

British retailers head ever further afield overseas

Everyone knows China is a hot market, but retailers are casting their nets much further when it comes to international openings. Suzanne Bearne runs down some of UK retailers' more unusual overseas store choices

From the Marks & Spencer on the Champs-Élysées in Paris to Topshop's SoHo branch in New York, British retailers have frequently turned their attention overseas in a bid to boost sales and profits, particularly when they've reached saturation point in their domestic market.

Yet the company reports tucked away on retailer websites reveal some of the more surprising store openings.

Timbuktu they might not be, but there are outlets everywhere from Lebanon and Libya to Peru and Kazakhstan. So why are they there and what are people buying?

In the Middle East, retailers from all over the world vie to grab a slice of the market in Dubai. From Topman to Alfred Dunhill, many British retailers operate a store in the holidaymakers' favourite Middle East destination.

But how about a Poundstretcher? The value retailer launched its first overseas store in Dubai two years ago.

The combination might appear odd at first sight, but it's not a complete paradox says Rohan Hingorani, an associate analyst for Planet Retail based in Mumbai.

He says: "The majority of the population over there are foreigners with a moderate lifestyle. The world economy is not doing so well these days and companies are cutting costs through various measures, which is affecting the salaries of employees. People are focusing on saving their income, so at this point in time a discount store can be a good option for people who cannot afford lavish spending."

The Middle Eastern promise

Marks & Spencer is also a fan of the Middle East. In Saudi Arabia alone, the British retailer has clocked up a total of 18 stores – another two opened in August and September.

The retailer even launched a standalone lingerie and beauty store in Riyadh in March. And why not? Sales

of lingerie accounted for more than a fifth of total revenues across its 14 full-line stores in Saudi Arabia. A further eight standalone lingerie stores are in the pipeline over the next two years.

Another nation rich from oil, but perhaps known more for uprising than underwear is Libya. However, it's home to a handful of British retailers including department stores Debenhams, Marks & Spencer and Bhs.

Despite the violence gripping Libya, Dune has opened two standalone stores there in the past four years. "With the opening up of this country over recent years we felt that the timing

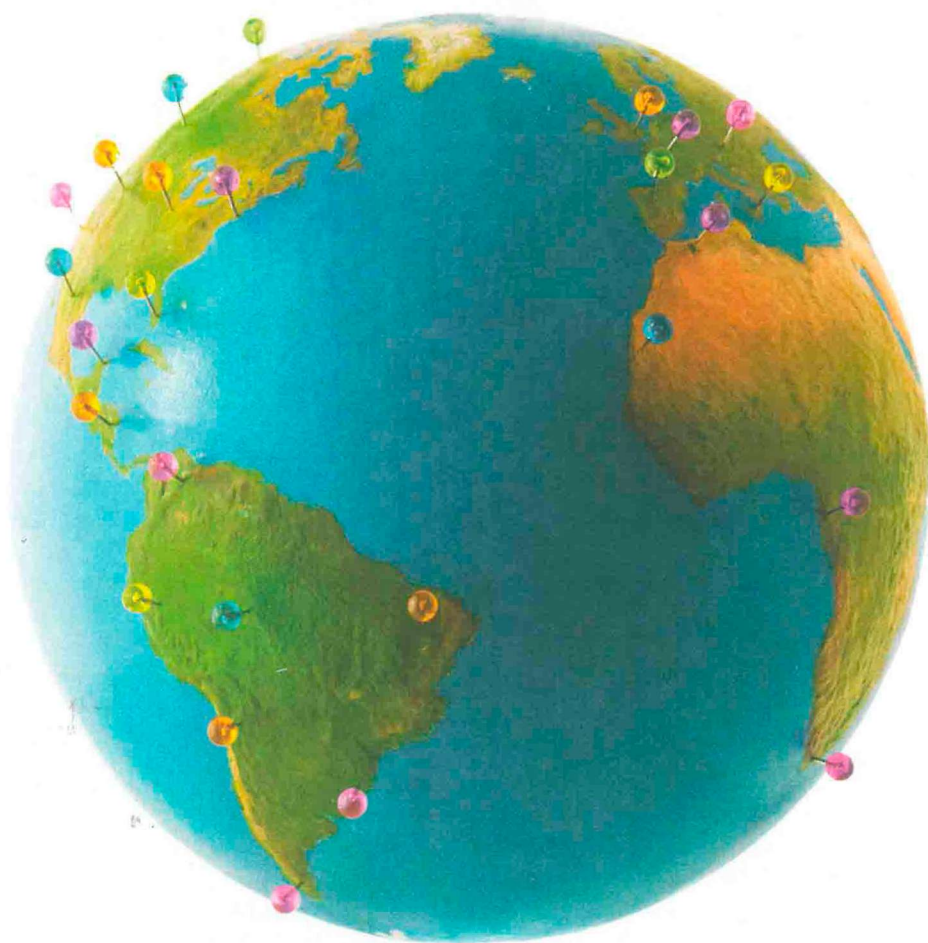
"OUR DESIRE TO ENTER THE REGION CAME FROM PROSPERING ECONOMIES AND A GROWING MIDDLE CLASS"

