THE GLOBALISATION OF RETAIL

A number of factors are combining to push retail brands out of their home markets. But while the world of cross-border retail is full of opportunities, it is not without its risks. Graham Parker looks at some of the brands that are successful transitioning into global players

Any time, any place, anywhere

THE SHOCKWAVES of the 2008 financial crash are finally subsiding. Those retailers that have survived are leaner and fitter and many now see international diversification as a way of insulating themselves against future financial shocks.

At the same time, the surge in online retail means that traditional borders no longer apply: brands can be accessed anywhere and true omni-channel retailers have to be prepared to do business like the Martini of old — any time, any place, anywhere.

Recent research from CBRE and JLL has plotted the increasing pace of international expansion among retailers. According to CBRE, the number of retailers with large-scale expansion plans has increased dramatically in 2014, reflecting renewed confidence in the global retail market. More than one third of the retailers surveyed by CBRE plan to expand their store portfolio by 40 stores or more over the next 12 months. Of those retailers looking to open 40 stores or more, mid-range fashion and value fashion are the most active sectors, each accounting for one third of the total.

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> CBRE

Peter Gold, CBRE's head of cross-border EMEA retail, explains: "An upturn in consumer confidence and renewed vigour in the global retailer community has put large-scale expansion firmly back on the agenda. While the pace of international growth has slowed in recent years, retailers are making clear their intention to materially invest in their store networks throughout 2014. Their preference for a wide range of markets highlights the continued importance of cross-border growth."

JLL's head of EMEA retail research and consulting, James Brown, says a number of factors are driving this new expansionary mood among retailers, the biggest of which is

LINDEX:
Opening in London 'a great day in our history'

SCANDINAVIAN fashion brand Lindex, part of the Finnish-listed Stockmann Group, will open its first store in London — at the Westfield Stratford City shopping centre— in the second quarter of 2015, along with a local distribution centre. A local online shopping site for the fashion chain has already been launched.

The Westfield investment is a key step in the Lindex brand's international expansion strategy. Since starting up in Alingsas, Sweden, in 1954, Lindex has become one of the leading fashion chains in northern Europe. In recent years, it has undergone rapid expansion and currently has more than 470 stores in 16 markets.

"This is a great day in our history," says CEO Ingvar Larsson. "We have longed to offer our affordable and inspiring fashion in an exciting city like London — one of the world's most attractive shopping destinations. We strive to provide a world-class fashion experience, both in-store and online. This includes everything, from interior decoration and service level to the fashion we offer and how we present it. Having a good store location along with an online store will allow us to reach a wide range of customers from day one."

A high level of accessibility is a vital factor in establishing the brand in a new market. Having a local distribution centre in place ensures stock availability in store can be quickly replenished. It also enables the Swedish retailer to serve its UK customers via lindex.com.

Lindex enters the UK market in 2015

economic growth. "The global economic backdrop, and the burgeoning emerging and frontier economies in particular, are shaping retailer movements and strategies," he adds. "The economic recovery is undoubtedly multi-speed in nature. However, recent positive news from two of the core markets — the upgrade of the UK's prospects by the IMF and the 4% growth coming out of the US in the second quarter — suggests that growth in the developed world is gaining pace."

The second factor identified by JLL's Redefining Retail Places research is the growth of online retail. "The internet has certainly made entering new markets far easier than previously, and the opportunity to capitalise on these growth markets is real," Brown says.

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So where are the expansionist retailers coming from? According to CBRE's research, US retailers have the most extensive large-scale expansion plans, with almost half — 47% — of those surveyed looking to open more than 40 stores in 2014. And due to the maturity and competitiveness of their domestic markets, many North American retailers are seeking to grow their global businesses.

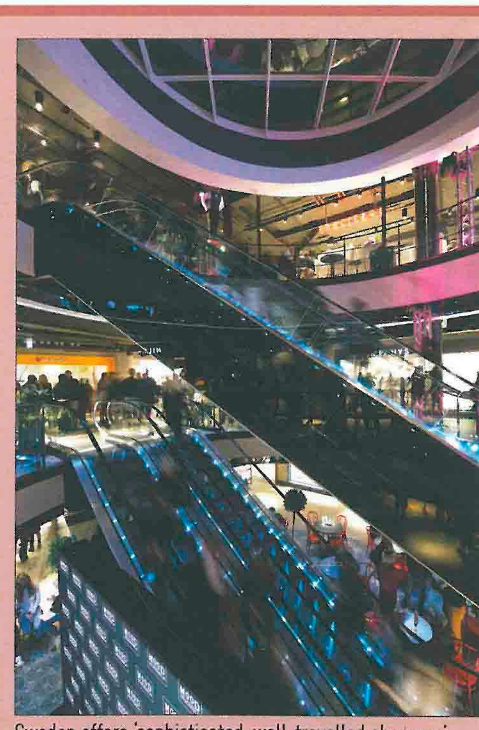
AMF HELPS TAKE THE STRAIN

LANDLORDS have a role to play in helping retailers to expand across borders, according to Karolin Forsling, chief development officer at Sweden's AMF Fastigheter. She reports that the company has been working hard to attract global brands into the Mood development and AMF's existing centres in Stockholm city centre.

"The city is growing at 8% per annum and has sophisticated, well-travelled shoppers," Forsling says. At the same time, international retailers have found it difficult to secure sites in the city centre to reach these shoppers because the market is so tight. As a result many — including Michael Kors, Victoria's Secret and River Island — have been trading online and are only now moving into physical space.

