



Moving brands abroad

When expanding abroad, choosing whether to launch with a flagship store or virtual presence is a complex decision for retailers. But does a virtual launch have the same effect? **Ben Cooper** reports

When Topshop opened its second New York store in November, the event pulled in some big names: Lionel Richie, Tommy Hilfiger, Paris Hilton, Nick Jonas and Beyoncé to name a few, and Alicia Keys provided the music. One of the many glittering fashionistas at the grand launch, Cara Delevingne, said about the store: "It's beautiful, really high ceilings, so much light; it's just a really nice space."

A month earlier, when Topshop made its debut in China, the whole thing had been a lot more virtual. Without a store to unveil, the retailer carried out a web launch with e-tailer

ShangPin, which included a week-long social marketing campaign held at The Place mall in Beijing. Tech-hungry Chinese shoppers were encouraged to browse and 'try on' virtual outfits to be ordered by QR codes for delivery the next day.

It was more than a symbolic difference: the China strategy was ostensibly to engage with a more mobile, social media-focused customer base, but it was also a more cautious, wait-and-see policy. So with a major international brand such as Topshop choosing to skip the big store opening in such a huge potential market, does physical space still have the same impact, or has the traditional flagship launch had its day?

When Topshop went live in China, Arcadia boss Sir Philip Green said: "Working with ShangPin has allowed us to directly and effectively connect with the Chinese consumer in a way that would not be possible through a traditional bricks-and-mortar presence."

But Cushman & Wakefield director of cross-border retail in Asia-Pacific James Assersohn says there was another layer of reasoning behind the pure-play launch.

He says: "I think it was a very clever move. It's a great way for retailers to get through to the key people. It's a very low-cost method of getting exposure and you also get a lot of valuable data on which products work in ↘

Topshop opened its second New York store in November



a particular country. Retailers really need to understand consumer habits and patterns in a new market; that data helps you make the right decisions about opening physical stores.”

A changing world

As Tesco will testify, while the Chinese market is huge and ripe for retail, that doesn't guarantee success for a newbie coming in. The great potential of the growing middle class and burgeoning economy can blinker retailers from the sheer challenges of setting up a logistics infrastructure, gaining exposure and building brand loyalty among a whole new population, dealing with local legislation and adapting to new business practices.

Savills director of commercial research Mat Oakley says that, while Tesco went down the physical route, Topshop's tactic could mitigate these risks.

“Research is everything,” he says. “If I was looking at China I would consider the same approach. I'm sure they are considering stores at a later date, but at the moment they are looking to be getting some invaluable data.

“I'd rather see someone take the right decisions about opening stores. It's a changing world.”

And in this changing world, the whole notion of international retailing has fundamentally altered. In the more traditional Western markets, such as the US, where Topshop did take the plunge with a high-profile New York store, the most likely successful locations are easier to predict. And in Europe, a relatively

small supply chain will cover thousands of cities and cross borders easily.

But in the new world of emerging markets such as China and India, neither of these rules are so clear, partly because of the sheer scales involved, says Lunson Mitchenall head of shopping centre leasing Neil Hockin.

“Even the biggest UK retailers have struggled to have an efficient infrastructure, because the markets are so huge. In China and India the capital expenses required to have a proper bricks-and-mortar presence are enormous; it makes it very difficult,” he says.

Evolution of shopping

Not only have the scales changed, but the way consumers shop has moved on throughout the world. What was an obvious strategy of flagship openings followed by physical expansion even 10 years ago, says Hockin, might not be quite so clear cut today.

“Retailers look at the world as a global network. Location is important for different reasons now; it used to be about footfall historically, but it's a different model of where you need to be especially with click-and-collect.”



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James Assersohn, Cushman & Wakefield

So what does this mean for the traditional store launch as a way of making a statement about a brand? Is there some truth in what Jigsaw chief executive Peter Ruis said at the Retail Week Shop conference in November, that “the old world concept of flagship is dead”.

Benefits of a flagship

Assersohn thinks not. He says that even with the benefits of an online launch, the flagship still has a crucial role in making that first impression, particularly in Asia.

He says: “We would always advise retailers that a flagship store is vital for getting high exposure. There's a lot of concern over the legitimacy of products in Asia; there is a lot of fake merchandise out there. There's an in-built mistrust of online shopping, and by not having a physical store you raise a lot of concern about whether it's the real thing.”

And while, as Ruis said, “the concept of a brand flagship as a one-off place and a centre of your business” might no longer apply, Harper Dennis Hobbs head of retail consultancy Jonathan de Mello says that without any kind of physical space, there are other dangers involved that pure-play retailers are looking to counter.

He says: “Physical stores can reassure people that you're planning to stay. Otherwise you can look a bit transient. If you want people to know that you're there to stay, you need to have a store. We're talking to online retailers here in London which are looking to open physical space.”

Neil Varnham, managing director of international real estate fund Pradera, adds that the supposedly safer virtual approach isn't always as simple or cost-effective as it seems.

“The problem with going online is that you don't necessarily build up that brand recognition. People identify with the physical. You can't just turn up with a brand like Topshop and hope it's going to be a success. There has to be a lot of brand support,” he says.

“And it's perhaps not as cheap as some people think. The supply chain can be very expensive. People probably think trading online is a licence to print money but it's not that simple. There's a serious cost issue of operating online.”

Not only are e-tail businesses no guarantee of success, as the My-Wardrobe example shows, but for retailers that do set up physical space in a multichannel market, there are benefits that pure-plays miss out on.

Varnham explains: “There's the power of multimodal shopping to think about; the multiplier effect of having online and physical retailing. For example, a shopper coming in to collect an online item might then buy something in the store.”

Taking a hybrid approach

In a world where transport is possible on an unprecedented scale, the way retailers think has become more global and physical barriers are less important than they once were. Topshop might not have a bricks-and-mortar presence in China yet but, as De Mello says, that doesn't mean it isn't using physical space to build brand awareness there.

He says: "Topshop has a lot of Chinese shoppers coming to the UK. They flock to the West End and they are used to seeing Topshop – they know the brand."

It's a perfect example of the sort of hybrid approach that is setting the tone for international expansion. Physical retailers are experimenting online, and in some cases etailers are instructing agents to find them physical stores.

One brand that is very definitely in the online space, German fashion etailer Zalando, is extending its global presence all the time. Its manager for the UK and Poland, Robert Schütze, is clear on the benefits of the online



Zalando: extending its global presence

launch. He says: "We've had several successful launches without an offline presence. You can reach a whole market, cities and rural areas, when you launch, as opposed to just one city. You can offer shoppers the option of shopping 24/7 and you can reach the shopper on their way to work, not just those that are passing by your store on a shopping trip."

But when Zalando launched in Poland in November, it used physical space to do so. A pop-up store was set up at the Złote Tarasy Mall in Warsaw, and the company went the

whole nine yards to announce the presence, celebrities included.

Schütze says: "The launch was designed to bring the products closer to the consumer. There was lots of branding and marketing involved; these offline opportunities are still open to an online retailer. We see it as one additional channel to bring the brand and the product to the market."

If there is any certainty in modern retailing, it is that there is no clear route to a new market any more. Where brands such as Cath Kidston, Burberry and others

have chosen bricks-and-mortar stores to make that first impression, others have flourished without ever opening a shop.

Where each brand sits in this new world depends on a great many factors: the sector it's in, the market it's entering, even the age and technological fluency of its consumers. It's a complex dynamic and, as the Zalando model shows, not even a pure-play etailer is completely without the need to make a physical statement from time to time.

