self-managed/franchised stores):  
**over 2,000\***
- No. of cities: ~**32\***
- Market share (2014)\*\*:
  - 7.8% in bed linen sector
  - 6.5% in quilt sector

#### Website:

- <http://www.luolai.cn/>

#### Social media:

- Sina Weibo 
- WeChat



\*Luolai's official website - <http://www.luolai.com/about.php#1> , accessed on 5 October, 2015

\*\*CNCIC

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - LUOLAI (CONT'D)



---

#### Online stores

#### Website

---

Self-operated online store

<http://www.luolai.cn/>

Mobile app (transactional)



<https://luolai.taiwan.tmall.com/>



<http://mall.jd.com/index-1000001466.html>



<http://shop.dangdang.com/13118>



<http://shop.yhd.com/m-1325.html>



<http://luolai.suning.com/>

---











# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - LUOLAI (CONT'D)



#### Major bed textile brands:

Brand		Market positioning	Average price (yuan)#
Lovo Home		Mass	<1,000
Lacasa		Mass	<1,000
Luolai		Mid-to-high end	1,000-3,000
Luolai Kids		Mid-to-high end	1,000-3,000
Yolanna		Mid-to-high end	1,000-3,000
Saintmarc		Mid-to-high end	1,000-3,000
Sheridan		Premium	>3,000
Escada		Premium	>3,000
Schlossberg		Premium	>3,000
Zucchi		Premium	>3,000



#Note: For bed textile items, the average price of a similar quality four-piece bed sheet set (including a fitted sheet, flat sheet, and 2 pillowcases) which is <1,000 yuan is considered as a mass brand; 1,000-3,000 yuan is considered as a mid-to-high end brand; and >3,000 yuan is considered as a premium brand.

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - LUOLAI (CONT'D)



#### Major bath textile brands:

Brand	Market positioning	Average price (yuan)#
Graccioza 	Premium	>1,000
Christy 	Premium	>1,000
Luna 	Premium	>1,000



# Note: For bath textile brands, the average price of a similar quality five-piece towel set (including a face cloth, guest towel, hand towel, bath towel and bath sheet) which is >1,000 is considered as a premium brand.

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - MEDALE

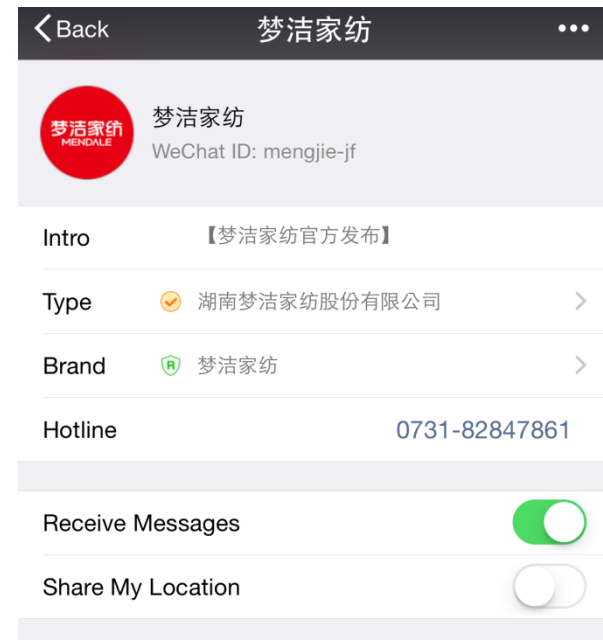
#### Profile:

- A Chinese brand established in **1956**
- Listed on Shenzhen Stock Exchange in **2010**  
(Stock code: **002397**)
- Store count nationwide (self-managed/franchised stores):  
**~2,900\***
- No. of cities: N/A
- Market share (2014)\*\*:
  - 6.2% in bed linen sector
  - 5.7% in quilt sector

#### Social media:

- Sina Weibo 

- WeChat



\*Mendale's official online store on Tmall - [https://mengjie.taiwan.tmall.com/p/rd380878.htm?spm=a1z10.1-b.w5001-12260861601.13.pGWelR&scene=taobao\\_shop](https://mengjie.taiwan.tmall.com/p/rd380878.htm?spm=a1z10.1-b.w5001-12260861601.13.pGWelR&scene=taobao_shop), accessed on 5 October, 2015

\*\*CNCIC

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - MENDALE (CONT'D)

---

#### Online stores

#### Website

---

Self-operated online store

[www.mendale.com/](http://www.mendale.com/)

Mobile app (transactional)



<https://mengjie.taiwan.tmall.com/>

<http://mendale.jd.com/>

<http://shop.dangdang.com/7792>

<http://shop.yhd.com/m-119149.html?tp=505.%E6%A2%A6%E6%B4%81.0.0.0.L0bu0p8-10-2lfqO>

<http://www.amazon.cn/%E6%A2%A6%E6%B4%81%E5%AE%B6%E7%BA%BA/b?node=154148071>

<http://mengjie.suning.com/>

<http://mall.gome.com.cn/80009144/>

---

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - MENDALE (CONT'D)

#### Major bed textile brands:

Brand	Market positioning	Average price (yuan)#
Beself 	Mass	<1,000
Mendale 	Mid-to-high end	1,000-3,000
Mee 	Mid-to-high end	1,000-3,000
Dream CoCo 	Mid-to-high end	1,000-3,000
MJ Babay 	Mid-to-high end	1,000-3,000



#Note: For bed textile items, the average price of a similar quality four-piece bed sheet set (including a fitted sheet, flat sheet, and 2 pillowcases) which is <1,000 yuan is considered as a mass brand; 1,000-3,000 yuan is considered as a mid-to-high end brand; and >3,000 yuan is considered as a premium brand.

