

# Who to watch in the US



The US market has long proved an exciting breeding ground for expansion, both for domestic and international retailers. Now, thanks to sustained economic growth, retailers are upping their ambitions, writes Liz Morrell

**A** RECENT report on retailing in the US, published in June by Euromonitor International, suggests that in 2014 the US economy saw its strongest growth since the start of the recession — a pattern that has continued this year. Coinciding with monthly job growth and the lowest unemployment rate since 2008, these factors combined have led to an increase in both consumer confidence and spend that retailers are eager to take advantage of through expansion.

But shoppers are still after bargains, leading to a particularly strong growth in expansion among value and discount retailers. “People are still trying to find a bargain, even though they are feeling better off. That bargain and discount mentality is entrenched,” says Neil Saunders, managing director of retail research agency and consulting firm Columino, which is based in the US.

“One of the most hungry segments for growth are the dollar stores, which are not online and are a very local proposition, but are very fast paced on opening,” Saunders adds. Family Dollar plans 375 new stores, while Dollar General, which tried to buy Family Dollar last year, is planning around 730 new stores, growing its footprint by 6%. Dollar General, which is also relocating or remodelling 875 stores,

revealed in August that it plans to add a further 7% in 2016.

The desire for value is driving international discount retailers’ growth in the US too. Aldi, for example, is succeeding where its fellow international grocery rivals have failed. It currently has 1,400 stores in 32 states, but plans a further 650 to take it to nearly 2,000 US stores by the end of 2018.

“The US market is very regional, fragmented and tough, but Aldi is seeing really good

growth and is one of the few foreign grocery retailers to have made a success of coming to the US,” says Saunders, who points out that many grocers have had to rethink their pricing strategies as a result.

It is a success that Lidl hopes to emulate. The retailer revealed in June that it had finally secured premises for its US headquarters and distribution centre. It is understood to be opening up to 100 stores initially, although reports have said the company could open 500 by 2018, with 2,000 by 2020.



Fast-fashion favourite, Forever 21 plans to double in size in three years

## CHICO'S PLANS FOR MORE GROWTH OUTSIDE ITS DOMESTIC MARKET

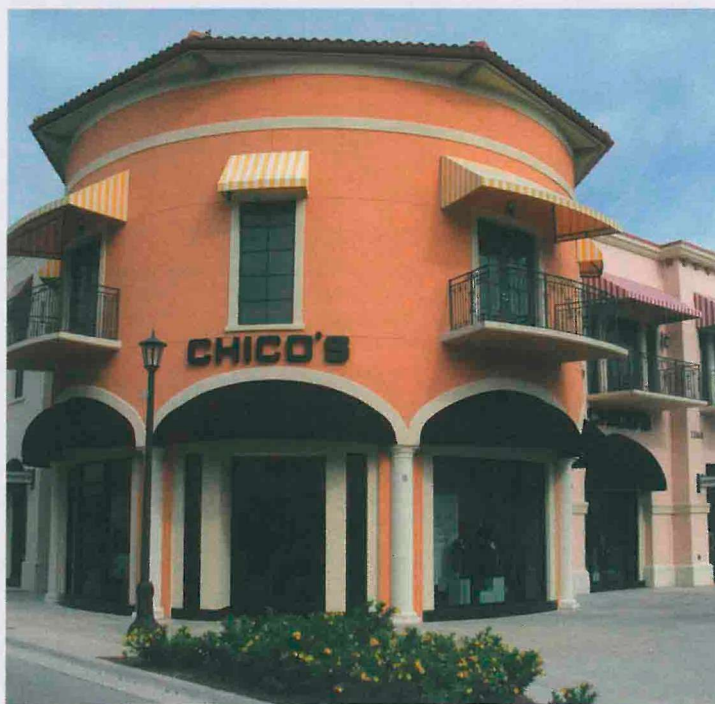
THIS IS Chico's second year at MAPIC and the company is coming to make connections, with the ultimate goal of finding the right franchise partners to help Chico's, White House Black Market and Soma continue to expand outside the US.

"Since our first Chico's boutique opened over 30 years ago, Chico's, and its sister brands – White House Black Market and Soma — have experienced fantastic growth, evolving from one boutique to over 1,550 boutiques and outlets throughout the US and Canada, as well as an online presence for each of our brands," says Eduardo Carneiro, senior director, international finance and business development, Chico's FAS. "Recently, we've expanded to markets outside of the US, including Canada and Mexico, where Chico's is performing as one of the top brands in Liverpool's Mexico portfolio. Our customer target is women 30+ years of age, a market that has been under-served in the fashion industry. Thus, we continue to look for international markets and franchise partners to make our boutiques accessible to style-minded women across the globe."

