

Opening to a halt

text:

Nadezhda Oryolkina

A number of foreign brands are venturing to the Russian market, however, developers still complain these are still not enough to fill fashion galleries with. Now it is the time to have a close look at the newcomers of 2013 and ruminare on the reasons.

Last year saw openings of some important brands — Red Valentino, Brooks Brothers, By Malene Birger, Krispy Kreme, Patek Philippe etc. Start-ups emerge in almost all retail segments — clothing, footwear, food service, children's products, accessories... However only food service is bringing any perceivable diversity to the tenant mix. In 2013 American food concepts with far-reaching development plans (Nathan's Famous, Johnny Rockets, Smoothie Factory and others) continued to boom.

Galleries, supposed to earn developers the bulk of the income, are a different story. Any noticeable expansion was only in the unsaturated and unstructured segment of children's products. Imaginarium, which entered the market late in 2011, and 2012's Mamas&Papas are developing in Moscow and the regions briskly enough. An equally ambitious Chicco recently joined the ranks, Prenatal with great expansion ambitions is also coming.

Nothing new under the sun

A number of the "new" brands have already been seen in various multi brand collections. Russian consumers have been familiar for some years now with The North Face, Nautica, Chicco, Herve Leger, Hally Hansen and others. What's more, for many companies the Start-up 2013 was in fact the second, third or n-th attempt to win in the Russian market. There is nothing new under the (Russian) sun, and neither are Bata, Steve Madden, Prenatal, Yamamay, Stefanel, to name a few. The young-mother-and-children-oriented brand Prenatal made one of the

most important comebacks, with updated positioning.

Staying in the niche

Looking at the newcomers, it's easy to see that many clothing brands are, first, expensive, and second, touting very specific selections, targeting narrow consumer groups. Premium, niche brands, of course, have no broad expansion plans, certainly not to the regions. We can expect cautious, step-by-step development from Mirko Botticelli, Sherri Hill, By Malene Birger, Red Valentino, Brooks Brothers, Herve Leger, Serapian and other luxury newcomers of the last year.

2013 was extremely rich in openings of brands selling sports clothes, athletic equipment and outdoor items. For example, VF Corporation, which had opened in Russia near the end of 2012 with a flagship brand Vans, brought in 2013 franchising mono brands The North Face and Nautica. Helly Hansen and Boardriders with a sophisticated product range, such as surfing boards, came in. These players aren't likely to quickly spread either.

Another pool of companies for whom expansion is an even harder proposition is conceptual brands — such as The Kooples, Kurt Geiger, Ç x Façonnable, Bernstock Speirs, Alexander Olch. They all started at the Tsvetnoy central market, brought in by the mall's operator itself.

As for mass market brands, there aren't many, although last year's harvest of start-ups was a sign of improvement. Three active players came to Russia, first Takko Fashion and Hammersmith and near the end of the year — the H&M portfolio brand Monki. You can also count

Rinascimento, however the Russian portfolio of Teddy Group is a single store for now and no expansion plans have been announced so far.

This trend obviously has to do with the oversaturation and high competition in the segment of inexpensive clothing. Retailers such as H&M, Inditex, Mango or Topshop are developing in leaps and bounds, some of them getting attractive rent conditions and better locations from mall developers. Distributors might be willing to develop a new mass market brand, but only something famous, guaranteeing success. Unfortunately, international brands of that caliber aren't rushing to our market.

Problems galore

The downturn in the economy prompts companies to avoid risks and come to the Russian market, non-transparent as it is, via large distributors and open at the top malls in the capital. And here foreign players come up against a shortage of professional retail groups to be made local partners.

Interestingly enough, large developer companies stood in for retail groups in 2013. Tashir group became exclusive distributor of Italian lingerie Yamamay and brought out its own multi brand JeansLab, which included, among others, the Portuguese jeans brand Salsa, new to Russia. Garant-Invest Retail attained master franchises for Hammersmith and Smoothie Factory.

Locations at top malls are competitive and costly. Expanding from new malls in Moscow is difficult, as there are almost no high quality projects debuting on the market. 2013 brought just two shopping centers of the classic type and

sufficient size — Raikin Plaza and RIO in Leninsky Avenue. As a result, a number of brands had to take their first stores to the regions. Starting in St. Petersburg instead of Moscow is traditional enough (witness Quiznos, Mado, Jamie's Italian, Llaollao, Boost, Silk&Cashmere, Alcozer & J), but Yaroslavl and Bryansk have set a precedent. In 2013 the Swedish brand Monki opened its first store in Aura mall in Yaroslavl. Then H&M brought the brand to newly-opened Planeta mall in Ufa. Market players say that Samara is next. And Rinascimento has chosen AeroPark in Bryansk for its launchpad.

AfiMall City was 2013's most resourceful mall. In a daring move, it opened its doors to a host of new players: SFIZIO, By Malene Birger, Mirko Botticelli, flagship ASH, L.A.M.B. and HiCE shoes at VeK Fashion, H&M Home etc. The mall now features Russia's second store of Pili Carrera, the Spanish premium brand selling children's clothes. Forever 21 is coming as well. In the new year the developer intends to pursue this strategy.

Backing out

These difficulties have forced many brands to review their Russian expansion plans. In 2013 two Turkish clothing brands were supposed to add diversity to the mass market — DeFacto and Collezione. The former decided to postpone the expansion to 2017 or so, the second left developers and consultants hanging entirely. The French premium fashion brand Façonnable will also stay out. Developing the brand in Russia had been entrusted to Florence Design, which planned to start opening stores this year — up to eight outlets in Moscow by the end of 2016.

Faith and hope

Making forecasts about openings in 2014 is thankless but fun. Market players expect the clothing segment to expand with Versace's first-line stores, Paule Ka, Bimba&Lola, Blue Inc, Forever 21.

In children's products segment Prenatal and Disney Store are anticipated. Food service may see Churchill's, Autogrill, Great American Cookies, Max Brenner, Nando's, Pretzelmaker, Schlotzsky's, The Cheesecake Factory and other brands.

A great deal of hope is vested in the growth of children's entertainment parks. Developers do not expect much from them as tenants, but these parks take up a lot of space, which is very important, and may serve as effective anchors. For now, though, foreign operators struggle in Russia. According to market players, the expected opening of the Mexican Kidzania brand has been canceled, cooperation with the local franchising company Moneks Trading terminated. The Austrian operator Minopolis is also having trouble.