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - FUANNA

富安娜  
FUANNA

#### Profile:

- A Chinese brand established in **1994**
- Listed on Shenzhen Stock Exchange in **2009**  
(Stock code: **002327**)
- Store count nationwide (self-managed/  
franchised stores): ~**2,200\***
- No. of cities: N/A
- Market share (2014)\*\*:
  - 4.8% in bed linen sector
  - 4.1% in quilt sector

#### Website:

<http://www.fuanna.com/index/>

#### Social media:

- Sina Weibo  微博
- WeChat



\*Fuanna's official website - <http://www.fuanna.com/index/>, accessed on 5 October, 2015

\*\*CNCIC

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - FUANNA (CONT'D)

富安娜  
FUANNA

---

#### Online stores

#### Website

---

Self-operated online store

<http://www.fuanna.com.cn/>

Mobile app (transactional)



<https://fuanna.taiwan.tmall.com/>

<http://fuanna.jd.com/>



<http://shop.dangdang.com/9756>



<http://shop.yhd.com/m-5170.html?tp=51.%E5%AF%8C%E5%AE%89%E5%A8%9C.121.0.3.L0buHIG-10-2lfqO>



[http://www.amazon.cn/s/ref=nb\\_sb\\_noss\\_2?\\_mk\\_zh\\_CN=%E4%BA%9A%E9%A9%AC%E9%80%8A%E7%BD%91%E7%AB%99&url=search-alias%3Dhome&field-keywords=Fuanna](http://www.amazon.cn/s/ref=nb_sb_noss_2?_mk_zh_CN=%E4%BA%9A%E9%A9%AC%E9%80%8A%E7%BD%91%E7%AB%99&url=search-alias%3Dhome&field-keywords=Fuanna)



<http://mall.gome.com.cn/80008196/>

---

# COMPETITIVE LANDSCAPE

## BRAND ANALYSIS OF THE TOP THREE HOME TEXTILE RETAILERS

### - FUANNA (CONT'D)

富安娜  
FUANNA

#### Major bed textile brands:

Brand	Market positioning	Average price (yuan)#
St.Fiore 	Mass	<1,000
Fuanna 	Mid-to-high end	1,000-3,000
Fuanna Kids 	Mid-to-high end	1,000-3,000
Bravo 	Mid-to-high end	1,000-3,000
Versai 	Premium	>3,000



#Note: For bed textile items, the average price of a similar quality four-piece bed sheet set (including a fitted sheet, flat sheet, and 2 pillowcases) which is <1,000 yuan is considered as a mass brand; 1,000-3,000 yuan is considered as a mid-to-high end brand; and >3,000 yuan is considered as a premium brand.

# COMPETITIVE LANDSCAPE

## DOMESTIC PLAYERS ACCELERATE OVERSEAS EXPANSION

- ❖ To offset the stiff competition in the home market and explore overseas sales, some domestic home textile players have been expediting their overseas expansion.
  - ◆ Longju Textile, a domestic home textile company, established its Morocco office named Morocco Bollft in December 2013\*, seeking to grab a bigger slice in Morocco; through its Morocco office. The company hope to expand into the European market\*\*.
  - ◆ In June 2014, Mendale set up a subsidiary in Germany named Poeffen, aiming to expedite its penetration into Europe. Currently, the company operates two home textile brands “Sichou” and “Poeffen” in Europe\*\*\*.
  - ◆ Violet, a local home textile company, set up a subsidiary in the U.S. in August 2014, aiming to expand its home textile business in the U.S market and make foray into the European market via the U.S. affiliate\*\*\*\*.
  - ◆ Fuanna has also established a U.S. branch named Fuanna USA, targeting the luxury bedding market in the country. It has set up a flagship called Fuanna Luxury Bedding & Furnishing in California, U.S\*\*\*\*\*.

\*Longju Textile – <http://longjutex.com/en/newsd.php?nid=67>

\*\*Hometexnet.com - [http://www.hometex.org.cn/zjfx/zjf\\_qywx/201507/t20150724\\_1983403.html](http://www.hometex.org.cn/zjfx/zjf_qywx/201507/t20150724_1983403.html)

\*\*\*Everbright Securities - “Report on Mendale (002397.SZ)”, 16 April, 2015

\*\*\*\*Hometexnet.com - <http://www.hometexnet.com/news/article/128690.html>

\*\*\*\*\*Fuannausa.com - <https://www.fuannausa.com/>

# COMPETITIVE LANDSCAPE

## DOMESTIC PLAYERS ACCELERATE OVERSEAS EXPANSION (CONT'D)

- ❖ In addition to setting up overseas offices, some local home textile retailers have also expanded its businesses by pairing up with international e-commerce players or launching new online stores for overseas markets.
  - ◆ For example, Luolai and Fuanna have set up online storefronts in the U.S. to expand their home textile businesses abroad.
    - Luolai has launched its home textile private label Lovo, which is merely available online in China, on Amazon.com, targeting the mass and mid-priced markets\*.
    - Fuanna has introduced its luxury bedding items on Amazon.com through its U.S. subsidiary Fuanna USA\*\*. At the same time, it has also opened a self-operated online store <https://www.fuannausa.com/> to tap the luxury bedding market in the U.S\*\*\*.