Beverley Murigneux, Mothercare

was right to bring Dune into a market where there was an existing customer looking to shop the brands available elsewhere in the region," says a spokeswoman for the footwear retailer.

The Americas dream

Over in the Americas, The Body Shop has a shop-in-shop in the Brown & Co department store in Hamilton, Bermuda featuring its latest concept, Pulse Boutique, as well as a store on fellow Caribbean island Antigua – both of which opened to capitalise on the destinations' flow of tourists.



ALAMY

Mothercare group, comprising the eponymous Early Learning Centre chains, is one British company with a surprising number of stores in Central and South America. It may have only ventured into the market in 2011, but it has since expanded to 52 stores across eight countries including Colombia, Panama, Chile and Peru.

"Our desire to enter the region came from prospering economies, a growing middle class and encouraging birth rates," explains Mothercare international development manager Beverley Murigneux.

From a baby and child apparel and equipment perspective, the markets had "plenty of potential" and demand was high for international brands, she says. "Our research and business plans showed there was a great opportunity for a quality British brand serving parents and young children in a one-stop shop format."

Murigneux says expansion across the region will continue. "We have robust development plans in place with our partners for Latin America, which will see us expand our store and digital presence within our existing territories as well as enter new markets."

Planet Retail analyst Carlos Hernández isn't surprised that Latin America is firmly on the radar of British retailers. "Although a slowdown has taken place in many countries throughout the region, Latin America will continue to overperform other more developed areas," he says. "Some countries like Colombia and Peru will continue to boom, generating plenty of opportunities for retail development."

The Eastern front

Kazakhstan may sound like a less likely target, but with tourism rocketing tenfold since it was controversially portrayed by the comedian Sacha Baron Cohen in the film *Borat: Cultural Learnings of America for Make Benefit Glorious Nation of Kazakhstan*, retailers have spied an opportunity in the former Soviet republic.

Thanks to its burgeoning cosmopolitan customer base who lust after international brands, retailers such as Marks & Spencer, Monsoon and Tesco through its F&F clothing brand have all arrived.