AMF has started offering brands trial stores in its five city-centre schemes. "They each have a different catchment," Forsling explains. "Retailers are able to enter the market in all five at once and then choose the one that suits them best."

She adds: "We're happy to work with franchises but, in Sweden, brands have found it difficult to find partners. So as a landlord, we are taking over that partnership role, helping brands to understand the Swedish consumer. Retailers are sometimes surprised to see a developer owned by a pension fund sitting on the same side of the table [as them], but we both want to make money. We both want to create value."

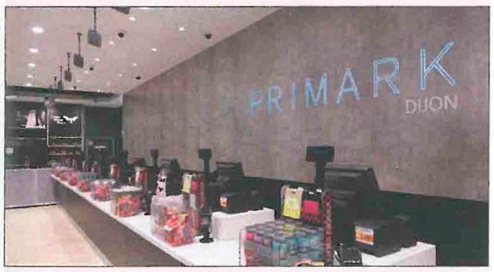


Sweden offers 'sophisticated, well-travelled shoppers'

Feature

CBRE's research found that Germany is by far the most attractive global retail market, ahead of France, the UK, Austria and China. Global retailers are attracted to Germany because it offers the opportunity to target 20 large cities in one market. More than 40% of retailers globally plan to open a store in Germany in 2014, and this figure increases to 70% when taking into account European retailers only. Germany is also the second most important target for US retailers.
To capitalise on this trend, the Italian-based consultancy Larry Smith Consulting has formed an alliance under the United Partners (UP) brand with a number of like-minded independent brokerages in Europe, including

PRIMARK:
Fast forward with fast fashion



FRANCE is a particular focus for Primark, one of the fastest growing clothing retailers in Europe. After debuting in Marseille in December 2013, it has recently opened its fifth French store in the Parisian suburb of Creteil. It will be following this with stores in Paris' O'Parinor shopping centre and La Bongarde in Villeneuve-la-Garenne.
Headquartered in Ireland, where it has 38 stores, Primark already operates in the UK (161 stores), Spain (35), Germany (11), Austria (three) and Belgium (one). The fashion subsidiary of the Associated British Foods conglomerate, which has succeeded by offering fast fashion at affordable prices, has become a key driver of footfall for shopping centres across Europe.
Primark underlined the strength of its ambitions earlier this year when it struck a deal to buy the 23,000 sq m Pavilions in Birmingham, where it plans to convert half the shopping centre into a flagship store and re-letting the other half. And it has recently revealed plans to open its first North American store, taking 7,000 sq m in Boston, Massachusetts, which will open in the second quarter of 2015.

Feature

the UK's Lunson Mitchenall, with the aim of easing the process for global retailers looking to set up in Europe.

UP's US principal, Andrea Abrams, detects a changing mood among US retailers: "They all used to ask, 'We have such a big country, so why should we go to Latin America or Europe when we have so much growth at home?'. But the internet has forced retailers to become more sophisticated about tracking who's buying and who's talking about their products. They can't stop what's happening online or where they have a following of customers, and that's why you're seeing so many brands expanding. Some brands with only 20 US stores are already going overseas. Is London now the next step ahead of the Mid West?" she says.

Abrams' London-based colleague, Lunson Mitchenall managing director Robert Wingrave, believes the changing ownership of retail businesses is also driving the pace of international expansion. "More retail businesses are now in the hands of private equity," he observes. "And these owners have very different perspectives."

Mark Burlton, global head of cross-border retail at Cushman & Wakefield, has spent time on the tenant side as Ralph Lauren's head of European real estate and on the landlord side as head of leasing for the UK and France at McArthurGlen. From this perspective, he agrees with Abrams' observation about the role that the internet is playing in disseminating brands worldwide. "Omnichannel is making it easier to test a brand abroad to see whether it resonates with the consumer," he says. "Retailers are better placed than ever to know where their customer is."

Burlton also sees a new sophistication among US retailers entering Europe: "They've learned from the mistakes of the past. New entrants like J Crew realise they can trade with just 10 stores rather than the 50 that Hilfiger tried a decade ago."

JLL's Brown echoes this, and believes that sophisticated retailers are now looking at individual cities rather than national markets: "International retailers' strategies are increasingly focusing on global cities rather than countries, as growth typically favours the major cities, which also benefit from strength of demographics. This city-led expansion strategy will span core, growth and recovery markets and, despite the obvious challenges with international expansion, for many retailers the chance to 'chase the spend' will be hard to ignore."

TALLY WEiJL:
Thirty-nine countries and counting

TALLY WEiJL, the family-owned Swiss young-womenswear brand, was launched in the 1980s and today generates sales of €375m from 760 stores in 39 countries. Roughly half of its stores are in the hands of franchise partners.

The company will be using MAPIC to source locations for new company stores and identify potential franchisees in its core markets of Austria, France, Estonia, Germany and Turkey, as well as further afield.

MIROGLIO GROUP:
Taking Italian style to the world

LEADING Italian fashion and textile company Miroglio Group has an annual production of around 18 million garments. Its retail arm, Miroglio Fashion, owns 49 companies in 34 countries, along with more than 2,000 single-branded stores.

In April 2014, Miroglio opened a 600 sq m flagship store in Milan. The Miroglio Piazza Della Scala aims to create a unique retail environment to showcase Miroglio brands, which include the Caractere and Elena Miro collections. At the same time, it is looking to drive growth in new emerging markets through acquisitions, partnerships and joint ventures.