

INTERVIEW

Fashion retailer Benetton's latest store opening in Moscow signals ambitious plans for expansion in Russia and elsewhere. By **Gemma Goldfingle**

Benetton nails Russian colours to its mast

Economic sanctions, the falling value of the rouble and political unrest may seem like good reasons to avoid expansion in Russia. But Italian fashion giant Benetton has not been put off.

The retailer's new boss Marco Airoidi visited Moscow last week where he cut the ribbon on a new flagship store, a format that he plans to roll out across the world, and revealed plans to open 40 stores in the country over the next three years.

Airoidi, a former senior partner at Boston Consulting Group, joined Benetton in May. His arrival heralded a restructure of the group under which it will separate into three divisions next year: clothing, manufacturing and retail.

He is still finalising his plan but in retail Airoidi is committed to upping Benetton's focus on company-owned stores, building its presence in fast-growing emerging markets and rolling out its new store format. The Moscow opening covers all three aspects of the strategy.

Long-term opportunity

Benetton's expansion in Russia may raise eyebrows. Until recently the country was near the top of many retailers' expansion hit lists. But the ongoing conflict with Ukraine has caused some to put their plans on ice.

Just a couple of months ago New Look boss Anders Kristiansen told *Retail Week* he had "paused" the retailer's Russian launch – the country was one of four New Look had identified for overseas growth – because of the situation.

Airoidi is not burying his head in the sand when it comes to Russia's challenges.

"It's not true that we are without concern," he admits. "I would be much more confident if there were no problems in Russia. It's hitting our profits. It's painful. But we want to look at things with a longer-term horizon.

"Russia clearly has growth potential higher than the rest of Europe. Is it now in a difficult situation? Yes, of course. But if we look in three, five, 10 years, there will be growth."

Benetton, which has 6,500 stores worldwide, was one of the first western brands to enter Russia when it launched there in 1992. It now has 108 stores in the country.

"Russia is an important market for us," he says. "The brand equity in the Russian market is very high, not only in terms of awareness but in terms of conversion. The percentage of people who are interested in buying Benetton is almost as high as in Italy."

Of course in the often chilly Russian climate it helps that Benetton has strength in knitwear and local ladies have a penchant for colour – another thing the retailer is famous for.

Former Inditex brand director in Russia Ruslan Malich was hired by Benetton earlier this year to spearhead expansion in the country. The Moscow native believes there is still much opportunity in his homeland. "It's a big market and it is still to be developed. There are 20 cities with big populations – 500,000 people – that have no shopping centres and this is a market that likes fashion," he says.

However, even in developed areas like Moscow and St Petersburg there are opportunities, he believes. "There are over 90 shopping centres in Moscow. We have six stores in Moscow. Is there potential to grow? I think so."

But the tumbling value of the rouble has hit the Russian consumer. "I have to pay a little bit more on food on clothing. Is it good? No. Is it manageable? Yes. You have to adjust," says Malich.

He says Benetton, which buys in euros and sells in roubles, has not altered its prices but admits it is watching the market and competitors' price changes closely.

A fresh approach

Benetton's approach to Russia, and in fact all its international operations, has changed radically.

Until earlier this year, it relied solely on franchisees to sell its brightly coloured wares in the country. But now it is opening its own stores. It has eight so far, including the latest flagship on Tverskaya, Moscow's answer to Regent Street.

Benetton plans to close around 25% of its fran-



"The store is a lab. In stores you can test, learn and improve"

Marco Airoidi, Benetton

chised stores. Its reliance on franchisees is thought to have been a hindrance – in recent years it has been dwarfed by rivals including H&M and Inditex-owned Zara. It is understood that its distance from the customer made it struggle to keep up with evolving fashion tastes.

Now Airoidi is committed to having directly managed stores in all of Benetton's major markets.

"We didn't do it in the past as it was not in the tradition of the company. We were born as a wholesale company. By directly managing the store, you get to understand the consumer and we need to understand the consumer," he says.

"The store is a lab. In stores you can test, learn and improve. To test with the consumer directly takes you a very short time. Go to the store and you will get the answer."

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Benetton's new Moscow flagship on the popular shopping street Tverskaya

TARGETING EMERGING MARKETS

Russia is not Benetton's only expansion target. Airoldi is plotting more stores in other growth countries such as India and Mexico.

"One of the key elements of my strategy is focus. We're focusing on a few markets," he says.

As in Russia, Benetton is benefiting from an early-mover advantage in India. It was one of the first Western retailers to enter the country and claims it is the number one fashion brand there.

"We are not only present in the large towns but the medium-sized towns. That's a strength. We're in an ideal position to capture growth that will come from second-tier cities," says Airoldi.



Benetton has been conducting an ambitious experiment over the past year with the development of its new store format.

The Moscow branch is one of only a handful in the world to adopt the new design. The On Canvas format, which was piloted in Milan in the spring, is "entirely Italian in terms of style,

design and elegance" but its movable elements make it flexible and adaptable, Airoldi says.

The clothes are displayed on movable metal tubes. And rather than displaying products according to category, the format showcases them by themes and colours, and features total looks across clothing, footwear and accessories.

Benetton's famous multicoloured wares feature strongly in its Colour Room, a dedicated area that showcases every shade of sweater and cardigan.

Brand showcase

Airoldi says he cannot take credit for the format, which was developed before he arrived at Benetton, but he is impressed with it. "The results so far have been very positive. Even beyond our expectations," he enthuses.

Valentina Soster, Benetton's creative director, says: "The speed at which we sell our items is twice as fast as in a traditionally laid-out store."

That has given Airoldi confidence to roll out the format. Stores in Paris, Madrid and Lisbon are in the offing, as well as three more in Moscow.

Airoldi says he also hopes to bring the format to the UK soon.

"The idea is to have it as the new concept for the consumer but also to have it as the new showcase for our partners," he says. "Every store will ideally have this format. Whenever there will be a new store it will have this concept. In Italy, abroad and hopefully with our franchise partners."

The retailer will soon start pushing for franchise partners to adopt the format once it has optimised the cost of the revamp, Airoldi says.

With a sleek new store estate on the cards, Benetton hopes to catch up on rivals Zara and Gap and retain its position as a global fashion leader. ■