\*Luolai Home Textile on Amazon.com -

<http://www.amazon.com/gp/aag/main?ie=UTF8&asin=&isAmazonFulfilled=1&isCBA=&marketplaceID=ATVPDKIKX0DER&orderID=&protocol=current&seller=A1TXMXU4XSND5E&sshPath=>, accessed on 9 October, 2015

\*\*Fuannausa on Amazon.com - [http://www.amazon.com/FUANNAUSA/b/ref=bl\\_dp\\_s\\_web\\_10413829011?ie=UTF8&node=10413829011&field-lbr\\_brands\\_browse-bin=FUANNAUSA](http://www.amazon.com/FUANNAUSA/b/ref=bl_dp_s_web_10413829011?ie=UTF8&node=10413829011&field-lbr_brands_browse-bin=FUANNAUSA), accessed on 9 October, 2015

\*\*\*Fuannausa.com - <https://www.fuannausa.com/>

# COMPETITIVE LANDSCAPE

## DOMESTIC PLAYERS DISTRIBUTE OVERSEAS BRANDS FOR LARGER MARKET SHARE

- ❖ Some domestic players have introduced international home textile brands to appeal to different consumer tastes so as to grab a bigger slice in China's home textile market.
  - ◆ In August 2015, Mercury introduced a series of bedding products from Jacobean, a heritage home textile brand from the U.K\*.
  - ◆ Dinosaur, a domestic home textile company eyeing the local high-end market, has also distributed a number of international premium home textile brands, including Paradies and Möve from Germany, Frette, Edmond Frette and Trussard Home from Italy, as well as Calvin Klein Home from the U.S.\*\*.
  - ◆ Luolai has also distributed a number of premium home textile brands in China, including bed textile brands Sheridan from Australia, Escada from Germany and Schlossberg from Switzerland, as well as bath textile brands Christy from the U.K. and Graccioza from Portugal\*\*\*.

\*Hometexnet.com – [http://www.hometex.org.cn/zjfx/zjf\\_gyxxw/201508/t20150804\\_2003350.html](http://www.hometex.org.cn/zjfx/zjf_gyxxw/201508/t20150804_2003350.html)

\*\*Vip.com – <http://brand.vip.com/DINOSAUR/>, accessed on 7 August, 2015

\*\*\*Luolai's official website - [http://www.luolai.com/brand\\_detail\\_1.php?id=44#2](http://www.luolai.com/brand_detail_1.php?id=44#2), accessed on 5 October, 2015

# COMPETITIVE LANDSCAPE

## FOREIGN PLAYERS REMAIN MINORITY IN THE MARKET

- ❖ Currently, foreign companies have a relatively small representation of China's home textile market as a whole. In terms of market share, only a few foreign players have entered the top 30 in bed linen and quilt sectors, while merely one foreign brand was among the top 10 players in the towel sector in 2014, according to the CNCIC.

### Foreign players among the **Top 30** in 2014

#### Bed linen sector

ESPRIT



16<sup>th</sup>

2014 Market share: 1.5%

#### Towel sector

UCHINO



9<sup>th</sup>

2014 Market share: 1.64%

#### Quilt sector

ESPRIT



15<sup>th</sup>

2014 Market share: 1.3%

SOMERELLE



30<sup>th</sup>

2014 Market share: 0.7%

# COMPETITIVE LANDSCAPE

## FOREIGN PLAYERS INCREASE COMPETITIVENESS IN CHINA TO BOOST SALES

- ❖ In view of the fiercer competition in China's home textile market, some foreign home textile players have increased their resources in China to capture larger market share and reach out to more consumers in the domestic market.
  - ◆ IKEA, a global furniture and home textile retailer from Sweden, plans to open three new stores in China each year between 2015 and 2020, seeking to expedite its pace of expansion in the country\*.
  - ◆ Airland, a mattress and bedding brand from Hong Kong, has snapped up distribution rights for a number of foreign mattress and bedding brands for the China market, including Technogel from Italy as well as Serta and Lady-Americana from the U.S\*\*.
  - ◆ In February 2015, Kingsdown, a leading premium mattress retailer from the U.S, inked a new licensing agreement with Roth Bedding Technology International Limited, a Hong Kong-based bedding producer and retailer, to open 500 Kingsdown-branded stores in China over the next five years, with the first 65 stores slated to open in 2015\*\*\*.



\*HKTDC – “Report on China’s Furniture Market”, 10 July, 2015

\*\*Airland – <http://www.airland1966.com/article/airland-news.html#id-195>

\*\*\*Kingsdown’s official website - <http://kingsdown.com/NEWS/11/KINGSDOWN-PLANS-TO-OPEN-500-BRANDED-STORES-IN-CHINA-OVER-NEXT-FIVE-YEARS>



# 04

## Distribution channels

# DISTRIBUTION CHANNEL

PHYSICAL STORES ARE STILL IMPORTANT, WHILE MULTI-CHANNEL RETAILING IS INCREASINGLY POPULAR

- ❖ For many customers, “seeing, touching and smelling” the product is important before they make their purchasing decisions.
- ❖ Since home textile products such as bed linens, quilt and towels always come in direct contact with users’ skin, many customers thereby still prefer to buy home textile products from brick-and-mortar retailers, especially specialty stores and department stores, as they can examine the products before purchasing.
- ❖ Therefore, physical stores are and will remain the key distribution channels for home textile products.