Within the Commonwealth of Independent States (CIS) itself, Russia attracts the majority of British retailers because of the scale of the market and expansion opportunities, says Elena Zadorozhnaya, head of retail tenant representation for Russia and CIS at financial and professional services firm

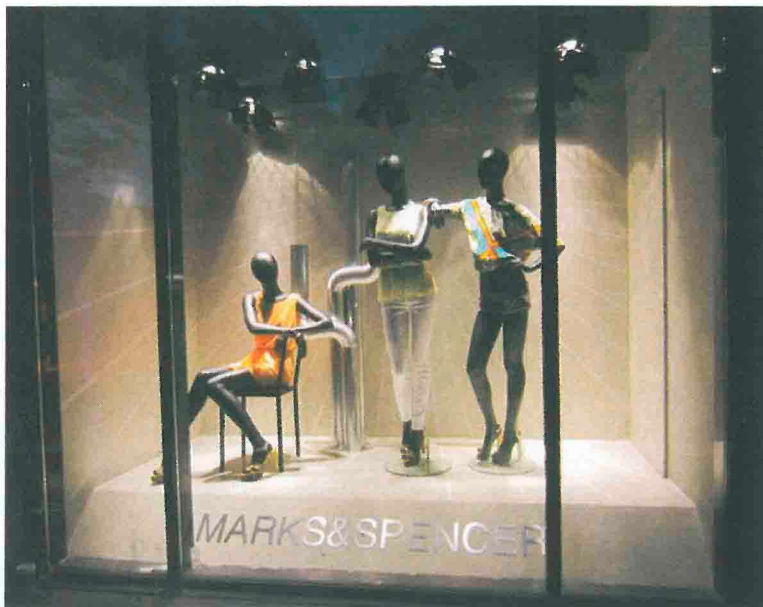
MOTHERCARE IN COLOMBIA

Fascias Mothercare and Early Learning Centre
Stores 17 stores across Colombia including Bogotá, Medellín, Cúcuta, Bucaramanga and Cali.

Why here? "Our premium British heritage brands resonate very strongly in the market and the high quality, well-priced products have been extremely well received by customers," says Mothercare international development manager Beverley Murigneux.

In particular the demand for European-styled fashion clothing is strong, she explains, as is Mothercare nursery furniture, pushchairs and feeding equipment. "Our Early Learning Centre toys are also very popular due to the unique product positioning in the market, which helps children to learn through play."

The retailer plans to open further large format and satellite stores across the market and launch dedicated websites later this year.



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IN THE CIS ARE
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BETWEEN
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Marks & Spencer
spokeswoman

Marks & Spencer's
Kazakhstan store

LUSH IN SAUDI ARABIA

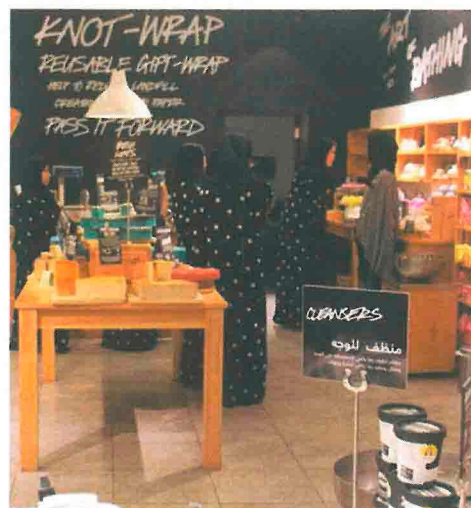
Stores Two in Riyadh and one in Jeddah

Why here? It's been eight years since Lush entered Saudi Arabia with franchise partners, but this year marked the opening of a wholly owned store in Jeddah, staffed entirely by women. That is unusual because women are traditionally underrepresented in the Saudi workplace.

"We wanted to open the store with entirely female staff – a real game changer in this market and challenging the norm, which is why we wanted to take on that risk ourselves," explains Lush partner support manager Simon Nicholls.

Bestsellers in the region include Rub Rub Rub shower scrub, Bubblegum lip scrub, Karma Kream body lotion and Dirty Body Spray.

"Two of the best-sellers are fragrance products, which is not surprising considering perfumery is particularly popular in the Gulf States," Nicholls adds.



◀ JLL. “Opportunities may exist not only in Moscow, but other so-called ‘millionaire cities’ within Russia,” she says. “Kazakhstan is currently the second market in terms of overseas retailer’s interest. The country is developing very fast, with more retail properties such as shopping malls emerging both in Almaty and Astana.”

