



States of the nation

Despite the common ties, relatively few big North American brands have found success in the UK. **Ben Cooper** finds out what's incoming from across the pond and what might be holding brands back

Back in 2011, so one headline read, there was a “stampede” of US retailers headed for the UK. Aeropostale, Forever 21, American Eagle, Crate & Barrel and Williams-Sonoma were on the list of brands considering London as a respite from their own domestic troubles, and had big store-expansion plans ready to press ahead with.

Fast-forward to today and, while some of these have now set up shop, rumours of a major influx seem to have been somewhat exaggerated. American Eagle has only just opened the doors on two London stores, Forever 21 has had to rethink its own expansion, and

Aeropostale, Crate & Barrel and Williams-Sonoma are nowhere to be seen.

Tom Pope, head of retailer representation at Lunsun Mitchenall, says: “There are still a lot of North American retailers that aspire to have a European presence, but I don’t think there’s another wave of brands about to arrive imminently on the horizon at the moment.”

So what happened to slow the stampede, and what about the next phase of retailers from across the pond?

When American Eagle finally threw open the doors of its first UK stores in November, it was a bittersweet moment for the retailer. International expansion, usually a sign of

great prosperity at home, had come amid a rough period in which dozens of stores had closed back in the States. And it won’t have brought shareholders much comfort when, in its third-quarter results, released three weeks after the London debut, total group revenue and comparable sales were both down on the previous year.

But American Eagle isn’t alone. One of its main rivals, Abercrombie & Fitch, had a tough 2014 domestically, as did Aeropostale, all caught out by the same trend towards the value end of the fashion market.

With this sort of climate behind them, retailers are faced with a dilemma: stay at ↘



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Tom Pope, Lunson Mitchenall

home to fix the domestic problems, or branch out and hope that sales from a lucrative new market will balance things up. It's a tough call, says Pope, and given how big a leap Europe is for North American retailers, it's been enough to put many off.

"Some retailers are struggling in the US at the moment," he says. "If they're not doing well in their own territories then it's very unlikely they will think about a new continent. Moving to Europe is incredibly complex for them to think about."

Reaching other markets

Another explanation for the reticence, says Savills executive director for retail Sean Gillies, is not just the high costs of Europe, but the emergence of much larger international markets elsewhere. For US and Canadian brands the emerging markets of Mexico, Chile and Brazil are much less of a journey in every sense, and while Asia and the Middle East aren't close geographically, London can actually act as something of a catwalk.

Gillies says: "A lot of US retailers are actually more interested in Asia than Europe at the moment. One of the attractions of London ↘



American Eagle opened two London stores last year



Forever 21 has slowed down European expansion plans



The British shopper is drawn to the perceived exclusivity of international names and we do not expect that love affair to wane any time soon

Beth Wilson, BCSC

is that you get exposure to lots of Asian tourists visiting the city. The West End is a magnet for shoppers from Asian countries, and it's a great way for US and other international retailers to boost their profile with Asian consumers."

But James Ebel, director of central London agency Harper Dennis Hobbs, which has brought many of the big US names to the UK – including Gap, Forever 21, J Crew and American Eagle – says these current fluctuations might be changing the dynamic short term, but the fundamentals still apply.

He says: "We might have started to get to the end of the current raft of US retailers, but there is still appetite. As far as the shopper is concerned, if the concept is one that translates to the European market and the pricing is accepted by the public then there will always be an appetite; it doesn't matter where the retailer's home country is."

Shopping for shops

The BCSC annual conference is something of a showcase for UK retail space, and it's one of the first places international retailers go shopping for stores. BCSC head of events Beth Wilson says that there is still plenty of interest from North American brands looking to attend the show.

"Ahead of our annual conference each September, we engage closely with retailers considering coming across the pond and we have certainly seen a marked increase in interest over the past two years, with Canadian brands, in particular, demonstrating increased confidence in the UK.

"The British shopper is drawn to the perceived exclusivity of international names and we do not expect that love affair to wane any time soon."

A number of names have been doing the rounds in property circles (see box), but one retailer that has taken the plunge, with no lack of confidence, is Canadian sportswear brand Lululemon. The retailer made its full store debut in London last April, and since then it has



The value retailer will launch in the US later this year

Primark eyes US opportunities

Primark's planned foray into the US could boost the value retailer's growth by between 50% and 70%.

The figure, which assumes the retailer is successful following its launch in the US later this year, was shared last month at a meeting organised by broker Shore Capital with investors and John Bason, finance director of Primark's parent company ABF.

Shore Capital analyst Darren Shirley said such a performance could take growth from "low double digits to close to 20%" in the medium term.

Primark revealed plans to open its first US store this autumn and has already agreed to take on seven Sears stores. Shirley told *Retail Week* that he expects Primark to roll out 750,000 sq m of space per annum in the States if the retailer is well received by consumers. However, he cautioned that "they haven't traded a single day" in the US yet.

He said that management is "quite pleased" with the quality of stores Primark has taken from Sears. "They've been able to go in there without having to take any dogs," he observed. "The relationship with Sears represents a significant opportunity for Primark if it gains traction in the US."

Sears is engaged in a material change of strategy that could present ABF with a menu of very strong future locations for Primark. Of the seven deals agreed to date, ABF had the pick from the full set of Sears' northeast stores.

Primark plans to apply a "sub-regional" approach to growth in the US, "which management does not believe can be viewed as a single country", said Shirley. He suggested that once it completes initial trials, Primark may expand beyond its initial northeastern focus by leasing more former Sears stores.

opened a raft of showrooms for yoga and fitness classes. In December *Retail Week* learnt that it was preparing for another four UK stores.

Kristy Maynes, vice-president for Lululemon Athletica Europe, says the company's core value of researching and understanding new markets and the communities in which their stores sit, has been crucial to its ability to expand in the UK.

She says: "From the very beginning, we focused our efforts on building community and creating authentic relationships with our UK guests. This has allowed our teams to spend time sweating in the local studios and

gyms, and getting to know our guests; we listened and learned about what is relevant in each individual city, market and community.

"We have been excited by the positive response we have seen so far and look forward to continued growth in the UK."

Given how expensive it is to do business in the UK, this, it seems, is the level of prior knowledge now needed to tackle the competitive market with confidence. BCSC shows that interest hasn't waned, but between interest and the opening day there is a lot of ground to cover, which only the most committed retailers should be taking on.