# DISTRIBUTION CHANNEL

PHYSICAL STORES ARE STILL IMPORTANT, WHILE MULTI-CHANNEL RETAILING IS INCREASINGLY POPULAR (CONT'D)

- ❖ The rise of online retailing is evident. Most foreign and local brands have already built their online presence.
- ❖ Major online shopping appeal:
  - Products or brands not yet available in China
  - Consumers already know the quality of the home textile products from visiting physical stores; and price offered online is cheaper
  - Online shopping transcends time and geographic constraints

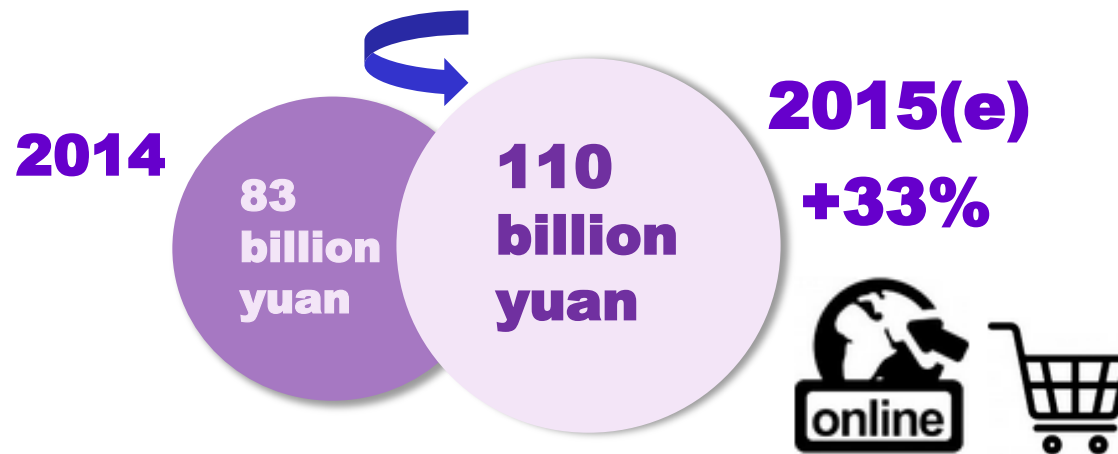


- ❖ Currently, many home textile brands adopt a multi-channel retailing model. They have both physical stores as well as online stores and mobile apps to facilitate transaction.
  - In December 2014, Luolai announced a 10 million yuan investment in Dapu.com, a domestic B2C website specializing in home textiles, aiming to ramp up its online presence and enlarge its online consumer base\*.

## DISTRIBUTION CHANNEL

HOME TEXTILE'S ONLINE SALES EXPERIENCED ROBUST GROWTH IN 2014;  
FURTHER GROWTH IS EXPECTED

- ❖ According to the China Home Textile Association, the online sales of China's home textile market registered a notable growth in 2014, with online sales surging 47% yoy to 82.9 billion yuan in 2014\*.
- ❖ With an increasing number of home textile players placing more emphasis on stepping up their online businesses, the online sales of China's home textile market is forecast to grow further to 110 billion yuan in 2015\*.



\*Gw.com - <http://www.gw.com.cn/news/news/2015/0803/200000447987.shtml>



05

Latest developments

# 1

## “BIG FURNISHING” CONCEPT INCREASINGLY IN FOCUS

- ❖ To expand consumer base and stand out from the competitive market, a number of home textile retailers have invested in developing the “Big Furnishing” concept, which primarily involves cross-category expansion of its product portfolio to provide a one-stop home furnishing shopping experience for consumers.
  - ◆ In March 2015, Mendale set up a home product subsidiary named Hunan Mendale Home Limited Company to expand its product categories into furniture, apparel, home appliance and other household products\*
  - ◆ Fuanna has also established a home product brand Fuanna Home to offer customized home furniture, décor and apparel products\*\*.
  - ◆ Luolai have formed a new brand Lacasa, which offers various home products, including home furnishing and décor items, home textile and leisure wear. The retailer also plans to add 50 Lacasa stores in 2015, targeting the mass market\*\*\*.
  - ◆ In September 2015, Lavie Home, a wholly-owned home product subsidiary of Luolai, agreed to establish a joint venture company with Uchino Shanghai, an overseas affiliate of Japan’s high-end towel brand Uchino, aiming to expedite its penetration in the upscale home product market in China\*\*\*\*.

\*Everbright Securities – “Report on Mendale (002397.SZ)”, 16 April, 2015

\*\*Sinolink Securities – “Report on Fuanna (002327.SZ)”, 8 March, 2015

\*\*\*Everbright Securities – “Report on Luolai (002293.SZ)”, 28 April, 2015

\*\*\*\*Hometexnet.com - [http://www.hometex.org.cn/zjfx/zjf\\_qyxw/201509/t20150911\\_2021714.html](http://www.hometex.org.cn/zjfx/zjf_qyxw/201509/t20150911_2021714.html)

# 2

## HOME EXPERIENCE STORES GAIN IN POPULARITY

- ❖ Some home textile players have set up home experience stores with special store design to provide consumers a true in-home experience
  - ◆ For example, Luolai opened its second home experience store Luolia Home in Qiqihar, Heilongjiang in August 2015\* following the rollout of its debut home experience store in Shanghai in May 2015\*\*. The experience store features room settings, which built entirely from Luolai's products, ranging from home furnishing and lighting items to kitchenware, apparel and beauty products.
  - ◆ Dinosaur, a domestic home textile retailer targeting the high-end market, set up its first home experience store in Hohhot, Inner Mongolia in January 2015. The debut store features different room settings, from living room to bath room settings, housing a variety of mid-to high-end to premium home furnishing items from overseas and local brands\*\*\*.
  - ◆ Yuyue, a Chinese home textile company, opened a home experience store named "Yuyue Home" in Binzhou, Shandong in January 2015. The store, covering over 1,000 sqm, also features room settings and houses an extensive range of home products, ranging from home textiles, furniture and lighting to kitchenware, storage items and children's products from local and foreign brands.