The company started on Sanibel Island, Florida, and expanded in resort locations, tapping into women who were on vacation. The boutiques feature comfortable areas for women to shop, including large and inviting fitting rooms, where associates are available to style the shopper.

"In international stores, we infuse local preferences and culture into our store design," Carneiro says. "For example, in

Mexico, we've paired Chico's core design elements with a more cosmopolitan look that fits the aesthetic preference of Mexican female shoppers. We've replaced distressed and natural wood with darker and polished tones. Our merchandise assortment is also carefully curated based on location."



Chico's: international and local

"We plan to build on the foundation that has made Lidl successful in Europe, while creating a unique shopping experience for American consumers that is unlike anything in the market," says John Froman, marketing manager for Lidl in the US.

Continuing the popularity of value entrants is the launch of Primark, which opened in Boston in September, a month after launching a US-dedicated website. The opening of the 77,000 sq ft four-floor store has brought to the US prices that are said to be 20% lower than Forever 21, 30% lower than Old Navy and 40% lower than H&M. "I think people were genuinely surprised about the prices and how low they were," Saunders says. "That does suggest that Primark has done in the US what it has done everywhere, which is trumped everyone else on price, the impact of which will ultimately bring down prices."

Primark is planning nine stores in the US by 2016, with the next one after Boston open-

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ing in the King of Prussia mall in Philadelphia — one of the biggest malls in the US — in November.

Primark is taking advantage of a trend for fast fashion in general, according to Jesse Tron, director of communications and media relations for the International Council of Shopping Centres (ICSC). "Where we are seeing the biggest movement is in fast fashion, with brands like H&M, Forever 21, Zara and now Primark, moving into malls and shopping centres," he says. It's a consumer-driven trend, he adds, observing that people are increasingly interested in making a few high-end purchases "and then filling in the rest of their wardrobes with high turnover goods".

TJX is also moving forward with a successful expansion in the US, while Forever 21 is continuing to push hard in both the US and internationally with plans to double in size with 600 new stores in the next three years.

At the higher end, UK entrants such as >>

## CHARMING CHARLIE OPENS ON FIFTH AVENUE

THE FLAGSHIP Charming Charlie — the retailer's first store in New York City — opened in June on Fifth Avenue. Callison designed the three-storey space with a grand staircase and seven themed fitting rooms. The global architecture and design firm collaborated closely with Charming Charlie to showcase the brand's fashions and accessories in a 16,000 sq ft (1,486 sq m) flagship.

Charming Charlie is a women's fashion, jewellery and accessories offer with nearly 350 stores in North America. The new design concept features curated displays of merchandise unique to the flagship.

"The Fifth Avenue flagship has the opportunity to capture and introduce the Charming Charlie experience to the tourists and locals that visit Fifth Avenue," says Tom Pulk, creative director at Callison's New York office.

The new design builds on the strategy of merchandising by colour. Vibrant hues are used strategically throughout the three-storey store to naturally direct the customer's eye to merchandise zones, which are organised and displayed by colour. "We set out

to create a whimsical introduction to the Charming Charlie brand that Manhattan's fashion-forward shoppers would remember," says Callison associate principal Leslie Ann Chiu, the lead designer on the project.



Charming Charlie: charming Fifth Avenue

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>> Hobbs and Reiss will be hoping to emulate the success of Ted Baker, which reported a 37.4% rise in US sales in its half-year results in October as it continues its own successful expansion.

Another huge trend that is driving retail expansion is “athleisure”, with retailers from Kit and Ace, Lululemon and Under Armour all growing strongly in the US. “In the last year, that’s really gained traction,” Tron says. And it is driving the expansion of like-minded retailers too, he adds: “In shopping centres, you are seeing more gyms and brands like this clustering, so you will get a gym, an athleisure retailer and a wellness type of retailer — that has been a real trend.”

This is also feeding through into general sports and fitness retailers, including the likes of Foot Locker. “It has driven a mini-boom among those retailers that are ex-

posed to that market,” Saunders says.

And it’s a trend that is hitting the UK and Europe, too. “The likes of Kit and Ace are looking at expanding across Europe,” says James Ebel, director of Harper Dennis Hobbs (HDH). He notes that Kit and Ace and Lululemon have both just opened in London, in Shoreditch and King’s Road respectively. “It’s a trend that’s not hit fully yet, but is definitely coming,” Ebel adds. HDH represents a number of US retailers that are expanding outside of the US into the UK and Europe, including American Eagle, J Crew, Forever 21 and Club Monaco. “All these are publicly listed companies that require growth and, to do that, they have to look at other markets,” Ebel says.