Ukraine has also been a favourite, but that’s on hold because of the political and economic instability. Meanwhile, some retailers are also putting the breaks on plans they had for Russia. Last month, New Look chief executive Anders Kristiansen said the fashion retailer’s Russian expansion has been put on ice amid concerns about the political situation in the country.

Some experts think that the events in Crimea have made Russia a tougher nut to crack – but it has often been challenging. Writing for *Retail Week* earlier this year, Jon Copestake, chief retail analyst at the Economist Intelligence Unit, noted how Carrefour had “famously lasted only a few months before exiting in 2009. With wealth focused in urban centres, particularly Moscow and St Petersburg, lower incomes elsewhere mean that price competition is fierce and the national scene is fragmented”.

Marks & Spencer, which opened three stores in the region – one in each Kazakhstan, Armenia and Georgia – in 2012 believes that the introduction of Western-style shopping malls in the region has provided an “easy route of entry” for many international brands.

A spokeswoman explains: “Customers in the CIS, who often travelled to neighbouring countries such as Russia to shop, are demanding more choice between luxury brands and the local low price markets at home.”

TM LEWIN IN NIGERIA

Stores Four stores in Lagos and one in Abuja
Why here? After wholesaling across West Africa since 2001, TM Lewin made the leap into store retail last year, opening shops with franchise operator SmartMark in Nigeria and Ghana. The shirt retailer said it saw the potential in Nigeria, an emerging market with a population of more than 168 million, which is set to swell to more than 220 million by 2020.

TM Lewin’s head of international operations Mark Cowdery believes that an increasing percentage of the population have the disposable income and aspiration for the same shopping experience as London and Europe, but locally in West Africa.

So what are shoppers snapping up? “The Nigerian customer has very similar taste to the UK consumer, however there is a slightly increased demand for more statement accessories such as spotted handkerchiefs,” says Cowdery.



Another view of Marks & Spencer’s Kazakhstan operation

MAMAS & PAPAS IN LEBANON

Stores Two stores in El-Jnah and Dbayeh

Why here? Mamas & Papas opened the two stores through a licensed franchise agreement with local retail company AMB Group following strong demand from Lebanese shoppers.

“Over the years we discovered that a lot of Lebanese customers were coming into our UK stores, particularly in London,” says Mamas & Papas creative director Olivia Robinson.

“They told us they loved the British style of our kids clothing and nursery equipment, and particularly liked the attention to detail and built-in quality. They kept asking us when we would finally open a store in Lebanon, so it made sense to respond to customer demand and enter the market,” Robinson adds.



The wider world

Over in Africa, British retailers have spread out wide: go to Morocco and you will find Next and New Look, while in Nigeria and Ghana it will be TM Lewin.

South Africa, where Topshop and Mamas & Papas operate, remains the most popular African market for international retail expansion, followed by Ghana and Kenya, according to a survey by Barclays last year.

“The top end of the African customer base is a well-travelled population that already consumes British and other aspirational brands in Europe or through travel retail, particularly in Dubai,” says Annick Desmecht, vice-president at global management consultancy AT Kearney.

Closer to home, Iceland has stores in its namesake country, with three shops in Reykjavik. However, the stores are far from a carbon copy of the British Iceland, says Alastair Kent, managing director of Imtex, the buying and distribution centre for the Iceland stores.

“For Iceland to work here, in a country with a population of 330,000, it has to work differently to the UK,” he explains. “They’re more like supermarkets because we want to get customers coming in and doing their weekly shop so about 12% of food is actually frozen, compared with 35% in the UK. We’re also open 24 hours a day.”

But while the model might be different, the most popular products remain the same. “Pizza and ice cream are two of Iceland’s bestselling products,” Kent says. A taste of Italy brought to customers in Iceland thanks to a British retailer is just one example of the industry’s sense of adventure.