\*Hometexnet.com – <http://www.hometexnet.com/news/article/128055.html>

\*\*Hometexnet.com – <http://www.hometexnet.com/news/article/127187.html>

\*\*\*Hometexnet.com – [http://www.hometex.org.cn/zjfx/zjf\\_gyxw/201501/t20150130\\_1907571.html](http://www.hometex.org.cn/zjfx/zjf_gyxw/201501/t20150130_1907571.html)

\*\*\*\*Yuyue – <http://www.yytx.net/dynamic/news/2015-02-09/69.html>

# 3

## HOME TEXTILE RIDING ON THE INTERNET BOOM IN CHINA TO EXPLORE O2O

- ❖ The Chinese government unveiled a national “Internet Plus” strategy and the corresponding “Internet Plus Action Plan” in March and July 2015 respectively, marking the launch of a new model for industries based on the evolution of the Internet.
- ❖ To ride on the Internet wave, a number of home textile companies have explored O2O initiatives and some have paired up with Internet companies to cash in on the growing Internet market.
  - ◆ In May 2015, Mendale announced its plans to launch a new mobile app with transactional function. The new mobile app will enable customers to book housekeeping services such as dust mite removal and bed sheet cleansing services with the staff at physical stores, creating a seamless shopping experience for its customers\*.
  - ◆ In July 2015, Asuka Home Textile organized a training course for its in-store staff to teach them how to interact with customers via WeChat and initiate sales and promotion on mobile marketplaces\*\*.

\*China's State Council - [http://english.gov.cn/archive/publications/2015/03/05/content\\_281475066179954.htm](http://english.gov.cn/archive/publications/2015/03/05/content_281475066179954.htm)




\*\*Hometexnet – [http://www.hometex.org.cn/zjfzx/zjf\\_qyxw/201505/t20150518\\_1961320.html](http://www.hometex.org.cn/zjfzx/zjf_qyxw/201505/t20150518_1961320.html)

\*\*\*Hometexnet – [http://www.hometex.org.cn/zjfzx/zjf\\_qyxw/201507/t20150731\\_1987452.html](http://www.hometex.org.cn/zjfzx/zjf_qyxw/201507/t20150731_1987452.html)

# 3 HOME TEXTILE RIDING ON THE INTERNET BOOM IN CHINA TO EXPLORE O2O (CONT'D)

- ❖ Mendale, Bliss and F&M Home are some home textile retailers that have implemented O2O initiatives in various aspects.

**Exhibit 6: O2O initiatives adopted by selected apparel retailers, as of August 2015**

Specialty stores	Online/mobile initiatives					Online and offline integration
	Online website	Third party platforms	Mobile portal (transactional)	Social media : Sina Weibo	Social media: WeChat	
 mendale household textiles	√	√	√	√	√	<ul style="list-style-type: none"> <li>• Integrate online and offline membership</li> <li>• Same products and same prices for online and offline channels</li> <li>• Click and collect services</li> </ul>
 BLISS 百丽丝家纺	√	√	√	√	√	<ul style="list-style-type: none"> <li>• Integrate online and offline membership</li> <li>• Click and collect services</li> <li>• Same products and same prices for online and offline channels</li> <li>• Goods purchased online can be returned to stores or by post</li> </ul>
 佳之优品 F&M Home · High Quality	√				√	<ul style="list-style-type: none"> <li>• Integrate online and offline membership</li> <li>• Same products and same prices for online and offline channels</li> <li>• Click and collect services</li> <li>• Goods purchased online can be returned to stores or by post</li> </ul>

Source: Internet sources; compiled by Fung Business Intelligence Centre

# 4

## MAJOR PLAYERS ENTER SMART HOME INDUSTRY

- ❖ In response to the rising demand for functional bedding products, some key players have tied up with technology companies to make inroads into the smart home industry.
  - ◆ In April 2015, Mendale forged a strategic operation framework agreement with Shenzhen H&T Control Co., Ltd., a leading electronic control system supplier for home appliance manufacturers in China\*, to jointly develop a series of smart home products, including sleep monitoring products and intelligent bedding products, as well as corresponding cloud monitoring and technical analysis platform\*\*.
  - ◆ In July 2015, Luolai invested 29.12 million yuan\*\* in Sleepace, a China-based smart sleep solution company, to develop smart bedroom devices with sleep monitoring technologies to provide consumers with a healthy sleep experience\*\*\*.

\*Everbright Securities – “Report on Mendale (002397.SZ)”, 24 April, 2015

\*\*Reuters - <http://www.reuters.com/article/2015/04/23/idUSL4N0XK3G220150423>

\*\*\*Huatai Securities – “Report on Luolai (002293.SZ)”, 21 July, 2015

\*\*\*\*e27.com – <http://e27.co/chinas-sleepace-secures-us7m-series-b-luolai-jd-20150720/>

# 5

## HOME TEXTILE COMPANIES ARE ACTIVE IN IPO ACTIVITIES

- ❖ Riding on the wave of growing investors' interest in China's consumption related themes, many home textile enterprises have sought public listings in recent years.
  - ◆ Examples of domestic home textile retailers sought public listings include:
    - Shanghai Paris Spring (stock code: 205768) was listed on the Shanghai Equity Exchange (SEE) in May 2015\*.
    - Dohia (stock code: 002761) was listed on the SME board of Shenzhen Stock Exchange (SZSE) in June 2015, the fourth domestic home textile companies after Luolai, Fuanna and Mendale to trade on the SZSE\*\*.
  - ◆ In addition, some companies have also announced plans to go public. For example,
    - Online-only home textile brand Lovo, which carried out a spin-off from its parent company Luolai to become an independent company in July 2015, has announced plans to go public within the next few years so as to better finance its expansion plans\*\*\*.

