

CHINA

Luxury will benefit from China's growing middle class



The Armani store in Shanghai

The retail market in China has seen huge growth in recent years, creating opportunities for international players looking for further growth overseas. Liz Morrell reports

INTERNATIONAL retailers are reporting successful launches in China, in spite of the reported economic slowdown in 2014. One of them is New Look, which initially launched on the online Tmall marketplace in September of that year before opening its first physical stores in the country. It has already ramped up its expansion plans in China a number of times and on-leases already signed will see 85 stores in the country by its financial year-end next March.

Speaking at the company's half-year results announcement New Look chief executive officer Anders Kristiansen said the brand had been welcomed by Chinese consumers and attributed strong growth to its expansion in the country. "Our Chinese stores continue to perform well as customers react favourably to our fashion-forward offer," he says.

Although momentum slowed in China somewhat in 2014 the market was still seeing healthy growth according to Retailing In China, a report published by Euromonitor earlier this year. Rising consumer demand for a higher quality of life, coupled with rising disposable incomes, helped to fuel growth. Moving into 2015 a further slowdown in the economy has meant many fearing bigger cuts in spending however.

In the short term, that slowdown has affected luxury retail in the sector despite the fact that luxury has an 87% penetration in China. This according to a recent report from CBRE on the changing landscape of Chinese retail published in November 2015. The report says that given the recent sluggish performance of the mainland luxury market, luxury retailers are generally adopting a cautious stance towards expansion in the domestic



The Nanning Wanda Plaza

MAPIC launches its second RREM Shanghai event today

THE SECOND Retail Real Estate Market Shanghai by MAPIC will be launched today at 10.30, as the market opportunities are outlined at a special session in the Champs Elysees room at the Palais des Festivals.

The session will also include details on the growth of domestic consumption, travel retail and retail real estate development and availability.

Among the speakers are Mario Bauer, CEO of Vapiano Franchising International, Jia Hao, deputy general manager leasing at Wanda Group, Richard Li, vice-president global and licensing at Aeropostale, Mario Manna, general manager at Camiciissima Shanghai Trading and Lucy Wu, vice-secretary general of RREM co-organiser China Chain Store & Franchise Association.

market despite the fact that developers of high-end retail properties don't seem to be responding with a corresponding slowdown in the pace of development.

Luxury retailers in China know they have to do more. "Consumers are placing greater importance on the experience-aspect of retail properties, and the individualisation of products. As such, luxury retailers have been upgrading their store premises to improve service and raise the quality of product displays and customer shopping experience," the CBRE report says.

But any slowdown is likely to be short-lived. "China's domestic luxury market still has enormous potential; the industry sector is expected to benefit from the growth of the middle class, female shoppers and youthful consumers, as luxury retailers seek to narrow the price gap between domestic and overseas markets," the report continues.

Meanwhile there is growth elsewhere, significantly the result of the impact of internet retailing, with many retailers going online for the first time — either with their own online shopping portals or on B2C platforms, for example Tmall.com and JD.com. According to Helen Mak, senior director of Colliers International: "The central government has been very supportive of e-commerce and has introduced measures to speed its development." This should mean Chinese retail sales can move forwards despite the general slowdown. "That in turn will attract more local and overseas retailers to establish a footprint."

The growth is also fuelled by Alibaba Group Holding's continued dominance in the market, vividly illustrated by the €13.2bn of sales the company achieved during its 24-hour discount Singles Day, on November 11 — up 60% on last year. "This day demonstrates the power of domestic consumption and the Chinese consumer's strong demand for international products," Alibaba chief executive Daniel Zhang says.

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CBRE

The Chinese Wanda Group also plans to take advantage of e-commerce and has announced plans to invest RMB20bn (€2.9bn) over five years into developing and building the world's largest O2O (online-to-offline) e-commerce company. The platform will span nine areas as well as a range of 15 smart services, including smart cinema and smart dining, which will connect online users with offline retailers. The project will tie in with the group's hefty retail presence. The company operates China's largest department store group with 99 stores

in major cities across China that spans a floor space of 2.6 million sq m in total and will be hoping to align the online and offline potential of its Wanda Plazas, which it wants to bring to all cities across the country.

By the end of this year the real estate arm Wanda Commercial, the world's largest real estate developer, will have opened 135 Wanda Plaza projects in China with a combined annual footfall of two billion. The company is hoping to grow this to 500 Wan-

da Plazas and an annual footfall up five-fold to 10 billion by 2020.

This will include a focus on a number of regions. In September Wanda Group signed a strategic co-operation agreement with Yunnan province to invest more than RMB95bn in the region. This includes building 20 new Wanda Plazas and cultural tourism projects over the next four years as well as a similar agreement with Henan provincial government in Zhengzhou to spend RMB120bn in the next five years to build at least 16 Wanda Plaza and cultural tourism projects.

September also saw the company sign a deal with Suning Commerce group, China's largest retail business empire with more than 1,600 physical stores, which will initially open 40 stores at Wanda Plazas that are already open or about to open.

The Chinese market may be slowing but there is still dynamic growth to be seen yet.