Another area to watch in the US is the growth of the healthcare and drugstore market as such stores become more central to everyday life. A number of US retailers in this space are now introducing healthcare and walk-in clinics. “It’s part of the move to

convenience,” Saunders says. “The likes of CVS aim to have 1,500 clinics by 2017, which is an enormous level of expansion. And Walgreens is also growing strongly and opening more clinics and health-benefit centres too.” The convenience drive is also spawning more convenience formats as customers turn away from big-box shopping. Walmart, for example, as well as opening around 70 supercentres this year, will also open around 180 to 200 smaller format neighbourhood market stores.

And traditional pure plays are moving into physical stores too. Examples include eye-glass retailer Warby Parker, which opened its first physical outlet in 2013 and, by the end of this year, will have around 20 stores in the US; and fashion retailers Bonobos and Nasty Gal.

Marc-Christian Riebe, founder, president and CEO of The Location Group, says Nasty Gal, which opened in November 2014, is a



Lululemon: growing strongly in the US

definite one to watch: “They are really exceptional and I am quite sure that they will open in Europe in two to three years time at the latest,” he says.

So what do retailers in the US need to offer to be successful in the market? Saunders says it’s a tough call: “The US market is very, very crowded and very competitive and each market is very difficult to do well in. That’s leading to a continued shake-out, including of the legacy retailers. What you need to be successful is price leadership, which is simple to say but operationally difficult to execute; a point of differentiation that has an element of added value, usually a combination of experience and really compelling products that people desire; and, underpinning that, you have to have an offer that is convenient in some way — ie, local, accessible or really strong e-commerce.” ■

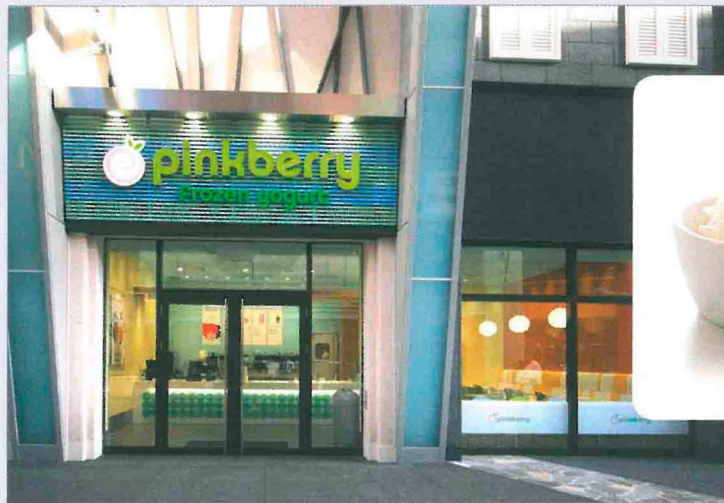
## PINKBERRY PARTNERS FOR EXPANSION

CALIFORNIA-based frozen-yoghurt specialist Pinkberry has expanded into 23 countries and opened its latest Japanese stores in the summer. However, vice-president of global development Ryan Patel says that it is finding the right partners that has done much to dictate the company’s geographical spread.

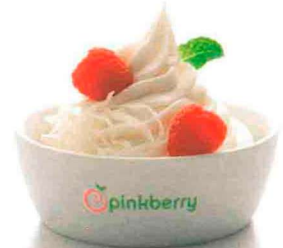
“Obviously we have a plan, but expanding effectively is really about finding the right franchise partner,” Patel says. “So for example, we’ve been able to grow in the Middle East with Alshaya and in Japan with Royal Holdings. Meanwhile, we’ve now grown to 20 stores in Latin America, having found a good partner in that region [Peru, Chile, Panama, Dominican Republic, Puerto Rico and Venezuela].” Pinkberry has now started to open

airport stores, including outlets in Dubai, Kuwait, Los Angeles and Atlanta. Patel also identifies Asian markets such as Thailand, the Philippines and India as countries to which he would like to take Pinkberry. That said, “the UK could be next”, he explains, as a potential partner has now been found.

Closer to home, Patel says the US openings are less about growth and more about adjusting a mature portfolio to optimise the estate. “The mood is pretty upbeat in the US at the moment,” he adds, while emphasising that retailers need to be on their game to attract shoppers. “But if you want to get the US consumer spending, you need the right product, the right concept and the right service.”



Pinkberry: on a global roll



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Neil Saunders