\*Dohia – <http://www.dohia.com/xinwen/201506/1433907039.html>

\*\*Shanghai Equity Exchange – <http://www.china-seeq.com/index!queryone?qr15.code=205768>

\*\*\*PR Newswire - <http://www.pnasia.com/story/128347-1.shtml>

# 6

## ENHANCE COMPETITIVENESS WITH MORE VALUE-ADDED SERVICES

- ❖ Introducing value-added services is a good way for retailers to strengthen their existing competencies in the highly competitive market.
- ◆ For example, domestic home textile retailers such as Beyond Home Textile\* and Lansin\*\*, have provided their customers a series of free value-added services, including made-to-measures tailoring services and after-sales services, such as dust mite removal services, regular bed linen cleaning services, repairing services and home delivery services.

*lansiu* 蓝丝羽

博洋家纺  
— Beyond Home Textile —



\*Hometexnet.com – [http://www.hometex.org.cn/zjfzx/zjf\\_qyxw/201508/t20150804\\_2003327.html](http://www.hometex.org.cn/zjfzx/zjf_qyxw/201508/t20150804_2003327.html)

\*\*Hometexnet.com – [http://www.hometex.org.cn/zjfzx/zjf\\_qyxw/201507/t20150706\\_1976689.html](http://www.hometex.org.cn/zjfzx/zjf_qyxw/201507/t20150706_1976689.html)



06

## Snapshots of sub-sectors

## BACKGROUND\*

In this section, performance of four sub-sectors is examined:

Bed linen

Children's bed linen

Quilt

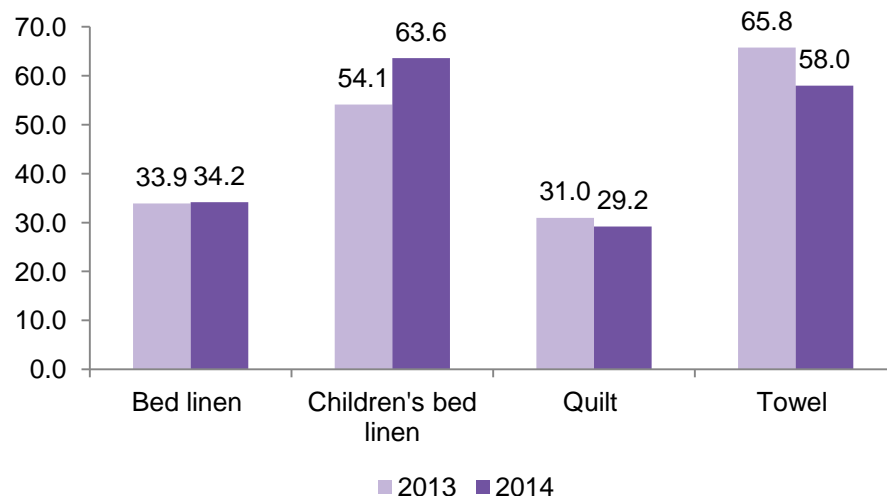
Towel

\*The China National Commercial Information Centre (CNCIC) conducts monthly survey to around 200 major department stores in China to study the performance of different home textile sub-sectors. It is noteworthy that the CNCIC data covers sales in major department stores only. For home textile products, specialty stores, hypermarkets, supermarkets and online channel are also important sales channels. Hence, the actual overall market share of the brands may deviate from the CNCIC survey.

# MARKET SHARE OF THE TOP 10 PLAYERS IN THE 4 MAJOR SUB-SECTORS

- ❖ The top 10 players in the children's bed line and towel sub-sectors achieved relatively high market share among other sub-sectors, taking up 63.6% and 58% of market share respectively in 2014.
- ❖ The top 10 players in the bed line and quilt sub-sectors had a relatively small market share, taking up 34.2% and 29.2% of market share respectively in 2014.

**Exhibit 7: Market share (%) of the Top 10 Brands of Selected Sectors, 2013-2014**



Source: CNCIC; compiled by Fung Business Intelligence Centre

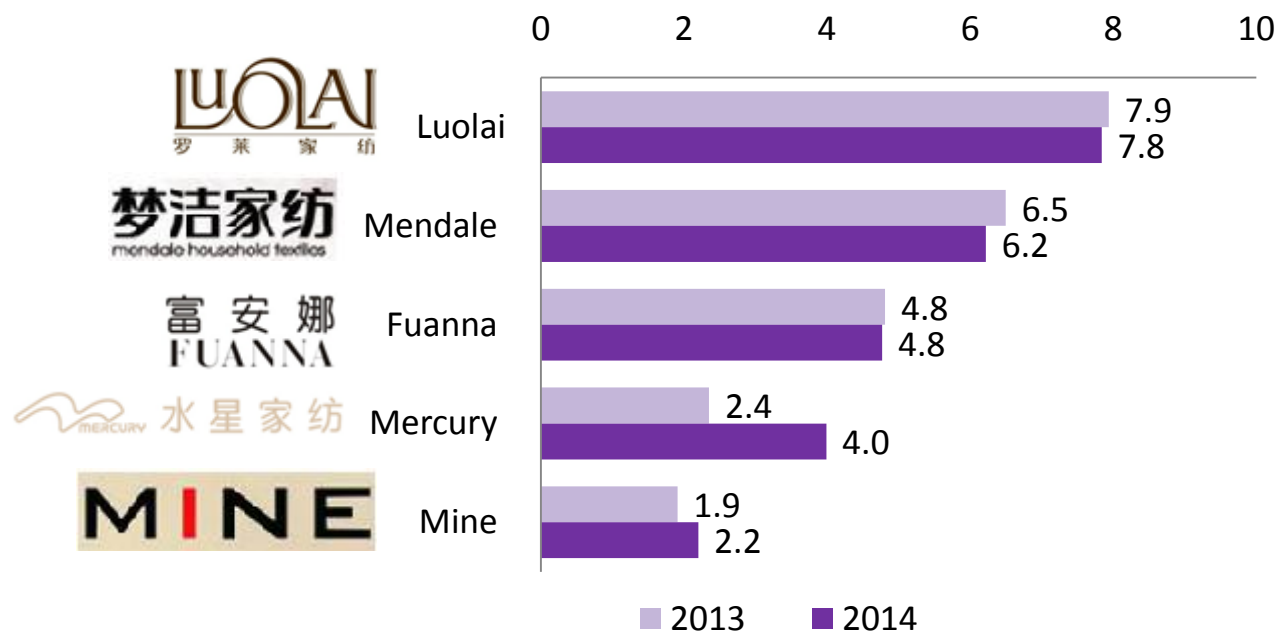
Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

