

# When trends run express: choices of retail

The retail sector is running out of reasons to stick to the tried and tested. The economy is stagnating, competition is growing, consumers are changing, developers are trying hard to impress... All this means it is time to head off in new directions — conceptually and geographically. As the winds of change pick up, tenants put trust in various strategies, sometimes in diametric opposition, try to be ahead of the times or fall for the old errors. We spoke to **MARINA MALAKHATKO**, Head of Business Development, Commercial Real Estate Division at Jones Lang LaSalle, on the exciting developments in the industry.

## Luxury is a luxury

One important news for the market is that stores in the luxury segment are withdrawing from Russian regions. For two main reasons. First, there is simply no target audience there for expensive brands. Consumers who can afford to buy luxury items prefer to buy them in Moscow or St. Petersburg or, best of all, in Europe. Second and logically related — their turnaround is low.

If you need an example, I can point to the closing of Chanel, Fendi and Bottega Veneta boutiques at Yekaterinburg's Luxury gallery, run by Forum Group, in 2013.

## Pool work

More and more retailers set up new product lines as independent retail formats or open stores specially for particular audiences without first testing the line at the mother store. LPP S. A (Sinsay), Incity (Deseo), H&M (H&M Home), Carlo Pazoni (Carlo Pazoni Accesozize) and others have done that. Stores under the umbrella brand Mango — Touch, Violeta, He and so on — have taken off pretty well in Russia. And that's how it should be — Mango is as strong a fashion brand as Inditex.

Men's fashion is waxing important these days — men have begun to look

after themselves more, pay attention to clothes and appearance. In consequence men's collections are selling better in Europe, and turnaround of retailers who carry them is going up. Michael Kors is very likely to start launching stores with men's accessories. The brand has no direct competitors, so the format has a lot of promise. Today our market's most interesting monobrand is Dr Koffer, Tumi and Piquadro. In terms of economic efficiency, small stores must usually bear high rent, but in the case a retailer brings a whole pool of brands to a shopping center he can hope for a better offer.

The point of this approach is mostly to segment the offering range and appeal to different audiences. Take LPP for example: Sinsay sells clothes to teenage girls, Reserved is for everybody, Cropp Town and House are more popular with men, and Mohito is gradually moving over to the Middle-Up. It's a way to spread risks. When a retailer puts all brands in one store, it's difficult to reach every audience, so the company ends up focusing on a single price segment that more or less fits the bill.

## All together now

On the other end of the spectrum you get retailers who enlarge their stores 1.5–3 times and put every line they've got there. This is true for some Russian companies like Tvoe, also for Ostin, Gloria&Jeans,

Incity, Befree, Oggi. Deseo has been discussed above. Retailers set up larger stores to secure a better rent and improve positioning. For example, Incity is positioning itself on regional markets as a player on the level of Inditex, and sometimes the company gets good locations on the first floor. By the way, in the regions Bershka and Ostin are in the top 5 most wanted brands list.

International companies since their arrival in Russia have also gotten bigger: Mango, Reserved, H&M, Inditex group have expanded all of their stores.

## Electronics in a pillbox

Electronics stores, on the other hand, are getting smaller, which obviously has to do with online trade. MediaMarkt's stores have shrunk by half. Their smallest outlets now take up about 2.1 thousand square meters. M. Video is willing to consider locations of 1.5 thousand. Both companies are paying higher rent now. It's interesting how retailers in this segment now often put two stores in the same shopping center, although two electronics stores even in a 100K GLA shopping center is, well, a hard sell. There are some examples of shopping centers where that was done: Gudok in Samara, Planeta in Ufa, OZ Mall in Krasnodar, Moscow's Vegas and so forth.