\*The market share is calculated based on the weighted mean of the market share and the market coverage, indicating the overall market share of the brands in China with regard to varying weights in different regions.

# PERFORMANCE OF SELECTED PRODUCT SECTORS

## - BED LINEN

**Exhibit 8: Bed linen:  
Share of Total Sales Value (%), 2013-2014**



Source: CNCIC; compiled by Fung Business Intelligence Centre

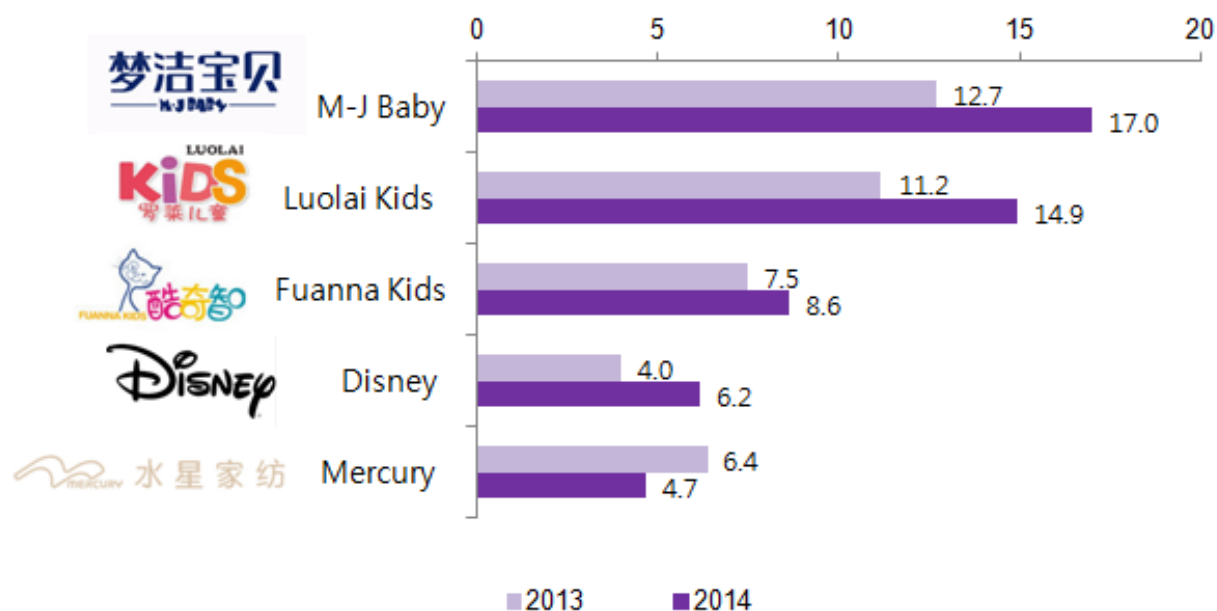
Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

\*The market share is calculated based on the weighted mean of the market share and the market coverage, indicating the overall market share of the brands in China with regard to varying weights in different regions.

# PERFORMANCE OF SELECTED PRODUCT SECTORS

## - CHILDREN'S BED LINEN

**Exhibit 9: Children's bed linen:  
Share of Total Sales Value (%), 2013-2014**



Source: CNCIC; compiled by Fung Business Intelligence Centre

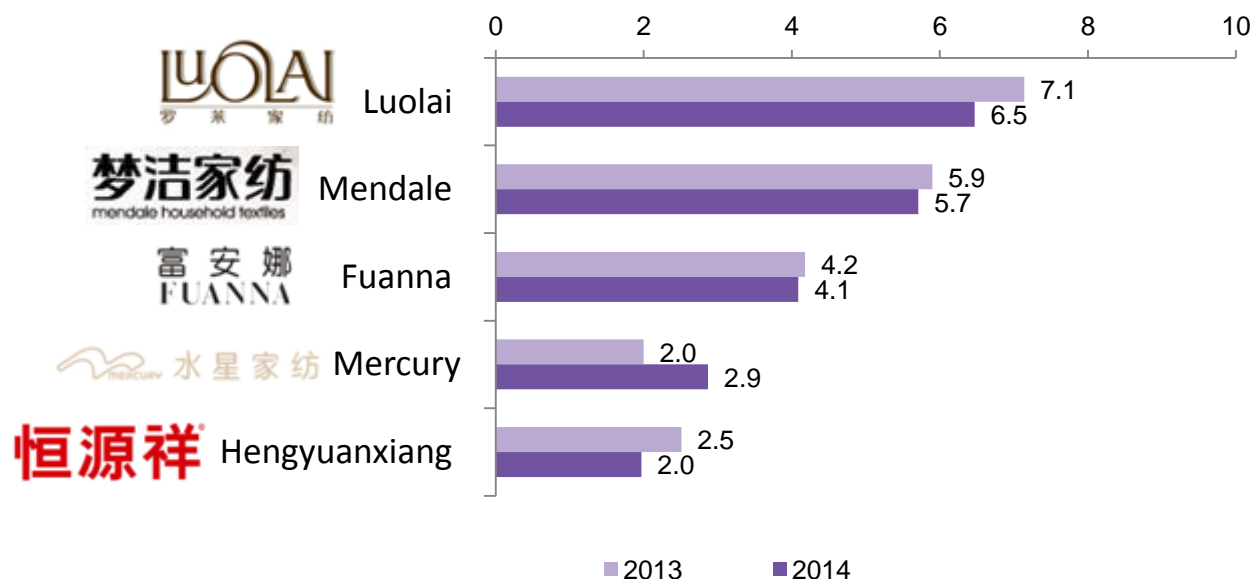
Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

\*The market share is calculated based on the weighted mean of the market share and the market coverage, indicating the overall market share of the brands in China with regard to varying weights in different regions.

# PERFORMANCE OF SELECTED PRODUCT SECTORS

## - QUILT

**Exhibit 10: Quilt:  
Share of Total Sales Value (%), 2013-2014**



Source: CNCIC; compiled by Fung Business Intelligence Centre

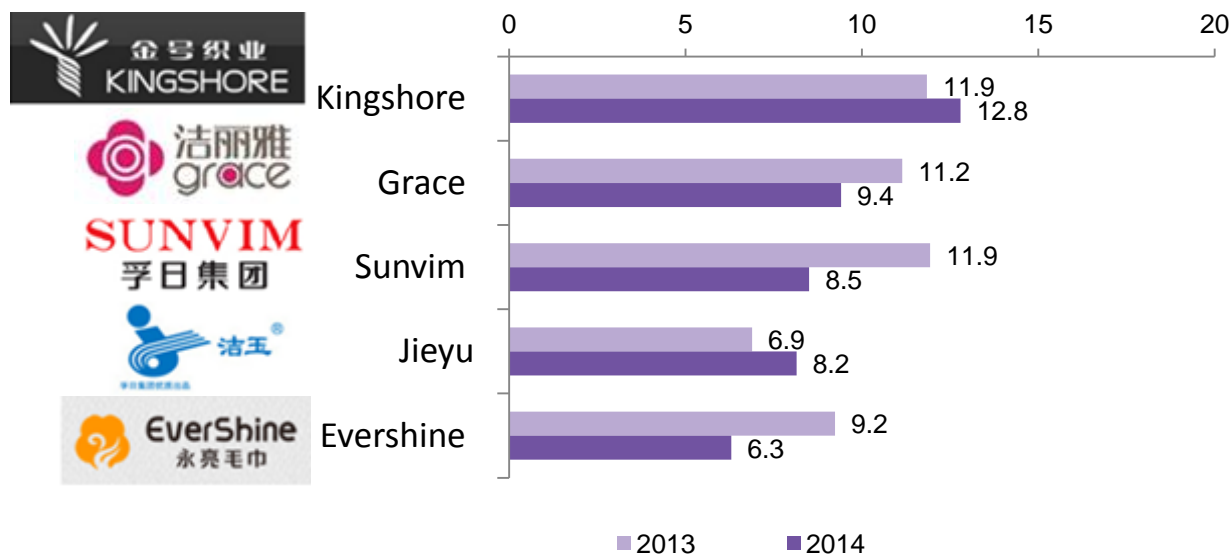
Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

\*The market share is calculated based on the weighted mean of the market share and the market coverage, indicating the overall market share of the brands in China with regard to varying weights in different regions.

# PERFORMANCE OF SELECTED PRODUCT SECTORS

## - TOWEL

**Exhibit 11: Towel:  
Share of Total Sales Value (%), 2013-2014**



Source: CNCIC; compiled by Fung Business Intelligence Centre

Note: It is noteworthy that the CNCIC data covers sales in major department stores only. The actual overall market share of the brands may deviate from the CNCIC data.

\*The market share is calculated based on the weighted mean of the market share and the market coverage, indicating the overall market share of the brands in China with regard to varying weights in different regions.

# CONTACTS

## Asia Retail and Distribution

**Teresa Lam**

Vice President

[teresalam@fung1937.com](mailto:teresalam@fung1937.com)

(852) 2300 2466

**Tracy Chan**

Research Analyst

[tracychansy@fung1937.com](mailto:tracychansy@fung1937.com)

(852) 2300 2480



## Fung Business Intelligence Centre

10/F, LiFung Tower,  
888 Cheung Sha Wan Road,  
Kowloon, Hong Kong

Tel: (852) 2300 2470

Fax: (852) 2635 1598

Email: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
<http://www.fbicgroup.com/>

# Follow us on Social Media:



Photo source: Fung Business Intelligence Centre

Picture sources: <http://www.freepik.com>

© Copyright 2015 Fung Business Intelligence Centre. All rights reserved.

Though the Fung Business Intelligence Centre endeavours to have information presented in this document as accurate and updated as possible, it accepts no responsibility for any error, omission or misrepresentation. Fung Business Intelligence Centre and/or its associates accept no responsibility for any direct, indirect or consequential loss that may arise from the use of information contained in this document.